

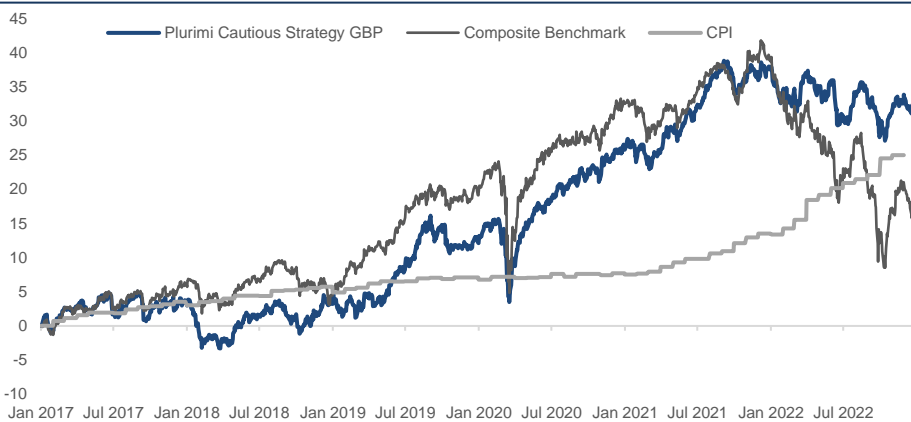
## Objectives

The objective of the Plurimi Cautious strategy is to achieve long-term capital appreciation primarily through investments in a portfolio of global stocks and bonds. Tactically the strategy may also include exposure to commodities, real estate, and other alternative asset classes. The strategy is flexible and seeks to preserve capital on a 12 month basis and deliver a total return of inflation +2% per annum over a market cycle. Performance is compared to a composite index made up of 35% MSCI World GBP, 32.5% Iboxx Investment Grade GBP, and 32.5% FTSE UK Gilts All Stocks.

## Risk and return targets

- Return target: CPI +2% per annum.
- Typical beta vs MSCI World: 0.4-0.6

## Total return (%)



Total return in GBP terms. (Jan 2017 - Dec 2022)

Performance is compared to a composite index made up of 35% MSCI World GBP, 32.5% Iboxx Investment Grade GBP, and 32.5% FTSE UK Gilts All Stocks.

Source: Bloomberg/PW

## Monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2022</b>	-2.6	0.1	1.8	-1.3	0.4	-3.9	3.3	-0.6	-4.4	2.8	2.1	-1.0	<b>-3.5</b>
<b>2021</b>	-1.5	-0.3	1.4	2.6	0.8	1.7	2.6	1.6	-1.3	-0.0	0.6	0.7	<b>9.3</b>
<b>2020</b>	1.6	-1.6	-2.4	4.6	3.2	0.3	0.6	1.4	1.2	-0.8	2.6	1.1	<b>12.2</b>
<b>2019</b>	-0.9	-1.1	3.4	-0.9	3.0	0.9	3.3	3.2	-0.7	-2.2	0.3	0.2	<b>8.6</b>
<b>2018</b>	-3.8	-0.9	-0.5	1.1	2.8	-0.6	0.9	0.0	-0.9	-0.1	0.9	1.1	<b>-0.2</b>
<b>2017</b>	-0.5	2.9	0.1	-0.3	1.6	-2.0	0.2	2.9	-3.5	1.1	-0.3	1.2	<b>3.4</b>

Total return in GBP terms. (Jan 2017 - Dec 2022)  
Gross of all fees

Source: Bloomberg/PW

## Equity sector exposure (scaled to 100%)

	Cautious	MSCI World
Communication Services	18.8	6.4
Consumer Discretionary	3.0	10.0
Consumer Staples	4.3	7.9
Energy	12.6	5.7
Financials	9.2	14.2
Health Care	21.2	14.6
Industrials	4.8	10.7
Information Technology	14.0	20.2
Materials	12.0	4.5
Real Estate	0.0	2.7
Utilities	0.0	3.2

## Equity characteristics (scaled to 100%)

	Cautious	MSCI World
Dividend Yield	4.2	2.6
Price to Earnings Ratio (P/E)	8.7	16.7
Price to Cash Flow Ratio (P/CF)	6.7	11.0
Price to Book Ratio (P/B)	2.0	2.8
Total Debt to Common Equity	30.3	147
Current Ratio	1.5	1.2
Est ROE	16.5	22.7
Op. Income Growth	61	8.2
Sales Growth	25.4	9.8
Est P/E	12.7	15.0
Debt/EBITDA	0.8	3.1
Est EV/EBITDA	11.0	10.2
Profit Margin	13.4	10.4
ROC	20.8	7.5

## Key points

Defensive strategy designed to protect capital in the short term and grow purchasing power over a cycle.

