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Quarterly Update

April 2024

Our Investment Committee

Steven Hutchinson, APFS: Citrus Wealth Management

Henry Cobbe, CFA: Elston Portfolio Management

Hoshang Daroga, CFA: Elston Consulting

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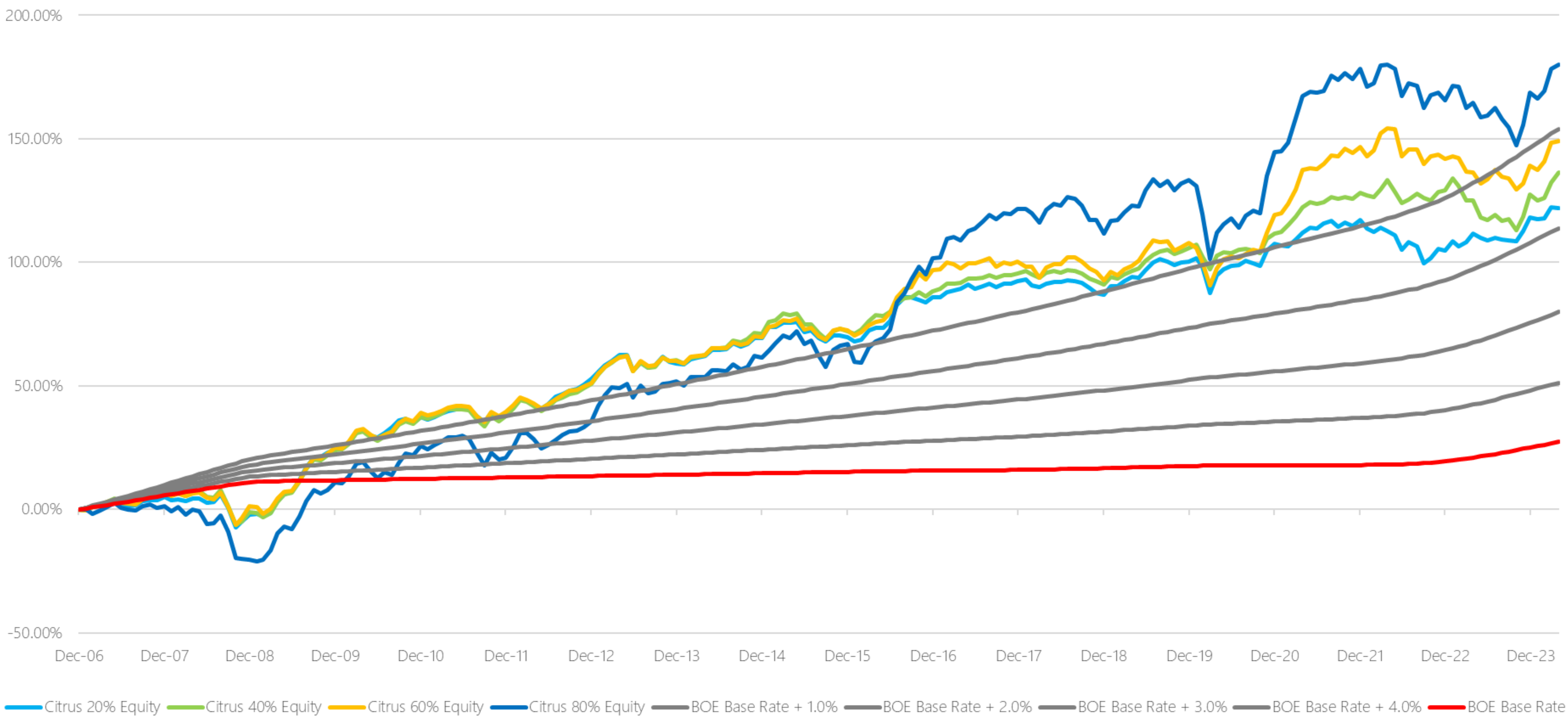
About our model portfolios

Introduction

- This update provides latest information on our model portfolios.
- The models are overseen by our Investment Committee, and managed by our Appointed Investment Manager
- This quarterly report consists of four parts.

