

# Moderately Adventurous Long Term

## Quarterly Report 30/06/2022

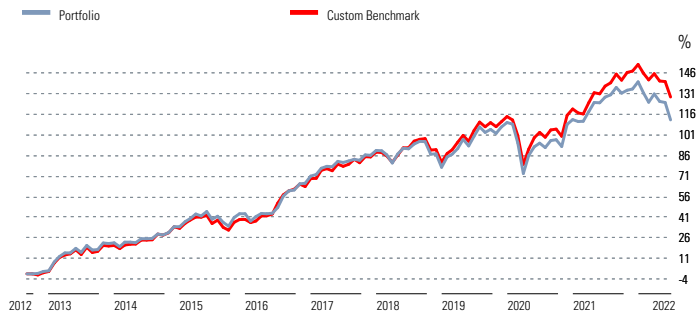


### Investment Objective

The objective is to deliver a risk and return profile in each of the asset classes that is commensurate with the underlying markets, whilst seeking outperformance over the long-term.

### Investment Growth

Time Period: 30/09/2012 to 30/06/2022



### Portfolio Returns

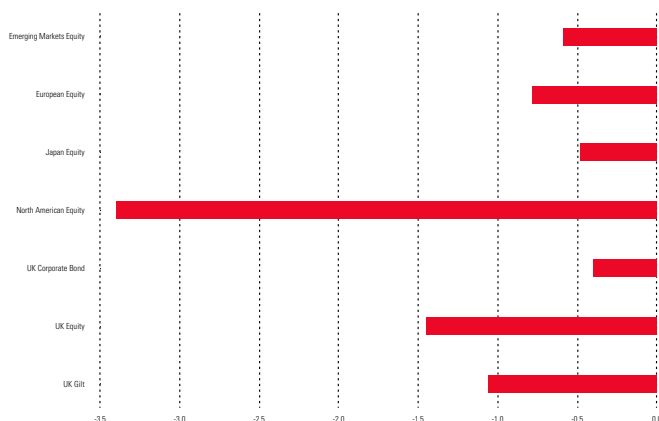
As Of Date: 30/06/2022

Trailing Returns %	3M	YTD	1 Year	3-Years	5-Years	Since Inception
Moderately Adventurous Long Term	-8.17	-11.55	-7.25	1.95	3.21	8.00
Custom Benchmark	-6.88	-9.36	-3.34	3.83	5.11	8.84
Discrete Returns %	2021	2020	2019	2018	2017	
Moderately Adventurous Long Term	12.97	0.97	18.36	-6.48	10.90	
Custom Benchmark	14.73	2.58	18.29	-3.92	11.37	

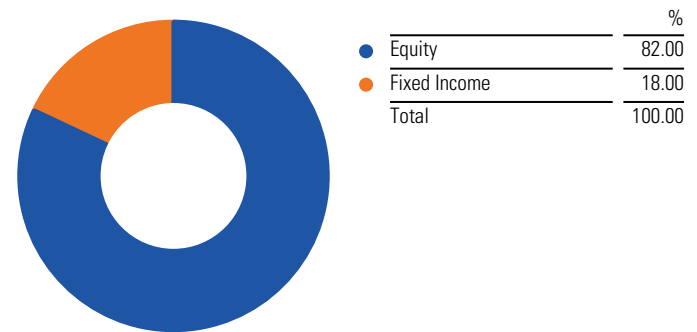
The Custom Benchmark used to measure performance is a composite that reflects EV asset allocation output. Past performance is not a guide to future returns.

### Contribution to Return %

Time Period: 01/04/2022 to 30/06/2022



### Asset Allocation



### Key Facts

The Model Portfolios were established in September 2012. Asset allocation is provided by Sterling ISA Managers Limited (SIML) and sourced from EV. Morningstar Investment Management populates the asset allocation with funds it considers appropriate and attractive as a result of its in-depth, qualitatively-driven research process. The objective is to deliver a risk and return profile in each of the asset classes that is commensurate with the underlying markets, whilst seeking outperformance over the long-term.

### Market Background

Investment markets continued to keep investors on their toes throughout the second quarter of the year as volatility and uncertainty remained high. For just the second time in 40 years, both stocks and bonds posted losses for two consecutive quarters as inflation and policy responses from central banks, government and organisations like OPEC continued to shape economic data and market movements. Central banks have begun raising interest rates in all developed markets, except for Japan, as inflation reaches levels not seen for a number of decades. Despite this, the labour market remains tight, with some reports in the US suggesting there are twice as many vacancies as there are people looking for jobs.

US, and, as a result, global equities have slipped into bear markets (20% decline) in base currencies, although, due to the pound being weak, in sterling terms losses have not been as severe. The UK was once again the strongest performing developed market posting less severe losses than other countries. It also saw a wide dispersion of returns, with large caps again outperforming, and the FTSE 250 finishing the quarter almost 7.5% behind the FTSE 100. An improving outlook on the COVID front in China saw Chinese stocks deliver strong gains, and as a result Emerging markets outperformed most developed markets. From a style perspective, higher inflation and interest rates meant that value strategies continued to outperform, although this was due to them losing less, with some growth stocks continuing to see startling multiple compression.

