FOR AUTHORISED INTERMEDIARIES ONLY

Tailored Discretionary Managed Portfolios

Q4 2023 Update

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Latest Market Commentary – December 2023

December saw the broad-based rally in equity markets that started in November continue, with major US indices closing in on new record highs as 2024 began. Gains were driven by a shift in the policy guidance from the Federal Reserve (Fed), the US central bank.

The Fed held interest rates steady at its December meeting but indicated 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. 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% 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 in November to 3.9%. The figure was well below a consensus view of 4.4%. The 3.9% figure was also 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 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 for a second consecutive month in November – and at a faster rate. However, December's data showed the 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.

	Tailored Lower Risk	Tailored Medium Low Risk	Tailored Medium High Risk	Tailored Higher Risk
Fixed Income	**53%**	**37%**	**25%**	**10%**
Government Bond	25%	14%	11%	4%
Inflation Linked Bond	5%	5%	5%	3%
Investment Grade Bond	20%	14%	5%	0%
High Yield Bond	3%	4%	4%	3%
Emerging Market Bond	0%	0%	0%	0%
Equity	**31%**	**49%**	**64%**	**75%**
North America	14%	21%	28%	31%
Japan	3%	3%	3%	4%
Europe	5%	6%	7%	7%
UK	2%	4%	4%	4%
Asia Pacific ex-Japan	3%	5%	9%	10%
Global Emerging Market	0%	2%	4%	5%
Global Equity / Thematics	4%	7%	10%	13%
Alternatives	**5%**	**7%**	**8%**	**11%**
Property	3%	3%	4%	5%
Absolute Return / Multi Asset	0%	0%	0%	0%
Infrastructure	2%	3%	4%	6%
Cash & Equivalent	**11%**	**8%**	**4%**	**4%**

Table 1. Source: Charles Stanley as of 31 December 2023. Figures subject to rounding.

Portfolio Positioning

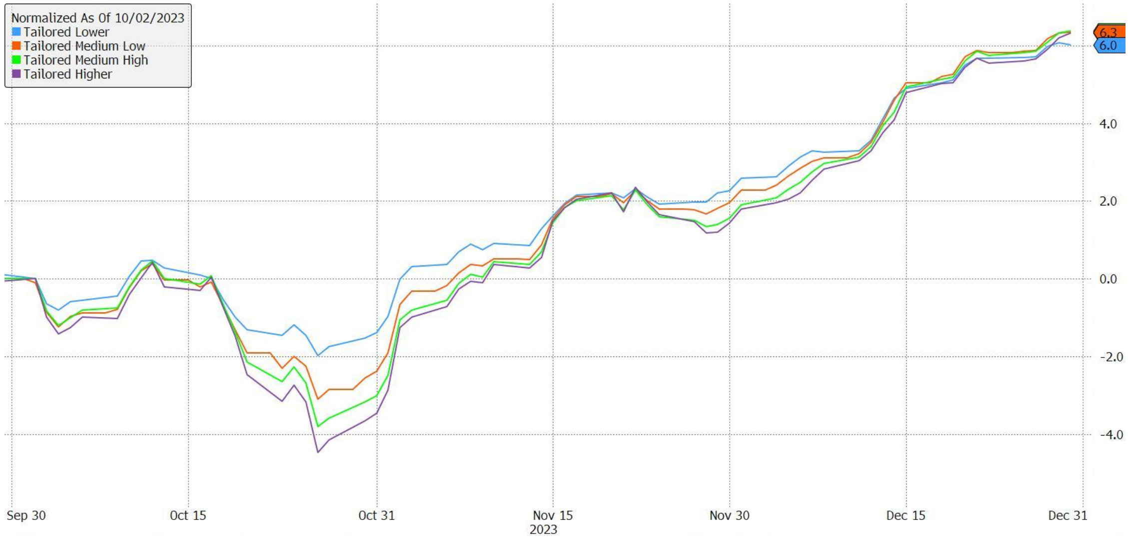
Table 1 shows the current asset allocation of the Tailored Discretionary Managed models.

Through the quarter we added, and then increased, the Man GLG High Yield fund, funding this from Emerging Market Debt and then later switching our existing High Yield fund (Wellington Global High Yield Bond) in favour of the more actively managed, less benchmark-aware manager in Man GLG.

November also saw us make adjustments to our holdings in Japan and Property, maintaining the overall asset class weight, but consolidating into the M&G Japan Fund - with greater flexibility in their investment style they are better placed to react to policy changes – and switching the remaining passive Property exposure to the actively managed PGIM Global Select Real Estate fund. We also added to our UK Gilt position, deploying cash from portfolios.

