Capital Preservation Portfolio Service

GBIM
GORE BROWNE INVESTMENT MANAGEMENT

QUARTERLY FACTSHEET
data as at 30 September 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

The Capital Preservation Strategy turned in a positive return in the third quarter of 2023 of just under 1%. However, as conditions described in previous Commentaries have not significantly changed, this result was mostly down to one holding which we describe later.

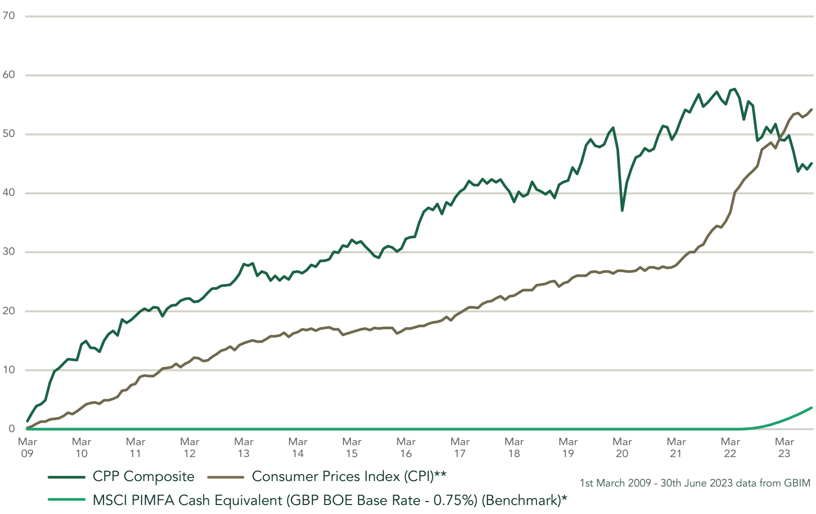
With inflation continuing to fall gradually across the globe, it looks increasingly likely that we have reached a peak in interest rates, at least for now. The issue we face today is how long interest rates will remain at current levels before we can expect them to start falling back. In recent testimony, the Fed made it clear that risks of reducing interest rates too soon would not be taken lightly, and a similar position was taken by the ECB after a fall in inflation across the EU. While talking the talk is an important part of monetary policy, central bankers must also have in their mind the risk of potentially holding out on higher interest rates for too long and precipitating a recession as a result.

On Saturday 7 October, however, a new factor entered the equation in the form of the horrific attacks by the Hamas terrorist group against Israeli families and festival-goers. It is too early to say what the broad implications for markets are likely to be but the deterioration in the geopolitical climate has already signified a rise in oil prices. Should other countries in the region, most notably Iran, become involved, we could see a rapid escalation in tension, which could feed through quickly to markets. This may in turn require a more accommodative monetary stance to be taken by the world's central banks, which, with higher energy prices, could unwind some of the good work done thus far on inflation reduction.

The Capital Preservation strategy saw positive contributions from most of its bond holdings over the quarter although its allocation to alternatives suffered from the widening of discounts on the closed-end investment companies. While the Net Asset values (NAVs) of INPP, HICL and BH Macro barely moved, the cost optics of these funds, together with industry consolidation raising fears of selling pressure, have pushed discounts out to unprecedented levels.

This share price to NAV disparity was particularly notable in Round Hill Music, the music royalties company, where the discount to NAV had moved out to over 40%. This may well have been a factor early in September in Concord Cadence, part of Alchemy Copyrights, bidding $1.15 per share for the whole company. As this represented a 63% uplift in the price, we let the holding go, somewhat regrettably as its high-quality portfolio of music royalties provided excellent diversification for the portfolio overall despite its large discount. The resulting funds were used to build a new position in Guinness Global Equity Income, probably the first outright global equities fund to be held in the CP strategy since inception in 2008. We have held this fund in our Balanced portfolios for several years and found its ability to generate steady returns with relatively low volatility made it a suitable replacement.

Representative Performance Since Inception (%)



Representative Performance Since Inception (%)

	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs	Launch
CPP Composite	**0.95**	**-2.61**	**-2.60**	**-1.41**	**3.38**	**45.08**
CPI	0.38	2.40	6.62	20.99	23.83	54.21
Benchmark*	1.10	2.04	3.57	3.62	3.62	3.62

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.
- ✓ 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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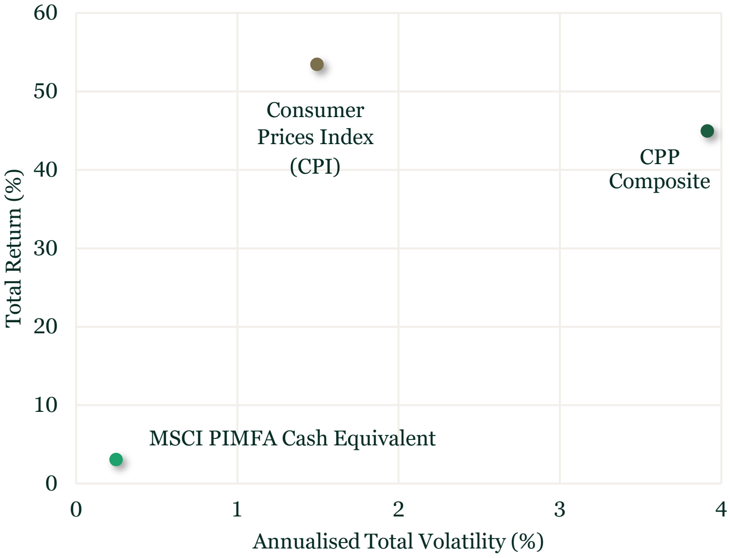
Representative Return vs Volatility Since Inception



Data from GBIM

Representative Performance Analytics Since Inception

	CPP Composite
Annualised total return	2.57%
Annualised monthly volatility	3.90%
Sharpe ratio	0.49
Risk-free rate	0.65%
Maximum drawdown (Feb-Mar ’20)	-9.30%
Ratio of up to down months	1.69
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.