ABACUS PASSIVE - DFM PROFILES

QUARTERLY UPDATE (Q1 2023)

tavistock
ASSET MANAGEMENT

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.

Passive Profile Allocations

FUND	3	4	5	6	7	8
Abrdn Global Government Bond	10.00%	10.00%	8.00%	4.50%	2.00%	0.00%
Fidelity Index Pacific	1.00%	2.00%	2.00%	3.50%	3.50%	4.00%
HSBC American Index	4.00%	8.00%	8.50%	11.00%	11.00%	12.00%
iShares Continental Europe Equity	2.50%	5.00%	6.00%	7.00%	8.00%	9.00%
iShares UK Gilt All Stock	8.00%	7.00%	4.50%	2.50%	2.00%	0.00%
iShares 100 UK Equity	3.00%	6.00%	8.00%	9.00%	9.00%	11.00%
iShares Corporate Bond	16.00%	9.00%	9.00%	4.50%	3.00%	0.00%
iShare Emerging Markets Equity	0.00%	0.00%	3.50%	9.00%	9.00%	12.00%
iShare Japan Equity	2.50%	3.00%	4.00%	4.50%	4.50%	5.00%
iShares North America Equity	4.00%	8.00%	8.50%	11.00%	11.00%	12.00%
iShares US Equity	4.00%	8.00%	8.50%	11.00%	11.00%	12.00%
Vanguard FTSE UK All Share	3.00%	6.00%	8.00%	9.00%	9.00%	11.00%
Vanguard Global Bond	15.00%	14.00%	10.50%	6.00%	4.50%	0.00%
Vanguard Emerging Market	0.00%	0.00%	0.00%	0.00%	9.00%	12.00%
Vanguard US Government Bond	12.00%	9.00%	6.00%	2.50%	1.50%	0.00%
CASH	15.00%	5.00%	5.00%	5.00%	2.00%	0.00%

OCF*	0.12%	0.10%	0.10%	0.09%	0.10%	0.10%

*OCFs as at 31/03/2023

Changes & Rationale

There were no changes made to the Abacus Passive – DFM Profiles, this quarter.

Whilst events have been fast moving in financial markets over the quarter, the Passive Profiles have held up well. All Passive Profiles rose in absolute terms in Q1, and they were amongst the best performing set of models in the Abacus DFM – Profile range.

We remain comfortable with the current Profile allocations and their ability to both protect clients in the event of a market downturn, whilst also meeting our longer-term strategic investment outlook.

We are therefore content not to have made any changes in Q1.

Performance

Performance over the last 12-months is as follows:

Abacus Passive Profile 3 - DFM	-6.95%
Abacus Passive Profile 4 - DFM	-5.11%
Abacus Passive Profile 5 - DFM	-4.31%
Abacus Passive Profile 6 - DFM	-3.28%
Abacus Passive Profile 7 - DFM	-2.80%
Abacus Passive Profile 8 - DFM	-1.85%

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

Case Study / Theme

Again, this quarter our focus is on long-term investing.

Investors are under pressure from extreme market volatility, regionalised banking problems, persistently high inflation, rising interest rates, industrial action on a large scale, and an ongoing war in Ukraine.

The current economic outlook and possibility of recession is causing even the most experienced investors to re-evaluate things.

During a volatile market it could be tempting to exit. Whilst this may provide some form of short-term comfort, missing just a few good days can significantly reduce how much a portfolio grows.

Timing the stock market is next to impossible. No one knows exactly what the markets will do, but it is important to remember that the best and worst trading days often happen close together.

- History tells us that over the long-term, equity returns are significantly higher than bonds and cash

- Remaining invested means that one can participate in any market recovery, which often follows a market fall

- Equity markets have historically recovered from a downturn to deliver positive returns more than inflation

It is impossible to predict what the market will do next and trying to catch a falling knife can be very costly. As the adage goes; “it is not about timing the market, but time in the market.”

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