Queen's Student Managed Fund

Annual Report 2018/19

QUEEN'S UNIVERSITY BELFAST | MANAGEMENT SCHOOL

MESSAGE FROM THE CEO

Jack Devlin
CEO
BSc Finance

This year, the Fund continued to move from strength to strength, growing our Assets Under Management (AUM) from just below £30k to over £37k, with thanks to our donors and strong out performance of the FTSE 350 Index. Our objective of providing student with a valuable and relevant learning experience proved successful as our record number of 215 members achieved their Bloomberg Markets Concepts certification in the first semester, and completed at least two analyst reports, one analysing our current portfolio and one to pitch a new investment for the fund. Employers have continued to commend the concept of the Fund and we have seen students leave University to embark on new and exciting ventures, from placement years in Dublin and London, to full time graduate careers, and starting their own businesses.

The student committee set out this year to deepen the real-world experience. We introduced a structured learning experience, spanning quantitative and qualitative analysis, following a CFA equity research format. To complement the tools for analysing specific companies we held a weekly 'Market Knowledge' session, where analysts could openly discuss the events of the prior week, data coming out for the week ahead and how this might impact our portfolio. I was personally delighted to see how this platform shifted throughout the year from being driven by the Executive Committee to being more member-led, with various analysts taking initiative in researching and presenting.

By Christmas, our analysts were given the opportunity to apply what they had learnt by producing an equity analyst report on one of our holdings. The best analyst reports, along with consistent attendance and insight led to the promotion of Analysts to Senior Analyst positions, who could help their Sector Head lead the team toward the goal of outperformance and furthering the learning experience.

As this year we had the highest number of members in QSMF history, we created a process to pick those who would pitch their stocks at the annual pitching event, held at Davy offices in Belfast. Every analyst researched the investment they wanted the fund to buy, completed a full analysis with their new-found skills and pitched it to a group of other analysts and sector heads. We questioned each other and agreed a consensus of the companies and ETFs we wanted to present.

The Fund performed very well this year against our two main objectives: bringing active learning to students through a real money fund; and portfolio outperformance. We had one of the most diverse groups of analysts and sector heads, with subjects ranging from Finance to International Business, Law and Politics with International Relations. We had a great mix of nationalities, with our fund hosting members from France, Romania, China, Malaysia and a whole host of others, beyond the UK and Ireland.

I am very proud of the progress of the Fund throughout my tenure and I am confident that the future will only bring more success and recognition. I attribute this to a three key factors. Firstly, students at Queen's have an unrivalled sense of ambition, of insightfulness and willingness to learn. Secondly, Queen's University attracts some of the brightest and most engaged students, who I am sure will continue to be active in the Fund. Finally, the support of staff in the Management School and the Fund's sponsors continues to encourage the development of talent at the University. The Fund adds value to students through active learning, to the University through high quality graduates, and to future employers through applicants who have real-world experience.

MESSAGE FROM OUR SECTOR HEADS

Lauryn Hollywood
Sector Head
(Consumer Discretionary)
BSc Finance

I applied for the Consumer Discretionary Sector Head in my 2nd Year of study, primarily to develop my knowledge of Bloomberg and build upon my commercial awareness. QSMF gave me an extremely immersive and interactive insight into Financial Markets and the business relationships behind them. As a sector head, I had the unique experience of really learning about and execute technical tasks such as preparing an Analyst Report, while also having the opportunity to critique and guide my team of analysts as a leader. This leadership role was different than any position of authority I have had in the past, as it was still, very much a learning experience for me too. This forced me out of my comfort zone and to adapt my leadership style. It was challenging yet rewarding to give advice in real time to my analysts, whilst also learning the best practices myself along the way. This led to a very collaborative and open dynamic on the team which I really valued and will try and incorporate into future team projects.

As a woman in the Finance Industry, I think the main obstacle to success, compared to men is self-confidence. QSMF offers an unparalleled opportunity to interact with others and have responsibility for actual deliverables in a professional setting. In QSMF I definitely felt outnumbered as a woman, but in no way was this a disadvantage. At the start of the year, I had no confidence in my abilities as a Sector Head because everything was new and I didn't know what I was doing. It took some time to realise that it was a student managed fund, no one was an expert and I was equally as qualified as any other Sector Head. This way of thinking helped me a lot when applying for my placement and massively increased the scope of my options. I didn't have to know everything going into a role and employers didn't expect me to as long I could show my ability to learn and adapt to different tasks and situations.

The actual technical experience I gained at QSMF also proved to be invaluable when securing my placement role with Prudential Financial in New York. My interviewers, now my Direct Manager and VP reacted hugely positively when speaking about the QSMF. They were impressed by the depth of knowledge and exposure I got as a Sector Head. Since a year-long placement is not a traditional assignment in the US, my work within QSMF was definitely a main factor in convincing the company and my team in the Chief Investment Office that I would be a valuable resource worth investing in.

Kerry Shaw
Sector Head
(Energy)
BSc Actuarial Science

My two years in the SMF have equipped me with skills that go above and beyond the reach of my degree programme and have opened up doors to many different contacts and career paths in the financial industry. Through the end of year pitch, I have gained valuable presentation experience which I have found to be vital during my industrial placement. Not only does the fund allow for technical development, but I have also found it to be a fantastic tool in developing professional and communication skills through networking and pitching.

The opportunity to not only represent my sector, but also to represent women in the finance industry, has been extremely empowering. It's our time to knock back the gender stigmas associated with working in the financial realm and the SMF provides women with an equal platform to thrive and to lead. In terms of advice, I would encourage anyone with an interest in investment to become a part of the fund. I can assure future members that a lack of experience will not be a disadvantage, the value of the fund is in the opportunities it provides to learn and to gain experience.

Looking back over the last year, I can genuinely say I really enjoyed my time as Sector Head for Consumer Staples. Whenever I took on the role, it was refreshing to have a new set of challenges and responsibilities compared to my first-year role as an analyst. I loved working in a team of like-minded individuals coming from different degree backgrounds which meant it was a great way to meet new people.

Something I found particularly rewarding was helping my analysts produce their reports to such a high standard. It's incredibly rare to get this kind of exposure at our age to something like the Student Managed Fund; as the work we produce actually has a material impact on our portfolio in terms of the rebalancing and not many people at 20 years of age can say they have been part of real money equity fund. This year has taught me about how to effectively manage a team and to try and get the most out of them. I wanted to foster an atmosphere where people were excited to come and that they felt they had left their own respective marks and created their own legacy.

Davy were incredibly generous in hosting us for the annual stock pitch presentation. I really enjoyed this as it gave me an opportunity to showcase all the hard work that myself and my analysts had put in throughout the year. It was superb way to end the year on a high like that.

