

## Quarterly Fund Update VT PEF Global Multi-Asset

Q4 2018

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*As a reminder - our quarterly updates correspond to calendar quarters. - this update covers the period from the 1st of October to the 31st of December, 2018.*

The last quarter of 2018 was characterised by significant weakness across many financial markets globally. In equity markets, there was essentially nowhere to hide, with the US, Europe, UK, Japan and emerging markets all enduring sharp falls and value, large cap, small cap, growth and so on all in the same boat. Through the quarter, markets fell anywhere from about 7.5% (MSCI EM) to as much as approaching or beyond 20% (Japan and China). The S&P 500 was down 13.5%. A broad basket of commodities was down nearly 10% - driven in large part by a sharp fall in the price of oil (the largest component of many commodity indices).

A meaningful proportion of these falls came in December. It is pleasing, therefore, that our signals caused us to sell out of 80% of our developed market equity positions at the beginning of November, meaning that we were well clear by the time the real damage was done in equity markets later that month and into the worst December for some years. We also sold out of our High Yield bond position at the beginning of November and European and Asian property (having sold out of UK property the month before in early October). It is also worth noting that the fund bought back into gold in the first week of December, having been out of it since the beginning of July. As ever, I would remind you that you can see all of these moves and changes represented graphically on the [funds section](#) of our website.

Overall, our trades during the quarter meant that the fund had 13 out of 24 silos in cash by the end of the year. The Fund's NAV on the 1st of October was 97.92 and we ended the year at 94.27 - implying a fall of 3.73% in the quarter. This clearly compares favourably in terms of downside protection for our investors vs. what much of the rest of the world was doing - as highlighted above.

As I said in a [recent opinion piece](#) commenting on the whole of 2018: “We can see that our trend following methodology has provided downside protection in a very negative year. It is also designed to respond accordingly when an uptrend reasserts itself...”. I think that the way the strategy behaved in the fourth quarter in particular demonstrates how effective that downside protection can be – even during extremely difficult market conditions.

A handwritten signature in black ink that reads "Andrew Craig". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Andrew Craig  
Investment Manager