DART CAPITAL

Investment Brief

April 2021

Introduction

Richard Whitehead
Chief Executive

You will be delighted to know that we reopened the office again on 12th April which is an enormous relief to everyone. This is hopefully the beginning of the return to the new normal. This great day coincided with Dart Capital reaching a magnificent milestone of £600m of assets under management.

We have implemented a phased return to the office with an agreed maximum number of colleagues each day initially. The priority is given to the colleagues who's roles have been the most difficult to perform remotely including the obvious people who answer the phones! We will then monitor over the coming weeks how this programme works with the intention that we will all be back in the office full time from early summer, Covid variants and data permitting.

Despite a year of upheaval we have been the fortunate recipient of a good number of new clients from organisations who in some cases seem to have ignored their clients. A big thank you to all of you who have introduced friends and relatives over this difficult period. This has been a period of "adapt or fail" and fortunately we were able to achieve the former with the highly motivated team we have and also because we invested in technology that allowed colleagues to operate remotely.

Our own investment in technology came about in a timely office move and an update to our "Disaster Contingency Planning".

I read a lot about changing working practices and the debate about whether working from home is a good thing and here to stay. My own views have softened slightly on this, as long as it's good for clients then we should support it. But if we are all honest with one another can we really say that service levels from administrative companies and utility businesses have really been acceptable during this period or are we just accommodating because of the crisis we have lived through? Our own experiences here demonstrate that certain financial services companies can never be allowed to work remotely again - my own two examples in recent weeks are James Hay and Vitality, both in the utterly incompetent / must fail category. If a business cannot even answer its phones because the staff do not have both the working environment and technology (in equal importance) to operate effectively then quite quickly they won't have any customers left.

As I commented a year ago this was a Darwinian period of evolution for companies and those who adapted will have succeeded and will be stronger and those that didn't should be allowed to fail. Some sectors of the economy and some roles can work remotely, but not all. And let's not forget how important the development of younger colleagues is, principally in learning from those more experienced within the physical space of an office.

On the question of strong operating models, I am often asked whether using our FCA discretionary investment permissions within a business adds much to day to day efficiency in comparison to the traditional advisory financial services model that some well-known companies still maintain. Just to recap the key difference between these is a discretionary service does not require a client's permission to make portfolio changes. This requires discretionary firms to meet a higher regulatory hurdle, in terms of holding wider regulatory permissions, additional staff qualifications, experience, and holding more regulatory capital and having a stronger company balance sheet.

That being said, well managed advisory businesses should still use much of the same front office portfolio management software, Mifid II approved valuations and hold regular Investment Committee Meetings. There is also a vast overlap of staff qualification and roles.

The nature of advisory means they cannot implement these decisions as quickly or as efficiently as a discretionary business. We have over four hundred clients with seven hundred portfolios. If we had to seek permission from each client in turn under an advisory model before we made a change to the portfolio then it would be almost impossible to justify being called an investment manager let alone claim when making changes that we were treating all our customers fairly.

Last year's market turbulence was a testing period for discretionary managers as rapid decision making and immediate implementation was essential in steering portfolios through the rapidly changing macro backdrop due to Covid-19.

I have regularly challenged myself regarding the events leading up to March last year and whether we could have all been better prepared for the Covid-19 crisis. We went into 2020 feeling positive about the outcome of a clear stock market friendly UK election result, an equally positive US economic outlook and an improving global sentiment from Asia. However the tsunami of Covid was about to hit. One of the best summaries of the events and responses leading up to the UK economic lock-down beginning on 23rd March 2020 was in a television programme from Sky News called "Covid Crisis – Learning the Lessons". This highlighted the confused information flow and poor response by Western Governments, assuming this would follow their modelling based on SARS back in 2003.

In the case of the UK, our own Scientific Advisory Group for Emergencies (SAGE), which provides scientific and technical advice to support government decisions during emergencies, was still telling us on 5th March that "..no evidence to suggest that banning very large gatherings would reduce transmission". This seems quite absurd now with the enormous benefit of hindsight. Asian countries on the other hand had already effected lock-downs, understood the need to implement widespread testing and avoid human contact. However it should also be remembered that it took until 11th March for the World Health Organisation to declare the coronavirus outbreak a global pandemic. By then the FTSE 100 had fallen to 5876 from 7542 on January 1st, a fall of -22%. Clearly the stock market was ignoring the scientists and Western Governments and was in full flight. As we then discovered, the rebound in some markets was much quicker than some expected and remaining invested was critical over this period.

Over the last quarter, we have also promoted our Head of Portfolio Management, Anna Whittle to an Investment Manager.

Having joined the industry working for a local financial advice firm, Anna started her career at Dart Capital in 2014. Anna begun as part of the Structuring Team on-boarding new clients before moving into a more client-facing role within the Portfolio Management Team. Anna was promoted to Head of the Portfolio Management Team in 2018 and most recently is now qualified as an Investment Manager.

During this time, Anna has worked closely with the other Investment Managers to build client relationships and develop within her role. Anna has also worked vigorously to obtain the necessary professional financial qualifications to broaden her skill set and progress through these roles. Anna completed the Chartered Insurance Institute's Diploma in Regulated Financial Planning, consisting of six individual exams covering a broad range of technical topics including investment principles, pensions, retirement planning and risk. In addition, Anna also completed the CISI Securities exam.

Anna's role as an Investment Manager is to build and maintain long-term client relationships and to provide advice to our clients as their financial needs evolve over time. This will include assessing client needs against their long-term investment goals, attitude to risk and working with them to help achieve their objectives.

Anna also remains responsible for managing the team of Portfolio Managers to help provide support and training for colleagues as well as ensuring that Dart's processes and quality of work are adhered to.

