

# TILLIT Annual Performance Report 2023

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## Executive Summary

We are pleased to present our inaugural TILLIT Annual Performance Report for 2023. The purpose of the report is to transparently and thoroughly assess the performance of the TILLIT Universe and to what extent our fund selection process adds value for customers.

In the context of a market where the vast majority of actively managed funds underperform their benchmark after fees, our primary focus in the report is on the active funds in the TILLIT Universe. We analyse performance over multiple long-term periods and assess relative performance after fees against both benchmarks and peer groups.

The report also includes long-term performance in absolute terms, translated into pounds, for all active and passive funds in the TILLIT Universe. This enabled customers to review the impact of investment returns compared with alternative ways to store their savings, such as property or cash.

**The TILLIT Annual Performance Report 2023 reveals a positive result with the majority of active funds in the TILLIT Universe their benchmarks and/or peer groups over the long-term.**

The report also digs deeper into the individual funds that have underperformed and explores the drivers of underperformance in more detail. As a result of this analysis, a handful of funds have been selected for a full review by the Investment Committee with the possibility of exclusion from the TILLIT Universe.

As a curated platform of active and passive funds where our customers trust us to offer best-in-class investment options across asset classes, regions and styles, it is crucial that we hold ourselves accountable. The TILLIT Annual Performance Report 2023 plays a key part in this and the transparency of the findings is equally important. We hope that the results of the report will empower investors to make better, more informed investment decisions and ultimately, build trust with our customers.

*Please note that the scope of this report is limited to funds that were part of the TILLIT Universe as at June 2023.*

*This report offers information about investing and saving, but not personal advice. Past performance is no guarantee of future results. Capital at risk if you invest. The value of investments can go up and down, so you could get back less than you put in. If you're not sure which investments are right for you, please seek advice from a qualified financial adviser.*

## Introduction

Active management refers to the investment strategy where fund managers actively pick investments with the goal of outperforming the market. However, research has shown that the majority of active funds persistently underperform their benchmarks after fees. But there are a small number of actively managed funds that do succeed and as a result are able to generate higher long-term returns to investors. As an investor in active funds, the challenge lies in identifying those funds.

One of the key reasons often cited for this underperformance is the higher fees that typically come with active management. The fees are supposed to cover research, staff, regulatory and operational costs, just to name a few. The fees are crucial for the asset manager to survive. However, the challenge is that the higher the fee, the harder it is for that fund manager to outperform the benchmark after the fees have been taken out. And, whilst no funds are expected to outperform in a consistent pattern, long-term underperformance will ultimately put the asset manager out of business (or at least the fund manager out of a job), or be simply outcompeted by passive investment alternatives.

The other is index hugging. Due to the pressures on fund managers to outperform, or at least not underperform more than their competitors, it's very common for actively managed funds to have a high degree of overlap with the benchmarks they are trying to outperform (also referred to as low active share<sup>1</sup>). There is psychological comfort in not standing out, in not going against the crowd, and then looking silly if they get it wrong. The problem with that is that it becomes even harder to outperform when they own the same assets as the vehicle they are trying to beat, especially as they also have to cover their fee before anything counts toward outperformance, and ultimately a return for the investor.

It therefore comes as no surprise that passive management, such as index funds and exchange-traded funds (ETFs), has exploded in popularity (and range) over the last decade. These passive investment vehicles aim to replicate an index or a predetermined basket of assets and therefore remove the risk of picking specific investments. Because there is no research or selection process involved, these vehicles can charge very low fees to cover basic admin costs. It's a neat option for an investor who just wants 'stock market performance' without paying too much or taking any human error risk. Just watch out for the ones that charge active fees for passive performance.

The bottom line is that the purpose of investing is to make a return on your money. Therefore, identifying the most effective way to do that is key.

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<sup>1</sup> A measure showing the difference between a fund's holdings and position sizing compared to the benchmark it is aiming to outperform. As a general rule of thumb, it is believed that an active fund should have a long-term average active share of 70% or higher, to be considered genuinely active and not just copying the benchmark.

At TILLIT, we believe that there is a place for both active and passive funds in an investor's portfolio. We also believe that only a small number of funds in the market (active and passive) are able to deliver healthy long-term returns after fees. This is why our Fund Selection team and Investment Committee roams the market to find what we believe to be the best-in-class active and passive funds across asset classes, regions and styles for long-term investors. We have a unique approach and a robust process in place to identify these funds, but it's equally important that we monitor and assess all funds on the platform on an ongoing basis to ensure that they still warrant inclusion in the TILLIT Universe. For this, performance data is key.

Performance is assessed on absolute return figures or relative performance to benchmarks, often well-known indices. For the purposes of this performance report, we have analysed medium and long-term fund performance against their individual specified benchmarks and we have also compared performance to peer groups.

Any fund that falls short on a 10-year period (either compared to its benchmark or peer group) is analysed in more depth, including contributing factors to the underperformance. Following this review, some funds have been identified as candidates for a formal review by our Investment Committee, with the possibility of exclusion from the TILLIT Universe.

The primary purpose of this performance review is to empower investors to make good, long-term investment decisions. Quantitative analysis requires qualitative context so that investors can base their investment decisions on fundamentals, rather than surface-level, short-term performance numbers.

Secondly, the transparency of the analysis is key to holding us and our Investment Committee accountable to our customers. We strive to offer a Universe of best-in-class funds and whilst we cannot guarantee future returns, we can commit to holding the funds in the TILLIT Universe to the highest standard, worthy of our customers' time and money.

## Industry Research & Benchmarks

There are a number of well-known performance studies out there which are often quoted in the passive/active investing debate. Before we disclose the findings of our own research, we think it's appropriate to discuss some of these studies and their findings. On the whole, most performance research shows that active funds in aggregate underperform their benchmarks after fees.

In 2022, SPIVA<sup>2</sup> released a report that showed that 79% of active funds underperformed the S&P 500 in the previous year. In another, it claimed that *'actively managed U.K. Equity and U.K Large-/Mid-Cap Equity funds recorded underperformance rates of 92% and 97%, respectively in 2022 and 67% of actively managed U.K. Small-Cap Equity funds underperformed the S&P United Kingdom SmallCap.'* It is worth noting that both of these reports focus on a short-term period of 12 months. In addition, it compares the funds to their own S&P indices, rather than the benchmarks that have been specified by the funds and which represent their performance targets. This is a one-size-fits-all approach, potentially overlooking the nuances and individual strategies of different fund managers.

A separate study by the Visual Capitalist based on data from S&P Global<sup>3</sup> shows that over a 20-year period (up to December 2022), 95% of large-cap actively managed funds underperformed their benchmark. The study is primarily focused on different styles of equity funds across a variety of market capitalisations and time horizons.

Whilst we agree with the general conclusions of these studies, namely that most active funds fail to outperform their benchmarks after fees, it is important to note that these studies and research papers are often carried out in the US or are based on US or global data. As a result, the findings are somewhat less applicable for funds available to UK retail investors as the relevant benchmark data required is not easily available.

In this performance report we have analysed fund performance based on long-term performance periods (up to 20 years) as we believe that performance data for periods shorter than five years is more likely to be influenced by short-term volatility and the economic environment, rather than the underlying investment philosophy, process and the skill of the fund manager (or lack thereof). We have based the analysis on performance against benchmarks and peer groups that are representative for the characteristics and targets of the funds in the TILLIT Universe.

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<sup>2</sup> <https://www.spglobal.com/spdji/en/research-insights/spiva/>

<sup>3</sup> <https://advisor.visualcapitalist.com/success-rate-of-actively-managed-funds/#:~:text=Over%20a%2020%2Dyear%20period,funds%20have%20underperformed%20their%20benchmark.>

## Benchmarks

A benchmark is a standard against which the fund's performance can be measured. It represents a specific market index or a group of securities with similar characteristics. By comparing a fund's returns to that of its benchmark, investors can gauge how well the fund has performed relative to a broader market or a specific investment strategy. This relative performance analysis helps whether returns are due to skilful management or simply reflecting general stock market dynamics. In most performance studies, general indices are used as the benchmark to measure a vast variety of funds against, regardless of whether that index is a relevant comparison for the funds.

For the purposes of this report, we have measured fund performance against the funds' specified benchmarks, rather than generic indices. We believe that the benchmark that has been chosen for a specific fund provides a better indication of what the investor should expect over the long term as it is meant to be the most representative comparison given the characteristics and objectives of the fund, including risk and return targets. The benchmark is also used to measure the appropriateness of any fund performance fees, if applicable.

Performance relative to peer groups provides an added layer of context. This context is key as asset classes and investment styles will perform differently across cycles, influenced by the broader economic environment. By evaluating returns against peer groups of other funds with similar characteristics and objectives, investors can better understand how well a particular fund or manager is doing within the context of what it is trying to achieve. It's a case of comparing apples with apples, not oranges. For example, if Value as an investment style is out of favour, all Value managers are likely to be underperforming their benchmark (which may or may not be the same). Thus, in order to tell the quality of a Value fund, comparing it against other Value funds investing in the same type of assets peers is key.

In some instances a fund manager might choose the peer group as the preferred benchmark of the fund.

It should be noted that peer groups<sup>4</sup> can be very broad, which can sometimes undermine their relevance. As an example, the Investment Association (IA) Specialist sector includes equity funds investing in India, Germany, Africa, financials, biotech, or gold, as well as a convertible bond fund, a real assets fund and an environmental fund. These broad peer group definitions can therefore skew the overall peer group performance to a particular region, asset class or sector. We have taken this into consideration in our analysis and provide comments for additional context where appropriate.

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<sup>4</sup> Peer groups are based on Investment Association (IA), Association of Investment Companies (AIC) or similar agency sectors which the funds are part of. The Investment Association (IA) represents and provides investor data on open ended investment companies. The Association of Investment Companies (AIC) represents & provides investor data on closed-ended funds including investment trusts.

Where specified benchmark data is unavailable, peer group data has been used as a substitute. In this report, 14 funds have been measured against a substitute peer group.



## TILLIT Universe Performance

In this section, we present the findings of the performance analysis of the actively managed funds (79 open-ended funds and investment trusts) in the TILLIT Universe, in aggregate, as at the 30th of June 2023. We use Financial Express as our main source of performance data, in some instances we have collected active share and turnover<sup>5</sup> data directly from the asset manager. **All performance data is based on performance after fund fees.**

First, we reviewed the performance of all of the active funds in the TILLIT Universe relative to peer groups and benchmarks over the last 10 years, or since the current lead manager took over if a 10-year track record was not available<sup>6</sup>. When we refer to ‘lead manager’ in this report, we are referring to a current fund manager who has the longest official track-record of being a named decision maker on the fund, be that in the role as lead manager, co-manager, or other.

**This analysis shows that 73.4% of actively managed funds in the TILLIT Universe that have been managed by a current fund manager for the last 10 years (or less, if a 10-year record is not available) have outperformed their peer group, and 69.6% outperformed their benchmark.**

|   |              |
|---|--------------|
| Number of active funds in the TILLIT Universe | 79           |
| Of which outperformed their <b>peer group</b> | <b>73.4%</b> |
| Of which outperformed their <b>benchmark</b>  | <b>69.6%</b> |

Next, we screened out any funds where the fund manager had not been managing the fund for at least five years because as discussed earlier in this report, performance data for shorter than five years can be heavily influenced by short-term dynamics.

**With this adjustment made, we are left with 64 active funds, of which 79.7% have outperformed their peer group for at least the last five years (and up to 10 years), and 71.9% have outperformed their benchmark over the same period.**

The fund manager and their expertise and experience is a key decision factor when selecting the fund for inclusion in the TILLIT Universe, in addition to the philosophy and process of the fund. 63% of the funds in the TILLIT Universe have been managed by the current manager since launch, but the others have been managed by different fund

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<sup>5</sup> A measure for assessing holding periods. This metric reflects the proportion of holdings that have been churned over the course of the past 12 months. Funds with a higher turnover rates tend to experience higher costs, reflecting the higher trading frequency.

<sup>6</sup> The analysis is based on the fund share class available in the TILLIT Universe, which may have a shorter performance history than other share classes of the fund.

managers in the past.

When we select funds, we evaluate the consistency of the investment philosophy and process over time, as fund managers can change but with good succession planning and conviction in the competitive edge of the fund, there is potential for continuity between managers. We therefore also looked at the performance of the funds over 5, 10 and 20 years, regardless of who was managing it during those periods.

**This analysis shows that 89.7% of active funds in the TILLIT Universe with a track-record of 20 years or more, beat their peer group and 92.6% beat their benchmark over the same period.**

**82.0% of active funds in the TILLIT Universe with a track-record of 10 years or more, beat their peer group and 74.0% beat their benchmark over the same period.**

**73.9% of active funds in the TILLIT Universe with a track-record of 5 years or more, beat their peer group and 65.2% beat their benchmark over the same period.**

| <b>Fund performance relative to peer group</b>                                    | <b>20 years</b> | <b>10 years</b> | <b>5 years</b> |
|---|-----------------|-----------------|----------------|
| Number of active funds in the TILLIT Universe managed by the current fund manager | 29              | 50              | 69             |
| Of which outperformed their peer group  | <b>89.7%</b>    | <b>82.0%</b>    | <b>73.9%</b>   |

| <b>Fund performance relative to benchmark</b>                                     | <b>20 years</b> | <b>10 years</b> | <b>5 years</b> |
|---|-----------------|-----------------|----------------|
| Number of active funds in the TILLIT Universe managed by the current fund manager | 27*             | 50              | 69             |
| Of which outperformed their benchmark   | <b>92.6%</b>    | <b>74.0%</b>    | <b>65.2%</b>   |

*\*Benchmark data unavailable for this time period for two of the 29 funds in the TILLIT Universe with a 20-year track record.*

It is pleasing to see that the majority of active funds in the TILLIT Universe have outperformed both their peer groups and their benchmarks over all time periods. Especially in the context of industry research and market data which suggest the opposite is true for actively managed funds. Whilst these results support our fund selection philosophy and process, there is a wealth of learnings in the underlying detail of the analysis, which we will apply to further enhance our processes and selection criteria. A lot of these learnings are to be found in the underperforming funds, which we dig deeper into in the next section.

But before we do, we think it's important to put these performance figures into context for an investor in monetary terms. We have applied a cash investment value of £1,000 to all funds in the TILLIT Universe (active and passive) and modelled out what that £1,000 would be worth today if it was invested over the last 20, 10, or 5 years (or since inception if the

fund has not been available for five years). This provides a tangible insight into the value that has been created by those funds over time. We have also displayed the annualised rate of return for each fund over the various periods to provide additional context.

We have also included some of the most well-known stock market indices for context of broad market performance and value creation over the same periods: MSCI World (global equities), S&P 500 (US equities), and COBE UK All Companies (UK equities).

Perhaps more interestingly, we have added UK Property Proxy to illustrate the value that has been created on average in the property market in the UK over the same time periods as well as Moneyfacts 90 Days Notice 10K as a proxy for how much £1,000 would have been worth if it was left in a bank account with a decent average interest rate. These provide valuable information and understanding of the opportunity cost of placing your savings in one place versus another, particularly over the long-term.

