Harmony Portfolios

momentum
global investment management

Harmony Portfolios Quarterly Report

Q1 2023

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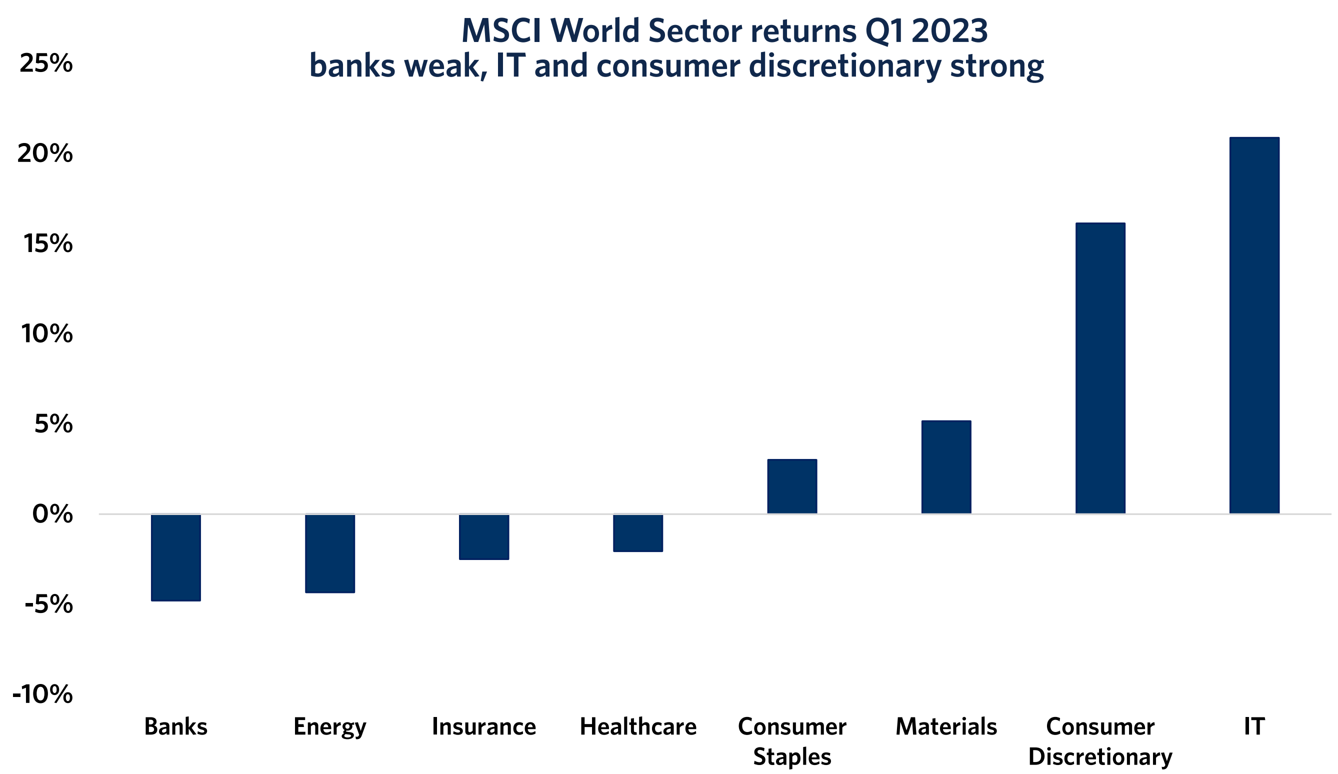
Contents

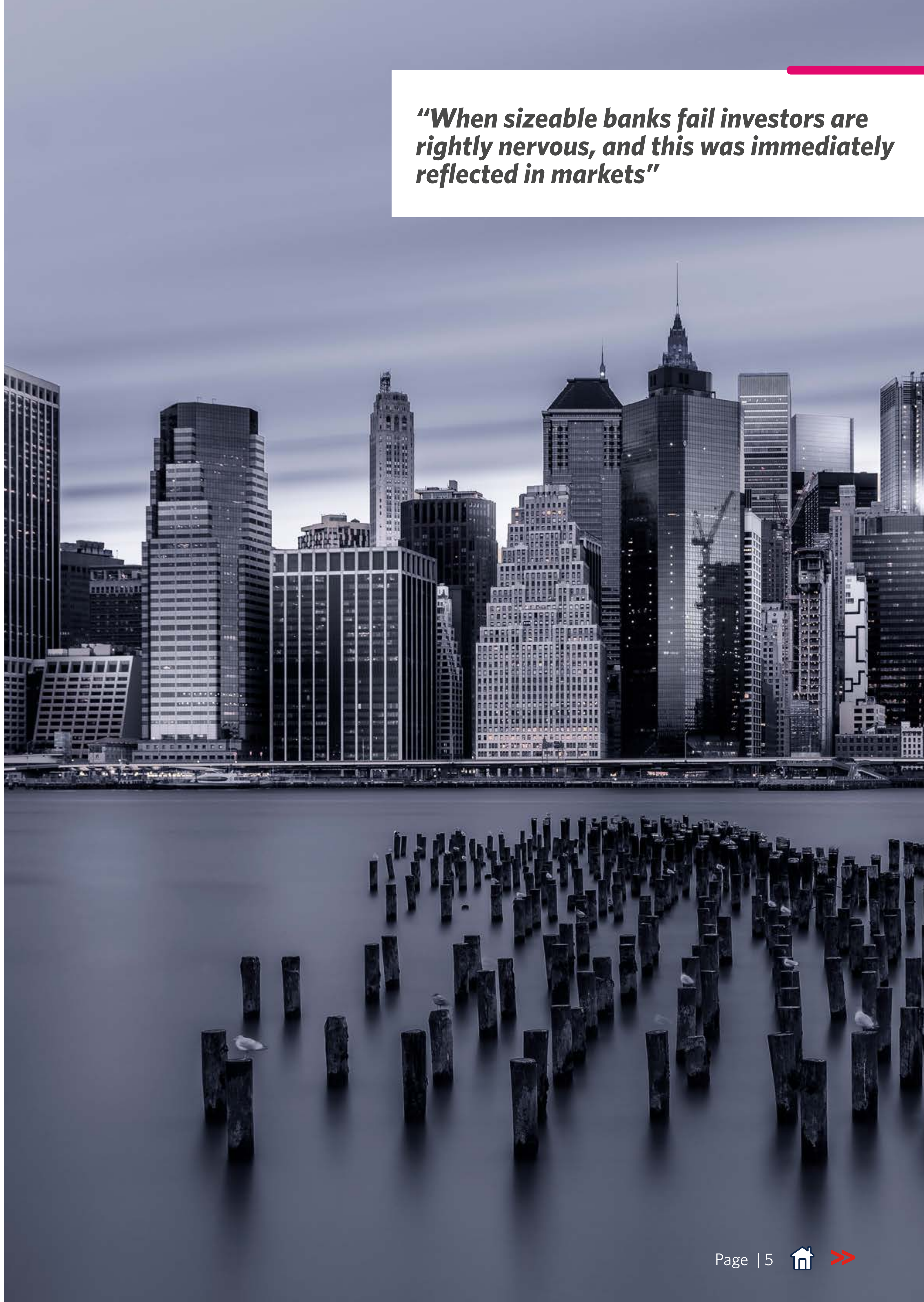
Global Market Review & Outlook

The spectre of a banking crisis returned to haunt markets in the first quarter of the year, overshadowing all else. Almost exactly one year on from the Fed's first increase in interest rates in what has become the steepest and fastest tightening cycle in over 40 years, something significant was broken, with the collapse in March of two mid-sized banks in the US and the fall of the much bigger Credit Suisse into the hands of its Swiss rival UBS, a transaction orchestrated by Swiss regulators. While there was no direct contagion between the two failed US regional banks, Silicon Valley Bank (SVB) and Signature, nor in the case of the globally systemically important Credit Suisse, there is no doubt that the dramatic shift from ultra-loose monetary policy to the highest policy rates since the Global Financial Crisis (GFC), tightened liquidity, rising bond yields and a steep inversion in the yield curve, played a significant part in each of the failures.



