Quarterly Review

Multi-Asset Blend Balanced Fund

Q1 2024

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Welcome to our

Quarterly Review

Q1 2024

In this report, we will review the key developments from the first quarter of 2024 and their implications for your investment portfolio. This quarter is pivotal, establishing a foundation for the year's investment climate. We will analyse how the tail end of 2023 continues to shape our investment strategies and underline the critical role of diversification in mitigating risks. Furthermore, we will highlight emerging trends and potential market shifts to watch in the upcoming quarters.

Performance summary

- The Multi-Asset Blend Balanced Fund ("the Fund") enjoyed a strong start to the year, returning +3.8% over the first quarter.
- With global equity markets performing well, the equity component of your Fund proved very additive over the quarter. This was further supplemented by the Fund being tactically overweight to the strongly-performing Japanese Equity market. Despite equity markets being primarily driven by what's done well recently (i.e. what are known as "momentum" stocks), it was pleasing to see your Fund's global diversification prove helpful to returns.
- The Fund's more growth-oriented managers delivered the strongest performance whereas small cap and value-oriented strategies typically lagged.
- Although fixed income markets were generally lacklustre over the period, other diversifying strategies in Absolute Return and Property & Real Assets made a material positive contribution to the Fund's return over the quarter.

	MAB Balanced	IA Mixed Investment 20-60%
Quarter 1 2024	3.8%	2.5%
1 year	8.9%	7.7%
3 year	8.8%	5.3%
22 July 2019 (Since launch)	22.0%	12.5%

The Fund performance figures are presented net of the Ongoing Charges Figure (OCF) and run from launch.

The Fund has seen a return of 22% since launch in July 2019.

Key portfolio activity

0 Sales

There were no new sales in Q1 2024.

0 Buys

There were no new buys in Q1 2024.

47 Manager meetings

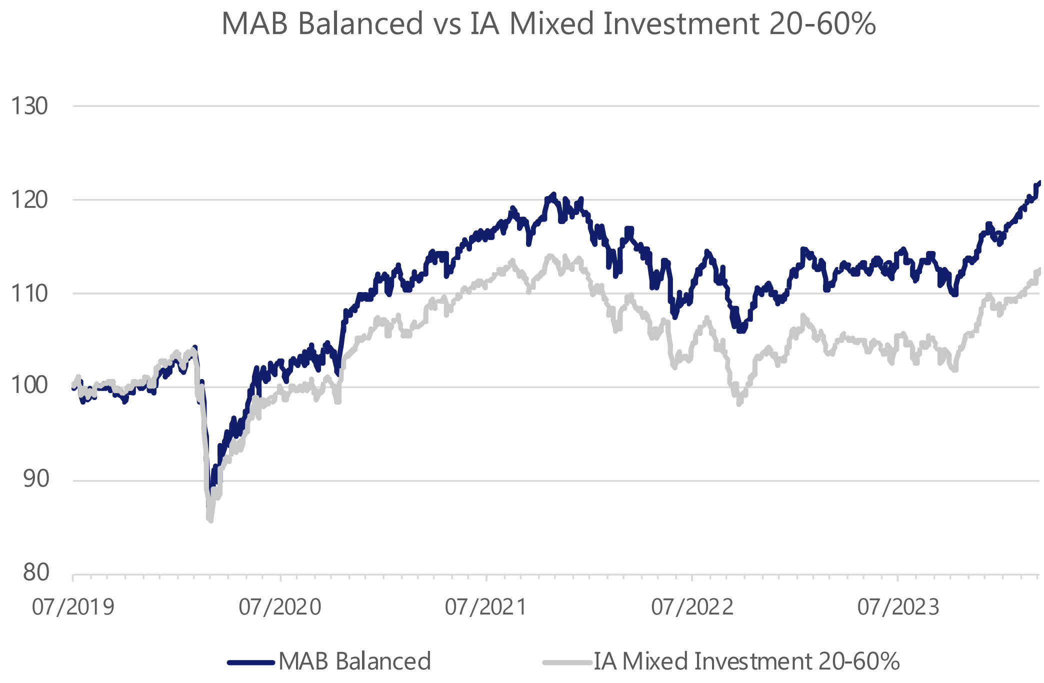
We attended 47 meetings during the quarter to review existing and prospective managers.

