

## Managed Portfolio Service

# Passive Growth MPS Quarterly Reports

As at 31/12/2023

Welcome to the AJ Bell Passive MPS quarterly reports. These portfolios aim to deliver simple, transparent, and low-cost investment solutions, focusing on long-term capital growth. The range offers varying levels of risk, with capital return expectations that are regularly reviewed and updated to maintain risk targets.

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 driving growth across capital markets. The portfolios are well-diversified and managed with a long-term approach, with an aim to lower costs wherever possible.



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.

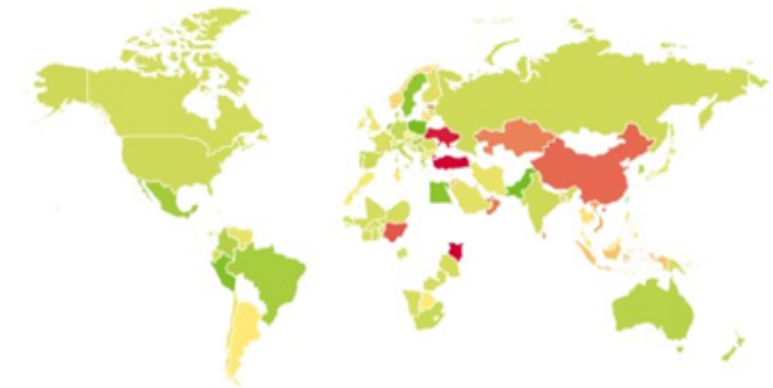
The more domestically-orientated FTSE 250 and small cap indices did however join in with better sentiment coursing through markets.

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.

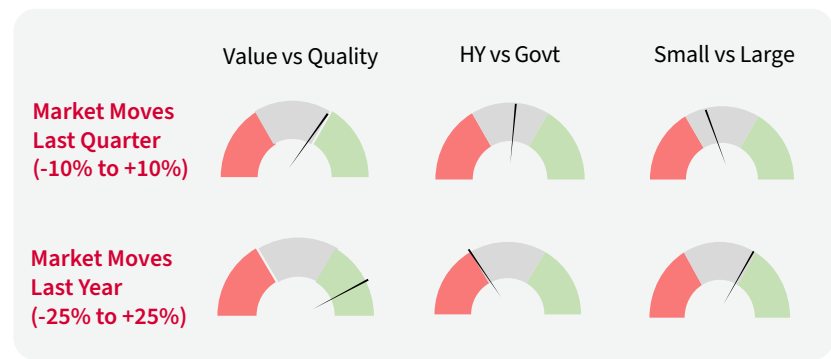
Within alternatives, UK property took encouragement from the possible stabilisation and improvement of debt service costs. Discounts to latest asset valuations narrowed somewhat, however share prices on the whole remain significantly below the heights reached in late 2021 and early 2022.

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.



**-15.9%** **32.2%**



# AJ Bell Passive MPS 1

As of 31/12/2023

## Portfolio Commentary

The year ended strongly for fixed-income-heavy portfolios. The recent CPI numbers caused yields to drop in the final quarter causing interest-rate-sensitive assets to bounce. This aided the iShares UK Real Estate holding in the portfolio as it was the best performing over the quarter.

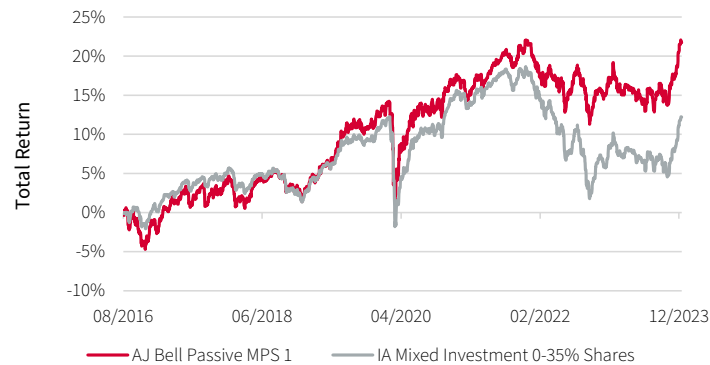
Over the quarter, both interest rate and credit risk factors have helped fixed income returns. Invesco GBP Corporate bond finished the quarter strongly, aided by the narrowing credit spreads. As the inflation battle now seems to have been won without considerable damage to the economy, investment-grade fixed interest has become more attractive for investors. Cash, mostly held via the Blackrock Institutional Liquidity fund, lagged other asset classes over the quarter.

