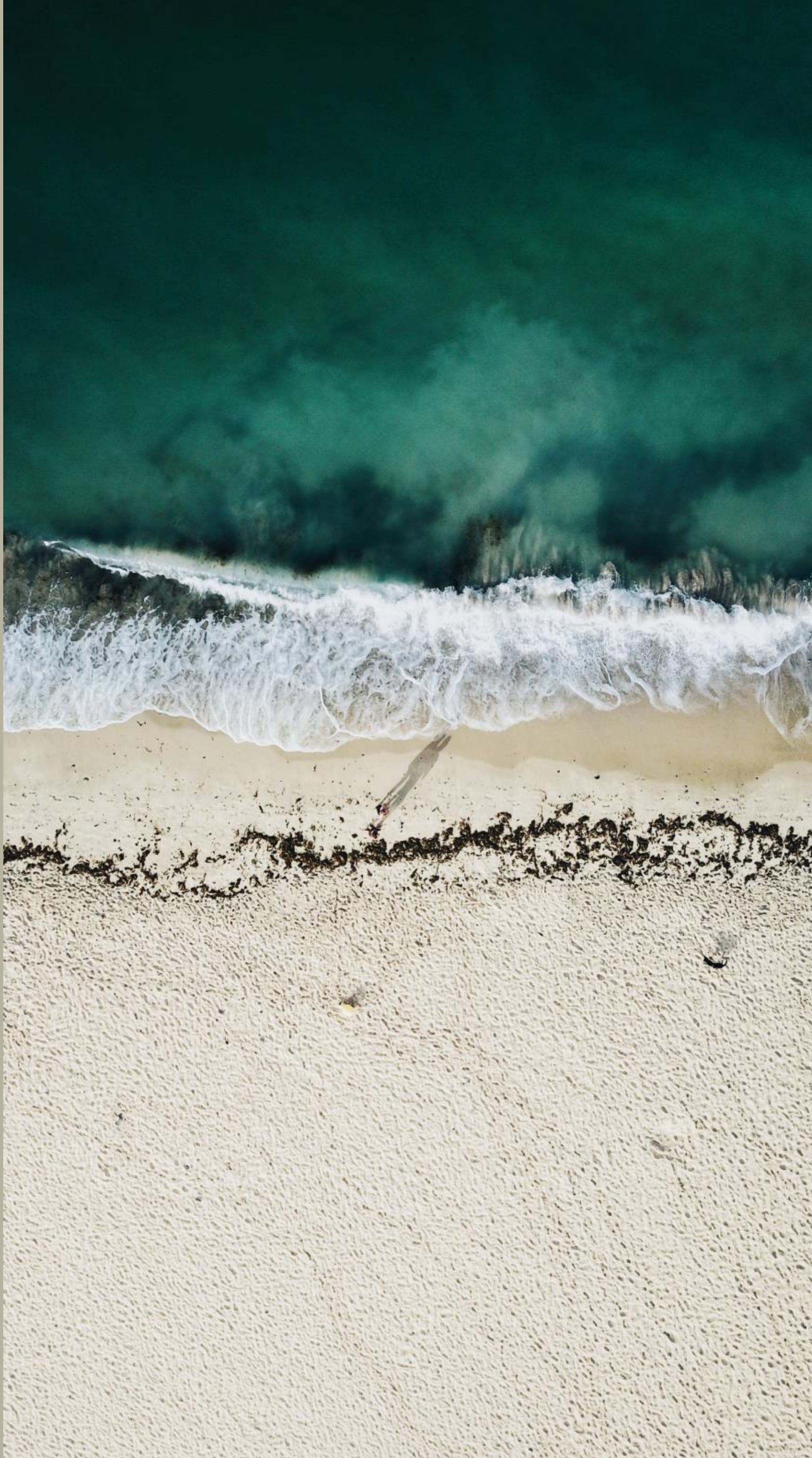
Action Required

Portfolio Alteration Request

Accumulation Adventurous v4.0

March 2023



Introduction

Following a turbulent 2022 which saw, amongst other negative returns, the S&P500 and the 10-year Treasury bond post double digit falls, 2023 has brought about a new chapter with increased optimism which delivered a rally across most asset classes in January and early February. The markets have fallen back recently but we remain ahead of when we started at the beginning of the year. Risks have not gone away with likely recessions predicted during the second half of the year and whilst recession is likely, the depth of the recession is looking to be less gloomy than previously thought.

