HC Verbatim Portfolio 6 Fund

verbatim
Asset Management

Fund Update

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

Fund Aim

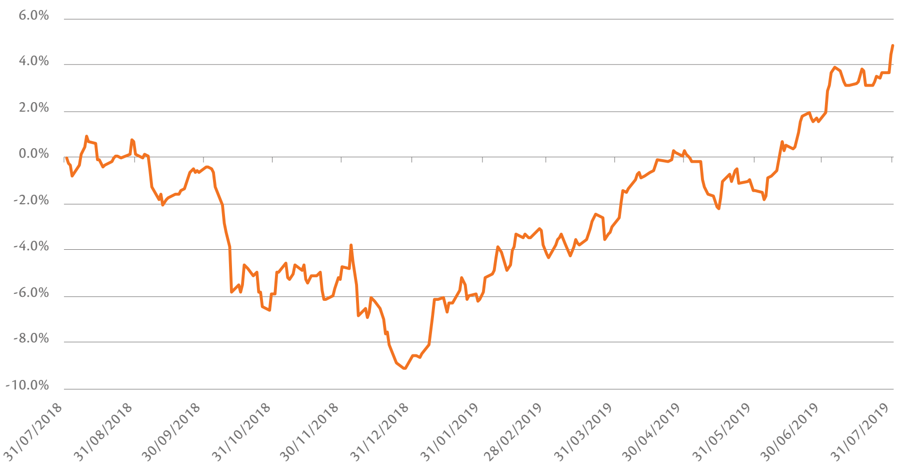
The Fund will use a broadly balanced investment strategy with the aim of achieving capital growth over the medium to longer term.

Investment Approach

To generate the potential for above average returns over the medium to long term by blending a diversified selection of funds, including quality UK and overseas equity and bonds. This portfolio is focused mainly towards equities including overseas. Investors in this portfolio will accept the risk of short to medium term losses, which may be substantial with the aim of achieving their long term investment goals.

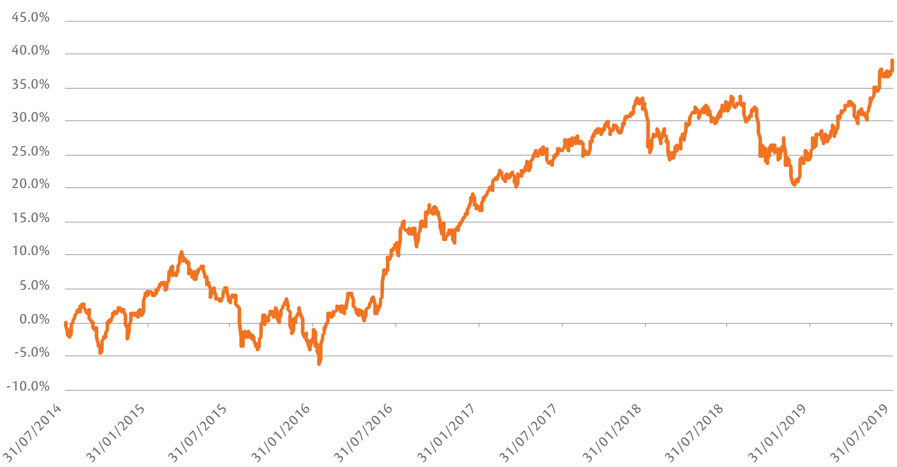
1YR CUMULATIVE PERFORMANCE

Performance from 31st Jul 2018 – 31st Jul 2019



5YR CUMULATIVE PERFORMANCE

Performance from 31st Jul 2014 – 31st Jul 2019



CUMULATIVE PERFORMANCE

Since trading (01/03/10)	85.5%
1 Year to 31/07/2019	4.8%
5 Year to 31/07/2019	39.0%

DISCRETE ANNUAL PERFORMANCE

HC Verbatim Portfolio 6 B Acc	Total returns for the periods shown (Sterling)
01/08/2018 - 31/07/2019	4.85%
01/08/2017 - 31/07/2018	5.53%
01/08/2016 - 31/07/2017	12.58%
01/08/2015 - 31/07/2016	7.73%
01/08/2014 - 31/07/2015	3.56%

CHARGES

Share Class B (£) (Institutional) Annual charge	0.65%
TER (Institutional)	1.38%
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.

STRATEGIC ASSET ALLOCATION

The Strategic Asset Allocation shown is valid as at 31/07/2019

Cash	7%
UK Corporate Bonds	12%
Global (ex-UK) Fixed Income	7%
Property	10%
UK Equity	13%
Europe (ex-UK) Equity	7%
North America Equity	21%
Japan Equity	5%
Developed Pacific (ex- Japan) Equity	10%
Emerging Market Equity	8%

KEY INFORMATION

Fund Managers	John Husselbee & Paul Kim *Liontrust Investment Partners LLP*
First dealing date	1 March 2010
Fund size (millions)	£54.39m
Comparative sector	IA Unclassified
Number of holdings	33
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	Institutional GB00B3MPJG29 Retail GB00B3PRL253
Citicode	Institutional IBF7 Retail IBF6
SEDOL codes	Institutional B3MPJG2 Retail B3PRL25

TOP FUND HOLDINGS

JPM US Equity Income-C-Acc	6.43%
Fidelity Investment Funds ICVC - Index US	5.33%
Liontrust European Income Fund	5.12%
Liontrust Global Funds PLC - Asia Income Fund	4.80%
Fidelity Investment Funds - Index Pac XJP -P Acc	4.76%
UBS US Growth Fund-C Acc	4.59%
Schroder AsiaPacific Fund Plc	4.36%
Sterling	4.24%
Royal London Corporate Bond Fund M Inc	4.13%
AXA Sterling Buy and Maintain Credit Fund CR-ZAG	4.01%
Fidelity Index EU XUK - P Inc	3.88%
ARTEMIS GLBL EMRG MKTS-IAGBP	3.78%
First State Global EM Leaders - B- AGBP	3.35%
Jupiter European Opportunities Trust Plc Ord 1p	3.35%
Legal & General Sterling Corporate Bond Index -I-I	3.27%

5 LIPPER CONSISTENT RETURN

5 YEAR PERIOD AS AT 31ST JULY 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

RSMR FUND RANGE

Market Commentary

In a month where the S&P 500 hit yet another high, breaking the 3000 level for the first time, it seems odd to have to point out just how delicately poised markets remain.