Performance commentary

Market

Equity markets started the year on a strong footing with the MSCI All Country World Index of global equities up +9.3% for the quarter in Sterling terms. The U.S. equity market, as measured by the S&P 500 Index, was again a key driver, up +11.6%, but it was Japan that led the way, up +12.2% for the quarter in Sterling terms. Japan's stock market continues to attract global investors' attention due to the positive backdrop of a strengthening economy, accelerating earnings growth and transformative corporate governance reforms. Emerging Market equities were the laggards, up +3.4% for the quarter, held back by China's ongoing economic struggles which led its equity market to decline over the period. From a style perspective, Momentum was a clear winner over the quarter globally. Conversely, strategies focused on mid and smaller sized companies and value-oriented strategies typically underperformed.

Global fixed income markets were generally more lacklustre with the GBP hedged Bloomberg Global Aggregate Index of high-quality fixed income securities down -0.1% over the quarter. As investors digested robust U.S. economic data that suggested that interest rates may have to stay higher for longer, longer dated bonds fell most heavily. However, high yield bonds reacted positively to this stronger economic data and benefitted from further compression in the yield spread available over government bonds, helping Bloomberg Global High Yield Corporate Bond Index to deliver a +1.9% quarterly return in GBP hedged terms.



Total Fund

The Multi-Asset Blend Balanced Fund ("the Fund") was up +3.8% over the first quarter, outpacing the +2.5% return of its IA Mixed Investment 20-60% Shares performance comparator. Since the Fund's inception on 22nd July 2019, the Fund is up +22.0%, significantly ahead of the +12.6% return of its IA comparator.

Equities

With equities representing 50% of your Fund and equity markets generally performing well, this exposure proved very additive over the quarter. This was further supplemented by the Fund being tactically overweight to Japan, which was one of the strongest equity markets globally. Outside of Japan, it was evident that "momentum" stocks were the primary driver of equity market returns over the quarter. This means that stocks that have done well recently, which have typically been more growth-oriented stocks, continued to perform well. Following this pattern, in your portfolio the Amundi Russell 1000 Growth ETF exposure in the U.S. component rose +12.3% over the quarter. Other more growth-oriented exposures in your portfolio like the BlackRock Continental Europe Fund (+12.0%) and the Baillie Gifford Pacific Fund (+9.6%) also outperformed their comparators by a wide margin.

Conversely, those managers investing more in small caps or value-oriented stocks were typically the laggards, with funds like the Baillie Gifford Global Discovery Fund (-9.8%), the Neuberger Berman US Small Cap Value Fund (+5.4%) and the Pzena Global Value Fund (+5.6%) lagging their respective index comparators. With valuations of many large cap growth / momentum stocks reaching what look like highly elevated levels, we continue to believe retaining deep and genuine diversification by style and region remains entirely appropriate for your portfolio.

Fixed Income

Within the Fund's fixed income component, we only have a small exposure to Global High Yield bonds as we don't currently think the additional yield you receive over the yields of government bonds sufficiently reflects the prevailing economic risks. The high yield focused manager we use here, MAN GLG High Yield Opportunities Fund, delivered a +3.6% return over the quarter. While it would admittedly have been better to have a larger allocation, we remain comfortable not stretching for yield and remain focused on a higher quality fixed income portfolio at this stage in the economic cycle. In this regard, the Fund's holding in JP Morgan China Aggregate Bond ETF, which holds high quality Chinese bonds, returned +2.8% over the quarter, benefiting from the ongoing deflationary pressures in China. After a strong fourth quarter, the Fund's holding in iShares 20+ Year US Treasury ETF, which invests in long dated US Treasuries, pulled back -3.6% over the quarter as expectations for the pace of rate cuts in the U.S. were tempered. Long dated bonds typically perform best when future interest rate expectations decline. From a portfolio construction perspective, we like that if the U.S. economy was to slow materially and interest rate cuts be accelerated, this exposure will likely perform extremely well in a period where equity markets may become more challenged.

