MARKET BACKDROP
A review of what's happened in markets recently

MARKET OUTLOOK
Looking ahead to the coming months

SPOTLIGHT ON
Safe havens: investing in stormy markets

The view

Autumn 2019

architas

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Welcome

to The View - Autumn 2019

The Autumn edition of The View provides a step-by-step guide to how Architas Funds have performed recently, how the political and economic environment has driven financial markets, and what this means for your investments.

Recently global growth worries and the intensifying trade war have sparked a stampede by investors into perceived 'safe haven' assets. We go into detail of what they are and outline the Architas approach.

Whether you're new to investing or have years of experience, setting some investment goals can help you focus on what's really important to you. In this edition we delve into some common goals and some key questions to help you get started.

Markets have seen a lot of twists and turns over the last three months or so with central banks cutting interest rates a particular focus. We cast an eye over interest rates and why they matter to investors.

Jaime Arguello
Chief Investment Officer

Market BACKDROP

Financial markets were mixed with lower-risk assets such as bonds eclipsing their riskier equity counterparts. July to September was marked by a continued slowdown in the global economy testing investors' confidence. But sentiment was boosted by monetary policy stimulus in the form of interest rate cuts in the US and Europe.

Stock markets (equities) initially continued to rise boosted by expectations of a US Federal Reserve rate cut which was delivered at the end of July. But an economic red flag was waved for investors when China's growth rate slumped to the lowest in 27 years.

Fears of slowing economic growth mounted in August as Germany and the UK teetered on the brink of recession. And bond markets signalled an oncoming recession in the US which sent investors scurrying for safe havens such as government bonds or gold. Geopolitics also played a role as trade tensions and Brexit uncertainty fuelled market unease.

September saw markets bounce back as investors were lifted by trade war truce hopes after October crunch talks between China and the US were agreed. Also, there was a coordinated approach of major central banks cutting interest rates.

ECONOMIC FACTORS

The global economy has been dragged lower. The blame has been firmly placed on the ongoing spats between China and the US and the ongoing 'Brexit saga' has not helped.

Major central banks across the globe have been reacting to the global slowdown. They have been cutting rates in an attempt to encourage banks to lend and consumers to spend to stimulate the global economy.

RISKS

The unstable geopolitical environment concerned markets. The US administration's unpredictability, the trade war with China, and Brexit uncertainty are just three of the main risks. We are monitoring with a cautious view.

Recession fears mounted in many developed markets. Highlighted by short-term government bond yields falling lower than their longer-term counterparts. This 'inverted yield curve' is unusual because investors generally want a bigger return to lock their cash for longer prompting worries about the global economy.

FINANCIAL MARKETS

Stock market returns were mixed. A difficult underlying environment for stocks was offset by support from major central banks. Developed markets such as Japan, the US and Europe led while Asian and emerging markets lagged.

Lower risk investments provided healthy returns. Government bond prices rose as investors looked for lower-risk investments. However, bond markets had a bumpy ride with volatility levels reaching the highs of 2016.

CONCLUSION

Returns for 2019 have been encouraging, but the journey has not been smooth. We believe that risks remain against an often uncertain political backdrop.

The synchronised approach from the world's largest central banks has the potential to provide a boost to economic growth. However, we retain a good degree of caution in our investment approach.

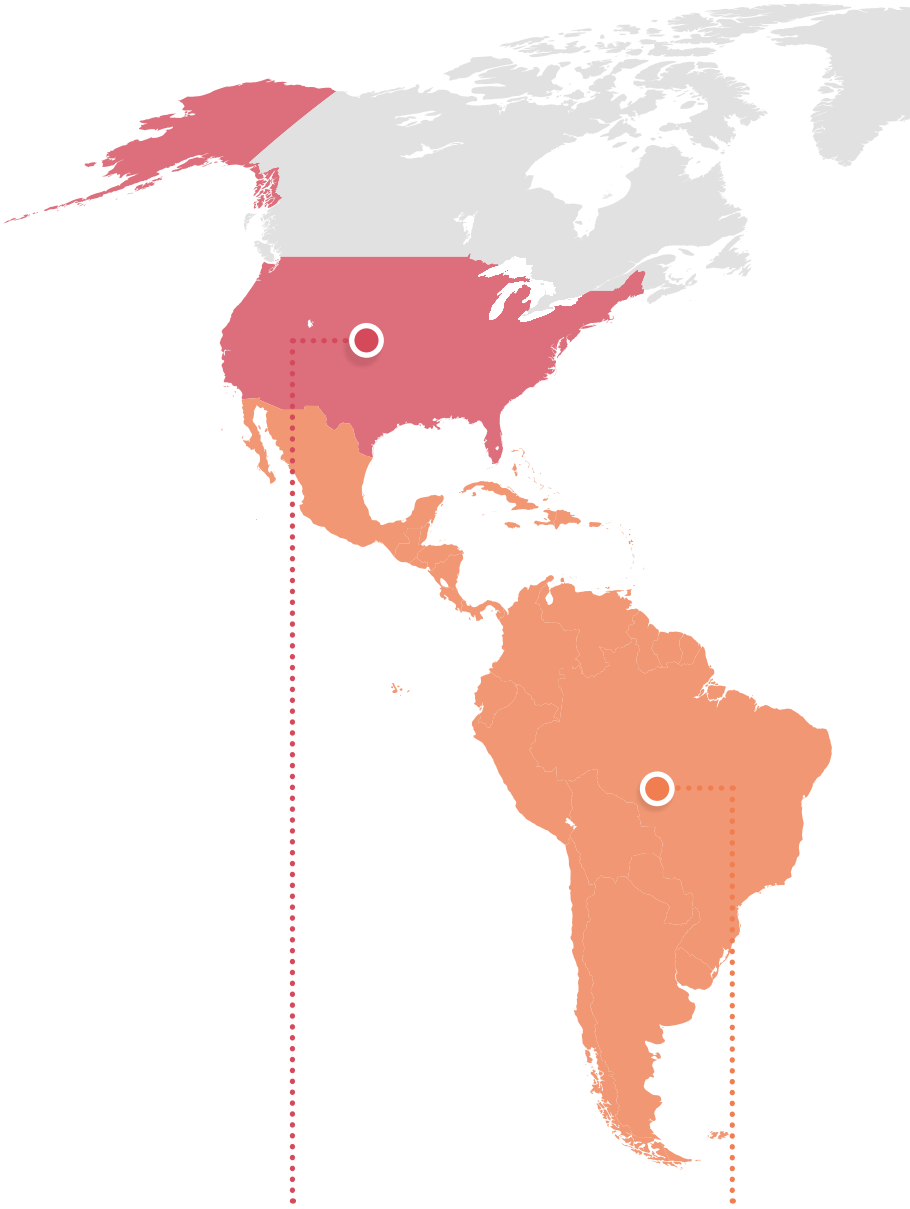
Risks such as US-China trade tensions have shown that markets can become turbulent very quickly. We continue to believe that being diversified across a range of different asset classes is the best approach to take.

