

**BONDS**

**progeny** Asset Management

# MGTS Progeny Systematic Bond Fund

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Progeny Asset Management Ltd is authorised and regulated by the Financial Conduct Authority.

This document is directed at professional advisers and should not be relied upon by retail investors. The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

# MGTS Progeny Systematic Bond Fund

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## Objective

The investment objective of the Fund is to provide income. We aim to achieve this through systematic exposure to a range of global bonds across any economic sector and geographic area. The systematic approach is defined as using a methodical rule-based investment process to create the asset allocation and underlying investment selections.

To provide the above exposure, a minimum of 70% of the Fund will be invested in active and/or passively managed collective investment schemes.

## Policy

A systematic approach is used to provide exposure to a range of global bonds across any economic sector and geographic area. The systematic approach is defined as using a methodical rule-based investment process to create the asset allocation and underlying investment selections.

A minimum of 70% of the Fund will be invested in collective investment schemes (which may include schemes operated by the Authorised Corporate Directors (ACD), associates or controllers of the ACD).

The Fund may also invest directly (maximum of 30%) in transferable securities, such as bonds.

Overall exposure to Sterling denominated (or hedged back to Sterling) bonds, either held directly or indirectly through other assets such as collective investment schemes, will be a minimum of 80%.

The Fund will be fully invested except for a cash amount to enable ready settlement of liabilities (including redemption of units) and efficient management of the Fund both generally and in relation to its investment objective. This amount will vary depending upon prevailing circumstances and would not normally exceed 10% of the total value of the Fund.

Eligible expenses will be charged to the Fund's capital account. This will increase the distributable income by that amount and reduce the capital by a similar amount. This may constrain capital growth.



## The Fund at a glance

<b>Fund Type</b>	Fund of Funds
<b>OEIC/NURS</b>	NURS
<b>Asset Class</b>	Bonds
<b>Sector</b>	IA GBP Strategic Bond
<b>Fund Base Currency</b>	GBP
<b>ISA Eligible</b>	Yes
<b>Launch Date</b>	01 February 2022
<b>Valuation Point</b>	08:30 am (London)
<b>Dealing Frequency</b>	Daily
<b>Distribution Frequency</b>	Bi-Annually
<b>Investment Manager</b>	Progeny Asset Management Ltd
<b>ACD</b>	Margetts Fund Management Ltd
<b>ISIN (Acc)</b>	GB00BM8F3N43
<b>ISIN (Inc)</b>	GB00BM8F3P66

# Introducing our investment proposition

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At Progeny Asset Management, we have created a range of funds that are based around our core investment beliefs.

**Capitalism** creates wealth

**Markets** provide investment opportunities

**Risk & Return** are related

**Diversification** is a good risk management tool

In terms of investment execution, we also adhere to the following principles:



## **Principle 1: Get the asset mix right**

We start with getting the asset apportionment fine-tuned across our funds. The choice and adherence to our long-term investment policy and asset allocation, is the core driver of portfolio returns and therefore risk. Choosing the right mix, over the right time and for the right risk appetite, is the best means to deliver expected returns.

## **Principle 2: Diversify broadly**

The next important step is to ensure that an investor is not overly exposed to one sector/fund/geography because the only certainty in financial markets is their uncertainty. Taking an approach that doesn't chase trends means investors take advantage, wherever they can, of the diversification benefits on offer. We believe that owning a well-diversified portfolio is critical to long term portfolio success and is a method of taking an element of control over market changes that are essentially uncontrollable, such as natural disasters, wars, political changes etc.

## **Principle 3: Manage financial costs**

Investors are often unaware of the effects ongoing and compounding fees have on returns and the severe deductions over the long-term. These include the effects of inflation on purchasing power; the cost of tax; and the significant 'all-in' cost of investing (e.g. ongoing charges and turnover costs). Controlling costs within the fund has significant benefits, especially given the multiplying effects over the life-time of an investment.

## **Principle 4: Control emotions**

Behavioural finance studies have revealed that investors suffer a number of wealth damaging psychological preconceptions and biases.

The emotional impacts of regret, pride, greed and panic tend to result in trying to guess market timing and the excessive taking or avoidance of risk. Poor investment behaviour is likely to have a negative effect on investment returns. We take the emotion out and base decisions on quantitative analysis rather than making behavioural choices.

