

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 the Hawksmoor Investment Solutions division at Hawksmoor Investment Management. He is one of the UK's best known multi-manager investors and previously AA rated by OBSR, Citywire and S&P. Prior to the Hawksmoor and Wellian merger, 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 30/06/2022

	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS	MANAGER START DATE
Discovery Balanced Fund C Acc	-6.8%	-11.2%	-8.4%	3.8%	9.1%	24.3%
IA Mixed Investment 40%-85% Shares	-7.4%	-10.8%	-7.2%	8.8%	18.2%	44.0%

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

Not many indices recorded a positive return in the second quarter, and arguably it isn't surprising. The invasion of Ukraine by Russia keeps geopolitical tensions at levels not seen for quite some time. Inflation in the US and UK is running at 40-year highs and although "peak" inflation is likely to arrive sooner rather than later, uncertainty still surrounds whether Central Banks are behind the curve and hopefully stopping inflation getting out of control. When the inflation genie is out of its bottle, it is very hard to get it back in! In response, Interest rates in the UK and the US rose over the quarter, with the Federal Reserve raising the base rate by 0.75% at the June meeting – the expectation was for a 50bp rise. Closer to home, the Bank of England has now raised rates at each monthly meeting for the last 5 meetings and although only 1.25%, the base rate now sits at a thirteen-year high.

During the review period, the UK released first quarter GDP numbers, which thankfully were positive (0.80%) – much better than the US which registered a contraction of 1.60% and this is causing policy makers problems: Economic growth is falling and yet inflation and interest rates are rising. Perversely, the "great resignation" continues, seemingly unabated (this phrase has been coined due to the large number of employees leaving jobs to start anew – generally on a higher salary) as the quantity of job openings remains high and the quantity of qualified individuals to fill the roles remains low. To further confuse, due to high energy costs, there is widespread talk of recession and stagflation.

Capital markets haven't handled these issues very well. Market volatility has been rising and the broad sell-off seems to be largely indiscriminate. Take Brazil for instance – one of the best performing markets over the last six months; one of the worst over the last quarter. Many indices registered double-digit losses including the tech heavy NASDAQ, but also the UK Mid Cap and Small Cap markets fared poorly. Many portfolios are constructed with a spread of different asset classes to create diversification benefits so as to smooth the risks of the volatility that can be experienced in the capital markets, but over the last quarter this strategy hasn't helped either. For example, long dated gilts in the UK (those with a maturity profile 15-25 years out) registered double-digit falls too.

At the other end of the league table China performed incredibly strongly in the three months to the end of June, but still remains one of the poorest performing markets over the past 12 months. The aforementioned rise in energy prices helped propel the price of oil up almost 20% in the last three months and to more than double over the last twelve. Hedge fund strategies broadly added a little bit of value, but by and large it was a quarter to forget. It could be argued that the US Dollar and the Euro had a strong quarter, but correspondingly it could be said that Sterling was weak which also would have impacted returns. Quarters like this are sent to remind us that investing is a long-term project and capital markets (a) do not always go up (b) do not always go up in a straight line (c) can be volatile (d) sometimes surprise on both the upside and the downside. The last three months have shown that this is most certainly the case.

Key facts

Inception Date	21/03/2005
Manager Start Date	1/12/2014
Number of holdings	35
Ongoing charge figure (C)	0.80%
Yield (C Acc)	2.0%
Fund size	£93.5m
ISIN (C Acc)	GB00BYN66598

Current asset allocation

Alternatives	7.0%
Cash	0.6%
Fixed Interest	26.7%
UK Equities	25.1%
International Equities	35.0%
Property & Infrastructure	5.8%

Top 10 holdings as at 30/06/2022

Fidelity Index UK	10.7%
Fidelity Index US	9.5%
JPM GBP Ultra-Short Income ETF	5.5%
Legal & General UK Mid Cap Index	5.3%
WisdomTree Global Quality	5.3%
LF Gresham House UK Multi Cap	5.3%
Legal & General Global Inflation Linked Bond Index	3.9%
FTC MC European Unconstrained	3.5%
Hipgnosis Songs Fund	3.4%
Man GLG Japan CoreAlpha Professional	3.0%

About Hawksmoor Investment Management

Hawksmoor Investment Management 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. Hawksmoor Investment Management 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**FOR PROFESSIONAL ADVISERS ONLY**

The views and opinions expressed are those of Hawksmoor Investment Management (Hawksmoor). Hawksmoor 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 Hawksmoor Investment Management does not accept any liability for the accuracy of the contents. Asset allocation percentage figures may not add up to 100 due to rounding. 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 01392 410 180 or email info@discoveryfunds.co.uk