Apogee Defensive Model Portfolio Update

Recommended Fund Changes

The following changes are being made to the fund selection within the Defensive Model Portfolio:

- Schroder Global Cities Real Estate and FTF Clearbridge Global Infrastructure Income have been removed from the portfolio.
- Allocations to high yield bonds, emerging market debt, emerging market equities and European equities have all been increased.
- Small changes have been made to the defensive allocation with slight reductions made to the funds most exposed to interest rate risk and lower credit quality in favour of funds that provide greater inflation protection.

New Fund Selection

The following portfolio of funds is the recommended investment fund selection as part of our updated Apogee Defensive Model Portfolio:

Fund	Sector	Current Holdings	New Holdings
Cash	Cash	2.0%	2.0%
Artemis Corporate Bond	Sterling Corporate Bonds	4.5%	3.0%
AXA Global Short Duration Bonds	Global Bonds	2.5%	3.5%
BlackRock Continental European	Europe Excluding UK	2.0%	3.0%
BlackRock Corporate Bond	Sterling Corporate Bond	4.0%	4.0%
BNY Mellon International Bond	Global Bonds	6.5%	6.0%
CFP SDL UK Buffettology	UK All Companies	3.0%	3.0%
Fidelity Asia	Asia Pacific Excluding Japan	3.0%	3.0%
FSSA Global Emerging Markets Focus	Global Emerging Markets	1.5%	3.0%
FTF ClearBridge Global Infrastructure Income	Infrastructure	2.5%	-
HSBC American Index	North America	8.0%	8.0%
iShares Overseas Corporate Bond Index (UK)	Global Bonds	5.0%	5.0%
iShares Overseas Government Bond Index (UK)	Global Bonds	15.0%	14.0%
L&G Global Inflation Linked Bond Index	Global Bonds	10.5%	11.0%
L&G Short Dated Sterling Corporate Bond Index	Sterling Corporate Bond	1.5%	2.0%
M&G Global Floating Rate High Yield Hedged	Sterling High Yield	2.0%	3.0%
M&G Global Government Bond	Global Government Bond	5.0%	5.0%
M&G Japan	Japan	1.0%	1.0%
M&G UK Inflation Linked Corporate Bond	Sterling Strategic Bond	7.0%	7.5%
Man GLG Undervalued Assets	UK All Companies	4.0%	4.0%
Ninety-One Emerging Markets Local Currency Debt	Global EM Bond-Local Currency	1.0%	2.0%
Royal London Short Duration Credit	Sterling Strategic Bond	2.5%	3.0%
Schroder Global Cities Real Estate	Property	2.0%	-
Schroder Sterling Corporate Bond	Sterling Corporate Bond	4.0%	4.0%

The funds selected give consideration to the level of volatility suitable for the agreed attitude to risk and model asset allocation. Please be aware that there may be occasions when an individual fund or funds may have a higher risk rating than your overall stated attitude to risk. If this is the case, then the overall risk rating applied to all of the combined funds being recommended is still designed to meet your stated tolerance.

Further details on each fund selected within our models and the investment methodology of the fund managers are contained within the Key Investor Information Documents (KIIDs). Copies of the current KIIDs are available on request.

Updated Fund Charges

The following table compares the approximate current charges of the existing Apogee Defensive Model Portfolio and our updated Defensive Model Portfolio, excluding any incidental transaction charges incurred:

	Ongoing fund charges (OCF)
Existing Apogee Defensive Model Portfolio	c.0.43%
New Apogee Defensive Model Portfolio	c.0.42%

As you can see, comparing the ongoing fund charges for the existing model portfolio and our updated model, the proposed fund switches will lead to a marginally lower level of ongoing fund charges.

Note that the above fund charges are based on the underlying Ongoing Charges Figure (OCF) of each fund when held on a typical investment platform, and do not include any additional ad hoc transaction costs incurred within the individual funds.

Portfolio Performance Analysis

Our Defensive portfolio returned 11.76% in the five years running to the end of Q3 2024, this compares to a return of 10.00% from the benchmark.

