Quarterly Report

May 2020

The Future Money strategies are run with the aim of providing investors with carefully risk managed investment solutions.

This report is designed to provide an insight into how the four strategies have been managed, along with the thought processes behind the investment decisions made by the fund managers.

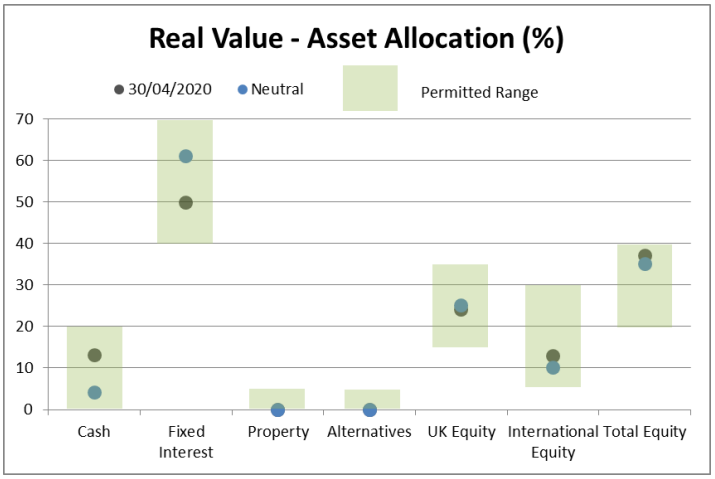
>futureMoney

Quarterly Report

31 January 2020 to 30 April 2020

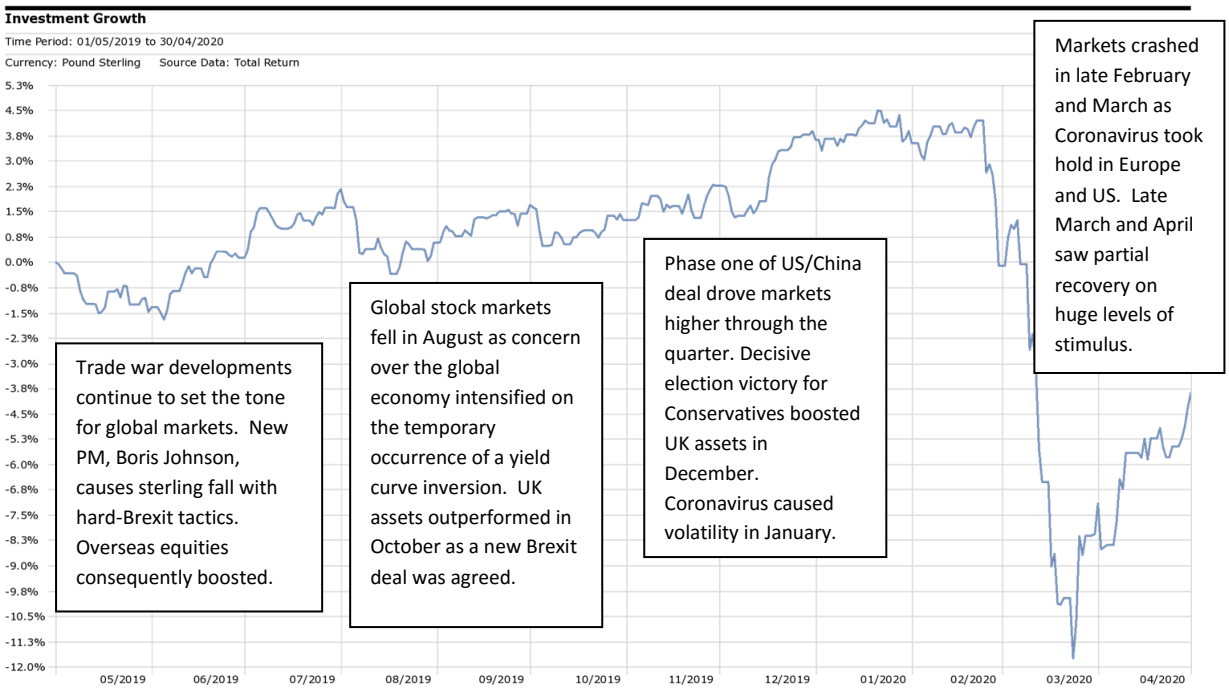
MGTS Future Money Real Value

No changes to the fund selection were made over the quarter, yet a number of rebalancing trades were placed in order to maintain appropriate exposure levels throughout the highly volatile period.



The UK equity allocation was hardest hit over the period as UK assets were shunned by investors who favoured less cyclically exposed regions. The fund selection within this grouping was neutral, however.

With corporate bonds broadly selling off over the period the focus within Real Value on short duration strategies proved beneficial, given the lower credit risk of bonds with less time to maturity.



Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

Source: Morningstar Direct

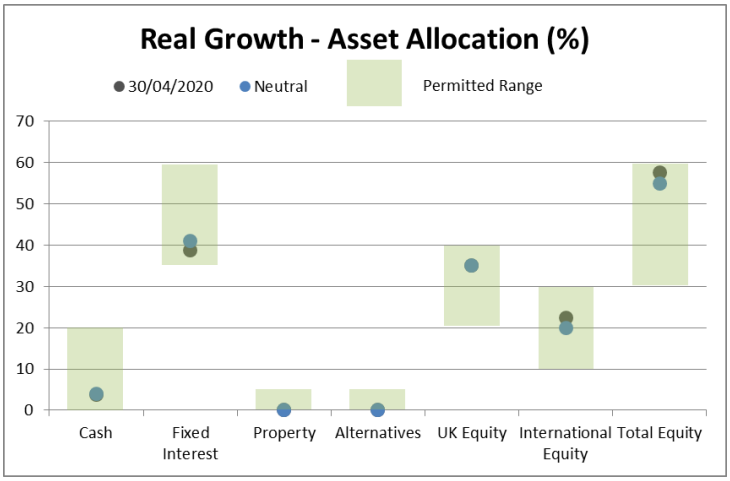
>futureMoney

Quarterly Report

31 January 2020 to 30 April 2020

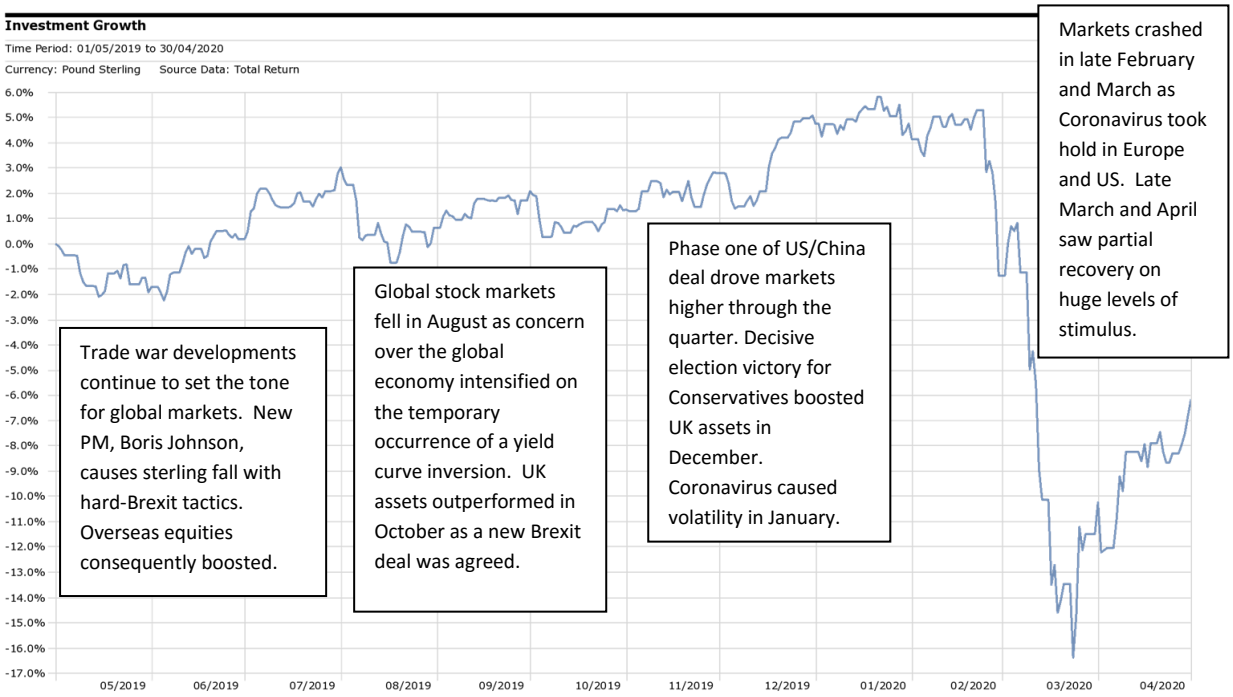
MGTS Future Money Real Growth

No changes to the fund selection were made over the quarter, yet a number of rebalancing trades were placed in order to maintain appropriate exposure levels throughout the highly volatile period.



Within the UK equity allocation the exposure to those investments without a dividend focus performed slightly better than their equity income peers. With many companies forced to cancel dividends for 2020, either for genuine financial health reasons or due to political pressure, the typical defensive characteristics of dividend investing were in absence over the quarter.

Liontrust Special Situations was the strongest UK holding over the period, which benefitted from its focus on companies with secure earnings. Man GLG UK Income experienced the worst performance of the period, with its higher exposure to cyclical sectors proving detrimental.



Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

Source: Morningstar Direct

The enclosed are comments and opinion only of the Future Money Fund Management Team intended for use by professional Financial Advisers. They do not constitute advice or verified factual information.

