

# International MPS GBP Risk Profile 6 Portfolio

ARC data is confirmed until September 2023. For October, November and December 2023 the data is based on estimates from ARC and is subject to change.

## Performance, costs and charges:

The performance illustration represents the performance of the Risk Profile using the Multi Manager historic data.

All performance figures are shown gross of underlying fund charges.

Fees charged by any Financial Adviser are not taken into account.

## Benchmark

ARC Sterling Equity PCI

Source: ARC Research Limited PCI

www.suggestus.com

## Glossary

**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 Fund or the index.

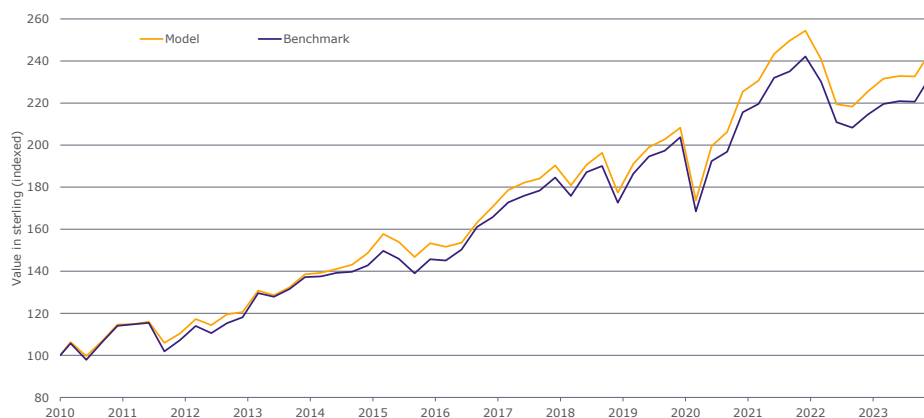
**Maximum historic loss:** is the maximum loss from peak to trough in an investment's history. The figures are indicative and will depend on circumstance.

**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.

## Investment objective

Our objective for this strategy is to generate a total return equivalent to 80% of the equity benchmark over a minimum rolling period of 10 years. A proportion of the overall return will come from the income generated. The strategy is designed to generate risk adjusted returns over the suggested time horizon. This portfolio is mostly focused on global equity investments, but will also invest in fixed income assets, as well as using other diversifying financial instruments. To assist in the reduction of volatility and deliver uncorrelated returns during periods of unfavourable market conditions, alternative asset classes such as commodities, currencies, infrastructure and hedge funds may be used. Investors in the Risk Profile 6 strategy are prepared to accept a very high proportion of equity risk in pursuit of returns closer to the longer-term returns available from major equity markets. By the same token, at times of stress, the benchmark has generated losses slightly lower than those from major equity markets. The strategy is heavily exposed to equities, which increases the risk of losses that may take some years to recover.

## Performance since inception (01/01/2010)



## Discrete performance (%)

Total return to end of last calendar quarter 31/12/2023.

|           | 2023 YTD* | 2022  | 2021  | 2020 | 2019  | 2018 | 2017  | 2016  |
|-----------|-----------|-------|-------|------|-------|------|-------|-------|
| Model     | +8.4      | -11.4 | +12.9 | +8.3 | +17.4 | -6.8 | +11.5 | +11.3 |
| Benchmark | +8.1      | -10.9 | +12.3 | +5.8 | +18.0 | -6.5 | +11.4 | +13.7 |

\* 2023 YTD is data for year to date from 01 January 2023 to 31 December 2023

## Cumulative performance (%)

Total return from inception to 31/12/2023.

|           | 3 Months | 1 Year | 3 Years | 5 Years | Inception (01/01/2010) |
|-----------|----------|--------|---------|---------|------------------------|
| Model     | +5.1     | +8.4   | +8.4    | +37.9   | +144.5                 |
| Benchmark | +5.5     | +8.1   | +7.6    | +34.4   | +131.9                 |

## Risk & return since inception (%)

|                       | Model | Benchmark |
|-----------------------|-------|-----------|
| Annualised volatility | +9.4  | +9.6      |
| Maximum historic loss | -16.6 | -17.3     |
| Sharpe ratio          | +0.6  | +0.6      |

