

## Vintage Asset Management - Managed Portfolio Service (MPS)

### Quarterly update – July 2023

#### Market background

The second quarter proved to be mixed with a lag in the UK and a patchy re-opening in China although there were some positive signs on the rate of inflation and on central banks’ approach to interest rate increases. We covered the themes in our [quarterly review for Summer](#).

#### Asset allocation

We have maintained the same asset allocation ranges as for the second quarter, although after a review of industry benchmarks and peers we adjusted some neutral positions modestly. For Cautious we increased the cash while reducing equities and fixed income; for Cautious Balanced we increased cash and reduced alternatives; and for Growth we increased fixed income reducing alternatives and cash. In the re-balance at end July we adjusted the asset allocation for all Active model portfolios, broadly increasing equities towards the neutral position through reducing alternatives, in particular absolute return strategies. For more cautious portfolios we increased the cash allocation given the higher rates of interest available. The positioning reflects a degree of optimism on the prospects for a period of disinflation, whilst recognising the imbalances that remain particularly in the funding of government deficits and the pressures from high interest rates on debt servicing. The latest asset allocations are:

Mandate		Bonds	Equities	Alternatives	Cash
<b>Cautious</b>	<i>Range</i>	35 - 60%	15 - 35%	10 - 35%	0 - 25%
	Current	45%	22.5%	22.5%	10%
<b>Cautious Balanced</b>	<i>Range</i>	25 - 50%	30 - 50%	10 - 30%	0 - 25%
	Current	37.5%	40%	17.5%	5%
<b>Balanced</b>	<i>Range</i>	15 - 40%	45 - 65%	10 - 30%	0 - 20%
	Current	25%	55%	17.5%	2.5%
<b>Balanced Growth</b>	<i>Range</i>	5 - 30%	60 - 80%	5 - 30%	0 - 20%
	Current	15%	67.5%	15%	2.5%
<b>Growth</b>	<i>Range</i>	0 - 20%	70 - 90%	0 - 25%	0 - 20%
	Current	7.5%	80%	11.5%	1%

#### Portfolio changes

We have made some selected portfolio changes across the three ranges. Within the Active range we have reduced the exposure to longer-duration government debt and increased shorter duration particularly in more cautious portfolios; we have increased equities through thematic and global funds and reduced absolute return strategies within alternatives. Within the Sustainable Future range we reduced exposure to the UK with an increase in thematics in Balanced and Growth whilst for Growth also reducing Asia exposure in favour of Europe. The Passive portfolios remained the same save for a switch in the Japanese holding on cost and dealing flexibility. We re-balanced all Active and Passive model portfolios on 28<sup>th</sup> July 2023 and the Sustainable Future models on the 31<sup>st</sup>.

## VAM MPS Active

### Purchases and increased weightings:

Royal London Short Duration Gilt – a new position for Cautious and Cautious Balanced reflecting higher short-term rates;

JPM Global Equity Income and Havelock Global Select – increased global equity exposure for Balanced Growth and Growth; and

Fidelity Global Technology – modest increase reflecting the evolving opportunity set.

### Sales and reduced weightings:

Tellworth UK Select – sold following manager departure and reduction to absolute return strategies;

Vanguard US Government Bond – reducing duration sensitivity.

### Switches:

Abrdn UK Mid-Cap to Gresham Multi-Cap Income – a focus on income resilience and strong track record;

HSBC Japan Index to Morant Wright Nippon Yield – seeking to benefit from corporate activity on shares with a low price-to-book ratio;

Baring ASEAN Frontiers to Redwheel Next Generation Emerging Markets – similar exposure with a wider remit; and

Gravis UK Infrastructure Income to RM Alternative Income – similar exposure with a wider remit and enhanced downside management.

## VAM MPS Sustainable Future

### Switches:

Liontrust UK Ethical to Janus Henderson Sustainable Future Technologies – preference for global technology exposure in Balanced and Growth; and

Impax Asian Environmental Markets to River and Mercantile Europe Change For Better – dedicated European exposure for Growth.

## VAM MPS Passive

### Switches:

HSBC Japan Index to Fidelity Index Japan – lower cost fund and enhanced dealing flexibility.

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