

North America

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Strategy Breakdown:

US based equity strategy

Attitude to risk 8/10

Used an index core through VUAG, which allowing us to peg our returns to the geographic benchmark

Uses an active sleeve of equities which gives us tilts into software and semiconductors, which drives rapid value based gains

We target a Beta of 0.6 for this sleeve, and overall correlation coefficient of 0.5

Allowed us to deviate away from the benchmark, generating alpha, justifying the active strategy.

Macro environment: Pre-investment period

Heading into our investment period the US was experiencing a softening labour market and low inflation

The market began to price in rate cuts in a high productivity economy.



Jerome Powell - Chair of the Federal Reserve of the United States





Macro environment: Investment period

Elephant in the room: Conflict outbreak

- hedged against long term conflict by entering positions in defence and oil with expected benefits from long-term conflict.
- DXY surging as investors in EMs move to safe-haven assets in the US – stronger performance than G7 peers, USD/EUR was up 2.3% in the first two weeks of March

Iranian war developments:

- Oil premium boomed and supply chains were disrupted
- Forward guidance from Trump – G7 – Japan – OPEC+ calmed pressure on oil prices in the short term.

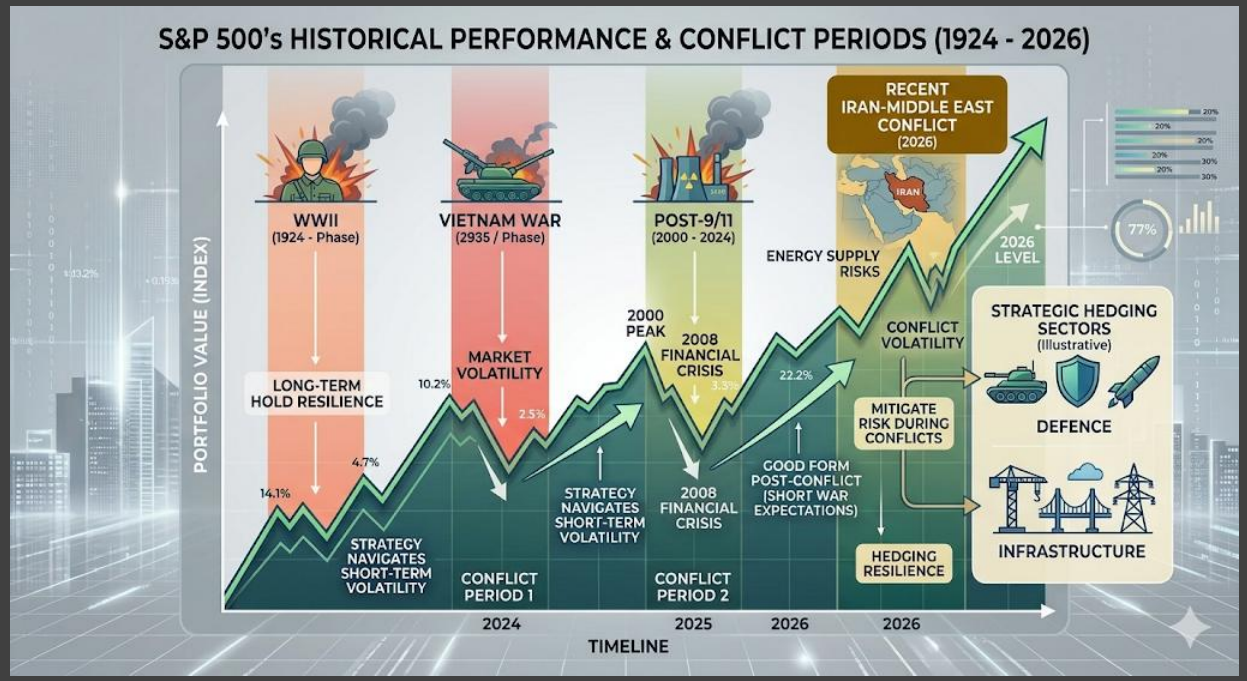
Macro environment: outlook

- This outlook suggests that the war is nearing its end in eyes of the White House.
- **Another TACO trade?** for now we are unsure. So, this is a hold scenario on defensives for now.



