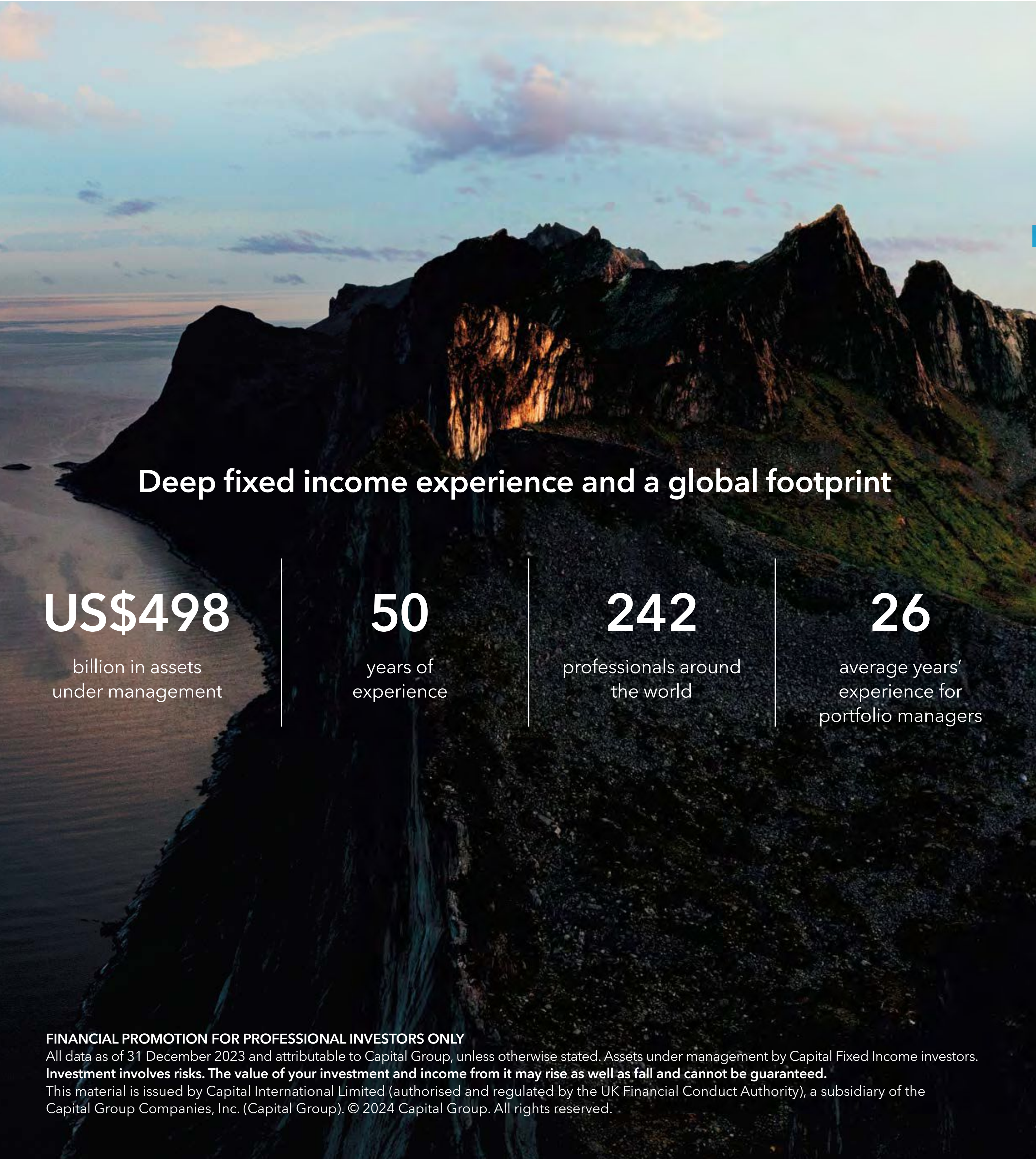
PORTFOLIO ADVISER



Deep fixed income experience and a global footprint

US$498 billion in assets under management	**50** years of experience	**242** professionals around the world	**26** average years' experience for portfolio managers

FINANCIAL PROMOTION FOR PROFESSIONAL INVESTORS ONLY
All data as of 31 December 2023 and attributable to Capital Group, unless otherwise stated. Assets under management by Capital Fixed Income investors.
Investment involves risks. The value of your investment and income from it may rise as well as fall and cannot be guaranteed.
This material is issued by Capital International Limited (authorised and regulated by the UK Financial Conduct Authority), a subsidiary of the Capital Group Companies, Inc. (Capital Group).

PORTFOLIO ADVISER

March 2024 www.portfolio-adviser.com

Let's inspire inclusion

On the month of International Women's Day, how can we keep the momentum going towards gender parity?

Editor's letter
March 2024

#InspireInclusion

This month is home to International Women's Day – a global celebration of the achievements of women and raising awareness of the need for gender parity.

The theme for this year is #InspireInclusion, which aims to bring a sense of belonging, relevance and empowerment to women.

Inclusion is a topic frequently discussed in the workplace, including in financial services. In fact, according to a study from Equileap published last year, financial services companies rank above average for their gender equity initiatives. Using a gender equality score system based on 19 criteria – including workforce gender balance, parental leave, sexual harassment policies and women in senior management roles – it found financial services companies scored 44%, six percentage points higher than the global cross-industry average.

We have been good at improving inclusion across the sector but, as we know, there is still lots of work to be done. The most commonly cited statistic, perhaps because it is most shocking, is that there are still more fund managers called 'Dave' than there are women running money in the UK, according to research from Morningstar. This fact has remained stubbornly in place for years.

It's always important to check in when it comes to DEI (diversity, equity and inclusion). Sometimes, articles and initiatives are met with an eyeroll and questions of: 'Have we not done enough?' This is especially the case when gender parity is discussed.

But as can be seen in this month's cover feature, there are plenty of reasons to celebrate our achievements but no excuses to rest on our laurels. We now seem to have reached the next stage towards aiming for gender parity, where we have perhaps become saturated with surface-level awareness raising and now need to tackle deeply entrenched structural barriers.

If initiatives surrounding gender parity are making men feel threatened, they are likely not being implemented correctly. It is important to check in with progress. What lessons have we learned, what have we achieved and what are the next steps? Increasing paternity leave options, for instance, is just one of the ways to level the playing field in our industry.

As Dynamic Planner's Yasmina Siadatan says on page 24: "This is an always-on concept that must live and breathe in our organisations. It's social progress and, as such, it will have to be tackled over generations." **PA**

'We have become saturated with surface-level awareness raising and now need to tackle deeply entrenched structural barriers'

Lauren Hardy, editor, *Portfolio Adviser*
lauren.hardy@markallengroup.com

Publisher MA Financial Media Ltd, Mark Allen Group, St. Jude's Church, Dulwich Road, London, SE24 0PB
Printing Stephens & George Print Group, Goat Mill Road, Dowlais, Merthyr Tydfil CF48 3TD. T: 01685 388 888
Mark Allen Group Mark Allen is a trusted, family-owned media company which specialises in professional content and services for global audiences. markallengroup.com
Subscriptions
Email circulation@markallengroup.com or go to portfolio-adviser.com/pa-mag-subscription-form/
Licensing For licensing and reprint requests please contact info@medialicensingco.com or call +44 (0)20 3773 9320
ISSN 2397-2831

Published monthly in Great Britain by MA Financial Media Ltd, Mark Allen Group, St. Jude's Church, Dulwich Road, London, SE24 0PB

An apology to Merck Mercuriadis and Hipgnosis Song Management

In an article published on 21 February ('Brooks Macdonald's O'Connor: Why we hold Hipgnosis, Chrysalis and other unloved trusts') we reported allegations about Hipgnosis Song Management (HSM) and Merck Mercuriadis, its chief executive. We now accept these statements were not accurate and we would like to apologise to Mr Mercuriadis and HSM for the distress caused. The article has been removed from our archive.

MA Financial Media

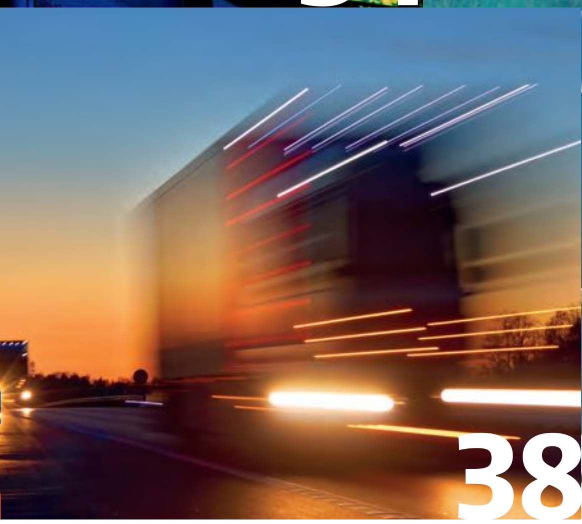
Contents
March 2024

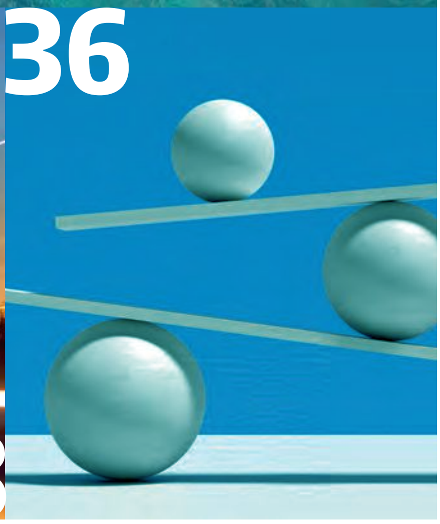
Cover story

Insights

Industry voices

Julie Bech: 'Helping companies accelerate the adoption of positive DEI practices can unlock long-term value'





Portfolio construction

'Asset management is not a transactional industry – it is based on long-term relationships and, to a certain extent, intangible product'

Jane Nicholls, head of business development, Redwheel

PA investment panel

Portfolio construction

Tim Cockerill, investment director, Rowan Dartington

Jake Moeller, senior investment consultant, Square Mile Investment Consulting & Research

Patrick Connolly, certified financial planner, Chase de Vere

Juliet Schooling Latter, research director, Chelsea Financial Services

William Forsyth, principal and head of investment, Charlotte Square

Andrew Summers, head of fund research, Investec Wealth & Investment

Alan Higgins, CIO, UK, Coutts

Emma Wall, head of investment analysis, Hargreaves Lansdown

Dan Kemp, CIO, EMEA, Morningstar Investment Management

Specialist areas

Nick Greenwood, Premier Miton Investors Investment trusts

Peter Sleep, senior portfolio manager, 7IM

Neil Williams, senior economic adviser, Hermes Investment Management Economics

Trade associations

Annabel Brodie-Smith, Communications director, Association of Investment Companies

Chris Cummings, chief executive, The Investment Association

Alan Dick, chairman, CISI Financial Planning Professional Forum

Liz Field, chief executive, The Personal Investment Management & Financial Advice Association

The future is female

Helen Howcroft, private client director, financial planning, at atomos, on boosting women's profiles on both sides of the client/wealth manager relationship

Q: What is the biggest change you have seen in the industry since you joined?
The biggest change I've seen is financial advisers becoming financial planners. What this means is we have moved from being a group of sales advisers selling products to clients, to professionals giving financial planning advice. There has been a seismic shift in the professional approach that financial planners are taking in how they deliver financial planning to clients. That is only a good thing because it has enabled clients to become far more engaged with their finances and have a far greater understanding of why they are investing and what they are investing into.

Q: What is the investment topic most brought up by clients/investors?
For us, it's definitely ESG and sustainable investing. We find, with female clients especially, that this is something at the forefront of their minds and they do want to invest in line with sustainability principles. They like to invest in companies that are looking to change their working practices to improve outcomes in the future.

Q: What piece of regulation has had the biggest impact on your day-to-day role?
It's impossible to select only one piece of legislation, but some of the biggest changes came from the Retail Distribution Review (RDR), which paved the way for Consumer Duty. The aim of the RDR was to make the industry more professional so, by disclosing your fees upfront, clients could understand what the cost was for achieving that advice. The downside of RDR is that it has actually put some clients off seeking advice and I do not believe it has delivered all the outcomes the Financial Conduct Authority (FCA) intended.

What it has done is improve the professional image, most definitely, but there is now a sector of society who just cannot afford to obtain advice and we have a big funding crisis and savings gap in the UK. It remains to be seen whether current FCA proposals will be effective in solving this problem.

Q: What single change would you make to the wealth management industry?
I would make female wealth managers have a far bigger profile within the industry and in the press generally. A lot of women have put off approaching a wealth manager for advice because they feel patronised and they feel it's very much a boys' club. We need to raise the profile of women generally to give women the confidence to go and seek advice in the first place.

With women controlling so much wealth in the future, whether that's from their own successful businesses, from partners who have died or through divorce, there are many reasons why women are controlling more wealth than ever before. We need to give women a reason to seek professional advice for their money and not to leave it in the bank.

Q: What advice would you give someone starting out in the industry?
My biggest piece of advice would be to get your exams done and find yourself a mentor as early on in your career as you can. Find someone who absolutely inspires you and approach them to be your mentor. Never be too scared to approach anybody to mentor you, as learning from people who are doing a great job will transform your career and give you those insider tips on what clients need and how to deliver the best outcomes. **PA**

Biography

Helen Howcroft is a chartered financial planner and fellow of the Personal Finance Society. Starting her career working for life and pension companies, she founded North London-based Equanimity IFA in 2004, before joining atomos in 2023 as head of women's financial advice. Now private client director for financial planning, Howcroft specialises in supporting women and people going through divorce.

Leading by example

Holly Downes, the newest member of the *PA Future* editorial team, describes the vital role female mentorship has played as she cuts her teeth as a financial journalist and finds her footing in the industry

Six months ago, I joined MA Financial as a reporter for *PA Future*, (formerly *ESG Clarity*) as part of the Mark Allen Graduate Scheme. For context, I graduated from university last July, I have never been in the financial space – or thought I'd ever be interested in it – and I've always been into journalism. Alongside this, I am also studying for the NCTJ qualification, which covers areas of media law, video journalism and the business of magazines.

So far, working for *PA Future* has been eye-opening. The industry is very dynamic and so is my job, with no day the same. Ironically, for my welcoming lunch, my team took me to a restaurant called The Slaughtered Lamb. And that is exactly what I felt like in my first few months. The financial jargon thrown at me is brain-numbing and humbling, especially as I have spent the past three years reading English literature and philosophy. Admittedly, I did not know what a PR was before they all started asking me out for lunch. My brain is still adjusting to the multitude of acronyms casually thrown in conversations, and Investopedia has become my right hand.

Making opportunities count

However, after many 'Ohhh, I get it now!' moments, things began to click. I soon found myself running around London from interview to interview, attending conferences on topics I'd never had exposure to, and returning to the office with thoughts, ideas and discussions that flowed into an article. The more I pushed myself out of my comfort zone – for example engaging in conversations about private equity – the more my confidence grew. The trick to getting the most out of my job is taking every opportunity that comes my way, no matter how scary it may be.

But a new job – and a new industry – does not come without its struggles. Learning the names of portfolio managers, PRs, asset management companies, networks and funds – all while learning the practicalities of my job and studying with the NCTJ – is the recipe for brain overload. However, I found that being honest with my team – and admitting I wasn't superhuman – made the process more manageable.

Also, the editorial team has been so supportive in my professional journey so far. One thing that is inspiring is the senior positions of females in my team. For example, the former editor-in-chief across the Mark Allen Financial Media brands and my mentor, Natalie Kenway, has become my industry role model. To benefit from the graduate scheme, having an expert figure who is passionate and willing to answer silly questions, give feedback and offer guidance about everything and anything is crucial for my own understanding and development.

Although female-led teams are rare in finance – just flick through article commentaries or take a peek in an office in Canary Wharf – change is definitely occurring. Take this International Women's Day special issue, or the many campaigns that champion women in finance. A great example is The Diversity Project Pathway programme, which helps to increase the number of women in fund management roles. At its opening event, female fund managers shared their success stories of how they navigate motherhood alongside their impressive careers, which was empowering to hear.

Power of communication

Reporting on the ESG field has been a perfect entry into the financial world because I can engage with wider issues that all firms encounter. Topics such as child labour supply chains, board diversity, health equity, female empowerment, global warming and even the attitude of employees on a Monday morning all factor into my conversations with professionals. I've realised that every issue has a financial dimension to it, which is something I never considered before. What I love about working for *PA Future* is the freedom I have to report on a story I feel passionate about and give people a platform to speak about issues they express the same passion for.

For example, last November, I spoke to Gen Z climate activists about their messages for the financial sector in the run-up to COP 28 on the ESG Out Loud podcast. I heard about those who were travelling to Dubai to attend COP 28, their opinions on divesting from fossil fuel companies, and why investors have the power and resources to guarantee a sustainable future. It was incredibly insightful and it felt purposeful to give those of my generation the platform to speak to the financial industry, which from the outset, appears inaccessible. For me, it confirmed the importance of communication between investors and shareholders – and how misalignment is detrimental for both parties.

Alongside learning about the brand and hunting for stories, Mark Allen Group is funding my NCTJ course. This requires me to balance full-time work with rigorous study, which is a strange dynamic and tests my time-management skills. One day I'm at a breakfast briefing in a flash office, the next I'm transported back to school. However, it has been invaluable for my role so far as I apply what I've learnt in the classroom to real-world journalism.

Though it's only been six months, a lot more is in store. The financial space is forever changing. I never thought I'd end up here, but as I ask my peers, 'Why did you become a financial journalist?', the uniform response is: "I don't know, it just happened." And that seems a good enough answer. **PA**

Gender-smart investing

CEO of Mind Money **Julia Khandoshko** argues that diversification must transcend asset class and include people in order to generate good risk-adjusted returns

Covid-19 has fundamentally altered the global paradigm, and its impacts are evident in practically every facet of our lives. The growing interest in social risk and human capital management, and enthusiasm for ESG and socially responsible investing, has increased worldwide.

In 2023, the majority of assets managed in Europe, comprising approximately €7trn (£5.9trn) out of a total of €12trn, were allocated to ESG funds or strategies with a sustainability oriented emphasis.

Various studies show that women are better investors than their male colleagues in this sector and have the ability to bring more profit. Given that, it is essential to take a deeper look at women in asset management and the existing gender gap here.

Positive outcomes

First of all, research shows that women exhibit greater efficiency in fund allocation. They perform better as investors, favouring a 'buy and hold' strategy. In contrast with men, women show a reduced tendency for impulsive and emotional decision-making in the stockmarket, focusing on thoughtful decision-making.

More importantly, the surge of ESG-driven investments stemmed from women's initiatives and served as one of the essential drivers for change. A study conducted by Goldman Sachs revealed, for the first time in 2020, European funds managed by female or mixed-gender teams outperformed those led exclusively by men. This serves as further evidence of women's positive impact on the asset management industry, and supports raising gender diversity in the industry. Therefore, the presence of women in this industry brings not only profit but also socially significant changes.

Nevertheless, even though the ESG investment sector is on the rise and women have confirmed their increased engagement with it, it continues to be mostly male-dominated, with women constituting a minority among investors and asset managers. And even in 2023, the problem of the gender gap was still present. According to 2023 data, only 20% of portfolio managers in Spain and Italy are women, and only 5% of women occupy senior management roles. The statistics in the UK and the US are even worse: 11.8% and 11%, respectively, of workers in this field are women.

> **'Female recognition will be expected and the structural barrier of gender imbalance will be eliminated'**

Why does gender disparity still exist?

Data shows that, even in recent history, a vast majority of industries and sectors have had a male-dominated workforce. The finance and asset management industries are no exception. While the number of women in the sector is growing year to year, more time is needed to even out this imbalance.

The belief that investing is a 'man's job' is still widespread. This conviction prevents some women, despite their abilities, from starting a career in a financial environment or climbing the career ladder.

Even if a woman gets a job at a company involved in finance, investment or asset management, she may still feel vulnerable because of the representation imbalance and lack of women in senior management or C-suite positions. Moreover, it is important to feel supported in a company and have a role model to look up to, and this is often complicated if there are no or few female representatives in the team.

How to tackle the problem of inequality

Asset management firms should proactively implement measures to address any concerns regarding a gender wealth imbalance, such as enabling more female managers to oversee high net-worth families, individuals and foundations.

A great example of this is The Diversity Project Europe (DPE). One of its fundamental goals is to build a more inclusive asset management industry across the region. Furthermore, this project assists companies in achieving a more gender-balanced workforce and promotes social mobility among all genders. Our society needs more of these initiatives to pave the way for women in the financial industry.

Therefore, the main solution to this thorny issue is diversification, which is essential to investing and asset management. By embracing this, it becomes imperative to promote increased participation of women in asset management careers, ensuring equal opportunities for progress and cultivating an inclusive environment.

