

**SUMMARY:**

February proved to be a positive month for investors, with all major markets exhibiting strong returns. The US once again led the way with markets continuing to hit record highs and returning five per cent to UK investors. Economic data helped drive returns, with strong employment figures and Purchasing Managers' Index (PMI) numbers a plus. This was in conjunction with the promise of a "phenomenal tax plan" from US President Donald Trump, which was heavy on emphasis but light on any actual detail. Banking and pharmaceuticals were the leading sectors as Trump promised to remove many of the regulatory restrictions on both industries.

Europe, meanwhile, saw similar but less impressive growth, with all sectors up, with the exception of financials. There was positive news in the UK for a change, with the Bank of England revising up-growth forecasts for this year and the Office for National Statistics confirming the economy was expanding faster than expected – all of which helped the markets outperform mainland Europe

In Japan, markets showed small growth – but a strengthening currency had a much larger impact for UK sterling investors, while emerging markets once again outperformed their developed counterparts, excluding the US.

It was another quiet month for the Approved List, with only three issues identified – none of which were considered significant.

**SUMMARY OF GOVERNANCE FINDINGS:**

	This Month	Last Month	Since Last Review
Total Events	3	5	32
Critical Events	0	0	0
Noteworthy Events	3	5	32
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:** First State Global Listed Infrastructure

**Event:** We have seen a change in the fund's behaviour, which has seen it become more correlated to its benchmark.

**Investigation – Analysis of fund:** The fund's performance has recently been more correlated with its benchmark than before. We were slightly puzzled as the investment process remains unchanged, portfolio construction is still driven by stock picking decisions.

Nevertheless, we have observed that the management team has taken less industry bets as valuations became stretched across the different infrastructure and utilities sub-industries. It is more selective in its stock picking, though.

**Conclusion:** Ultimately, there has been no change to the investment process, so we do not believe investors need to take any action.

**Fund Name:** Jupiter Responsible 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 fund had consistently maintained a bias toward growth companies, which is also a result of the ethical process set up by Jupiter. Its manager typically avoids value and cyclical sectors, such as mining and oil companies.

We have observed that the risk associated with growth investment has significantly changed over the last six months. Investors have become concerned about growth stocks due to their sensitivity to interest risk and their relatively high valuations. UK growth stocks have become riskier relative to the FTSE All-Share.

Nevertheless, we are not too concerned about this, as we believe it corresponds to short-term moves on the market. During that period, the manager has consistently maintained his growth bias.

**Conclusion:** Investors need to take no action – the change in behaviour is a result from the market repricing growth stocks.

**Fund Name:** Rathbone Income

**Event:** The fund has been increasing the level of risk that it has been taking relative to its benchmark and sector peers.

**Investigation – Analysis of fund:** The fund had consistently maintained a bias toward growth companies, as the manager has tried to avoid business and financial risk. Despite the refutation trade, the manager has maintained this bias and has reduced the cyclical part of the portfolio.

We have observed that the risk associated with growth investment has significantly changed over the last six months. Investors became concerned about growth stocks due to their sensitivity to interest risk and their relatively high valuations. UK growth stocks have become riskier relative to the FTSE All-Share.

Nevertheless, we are not too concerned about this, as we believe it corresponds to short-term moves in the market. During that period, the manager has consistently maintained his growth bias.

**Conclusion:** Investors need to take no action – the change in behaviour is a result of the market repricing growth stocks.