Results are sorted from long-term to short-term by high to low. For example, funds with 20-year track records will have their results ordered from high to low over 20 years. Funds with track records as at least 10 years, but not 20 years, will be ordered by their 10-year results, etc. Some funds are marked with an \*, which means that 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. All values are as at 30/06/2023. You can find individual tables for all time periods in the Appendix at the end of the report.

| Active/passive                             | Instrument name   | Value after 5 years | Value after 10 years | Value after 20 years | Launch date |
|--|---|---------------------|----------------------|----------------------|-------------|
| Active                                     | Scottish Mortgage Investment Trust                              | £1,410              | £4,418               | £17,449              | 1/1/1909    |
| Active                                     | AXA Framlington Global Technology                               | £1,961              | £5,597               | £15,087              | 20/6/2011   |
| Passive                                    | L&G Global Technology Index                                     | £2,428              | £6,656               | £13,118              | 26/8/2005   |
| Active                                     | European Opportunities Trust                                    | £997                | £2,045               | £12,332              | 20/11/2000  |
| Active                                     | Montanaro European Smaller Companies Trust                      | £1,547              | £3,083               | £11,624              | 13/5/1981   |
| Active                                     | Rathbone Global Opportunities                                   | £1,568              | £3,302               | £11,568              | 1/3/2012    |
| Active                                     | JPMorgan Emerging Markets Investment Trust                      | £1,315              | £2,139               | £11,081              | 16/7/1991   |
| Active                                     | The Biotech Growth Trust  | £993                | £1,923               | £10,932              | 23/6/1997   |
| Active                                     | Finsbury Growth & Income Trust                                  | £1,213              | £2,240               | £10,307              | 1/1/1926    |
| Active                                     | Pacific Assets Trust  | £1,421              | £2,508               | £9,723               | 29/1/1985   |
| Active                                     | AXA Framlington Biotech   | £1,328              | £2,726               | £8,606               | 16/4/2012   |
| Active                                     | Polar Capital Global Insurance                                  | £1,590              | £3,121               | £8,066               | 21/7/2009   |
| Active                                     | Worldwide Healthcare Trust                                      | £1,143              | £2,901               | £7,877               | 28/4/1995   |
| Active                                     | TR Property Investment Trust                                    | £825                | £1,913               | £7,735               | 29/2/1996   |
| <b>S&amp;P 500 TR in GB</b>                |   | <b>£1,766</b>       | <b>£3,665</b>        | <b>£7,627</b>        |             |
| Active                                     | Baillie Gifford Japan Trust                                     | £949                | £2,413               | £7,389               | 15/12/1981  |
| Active                                     | AVI Global Trust  | £1,395              | £2,367               | £7,255               | 01/07/1889  |
| Active                                     | Janus Henderson Global Sustainable Equity                       | £1,697              | £3,257               | £7,086               | 19/7/2012   |
| Active                                     | JPM Asia Growth   | £1,219              | £2,352               | £7,072               | 20/8/2012   |
| Passive                                    | L&G Global Health & Pharmaceuticals Index                       | £1,512              | £2,917               | £6,864               | 26/8/2005   |
| Active                                     | Fidelity European   | £1,520              | £2,559               | £6,777               | 13/11/2013  |
| Active                                     | Janus Henderson European Focus                                  | £1,472              | £2,489               | £6,590               | 1/8/2012    |
| <b>MSCI World TR in GB</b>                 |   | <b>£1,577</b>       | <b>£2,868</b>        | <b>£6,316</b>        |             |
| Active                                     | GLG Japan Core Alpha *  | £1,287              | £2,233               | £6,059               | 29/11/1999  |
| Active                                     | Aberforth Smaller Companies Trust                               | £1,074              | £1,863               | £5,829               | 10/12/1990  |
| Active                                     | Pantheon International  | £1,292              | £2,539               | £5,507               | 18/9/1987   |
| Passive                                    | HSBC FTSE 250 Index   | £1,030              | £1,631               | £5,409               | 3/9/2012    |
| Active                                     | Baillie Gifford Managed   | £1,266              | £2,065               | £5,280               | 1/4/1987    |
| Active                                     | Invesco UK Opportunities  | £1,360              | £2,003               | £5,076               | 12/11/2012  |
| Passive                                    | HSBC European Index   | £1,376              | £2,212               | £4,972               | 3/9/2012    |
| Passive                                    | Fidelity Index UK   | £1,177              | £1,697               | £3,897               | 10/1/1996   |
| Active                                     | M&G Emerging Markets Bond                                       | £1,144              | £1,687               | £3,493               | 19/4/2012   |
| Passive                                    | HSBC Japan Index  | £1,203              | £2,012               | £3,484               | 3/9/2012    |
| Active                                     | FTF Martin Currie UK Equity Income                              | £1,192              | £1,881               | £3,085               | 31/5/2012   |
| Active                                     | Janus Henderson Strategic Bond *                                | £988                | £1,216               | £2,369               | 2/5/2000    |
| <b>FEUK Property Proxy TR in GB</b>        |   | <b>£1,027</b>       | <b>£1,507</b>        | <b>£2,109</b>        |             |
| Active                                     | Rathbone Ethical Bond   | £1,018              | £1,378               | £2,035               | 1/3/2012    |
| Active                                     | Allianz Strategic Bond  | £1,073              | £1,241               | £2,017               | 1/4/2005    |
| Passive                                    | L&G All Stocks Gilt Index                                       | £813                | £998                 | £1,528               | 19/12/2012  |
| <b>Moneyfacts 90 Days Notice 10K in GB</b> |   | <b>£1,048</b>       | <b>£1,085</b>        | <b>£1,384</b>        |             |
| Active                                     | VinaCapital Vietnam Opportunity                                 | £1,677              | £3,927               | -                    | 30/9/2003   |
| Passive                                    | Fidelity Index US   | £1,796              | £3,738               | -                    | 3/3/2014    |
| Active                                     | De Lisle America  | £1,614              | £3,327               | -                    | 6/8/2010    |
| Active                                     | CT US Equity Income *   | £1,723              | £3,219               | -                    | 4/10/2016   |
| Active                                     | Fidelity China Special Situations                               | £1,065              | £2,927               | -                    | 19/4/2010   |
| Passive                                    | Fidelity Index World  | £1,593              | £2,898               | -                    | 3/3/2014    |
| Active                                     | Matthews China Smaller Companies *                              | £1,189              | £2,731               | -                    | 31/1/2020   |
| Active                                     | Heriot Global   | £1,553              | £2,665               | -                    | 20/3/2013   |
| Active                                     | River and Mercantile UK Listed Smaller Companies *              | £1,180              | £2,621               | -                    | 2/5/2019    |
| Passive                                    | Vanguard Global Small Cap Index                                 | £1,306              | £2,454               | -                    | 11/1/2010   |
| Active                                     | Polar Capital Global Healthcare Trust                           | £1,566              | £2,432               | -                    | 15/6/2010   |
| Active                                     | River and Mercantile Global Recovery *                          | £1,268              | £2,376               | -                    | 19/7/2018   |
| Active                                     | BlackRock Frontiers Investment Trust                            | £1,190              | £1,947               | -                    | 17/12/2010  |
| Active                                     | Premier Miton UK Multi Cap Income                               | £1,041              | £1,877               | -                    | 14/10/2011  |
| Active                                     | J O Hambro UK Dynamic   | £1,141              | £1,870               | -                    | 31/10/2013  |
| Active                                     | JPM Emerging Markets Income                                     | £1,326              | £1,818               | -                    | 28/8/2013   |
| Passive                                    | Vanguard LifeStrategy 60% Equity                                | £1,207              | £1,807               | -                    | 23/6/2011   |
| Active                                     | Montanaro UK Income   | £1,023              | £1,720               | -                    | 31/1/2020   |
| <b>Cboe UK All Companies TR in GB</b>      |   | <b>£1,177</b>       | <b>£1,719</b>        | <b>-</b>             |             |
| Active                                     | AXA Framlington UK Mid Cap                                      | £990                | £1,698               | -                    | 4/3/2011    |
| Passive                                    | iShares Emerging Markets Equity Index                           | £1,144              | £1,697               | -                    | 29/6/2012   |
| Active                                     | Schroder Global Cities Real Estate                              | £1,138              | £1,690               | -                    | 16/4/2007   |
| Active                                     | Fidelity Global Property  | £1,022              | £1,602               | -                    | 15/10/2012  |
| Active                                     | International Public Partnership                                | £1,054              | £1,597               | -                    | 9/11/2006   |
| Passive                                    | Vanguard FTSE UK Equity Income Index                            | £1,135              | £1,500               | -                    | 23/6/2009   |
| Active                                     | Ruffer Investment Company                                       | £1,257              | £1,395               | -                    | 8/7/2004    |
| Passive                                    | Invesco Physical Silver ETC                                     | £1,586              | £1,391               | -                    | 13/4/2011   |
| Passive                                    | Vanguard LifeStrategy 20% Equity                                | £1,021              | £1,306               | -                    | 23/6/2011   |
| Active                                     | Jupiter Strategic Bond  | £1,002              | £1,218               | -                    | 19/9/2011   |
| Active                                     | AXA ACT Carbon Transition Sterling Buy and Maintain Credit      | £946                | £1,208               | -                    | 31/10/2012  |
| Active                                     | Pershing Square Holdings  | £2,861              | -                    | -                    | 2/5/2017    |
| Active                                     | Baillie Gifford Positive Change                                 | £1,981              | -                    | -                    | 3/1/2017    |
| Active                                     | Artemis US Extended Alpha                                       | £1,723              | -                    | -                    | 19/9/2014   |
| Active                                     | Blue Whale Growth   | £1,603              | -                    | -                    | 11/9/2017   |
| Active                                     | Premier Miton European Opportunities                            | £1,525              | -                    | -                    | 14/12/2015  |
| Active                                     | Fidelity Asia Pacific Opportunities                             | £1,511              | -                    | -                    | 24/9/2014   |
| Active                                     | Artemis US Smaller Companies                                    | £1,395              | -                    | -                    | 27/10/2014  |
| Active                                     | Jupiter Gold And Silver   | £1,392              | -                    | -                    | 8/3/2016    |
| Passive                                    | L&G Global Infrastructure Index                                 | £1,338              | -                    | -                    | 9/4/2018    |
| Active                                     | Alquity Indian Subcontinent *                                   | £1,270              | -                    | -                    | 29/4/2015   |
| Active                                     | FSSA Global Emerging Markets Focus                              | £1,267              | -                    | -                    | 1/12/2017   |
| Active                                     | FSSA Asia Focus   | £1,258              | -                    | -                    | 24/8/2015   |
| Active                                     | RM Alternative Income *   | £1,219              | -                    | -                    | 8/10/2018   |
| Passive                                    | Fidelity Index Pacific ex Japan                                 | £1,178              | -                    | -                    | 6/2/2014    |
| Active                                     | Trojan Ethical Income *   | £1,159              | -                    | -                    | 28/2/2020   |
| Active                                     | BNY Mellon Sustainable Real Return                              | £1,121              | -                    | -                    | 24/4/2018   |
| Active                                     | Liontrust Sustainable Future Defensive Managed                  | £1,104              | -                    | -                    | 23/7/2014   |
| Active                                     | Ninety One Global Total Return Credit                           | £1,054              | -                    | -                    | 11/5/2018   |
| Passive                                    | L&G Global Real Estate Dividend Index                           | £1,048              | -                    | -                    | 25/1/2016   |
| Passive                                    | Vanguard US Government Bond Index                               | £1,035              | -                    | -                    | 14/12/2017  |
| Active                                     | M&G Global Macro Bond   | £1,029              | -                    | -                    | 16/12/2011  |
| Active                                     | Supermarket Income REIT   | £935                | -                    | -                    | 21/7/2017   |
| Active                                     | Alquity Future World *  | £914                | -                    | -                    | 26/7/2016   |
| Passive                                    | Invesco CoinShares Global Blockchain                            | -                   | -                    | -                    | 8/3/2019    |
| Active                                     | AB Concentrated US Equity                                       | -                   | -                    | -                    | 13/3/2020   |
| Active                                     | Lightman European   | -                   | -                    | -                    | 29/3/2019   |
| Active                                     | Ninety One UK Sustainable Equity                                | -                   | -                    | -                    | 14/12/2018  |
| Passive                                    | Vanguard ESG Developed World All Cap Equity Index               | -                   | -                    | -                    | 9/6/2020    |
| Active                                     | Trojan Ethical *  | -                   | -                    | -                    | 28/2/2020   |
| Active                                     | Federated Hermes Global Emerging Markets Small & Mid Cap Equity | -                   | -                    | -                    | 26/9/2018   |
| Active                                     | BlackRock MyMap 4   | -                   | -                    | -                    | 28/5/2019   |
| Passive                                    | HAN The Royal Mint Responsibly Sourced Physical Gold ETC        | -                   | -                    | -                    | 12/2/2020   |
| Active                                     | First Sentier Responsible Listed Infrastructure                 | -                   | -                    | -                    | 8/2/2021    |
| Active                                     | BlackRock MyMap 3   | -                   | -                    | -                    | 28/5/2019   |
| Active                                     | Schroder Global Energy Transition                               | -                   | -                    | -                    | 8/12/2020   |
| Active                                     | Artemis Corporate Bond  | -                   | -                    | -                    | 30/10/2019  |
| Active                                     | Amati Strategic Metals  | -                   | -                    | -                    | 1/3/2021    |
| Active                                     | Premier Miton European Sustainable Leaders                      | -                   | -                    | -                    | 10/5/2021   |
| Passive                                    | Fidelity Index Sterling Corporate Bond                          | -                   | -                    | -                    | 26/8/2020   |

## Underperformance Analysis

In this section we dig deeper into the funds that have underperformed their benchmark or their peer group over the last 10 years (or less if the fund has been in existence for less than 10 years). We analyse the potential drivers of the underperformance and cover any fund manager changes over the period. To provide additional context for the 10-year underperformance, we have also included analysis of the 5 and 20-year performance data.

As part of the analysis, we also take a closer look at active share (as discussed earlier in this report) and turnover (a measure of how long assets are typically held in a fund before being sold) data. The reason for this is that academic evidence has shown that they can have meaningful impact on fund performance over the long-term.

The analysis has found that there are some common and expected patterns in the drivers of the underperformance, including style bias, short-term performance periods for newly launched funds, position sizing rules, and in one case, a significant change in the philosophy and process of the investment trust during the period. Furthermore, the underperformance of some can be attributed directly to a newly launched 'onshore' share class for UK retail investors. In the case of most of these, the 'parent' share class has performed better, which suggests that the underperformance is strictly timing related with the new share class, rather than a fundamental issue with the fund.

In the case of seven funds, the analysis has resulted in the decision to carry out a formal review with the possibility of exclusion from the TILLIT Universe.

For long-term investors it is important to understand the underlying reasons for the performance before making any investment decisions. Performance is never linear and it is not unusual for some investment styles to underperform for long periods of time and then rebound and sometimes make up the underperformance (and more). The key thing is to assess performance in the broader context of the market environment, composition of the benchmark it is aiming to outperform, and try to avoid making rash decisions based on headline performance figures. In some cases, depending on the reasons for the underperformance, it can even be a buying opportunity for long-term investors who have the time horizon to see style rotations or structural changes play out.

### Underperforming funds

The table below outlines the full list of underperforming funds, whether it underperformed its benchmark or peer group (or both) and whether there have been fund manager changes during that period. It also notes which underperforming funds have been put on full review by the Investment Committee.

| Fund name   | Underperformed benchmark | Underperformed peer group | Fund manager change | Formal review to follow |
|---|--------------------------|---------------------------|---------------------|-------------------------|
| AB Concentrated US Equity                                       |                          |                           |                     |                         |
| Aberforth Smaller Companies Trust                               |                          |                           |                     |                         |
| Alquity Future World  |                          |                           |                     | Yes                     |
| AXA ACT Carbon Transition Sterling Buy and Maintain Credit      |                          |                           |                     | Yes                     |
| AXA Framlington Global Technology                               |                          |                           |                     |                         |
| Baillie Gifford Japan Trust                                     |                          |                           |                     |                         |
| BNY Mellon Sustainable Real Return                              |                          |                           |                     |                         |
| CT US Equity Income   |                          |                           |                     |                         |
| De Lisle America  |                          |                           |                     |                         |
| European Opportunities Trust                                    |                          |                           |                     | Yes                     |
| Federated Hermes Global Emerging Markets Small & Mid Cap Equity |                          |                           |                     |                         |
| First Sentier Responsible Listed Infrastructure                 |                          |                           |                     | Yes                     |
| Heriot Global Fund  |                          |                           |                     |                         |
| International Public Partnerships                               |                          |                           |                     | Yes                     |
| Janus Henderson Strategic Bond                                  |                          |                           |                     |                         |
| Jupiter Strategic Bond  |                          |                           |                     | Yes                     |
| Montanaro UK Income   |                          |                           |                     |                         |
| Ninety One Global Total Return Credit                           |                          |                           |                     |                         |
| Polar Capital Healthcare Trust                                  |                          |                           |                     |                         |
| Premier Miton European Sustainable Leaders                      |                          |                           |                     |                         |
| River and Mercantile Global Recovery                            |                          |                           |                     |                         |
| RM Alternative Income   |                          |                           |                     |                         |
| The Biotech Growth Trust  |                          |                           |                     | Yes                     |
| Trojan Ethical  |                          |                           |                     |                         |
| Trojan Ethical Income   |                          |                           |                     |                         |
| Worldwide Healthcare Trust                                      |                          |                           |                     |                         |

A review of all underperforming funds, in alphabetical order, can be found below.

### AB Concentrated US Equity

#### The TILLIT View

*“A concentrated equity fund investing in high-quality, mid- and large-cap Growth companies in the US. Stocks are picked through a combination of top-down macroeconomic views and bottom-up stock picking. The team looks for non-cyclical businesses with predictable earnings and whilst there isn't an explicit sector bias, technology companies tend to make up a big part of the portfolio. This fund is prohibited from investing in fossil fuels.*

*It should do well through the cycle but is likely to underperform the market when cyclical companies, such as commodities, are doing well.”*

#### Underperformance analysis

We currently offer a relatively newly launched onshore share class of this fund in the TILLIT Universe and this has underperformed both its benchmark and peer group since the launch in March 2020. We believe this can be partly explained by a lack of exposure to energy, utilities, or consumer staples - sectors that have done particularly well following the start of the war in Ukraine. The fund also has limited exposure to the technology mega stocks that have been key drivers of performance for the benchmark index, S&P 500, over the period.

