

20th July 2023

Investing for the longer term...

Presented by:
James Bougeard
Brooks Macdonald International

novia
global



Introduction



James Bougeard

Senior Investment Manager

James joined Brooks Macdonald in 2021 and provides investment advice to private clients, trustees and financial advisors. He also participates in our Investment and Research Committees.

Prior to joining Brooks Macdonald, James worked for a multinational bank, where he managed a portfolio of high net worth international clients, advising on tailored wealth solutions. He has also previously worked for a local financial advisory firm, providing investment and retirement advice while also participating in company and investment committee meetings.

James is a Chartered Member of the Chartered Institute of Securities and Investment (CISI) and holds the Certificate in Private Client Investment Advice and Management (PCIAM) and the Investment Advice Diploma (IAD). He has worked in the financial services industry since 2005.

£16.2bn FUM
as at 31 December 2022



£122.2m
total revenue FY2022



an increase of **3.4%** on FY21

Formed in



Listed on AIM

Our purpose



Helping people realise their ambitions and plan for their future

Our vision

To be the leading investment manager for intermediaries

Our mission



To protect & enhance clients' wealth through the provision of investment management & advice alongside exceptional client service.



440+
employees



85
investment managers



14
trainees (Inclusive Futures)

BM Foundation charitable donations

FY2022

£46,000

£329k
since 2010 launch

15 offices

across the UK and Crown Dependencies



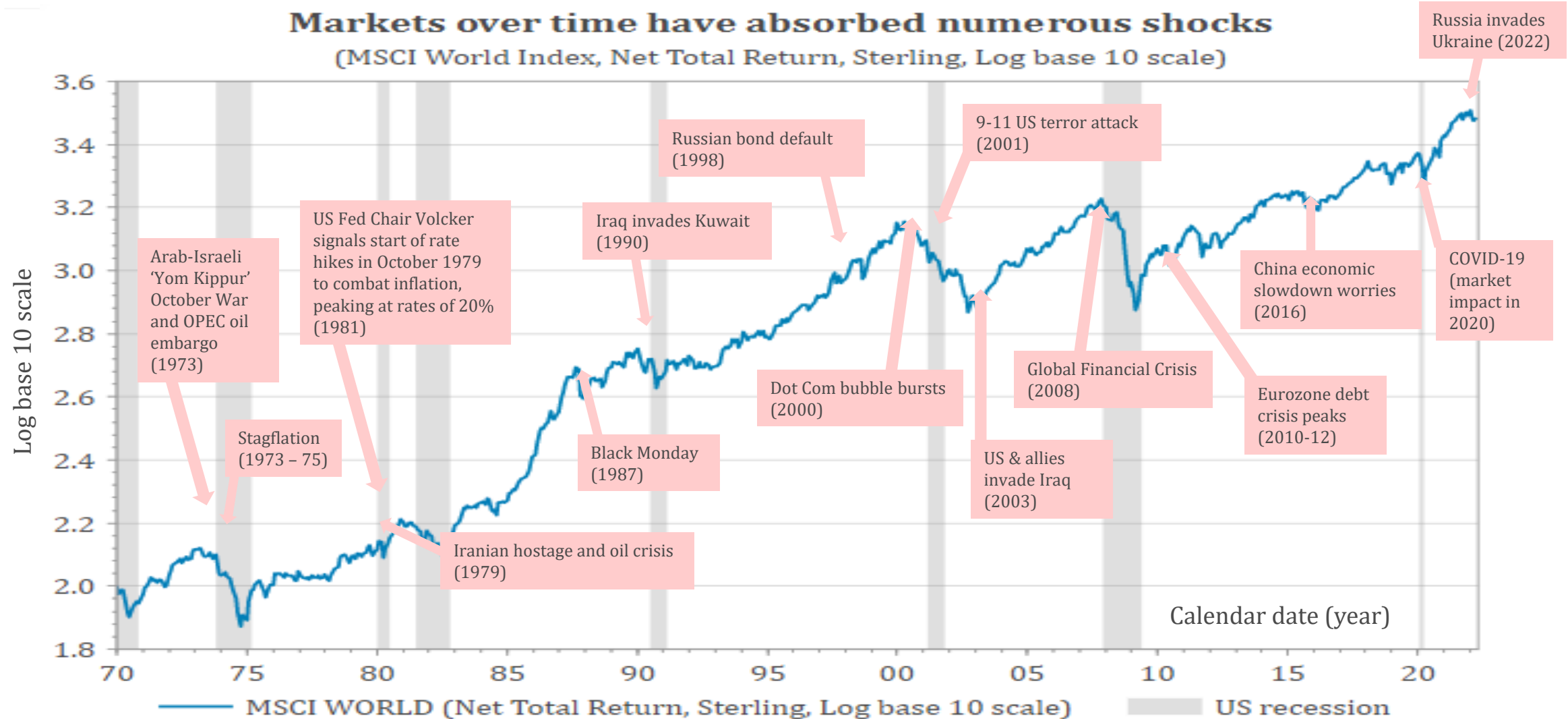
An aerial photograph of a winding asphalt road on a rocky coastline. The road curves sharply to the right, then back to the left. The water is a vibrant turquoise color, contrasting with the dark blue of the open sea. The land is rocky and sparsely vegetated with small green shrubs. A single white car is visible on the road. The image is split vertically by a diagonal line, with the left side being a solid blue gradient and the right side being the aerial photograph.

Making sense of volatile markets

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Markets over time have absorbed numerous economic and financial shocks



Source: Refinitiv. MSCI, please see important information. Data to 29 April 2022. Data accessed 3 May 2022. Past performance is not a reliable indicator of future results. Log base 10 scale denotes logarithmic scale used on the vertical axis. Shaded areas denote periods of US economic recession as defined by the National Bureau of Economic Research. MSCI World denotes developed markets. Past performance is not a reliable indicator of future results.

