Managed Portfolio Service

Passive Income MPS Quarterly Reports

As at 31/12/2023

Welcome to the AJ Bell Passive 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 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 lower costs wherever possible.

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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. 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 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 circumspective 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.

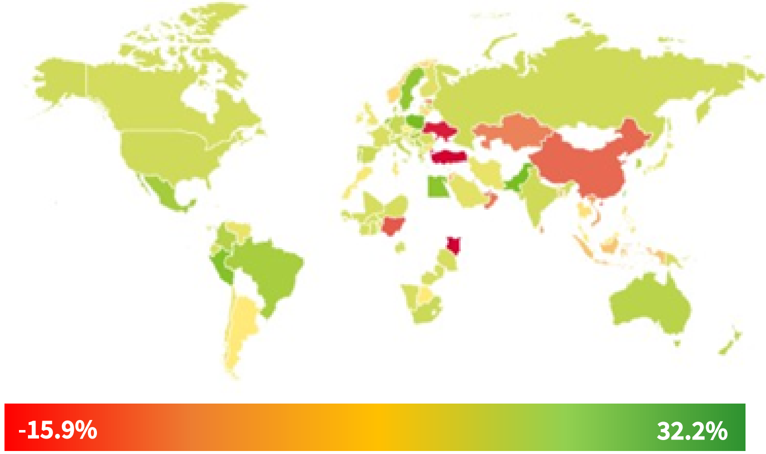
The more domestically-orientated FTSE 250 and small cap indices did however join in with better sentiment coursing through markets.

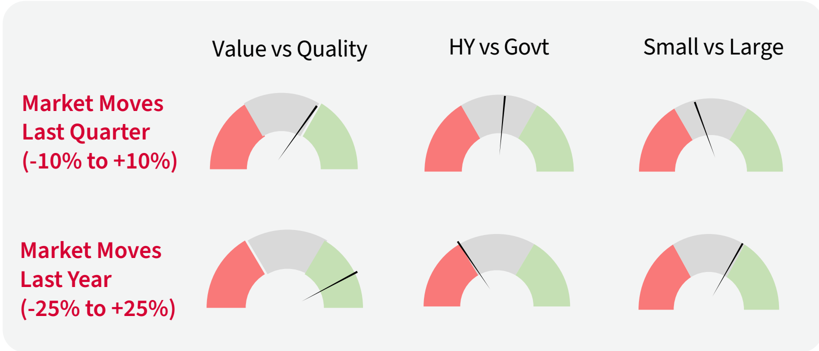
Emerging Market equities had China performing poorly on one hand and countries such as India and Brazil doing well on the other. The latter were free to rejoice in the easing of global financial conditions and capital flows brought about by a weaker US dollar.

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 Passive MPS Income 1

As of 31/12/2023

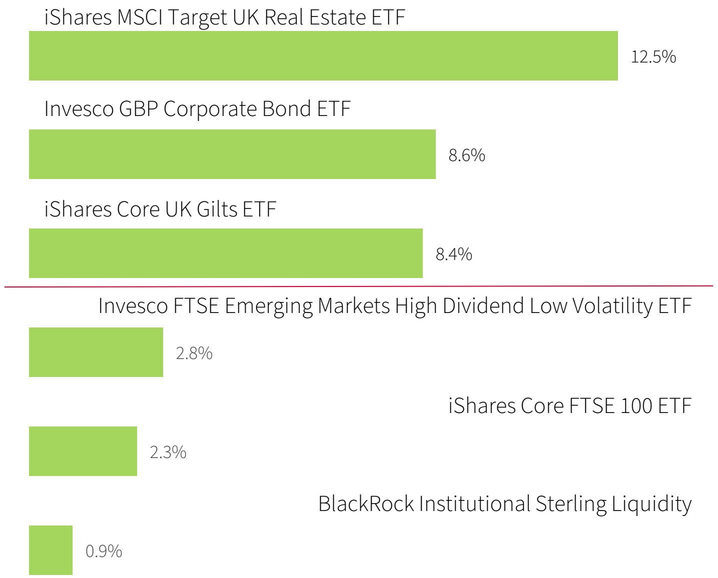
Portfolio Commentary

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, iShares MSCI Target Real Estate ETF and iShares GBP Corporate Bond ETF performed well. Credit spread tightening aided the latter as well as the Invesco Global High Yield Corporate Bond ESG ETF. Developed equity markets performed broadly well, and with mid and small caps also performing well active funds were generally well positioned. However, the Japanese equity market lagged over the quarter in sterling terms.

