Global Tracker Portfolios

Q1 2024

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INVESTMENTS AND WEALTH ADVICE

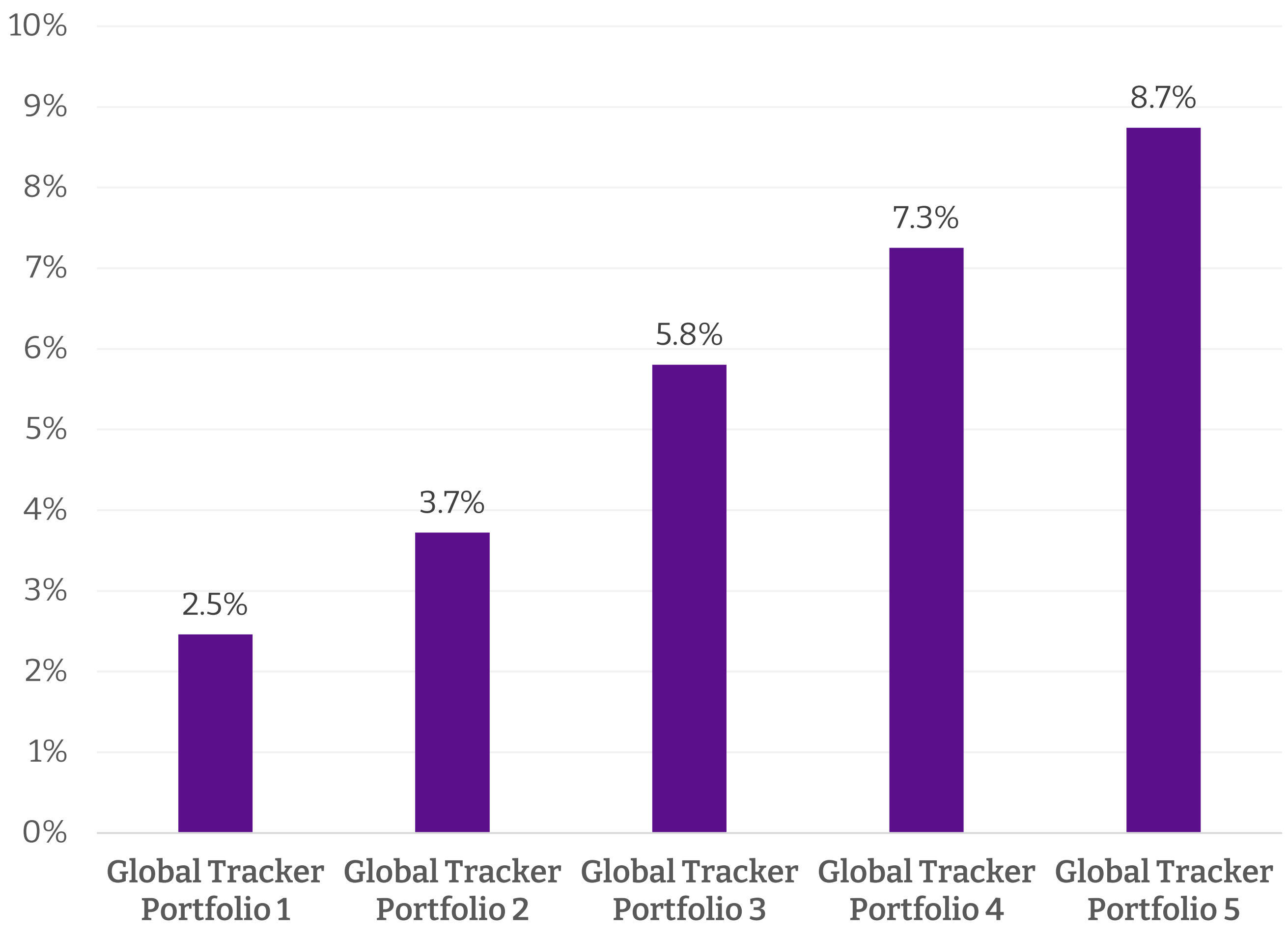
Q1 review

2024 opened with another profitable quarter for stocks, and our index-tracking portfolios rose with them – by up to 8.7% in the case of our all-equity allocation.