## **Principle 5: Rebalance the portfolio**

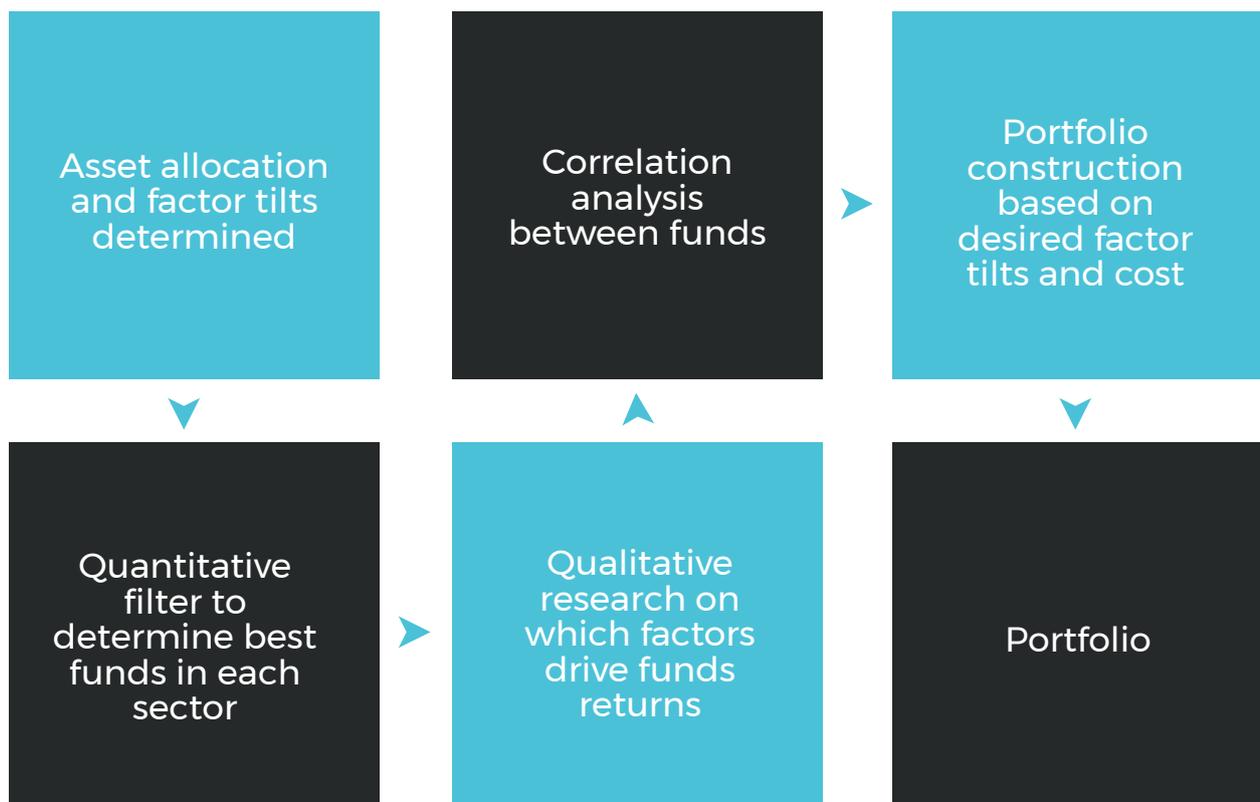
Rebalancing is where a portfolio is brought back to its originally designed asset allocation when market performance has caused it to change. The purpose of rebalancing is to control risk, and to ensure that investors are not exposed to more risk than they agreed. Rebalancing can be achieved either by buying and selling funds, or by directing new money into the right asset to achieve the original balance.

# Our Investment Process in Action

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## Progeny Asset Management Fund Building Blocks

We have created a range of equity and bond funds which, when combined, help planners construct cost effective, risk managed solutions, with a focus on performance and providing a smooth investment journey.



# Systematic Quantitative Approach

Systematic investing is based on empirical evidence, built on the work of award-winning Laureates and is centred around the asset pricing model developed in 1992. This progresses the capital asset pricing model (CAPM) by adding size risk and value risk factors to the market risk factor in CAPM. This model reflects the fact that value and small-cap stocks outperform markets over the very long-term. Over time this philosophy has been improved by two further factors, profitability and investment.

Today, this original theory has been enhanced further on the back of new research and at Progeny Asset Management, our systematic fund range is built around a multi-factor approach. In short, as the diagram below illustrates, different factors perform differently at different points in time, so by combining factors we aim to provide a smoother investment journey for investors.