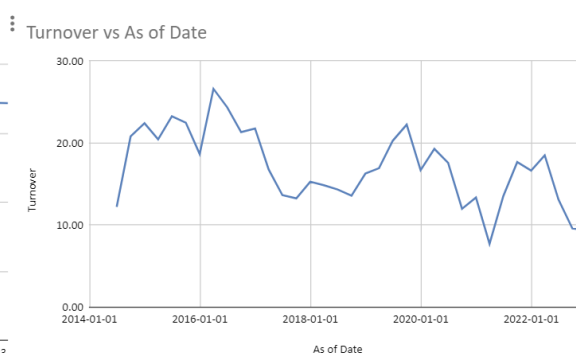
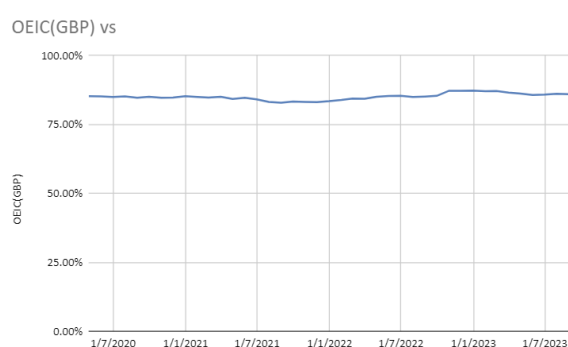
Having said that, the fund itself was launched in the US in 1975 and the current lead manager, James T. Tierney, has been running an offshore share class for many years before also running the onshore share class. We therefore also looked at performance data for the offshore share class for additional context. This analysis shows that the offshore share class has outperformed both its benchmark and peer group (significantly so) over the last

decade, as well as over the last five years. In addition, there are only slight differences in the positions held in the onshore share class versus the offshore version<sup>7</sup>. As a result, we believe the long-term performance data of the offshore share class provide relevant context for long-term performance of the fund.

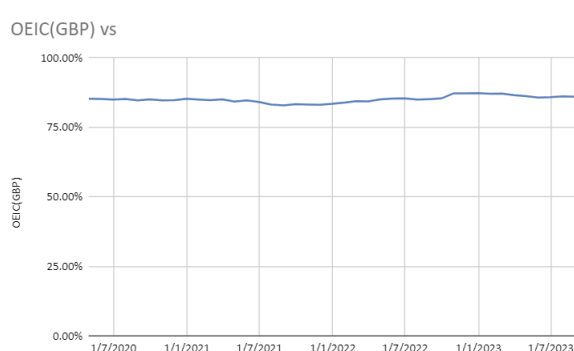
The reason for offering the onshore share class in the TILLIT Universe has to do with the complexities around capital gains calculations that can sometimes relate to an offshore share class.

In conclusion, we are comfortable with the reasons for the fund's underperformance of its benchmark over the period and with its place in the TILLIT Universe.

|                             |                  | 13/03/2020 to<br>30/06/2023 (%) | 5 years (%) | 23/12/2013 to<br>30/06/2023 (%) | 20 years (%) |
|-----------------------------|------------------|---------------------------------|-------------|---------------------------------|--------------|
| <b>Onshore share class</b>  |                  |                                 |             |                                 |              |
| Benchmark                   | S&P 500          | -11.58                          | NA          | NA                              | NA           |
| Peer group                  | IA North America | -5.52                           | NA          | NA                              | NA           |
| Current lead manager since  | 13/03/2020       |                                 |             |                                 |              |
| <b>Offshore share class</b> |                  |                                 |             |                                 |              |
| Benchmark                   | S&P 500          | NA                              | 1.67        | 6.08                            | NA           |
| Peer group                  | IA North America | NA                              | 10.41       | 54.58                           | NA           |



<sup>7</sup> Walt Disney (2.3% position size) is only held in the onshore share class and Adobe (3.87% position size) and Stericycle, Inc (2.75% position size) are only held in the offshore share class. Stericycle, Inc used to be held in the onshore share class, until Q1 2022 (as at 31st July 2023).



## Aberforth Smaller Companies Trust

### The TILLIT View

*“An investment trust focused on investing in UK-listed small companies that are out of favour with the market.*

*The approach at Aberforth is very much a team-based one and fundamentally focused on turnaround stories, or what is commonly known as Value or Deep Value. There are similarities with classic private equity of finding distressed companies which the market has mispriced or overlooked, taking material stakes in the business and a slight activist approach to engagement. There is also an emphasis on dividends and a company’s ability to pay them, if not in the near-term then at least in the future. The trust is actively managed, but it is also index-aware (Numis Smaller Companies).*

*It should perform well when the UK economy is on an upward trajectory, but it will potentially lag other funds when the economy is already firing on all cylinders. It is also likely to struggle when the economy is worsening, and investors become more risk averse. Small-caps also tend to be more volatile than other parts of the market.”*

### Underperformance analysis

While the trust hasn’t underperformed its benchmark over 5 and 10 years (and only slightly underperformed over 20 years), it has significantly underperformed its peer group.

The underperformance of the peer group is likely due to the focus on the trust’s Deep Value approach to investing in small companies. While its benchmark, Numis Smaller Companies index, is fairly style agnostic, the peer group is more tilted toward Growth style investing. Additionally, the Numis Smaller Companies index contains all stocks that make up the smallest 10% of the UK equity market by value, whereas the peer group also includes investment trusts that can invest in stocks listed on the AIM index which has fewer listing requirements than Numis and as a result has a slightly different composition.

It is encouraging to see that active share has remained high, hovering around 75% since 2013 when active share data was first available, demonstrating a highly active investment



approach. In addition, portfolio turnover has been on a downward trajectory over the last 20 years, currently around 20%.

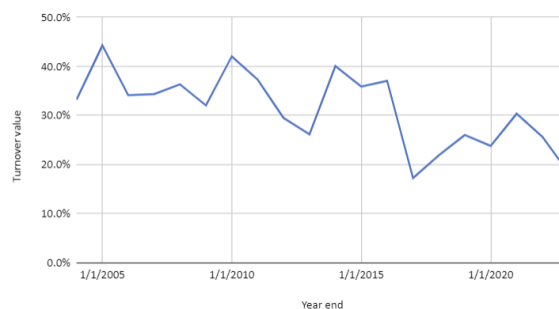
In conclusion, we are comfortable with the reasons for the investment trust's underperformance of its peer group over the 10-year period and its place in the TILLIT Universe.

|                            |                         | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|-------------------------|-------------|--------------|--------------|
| Benchmark                  | Numis Smaller Companies | 5.75        | 7.21         | -0.96        |
| Peer group                 | IT UK Smaller Companies | -8.92       | -14.4        | -30.52       |
| Current lead manager since | NA, team approach       |             |              |              |

Active share vs Date



Turnover value vs Year end



## Alquity Future World

### The TILLIT View

*“Sustainability is at the heart of both the house behind this fund as well as the fund itself, which invests primarily in emerging markets as well as a small portion in frontier markets.*

*The managers look for companies that have at least one of the following: A sustainable competitive advantage, benefit from cyclical tailwinds, or monetizable structural growth. There is a preference for domestic growth focused companies rather than exporters. The fund aims to be a core, long-term focused fund that invests across developing markets and the market cap spectrum. This fund is prohibited from investing in fossil fuels.*

*It should do well in most market conditions because of its preference for domestic growth, which means it should be less impacted by changes in the US dollar (the strength and weakness of the US dollar tends to drive performance in emerging markets). As with most equity funds, it is likely to benefit from risk-on market conditions.”*

## Underperformance analysis

This fund does not have a specific benchmark associated with it; hence, it is compared in the table below to the returns of its peer group, which is the IA Global Emerging Market sector. Relative to this peer group, it has significantly underperformed over the last five years.

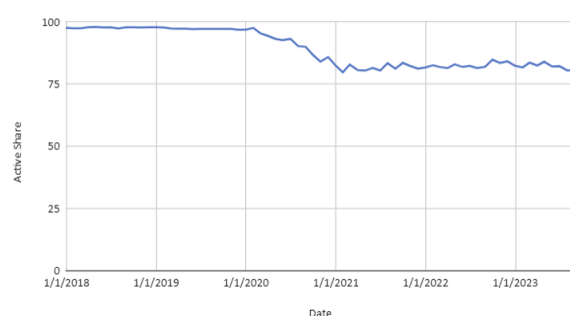
However, this fund avoids certain sectors such as fossil fuels and instead focuses on companies which it believes drives positive changes in society. It therefore has a narrower opportunity set than the sector as a whole, which is likely to influence performance. We therefore also compared the performance of the fund against other funds in the IA Emerging Market peer group with a sustainable investment criterion. Unfortunately, the results were equally disappointing and the fund was the worst performer within this cohort, beaten by both active and passive alternatives.

We also analysed the active share and turnover data since its inception which suggest a high-conviction and long-term approach. However, the data only goes back a few years so it's hard to draw too strong conclusions.

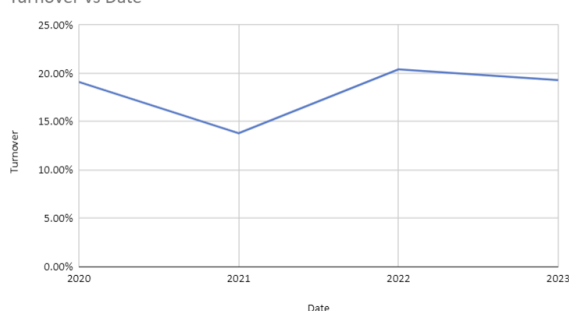
The asset manager, Alquity, has strong philanthropic characteristics and while its approach to sustainable investing is both rare and admirable, we expect the fund to deliver decent returns to investors in most market conditions. Given the results of this analysis, our Fund Selection team has decided to carry out a full review of the fund to consider whether it is still appropriate for inclusion in the TILLIT Universe.

|                            |   | 5 years (%)     | 10 years (%) | 20 years (%) |
|----------------------------|---|-----------------|--------------|--------------|
| Benchmark                  | Not specified   | NA              | NA           | NA           |
| Peer group                 | IA Global Emerging Market   | -16.73          | NA           | NA           |
| Substitute peer group      | TILLIT's tailor-made emerging market sustainable peer group return range* | 28.76 to -16.73 | NA           | NA           |
| Current lead manager since | 26/07/2016  |                 |              |              |

Active Share vs Date



Turnover vs Date



## AXA ACT Carbon Transition Sterling Buy and Maintain Credit

### The TILLIT View

*“This is a core global investment-grade corporate bond fund. It is actively managed but with a low maintenance approach of holding bonds to maturity instead of frequently trading them. The saving on trading costs is passed through to the end investor, reflecting the comparably low OCF for this fund.*

*Due to the approach, it tends to invest in bonds issued by stable and well capitalised companies with predictable cashflows. Whilst the intention is to hold the bonds to maturity, the managers can (and do) sell bonds if they get the investment case wrong.*

*As most bonds funds, if interest rates rise, this is likely to underperform the market. Given the focus on corporate bonds, it is also sensitive to movements in inflation.”*

### Underperformance analysis

This bond fund is a highly diversified fund with elements of both active and passive management. The active element relates to the credit analysis with the aim of avoiding bonds that are more likely to struggle in stressed conditions. The passive element relates to the process of maintaining the average credit quality and duration of the bonds held in the fund close to those bonds represented by the Index (ICE BofA Sterling Non-Gilts).

The fund also has a strategic focus on ESG integration and climate change. It seeks to keep its weighted average carbon intensity (WACI) lower than the carbon emissions benchmark (the Emissions Benchmark) while maintaining low turnover.

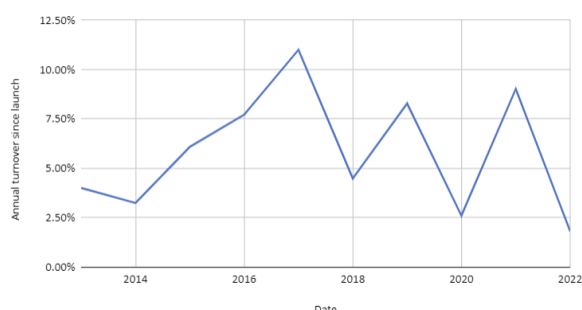
One of the things that stand out with this fund is the low fund fee (0.14%) which should make it easier for it to outperform. Nevertheless, the fund has underperformed its benchmark over both 5 and 10 years, though only marginally. This may be explained by a lack of significant blow ups in the corporate bond market over that time, which renders its active focus on downside protection less effective.

Perhaps more worryingly, it has underperformed its peer group over 5 and 10 years as well, and more significantly so. Given the results of this analysis, our Fund Selection team has decided to carry out a full review of the fund to consider whether it is still appropriate for inclusion in the TILLIT Universe.

|            |                               | 5 years (%) | 10 years (%) | 20 years (%) |
|------------|-------------------------------|-------------|--------------|--------------|
| Benchmark  | ICE BofAML Sterling Non-Gilts | -0.38       | -1.66        | NA           |
| Peer group | IA Sterling Corporate Bond    | -3.37       | -2.27        | NA           |

|                            |            |  |  |  |
|----------------------------|------------|--|--|--|
| Current lead manager since | 01/07/2014 |  |  |  |
|----------------------------|------------|--|--|--|

Annual turnover since launch vs Date



## AXA Framlington Global Technology

### The TILLIT View

*“This fund takes a thematic approach to investing in the technology sector and has a preference for large-caps.*

*Examples of past or current themes include digitalisation, broadband capacity, and enterprise productivity. The team focuses on a handful of long-term themes which evolve over time. Specific stocks are then selected on a bottom-up basis within the themes. Whilst the fund has a global remit, the portfolio is heavily skewed to the US given its current dominance in the technology sector.*

*As with many other Growth equity funds, the performance is likely to struggle more in an environment with rising interest rates and inflation.”*

### Underperformance analysis

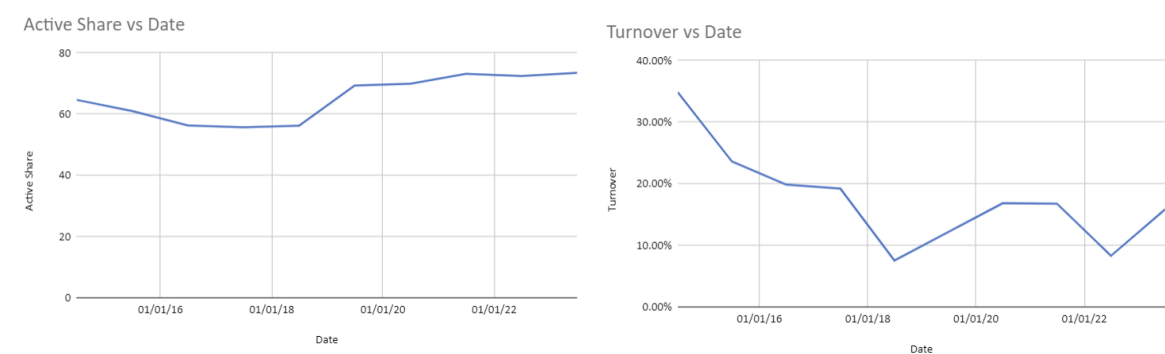
As a sector specific fund, the opportunity set is fairly fixed for this fund and it is arguably more challenging to take a differentiated approach compared to the index it aims to outperform. In the case of this fund, the specified benchmark is MSCI World Information Technology index, which is a heavily concentrated index with two stocks making up a significant part of the index (and therefore also its returns): Apple (~21% benchmark index weight) and Microsoft (~16% benchmark index weight).

One of the challenges of measuring performance against this benchmark is that most actively managed funds, including this one, has a maximum holding cap of 10%. This means that if it wanted to express similarly high conviction in any stock, whether those be the same or different to those in the index, it isn't allowed to do so. To make matters more challenging, Apple has delivered some extraordinary returns over the last decade which has amplified the performance of the index, making it even more challenging to catch up for an active fund.

While the fund has lagged its benchmark, it has significantly outperformed its peer group, particularly over 10 and 20 years. We believe this is a more accurate reflection of the skill of the managers as all funds in the peer group are subject to the same max holding restrictions discussed previously. While Jeremy Gleeson, the lead fund manager hasn't been responsible for the full twenty years examined, he has been managing the fund since 2007 or 16 years and so we believe a large part of this performance can be attributed to him. In addition, active share has been consistently high and turnover has come down over time.

In conclusion, we continue to believe that this is one of the best active fund funds with a pure focus on global technology and are happy to keep it in the TILLIT Universe.

|                            |                                       | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|---------------------------------------|-------------|--------------|--------------|
| Benchmark                  | MSCI World Information Technology     | -23.99      | -21.31       | 1.11         |
| Peer group                 | IA Technology & Technology Innovation | 1.05        | 30.99        | 51.31        |
| Current lead manager since | 24/03/2006                            |             |              |              |



## Baillie Gifford Japan Trust

### The TILLIT View

*“Growth focused investment trust investing in Japanese companies across the market cap spectrum, but with a bias to medium and small-cap companies.*

*This trust has a track-record spanning four decades, with a clear focus on Growth investing in Japan. Companies are categorised into Growth buckets, each with different growth characteristics: cyclical growth, secular, stalwarts and special situations. Decisions are based on bottom-up company analysis with little focus on the macroeconomic environment.*

*Due to the pure bottom-up approach, performance will be driven by the success or failures of the underlying stocks more than broad market movements. However, like other Growth funds it is likely to benefit from a risk-on environment.”*

### **Underperformance analysis**

In general, Value style investing has been the most common approach to investing in Japan, with Baillie Gifford Japan Trust being one of the few exceptions investing with Growth style philosophy in this market. Over the very long-term, this approach has rewarded investors but in more recent years, there has been a shift in markets away from Growth style investing and toward Value style investing. As a result, many Growth style funds have struggled, including this one.