>futureMoney

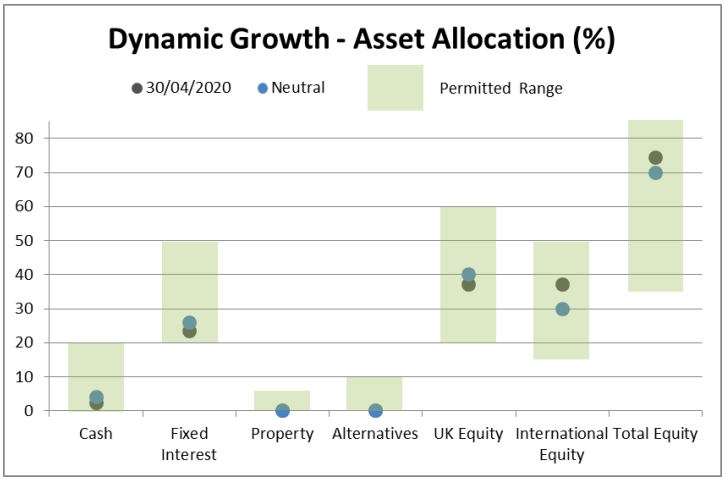
Quarterly Report

31 January 2020 to 30 April 2020

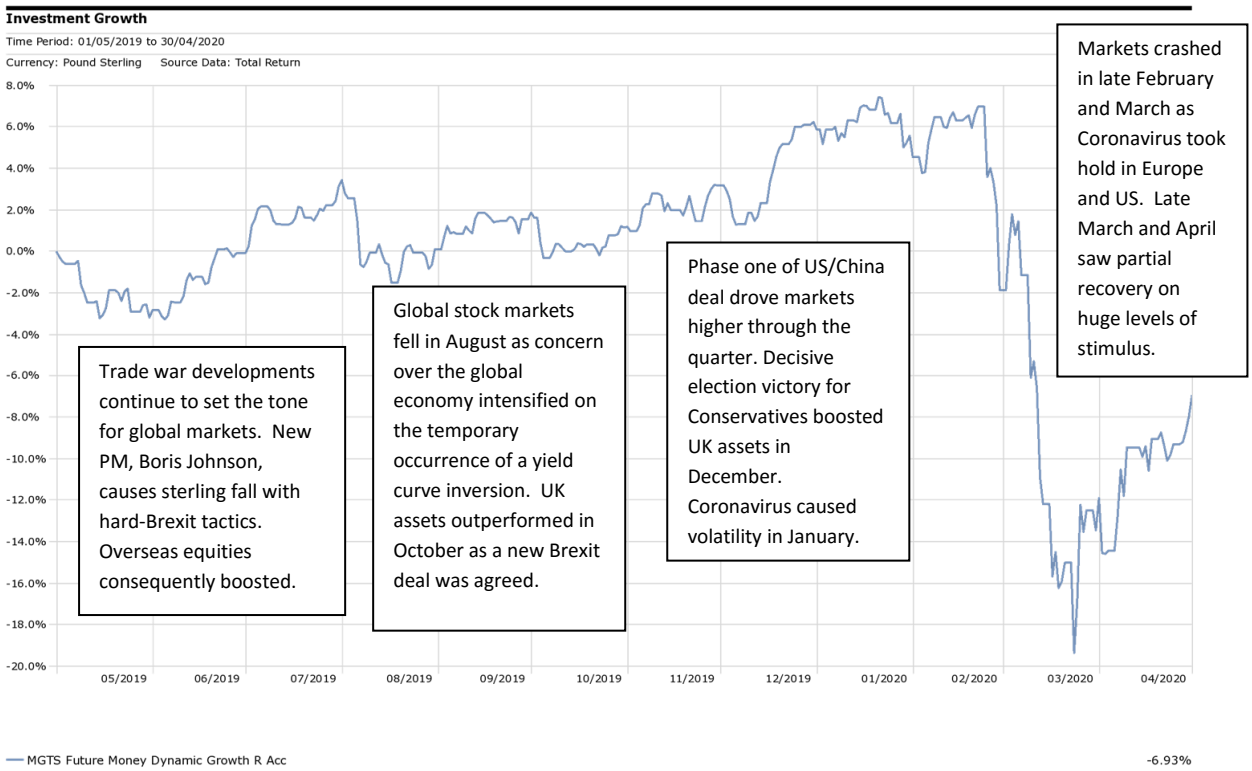
MGTS Future Money Dynamic Growth

No changes to the fund selection were made over the quarter, yet a number of rebalancing trades were placed in order to maintain appropriate exposure levels throughout the highly volatile period.

All equity investments fell over the quarter as fear spread through markets in late February and much of March. The UK allocations were the hardest hit over this period.



Dynamic Growth's allocation to Asian equities performed relatively well. While Asian markets suffered greater losses earlier in the year, given the initial outbreak developing in China, many countries in the region were quick to apply lockdowns and consequently showed improving characteristics while European and US regions were still experiencing worsening conditions.



Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

Source: Morningstar Direct

The enclosed are comments and opinion only of the Future Money Fund Management Team intended for use by professional Financial Advisers. They do not constitute advice or verified factual information.