Commodity prices have fallen. Energy prices are falling. Shipping costs are falling. Those factors will, certainly for the rest of the year, and potentially longer offset local issues such as wage bargaining and labour disputes. UK specific, our energy bills are more dependent on gas prices than in many places because we are more dependent on gas generation.

The good news is that gas prices are coming down. If that continues then it means, in turn, that the Government's expected bill for capping household and business energy rates will be lower than feared albeit possibly extended so that households continue to be supported into late Spring / Summer. The clever bit is that the Government can then use this "saved" (or rather, "unspent") money to push consumer bills down further than currently expected (eg by keeping the cap per kilowatt hour where it is in April rather than raising it). In turn, that would bring down inflation faster.

There is also the opening up of China post Covid which brought positive sentiment to the markets globally, but uncertainty continues with the ongoing Russia / Ukraine war and indeed the ripple of geo-politics that this brings.

And Brexit……

The most recent developments in Northern Ireland raise optimism that Brexit will get done, Government will have to appease the hard Brexiters however most, if not all, of the UK just want this resolved so the country can move on.

What does this mean for our investment strategies?

We continue to focus on fund managers that invest in quality companies where earnings and balance sheet strength are essential. The end of cheap money (as a result of depressed interest rates) is over and fund managers who focus on companies with robust business strategies, earnings stability and strong cash flows is important.

This landscape can change very quickly as we saw in 2022. Therefore, a measured approach to portfolio construction with a broad based approach in asset allocation being the key risk management tools in our toolbox.

The changes to this strategy will again focus on the areas outlined above and will be dependent upon your risk tolerance level. If you are at the lower end of the risk spectrum, then corporate bonds will come into play. At the higher end of the risk scale minor adjustments in the US and China will have more of an effect.

We are also reintroducing European equities into the equity allocation. With energy costs dropping, the eurozone is set to escape two consecutive quarters of contraction by the narrowest of margins (according to Bloomberg Economics). Whether a technical recession is recorded or not, the key takeaway is that the combination of surprising resilience and a smaller squeeze on real incomes makes a deep downturn in the eurozone much less likely. In fact, the eurozone looks in better health than the UK currently. Warm weather and a light-footed response from energy intensive businesses have loosened Russia's stranglehold on the euro area economy. With regards to the equity allocation, we will also make minor adjustments, reduce the US exposure and increase our weighting to China and the Emerging Markets (EM). There are two reasons for this. Firstly, China's reopening post Covid and also US equity valuations look high especially when you look at the earnings per share statistics which in turn should translate to EM growth.

Portfolio Alternation Document

The purpose of this document is to provide information pertaining to your existing portfolio and the proposed new portfolio for you to keep for your records.

The information includes:

- fund comparison analysis
- portfolio risk scores
- allocations:
    - asset
    - geography

It should be noted that your own portfolio will differ from this generic comparison and does not reflect the movement in prices or values from the date of any previous switches.

Why is this document important?

We are unable to make the changes to your portfolio(s) without your say so.

What do I need to do?

In order to make the changes to your portfolio(s) please confirm by clicking on the link below or via the acceptance button in the email.

Click to proceed

If you are concerned about the level of risk you are currently taking or feel you wish to increase or decrease your risk exposure then we need to talk about this and therefore please let me know and I will arrange for a call with your wealth manager.

I look forward to hearing from you at your earliest opportunity, we are keen to make these changes therefore your prompt reply would be appreciated.

