

## March Model Changes.

Please be advised that a number of fund changes have taken place this month for various reasons.

You can find more information on the changes from the 'Portfolio Activity' page onwards.

### Risk Warning.

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Model **Seven.**

## Fact Sheet | March 2024

### About The Service.

The Clever Marlborough Sustainable managed portfolio service (MPS) consists of 5 models, each with their own risk profile and objectives. The quantitative investment strategy is robust and repeatable. Ongoing monthly reviews of the portfolios and underlying investment funds are based on the output of the fund selection and monitoring system, the CleverEngine - a proprietary algorithm supplied by Clever. ESG fund ratings and analysis are provided by MSCI. Portfolio management and governance is carried out by Marlborough.

Strategic asset allocation is maintained relative to Dynamic Planner risk profiles. The portfolio managers work with Dynamic Planner to ensure any changes made as part of the monthly portfolio reviews are carried out in accordance with the risk profile to which each model has been assigned.



### Investment Objective.

To achieve long term capital growth with a 'Highest Medium' attitude to risk by investing in funds which concentrate investments in companies that make a positive contribution to both people and planet, and excluding funds with MSCI ESG ratings below A.

### Key Information.

**Model Inception Date**

01/08/2022

**Rebalance Frequency\*\***

Quarterly

**Investment Time Horizon**

5+ years

**Annual Management Fee**

00.25%

**Ex-Ante Transaction Costs\*\*\***

00.18%

**Ongoing Charge Figure**

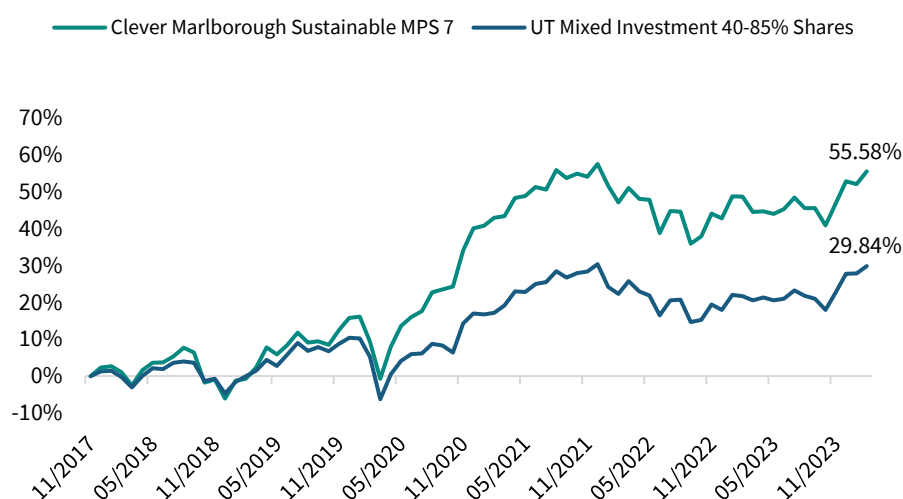
00.72%

**Comparator Benchmark**

UT Mixed Investment 40 - 85%  
Shares

### Model 7 Performance\*.

30/11/2017- 29/02/2024



Data Source: FE Fundinfo & Clever, 13/03/2024

### Important Information.

The CleverMPS is brought to you by Marlborough Investment Management and Clever Adviser Technology. \*Performance up to and including 31/07/2022 is simulated based on the actual performance of the underlying portfolio instruments (or instruments that are substantially the same as the portfolio instruments), including estimated annual management charges, audit, transaction, and custodian fees. Simulated performance data is supplied by Clever Adviser Technology Ltd (Clever) including portfolio Annual Management Fee and FE Fundinfo. Actual performance data is obtained from FE Fundinfo. Performance data is calculated net of fees and reinvestment of all dividends and capital gains. \*\*\*Any fund switches will trigger a rebalance. \*\*\*Projected annual transaction costs which may apply to underlying funds such as Stamp Duty or brokerage fees.

Neither past nor simulated performance is a reliable indicator of future performance and should not be the sole factor considered when selecting portfolios. Unit Trust (UT) Sectors are provided for comparison and illustration purposes only. We have chosen the UT sector that most closely matches the portfolio. In limited instances, portfolio allocations may fall outside the boundaries of the relevant UT peer group.

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## Cumulative Performance to 29/02/2024\*.