The stock market probably wont give you “average returns”

S&P 500 Calendar Year Returns: 1928-2022

				19.17%		
				19.03%		
				18.76%		52.56%
				18.52%		49.98%
				18.49%	29.28%	46.74%
		9.97%		18.30%	28.47%	43.81%
	-1.10%	7.49%		18.15%	28.36%	43.72%
	-1.19%	7.44%		18.01%	28.34%	37.20%
	-1.21%	6.51%		16.54%	26.64%	37.00%
	-3.06%	6.15%		16.42%	25.94%	35.82%
	-4.23%	5.81%		15.89%	25.06%	33.10%
	-4.70%	5.70%		15.61%	23.83%	32.60%
	-6.98%	5.48%		14.82%	23.80%	32.15%
	-8.24%	5.20%		14.22%	23.68%	31.94%
-21.97%	-10.46%	-8.30%	4.83%	13.52%	22.68%	31.74%
-25.12%	-10.67%	-8.43%	3.56%	12.40%	22.61%	31.48%
-25.90%	-11.85%	-8.64%	2.10%	12.06%	22.34%	31.24%
-35.34%	-12.77%	-8.81%	1.38%	11.77%	21.61%	31.22%
-36.55%	-14.31%	-9.03%	1.33%	10.81%	20.89%	30.81%
-43.84%	-18.11%	-9.97%	0.34%	10.74%	20.42%	30.23%
-20% or worse	-20% to -10%	-10% to 0%	0% to 10%	10% to 20%	20% to 30%	30% or Better

Data: NYU

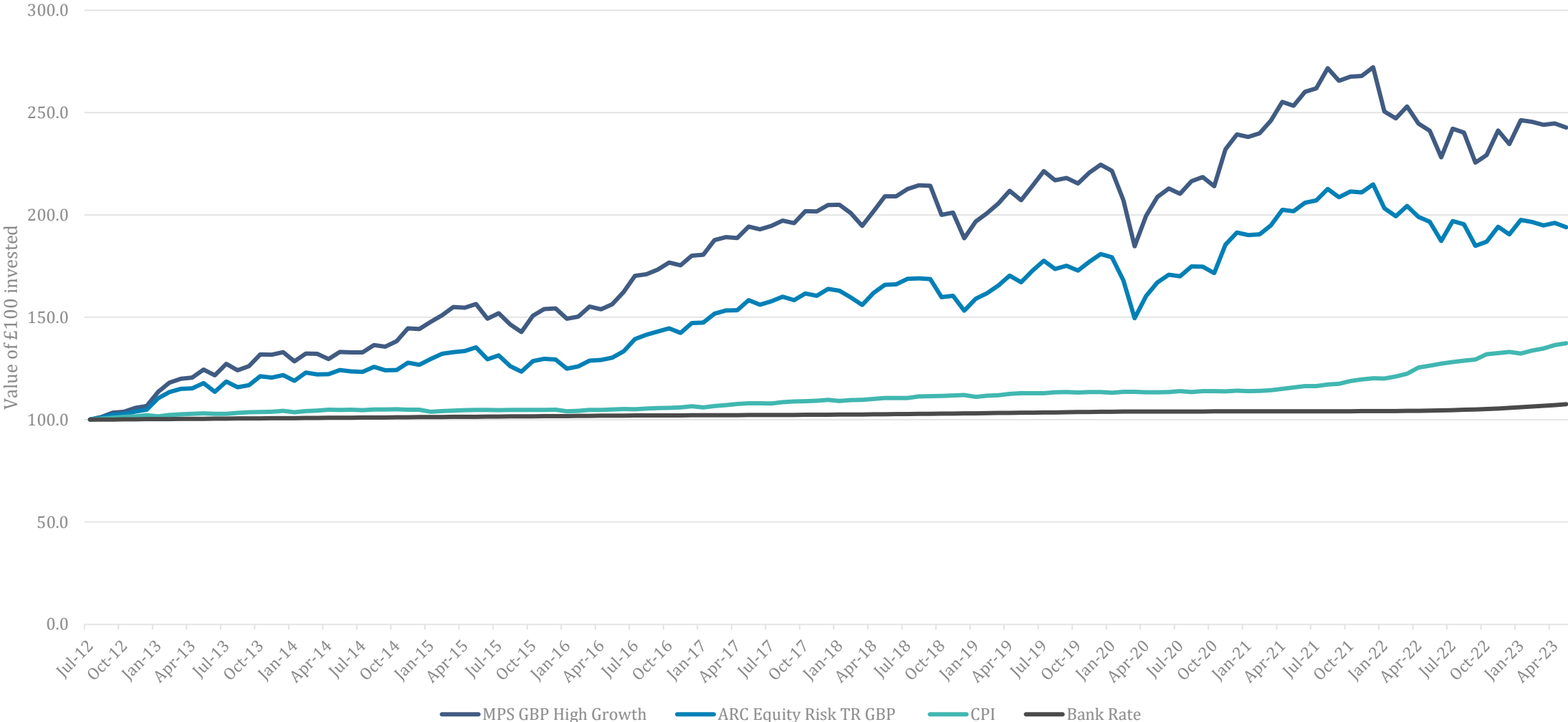
Source: Ben Carlson <https://awealthofcommonsense.com/2022/12/some-stuff-that-probably-wont-happen-in-2023/>

There were few hiding places for investors in risk assets during much of 2022...

