progeny

Tempo 40 Portfolio Factsheet

01/10/2023

Risk Profile Description

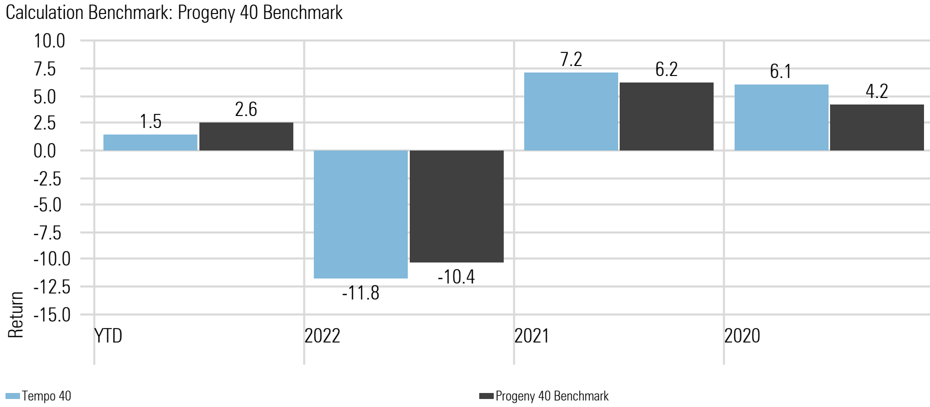
The portfolio aims to have 40% exposure to equity and property assets and 60% exposure to Fixed Interest securities. Over the medium to longer term, the 40% exposure to risks and expected rewards of equity ownership should help to deliver moderate, inflation-plus returns. The equity exposure is invested in both UK equities and overseas equity in both developed and emerging markets. The equity risk is balanced by a 60% allocation to high-quality bonds and investment grade bonds.

Cumulative Tempo 40 returns of £100k invested

Time Period: Since Common Inception (01/10/2016) to 30/09/2023

Calendar Year Returns

Calculation Benchmark: Progeny 40 Benchmark



Tempo 40 Performance Metrics	Portfolio	Bmark
Max Drawdown	-17.17	-16.02
Best Month %	4.26	4.52
Worst Month %	-7.31	-6.51
Best Quarter	4.63	4.72
Worst Quarter %	-6.15	-5.88

Tempo 40 - Portfolio Information

Yield	1.32%
OCF	0.35%
Transaction Charge	0.06%
Investment Management Fee	0.05% + VAT
Rebalance	Quarterly
Benchmark	Progeny 40 Benchmark*

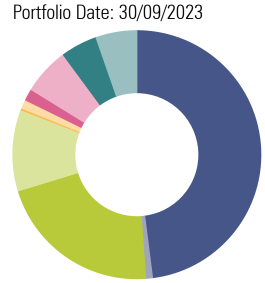
*Constructed from MSCI and ICE BofA indices

Asset Allocation - Tempo 40

	%
UK Equity	8.9
International Equity	28.7
Commercial Property	2.0
Fixed Interest / Bonds	58.8
Cash	1.6
Total	**100.0**

Equity Regional Exposure - Tempo 40

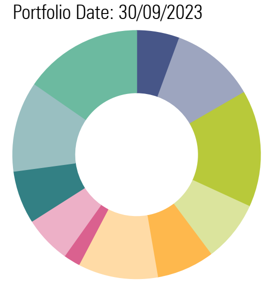
Portfolio Date: 30/09/2023



	%
North America	48.0
Latin America	0.9
United Kingdom	21.4
Europe dev	10.6
Europe emrg	0.2
Africa/Middle East	1.2
Australasia	1.5
Japan	6.1
Asia dev	4.8
Asia emrg	5.3
Total	**100.0**

Equity Sectors (Morningstar) - Tempo 40

Portfolio Date: 30/09/2023



	%
Basic Materials	5.6
Consumer Cyclical	11.0
Financial Services	15.2
Real Estate	7.9
Consumer Defensive	7.5
Healthcare	10.4
Utilities	2.2
Communication Services	6.1
Energy	6.9
Industrials	11.8
Technology	15.4
Total	**100.0**

Portfolio Comments

The third quarter of 2023 saw a number of leading equity indices decline in their base currency. The major US markets fell in September and closed the quarter lower, due to mounting evidence that interest rates will remain ‘higher for longer.’ As a result, the two mini bull market cycles in the Spring (as the banking crisis did not trigger a recession) and Summer (the US was on course for a soft landing) have now disappeared.

The major market themes haven't changed radically over this quarter. These include:-

- The influences that the ‘Magnificent Seven’ technology stocks have on growth asset returns.
- When are global interest rates likely to peak.
- And whether the major global economies will avoid recession despite leading indicators like the inverted yield curve still suggesting that we won’t.