Overall, the portfolio was up 5.4% over the quarter and 5.8% over 2023.

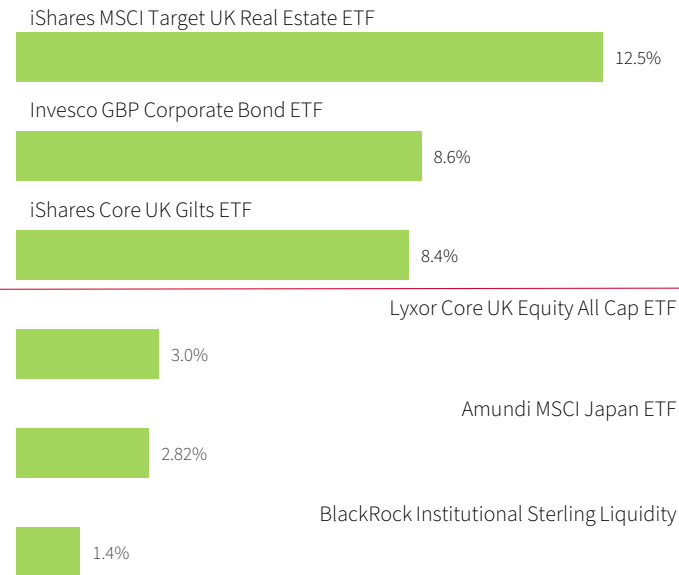
## Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Passive MPS 1	5.4	6.5	5.8	0.2	4.4	21.8
IA Sector	5.7	5.3	6.1	-4.8	-2.3	12.2

## Cumulative Performance



## Q4 2023 Best/Worst Performers

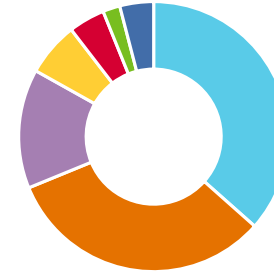


## Asset Breakdown



- Equity - 21.7%
- Fixed Income - 55.8%
- Alternatives - 5.4%
- Cash - 17.1%

## Regional Breakdown



- United Kingdom - 36.5%
- North America - 32.3%
- Europe Developed - 14.3%
- Japan - 6.4%
- Asia Emerging - 4.3%
- Asia Developed - 2.1%
- Other - 4.0%

## Portfolio Snapshot

Number of Holdings	12
Inception Date	18/08/2016
Ongoing Charge Figure (OCF)	0.26%

## Top 10 Holdings

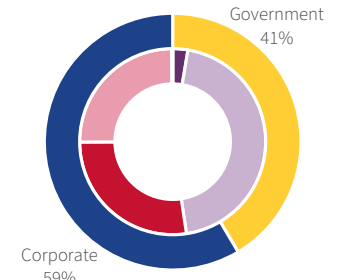
ETF	Weight (%)
Invesco GBP Corporate Bond ETF	17.6
BlackRock Institutional Sterling Liquidity	15.2
Invesco Global High Yield Corporate Bond ESG ETF	11.2
iShares Core UK Gilts ETF	10.3
iShares Global Aggregate Bond ETF	9.8
Vanguard S&P 500 ETF	6.9
iShares ESG Overseas Corporate Bond Index	6.9
Lyxor Core UK Equity All Cap ETF	5.9
iShares MSCI Target UK Real Estate ETF	5.4
iShares Core MSCI Emerging Markets IMI ETF	4.9

## Shares Sector Breakdown



- Technology - 16.2%
- Financial Services - 14.0%
- Real Estate - 12.5%
- Industrials - 11.2%
- Consumer Cyclical - 10.0%
- Healthcare - 9.3%
- Consumer Defensive - 8.0%
- Other - 18.9%

## Credit Quality Breakdown



- Government - 41%
- Corporate - 59%
- AAA - 2.6%
- AA - 45.0%
- A - 27.3%
- BBB - 24.9%
- BB - 0.2%
- B - 0.0%
- Below B - 0.0%

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# AJ Bell Passive MPS 2

As of 31/12/2023

## Portfolio Commentary

For two consecutive months, CPI prints came in lower than expected in the UK. As the inflation battle now seems to have been won without considerable damage to the economy, investment-grade fixed interest has become more attractive for investors. This was reflected in the performance of Invesco GBP Corporate Bond.

