



**CASTERBRIDGE**  
HARDY PORTFOLIOS

**HARDY MANAGED  
PORTFOLIOS -  
QUARTERLY REPORT**

December 2023

## FUND SOUNDBITES:

### Our three favourite funds:

FUND	WHY WE LOVE IT
Artemis UK Select	A high conviction fund where the manager uses different tools and software to screen for the best ideas with the right characteristics. Up to 10% of the fund can be short positions. We like its nimble, go anywhere approach and the fund manager's detailed understanding of industry cyclicality and how different macroeconomic factors will affect each of the underlying companies. This makes it one of our top funds for UK equities.
Janus Henderson UK Absolute Return	This long-short UK equity fund provides exposure to equities with low volatility. It takes long positions in companies the team believe will rise within the next year and thus produce capital growth, and conversely short positions in shares which the fund believes to be overvalued/overbought and which are expected to fall.
Man GLG Sterling Corporate Bond	This is a flexible and potentially more risky sterling corporate bond fund, with a focus on smaller issuers which are often overlooked. It can also have limited exposure to opportunities in non-sterling markets (with the currency hedged back to GBP) and has proved a good navigator during different and challenging market environments in bonds.



# HARDY MANAGED PORTFOLIOS HOLDINGS REPORT

FUND NAME	HELD IN PORTFOLIOS:	WHY WE HOLD IT
Aegon Absolute Return Bond	All Portfolios	A hedge fund which takes long & short positions in corporate bonds, aiming to provide steady positive returns (cash + 2-3% net of costs) from bonds with low volatility. It has average duration of less than 1 year, so reduces the interest rate risk. It has flexibility to allocate across sectors and prefers more volatile markets as this is when opportunities arise. We are using this fund as we are concerned about the growing volatility in bond markets which could continue over the coming years.
Artemis Corporate Bond	Income Portfolios	This is a global corporate bond fund, primarily focused on sterling investment grade bonds. Actively-managed fund to take advantage of the inefficiencies they see in the market, with around 75 to 150 holdings which makes it one of the more focused and nimbler funds in this sector. Low fees compared with many similar funds.
Artemis UK Select	Growth Portfolios	A high conviction fund where the manager uses different tools and software to screen for the best ideas with the right characteristics. Up to 10% of the fund can be short positions. We like its nimble, go anywhere approach and the fund manager's detailed understanding of industry cyclicality and how different macroeconomic factors will affect each of the underlying companies. This makes it one of our top funds for UK equities.
AXA Global Short Duration Bond	All Portfolios	This is a well diversified global bond fund, with typically 10% in Sovereign bonds, 60% Investment Grade, and 30% in High Yield and Emerging Market debt. All hedged to sterling, so removing the currency risk. Duration is typically 1 to 3 years, and at relatively low cost for this type of fund.
BlackRock Continental European Income	Income Portfolios	This fund aims to invest defensively into the European (ex UK) market and generate a steady and above average level of income. It is mainly invested in large and mid-cap companies and has a slight bias to the more cyclical and value businesses with reliable cashflows. Given its income focus, we only use this in Income portfolios.
BlackRock European Absolute Alpha	Growth Portfolios	A hedge fund which takes long & short positions, mainly in continental Europe. It tends to be more focused on a company's fundamentals, rather than focus too much on the macro environment, and usually has a bias to growth companies overall. This has helped it generate impressive returns over the last few years, although it can suffer during periods when "growth" style is out of favour. The fund has a bias to quality within its long positions (held for up to 5 years), whereas its short holdings (held for 6 months to 1 year) are typically companies which appear structurally damaged.
Blackrock Natural Resources Growth & Income	All Portfolios	This fund gives exposure to roughly 1/3 energy, 1/3 mining & gold and 1/3 agriculture equities. It is a concentrated portfolio of 40-50 holdings of best ideas, producing attractive combination of growth and income. This is one of the funds run by the BlackRock Thematic, Sectors & Impact Team, and is one of the larger and more experienced teams covering commodities – they combine bottom-up, fundamental analysis of companies with a top-down macro and industry overlay. We are particularly keen on this broad sector and believe it will perform well driven by rising demand, restricted supply and underinvestment in previous years; despite its recent outperformance, many parts of this sector remain on attractive valuations with appealing dividends.

