

Where money meets intelligence

 **crossing point**

TACTICAL INVESTORS

Performance update and review, 30 Sept 2023
Heritage Portfolios



Heritage Portfolios

Heritage portfolios are a low-cost actively managed portfolio service designed for long-term capital growth through the use of investment trusts. Investment trusts highlight lower fees, increased diversification and typically significantly better investment returns over the longer term.

In addition to the risk protection offered from a diverse asset allocation, since June 2022 Heritage portfolios have an additional trend-following overlay found to reduce volatility, maximum drawdowns and sequence of returns risk.

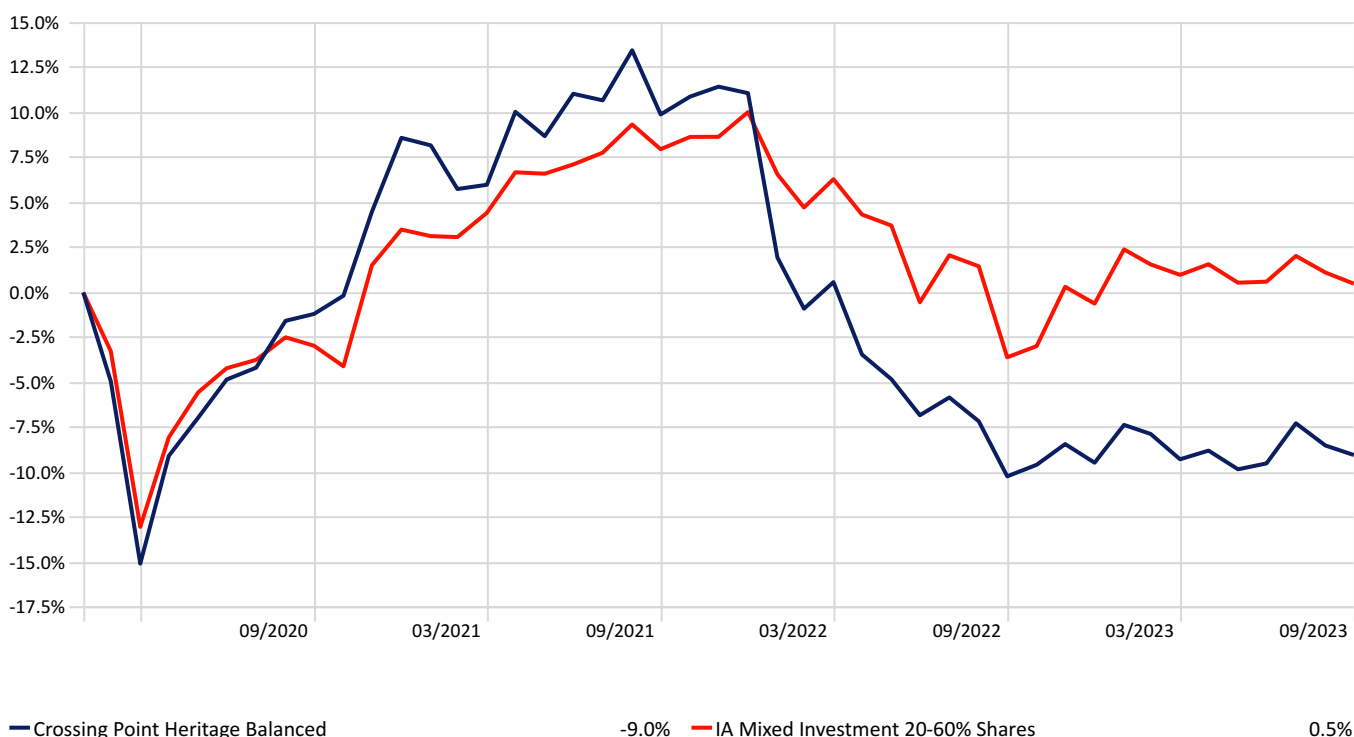
Key Objectives:

- Superior long-term performance and returns
- Greater diversification and range of holdings
- Global equity strategies
- Flexible investment management
- Can have lower management costs than open-ended investment companies

Heritage Balanced Portfolio Performance Since Crossing Point Launch on 1 February 2020 to 30 September 2023 vs. the IA Mixed Investment 20-60%

Investment Growth

Time Period: 01/02/2020 to 30/09/2023



Past performance is not a guarantee of future performance. The value of investments and any income from them can fall and you may get back less than you invested. The performance demonstrated is inclusive of ongoing fund charges as well as Crossing Point's investment management charge but gross of transactional, platform, incidental, and IFA charges, all of which will reduce the performance and eventual returns over the long term.



