

Investment objective

The objective of the Fund is to provide returns through a combination of capital growth and income over a market cycle (5 years). The fund will primarily gain exposure indirectly via eligible collective investment schemes and other collective investment vehicles (for example, investment companies, exchange traded funds) and may also invest directly in eligible assets (excluding property and commodities). Derivatives will be used only for the purpose of Efficient Portfolio Management.

Indicative risk rating



Fund managers



Richard Philbin

Richard is Chief Investment Officer of Wellian Investment Solutions. He is one of the UK's best known multi-manager investors and previously AA rated by OBR, Citywire and S&P. Prior to Wellian, he was AXA Architas Multi Manager's Chief Investment Officer and before that he was head of Multi Manager at F&C Investments.



James Kempster

James has over 15 years experience building and managing multi-asset investment portfolios. Beginning his career at Canada Life, he has more recently worked with financial advice firms to create managed portfolio solutions for end clients.

Performance summary as at 30/09/2021

	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS	MANAGER START DATE
Discovery Balanced Fund C Acc	0.9%	4.9%	13.6%	13.1%	29.6%	36.8%
IA Mixed Investment 40%-85% Shares	1.3%	6.3%	16.6%	21.3%	39.4%	57.2%

Past performance is not a reliable guide to future performance.

Source: Financial Express Analytics. All figures quoted are on a total return basis with income reinvested. The Manager Start Date was 1/12/2014.

Fund managers' commentary

It's probably fair to say the third quarter of 2021 brought with it a degree of market volatility caused by uncertainty and confusion surrounding a number of economic and political factors. The UK experienced issues with fuel availability, energy price spikes, food shortages and staffing problems which caused plenty of panic. As is always the case of late, the media headlines blamed Brexit and Covid, although fears surrounding inflation and taxation affected market sentiment and market levels accordingly.

In the quarter, looking at a large number of market indices, the oil price – as measured by Brent Crude – saw a significant rise of more than 11%, although in September alone the price spiked by 12.50% (with data gathered from Financial Express). A high oil price in essence acts as a tax on economic growth – as the commodity is involved in pretty much every stage of the production process – whether it is used to generate electricity, in the manufacturing process as an input good or for transportation for instance.

In the last 12 months, oil prices have risen over 80% (albeit from a very low base 12 months ago) but when you consider commodities, energy, and transportation account for roughly two thirds of the inflation basket, you can probably understand why many commentators are forecasting higher inflation down the line. Rising oil prices will keep inflation high and this is likely to cause pressure on margins and profits.

Elsewhere in the world, Japan performed very strongly with the main indices – the TOPIX and Nikkei 225 – registering good returns. At the other end of the scale, Emerging Markets as a whole struggled, with individual countries – such as Brazil and Korea – registering double digit losses for the quarter. Emerging Markets were spooked by a couple of issues emanating from China – one was stock specific, the other being driven by the authorities. Evergrande – a Chinese construction company – saw its shares suspended as it announced it would struggle to pay some maturing debt that was due. The company – as a whole – has over \$300bn of debt. Rumours were that over 1.5m people who had placed a deposit on a new house saw that money disappear overnight. The authorities have stepped in, but as of yet nobody really knows the full extent to who the debt holders are, which local and global banks are involved, and whether the company will go to the wall. Also, during the quarter, the Chinese authorities clamped down on many tech businesses, online gaming companies and education providers which sent shockwaves across the market with investors asking: "which sector next". A number of stocks have seen their share prices fall by 70% or more.

As the world slowly returns to work, it feels like risks are rising and nerves are quite taut. Although the last quarter witnessed relatively good headline numbers, the last month saw a great deal of volatility in returns. Many of the best returning markets during the third quarter were among the poorer performers in September, with the final month in the quarter seeing many markets deliver negative returns.

Quarterly update - ending 30th September 2021

Key facts

Inception Date	21/03/2005
Manager Start Date	1/12/2014
Number of holdings	31
Ongoing charge figure (C)	0.80%
Yield (C Acc)	2.0%
Fund size	£88.4m
ISIN (C Acc)	GB00BYN66598

Current asset allocation

Alternatives	6.5%
Cash	2.5%
Fixed Interest	27.3%
UK Equities	24.0%
International Equities	35.0%
Property & Infrastructure	4.7%

Top 10 holdings as at 30/09/2021

Fidelity Index UK	10.0%
Fidelity Index US	7.0%
Legal & General UK Mid Cap Index	5.9%
JPM GBP Ultra-Short Income ETF	4.7%
Legg Mason IF MC European Unconstrained	4.6%
Fidelity Emerging Markets	4.6%
LF Gresham House UK Multi Cap	4.2%
Liontrust Special Situations Fund	3.9%
Legal & General Global Inflation Linked Bond Index	3.9%
Artemis Corporate Bond	3.7%

About Wellian Investment Solutions

Wellian Investment Solutions is an award winning multi-manager investment management business. As a multi-manager business it specialises in identifying the very finest investment talent from around the world and then blending and combining these managers together to create robust, diversified portfolios. Wellian Investment Solutions have developed their own bespoke manager selection and asset allocation processes and also undertake extensive due diligence on all of the managers before including them in the Discovery Funds.

Disclaimers

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The views and opinions expressed are those of Wellian Investment Solutions (Wellian). Wellian is authorised and regulated by the Financial Conduct Authority. The information provided in this document has been provided from sources by us believed to be reliable and accurate and Wellian Investment Solutions does not accept any liability for the accuracy of the contents. Please note that past performance is not a reliable guide to the future and investors may not get back the amount originally invested as the value of any investment and the income from it is not guaranteed. The information in this document is not intended to provide the basis for any investment advice or recommendations. For further information on the risks and risk profiles of our funds, please refer to the relevant Key Investor Information Document and Prospectus.

Please note that performance of the fund for periods prior to 1 December 2014 is not attributable to the current investment manager.

For further information call 01892 550 600 or email info@discoveryfunds.co.uk