HC Verbatim Portfolio 7 Fund

verbatim
Asset Management

Fund Update

All fund data as at 31st January 2019 unless otherwise stated.

Fund Aim

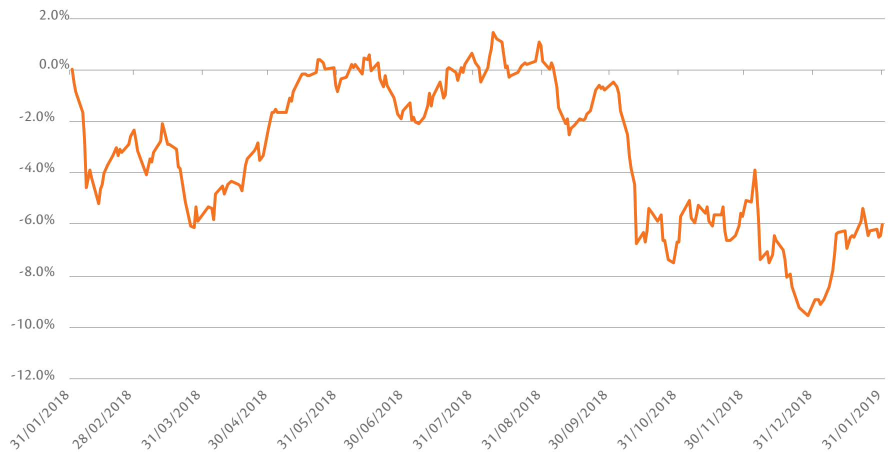
The Fund will use a broadly growth investment strategy with the aim of achieving capital growth over the medium to longer term.

Investment Approach

To generate the potential for high returns over the medium to long term by blending a diversified selection of funds, including quality UK and overseas equities. This portfolio is highly focused towards equities including overseas. Investors in this portfolio will accept the risk of substantial short to medium term losses in order to achieve their long term investment objective.

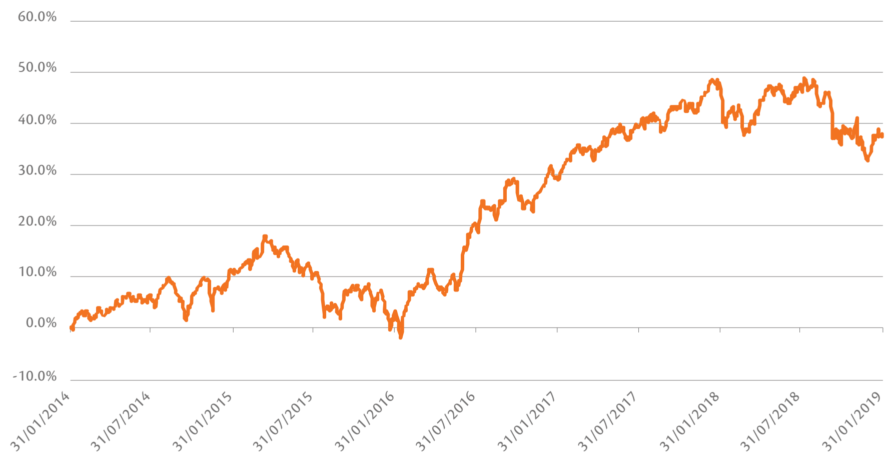
1YR CUMULATIVE PERFORMANCE

Performance from 31st January 2018 – 31st January 2019



5YR CUMULATIVE PERFORMANCE

Performance from 31st January 2014 – 31st January 2019



CUMULATIVE PERFORMANCE

Since trading (01/03/10)	83.9%
1 Year to 31/01/2019	-6.0%
5 Year to 31/01/2019	38.0%

DISCRETE ANNUAL PERFORMANCE

HC Verbatim Portfolio 7 B Acc	Total returns for the periods shown (Sterling)
01/02/2018 - 31/01/2019	-5.99%
01/02/2017 - 31/01/2018	13.34%
01/02/2016 - 31/01/2017	26.39%
01/02/2015 - 31/01/2016	-7.48%
01/02/2014 - 31/01/2015	10.73%

CHARGES

Share Class B (£) (Institutional) Annual charge	0.65%
TER (Institutional)	1.43%
TER Date	31/12/17

Source for performance graphs and data: Apex Fund Services (UK) Ltd. Fund data based on B Accumulation shares, percentage growth total return mid to mid in UK Sterling, with net income reinvested. Past performance is no guarantee of future performance.

