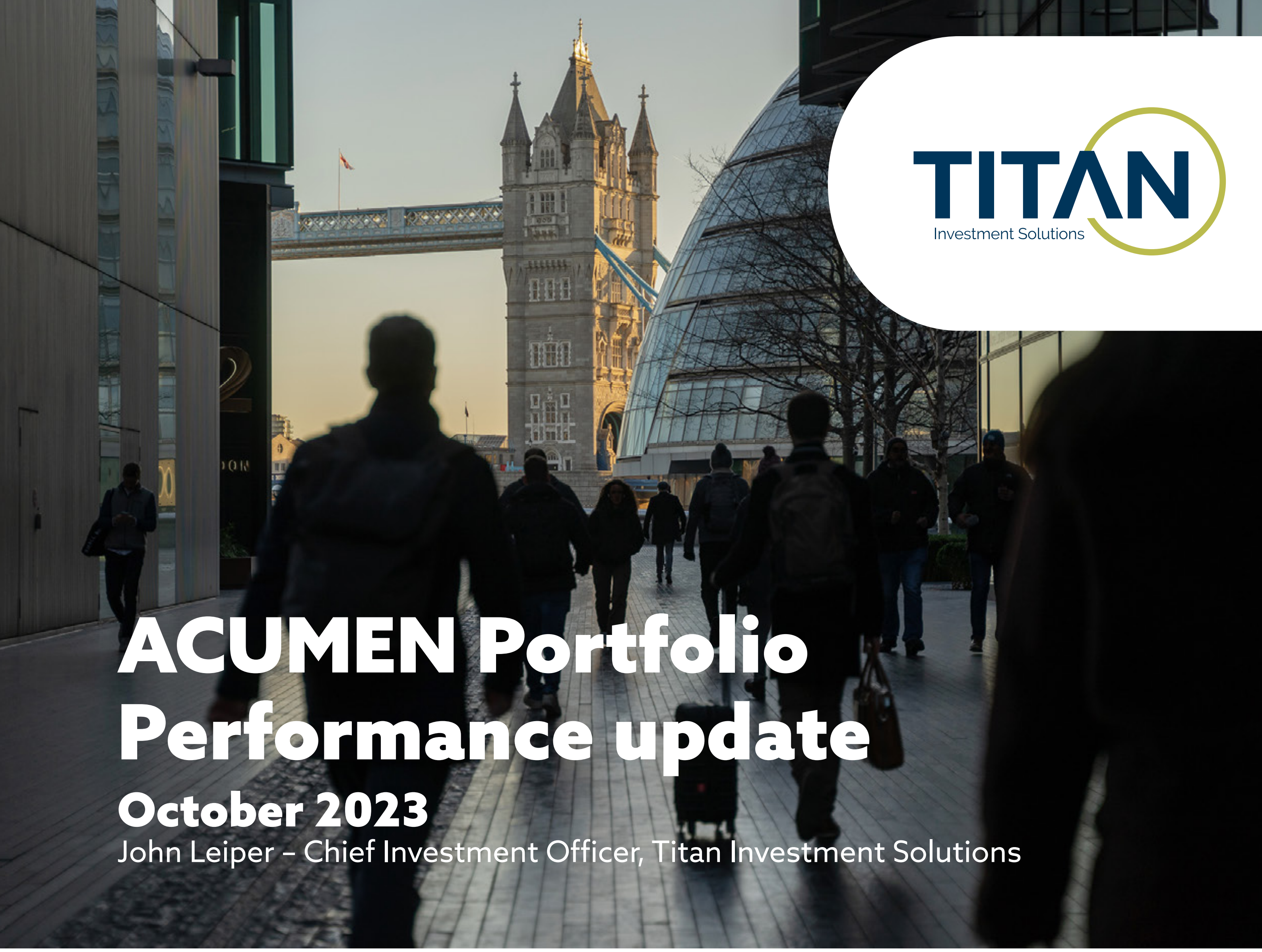


ACUMEN Portfolio Performance update

October 2023

John Leiper – Chief Investment Officer, Titan Investment Solutions

Acumen Portfolio Update

Over the last few months, we have made a number of changes to the ACUMEN Portfolios, to reduce the underweight exposure to equities and to shift from our prior defensive stance towards a number of high conviction trades that we think can outperform over the coming months. Since then the funds have delivered positive absolute and relative returns versus the benchmark. The purpose of this short document is to provide a brief update on performance, a high-level summary of the changes made and to provide an update on our outlook for markets later this year.