Model	3 Months	6 Months	1 Year	3 Years	5 Years	Year to Date
Clever Marlborough Sustainable MPS 7	05.95%	06.90%	04.66%	08.84%	56.70%	01.82%
Benchmark	05.83%	06.65%	06.70%	10.80%	29.89%	01.65%

## Discrete Annual Performance\*.

Model	2019	2020	2021	2022	2023	Year to Date
Clever Marlborough Sustainable MPS 7	23.29%	21.02%	12.41%	-09.36%	07.01%	01.82%
Benchmark	15.86%	05.95%	11.43%	-09.55%	08.34%	01.65%

## Top 10 Holdings.

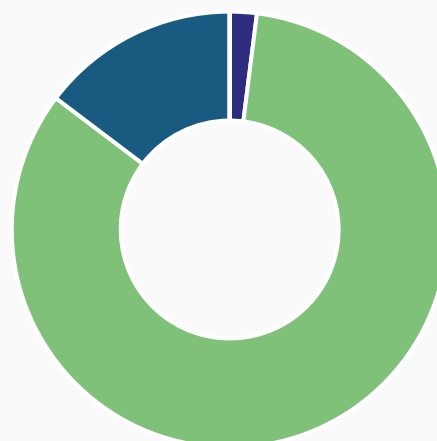
As at 13/03/2024

01. 08.93% - Allianz Continental European
02. 08.33% - Invesco European Smaller Companies UK
03. 08.32% - Janus Henderson Global Technology Leaders
04. 08.32% - L&G Global Technology Index Trust
05. 06.25% - Artemis US Smaller Companies
06. 06.25% - T. Rowe Price US Smaller Companies Equity
07. 05.95% - Man GLG Income
08. 05.21% - TM Natixis Loomis Sayles U.S. Equity Leaders
09. 05.20% - Artemis US Select
10. 04.17% - Fidelity UK Smaller Companies

## Asset Allocation.

As at 13/03/2024

- 02.00% - Cash
- 83.30% - Equity
- 14.70% - Fixed Interest



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## Portfolio Activity | March 2024

### Ongoing Fund Selection & Monitoring.

The CleverEngine, a sophisticated quantitative fund selection and monitoring system, uses proprietary algorithms and thousands of data points to analyse 4,000+ UK domiciled mutual funds each month. This unique system scores and ranks funds using a range of criteria to identify top performers (and highlight the funds no longer scoring so well). The portfolio management team at Marlborough use this information to inform fund selection decisions for the CleverMPS. The table below highlights any fund switches made this month within the Clever Marlborough Sustainable MPS 7 model.



UT Sector	Fund Bought ↑	Fund Sold ↓
Asia Pacific Excluding Japan #1	Jupiter Asian Income	Invesco Asian UK
Asia Pacific Excluding Japan #2	Jupiter Merian Asia Pacific	
Asia Pacific Excluding Japan Passive *		iShares Pacific Ex Japan Equity Index
Global Emerging Markets #2	Lazard Emerging Markets	
Global Emerging Markets Passive *		Royal London Emerging Markets ESG Leaders Equity Tracker
North America #1 **	TM Natixis Loomis Sayles U.S. Equity Leaders	HSBC American Index
North America #2 **	Artemis US Select	Fidelity Index US
Sterling Corporate Bond #1	Liontrust Sustainable Future Monthly Income Bond	M&G Short Dated Corporate Bond
Sterling Corporate Bond #2	Schroder Sterling Corporate Bond	
Sterling Corporate Bond Passive *		L&G Short Dated Sterling Corporate Bond Index
Technology & Telecommunications #1	L&G Global Technology Index Trust	AXA Framlington Global Technology
Technology & Telecommunications #2	Janus Henderson Global Technology Leaders	
Technology & Telecommunications Passive *		L&G Global Technology Index Trust
UK All Companies #1	IFSL Marlborough Multi Cap Growth	Artemis UK Select
UK All Companies #2	Man GLG Undervalued Assets	
UK All Companies Passive *		iShares UK Equity Index UK

\* Passive Sector Removals. \*\* MSDS Disengaged. See following pages for information on both.

