

**SHINING A LIGHT ON THE.....
First State Diversified Growth Fund**

AT A GLANCE

Investment Objective	
The Fund aims to protect against UK inflation and provide growth by achieving a positive return of 4% in excess of the UK Retail Prices Index over a rolling 5-year period. The Fund will adopt a total return approach and invest in a broad range of traditional and alternative asset classes globally which may include, but are not limited to, inflation linked bonds, developed and emerging market equities, developed and emerging market debt, and exchange traded funds.	

Inception Date	23 rd June 2015
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000VHJA

Management	
Manager Name	Start Date
Andrew Harman	23 rd June 2015

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	76.08%
Large	20.79%
Medium	3.07%
Small	0.07%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	714	
Assets in Top 10 Holdings	76.94%	
Name	Sector	% of Assets
Jpn 10y Bond(Ose) 13/12/2018	-	19.76%
iShares \$ High Yld Corp Bd ETF USD Dist	-	8.21%
Irs 25/07/2028 C/P Bnp Paribas	-	7.73%
Euro-Btp Future Mar19 07/03/2019	-	7.41%
Topix Indx Futr Dec18 13/12/2018	-	6.98%
United Kingdom of Great Britain and N...	-	6.81%
Irs 08/10/2028 C/P Bnp Paribas	-	5.68%
United Kingdom of Great Britain and N...	-	4.91%
Ftse China A50 28/12/2018	-	4.73%
Dax Index Dec 18 21-Dec-2018	-	4.72%

Volatility Measurements	
3-Yr Std Dev (volatility)	6.22%
3-Yr Mean Return (average)	4.52%

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FUND PERFORMANCE

Performance from 23rd June 2015 to 28 February 2019:

	2015	2016	2017	2018	2019
First State Diversified Growth Fund	-4.30%	14.82%	7.08%	-9.74%	4.92%
Vanguard Global Bond Index	1.55%	3.51%	2.00%	-0.11%	1.00%

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
First State Diversified Growth Fund	-4.74%	4.85% p.a.	2.98% p.a.
Vanguard Global Bond Index	1.94%	1.31% p.a.	2.15% p.a.

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

This fund falls into the growing group of target return funds; it was launched in 2015 and has just passed its three-year track record. The team is based globally in Singapore, Sydney and London and have managed similar strategies for 20 years, with assets under management now exceeding \$20 billion. The fund itself has less than £100 million invested.

The fund targets a positive return of 4% gross of fees in excess of the UK RPI over a 5-year period. It hasn't reached the 5-year track record.

The fund started well and up to the end of December 2017 it was up 6.09% p.a. However, for 2018 it was down -9.74%. Much of the damage was done in the third quarter where the short-term positions were all negative. In the 4th quarter where many of the other strategies struggled this responded more in the way they would expect.

The challenge with all these strategies is being able to deliver the return. They feel that one of the biggest risks is not achieving the target return. Clearly the falls in 2018 show that things don't always go right.

In terms of investment strategy, they look at the global economic on a six-monthly basis and will adjust depending on views at that time. They are looking at markets daily and adjusting to reflect. As an example, Brexit had two potential outcomes; in this case they introduced strategies for both outcomes so that it would protect the portfolio whichever way the vote went. They did the same with the US and French elections.

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In summary, the fund cannot promise positive returns in all market environments, but they believe they can adopt strategies that can get it right over the long term. Risk plays a part in managing the returns, but they don't have specific volatility targets which means they can increase or decrease the risk to target the returns. The main aim is to achieve equity type returns by flattening out the experience but there will be periods like Q3 in 2018.

The source of information in this note has been provided by First State and is correct as at March 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.