

FOR PROFESSIONAL ADVISERS ONLY

# Bespoke Portfolio Service

Quarterly performance  
ARC Private Client Indices

Q3 September 2024



In association with



## Brooks Macdonald Bespoke Portfolio Service (BPS) performance vs ARC Private Client Indices (PCI) Q3 2024

		Rolling 12 month performance (%)					Cumulative performance (%)		
		12 months to 30.09.20	12 months to 30.09.21	12 months to 30.09.22	12 months to 30.09.23	12 months to 30.09.24	3 years to 30.09.24	5 years to 30.09.24	10 years to 30.09.24
Low Risk	BM Low Risk	-0.96	7.63	-11.17	4.87	9.73	2.22	8.96	32.71
	ARC Sterling Cautious PCI	1.52	6.33	-8.07	2.38	7.24	0.93	8.95	27.46
	Relative performance	-2.48	1.29	-3.10	2.49	2.49	1.29	0.01	5.26
Low-to-Medium Risk	BM Low- to- Medium Risk	-0.28	12.69	-11.77	5.39	11.41	3.59	16.41	50.59
	ARC Sterling Balanced Asset PCI	0.51	10.93	-9.11	3.30	10.63	3.87	15.80	45.51
	Relative performance	-0.79	1.76	-2.66	2.09	0.78	-0.27	0.62	5.07
Medium Risk	BM Medium Risk	0.30	18.33	-13.22	6.35	13.11	4.39	23.89	68.40
	ARC Sterling Steady Growth PCI	-0.16	15.04	-10.12	4.56	12.24	5.48	21.15	63.94
	Relative performance	0.46	3.29	-3.10	1.79	0.87	-1.09	2.74	4.46
Medium-to-High Risk	BM Medium- to- High Risk	3.22	22.62	-15.97	6.56	14.74	2.75	30.05	87.66
	ARC Sterling Equity Risk PCI	-0.25	19.42	-11.39	5.53	13.70	6.32	26.65	78.80
	Relative performance	3.48	3.20	-4.57	1.03	1.04	-3.57	3.40	8.86
High Risk	BM High Risk	4.88	25.08	-17.77	6.29	15.37	0.84	32.28	98.00
	ARC Sterling Equity Risk PCI	-0.25	19.42	-11.39	5.53	13.70	6.32	26.65	78.80
	Relative performance	5.13	5.66	-6.38	0.76	1.67	-5.48	5.64	19.20

Past performance is not a reliable indicator of future results. All figures are rounded to two decimal places. Please note that due to rounding, the figures shown in this table may not precisely add up to the totals/differentials shown. All performance figures are net of underlying fund charges and Brooks Macdonald management fees but gross of professional adviser charges. Deduction of these fees will impact on the performance shown. Source: Brooks Macdonald, Asset Risk Consultants (ARC) Research Limited [www.suggestus.com](http://www.suggestus.com). All data as at 30 September 2024.

# Strong Performance in Financial Markets:

Despite a spike in market volatility at the start of August, both equity and bond markets delivered strong returns in sterling terms, boosting year-to-date gains.

Factors such as the Bank of Japan's unexpected late July interest rate hike, softer US labour data, and mixed results from mega-cap US technology companies briefly knocked investor confidence. However, markets quickly rebounded, and by late August, major US equity indices were back to achieving fresh record highs as volatility eased.

In sterling terms, UK equities outpaced international equities, while Asian equities (excluding Japan) also performed well, with Chinese stocks rising on government stimulus measures announced in late September. September saw the US Federal Reserve initiate an interest rate-cutting cycle with a 50-basis point reduction. Sovereign bonds and duration-sensitive assets, including Real Estate Investment Trusts (REITs), appreciated as the Bank of England and the European Central Bank also enacted interest rate cuts, with further reductions anticipated by investors in the coming months.

## Strategic Outlook

We continue to retain a preference for equities over bonds given a still constructive economic growth and healthy corporate earnings results picture. This asset allocation position has helped relative performance year to date. Within equities, we continue to favour UK and US equities but remain mindful of the demanding valuations of some of the mega-cap US companies. For this reason, we increased the US small and mid-cap equity exposure in portfolios earlier in the year. This decision was rewarded over the calendar third quarter, with the US small and mid-cap indices outperforming large caps and the MSCI World index, showcasing diversification beyond the dominant US mega-cap technology giants.

Market sentiment over the year to date has seen expectations around the outlook for interest rates oscillate between hopes of imminent rate cuts to a revival of a 'higher for longer' interest rate narrative. Given the ongoing uncertainty and volatility in growth and inflation expectations, our short-duration strategy remains a crucial tool for both minimising and diversifying risk.

