

# Moderately Cautious Long Term

## Quarterly Report 30/09/2024

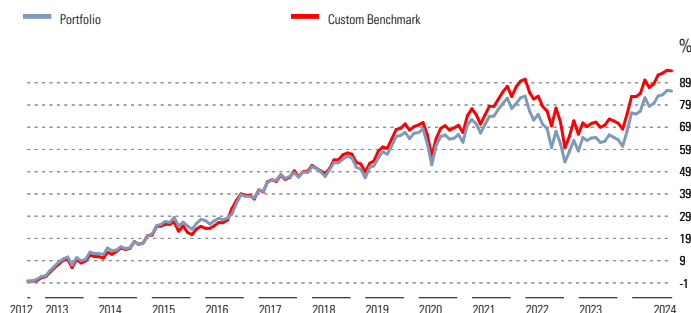


### Investment Objective

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 30/09/2024



### Portfolio Returns

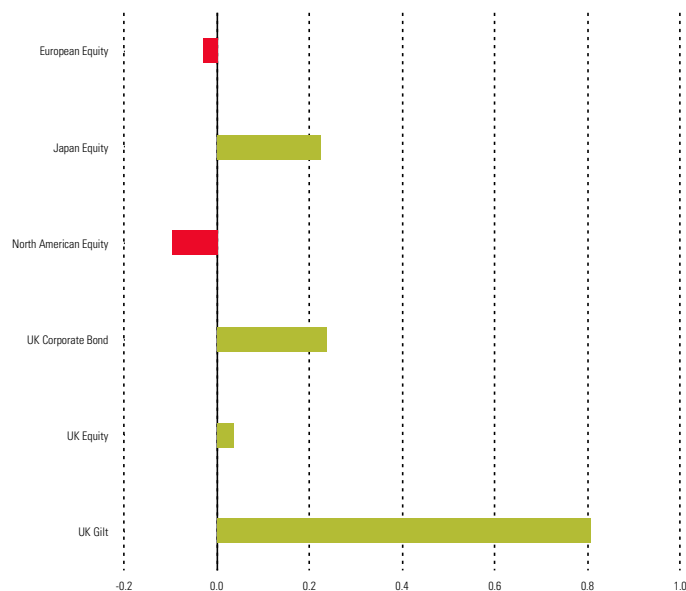
As Of Date: 30/09/2024

Trailing Returns %	3M	YTD	1 Year	3-Years	5-Years	Since Inception
Moderately Cautious Long Term	1.18	5.59	13.39	1.44	2.13	5.26
Custom Benchmark	0.96	6.26	13.70	2.07	2.65	5.68
Discrete Returns %	2023	2022	2021	2020	2019	
Moderately Cautious Long Term	10.74	-13.43	6.12	3.49	13.84	
Custom Benchmark	10.21	-12.96	7.48	4.28	14.13	

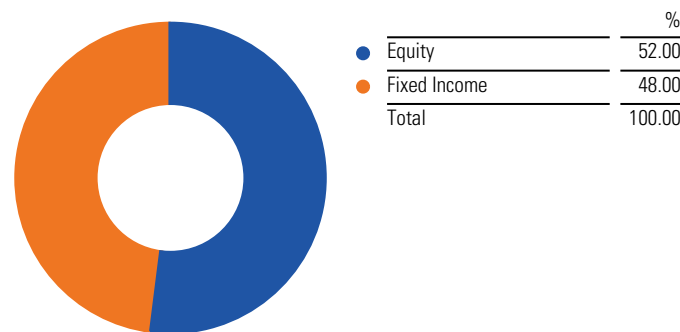
The Custom Benchmark used to measure performance is a composite that reflects EV's asset allocation output. Until 31/12/2022, the custom benchmark was composed primarily of underlying market indices. Since 01/01/2023, it has been composed of passive funds that track the relevant underlying market indices.

### Contribution to Return %

Time Period: 01/07/2024 to 30/09/2024



### 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

Global equity returns were modest in sterling terms for Q3 masking a quarter of heightened volatility, with global bonds faring better. In early August equities were thumped by a coalescence of, an interest rate hike by the Bank of Japan (BoJ) culminating in the unwinding of the popular yen carry trade, and indications of a softening US economy feeding into fears of a recession. Although global equities recovered swiftly, they quickly took another downturn in early September as a slowing US labour market was confirmed and investors once again raised concerns that the valuations of companies involved in the AI theme exceeded expectations of what they can deliver.

In response to a slowing US economy, the Federal Reserve started its rate cutting cycle with a 50bps cut following the likes of the European Central Bank (ECB) and the Bank of England (BoE).