## Factor Performance Rankings (Developed Markets)

Three Year Annualised Factor Returns

	1996-1998	1999-2001	2002-2004	2005-2007	2008-2010	2011-2013	2014-2016	2017-2019	Ann. Return 1996-2019
Highest Performing	13.8% Momentum	11.1% Value	12.1% Value	8.2% Momentum	6.5% Size	4.9% Low Beta	4.1% Low Beta	6.5% Profitability	3.6% Profitability
	8.0% Profitability	6.2% Size	11.6% Size	4.9% Profitability	2.5% Profitability	4.6% Momentum	2.5% Profitability	4.3% Momentum	3.3% Momentum
	0.8% Value	4.9% Profitability	6.1% Investment	2.2% Value	1.9% Investment	1.9% Profitability	1.9% Value	0.8% Low Beta	1.9% Value
	0.4% Multi-Factor	4.3% Investment	5.7% Multi-Factor	1.5% Multi-Factor	-0.1% Multi-Factor	1.7% Multi-Factor	1.6% Multi-Factor	-1.1% Multi-Factor	1.6% Multi-Factor
	-3.6% Investment	4.0% Multi-Factor	4.0% Momentum	-1.2% Investment	-1.7% Low Beta	0.7% Investment	1.0% Size	-3.7% Size	0.6% Size
	-6.4% Low Beta	-0.3% Momentum	3.1% Low Beta	-2.6% Size	-2.9% Value	0.1% Value	0.3% Investment	-6.3% Investment	0.2% Investment
Lowest Performing	-10.5% Size	-2.1% Low Beta	-2.4% Profitability	-2.6% Low Beta	-6.8% Momentum	-2.0% Size	-0.3% Momentum	-8.3% Value	-0.1% Low Beta