Source Bloomberg Finance L.P as at 29 March 2023.

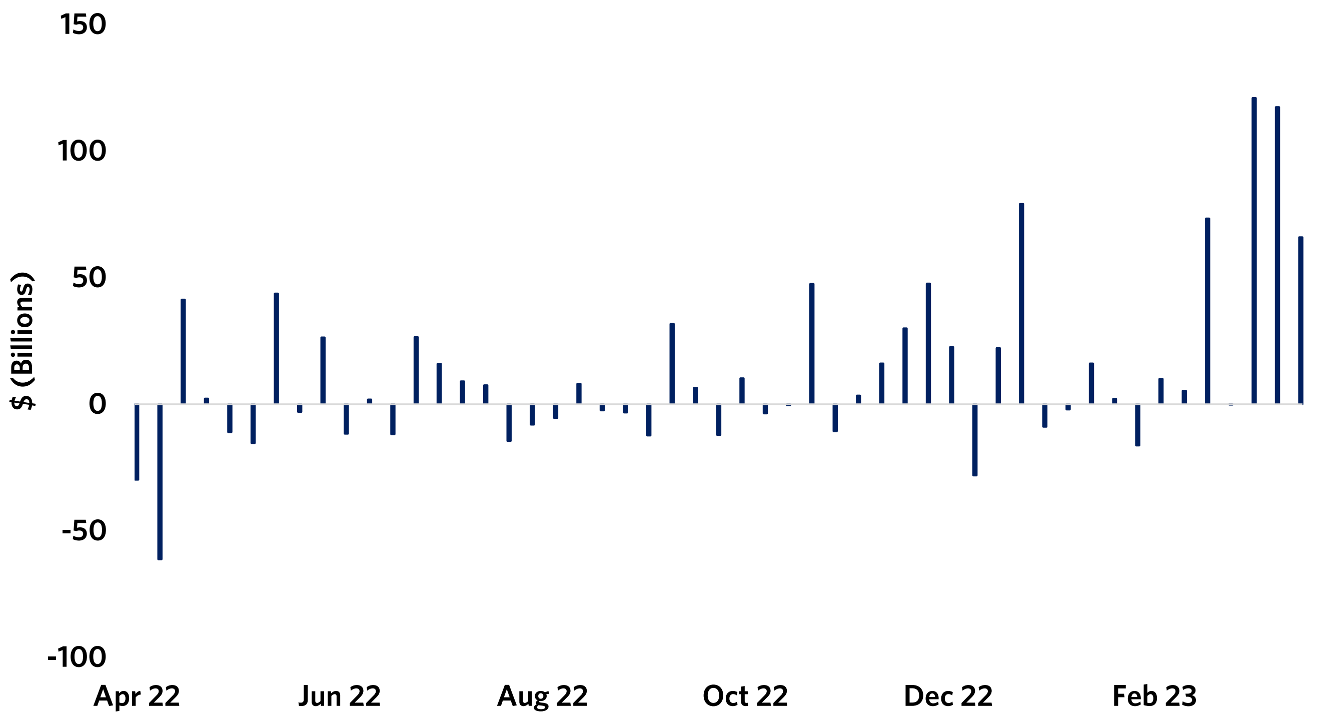
When sizeable banks fail investors are rightly nervous, and this was immediately reflected in markets. Within a few days of the collapse of SVB, US equities had sold off by close to 5% and in Europe by 7%, arguably a more muted reaction than might have been expected, although shares of banks inevitably suffered much larger falls, with the MSCI World Banks index down by 16%, wiping out all of the sector's earlier gains this year when banks had performed well, seen as beneficiaries of higher interest rates.



"When sizeable banks fail investors are rightly nervous, and this was immediately reflected in markets"

The biggest moves however were in bond markets as fears of recession rose and investors priced in early cuts in the Fed's and other central banks' policy rates. In early March the US Treasury 10Y bond yield was around 4%, but within a few days had fallen to 3.4%, while the drop in the 2Y yield was even sharper, from 5.1% to 3.8%. Most of the move in longer term bond yields was driven by falling real yields; the 10Y inflation breakeven rate is little changed between the end of December 2022 and end March at around 2.3%, whereas 10Y real rates have fallen by over 40bps to 1.16%. The sharp drop in nominal and real yields provided some support for equities, and underpinned a big recovery in growth stocks, led by the IT sector, up by 21% in Q1. The flight to safe havens triggered a 10% rise in the gold price, while the fear of other bank failures led to a deposit flight from mid-sized banks, with a surge in inflows to money market funds, intensifying the competition for deposits.

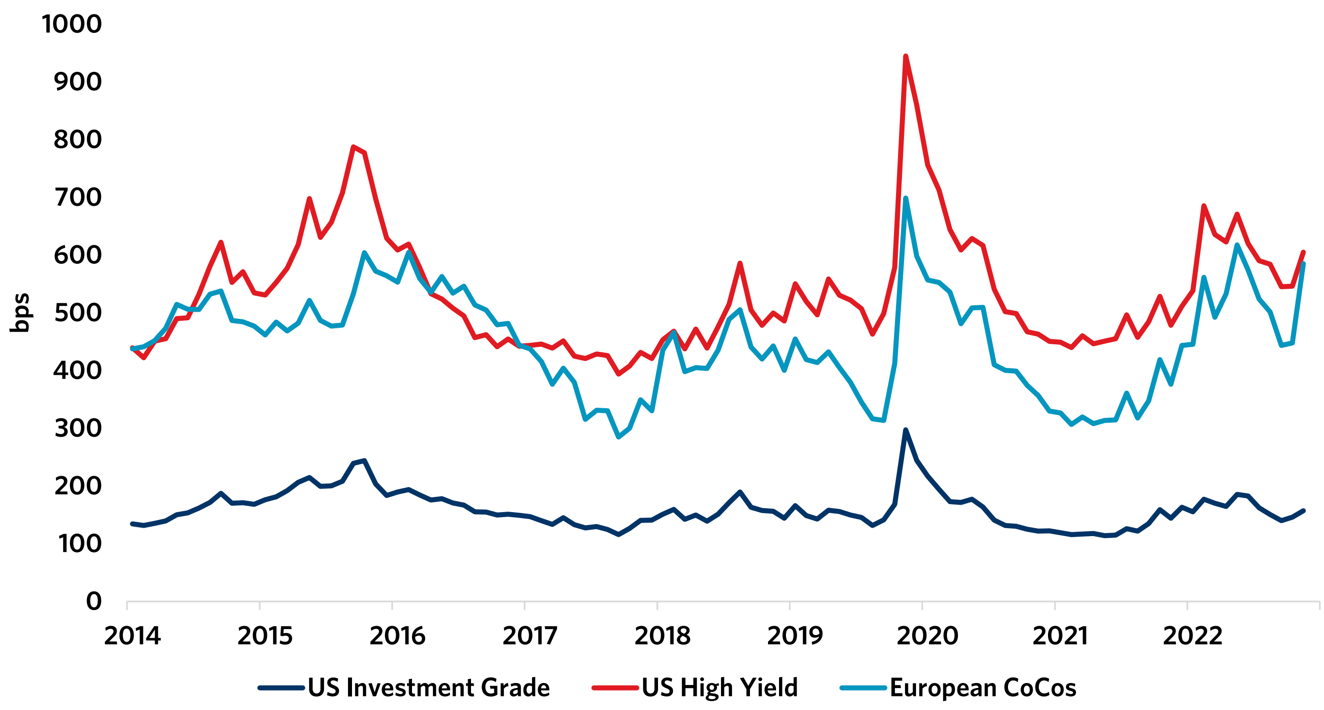
Surge in inflows to money market funds in March – weekly flows