"This conflict will certainly come to an end in the next few weeks—could be sooner than that… and we'll see a rebound in supplies and a pushing down of prices after that." —Chris Wright, U.S. Energy Secretary (*ABC's"This Week"*, March 15, 2026)

Macro environment: Strategy Review



- We have maintained a hold period on the held stocks over this period
- The strategy manages high volatility through asset allocation.
- Short war expectations - the stock market coming out of conflict has good form.
- Maintained positions in defence and infrastructure to hedge against risk

Instrument Selection

ETF'S

Vanguard S&P 500 ETF (Core Holding):

•The Strategy: This acts as the foundational core of our portfolio. By pegging our baseline performance to the broader US market, we effectively capture aggregate economic growth without incurring active management costs.

•Risk Management : This core holding provides immense structural stability. It enables us to confidently operate our active value sleeve, rigorously maintaining a controlled 0.6 beta against this benchmark. This quantitative approach maximises our expected return-to-risk ratio and completely justifies the use of our multi-asset tilts.



Vanguard®

Financials

S&P Global (SPGI):

•The Value: An oligopoly data and ratings provider offering highly resilient, recurring revenues. It requires minimal capital expenditure to scale, making it a perfect defensive compounder.

•The Catalyst: Possesses immense pricing power that inherently protects our portfolio against sticky inflation and unpredictable market volatility. As market uncertainty rises, the demand for SPGI's analytics and credit ratings historically increases, providing a natural hedge for our portfolio.

S&P Global

Instrument selection

Technology and Software

ServiceNow (NOW):

• Disconnect: Suffered a 50% drawdown over "death of SaaS" fears and acquisition scepticism, creating a rare contrarian entry point.
• The Value: Trades at a highly attractive 29x 2027 EV/FCF multiple, generating a 21% margin that drastically outperforms peers.
• The Catalyst: A newly authorised $5bn share repurchase programme acts as a solid price floor, whilst its "Now Assist" AI product has already surpassed $600m in annual contract value.

Microsoft (MSFT): Acts as our high-quality, defensive tech anchor, providing stable beta and cloud dominance to balance the active sleeve.

Utilities & Energy Infrastructure

Constellation Energy (CEG):

•The Disconnect: Bridges the gap between defensive utility cash flows and aggressive tech growth. Accumulated at a technical discount following a double-top breakdown.
•The Value: Operates the largest US nuclear fleet (19,400 MW).
•The Catalyst: Secures ironclad, long-duration revenue through 20-year power purchase agreements with hyperscale's (Microsoft, Meta) to feed data centre energy demands.

•**Enbridge (ENB):** Swapped in after realising gains on pure-play oil (ConocoPhillips) to avoid unpredictable crude momentum linked to the Middle East and OPEC+ supply adjustments.
•The Value: Provides high-quality infrastructure insulation, limited volatility, and a strong dividend yield to reduce cash drag whilst capturing rebound gains safely.

Instrument Selection

Healthcare and Pharma

Vertex Pharmaceuticals (VRTX):

•The Disconnect: Priced as a maturing asset yet holds a fortress balance sheet with $12.3bn in cash reserves to fund aggressive expansion.
•The Value: Maintains an unassailable economic moat via a global monopoly in cystic fibrosis treatments, boasting a stellar 57.3% non-GAAP operating margin.
•The Catalyst: Rapidly evolving into a multi-franchise powerhouse, with the anticipated H1 2026 Biologics License Application for povetacicept serving as a massive near-term driver.

Eli Lilly (LLY) & UnitedHealth Group (UNH): Providing inelastic healthcare dominance. LLY captures the massive metabolic/weight-loss market expansion, whilst UNH offers stable, value-driven managed care cash flows.

Aerospace, Defence & Materials

General Dynamics (GD):

• The Disconnect: Whilst the broader defence sector's P/E has stretched past 45x, GD remains a deep value play trading at a heavily discounted ~22.4x P/E.
•The Catalyst: Directly positioned to benefit from aggressive Department of Defense restocking cycles following the depletion of US munitions in the Middle East.
•The Value: An exceptional margin of safety secured by a record $194bn backlog, completely insulating revenues from broader economic turbulence.

MP Materials (MP): Acts as a strategic critical minerals value play, hedging against global supply chain fragmentation and reliance on overseas rare earth elements.

Strategic allocation & Risk management

This strategy has used Mean – Variance portfolio optimisation to manage risks and return level of the portfolio.

This targets a risk level of 2% over 3-days at a 90% confidence level, to reduce the standard deviation of losses.

We have targeted a beta of 0.6 for the active sleeve to ensure that we diverge from the benchmark and achieve active returns – generating alpha.