HC Verbatim **Portfolio 7 Fund**

STRATEGIC ASSET ALLOCATION

The Strategic Asset Allocation shown is valid as at 31/1/2019

UK Government Bonds	3%
UK Corporate Bonds	3%
Global (Ex-UK) Fixed Income	6%
Global Property	10%
UK Equity	23%
Europe (Ex-UK) Equity	14%
North America Equity	17%
Developed Pacific (Ex-Japan) Equity	14%
Japan Equity	4%
Emerging Markets Equity	6%

KEY INFORMATION

Fund Managers	John Husselbee & Paul Kim *Liontrust Investment Partners LLP*
First dealing date	1 March 2010
Fund size (millions)	£41.03M
Comparative sector	IA Unclassified
Number of holdings	34
Ex-dividend date (first business day of the month)	Jan
Payment date (last calendar day of the month)	Feb
Product availability	ISA & OEIC sub-funds
Share type	Accumulation
ISIN number	GB00B3PVM139
Citicode	Institutional IBF9 Retail IBF8 Institutional B3PVM13
SEDOL codes	Retail B3PS571

TOP FUND HOLDINGS

Fidelity Investment Fund ICVC - UK-PA	8.09%
Fidelity Special Situations -W-Acc	6.21%
CF Lindsell Train UK Equity Inc	6.10%
Liontrust Macro Equity Income Fund INC - I GBPA	6.03%
First State Global EM Leaders - B- AGBP	5.32%
ARTEMIS GLBL EMRG MKTS-IAGBP	5.15%
Liontrust UK Growth Fund	5.01%
Liontrust Global Funds PLC - Asia Income Fund	4.43%
GLG Japan Corealpha AAX GBP	4.29%
Schroder AsiaPacific Fund Plc	4.20%
Fidelity Investment Fund-Index Emerg Market P Acc	3.37%
JPM US Equity Income-C-Acc	3.26%
Liontrust European Income Fund	3.26%
Liontrust GF High Yield Bond Fund	2.95%
Fidelity Investment Funds - Index Pac XJP -P Acc	2.73%

5 LIPPER CONSISTENT RETURN

5 YEAR PERIOD AS AT 31ST JANUARY 2019

The Lipper rating for Consistent Return identifies a fund that has provided relatively superior consistency and risk-adjusted returns when compared to a group of similar funds.

Source: www.lipperleaders.com

LIPPER

Market Commentary

Following a dismal December and fourth quarter overall, January saw something of a recovery in most markets despite most of the questions that dominated 2018 still lingering. A month ago, anything seemed able to drag equities down but markets were better able to take things in their stride in January, again highlighting the importance of ignoring short-term noise as far as possible.

The dreaded R word, yes you have guessed it, recession has begun to rear its ugly head in certain countries, including Germany, and fears continue to rise about China's slowing growth and growing debt crisis. As the three-month ceasefire on trade comes to an end, all eyes are on the world's two largest economies, particularly with the US engaged in the longest federal government shutdown in history for much of January.

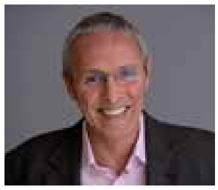
A first encouraging sign came at the World Economic Forum in Davos, where Chinese vice president Wang Qishan said the country's relationship with the US is indispensable and "confrontation harms the interest of both sides". Talks began at the end of the month and both parties came out hailing progress, with China's pledging to buy more US soybeans. If we get to March with – another – no deal situation, US tariffs on $200bn of Chinese goods will increase from 10% to 25%.

A positive take on trade, as optimists have suggested throughout, is that US and China will step back from the brink before doing serious damage. Beyond squabbling over tariffs however, there is a counter argument that the spat actually highlights a far deeper fracture in the relationship as US learns to deal with a shift away from decades of global hegemony.

This has been referred to as the Thucydides Trap after the Athenian historian, a theory that when one great power threatens to displace another – the rise of Athens culminated in the Peloponnesian War of 431-404 BC against the Spartans – conflict has proved inevitable. These stories bring back fond memories for me as the house system at school was based upon Athens, Sparta, Tuscany and Troy: for the record, I was a Trojan.