I'm now on placement with Morgan Stanley in London and I can safely say I don't think I'd be here if it wasn't for my experiences with the fund both professionally (exposure, technical knowledge, skills developed) and socially (building connections with people and getting valuable advice). I'll finish with just saying a huge thanks to the Executive Committee and to Alan and Barry for making this year's fund something I'm proud to be part of. Also, all the best to whoever is lucky enough to take the helm of the Consumer Staples sector. I hope that they too make the most out of it and they enjoy it as much as I did.

Tom Charlick
Sector Head
(Consumer Staples)
BSc Finance

below
Executive Committee l-r:
Joseph Allen(co-COO)
Grant Hutchinson (co-CE)
Louise Burke (co-CE)
Luke McAnaspie (CRO)
Terence Hann (CIO)
Jack Devlin (CEO)
Rebecca Connor (CRO)
Peter McGuigan (CFO)

Not in picture
Barney Fountain (co-COO)

MESSAGE FROM OUR SENIOR ANALYSTS

Charles Freeland
Senior Analyst
(Energy)
BA International Politics

Coming to the end of my undergraduate degree in International Relations, when joining the Student Managed Fund I knew next to nothing about finance. The SMF gave me the opportunity to amend this and so much more. First came the fundamentals with understanding markets. Although the fund is populated with students from all stages in their university career, everyone is treated as an equal when taught the basics of how to interpret information about company performance. This provides both an occasion for the more senior Fund members to brush up on their skills and knowledge, as well as platform for people such as myself to learn how a fund operates and the essentials of finance in a practical setting. Then the report writing. Although writing a financial analysis report seemed an intimidating task, help is always available to those who ask. Researching for the report isn't simple but worth it alone in forcing you to get to grips with the Bloomberg Terminal. Access to the iconic software is exciting and helps you understand the basis of investing; a benefit for one's personal life and a potential professional career.

Finally, the pitching event. Perhaps the most rewarding experience from my time in the Fund, and a perfect climax for my year in the Fund. Being chosen to present my analyst report allowed me to practise my public speaking in what is a professional environment with high standards whilst still allowing mistakes to be made, as all part of the learning process. The Fund is no doubt a phenomenal asset to any CV. I've found employers and other students genuinely impressed by the learning experience and the opportunities the Fund offers. Talking in job interviews about my work in the Fund clearly articulated my financial and numerical competency, which perfectly complemented my background in dealing with primarily qualitative data.

Patrick Gallagher
Senior Analyst
(Real Estate)
BSc Finance

The career-oriented programme of study offered by Queen's prompted me to pursue my Finance degree in Belfast. As a first year undergraduate, I relished the opportunity to collaborate with senior colleagues through the Student Managed Fund (SMF). The wealth of experience of senior SMF undergraduates, shared both inside and outside of the classroom, fostered my interest in the markets. My enthusiasm and dedication were soon rewarded as I enjoyed early promotion to Senior Analyst in the fund's Real Estate sector.

Under the generous tutelage of the Executive Committee, the fund afforded me the opportunity to compile professional-standard reports on the companies that I felt could provide excess returns, relative to the FTSE-350. The year's work culminated in the chance to pitch my findings to senior wealth managers at Davy Group, an experience that has since been useful at interview. I have also been able to leverage my time at the fund to assist with opening doors to other internship opportunities in London.

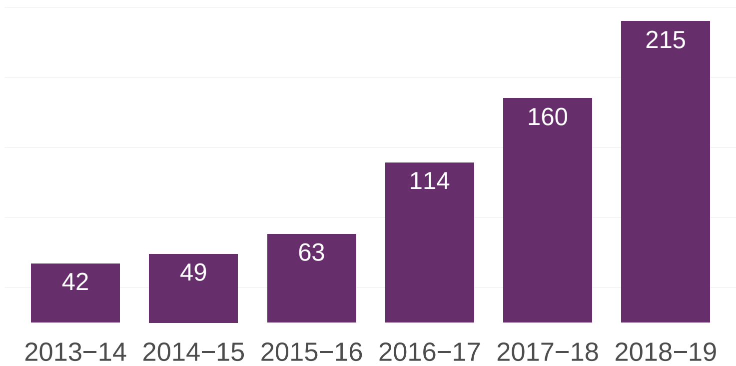
Alongside our primary roles as portfolio managers and researchers, members were able to attend talks by various industry veterans including the CEO of Agellan Capital, a Canadian Real Estate Investment Trust. Attending these presentations further enhanced our understanding of various business sectors, and allowed us to imitate oratorial techniques to make our own pitches more engaging. Membership of the Fund offers the chance to integrate with those of similar mindsets and interests, both through weekly meetings and regular social events. It also allowed us to improve our technical skills, which I believe had a positive knock-on effect on my coursework performance. Bloomberg proficiency is mandatory for all members, meaning we each had to complete the Bloomberg Markets Course, giving us the tools to access a wealth of useful data and market news.

I believe the SMF sets people apart, both academically and socially, creating industrious, charismatic candidates ready for our ever-changing, and increasingly global world of work.

ORGANISATIONAL STRUCTURE

Membership has continued to grow year on year since QSMF inception, now comprising 215 members including trainee solicitors from the Legal Institute. The Fund is structured to maximise the learning experience of students at different stages of their education at Queen's. The Fund is hierarchical with the Student Executive Committee overseeing the sector heads, who each lead a team of analysts. Due to the further increase in popularity of the Fund, sectors which had a larger asset allocation had higher numbers of analysts and so, we had a team of two sector heads for those. To help support sector heads, we promoted analysts after the first semester, who showed a keen interest and aptitude for investment.

All tiers of the organisational structure are geared towards mentoring and stewarding fellow students through their financial analysis, as well as other vocational and industry relevant skills ranging from presentations to important management skills. This process is supported by an oversight committee, comprised of academic staff and industry professionals, who act as a non-executive board.



QSMF Membership

MESSAGE FROM OUR QSMF ALUMNI

James Hilland
Portfolio Construction Analyst
Davy Group
QSMF CEO 2017/18

As I finish up my first year on the Davy graduate programme, I have taken the time to reflect on how my experience with QSMF enabled me to both secure the role and make the most of the opportunity.

The graduate job market is becoming ever more competitive and so candidates now require more than just a minimum degree classification and a range of extra-curricular activities. Employers want to see evidence of relevant experience and an applied interest in the industry. This is particularly true for graduate roles in financial services. Fortunately, opportunities to gain this experience are in abundance at QUB - whether this is in the form of participation in the QSMF or undertaking internships. Speaking from my own experience, I found that being a member of the QSMF and engaging with fellow members on a day-to-day basis improved my understanding of, and ability to talk about, financial issues. This was an invaluable skill to have when it came to interviewing for my industrial placement and graduate role.

In addition to helping students secure top graduate roles in the financial industry, the broad range of skills that you can develop as a member of the fund offer the perfect foundation for entering the workplace. QSMF members will develop the key soft and technical skills needed to succeed in the financial industry. During my first 12 months I have worked with both a client advisory team and the portfolio construction team and there has been a significantly steep learning curve with both teams. However, I can say with complete confidence that my QSMF experiences gave me the perfect head start in my development. Whether you are working with clients or as part of the investment team, the key skills and disciplines are the same. You need to be able to take the latest market news, understand how it affects individual stocks or broad market indices and condense this information into an easy to follow format. At a high level, this is the basic process of producing an analyst report – start with the data relevant to the stock you are covering, make inferences on how changes in economic variables will affect company performance and convert this information into a 'clean and tidy' report.

