FOR AUTHORISED INTERMEDIARIES ONLY

eden park
INVESTMENT MANAGEMENT

CHARLES STANLEY
Wealth Managers

EPIM Cabot

Q4 2023 Portfolio Update

Latest Market Commentary – December 2023

The final quarter of 2023 saw broad-based rallies in both equity and bond markets, with major US equity indices closing in on new record highs as 2024 began. Gains were driven by a shift in market expectations and the policy guidance from the Federal Reserve (Fed), the US central bank.

The rate of US inflation slowed to 3.1% and the Fed held interest rates steady but indicated, at its December meeting, in new economic projections that the tightening of American monetary policy is at an end – with interest rate cuts coming in 2024. The message was significantly more dovish than many investors were expecting and the yield on 10-year US Treasuries dropped below 4%. The central bank's view is now more aligned with that of investors – although markets remain far more optimistic in their outlook.

The FTSE 100 rallied, but gains were significantly lower than those in rival markets in Europe and the US. The index's lack of technology companies resulted in a pedestrian rally when compared with Wall Street, where the S&P 500 index jumped by 25% in dollar terms last year to the brink of a record high.

It is also expected that the Bank of England has now finished its series of interest-rate rises. This follows fourteen consecutive increases in the cost of borrowing, which started in December 2021. The annual rate of UK inflation slowed sharply to 3.9% in November, a figure was well below a consensus view of 4.4% and the lowest UK inflation rate since September 2021.

The UK base rate is now at its highest level in 15 years. Many homeowners still need to remortgage at these higher levels – a move that will continue to put pressure on consumer confidence, but the cost of new mortgages has fallen with the interest-rate outlook.

Euphoria about the prospects for the benefits of artificial intelligence (AI) continues to be high and drove gains in the shares of the mega-cap technology leaders at the forefront of this new technology. Microsoft, Alphabet's Google, and Amazon Web Services are competing for the supercharged growth available in doing business in the cloud, adding AI to their service offerings. However, there was some disappointment in the growth of cloud services at Alphabet, which fell sharply after the company announced its third-quarter numbers.

In general, the third-quarter earnings season saw companies on both sides of the Atlantic post a strong performance – with many beating market expectations. However, this news was tempered by caution about the outlook for 2024 as economies slow down and businesses rein in spending.

Chinese equities were weak as the country's property crisis accelerated – and failed to participate in the global market rally despite a good performance in other emerging markets. Problems in China's property market are having a major impact as the sector accounts for a third of the economy. The country fell into deflationary territory for the second time this year in October, reigniting concerns over its economy. China's manufacturing activity shrank over the quarter although December's data showed better-than-expected growth.

On the geopolitical front, there appeared to be some progress on healing the fractured relationship between Washington and Beijing. US President Joe Biden and Chinese President Xi Jinping held a face-to-face meeting for the first time in a year and agreed to resumption of military-to-military communication amid efforts to normalise ties. However, restrictions on US companies selling cutting edge technology to China – particularly in the chip sector – remain a bone of contention. A short ceasefire in the Israel-Hamas conflict ended after less than a week and the situation there remains tense. The Russia-Ukraine war continues, with little signs of a resolution any time soon.

Market participants now think the US can engineer a soft landing and get inflation down without too much additional economic damage. The dovish tone of officials at the central bank indicate they may believe that too. The UK is expected to keep interest rates "higher for longer" to curb inflation, which will impede economic growth. However, if a recession emerges, it is expected to be shallow.

	EPIM Cabot Cautious	EPIM Cabot Moderately Cautious	EPIM Cabot Balanced	EPIM Cabot Growth	EPIM Cabot Global Equity
Fixed Income	67%	57%	40%	25%	12%
Sovereign Bonds	21%	13%	12%	9%	7%
Inflation Linked Bonds	5%	5%	4%	4%	3%
Investment Grade Bonds	41%	39%	24%	12%	3%
Equity	17%	31%	50%	64%	74%
North American Equity	0%	14%	26%	34%	39%
Japanese Equity	2%	3%	4%	4%	6%
European Equity	0%	2%	4%	5%	5%
UK Equity	3%	5%	5%	5%	6%
Asia Pacific ex-Japan Equity	0%	4%	5%	8%	10%
Global Emerging Market Equity	0%	0%	2%	5%	6%
Global Equity / Thematics	12%	3%	4%	3%	4%
Alternatives	4%	4%	7%	9%	11%
Property	2%	2%	4%	5%	5%
Infrastructure	2%	2%	3%	4%	5%
Cash & Equivalent	12%	8%	3%	2%	3%

Source: Charles Stanley as of 30 September 2023. Figures subject to rounding.

