



FINURA

# FINURA FUSION WEALTH PORTFOLIO REVIEW Q4 2020



Pension  
**TRANSFER**  
Gold Standard

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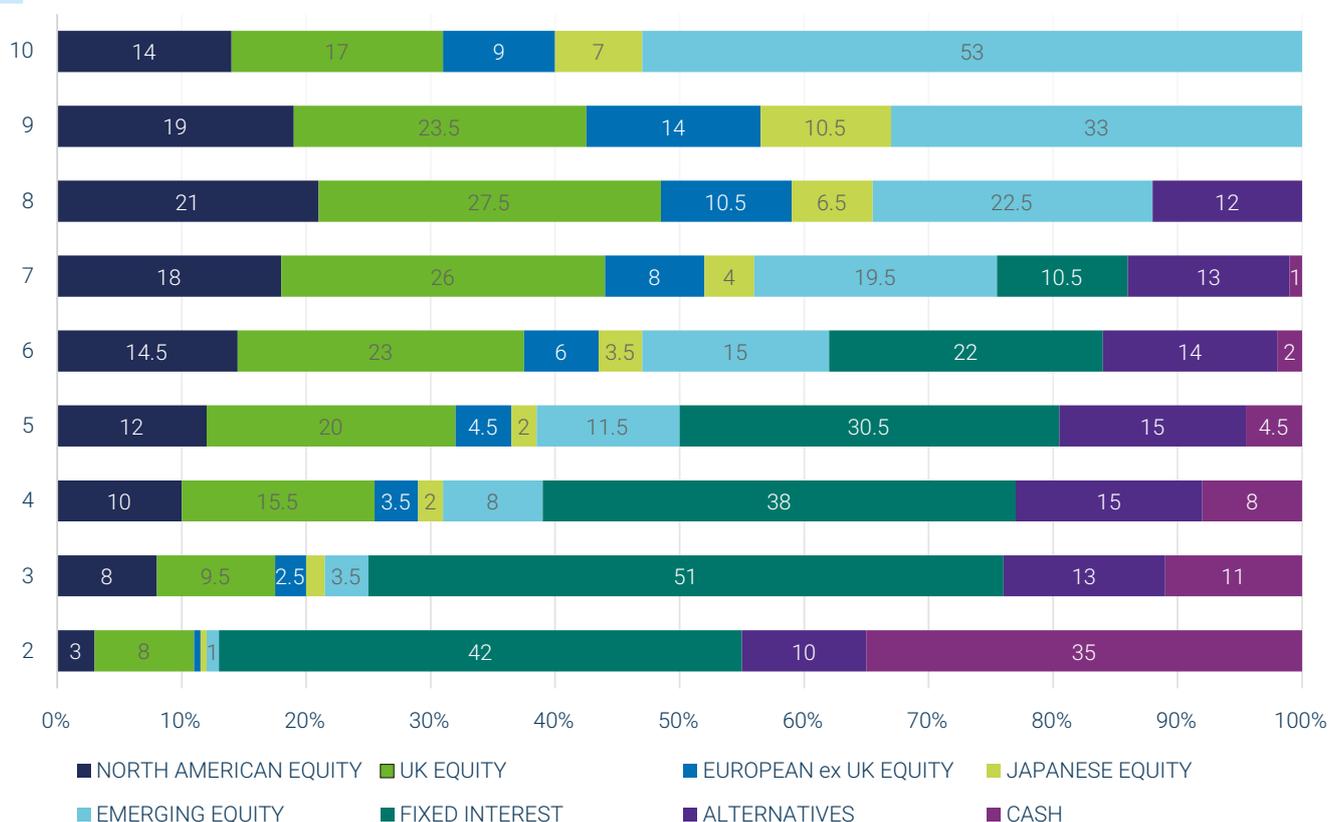
# FINURA FUSION WEALTH (FW) INVESTMENT SOLUTIONS

Overseen by our own Group Chief Investment Officer, and in collaboration with Schroders, Rayner Spencer Mills Research and the Fusion Wealth Investment Committee, Clients at Finura have access to our very own Centralised Investment Proposition (CIP). This gives you access to the award-winning global and institutional expertise of one of the world's largest and oldest investment houses and market-leading independent research.

This combination provides a CIP for Clients seeking actively managed, multi-asset solutions which cover all objectives and investment styles; from strategic and tactical asset allocation through to active and passive fund strategies, each aligned to a Client's individual risk profile.

The blend of assets in your portfolio is likely to be the dominant influence on your long-term returns. It is important to spread your investments across a variety of markets which can help to reduce risk. Ideally, these assets should perform differently to each other over time. Together with our partners we have designed a Strategic Asset Allocation (SAA) which is at the heart of the FW Portfolio Range. The SAA is based on a strategic, long-term assessment of markets and is reviewed annually by the Fusion Wealth Investment Committee alongside Schroders and RSMR.

## STRATEGIC ASSET ALLOCATION (SAA)



**As part of your risk profiling, you will agree on a risk level with your financial adviser. A portfolio with the lowest risk level does not mean a risk-free investment.**

**Source:** Fusion. January 2021. \*Alternatives include non-traditional asset classes for example Commodities, Infrastructure, Real Assets and Emerging Market Debt.

# GLOBAL MARKET REVIEW



Global equities gained in Q4 as a number of vaccine breakthroughs fostered hopes of a return to economic normality.