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# MSDS Alert - Disengaged

## North American Switch



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/Administration  
/Human Resources  
/Legal  
/Accounting  
/Finance  
/Marketing  
/Publicity  
/Promotion  
/Research  
/Business  
/Development  
/Engineering  
/Manufacturing  
/Planning

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# North America switch - MSDS

## Disengaged (March 2024)

Please be advised, the Market Shift Detection System (MSDS) has disengaged this month in the North American sector.

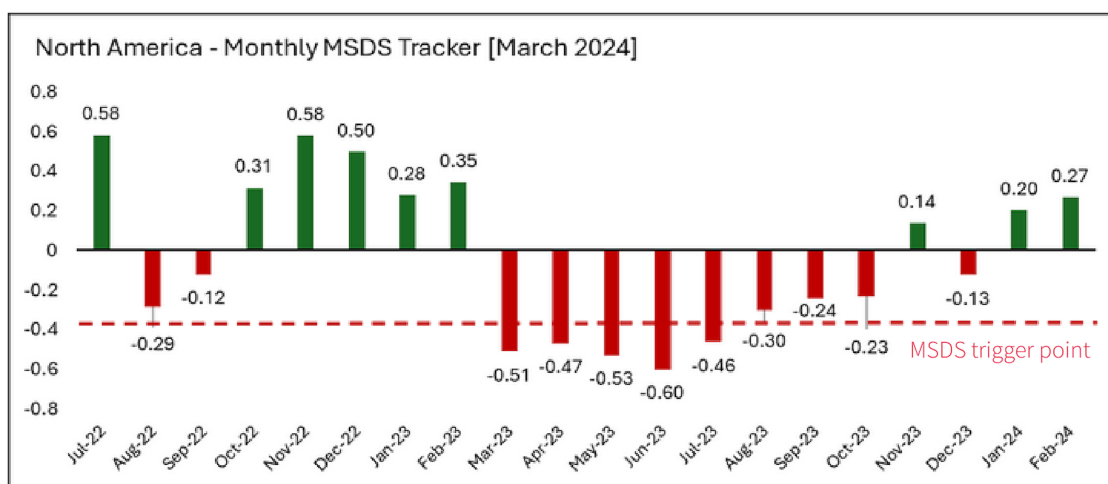
### Key points

- MSDS engaged in April 2023 in North American sector in response to the collapse of a handful of banks and growing concerns of further bank failures, economic instability, and market volatility.
- Although volatile for a period after, market concerns did not materialise, and the US economy and stock market have grown from strength to strength since.
- MSDS has now disengaged in North America due to resilient economy and strong stock market growth.
- Switch triggered from current Passive fund into Active fund with greater growth potential.

### Refresher - What is the Market Shift Detection system?

The MSDS is a system designed by the team at Clever to identify periods of heightened volatility and uncertainty within a sector. It monitors a set of data-points each month that measure the health and stability of a stock market in the short term. When the health of a market is strong, a positive data point is created, and a green bar appears in the chart below. The larger the green bar, the more stable the market is. The CleverEngine thrives in such environments and the MSDS remains disengaged.

Inversely, when a negative number / red bar is generated that breaches the MSDS threshold, this signifies instability and volatility within that market. Markets are irrational and unpredictable in these periods. MSDS is then engaged, the CleverEngine is disengaged, and a Passive fund is bought and held until such time as stability returns.



Source: Clever Adviser Research Team, Feb 2024

An index or 'Passive' fund invests in the entire stock market of the region, whereas an Active fund invests only in specific areas in search of outperformance. In periods of heightened volatility and uncertainty, where the trend is no longer clear within a sector, active funds can be very volatile and end up invested in the wrong areas, and thus underperform – whereas a Passive fund invests everywhere and so limits that risk and any resultant volatility.

### When and why did the MSDS engage in the first place?

The MSDS first engaged in April of 2023 in the North American sector. This was due to the collapse of a handful of banks in the US, such as Silicon Valley Bank [SVB], Credit Suisse in Europe and market concerns that this would become a larger financial issue that could see other banks around the world begin to default in the face of tightening monetary policy.

These banks collapsed because large numbers of their clients withdrew money faster than the bank could cover the withdrawal. Banks cover the withdrawals by selling off (liquidating) the investments they have bought with client money, that have been purchased to generate an interest rate for clients on their savings. The issue was that the interest rate offered by the banks was now lower than what else was available in the US Treasury Market. As such, clients wanted to withdraw their money to access these better rates.