The portfolio returned 5.2% over the quarter and 5.6% for 2023.

Q4 2023 Best/Worst Performers



Portfolio Snapshot

Number of Holdings	15
Inception Date	19/02/2018
Ongoing Charge Figure (OCF)	0.37%
Target Yield	3-5%

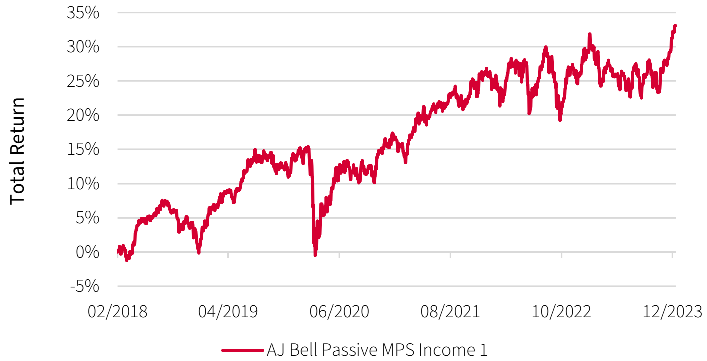
Top 10 Holdings

Top 10 Holdings	Weight (%)
iShares Core FTSE 100 ETF	15.4
Fidelity Emerging Markets Quality Income ETF	14.2
Invesco S&P 500 High Dividend Low Volatility ETF	10.9
Invesco GBP Corporate Bond ETF	10.4
Invesco Global High Yield Corporate Bond ESG ETF	9.2
iShares ESG Overseas Corporate Bond Index	8.9
Vanguard FTSE Japan ETF	5.9
iShares MSCI Target UK Real Estate ETF	5.4
BlackRock Institutional Sterling Liquidity	3.8
iShares Core UK Gilts ETF	3.1

Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Passive MPS Income 1	5.2	6.7	5.6	5.4	15.0	33.1

Cumulative Performance



Asset Breakdown

- Equity - 54.4%
- Fixed Income - 34.5%
- Alternatives - 5.4%
- Cash - 5.7%

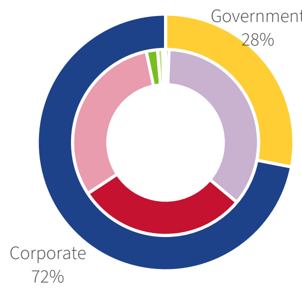
Regional Breakdown

- United Kingdom - 30.5%
- North America - 28.6%
- Europe Developed - 9.2%
- Asia Emerging - 8.8%
- Japan - 6.7%
- Asia Developed - 6.6%
- Other - 9.7%

Shares Sector Breakdown

- Financial Services - 15.8%
- Industrials - 10.1%
- Technology - 10.1%
- Consumer Defensive - 9.7%
- Real Estate - 9.4%
- Consumer Cyclical - 9.3%
- Healthcare - 9.1%
- Other - 26.5%

Credit Quality Breakdown



- AAA - 0.6%
- AA - 35.5%
- A - 29.7%
- BBB - 30.9%
- BB - 2.0%
- B - 0.9%
- Below B - 0.5%

