FOR AUTHORISED INTERMEDIARIES ONLY

Tailored Discretionary Managed Portfolios

Q4 2024 Update

Latest Market Commentary – December 2024

Global stock markets were unseasonably weak in December, but the falls ended what was an exceptionally strong year for equities. Inflation cooled in major markets and consumer spending remained strong, particularly in the US.

The year-end fall followed a note of caution over the pace of US interest rate cuts during 2025 by the Federal Reserve. The US central bank is now projecting just two interest rate cuts over the year, as inflation has remained stubborn – and several of president-elect Donald Trump's policies are likely to be inflationary.

Mr Trump has threatened new tariffs on China, Mexico and Canada from the first day of his presidency in January, as he targets illegal immigration and drug smuggling. These are likely to lead to some price rises if fully enacted. The president-elect has proposed signing an executive order that would put a 25% tariff on all goods imported from Canada and Mexico, with Chinese exports subject to an additional 10% tariff until Beijing cracks down on the illegal export of fentanyl to the US. These three countries account for about 40% of US imported goods. Also proposed are mass deportations that will make low-skilled workers scarce, and tax cuts that are likely to increase or support consumer spending.

Markets initially gave a warm response to Donald Trump's decisive win in the presidential election. Although more policy details are needed to ease any fears over the reemergence of inflation as a significant problem, the overall sentiment is that the new administration will help create a supportive environment for growth and earnings as it cuts both regulation and taxes. In addition to the Republican Party's election victory, the US stock market was assisted by a series of interest rate cuts in the last few months of 2024.

Gains in UK equities have been more subdued than those on Wall Street, as the market trades at a discount and has little exposure to the technology sector. In August, the Bank of England (BoE) surprised markets as it reduced interest rates for the first time in more than four years.

BoE governor Andrew Bailey warned that the 25bp move would not herald a rapid succession of further cuts. Indeed, interest rates were held at the Bank's September meeting but a further 25bp cut was announced following the November meeting of its policy committee.

UK interest rates were kept unchanged in December following Labour's Budget statement, its first in 15 years, which was interpreted by markets as inflationary because spending is frontloaded in the plans and tax rises come later. Businesses are also subject to an increase in National Insurance contributions, which could mean price rises for consumers and issues in the jobs market as companies attempt to recoup these extra costs.

The market initially took Chancellor Rachel Reeves's tax increases – estimated at £40bn – in its stride. However, the yield on gilts jumped in the following days as the market digested the implications for UK borrowing, as many of the tax rises come with a delay.

The European Central Bank cut interest rates in June, October and December. Inflation is now at its target level, although the Eurozone economy remains weak. Political problems in France are so acute that the French government collapsed over disagreements relating to an austerity budget. Ousted Prime Minister Michel Barnier and his government will act in a caretaker capacity until the appointment of a new government.

Third-quarter reporting season was supportive for markets. In general, results from the quarter were solid, but a significant number of businesses disappointed the market with their guidance for sales and profit in the coming quarters.

The US is still expected to engineer a soft economic landing as inflation is slowly brought down to the Federal Reserve's target level. Although evidence of a slowdown has emerged in the UK, there is nothing yet in the data to suggest the slowdown could morph into a recession.

	Tailored Lower Risk	Tailored Medium Low Risk	Tailored Medium High Risk	Tailored Higher Risk
Fixed Income	**48.5**	**34.7**	**21.1**	**7.9**
Government Bond	14.8	11.9	8.7	4.1
Inflation Linked Bond	4.3	3.0	3.2	1.9
Investment Grade Bond	23.6	15.3	6.9	0.0
High Yield Bond	5.9	4.5	2.4	1.9
Equity	**31.8**	**49.0**	**67.5**	**75.4**
North America	15.1	23.3	32.1	34.1
Japan	4.9	5.6	6.2	6.9
Europe	4.9	6.5	7.0	7.2
UK	3.7	5.9	6.1	7.1
Asia Pacific ex-Japan	3.2	5.2	8.7	9.5
Global Emerging Market	0.0	1.6	5.5	7.2
Global Equity / Thematics	0.0	1.0	1.8	3.3
Alternatives	**8.4**	**8.7**	**9.6**	**12.6**
Property	2.5	3.2	3.6	4.4
Infrastructure	5.9	5.5	6.1	8.2
Cash & Equivalent	**11.3**	**7.6**	**1.7**	**4.1**

Table 1. Source: Charles Stanley as of 31 December 2024. Figures subject to rounding.

