

SVS Cornelian Growth RMP Fund

Investment Management Report

as at 30 September 2020

Investment Objectives

The Fund aims to provide long term capital growth delivering average annual investment returns (total returns, net of fees) of at least Retail Price Index (RPI) + 2.5% over a five to seven year investment cycle, by investing in a portfolio of investments from the UK and around the world, in a range of economic sectors. The majority of the assets will be invested in passive funds that track the performance of an underlying index.

Market Overview

The MSCI UK All Cap NR index returned -3.5% during the three months to the end of September, while the MSCI World ex UK (£) NR index returned +3.5% in Sterling terms. The UK stock market performance was undermined somewhat by Sterling strength (particularly against the US Dollar); additional concerns surrounding the UK Government's negotiating tactics around the trade negotiations with the European Union; and the continued poor relative performance of economically sensitive stocks, which are over represented in UK equities indices relative to other overseas markets.

In Sterling terms, all other major equity regions posted positive returns over the quarter. The strongest returns were exhibited by the Asia ex Japan (MSCI Asia ex Japan NR (£) Index, +5.8%) and Emerging Markets (MSCI EM NR (£) Index, +4.7%) regions. Economies in both areas have benefited from more effective track and trace procedures (which have boosted the pace of economic recovery relative to western economies) and a weaker US Dollar.

Over the past 6 months to the end of September, the UK stock market (MSCI UK All Cap NR index, +5.6%) has materially underperformed the World ex UK index (MSCI World ex UK £ NR Index, +24.6%) and we outline reasons why we believe this trend could soon reverse in the market outlook section below.

Following a period of strong performance, Gilts produced a negative return over the three months to the end of September (iShares Core UK Gilts ETF, -1.2%). Investment grade debt performed better as credit spreads narrowed (iShares Core £ Corporate Bond ETF, +1.2). 'Riskier' high yield debt produced a strong positive return (iShares Global High Yield GBP Hedged ETF, +3.1%) underlining the more constructive global investment environment.

The Brent crude oil price ended the quarter at \$40.2/barrel, marginally ahead (2.4%) of the price observed at the end of June. Despite global economic growth forecasts being revised up, concerns that OPEC+* production may start to increase held the oil price back.

During the three months to the end of September, the gold price rose 5.9% to \$1886/oz benefiting from US Dollar weakness and the low opportunity cost of holding the precious metal. Sterling strength versus the US Dollar reduced the gain for UK-based investors (+1.5%, to £1,461/oz).

* OPEC+: group of oil-producing nations made up of the members of the Organization of the Petroleum Exporting Countries (OPEC) as well as certain non-OPEC countries including Russia.

Performance of SVS Cornelian Growth RMP* Fund

Fund Summary

* Risk Managed Passive

Launch date:	30 November 2016
Fund Size:	£2.88 million
Historic Yield:	1.78% based on 'G' Income Shares
Distribution Dates:	15 March, 15 June, 15 September, 15 December
Investment Association Sector:	IA Volatility Managed

Cumulative Performance to 30 September 2020 (%)

	1m	3m	6m	1yr	2yr	3yr	Since Launch
'G' Acc Shares (Platform)	-0.64	1.05	12.60	-0.96	3.08	8.07	17.10
RPI+ 1.5%	-	-	-	3.07	8.43	14.98	21.72

Standardised Performance (%)

	2017	2018	2019	YTD*
'G' Accumulation Shares (Platform)	9.93	-7.15	16.48	-3.63

Source: Morningstar.

*Year to Date

Performance figures are net of fees and are based on the 'G' Accumulation Shares (Platform) which do not incur an initial charge.

RPI Data is the latest available, normally from a data point at least one month earlier. For example, performance for one year to end April will be shown against the latest RPI information available, i.e. 12 months to end March. The Authorised Corporate Director (ACD) has selected this target benchmark as the ACD believes it best reflects the target of returns above inflation over a five to seven year investment cycle after costs.

You should remember that the value of investments and the income derived therefrom may fall as well as rise and you may not get back the amount you invest. Past performance is not a reliable indicator of future results.