Market OUTLOOK

Markets have made encouraging gains this year across most asset classes despite the shaky economic backdrop. This has been mainly built on hopes of intervention from central banks which has now happened.

This may take some time to feed through to the global economy but this kick start could help to offset some of the potential bumps in the road.

Until we see a resolution on Brexit or the trade war or an improvement in economic activity, we favour taking a slightly more cautious view while remaining diversified across a broad range of asset classes.



KEY

- Positive
- Negative
- Neutral

UNITED STATES

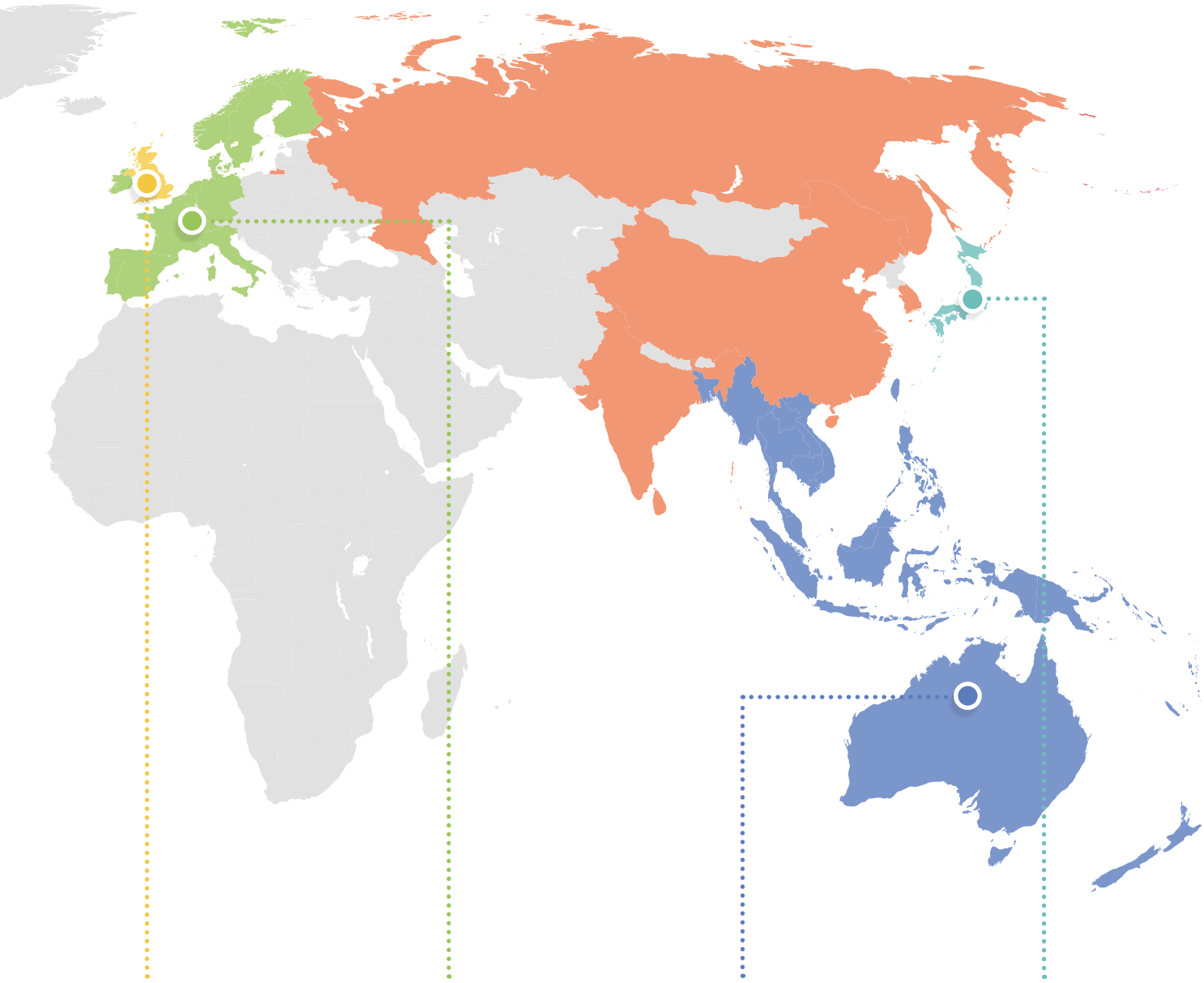
STOCKS ⊖ BONDS ⊖

- The US economy is modestly expanding despite rising recession fears. However, next year's election and trade tensions could prove a distraction.
- We like that US bonds are lower risk and can help balance out stock market turbulence, but on the other hand bond valuations are quite high.

EMERGING MARKETS

STOCKS ⊖ BONDS △

- Emerging markets' trade war sensitivity is key to their outlook. If a US-China deal materialises, it could help improve their prospects and lift uncertainty.
- We believe that in this global interest rate cutting environment the typically higher yielding emerging market bonds offers reasonable value relative to other areas of fixed income.



UNITED KINGDOM

STOCKS ⊖ BONDS ⊖

- Parliament has clearly indicated its intent to avoid a no-deal Brexit, easing one of the key market fears. Although risks remain, UK equities offer good value.
- Lower-risk bonds could become even more attractive as they provide some protection in the event of a growth shock, however they continue to be expensive.

EUROPE

STOCKS ▽ BONDS ▽

- The reintroduction of quantitative easing to strengthen the European economy could start to have some positive effects. But a number of risks remain, namely Brexit and the impact of the surprise new US tariffs.
- The rate cut from the European Central Bank has the potential to support bond prices. But the negative effect on savers is unpopular and we believe any further rate cuts in the near future are less likely.

ASIA PACIFIC

STOCKS ⊖

- As with emerging markets, a potential US-China trade deal could benefit the region, as China's export activity is a big influence.
- Chinese stimulus plans could help to provide support to the region however political unrest and the new trade tensions between South Korea and Japan could add to the turmoil.

JAPAN

STOCKS ⊖

- Japanese equities have been lifted by good corporate profits and the end of Japanese deflation. Our view on Japanese stocks remains balanced. The plan to impose stricter rules on foreign investment could prove detrimental to the market.
- The yen – Japan's currency – remains a big influence. It has weakened in recent months, making Japan's export-heavy economy more competitive.

SPOTLIGHT ON...

Safe havens

investing in stormy markets

Global growth worries and an intensifying trade war between the world's two largest economies have sparked a stampede by investors into perceived 'safe haven' assets.