3rd Quarter 2023 Heritage Portfolio Update

Throughout this quarter, markets have continued to react to expectations and announcements on inflation, central bank rate rises or pauses, unemployment rates, wage growth, and housing market conditions as well as other economic indicators. Speculation about the intentions of the Federal Reserve, European Central Bank, and the Bank of England, as well as the slow rise of rates permitted by the Bank of Japan has driven both equity and bond markets.

US: Continuing inflation reductions in May, June and July as well as strong earnings reports drove equity markets upward in the first half of the quarter. This was followed by higher-than-expected headline inflation and a drop in the unemployment rate in July, announced in August, as well as another interest rate hike and hawkish comments by the Federal Reserve Chairman, Jerome Powell, leading to increased volatility and losses in both equity and bond markets. Overall, US economic growth for the quarter continued to be exceptional at 4.9%, beating expectations, due to the continued strength of consumer spending.

UK: With inflation still over 6%, the BoE raised interest rates again in August. But due to reductions in house prices, increased mortgage rates, and continuing negative consumer confidence, as well as other economic indicators weakening, the BoE will struggle to raise rates much more.

Japan: Japanese economic growth expanded 1.2% in Q2, but less than the 1.5% anticipated. The Bank of Japan has continued its dovish stance on interest rates, but has allowed the 10-year bond rate to reach 1%.

Europe: There was an economic slowdown in Europe with relatively flat growth in Q2, and negative Q3 growth. The ECB continued to raise interest rates throughout the quarter. Growth expectations for the Eurozone are only 0.7% for 2023 due to higher prices, lower domestic demand, tighter financing conditions, and a contracting industrial sector.

China: Growth in Q2 cooled to 0.5% compared to expectations and previous quarters. Although stimulus packages have been announced, strained relations with the West, difficulties within the property market, high unemployment rates, especially within younger generations, and weak domestic demand have continued to weigh on economic recovery.

India: India has benefited from China's struggles with the west with the two stock markets' returns having at times low or negative correlations. Growth in Q2 was 1.9%, lower than the 2.1% from the previous quarter, but business confidence improved throughout the quarter and consumer confidence continued to improve throughout the year to reach 88.1 in July.

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3rd Quarter 2023 Heritage Portfolio Update

Heritage portfolios are long-term investments focused on growth. These investments are often geared allowing returns to be amplified as can be seen through our 3 month returns as markets recovered throughout Q2 and in July, while losses can also be magnified as reflected in the longer term returns due to interest rate rises and a continuation of the rotation from growth to value. As investment trusts trade at a price which is based on investor sentiment, concerns around inflation, interest rates, and central bank policy can impact investment trust prices. They can therefore trade at a premium or discount to the underlying valuations of their assets. At times like this, and for a long-term investor, the current discounts can be very appealing.

Although there are still potential headwinds and volatile markets ahead, we expect that in the long-term investment trusts will recover, and due to their gearing, at a higher rate than other investments. As the costs of trading investment trusts are higher than that of other investments, we have removed the trend-following overlay to the investment management, but continue to review the trends as well as economic indicators for fund analysis and selection as well as overall asset allocation decisions.

Equity: Heading into the quarter and throughout July markets continued to recover, buoyed by reductions in inflation and the Fed pause in interest rate hikes in June. We added some small cap investments, reduced our investment into China and added a specific Indian Investment Trust as well as a second technology investment trust. We increased overall allocations to Europe, Pacific, Japan, technology and insurance while slightly reducing the global allocation, as well as reductions in mining and natural resources, as well as interest rate sensitive clean energy and infrastructure. Some of the global, American, European and UK funds started the quarter well, but faltered towards the end. While the new Indian investment trust posted returns throughout the quarter to offset losses from our reduced holding in China. As inflation falls, interest rates reach their peak, and rate cuts begin to be discussed, we expect investment trusts to rally quickly again, especially with their current discounts.

