Please note that the commentary is for the US dollar retail class of the fund. The feeder fund is 100% invested in the underlying US dollar fund. However, given small valuation, trading and translation differences for the two funds, investors should expect differences in returns in the short term. Over the long term, we aim to achieve the same outcome in US dollar terms for both funds.

Global equity markets ended the year on a high note, advancing 6.7%, bringing the gain for 2021 to 18.5%. Within equity markets, the S&P500 Index bested the rest of the world by the largest margin in two decades. A specific sub-set highlights the gap: the S&P 500 Index returned 28.7% in 2021 compared to the MSCI Emerging Markets Index, which declined 2.5%. As a result of sustained outperformance, the US now represents over 60% of the MSCI All Country World Index, up from 45% in the early 2010s. Global bond markets fared less well than equities as inflation fears picked up and investors began to price in a series of rate hikes. The bond index (Bloomberg Barclays Global Aggregate Bond Index) was negative for the quarter, bringing the full-year decline to -4.7%. According to LPL research, 2021 ranked the third-worst year for US bonds in four and a half decades.

The Fund was both well-diversified and well-positioned from an asset allocation point of view, with an appropriately conservative allocation to equities, no exposure to longer duration developed market government bonds and a healthy allocation to commodities. It returned 1.2% for the quarter and 3.0% for the year. Over the long term, the Fund has delivered returns well ahead of its benchmark (and inflation).

At quarter-end, the Fund was positioned as follows:

- 29% effective equity
- 5% in listed infrastructure assets
- 8% in commodity-related assets, with gold (the metal) accounting for over half this exposure and the balance in a basket of diversified miners
- 11% in high yield fixed income
- 40% in investment-grade fixed income (with 22% in short-dated Treasury bills and 17% in investment-grade credit)

The remaining 7% is invested across a range of other assets.

Liberty Media Corporation, which owns Formula 1, positively contributed to the Fund's returns. F1 is the third or fourth most-watched event on earth. So no doubt many readers will have witnessed the dramatic season finale where the two leading drivers (Lewis Hamilton and Max Verstappen) began the final race of the year tied on points. It was a high stakes race of winner takes all, and in a turn of events resembling a Hollywood-scripted drama, it all came down to the final lap. Excitement, drama, emotion, history and fierce rivalry such as this draws the crowds both track-side and on TV (increasingly direct to consumer on any device too) and is exactly what makes live sports valuable. We think F1 is a unique asset, and in the hands of Liberty (with John Malone as Chairman), the company has been undergoing a transformation over the last few years. While Covid-19 heavily impacted the last two seasons, if economies and societies start to normalise (as we expect), combined with the changes Liberty has been making, the value of this unique franchise should become evident. F1 has high barriers to entry, is currently under-monetised yet still exhibits fantastic economics, with high margins and limited capex requirements resulting in strong cash conversion. It has a dynamic new CEO Stefano Domenicali (with a background as CEO of Lamborghini and at F1 with Ferrari) and optionality from M&A and higher broadcast fees.

In terms of detractors, Airbus underperformed this quarter due to the emergence of the Omicron variant and the ensuing increased travel restrictions across different regions. Some airlines revised near-term plans in an already weak late autumn flying schedule, although the pace of new customer bookings was relatively resilient.

The market was also somewhat captivated by whether Airbus would make its annual delivery target of 600 aircraft in 2021. At the time of writing, the company has not yet released official figures, but it has reached the desired number for the year, according to the press. The late drive to achieve delivery targets is an annual fascination for some market participants, but we view it as noise and observe it with indifference, other than for the potential buying opportunities it could present. The company has aimed to make its delivery plan less seasonal, but Covid-19 disruptions have set back that intention. Either way, demand for new aircraft is determined by long-term fundamentals while supply is affected by minor production issues, which frequently occur due to the aerospace supply chain's complexity, but tend to be resolved in a matter of weeks or a few months. The lumpiness of monthly deliveries is, therefore, largely irrelevant to the intrinsic value of Airbus, despite the occasional severity of share price moves.

The most important long-term debate among investors and industry participants is about whether Airbus can or should increase its very successful narrow-body aircraft (A320neo family) production rate from the current level of mid-40 units per month to a record more than 70 by around mid-decade. A320s are the company's most important models, contributing almost the entirety of the Commercial division's EBIT and, even when other programmes' profitability ramps up, will be making up at least three-quarters of the total. Unnerved by naturally pessimistic views on the production ramp-up issue by lessors and aircraft engine OEMs, the market seems to be pricing in a figure in the mid-50s. However, our analysis on demand and market share trends suggests that a rate close to 70 is feasible, and there is further upside towards the end of the 2020s. Various pieces of anecdotal evidence support this (e.g. Allegiant Air's CEO in the US recently noted there are no free A320 production slots until 2026-28).

We continue to be bullish on Airbus's bolstered strategic position in the global duopoly coming out of the Covid-19 crisis, which, combined with a strong balance sheet, sets it up well for the next decade. We expect this to translate into strong earnings and free cash flow growth over several years and believe the shares remain attractively valued.

We continue to find and own a range of businesses that we think offer the prospect of strong dollar-denominated returns. In addition, the Fund's portfolio construction is balanced through holdings of long-duration inflation-linked infrastructure assets, undervalued commodity businesses, gold, and select reasonably priced credits (both investment grade and high yield).

Thank you for your continued support and interest in the Fund.

Portfolio managers
Neil Padoa and Louis Stassen
as at 31 December 2021