Managing Risk in the Fund

The SVS Cornelian Growth RMP Fund is managed within Cornelian risk level D on a risk scale of A to E (with A being the lowest and E being the highest risk). The Fund is one of a range of funds designed to achieve their RPI+ objectives whilst each being managed below an upper expected risk limit. This upper expected risk limit is expressed using the upper expected volatility of the Fund calculated by an independent third party and is based on the historical volatility of the asset classes held in the Fund. The upper expected volatility limit may change from time to time. The Fund's upper expected volatility is not the same as the Fund's actual (or historic) share price volatility.

Risk Management as at 30 September 2020

Cornelian Risk Level	A	B	C	D	E
Upper Expected Volatility Limit (%)	6.30	8.40	10.50	12.60	14.70
Fund Expected Volatility (%)	6.01	7.05	8.69	10.49	12.30

Source: Distribution Technology and CAM.

	1yr	2yr	3yr	Since Launch
Actual Volatility	13.91	11.89	10.30	9.39
Maximum Drawdown	-14.41	-14.41	-14.41	-14.41



Past performance is not a reliable indicator of future results

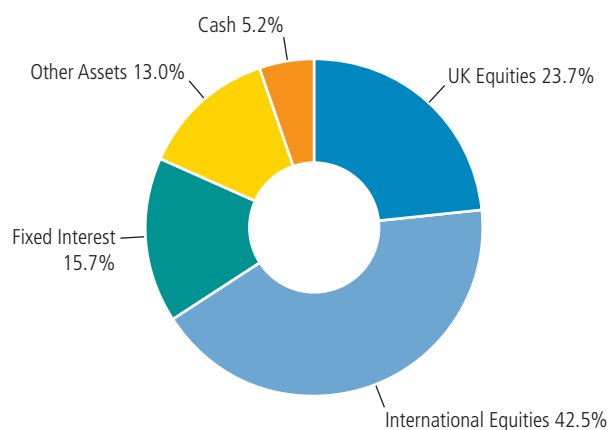
Allocation of Investments

Percentage of Fund Holdings as at 30 September 2020

International Equity	42.48
Vanguard S&P 500 (ETF)	9.93
iShares S&P 500 (ETF)	8.99
L&G Japan Index Trust	5.28
L&G Pacific Index Trust	4.84
Vanguard FTSE Developed Europe ex-UK (ETF)	4.46
Vanguard FTSE Emerging Markets (ETF)	3.45
Legal and General Global Technology Index Trust	2.56
X-trackers MSCI World Index (ETF)	1.01
iShares S&P 500 GBP Hedged (ETF)	1.01
iShares MSCI EMU GBP Hedged (ETF)	0.95
UK Equity	23.67
iShares Core FTSE 100 (ETF)	10.94
Vanguard FTSE 250 (ETF)	10.26
Vanguard FTSE 100 (ETF)	2.46
Fixed Interest	15.71
L&G Short Dated Sterling Corporate Bond Index Fund	5.51
UBS Barclays US Liquid Corporates 1-5 Year GBP Hedged (ETF)	3.05
L&G Sterling Corporate Bond Index Fund	2.05
UBS Barclays US Liquid Corporates GBP Hedged (ETF)	2.05
0.125% US Treasury Inflation-Protected Security 15/04/2021	1.61
0.125% US Treasury Inflation-Protected Security 15/01/2030	1.45
Other Assets	12.96
iShares Physical Gold (ETC)	3.45
L&G Multi Asset Target Return Fund	2.64
iShares UK Property (ETF)	1.50
International Public Partnerships (IT)	1.48
Invesco Global Targeted Returns Fund	1.45
HICL Infrastructure (IT)	1.43
Hipgnosis Songs Fund Ltd (IT)	1.01
Cash	5.18

As deemed appropriate by Cornelian Asset Managers Limited.

Asset Allocation as at 30 September 2020



UK Equity	23.67
US Equity	19.92
Fixed Interest	15.71
Europe (ex UK) Equity	5.42
Japan Equity	5.28
Cash	5.18
Far East (ex Japan) Equity	4.84
Absolute Return Funds	4.09
Global Equity	3.57
Emerging Market Equity	3.45
Commodities	3.45
Infrastructure	2.91
Real Estate Investment Trusts	1.50
Private Equity	1.01

Source: CAM

Due to rounding, the figures shown may not add up to 100%.

Investment Outlook

Globally, 'risk assets' such as corporate debt and equities have recovered much of the ground lost during the first quarter of the year. This exceptionally swift recovery in values has been fuelled by rapid monetary and fiscal policymaker intervention. These actions have been augmented by the strong economic recovery in China, which seemingly has returned to something close to economic normality.

