Discovery
Multi Asset Funds

Discovery Cautious Fund

Quarterly update - ending 30th September 2022

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 Mangement. 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 30/09/2022

	3 MONTHS	6 MONTHS	1 YEAR	2 YEARS	3 YEARS	SINCE INCEPTION
Discovery Cautious Fund C Acc	-2.4%	-8.4%	-10.6%	-1.2%	-5.1%	-0.3%
IA Mixed Investment 20%-60% Shares	-3.0%	-9.1%	-10.6%	0.4%	-0.8%	4.2%

Past performance is not a reliable guide to future performance.
IA sector source: Financial Express Analytics. All figures quoted are on a total return basis with income reinvested.
The inception date was 27/03/2019.

Fund managers' commentary

What can be said of the third quarter? For a sterling investor, one of the best performing assets was US sovereign debt – for instance, the 5-year Treasury Bill delivered returns approaching 11%. Also for the sterling investor, one of the worst performing assets was the UK sovereign debt market (also known as the gilt market) which delivered losses approaching 20% depending on what part of the curve your investments are in. During the quarter, sterling depreciated significantly and this can explain a great deal of the performance of the T-Bill. But, as a sterling investor, investing in a sterling based asset, the movement of the currency shouldn't be a factor in explaining a near 20% fall, but it is most certainly a contributing factor. Prices move up and down due to supply and demand. At the moment there is a lot of supply of gilts – with more to come – and not a lot of demand…..

Capital markets are global instruments; they move to the beat of the global drum and at the moment, the UK is in the eye of the storm – it has high inflation, rising interest rates, huge pressures surrounding energy prices and weak political leadership which is causing uncertainty in the investment community. A mini budget that wasn't a mini budget was widely hated by the markets and led to a collapse in the gilt market. Sterling followed suit and almost reached parity with the US Dollar and the Euro. A partial U-turn quickly ensued, but for a new Prime Minister and Chancellor to openly deny ownership of the issues it doesn't look good. It is often said that the best time to invest is when there is blood on the streets, and we are probably too early to call the bottom, but are we approaching the nadir? This year has not been kind to investors – capital markets are dynamic and complex and don't always make sense in the short-term.

Markets were volatile; China and Hong Kong were much weaker; Property securities suffered; and UK Small cap didn't fare well either. Emerging Markets generally delivered positive returns (also potentially benefitting from a strong US Dollar).

It feels like there is change underway in the valuation of capital markets as the world adjusts to operating in a higher interest rate and inflation environment. The winners and losers of the next decade are unlikely to be the same as this most recent decade – this will create opportunities.

Source for performance figures: Financial Express Analytics.

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Key facts

Inception Date	27/03/2019
Number of holdings	29
Ongoing charge figure (C)	0.80%
Yield (C Acc)	2.1%
Fund size	£52.9m
ISIN (C Acc)	GB00BYYB5341

Current asset allocation

Alternatives	6.5%
Cash	1.2%
Fixed Interest	40.7%
UK Equities	22.4%
International Equities	23.5%
Property & Infrastructure	3.0%
Multi-Asset	2.7%

Top 10 holdings as at 30/09/2022

Fidelity Index UK	11.2%
JPM GBP Ultra-Short Income ETF	8.2%
Fidelity Index US	6.9%
Vanguard Total International Bond Index Fund	6.6%
Legal & General ESG GBP Corporate Bond ETF	4.8%
Franklin UK Equity Income	4.6%
Legal & General Global Inflation Linked Bond Index	4.6%
Man GLG Japan CoreAlpha Professional Acc C GBP	4.1%
Man GLG Sterling Corporate Bd Inst Acc F	3.9%
FTF Martin Currie European Unconstrained	3.9%

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 further information call 01392 410 180 or email info@discoveryfunds.co.uk