Source: Morningstar Direct

AJ Bell Passive MPS Income 2

As of 31/12/2023

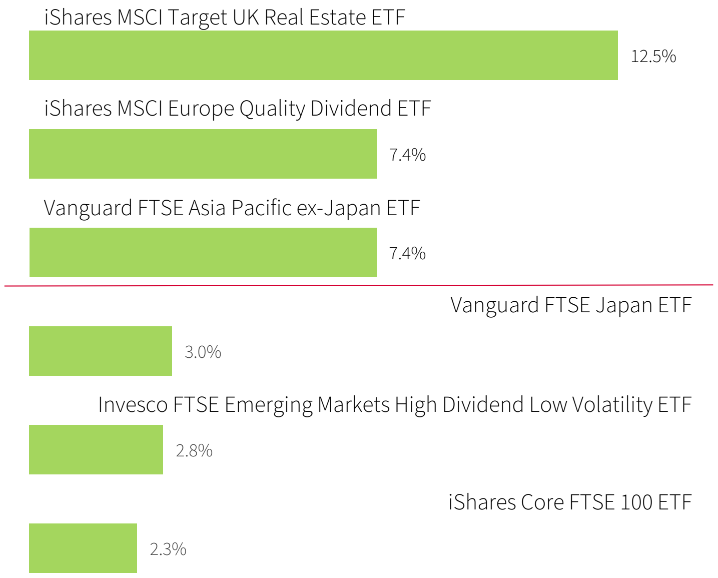
Portfolio Commentary

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 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 and 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 the 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 4.9% in the quarter and 6.4% for the year.

Q4 2023 Best/Worst Performers



Portfolio Snapshot

Number of Holdings	13
Inception Date	19/02/2018
Ongoing Charge Figure (OCF)	0.42%
Target Yield	3-5%

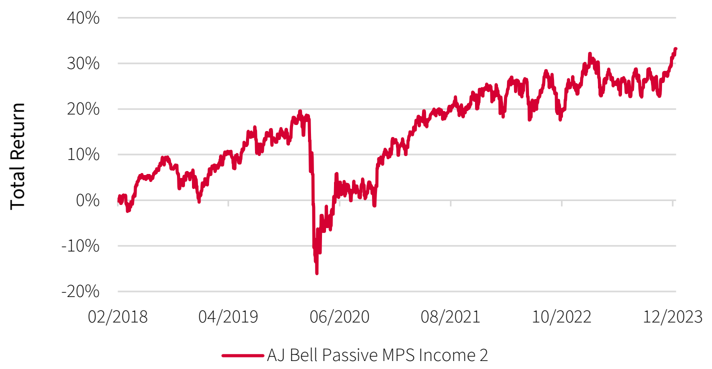
Top 10 Holdings

Top 10 Holdings	Weight (%)
iShares Core FTSE 100 ETF	23.3
Fidelity Emerging Markets Quality Income ETF	19.3
Invesco S&P 500 High Dividend Low Volatility ETF	13.4
iShares MSCI World Quality Dividend ETF	8.0
Invesco Global High Yield Corporate Bond ESG ETF	7.2
Fidelity US Quality Income ETF	6.0
Vanguard FTSE Asia Pacific ex-Japan ETF	4.1
Invesco FTSE Emerging Markets High Dividend Low Volatility E	4.0
Vanguard FTSE Japan ETF	3.5
iShares MSCI Target UK Real Estate ETF	3.2

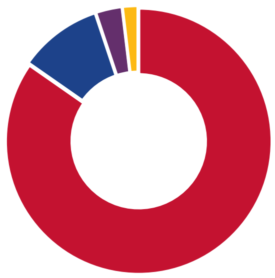
Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Passive MPS Income 2	4.9	6.3	6.4	7.0	21.0	33.3

Cumulative Performance



Asset Breakdown



- Equity - 84.7%
- Fixed Income - 10.2%
- Alternatives - 3.2%
- Cash - 1.9%

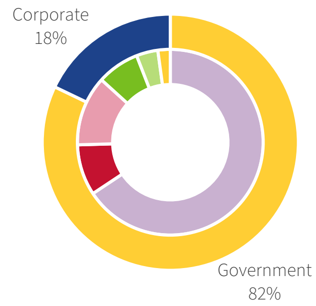
Regional Breakdown

- North America - 28.6%
- United Kingdom - 27.3%
- Asia Emerging - 11.4%
- Asia Developed - 9.0%
- Europe Developed - 8.2%
- Africa/Middle East - 4.7%
- Other - 10.8%

Shares Sector Breakdown

- Financial Services - 16.6%
- Technology - 11.9%
- Industrials - 10.5%
- Healthcare - 10.4%
- Consumer Defensive - 10.0%
- Consumer Cyclical - 8.8%
- Energy - 7.7%
- Other - 24.2%

Credit Quality Breakdown



- AAA - 0.0%
- AA - 65.7%
- A - 8.9%
- BBB - 12.2%
- BB - 7.4%
- B - 3.8%
- Below B - 2.2%

Source: Morningstar Direct