IQ Innovation Strategy

JANUARY 2024

INVESTMENT QUORUM
UNIQUE, BOUTIQUE WEALTH MANAGEMENT

The aim of this portfolio is to provide a worldwide investment approach by investing through collective investment schemes. The portfolio will invest principally through global equities and thematic strategies to capture above-average global returns.

The portfolio can also hold a percentage weighting in cash deposits for both liquidity and tactical reasons.
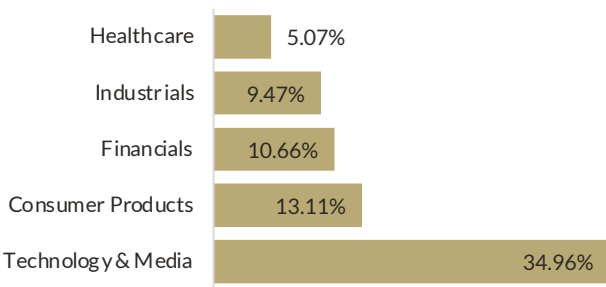
KEY INFORMATION

Currency: **GBP**

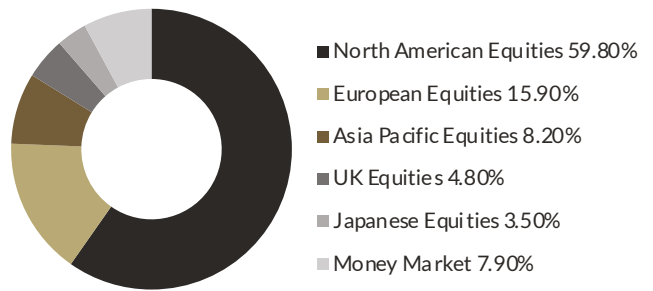Historical Yield: **0.21% p.a.**

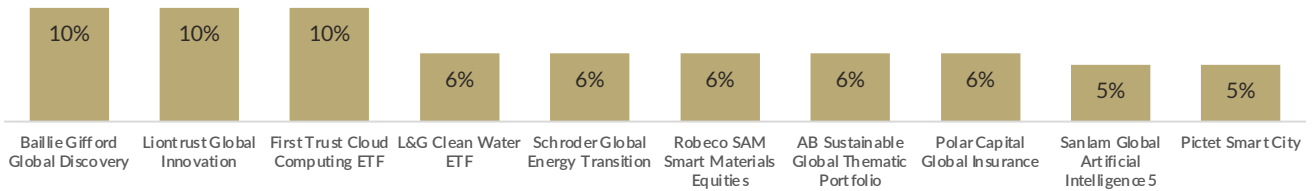Total Fund Charges: **0.90% p.a.**

RISK & REWARD PROFILE

LOWER RISK ← → HIGHER RISK

1 2 3 4 5 6 **7**

Top Sector Allocation

Sector	Allocation
Healthcare	5.07%
Industrials	9.47%
Financials	10.66%
Consumer Products	13.11%
Technology & Media	34.96%

Asset Allocation

- North American Equities 59.80%
- European Equities 15.90%
- Asia Pacific Equities 8.20%
- UK Equities 4.80%
- Japanese Equities 3.50%
- Money Market 7.90%

Largest Fund Holdings*

Holding	Weight
Baillie Gifford Global Discovery	10%
Liontrust Global Innovation	10%
First Trust Cloud Computing ETF	10%
L&G Clean Water ETF	6%
Schroder Global Energy Transition	6%
Robeco SAM Smart Materials Equities	6%
AB Sustainable Global Thematic Portfolio	6%
Polar Capital Global Insurance	6%
Sanlam Global Artificial Intelligence 5	5%
Pictet Smart City	5%

* Key (investor) information documents are available for each fund.

Discrete Calendar Year Performance

PERIOD	01/01/2018 to 31/12/2018	01/01/2019 to 31/12/2019	01/01/2020 to 31/12/2020	01/01/2021 to 31/12/2021	01/01/2022 to 31/12/2022	01/01/2023 to 31/12/2023	ANNUALISED RETURN (since Sep-21)
Innovation Strategy**	N/A	N/A	N/A	N/A	-20.13%	11.97%	-4.41%
ARC Sterling Equity Risk PCI (Benchmark)	-6.50%	18.04%	5.82%	12.31%	-11.40%	8.10%	-1.41%

Cumulative Performance

PERIODS TO 31/12/2023	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	CUMULATIVE RETURN (since Sep-21)
Innovation Strategy**	7.83%	4.03%	11.97%	N/A	N/A	N/A	-9.71%
ARC Sterling Equity Risk PCI (Benchmark)	5.53%	5.02%	8.10%	7.58%	34.38%	69.07%	-3.17%

** Performance figures take account of underlying fund charges but not IQ's and platform fees.

Please remember that past performance is not a guide to the future.