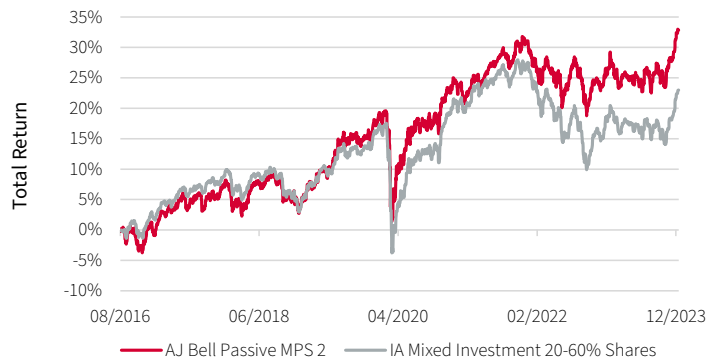
UK property was the best-performing asset class in the portfolio as it took encouragement from possible stabilisation and improvement of debt service costs. As the holdings in UK property are sensitive to interest rates, they benefited from falling yields. Lyxor Core UK Equity ETF had a positive quarter, however the UK lagged wider Developed Market equities.

Overall, Passive MPS 2 was up 5.4% over the quarter and 7.4% over 2023.

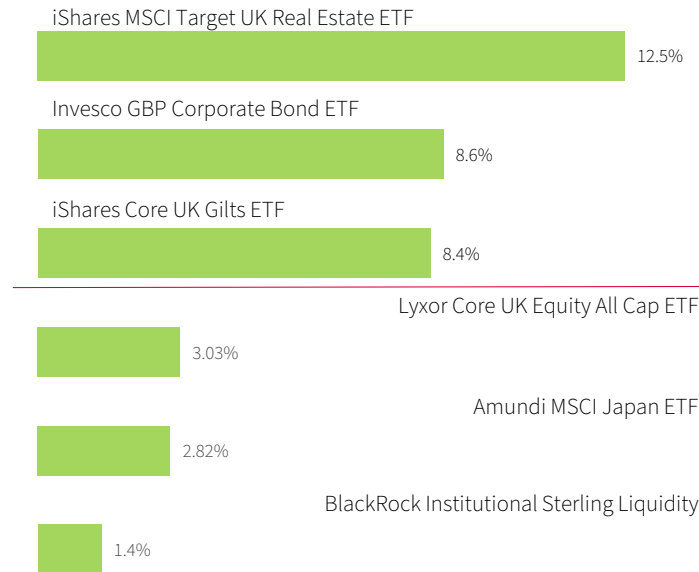
## Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Passive MPS 2	5.4	6.8	7.4	1.3	7.9	32.8
IA Sector	5.7	5.6	6.9	-3.5	2.6	23.0

## Cumulative Performance



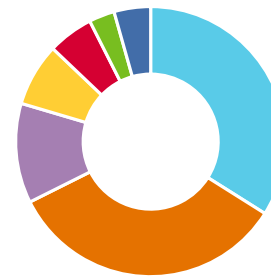
## Q4 2023 Best/Worst Performers



## Asset Breakdown



## Regional Breakdown



## Portfolio Snapshot

Number of Holdings	12
Inception Date	18/08/2016
Ongoing Charge Figure (OCF)	0.26%

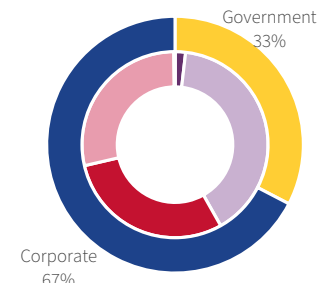
## Top 10 Holdings

ETF	Weight (%)
Invesco GBP Corporate Bond ETF	14.5
Vanguard S&P 500 ETF	12.9
Invesco Global High Yield Corporate Bond ESG ETF	12.2
Lyxor Core UK Equity All Cap ETF	11.7
iShares Core MSCI Emerging Markets IMI ETF	8.9
iShares ESG Overseas Corporate Bond Index	8.4
BlackRock Institutional Sterling Liquidity	7.6
iShares Core UK Gilts ETF	6.2
Amundi MSCI Japan ETF	5.9
iShares MSCI Target UK Real Estate ETF	5.4

## Shares Sector Breakdown



## Credit Quality Breakdown



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# AJ Bell Passive MPS 3

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. This resulted in interest-rate-sensitive holdings in the portfolio getting a boost, which can be seen via the 12.6% return in the property allocation of the portfolio over the quarter.

