progeny

# Encore 40 Portfolio Factsheet

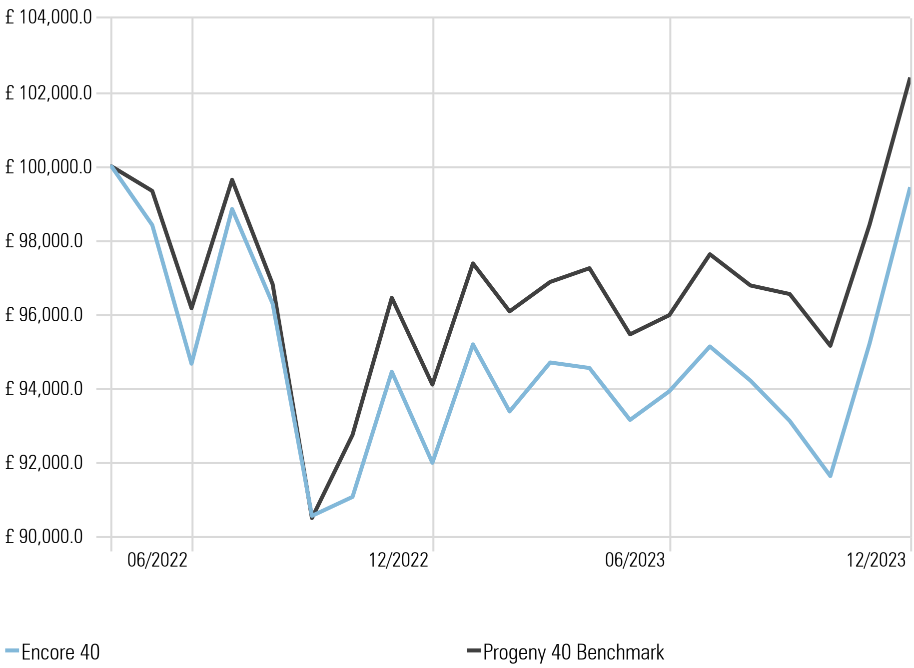
As of 31/12/2023

Risk Profile Description

This portfolio is likely to contain lower, medium and higher risk investments, including cash, government bonds, UK corporate bonds and other higher-income types of global bonds as well as UK commercial property. It will also be expected to contain some higher-risk investments such as shares, but held mainly in UK and other developed markets, and a small amount in other higher-risk investments such as shares in emerging markets.

## Cumulative Encore 40 returns of £100k invested

Time Period: 29/04/2022 to 31/12/2023



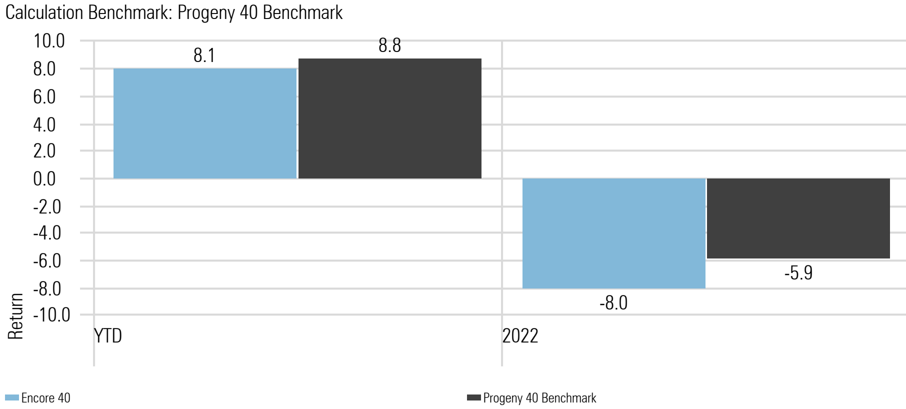

## Encore 40 - Portfolio Information

| | |
|---|---|
| Yield | 2.15% |
| OCF | 0.12% |
| Transaction Charge | 0.05% |
| Investment Management Fee | 0.10% + VAT |
| Rebalance | Quarterly |
| Benchmark | Progeny 40 Benchmark* |

