YOUR 2024 Q1 PORTFOLIO UPDATE

WELCOME

Welcome to our latest quarterly update, which continues to be very positive both in terms of portfolio performance and Invesco's continuing work as discretionary fund manager.

- Q1 2024 was very positive for global equities, particularly the shares of larger companies.
- Economic data remained solid, with inflation generally falling, although investors scaled back their expectations of interest rate cuts which led to muted bond performance.

Our Investment Committee reviewed the current funds and allocations during their recent meeting and remain assured that, while continuing to maintain a positive bias, these are providing the diversification our clients need during these economically uncertain times.

We are pleased to provide an up to date factsheet for your recommended investment solution for you to refer to, and as you will see, this includes key facts, a portfolio breakdown by fund and recent performance.

Let's now take a look at some of the main asset classes in which your money is invested, together with some of the events which have contributed to their performance over the first quarter of this year.

EQUITIES

Overall stock markets have enjoyed a dazzling recovery since the depths of autumn's uncertainty, as fading inflationary pressure, an apparent end to interest rate hikes and resilient economic growth has fuelled a surge in investor sentiment. As these trends continue, it has raised hopes that the US economy (the globe's dominant economic force) can avoid a recession.

While pressures still remain due to previous interest rate hikes, the resilience of most market sectors has been greater than expected, with falling inflation helping support growth through slower price increases, which in turn has improved consumer spending power and given central banks the flexibility to execute interest rate policy in a more forgiving manner.

Risks remain

There remains a risk of inflationary pressures reasserting, with a strengthening labour market accelerating levels of demand. Economic resilience so far has stemmed from impressive consumer performance, although this could be attributed to high levels of pandemic savings, which saw less people so far impacted by rising mortgage rates.

Resurgent inflation would remove the possibility of interest rate cuts in the near future, potentially replacing this with interest rate hikes, which stock markets may find a tricky enviroment to deal with.

US EQUITIES

These have delivered the greatest rewards among major global stock markets over the past decade, through superior relative economic performance and the dominant Technology sector, which has delivered outsized earnings performance.

Given the quality and innovative nature of US companies, and their potential to find relative favour in an economic slowdown, US stock markets will remain the dominant exposure within equity allocations.

UK EQUITIES

In contrast, UK stock markets have been a perennial underperformer over the past decade, with both domestic and international political uncertainties denting investor sentiment and the absence of material earnings growth (from the larger companies at least) providing little offset. However, such heavily discounted valuations still represent a long-term investment opportunity.

The dominance of the Energy sector may see UK stocks act as a potential hedge against persistent geopolitical tensions and stubbornly high energy prices, a pattern of which largely unfolded in 2022.

