Bespoke Model Portfolio
Service Quarterly Report
April 2023

define WEALTH

THE DEFINE WEALTH MODEL PORTFOLIO SERVICE (MPS) WORKING IN PARTNERSHIP WITH LGT WEALTH MANAGEMENT

QUARTERLY REPORT ON YOUR INVESTMENTS MANAGED UNDER THE DEFINE WEALTH PROPOSITION AND HELD UNDER THE CUSTODY OF THE
AVIVA, FUNDSNETWORK, OR M&G WEALTH WRAP PLATFORMS

April 2023

define WEALTH in partnership with LGT Wealth Management

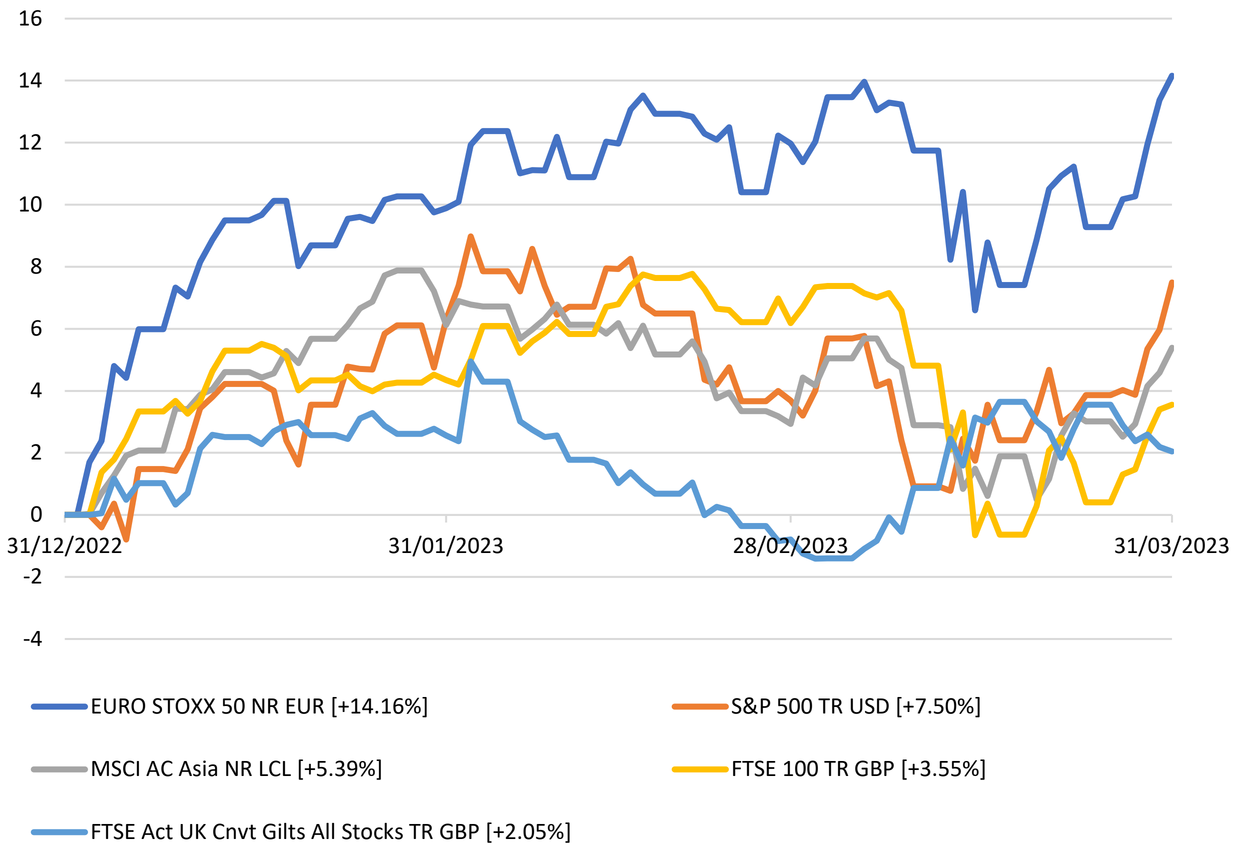
Q1 MARKET REVIEW

Summary

- Markets start the year strongly after a difficult 2022.
- Inflation remains high and the path of interest rates uncertain.
- Banking stocks took a hit, and we witnessed the collapse of a handful of banks.
- Technology companies were the best performers during the quarter.