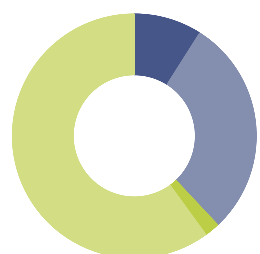
*Constructed from MSCI and ICE BofA indices

## Calendar Year Returns

Calculation Benchmark: Progeny 40 Benchmark



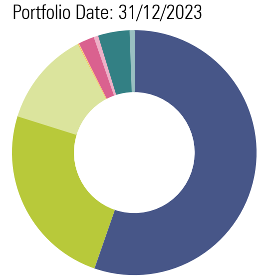

## Asset Allocation - Encore 40



| | % |
|---|---|
| UK Equity | 9.0 |
| International Equity | 29.0 |
| Commercial Property | 2.0 |
| Fixed Interest / Bonds | 60.0 |
| **Total** | **100.0** |

## Equity Regional Exposure - Encore 40

Portfolio Date: 31/12/2023

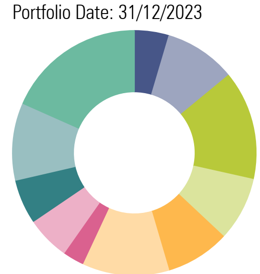


| | % |
|---|---|
| North America | 55.3 |
| Latin America | 0.0 |
| United Kingdom | 24.5 |
| Europe dev | 12.6 |
| Europe emrg | 0.1 |
| Africa/Middle East | 0.1 |
| Australasia | 2.1 |
| Japan | 0.6 |
| Asia dev | 4.2 |
| Asia emrg | 0.6 |
| **Total** | **100.0** |

| Encore 40 Performance Metrics | Portfolio | Bmark |
|---|---|---|
| Max Drawdown | -13.22 | -11.34 |
| Best Month % | 4.43 | 4.03 |
| Worst Month % | -5.94 | -6.51 |
| Best Quarter | 6.77 | 6.05 |
| Worst Quarter % | -4.33 | -5.88 |

## Equity Sectors (Morningstar) - Encore 40

Portfolio Date: 31/12/2023



| | % |
|---|---|
| Basic Materials | 4.6 |
| Consumer Cyclical | 9.5 |
| Financial Services | 14.4 |
| Real Estate | 8.5 |
| Consumer Defensive | 8.5 |
| Healthcare | 11.5 |
| Utilities | 2.8 |
| Communication Services | 5.8 |
| Energy | 5.9 |
| Industrials | 10.2 |
| Technology | 18.4 |
| **Total** | **100.0** |

## Portfolio Comments

Global equity and bond markets both made positive returns in the fourth quarter of 2023, as several data points across the US and Euro Area pointed to lower year-on-year inflation levels. In terms of major equity market performance, in local currency, Japan led the way in returns last year, closely followed by the US then Europe. The UK market however, made less headway.

The US remains the driving force of the global economy and the year-on-year consumer price index, which includes food and energy costs, fell to 3.1% in November. Equally, both the Euro Area and UK year-on-year inflation also fell markedly, at 2.4% and 3.9% respectively. The data suggested to markets that interest rates might now be at a peak level, with some participants now even expecting cuts to come as soon as March this year.

Whilst the UK Office for Budget Responsibility (OBR) forecasts a sluggish 0.7% GDP rise for 2024, valuations for UK equities continue to look attractive at 15% below their long-term average.

However, it is also worth noting that over half the world's population goes to the polls this year, making it the biggest election year in history, keeping the potential for geo-political risk firmly in play.

Turning to growth assets, it was a strong final quarter of the year for US equities, reflecting the revised outlook for US rate policy. The fourth-quarter earnings season starts in January, and analysts expect modest growth, with consensus estimates for 2.4% earnings growth across the major US companies.