Property, Real Assets & Absolute Return

This diversifying component of your Fund proved highly additive over the first quarter. Within the Absolute Return component, the Fulcrum Thematic Equity Market Neutral Fund was the standout performer, delivering an +11.8% quarterly return. Fulcrum's strategy is to go "long" companies benefitting from positive structural trends and "short" those that are losing out. Examples would be the manager buying companies benefiting from the breakthrough in obesity drugs and going short the companies (such as confectionary companies) that will see demand negatively impacted by their increasing use. The manager is also investing in companies they consider to be AI winners and shorting those businesses that will likely lose out from AI's increasing prevalence.

Another notable performer in the Property & Real Assets component was the AQR Managed Futures Fund, which rose by +12.3% over the quarter. AQR employ a trend following strategy and benefitted from favourable trends in equity markets that persisted throughout the quarter. Trend-following strategies are largely indifferent to market directions, thriving as long as the trend persists. This approach results in a performance stream that differentiates itself from other components of your portfolio.

Central Bank Rate decisions and market focus

Markets have become intently focused on when central banks will begin to lower interest rates and the pace at which they will do so. Predicting these movements is notoriously challenging, yet it appears unlikely that we will see a return to 0% interest rates in the near future. Even with declining rates, heavily indebted companies will struggle to issue debt, and when they do, the cost of credit will be substantially higher. As a result, the strength of a company's balance sheet will play a more critical role moving forward, steering us towards a preference for active management.

Opportunities in smaller companies

Smaller companies have been neglected for an extended period and have underperformed their larger-cap peers worldwide by a considerable margin, a trend that persisted in the first quarter. We believe this has created some outstanding value and growth opportunities within this market segment. However, given the ever-shifting landscape, we are acquiring this exposure cautiously and through managers who prioritise balance sheet strength. In a financial context where debt is less accessible and more expensive, well considered active stock selection will become increasingly vital.

Fixed income and high-yield corporate bonds

This principle applies equally to fixed income. The more arduous refinancing climate is one reason for our heightened caution regarding high-yield corporate bonds. These bonds, typically issued by lower-quality companies carrying more debt, are more vulnerable to economic fluctuations. We contend that the modest yield premium over higher-quality debt does not adequately reflect these risks. Consequently, in portfolios with a fixed income component, we prefer maintaining a core investment in a global government bond-focused ETF, along with selective allocations in asset classes with high return potential.

Japanese Equities: A structural opportunity

Regarding equities, we maintain a positive outlook on the opportunities in Japan. Our overweight stance on Japanese equities, sustained for nearly four years, is driven by attractive valuations and structural reforms aimed at enhancing corporate efficiency and shareholder returns. Our engagement with the Fund's three incumbent active Japanese equity managers has revealed tangible signs of these reforms, manifested in improved earnings growth and dividend increases. This approach was validated once again this quarter, with MSCI Japan outperforming many global indices, including the prominent U.S. market, underscoring the benefits of international diversification in your fund. We believe this structural opportunity has considerable potential for further growth.

UK Equities and Government initiatives

We also continue to favour UK equities. The recent announcement by the UK Chancellor of a new British ISA, offering an additional £5,000 tax-free allowance for investment in UK equities or funds, is unlikely to have a significant monetary impact. However, it signals a broader initiative to encourage greater investment in UK businesses by both domestic retail and institutional investors.