Following the example of the DPE, in the long run, female recognition will be expected and the structural barrier of gender imbalance will be eliminated. Introducing training programmes to address biases and stereotypes related to gender in hiring, promotions and decision-making processes are key as well as support for women to pursue careers in finance.

These critical measures are pivotal in advancing gender equality within the industry. Beyond women being advantageous for the sector, they are crucial for enhancing the resilience of the asset management framework, especially investments related to ESG. The earlier companies realise the significance of augmenting the female workforce, the more advantageous it will be for their long-term profitability. **PA**

This article originally appeared in our sister publication, PA Future.

A pathway to value

This month, Sarasin & Partners' Imogen Millington discusses the 'abundance of value' in UK small caps, the importance of learning from mistakes and her journey in financial services so far

Q: Which asset classes, sectors or strategies are attracting your attention and why?
Working on a UK small-cap strategy, I continue to be amazed by the abundance of value on offer. It has been a torrid few years for the asset class, particularly as high interest rates are like kryptonite for these businesses. It causes the double headwind of higher interest bills and valuation compression. Layer on challenging economic conditions and reduced domestic buyer interest and you have the conditions for a perfect storm.

However, key attractions of the asset class remain. A common misconception is that these businesses are solely tied to the UK economy, but last year the Aim market derived half of its revenues from outside the UK, offering global diversification. International participants are waking up to the opportunity set. With inflation having peaked and expected rate reductions in H2 of 2024, the outlook now looks more supportive.

Q: What asset classes should investors be thinking about beyond equities and bonds?
Private investments have become the focal point of global discussions in recent years. Pension managers in particular are looking to increase their allocation to private assets in search for potential higher returns for their members. Hopefully we can channel some of the billions of assets held in UK DB schemes to help address our growth challenge in the UK. Retirement savings make up just 10% of Britain's venture capital funding, compared with over 70% in the US.

As a general theme, in the UK we are very good at providing angel capital but nowhere near as good at scaling businesses. The Mansion House Compact is a step in the right direction, with nine of the largest UK pension funds voluntarily committing to allocate 5% of their assets to unlisted equities over time.

Q: How do you see sustainable and ESG-oriented investing evolving from here?
It will be interesting if we see any harmonisation of the measurement of ESG data and their methodologies by rating agencies. A stat from *The Economist* is that ESG scores from different rating agencies correlate less than 50% of the time, versus over 99% for credit ratings. I also think the emphasis placed on 'E', 'S' and 'G' will continue to evolve with time. Studies show younger generations are more likely to want to consider climate change in their portfolios, versus baby boomers.

Q: What will be different about the investment sector a decade from now?
The theme of consolidation across the industry seems set to continue, given the compelling advantages of scale, particularly for large passive houses. Smaller establishments that manage to compete effectively against larger counterparts will likely need to offer distinctive and niche services. Products will become more personalised and evolve to fit particular needs of new audiences.

Q: What led you into a career in investment?
I graduated with a chemistry degree, but realised in my final year the long lab hours weren't for me. I was interested in a job that was analytical but also social and collaborative. A career in investments seemed to fit that description.

I have also recently graduated from the 2023 Diversity Project Pathway Programme, which is designed to increase the number of female fund managers in the industry. Sadly, this still sits at just 12%. It is a fantastic initiative, through which I've been gifted a wonderful network of like-minded women across the industry that I'm certain I will tap into for many years to come.

I gained a lot of confidence from the sessions, and feel empowered to fight for my views when the analysis supports it, but to also reflect on my opinions when presented with new information. As women we can be told we're guilty of 'overthinking' or being 'paranoid' but, in reality, it's these attributes of attention to detail and self-reflection that can make us so well-suited to judgement-based roles such as portfolio management.

Q: How are you balancing time in the office and working from home?
I typically go into the office four days a week. I've found it has been very beneficial to be in the office around other, more experienced investors and I've learnt a lot via osmosis. That being said, I value the flexibility of some remote working days.

Q: What piece of advice do you wish you had been given on your first day as an investor?
That how you respond to a mistake is usually far more important than the mistake itself. Careers and performance track records are long and lessons learned from mistakes can become (significantly) more net present value positive than the original error was negative. Thank you to Nicholas Sleep and the Nomad Investment partnership for explaining this so eloquently in their 2007 annual letter to investors. **PA**

Biography

Imogen Millington is a portfolio manager and UK equity analyst at Sarasin & Partners. She joined the company in August 2021 from BMO Global Asset Management, where she took part in the firm's product graduate scheme in 2019. Millington previously completed an internship at Constance Private AM.

Where next for interest rates?

Helen Roughsedge, investment director at Fulcrum Asset Management, sets the scene ahead of the Fed's first rate cut of 2024

While guidance from the US Federal Reserve suggests there will be no more than three rate cuts by the end of the year, based on the Federal Open Market Committee's (FOMC) median dot plot – the chart showing Fed policymakers' projections for interest rates – the market has remained more dovish in its expectations.

Since chair Jerome Powell's removal of rhetoric around risks to the upside at January's FOMC meeting, focus is on the timing of the Fed's first cut. Whether it cuts in 25 or 50 basis point moves remains to be seen. What we do know is that the Fed is in no rush and that it is data dependent in forming its views, closely watching both inflation and employment data releases.

In the past, Powell has said the median dot of the FOMC for the policy rate shown in the Summary of Economic Projections is not intended to provide any clear signal about the policy stance of the committee, but equally he has also not been clear about his approach to another indicator of policy, the Taylor Rule.

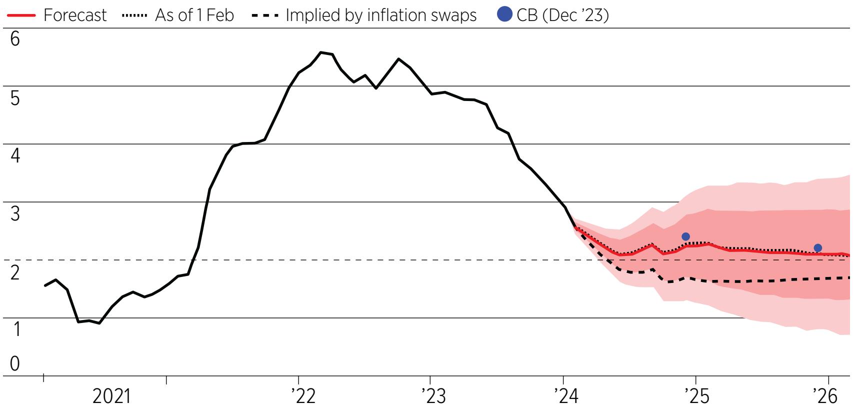
Calculating the Taylor Rule

The Taylor Rule is one way of estimating the appropriate level of short-term interest rates based on current and expected economic conditions. In this article we refer to the standard version, which is likely the version that chair Powell is using to assess his tightening policy.

This approach takes an estimate of the long-run policy rate in nominal terms. It then adds the gap between core personal consumption expenditures (PCE) 'inflation' and the 2% inflation target, with that gap multiplied by a coefficient of 1.5. Finally, it subtracts the gap between the actual unemployment rate and the FOMC's estimate of the equilibrium unemployment rate (u*), multiplied by a coefficient of 2. The result provides an estimate of the policy rate according to the Taylor Rule.

The difference between the Taylor Rule-implied rate and the actual policy rate set by the Federal Reserve, or predicted by the Fed for a future date, can be described as the degree of extra tightness in monetary policy, relative to the rule. This is one possible measure of extra policy tightness, compared to 'normal'.

US PCE: core inflation % year on year



Source: Fulcrum Asset Management

What does this mean for interest rates?

It's instructive to look at each of the components of the calculation in turn, starting with inflation.

There are many different measures of inflation. For core inflation, chair Powell has indicated that he prefers to use the forecast of 12-month core PCE inflation, one year ahead, rather than actual inflation. On this basis, we can look at our own inflation forecast to see what this might imply for the Taylor Rule (see graph). From this, we see a high likelihood the Fed will meet, or come close to, its 2% inflation target this year, in line with the Fed's own projections.

If that is the case, we believe the main uncertainties in terms of the inputs to the decision-making are the degree of labour market tightness and the size of r* (the short-term real interest rate corresponding to a stance of monetary policy that is neither expansionary nor contractionary).

With regards to employment, the Fed has an estimate of the natural rate of unemployment, which represents the level of unemployment at which inflation remains stable. Its current estimate of this level (as at the December FOMC meeting) is 4.1%. Comparing this with the current level of unemployment of 3.7%, the implication is that interest rates should actually be 0.8% higher.

Finally, we turn to the third component of the Taylor Rule, the natural rate of interest (r*). The median estimate of this rate among Fed officials is currently 0.5%, the same as before the pandemic. If r* really is 0.5%, when we put the pieces of the Taylor Rule together, the implication is that interest rates should fall to 3.3%, a material decline from the current Fed Funds target range of 5.25-5.50%.

However, when we consider the possibility of r* being higher than 0.5%, this could materially increase the interest rate outlook which could put equilibrium interest rates at closer to 5% than 3%.

Whether or not there is explicit mention of the Taylor Rule in chair Powell's rhetoric, it does help to show the importance of both declining inflation and softer employment in setting the scene for the Fed's first rate cut in the current cycle, whenever that may be. PA

Emerging markets on cusp of change

Emerging markets are on the brink of a multipolar, de-dollarised world, writes Jorry Nøddekær, lead fund manager of the Polar Capital Emerging Market Stars Fund

We believe we are at a turning point for emerging markets and are on the cusp of a new 'multipolar world', a shift that will underpin a strong structural growth cycle for many emerging market economies. While we see the US dollar's status as the global reserve currency continuing, our firm belief is world trade will increasingly move towards local currencies and away from the US dollar, leading to a boost in spending power within these countries, creating an investment and consumption uptrend.

The beneficiaries

To benefit from this investment cycle, an emerging economy needs three key inputs: energy, commodities and capital goods. Previously, all of these have settled in US dollars, the availability of which for the receiving countries has been a constraint and long caused boom/bust dynamics – however, we are now seeing energy, for example, being settled in other currencies. This change began with Russia being forced to accept local currencies when selling oil cheaply following its invasion of Ukraine but many Middle Eastern countries have followed, not wanting to lose market share.

This new structure could be a gamechanger for a country like India, which has always struggled with high current account deficits.

China would likely become a supplier of capital and consumer goods to emerging markets with growing economies, returning to its position as the world's factory and once again exporting deflation. At the same time, in our view, markets such as the Middle East, Indonesia and Africa will be the commodity suppliers. The markets we favour as the growing demand centres within this are India, Vietnam, Mexico and Indonesia.

The risks

More than half the world's population have the opportunity to vote in 2024. This will be critical for steering markets, none more so than the US where we must take a re-election of Donald Trump seriously. While we do not think he could overthrow the dynamics outlined above, he redrew certain trade relationships during his last administration, is unpredictable and would increase market volatility as well as the likelihood of further negative outcomes for China.

Another risk is inflation. One of our key calls is that the recent period of high inflation will pass and approach lower target levels, which we feel is now underway. We have always felt the deflationary forces of debt, demographics and technology were more structurally persistent, therefore we were confident the US 10-year treasury yield would be controlled on the way up and reverse quickly with the change in policy rate direction. A potential new risk is to the term premium, which could mean treasury yields remain under upwards pressure at the long end and remain higher than recent history. However, overall we have a constructive outlook for a soft landing in the US.

The opportunities

As stockpickers, we believe we have an excellent opportunity against this backdrop and the new growth opportunities it provides. In our view, the Polar Capital Emerging Market Stars Fund holds very attractive, high-quality companies that are mispriced, offering exposure to the new structural trends in emerging markets.

The fund is underweight Asia, for the first time ever, though remains overweight specific markets within the region, such as India and Vietnam, which we believe to be two of the best structural emerging markets for the long term. The regional underweight is heavily influenced by a significant underweight in China, which increased to its largest extent ever during 2023. However, we remain invested in the country through select attractive opportunities. The challenge is managing continuing macro and political risks, particularly as the Chinese Communist Party's National Security Agenda remains in full force.

Conversely, the fund is significantly overweight Latin America for the first time ever. This is driven by stock ideas while the top-down story is one of nearshoring growth supporting Mexico and room for a large amount of monetary loosening to boost growth and market dynamics across the region. Commodity demand should also be well supported in our multipolar world, which hugely benefits this region.

CEEMEA has been a much smaller weight for the fund, though we are positive about the rise of select Middle Eastern countries, including Saudi Arabia and the United Arab Emirates whose populations are set to double and where structural reforms and capital buildout are transforming opportunities on the ground.

The outlook

Overall, we believe our portfolio holdings are fundamentally cheap relative to the growth they offer and their balance sheet quality, which makes us very constructive on the fund and the asset class. We do not expect the structural changes we set out above to play out over the course of a year or two or to create a perfect world in the short term; it is a long-term evolution that has already started and we believe will give rise to a new investment backdrop for emerging markets.

POLAR CAPITAL

The future of

As cash-strapped governments around the world scale back on green pledges, *Portfolio Adviser* asks this month's panel for their outlook on investing in renewable energy

The fund manager's view

Aoi Nishiyama, investment director, Climate Strategy fund, Wellington Management

The renewable energy sector presents abundant long-term opportunities as the world shifts toward a low-carbon society to mitigate the escalating impacts of climate change. Additionally, renewable energy contributes to national energy independence and enhances security, especially in the wake of Russia's invasion of Ukraine.

However, this sector is multifaceted, with each subsector requiring thorough analysis to uncover viable investment prospects.

We hold a positive view of the utility-scale solar industry, which offers long-term potential. Structural catalysts, such as onshoring supply chains accelerated by the Inflation Reduction Act – the largest US climate bill in history – enable project developers to achieve higher, more predictable returns when purchasing products made in the US.

The act's introduction in the US has also encouraged similar policies globally. Utility-scale solar benefits from rising energy demand driven by data centres, electric vehicles and artificial intelligence (AI), facilitating the development of an efficient and reliable clean energy grid.

In contrast, we approach residential solar more cautiously due to higher interest rates and a significant slowdown in the US and Europe. While uncertainties persist, we believe the market has reached its bottom, making valuations and growth rates increasingly attractive.

Selectively investing in high-quality companies during this period of broader sector weakness and uncertainty offers opportunities, but we remain vigilant.

The wind sector faces challenges, particularly for offshore projects affected by rising interest rates, input costs and competition. Nevertheless, we recognise wind power's long-term significance as a critical renewable energy source.

While we continue to closely monitor the market for signs of recovery and appealing returns, we currently find other areas within the renewable energy landscape more compelling.

Decarbonisation and clean energy generation become increasingly critical as the world grapples with climate change. The diverse sub-industries and unique drivers within renewables create numerous investment prospects for research-driven, active investors.

The analyst's view

Arita Sehgal (pictured below), equity analyst, Ninety One

We have seen the best and the worst of times within renewables. While the sector has faced the headwinds of rising interest rates, elevated inflation and supply chain issues, there have also been tailwinds from decarbonisation-induced demand, advancements in tech, local policy support and a focus by nations on energy security.

The headwinds have undoubtedly been fierce. Interest rates skyrocketing in a short span of time have impacted the capital-intensive nature of renewables development. Inflation has driven up equipment costs for on- and offshore wind, squeezing the already-tight economics of these projects. This pain has been exacerbated by a slow policy response, leading to failed auctions and developer exits, notably in offshore wind.

However, there are reasons for optimism. Ninety-six per cent of newly installed utility-scale solar photovoltaics and onshore wind capacity are now generating electricity at lower costs than their fossil-fired counterparts, leading to lower consumer bills in an inflationary backdrop. Offshore wind, while facing challenges in new markets like the US, continues to be competitive in Europe.

As demand for electricity continues to grow – driven by the electrification of buildings, transportation, AI, data centres and the needs of economies such as China and India – clean energy solutions become increasingly urgent. Low-emission sources are projected to supply nearly half of global electricity generation by 2026.

This backdrop requires a disciplined approach from developers and manufacturers to succeed, however. Encouraging signs are already emerging, while easing commodity and logistics prices, the improving profitability of original equipment manufacturers and increasingly favourable renewables policy all provide additional support. In short, the opportunity in renewables continues to endure but selectivity remains key.

renewables

The fund buyer's view

Charlotte Cuthbertson (pictured below), co-manager, MIGO Opportunities Trust

We focus on investment trusts that are mispriced, with catalysts for change, particularly those which are doing a good job but trading on a wide discount. These situations seem to be plentiful in the renewables sector, which has fallen from double-digit premiums to double-digit discounts over 18 months.

Typical renewables trusts offered a 5% yield at launch, so were highly sought after when interest rates were near zero. As rates have risen, investors have turned to other assets, such as gilts, with similar yields but lower risk.

This fall in demand, with constant supply, means renewables trust share prices have fallen to the point where their dividend delivers closer to a 7% yield on the share price, and investors are better compensated for the risk compared with gilts. Every renewables trust is different, and sorting the wheat from the chaff involves a lot of legwork meeting managers.

Marketing smaller trusts is more challenging for managers based abroad. That's the case at Aquila European, a £250m trust invested in Iberian solar assets and Scandinavian wind farms, run by a respected German manager with €18bn (£15.4bn) in assets under management.

Aquila is also attractive because its sites are valued with a 25-year life. Many in the sector believe reliability has improved, and a 40-year lifespan may now be more appropriate. When the net asset value is adjusted for another 15 years of cashflows, you get a totally different number. Aquila European looks cheap relative to its peers because it is valued more conservatively.

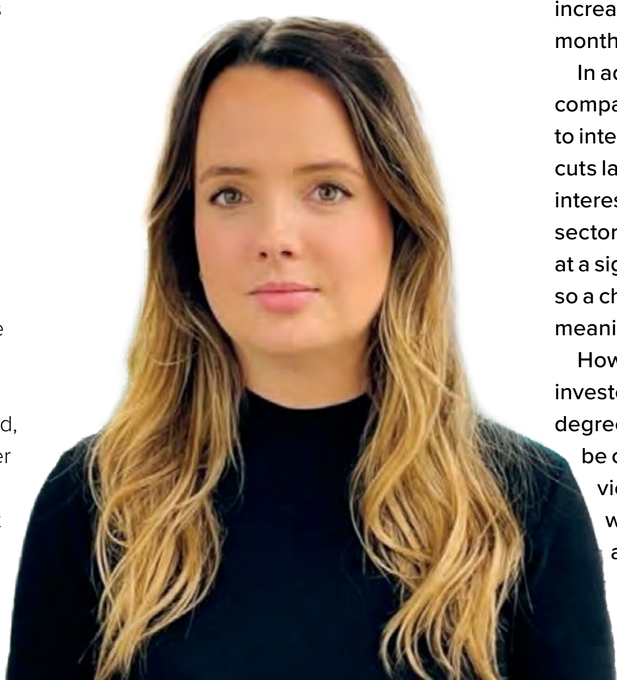
We also invest in Atrato Onsite Energy, which invests in solar on roofs or alongside factories and large retailers, selling the electricity back to the site. Unlike some of its peers, its revenue is nearly all contracted, so it's less risky than those which sell power at market prices. It trades on a similar discount to other trusts without having that power price uncertainty.

The wealth manager's view

Mollie Thornton, senior investment manager, Parmenion

Renewable energy infrastructure investing has struggled of late, with sharp falls in company values resulting from higher interest rates. This is partly a reaction to the very strong outperformance seen during the pandemic and partly owing to inflationary pressures.

While the sector fell by around 20% on average over the past year, there has been a wide range within this, with a positive return for some companies and deep drawdowns for others. This will depend on company-specific factors such as the quality of the infrastructure assets they own, type of income arising from these and levels of debt in the company.



After recent market falls, the current yield for the sector has become more attractive and now stands at around 8%. Looking ahead, there are a couple of key drivers of revenue growth from here.

First, the renewables energy market is growing strongly – 2023 was a record year with over 40% of the UK's electricity generation from renewable power – 29% wind, 5% solar, 5% biomass and 2% hydro. Second, renewable infrastructure subsidies are inflation-linked and are set to increase by nearly 10% based on last year's monthly RPI data.

In addition, renewable infrastructure company values will remain sensitive to interest rates, and so expected rate cuts later in the year and stabilisation in interest rates should prove positive for the sector. And the sector is currently trading at a significant discount of around 20%, so a change in sentiment could give a meaningful boost to returns.

However, 2023 is a reminder that investors need to be prepared for a degree of volatility in the asset class and be comfortable taking a medium-term view, given the complexity involved with an energy transition required at this scale. **PA**

Practise what you preach

Tom Aylott speaks to the investment trust specialists putting their money where their mouth is

With so many investment trusts on the market, choosing a handful in which to invest your own savings can be a daunting task.

It is an undertaking that investment trust specialists – whether they be researchers, advisers or multi-asset fund managers – face on a daily basis, monitoring more than 400 investment companies in the UK. But with such a broad market, where do trust experts truly find opportunities?