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sterling Gilts 13.0	EM Equities 61.1	Asia ex-Japan Equities 23.9	Sterling Gilts 16.7	Global HY bonds 19.6	US Equities 29.2	US Equities 19.8	Japan Equities 15.9	EM Equities 32.7	Asia ex-Japan Equities 29.4	US Equities 0.76	US Equities 25.8	Asia ex-Japan Equities 21.5	Commodities 39.7	Commodities 33.7
Cash 2.0	Global HY bonds 59.4	EM Equities 23.1	Sterling Corp Bonds 6.5	UK Property 19.0	Europe Equities 26.4	UK Property 16.1	US Equities 6.5	US Equities 32.4	EM Equities 25.3	Cash 0.8	DM Equities 22.7	US Equities 17.3	US Equities 27.5	Cash 3.5
Japan Equities -3.7	Asia ex-Japan Equities 55.3	Commodities 21.6	Global HY bonds 3.1	Asia ex-Japan Equities 16.8	Japan Equities 24.7	Sterling Gilts 14.6	UK Property 6.2	Commodities 30.4	Europe Equities 17.0	Sterling Gilts 0.5	UK Property 22.4	EM Equities 14.9	DM Equities 22.9	UK Equities 1.1
Sterling Corp Bonds -10.0	UK Equities 30.0	Japan Equities 19.6	US Equities 1.9	Europe Equities 16.0	DM Equities 24.2	Sterling Corp Bonds 12.5	DM Equities 4.8	DM Equities 28.3	Japan Equities 13.2	Sterling Corp Bonds -2.2	UK Equities 18.3	DM Equities 12.6	UK Property 20.8	Japan Equities -6.7
Commodities -13.0	Europe Equities 18.0	US Equities 18.9	Cash 0.5	Sterling Corp Bonds 15.5	UK Equities 20.6	DM Equities 11.6	Europe Equities 4.3	Asia ex-Japan Equities 25.8	UK Equities 13.1	DM Equities -3.1	Europe Equities 18.2	Japan Equities 11.2	UK Equities 18.8	Europe Equities -7.9
US Equities -15.1	DM Equities 17.3	DM Equities 15.8	UK Property 0.1	EM Equities 12.9	UK Property 12.1	Asia ex-Japan Equities 11.4	Sterling Corp Bonds 0.7	Japan Equities 22.2	DM Equities 11.7	Global HY bonds -4.1	Japan Equities 14.9	Sterling Corp Bonds 9.1	Europe Equities 14.7	DM Equities -8.4
DM Equities -19.3	Sterling Corp Bonds 14.7	Global HY bonds 14.8	UK Equities -3.1	UK Equities 12.2	Global HY bonds 7.3	EM Equities 4.0	Cash 0.5	Europe Equities 20.9	US Equities 10.6	Commodities -7.1	EM Equities 13.8	Sterling Gilts 8.9	Japan Equities 2.6	Asia ex-Japan Equities -10.1
UK Property -21.6	US Equities 14.0	UK Equities 14.5	DM Equities -5.0	DM Equities 10.6	Sterling Corp Bonds 1.6	Japan Equities 2.0	Sterling Gilts 0.5	UK Equities 17.3	Global HY bonds 10.4	Japan Equities -7.6	Asia ex-Japan Equities 13.6	Global HY bonds 7.0	Global HY bonds 1.0	US Equities -10.3
Global HY bonds -26.9	UK Property 12.6	Sterling Corp Bonds 8.9	Commodities -7.8	US Equities 10.1	Asia ex-Japan Equities 1.1	Cash 0.5	UK Equities 0.1	Global HY bonds 14.3	UK Property 8.1	UK Property -7.8	Global HY bonds 12.6	Europe Equities 4.7	Cash 0.25	EM Equities -10.6
Europe Equities -28.2	Commodities 11.4	UK Property 8.8	Japan Equities -13.9	Japan Equities 3.3	Cash 0.5	UK Equities 0.4	Global HY bonds -2.7	Sterling Corp Bonds 12.3	Sterling Corp Bonds 4.9	Asia ex-Japan Equities -9.1	Sterling Corp Bonds 11.0	Cash 0.1	EM Equities -1.7	Global HY bonds -12.7
UK Equities -29.8	Cash 0.5	Sterling Gilts 7.5	Asia ex-Japan Equities -16.9	Sterling Gilts 2.9	Sterling Gilts -4.2	Global HY bonds 0.0	Asia ex-Japan Equities -3.9	Sterling Gilts 10.7	Sterling Gilts 2.0	EM Equities -9.4	Sterling Gilts 7.1	UK Property -9.5	Sterling Corp Bonds -3.3	Sterling Corp Bonds -19.3
Asia ex-Japan Equities -35.2	Sterling Gilts -1.2	Cash 0.5	Europe Equities -17.0	Cash 0.5	EM Equities -4.5	Europe Equities -2.7	EM Equities -10.0	Cash 0.25	Cash 0.5	UK Equities -9.8	Commodities 5.1	UK Equities -11.3	Asia ex-Japan Equities -3.9	UK Property -24.4
EM Equities -36.5	Japan Equities -4.1	Europe Equities -1.1	EM Equities -18.0	Commodities -7.7	Commodities -6.9	Commodities -12.7	Commodities -19.0	UK Property -3.0	Commodities -8.1	Europe Equities -11.8	Cash 0.75	Commodities -12.3	Sterling Gilts -5.3	Sterling Gilts -25.1

