Wealth Fund Factsheet

This document provides you with information about the Fund.

The City Financial Wealth Fund seeks to achieve long-term returns ahead of inflation by investing across a diversified global portfolio of assets. The team’s macro views are primarily expressed through funds, investment trusts and options, drawing on a strong fund research capability.

**FUND DESCRIPTION**

**Formal investment objective**

The investment objective is to achieve capital growth through a long-term strategic asset allocation framework. The fund invests across a well-diversified range of asset classes, using both active and passive investments, typically Exchange Traded Funds and derivatives, which provide both diversification and liquidity at minimum cost.

**Investment team**

City Financial’s Multi-Asset Team brings together experts at macro-economic research, fund management and fund analysis. Their range of experience and expertise, we believe, set the team apart from their peers. Mark Harris, Head of Multi-Asset, has managed the fund since 31 May 2014. He previously managed over £1 billion in assets at New Star Asset Management (subsequently Henderson), gaining recognition through a range of industry awards and ratings.

**Investment philosophy**

The manager aims to deliver attractive risk-adjusted returns in all market conditions by rotating the Fund’s holdings through asset classes and styles, exploiting market inefficiencies and looking for the best sources of future returns for the appropriate level of risk. He will use derivatives, often options, to protect the portfolio from tail (extreme) or event risk.

**Investment Process**

The approach is based on rigorous quantitative and qualitative assessments of the macro-economic environment, market conditions and funds. Quantitative models, investment bank research and independent analysis are key inputs in formulating top-down expectations and identifying where they are not reflected by asset class pricing or positioning. The research encompasses analysis of global economic growth, central bank policies, debt dynamics and market valuations. The manager also considers more positive and negative scenarios to ensure the resulting asset preferences have appropriate risk and reward characteristics. The analysis and findings are challenged and tested at a monthly team strategy meeting.

In assessing funds for the portfolio, we use a range of systems to undertake style analysis and attribution. We then undertake face-to-face manager interviews to extend our analysis. These interviews also inform us of the manager’s understanding of the risks being run and the portfolio construction process. A report is produced explaining past returns, with supporting evidence, and forecasting future performance. Fund selection is reviewed at a formal weekly team research meeting.

**Portfolio construction and risk controls**

Risk is at the heart of the process, in line with the manager’s primary focus on mitigating losses and delivering strong risk-adjusted performance. Risk is monitored continuously for both underlying positions, which are subject to stop losses, and for the portfolio in aggregate, to ensure the avoidance of unintended risks and appropriate diversification within the portfolio. Derivatives are often used to reduce portfolio risk by hedging specific exposures. However, their use is not restricted to hedging, and derivatives that increase the risk profile of the portfolio, resulting in greater performance variability, may also be held.

The Fund’s asset allocation and style exposures are dependent upon the top-down analysis process.
MANAGER COMMENTARY

Global equities had a positive month in September with the MSCI World Index up +1.90%, the S&P 500 Index was up +1.34%, the MSCI UK Index was up +1.77% and lastly the MSCI Europe ex UK Index was up +1.88%.

We saw more weakness for the British pound as GBP/USD ended the month at 1.297 (down -1.26%) and GBP/EUR ended the month at 1.154 (down -1.97%). This gave a boost to the relative performance of foreign indices as the MSCI Emerging Markets Index was up +2.66%, the MSCI AC Asia Ex. Japan Index was up +2.99% and the MSCI Japan Index was up +2.65%.

Oil continued its rally as OPEC agreed on a framework for oil output cut at Algiers, thus WTI was up +6.47% in US dollar terms and Brent Crude was up +6.18% in US dollar terms. An oil rally supported US High Yield as Markit iBoxx US $ Liquid High Yield Index was up +2.66% while the Markit iBoxx US $ Liquid Investment Grade Index was only up +0.93%.

In Europe, investment grade outperformed high yield as the Markit iBoxx EUR Liquid Corporates Large Cap Index was up +1.82% and Markit iBoxx EUR Liquid High Yield Index was up +1.55%. Lastly, in the UK, the Markit iBoxx GBP Liquid Corporates Large Cap Index was down -1.94%.

