

Multi-Asset

CT Universal MAP Range  
Q4 2023

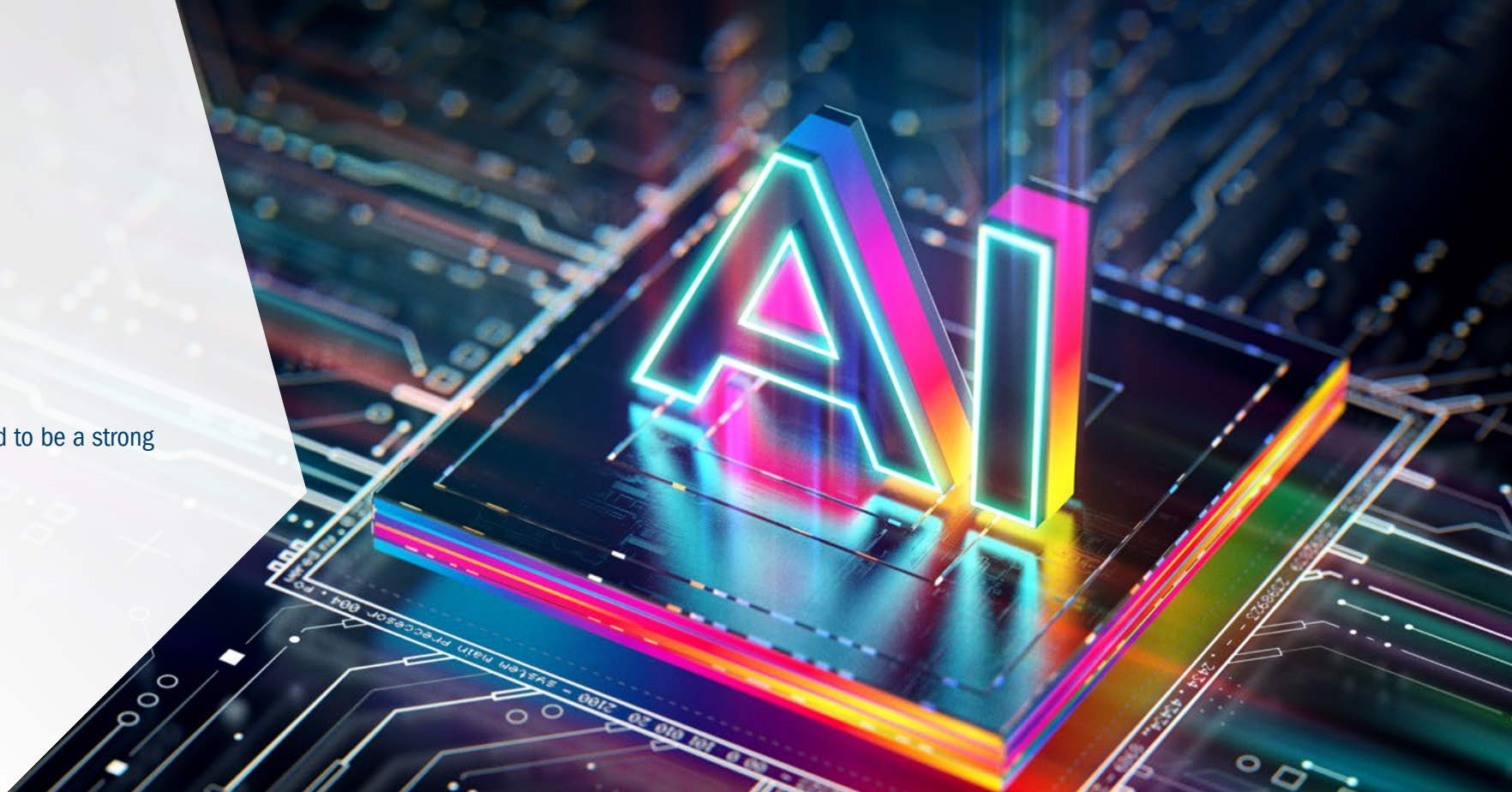
# Quarterly investment report

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Actively managed, risk controlled  
multi-asset solutions with a capped  
ongoing charges figure of 0.29%:  
**redefining value**

# Market insights

The fourth quarter of 2023 proved to be a strong period for most asset classes.



■ The fourth quarter of 2023 proved to be a strong period for most asset classes. It was not plain sailing, however. October was volatile as surprisingly robust US economic data pushed Treasury yields to 16-year highs, dampening the relative appeal of equities. Markets were further pressured by concerns about the terrible events in Israel and Gaza.