In addition to developing my technical investment analysis skills, my years with the SMF also taught me how to organise my time, prioritise my tasks, work well under pressure and combine long term projects with day to day tasks. These 'softer' skills have helped me settle into the office environment and quickly add value to both work teams.

Moh Musa
Equity Analyst
Davy Group
QSMF CEO 2016/17

Two years on from finishing my time at Queen's and CEO of the Queen's Student Managed Fund, I continue to reap the benefits. Securing the most sought-after roles in finance has always been characterised by grueling processes and long odds but, with banks shrinking the sizes of their workforces and active investing continuing to endure pressures on fees, the processes are getting tougher and those odds longer. Candidates are expected to have strong academic records, skill sets that include the quantitative and qualitative, a passion for markets and talking points on their CVs that differentiate them from their peers. There are few activities students can do that embody and exhibit those skills and characteristics more than QSMF. For many employers the student managed fund is now an effective implicit pre-requisite. Over the last 3 years, 12 of our 13 permanent hires and interns from Queen's at Davy have been QSMF members.

The fund was the core distinguishing factor that helped me secure my role at Davy but its benefits have not stopped there. My ambition of becoming an equity analyst was realised when I used my QSMF analyst report in further internal interviews to secure roles within Davy's graduate programme as an Industrials analyst in our Equity Research team and now as an equity analyst assisting on our small and mid-cap growth equity fund in Davy Asset Management. I would go further and note that the foundations the QSMF provides you in understanding markets and equities provides invaluable momentum coming into both of those roles.

FUND GOALS

The Fund aims to secure long term, sustainable growth through responsible stock selection. Analysts seek to identify relatively undervalued stocks with long term growth strategies, supported by strong fundamentals to achieve active returns.

Membership helps students develop their technical and soft skills, increasing their employability especially in areas such as investment management, capital markets, research and trading.

FUND DEVELOPMENT

Significant changes were made this year to account for the Fund's growth in size and further develop the professional environment. Our assets under management grew to over £37,000 thanks to generous donations from our philanthropic donors and capital gains.

All members took part in weekly market update discussions, known as 'Market Knowledge', which developed communication, presentation and of course market awareness of every single member. This helped our analysts understand what drivers were responsible for weekly market moves, deepening their contextual understanding of global themes to inform their investment decision-making. The use of the Macro sector allowed us to take a more top down approach to our investment philosophy, identifying key trends, sectors and geographies we were interested in. A portion of the Fund is now able to be passively invested in exchange traded funds, allowing us to take a position in relation to global trends and hedge our portfolio more effectively. This somewhat mitigates the risk from Brexit uncertainty through taking a non-sterling international approach.

We implemented a structured teaching plan to educate our analysts, many of whom studied outside of Queen's Management School and counted this as their first experience analysing companies. Each week the student committee would run a class with analysts to run them through a section of the CFA Institute's Equity Research Report Essentials. Resources from sessions were emailed around the students so they could keep a record and use it for their studies. We also gave every analyst the opportunity to present, giving them valuable experience in how to communicate their ideas succinctly and handle challenging questions on their suggestions.

We introduced a new logo and revamped the social media sites for the Fund, to continue to improve our image as we grow both in AUM and members.

PITCHING EVENTS

With the aim of ensuring the student learning experience is as inclusive as possible, we had two separate pitching events. The first, in front of the student committee, was for stocks to be included in the Fund and a first-run for the more public pitching event which was to take place. The second was at the annual Davy Pitching Event, where the investments were pitched in front of a room of industry professionals to evidence the hard work of the analysts throughout the year. A panel of senior Davy staff, including QSMF-Alumni, then provided feedback on the investment cases with a Q&A session, with debate and critique encouraged. The event, hosted by Davy Group in their Belfast office, was attended by QSMF members, QUB staff and philanthropic donors to the Fund. The event was a huge success with a packed-out room and free pizza courtesy of Davy after the event.

After the pitching event, the Student Executive Committee decided which companies to include in the Fund in line with an outlined investment strategy of achieving consistent long term, positive returns by optimally managing downside risk.

INVESTMENT PROCESS

The Fund meets every Wednesday afternoon in the Trading Room. Sector teams each have a one-hour slot, and the times allocated to each sector remained the same each week after consulting with each member to create a schedule that worked alongside other commitments. Each analyst picked a company from their sector to watch and analyse during the first semester, adding the responsibility to find a new investment in the second semester.

An important aspect of the Fund is to exercise responsible investing based on environmental, social and corporate governance factors. In practice analysts must perform due diligence and consider the ethical aspects of potential investments, with certain sub-sectors such as arms or tobacco stocks completely excluded. Sector teams spend weeks applying the fundamental analysis skills they have learnt from their degree and QSMF. With the assistance of their sector heads and student committee and the different learning resources provided on how to value companies, they begin building their investment proposal. By week 7 of the second semester, each analyst is expected to write one report recommending either a 'Buy', 'Sell' or 'Hold'. Each analyst wrote a two page report on a company of their choosing which met our investment needs. This format was chosen so that each analyst had to accumulate a lot of information and bring it all down into one relevant and easy-to-read document. This included:

- An overview of the company including a business overview and key highlights.
- An investment summary highlighting the pros and cons substantiating the recommendation.
- Industry overview and competitive positioning explaining why the company would represent a positive return relative to its peers.
- Financial analysis providing substantiated valuations with all assumptions to be scrutinised.
- Investment risks, specifically how they tie in with our investment horizon and prudent stock selection.
- Corporate governance and social responsibility to ensure that the company meets our ethical standards for responsible investing and with solid management who will create value for us.

The analyst reports in semester one were used as a basis of understanding our current portfolio and aiding the learning capacity of the students. During semester two, our analysts focused on the companies they wanted to buy, adhering to our template for the report and working closely with their sector head to reach a conclusion before presenting to the Executive Committee for feedback. An important aspect of the risk management process is the Oversight Committee's weekly analysis of potential losses based on absolute and relative loss limits to the portfolio. These loss limits allow for effective management of the downside portfolio losses in the event of extreme risk events.

INVESTMENT STYLE

Due to the nature of the real money fund and for the goal of long-run outperformance of the FTSE 350 index, we were focused on avoiding key macroeconomic risks such as Brexit and the US-Chinese Trade Conflict, along with picking companies with a long term growth strategy that we felt were relatively undervalued to the market. We underwent a fund rebalance after the second semester once we heard the analyst opinions on how they wanted to tilt the portfolio of the fund, following their learning experience. Each student produced a 2 page analyst report on our holdings and on their investment recommendations. The reason for a shorter report was to show that an analyst could define a company in a short report, while also demonstrating commitment to the recommendation through verbally defending their rationale in a presentation format.