Covering investment trusts in a professional capacity is one thing, but buying shares with your own money indicates a much higher level of conviction. Here, four investment company specialists share the trusts in which they have invested their own savings.

Capital Gearing

Emma Moriarty monitors the performance of trusts as part of her role as investment manager at CG Asset Management, yet she only invests in one investment company herself – Capital Gearing.

Investors who don't diversify their portfolios run the risk of being too concentrated in a small number of – or in this case, single – positions, but Moriarty points out that this trust provides exposure to a wide array of assets. It spreads allocations across bonds, equities and investment companies, acting as a one-stop shop for investors.

"It's a dynamically managed and genuinely global multi-asset trust and is designed to be a single vehicle that investors can use for all their savings," Moriarty says. "I appreciate that conventional investment wisdom goes along the lines of not putting all one's eggs in one basket, but this is a well-diversified basket and is one that I watch very closely."

Manager Peter Spiller has been running the fund for more than 42 years having first taken the reins in 1982, so he has been steering the trust for most of its 51-year history.

Capital Gearing's principal goal is to protect investors' money from losses, and to steadily grow shareholders' wealth over the long term. This focus on preserving capital has led Spiller to hold high positions in index-linked government bonds, which account for almost half (49%) of the portfolio. The trust also invests in funds and equities at 27% and corporate credit, which makes up 13% of the £1.1bn portfolio.

Capital Gearing is up 49.4% over the past decade, narrowly beating the 45.8% reported by the average IT Flexible Investment trust, but the former's route to get there was somewhat smoother than its sector. The trust had a maximum loss of 7.9% over the period, while the peer group wiped out more than twice as much at 19%, demonstrating Capital Gearing's ability to preserve its shareholder's savings.

Polar Capital Technology

Juliet Schooling Latter analyses a wide selection of investment companies as Chelsea Financial Services' research director, but one trust in particular outshines the rest. She holds the Polar Capital Technology trust within her personal portfolio.

As its name suggests, this £3.6bn trust invests solely in technology companies, holding most of its positions (89.5%) in mega-cap names domiciled in the US (73.7%). By targeting tech stocks with long-term capital growth potential, lead manager Ben Rogoff has made the fourth-highest return of any investment trust over the past decade, soaring 511.7%.

However, Schooling Latter points out that performance was not always smooth. Investors only need to look to 2022 to see how sensitive the tech sector can be to macro movements, with shares in the trust sinking 36.8% that year as inflation and interest rates ramped up. Nevertheless, Polar Capital Technology made a rapid recovery the following year, climbing 50.5% as developments in artificial intelligence (AI) bought the sector back into vogue – an upward trend that Schooling Latter expects to continue.

"Despite the recent headwinds of monetary tightening and rate cuts, we see long-term value and growth potential in tech stocks, particularly as they become more embedded into consumer spending," she says. "The sector has much more room to grow, particularly with the advent of revolutionary AI and cloud technology."

Rockwood Strategic

Jo Groves writes about many of the players operating in the IT space as an investment writer at Kepler Trust Intelligence, but one trust has been "a standout performer" within her own portfolio. She has personally held Rockwood Strategic for a number of years, giving her savings a boost from having exposure to UK small caps.

Manager Richard Staveley targets the smallest companies in the UK market, building a concentrated portfolio of 19 stocks with a market cap of under £250. By doing so, the trust made a total return of 128.2% over the past five years, while the average IT UK Smaller Companies portfolio lingered over four times as far behind at 28.1%.

Groves says this outperformance was particularly impressive given the pressure small-cap companies have been under over the period, whether that be from rising inflation or interest rate hikes.

"I'm a firm believer in the mantra of 'time in the market', and small caps have consistently outperformed their larger-cap peers over the longer term. With macroeconomic issues easing, I'm optimistic that Rockwood is well-positioned to take advantage of the long-awaited recovery in UK small caps."

HgCapital

Annabel Brodie-Smith, communications director at the Association of Investment Companies, has been a long-term holder of HgCapital trust within her own portfolio. The £2.1bn private equity trust invests in software and services businesses and currently holds 49 companies in the sphere. It is not the most gripping area, Brodie-Smith says, but its performance speaks for itself.

HgCapital is up 463.2% over the past decade, soaring well ahead of the FTSE All-Share benchmark's return of 63.2% over the period. It was this strong outperformance paired with an attractive discount that first attracted Brodie-Smith to the trust. Now it is trading at a 8.5% discount to its net asset value, investors could find this sweet spot again.

"I liked their strategy of investing in mature software businesses that provide an indispensable service for their clients," Brodie-Smith says. "These businesses have a reliable and growing revenue and examples include payroll or tax returns software. You could describe it as the 'boring' side of IT but there is strong demand for these businesses and there's nothing boring about HgCapital's consistent past returns." **PA**

'Despite the recent headwinds of monetary tightening and rate cuts, we see long-term value and growth potential in tech stocks, particularly as they become more embedded into consumer spending'

Juliet Schooling Latter, research director, Chelsea Financial Services

Three fund managers share stocks that are making a difference

L'Oréal diversity drive's a beauty, says Nordea

French personal care and beauty giant L'Oréal is one of the best-performing companies held by the £364.6m Nordea 1 – Global Diversity Engagement fund, which co-manager Julie Bech believes is at the forefront of gender equity and inclusion.

The firm, which has been a holding in the fund since February 2019, is the world's largest cosmetics company that offers a range of make-up and skincare labels to global consumers, including L'Oréal Paris, CeraVe and SkinCeuticals.

"L'Oréal is one example of a top-performing company in a global context," Bech said. "It has a longstanding commitment to achieving gender equity at all levels and functions of the company. It has obtained gender balance within its board and upper management, as well as the mid-management level (between 40% and 60%) and above 30% at the executive level.

"It has a range of supporting policies and initiatives in place to secure continued performance, while it also advocates for gender equality externally through suppliers and business partners."

Diversity initiatives play a key role in Bech's stock selection process for the fund, which focuses on top-performing companies that are looking to improve their diversity practices through shareholder engagement, in terms of gender, ethnicity, socioeconomics and age.

The fund previously had a sole focus on gender diversity, but its remit was expanded in August last year due to a wider range of societal demands in relation to inclusion, as well as improving diversity data disclosure.

"We measure a company's diversity profile by looking at the level of diversity at various organisational levels," Bech explained. "Additionally, we view the company's diversity levels relative to the diversity in the workforce. Also, recent changes in diversity levels are measured, while we also consider if the company has supporting DEI [diversity, equity, inclusion] policies, initiatives and targets in place. Finally, companies are assessed compared with industry and regional peers."

Healthy diversity policy

Another company example in the portfolio that is "making positive strides" towards improving diversity, according to the manager, is multinational healthcare firm Merck. The US-headquartered business, which is led by female CEO Belén Garijo, is currently the portfolio's seventh-largest holding out of 93 stocks, at 1.9%.

"Women hold more than 38% of Merck's leadership roles today, up 11 percentage points since 2015," Bech continued. "Building on this momentum, the company has a stated aspiration to achieve gender parity in all leadership positions by 2030.

"To accelerate its efforts, Merck's leaders – both women and men – take part in various development and mentoring programmes, as well as undertake numerous other diversity training initiatives. We have held a position in Merck since August 2019."

According to data from FE Fundinfo, Nordea 1 - Global Diversity Engagement has returned 70.2% in total return terms since its launch in February 2019, comfortably outperforming its FO Equity Ethical sector average by 14.2 percentage points.

Bech said: "Helping companies accelerate the adoption of positive DEI practices can unlock long-term value, as the market is increasingly likely to reward companies displaying sound ESG practices.

"Numerous academic papers have backed up the positive correlation between higher diversity on management boards and the high financial performance of companies."

Lauren Hardy

'Helping companies accelerate the adoption of positive DEI practices can unlock long-term value'

Julie Bech, co-manager, Nordea 1 – Global Diversity Engagement

DEI policy silver lining for cloud-based mega cap

US cloud-based software giant Salesforce offers both strong growth prospects and a stellar approach to DEI, according to Mirova's Soliane Varlet, who runs the €227m (£194.1m) Women Leaders and Diversity Equity fund.

Varlet, who has managed the Article 9-categorised fund since its launch in 2019, said Salesforce is not necessarily an "outside-the-box" stockpick for global equity fund managers, but pointed out that its commitment to gender parity is typically overlooked.

"What is interesting about Salesforce is that there is a female CFO, and a high percentage of women in the global workforce and in the executive committee," she explained.

"There is a chief equality officer in charge of DEI policies, and DEI features heavily in the company's roadmap. It also discloses its gender pay gap.

"In the UK, companies must disclose their gender pay gap, but this is not the case elsewhere. It is not something that is particularly easy for companies to do, nor are they often willing to do so." She added that Sales-force partners with universities in order to improve the diversity of its recruitment.

"It is also strong on parental leave – both for mothers and fathers," Varlet said. "So, perhaps Salesforce is not an 'outside-the-box' name, but what it is doing is great. It is also number one in the CRM software space, above big names such as SAP and Microsoft. It has very strong growth and strong margins."

The Women Leaders and Diversity Equity fund, indexed against MSCI World, invests in global equities that contribute to the achievement of the UN Sustainable Development Goals – in particular SDG 5: gender diversity and empowerment.

"We have a double objective – financial performance, and social and environmental impact," Varlet explained. "We have extensive data to show the correlation between diversity and strong economic performance. And now, diversity data on companies is becoming easier to obtain.

"We have quantitative and qualitative criteria. The quantitative criteria is that we want companies with at least 30% women in their executive committees. This is not exactly equity, which is 50/50. But this is still almost double the 16% average for companies in the MSCI World index.

"We will also invest in companies with a female CEO, CFO or both at its helm. On average, 4-6% of MSCI World companies have female CEOs.

"Our last requirement is that we want companies with a good balance of women on their global workforce – with the gap between men and women falling below 15%."

Elsewhere in the portfolio, the manager is particularly positive on US pharma giant Eli Lilly, which has a female CFO, an executive committee comprising more than 30% women and strong levels of diversity data.

"What is key in the pharma sector in terms of DEI is the focus on the diversity of clinical trials. In the US, for example, minorities account for 40% of the total population. But often fewer than 20% of trial participants are from different ethnic and cultural backgrounds. So, this is a key area where Eli Lilly can have a profound positive impact.

"Some methods have already been put in place to close this gap, through using decentralised clinical trial methods, and by converting recreational vehicles into mobile clinical research units. The company is also well known in the context of fighting against diabetes and obesity-related diseases, so it is very interesting to us."

Lauren Hardy

© Photo by Kyle Bushnell on Unsplash

LVMH's luxury empire rides out recession in style

As a slow trek towards recession remains on the mind of investors, one area of business seems to have flourished. As wallets become lighter, luxury retailer LVMH has continued to embellish them with Louis Vuitton logos.

Katerina Kosmopoulou, deputy manager of the J Stern & Co World Stars Global Equity fund, noted that the luxury goods market holds a few immunities to the difficulties other sectors face as belts tighten, in areas such as competitive pricing and new market players. LVMH, which holds legacy brands including Louis Vuitton, Givenchy, Marc Jacobs, Tiffany & Co and Tag Heuer, is a main player in this industry.

"It's very rare to launch a successful new luxury brand, because they rely on craftsmanship and heritage. There's an inherent value that comes from having the history of 100 years that differentiates these brands from others," Kosmopoulou said.

"It's a completely different experience than going into a mass market store. You have people waiting on you, the products displayed in a specific way and sales service. On top of that,there is significant advertising that goes into maintaining those barriers to entry, which allows them to have the pricing power. There's a reason why some brands will just never have the products on sale. It doesn't happen because they are protecting the brand."

When this sales model is successful, it provides high degrees of protection for the brand. However, while LVMH has found success in this model, even well-established designer brands have struggled as they are forced to explore new markets.

Burberry, founded in 1856 and home to iconic fashion such as its trench coat and checked pattern, saw its share price tumble 46.9% in the past year. In January, chief executive Jonathan Akeroyd raised awareness of a purchasing slowdown in the quarter to December, typically a peak season, and the company warned of an annual drop in revenue and profit.

In this same period, despite caution in similar market conditions, LVMH's share price rose 6.8%. Kosmopoulou said having flexibility in product as well as diverse geographic appeal is a differentiator as the market tightens.

"Over the past few years, with one or two exceptions, the large, diversified players have been very successful, and some of the model brands, players like Burberry, have suffered. You've had volatility around Covid and supply chains, and you need to invest heavily behind those brands to build globally," Kosmopoulou said.

For LVMH, Asia now represents 38% of its overall revenue by region of delivery, and almost half of its fashion and leather goods sector. The US, which represents 25% of this revenue, has shrunk two percentage points since 2022.

Kosmopoulou added: "If you want to capture, say, the Chinese market, you have to go out there and spend significantly in terms of presence and stores. That's not easy to do for a smaller player, and that inevitably has meant that for larger players, it becomes a virtuous cycle. They have the money they can spend on stores, they can spend on advertising, they can spend it on creative design and talent, and that builds over time." **PA**

Hannah Williford

Research and rescue

Tom Aylott asks what can be done to boost the profile of UK small caps as dwindling research is deterring retail investors from entering the market

A lack of research on smaller UK companies could be deterring retail investors from exploring a part of the market in dire need of a capital boost. The FTSE UK Small Cap index has declined by 6.3% during the past three years, and while larger companies are often researched by a wide spread of analysts and get frequent media coverage, there is little information everyday investors can access on small-cap businesses.

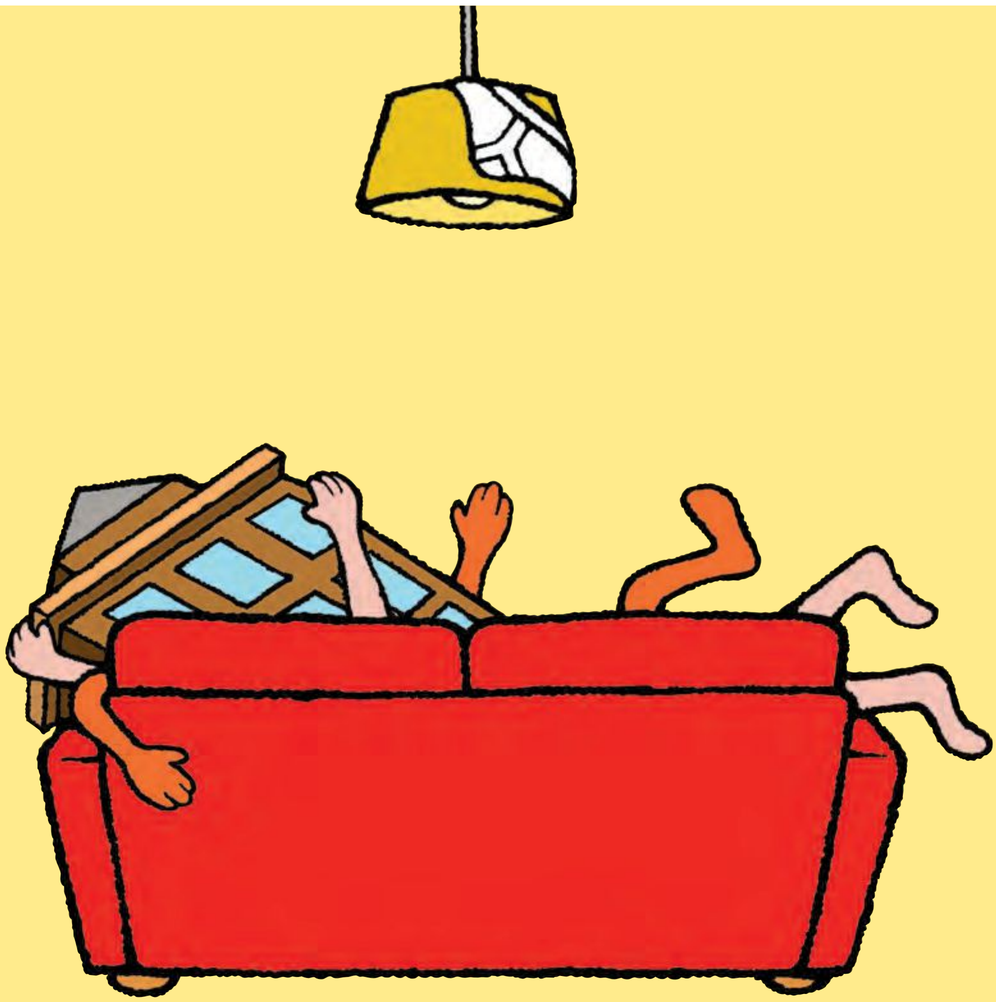
This lack of research is not only deterring retail investors but is also putting off many professional investors, says Alexandra Jackson, manager of the Rathbone UK Opportunities fund. The way institutional investors commission research changed with the introduction of Mifid II in 2018, which unbundled execution fees from research costs. This made accessing information on the already under-researched small-cap market yet more challenging.

Jackson says: "It becomes a vicious spiral. There is less money to pay for research, so you get less interest in the stocks, which leads to even less research. You can see the impact on valuations, which is already historically cheap compared with other markets, but small mid-caps are even more discounted."

'A spotlight on the shopfront'

It is an issue that Rachel Kent, financial regulators complaints commissioner at the Treasury, addressed when she chaired the Investment Research Review in July last year. She recommended asset managers be given additional optionality to pay for research on a bundled basis.

Doing so could encourage more research into UK equities, but further steps need to be taken for the full effect to be felt. Kent says: "We hope that will increase the flow of money available to provide research, but we weren't sure whether that would filter down to the mid- and small-cap level. That is why we also recommended the creation of the investment research platform."



The platform would be a hub of information on publicly traded companies in the UK, accessible for all investors, which Kent hopes will "shine a spotlight on the shopfront" by promoting opportunities in the home market.

And there is certainly appetite there. Unlocking the potential of retail capital could provide a much-needed boost to the small-cap market. Kent says: "The evidence we got from the report was very much that there is more money available for retail investment, whether that is because of pension changes or an ageing population. There is an appetite for investing in new and exciting things, but small and mid-cap companies in particular have some acute funding problems."

A question of cost

Jackson is also aware of appetite from UK investors, but points out that much of the research shared by retail buyers happens on unregulated channels.

"If you've spent much time on Reddit or other forums, you'll notice there is a big, active community of retail investors doing a lot of their own research already, and they're extremely well informed," she says. "There are forums out there for keen investors – I think the formalisation of that would help."

As helpful as the research platform would be, Jackson is concerned as to who will pay for it.

Kent says: "We put a few different mechanisms in the report, but the one I prefer is the transaction levy. That puts the levy on the end investor, which is where it was before Mifid changed everything, so it's righting the wrong, so to speak.

"Mid- and small caps represent a growth opportunity, and the people who benefit most from that are the investors. [A transaction levy] would be the price of accessing that growth in an educated way."

Even so, Jackson questions whether putting the charge on the end user is going to give investors another reason to steer clear of UK equities. She says: "The UK already stands out in that costs are too high and creates an unlevel playing field, so why would you want to add more costs, particularly to retail investors? It's not the way forward."

Kent defends the position, saying if activity increases as the platform intends to assist with, it would be spread across a greater number of transactions, making the end cost "relatively small". "If the objective is to make the UK a more attractive place to list your company, you don't want issuers or exchanges to pay. We have a quality product – why should there not be a charge for that?" **PA**

'It's a vicious spiral. There is less money to pay for research, so you get less interest in the stocks, which leads to even less research'

Alexandra Jackson, manager, Rathbone UK Opportunities fund

Build back better

After rather a grim couple of years for infrastructure, Principal Asset Management's Emily Foshag argues there's a strong valuation argument for the asset class today. By **Cherry Reynard**

There are many reasons why infrastructure should be a sound investment option. It has defensive cashflows and inflation protection at a time when global economic growth is weak and inflation high. It is also a natural beneficiary of vast government spending programmes, such as the US Infrastructure Investment and Jobs Act, and the Inflation Reduction Act (IRA). Operationally, meanwhile, infrastructure companies have continued to perform well.

And yet it has been a grim couple of years for the asset class. In the three years to 31 January, the FTSE Global Core Infrastructure 50/50 index has delivered an annualised return of 4.4%, compared to 8.9% for the MSCI World. This gap has been particularly acute during the past 12 months, when the MSCI World index gained 17.6%, versus a fall of 2% in the infrastructure index. This, says Emily Foshag, manager of the Principal Asset Management Global Listed Infrastructure fund, is where the opportunity may lie in the year ahead.

Operationally, infrastructure assets have been doing what they've always done. They provide essential services, operating as regulated, contracted monopolies, such as utilities, transportation, infrastructure, airports, ports, toll roads and energy infrastructure. This may include renewable infrastructure and oil and gas pipelines, and more recently, communications infrastructure such as cell phone towers and satellites. They are cashflow-generative, with inflation-protected revenue streams.

The problem has largely been one of sentiment and circumstance. Foshag says that while infrastructure usually does well during a recession versus global equities, the 2020 recession was an anomaly. "The nature of the health crisis had a disproportionate impact for infrastructure companies. It was difficult to be an airport or a toll road business during Covid." Energy infrastructure was also hit by a weaker oil price.

