

Balanced Long Term

Quarterly Report 31/12/2023

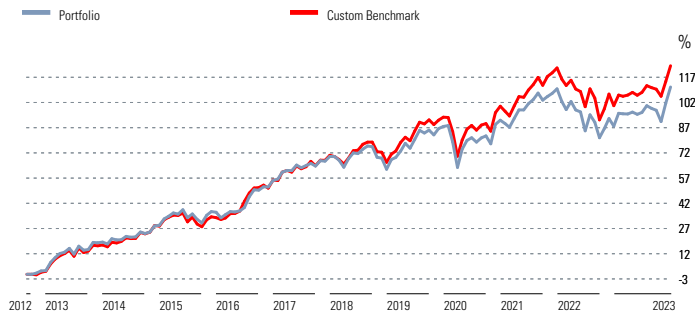


Investment Objective

The objective is to deliver a risk and return profile in each of the asset classes that is commensurate with the underlying markets, whilst seeking outperformance over the long-term.

Investment Growth

Time Period: 30/09/2012 to 31/12/2023



Portfolio Returns

As Of Date: 31/12/2023

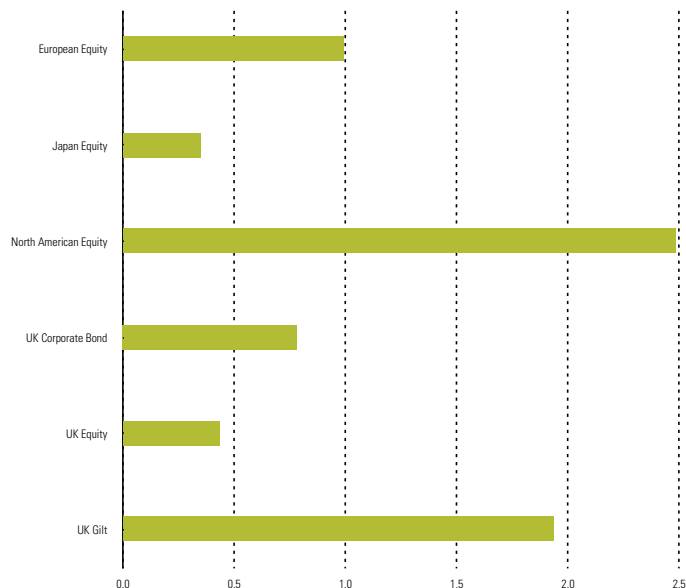
Trailing Returns %	3M	YTD	1 Year	3-Years	5-Years	Since Inception
Balanced Long Term	6.96	12.35	12.35	3.32	5.40	6.87
Custom Benchmark	6.65	11.87	11.87	3.86	6.10	7.42

Discrete Returns %	2023	2022	2021	2020	2019
Balanced Long Term	12.35	-10.52	9.71	1.93	15.70
Custom Benchmark	11.87	-10.07	11.36	3.37	16.12

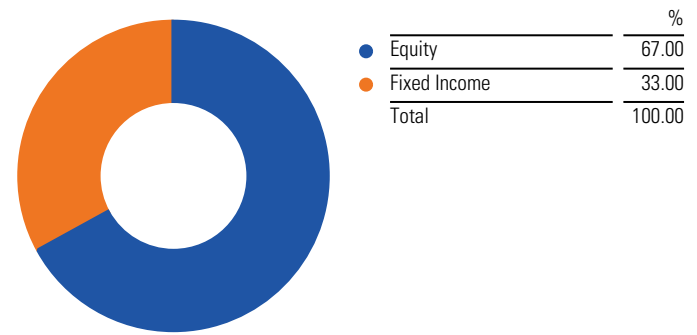
The Custom Benchmark used to measure performance is a composite that reflects EV's asset allocation output. Until 31/12/2022, the custom benchmark was composed primarily of underlying market indices. Since 01/01/2023, it has been composed of passive funds that track the relevant underlying market indices.