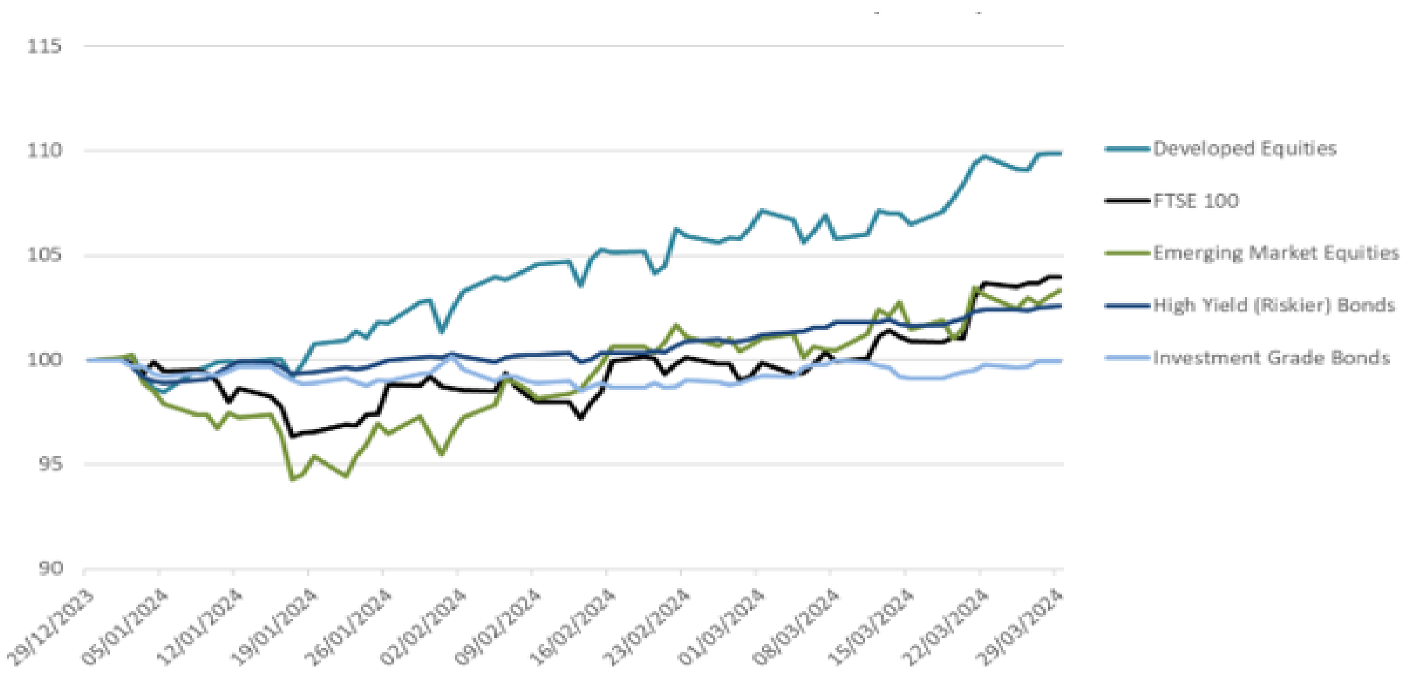
Whilst there are very few headlining Technology names in the UK market compared to the US, there may also be an underappreciation of just how efficiently many UK businesses are now harnessing fast moving technological developments.

EUROPEAN EQUITIES

Having enjoyed a remarkable recovery since the depth of market fears in 2022, the momentum seen may yet continue, with valuations yet to reach any sort of extreme and fading inflationary pressure continuing to support consumer demand.

The turnaround in government spending support relative to other developed economies, particularly relating to green/sustainable investment, may also further bolster economic and stock market performance.

Selected Asset Class Returns - 2024 year to date (in GBP)



Data Source: Financial Express
Indicies used (including interest & dividends): Investment Grade Bonds - GBP hedged Bloomberg Global Aggregate Index; High Yield (Riskier) bonds - GBP hedged Bloomberg Global High Yield Index, Developed Equities - MSCI World Index in GBP; Emerging Market Equities - MSCI Emerging Markets Index in GBP; FTSE 100 (UK Large Capitalisation Equities)

ASIA & EMERGING MARKETS

Emerging market economies and share indices are typically beholden to the fortunes of both China and the US dollar, and the ongoing challenges within Chinese Real Estate and their role with major geopolitical anxieties has weighed significantly on Chinese stock market performance.

Despite the many challenges facing the Chinese economy, a growing number of government policy measures are being put in motion to support both the economy and, to a lesser extent, stock markets.

JAPAN

Japanese stocks were another surprise outperformer in 2023, likely driven by relative monetary policy easing (falling interest rates) versus ongoing tightening (rising interest rates) in other major regions.

Allocations remain modest however, as the pace of corporate change is proving a little frustrating, and monetary policy may flip to being 'relatively' restrictive as inflationary pressures mount in this economy, whilst fading elsewhere.

FIXED INCOME

Fixed income assets are broad and varied in both construct and behavioural tendencies, though most typically experience an inverse relationship with the direction of interest rates.

Inflation risks are on the rise, as strong labour markets increase demand, and geopolitical challenges reignite supply chain threats.