Since then, there have been other problems. "In 2021, the market was very focused on post-vaccine recovery. Cyclical stocks were hot, so infrastructure trailed again," she says. In 2022, infrastructure fared better, but from the start of 2023 the sector has struggled against rising interest rates. Flows have come out of the sector, as investors have moved back into fixed income and cash.

However, it means the stocks have got cheaper. Foshag says: "We've been banging the table that the relative valuations of global infrastructure versus global equity look attractive. If you look at enterprise value to Ebitda multiples, historically infrastructure has traded at a slight premium. That premium is the lowest it's been since the global financial crisis."

Listed infrastructure also trades at a significant discount to unlisted infrastructure. Foshag says the difference between the two sectors has widened to around 30%. "There's a strong valuation argument for infrastructure today."

Equally, many of the factors supporting infrastructure assets are still in place, she says. For example, Principal is expecting annual investment in the energy transition to increase to around \$2trn (£1.6trn) in the second half of this decade, up from \$1.4trn from 2021 to 2025. Western economies need the productivity boost that global infrastructure development provides. A recent report from McKinsey found the world needs to invest about 3.8% of GDP from 2016 to 2030, or an average of \$3.3trn a year in economic infrastructure just to support expected rates of growth.

Political piece of the puzzle

There are caveats. In a big election year, there are political risks – particularly to the renewable energy transition – and this is something Foshag and her team are analysing. There is a danger that an incoming administration halts existing infrastructure plans on cost grounds. This is particularly evident in the US. She adds: "Could a Republican administration repeal the IRA? There are several elements of the IRA and some are at risk, but the ones we see as most critical to

Biography

Emily Foshag is a portfolio manager for Principal Asset Management. She is responsible for the firm's global listed infrastructure capability and is also a member of Principal Asset Management's ESG Investment Council. Foshag joined the firm in 2019. Prior to her current role, Emily served as a portfolio manager and research analyst for the listed infrastructure strategy at Franklin Templeton.

the businesses in which we invest, we think the risk of repeal is lower." For her, the risks are around areas such as electric vehicles, where there isn't bipartisan support. Wind and solar subsidies, on the other hand, are benefiting red states (Republican) such as Texas and Iowa, as much as blue states (Democrat). These are likely to stay as a result.

It pays to be selective

Foshag believes infrastructure may also resume its previous place in a portfolio as a defensive asset. While a recession has been much-anticipated and has not yet arrived, it is likely to happen within the next 12-18 months. In this environment, she says, infrastructure assets should hold up well.

However, some selectivity is needed. The sector is not homogenous, and value is better in some sectors than others. She says: "Transportation stocks have performed more strongly. The areas that have underperformed are those perceived as more sensitive o interest rates – utilities, communications infrastructure and pure-play renewable stocks. As an active manager, this provides an opportunity to reposition towards those areas that have underperformed as long as we're still comfortable with the long-term fundamentals – which we are."

Communications infrastructure had been hit particularly hard in 2023, but Foshag says these are businesses that continue to benefit from strong dynamics around mobile data demand. "Last year was a good entry point on a three to five-year view."

On the fund, the team are trying to find companies with above-average quality, at below-average valuations. "We use disciplined valuation and quality frameworks that allow us to make decisions that are consistent and repeatable. When we're picking stocks, we take time to look at how our views are different from consensus and that allows us to have a view on value realisation."

That means having an idea of a catalyst that might trigger value. "We want to own stocks for three to five years, so there is an element of analysing long-term structural growth opportunities and positioning the portfolio accordingly," she says. The portfolio is usually around 35 stocks, out of a possible universe of 350. Foshag adds: "We have risk controls at the sector and geographic level, which allows us to make sure the bulk of excess return generation over time is coming from strong security selection."

The fund is managed against a core infrastructure index, which has around 85% in developed markets and the remainder in emerging markets. The portfolio reflects this split. She points out that a lot of developed market companies invest in emerging markets, so the proportion is probably higher than it appears. There can be opportunities for stronger growth there. "There's less coverage of emerging market infrastructure stocks by the broader equity investor universe. That's a great opportunity as stockpickers. However, we'd typically need to see higher upside to our view of intrinsic value."

In terms of geographical positioning, the portfolio is about 50% US, 30% Europe. The European exposure is an overweight. For regulated utilities, renewable developers and cell phone tower businesses, there are better relative valuations in Europe, says Foshag. "We're less optimistic in Asia generally. In particular, we are less bullish on infrastructure in Japan than we were 12 months ago. Japan has been a hot equity market and the valuation opportunities are no longer as attractive."

Transmission transition

At the moment, a notable overweight in the portfolio is in the energy transmission sector. Foshag believes the role of energy transmission and distribution is often not appreciated. "You can build wind and solar all day, but if you don't have transmission infrastructure to bring to consumers then energy transition will never work."

The team also likes water utilities, believing investment in clean water supply will become more critical. She also believes stocks exposed to communications infrastructure should be broadly resilient through a recession.

Transportation is a significant underweight. The manager notes that the stocks are trading close to all-time highs and not reflecting any risk of an economic slowdown.

The performance of infrastructure during the recent rally may be a hint of things to come. While infrastructure as a whole did not notably outperform, areas that had been hit particularly hard by rate rises – such as pure play renewables, cell phone tower companies – rose significantly. They remain sensitive to interest rates, however, and have therefore weakened as expectations have shifted since the start of the year.

Foshag says: "This short-term volatility is fairly normal as we're nearing the end of a rate-rising cycle. Despite this, we have high conviction in the medium-term path, which is that interest rates will be lower in 12-18 months. But there will be some bumps along the way. Rates peaking has been a strong catalyst for infrastructure outperforming global equity. You just have to wait it out and be active to top up positions that have struggled." **PA**

£1.1trn

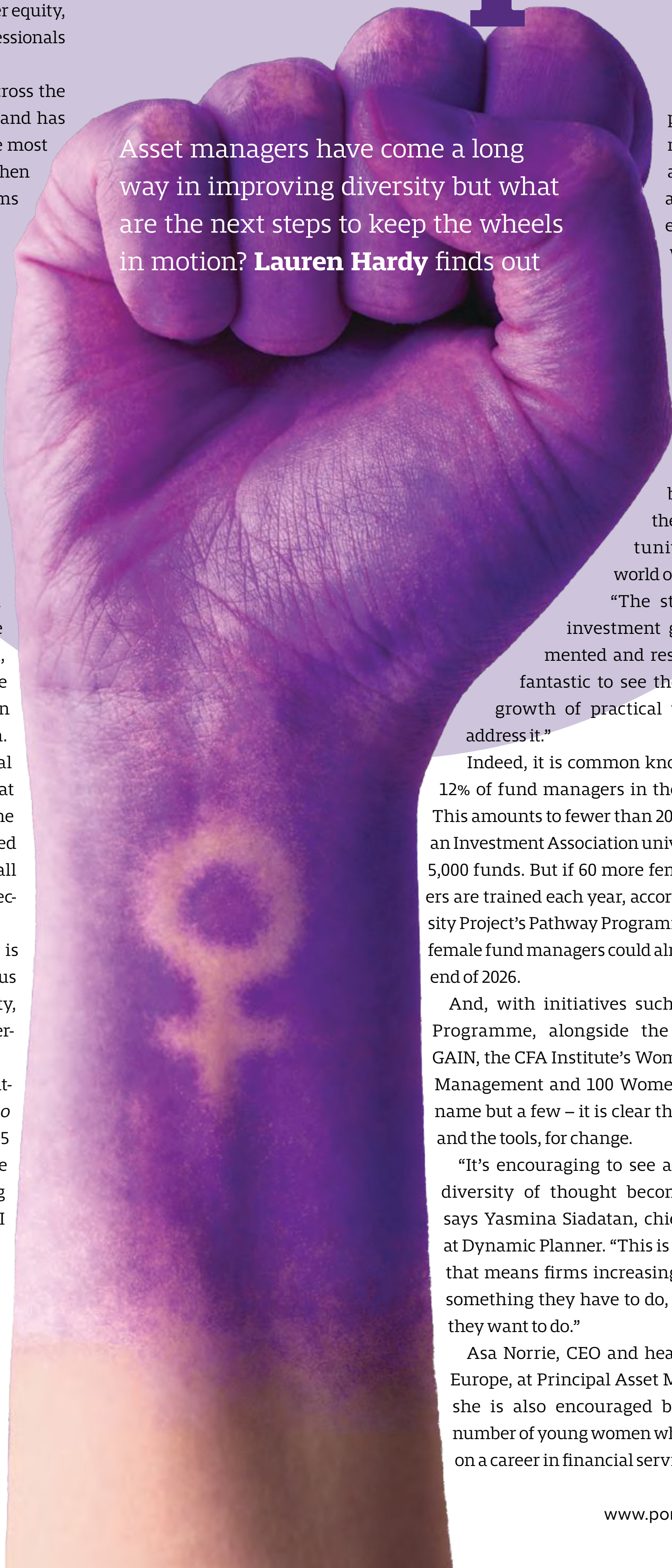
Annual infrastructure spending on energy transition from 2021 to 2025

£1.6trn

Projected annual infrastructure spending on energy transition from 2026 to 2030

Source: Principal Asset Management

#Inspire



Asset managers have come a long way in improving diversity but what are the next steps to keep the wheels in motion? **Lauren Hardy** finds out

Increased scrutiny of diversity claims from asset managers, women-only events and broad-based diversity, equity and inclusion (DEI) initiatives could mean the asset and wealth management industry is ready to move to 'the next stage' of harnessing gender equity, according to several senior investment professionals and diversity advocates.

It is undisputed that gender diversity across the industry has improved over the decades, and has continued to follow this trajectory – for the most part – during the past few years. However, when looking at the data alone, that progress seems to be slowing.

According to research from Deloitte, more women have taken C-suite roles in financial services over the past decade than men. In 2012, 12.1% of C-suite positions were held by women. This number has increased incrementally every year and, as at the end of 2023, stood at 18.4%. Deloitte predicts this upward trend to continue but at a slower pace, with 21.8% of C-suite roles projected to be held by women by the end of 2031 (see graph on opposite page).

Similarly, London Stock Exchange research published last year concluded that the percentage of women in managerial roles in financial services rose by an average of 8.2% each year between 2016 and 2021, compared with 6.3% for men. However, the employment gap between men and women has fallen consistently every year since then.

And, data from EY's European Financial Services Boardroom Monitor shows that appointments of female board directors to the UK's largest financial services firms declined 28 percentage points in 2023: just 33% of all appointments last year were of female directors, compared with 61% in 2022.

This is not to lambast an industry that is clearly making good progress, with numerous initiatives designed to increase gender parity, as well as the number of women both entering and remaining within the industry.

Diane Earnshaw, research and consulting director at Square Mile, tells *Portfolio Adviser*: "I have been in the industry over 25 years. While a lot more can be done, there are more woman leaders now and more young women entering the industry than when I began my career.

"Great initiatives like, GAIN (Girls Are Investors) exist now and are supported by a strong network of females in the industry committed to supporting other women. They work directly in schools, sixth-form colleges and universities to help overcome stereotypes and encourage greater diversity."

Camilla Esmund, public relations manager at Interactive Investor, adds: "What is encouraging – but what I'd love to see more of – within the investment industry is the growth of grassroots activity to help encourage more women to not only invest but to be aware of the breadth of opportunity within the world of investment.

"The staggering gender investment gap is well documented and researched, but it is fantastic to see the emergence and growth of practical ways to actually address it."

Indeed, it is common knowledge that only 12% of fund managers in the UK are women. This amounts to fewer than 200 managers, amid an Investment Association universe of more than 5,000 funds. But if 60 more female fund managers are trained each year, according to The Diversity Project's Pathway Programme, the number of female fund managers could almost double by the end of 2026.

And, with initiatives such as the Pathway Programme, alongside the aforementioned GAIN, the CFA Institute's Women in Investment Management and 100 Women in Finance – to name but a few – it is clear there is an appetite, and the tools, for change.

"It's encouraging to see an appreciation of diversity of thought become mainstream," says Yasmina Siadatan, chief revenue officer at Dynamic Planner. "This is an important step that means firms increasingly see DEI not as something they have to do, but as something they want to do."

Asa Norrie, CEO and head of distribution, Europe, at Principal Asset Management, says she is also encouraged by the increasing number of young women who want to embark on a career in financial services.

"This is supported by grassroots initiatives in schools," she explains. "I was recently a member of an all-girls school governing council, where we spent a lot of time discussing STEM subjects and how to encourage more women into these subjects.

"By introducing them to role models in these areas and showing it isn't just a masculine focus area, more women are able to envisage a career in these fields."

Apiramy Jeyarajah, chief commercial officer at Nedgroup Investments, adds that she has seen both fund selectors incorporating more detailed questioning in regards to diversity and increasing diversity in senior roles which "will drive change".

"Furthermore, these individuals will look at things from a different mindset and accelerate the trend," she says.

There is myriad evidence to support that greater diversity achieves a 'snowball' effect. A study from Deloitte last year found that, for every woman added to the C-suite of a company, an average of nearly four women tend to join senior leadership roles.

And yet, the opposite effect seems to be taking hold within investment management at present, with gender diversity progress stagnating as opposed to ramping up. What is causing the disparity between greater awareness of the need for diversity, relative to the physical changes taking place?

Has DEI 'shot itself in the foot'?

Some believe that greenwashing within DEI is partially responsible, with the increase in gender diversity events giving some firms the chance to 'talk the talk' on the subject without being intentional and action-focused. As a result, some members of the asset management industry are switching off.

Natalie Kempster, head of client and proposition at Argentis Wealth, believes this stems from "external pressure to attract socially conscious investors".

"Unfortunately, it seems to be somewhat performative with companies implementing superficial initiatives for optics, lacking a genuine commitment to change," she says.

Baroness Helena Morrissey DBE, chair of The Diversity Project, explains that while she has always encountered "dissenters, sceptics and eye-rollers" and "those who clearly regard the efforts as 'political correctness'" over her 20 years of campaigning, she says the backlash against DEI has "reached a whole new level" during the past couple of years.

"In the US, a culture war rages and DEI has to some extent shot itself in the foot, with a distinct lack of tolerance on university campuses," she reasons.

Combatting diversity fatigue

At one end of the spectrum there is encouraging diversity without belittling the achievements of successful women; at the other, there is the need to ensure the investment industry isn't beginning to fall foul of 'diversity fatigue'.

At times, diversity initiatives – in particular relating to gender – can be met with criticism including: 'We already know diversity is important, so why do we have to keep talking about it?'; or: 'It's becoming more difficult to be a man than a woman'.

"Messaging needs to be inclusive and empowering," says Argentis's Kempster. "There is space to celebrate achievements without tokenising individuals. The tone also needs to be positive and focus on the collective benefits of how diversity strengthens companies and the industry."

Morrissey knows of "one or two" leaders who want to be advocates for gender equality but are worried about "upsetting the men". This, she suggests, is likely because they "haven't quite got the messaging right".

"Firms need to show this isn't about excluding or blaming men or giving preferential treatment to women. The DEI industry has developed a language of its own, and that can be off-putting and feel exclusive. 'DEI' is being used as shorthand for a whole 'side' of the culture wars – so don't use it. Go back to basics – talent development, leadership skills, culture – these are less antagonistic terms.

"Many white men (especially if they are 'undiverse' in other respects) feel excluded by DEI efforts. For the Diversity Project, inclusion means everyone. Guard against any sense that these efforts are only about the under-represented. We're not trying to replace one source of injustice or discrimination with another."

Indeed, a diverse team offers significant benefits from a business perspective. A study from McKinsey, which examined 180 companies over a period of four years, found companies with diverse boards performed much better than their counterparts, with firms in the top quartile for their board diversity achieving 53% higher returns on equity than those in the bottom quartile.

Elsewhere, researchers from Columbia, MIT and the University of Texas-Dallas found stockpickers in more diverse investment teams made better pricing decisions, achieving a 58% outperformance relative to 'undiverse' teams.

And, while some may argue it is hard to prove the causation between diversity and company performance, a study by The Research Institute and Credit Suisse focusing on already-successful mega-cap companies suggested that "causation between greater gender diversity and improved profitability goes beyond simply pre-existing strength of the company".

Jeyarajah says: "There is so much research that shows firms with diverse leadership teams are better able to commercialise new ideas, boosting their earnings. Research concludes the positive effects are additive, implying the more dimensions of diversity represented – race, gender, social class, sexual orientation, neurodiversity – the greater the positive impact on performance.

"In other words: more diversity brings different perspectives from different lived experiences, different approaches to problem solving, for example, and therefore better outcomes."

Kempster: 'There is space to celebrate achievements without tokenising individuals'

"Far from welcoming a wide spectrum of viewpoints, DEI has been distorted to approve and advocate very specific 'correctness'. The opposite, really, of what was originally intended.

"In the UK, the anti-DEI movement across the Atlantic is grist to the mill of those who have never been supportive of diversity efforts – whether that's because they are worried about it all being a 'zero-sum game', feel excluded from DEI efforts, or are just totally sceptical. The crescendo is growing."

Bev Shah, founder and CEO of City Hive, says: "There has been an increase overall in micro-initiatives, some of them good and some less impactful. The increased attention that has been given to topics should be welcomed, but needs both guide rails and responsibility to make sure this energy is poured into meaningful actions. Simply putting a name to something or stating platitudes can give the impression progress is being made when nothing underlying is really changing."

When it comes to greenwashing in terms of ESG, it has led to a concept now known as 'greenhushing'. According to a study from KBI Global Investors, 97% of advisers surveyed were concerned about the potential for mis-selling allegations when it came to ESG-labelled funds, meaning they were more likely to shy away from using them.

Could the same be happening for firms in terms of publicly implementing DEI initiatives? Dynamic Planner's Siadatan says: "I have not seen evidence of this. DEI is on the agenda now and my view is that no news is bad news. Even if genderwashing has occurred, it means those companies recognise they need to be doing something in this area."

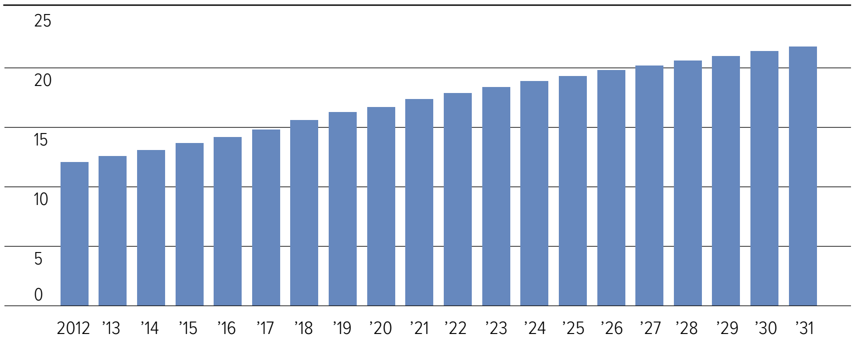
Morrissey agrees that she does not see this happening and that, if anything, it means firms who are serious about improving DEI are "even more determined to make progress".

"But they recognise the backlash and are conscious of the need to draw a distinction between their actual aims and the new negative connotations of the 'DEI' label," she explains. "The rewards of cognitive diversity have been underplayed at this point; true diversity is not at the expense of the majority, but will improve decision-making and 'grow the pie'. But that rationale has been lost in many DEI initiatives – it needs strengthening. The best teams aren't made of the best individuals; the dynamic between them is key."

Nedgroup's Jeyarajah says the issue is less about 'genderwashing' and "more about the lens through which workplaces are looking at the issue".

"It's not about headcount and ratios of men to women on the floor. It's about taking a longer-term view – creating an embedded and practiced company culture that enables individuals – both men and women – to thrive. For managers, this means focusing less on 'managing' people and more on 'leading'. Asking the question: what do you need from me to do your best work?

C-suite positions held by women, 2012-22, and forecast, 2023-31



Note: Forecast is based on current levels of anticipated effort to achieve this goal.
Source: Deloitte Centre for Financial Services analysis of BoardEx LLC data.

The power of paternity leave

When asked for tangible ways to improve the inclusivity of a company, one theme reared its head more than most: parental leave.

Gravis's Poulin says that, while more flexible working within asset management post Covid has been positive, "there is still a fear among many women that taking a break to have children could significantly impact their career progression" and "the current pay and pensions gender gaps back this up".

Tillit's Hjertman says that by offering longer paternity leave for men, "we can begin wiping off the stigma of paternity leave and normalise parental leave as a shared responsibility, rather than one that typically falls on the woman".

"This could have significant direct and indirect positive effects, including stronger bonds between fathers and their children, more equality within relationships and between parents, and even a reduction of the gender gap as fathers take more of a step back, therefore allowing women to come back to work sooner."

J Stern's Kosmopoulou agrees that more flexible working life structures are key, which includes more generous parental leave for fathers.

