

# VT Blackfinch Balanced Portfolio Fund Factsheet February 2024



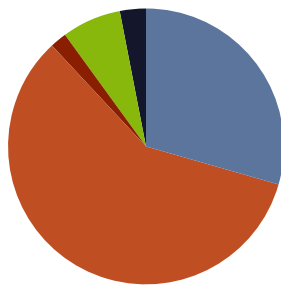
Targeting CPI  
**+3%**  
per annum, over a rolling  
5 year basis net of fees.

## Investment Objective

The Balanced portfolio is designed to achieve a total return in excess, of the Consumer Price Index plus 3% per annum, over a rolling 5 year basis net of fees. The portfolio is globally diversified and contains multi asset investments including fixed income, equities, property, alternatives and cash. Exposure to fixed income, equities, property, alternatives is via collective investment schemes. There is no guarantee that the objective will be met or that a positive return will be delivered over any time period. Capital at risk.

## Asset Allocation (as at 29/02/2024)

|                   |               |
|-------------------|---------------|
| Fixed Income      | <b>29.80%</b> |
| Equities          | <b>58.75%</b> |
| Property          | <b>1.94%</b>  |
| Alternatives      | <b>6.76%</b>  |
| Cash & Equivalent | <b>2.76%</b>  |



## Tactical Deviation

|                   |               |             |
|-------------------|---------------|-------------|
| Fixed Income      | <b>4.30%</b>  | Overweight  |
| Equities          | <b>0.25%</b>  | Overweight  |
| Property          | <b>-3.06%</b> | Underweight |
| Alternatives      | <b>-0.24%</b> | Underweight |
| Cash & Equivalent | <b>-1.24%</b> | Underweight |

## Market Commentary

Inflation and economic growth were closely watched again in February and were the most influential factors for the UK market. Inflation – as measured by the Consumer Prices Index (CPI) – was 4.0% in January, the same as in December 2023, and undershooting economist forecasts of an uptick to 4.2%. Core CPI, which excludes volatile food and energy prices, was also unchanged at 5.1%. This was positive for markets, as energy regulator Ofgem announced a price cap to take effect from April, boosting expectations for the UK to hit its 2% inflation target and would make it the first major country to do so. It was also reported that the UK economy entered a technical recession in 2023 after gross domestic product (GDP) contracted 0.1% in the third quarter and 0.3% in the final three months of the year.

For the US, inflation was also the hot topic for the month, after a recent spike in economic data. Economists were expecting a fall from 3.4% to 2.9%. However, the actual figure was 3.1%. This small miss dented hopes of an early interest rate cut and likely pushed it back to the second half of the year. The US added 353k jobs in January, which further reinforced the Federal Reserve's position on holding interest rates as long as the US economy continues to perform stronger than expected.

Japanese markets continued their impressive march following strong corporate earnings, with the Nikkei 225 index breaking its all-time high set at the end of 1989 when Tokyo real estate was the most valuable on the planet. Conversely, Beijing attempted to boost the Chinese economy and markets by offering more targeted stimulus. The Chinese manufacturing sector shrank for the fifth consecutive month and overseas investment expanded at the slowest pace in 30 years in 2023, although GDP did grow by 5%.

## Performance

|                  |               |
|------------------|---------------|
| 3 months         | <b>5.57%</b>  |
| 6 months         | <b>7.16%</b>  |
| 12 months        | <b>5.61%</b>  |
| Since Inception* | <b>19.52%</b> |

*Past performance is no guarantee of future performance.*

*\*Date of inception: 1st May 2020.*

*All Blackfinch unitised fund performance figures are quoted net of AMC and fund OCFs. The above performance is that of the F Accumulation Share Class.*

## Portfolio Holdings (as at 29/02/2024)

|  |       |
|--|-------|
| Vanguard - FTSE 100 Index                          | 7.49% |
| Jupiter - Japan Income                             | 5.68% |
| JPM - US Equity Income                             | 5.50% |
| Brown Advisory - US Sustainable Growth             | 5.35% |
| LF Montanaro - UK Income                           | 4.58% |
| TM Tellworth - UK Select                           | 4.24% |
| Man GLG - Sterling Corporate Bond                  | 4.19% |
| R&M - European Change for Better                   | 4.14% |
| JPM - Emerging Markets Sustainable Equity          | 4.12% |
| Fidelity - Asian Dividend                          | 3.44% |
| Capital Group - Global High Income Opportunities   | 3.38% |
| iShares - US Equity Index                          | 3.31% |
| Vanguard - Global Bond Index                       | 3.16% |
| Comgest - Growth Japan                             | 3.02% |
| Rathbone - Ethical Bond                            | 2.97% |
| iShares - Corporate Bond Index (UK)                | 2.96% |
| Vanguard - UK Government Bond Index                | 2.95% |
| Vanguard - US Government Bond Index                | 2.95% |
| Blackfinch - NextGen Infrastructure                | 2.88% |
| Liontrust - Sustainable Future Monthly Income Bond | 2.84% |
| Premier Miton - European Opportunities             | 2.60% |
| Man GLG - Continental European Growth              | 2.55% |
| JPM - Global Macro Opportunities                   | 2.52% |
| M&G - Emerging Markets Bond                        | 2.22% |
| iShares - ESG Overseas Corporate Bond Index (UK)   | 2.17% |
| T. Rowe Price - US Smaller Companies Equity        | 2.06% |
| iShares - Pacific ex Japan Equity Index (UK)       | 2.03% |
| Blackfinch - NextGen Property Securities           | 1.94% |
| CanLife - Sterling Liquidity                       | 1.00% |
| Cash   | 1.76% |