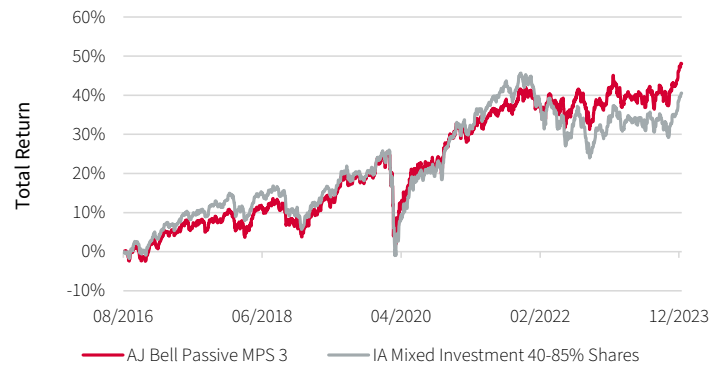
The rally in equity markets followed a similar pattern to the one we saw earlier in 2023: the US did well, the UK was weighed by weaker commodity prices and China continued to struggle. The more domestically-orientated FTSE 250 and small cap indices did however join in with better sentiment coursing through markets. Vanguard FTSE 250 ETF was one of the best performing assets in the portfolio over the quarter. HSBC MSCI Emerging Markets ETF gave a decent contribution over the quarter as Emerging Market equities had China performing poorly on one hand and countries such as India and Brazil doing well on the other.

Overall, the MPS was up 5.2% over the quarter and 7.6% over 2023.

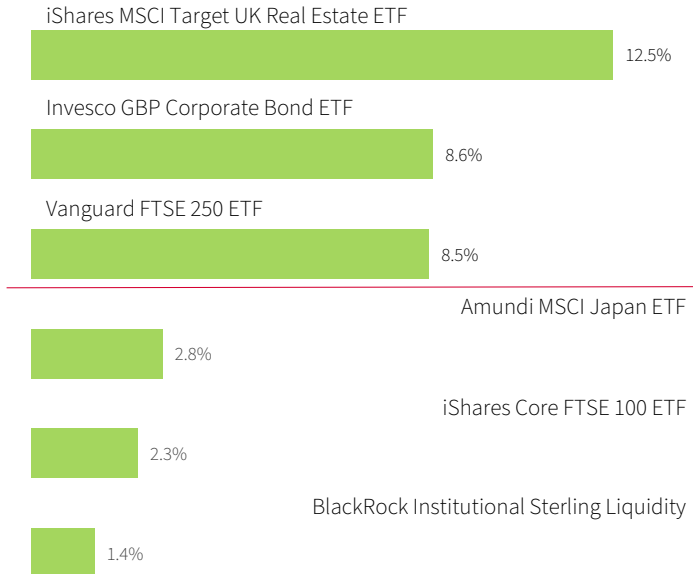
## Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Passive MPS 3	5.2	6.4	7.6	4.9	14.1	48.1
IA Sector	5.8	5.5	8.1	-2.9	8.0	40.5

## Cumulative Performance



## Q4 2023 Best/Worst Performers



## Asset Breakdown



## Regional Breakdown



## Portfolio Snapshot

Number of Holdings	15
Inception Date	18/08/2016
Ongoing Charge Figure (OCF)	0.27%

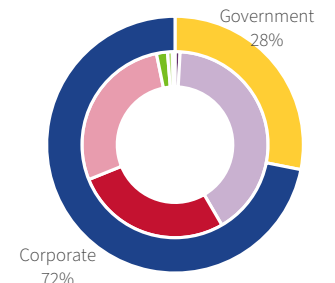
## Top 10 Holdings

ETF	Weight (%)
Vanguard S&P 500 ETF	13.9
iShares Core FTSE 100 ETF	12.6
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
HSBC MSCI Emerging Markets ETF	8.8
iShares Core MSCI Emerging Markets IMI ETF	7.9
Amundi MSCI Japan ETF	5.9
iShares MSCI Target UK Real Estate ETF	5.4
BlackRock Institutional Sterling Liquidity	3.8

## Shares Sector Breakdown



## Credit Quality Breakdown



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# AJ Bell Passive MPS 4

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. This aided the property allocation in the portfolio to become the top performer over the quarter due to its interest-rate-sensitive nature.