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BNY Mellon Global Income	Income Portfolios	<p>This fund invests in global equities and follows an unconstrained and low volatility approach which compounds dividends for long-term returns. The manager believes strongly that it is the power of dividend compounding which allows for long term outperformance rather than solely relying upon high growth, higher risk investments. A key part of the process is that the stock must yield at least 25% higher than the market; they are often looking for companies which might be going through temporary problems or companies which might be seeing slower growth but still generating lots of cash. These differentiating factors are why we like the fund, and choose it for our Income models.</p>
Cohen & Steers SICAV - Diversified Real Assets Fund	All Portfolios	<p>This fund is a blend of real assets covering Listed Infrastructure, Commodities, Listed Real Estate, Natural Resource Equities and Gold. The team see these ultimately as 'the structures and raw materials that facilitate economic growth'. The team is one of the largest specialising in such assets and this fund provides a diversified route to actively manage these assets to benefit from economic growth, inflation and potential supply disruption.</p>
Dodge & Cox Worldwide US Stock	Growth Portfolios	<p>This fund invests in large cyclical companies in the US, which have been out of favour but which we expect to outperform given the low valuations compared with many growth companies. The team is less well known to UK investors but they have a long track record in the US managing this fund and are well respected. We expect the fund to add value to our portfolios as / when this style becomes more favourable once again.</p>
ES Baker Steel Electrum	Growth Portfolios 5-7 Only	<p>This fund aims for capital growth over the long-term from a portfolio consisting primarily of listed mining equities. It also has a particular focus on speciality and precious metals equities, which we expect to do well as the world transitions to being more sustainable. This diversification across different mining sub-sectors gives the managers scope to adjust the fund as and when the opportunities arise in different areas.</p>
Fidelity Asia Pacific Opportunities	Growth Portfolios 5-7 Only	<p>This is a concentrated fund (of around 30-35 companies) where the manager is looking for long term growth opportunities in Asian companies. The manager has a broadly style neutral approach, but new positions in the portfolio can exhibit a contrarian / value bias, i.e. they may be out of favour but the manager is patient for the ideas to come to fruition. Given his high conviction and contrarian approach, and overweight to Technology, we currently only use this in our medium-higher risk portfolios.</p>
Fidelity Index Japan	Income Portfolios	<p>A passive fund which aims to track the performance of the MSCI Japan index. It yields a premium over many of the active funds for Japan and hence why we use for our Income models.</p>
FTF Martin Currie UK Equity Income Fund	Growth Portfolios	<p>This fund aims to generate an income that is higher than the FTSE All-Share Index, together with growth over a 3-5 year period. It has a fairly high concentration, of 50-70 companies, and mainly to larger companies. It typically takes a 3-5 year time horizon, turnover of the portfolio is relatively low at around 10% and this enables them to continue to be one of the cheapest active managers for UK equities. The high and attractive income yield, low cost and consistent returns are the main reasons why we hold the fund.</p>



