Capital Preservation Portfolio Service

GBIM
GORE BROWNE
INVESTMENT MANAGEMENT

QUARTERLY FACTSHEET
data as at 30 June 2021

Portfolio Objective

To seek to preserve capital over the medium to long term whatever the economic environment with total return above the level of cash with a low volatility of returns.

Manager Commentary

While the stated goal of the Capital Preservation Portfolios (CPP) is to outperform cash 'come rain or shine' over the medium term, many of our investors also keep a close weather eye on how performance keeps pace with inflation. Given how much the potential inflation threat is in the news now, we entered the second quarter of 2021 with some trepidation.

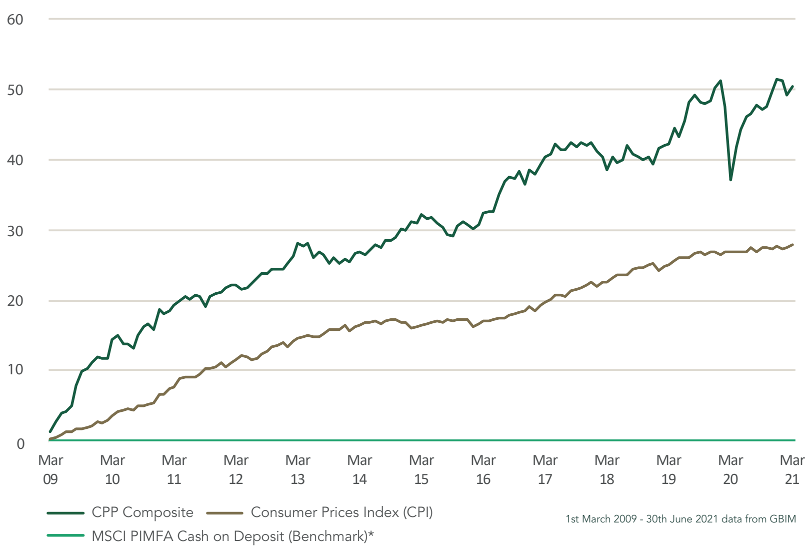
The so-called 'base effects' in the calculation of Consumer Price Indices (CPI) which we described in the 1Q2021 CPP Factsheet would we expected be most felt from the second quarter, and so we had already increased the direct inflation protection in the CPP strategy. As expected, the inflation prints for the second quarter came in much higher with the US reaching 5.4% year on year growth in consumer prices in June. UK June CPI was also higher at 2.5%. While both were above their central banks' targets of 2%, the UK lagged the US mostly due to the slower rate of opening its economy (despite its huge success in the vaccine roll out). The CPP strategy has held up well during the second quarter with the three-month performance at 2.2%, close to the 12-months UK CPI data.

Looking forward, the base effects should soon have passed through the inflation-basket calculation. Demand may also be starting to moderate for those indulgences, paid for by excess savings, which made consumers' lives a little easier during lockdown. In the US, the recent 40% fall in the price of lumber suggests that the new home and extension boom may be cooling. Supply constraints remain, however. For example, the shortage of semi-conductors has almost halted auto manufacturing around the world, leading to a sharp increase in the price of used cars. As economies reopen, demand for services is likely to accelerate more quickly, with consumers returning to restaurants faster than the waiters who serve them.

These will probably turn out to be temporary price surges which can be accommodated over time in the ebb and flow of the inflation rate around the central bankers' 2% anchor. Given that it has been a challenge to avoid deflation for the last 10 years or more, a few years trying to hit 2% from above should not cause too many problems. The bigger inflation threat may come from more fundamental changes: the transition of the baby boomers from savers to spenders as they enter retirement; or whether the pandemic has changed working habits in ways we can only guess at now.

No changes were made to the strategy in the second quarter.

Representative Performance Since Inception (%)



Representative Performance Since Inception (%)

	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs	Launch
CPP Composite	**2.25**	**1.53**	**5.24**	**9.93**	**13.79**	**53.74**
CPI	1.74	1.92	2.49	5.20	10.64	30.02
Benchmark*	0.00	0.00	0.00	0.00	0.00	0.00

Investment Managers

Tom Hewitt Director

Tom joined in 2017. Previously he spent 14 years at Lloyds Bank, working in corporate lending and structured finance. Tom is a Chartered Member of the CISI.

John MacMahon Investment Director

John is a co-founder of Gore Browne Investment Management. He initiated the Capital Preservation Portfolio (CPP) strategy during the turmoil of the Global Financial Crisis of 2007-09.

Key Details

Benchmark	**MSCI PIMFA Cash on Deposit***
Inception	**1st March 2009**
TER	**2.0%**
Holdings	**c 20**
Estimated Yield	**2.00%**

Note that each client's portfolio is treated separately. Whilst stocks held are likely to be similar across client portfolios, weightings or levels of cash held within each account will vary. Data provided in this factsheet is based on a composite sample of Capital Preservation Portfolios (CPP Composite) which includes portfolios which were managed from the outset of this strategy and are still run today, with performance data shown net of all fees and charges.

Portfolio Benefits

- ✓ Lower volatility of returns than 'traditional' growth or balanced portfolios means that lower-risk investors can receive a modest but stable return while maintaining capital over the medium term.
- ✓ With interest rates on cash so low at present and for the foreseeable future, the portfolio can provide an alternative for 'earmarked' cash to investors who are willing to take a limited amount of risk to get a better return until the time the money is needed is closer.
- ✓ A current team member has been managing the strategy since inception in 2009.

