

Apogee Defensive Model Portfolio Update

Recommended Fund Changes

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

- In general across our portfolios this quarter, we are increasing our emphasis on global property and infrastructure assets, by re-allocating capital we previously held in overseas equities.
- In the last quarter of 2024, we reduced our exposure to property and infrastructure to capture potential growth opportunities in foreign markets including Europe. This decision proved beneficial for our portfolios as European markets in particular have delivered strong returns over this period of time. Now we see opportunity for long term value to be added to the portfolio by crystallising these gains and reinvesting into property and infrastructure.
- The Artemis Income fund is being introduced into the portfolio as a core holding, with our view being that the investment approach is suitable across varying market conditions with the potential to deliver decent returns over the medium to long term. The fund has produced strong returns, consistently outperforming its sector over 1, 3 & 5 year periods.
- The holdings in the Blackrock Continental European, Blackrock Corporate Bond and L&G Short Duration Sterling Corporate Bond Index funds are being fully sold.
- The Artemis Income, FTF ClearBridge Global Infrastructure Income, Schroder Global Cities Real Estate and Waverton European Capital Growth funds are being introduced.
- Minor percentage allocations between funds are being varied, as detailed below, to accommodate the funds being removed/introduced.

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 |
|--|------------------------------|------------------|--------------|
| Product Cash | Cash | 2.00% | 2.00% |
| Artemis Corporate Bond | Sterling Corporate Bond | 3.00% | 5.00% |
| Artemis Income | UK Equity Income | - | 2.50% |
| AXA Global Short Duration Bonds | Global Bonds | 3.50% | 6.00% |
| BlackRock Continental European | Europe Excluding UK | 3.00% | - |
| BlackRock Corporate Bond | Sterling Corporate Bond | 4.00% | - |
| BNY Mellon Global Dynamic Bond | Targeted Absolute Return | 5.00% | 6.50% |
| BNY Mellon International Bond | Global Bonds | 6.00% | 6.00% |
| CFP SDL UK Buffettology | UK All Companies | 3.00% | 1.50% |
| Fidelity Asia | Asia Pacific Excluding Japan | 3.00% | 2.50% |
| FSSA Global Emerging Markets Focus | Global Emerging Markets | 3.00% | 1.00% |
| FTF ClearBridge Global Infrastructure Income | Infrastructure | - | 1.50% |
| HSBC American Index | North America | 8.00% | 6.50% |
| iShares Overseas Government Bond Index | Global Bonds | 14.00% | 14.00% |
| L&G Global Inflation Linked Bond Index | Global Bonds | 11.00% | 11.00% |
| L&G Short Duration Sterling Corporate Bond Index | Sterling Corporate Bond | 2.00% | - |
| M&G Global Floating Rate High Yield Hedged | Sterling High Yield | 3.00% | 2.50% |
| M&G Global Government Bond | Global Government Bond | 5.00% | 6.50% |
| M&G Japan | Japan | 1.00% | 1.00% |
| M&G UK Inflation Linked Corporate Bond | Sterling Strategic Bond | 7.50% | 7.50% |
| Man GLG Undervalued Assets | UK All Companies | 4.00% | 2.00% |
| Ninety One Em. Markets Local Currency Debt | Global EM Bond | 2.00% | 2.50% |
| Royal London Short Duration Credit | Sterling Strategic Bond | 3.00% | 4.50% |
| Schroder Global Cities Real Estate | Property Other | - | 1.00% |
| Schroder Sterling Corporate Bond | Sterling Corporate Bond | 4.00% | 5.50% |
| Waverton European Capital Growth | Europe Excluding UK | - | 1.00% |

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.0.44% |
| New Apogee Defensive Model Portfolio | c.0.43% |

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

In the five years to the time of writing, our Defensive portfolio has returned 15.17% compared to the benchmark return of 10.10%; demonstrating a strong out performance.

The overall asset allocation of the portfolio prior to this quarter's changes was 70% Defensive assets and 30% Growth assets. Performance in this portfolio is therefore driven by investment into Defensive assets such as global government bonds, corporate bonds (UK and global), short-dated bonds and index-linked bonds. Following the changes, our allocation to Defensive assets is increasing by c.4.5%, with a corresponding decrease in Growth assets. This change is being made in line with the Rayner Spencer Mills Research (RSMR) firm's expectations for long-term investment performance (RSMR support our investment committee).

We found that our allocation to Defensive assets rewarded the portfolio over the most recent quarter, with the majority achieving a positive return. The Artemis Corporate Bond fund was a notable performer over this period, returning 3.04% compared to the sector average of 2.65%. At our last review, we highlighted the performance of the Royal London Short Duration credit fund and we are pleased to see the fund has continued to perform well. Since the beginning of the year, the fund has seen a return of 5.47% against the sector's 3.74%. As our update is consolidating aspects of our Defensive assets, our allocation to this fund is increasing by 1.5% in this portfolio, and we are hopeful that we will continue to reap the benefit of a consistently strong fund, as our expectation is for the fund to continue to perform well.

It was noted that turbulence in the US markets has led to an underperformance in international bond funds with exposure to the dollar, due to a period of depreciation against sterling. With the uncertainty around US tariffs continuing and President Trump's long standing goal of lowering interest rates, it is a waiting game to see the prolonged impact on the dollar, and the subsequent impact on our international bond funds.

Whilst our allocation to Growth assets in our Defensive portfolio is characteristically smaller than our other portfolios, they still contribute a not insignificant amount to the overall performance, helping to deliver growth over the longer term. Two stand out performers over the last quarter have been the Fidelity Asia and HSBC American Index funds, returning 14.59% and 14.23%, respectively. With the US markets continuing to demonstrate outperformance and the Asian markets emerging as a powerhouse in the global landscape, we are unsurprised that these funds have performed well and in line with our expectations.

Although our allocation to UK equity funds may not quite reach the heights of their American counterparts, the UK market's focus on value stocks over growth does benefit our less risky portfolios. The Man Undervalued Assets fund has performed well over both the short and long terms; the consistent return received helps to absorb any volatility from the more growth orientated equity market funds.

We remain confident the portfolio, in conjunction with the recommended changes, is well positioned to benefit from longer-term growth opportunities.

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.

This document is for advisers and retail clients. It does not constitute a form of financial advice and should not be relied upon.