Anna Whittle
Investment Manager

House View

Alexander George, CFA
Associate Director
of Research

Since our last House View piece in early January, markets have increasingly priced in an economic recovery, with cheaper, more economically sensitive assets outperforming as investors re-position for a post-COVID bounce-back in the global economy. We had positioned portfolios in anticipation of this shift in the market environment, and it was a strong quarter for our relative performance. Looking ahead, although the path is unlikely to be smooth, our expectation is that the continued vaccine rollout across western economies will allow economies to continue to re-open, which in turn will drive strong economic growth as households deploy record amounts of pent-up savings. Against this backdrop, we remain overweight equities when compared to our strategic benchmarks, with a tilt towards high quality cyclical businesses with strong balance sheets, which are poised to benefit as the global economy recovers.

Inflation

The return of inflation has been front-page news within the financial press over recent months, as significant government stimulus spending, rebounding commodity prices and the prospect of the re-opening of economies served to drive concerns that the upcoming rise in inflation will turn into a more prolonged period of high inflation.

Whilst this certainly makes for a good headline and there will certainly be a rise in the inflation rate in April owing to the significant bounce-back in the oil price from its low a year ago, there is more nuance than some of the headlines and market commentators might indicate. Most notably, several of the deflationary forces which affected the global economy prior to the pandemic remain in place, with technological change – most notably the now ubiquitous role of the internet and the limitless capacity it creates across many industries – and high debt levels still putting a degree of downward pressure on inflation and interest rates.

However, there are also some new, longer-term inflationary forces that bare watching. In particular, governments are taking control of the money creation process, such as in the US where the government have been sending stimulus cheques directly to households, with fiscal policy increasingly being used as the dominant tool to boost economic growth. This is an important change in approach as it is likely to be far more effective than monetary policies, such as Quantitative Easing, at getting money into the hands of people who will spend it in the real economy, particularly once economies have re-opened fully and the velocity of money picks up. This change in policy stance is combined with the tightness of supply across most major commodities, and companies seeking to re-shore their supply chains (along with the increase in cost inherent in doing so) following the COVID experience where having a reliance on Chinese supply proved to be a significant problem for many businesses.

As always, we never build portfolios around one particular economic or policy outcome, and this is certainly the case with inflation. As a result, we hold some assets, such as growth equities (led by stocks such as Apple and Microsoft) in markets such as the US, and corporate bonds (both directly and through Strategic Bond funds), which would benefit from a continuation of the disinflationary environment we saw prior to the pandemic, and this was where we were directing capital during the height of the pandemic a year ago. These positions are held alongside some more value-oriented UK and global recovery funds which would likely be better suited to a more inflationary market environment, and this is where we have been allocating more capital since September of last year when it became clearer that the global economy was on a path to recovery.

Fixed Income

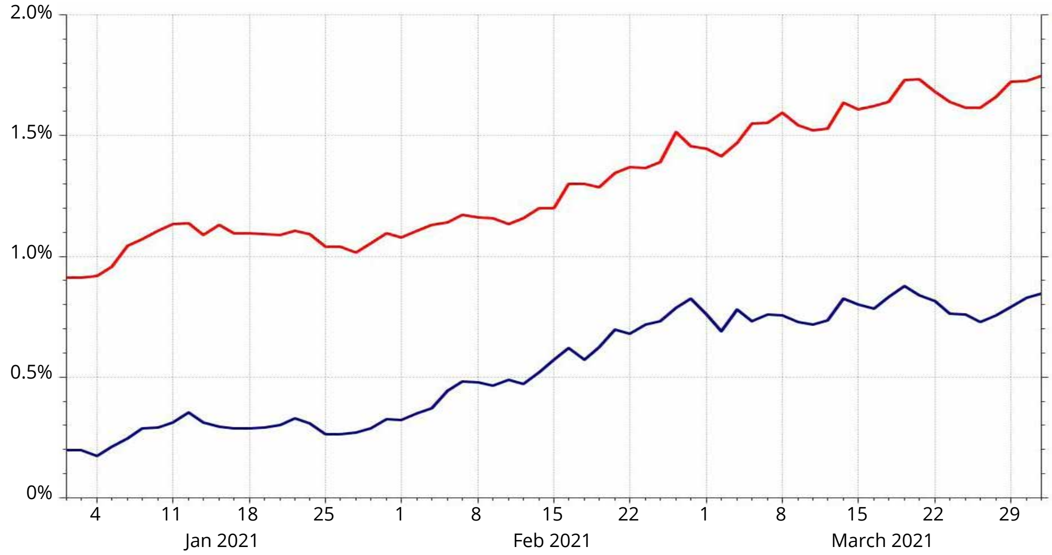
Whilst we have increased exposure to fixed income over recent years, most recently in March of last year when we were able to buy corporate bonds at attractive yields during the market sell-off, our positioning in this area has remained heavily tilted towards shorter-dated bonds that are less exposed to rising yields across the bond market.

The reason for this positioning has been the poor risk-reward proposition in long-dated government bonds, particularly within the UK and continental Europe where yields on longer maturity bonds entered this year with yields at around, or in some cases below, zero. This was well demonstrated by the 10 year maturity Gilt starting the year with a yield of only 0.2%, which provided no yield cushion should the outlook for the economy improve, or there be any move up in inflation expectations.

We reinforced this positioning in mid-January by selling down exposure to US Treasuries, which had previously been added to the portfolios last summer as a defensive position. However, following the agreement of the Brexit deal in late December and the Democratic party's victory in the US Senate election in early January, we believed that the need for the holding had reduced sufficiently.