1

What are safe haven assets?

Safe haven investments should in theory keep or even increase their value when markets are turbulent. These assets are typically sought to limit exposure to losses in the event of a market downturn. Their safety can come at a price though as safe haven assets can be expensive and you could be left paying high prices for protection in traditional safe havens which is a risk in itself.

2

The market environment

Since the financial crisis in 2008 higher risk assets have been performing strongly. As a result, safe haven assets have often been overlooked. However, recently they've shown their mettle. Over the summer stock market volatility began to rise. Investors rushed to buy gold and government bonds in established and advanced economies perceived to be safe havens. As a result prices rose as global equity markets declined, highlighting the potential protection safe haven assets can provide.

3

Safe haven assets:

Safe haven assets have proven their value over the years when it comes to protecting portfolios from volatile markets. So where might investors look for a port in the storm?

HIGH-QUALITY GOVERNMENT BONDS

+ Bonds are usually less risky than their equity counterparts. And high-quality bonds such as government bonds have traditionally been sought after in uncertain times. When held as a small part of a well-diversified portfolio, government bonds can provide some protection against a recession.

− If interest rates go up, the price of high-quality government bonds usually declines (bond prices often fall when interest rates rise) which could lead to losses. By investing in government bonds you could be missing out on potentially higher returns from other assets such as equities and corporate bonds.

GOLD

+ Gold is viewed as one of the top safe haven investments. It has always been a 'hedge', an investment intended to offset potential losses in other parts of a portfolio, in tough economic times. This is due to its low risk and scarcity.

− Gold's downside is its lack of income. This means it's less attractive as interest rates rise. Gold prices reflect how investors feel about global growth which increases its volatility.

CASH

+ Cash is considered the ultimate safe haven because its returns aren't impacted during periods of a market downturn.

− Although you don't lose your money when interest rates are very low, inflation, or the rising cost of living, can eat into your returns.

INFRASTRUCTURE ASSETS

+ Infrastructure assets or 'real' assets, such as wind farms or road building projects, tend to hold their value whether markets go up or down. As a result they are increasingly being added to portfolios to limit exposure to losses in the event of market downturns. They tend to deliver a predictable income without the ups and downs of shares.

− Investors can often pay a high price for these assets perceived security and they're not immune to downturns. The potential for government regime changes to nationalise the large scale projects can weigh on investor sentiment.

4

Smoothing market returns

Ultimately, investors hold safe haven assets with the aim of protecting their investment portfolios. So when equities are doing badly, safe haven allocation may act as a safety net. Despite the sometimes high prices of safe havens we believe in their diversification benefits, which can reduce portfolio risk without necessarily reducing portfolio returns. We consider safe haven assets an essential part of a well-diversified portfolio. This diversification can reduce volatility, smooth out highs and lows in returns and help avoid unnecessary risk.

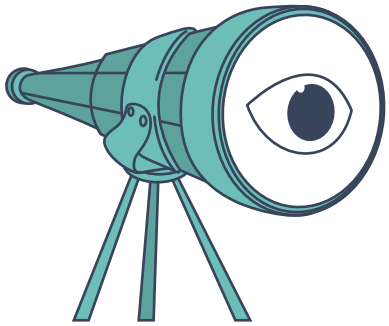
AN INTRODUCTION TO **INVESTMENT GOALS**

Whether you're new to investing or have years of experience, setting some investment goals can help you focus on what's really important to you.

1

COMMON INVESTMENT GOALS

Investing isn't just about making money. It's about growing your money to reach your goals which can be for right now, the medium-term or over a much longer time frame.



- Having enough money to travel
- Creating an emergency fund
- Getting married
- Buying a home*
- Taking a work sabbatical
- Starting a business
- Saving for your children's education
- Enjoying a comfortable retirement
- Building an inheritance for your family

1 YEAR ⟷ 3 YEARS ⟷ 5 YEARS ⟶ +5 YEARS

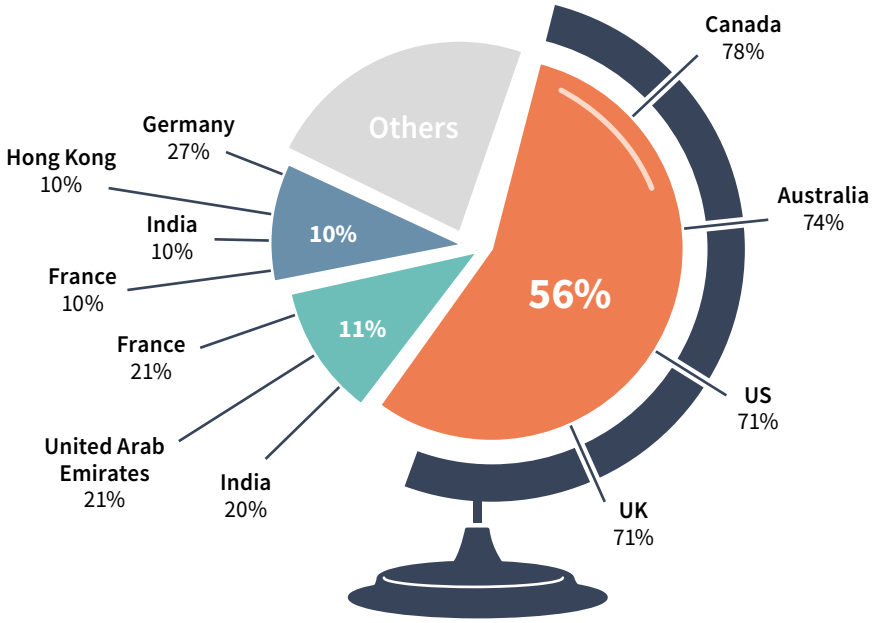
**or other large purchase*

2

INVESTMENT GOALS VARY WITH GEOGRAPHY

(IN ORDER OF POPULARITY)

There's no one set of goals that are universal. However, some trends do emerge depending on where you live or what generation you are from.

