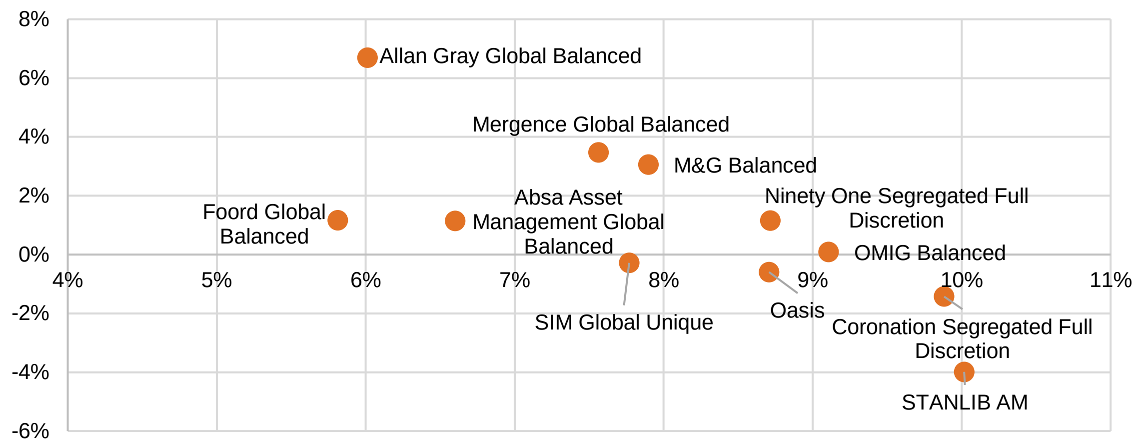
MERGENCE BALANCED FUNDS

October 2022

Returns of global asset classes have been negative year to date, leading to disappointing returns for most multi asset investors. Our fund has not been spared and so at a time like this when our fund is not generating positive real returns for clients, it is important for us to monitor our process and ensure that our active decisions are adding value and that we are performing well relative to our peers.

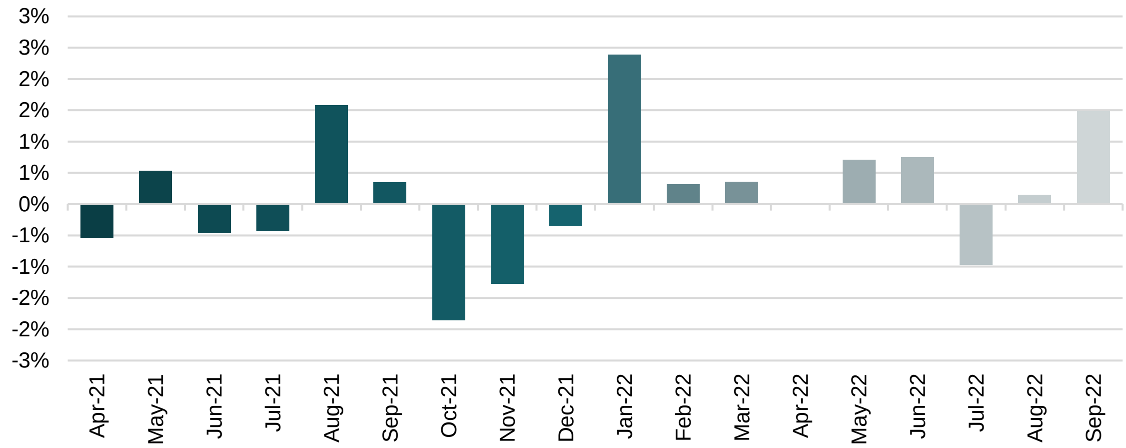
– Over the past 12 months our global balanced strategy has performed well against peers, delivering a top quartile performance when compared to the Alexander Forbes Global Large Manager Watch universe (AF LMW)

1 Year Risk Return



– Our active process has added value with our fund strongly outperforming its Strategic Asset Allocation (SAA) with positive value add from both Asset Allocation and Security Selection decisions.

MIM Global Balanced Fund vs SAA



As a reminder, our multi asset process is driven by a SAA that forms the starting point for our asset allocation. This SAA is the mix of assets that we believe gives the right long-term risk exposure and with sufficient diversification to have a good chance of delivering the fund's real return objectives over time.