Portfolio Positioning

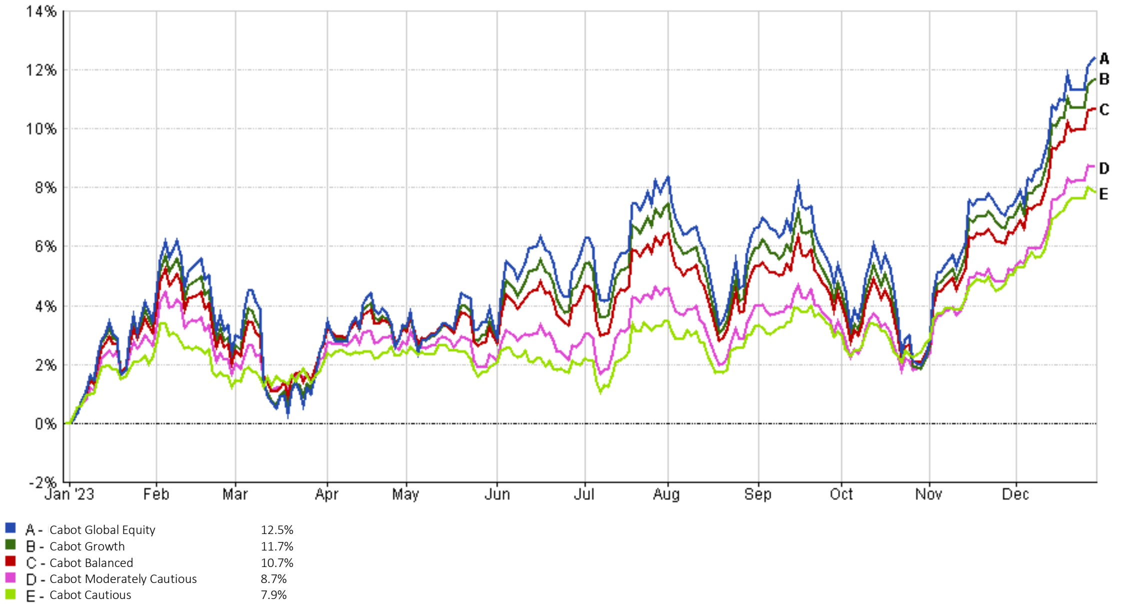
The table on the left shows the current asset allocation of the EPIM Cabot MPS.

This quarter we reduced equities for fixed income as we did in the previous rebalance, although this time we included the higher risk models as well.

Our preference for fixed income implementation broadly remains via short duration investment grade credit and longer duration government bonds – offering a barbell approach. The areas we topped up took account of this, as well as the positioning relative to the Strategic Asset Allocation, where positions may have drifted (beyond our Dynamic Asset Allocation views). We felt this was an opportune time to close this out.

A similar approach was taken with the other areas where we made changes ie in equities (reductions), alternatives and cash. One notable reduction was Japan, where the price performance had been strong on an absolute and relative basis with relative valuations beginning to move into expensive territory.

Figure 1: 3 month Performance



Source: Financial Express Analytics, net income reinvested. Past Performance is not a reliable indicator of future returns. As at: 31 December 2023.

Quarterly Performance

The main factor concerning markets at the beginning of the quarter was the path of US interest rates, with hawkish statements from senior members of the Federal Reserve indicating that interest rates will stay “higher for longer”. However, in November a more balanced tone was taken from committee members following softer economic data which led to a dramatic rise in equity markets alongside a fall in bond yields.

Positive returns were seen across almost all of the sub asset classes of the portfolios. The equity allocation was the highest performing ‘sleeve’, though we did see very strong performance coming from fixed income – particularly in longer duration bonds. This meant that portfolios across all risk levels benefited in the final quarter of the calendar year. Late in the period, we also saw a large bounce in property positions, coinciding with the market beginning to price in the softer interest rate path in 2024.

FOR AUTHORISED INTERMEDIARIES ONLY

EPIM Cabot Growth	Average Weight (%)	Total Return (%)	CTR (%)
Fixed Income	23.9	6.5	1.7
Sovereign Bonds	8.1	6.3	0.6
Inflation Linked Bonds	2.0	3.3	0.2
Investment Grade Bonds	13.7	6.7	0.9
Equity	64.5	17.6	10.8
North American Equity	32.4	23.6	7.2
Japanese Equity	5.5	24.1	1.2
European Equity	4.4	14.9	0.7
UK Equity	5.0	9.7	0.5
Asia Pacific ex-Japan Equity	8.1	6.1	0.5
Global Emerging Market Equity	5.9	5.9	0.4
Global Equity / Thematics	3.2	9.5	0.4
Alternatives	8.7	-2.4	-0.2
Property	3.6	3.4	0.2
Infrastructure	5.1	-5.6	-0.4
Cash	2.9	1.9	0.1

12m Attribution

Equities across all regions performed well and were particularly strong in the US and Japan. The former was driven by exceptional returns from the technology sector, which represents over a quarter of the US index, and this also supported some of the thematic holdings. The largest contribution to overall return came from this US equity position, demonstrating the benefit of this significant allocation relative to the weight in UK equities where returns were lower. Our Japanese positions benefitted from currency hedging which offset the weakness in the Yen.