By contrast, it was a slightly negative three months for bonds. As such, those of our portfolios tilted towards fixed income didn't perform quite so well, but still posted returns of 2.5% at minimum.

To put this in context, typical UK private client portfolios rose by 2-5% in the first quarter of the year, according to estimates from Asset Risk Consultants (ARC).

Over the past 12 months, the gap is even more stark: our Global Tracker Portfolios have returned between 3-10% more than the industry yardstick, depending on risk level.



Past performance is not a guide to future returns.
Returns are of model portfolios, not actual client accounts. Returns show the period Q1 2024.
Returns are net of fund costs + assumed platform (0.25%) & advice fees (0.60% + VAT).
Sources: FE Analytics, Weatherbys Private Bank

The main reason for this outperformance is the continuing reluctance of professional stock-pickers to participate in the remarkable gains generated by Artificial Intelligence (AI) for a select few US firms.

NVIDIA, the company whose computer gaming chips have turned out to be so vital to the number-crunching necessary to the likes of ChatGPT, has been the market's darling lately, with its value almost doubling since Christmas.

Many investment gurus had claimed that it was but a tower built on sand, and steered well clear. Yet NVIDIA's rocketing stock price was fuelled by phenomenal earnings figures: over $22 billion booked in Q4 2023, up 265% on the same period a year earlier.

Comparisons with the ill-fated "dot com" bubble of the late 1990s are therefore understandable, but inappropriate. Then, as now, new technology propelled equities to new heights. But today's investor exuberance is far from irrational – as surging revenues amply demonstrate.

Indeed, a related point goes for broader stock markets as they hit new all-time highs. The passing of such thresholds is often held up as evidence that a reckoning is only a matter of time.

But, as the Greek philosopher Heraclitus said, "no man ever steps in the same river twice, for it's not the same river, and he's not the same man."

Firstly, inflation erodes those prior highs over time, just as surely as it does every other price.

More importantly, an index approaching its high water mark is often a very different beast to its former self. Companies come and go; entire industries form and fall away.

It follows that measures of index 'value', such as the price-earnings ratio, cannot sensibly be compared to those of years gone by. Is it any wonder that profit margins are higher for digital products that can be both stored and infinitely replicated at near-zero cost?

Thus, while the investments industry parrots the regulatory refrain about past performance not being a guide to the future, by and large it continues to behave as if it thinks otherwise. Profitability that deviates from norms of the '70s is treated with suspicion.

As long as that remains the case, investing in line with the forward-looking consensus, as we do, has the advantage.

