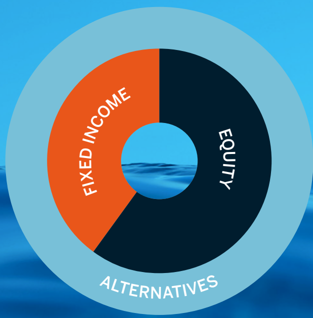
Atlantic House
Balanced Return Fund

ATLANTIC HOUSE

An introduction

The Atlantic House Balanced Return Fund is a diversified multi-asset portfolio that uses a broader toolkit to offer investors greater resilience and predictability throughout the economic cycle.



Shares and bonds: The basic building blocks of success

Over the long-term the investment approach that has proven itself over multiple investment cycles is one which sticks with a consistent allocation to shares despite the inevitable volatility this creates. The 'premium' investors are paid for taking the risk of equities has enabled them to beat long-term inflation. Balancing these shares with a diversified portfolio of bonds has enabled investors to cushion themselves against market shocks. Yet we know that the approach struggles at specific points, including when inflation is rising rapidly.

Many fund management companies have sought to develop complex alternative strategies to beat the performance of these basic building blocks of markets. However, these alternative strategies rely on the unreliable promise of fund manager skill rather than the tried and tested ability of equities to work over the long-term.

The Balanced Return fund takes a different approach. This portfolio is built on the long-term return of shares and bonds but uses highly-liquid derivatives, backed by UK government bonds, to optimise the returns that can be achieved for balanced investors. Our approach deploys strategies to deliver performance even when traditional portfolios are struggling.

Fund asset allocation

The basic asset allocation of the fund is similar to that of a fund which has around 60% allocated to shares and 40% to bonds.

However, instead of owning the physical assets the fund uses simple liquid derivatives (that are in fact more liquid than trading physical shares or bonds themselves) that behave in a more predictable and defined manner than a traditional approach.

How are investors offered exposure to equity markets?

The building blocks the fund uses are derivatives linked to the behaviour of major stock markets. The derivatives are traded only via the largest global banks.

These building blocks make up holdings that are designed to deliver returns of between 7-8% per year over the long-term in all but the bleakest market scenarios.

This defined return is possible because the fund foregoes the possibility of an unusually large return from shares in order to gain a more predictable return.

The approach has been used effectively for 10 years in the Atlantic House Defined Return Fund and Atlantic House Investments is the UK's largest investor in this asset class.

The instruments pay a fixed return over the medium-term provided various conditions are met. This includes that the relevant stock market does not fall by a specific amount, typically around 35%, and fail to recover any of those losses within a six-year period.

This negative outcome is possible and if it does occur these derivatives will behave much like shares. In fact, as they do not have dividends attached, they are likely to underperform wider equity markets.

Should the stock market maintain certain levels on certain dates throughout the life of the derivative it will pay out early, enabling the fund manager to re-invest into a new instrument. Each instrument is backed by UK gilts so in the unlikely event of a bank collapsing the fund is not exposed to the attached credit risk.

Meet the team

Tom May
Chief Executive & Chief Investment Officer

Mark Greenwood
Deputy Chief Investment Officer & Head of Investment Risk

Jack Roberts, CFA
Fund Manager

Fahad Hassan, CFA
CIO at Albemarle Street Partners

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How does the fund offer investors exposure to bond markets?

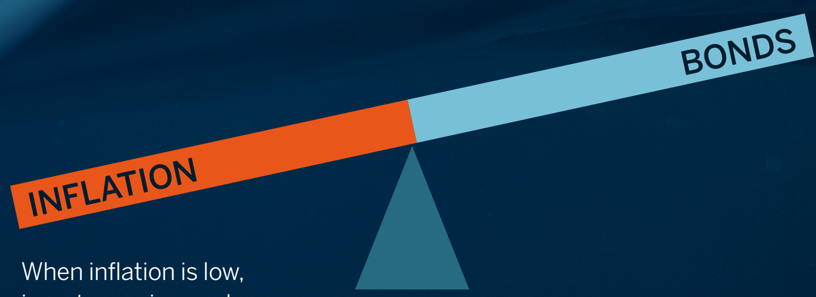
Bonds can operate as effective diversifiers for portfolios when the stock market is falling because of a decline in economic growth and inflation. However, when stock markets fall because of an inflationary shock, such as that seen in 2022 and 2023, bonds often fall in unison with shares – losing their diversification benefit for portfolios.