This shorter-dated positioning proved to be particularly beneficial over this quarter, as the market's realisation that the rebound in the global economy would be stronger than it had been pricing in drove government bond yields higher across all major countries. This was particularly the case in the US Treasury market, where the aforementioned election result and the Biden administration's $1.9trn stimulus package, which was signed into law in late January, bolstered the market's conviction in the US economic recovery.

Gilt and Treasury yields rose significantly over the quarter



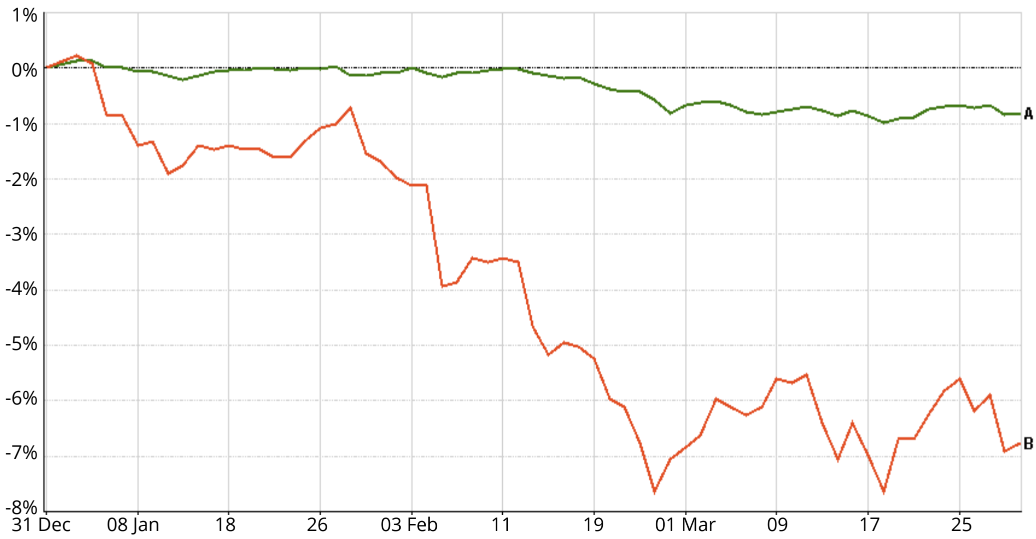
31/12/2020 - 31/03/2021

UK 10 Year Gilt Yield

US 10 Year Gilt Yield

Source: Refinitiv Datastream

Amidst rising government bond yields, our shorter-dated positioning helped our bond allocation mitigate losses



A - Risk Strategy 3 - Fixed Interest Allocation 15/03/2021 TR in GB (-0.8%)
B - L&G - All Stocks Gilt Index Trust Inc TR in GB (-6.77%)

31/12/2020 - 31/03/2021
Data from FE fundinfo 2021

Looking ahead, whilst we don't expect US Treasury yields to return to their pre-Global Financial Crisis levels, we wouldn't be surprised to see yields push moderately higher – with the 10 year Treasury yield approaching 2% - which we believe would better reflect the change in US fiscal policy towards a more profligate, redistributive stance. As yields in the bond market move higher, the risk-reward trade-off of owning high quality longer dated bonds becomes more attractive, and we will remain agile should we see opportunities to top up exposure at more attractive yields.

Within the corporate bond market, the combination of the stabilisation of the global economy and Central Bank bond buying programmes has driven credit spreads back to tighter levels than pre-COVID. Against this backdrop, we have reduced exposure to lower quality High Yield bonds that are now looking expensive when compared to the opportunities available within the equity market, even once the greater risk inherent in investing in the latter is taken into account. In contrast, we have increased exposure to diversified Strategic Bond funds, the managers of which have the ability to selectively allocate to higher risk High Yield and Emerging Market bonds, with these holdings allied with more defensive government and investment grade bond exposure.