December saw additional changes as we witnessed a large jump in the US market, particularly in technology-focussed companies. We decided to trim some of the biggest winners and invest in an S&P 500 Equal Weight Index which had lagged the 'Magnificent 7' through 2023, but offer much more reasonable valuations and a more diversified exposure.

Figure 1: Rolling Quarterly Performance



Source: Bloomberg, gross performance figures. Past Performance is not a reliable indicator of future returns. As at 31 December 2023.

Tailored Lower: 6.0%;
Tailored Medium Low: 6.3%;
Tailored Medium High: 6.4%;
Tailored Higher: 6.3%

Quarterly Performance

The quarter has seen a large swing in performance as we began the period with Equity markets struggling, the S&P 500 falling 8.7% and the Nasdaq down 9%, and bond yields continuing to rise - the yield on the US 10 year Treasury peaked just short of 5%.

This was entirely reversed as good news around inflation and an end to interest rate hikes (and possible cuts) began to excite markets. The S&P 500 ended the quarter up 5.8% (a 14% increase from the intra-quarter low). Bond yields ended up down in the US, however the UK saw more substantial falls, the UK 10 year Gilt falling from 4.4% to 3.7%.

The end result was largely similar performance for our Equity and Fixed Income holdings which saw portfolios perform in a largely similar fashion, with increases ranging from 6.0 to 6.4%.

Siemens, TR Property, Amazon and Microsoft delivered the highest absolute returns, however there were notable performers in Fixed Income, with the UK Gilt and Janus Henderson Strategic Bond fund returning 8.2% and 9.7% respectively.

There were only a handful of negative performers in the quarter, with more defensive equity holdings in Johnson & Johnson, Nestle, and the World Healthcare ETF faring poorly in the risk-on rally. Comcast was the worst performing holding over the quarter, facing pressure on weak broadband subscriptions with increasing competitive pressures.

Performance Attribution

Tailored Discretionary Medium High Risk (DT6)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**22.3**	**5.9**	**1.5**
Government Bond	8.8	3.8	0.5
Inflation Linked Bond	4.1	3.4	0.2
Investment Grade Bond	4.8	6.4	0.3
High Yield Bond	2.9	12.4	0.4
Emerging Market Bond	1.7	4.2	0.1
Equity	**66.3**	**12.1**	**7.9**
North America	29.0	21.8	5.9
Japan	3.4	5.1	0.2
Europe	7.0	21.9	1.5
UK	3.5	13.0	0.5
Asia Pacific ex-Japan	9.5	5.4	0.6
Global Emerging Market	3.7	2.4	0.1
Global Equity / Thematics	10.3	-6.6	-0.8
Alternatives	**8.4**	**1.1**	**0.1**
Property	3.7	9.7	0.3
Absolute Return / Multi Asset	0.4	0.9	0.0
Infrastructure	4.4	-5.4	-0.3
Cash & Equivalent	**2.9**	**0.0**	**0.0**

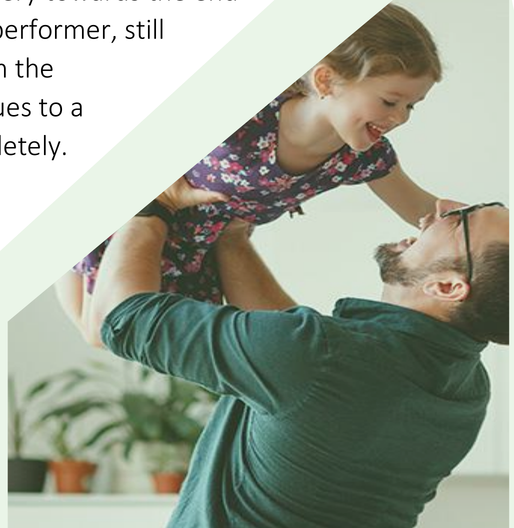
Table 2. Source: Bloomberg, gross performance figures as of 31 December 2023.
Figures subject to rounding.

Table 2 shows the attribution of the medium-high (DT 6) risk portfolio over the last 12 months.

Within Equity Markets, European & North America equities produced the highest total return of 21.9% & 21.8% respectively, contributing 1.5% and 5.9% to the overall 1-year returns.
Amazon (+70.7%) and Booking (+66.1%) were the top performing equities, with Amazon benefitting from AI & cloud-computing tailwinds and Booking a beneficiary of the strong consumer and pick-up in travel.
North American equites produced the highest contribution to returns, given the large weight to the region, and individual equity performance was strong with the majority of the direct equities returning more than 15% for the year. Starbucks, Johnson & Johnson, and Nike stand out as the only negative performers.
Global Equity/ Thematics was the only equity asset class that delivered negative returns, primarily due to Schroders Global Energy Transition fund, previously discussed, and the SDPR World Healthcare ETF.