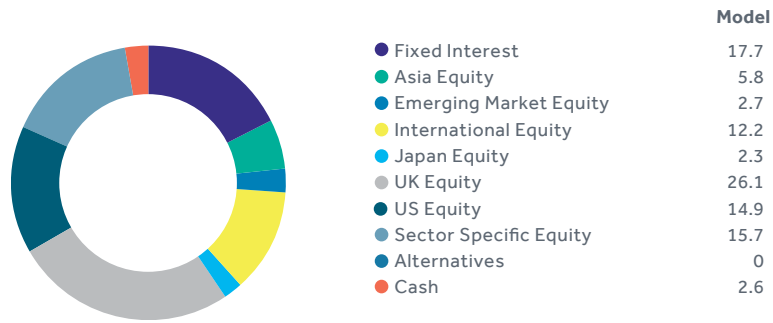
Source: Canaccord Genuity Wealth Management (CGWM) Interactive Data as at 31/12/2023.

\*Inception to date. Inception is 01/01/2010.

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## IMPS Risk Profile 6 Portfolio suggested asset allocation (%)



Investment involves risk.

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.

Figures represent the performance of a model portfolio, investors should note that individual account performance may differ.

Levels and bases for taxation may change.

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## Top 10 holdings (%)

|   |     |
|---|-----|
| iShares FTSE 100 UCITS ETF                | 8.3 |
| Vanguard S&P 500 UCITS ETF                | 7.5 |
| Threadneedle US Disciplined Core Equities | 4.5 |
| Fundsmith Equity Fund                     | 4.4 |
| Fidelity Special Situations               | 4.3 |
| Evenlode Global Income                    | 4.3 |
| iShares \$ Treasury Bond 7-10yr UCITS ETF | 4.0 |
| Artemis Income                            | 4.0 |
| Liontrust Sustainable Future UK Growth    | 4.0 |
| Lindsell Train UK Equity                  | 3.7 |

Top ten holdings excluding cash

Source: CGWM

## Portfolio Manager commentary

2023 ended with a bang, and November and December proved to be richly rewarding months for investors. Global equities rose by 10% in the last two months of 2023, with global bonds also rising an impressive 7%.

The change in tone from the miserable month of October 2023 was down to a major shift in messaging from the US Federal Reserve in terms of interest rates, and the US Treasury over bond issuance. The consensus is now expecting significant policy loosening (interest rate cuts) in 2024 and, while there has been a modicum of pushback in recent weeks, the US Federal Reserve has not tried overly hard to change investors' minds. At the same time as this change of mentality around interest rates and a symbiotic shift lower in bond yields, recent economic data has been dull but not disastrous, hinting that an economic 'soft landing' is still the 'base case'.

The obvious question is whether there will now be a period of 'January blues' for investors, as markets digest the significant gains made over the past couple of months. Markets have moved a long way very quickly and there is little doubt that expectations around the supportive backdrop for markets (economic growth, receding inflation and rate cuts) will be tested at various points in the coming months. We suspect that the downward move in bond yields has been overly aggressive in recent weeks, not least given how much fresh debt will need to be issued later this year, and some indigestion is likely. We view current government bond yields and credit spreads (excess yield gap over government bonds) as towards the bottom of likely short-term range.

Despite short term risks and likely volatility, we still believe that the compensation offered in fixed interest markets is appropriate and we should make money from bonds this year. Equity valuations are now more expensive, and they will be tested by corporate results in 2024 and corporate managements' guidance for the uncertain year ahead. Our base case for equity markets remains that there are plenty of opportunities in various sectors and regions where valuations are appropriate, and we again expect to make positive returns this year.

Technically, equity markets look in decent shape, with the US market in particular now benefitting from a broadening out of positive moves, after a period in the first 10 months of 2023 when the "Magnificent Seven" dominated returns. The biggest risk arguably comes from investor complacency in a year where economic uncertainty will be high and political risks are elevated.

2023 was a year for 'balance, diversification, and an open-minded approach to investment'. It might well be repetitive to say the same now, but 2024 seems likely to be a year when those mottos are once again very relevant.