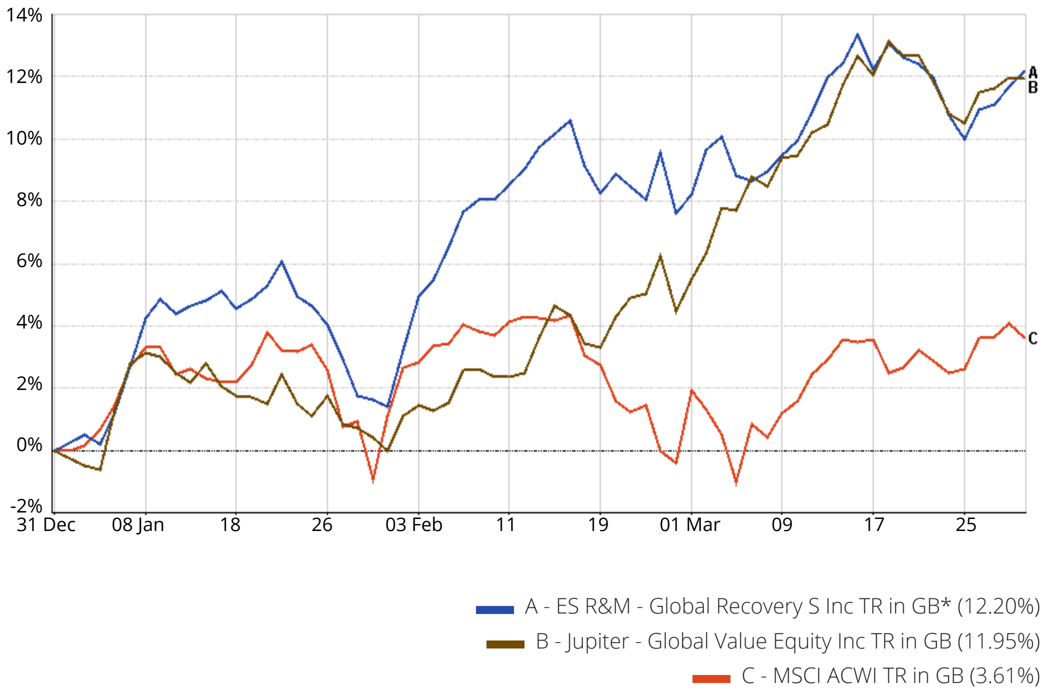
Equities

We continue to hold an overweight position in equities relative to our strategic benchmarks, with the likely improvement in corporate earnings over the next two years – and still undemanding valuations in most areas of the market – more than compensating for the risk that rising bond yields will push down valuation multiples. From a style perspective, we continue to tilt portfolios towards high quality cyclical stocks that are set to benefit from an improvement in profitability amidst the recovery in the global economy, whilst retaining an emphasis on balance sheet strength in order to mitigate the risk of COVID flare-ups delaying the re-opening of the world's major economies.

As outlined in this space in January, unlike many of our peers we have minimal exposure to the loss-making technology businesses that saw such expansive share price gains over 2020 and valuations had become increasingly hard to justify. This served to benefit our performance over February and March, as we saw a sharp pull-back in many of these stocks as some of the speculative fervour associated with these businesses moderated somewhat. Whilst the proponents of these stocks imply that they will certainly be the beneficiary of further technological change, we note that competition in many of these industries (such as electric vehicles and online payments) is ramping up significantly, which would normally be expected to put downward pressure on the profit margins of the companies operating in these industries over time. In contrast, one outcome of the COVID lockdowns may end up being efficiency gains, and subsequently higher profit margins, for some "old economy" businesses that have been forced to embrace greater use of technology and have been able to pare down the size of their workforce & office space.

As we have outlined in this space previously, we continue to believe that the composition of the UK market makes it well positioned for a global recovery, with financials, industrials and commodity producers historically doing particularly well during periods of global reflation. Where we have been adding exposure to is smaller companies, where our favoured managers are able to find well-managed companies with good growth prospects trading on reasonable valuations. We believe investor capital will continue to move down into this area of the market over coming months as investors become increasingly comfortable with the economic outlook and seek the growth opportunities which are available further down the market cap spectrum.

Although we have trimmed exposure to the US index over the last six months in favour of areas where we believed had greater upside, it is notable that our favoured global recovery managers selectively pick US stocks which they believe are undervalued relative to their future prospects, and this helped bolster portfolio performance over the quarter. Two such businesses are the retailer Ralph Lauren and bank Citigroup have been strong contributors for the Jupiter Global Value and R&M Global Recovery funds respectively. Both businesses possess strong market positions within their respective industries, and until recently had traded on very low valuations relative to their normalised level of profits.



31/12/2020 - 31/03/2021
Data from FE fundinfo 2021

* The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

We have had a lighter positioning in continental European equities than many of our peers for some time, in large-part because the region had less attractive valuations than the UK market, and lower profit growth than the US's S&P 500 index. However, we have been monitoring the opportunity within the region closely, particularly now that renewed shutdowns across much of continental Europe have stifled the rotation in the equity markets in the region for the time being. In particular, we have been actively assessing a manager that we believe is well positioned to outperform given its bias towards under-appreciated companies, with good growth prospects.

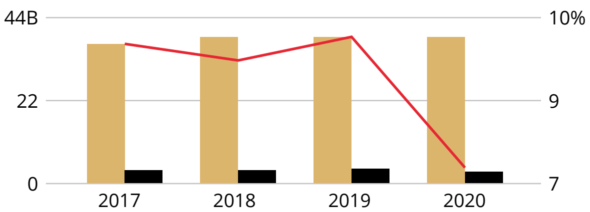
Within Asia and Emerging Markets, we have been allying our longstanding holding in a technology-heavy Asian equity fund with a more value-oriented strategy – M&G Global Emerging Markets - that has sizeable exposure to less well-covered companies, trading on lower valuations, which operate across a broader spread of Emerging Markets. The fund held up particularly well during the brief, but still significant, sell-off in Chinese technology stocks over March, and we believe it is positioned to benefit as investor capital seeks more attractively valued opportunities within Emerging Markets amidst a global economic recovery.

Across our higher risk strategies, where the larger equity allocation allows us to allocate to a number of satellite – often higher beta – strategies and in December and January respectively we allocated to a Japan value strategy and global mining fund, Polar Japan Value and Blackrock World Mining, where we believe the fundamental outlook is very strong.

Heading into 2021, the valuation disparity within the Japanese stock market was even greater than in the US, with a select group of "growth companies" led by the Nikkei heavyweights such as the owner of fashion brand Uniqlo, Fast Retailing, trading on higher valuation multiples than that of the US FAANGs. In contrast, many unheralded "value" stocks traded on barely more than the value of the cash on their balance sheets, despite many of these businesses improving their corporate governance by starting to pay dividends and unwinding cross-shareholdings in other firms. It is within this latter group of companies that the Polar fund invests, and it was pleasing to see the fund beat the market comfortably over the quarter as money started to rotate back into these "dull but worthy" businesses. The fund's top holding, Daiwa Industries, highlights the still strong return opportunity within the Japanese market, with the company – which supply refrigeration units, maintenance and repairs to restaurants across Japan – trading at only slightly above the value of its net cash position. This lowly valuation is in spite of Daiwa having generated steady profits, and grown its dividend payout, in years prior to the pandemic, and having remained profitable over 2020 despite the challenging operating environment.