Our objective remains to stay invested while ensuring a balanced approach. This allows us to maintain exposure to outcomes over and above our central-forecast economic scenario of moderating inflation and interest rates alongside a still-resilient economic growth picture.

## Key Drivers of Q3 performance:

**US small and mid-sized company exposure:** Our decision earlier in the year to increase exposure to US small and mid-sized companies was rewarded over the quarter, with the US mid and small cap indices outperforming large caps and the MSCI World index.

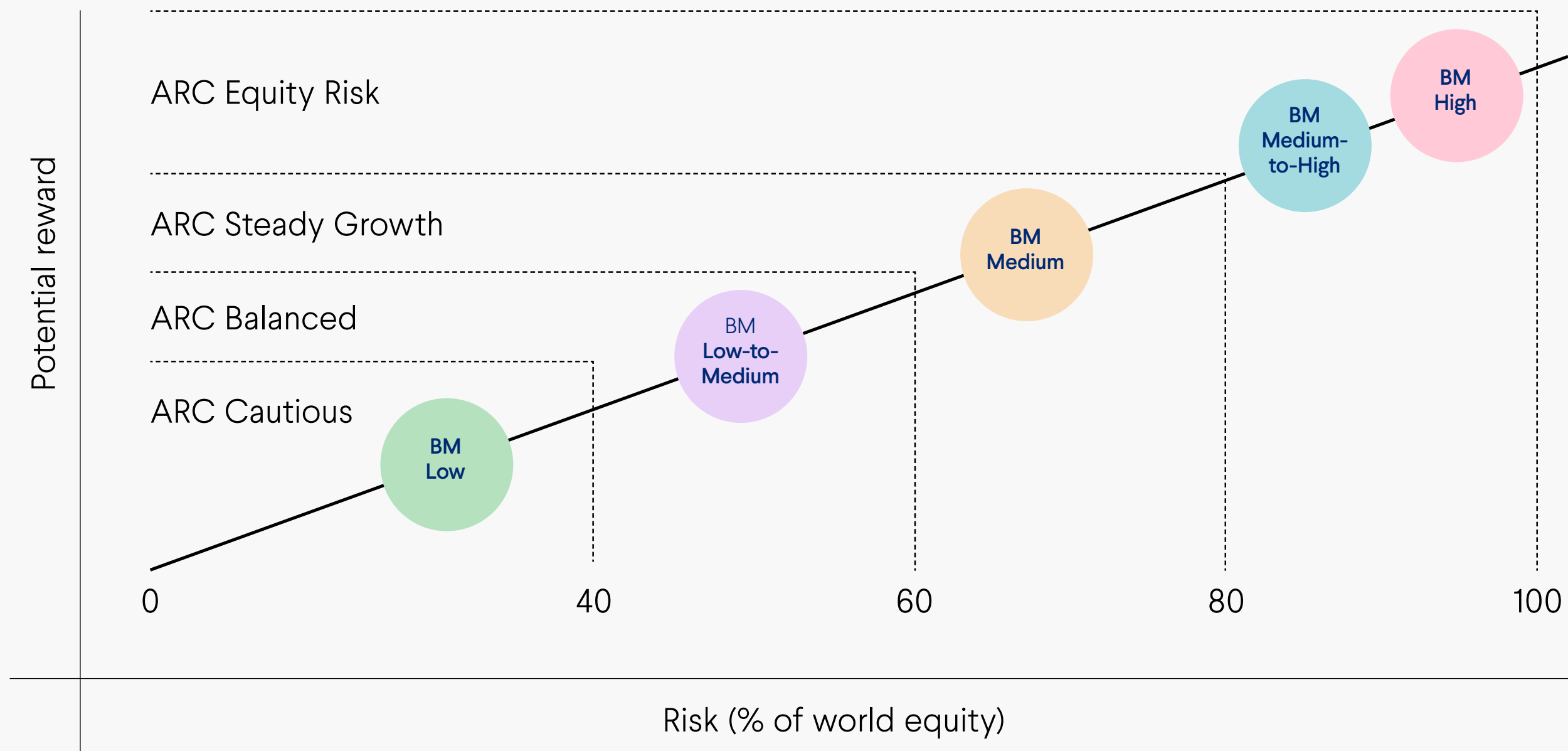
**UK equity fund selection:** Brooks Macdonald's portfolios benefited from a higher exposure to UK equities, which outperformed global equities over the quarter. Our chosen UK equity funds also surpassed the UK market index, adding further value. Over the year to the end of September, despite the UK market lagging behind the global equity market, our UK equity fund selections have been notably strong. Several of these funds have outperformed both the domestic market index and the MSCI World Index.

*Source Brooks Macdonald, MSCI: please see important information. As at 30 September 2024*

All Brooks Macdonald risk profiles delivered returns exceeding their respective ARC peer group comparator index over the third quarter of 2024, one-, five- and ten-year periods.