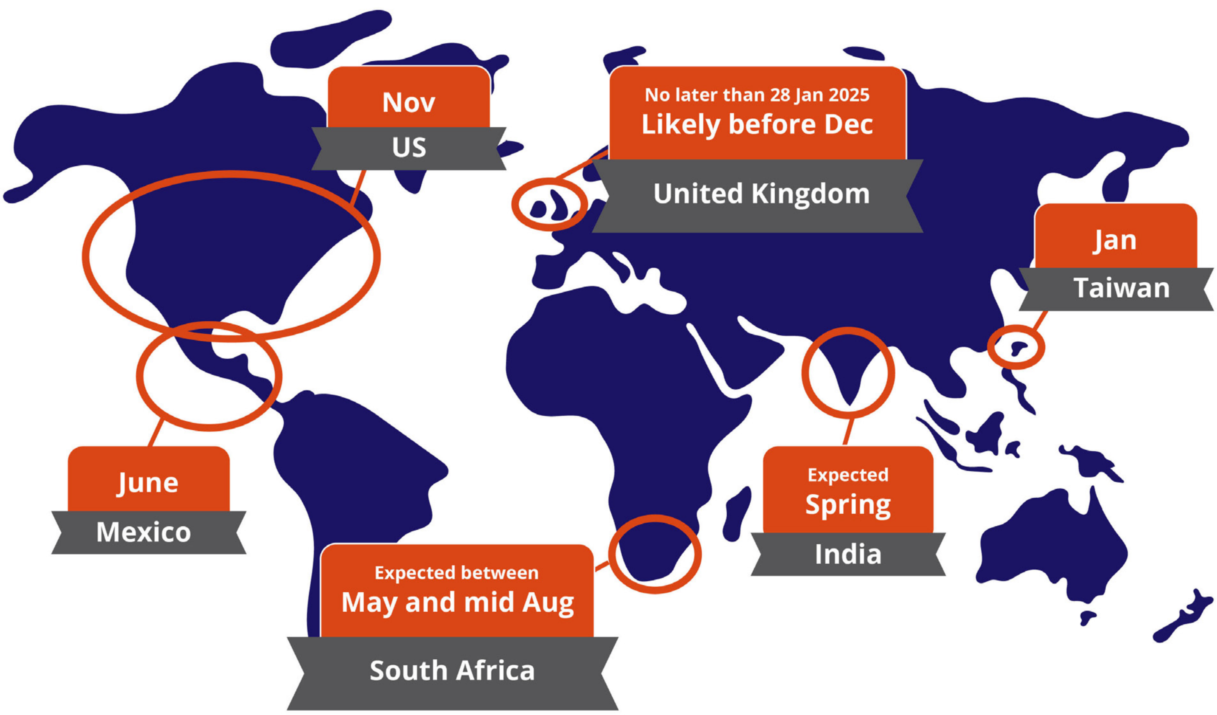
Pension funds and UK equity investments

More pivotal will be government efforts to encourage UK pension funds to raise their investment in domestic companies. Unlike two decades ago, when it was common for UK pension funds to allocate a significant portion of their assets to local companies, this figure has drastically declined to a low single digit percentage. This contrasts with pension funds in countries like Australia, France, Japan, and Italy, which allocate a substantial portion of their assets to their domestic equity market. In this regard, it was notable that the government also announced a new requirement for UK pension funds to disclose their allocation to UK companies going forward, suggesting that further action could be taken if allocations are not increasing.

Corporate UK's response to market conditions

Amidst these developments, with the UK equity market still trading at extremely cheap valuations, we see corporations taking matters into their own hands with a stream of announcements characterised by aggressive share buybacks (companies using their profits to buy their own undervalued shares, thereby increasing Earnings (profit) Per Share for the remaining shareholders), higher dividend payouts and a surge in acquisitions by both domestic and international suitors. We are encouraged to see an increasing number of routes that this value in UK equities could get realised going forward.