Performance for bonds during a recession is slightly more complex. Whilst a likely collapse in interest rates should prove helpful for government securities and high-quality corporate bonds, other economically sensitive assets, such as High Yield bonds, may struggle. In lower risk portfolios, however, recognising clients' greater intolerance for loss, a rotation out of High Yield and into Investment Grade bonds, as well as some cash, has been implemented this quarter.

ALTERNATIVES

This comprises of a diverse range of strategies, each with their own merits, detractions, opportunity and risk. In a sector offering such variety, Invesco always seeks the most appropriate combination to help deliver a truly balanced and diversified portfolio.

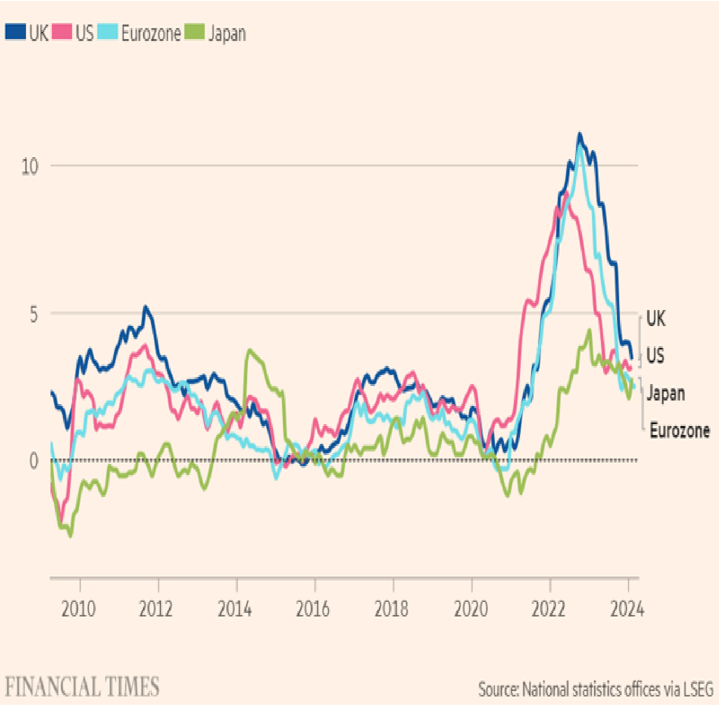
Liquidity is a crucial element, and Real Estate and Infrastructure offer appealing opportunities where cash flows are considered more visible and dependable relative to sectors suffering greater economic sensitivity.

For this reason, other liquid 'Alternatives' are sought to better diversify portfolios against short-term equity market volatilit, such as including a long/short equity portfolio – a strategy which, in addition to investing in traditional 'long' positions (where returns can be generated from share price rises), offers the portfolio manager the additional flexibility to 'short' a company, where positive returns can be generated from share price falls.

LOOKING FORWARD

Inflation, interest rates and recession remain the biggest drivers of markets, together with a number of geopolitical risks as we move further into 2024.

Consumer Price Inflation (Annual % Change)



While inflation appears to be coming down, it remains above the 2% target of most western central banks. However, consistently strong economic data from the US, and more recently other regions including the Eurozone, has reduced investor concern on the possibility of a serious global recession.

Interest rates remain the biggest uncertainty in markets, with the possibility of rate cuts in the US reducing as inflation proves stickier than hoped. This fading optimism hasn't appeared to hold back global equity markets, which have had a great year so far, but has dented returns on bonds.

The big risks are that inflation doesn't continue to fall and/or economic growth slows.

There are geopolitical risks that could impact both outcomes, with conflicts in Ukraine and the Middle East having potential to spread, which could impact supply chains and energy exports, and boost inflation.

We also have a number of elections to come, the most important being November's US election. While it's not possible to accurately forecast how this will affect markets, increased volatility appears a reasonably safe bet.

