

SUMMARY:

March was another broadly positive month for equity investors, although differing regions illustrated a wide variety of returns. European markets provided the strongest returns, thanks to a mixture of political and economic data. The flash composite purchasing manager's index hit a six-year high of 56.7, and a number above 50 indicates economic expansion. Markets were further boosted by receding political worries about the rise of populism following the Dutch elections, while the latest opinion poll data suggests Marine Le Pen's chances of victory are declining.

The US returned slight losses to UK sterling investors for the month as concerns about President Trump's ability to deliver on his campaign promises grew. The failure of his administration to pass healthcare legislation repealing the Patient Protection and Affordable Care Act (more commonly known as Obamacare) has led to doubts regarding plans to cut taxes and boost infrastructure. This all proved good news for emerging markets, which benefited from US dollar weakness and an increasing belief that Trump would not be able to follow through on his protectionist policies.

In the UK the triggering of Article 50, signalling the start of the process to withdraw from the EU, had little impact on markets, which produced small positive returns.

It was another quiet month for the Approved List, with only two issues identified, neither of which were considered critical events.

SUMMARY OF GOVERNANCE FINDINGS:

| | This Month | Last Month | Since Last Review |
|--|------------|------------|-------------------|
| Total Events | 2 | 3 | 2 |
| Critical Events | 0 | 0 | 0 |
| Noteworthy Events | 2 | 3 | 2 |
| No. Removed from FE Invest Approved List | 0 | 0 | 0 |

CRITICAL EVENTS:

These are events that require immediate action. This will centre on funds that have been removed from our short list because we feel there is a significant risk of them performing in a way that would be extremely detrimental to their present and future value.

- There are no critical events this month.

NOTEWORTHY EVENTS:

These are events that we deemed serious enough to warrant further investigation.

Fund Name: CF Woodford Equity Income

Event: We have identified a change in the risk the fund has been taking, which has increased relative to its benchmark and sector peers.

Investigation – Analysis of fund: The change can be attributed to the consistently high allocation to the highly volatile healthcare sector. The manager builds his portfolio around key investment themes and healthcare sector bets remain one of them, so we expect this relationship to continue in the medium term.

Conclusion: No action is required as some of the manager's investment edge remains within picking healthcare stocks, and this bet is currently driving the slight deviations from the benchmark and peers. We are fine with these slight deviations from sector and peers. We also expect continued sensitivity to the healthcare sector going forward, as Woodford has a low turnover and a long investment horizon in its investment themes.

Fund Name: Old Mutual Global Equity Absolute Return

Event: The fund saw large inflows of £637 million last month.

Investigation – Analysis of fund: The management team has recently made improvements to the investment process to increase the strategy's capacity. We believe these changes have not impaired the fund's investment process and capacity to outperform. The manager is confident about managing £7.5 billion, meaning the fund still has plenty of capacity.

Conclusion: For the moment we have no concerns but we will continue to monitor the fund as its size continues to increase.