

APRIL 2024

Portfolio Performance

At 7IM, we believe that taking a long-term view is essential when investing. We can't always avoid the short-term bumps and shocks that the financial world has in store, but a well-diversified portfolio goes a long way towards smoothing out some of the journey. The long-term nature of our strategic and tactical process is a good complement to the Succession Matrix Expected Parameters.

	Q1/2019	Q1/2020	Q1/2021	Q1/2022	Q1/2023	3 Year Ann. Return	5 Year Ann. Return	Succession Matrix Expected Parameters – Ann. Return
	-	-	-	-	-			
	Q1/2020	Q1/2021	Q1/2022	Q1/2023	Q1/2024			
Defensive	-0.77%	9.27%	0.75%	-5.37%	4.97%	-0.81%	1.21%	3.0 – 4.5%
Cautious	-2.54%	13.96%	2.41%	-4.47%	6.95%	0.62%	2.56%	4.5 – 6.0%
Balanced	-5.05%	19.83%	4.45%	-3.23%	8.84%	2.15%	4.08%	5.2 – 7.5%
Moderately Adventurous	-8.14%	26.06%	6.32%	-1.56%	10.14%	3.80%	5.36%	6.0 – 8.0%
Adventurous	-10.58%	30.79%	7.86%	-1.42%	9.74%	4.10%	5.70%	7.0 – 10.0%
Income	-8.68%	18.97%	4.16%	-3.46%	7.51%	1.54%	2.84%	

Source: 7IM/FE. Annualised return is defined as 'Ann. Return' in the performance table above and is as at end April 2024. Market returns have been poor in absolute terms since the beginning of 2020 with the Covid pandemic and then the inflationary shock of 2022. While portfolios have held up well relative to peers, the 3 and 5 year absolute returns are lower than average, even though the since inception longer term numbers are in line with expected parameters..

Summary

We often say that the future can't be predicted, and the last few weeks have shown why.

Weaker-than-expected US retail sales data in April has led investors to reconsider their confidence in how robust the economy is.

In the earlier months, the US economy exhibited higher-than-expected inflation data, but April's weaker data, coupled with policymakers' hawkish statements, posed a challenge for the optimists.

This uncertainty rippled across global markets, leading to declines in many of the largest indices beyond the US, including the FTSE 100 and Europe's Stoxx 600. The recovery has been swifter for these indices compared with the S&P 500 as the largest stocks in the US underperformed the global equities.

When it comes to individual stocks, the narrative is still quite concentrated on the seven technology names. The only caveat is that, while there are gains across the board, Meta's warning of slower growth and Tesla's latest earnings announcements have hurt investor sentiment.

So, monetary policy appears to be driving equities, indirectly, at the moment. The more direct impact is on the bond markets. A US Treasury sell-off came alongside an upturn in European bonds, highlighting the economic divergence between the two. The two-year US Treasury yield went up to around 5%, its highest value of the past five months.

There is little reason to believe the market is on a downward trajectory, but April was a reminder that one can never be too certain about what will happen.

If the future is unpredictable, the best way to grow is to prepare for different scenarios – and our long-term views do precisely that, as we explain below in our core views. Leaning on the principle of diversification, our portfolios are ready to grow in every kind of environment.

Portfolio Positioning and Changes

There were no changes in April.

Core investment views

At 71M, we have a number of long-term core views that help to guide our investment decisions and allocations within portfolios.

Over the next 12 months, we think that **the global economy will slow down – prompting bouts of volatility**. In this environment, it is important to rely on a stable identity. Economic uncertainty creates fear and investor sentiment tends to overreact to economic turning points. Going forward, we believe that:

- **Inflation is coming down:** Across the developed world, inflation has peaked, and is mostly falling. Supply-chain disruptions have eased, energy prices are a little more settled, and companies are no longer reporting issues with finding workers. Of course, slower inflation still means rising prices – so the cost of living pain isn't going away quickly
- **Interest rates are high:** We're now over a year into the rate hiking cycle. Interest rates are unambiguously high when compared with the past decade. The impact of higher rates is always the same – although time-to-effect changes in every cycle
- **The economy is slowing:** For consumers and companies, day-to-day life is getting harder – whether it's rising costs or increased debt, there's less money left at the end of the week or month. As the flow of money around the economy slows, strong growth is more difficult to achieve. The world may or may not slip into a 'technical' recession in the next three months, but a sluggish growth environment is already here.

Sluggish and sideways... In an environment with lots of uncertainty and a lack of confidence, we want to make sure portfolios are insulated against shocks, while still generating sufficient returns to make investing worthwhile. And we think our portfolios are set up to do just that.

There's no one answer... When managing a diversified long-term portfolio, there shouldn't be a single 'big' call. For an outlook that calls for selectivity, especially in the medium and short term, we're finding lots of different

opportunities – both to protect capital and to grow it.

ASSET ALLOCATION

Detailed asset allocation

	Defensive TAA	Cautious TAA	Balanced TAA	Growth TAA	Aggressive TAA	Income TAA
UK Equity	6.25%	9.25%	16.50%	20.25%	23.00%	19.50%
North American Equity	7.75%	11.25%	18.00%	19.25%	20.75%	14.00%
European Equity	3.00%	4.25%	5.00%	7.00%	8.00%	5.00%
Japan Equity	2.00%	3.00%	4.50%	7.50%	9.50%	3.75%
Emerging Market Equity	1.75%	3.00%	2.75%	5.75%	8.50%	3.75%
Global Themes	5.25%	6.25%	9.00%	13.25%	16.25%	6.50%
Global Govt Bond	22.00%	7.50%	5.50%	0.00%	0.00%	5.00%
Gilts	9.50%	5.50%	3.50%	0.00%	0.00%	3.00%
Sterling Corporate Bonds	0.00%	3.50%	0.00%	0.00%	0.00%	4.00%
Global Corporate Bonds	7.75%	13.00%	6.00%	0.00%	0.00%	9.00%
Global High Yield Bonds	3.50%	3.50%	4.50%	5.00%	2.50%	7.50%
Emerging Market Bonds	1.50%	3.00%	3.00%	2.50%	0.00%	4.50%
Emerging Market Bonds Local	1.50%	3.00%	3.00%	2.50%	0.00%	4.50%
Global Inflation Linked Bonds	5.00%	2.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	1.75%	4.00%	3.25%	2.75%	4.50%	6.25%
Alternative Strategies	16.50%	14.50%	13.00%	12.25%	5.00%	0.00%
Cash & Money Market	5.00%	3.50%	2.50%	2.00%	2.00%	3.75%

Source: 7IM

The past performance of investments is not a guide to future performance. The value of investments can go down as well as up and you may get back less than you originally invested. Any reference to specific instruments within this article does not constitute an investment recommendation.

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