Many profitable companies in Japan, such as Daiwa Industries, trade on very low valuations

Annual Income Statement



2020 Revenue 39,817.84 (JPY millions)

2020 Net Income 3,134.13 (JPY millions)

2020 Profit Margin 7.87%

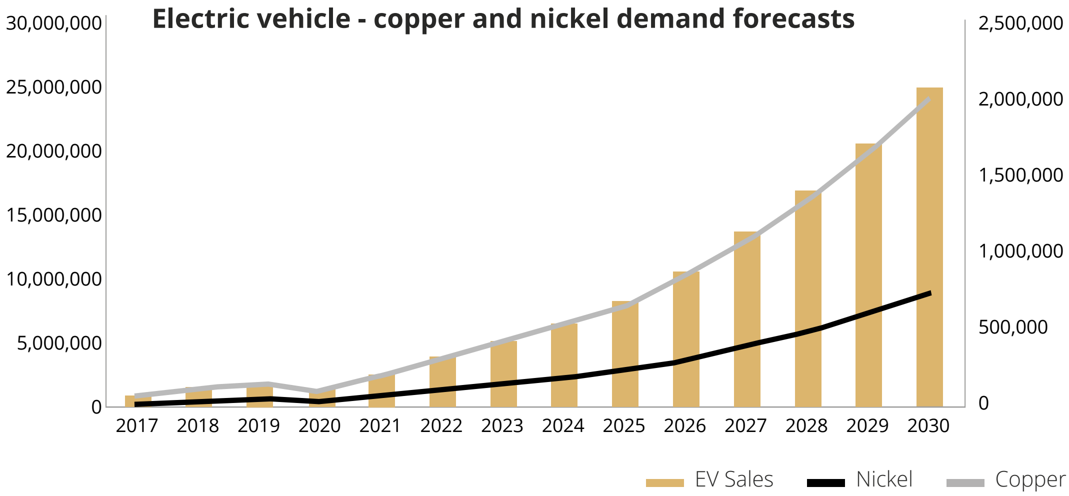
	JPY (m)
Market Cap	55,855
Cash & Equivalents	52,467
Short Term Investments	1,492
Total Debt	-
Enterprise Value	1,895

As at 31/12/2020

Sources: Bloomberg and Thomson Reuters Eikon

Having endured a challenging decade, we believe that the mining sector is starting to benefit from a confluence of strong secular demand growth, and supply side constraints, which will benefit the incumbent market leaders within the sector over coming years. With the Democratic party gaining control of the US legislative agenda, it is clear that the move towards electric vehicles and cleaner energy sources will pick-up pace, with this transition driving strong growth in demand for industrial metals, such as copper, which are integral inputs in building wind farms and electric cars. From a supply side perspective, the largest mining companies have been focusing on cash flow generation and profitability at the expense of commissioning new mining projects, and we believe the lack of capital expenditure over recent years will constrain the supply of industrial metals even in the face of growing demand.

Copper demand is set to grow strongly over the coming decade as the world moves to electric vehicles



Source: JP Morgan Asset Management, Bloomberg

Commodities

Gold had a weaker quarter, as rising government bond yields and generally risk-on atmosphere within markets reduced demand for the precious metal. We continue to like holding gold as a diversifying asset within portfolios, with its historically strong performance during inflationary regimes particularly noticeable when compared to long-dated government bonds which would likely struggle in such an environment.

Property

Across our higher risk strategies that are best positioned to tolerate the associated volatility, we recently added a holding in the BMO Commercial Property Trust (BCPT). The trust provides a concentrated exposure to high quality commercial property through a closed-ended REIT structure and we believe that it owns properties with enduring value, particularly in London where they own an office block in Mayfair, and mixed-use assets close to Oxford Street. Despite these characteristics, the trust trades on a c.40% discount to net asset value and offers a prospective dividend yield of c.6%, with this valuation more than making up for the COVID-related uncertainties some of its assets face.

Closing thoughts

It was pleasing to see the proactive moves we have made to our managed portfolios serve to benefit performance over the quarter, and we continue to seek overlooked opportunities where the fundamentals are improving, and valuations remain reasonable.

Market Commentary – Q1 2021

Alexander George, CFA
Associate Director of Research

UK

Still under the cloud of lockdown restrictions, the dominant services sector remained in contraction over the quarter according to survey data, with particular weakness within travel and leisure which remained closed over the period. In contrast, the manufacturing sector – bolstered by strong demand for goods as households redirected money which they would have spent on leisure activities – has experienced very strong growth with new orders for the sector recently hitting a three year high.

Inflationary pressures remained benign over the period, with the latest year-on-year Consumer Price Index (CPI) figures showing prices increased by only 0.4% in the 12 months to the end of February. However, there will certainly be a rise in the headline inflation rate starting in April and, likely through much of the rest of the year, as the year-on-year increase in the oil price – which fell to its low last April – will push the figures up, as will price rises within the leisure industry when it is able to re-open later this month. In the budget, the Chancellor, Rishi Sunak, outlined plans to increase the corporate tax rate to 25%, from its current level of 19%, from 2023. This move will bring the UK closer into line with its major peers, but we do not believe it will be sufficient to deter firms from incorporating in the UK.

Having started January with spiking cases, the COVID data for the UK continued to show improvements over the quarter with new cases and hospitalisations falling week by week, now sitting at almost 90% below their peak level of mid-January. The vaccine roll-out in the UK has been a significant success, with around half of the population having now received at least one shot, and aided by the continued decline in hospitalisations we expect the re-opening of the economy to go as planned, with the next stage being the re-opening of non-essential retail on the 12th April.

