CHETWOOD INVESTMENT MANAGEMENT

erminfosse FINANCIAL MANAGEMENT

EF ADVENTUROUS PORTFOLIO — APRIL 2024

PORTFOLIO DEFINITION

Adventurous

The portfolio aims to provide long-term capital growth, adopting a higher risk growth strategy, looking to outperform the equity market. Significant short-term fluctuations in value are likely. It aims to grow the investment above inflation over the long term.

The portfolio is a combination of medium and higher risk investments, with no lower risk investments with the exception of un-invested cash. It is a diversified equity based portfolio.

MARKET UPDATE

Investors remained in bullish mood during March, pushing equity markets higher. The rally has broadened out and is no longer being driven by the so-called ‘Magnificent Seven’ US technology stocks. Notably, Tesla and Apple declined sharply again this month. We had already taken action to reduce our exposure to these types of stocks within the portfolio. Undervalued stocks generally outperformed those with high earnings growth expectations.

Reasons for market participants to be optimistic during the month include inflation continuing to retreat and persistent economic growth in the US. US Federal Reserve chair Jay Powell said that the central bank is “not far” from cutting interest rates and easing monetary policy. Toward the end of the month, the Fed chose to keep interest rates unchanged but reiterated that they expect to cut rates by 0.75% by the end of the year.

Towards the end of February, we increased exposure to the Invesco S&P 500 High Dividend Low Volatility ETF, as we continued to rotate the US equity exposure away from the largest companies, towards those with strong fundamentals. This benefitted the portfolio in March as the fund enjoyed a 5.2% gain, outstripping the 3.3% gain on the S&P 500 Index.

Global government bond yields were relatively stable during the month with UK gilts outperforming, as the yield on the 10-year UK bond fell to 3.9%. As a reminder, falling bond yields indicate a rise in bond prices and a capital gain.

In general, we have enjoyed a good start to the year. For now, we retain a conservative stance as our expectations that growth stocks will underperform have started to play out.

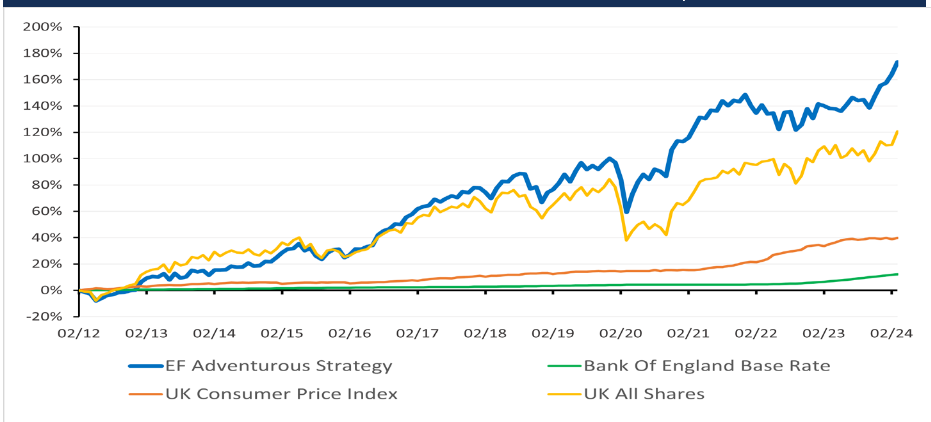
CUMULATIVE PERFORMANCE %					
PORTFOLIO	3 MONTHS	12 MONTHS	3 YEARS	5 YEARS	SINCE LAUNCH **
EF CIM Adventurous *	6.99	14.56	21.84	50.36	183.24
Bank of England Base Rate	1.27	4.98	7.58	8.47	12.25
UK All Shares	3.57	8.43	26.14	30.34	125.61
UK Consumer Price Index	0.08	2.64	20.93	23.64	39.85

DISCRETE ANNUAL PERFORMANCE %					
PORTFOLIO	31ST MAR 2024	31ST MAR 2023	31ST MAR 2022	31ST MAR 2021	31ST MAR 2020
EF CIM Adventurous *	14.56	-1.10	7.54	40.52	-12.18
Bank of England Base Rate	4.98	2.29	0.19	0.10	0.72
UK All Shares	8.43	2.92	13.03	26.71	-18.45
UK Consumer Price Index	2.64	10.08	7.04	0.74	1.50

* CIM took over the management of this portfolio on 1st July 2022

** Launch Date 1st February 2012

PERFORMANCE GRAPH — Source FE Analytics 31st March2024



Risk Range

The Portfolio Manager will actively manage the portfolio within target risk parameters for each profile. Please refer to Ermin Fosse for more information.

