Alpha Beta Portfolios
AB6 Core

as at 31 Oct 2021

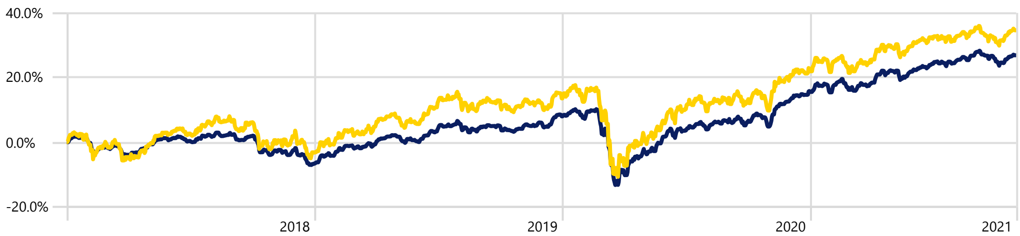
Investment Objectives

Our objective is to outperform RPI UK + 4.5% over the medium to long term, keeping within the prescribed volatility limits whilst investing in low cost ETFs or Index funds, physically invested and with a low tracking error.

To achieve the investment objective we deploy quantitative and qualitative techniques and extensive research that shape our macro economic views.

Investment Growth

Time Period: 01/01/2018 to 31/10/2021



Alpha Beta AB6 Core 34.6%   IA Flexible Investment 26.9%

Snapshot

Base Currency	Pound Sterling
12 Mo Yield	1.56%
Ongoing Charge	0.19%
Management Fee (VAT where applicable)	0.20%
Portfolio Cost	0.39%

Calendar Year Returns

Data Point: Return

	3Month	6Month	YTD	2020	2019	2018	Since Inception [01-01-2018]
Alpha Beta AB6 Core	2.51	4.09	10.39	7.41	17.32	-3.24	34.60
IA Flexible Investment	1.97	3.99	9.82	7.01	15.64	-6.64	26.87

Benchmark

Benchmark	UK RPI+4.5%
Comparator Benchmark	IA Flexible

Risk Profile

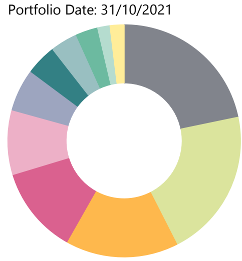
Defaqto Risk Rating	8

Risk

	Sharpe Ratio	Std Dev
Alpha Beta AB6 Core	2.02	9.27
IA Flexible Investment	2.12	7.75

Asset Allocation

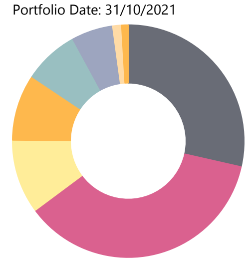
Portfolio Date: 31/10/2021



	%
US Equity Large Cap Blend	21.7
Europe Equity Large Cap	20.8
Asia ex-Japan Equity	15.7
Global Emerging Markets Equity	12.1
UK Equity Large Cap	9.0
Cash	5.9
Infrastructure Sector Equity	4.3
Japan Equity	3.8
Real Estate Sector Equity	3.1
Precious Metals Sector Equity	1.7
Other	1.9
Total	**100.0**

Equity Regional Exposure

Portfolio Date: 31/10/2021



	%
North America	28.5
Europe dev	24.5
Australasia	11.8
Asia dev	10.3
United Kingdom	9.2
Asia emrg	7.7
Japan	4.5
Latin America	1.3
Africa/Middle East	1.2
Europe emrg	0.9

Top 10 Holdings

Portfolio Date: 31/10/2021

	Portfolio Weighting %
Vanguard FTSE Dev €pe ex-UK Eq Idx £ Acc	20.78%
iShares North American Eq Idx (UK) D Acc	16.14%
Vanguard Pac exJpn Stk Idx £ Acc	15.69%
Vanguard FTSE UK All Shr Idx Unit Tr£Acc	8.99%
Fidelity Index Emerging Markets P Acc	6.15%
Vanguard Em Mkts Stk Idx £ Acc	5.96%
CASH	5.89%
Vanguard U.S. Eq Idx £ Acc	5.60%
First Sentier Glb Lstd Infra B GBP Acc	4.28%
Vanguard Jpn Stk Idx £ Acc	3.78%
	93.26%

Manager's Commentary

The investment landscape is changing rapidly as the Covid-19 storm has largely passed over us. As with most storms there is turbulence and squalls which follow before things settle into a new rhythm. Inflation remains a risk, with CPI figures un excess of 5% and 5 Yr breakeven inflation pinned to roughly 3%, we expect our "higher for longer" view playing out. We are cognizant of the demand and supply dynamics exacerbating the current price situation and we expect demand/supply dynamic to find an equilibrium as we move into 2022. We continue to keep a close eye on wage rates, which have been trending higher and are the key to whether inflation becomes more engrained longer term. For now, it looks like the headline figures after peaking in early 2022 should begin to subside during the second quarter as some of the year-on-year comparison effects drop out of the data.

On the monetary policy front, we expect monetary tightening to be the theme of 2022. The Fed has been pointing in that direction. In the UK the pressures are certainly rising for the Bank of England to follow suit. In Europe the ECB have announced an end to its emergency liquidity programme called PEPP during the second quarter 2022. Likewise in the United States the Federal Reserve is now widely expected to begin tapering-back soon. The US economy continued to offer positive surprises during the month. Whilst inflation remains a feature, the 5-year breakeven figure of 2.92%***** is lower than others. Unemployment remains sticky at 4.8%,***** a higher level than when the pandemic hit. Key market indices including the Dow, S&P500 and Nasdaq have posted new all-time highs. The ongoing stimulus of corporate buybacks of issued stock remains a trend in US which helps to keep prices higher. In Congress President Biden seeks permission for the debt ceiling to be raised. This is an emotive political debate between Republicans and Democrats which as a rule is allowed to push a decision to the last moment.

In the world's second largest economy, China showed signs of further weakness in October as power shortages and surging commodity prices weighed on manufacturing, while strict Covid controls put a brake on spending. A slowing economy witnessing some strong inflationary pressure stimulates talk of "stagflation".The Chinese authorities have sought to control levels of "hedonistic wealth" particularly in the technology sector by enforcing restrictions and access to online gaming and other fast growth sectors which are shaping attitudes and behaviours of the populous. We are monitoring the situation closely.

Looking out from here, valuations point to more room for the European equity markets (including UK, which is one of the cheapest relatively) to move ahead over the next 12-24 months. Expect US equities, likely to be driven mainly by earning growth to continue expansion. Pointers are still positive with 4th quarter 2021 earnings growth currently indicated by Factset to be around 20% year-on-year, * but clearly with little room for disappointment.

***Source: Bloomberg, Date: 31st Oct 2021**

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Investment Team

Investment Manager	Asim Javed, CFA

Disclaimer

Source: Morningstar Direct