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. The Vanguard FTSE 250 ETF in the portfolio had a positive quarter due to the more domestic orientation of the mid cap index.

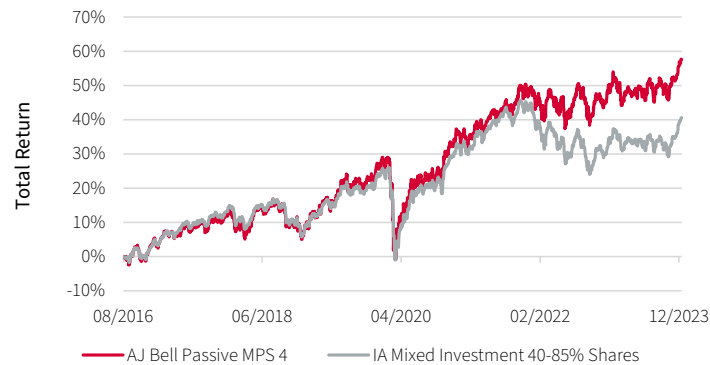
Despite the poor performance from China, wider Emerging Markets rejoiced in the easing of global financial conditions and capital flows brought about by a weaker US dollar, pushing this allocation of the portfolio to create a positive contribution.

Overall, the MPS was up 5.1% over the quarter and 8.7% over 2023.

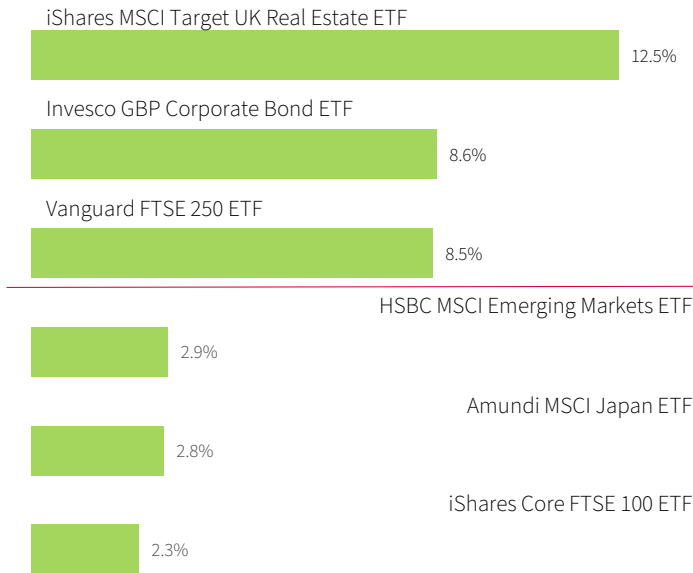
## Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Passive MPS 4	5.1	6.3	8.7	5.7	18.5	57.6
IA Sector	5.8	5.5	8.1	-2.9	8.0	40.5

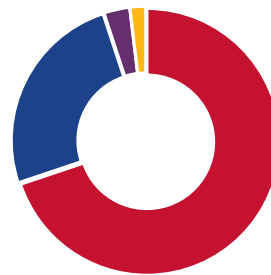
## Cumulative Performance



## Q4 2023 Best/Worst Performers



## Asset Breakdown



- Equity - 69.8%
- Fixed Income - 25.1%
- Alternatives - 3.1%
- Cash - 1.9%

## Regional Breakdown



- North America - 31.1%
- United Kingdom - 26.6%
- Asia Emerging - 10.8%
- Europe Developed - 10.2%
- Asia Developed - 6.7%
- Japan - 5.4%
- Other - 9.2%

## Portfolio Snapshot

Number of Holdings	14
Inception Date	18/08/2016
Ongoing Charge Figure (OCF)	0.27%