The ability to invest in global ETFs allowed us to further diversify our holdings across a range of markets and execute broader global views. With this, we increased our exposure volatility-dampening ETFs. Our decision to retain overseas exposure was so avoid over-reliance on an uncertain UK market and to diversify away from the FX risk inherent in holding GBP in times of political uncertainty.

MACRO OVERVIEW/RISK CONSIDERATIONS

The last year has been dominated by major political elections across the US and UK. In the UK, the political uncertainty around Brexit and rise to power of Boris Johnson has meant that investors are a lot more risk averse to British investments. Despite this, our portfolio continued to perform strongly. Furthermore, the Trump administration's tariffs against a number of countries culminated in a Trade War with China, which is yet to see a resolution. Mixed in with late cycle activity an interest rate uncertainty made an interesting environment to invest in. Despite the major headwinds around the world, our portfolio continued to perform. During the rebalance, we were aware of the various risks facing the UK and international markets, which is why we continued to see undervalued, strong and stable companies to put our money with. We can't time markets, so we aim to continue to pick great companies.

We looked at more idiosyncratic risks inherent in some companies to seek alpha exposure. For example, our investment in Aston Martin Lagonda was made on the back of a belief in the cost-cutting plans, short term profit margin drops and an understanding of the impact of fund managers being interested in buying a stake in the company in September for an amount over twice what the SMF paid for it. We therefore saw strong upside potential at a cheap price for an iconic British company. The Fund has benefitted from a surge in the oil price due to issues in the Middle East and Latin America, but to hedge the risk around oil, we diversified oil into renewable sources, such as a new ETF and the Renewables Infrastructure Group (TRIG).

PORTFOLIO ANALYSIS

The FTSE 350 weightings were used as a guide in our portfolio construction. Being overweight or under-weight in any given sector may not reflect whether we hold a bullish or bearish view of that sector. We invested only in companies where we see long-term value and where investments are in line with the long-term investment strategy of the Fund.

In our portfolio construction we consulted mean-variance analysis, using 3-year historical data. The market portfolio was used as a guideline in managing the risk profile of our portfolio whilst maximising returns.

A primary aim of our portfolio construction was to diversify our holdings, both in terms of currency exposure and the markets we are exposed to. By investing in companies with European operations we were able to increase our Euro exposure and, subsequently reduce our overweight position in USD. ETFs provided us with more risk averse access to global markets. This enabled us to avail of potential returns from markets which we previously did not have exposure to.

	Return
FTSE350	-1.35%
SMF	7.07%
Active	8.41%

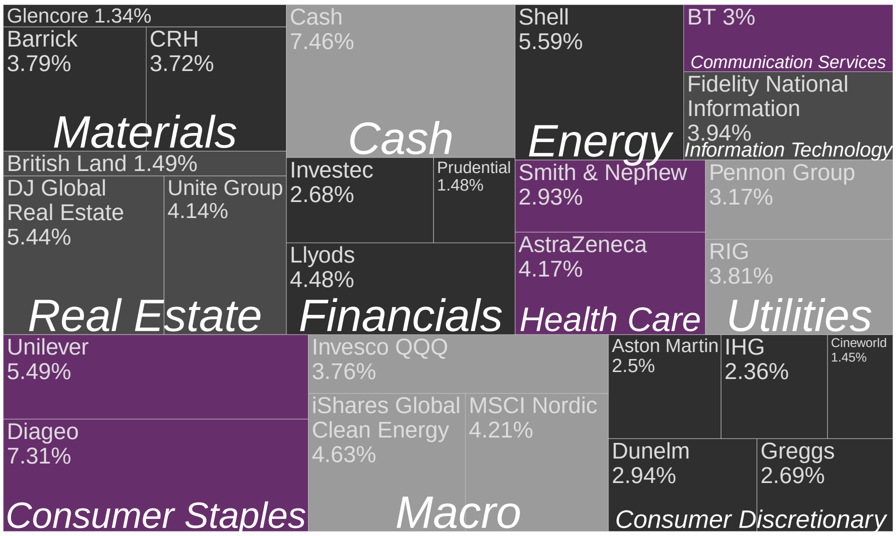
Period 1st October 2018 to 1th October 2019.

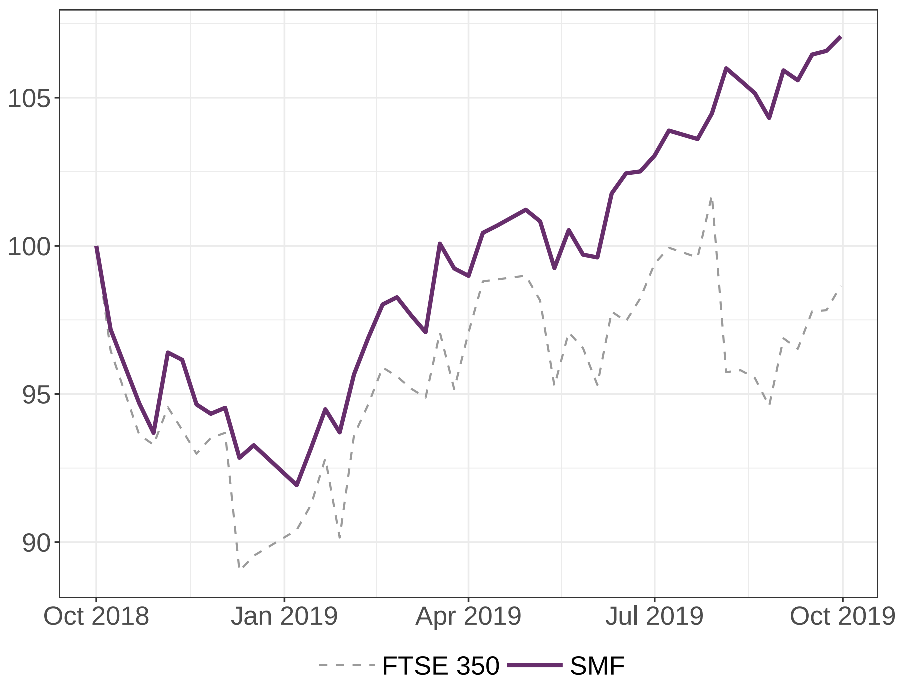
OVERVIEW OF SECTOR COMPOSITION

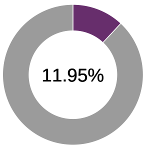
In accordance with Fund regulations, we assigned weightings contingent on the following rules:

- Every GICS sector must have a minimum of one investment.
- No individual stock could exceed an overall weighting in excess of 10% of the total capital invested.
- Minimum investment limit of £250 per company.

From examining our investment ethos and in line with the constraints that were placed on investment weightings the final portfolio composition was as illustrated.



