



Monthly Review

The Fund rose 2.93% over the month, outperforming UK markets by almost 2%, but underperforming European and US markets. US markets again made the headlines as they reached new highs on the back of the continuing rally in the large tech names.

The relative underperformance of the UK market has led to the Fund's increased short-term exposure to UK markets relative to the US and Europe. This is because the UK market is now the laggard in almost all of the Fund's investments and is consequently the most important driver of short-term performance. As at the end of August the beta of the Fund was close to 80%, with almost 90% of that coming from UK markets.

August was an incredibly quiet month in terms of activity. Perhaps everyone was having a staycation. Evidence of quite how little happened was that on one day towards the end of the month the amount of business done on the EuroStoxx derivative market was just less than the volume that went through on Boxing Day 2019.

The subdued markets led to a slight fall in volatility across the board which provided a tailwind for the Fund over the month such that it is now down less than 1.5% over the last 12 months compared with the broader UK market which is down closer to 15%

Scenario Analysis

We are able to "stress" the structured investments to estimate their performance over certain time periods for given market movements. For example, the table below shows that we would expect the value of the Fund to rise by approximately 5.80% over the next year if markets remain at their current levels over the next year.

There are a number of assumptions we have to make with regard to interest rates, volatility and other option pricing parameters to generate these numbers and therefore the actual performance is unlikely to exactly correspond to the figures below, but it is a useful gauge.

Market Move	-20%	-10%	0%	+10%
3 months	-20.69%	-8.37%	1.61%	8.57%
1 year	-18.72%	-5.20%	5.80%	13.33%
2 years	-15.16%	0.46%	12.68%	20.77%
3 years	-9.69%	13.01%	22.33%	28.03%
4 years	-12.65%	17.08%	30.83%	33.11%

Performance Indicators

The table below is a snapshot of the current shape of the Fund. Along with other calculations, these performance indicators are constantly monitored and under analysis in order to best achieve the Fund's objectives

Market Move	-20%	-10%	0%	+10%	+20%
Intrinsic NAV Change (GBP)	-17.40%	24.13%	34.62%	29.72%	19.54%
Duration (Years)	3.90	3.90	3.88	3.17	1.70
"Gross" Redemption Yield (p.a.)	-4.78%	5.70%	7.96%	8.56%	11.06%

→ INTRINSIC NAV CHANGE

The intrinsic value is the aggregate terminal value of the Fund taking into account estimated fees over the relevant period. This table shows that, for example, if an investor bought the Fund today and none of the markets on which the investments were based moved between now and when the investments mature, the Fund would increase by 34.62%, a terminal value of GBP 195.66 (based on current NAV of GBP 145.34). What this does not tell us is the yield that is represented by these intrinsic values.

→ DURATION

The table also shows the weighted average time to maturity of the investments held within the Fund. Currently this is 3.88 years because, at current market levels, most of the autocallable investments are likely to call within 3 to 5 years. This number gives the investor an idea of how long it will take for them to earn the expected GRY.

→ "GROSS" REDEMPTION YIELD

The table above shows the current expected yield of the Fund taking into account estimated fees for certain movements in the underlying indices. For example, if markets do not move, we would expect the Fund to yield 7.96% given its current make-up. You can also see that we expect a negative return if the market falls 20% and then stays at this level until all investments mature.



Disclaimer

Past performance is not a guide to future returns. All data in this factsheet is sourced from Atlantic House, Bloomberg and Solactive. The data is as at the date of this factsheet and has been reviewed and approved by Atlantic House.

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Note, Calculations do not consider credit spread movements of the issuers of the securities. The MTM of the securities and therefore the NAV of the Fund will decrease as credit spreads widen and vice versa if spreads narrow.

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