thesharecentre:
multi-manager fund range

TC Share Centre Multi-Manager Balanced Fund

Q4 2018 update

Created February 2019

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FUND OBJECTIVE

The TC Share Centre Multi Manager Balanced Fund aims to achieve a combination of income distributions of approximately 2% per annum and capital growth in excess of the IA Mixed Investment 40-85% Shares index, primarily through investment in a portfolio of Collective Investment Vehicles providing diversification across a range of underlying assets

OUR PHILOSOPHY

The funds' assets are managed on a medium to long-term perspective, which we believe reduces the ever increasing effect of market noise and should help them outperform more short-term momentum-orientated managers over the long term. This may mean that the funds underperform their sector peers in some years, as the managers prefer not to chase markets, but instead look for assets or sectors which they believe are undervalued and have strong potential for a re-rating. Therefore, it is unlikely the portfolios will experience a high turnover and equally, we seek funds to invest in that also have lower than average turnover compared to sector peers.

DIVERSIFICATION

We attempt to control risk by asset diversification, sector diversification, underlying management group diversification, a core of high profile liquid funds and a satellite of boutique managers that may have a concentration of institutional investors. We also continually monitor potential threats, which might trigger an adverse event in a particular asset class.

RISK MANAGEMENT

We spend a significant amount of time looking for and understanding inflation risk, volatility risk, capital risk and diversification risk, which can all have a detrimental impact on investment performance if not appropriately managed. Our aim is to balance the funds appropriately, to protect or take advantage of the opportunities market conditions may present. Historically, we have delivered good performance on volatility levels, below that of the sector average.

DYNAMIC PLANNER® PROFILED 6

DISCRETE PERFORMANCE SUMMARY

QUARTERLY REVIEW

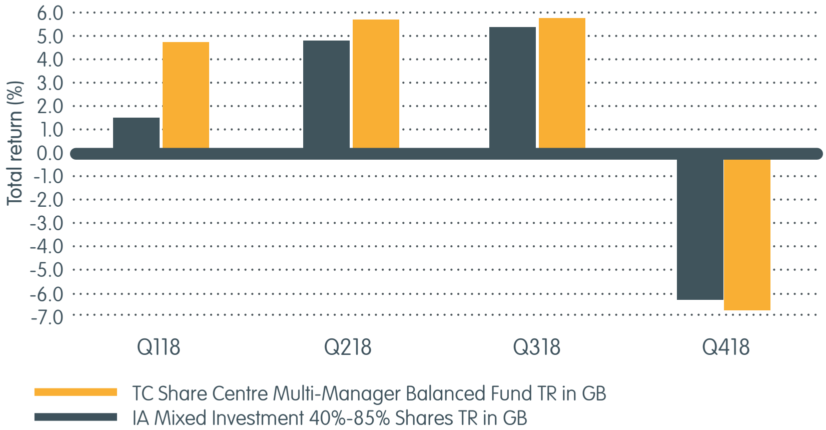
The Federal Reserve (FED) raised rates in Q4 based on steady economic data. However, its latest dovish tone (unlikely they are going to pursue aggressive actions in the near-term) signalled a cautious outlook on the US economy. Technology related stocks plunged over the fear of slower earnings growth ahead, particularly from a few high profile firms. The energy sector was squeezed by the lower oil price and downbeat expectation of China's economy.

The UK equity market fell sharply, driven by the momentum of the Brexit talks as well as the gloomy outlook on global growth, trade spats and Eurozone political uncertainty. Disappointing economic data in the Eurozone saw its equity market nosedive. Poor sentiment wasn't isolated to western developed markets as the Japanese equity market ventured into bearish territory, while the Yen, viewed as a safe haven, strengthened.

The broad sell off across markets in Q4, drove bond yields down, gold rose, whilst the Indian stock market delivered a strong return against the lower oil price and a positive outlook. The Latin American market rose against a backdrop of positive expectation around Brazil's newly elected president.