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FUND NAME	HELD IN PORTFOLIOS:	WHY WE HOLD IT
Janus Henderson UK Absolute Return	Growth Portfolios	This long-short UK equity fund provides exposure to equities with low volatility. It takes long positions in companies the team believe will rise within the next year and thus produce capital growth, and conversely short positions in shares which the fund believes to be overvalued/overbought and which are expected to fall.
JPM Emerging Markets Income	Income Portfolios	This fund provides an income by investing in emerging markets companies whilst participating in capital growth over the long-term, in regions where we expect faster growth relative to developed markets. The team has around 100 dedicated portfolio managers and analysts across 8 locations, making it one of the broadest we access for clients: around 60% of the companies yield 3-6%, and the balance split between those companies offering higher yields (but maybe lower growth) and those offering lower yields (and higher growth).
JPM US Equity Income	Income Portfolios	A US equity fund which provides an above average income by investing in high quality companies with durable business models, consistent earnings, strong cash flows and experienced management teams. The fund can invest in any sector but, given its income requirement, will tend to be biased to more traditional businesses and not the faster-growing technology sectors. It is therefore likely to lag when growth styles are in fashion. Given its focus on quality and income yield, we use this for our Income models.
Jupiter Asian Income	Income Portfolios	This fund aims to achieve income and capital growth by investing in equities in the Asia Pacific region (excluding Japan), taking a longer term view of at least 5 years. It can be expected to have a bias to more cyclical and income-producing companies, such as Financials, so is perhaps surprising that its highest sector exposure is to Technology at around 25% of the fund - this illustrates that there's a growing number of such companies that now produce a yield - it often starts low but is expected to grow over the coming years. Hence we see this as suitable for our Income portfolios.
LF Havelock Global Select	Growth Portfolios	This fund invests in global companies aiming for investment growth over 3-5 years. It is concentrated in a small number of "quality value" companies with a track record of strong operating performance, financial discipline and buying at a price that does not require undue optimism about the future.
LF Lightman European	Growth Portfolios	A concentrated portfolio which seeks to invest in undervalued companies with positive operational momentum. Its holdings are often seen as more cyclical in nature such as Financials and Materials. Even though we are cautious on Europe given its structural and political headwinds, we believe the skill of the manager and style of the fund make it a great addition to our portfolios.
LF Ruffer Diversified Return	All Portfolios	This fund is different in that it invests in both "growth" equities and "protection" in the form of assets such as Index Linked Gilts and gold; in addition it holds ~3-5% in derivatives as protection. The team have a long track record, and have produced steady and positive returns over many economic and market cycles, making it a high conviction holding for us.
L&G UK 100 Index	Income Portfolios	A passive fund which aims to track the performance of the FTSE100 index. The low cost, attractive income yield and tracking nature are the main reasons why we hold the fund in our Income models.

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Man GLG Absolute Value Prof'l CX £ Acc	Growth Portfolios	The Fund aims to provide an absolute return from an actively managed portfolio in all market conditions by finding undervalued and overvalued companies in lesser researched parts of the UK mid-cap equity market.
Man GLG Japan CoreAlpha Prof'l Acc C	Growth Portfolios	The fund targets long term capital gains by investing primarily in listed or traded shares of Japanese companies, with a focus on more cyclical or value companies trading at low valuations and which should be re-rated over time. The style means that returns can be volatile over shorter periods, while having the potential to outperform over longer periods.
Man GLG Sterling Corporate Bond	All Portfolios	This is a flexible and potentially more risky sterling corporate bond fund, with a focus on smaller issuers which are often overlooked. It can also have limited exposure to opportunities in non-sterling markets (with the currency hedged back to GBP) and has proved a good navigator during different and challenging market environments in bonds.
Premier Miton US Opportunities	Growth Portfolios	A concentrated high conviction fund, investing in mid-large sized growth companies while avoiding many of the Big Tech names. The team is unusual in that it is small and based in the UK, but believe its screening process means it doesn't need to be based in the US as it can quickly rule out many companies from possible investment. Its exposure to many high growth, but unknown names make it an interesting addition in our portfolios.
Royal London Short Duration Gilts	Growth Portfolios 3-6 Only & Income Portfolios	This is an actively-managed Gilt fund which invests at least 80% in short-duration (1-5 years) UK government bonds & 20% in other sovereign asset classes. We expect it to generate an income with low volatility.
Schroder UK-Listed Equity Income Maximiser	Income Portfolios	A fund which aims to generate an enhanced level of income by investing in the UK largest companies, and using option strategies to create this extra income. We invest in the newer UK-Listed Equity version rather than the better known Income Maximiser, which takes greater sector positions and so may be more volatile. We currently limit ourselves to how much we hold in such "maximiser" funds but the enhanced yield of 6-7% makes it attractive for our Income portfolios.
Stewart Investors Asia Pacific Sustainability	Growth Portfolios	This fund gives exposure to large and mid-sized high quality companies which are positioned to benefit from, and contribute to, sustainable development in Asia. It is focused on investing in companies which are well positioned to deliver positive long-term returns throughout difficult market environments. It uses the UN inequality-adjusted Human Development Index to aid asset allocation and so invests in companies of countries which are likely to have a low ecological footprint. It has a strong bias to Technology and Healthcare, which are two of our key themes.