Source Bloomberg Finance L.P as at 29 March 2023.

Credit spreads widened as perceived default risks rose, but the biggest casualty in fixed income was debt issued by banks following the shock decision by the Swiss regulator to wipe out Credit Suisse's CHF16bn worth of Additional Tier 1 (AT1) contingent convertible bonds while attaching value to the equity. The AT1 market is relatively new, having been established post-GFC by European regulators to provide banks with an additional loss-absorbing capital buffer, converting into equity or potentially being wiped out if Common Equity Tier 1 (CET1) falls below certain triggers. The established hierarchy of corporate stakeholder seniority, with AT1 impacted only when CET1 is wiped out, appeared to be thrown into doubt by the Credit Suisse experience, leading to an immediate 20-25% fall in the $270bn AT1 market. This stabilised only when the European Central Bank (ECB) and Bank of England issued unambiguous statements confirming the hierarchy of creditors under their jurisdictions, with shareholders bearing losses ahead of AT1 bonds, leaving the Swiss as an outlier.

Credit spreads widen – especially for bank debt

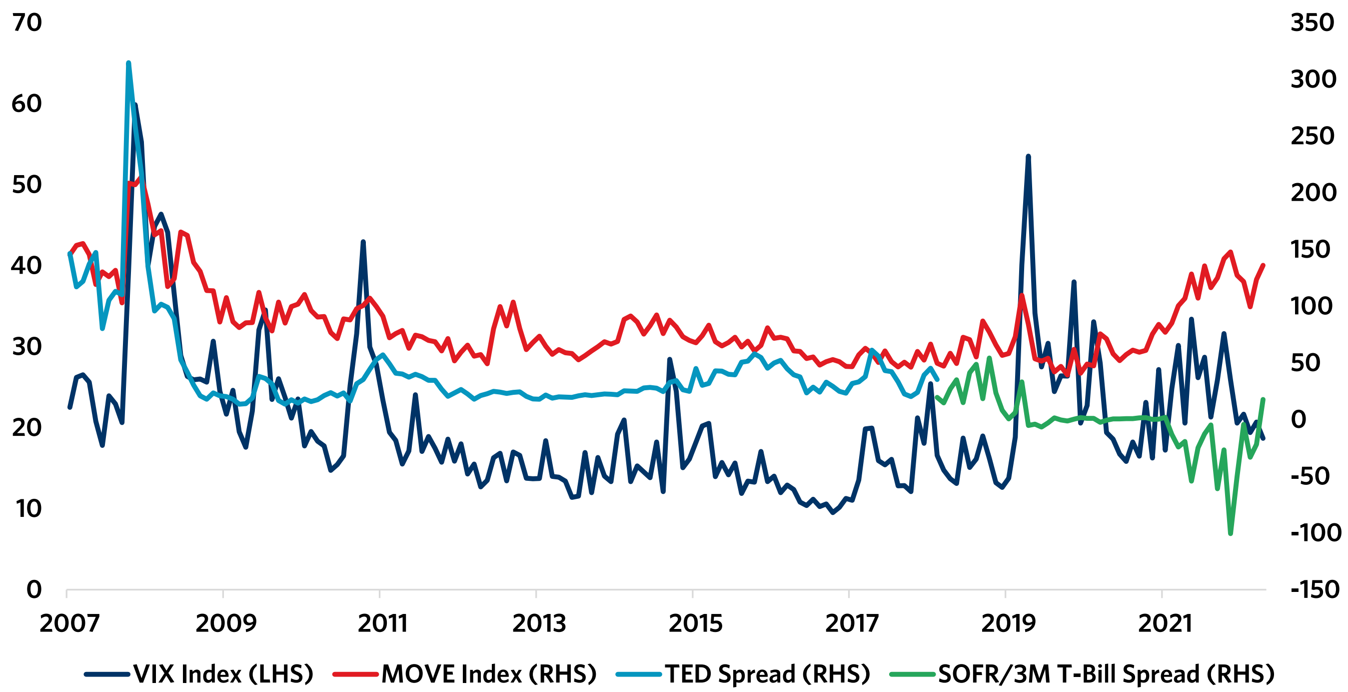


Source: Bloomberg Finance L.P. as at 31 March 2023. European CoCos are Additional Tier 1 bonds issued by banks.

"The flight to safe havens triggered a 10% rise in the gold price"

While volatility increased, especially in bond markets, nothing suggested acute distress across the banking sector or among investors generally. Each of the bank failures was idiosyncratic in nature, SVB and Signature Banks suffering from concentrated client exposures respectively in early-stage growth companies and crypto, leading to a run on deposits, while Credit Suisse paid the price for seemingly endless problems and poor management over a long period with weak profitability and falling assets. Regulators in the US and Europe responded rapidly and forcefully to arrest contagion risks, and the Fed, along with the FDIC and the Treasury, provided full protection to depositors of the failed US banks, as well as making substantial liquidity available to US banks through a new term lending facility. Following the Credit Suisse failure, other central banks joined the Fed in co-ordinated action to ensure sufficient liquidity in US dollars globally.

Volatility rises, risk appetite falls
reflected in bonds and overnight lending (TED/SOFR spreads)



Source: Bloomberg Finance L.P. Data for the LIBOR/3M T-Bill 'TED Spread' ends at 31/01/2019. From that date forward the spread between the US Secured Overnight Financing Rate (SOFR) and 3M T-Bills are used instead. The VIX and MOVE indexes measure volatility in equity and bond markets respectively, data as at 31 March 2023.

