EF Tellsons Endeavour Q4 2023 Commentary

growth with income & downside protection

Tellsons INVESTORS LLP

Fund Managers: Joe Bunting, Christoph Wiedebach

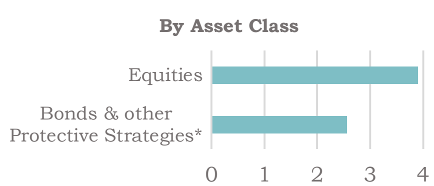
MARKET BACKDROP: Equity and bond markets continued the weakness of the summer into the beginning of the quarter, October so often a bad month for investment returns revealing the shock outbreak of war in Gaza. The historic rise in bond yields continued into October, prices falling, and dragging equity markets after them as investors calibrated interest rates at too high a level for too much longer for the economy to be able to continue its expansion under such restrictive conditions. Inflation measures continued to fall towards central banks' targets and during November finally gave the US Federal Reserve the room to signal a likely end to their rate hiking cycle and transfer their guidance to planned cuts in interest rates for the year ahead, a crucially sensitive election year in the US and in many other countries. This apparent shift in guidance triggered a rally in both bond and equity markets as investors were encouraged rate cuts would come in time to relieve the pressure of high borrowing costs on companies and consumers and enable a recovery to take hold in the much anticipated 'soft landing'.

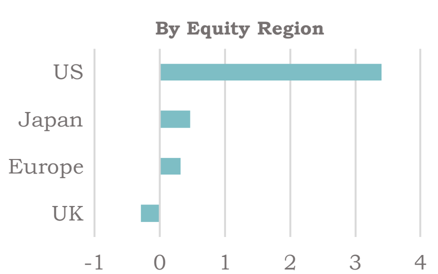
FUND PERFORMANCE: The Fund delivered a gain of 6.2% (net of fees and costs) for the quarter compared to the Fund's benchmark which gained 2.1% (comprising 50% of Consumer Price Inflation rolling five-year average and 50% of the FTSE Actuaries UK Conventional Gilts index up to five years). Fund volatility was 7.9% compared to MSCI World GBP Hedged volatility of 17.4% (60 month annualised monthly returns). The peer group IA Mixed Investments 20-60 Sector returned a 5.7% gain for the period. After starting the period with losses, equity investments turned around to deliver strong gains for the quarter led by technology, materials, consumer discretionary and industrials investments with Amazon, Microsoft, Shin-Etsu, Visa, JP Morgan, Nvidia and RELX in the UK making the biggest contributions to return. Defensive investments disappointed during the quarter even though their earnings reports continued to beat expectations, in general, with detractions from performance coming from AstraZeneca, Reckitt, Roche, and NTT. Amongst the biggest surprises was the persistent underperformance and ultimately a profit warning that came from Diageo during the period, though on a reduced position in the Fund. Energy investments Shell, Conoco and Marathon outperformed their global sector but detracted from returns on a weaker oil price in spite of war in the Middle East. Corporate bond holdings performed very strongly and were complemented by performance from the longer-dated government bond investments too, in total contributing 2.2% to Fund returns. Active currency management saved 2% of foreign currency losses as GBP sterling strengthened against both the USD and the YEN.

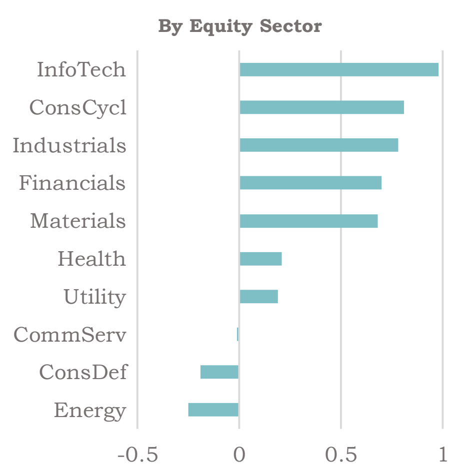
OUTLOOK: As we highlighted in the Outlook for last quarter, some of that stability does now appear to have taken hold in bond markets from this point, and equity markets can then shift the focus to the resilience of the economy and the consumer and the recovery of confidence to underpin a steady re-acceleration, especially in the manufacturing and durable goods sectors showing tentative signs of life in the most recent data. Considering it has been the equity markets that had more accurately gauged the strength of the economy, especially in the US throughout the year and better aligned to central banks' guidance, it may again be the case for the year ahead as touch down on the soft landing becomes the reality and some measure of central bank policy easing points the way to recovery. An unprecedented 50% of the world's population holds elections this year and set against an increasingly fraught geo-political backdrop with flashpoints in Ukraine, Gaza, the Red Sea and the South China Sea, further deterioration in US/China relations, and any continued rise in the oil price could yet jeopardise the outlook. The upcoming corporate earnings season and inflation data will be closely monitored in markets for signs of continued growth and declines in inflation that will provide the foundations for such a recovery and extension to this economic cycle.

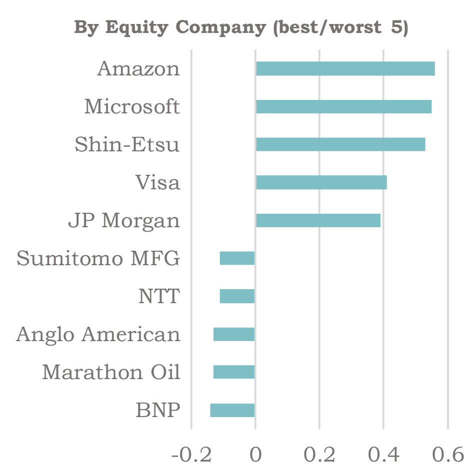
Tellsons Investors, January 2024

QUARTERLY RETURN CONTRIBUTION %









Quarterly Return Contribution: Local currency, gross of fees/costs. Materials sector excludes Precious Metals investments as they are included in Protective Strategies. **Notes:** Protective Strategies*: please see description on Fund Factsheet.