Over the quarter, Gilt yields rose significantly, as the prospect of the re-opening of the domestic and global economy, along with the Bank of England's indications that they won't pursue negative interest rate policy, helped push yields higher. Unlike most other major currencies, the Pound held its own against the US Dollar over the quarter, ending the period slightly higher at c. $1.37, whilst it made strong gains against the Euro to close 4% stronger at c. €1.17. MSCI UK All-Cap gained 4.6% in capital return terms over the quarter.

US

Early January saw the Senate election run-off in the southern state of Georgia which effectively decided the control of the Senate, with the Democratic party eventually winning both tightly fought races aided by a strong turnout from younger voters. With his newly gained control of both legislative arms of the US government, President Biden moved swiftly to push through more of his policy agenda, starting with a far larger fiscal stimulus package than most investors had expected, with the final bill which was signed into law in late January, totalling $1.9trn in payments to households. This was followed at the end of March by a proposed $2trn infrastructure bill, with the spending split over 8 years, which Biden is proposing should be paid for by an increase in the corporate tax rate from its current level of 21% up to 28%.

In contrast to the situation in Europe, the US economy had a strong start to the year, with the services sector growing reasonably strongly according to survey data released over the quarter, likely bolstered by the government's stimulus policies, and the looser lockdown restrictions that have been in place in Europe. Despite the stronger than expected economic data, the Chairman of the Federal Reserve, Jerome Powell, continues to insist that they will not raise interest rates until 2023 at the earliest, whilst maintaining their asset purchase programme for the foreseeable future, as they look to support the nascent economic recovery.

It is clear that under the Biden Presidency, the policy emphasis of the US administration is focused on pursuing full employment and supporting wage growth amongst lower paid workers, whilst any concern over inflation – following a decade of weak headline price inflation – is firmly on the backburner. The selection of Janet Yellen as Treasury Secretary further re-iterates this shift in stance, and we believe that – whilst the deflationary forces effecting the economy remain in place - the likelihood of a period of above average inflation is increasingly likely as surging demand is met with reduced supply.

Against the backdrop of an improving economy, and stimulative government and Federal Reserve policy, Treasury yields rose significantly over the quarter, with the yield on the 10 year Treasury rising from 0.9% to 1.7% over the quarter. The S&P 500 index gained 5.8% in US Dollar terms, with the financials sector – which broadly benefits from rising bond yields – outperforming less economically sensitive sectors such as technology and healthcare.

Europe

Continental Europe has struggled with its vaccination programme, continuing to lag to the UK and US rollout and now grappling with rising COVID infections and hospitalisation rates during March which has forced France and Germany into new lockdowns. The Eurozone manufacturing sector remains the bright spot across the currency bloc, as buoyant demand for consumer and industrial goods contrasted sharply with the lock-down induced weakness across the services sector. The European Central Bank (ECB) continue to carry out their Quantitative Easing programme, and stated their intention to step up their bond purchases should government bond yields across the currency bloc continue to increase at pace, and this served to put downward pressure on the Euro over the quarter. MSCI Europe ex-UK gained 7.9% in local currency terms, although in sterling terms this return was lower owing to the weakness of the Euro.

China

Economic data emanating from China remained strong through much of the quarter, with comparably buoyant household spending and continued strength in the manufacturing sector. In contrast to most other economies, the Chinese Central Bank have been pulling back on monetary stimulus over recent months as they attempt to quell some of the speculative activities within the economy and stock market. When combined with the government's interference with Alibaba's listing of their subsidiary Ant Financial, these more cautious policy actions have been blamed for the weakness across Chinese technology stocks over the second half of the quarter. Since the inauguration of President Joe Biden, tensions between the US and China haven't moderated to quite the degree some had hoped, with Biden confronting the Chinese President Xi on China's human rights practices in their first official phone call. MSCI China H ended the quarter up 5% in local currency terms.

Commodities

The oil price (as measured by Brent Crude) increased from $51 to $63 over the quarter, as hopes over the re-opening of the global economy overwhelmed concerns over the current over-supply across the oil market. The gold price declined 10% in US Dollar terms to end the quarter at $1700, as reduced safe haven demand pushed down the price of the precious metal.

Fund Spotlight R&M Global Recovery

Launch Date:	04/03/2013
Fund Size:	£350 million
Asset Class:	Global Equity
Manager:	Hugh Sergeant

Hugh Sergeant

The R&M Global Recovery fund was added to our managed portfolios over recent months. The rationale for this move, as indicated by the name of the fund, was to better position portfolios in anticipation of a global economic recovery.

The R&M fund, which is managed by experienced manager Hugh Sergeant, provides an actively managed, value-biased exposure to global equities through an experienced fund management team with a strong long-term track record. The team focus on company fundamentals looking to invest in areas where they see the greatest operational potential relative to valuation through their so-called PVT (Potential, Valuation and Timing) framework.

The first step 'Potential' looks to find companies that have above average growing profits in the medium term. This process begins with their quantitative screening system, which allows the team to screen thousands of stocks, assessing their potential within 4 areas; Growth, Quality, Recovery and Asset-Backing. The screen looks through the stock universe looking to identify companies that are attractively positioned using various indicators. The growth element of the screen will focus on indicators such as earnings growth and consistent sales.

The screening process then looks at 'Valuation', taking into account a number of financial ratios. Being a global recovery fund, the team predominantly look for those stocks which are lowly valued to provide a source of return, however possess elements of quality to realise such return potential.