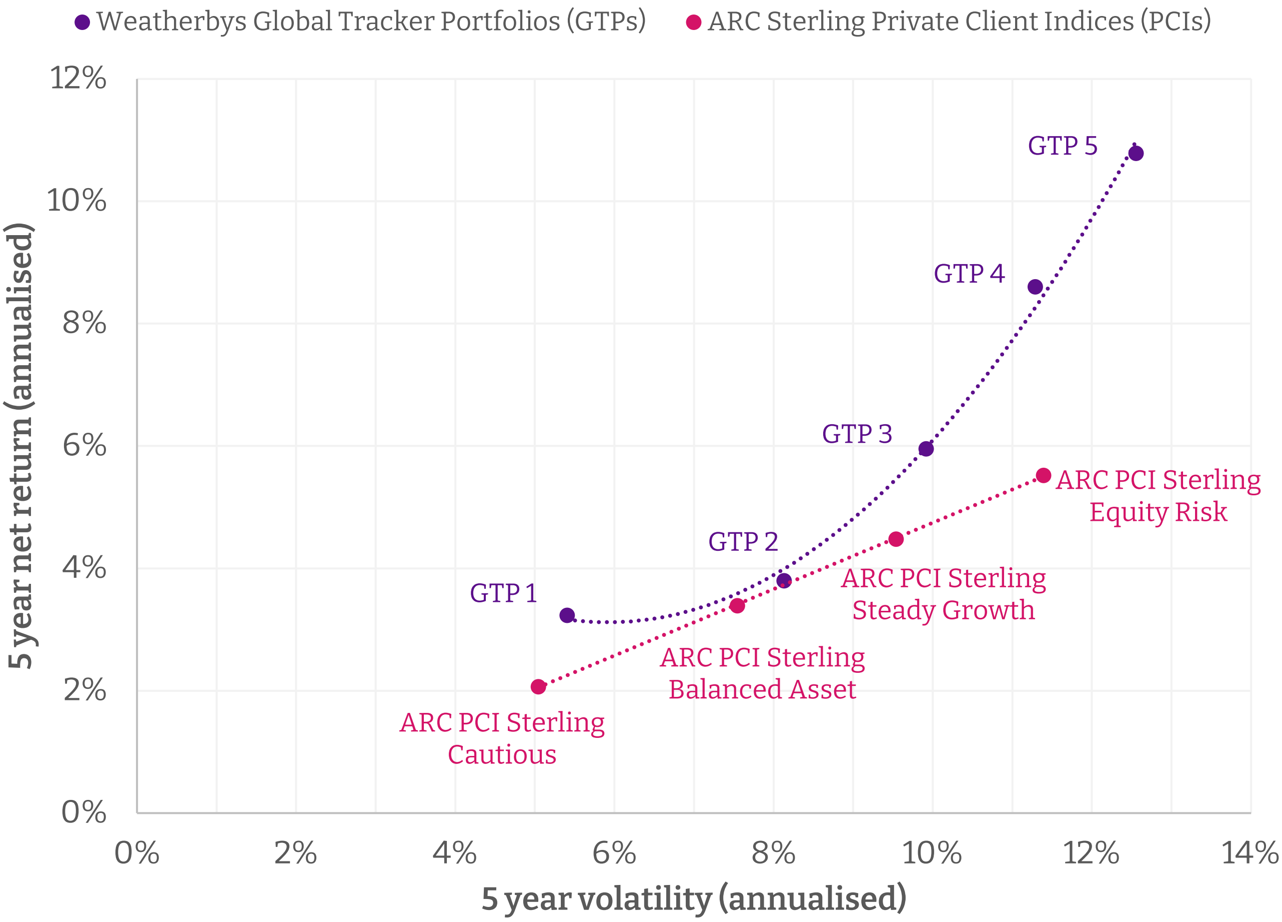
For sure, there will come a time when index-trackers stumble, however briefly. But by that time, they may well be out of sight.

Q1 returns by asset class

Asset class	Issuer	Region	Maturity	Current fund	Return	GTP1	GTP2	GTP3	GTP4	GTP5
						Contribution to returns				
Equities		US		Fidelity US Equity	11.2%	1.0%	1.7%	2.5%	3.0%	3.5%
				UBS US Equity	11.4%	1.0%	1.7%	2.5%	3.0%	3.5%
		Europe		HSBC Europe Equity	6.2%	0.2%	0.4%	0.5%	0.7%	0.8%
		EM		Fidelity EM Equity	3.3%	0.1%	0.2%	0.2%	0.3%	0.3%
		Japan		Fidelity Japan Equity	12.2%	0.2%	0.3%	0.5%	0.6%	0.7%
		UK		Vanguard UK Equity	4.5%	0.0%	0.1%	0.1%	0.1%	0.2%
		Pacific ex Japan		Fidelity Pacific ex Japan Equity	-0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
		Canada		HSBC Canada Equity	4.2%	0.0%	0.1%	0.1%	0.1%	0.1%
Bonds	Gov	US	All	Vanguard US Trsy Hdg	-1.0%			0.0%		
			Short	iShares US Trsy 1-3yr Hdg	0.2%	0.0%	0.0%			
			Long	iShares US Trsy 20+yr Hdg	-3.7%		-0.5%	-0.3%	-0.2%	
		UK	Short	Lyxor UK Gilt 0-5yr	0.0%	0.0%				
			Long	Vanguard UK Gilt Long	-3.5%		-0.1%	-0.1%	-0.1%	
	Corp	US	Short	UBS US Corp 1-5yr Hdg	0.4%	0.0%	0.0%			
			All	UBS US Corp Hdg	-0.7%	0.0%				
		UK	Short	SSGA UK Corp 0-5yr	0.9%	0.1%	0.1%	0.1%	0.0%	
			All	Invesco GBP Corp	0.1%	0.0%	0.0%	0.0%		

