

**VT AI-FUNDS Tactical High Yield Bond** aims to consistently deliver an average 6-9% compound total return per annum over a 3-year rolling period.\* It uses systematic tactical rules to smooth high yielding fixed income bonds.

## INVESTMENT PROCESS

This unique multi-manager fund uses active smart beta to seek consistent positive risk reduced returns, through exposure to fixed income high yielding corporate bond funds in conjunction with systematic asset allocation. The fund invests into large high yielding (HY) collective investment schemes (CIS), across several management groups to provide daily liquidity and scalability. However, if Quantitative Analysis Service (QAS) signals that the HY market is weakening, the HY funds will be sold to protect the capital. To remove foreign exchange volatility, each CIS fund is hedged back to sterling. More details can be found on the dedicated website [www.ai-funds.co.uk](http://www.ai-funds.co.uk)

## TARGET MARKET

As the fund has low volatility compared to equities it could be used as a substitute for cash, absolute return, alts, property, strategic bond or high yield. Within a retirement portfolio it has been designed to be used as the withdrawal fund with daily liquidity. \*\*

## MARKET COMMENTARY

It has been a very challenging year for the fixed income market. With the US and UK central banks finally realising that inflation was not going to be transitional and therefore having to raise interest rates to combat inflationary pressures. Coupled with Russia's invasion of

## MARKET COMMENTARY (continued)

Ukraine impacting the price of energy and food, it has been a perfect storm.

As base rates increased, bonds exposed to duration were badly affected. By contrast performance from the credit sector was positive as default rates remain low for the US and Europe.

Over the last 6 months the high yield credit spread has widened to 587 from 310 and high yield funds are down between 12-16%.

The short dated fixed income sector was the least affected sector; but as the central banks started raising rates even these funds are down between 1-6%.

## FUND COMMENTARY

The fund switched into the shortest duration short dated CIS funds on 19<sup>th</sup> August 2021. We also kept the duration low by keeping new subscriptions in cash. During the period we invested into Lord Abbett Short Duration, LM Western Short Duration and Dimensional Global Core to reduce the cash and improve diversification. We now have 22 defensive CIS funds that we can invest into each with different characteristics.

Since the start of the year the IA Sterling High Yield Sector is down 13.0%, the IA Sterling Strategic Bond Sector is down 10.4% and our fund is down only 3.3%. FE position the fund 8/85 over 1 year and 5/85 over 2 years within the IA Sterling Strategic Bond Sector. The FE fundinfo Risk Score has reduced down to 21 from 24.

## FUND FACTS

Fund launch date	7 <sup>th</sup> October 2019
Fund type	OEIC
Fund manager	AI-FUNDS
Fund size	£7.7m
No of holdings	9
IA sector	IA Sterling Strategic Bond
Base currency	GBP
Valuation point	12 noon
Accounting dates	Final – 30 April Interim – 31 October
Indicative underlying CIS Yield	Between 1% and 3%
Indicative underlying CIS Duration	Between 1-3 years