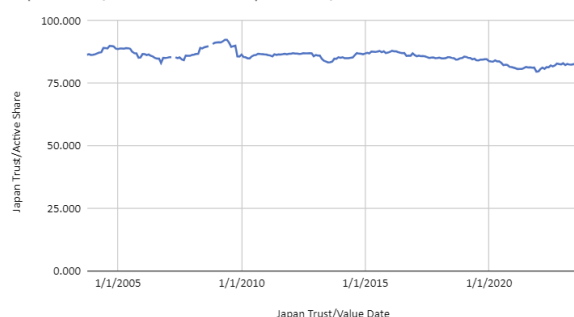
The trust has outperformed its benchmark significantly over the last 10 and 20 years, but has struggled in the last 5 years due to this rotation. It has also slightly underperformed its peer group on a 10-year basis, which we believe can be explained by the characteristics of the narrow peer group. There are only five funds in the peer group, of which two are Growth style oriented and Baillie Gifford Japan Trust is the only all cap strategy with a bias to mid-caps, which has also been hit hard by recent market dynamics.

We also take comfort from the fact that despite the significant rotation from Growth to Value, the conviction in the approach for this trust has not changed with active share consistently high. Portfolio turnover has increased a little, but from a very low starting point, and most of this can be traced back to the COVID-19 pandemic when (in hindsight) there were many high-quality companies whose stock was ‘on sale’ at low valuations, which the fund manager took advantage of. Hopefully over time, those decisions will pay off for investors.

In conclusion, style rotation is a factor of markets and we continue to believe that this remains one of the best options for investors looking for a Growth style investment approach in Japan and the TILLIT Universe.

|                            |            | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|------------|-------------|--------------|--------------|
| Benchmark                  | TOPIX      | -20.69      | 19.96        | 96.36        |
| Peer group                 | IT Japan   | -17.18      | -2.74        | 35.63        |
| Current lead manager since | 01/05/2018 |             |              |              |

Japan Trust/Active Share vs Japan Trust/Value Date



Turnover % vs Date



## BNY Mellon Sustainable Real Return

### The TILLIT View

*“This is a multi-asset fund with a sustainable overlay and a clear focus on generating an absolute return of cash +4% per annum over rolling 5-year periods. It aims to achieve this by investing in a broad range of asset classes: equities, bonds, commodities, currencies, alternatives, and cash. Typically, about half of the portfolio is invested in equities.*

*This is a relatively new sustainable version of the BNY Mellon Real Return fund which has a track record of almost 30 years. The overlap between the two is high, at around 80%.*

*Given the blend of asset classes, performance is likely to be relatively smooth throughout cycles. However, with around half the portfolio invested in equities, if there is a significant wobble in the stock market this fund is likely to be affected, just less so than mainstream equity funds.”*

### Underperformance analysis

This fund's specified benchmark is SONIA (30-day compounded) +4% index (previously known as LIBOR). SONIA is based on actual transactions and reflects the average interest rates that banks pay to borrow sterling from other financial institutions. Another way to think of the benchmark is simply the interest rate received on cash +4%. So if interest rates are at 5% then for a fund to outperform this benchmark it would have to produce a return after fees in excess of 9%.

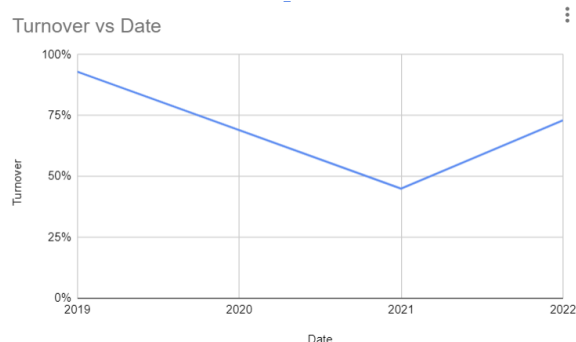
The speed at which inflation and interest rates have risen over the last few years has taken markets by surprise, and the target to outperform has gone from relatively low to rather high in a very short space of time<sup>8</sup>. Given the high exposure to money markets and fixed interest in the fund, it will take a bit of time for it to recover as the managers make adjustments to the portfolio reflecting its new performance target. This explains to a great extent the underperformance against the benchmark over the 5-year period. In addition, the fund has outperformed its peer group over the same period, all of whom will have the same struggle with the benchmark, and so the outperformance against peers is reassuring.

<sup>8</sup> Base rates have risen from 0.1% to 5% over the course of 18 months.

Given the short history of this fund, we have also included the BNY Mellon Real Return fund in the performance analysis for additional context. While this fund is not currently in the TILLIT Universe, there is a high degree of overlap between the two funds and therefore, long-term returns are somewhat representative<sup>9</sup>. We see a similar pattern in the performance of this fund on a 10-year basis, against both benchmark and peer group.

In conclusion, we believe that the recent underperformance can be explained by the current economic environment and judged against its peers, it is clear that the fund is still one of the leaders in its space. We have decided to keep the fund in the TILLIT Universe.

|                               |                               | 5 years (%) | 10 years (%) | 20 years (%) |
|-------------------------------|-------------------------------|-------------|--------------|--------------|
| Benchmark                     | SONIA (30-day compounded) +4% | -10.7       | NA           | NA           |
| Peer group                    | IA Targeted Absolute Return   | 4.95        | NA           | NA           |
| Current lead manager since    | 24/04/2018                    |             |              |              |
| <b>BNY Mellon Real Return</b> |                               |             |              |              |
| Benchmark                     | SONIA (30-day compounded) +4% | -9.02       | -17.92       | 6.30         |
| Peer group                    | IA Targeted Absolute Return   | 6.94        | 6.68         | NA           |



## CT US Equity Income

### The TILLIT View

*“A large-cap US equity income fund with a Value bias and a differentiated approach to dividend investing. The fund aims to provide income and capital growth over the long-term. The manager seeks to build a well-diversified, relatively sector-neutral portfolio. Stocks are picked by applying Porter’s Five Forces alongside internal, proprietary, rating tools to help*

<sup>9</sup> As of June 2023 the funds were reporting 82% total commonality of positions.



*assess and analyse the durability of a company's competitive advantage while identifying key risks to its sustainability.*

*It seeks to provide an income yield higher than the S&P 500 Index over rolling 3-year periods, after the deduction of charges.*

*The manager seeks to build a well-diversified, relatively sector-neutral portfolio. Stocks are picked by applying Porter's Five Forces alongside internal, proprietary, rating tools to help assess and analyse the durability of a company's competitive advantage while identifying key risks to its sustainability.*

*The Value style and income focus of this fund means that it tends to outperform in bear markets, recessions and inflationary and rising rates environments. Underperformance will likely occur in periods of strong economic expansion when Growth style focused funds and assets tend to outperform. It should do reasonably well through the cycle, supported by the financial strength of the companies it invests in."*

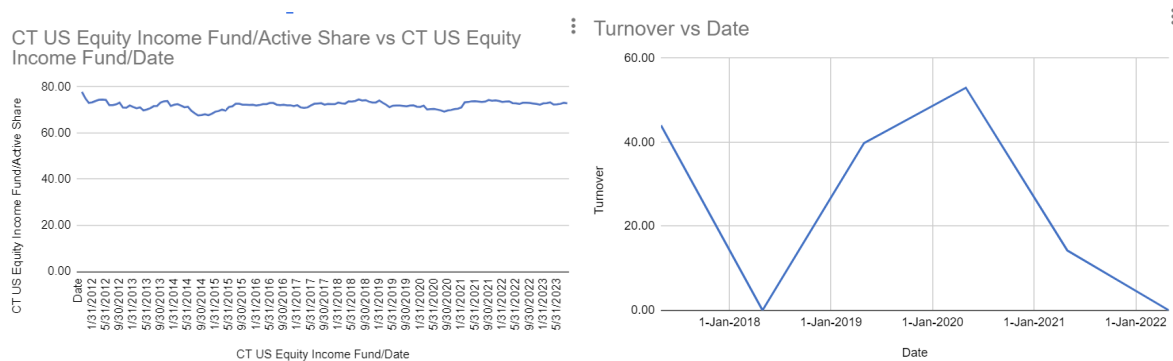
### **Underperformance analysis**

The benchmark specified by the fund is S&P 500 due to its goal of providing investors with an income yield higher than this index (after fees), over rolling 3-year periods. Comparing the historic yield of the fund versus the S&P 500 since inception, the fund has achieved this goal. However, the fund hasn't beaten the overall return of the S&P 500. This may partly be explained by the performance by some of the high-growth stocks in the index, which typically don't focus on dividends as much as therefore may not be considered as appropriate holdings for an income-focused fund.

More importantly, the current lead fund manager has only been managing the fund since 2020 and in that period has only underperformed the official benchmark slightly. In addition, the fund has outperformed its peer group over all periods.

In conclusion, given the recent fund manager change and outperformance against peers, we are comfortable with potential drivers of the underperformance against the benchmark and happy to keep the fund in the TILLIT Universe.

|                               |                  | 01/10/2020 to<br>30/06/2023 (%) | 5 years (%) | 10 years (%) | 20 years (%) |
|-------------------------------|------------------|---------------------------------|-------------|--------------|--------------|
| Benchmark                     | S&P 500          | -0.70                           | -5.91       | -16.93       | NA           |
| Peer group                    | IA North America | 0.95                            | 4.80        | 0.62         | NA           |
| Current lead<br>manager since | 01/10/2020       |                                 |             |              |              |



## De Lisle America

### The TILLIT View

*“A US Value small-cap fund run by the founder of the privately owned De Lisle Partners, Richard De Lisle. The process involves applying a bottom-up, forensic analysis approach, combined with long-term, top-down macro and theme idea generation.*

*The manager aims to identify long-term themes based on a combination of demographics, sociological, psychological and macroeconomic factors. The manager aims to uncover hidden gems and as a result of the small-cap focus, may end up as the sole institutional investor in a particular stock.*

*As with other Value-style funds, this fund tends to outperform in bear markets, recessions, and/or in inflationary and rising rate environments. Conversely, it may underperform in low-interest rate, low and stable inflation environments, and periods of strong economic expansion. Small-caps also tend to be more volatile than other parts of the market.”*

### Underperformance analysis

Looking at high-level performance figures alone, the fund has underperformed its benchmark over all time periods. However, this is a good example of why it is crucial to assess performance in the context of what a fund is aiming to achieve.

De Lisle America is a small-cap fund, but the specified benchmark for this fund is S&P 500, which is a large-cap index (with a slight Growth tilt). The rationale for this is said to be that this index is more recognisable by personal investors than other indices. While that may be true, we believe this is a wholly inappropriate index to benchmark a small-cap fund against, resulting in misleading relative performance (positive or negative).

In order to assess performance properly, we have therefore also assessed it against Russell 2000 Value Index, an index of small-cap US stocks with a Value style, which given the investment philosophy of this fund seems much more appropriate. It also happens to be the chosen benchmark for many other US small-cap funds<sup>10</sup>. On this basis, the fund has

<sup>10</sup> Including the well-known FTF Royce US Smaller Companies fund.

significantly outperformed over all periods. In addition, the fund slightly outperformed its official peer group in the last 10 years, and if we measure it against a small cap focused peer group, it has outperformed more strongly.

Unfortunately, we have been unable to retrieve active share and turnover data for this fund for the relevant time period and we will work with the manager to ensure that this is monitored closely going forward.

In conclusion, we are comfortable with the underperformance and believe that this is a straightforward case of a fund that has picked an inappropriate benchmark to measure itself against. Therefore, upon further analysis, we continue to believe that this is a great option for investors who seek exposure to this type of investment style and we are happy to keep it in the TILLIT Universe.

|                            |                                    | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|------------------------------------|-------------|--------------|--------------|
| Benchmark                  | S&P 500                            | -18.92      | -16.08       | NA           |
| Peer group                 | IA North America                   | -9.69       | 1.65         | NA           |
| Alternative benchmark      | Russell 2000 Value Index           | 25.38       | 49.89        | NA           |
| Alternative peer group     | IA North America Smaller Companies | 7.21        | 19.88        | NA           |
| Current lead manager since | 27/07/2010                         |             |              |              |

## European Opportunities Trust

### The TILLIT View

*“Investment trust investing in high-quality companies in Europe and the UK. The philosophy is centred around long-term Growth and the focus is on identifying structural growth winners with a sustainable competitive advantage.*

*The process is entirely bottom-up and focused on the company fundamentals, including ‘soft factors’ such as culture, history, management and alignment. The trust is concentrated and the manager is not afraid to make high-conviction bets, with positions sometimes exceeding 10%. The trust has an all-cap remit, but the manager has a bias to mid-caps.*

*With a clear Growth investment philosophy, this is prone to doing well in a risk-on environment and likely to struggle when there is a cyclical rally.”*

### Underperformance analysis

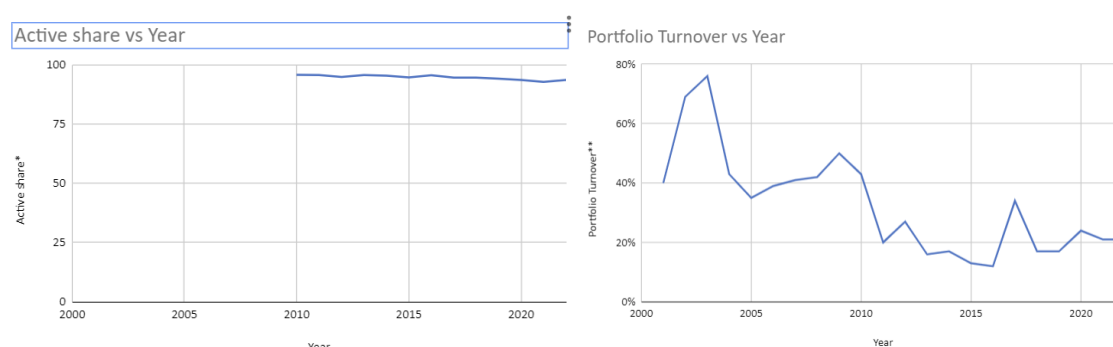
Alexander Darwall has been managing the trust since November 2000 and over a time period of 20 years, the trust has significantly outperformed its benchmark and peer group

(though less so for the peer group). However, in the last 10 years, the trust has really struggled to outperform both its benchmark and peer group. Some of this underperformance can be traced back to a couple of significant stock picking mistakes a few years ago, but performance has continued to struggle and arguably worsened in more recent years.

Active share data has been consistently high and portfolio turnover has generally been on a downward trajectory over time as the manager has extended his investment time horizon.

However, whilst the very long-term performance is strong, the persistent underperformance over the last decade has raised the question of whether this fund is still fit for inclusion in the TILLIT Universe. As a result, our Fund Selection team has decided to carry out a full review.

|                            |             | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|-------------|-------------|--------------|--------------|
| Benchmark                  | MSCI Europe | -26.23      | -4.47        | 135.81       |
| Peer group                 | IT Europe   | -26.01      | -16.37       | 42.78        |
| Current lead manager since | 20/11/2000  |             |              |              |



## Federated Hermes Global Emerging Markets Small & Mid Cap Equity

### The TILLIT View

*“Emerging market fund investing in (very) small and mid-sized companies. There isn’t an explicit Growth or Value style, instead the manager has the flexibility to follow the most exciting opportunities, regardless of style. Having said that, the team has a preference for Growth and quality. Decisions are made based on bottom-up analysis, but the fund is benchmark-aware when it comes to country allocations. Given the focus on small and mid-caps, there is an implicit exposure to domestic growth, over exporters.”*

*Whilst not officially a sustainable fund, the manager actively avoids tobacco, gambling, and fossil fuels, and tries to keep a lower carbon footprint than the index.*

*Small and mid-caps tend to be more volatile than other parts of the market and generally benefit from a risk-on environment. Despite being an emerging market fund, it should be less impacted by changes in the US dollar (the strength and weakness of the US dollar tends to drive performance in emerging markets) due to its implicit focus on domestic growth.”*

### **Underperformance analysis**

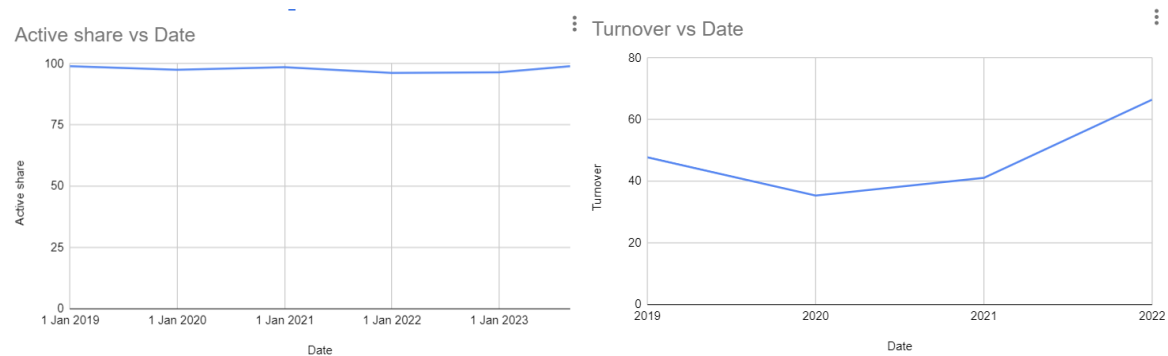
The fund was launched in October 2018 and was initially run by Gary Greenberg alongside the other Global Emerging Markets strategies. Kunjal Gala, the current lead manager, joined the Global Emerging Markets team in March 2012 as an analyst to cover the Asia ex-Japan region. He became co-manager of the Global Emerging Markets strategies September 2016 and as part of the succession plan following the announcement of Gary's retirement, he took over as lead manager in September 2020 (Gary retired in 2022).