Past performance is not a guide to future returns.
Fund net returns are from 31/12/2023 to 31/03/2024. Fund names have been simplified.
Contributions are fund net returns weighted by holding in each portfolio.
Does not include platform or advice fees.
Sources: FE Analytics, Weatherbys Private Bank

5-year performance



Our portfolios tilted more towards equities (GTPs 3, 4 and 5) have handsomely outperformed the ARC composites that represent typical UK private client portfolios. This is because we have no bias in favour of local companies, we eschew attempts at stock-picking, and we have kept fees low.

However, our balanced portfolio (GTP 2) has performed more in line with the peer group, owing to its poor returns in 2022. During that time, its fixed income holdings let the side down. We took prompt action to enhance our portfolio construction methodology to lessen bond losses in future, should such a scenario recur. Encouragingly, performance since then has been consistently superior.

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Returns are of model portfolios, not actual client accounts. Returns to end Q1 2024.
Returns are net of fund costs + assumed platform (0.25%) & advice fees (0.60% + VAT).
Sources: FE Analytics, Weatherbys Private Bank

Current holdings

	GTP 1	GTP 2	GTP 3	GTP 4	GTP 5
	%	%	%	%	%
Equities	**28**	**48**	**70**	**85**	**99**
Fidelity Index US	8.6	14.8	21.6	26.2	30.5
UBS S&P 500 Index	8.6	14.8	21.6	26.2	30.5
HSBC European Index	3.6	6.1	8.8	10.8	12.5
Fidelity Index Japan	1.6	2.7	3.9	4.8	5.6
Vanguard FTSE 100 Index	1.0	1.8	2.6	3.2	3.6
HSBC MSCI Canada ETF	0.8	1.4	2.0	2.4	2.9
Fidelity Index Pacific ex Japan	0.8	1.4	2.0	2.4	2.9
Fidelity Index Emerging Markets	3.0	5.0	7.5	9.0	10.5
Bonds	**71**	**51**	**29**	**14**	
Government	**38**	**28**	**16**	**9**	
iShares $ Treasury Bond 1-3 Year (Hedged) ETF	20	11			
Amundi UK Government Bond 0-5 Year ETF	18				
Vanguard US Government Bond Index (Hedged)			4		
iShares $ Treasury Bond 20+ Year (Hedged) ETF		14	9	6	
Vanguard UK Long Duration Gilt Index		3	3	3	
Corporate	**33**	**23**	**13**	**5**	
UBS Bloomberg US Liq. Corp. 1-5 Year (Hedged) ETF	10	3			
State Street Bloomberg 0-5 Year £ Corp. Bond ETF	10	10	10	5	
UBS Bloomberg US Liquid Corp. (Hedged) ETF	6				
Invesco £ Corp. Bond ETF	7	10	3		

ETF stands for 'Exchange-Traded Fund'. Holdings are refreshed annually.
1% of each portfolio is held as cash. Fund names have been simplified for clarity.

About the portfolios

Why index funds?

Plenty of studies have shown that active managers struggle to beat their benchmarks after fees. But this is a poor argument in favour of index investing, relying as it does on past performance.