Discrete quarterly performance

Source: FE Analytics, bid to bid, total return, UK sterling basis as at 31 December 2018



ANNUAL REVIEW

A pick up in market volatility was a more significant feature of markets in 2018, challenging market participants risk taking appetite.   The rise in volatility following on from the historic low recorded in 2017, resulted from a combination of FED policy tightening, the prolonged trade spat, fears of a slowdown in the US, actual slowdowns in Europe and China and uncertainty in the Brexit outlook.

Being conscious of changing market dynamics we continued to rotate the portfolio into quality assets throughout Q4. This meant shifting more of the underlying bond funds from a high average non-investment grade to a low investment grade position. Additionally, we focused on keeping the duration low whilst we see if the US yield curve continues to invert and we attempted to maintain a mix of fixed and floating rate bond issues to help negate interest rate risk. In the portfolios equity funds we continued to opt for fund managers that have a quality bias in their company selection process and where possible with managers that are experienced investing in this market environment.

We doubled the gold position in the portfolio over the summer which paid off when volatility picked up in October through to the end of 2018.

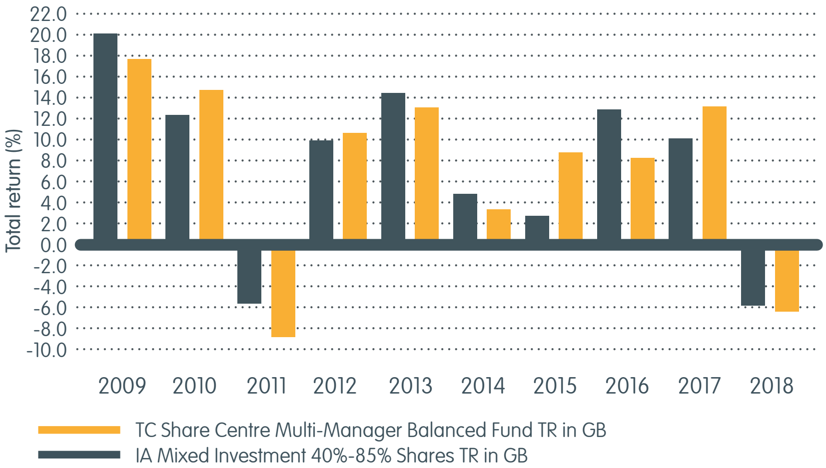
While we are disappointed with the TC Share Centre Multi Manager Balanced fund's performance in Q4, we could have been more aggressive cushioning against market falls over this period but we remain investors that seek to take advantage of long-term market opportunities. While we have some reservation over valuations there continues to be parts of the market where we see good value and we continue to take advantage of these while addressing some of the nearer-term market concerns.

On a discrete relative bid to bid basis from Q4 2017 to Q4 2018 the TC Share Centre Multi Manager Balanced fund underperformed the IA Mixed Investment 40-85% Shares, returning -6.57% against the sector which returned -6.11%. In this Q4 the fund returned -8.30%, underperforming the sector which returned -7.89%. The fund's 5-year discrete annualised return stands at 5.08% against the sector which returned 4.62%, on a total return bid to bid basis. The fund has delivered an above peer average annual return in relation to the risk it has taken over 5 years period.

We have delivered positive results in eight of the past ten years, generating an annualised return of 6.99% against that of the sector, 7.14%, over ten years. Though we were not immune from the wide spread sell-off, we continue to stand by our commitment to positive returns, low volatility and a smooth ride and not too many surprises for clients.

Discrete annual performance

Source: FE Analytics, bid to bid, total return, UK sterling basis as at 31 December 2018



ASSET PERFORMANCE

MONTHLY RETURNS FOR THE QUARTER ENDING DECEMBER 2018

In October, US technology stocks took a tumble, pressured by lingering concerns over interest rates, corporate earnings and valuations. Markets around the world felt the knock-on effect of the fall.

The decision by the FED to leave rates unchanged in November helped propel the US stock market whilst the falling oil price saw its energy stocks suffer. The Eurozone market failed to pick up in the month as the political unease in France and Italian budget wrangling cast a shadow.