Very little change in sovereign fixed income as the US government 10-year bond yield was up +1bps at 1.59%, the Japanese government 10-year bond yield was down -3bps at -0.09% and German government 10-year bond yield was down -5bps at -0.12%. The positive effects of last month’s Bank of England actions were erased as the UK government 10-year bond yield was up +10bps at 0.75%.

Dollar Index ended the month at 95.463 (down -0.58%) and Gold was up +0.52 % in US dollar terms.

We have previously stated that we believed we were moving from a period of reflation led by easing financial conditions which could move into a recovery. This remains the key debate and is still an open question. Market participants are questioning the effectiveness and coherence of central banks’ policies, given their failure to meet their targets. However, the Bank of Japan and the ECB appear to feel that there may be limits to the effectiveness of existing policies and have looked to have moved to a new regime.

We still see more stimulus and even more radical approaches approaching in the medium term. However, the measures enacted have not addressed the fundamental problem of demand deficiency.

We continue to expect an extremely gradual path of rate tightening and, with it, a stable to weaker bias for the US dollar with all of its natural consequences.

Investor surveys still point to investors holding high levels of cash which we find very reassuring, given our contrarian optimistic outlook until year end. Extreme negative positioning in UK equities has continued despite cheap valuations relative to most developed markets. We continue to expect large cap stocks to outperform more domestically orientated mid cap stocks.

Our non-consensus view has been that bond yields will continue to move lower, especially longer duration higher yielding markets. However, we are very conscious that the Fed look determined to raise rates before the year barring a significant deterioration in conditions. To our minds, this will represent a policy error and this will likely lead to a selloff in bonds and gold.

It is our opinion that any near term setbacks will be good opportunities to build exposure in unloved areas that offer excellent medium term rewards. If the Fed keeps the US dollar from sustained strength, we believe all the under-owned, weak dollar plays will offer the best prospects, which include selective emerging markets and commodities.
FINANCIAL INFORMATION

Prices
Class Sterling Acc 123.97p
Class Sterling Inc 122.60p
Class R Sterling Acc 116.76p
Class R Sterling Inc 99.61p
Class X Sterling Acc 135.34p
Class X Sterling Inc 130.73p
Class Y Sterling Acc 123.28p
Class Y Sterling Inc 125.19p
Total net assets £127.4m

OTHER FUND FACTS
Sterling share classes only, for information on share classes of other currencies, please go to the website.

ISIN - Class Sterling Acc IE00B3CLDS01
ISIN - Class Sterling Inc IE00B3CLDT18
ISIN - Class R Sterling Acc IE00B74TPB72
ISIN - Class R Sterling Inc IE00BWK22X61
ISIN - Class X Sterling Acc IE00B3K66F56
ISIN - Class X Sterling Inc IE00B3K66H70
ISIN - Class Y Sterling Acc IE00B3KLNR18
ISIN - Class Y Sterling Inc IE00B3KLNV53

Fund type UCITS
Dealing and valuation frequency Daily
Valuation time 12:00 pm
Accounting year-end 31 March
Settlement T + 3
Base currency GBP (Sterling)
Charges levied against Income
OCF* (%) Class Sterling: 2.25, Cl R Sterling: 1.75, Cl X Sterling: 2.25, Cl Y Sterling Inc: 3.28, Cl Y Sterling Acc: 3.23
AMC** (%) 1.50 (All share classes except ‘R’), 1.00 (‘R’)
CDSC*** (%) 1.00 p.a (‘Y’ share class only)
Initial charge (%) Up to 5.00 (excluding ‘R’, ‘X’ and ‘Y’)
Performance fee None
Depositary Northern Trust Fiduciary Services (Ireland) Ltd
Registrar Northern Trust International Fund Administration Services (Ireland) Ltd

ASSET ALLOCATION

EQUITIES BREAKDOWN

TOP 10 HOLDINGS

Please note figures may not add up to 100% due to rounding. The figures above are rounded to second decimal place.

All data sourced from Morningstar Direct, Bloomberg and City Financial as at 30/09/2016, unless otherwise stated.