The main investment product of choice for these clients was US Government Bonds, the interest rates of which were increased by the US Federal Reserve (and other Central Banks around the world) to encourage saving, curb spending and fight inflation.

### Did the MSDS switch work?

When measuring this based on the performance of the new funds, the HSBC American and Fidelity US fund (Green), versus the old fund Schroder US Mid Cap & M&G (Red), this answer is yes. If you track the return of these funds, and the North American sector average (Black), from the start of April 2023 when the recommendation was created, the new funds have just under doubled the return of the old funds on average, and beat the sector average, to the end of last month.



30/12/2022 - 29/02/2024 Data from FE fundinfo 2024

### Why has the MSDS now disengaged?

Although there was an initial market shock and downturn in March 2023, the broader concerns of the market did not materialise. Other banks proved far more robust and liquid in covering client withdrawals and the US economy has continued to grow whilst inflation has continued to fall.

In response to all of this, the market quickly recovered and has continued to climb thereafter. Also, the Chair of the US Central Bank in a speech in November of last year said they are pleased with their fight on inflation and are set to begin reducing interest rates in 2024 if things continue to improve.

Read on for a recently written article by a member of the team on the improving fundamentals of the US economy and what this could mean for the US stock market moving forwards.

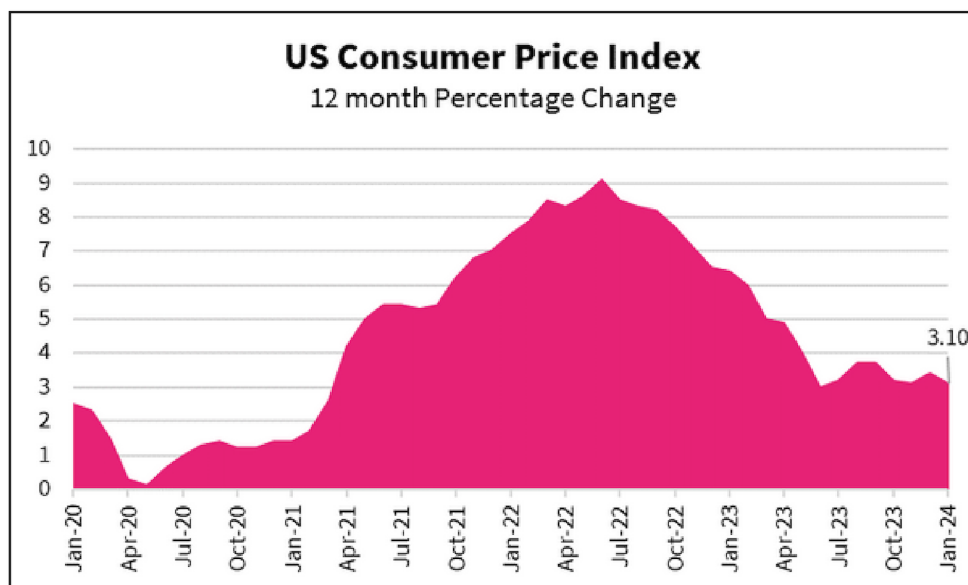


# A new dawn: The rising optimism in the U.S. economy.

In the face of global economic uncertainty, the United States has emerged with a robust and resilient economy, demonstrating cause for optimism. This article delves into the key factors contributing to this positive outlook.

## Taming Inflation

Over the past 12 months, the U.S. has seen a significant decrease in inflation, falling from 6.40% to 3.10%, far closer aligned with the Federal Reserve's long-term target of 2.00%. This decline has provided much-needed respite for both consumers and investors. As products and services become more affordable, demand is boosted, stimulating economic activity and growth.



The taming of inflation and a softer stance from US Federal Reserve Chair, Jay Powell, paved the way for a strong rally in both bond and equity markets in November and December 2023, with the market firmly convinced that rate cuts were in store for 2024.

Indeed, it was only last month when Jay Powell stated that policymakers expected to make at least three interest rate cuts this year, whilst the market itself has forecast up to six. Irrespective of who is right, interest rate cuts stimulate further economic and market growth as they reduce the cost of debt and encourage spending and investment.

## Economic Growth

The U.S. Gross Domestic Product (GDP) has shown impressive growth, expanding by 3.10% year-on-year. This is a stark contrast to the same period in 2022, which saw a growth rate of just 0.70%. This shows that the Federal Reserve has successfully managed to slow inflation while simultaneously growing the U.S. economy - a remarkable feat that is not often realised.