The US stock market saw a sharp dip during December, fearing a softening in growth, hawkish Fed rate policy, trade policy uncertainty and further drops in oil price. A sell-off swept through tech, energy, material and financial sectors and weighted on global markets, which saw Japan enter a bear market.

A delayed Brexit vote continued to heap pressure on sterling and UK equities. Over the period, all major stock markets endured agonizing losses; bonds outperformed and gold saw a solid gain in the turmoil.

What keeps us up at night?

- Interest rate risk
- US policy mistakes

What we like

- UK, Europe, Japan, India and Brazil
- Technology, Healthcare, Mortgage and Asset Backed Securities (MBS, ABS)
- Equities over fixed assets
- Low duration, good quality, flexible bonds
- Gold

Gold the Protector

Stock market volatility in the 1970s resulted from flat returns from stocks, oil price shocks, political instability and central bank policy that led to stagnant economic growth. Whilst the market parallels are not like for like, similarities certainly exist and these could even be sufficient enough to give investors a guide base to understanding the direction of gold prices ahead.

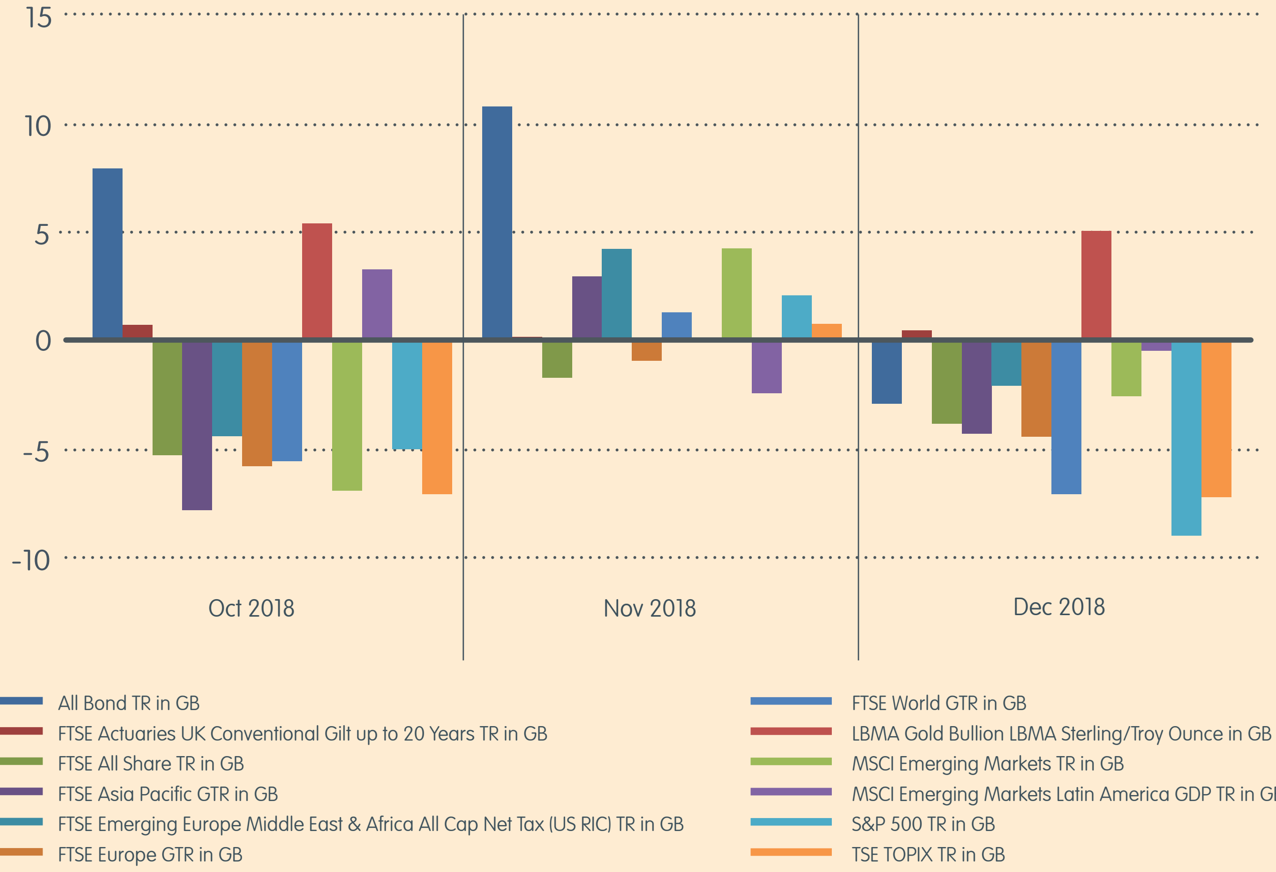
Rising rates pose threat to growth, as government, corporate and personal cost of servicing debt rise. Recently released economy data also indicates the slowdown in global growth, especially a slowdown in China. The Political status quo has been challenged on a number of fronts, notably in Europe there is Brexit. All of these have contributed to a wide spread sell-off in stock markets in Q4 and resulted in almost all major asset classes landing in negative territory, except for gold which has once again proven to be a trusted friend to anchor to in the stormy market condition.

