

MULTI ASSET OPEN GROWTH FUND W - ACC SHARES

30 SEPTEMBER 2019

Portfolio manager: Bill McQuaker, Ayesha Akbar

Performance over quarter in GBP (%)

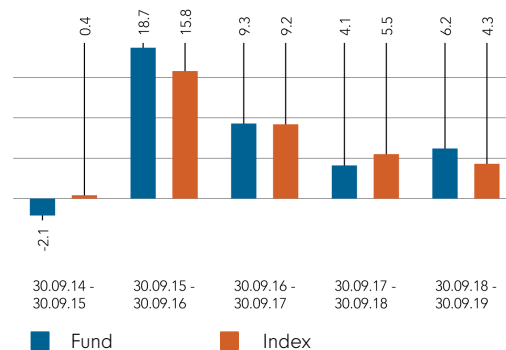
Fund	1.9
Market index	2.0

IA Mixed Investment 40-85% shares

Market index is for comparative purposes only.

Source of fund performance is Fidelity. Basis: bid-bid with income reinvested, in GBP, net of fees. Other share classes may be available. Please refer to the prospectus for more details.

Performance for 12 month periods in GBP (%)



Market Environment

Global equities performed positively over the quarter, supported by the accommodative monetary policy stance of major developed market central banks. However, global economic concerns, trade issues, uncertainty over Brexit and geopolitical tensions in the Middle East kept markets volatile. Notably, the US Federal Reserve reduced interest rates twice over the quarter amid concerns about slowing global growth and the trade war with China. The European Central Bank unveiled stimulus measures to support growth and inflation. The Chinese central bank cut the reserve requirement ratio to boost liquidity and introduced a key interest rate reform to reduce real borrowing costs. Central banks in Japan and England also indicated the possibility of rate cuts. Against this backdrop, Japanese and US equities were the leading performers, while Pacific ex Japan stocks lagged the broader market. Emerging markets underperformed developed markets. At a sector level, utility stocks were the best performers, followed by consumer staples. All asset classes ended the quarter in positive territory. Returns in sterling terms were supported by its depreciation against the US dollar and the yen, but undermined by its appreciation against the euro.

Fund Performance

The fund generated positive absolute returns over the quarter, but underperformed the average fund in its investment association (IA) peer group.

Hedging assets buoyed performance

The exposure to gold and global aggregate bonds added value. Elsewhere, the allocation to cash, government bonds and a third-party fund that exploits volatility as a source of returns was unrewarding.

US equity exposure was a key contributor

The underlying managers' holdings in the communication services and consumer staples sectors were the key contributors to performance. For example, positions in Alphabet and PepsiCo within the communication services and consumer staples sectors, respectively, enhanced gains. However, a short position at the portfolio level in the PHLX Semiconductor sector index hampered performance.

UK equities supported returns

The underlying managers' holdings in the health care and consumer discretionary sectors were the key contributors to performance. At the stock level, defence engineering group Ultra Electronics added value after it reported strong profit growth in the first six months of the year and increased its interim dividend. The company, which derives a large proportion of its revenue from the US defence market, has started to reap the benefit of an increase in defence spending by the US government in the last two years. However, the holding in Pearson weighed on returns. Shares in the educational publisher fell as it issued a profit warning in late September after seeing weaker trading in its US higher education courseware business.

Fund Positioning

The fund is managed using a team approach. We can take a flexible approach to asset allocation, adjusting the exposure in response to unfolding market conditions. We also have the ability to invest in both traditional and non-traditional asset classes (such as alternatives). The aim is to achieve a specific level of return for investors, which captures capital growth while also managing risk in falling or more volatile market environments. Flexible asset allocation and strategy selection are the main drivers of performance.

Positioned with downside protection

It is important for investors to remember that the US-China trade dispute is a major conflict in the context of a growing international era of protectionism. This conflict may often involve the US, but not always. Brexit and the Korea versus Japan dispute are reminders of this reality. Given this backdrop, our focus remains on protecting investors' capital, rather than being heavily committed to the risk rally. We continue to see defensive assets such as gold as attractive, and focus on downside protection.

Change in underlying holdings within equity regions

Within the US, we added to the long position in the IXM Financial Select sector index. Meanwhile, we sold a short position in the S&P 500 Software & Services Select Industry index. Elsewhere, we added to the short position in Euro Bunds.

Important Information

Past performance is not a reliable indicator of future results. The fund's returns can be affected by fluctuations in currency exchange rates.

The value of investments and any income from them may go down as well as up and an investor may not get back the amount invested. The use of financial derivative instruments may result in increased gains or losses within the fund. There is a risk that the issuers of bonds may not be able to repay the money they have borrowed or make interest payments. When interest rates rise, bonds may fall in value. Rising interest rates may cause the value of your investment to fall. The investment policy of this fund means it invests mainly in other funds or invests mainly in units in collective investment schemes.

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