Despite a banking crisis, continued high levels of inflation and tightening monetary policy, global equity markets managed to post their second consecutive quarterly gain in the first quarter. The sectors that fared least well in 2022 led the charge and the fixed income market had a historically volatile ride. The expected path of interest rates became more uncertain as inflation remained high but future economic growth came under threat.

Q1 2023 INDEX PERFORMANCE (%)



Source: Morningstar

in partnership with

Stocks had a strong start to the year in the month of January with the MSCI All Country World Index appreciating +7.4% in USD terms. Markets gave some of the gains back in the second half of February and first half of March, initially as strong inflation data prompted more rate hikes from central banks, with the Federal Reserve (Fed) raising rates by 0.25% in both February and March, and latterly as fears about an economic slowdown driven by the financial sector become more pronounced.

March brought us the collapse of the 16th largest US bank, Silicon Valley Bank (SVB). US stocks fell, particularly banks, as concerns about the health of the financial system mounted. SVB saw depositors take their money out at a faster rate than they could deliver, causing the bank to sell assets at a loss to raise money. The assets held by SVB were generally safe - mostly US Treasuries and agency mortgage-backed securities - which adds a layer of nuance to this bank run. It was as much about the nature of its liabilities (flighty, uninsured depositors) as the value of its assets. Contagion following the collapse of SVB in the US drove people to question their faith in other banks. In Europe, investors quickly turned their attention to Credit Suisse (CS), a designated Global Systemically Important Bank, given its own instability in recent years. UBS swooped in to acquire Credit Suisse for a total of CHF 3bn, whilst the bank gained access to a CHF 100bn liquidity line from the Swiss government. The deal re-establishes the stability in the Swiss banking system but comes with some controversies as Additional Tier 1 (AT1) bonds were fully written off because the first part of the transaction, which has proved contentious considering the common equity, was not wiped out.

Fixed income markets bounced back in the first quarter, particularly in March. Before the collapse of SVB and CS, investors had started to price in the probability that central banks would have to revise their terminal rate expectations higher. In the light of the developments in the banking sector however, investors now see a greater probability of cuts for the rest of the year and therefore bonds have generally rallied.

Elsewhere, China's reopening was heralded by analysts as a huge global growth driver for 2023. January and February trade data showed growth in exports but weak import numbers. As China's hospitality sector begins to open up, many are expecting an increase in commodity demand, driven by domestic growth. So far however, commodities, a barometer of investor sentiment, have also been caught up in the fog of economic uncertainty with the Bloomberg Commodity Index down (-6.5% in USD terms) for the quarter.

PERFORMANCE ATTRIBUTION FOR THE QUARTER

Equity markets had a positive start to the year with strong global returns in January. Markets saw economic data indicating a peak in inflation with the potential of a softer-than-expected decline in output. The rally, however, was short lived and some of the returns came off in the middle of the quarter. The markets initially sold off when much stronger-than-expected US payroll numbers brought fears of persistently high inflation and further rate hikes. March saw more of a disorderly selloff and sharp rise in volatility due to concerns about the European and US banking sector. This benefitted the portfolios' more defensive constituents. Equity markets regained some of their losses towards the end of the quarter with hopes that policy makers at central banks may be willing to pause rate hikes to protect liquidity in the financial system.

For investors, the moves in the first quarter ultimately reversed many of themes that played out in 2022. Looking at MSCI World sector performance, having returned -30.6% in 2022, the Information Technology sector ended the quarter +21.2%. Similarly, the Consumer Discretionary sector returned +16.5% in Q1 from -33.1% in 2022. In general, it was a story for growth stocks which were up +15.2% over the quarter. (All index figures in USD).