Invest in India's Potential

In Q4, the global equity market experienced a wide spread sell off. However, India's stock market managed to insulate itself from the latest turbulence, MSCI India outperforming MSCI World and MSCI China by 16.33% and 13.58% respectively.

In recent years, India has enjoyed good macro conditions primarily led by subdued inflation, lower interest rates and commodity prices, especially oil, a manageable current account and an appreciating currency. India has been growing by leaps and bounds compared to most developed countries and is expected to grow at a consistently high rate for the next few decades. The prospect of it overtaking China as the world's fastest growing economy

Monthly return for the quarter ending December 2018
Source: FE Analytics



in the foreseeable future has not gone unrecognised. This is to the credit of ambitious government reforms, rising consumer demand, highly educated human capital and an enhanced foreign investment environment.

The outlook for India's stock market remains positive on expectations of further economic reforms, lower interest rates, surging consumer demand and growing corporate earnings should all be supportive. The Indian stock market historically traded at premium but currently it is traded below its historical average. While compared to the emerging market as a whole, the valuations are expensive right now, which might deter short-term investors and investors looking for lower cost assets, today's expensive stocks may be irrelevant in the future because of India's significant opportunity for growth.

PORTFOLIO ACTIVITY

Regional asset weightings

Source: The Share Centre 31 December 2018

	% AS AT 31.12.18	% AS AT 30.09.18	CHANGE
Equities (total)	**67.18**	**61.02**	**6.16**
UK Equities	24.78	25.71	-0.93
North American Equities	15.40	13.58	1.82
European Equities	9.81	3.01	6.80
Japanese Equities	8.41	9.63	-1.22
International Equities	1.34	1.22	0.12
Asia Pacific Equities	1.52	1.74	-0.22
Asia Pacific Emerging Equities	0.22	1.38	-1.16
American Emerging Equities	0.22	0.17	0.05
Commodity & Energy	5.48	4.58	0.90
Bonds (total)	**25.81**	**23.29**	**2.52**
Global Fixed Interest	17.69	16.32	1.37
UK Fixed Interest	6.48	5.73	0.75
UK Gilts	0.04	0.01	0.03
American Emerging Fixed Interest	1.16	0.93	0.23
European Emerging Fixed Interest	0.29	0.22	0.07
Asia Pacific Emerging Fixed Interest	0.15	0.08	0.07
Alternatives (total)	**4.72**	**13.02**	**-8.30**
Alternative Investment Strategies	0.47	0.00	0.47
Other	0.00	0.30	-0.30
Undisclosed	4.25	12.72	-8.47
Money Market	**1.44**	**2.67**	**-1.23**

PURCHASES

FP Crux UK Special Situations

LF Miton UK Multi Cap Income

Finsbury Growth & Income Trust

DISPOSALS

Royal London UK Mid-Cap

LF Miton UK Smaller Companies

NOTABLE CONTRIBUTORS

ETFS Physical Gold provided us a generous return in the stormy market conditions.