Contribution to Return %

Time Period: 01/10/2023 to 31/12/2023



Asset Allocation



Key Facts

The Model Portfolios were established in September 2012. Asset allocation is provided by Embark Investment Services Limited (EISL) and sourced from EV. Morningstar Investment Management populates the asset allocation with funds it considers appropriate and attractive as a result of its in-depth, qualitatively-driven research process.

Market Background

Both equities and fixed income saw positive returns with expectations of no further interest rate rises and potential rate cuts in 2024 boosting both broad asset classes in Q4.

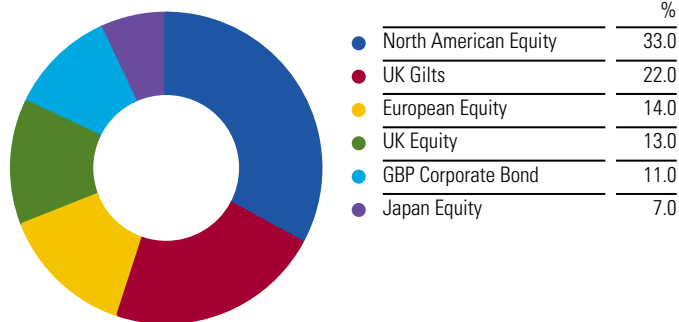
Europe and US led the way for equities in Q4, driven by an improving picture on the inflation front, which in turn contributed to expectations of no further interest rate rises and the potential for rate cuts in 2024, which at an equity level particularly benefitted the technology sector in both regions. In Europe, economically sensitive sectors such as industrials and materials contributed to outperformance too. In the US, stocks in the real estate, and consumer discretionary sectors also contributed to relative outperformance. UK equities, while positive, were the laggard among equities due to sterling strength and high exposure to the energy sector. It is also worth noting that emerging markets were weighed down by poor performance in China due to the declining economic outlook, the ongoing real estate crisis and continued regulatory crackdown on certain sectors.

Style-wise, Q4 saw the outperformance of global growth as an investment style as interest rate expectations provided a tailwind for growth sectors, which are typically more interest rate sensitive. Global growth was driven by the technology sector which was bolstered by the aggregate performance of the 'Magnificent Seven' while energy was the notable detractor from global returns due to the prices of oil and gas falling sharply in Q4, despite production cuts by Opec+. It is worth noting that although global growth outperformed, there are regional differences such as in the emerging markets (EM) where value saw slight relative outperformance.

Globally, small-caps outperformed large-caps due to their sensitivity to macroeconomic conditions (peak interest rates) and being unloved and therefore trading on relatively cheap valuations.

Fixed income returns were positive in Q4, with EM debt (hard) leading the charge with spreads falling as funding risk due to 'higher for longer' rates in the US receded, buoyed by a weaker dollar. Greater interest rate sensitivity also saw corporates outperform treasuries apart from euro bonds, where government bonds outperformed corporates over the quarter with a stagnating economy and high borrowing costs weighing on euro corporates.

Asset Class Breakdown



Quarter Performance

The **Balanced Long-Term** Model Portfolio was up 6.96% over Q4 2023. Over the quarter, the portfolio was ahead of the passive composite benchmark which replicates the indices used in the strategic asset allocation. The portfolio was also ahead of the composite benchmark for the year and is slightly behind since launch.

Global equities and bonds rose in US dollar terms over the fourth quarter, buoyed by the view that interest rates had peaked. As highlighted in our market comments, within global equities growth outperformed value and within fixed income higher risk assets, including EMD (hard) outperformed. Indeed the 4th quarter's return within fixed income markets made it their best quarterly performance in over two decades, according to the Bloomberg Global Aggregate indices. The major driver of this performance was a perceived shift in monetary policy direction, from a "higher-for-longer" stance to prospective rate cuts. Government bond yields fell sharply, and credit markets rallied, outperforming government bonds.

In relative terms the model's outperformance was driven by outperformance in UK gilts, as well as UK, US and Japanese equities.