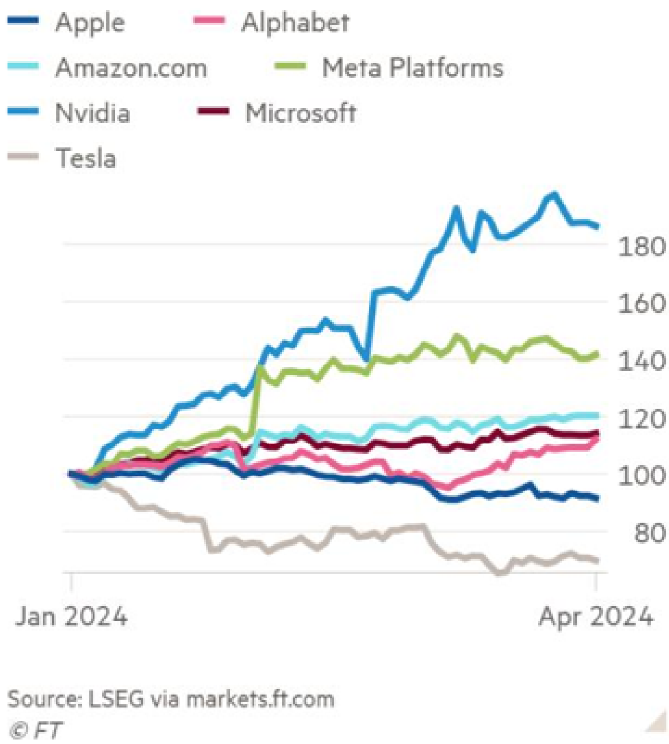
More locally, a UK election also needs to be held before the end of January 2025 and will most likely happen this year too. This could affect UK assets, although investors certainly do not seem as concerned by the prospect of a Labour victory as they have in the past.

We've shown the cracks now appearing in some of the "Magnificent 7" opposite, and these are important to note.

While Nvidia powered ahead during Q1 on the back of AI enthusiasm, Tesla fell 30% whilst Apple, formerly the world's biggest company, was down 8%.

However, given how different these companies are (AI chips, to online advertising to electric vehicles) these companies have performed quite differently over previous few years too.

Finally, bonds are looking attractive as an asset class, currently generating decent yields that, in most cases, healthily exceed current and expected future inflation rates, making them a sensible long-term portfolio holding again.



WOULD YOU LIKE TO KNOW MORE?

Our updates are deisgned to give you a broad overview of global investment conditions as seen by Invesco and our own Investment Committee.

If you would like to know more, either about your portfolio, the investment markets, or investing in general, then you are always welcome to get in touch with your financial adviser.

Our next update will be in August and we wish you all the very best until then.

WHAT WILL YOUR LEGACY LOOK LIKE?

Once only a concern for the very affluent, Inheritance Tax (IHT) is now an issue for many ordinary families, who could find themselves handing over an unprecedented portion of their estates to the taxman.

This is the result of many years of house price growth, inflation and stagnant tax thresholds. The Office for Budget Responsibility anticipates that IHT will bring in £7.2 billion in the 2023/24 fiscal year.

Source date: https://obr.uk/forecasts-in-depth/tax-bytax-spend-by-spend/inheritance-tax/

NEED HELP WITH INHERITANCE TAX PLANNING?

Inheritance Tax planning is complex, but with our advice, we could help you mitigate or reduce a potential tax bill with careful consideration and planning. You've worked hard to build up your wealth. So, it could be a good time to plan so your loved ones can get the most from the estate you intend to leave behind.

Please contact your financial adviser for more information and guidance if you, or perhaps a friend or relative would like to know more.

All information provided is for information and not intended to constitute financial, legal, tax, investment, or other professional advice. It should not therefore be relied upon as such and neither Hoyl Independent Advisers, Hoyl Capital Wealth, Create Financial Management or Invesco accept any liability for losses incurred from doing so.

Please remember that the value of investments and income from them can go down as well as up, and there is a risk that you could get back less than the amount you invest.

Portfolio holdings and asset allocation can change at any time without notice.

Past performance is not a reliable indicator of future performance.