■ Later, equities rallied, core government bond yields plunged, and credit spreads tightened. The main drivers of these

moves were slower-than-expected inflation in the US and Europe, signs of a cooling US labour market, and a growing belief that the major central banks would start to cut interest rates sooner than previously thought.

■ The MSCI All Country World index (ACWI) of equities returned 9.5% in local-currency terms over the quarter. Growth stocks outperformed value. By sector, technology and real estate fared best, while energy fell along with oil prices. Of the major

equity regions, the US and Europe ex-UK were the strongest performers in local-currency terms. Emerging markets (EMs) and developed Asia also performed well.

■ In fixed income, the 10-year Gilt yield fell 90 basis points (bps) to 3.54% and the Treasury yield fell 69 bps to 3.88%. Credit spreads tightened significantly across investment-grade and high yield. Interest rates were held steady by the Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE).

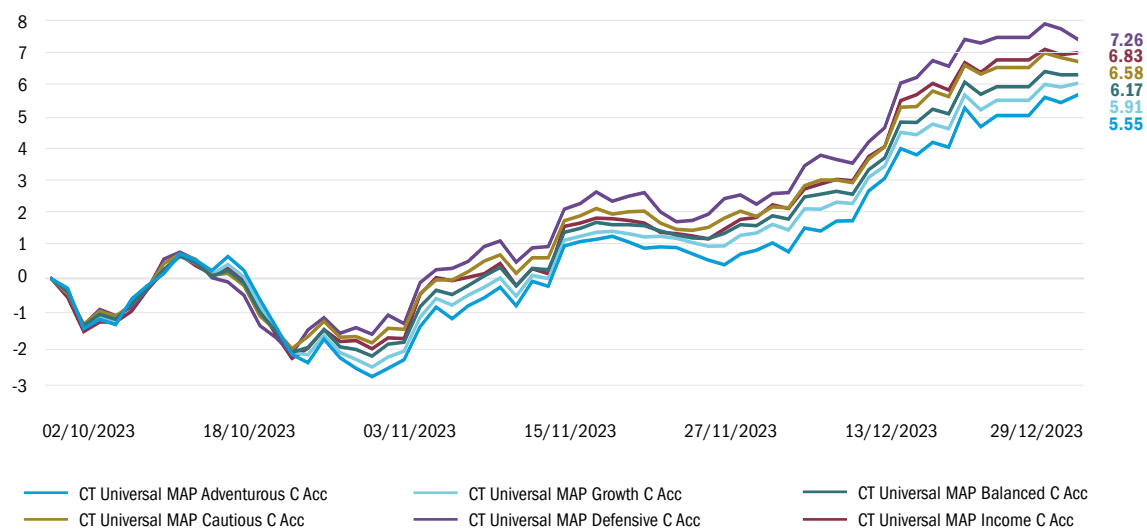
Interest rates were held steady by all the major central banks.



# Performance update

Returns from equity holdings were enhanced by the global team outperforming their benchmark.

Three month performance (%)



Source: Columbia Threadneedle Investments and Lipper, all figures net of fees, as at 31-Dec-2023

Government bonds, investment-grade and high yield all contributed to the good performance from our fixed income exposure.

## Key risks

Past performance should not be seen as an indication of future performance.

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

Views and opinions have been arrived at by Columbia Threadneedle Investments and should not be considered to be a recommendation or solicitation to buy or sell any products that may be mentioned.

## Performance update (continued)

Performance was positive as Q4 2023 proved to be a strong period for most asset classes. Falls in the 10-year Gilt yield, by 90bps to 3.54% and the Treasury yield, by 69 bps to 3.88%, delivered good performance from the fund's government bond exposure. And as credit spreads tightened significantly across investment-grade and high yield, this further increased returns from fixed income exposure in the portfolio.

In equities, the US and Europe ex-UK were the strongest performers (among major markets) in local-currency terms. Emerging markets (EMs) and developed Asia also performed well. The UK and Japan trailed, which did not help the fund's tactical overweight to these regions. A stronger yen weighed on Japan's export-heavy market, while the UK was restrained by its relatively heavy exposure to overseas earners and energy-related companies, as sterling rose against the dollar and oil prices fell.

Returns from equity holdings were enhanced by the global team outperforming their benchmark. Small losses from sector positioning were outweighed by gains from stock selection. Top contributors were Expedia Group, Shin-Etsu Chemical and Builders FirstSource, with top detractors being Bristol-Myers Squibb, Veeva Systems and Equinor.