US equities gained over the quarter, with November especially strong due to the vaccine news. The developments eclipsed Joe Biden's win in the US presidential election, as well as a \$900 billion stimulus package announced in late December. The Federal Reserve nonetheless reinforced its supportive message, stating it will continue with current levels of quantitative easing.



European equities gained sharply in Q4, again on the news of effective vaccines. Sectors that had previously suffered most severely from the pandemic, such as energy and financials, were the top gainers.



UK equities performed well over the quarter reversing some of the underperformance that they suffered versus other regions during the global pandemic's initial stages. The market responded well to November's vaccine news and then again to the Brexit trade deal, with domestically-focused areas of the market outperforming.



Japanese equities rallied in the quarter, driven from early November by vaccine-related news and the US presidential election result. The style reversal seen in most markets has not yet materialised in Japan, with only a brief outperformance for value stocks, while small caps underperformed sharply in the quarter.



Emerging market (EM) equities generated their strongest quarterly return in over a decade, with US dollar weakness amplifying gains. Korea, Brazil and Mexico all outperformed. The rally in commodity prices was supportive of EM net exporters. Conversely, Egypt, where daily new Covid-19 cases accelerated, posted a negative return. China finished in positive territory but also lagged.



Government bond yields diverged markedly. Corporate bonds enjoyed a fruitful quarter, with both investment grade and high yield delivering strong positive total returns.

# MARKET PERFORMANCE

## Q4 2020

Asia Ex Japan Equities 41.7	Global High Yield Bonds 6.5	US Equities 30.7	Asia Ex Japan Equities 25.0	Asia Ex Japan Equities 25.0	EM Equities 19.7
EM Equities 37.3	UK Direct Property 2.9	Europe ex UK Equities 27.1	US Equities 19.9	US Equities 19.9	Asia Ex Japan Equities 18.6
Japanese Equities 22.2	Global Treasury Bonds 1.1	UK Equities 19.2	EM Equities 18.3	EM Equities 18.3	US Equities 13.1
US Equities 20.9	UK Gilts 0.6	EM Equities 18.4	UK Index - linked Gilts 11.0	UK Index - linked Gilts 11.0	UK Equities 12.6
UK Equities 13.1	UK Index - linked Gilts -0.3	Asia Ex Japan Equities 18.2	UK Corporate Bonds 9.1	UK Corporate Bonds 9.1	Japanese Equities 11.2
Europe ex UK Equities 11.4	UK Corporate Bonds -2.2	Japanese Equities 18.1	UK Gilts 8.3	UK Gilts 8.3	Europe ex UK Equities 10.5
UK Direct Property 7.6	Global Corporate Bonds -2.7	UK Corporate Bonds 11.0	Japanese Equities 7.4	Japanese Equities 7.4	UK Corporate Bonds 4.1
Global High Yield Bonds 5.6	US Equities -5.7	Global Corporate Bonds 10.6	Global Corporate Bonds 7.2	Global Corporate Bonds 7.2	Global Corporate Bonds 2.6
UK Corporate Bonds 4.9	UK Equities -9.5	UK Gilts 6.9	Global High Yield Bonds 7.0	Global High Yield Bonds 7.0	Global High Yield Bonds 1.3
Global Corporate Bonds 4.6	Europe ex UK Equities -10.9	Global High Yield Bonds 6.5	Global Treasury Bonds 4.6	Global Treasury Bonds 4.6	UK Index - linked Gilts 1.2
UK Index - linked Gilts 2.3	Asia Ex Japan Equities -14.4	UK Index - linked Gilts 6.4	Europe ex UK Equities 1.7	Europe ex UK Equities 1.7	UK Gilts 0.6
UK Gilts 1.8	EM Equities -14.6	Global Treasury Bonds 5.5	UK Direct Property -3.8	UK Direct Property -3.8	Global Treasury Bonds 0.2
Global Treasury Bonds 1.1	Japanese Equities -16.0	UK Direct Property -0.8	UK Equities -9.8	UK Equities -9.8	UK Direct Property -0.3

**Notes:** All Indices in base currency. Indices used: BBgBarc Gbl Agg Corp TR Hdg GBP, BBgBarc Global Treasury TR Hdg GBP, FTSE Act UK Cnvt Gilts All Stocks TR GBP, FTSE Act UK Index-link Gilts AS TR GBP, BBGBarc Global High Yield Yld USD, FTSE AllSh TR GBP, IA UK Direct Property, MSCI EM NR USD, MSCI Europe Ex UK NR EUR, S&P 500 TR USD, TOPIX TR JPY, BBgBarc Sterling Agg Corp TR GBP.

