

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

**AT A GLANCE**

Investment Objective	
The investment objective of the Fund is to achieve a positive real rate of return from capital appreciation and income over the medium to long term, at least above the rate of inflation (defined as the Consumer Price Index). Regardless of market conditions, it also aims to provide a positive return over a maximum period of 3 years. There is a risk to capital, and there is no guarantee that such a return will be achieved in 3 years or any other timescale.	

<b>Inception Date</b>	18 <sup>th</sup> June 2013
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000Q3C7">http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000Q3C7</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
Toby Nangle	18 <sup>th</sup> June 2013

Investment Style Details	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	45.32%
Large	32.09%
Medium	17.63%
Small	4.76%
Micro	0.19%

Top 10 Holdings		
<b>Total number of holdings</b>	-	
<b>Assets in Top 10 Holdings</b>	-	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
Threadneedle Stlg SD Corp Bd InsXGrslnc£	-	16.06%
Threadneedle Japan Ins X Acc GBP	-	9.06%
United Kingdom of Great Britain and N...	-	8.74%
Threadneedle European X Acc GBP	-	6.67%
Threadneedle (Lux) Enhanced Cmdts XU	-	5.80%
Threadneedle European Sel X Acc GBP	-	5.76%

Volatility Measurements	
<b>3-Yr Std Dev (volatility)</b>	5.20%
<b>3-Yr Mean Return (average)</b>	4.61%

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## FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2014 to 28<sup>th</sup> February 2019:

	2014	2015	2016	2017	2018	2019
<b>Threadneedle Dynamic Real Return Fund</b>	6.20%	2.96%	8.07%	6.96%	-5.58%	4.20%
<b>Vanguard Global Bond Index Fund</b>	7.97%	1.25%	3.51%	2.00%	-0.11%	1.00%

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

	1 year	3 years (p.a.)	5 years (p.a.)	Since launch (p.a.)
<b>Threadneedle Dynamic Real Return Fund</b>	-0.96%	4.62%	4.23%	4.36%
<b>Vanguard Global Bond Index Fund</b>	1.94%	1.31%	2.68%	2.70%

*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 falls into a growing group of target return funds and aims to deliver a return of 4% above CPI (before charges), with volatility of 2/3rds of equities over a 3 to 5-year time frame. CPI is a moving target but assuming this is about 2%, and the target return after charges is 3%, then investors should be expecting a return of circa 5% p.a. The fund is close to that figure.

Although they target a return over a 3 to 5-year time frame their views are over a 12 to 24-month period. Anything beyond that is difficult to do. The last quarter of 2018 was disappointing for the fund. They went into the year with GDP looking ok, growth in the US, earnings were good, and valuations weren't of a great concern. The falls in October and December caught them by surprise.

We discussed what had changed and they explained that trade tensions seemed to spike bond yields with concerns of defaults. This fear then spread into equities. In 2019, they believe the fear of recession is being over played. However, the market has been spooked by weak PMI figures from Europe and a sell-off in Asia. The reality is that there is still modest growth and in the US the Fed are no longer increasing interest rates.

We discussed Brexit and this is a risk for the fund and they have been increasing exposure to sterling. If the UK leaves without a deal this will be a negative for the fund, but they don't think this will be case. In terms of positioning the fund they have slightly reduced exposure to European, Japanese and Asian equities, and increased exposure to UK equities.

In terms of Asia they think a lot of the good news around trade is already priced in and hence why they have reduced exposure. Although they have moved from neutral positioning to dislike they think there is more to come from the bull market, with positive earnings growth and supportive monetary policy.

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In summary, this fund is slightly behind its target but in part that will be due to the last quarter of 2018. It is one fund that has a good reputation and management team. It does invest in Threadneedle Funds which might deter potential investors. The biggest risk to the fund as it stands is Brexit and leaving without a deal.

*The source of information in this note has been provided by Threadneedle 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.*