Canaccord Genuity Wealth Management

Multi-Asset Fund of Funds

Risk Profile 4 Strategy

MARCH 2023

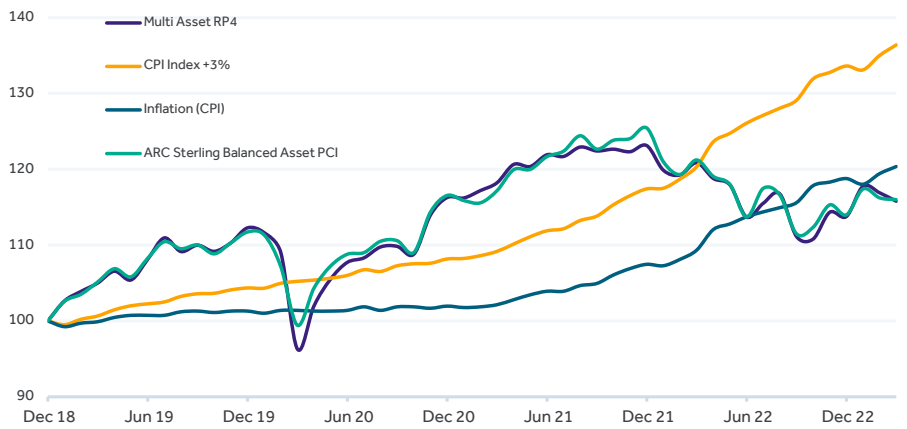
Overview

The Fund will seek investment opportunities globally and comprise, but not be limited to, a balanced blend of actively managed Equity Investment funds, Index Linked Gilts funds, Fixed Interest funds, Property funds, Commodity funds and Absolute Return funds established in Europe.

Investment Objective

The Fund aims to preserve capital and deliver returns in line with the UK Consumer Price Index plus 3% (after fees), over a seven-year investment period, by investing in a range of other funds. The Fund aims to generate the returns through diversified investments with a maximum equity weighting of 55%.

Net Performance Chart



ARC data is confirmed until December 2022. From January 2023 to March 2023 the data is based on estimates from ARC and are subject to change.

Performance

CUMULATIVE NET PERFORMANCE

	1 Month	3 Months	6 Months	1 Year	3 Years	ITD*
Strategy	-0.95%	1.77%	4.18%	-4.20%	20.23%	15.78%
Inflation	0.78%	1.34%	4.12%	10.08%	18.69%	20.35%

Past performance is not a guide to future performance.

Inflation Source: CPI from the Office for National Statistics. Crown Copyright material is reproduced with the permission of the Office of Public Sector Information (OPSI). Reproduced under the terms of the Click-Use License.

Annual volatility statistics are reported on a rolling 12 month basis. Annual Volatility is a measure of the price variation of an investment over time. It is a contributor to defining the risk characteristics of a specific asset class or a portfolio of diverse investments.

#Underlying Fund Costs are external costs levied by third party fund managers for providing collective investment schemes for your investment portfolio and include: fund expenses incurred by third party fund managers, transaction costs as a result of acquisition or sale of assets and incidental costs, which include third party performance fees.

*Inception to Date. Performance is measured from Inception Date, which is 31/12/2018.

Unless otherwise stated, all data is from Interactive Data as at 31/03/2023.

All performance figures shown on this factsheet are net of annual management fees.

STRATEGY CHARACTERISTICS

Launched	December 2018
Target Return	Inflation +3%
Max Equity	55%
Estimated Yield	1.76%
Recommended Investment Period	7 Years
ISA Eligible	Yes
Share Classes and type of shares*	A Accumulation Shares B Accumulation Shares
A Share Class ISIN	GB00BFZNGQ60
B Share Class ISIN	GB00BFZNGR77
A Share Class SEDOL	BFZNGQ6
B Share Class SEDOL	BFZNGR7

*Class B Shares are only available to clients via a platform.

FUND CHARGES (Direct) – A Share Class

Annual Management Charge	0.50%
Underlying Fund Costs#	0.82%
Total	1.32%

FUND CHARGES (via platform) – B Share Class

Annual Management Charge	0.35%
Underlying Fund Costs#	0.82%
Total	1.17%

The total cost via platform excludes platform fees.