**Please note that any past performance mentioned in this document is not a guide to future performance and may not be repeated. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell.**

**Source:** Morningstar Direct.

# 12 MONTH MARKET OUTLOOK

- Maximum Positive    ▲ Up from last month  
● Neutral  
●●● Maximum Negative    ▼ Down from last month

	Category	View	Comments
Main Asset Classes	Equities	●	The believe liquidity (i.e. readily available funds) and recovery expectations should continue to support markets, but bear term risks still persist in the form of rising fatalities, which will need close monitoring.
	Government Bonds	● ▼	These have been downgraded as upside is limited and government bond markets remain expensive.
	Commodities	● ▲	Overall score reflects upgrades to more economically sensitive areas of the market, specifically energy and industrial metals.
	Credit	● ▼	With credit spreads having narrowed substantially, credit valuations broadly now look expensive. The overall score has been downgraded to neutral due to the limited potential for future returns. The credit spread is the margin that a company issuing a bond has to pay an investor in excess of the government yields and is a measure of how risky the market perceives the borrower to be.
Equities	US	● ▼	Downgraded after the recent rally and to reflect a preference for more economically sensitive areas.
	UK	●	The UK remains hampered by a resurgence in Covid-19 cases, accompanying restrictions and Brexit risk. We remain positive as we believe these negatives have been priced in.
	Europe	●● ▲	We have upgraded Europe. The region should benefit as global activity normalises, which has potential to drive a rebound from its long-term underperformance.
	Japan	●● ▲	Japan managed the outbreak of Covid-19 relatively well, limiting damage to its domestic economy. We believe export sectors should be the next to benefit from an economic recovery.
	Pacific ex-Japan	●	With positive news on the efficacy of the Covid-19 vaccines, we expect economic recovery to continue, aided by fiscal and monetary policy. Fiscal and monetary policy are tools used by policymakers to attempt to manage economic fluctuations.
	Emerging Markets	●● ▲	We continue to be positive on emerging markets (EM), with a preference for EM North Asia, but we do see scope for the more economically sensitive regions, such as Latin America and India, to catch up.

**Opinions expressed are not a recommendation to buy and/or sell and do not constitute as investment advice.**

**Source:** Schroders. January 2021. The views for equities, government bonds and commodities are based on return relative to cash in local currency. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to the US dollar, apart from the US dollar which is relative to a trade-weighted basket.

# FW ACTIVE PORTFOLIOS

## PORTFOLIO UPDATES

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### **Selling Direct Property Fund and buying Global Property Share Fund**

The Investment Committee has re-evaluated its Direct Property Funds in view of the recent suspensions and potential FCA regulation coming into force and have deemed accessing property in this way no longer feasible for Model Portfolios.

Having analysed the various ways in which property can be accessed as an asset class, FW believe Global Property Shares can achieve the same outcome as Direct Property Funds over rolling periods of time. Short-term return paths will be different however due to the inherent Equity Beta present in Property Shares. The trade-off is supported by superior liquidity, transparency and significant geographic and tenant diversification afforded by Global Property Shares.

### **Schroder Global Cities Real Estate Fund**

The Schroder Global Cities Real Estate fund is a total return-focused fund investing in global property securities and REITs with the aim of generating returns in excess of inflation plus 3% per annum over a 3 to 5 year period. Managed by Tom Walker and Hugo Machin since 2014, the fund uses a unique investment process that is driven mainly by proprietary, in-house database information.

The Fund Managers have positioned the fund to property assets that benefit from being in the strongest urban locations which in turn leads to increased demand for their use and resilient returns to shareholders. They look to combine the strength of a city (e.g. demand, infrastructure, regulation, barriers to entry) with the strength of an individual company (e.g. low leverage, good corporate governance, valuation).

Industrial units and logistics are structural themes within the portfolio and a key driver of growth as transport, e-commerce and other essential services continue to function and with increased importance. Another appealing theme the fund is exposed to is data centres. These are a direct beneficiary of technological change and from the increased social distancing measures, where consumers are increasingly turning to streaming and gaming services and living more of their lives online. The fund has been early adopters of these structural trends and FW believe they will continue to shape the future for years to come.

## PERFORMANCE

	Q4 2020	YTD	2020	2019	2018	2017	2016
<b>FW - 02 (Portfolio)</b>	<b>1.92</b>	<b>3.58</b>	<b>3.58</b>	<b>4.61</b>	<b>-1.23</b>	<b>3.41</b>	<b>5.50</b>
UK CPI	0.11	0.59	0.59	1.30	2.10	2.97	1.56
<b>FW - 03 (Portfolio)</b>	<b>4.00</b>	<b>6.29</b>	<b>6.29</b>	<b>9.52</b>	<b>-2.01</b>	<b>5.64</b>	<b>9.08</b>
IA Mixed Investment 0-35% Shares	4.14	3.98	3.98	8.80	-3.41	5.01	9.06
<b>FW - 04 (Portfolio)</b>	<b>5.95</b>	<b>7.04</b>	<b>7.04</b>	<b>13.10</b>	<b>-3.97</b>	<b>8.21</b>	<b>9.99</b>
<b>FW - 05 (Portfolio)</b>	<b>7.45</b>	<b>7.68</b>	<b>7.68</b>	<b>15.79</b>	<b>-5.55</b>	<b>11.24</b>	<b>11.18</b>
IA Mixed Investment 20-60% Shares	6.65	3.49	3.49	12.08	-5.11	7.20	10.57
<b>FW - 06 (Portfolio)</b>	<b>9.27</b>	<b>10.15</b>	<b>0.15</b>	<b>18.42</b>	<b>-6.79</b>	<b>15.66</b>	<b>12.53</b>
<b>FW - 07 (Portfolio)</b>	<b>10.20</b>	<b>13.85</b>	<b>13.85</b>	<b>20.80</b>	<b>-8.19</b>	<b>18.13</b>	<b>14.82</b>
IA Mixed Investment 40-85% Shares	8.02	5.50	5.50	15.94	-6.07	10.05	13.28
<b>FW - 08 (Portfolio)</b>	<b>11.42</b>	<b>16.84</b>	<b>16.84</b>	<b>20.40</b>	<b>-9.30</b>	<b>19.06</b>	<b>19.72</b>
<b>FW - 09 (Portfolio)</b>	<b>13.16</b>	<b>21.53</b>	<b>21.53</b>	<b>22.71</b>	<b>-10.59</b>	<b>22.66</b>	<b>24.40</b>
<b>FW - 10 (Portfolio)</b>	<b>13.98</b>	<b>19.29</b>	<b>19.29</b>	<b>18.46</b>	<b>-10.40</b>	<b>22.86</b>	<b>26.13</b>
IA Flexible Investment	8.84	7.01	7.01	15.64	-6.64	11.09	14.16