The UK team underperformed their benchmark over the quarter with losses from stock selection outweighing the positive returns from sector positioning. The largest gains came from overweight positions to the industrial and consumer discretionary sectors with an underweight to financials the largest negative. At a stock level, positions in Rentokil and Burberry led to the largest losses. On the positive side, Marks and Spencer and Intermediate Capital Group, as well as not holding British American Tobacco, delivered the strongest gains.

As UK and Japanese equities trailed, this quarter, the fund's tactical overweights to these regions were unhelpful for performance.

### Cumulative performance as at 31-Dec-2023

	3 months	1 year	3 year	Volatility*
CT Universal MAP Adventurous Fund	5.49%	14.36	35.54	9.9%
CT Universal MAP Growth Fund	5.76	12.58	20.79	9.1%
CT Universal MAP Balanced Fund	5.99	10.94	12.25	8.9%
CT Universal MAP Cautious Fund	6.34	9.06	3.58	8.5%
CT Universal MAP Defensive Fund	6.85	6.26	-6.76	9.2%
CT Universal MAP Income Fund	6.49	8.10	13.66	9.3%

### Discrete performance as at 31-Dec-2023

	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023
CT Universal MAP Adventurous Fund	-	1.88	22.22	-3.03	14.36
CT Universal MAP Growth Fund	16.29	5.91	14.81	-6.55	12.58
CT Universal MAP Balanced Fund	14.77	7.25	11.36	-9.14	10.94
CT Universal MAP Cautious Fund	12.73	7.72	7.10	-11.32	9.06
CT Universal MAP Defensive Fund	-	8.35	2.56	-14.44	6.26
CT Universal MAP Income Fund	-	2.68	11.26	-5.50	8.10

Past performance should not be seen as an indication of future performance.

Source: Columbia Threadneedle Investments and Lipper, all figures net of fees. \*Volatility is based on monthly returns from the last two years.

# Activity & positioning

The UK market remains cheap and could be in for a boost from government giveaways in the run up to an election.

There was no significant trading across the portfolio in the fourth quarter. Within fixed income, we reduced our exposure to investment grade and high yield bonds as valuations became a little rich. We shifted this exposure to UK and US government debt which looked to have far more upside. Over the quarter, we booked profits on our options protection position against a fall in the S&P500. When the index had recovered back to previous levels, pre sell-off, we used the profits to buy more protection maturing in March.

We continue to believe that high-quality fixed income offers good value, whereas spreads have tightened up to such an extent that there are limited excess returns available from high yield and investment grade bonds.

Within equities, the UK market remains cheap and the domestic market could be in for a boost from the Conservative government giveaways in the run up to the election. Japan also continues to look attractive both from a valuation perspective and fundamentally, as corporate governance reforms continue apace. Currency strength could impact on equity returns if the Bank of Japan decide to tighten monetary policy by reducing yield curve control or zero interest rate policies. Therefore, unhedged Japanese equities will probably have a better return than hedged.

- We reduced our exposure to investment grade and high yield bonds
- We shifted this exposure to UK and US government debt
- We rolled over our options protection against a fall in the S&P500 (to mature in March)

We continue to believe that high-quality fixed income offers good value, whereas spreads have tightened to such an extent that excess returns from high yield and investment grade bonds appear limited.



# Our view

The team discuss the key drivers of recent market moves together with their view on where things are likely to head from here

It appears clear now that the rate cycle will pivot from hiking to cutting. The key question is how far the cuts will go and when each Central Bank will start. Using history as a guide and understanding where each economy is in terms of taming inflation, it would be a surprise if the Fed were not the first act. The ECB would most likely follow and then later the BoE.

UK inflation is now falling but remains noticeably above its peers and the Bank's 2% target. As such, Andrew Bailey will unlikely be the first to move. Also, at the last Monetary Policy Committee meeting there were still three votes to raise rates! European inflation is quickly heading towards its 2% target. However, historically the ECB has waited until the Fed moves before committing.

US inflation remains above target but looks likely to reduce to around 2% - 2.5% this year. Overly restrictive monetary policy is probably, therefore, no longer warranted. The market is pricing in 1.5% worth of cuts this calendar year, which translates to an unusually large number of cuts given a soft landing is the current consensus forecast.

Adding to uncertainty is the US presidential election on 5th November. In the UK we celebrate Guy Fawkes that night. In the US they may well have seen enough fireworks by then, given forecasts for one of the most acrimonious campaigns ever. The Federal Reserve, even more than normal, will try to remain out of the spotlight and appear non-political. This will make achieving the 1.5% of cuts this year very difficult. One route would be to front load the easing, however, with inflation still 1.4% above target it would be a brave Fed that starts with a 0.5% cut in March.