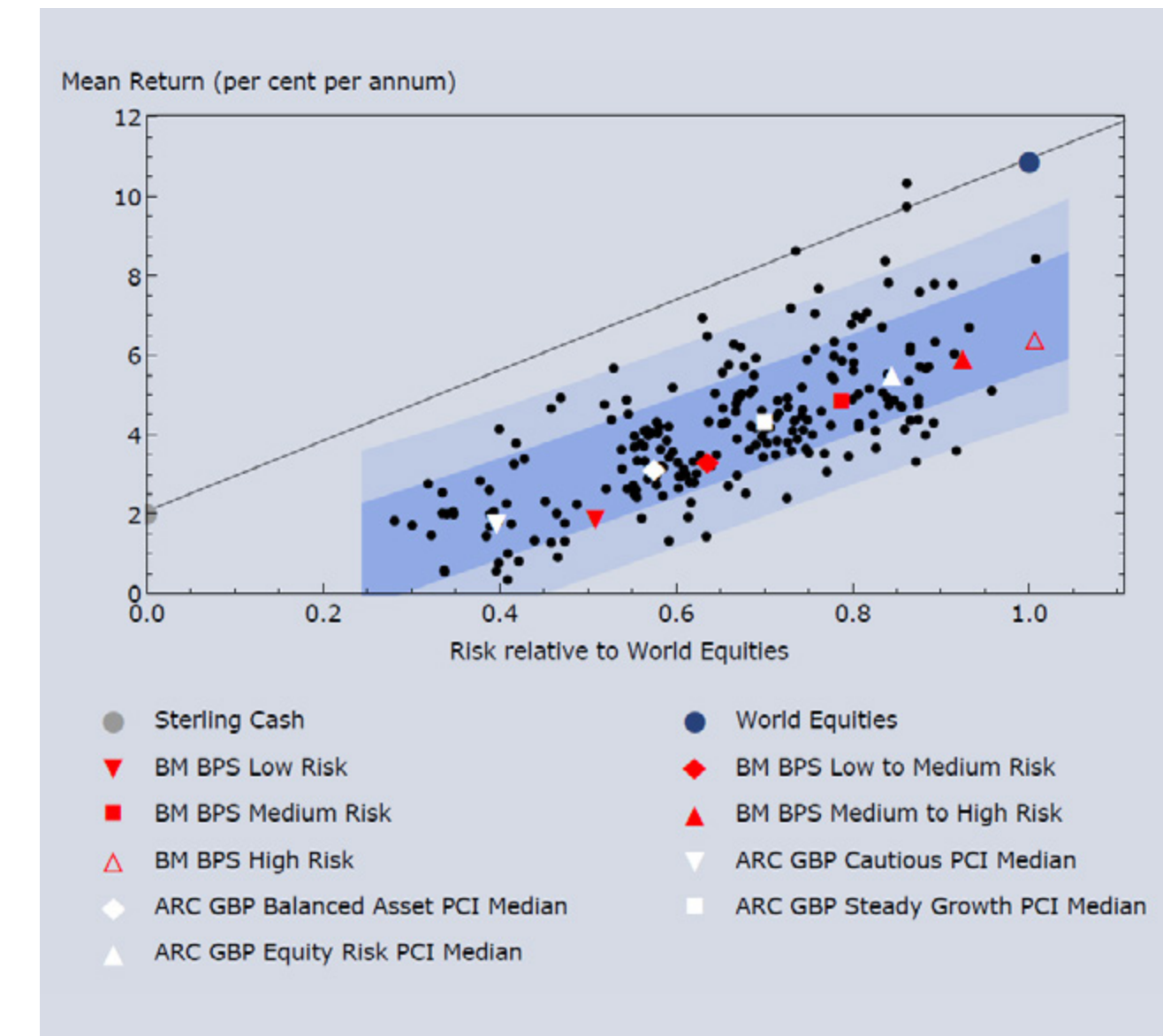
## Brooks Macdonald BPS portfolios mapped against ARC's PCI risk categories

- ARC's PCI are broken down into four risk categories, each based on equity risk.
- Brooks Macdonald's five risk-rated portfolios are profiled to ARC's PCI risk categories.
- In this report, equity risk means the percentage of historic risk relative to world equities.



This chart shows the three-year risk-return characteristics for each Brooks Macdonald risk profile, alongside the PCI Data Contributor averages and the Sterling PCI Medians of ARC's four PCI risk categories.

## Return vs risk (60 months)



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The diagram is for illustrative purposes only. Source: Asset Risk Consultants (ARC) Research Limited www.suggestus.com

## BM Low Risk

Our Low-Risk portfolios have a strategic equity range of 10-30%.