Performance

- All funds outperformed their respective benchmarks in September, ranking in the first quartile versus the peer group.
- Over the last three months the funds have outperformed, ranking in the first quartile.
- The funds have managed to deliver positive performance during a period where the benchmark has fallen.
- Whilst not an explicit benchmark, many advisers compare ACUMEN Portfolio 8 to other equity funds. AP8 has outperformed the IA Global equity sector by >2.5% over the quarter.

	SEP-23					Q3 2023				
Fund	**Fund**	**Benchmark**	**Difference**	**Quartile Ranking**	**Quartile Position**	**Fund**	**Benchmark**	**Difference**	**Quartile Ranking**	**Quartile Position**
ACUMEN Portfolio 4	0.45	-0.63	1.08	1	18/183	0.75	-0.13	0.88	1	41/183
ACUMEN Portfolio 5	0.54	-0.63	1.17	1	16/183	0.83	-0.13	0.96	1	39/183
ACUMEN Portfolio 6	0.55	-0.7	1.25	1	10/218	1.07	-0.25	1.32	1	24/218
ACUMEN Portfolio 7	0.68	-0.7	1.38	1	7/218	1.24	-0.25	1.49	1	14/218
ACUMEN Portfolio 8	0.85	-0.64	1.49	1	13/157	1.50	-0.25	1.75	1	15/157
ACUMEN Income Portfolio	1.12	-0.63	1.75	1	5/183	1.84	-0.13	1.97	1	7/183
IA Global (Equities)		-1.46					-1.27			

Data as of 30th September 2023
Source: Titan Investment Solutions, Lipper for Investment Management

Recent changes

Over the last few months we have adjusted the composition of the ACUMEN Portfolios across asset classes. Please find below a brief summary of these changes by asset class.

Fixed Income

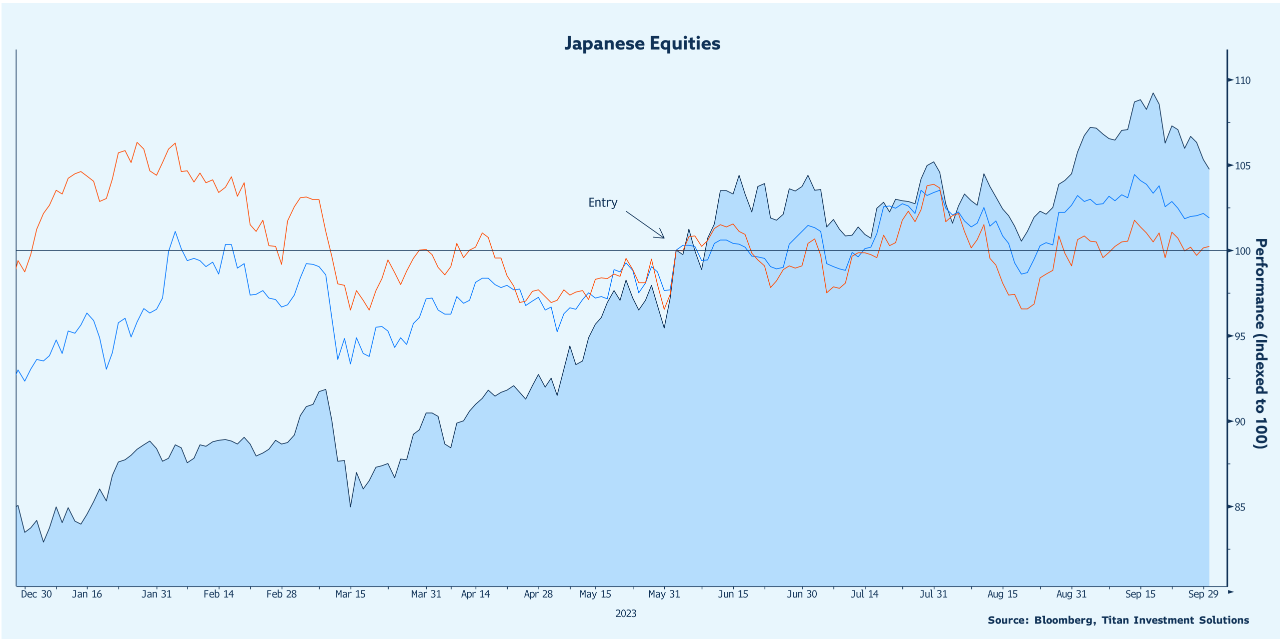
We have reduced exposure to developed market global government bonds, increased exposure to high yield debt to benefit from a pick-up in yield, and we have shortened duration across both government and corporate bonds. We also added a new position that benefits from a steepening of the yield curve, as measured by the difference between the two and ten-year US Treasury yields. This new position recently became available to purchase in Europe and will benefit from a gradual unwind of the deeply inverted yield curve.