Those that did poorly over the quarter were the least cyclical and most defensive. Consumer Staples and Utilities returned 3.6% and +0.8%. Energy also underperformed at -3.1%. It may not come as much surprise that the Financials sector was one of the worst performing sectors at -1.4%. (All index figures in USD).

After suffering unprecedented declines in 2022, government bonds are finally behaving as we would expect - working when everything else is not. If you were to look at bond yields only at the beginning and the end of the period, you would be forgiven for assuming it was a largely uneventful quarter in fixed income. However, it contained historic swings in government bonds (particularly at the short end) and the wiping out of CHF 17bn of Credit Suisse's more exotic debt.

The collapse of SVB and Signature Bank prompted investors to turn to the safety of gold, which was up by +8.5% in US Dollar terms, reaching 12-month highs. The Bloomberg Commodity Index was down -5.3%, reflecting weaker investor sentiment in volatile market conditions as well as lower than expected demand following China's reopening. In a similar vein, WTI and Brent Crude were down 7.9% and -1.5% respectively. Real estate also suffered over the three-month period, against the backdrop of property valuation declines and tightening credit. However, it began to slowly recover towards the end of the quarter.

TOP PERFORMERS

Lindsell Train UK Equity
+5.69%

Fidelity Global Dividend
+5.14%

Brown Advisory Global Leaders
+4.68%

	Performance		Comment
Lindsell Train UK Equity	**Return**	+5.69%	UK equities saw strong relative performance in Q1 with economically sensitive sectors outperforming, such as industrials and consumer discretionary goods. Such sectors rebounded following relief from investors that the UK economy had performed resiliently during the energy crisis. The majority of the fund's top ten holdings, for example, RELX, saw strong performance in the quarter.
	Benchmark*	+3.08%	
	Relative	*+2.61%*	
Fidelity Global Dividend	**Return**	+5.14%	The fund was boosted by strong stock picking in the industrial sector which contributed to returns. Among the fund's top performers were professional services companies, RELX and Wolters Kluwer, which advanced after reporting their results for 2022. The fund's position in Tesco also enhanced gains despite weakness in the sector during the quarter. It delivered robust third quarter performance while maintaining strong market share despite challenging macroeconomic conditions.
	Benchmark*	+4.58%	
	Relative	*+0.56%*	
Brown Advisory Global Leaders	**Return**	+4.68%	From a sectorial perspective the fund have saw its biggest 2022 underperformers, health care and energy, recover and lead outperformance (together with strong performance of our industrial investments). Financials which was the biggest outperforming sector in 2022, was the largest contributor to underperformance this quarter, albeit still generating positive absolute returns. The absence of notable detractors therefore aided overall performance.
	Benchmark*	+4.39%	
	Relative	*+0.28%*	

* FTSE AllShare GBP ** S&P 500 GBP ***MSCI ACWI GBP

BOTTOM PERFORMERS

Ruffer Diversified Return Fund
-1.92%

Beutel Goodman US Value
-1.12%

	Performance		Comment
Ruffer Diversified Return Fund	**Return** **Benchmark*** *Relative*	-1.92% -0.18% *-13.64%*	The fund entered the year very defensively positioned and, whilst its risk assets participated in the risk rally in the first six weeks of the year, this was more than outweighed by the drag of its derivative protection. High levels of volatility over March, triggered by the collapse of SVB, and a wide dispersion of falls in the market, led to losses in the fund's commodities and equities holdings. Direct equity holdings also fell as the market priced in higher chances of a recession.
Beutel Goodman US Value	**Return** **Benchmark***	-1.12% -1.99%	The fund's allocation to defensive sectors lagged, as health care, utilities and consumer staples turned in negative performance over the quarter alongside challenged financials. Stock selection in information technology and communication services was a significant area of relative weakness in the period, as was an underweight allocation to the materials sector.

* Bank of England Base Rate
** Russell 1000 Value USD

Source: Morningstar Direct

PORTFOLIO POSITIONING RATIONALE BY ASSET CLASS

Key
▲ Increased exposure
◀▶ Maintained exposure
▼ Decreased exposure

◀▶ Fixed interest

The key addition to the fixed income allocation has been the L&G Global Inflation Linked bond. The emergence of higher inflation caused havoc to global bond and equity markets in 2022 and has since peaked and fallen to mid-single digits in most developed countries. However, moving forwards there is an increased likelihood that inflation stays elevated, and specifically remains above central bank target levels for the foreseeable future.