Within gilts the allocation to the **Vanguard UK Government Bond Index** fund, which has higher duration than the benchmark, was additive. The **Allianz Gilt Yield** fund also outperformed as a result of being overweight duration.

Artemis Income and **Royal London Sustainable Leaders** were the stand-out performers in the UK blend while **Liontrust UK Growth** underperformed. Artemis Income benefited from underweight positions in energy and healthcare as well as from an overweight in industrials and from strong stock selection in financials and consumer staples. Royal London's sustainable mandate, which results in a zero allocation to energy was a key contributor to performance as was their overweight in industrials. Stock selection was the key detractor from performance in the Liontrust UK Growth fund, most notably in the consumer staples and healthcare sectors.

Outperformance in the US equity blend was driven by strong performance in the **TM Natixis Loomis Sayles US Equity Leaders** fund that benefited from its bias to large-cap growth stocks and in particular the zero allocation to the energy sector and strong stock selection.

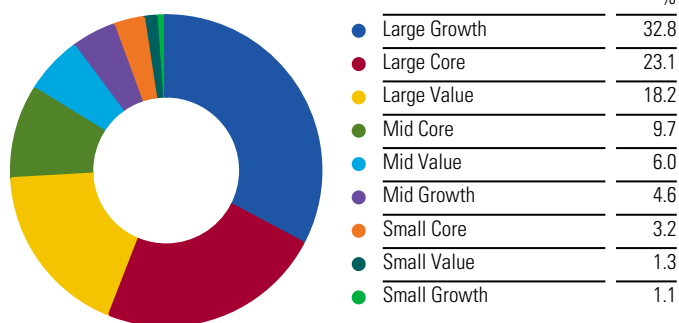
After several quarters of poor relative performance, it was pleasing to once again see outperformance from **Baillie Gifford Japanese Income Growth**, while **Jupiter Japan Income** outperformed too. Both funds benefited from positive stock selection.

Market Outlook

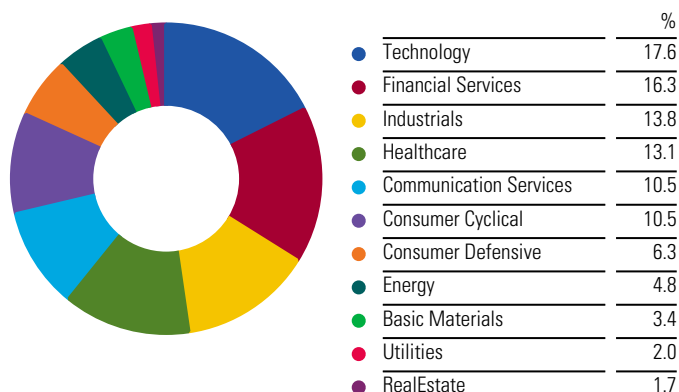
Please note Morningstar Investment Management Europe is not mandated to tactically adjust the asset allocation of the Portfolio, so the below views are included for information purposes only.

It would seem that central banks of a number of the major economies have completed their rate hikes for this cycle and have opted to hold rates steady leading to a market rally in Q4. If this is a prelude of what is to come, this could lead to even more excitement if expectations of peak rates and rate cuts in 2024 come to fruition. Despite positive news on the inflation front, China's economy is slowing and several economies have stagnated, namely the UK and Europe, weighing on the global outlook. Investors should also be vigilant with regard to regional conflicts around the world which could cause additional price shocks if escalated, dealing the global markets another blow.

Equity Style (Look Through)*



Equity Sectors (Look Through)*



* Look-through charts are calculated by aggregating the underlying fund holdings. For data integrity purposes, any underlying holdings that have not been reported in the past 184 days are excluded from the look-through calculations. Therefore, actual exposures may differ from what is presented.

