Capital Preservation Portfolio Service

GBIM
GORE BROWNE INVESTMENT MANAGEMENT

QUARTERLY FACTSHEET
data as at 31 March 2023

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

Markets continued to show higher levels of volatility in the first quarter of 2023, mostly induced by differing views on interest rates. January started strongly on the growing expectation of a slowdown in interest rate rises (and potential for earlier than previously expected interest rate cuts). This came to an end in mid-February when the gains of the previous month were given back, partly due to a massively higher than expectations US non-farm payrolls figure which reignited inflation fears.

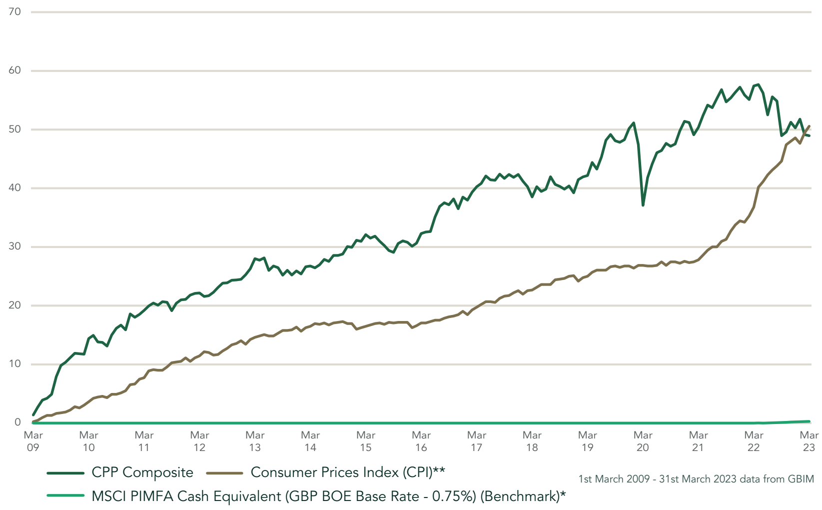
March opened with worrying resonances of the 2008 Global Financial Crisis when two US regional banks collapsed, very quickly indeed, partly due to the efficiency of their new online banking capabilities which allowed a run on the banks to get underway with alarming speed. This was followed up by the troubles at Credit Suisse, Switzerland's second largest bank, leading to its forced merger with UBS, the largest bank in that country. These cases sent shockwaves through the banking sector worldwide and will lead to additional regulation which in turn may constrain lending and thus slow global growth.

The outlook for interest rates has played a role in how GBIM's Capital Preservation strategy has performed in 1Q 2023, in respect of how investments with longer duration have reacted. Take Round Hill Music Royalties Fund: this is held in the portfolio for its diversification benefits and for its attractive yield of nearly 7%pa. Music royalties typically last well over 50 years which gives the fund long duration, similar to a very long-dated government bond. As a result, it has been particularly hit by the rise in US interest rates which began in 2021 and accelerated in 2022 as inflation jumped in response to the Ukraine war. Its resulting performance contribution detracted from the performance of the portfolio disproportionately to its small 3% target weighting.

RIT Capital Partners, a long-term favourite of the strategy, has also contributed negatively this quarter but for different reasons: it has always invested part of its assets into private, unlisted companies, before these float on the stock exchange in an Initial Public Offering. Due to interest rate induced instability, the market for new IPOs has slowed right down while the investment itself has continued to grow strongly. As a result, the relative allocation to private assets has grown too fast and too large for the market which is nervous about how the unlisted assets are valued. As a result, the discount on which the share price trades relative to the Net Asset value has pushed out to hitherto unheard-of levels.

On a more positive note, the holding of gold has benefitted strongly from the mix of volatility and inflation and the strategy's holdings of short-dated bonds continue to produce good income.

Representative Performance Since Inception (%)



Representative Performance Since Inception (%)

	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs	Launch
CPP Composite	**-0.89**	**0.01**	**-5.38**	**8.66**	**7.53**	**48.96**
CPI	1.34	4.12	10.08	18.69	22.77	50.59
Benchmark*	0.77	1.29	1.56	1.56	1.56	1.56

Investment Managers

Tom Hewitt Snr Investment Manager

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

John MacMahon Snr Investment Manager

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 Equivalent***
Inception	**1st March 2009**
TER	**2.0%**
Holdings	**c 20**
Estimated Yield	**3.20%**

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, 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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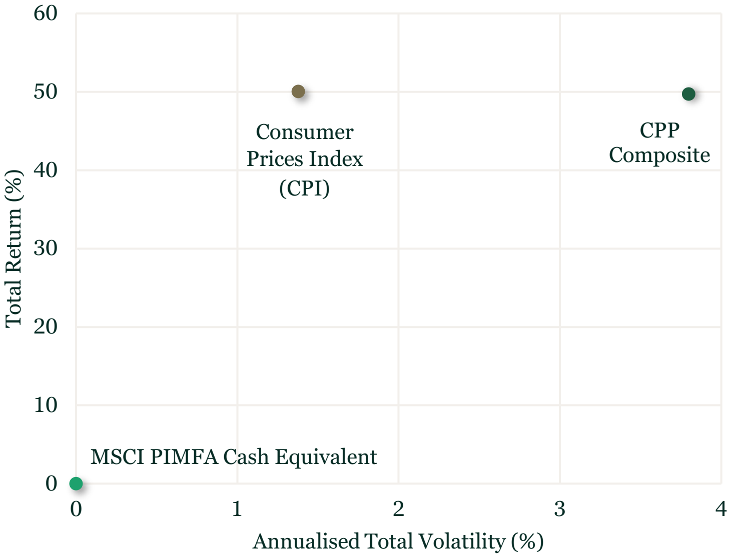
Representative Return vs Volatility Since Inception



Data from GBIM

Representative Performance Analytics Since Inception

	CPP Composite
Annualised total return	2.87%
Annualised monthly volatility	3.86%
Sharpe ratio	0.63
Risk-free rate	0.43%
Maximum drawdown (Feb-Mar '20)	-9.30%
Ratio of up to down months	1.73
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.