Bonds also provided good returns despite rising rates. Our preference for corporates was positive because these bonds outperformed government treasuries as spreads tightened. Negative returns were seen in infrastructure as increases in yields impacted financing costs and valuations.

EPIM Cabot Cautious	Average Weight (%)	Total Return (%)	CTR (%)
Fixed Income	67.6	6.7	4.6
Sovereign Bonds	21.4	6.6	1.4
Inflation Linked Bonds	4.9	4.0	0.2
Investment Grade Bonds	41.2	7.1	2.9
Equity	18.9	17.9	3.2
North American Equity	1.9	27.4	0.5
UK Equity	2.7	8.0	0.3
Global Equity / Thematics	14.3	17.3	2.3
Alternatives	3.9	-1.0	0.0
Property	1.9	3.4	0.1
Infrastructure	2.0	-5.6	-0.1
Cash & Equivalent	9.6	3.7	0.4

EPIM Cabot Moderately Cautious	Average Weight (%)	Total Return (%)	CTR (%)
Fixed Income	53.7	6.7	3.8
Sovereign Bonds	11.5	5.9	0.8
Inflation Linked Bonds	5.0	4.0	0.2
Investment Grade Bonds	37.2	7.3	2.9
Equity	34.5	17.0	5.4
North American Equity	14.5	24.6	3.2
Japanese Equity	3.0	24.1	0.7
European Equity	2.4	14.9	0.3
UK Equity	5.0	8.7	0.5
Asia Pacific ex-Japan Equity	4.7	5.9	0.3
Global Emerging Market Equity	1.7	-0.2	0.0
Global Equity / Thematics	3.3	10.8	0.5
Alternatives	4.9	-2.2	-0.2
Property	2.1	3.4	0.1
Infrastructure	2.7	-5.6	-0.2
Cash	6.9	3.3	0.2

EPIM Cabot Balanced	Average Weight (%)	Total Return (%)	CTR (%)
Fixed Income	37.8	6.5	2.7
Sovereign Bonds	11.3	6.4	0.8
Inflation Linked Bonds	4.3	4.0	0.2
Investment Grade Bonds	22.2	7.2	1.7
Equity	52.1	17.4	8.6
North American Equity	25.0	23.9	5.5
Japanese Equity	4.4	25.4	1.0
European Equity	4.0	14.9	0.6
UK Equity	4.5	8.9	0.5
Asia Pacific ex-Japan Equity	6.8	5.9	0.3
Global Emerging Market Equity	3.8	5.9	0.2
Global Equity / Thematics	3.6	9.5	0.5
Alternatives	6.3	-2.1	0.0
Property	2.4	3.4	0.2
Infrastructure	3.9	-5.6	-0.3
Cash	3.8	3.0	0.1

EPIM Cabot Global Equity	Average Weight (%)	Total Return (%)	CTR (%)
Fixed Income	11.1	5.0	0.7
Sovereign Bonds	8.0	6.5	0.5
Inflation Linked Bonds	2.6	3.3	0.1
Investment Grade Bonds	0.5	4.4	0.1
Equity	75.0	17.4	12.7
North American Equity	37.6	23.1	8.3
Japanese Equity	7.1	24.7	1.6
European Equity	4.4	14.9	0.7
UK Equity	5.4	10.0	0.6
Asia Pacific ex-Japan Equity	9.9	6.0	0.6
Global Emerging Market Equity	6.5	5.9	0.5
Global Equity / Thematics	4.1	9.6	0.5
Alternatives	10.4	-2.1	-0.3
Property	4.7	3.4	0.1
Infrastructure	5.6	-5.6	-0.4
Cash	3.5	3.1	0.1

Source: Charles Stanley, Bloomberg, 12m to 31 December 2023. Figures Subject to rounding. Past performance is not a guide to future performance. CTR is Contribution to Returns.

eden park INVESTMENT MANAGEMENT

CHARLES STANLEY Wealth Managers

Top & Bottom Contributors – 12m to 31 December 2023

Cabot Cautious	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR(%)	Description	Weight (%)	Return (%)	CTR(%)
	L&G Short Duration Sterling Corporate Bond Index	14.7	8.0	1.2	L&G Global Infrastructure Index Fund	2.0	-5.6	-0.1
	Vanguard UK Short Term Invest. Grade Bond Idx.	15.1	6.9	1.0				
	Vanguard Developed World ex UK	1.7	11.0	1.0				

