

## Managed Portfolio Service

# Active Income MPS Quarterly Reports

As at 31/12/2023

Welcome to the AJ Bell Active MPS Income quarterly reports. These portfolios aim to deliver simple, transparent, and low-cost investment solutions, focusing on income yield. There are two portfolios that aim to deliver different levels of capital growth within their income mandates by taking different levels of risk.

The AJ Bell investment management team uses a range of active funds and index-tracking securities to gain exposure to the investment themes and sectors that we see as delivering yield in financial markets. The portfolios are well-diversified and managed with a value-focused approach, with an aim to balance costs and returns.



This portfolio is managed by AJ Bell Asset Management Limited. This information is for indicative purposes only and is not intended and should not be construed as investment advice. If you are unsure please consult your financial adviser. The information presented in this document has been taken from the sources stated and is believed to be correct at the time of writing, however this cannot be guaranteed and we are not liable for any subsequent changes. Portfolio data is based on target weights at portfolio rebalance. Transaction costs are excluded from Ongoing Charge Figure (OCF). For further details of all applicable costs, visit [www.investcentre.co.uk](http://www.investcentre.co.uk). The value of investments can go down as well as up and you may get back less than you originally invested. Past performance is not a guide to future performance and some investments need to be held for the long term.

# Managed Portfolio Service Market commentary

As at 31/12/2023

The final quarter of 2023 dealt a near fatal blow to the ‘higher for longer’ market mantra, which sparked a broad rally in equity and fixed income markets. Further evidence of global economic weakness and inflation readings surprising to the downside was interpreted as marking the end of the monetary policy tightening cycle.

In fixed income markets, both interest rate and credit risk components aided returns. Longer dated US Treasury yields reversed the steep rises of the third quarter in remarkable fashion and the Federal Reserve joined the chorus by confirming rate cuts are indeed on the agenda.

In the UK, the Bank of England was more circumspect of inflation moving lower and pushed back on suggestions of aggressive interest rate cuts ahead, bringing about a rebound in the value of the pound versus major peers.

The rally in equity markets centred around Developed Markets such as the US and Europe. The UK market, when looking at the large cap index, was yet again subject to interference from the Energy sector as the oil price erased its Israel-Gaza spike on weaker economic news.

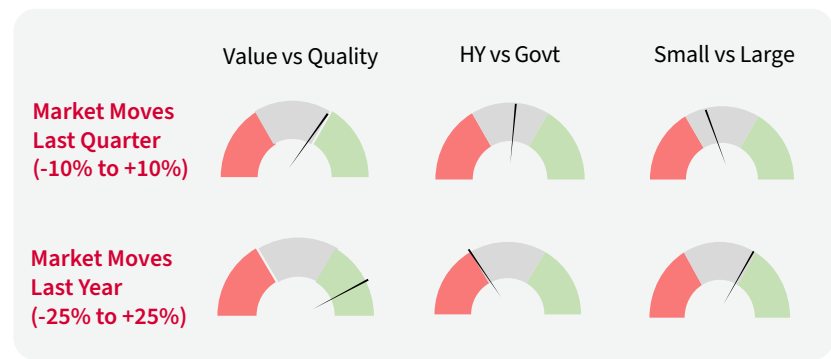
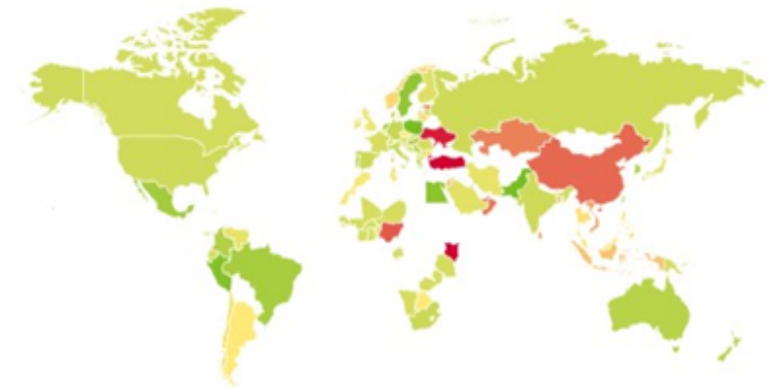
The more domestically-orientated FTSE 250 and small cap indices did however join in with better sentiment coursing through markets.