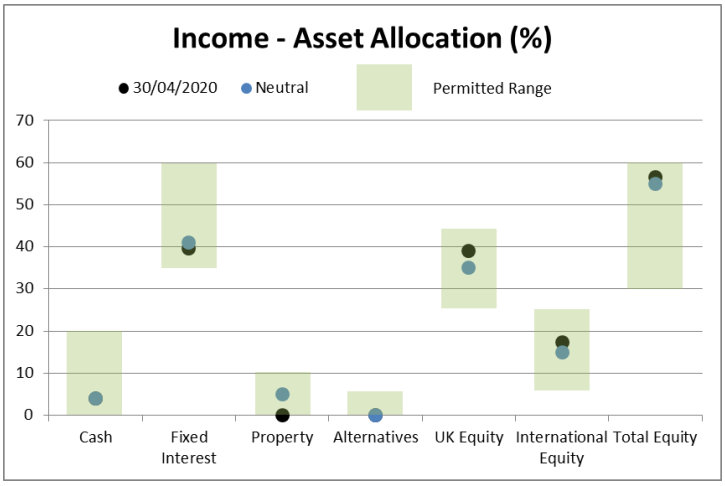
>futureMoney

Quarterly Report

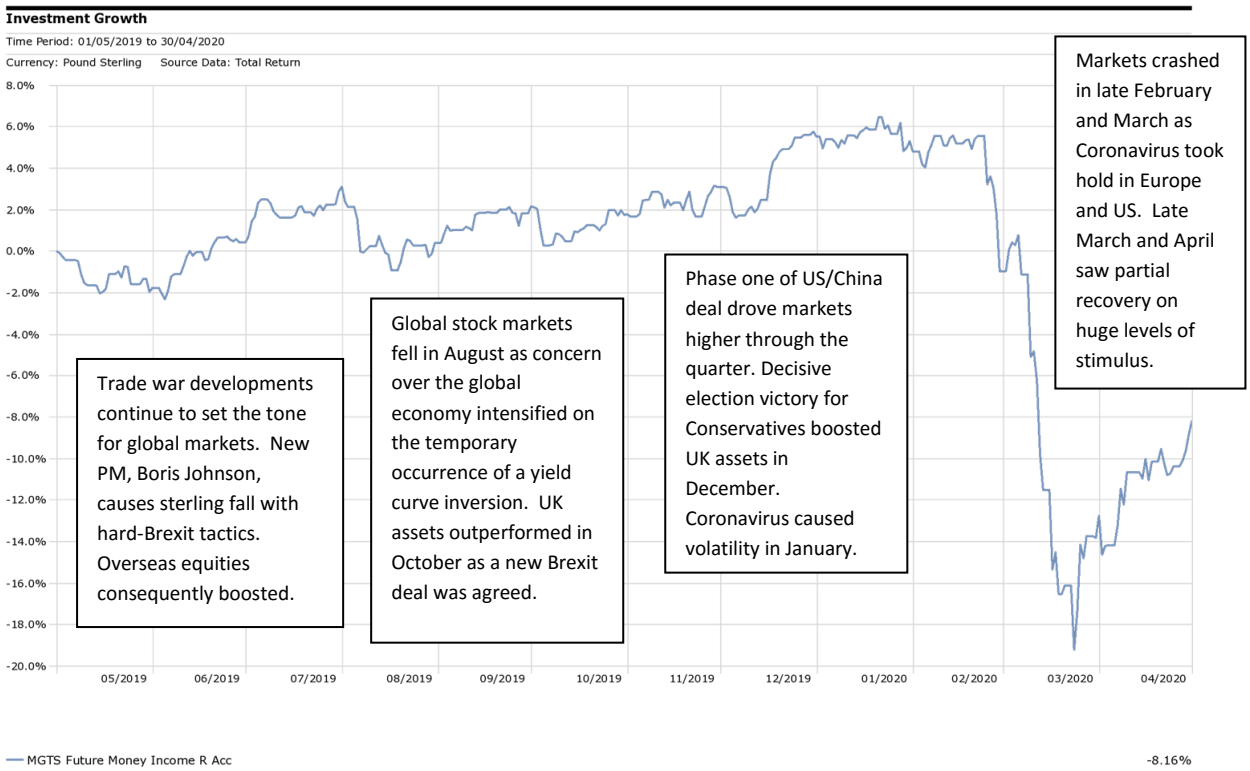
31 January 2020 to 30 April 2020

MGTS Future Money Income

No changes to the fund selection were made over the quarter, yet a number of rebalancing trades were placed in order to maintain appropriate exposure levels throughout the highly volatile period.



As discussed in the comments for Real Growth, above, equity income investing was particularly hard hit over the past three months as many companies cut their dividend payments. This was especially the case in UK and European markets. This was a relative drag on performance for Future Money Income, which has a focus on dividend strategies, as part of the portfolio objective to deliver a relatively large income level. While dividend cuts are expected to be significant this year, there is the expectation that dividend levels will recover strongly towards the end of 2020 and into 2021. As such, while this is a challenging time for income investing, we believe the conditions for recovery are in place.



Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

Source: Morningstar Direct

The enclosed are comments and opinion only of the Future Money Fund Management Team intended for use by professional Financial Advisers. They do not constitute advice or verified factual information.

>futureMoney

Quarterly Report

31 January 2020 to 30 April 2020

Performance

	Year to Month End	1yr	3yr	5yr
	01/01/2020	01/05/2019	01/05/2017	01/05/2015
	30/04/2020	30/04/2020	30/04/2020	30/04/2020
MGTS Future Money Income R Acc	-12.96	-8.16	-2.50	7.28
MGTS Future Money Real Value R Acc	-7.22	-3.85	0.49	7.57
MGTS Future Money Real Growth R Acc	-10.40	-6.15	-0.08	9.69
MGTS Future Money Dynamic Growth R Acc	-12.09	-6.93	1.46	14.42

	2019	2018	2017	2016	2015
MGTS Future Money Income R Acc	14.64	-5.84	7.30	9.21	2.60
MGTS Future Money Real Value R Acc	9.91	-3.87	4.61	7.28	1.10
MGTS Future Money Real Growth R Acc	13.23	-4.84	6.66	9.61	1.76
MGTS Future Money Dynamic Growth R Acc	17.83	-7.45	10.36	13.88	1.45

Source: Morningstar Direct. Currency: Pound Sterling. Total return. Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