"Equally, time out of the industry, while for example on maternity leave, should not be seen affecting the continuity of track records but rather as enriching one's perspective," she explains.

Sarah Bratton Hughes, head of ESG and sustainable investing at American Century Investments, says: "I believe that back-up childcare, as well as elder care also benefit in levelling the playing field.

"Whether it is children or caring for siblings or aging relatives, women often take on the role of caregivers, so having this benefit allows reduces a key stress for employees."

Ita McMahon, partner of investment management at Castlefield, says this is already changing, with men now "more likely to be actively involved in childcare than ever before".

"Male colleagues taking extended paternity leave, working flexibly to do the school run or juggling sick kids and work commitments all help to change the perception of parenting as 'women's work'," she explains. "Over time, this will help to change norms."

Kosmopoulou: 'Time out of the industry should be seen as enriching one's perspective'

"If you are approaching diversity (and I mean gender diversity, diversity of thought, cognitive diversity, racial diversity) as a tick-box or numbers exercise then it's not going to stand up to scrutiny. However, if it is a part of the culture and ethos of a company then it's about finding, attracting and retaining the right skills and fostering the right environment to achieve better business results.

"This is what truly diverse companies will be talking about. You are unlikely to hear the DEI narrative as that's only one part of the bigger picture."

Are we there yet?

Given improved rhetoric around DEI – in particular gender, there is sometimes a belief that 'enough has been done' and that attention must be focused elsewhere. An additional conundrum for DEI advocates is cross-sectional diversity, and the fact gender is only one piece of the puzzle.

Katerina Kosmopoulou, partner at J Stern & Co and vice-chair of CFA UK, says: "There is a recognition that diversity is multi-faceted and includes other aspects, including socioeconomic diversity, neurodiversity and ethnic diversity. Ultimately, it is about ensuring there is broad-based representation, which translates into diversity of thought and perspective, which ultimately leads to more robust investment outcomes, a more resilient industry and a richer client experience."

"That doesn't take away from the fact that more needs to be done to foster gender diversity and, importantly, inclusion."

Anna Anthony, UK financial services managing partner at EY, agrees gender diversity should remain a strong focus for financial firms, but should not come at the cost of progressing other areas of DEI.

"All forms of diversity should be seen as a key driver of performances," she reasons. "While firms have made great strides in terms of gender diversity, there is still work to be done. Change has come, but an absence of senior women in the boardroom, in the c-suite and in leadership roles at all levels of organisations is telling of the work that lies ahead to support gender equity."

She adds that many of the measures already implemented to progress gender diversity "can be evolved to support the whole DEI agenda".

"These measures include encouraging senior leaders to self-reflect on personal bias and challenge it, and encouraging everyone to provide an opinion in team meetings. The key to supporting diversity is a firm-wide effort, to be enacted daily by everyone across the organisation, rather than tasked to a single team."

Dynamic Planner's Siadatan says the concept of having 'done enough' does not apply when it comes to diversity, explaining: "This is an always-on concept that must live and breathe in our organisations. It's social progress and, as such, it will have to be tackled over generations."

'What we may have done enough of is surface-level awareness raising. This stage is important for people to feel like they have a voice – but advocacy and action must follow'

Bev Shah, founder and CEO, City Hive

18.4%

Percentage of women in C-suite positions in financial services in 2023

21.8%

Projected number of women to hold C-suite roles in finance by 2032

Source: Deloitte

City Hive's Shah agrees gender equity issues are "structural, rooted and will take time to consider and change". "What we may have done enough of is surface-level awareness raising," she points out. "This stage is important for people to feel like they have a voice – but advocacy and action must follow."

Is it patronising?

Another headwind diversity advocates can face is how to take these next steps without patronising people in the industry. It's a valid argument that women would like to be recognised for their skills and the hard work they do, rather than for 'being a woman' who happens to be in a role more commonly filled by a man.

EY's Anthony says: "As a senior female leader in financial services, I am regularly asked to contribute my view on gender diversity and my experience as a mentor and guide for others. While I recognise my role and the critical importance of supporting further progress in diversity, the degree to which this is still such an issue is disappointing.

"The day people no longer ask me how I 'made it' in financial services as a woman is the day that real change has been achieved."

Felicia Hjertman, founder and CEO of Tillit, concurs that everyone wants to be recognised for their expertise and experience rather than their gender, but "sometimes initiatives that are rooted in good intentions exacerbate the focus on gender".

"The simple use of 'female' as an adjective in the context of describing a fund manager, CEO or judge to an extent suggests it's an aberration for a woman to perform the role," she explains. "If we are ever going to normalise women in powerful positions, previously only occupied by men, then we must stop highlighting it at every turn."

Morrissey agrees, pointing out that fund management is a very quantitative profession, and that investment performance will therefore "speak for itself through the numbers".

"Commentators should talk about 'the best fund managers' for example, not the 'best female fund managers'," she says.

"I am not so keen on women-only awards and events other than as a short-term way of encouraging us while we are still in a small minority. Ultimately, we shouldn't need a 'special' category. I once won an award, the 'Most influential woman in European asset management' and my seven-year old son asked me 'who won the most influential man?' Of course, that award was just called 'Most influential'!"

Bianca McMillan, associate at Gravis Capital Management, agrees that "everyone wants to be recognised for their skills rather than their gender" and that referring to people by their role without their gender is important. However, she adds: "Equally, the emphasis on gender plays a part in highlighting to others that the role is accessible to women. It's all about trying to find the right balance."

The solution to this conundrum, according to Principal AM's Norrie, is to encourage inclusion by "promoting diversity of thought rather than diversity in terms of pure biology".

"I have always maintained I do not want a job because I am female, but because I fit in to what the company wants to do," she says. "We are all different and diversity across the board can only benefit a company as it means bringing different perspectives which automatically opens doors to new ideas and ways of thinking.

"That said, representation matters. Mentorship and networking programmes continue to play an important role in financial services, fundamentally because it is important for women to see themselves in other leaders and role models, so that they know their goals are attainable."

Beyond a tick-box exercise

The key for companies to generate greater diversity and increase their number of female role models, according to commentators, is to foster and maintain an inclusive working environment.

J Stern's Kosmopoulou believes the industry is already implementing "a lot of policy-led initiatives". "The difficulty is translating policy into deep cultural change and a shift of behavioral biases."

Jeyarajah warns against firms viewing DEI as a "tick-box exercise" as they will not feel the benefits. "The notable differences will become visible when more fund selectors embed more detailed questions on culture, on creating psychological safety and an environment for diversity of thought and freedom of expression," she says. "This diversity with a view to ultimate alpha generation is what will really make the biggest difference."

But Morrissey says "if someone hasn't bought into the data by now, explaining the case for DEI, they are unlikely to". "Firms have many initiatives – but if people do not believe in the rationale, they won't deliver. Good men can be so powerful at influencing their peers, and showing them this is in the interests of the firm and clients, rather than some special interest project."

EY's Anthony says creating an inclusive environment for women will only happen if female talent is "nurtured at all levels".

"This requires a long-term commitment to fostering a strong female talent pipeline and ensuring the right support is in place for women to take on senior leadership roles," she explains.

Ita McMahon, partner of investment management at Castlefield, says clients also "have big role to play". "They could apply pressure by asking questions about the gender make-up of their asset managers. So many asset owners have an inherent interest in gender equality, whether that's charities interested in social justice, universities seeking employment opportunities for their graduates or pension funds that can see the gender disparities for retirees."

'If we are ever going to normalise women in powerful positions, previously only occupied by men, then we must stop highlighting it at every turn'

Felicia Hjertman, founder and CEO, Tillit

32%

Proportion of female 'key decision makers' within portfolio management in 2022

33%

Percentage of female board director appointments to the UK's largest financial services firms in 2023

Source: Mercer; EY

Next steps

It does appear that the next generation of fund managers entering the industry is more diverse than ever before. According to a study from Mercer, the proportion of female key decision-makers when it comes to managing portfolios – who have zero to five years of experience – increased by 13 percentage points between 2019 and 2022, from 19% to 32%.

Albane Poulin, head of private credit at Gravis Capital Management, says: "We need to make sure young girls know there are career opportunities for them in our industry. In the past it's been a problem because no women were qualified for the jobs on offer. So we need to be encouraging school and university-aged girls to consider financial services.

"Young Women in Finance is a good example of an initiative working to do exactly this, but we all have a role to play – going in to schools for career days and showing there is a place for women in asset management."

Interactive Investor's Esmund highlights an initiative her company works with is Money Movers, a peer-to-peer movement aiming to empower women to learn more about investing.

"It's not about advice, but rather sharing experiences and ideas in informal settings," she explains. "In fact, the genius of the programme is in its simplicity – women of all ages and stages of life coming together to talk about investing.

"We really shouldn't underestimate the power that women talking to other women about their investment journeys and experiences can have. It's also about the visibility of women taking control of their financial futures, and even this can be inspiring for other women."

City Hive's Shah says that in order to create and embed changes in attitudes and practice, City Hive has always tried to take a broader and longer-term view, with inclusive practice. "We need to create conditions where firms can talk transparently about their approach.

"It's crucial they are given the space to work out who they are authentically and to bring in whatever changes they think are needed, be it resources, senior accountability or a larger exercise on values. Some of this stuff is quite boring – the foundations, scaffolding and cross-checks – but it's very important."

And, in the meantime, senior figures can lead by example to foster an inclusive environment.

"Women do need to see other women in senior roles, then they know career progression is possible for them," Gravis's Bianca McMillan explains. "But just as important is seeing men take on equal roles with women in terms of other responsibilities.

"For example, senior men should be seen to work from home if their children are off school for any reason – not just the women. They need to be allies to the change." **PA**

Women's work

In an industry often susceptible to gender gap-related stereotypes, what is the experienced reality? Georgia Barham, assistant investment manager at Tyndall Investment Management reports

As a female graduate venturing into the famously male-dominated world of investment management, I was expecting to be greeted with a sea of homogenous faces; the infamous 'pale, male and stale' stereotype of London's financial district. I had read belligerent reports hot off the City press that warned of an industry in the midst of a burgeoning gender crisis.

I had seen shocking research highlighting gender disparity across the industry that served only to validate this mindset. Year-on-year gender parity progress was seemingly at a standstill; in 2023, it was reported that only 12.1% of portfolio managers in the UK were female – a paltry uptick of 0.1 percentage points from the 2022 figure of 12%.

It had been reported that, based on recent progress, it would take 200 years to reach gender parity for those running money. Only 5.5% of funds in the UK were headed by a woman, and just a 10th of new fund launches in the past 12 months have been assigned to female managers.

The proverbial nail in the coffin was to read Morningstar's claim that UK fund investors were more likely to have their money managed by a man called David than by a woman. Absurd, but true.

The odds did not seem to add up in my favour. I was preparing for battle; to fight my way through a system stacked against women for so long. This was not, however, and still hasn't been, necessary.

Making headway

The numbers are not pretty. It is ironic that, for an industry that lectures about diversification as a guiding principle within its portfolio companies, the concept is strikingly absent from team construction across all spectrums within the profession.

It does not take a detective to see there is a long way to go. On the face of it, the number of female portfolio managers at the top remains small. Gender equality is a well-worn subject, and one that the City has not yet mastered. The willingness, support and inclination are there, and not just from women but from men, too.

The sector abounds with programmes and initiatives aimed specifically at women, around recruitment, career progression, succession planning, mentoring and more. Top of the agenda has been to tackle retention issues and career bottlenecks. Changes to flexible working and parental leave policies have been necessary in efforts to avoid the risk of a female manager merry-go-round.

Part of the battle has been about shaping perceptions of asset management and efforts to generate awareness at early career stages.

'It is ironic that, for an industry that lectures about diversification as a guiding principle within its portfolio companies, the concept is strikingly absent from team construction'

On this front, recent stats are encouraging. The charity GAIN (Girls are Investors), recently reported "remarkable strides" in its mission to inspire young women to enter investment management careers. In 2023, there were 127% more applicants for the flagship Investment Insight Programme than in 2022, and sponsorship was received from 53 firms, up 71% year on year.

Other female-only programmes are also seeing success. The Diversity Project launched a Pathway Programme last year in the UK with 60 participants and 33 asset managers taking part. This year, those numbers have risen to 80 and 44, respectively.

First of its kind worldwide, this is an award-winning programme that focuses on developing the female portfolio managers of the future. As a part of the 2024 cohort, I feel incredibly fortunate to have the opportunity to participate in such an initiative, designed and delivered by industry experts and afforded to me only because I am a woman.

No similar programme exists for my male contemporaries. While the opportunity for young people starting out is vast, it is arguably even more so if you are female. Indeed, as Helena Morrissey famously identified in her book of the same title, *It's a good time to be a girl*.

The odds may not seem as adverse after all

In the wealth management space, things are looking rosy for female managers.

Eye-opening reports from the Centre for Economic and Business Research have revealed that 60% of UK wealth will be in women's hands by 2030. With FCA data last year unveiling that only 16% of advisers are women, simple laws of supply and demand suggest female wealth managers are a hot commodity.

This is because many believe female advisers are better placed to serve female clients. Research has shown that individuals are more likely to seek out managers who they can empathise with, who have similar values and shared experiences.

Firms cannot assume a 'one size fits all' approach will do the job and especially when it comes to female clients who often think differently about money. Wealth managers must recognise the specific needs and nuanced gender-based differences in investing attitude and confidence of a growing female client base. This is key to staying relevant in an ever-competitive investment landscape.

The future is female

In my short three years spent in the industry, my lived experience has seen nothing but complete encouragement and support and I feel incredibly optimistic about my career prospects.

There's room for us all. In a meritocracy-based career that prizes hard work and competence, young women are taking on the 'Davids' of investment management – and I'm sure they'll win. **PA**

Aligning the 'wheel

Jane Nicholls, head of business development at Redwheel, discusses clarity of purpose, doing sustainable investment well and the value of long-term relationships in asset management. By **Julian Marr**

"Exciting but also kind of terrifying" is how Jane Nicholls describes a recent discussion on just one of the potential ramifications of artificial intelligence (AI) for asset management. "It was about how generative AI will change the way people search for content," she elaborates. "One stat suggested the shift it will enable – from 'clicks' to 'conversation' – could make as much as 80% of content either unsearchable or irrelevant in the next 12 months.

"That is something we need to get to grips with very quickly as a business because it has such big implications, not least from a Consumer Duty angle. If investors are now able to build their own little bots, whose parameters allow them to search in a nonlinear way, then how do we ensure we publish a document and know the information in it will remain in the necessary state?

"And that is just from a distribution perspective – obviously there are a lot of other implications for the rest of the firm, in terms of the way we think about servicing customers, collating information for investing and so on. Still, this evolution in the way clients search for us and what information they receive back is just going to be fascinating."

Granular thinking

This sort of granular thinking on the asset manager-client relationship is very much part of the job for Nicholls, who joined Redwheel as head of business development in August 2022. She began her career in investment in her native Australia in 1998, moving five years later to the UK, where other senior roles have included head of client solutions and business development at JP Morgan Asset Management and global head of ESG client strategy at abrdn.

"The asset management space has changed quite a bit over the time I have worked in it," she says. "I have seen it play out in different ways but, as things stand, the relationship between asset managers, intermediaries and end-investors is symbiotic – we are all dependent on each other. At the same time, we have to be very clear what we stand for so the parts we have disintermediated from are equally clear as to why they are working with us.

"Importantly, asset management is not a transactional industry – it is based on long-term relationships and, to a certain extent, intangible product. From our perspective, then, we need both to have for ourselves, and to offer investors, real clarity on certain questions: what is the process we are following? What is the performance clients might expect? And what is the service we are going to deliver?

"And the way we do that at Redwheel, as a specialist asset manager, is by thinking very hard about what are the best investment capabilities – that is to say, the most talented investors – we can find? And how do we then set them up for success over the long term so they can deliver consistently – and therefore enable us to play our part in helping intermediaries and end-investors achieve their goals?"

Hub and spokes

Such thinking helped inform Redwheel's rebranding from RWC Partners at the start of 2022. This was some eight months before Nicholls joined the business but what are her wider thoughts on brand and, while we are in the vicinity, company culture? "Simplistically, brand is what you stand for and then culture is how you operate," she replies.

Sense and 'sensible adjacencies'

Might Redwheel's recent partnership with private-market 'climate tech' specialist Turquoise hint at a growing interest in private assets? "It is something we have been spending time thinking about," replies Jane Nicholls. "As a business, we grow by selling more of what we have, helping existing teams develop new ideas or looking at what I would describe as 'sensible adjacencies'.

"We are broadly split into three different areas of focus, one of which is the slightly contrarian value and income strategies, with the former run by Nick Purves and Ian Lance, and the latter by Nick Clay. We also have a big emerging market franchise and then, more recently, we have been developing our sustainable and thematic capability.

"Alongside these, as discussed, we have developed our Greenwheel sustainability research team, who support the investment teams in thinking about how they might grow out and integrate ESG or other sustainability considerations – and that naturally extends to the innovation that occurs around the long-term structural changes sustainability is driving.

"A key question has to be – does it help inform our listed strategies to have a view on what is happening in the unlisted space? Certainly, in some of these emerging industries, the unlisted pool of companies is growing faster than the listed pool so we are exploring that threshold. Areas such as biodiversity and climate are developing very quickly, with companies there innovating and growing fast and needing capital to move to the next stage."

"With the rebrand from RWC to Redwheel, then, it is not that we wanted to radically reimagine anything – indeed, we very much stuck to the business's existing values. It is more that we wanted to be much clearer about what we meant as organisation. In that sense, an acronym was maybe slightly anonymous, whereas an actual red wheel is part of our history – it still sits in our old office building.

"It was a working piece of equipment – part of the mechanism of a large winch that moved military horses in and out of their stables – and it also symbolises how this business is set up. We are clear about the separation between the 'spokes' of the investment side of the business – currently seven teams set up very independently and autonomously from us – and the corporate 'hub' that delivers all the services.

"So Redwheel is not just a name we thought might help establish a presence in people's minds or push us forward in terms of thinking about our products – it really is part of what we stand for and something we believe we can articulate sensibly to people. As I say, clarity of purpose is so important in this industry and so having a brand that helps you describe how the business operates is pretty powerful."

Collaborative culture

As for culture, Nicholls notes some 70% of the business is owned by the staff and reasons: "People are very invested in the culture here as a result. In fact, we have done quite a bit of work in the past few years to try and ensure everyone feels they are part of the culture – I mean, the values we have are collaboration, openness, inclusivity and empowerment.

"And while clients will obviously spend a long time analysing our investment processes and performance, these days – particularly some of the largest ones – they can spend as much time looking at the culture of the firm and understanding if we really do live it. A lot of people believe the idea that 'culture eats strategy for breakfast' can deliver excellent outcomes over the long term, so we put a lot of emphasis on getting our culture right."

'Asset management is not a transactional industry – it is based on long-term relationships and, to a certain extent, intangible product'

Jane Nicholls, head of business development, Redwheel

Redwheel's ownership structure, adds Nicholls, was a significant reason why she joined the business herself. "Having spent a long time in my career working at large listed asset managers, I know they can face external pressures," she says. "And, going back to that long-term, non-transactional nature of what we do, it just aligns really well with a private-ownership structure that does not to have to worry about such pressures.

"We can, for example, invest in teams who may have a contrarian style – and if, for whatever reason, that moves slightly out-of-kilter with the market, we do not tell them to change the way they do things. That is because our clients come to us for the purity of process and for what they can expect over the long term – and we are well-placed to deliver that because, being privately owned, we can be very long-term in our thinking."

'Plug and play'

As for whether private ownership also offers an element of insulation from the asset management sector's well-documented fondness for mergers and acquisitions, Nicholls points out Redwheel is set up to be far more interested in what she calls "team lift-outs" than any tie-up with a rival business. "M&A is incredibly difficult in this industry, particularly when it is done at scale," she says.

"As we have touched on already, this is a people business, assets are fluid and the product is somewhat intangible so it is hard to merge with or acquire another company and know you are going to retain its capability and clients. Given there is not a huge amount of net new money around at the moment, there will be people thinking M&A is a way to capture market share but it is a tricky path to go down.

Quickfire Q&A

Q: What is the best piece of advice you have ever been given?
'Better to have influence than power.' I was told this relatively early in my career and I have borne it in mind ever since. Over time, influencing people is actually much more powerful.

Q: What would be your 'top tip' to *PA* readers to help them run a better business?
Know what makes you different and really focus on that and cultivate it.

Q: What single issue should most concern professional investors at present?
Staying properly diversified in an environment where cash looks quite attractive and reading the macro signals is proving challenging.

Q: Does anything about your job keep you awake at night?
I don't actually mind waking up in the middle of the night because it can be a good time to think about things and I might end up solving a problem, having an idea or just making a task list. So, no – not in the sense of worrying. It can just help me process things in a different way.