Over the last five years, the fund has gone through quite a bit of change. When it was launched it had 34 holdings and as of June 2023, this has risen to 80. The current lead manager claims we are now at the end of the fund's 'build-up phase'. The reasons for why this has taken so long is that the manager has wanted to bide his time to seek out the best multi-year investment opportunities.

Active share has been strong, consistently in the 90% range, since launch. Turnover has picked up since Kunjal took over as lead manager, which fits with the description of the build-up phase.

Given the significant changes to the portfolio over the last couple of years, we think it's too early to judge whether the approach is working or not and will continue to closely monitor the fund's performance as it starts to reflect the the 'new' portfolio. Therefore, for now, we have decided to keep the fund in the TILLIT Universe.

|                            |                            | 26/09/2018 to<br>30/06/2023 (%) | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|----------------------------|---------------------------------|-------------|--------------|--------------|
| Benchmark                  | MSCI Emerging Markets SMID | -19.58                          | NA          | NA           | NA           |
| Peer group                 | IA Global Emerging Markets | -2.32                           | NA          | NA           | NA           |
| Current lead manager since | 01/09/2020                 |                                 |             |              |              |



## First Sentier Responsible Listed Infrastructure

### The TILLIT View

*“This is a global infrastructure fund investing in companies that produce products and services underpinning our daily lives, from transportation to energy distribution and toll roads, with a sustainable overlay. It’s a fairly concentrated fund, typically with 30-40 stocks. Many of the underlying companies have inflation-linked revenues, which means that they can put up prices when inflation rises. This characteristic provides a level of inflation protection for the investor.*

*This is a relatively new OEIC version of an offshore fund with the same name, philosophy and process. Both funds are run by the same team with depth of experience and a long track-record.*

*There is an element of quality in this portfolio that means that when there is a cyclical rally and Value outperforms, this is likely to struggle. And whilst there is an implicit level of inflation protection in the fund, it can be more vulnerable to rising interest rates due to the level of debt often used by the companies it invests in.”*

### Underperformance analysis

The share class we currently offer for this fund in the TILLIT Universe was only launched in 2021. Since launch, this share class has underperformed its peer group and performance relative to the benchmark is not available. Our analysis shows that performance has been negatively impacted by low exposure to midstream energy assets<sup>11</sup> which has done particularly well over the last couple of years. In addition, the sustainable approach in this fund has weighed on returns further due to its bias to renewable energy assets, which has struggled over the last couple of years. The economic backdrop of aggressively rising rates has also had a negative impact.

Given the short term performance data available for this share class, to provide additional context, we also looked at the performance of the original offshore share class to get a

<sup>11</sup> Resources used for refining, storage, and transportation of oil, natural gas, natural gas liquids and other hydrocarbons in the oil and gas sector.

better idea of how the fund has done since launch in 2017. Unfortunately, the offshore share class has also underperformed its peer group since launch. While the peer groups are different for these two funds, we have concerns over the persistent underperformance by both share classes over different time periods.

If the offshore share class had demonstrated notable outperformance, we would be more comfortable attributing the short-term underperformance of the onshore share class to short-term macro factors. But in the absence of this, our Fund Selection team has decided to carry out a full review of the fund to consider whether it is still appropriate for inclusion in the TILLIT Universe.

|                             |   | 08/02/2021 to 30/06/2023 (%) | 5 years (%) | 20/12/2017 to 30/06/2023 (%) | 10 years (%) | 20 years (%) |
|-----------------------------|---|------------------------------|-------------|------------------------------|--------------|--------------|
| Benchmark                   | FTSE Developed Core Infrastructure Ex Pipelines Index | NA                           | NA          | NA                           | NA           | NA           |
| Peer group                  | IA Infrastructure                                     | -1.81                        | NA          | NA                           | NA           | NA           |
| Current lead manager since  | 08/02/2021  |                              |             |                              |              |              |
| <b>Offshore share class</b> |   |                              |             |                              |              |              |
| Peer group                  | Equity - Other Specialist                             | 2.41                         | -6.73       | -9.22                        |              |              |

## Heriot Global Fund

### The TILLIT View

*“Global growth fund with an investment philosophy based on dividend growth. Whilst this isn’t an explicit income fund, the managers look for companies with solid cashflows that have the ability and willingness to pay dividends, even if they don’t pay one currently. There is a clear preference for developed markets, with the US making up a significant proportion of the fund. Decisions are based on bottom-up analysis.*

*As the managers look for more defensive companies, it is likely to underperform in a risk-on environment. However, it should hold up better in falling markets.”*

### Underperformance analysis

As per the TILLIT View, the investment philosophy of this fund is based on dividend growth. It can invest in companies that don’t pay a dividend, but as of June 2023, only three out of 63 holdings weren’t paying a dividend and this is in line with historic trends as well.

The specified benchmark for this fund is an index which includes a wide range of stocks many of which generate returns through capital growth, not income. The fund has slightly

underperformed this benchmark over the last 10 years but given the wider remit, we have also compared the fund's performance against a more relevant index, MSCI ACWI Dividend Tilt, for additional context. While this index is not focusing on dividend growth specifically either, it is arguably more relevant than MSCI ACWI because it has been put together with only the dividend-paying constituents of the MSCI ACWI index. Performance against this index has been strong. In addition, the fund has significantly outperformed its peer group over the last 5 and 10 years.

The combination of the outperformance against the peer group and the performance relative to the MSCI ACWI Dividend Tilt index provides reassurance that the fund should remain in the TILLIT Universe.

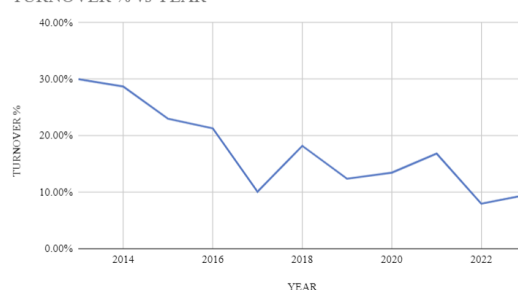
|                            |                               | 5 years (%) | 12/12/2014* to 30/06/2023 (%) | 10 years (%) | 20 years (%) |
|----------------------------|-------------------------------|-------------|-------------------------------|--------------|--------------|
| Benchmark                  | MSCI ACWI                     | 2.05        | NA                            | -2.4         | NA           |
| Peer group                 | IA Global                     | 11.29       | NA                            | 15.76        | NA           |
| Current lead manager since | 20/03/2013                    |             |                               |              |              |
| Alternative benchmark      | MSCI ACWI Dividend Tilt index | 6.01        | 11.0                          | NA           | NA           |

\*MSCI ACWI Dividend Tilt index launch date

Active share vs Date



TURNOVER % vs YEAR



## International Public Partnerships

### The TILLIT View

*“This investment trust invests directly in public and social infrastructure projects in developed markets, particularly in the UK. Projects are spread across sectors including education, government office, healthcare, transportation, and energy. The managers look for projects where they can be an early-stage investor with attractive rights and access. Many of the projects also have inflation linked revenue streams which offer an element of inflation protection.*

*Overall, this is a well-diversified portfolio offering access to a unique set of assets.*



*The underlying assets (the NAV) should do well in an inflationary environment, but the share price of the trust may be more volatile depending on stock market sentiment.”*

### **Underperformance analysis**

The specified benchmark for this investment trust is a combination of FTSE All Share and FTSE 250, split 50:50. Because of the unusual hybrid nature of this benchmark, we have been unable to gather precise relative performance data based on the blended return of those benchmarks. However, what is clear is that the trust has outperformed the FTSE All Share over the last 10 years, but it has underperformed the FTSE 250 over the same period. Having said that, one could argue that both of these benchmarks are somewhat unhelpful as the trust invests in physical public and private infrastructure partnership projects, which is quite different compared to both of the benchmarks.

More importantly, it has also underperformed its peer group over the last 10 years, which we find more concerning. The peer group, IT Infrastructure, is a highly representative set of infrastructure trusts that have similarities in the types of assets they invest in, albeit with regional, sub-sector and ownership variances. Therefore, the relative performance should be a good indicator of whether this trust really is best-in-class. We have struggled to find rational reasons for why the trust should have underperformed the peer group over the last 10 years.

On a separate note, a key objective of this fund is to ‘provide our investors with stable, long-term, inflation-linked returns, based on growing dividends and the potential for capital appreciation’ and in absolute terms, it has arguably done so (4.8% annualised and income growth of ~2.5% year-on-year since 2007).

However, the long-term underperformance of a very relevant peer group, paired with a complex hybrid benchmark, raises questions as to whether this trust really is the best-in-class in this space. As a result, our Fund Selection team has decided to carry out a full review of the trust to consider whether it is still appropriate for inclusion in the TILLIT Universe.

|                            |                                     | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|-------------------------------------|-------------|--------------|--------------|
| Benchmark                  | 50% FTSE All Share and 50% FTSE 250 | NA          | NA           | NA           |
| Peer group                 | IT Infrastructure                   | 1.38        | -2.79        | NA           |
| Current lead manager since | NA, team approach                   |             |              |              |

### The TILLIT View

*“Bond fund with a flexible approach investing in a broad range of bonds including government, investment grade corporate bonds, and high-yield bonds. Decisions are driven by structural themes and top-down views. Whilst the approach is unconstrained, there is a focus on high-quality companies. This is a traditional bond fund with a focus on income.*

*Given the focus on high-quality credit, it may underperform if cyclical or higher-risk areas of the bond market do well. As with other bond funds, it is likely to underperform in a rising rate environment.”*

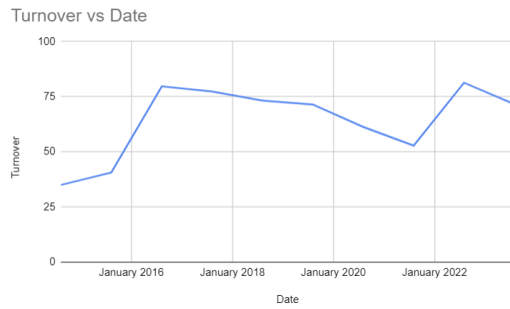
### Underperformance analysis

This fund uses its peer group, IA Sterling Strategic Bond, as its benchmark but this group is very broad and consists of funds that have very different approaches, investing across government bonds, corporate bonds, interest rates, high-yield, or derivatives. Some funds in this sector have a wide mix of assets, while others have a narrow focus. Additionally, some funds are global, while others are more UK-focused, making it difficult to make a fair comparison of returns.

Having said that, as per the TILLIT View, this fund can take a flexible approach which should enable it to perform in a range of market environments. However, the manager admits to getting some of the investment decisions wrong in recent years, which has had a negative impact on performance. The manager's concerns about the economic outlook have been at the forefront of the fund's positioning and while it hasn't played out in its favour so far, they have a long-term track record of making good top-down asset allocation decisions, demonstrated by its 20-year outperformance track record.

The combination of the wide remit of its peer group (and thereby also benchmark) and its historic ability to make good top-down decisions, we are comfortable with the current underperformance and happy to keep the fund in the TILLIT Universe.

|                            |                            | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|----------------------------|-------------|--------------|--------------|
| Benchmark                  | IA Sterling Strategic Bond | -5.16       | -0.33        | 27.04        |
| Peer group                 | IA Sterling Strategic Bond | -5.16       | -0.33        | 27.04        |
| Current lead manager since | 22/10/1999                 |             |              |              |



## Jupiter Strategic Bond

### The TILLIT View

*“Highly diversified bond fund with several hundred holdings at any given time. It invests across the entire bond market, including government and corporate bonds across developed and emerging markets. This unconstrained approach is combined with high-conviction top-down views held by the manager. Despite this unconstrained approach the core of the portfolio is high-quality government bonds, with more esoteric areas adding value and diversification.*

*With the focus on downside protection, this is likely to underperform in a risk-on environment when riskier parts of the bond market are doing well.”*

### Underperformance analysis

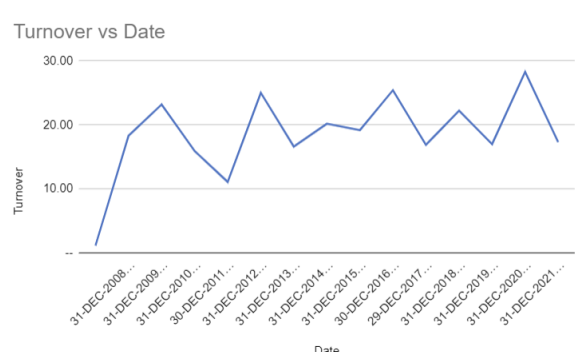
This fund uses its peer group, IA Sterling Strategic Bond, as its benchmark but this group is very broad and consists of funds that have very different approaches, investing across government bonds, corporate bonds, interest rates, high-yield, or derivatives. Some funds in this sector have a wide mix of assets, while others have a narrow focus. Additionally, some funds are global, while others are more UK-focused, making it difficult to make a fair comparison of returns.

Not dissimilar to fellow underperforming fund, Janus Henderson Strategic Bond, the manager admits to getting the positioning of the fund wrong recently which has had a negative impact on relative performance.

However, in contrast to Janus Henderson Strategic Bond, Jupiter Strategic Bond doesn’t have as long of a track record and therefore unable to demonstrate the same level of long-term outperformance potential. Therefore, our Fund Selection team has decided to carry out a full review of the fund to consider whether it is still appropriate for inclusion in the TILLIT Universe.

|            |                            | 5 years (%) | 10 years (%) | 20 years (%) |
|------------|----------------------------|-------------|--------------|--------------|
| Benchmark  | IA Sterling Strategic Bond | -3.84       | -0.66        | NA           |
| Peer group | IA Sterling Strategic Bond | -3.84       | -0.66        | NA           |

|                            |            |  |  |  |
|----------------------------|------------|--|--|--|
| Current lead manager since | 02/06/2008 |  |  |  |
|----------------------------|------------|--|--|--|



## Montanaro UK Income

### The TILLIT View

*“UK equity fund investing in small-caps with an income angle. Whilst the focus is quality Growth, every company needs to contribute to the income element of the portfolio. The managers run a fairly concentrated portfolio and target 5% per annum dividend growth over the medium to long-term.*

*It is also worth noting that Montanaro as a house has built in ESG as a core part of the investment process and philosophy in all strategies, even if the fund isn't labelled as a sustainable fund.*

*This is likely to underperform when small-caps are out of favour, or in a cyclical rally. However, overall it should be reasonably consistent given the income aspect.”*

### Underperformance analysis

This fund has specified its peer group, IA UK All Companies, as its benchmark. We currently offer the onshore share class of this fund, which was launched in 2020 and the performance analysis has been run for that specific share class, which demonstrates underperformance since launch.

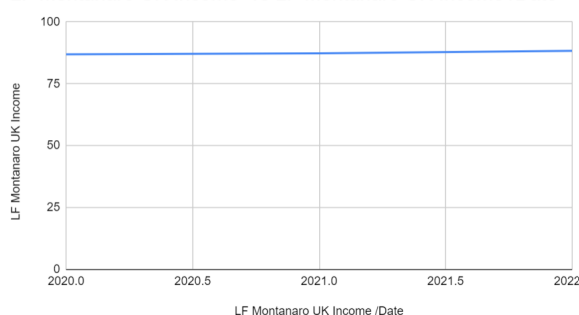
However, the fund dates back to 2006 and so we have also analysed the performance of the offshore share class, which holds the same assets as the onshore version. On this basis, the fund has actually outperformed its peer group (and therefore also benchmark) over the last 10 years. In addition, active share is high and turnover has been kept at a relatively low level overall.

The reason for offering the onshore share class in the TILLIT Universe has to do with the complexities around capital gains calculations that can sometimes relate to an offshore share class.

