

AJ Bell Cautious Ready-made portfolio half-yearly update

As of 31/12/2022

Commentary

Over the second half of 2022, the Cautious portfolio delivered a negative return of -1.0%, bringing its cumulative return since its inception on 12 December 2018 to 5.2%.

The NinetyOne UK Alpha fund was the strongest performer in the second half of 2022, delivering a return of 3.1% – marginally trailing the FTSE All Share index. This index benefited from its underlying meaningful exposure towards ‘value’ commodity-related stocks, representing companies with high earnings compared to their share price (low P/E ratios). These companies performed strongly in 2022, following years of poor returns relative to their ‘growth’ peers.

Market volatility persisted through the second half of 2022. Globally, central banks hiked interest rates further, as inflation proved to be stickier than anticipated. A war in Europe continued to have a significant impact, and recessions are expected in most developed markets. In the UK, uncertainty was exacerbated by September’s ‘mini-budget’ and the resulting LDI crisis that forced the Bank of England into purchasing long-dated gilts – to break the downward price spiral and re-establish an orderly market.

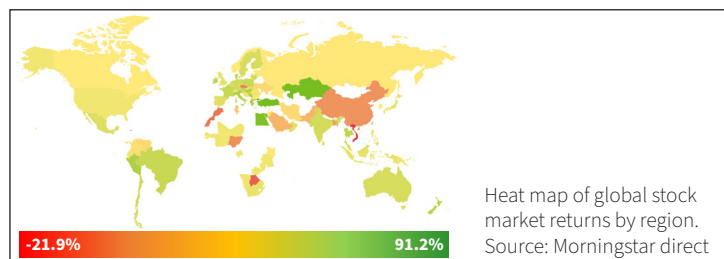
Bond markets ended H2 2022 broadly lower in sterling terms, with high yield the exception, posting mid-single-digit gains. Amid this backdrop, the Royal London Corporate Bond and the TwentyFour Corporate Bond funds were the worst performers in the portfolio in absolute terms, falling by -4.1% and -3.9% respectively. But both outperformed the broader index over this period, while being broadly in line with the IA sector.

Despite initially negative returns in the third quarter of 2022, bond markets were broadly lower in sterling terms (high yield being the exception) over H2 2022. Meanwhile, global shares ended the period broadly higher thanks to an easing of inflationary pressures in the US, leading investors to anticipate a potential slowdown in the pace of monetary policy tightening by the Federal Reserve. Within shares, the Fidelity Global Special Situations fund was up 2.7% over the period, slightly behind the MSCI ACWI index (3.3%) and the IA Global sector (4.0%).

Some respite was found in the portfolio’s allocation to alternatives, an asset class that tends to benefit from being uncorrelated to traditional share and bond markets. The Janus Henderson Absolute Return fund was able to withstand some of the volatility, achieving a positive return of 2.9% over the period.

The Investment Team here at AJ Bell haven’t made any suggested changes to the Ready-made Cautious portfolio during H2.

H2 Stock market performance



Returns

| | |
|----------------------|---------|
| July - December 2022 | -1.04% |
| 1 year | -13.66% |
| Since inception | 5.21% |

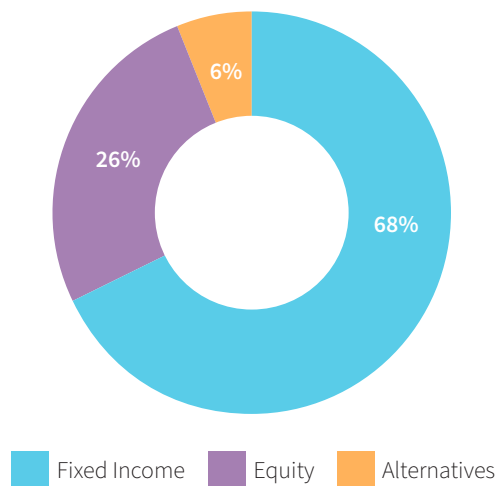
Portfolio snapshot

| | |
|--------------------------|------------|
| Estimated 12-month yield | 3.49% |
| Inception date | 12/12/2018 |
| Average OCF of portfolio | 0.61% |

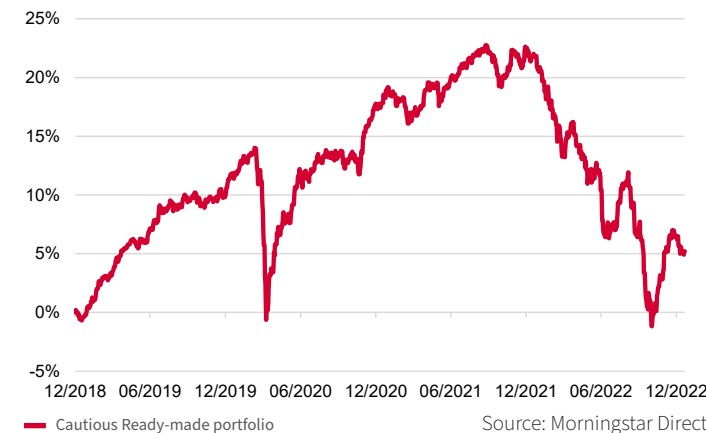
The portfolio yield is calculated on a backward looking basis covering the last 12-month period using the current Ready-made portfolio weightings.

The portfolio’s ongoing charges figure (OCF) is a weighted average of the OCF of each of the underlying funds, using the Ready-made portfolio weights at the end of the reported period. The Portfolio’s OCF does not include AJ Bell’s custody charge.

Portfolio asset allocation



Investment growth



Portfolio rating



The risk rating of the portfolio depends on the type of assets it invests in. Bonds are more conservative because they offer a more certain (though typically lower) return. Shares are more aggressive because they offer a less certain (though typically higher) return.

Keep in mind this applies over the longer term: five years or more.

Cautious Ready-made portfolio

| Funds currently held in portfolio | Asset allocation |
|---------------------------------------|------------------|
| Fidelity Strategic Bond W Acc | 28% |
| Fidelity Global Special Sits W Acc | 20% |
| Royal London Corporate Bond Z Inc | 20% |
| TwentyFour Corporate Bond I GBP Acc | 20% |
| Janus Henderson Absolute Return I Acc | 6% |
| Ninety One UK Alpha J £ Acc | 6% |

Remember, AJ Bell doesn’t manage or rebalance your portfolio after you’ve bought it, so depending on when you invested your portfolio may look different to the current weighting of our Ready-made portfolios. The value of your investments can go down as well as up and you may get back less than you originally invested. We don’t offer advice, so it’s important you understand the risks, if you’re unsure please consult a suitably qualified financial adviser. Past performance is not a guide to future performance and some investments need to be held for the long term. Yields are not guaranteed and can fluctuate.