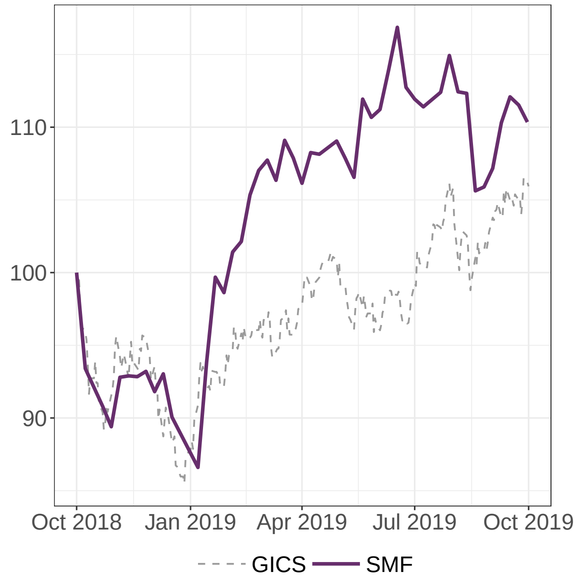




CONSUMER DISCRETIONARY

Sector: ⬆5.93%   SMF: ⬆10.35%

	Abs Return
Dunelm	51.71%
Intercontinental Hotel Group	25.97%
Aston Martin	9.71%
Cineworld	-4.25%
Greggs	-2.44%



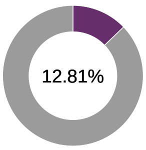
Our aim is to hold investments in large globally diversified companies less exposed to the uncertainty relating to Brexit. However, we also want to capture new consumer trends holding idiosyncratic opportunities.

We sold Carnival as a profit-taking exercise, due to the late cycle activity and looming global economic slowdown. We continue to hold our position in Dunelm as a high street brand that has weathered the impacts of lower demand and consumer sentiment. We also continue to hold Intercontinental Hotels due to their strong asset backing and high volume of business guests.

Into the portfolio come Aston Martin Lagonda (AML), Cineworld and Greggs. After a large decline since its IPO in October 2018 (£18.50 to below £5) we believe AML is undervalued. It has suffered at the hands of analysts who rate the business as closer to BMW/Audi than a supercar brand, mixed with delays in cost cutting promises. We have confidence in AML's cost-cutting commitments and in long run EPS growth, despite recent downgrades in projections, the management team is strong and their products remain desirable.

Cineworld operates 9,542 screens across Europe and USA. Increased audiences in the US and investment in 4DX and IMAX technology are driving revenue growth, with a consensus forecast amongst analysts expecting the company to outperform.

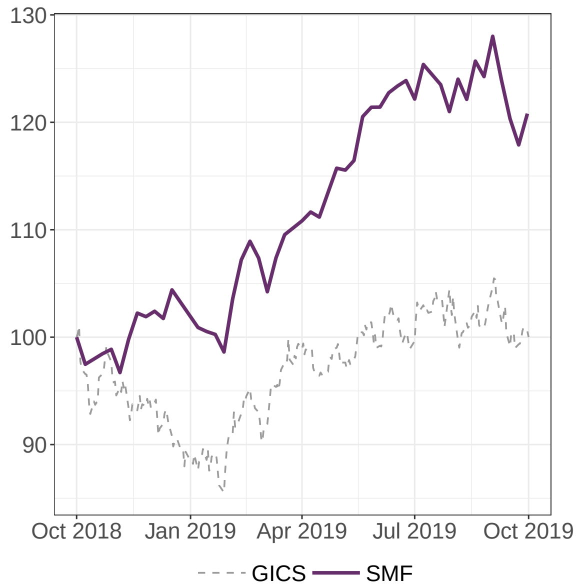
Our sentiment toward strong brands was echoed through our purchase of Greggs. Greggs has shown product innovation, marketing toward millennials with their vegan sausage rolls, along with the blue collar workforce through quick and cost-effective breakfast and lunch choices.



CONSUMER STAPLES

Sector: ⬆0.00%   SMF: ⬆20.81%

	Abs Return
Diageo	22.16%
Unilever	18.61%

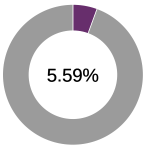


As uncertainty strikes with the UK edging close to its exit from the EU, defensive stocks in the consumer staples sector bring stability and steady growth to our portfolio. We decided to hold both our stocks in this sector – Unilever and Diageo.

These defensive stocks should prove steady in any economic volatility. After consideration, we decided to increase our stake in Unilever due to its acquisition activity (GSK operations in Bangladesh, The Laundress and Graze), capital appreciation, attractive dividend yield (5-Year Dividend Growth Rate of 7.93%) and diversity in geography and operations (products sold in over 190 countries, supplied by 310 factories in 70 countries).

Despite consumer sentiment dropping in the wake of Brexit, Unilever is an international brand with a far reach and is well-positioned in the global economy to take advantage of a cheaper sterling.

Diageo is a strong drinks brand, which has shown innovation throughout its product ranges. From the traditional beer, wine and soft drink sales, Diageo expanded to take advantage of further consumer trends. Diageo had revenues for the full year 2018 of £12.16bn. This was 0.94% above the prior year's results. As of July 2019, the consensus forecast amongst 27 polled investment analysts covering Diageo advises that the company will outperform the market.

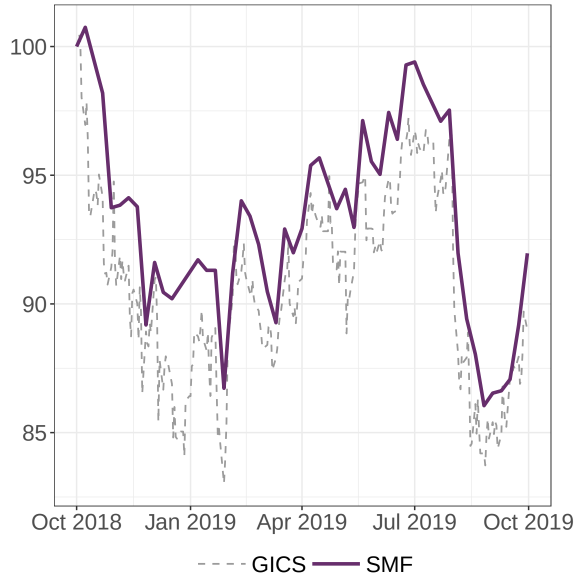


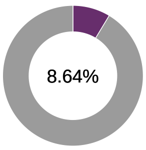
ENERGY

Sector: ⬇10.94% SMF: ⬇8.03%

	Abs Return
Shell A	-6.23%
Shell B	-8.16%

The path to success for Royal Dutch Shell has been a long and slow one following the problems created by the overstatement of its oil reserves back in 2004. In the interim period, the group has invested substantial capital in new projects that are now coming to fruition. Having successfully executed in recent years, we believe the company still has substantial growth opportunities and is targeted to increase fossil fuel output by 38% by 2030. A dividend yield of 6.5% is an additional attraction in a low-yield environment. As tensions in the Middle East continue to rise, oil prices have also risen. Shell will benefit tremendously from this. They are also investing in alternative energy sources which will benefit its long term standing.