CPI is the Consumer Prices Index (weighted average of prices of a basket of goods and services).

IA refers to Investment Association benchmarks <https://www.theia.org/industry-data/fund-sectors>

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

## POSITIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
JOHCM UK Dynamic	+24.32%	The fourth quarter finally demonstrated broader participation from value and small-cap stocks as investors deployed cash into beaten-down sectors and stocks that could benefit from an economic recovery. Crest Nicholson was a standout performer as results were ahead of forecasts, leading to an earlier than expected reinstatement of the dividend.
MerianUK Mid Cap	+19.45%	The recently listed Hut Group led gains during the period, adding +2.44% to returns. It operates over 100 international websites selling fast-moving consumer goods direct to consumer through its proprietary e-commerce platform and is thriving in the current 'stay at home' environment.
Blackrock European Dynamic	+16.67%	The Manager has done a great job in tilting the portfolio away from defensives into more cyclical names in advance of the market rotation. Active overweight positions in Safran, MTU Aero and Amadeus all contributed positively over the quarter, being real-world cyclicals and beneficiaries of a post-Covid recovery.

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

## NEGATIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
Royal London International	-0.22%	Long-term government bond yields have come under upward pressure from the prospects of a vaccine-led recovery in 2021. Dovish central banks however and the lack of inflation pressure in most countries as output gaps remain large should limit the rise in yields.
Allianz Gilt	-0.17%	The team takes a global top-down investment approach, analysing macroeconomic and political factors in the UK and globally, and forecasting the impact of these drivers on the gilt market. UK Government bonds were little changed over the period as vaccine optimism was tempered by Brexit uncertainty and new lockdown measures.

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

# FW PASSIVE PORTFOLIOS

## PORTFOLIO UPDATES

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### **Selling Direct Property Fund and buying Global Property Share Fund**

Having analysed the various ways in which property can be accessed as an asset class, FW believe Global Property Shares can achieve the same outcome as Direct Property Funds over rolling periods of time. Short-term return paths will be different however due to the inherent Equity Beta present in Property Shares. The trade-off is supported by superior liquidity, transparency and significant geographic and tenant diversification afforded by Global Property Shares.

### **iShares Global Property Securities Equity Index**

The Fund aims to provide a return by tracking closely the performance of the FTSE EPRA/ NAREIT Developed Index, the Fund's benchmark index. The Fund is passively managed and invests in equity securities (e.g. shares) of leading property companies listed globally.

BlackRock believes that superior index tracking outcomes are best achieved through a disciplined and pragmatic approach focused on managing return, risk and cost. This Fund uses optimising techniques to counter illiquidity and high transactions costs that make full replication less effective. The optimisation process is based on a risk model, with the goal of creating a portfolio that has risk characteristics like that of the benchmark. By evaluating a security's risk characteristics –including volatility, size, industry membership and country of domicile –the optimisation process allows them to systematically trade off the risk of any potential mis-weights relative to the cost of acquiring that position.

### **Share Class Conversion**

FW successfully negotiated access to a fund they already own in the portfolio at a reduced management fee, helping to reduce the overall running costs of the portfolio. iShares Emerging Markets Equity Index conversion from L to D share class -OCF reduced from 27bps to 19bps.