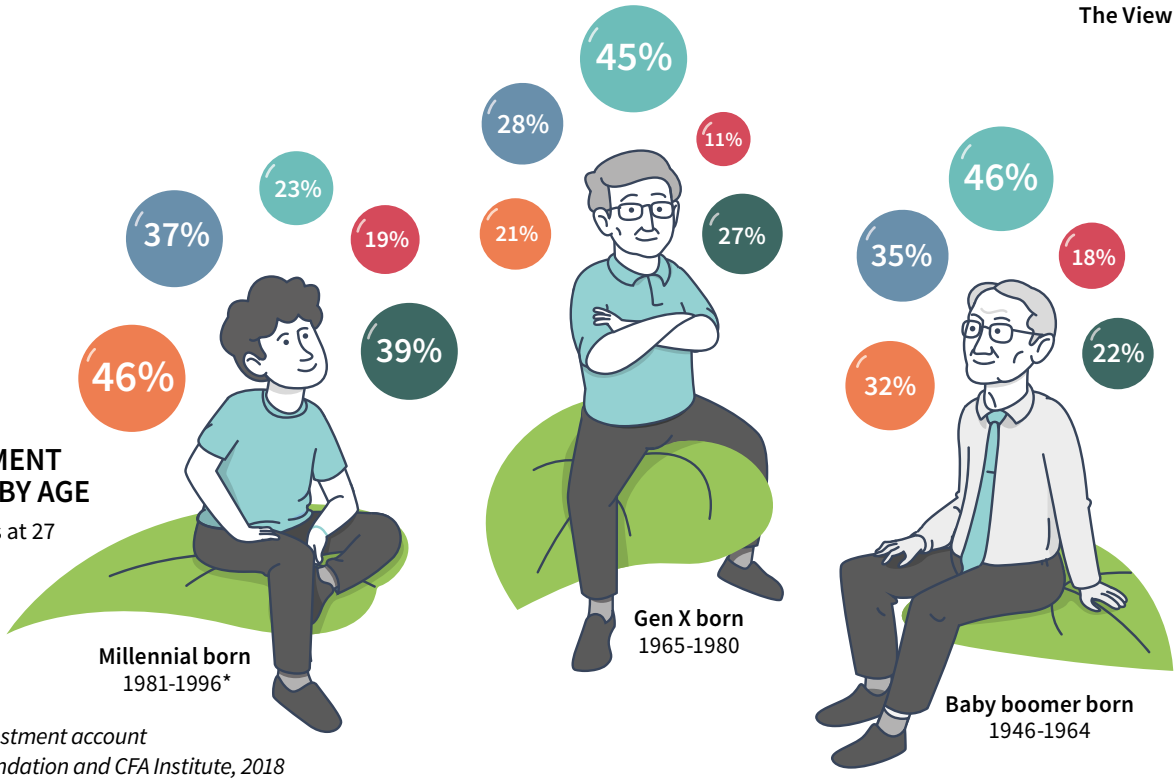


Percentage of goals ranked first by 10 per cent or more of investors.
Source: CFA Institute Global Survey 2018

3

TOP INVESTMENT GOALS VARY BY AGE

Investment goals at 27



*with a taxable investment account
Source: FINRA Foundation and CFA Institute, 2018

4

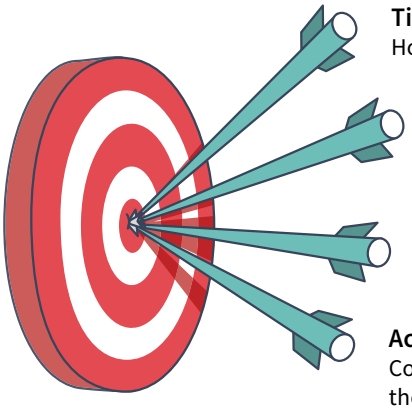
GOALS REQUIRE A STRATEGY

Having an investment plan or 'strategy' is important for achieving your goals. This is something that would be useful to discuss with whoever is guiding your investment decision making (your appointed agent or adviser). They will help you to decide on an investment style to match your financial objectives while maintaining a balanced approach to risk and reward.

5

THE BIG QUESTIONS

Thinking about a few key questions could help you to decide on the types of investments that might help you achieve those goals.



Timescale
How long are you investing for?

Risk and return
How much risk you are prepared to take with your money and assets?

Affordability
How much do you need to save and what can you afford to invest now?

Access
Could you need the money sooner than you thought and will you need regular income?

6

Starting a serious long-term investment project can seem daunting. But with a little inspiration, financial commitment and help from a trusted expert, you could build a comfortable future.

But imagining yourself (tick the box):

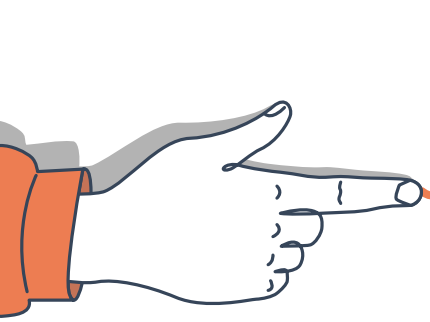
- ○ Facetiming your children at their university
- ○ Taking time out to do a round-the-world yacht race
- ○ In the garden of your dream home
- ○ Starting your new fin-tech company in San Francisco
- ○ Other

... could be the inspiration that you need!

Rate cuts

WHAT'S THE BIG STORY?

The US Federal Reserve (Fed) has cut interest rates for the second time in a decade. The European Central Bank (ECB) has followed suit, while the Bank of Japan (BoJ) is planning to cut soon. Why the headlines? It's about more than simply the money you can earn at the bank. We cast an eye over interest rates and why they matter to investors.



1

Why cut rates at all?

It's a response to forecasts of slower economic growth. Lower rates mean borrowing becomes cheaper. They encourage companies to raise money for investment projects and consumers to borrow for their homes, or perhaps a dream holiday. That boosts economic confidence, potentially setting growth back on an upward trend.

2

Equity markets get a kick from lower rates

A sound economy should allow company profits to grow and investors to feel optimistic about future dividends. But this is not true for every sector. Banks, for example, can take a hit when rates are cut. Profits shrink if the gap between the interest rate on their borrowing and that on their lending is squeezed.

4

Just how low can rates go?

Tricky to say for the ECB and the BoJ. They are already in negative territory. The Fed has more scope to cut rates. But markets are already hoping for a whole sequence of Fed cuts, which could bring disappointment. And as rates sink the benefit of each cut diminishes. As the economist JM Keynes wrote, it's like 'pushing on a string' as it's an effort which is useless. It means that while a central bank can accelerate an economy, too many ill-timed interest rate cuts can often be futile.

3

So what about the bond markets?

If a bond price goes up, its yield (or the income from the bond) goes down. They always move in opposite directions. If interest rates fall, bond yields tend to fall with them. Which means the price of the bond rises! One wrinkle on valuations - rock bottom bond yields make sky high equity prices look justifiable, potentially adding fuel to an already bullish market.

5

NEGATIVE INTEREST RATES

Negative interest rates first hit the headlines in 2014 when the ECB introduced a deposit rate of -0.1% to stimulate the economy. They were designed to get banks lending – they will pay the central bank interest for holding money on deposit with them. The BoJ followed suit. These actions led to negative rates on European and Japanese government bonds. Over the years, the value of negative-yielding bonds has soared, going from zero to over $17 trillion. Negative interest rates or paying banks for holding our funds violates established thinking.