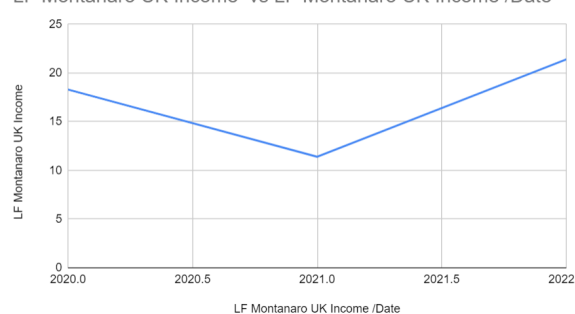
In conclusion, given the track record of the offshore share class, we believe that the managers have demonstrated their skill in outperforming over the long-term and we are happy to keep the fund in the TILLIT Universe.

|                             |                     | 31/01/2020 to 30/06/2023 (%) | 5 years (%) | 10 years (%) | 20 years (%) |
|-----------------------------|---------------------|------------------------------|-------------|--------------|--------------|
| Benchmark                   | IA UK All Companies | -16.96                       | NA          | NA           | NA           |
| Peer group                  | IA UK All Companies | -16.96                       | NA          | NA           | NA           |
| Current lead manager since  | 31/01/2020          |                              |             |              |              |
| <b>Offshore share class</b> |                     |                              |             |              |              |
| Benchmark                   | IA UK All Companies | NA                           | -2.00       | 16.64        | NA           |
| Peer group                  | IA UK All Companies | NA                           | -2.00       | 16.64        | NA           |

LF Montanaro UK Income vs LF Montanaro UK Income /Date



LF Montanaro UK Income vs LF Montanaro UK Income /Date



## Ninety One Global Total Return Credit

### The TILLIT View

*“Global corporate bond fund investing in both investment-grade and high-yield bonds. Whilst it has a global remit, it primarily invests in developed markets, with emerging markets acting more like a kicker. And it exclusively invests in US dollar-denominated emerging market bonds. Decisions are driven by bottom-up analysis rather than top-down views and the focus is on bonds that can generate a total return. The majority of the portfolio is invested in steady income generators, with a smaller part of the portfolio invested in more opportunistic areas.*

*The fund targets a positive return irrespective of the market backdrop.”*

### Underperformance analysis

This fund's specified benchmark is SONIA (30-day compounded) +4% index (previously known as LIBOR). SONIA is based on actual transactions and reflects the average interest rates that banks pay to borrow sterling from other financial institutions. Another way to think of the benchmark is simply, the interest rate received on cash +4%. So if interest rates

are at 5% then for a fund to outperform this benchmark it would have to produce a return after fees in excess of 9%.

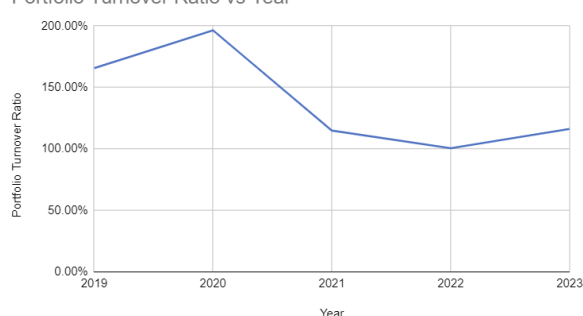
The speed at which inflation and interest rates have risen over the last few years has taken markets by surprise, and the target to outperform has gone from relatively low to rather high in a very short space of time<sup>12</sup>.

From a peer group perspective, the fund has ever so slightly outperformed over the last 5 years. However, the IA Sterling Strategic Bond is very broad and consists of funds that have very different approaches, investing across government bonds, corporate bonds, interest rates, high-yield, or derivatives. Some funds in this sector have a wide mix of assets, while others have a narrow focus. Additionally, some funds are global, while others are more UK-focused, making it difficult to make a fair comparison of returns.

On balance, we believe that the relatively short-term, 5-year underperformance against the benchmark can be explained by the current economic backdrop and we are confident in the investment philosophy and process of the fund and happy to keep it in the TILLIT Universe.

|                            |                            | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|----------------------------|-------------|--------------|--------------|
| Benchmark                  | Overnight SONIA +4%        | -17.43      | NA           | NA           |
| Peer group                 | IA Sterling Strategic Bond | 1.23        | NA           | NA           |
| Current lead manager since | 11/05/2018                 |             |              |              |

Portfolio Turnover Ratio vs Year



## Polar Capital Healthcare Trust

### The TILLIT View

*“Global healthcare investment trust investing in everything from big pharma to biotech. It can invest across the market cap spectrum and the portfolio is made up of two parts.*

- *Growth: 80% in mid and large-caps which tend to be more established companies.*

<sup>12</sup> Base rates have risen from 0.1% to 5% over the course of 18 months.

*Typically, buy and hold positions.*

- *Innovation: 20% in small and mid-caps that are driving disruptive change in everything from drug development to surgical treatment and healthcare management. Typically, opportunistic positions with the potential for long-term incubation.*

*As with other healthcare focused funds and trusts, the US dominates the regional exposure.*

*This sector tends to do well when Growth style investing is in fashion. And despite the bottom-up investment approach, politics tends to play a big part in performance as it can have a meaningful impact on the success of the underlying companies.”*

### **Underperformance analysis**

The trust has significantly underperformed its benchmark over the last 10 years, and it has also underperformed the peer group over the same period, just less so. However, it has significantly outperformed the peer group over the last 5 years (and it is tracking the benchmark over the same period). There is a clear reason for this change in fortune.

In 2017 shareholders were asked to vote on whether or not to extend the life of the investment trust, and secondly, to change the investment process to focus more on capital growth than on income. On the 20th June 2017, the company adopted a new capital growth investment policy (along with a new name). With this in mind, we have also looked at the relative performance of the trust since the changes were applied, which has demonstrably been in the best interest of shareholders.

In addition to improved performance, the active share rose from ~50% to over 75% since the changes were implemented. Turnover has also risen, partly to reflect the changes made in the portfolio, and has more recently come back down. However, in general the turnover figures suggest a relatively short-term holding time horizon.

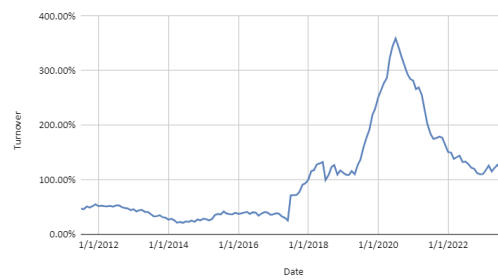
In conclusion, we are comfortable with the reasons for the outperformance and are happy to keep the trust in the TILLIT Universe, however we will discuss the turnover with the manager at future due diligence meetings.

|                            |   | 5 years (%) | 20/06/2017 to 30/06/2023 (%) | 10 years (%) | 20 years (%) |
|----------------------------|---|-------------|------------------------------|--------------|--------------|
| Benchmark                  | MSCI All Country World Index/Healthcare | 0.99        | -1.48                        | -18.6        | NA           |
| Peer group                 | IT Biotechnology & Healthcare           | 44.53       | 28.07                        | -3.27        | NA           |
| Current lead manager since | 15/06/2010                              |             |                              |              |              |

Active Share vs Date



Turnover vs Date



## Premier Miton European Sustainable Leaders

### The TILLIT View

*“This fund invests in European (excluding UK) companies that in one way or another stand out as sustainable leaders. It invests across the market cap spectrum with a bias toward mid- and small-caps. There is a clear Growth style to this fund and the managers particularly look for companies with high returns on capital. They believe this is a key metric determining quality, sustainable returns, and long-term growth.”*

*This is the sustainable version of Premier Miton European Opportunities, with a high degree of overlap of the underlying holdings. The investment philosophy of the core European fund goes hand in hand with a sustainable investment philosophy and this fund was launched in 2021 for investors who are looking for more explicit sustainable exposure. The same team runs both funds.*

*Given the Growth style of this fund, it is likely to do well when the underlying European economies are doing well, however, it may underperform if there is a cyclical rally.”*

### Underperformance analysis

The fund was launched just a couple of years ago which means there is only short-term performance data available to assess the fund on so far, which demonstrates significant underperformance against both benchmark and peer group. This could be explained by the Growth style focus of the fund, which has been hit hard in the recent rotation from Growth to Value.

Having said that, as per the TILLIT View, there is a high degree of overlap between this fund and Premier Miton European Opportunities, which uses the same benchmark and peer group and also has a longer track record. We therefore included performance analysis for this fund for additional context and this data demonstrates outperformance relative to both benchmark and peer group.

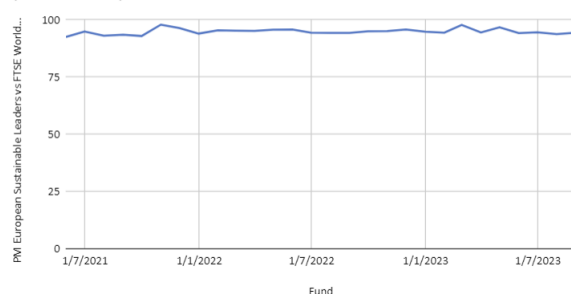
We also reviewed the active share, which has been consistently high since launch. Turnover has also fallen since launch, however it is currently higher than what we would expect to see from a long-term investment strategy and we will discuss this with the manager in upcoming due diligence meetings.



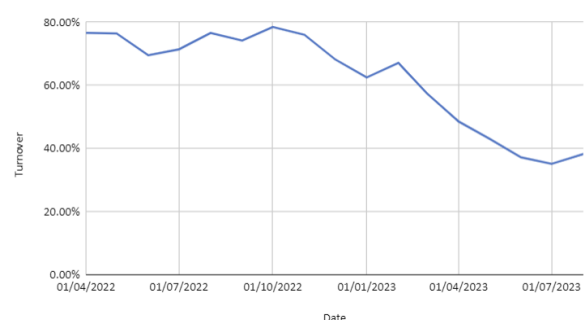
In conclusion, with the exception of the high turnover data, we believe the performance data for Premier Miton European Opportunities supports the manager's ability to outperform over longer time periods and we continue to believe it is fit for inclusion in the TILLIT Universe.

|   |                         | 10/05/2021 to 30/06/2023 (%) | 5 years (%) | 10 years (%) | 20 years (%) |
|---|-------------------------|------------------------------|-------------|--------------|--------------|
| Benchmark                                   | FTSE World Europe EX UK | -25.62                       | NA          | NA           | NA           |
| Peer group                                  | IA Europe Excluding UK  | -22.75                       | NA          | NA           | NA           |
| Current lead manager since                  | 10/05/2021              |                              |             |              |              |
| <b>Premier Miton European Opportunities</b> |                         |                              |             |              |              |
| Benchmark                                   | FTSE World Europe EX UK | NA                           | 5.17        | NA           | NA           |
| Peer group                                  | IA Europe Excluding UK  | NA                           | 13.09       | NA           | NA           |

PM European Sustainable Leaders vs FTSE World Europe ex UK (Active Share) vs Fund



Turnover vs Date



## River and Mercantile Global Recovery

### The TILLIT View

*“Global equity fund investing with a Value style approach. It is the broadest, actively managed equity fund in the TILLIT Universe with more than 400 holdings. It utilises River & Mercantile in-house ‘PVT’ process which assesses a stock’s potential based on three core factors: Potential, Valuation and Timing (PVT). The aim is to identify undervalued stocks that are out of favour with the market but with potential for recovery. It can invest across the market cap spectrum, but the manager has a preference for mid and small-caps.*”

*Given the Value tilt, this will perform well in environments where Value thrives, such as cyclical rallies. Conversely, when high quality, low-risk stocks and High Growth stocks are doing well, this is likely to underperform.”*

### Underperformance analysis

This is a Value-style fund that has chosen a recognisable broad market index to be benchmarked against. It therefore goes through periods of out- and underperformance depending on market conditions and whether they are favourable to Value as a style or not. As the data analysis shows, the fund has significantly underperformed the chosen benchmark over the last five and 10 years.

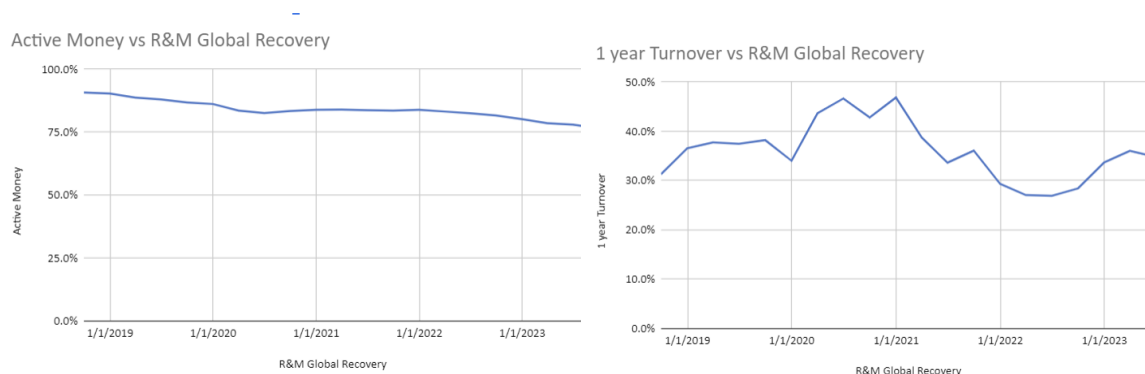
Looking at the peer group, it includes a broad range of funds investing in different styles. While the fund has underperformed peers over the last five years and is middle of the pack over the last 10 years, because of the breadth of investment styles included in the peer group, it says little about the manager's ability as a Value style fund manager.

Given the broad characteristics of the benchmark and the peer group, we have also compared performance against the Value style version of the index: MSCI ACWI Value Index. On this basis, the fund has outperformed over the last 10 years, but lagged on the last five.

Active share is relatively high, but trending downward and turnover is also relatively high. We will continue to monitor these metrics in future due diligence meetings with the manager.

While style rotation is a factor of markets, we continue to believe that this fund remains one of the best ways for Value investors to access global markets, over the long-term and we are therefore happy to keep it in the TILLIT Universe.

|                            |                                | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|--------------------------------|-------------|--------------|--------------|
| Benchmark                  | MSCI All Countries World Index | -21.41      | -15.31       | NA           |
| Peer group                 | IA Global                      | -14.29      | 0.44         | NA           |
| Alternative benchmark      | MSCI ACWI Value index          | -7.53       | 12.15        | NA           |
| Current lead manager since | 04/03/2013                     |             |              |              |



## RM Alternative Income

### The TILLIT View

*“Fund with a focus on income, designed to offer exposure to alternative assets (not equities, bonds or cash). It acts as a ‘fund of funds’ that invests in investment trusts and Real Estate Investment Trusts (REITs), which in turn invest in specialist property, infrastructure, and specialist lending (for example asset-backed securities). The fund has a global remit and most of the underlying assets are global, however most of the trusts are listed in the UK.*

*The key objective of the fund is to generate stable income with lower volatility than equities and with sustainability in mind.*

*The investment process combines top-down macroeconomic views with bottom-up fundamentals. The managers also apply negative ESG screening and report regularly on the ESG-related activity of the underlying holdings. This fund is prohibited from investing in fossil fuels.*

*Given the focus on income generating assets, in a rising interest rate environment this may struggle.”*

### Underperformance analysis

This fund does not have a specified benchmark so the performance analysis has focused on the peer group, the IA Infrastructure. In addition, the fund was launched in 2018 which means we only have 5-year figures to review. Unfortunately, the fund has underperformed the peer group since launch. This can partly be explained by significant and differentiated portfolio bets compared to the peer group, including higher exposure to UK infrastructure assets, real estate and income assets, which are yet to pay off for investors. In addition, as per the TILLIT View, this fund is expected to struggle in a rising rate environment.

For additional context, we also looked at how well it has achieved one of the key objectives of this fund, ‘to generate stable income with lower volatility’. In this context, while our analysis shows that the fund has fallen short of its annual target yield of 5% in most years since launch, it has generated a somewhat stable income for investors with lower volatility

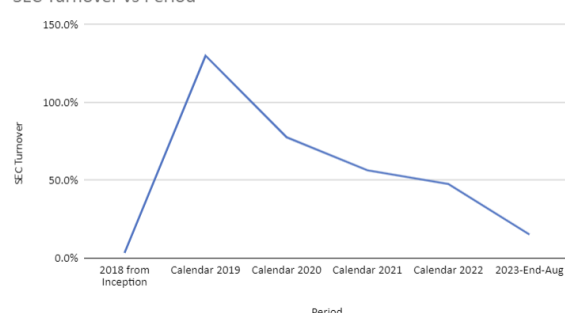
than broad equity markets (10.89% annualised volatility since launch, compared to 16.17% annualised volatility for MSCI World over the same period).

Looking at the turnover data, there was an initial spike in turnover in the first year of the fund, but has since then been on a consistent downward trajectory, in line with expectations of an infrastructure income-exposed portfolio.

While we do have some concerns about this fund, we believe that there are good reasons for the recent underperformance and we are comfortable keeping the fund in the TILLIT Universe for now. However, we will monitor it closely to ensure that the current positioning of the fund plays out favourably for investors and that performance picks up as the economic backdrop stabilises.

|                            |                   | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|-------------------|-------------|--------------|--------------|
| Benchmark                  | Not specified     | NA          | NA           | NA           |
| Peer group                 | IA Infrastructure | -5.7        | NA           | NA           |
| Current lead manager since | 08/06/2018        |             |              |              |

SEC Turnover vs Period



## The Biotech Growth Trust

### The TILLIT View

*“Investment trust investing exclusively in the biotech sector focused on companies developing and marketing cutting-edge therapeutics. The trust has a global remit, but due to the nature of the sector focus, there is a significant weighting to the US. However, Europe and increasingly, China, are other regions where the manager is finding opportunities.*

*Decisions are made on a bottom-up basis and the managers have a bias to companies whose products are approaching critical development milestones. The trust also has a small proportion invested in private companies.*

*Healthcare in general tends to perform well when Growth style investing is in fashion. However, biotech is a particularly volatile part of the healthcare market, often influenced by*

*politics and changes in regulation.”*

## Underperformance analysis

The investment trust was launched in 1997 and the current manager has been managing it since 2005. The trust has outperformed its benchmark and peer group over the last 20 years, but it has significantly struggled over the last 10 and five years.