Portfolio Positioning

There were limited changes to our top-level asset allocation through the final quarter of the year, however there were some reallocations within asset classes, notably shifting slightly from Investment Grade to Government Bonds.

The key Asset Allocation changes through the quarter can be summarised as:

- Neutralising our previous overweight in Fixed Income and underweight in Equities.
- Moving one notch down each of our recommendations for Investment Grade and High Yield Corporate Bonds.

At the inception of these relative views, we had seen sovereign bond yields rise and credit spread remain at or near longer term trend levels. This was delivering investment grade bond yields in excess of 6%. Given our long-term return expectations for regional equity markets are generally in the range of 5-7% this was delivering an “equity-like” return from a lower-risk asset class. On a risk-adjusted basis these returns were compelling and allowed us to deliver against our inflation plus return targets with a diversified portfolio leveraging both fixed income and equity asset classes, alongside some alternatives.

While sovereign bond yields have remained high, and in many instances risen higher, we have seen credit spreads compress to such an extent that now we see less value in holding the riskier segments of the fixed income markets. In many geographies, the majority of your return is now likely to come from the sovereign bond component of the yield rather than the incremental credit spread received above that. We therefore have moved our Investment Grade score down to Neutral and our High Yield Bond score down to Under Weight

Figure 1: Rolling Quarterly Performance

Source: Bloomberg, gross performance figures. Past Performance is not a reliable indicator of future returns. As at 4 December 2024.

Tailored Lower: 0.13%; Tailored Medium Low: 0.55%; Tailored Medium High: 1.24%; Tailored Higher: 1.5%

Quarterly Performance

The fourth quarter of 2024 saw heightened volatility, with a lot of focus on the US general election and subsequent policy narrative from the Trump campaign. Higher risk mandates produced modest total returns, with lower risk mandates marginally ahead after rising yields pushed several of the fixed income components offside.

US equities continued to be the biggest positive contributor to returns with unhedged US equities the best performing region. European assets struggled, due to weakness in France where political problems remain acute and the French government collapsed over disagreements relating to an austerity budget.

As markets began to price in less aggressive rate cuts by most major Central Banks, fixed income assets felt the pain of rising yields. Shorter duration or higher credit spread products generally eked out positive total returns, but longer duration assets sold off.

Along with fixed income, other rate sensitive asset classes such as Property also struggled to maintain the positive total returns they had delivered earlier in the year.

With inflation heading towards target, at least at the headline level, our return objectives are back in sight, and we have seen positive progress in closing some of the gap that had built in recent years following the pandemic induced inflationary wave. On a full year basis, as shown on the final page, many of our solutions are achieving these once again over the shorter time horizons.

FOR AUTHORISED INTERMEDIARIES ONLY

Performance Attribution

Table 2 shows the attribution of the medium-high (DT 6) risk portfolio over the last 12 months.

Tailored Discretionary Medium High Risk (DT6)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**21.1**	**3.0**	**0.6**
Government Bond	7.9	-1.6	-0.2
Inflation Linked Bond	3.6	4.6	0.2
Investment Grade Bond	6.9	2.8	0.3
High Yield Bond	2.7	13.8	0.4
Emerging Market Bond	0.0	0.0	0.0
Equity	**67.6**	**9.4**	**6.3**
North America	30.0	15.1	4.4
Japan	5.7	11.7	0.3
Europe	7.0	-0.8	-0.1
UK	4.6	9.2	0.2
Asia Pacific ex-Japan	8.7	8.2	0.7
Global Emerging Market	5.2	7.7	0.5
Global Equity / Thematics	6.4	0.7	0.3
Alternatives	**9.6**	**-1.2**	**0.0**
Property	3.7	1.5	0.1
Infrastructure	5.9	-2.7	0.0
Cash & Equivalent	**1.7**	**0.1**	**0.0**

Table 2. Source: Bloomberg, gross performance figures as of 31 December 2024. Figures subject to rounding.

