PILLING & CO
STOCKBROKERS LIMITED

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Pilling Ideal Portfolios (PIPs)

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The past few years have been a difficult environment for investors, with many issues to contend with such as a global health pandemic, war, political change and more recently double-digit inflation and rising interest rates. An election year for the UK and US may also weigh on markets until the results are known.

Growth investors who have been underweight in technology stocks have seen tepid returns, whilst income seekers have struggled to find income sources that keep up with inflationary and cost of living demands.

However, we must remain optimistic that 2024 can be a more successful year for wider growth assets, and those markets such as the UK that have trailed the technology sector's returns can recover lost ground.

Likewise, rising interest rates have now made fixed income assets such as gilts and bonds a viable investment option for the first time in decades, with investors now able to lock in yields equivalent to those being offered on bank accounts.

So how can investors pinpoint those investments that can meet their needs moving forward?

Many of you will be aware of our bespoke discretionary portfolio management service for those clients looking for a tailored approach, but additionally, we also offer a range of model portfolios known as the Pilling Ideal Portfolios, or PIPs for short.

Managed on a discretionary basis, the minimum investment into one of the models is just £20,000, allowing all our clients to benefit from our fund picking knowledge and experience.

There are six portfolios to choose from, covering the main investment themes that investors are looking for, and thus providing something for everyone. Each of the models contains a range of investment and unit trusts carefully chosen to contribute towards the respective model's investment mandate and risk parameters.

Any overlap between the models in terms of their holdings is kept to a minimum, allowing investors to hold more than one model should they wish to gain a broader exposure or fill in gaps within their existing portfolios. Three of the PIPs have a growth bias, two are focused on income and one aims to outperform the returns on cash.

A brief synopsis of each is provided below.

The **Growth model** aims to outperform the FTSE All-share index over the long-term through exposure to asset classes such as equity and fixed interest investments. Currently, the model has exposure to areas such as quality growth equities, UK small and mid-cap companies and a weighting towards some overseas markets such as North America and Europe.

Although the mandate is very similar to that of the growth model, the **Aggressive Growth** portfolio adds a further dimension with its ability to look at areas such as artificial intelligence and private equity. This provides those investors with a higher tolerance for risk with the opportunity to partake in areas of the market that they may not usually consider.

For those investors who already have a large weighting towards the UK market, the **Overseas Growth** PIP could be used to provide diversification, as it looks to have as little exposure to the UK market as possible. Currently there is exposure to most regions in the world via generalist global funds and one or two specific countries such as Japan.

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For those investors seeking a balanced return, the **Income** model aims to provide a respectable level of income (estimated yield is over 5%), whilst also looking to provide an element of capital growth. This total return approach is seen as important when trying to keep up with, if not beat inflation. A varied mix of asset classes are held, ranging from equities right through to fixed interest and infrastructure.

The **Higher Income** model aims to produce a yield in excess of the FTSE350 High Yield index from a range of trusts investing in areas such as equities, property, infrastructure and fixed interest. There is an emphasis on keeping volatility to a minimum, and this would be our highest yielding model for income investors.

Finally, the **Conservative** portfolio seeks to generate a return of cash plus 3.5%, coupled with an emphasis on capital preservation and reduced volatility. This is done through investments such as absolute return funds, alternative assets and fixed income.

The trusts that make up each of the models are handpicked by us and consist of a mix of both the large well-known managers, and those provided by some of the smaller, more specialised boutiques. Each of the model's constituent holdings are monitored regularly and supported by follow up calls and meetings with the managers and teams running those funds.

The performance of the various models is detailed in the table below.

For those existing PIP investors who would like to top up their investment at regular intervals or as their account cash balance builds up, we are pleased to announce that we have adapted our charging scale to make smaller purchases more cost effective. Whilst the buying and selling commission rate remains at 1.65% on the first £10,000 of any trade, there is now no minimum commission rate applied (previously £10 per trade).

Discrete 12 month Performance (%)	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20
Growth PIP	3.8	-9.5	1.7	8.3	19.9
Aggressive Growth PIP	8.7	-16.7	7.0	15.9	27.6
FTSE All Share	-3.6	0.8	11.4	-10.0	10.9
Income PIP	1.8	-2.9	10.7	-5.8	12.2
Higher Income PIP	-2.2	-1.7	9.2	0.7	12.8
FTSE 350 Higher Yield	-6.8	6.6	14.3	-17.6	6.1
FTSE Actuaries UK Gilts All Stocks	-4.4	-22.0	-7.4	1.8	6.7
Overseas Growth PIP	14.4	-9.1	-3.5	8.6	14.9
FTSE All World ex UK	11.9	-3.2	8.6	11.8	19.5
Conservative PIP	-3.6	-3.6	5.9	2.5	8.8
FTSE UK Private Investor Conservative	1.3	-5.8	1.3	4.2	8.0

The PIP models can be held in an ISA, SIPP or dedicated Nominee service.

It is difficult to know what the next few months hold for the global economy, but through our range of PIP models, clients can look to lock in a good level of income, or plan for the next wave of growth.

The PIP application form is available upon request or can be downloaded from our website. All PIP holders receive a full report on the models every six months including commentary on the holdings and a reconciliation of performance.