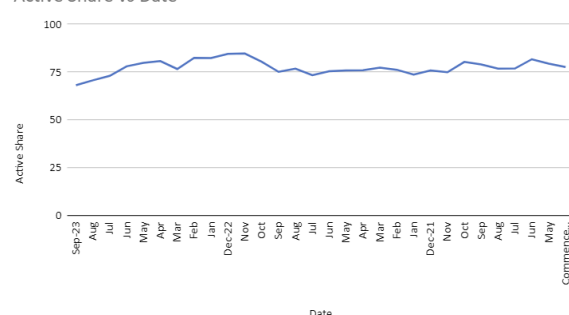
This underperformance can partly be explained by the manager’s decision to take some significant contrarian positions in the portfolio, such as owning more small-cap than large-cap stocks compared to its benchmark and peer group.

The manager has significant experience in the biotech market and has a track record of making good decisions for shareholders over the long-term. However, the scale and persistence of the five and 10-year underperformance has resulted in our Fund Selection team deciding to carry out a full review of the trust to consider whether it is still appropriate for inclusion in the TILLIT Universe.

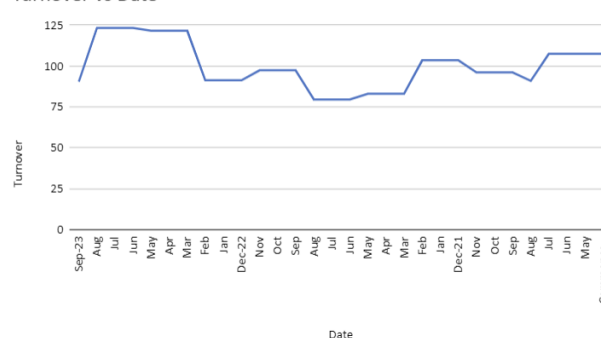
|                            |                               | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|-------------------------------|-------------|--------------|--------------|
| Benchmark                  | NASDAQ Biotechnology          | -17.98      | -26.07       | 14.56*       |
| Peer group                 | IT Biotechnology & Healthcare | -10.56      | -23.5        | 16.75        |
| Current lead manager since | 19/05/2005                    |             |              |              |

\*Data going back 19.5 years due to an issue with data from the data vendor.

Active Share vs Date



Turnover vs Date



## Trojan Ethical

### The TILLIT View

*“Concentrated multi-asset fund focused on capital preservation with an ethical screen. It invests across four areas: developed markets equities (focused on quality), developed market government bonds, gold (via physically backed Exchange Traded Commodities) and cash. There is no fixed asset allocation, instead the exposure to any single area is based on the manager’s top-down views.*

*Compared to other multi-asset funds, it is particularly concentrated, especially on the equity side. This fund is prohibited from investing in fossil fuels.*

*The focus on capital preservation means that it's likely to underperform in a risk-on environment. However, it should be a lot less volatile than other funds."*

### Underperformance analysis

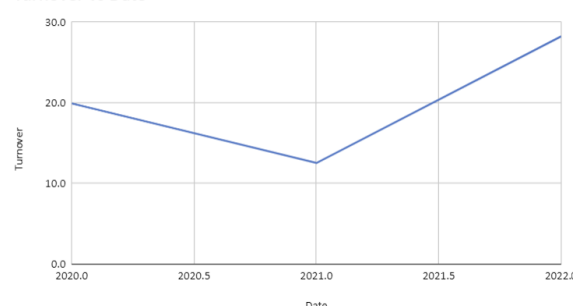
This fund was launched in 2019 and has struggled to outperform its benchmark since launch. However, it has managed to deliver an annualised return of 5.82% since launch and it has outperformed its peer group as well.

Apart from the performance track record being on the shorter-term, performance has been particularly challenged due to high inflation. For reference, the fund's benchmark, UK Retail Price Index (RPI), was up 10.7% year-on-year to June 2023. This means that it's going to be hard to catch up in the short-term. But the manager has made some contrarian decisions and taken a defensive approach in the portfolio, based on concerns over high equity valuations. As a result, the equity allocation in the fund is at its lowest since inception.

Capital preservation is at the heart of the investment philosophy for this fund and we believe the manager has positioned the fund accordingly. The peer group outperformance combined with these capital allocation decisions has reassured us that the fund should remain in the TILLIT Universe.

|                            |                        | 22/03/2019 to<br>30/06/2023 (%) | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|------------------------|---------------------------------|-------------|--------------|--------------|
| Benchmark                  | UK Retail Prices Index | -3.55                           | NA          | NA           | NA           |
| Peer group                 | IA Flexible Investment | 6.43                            | NA          | NA           | NA           |
| Current lead manager since | 22/03/2019             |                                 |             |              |              |

Turnover vs Date



## Trojan Ethical Income

### The TILLIT View

*“Equity fund investing in dividend-paying large-cap companies across developed markets with at least 60% in the UK. The fund is relatively concentrated with a clear focus on defensive quality Growth, topped with an ethical screening criteria. The manager looks for high quality companies, defined by a strong balance sheet, high returns on capital and shareholder friendly governance structures and policies. This fund is prohibited from investing in fossil fuels.*

*As with many other quality Growth focused funds, it is likely to struggle in a cyclical rally, but the income element should lead to relatively smooth performance over time.”*

### Underperformance analysis

This is a benchmark agnostic fund and its specified benchmark, UK All Share, is merely used for investors to compare the returns of the portfolio against. In this respect, the fund has underperformed the benchmark significantly since inception.

The fund's peer group is the IA Unclassified, which the Investment Association defines as ‘Funds which do not want to be classified into other Investment Association sectors, such as private funds or funds which have been removed from other Investment Association sectors due to non-compliance.’ This sector is a hodgepodge of different funds that can invest in a wide range of styles and even asset classes, which means that performance data is fairly meaningless as a measure to judge the manager’s skill.

To remedy this, and with the aim of providing some more relevant context to the performance, we compared it against the IA UK Equity Income peer group instead. On this basis, it outperformed over the last five years, and just slightly underperformed since launch.

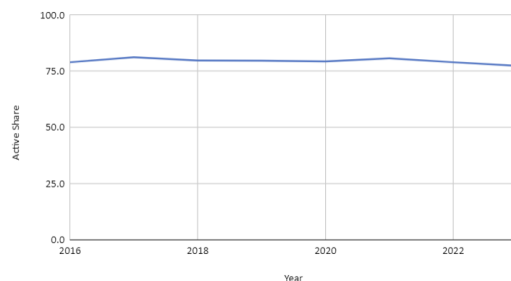
On a separate note, active share has remained high over the past five years and while turnover has picked up more recently, it remains relatively low at 30%.

In conclusion, while it has underperformed its specified benchmark and peer group over the last decade, we believe these are sufficiently different to be judging the fund against in isolation. And while it only outperformed the more appropriate alternative peer group over the last five years, we believe there is a sufficiently strong investment philosophy, process and team behind the fund to warrant continued inclusion in the TILLIT Universe.

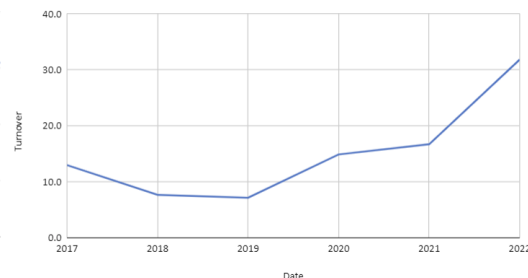
|            |                 | 5 years (%) | 06/01/2016 to 30/06/2023 (%) | 10 years (%) | 20 years (%) |
|------------|-----------------|-------------|------------------------------|--------------|--------------|
| Benchmark  | FTSE All Share  | -0.81       | -15.25                       | NA           | NA           |
| Peer group | IA Unclassified | -1.11       | -5.33                        | NA           | NA           |

|                            |                     |      |       |    |    |
|----------------------------|---------------------|------|-------|----|----|
| Current lead manager since | 06/01/2016          |      |       |    |    |
| Alternative peer group     | IA UK Equity Income | 4.64 | -1.80 | NA | NA |

Active Share vs Year



Turnover vs Date



## Worldwide Healthcare Trust

### The TILLIT View

*“Investment trust investing exclusively in the healthcare sector, focused on companies developing and marketing novel therapeutics. The trust has a global remit, but due to the nature of the sector focus, there is a significant weighting to the US. The trust invests across the healthcare industry including big pharma, biotech and devices. Decisions are made on a bottom-up basis and the managers have a bias to companies whose products are approaching critical development milestones. The trust also has a small proportion invested in unlisted companies.*

*This sector tends to do well when Growth style investing is in fashion. And despite the bottom-up investment approach, politics tends to play a big part in performance as it can have a meaningful impact on the success of the underlying companies.”*

### Underperformance analysis

This trust has significantly underperformed its specified benchmark over the last 5 years and just slightly over the last 10 years. However, it has meaningfully outperformed the peer group over the same timeframes. The explanation for this can be found in the composition of the benchmark and some key market dynamics in the biotech space.

In 2021, the trust made a decision to invest heavily in biotech and double its exposure to the sub-sector compared to the benchmark. This decision has weighed significantly on the 5-year returns and started to eat into the 10-year returns as well due to the persistent underperformance of the biotech sector in recent years. This may be partly explained by rapidly rising interest rates which has hit the sector hard.

Compared to the peer group however, the trust has done very well, which is a reflection of the rest of the peer group making similar bets in biotech. A critical interpretation of the results could be that this trust is simply a good option out of a struggling cohort.



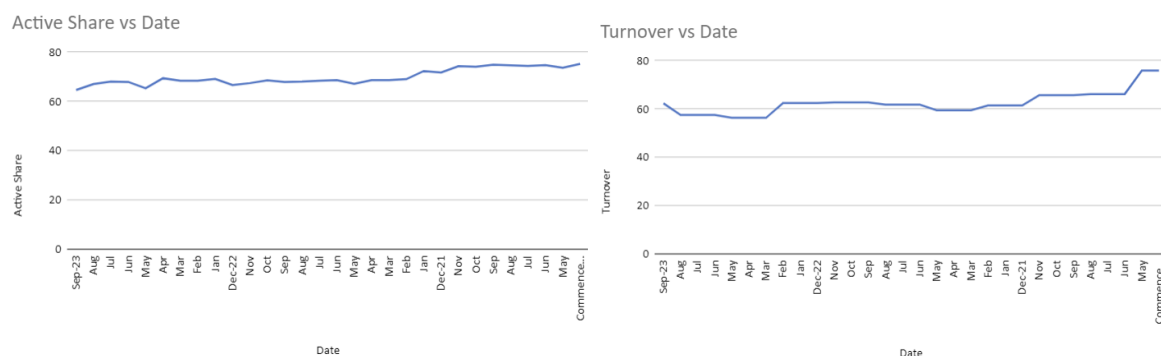
This is further validated by analysis of the performance from 2013 to 2021, during which the trust significantly outperformed the benchmark (but less so compared to the peer group).

Active share has been relatively high for the trust and trending upwards (partly due to recent positioning), however portfolio turnover has been very high of late and something we will discuss with the manager at upcoming due diligence meetings.

In conclusion, we have faith in the manager's ability to position the portfolio in a way that enables it to generate decent returns for investors over the long-term, albeit with a lot of volatility in the short-term. Therefore, while there are conversations to be had with the manager about the investment process, we are comfortable with keeping the trust in the TILLIT Universe for now.

|                            |                               | 5 years (%) | 10 years (%) | 20 years (%) |
|----------------------------|-------------------------------|-------------|--------------|--------------|
| Benchmark                  | MSCI World Healthcare         | -27.72      | -1.98        | NA*          |
| Peer group                 | IT Biotechnology & Healthcare | 6.73        | 20.38        | -9.46        |
| Current lead manager since | 28/05/1995                    |             |              |              |

\*The trust changed benchmark in 2010



## Conclusion

The report shows that a significant proportion of funds in the TILLIT Universe have outperformed their benchmarks and peer groups, after fund charges. This demonstrates the expertise and skill of our Fund Selection team and Investment Committee in delivering good outcomes for customers.

Furthermore, the long-term track records of many funds in the TILLIT Universe showcase their ability to navigate changing market conditions and deliver returns for investors in excess of fees, benchmarks and peers. The fact that a majority of fund managers have been managing the assets of their funds since launch is a testament to their experience and dedication.

However, the results are not perfect and following some in depth analysis of the underperforming funds, there are a handful of funds which have raised concern and have been selected for a full review, with the potential of exclusion from the TILLIT Universe.

We hope that the transparency and insights this report offers helps our customers get a better understanding of the drivers of underperformance, the complexities of benchmark selection and the impact of time horizon on returns.

As a curated platform of active and passive funds where our customers trust us to offer best-in-class investment options across asset classes, regions and styles, it is crucial that we hold ourselves accountable. The TILLIT Annual Performance Report 2023 plays a key part in this and the transparency of the findings is equally important. It enables us to address concerns in a timely manner with funds that are not meeting expectations, learn and improve our fund selection process, and ultimately: build trust with our customers.

## Appendix

Results of £1,000 invested over 20 years (only instruments with a 20-year track record listed)

| Active/passive | Instrument name                             | Value at 30/06/2023 | Annualised return |
|----------------|---|---------------------|-------------------|
| Active         | Scottish Mortgage Investment Trust          | £17,449             | 15.4%             |
| Active         | AXA Framlington Global Technology           | £15,087             | 14.5%             |
| Passive        | L&G Global Technology Index                 | £13,118             | 13.7%             |
| Active         | European Opportunities Trust                | £12,332             | 13.4%             |
| Active         | Montanaro European Smaller Companies Trust  | £11,624             | 13.0%             |
| Active         | Rathbone Global Opportunities               | £11,568             | 13.0%             |
| Active         | JPMorgan Emerging Markets Investment Trust  | £11,081             | 12.8%             |
| Active         | The Biotech Growth Trust                    | £10,932             | 12.7%             |
| Active         | Finsbury Growth & Income Trust              | £10,307             | 12.4%             |
| Active         | Pacific Assets Trust                        | £9,723              | 12.0%             |
| Active         | AXA Framlington Biotech                     | £8,606              | 11.4%             |
| Active         | Polar Capital Global Insurance              | £8,066              | 11.0%             |
| Active         | Worldwide Healthcare Trust                  | £7,877              | 10.9%             |
| Active         | TR Property Investment Trust                | £7,735              | 10.8%             |
|                | <b>S&amp;P 500 TR in GB</b>                 | <b>£7,627</b>       | <b>10.7%</b>      |
| Active         | Baillie Gifford Japan Trust                 | £7,389              | 10.5%             |
| Active         | AVI Global Trust                            | £7,255              | 10.4%             |
| Active         | Janus Henderson Global Sustainable Equity * | £7,086              | 10.3%             |
| Active         | JPM Asia Growth                             | £7,072              | 10.3%             |
| Passive        | L&G Global Health & Pharmaceuticals Index   | £6,864              | 10.1%             |
| Active         | Fidelity European                           | £6,777              | 10.0%             |
| Active         | Janus Henderson European Focus              | £6,590              | 9.9%              |
|                | <b>MSCI World TR in GB</b>                  | <b>£6,316</b>       | <b>9.7%</b>       |
| Active         | GLG Japan Core Alpha *                      | £6,059              | 9.4%              |
| Active         | Aberforth Smaller Companies Trust           | £5,829              | 9.2%              |
| Active         | Pantheon International                      | £5,507              | 8.9%              |
| Passive        | HSBC FTSE 250 Index                         | £5,409              | 8.8%              |
| Active         | Baillie Gifford Managed                     | £5,280              | 8.7%              |
| Active         | Invesco UK Opportunities                    | £5,076              | 8.5%              |
| Passive        | HSBC European Index                         | £4,972              | 8.3%              |
| Passive        | Fidelity Index UK                           | £3,897              | 7.0%              |
| Active         | M&G Emerging Markets Bond                   | £3,493              | 6.5%              |
| Passive        | HSBC Japan Index                            | £3,484              | 6.4%              |
| Active         | FTF Martin Currie UK Equity Income          | £3,085              | 5.8%              |
| Active         | M&G Global Macro Bond                       | £2,482              | 4.7%              |
| Active         | Janus Henderson Strategic Bond              | £2,369              | 4.4%              |
|                | <b>FE UK Property Proxy TR in GB</b>        | <b>£2,109</b>       | <b>3.8%</b>       |
| Passive        | Vanguard US Government Bond Index           | £2,056              | 3.7%              |
| Active         | Rathbone Ethical Bond                       | £2,035              | 3.6%              |
| Active         | Allianz Strategic Bond                      | £2,017              | 3.6%              |
| Passive        | L&G All Stocks Gilt Index                   | £1,528              | 2.1%              |
|                | <b>Moneyfacts 90 Days Notice 10K in GB</b>  | <b>£1,384</b>       | <b>1.6%</b>       |

