

# Model Portfolio Risk Level 9

May 2022

Information in this factsheet is at the last valuation point on 31<sup>st</sup> May 2022 (except where indicated).

## Portfolio Overview

**Objective:** To provide a long-term total return above that of the UK Consumer Price Index (CPI) +4%

**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>Alex Young</b>
Entry Fees	<b>None</b>
Exit Charge	<b>None</b>
Annual Management Charge (AMC)	<b>0.40% + VAT</b>
OCF	<b>0.86% (in addition to AMC)</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.

**Alex Young** - Alex has been in Financial Services with FACET for 20 years. He is a qualified IFA as well as holding IMC, a certificate in Discretionary Investment Management, a certificate in Securities Advice and Dealing and a diploma in Technical Analysis.

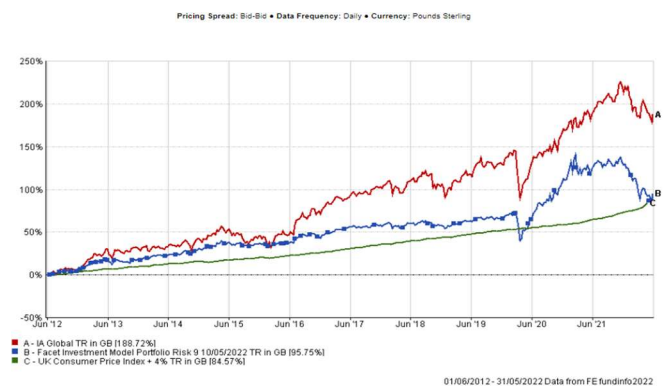
## Risk Report



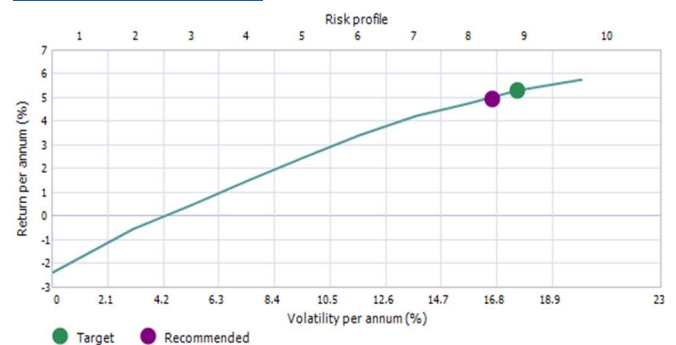
Lower risk —————> Higher risk

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'

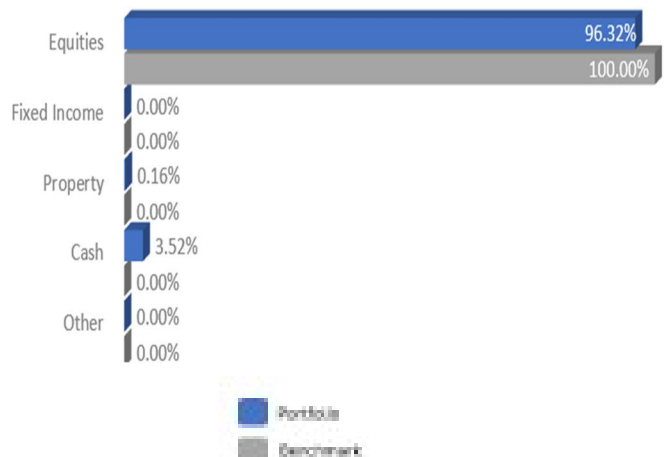
## Facet Performance\*\*



## Efficient Frontier



## Fund Breakdown by Asset Class



## Top 5 Holdings

Holding	% of Portfolio
BlackRock Emerging Markets	21%
UBS Global Emerging Markets Equity	21%
Baillie Gifford Pacific	12.5%
Fidelity Asia Pacific Opportunities	12.5%
Premier Miton European Opps	7%
	<b>74%</b>

