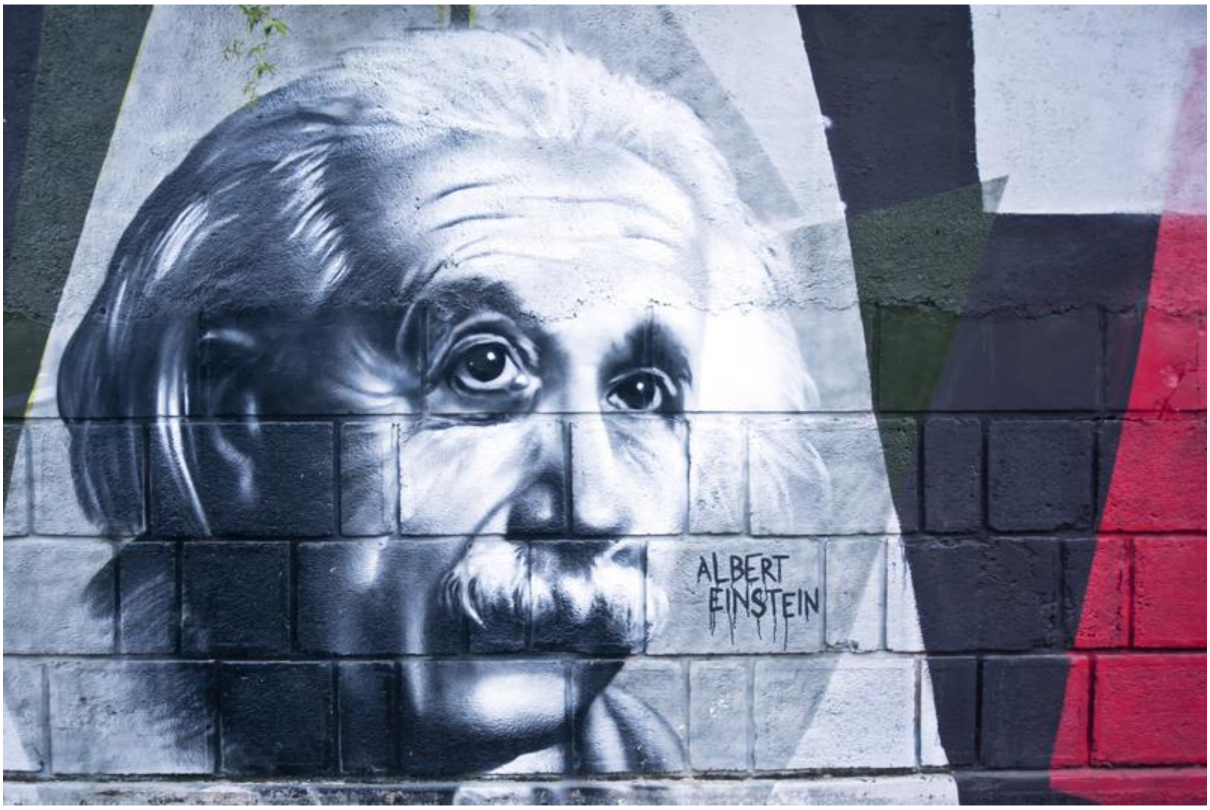
"Independent Research for Independent Financial Advisers"

PORTFOLIO AND MARKET QUARTERLY UPDATE – OCTOBER 2024



"Everything should be made as simple as possible, but not simpler." – Albert Einstein.

"Flagship for investors who prioritise diversification and risk management"

At a glance

Significant Anniversaries: September marked 23 years since 9/11, 16 years since Lehman Brothers' collapse, and two years since the Liz Truss budget; all events continue to shape economic perspectives.
Market Uncertainty: As the UK anticipates its upcoming budget and the U.S. grapples with election uncertainty, global markets remain largely unaffected by rising tensions in the Middle East.
U.S. Economic Outlook: The U.S. economy is expected to experience a potential soft landing despite rising interest rates, supported by a strong labour market and robust consumer spending.
China's Stimulus Response: In response to economic challenges, China has implemented a major stimulus package, including significant cuts in interest rates and real estate support, leading to a market rebound across Asia.
European Economic Performance: While European equities faced slight declines, supportive monetary easing from the ECB and Fed, along with improving conditions in China, offered some optimism amid weak growth indicators.