Alternatives: As alternatives guard against inflation risk and provide diversification, we have continued to hold infrastructure, property, sustainable energy, insurance, technology, mining and natural resources. Insurance continued to provide strong positive returns and diversification while interest rate sensitive infrastructure, growth technology, and sustainable energy funds struggled with higher rates. Property and natural resources started the quarter well, but struggled as the quarter continued. Some of the companies held within these trusts are particularly sensitive to rate changes. Again, as we expect rate reductions in the 2024, we expect that these assets will recover quickly.

Fixed Income: Although we feel that fixed income is able to provide both higher yields and protection in case of a large fall in equity valuations, we were still concerned about the impact of further interest rate rises. We therefore continued a cautious approach with high allocations to diversified asset-backed and target-return funds and as well as positions in active and short-dated funds. We included a UK government bond fund and reduced our US government bond allocation to keep a similar duration risk.

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3rd Quarter 2023 Heritage Portfolio Update

The longer duration bonds suffered this quarter as central banks continued to raise rates and express hawkish, higher-for-longer sentiment. This was offset by gains in short-term bonds, the target return bond, and the diversified asset-backed fund as well as moderated by the active bond funds. As central banks are reaching their peak interest rates, and will potentially begin to cut rates sometime in the middle or second half of 2024, we expect to start to increase our longer-duration fixed income allocations and will continue to hold active bond funds who are able to adapt quickly to changes in the fixed income environment.

During these volatile times, we feel that diversification in markets, asset types, fixed income, and duration is key. We continue to monitor performance while also considering market indicators and economic expectations.

Heritage Portfolio Performance to 30 September 2023

	1 Month	3 Months	6 Months	1 Year	3 Years	Since Inception
Crossing Point Heritage Adventurous	-0.68	0.43	-0.13	0.86	-9.36	-13.01
Crossing Point Heritage Strategic	-0.63	0.45	0.06	0.96	-8.52	-11.24
IA Mixed Investment 40-85% Shares	-0.66	-0.21	-0.04	5.27	10.30	8.00
Crossing Point Heritage Balanced	-0.58	0.52	0.26	1.32	-7.93	-9.03
Crossing Point Heritage Cautious	-0.44	0.60	0.34	1.24	-7.31	-8.19
IA Mixed Investment 20-60% Shares	-0.61	-0.11	-0.49	4.24	3.55	0.49

Heritage Portfolio Ratios to 30 September 2023

Time Period: 01/10/2020 to 30/09/2023 Calculation Benchmark: Multiple

	Std Dev	Alpha	Beta	Max Drawdown	Sharpe Ratio	Sortino Ratio
Crossing Point Heritage Adventurous	11.78	-6.19	1.06	-26.84	-0.40	-0.51
Crossing Point Heritage Strategic	9.94	-6.14	0.97	-23.41	-0.44	-0.55
IA Mixed Investment 40-85% Shares	8.71	0.00	1.00	-12.79	-0.04	-0.06
Crossing Point Heritage Balanced	8.60	-3.92	0.96	-20.86	-0.47	-0.58
Crossing Point Heritage Cautious	6.79	-4.07	0.87	-17.19	-0.52	-0.63
IA Mixed Investment 20-60% Shares	7.10	0.00	1.00	-12.38	-0.21	-0.27

Due to gearing associated with investment trusts, Heritage portfolios can be more volatile than their Investment Association mixed benchmarks, but over time this can also lead to higher returns. This risk can be partially addressed through a diverse asset allocation and selecting the appropriate risk/equity level.

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Heritage Portfolios Asset Allocation

Our Heritage portfolios use a traditional diversified asset allocation model that is enhanced by the market intelligence gathered from our unique trend analysis and market sentiment indicators.