UK equities rose over the quarter, albeit there was a clear difference between its large-cap focused index and mid-cap focused index, with the latter performing relatively strongly. The UK's comparative underperformance to other indices was not helped by the prospect of lower commodity prices and earnings deterioration in key sectors such as Energy and Healthcare.

Europe was helped by Eurozone inflation dropping to 2.4%, its slowest annual pace since July 2021. Markets are pricing in up to six rate cuts by the ECB for 2024, providing a clear potential incentive for investors.

Q4 was another strong quarter for Japanese equities and finished a strong year. Of particular note was Japan's decision to incentivize listed companies to boost valuations and earnings, with the possibility of delisting for firms that fail to show efficient capital allocation.

Turning to factor performance,the growth and quality factors were the stand-out performers over both Q4 and also the year as a whole. In comparison, value was the relative laggard over the last 12 months and the final quarter of the year.

Given the strong performance from the growth factor this reflected positively in ESG stocks over the year, and they ended 2023 in a positive fashion.

Turning to defensive assets, towards the end of the year data showed a clear downtrend in year-on-year inflation and this helped to lift the broader bond index of government and corporate debt for the quarter, particularly helping portfolios which had greater duration (or interest rate) sensitivity.

UK Gilts also benefitted from an uplift in prices and fears of a recession in the UK, with consumers feeling the brunt of higher interest rates more than their US counterparts.

Looking ahead, what are our key themes for 2024? Well they can be summarised as the '3B's' – Bonds, Broadening returns and Balanced portfolios.

Bonds – After a period of price dysfunction, bonds should act like bonds again this year, with investors being appropriately compensated with a yield return. If we do see a harder landing on recession than expected, then investors may see a capital return opportunity also.

Broadening Returns – 2023 saw a relative narrow corridor of stocks that provided a return. In 2024 we expect to see growth asset returns spread over wider regional markets. Mid and small cap valuations in particular look attractive.

Balance is key – Uncertainties still lie ahead economically and geo-politically, so maintaining a balanced portfolio of different asset classes is crucial for the year ahead.

## Top Holdings - Encore 40

Portfolio Date: 31/12/2023

| | Equity Style Box | Portfolio Weighting % |
|---|---|---|
| abrdn Global Corp Bd Scrnd Trckr N Acc | | 15.74 |
| Vanguard Glb Bd Idx Ins Pl £ H Acc | | 15.74 |
| Vanguard UK Infl-Lnkd Gilt Idx £ Acc | | 12.00 |
| Vanguard FTSE UKAllShrIdxUnitTrInsPl£Acc | | 8.99 |
| L&G All Stocks Gilt Index C Acc | | 8.86 |
| HSBC American Index C Acc | | 8.34 |
| Vanguard U.S. Eq Idx Ins Pl £ Acc | | 8.34 |
| L&G Sterling Corporate Bond Index I Acc | | 7.66 |
| Fidelity Index Emerging Markets P Acc | | 4.86 |
| HSBC European Index Accumulation C | | 3.66 |
| L&G Global Real Estate Div Index C Acc | | 2.00 |
| iShares Pacific ex Jpn Eq Idx (UK) H Acc | | 1.94 |
| Fidelity Index Japan P Acc | | 1.87 |

Composite Benchmark Disclaimer

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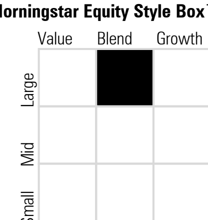
## Morningstar Style Box - Encore 40

Portfolio Date: 31/12/2023

**Morningstar Equity Style Box™**




| Market Cap | % |
|---|---|
| Market Cap Giant % | 42.0 |
| Market Cap Large % | 32.6 |
| Market Cap Mid % | 20.3 |
| Market Cap Small % | 4.2 |
| Market Cap Micro % | 1.0 |

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