Pimco GIS Income saw a positive return as a result of its de-risking theme by adding US duration in 2018 and gradually reducing corporate credit exposure since 2016.

NOTABLE DETRACTORS

Legg Mason Japan Equity tumbled reflecting the downbeat global sentiment and Japan's gloomy economic forecast.

Man GLG Continental European Growth mirrored the market response to slow growth in the Eurozone economy and drag from the performance of the Automobiles & Components sector, which was an overweight position in the fund.

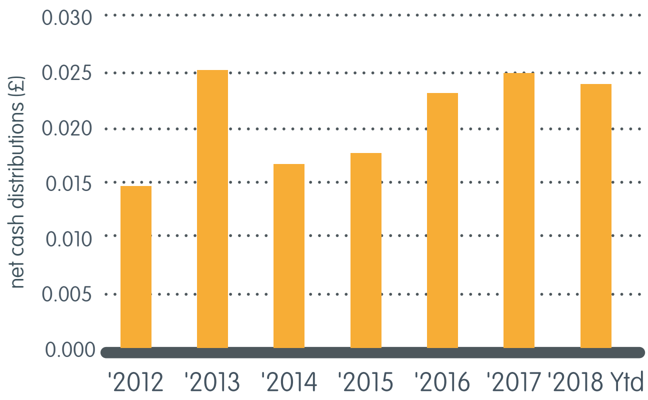
FP Crux UK Special Situations was dragged down by its holdings in the Energy sector, specifically Royal Dutch Shell.

INCOME & VOLATILITY

ANNUALISED HISTORIC YIELD AS AT 31.12.2018

1.72%

YEAR	NAME	DIVIDENDS	NET. DIST	HIST. YIELD %
2012	TC Share Centre Multi Manager Balanced Fund	2	£0.0146	1.48
2013	TC Share Centre Multi Manager Balanced Fund	2	£0.0251	2.28
2014	TC Share Centre Multi Manager Balanced Fund	2	£0.0166	1.44
2015	TC Share Centre Multi Manager Balanced Fund	2	£0.0176	1.43
2016	TC Share Centre Multi Manager Balanced Fund	2	£0.0230	1.80
2017	TC Share Centre Multi Manager Balanced Fund	2	£0.0248	1.74
2018	TC Share Centre Multi Manager Balanced Fund	2	£0.0238	1.57



Source: FE analytics to quarter end Dec 2018

Historic Yield has been calculated by summing the dividends over the given period divided by the price on the final XD date for the period. Dividend figures rebased in GBP, all distribution values are shown in their major currency unit.

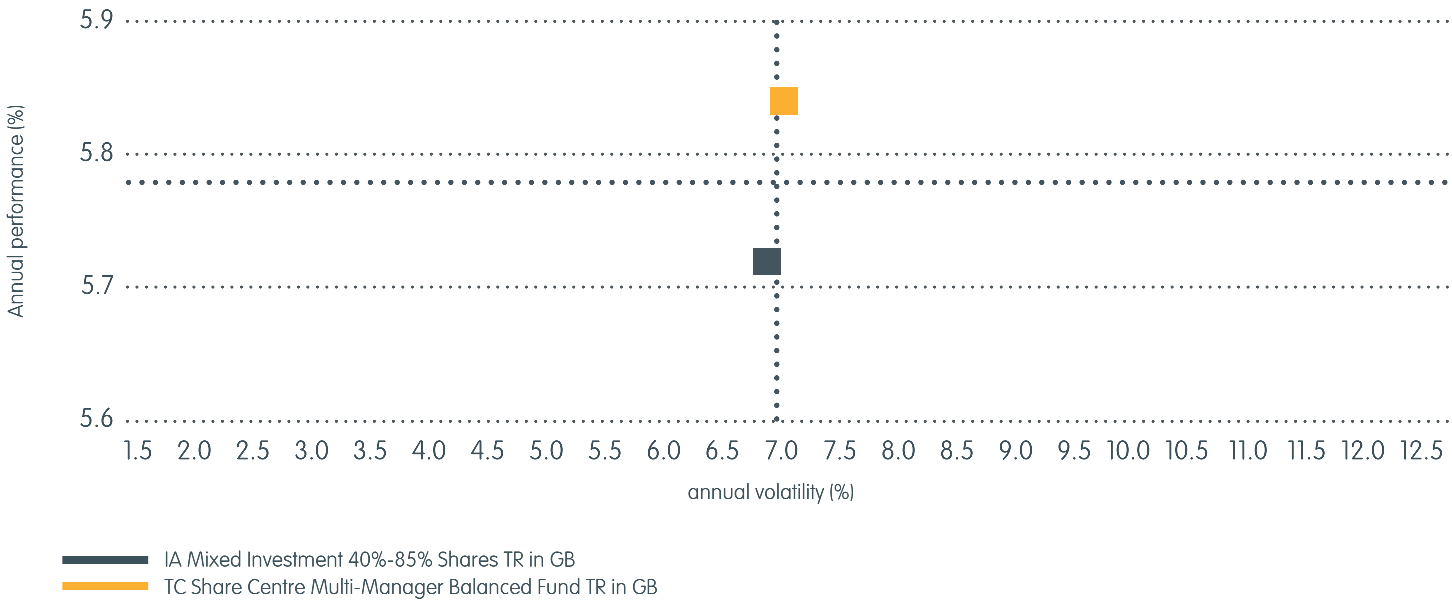
Important ratios - five years cumulative data