Emerging Market equities had China performing poorly on one hand and countries such as India and Brazil doing well on the other. The latter were free to rejoice in the easing of global financial conditions and capital flows brought about by a weaker US dollar.

Within alternatives, UK property took encouragement from the possible stabilisation and improvement of debt service costs. Discounts to latest asset valuations narrowed somewhat, however share prices on the whole remain significantly below the heights reached in late 2021 and early 2022.

As we move to 2024, and all but discard ‘higher for longer’ to the scrapheap of ‘this time it’s different’ market dicta, there’s a sense that markets are looking to turn a corner. The last two years have been laden with predictions of recession and now that conditions most closely represent that of a recession, investors are looking out for better times ahead.

This is not without risk: the famed ‘soft landing’ is not guaranteed, and the rate hikes implemented over the past year in the UK, US and Europe will continue to bite in the months ahead.



# AJ Bell Active MPS Income 1

As of 31/12/2023

## Portfolio Commentary

The quarter brought a significant shift in expectations regarding interest rates in the US, UK and Europe. As a result, most global equity and bond markets set off on a rally, in relief that most of the pain needed to combat inflation may be behind us and that economic conditions would merely be 'softer' rather than truly recessionary as a result. The rally in equity markets followed a similar pattern to the one we saw earlier in 2023: the US did well, the UK was weighed by weaker commodity prices and China continued to struggle.

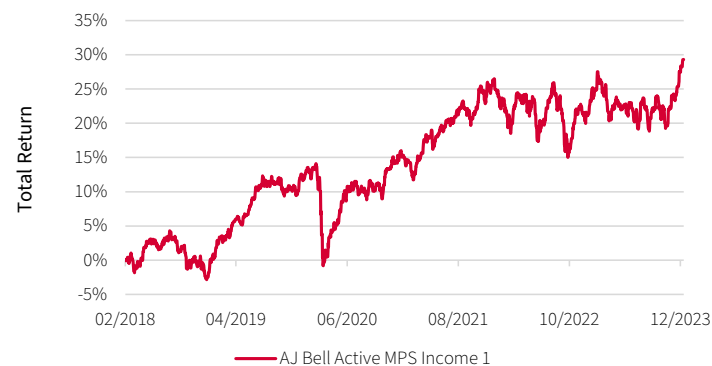
Interest-rate-sensitive assets, such as the iShares Core UK Gilts ETF, VT Gravis UK Listed Property and Royal London Corporate Bond performed well. Credit spread tightening aided the latter as well as the Invesco High Yield fund. Developed equity markets performed broadly well, and with mid and small caps also performing well active funds were generally well positioned. Although the Japanese equity market lagged over the quarter in sterling terms, the Jupiter Japan Income fund performed well relative to its market.

The portfolio returned 5.5% over the quarter and 6.6% for 2023.

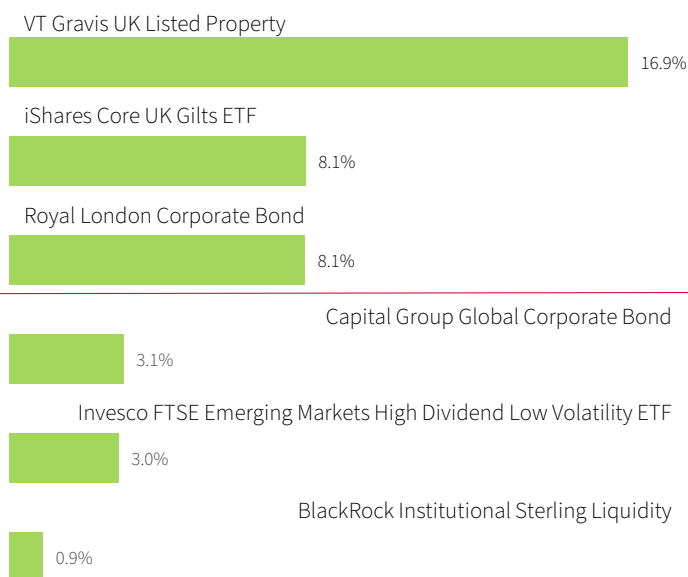
## Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Active MPS Income 1	5.5	6.6	6.6	2.8	13.0	29.9

