

# Model Portfolio Risk Level 5

# August 2021

Information in this factsheet is at the last valuation point on 1<sup>st</sup> September 2021 (except where indicated).

## Portfolio Overview

**Objective:** To provide a long-term total return above that of the UK Consumer Price Index (CPI) +2%

**Investments:** The portfolio will be actively managed and invest in multiple asset classes with a portfolio of collective investment schemes, commodity and property funds.

**Strategy:** The investment manager has the discretion to weight the portfolio towards any investment type, or geographical region, at any time provided it is compatible with the investment objective, risk parameters and policy of the portfolio as a whole.

## Key Facts

Investment Managers	<b>Chris Fernyhough</b> <b>John Mitchell</b> <b>James Millsom</b>
Entry Fees	<b>None</b>
Exit Charge	<b>None</b>
Fund Management Fee	<b>0.40% + VAT</b>
Performance Fee	<b>None</b>

## Portfolio Manager - Facet

Established in 1979, FACET Investment Management Limited is a provider of investment management services to both individuals and corporate clients. Our multi-asset class portfolios give exposure to a wide variety of opportunities and help to manage risk within portfolios. Historically Facet's model portfolios have consistently outperformed numerous established benchmarks and comparable indices.

## Key Investment Managers

**Chris Fernyhough** - Chris has over 15 years' experience managing multi-asset portfolios. Prior to becoming Managing Director of FACET, Chris worked at WH Ireland establishing their Bristol office. He also worked at Newland in the wealth management division. He holds a distinction in the PCIAM exam and is a Chartered Wealth Manager as well as holding Chartered FCSI status with the CISI

**John Richard Mitchell** - John has a career spanning over 40 years in both equities and bonds. He managed risk at Credit Suisse before moving to Royal London where he implemented risk for their first geared fund. John was also involved in the founding of Newland Financial where he was the compliance director.

## Risk Report



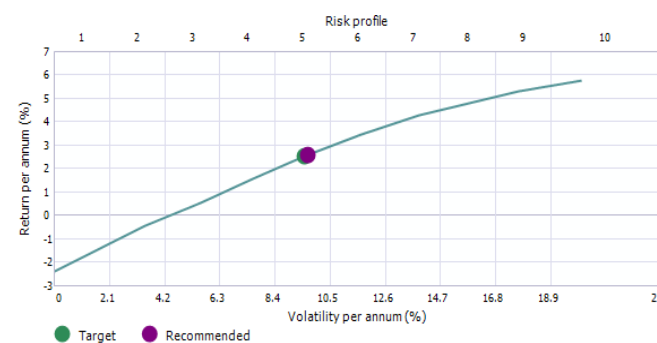
Lower risk 
➔
 Higher risk

*The indicator is based on historical data and may not be a reliable indication of the future risk profile. The lowest category does not mean 'risk free'*

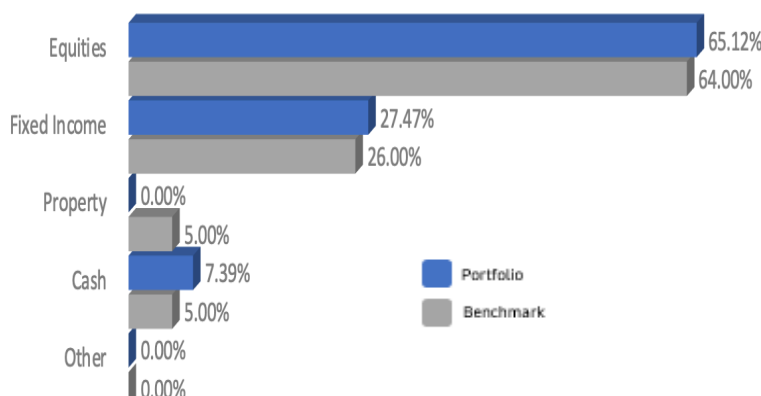
## Facet Performance\*\*



## Efficient Frontier



## Fund Breakdown by Asset Class



## Top 5 Holdings

Holding	% of Portfolio
MI Chelverton UK Equity Growth	12%
CFP UK Buffettology General	12%
Fundsmith Equity	10.5%
Baillie Gifford American	10.5%
AXA Sterling Corporate Bond	8%
	<b>53%</b>