Objective stock selection process utilises independent research and proprietary screens.

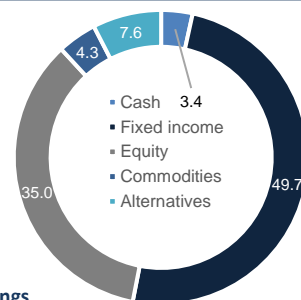
Top-down regional, asset class and style allocations to enhance returns and mitigate macro risks.

Portfolio characteristics skewed towards value, quality, and yield.

## Key risks

Capital is at risk. The strategy has a flexible asset allocation policy, which means allocations to risky assets are not fixed and may be increased at the portfolio managers discretion. The strategy invests globally and takes currency exposure which also can create capital losses. The strategy is diversified but Individual stock and corporate bond risk may be significant with positions up to 4 and 9% respectively.

## Asset allocation (%)



## Holdings (%)

Holdings	Percentage
X NIKKEI 225	3.0
NOVO NORDISK A/S-B	2.3
ACTIVISION BLIZZARD INC	2.3
KDDI CORP	2.1
CORTEVA INC	2.0
PLUS500 LTD	2.0
MCKESSON CORP	1.9
EOG RESOURCES INC	1.9
ARCELORMITTAL	1.9
APPLE INC	1.7
ALPHABET INC-CL A	1.6
VISA INC-CLASS A SHARES	1.6
ROCHE HOLDING AG-GENUSSCHEIN	1.5
AP MOLLER-MAESER A/S-B	1.5
DANONE	1.4
SHELL PLC	1.3
ASML HOLDING NV	1.3
ASTRAZENECA PLC	1.1
HARTFORD FINANCIAL SVCS GRP	1.0
LVMH MOET HENNESSY LOUIS VUI	1.0
CAMECO CORP	0.9
ISHARES GBP CORP BOND 0-5YR	13.8
SPDR BBG EM INFLATION LINKED	7.2
WT AT1 COCO ETF GBP HEDGED	7.1
ISHARES CORE GBP CORP	6.9
TABULA US ENHANCED INF GBPFA	5.1
GS 3 ¼ 07/25/29	2.7
VW 2 ½ 04/12/25	2.5
HTHROW 6 ¼ 12/03/26	2.1
EOANGR 5 ¼ 12/06/23	1.2
ABRDN PHYSICAL PLATINUM SHRS	1.0
ISHARES PHYSICAL GOLD ETC	3.2
ISHARES SILVER TRUST	1.1
BREXAN HOWARD AB RT G-A1 GBP	3.9
BNP NOTE	3.7
BRITISH POUND	3.4

Source: Bloomberg/PW

## Commentary

The strategy fell by 1.0% in December and is down 3.5% for 2022. This compares with a benchmark return of -3.6% in December and -16.6% for the year.

The MSCI World fell by 5% in December, fuelled by hawkish central banks that continued to add upward pressure on bond yields.

The strategy's equities fared better than the market. **Novo Nordisk** rose by 9%. Novo Nordisk's growth prospects appear assured, justifying its premium valuation vs. large pharma peers. The stock trades at 30x forecast earnings but growth in its drugs for diabetes and obesity look set to beat consensus estimates. **Astra Zeneca** also delivered a positive return for the month. Activision delivered a positive return of 3% in a down month as Microsoft reiterated its commitment to a \$95 offer it has made for the company.