Fixed Income produced positive returns, with High Yield the notable top performer, supported by solid returns across the other Fixed Income asset classes with the fall in bond yields and credit spreads towards year-end.

In the alternatives allocation, Property saw a strong recovery towards the end of the year, however Infrastructure stands out as a poor performer, still feeling the impact of rising interest rates and a move from the long-standing share price premium to their Net Asset Values to a significant discount, as investor sentiment changed completely. We continue to believe in their viability, and benefit to portfolio diversification, and we are being well paid to wait for their share prices to recover with dividend yields currently around 7%.



eden park INVESTMENT MANAGEMENT

CHARLES STANLEY Wealth Managers

Performance Attribution – Other Risk Profiles last 12 months

Tailored Discretionary Lower Risk (DT4)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**51.8**	**5.6**	**3.1**
Government Bond	21.1	4.5	0.9
Inflation Linked Bond	4.1	3.4	0.2
Investment Grade Bond	22.2	6.0	1.6
High Yield Bond	2.9	12.5	0.4
Emerging Market Bond	1.4	4.2	0.1
Equity	**34.4**	**14.6**	**4.8**
North America	14.7	24.3	3.3
Japan	2.8	9.2	0.2
Europe	5.1	20.9	1.0
UK	2.0	13.0	0.3
Asia Pacific ex-Japan	4.4	5.3	0.3
Global Emerging Market	0.7	-2.6	0.0
Global Equity / Thematics	4.6	-4.5	-0.3
Alternatives	**5.7**	**4.1**	**0.3**
Property	2.5	10.7	0.3
Absolute Return / Multi Asset	1.1	0.9	0.1
Infrastructure	2.1	-2.0	-0.1
Cash & Equivalent	**8.1**	**2.7**	**0.2**

Tailored Discretionary Medium Low Risk (DT5)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**35.3**	**5.9**	**2.3**
Government Bond	11.9	4.1	0.6
Inflation Linked Bond	4.1	3.4	0.2
Investment Grade Bond	15.2	6.6	1.1
High Yield Bond	2.6	12.4	0.4
Emerging Market Bond	1.5	4.2	0.1
Equity	**52.5**	**11.4**	**5.8**
North America	21.8	20.2	4.1
Japan	3.7	7.8	0.3
Europe	6.1	21.7	1.3
UK	3.7	13.0	0.5
Asia Pacific ex-Japan	6.4	5.6	0.4
Global Emerging Market	2.4	-1.1	0.0
Global Equity / Thematics	8.5	-6.5	-0.7
Alternatives	**7.7**	**2.0**	**0.2**
Property	3.2	11.0	0.3
Absolute Return / Multi Asset	0.8	0.9	0.0
Infrastructure	3.7	-5.0	-0.2
Cash & Equivalent	**4.5**	**1.7**	**0.1**

Tailored Discretionary Higher Risk (DT7)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**9.1**	**5.5**	**0.6**
Government Bond	2.9	2.9	0.1
Inflation Linked Bond	2.5	3.4	0.1
Investment Grade Bond	0.3	-1.4	0.0
High Yield Bond	1.8	12.3	0.3
Emerging Market Bond	1.6	4.2	0.1
Equity	**77.9**	**11.6**	**8.8**
North America	32.2	22.7	6.8
Japan	4.6	3.4	0.2
Europe	7.3	22.3	1.6
UK	4.1	13.0	0.5
Asia Pacific ex-Japan	11.0	5.7	0.7
Global Emerging Market	5.3	1.2	0.1
Global Equity / Thematics	13.5	-6.3	-1.1
Alternatives	**11.0**	**2.1**	**0.2**
Property	4.4	11.6	0.5
Infrastructure	6.6	-3.4	-0.3
Cash & Equivalent	**2.0**	**-0.1**	**0.0**

Source: Bloomberg, gross performance figures as of 31 December 2023. Figures subject to rounding.

