

Capital Preservation Portfolio Service

GBIM

— GORE BROWNE —
INVESTMENT MANAGEMENT

QUARTERLY FACTSHEET

data as at 31 December 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 benefitted from the Fed's pivot on interest rates in the fourth quarter of 2023 turning in a 4.49% total return. A better outlook for falling interest rates helped the large bond element of the strategy, and all the bond investments produced positive contributions. The Schroder Emerging Market Debt Total Return Fund was one of the lesser contributors in the quarter, but this belied its strong contribution during the first half of the year when emerging economies, having led in raising interest rates to combat inflation, were able to start cutting sooner than their developed market counterparts. The strategic and corporate bond funds all turned in good contributions.

Our small allocation to equities saw the new (September 2023) acquisition Guinness Global Equity Income Fund contributing positively, but RIT Capital struggled with the unprecedentedly high level of its discount to NAV. Some changes have occurred in its senior personnel recently and we shall be watching to what effect this has on investor confidence and performance. The fund remains an attractive source of private investment strategies (among more traditional investments) which we believe provides useful diversification.

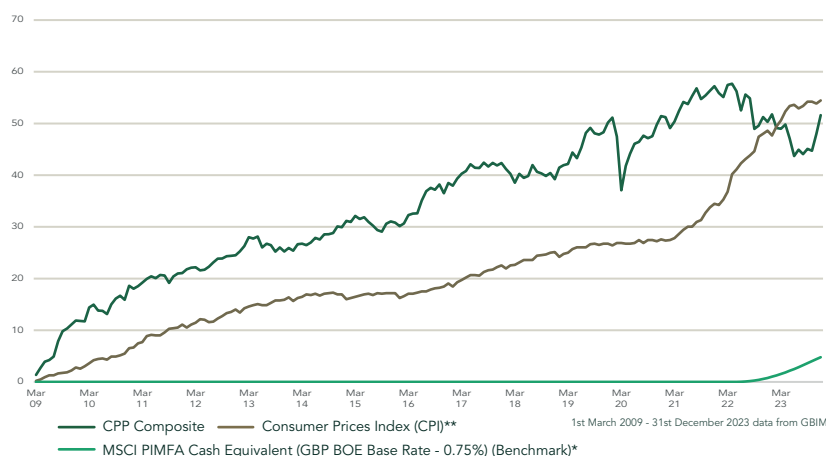
The CPS' Alternative category is as large as Cash & Bonds at 46% but much more diverse, and contributions towards the overall return were also all positive though with some significant variances. Our core infrastructure and gold investments benefitted from the better outlook for interest rates, while the multi-asset strategies maintained a steadier approach.

Looking out to 2024 and beyond, with the 2022-23 period of sharp adjustments hopefully largely behind us, it feels like we have still some way to go before equity valuations fully discount the return to 'normal' interest rate levels, despite the amazing performance of the Magnificent Seven in 2023. Bonds on the other hand seem to have largely made the correction and, barring a resurgence of the rampant inflation which came out of Covid and Ukraine, look more attractive than they have done for many years.

Alternatives are trickier to forecast, partly given the catch-all nature of the asset class's description. Gold provides protection against inflation and geopolitical instability (of which there is no shortage). We expect the multi asset funds we hold all to provide to varying degrees something similar. To what extent the infrastructure funds can deliver attractive returns in a world of normalised interest rate policy and are not just a relic of the 'alternative income' theme during the era of ZIRP and QE, is something we shall be considering more closely when their discounts recover closer to NAV. While their real yields are undoubtedly attractive given the quality of the cash flows, their longevity is limited as long as discounts bar the raising of new capital.

Though it seems hard to believe, global equity returns in 2023 were concentrated in seven stocks, and tracker funds may experience heightened volatility in 2024. In contrast, diversification remains at the heart of the GBIM Capital Preservation strategy as it is this which we believe will enable satisfactory medium-term returns to be generated whatever the weather.

Representative Performance Since Inception (%)



Representative Performance Since Inception (%)

	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs	Launch
CPP Composite	4.49	5.49	0.86	0.12	8.89	51.59
CPI	0.15	0.53	3.93	21.06	23.43	54.44
Benchmark*	1.13	2.25	4.52	4.79	4.79	4.79

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	1 st March 2009
TER	2.0%
Holdings	c 18
Estimated Yield	3.10%

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.

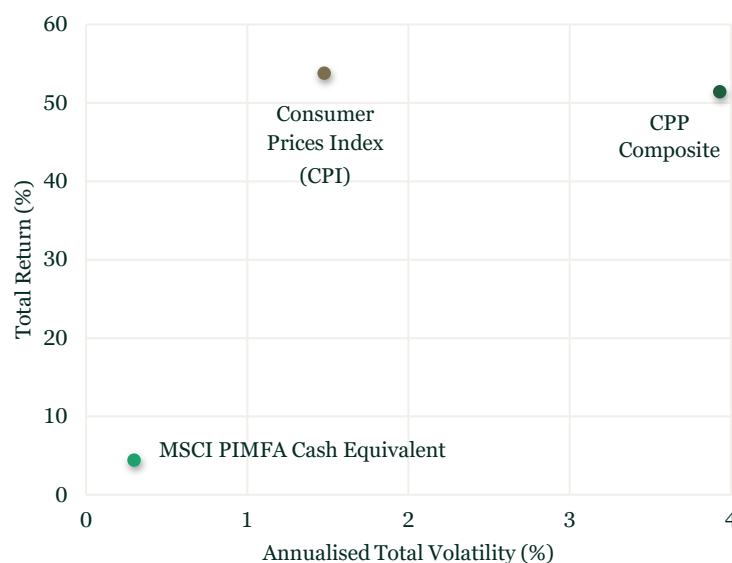
Key Risks

- ⊗ 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	2.83%
Annualised monthly volatility	3.95%
Sharpe ratio	0.55
Risk-free rate	0.65%
Maximum drawdown (Feb-Mar '20)	-9.30%
Ratio of up to down months	1.70
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.

IMPORTANT INFORMATION

*Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by, the Wealth Management Association. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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