



# SELECTIVE PORTFOLIO

SECOND HALF REVIEW 2023



The Selective model delivered a total return of 10.4% in second half of 2023 and 15.9% over the full year. This compares very favourably to the UK market, which grew by 5.1% in H2 and 7.7% over the year. Since inception in January 2012, the portfolio has achieved an annualised return of 6.2%, whilst the UK market has returned 7.1%.

After an otherwise turbulent year, equity markets embarked on a significant rebound over the last few months of 2023, driven by hopes of rate cuts on the horizon. This positive sentiment was reaffirmed by a welcome Santa Rally which was driven by supportive economic data releases and comments from central bank policy makers. In sterling terms, world equities climbed 5.9% during the fourth quarter, providing robust full year return of 13.8%. This was hugely influenced by the stellar growth of the 'Magnificent 7' technology stocks, which account for over a quarter of the US equity market and close to one-fifth of the global market. These returns were partly moderated by a strong pound, with dollar-based investors benefitting from a 20.1% uplift in world equities over the full year. In the United Kingdom, the Office for Budgetary Responsibility positively revised its outlook for GDP growth, ruling out a recession for 2023 in their November update and guiding for steadily improving but modest growth in subsequent years. This was accompanied by resilient employment data through the year, in addition to better-than-expected inflation data, with a CPI reading of +3.9% for November, although most commentators expect this figure to remain stubbornly high compared to the US and Europe, owing to wage price pressures. The Autumn Statement included a range of policies designed to bolster the economy and improve liquidity in the UK equity market, although this was largely a defensive budget in the face of the impending election season, an event which will likely add to market volatility, irrespective of what economic data says. Historically, the market has feared a Labour premiership, but the economic reality is that the ability of further budget spending will be constrained, whichever party is in power.

Sage Group was the strongest contributor to performance with a total return of 26.8% in H2 and 60.9% over the year. This is a result of the company's success in shifting its focus to recurring revenue by emphasising a 'Software as a Service' business model as opposed to its previous approach of selling software on disc. This was a long process as it first required the transition of an extended book of legacy clients on the new system to avoid stretching the company's resources across old and new. Double-digit increases in revenue, profit and earnings per share in the latest set of results provide proof of the company's success in executing this strategy, as Sage is now better able to grow at scale whilst generating more reliable streams of income. In August the shares reached a new all-time high as they finally exceeded the previous high reached in February 2000. Associated British Food has also been a strong performer with a return of 21.2% in H2 and 54.3% over the year as the company was successfully able to increase prices to offset most of the rising input costs. The company's plans for Primark include the opening of new shops in America, Italy, Iberia, and France, providing potentially lucrative new streams of revenue and diversifying away from the UK consumer.

Croda was the portfolio's largest detractor, declining by 9.5% in H2 and 22.2% over the year. The company has been facing destocking headwinds across consumer, crop, and industrial markets, which is a lingering hangover from Covid-19. The company was a significant beneficiary of the pandemic through its provision of lipids for the vaccine, and this boost to profit and sales is still being rolled out of comparative data. During periods of such success, it can be tempting for companies to over stretch as they try to maintain the momentum in sales growth. However, Croda has an extended period of maintaining just a modest amount of leverage and avoiding knee-jerk reactions to short term market trends. This approach has served the company well over the years and, in time, we expect to see the share price recover, expecting that today's price will look like compelling value with hindsight.

In August we exited the portfolio's holding in Direct Line Group in favour of a position in BAE Systems, which is Europe's largest defence contractor and provides an excellent way of gaining exposure to the increased demand for military-related spending. Pleasingly, by the end of the year, BAE Systems managed to deliver a 20% total return since we first added it to the Selective model.

## Portfolio Performance

(Total Return ex. Charges)

	Selective	UK Equities
6 Months	10.36%	5.07%
1 year	15.92%	7.70%
3 years*	4.84%	8.49%
5 years*	6.42%	6.54%
Inception	106.16%	127.46%
*Annualised	6.21%	7.08%
Avg. Yield	3.13%	

## Stock Performance (Total Return)

30th June 2023 to 31st December 2023

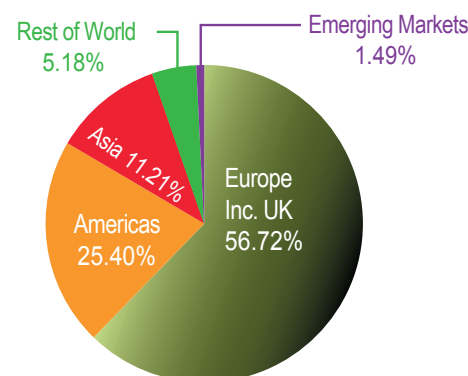
### Top three

Sage .....	26.78%
AB Foods .....	21.16%
BAE Systems .....	21.12%

### Bottom three

Intertek .....	0.45%
Unilever .....	-5.52%
Croda .....	-9.47%

## Geographic spread (Revenues)



## Total Return since inception

31st December 2011 - 31st December 2023



Performance data is illustrated on the basis of a standardised weighting of assets within the portfolio model. Performance of your portfolio may vary based on the size of the portfolio net of fees, the timing of investments and variance in asset weightings.