The BM Low-risk portfolio has delivered a robust performance, ranking in the top quartile of the ARC Sterling Cautious peer group over the quarter and one-year.

The BM Low risk portfolio has outperformed the index over three- five and ten-year periods.

This strong performance follows a period of heightened challenges for low-risk investors, marked by a sharp increase in interest rates. Traditionally, bonds have offered diversification benefits in investment portfolios; however, the concurrent decline in equity and bond markets during 2022, spurred by rising rates, put these advantages to the test. Our strategic emphasis on shorter-dated bonds, which are less sensitive to shifts in interest rate forecasts, has played a crucial role as a risk mitigator.

## BM Low-to-Medium Risk

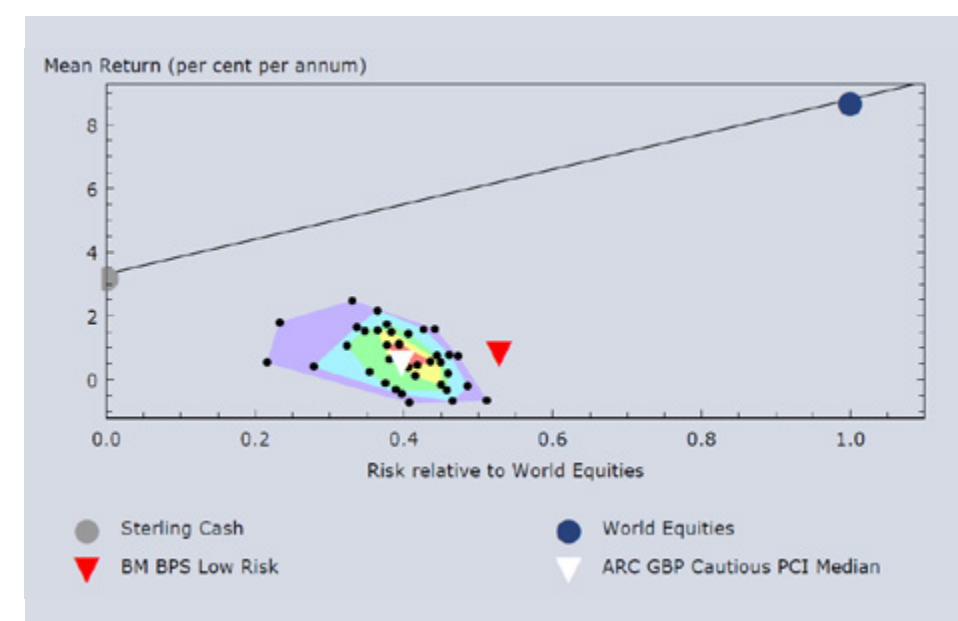
Our Low to Medium Risk portfolios have a strategic equity range of 30-55%.

The BM Low-to-Medium risk portfolio has delivered a robust performance, ranking in the top quartile of the ARC Balanced Asset peer group over the quarter.

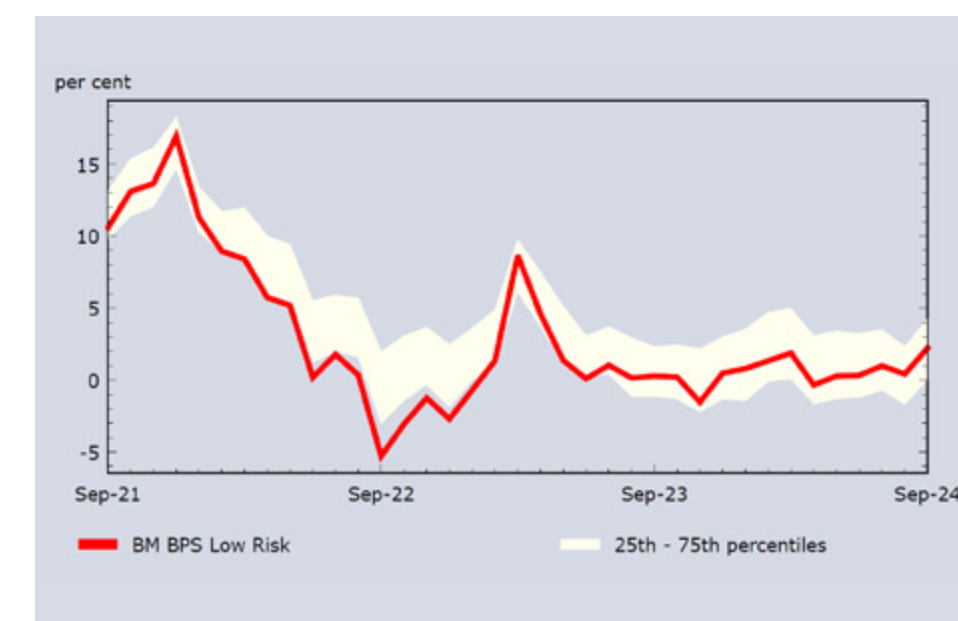
The BM Low-to-medium risk portfolio has outperformed the ARC Sterling Balanced Asset Index over one year and is ahead of the peer group over the longer term (five- and ten-year periods).