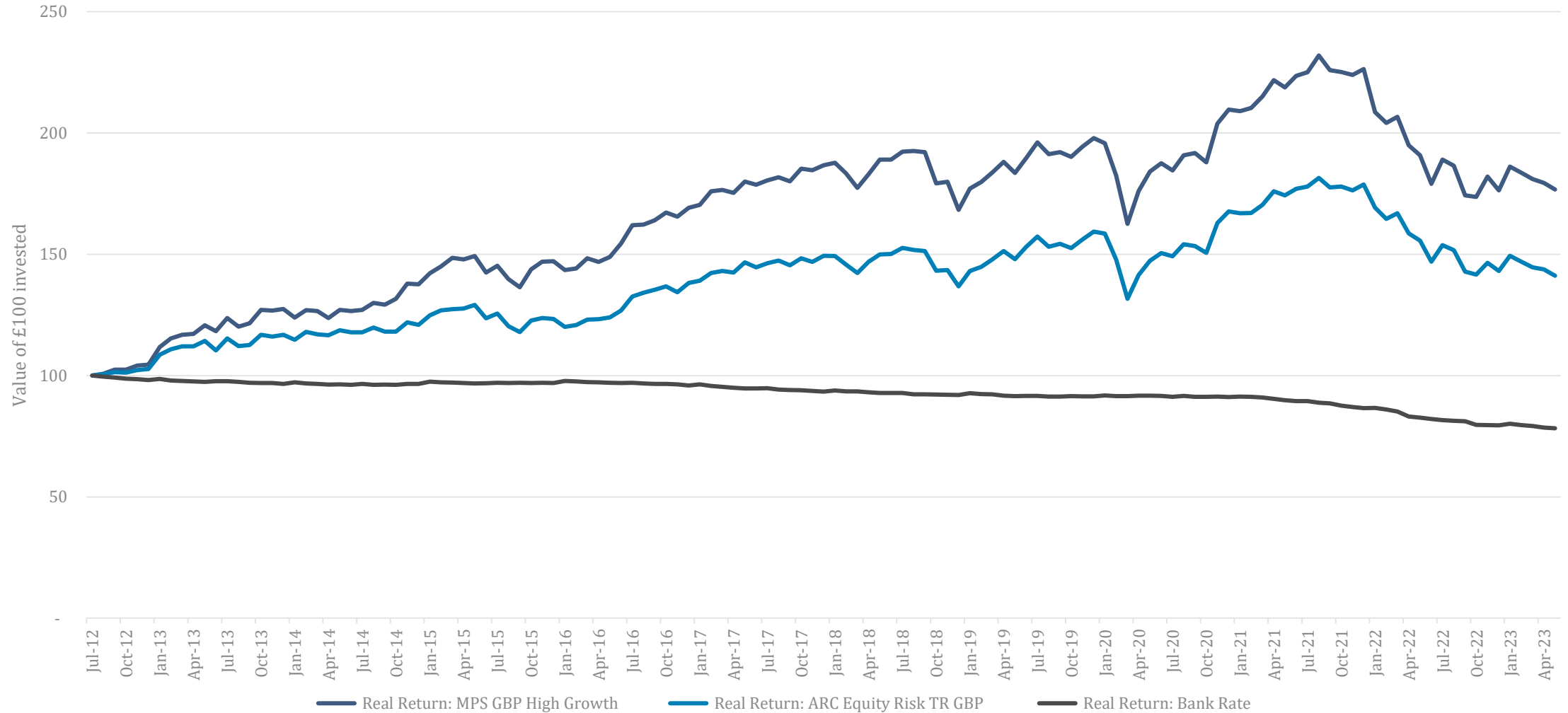
Source: Bloomberg. MSCI, please see important information. Percentage returns, sterling. Equity returns are net total return. Bond returns are total return. Cash rate is year-end Bank of England rate. Commodity returns are an excess return index based on the front futures expiration month for each commodity. Data from 1 January 2008 to 31 December 2022. Accessed 1 February 2023. Past performance is not a reliable indicator of future results.

Cash Vs Investing



Source: Bloomberg. Bank of England Base Rate. CPI denotes Consumer Price Index. Data accessed 12 July 2023. Past performance is not a reliable indicator of future results.

The REAL rate of return



Source: Bloomberg. Bank of England Base Rate. Real interest rate in the above chart is defined as policy rate less all items annual CPI rate of inflation. CPI denotes Consumer Price Index. Data accessed 12 July 2023. Past performance is not a reliable indicator of future results.

An aerial photograph of a dense forest with a winding road. The left side of the image is covered by a semi-transparent blue overlay. The text 'Market Update' is written in white on this blue area. The forest is lush green, and the road is a light grey color. The overall scene is a natural, wooded landscape.

Market Update

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Messages - dealing with tailwinds and headwinds