## Portfolio Manager's Comments

All the major global stock markets enjoyed a strong month in August. US stocks rose 3% to a new all-time high and UK stocks were not far behind, rising 2.7%. Due to the lifting of Covid restrictions around the world in June and July, investors expected a strong recovery to show up in the raft of economic data in August. On the one hand, the US manufacturing and services data showed very strong growth in economic activity and the July jobs report showed nearly a million jobs created. However, the pick-up in the economy brought with it an exceptionally big rise in inflation which rose to 5.4% year-on-year. Furthermore, the squeeze on the supply of labour was evident in wage data rising 0.4%.

In the UK, similar labour constraints impacted supply chains and job vacancies hit a record high. The extent to which both inflation and wage growth will prove to be transient is something that has bugged investors since the first quarter of this year and 10-year bond yields have risen to reflect the concern that central banks may be forced to raise interest rates. However, in his speech to the Jackson Hole summit, Fed chairman Jerome Powell re-iterated the US central bank view that the jump in inflation is temporary. This was well received by stock markets, underpinning the move for stocks to end the month on a high.

The bigger issue for both stock and bond markets is the question of when the central banks of the Federal Reserve, Bank of England and ECB will start to reduce the amount of stimulus which grew spectacularly in response to the pandemic. Whilst investors are under no illusions that the unprecedented high levels of quantitative easing cannot last forever, there is no denying that its continuation is what has fuelled a boom in all asset classes from stock and bonds to property. It is a policy decision which will have to be carefully managed. In the meantime, all eyes will now turn to the all-important US third quarter corporate earnings season and the guidance into the fourth quarter that comes with it. The 20% year-to-date gain in the US stock market has acted as a rising tide that lifts all boats and we expect the UK and European stock markets to continue to take their lead from the US in the months ahead.

Lastly, all eyes will be on the ECB Thursday 9<sup>th</sup> September as there is speculation that it could be the first central bank to taper. Many expect a domino effect, and Thursday could be the first push.

## Portfolio Performance

	Facet Portfolio Risk 5	IA Mixed Investment 20-60% Shares	UK Consumer Price Index + 2%
<b>1m</b>	2.39	1.43	
<b>3m</b>	7.37	3.19	0.78
<b>6m</b>	10.41	7.05	2.87
<b>1yr</b>	19.44	13.12	4.35
<b>3yr</b>	37.98	16.39	10.71
<b>5yr</b>	46.43	27.48	21.57
<b>10yr</b>	121.35	75.35	44.39

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Further information is available from:

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\*\*Using Facet Aviva Risk 2 performance pre-1st March 2020, and Facet Model Portfolio Risk 5 post 1<sup>st</sup> March. This is due to Facet only running risk models 1-4 as opposed to the new 1-10 risk models available now.

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Slight deviations in the underlying assets for this portfolio may be required subject to availability of investments on the investment platform you are with. Not all platforms have our preferred investment choices available. In this instance, appropriate substitutions will be made.

**WARNINGS** The Model Portfolio Risk Level 5 is subject to normal stock market fluctuations and other risks inherent in such investments. The value of your investment and the income derived from it can go down as well as up, and you may not get back all the money that you invested. Investments in overseas equities may be affected by changes in exchange rates, which could cause the value of your client's investment to increase or diminish. You should regard their investment as medium to long term. Past performance is not a guide to future performance. Every effort is taken to ensure the accuracy of this data, but no warranties are given. Some of the funds within the portfolio could in exceptional circumstances be subject to a temporary suspension.