

**SHINING A LIGHT ON THE.....
PIMCO GIS Inflation Multi-Asset Fund**

AT A GLANCE

Investment Objective	
The Fund's investment objective is to preserve the real value of capital through prudent investment management. The Fund will be managed actively and will predominantly invest in a diversified portfolio of inflation-related assets. The Fund seeks to achieve its objective by investing in a combination of global inflation-related Fixed Income Instruments, emerging market bonds and currencies, equities and equity related securities, and commodity and property related instruments. Exposure to such assets may be achieved through direct investment or through the use of financial derivative instruments as detailed below. The Fund will pursue a multi-asset oriented investment strategy in accordance with its investment policies. The objective of the strategy is to achieve real capital preservation over time by allocating to a range of inflation related asset classes.	
Inception Date	30/11/2012
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000T791

Management	
Manager Name	Start Date
Greg Sharenow	24 th June 2022

FUND PERFORMANCE

Performance from 1st January 2016 to 31st August 2022:

	2016	2017	2018	2019	2020	2021	2022
PIMCO GIS Inflation Multi Asset Fund	29.18%	-1.93%	6.44%	4.93%	3.24%	3.53%	0.23%
Morningstar EAA US Mod Tgt Alloc NR	22.44%	-5.42%	6.23%	4.52%	4.19%	-0.63%	-2.12%

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

	1 year	3 years	5 years	Since launch
PIMCO GIS Inflation Multi Asset Fund	17.66%	6.50% p.a.	6.23% p.a.	4.62% p.a.
Morningstar EAA US Mod Tgt Alloc NR	3.40%	4.34% p.a.	5.74% p.a.	7.92% 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.

LWM Consultants Ltd

Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Credit Quality
7.49	99.13	74.77	55.56	1.11	2.23	Medium/Blend

Volatility Measurements	
3-Yr Std Dev (volatility)	11.66%
3-Yr Mean Return (average)	6.50%

Top 5 Holdings – 74 equity holdings, 319 bond holdings, 193 other holdings		
PIMCO US Dollar S/T FI NAV Z USD...	-	9.79%
Fin Fut Uk Gilt Ice 09/28/22	-	9.63%
Invesco Physical Gold ETC	-	8.24%
United States Treasury Notes 0.125%	-	7.74%
Euro Bund Future Sept 22	-	6.92%

Fixed Income	
Effective Maturity	3.22
Effective Duration	3.52

UPDATE....

This strategy is offering investors something different which has low correlation to traditional assets. In 2022 this approach has meant that it has been slightly positive. Fundamentally this strategy provides investors with inflation protection by using a broad range of real assets. It also aims to keep volatility low.



One of our concerns is performance. The figures we have shown use the USD share class; the GBP share class has different performance data as the chart shows over 3 years.

This is something we would have to understand before considering whether to invest in the strategy.

So, effectively the strategy might be a hedge against inflation, but currency

movements could be a negative and take away much of the performance.

We have had relatively stable inflation, but this is beginning to change. We have factors such as technology, high debt leverage and rising concentration which tend to disinflationary and now we have 'net zero', de-globalization and supply chain resiliency which is inflationary, so the two push and pull against each other. This creates a more uncertain environment moving forward.

LWM Consultants Ltd

If investors agree with this thesis, then this fund can provide an alternative source of returns. However, if investors think that inflation will crash down to say 2%, then this fund will underperform. It may deliver slightly positive returns but not much more.

The fund is aiming to focus on a mix of real assets to provide that inflation hedge. The returns are driven by the asset allocation and the underlying assets. It can hold a maximum 50% exposure to commodities, 30% maximum exposure to non-USD currency and 20% maximum exposure to equities (REITs, etc.)

The fund follows the PIMCO Inflation Multi-Asset Index which has market weights of:

Gold – 10%
EM Currency – 15%
Global Real Estate – 10%
Commodities – 20%
ILBs – 45%

The returns are driven through two forces, with the aim to deliver an all-weather strategy. PIMCO have a centralised macro view and this feeds across the company and can be challenged. The team of four then use this to invest across the asset classes. So as an example, they are currently underweight gold and duration as they move to a more defensive positioning. The team were at pains to stress that this should be seen as a steady ship within a portfolio. They will make tilts across the asset allocation but not big macro bets.

The asset allocation is one source of returns. The second source is turning to the wider group to feed in the assets, so this goes across ILBs, Commodities / Gold, Real Estate and EM Currency. The team then analysis the risk exposure and this creates the portfolio.

If they were to summarise what this offers to investors it would be three things:

1. Inflation protection
2. Diversification within real assets
3. Diversification from equities and bonds

In summary, economists will try and tell you what the future holds, and most models consider the past because how can you read the future! We have come out of a low inflation world. Although inflation is rising the reality is that it should drop back, but at what level it settles is unknown.

There are clearly deflationary elements, like technology, but equally a drive to 'net-zero' can push up inflation. So that push / pull creates an element of uncertainty. How assets respond is difficult to gauge. An investment which provides low correlation to traditional risk assets may become an important part of a portfolio going forward. If the returns are 3% to 5% p.a. and it provides an element of protection, that should be sufficient.

LWM Consultants Ltd

We have two areas we need to focus on, and for now this sits on our watchlist. The first is the performance between the dollar and sterling share class. This may be driven by the weakness in sterling. If this continues, then this could have an impact on the performance. If a weak sterling undoes the inflation protection, then there must be a question on whether this is worth holding. The second is accessibility to the strategy. We use a platform and it appears this is not available. We can get it added but we need to understand more about this.

The source of information in this note has been provided by PIMCO and is correct as of September 2022. 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.