



### Capital at risk

All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

### Fund details

<b>Umbrella</b>	Index Selection Fund
<b>Domicile</b>	Dublin
<b>Fund structure</b>	UCITS
<b>Fund inception date</b>	13 September 2007
<b>Unit class inception</b>	14 May 2013
<b>Benchmark</b>	3m GBP cash
<b>Total Fund size (m)</b>	£340 million
<b>Leverage (as a % of fund capital)</b>	221%
<b>Minimum initial investment</b>	£1 million
<b>Min. subsequent investment</b>	£100,000
<b>Fees</b>	Available on request
<b>Available unit classes</b>	Accumulating and Distributing
<b>Administrator</b>	JP Morgan Administrator Services (Dublin) Limited
<b>Liquidity</b>	Daily
<b>Dealing deadline</b>	Before 10:00am (UK time) on Dealing Day
<b>Settlement</b>	T+3
<b>ISIN</b>	IE00B7WF0L28
<b>Bloomberg</b>	BGIMAEG
<b>SEDOL</b>	B7WF0L2

Fund	
Annualised volatility – ITD	8.54%

### Fund overview

The Fund seeks to provide a total return, taking into account both capital and income returns over the long term. This objective will be effected through strategic exposure to multiple asset classes which, through diversification, is expected to generate growth with comparatively lower risk than exposure to worldwide equities alone. Diversification and asset allocation may not fully protect from market risk.

The Fund is actively managed and the Investment Manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The 3-Month Sterling Overnight Indexed Average (SONIA) Index should be used by investors to compare the performance of the Fund.

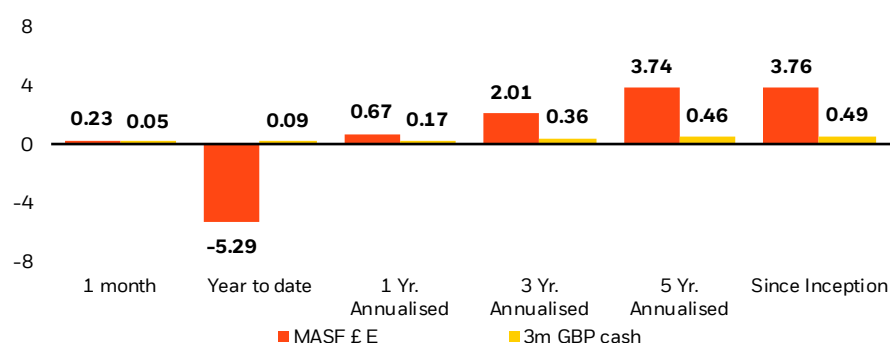
### Key benefits

- Diversification through strategic exposure to multiple asset classes including equities, fixed income, property companies and commodities globally.
- Targets comparatively lower risk than investing in worldwide equities alone.
- Managed exposure during extreme market conditions and reduced downside risk. While the investment approach seeks to control risk, risk cannot be eliminated.

### Key risks are highlighted at the base of this page.

NET total returns in GBP (%)	14/05/2013 – 31/12/2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Fund</b>	-5.81%	11.52%	-3.16%	10.31%	11.63%	-6.13%	20.80%	0.85%	2.32%
<b>Benchmark</b>	0.35%	0.55%	0.57%	0.50%	0.36%	0.73%	0.81%	0.29%	0.09%

### % returns GBP

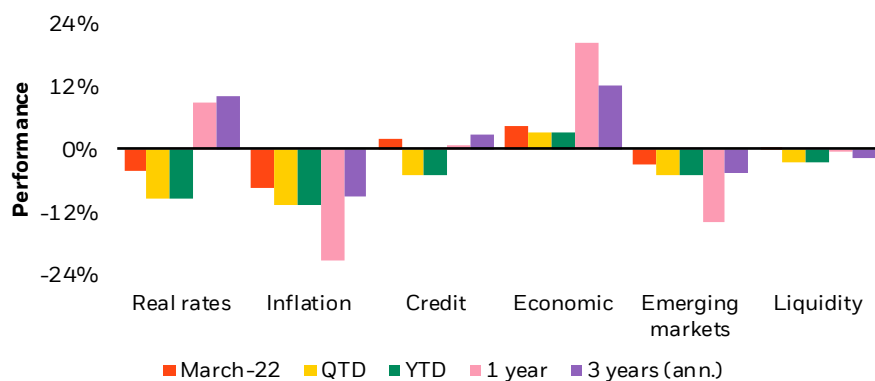


The figures shown relate to past performance. Past Performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Source: BlackRock. Performance shown as at 31 March 2022, for the E (S9) share class, in GBP on a NAV prices basis with income re-invested. Performance figures are calculated net of annual fees and expenses. Risk is defined as an annual standard deviation of monthly returns. The strategy in this fund was launched on 31/03/2009. The share class was launched on 14 May 2013. Ahead of the retirement of LIBOR, the performance benchmark switched GBP reference rate from LIBOR to SONIA on 29/11/2021.