In equity markets, Asia-Pacific ex Japan led the way, driven by strong returns in China as the announcement of a stimulus package was welcomed by the market. Japanese equities, despite bouts of volatility managed to gain in Q3 as corporate earnings remained strong and macroeconomic figures showed solid progress. A rarity in recent times, US equities lagged as economic conditions began to weaken and as investors begin to reassess the true impact of AI and the often-stratospheric valuations associated with it.

Stylistically, value outperformed growth as mega-cap tech saw selloffs with utilities and real estate leading the market. Energy was the worst performing sector as Brent crude fell due to weaker demand and threats of oversupply as Saudi Arabia prepares to increase output.

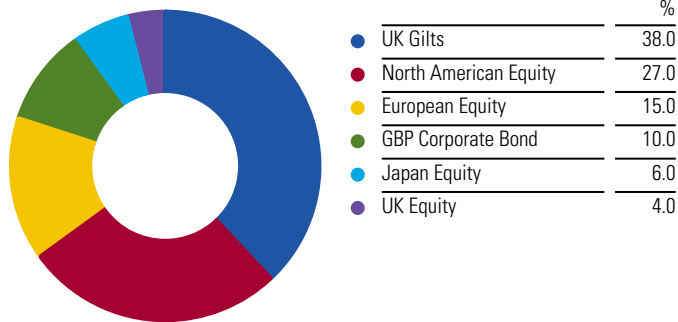
In terms of fixed income, global high yield outperformed its investment grade counterparts while treasuries outperformed corporates due to higher interest rate sensitivity.

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## Asset Class Breakdown



## Quarter Performance

The **Moderately Cautious Long-Term** Model was up 1.18% over Q3 2024. Over the quarter, the portfolio was ahead of the passive composite benchmark which replicates the indices used in the strategic asset allocation. The portfolio is slightly behind the composite benchmark since launch.

As highlighted in our market overview, global equities were up slightly over the quarter, but this masked the intra-quarter volatility which saw them sell-off sharply in July, before recovering in August, only to sell-off again in September. Within fixed income, markets benefited from the start of the rate cutting cycle, with the Bank of England cutting rates by 25bps to a base rate of 5.00%, with UK gilts and corporates both delivering positive returns over the quarter.

Against this backdrop all segments of the portfolio delivered positive absolute returns apart from the allocation to US equities, which fell in sterling terms as sterling appreciated by almost 6% against the USD. In relative terms fund selection within US equities contributed to performance while fund selection in Europe detracted and was mixed in the UK.

With investors once again raising concerns that the valuations of companies involved in the AI theme exceeded expectations of what they can deliver, value stocks outperformed growth, and having struggled in recent times, mid- and small-cap stocks outperformed.

Against this backdrop the value style bias of the Dodge & Cox WW US Stock fund contributed to its outperformance. The fund benefited from its significant underweight to the technology sector and from strong stock selection in healthcare.

In the Europe ex UK blend both funds underperformed but the JPM Europe Dynamic (ex-UK) fund was particularly hard hit by poor stock selection in healthcare and industrials. Within healthcare the fund's holding in Novo Nordisk was the key detractor.

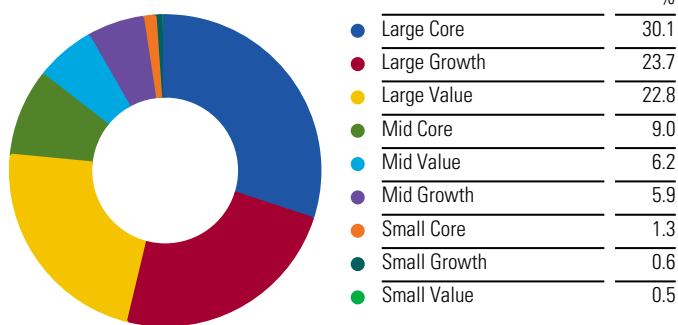
The UK blend benefited from the allocation to the Jupiter UK Special Situations fund, while the Liontrust UK Growth fund held back returns. The Jupiter fund benefited from its allocation to mid-cap stocks and in particular by strong stock selection in financials where holdings in St James'Place and Ashmore Group were among the key contributors to performance. The growth style bias of the Liontrust fund held back returns with both sector allocations and stock selection detracting from performance.