Q: And what most excites you about your job?
Being in a business as a part-owner, you can have a real impact on what happens. I have already seen evidence we are a nimble business and can react speedily to developments such as ESG or AI. It is exciting to be in a place where you can make changes quickly and so, hopefully, grow your business and serve customers better.

Q: If you were head of the FCA, what would be your priority?
Generative AI is going to make a big difference to financial promotions and the way people receive information, so working out the implications of that would be a top priority for me.

Q: What advice would you give to someone starting out in investment today?
You meet so many great people in this business and learn so much from them, you really need to value the relationships you build along the way. Funnily enough, even though I moved to London from Australia some years ago, my path still crosses with a lot of people I knew there.

"On the other hand, the way our business model is set up – with a clear separation between the corporate side and the investment teams – how we grow is pretty simple. We either sell more of what we have, we help the teams develop new ideas or we go out and find new teams. So that type of 'acquisition', if you like – team lift-out or small purchase – works really well for us.

"That said, any new team has to be something we can support with our existing operating model of corporate hub and 'specialist equity' spokes. Where M&A can really grind to a halt is if people come in but cannot do their jobs properly. Our 'plug and play' approach means they can immediately focus on investment – but it is a very different skill from what I would think of as 'big picture M&A'."

Client perspective

Finally, what sorts of businesses does Nicholls see emerging as the winners and losers of UK asset management over the coming decade – and why? "All the potential developments, which have been much discussed in this context – the push for scale, the squeezed centre, the move to passive and so on – are actually happening over a much longer timeframe than people ever expect," she begins,

"Rather than analysing competitor businesses, I prefer to I look at it from a client perspective – where do we fit into the mix? You do see trends – for example, clients continuing to think about their exposure to passives but, because our whole thing is very concentrated, unconstrained, high active share, benchmark-unaware portfolios, we are doing something very different from what they can buy in the passive space.

"That should mean we continue to have relevance as clients will look to us to add diversification and maybe a slightly contrarian element to what they have in the bulk of their portfolios – while, at the other end of the spectrum, the very large players can try to be all things to all people, offering the full suite of products and services.

"They will not, however, do it with the same level of personal touch the boutiques and specialists can provide so, for us, it is about excellent product and that personalisation we can bring because we have so few layers between us and the client. So I do see a space for that, the larger players will serve a purpose and the passive businesses will probably grow more – but those who are not clear about their proposition will really struggle." **PA**

Nifty shades of green

Redwheel's recent partnership with private-markets specialist Turquoise, to create a venture fund for UK companies tackling environmental issues through tech and services, is not its first colour-linked sustainability project. At the start of 2023, the business launched a sister arm it said would both support and challenge its current processes for sustainability investing – christened, as you might imagine, Greenwheel.

Since we are on the subject of names in this space, what does Jane Nicholls make of the investment sector's seeming inability to settle on a communal way of talking about – and allocating capital to – such a crucial area? "Well, ESG essentially began as a way of thinking about the risks and opportunities and what you are investing in through a slightly different lens," she replies.

"And, ultimately, it was a very sensible way to invest because it offered a perspective as to what would make companies successful. Then, though, people looked to move beyond that and be more proactive – trying to target a certain range of outcomes – right up to sustainability and impact, where we have clients who have very specific goals they are trying to satisfy.

"I just think it would be good if people could take a broader perspective in all this – rather than trying to encapsulate it all in one word and then dismissing the whole idea because it has performed poorly over what is, in essence, quite a short period of time. And especially when you bear in mind most of these stocks are likely to be more growth-oriented – and that just comes down to a point in time in the market cycle.

"So whether it is, for example, climate-change mitigation or adaptation or that nexus between climate and biodiversity, these are critical issues around sustainability and we cannot afford to lose that conversation. Trying to compartmentalise this all into, do I do sustainable investing or not? is not the point – there is this long-term change and it is happening.

"The clients I talk to – and, remember, it is the institutions that often lead these trends – are super-interested in our sustainability strategies and very focused on delivering on those outcomes. What is more, there are a lot of aspects – from the way you do financial modelling all the way up to how you choose what you invest in – that, from a long-term perspective, sustainability is critical for.

"Take our Life Changing Treatments fund, which we launched last October and focuses on healthcare – but through a patient le ns. Manager Peter Hughes' argument is, in other words, if you have really good outcomes for patients and if you allow people to access healthcare as best as they can and therefore make it more equitable, then that is going to drive commercial results over the long term.

"Investors are often concerned that sustainability and commerciality cannot co-exist but actually they can – and indeed all our more sustainability-oriented strategies have very commercial objectives, too. Nevertheless, to run any sort of ESG/sustainability product set properly, you do need good underpinnings – if you are going to do it, you have to do it well.

"That is why we launched the Greenwheel team, which is run by Stephanie Kelly and has two specialist researchers under her – one focusing on climate and the other on social issues. And now, if any of our seven investment teams want to think more deeply about sustainability – from a risk perspective right up to an outcomes perspective – they have access to these thematic experts."

"We want to approach things from a very bottom-up perspective – that sustainable investing fundamentally goes to how you pick stocks and then engage with the businesses over time – and we now have a range of different capabilities built off that. You cannot just have a relatively superficial view of what sustainability means – you have to have that fundamental stockpicking investing capability built into your process."

EMD is rising from the ashes

Though investors have been quitting emerging market debt in droves, writes **Christian Mayes**, commentators believe a friendlier backdrop could entice them back in the year ahead

Amid a turbulent macroeconomic environment, the emerging market debt (EMD) sector has suffered a tough few years in performance terms with the average FO Fixed Interest - Emerging Markets sector fund falling 7.1% over the past three years.

Meanwhile, investors have also been turning away from the asset class. In the year to 31 January 2024, a net £28.4bn was redeemed from EMD funds domiciled globally. Over three years, the outflows deepen to a net £67bn, according to LSEG Lipper.

Commentators believe, however, that a more accommodating backdrop could come to fruition over the year ahead and provide a tailwind for EMD.

Geopolitics and the impact of Covid on economies with weaker health systems and limited fiscal support were among the reasons for the mixed performance of emerging markets (EMs).

Giulia Pellegrini, senior portfolio manager for emerging markets debt at AllianzGI, notes, notes that Covid hit EM economies particularly hard due to weaker health systems and more limited fiscal support when compared with developed markets.

"This resulted in slowing economic growth, particularly in China – a key variable for EM growth more broadly," the former World Bank economist says.

"China's economy slowed due to frequent lockdowns as well as regulatory changes that saw some economic sectors, such as real estate, come under particular scrutiny and pressure. In addition, Russia's invasion of Ukraine led to a spike in global food prices, which proved to be another hard hit to EM economies, where food baskets count for a much larger portion of the Consumer Price Index.

She adds that with the US Federal Reserve's tightening monetary policy after the pandemic, EM central banks also had to increase interest rates, putting further downward pressure on economic growth.

"With this combination of geopolitical risks, rising inflation and slowing economies, it is no wonder investors stayed on the sidelines and didn't sponsor the asset class. What is changing now is that we finally see on the horizon the potential catalysts for a turnaround."

Better times ahead?

Heading through 2024, the expectation of interest rate cuts in the US could spell good news for the asset class in terms of performance and flows.

"EM bonds tend to perform well when the US central bank ends tightening cycles. If history is any guidance, emerging market sovereign bonds delivered double-digit returns in the six months following the end of the last two Fed tightening cycles and outperformed US treasuries," says Pellegrini.

"While expectations of rate cuts by the Fed have been dialled back on strong economic data out of the US, our view remains that we will see the Fed starting to reduce the policy rate this year."

Kurdyavko: 'Lower-rates countries present opportunities for double-digit returns'

Su Fei Koo, portfolio manager in DoubleLine Capital's international fixed income team, also believes investors could return to EMD funds.

She says: "If as we expect US rate volatility eases, we could see EM fund flows turn positive as investors rotate back into the asset class given the attractive yield and spread pick-up relative to developed market credits.

"In addition, the technicals for the asset class remain supportive, thanks to significant reduction in new external bond issuance over the past few years, combined with a prominent level of tenders, buybacks and calls. This has led to a shrinking EM debt stock."

Risks remain

Though the macro environment for emerging markets looks set to improve, there are also risks that could hinder its progress. As noted by DoubleLine's Koo, emerging market economies are vulnerable to a global recession.

"However, within a shallow growth deceleration, DoubleLine expects higher-quality EM credits with high carry may benefit, as EM credit spreads may widen less than the compression in treasury yields."

A key source of uncertainty is the unprecedented election year that is set to play out across the globe, with over half of the world's population due to vote during 2024. In particular, uncertainty in the US over foreign policy could prove to be a headwind for EM debt.

Polina Kurdyavko, head of EM debt at RBC BlueBay Asset Management, says: "With 2024 bearing witness to the highest number of people ever heading to the polls, there are several elections that could impact both regional and global outlooks resulting in heightened geopolitical risk.

"The largest of these will be the US and what a Trump presidency holds in terms of injecting further uncertainty and the corresponding increase in global market volatility, particularly in relation to China and global trade.

"Second, the direction of Fed policy rates as they attempt to strike a balance between cutting rates and grappling with inflation, and finally, a potential escalation of what are currently regional geopolitical events to a global scale. For these reasons, we believe nimble portfolio construction, a focus on liquidity and fundamental conviction will be a crucial discipline to adhere to in the year ahead."

DoubleLine's Koo also argues that the US election presents a particular risk to emerging markets as candidates campaign on a return to protectionist policies. However, she notes that in the past, divisive campaign rhetoric toward foreign countries has been more of a starting point for bilateral negotiations.

Some countries also stand to benefit from these policy shifts, especially from 'friend-shoring' as the US and EU move supply chains away from China.

'We finally see on the horizon the potential catalysts for a turnaround'

Giulia Pellegrini, senior portfolio manager, AllianzGI

£28.4bn

Net capital redeemed from EMD funds domiciled globally to 31 January 2024

£67bn

Net outflows from EMD funds over three years

Source: LSEG Lipper

"While geopolitical risks are hard to quantify and protect against, certain regions are better able to weather these risks," she says.

"Latin America remains more insulated from conflicts within the Middle East, Europe and Asia. Indeed, EM commodity-linked economies, which tend to be low-cost producers, may benefit from higher commodity prices."

Ones to watch

Against this backdrop, where are investors keeping an eye on within the EMD universe?

Cathy Hepworth, head of PGIM fixed income's EMD team, expects a strong year for emerging markets as a whole.

"Outside of a serious contraction in growth, hard currency EM debt may generate high total returns and meaningful outperformance in 2024," she says. "Even in the event of a recession, the high carry and duration component of the asset class should be enough to offset any potential spread widening for a still meaningful positive total return.

"Within EM corporates, although the spread tightening in 2023 brought spreads to their historical average, opportunities likely remain as they have significantly underperformed their developed market counterparts.

"EM corporate high-yield spreads remain relatively elevated despite a 2023 spread return of nearly 6%. While spreads could compress further in a favourable macro environment, the yield on the EM corporate index of about 7.1% should contribute to an attractive total return in most scenarios considering most issuers' resilient fundamentals."

Allianz GI continues to favour positioning in the high-yield portion of the EM Sovereign asset class, says Pellegrini.

As the Fed turns to a more accommodating policy stance, she expects the resolution of some of the distressed debt situations that were the fallout of the Covid-19 pandemic.

"From a regional perspective we like Latin-American local currency markets for the inflation-fighting credentials that policymakers have shown; the prospect for monetary policy easing; and their healthier current account picture. Finally, we expect economic policy continuity out of India and Indonesia maintaining them as attractive investment destinations."

Looking ahead, RBC BlueBay's Kurdyavko adds: "We tend to favour export-biased countries, particularly commodity producers, in Latin America and the Middle East, which present a comparatively low credit risk given their respective higher credit quality and exposure to commodity prices that remain elevated.

"Meanwhile, lower-rates countries that have recently gone through restructuring, or managed to avoid debt restructuring entirely, also present opportunities for double-digit returns on a more opportunistic basis." **PA**

Hidden gems: Balanced funds

Using data from FE Fundinfo, *Portfolio Adviser* spotlights the funds across different sectors that are smaller than £100m in size, yet have achieved top-quartile three-year total returns relative to their average peer. They must also have had the same fund manager at the helm over this time frame. In this issue, **Tom Aylott** looks at balanced funds in the IA Mixed Investment 40-85% Shares category, which are offering investors a diversified blend of equities and bonds

WS Wise Multi-Asset Income

Fund size: £68.8

The WS Wise Multi-Asset Income fund is up by 26.2% over the past three years, accounting for the fourth-highest return in the sector despite its small size. This is more than three times higher than the peer group average, but comes with some of the highest annualised volatility in standard deviation terms, at 12.5.

Despite this somewhat volatile journey, investors were rewarded with above-average returns. They were also compensated with the highest dividend yield in the sector at 5.5%, offering an attractive source of revenue for income-seeking investors.

Managers Vincent Ropers (pictured below) and Philip Matthews achieved this top-quartile return and yield by investing in 30 funds and trusts, the largest exposures of which are TwentyFour Strategic Income, Schroder Global Equity and Aberforth Smaller Companies. Together, these three portfolios account for 18.7% of the WS Wise Multi-Asset Income fund.

VT Vanneck Defensive

Fund size: £37.7m

Another tiny fund with a hefty outperformance is the VT Vanneck Defensive fund, with assets under management of £37.7m. It climbed 22% over the past three years, storming 14 percentage points ahead of its peer group.

Unlike WS Wise Multi-Asset Income, this fund managed by Heneage Stevenson and William Stevenson beat its peer group without the fluctuating performance – it is one of the least volatile funds of the sector over the period at just 6.9.

This steady approach meant that the fund's gains were lower than its peers in positive markets, with an upside capture of 95.6% over the past three years versus the 102.2% made by the average fund in the sector. However, VT Vanneck Defensive compensated for this in negative markets, boasting a relatively shallow downside capture of 56.9%, which was considerably lower than the 99.4% lost by its peer group.

Indeed, it had the fourth lowest downside capture of the 197 IA Mixed Investment 40-85% Shares funds with a three-year track record, making it an appealing option for cautious investors looking to protect their savings from losses.

IFSL Marlborough Extra Income

Fund size: £35.1m

The IFSL Marlborough Extra Income fund is another balanced portfolio that may have slipped below investors' radars despite outshining the market. It is up 19.4% over the past three years, more than doubling the 8.1% return reported by its peer group.

This £35.1m mixed asset fund generated above average returns with a portfolio predominantly consisting of equities (76.7%), with a smaller allocation (22%) to bonds. It may appeal to UK savers looking to keep their money invested in their home market, with four-fifths (80.7%) of the fund invested in UK assets. Most of the remaining portfolio is held in the US (7.2%) and developed Europe (5.8%).

This UK-centric fund will have been managed by Matthew Rainbird (pictured below right) for 15 years in March, during which time returns are up by 242.1%, which is 54.3 percentage points higher than the sector average over the period.

FP Russell Investments Multi Asset Growth V

Fund size: £19.3

Although it is one of the smallest funds in the IA Mixed Investment 40-85% Shares sector at £19.3m, the FP Russell Investments Multi Asset Growth V fund soared ahead of its peer group with a total return of 19% over the past three years.

Like the IFSL Marlborough Extra Income fund, it did so by investing predominantly in equities, with 86.4% of the portfolio held in the asset class. However, its allocation to the stockmarket is more regionally diversified than the former, with manager Alain Zeitouni spreading exposure across assets in the UK (25.1%), US (23.6%) and other global equities (17.3%).

The fund then has 5.5% exposure to real assets such as commodities and real estate, with a modest allocation to fixed income at just 3%.

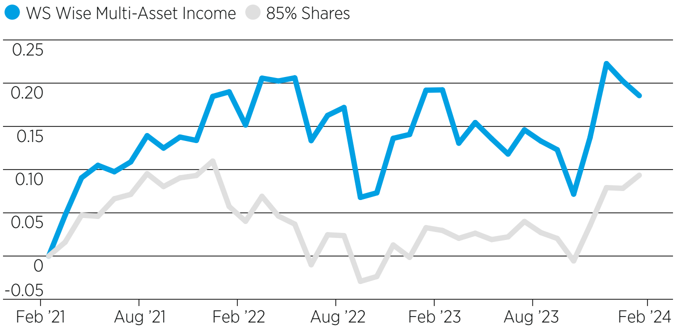
Credo Dynamic

Fund size: £50.4m

In contrast, the Credo Dynamic fund is more bullish on bonds, allocating 41.6% of the £50.4m portfolio to fixed income. It has just over half (51.4%) invested in equities, but despite its differing composition to the previous fund, it too has outperformed the sector average by a fair distance.

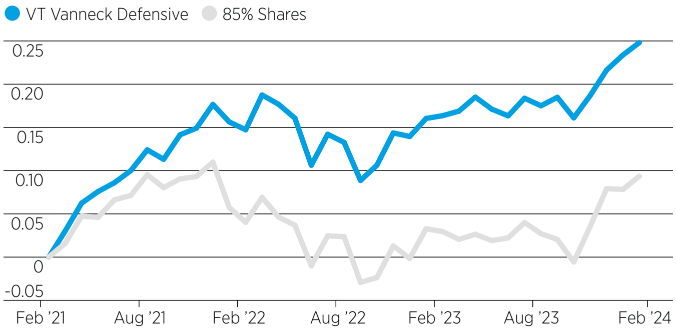
Credo Dynamic is up 18.4% over the past three years, creating a 10.3% lead between it and the rest of its peer group. Manager Rupert Silver (pictured below left) and deputy Ben Newton have been at the helm of the fund since launch in 2017, during which time they have grown investors' savings by 47.1%. **PA**

WS Wise Multi-Asset Income 3-yr %



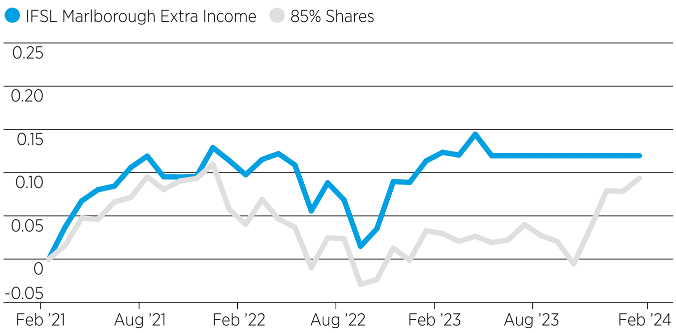
Source: FE Fundinfo, data from Feb '21 - Feb'24

VT Vanneck Defensive 3-yr %



Source: FE Fundinfo, data from Feb '21 - Feb'24

IFSL Marlborough Extra Income 3-yr %



Source: FE Fundinfo, data from Feb '21 - Feb'24

Bond wagon

Fatima Luis of Mirabaud Asset Management and Amanda Sillars of Jupiter Asset Management tell **Adam Lewis** that with skill, agility and timing, bonds can deliver

Offering low levels of income and disappointing total returns, it's not unfair to say that bonds for the most part have been in the doldrums for the past decade.

After the global financial crisis of 2008 ushered in an era of ultra-low interest rates, bonds, which were yielding close to 0%, were cast aside as investors turned their gaze to the more appealing growth-oriented equities – namely technology.

However as interest rates have soared and yields on bonds have climbed, many experts now argue that fixed income as an asset class is reclaiming its rightful place as a crucial element of a balanced portfolio.

The turnaround in yields and macroeconomic environment has also led many fixed income managers to claim that 2024 will be the 'year of the bond', so should investors be taking heed?

In this month's portfolio constructor head to head, Fatima Luis, senior portfolio manager at Mirabaud Asset Management, discusses the opportunities she sees within fixed income this year, while Amanda Sillars, investment manager and ESG investment director at Jupiter Independent Funds/Merlin, warns the rollercoaster that bond investors have been riding is showing no signs of stabilising.

Fatima Luis, senior fixed income portfolio manager, Mirabaud Asset Management

We see opportunities across all parts of the fixed income universe in 2024, given we expect differing effects from a slowing economic environment, alongside lower inflation and interest rate cuts.

Although investors have moderated their expectations as to when and how many US and European interest rate cuts are priced into the market, timing will certainly be key this year.

The near certainty of a soft landing where inflation comes down and growth moderates has now shifted to a 'no landing', where an economy continues to expand and rates remain higher. Behind this shift is strong economic data that continues to show a resilient consumer. Tight labour markets on both sides of the Atlantic are also keeping unemployment rates surprisingly low.

We think global inflation will track downwards from the highs of 2023 and interest rate reductions therefore seem inevitable in 2024 as we move towards a much slower economic environment.

We expect the Federal Reserve to lead the cutting cycle, but with the UK and Europe following closely behind. Uncertainty and volatility were quite evident in 2023 and as the trajectory of rate cuts becomes clearer, we anticipate uncertainty falling.

This type of macro environment should result in continued positive returns for higher-quality, longer-duration fixed-income securities – both in developed and emerging markets with the latter more dependent on a weaker US dollar.