Research Affiliates/Invesco

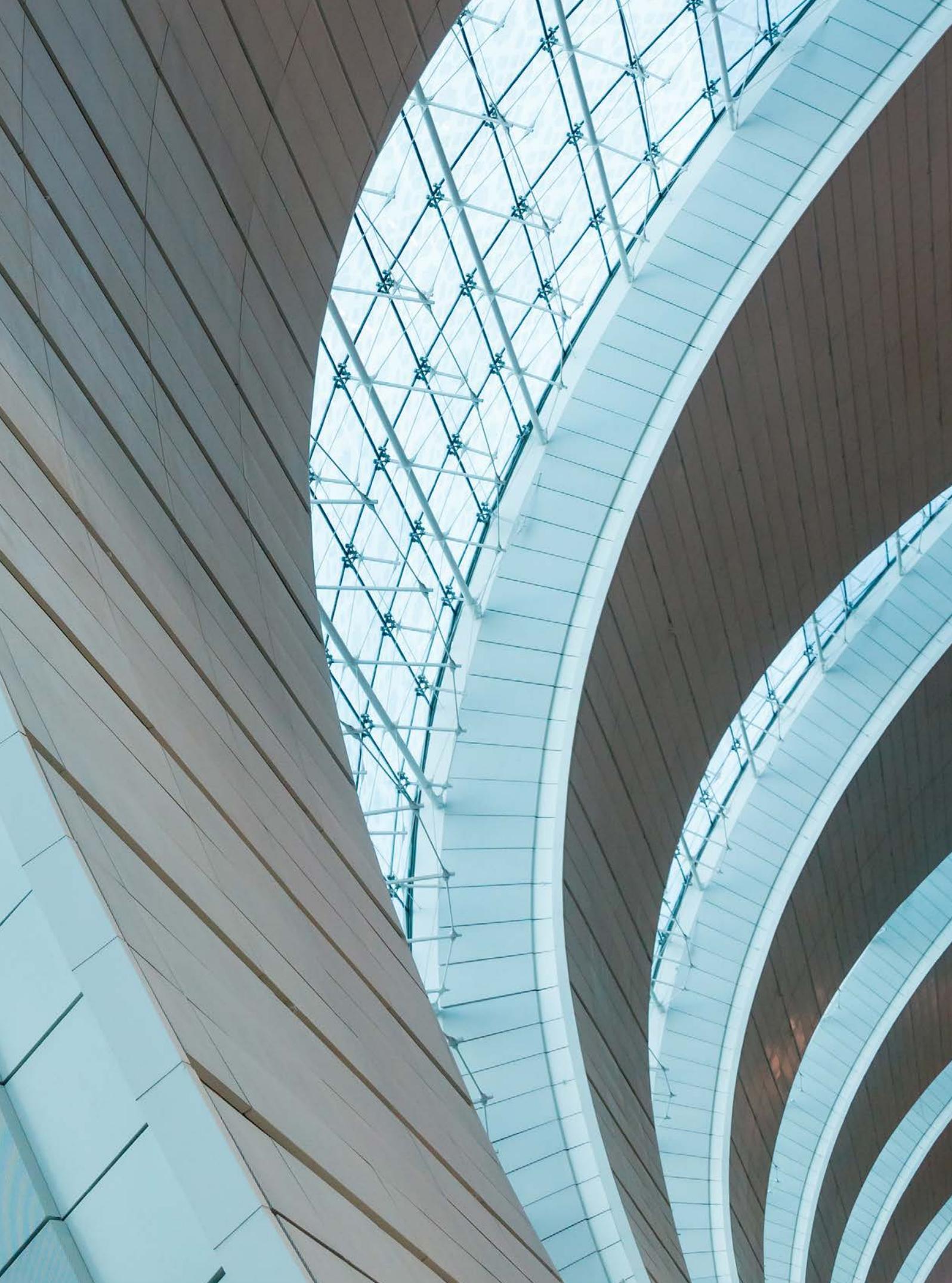
# Systematic Qualitative Approach

- Initial fund manager meeting
- Assess process, resources, style, risk controls, liquidity
- Deep dive due diligence on the fund house
- Research note produced on every fund
- Quarterly review of funds to monitor performance
- Manager meeting every 12 months to confirm positioning
- Focus on correlation between funds and factor-investing

## Important Risk Information

1. The Fund will invest in a diverse range of instruments, predominantly in collective investment schemes for a given strategic asset allocation representing a diversified global (including UK) bond exposure that will be monitored and reviewed. The value of bonds can be affected by daily stock market movements. Other influential factors include inflation and interest rate expectations, credit ratings, maturity profile, economic news, and significant corporate events.
2. The Fund invests in a number of funds and investment trusts at the investment manager's discretion. Fund and underlying investment diversification is achieved across a wide range of investments which may include both investment grade and non-investment grade bonds which in aggregate allow the manager to best target the Fund's investment objective and at all times in the context of a diversified portfolio of investments.
3. The Fund may be exposed to currencies other than the base currency and is therefore subject to currency fluctuations which could add to the rise and fall in value of investments.
4. As well as targeting its primary objective of providing income, the Fund is available in accumulation shares which roll up the capital gains and income components of fund returns and provide exposure to the Fund's low-risk returns. The Fund is not invested with any regard to the individual after-tax returns of individual investors .
5. The Fund's investments in emerging and less developed markets may be subject to significant risks such as increased volatility, ownership and custody risks, political and economic risks, market and settlement risks, legal and taxation risks etc.
6. In respect of the distribution units, the manager will declare and pay bi-annual distributions. However, the distribution rate is not guaranteed. Distribution yield is not indicative of the return of the Fund. Distribution may be paid from capital of the Fund. Investors should note that where the payment of distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount you originally invested or capital gains attributable to that and may result in an immediate decrease in the value of units.
7. Investors should ensure that they have read and understood the Non UCITS Retail Scheme Key Investor Information Document (NURS-KII) and Supplementary Information Document (SID), which contain important information. A copy this documents is available from the Margetts Fund Management website along with the Supplementary Information Document (SID).
8. A full description of risk warnings is provided in the prospectus, which is available on our website, or by requesting a copy.

**Investors should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.**





## Important Information

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Potential investors are urged to consult their professional advisers on the implications of making an investment in, holding or disposing of shares and /or units of, and the receipt of distribution from any investment.

The Authorised Corporate Director for MGTs Progeny Systematic Bond Fund is Margetts Fund Management (MGTs). Progeny Asset Management Limited is a distributor of MGTs Progeny Systematic Bond Fund OEIC. This is a Sub-fund of the MGTs Progeny Fund. The Sub-funds are segregated by law and investors should view each Sub-fund as a separate investment entity meaning the liabilities of one Sub-fund do not count as liabilities of another Sub-fund.

For further information on the fund's investment policy, please refer to the Key Investor Information Document ("KIID"). The KIID and the Prospectus for the fund(s) is available from Progeny via our website <https://www.theprogenygroup.com/>.

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