## Top 10 Holdings

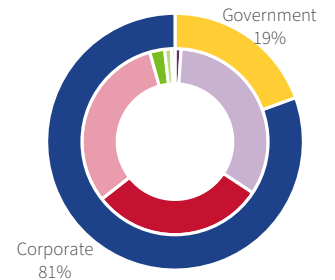
ETF	Weight (%)
Vanguard S&P 500 ETF	20.0
iShares Core FTSE 100 ETF	17.0
iShares Core MSCI Emerging Markets IMI ETF	9.8
HSBC MSCI Emerging Markets ETF	9.8
Invesco GBP Corporate Bond ETF	8.2
Invesco Global High Yield Corporate Bond ESG ETF	7.1
iShares ESG Overseas Corporate Bond Index	6.9
Amundi MSCI Japan ETF	5.0
Vanguard FTSE 250 ETF	3.2
iShares MSCI Target UK Real Estate ETF	3.1

## Shares Sector Breakdown



- Financial Services - 17.1%
- Technology - 16.7%
- Industrials - 10.8%
- Consumer Cyclical - 10.7%
- Healthcare - 9.8%
- Consumer Defensive - 8.6%
- Communication Services - 6.6%
- Other - 19.5%

## Credit Quality Breakdown



- AAA - 1.1%
- AA - 33.2%
- A - 30.2%
- BBB - 31.2%
- BB - 2.6%
- B - 1.2%
- Below B - 0.6%

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# AJ Bell Passive MPS 5

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 'magnificent seven' were less dominant in Q4 and a broader rally occurred across mid and small caps. 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. These factors aided the performance of this equity-dominant portfolio over the quarter. A particular highlight was the performance of the more domestically-orientated mid cap index in the UK; Vanguard FTSE 250 ETF returned 8.5% over the quarter.

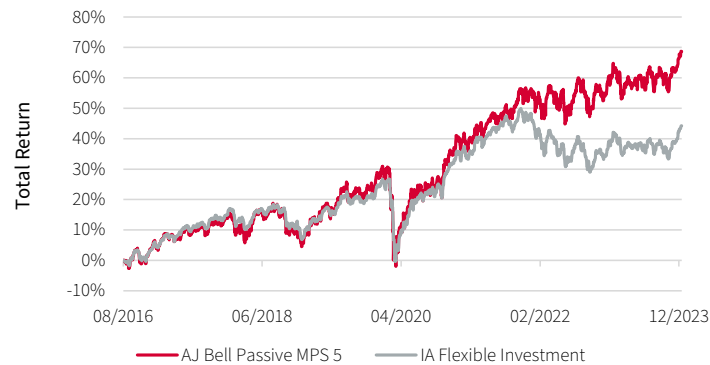
The recent CPI numbers caused yields to drop in the final quarter of 2023, causing interest-rate-sensitive assets to bounce. This aided the iShares MSCI UK Real Estate ETF holding in the portfolio as it was the best performer over the quarter.

Overall, Passive MPS 5 was up 4.9% over the quarter and 9.2% over 2023.

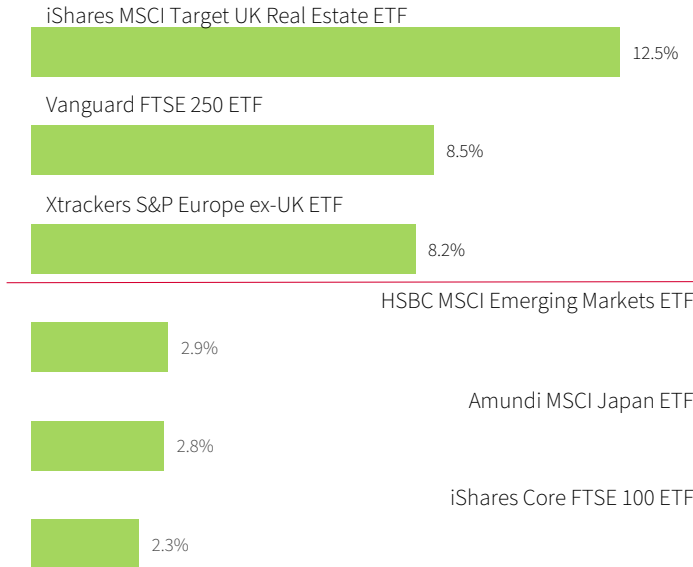
## Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Passive MPS 5	4.9	6.0	9.2	8.5	24.3	68.7
IA Sector	5.2	5.0	7.3	-2.5	8.6	44.3