## Market Outlook

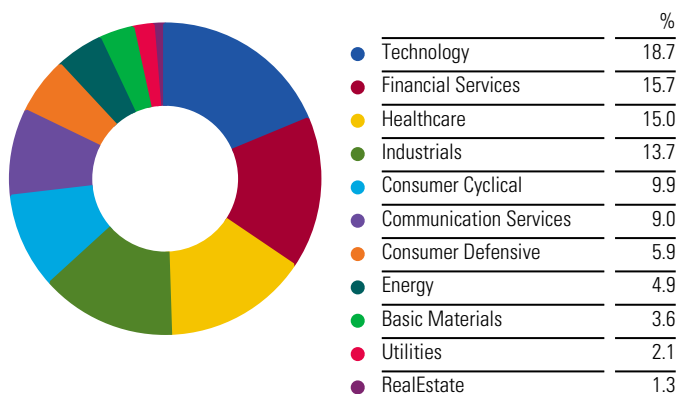
**Please note Morningstar Investment Management Europe is not mandated to tactically adjust the asset allocation of the Portfolio, so the below views are included for information purposes only.**

Central banks have begun their respective interest rate cutting cycles as they become increasingly confident that inflation has been brought to heel and there are indications of a weakening US economy. While the cutting cycle has begun, central banks have continued to preach caution over this. Markets will continue to be wary of the ongoing and seemingly escalating conflicts in the Middle East while keeping a close eye on the next steps in China following the stimulus package announcement. There is, of course the US elections in November, the outcome of which could have ramifications globally.

## 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	Q3 2024 (%)	YTD (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	3 YRS (%)	5 YRS (%)	Since Inception Annualised (%)
<b>UK Gilt</b>												
iShares UK Gilts All Stks Idx (UK) H Acc	14	Silver	2.13	-0.09	3.63	-23.97	-5.14	8.41	6.71	-7.05	-4.93	
L&G All Stocks Gilt Index I Acc	14	Bronze	2.13	-0.10	3.67	-23.59	-5.16	8.16	6.44	-6.90	-4.85	0.42
Royal London UK Government Bond M Acc	10	Bronze	2.31	0.09	4.74	-22.15	-5.04	8.82	6.70	-5.94	-4.07	0.72
FTSE Act UK Cnvt Gilts All Stocks TR GBP			2.32	-0.23	3.69	-23.83	-5.16	8.27	6.90	-6.90	-4.91	0.55
<b>UK Corporate Bond</b>												
iShares Corporate Bond Index (UK) D Acc	10	Bronze	2.38	2.23	8.66	-17.48	-3.08	7.86	9.32	-2.80	-0.99	2.76
Markit iBoxx GBP NonGilts TR			2.28	2.21	8.60	-17.72	-3.09	7.80	9.27	-2.87	-1.07	2.69
<b>UK Equity</b>												
Fidelity Index UK P Acc	4	Gold	1.82	10.04	7.62	0.75	17.68	-9.44	19.13	7.30	5.76	7.19
FTSE All Share			2.26	9.85	7.92	0.34	18.32	-9.82	19.17	7.41	5.74	7.25
<b>European Equity</b>												
Fidelity European W Acc	6	Gold	-0.25	6.52	13.97	-1.64	18.41	9.12	22.55	8.19	9.47	11.05
MSCI Europe Ex UK NR USD			0.07	6.45	14.83	-7.62	16.73	7.49	19.99	5.91	7.41	9.49
JPM Europe Dynamic (ex-UK) C Net Acc	9	Bronze	-1.32	7.12	12.64	-5.90	22.56	8.19	18.49	6.45	8.90	11.33
FTSE AW Dv Europe Ex UK TR GBP			0.23	7.15	15.85	-7.49	17.57	8.85	20.50	6.48	8.20	10.38
<b>North American Equity</b>												
Dodge & Cox Worldwide US Stock A GBP	6.75	Gold	1.15	10.04	10.18	2.79	32.63	2.33	19.48	9.39	11.60	14.59
TM Natixis Loomis Sayles US Eq Ldrs N/A£	6.75	Silver	-1.70	16.32	43.70	-20.40	20.83	27.08	27.03	12.11	15.87	
S&P 500			-0.21	16.02	19.16	-7.79	29.89	14.74	26.41	12.11	14.03	16.16
iShares North American Eq Idx (UK) D Acc	13.5	Gold	-0.58	14.41	19.24	-9.72	29.28	15.77	26.62	10.25	13.37	15.22
FTSE World NA TR GBP			0.10	15.45	19.44	-8.79	28.13	16.45	26.46	11.28	13.73	15.65
<b>Japan Equity</b>												
iShares Japan Equity Index (UK) D Acc	6	Gold	1.50	8.39	13.85	-7.34	1.86	11.18	17.27	3.30	5.57	9.72
FTSE Japan TR GBP			0.68	7.14	13.26	-4.80	2.47	11.07	14.84	3.19	5.67	9.91

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