## Cumulative Performance



## Q4 2023 Best/Worst Performers



## Asset Breakdown



- Equity - 54.7%
- Fixed Income - 34.0%
- Alternatives - 5.6%
- Cash - 5.7%

## Regional Breakdown



- United Kingdom - 36.0%
- North America - 23.7%
- Asia Emerging - 9.7%
- Europe Developed - 8.7%
- Japan - 6.7%
- Asia Developed - 5.6%
- Other - 9.6%

## Portfolio Snapshot

Number of Holdings	17
Inception Date	19/02/2018
Ongoing Charge Figure (OCF)	0.70%
Target Yield	3-5%

## Top 10 Holdings

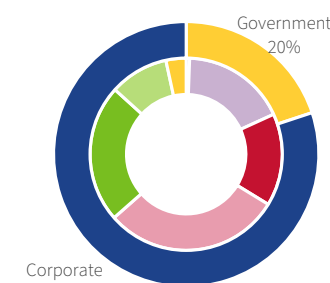
Holder	Weight (%)
Royal London Corporate Bond	10.2
Invesco FTSE Emerging Markets High Dividend Low Volatility E	8.9
Invesco High Yield	8.9
Capital Group Global Corporate Bond	8.8
Fidelity US Quality Income ETF	7.9
TB Evenlode Income	7.1
Jupiter Japan Income	6.0
Invesco S&P 500 High Dividend Low Volatility ETF	5.9
JPM Emerging Markets Income	5.9
VT Gravis UK Listed Property	5.6

## Shares Sector Breakdown



- Financial Services - 17.8%
- Technology - 12.7%
- Industrials - 12.7%
- Real Estate - 10.4%
- Consumer Defensive - 9.0%
- Consumer Cyclical - 8.9%
- Basic Materials - 6.8%
- Other - 21.7%

## Credit Quality Breakdown



- Corporate 80%
- Government 20%
- AAA - 0.6%
- AA - 17.6%
- A - 15.5%
- BBB - 29.8%
- BB - 23.2%
- B - 9.9%
- Below B - 3.4%



The value of investments can go down as well as up and you may get back less than you originally invested. This portfolio is managed by AJ Bell Asset Management Limited. Past performance information is based on the target model, rebalanced on a quarterly basis and is not a guide to future performance. Additional costs will be incurred while using the MPS. These include (where applicable) platform costs and dealing costs. Any charges payable to your financial adviser will apply in addition. Therefore, the actual performance of your portfolio might differ from the stated past performance. Transaction costs are excluded from Ongoing Charge Figure (OCF). For further details of all applicable costs, visit [www.investcentre.co.uk](http://www.investcentre.co.uk).

# AJ Bell Active MPS Income 2

As of 31/12/2023

## Portfolio Commentary

Equity markets ended the year on a strong note, partially rallying in response to suggestions that central banks would be cutting rates sometime in 2024 and so aiding economic conditions. The return distribution within equity markets was slightly more favourable for income-focused strategies than the first three quarters of the year, in that the so called 'magnificent seven' shares in the US did not dominate. After a difficult 2022 Chinese equities failed to reverse course in 2023, however other Emerging Markets such as India, Brazil and Taiwan kept pace with or exceeded their Developed Market counterparts.

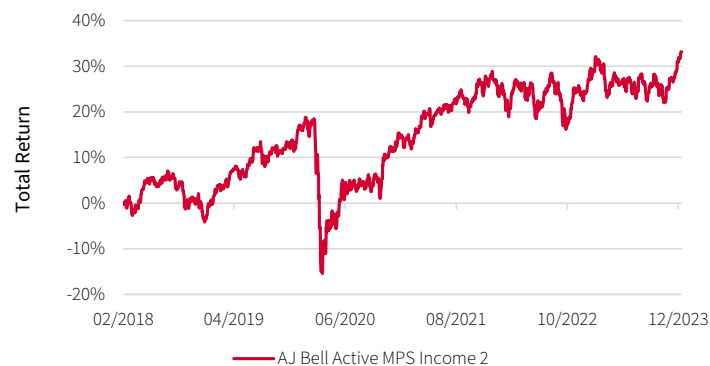
In the UK, the prospect of a turn in the interest rate cycle brought relief to mid and small cap equities, lifting the Montanaro UK Income fund. These conditions also aided UK property, which for much of 2022 and 2023 has seen hefty discounts to asset valuations because of fears over the economic performance of UK, and the impact of higher debt service costs. Emerging, Asian and Global equity holdings that have an element of China within them generally underperformed Developed Market peers.