**All data as at 29th February 2024, unless specified otherwise.**

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## This Month's Activity

Asian equity markets led the way in February, with both China and Japan performing strongly. US equities also performed well, despite some disappointing inflation data denting hopes of an early interest rate cut. Stock-specific positive news helped drive markets higher, particularly another bumper set of results from Nvidia, the darling of the artificial intelligence (AI) trend, helping to boost sentiment across the market. The UK sat at the bottom of the equity charts for February, with confirmation of a technical recession in the second half of 2023 spreading concern among investors.

Sectors particularly sensitive to shifts in interest rate expectations had a poor month, with government bonds, property and infrastructure all falling as the market concluded rate cuts may not come as quickly as hoped, particularly in the US. Our diversified alternatives allocations continued to minimise volatility at a portfolio level, posting either flat, or marginally positive returns for the month.

**Please note:** EValue risk tolerance scores are based on a 10-year time horizon. The mappings are only for use by financial advisers licensed to use EValue's risk profiling system and does not constitute financial advice.



## Portfolio Information

|                                    |                           |                                    |
|------------------------------------|---------------------------|------------------------------------|
| Class S<br>Accumulation Share ISIN | Class S<br>Management Fee | Class S<br>Underlying fund charges |
| <b>GB00BLF82K92</b>                | <b>0.55%</b>              | <b>0.58%</b>                       |
| Class F<br>Accumulation Share ISIN | Class F<br>Management Fee | Class F<br>Underlying fund charges |
| <b>GB00BKMPP30</b>                 | <b>0.45%</b>              | <b>0.58%</b>                       |
| Estimated Annual Income Yield      | Number of holdings        |                                    |
| <b>2.69%</b>                       | <b>29</b>                 |                                    |



## Investment Directors

Gareth Deacon and Alex Sumner co-manage the Blackfinch Asset Management multi-asset portfolio range. Combined they have over 25 years' experience in investment management. They bring expertise in the construction of mainstream investment products, managing private client portfolios and working closely with financial advisers. Each is a chartered fellow of the Chartered Institute for Securities & Investment.

# ESG at Blackfinch Asset Management

## *Working towards a more sustainable world*

We believe environmental, social and governance (ESG) factors are core to the future success of any business, and that investing in companies aligned with ESG principles can lead to superior returns. We see a positive correlation between companies focused on improving their ESG factors and share price growth. Our aim is to invest in funds that either have a focus on improving sustainability issues, or businesses with strong metrics relating to ESG criteria. Our focus on ESG factors is core to our investment process and integral to how we work. We apply these principles to every portfolio we manage.

### Positive Screening Approach

As stewards of capital, we have a pivotal role in ensuring that the companies we invest in are answerable to ESG concerns. Our positive screening process makes it possible to unearth and support forward-thinking companies, and invest in them via responsible fund managers who actively engage and monitor their ESG targets. We strongly feel fund managers should exercise their power as shareholders to shape the direction of investee companies, and to positively impact the way such businesses are run.

### We invest with a **core focus** on the UN Global Compact Principles

We invest with a central focus on ESG considerations

We take a forward-looking approach to investment selection using positive screening

We encourage 'engagement' with both sustainability 'leaders' and 'improvers'

We're committed to transparency on ESG and reflect this in our investment approach

### ESG in Action

We're pleased to share our ESG insights with you, as well as to highlight some of the positive engagement activities undertaken by funds within our portfolios and the companies they invest in.

#### **CO-FILING A SHAREHOLDER RESOLUTION**

Co-filing shareholder proposals is an important stewardship tool that focuses efforts on a concrete call to action. Asset managers can combine their resources to make a bigger impression on companies and industries, helping to drive societal change or environmental benefits. We fully support this level of collective action at Blackfinch and actively seek funds that intend to make a difference in this manner. This was certainly the case with one of our active equity funds, which collaborated with 14 other managers – representing \$2.4 trillion in assets under management and 130+ retail investors – to encourage one of the world's largest banks to reduce its exposure to fossil fuels.

Through constructive engagement, including various meetings and collective letters outlining expectations, they called upon the bank to close a number of its fossil fuel policy loopholes. The bank committed to phasing down its financing of fossil fuels in line with limiting global temperature rise to 1.5°C, as well as to update the scope of its oil, gas, and thermal coal policies. More importantly, the bank announced it would stop funding new oil and gas fields and new metallurgical coal mines and introduce strict requirements for new clients relating to oil and gas exploration. The bank communicated that the collective influence of the asset managers led to a more constructive resolution.



Request our ESG Policy document for more information.