Multi Asset Income Fund W Income Shares

30.09.2023 Quarterly Performance Review

For Investment Professionals Only

Marketing Communication

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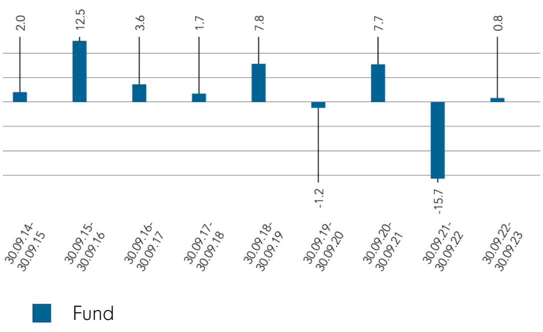
Performance over quarter in GBP (%)

Fund	-0.1
Market index	-

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 started the period on a positive note, supported by healthy corporate earnings and expectations that the current monetary policy tightening cycle is nearing an end. However, markets fell in August and September, as resilient economic data raised prospects for inflation to remain elevated and global central banks reinforced their 'higher for longer' stance on interest rates. A rating downgrade of US government debt, China's sluggish economic data and renewed stress in its real estate sector kept markets volatile. Against this backdrop, Europe ex-UK and Pacific ex-Japan underperformed, while equities in Japan outperformed other regional markets. Global fixed income markets remained volatile and posted mixed returns over the third quarter. The period started on an optimistic note on the back of strong corporate earnings and receding recession risks in light of healthy labour markets, resilient growth and weakening inflation prints. Soon after, sovereign bond markets sold off amid the US Federal Reserve's (Fed) hawkish stance and the US government's long-term debt rating downgrade by Fitch. The US Fed raised interest rates by 0.25 percentage points in July and paused rate hikes in September. However, the central bank indicated that interest rates would stay higher for longer and said that it still expects one more hike before the end of the year and fewer cuts than previously indicated next year. Against this backdrop, yields continued to rise; 10-year US Treasury yields rose to 16-year highs of above 4.50%.

Fund Performance

The fund continued to deliver on its primary objective of generating an attractive level of natural income. Total returns fell marginally, primarily due to our standard approach of hedging non-sterling exposure from fixed income assets.

Growth assets supported performance
Positions in energy, financials and Japanese equities added notable value, supported by higher oil prices, rising US Treasury yields and a dovish Japanese central bank. Meanwhile, UK equities proved rewarding as economic data was better than expected. Within alternatives, while music royalties added value, infrastructure holdings detracted from returns due to bond market volatility.

Defensive assets proved rewarding
Investment grade bonds contributed to performance as credit spreads narrowed. The allocation to mortgages/asset-backed securities also enhanced gains. Conversely, the position in US government bonds weighed on returns, as US Treasury yields rose sharply. The managers continue to actively manage the interest rate risk in the portfolio.

Yield assets added value
US high yield bonds proved rewarding due to narrowing credit spreads. Conversely, Asian high yield bonds dampened performance amid volatility in the Chinese property market. The allocation to emerging market local currency debt held back gains due to negative currency returns and higher local yields. Elsewhere, holdings in loans, structured credit and hybrid bonds had a negative quarter in local currency terms. Returns on a sterling basis were positive due to the weak sterling.

Fund Positioning

A tight monetary policy is helping to cool inflation, but corporate risks are rising. We remain cautiously positioned but are taking selective risks. We are cautious on equities as risks build, including poor seasonality, weaker economic data, tighter liquidity and extended valuations. We are also cautious on credit risk.

Asset class changes
The exposure to Growth assets was increased, while that to Defensive, Yield assets and hedges was trimmed.

Changes to underlying holdings
The managers maintain their preference for quality dividend equities and added to a global dividend strategy where valuations are attractive. They continue to like energy names, as well as Japanese and European banks, but took some profits following the strong performance of these sectors. Meanwhile, the exposure to Brazilian equities was increased, while that to Chinese equities was reduced. The managers dynamically managed equity hedges by selling positions in Europe while reintroducing a US hedge due to ongoing inflation concerns. Among Defensive assets, the managers tactically adjusted duration exposure, rotating the allocation to UK investment grade bonds into US government bonds following the selloff and took profits from a short bund position. Within Yield assets, the managers continue to like emerging market local currency debt, but they trimmed the exposure as rising US yields can put further pressure on the asset class. Instead, the managers added to short dated US high yield bonds as the US dollar strengthened. The managers also gradually reduced the position in Asian high yield bonds amid a selloff in China's property sector.

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Past performance does not predict future returns. The fund's returns may increase or decrease as a result of currency fluctuations. The investment which is promoted concerns the acquisition of units or shares in a fund, and not in a given underlying asset owned by the fund.

The value of your investment may fall as well as rise and you may get back less than you originally invested. The use of financial derivative instruments may result in increased gains or losses within the fund. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be more difficult to value or sell at a desired price. This could affect the fund's ability to meet redemptions in a timely manner. 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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