WS Verbatim
Portfolio 5 Growth Fund

verbatim
Asset Management

Fund Update

All fund data as at 31st Jul 2021 unless otherwise stated.

Fund Aim

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

Investment Approach

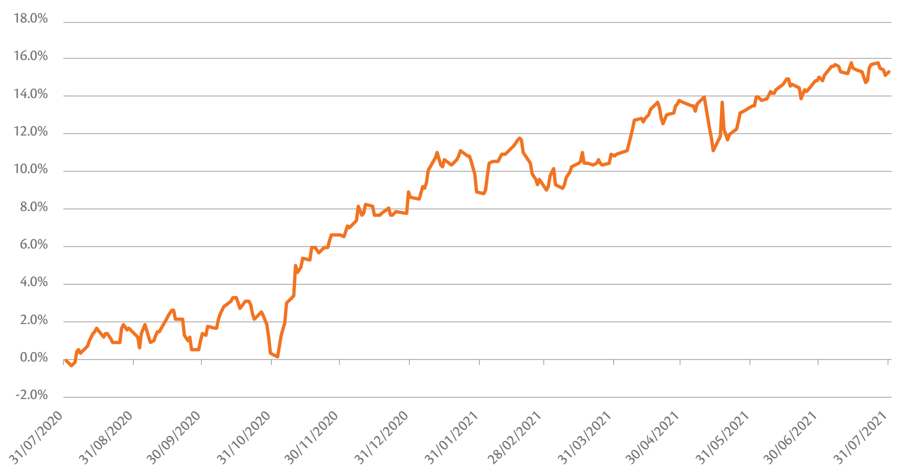
To deliver the potential for decent capital growth over the medium to long term using a balanced approach by blending a diversified selection of funds, including quality UK and North American equity and bonds. The equity content of this portfolio tends to be higher than a more cautious approach. Investors in this portfolio will accept the potential for small to medium term losses to achieve their long term objectives.

5YR CUMULATIVE PERFORMANCE

Performance from 31st Jul 2016 – 31st Jul 2021

1YR CUMULATIVE PERFORMANCE

Performance from 31st Jul 2020 – 31st Jul 2021



CUMULATIVE PERFORMANCE

Since trading (01/03/10)	103.6%
5 Year to 31/07/2021	33.4%
1 Year to 31/07/2021	15.4%

DISCRETE ANNUAL PERFORMANCE

WS Verbatim Portfolio 5 B Acc	Total returns for the periods shown (Sterling)
01/08/2016 - 31/07/2017	10.5%
01/08/2017 - 31/07/2018	5.0%
01/08/2018 - 31/07/2019	4.8%
01/08/2019 - 31/07/2020	-4.8%
01/08/2020 - 31/07/2021	15.4%

CHARGES

Share Class B (£) (Institutional) Annual charge	0.65%
OCF (Institutional)	1.43%
OCF Date	31/12/20

Source for performance graphs and data is the Authorised Corporate Director. Fund data based on B Accumulation shares, percentage growth total return mid to mid in UK Sterling. Past performance is no guarantee of future performance.

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STRATEGIC ASSET ALLOCATION

The Strategic Asset Allocation shown is valid as at 31/07/2021

Cash	9%
UK Corporate Bonds	17%
Global (ex-UK) Fixed Income	9%
Property	5%
UK Equity	15%
Europe (ex-UK) Equity	6%
US Equity	18%
Japan Equity	5%
Developed Pacific (ex-Jap) Equity	9%
Emerging Market Equity	7%

KEY INFORMATION

Fund Managers	John Husselbee & James Klempster *Liontrust Investment Partners LLP*
First dealing date	1 March 2010
Fund size (millions)	£124.28m
Comparative sector	IA Unclassified
Number of holdings	35
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 GB00B3P2HB11 Retail GB00B3P36V74
Citicode	Institutional IBF5 Retail IBF4
SEDOL codes	Institutional B3P2HB1 Retail B3P36V7

TOP 10 FUND HOLDINGS

AXA STERLING BUY AND MAINTAIN CRDT Z GRO	8.12%
JPM US Equity Income Fund C	7.58%
Sterling	6.91%
FIDELITY MONEYBUILDER INCOME FUND W	6.19%
Royal London Corporate Bond Fund M Inc	5.07%
UBS US GRW GBP-C-AC	4.91%
FIDELITY INDEX US PA	3.58%
FIDELITY SPECIAL SITS W ACC	3.41%
LIONTRUST GF HIGH YLD BD C8A	3.39%
LIONTRUST ASIA INCOME FUND	3.20%

5 LIPPER CONSISTENT RETURN

5 YEAR PERIOD AS AT 31ST JUL 2021

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 R FUND RANGE

defaqto 5 RISK RATING LOW TO MEDIUM RISK

defaqto EXPERT RATED Risk Targeted Fund Family 2021

Market Commentary

Delta variant fears swirled around markets over a partially sweltering July, with the majority of restrictions in England now lifted – at least for now.