Results of £1,000 invested over 10 years (only instruments with a 10-year track record listed)

| Active/ passive | Instrument name  | Value at 30/06/2023 | Annualised return |
|-----------------|--|---------------------|-------------------|
| Passive         | L&G Global Technology Index                                | £6,656              | 20.9%             |
| Active          | AXA Framlington Global Technology                          | £5,597              | 18.8%             |
| Active          | Scottish Mortgage Investment Trust                         | £4,418              | 16.0%             |
| Active          | VinaCapital Vietnam Opportunity                            | £3,927              | 14.7%             |
| Passive         | Fidelity Index US  | £3,738              | 14.1%             |
|                 | <b>S&amp;P 500 TR in GB</b>                                | <b>£3,665</b>       | <b>13.9%</b>      |
| Active          | DeLisle America  | £3,327              | 12.8%             |
| Active          | Rathbone Global Opportunities                              | £3,302              | 12.7%             |
| Active          | Janus Henderson Global Sustainable Equity                  | £3,257              | 12.5%             |
| Active          | CTUS Equity Income*  | £3,219              | 12.4%             |
| Active          | Polar Capital Global Insurance                             | £3,121              | 12.1%             |
| Active          | Montanaro European Smaller Companies Trust                 | £3,083              | 11.9%             |
| Active          | Fidelity China Special Situations                          | £2,927              | 11.3%             |
| Passive         | L&G Global Health & Pharmaceuticals Index                  | £2,917              | 11.3%             |
| Active          | Worldwide Healthcare Trust                                 | £2,901              | 11.2%             |
| Passive         | Fidelity Index World                                       | £2,898              | 11.2%             |
|                 | <b>MSCI World TR in GB</b>                                 | <b>£2,868</b>       | <b>11.1%</b>      |
| Active          | Matthews China Smaller Companies*                          | £2,731              | 10.6%             |
| Active          | AXA Framlington Biotech                                    | £2,726              | 10.5%             |
| Active          | Heriot Global  | £2,665              | 10.3%             |
| Active          | River and Mercantile UK Listed Smaller Companies*          | £2,621              | 10.1%             |
| Active          | Fidelity European  | £2,559              | 9.9%              |
| Active          | Pantheon International                                     | £2,539              | 9.8%              |
| Active          | Pacific Assets Trust                                       | £2,508              | 9.6%              |
| Active          | Janus Henderson European Focus                             | £2,489              | 9.5%              |
| Passive         | Vanguard Global Small Cap Index                            | £2,454              | 9.4%              |
| Active          | Polar Capital Global Healthcare Trust                      | £2,432              | 9.3%              |
| Active          | Baillie Gifford Japan Trust                                | £2,413              | 9.2%              |
| Active          | River and Mercantile Global Recovery*                      | £2,376              | 9.0%              |
| Active          | AMI Global Trust   | £2,367              | 9.0%              |
| Active          | JPM Asia Growth  | £2,352              | 8.9%              |
| Active          | Finsbury Growth & Income Trust                             | £2,240              | 8.4%              |
| Active          | GLG Japan Core Alpha*                                      | £2,233              | 8.4%              |
| Passive         | HSBC Europe Index  | £2,212              | 8.3%              |
| Active          | JPMorgan Emerging Markets Investment Trust                 | £2,139              | 7.9%              |
| Active          | Baillie Gifford Managed                                    | £2,065              | 7.5%              |
| Active          | European Opportunities Trust                               | £2,045              | 7.4%              |
| Passive         | HSBC Japan Index   | £2,012              | 7.2%              |
| Active          | Invesco UK Opportunities                                   | £2,003              | 7.2%              |
| Active          | BlackRock Frontiers Investment Trust                       | £1,947              | 6.9%              |
| Active          | The Biotech Growth Trust                                   | £1,923              | 6.8%              |
| Active          | TRI Property Investment Trust                              | £1,913              | 6.7%              |
| Active          | FTF Martin Currie UK Equity Income                         | £1,881              | 6.5%              |
| Active          | Premier Miton UK Multi Cap Income                          | £1,877              | 6.5%              |
| Active          | JO Hambro UK Dynamic                                       | £1,870              | 6.5%              |
| Active          | Aberforth Smaller Companies Trust                          | £1,863              | 6.4%              |
| Active          | JPM Emerging Markets Income                                | £1,818              | 6.2%              |
| Passive         | Vanguard LifeStrategy 60% Equity                           | £1,807              | 6.1%              |
| Active          | Montanaro UK Income  | £1,720              | 5.6%              |
|                 | <b>Oboe UK All Companies TR in GB</b>                      | <b>£1,719</b>       | <b>5.6%</b>       |
| Active          | AXA Framlington UK Mid Cap                                 | £1,698              | 5.4%              |
| Passive         | iShares Emerging Markets Equity Index                      | £1,697              | 5.4%              |
| Passive         | Fidelity Index UK  | £1,697              | 5.4%              |
| Active          | Schroder Global Cities Real Estate                         | £1,690              | 5.4%              |
| Active          | M&G Emerging Markets Bond                                  | £1,687              | 5.4%              |
| Passive         | HSBC FTSE 250 Index  | £1,631              | 5.0%              |
| Active          | Fidelity Global Property                                   | £1,602              | 4.8%              |
| Active          | International Public Partnership                           | £1,597              | 4.8%              |
|                 | <b>FEUK Property Proxy TR in GB</b>                        | <b>£1,507</b>       | <b>4.2%</b>       |
| Passive         | Vanguard FTSE UK Equity Income Index                       | £1,500              | 4.1%              |
| Active          | Ruffer Investment Company                                  | £1,395              | 3.4%              |
| Passive         | Invesco Physical Silver ETC                                | £1,391              | 3.4%              |
| Active          | Rathbone Ethical Bond                                      | £1,378              | 3.3%              |
| Passive         | Vanguard LifeStrategy 20% Equity                           | £1,306              | 2.7%              |
| Passive         | Vanguard US Government Bond Index                          | £1,269              | 2.4%              |
| Active          | M&G Global Macro Bond                                      | £1,256              | 2.3%              |
| Active          | Allianz Strategic Bond                                     | £1,241              | 2.2%              |
| Active          | Jupiter Strategic Bond                                     | £1,218              | 2.0%              |
| Active          | Janus Henderson Strategic Bond*                            | £1,216              | 2.0%              |
| Active          | AXA ACT Carbon Transition Sterling Buy and Maintain Credit | £1,208              | 1.9%              |
|                 | <b>Moneyfacts 90 Days Notice 10K in GB</b>                 | <b>£1,085</b>       | <b>0.8%</b>       |
| Passive         | L&G All Stocks Gilt Index                                  | £998                | 0.0%              |

## Results of £1,000 invested over 5 years (only instruments with a 5-year track record listed)

| Active/passive | Instrument name  | Value at 30/06/2023 | Annualised return |
|----------------|--|---------------------|-------------------|
| Active         | Pershing Square Holdings                                   | £2,861              | 23.4%             |
| Passive        | L&G Global Technology Index                                | £2,428              | 19.4%             |
| Active         | Baillie Gifford Positive Change                            | £1,981              | 14.6%             |
| Active         | AXA Framlington Global Technology                          | £1,961              | 14.4%             |
| Passive        | Fidelity Index US  | £1,796              | 12.4%             |
|                | <b>S&amp;P 500 TR in GB</b>                                | <b>£1,766</b>       | <b>12.0%</b>      |
| Active         | CT US Equity Income *                                      | £1,723              | 11.5%             |
| Active         | Artemis US Extended Alpha                                  | £1,723              | 11.5%             |
| Active         | Janus Henderson Global Sustainable Equity                  | £1,697              | 11.2%             |
| Active         | VinaCapital Vietnam Opportunity                            | £1,677              | 10.9%             |
| Active         | De Lisle America   | £1,614              | 10.0%             |
| Active         | Blue Whale Growth  | £1,603              | 9.9%              |
| Passive        | Fidelity Index World                                       | £1,593              | 9.8%              |
| Active         | Polar Capital Global Insurance                             | £1,590              | 9.7%              |
| Passive        | Invesco Physical Silver ETC                                | £1,586              | 9.7%              |
|                | <b>MSCI World TR in GB</b>                                 | <b>£1,577</b>       | <b>9.5%</b>       |
| Active         | Rathbone Global Opportunities                              | £1,568              | 9.4%              |
| Active         | Polar Capital Healthcare Trust                             | £1,566              | 9.4%              |
| Active         | Heriot Global  | £1,553              | 9.2%              |
| Active         | Montanaro Montanaro European Smaller Companies Trust       | £1,547              | 9.1%              |
| Active         | Premier Miton European Opportunities                       | £1,525              | 8.8%              |
| Active         | Fidelity European  | £1,520              | 8.7%              |
| Passive        | L&G Global Health & Pharmaceuticals                        | £1,512              | 8.6%              |
| Active         | Fidelity Asia Pacific Opportunities                        | £1,511              | 8.6%              |
| Active         | Janus Henderson European Focus                             | £1,472              | 8.0%              |
| Active         | Pacific Assets Trust                                       | £1,421              | 7.3%              |
| Active         | Scottish Mortgage Investment Trust                         | £1,410              | 7.1%              |
| Active         | AVI Global Trust   | £1,395              | 6.9%              |
| Active         | Artemis US Smaller Companies                               | £1,395              | 6.9%              |
| Active         | Jupiter Gold And Silver                                    | £1,392              | 6.8%              |
| Passive        | HSBC Europe Index  | £1,376              | 6.6%              |
| Active         | Invesco UK Opportunities                                   | £1,360              | 6.3%              |
| Passive        | L&G Global Infrastructure Index                            | £1,338              | 6.0%              |
| Active         | AXA Framlington Biotech                                    | £1,328              | 5.8%              |
| Active         | JPM Emerging Markets Income                                | £1,326              | 5.8%              |
| Active         | JPMorgan Emerging Markets Investment Trust                 | £1,315              | 5.6%              |
| Passive        | Vanguard Global Small Cap Index                            | £1,306              | 5.5%              |
| Active         | Pantheon International                                     | £1,292              | 5.3%              |
| Active         | GLG Japan Core Alpha *                                     | £1,287              | 5.2%              |
| Active         | Alquity Indian Subcontinent *                              | £1,270              | 4.9%              |
| Active         | River and Mercantile Global Recovery *                     | £1,268              | 4.9%              |
| Active         | FSSA Global Emerging Markets Focus                         | £1,267              | 4.8%              |
| Active         | Baillie Gifford Managed                                    | £1,266              | 4.8%              |
| Active         | FSSA Asia Focus  | £1,258              | 4.7%              |
| Active         | Ruffer Investment Company                                  | £1,257              | 4.7%              |
| Active         | RM Alternative Income *                                    | £1,219              | 4.0%              |
| Active         | JPM Asia Growth  | £1,219              | 4.0%              |
| Active         | Finsbury Growth & Income Trust                             | £1,213              | 3.9%              |
| Passive        | Vanguard LifeStrategy 60% Equity                           | £1,207              | 3.8%              |
| Passive        | HSBC Japan Index   | £1,203              | 3.8%              |
| Active         | FTF Martin Currie UK Equity Income                         | £1,192              | 3.6%              |
| Active         | BlackRock Frontiers Investment Trust                       | £1,190              | 3.5%              |
| Active         | Matthews China Smaller Companies *                         | £1,189              | 3.5%              |
| Active         | River and Mercantile UK Smaller Companies *                | £1,180              | 3.4%              |
| Passive        | Fidelity Index Pacific ex Japan                            | £1,178              | 3.3%              |
|                | <b>Cboe UK All Companies TR in GB</b>                      | <b>£1,177</b>       | <b>3.3%</b>       |
| Passive        | Fidelity Index UK  | £1,177              | 3.3%              |
| Active         | Trojan Ethical Income *                                    | £1,159              | 3.0%              |
| Active         | M&G Emerging Markets Bond                                  | £1,144              | 2.7%              |
| Passive        | iShares Emerging Markets Equity Index                      | £1,144              | 2.7%              |
| Active         | Worldwide Healthcare Trust                                 | £1,143              | 2.7%              |
| Active         | J O Hambro UK Dynamic                                      | £1,141              | 2.7%              |
| Active         | Schroder Global Cities Real Estate                         | £1,138              | 2.6%              |
| Passive        | Vanguard FTSE UK Equity Income Index                       | £1,135              | 2.6%              |
| Active         | BNY Mellon Sustainable Real Return                         | £1,121              | 2.3%              |
| Active         | Liontrust Sustainable Future Defensive Managed             | £1,104              | 2.0%              |
| Active         | Aberforth Smaller Companies Trust                          | £1,074              | 1.4%              |
| Active         | Allianz Strategic Bond                                     | £1,073              | 1.4%              |
| Active         | Fidelity China Special Situations                          | £1,065              | 1.3%              |
| Active         | International Public Partnership                           | £1,054              | 1.1%              |
| Active         | Ninety One Global Total Return Credit                      | £1,054              | 1.1%              |
|                | <b>Moneyfacts 90 Days Notice 10K in GB</b>                 | <b>£1,048</b>       | <b>1.0%</b>       |
| Passive        | L&G Global Real Estate Dividend Index                      | £1,048              | 0.9%              |
| Active         | Premier Miton UK Multi Cap Income                          | £1,041              | 0.8%              |
| Passive        | Vanguard US Government Bond Index                          | £1,035              | 0.7%              |
| Passive        | HSBC FTSE 250 Index  | £1,030              | 0.6%              |
| Active         | M&G Global Macro Bond                                      | £1,029              | 0.6%              |
|                | <b>FE UK Property Proxy TR in GB</b>                       | <b>£1,027</b>       | <b>0.5%</b>       |
| Active         | Montanaro UK Income  | £1,023              | 0.5%              |
| Active         | Fidelity Global Property                                   | £1,022              | 0.4%              |
| Passive        | Vanguard LifeStrategy 20% Equity                           | £1,021              | 0.4%              |
| Active         | Rathbone Ethical Bond                                      | £1,018              | 0.4%              |
| Active         | Jupiter Strategic Bond                                     | £1,002              | 0.0%              |
| Active         | European Opportunities Trust                               | £997                | -0.1%             |
| Active         | The Biotech Growth Trust                                   | £993                | -0.1%             |
| Active         | AXA Framlington UK Mid Cap                                 | £990                | -0.2%             |
| Active         | Janus Henderson Strategic Bond *                           | £988                | -0.2%             |
| Active         | Baillie Gifford Japan Trust                                | £949                | -1.0%             |
| Active         | AXA ACT Carbon Transition Sterling Buy and Maintain Credit | £946                | -1.1%             |
| Active         | Supermarket Income REIT                                    | £935                | -1.3%             |
| Active         | Alquity Future World *                                     | £914                | -1.8%             |
| Active         | TR Property Investment Trust                               | £825                | -3.8%             |
| Passive        | L&G All Stocks Gilt Index                                  | £813                | -4.1%             |

Results of £1,000 invested since inception in funds with a track record less than 5 years  
(only instruments a track record shorter than 5 years listed)

| Active/passive | Instrument   | Value at 30/06/2023 | Launch date |
|----------------|--|---------------------|-------------|
| Passive        | Invesco CoinShares Global Blockchain                     | £1,821              | 8/3/2019    |
| Active         | ES AllianceBernstein Concentrated US Equity              | £1,591              | 13/3/2020   |
| Active         | Lightman European  | £1,463              | 29/3/2019   |
| Active         | Ninety One UK Sustainable Equity                         | £1,361              | 14/12/2018  |
| Passive        | Vanguard ESG Developed World All Cap Equity Index        | £1,355              | 9/6/2020    |
| Active         | Trojan Ethical   | £1,281              | 28/2/2020   |
| Active         | Federated Hermes Global Emerging Markets SMID Equity     | £1,228              | 26/9/2018   |
| Active         | Artemis US Smaller Companies Hedged                      | £1,213              | 14/5/2019   |
| Active         | BlackRock MyMap 4  | £1,170              | 28/5/2019   |
| Active         | VT De Lisle America Hedged                               | £1,133              | 22/8/2022   |
| Passive        | HAN The Royal Mint Responsibly Sourced Physical Gold ETC | £1,113              | 12/2/2020   |
| Active         | First Sentier Responsible Listed Infrastructure          | £1,096              | 8/2/2021    |
| Active         | BlackRock MyMap 3  | £1,058              | 28/5/2019   |
| Active         | Schroder Global Energy Transition                        | £1,048              | 8/12/2020   |
| Active         | Artemis Corporate Bond                                   | £978                | 30/10/2019  |
| Active         | TB Amati Strategic Metals                                | £933                | 1/3/2021    |
| Active         | Premier Miton European Sustainable Leaders               | £853                | 10/5/2021   |
| Passive        | Fidelity Index Sterling Corporate Bond                   | £823                | 26/8/2020   |



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