Where there have been rare exceptions down the centuries – the US overtaking the UK at the turn of the twentieth for example – strategic imagination was required to sidestep catastrophe and we can only hope the participants this time are able to follow suit.

John Husselbee
Liontrust Investment Partners LLP



Paul Kim
Liontrust Investment Partners LLP

Fund Managers

John and Paul are managers of the portfolio growth funds at Verbatim and are two of the most high-profile multi-asset managers, with 62 years of combined investment experience. Since being selected to manage the funds, they have grown in stature, obtaining top performance ratings from Morningstar and Lipper. In 2017, the entire fund range was rated by RSMR, one of the leading fund research agencies.

John has been Head of the Multi-Asset team at Liontrust since 2013, with Paul joining at the same time as fund manager. John was previously Director of Multi-Manager Investments at Henderson Global Investors and launched the portfolio management service at Rothschild Asset Management. Paul was previously Head of Fund selection and Multi-Manager at Liverpool Victoria Asset Management (LVAM).

Market Commentary

As has become the norm, the Brexit situation soured another month in the UK, with the Prime Minister losing the vote on her Withdrawal Act by a huge margin and then winning the subsequent vote of no confidence in the government, continuing the sense of impasse that surrounds the situation.

Notwithstanding the view of one of our underlying fund managers that every ten minutes spent talking about Brexit is ten minutes wasted, we felt things have played out as expected in recent weeks.

Theresa May knew she was likely to lose the vote on her Plan and yet felt confident enough to indulge in a spell of brinkmanship with Jeremy Corbyn. Labour duly lined up to trigger a vote of no confidence in the government but, like Turkeys unwilling to vote for Christmas, few Conservatives were willing to vote themselves out of power and hand Corbyn the keys to number ten.

Later in the month, the Prime Minister won a vote to resuscitate her deal and will head back to Brussels with “alternative arrangements” to the dreaded Irish backstop. A range of other proposed amendments were voted down – including Labour-led plans to extend Article 50 – and some sort of cross-party arrangement looks necessary to get a deal through. Meanwhile, Parliament said it would not support the government if it pursued a no-deal but we have no idea what that would mean in practice: in the meantime, another month passes with no resolution to a situation that may have already done generational damage to faith in the political classes.

Across the Atlantic, patience appears to have become the new motto of the Federal Reserve, seemingly featuring in every speech from an official since Q4 market turmoil, and comments at the end of the month bore this out as the Bank appeared to suspend plans to keep hiking rates over 2019.

Just a few weeks ago, supporting the December rate rise, Fed officials said they forecasted two further hikes in 2019, stressing that further “gradual” increases were appropriate. In an apparent U-turn sure to delight President Trump after months of criticising policy, Fed Chair Jerome Powell now says the Bank has the luxury of patience – that word again – in deciding whether to raise rates again. “The case for raising rates has weakened somewhat,” he added, pointing to sluggish inflation, slowing growth in Europe and China, and the possibility of another federal government shutdown and stressing the Fed’s overarching goal to sustain the economic expansion.

As we have written recently, 2018 saw a rare confluence of fear and greed joining forces, with the majority of the former in the US as it continued to surge ahead. Over the coming year, we expect the growth gap between the US and the rest of the world to narrow, with factors such as tightening policy and weaker oil prices playing a part – and it remains to be seen how that impacts the market. We have been underweight the US for some time on valuation grounds, which was a drag on our portfolios through last year as technology stocks surged ahead.

Looking to the rest of 2019, we have long said the global economy has entered the latter stages of the cycle – albeit with the US some distance ahead – but late-cycle phases can last a while and we continue to see no substantial signs of broad global recession. As Pimco wrote in its recent 2018 outlook, the “expansion is old but it has been ageing gracefully so far”.

As we saw from the final quarter of 2018 however, broader recession is not needed for markets to enter panic mode and we feel a noise-cancelling mindset may become ever more necessary in the months ahead. Ultimately, I feel the year with depend on the outcome of three Rs: **rates**, as the Fed and other central banks either accelerating or decelerate monetary tightening, **recession**, whether we fall into prolonged slowdown or not, and **resolution**, can those lingering questions we mentioned at outset be resolved successfully.