Normally, against the backdrop of a still growing US economy, monetary policy poised to loosen and inflation on the way down we would be expecting strong returns from equities and fixed income. However, given prevailing valuations we are a little more circumspect. If the US does manage to avoid a recession then we expect decent, rather than exceptional, returns from equities, but still above-normal returns from government debt.

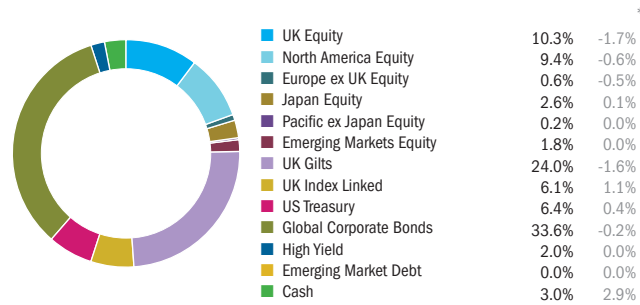
A couple of things could upset this outcome. Firstly, a recession could come through due to long and variable lags. In this case, 1.5% worth of rate cuts may be an underestimate, fixed income

would be your friend and, over the short term, equities your foe. Secondly, geopolitics continue to simmer in the Middle East and Russia/Ukraine. Equity markets tend not to like armed conflicts and fixed income markets generally do. A knock-on effect to prices, and stickier inflation, could persuade central banks to keep rates elevated for a little longer than currently anticipated. An active and vigilant approach is once again merited.

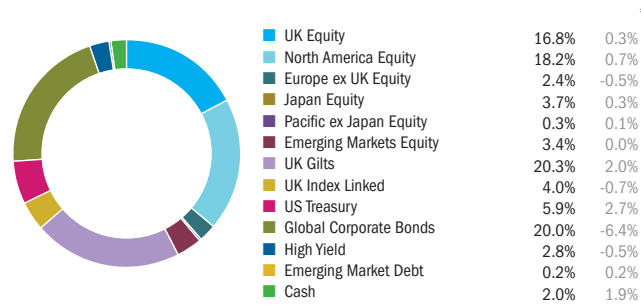
The key question this year is how far rate cuts will go and when each Central Bank will start.