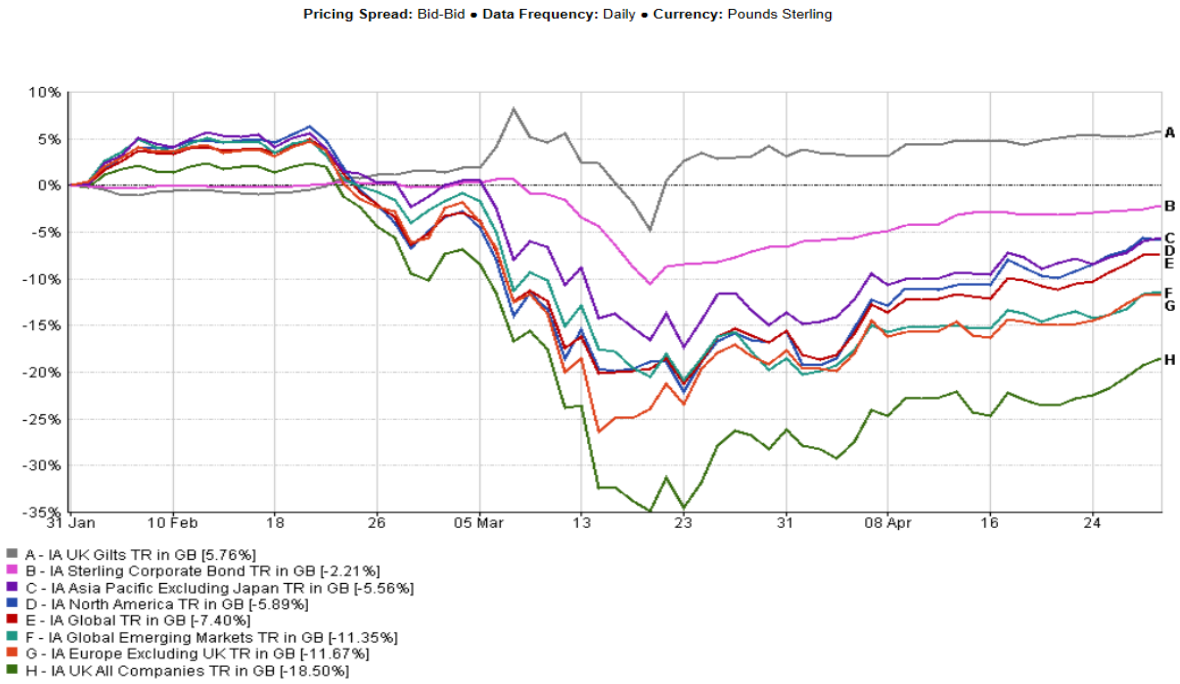
Economic and Market Commentary

All figures sourced from Financial Express unless otherwise stated.

31st January – 30th April 2020

This reporting period has witnessed historic events as Covid-19 spread outside of China and became a global pandemic. Efforts to contain the virus have led to economic shutdowns in Asia, Europe and the US with unprecedented fiscal and monetary stimulus applied by central banks and governments to compensate for the loss in productivity.

These events have impacted investment markets with significant falls in equity markets, peaking at around 20% on average, followed by a partial recovery to date. The graph below shows the performance of various Investment Association (IA) sectors over this reporting period, with the IA Global sector falling 7.4% whilst the worst performing developed market, the IA UK All Companies sector, has fallen 18.5%. The IA UK Gilts sector has recorded a profit, although the IA Corporate Bonds sector has fallen in value.



The enclosed are comments and opinion only of the Future Money Fund Management Team intended for use by professional Financial Advisers. They do not constitute advice or verified factual information.

The key developments driving markets at the beginning of the year were US/China relations internationally, and Brexit domestically. Whilst both issues are expected to be prominent in the minds of investors again in the future, the impact and consequence of Covid-19 will mostly determine market movements until the associated risks have been successfully managed within the global economy.

In recent years there have been several outbreaks which threatened to become global pandemics. SARS (Severe Acute Respiratory Syndrome) broke out in China in 2002, H1N1 (Swine flu) was first detected in Mexico in 2009 and Ebola was first identified during 2013 in Guinea. In each case, the global response was sufficient to trace, contain and eradicate the outbreak without a significant impact on the global economy. Initially, Covid-19 appeared to follow a similar path, as Chinese restrictions showed evidence of containing the spread of the virus within China, whilst infections outside of China were relatively low.

However, with many Chinese tourists spending the Chinese New Year in Milan, drawn by the popularity of the fashion industry, a new infection hub was created. The tactile nature of the Italian culture may have accelerated infections and, due to the two-week incubation period, the number of infections jumped before officials became alerted to the situation. Italy shutdown its economy as an emergency measure to contain Covid-19 transmission on 8th March, with most of the EU and US following shortly afterwards. This signalled a change in nature from a Chinese problem to a Global challenge with over four million infections now recorded globally.