We saw strong returns across many asset classes and regions on a trailing 12-month basis, with US equities the standout performer again. Equities in general performed well, with positive returns across the regions. Japanese equities delivered attractive total returns, though these would have been higher had they been held on a fully hedged basis given the continued weakness of the Japanese Yen.

Our European equity allocation was the only region with negative performance through the year as our holding in small-cap European companies has underperformed, whilst Novo Nordisk shares have struggled as the market interprets supply chain constraints and weak test results on longer-term growth.

Fixed Income delivered modest positive total returns in aggregate, with the real standout being the High Yield Bond allocation. Despite sovereign yields rising, the Man GLG High Yield Opportunities Fund held here delivered 13.8% TR for the period, showing substantial value from their active management and Pan-European tilt to the underlying portfolio.

The picture was more mixed in the Alternatives exposures, with modest returns from Property and Private Debt, alongside negative contributions from Infrastructure. The listed trusts held within infrastructure (INPP and HICL) held back the positive total returns delive by the L&G Global Infrastructure fund. We continue to see these trusts as attractive discounts to NAV have persisted through the year.

Amazon (+47%), Booking (+44%), and Alphabet (+38%) were the top performers and contributors to overall performance.

Micron (-35%), Schroder Global Energy Transition (-15%) and the UBS European Small Cap ETF (-10%) were the notable underperformers.

FOR AUTHORISED INTERMEDIARIES ONLY

eden park INVESTMENT MANAGEMENT

CHARLES STANLEY Wealth Managers

Performance Attribution – Other Risk Profiles last 12 months

Tailored Discretionary Lower Risk (DT4)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**48.5**	**3.0**	**1.4**
Government Bond	13.6	-0.5	-0.3
Inflation Linked Bond	4.5	4.6	0.2
Investment Grade Bond	24.9	2.5	0.7
High Yield Bond	5.5	13.8	0.7
Equity	**32.3**	**9.9**	**3.1**
North America	14.6	15.0	2.1
Japan	4.5	11.7	0.3
Europe	4.8	-0.7	0.0
UK	2.8	9.2	0.1
Asia Pacific ex-Japan	3.2	8.4	0.3
Global Emerging Market	0.0	0.0	0.0
Global Equity / Thematics	2.4	16.3	0.4
Alternatives	**7.8**	**0.5**	**0.3**
Property	2.5	1.1	0.0
Infrastructure	5.3	1.0	0.3
Cash & Equivalent	**11.4**	**4.5**	**0.5**

Tailored Discretionary Medium Low Risk (DT5)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**33.5**	**3.1**	**1.0**
Government Bond	10.4	-1.1	-0.2
Inflation Linked Bond	4.4	4.6	0.2
Investment Grade Bond	14.3	2.9	0.4
High Yield Bond	4.4	13.8	0.6
Equity	**50.1**	**8.8**	**4.4**
North America	21.9	13.9	3.0
Japan	5.2	11.7	0.4
Europe	6.3	0.0	-0.1
UK	4.7	9.0	0.3
Asia Pacific ex-Japan	5.1	8.7	0.4
Global Emerging Market	1.6	3.9	0.1
Global Equity / Thematics	5.3	2.3	0.3
Alternatives	**8.6**	**-1.4**	**0.0**
Property	3.3	0.9	0.0
Infrastructure	5.3	-2.3	0.0
Cash & Equivalent	**7.9**	**4.2**	**0.3**

Tailored Discretionary Higher Risk (DT7)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**8.1**	**4.3**	**0.4**
Government Bond	3.5	-1.4	-0.1
Inflation Linked Bond	2.4	4.6	0.1
Investment Grade Bond	0.0	0.0	0.0
High Yield Bond	2.2	13.8	0.3
Equity	**77.5**	**9.2**	**7.1**
North America	32.1	15.1	4.7
Japan	6.5	11.7	0.5
Europe	7.2	-0.8	-0.1
UK	5.4	9.3	0.3
Asia Pacific ex-Japan	9.9	8.0	0.8
Global Emerging Market	6.8	7.0	0.6
Global Equity / Thematics	9.5	0.7	0.4
Alternatives	**12.7**	**0.4**	**0.2**
Property	4.7	0.6	0.0
Infrastructure	8.1	0.6	0.2
Cash & Equivalent	**1.6**	**0.3**	**0.0**