Overview

This September saw several anniversaries:

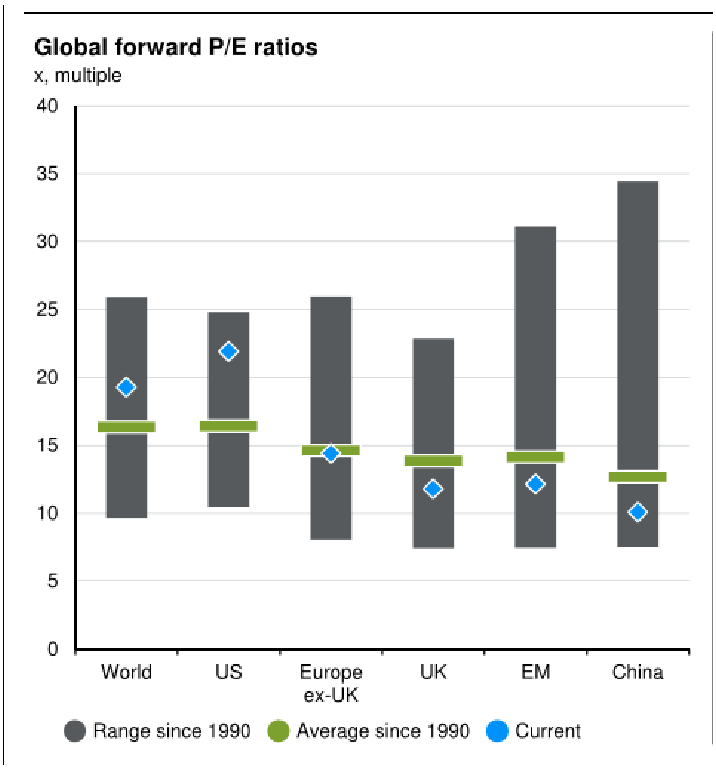
- **23 years since 9/11**
- **16 years since the collapse of Lehman Brothers**
- **Two years since the Liz Truss budget fiasco**

These events have left an indelible mark on our lives, shaping our perspectives on resilience, stability, and uncertainty in the financial landscape.

Looking ahead, the next quarter holds the potential for significant changes both at home and abroad. Here in the UK, we brace ourselves for the upcoming budget amid rampant speculation, while the U.S. faces uncertainty as election outcomes loom. Markets, perhaps surprisingly, seem unfazed by escalating troubles in the Middle East, but there remains the possibility of these tensions affecting global markets.

Markets

With the U.S. markets hitting new highs, there's an underlying assumption that valuations may be stretched. Given that the U.S. comprises nearly 70% of global markets, this can skew perceptions of overall market health. However, as the chart below from JP Morgan illustrates, not all markets are overvalued.



United States

Insights from **Franklin Templeton** shed light on the U.S. economy:

- **Economic Outlook**: There's optimism for a soft landing, with severe recession risks diminishing even as interest rates rise.
- **Monetary Policy**: While tight monetary policies remain a concern, moderate growth appears achievable.

Key Resilience Factors:

- **Labor Market Strength**: A robust job market supports economic stability.
- **Consumer Spending**: Ongoing consumer expenditure is bolstering economic performance.
- **Corporate Earnings**: Healthy earnings reports from companies reinforce market confidence.

Investor Takeaway: Long-term investors must focus on fundamentals and stay patient and committed to their strategies.