Key elections 2024



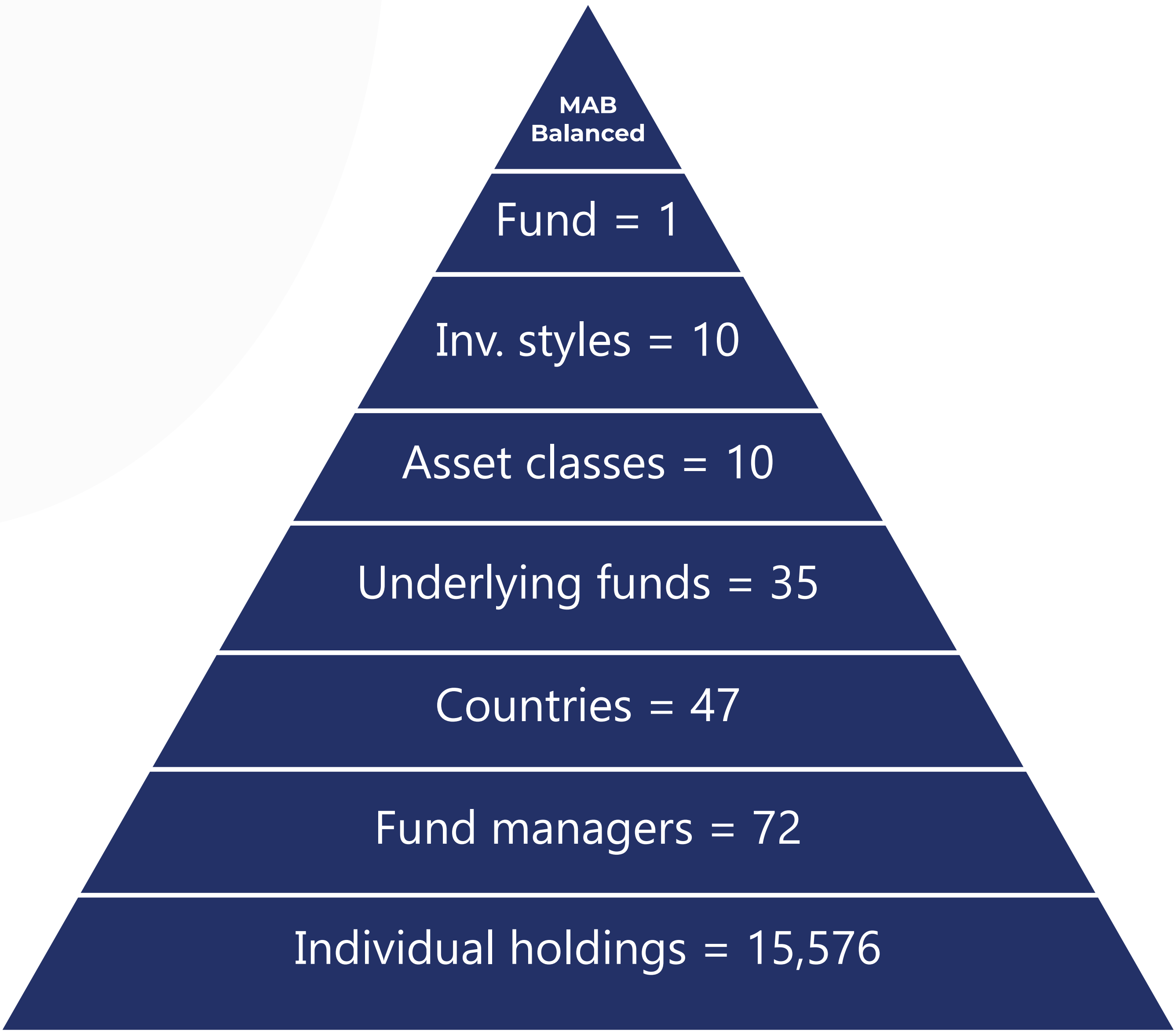
Global elections and market impact

As the 2024 US presidential election primaries heat up, alongside elections in the UK, India, and other countries, global investors are monitoring potential market impacts. However, historical trends suggest that the election outcomes, regardless of the political spectrum, will have limited long-term effects on market behaviour. Our priority remains to provide you with a diversified portfolio across various asset classes, managers, and investment styles to harness the best long-term global investment opportunities.

