

ABACUS ACTIVE - DFM PROFILES

QUARTERLY UPDATE (Q1 2023)



Market Commentary

2023 started positively, with both bond and equity markets seemingly shrugging off the disappointment of the year before.

UK and Emerging Market equities rose by, on average, 3%, whilst the US, Europe, and Japan fared better, up around 7% for the quarter. Fixed Interest securities, otherwise known as bonds, recovered some of their losses from 2022, rising on average by 3% in Q1.

Commodities as a whole were down over 5% in the first three months of the year; however, Gold was up around 8%. In the month of March Silver also shone, rising over 15%.

Despite a strong quarter overall, we believe there are challenging times ahead.

There was a sharp rise in volatility across markets in March, following the collapse of three regional banks in the US, including the 2nd and 3rd largest US bank failures on record (Silicon Valley Bank and Signature). Credit Suisse also had its own set of separate issues which resulted in the state brokering an acquisition by UBS.

We think that markets will remain volatile.

We expect inflation to remain high (or 'sticky' as some call it) and to have higher-for-longer interest rates, both in the UK and US. We also believe that we are yet to feel the full effects of rising interest rates in the real economy, and we believe equity valuations, particularly in the US, remain expensive.

With all this in mind, we think markets have got ahead of themselves.

We think the recent market rise (especially in January) is not backed by the fundamentals; we think the last few months represent a relief rally within a broader bear market i.e., we don't expect it to last. We are not chasing this market rally and remain defensively positioned with exposure to high quality companies in both equity and bond markets.

As always, we remain pragmatic and continue to question our assumptions and market outlook. Should the economic environment change, the team will adapt as required.



Active Profile Allocations

| FUND | 3 | 4 | 5 | 6 | 7 | 8 |
|--|--------|--------|-------|-------|-------|--------|
| Fidelity Emerging Markets Fund | 0.00% | 2.00% | 3.00% | 3.50% | 9.50% | 13.50% |
| Baillie Gifford American Fund | 2.00% | 5.00% | 5.50% | 6.00% | 6.50% | 7.00% |
| iShares FTSE 100 Index Fund | 2.00% | 2.50% | 2.50% | 3.00% | 3.00% | 3.00% |
| BNY Mellon Emerging Income Fund | 0.00% | 0.00% | 0.00% | 0.00% | 4.50% | 9.00% |
| HSBC American Index Fund | 4.00% | 5.00% | 5.50% | 6.00% | 6.50% | 8.50% |
| Artemis Income Fund | 2.50% | 5.00% | 5.50% | 7.50% | 8.00% | 8.00% |
| Invesco UK Opportunities Fund | 2.50% | 5.00% | 5.50% | 7.50% | 8.00% | 8.00% |
| Baillie Gifford Emerging Markets Growth Fund | 0.00% | 0.00% | 0.00% | 0.00% | 5.50% | 8.00% |
| Fidelity Sustainable Global Equity Income Fund | 0.00% | 4.50% | 6.00% | 9.50% | 7.00% | 5.00% |
| Liontrust European Dynamic Fund | 2.00% | 3.00% | 3.50% | 6.50% | 5.00% | 5.00% |
| Fidelity Asia Pacific Opportunities Fund | 0.00% | 2.00% | 3.50% | 3.50% | 4.00% | 5.00% |
| HSBC USA Multi-Factor Equity Fund | 2.00% | 3.00% | 3.00% | 3.50% | 3.50% | 5.00% |
| Fidelity American Special Situations Fund | 2.00% | 2.50% | 3.00% | 3.50% | 3.50% | 5.00% |
| BlackRock Natural Resources Growth & Income Fund | 2.00% | 2.50% | 3.00% | 3.50% | 4.00% | 4.50% |
| T Rowe Price Global Focused Growth Equity Fund | 0.00% | 3.50% | 4.00% | 6.50% | 4.00% | 3.50% |
| Nikko AM Japan Value Fund | 0.00% | 3.00% | 3.00% | 3.00% | 2.00% | 2.00% |
| M&G Global Government Bond Fund | 16.00% | 10.00% | 9.00% | 7.00% | 4.00% | 0.00% |
| PIMCO GIS Global Bond Fund GBPH | 16.00% | 10.00% | 9.00% | 7.00% | 4.00% | 0.00% |
| Vanguard Global Credit Bond Fund GBPH | 10.00% | 8.50% | 6.50% | 4.00% | 4.00% | 0.00% |
| Ruffer Diversified Return Fund | 5.00% | 5.00% | 4.00% | 4.00% | 3.50% | 0.00% |
| Allianz Gilt Yield Fund | 7.00% | 5.00% | 5.00% | 0.00% | 0.00% | 0.00% |
| M&G Strategic Corporate Bond Fund | 7.00% | 5.00% | 5.00% | 0.00% | 0.00% | 0.00% |
| M&G Emerging Markets Bond Fund | 3.00% | 3.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Cash | 15.00% | 5.00% | 5.00% | 5.00% | 0.00% | 0.00% |

