

## VT Blackfinch Defensive Portfolio Fund Factsheet December 2023



Targeting CPI

**+1%**

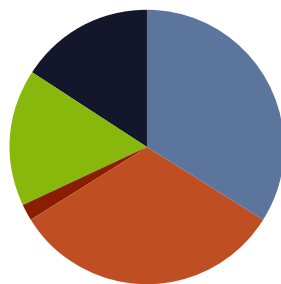
per annum, over a rolling  
5 year basis net of fees.

### Investment Objective

The Defensive portfolio is designed to achieve a total return in excess of the Consumer Price Index plus 1% 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 29/12/2023)

Fixed Income	<b>33.92%</b>
Equities	<b>32.39%</b>
Property	<b>1.99%</b>
Alternatives	<b>16.10%</b>
Cash & Equivalent	<b>15.59%</b>



### Tactical Deviation

Fixed Income	<b>-10.08%</b>	Underweight
Equities	<b>11.39%</b>	Overweight
Property	<b>-3.01%</b>	Underweight
Alternatives	<b>-4.90%</b>	Underweight
Cash & Equivalent	<b>6.59%</b>	Overweight

### Market Commentary

Investors enjoyed some festive cheer in December, as many of the positive trends from November carried through to finish off the year. A more benign inflationary environment pushed investor sentiment higher and helped asset price performance across the globe. Policymakers reinforced the belief that developed economies were at 'peak' interest rates, with the US, Europe, and UK central banks all maintaining their benchmark rates for a third month running.

Although the Bank of England maintained its benchmark interest rate at 5.25%, Monetary Policy Committee members reiterated being ready and willing to increase borrowing costs again should evidence of persistent inflation emerge. Higher borrowing costs are impacting the UK economy, and the number of registered company insolvencies in November 2023 was 21% higher than in November 2022. On top of this, the UK economy shrank in October by 0.3%, after rising 0.2% in September, and displayed stagnant growth on a quarterly basis.

In the US, sentiment was largely driven by lower inflation, as measured by the Consumer Prices Index (CPI) which fell in line with estimates. The headline CPI figure fell to 3.1% year-on-year while core inflation (excluding food and energy) stayed at 4.0%. Stocks had a strong jump off the back of the final Federal Reserve (Fed) policy meeting of the year. The quarterly US 'dot plot', which summarises the rate expectations of individual policymakers, showed an increase in the projection for rate cuts in 2024, which encouraged investors further.

The Chinese economy continued to struggle, with deflation more of an issue than inflation. Earlier in the year, China's policymakers set expected economic growth at 5% for 2023, the lowest level for decades. CPI inflation in China fell by 0.5% year-on-year in November, and major state banks cut interest rates in December to try help the ailing Chinese property sector and stimulate demand.

### Performance

3 months	<b>5.36%</b>
6 months	<b>5.01%</b>
12 months	<b>5.78%</b>
Since Inception*	<b>3.85%</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 29/12/2023)

Vanguard - Global Bond Index	8.98%
CanLife - Sterling Liquidity	6.86%
BNY Mellon - Global Dynamic Bond	6.62%
Vanguard - UK Government Bond Index	6.49%
Ninety One - Diversified Income	6.48%
Vanguard - US Government Bond Index	5.97%
PIMCO - Income	5.75%
Man GLG - Sterling Corporate Bond	5.11%
Vanguard - FTSE 100 Index	5.02%
Liontrust - Sustainable Future Monthly Income Bond	5.01%
TM Tellworth - UK Select	4.85%
R&M - European Change for Better	4.68%
JPM - Global Macro Opportunities	4.29%
iShares - Corporate Bond Index (UK)	4.05%
iShares - ESG Overseas Corporate Bond Index (UK)	3.99%
Brown Advisory - US Sustainable Growth	2.54%
Rathbone - Ethical Bond	2.53%
JPM - US Equity Income	2.51%
Jupiter - Japan Income	2.23%
Blackfinch - NextGen Infrastructure	1.59%
Comgest - Growth Japan	1.33%
Blackfinch - NextGen Property Securities	1.10%
Cash	1.99%

### All data as at 29th December 2023, unless specified otherwise.

Blackfinch Asset Management is an appointed representative of Blackfinch Investments Limited which is authorised and regulated by the Financial Conduct Authority. Registered address: 1350–1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered Company in England & Wales under No. 11639647. The Blackfinch Asset Management Portfolios are actively managed by Blackfinch Investments Limited. Blackfinch Asset Management Limited act as the promoter and distributor of the unitised funds. Capital at risk. All figures are correct at the time of compilation. Any decision to invest in this service should not be based solely on this factsheet but rather made in conjunction with the information contained in the brochure, and the terms and conditions. Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of investing and the risk involved. Prospective investors should not treat the contents of this factsheet as advice relating to legal, taxation or other matters. If in any doubt about the proposal discussed in this factsheet, its suitability, or what action should be taken, the investor should consult their own professional advisers. Percentage figures may not add up to 100 due to rounding. The expected yield is based upon the underlying holdings. This figure is for information purposes and will not be distributed as cash income. It is automatically reinvested and contributes to the total investment return of the portfolio.

## This Month's Activity

Asset prices continued to move forward from November's highs, with listed property and infrastructure investments leading the charge for portfolio returns. The improving inflationary environment, and more positive trajectory in interest rate expectations, proved strong tailwinds for the more interest rate-sensitive asset class.

Many equity markets finished the year with a flourish. This was certainly the case in the US, where investors seemed encouraged that Fed Chair Jerome Powell did not appear to push back on the idea of markets' pricing aggressive rate cuts in 2024 at his post-meeting press conference. Our allocation to US smaller companies helped capture this sentiment. More broadly, with the right catalyst, small- and medium-sized companies across the world appear ready to bounce back from recent lows caused by stubborn inflation. Fixed Income also took part in the December rally with government bond prices climbing across developed markets, also buoyed by the prospect of rate cuts in 2024.

**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 Accumulation Share ISIN	Class S Management Fee	Class S Underlying fund charges
<b>GB00BLF82B02</b>	<b>0.55%</b>	<b>0.43%</b>
Class F Accumulation Share ISIN	Class F Management Fee	Class F Underlying fund charges
<b>GB00BKP3DS21</b>	<b>0.45%</b>	<b>0.43%</b>
Estimated Annual Income Yield	Number of holdings	
<b>3.40%</b>	<b>22</b>	

## Investment Directors



Gareth Deacon and Alex Sumner co-manage the Blackfinch Asset Management multi-asset portfolio range. 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.

#### **REDUCING GREENHOUSE GAS (GHG) EMISSIONS THROUGH ALTERNATIVE ENERGY SOURCING**

Copper and nickel production is critical for developing renewable energy infrastructure and electric vehicles, a major part of the global effort to reduce carbon emissions. Although these minerals are important to aid the net zero transition, they come at a cost. Mining them can generate significant GHG emissions relative to other sectors, due to the operation of heavy equipment and energy-intensive processing plants. But renewable energy is a cleaner fuel source and an important step in moving away from coal-operated plants. We believe that increased engagement to move away from coal to renewable energy sources will play an important role for the rest of the decade.

As such, we were encouraged to see one of the active fixed income fund manager we invest in engaging with one of their key portfolio holdings – a top ten global minerals producer – with the objective of helping it reduce its GHG emissions through alternative energy sourcing. Discussions including progress on building renewable energy infrastructure, reducing reliance on coal, and how the company planned to meet its 2025 and 2030 emission reduction targets. The fixed income fund manager will continue to monitor and engage with the company for developments.



Request our ESG Policy document for more information.