What’s in your Multi-Asset Blend Fund?

We aim to provide our clients with a full range of investment solutions that help deliver their financial plans. We have evolved our investment offering since 2004 and the YOU Multi-Asset Blend Funds are the most modern iteration of our investment process.

This pyramid below is designed to illustrate how highly diversified the MAB Balanced Fund is and to help you understand the benefits of the Multi-Asset Blend Fund structure.



To find out more visit:
www.you-asset.co.uk/wp-content/uploads/2024/03/YOU-Client-Guide-Whats-in-a-YOU-Multi-Asset-Blend-Fund.pdf

IFSL YOU Multi-Asset Blend Balanced Fund
(as at 31st March 2024)

Equity Total	49.8%
UK Equity	**11.0%**
Lyxor Core UK Equity All Cap ETF	5.6%
Lindsell Train UK Equity	2.7%
Polar Capital UK Value Opportunities	1.9%
Invesco UK Opportunities	0.8%
US Equity	**10.2%**
Invesco S&P 500 ETF	6.2%
Neuberger Berman US Small Cap Intrinsic Value	2.6%
Amundi Russell 1000 Growth ETF	1.4%
Europe Ex-UK Equity	**5.4%**
Vanguard Europe ex-UK ETF	2.8%
Lansdowne Partners European ex-UK	1.3%
BlackRock Continental European	1.3%
Japanese Equity	**7.2%**
Amundi Prime Japan ETF	3.0%
GSAM Japan Equity Partners	1.7%
Nikko AM Value	1.7%
Neuberger Berman Japan Engagement	0.8%
Global Emerging Market Equity	**7.3%**
HSBC MSCI Emerging Markets ETF	2.7%
North of South EM All Cap	1.8%
Skerryvore Global Emerging Markets	1.4%
Baillie Gifford Pacific	1.4%
Global Developed Market Equity	**8.8%**
Amundi MSCI World ETF	2.8%
Brown Advisory Global Leaders	2.4%
Pzena Global Value	2.4%
Baillie Gifford Global Discovery	1.2%

Other Assets Total	23.7%
Property & Real Assets	**9.9%**
AQR Managed Futures	2.9%
ClearBridge Global Infrastructure Income	2.9%
UBS Bloomberg Commodity ETF	3.1%
Sparkchange Physical Carbon EUA ETC	1.0%
Absolute Return	**13.8%**
Sanlam Multi Strategy	4.9%
Fulcrum Thematic Equity Market Neutral	4.5%
Pacific G10 Macro Rates	4.4%

Fixed Income Assets	23.9%
Vanguard Global Aggregate Bond ETF	14.6%
iShares 20+ Year US Treasury ETF	3.3%
JP Morgan China Aggregate Bond	2.9%
MAN GLG High Yield Opportunities	1.0%
Morgan Stanley Emerging Markets Local Income	2.1%

Cash Total	2.6%

We recommend that potential investors seek professional financial advice before making any investment. The material in this report has been prepared by YOU Asset Management and provides background information about YOU Asset Management's activities as at the date of this report.

Manager spotlight

Goldman Sachs Japan Equity Partners Portfolio

The portfolio seeks long-term capital appreciation by investing primarily in a concentrated portfolio of equity securities of Japanese companies.