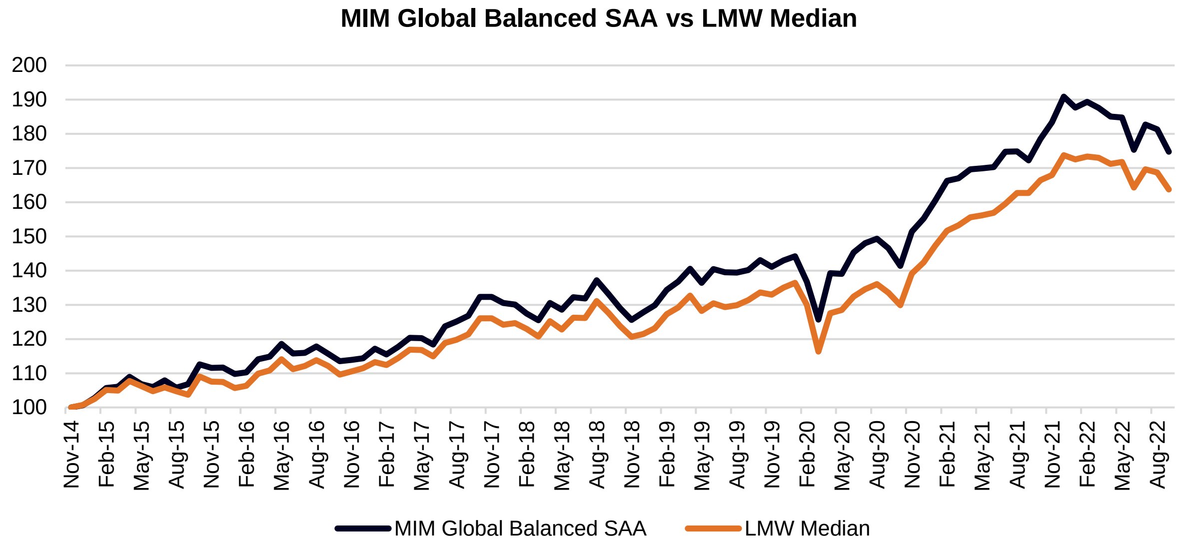
On a continuous basis, our investment process then focuses on how to tactically allocate away from that SAA to add value through both tactical asset allocation and security selection.

We control the active risk that we take when deviating from that SAA in recognition that active management is difficult, and we will not always get it right.

If this process works, over the long run the SAA should deliver a return in line with the fund's long-term objectives, but the fund should outperform that SAA through a positive contribution from our active process, therefore delivering the long-run return of objectives of the fund at a higher return and lower risk than the SAA.

Even if the fund's return objective is to outperform the peer universe, as is often the case amongst balanced funds. we believe that the same reasoning can apply.

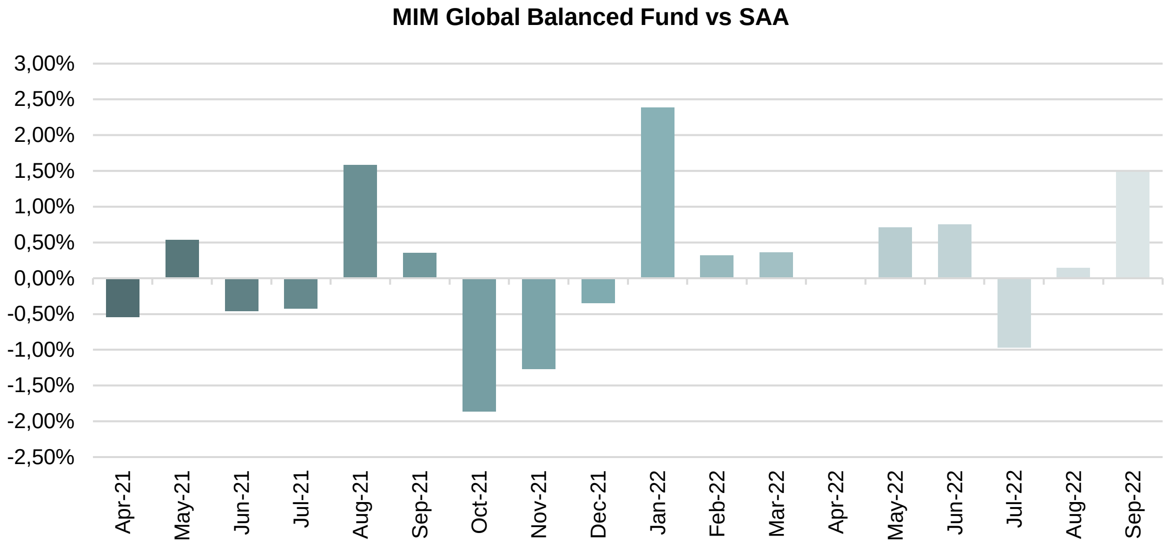
The chart below shows that the historic performance of the SAA benchmark of our Global Balanced Fund closely tracks the performance of the median funds in the AF LMW survey, generating some outperformance over the period from 2014 to 2022. Even if we assume that this outperformance doesn't persist into the future or is eroded by implementation costs, we think that our SAA, if correctly constructed, should get us to the middle of our peer universe. If we can then generate active returns above that SAA over time, we should be able to generate performance better than our average peer.