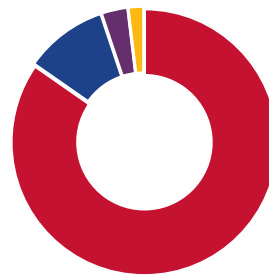
## Cumulative Performance



## Q4 2023 Best/Worst Performers



## Asset Breakdown



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

## Regional Breakdown



- North America - 29.6%
- United Kingdom - 26.6%
- Asia Emerging - 12.8%
- Europe Developed - 8.3%
- Asia Developed - 8.1%
- Japan - 4.2%
- Other - 10.4%

## Portfolio Snapshot

Number of Holdings	12
Inception Date	18/08/2016
Ongoing Charge Figure (OCF)	0.27%

## Top 10 Holdings

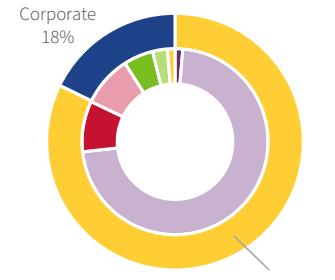
ETF	Weight (%)
Vanguard S&P 500 ETF	24.0
iShares Core FTSE 100 ETF	20.4
iShares Core MSCI Emerging Markets IMI ETF	11.9
HSBC MSCI Emerging Markets ETF	11.8
Invesco Global High Yield Corporate Bond ESG ETF	7.2
Xtrackers S&P Europe ex-UK ETF	5.2
Vanguard FTSE 250 ETF	4.3
Amundi MSCI Japan ETF	4.0
iShares MSCI Target UK Real Estate ETF	3.2
Vanguard Pacific ex-Japan Stock Index	3.0

## Shares Sector Breakdown



- Financial Services - 17.5%
- Technology - 16.5%
- Industrials - 10.7%
- Consumer Cyclical - 10.6%
- Healthcare - 9.9%
- Consumer Defensive - 8.7%
- Communication Services - 6.5%
- Other - 19.5%

## Credit Quality Breakdown



- Corporate - 18%
- Government - 82%
- AAA - 1.3%
- AA - 71.9%
- A - 8.8%
- BBB - 8.9%
- BB - 5.2%
- B - 2.6%
- Below B - 1.3%

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# AJ Bell Passive MPS 6

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 broader rally in equity markets occurred across mid and small caps, which was helpful for the FTSE 250 allocation within the MPS.

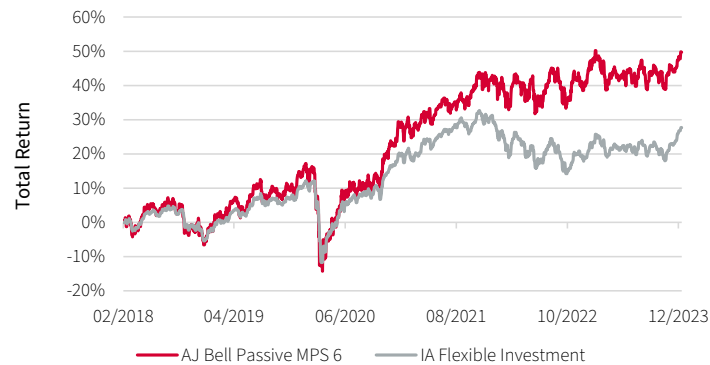
European equities finished off 2023 strongly, aiding the portfolio performance. Emerging Market equities had China performing poorly on one hand and countries such as India and Brazil doing well on the other. The latter were free to rejoice in the easing of global financial conditions and capital flows brought about by a weaker US dollar, which can be witnessed by the portfolio's Emerging Market allocation over the quarter.

Overall, Passive MPS 6 was up 4.2% over the quarter and 6.4% over 2023.