1	• Performance
2	• Outlook
3	• Asset Allocation
4	• Portfolio Changes

Our Portfolio Performance



Source: Elston research, Bloomberg data, Citrus data. Gross returns before manager fees.
Performance for Citrus Equity Portfolios and Indices is based on the period from 31-Dec-06

Our key themes for 2nd Quarter 2024

1. Maintaining the pace
2. A bumpy path down – for now
3. Potential for a broader rally

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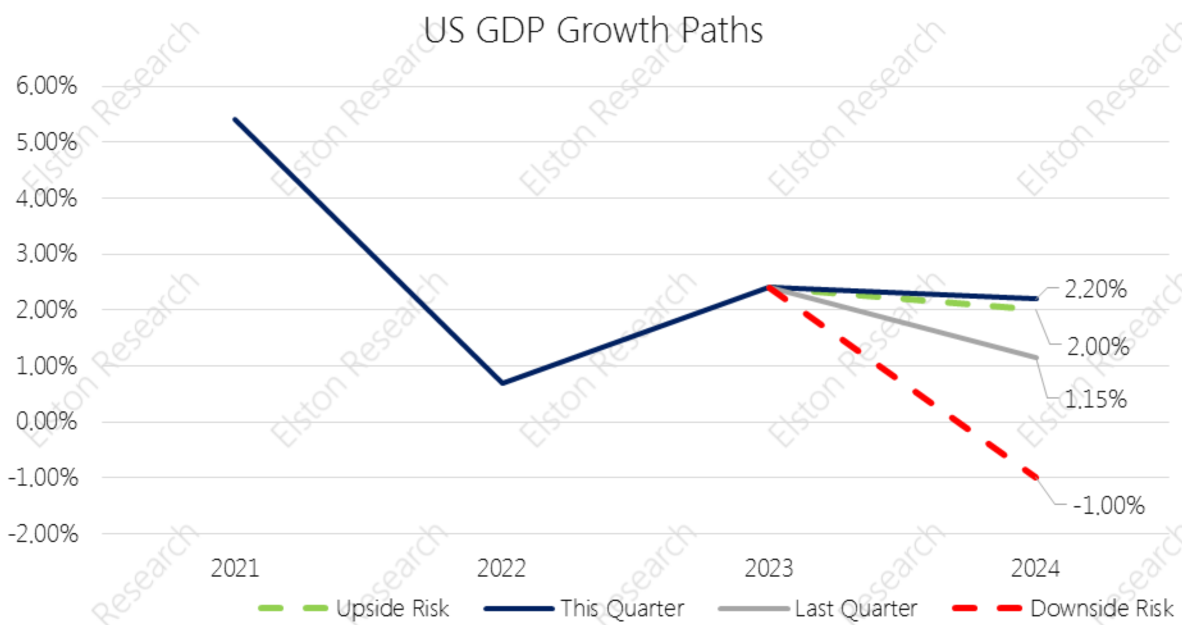
1. Maintaining the pace

- The outlook for US economic growth has moved from a deceleration to +1.15% holding "steady as she slows" to a revised outlook of +2.2% in 2024 - maintaining a pace with 2023 growth rates.
- This a touch ahead of the upside risk level in our 2024 Outlook and has spurred on equity markets as the US has shown resilient economic growth in spite of higher interest rates.
- This "no landing" growth scenario, also creates the potential for both 1) a broadening of the rally beyond the Magnificent 7 largest tech companies and 2) an easing of restrictive monetary policy.

US GDP Growth outlook has been revised up by the market to +2.2% for 2024, with no deceleration being the "no landing" scenario. This has supported equity markets and earnings outlooks for US equities beyond the Magnificent 7.



Source: Elston research, Bloomberg data

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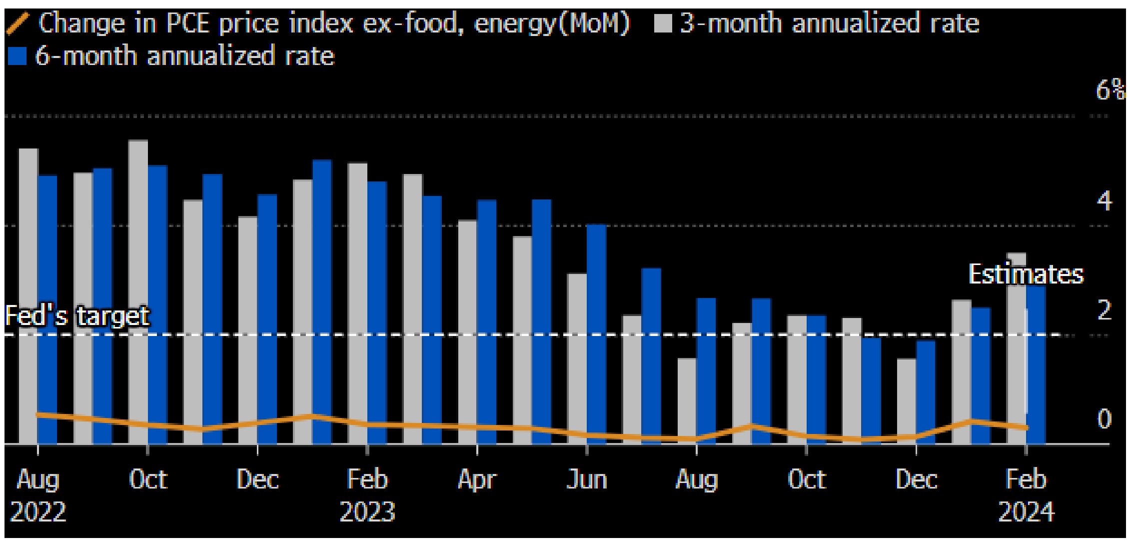
2. Bumpy path down – for now