While further casualties of the increasingly tight monetary policy cycle are possible, and probably inevitable, we see no parallels with the banking crash which led to the GFC. There are no systemic risks arising from the collapsed banks, and the prompt action by central banks and regulators has minimised contagion risks. The GFC was a solvency issue for banks as the value of their (mostly mortgage related) loans collapsed, while the problem with today's failures was liquidity; in contrast to today, in 2008 banks were lightly regulated and under-capitalised and faced massive counterparty risks and funding shortages. The tightening of regulations post the GFC and more conservative risk management of banks has resulted in much stronger balance sheets, bigger capital buffers and greater resilience, and although the mark-to-market value of so called 'held to maturity' bonds would crystallise some trading losses were they sold, the impact to bank capital in aggregate would be limited and non-systemic.

After the initial shock, markets settled down and by the end of March equities had mostly regained the ground lost in the immediate sell-off, leaving US equities up 3.6% in March and 7.4% for Q1, MSCI World similarly +3.1% and +7.7% respectively and global emerging markets +3.0% and +4.0%. The more telling moves came in bond markets, with yields backing up somewhat after the initial sharp falls but remaining well below levels prevailing before the bank crisis. The failure of large banks damages confidence, increases risk aversion, raises the cost of capital as banks tighten lending standards, and tightens financial conditions, all of which increase the chances of a hard landing. The market immediately priced in lower expectations for the Federal Funds rate with the peak policy rate now expected earlier, during the second quarter of the year, and only a 50% chance of a further rise in the policy rate, whereas in early March the peak in rates was expected to be significantly higher at around 5.75%.

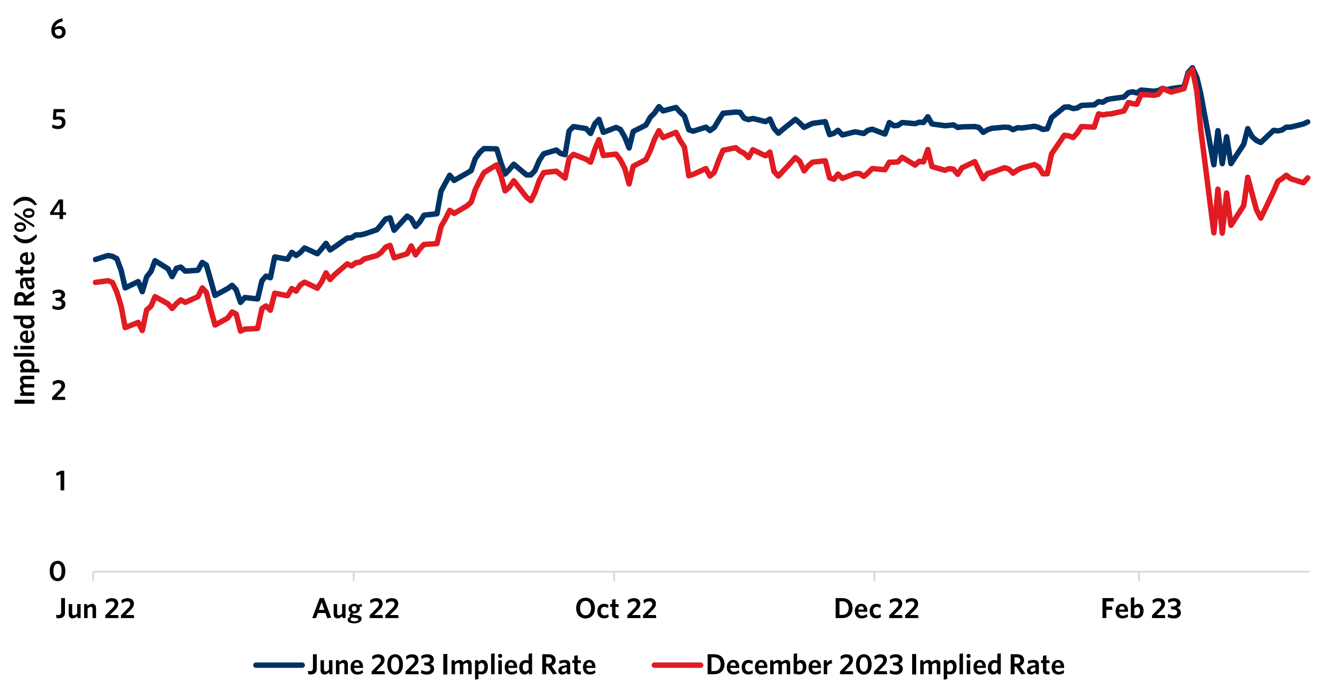
The big falls in yields resulted in a strong performance for government bonds in March, with US Treasuries returning 2.9%, ahead of high yield bonds, +1.1% and emerging market bonds, +1.8%. In an unusually volatile period for bonds, over the quarter global government bonds returned 3.1%, with corporate investment grade and high yield bonds generally performing slightly ahead of safe haven governments bonds.

Prior to the banking troubles in March, hopes had been rising for a softer landing as the US economy proved to be resilient while Europe appeared to have avoided a recession through the winter as gas prices collapsed, and China's post-Covid re-opening boosted growth. As in earlier months, leading indicators for most countries were above expectations in March, especially in the services sector, and pointed to continuing growth. But just as growth was better than expected, the labour market remained very tight, and inflation proved to be much stickier than forecast. Markets had to adjust to an increasingly hawkish Fed, matched by most other major central banks, all of which continued to prioritise the fight against inflation over financial stability risks, which, following the bank collapses, central banks handled through liquidity injections and rapid and forceful regulatory moves to prevent contagion.

"Prior to the banking troubles in March, hopes had been rising for a softer landing as the US economy proved to be resilient"

The resolve to bring inflation firmly under control was reflected in further rises in policy rates after the banking problems erupted; the Fed pushed rates up by 0.25% to 5%, the ECB by 50bps to 3%, the Bank of England by 0.25% to 4.25% and the Swiss National Bank by 50bps to 1.5%. The notable and continued outlier remains the Bank of Japan, where policy rates remain negative, but with outgoing Governor Kuroda passing the baton to the non-establishment academic Kazuo Ueda, expectations are growing that a regime shift away from the largely exhausted yield curve control (YCC) will ultimately yield higher rates in the land of the rising sun. In the US, the impact of the banking difficulties led to a more cautious stance about further tightening, with the Fed noting that 'recent developments are likely to result in tighter credit conditions….and weigh on economic activity, hiring and inflation' the effect of which Powell suggested could be equivalent to an interest rate rise of 0.25% or more. The Fed sees growth risks to the downside, and gave a clear signal, both from a softer statement and its quarterly forecasts of the policy committee's members (the 'Dot Plot'), that only one more rate rise is now anticipated this year, before rate cuts through 2024. The market's view of where rates will be at year end changed much more dramatically, with Fed Funds futures now pointing to a rate of 4.3% by end 2023, whereas on March 8th, just before the collapse of SVB, the end year expectation was 5.6%.