Top and Bottom Contributors – 12 months to 31 December 2023

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Lower Risk	Booking	1.5	66.1	0.8	Nike	0.6	-18.7	-0.3
	Novo Nordisk	1.8	47.0	0.7	Schroder Global Energy Transition Fund	1.0	-13.9	-0.6
	Amazon	1.3	70.7	0.7	Johnson & Johnson	2.0	-13.7	-0.3

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Medium Low Risk	Novo Nordisk	2.0	47.0	0.8	Schroder Global Energy Transition Fund	2.9	-13.9	-0.5
	Microsoft	1.9	49.3	0.8	Nike	1.0	-18.7	-0.3
	Booking	1.4	66.1	0.7	M&G Global Dividend	2.2	-5.6	-0.2

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Medium High Risk	Booking	2.8	66.1	1.4	Schroder Global Energy Transition Fund	3.3	-13.9	-0.6
	Microsoft	2.7	49.3	1.1	Nike	1.3	-18.7	-0.3
	Novo Nordisk	2.3	47.0	1.0	Johnson & Johnson	2.0	-13.7	-0.3

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Higher Risk	Booking	2.8	66.1	1.4	Schroder Global Energy Transition Fund	4.8	-13.9	-0.8
	Amazon	2.4	70.7	1.3	Nike	1.5	-18.7	-0.4
	Microsoft	3.0	49.3	1.2	Johnson & Johnson	2.3	-13.7	-0.4

Source: Bloomberg, gross performance figures as of 31 December 2023. Figures subject to rounding.

Spotlight:

Each quarter we take a look at some of the holdings in the portfolio to provide some insight into what we like about the company or fund, and their role in the portfolio(s):

amazon

Amazon remains one of the most interesting companies we invest in, at the forefront of several structural trends – notably Cloud Computing (AWS) and AI, eCommerce, and Streaming, with production of AI focussed GPUs an exciting growth segment. The share price has seen some dramatic swings in the past few years. Through 2020/21, as the impact of Covid was evaluated, Amazon saw its share price more than double, with investors expecting the acceleration in eCommerce and Cloud Computing to be of large benefit to the company, with Amazon a market-leader in both. 2022 saw this reverse however, with the share price returning to its prior low from March 2020 on the back of concerns around inflation and interest rates impacting the discount rates applied to value the shares. To us, and other observers, a fall back to previous lows, which were realised on fears of an unprecedented global pandemic, seemed unwarranted and 2023 has repaid the faith shown in the company. The excitement surrounding AI on the back of the public release of ChatGPT has provided the company with a boost and investors are now paying attention to Amazon's own involvement in AI development, both in the chips to support development and in integrating new AI tools into its Cloud offering. This has translated into positive share price momentum, up 70% through the year.

While the stock has seen a large increase this past year, we still see the company as a strong holding for portfolios with further room for growth as it continues to lead in the sectors it operates in and is well set to benefit from a growth in demand for Cloud and AI services as companies revisit cost optimisation plans which have hampered IT spending through 2023.

Man GLG High Yield Opportunities Fund

A dynamic, actively managed fund, investing primarily in sub-investment grade bonds, Man GLG High Yield Opportunities gives investors access to an experienced team with a full toolkit at their disposal, able to flex their level of credit risk, short individual names, and restructure non-performing debt. Positions in the fund are more concentrated than typical high-yield funds, reflecting the team's focus on fundamental, bottom-up selection, but also ensuring appropriate coverage in a large, diverse market. The team have a long record of successful alpha generation, outperforming their benchmark across most time periods, and generating income for clients – its indicated yield stands at 8.9% as at the end of December.

We have moved to include this fund in the portfolio to take advantage of the managers ability to target and access bonds that are mispriced, rather than investing passively in a risky market, and to add diversification against our existing investments. The fund allows us to invest in an asset class offering high yields and the possibility for capital generation if economic conditions improve and credit spreads tighten. In addition, the fund offers protection against a deteriorating economic environment as the manager is seeking to invest in mispriced opportunities rather than corporate debt that may be more susceptible to rising default rates.

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CHARLES STANLEY Wealth Managers

defaqto EXPERT RATED
DFM Bespoke 2023

defaqto EXPERT RATED
DFM MPS Direct 2023

defaqto EXPERT RATED
DFM MPS on Platform 2023

defaqto EXPERT RATED
DFM MPS (Direct) Family 2023

defaqto EXPERT RATED
DFM MPS (Platform) Family 2023

defaqto EXPERT RATED
DFM MPS (Platform) Family 2023

defaqto EXPERT RATED
DFM MPS (Direct) Family 2023

3D 2023

CHARLES STANLEY ASSET MANAGEMENT

AWARDED BY ARC RESEARCH

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 Bloomberg. Performance is gross of all investment fees, adviser fees, and platform costs. Any charges and fees applied by the platform, Eden Park Investment Management and/or authorised intermediaries reduce the return. Full costs and charges information can be generated via the Hubwise platform.

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