These developments neatly echo the steps taken during 2008 and 2009, firstly, to prevent a depression and secondly, to set the global economy back on a growth trajectory. The lessons from that crisis, to move early and in size, were clearly learned and this time round, in aggregate, policymakers have gone early and in larger scale than before.

Given the Coronavirus doesn't respond to the laws of economic supply and demand and price elasticity, it was unclear as to how the global economy would respond to such stimulus. However, we now know. Forecast economic growth rates for this year are being revised up and next year's forecasts are encouraging, notwithstanding the risk of additional lockdowns in the near term. Underlying demand is recovering, and companies are going to have to overproduce in order to satisfy the need to replenish inventories. This should provide a decent tailwind to growth going forward.

At face value, this more positive outlook is good news for investors. However, during the past seven months or so, the mantra that western economies are now unable to escape the Japanese disease (of low growth, low inflation and low interest rates) has been fully embraced by investors. This, alongside the remarkable injection of liquidity (via interest rate cuts and quantitative easing) has meant that those assets that are more sought after when deflationary risks are at the forefront of investors' minds have massively outperformed those assets which tend to do well during periods of economic reflation. To us, the positioning of investors in 'growth' assets now appears to be extreme, given the low hurdle that needs to be cleared in order to force a more positive reassessment of the outlook for economic growth and inflation.

Whilst we have seen a few sharp rotations out of assets which benefit from the prevailing deflationary mindset to assets which benefit from a reflation narrative over the summer, these periods have been short lived. However, we view these as warning signals of what might be about to come. An analogy would be the tremors that often precede an earthquake.

To our minds there is a material risk that, at some stage in the not too distant future, positive news concerning the potential to deploy one or more COVID-19 vaccines at scale, allied with the prospect of improving economic growth as 2021 progresses, will drive a fundamental reassessment of the outlook for profits of companies which are geared to the economic cycle. Given the amount of cash and near cash sitting on the side lines, any improvement in sentiment towards the outlook for the underlying economy could see a rush of capital back into areas of the markets which have lagged and a return of 'animal spirits'.

This suggests markets will continue to rise from current levels but, unfortunately, it's not as straightforward as this. Whilst we do believe that asset prices, in aggregate, can move forward in near term (and perhaps materially so), inflation could surprise to the upside in 2021, given the easier year-on-year comparisons, and this may challenge the received wisdom that inflation is dead and buried. If so, long term interest rates may rise and reduce the value of assets which have long term, stable cash flows.

The US elections will soon be upon us. There is a general belief that stock market returns suffer during terms when a Democratic President is sitting in the White House, given an underlying philosophy of relatively larger government and higher taxes, however this is not borne out by the facts. Some commentators now believe that the Democrats might achieve a 'clean sweep' and win the Presidency, the Senate and the House. In such an outcome, it is likely investors will anticipate a lengthy new normal of larger spending commitments and higher budget deficits as the new government attempts to level out some of the inequalities in US society.

If this came about, the potential switch in investor mindset, described above, could be reinforced and a weaker US Dollar versus its major trading counterparts would further exacerbate the shift

Investment Outlook (continued)

towards assets which benefit more during periods when economic growth is accelerating and inflation is anticipated to rise.

Whilst we believe that there is a strong probability that elements of the above will unfold over the next six to nine months, we also believe that given the weight of debt at every level of the economy, the medium and long term outlook for the global economy remains that of low growth, low inflation and low interest rates. This means that, in time, assets that benefit from the deflation narrative will reassert their long term trend of outperformance.

The Brexit saga continues but from an investment perspective it might be possible to consider that 'it's got so bad, it's good'. By this we mean that regardless of what the outcome is, by the end of the year, there should be some long hoped for clarity as to the future trade relationship between the UK and the European Union. With improved transparency, investors who have actively allocated away from the UK since the Brexit referendum may well be tempted to allocate to the UK stock market once again, particularly as the country's stock market indices have a preponderance of companies that benefit when global economic growth and inflation are accelerating.

Hector Kilpatrick

SENIOR INVESTMENT DIRECTOR, HEAD OF RISK MANAGED FUNDS

2 October 2020

Important Information

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