However, five central banks that oversee a quarter of the world's economy have opted to impose negative rates on the commercial banks that use their services. The aim of this is to convince people to spend their money rather than save.

Newly appointed International Monetary Fund (IMF) chief Kristalina Georgieva has launched an investigation on the pitfalls and impact of low and negative rates. Policy makers are testing the norms of economic life as they look for the key to stopping the global slowdown. And with mixed results so far the question is are central banks running out of options?

Facts & Figures

QUARTERLY DATA

US corporate bonds	UK corporate bonds	Japanese stocks	US stocks	Emerging market bonds	Global government bonds
▲	▲	▲	▲	▲	▲
6.4%	**5.6%**	**5.4%**	**5.0%**	**4.7%**	**4.6%**
Bloomberg Barclays US Corporate Bond Index	Bloomberg Barclays Sterling Aggregate Bond Index	TOPIX Index	S&P 500 Composite Index	JP Morgan Global Emerging Market Bond Index	FTSE G7 Index

Global high yield bonds	European (but not UK) stocks	UK stocks	European corporate bonds	Emerging market stocks	Asian (but not Japanese) stocks
▲	▲	▲	▲	▼	▼
3.7%	**1.5%**	**1.3%**	**0.2%**	**-1.0%**	**-2.1%**
ICE Bank of America ML Global High Yield Bond Index	FTSE AW Developed Europe ex. UK Index	FTSE All-Share Index	Bloomberg Barclays European Corporate Bond Index	MSCI Emerging Market Index	MSCI Pacific ex. Japan Index

To highlight the unpredictability of markets, the table below details the performance of global equity and fixed income indices over the past five years (in sterling terms).

This table demonstrates how volatile markets can be, and shows the benefits of diversifying your investment, or in other words, not putting all your eggs in one basket.

Index percentage growth (%)	1 Oct 2018 to 30 Sep 2019	1 Oct 2017 to 30 Sep 2018	1 Oct 2016 to 30 Sep 2017	1 Oct 2015 to 30 Sep 2016	1 Oct 2014 to 30 Sep 2015
US stocks	10.3	21.3	14.8	34.6	6.4
European (but not UK) stocks	6.2	2.5	22.5	21.3	-0.8
UK stocks	2.7	5.9	11.9	16.8	-2.3
Japanese stocks	-2.8	10.6	10.3	29.3	4.3
Asian (but not Japanese) stocks	9.1	7.4	10.9	40.2	-10.8
Emerging market stocks	4.1	2.4	19.0	36.7	-13.3
Global government bonds	15.3	1.2	-6.7	28.3	4.2
Global high yield bonds	11.9	4.2	6.4	31.6	1.4
US corporate bonds	19.6	1.7	-1.0	26.6	8.8
European corporate bonds	5.4	1.1	2.4	26.1	-5.7
Emerging market bonds	17.2	-0.1	0.8	36.2	4.9
UK corporate bonds	13.0	0.5	-2.7	13.5	7.3

Past performance is not a guide to future performance. Rebased in sterling where appropriate, i.e. all index returns are recalculated based on exchange rates to give returns for a sterling investor. Source: Morningstar Direct, October 2019.

ARCHITAS
MULTI-ASSET (MA)

Active
FUND RANGE

Nathan Sweeney
Senior Investment Manager

"For the first time in a long time, we are seeing markets moving in a more normal fashion with up and down days, which is reminiscent of pre-2007."

Over the period we saw economic data deteriorating, particularly manufacturing data, which led central banks to act by lowering rates, specifically in the US and Europe, to prevent any potential recession.

The continuation of trade disputes and political uncertainty in developed market regions are impacting corporate spending: companies reduce their capital expenditure as uncertainly persists. We are seeing this in manufacturing data and the recent central bank action has yet to take effect.

It is important to remember that this is entirely normal, although it may feel uncomfortable given the absence of this kind of daily volatility in a long while. This is creating a more attractive environment for stock pickers, as the differentiation between winners and losers widens.

FUND THEMES

1

PORTFOLIO CHANGES

BOUGHT

- iShares MSCI UK Small Cap ETF
- Barings Global High Yield Bond Fund
- Hermes Asia Ex Japan Equity Fund
- Vontobel mtx Sustainable Emerging Markets Leaders Fund
- NN (L) Global Convertible Opportunities Fund
- Vontobel Emerging Markets Debt Fund

SOLD

- Artemis US Extended Alpha Fund
- iShares S&P SmallCap 600 ETF

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 01 Jul 19 to 30 Sep 19	1 YEAR 01 Oct 18 to 30 Sep 19	3 YEARS 01 Oct 16 to 30 Sep 19	5 YEARS 01 Oct 14 to 30 Sep 19
Architas MA Active Reserve A Acc	2.9	5.8	7.1	22.4
Architas MA Active Moderate Income A Acc	3.3	6.7	10.6	28.6
Architas MA Active Intermediate Income A Acc	3.5	5.9	16.1	37.7
Architas MA Active Progressive A Acc	3.4	4.4	23.0	49.5
Architas MA Active Growth A Acc	3.3	4.3	27.3	56.2
Architas MA Active Dynamic A Acc	2.8	5.5	24.4	53.3

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	01 Oct 18 to 30 Sep 19	01 Oct 17 to 30 Sep 18	01 Oct 16 to 30 Sep 17	01 Oct 15 to 30 Sep 16	01 Oct 14 to 30 Sep 15
Architas MA Active Reserve A Acc	5.8	0.4	0.8	9.7	4.2
Architas MA Active Moderate Income A Acc	6.7	0.9	2.7	13.2	2.7
Architas MA Active Intermediate Income A Acc	5.9	4.2	5.2	16.5	1.8
Architas MA Active Progressive A Acc	4.4	8.7	8.3	19.1	2.1
Architas MA Active Growth A Acc	4.3	9.5	11.4	22.2	0.4
Architas MA Active Dynamic A Acc	5.5	5.4	11.8	25.4	-1.7

2

ASSET ALLOCATION

WHAT WORKED?

- UK government bonds
- Japanese stocks
- UK stocks

WHAT DIDN'T?

- High yield bonds
- Emerging market equities
- UK property

3

FUND SELECTION

WHAT WORKED?

- iShares UK Gilts All Stocks Index Fund
- Baillie Gifford Japanese Fund
- Artemis Income Fund

WHAT DIDN'T?

- TwentyFour Income Fund
- Robeco QI Emerging Conservative Equities Fund
- Ediston Property Investment Company

For details on how to assess the performance of this fund please refer to the important information at the end of this document. Past performance is not a guide to future performance. The value of an investment, and any income, can fall as well as rise and is not guaranteed. You could get back less than you invested. Source: Morningstar Direct, October 2019. Performance as at 30 September 2019. Performance figures are shown in sterling unless we say otherwise. We work out return figures using a single pricing basis. The fund performance figures take into account the yearly management charge, but not any other charge such as transaction costs that may be due. Investing using a wrapper (a wrapper is an arrangement that brings together a range of investments under one roof) may also involve charges which will have the effect of reducing the past performance figures shown.