MINIMUM INVESTMENT

Minimum Investment	£1,000
Subsequent	£1,000
Minimum trade size	£25

DISCRETE NET PERFORMANCE

	ANNUAL RETURN	ANNUAL VOLATILITY
2019*	12.28%	5.00%
2020	3.56%	15.54%
2021	5.89%	2.63%
2022	-7.59%	7.94%
2023	1.77%	8.49%

defaqto EXPERT RATED ★★★★★ DFM Bespoke 2023
defaqto EXPERT RATED ★★★★★ DFM MPS Direct 2023
defaqto EXPERT RATED ★★★★★ DFM MPS on Platform 2023
defaqto 2023 GOLD DFM Service

ASSET ALLOCATION

TOP FIVE HOLDINGS

FUND	ALLOCATION
Artemis Income	5.75%
TwentyFour Core Corporate Bond Fund	5.50%
Fidelity Global Inflation Linked GBP H	5.00%
Invesco Sterling Bond S GBP QD	5.00%
Neuberger Berman Short Duration EM Debt	4.00%

Market View

When central banks raise interest rates, things break. We are now coming to the end of the most aggressive interest rate hiking cycle ever and the full impact of these rate hikes is yet to be felt. It is generally extremely difficult to tell where and when these breaks will occur. In early March in California, a couple of small/medium sized regional banks broke – Silvergate Bank and Silicon Valley Bank (SVB). These failures briefly derailed the financial system, spreading across the US and into Europe. Global equities perhaps counterintuitively finished the month in positive territory, up 0.93%. This was following a strong start to the month before the crisis hit. Global bonds finished up 2.12% for the month. There were rumblings under the covers of these headline returns.

The US banking system is less consolidated than many western economies; it is mostly made up of smaller regional firms. During hiking cycles there are multiple factors that lead to a natural decline in bank deposits. One of the more significant of these, in this case, is that as interest rates have risen, the more speculative, smaller and interest rate sensitive businesses (particularly in the technology sector) have suffered. This forced them to draw down their bank deposits to fund their ongoing business costs. These particularly interest rate sensitive businesses make up the concentrated client base of the failed Californian regional banks. Silvergate bank, SVB and Signature bank all collapsed during 8-12 March. They had invested a large proportion of their customer deposits into government bonds – these bonds were very interest rate sensitive and had one of the worst years on record last year. This would be fine if the banks held the bonds to maturity, as they would receive the par value of the bond back from the US Treasury to make up their losses. However, as bank customers began to withdraw their deposits, the banks were unable to fund the requests without selling their government bonds and incurring devastating losses. This created a contagion effect, which led to a bank run.

On 12 March, authorities stepped in to support the US banking system and boost liquidity. Although their measures reassured the broader banking system, it was not enough to hem the contagion across the Atlantic. Credit Suisse, which has suffered from entirely different issues to the US banks, began to see extreme deposit flows which took the bank to the brink of collapse. On 19 March, UBS stepped in to buy the failing bank for US$3.3bn. As part of the negotiation following the collapse of Credit Suisse, US$17.5bn worth of Credit Suisse AT1 bonds were written down to zero. This was a controversial decision by the Swiss regulator as AT1 bonds typically rank above equities in the capital structure hierarchy and the general expectation is that equity should be used up before the AT1 bonds are impacted. AT1 bonds, which were introduced as an additional capital buffer for banks following the global financial crisis, sold off significantly following the decision. Christine Lagarde, President of the European Central Bank (ECB), stepped in to reassure AT1 holders of European banks under the ECB's remit that the bonds would rank above equity holders in similar scenarios.

The actions of the regulators have restored stability, for now. The financial sector in the US remains discounted because markets still have concerns about the health of the US regional banking system. In monetary policy lore there is an unwritten rule that central banks should halt rate hikes when the first thing breaks. This was not the case in March, with inflation still too high to warrant an absolute end to the hiking cycle. The Federal Reserve, the ECB, Swiss National Bank and The Bank of England all hiked rates. The difficult questions now are what will break next – and when will it break.

Portfolio Activity

We added one new position in a defensive UK equity fund. This was funded through a reduction in existing positions in UK equity funds meaning our UK equity exposure was unchanged. Our positioning is currently defensive although there are pockets where we see attractive risk-reward. This tends to be in high quality credit. We are marginally light on equities given our cautious outlook and overweight diversifying alternatives.

In respect of all trading costs, recommended minimum investment levels and all other associated costs above those stated, please contact your Financial Adviser or Platform provider. The terms and conditions of each Platform provider differ.

Important information:

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Investment risk:

- The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money that he/she invests. Past performance is not a guide to future performance.
- Foreign currency denominated investments are subject to fluctuations in exchange rates that could have a positive or adverse effect on the value of, and income from, the investment.
- Investors should consult their professional advisers on the possible tax and other consequences of their holding any of the investments contained in this publication.

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