The accompanying rolling 3-year return chart below underscores the portfolio's steady, consistent performance relative to the ARC Sterling Balanced Asset peer group. Returns reliably fall within the 25th to 75th percentile range, as indicated by the white shaded area on the graph.

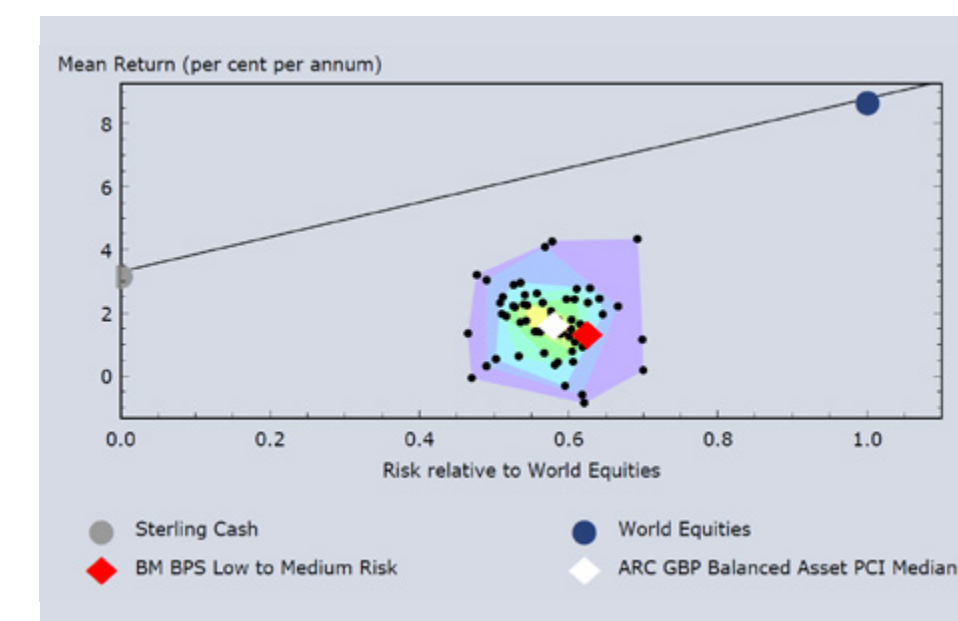
### Return vs risk (36 months)



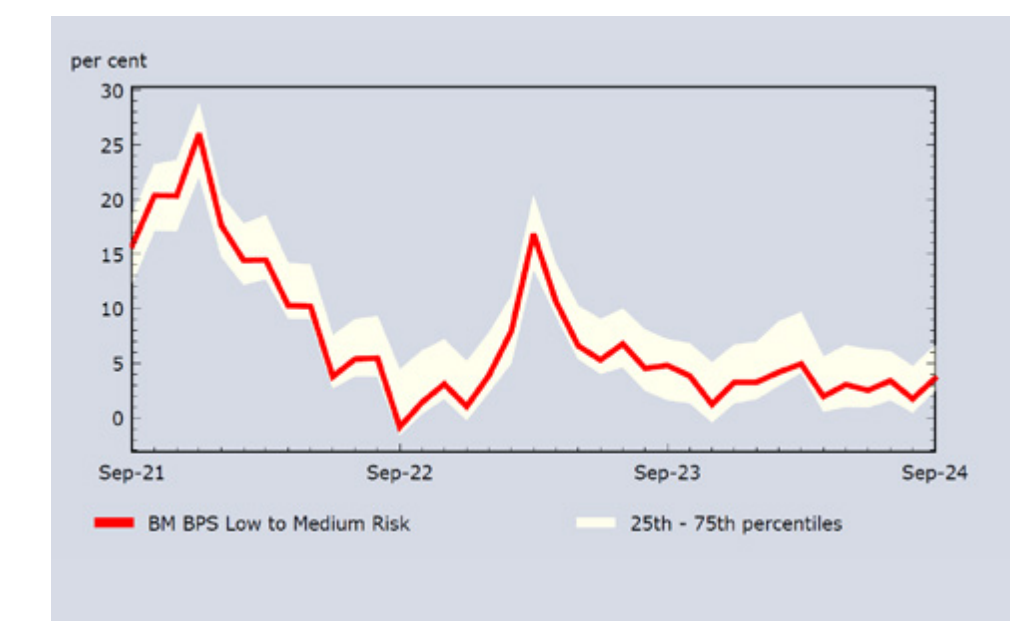
### Cumulative returns (36 months rolling)



