THORNTONS
INVESTMENTS

## Investment Objectives

The Thorntons Cautious model portfolio aims to provide a low risk investment that preserves capital value and generates a sustainable return greater than that achieved from a deposit account over a five-year period. Typically the majority of the portfolio will be invested in bonds and alternative assets, with a smaller allocation to equities and property. The model is invested across a portfolio of funds and exchange traded instruments.

Target five-year annualised volatility of 4.2 to 6.3

## Key Facts

| | |
|---|---|
| Historic Model Yield | 3.9% |
| Five Year Monthly Volatility | 8.2 |
| Estimated OCF of model | 0.54% |
| Investment fee | 0.2% (VAT Exempt) |
| Comparison Benchmark | IA Targeted Absolute Return |

Data sourced from Financial Express as at 30 June 2024

Date of Inception 31 December 2014

## Managers

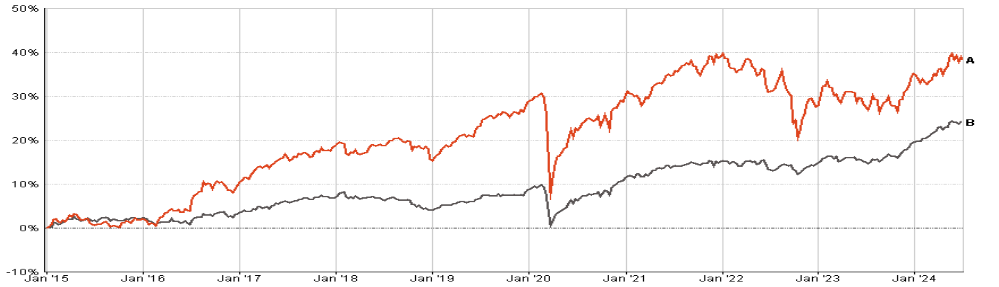
**Matt Strachan BSc (Hons) Econ, ACSI**
Matt is the CIO at Thorntons Investments and has over 30 years of international investment management experience, including managing an OBSR rated N American fund.

**Ciaran Garvey BSc Econ & Fin, MSc Fin, FCSI**
Ciaran is an investment manager at Thorntons Investments, he has over 10 years industry experience after graduating from University College Dublin and Heriot Watt University.

# Thorntons Cautious
# Investor Factsheet Q2 2024

## Performance from Inception

Cautious Model Total Return 31/12/14 -30/06/2024




A - *Thorntons Cautious Model Portfolio*
B - *IA Targeted Absolute Return*

31/12/14 - 30/06/24
Data from FE fundinfo

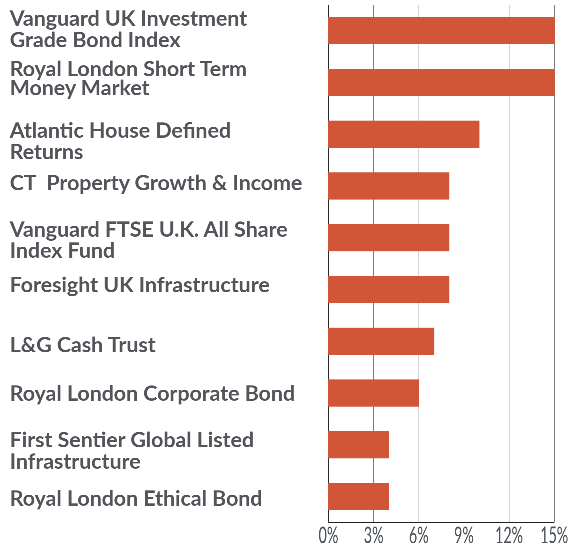
| Performance - Cumulative | Q2 | YTD | 1 year | 3 years | 5 years | Incept |
|---|---|---|---|---|---|---|
| Thorntons Cautious Model Portfolio | 1.6% | 2.2% | 8.4% | 2.7% | 12.2% | 38.4% |
| IA Targeted Absolute Return Sector | 1.1% | 3.6% | 8.0% | 8.9% | 16.2% | 24.2% |

| Discrete Calendar Year | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Thorntons Cautious Model Portfolio | 5.9% | -8.4% | 7.6% | 1.1% | 11.2% |
| IA Targeted Absolute Return Sector | 4.3% | -0.4% | 3.5% | 2.6% | 4.4% |