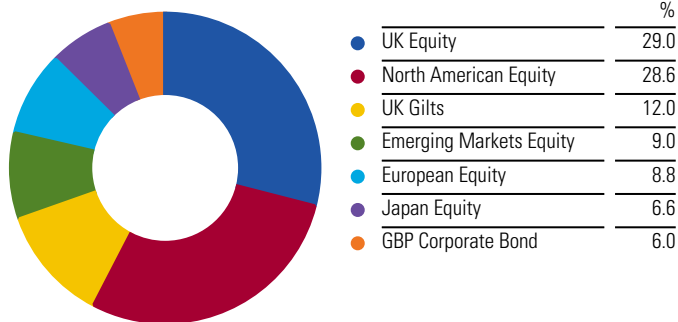
Bonds continue to fall across the spectrum of maturities and credit ratings. With inflation so high and clear central bank messaging about continued rate hikes and monetary tightening, investors continue to shun bonds as safe havens, although the worsening future economic outlook has seen occasional pockets of support for treasuries. UK Gilts with structurally longer duration were hit the worst, and inflation linked gilts over 15 years were down a staggering 25%. Currencies continued to play a big part in investor returns, with the dollar strengthening markedly again, given the quicker pace of central bank hikes and status as a haven currency.

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## Asset Class Breakdown



## Quarter Performance

The **Moderately Adventurous Long-Term** Model Portfolio produced a negative return over the quarter. Absolute returns since inception remain strong.

Over the quarter, the Portfolio was behind the passive composite benchmark which replicates the indices used in the strategic asset allocation. The Portfolio is behind the composite benchmark since launch.

As was the case last quarter, fixed income assets once again fell sharply, with government bond yields rising by 62bps in the UK and producing a total return of around -7.4% over the quarter. Longer-dated bonds performed worst in the period due to their greater sensitivity to interest rates, which also meant the UK underperformed on a relative basis. Against this backdrop, the **Allianz Gilt Yield** fund, which currently also has slightly higher duration, underperformed too.

Within equities the key detractor to performance in relative terms was the allocation to North American funds where the allocation to Natixis Loomis Sayles US Equity Leaders detracted from performance. Fund selection in the emerging markets detracted too and was mixed in the UK with Jupiter UK Special Situations outperforming, and Ninety One UK Alpha and Trojan Income trailing.

In general, funds with a value style bias continued to outperform while funds with a growth style bias underperformed. This phenomenon largely explains the outperformance of the **Jupiter UK Special Situations** fund and the underperformance of the **Trojan Income**, **Natixis Loomis Sayles US Eq Leaders** and **Fidelity Emerging Markets** funds.

In North American equities the Model's allocation to the passive funds was negatively impacted by the timing of the NAV calculation, which resulted in underperformance relative to the benchmark.

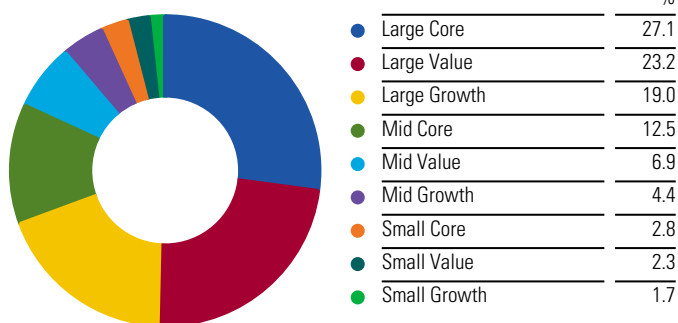
In the UK the **Ninety One UK Alpha** fund was ahead of the benchmark, the FTSE All Share Index, for most of the quarter but fell behind towards the end of the period. However, as was the case last quarter, the fund was significantly ahead of the average fund in the IA UK All Companies peer group. The peer group was once again hurt by its exposure to mid- and small-cap stocks, which underperformed. Attribution versus the index at the sector level showed the overweight materials and underweight healthcare positioning as negative, while stock selection in communication services and financials also detracted.

## Market Outlook

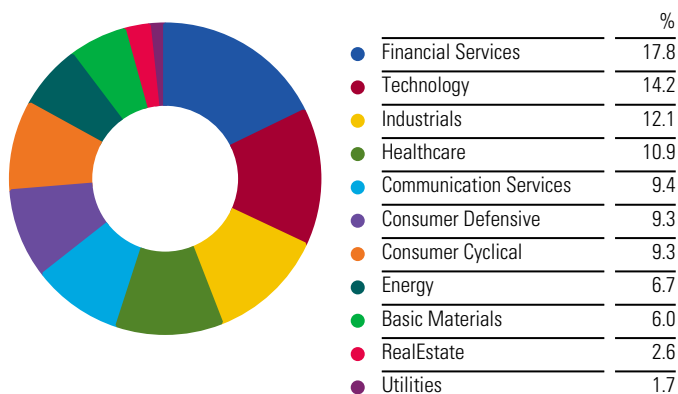
**Please note Morningstar Investment Management Europe is not mandated to tactically adjust the asset allocation of the Portfolio, so the below views are included for information purposes only.**

It is often said that the outlook is uncertain but that rings true now more than ever, with equities and bonds both falling for consecutive quarters for only the 2<sup>nd</sup> time in 40 years. In recent history there have never been 3 consecutive quarters with both falling, so that should hold some comfort for investors, but no obvious inflection point has occurred. The rapid increase in inflation makes an upcoming recession more and more likely each day, with traders now betting the FED will begin cutting rates in 2023 to combat an economic downturn. The levels of uncertainty across the market are best evidenced in Oil, where forecasts for prices this year range from a bear case of \$45 a barrel from Citi to a bull case of \$380 a barrel from JPM.