### Key risks

- Credit risk, changes to interest rates and/or issuer defaults will have a significant impact on the performance of fixed income securities. Potential or actual credit rating downgrades may increase the level of risk.
- The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.
- Derivatives are highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.
- Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.
- Credit Risk: The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.
- Liquidity Risk: Lower liquidity means there are insufficient buyers or sellers to allow the Fund to sell or buy investments readily.

## Risk Factor Performance – March, 3 months, YTD, 1 year and 3 years (ann.)<sup>1,2</sup>



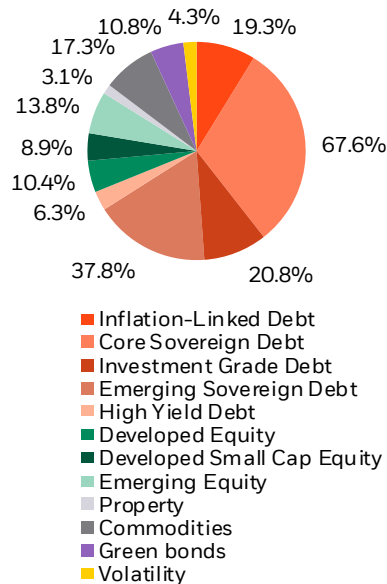
<sup>1</sup> Please refer to page 1 for more information about Fund performance

<sup>2</sup> Risk Factor returns based on BlackRock proprietary model. This may not match the performance attribution of the fund due to differences in the underlying holdings.

Source: BlackRock as of 31 March 2022

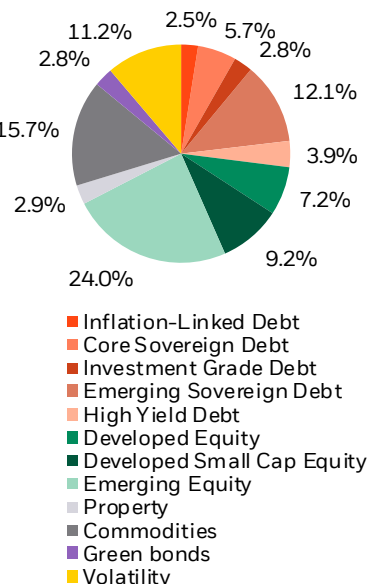
## Capital allocation

(31 March 2022)



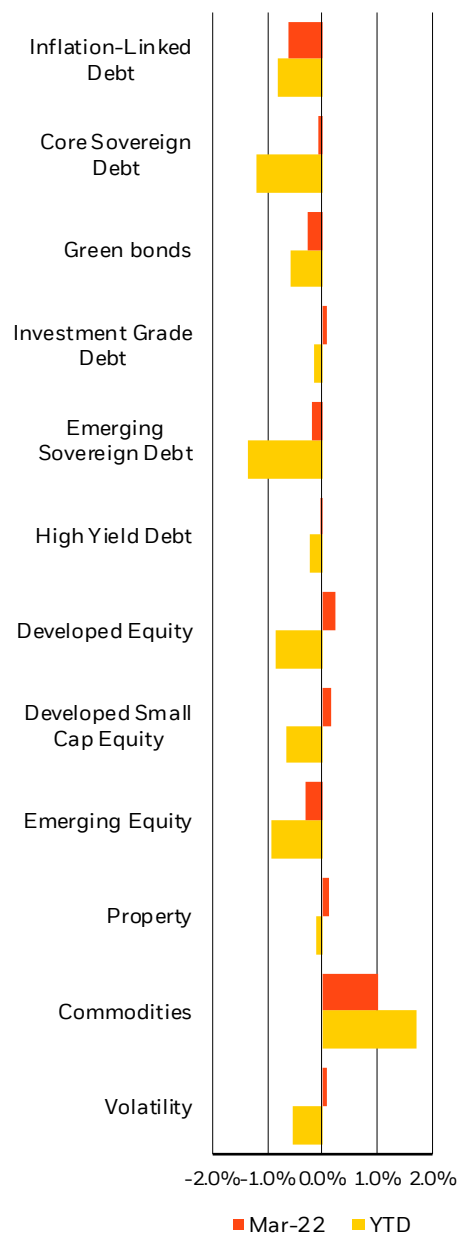
## Risk allocation

(31 March 2022)



Source: BlackRock as of 31 March 2022. Numbers may not add up to 100% due to rounding.