1 2 3 4 5 **6**

Ten largest fund holdings (%)	
Fidelity Index UK	21.3
Invesco S&P 500 High Div Low Vol ETF	18.7
Amundi IS Prime Japan ETF	15.8
iShares Edge MSCI World Min Vol	14.8
Liontrust European Dynamic	10.3
Vanguard Global Emerging Markets	9.8
Man Alternative Style Risk Premia	7.3
Assets in top ten holdings	**98.0**

Largest asset class exposures (%)	
North American Equities	29.4
UK Equities	21.5
Japan Equities	17.4
European Equities	12.2
Other Alternatives	7.3
Asia Pacific ex Japan Equities	6.6
Emerging Market Equities	2.2
Cash	2.0
Other	1.5
Commodities	0.0

Cash includes cash held in underlying funds plus GBP held in model

OCF	YIELD
0.37%	1.31%

FE RISK RATING	AMC
84	0.12%

PEAK TO TROUGH
-26.39%

- OCF - An Ongoing Charge Figure (OCF) is made up of the underlying fund manager’s charge and a variety of other operating costs.
- YIELD – A Yield is income produced by the portfolio.
- FE RISK RATING – A measure of risk relative to the leading 100 UK shares (which has a score of 100). For example, a score of 50 indicates the strategy has previously exhibited half of the volatility of this index.
- AMC – The annual fee that CIM charge to manage the portfolio.
- PEAK TO TROUGH- is also known as Maximum Drawdown. This represents the worst possible return over a period (July 2012 to March 2024) - for example, buying at the maximum price over the period and selling at the worst price.

CHETWOOD

INVESTMENT MANAGEMENT

APRIL 2024

CHIEF INVESTMENT OFFICER

JONATHAN PROUT

Jonathan is a graduate of the University of Warwick and holds a number of certificates and qualifications in investment analysis, financial modeling, statistical analysis and quantitative finance. Prior to joining Chetwood, Jonathan held senior roles in major financial institutions, managing global investment strategies for over 20 years.

PORTFOLIO DIRECTOR

MIKE EVANS

Mike is a graduate of Exeter University, where he studied Mathematics with Accounting. He has over 17 years' experience of working in the investment industry, and is a Chartered Financial Analyst (CFA). He has also passed the Investment Management Certificate (IMC).

ASSISTANT INVESTMENT MANAGER

CHRIS FLINN

Chris joined Chetwood in 2022 as an Assistant Investment Manager. He has 5 years' experience of providing day-today oversight of Discretionary clients and fund research. Chris holds the CISI Investment Advice Diploma and the Investment Management Certificate (IMC)

INVESTMENT ANALYST

KAYLEIGH CLACE

Kayleigh joined the team in July 2022 as a graduate of the University of Exeter, where she achieved a Master of Science with Honours in Mathematics with Finance degree

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WHY CHOOSE CHETWOOD INVESTMENT MANAGEMENT?

Chetwood Investment Management do not have traditional views on portfolio diversification. Investment markets have changed since the great financial crisis and we have changed with them. The value and benefits of diversification are long-held investing principles. The entire concept is based on the idea that stock and bond prices generally move in opposite directions. When one is rising, the other is falling. This strategy was at the heart of portfolio construction for generations … until central bank Quantitative Easing policies led to this standard portfolio construction method starting to fail when you need it the most.

When equity and bond markets move in the same direction, investors can experience extreme movements in the value of their portfolios. This is fine when the movements are up, but when everything starts to fall in unison, it can have significant impact on investors. So not only do we need to consider classic portfolio diversification across different asset classes, we also need to analyse different factors and styles within each asset class. You can then attempt to identify and mitigate certain factor risks (such as momentum) and style biases (such as value or growth) to build a truly diversified portfolio.

For example, rather than simply having an allocation to equities versus bonds, the equity allocation could be divided between equities associated showing a high level of price volatility and equities associated showing a low level of price volatility. At suitable times of the market, we can focus on these equities with a lower level of volatility and offer an investment journey more comfortable than the fluctuation associated with the overall equity market. The result should be a smoother path and more consistent returns for investors.

INVESTMENT STRATEGY

We consider both active and passive investment strategies to create a range of portfolios focussed on long term real returns for our clients. We develop and maintain a view on current and future market expectations in order to create investments that look to add significant value against a simple tracking portfolio. In developed markets, such as the UK, US and Europe, passive funds can be used in liquid areas of the market to gain exposure to equity returns, but at a fraction of the price of an active fund manager. The simple difference is that the investment team selects a passive fund to buy a favoured index of stocks (such as the FTSE 100) without an additional fund manager (ie an active fund) deciding which stocks to overweight, underweight – or not hold at all. A passive fund therefore has a lower level of charges. This allows our investment team to allocate sensibly in developed markets for longer term, low cost passive strategies, whilst then focussing on key active strategies in areas of the market where liquidity constraints require a more active approach – such as global emerging markets and high yield bonds.

IMPORTANT INFORMATION

- This document is produced by Chetwood Investment Management Ltd, solely for use by authorised and qualified professional financial advisers.
- Chetwood Investment Management Ltd is authorised and regulated by the Financial Conduct Authority.
- Past Performance is no guarantee of future performance. The value of an investment and the income from it can fall as well as rise and investors may get back less than they invested.
- Quoted yields are based on the previous 12 months distributions to investors and are not guaranteed. Future distributions may differ and will be subject to market factors.
- Risk factors should be taken into account and understood including (but not limited to) currency movements, market risk, liquidity risk, concentration risk, lack of certainty risk, inflation risk, performance risk, local market risk and credit risk.
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