This chart shows the spread between two and ten-year US Treasury yields. For much of this year the yield curve has been in negative territory, meaning short-dated yields are higher than longer dated yields. This phenomenon has occurred on a handful of occasions over the last few decades, and we expect the curve to re-steepen over time, benefiting this position. Since inception this position has outperformed a generic fixed income benchmark.

Developed Market Equities

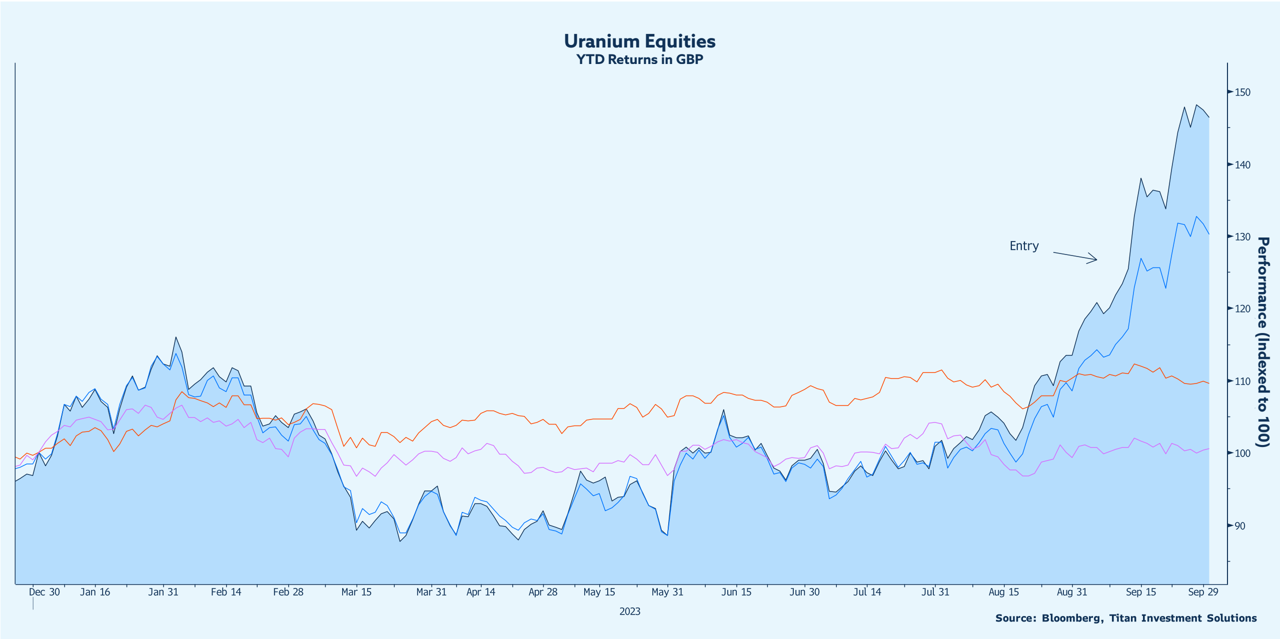
We have increased our exposure to equities and sold a number of positions that underperformed the benchmark earlier this year. In their place we have initiated new positions providing exposure to Japanese equities, the US energy sector and Uranium miners.

