

# Model Portfolio Risk Level 8

May 2023

Information in this factsheet is at the last valuation point on 31<sup>st</sup> May 2023 (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><br><b>John Mitchell</b><br><b>Alex Young</b> |
| Entry Fees                     | <b>None</b>  |
| Exit Charge                    | <b>None</b>  |
| Annual Management Charge (AMC) | <b>0.20% + VAT</b>   |
| OCF                            | <b>0.15% (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.

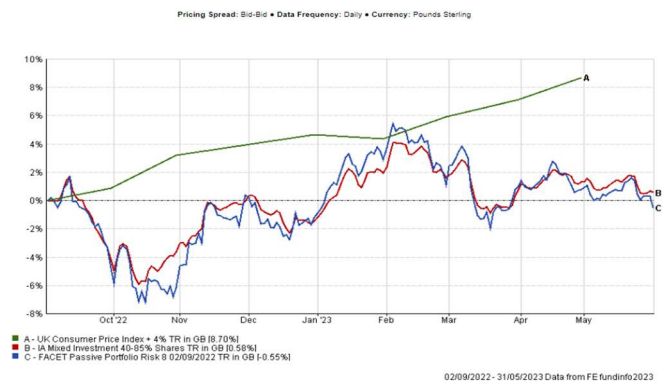
## Risk Report



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'*

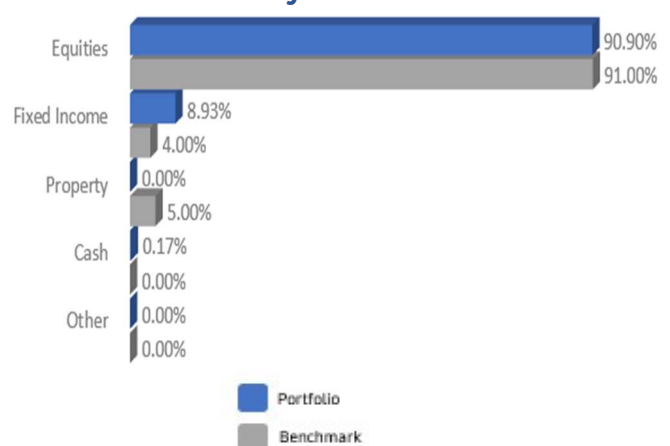
## Facet Performance\*\*



## Efficient Frontier



## Fund Breakdown by Asset Class



## Top 5 Holdings

| Holding                           | % of Portfolio |
|-----------------------------------|----------------|
| Fidelity Index Pacific ex Japan P | 12%            |
| HSBC Pacific Index C              | 12%            |
| Fidelity Index Emerging Markets P | 9%             |
| Fidelity Index UK P               | 9%             |
| Vanguard FTSE UK All Share Index  | 9%             |
|                                   | <b>51%</b>     |

## Portfolio Manager's Comments

Mega-tech stocks helped drive the US stock market to a 2.5% gain in May, back up to the highs seen last August. Apple shares were a notable performer, up 4.8% and the US semiconductor sector lent support to the main index. As we have seen in past months against this kind of sector rotation, the UK index failed to keep pace, dragged lower by energy heavyweights like Shell and BP which fell 6.9% and 15.1% respectively. The price of Brent crude oil fell 9% in May to just \$73.22 per barrel. This compares to more than \$117 per barrel a year ago and is one of the main contributing factors to the fall in US inflation measured on a year-year basis which, at 5%, is nearly half what it was a year ago. Indeed, investors in the US have switched their attention to the state of the US economy and how it is faring in the face of higher interest rates. The service side of the US economy appears to be holding up fairly well but manufacturing is showing signs of stress. This was also evident in the May manufacturing data for the UK and eurozone where the Purchasing Managers Surveys indicated continued contraction. This presents a problem for the Bank of England and European Central Banks. Whereas the Federal Reserve could credibly call a halt to further rate rises, both the UK and Eurozone still have much to do in their battle against inflation, running at 8.7% and 8.3% respectively. This differential in circumstances and the forecasts for future interest rates has contributed to continued strength in Sterling against the US dollar and, although virtually unchanged in May at \$1.24, is a significant recovery from near-parity last September. May can be a troublesome month for a number of seasonal and geopolitical reasons, particularly when there is still a long way to go to the third-quarter US earnings season – the most important quarter of the year. It is a time when markets are more data dependent than usual and sensitive to factors that may indicate a challenging summer for the consumer. But this year has not been a classic “sell in May and go away” – far from it. The stability of stock markets measured by the Chicago Board of Trade volatility index shows that markets have not been this calm since before the Covid pandemic. The fall in the US headline inflation rate has taken significant pressure off the Federal Reserve to raise interest rates further. And in doing so, has perhaps given investors the reassurance they need to stick with the optimistic outlook for company profits in the months ahead.

The performance has lagged and will be drilling down into the data to see if changes should be made. The investment committee continue to monitor the portfolio, looking for possible improvements we can make to our respective portfolios. We believe the allocation for this portfolio is given the appropriate rate of risk/reward given the current global financial markets situation.

No portfolio changes have been made to this portfolio.

We continue to avoid property funds due to concerns of the liquidity in the property sector.

Any position changes made in the portfolios should not be taken as a buy or sell signal of any assets.

## Portfolio Performance

|             | Facet Portfolio Risk 8 | IA Mixed Investment 40-85% Shares | UK Consumer Price Index + 4% |
|-------------|------------------------|-----------------------------------|------------------------------|
| <b>1m</b>   | -1.33                  | -0.71                             | N/A                          |
| <b>3m</b>   | -1.67                  | -1.18                             | 2.60                         |
| <b>6m</b>   | -0.92                  | 0.26                              | 4.58                         |
| <b>1yr</b>  |                        | -1.50                             | 11.87                        |
| <b>3yr</b>  |                        | 14.02                             | 34.73                        |
| <b>5yr</b>  |                        | 15.64                             | 49.42                        |
| <b>10yr</b> |                        | 59.99                             | 95.27                        |

*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 8 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 8 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 underlying 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 8 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*