Market expectations for Fed Funds rate fall sharply in March*

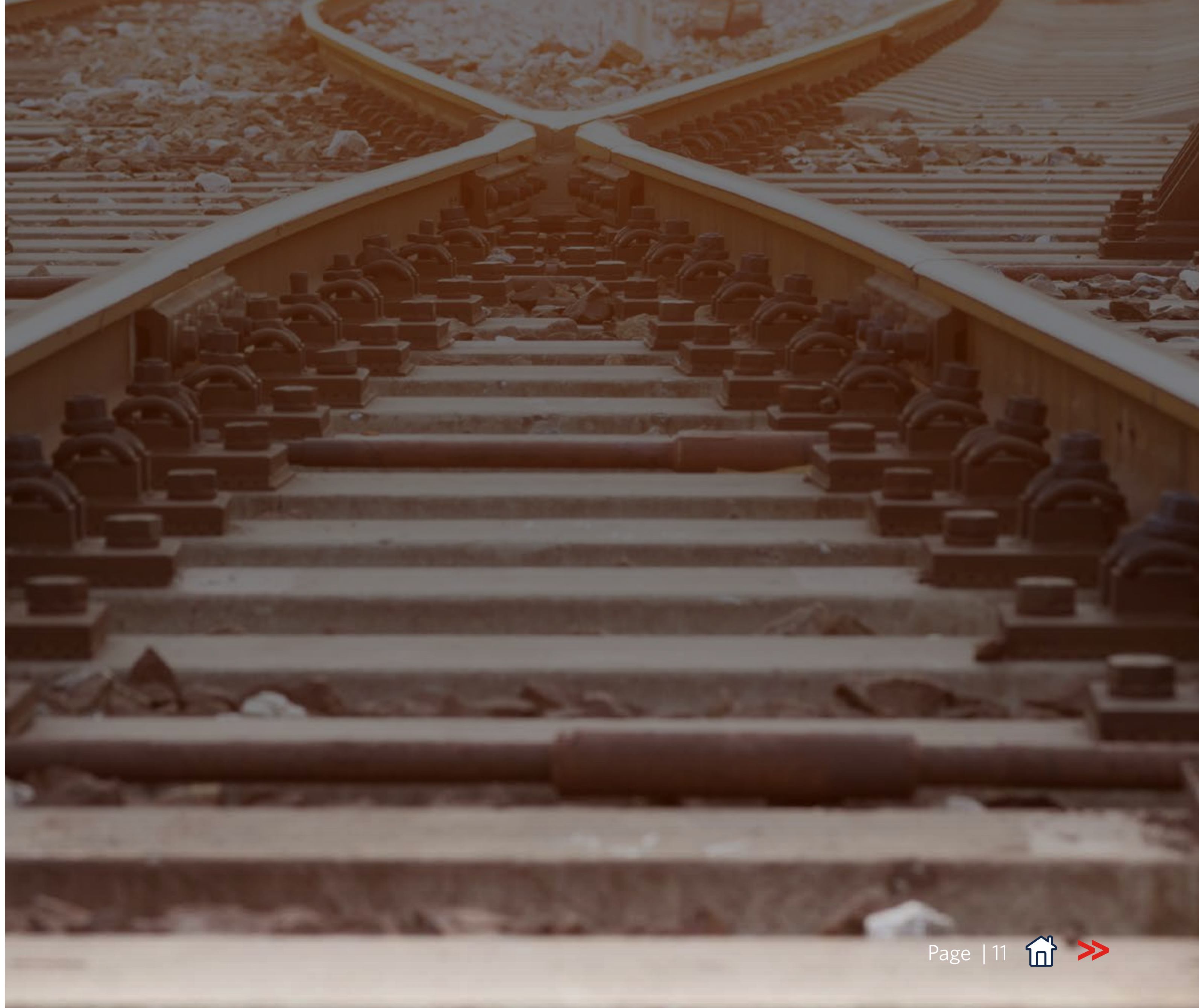


*Source: Bloomberg Finance L.P. as at 4 April 2023. *The chart shows Fed Funds rate futures for June 2023 and December 2023 over past 9 months.*

Much depends on the continuing stability of the financial system after the March crisis, and the path of inflation and growth. So far, the banking system has weathered the immediate storm extremely well, and remains financially very strong and resilient. There are areas of concern, notably the exposure of mid-sized banks to commercial real estate loans, although these are on a much smaller scale than troubled loans in the GFC, and seem manageable. Markets have reacted reasonably calmly, and pockets of stress are limited. However, the probability of recession has increased and monetary policy, which acts with lags, remains very tight. The full consequences of that tightening, both in the financial system and the real economy, are yet to play out. Central banks have a difficult balancing act, reining in inflation while maintaining financial stability and avoiding recession. Events in March have made that task that much more difficult; policy overkill is an increasing risk.

It now seems that the peak in the tightening cycle has either been reached or is very close, and the peak in the market's expectations of the Fed Funds rate has almost certainly been passed. That is an important turning point in the cycle and is a support for valuations of assets. The peak in the inflation cycle has also been reached, and inflation will fall sharply through 2023 as base effects fall away, the energy price falls in recent months feed through, and supply chain improvements continue to ease pricing pressures. Uncertainties remain about the pace of the slowdown in core inflation, but the seeming inevitability of tighter and more expensive credit ahead, and resultant fall in growth, increases the probability of a more balanced labour market and a sustained fall in inflation.

Markets face a difficult conundrum; on the one hand, interest rates are at or very close to a cyclical peak and bond yields have fallen sharply in recent weeks, supporting valuations of other asset classes; on the other, the risks of a recession in coming months have increased materially, with the inevitable consequences of credit contraction, earnings weakness and higher default risks. While less attractive than a month ago, there are still valuation opportunities in government bonds, as well as other parts of the fixed income sector, and for the first time in years cash is a viable instrument to achieve target returns and manage risk in multi-asset portfolios. Equities also offer some valuation opportunities but are overhung by the risk of recession and earnings weakness. They have generally held up well through the challenges of March, and some consolidation is now likely. Recovery lies ahead and we are optimistic for markets over the next twelve months, but believe it is prudent to temper that optimism in the short term given the heightened risks of recession. We are therefore taking opportunities to add to defensive assets in real (inflation linked) and nominal bonds while biding our time before adding to risk assets.



