High Reward, Return Focused Portfolio

PORTFOLIO OBJECTIVE

The RiskTailors High Reward, Return Focused Portfolio aims to deliver better risk-adjusted returns than the IA mixed investment with 40-85% share allocation over a five-year rolling horizon.

PORTFOLIO OVERVIEW

The RiskTailors High Reward, Return Focused Portfolio seeks to achieve its objective by gaining exposure to a range of global asset classes through cost effective ETF solutions. The allocation to each asset class is reoptimised every quarter to maximise returns for a targeted level of volatility consistent with the risk category. It will typically maintain an exposure to global equities of between 40% and 85% depending on the prevailing macroeconomic and market conditions. RiskTailors expects the portfolio to provide better returns than the IA mixed investment with 40-85% share allocation, but with comparable level of market volatility.

PORTFOLIO FACTS

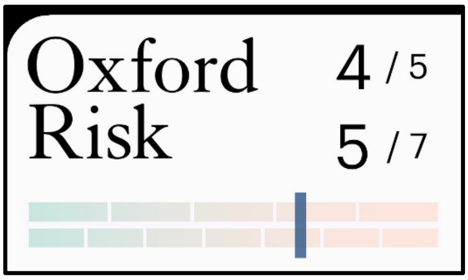
Investment manager: RiskTailors

Total cost*: 0.48%

Base currency: Sterling

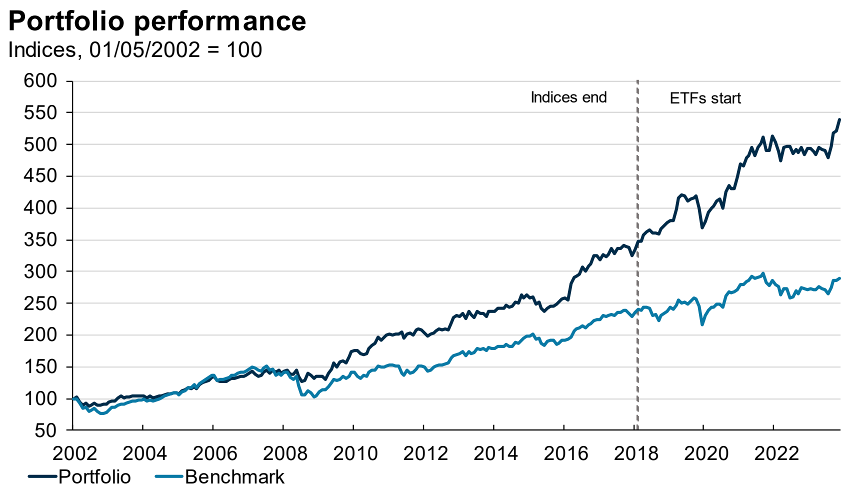
* Includes annual management costs (AMC), underlying costs and transaction costs

Source: RiskTailors, LSEG Refinitiv



PERFORMANCE

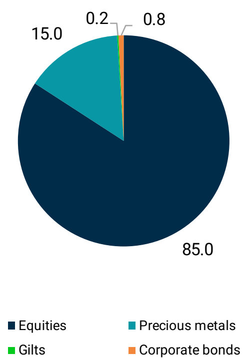
All history



Source: LSEG Refinitiv, RiskTailors

The chart refers to simulated past performance and past performance is not a reliable indicator of future performance.

Current asset allocation



Portfolio asset allocation

Asset class ranges	Min.	Max.
Equities	40%	85%
Precious metals	0%	35%
Gilts	0%	30%
Corporate bonds	0%	35%

March 2024

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PERFORMANCE

Period performance, percentage points, annualised						
	2023 Q4 (Q on Q)	YTD	1 Year	3 Year	5 Year	10 Year
Portfolio	5.5	4.2	11.5	7.7	7.7	8.5
Benchmark	5.6	1.3	6.0	2.7	4.4	4.8
Calendar year performance, percentage points						
		2023	2022	2021	2020	2019
Portfolio		6.1	-4.8	17.6	4.6	16.2
Benchmark		7.8	-10.6	11.0	3.7	15.6
Risk characteristics:						
Volatility, per cent			1 Year	3 Year	5 Year	10 Year
Portfolio			7.7	8.4	9.2	8.7
Benchmark			6.8	8.2	10.3	8.8
Max loss, per cent						
Portfolio			-6.4	-7.4	-12.4	-12.4
Benchmark			-11.0	-13.1	-16.2	-16.2
Sharpe ratio						
Portfolio			1.5	0.9	0.8	1.0
Benchmark			0.9	0.3	0.4	0.6

All figures in these tables up to February 2024 refer to simulated past performance and past performance is not a reliable indicator of future performance.

Source: LSEG Refinitiv, RiskTailors

COMMENTARY

Q4 2023 was the second complete quarter since RiskTailors' launch that our portfolios have been at risk-on allocation to reflect the change in macroeconomic conditions. By the end of the quarter, the Fathom Risk-Off Gauge (FROG) – a probabilistic assessment of whether markets are in a risk-on or off phase – has not only remained but moved further into risk-on territory, validating this stance.

The product continues to perform according to expectations of its risk and investment journey preference. The risk-on deployment helped in closing the gap with the benchmark at the end of 2023. The portfolios have risk management as the prime objective and moving to risk-on territory must pass a higher threshold than what the benchmark accepts. That results in a slower response to the upside but a move to a more risk-on setting that is safer and without setbacks. This is evident in the product's lower volatility and drawdowns and higher Sharpe ratios. In 2024 there are still two major risks that could derail the global economy (while both risks could be amplified by an escalation in geopolitical tensions): a further credit squeeze triggered by the impact of interest rates that are left high for too long, and a persistent inflationary pressure that could force central banks to tighten policy further. These two scenarios have been named 'It's out for delivery' and 'Sticky inflation'. Only the US seems able to avoid both risks in 2024. The RiskTailors asset allocation framework monitors these types of risks as the macroeconomic and market environment evolves. The few rebalancing changes at the end of Q4 2023 slightly increase government and corporate fixed income. The expose to equities will remain the same.

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