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Fund	Weight (%)	Morningstar Medalist Rating	Q4 2023 (%)	YTD (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	3 YRS (%)	5 YRS (%)	Since Inception Annualised (%)
UK Gilt												
Allianz Gilt Yield I Inc	7.15	Neutral	9.22	4.97	4.97	-25.22	-5.50	9.55	7.09	-9.48	-2.74	0.64
iShares UK Gilts All Stks Idx (UK) H Acc	7.70	Silver	8.16	3.63	3.63	-23.97	-5.14	8.41	6.71	-9.25	-2.87	
Royal London UK Government Bond M Acc	7.15	Bronze	8.77	4.74	4.74	-22.15	-5.04	8.82	6.70	-8.17	-2.11	0.73
FTSE Act UK Cnvt Gilts All Stocks TR GBP			8.11	3.69	3.69	-23.83	-5.16	8.27	6.90	-9.18	-2.82	0.61
UK Corporate Bond												
iShares Corporate Bond Index (UK) D Acc	11.00	Bronze	7.70	8.66	8.66	-17.48	-3.08	7.86	9.32	-4.57	0.49	2.74
Markit iBoxx GBP NonGilts TR			7.35	8.60	8.60	-17.72	-3.09	7.80	9.27	-4.69	0.40	2.67
UK Equity												
Artemis Income I Acc	3.25	Silver	5.37	9.78	9.78	0.40	16.17	-6.74	23.03	8.59	8.00	7.85
Jupiter UK Special Situations I Acc	3.90	Gold	3.18	11.75	11.75	5.71	20.18	-13.69	16.33	12.39	7.35	8.40
Liontrust UK Growth I Inc	3.90	Bronze	1.42	4.71	4.71	-1.09	20.95	-8.26	19.94	7.80	6.63	7.93
Royal London Sustainable Leaders D Acc	1.95	Silver	4.44	10.67	10.67	-10.60	22.44	3.44	29.67	6.60	10.19	
FTSE All Share			3.23	7.92	7.92	0.34	18.32	-9.82	19.17	8.61	6.61	6.86
European Equity												
Fidelity European W Acc	5.60	Gold	7.71	13.97	13.97	-1.64	18.41	9.12	22.55	9.90	12.16	11.20
MSCI Europe Ex UK NR USD			7.56	14.83	14.83	-7.62	16.73	7.49	19.99	7.38	9.81	9.54
JPM Europe Dynamic (ex-UK) C Net Acc	8.40	Bronze	7.97	12.64	12.64	-5.90	22.56	8.19	18.49	9.11	10.74	11.44
FTSE AW Dv Europe Ex UK TR GBP			7.88	15.85	15.85	-7.49	17.57	8.85	20.50	8.01	10.57	10.43
North American Equity												
Dodge & Cox Worldwide US Stock A GBP	8.25	Gold	5.20	10.18	10.18	2.79	32.63	2.33	19.48	14.53	12.93	14.66
HSBC American Index C Acc	8.25	Gold	7.32	19.26	19.26	-8.89	31.07	14.10	27.21	12.51	15.63	15.38
TM Natixis Loomis Sayles US Eq Ldrs N/A£	8.25	Silver	9.91	43.70	43.70	-20.40	20.83	27.08	27.03	11.39	17.41	
S&P 500			6.94	19.16	19.16	-7.79	29.89	14.74	26.41	12.59	15.66	15.79
iShares North American Eq Idx (UK) D Acc	8.25	Gold	7.63	19.24	19.24	-9.72	29.28	15.77	26.62	11.65	15.33	14.93
FTSE World NA TR GBP			7.14	19.44	19.44	-8.79	28.13	16.45	26.46	11.76	15.50	15.29
Japan Equity												
Baillie Gifford Japanese Inc Gr B £ Acc	3.50	Bronze	4.27	1.23	1.23	-6.87	0.85	11.53	15.87	-1.67	4.20	
Jupiter Japan Income I Acc	3.50	Bronze	5.83	10.46	10.46	-9.09	6.83	11.73	24.69	2.37	8.37	10.53
TOPIX			3.41	13.27	13.27	-4.14	2.02	9.55	14.64	3.47	6.82	9.83

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