☎ +44 (0) 1624 681250 ✉ enquiries@fim.co.im 🌐 www.poundadayportfolio.com

FIM Capital Limited, 55 Athol Street, Douglas, Isle of Man, IM1 1LA. FIM Capital Limited is licensed by the Financial Services Authority of the Isle of Man and Regulated and Authorised by the UK Financial Conduct Authority. A list of the names of directors and officers of the company is available for inspection at the registered office of the company. Company registered in the Isle of Man No 012651V.



Founded 1935

Market Cap £18,137.86m

Yield 1.99%

Sector Consumer Staples

Associated British Foods is a diversified international retail, food and ingredients group with 130,000 employees and a presence in 50 countries. The company also runs the Primark clothing retail chain.



Founded 1854

Market Cap £32,931.51m

Yield 2.59%

Sector Industrials

BAE Systems is a British global defence, security, and aerospace company. It is the largest defence contractor in Europe and is one of six prime contractors to the US Department of Defence.



Founded 1854

Market Cap £10,870.35m

Yield 1.98%

Sector Industrials

Bunzl is a global distributor of non-food consumables, including disposable cutlery, cleaning products, and personal protective equipment. It derives most of its revenue from foodservices.



Founded 1925

Market Cap £7,099.07m

Yield 2.12%

Sector Materials

Croda is a British specialty chemicals company that derives most of its revenues from outside Europe. The company operates across three segments: Consumer Care, Life Sciences, and Industrial Specialties.



Founded 1913

Market Cap £2,697.23m

Yield 3.29%

Sector Real Estate

Derwent London is a London-focused real estate investment trust. The company owns, manages, and refurbishes office real estate in Central London, with an emphasis on assets based in London's West End.



Founded 1894

Market Cap £8,800.18m

Yield 0.90%

Sector Information Technology

Halma's aim is to make the world safer, cleaner, and healthier, through its 45 businesses that operate in a decentralised manner. Products include smoke detectors, healthcare equipment, door sensors, and water treatment.



Founded 1996

Market Cap £6,839.84m

Yield 2.58%

Sector Industrials

Intertek is one of the largest and oldest companies in the testing, inspection, and certification industry. It is one of the only four TIC companies that operates globally across numerous industries. It employs 44,000 people.



Founded 1836

Market Cap £15,026.00m

Yield 7.82%

Sector Financials

Legal & General Group operates in the retirements, investment management, capital investment, and insurance business areas. It has a global presence but most of its AUM are derived from the UK and Europe.



Founded 1981

Market Cap £12,002.80m

Yield 1.64%

Sector Information Technology

Sage Group is a UK company that provides accounting software to customers primarily based in the US and Europe. It recently transitioned to a software-as-a-service company with Sage Accounting and Sage Intact.



Founded 1907

Market Cap £168,601.65m

Yield 4.13%

Sector Energy

Shell is an integrated oil and gas company that explores for, produces, and refines oil around the world. The company operates refineries in the Americas, Asia, Africa and Europe, selling 12m tons per year of chemicals.



Founded 2005

Market Cap £8,248.03m

Yield 3.91%

Sector Materials

Smurfit Kappa Group is a paper-based packaging company with a presence in Europe and the Americas. The European business generates the majority of revenue.



Founded 1998

Market Cap £20,245.41m

Yield 4.73%

Sector Utilities

SSE is a UK based energy company with the majority of its profits being derived from its 10.8GW of power generation and its electricity transmission and distribution networks.



Founded 1930

Market Cap £94,587.61m

Yield 3.93%

Sector Consumer Staples

Unilever is a diversified consumer goods company with brands including Knorr soups and sauces, Hellmann's mayonnaise, Axe and Dove skin products and the TRESemme haircare brand.



Founded 1742

Market Cap £6,819.11m

Yield 2.31%

Sector Consumer Discretionary

Whitbread owns hotels and restaurants that operating in the UK, with more than 800 hotels under the Premier Inn brand. Restaurant brands include Beefeater, Brewers Fayre, Cookhouse & Pub, Bar Block and others.