Market Performance - *Global (local returns) as at 31 March 2023*

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	3.6%	7.4%	7.4%	-8.2%
United Kingdom	MSCI UK NR	GBP	-2.6%	4.0%	4.0%	5.5%
Continental Europe	MSCI Europe ex UK NR	EUR	0.8%	9.9%	9.9%	4.5%
Japan	Topix TR	JPY	1.7%	7.2%	7.2%	5.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	2.8%	4.1%	4.1%	-8.9%
Global	MSCI World NR	USD	3.1%	7.7%	7.7%	-7.0%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	-4.2%	1.5%	1.5%	1.0%
Emerging Asia	MSCI EM Asia NR	USD	3.6%	4.8%	4.8%	-9.4%
Emerging Latin America	MSCI EM Latin America NR	USD	0.8%	3.9%	3.9%	-11.1%
China	MSCI EM China NR	USD	3.2%	0.8%	0.8%	-8.3%
BRICs	MSCI BRIC NR	USD	4.5%	4.7%	4.7%	-4.7%
Global emerging markets	MSCI Emerging Markets NR	USD	3.0%	4.0%	4.0%	-10.7%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	2.9%	2.9%	2.9%	-4.4%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	2.9%	3.4%	3.4%	-6.5%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	2.8%	3.5%	3.5%	-5.6%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.1%	3.6%	3.6%	-3.4%
UK Gilts	JP Morgan UK Government Bond TR	GBP	3.0%	2.2%	2.2%	-16.7%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.1%	2.4%	2.4%	-10.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	2.3%	2.0%	2.0%	-11.9%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.0%	1.8%	1.8%	-7.5%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	-0.3%	2.7%	2.7%	-4.2%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	1.5%	2.4%	2.4%	-1.8%
Australian Government	JP Morgan Australia GBI TR	AUD	3.7%	5.1%	5.1%	0.4%
Global Government Bonds	JP Morgan Global GBI	USD	3.6%	3.1%	3.1%	-9.0%
Global Bonds	ICE BofAML Global Broad Market	USD	3.2%	3.0%	3.0%	-8.4%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	0.3%	4.5%	4.5%	-8.3%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	1.8%	1.9%	1.9%	-8.4%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-2.7%	2.4%	2.4%	-20.2%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-6.9%	-0.2%	-0.2%	-17.8%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-0.1%	-3.2%	-3.2%	-11.8%
Global Property Securities	S&P Global Property USD TR	USD	-2.8%	0.3%	0.3%	-20.5%
Currencies						
Euro		USD	2.5%	1.3%	1.3%	-2.1%
UK Pound Sterling		USD	2.6%	2.1%	2.1%	-6.1%
Japanese Yen		USD	2.5%	-1.3%	-1.3%	-8.4%
Australian Dollar		USD	-0.7%	-1.9%	-1.9%	-10.7%
South African Rand		USD	3.2%	-4.3%	-4.3%	-17.9%
Commodities & Alternatives						
Commodities	RICI TR	USD	-0.7%	-4.7%	-4.7%	-10.0%
Agricultural Commodities	RICI Agriculture TR	USD	0.8%	-0.4%	-0.4%	-8.1%
Oil	Brent Crude Oil	USD	-4.9%	-7.1%	-7.1%	-26.1%
Gold	Gold Spot	USD	7.8%	8.0%	8.0%	1.6%
Hedge funds	HFRX Global Hedge Fund	USD	-1.4%*	-0.2%*	-0.2%*	-3.3%*

Interest Rates	Current Rate
United States	5.00%
United Kingdom	4.25%
Eurozone	3.50%
Japan	-0.10%
Australia	3.60%
South Africa	7.75%

Source: Bloomberg Finance L.P. , Momentum Global Investment Management. Past performance is not indicative of future returns.
**estimate.*

Portfolio commentary: *performance*

The collapse of two mid-sized banks in the US and the fall of Credit Suisse overshadowed all else in the first quarter of the year. This was attributed to the shift from ultra-loose monetary policy to the highest policy rates since the GFC, which resulted in tightened liquidity, rising bond yields, and a steep inversion in the yield curve. The failure of the banks caused nervousness among investors, reflected in markets that within a few days saw equities selling off significantly, and bank shares suffering even larger falls. However, falling real yields provided some support for equities and underpinned a big recovery in growth stocks, led by the IT sector. Credit spreads widened as perceived default risks rose, and the biggest casualty in fixed income was debt issued by banks. Despite the increased volatility, nothing suggested acute distress across the banking sector or among investors generally. While further casualties are possible, we see no parallels with the banking crash that led to the global financial crisis. There are no systemic risks arising from the collapsed banks, and the tightening of regulations post the GFC has resulted in much stronger balance sheets and greater resilience. Markets settled down eventually, with global equities up 7.7% in US dollar terms, emerging markets up 4% and global bonds up 3% for Q1.

Against this backdrop, the Harmony Portfolios returned between 0% and 4% over the quarter ('A' share class, in base currency terms). Generally, with equities outperforming bonds, higher risk Portfolios outperformed the more defensive ones, but regional exposures played a significant role too. In fact, we saw European equities outperforming the US by about 2%, and the UK by more than 6%, which resulted in the Sterling funds underperforming the rest of the range, with returns of 0.3% and 0.5% for Sterling Balanced and Growth respectively. The two Asian Portfolios were on the lower end, both up around 1.6%, as the emerging markets complex was generally weaker than the developed cohort. All the other Harmony Portfolios returned between 2.5% and 4% in local currency terms, except for Cautious Income that was up only 0.6%, as its higher allocation to investment trusts detracted.

We benefitted strongly from our allocation to physical gold and gold producing companies, up respectively +9% and +12% in Q1 and held at a total allocation of about 5% across the range. It was a volatile month for the precious metal that, after weakening in February on the back of falling real rates, staged a strong recovery when market sentiment turned sour as events in the banking sector unfolded.

From a manager selection perspective, our "growth" oriented equity investments were very strong performers, both at a global and regional level, with their style benefitting from falling interest rates expectations. Managers Jennison and Sands, held across all the Portfolios, and Allspring and Comgest, held respectively in the US Dollar Portfolios and the Europe Growth Portfolio, posted very strong returns of between 14% and 19% in local currency terms.

Within fixed income, we benefitted from being overweight inflation linked bonds compared to nominal government bonds, as the former asset class outperformed the latter by about 2% at the index level. There wasn't a huge contribution from credit, as it now is only a marginal allocation in our portfolios due to relatively unattractive valuations, but the credit market was generally resilient.

Our hedge fund allocation, through the Neuberger Berman Uncorrelated Strategies fund, detracted across the board, with a loss of around 6% over the quarter. The strategy allocates to more than 10 different managers and around 6 different sub-strategies, which typically ensures risk is spread across hundreds of positions and all asset classes, but in this instance the fund had significant long exposure to rates that were very detrimental when, in March, rates reversed their upward path and plummeted in a matter of days.

Another detractor, held across all Portfolios at a 1-4% target weight, was the Sequoia Economic Infrastructure Trust, down -7% in GBP terms over the quarter. Invested in infrastructure debt, Sequoia saw its share price discount to NAV widening in March, as general market stress and bond yield volatility took its toll on market sentiment and put downward pressure on the share price. This actually applied across most of the investment trust market (with varying degrees) and in fact another significant underperformer was Chrysalis, held at a 1-3% weight, that saw its share price fall -24% in GBP terms. In addition to the above mentioned reasons, the Jupiter-managed investment trust caused investors some discomfort as they further increased their exposure to Starling Bank (an already large allocation) by buying stock from other Jupiter funds that, instead, were exiting private investments. We have maintained close coverage of the company and board and are comfortable with the changes taking place, but the broader market has become nervous against a challenging backdrop for the private equity sector.

Portfolio commentary: *positioning*

The evolving market conditions and opportunities drove activity in the Portfolios in the first quarter of the year, most of which were with respect to asset allocation rather than investment selection.

Over the first few weeks of the year, before the mini-banking crisis unravelled, we became increasingly of the opinion that government bonds (both nominal and inflation-linked) were now more attractive than corporate bonds on a risk-adjusted basis, thanks to elevated starting yields and much lower credit risk, as we move towards an economic slowdown and potentially higher defaults in corporate bond markets.