Active value add

For the reasons state above we spend significant time measuring, not only the active return of our investment process but also the attribution of where this return was generated, and if this was consistent with our process and can be expected to be repeated.

Over the past 18 months our investment process has added value relative to our SAA.



Year to date our process has added significant active value as the fund has strongly outperformed its SAA. This active return was driven by positive contributions from both tactical asset allocation and security selection.

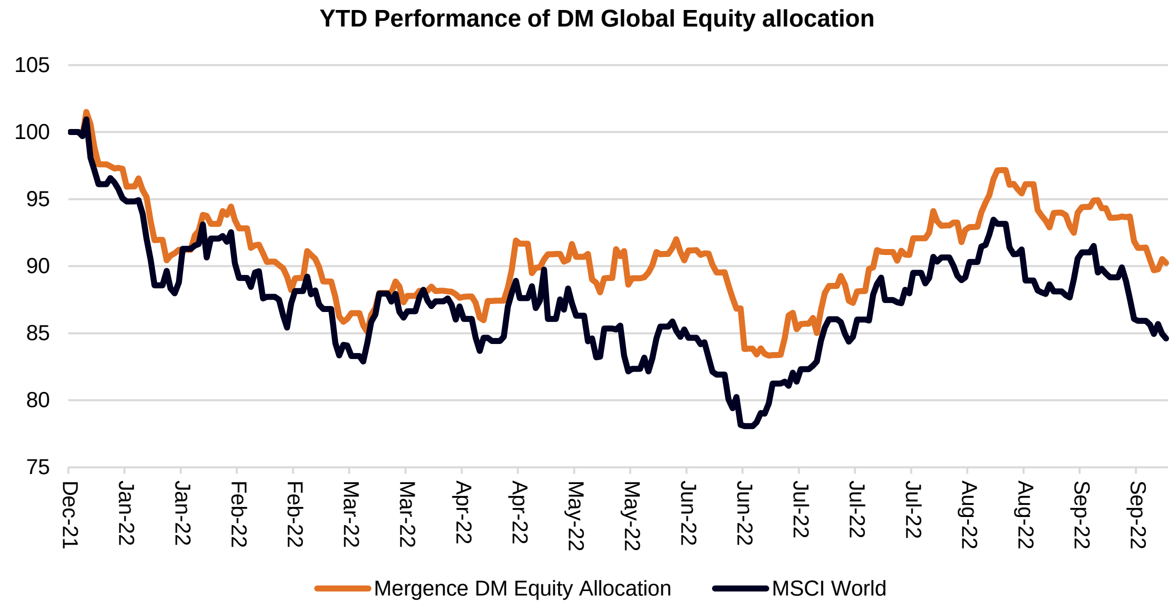
Multi Asset Attribution Summary					
Month	**Mergence Global Balanced Fund**	**Strategic Asset Allocation**	**Active Return vs SAA**	**Active Return due to Tactical Asset Allocation**	**Active Return due to Security Selection**
Sep-22	-2.14%	-3.63%	1.49%	1.23%	0.25%
Aug-22	-0.63%	-0.78%	0.15%	0.44%	-0.29%
Jul-22	3.27%	4.23%	-0.96%	-0.67%	-0.29%
Jun-22	-4.38%	-5.13%	0.75%	0.18%	0.57%
May-22	0.54%	-0.17%	0.71%	0.26%	0.44%
Apr-22	-1.31%	-1.31%	0.00%	-0.29%	0.29%
Mar-22	-0.58%	-0.94%	0.36%	0.15%	0.20%
Feb-22	1.21%	0.89%	0.32%	0.12%	0.20%
Jan-22	0.70%	-1.69%	2.39%	-0.02%	2.40%
YTD	**-3.46%**	**-8.46%**	**5.27%**	**1.40%**	**3.82%**

Our top asset allocation contributions have been underweight DM Equity adding 1.7% and overweight USD cash adding 1.04%. The largest detractors have been our overweight in SA equity and fixed bonds detracting 1.3% each.

It is important for us to see that the investment process is adding value though more than one source and that the returns are explainable by the process.

If we further break down our return contributions, the macro cycle component of our investment process has added significant value, with our global growth cycle shifting into a risk-off regime in November 2021 and arguing for an underweight in risk asset and an overweight in offshore assets. Our valuation-based component has fared less well, arguing for overweights in SA equities and SA bonds, but did add value though a strong underweight in DM equities, especially US equities and an underweight in DM fixed income last year and earlier this year.

