Cazenove Capital

Part of the Schroders Group

# Model Portfolio Service

**Cazenove Capital MPS Balanced**
**Q2 2017**

**For professional advisers only.**
**This must not be distributed to retail clients.**

## Investment objective and strategy

For clients who wish to achieve investment returns in excess of cash and government bonds, can tolerate moderate equity-like investment risk and accept there is a risk of capital loss as capital markets fluctuate. The portfolio will use a broad range of assets on both a long term and an opportunistic basis in order to pursue its objective including an allocation to equity, or equity-like investments and non-base currency investments. There is always likely to be a material allocation to cash, bonds and other defensive assets. The aim of the portfolio is that, in the longer term, the value of the assets should be protected against the impact of inflation.

## Strategy characteristics

– Portfolio comprised of passive strategies and 'best of breed' active fund managers
– Multi-asset approach
– Focus on capital growth whilst minimising downside risks
– Low volatility when compared to equities

DYNAMIC PLANNER™ PROFILED 4

RISK RATING 5 defaqto

## Technical information

| Platform launch date | Model portfolio fee | Available as | Portfolio information | |
|---|---|---|---|---|
| 4th July 2016 | 0.30% + VAT | – General Investment Accounts<br>– ISAs<br>– SIPPs | Estimated annual yield: | 1.90%* |

* Estimated annual yield is not guaranteed and is for illustrative purposes only.

## Performance (%)**

| | Monthly performance | | | | | | | | | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|
| | Oct 16 | Nov 16 | Dec 16 | Jan 17 | Feb 17 | Mar 17 | Apr-17 | May-17 | June-17 | Since inception |
| Cazenove Capital MPS Balanced | +1.6 | -1.6 | +2.3 | +0.4 | +1.8 | +0.5 | +0.3 | +1.8 | -1.1 | +12.4 |

** Performance is shown on a total return basis, net of underlying fund charges but gross of Cazenove Capital fees and any fees applied by the platform and professional adviser, deduction of these will have an impact on overall performance. Inception date 30th June 2016. Performance is calculated by Cazenove Capital and provided for illustrative puposes only and should not be viewed as the performance of a specific client portfolio.

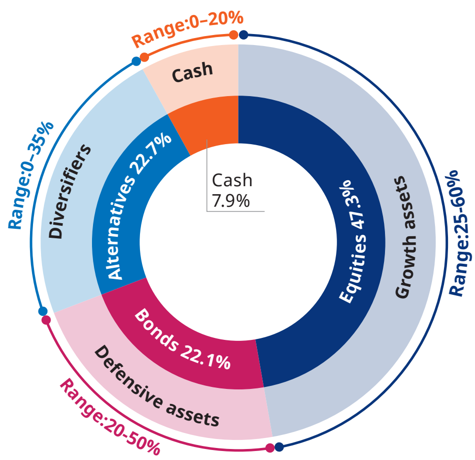
**Past performance is not a guide to future performance. The value of investments and the income received from them can fall as well as rise. Investors may not get back the amount invested.**

## Top ten holdings

| Asset class | Stock | % |
|---|---|---|
| US equity | Vanguard US Equity Index Fund | 8.1 |
| UK equity | Vanguard FTSE 100 ETF | 5.5 |
| UK equity | Majedie UK Equity Fund | 5.0 |
| UK equity | Old Mutual UK Alpha Fund | 4.8 |
| Fixed interest | Schroder Strategic Credit | 4.6 |
| Fixed interest | Lyxor US TIPS ETF GBP hedged | 4.6 |
| Fixed interest | Vanguard UK Short-Term Inv Grade Bond Index | 4.4 |
| Fixed interest | Vanguard UK Inflation-Linked Gilt Index | 4.3 |
| US equity | JP Morgan America Equity Fund | 3.5 |
| Gold | iShares Physical Gold ETC | 3.4 |
| Total | | 48.2 |

Source: Cazenove Capital Management. Data as at 30th June 2017.

## Current asset allocation



## Economic overview

Following the strong equity rises of the previous 12 months, it is perhaps not surprising that these markets should start to show signs of fatigue. Returns in the second quarter were muted with the MSCI World Index returning just 0.3% although the return for the first half of the year as a whole was a still healthy 5.6%. The equivalent returns for the UK equity market as measured by the FTSE All-Share Index were 1.4% and 5.5% respectively.

Politics continued to dominate the news channels with President Trump providing a continuous stream of talking points, many emanating from his Twitter feed. In the UK, Theresa May's electoral opportunism backfired from her perspective although markets once again managed to shrug off this potential banana skin with one school of thought suggesting that the Conservative Party's weakened position was more likely to lead to a softer 'Brexit'.

Markets have also been supported by 'synchronised' economic growth across the developed economies although this has led to debate about the pressure that central banks are increasingly under to reduce their extra-ordinary, post-financial crisis stimulus measures. With inflationary pressures remaining relatively subdued, it is unlikely that interest rates will rise materially in the near future but with rate rises already underway in the US, tightening cycles are potentially also coming in the UK and eventually even Europe, and have the potential to spook equity and bond markets if handled clumsily. As such, central bankers have been trying out various forms of verbal 'guidance' to prepare markets without causing panic.

## Portfolio overview

The models made steady progress during the quarter, with equities once again helping drive returns coupled with our alternatives exposure. Government bonds in general saw poor returns following speculation around rising interest rates, with our preference for short-dated corporates (investment-grade and high-yield) helping post-positive returns in this area. TR Property was up strongly with useful returns also seen from 3i Infrastructure. Gold was the largest detractor, although much of this was to do with the translation effect from US dollars to sterling.

Within equities, it was Europe (Jupiter European Special Situations), Asia (Schroder Asian Alpha Plus) and Emerging Markets (Fidelity Emerging Markets) that led the way. At the start of the quarter we added to European equities (reducing UK) ahead of the French election, believing that Marine Le Pen would make the 2nd round run-off but ultimately fall short in her bid for presidency, whilst also seeing better that expected economic growth in the continent.

Looking ahead, valuations on high-yield bonds are starting to appear stretched so our intention is to take profits and re-invest into short-dated investment-grade bonds.

## Meet the team

**Nick Georgiadis**

Head of DFM Team

**Simon Cooper**

Business Development Director, DFM Team

**Steven Rooke**

Portfolio Manager

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