As such, in February, we exited the Artemis Global Short Duration High Yield fund in the Cautious and Balanced Portfolios, reinvesting the proceeds into money market funds. This change was risk-reducing from a pure asset allocation perspective, but didn't significantly affect expected returns given the elevated yields on offer on cash and very short maturity government notes. Only a month later, around mid-March, we also added some duration to the Portfolios, by investing in US TIPS (Treasury Inflation Protected Securities) and adding the iShares Euro Government Bond Climate ETF, while reducing credit risk further by exiting the iShares Sterling Corporate Bond ETF (that we had purchased after the UK mini-budget crisis late last year, as mentioned in our last quarterly report) and the Muzinich EnhancedYield Fund.

Alongside these changes, we also closed our exposure to silver, whilst retaining the gold exposure in full. Both precious metals are correlated to inflation and, with the latter peaking, the significant tailwind that has supported prices over the past few months is no longer present. However, one key difference (beyond the inflation correlation) between the two makes us currently prefer gold to silver: whilst the former is often seen as a store of value and a safe haven in troubled times, or when the global economy is fragile, the second is more volatile and is also correlated with the business cycle, making it a riskier exposure in the current economic regime.

Whilst these look like several changes, they mostly reflect several small iterations of the same view, mentioned at the start of this section.

One manager selection change that was specific to the Sterling and Cautious Funds was the addition of a new real estate holding, Life Science REIT, that primarily invests in UK properties that are leased to tenants operating in the life science sector, in the Oxford, Cambridge and London areas, often referred to as the "Golden Triangle", with four highly regarded global research universities and strong demand-supply imbalance for laboratories. This change, financed from the reduction in Schroders REIT, significantly improved the diversification within the property allocation of these Portfolios.

"We benefitted strongly from our allocation to physical gold and gold producing companies, up respectively +9% and +12% in Q1"

Looking forward

At the start of the year, our base case expectation for 2023 was a year of volatile recovery, with the current positive trend continuing but with many risks that may hamper it, should they materialise. We remain of the same opinion, as we move through and past the peak in market's expectation of inflation and base rates.

Whilst perhaps less attractive than 6 months ago, we still see good valuation opportunities across the equity spectrum, particularly within the UK, Japan and emerging markets. Within the latter cohort, we maintain an overweight to UK and Japan and an underweight to the US, mostly on valuation grounds. Being overweight what are typically seen as higher risk equities might seem somewhat counterintuitive, given we expect a volatile recovery and potentially some earnings weakness, but our view is that the valuation gap more than compensates for the different risks, tilting the balanced in their favour. Valuation has always been the cornerstone of our investment process and, despite it not being much rewarded over the second decade of this century, we have been seeing signs of markets once again putting weight on such a metric.

Over the quarter, all of our changes in asset allocation views have happened within the fixed income space, where our outlook has been improving on government bonds (nominal and real) whilst degrading for the credit market. We have therefore moved from having a large underweight to the former to now being nearly neutral versus our strategic asset allocation, as valuations have returned to more normal long-run levels. For the first time in many years, government bonds are somewhat attractive and can once again play a role in multi-asset portfolios as a defensive investment as well as a viable instrument to achieve target returns and manage risk.

Elsewhere, we maintain our marginal overweight to alternatives, particularly because of the diversification benefits brought by liquid alternatives during times of market uncertainty, the compelling discounts of the private equity space and the structural tailwinds to the infrastructure sector.

Higher starting yields should benefit forward looking returns in all asset classes, but the resilience of corporate earnings and the development of the credit default cycle will be significant drivers of market sentiment over the coming months, and of shorter-term returns.

