Triangle Trust

To:	Victoria Southwell
Subject:	RE: Valuation for The Triangle Trust 1949 Fund as at 31 Dec 2023

From: Burgoine, Sophie <Sophie.Burgoine@sarasin.co.uk>
Date: Friday, 12 January 2024 at 10:56
To: Victoria Southwell <victoria.southwell@triangletrust.org.uk>
Cc: Duncan, Ruadhri <Ruadhri.Duncan@sarasin.co.uk>
Subject: Valuation for The Triangle Trust 1949 Fund as at 31 Dec 2023

Dear Victoria,

The Triangle Trust 1949 Fund
The Triangle Trust 1949 Fund – Liquidity Portfolio

Please find attached your Quarterly Reports and Valuations as of 31st December 2023.

The conclusion of 2023 saw a notable upswing in both equity and bond markets, positively impacting the returns in your portfolio for the last quarter. This rally was prompted by a swift decline in US inflation and a clear indication from the Federal Reserve in mid-December that US interest rates might have peaked.

Performance and activity
During the quarter, your portfolio increased by 6.2% net of all fees, in line with the composite benchmark and surpassing the ARC Steady Growth peer group average. Consequently, while your portfolio ended the year behind your composite benchmark, it delivered a strong 9.1% return for 2023, comfortably exceeding the peer group, and delivering a return in excess of the CPI+4% target of 8.1%.

Over the quarter, fixed interest investments generated the strongest absolute returns (+9.0%) as bond yields fell. Our increased allocation is now being justified by this performance, with the 10-year UK Gilt at the end of the year yielding around 3.6%.

Lower bond yields also fuelled global equity markets, and our thematic equity selection process proved resilient amid the robust market rally. International equities continued to outperform UK equities, with interest rate-sensitive companies, especially in Real Estate and European Industrials, leading the charge. This marked a shift from the dominance of technology stocks that characterised the market returns in the previous twelve months.

Alternative assets delivered modest absolute returns, driven by the position in gold (which was increased at the beginning of the quarter), and also the narrowing discounts to net asset value (NAV) for high-quality infrastructure and renewables funds. Unfortunately, this didn't push our alternatives into positive territory for the year and their performance remains the main driver of overall underperformance due to the 'cash+' benchmark we compare performance to.

The decision to reduce UK equities, in favour of a fully global approach has been positive for the portfolio, with global equities since the switch on 1st June increasing +10.3% in contrast to the UK equity index that gained +5.8%. Despite the move into lower-yielding securities, the portfolio performed better than expected from an income perspective. As a consequence, we increased the Q4 distribution from the Fund, making 2023's distribution 3% higher than that of 2022.

Outlook

Looking ahead, we're mindful of higher valuations across all risk assets, as investors factor in a reduction in the risk-free rate of return in 2024. Consistently weaker inflation data in the US and Europe indicates that central bankers should start easing monetary policy in 2024. Behind these disinflationary trends lies the healing of post-COVID supply chains, softer capital goods prices (especially from China), and steadily lower energy costs. Against this backdrop, we anticipate interest rate cuts in the US, Europe, and UK.

This return to a near Goldilocks scenario (lower inflation, and lower growth) should support both bond markets, and longer-term risk assets. In particular, the equities we own, backed by strong cash flows and progressive dividend policies, which should benefit from renewed market confidence.

The geopolitical risks today might seem more daunting than a year ago. Of greatest concern is the potential escalation in the Israel-Hamas war, extending to shipping in the Red Sea and clashes across Israel's border with Lebanon. The stalemate in Ukraine looks set to remain, albeit with horrific attacks on civilian infrastructure. We must also consider the number of political elections in 2024. The 'main event' remains the November 2024 US elections; recent polls show Donald Trump consistently ahead of President Biden, despite mounting legal challenges. However, early presidential polls are notoriously unreliable. The investment risks posed by the US election could be meaningful, particularly if Trump's universal tariffs are enacted, but it's probably too early to assess the impact on markets. We will closely monitor how this develops.

It is worth noting that after Russia invaded Ukraine, the oil price peaked above $120, then again in the mid-$90s following OPEC production cuts last September and the start of the Middle Eastern crisis in October. Despite these headwinds, the price has now drifted back to below $80 at the year's end, as concerns around low economic growth (which results in lower demand for oil) came to the fore. Our thematic stock selection process typically favours periods of lower economic growth, and we are confident your portfolio is appropriately positioned for it.

Spring Seminar

We have our annual Spring Seminars in March at the Royal Society of Medicine, on the 13th March, and again on the 20th March. This March we will be publishing an updated Compendium of Investment, so we encourage all our clients to attend the seminar, as key aspects will be highlighted. You can register here: https://sarasinandpartners.com/event/spring-seminars-2024/.

Should you have any questions, please don't hesitate to contact us.

Yours sincerely,

Ruadhri Duncan
Partner, Charities

Isabel Brookes
Senior Investment Manager

Alexander True
Partner

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& PARTNERS


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