

## LWM BALANCED PORTFOLIO 2023 / 2024



### LWM CONSULTANTS LTD

*“Focusing on helping individuals & companies understand and plan their financial future”.*

### Annual Rebalance 2023 / 2024

#### Overview

The last ten years saw cheap money with low interest rates and low inflation. That environment is now changing.

We expect more normalised interest rates and inflation (pre-2008), and therefore the changes are looking to build more “protection”, with the primary aim to deliver a return of between 6% to 8% over the long term (10-years plus).

We are also reducing the number of holdings to avoid being too diversified, which can restrict returns.

This means that the portfolios will be more concentrated on what we see as the very best strategies to deliver those long-term returns.

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### Key information

The table below shows the fund manager charges for each of the portfolios.

	2022 / 2023	2023 / 2024
Balanced Portfolio	0.80	0.74

Number of holdings:

	2022 / 2023	2023 / 2024
Balanced Portfolio	29	21

### Fund Changes

Alternatives		
Strategy Being Removed	Strategy Being Added	
Federated Hermes Unconstrained Credit Fund  3i Investment Trust  TR Property  Rathbone Enhanced Growth Portfolio	Premier Miton Strategic Monthly Income Fund  PIMCO GIS Income Fund  Henderson Diversified Alternatives Fund	The key changes are: <ol style="list-style-type: none"> <li>1. Increasing the exposure to debt (fixed income) which reflects higher yields.</li> <li>2. Reducing exposure to other alternative strategies including property and infrastructure.</li> <li>3. The new bond strategies offer a better blend of returns.</li> <li>4. The Henderson Diversified Alternatives Fund provides a broad exposure to alternatives rather than a specific sector.</li> </ol>

Equities		
Strategy Being Removed	Strategy Being Added	
Abrdn UK Smaller Companies Growth Trust  AXA Framlington UK Smaller Companies Fund  Premier UK Growth Fund	Slater Growth Fund	The key changes are: <ol style="list-style-type: none"> <li>1. We have reduced our allocation to the UK as we feel there are structural economic challenges post COVID</li> </ol>

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		<p>and the decision to leave the EU. We feel there are better opportunities in other parts of the world, however we still want some exposure to the UK.</p> <p>2. In doing this we have looked to two strategies as a better blend to deliver those longer term returns.</p>
Artemis US Smaller Companies Fund		We have reduced the number of holdings. As this is a Balanced Portfolio, we have focused on the larger cap strategy through AXA and the index strategy via L&G.
JPM Japanese Investment Trust	GS Japan Equity Fund	This is purely a swap for a new strategy. In line with a more normalised environment, we feel that the GS Japan Equity Fund carries slightly less risk.
Matthews Asia Funds – China Small Companies Fund		We still believe there should be a direct allocation to the second largest global economy, however we feel it is important to reflect the short term risks and have therefore reduced our direct exposure to China.
<p>Abrdn Global Smaller Companies Fund</p> <p>Baillie Gifford Global Discovery Fund</p> <p>Polar Capital Technology Investment Trust</p>	<p>Heriot Global Fund</p> <p>Ninety-One Global Environmental Fund</p>	<p>We have reduced the number of holdings in the global space.</p> <p>The Heriot Global Fund is seen as lower risk exposure to the global markets.</p>

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		Ninety-One Global Environmental Fund looks to tap into the structural changes within the environment.
MS INVF Asia Opportunity Fund		We have reduced the number of holdings and focusing on the Matthews Asia strategy which is likely to be less volatile.
Templeton Investment Trust		We have reduced the number of holdings and focusing on the Carmignac strategy which has a better performance track record.

### CURRENT VS NEW PORTFOLIOS

	2022 / 2023	2023 / 2024
<b>Alternatives</b>		
Premier Miton Strategic Monthly Income Bond Fund	0.00%	6.50%
PIMCO GIS Income Fund	0.00%	6.50%
<i>Federated Hermes Unconstrained Credit Fund</i>	4.50%	0.00%
Nomura Funds Global Dynamic Bond Fund	4.50%	6.50%
Schroder Global Cities Real Estate Fund	4.50%	5.00%
<i>TR Property Investment Trust</i>	4.50%	0.00%
<i>3i Infrastructure Trust</i>	4.50%	0.00%
FP Foresight Global Real Infrastructure Fund	4.50%	5.00%
AHFM Defined Returns Fund	4.50%	5.00%
<i>Rathbone Multi Asset Enhanced Growth Fund</i>	4.50%	0.00%
Henderson Diversified Alternatives Fund	0.00%	5.50%
	36.00%	40.00%
<b>Country Specific Holdings</b>		
<b>UK</b>		
<i>Abrdn UK Smaller Companies Trust</i>	3.00%	0.00%
<i>AXA Framlington UK Smaller Companies Fund</i>	3.00%	0.00%
<i>Premier UK Growth Fund</i>	3.00%	0.00%
Slater Growth Fund	0.00%	5.00%
VT Castlebay UK Equity Fund	3.00%	5.00%
	12.00%	10.00%
<b>US</b>		
AXA Framlington American Growth Fund	3.00%	6.00%
L&G US Index Fund	5.00%	6.00%
<i>Artemis US Smaller Companies fund</i>	4.00%	0.00%

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	12.00%	12.00%
<b>China</b>		
Abrdn China A Fund	2.00%	3.00%
Matthews Asia Funds – China Smaller Companies Fund	2.00%	0.00%
	4.00%	3.00%
<b>Japan</b>		
JP Morgan Japanese Investment Trust	3.00%	0.00%
GS Japan Equity Partners Fund	0.00%	3.00%
	3.00%	3.00%
<b>Regional &amp; Global Holdings</b>		
<b>Global</b>		
Scottish Mortgage	4.00%	4.00%
Abrdn Global Smaller Companies Fund	3.00%	0.00%
Baillie Gifford Global Discovery Fund	3.00%	0.00%
Morgan Stanley UK Global Brands	3.00%	4.00%
Heriot Global Fund	0.00%	4.00%
Ninety-One Global Environment Fund	0.00%	3.00%
Polar Capital Technology Trust	3.00%	0.00%
	16.00%	15.00%
<b>Europe</b>		
Premier Miton European Opportunities Fund	4.00%	3.50%
Abrdn Europe ex UK Equity Fund	3.00%	3.50%
	7.00%	7.00%
<b>Asia</b>		
MS INVF Asia Opportunity Fund	3.00%	0.00%
Matthews Asia ex Japan Total Return Fund (Fund Name Change)	2.00%	5.00%
	5.00%	5.00%
<b>Emerging Markets</b>		
Templeton Emerging Markets Investment Trust	2.50%	0.00%
FP Carmignac Emerging Markets Fund	2.50%	5.00%
	5.00%	5.00%

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## Summary

The key changes are a reduction in funds to 21, with the aim to provide less volatility in a more normalised environment. We have taken out some of the higher risk strategies that worked previously but may struggle moving forward.

Page 9 of the of the Portfolio Review Document provides a brief reason for removing the funds. Pages 12 to 26 provide more details on the new funds being introduced.

The current volatility of the portfolio is 12.20. Below is an estimation of future volatility which has reduced.

### Ex-ante Risk

Portfolio	Ex-ante Risk	Beta to MSCI All Country World Gross TR Index
Balanced FINAL VERSION 23	11.20%	0.76

In summary,

1. The costs have come down slightly.
2. The number of holdings has come down.
3. The risk / volatility measure has come down.
4. Reduction in direct exposure to China to reduce risk, and reduction in exposure to UK due to uncertainty.
5. Increase in exposure to fixed income (debt) to reflect more normalised interest rates.