## Performance attribution as of 31 March 2022



Source: BlackRock as of 31 March 2022

## Market review

The year started off with continued inflationary surprises which led investors to increase their expectations for central banks to hike interest rates faster and more than previously thought. That environment continued into February until it was soon overshadowed by the build-up and ensuing invasion of Russia into Ukraine which has led to public condemnation from most countries and a coordinated set of sanctions designed to put pressure on Russia. The war continued throughout March and its effect upon commodity supply chains has led to a further uptick in inflation. Elsewhere in March, COVID-19 cases continued to rise, particularly in China, leading to significant mobility restrictions.

March saw equities finish up strongly, although there were significant regional/sectoral differences as developed equities outperformed emerging equities and large cap stocks beat small caps. Listed real estate also performed strongly but the biggest winner once again was commodities as prices continued to rise. Within fixed income, bond yields pushed higher (causing bond prices to fall) across most maturities and countries but credit spreads tightened alongside the risk-on theme in March.

This month's moves were not enough to regain the losses experienced across asset classes in January and February. Despite the rally in March, equities and listed real estate closed down in Q1, just below their levels at the start of the year. Commodities posted significant gains overall to finish as the standout performer in Q1. Meanwhile, the largest losses across asset classes were seen across fixed income exposures as bond yields surged higher and credit spreads widened, causing losses for the entire opportunity set with the portfolio.

## Macro factor highlights

Market Advantage finished up +0.2% in March, bringing Q1 2022 performance to -5.3% (GBP E share class, net of fees and expenses).

The **Economic** factor was the strongest performer in March and Q1. Developed large cap equities rebounded over the month, recovering from the early March selloff. Investors appeared to buy the dip once again as the spill over from the Russian invasion to corporate earnings seems limited on the whole. However they did close the quarter down overall, with European stocks underperforming other developed markets such as the US and UK, due to their higher degree of exposure to the conflict and reliance upon Russian energy which is facing an increasing number of sanctions. Listed real estate performed similarly to developed equities, finishing March up strongly but down on the quarter. The factor's positive returns in March and Q1 were predominantly driven by the allocation to commodities which have continued to rally since the turn of the year. Away from the higher energy prices, the portfolio's diversified commodity exposure posted gains as agricultural commodities and industrial metals also moved sharply higher on the back of supply chain fears resulting from the crisis in Ukraine.

Despite rallying in February as investors sought safe-haven assets following Russia's invasion of Ukraine, real yields headed higher once again causing losses for the **Real Rates** factor which detracted on the month and quarter. Investors continued to price in faster and more aggressive interest rate hikes from central banks to combat heightened inflation, and the U.S. Federal Reserve and the Bank of England both hiked interest rates by 25bps, with UK rates now back at pre-COVID levels. European real yields performed relatively better but still posted losses on the month and quarter as the European Central Bank pivoted to a more hawkish stance.

**Inflation** also detracted on the month and quarter. Break-even yields (a measure of investors' inflation expectations and the premia behind the Inflation factor) also continued to widen as most major economies experienced record or multi-decade high inflation. Accordingly, global bond yields rose sharply, particularly at the short-end of the curve, causing losses in all developed sovereign markets. However, the portfolio's swaption programme (designed to protect against a spike in interest rates) made significant gains and helped insulate losses for the factor and the portfolio overall.

The **Emerging Markets** factor finished down in March and Q1 with overall losses in equity and debt positions. Despite outperforming in January, emerging equities underperformed in March, driven by further geopolitical tensions surrounding the Russia invasion and the impact of higher inflation and commodity prices on importing emerging economies. Further impacting sentiment for emerging markets was China's increasing COVID-19 cases which have led to localised lockdown's that are likely to further dampen economic growth in the world's second largest economy. Emerging debt underperformed overall too as Russian bonds were deleted from emerging indices and as investors shunned the additional risk involved in investing in emerging assets.

The **Credit** factor eked out a small positive gain in March but remained down on the quarter. Investment grade credit spreads tightened marginally on the month in the US and were flat in Europe, outperforming high yield spreads which rose in the US and fell in Europe. For the quarter, the earlier risk off sentiment weighed on the factor overall as spreads widened across all credit exposures.