## Market Resilience

Despite economic uncertainty in 2023, the S&P 500 made a triumphant return of over 18% (GBP terms). This recovery not only erased its lows of 2022 but also pushed the market to new highs, with the trend firmly on the upswing. This resilience underscores the strength and stability of the U.S. market, further boosting investor confidence. The American Equity market forms an important part of a diversified portfolio.

## Employment Stability

Despite higher interest rates of 5.50%, the U.S. unemployment rate remains relatively low at 3.70%. This rate is largely unchanged from a year earlier when it was 3.40%, clearly indicating that despite higher interest rates slowing inflation, they have had minimal negative impact on employment. This is a reassuring sign for the workforce who will remain confident in their spending and plans for the future. Furthermore, the current unemployment rate is comfortably below the 10-year average of 4.90% and dramatically lower than the peak of 14.80% in April 2020, at the height of the Covid pandemic.

## Summary

The U.S. economy is showing strong signs of stability and growth. With inflation under control, a strong rate of economic growth, and low unemployment, there is a renewed sense of optimism. These factors contribute to increased consumer confidence and affordability, improved investor sentiment, and provide U.S. citizens with security in their job roles (a positive chain of events). As we look to the future, these trends provide a solid foundation for continued economic prosperity.

## Sources

US Bureau of Labour Statistics (Consumer Price Index and Unemployment rate data) 01/03/24 [U.S. Bureau of Labor Statistics \(bls.gov\)](https://www.bls.gov)

Bureau of Economic Analysis (GDP data) 01/03/2024 [U.S. Bureau of Economic Analysis \(BEA\)](https://www.bea.gov)

Federal Reserve (Interest rate data) 01/03/24 [Federal Reserve Board](https://www.federalreserve.gov)

FE FundInfo (S&P 500 performance data) 01/03/24

Fed expects to make three rate cuts this year, says Jay Powell, by Claire Jones, FT.com, 05/02/2024

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# Passive fund switch report

Clever Marlborough Sustainable MPS

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# Replacement of passive funds in models.

## Summary

In May of last year, the portfolio management team within the Clever Marlborough MPS introduced a number of passive funds into the portfolios.

The sectors where passive funds were introduced were:

- Asia Pacific Excluding Japan
- Global Emerging Markets
- Japan
- Sterling Corporate Bond
- Technology & Telecommunications
- UK All Companies

Passive / Index funds seek to mirror the daily performance of an entire stock market of companies within a particular region ie the 'Nikkei 225' stock market of the 225 largest companies in Japan. So, when you hear phrases such as "The Nikkei 225 rose 2% today" on the news, a Japanese Passive / Index fund is designed to mirror that return as best it can.

To achieve this, a passive fund has small percentages of the money held within it invested in the companies listed on the Nikkei 225 stock market, that operate within a broad range of industries from Technology to Healthcare and Automotive.

In times of economic uncertainty, where it is unclear which industries and companies will do well or poorly, such a strategy can reduce the risk of getting that decision wrong and any resultant volatility this could create.

Reducing this risk, and any resultant volatility, was the objective of bringing these passive / index funds in. These additions were successful in achieving their desired outcome but were only temporary and would at some point be replaced with 'Active funds' when economic conditions had improved and uncertainty about the future had reduced.

That time is now, and these passive / index funds have been replaced with 'Active funds' selected by the Clever fund selection system, where it deemed there was a better fund than the current Passive one. 'Active funds' invest in only specific companies and industries of a country that its managers see as the best places to do so. For example, a manager of a Japanese active fund may invest in Technology companies such as SONY in Japan as it believes the Technology sector is the best place to invest, trying to find the best growth opportunities to drive portfolio performance.

Read on for 12-month past performance information on the funds being sold (and bought) in each of the affected sectors.