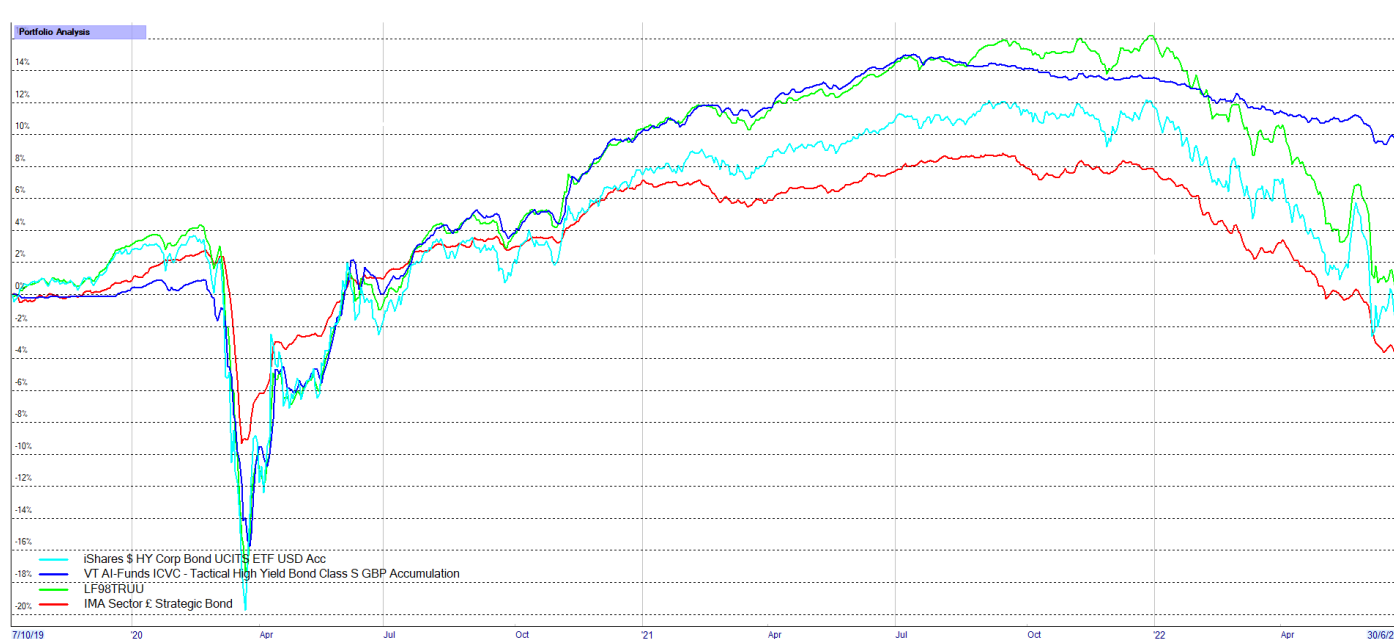
## HOLDINGS

	%
Royal London Absolute Return Gov Bond	16
Dimensional Global Ultra Short Fixed Income	16
ASI Sterling Short Term Government Bond	15
Fidelity Short Dated Corporate Bond	15
Vanguard Global Short-Term Bond	10
Dimensional Global Short Dated Bond	8
Lord Abbett Short Duration Income	5
LM WA Short Duration Blue Chip Bond	5
Dimensional Global Core Fixed Income	3
Cash	9

\* Capital is in fact at risk and there is no guarantee that a positive return will be achieved over a three year, or any, period.

\*\* Details of the risk profile can be found in the Key Investor Information Document, available from [www.valu-trac.com/ai](http://www.valu-trac.com/ai)

**PERFORMANCE 7/10/2019 – 30/6/2022**



Past performance is not necessarily a guide to future performance.

Source: Index data provided by QAS and fund data by Ionic Information Share Scope (Morningstar).

Performance has been shown against the IMA GBP Strategic Bond Sector (red), the Bloomberg Barclays US Corporate HY TR USD index (LF98TRUU) (green) and HYG the iShares ETF (light blue).

**THE TEAM**



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AI-FUNDS Ltd is the trading name of an investment management company formed by the partnership between Quantitative Analysis Service, INC and Unbiased Portfolio Management Ltd. QAS provides uniquely calculated quantitative momentum ratings on a wide range of global investment instruments. QAS has been successfully providing institutional research using its tools drawn from “big data” science for over 40 years.

**Why invest in VT AI-FUNDS Tactical High Yield Bond?**

- ▲ A single fund to provide your fixed income needs
- ▲ Over 40 years of systematic experience
- ▲ Access to funds not easily available
- ▲ Diversification across very large fund management groups
- ▲ Liquidity, scalability and smoothing using multiple managers

**SHARE CLASS DETAILS**

SHARE CLASS	ISIN	SEDOL	ENTRY CHARGE	ONGOING CHARGES	SHARE PRICE
S Accumulation	GB00BKRSF562	BKRSF56	0%	0.98% *	110p
I Accumulation	GB00BKRSF679	BKRSF67	0%	1.08% *	129p

\*The Investment Manager of the fund has undertaken to absorb any costs that would otherwise cause the fund to have ongoing charges in excess of 0.98% (S class) and 1.08% (I class).

**WHERE TO INVEST**

**CONTACT DETAILS**

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