

AJ Bell Balanced Starter portfolio half-yearly update

As of 31/12/2023

Commentary

Over the second half of 2023, the Balanced portfolio delivered a return of 6.6%. This brings the portfolio's total return, since launch on 12 December 2018, to 25.1%.

Investor sentiment improved over the second half of the year. Falling global inflation stoked expectations that interest rates will fall in turn, as the need for central banks to further hamper inflation becomes less pressing. With inflation easing, both the US Federal Reserve and the Bank of England started to hold interest rates at 4.5% and 5.25% respectively from August.

Against this backdrop fixed income markets performed very strongly, as the prospect of falling interest rates increases the value of existing bonds. The fall in interest rate expectations was also positive for credit spreads (the premium that investors receive for lending to companies rather than governments). That's because falling interest rates reduce the cost of debt for companies, in turn boosting their profitability. Given the portfolio's significant weighting towards fixed income (34%), the strong returns in this asset class drove almost half of the total performance for the period (+3.2%). The constituent funds (Invesco High Yield and Royal London Corporate Bond) both performed well, with the former ahead of its peer group and respective benchmark.

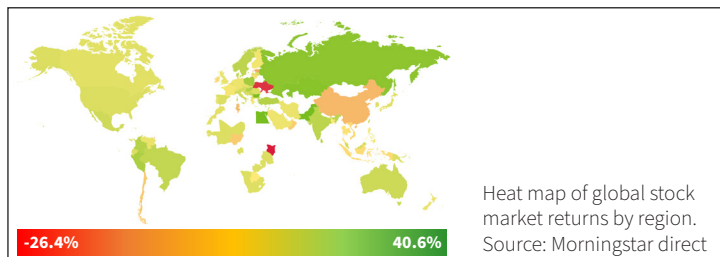
Elsewhere, global stocks also benefitted from the fall in interest rate expectations, thanks to the accompanying boost in the present value of their future earnings. Many of the 'magnificent seven' stocks were again among the strongest performers in the market (Meta, Amazon, Alphabet, Nvidia), albeit down from their extreme outperformance in the first half of the year. Within the portfolio, JPM Global Equity Income was the best performer of the shares allocation (+5.8%), adding +1.4% of the portfolio's overall returns, which, though behind the benchmark, was ahead of the peer group.

Within UK shares, which make up 15% of the portfolio, there was finally positive news from the domestically focused FTSE 250 index, which regained some ground versus the larger company index that it has lagged over recent years. This benefited one of the portfolio's UK equity holdings, Jupiter Special Situations, which delivered strong returns (+7.9% vs +5.2%) thanks to the tilt to medium-sized companies in the fund. However, the other position, Liontrust UK Growth, lagged the FTSE All Share index (+4.7% vs 5.2%) because it's predominantly focused on larger companies – although it was happily ahead of the FTSE 100 Index (+4.6%). Overall, the portfolio's UK holdings added +1% to portfolio returns.

Emerging equity markets, which make up 16% of the portfolio, struggled to keep pace with developed markets through the period, with mixed results across the region. Though India and Brazil both performed well, China, the largest country in the index, continued to struggle as the problems in its property market spread further through the wider economy. Under this environment it was pleasing to see positive returns for the JPM Emerging Markets fund, ahead of the benchmark (+4.5% vs +4.4%)

The Investment Team here at AJ Bell haven't made any suggested changes to the Balanced Starter portfolio during H2 2023.

H2 Stock market performance



Returns

July - December 2023	6.60%
1 year	9.99%
Since inception	25.08%

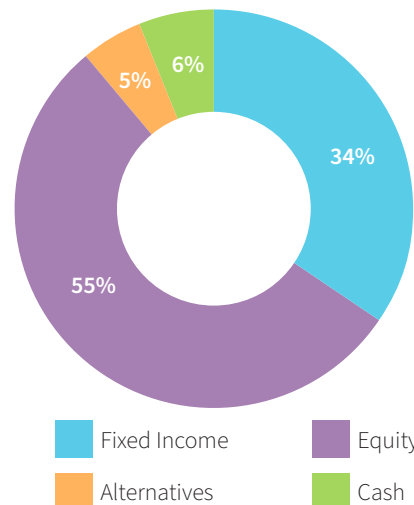
Portfolio snapshot

Estimated 12-month yield	3.43%
Inception date	12/12/2018
Average OCF of portfolio	0.66%

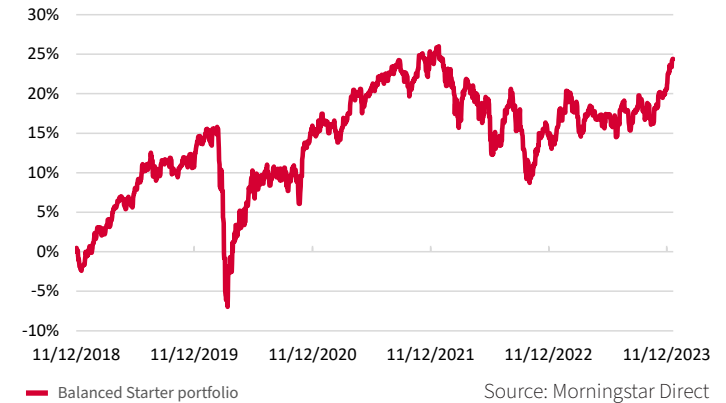
The portfolio yield is calculated on a backward looking basis covering the last 12-month period using the current Starter portfolio weightings.

The portfolio's ongoing charges figure (OCF) is a weighted average of the OCF of each of the underlying funds, using the Starter portfolio weights at the end of the reported period. The Portfolio's OCF does not include AJ Bell's custody charge.

Portfolio asset allocation



Investment growth



Portfolio rating



The risk rating of the portfolio depends on the type of assets it invests in. Bonds are more conservative because they offer a more certain (though typically lower) return. Shares are more aggressive because they offer a less certain (though typically higher) return.

Keep in mind this applies over the longer term: five years or more.

Balanced Starter portfolio

Funds currently held in portfolio	Asset allocation
Royal London Corporate Bond Z Inc	26%
JPM Global Equity Income C Net Acc	24%
JPM Emerging Markets Income C Net Acc	16%
Liontrust UK Growth I Inc	8%
Invesco High Yield UK Y Acc	8%
Jupiter UK Special Situations I Acc	7%
BlackRock ICS Sterling Liq Premier Acc	6%
Trojan Fund X Accumulation	5%

Remember, AJ Bell doesn't manage or rebalance your portfolio after you've bought it, so depending on when you invested your portfolio may look different to the current weighting of our Starter portfolios. The value of your investments can go down as well as up and you may get back less than you originally invested. We don't offer advice, so it's important you understand the risks, if you're unsure please consult a suitably qualified financial adviser. Past performance is not a guide to future performance and some investments need to be held for the long term. Yields are not guaranteed and can fluctuate.