FINANCIALS

Sector: ⬆10.69% SMF: ⬆2.48%

	Abs Return
Aviva	-18.92%
Lloyds	-11.35%
Investec	0.47%
Prudential	-1.37%

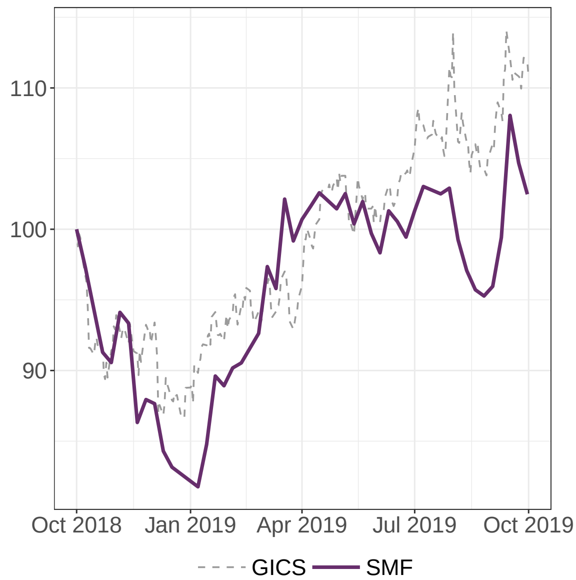
The consensus forecast amongst analysts for Llyods has been 'outperform' since Oct 2018. Dividends have been increasing by over 5% per year while we believe that Lloyds will continue to see year on year earnings growth, despite Brexit uncertainty and a low rate environment.

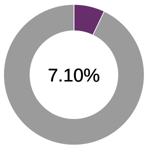
Former CEO Mark Wilson transformed Aviva into a leaner operation, with a focus on cash generation. A rapid rebuilding of the dividend, means the shares now trade on a 7.7% prospective yield. New CEO Maurice Tulloch has promised to re-energise the group with a focus on insurance fundamentals, but with debt repayments set to soak up plenty of cash over the next couple of years we chose to sell Aviva.

Investec is an international specialist banking and asset management firm. It has the most complex business scope in the UK targeting private clients, financial advisers, charities and intermediaries. The company's FY2018 trading update has been excellent, with a 44% contribution to the group income by capital intensive activities.

A track record of acquisitions, such as Thruvision Group and Evolution Group, have generated average returns of 2.93%. Investec plans to split off its asset management arm and list it in London to 'simplify the group'.

Note that the overall positive return is attributable to prior holdings in Worldpay.





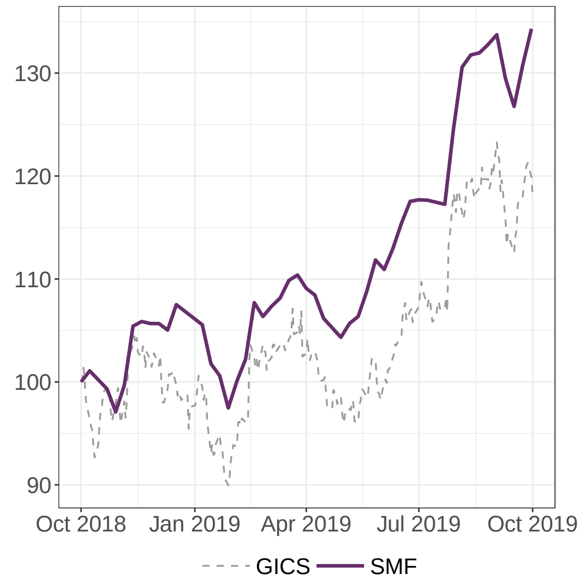
HEALTHCARE

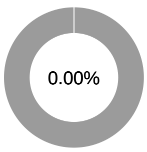
Sector: ⬆18.07% SMF: ⬆34.30%

	Abs Return
AstraZeneca	30.21%
Smith & Nephew	40.64%

AstraZeneca is a biopharmaceutical company focusing on the discovery and development of products, which are then manufactured, marketed and sold. Shares in AstraZeneca crept up on news that the European Commission has approved Lynparza as a maintenance treatment for patients with ovarian cancer. The treatment has been granted further clinical approval as part of an ongoing global strategic oncology collaboration with Merck & Co. With approval now granted, the collaboration with Merck dictates that AstraZeneca will receive £25.6m. Following this encouraging news we are recommending a hold on this stock.

The market responded positively to news that Smith & Nephew's first-quarter revenue increased by 4.4% on an underlying basis. All three of its global franchises performed creditably, delivering growth on the back of a new commercial model and a rejigged management structure. We think new chief executive Namal Nawana has plenty of short-to-medium term options to improve operating margins, and the long-term demographic trends that underpin the broader investment case are still in place.





INDUSTRIALS

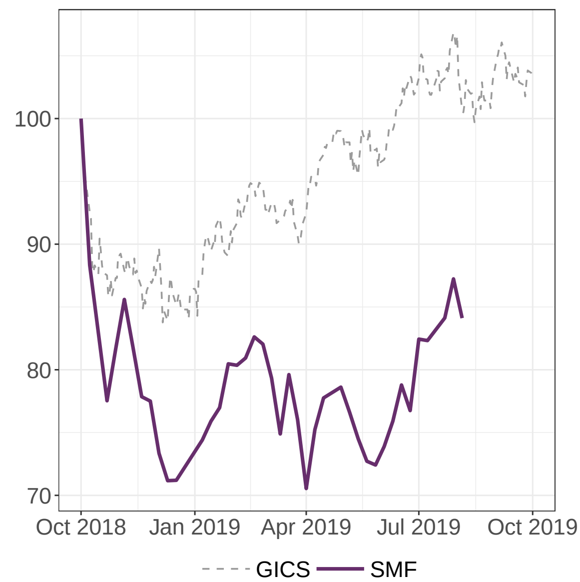
Sector: ⬆3.37% SMF: ⬇15.89%

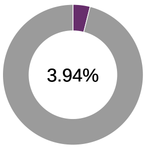
	Abs Return
Easyjet	-17.25%
Smurfit Kappa	-20.04%

Low budget airlines have shown a great trend over the last decade, however with a squeeze on spending on holidays and non-essential goods, along with issues surrounding Brexit uncertainty.

In 2018 Easyjet reported a divided of £0.59 per share, a uplift of 43% from the prior year. Despite this, the share price had steadily declined form a high of over 1,600 in Q2 2018 below 900 one year later. Currently analysts offering 12 month targets have a median price of 1,117. Ultimately EasyJet breached our risk limits and was sold in April.

Ultimately the decision was also taken to sell Smurfit Kappa in light of volatility and uncertainty stemming from the board of directors and management.