- In our 1st Quarter 2023 Outlook, we flagged that whilst inflation would moderate, it would be "stickier" – persisting at slightly-above target inflation rates. This bumpy path down to the 2% target inflation rate means potential upticks in inflation, even though the inflation spike is behind us. We have now seen this in US data with recent upticks in annualised month-on-month inflation rates.
- Furthermore, whilst US inflation could get close to 2% in 2024, it could potentially run back up in 2025 once goods deflation has washed out and wage inflation from a tight labour markets starts to show through.
- Whilst Bonds' real yields are attractive once again, this upside to inflation risk highlights the need to maintain some inflation-hedging exposures.

The annualised monthly Core PCE rate, the Fed's preferred inflation metric, has ticked up again since December. Whilst a 2% target is in sight for 2024, wage pressures mean it could re-accelerate again in 2025.



Source: Bureau of Economic Analysis; Bloomberg

Source: Bloomberg https://www.bloomberg.com/news/articles/2024-03-23/eco-week-ahead-us-nflation-gauge-seen-bolstering-fed-patience

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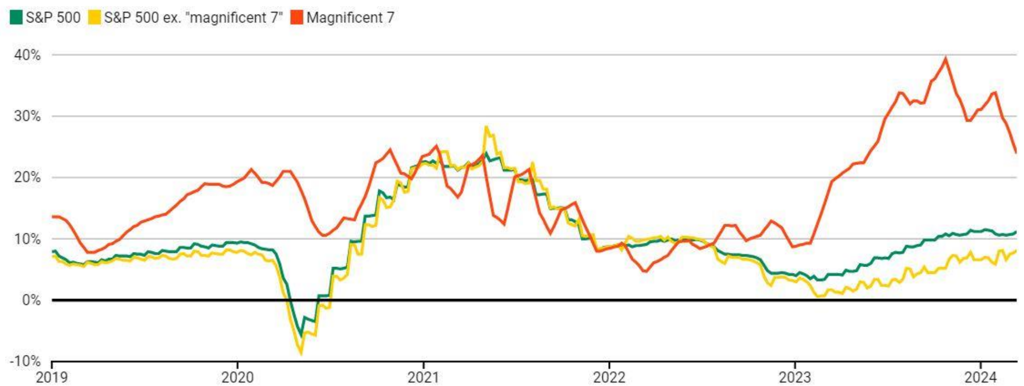
3. Potential for a broader rally

- The equity market rally has been relatively concentrated. Because of the concentration risk created by traditional market-capitalisation weighted indices, the dominant earnings, valuations and market caps of tech is driving the US market, and the US is driving world equities.
- The US tech rally, particularly the “Magnificent 7” (the largest US tech companies) is not only a function of multiple expansion to reward higher earnings growth, but also reflecting the higher growth profile and margins of those companies.
- Resilient economic growth coupled with an increased valuation gap between large cap and small cap US equities means that equal-weight, small cap and active exposures look attractive in US equity context with a potential to access a broadening equity market rally.

The earnings growth of the “Magnificent 7” has been far superior to the rest of the S&P 500 (and has been handsomely rewarded). But the earnings outlook is also improving for the broader S&P 500, creating potential for a broader rally as the economy remains resilient.

