Psigma
Investment Management

MI Psigma Multi-Asset Balanced Index Fund of Funds

MARCH 2020

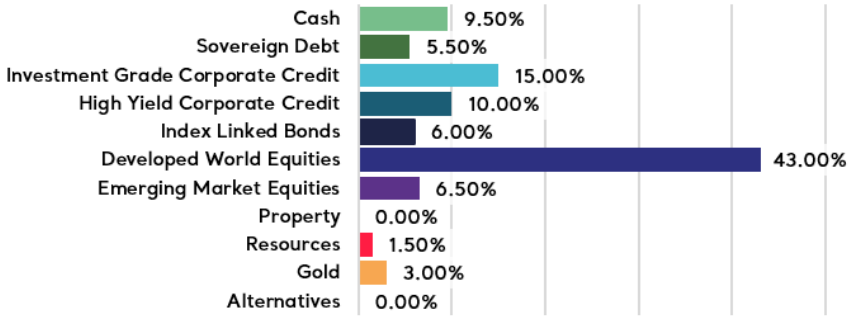
Overview

The Fund will seek investment opportunities globally and comprise, but not be limited to, a balanced blend of index tracker Equity Investment funds, Index Linked Gilts funds, Fixed Interest funds, Property funds, Commodity funds and Absolute Return funds established in Europe. These index tracking funds are designed to follow the performance of a particular index. The Fund will be further diversified with alternative investment strategies (limited to 15%), which should reduce the volatility historically associated with a purely equity-based portfolio.

Investment Objective

The Fund aims to preserve capital and deliver returns in line with the UK Consumer Price Index plus 3% (after Psigma fees), over a seven-year investment period, by investing in a range of index tracking funds. The Fund aims to generate the returns through diversified investments with a maximum equity weighting of 60% and maximum higher risk fixed interest weighting of 15%.

ASSET ALLOCATION



TOP TEN HOLDINGS

FUND	ALLOCATION
Fidelity UK Index Trust	21.00%
L&G International Index Trust	17.50%
TwentyFour Core Corporate Bond fund	15.00%
Ishares $ High Yield Corporate Bond	10.00%
Vanguard EM Stock Index	6.50%

STRATEGY CHARACTERISTICS

Launched	December 2018
Target Return	Inflation +3%
Max Equity Holding	65%
Max Higher Risk Fixed Interest	15%
Estimated Yield	3.10%
Recommended Investment Period	7 Years +
ISA Eligible	Yes
Share Classes and type of shares*	A Accumulation Shares B Accumulation Shares
A Share Class ISIN	GB00BFZNT344
B Share Class ISIN	GB00BFZNT450
A Share Class SEDOL	BFZNT34
B Share Class SEDOL	BFZNT45

*Class B Shares are only available to clients via a platform

PSIGMA FUND CHARGES (Direct)- A Share Class

Annual Management Charge	0.50%
Ongoing Charge Figure#	0.71%
Transaction Charges	0.06%
Total	0.77%

PSIGMA FUND CHARGES (via Platform) – B Share Class

Annual Management Charge	0.35%
Ongoing Charge Figure#	0.56%
Transaction Charges	0.06%
Total	0.62%

The total Psigma cost via platform excludes platform fees.

Minimum Investment	£1,000
Subsequent	£1,000
Minimum trade size	£25

Inflation Source: CPI from the Office for National Statistics. Crown Copyright material is reproduced with the permission of the Office of Public Sector Information (OPSI). Reproduced under the terms of the Click-Use License.

#Ongoing Charge Figure includes Psigma's AMC and the costs levied by third party fund managers for providing collective investment schemes for your investment portfolio.

Transaction (MiFID II) charges are a result of acquisition or sale of assets and incidental costs.

Transaction charges are provided by the Authorised Corporate Director's (ACD) and can be found in the European MIFID Template (EMT) file.

Unless otherwise stated, all data is from Interactive Data as at 31/03/2020.

For more information, please get in touch with our client support team on +44 (0)20 3327 5450 or by email businessdevelopment@psigma.com

Market View

The first quarter of 2020 will be long remembered as being one of the most difficult periods in history for global investors. Large swathes of the global economy have been shut down due to Covid-19 pandemic, with over one million reported infections and a death toll at the time of writing being close to 70,000 people.

Economically speaking, the debate is no longer if there will be a global recession, but how deep and how long it will be. As the crisis unravelled, risk assets crumbled, with equity markets crashing with unprecedented speed. In the UK, the FTSE All Share Index fell over 25% in the first quarter. Breaking that down, the more large cap FTSE 100 Index fell 24%, while the more domestically focussed FTSE 250 Index was pummelled and fell over 30%. In the US, the S&P 500 Index fell circa 20%, as did the MSCI Europe ex UK Index. Japanese equities were slightly better, dropping 17.5% over the same period. As one would expect in this environment, emerging markets were also hit hard, closing down in the region of 24%. Perhaps surprisingly, given the coronavirus outbreak started in China, Asian equities on a relative basis held up quite well, with the Chinese market being one of the best global performers over the period. Although it will seem little comfort, UK investors' losses on their overseas investments were moderated somewhat by the weakness in sterling. Against the US dollar, sterling plummeted, getting as low at one point as 1.15. Looking at the MSCI All Country World Index, the worst performing sectors were energy and banks. Those that held up relatively well were the healthcare and consumer staples sectors.

Credit markets were also hit hard, with investment grade bonds falling sharply and high yield bonds being even more aggressively sold off, as should be expected. Energy bonds in the high yield space were hit hardest, as the oil price was decimated. Given the environment, the demand outlook for oil fell, but it was also hit hard on the failure of an agreement between OPEC and Russia to constrain supply. Assets that are perceived to be "safe havens" performed well. Core government bonds and gold bullion were both highly sought after and gained during the period.

The shock in the first quarter was unprecedented and it was met by a huge co-ordinated policy response. Firstly on the monetary side, central banks have slashed interest rates close to their lower bounds, restarted their quantitative easing programme and are literally throwing everything but the kitchen sink at the crisis. The fiscal response has also been huge, with the US agreeing to a huge stimulus package which is to the tune of around 10% of GDP. Closer to home, the UK government has committed to paying a large sum of workers' wages in an attempt to enable companies to retain staff despite demand and sales crumbling. Even the normally prudent German government have committed to massive fiscal stimulus. One could argue that governments and central banks are now "all in" and time will only tell if this will be enough to stabilise the global economy and risk assets, or if further measures are needed to be taken down the line.

Portfolio Activity

As we moved into February, risk assets had performed very well and with this in mind, we reduced our exposure to equities by lowering our weight in L&G International Index Trust. Japanese equities (GBP hedged) had been a global laggard, so we increased our position to the Lyxor Nikkei 400 UCITS ETF at the end of February. In early March, we took the decision to lower our exposure to inflation linked bonds and reduced our holding in L&G Global Inflation Linked. During March, we moved both Fidelity Index UK and L&G International Index Trust back to their static weights following the large falls for global equity markets.