With a lower recession probability and 'higher for longer' scenario increased, the good news is that high-quality investment-grade and global high-yield bonds should still deliver positive returns. For example, all-in yields on European investment-grade bonds are at levels last seen during the European sovereign debt crisis in 2010-11, supporting the mantra that income is back.

One area where there are opportunities to increase yield is in the primary issue market, where deals are coming with the highest coupons we have seen in years. Conversely, convexity is still available where highly rated but low coupon bonds still trade at very low cash prices.

With all-in yields attractive on higher-quality corporate bonds, spreads are in line with a 'soft landing' or 'Goldilocks' scenario. Furthermore, the overall quality of the market has also improved with many high-yield corporate issuers' ratings moving upward, making the universe stronger from a fundamental perspective.

When the economic slowdown hits and rates begin to fall, this is when we would expect riskier credit to outperform.

Our target on high-yield bond spreads is around 500 basis points. We believe this level would indicate a clear buying opportunity. Then, as interest rates are cut to stimulate growth, we would expect lower-quality credit to begin to perform.

'With a lower recession probability and "higher for longer" scenario increased, the good news is that high-quality investment-grade and global high yield bonds should still deliver positive returns'

Fatima Luis

Amanda Sillars, investment manager, Jupiter Asset Management

The second quarter of 2024 is nigh, and it appears the rollercoaster which bond investors and managers have been riding for the past four years shows no sign of stabilising. Indeed, it is challenging to truly know whether the next lurch in bond yields will be up or down.

Bonds are no longer the 'risk-free', low-volatility, reliable ballast that investors depended upon in multi-asset portfolios.

So, what has changed in the past four years? In 2019, most developed market global bonds were enjoying the final year in over a decade of strong performance each year. Priced for permanent low growth and low inflation, their yields (the inverse of prices) were pathetic.

For example, our 10-year gilt yielded less than 1% (versus over 4.2% today) and Europe experimented with negative rates, desperate to support anaemic growth. When bond investors need to pay to lend their capital, as opposed to receiving an income stream, something is clearly wrong.

Covid shattered that eerie serenity, catalysing a hair-raising collapse in prices. Financial markets demanded strong economic support and policymakers flooded the market with fiscal and monetary support. This rare combination caused one of the biggest rallies seen in history for equities and fixed income.

A meteoric rise in liquidity from these policies, coupled with pent-up savings and supply chain disruption reignited the inflation genie. Like the legendary Aladdin, once released, inflation balloons in size and is self-perpetuating. Once again, developed market central banks were forced to act swiftly by raising interest rates.

Never in my career have I witnessed the US 10 year treasury yield soar from 0.5% to 5% in just three years – or global bond prices fall by over 15% in two years. Of course, the drawdown was significantly greater for longer-dated bonds. Many investors felt betrayed by fixed interest posting steep losses, in tandem with equities. With such high correlation, the traditional benefits of a 'balanced' 60/40 portfolio were annihilated.

This is the inheritance investors have today, which sets the scene for tomorrow. Bond yields now deliver meaningful real income and can deliver income over a long time horizon (this is their key advantage versus cash). Yields continue to defy wise pundits by remaining at higher levels.

For example, the Jupiter Global High Yield Bond fund is a high-conviction fund held across the Jupiter Merlin portfolios (those with an allocation to fixed interest), currently yielding 9.2%.

Mathematically, inflation and interest rates are unlikely to rise considerably from these levels. Yet expert opinions and the outstanding fixed-interest managers our team are fortunate enough to follow still have deeply divided opinions of the outlook. So, expect further volatility.

When navigating within an attractive but volatile asset class, skill and agility is priceless. As manager selectors, we are first and foremost choosing people. As investors of other people's precious savings, our aspiration is to compound the value of those savings, over time. During the past two decades, we have found this is best achieved by avoiding downside; then capturing sufficient quantities of upside in markets where it is available.

We therefore seek active bond managers who prepare for volatility, thereby insulating their future performance as much as possible. This is assisted by having a broad breadth of views. For example, within Jupiter there is no house view and different managers express different views on macro, interest rates and credit spreads.

Agility, used well, can also enhance performance. For instance, Adam Darling, a fixed-income investment manager at Jupiter, increased energy exposure when oil prices dipped below $0 per barrel in April 2020. Another crucial competitive advantage is that his burden is still light, with just £138m under management.

Finally, his principal source of alpha has been successful credit selection. Darling is extremely discerning about each of the 152 of issuers held and is benchmark agnostic. This deviation is necessary to avoid the most expensive issues, steer clear of the most likely default candidates. provide stability and, we hope, avoid the extremes in what may continue to be a white-knuckle ride. **PA**

Top 50 net inflows

Lipper data shows the 50 Investment Association funds, which are at least £300m in size, with the largest inflows and outflows over 2023, calculated as the fund share class registering largest estimated net flows (ENF) divided by the total net assets of the whole fund (TNA) over the month.

Name	Sector	Estimated net flows (£m)	Aggregate fund value (£m) 1 month		Index tracking	
	IA	Dec '23 - Jan '23	Dec '23 As at 31.12.23	Jan '23 As at 31.01.24	Indexed	ENF/aggt fund value
iShares Edge MSCI Europe Qual Fctr Ucits ETF €	Europe Including UK	144	278	422	✓	51.80%
iShares MSCI EM Small Cap Ucits ETF $ (Dist)	Global Emerging Markets	79	260	331	✓	30.38%
Pimco GIS Euro Long Avg Dur Inst €	€ Mixed Bond	225	800	997		28.13%
Royal London Global Equity Income M Inc	Global Equity Income	243	866	1,127		28.06%
Xtrackers MSCI USA Cons Discretionary Ucits ETF 1D	North America	64	263	319	✓	24.33%
SPDR S&P 500 ESG Leaders Ucits ETF	North America	311	1,332	1,665	✓	23.35%
WS Evenlode Global Equity £ B	Global	71	340	421		20.88%
Xtrackers MSCI World Health Care Ucits ETF 1C	Healthcare	325	1,565	1,934	✓	20.77%
Amundi Prime Japan Ucits ETF DR D	Japan	117	582	748	✓	20.10%
Janus Henderson Multi Asset Credit I Acc Hgd	Specialist Bond	125	787	920		15.88%
SPDR MSCI ACWI IMI Ucits ETF	Global	103	755	862	✓	13.64%
MGTS Progeny ProFolio Model 50-70% Shares Fund Acc	Flexible Investment	75	591	667		12.69%
SPDR S&P 500 Ucits ETF Acc	North America	785	6,337	7,335	✓	12.39%
iShares MSCI EMU Small Cap Ucits ETF € (Acc)	European Smaller Companies	68	555	609	✓	12.25%
Polar Capital Artificial Intel R $	Global	43	351	404		12.25%
iShs ESG Ovseas CorpoRt Bd Idx Fd (UK) D£	Global Corporate Bond	339	3,146	3,469	✓	10.78%
AXA Sterling Credit Short Duration Bond ZI	£ Corporate Bond	80	764	850		10.47%
Algebris Global Credit Opp B €	Specialist	84	814	901		10.32%
BNY Mellon Global Credit A $	£ Corporate Bond	83	816	902		10.17%
RobecoSAM Global SDG Credits IH £	Global Corporate Bond	167	1,673	1,822		9.98%
M&G North American Dividend A	North America	78	791	887		9.86%
Neuberger Berman Strategic Inc $ A (M) Dis	$ Mixed Bond	147	1,518	1,859		9.68%
Amundi MSCI EMU Ucits ETF Dist	Europe Excluding UK	26	271	299	✓	9.59%
BNY Mellon US Equity Income E $ Inc	North America	31	327	358		9.48%
iShares $ TIPS Ucits ETF $	$ Government Bond	355	3,814	4,225	✓	9.31%
iShares € Inflation Linked Govt Bd Ucits ETF € A	€ Government Bond	119	1,295	1,383	✓	9.19%
HSBC MSCI China Ucits ETF $	China/Greater China	50	569	564	✓	8.79%
M&G Japan Fund Sterling Class A Income	Japan	206	2,374	2,649		8.68%
AXA Framlington Biotech R Acc	Specialist	33	385	426		8.57%
iShares € Floating Rate Bond ESG Ucits ETF € D	Specialist Bond	26	309	332	✓	8.41%
Xtrackers MSCI Japan ESG Screened Ucits ETF 1D	Japan	23	275	312	✓	8.36%
WS Canlife Sterling Liquidity G £	Standard Money Market	46	562	610		8.19%
PIMCO GIS Global Bond Inst $	Global Mixed Bond	832	10,258	11,018		8.11%
iShares Core € Corp Bond Ucits ETF € D	€ Corporate Bond	1,095	14,089	15,319	✓	7.77%
Xtrackers MSCI World ESG Ucits ETF 1C	Global	322	4,146	4,553	✓	7.77%
iShares Global Infrastructure Ucits ETF $ (Dist)	Infrastructure	86	1,135	1,195	✓	7.58%
MGTS Progeny Systematic Equity Fund R Acc	Global	41	543	587		7.55%
Xtrackers II Eurozone Gov Bond 5-7 Ucits ETF 1C	€ Government Bond	39	521	550	✓	7.49%
NT Emerging Markets Custom ESG Equity Idx E €	Global Emerging Markets	130	1,753	1,686	✓	7.42%
Amundi Euro Government Bond II Ucits ETF	€ Government Bond	68	924	971	✓	7.36%
iShares $ Corp Bond 0-3yr ESG Ucits ETF $ Dist	$ Corporate Bond	63	874	948	✓	7.21%
ACS World Multifactor ESG Eq Tracker X1 £	Global	173	2,444	2,669	✓	7.08%
Amundi DAX III Ucits ETF	Specialist	39	572	607	✓	6.82%
Pictet-Short-Term Money Market $-J	Specialist	467	6,915	7,676		6.75%
SPW Balanced Solution Fund G	Unclassified	23	341	364		6.74%
JPM US Rsrch Enhncd Idx Eq ESG Ucits ETF $ A	North America	272	4,071	4,434		6.68%
iShares € Govt Bond 7-10yr Ucits ETF € (Dist)	€ Government Bond	42	630	659	✓	6.67%
Invesco MSCI USA ESG Univ Screened Ucits ETF	North America	64	970	1,059	✓	6.60%
Xtrackers II Eurozn Infl-Linkd Bond Ucits ETF 1C	€ Government Bond	29	443	461	✓	6.55%
Xtrackers USD Corporate Bond Ucits ETF 1D	$ Corporate Bond	42	668	713	✓	6.29%

Bottom 50 net outflows

Name	Sector	Estimated net flows (£m)	Aggregate fund value (£m) 1 month		Index tracking	
	IA	Dec '23 - Jan '24	Dec '23 As at 31.12.23	Jan '23 As at 31.01.24	Indexed	ENF/aggt fund value
Xtrackers MSCI USA Health Care Ucits ETF 1D	Healthcare	-53	822	793	✓	-6.45%
iShares Edge S&P 500 Min Vol Ucits ETF $ A	North America	-92	1673	1618	✓	-5.50%
M&G North American Value A	North America	-15	314	303		-4.78%
Amundi Japan TOPIX II Ucits ETF € Dist	Japan	-33	699	722	✓	-4.72%
Artisan Global Opportunities I €	Global	-47	1181	1171		-3.98%
Scottish Widows American Growth A	North America	-17	469	475		-3.62%
CT Dynamic Real Return Z £	Targeted Absolute Return	-42	1245	1199		-3.37%
Baillie Gifford Japanese B Inc	Japan	-60	1782	1747		-3.37%
Xtrackers MSCI EMU Ucits ETF 1D	Europe Excluding UK	-48	1436	1404	✓	-3.34%
AXA WF Global Inflation Sh Dur Bds A Cap $	Global Inflation Linked Bond	-34	1021	991		-3.33%
Baillie Gifford High Yield Bond B £ Inc	£ High Yield	-14	425	412		-3.29%
Xtrackers MSCI World Momentum Ucits ETF 1C	Global	-25	761	780	✓	-3.29%
Schroder Sustainable Future Multi-Asset Z	Mixed Investment 20-60% Shares	-29	890	862		-3.26%
Xtrackers MSCI Europe Ucits ETF 1C	Europe Including UK	-113	3582	3504	✓	-3.15%
abrdn SICAV II-Global High Yield Bond A $	Global High Yield Bond	-21	673	657		-3.12%
Artemis US Select I £	North America	-43	1385	1387		-3.10%
Baillie Gifford Japanese Inc Growth B	Japan	-16	522	514		-3.07%
AXA Framlington UK Mid Cap R	UK All Companies	-12	395	384		-3.04%
iShares MSCI Europe Qlty Div ESG Ucits ETF € D	Europe Including UK	-15	501	493	✓	-2.99%
CT UK Social Bond Z £	£ Corporate Bond	-12	401	387		-2.99%
Artemis US Smaller Companies I £	North American Smaller Cos	-23	775	755		-2.97%
Trojan Income O Acc	UK All Companies	-24	809	793		-2.97%
SPDR Bloomberg U.S. Treasury Bond Ucits ETF Dist	USD Government Bond	-11	387	375	✓	-2.84%
Candriam Sustainable Equity EMU C € C	Europe Excluding UK	-11	392	382		-2.81%
Polar Capital North American R $ Inc	North America	-17	615	616		-2.76%
iShares MSCI USA SRI UCITS ETF $ (Acc)	North America	-206	7485	7223	✓	-2.75%
Royal London Short Duration Global Index Lnk M Inc	Global Inflation Linked Bond	-15	547	529	✓	-2.74%
Liontrust MA Passive Intermediate S £	Volatility Managed	-17	621	600		-2.74%
Baillie Gifford Global Income Growth B £	Global Equity Income	-18	661	641		-2.72%
Baillie Gifford Long Term Global Growth B	Global	-57	2112	2056		-2.70%
BlackRock UK Smaller Companies Fund A £	UK Smaller Companies	-11	414	400		-2.66%
BlueBay Global Sovereign Opps C $ CPerf	Specialist	-10	378	374		-2.65%
Fundsmith Sustainable Equity I Accumulation	Global	-18	683	682		-2.64%
Ninety One UK Alpha Fund A Accumulation £	UK All Companies	-12	458	444		-2.62%
Invesco FTSE RAFI US 1000 Ucits ETF Dist	North America	-9	364	358	✓	-2.47%
abrdn MyFolio Market V Fund Retail	Volatility Managed	-14	567	552		-2.47%
Janus Henderson Inst North American Idx Opps A	North America	-11	448	452	✓	-2.46%
GAM Star Credit Opportunities (GBP) Ord Inc £	Specialist Bond	-11	450	447		-2.44%
WS Lancaster Absolute Return Fund Sterling Rtl	Targeted Absolute Return	-9	375	368		-2.40%
BlackRock Absolute Return Bond P	Targeted Absolute Return	-27	1143	1123		-2.36%
Neuberger Berman 5G Connectivity $ A	Specialist	-19	819	840		-2.32%
Liontrust MA Passive Moderate S	Volatility Managed	-10	432	418		-2.31%
GAM Star Cat Bond Ord $	Specialist Bond	-49	2151	2136		-2.28%
BlueBay Inv Grade Abs Return Bond R €	Specialist	-16	713	695		-2.24%
iShares STOXX Europe 50 UCITS ETF € (Dist)	Europe Including UK	-11	493	489	✓	-2.23%
Scottish widows HighIncome Bd X Accumulation	£ High Yield	-18	807	793		-2.23%
Invesco UK Smaller Companies Equity (UK)	UK Smaller Companies	-11	494	480		-2.23%
GAM Credit Opportunities (£) A £	Specialist Bond	-10	450	447		-2.22%
Xtrackers DAX ESG Screened Ucits ETF 1D	Specialist	-7	315	306	✓	-2.22%
abrdn MyFolio Multi-Manager III Fund Retail	Volatility Managed	-11	496	482		-2.22%

Five crown-rated performers over three years

Each month, FE Fundinfo selects all of the five FE crown-rated funds in the IA universe (excluding mixed asset, volatility managed, unclassified and specialist sectors) and highlights their three-year total returns, their three-year alpha generation relative to their respective benchmarks, and their three-year Sortino ratios – which measure risk-adjusted returns without penalising any captured upside volatility.

Name	Benchmark	3yr Total Rtn	3yr Alpha (Annualised)	3yr Max Drawdown	3yr Sortino Ratio
IA Asia Pacific excluding Japan					
BNY Mellon Asian Income Inst W Acc £	FTSE Asia Pacific ex-Japan TR Index	10.83	3.77	-27.92	-0.77
Fidelity Asian Dividend W Inc £	MSCI AC Asia Pacific ex Japan High Dividend Yield Index	8.12	8.60	-25.89	0.03
Fidelity Asian Smaller Companies Y £	MSCI AC Asia Pacific ex Japan Small Cap Australia Capped 10%	0.13	-2.85	-49.60	-0.98
Invesco Asian (UK) Z	IA Asia Pacific excluding Japan Sector	0.02	0.21	-0.04	-1.50
Janus Henderson Inst Asia Pacific ex-Japan Index Opps I	Solactive GBS Developed Markets Pacific ex Japan Cust Index	1.77	1.00	-8.24	0.78
Jupiter Asian Income I	FTSE AW Asia Pacific ex-Japan	4.40	12.21	-10.05	0.26
L&G Asia Pacific Equity Income I	FTSE Asia Pacific ex Japan	17.52	18.92	-9.88	1.63
Matthews Asia Small Companies I £	MSCI AC Asia ex Japan Small Cap	10.02	9.55	-13.97	0.13
Quilter Investors Asia Pac (ex Japan) Large-Cap Equity U2 £	MSCI AC Asia Pacific ex Japan	7.61	8.17	-8.62	0.51
Schroder Asian Income Z	MSCI AC Pacific ex Japan (Net Total Return) Index	9.35	9.10	-18.63	0.13
Schroder Institutional Pacific I	MSCI Pacific ex Japan (Gross Total Return) index	5.42	7.23	-8.27	0.86
IA Asia Pacific including Japan					
Stewart Investors Asia Pcfic and Japan Sustblty B £	MSCI AC Asia Pacific Net Index	2.74	2.63	-12.55	-0.25
IA China/Greater China					
AB SICAV I China A Share Equity Portfolio I £	MSCI China A Onshore	2.34	1.92	-6.47	-0.52
abrdn China A Share Equity M	MSCI China A Onshore	8.35	8.89	-10.36	0.60
Fidelity China Focus Y £	MSCI China Capped 10% Index	3.05	4.19	-7.38	0.95
IA Commodity/Natural Resources					
Guinness Sustainable Energy Y £	MSCI World	0.95	4.20	-8.22	0.65
IA Europe excluding UK					
Chelverton Asset Mgt MI Chelverton European Select B Inc	IA Europe ex-UK Sector	7.40	6.40	-10.52	-0.10
EdenTree Responsible and Sustainable European Equity B	FTSE World Europe EX UK	11.03	9.71	-7.77	0.27
IFSL Marlborough European Special Situations P Inc	IA Europe (ex UK) Sector	5.11	5.25	-11.55	0.10
Invesco European Equity (UK) Z	IA Europe Excluding UK Sector	4.60	8.65	-10.65	1.17
Invesco European Focus (UK) Z	IA Europe Excluding UK Sector	4.58	9.82	-8.17	1.03
Liontrust European Dynamic I Inc	MSCI Europe ex UK	1.41	0.94	-8.87	-0.62
Quilter Investors Europe (ex UK) Equity Income U2 £	MSCI Europe ex UK	-0.39	0.06	-17.03	-0.04
Russell IC Continental European Equity I £	Russell Developed Europe ex-UK Large Cap Net	2.50	2.11	-4.18	-0.47
SVM Continental Europe B	MSCI Europe ex UK	-1.08	-1.50	-21.24	0.15
WS Lightman European R	MSCI Europe ex UK	2.56	2.62	-14.21	-0.26
WS Ardtur Continental European Inst	MSCI TR Net Europe Ex UK Index	3.77	3.59	-15.36	0.38
IA Global					
Artisan Global Value I £	MSCI ACWI	-4.37	-4.14	-30.33	-0.29
Dodge & Cox Global Stock £	MSCI World	2.87	1.99	-2.01	-0.77
Fidelity Global Industrials W £	MSCI ACWI Energy + Materials + Industrials Index	0.43	0.87	-29.10	-0.15
GMO Climate Change Investment A £		3.36	5.74	-6.22	1.14
GMO Quality Investment £		-0.25	-0.98	-9.85	-1.27
JGF-Jupiter Global Value I £	MSCI AC World	5.35	7.15	-6.94	0.66
Lazard Global Equity Franchise C £	MSCI World	2.04	4.14	-8.46	0.72
MFS Meridian Contrarian Value W1 £	MSCI World Value	2.66	3.68	-14.72	0.49
Natixis Harris Associates Global Equity IA £	MSCI World	8.08	8.11	-13.43	0.32
Robeco BP Global Premium Equities F £	MSCI World index	2.42	6.14	-10.36	0.95
Schroder ISF Global Energy A Dis NAV £	MSCI World SMID Energy index	6.51	5.67	-12.43	-0.17
Thornbridge Thornbridge Global Opportunities C	IA Global Sector	11.69	10.59	-8.55	0.39
Wellington Global Stewards N U £	MSCI All Countries World Index	13.15	15.38	-24.96	-0.46
Wellington Global Stewards N U Acc £	MSCI All Countries World Index	6.49	7.46	-7.15	1.00