Source FE Analytics, based on five years cumulative data to the last month end on a total return basis.

	ANNUALISED			
	RETURN	ALPHA	SHARPE	VOLATILITY
TC Share Centre Multi-Manager Balanced	5.15	0.70	0.20	8.06
IA Mixed Investment 40%-85%	4.64	0.00	0.15	7.66

Returns vs Volatility

Source: FE analytics as at January 2019

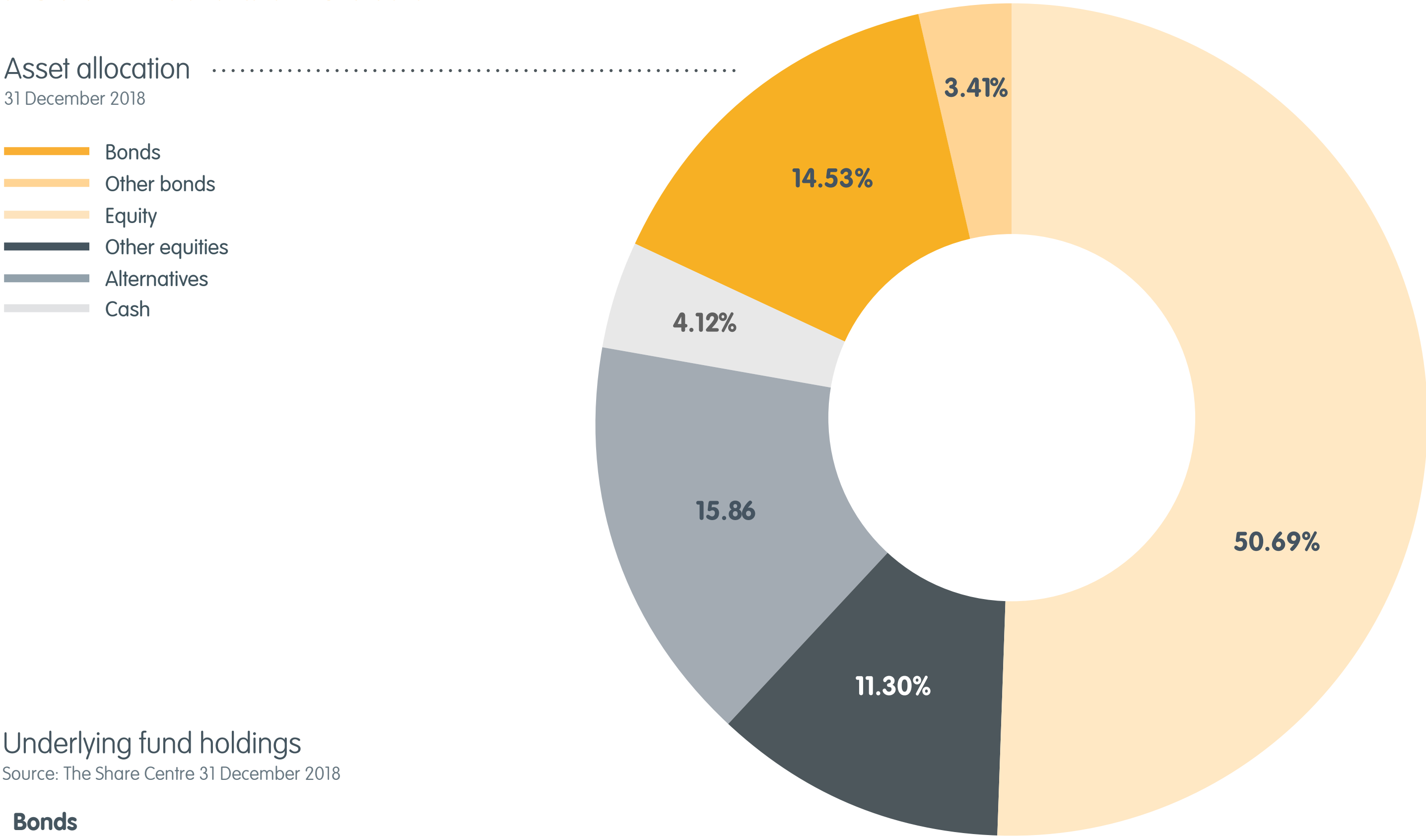


The graph shows the amount of risk the TC Share Centre Multi-Manager Balanced Fund took, relative to its benchmark, to achieve its returns over the last five years.

FUND BREAKDOWN[1]

Asset allocation

31 December 2018



Underlying fund holdings

Source: The Share Centre 31 December 2018

Bonds	
Royal London Sterling Extra Yield Bond	3.04%
Gam Star Credit Opportunities	3.10%
Pimco GIS Income	8.39%
Other bonds	
Polar Capital Global Convertible	3.41%
Equities	
Fundsmith Equity	10.65%
Legg Mason Japan Equity	7.87%
LF Miton UK Multi Cap Income	7.52%
LF Woodford Equity Income	10.59%
Man GLG Continental European Growth	7.73%
Schroder Asian Income	1.42%
FP Crux UK Special Situations	2.28%
Finsbury Growth & Income Trust	2.63%
Other equities	
First State Global Listed Infrastructure	6.81%
Polar Capital Global insurance	4.49%
Alternatives	
Pyrford Global Total Return	6.14%
Merian Global Equity Absolute Return	4.24%
ETFS Physical Gold	5.48%
Cash	4.12%