Guide to Terminology Used

Sectors

We often reference ‘sectors’ when commenting on funds and these act as one of the starting points for all fund analysis. Funds are allocated into sectors depending on the research technology used. We look at a sector and the funds within this sector to begin our peer to peer analysis. FO for example represents sectors recognised by the Financial Conduct Authority (FCA) and UT represents an abbreviation of Retail Unit Trusts and OEICs.

Crown Ratings

FE Crown Fund Ratings enable investors to distinguish between funds that are strongly outperforming their benchmark, and those that are not. The top 10% of funds will be awarded five Crowns, the next 15% receiving four Crowns, and each of the remaining three quartiles will be given three, two and one Crown(s) respectively.

Rebalanced twice a year in January and July, the rating considers three key measurements to derive a fund’s performance: Alpha (performance over and above an index or benchmark), consistency, and volatility.

Quartile Ratings

Funds are rated against their peers and ranked in quartiles, the top 25% assigned no 1, next 25% 2nd and so on with the ‘bottom’ 25% being ranked 4th. Quartile ranking allows for analysis of funds consistency over time periods.

If there are any other terms or questions that require further clarification please do not hesitate to contact your adviser or one of the team.

Investment Alterations

Equities

We still believe that in these times quality companies with strong cash flows where many can pass on inflation costs are important, and we are proposing to focus on a diversified global spread. Additions to the portfolios include:

China

A focus on funds with a 5 star Crown rating and size of in excess of £500m for additional liquidity. The FSSA Greater China fund was chosen due to size and performance.

Europe

A focus on quality rather than growth type funds and higher yielding in terms of dividends. L&G European Equity Income and LF Brook were chosen based on this criteria, ratings and performance.

Alongside additions to our portfolios we have also undertaken peer to peer reviews to ensure our choice of funds and fund managers are performing in line with or exceeding their peers.

BNY Mellon US Equity Income - the fund retains its 5 star rating and is in the top quartile for 3 months, 6 months, 1 year and 3 years. The year-to-date performance has fallen back so we will keep an eye on this to make sure this is not a trend.

The Vanguard FTSE 100 Index continues to have a passive 3 star rating. The FTSE 100 has continued to protect itself from the volatility of 2022 and has started well in 2023. As China's economy opens up, this should be good for commodity companies and the Index should continue to benefit from this. The question to ask is whether we should remain passive or active in this sector and, for now, we will retain a passive approach. We will also add the Vanguard FTSE UK Equity Income Index which focuses on dividend paying companies with many of the firms in the top 10 holdings being commodity companies. With China opening its doors it should be included into the accumulation and preservation portfolios.

Man GLG Japan Core Alpha fund retains it's 5 star crown rating and top quartile rating over 3 and 6 months and 1, 3, and 5 years. This will be retained.

Fidelity Asian Dividend fund currently has a 4 star crown rating. The funds recent performance has lagged the UT Asia Pacific Japan sector over the last 3 months and 6 months. Over the last 12 months and 24 months, the discrete performance has been top quartile. We will continue to monitor the fund during Q1 and Q2 of this year. Retain no change.

Themes

Our themes remain unchanged in terms of sector representation of renewables, resources, technology, healthcare and infrastructure.

Legal and General Global Technology Index is one of only 7 funds in the UT Global Technology and Technology Innovations Index and therefore assessing the performance of Legal and General relative to an active fund and its peers is limited which is why we have preferred to use an index for technology. The performance is good against its peers and this will continue to be held.

Clearbridge Global Infrastructure and Premier Miton Global Infrastructure – the current crown star rating for Clearbridge is 5 star and for Premier 4 star. Having reviewed the sector to assess how these two funds are doing relative to their peers Premier's performance is lagging and will be removed from the portfolio. With a smaller allocation to this sector we will retain Clearbridge as the sole fund.