Cabot Moderately Cautious	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR(%)	Description	Weight (%)	Return (%)	CTR(%)
	Fidelity US Index Fund Hedged	8.6	19.7	2.0	L&G Global Healthcare and Pharmaceutical Index	1.6	-1.9	0.0
	L&G Short Duration Sterling Corp. Bond Index	14.4	8.0	1.2	L&G Global Infrastructure Index Fund	2.7	-5.6	-0.2
	Fidelity MSCI Japan Index Fund Hedged	2.0	33.8	0.5				

Cabot Balanced	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR(%)	Description	Weight (%)	Return (%)	CTR(%)
	Fidelity US Index Fund Hedged	11.1	26.2	2.6	L&G Global Healthcare and Pharmaceutical Index	2.0	-1.9	0.0
	Legal & General US Index Fund	9.5	20.0	1.8	L&G Global Infrastructure Index Fund	3.9	-5.6	-0.2
	Fidelity MSCI Japan Index Fund Hedged	2.7	33.9	0.8				

Cabot Growth	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR(%)	Description	Weight (%)	Return (%)	CTR(%)
	Fidelity US Index Fund Hedged	11.6	26.2	2.9	L&G Global Healthcare and Pharmaceutical Index	1.9	-1.9	0.0
	Legal & General US Index Fund	11.4	20.0	2.3	L&G Global Infrastructure Index Fund	5.1	-5.6	-0.3
	Amundi MSCI North America Index Fund Hedged	6.3	23.8	1.6				

Cabot Global Equity	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR(%)	Description	Weight (%)	Return (%)	CTR(%)
	Fidelity US Index Fund Hedged	16.4	20.0	3.3	L&G Global Healthcare and Pharmaceutical Index	2.2	-1.9	-0.1
	Legal & General US Index Fund	12.1	26.2	3.0	L&G Global Infrastructure Index Fund	5.6	-5.6	-0.4
	Amundi MSCI North America Index Fund Hedged	4.7	23.8	1.3				

Source: Bloomberg – 31/12/2023. CTR = Contribution to Returns. Past performance is not an indicator of future performance.

FOR AUTHORISED INTERMEDIARIES ONLY

Risk Characteristics

	Max Drawdown			Sharpe Ratios			Volatility		
	1y	3y	5Y	1y	3y	5Y	1y	3y	5Y
EPIM Cabot Cautious	-1.0	-9.3	-9.3	1.5	0.0	0.3	4.3	5.0	4.8
EPIM Cabot Moderately Cautious	-2.3	-11.7	-11.7	1.3	0.0	0.3	5.5	6.6	6.7
EPIM Cabot Balanced	-3.7	-12.3	-12.3	1.3	0.2	0.5	7.0	8.1	8.6
EPIM Cabot Growth	-4.8	-12.6	-13.4	1.3	0.3	0.5	8.1	9.2	10.1
EPIM Cabot Global Equity	-5.4	-12.8	-15.9	1.3	0.3	0.6	8.8	9.9	11.6

Source: FE Analytics. All data as at 31 December 2023
Past performance is not a reliable guide to future performance. The performance is net of Eden Park Investment Management fees, with income reinvested. Return Period: Weekly
●●Risk Free Rate: 1.5% ●Annualised Ratios: Yes ●Currency: Pounds Sterling

General Regulatory Disclosure

The value of investments, and any income derived from them, can fall as well as rise and may be affected by exchange rate variations. Investors may get back less than invested.
Performance is calculated on a Total Return basis using a notional portfolio in Financial Express Analytics. Performance is net of Charles Stanley investment management fees but not adviser fees nor platform costs. Any charges and fees applied by platforms and/or authorised intermediaries will be charged in addition to the charges shown. The Total Ongoing Charges Figure (TOC) is calculated on a periodic basis using a weighted average of the most recent publicly available Total Ongoing Charges for the underlying investments as at the date of the factsheet. This includes the underlying funds' Ongoing Charges Figure plus Transaction costs plus Incidental costs. Please note that whilst we endeavour to show all charges associated with specific funds, sometimes this is not possible due to the information not being made available by the fund provider. In such cases transaction or incidental cost information may be missing. Portfolios linked to this Model Portfolio may not exactly replicate the model due to the difference in timing of initial investment or rebalancing differences resulting from minimum transaction size limits on platforms. The management and rebalancing of this Model Portfolio does not take Capital Gains Tax into consideration. This document has been prepared for information purposes only and does not constitute advice or a personal recommendation, nor does it constitute an invitation to purchase units or shares. The information on which the document is based is deemed to be reliable. Charles Stanley has not independently verified such information and its accuracy or completeness is not guaranteed.
Charles Stanley & Co. Limited is authorised and regulated by the Financial Conduct Authority.