The overall asset allocation of the portfolio is 70% Defensive assets, 30% Growth assets. Performance is therefore more reliant on the allocation to Defensive assets which is made up of funds investing in global government bonds, corporate bonds (UK and global), short-dated bonds and index linked bonds.

Third-quarter performance of defensive assets was driven primarily by interest rate sensitivity. The US Federal Reserve cut rates twice, with the first cut of 0.5% exceeding market expectations of 0.25%. Longer-duration bonds benefited most from this move but gave back some gains towards the end of the quarter. Inflation-linked government bonds performed best due to improved inflation sentiment.

While the rate-cutting cycle offers opportunities to profit from interest rate-sensitive assets, minor adjustments have been made to our defensive allocations. We reallocated some profits from more interest sensitive longer duration funds to those less affected by interest rate changes and those linked to inflation. The allocation remains well-positioned for future rate cuts, but increased protection is in place, for an environment where rates don't fall as quickly as expected.

In terms of the growth assets within the portfolio, similarly to the defensive allocation, the strongest performing assets were those most sensitive to sentiment about interest rates such as property and infrastructure. The FTF Clearbridge Global Infrastructure Income fund returned 8.08% and Schroder Global Cities Real Estate returning 8.05%. These substantial gains reflected the market’s view in the quarter on the direction of interest rates. Aligned with the approach in the defensive allocation profits have been taken from these interest sensitive positions and re allocated to less interest rate sensitive positions and in this case those which we feel have higher long term growth prospects.

Where property and infrastructure themes drove growth in the third quarter, the performance of the other equity funds was mixed. In the UK the CFP SDL UK Buffettology returned -0.37% in the quarter underperforming slightly in July, but keeping pace through the rest of the quarter. The manager has frequently expressed frustration that some of his most profitable holdings have attracted takeover interest, suggesting that these companies are attractive but perceived to be undervalued. Recently, Hargreaves Lansdown and the relatively new addition, Rightmove, have been subject to potential takeover interest, although this has been refuted by the company.

BlackRock Continental European delivered a fourth quartile return of -3.53%, compared to 0.28% for the IA European ex UK sector. Positive performance came from industrials, financial services, and basic materials, while technology and healthcare detracted. Despite current negative sentiment towards European stocks, the continent offers access to leading companies attractively valued against their US counterparts. Concerns about the European economy could be argued to be based on fairly short-term sentiment, as many of the companies in the allocation to Europe derive a significant proportion of their profits, or a majority in a number of cases, from overseas which reduces the effect of a slowing domestic economy. For this reason, it seems to be an attractive opportunity to increase allocation with a longer term time horizon in mind.

M&G Japan returned 1.31% in the third quarter of 2024 despite a fall in the Japanese stock market as returns for sterling-based investors were boosted by the appreciation of the yen. Performance was driven by stock picking, with a key contributor being Sanrio, which owns the intellectual property for the Hello Kitty franchise, and Seven & I Holdings, the holding company of 7-eleven, Japan's largest convenience store operator.

Our exposure to wider Asia is in part gained through the Fidelity Asia fund which delivered a return of 1.21% in the quarter. Fund performance was hindered by weak sentiment in the semiconductor sector, affecting holdings like Samsung Electronics. Conversely, Trip.com, the Chinese owner of Skyscanner, boosted returns due to positive market reactions to Chinese stimulus measures. Favourable population demographics and declining interest rates in developed markets suggest significant upside potential in Asia and other emerging markets, prompting us to increase our allocation.

The two bond fund holdings within the growth assets performed reasonably well. M&G Global Floating Rate High yield added 2.19% and Ninety-One Emerging Market Local Currency Debt added 4.05% as local currency EM debt outperformed on the rates outlook. We have increased allocations to both funds as we continue to see a positive outlook for these sectors both from a returns and diversification perspective.

* *Please note that the returns shown are net of fund managers fees and show the historic returns achieved by the Apogee Model Portfolio managed in conjunction with RSMR. The performance achieved by individual client portfolios may vary slightly from our headline figures depending upon the date the investment was made, the platform selected and the date that any recommended rebalances were actioned. Please also note that past performance is no guarantee of future returns.*