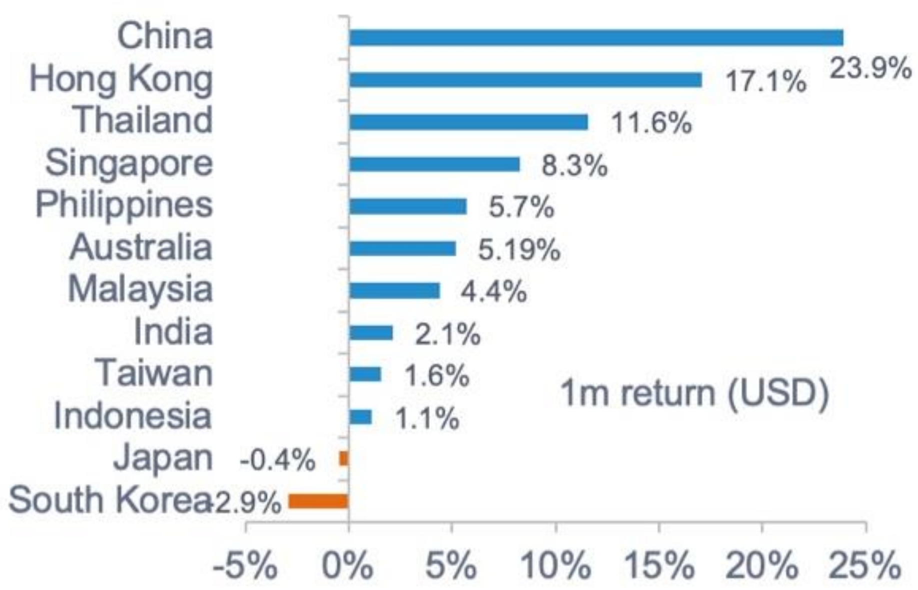
China

In response to its economic struggles, China has unveiled a substantial stimulus package, which includes:

- **Monetary Policy Adjustments**:
    - A **20 basis point cut** in the seven-day reverse repo rate to **1.5%**.
    - A **30 basis point cut** in the medium-term lending facility (MLF) to **2%**.
    - A **50 basis point reduction** in the reserve requirement ratio (RRR) frees up banks' liquidity.
- **Real Estate Support**:
    - Mortgage rates will see an average reduction of **50 basis points**.
    - The down-payment requirement for second-home buyers is reduced from **25% to 15%**.
- **Stock Market Enhancements**:
    - A RMB500 billion swap facility for brokers and funds, alongside other supportive measures to stabilise markets.

These moves resulted in an immediate uplift in the markets, creating positive ripples across Asia.

China rallies while Japan constrained by FX moves



Source: LSEG DataStream, September 2024.

Europe

European equities experienced slight declines in euro terms, yet they delivered positive returns in USD. The month began with disappointing manufacturing data from the U.S. and Europe, sparking concerns about growth. However, positive momentum arose from monetary easing measures from the **ECB** and the **Fed**, with both banks implementing rate cuts.

Economic Indicators:

- Eurozone GDP growth for Q2 2024 was just **0.2%** quarter-on-quarter and **0.3%** year-on-year, indicating a slowdown.
- Annual inflation is expected to soften to **1.8%** in September, down from **2.2%** in August.

United Kingdom

UK equities faced challenges in September, underperforming major global indices amidst moderating economic activity and uncertainty surrounding the upcoming budget.

Key Points:

- The Bank of England (BoE) held interest rates steady at 5.0%, indicating a gradual approach to monetary easing.
- The labour market showed signs of moderation, with wage growth slowing to 5.1% in the three months leading up to July.