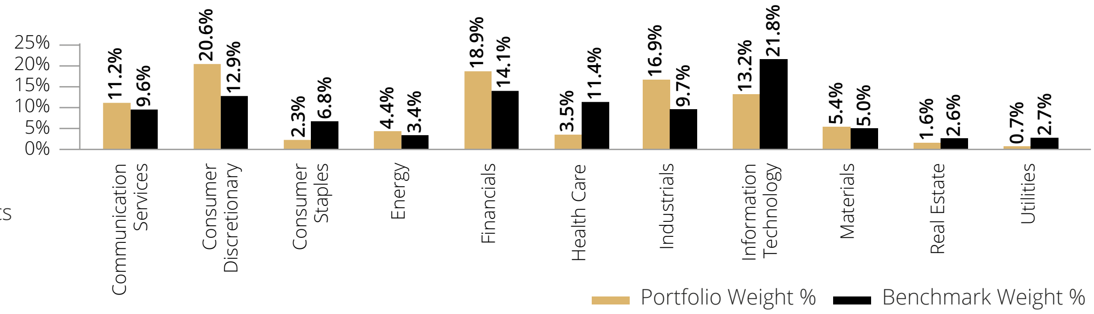
The team also acknowledge the importance of 'Timing' their investments in their final step of the process, and look for catalysts for improvement such as company self-help. Notably, the fund differentiates itself from the wider global value space through taking a more pragmatic approach to investing and greater diversification, with holdings typically under 1% in weight and therefore carry less idiosyncratic risk.

Their process is perhaps best showcased by the team's addition of Amazon to the portfolio in March 2020. The team identified a very high quality company with great potential, trading at a reasonable valuation at a time when the company was likely going to benefit from the ongoing pandemic. The pragmatic approach taken by the team meant they were happy investing in a name that on an absolute basis may have appeared expensively valued relative to the market, however once its growth trajectory was accounted for was extremely cheap.

More latterly, the team have been adding to more cyclical areas with a notably overweight in Industrials, Financials and Consumer Discretionary; three areas that are more exposed to the real economy and likely to benefit should we continue to see the economy improve. This can be seen in the chart overleaf with relative underweight positions in Healthcare and Consumer Staples, two areas the team do not see as many opportunities given the generally higher valuations within these sectors.

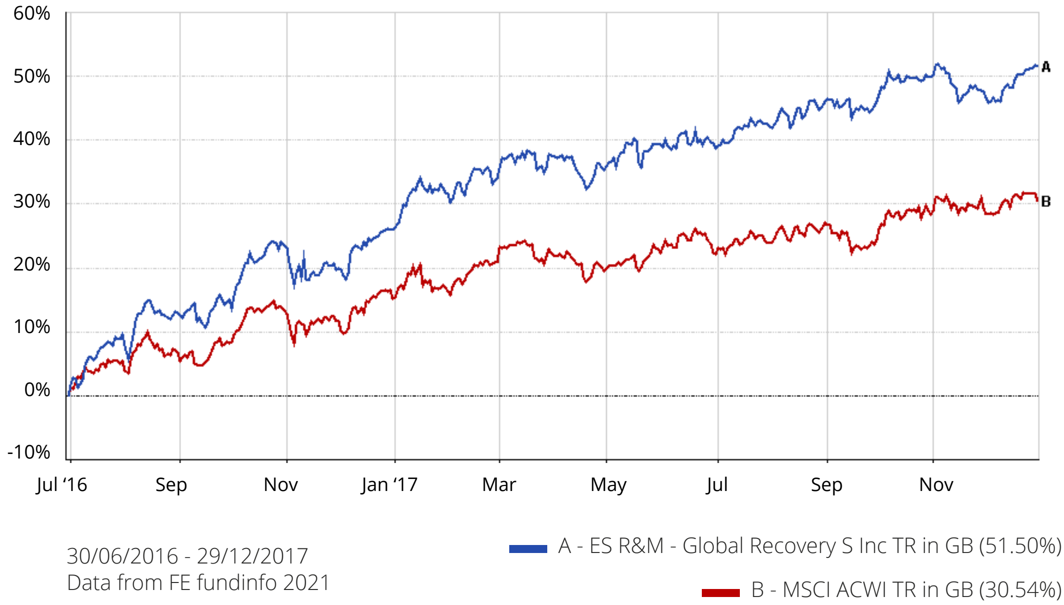
Sector weights

As at 28 February 2021
Source: FactSet Analytics



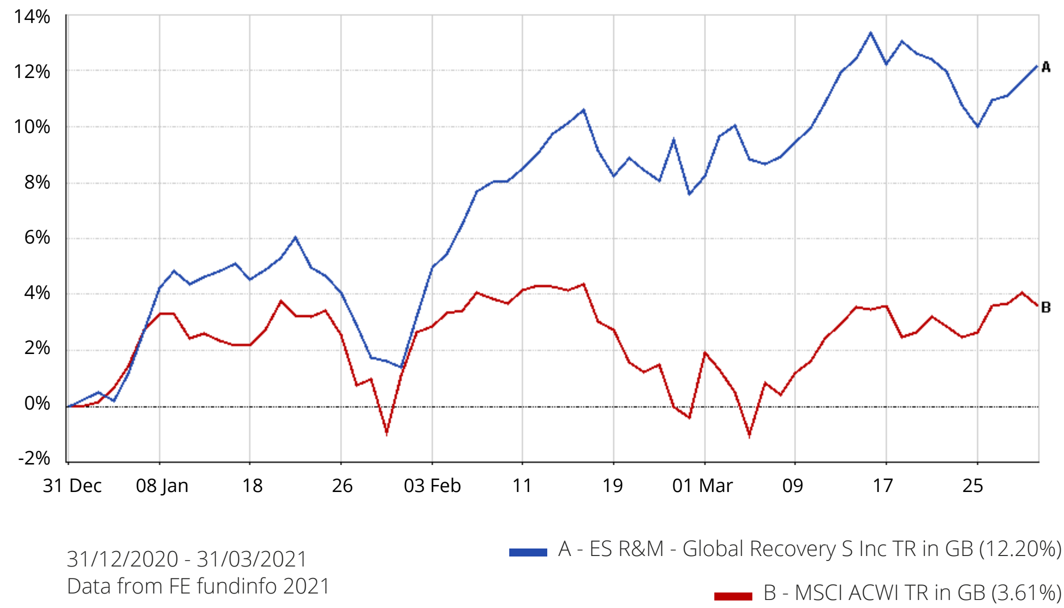
Notably, the team's style of investing has traditionally outperformed in periods when sentiment towards the global economy is improving. In periods such as 2016/17, we saw the fund notably outperform its benchmark as shown below where sentiment towards the economy was improving.