We are also pleased that as we have increased our active risk-taking in the global equity allocation of the fund this has contributed positively to performance with the fund's DM Equity allocation outperforming MSCI World by 5.6% year to date to the end of September. This outperformance was driven by an overweight tilt to value overgrowth and an overweight in the energy sector.



A large part of this active outperformance this year has been due to a conservative positioning which raises the question if we can maintain this outperformance during periods of rising risk assets. While we remain underweight risk assets, we are aware that this is not a contrarian position leading to extremes in conservative positioning and negative sentiment that could lead to sharp bear market rallies.

The adage that the market takes the stairs up and the elevator down normally holds true in a crisis-driven bear market where the market is suddenly confronted with new or non-consensus information leading to a rapid unwind of risk exposure, such as the Covid bear market in 2020 or the height of the GFC. The current bear market however is driven by well-understood and generally consensus events playing out. The high inflation, central bank tightening, and impending recession are all pretty consensus views, at least in direction. A bear market that everyone saw coming results in the market taking the stairs down, a long slow grind lower punctuated by bear market rallies as positioning gets too extremely negative and news surprises to the upside.

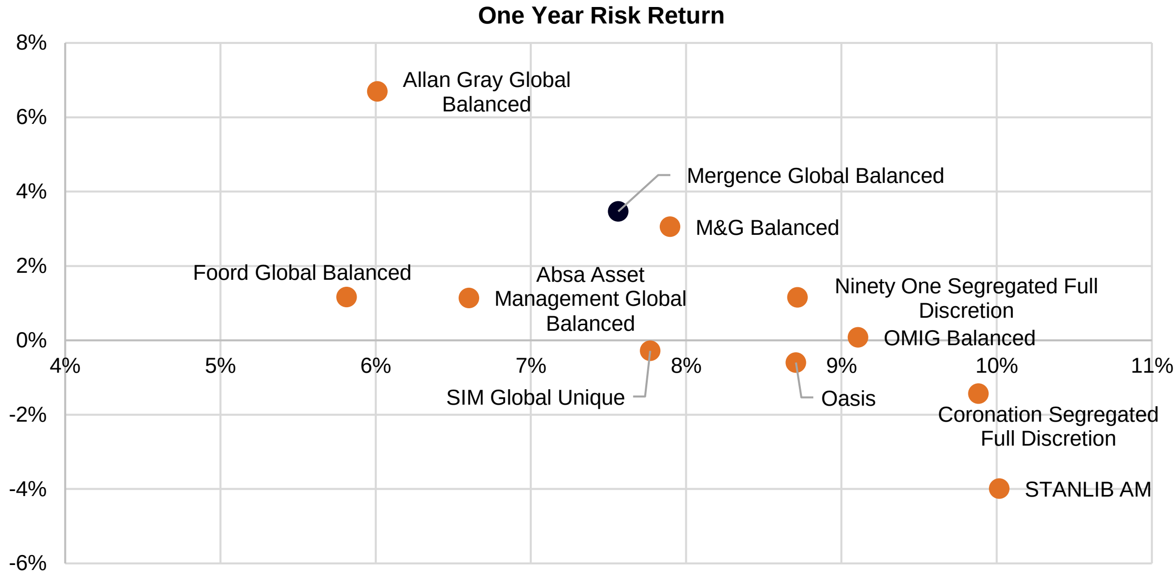
We added risk in the middle of October given this view and while the fund still remains underweight overall equity exposure this tactical move has added value and the fund delivered a return of 4% over October, a relatively pleasing result given the overall defensive positioning.

Performance vs peers

Over the past year, our performance vs peers has been strong. We benchmark our Global Balanced Fund against the LMW global universe and against this universe the fund has shown strong performance over the one year to Sep 2022.

	Peer Mean	Peer Median	Mergence	Rank	Universe Size	Quartile
1 Month	-2.84%	-2.94%	-2.14%	2	11	1
3 Month	-0.04%	-0.01%	0.50%	2	11	1
6 Month	-5.37%	-6.41%	-4.64%	5	11	2
1 Year	0.95%	0.61%	3.47%	2	11	1

	Peer Mean	Peer Median	Mergence	Rank	Universe Size	Quartile
2 Years	10.42%	10.97%	9.10%	8	11	3
3 Years	7.68%	8.06%	7.67%	7	11	3



Over the past three years a key feature of our performance has been a strong risk-adjusted result, with the fund delivering a return in line with the median of the peer group but at a much lower volatility than the peer group. Our aim is to build on this superior risk-adjusted performance while also aiming to deliver top quartile returns over longer investment horizons.