Strategy Commentary

Following a tricky October, global equity and fixed-income markets ended the year on a more buoyant note. US treasury yields dropped sharply as the Federal Reserve Bank's tone changed, with Chairman Jerome Powell indicating that rates would probably be cut faster than expected over the course of 2024. Equity markets reacted positively to this news: performances improved across most equity markets and down the market cap spectrum. This improvement was not limited to the Magnificent Seven US technology stocks – stocks which enjoyed a stellar year, particularly over the first three quarters. The top three performing funds through Q4 were **Liontrust Global Innovation (+13.33%), Sanlam Global Intelligence (+12.37%)** and **L&G Clean Water ETF (+11.98%).** Recent progress in Artificial Intelligence (AI) is proving pivotal, and its impact will perhaps dwarf that of the Internet and the smartphone. The Sanlam Artificial Intelligence team has been bullish on AI for many years and has an exceptional long-term track record in investing in similar exciting sub-themes. Such strong stock selection contributed to sector-leading performance not only over the quarter, but also the year, as the team continued to allocate to many of the companies enabling such developments or benefiting from them. With this portfolio by no means resembling just a "technology" fund, the precision with which the team has identified firms from all sectors embracing such change should position the strategy well for 2024 – should market strength broaden further beyond the *Magnificent Seven*.

The worst performing fund over the quarter was **Polar Capital Global Insurance (-1.42%).** This fund performed poorly compared with most other constituents of the Innovation strategy (which tend to benefit more from sharply dropping bond yields). The manager continues to believe that more robust, resilient non-life insurance businesses are better suited for the long run – even if growth tends to be slower than many of the market's other "boom or bust" sectors. Non-life insurance remains a defensive sector in an increasingly uncertain world. The positive outlook for investment income combined with continued robust underwriting markets means the earning power of companies in the portfolio continues to grow. The managers believe that this is not properly recognised in company valuations: the sector suffered a derating in both the first and last quarters of the year. Looking ahead to 2024, the team expects book-value growth – the long-term driver of stock performance – to be meaningfully higher than the c10% per annum historical average. Moreover, non-life insurers quickly benefit from rising bond yields, given their liquid and conservative investment portfolios. Consequently, company investment income increased materially in 2023 and should further accelerate into 2024. Combined with excellent underwriting profitability, current earning power is – encouragingly – the best the manager has seen for many years.

Powered by data from FE, data collected: 01/01/2024

Investment Team

### Peter Lowman
Chief Investment Officer

Peter has served as IQ's CIO and Global Market Strategist since 2007. With over 50 years of investing experience, he has delivered impressive returns on IQ clients' investments over the past 15 years. He oversees and manages every aspect of our investment process – from asset allocation to fund selection. His ability to navigate the intricate world of investment markets is underpinned by a blue-sky thinking approach and an ongoing commitment to innovation.

### Nick Harrington
Investment Analyst

Nick has been an Investment Analyst at IQ for 4 years. Nick is responsible for analysing North American and Asian markets, evaluating investments to find the best opportunities for our clients. Nick holds the CFA UK Certificate in Investment Management and the CFA Certificate in ESG Investing.

Holly West
Investment Analyst
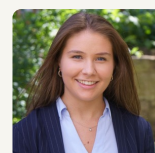
Holly has been an Investment Analyst at IQ for 3 years. Holly is responsible for analysing UK and European markets, evaluating investment to find the best opportunities for our clients. Holly holds the CFA UK Certificate in Investment Management and a diploma in Financial Planning.

Sophie Ajuda
Investment Team Administrator
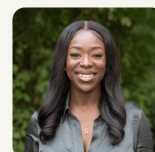
Sophie is the Investment Administrator for the team. Her daily responsibilities include dealing, cash management, and meeting our clients' cash needs for income and withdrawals. She is committed to providing the highest level of service to our clients.

This document is for information only and is not intended to constitute investment advice or promotion of this strategy. Errors & omissions excepted.

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