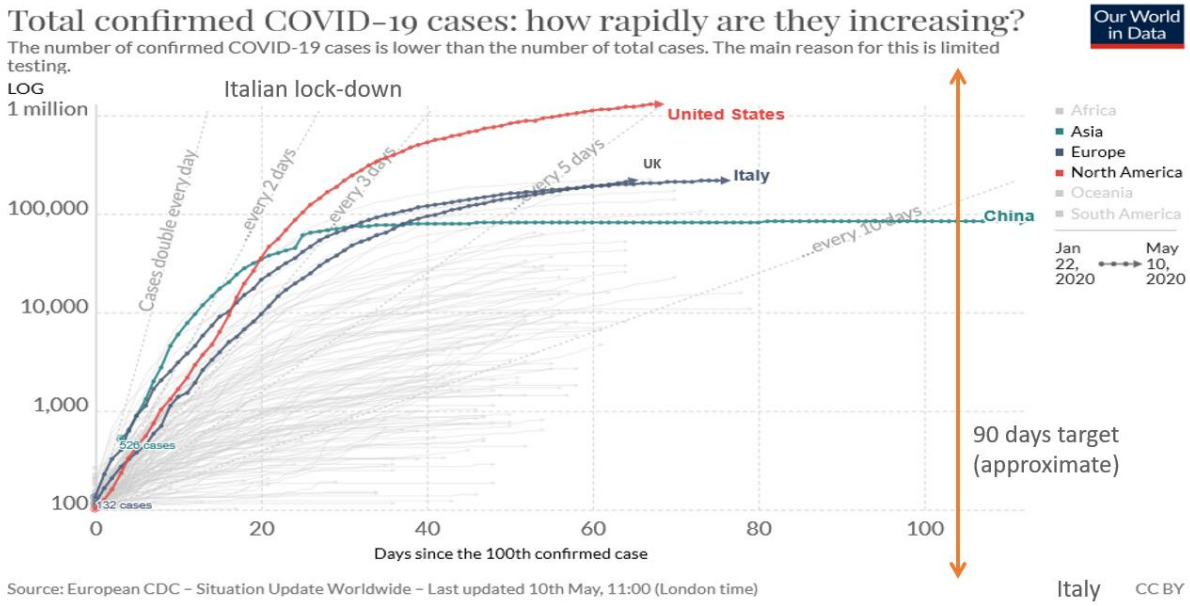
Central banks and governments have moved to offset the effect of the economic shutdown with unprecedented measures. The combined actions of interest rate reduction, market liquidity measures and government spending have created a stimulus estimated to be between 10% and 15% of the annual global economic output, with further escalation of these measures expected. For example, the UK has reduced interest rates to 0.1%, provided emergency business loans, stood behind the salaries of people who would otherwise be made redundant and pushed significant amounts of liquidity into markets through the Bank of England. These measures already exceed the total stimulus applied in the wake of the credit crisis and the fiscal stimulus applied by the government is in stark contrast to the austerity policy adopted at that time.

These policies will not fix the damage caused by the global economic shutdown, but they will allow time for activity to re-start. It is our estimate that most of the global economy can withstand approximately one quarter of disruption and be able to re-start quickly. After this period, the economic scarring will be more significant, and the re-starting process will become progressively more difficult.

China, where the outbreak began, commenced lockdown on 23rd January and was able to largely re-open after 76 days having controlled the spread of Covid-19. Italy began lockdown on 8th March, the UK on 24th March and the US at the end of March.

The graph below shows the progress of Covid-19 in key economies after the first 100 cases had been detected, with the approximate 90 days post lock-down point marked. The data shows that all

developed economies are flattening the curve and are likely to ease restriction within this important time frame.



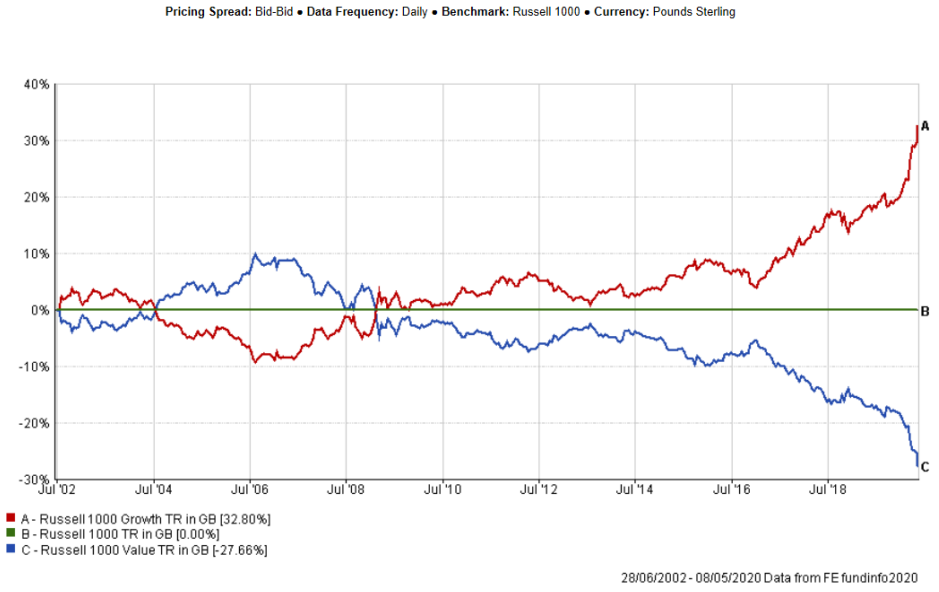
The UK has now announced a potential path to lifting restrictions with people encouraged to return to work as soon as possible, schools and shops potentially opening from 1st June and entertainment venues being considered from 1st July. There is concern that further waves of infections could occur after easing begins but the experience of South Korea and Sweden, who were able to control Covid-19 without a full economic shutdown, provides some evidence that containment can be successful after restrictions are lifted.

In addition, there are continual benefits due to innovation and research related to Covid-19. Smartphone applications to assist with tracking and tracing infections, a better understanding of the virus transmission mechanism, use of existing and new drugs to reduce the symptoms and numerous vaccines in development will all assist to reduce the impact of Covid-19 and ultimately eradicate the threat. The timing and impact of this work is unknown but is expected to accelerate the ability of the global economy to manage this crisis and the subsequent recovery.

The strong performance of the US market relative to the UK has been particularly striking during this recent period and continues a decade long period of US equity dominance, with the S&P 500 index outperforming FTSE 100 in 9 of the previous 10 calendar years in dollar terms. The only year when this did not occur was 2017, where the difference was negligible.