## Equity Style (Look Through)\*



## Equity Sectors (Look Through)\*



\* Look-through charts are calculated by aggregating the underlying fund holdings. For data integrity purposes, any underlying holdings that have not been reported in the past 184 days are excluded from the look-through calculations. Therefore, actual exposures may differ from what is presented.

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Fund	Weight (%)	Morningstar Analyst Rating	Q2 2022 (%)	YTD (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	3 YRS (%)	5 YRS (%)	Since Inception Annualised (%)
<b>UK Gilt</b>												
Allianz Gilt Yield I Inc	5.5	Neutral	-8.84	-15.49	-5.50	9.55	7.09	0.40	3.48	-3.89	-0.82	1.31
iShares UK Gilts All Stks Idx (UK) H Acc	6.5	Silver	-8.25	-14.90	-5.14	8.41	6.71	0.34	1.80	-3.85	-0.99	
FTSE Gilts All Stocks			-7.42	-14.06	-5.16	8.27	6.90	0.57	1.83	-3.43	-0.75	1.58
<b>UK Corporate Bond</b>												
iShares Corporate Bond Index (UK) D Acc	6	Bronze	-7.16	-12.86	-3.08	7.86	9.32	-1.63	4.41	-2.17	-0.02	2.58
Markit iBoxx GBP NonGilts TR			-6.79	-12.56	-3.09	7.80	9.27	-1.53	4.33	-2.03	0.04	2.86
<b>UK Equity</b>												
Jupiter UK Special Situations I Acc	7.5	Gold	0.17	3.22	20.18	-13.69	16.33	-7.33	9.21	5.61	3.60	8.14
Man GLG Undervalued Assets Profil Acc C	5.5	Silver	-5.95	-6.28	15.71	-15.97	19.33	-11.50	30.29	-0.44	1.73	
Ninety One UK Alpha J £ Acc	8.5	Silver	-6.32	-8.86	7.05	-4.76	21.36	-9.25	12.86	-0.73	1.15	7.96
Trojan Income Fund X Accumulation	7.5	Silver	-8.96	-14.74	15.73	-9.51	20.63	-7.00		-1.54		
FTSE All Share			-5.04	-4.57	18.32	-9.82	19.17	-9.47	13.10	2.41	3.32	6.57
<b>European Equity</b>												
BlackRock Continental Eurp Inc D Acc	4.4	Bronze	-8.46	-14.16	12.70	13.00	20.36	-9.77	17.34	4.42	4.21	10.24
Schroder European L GBP Acc	4.4	Gold	-9.82	-14.74	14.34	8.72	20.90	-15.01	19.38	3.63	2.44	
FTSE Europe ex UK			-8.60	-15.05	17.40	8.62	20.45	-9.45	17.53	3.56	4.21	9.27
<b>North American Equity</b>												
Dodge & Cox Worldwide US Stock A GBP	7.2	Gold	-6.04	-2.51	32.63	2.33	19.48	-2.18	7.34	11.82	10.59	15.32
HSBC American Index C Acc	7.1	Gold	-11.11	-11.89	31.07	14.10	27.21	-0.49	10.54	12.00	12.39	15.39
iShares North American Eq Idx (UK) D Acc	7.1	Gold	-11.33	-12.28	29.28	15.77	26.62	-0.60	10.61	11.82	12.19	14.92
Natixis Loomis Sayles US Eq Ldrs N/A £	7.2	Silver	-18.06	-22.07	20.83	27.08	27.03	1.45	19.93	7.37	10.78	
S&P 500			-9.04	-10.73	29.89	14.74	26.41	1.56	11.29	12.34	12.82	15.94
<b>Japan Equity</b>												
Baillie Gifford Japanese Inc Gr B £ Acc	6.6	Bronze	-7.30	-11.93	0.85	11.53	15.87	-6.40	20.25	0.58	3.76	
Topix			-6.68	-9.98	2.02	9.55	14.64	-8.36	15.60	2.46	2.88	9.30
<b>Emerging Markets Equity</b>												
Fidelity Emerging Markets W Acc	5	Bronze	-7.85	-21.43	1.56	23.64	24.85	-15.05	30.14	1.19	3.43	7.04
Robeco Emerging Stars Equities F £	4	Silver	-5.09	-11.95	1.76	6.50	21.51	-12.68	22.41	0.13	2.36	
MSCI EM (Emerging Markets)			-4.00	-8.13	-1.64	14.65	13.86	-9.27	25.40	2.15	3.56	5.40

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