Heritage Current Allocation: 30/09/2023

	Adventurous	Strategic	Balanced	Cautious
International	18.25	16.00	14.00	10.50
US	14.00	12.00	10.50	7.00
UK	14.00	10.50	9.00	6.00
Europe	6.00	5.00	4.00	3.00
Japan	5.75	5.00	4.25	3.00
Pacific	5.50	5.00	4.25	3.00
Emerging Markets	5.00	4.00	2.75	2.50
Property	2.50	2.00	2.00	2.00
Sustainable Energy	2.50	1.75	1.50	1.25
Infrastructure	2.50	1.75	1.50	1.25
Tech	4.00	3.00	2.75	2.50
Insurance	3.00	2.50	2.00	2.00
Mining	1.00	0.75	0.75	0.50
Natural Resources	1.00	0.75	0.75	0.50
Equity Total	85.00	70.00	60.00	45.00
Fixed Income	11.50	22.00	29.00	40.25
Short Term Money Market	0.50	5.00	8.00	11.75
Cash	3.00	3.00	3.00	3.00
Total	100.00	100.00	100.00	100.00

Heritage Portfolio Costs, 30 September 2023

Current costs	Heritage Cautious	Heritage Balanced	Heritage Strategic	Heritage Adventurous
DFM Charge	0.30%	0.30%	0.30%	0.30%
Ongoing charges (OCF)	0.56%	0.65%	0.72%	0.82%
Transactional Charges	0.13%	0.15%	0.17%	0.19%
Incidental Costs	0.01%	0.01%	0.01%	0.02%
Total Charge	1.00%	1.11%	1.20%	1.33%

Charges are applicable to the Nucleus platform as of 1/11/2023. Platform charges are not included and may vary across the platforms on which the portfolios are available. The impact of different transaction, platform, and incidental costs may mean illustrations from platforms show different total costs.

Platform Availability



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Heritage Portfolio Morningstar and FE Risk Scores

The Morningstar Portfolio Risk Score (MPRS) measures the overall risk of portfolios, including client portfolios, model portfolios, and fund portfolios. MPRS uses Morningstar Risk Model's holdings-based analysis to derive a risk estimate and score for each portfolio, and Morningstar's multi-asset Target Allocation Indexes to define the following risk ranges: Conservative: 0-24, Moderate: 25-49, Aggressive: 50-81, Very Aggressive: 82-100, Extreme: 100+.

FE Fundinfo Risk Scores define risk as a measure of volatility relative to an index of the 100 largest UK companies (the FE Risk Score benchmark) which has a risk rating of 100 and is rebased to sterling. Instruments more volatile than this benchmark have a score above 100 and vice versa giving a reliable indication of risk.

Morningstar Risk Score Levels		FE Risk Score Levels		
			Short (3-7 Year)	Medium (8-15 Year)
Conservative	0 - 24	Cautious	5 - 25	30 - 50
Moderate	25 - 49	Cautious to moderate	25 - 35	50 - 60
Aggressive	50 - 81	Moderate	35 - 50	60 - 70
Very Aggressive	82 - 100	Moderate to Adventurous	50 - 75	70 - 80
Extreme	100 +	Adventurous	75 - 120	80 - 130

Morningstar Risk Scores			
	Portfolio Risk score	Risk Level	Portfolio Risk Score Date
Heritage Adventurous	59.10	Aggressive	30/09/2023
Heritage Strategic	48.52	Moderate	30/09/2023
Heritage Balanced	39.72	Moderate	30/09/2023
Heritage Cautious	30.42	Moderate	30/09/2023

FE Risk Scores			
	Portfolio Risk score	Short-term Level (3-7 Year)	Medium-term Level (8-15 Year)
Heritage Adventurous	85	Adventurous	Adventurous
Heritage Strategic	71	Moderate to Adventurous	Moderate to Adventurous
Heritage Balanced	61	Moderate to Adventurous	Moderate
Heritage Cautious	48	Moderate	Cautious



Defaqto Star Rating 2023



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Important Information

The Crossing Point Portfolio Management Service is only available to investors who use the ongoing services of a financial adviser. For information purposes only, please contact a personal financial adviser for further information.

Independent financial advisers take no responsibility for the underlying investment strategy, the investment process and the choice of funds will be based purely on Crossing Point Discretionary Fund Managers' experience within the market. By the nature of tactical trading, holdings will be regularly bought and sold, but the investment manager will not seek your permission to do this. Investment decisions will be the responsibility of the Discretionary Fund Manager.

Performance Calculation: Performance is shown inclusive of ongoing fund charges as well as Crossing Point's investment management charge but gross of transaction, platform, IFA, and incidental fund charge charges. Deductions for these charges will have the result of reducing the illustrated performance. Please refer to your investment adviser for details. Performance is quoted on an annualised basis and calculated through Morningstar direct and provided for illustrative purposes only and should not be viewed as the performance of a specific client account.

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