Portfolio activity

Recent Changes

Asset Allocation Decision

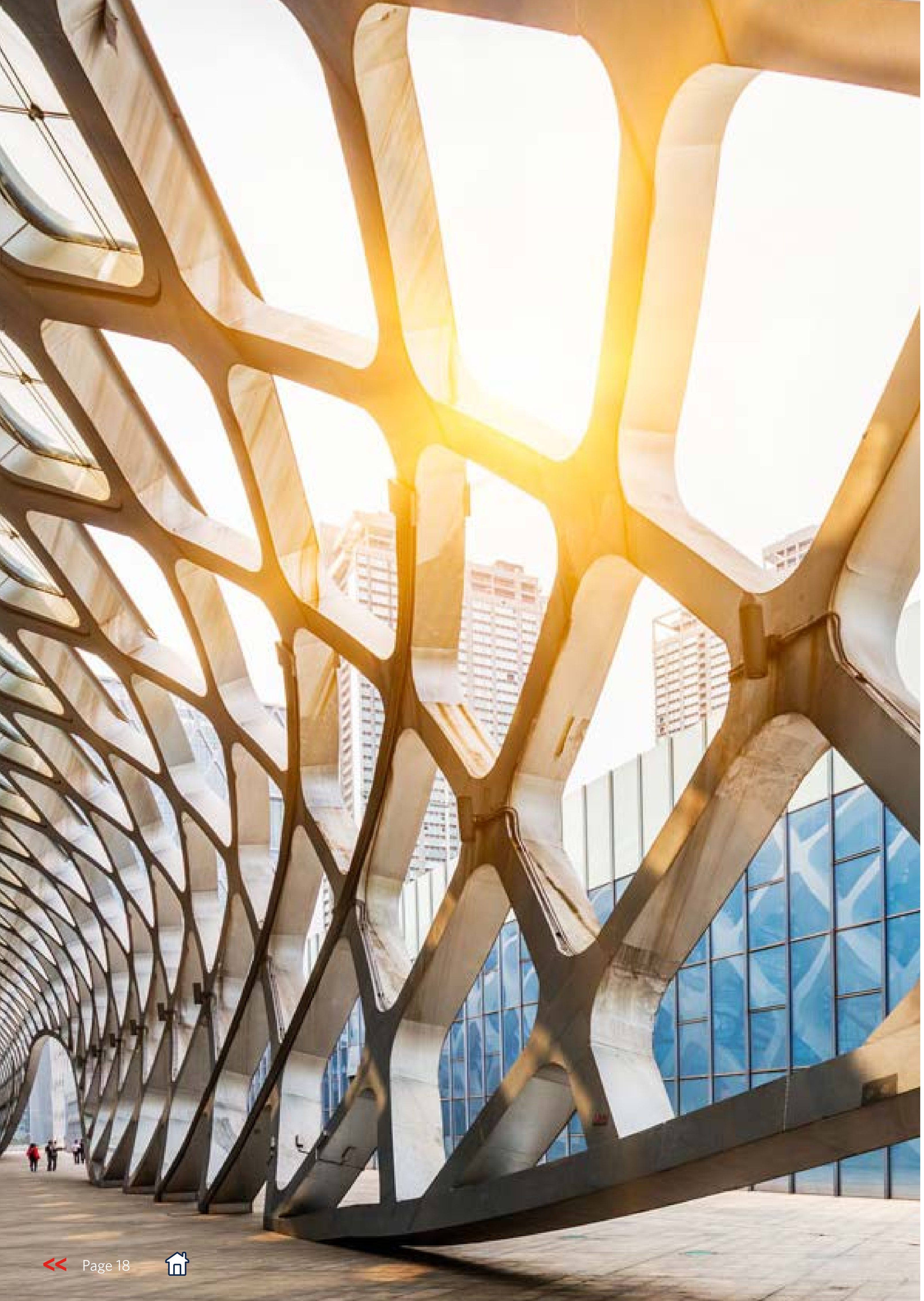
Manager Selection Decision

Date	Holding initiated ● / *Increased* ▲	Holding sold ❖ / *Decreased* ▼	Harmony Portfolios
January 2023	▲ *Portfolio of ~25 mid-cap UK equities, run in-house*	❖ FTSE 100 futures	Sterling Growth
		▼ *Evenlode Income*	Sterling Balanced
		❖ Jupiter UK Smaller Companies	Cautious Income
	● Ashmore Asia High Yield	▼ *iShares Global Real Estate*	All Portfolios ex Sustainable Growth
February 2023	▲ *iShares Ultrashort Bond Fund*	▼ *Artemis Global Short Duration High Yield*	Cautious and Balanced Portfolios
March 2023	● *iShares Euro Government Bond Climate ETF*	❖ iShares GBP Corporate Bond ETF	All Portfolios
	▲ *US TIPS*	❖ *Evenlode Income*	
		❖ iShares Physical Silver ETF	

Target Portfolios

	Cautious	Balanced	Growth
Equities	31.00%	41.00%	63.00%
Fixed Income	41.50%	31.00%	14.50%
Property / Infrastructure	16.75%	12.75%	13.50%
Alternatives	4.00%	5.00%	3.00%
Commodities	3.00%	5.50%	4.00%
Cash	3.75%	4.75%	2.00%

These target weights are correct as at the time this report is published and are indicative of the managers' medium term outlook for markets, which is driven principally by their assessment of relative valuation opportunities. Target weights are based on the Cautious Income, USD Balanced and USD Growth Funds respectively. Allocations may vary for the other Balanced and Growth Funds in the range.



Portfolios & Peer Group Performance

Performance to 31 March 2023

Fund returns (local currency)	3 months	12 months	2021	2020	2019	2018	3 years (annualised)	5 years (annualised)
Cautious Income[1]	**0.6%**	**-8.2%**	**7.4%**	**0.8%**	**9.4%**	-	**4.5%**	-
Peer group median	*3.1%*	*-7.0%*	*3.0%*	*5.5%*	*10.9%*	-	*5.4%*	-
Balanced Portfolio	**2.6%**	**-9.9%**	**7.5%**	**6.7%**	**14.9%**	**-7.2%**	**6.1%**	**1.1%**
Peer group median	*3.8%*	*-7.0%*	*6.4%*	*9.6%*	*13.3%*	*-7.3%*	*5.7%*	*1.7%*
Growth Portfolio	**4.0%**	**-11.9%**	**11.5%**	**7.5%**	**19.0%**	**-9.2%**	**8.5%**	**1.5%**
Peer group median	*4.0%*	*-7.6%*	*8.1%*	*10.3%*	*15.0%*	*-7.8%*	*6.8%*	*2.1%*
MSCI AC World	7.3%	-7.4%	18.6%	16.3%	26.6%	-9.4%	15.4%	6.9%
S&P 500	7.4%	-8.2%	28.5%	17.8%	30.7%	-4.9%	18.0%	10.6%
Cautious Income[2]	**-0.2%**	**-8.0%**	**7.2%**	**-2.1%**	**7.5%**	-	**4.0%**	-
Peer group median	*1.8%*	*-5.5%*	*2.3%*	*4.1%*	*7.4%*	-	*2.6%*	-
Balanced Portfolio	**0.2%**	**-7.6%**	**9.0%**	**-0.3%**	**8.2%**	**-4.2%**	**5.7%**	**0.7%**
Peer group median	*2.0%*	*-3.6%*	*5.8%*	*3.7%*	*10.0%*	*-5.5%*	*5.1%*	*1.9%*
Growth Portfolio	**0.5%**	**-8.5%**	**12.1%**	**-1.6%**	**10.8%**	**-4.9%**	**7.3%**	**1.1%**
Peer group median	*2.0%*	*-3.5%*	*6.2%*	*3.8%*	*10.4%*	*-5.7%*	*5.4%*	*2.1%*
MSCI AC World	3.2%	5.6%	19.6%	12.7%	21.7%	-3.8%	14.7%	5.6%
MSCI UK	4.4%	-1.4%	19.6%	-13.2%	16.4%	-8.8%	15.5%	9.7%
Cautious Income[3]	**-0.4%**	**-10.3%**	**7.8%**	**-2.7%**	**4.4%**	-	**2.8%**	-
Peer group median	*2.1%*	*-7.1%*	*3.8%*	*1.3%*	*4.4%*	-	*4.1%*	-
Growth Portfolio	**3.5%**	**-9.2%**	**14.1%**	**-1.3%**	**15.7%**	**-10.8%**	**6.3%**	**0.6%**
Peer group median	*2.9%*	*-5.1%*	*8.1%*	*0.1%*	*10.4%*	*-6.7%*	*3.8%*	*0.7%*
MSCI AC World	5.4%	-5.2%	27.5%	6.7%	28.9%	-4.8%	15.7%	9.6%
MSCI Europe ex UK	9.9%	4.5%	24.4%	1.7%	27.1%	-10.9%	15.5%	7.4%
Cautious Income[4]	**0.6%**	**-6.9%**	**8.1%**	**-3.0%**	-	-	**3.4%**	-
Growth Portfolio	**2.4%**	**-4.2%**	**11.7%**	**-0.9%**	**16.2%**	**-3.9%**	**6.2%**	**3.0%**
Peer group median	*4.0%*	*0.9%*	*9.5%*	*-1.1%*	*12.3%*	*-1.3%*	*5.0%*	*3.0%*
MSCI AC World	8.8%	4.3%	26.3%	6.4%	27.5%	1.2%	12.5%	10.4%
ASX All Ordinaries	3.6%	-1.1%	17.7%	3.6%	24.1%	-3.5%	17.3%	8.8%
ASIA								
Balanced Portfolio	**1.6%**	**-10.4%**	**2.4%**	**7.1%**	**11.0%**	**-8.8%**	**7.4%**	**-0.4%**
Peer group median	*2.9%*	*-9.3%*	*-0.8%*	*11.4%*	*10.9%*	*-10.5%*	*3.7%*	*-1.4%*
Growth Portfolio	**1.6%**	**-9.8%**	**4.5%**	**8.5%**	**12.6%**	**-10.6%**	**1.6%**	**-9.8%**
Peer group median	*2.9%*	*-9.3%*	*-0.2%*	*10.4%*	*11.1%*	*-11.2%*	*3.8%*	*-1.6%*
MSCI AC World	7.3%	-7.4%	18.5%	16.3%	26.6%	-9.4%	15.4%	6.9%
MSCI AC Asia Pacific ex Japan	4.1%	-8.9%	-2.9%	22.4%	19.2%	-13.9%	8.8%	1.1%

Past performance is not indicative of future returns. Returns are based on share class A except for Cautious Income Portfolios, which are based on share class E (accumulating). For inception dates please refer to the important notes.

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[1]Inception date January 17 2019. [2]Inception 14 March 2019. [3]Inception 18 February 2019. [4]Inception 27 September 2019.