Pavis Premier Model Portfolios

October Quarterly Rebalance

At the end of each quarter, a rebalance takes place to bring all our Premier Model Portfolios back in line with the desired allocations. This is to ensure that the portfolios are always positioned to deliver the level of risk and return that investors expect and will result in reducing the holdings where prices have performed most strongly and buying those which have become more attractively priced.

As you are invested in the Premier Models, your portfolio will be rebalanced on **31 October 2020** and you will receive contract notes reflecting the sales and purchases that result.

Equity Weightings

We reduce our weighting to equity markets that appear expensive. We use a rules-based approach to measure markets based on the ratio of price to average earnings. This is known as the 'Cyclically Adjusted Price Earnings' (CAPE) ratio.

Below is a summary of the resulting positions:

Region	*Move this Quarter*	*Current Position*
UK	No change	In line with long-term weighting
North America	No change	20% below long-term average
Europe excl. UK	No change	10% below long-term average
Japan	No change	10% below long-term average
Developed Pacific (ex. Japan)	No change	In line with long-term weighting
Emerging Markets	No change	In line with long-term weighting
Developed World (i.e. Global)	No change	10% below long-term average

As shown above, there have been no alterations to the equity weightings this quarter. This this means that the equity regions that were either expensive or fair value in July 2020, continue to be so.

Commentary

The pace of UK economic growth slowed in October to the weakest since the recovery from the national Covid-19 lockdown began. The slower growth of output, the renewed fall in demand and further deterioration in the labour market suggest the economy started the fourth quarter on a weakened footing. The new restrictions darken the near-term outlook and there is a risk of a renewed downturn. The service sector, which accounts for about 80% of the economy bears the brunt of the tighter restrictions. There has also been a marginal slowdown in manufacturing despite exports increasing. More enhanced trends are seen in Europe where increased restrictions respond to a resurgence of infections. Any vaccine before the spring feels unlikely therefore there appears to have been a readjustment to this expectation for the winter ahead.

The increased pessimism has crept back into the markets with the FTSE trending downwards in the last three months from c. 6100 to c. 5900. Volatility has increased slightly due to the increased uncertainty.

Rishi Sunak has offered a new, more generous job support scheme and grants to businesses in the face of the imposed tiered restrictions and the phasing out of the furlough scheme.

Central Banks have backed credit markets by sovereign and corporate debt purchasing programmes at record levels. Investors have therefore purchased corporate debt to search for income, at a time of low and negative interest rates, therefore yields on investment grade debt has fallen. However, the values of debt assets have increased at a time when the future is uncertain. Future debt bills will need to be paid, which has the potential to impact the economic recovery. However, expectations of inflation seem to have dissipated.