The L&G Global Inflation Linked bond in particular increases portfolio protection in an environment where inflation stays higher for longer. This fund predominately invests in US TIPS, which currently benefit from a healthy real yield, and are supported by an economy with persistent wage growth and core inflation. This contrasts nicely with the fund's sizeable allocation to Europe, which is exposed to differing inflationary factors, such as the Russia/Ukraine war and China reopening economically in Q4 2022.

◄► Overseas Equity

We have recently introduced the Cohen and Steers Real Assets fund, which runs in conjunction with the increased likelihood that inflation will remain above central bank targets, and for longer than expected. Furthermore, the addition of Cohen and Steers is practically useful as our preference is typically for quality and stability of earnings, which often steers our managers away from commodities and energy. However, this fund allows us to gain active exposure to infrastructure, REITs, commodities and natural resource equities, some of which are sectors that the portfolio has not previously had a direct allocation to. Other options were available to us in gaining this exposure, however Cohen and Steers provided the necessary exposure with a more tolerable level of risk. Real Assets have historically proven a reliable asset to hedge against inflation surprises, either to the upside or the downside.

The allocation to Cohen & Steers has been funded through the sale of the Morgan Stanley US Advantage Fund. Our internal research team's conviction in this fund waned throughout 2022, which ultimately resulted in the issuance of a sell note, after we became uncomfortable with the direction of the fund manager's investment strategy. Initially, the fund was purchased due to the fund manager's quality investment style, however our analysis suggested that this strategy morphed into a growth style over time, which we were uncomfortable with.

◄► Absolute return / Alternatives

There have been marginal top ups of the CG Absolute Return and Troy Tojan funds this quarter in the lower risk models. Our conviction in our active alternative managers remains high. The funds continue to offer diversification benefits and robust, stable returns in periods of economic uncertainty

▼ Cash

Cash levels in the Balanced Growth 6 and Growth 7 portfolios have been marginally reduced to fund the purchase of the Cohen & Steers Fund, however, elsewhere, cash levels have been maintained this quarter. As we did in 2022, we value holding a small cash buffer in the portfolios to add further protection in periods of volatility and enable us to act quickly should opportunities arise.

THE PERFORMANCE OF YOUR RISK GRADED DEFINE WEALTH PORTFOLIOS (31st March 2023)

Portfolio	1 month	3 months	6 months	1 year	Since Inception
Define 3	0.69	1.51	3.50	-2.83	3.16
Define 4	0.68	1.85	4.62	-2.74	6.56
Define 5	0.49	2.13	4.99	-3.03	10.72
Define 6	0.03	2.16	5.28	-2.82	13.49
Define 7	-0.08	2.62	4.97	-3.45	10.52
Define 8	-0.15	2.90	4.79	-3.90	13.65
Define 4 Income	0.18	2.42	5.67	-2.77	5.60
Define 6 Income	-0.07	2.51	5.83	-2.23	12.44
FTSE All Share	-2.84	3.08	12.25	2.92	14.95
UK RPI	0.70	2.24	7.45	12.64	19.45
BlackRock Cash	0.31	0.87	1.58	2.05	2.28
FTSE Act Conventional Gilts Over 15 Yrs	5.20	2.78	0.88	-29.72	-39.24

Source: Morningstar Direct

The performance figures shown are net of underlying fund management fees but do not include Wrap platform, ongoing Adviser charges or LGT Wealth Management charge.

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

Looking ahead

In contrast to the declines in global asset prices we saw in 2022 which related to interest rates, the recent market concerns have a more 'normal' feel to them – ultimately, investors are worried about company earnings and solvency. With these concerns emanating from the banking sector, and the forced takeover of Credit Suisse, it is tempting to refer to events fifteen years ago. However, any comparisons to 2008 look overdone; unlike then, the credit quality of the assets held by banks is not in question and the high level of capitalisation in the banking sector is a stark contrast, not to mention the level of regulation that banks now comply with regarding their solvency and liquidity positions. In short, markets continue to recover and expected returns are much higher now than at the start of last year, but there are no snap backs to all-time highs.