## Macrofactor highlights (continued)

Finally, the **Liquidity** factor finished up in March but down for the quarter. Volatility selling strategies were rewarded once again in March, as volatility subsided in equity and commodity markets. However, small cap equities underperformed large caps with the former being preferred by investors due to their pricing power and ability to pass on rising costs to consumers. Over the quarter the factor finished down, with losses stemming from both small cap stocks, despite their outperformance in February, and volatility selling strategies.

## Extreme monitors and risk management decisions

The Risk Tolerance Indicator finished the quarter at +12% having started the month at +23% and beginning the year at +36%. While investor sentiment has continued to fall overall, it has not dropped dramatically and has rebounded from mid-March lows. The Portfolio Turbulence Indicator rose to 0.25 in early March, and the investment team reduced the portfolio's equity volatility selling strategy by 20% to reduce the downside risks of a disorderly market forming. The position was brought back up to full risk by the end of the month. Meanwhile, diversification remains high across asset classes with the Diversification Ratio finishing at 2.4, well above the long-term average. Finally, in terms of macro factor valuations, real rates cheapened considerably with the spike in yields but still remain relatively expensive overall. The emerging and inflation factors are signalling cheapness while the other factors appear fairly valued.

## Positioning/Outlook:

The fund does not have any exposure to Russian assets. Previous indirect exposure through emerging market indices has been reduced to zero as index providers removed Russian securities throughout March.

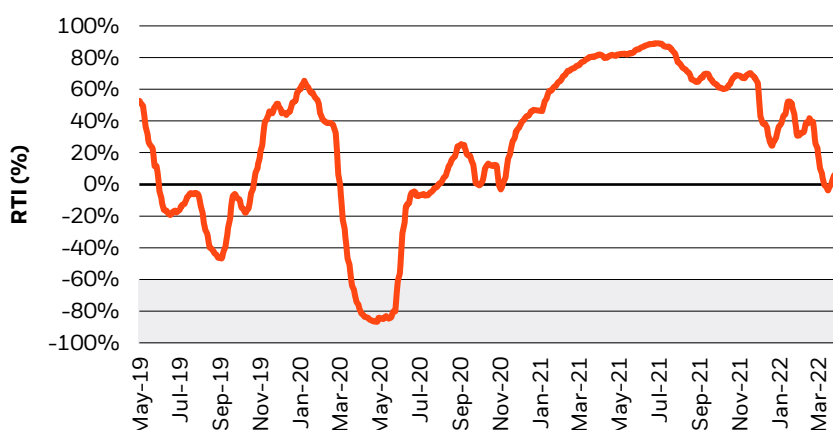
The fund remains invested at full portfolio risk. However, we maintain the underweight duration position that the portfolio has held throughout 2021 and this year. This is to reduce the portfolio's sensitivity to rising rates as we expect central banks to quickly normalise monetary policy in an attempt to fight inflation and because strong economic growth no longer needs stimulus.

Aside from the tragic consequences within Ukraine, the war's largest effect on financial markets is through higher and more persistent inflation. As such, in early March we cut our exposure to bonds that are not inflation protected, resulting in a shift away from nominal government bonds to inflation-linked bonds. We have also increased our allocations to commodities which tend to perform well in inflationary environments.

Finally, we also maintain the fund's tilt away from credit exposures which reduces the portfolio's exposure to default risk of corporates. The risk is reallocated to other risk assets such as equities and commodities which have more room to run in the current inflationary environment.

Source: BlackRock as of 31 March 2022

## Risk Tolerance Index (RTI) – through March 2022<sup>3</sup>



Source: Bloomberg, BlackRock, unless otherwise stated. All data as at 31 March 2022, unless otherwise stated. <sup>3</sup> The RTI (Risk Tolerance Index) is a proprietary BlackRock index that aims to forecast potential low frequency, high loss events. The level of RTI is used by the Investment Committee together with risk factor valuation data and macro-economic information in order to determine the risk level of the Fund.

## Risks

**Capital at risk.** The value of investments and the income from them can fall as well as rise and are not guaranteed. The investor may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

## Specific fund risks

**Exchange rate risk:** The return of your investment may increase or decrease as a result of currency fluctuations.

**Liquidity risk:** The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

**Financial Markets, Counterparties and Service Providers:** The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

**Derivative Risk general:** The Fund uses derivatives as part of its investment strategy. Compared to a fund which only invests in traditional instruments such as stocks and bonds, derivatives are potentially subject to a higher level of risk.

**Past performance is not a guide to current or future performance.** The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

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