Canaccord Genuity Wealth Management

1st Quarter 2023

International MPS GBP Balanced Portfolio

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Investment Director

Tom manages investment strategies for international clients and their advisers, investing into multi-asset portfolios of collective funds and direct stocks.

He is a Chartered Fellow of the CISI and holds an MSc in International Banking and Finance.

Art Molloy
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Art manages discretionary portfolios for private individuals, trusts, and professional advisers, specialising in multi-asset portfolios.

He is a Chartered Member of the CISI and is a management graduate from Trinity College Dublin (DIT).

Benchmark

ARC Sterling Balanced PCI

Source: ARC Research Limited PCI
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The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.

Past performance is not a guide to future performance.

Levels and bases for taxation may change.

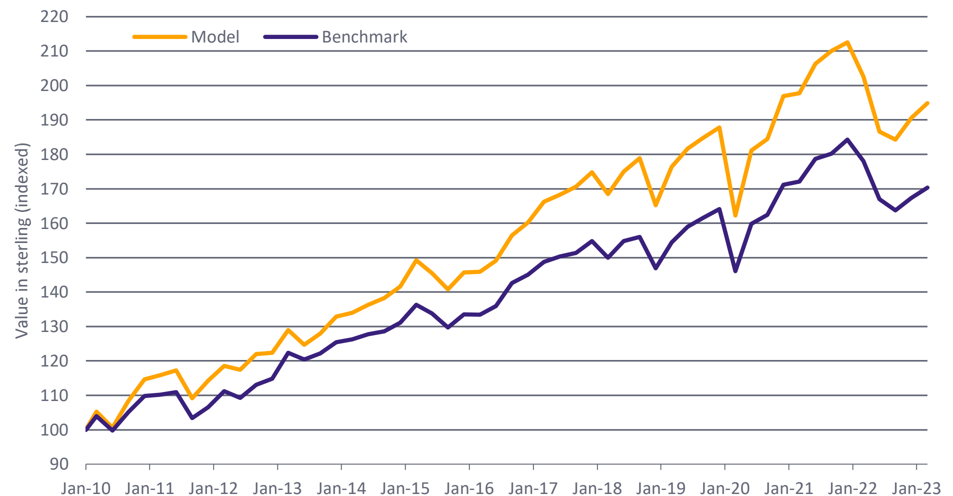
Investors should note that actual portfolio returns may be different to the returns of the model portfolio.

Figures represent performance of a model portfolio, individual account performance may differ.

Investment objective

This portfolio aims to produce a balance between capital appreciation and income over the medium to long term. The strategy utilises global equities and fixed interest/cash type investments to provide diversification, plus some focus on the themes likely to perform in the prevailing economic environment. Alternative asset classes (such as commodities, currencies, and hedge funds) may be employed in this strategy to hedge against unfavourable conditions and produce returns uncorrelated to the general market.

Performance since 01/01/2010



Discrete performance (%)

Total return to 31/03/2023.

	YTD 2023	2022	2021	2020	2019	2018
Model	**+2.2**	**-10.3**	**+7.9**	**+4.9**	**+13.6**	**-5.5**
Benchmark	**+1.8**	**-9.1**	**+7.6**	**+4.3**	**+11.7**	**-5.1**

Cumulative performance (%)

Total return to 31/03/2023.

	3 Months	1 Year	3 Years	5 Years	Since 01/01/2010
Model	**+2.2**	**-3.8**	**+20.2**	**+15.7**	**+94.9**
Benchmark	**+1.8**	**-4.3**	**+16.7**	**+13.6**	**+70.4**

Source: Canaccord Genuity Wealth Management (CGWM).
Total return before fees and charges are deducted.

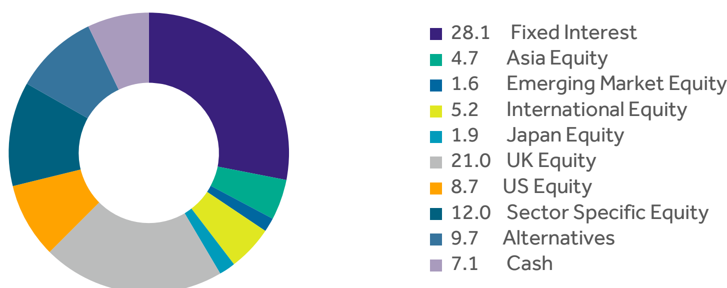
Risk & return since 01/01/2010 (%)

	Model	Benchmark
Annualised volatility	**+7.6**	**+6.2**
Maximum loss	**-13.6**	**-11.1**
Sharpe ratio	**+0.6**	**+0.6**

Annualised volatility: risk is measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore the risk) of the Model or the index.