Of course, this was surrounded with the usual series of gaffes and U-turns, with nightclubs declared super spreader hotspots hours after opening, masks on, off and on again, and, amid hundreds of thousands hit by the so-called pingdemic as the track and trace app ran wild, we had the prime minister and chancellor initially refusing to isolate before bowing to pressure. Even the weather joined in, with high temperatures giving way to torrential rain and flooding – and we will be returning to that theme later.

For anyone hoping the UK's so-called Freedom Day on 19 July might see Covid's role as the main driver of sentiment start to diminish, the month was a stark reminder that the virus remains central, even as politicians attempt to start moving the narrative from pandemic to endemic.

We have been saying for some time that a fall in markets is overdue and while still yet to see an overall decline of 5% in the S&P 500 in 2021 – as a reference, such falls tend to happen at least three times a year – certain sectors were down considerably more mid-month amid those rising variant concerns. Many of the more cyclical areas that have propelled markets this year fell over 10% from peaks, with some airlines dipping into bear territory (down 20%) as confusion continues over travel restrictions. Showing its elasticity, however, the index had rallied back to highs by month end, potentially on the back of dip buying.

Looking around the world, Asian markets in general had a tougher July, weighed down by gradual tightening in monetary policy and a sweeping regulatory overhaul in China, which has seen the government clamp down on lending practices of several big tech companies, including Alibaba, Tencent and Meituan.

While remaining positive on risk assets, we feel relentless moves upwards over recent months have left some markets exhausted and obscured growing turbulence beneath the surface, not just from inflation fears picking up but also as vaccine euphoria gives way to concerns about durability of recovery. This has led to economists warning the speed of economic recovery may be unsustainable, with the UK predicted to grow 6.8% this year and the US 7%. While the pent-up demand used to justify such predictions is clearly there for things denied during lockdown, such as eating out, live entertainment and travel, there is far less appetite to repeat spending sprees on cars and home furnishings. We have therefore seen a huge pull forward in demand and while that supports the transitory inflation argument, it may also pave the way to cooling economies that miss aggressive growth predictions, and we saw early signs of that in the US.

John Husselbee
Liontrust Investment Partners LLP

James Klempster
Liontrust Investment Partners LLP

Fund Managers

John and James are managers of the portfolio growth funds at Verbatim and are two of the most high-profile multi-asset managers, with 47 years of combined investment experience. Since Liontrust were selected to manage the funds in July 2016, 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. John was previously Director of Multi-Manager Investments at Henderson Global Investors and launched the portfolio management service at Rothschild Asset Management. James joined Liontrust in February 2020 as Deputy Head of the Liontrust Multi-Asset team. James joined Liontrust from Momentum Global Investment Management, where he spent 14 years and was most recently Director of Investment and led the global investment team and solutions strategy.

Market Commentary

In the meantime, UK inflation edged up in June, reaching a three-year high of 2.5%, while the US Federal Reserve met again in July in the wake of prices hitting a 13-year high, driven by a rise in the cost of used cars. While the Federal Open Market Committee is increasingly divided between hawks, doves and centrists on how – and, more importantly, when – to tighten policy, anyone expecting definitive statements on tapering or rate rises was left waiting once again. The Fed held its benchmark interest rate near zero and said the substantial further progress on employment and inflation that would spark rate hikes or slowing, and ultimately stopping, bond purchases still has 'some ground to cover'.

That said, the Bank acknowledged progress on these measures and remains positive on the economy overall, despite the threat of the Delta variant, with Q2 GDP growth coming in at an annualised rate of 6.5% for Q2. While well below the projected 8.5%, this latest surge puts GDP above its pre-crisis peak for the first time and, reinforcing Fed comments, the labour market remains far from fully healed, although output has now fully retraced its virus-fuelled decline.

Powell also attempted to calm inflation fears yet again: at a recent congressional meeting, he said the US is not going into a period of high inflation for a long period of time because it has the tools to address that, but is keen not to use them 'in a way that is unnecessary or interrupts the rebound of the economy'. Given this underlying prudence, all eyes now turn to the annual Jackson Hole conference of central bankers in August for potential updates on hikes or tapering. The likelihood of a rate rise in 2022 increased to 62% after the Fed meeting, with futures now fully pricing in the first hike by March 2023.

While aggressive tightening is clearly not on the agenda, the world needs to get comfortable with a new status quo where crisis-level monetary policy is no longer essential. Assuming vaccination efforts continue and the pandemic recedes, we see the global economy moving into a mid-cycle expansion, with the focus shifting from recovery to more sustained growth. Following recent peaks in policy support, growth and markets, we would expect to see global GDP moderate to above-trend levels next year and more active stock selection will be required in such an environment, with the broad rally since last year's vaccine announcements thinning out.

Risk assets such as equities and credit tend to perform well in a mid-cycle phase but with significant differentiation and it will be interesting to see how more value-orientated sectors like financials and industrials fare as we move beyond the recovery stage. As always, while we have had a slight bias to value since last year, we continue to believe portfolios able to tilt between styles while keeping a foot in several camps offer a compelling and diversified risk/reward balance.