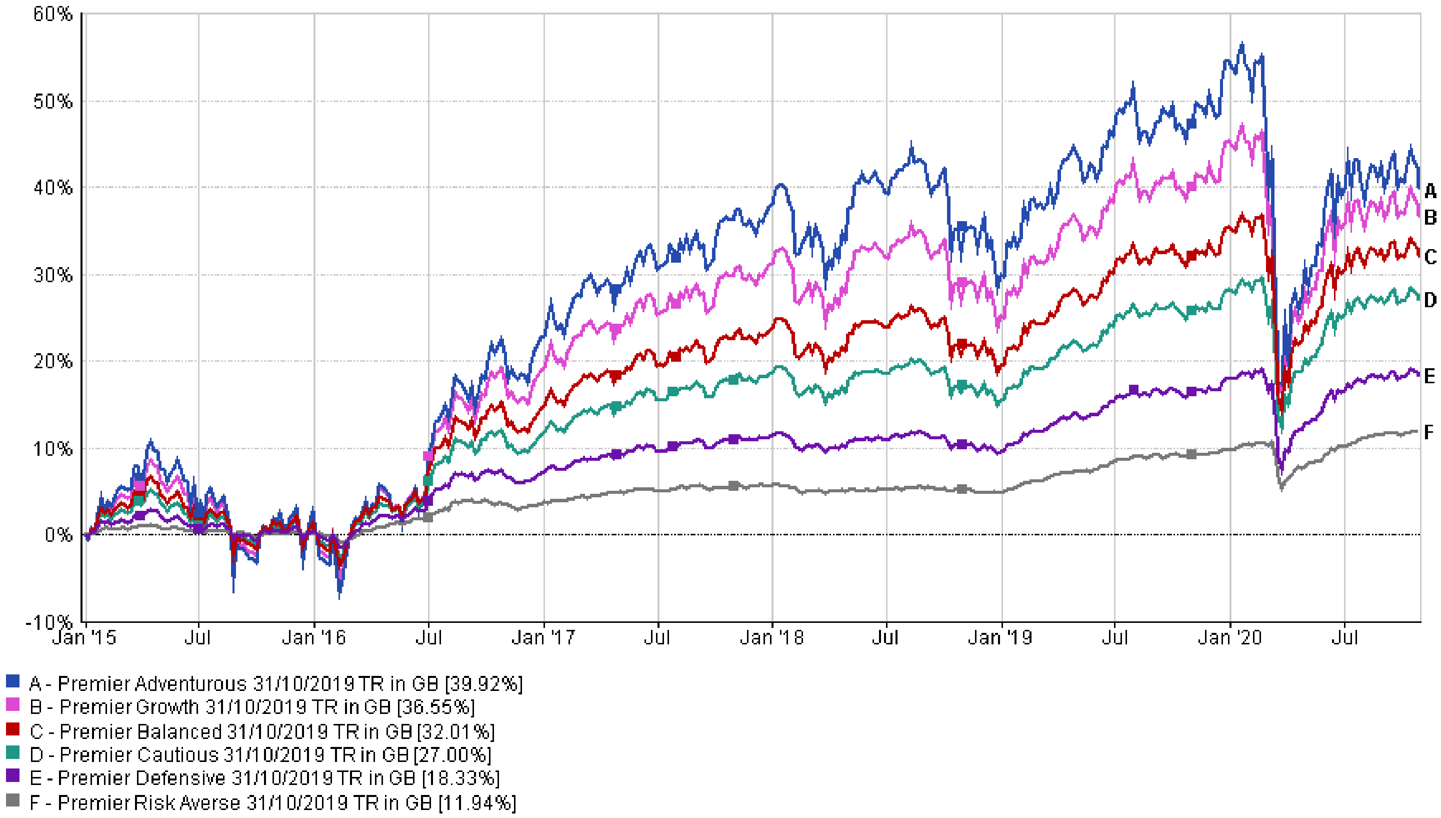
Investor need for income has also arisen due to reduced dividend income, mainly due to falls in output and regulation, in the case of banks. Central Banks still have tools such as negative interest rates to stimulate spending and output, but this is considered unlikely at this time.

Recovery in the US since the March trough in the markets has been a split picture between on one hand, the success of the big technology company shares and on the other, the poor performance of 'value' stocks, which traditionally perform better than their growth counterparts during a recovery. The US trade war with China has become more open-ended and ideological, and a cause of increased volatility. This battle is been played out in the field of technology companies such as Huawei and Tik Tok.

Polls for the result of the US Election in ten days' time forecast a Biden victory and since 1900 only one US President (William McKinley) has won re-election with a recession occurring sometime in the last two years of their first term. While a Biden victory would mean increased corporate taxes, a more rules-based approach to international trade favouring certain emerging markets over others, polls are far from conclusive predictors. A further US stimulus deal is expected either before or after the election. An inconclusive result, and any disputes of it, would potentially mean increased volatility.

Brexit is continuing and a last-minute deal would be reflected in the value of sterling in the short-term.

Since the Covid related downturn in March 2020 our portfolios have all made strong recoveries. By way of example, our Premier Balanced portfolio shows a rolling 6 month gain of 12.24% from 1st April 2020 to 30h September 2020 which was favourable compared to its benchmark, ARC Balanced, which was up 10.29% over the same period. Since launch on 31st December 2014 the Balanced Portfolio has now made a total return of 31.98% (in comparison to 22.87% for the benchmark). We find the following chart helps to show the risk / return characteristics of our main portfolios and is testament to our rigorous and systematic approach – the more risk you take the greater the volatility but over time the greater the return:



31/12/2014 - 27/10/2020 Data from FE fundinfo2020

The unprecedented environment of Covid has seen an increase in sustainable investing. Investing with an ethical stance has not meant sacrificing performance. If you would like more information about our Ethical portfolio range, please contact your adviser.

As always, we continue to remain focussed on our basic investment principles of diversification, low-cost and rebalancing, during these unprecedented times. We hope you and your families are continuing to stay safe and well through these challenging times.

Kind regards

The Pavis Investment Committee