ARCHITAS
MULTI-ASSET (MA)

Blended
FUND RANGE

Sheldon MacDonald
Deputy Chief Investment Officer

Mayank Markanday
Senior Investment Manager

"Equity markets continued to be skittish responding to see-sawing prospects for a resolution to the US/China trade negotiations, as well as to the increasingly bewildering ups and downs of Brexit."

Meanwhile, bond markets continue to perform well as global growth expectations decline. Markets were given a reminder of the potential impact of geopolitical risks, via the attack on Saudi oil production facilities.

Oil prices spiked upwards, but thankfully this was short-lived. Higher fuel and transport costs would lead to higher inflation around the world, at a time when the global economy can ill-afford the rate hikes that could become necessary in that scenario.

Although a hypothetical example, it serves to highlight the level of risk that remains present in both equity and bond markets and underscores the reasons why we have maintained our cautious stance.

FUND THEMES

1

PORTFOLIO CHANGES

BOUGHT
- n/a

SOLD
- AXA Sterling Corporate Bond Fund

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 01 Jul 19 to 30 Sep 19	1 YEAR 01 Oct 18 to 30 Sep 19	3 YEARS 01 Oct 16 to 30 Sep 19	5 YEARS 01 Oct 14 to 30 Sep 19
Architas MA Blended Reserve A Acc	3.7	6.4	12.2	30.6
Architas MA Blended Moderate A Acc	3.4	6.1	15.8	37.0
Architas MA Blended Intermediate A Acc	3.2	5.0	18.6	41.5
Architas MA Blended Progressive A Acc	2.7	3.5	23.0	47.3
Architas MA Blended Growth A Acc	2.7	3.4	25.5	53.1

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	01 Oct 18 to 30 Sep 19	01 Oct 17 to 30 Sep 18	01 Oct 16 to 30 Sep 17	01 Oct 15 to 30 Sep 16	01 Oct 14 to 30 Sep 15
Architas MA Blended Reserve A Acc	6.4	3.3	2.1	14.5	1.7
Architas MA Blended Moderate A Acc	6.1	4.6	4.3	17.2	1.0
Architas MA Blended Intermediate A Acc	5.0	6.4	6.1	18.9	0.3
Architas MA Blended Progressive A Acc	3.5	8.8	9.3	20.7	-0.7
Architas MA Blended Growth A Acc	3.4	9.6	10.9	23.4	-1.2

2

ASSET ALLOCATION

WHAT WORKED?

- Government bonds
- Corporate bonds
- Japanese stocks

WHAT DIDN'T?

- High yield bonds
- Emerging market equities
- European equities

3

FUND SELECTION

WHAT WORKED?

- Vanguard UK Long Duration Gilt Index Fund
- iShares Corporate Bond Index Fund
- Baillie Gifford Japanese Fund

WHAT DIDN'T?

- CVC Credit Partners European Opportunities
- iShares Emerging Markets Equities Index Fund
- iShares Continental European Equities Index Fund

For details on how to assess the performance of this fund please refer to the important information at the end of this document. Past performance is not a guide to future performance. The value of an investment, and any income, can fall as well as rise and is not guaranteed. You could get back less than you invested. Source: Morningstar Direct, October 2019. Performance as at 30 September 2019. Performance figures are shown in sterling unless we say otherwise. We work out return figures using a single pricing basis. The fund performance figures take into account the yearly management charge, but not any other charge such as transaction costs that may be due. Investing using a wrapper (a wrapper is an arrangement that brings together a range of investments under one roof) may also involve charges which will have the effect of reducing the past performance figures shown.

ARCHITAS
MULTI-ASSET (MA)

Passive
FUND RANGE

Sheldon MacDonald
Deputy Chief Investment Officer

Alex Burn
Investment Manager

"Equity and fixed income markets during the third quarter were generally positive outside of emerging markets, despite a strongly negative and volatile August."

Again, like the rest of the year, the markets continue to be driven by the swinging risk factors: the potential resolutions of both Brexit and the US/China trade war alongside slowing global growth countered by the potential of central bank stimulus.

Japan was the best performing stock market, largely driven by returns in September when investor sentiment improved as the risk factors started to look more rosy. This provided the hardest-hit stocks with a tailwind. A lot of these stocks reside in Japan and benefited. European and UK equity markets also benefited and counter-intuitively, bonds provided positive returns as there was greater potential for central banks stimulus and lower rates.

FUND THEMES

1

PORTFOLIO CHANGES

BOUGHT

- Vanguard FTSE Developed Europe ex UK Equities Index Fund

SOLD

- n/a

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	3 MONTHS 01 Jul 19 to 30 Sep 19	1 YEAR 01 Oct 18 to 30 Sep 19	3 YEARS 01 Oct 16 to 30 Sep 19	5 YEARS 01 Oct 14 to 30 Sep 19
Architas MA Passive Reserve A Acc	4.4	9.8	16.7	43.0
Architas MA Passive Moderate A Acc	3.9	8.8	19.0	45.3
Architas MA Passive Intermediate A Acc	3.5	7.3	22.0	48.8
Architas MA Passive Progressive A Acc	3.3	6.4	27.4	57.0
Architas MA Passive Growth A Acc	3.0	5.8	31.9	63.2
Architas MA Passive Dynamic A Acc	2.6	6.9	29.4	58.2

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	01 Oct 18 to 30 Sep 19	01 Oct 17 to 30 Sep 18	01 Oct 16 to 30 Sep 17	01 Oct 15 to 30 Sep 16	01 Oct 14 to 30 Sep 15
Architas MA Passive Reserve A Acc	9.8	4.6	1.6	17.7	4.1
Architas MA Passive Moderate A Acc	8.8	5.5	3.6	18.8	2.7
Architas MA Passive Intermediate A Acc	7.3	7.4	5.9	20.6	1.1
Architas MA Passive Progressive A Acc	6.4	9.9	8.9	23.2	0.0
Architas MA Passive Growth A Acc	5.8	11.7	11.5	26.8	-2.4
Architas MA Passive Dynamic A Acc	6.9	8.6	11.4	30.7	-6.5

For details on how to assess the performance of this fund please refer to the important information at the end of this document. Past performance is not a guide to future performance. The value of an investment, and any income, can fall as well as rise and is not guaranteed. You could get back less than you invested. Source: Morningstar Direct, October 2019. Performance as at 30 September 2019. Performance figures are shown in sterling unless we say otherwise. We work out return figures using a single pricing basis. The fund performance figures take into account the yearly management charge, but not any other charge such as transaction costs that may be due. Investing using a wrapper (a wrapper is an arrangement that brings together a range of investments under one roof) may also involve charges which will have the effect of reducing the past performance figures shown.