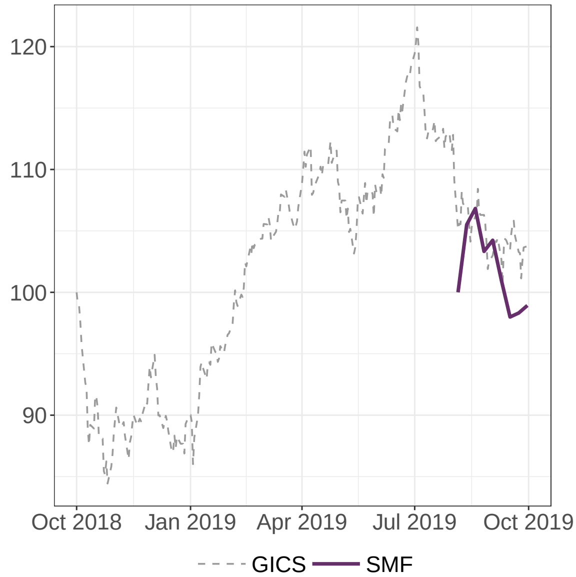


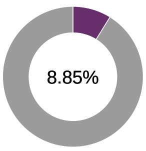
INFORMATION TECHNOLOGY

Sector: ⬆3.29% SMF: ⬇1.07%

	Abs Return
Fidelity National Information Services	-1.07%

Fidelity National Information Services is a financial services technology company. In August, Fidelity completed a deal to acquire Worldpay in a $43bn stock-cash deal. As shareholders of Worldpay we received 0.9287 Fidelity shares and $11 per share held.





MATERIALS

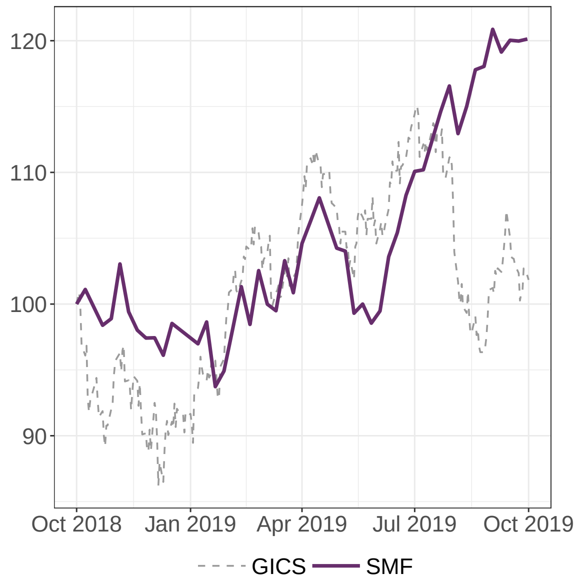
Sector: ⬆1.84% SMF: ⬆20.13%

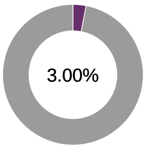
	Abs Return
CRH	10.11%
Glencore	-26.66%
Randgold	41.01%
Barrick Gold	28.98%

We have decided to hold our 3 investments in this sector. CRH is a global building materials producer and distributer. We believe the decision to sell their European distribution unit and focus on higher yielding bolt-on acquisitions and share buy-backs reflects managements commitment to deriving superior shareholder returns. A strong track record of acquisitions, and a low-beta, bodes well for our portfolio as a whole.

Glencore has faced headwinds with increasing pressure to divest from coal, and looming fines from US investigations into alleged corruption. However, cash generation remains strong and profits reliable, with an attractive 6.7% dividend.

The new year saw trading begin in Barrick, formed from the merger of Barrick Gold and Randgold Resources, and creating the world's largest gold miner. Under the terms of the deal, each of our Randgold shares were converted into 6.1280 new Barrick shares. Barrick has an attractive dividend >5% and EBITDA rose by 8% last year, however the fund has concerns over its commitment to ESG standards. The company is at least likely to see increased earnings from their cobalt and copper assets as demand for electic vehicles increase. The acquisition of Acacia mining could increase gold production growth as 100% ownership would allow negotiations with the Tanzanian government for exports of Acacias gold mines to resume.





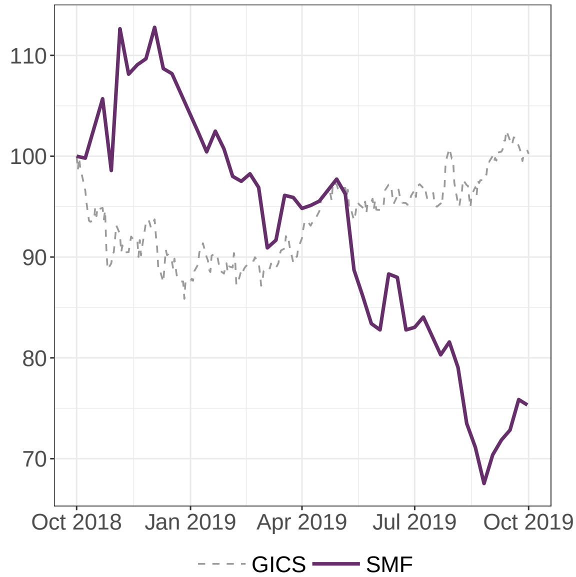
COMMUNICATION SERVICES

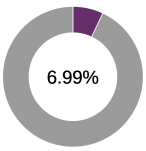
Sector: ⬆0.24% SMF: ⬇24.67%

	Abs Return
BT	-22.65%
Vodafone Group	-20.06%

In January we sold our position in Vodafone and see no reason to reinvest at this time. Vodafone reported a 6.6bn GBP loss in May and cut its dividend by 40% (though the dividend is still high yield at 6.9% per year). Management have shown commitment to enhancing shareholder wealth by slashing their bonuses and analysts forecast significant increases in earnings over the next couple of years. However ultimately we see long-run weakness of management preventing us from purchasing the stock despite its fair value. We do not wish to invest in a company, which is well priced but poorly run.

BT Group is the incumbent wireline operator and market-leading mobile operator in the UK following its acquisition of EE in 2016. It is benefiting from a successful cost focus and strategic initiatives such as its push into fixed/mobile convergence and entertainment, and its expansion of Global Services into key emerging markets. BT will invest in the next generation of fast broadband and develop its converged mobile offer, particularly for business to business customers. It will also continue to deliver cost savings, especially once it starts to deploy all-IP (internet protocol). BT is well positioned to outperform competitors in the UK market and we aim to continue holding the stock.