We have recently become concerned by the dominance of the largest companies within S&P 500, noting that Apple, Microsoft, Alphabet, Amazon and Facebook now account for nearly 18% of the index. The level of index concentration echoes the late 1990s, where Vodafone exceeded 10% of the FTSE 100 index, which was preceded by a period of strong performance. The increased reliance of the entire index on a few stocks increases risk and portfolios can unconsciously become over exposed to a few closely correlated stocks, given the influence of the benchmark itself has increased in recent years, partly due to the popularity of tracking funds.

In the late 1990s, the failure of technology stocks caused pain for many investors. Whilst the same 'bubble' conditions are not apparent, the benefits of diversification learnt from the falls remain valid. The UK market is more naturally suited to 'value' stocks whilst the US market has more 'growth' style businesses. The differential in the two styles has never been further apart and the graph below, based on the Russell 1000 index, also explains much of the UK/US performance divergence. The disparity in both persistence and magnitude is significant and the concentration risk of narrow 'growth' portfolios in the event of a reversal is apparent.



Due to the further stimulus, the yield from government bonds has fallen even lower. As an example, the 2.75% Treasury 2065 is trading at £182.80. This will eventually mature in 2065 at a value of £100, having paid out £2.75 per annum through the intervening period, equating to an overall yield of 0.47%.

If the Bank of England are successful in achieving their 2% per annum inflation target, the erosion of spending power, after accounting for the yield, will be very close to 50%. This does not meet the primary goal of most investors to achieve a real return on capital, i.e. adjusting for inflation. Given the level of stimulus being applied both monetarily and fiscally, the long-term inflation outlook is increasing despite the short-term deflationary factors driven by falling demand.

Although the value of government debt can remain at current levels, or go even higher, due to central bank stimulus, the investment rationale has been undermined, in our view, since 2016 when yields fell below inflation targets. In common with the 'growth' / 'value' point made above, the duration and magnitude of over-valued government bond prices has also been longer than during normal cycles. Nevertheless, the maths provides certainty about the returns available from here.

The Federal Reserve has released information about their future debt issuance to fund the $3 Trillion, and rising, cost of Covid-19. Interestingly, they are looking to issue longer dated debt, which will increase the duration and interest rate sensitivity of the entire US debt book. This reflects both the lower yields, even on longer dated debt, and the opportunity to remove the need to re-finance

in the short term. It could also encourage inflationary policies as higher inflation, coupled with real economic growth, will be an attractive strategy to reduce the currently rising debt to GDP ratio without the pain of austerity.

The immediate question is 'Can Covid-19 be controlled to allow the global economy to substantively re-open?' We believe this will be the case and, whilst 2020 company earnings will be written down, markets will see potential for 2021 and beyond to recover. This should lead equities to generally recover from current levels, but volatility will remain high due to the level of market anxiety. If Covid-19 cannot be controlled effectively, then further downside risk to equities and bonds will emerge, as further government stimulus will become inflationary rather than economically supportive in effect.

>futureMoney

Quarterly Report

31 January 2020 to 30 April 2020

Asset Class Review

Investment Returns (%)