Team:
Lead Portfolio Manager Ichiro Kosuge, with four portfolio managers and two analysts

Team experience:
Combined 95 years

Last manager meeting:
15th January 2024

Asset Class:
Equity

Sub Asset Class:
Japan

Fund inception date:
27th May 2015

Fund size:
£2.5BN

Added to your portfolio:
April 2023

YOU allocation:
1.7%

Source: www.gsam.com/content/gsam/ain/en/advisors/fund-center/fund-finder/goldman-sachs-japan-equity-partners-portfolio.html

The team behind the fund

Ichiro joined Goldman Sachs Asset Management's Japan Equity team in October 2004 and has been the Lead portfolio manager on the strategy since 2014.

We first met Ichiro in London in March 2023 as part of a review of the existing manager blend in our Japanese equity allocation and were immediately impressed by his knowledge and the capability of the team.

The team run a relatively simple, disciplined, strategy which focuses on investment in large Japanese companies who are entering what they refer to as the "re-growth stage" of their corporate lives. This process produces a portfolio of larger companies with high and/or accelerating growth rates in their earnings.

In traditional Japanese corporate settings deference to seniority often hampers constructive criticism. By implementing the "Three-Day Rule," the investment team has created a framework that fosters open dialogue and critical evaluation of investment proposals irrespective of seniority. This ensures that investment pitches are scrutinised rigorously, with any potential weaknesses or blind spots being identified and addressed.

The YOU Investment & Asset Allocation Committee adopt a similar approach and favours managers who focus on effective challenge and debate because we believe this is crucial to strong and effective decision-making.

Ichiro Kosuge

"The fund was an ideal addition to our Japanese Equity manager blend as a complement to our value or small-cap manager selections".

Investment insights

The extraordinary power of compound growth

In the world of finance, few concepts wield as much influence and potential as compound growth.

At its core compound growth is elegantly simple yet incredibly powerful and is a phenomenon that helps turn modest investments into substantial wealth over time.

The extraordinary power of compound growth can be illustrated by the famous story of the grain of rice. It goes like this:

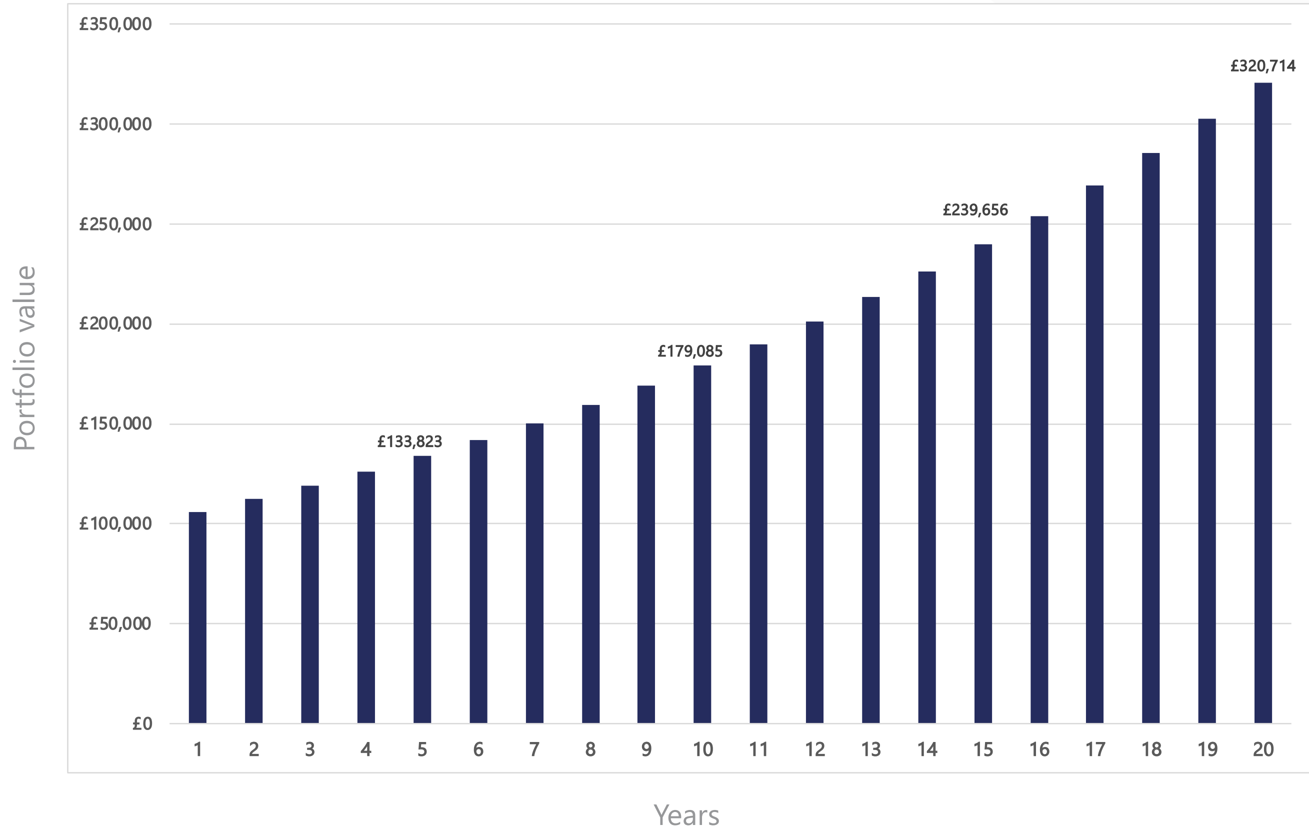
Imagine you have a chessboard, and on the first square, you place one grain of rice. On the second square, you place two grains, doubling the amount. On the third square, you place four grains, doubling again, and so on, doubling the amount of rice for each square.