## Switch One: Asia Pacific Excluding Japan

Out: iShares Pacific Ex Japan Equity Index

In: Jupiter Merian Asia Pacific



## Switch Two: Global Emerging Markets Sector

Out: Royal London Emerging Markets ESG Leaders Equity Tracker

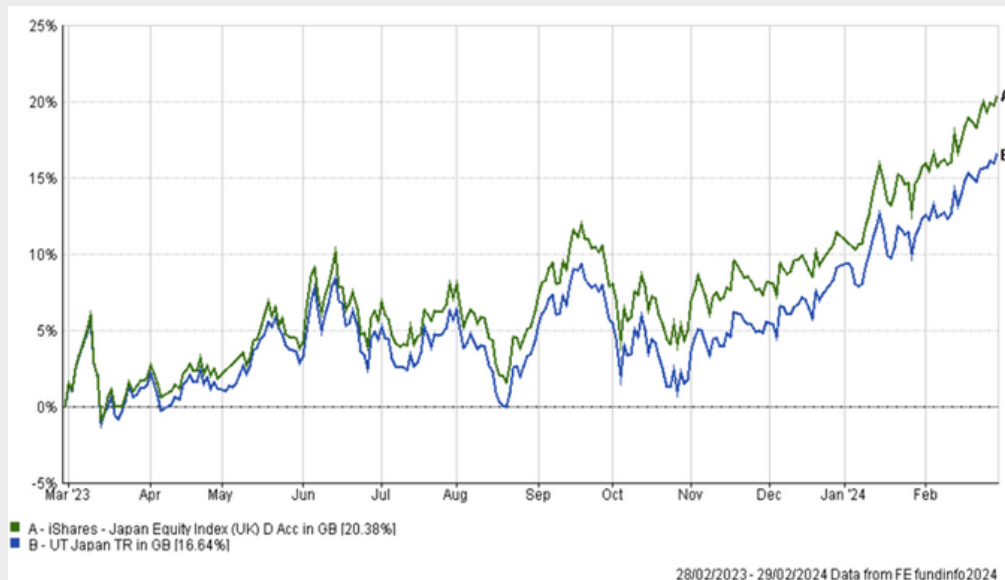
In: Lazard Emerging Markets



## Switch Three: Japan Sector

Hold: iShares Japan Equity Index UK

Held due to strong performance of fund versus UT Japan Sector average.



## Switch Four: Sterling Corporate Bond Sector

Out: L&G Short Dated Sterling Corporate Bond Index

In: Schroder Sterling Corporate Bond



## Switch Five: Technology and Telecommunications Sector

Out: AXA Framlington Global Technology

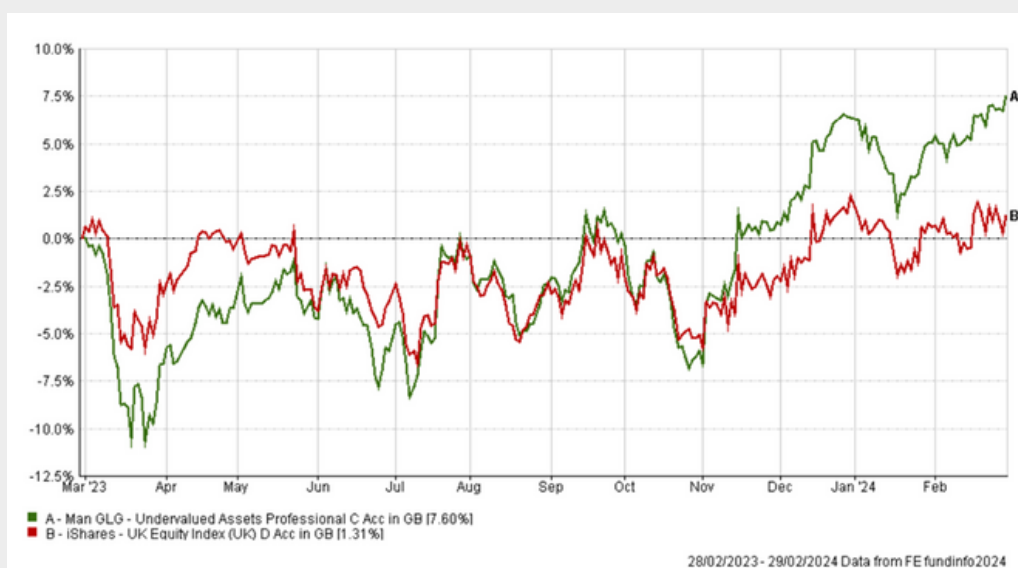
In: Janus Henderson Global Technology Leaders



## Switch Six: UK All companies Sector

Out: iShares UK Equity Index UK

In: Man GLG Undervalued Assets



## Sources

FE FundInfo 13/03/2024

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