### Return vs risk (36 months)



### Cumulative returns (36 months rolling)



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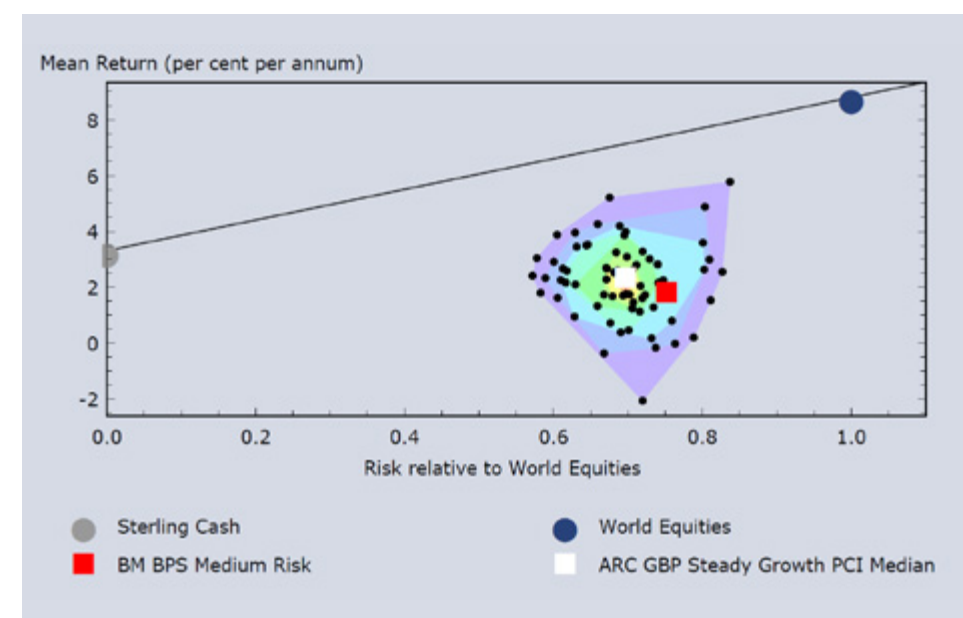
## BM Medium Risk

Our Medium Risk portfolios have a strategic equity range of 55-75%.

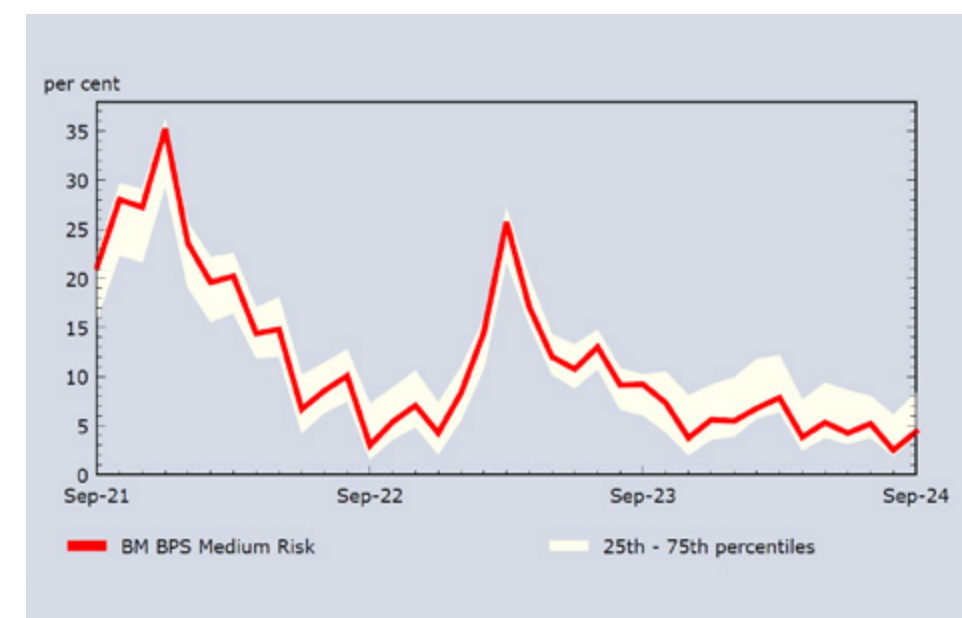
The BM Medium risk portfolio has outperformed the ARC Sterling Steady Growth Index over the quarter and one year and is comfortably ahead of the peer group over the longer term (five- and ten-year periods).

The accompanying rolling 3-year return chart below underscores the portfolio's steady, consistent performance relative to the ARC Sterling Steady Growth peer group. Returns reliably fall within the 25th to 75th percentile range, as indicated by the white shaded area on the graph.