## PERFORMANCE

	Q4 2020	YTD	2020	2019	2018	2017	2016
<b>FW - 02 Passive (Portfolio)</b>	<b>2.12</b>	<b>3.94</b>	<b>3.94</b>	<b>6.22</b>	<b>-1.38</b>	<b>2.56</b>	<b>11.39</b>
UK CPI	0.11	0.59	0.59	1.30	2.10	2.97	1.56
<b>FW - 03 Passive (Portfolio)</b>	<b>3.62</b>	<b>6.14</b>	<b>6.14</b>	<b>9.04</b>	<b>-2.03</b>	<b>4.52</b>	<b>16.72</b>
IA Mixed Investment 0-35% Shares	4.14	3.98	3.98	8.80	-3.41	5.01	9.06
<b>FW - 04 Passive (Portfolio)</b>	<b>4.97</b>	<b>5.86</b>	<b>5.86</b>	<b>11.68</b>	<b>-3.29</b>	<b>6.77</b>	<b>17.14</b>
<b>FW - 05 Passive (Portfolio)</b>	<b>6.02</b>	<b>5.51</b>	<b>5.51</b>	<b>15.12</b>	<b>-4.71</b>	<b>8.99</b>	<b>19.10</b>
IA Mixed Investment 20-60% Shares	6.65	3.49	3.49	12.08	-5.11	7.20	10.57
<b>FW - 06 Passive (Portfolio)</b>	<b>7.35</b>	<b>5.68</b>	<b>5.68</b>	<b>16.50</b>	<b>-5.65</b>	<b>11.15</b>	<b>21.31</b>
<b>FW - 07 Passive (Portfolio)</b>	<b>8.79</b>	<b>5.66</b>	<b>5.66</b>	<b>18.45</b>	<b>-7.31</b>	<b>13.21</b>	<b>24.09</b>
IA Mixed Investment 40-85% Shares	8.02	5.50	5.50	15.94	-6.07	10.05	13.28
<b>FW - 08 Passive (Portfolio)</b>	<b>9.78</b>	<b>6.06</b>	<b>6.06</b>	<b>17.46</b>	<b>-6.91</b>	<b>15.12</b>	<b>27.04</b>
<b>FW - 09 Passive (Portfolio)</b>	<b>10.54</b>	<b>7.45</b>	<b>7.45</b>	<b>17.29</b>	<b>-7.73</b>	<b>17.59</b>	<b>28.97</b>
<b>FW - 10 Passive (Portfolio)</b>	<b>10.86</b>	<b>8.77</b>	<b>8.77</b>	<b>16.60</b>	<b>-7.85</b>	<b>19.00</b>	<b>32.83</b>
IA Flexible Investment	8.84	7.01	7.01	15.64	-6.64	11.09	141.6

CPI is the Consumer Prices Index (weighted average of prices of a basket of goods and services).

IA refers to Investment Association benchmarks <https://www.theia.org/industry-data/fund-sectors>

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

## POSITIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
HSBC FTSE All Share	+12.19%	November was the best month for the UK equity market in over 30 years, propelled by a series of Covid-19 vaccine breakthroughs and optimism over Joe Biden's victory in the US presidential election.
iShareEmerging Markets	+11.51%	Emerging equity markets enjoyed a strong end to 2020 by extending their healthy year-to-date gains. The best performing region was commodity-sensitive Latin America where Brazil led the rally. All sectors in Latin America rose with energy, real estate and materials enjoying the biggest gains.
HSBC European	+9.52%	From a sector perspective, cyclical parts of the market were by far the best performing, with energy, banks, insurers, autos and travel & leisure leading the rally. As some of the most economically sensitive sectors, these are amongst the areas to lead any recovery.

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

## LEAST POSITIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
Vanguard UK Government Bond	+0.63%	Central banks have bought government bonds on an unprecedented scale to help stimulate the economy with cheap money and keep borrowing rates low. UK Government bonds were little changed over the period as vaccine optimism was tempered by Brexit uncertainty and new lockdown measures.
Vanguard Global Bond	+0.83%	The investment grade bond market has benefited directly from the huge fiscal programmes designed to keep the credit channel open, such as furlough schemes, direct lending schemes, banking sector forbearance and expanded purchases of corporate bonds.
Threadneedle Property	+0.84%	The unprecedented impact of Covid-19 on the global economy and the commercial real estate industry continues to be challenging, with the pandemic disrupting the value proposition, especially for offices, retail, and hotels, causing commercial real estate managers and investors to re-evaluate existing portfolios.

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

# FW SCHRODER BLEND FUNDS

## FW SCHRODER BLEND FUNDS PERFORMANCE

The 'FW Schroder Blend' funds were launched on 19th March 2020. More detailed performance data will be available when the funds have 12 months return data.

## PORTFOLIO UPDATES

### **Reducing Alternative Asset Funds and Buying Global Property Shares Fund**

The Investment Committee has analysed the various ways in which property can be accessed as an asset class and concluded Global Property Shares can achieve the same outcome as Direct Property Funds over rolling periods of time. Short-term return paths will be different however due to the inherent Equity Beta present in Property Shares. The trade-off is supported by superior liquidity, transparency and significant geographic and tenant diversification afforded by Global Property Shares.

### **Schroder Global Cities Real Estate Fund**

The Schroder Global Cities Real Estate fund is a total return-focused fund investing in global property securities and REITs with the aim of generating returns in excess of inflation plus 3% per annum over a 3 to 5 year period. Managed by Tom Walker and Hugo Machin since 2014, the fund uses a unique investment process that is driven mainly by proprietary, in-house database information.

The Fund Managers have positioned the fund to property assets that benefit from being in the strongest urban locations which in turn leads to increased demand for their use and resilient returns to shareholders. They look to combine the strength of a city (e.g. demand, infrastructure, regulation, barriers to entry) with the strength of an individual company (e.g. low leverage, good corporate governance, valuation).

Industrial units and logistics are structural themes within the portfolio and a key driver of growth as transport, e-commerce and other essential services continue to function and with increased importance. Another appealing theme the fund is exposed to is data centres. These are a direct beneficiary of technological change and from the increased social distancing measures, where consumers are increasingly turning to streaming and gaming services and living more of their lives online. The fund has been early adopters of these structural trends and FW believe they will continue to shape the future for years to come.

## POSITIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
JOHCM UK Dynamic	+24.32%	The fourth quarter finally demonstrated broader participation from value and small-cap stocks as investors deployed cash into beaten-down sectors and stocks that could benefit from an economic recovery. Crest Nicholson was a standout performer as results were ahead of forecasts, leading to an earlier than expected reinstatement of the dividend.
FSSA Global Emerging Markets Focus	+22.0%	2020 had been a challenging year for this strategy but the Fund Manager has consistently argued many excellent companies had fallen to levels that almost signalled extinction. Remaining confident in the long-term prospects of the businesses it owns and sticking to its investment process of buying market leaders in attractive categories, the fund recovered much of its lost ground witnessed earlier in the year.
UK Buffettology	+14.06%	The manager has built a concentrated portfolio of around 30 companies which, he believes, have strong operating franchises, high returns on equity, strong free cash flow and experienced management teams. In a difficult year for UK Equities the Fund hit a new all-time high in December which meant it registered a gain of 3.2% for the year, keeping intact its impressive record of posting gains in every year since inception (2011).

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

## NEGATIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
Royal London International	-0.22%	Long-term government bond yields have come under upward pressure from the prospects of a vaccine-led recovery in 2021. Dovish central banks however and the lack of inflation pressure in most countries as output gaps remain large should limit the rise in yields.

**Source:** Morningstar Direct, Fusion. January 2021. Please refer to the strategy fact sheet for the latest performance data and a full list of the funds used within the portfolios. Past performance is not a guide to future performance.

# FW SCHRODER TACTICAL FUNDS

## PORTFOLIO UPDATES

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The portfolio benefited from a step toward a more pro-risk stance over the quarter. While the core allocation within equities retains a quality/growth bias, FW focused on diversifying some of this exposure and increasing the cyclicity (growth-sensitivity) of the portfolios. To balance risks, they reduced credit and maintained some government bond exposure to hedge against growth disappointments. They continue to employ currency strategies to help offset the pro-cyclical positions they are taking elsewhere in the portfolio.

Following a period of strong performance from the Russell 2000 over November, FW decided to take some profits on its overweight position. Ahead of the US election, FW also closed its overweight exposure to the US technology sector (through the NASDAQ index) taking some profit given the potential risk of a Democratic sweep. In order to fund some of the equity overweight, FW had concentrated most of the short equity exposure in the UK. They held a low conviction towards this market following a resurgence in Covid-19 cases resulting in further restrictions and Brexit risks. However, they closed their short UK equities position in November.

As the quarter progressed, there was increasing evidence of a strong industrial recovery emanating from Asia. As a result, FW established an overweight position in Japanese equities funded out of US equities so as to further increase the exposure to industrials. A market which is also expected to benefit as the global recovery broadens into multinational and commodity-sensitive markets is the FTSE 100. Going into 2021, FW positioned for the outperformance of UK equities vs European equities.

FW closed their overweight position in Credit over the quarter. Despite the continued financial support from central banks, they were cognisant that valuations were not as appealing as they were earlier on in the year. Elsewhere, FW took advantage of a slight pickup in bond yields to add back some UK government bond exposure, and moved underweight German government bonds. They believe bunds offer limited protection against growth disappointment and face the headwind of European Union bond issuance in 2021.

## PERFORMANCE

	Q4 2020	YTD	2020	2019	2018	2017	2016
<b>Schroder Fusion 3 F Acc</b>	<b>3.71</b>	<b>5.79</b>	<b>5.79</b>	<b>8.45</b>	<b>-4.31</b>	-	-
IA Mixed Investment 0-35% Shares	4.14	3.98	3.98	8.80	-3.41	5.01	9.06
<b>Schroder Fusion 4 F Acc</b>	<b>5.42</b>	<b>4.55</b>	<b>4.55</b>	<b>10.27</b>	<b>-5.71</b>	-	-
<b>Schroder Fusion 5 F Acc</b>	<b>6.73</b>	<b>3.94</b>	<b>3.94</b>	<b>12.45</b>	<b>-7.49</b>	-	-
IA Mixed Investment 20-60% Shares	6.65	3.49	3.49	12.08	-5.11	7.20	10.57
<b>Schroder Fusion 6 F Acc</b>	<b>7.82</b>	<b>3.29</b>	<b>3.29</b>	<b>13.59</b>	<b>-8.67</b>	-	-
<b>Schroder Fusion 7 F Acc</b>	<b>9.02</b>	<b>2.84</b>	<b>2.84</b>	<b>14.38</b>	<b>-10.51</b>	-	-
IA Mixed Investment 40-85% Shares	8.02	5.50	5.50	15.94	-6.07	10.05	13.28
<b>Schroder Fusion Mgd Defensv F Acc</b>	<b>2.83</b>	<b>1.84</b>	<b>1.84</b>	<b>8.89</b>	-	-	-
UK CPI +1%	0.36	1.60	1.60	2.31	3.12	4.00	2.58

CPI is the Consumer Prices Index (weighted average of prices of a basket of goods and services).

IA refers to Investment Association benchmarks <https://www.theia.org/industry-data/fund-sectors>

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated. A comparator benchmark has been selected because the investment manager believes that this benchmark is a suitable comparison for performance purposes given the fund's investment objective.

## POSITIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	CTR <sup>1</sup> (F5)	ABSOLUTE RETURN	COMMENTARY
UK equities	2.3%	12.3%	UK equities performed well over the quarter reversing some of the underperformance that they suffered versus other regions during the global pandemic's initial stages. The AB UK Equity Fund performed particularly well.
Emerging market equities	2.0%	18.2%	Emerging market (EM) equities generated their strongest quarterly return in over a decade, with US dollar weakness amplifying gains. The overweight exposure worked well for the portfolios.
Global equities	1.3%	8.1%	Global equities generated positive returns in the fourth quarter of the year as a number of Covid-19 vaccine breakthroughs fostered hopes of a return to economic normality.

