

# Balanced Model Portfolio

31 March 2023

Factsheet

## Objective

The Balanced Model Portfolio aims to achieve long term investment returns from a combination of lower volatility assets (e.g. cash and/or bonds) and higher volatility assets (e.g. real assets and company shares). The other available model portfolios are Moderately Adventurous, Adventurous, Highly Adventurous and Company Shares (higher risk/potential return).

## Portfolio construction and philosophy

Our practised advisers guide clients to the appropriate Model, accounting for their risk profile, overall situation and objectives; we aim to maximise long-term potential returns, while ensuring sufficient liquidity for short term needs.

A strategic (neutral) asset allocation is set for each Model. Our experienced investment committee meets monthly to determine (i) tactical asset allocation based on our market views and (ii) specific investments based on detailed research.

We seek to identify active managers in each asset sector who can add value over the medium and long term; passive funds may be used where this is not possible. We believe a long term, disciplined approach (with a focus on business quality), a concentrated portfolio and low portfolio turnover are usually best placed to provide long term outperformance. We avoid complex, opaque funds that we are unable to adequately analyse and do not invest in ourselves. We currently allocate to company shares through investment trusts and open-ended funds. Bonds are purchased directly or through exchange traded funds ("ETFs").

We rarely find bond funds offer an attractive risk/return profile, and usually prefer to invest in government bonds directly; government bonds should provide superior protection against adverse events.

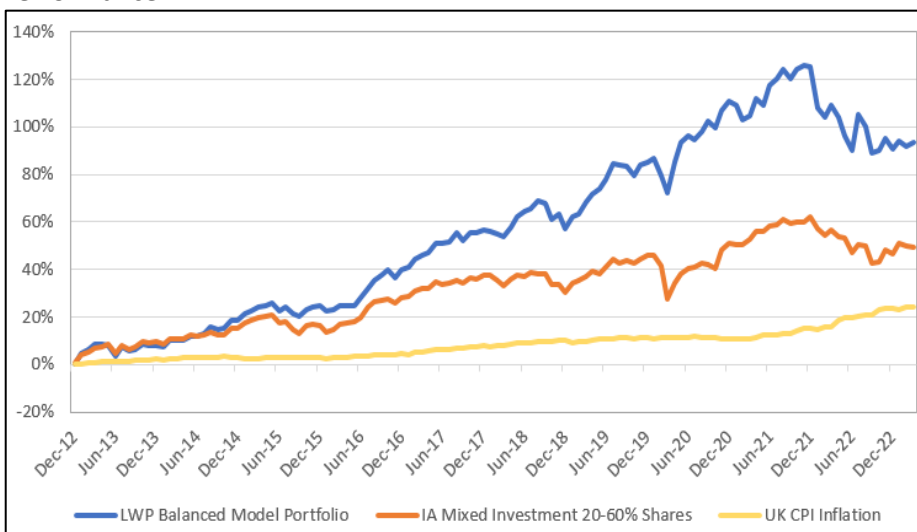
Where possible, we use fixed-fee products (e.g. pensions and ISAs) to hold investments which, combined with our own fixed-fee charges, minimise the ad-valorem charges, which can be punitive for higher value portfolios.

## Implementation, monitoring and governance

Client portfolios are aligned as closely as possible with the appropriate Model and reviewed (i) regularly, (ii) if we consider important changes are required, and (iii) in response to changes in circumstances/objectives.

Models are reviewed monthly and any changes are approved by our investment committee, which includes highly experienced non-executive advisers. Review items include volatility and performance relative to agreed comparative indices, severe loss scenarios compared to those agreed with clients and deviations from the desired asset allocation. Actual client portfolio performances are also reviewed against the Model performances.