**Apple** and **Alphabet** were large detractors falling by 13%. Large cap tech was punished by lower multiples as interest rates moved higher. Following large selloffs these stocks now both trade at less than 20x earnings which represents good value given their dominant market positions leading to defensible margins. **Mosaic** was the worst performer, falling by 15%. The company reported that its potash revenue for October and November rose to \$780 million from \$529 million from the same period a year ago, while phosphate revenue declined to \$785 million from \$902 million. Trading at less than 5x forecast earnings we are optimistic on the potential re-rating of the stock next year. During the month we added **LVMH**. Pricing power has proved to be extremely resilient from luxury consumer companies in 2022. High end consumption is less impacted by the higher energy, mortgage and food costs that are impacting mass market discretionary spending. EBIT margins approaching 40% should be able to be maintained as China opens up borders for external travel in 2023. Equity weight at year is 35%, exactly in line with the neutral position.

The strategy's fixed income holdings performed much better than aggregate bonds in December due to the shorter duration positioning in a rising yield backdrop. We expect 10 year yields to move slightly higher by year end as central banks allow inflation to stay above their respective targets based on risks to growth. Short duration bank debt and long duration inflation protect bonds are best options for 2023.

The precious metals holdings were positive contributors in December. Gold finished 2022 where it started it in USD terms but was up 9% in GBP terms. As we predicted it proved to be a better safe haven than treasuries last year but higher real yields have now changed our view on that. The biggest driver of demand will likely be from central banks who are looking to diversify away from USD holdings. In Q4 2022 China added to its gold reserves for the first time in a decade. A weaker USD, particularly if it driven by a Fed pivot will be the most positive environment for gold but a more hawkish Fed than we expect would be a risk.

We expect that the global economy will likely fall into a recession in 2023, but we do hold out hope that the strong US consumer and services sector prevents a meaningful contraction. While we expect a shallow recession, the speed of the recovery may disappoint as monetary and fiscal support will not be available given persistent inflation and high government debt levels.

Monetary tightening will continue to be a headwind for risk assets. Offsetting tighter conditions are pessimistic investor positioning and better valuations for both equities and bonds following the 2022 selloff. Investors can now achieve attractive nominal returns in credit.

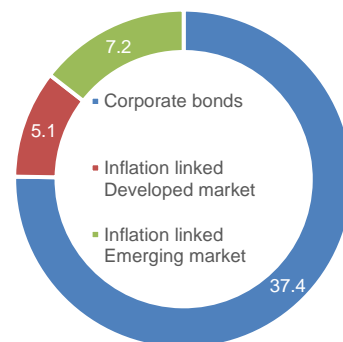
### Strategy managers:

Patrick Armstrong, CFA  
Eugen Fostiak

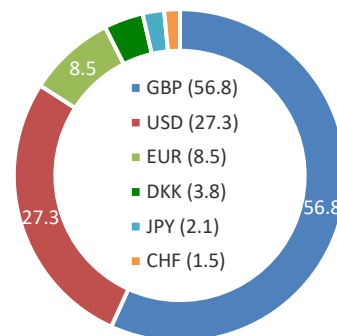
**Target return:** CPI +2% per annum

**Holdings:** 36

**Fixed Income type** (% of Portfolio)



**Currency** (%)



### Performance attribution (%)

	Since inception	1 month attribution		1 month return
Equity	+24.0	-1.3	<b>Top contributors</b>	
			NOVO NORDISK A/S-B	8.9
			ISHARES PHYSICAL GOLD ETC	2.7
			WT AT1 COCO ETF GBP HEDGED	1.3
			ISHARES SILVER TRUST	6.7
AP MOLLER-MAERSK A/S-B	4.4			
Fixed Income	+9.4	+0.1	<b>Bottom contributors</b>	
			CORTEVA INC	-13.3
			ALPHABET INC-CL A	-13.5
			APPLE INC	-13.1
			EOG RESOURCES INC	-8.5
PLUS500 LTD	-5.4			
Commodity	+3.0	+0.2		
Alternative	-3.8	+0.0		
Cash	+0.1	+0.0		

### Portfolio characteristics (%)

Volatility (ex-ante)	7.0	
Value at Risk (Monthly 97.5%)	4.3	
<b>Performance indicators</b>		
	Plurimi Cautious	Composite Benchmark
Annualised return	4.8	2.0
Annualised volatility	6.6	8.1
Sharpe ratio	0.6	0.2
Best month	4.6	6.6
Worst month	-4.4	-7.1
Max drawdown	-10.9	-22.9

# P L U R I M I

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