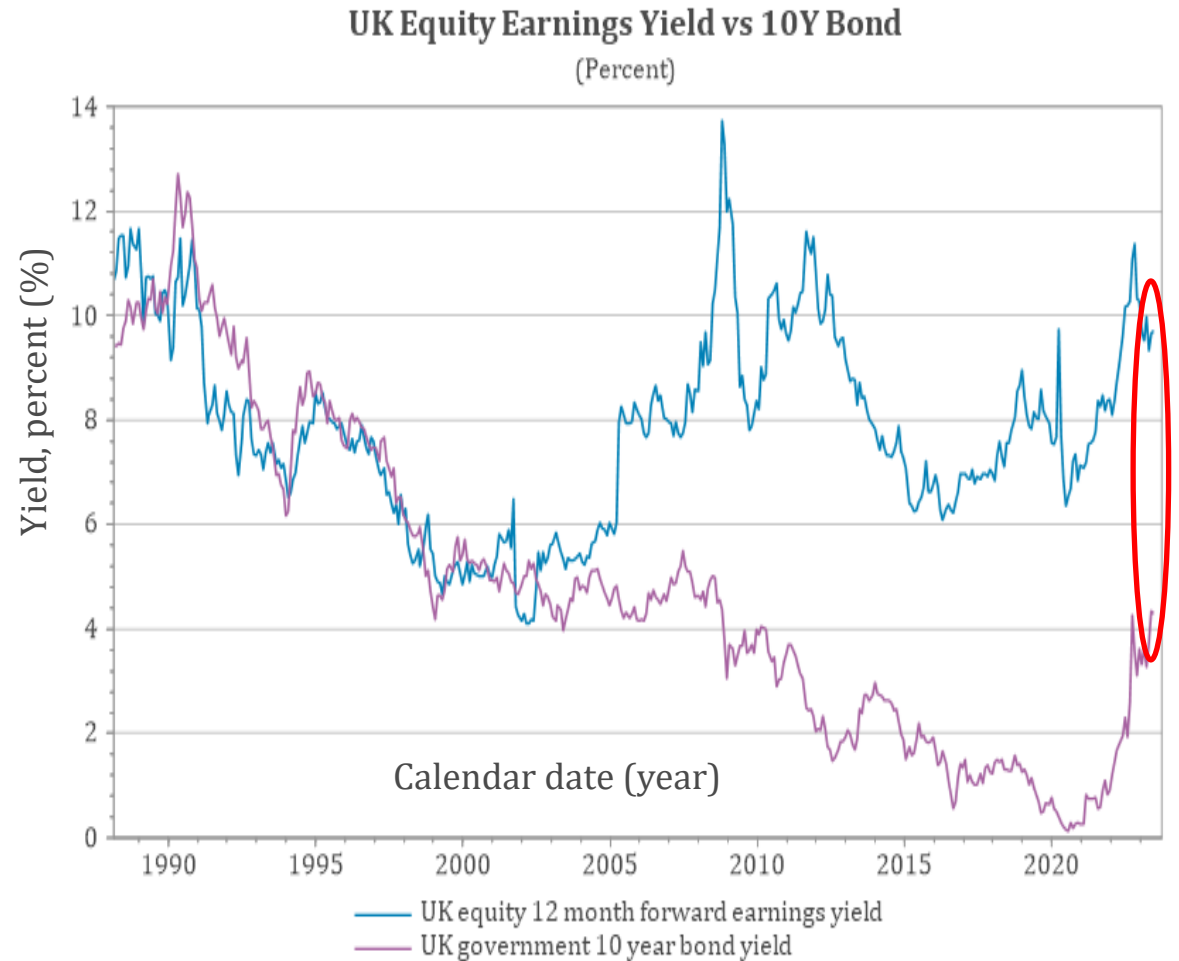
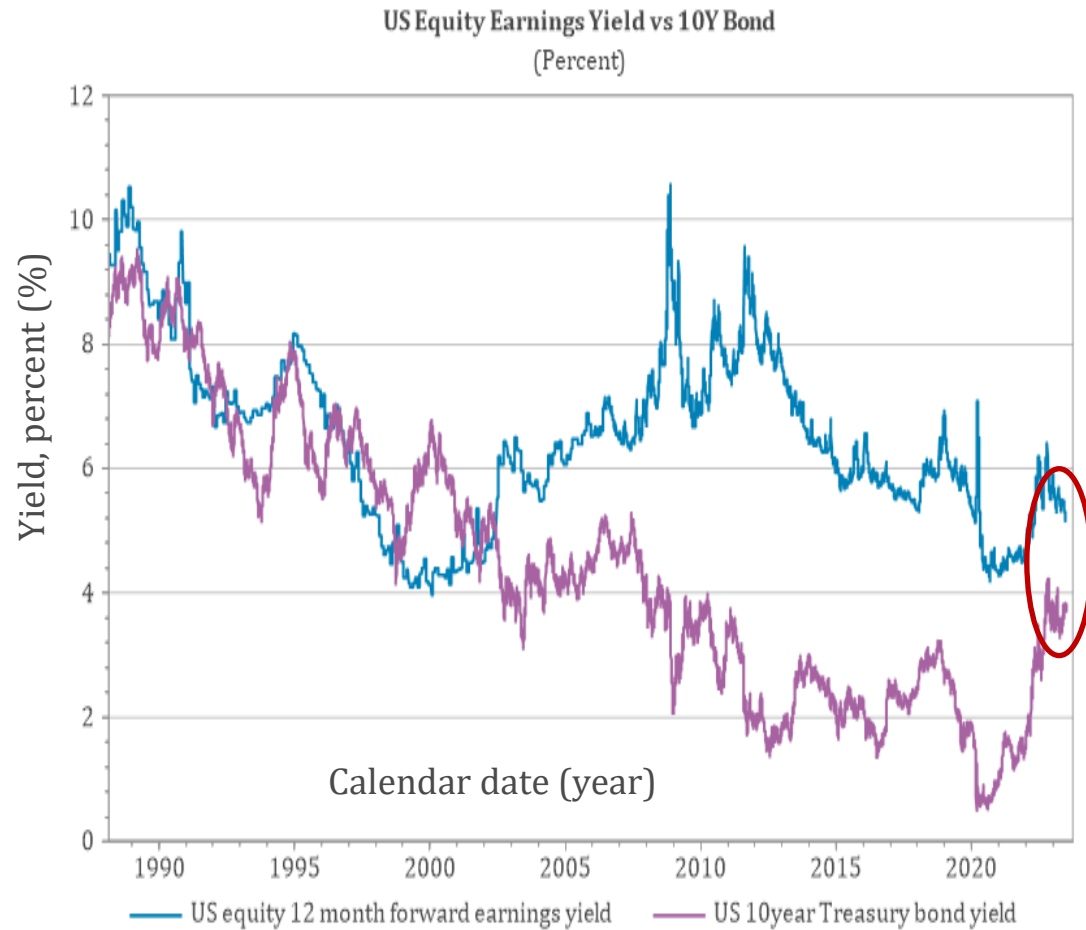
- ❑ **Economic growth is better: recognising that we are enjoying a relatively more resilient picture**
 - Economic growth outlook is proving to be relatively more robust than had been hoped for
 - Consumer spending is still being supported by pandemic savings and tight labour markets
 - Corporate earnings results and outlooks have generally been better than expected

- ❑ **Inflation is sticky: with better growth comes the risk that price pressures may be slower to fall**
 - Inflation rates are generally continuing to fall, but how fast and to where, is still up for debate
 - As financial stress fears ease, rate pivot hopes from central banks gives way to a likely 2H pause instead.
 - Following the fastest rate-hike cycle in decades, lagged impact may still challenge growth and valuations

- ❑ **Equities preferred but mindful of cross-currents: dealing with near-term uncertainty**
 - Equities preferred over bonds, but keeping investment-style balance between growth and value
 - Income is back in fixed income, but not setting course for meaningful recession leads to a short-dated bias
 - Alternatives are still an important asset allocation building block, but diversification is key