In early June we added Japanese equities. Recent, much-needed, structural reform is contributing to upward revisions to Japan's growth and inflation expectations which should benefit the regions equity markets over the medium term. Since inception this position has performed well, outperforming developed and emerging market equities.



This chart shows performance of Japanese equities versus developed and emerging market indices since inception.

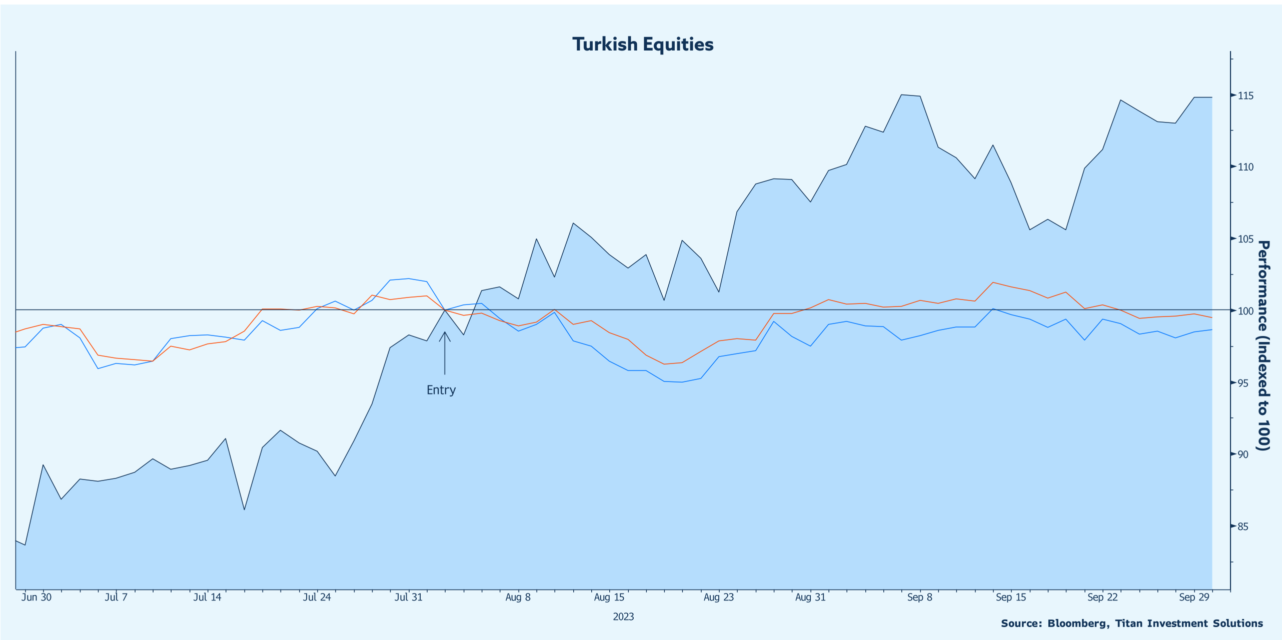
US energy and uranium mining stocks have also performed well since inception. The fundamental case for these positions is predicated on improving demand, diminished supply, ongoing geo-political tailwinds and the longer-term energy transition theme which should bolster the sector into year end.



Uranium miners are benefiting from favourable supply-demand dynamics that could see the price of Uranium rise significantly from here, benefiting the equity sector.