This fund addresses this problem by using a series of long-tested market signals to determine whether to own derivatives which track the performance of bonds issued by the UK and US government or, when this is not likely to work, to pivot into holding a simple derivative called an inflation swap. This is our 'dynamic duration' investment process. Inflation swaps offer a purer way for investors to profit from the rising value of inflation itself than can be achieved through other asset classes.

This technique enables investors to get the diversification benefits of bonds but not be trapped in them during periods when they are falling in value.

However, when inflation is rising, bonds can lose their diversification benefits.

Investors can gain additional diversification by being exposed to inflation itself.



When inflation is low, investors gain a real diversification benefit from bonds

What other techniques does the fund employ to increase portfolio resilience?

Long-term investors will know that over time we will occasionally experience market crashes. These unusual events generally occur when the world experiences an unexpected shock such as the global financial crisis or Covid-19 pandemic. It is possible to own investments which operate as 'crash protection' within a portfolio. These include assets which specifically profit from rapid increases in the amount of volatility in markets. However, traditional investors often find the cost of owning this protection to be too high. By using a systematic technique which ensures this portion of the portfolio can retain and modestly grow its value in more normal market environments the Atlantic House Balanced Return Fund is able to hold this crash protection where others cannot.

Signatory of:

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Why consider this fund?

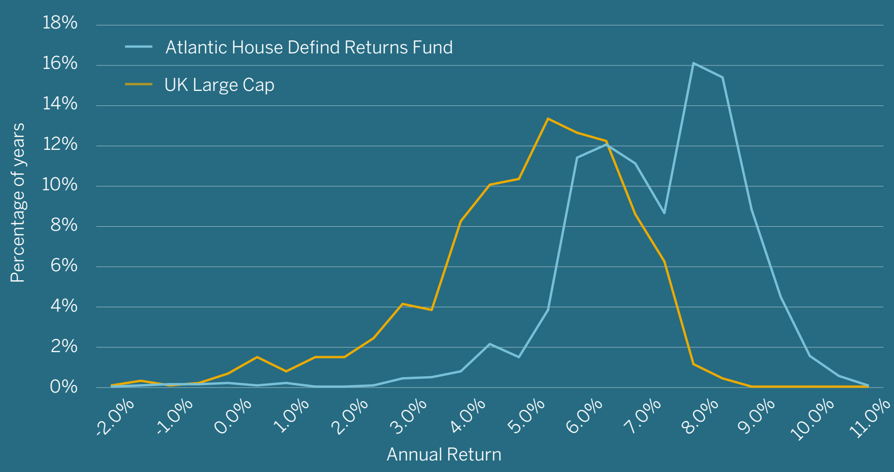
1 More predictable returns from equities

The fund's defined return investments aims to offer equity-like returns of 7-8% a year over the long-term in all but the bleakest market environments.

The Defined Return approach to seeking equity-like returns has historically enabled investors to have more predictable returns. Over the long-term the fund aims to deliver an annualised return of 7-8% a year. However, investors should understand that returns will still vary significantly from year to year.

The return of defined return investments in multiple years compared to the return of large-cap UK shares.

Defined Returns have delivered 'more good years' for equity investors
Modelling returns over multiple possible investment years



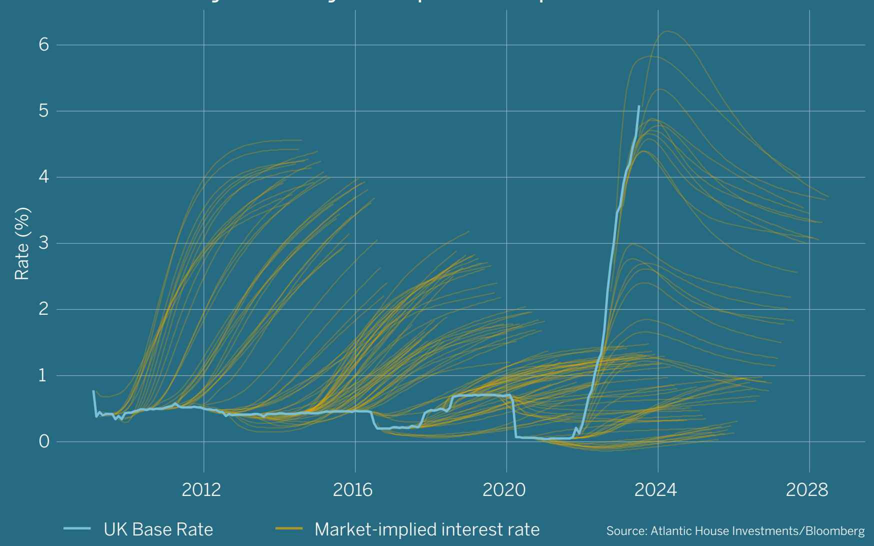
Past performance does not predict future returns. Source: Atlantic House Investments/Bloomberg