Return vs risk (36 months)



Cumulative returns (36 months rolling)



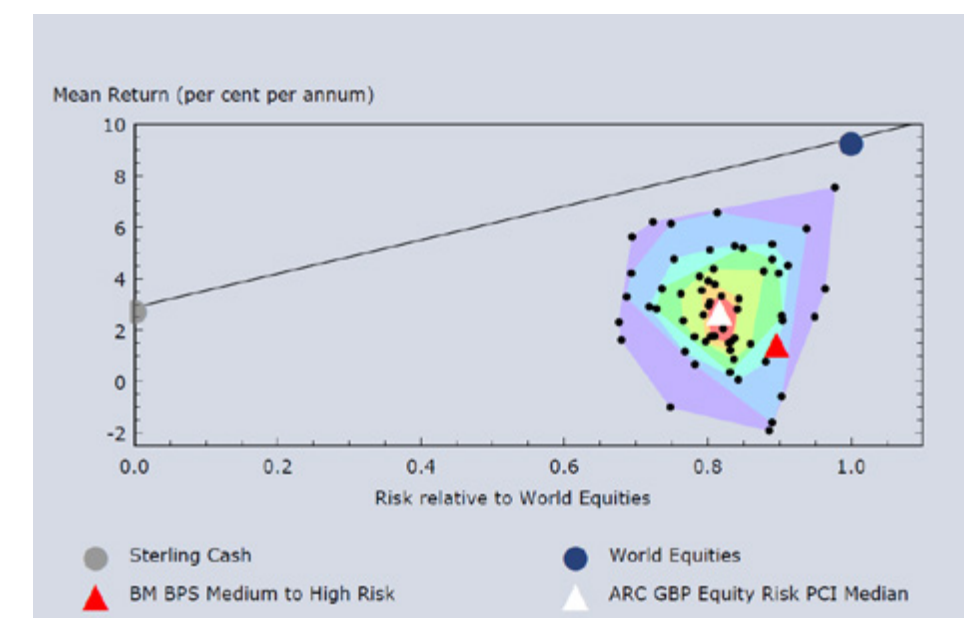
## BM Medium-to-High Risk

Our Medium to High Risk portfolios have a strategic equity range of 75-95%.

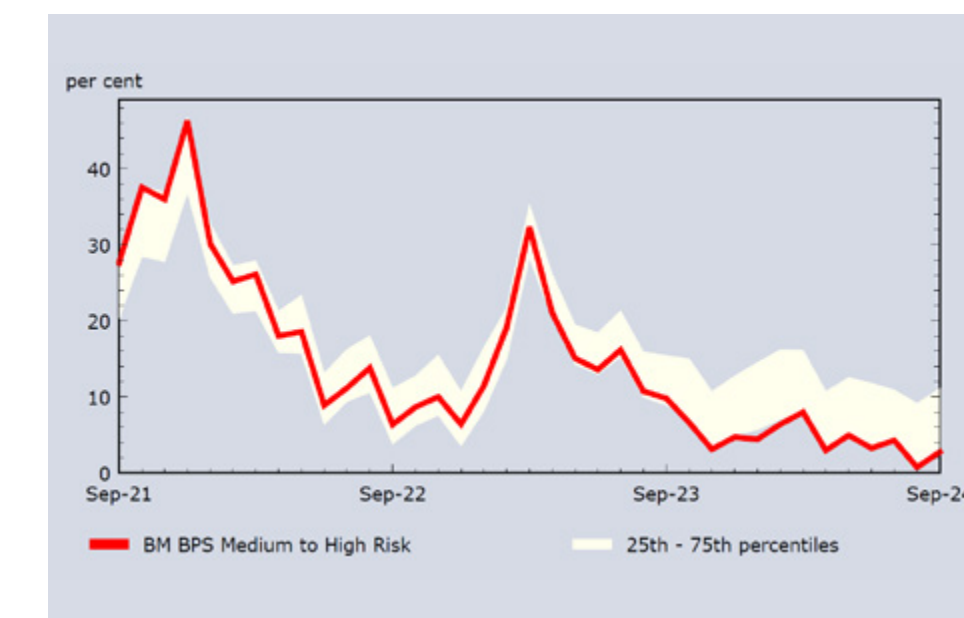
The BM Medium-to-High risk portfolio has outperformed the ARC Sterling Equity Risk Index over the quarter and one year and is comfortably ahead of the peer group over the longer term (five- and ten-year periods).

The accompanying rolling 3-year return chart below underscores the portfolio's steady, consistent performance relative to the ARC Sterling Equity Risk peer group. Returns reliably fall within the 25th to 75th percentile range, as indicated by the white shaded area on the graph.