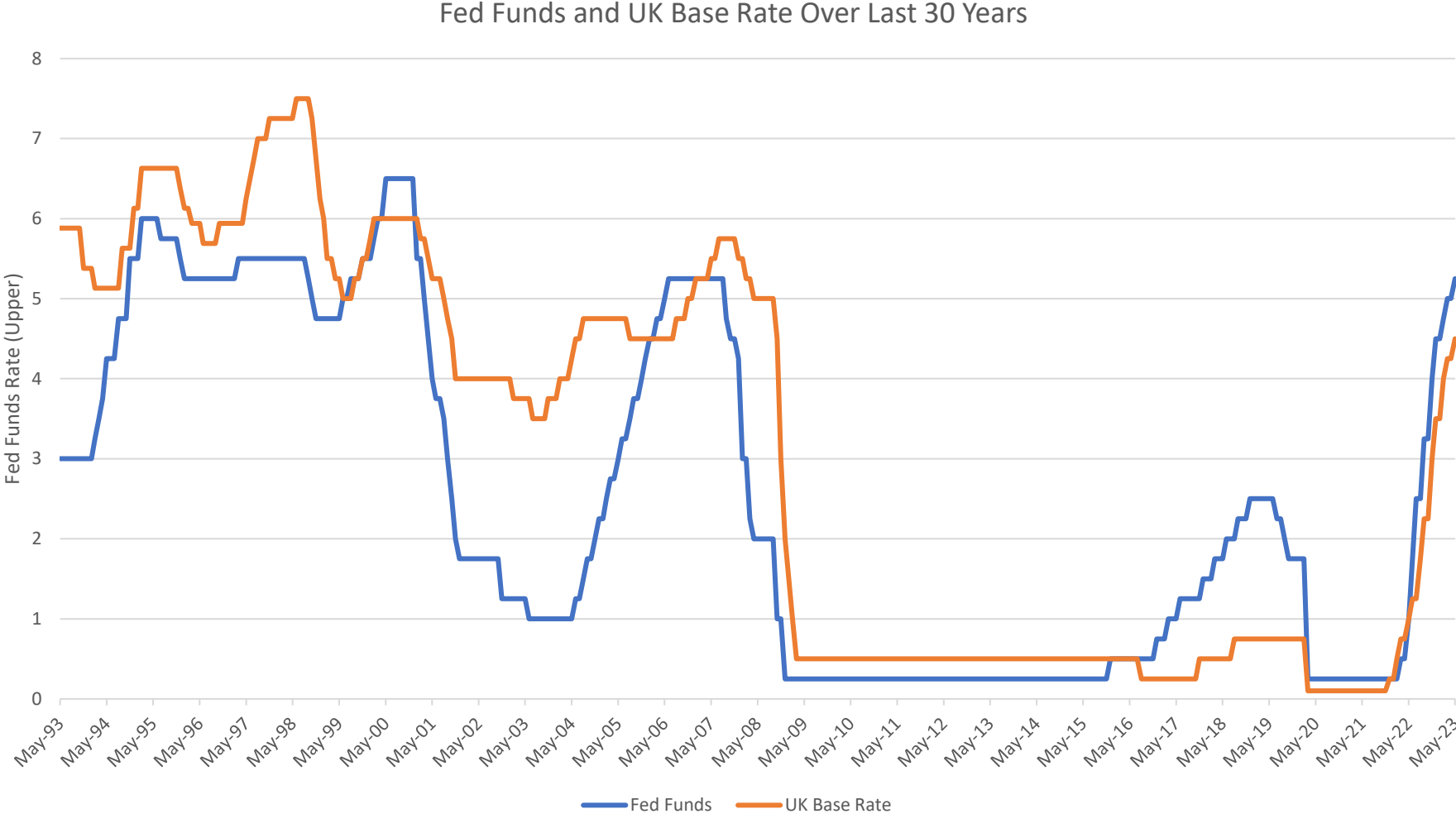
Implications for positioning - remain constructive on equities and bonds

Investment strategy is not a US-only exercise. Some regional equity markets offer relative valuation attraction



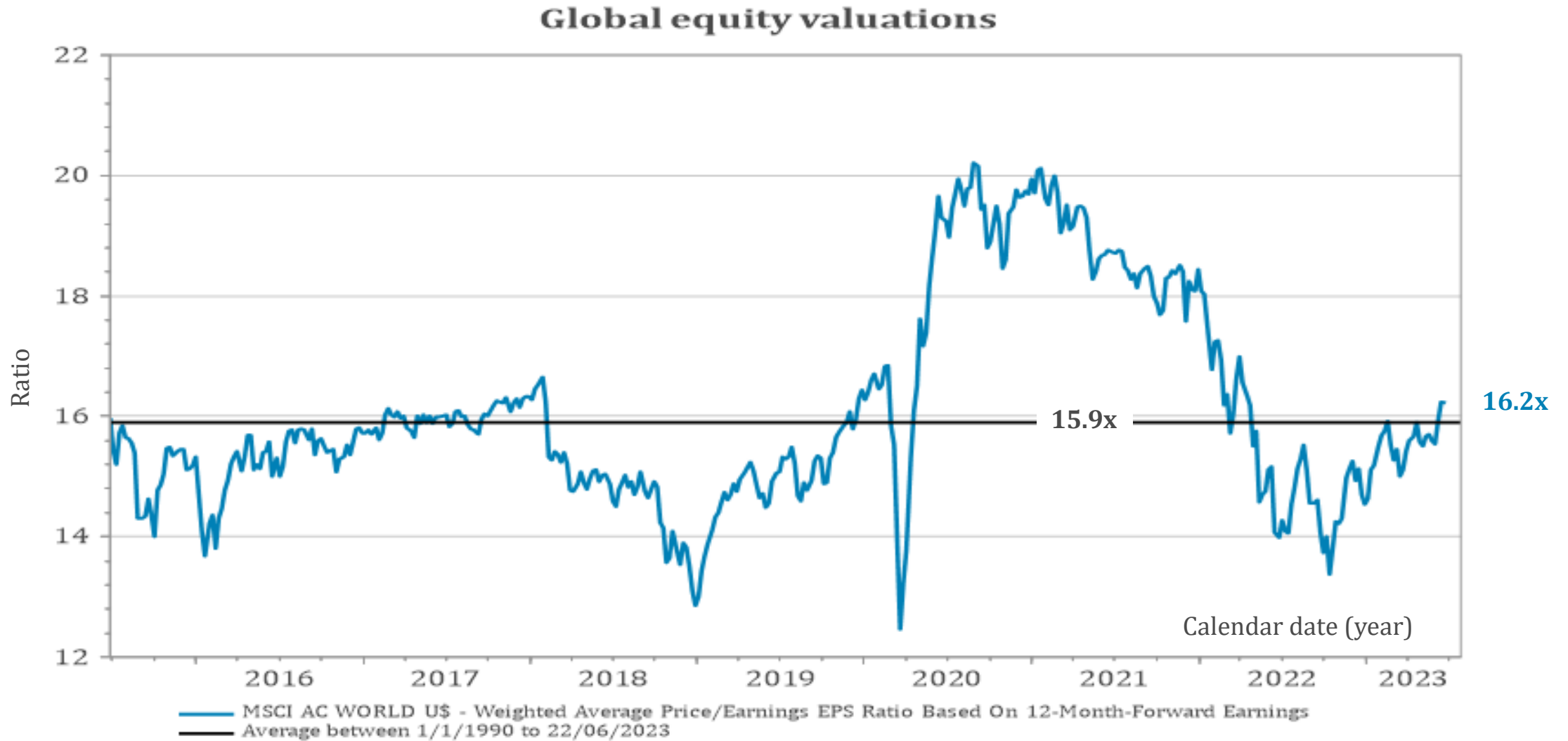
Source: Refinitiv. MSCI, please see important information. Earnings estimate data to 22 June 2023. All other data to 29 June 2023. Data accessed 30 June 2023. Past performance is not a reliable indicator of future results.