Far better to explain *why* it is so hard to beat the consensus: it is not so much that markets are infallible or perfectly efficient, but that they are excellent at correcting errors.

To put it another way - it is as wise to centrally plan a portfolio as it is a national economy.

Fund selection

You would be surprised at how much index funds can diverge from one another. They often track subtly different indices, and with varying degrees of success.

Worse, some fund managers have been known to hike fees from one month to the next. And transaction costs – often opaque – can turn the whole picture upside down.

We regularly perform a thorough review of the funds we use to build our portfolios, taking care not to make a switch unless it is firmly in our investors' interests.

Asset allocation

We construct straightforward portfolios of equity and fixed income index funds across five risk levels, corresponding to worst-case historical scenario declines from 10% up to 50%.

We refresh allocations once per year, with no forecasting or 'tactical tilts'. Our strictly mechanical methodology solves for a high-performance asset mix that can withstand stocks and bonds performing synchronised dives.

To guard against model error, each portfolio is engineered for enhanced diversification. While this cannot protect against loss in absolute terms, the benefits of not picking the short straw compound appreciably over time.

Returns

		1 year	3 years	5 years	2018	2019	2020	2021	2022	2023
Weatherbys Global Tracker Portfolios	1	7.4	0.8	3.2	-2.5	11.8	7.4	4.0	-9.8	6.7
	2	9.7	1.7	3.8	-3.5	14.3	8.1	7.5	-14.4	8.4
	3	13.9	4.4	6.0	-3.6	16.3	8.0	12.0	-13.6	10.9
	4	16.8	6.9	8.6	-4.2	19.0	9.7	16.3	-11.0	12.5
	5	19.7	9.5	10.8	-4.8	21.0	10.1	19.7	-8.2	13.8
ARC Sterling Private Client Indices	Cautious	4.7	0.6	2.1	-3.6	8.1	4.2	4.2	-7.6	3.7
	Balanced	7.3	2.0	3.4	-5.1	11.7	4.3	7.6	-9.1	5.8
	Steady Growth	9.3	3.0	4.5	-5.6	15.0	4.6	10.2	-10.2	7.2
	Equity Risk	11.1	3.6	5.5	-6.5	18.0	5.8	12.3	-11.4	8.3

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Portfolio returns are of models, not actual client accounts. Returns to end Q1 2024.
Asset Risk Consultants (ARC) Private Client Index (PCI) returns are net of investment fees, but may not include advice fees.
Source: FE Analytics, Weatherbys Private Bank, ARC Research Ltd PCI www.suggestus.com

Important information

Capital at risk. Investments can go up and down in value and you may not get back the full amount originally invested.

Past performance. Past performance is not a guide to future performance.

Advice. The information contained in this presentation does not constitute financial advice and should not be relied upon as such.

Model portfolio returns. The Weatherbys Global Tracker Portfolio returns shown in this document do not represent returns of actual client accounts, but are derived from model portfolios. Model portfolio returns are calculated using fund allocations (rebalanced once per year), the net returns of each fund (as obtained from Financial Express Analytics), and assumed fees as stated. These returns have been calculated by Weatherbys Private Bank, and cannot be guaranteed to be free from error. The information presented here is therefore for illustrative purposes only, and is not necessarily representative of actual or future performance.

ARC PCIs. The Private Client Indices (PCIs) compiled by Asset Risk Consultants (ARC) are based on hundreds of thousands of real portfolios whose returns are contributed by a large number of investment managers. Returns are net of all fees paid by clients relating to their investment portfolios. The indices are constructed across four different risk levels defined by ARC. For more information please see www.suggestus.com.

Access. Weatherbys Global Tracker Portfolios are available as part of our Investments & Wealth Advice service, for which clients pay an ongoing advice fee.

Long-term investments. Weatherbys Global Tracker Portfolios are intended as long-term investments, typically five years or more. Short-term returns are shown purely to provide up-to -date information.

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