For now, increasing dovishness and largesse from central banks is proving strong enough to counteract the impact of trade fears and the Brexit saga in the UK – but how long this economic seesaw remains balanced is anyone's guess. As we saw at the end of last year, even a suspicion of policy tightening from the Federal Reserve was enough to send markets into panic mode.

First out of the gates was the European Central Bank (ECB), which left benchmark rates unchanged but hinted at future action, which many expect means a cut at the next meeting in September. Markets had been watching for the Bank's reaction to slowing eurozone growth and president Mario Draghi indicated he could also revive the €2.6tn quantitative easing (QE) programme in the coming months. Although he highlighted some bright spots in the eurozone, in services and construction, Draghi added "the outlook is getting worse and worse", especially for manufacturing.

Around the world, the list of central banks easing or getting ready to do so is lengthening, mirroring the correlation of policy we saw at the height of the global financial crisis in 2008. It includes emerging markets like Vietnam and Brazil, as well as Australia, Russia, South Africa, South Korea, Chile and, Indonesia among others.

In the midst of all this, the Fed followed through with a widely-trailed 0.25% rate cut at the end of July – the first since 2008 – and we appear to be in a new era of pre-emptive policy action rather than in response to any kind of market or economic excess. Given America's economy is still growing at a reasonable rate and unemployment is the lowest since the late 1960s, Fed Chair Jerome Powell's highlighted trade uncertainty as the key factor behind the decision. We would also suggest the Fed feels it rushed to reload its rate cut 'gun' too fast with several hikes over recent years but is either sufficient reason for a cut at this stage – remember, at least two hikes were tabled just six months ago.

Meanwhile, many commentators are questioning the efficacy of further quantitative easing and it must be cause for concern if we have reached a point where the QE tap is running constantly with questionable results, as turning it off risks another lurch into bear conditions.

Moving to the other end of the see-saw, we find the usual sentiment-damagers of trade and Brexit in full effect. Following a meeting in Osaka at the end of June, Presidents Trump and Xi Jinping agreed to resume the stalled talks on trade. Trump said tariffs in place would remain but the proposed $300bn, which would have extended taxes to virtually everything China ships to the US, would not be triggered for the "time being" but then reversed himself in the early days of August, tweeting his intention to levy a further 10% on this $300bn.

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

Highlighting why many see Trump's trade policy as politically rather than economically driven, the tariffs on $250 billion of Chinese goods have generated $20.8 billion in revenue, which is less than what the US has spent to support farmers hurt by the trade war, let alone compensating other affected industries. In Trump speak however, America is on the winning end of his war, with the tariffs punishing China's economy while generating billions of dollars, an economic 'victory' that will allow him to continue his fight without domestic harm.

In the UK meanwhile, our new prime minister is in place and his in-tray is full to bursting, with rising tensions with Iran and the obvious countdown to another Brexit deadline on 31 October.

With Boris Johnson – at least in public – a committed Brexiteer, the chance of a no-deal have increased but I still feel we will avoid that outcome as the Conservatives have such a small majority. Given that precarious situation, a Generation Election would seem likely in the coming months – a proxy second referendum if you will – and with Labour and the Tories so divided, it is harder than ever to predict what may happen. Even if the Tories win a larger majority, there remain many rebels inclined to vote down a no deal so it looks like Johnson will have to renegotiate with Brussels– and he has already been told the current deal is the best and only one possible.

Both main parties are increasingly split between rival hardliners so it would seem those in the centre ground have an opportunity to form a new party, as we have seen around the world in recent years. This looks unlikely in the UK however with Conservative and Labour so entrenched: perhaps the only thing they can agree on is distaste for any kind of new political player entering the scene.

Should we end up with a no-deal, research from the Office for Budget Responsibility (OBR) says this will plunge the UK into recession. Put together in conjunction with the International Monetary Fund, the OBR's latest forecasts warn of a sharp decline in investment into the UK and higher trade barriers with the European Union, as well as spiralling asset prices and sterling. The Fiscal risks report estimates real GDP will fall by 2% by the end of 2020, while the UK's debt is set to spiral by an additional £30bn per year than was predicted it March. It added the inevitable imposition of tariffs by the EU, in addition to a depreciation in sterling, will "raise inflation and squeeze real household incomes".

Elsewhere, gold prices hit their highest levels in six years as investors braced for a rate cut by the Fed and sought a safe haven amid the growing tensions between the US and Iran. Gold has been boosted by the fall in bond yields, with many of the safest sovereign bonds, including Germany, now negative-yielding, and therefore improving the lustre of the precious metal.

Despite all this, I continue to hold to my view that recession is unlikely in the imminent future. We have a US presidential election coming up next year and as we have seen, the current incumbent will stop at nothing to continue the market expansion for which he claims credit, including brow-beating and overtly threatening the Federal Reserve. China is also celebrating the 70th anniversary of the founding of the People's Republic this year and I would suggest President Xi Jinping will be just as keen not to be mired in a global recession amid the fireworks and parades.