

**SHINING A LIGHT ON THE.....
Threadneedle Dynamic Real Return Fund**

AT A GLANCE

Investment Objective	
<p>The Fund aims to achieve a higher rate of return from capital appreciation and income than the rate of inflation in the UK (defined as the Consumer Price Index (CPI)), over a period of 3 to 5 years. Currently, the Fund looks to achieve an average annual return of CPI +4% when measured over this same time period, before charges are deducted. The Fund also seeks to deliver a positive return over any 3-year period (net of charges), regardless of market conditions. However, there is a risk to capital, and there is no guarantee that a positive return will be achieved in 3 years, or any other timescale. The Fund actively manages an exposure to bonds, equities (company shares), money market instruments, cash, currencies, commodities, property and other alternative asset classes on a global basis. The exposure to these asset classes varies over time, as deemed necessary to achieve the investment objective, which may result in the Fund having little or no exposure to certain asset classes.</p>	

Inception Date	18 th June 2013
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000Q3C7

Management	
Manager Name	Start Date
Toby Nangle	18 th June 2013

FUND PERFORMANCE

Performance from 1st January 2016 to 31st October 2020:

	2016	2017	2018	2019	2020
Threadneedle Dynamic Real Return Fund	8.07%	6.96%	-5.58%	10.04%	1.43%
MSCI World	6.77%	16.27%	-9.13%	24.86%	-3.44%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Threadneedle Dynamic Real Return Fund	3.56%	5.89%	22.41%	37.03%
MSCI World	1.61%	12.21%	33.55%	65.49%

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.

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
2.36	-	87.18	98.27	41.67	1.00	-1.23	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	7.63%
3-Yr Mean Return (average)	1.92%

Investment Style Details	
Giant	16.93%
Large	7.80%
Medium	2.95%
Small	0.30%
Micro	0.00%

Top 5 Holdings – 64 Equity Holdings, 138 Bond Holdings and 56 Other Holdings		
Threadneedle Stlg SD Corp Bd Ins...	-	14.89%
United Kingdom of Great Britain ...	-	8.08%
Threadneedle Japan Ins X Acc GBP	-	7.60%
Threadneedle SterlingCorpBd Ins ...	-	5.74%
Threadneedle Asia Ins X Acc GBP	-	4.79%

Top 5 Sectors	
Technology	23.17%
Communication Services	13.17%
Financial Services	12.83%
Consumer Cyclical	12.49%
Healthcare	11.64%

Top 5 Regions	
Japan	28.12%
US	25.13%
China	9.56%
France	4.33%
UK	4.27%

UPDATE....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

The fund aims to achieve a return of inflation plus 4% before charges, over a 3 to 5-year time frame, with volatility of two thirds of equities. Over 3 years the return is 1.92% p.a. and over 5 years 4.13% p.a. and since launch 4.37% p.a.

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Therefore, it is fair to say the fund has achieved its aims over the longer term. If we compare volatility over 3 years this is 7.63% compared to the index at 17.52%. Over 5 years this is 6.42% compared to the index at 14.30%. Fundamentally this offers equity like returns without the significant volatility associated with equities.

The chart below shows performance this year. When the index was down -26%, this fund was down -13%. This fund therefore will appeal to investors who do not necessarily want the rollercoaster ride of equities but want some of the returns. It may also appeal as a blend within a portfolio of holdings.



Entering 2020 the team were optimistic. When the shutdown happened things changed very quickly with the deepest UK contraction on record and the highest increase in unemployment in the US for 80 years. The speed and levels of support made them feel that the measures would mend the market dislocation.

As the markets dropped and policy makers stepped in, they sold US Treasury Inflation-Protected Securities and added more risk assets to the portfolio, focusing on quality. As markets have recovered, they have reduced the level of risk in the portfolio. Areas where they see the best risk reward return over the next 12 months are in EM Asian Equities, Japan, and Global Equities.

The strategy runs three buckets – high volatility assets, medium volatility assets and low volatility assets. Currently it has 44.2% in high, 36.2% in low and the balance in medium. The team look to move assets to reflect thoughts at any given point in time. The strategy can hold equities, bonds and cash, property, commodities, and alternatives.

It does use Threadneedle funds as part of its strategy which may not appeal to all investors, but it does use other assets as well.

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In summary, this is aimed at those wanting equity type returns without the high levels of volatility, or as a blend within a portfolio of investments.

It will not deliver a positive return all the time, but the aim is to deliver a targeted return over a 3 to 5-year timeframe. We can see how this year it was able to protect on the downside and over 12 months is ahead of the index. This year has also demonstrated the dynamic nature of the strategy and ability to move quickly to adjust to events.

The source of information in this note has been provided by Threadneedle and is correct as at November 2020. 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.