## Performance



12-month total return to 31 March	2019	2020	2021	2022	2023
<b>LWP Balanced (%)</b>	<b>10.0</b>	<b>2.0</b>	<b>19.3</b>	<b>2.2</b>	<b>-7.4</b>
IA Mixed Investment 20-60% Shares (%)	2.9	-7.2	19.8	2.7	-4.8
CPI Inflation (%)	1.9	1.5	0.7	7.0	9.1

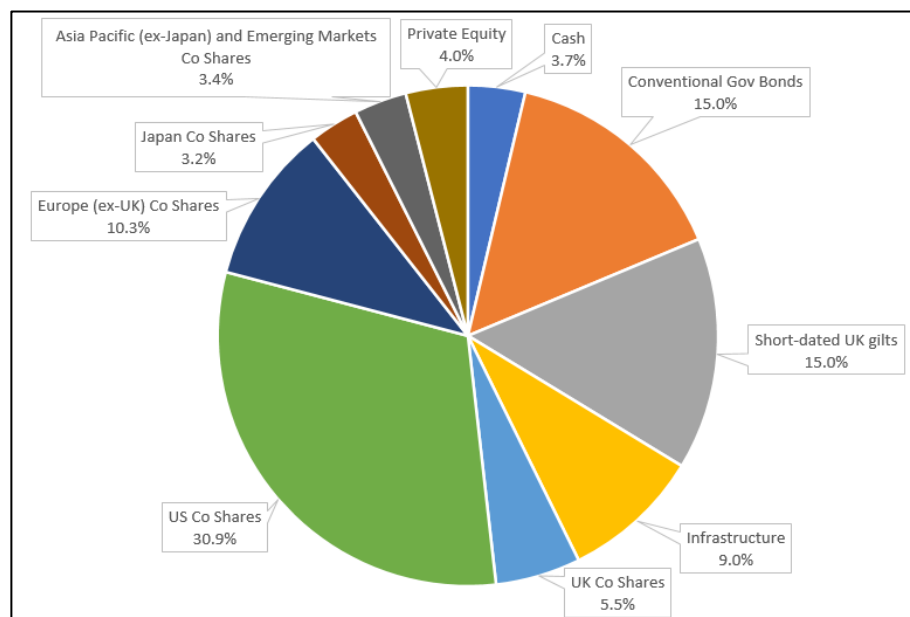
Compound annual return to 31 March 2023	3 Yrs	5 Yrs	Since authorisation*
<b>LWP Balanced (% p.a.)</b>	<b>4.1</b>	<b>4.8</b>	<b>6.7</b>
IA Mixed Investment 20-60% Shares (% p.a.)	5.4	2.3	3.9
CPI Inflation (% p.a.)	5.6	4.0	2.7

\*30 November 2012

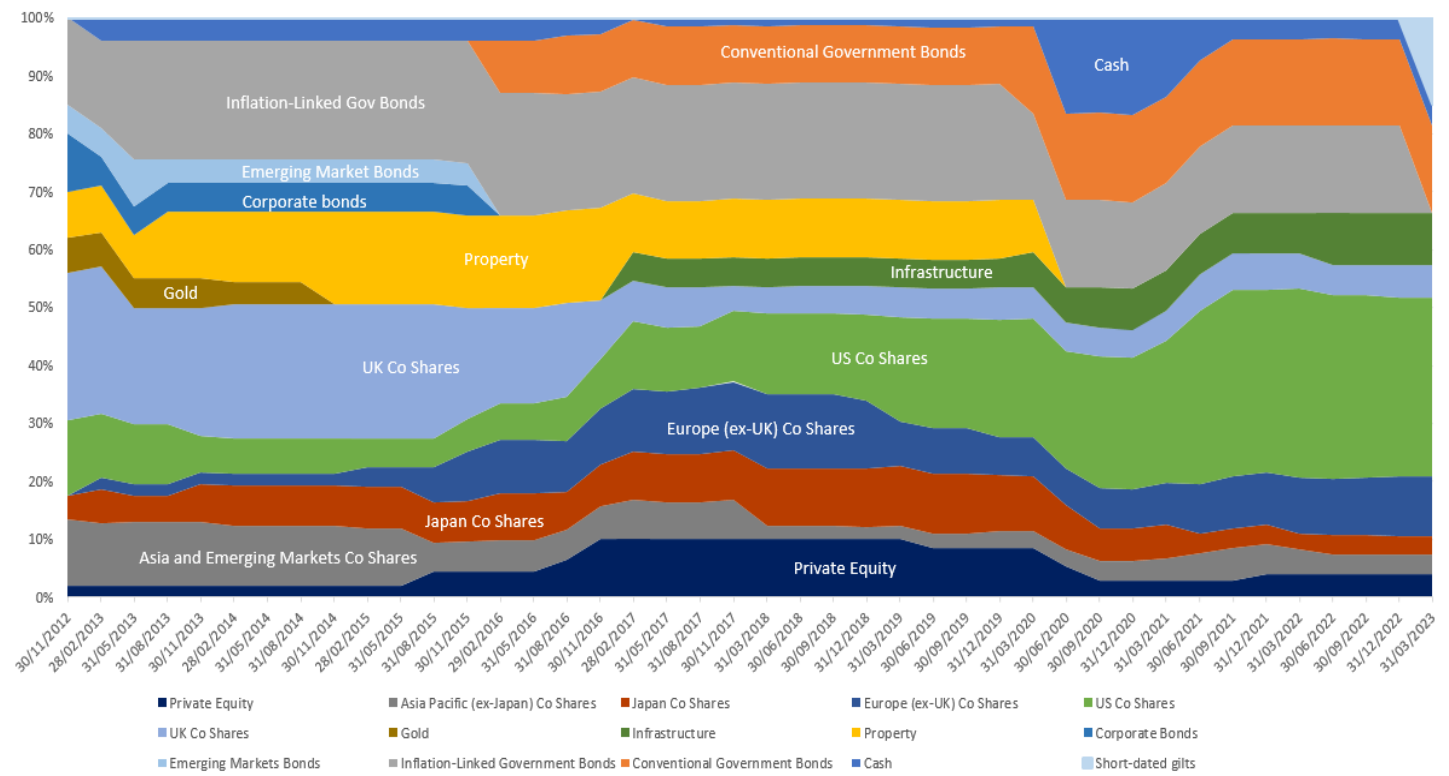
## Notes:

LWP = London Wall Partners  
 IA = Investment Association  
 CPI = Consumer Prices Index

## Current Asset Allocation



## Historical Asset Allocation



### Performance commentary

In broad terms, in the last 12 months, as the stock market's attention turned to higher inflation and interest rates, funds investing in prospectively higher growth businesses lagged in the short term. A widening in investment trust share price discounts, reflecting negative short-term market sentiment, also adversely impacted returns. Allocations to high-quality company shares supported returns.

Our asset allocation has changed over time, as indicated by the chart above. The most significant development has been an increase in US company shares as a result of a transition from regional funds to global company shares investments. We exited positions in commercial property investments and reduced allocations to smaller companies, which are typically less resilient and more sensitive to the economic cycle, and initiated a holding in global infrastructure. We exited US TIPS, taking advantage of US dollar strength, and introduced an allocation to cash-like short-dated gilts, given the attractive yields now available.

### Outlook

Our investment strategy continues to be based on the belief that productive businesses should continue to deliver attractive returns over the long term and our recommended asset allocation favours company shares. We are mindful of challenges to this view, including (i) the impact of higher inflation and interest rates, (ii) the prospect of an economic downturn, and (iii) the consequences of the war in Ukraine. We keep matters under constant review.

### Key facts

Inception date	30.11.12
Number of holdings (excl. cash)	12
Ongoing charges (% p.a.)	0.54
Max. Drawdown (%)	-20.0 (-16.7)
Beta	1.12 (1.00)
Sharpe ratio	0.32 (0.06)

Note:

Figures in brackets are for the relevant IA index.

Performance figures are on a bid-bid basis for 12-month periods ending 31 March of each year and for three and five years annualised to 31 March 2023. The source of performance data is London Wall Partners and Financial Express. Past performance is not a reliable indicator of future results; the value of investments and the income therefrom is not guaranteed and may go down as well as up. You may not get back what you invest. Returns are shown in sterling. Returns from investments in markets/currencies other than those of an investor's own country of residence may increase or decrease as a result of currency fluctuations. Returns shown are after fund management charges but before financial and investment advice fees, other charges and taxes, which will reduce the returns according to the charges and taxes for the products and services used to access them, and the personal tax position of an investor. From 31 December 2018, we have used dirty prices for gilts to more accurately reflect actual client returns and historic numbers have been updated accordingly. This data was produced on 5 April 2023, and may be subject to retrospective revisions as investment performance data providers update their information.