One argument for keeping global interest rates higher for longer is the circa 20% rise in the price of Brent Crude oil over this quarter. This reflects expectations of continued limits on supply by OPEC and the relative strength of the US economy.

As we ended the quarter, US Congress once again agreed a last-minute deal to keep the Federal government funded for another six weeks and kicked the ‘government shutdown’ can down the road once again. Overall, this was unwelcome noise once again for financial markets.

Turning to growth assets, this quarter has been driven by the valuation of the ‘Magnificent Seven’ tech’ stocks and their decline in September. Collectively they remain larger in market capitalisation terms than the combined markets of China, France, Japan and the UK and puts the effectiveness of conventional regional or country analysis into perspective.

China, Japan and EU shares were also pulled lower. However, the UK market was up circa 2% on a total return basis, due to its defensive characteristics, commodities bias and the unexpected MPC decision on interest rates in September.

UK equities still trade on low valuations and if we see a trajectory where the economy avoids recession, yet inflation decelerates towards target, then the prospects for UK domestic shares look more positive.

In terms of factor performance over the third quarter, it was value that was the best performer, with energy stocks doing well on the back of the price of oil. This factor performance was at the expense of growth stocks which were driven by the decline in the leading US technology companies.

Unsurprisingly, ESG underperformed during the period, due to the performance of the growth factor. As a reminder, many high scoring ESG companies tend to be software and technology businesses.

Turning to defensive assets, the concept of ‘higher for longer’ has become more widely accepted over the third quarter and this was reflected in benchmark bond yields and pricing. Financial markets think that interest rates are at or near their peak in most countries, but the expected reductions in 2024 are now more modest. From a recession probability perspective, both the US and UK are still experiencing inverted yields.

In summary, global growth assets in Q3 faced a challenge as the attraction of higher bond yields tempted investors to move out of technology equities in the US. However, bond pricing and defensive assets were held back by concerns that interest rates will be held ‘higher for longer’ into 2024. Financial markets adjusting to higher interest rates as the new norm and avoiding recession are key factors as we move into the last few months of the year. As ever, staying invested and staying diversified is crucial, with UK equities now looking more attractive on valuation grounds.

Tempo 40 - Holdings

Holdings	Equity Style Box	Portfolio Weighting %
MGTS Progeny Systematic Bond GBP Acc		60.00
MGTS Progeny Systematic Equity GBP Acc		40.00

Tempo 40 - Underlying Holdings

Holdings	Equity Style Box	Portfolio Weighting %
Vanguard Glb Bd Idx Ins Pl £ H Acc		17.78
Dimensional £InflLnkdIntermDurFI GBP Acc		10.94
Vanguard UK Govt Bd Idx Ins Pl £ Acc		9.97
abrdn Global Corp Bd Scrnd Trckr N Acc		9.24
Fidelity Idx Sterling Corp Bd P GBP Acc		7.87
HSBC US Multi-Factor Eq Instl A Acc		5.77
Dimensional Global Value GBP Acc		3.72
Vanguard FTSE UKAllShrIdxUnitTrInsPl£Acc		3.56
Vanguard Glb Small-Cp Idx Ins Pl £ Acc		3.52
HSBC American Index C Acc		3.31
Fidelity Index US P Acc		3.31
Invesco UK Enhanced Index UK Y Acc		3.16
Vanguard Glb Corp Bd Idx Ins Pl £ H Acc		2.99
L&G Global Real Estate Div Index C Acc		1.94
Vanguard Em Mkts Stk Idx Ins Pl £ Acc		1.83
Dimensional EM Core Equity Acc		1.66
HSBC European Index Accumulation C		1.42
abrdn European Equity Enhanced Idx NAcc		1.25
Gbp Cash		1.22
Dimensional UK Value GBP Acc		1.16
Dimensional UK Smlr Coms Acc		1.11
Fidelity Index Japan P Acc		0.82
abrdn Japan Equity Enhanced Index N Acc		0.72
HSBC Pacific Index S Acc		0.67
abrdn Asia Pacific Eq Enh Idx N Acc		0.60

Composite Benchmark Disclaimer

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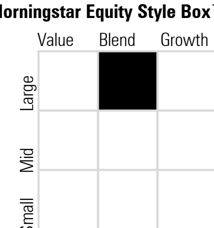
Morningstar Style Box - Tempo 40

Portfolio Date: 30/09/2023

Morningstar Equity Style Box™



Market Cap	%
Market Cap Giant %	35.6
Market Cap Large %	27.8
Market Cap Mid %	26.0
Market Cap Small %	8.8
Market Cap Micro %	1.8

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The model was rebalanced into the MGTS Progeny funds on the 07/03/22 and re-branded at the same time. The risk and objectives of the model have been preserved throughout.

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