Strong Relative performance over periods of improving economic sentiment



Whilst it is certainly early days and the lasting impact of the COVID pandemic are unclear, it is pleasing to see the R&M Global Recovery fund performed well through the first quarter of the year as market participants have become more optimistic towards the global economy, as shown below.

Performance in line with expectations over Q1



Dart Capital Investment Process and Costs and Charges Statement 2020

We are pleased to include two important documents in your online portal. Firstly we have updated our Investment Process. In addition we will shortly be making your costs and charges statement for the year ended 31 December 2020 available. Your statement will appear under the documents tab. If you have any trouble logging in, please contact your usual portfolio manager.

We have prepared a guide to help you understand how costs and charges are represented in your statement.

Should you have any queries or if you would like to go through the costs and charges in more detail, please do not hesitate to contact to us.

This guide aims to help you understand the information set out in your Costs and Charges Statement. The statement includes details of management fees, custody fees, transaction charges (Service charges) and costs deducted from the investments in your portfolio by product providers (Investment product costs).

The front page of your statement shows:

- client and portfolio name
- report name and reporting period

All subsequent pages show:

- client and portfolio name and reporting period at the top of the page
- portfolio reference and information provider at the bottom of the page

'Total costs and charges summary' page shows:

1. **'Total costs and charges'** – includes total cost and charges deducted from your portfolio by charge type in value and %

   Service charges - includes Dart's annual Management fee (including VAT) and A J Bell's annual Custody fee

   Investment product costs – includes costs deducted by product providers from the investments in your portfolio

2. **'Cumulative effect of charges on returns'** – these percentages are based on the return for the period and show the impact of costs and charges on your return

3. **'Charge type'** – includes a more detailed breakdown of each charge in value and %. For further details as to the type of service charge or investment product cost please refer to the **'Table of definitions'** page of your statement

4. **'Table of definitions'** page shows the charge types and a detailed breakdown of the types of service charges and investment product costs.

[Client and Portfolio Name] - 1 January 2020 to 31 December 2020

DART CAPITAL

Total costs and charges summary

This statement confirms the actual costs and charges incurred within your portfolio for the period shown. If you opened your account or introduced or removed assets during the period, the charges shown will relate only to the time they were held in your portfolio.

The 'Service charges' sections show fees charged for investment management and, where applicable, financial advice. They also include charges payable to AJ Bell Securities Limited for custody and any dealing related costs.

The 'Investment product costs' sections show costs charged and deducted by the investment product providers from within the underlying investments held in your portfolio.

Note:
All Service charges are taken from the cash held within your portfolio or nominated account.
All Investment product costs are deducted directly from your investment by the provider.

1

Total costs and charges 1.		
Charge type	**£ value**	**Percentage**
Service charges		
Investment product costs		
Total		

2

Cumulative effect of charges on returns 2.	
Return before the deduction of charges	
Return after the deduction of charges	
Effect of charges on return	

The cumulative effect of charges is based on your actual total return in the period. Future investment performance is not guaranteed and the value of your investments can go down as well as up. The table below shows a detailed breakdown of costs and charges incurred across the different categories:

3

Charge type 3.	Service charges		Investment product costs		Total costs and charges	
	£ value	**Percentage**	**£ value**	**Percentage**	**£ value**	**Percentage**
One-off charges						
Ongoing charges						
Transaction charges						
Incidental costs						
Total						

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[Client and Portfolio Name] - 1 January 2020 to 31 December 2020

DART CAPITAL

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Table of definitions

Charge type	Service charges	Investment product costs
One-off charges	Initial adviser fee	Initial or entry charge
Ongoing charges	Investment management fees, advice fees and custody charges	Ongoing Fund Charge – the annual costs charged by the investment product provider for managing and operating the investment
Transaction charges	Dealing charge, Stamp Duty and other Government taxes, PTM levy, exchange fees, FX charges on transactions, dividends and corporate action events	The costs of buying and selling the underlying investments over the year and any dilution levy applied to a purchase or sale made within your portfolio
Incidental costs	Payment fees	Other charges made by the investment product provider, including performance fees

Notes

Other administration charges may apply to your accounts that are not included here, for example SIPP administration charges. For full details of SIPP administration charges, please refer to the AJ Bell Investcentre website or your current SIPP provider.

We've made every effort to include all charges in this statement. Please note there may be some gaps where we weren't able to obtain the relevant charging information from the investment product provider. If this applies to a part of your statement, you'll see a dash ("-") rather than a number. Any value in your statement that is zero ("0") means no charge was applied.

Investment product costs have been provided to us by third parties and may not be accurate. Where the investment product provider has not supplied post-sale costs, we have used the pre-sale equivalent where this is available to us.

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Example report

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