| | | | | | | |
|------|-------|-------|-------|-------|-------|-------|
| OCF* | 0.43% | 0.56% | 0.58% | 0.64% | 0.70% | 0.73% |
|------|-------|-------|-------|-------|-------|-------|

*OCFs as at 31/03/2023



Changes & Rationale

Funds Removed/Allocation Reduced

– Ballie Gifford American Fund

We reduced the size of this position marginally, to decrease the overall risk of the models. The fund has made a strong rebound recently and we wanted to use this as an opportunity to book some recent profits.

We also wanted to reduce the allocation as we maintain a cautious market outlook going forward.

Funds Added/Allocation Increased

+ iShares FTSE 100 Index Fund

This fund was introduced to bring the exposure closer to our strategic asset allocation, reinvesting some of the Baillie Gifford America proceeds, into the UK.

Funds Rebalanced

We made minor adjustments to the following funds to maintain risk progressive cash levels across the proposition:

Fidelity Asia Pacific Opportunities Fund
HSBC American Index
Liontrust European Dynamic Fund

Performance

Performance over the last 12-months is as follows:

| | |
|-------------------------------|---------|
| Abacus Active Profile 3 - DFM | -7.56% |
| Abacus Active Profile 4 - DFM | -8.93% |
| Abacus Active Profile 5 - DFM | -10.13% |
| Abacus Active Profile 6 - DFM | -10.13% |
| Abacus Active Profile 7 - DFM | -10.47% |
| Abacus Active Profile 8 - DFM | -12.20% |

Source of Data: Titan Asset Management
Data as of 31/03/2023



Case Study / Theme

This quarter, our case study again focusses on the funds that we added to the Active Profiles in late June 2022, as well as an update on the Baillie Gifford American fund.

As mentioned in previous updates, we made extensive changes to the Active Profiles on the 22nd of June 2022. The table below highlights the performance of the new funds added to the Profiles, taken up to the 22nd of March 2023.

| Security | Absolute Performance 22/06/22 – 22/03/23 | Relative Performance* 22/06/22 – 22/03/23 |
|--------------------------------------|---|--|
| Baillie Gifford American | 12.09% | 5.63% |
| Fidelity Global Sustainable Income | 10.12% | 2.99% |
| Fidelity American Special Situations | 0.99% | 1.75% |
| HSBC US Multi-Factor | 8.19% | 1.42% |
| Invesco UK Opportunities | 8.89% | 0.79% |
| Liontrust European Growth Fund | 18.66% | 3.80% |
| Fidelity Asia Pacific Opportunities | 3.48% | 2.07% |
| BNY Mellon Emerging Income | 2.82% | 2.31% |
| BlackRock Natural Resources Funds | 5.21% | 20.11% |

It is encouraging to see that all the funds added to the Profiles have increased in value since being bought. It is also pleasing that they have all delivered strong relative performance, when compared with their respective regional benchmarks.

There has been a large outperformance from the BlackRock Natural Resources fund (20.11% relative outperformance) and Baillie Gifford American fund (5.63% relative outperformance), in particular.

We have decided to retain a position in the Baillie Gifford American fund, despite a difficult 2022. Our belief is that the fund is well managed and that the manager's focus on growth orientated companies will pay off, over the longer-term.

That said its performance remains volatile given the nature of companies the fund holds, in the current macroeconomic environment. We therefore decided to reduce the size of our position marginally in Q1. This has decreased the overall risk of the models and is in keeping with our cautious market outlook.

The slight reduction also gave us the opportunity to book some recent profits following the fund's strong rebound recently.

Performance numbers are quoted net of underlying fund fees and gross of any applicable DFM fee or trading fee, all priced in GBP

* Relative performance is measured against respective regional benchmarks

All data to 22/03/23

Source: Lipper for Investment Management, Bloomberg, Titan Asset Management

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