Source: Bloomberg, gross performance figures as of 31 December 2024. Figures subject to rounding.

eden park INVESTMENT MANAGEMENT

CHARLES STANLEY Wealth Managers

Top and Bottom Contributors – 12 months to 31 December 2024

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Lower Risk	Man GLG High Yield Opportunities	5.5	13.8	0.7	UBS European Small Cap ETF	0.8	-9.5	-0.1
	Amazon	1.3	46.9	0.5	UK Gilt 3.25% 2033	5.5	-3.0	-0.2
	Alphabet	1.3	38.4	0.4	Micron Technology	0.4	-35.2	-0.4

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Medium Low Risk	M&G Global Dividend fund	2.9	19.9	0.6	UBS European Small Cap ETF	1.1	-9.5	-0.2
	Man GLG High Yield Opportunities	4.4	13.8	0.6	Schroder Global Energy Transition Fund	1.3	-14.7	-0.3
	Apple	1.8	33.0	0.6	Micron Technology	0.5	-35.2	-0.5

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Medium High Risk	Booking	2.7	43.8	0.9	UBS European Small Cap ETF	1.1	-9.5	-0.2
	Alphabet	2.4	38.4	0.8	Schroder Global Energy Transition Fund	1.4	-14.7	-0.3
	Amazon	2.1	46.9	0.8	Micron Technology	0.7	-35.2	-0.7

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Higher Risk	Amazon	2.6	46.9	1.0	UBS European Small Cap ETF	1.1	-9.5	-0.2
	Booking	2.6	43.8	0.9	Schroder Global Energy Transition Fund	2.1	-14.7	-0.5
	Alphabet	2.4	38.4	0.8	Micron Technology	0.8	-35.2	-0.8

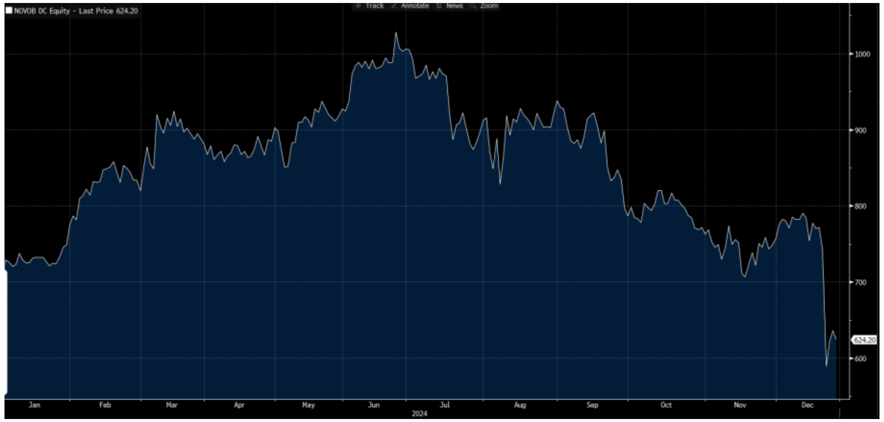
Source: Bloomberg, gross performance figures as of 31 December 2024. Figures subject to rounding.

Spotlight:

Each quarter we take a look at some of the holdings in the portfolio to provide some insight into what we like about the company or fund, and their role in the portfolio(s):

Novo Nordisk is a global healthcare company that specialises in diabetes and obesity care. The company has been one of the top performers in portfolios for a long period, having seen share price growth of 370% from March 2021 to a peak in June 2024.

Since mid-2024 the share price has seen a sharp drawdown, falling 40% to December 2024, on the back of lingering concerns of ability of the suppliers of key weight-loss drugs to keep up with demand and expand capacity, while perceived poor results of the Novo's phase III trial data for its new weight loss drug CagriSema which reported headline figures of 20.4% weight loss after 68 weeks vs. the predicted 25%. Clearly disappointing at a headline level, investors now appear concerned that Novo will see a loss in market share and face increased pressure to offer higher discounts and rebates to insurers given that lack of data showing that it performs substantially better than competitors' offerings.