[1] Figures have been rounded from four decimal places to two decimal places which may reflect in the total percentage figure.

CONTACT US

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ABOUT THE FUND MANAGER

The fund is managed by The Share Centre who have been appointed as fund manager by the Authorised Corporate Director (ACD). The ACD is Treasury Capital who are authorised and regulated by the Financial Conduct Authority.

AWARDS & HIGHLIGHTS

In 2015 all of our funds were first Quartile and first Decile: TC Share Centre Multi-Manager Cautious Fund 1 of 138, TC Share Centre Multi-Manager Balanced Fund 3 of 134, TC Share Centre Multi-Manager Adventurous Fund 1 of 141.

The TC Share Centre Multi-Manager Cautious Fund is recognised by the FT Adviser Hidden Gem Club - 30 funds under the radar between £10 & £100 million in size.

Both the TC Share Centre Multi-Manager Cautious Fund and TC Share Centre Multi-Manager Balanced were recognised in September 2015 by Trustnet as top performers in a piece titled 'How are multi-asset funds coping with a volatile 2015'?

Three UK Funds that 2015's best multi-manager is backing - Trustnet.

The TC Share Centre Multi-Manager Cautious Fund was highlighted in a piece titled TC Share Centre Multi-Manager Cautious Fund that have offered the 'best protection this year', by Trustnet in September 2015.