

Investment objective

The objective of the Fund is to provide returns through a combination of capital growth and income over a market cycle (5 years). The fund will primarily gain exposure indirectly via eligible collective investment schemes and other collective investment vehicles (for example, investment companies, exchange traded funds) and may also invest directly in eligible assets (excluding property and commodities). Derivatives will be used only for the purpose of Efficient Portfolio Management.

Indicative risk rating



Fund managers



Richard Philbin

Richard is Chief Investment Officer of the Hawksmoor Investment Solutions division at Hawksmoor Investment Management. He is one of the UK's best known multi-manager investors and previously AA rated by OBSR, Citywire and S&P. Prior to the Hawksmoor and Wellian merger, he was AXA Architas Multi Manager's Chief Investment Officer and before that he was head of Multi Manager at F&C Investments.



James Kempster

James has over 15 years experience building and managing multi-asset investment portfolios. Beginning his career at Canada Life, he has more recently worked with financial advice firms to create managed portfolio solutions for end clients.

Performance summary as at 31/03/2022

	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS	MANAGER START DATE
Discovery Balanced Fund C Acc	-4.7%	-2.6%	2.2%	14.5%	19.7%	33.3%
IA Mixed Investment 40%-85% Shares	-3.7%	-1.1%	5.2%	22.4%	29.7%	55.5%

Past performance is not a reliable guide to future performance.

Source: Financial Express Analytics. All figures quoted are on a total return basis with income reinvested. The Manager Start Date was 1/12/2014.

Fund managers' commentary

There is an old saying that "a week is a long time in politics." If that is true, then a quarter in financial markets feels like an eternity. At the end of the last commentary we ended with "...we are expecting to see increased volatility in the global capital markets." We were not expecting to see so much volatility though. At the end of last year our investment minds were very much focused on the direction of interest rates and inflation. Political tensions were rising between Russia and Ukraine, but we didn't expect to see an invasion. On the day before the tanks rolled over the border I read a document from a fund manager almost categorically stating Putin wouldn't order his troops into foreign soil. Our thoughts are with the families of those that have lost their lives, and even though sanctions have no doubt hit hard, the end of the conflict doesn't seem to be immediately obvious.

Capital markets do not like uncertainty, and what Russia has done has certainly created a great deal of it. Russia is a major exporter of oil and gas – especially to Europe, and as a consequence, oil and gas prices have shot up dramatically in the first quarter of the year (Brent Crude for instance is up almost 50%). Russia and Ukraine account for roughly 1/3 of the global production of wheat – so expect higher bread prices! Russia is also one of the largest producers of potash – used heavily in the fertiliser industry and has some of the largest rare earth inventories in the world. Although the conflict is contained between two countries, the effects will be felt globally for quite some time – and even after the peace process is underway.

We are now firmly of the belief that inflation will continue to be higher for longer, and as interest rates are rising in the UK and US, it feels like the main Central Banks believe that too. Only as recently as the summer of last year, the Federal Reserve was suggesting they would not raise rates until the back end of next year. Oh how quickly things change. The same Central Bank is now not discounting 8 rate rises this year alone. Some of those rate rises might actually be 50bp too.

Late in March the US yield curve "inverted" – suggesting government debt with a shorter time horizon delivered a higher yield than government debt with a longer-term horizon. This is akin to an instant access deposit account paying a higher interest rate than a 180 day lock-up one which doesn't make sense from a risk/reward perspective. This doesn't occur too often, but there has never been a recession that didn't first start with a yield curve inversion. There have been inversions before though that haven't led to a recession, and just because the yield curve inverted doesn't mean an immediate recession. It's a useful barometer to use; another factor to consider when constructing portfolios.

Across the global indices, the AIM market (a "junior" UK market with a focus on younger, growth-oriented businesses) suffered quite badly, as did the German Market (predominantly due to its reliance on Russian gas) and the Russell 2000 Growth index – all of which registered losses to the double digit level. The Nikkei (Japan) and NASDAQ (US Tech) also registered negative returns as did the World Index as a whole. The major UK indices registered (small, but) positive returns as the shift to "value" from "growth" continued – something we commented on last quarter, and with Shell and BP being two of the largest components of the market, the benefit from the oil price rise helped their share price performance.

With market uncertainty comes opportunity, and capital markets can be volatile in the short-term. Now is certainly not the time to be complacent, but now is also not the time to take all the chips off the table.

Key facts

Inception Date	21/03/2005
Manager Start Date	1/12/2014
Number of holdings	34
Ongoing charge figure (C)	0.80%
Yield (C Acc)	1.9%
Fund size	£100.3m
ISIN (C Acc)	GB00BYN66598

Top 10 holdings as at 31/03/2022

Fidelity Index UK	10.6%
Fidelity Index US	9.0%
JPM GBP Ultra-Short Income ETF	5.4%
Legal & General UK Mid Cap Index	5.2%
LF Gresham House UK Multi Cap	5.0%
Legg Mason IF MC European Unconstrained	4.2%
WisdomTree Global Quality	4.1%
Legal & General Global Inflation Linked Bond Index	4.0%
Liontrust Special Situations Fund	3.7%
Hipgnosis Songs Fund	3.5%

Current asset allocation

Alternatives	6.7%
Cash	1.3%
Fixed Interest	27.0%
UK Equities	24.6%
International Equities	35.4%
Property & Infrastructure	5.0%

About Hawksmoor Investment Management

Hawksmoor Investment Management is an award winning multi-manager investment management business. As a multi-manager business it specialises in identifying the very finest investment talent from around the world and then blending and combining these managers together to create robust, diversified portfolios. Hawksmoor Investment Management have developed their own bespoke manager selection and asset allocation processes and also undertake extensive due diligence on all of the managers before including them in the Discovery Funds.

Disclaimers**FOR PROFESSIONAL ADVISERS ONLY**

The views and opinions expressed are those of Hawksmoor Investment Management (Hawksmoor). Hawksmoor is authorised and regulated by the Financial Conduct Authority. The information provided in this document has been provided from sources by us believed to be reliable and accurate and Hawksmoor Investment Management does not accept any liability for the accuracy of the contents. Asset allocation percentage figures may not add up to 100 due to rounding. Please note that past performance is not a reliable guide to the future and investors may not get back the amount originally invested as the value of any investment and the income from it is not guaranteed. The information in this document is not intended to provide the basis for any investment advice or recommendations. For further information on the risks and risk profiles of our funds, please refer to the relevant Key Investor Information Document and Prospectus.

Please note that performance of the fund for periods prior to 1 December 2014 is not attributable to the current investment manager.

For further information call 01392 410 180 or email info@discoveryfunds.co.uk