S&P 500 forward earnings expectations, 2019-2024



Forward looking estimates may not come to pass. Index returns do not account for fees. It is not possible to invest directly in an index. Source: BlackRock Investment Institute, with data from LSEG Datastream, March 2024. Notes: The chart shows 12-month forward earnings expectations for the stocks known as the “magnificent 7” (Alphabet, Amazon, Apple, Nvidia, Meta, Microsoft and Tesla) and the S&P 500 excluding those seven.

Source: BlackRock https://www.blackrock.com/us/individual/insights/blackrock-investment-institute/outlook#a-dynamic-approach

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Asset Allocation Changes

- Our Investment Committee's views on asset allocation are presented below

	Changes to the portfolio	Buy	Sell	Reasons why
EQUITIES	▪ Reducing allocation to UK Large cap equities in favour of LF Gresham House Multi-Cap Income which is focused on Small and Mid-caps. ▪ Moving to Neutral allocation from Underweight for European equities as the economy has managed to avoid a deep recession. With interest rates expected to be cut in second half of the year, there is no reason to stay underweight Europe. ▪ Moving from an actively-managed large cap strategy to actively-managed small cap strategy.	Introducing: 1. LF Gresham House Multi-Cap Income 2. Janus Henderson European Smaller Companies Increase in: 1. L&G European Index	Sell down from: 1. Fidelity UK Index Fund 2. BlackRock Continental European Fund D Acc	Moving from UK Large Caps to UK Small/Mid Cap strategies as interest rates are likely to have peaked which presents an opportunity for smaller capped companies to generate returns Increasing EU equity allocation to neutral as Europe has avoided a deep recession and the ECB is likely to be the first major Central Bank to cut interest rates. Lower interest rates in Europe could result in a big re-rating of sentiment especially for European smaller companies.
ALTERNATIVES	▪ Replacing individual property trusts in favour of an all-in-one solution via UK property ETF.	Introducing 1. iShares UK Property UCITS ETF	Sell down from: 1. LXI REIT Plc 2. Supermarket Income REIT Plc 3. Tritax Euro Box Plc	Holding individual property REITs carries large idiosyncratic risk. UK property ETF allows for this risk to be mitigated and diversified across 40 REITs and Real Estate companies within the ETF
BONDS	• Increasing bond duration funded from reduction in money market funds as interest rates have peaked and rates are likely to be cut in the 2nd half of the year. • Introducing an actively managed Avastra Global Fixed Income fund which is aligned to Elston views on the bond markets. • Re-aligning the bond basket to match Elston views.	Introduction of: 1. Legal & General All Stocks Index Linked Gilt Index Trust C Inc GBP 2. abrdn Sterling Corporate Bond Tracker N Acc in GB 3. HSBC Global Aggregate Bond Index Fund S2CHGBP (hedged GBP) 4. VT Avastra Global Fixed Income Fund A Inc GBP*	Reduction in: 1. Fidelity Index UK Gilt S Acc 2. abrdn Short Dated Sterling Corporate Bond Tracker B Acc 3. L&G Emerging Markets Government Bond (US$) Index C Acc 4. Royal London Short Term Money Market Y Acc	Central Banks are expected to cut interest rates in second half of the year and longer duration bonds are expected to gain in capital values when rates come down. We have been very defensive in bonds over the last 2 years taking minimal duration risk. This defensive posture has paid off so far, however, interest rates have peaked and is likely to head lower this year. Staying defensive is no longer warranted and we bring our duration exposure to a more neutral level. A neutral holding implies a balanced mix of shorter maturity bonds yielding 5%+ and longer maturity bonds yielding 4%+. Bonds now have a critical role to play in portfolios offering a real yield and fixed returns.

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Portfolio Weights as of 03-May-24