Name	Benchmark	3yr Total Rtn	3yr Alpha (Annualised)	3yr Max Drawdown	3yr Sortino Ratio
IA Global Corporate Bond					
Muzinich Global Short Duration Investment Grade Hedged H £	ICE BofAML 1-3 Year German Government Index	9.45	10.56	-8.06	1.05
IA Global EM Bonds – Blended					
PGIM Emerging Market Total Return Bond I Hedged Dis £	ICE BofA US 3-Month Treasury Bill Index	5.10	5.61	-8.46	0.52
IA Global EM Bonds – Hard Currency					
GS Emerging Markets Corporate Bond Portfolio R Hedged £	JPM CEMBI - Broad Diversified Index (Total Ret Gross) (£ Hedged)	12.76	13.23	-20.15	0.33
GS Emerging Markets Short Duration Bond Portfolio R Hedged £	ICE BofA 3 Mo T-Bill Index	0.01	-0.58	-5.27	-0.68
Muzinich Emerging Markets Short Duration H Hedged £	No Specified Index	3.97	6.92	-5.65	1.27
NB Short Duration Emerging Market Debt I £	ICE BofA US 3-month Treasury Bill	1.41	3.75	-9.73	0.60
Pictet Short Term Emerging Corporate Bonds HI ds £	JP Morgan Cembi Broad Diversified 1-3	0.62	-0.16	-26.06	-0.98
IA Global Emerging Markets					
Artemis SmartGARP Global Emerging Markets Equity I £	MSCI Emerging Markets	-11.66	-12.74	-31.24	-0.35
BNY Mellon Emerging Income Inst W	MSCI Emerging Markets	9.69	10.43	-7.91	1.22
Invesco Emerging Markets ex China (UK) Z	MSCI EM (Emerging Markets) ex China 10-40 Index	-0.98	-0.92	-20.80	-0.60
Invesco Global Emerging Markets (UK) Z	IA Global Emerging Markets	2.27	1.81	-7.97	-0.47
JPM Emerging Markets Income C	MSCI Emerging Markets	2.79	2.46	-9.35	-0.42
Lazard Emerging Markets A Acc £	MSCI Emerging Markets Index	8.83	8.71	-20.65	0.54
M&G Global Emerging Markets I £	MSCI Emerging Markets Index	-11.32	-8.20	-25.36	-0.28
Robeco QI Emerging Conservative Equities D £	MSCI Emerging Markets Index	4.37	4.08	-10.83	0.93
T. Rowe Price Emerging Markets Discovery Equity C	MSCI Emerging Markets	-2.97	-2.96	-24.50	0.03
IA Global Equity Income					
Aegon Global Equity Income C Inc £	MSCI AC World	3.44	1.78	-4.75	-1.05
Kempen (Lux) Global High Dividend I £	MSCI World Index	3.14	3.32	-15.49	-0.36
T. Bailey Fund Srvs Ltd (ACD) Aptus Global Financials B £	MSCI ACWI Financials Index	22.15	22.24	-16.79	0.99
IA Global Government Bond					
IFSL Signia Sovereign A	SONIA +1%	4.00	4.73	-11.72	0.61
IA Global Inflation Linked Bond					
Pimco Global Low Duration Real Return Inst Hedged Inc £	Bloomberg Wrld Gov Inflation-Linked Bond 1-5 Year $ Hedged	4.29	4.67	-11.20	0.61
Royal London Short Duration Global Index Linked M Inc	Bloomberg Wrld Gov IL ex-UK 1-10yrs 70% + UK Govt IL 1-10yrs 30%	3.48	3.85	-20.18	-0.37
IA Global Mixed Bond					
Candriam Bonds Credit Opportunities R UnHedged £	EONIA	3.58	3.78	-13.47	-0.10
Courtiers Investment Grade Bond Retail		1.58	1.48	-9.31	-0.50
Dimensional Global Short Dated Bond	No specified benchmark	9.73	10.27	-12.91	0.79
GS Global Dynamic Bond Plus Portfolio R Hedged£	ICE BofA 3-Month German Treasury Bill Index	6.03	6.59	-14.84	-0.17
Muzinich Enhancedyield Short-Term Fund A Hedged £ in GB	BofA Merrill Lynch German Federal Govt (1-3 Yr) Index (G1D0)	5.43	8.29	-8.15	0.74
PGIM Multi Asset Credit I Hedged Dis £	ICE BofA U.S. 3-Month Treasury Bill Index	5.83	5.72	-18.70	-0.23
PIMCO Diversified Income Duration Hedged Inst H £		0.93	0.84	-11.17	-0.56
PIMCO Low Duration Income Fund Institutional Hedged £ in GB	Bloomberg U.S. Aggregate 1-3 Years Index	4.75	5.15	-10.37	1.02
Royal London Global Bond Opportunities Z Inc		11.10	9.86	-7.01	0.26
IA Healthcare					
Candriam Equities L Oncology Impact I Unhedged £	No Specified Index	-1.24	-0.17	-2.65	-0.75
Polar Capital Healthcare Blue Chip I £	MSCI AC World Daily Total Return Net Health Care Index	9.18	11.51	-1.72	2.69
Polar Capital Healthcare Discovery I £	MSCI World Small Cap Health Care Total Return Index (£)	2.35	2.24	-11.98	-0.33
IA Infrastructure					
Cohen & Steers Global Listed Infrastructure F Inc GBP TR in GB	FTSE Global Core Infrastructure 50/50	0.71	1.73	-7.00	0.59
Kempen (Lux) Global Small-cap I GBP	FTSE Global Core Infrastructure 50/50	1.59	2.55	-10.95	0.15
Lazard Global Listed Infrastructure Equity A Dist GBP TR in GB	MSCI World Core Infrastructure	7.17	6.60	-11.06	-0.10
Russell Investments Global Listed Infrastructure £	S&P Global Infrastructure	1.88	1.77	-11.30	-0.36
WS Macquarie Global Infrastructure Securities B Acc in GB	S&P Global Infrastructure Net TR Index	9.38	8.90	-13.11	0.08

Name	Benchmark	3yr Total Rtn	3yr Alpha (Annualised)	3yr Max Drawdown	3yr Sortino Ratio
IA Japan					
Barclays GlobalAccess Japan M Hedged £	Topix	8.09	9.17	-7.31	0.95
Fidelity Japan W	TOPIX Net Total Return Index	5.99	6.13	-14.20	0.45
GS Japan Equity Partners Portfolio R Hedged £	Topix	6.54	6.60	-13.03	0.73
M&G Japan I £	MSCI Japan	16.11	18.70	-5.49	2.03
Man GLG Japan Core Alpha C Professional	TOPIX TOTAL RETURN INDEX	1.81	1.87	-18.45	0.16
Nikko AM Japan Value D £	Topix	5.49	4.67	-29.41	-0.16
Nomura Japan Strategic Value ID Hedged £	Topix Index (gross of tax with dividends reinvested)	8.05	8.58	-11.82	-0.04
Polar Capital Japan Value S Inc £	Topix	2.58	2.82	-1.80	0.61
Quilter Investors Japanese Equity U2 £	MSCI Japan	7.60	7.78	-7.50	0.70
Schroder Tokyo Z	Tokyo Stock Exchange 1st Section (Gross Total Return) Index	2.53	5.86	-6.82	0.99
WS Morant Wright Japan B	Japan Topix	3.48	3.13	-5.45	-0.18
WS Morant Wright Nippon Yield B	Topix	11.63	12.65	-8.87	0.91
IA North America					
BlackRock US Dynamic D	Russell 1000	10.81	10.00	-14.53	0.19
BlackRock US Mid-Cap Value D	S&P US MidSmallCap Index	7.75	8.85	-9.77	0.82
BNY Mellon US Equity Income Fund W Inc £	S&P 500	0.27	-0.14	-13.45	-0.77
BNY Mellon US Equity Income Inst W	S&P 500	2.40	1.79	-6.67	-0.67
CT US Equity Income ZNA £	S&P 500	2.15	1.64	-5.47	-0.74
Dodge & Cox US Stock £	S&P 500	-0.72	-0.16	-13.61	0.13
Fidelity American Special Situations W	S&P 500	0.63	0.18	-12.33	-0.75
FTF ClearBridge US Equity Income W	S&P 500	4.30	4.46	-12.07	0.33
FTF ClearBridge US Value W£	Russell 1000 Value (GBP)	17.95	18.99	-5.04	1.70
HSBC US Multi-Factor Equity A Inst	S&P 500	3.44	3.70	-5.54	0.08
JPM US Research Enhanced Index Equity E	S&P 500 Index	3.62	3.07	-7.64	-0.20
M&G North American Value I £	S&P 500	0.36	-0.13	-10.87	-0.91
Quilter Investors US Equity Income A £	MSCI North America	3.22	3.06	-11.90	-0.24
Robeco BP US Large Cap Equities F £	Russell 1000	2.72	2.58	-4.89	-0.27
Royal London US Growth Trust Inc	MSCI USA Net Return GBP	2.91	2.67	-7.37	-0.42
Scottish Widows American Growth A	S&P 500 Index + 1.25% Outperformance Target	1.34	1.34	-12.07	-0.41
UBS US Equity C	S&P 500	7.71	8.34	-6.35	0.89
VT De Lisle America B £	S&P 500	-7.28	-7.17	-27.12	-0.44
IA North American Smaller Companies					
Federated Hermes US SMID Equity F £	Russell 2500	5.92	6.98	-11.42	0.64
IA Property Other					
CT Property Growth & Income I	FTSE EPRA Nareit Developed Europe Capped	-0.69	0.46	-5.70	-0.50
IA Short Term Money Market					
Royal London Short Term Money Market Y	Sterling Overnight Index Average (SONIA)	3.14	3.28	-15.41	-0.36
IA Standard Money Market					
abrdn Sterling Money Market I	Sonia	1.57	1.13	-8.18	-0.66
IA Sterling Strategic Bond					
AXA Framlington Managed Income Z Gross	No Specified Index	3.23	5.13	-13.89	0.48
AXA Global Short Duration Bonds Z	No Specified Index	6.01	6.24	-8.69	0.49
BNY Mellon Inflation Linked Corporate Bond Institutional W	UK Investment Assoc's Sterling Strat Bond NR Sector average	2.02	1.74	-11.14	0.38
Carmignac Portfolio Global Bond FW GBP Acc Hdg	JP Morgan Global Government Bond index	3.59	8.90	-8.68	0.93
Close Sustainable Select Fixed Income Fund X	IA £ Strategic Bond	5.59	7.57	-7.11	0.80
FP Carmignac Global Bond A	JP Morgan Global Government Bond index	2.89	5.88	-10.71	0.84
Invesco Monthly Income Plus (UK) Z	IA Sterling Strategic Bond Sector	11.40	8.90	-7.64	0.41

Name	Benchmark	3yr Total Rtn	3yr Alpha (Annualised)	3yr Max Drawdown	3yr Sortino Ratio
IA Sterling Strategic Bond					
Invesco Tactical Bond (UK) Z	3 Month UK Treasury Bills	2.33	3.29	-2.88	0.52
JPM Global Bond Opportunities C Gr	Bloomberg Multiverse Index hedged to GBP	4.05	4.20	-10.92	-0.11
Jupiter Monthly Income Bond I £		1.79	1.74	-6.83	-0.37
L&G Strategic Bond I	ABI / IA Sector	0.34	0.14	-0.03	-1.48
M&G UK Inflation Linked Corporate Bond I	UK Consumer Price Index	4.56	4.42	-9.31	0.04
PIMCO GIS Income Inst Hedged Inc £	Bloomberg Barclays US Aggregate Bond Index (£ Hedged)	4.77	4.21	-13.66	0.88
Quilter Investors Diversified Bond U2 £	ICE BofAML Q880 Custom Index	1.91	2.42	-15.71	0.42
Royal London Sterling Extra Yield Bond A Inc	FTSE Actuaries British Government Over 15 Years Index	4.55	4.42	-12.61	0.44
Schroder Strategic Bond Z	Bloomberg Multiverse ex treasuries A+-B- GBP hedged	5.78	5.07	-12.20	-0.25
Schroder Strategic Credit Z	ICE BofA Sterling 3 Month Government Bill Index	7.26	6.77	-14.18	-0.10
Schroder Sustainable Bond Z	ICE BofA Sterling 3-Month Government Bill Index plus 2.5%	19.78	27.71	-14.99	1.05
VT AI-FUNDS Tactical High Yield Bond I		2.29	2.44	-14.36	-0.26
WS Charteris Strategic Bond I	No Specified Index	3.20	3.13	-11.69	-0.16
IA Targeted Absolute Return					
AQR Managed Futures Ucits C	BofA Merrill Lynch 3 Month T-Bill	1.27	0.80	-7.09	-1.04
AQR Systematic Total Return Ucits C1 £	BofA/Merrill Lynch US High Yield Index	3.22	3.70	-12.40	0.29
Jupiter Global Macro Bond I £	Sterling Overnight Interbank Average Rate £	5.17	6.47	-8.93	1.16
Jupiter Merian Global Equity Absolute Return I Hedged £	Bank of England Base Rate	6.29	6.00	-12.23	-0.10
Liontrust GF European Strategic Equity C4 Hedged £	MSCI Europe	-2.02	-1.42	-19.21	0.11
M&G Global Target Return I £	Sonia + 2-4%	0.89	3.10	-15.50	0.43
Premier Miton Defensive Growth C Inc £	Sonia	-3.39	0.44	-8.74	-0.81
Royal London Diversified Asset-Backed Securities Z	Sterling Overnight Index Average (SONIA)	4.11	3.62	-15.58	-0.39
T Rowe Price Dynamic Global Bond C	3-month GBP Sonia	5.90	8.27	-2.30	1.79
Thesis TM Tellworth UK Select A £	Sonia 1M IR	12.89	15.92	-7.02	1.15
VT Woodhill UK Equity Strategic Inc		-6.38	-6.68	-29.30	-0.32
IA UK All Companies					
Artemis SmartGARP UK Equity I	FTSE AllShare	1.11	1.64	-13.13	0.59
Consistent Opportunities Unit Trust	FTSE All Share TR	3.66	3.11	-28.03	-0.30
Invesco UK Opportunities (UK) Z	IA UK All Companies Sector	2.71	2.30	-6.61	-0.51
Liontrust UK Equity X £	FTSE All Share	0.99	3.74	-10.92	0.56
TM CRUX UK Special Situations I	IA UK All Companies	-2.68	-2.72	-29.72	-0.16
VT Downing Unique Opportunities A	IA UK All Companies	6.07	5.52	-22.41	-0.11
IA UK Equity Income					
Quilter Investors UK Equity Income U2 £	MSCI UK All Cap index	6.71	7.55	-4.80	1.37
IA UK Gilts					
FTF Franklin UK Gilt W	FTSE UK Gilts (All) Government Index	6.29	7.27	-7.15	0.98
Wesleyan Risk Averse A	ABI Money Market	5.77	1.95	-13.01	-0.89
IA UK Smaller Companies					
Aberforth UK Small Companies	Numis Smaller Companies Index (excluding Inv Cos).	4.38	4.26	-7.01	0.02
Artemis UK Smaller Companies I	Deutsche Numis UK Smaller Companies (-InvTrust) TR	6.05	5.35	-23.15	-0.14
Fidelity UK Smaller Companies W	Numis UK Smaller Companies ex Inv Cos Index	0.75	3.17	-12.23	0.30
Liontrust UK Micro Cap I	FTSE Small Cap ex ITs	5.51	5.51	-10.41	0.60
Unicorn UK Smaller Companies B	Numis UK Smaller Cos plus AIM Index / IA UK Smaller Cos Sector	8.47	9.72	-8.74	0.86
VT Teviot UK Smaller Companies	Numis Smaller Companies	10.83	12.20	-7.56	1.08
WS Gresham House UK Smaller Companies C£		7.65	9.20	-12.04	0.65

Upcoming events

Don’t miss out on this autumn’s diversified portfolio of events.

All *Portfolio Adviser* events are specifically designed to make the best possible use of our delegates’ time, with maximum exposure to a broad range of investment experts from world-class asset managers.

Channel Islands
14 Mar ’24
Radisson Blu Waterfront Hotel, Jersey

Spring Congress
20-22 Mar ’24
South Lodge Hotel, Sussex

Thematics
18 Apr ’24
The Gherkin, 30 St Mary Axe, London

Dublin
09 May ’24
The Westin, Dublin

Summer Congress
15-17 May ’24
South Lodge Hotel, Sussex

PA presents The Watchlist
23 May ’24
Soho Hotel, London

Sponsorship and booking If you are a professional investor interested in attending these events or a potential sponsor looking to support one of them, please call Samantha Harris on +44 (0)20 7065 7584 or email samantha.harris@markallengroup.com

MA Financial Media

Testing times

The chairman of the insignificantly-sized investment company Kermitted Asset Management eavesdrops as two unidentified regulators discuss the viability of an exam for sustainable investors

"Do you still have access to your Chairmovision network?" I asked the chairman of the insignificantly-sized investment company Kermitted Asset Management when I visited him in his office the other week. "My network of hidden surveillance cameras covering assorted offices around Canary Wharf, the City of London and Whitehall, you mean?" he helpfully replied. "We do indeed – we just don't use it so much these days."

"Your ESG-adjacent investment approach induced an attack of conscience?" I laughed. "Not exactly," sighed the chairman. "ESG considerations did play a part – but more in terms of us feeling we needed a more renewable source of energy to power the network." "Let me guess," I said. "You get Adair, your bodyguard-slash-emotional support hamster to run round and round inside a modified wheel?"

"No – that would be ridiculous," sniffed the chairman. "He pedals that little exercise tricycle in the corner over there. That is hooked up to our network but, game as the little chap is, if we operated the system even half as much as we used to, the only attack being induced would be of the cardiovascular variety." "Of course," I nodded. "Still, you couldn't ask him to hop on just for a minute, could you?"

"Anything particular you were after?" asked the chairman, clicking his fingers to attract Adair's attention away from his current favourite pastime of growling at TikTok pet videos. "Some colleagues and I were discussing the FCA's thought processes when they were drafting the Sustainability Disclosure Requirements," I replied. "And then I realised I might gain some insights from Chairmovision."

"And by 'gain some insights from', you mean 'eavesdrop on'," grinned the chairman, who had managed to prise Adair's iPhone out of his paws on the third go and was now using it to lure him onto his tricycle. Then, having positioned the device at Adair's eye level on what looked like a stand specially built to enable the rodent to swipe, growl and pedal at the same time, he added: "Well, you are in luck."

'Apparently a couple of less growthy years was all it took to shake out not just the non-believers but the swing-voters, too. And it seems there were rather more non-believers and swing-voters than anyone anticipated'

Returning to his desk, the chairman pressed a couple of buttons on his keyboard and the television on the wall opposite him sprung to life to show a man and woman – the latter asking: "But don't we have study after study showing investing sustainably no longer means compromising on performance?" "Indeed we do," nodded her colleague. "Trouble is, those studies were largely based on a decade-plus of growth-friendly markets.

"Of course, that naturally played to the strengths of the sustainable industries – but apparently a couple of less growthy years was all it took to shake out not just the non-believers but the swing-voters, too. And it seems there were rather more non-believers and swing-voters than anyone anticipated." "But what chance does sustainable investing have if people can't stick with it through some tricky months?" sighed the lady.

"Are you suggesting we haven't gone quite hard enough on the idea the price of investments can go down as well as up?" laughed the man. "Maybe we should be asking would-be sustainable investors to pass a test?" "It's not the worst idea in the world," said the lady. "It certainly isn't the best," her colleague retorted. "Investors are hardly queuing up to buy sustainable funds as it is, but can you imagine if there was an exam involved?

"Question 1: A company operates a mine in an African state run by an oppressive regime. The rare precious metal coming out of the mine is vital for the production of electric vehicles. Everything else coming out of the mine is hugely bad for the environment. The mine is by far the major employer for all the surrounding villages and closure would put hundreds of families below the poverty line.

"Multiple-choice – do you: A) Um; B) Er; C) My head hurts; D) How much is Bitcoin again? Or E) . . ." Unfortunately, or perhaps not, we missed the fifth option as the screen went blank and the next sound we heard was very much like a terrier-sized hamster falling exhaustedly off a small tricycle onto the plushly-carpeted floor of the office of a senior executive of an insignificantly-sized investment company. PA


50 YEARS OF FIXED INCOME INVESTING
CAPITAL GROUP™
Distinctive.
Disciplined.
Durable.
See how our distinctive investment approach has made us one of the world's largest active fixed income managers.