2 More reliable diversification from bonds

The fund's 'dynamic duration' investment process enables the fund to pivot to investments in inflation itself when bonds are falling in value.

The diversification benefit of bonds is strong when economic growth and interest rates are falling but weak when inflation is rising. Most active bond investors seek to address this by predicting the future path of interest rates. However, the evidence suggests that the market consistently fails to get this right. Our approach follows the market signals that are in place, rather than try to predict the future.

Avoiding the guesswork of active bond investment
The market rarely correctly anticipates the path of interest rates



Source: Atlantic House Investments/Bloomberg

3 Crash Protection

The highly liquid derivatives used in the fund enable it to own assets which have the potential to make large returns in the unusual but highly important situations when market volatility rises sharply

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Key Risks

This is a marketing communication. The price of shares and income from them can go down as well as up and past performance is not a guide to future performance. Investors may not get back the full amount originally invested. The level and basis of tax is subject to change and will depend on individual circumstances. There is no guarantee that the Fund will achieve its objective.

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A comprehensive list of risk factors is detailed in the Risk Factors Section of the Prospectus and the Supplement of the Fund and in the relevant key investor information document (KIID). A copy of the English version of the Supplement, the Prospectus, and any other offering document and the KIID can be viewed at www.atlantichousegroup.com and www.geminicapital.ie. A summary of investor rights associated with an investment in the Fund is available in English at www.gemincapital.ie.

The Fund is entitled to use derivative instruments for investment purposes and for efficient portfolio management and/ or to protect against exchange risks. Derivatives may not achieve their intended purpose. Their prices may move up or down significantly over relatively short periods of time which may result in losses greater than the amount paid. This could adversely impact the value of the Fund. The Fund may enter into various financial contracts (derivatives) with another party. Where the Fund uses futures or forward foreign currency contracts (derivatives), it may become exposed to certain investment risks including leverage, market, mismatching of exposure and/or counterparty risk, liquidity, interest rate, credit and management risks and the risk of improper valuation. Any movement in the price of these investments can have a significant impact on the value of the Fund and the Fund could lose more than the amount invested.

The Fund invests in government bonds. All bonds will be investment grade (i.e. at or above S&P rating BBB- or deemed equivalent). If any of the bonds the Fund owns suffer credit events the performance of the Fund could be adversely affected In certain market conditions some assets in the Fund may become less liquid than at other times so selling at their true value and in a timely manner could become more difficult.

Other risks the Fund is exposed to include but are not limited to are possible changes in interest rates, changing expectations of future market volatility. Future legal or regulatory change could have a significant effect on the Fund.

Important Information

Source for all data is Atlantic House Investments as of 31/05/2023 unless stated otherwise.

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The Atlantic House Balanced Return Fund is a sub-fund of GemCap Investment Funds (Ireland) plc, an umbrella type open-ended investment company with variable capital, incorporated on 1 June 2010 with limited liability under the laws of Ireland with segregated liability between sub-funds.

GemCap Investment Funds (Ireland) plc is authorised in Ireland by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) (the "UCITS Regulations"), as amended. Gemini Capital Management (Ireland) Limited, trading as GemCap, is a limited liability company registered under the registered number 579677 under Irish law pursuant to the Companies Act 2014 which is regulated by the Central Bank of Ireland. Its principal office is at Ground Floor, 118 Rock Road, Booterstown, A94 V0Y, Co. Dublin and its registered office is at 7th Floor, Block A, One Park Place, Upper Hatch Street, Dublin 2 D02 E762. GemCap acts as both management company and global distributor to GemCap Investment Funds (Ireland) plc. GemCap UK Limited (FRN 924419) is an appointed representative of Connexion Capital LLP (FRN 480006), which is authorised and regulated by the Financial Conduct Authority and provides distribution oversight services to GemCap acting as global distributor and is responsible for the oversight of all distribution arrangements for the sub-fund.

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