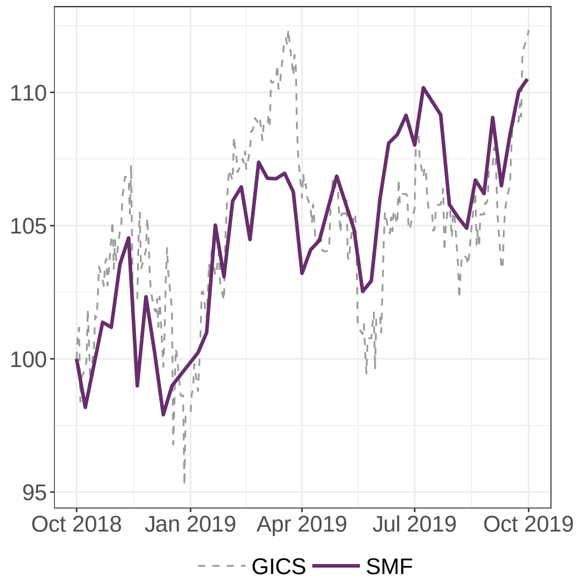
UTILITIES

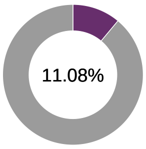
Sector: ⬆12.33% SMF: ⬆10.50%

	Abs Return
Pennon Group	10.45%
The Renewables Infrastructure Group	12.42%

We continue to hold Pennon believing there are still substantial growth opportunities that will benefit the fund. Pennon offers a different proposition to other water companies as more than half of its revenue comes from its waste management division. Growth in 2019 has been driven by a demand for energy recovery facilities, transforming waste into electricity and heat. Bloomberg concensus forecasts indicate adjusted pre-tax profit of £286m and EPS of 59.1p in 2020, up from £270m and 54.7p in 2019.

Thanks to growing political and public support for decarbonisation, there are many increased market opportunities for The Renewables Infrastructure Group (TRIG). The legally binding UK Climate Change Act 2008 commits the UK to reduce key greenhouse emissions by 80% relative to 1990 baselines by 2050. It is also worthwhile to note that new targets to achieve 32% of energy from renewables by 2030 have been set, which has increased from 27% following the Paris Accord. As a result of these targets, the European Environmental Agency has predicted that renewables will continue to experience rapid growth.





REAL ESTATE

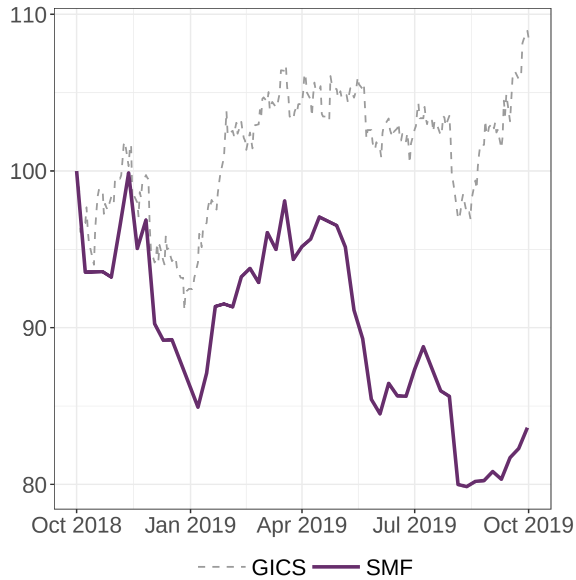
Sector: ⬆8.49% SMF: ⬇16.38%

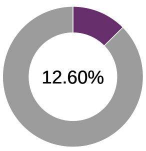
	Abs Return
British Land	-7.03%
SPDR Dow Jones Global Real Estate	0.32%
Unite Group	5.23%

British Land owns mainly class A commercial real estate throughout mainland U.K. and is targeting a 30-35% exposure to retail. While the share price has recovered ground, at one point it was down 20%, somewhat tainting our compounded returns since the rebalance. However we continue to hold our position based on the asset quality and large discount to NAV (41%). The long-term value view, combined with an attractive dividend yield means the investment is still aligned with the funds objectives.

A recent addition to the portfolio, Unite Group is the largest manager and developer of purpose-built student accommodation, housing almost 50,000 students with a 98% occupancy rate. Unite plans to add a further 6,310 beds, offering an average yield of 7.1% by 2021, in addition to the 3,074 beds opened in 2018. Unite is becoming increasingly efficient, offering faster room turnaround, and offering flexible tenancies for summer income, resulting in an improved EBIT margin target of 74% by 2021. Offer to completion time has shrunk from 14 days in 2016 to just 3.3 days in 2018 due to the growth of the company's online channels, such as the 'MyUnite' app.

We also added the Dow Jones Global Real Estate ETF to gain global exposure. The fund holdings are optimised, tilting significantly towards commercial REITs, while shying away from real estate developers. US and Japanese REITs make up 58% and 11% of holdings respectively, so the state of these two countries is the main indicator for future ETF performance.





MACRO

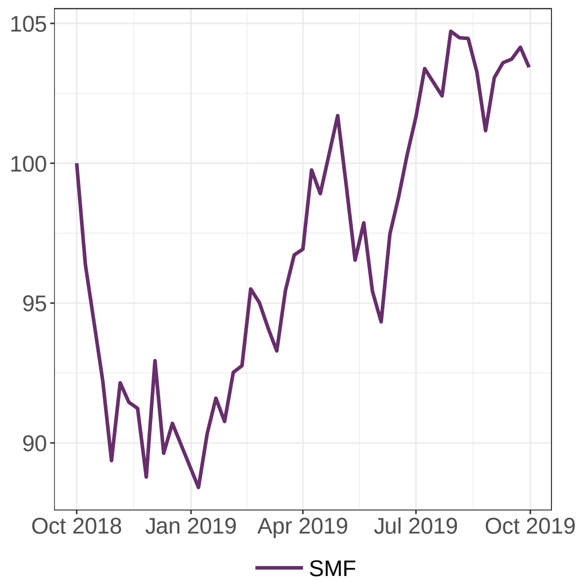
SMF: ⬆3.43%

	Abs Return
Invesco QQQ Trust	10.04%
iShares Automation & Robotics	6.98%
iShares NASDAQ 100	11.33%
MSCI Nordic	-4.61%
iShares Global Clean Energy	-0.99%

We believe that the US stock market is currently overvalued and is a strong play on the balance between economic growth and Fed rate decisions. We do not want to add the volatility to the fund considering the late stage in the cycle. We have therefore divested from iShares NASDAQ 100 taking a 14% profit on our investment. We have also divested from iShares Automation & Robotics taking a 12% profit. An addition to the portfolio is the iShares Global Clean Energy ETF which seeks to track the S&P Global Clean Energy index. The ETF is dominated by North American Utilities sector but roughly one third of the capital is placed in Emerging Markets.

We continue to hold Invesco QQQ an ETF tracking the performance of the Nasdaq 100 Index. Its investments exclude the financial sector and therefore, tend to be focused on the technology and consumer sector. Invesco QQQ's has outperformed benchmarks such as the S&P 500 and Russell 1000 Growth indexes. Being a Nasdaq index, it will continue to benefit from increased R&D spending. This creates a strong opportunity for both sustained long-run earnings growth and a boost in earnings from innovation.

We also continue to hold MSCI Nordic ETF offering continued exposure to the Norwegian, Danish, Swedish and Finnish economies. These economies have seen simultaneous growth in their budgetary surplus and government spending.



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ACKNOWLEDGEMENTS

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