At first, it doesn't seem like much, but as you continue, the amount of rice grows exponentially. By the time you reach the 64th square, the amount of rice would equate to 18,000,000,000,000,000,000 grains of rice which is equal to about 210 billion tons. That's a lot of rice.

The important takeaway here is although that first grain of rice or pound may seem modest, getting invested (and staying invested) allows the power of compound growth to take effect.

How getting (and staying) invested makes a big impact over time

The following chart shows how a £100,000 investment, growing at 6% per annum can generate great results for you over time.



Time is your biggest ally, even if you start with a modest investment amount. As you can see from the chart, your portfolio grows at a relatively slow pace early on but with the power of compounding taking effect, the value of your portfolio accelerates quickly through your 20-year investment period.

Embracing the extraordinary power of compound growth is key to helping you live your best financial life.

"The new first rule of compounding: Never interrupt it unnecessarily."

- Charlie Munger

If there are any investment topics that you would like us to feature in this section of the Quarterly Report, we would love to hear from you at Marketing@YOU-Asset.co.uk

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Get in touch

Whether you have questions about your portfolio, need assistance with your investments, or simply want to touch base, our dedicated team is readily available to support you.

Don't hesitate to reach out to us through any of the following channels:

- www.YOU-Asset.co.uk
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Important information

All data provided by Investment Fund Services Limited (IFSL) is correct as at 31st March 2024. The IFSL YOU Multi-Asset Blend Balanced Fund was launched on 22nd July 2019. It's crucial to understand that past performance does not predict future returns, and the value of investments can change, potentially resulting in not recovering the initial investment.

Investment performance is subject to fluctuations due to changes in currency rates and market conditions, especially for funds invested in international markets or different currencies. The Investment Asset Allocation Committee may adjust asset allocations in response to market evaluations, which could affect portfolio performance. Also, performance figures may not align with individual experiences if there were changes in portfolio investment during the quarter.

Be aware that inflation can impact the future value of capital, and investments focused on specific sectors or regions are generally riskier. Additionally, investments in emerging markets or smaller companies are subject to higher volatility and risks. Lastly, the performance of funds can vary significantly based on the timing of investment switches.

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