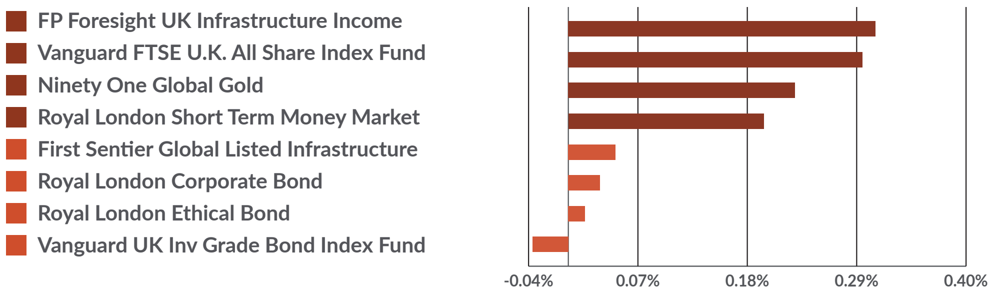
## Industry Allocation

- 29.0% - Bonds
- 26.0% - Other
- 24.0% - Cash
- 8.0% - Property
- 8.0% - UK Equities
- 5.0% - International Equities

## Top Ten Holdings




## Top And Bottom Contributors To Performance Q2 2024




## Platform Availability

abrdn Fidelity INTERNATIONAL M&G wealth nucleus SCOTTISH WIDOWS transact take control Quilter wealthtime 7IM

## Market Commentary

At the halfway point of 2024, financial markets have generally been in a positive mood. A number of markets and assets have made new all-time highs, including the UK stock market, after lagging behind other developed markets. A couple of Western central banks have cut interest rates and the Bank of England looks odds on to cut at the start of August. Inflation in goods has declined significantly, although service inflation remains stubborn, and after a shallow recession across much of Europe economic activity is slowly recovering. Whilst Labour's election win came as no surprise, some of the European election results have caused a degree of upset, most notably in France, whilst Biden's shaky start to US campaigning has caused a lot of consternation. This has left the UK looking surprisingly calm and stable in comparison, helping to boost sterling, the strongest major currency over the quarter.

Meanwhile concern that political rhetoric could spill over into widening fiscal deficits, after the IMF had already warned about levels of indebtedness, has caused longer term sovereign debt to sell off to a degree. UK gilts followed suit and returned -2.4% over the quarter. Corporate bonds held up much better, with credit spreads shrinking as the economic outlook improved. Property which is heavily influenced by the cost of debt, also held up better with a positive return of 1.2% over the quarter, mostly reflecting rental income. Surprisingly, though, gold rallied another 5%, making a new all-time high, in spite of high interest rates and bond yields, which normally depress gold. Its classic use as a hedge against geopolitical risk, look to be at play.

UK equities were one of the better performing stock markets over the quarter, returning 2.6%, with a growing level of takeover interest reflecting both the relative value of UK companies and relative political stability offered. The US stock market continued to make new highs, returning nearly 4% in sterling terms, but with performance heavily concentrated in a handful of stocks linked to Artificial Intelligence. Sterling strength curbed returns, most notably from other overseas markets, where Europe and Japan eased back from record highs and returned -4.4% and -4.6% respectively. Emerging markets had another good quarter, returning roughly 5%, as improving economic sentiment in China and Latin America was allied to the re-election of the market friendly Indian Prime Minister Modi. Lastly hopes of a better economic outlook boosted the commodities index 1.2%, with oil and copper notably higher.

The exceptional returns from US equities, over the last decade and more, in part reflect a number of exceptional advantages (huge capital markets, resource independence, productivity growth), but also a substantial increase in valuations. As political interest swings west, to the land of the free, any political upset might threaten the valuation premium. We have grown used to geopolitical turmoil and sadly to conflict. A quiet summer is probably welcomed by many (in fact a summer might be nice), but beyond that with an interest rate cut in the offing and enough confidence for investment decisions to be made, UK equities are looking one of the more attractive options.

## Portfolio Commentary Q2 2024

The second quarter of 2024 saw the Cautious portfolio make a steady gain, returning +1.6%. Nearly all investments provided a positive return, with the only negative Vanguard UK Investment Grade Bond Index fund, -0.2%, as bond markets sold off. A couple up funds rose more than 5%. Ninety One Global gold fund, +5.7%, was the best performer as it closed some of the discount that miners had dropped to against the gold price. The small position in Vanguard Emerging Markets Stock Index, +5.1%, also performed well as the Chinese economy showed signs of recovery. There was some recovery in infrastructure investments, with Foresight UK Infrastructure Income +3.9%, although First Sentier Global Listed Infrastructure, +1.2%, was more modest. US equity continued to rise, with Vanguard US Equity Index +3.1%, whilst UK equity performed well contributing to returns, with Vanguard FTSE UK All Share Index Fund, +3.7%. Lastly the money market funds continue to provide solid stable returns, +1.3%.

Although not negative, most bond funds only managed to make small positive returns, with the higher level of yield now available largely eroded by drops in capital values. Whilst some of the alternative investments to bonds, such as property and 'defined returns' produced steady returns of roughly 1.4%.

## Get In Touch


**Phone:**
**01382 797 600**

**Website:**
***www.thorntons-investments.co.uk***

**Dundee**
**Whitehall House**
**35 Yeaman Shore**
**Dundee**
**DD1 4BU**