## Portfolio Manager's Comments

May was a choppy month for global stock markets. Inflation continued to be the primary concern with the UK reporting a 9% annualised inflation rate. The USA was not far behind with a rate of 8.3%. Expectations that central banks would raise rates in the coming months acted as a drag on both stock and bond markets. The hawkishness of the US Federal reserve did dissipate somewhat as the month went on as evidence emerged that economic growth, as measured by GDP, is starting to be impacted by monetary tightening. As a result, the US dollar, which has been strengthening against all major currencies year-to-date, stabilised – albeit at still strong levels. Conversely, the weak Yen was generally supportive of the exporter-heavy Japanese stock market which rose 0.8%, making it the best performing of the major indexes for the month of May. UK stocks were not far behind, rising 0.7%, as the continued inflationary rise in energy and commodities favoured companies that make up proportionally more of the UK economy than its international peers. The Bank of England raised the base rate of interest to 1% and the bond market priced in a further rise at the next meeting in June. Concern that another rise so soon would impact GDP growth was evident, but this balancing act was acknowledged last month when the Bank of England Governor, Andrew Bailey, said that “We are walking a very tight line between tackling inflation and the output effects of the real income shock, and the risk that could create a recession”. A series of planned strikes throughout the UK in June underlines the reality that although unemployment continues to fall (indeed, to the lowest level in nearly 50 years), wages are nowhere near the inflation rate which is expected to reach double digits before the end of summer. The inflationary spike, compounded by the ongoing Covid lockdown in China and the supply side shock from the war in Ukraine, means that almost all economies are being impacted globally. However, there is an emerging divergence between the major central banks in their willingness to raise interest rates. All eyes are, for now, on the US Federal Reserve, from which the Bank of England may begrudgingly have to take its lead. The European Central Bank faces a more complicated balancing act as it seeks to balance very different needs across the eurozone and is noticeably working on a longer, more cautious, timeline. The possibility of policy error is obvious. A misreading of consumer sentiment in areas such as retail and tourism, over the summer months, could necessitate a reversal of policy. If the outlook looks more like stagflation, it will be hard for investors to reconcile that with stock markets not very far from their current post-Covid highs.

The only amendment made to this portfolio was to sell Fundsmith Equity Fund and replace it with JPM US Select fund. This decision was made due to potential liquidity concerns after adverse publicity from a Financial Conduct Authority intervention on the fund.

Disappointingly the markets continue to be incredibly Bearish, which has led to further drops in performance. We still maintain that over a medium to long term, our investment theory and asset allocation strategy will prevail and produce good returns, however we appreciate that in the current climate this is causing short term poor performance. We believe that these are short term issues and will be resolved soon, however we are keeping a very close eye on global developments and are ready to alter our strategy should events force us to.

## Portfolio Performance

	Facet Portfolio Risk 9	IA Global	UK Consumer Price Index + 4%
<b>1m</b>	-0.57	-1.53	N/A
<b>3m</b>	-2.79	-0.53	4.30
<b>6m</b>	-13.69	-8.19	6.51
<b>1yr</b>	-13.06	0.16	12.25
<b>3yr</b>	20.16	34.38	24.67
<b>5yr</b>	25.24	49.64	40.85
<b>10yr</b>	96.73	188.30	84.57

*Issued by FACET Investment Management Limited, which is authorised and regulated by the Financial Conduct Authority. FRN: 131372.*

*Further information is available from:*

*FACET Investment Management Ltd 2 Charlwood Court County Oak Way Crawley RH11 7XA*

*Registered in England No 01931757*

*One month CPI not available*

**\*\*Using Facet Aviva Risk 4 performance pre-1st March 2020, and Facet Model Portfolio Risk 9 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.**

**IMPORTANT INFORMATION** This document has been produced by FACET Investment Management Limited for information only and represents the views of the investment manager at the time of writing. It should not be construed as Investment Advice. No investment decisions should be made without first seeking advice. The Model Portfolio Risk Level 9 is managed by Facet Investment Management Limited, which is authorised and regulated by the Financial Conduct Authority. Before making an investment, you should ensure that you have read and understood the relevant Key Investor Information documents, for all the underlining funds within the portfolio

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 9 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.

*All performance figures are cumulative and do not include external or FACET charges*

*The models are available on a range of platforms and as such holdings, charges and performance may vary*

*The ongoing charges figure (OCF) show is correct as at the date of this factsheet but will vary in future depending on the holdings within the Model. Portfolio Expense - The portfolio expense is calculated using the weighted value of the Ongoing Costs Ex Ante of the portfolio constituents. Where the Ongoing Costs Ex Ante is not available the OCF is used, and where this is not available the TER is used*