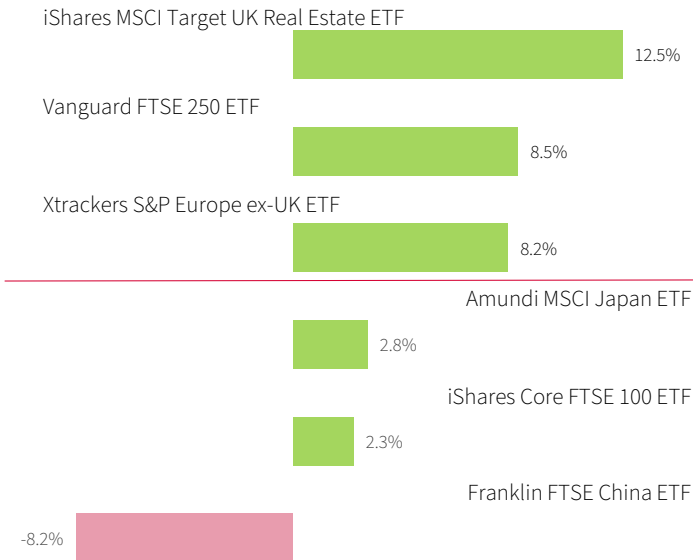
## Trailing Returns (%)

	3m	6m	1y	2y	3y	Launch
Passive MPS 6	4.2	5.1	6.4	5.5	21.1	49.0
IA Sector	5.2	5.0	7.3	-2.5	8.6	34.7

## Cumulative Performance



## Q4 2023 Best/Worst Performers



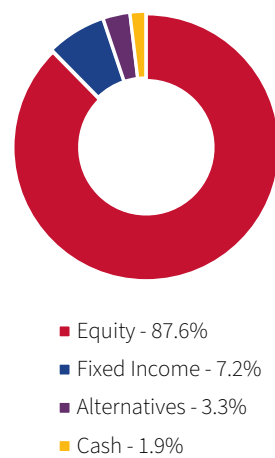
## Portfolio Snapshot

Number of Holdings	12
Inception Date	19/02/2018
Ongoing Charge Figure (OCF)	0.28%

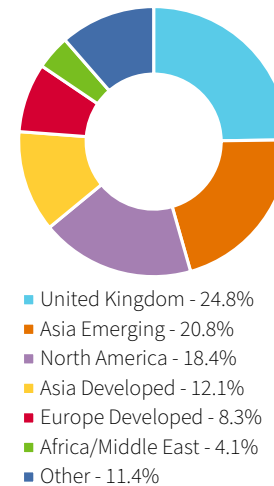
## Top 10 Holdings

ETF	Weight (%)
HSBC MSCI Emerging Markets ETF	23.8
iShares Core FTSE 100 ETF	18.5
Vanguard S&P 500 ETF	13.0
iShares Core MSCI Emerging Markets IMI ETF	12.0
Invesco Global High Yield Corporate Bond ESG ETF	7.2
Xtrackers S&P Europe ex-UK ETF	5.2
Vanguard Pacific ex-Japan Stock Index	5.1
Vanguard FTSE 250 ETF	4.3
iShares MSCI Target UK Real Estate ETF	3.3
Amundi MSCI Japan ETF	3.0

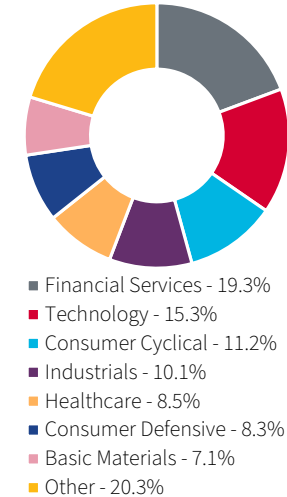
## Asset Breakdown



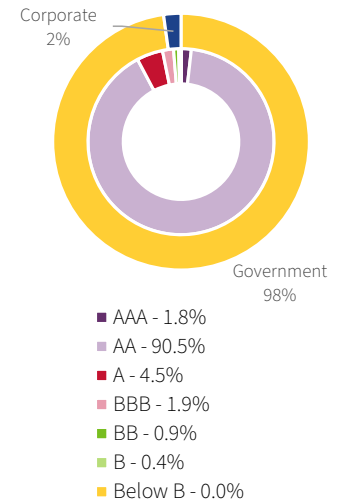
## Regional Breakdown



## 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).