Emerging Market Equities

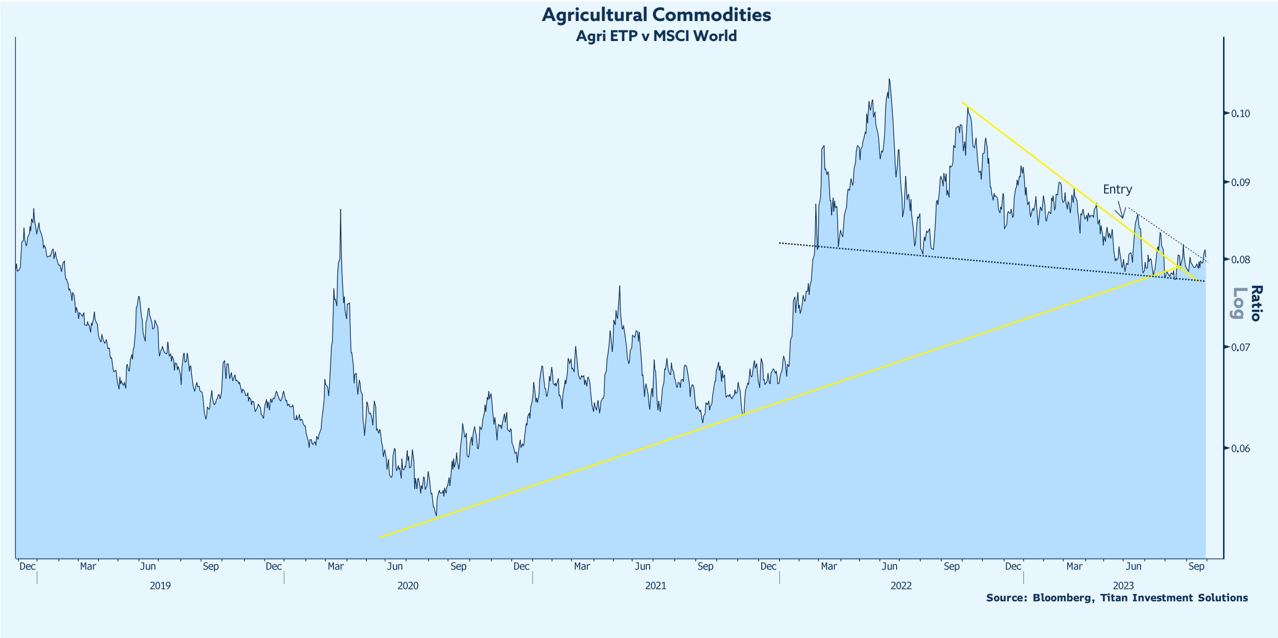
We initiated a new position in Turkish equities. Turkey is under-owned and institutional investors are increasingly drawn to the country given a revamped focus from Turkish President, Recep Erdogan, on meaningful economic reform. The country is topping global IPO league tables and an interesting nuance is the role played by domestic investors which are investing in the country's stock market to hedge rampant inflation. The position has performed well since inception, outperforming developed and emerging market equities by approximately 15%.



This chart shows performance of Turkish equities in the portfolio versus developed and emerging market indices since inception.

Commodities

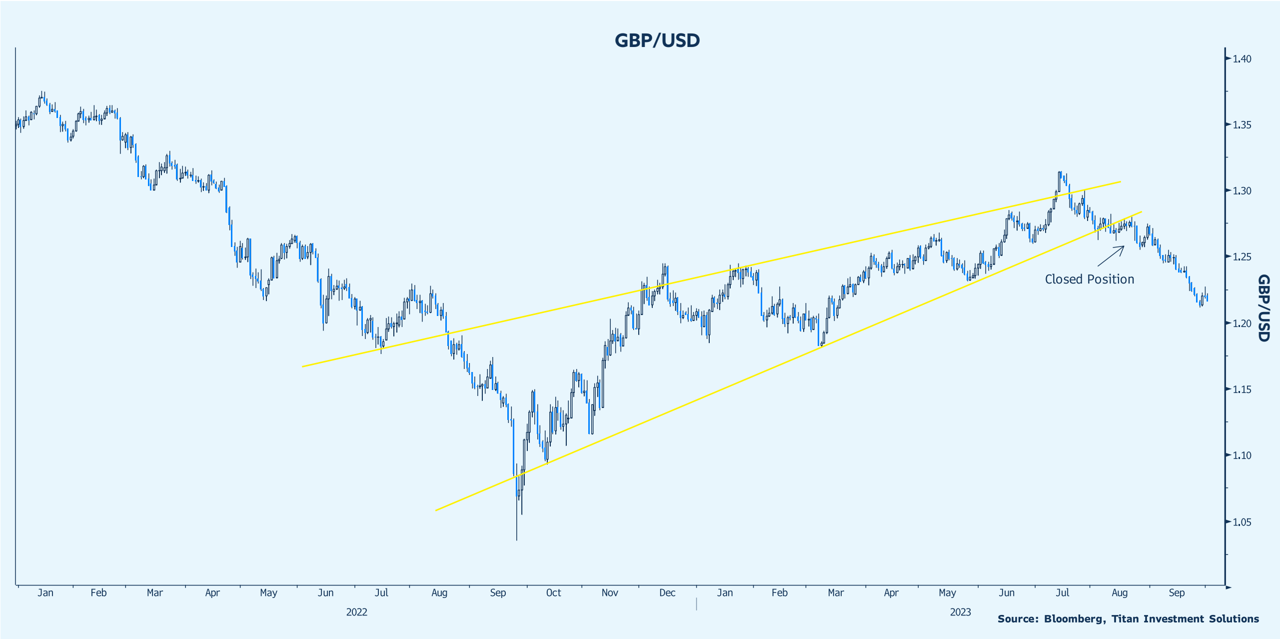
El Nino is a weather phenomenon that takes place every few years. It is responsible for rising global temperatures and aggravating extreme weather events. The probability of a strong El Nino, which is likely to develop over the coming months, is now over 95%. El Nino could reduce the global availability of key agricultural commodities and push up food prices. We have implemented a new position that provides access to certain "soft" commodities for a potential rebound later this year. The position has slightly underperformed the MSCI World equity benchmark since inception but has scope to gain later this year.