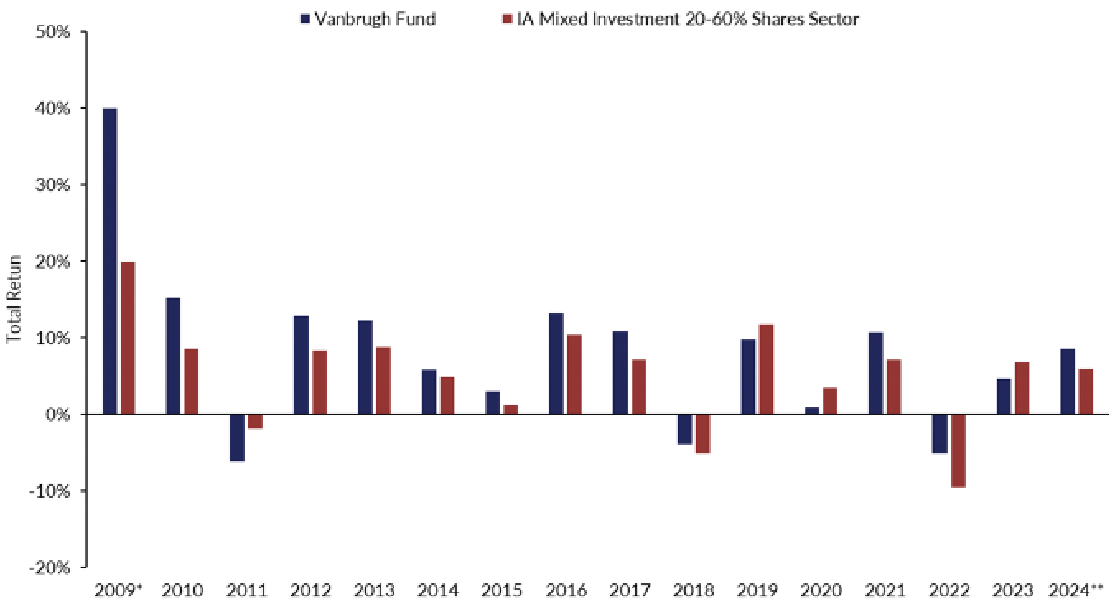
Summary

As we navigate these complex landscapes, economic indicators and geopolitical events will shape our financial futures in the months ahead.

Under the Spotlight

The **Vanbrugh Fund** from **Hawksmoor** has been included in our portfolios. Below is the performance from **18 February 2009 to 30 September 2024**:

Discrete calendar year performance



The strategy encompasses closed-ended investments, some currently available at significant discounts. Notable examples include **Greencoat UK Wind** (-15.77%) and **Renewables Infrastructure** (-21.27%). Even a modest narrowing of these discounts could yield substantial value for the Vanbrugh Fund.

Recent changes to cost reporting may catalyse transformation within the sector. As the sector begins to disclose actual costs to investors, the expense ratios of these trusts should decline, making them increasingly appealing to investors and asset allocators. This shift will likely attract more capital, increasing prices and narrowing discounts.

Hawksmoor boasts an exceptional investment team and provides a distinctive alternative source of market returns. For this reason, we consider this strategy an excellent addition to our portfolios.

Fund Manager Quarterly Update:

The overarching theme of this quarter's dealing activity has been a cautious increase in exposure to investment trusts while their discounts remain wider than their historical averages. By the end of the quarter, exposure to investment trusts rose to **31.0%**, up from **27.4%**.

- They switched from **Polar Capital UK Value Opportunities** to the similarly positioned **Mercantile Investment Trust**, taking advantage of a 10% discount, and transitioned out of **ICG Enterprise** into **Pantheon** and **Harbourvest,** benefitting from more comprehensive discounts. These actions did not alter their overall asset allocation.
- Additionally, they made intentional shifts in asset allocation, exiting the **BlueBox Global Technology Fund** and **LondonMetric Property** to facilitate the introduction of **3i Infrastructure**.
- Their exposure to real assets, specifically listed infrastructure and property trusts, has increased this year due to their relative value. They believe their yields and prospective total returns are more attractive than corporate bonds, where credit spreads are nearing historically tight levels.
- Following a strong performance since November 2023, they realised profits across several UK equity funds and increased their allocation to **CG Dollar**. This adjustment has led to a slight reduction in listed equities and an increase in sovereign bonds, thus lowering the fund's overall risk profile.

HOLDINGS

Equities 42%

Aberforth UK Small Companies
Arcus Japan
Artemis UK Select
Augmentum Fintech
Chikara Indian Subcontinent
Chrysalis Investments
CIM Dividend Income
Harbourvest Global Private Equity
M&G Japan Smaller Companies
Ninety One Global Gold
Nippon Active Value
Oakley Capital Investments
Odyssean Investment Trust
Pacific North of South EM Income Opportunities
Pantheon International Plc
Polar Capital Global Insurance
Polar Capital Japan Value
Polar Capital UK Value Opportunities
Prusik Asian Equity Income
Schroder Capital Global Innovation Trust
Slater Growth
Strategic Equity Capital
The Mercantile Investment Trust
VT De Lisle America
VT Teviot UK Smaller Companies
WS Gresham House UK Multi Cap Income
WS Lightman European

