FACET

Client Portfolio Monthly Update – December 2020

In the final month of the year, investor sentiment was mainly driven by a list of diarised events which could have gone either way. There was a palpable sense of short-term caution mixed with long-term opportunity. Global stock markets had already rallied following Joe Biden's victory in the US Presidential election, but markets had stalled as challenges to his legitimacy emerged. In addition, markets were keenly awaiting a series of key data releases on the state of the economy and the actions governments and central banks intended to take.

Black Friday sales data showed encouraging signs of consumers' willingness to spend, both online and in-store and, as expected, showed a big pick-up in online sales. Also, data showed that there was no significant spike in Covid-19 infections during the US Thanksgiving holidays when families across the USA were on the move. The UK authorised the new Pfizer/BioNTech vaccine and so did the Federal Drug Administration. Underpinning the rise was a growing sense of optimism that a generous US stimulus package was inevitable. Of greater importance, however, was the continued backing of the big central banks.

The Federal Reserve confirmed their commitment of $80 billion per month of increased liquidity measures, or quantitative easing (QE) and the European Central Bank increased their QE from E500 billion to E1.8 trillion. The Bank of England also increased their QE by a further £150 billion. These measures drove lower yields throughout the year and the US 10-year Treasury yield, which started the year at 1.9%, had fallen to just 0.9%. For the UK, some of the best news was saved for last as the UK and EU agreed a last-minute Brexit deal. Light on detail, markets took the news favourably, and the UK stocks ended the year close to the highs since the start of the Covid-19 crisis, at 6,460.

The FACET client portfolios ended the year strongly, performing significantly above both our benchmarks and our peers. In part, this was driven by the investment in the Baillie Gifford American Fund which we bought for client portfolios in early March. The fund itself was by far the top performer in its sector owing, in part, to the significant performance of their investment in Tesla.

On the 4th January 2021, the FTAdviser produced an article titled "The Best and Worst Performing Funds of 2020", which presented the top sectors as well as funds of the past year. It is with great pleasure that we can reveal that one of funds that feature in our portfolio's was named top fund of 2020. The Baillie Gifford American B produced a remarkable 121.84% over the 12-month period. This fund represents the winning themes of the year – technology, the US and Bailie Gifford itself.

We have had another good month with performance against the benchmarks. All of our portfolio's except Risk 2 outperformed their comparative sectors, with the higher risk levels performing the best. Risk 2 still produced a positive return of 1.05%, which was 0.2% lower than the 0-35% shares benchmark. All of our portfolio's returns are shown on the right.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	1.05%	1.25%	-0.20%
	Risk 3	1.74%	1.25%	0.49%
20-60% Shares	Risk 4	2.43%	1.82%	0.61%
	Risk 5	2.82%	1.82%	1.00%
	Risk 6	3.09%	1.82%	1.27%
40-85% Shares	Risk 7	3.33%	2.25%	1.08%
	Risk 8	3.40%	2.25%	1.15%
	Risk 9	3.41%	2.25%	1.16%

No amendments have been made this month to the model portfolios. The IMC are keeping a close eye on all the funds in our portfolios during these uncertain times. We are committed to completing in depth analysis over 3 months, 6 months, 1 year and longer time periods on whether performance of our funds have excelled or underperformed, and we will be basing our actions around these findings.

Information in this report is at the last valuation point on 04th January 2021 (except where indicated).
*source: Yahoo Finance
**source: www.FTAdviser.com

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