Asset Class	Exposure	Name	Citrus 20% Equity	Citrus 40% Equity	Citrus 60% Equity	Citrus 80% Equity	Citrus 100% Equity
Equities	US Large Cap	HSBC American Index Fund C Acc	1.00%	2.50%	4.00%	6.00%	7.00%
Equities	US Large Cap	Fidelity US Index Fund P Acc	0.50%	2.00%	3.50%	5.50%	7.50%
Equities	US Large Cap	Xtrackers S&P500 Equal Weight UCITS ETF	1.00%	3.00%	5.00%	6.00%	8.00%
Equities	UK Mid/Small Cap	LF Gresham House UK Multi-Cap Income C Acc	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	UK Equity Income	VT Munro Smart-Beta UK Fund X Acc	1.00%	3.00%	5.00%	7.00%	9.00%
Equities	Europe Large Cap	Legal & General European Index Fund C Acc	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	Europe Mid/Small Cap	Janus Henderson European Smaller Companies Fund I Acc	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	Asia Ex-Japan Large Cap	HSBC Pacific Index Fund C Acc	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	Asia Ex-Japan Large Cap	Stewart Investors Asia Pacific Sustainable Fund B GBP	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	Japan Large Cap	HSBC Japan Index Fund S Acc	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	Japan Large Cap	Man GLG Japan CoreAlpha C Acc	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	EM Large Cap	Fidelity Emerging Markets Index Fund P Acc	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	EM Large Cap	FSSA Greater China Growth B Acc	0.50%	1.50%	2.50%	3.50%	4.50%
Equities	Global Large Cap	Fidelity World Index Fund P Acc	1.00%	3.00%	5.00%	7.00%	8.00%
Equities	Sector	Legal & General Global Health & Pharmaceuticals Index Trust C Acc GBP	1.00%	3.00%	5.00%	7.00%	8.00%
Alternatives	Property	iShares UK Property UCITS ETF	2.00%	6.00%	6.00%	4.00%	2.00%
Alternatives	Property	Tritax EuroBox Plc	1.00%	3.00%	3.00%	2.00%	1.00%
Alternatives	Infrastructure	GCP Infrastructure Investment Plc	1.00%	3.00%	3.00%	2.00%	1.00%
Alternatives	Multi-Asset Fund	Troy Trojan Fund X Acc	5.00%	5.00%	5.00%	2.00%	1.00%
Alternatives	Diversified Income	VT Elston Multi-Asset Income A Inc	5.00%	5.00%	5.00%	2.00%	1.00%
Alternatives	Multi-Asset Fund	Brooks Macdonald Defensive Capital A Acc	3.00%	3.00%	1.00%	1.00%	
Alternatives	Absolute Return	Man GLG Alpha Select Alternative IN Acc	2.00%	3.00%	2.00%	2.00%	1.00%
Alternatives	Hedge Funds	Winton Diversified Fund I Inc	2.00%	3.00%	2.00%	2.00%	1.00%
Alternatives	Real Assets	VT Elston Real Assets Index Fund A Acc	8.00%	8.00%	5.00%	4.00%	1.00%
Bonds	UK Govt	Fidelity UK Gilts Index Fund S Acc	7.32%	3.72%	2.16%	1.00%	1.00%
Bonds	UK Inflation-Linked	L&G All Stocks Index Linked Gilt Index Trust C Inc	4.88%	2.48%	1.44%	0.70%	
Bonds	UK Corp <5Y	abrdn Short Dated Sterling Corporate Bond Tracker B Acc	9.76%	4.96%	2.88%	1.40%	
Bonds	UK Corp	abrdn Sterling Corporate Bond Index Fund N Acc	9.76%	4.96%	2.88%	1.40%	
Bonds	Global Aggregate (GBP Hedged)	HSBC Global Aggregate Bond Index Fund S2CHGBP (Hedged GBP) Acc	4.88%	2.48%	1.44%	0.00%	
Bonds	EM USD	L&G Emerging Markets Government Bond (US$) Index Fund C Acc	4.88%	2.48%	1.44%	0.70%	
Bonds	Managed Bonds	VT Avastra Global Fixed Income Inc	12.20%	6.20%	3.60%	1.80%	
Cash & Equivalents	Money Market	Royal London Short Term Money Market Fund Y Acc	5.32%	1.72%	0.16%		
Cash & Equivalents	GBP Cash	Cash	2.00%	2.00%	2.00%	2.00%	2.00%
		TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%
		OCF	0.45%	0.56%	0.53%	0.49%	0.43%
		Previous OCF	0.39%	0.56%	0.54%	0.50%	0.43%

Note: OCF = Annual Ongoing Charge

Source: Elston research, Citrus Investment Committee

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Your capital is at risk. The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

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Citrus Wealth Management Ltd is entered on the Financial Services register under reference 429045

Portfolio Management
Since January 2024, the portfolios have been managed by our Appointed Investment Manager: Elston Portfolio Management, a trading style of P1 Investment Services Limited ("P1") utilised under exclusive licence. P1 Investment Services Limited is authorised and regulated by the Financial Conduct Authority under Firm Reference Number (FRN: 752005). P1 Investment Services Limited (Company Registration Number 09810560) is registered in England & Wales, Registered address: Senate Court, Southernhay Gardens, Exeter EX1 1NT.
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