INTELLIGENTMONEY

IM OPTIMUM GROWTH FOR WITHDRAWAL FACTSHEET – SEPTEMBER 2022

INVESTMENT OBJECTIVE

This portfolio aims to provide growth in excess of global markets under different market conditions whilst reducing equity exposure and risk as you move closer to your selected target date, at which point you will be invested in our Optimum Defensive strategy for capital preservation.

HISTORIC PERFORMANCE

	Cumulative Performance				Annualised
Portfolio	1yr	3yr	5yr	10yr	10yr
IM Optimum Growth for Withdrawal	**-3.40%**	**9.26%**	**20.16%**	**89.70%**	**6.61%**

All figures to 31st August 2022. Returns include all third party charges excluding Intelligent Money's fee element. This is the same way that platforms provide historic data and therefore enables you to compare returns on a like for like basis. The value of investments, and the income from them, can fall as well as rise, past performance is no guarantee of the future. You may not recover what you invested. Where live data is unavailable we have used reconstructive data to demonstrate historic performance. All figures sourced from P1 Investments, underlying assets are denominated in GBP.

INVESTMENT MANAGEMENT

Julian Penniston-Hill:

As Intelligent Money's Chief Executive, Julian is responsible for establishing the remit and mandate for our IM Optimum Portfolios.

Julian has 25 years of financial services experience having previously been Investment Management Director at Willis Owen, where he was responsible for generating and retaining £1bn of funds.

Will Dickson:

Will is responsible for implementing this strategy, advising upon and running the ongoing investment management on our behalf.

Will achieved an Accounting and Finance BSc from the University of Bath, an MSc in Finance and Investment from the University of Exeter and holds Chartered Wealth Manager status from the Chartered Institute of Securities and Investments.

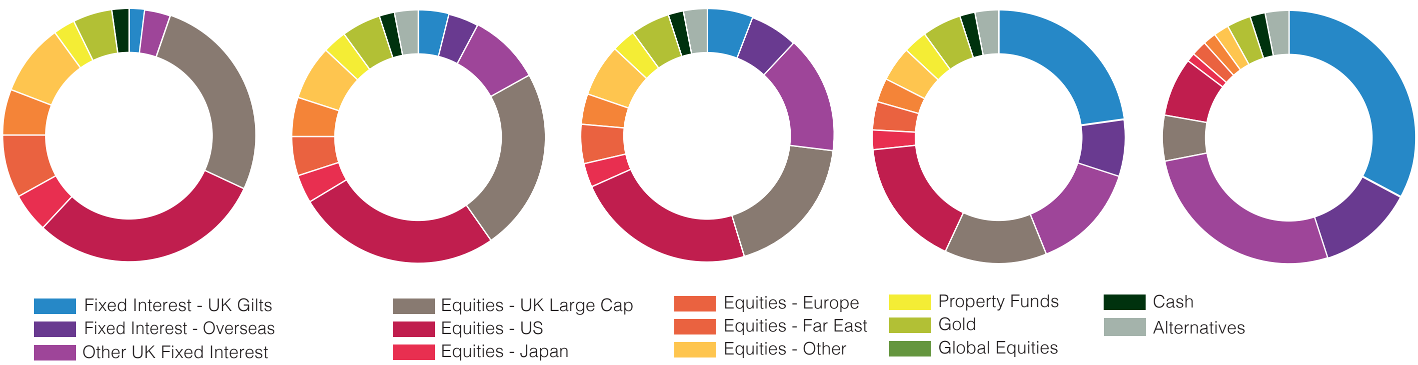
He has been recognised by Citywire as one of the UK's top investment managers for three years in a row and is Chief Investment Officer at P1 Investment Management.

ASSET ALLOCATION/GEOGRAPHICAL LOCATION

Because of the evolutionary nature of the IM Optimum Growth for Withdrawal Strategy it is not possible to show specific asset class/geographic exposure, as by definition this will be different from one investor to another at any given time.

Therefore we show below illustrative asset class/geographic exposure over different cycles based on current market conditions.

Longer Investment Term **Medium Investment Term** **Shorter Investment Term**



MARKET COMMENTARY

The second quarter of the year saw further widespread selling, across asset classes, compounding the negative returns experienced from the start of the year. Geopolitical tensions and economic concerns were combined with higher inflation readings that surprised to the upside, adding to the rhetoric coming from central banks that monetary policy would need to go further than previously anticipated, and faster. During the quarter, the Federal Reserve and the Bank of England raised interest rates by 0.75% and 0.25% respectively, taking the headline rates to 1.75% and 1.25%. However, the more aggressive moves were seen in forward expectations, with markets now pricing in US rates well above 3% by the year end.

Such moves in interest rate expectations, and ultimately bond markets have led to a reappraisal of all financial assets by investors. Higher bond yields have made investors wary of high equity valuations, where elevated inflation, supply chain issues, and fears of an economic slowdown or recession are also significant headwinds. This has led equities to their cheapest level since the COVID selloff in 2020. While there are notable risks, nominal earnings expectations for companies remain robust and have seen upward revisions over the quarter, these should prove supportive. Under the index level performance there continues to be noteworthy divergence between sectors and investment styles. “Growth” stocks continue to be out of favour, with many “value” sectors and shares posting the most persistent length of outperformance for many years.

Fixed income markets have seen little respite, and in some cases, there has been an acceleration from the selloff seen since the start of the year. Government bond yields in many cases are trading at their highest level for over 10 years, but it is the speed of the move that has been most remarkable. Indeed, the repricing of some European government bonds has unnerved the European Central Bank, who are yet to significantly implement an actual change in monetary policy. The most concerning of these has been Italian government bonds, which have seen yields rise from 1.2% from the start of the year to over 4% in mid-June. The scale of the outstanding Italian debt, and the involvement in the market by the ECB, through their quantitative easing programme, has led the ECB to call an emergency meeting of the Governing Council to discuss “market conditions”.

Headline inflation has been driven by higher energy prices, with the benchmark Brent crude price up over 10% in the quarter, taking the annual rise to 60%. Higher food prices are also now having a notable impact. However, the coming quarters may begin to show an improving picture as the annual rate of energy price rises eases, and an economic slowdown eases excess demand, dampening price pressures. Any fallback in inflation readings is likely to be met with a change in direction for monetary policy and resulting relief in equity markets.

While there are concerns that the market is going through a regime change to one of persistently higher inflation and interest rates, there are now attractive opportunities arising across asset classes and the medium to long term outlook for returns continues to improve. We do not believe that inflation will endure at close to 10% and see that it will fall back towards the 2% target over the next 12 months, although there are arguments that a period of slightly higher average inflation is a realistic scenario. With equities now coming from a low valuation base, and long dated US treasuries likely to generate positive real yields, this is a situation that investors have been unaccustomed to for many years. While there is currently elevated risk aversion and many issues for the market to overcome in the months ahead, for long term investors that can invest through such times returns can be rewarding. Our macro and market indicators continue to suggest that a neutral risk positioning is appropriate, as while valuations and market sentiment are now supportive, there are major headwinds from inflation and monetary policy.