Key Risks

- ⦸ CPP strategy is not an outright alternative to cash in your current account as even in lower-risk portfolios, time is needed. Investors' capital is at risk and they may not get back the full amount that they invest.
- ⦸ Liquidity is lower than a bank as portfolios can normally be liquidated with two weeks.
- ⦸ When equity markets are rising strongly, the CPP strategy is very unlikely to keep up.
- ⦸ CPP strategy may not be a reliable source of income as the goal is total return (capital gain/loss plus income).

Contact Us

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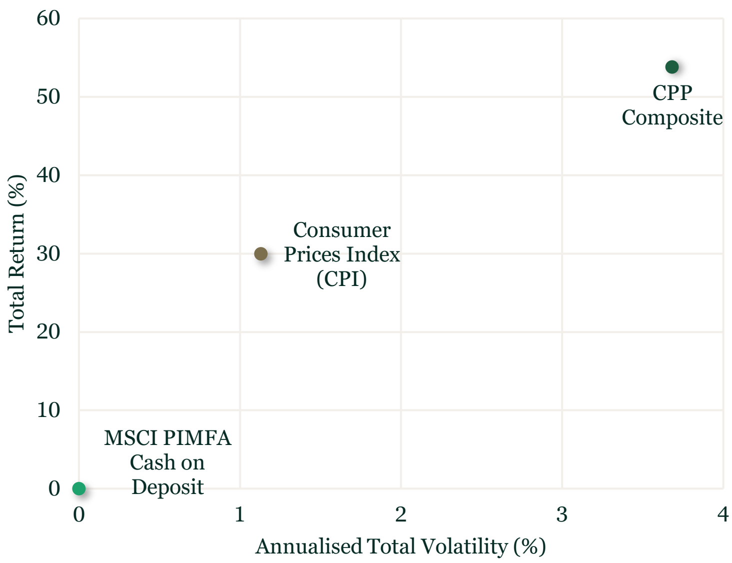
Representative Return vs Volatility Since Inception



Data from GBIM

Representative Performance Analytics Since Inception

	CPP Composite
Annualised total return	3.55%
Annualised monthly volatility	3.69%
Sharpe ratio	0.86
Risk-free rate	0.37%
Maximum drawdown (Feb-Mar '20)	-9.30%
Ratio of up to down months	1.85
Best month (Apr '20)	3.44%
Worst month (Mar '20)	-7.03%

Data from GBIM

Glossary

Annualised Monthly Volatility: A measure of how variable returns for a portfolio, fund or comparative market index have been around their historical average (also known as "standard deviation"). Two portfolios may produce the same return over a period. The fund whose monthly returns have varied less will have a lower annualised volatility and will be considered to have achieved its returns with less risk. The calculation is the standard deviation of a given number of monthly returns presented as an annualised number.

Asset Allocation: An investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an investor's goals, attitude to risk and investment time horizon.

Benchmark: A benchmark is, in investment terms, a standard against which the performance of a security, investment portfolio or fund can be measured. It usually involves using accepted market indices to build a composite, weighted appropriately for the investment objective and attitude to risk of the portfolio or fund whose performance it is measuring. The MSCI PIMFA Private Investor Index Series is extensively used as benchmarks for GBIM clients. The MSCI Cash Equivalent benchmark which is used for the CPP strategy is defined by the formula Bank of England Base Rate - 0.75%, with a floor of 0.00%.

Best / Worst Month: The month in which the total return of the CPP strategy was the highest or lowest of any month from inception to date.

Correlation: A statistic that measures the degree to which the prices of two securities move in relation to each other. Correlations are used to produce the correlation coefficient, which has a value that must fall within -1.0 and +1.0. Diversification is used to manage the risk of the CPP, and adding an asset with a neutral (around 0) or negative correlation to the overall portfolio should increase the diversification value, thereby lowering risk and potentially enhancing the return.

Maximum Drawdown: The maximum loss from a month-end peak to a month-end trough of a portfolio. Maximum drawdown is an indicator of downside risk over a specified time period.

Liquidity: In the investment context, how quickly can assets held in the portfolio be turned into cash.

Ratio of Up Months to Down Months: The number of months in which the total return of the CPP strategy rose divided by the number of months in which the total return of the portfolio fell. For example, if in a given year, the total return of the CPP strategy rose in seven months and fell in five months, the ratio of up months to down months would be 1.4.

Risk-free Rate: The risk-free rate is the theoretical rate of return of an investment with zero risk. The Risk-free rate is used in calculating the Sharpe ratio (q.v.). The Risk-Free rate used in calculating the Sharpe ratio in this Factsheet is the 1 Month UK Treasury Bill Total Return.

Sharpe Ratio: A measure of a fund's risk adjusted performance, taking into account the return on a risk-free investment. The ratio allows an investor to assess whether the fund is generating adequate returns for the level of risk it is taking. The higher the ratio, the better the risk-adjusted performance has been. If the ratio is negative, the fund has returned less than the risk-free rate. The ratio is calculated by subtracting the risk-free return (such as cash) in the relevant currency from the fund's return, then dividing the result by the fund's volatility. It is calculated using annualised numbers.

Total Return: The actual rate of return of an investment or a portfolio of investments over a given evaluation period. Total return includes interest, dividends, fees received and other distributions, as well as the capital gain or loss on the investment.

Volatility: A risk indicator demonstrating the fluctuation range (for example of the price or return of a security or fund unit) over a defined period. Volatility is most often calculated using standard deviation. The higher the volatility the greater the fluctuation range.