Income generating FUND RANGE

Mayank Markanday
Senior Investment Manager

Nathan Sweeney
Senior Investment Manager

"The third quarter saw a further deterioration in economic data across both developed and emerging markets."

Understandably this resulted in a fairly volatile market environment for risk assets. This was not helped by the ongoing US-China trade war weighing on investor sentiment. And closer to home the uncertainty regarding Brexit negotiations.

Central bank action provided a temporary relief towards the end of the quarter which after a brutal August, boosted returns for the riskier parts of the investment universe. In fixed income, this included the riskier end of the bond market such as high yield and emerging market bonds. Within equities, stocks in more cyclical sectors that are sensitive to economic changes and move in step with them, which prosper in times of economic growth and stagnate in times of recession, finally outperformed the more defensive parts of the market.

Despite the boost to riskier parts of the bond market, government bonds in advanced and established countries also continued to be sought after and remained the preferred safe haven asset in this environment.

FUND THEMES

1

PORTFOLIO CHANGES

BOUGHT

- Fidelity Asia Pacific Opportunities Fund
- NN (L) Global Convertible Opportunities Fund
- iShares MSCI UK Small Cap ETF
- Vontobel mtx Sustainable Emerging Markets Leaders Fund

SOLD

- CVC Credit Partners European Opportunities
- AXA Sterling Corporate Bond Fund
- Artemis US Extended Alpha Fund
- Schroder IF Flexible Cat Bond Fund

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	12 MONTH YIELD	3 MONTHS 01 Jul 19 to 30 Sep 19	1 YEAR 01 Oct 18 to 30 Sep 19	3 YEARS 01 Oct 16 to 30 Sep 19	5 YEARS 01 Oct 14 to 30 Sep 19
Architas MA Active Reserve A Inc	2.06	2.8	5.9	7.1	22.5
Architas MA Active Moderate Income A Inc	1.94	3.4	6.8	10.6	28.5
Architas MA Active Intermediate Income A Inc	1.79	3.5	6.0	16.2	37.6
Architas Diversified Global Income A Inc	4.14	1.2	2.3	8.1	–
Architas MM Monthly High Income A Inc	4.08	1.5	3.3	7.8	22.6
Architas Global Equity Income A Inc	3.78	3.3	7.3	–	–

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	01 Oct 18 to 30 Sep 19	01 Oct 17 to 30 Sep 18	01 Oct 16 to 30 Sep 17	01 Oct 15 to 30 Sep 16	01 Oct 14 to 30 Sep 15
Architas MA Active Reserve A Inc	5.9	0.4	0.8	9.8	4.1
Architas MA Active Moderate Income A Inc	6.8	0.8	2.8	13.2	2.6
Architas MA Active Intermediate Income A Inc	6.0	4.3	5.1	16.6	1.6
Architas Diversified Global Income A Inc	2.3	0.5	5.2	11.3	–
Architas MM Monthly High Income A Inc	3.3	0.7	3.7	11.0	2.4
Architas Global Equity Income A Inc	7.3	9.1	–	–	–

2

ASSET ALLOCATION

WHAT WORKED?

- Property Trusts
- UK government bonds (gilts)
- Catastrophe reinsurance

WHAT DIDN'T?

- Alternatives - asset leasing
- High yield bonds
- Global equities

3

FUND SELECTION

WHAT WORKED?

- Assura
- Vanguard UK Long Duration Fund
- CATCo Reinsurance Opportunities Fund

WHAT DIDN'T?

- J O Hambro CM UK Equity Income Fund
- Hermes Asia ex-Japan Equity Fund
- Doric Nimrod Air Two
- Amedeo Air Four Plus

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Specialist FUND RANGE

Solomon Nevins
Senior Investment Manager

Jen Causton
Investment Manager

Mayank Markanday
Senior Investment Manager

"The past three months have seen an intensification of the concerns that have preyed on investors' minds over recent years: Brexit, trade war and a slowdown in the manufacturing sector."

With no end in sight for any of these issues, investors looked to the central banks to act in support of the economy. During the quarter we saw increased support from central banks that seemingly share the same concerns as the market. The outgoing European Central Bank president, Mario Draghi, parted with a surprisingly large stimulus plan in the form of lower interest rates and a resumption of the quantitative easing programme. However, the muted equity market response and persistently low bond yields suggest that we may be reaching the limits to what monetary policy can achieve.

The strong rally this year across asset classes has seemingly been built on hopes of central bank intervention that has now arrived. Until further good news materialises, we favour a bias towards defensive assets that can diversify equity risk within a portfolio.

FUND THEMES

1

PORTFOLIO CHANGES

BOUGHT

- X II Global Inflation-Linked Bond ETF
- JP Morgan Global Core Real Assets Fund
- JOHCM UK Dynamic Fund

SOLD

- AXA Sterling Corporate Bond Fund
- NB Global Floating Rate Fund
- AXA World Funds Global Inflation Bonds Fund
- Pictet Timber Fund

CUMULATIVE RETURN

Fund and share class Total returns for the periods shown (%)	12 MONTH YIELD	3 MONTHS 01 Jul 19 to 30 Sep 19	1 YEAR 01 Oct 18 to 30 Sep 19	3 YEARS 01 Oct 16 to 30 Sep 19	5 YEARS 01 Oct 14 to 30 Sep 19
Architas Diversified Real Assets Fund D Acc	3.08	1.9	4.4	8.4	22.0
Architas MM UK Equity Fund A Acc	1.79	2.4	4.6	20.8	38.3
Architas MM Strategic Bond Fund A Acc	2.96	1.1	3.9	8.6	19.2
Architas MM Diversified Protector 70	n/a	1.7	4.7	16.1	23.0
Architas MM Diversified Protector 80	n/a	1.3	3.2	10.3	13.1
Architas MM Diversified Protector 85	n/a	1.1	2.3	7.4	7.8

DISCRETE YEARLY PERFORMANCE

Fund and share class Total returns for the periods shown (%)	01 Oct 18 to 30 Sep 19	01 Oct 17 to 30 Sep 18	01 Oct 16 to 30 Sep 17	01 Oct 15 to 30 Sep 16	01 Oct 14 to 30 Sep 15
Architas Diversified Real Assets Fund D Acc	4.4	1.1	2.8	9.3	3.0
Architas MM UK Equity Fund A Acc	4.6	6.1	8.8	13.4	0.9
Architas MM Strategic Bond Fund A Acc	3.9	0.7	3.8	9.2	0.5
Architas MM Diversified Protector 70	4.7	3.9	6.7	8.2	-2.0
Architas MM Diversified Protector 80	3.2	2.3	4.5	4.7	-2.1
Architas MM Diversified Protector 85	2.3	1.8	3.1	3.0	-2.6

2

ASSET ALLOCATION

WHAT WORKED?