This chart shows the relative performance of an agricultural exchange traded product versus the MSCI World global equity index. When this line rises it means agricultural commodities within the basket are outperforming equities and vice-verse.

FX

Our prior long GBP exposure, implemented via an fx forward, worked well earlier this year but has detracted from performance over the last two months as Andrew Bailey raised the prospect of peak rates alongside a deterioration in the economic data. We have now closed this position to neutralize risk versus the benchmark.



Market Outlook

Our prior defensive stance was driven by concern over the outlook for the economy. Many analysts believe a recession remains possible. This did not materialise as feared in early 2022, which helped drive the rebound in risk assets this year. The US economy is holding up particularly well, although the UK remains close and Europe recently entered a technical recession. We remain concerned about the lagged impact of prior tightening. Specifically, the pace and scale of prior rate hikes, the collapse in the money supply, shift from quantitative easing to quantitative tightening, tighter lending standards, enhanced regulatory oversight of banks, residential and commercial real-estate asset disinflation and associated impact on the collateral underpinning a generation of credit growth. These all pose real risks to the economy.

However, as things stand today, markets are telling a different story. There are a few reasons for this. The first is that it takes a long time for the narrative, described above, to play out. The sheer scale of prior stimulus measures, and changes to the underlying economy, may mean “this time it’s different...”. Candidates include post-Covid structural changes to the economy, lower home ownership levels, the shift from floating to fixed-rate mortgages and the rise of non-bank financial institutions (NBFIs) which have disrupted the transmission mechanism and impact of higher interest rates on the real economy.

Importantly, inflation data has declined at a faster pace than the economy has weakened, providing a tailwind for risk assets. If inflation continues to fall faster than the economy contracts, equities could continue to move higher.

Third, policy stimulus has proven resilient, be it ‘technical’ in nature, following the response to the US banking sector fallout earlier this year, or from Japan or China, which recently initiated a fresh round of stimulus measures. Additional policy support which boosts growth without undermining the ongoing decline in headline inflation could further boost the growth-inflation mix described above.

Summary

To summarise, whilst we remain cautious over the medium-term outlook, we have decided to shift to a more neutral approach that allows the funds to participate in markets. This means increasing risk, from our prior defensive bias, across asset classes. We have opted to do so via a number of high conviction trades whilst employing strong risk management to ensure we cut the losers and let the winners run. Changes made have benefited the funds which have outperformed over the last quarter. We continue to monitor the ACUMEN Portfolios in real time and will seek to make additional changes, as required.

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Source of data: Titan Asset Management Ltd, Bloomberg, Financial Express, Thomson Reuters and Lipper for Investment Management unless otherwise stated.
Data as at 30/09/2023.

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Registered address: Titan Investment Solutions 101 Wigmore Street, London, W1U 1QU.