**Note:** Emerging market equities = MSCI EM index futures; US equities = Nasdaq 100, S&P500 and Industrials index futures; Credit = iShares USD Corporate Bond ETF, Schroder AB Global Corporate Bond Fund, Schroder Global Corporate Bond Fund.  
<sup>1</sup>Contribution to Return for Schroder Fusion Portfolio 5. **Source:** Morningstar Direct, Fusion. January 2021. Net of Fees.  
 Past performance is not a guide to future performance and may not be repeated.

## LEAST POSITIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	CTR <sup>1</sup> (F5)	ABSOLUTE RETURN	COMMENTARY
Government bonds	0.0%	0.3%	Government bond returns were fairly muted over the fourth quarter as government intervention kept a lid on bond yields. Rates and yields are likely to remain low for even longer.
Pacific ex-Japan equities	0.0%	14.3%	Australian equities posted strong returns building on the positive risk sentiment seen elsewhere. Rising iron ore prices also helped, thanks to robust demand from China. The small allocation led to a marginal positive contribution for the portfolio.
Credit	0.2%	0.6%	Corporate bonds enjoyed a fruitful quarter, outpacing government bonds, with both investment grade and high yield delivering positive total returns. However, the Schroder AB corporate fund underperformed due to its higher quality exposure.

**Notes:** Government bonds = Australian 10yr, UK 10yr, UK 30yr, US 10yr bond futures, Schroder AB Global Sovereign Bond Fund; Pacific ex-Japan equities = SPI 200 Index Futures; Credit = Schroder AB Global Corporate Bond Fund, Schroder Global Corporate Bond Fund. <sup>1</sup>Contribution to Return for Schroder Fusion Portfolio 5. **Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

# FW RESPONSIBLE PORTFOLIOS

## PORTFOLIO UPDATES

### Reducing Alternative Asset Funds and Buying Global Property Shares Fund

#### Schroder Global Cities Real Estate Fund

The Schroder Global Cities Real Estate fund is a total return-focused fund investing in global property securities and REITs with the aim of generating returns in excess of inflation plus 3% per annum over a 3 to 5 year period. Managed by Tom Walker and Hugo Machin since 2014, the fund uses a unique investment process that is driven mainly by proprietary, in-house database information.

The Global Cities team is supported by the Sustainable Investment team. This team has been embedded as part of the overall investment process. The Sustainable Investment team comprises 21 dedicated ESG professionals who are responsible for ESG specialist engagement, voting and facilitating ESG integration into the investment process.

The Fund Managers have positioned the fund to property assets that benefit from being in the strongest urban locations which in turn leads to increased demand for their use and resilient returns to shareholders. They look to combine the strength of a city (e.g. demand, infrastructure, regulation, barriers to entry) with the strength of an individual company (e.g. low leverage, good corporate governance, valuation).

Industrial units and logistics are structural themes within the portfolio and a key driver of growth as transport, e-commerce and other essential services continue to function and with increased importance. Another appealing theme the fund is exposed to is data centres. These are a direct beneficiary of technological change and from the increased social distancing measures, where consumers are increasingly turning to streaming and gaming services and living more of their lives online. The fund has been early adopters of these structural trends and FW believe they will continue to shape the future for years to come.

## PERFORMANCE

	Q4 2020	YTD	2020	2019	2018	2017	2016
<b>FW - 03 Responsible (Portfolio)</b>	<b>3.79</b>	<b>7.89</b>	<b>7.89</b>	<b>11.62</b>	<b>-2.58</b>	<b>6.60</b>	<b>10.28</b>
IA Mixed Investment 0-35% Shares	4.14	3.98	3.98	8.80	-3.41	5.01	9.06
<b>FW - 05 Responsible (Portfolio)</b>	<b>6.40</b>	<b>9.61</b>	<b>9.61</b>	<b>18.78</b>	<b>-4.51</b>	<b>11.83</b>	<b>11.39</b>
IA Mixed Investment 20-60% Shares	6.65	3.49	3.49	12.08	-5.11	7.20	10.57
<b>FW - 07 Responsible (Portfolio)</b>	<b>8.73</b>	<b>12.42</b>	<b>12.42</b>	<b>24.24</b>	<b>-5.71</b>	<b>14.42</b>	<b>15.80</b>
IA Mixed Investment 40-85% Shares	8.02	5.50	5.50	15.94	-6.07	10.05	13.28
IA refers to Investment Association benchmarks <a href="https://www.theia.org/industry-data/fund-sectors">https://www.theia.org/industry-data/fund-sectors</a>							

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

## POSITIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
Liontrust Sustainable Future UK Growth	+14.2%	Solid oxide fuel cell developer Ceres Power was the funds strongest performer over the quarter. Ceres' fuel cell technology is expected to play a big role in the decarbonisation of the global economy and clean-up of urban air. It posted strong 12-month financial results, highlighting growing global demand for clean energy technologies.
Robeco Emerging Stars	+12.86%	A relatively low weight in China and especially in the outperforming Chinese internet sector undermined performance year to date but there were several positives to report in the final quarter. E-commerce company Vipshop, solar glass company Xinyi Solar and electrical appliances company Haier Smart Home all delivered double digit returns in the period.
BMO Responsible UK Equity	+11.78%	In terms of the individual contributors, alternative asset manager Intermediate Capital was buoyed by good financial results and an encouraging outlook on fund flows. Another strong performer was retailer Watches of Switzerland, which was boosted by better-than-expected trading, with earnings forecasts returning to pre-coronavirus levels.