Fidelity Sustainable Global Health and L&G Global Health and Pharma Index – Fidelity is currently a 2 star crown rating fund and L&G does not have a rating as it is an Index. We have used active and passive funds for this theme and recently both funds have been underperforming. Having assessed the FO Pharma and Biotech sector and UT Healthcare sector I have assessed the performance (relative to risk levels), fund size and platform availability. The Fidelity fund is underperforming and will be replaced by Axa Framlington Health which also has a 2 star crown rating. We retain L&G so that we have a combination of active and passive management.

The iShares Global Water holding does not subscribe to crown ratings. There are very few funds / Indices / ETFs that specialise in investing in water companies and as such the fund is put into the commodity and energy sector. The recent performance is lagging over 5 years but it has consistently delivered positive returns when nearly all other sectors have not. The only negative year in the last 5 years was 2022. It's top ten holdings include Xylem, American Water Works, United Utilities, Severn Trent, and Essential Utilities and all of these companies should fair well with the easing of inflation. We will continue to hold.

Guinness Sustainable Energy and BGF Sustainable Energy will be used for exposure to the Clean Energy sector. These were chosen based upon performance against their peers in the FO Commodities and Energy sector and the diversification of holdings between them.

Portfolio comparison

Existing Portfolio	% Holdings	Proposed Portfolio	% Holdings
Axa US Short Duration High Yield Bond	0.0%	Schroder Income	10.0%
Vanguard US Government Bond Index	0.0%	Vanguard FTSE UK Equity Income	8.0%
RL Diversified Asset-Backed Securities	0.0%	Vanguard FTSE100 Index Tst	4.0%
JH Multi-Asset Absolute Return	0.0%	BNY Mellon US Equity Income	15.0%
Tellworth UK Select	0.0%	Legal and General European Equity Income	5.0%
TM Fulcrum Diversified Core Ab Return	0.0%	LF Brook Continental Europe	5.0%
Man GLG Japan Core Alpha	5.0%	Man GLG Japan Core Alpha	6.0%
Schroder UK Equity Income	6.0%	Fidelity Asian Dividend	5.0%
Vanguard FTSE 100 Index Unit Tst	6.0%	FSSA Greater China Growth	8.0%
Fidelity Asian Dividend	6.0%	Guinness Sustainable Energy	6.0%
Guiness Sustainable Energy	6.0%	BGF Sustainable Energy	9.0%
iShares Global Clean Energy	6.0%	iShares Global Water	9.0%
Fidelity Sus Global Health Care	6.0%	Legal and General Technology Index Trust	6.0%
L&G Global Health & Pharma Index	6.0%	AXA Framlington Health	2.0%
ClearBridge Global Infrastructure Income	6.0%	Legal & General Global Health & Pharma Index	0.0%
M&G Global Listed Infrastructure	6.0%	FT Clearbridge Global Infrastructure Inc	2.0%
iShares Global Water	9.0%		
L&G Global Technology Index Trust	9.0%		
Fidelity American Special Situations	10.0%		
BNY Mellon US Equity Income	13.0%		
Total	**100.0%**	**Total**	**100.0%**

Portfolio risk scores

The new portfolio remains with your chosen risk band and therefore there is no change to your current attitude to investment.

Existing Adventurous Growth Portfolio	Risk Score – **90**
Proposed Adventurous Accumulation Portfolio	Risk Score – **95**