Fixed income - income is back in fixed income



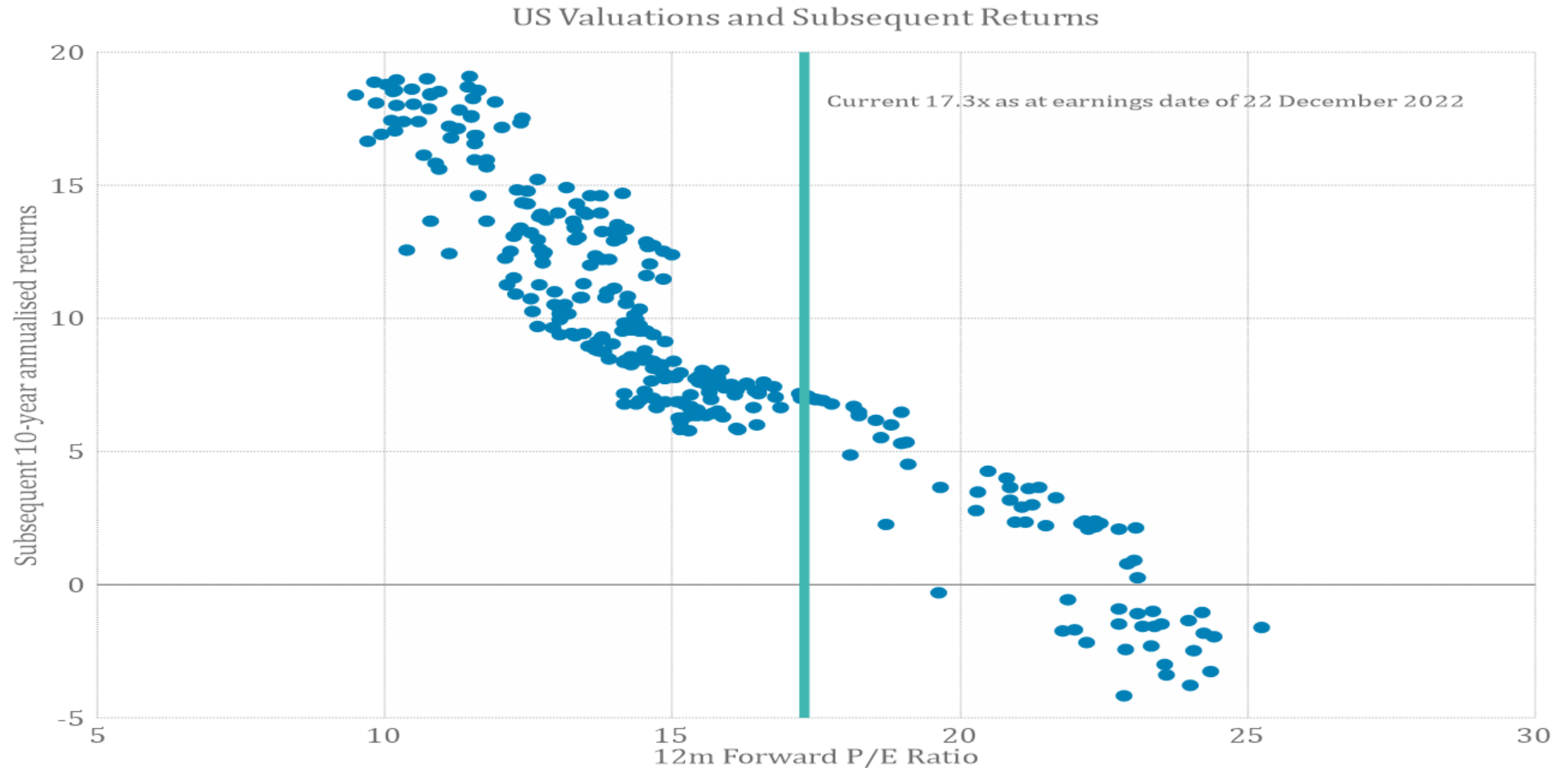
Source: Bloomberg, Data 21st June 2023

Valuations - equity rally leaves global PE multiples closer to 30-year averages



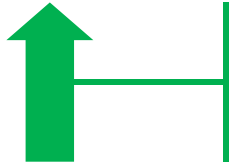
Source: Refinitiv, MSCI: please see important information. Earnings estimate data to 22 June 2023. Data accessed 30 June 2023. PE denotes Price-to-Earnings per share ratio. Global equity denotes the MSCI All Country World Index. Past performance is not a reliable indicator of future results. Average date range 1 January 1990 – 22 June 2023.

A historical inverse correlation between valuation and subsequent return



Source: Refinitiv. MSCI, please see important information. Return is US\$ net total return. P/E denotes Price/Earnings. 12m denotes 12-month period. Earnings estimate data to 22 December 2022. Data accessed 1 January 2023. Past performance is not a reliable indicator of future results.