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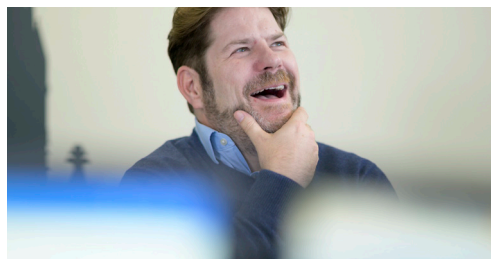
FUND NAME	HELD IN PORTFOLIOS:	WHY WE HOLD IT
TB Evenlode Income	Growth Portfolios 3-6 Only	This fund focuses on sustainable real dividend growth from companies with high returns on capital and strong free cash-flow, such as consumer durables which tend to be more defensive in nature. It also invests in small-mid sized companies which are benefitting from technological change. We see this a relatively core and steady UK fund, it tends to protect our portfolios during times of broad market falls (given some of its defensive holdings), but can also lag during periods of strong growth. Given its defensive and income bias we use this fund in lower-medium risk portfolios.
Threadneedle US Equity Income	Income Portfolios	This fund aims to provide income combined with growth over the long term, with the yield higher than the S&P 500 Index. It selects companies that exhibit above average income generation potential and may be chosen from any sector but, given its income focus, tends to be overweight Financials and Industrials, and underweight Technology and Healthcare. Its attractive yield relative to the wider US market means we use it as one of our US equity funds for our Income portfolios.
TM RWC UK Equity Income	All Portfolios	This fund provides exposure to the more cyclical sectors of the UK market, such as Financials and Materials, where we expect outperformance given their low valuations and rising inflation. The long-term decline in interest rates has led to many of the more cyclical and value companies to fall out of favour and trade on attractive valuations. The team managing this fund are one of the most experienced in this field and so we are backing them to add significant performance to our portfolios as / when this style becomes more favourable once again. The attractive dividend yields add to its appeal.
Trium ESG Emissions Impact	Growth Portfolios	This long-short market neutral fund is managed by a small specialist team and invests in companies which are looking to transition to becoming more sustainable by reducing their carbon footprint and environmental impact. It capitalises on the global drive to reduce greenhouse gas emissions and the regulatory enforcement of this trend
Vanguard Global Emerging Markets	Growth Portfolios	An equal blend of 3 different managers: Baillie Gifford (for its growth expertise), Oaktree (for a core blend style) and Pzena (a value and contrarian manager). This therefore give us access to 3 experienced managers which we would not normally get access to, and the broad diversification makes it our core emerging market equity fund.
Vanguard US Equity Index	Growth Portfolios	This is a low-cost passive fund which invests in an index of leading US companies. The largest sector weights include Technology and Healthcare, so this fund gives us exposure to two of our key themes for long-term growth.
Vanguard US Treasury Bonds	Growth Portfolios 3-6 Only & Income Portfolios	This is a low cost passive fund which aims to track the performance of US Treasury bonds. Even though we believe bonds are becoming more volatile, the fund is held to provide diversification and potential upside if / when equities are falling.
WS Gresham House UK Mlt Cap Inc C £ Inc	Income Portfolios	The fund aims to generate an income yield of around 4% per annum while also generating some capital gains. It invests in a broad range of UK equities, with the flexibility to invest in larger or smaller companies as the opportunities arise.



# MEET THE TEAM

## Investment Team:

Our investment team has over 80 years market experience, spanning four decades - **dedicated to you.**



Keith Edwards  
CEO & Lead Investment Manager



Julian Menges  
Head of Strategy & Head of Hardy  
Managed Portfolios



Will De Baer  
Chartered Wealth Manager & Bespoke  
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James O'Hara  
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# IMPORTANT INFORMATION

## **What you should know about investment past performance**

You should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

## **Important information about this brochure**

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