Model portfolio risk bands

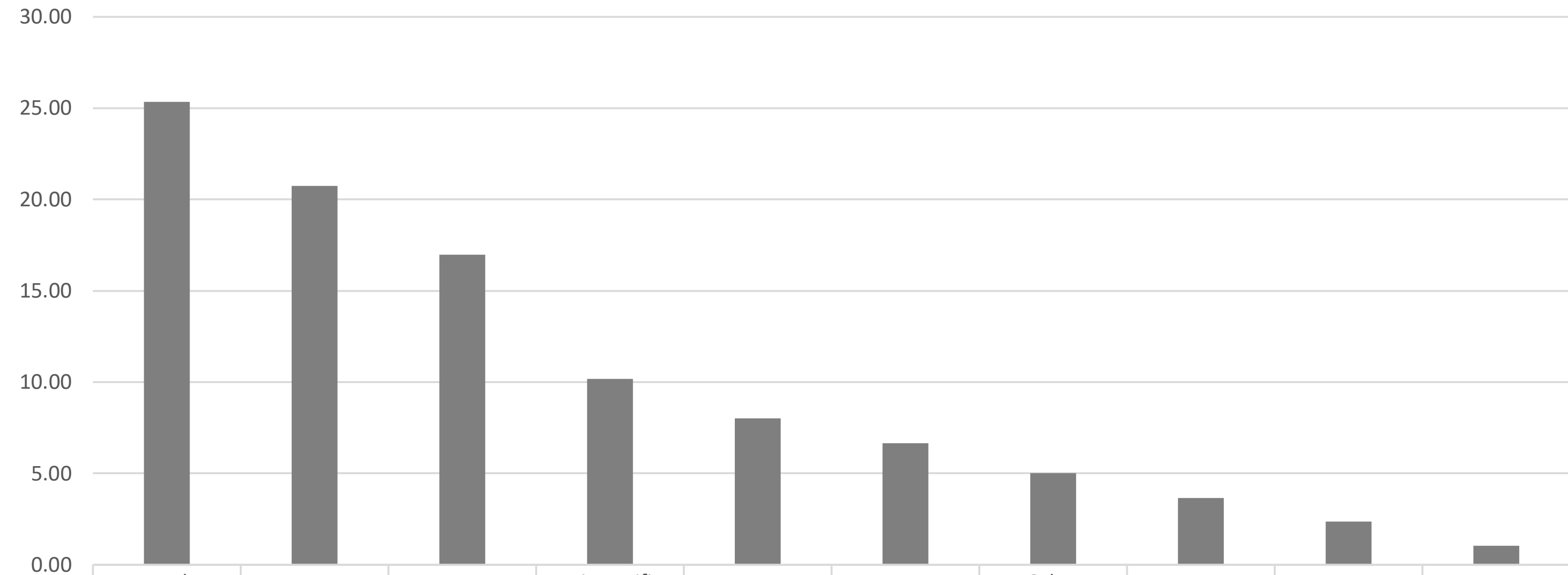
Cautious	Risk Band – **30 - 50**
Cautious to Moderate	Risk Band – **50 - 60**
Moderate	Risk Band – **60 - 70**
Moderate to Adventurous	Risk Band – **70 - 85**
Adventurous	Risk Band – **85 - 130**

Asset & geographical allocations

These are produced by our global analytical system using the data and information supplied to them by the fund managers and investment houses hence there are ‘undisclosed’ or ‘other’ categories showing based on the sometime limited information supplied to them. When carrying out our in-house analysis we do contact these investment houses directly to drill down and ascertain this information but for the purpose of this report we do, unfortunately, have to use the data supplied.