Given near-term uncertainty, we keep to the equity asset allocation barbell



AA decisions in 2021 and 2022 have seen a continued preference for a barbell strategy, with a value/cyclical skew in Asia ex-Japan, UK and International



- Prepares portfolios for:**
- Uptick in global economic growth

- Prepares portfolios for:**
- Lower economic growth outlook

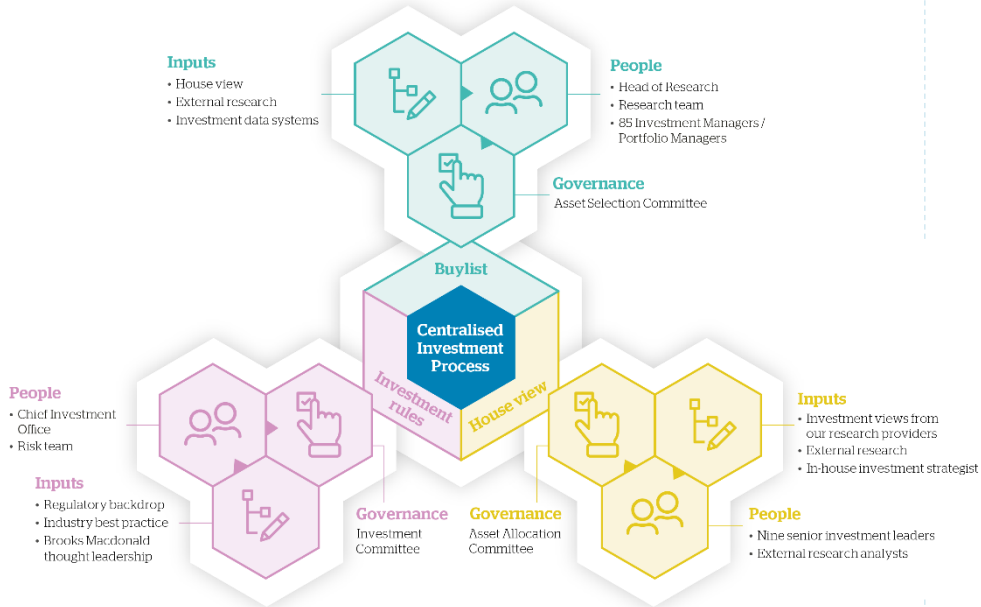
An aerial photograph of a winding asphalt road that curves through a dense, lush green forest. The road is bordered by a dark blue lake on one side. The scene is captured from a high angle, showing the intricate patterns of the trees and the smooth curve of the road.

Upside surprises possible given negative consensus outlook

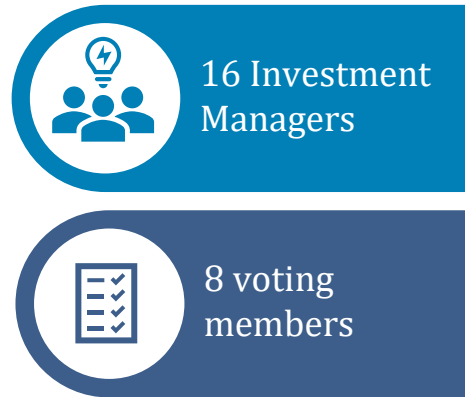
Given the markets' caution, should the global economic growth and inflation outlook improve, this could potentially herald significant rewards for patient investors.

Risk Based Strategies Process

Central Investment Process [CIP]



International Multi-asset team



Portfolio construction



How to access

How we are positioning your portfolio- 3 main takeaways



Fixed income

Duration low

60% Corporate
40% Government

Prefer high quality credit

Significant allocation to
passive funds



Equity

Maintain balance

Technology remains
a long term theme

Increased allocation to Europe



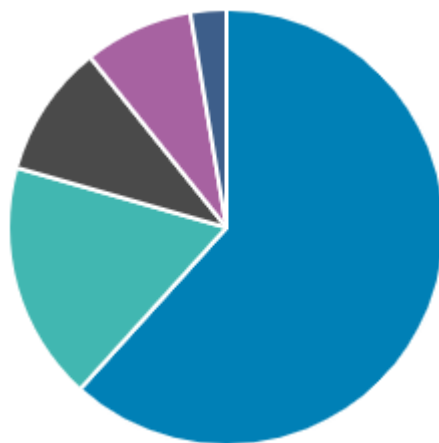
Alternatives

Uncorrelated returns

Aims to reduce overall
volatility

Increase diversification

Asset Allocation Example – Balanced Portfolio



Equities	62%
Fixed Interest	20%
Alternatives	8%
Structured Return	8%
Cash	2%

Managed Portfolio Service - Sterling Balanced		
Fund Name	Currency	
UK Fixed Interest		15%
Vontabel 24 Absolute Return Credit Fund	GBP	5%
Invesco UK Gilts ETF	GBP	3%
Invesco UK Gilts 1-5 Year ETF	GBP	2%
International Fixed Interest		5%
Vanguard US Government Bond	GBP	3%
Invesco US Treasury Bond 3-7 Year ETF	GBP	2%
UK Equities		20%
Threadneedle Lux - UK Equity Income	GBP	7%
Polar Capital UK Value Opportunities Fund	GBP	6%
iShares Core FTSE 100 ETF	GBP	7%
North American Equities		10%
Federated Hermes US SMID	USD	2%
Dodge & Cox Worldwide Funds plc	USD	2%
Edgewood L Select - US Select Growth	USD	3%
Vanguard Investment Series PLC - US 500 Stock Index	USD	3%
European Equities		4%
J O Hambro Capital Management Umbrella Fund PLC - Continental European Fund	EUR	2%
BlackRock Global Funds - Continental European Flexible Fund	EUR	2%
Japan, Far East and EM		10%
Pictet - Japanese Equity Opportunities	GBP	3%
Aikya Global Emerging Markets	USD	4%
Federated Hermes Asia Ex-Japan	GBP	3%
International & Thematic		18%
Dimensional Funds PLC - Global Value	GBP	4%
Guinness Global Equity Income	GBP	2%
Fidelity Funds - Global Technology	GBP	4%
AB International Healthcare Portfolio	USD	4%
Ninety One Global Strategy Fund - Global Environment	GBP	4%
Hedge Funds & Alternatives		8%
Coremont Investment Fund - Brevan Howard Absolute Return Government Bond	GBP	6%
Polar Capital GloVI Convertible Fund	GBP	2%
Property		0%
	GBP	0%
Structured Return		8%
Atlantic House Defined Returns Fund	GBP	8%
Cash		2%
STERLING	GBP	2%

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