

ABACUS ACTIVE - DFM PROFILES

QUARTERLY UPDATE (Q3 2024)



Market Commentary

2024 started with markets expecting an acceleration in global growth and corporate earnings, declining inflation, and massive central bank interest rate cuts. In anticipation, bonds and equity prices rallied strongly through the turn of the year.

The combination of all these expectations proved too good to be true. Growth has been resilient but so too has inflation. This dynamic supported equity and commodity markets in the first half of the year, but was challenging for Government bond markets, as the prospect of large and imminent rate cuts has diminished.

All this led to strong gains for most equity markets in the first six months of the year. For example, US equities were up 14.48% to the end of June, with the UK, Europe, and Emerging Market equities all up around 6%. Broad commodity markets were also up on average 6% in the first six months of 2024, whilst gold saw a 12% rise and silver 22%.

In contrast, global Government bonds were down close to -5% by the end of June.

As we look to the next 12 months, we expect global growth to remain robust, although its geographical composition is changing. Momentum is starting to weaken in the US, but the opposite is true in Europe, which is seeing real wages rise and an improvement in consumer confidence.

With resilient growth comes resilient inflation, but it is likely central bankers will be willing to tolerate some overshoot of their targets. Interest rates are therefore set to move modestly lower in most major regions but are likely to remain considerably higher than pre-pandemic levels.

Geopolitical risks remain but are hard to position for. Despite the harrowing continual loss of life from the ongoing conflicts in Ukraine and the Middle East (to name just a couple), we do not foresee significant economic or market ramifications.

UK and European Parliament elections are unlikely to result in major global market movements. The new UK Government will live in the shadow of Liz Truss's mini-budget crisis, so fiscal prudence and economic stability will be their focus.

Looking ahead to the US election, we still don't know for sure who will win, or whether they will have full control of Congress and therefore the ability to enact their full agenda.

All that said, we continue to see risk assets rise, led by US equities continuing their march upwards. A slip in earnings for the likes of Nvidia (who's market capitalisation is now valued higher than all UK stocks combined!) could bring prices sharply lower, but equity market volatility remains low and stable, which is a good sign.

As we head into the summer season, we do so with decent returns under our belts for the half year, in the knowledge the models remain well managed. We remain pragmatic and continue to question our assumptions and market outlook. Should the economic environment change, we will adapt as required.

Active Profile Allocations

FUND	3	4	5	6	7	8
Fidelity Emerging Markets Fund	0.00%	2.00%	3.00%	3.50%	9.50%	13.50%
Vanguard Global Emerging Markets Fund	0.00%	0.00%	0.00%	4.00%	6.50%	9.00%
HSBC American Index Fund	5.00%	5.00%	5.50%	6.00%	6.50%	8.50%
HSBC USA Multi-Factor Equity Fund	4.00%	5.00%	5.50%	6.00%	7.00%	8.50%
Fidelity American Special Situations Fund	4.00%	5.00%	5.50%	6.00%	7.00%	8.00%
Artemis Income Fund	2.50%	5.00%	5.50%	5.50%	7.00%	7.00%
Invesco UK Opportunities Fund	2.50%	5.00%	5.50%	7.50%	7.00%	7.00%
BNY Mellon Emerging Income Fund	0.00%	0.00%	0.00%	0.00%	3.50%	8.00%
Baillie Gifford American Fund	2.00%	2.50%	3.00%	3.50%	4.00%	5.00%
Liontrust European Dynamic Fund	2.00%	3.00%	3.50%	6.50%	5.00%	5.00%
Fidelity Asia Pacific Opportunities Fund	0.00%	2.00%	3.50%	3.50%	4.00%	5.00%
Fidelity Sustainable Global Equity Income Fund	0.00%	4.50%	6.00%	9.50%	7.00%	5.00%
T Rowe Price Global Focused Growth Equity Fund	0.00%	3.50%	4.00%	6.50%	4.00%	3.50%
iShares 100 UK Equity Index Fund	2.00%	2.50%	2.50%	3.00%	3.00%	3.00%
Lazard Japanese Strategic Equity Fund	0.00%	3.00%	3.00%	3.00%	4.00%	4.00%
Royal London Short Term Money Market Fund	13.00%	3.00%	3.00%	3.00%	0.00%	0.00%
iShares UK Gilts All Stocks Index Fund	11.00%	8.00%	7.00%	4.00%	3.00%	0.00%
PIMCO GIS Global Bond Fund GBPH	11.00%	8.00%	7.00%	4.00%	3.00%	0.00%
Vanguard Global Bond Index Fund GBPH	11.00%	8.00%	7.00%	4.00%	3.00%	0.00%
IFSL Signia Sovereign Fund GBPH	6.00%	5.00%	4.00%	0.00%	0.00%	0.00%
Muzinich Global Short Duration Investment Grade Fund GBPH	5.00%	4.00%	4.00%	3.00%	2.00%	0.00%
Ninety One Diversified Income Fund	5.00%	4.00%	4.00%	3.00%	2.00%	0.00%
Vanguard Global Credit Bond Fund GBPH	5.00%	4.00%	4.00%	3.00%	2.00%	0.00%
Aegon High Yield Bond Fund GBPH	3.00%	2.00%	2.00%	0.00%	0.00%	0.00%
BlueBay Emerging Markets Unconstrained Bond Fund S Acc	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%
M&G Emerging Markets Bond Fund	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%
Cash	2.00%	2.00%	2.00%	2.00%	0.00%	0.00%
OCF*	0.37%	0.51%	0.53%	0.59%	0.65%	0.71%

*OCFs as at 30/06/2024

Changes & Rationale

Across the Abacus Active - DFM Profiles, we made several changes to increase exposure to Government bonds, specifically in the UK, whilst slightly increasing duration. We also increased exposure to Japanese equities.