- Catastrophe reinsurance investments
- Commodities - Gold
- Property Trusts

WHAT DIDN'T?

- Alternatives - asset leasing
- Commodities - Energy MLPs
- High yield bonds

3

FUND SELECTION

WHAT WORKED?

- CATCo Reinsurance Opportunities Fund
- iShares Physical Gold
- Assura

WHAT DIDN'T?

- Amadeo Air Four Plus
- PIMCO GIS MLP & Energy Infrastructure Fund
- CVC Credit Partners European Opportunities

For details on how to assess the performance of this fund please refer to the important information at the end of this document. Past performance is not a guide to future performance. The value of an investment, and any income, can fall as well as rise and is not guaranteed. You could get back less than you invested. Some of the Diversified Real Assets portfolio is invested in alternative assets which are different to the more traditional asset classes such as equities and bonds. During difficult market conditions these may be hard to sell at a fair price, referred to as being illiquid, which may in turn cause prices of these assets to go up and down more sharply than usual. Source: Morningstar Direct, October 2019. Performance as at 30 September 2019. Performance figures are shown in sterling unless we say otherwise. We work out return figures using a single pricing basis. The fund performance figures take into account the yearly management charge, but not any other charge such as transaction costs that may be due. The 12-month yield is the income delivered by a fund in the last 12 months. Source for 12-month yield data is Architas, as at 30 September 2019. Investing using a wrapper (a wrapper is an arrangement that brings together a range of investments under one roof) may also involve charges which will have the effect of reducing the past performance figures shown.

Important INFORMATION

This document is issued by Architas Multi-Manager Limited, which is authorised and regulated by the Financial Conduct Authority.

The value of investments and the income from them can fall as well as rise and is not guaranteed which means you could get back less than you invest. Past performance is not a guide to future performance. Investments in newer markets, smaller companies or single sectors offer the possibility of higher returns but may also involve a higher degree of risk. The value of investments can fall as well as rise purely as a result of changes in the exchange rate.

You can invest in the funds mentioned in this document using a number of financial products. These funds may not be appropriate for investors who plan to withdraw their money within five years.

The MA Active, MA Passive and MA Blended funds do not have a benchmark. Investors can assess the performance of the funds by viewing the performance data of funds in the respective Investment Association (IA) sectors:

- **MA Active Reserve Fund**
  IA 'Volatility Managed' sector
- **MA Active Moderate Income Fund**
  IA 'Mixed Investment - 0-35% Shares' sector
- **MA Active Intermediate Income Fund**
  IA 'Mixed Investment - 20-60% Shares' sector
- **MA Active Progressive Fund**
  IA 'Mixed Investment - 40-85% Shares' sector
- **MA Active Growth Fund**
  IA 'Flexible Investment' sector
- **MA Active Dynamic Fund**
  IA 'Flexible Investment' sector
- **MA Passive and MA Blended Fund Ranges**
  IA 'Volatility Managed' sector

The Diversified Global Income and MM Monthly High Income have a reference benchmark for performance comparison purposes:

- **Diversified Global Income Fund**
  IA's 'Mixed Investment - 20-60% Shares' sector
- **MM Monthly High Income Fund**
  IA's 'Mixed Investment - 0-35% Shares' sector

The **MM UK Equity Fund** has a reference benchmark for performance comparison purposes – the IA's 'UK All Companies' sector.

The **MM Strategic Bond Fund** has a reference benchmark for performance comparison purposes - the IA's 'Sterling Strategic Bond' sector.

The IA is a trade body that represent UK investment managers and they group funds with broadly similar characteristics into sectors. Each 'sector' contains funds with similar characteristics.

- 'Mixed investment' sectors contain funds with a similar level of exposure to shares/equities, indicated by the percentage in the name.
- The 'Volatility Managed' sector contains funds that are managed with the aim of adhering to a set level of volatility (a measure of the size of changes in the value of an investment).
- The 'Flexible Investment' sector. This 'sector' contains funds where the fund manager has significant flexibility regarding which assets to invest in.
- This 'UK All Companies' sector contains funds with similar characteristics; they invest at least 80% of the fund's assets in UK equities / shares.
- The 'Sterling Strategic Bond' sector. This 'sector' contains funds with similar characteristics; they invest at least 80% of the fund's assets in Sterling denominated fixed income securities.

The funds in each sector will not have exactly the same characteristics (such as their objectives, level of risk, types of risk or level of volatility) and are therefore not an exact like-for-like comparison. Investors can find details of each sector's performance at www.trustnet.com by selecting the respective 'sector' from the drop down menu.

The **Diversified Real Assets Fund** does not have a benchmark. Investors can assess the performance of the Fund against the prevailing Bank of England base rate (Base Rate) over the medium to long term (at least 5 years). The Base Rate has been chosen because funds that invest in "alternative" asset classes often use a cash interest rate for performance assessment purposes. Investors should note that it is not an exact like-for-like comparison because the Fund investments

are subject to a level of risk or volatility. Investors can find details of the Bank of England's base rate at https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp.

The **Protector 70**, **Protector 80** and **Protector 85** Funds do not have a benchmark. Investors can assess the performance of the Fund by viewing the current Fund Protection Floor figure to ascertain if the Fund is achieving its objective. The Funds' objectives are to respectively protect 70, 80 and 85% of the highest Share Price achieved by the fund – the relevant 'protected' amount is referred to as 'The Fund Protection Floor'. The current Share Price and Fund Protection Floor figures can be found on our website: https://uk.**architas.com**/retail-clients/funds/prices/ (page 6), or upon request.

The Architas funds featured in this brochure can invest entirely in units of collective investment schemes.

If you need more information on any of our funds, you can ask us for a free copy of the Key Investor Information Document (KIID) and the prospectus.

The KIID is designed to help investors to make an informed decision before investing. You can view or download all our funds' KIIDs from our website at **architas.com**, by following the Key Investor Information documents link from the home page and in the literature library.

This document does not mean we are offering to sell or buy any share in the funds. Information relating to investments is based on research and analysis we have carried out or bought for our own purposes and may have been made available to other members of the AXA Group of Companies which, in turn, may have acted on it. While we try and take every care over the information in this document, we cannot accept any responsibility for mistakes and missing information that may be presented.

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Call 0800 953 0197

Monday to Friday 9.00am–5.30pm; calls may be recorded. Calls are free from landlines and mobiles within the UK.

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