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

## NEGATIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
Trojan Ethical	-0.31%	The fund seeks to balance return seeking and defensive assets to navigate volatility and ensure true diversification. Having provided strong returns in the more challenging periods of 2020, the funds somewhat more defensive approach left it trailing in the fourth quarter as markets turned considerably more optimistic on hopes of a robust cyclical recovery in 2021.
Royal London International	-0.22%	Long-term government bond yields have come under upward pressure from the prospects of a vaccine-led recovery in 2021. Dovish central banks however and the lack of inflation pressure in most countries as output gaps remain large should limit the rise in yields.
Allianz Gilt	-0.17%	The team takes a global top-down investment approach, analysing macroeconomic and political factors in the UK and globally, and forecasting the impact of these drivers on the gilt market. UK Government bonds were little changed over the period as vaccine optimism was tempered by Brexit uncertainty and new lockdown measures.

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

# FW SCHRODER INCOME PORTFOLIO

## PORTFOLIO UPDATES

### Reducing Alternative Asset Funds and Buying Global Property Shares Fund

#### Schroder Global Cities Real Estate fund

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The Fund Managers have positioned the fund to property assets that benefit from being in the strongest urban locations which in turn leads to increased demand for their use and resilient returns to shareholders. They look to combine the strength of a city (e.g. demand, infrastructure, regulation, barriers to entry) with the strength of an individual company (e.g. low leverage, good corporate governance, valuation).

Industrial units and logistics are structural themes within the portfolio and a key driver of growth as transport, e-commerce and other essential services continue to function and with increased importance. Another appealing theme the fund is exposed to is data centres. These are a direct beneficiary of technological change and from the increased social distancing measures, where consumers are increasingly turning to streaming and gaming services and living more of their lives online. The fund has been early adopters of these structural trends and FW believe they will continue to shape the future for years to come.

## PERFORMANCE

	Q4 2020	YTD	2020	2019	2018	2017	2016
<b>FW - Schroder Income (Portfolio)</b>	<b>5.59</b>	<b>-4.80</b>	<b>-4.80</b>	<b>9.66</b>	-	-	-
IA Mixed Investment 20-60% Shares	6.65	3.49	3.49	12.08	-5.11	7.20	10.57

IA refers to Investment Association benchmarks <https://www.theia.org/industry-data/fund-sectors>

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated. A comparator benchmark has been selected because the investment manager believes that this benchmark is a suitable comparison for performance purposes given the fund's investment objective.

## POSITIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
JPM Emerging Markets Income	+18.27%	The fund strongly outperformed the rising MSCI EM Index over the fourth quarter. Chinese contribution to relative returns was the dominant factor, driven partly by exposure to A share names including consumer-related Jiangsu Yanghe Brewery and Midea, along with the zero exposure to Chinese internet giants Alibaba and Tencent which came under regulatory pressures.
Schroder Income Maximiser	+19.03%	The fund generated a very strong absolute return and materially outperformed the FTSE All-Share index. Key individual contributors included banks NatWest Group and Barclays, engineering company Rolls Royce, UK high street retailer Marks & Spencer and non-standard lending specialist Provident Financial.
Schroder Asian Income	+14.11%	At the regional level, the underweight exposure to China contributed strongly to performance whilst at the sector level, overweighting the information technology sector and underweighting the consumer discretionary sector notably influenced returns.

**Source:** Morningstar Direct, Fusion. January 2021. Net of Fees. Past performance is not a guide to future performance and may not be repeated.

## NEGATIVE CONTRIBUTORS TO PORTFOLIO PERFORMANCE

FUND NAME	FUND PERFORMANCE (Q4 2020)	COMMENTARY
Royal London International	-0.22%	Long-term government bond yields have come under upward pressure from the prospects of a vaccine-led recovery in 2021. Dovish central banks however and the lack of inflation pressure in most countries as output gaps remain large should limit the rise in yields.
Allianz Gilt	-0.17%	The team takes a global top-down investment approach, analysing macroeconomic and political factors in the UK and globally, and forecasting the impact of these drivers on the gilt market. UK Government bonds were little changed over the period as vaccine optimism was tempered by Brexit uncertainty and new lockdown measures.

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# RISK CONSIDERATIONS

- Past performance is not a guide to future performance and may not be repeated
- The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested
- This information is for illustrative purposes only and is not intended as investment advice, nor a solicitation to invest
- You may be exposed to currency risk caused by fluctuations in foreign exchange rates. This can adversely affect the value of your return and the value of your investment
- Unless the performance of an investment meets or exceeds the rate of inflation, the real value of that investment will reduce
- As a result of fees being charged to capital, the distributable income of the fund may be higher but there is the potential that performance or capital value may be eroded
- The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses
- Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk
- High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk
- A rise in interest rates generally causes bond prices to fall
- A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless
- In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares
- A derivative may not perform as expected, and may create losses greater than the cost of the derivative

## Important information

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