Source: Bloomberg, as at 31/12/2024

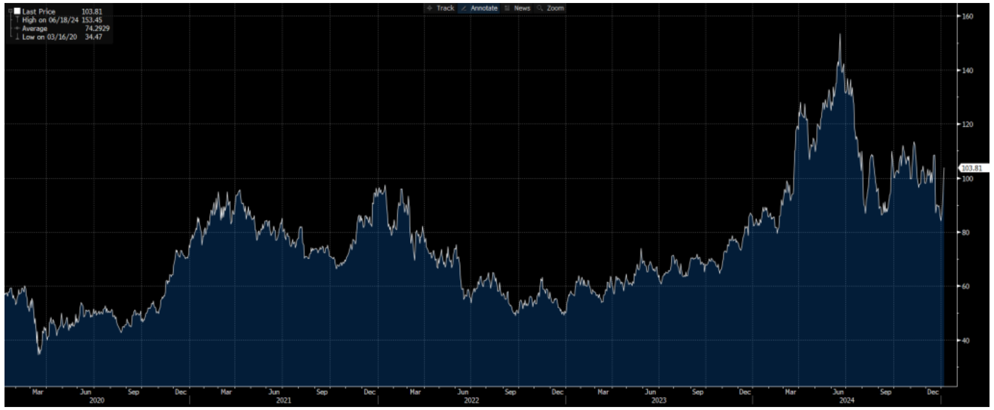
Despite the headline negatives, there are some key points we are monitoring on the company, and potential upsides.

- The trial was conducted in a 'flexible' manner that allowed participants to vary their own dosage, as opposed to a trial where dosage is fixed. As such, the aggregate weight loss achieved may be understated.
  A substantial number (40.4%) of participants did reach a 25% weight loss or more. As greater detail is released a more positive story may emerge – we are expecting more detail to be provided at a conference in 2025 or potentially as part of Q4 results.
- Acquisition of Catalent has completed which will expand production capacity, giving access to 3 additional finish/fill sites from 2026.
- Continued R&D, with an oral alternative potentially important, as well as steps to expand the total addressable market mean leave the company well positioned to continue competing in the obesity and diabetes care market.

Novo Nordisk is down 9.6% over 1 year and was most recently trimmed in March 2024.

Micron Technology (MU) designs and manufactures memory and storage semiconductors, including DRAM (70% of revenue), NAND flash memory (27%), and high-bandwidth memory (HBM) for AI and machine learning applications. The company is the third-largest player in the oligopolistic DRAM market and has a diverse portfolio serving data centre, PC, mobile, automotive, and industrial end markets.

Recent share price performance has been poor – the share price fell 45% through the 2nd half of 2024 after reaching all-time high in June as the market moved to price in a slower recovery in the company's end-markets whilst management released good quarterly earnings but a downbeat assessment of earnings growth in the near-term compared to prior expectations.



Source: Bloomberg, 5-year performance, as at 07/01/2025

Looking ahead to 2025 we remain positive on the company. Micron is well-positioned as a leader in memory, with a market-leading HBM offering – highlighted recently by Nvidia CEO Jensen Huang – and having leapt ahead of key competitor Samsung who have struggled to deliver effective HBM chips. Robust demand and growing end-markets, underpinned by secular drivers, a strong competitive position, and a compelling valuation (15x P/E vs. the broader market S&P500 25x P/E) leaves the stock with an attractive risk/reward profile.

FOR AUTHORISED INTERMEDIARIES ONLY

General Regulatory Disclosure

The value of investments, and any income derived from them, can fall as well as rise and may be affected by exchange rate variations. Investors may get back less than invested.

Performance is calculated on a Total Return basis using a notional portfolio in Bloomberg. Performance is gross of all investment fees, adviser fees, and platform costs. Any charges and fees applied by the platform, Eden Park Investment Management and/or authorised intermediaries reduce the return. Full costs and charges information can be generated via the Hubwise platform.

This document has been prepared for information purposes only and does not constitute advice or a personal recommendation, nor does it constitute an invitation to purchase units or shares. The information on which the document is based is deemed to be reliable. Charles Stanley has not independently verified such information and its accuracy or completeness is not guaranteed.