As of Date: 30/04/2020 Currency: Pound Sterling Source Data: Total Return

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD
Best	UK Mid Cap 28.4	Gilts 15.6	UK Small Cap 35.0	UK Small Cap 44.2	North America 19.6	Japan 17.6	Emerging Markets 35.4	Asia ex Japan 23.4	Property 2.9	UK Mid Cap 30.8	Gilts 9.5
	Asia ex Japan 23.9	Corporate Bonds 4.3	UK Mid Cap 28.7	UK Mid Cap 34.9	Gilts 13.9	UK Small Cap 13.6	North America 34.1	Emerging Markets 21.1	North America 0.8	North America 26.5	Cash 0.1
	Emerging Markets 23.6	Property 2.9	High Yield 18.9	North America 28.3	World ex UK 12.3	UK Mid Cap 12.0	World ex UK 30.4	UK Mid Cap 18.2	Cash 0.6	World ex UK 23.1	Corporate Bonds 0.1
	North America 19.1	North America 1.2	Asia ex Japan 17.5	Japan 24.9	Property 11.8	Property 7.3	Asia ex Japan 28.7	Europe ex UK 16.9	Gilts 0.6	Europe ex UK 21.2	Property -2.4
	Japan 19.0	Cash 0.5	Europe ex UK 17.4	Europe ex UK 24.0	Asia ex Japan 10.0	Europe ex UK 5.5	Japan 22.7	UK Small Cap 16.3	Corporate Bonds -2.2	FM Dynamic Growth 17.8	North America -5.0
	UK Small Cap 17.5	FM Real Value -0.5	Corporate Bonds 13.3	World ex UK 22.7	Corporate Bonds 9.8	North America 5.3	Europe ex UK 21.2	Japan 14.4	World ex UK -2.7	UK Large Cap 17.3	FM Real Value -7.2
	World ex UK 16.7	FM Income -1.9	Emerging Markets 12.8	UK Large Cap 18.7	Emerging Markets 7.9	World ex UK 4.8	UK Large Cap 19.1	World ex UK 13.5	High Yield -3.6	UK Small Cap 16.3	Japan -7.6
	FM Dynamic Growth 15.9	UK Large Cap -2.2	FM Dynamic Growth 12.8	FM Dynamic Growth 16.9	FM Real Value 4.9	FM Income 2.6	FM Dynamic Growth 13.9	UK Large Cap 11.9	FM Real Value -3.9	Emerging Markets 15.9	World ex UK -7.9
	UK Large Cap 12.6	High Yield -3.1	FM Income 12.2	FM Income 13.0	FM Real Growth 4.6	FM Real Growth 1.8	UK Small Cap 12.7	North America 11.3	FM Real Growth -4.8	Japan 14.8	Asia ex Japan -8.9
	High Yield 12.1	FM Real Growth -3.9	World ex UK 11.9	FM Real Growth 11.4	FM Income 4.6	FM Dynamic Growth 1.5	High Yield 10.1	FM Dynamic Growth 10.4	FM Income -5.8	FM Income 14.6	FM Real Growth -10.4
	FM Real Growth 11.0	World ex UK -6.1	North America 10.7	FM Real Value 8.6	FM Dynamic Growth 3.1	FM Real Value 1.1	Gilts 10.1	Property 7.6	FM Dynamic Growth -7.4	Asia ex Japan 14.5	High Yield -10.8
	FM Income 9.2	FM Dynamic Growth -8.7	FM Real Growth 10.3	Property 7.6	UK Mid Cap 2.8	Gilts 0.6	FM Real Growth 9.6	FM Income 7.3	Japan -7.6	FM Real Growth 13.2	FM Dynamic Growth -12.1
	Property 8.4	UK Mid Cap -10.3	UK Large Cap 10.0	High Yield 6.9	Japan 2.7	Cash 0.5	FM Income 9.2	FM Real Growth 6.7	Emerging Markets -7.6	High Yield 11.4	FM Income -13.0
	FM Real Value 7.8	Japan -12.9	FM Real Value 8.4	Asia ex Japan 1.3	High Yield 1.0	Corporate Bonds -0.4	Corporate Bonds 9.0	High Yield 6.1	Asia ex Japan -8.5	FM Real Value 9.9	Emerging Markets -13.0
	Corporate Bonds 7.7	Asia ex Japan -14.8	Japan 3.3	Corporate Bonds 0.6	UK Large Cap 0.7	High Yield -0.9	FM Real Value 7.3	Corporate Bonds 5.1	UK Large Cap -8.7	Corporate Bonds 9.5	Europe ex UK -14.1
	Gilts 7.2	Europe ex UK -15.0	Gilts 2.7	Cash 0.5	Cash 0.5	UK Large Cap -1.3	UK Mid Cap 5.1	FM Real Value 4.6	Europe ex UK -9.1	Gilts 6.9	UK Large Cap -20.9
	Europe ex UK 6.6	UK Small Cap -15.3	Property 1.2	Gilts -3.9	Europe ex UK -1.4	Asia ex Japan -3.5	Cash 0.4	Gilts 1.8	UK Small Cap -13.5	Cash 0.8	UK Small Cap -26.1
Worst	Cash 0.5	Emerging Markets -18.4	Cash 0.5	Emerging Markets -5.3	UK Small Cap -1.7	Emerging Markets -10.3	Property -2.0	Cash 0.3	UK Mid Cap -15.2	Property -0.8	UK Mid Cap -27.3

Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

Source: Morningstar Direct

The table overleaf shows the performance of the major asset classes. This highlights the range of returns delivered over time and shows the risks in trying to predict individual winners.

Diversified portfolios, such as the four Future Money funds, can deliver attractive investment returns whilst reducing the effects of large swings in performance. Via such a structure, investors can own a professionally managed portfolio with exposure actively positioned across asset classes.

Year to Date

With equity markets falling across the world as a result of the economic damage caused by coronavirus lockdowns, bonds and cash performed relatively well during the market crisis of February and March. Given the scale of the market movement these trends have been the dominating factor of 2020 to date. Consequently gilts have been the best performing asset class so far in 2020. Gilts (UK government bonds) tend to rally at times of distress as the security of the promise to repay the bond by the British government is seen as highly valuable. This is especially the case when other asset classes face major challenges, such as the threat of reduced corporate earnings, or even company failure. Corporate bonds and cash have both delivered 0.1% over the period shown. Corporate bonds have not performed as well as gilts given the credit risk present in the issuer of the debt (companies rather than governments).

At the bottom end of the chart, UK equities have been the worst performing asset class of the year to date. UK assets have suffered from two negative factors in the Covid-19 crisis. First, compared to the US dollar and the euro, the pound is a relatively small currency and along with other 'smaller' currencies, suffered against the world's major reserve currencies, as investors flocked towards the most readily tradeable and liquid assets. Second, the average company on the FTSE All Share has a relatively high proportion of earnings coming from cyclical areas, such as banking and oil markets, compared to the more 'all-weather' earnings of the large technology companies that dominate the US index. These economically sensitive companies therefore suffered the larger losses, which at a national level contributed to the weaker performance of the UK market. It should be noted, however, that once economic growth recovers, those hardest hit areas will likely be best positioned to benefit from improving confidence levels.

Important Information

Please note that the contents are based on the author's opinion and are not intended as investment advice. This information is aimed at professional advisers and should not be relied upon by any other persons.

Any research is for information only, does not constitute financial advice or necessarily reflect the views of the author and is subject to change.

It remains the responsibility of the financial adviser to verify the accuracy of the information and assess whether the fund is suitable and appropriate for their customer.

Past performance is not a reliable indicator of future performance. The value of investments and the income derived from them can fall as well as rise and investors may get back less than they invested.

Important information about the funds can be found in the Supplementary Information Document and NURS-KII Document which are available on our website or on request.

Future Money Ltd

Henry Wood House · 2 Riding House Street · London · W1W 7FA

0203 4570 387

www.futuremoney.co.uk

Authorised and Regulated by the Financial Conduct Authority