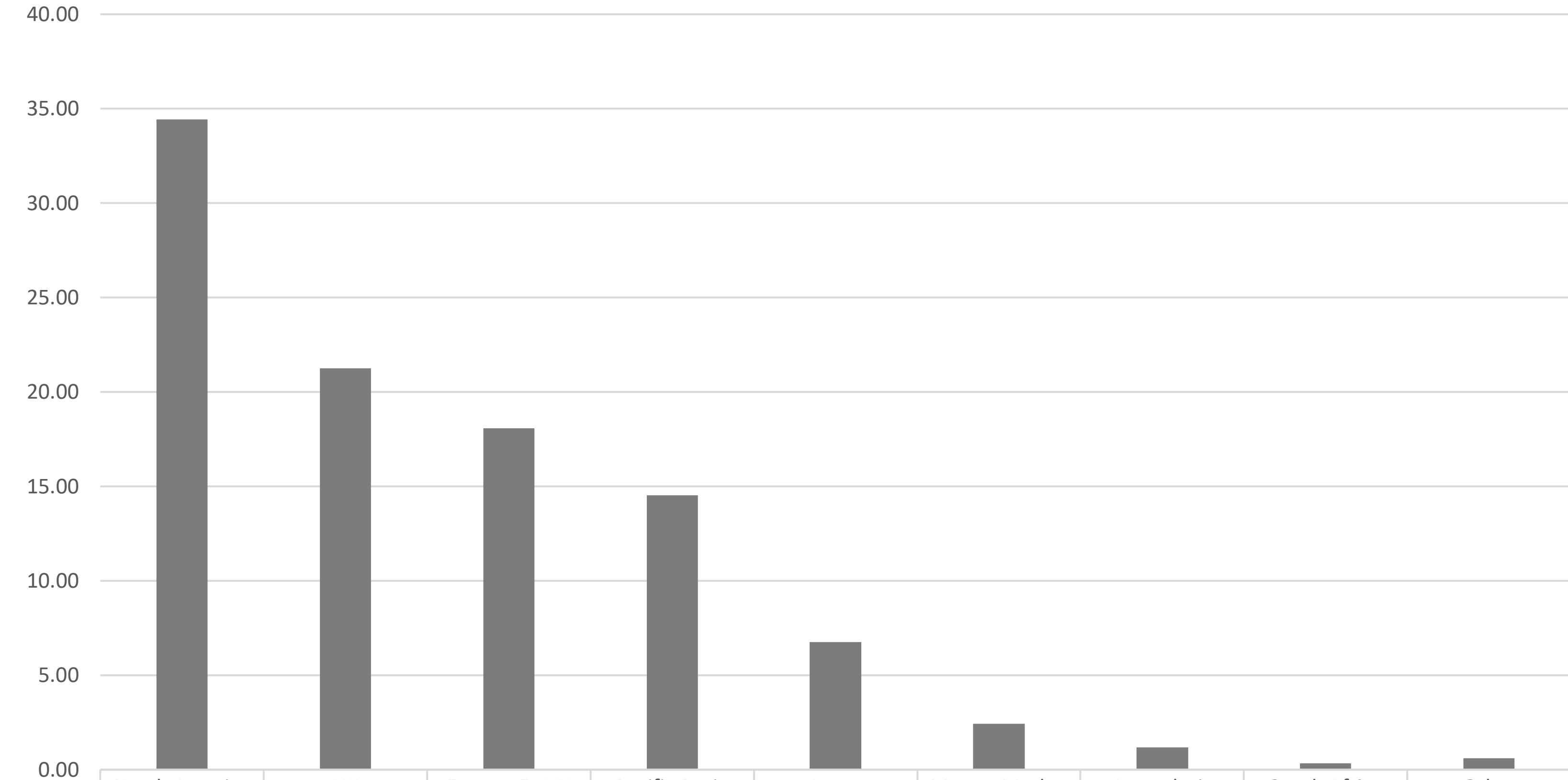
New portfolio information

Asset type



	North American Equities	UK Equities	Commodity & Energy	Asia Pacific Emerging Equities	European Equities	Japanese Equities	Other International Equities	Asia Pacific Equities	Money Market	Other
Series1	25.35	20.76	16.98	10.17	8.00	6.64	5.01	3.64	2.38	1.05

Geography



	North America	UK	Europe Ex UK	Pacific Basin	Japan	Money Market	Australasia	South Africa	Other
Series1	34.44	21.26	18.08	14.54	6.75	2.42	1.18	0.34	0.62

Summary

We are happy that this will leave the portfolio with a diversified exposure to equites will also allow for participation in market recovery.

We would like to make these changes quickly and your response is required to start the process.

I look forward to hearing from you soon.

Richard Stott

Thank you. Please confirm your acceptance by emailing

lucy.whyment@vobiset.com

Admin. 0330 002 1601   Email. info@vobiset.com

Registered Office: Barker House, Unit 3d, Harpings Road, Hull, HU5 4JF