Sharpe ratio: measures the risk/return trade-off. It is the annualised return less the average risk-free rate, divided by the annualised volatility of the Model.

Illustrative asset allocation (%)



Illustrative top 10 holdings (%)

Holding	%
Vanguard S&P 500 UCITS ETF USD Inc (GBP)	**8.7**
Cash	**7.1**
iShares Core FTSE 100 UCITS ETF GBP	**6.3**
Ninety One UK Alpha Fund JX Inc GBP	**5.0**
iShares Gold Producers UCITS ETF GBP	**5.0**
Trojan Fund (Ireland) X GBP Acc	**4.8**
iShares USD TIPS 0-5 UCITS ETF Hedged GBP	**4.7**
iShares USD Treasury Bond 7-10yr UCITS ETF GBP	**4.3**
Vontobel SICAV TwentyFour Strategic Income Fund AQG Dist	**4.1**
Vanguard FTSE 250 UCITS ETF GBP	**4.1**

Source: CGWM

Portfolio Manager commentary

When central banks raise interest rates things break. We are now coming to the end of the most aggressive interest rate hiking cycle ever and the full impact of these rate hikes is yet to be felt. It is generally extremely difficult to tell where and when these breaks will occur. In early March in California a couple of small/medium sized regional banks broke – most people had never heard of Silvergate Bank or Silicon Valley Bank ('SVB') – but it was these failures that briefly derailed the financial system, spreading across the US and into Europe. Global Equities perhaps counterintuitively finished the month in positive territory, up 0.93%. This was following a strong start to the month before the crisis hit. Global Bonds finished up 2.12% for the month. There were rumblings under the covers of these headline returns.

The US banking system is less consolidated; it is made up of smaller firms operating on a more regional basis compared to most Western economies, including the UK. During hiking cycles there are a number of factors that lead to a natural decline in bank deposits. One of the more significant of these in this case is that as interest rates have risen the more speculative, smaller and interest rate sensitive businesses, particularly in the Technology sector, have suffered. As a result they have been forced to drawdown their bank deposits to fund their ongoing business costs. These particularly interest rate sensitive businesses are those that make up the concentrated client base of these Californian regional banks.

On the 12th March authorities stepped in to provide support and stability to the US banking system and boost liquidity, making depositors whole. Although their measures were largely successful in reassuring the broader banking system it was not enough to hem the contagion across the Atlantic. Credit Suisse, which has suffered from entirely different, more idiosyncratic, issues from those described above began to see extreme deposit flows which took the bank to the brink of collapse. On the 19th March UBS stepped in to buy the failing bank for $3.3bn. To put the scale of the decline of Credit Suisse into perspective, the market capitalisation of the bank peaked before the global financial crisis in mid-2007 at $106bn. As part of the negotiation following the collapse of Credit Suisse $17.5bn worth of Credit Suisse AT1 bonds were wiped out (written down to zero). This was a controversial decision by the Swiss regulator as AT1 bonds typically rank above Equities in the capital structure hierarchy and the general expectation is that equity should be used up before the AT1 bonds are impacted. AT1 bonds, which were introduced as an additional capital buffer for banks following the global financial crisis, sold off significantly following the decision. Christine Lagarde, President of the European Central Bank, stepped in to reassure AT1 holders of European banks under the ECB's remit that the bonds would be treated in-line with the expectations and rank above equity holders in similar scenarios.

The actions of the regulators in Europe and the US have been enough to calm the storm, at least in the short term. Stability does seem to have returned for the time being. The financial sector in the US remains discounted, signalling that markets still have concerns about the health of the US regional banking system. In Europe most AT1 bank bonds are trading in similar range to where they were before the crisis. In monetary policy lore there is this unwritten rule that central banks should halt rate hikes when the first thing breaks. This was not the case in March with inflation still too high to warrant an absolute end to the hiking cycle. The Federal Reserve hiked rates by 0.25% to 5.0%. The ECB and Swiss National bank both hiked rates by 0.5%. The Bank of England hiked by 0.25% to 4.25%. We are approaching what is very likely the cycle highs for interest rates globally.

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