Return vs risk (36 months)



Cumulative returns (36 months rolling)



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## BM High Risk

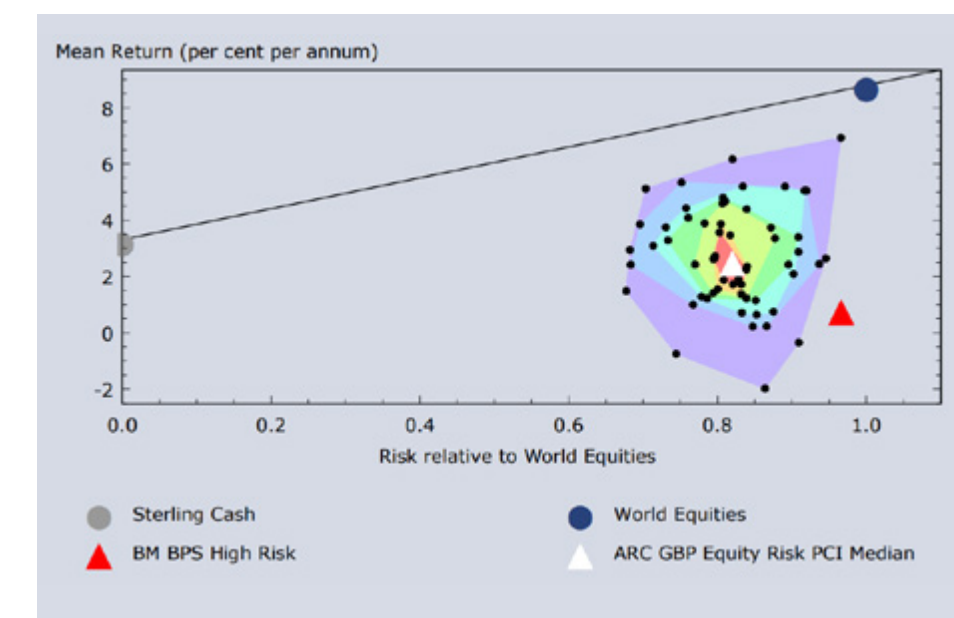
Our High Risk portfolios have a strategic equity range of 90-100%.

The BM High risk portfolio has delivered a robust performance, ranking in the top quartile of the ARC Sterling equity risk peer group over the year.

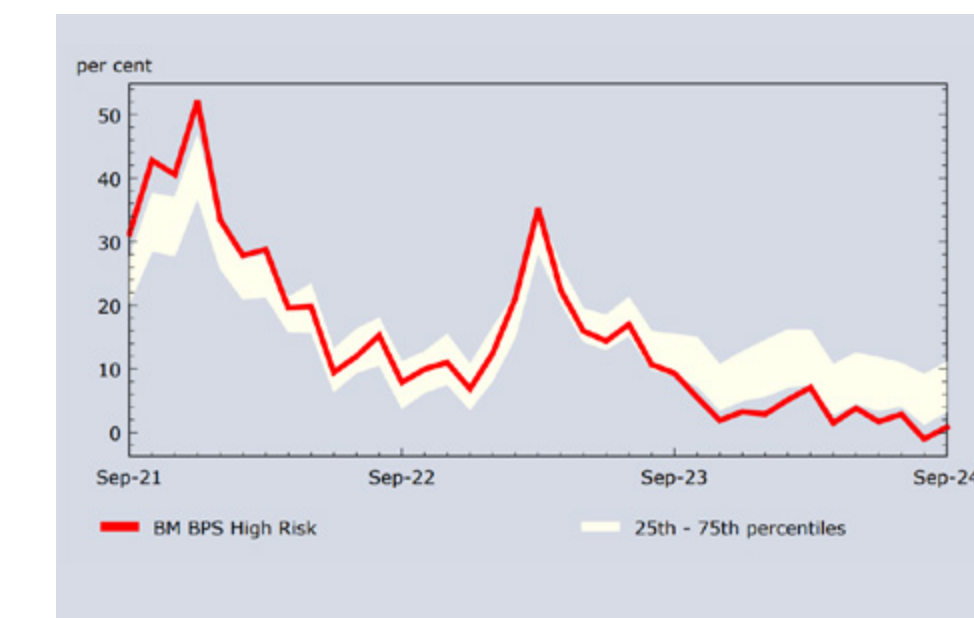
The BM High risk portfolio has outperformed the ARC Sterling Equity Risk Index over the quarter and one year and is comfortably ahead of the peer group over the longer term (five- and ten-year periods).

The accompanying rolling 3-year return chart below underscores the portfolio's steady, consistent performance relative to the ARC Sterling Equity Risk peer group. Returns reliably fall within the 25th to 75th percentile range, as indicated by the white shaded area on the graph.

### Return vs risk (36 months)



### Cumulative returns (36 months rolling)



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## Important information

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