The portfolio returned 5.4% in the quarter and 7.2% for the year.

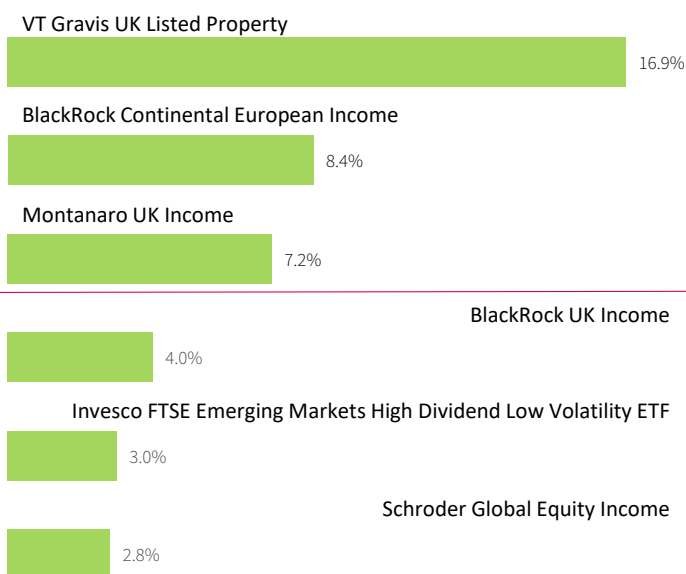
## Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Active MPS Income 2	5.4	6.0	7.2	4.4	18.7	33.9

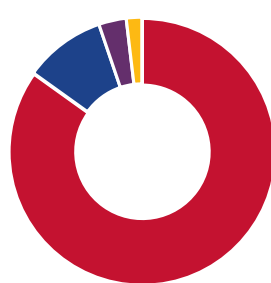
## Cumulative Performance



## Q4 2023 Best/Worst Performers



## Asset Breakdown



## Regional Breakdown



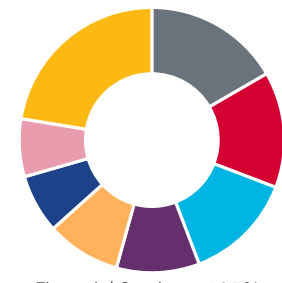
## Portfolio Snapshot

Number of Holdings	17
Inception Date	19/02/2018
Ongoing Charge Figure (OCF)	0.79%
Target Yield	3-5%

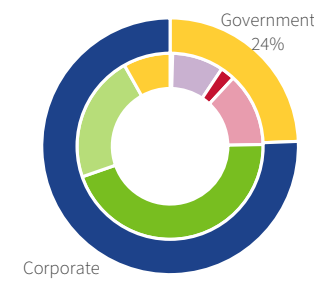
## Top 10 Holdings

Holder	Weight (%)
Invesco FTSE Emerging Markets High Dividend Low Volatility E	9.9
Fidelity US Quality Income ETF	9.9
Invesco S&P 500 High Dividend Low Volatility ETF	9.4
JPM Emerging Markets Income	8.8
TB Evenlode Income	8.1
Jupiter Asian Income	8.0
Invesco High Yield	6.9
Man GLG Income	6.1
Montanaro UK Income	5.4
BlackRock UK Income	5.0

## Shares Sector Breakdown



## Credit Quality Breakdown



The value of investments can go down as well as up and you may get back less than you originally invested. This portfolio is managed by AJ Bell Asset Management Limited. Past performance information is based on the target model, rebalanced on a quarterly basis and is not a guide to future performance. Additional costs will be incurred while using the MPS. These include (where applicable) platform costs and dealing costs. Any charges payable to your financial adviser will apply in addition. Therefore, the actual performance of your portfolio might differ from the stated past performance. Transaction costs are excluded from Ongoing Charge Figure (OCF). For further details of all applicable costs, visit [www.investcentre.co.uk](http://www.investcentre.co.uk).