Funds Removed/Allocation Reduced

Artemis Income Fund and Invesco UK Opportunities Fund

We trimmed these two funds slightly in Abacus Active - DFM Profiles 7 & 8, to enable a higher allocation to a new Japanese equity fund.

BlackRock Natural Resources Growth & Income Fund

We wanted to bring our equity exposure closer to our peer group so removed this position in favour of other funds held across the equity basket.

Nikko AM Japan Value

We took profit on this position in favour of a different Japanese equity fund. Please see below.

Royal London Short Duration Gilt Fund

This fund was removed to reflect recent changes to our Tactical Asset Allocation, rather than because of fund-specific issues. We replaced it with a core duration index fund in the same sub-asset class to increase the duration of our fixed income allocation, at low cost. The index fund has a stronger track record than the core duration version of the Royal London fund managed by the same investment team.

Ruffer Diversified Return Fund

To bring the equity exposure closer to our Strategic Asset Allocation, we removed this multi-asset fund. The strategy also underperformed.

Funds Added/Allocation Increased

iShares UK Gilts All Stocks Index Fund

See Royal London Short Duration Gilt Fund above.

Lazard Japanese Strategic Equity Fund

This is a benchmark agnostic concentrated portfolio that aims to outperform the Japan index over a market cycle. The strategy has a strong track record and attractive risk/return profile which we believe can positively contribute to fund performance.

Funds Rebalanced

We adjusted exposure to the following funds to accommodate the above additions and to better map to our tactical asset allocation.

Baillie Gifford American Fund
BlueBay Emerging Markets Unconstrained Bond Fund S Acc
Fidelity American Special Situations Fund
HSBC American Index Fund
HSBC USA Multi-Factor Equity Fund
IFSL Signia Sovereign Fund GBPH
M&G Emerging Markets Bond Fund
Muzinich Global Short Duration Investment Grade Fund GBPH
Ninety One Diversified Income Fund
PIMCO GIS Global Bond Fund GBPH
Vanguard Global Bond Index Fund GBPH
Vanguard Global Credit Bond Fund GBPH
Vanguard Global Emerging Markets Fund

Performance

Performance over the last 12-months is as follows:

Abacus Active Profile 3 - DFM	4.62%
Abacus Active Profile 4 - DFM	7.73%
Abacus Active Profile 5 - DFM	8.11%
Abacus Active Profile 6 - DFM	9.74%
Abacus Active Profile 7 - DFM	9.70%
Abacus Active Profile 8 - DFM	10.74%

Source of Data: FE Analytics
Data as of 30/06/2024

Case Study / Theme

This quarter, our case study again focusses on the funds that we added to the Active Profiles in late June 2022.

As mentioned in previous updates, we made extensive changes to the Active Profiles on the 22nd of June 2022. The table below highlights the performance of the new funds added to the Profiles, taken up to the 21st of June 2024.

Security	Absolute Performance 22/06/22 – 21/06/24	Relative Performance* 22/06/22 – 21/06/24
Baillie Gifford American	50.10%	6.42%
Fidelity Global Sustainable Income	29.68%	-7.71%
Fidelity American Special Situations	20.31%	5.16%
HSBC US Multi-Factor	44.60%	-1.72%
Invesco UK Opportunities	24.90%	1.09%
Liontrust European Dynamic	39.77%	6.09%
Fidelity Asia Pacific Opportunities	2.58%	-10.95%
BNY Mellon Emerging Income	11.76%	-4.51%

It is encouraging to see that all the funds added to the Profiles have increased in value since being bought. It is also pleasing that the majority have delivered strong relative performance, when compared with their respective regional benchmarks.

There has been a strong outperformance from the Baillie Gifford American Fund (6.42% relative outperformance) and the Liontrust European Dynamic Fund (6.09% relative outperformance), in particular.

As previously mentioned in past commentary, we decided to retain a position in the Baillie Gifford American fund, despite a difficult 2022. Our belief is that the fund is well managed and that the manager's focus on growth orientated companies will pay off, over the longer-term.

That said its performance remains volatile given the nature of companies the fund holds, so we remain watchful.

Performance numbers are quoted net of underlying fund fees and gross of any applicable DFM fee or trading fee, all priced in GBP

* Relative performance is measured against respective regional benchmarks

All data to 21/06/24

Source: Lipper for Investment Management, Bloomberg, Titan Asset Management Ltd

Tavistock Asset Management, 1 Queen's Square, Ascot Business Park, Lyndhurst
Road, Ascot, Berkshire, SL5 9FE

+44 (0) 1753 867000 www.tavistockam.com

The value of investments may fall as well as rise. Past performance should not be seen as an indication of future performance. Tavistock Asset Management Limited is authorised and regulated by the Financial Conduct Authority with FRN 955719. Tavistock Asset Management is a wholly owned subsidiary of Tavistock Investments Plc. This document is for use by financial advisers only. It should not be relied upon by a retail client. This document does not constitute an offer to invest in any Abacus Profiles. The Abacus profiles are based on a series of model portfolios managed by Abacus Associates since 2015. Date of Data: 30/06/24 unless stated otherwise.