THE DEFINE WEALTH MODEL PORTFOLIO SERVICE JOINT INVESTMENT COMMITTEE (IC)

The joint Investment Committee (IC) is comprised of LGT Wealth Management's investment managers and asset class specialists along with key staff from Define Wealth. Define Wealth's role is to set and monitor the overall investment strategy. As a matter of course, the IC meets quarterly to discuss the market outlook but can, and does, meet at other times in response to events that occur between meetings.

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Chartered Financial Planner
SENIOR ADVISER
DEFINE WEALTH

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HOW WE WORK FOR YOU

Our commitment to you is to review and monitor your investment portfolio on a regular and ongoing basis to ensure diversity, to reduce investment risks and to seek to improve returns over the longer term. The aim is to add real value to your investment experience backed by 'real time' monitoring of your investments. To achieve this, we work in partnership with our preferred investment partner, LGT Wealth Management, an award-winning Discretionary Fund Manager (DFM), to run a collection of model portfolios.

The risk rated model portfolios are unique to Define Wealth and reflect our combined views on economic and investment markets. The portfolios have been created to power our Wealth Management investment proposition, with the portfolios monitored and managed by a joint Investment Committee (IC) composed of LGT Wealth Management's Investment Managers and Define Wealth. The Investment Committee meets every quarter to analyse the portfolios' asset allocation strategy and recommended fund choices.

Your portfolio benefits from the most current investment thinking and the best ideas through dynamic portfolio construction, combining Define Wealth's expertise and in-depth knowledge of your personal financial requirements and LGT Wealth Management's investment process, research capabilities and understanding of markets. We believe that we have found the optimum blend to improve further on the services which we can provide and the ongoing management of your portfolio.

Central to the Model Portfolio Service proposition are LGT Wealth Management's discretionary investment powers and we firmly believe that one of the critical advantages that these discretionary powers bring is the ability to react far more quickly to economic, market and fund management changes.

In Committee, if the analysis of the portfolios and their constituent parts lead to a recommendation for change then we are able act on that proposal immediately and then communicate those changes to you. You no longer have to give your consent every time a portfolio change is made. Instead, the partnership Investment Committee will make changes and rebalance all of the portfolios every quarter and then tell you what changes, if any, have been made.

The joint committee will continue to communicate with you every quarter, providing you with our investment 'outlook', informing you of any changes made to your investment portfolio and explaining the thinking behind those changes. The partnership will work to common governance and investment philosophies, and you can be assured that the Define Wealth portfolios - and their component parts - remain aligned to your attitude to investment risk.

HOW DOES THE MODEL PORTFOLIO SERVICE BENEFIT YOU?

- Investment decisions are made in partnership between Define Wealth and LGT Wealth Management, ensuring your investment is aligned to your needs.
- Your portfolio benefits from specialised and dedicated investment research capabilities provided by LGT Wealth Management, an award-winning investment house.

- Define Wealth has access to effective communication on investment markets and market views, which can be shared with you.
- We have the ability to react nimbly to market events, ensuring your portfolio is positioned appropriately regardless of market fluctuations.
- You have exposure to industry leading investment expertise, providing you with reassurance that your investment is supported by a trusted and reliable partner.

Important information

There may have been a few reallocations of exiting fund weightings as well as the quarterly portfolio rebalance. From an environmental perspective we are trying to keep the amount of paper which we send out to a bare minimum and therefore any new fund facts sheets are available on request.

We trust that you will understand the rationale behind the changes and confirm that there are no costs to you for switching funds or portfolio rebalancing on the Wrap Platforms. Please call if you have any questions. Call 01737 888110 or email admin@definewealth.co.uk

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Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

It is important to note that returns from investment funds are not guaranteed and the value of your capital and any income taken can fall as well as rise.

Past performance should not be seen as a guide to future returns.

The views expressed in this Market Review are based on our current understanding of market conditions.