## Asset allocation as at 31-Dec-2023

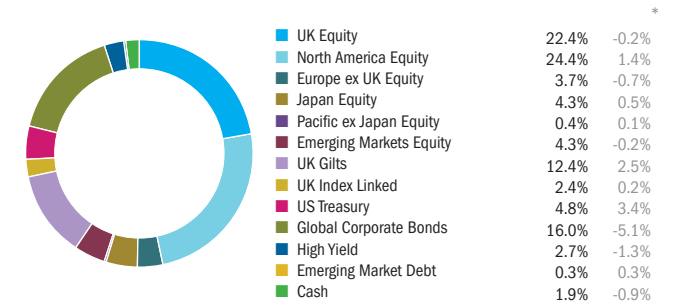
CT Universal MAP Defensive Fund



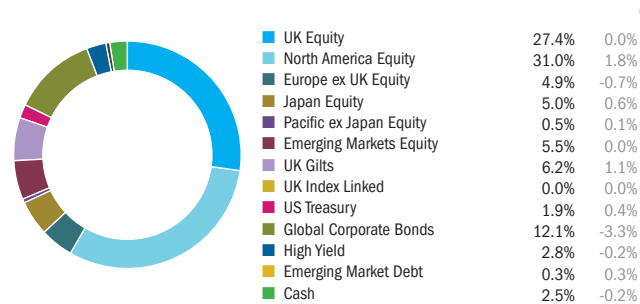
CT Universal MAP Cautious Fund



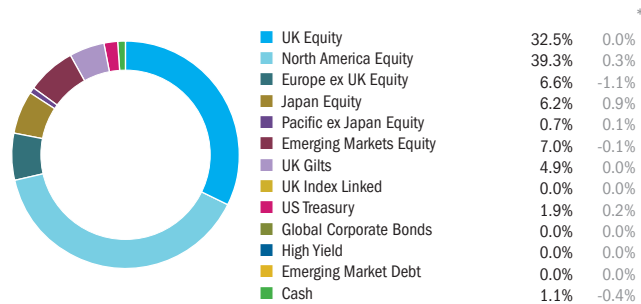
CT Universal MAP Balanced Fund



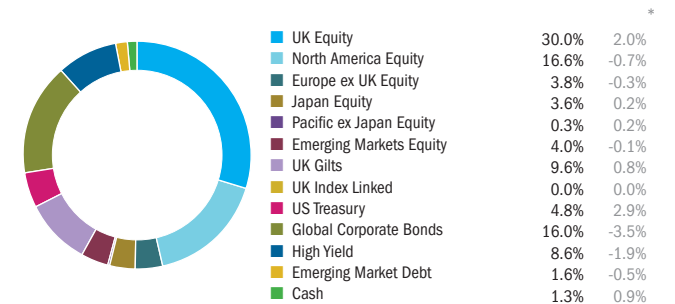
CT Universal MAP Growth Fund



CT Universal MAP Adventurous Fund



CT Universal MAP Income Fund



Source: Columbia Threadneedle Investments. \*Change from 30-Sep-2023

# Designed to make investing simple

With five options ranging from Defensive to Adventurous you can choose the fund that is right for you.



Each portfolio invests across a range of asset classes – the type and proportion of each asset class is tailored in each fund with a view to delivering defined investment outcomes. That means target volatility bands (volatility is a commonly used measure of risk) and long-term return expectations relative to inflation.

For those comfortable with higher levels of risk, a growth portfolio with higher equity exposure may be appropriate. Why? Because equities can offer scope for higher returns, but that potential comes with greater risk of loss. More cautiously minded investors meanwhile, can select a portfolio with a higher allocation to fixed income assets. The likes of government and high-quality corporate bonds tend to be less volatile in their performance than equities.

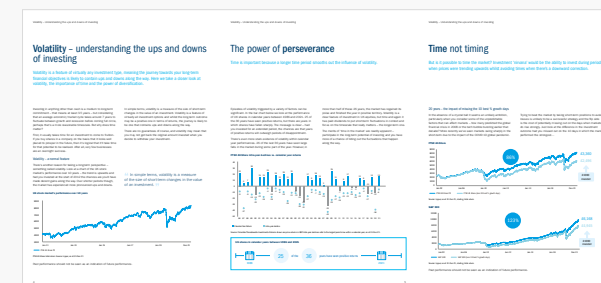
Your adviser can help you decide which portfolio is the right option for you, usually by using a 'risk profiling' questionnaire alongside consideration of your objectives.

## Things to remember when considering investing

The value of investments and any income derived from them can go down as well as up as a result of market movements. You may not get back the original amount invested.

## Understanding volatility

If you want to know more speak to your financial adviser. They'll be able to provide you with a copy of our guide to 'Volatility – understanding the ups and downs of investing'.



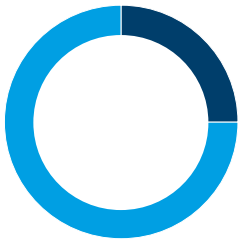


# Typical portfolio asset allocations

**Lower risk/return potential**  
Higher allocation to fixed income

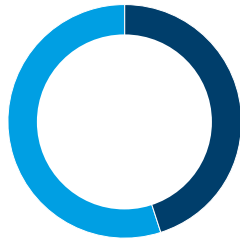


**Higher risk/return potential**  
Greater emphasis on equities



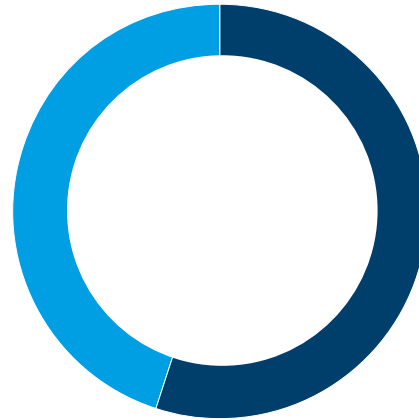
**Defensive Fund**

■ Equities	25%
■ Fixed income	75%



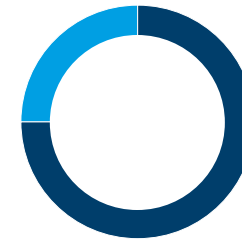
**Cautious Fund**

■ Equities	45%
■ Fixed income	55%



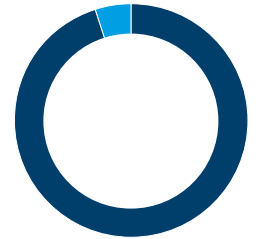
**Balanced Fund**

■ Equities	55%
■ Fixed income	45%



**Growth Fund**

■ Equities	75%
■ Fixed income	25%



**Adventurous Fund**

■ Equities	95%
■ Fixed income	5%

Source: Columbia Threadneedle Investments, for illustrative purposes only.

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