Cash 3%

Bonds 34%

Allianz Index-Linked Gilt
BioPharma Credit
CG Dollar
GCP Infrastructure
Man GLG Sterling Corporate Bond
Morgan Stanley Emerging Markets Debt Opportunities
RM Infrastructure Income
Schroder Strategic Credit
TwentyFour Income
TwentyFour Monument Bond

Real Assets 21%

3i Infrastructure
BBGI Global Infrastructure
Cordiant Digital Infrastructure
Digital 9 Infrastructure
Greencoat UK Wind
HICL Infrastructure
International Public Partnerships
Life Science REIT
Phoenix Spree Deutschland
Taylor Maritime
The Renewables Infrastructure Group
Tufton Oceanic Assets
Urban Logistics REIT
WisdomTree Core Physical Gold

General disclaimer: Please also note past performance is no guide to future performance, and investments can fall and rise.

Performance Summary

Flagship Growth

	1-month	3-months	6-months	12-months	3-years	5-years
Flagship Growth 3	0.68%	2.99%	3.89%	10.86%	5.29%	17.74%
Flagship Growth 4	0.60%	2.54%	4.10%	12.39%	8.35%	23.20%
Flagship Growth 5	0.62%	2.01%	4.11%	13.69%	12.77%	34.57%
Flagship Growth 6	0.72%	1.96%	4.17%	14.52%	11.85%	44.50%
Flagship Growth 7	1.09%	2.46%	4.50%	16.06%	13.78%	51.13%
Flagship Growth 8	0.67%	1.06%	2.86%	15.37%	12.33%	49.59%

Source: FE Analytics as of 30 September 2024. These returns reflect the underlying fund manager charges but not any additional charges, for example, adviser and platform fees. Past Performance is no guide to future performance; investments can fall and rise.

Flagship Income

	1-month	3-months	6-months	12-months	3-years	5-years
Flagship Income 3	0.62%	3.09%	3.86%	11.14%	8.33%	20.92%
Flagship Income 4	0.34%	2.28%	3.71%	12.85%	11.32%	28.89%
Flagship Income 5	0.44%	3.03%	5.04%	13.86%	12.40%	33.32%
Flagship Income 6	0.45%	2.52%	4.77%	14.07%	12.62%	34.00%
Flagship Income 7	0.32%	1.91%	3.95%	14.63%	15.17%	36.32%

Source: FE Analytics as of 30 September 2024. These returns reflect the underlying fund manager charges but not any additional charges, for example, adviser and platform fees. Past Performance is no guide to future performance; investments can fall and rise.

Flagship ESG

	1-month	3-months	6-months	12-months	3-years	5-years
Flagship ESG 3	0.64%	2.58%	2.98%	10.66%	0.70%	-
Flagship ESG 4	0.59%	2.20%	2.99%	10.89%	3.39%	21.46%
Flagship ESG 5	0.56%	2.10%	3.14%	14.45%	4.19%	26.52%
Flagship ESG 6	0.55%	2.21%	3.11%	14.53%	5.29%	30.75%
Flagship ESG 7	0.77%	2.15%	3.25%	16.16%	5.50%	29.11%
Flagship ESG 8	1.13%	1.24%	2.82%	12.72%	-	-

Source: FE Analytics as of 30 September 2024. These returns reflect the underlying fund manager charges but not any additional charges, for example, adviser and platform fees. Past Performance is no guide to future performance; investments can fall and rise.

Flagship Pactive

	1-month	3-months	6-months	12-months	3-years	5-years
Flagship Pactive 3	0.87%	3.10%	3.97%	11.13%	0.25%	-
Flagship Pactive 4	0.88%	2.81%	3.95%	12.76%	3.47%	-
Flagship Pactive 5	0.88%	2.43%	4.00%	14.66%	9.91%	-
Flagship Pactive 6	0.93%	2.07%	4.08%	16.28%	14.69%	-
Flagship Pactive 7	0.92%	1.47%	3.47%	16.61%	17.62%	-
Flagship Pactive 8	1.20%	0.93%	2.85%	16.08%	22.04%	-

Source: FE Analytics as of 30 September 2024. These returns reflect the underlying fund manager charges but not any additional charges, for example, adviser and platform fees. Past Performance is no guide to future performance; investments can fall and rise.

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