Risk Management: Setting our risk limit



Calculating our risk threshold given our chosen VaR of 2%, 3-day, at a 90% level.



One-tailed – critical value Z = |1.282|



Used this figure multiplied by the target volatility and the time period to find the daily SD for a 3-day



We then annualised this figure to achieve the targeted risk level, we converted this into a volatility score by dividing it by the critical value and risk period.



We then incorporate this figure to optimise our portfolio

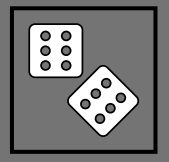
Strategic asset allocation: Mean-Variance



Allows us to maximise expected return per unit of risk



Maximum portfolio risk capacity is 14.28%. We are operating with excess risk capacity. This is to give us extra liquidity.



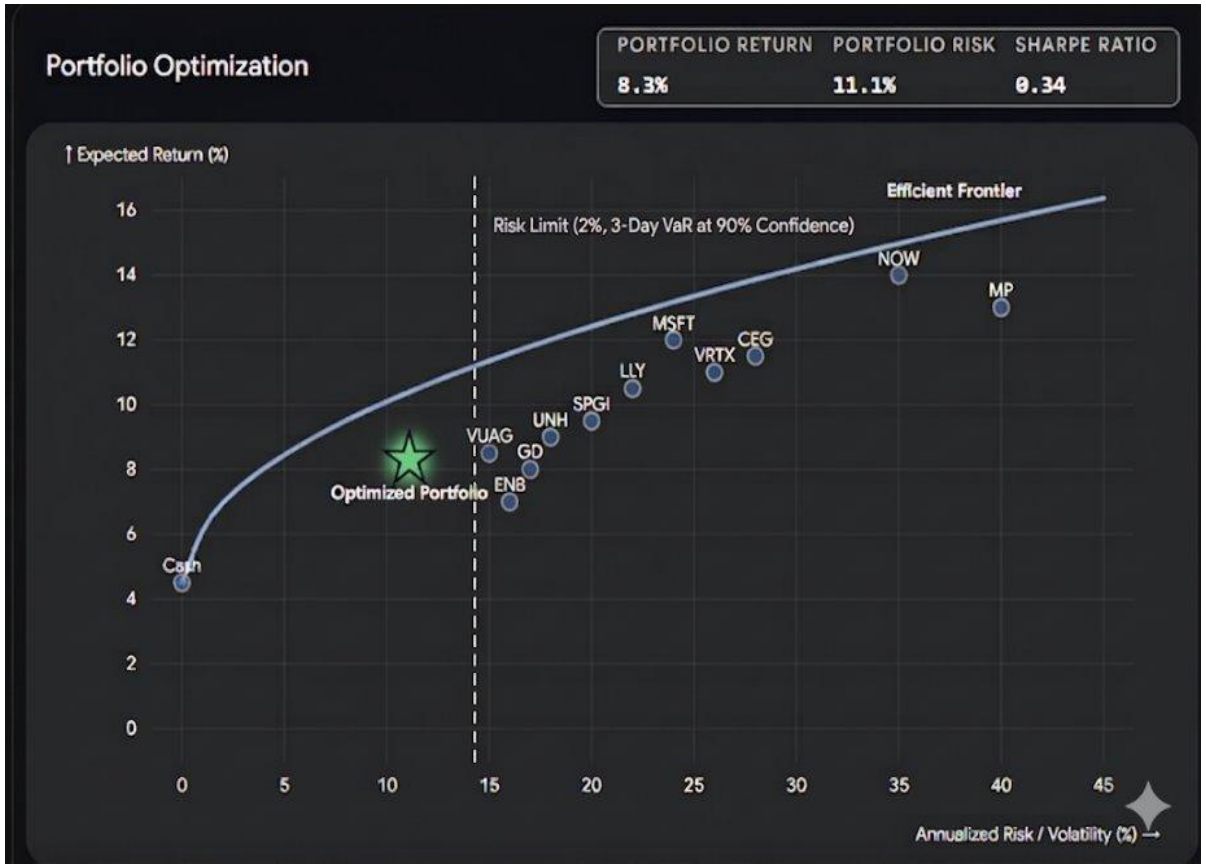
By setting risk, this means that we will not lose more than 3% in 2-days with a 90% probability.

Strategic asset allocation: Process

Expected returns: Took the historical returns and variance for the desired equities

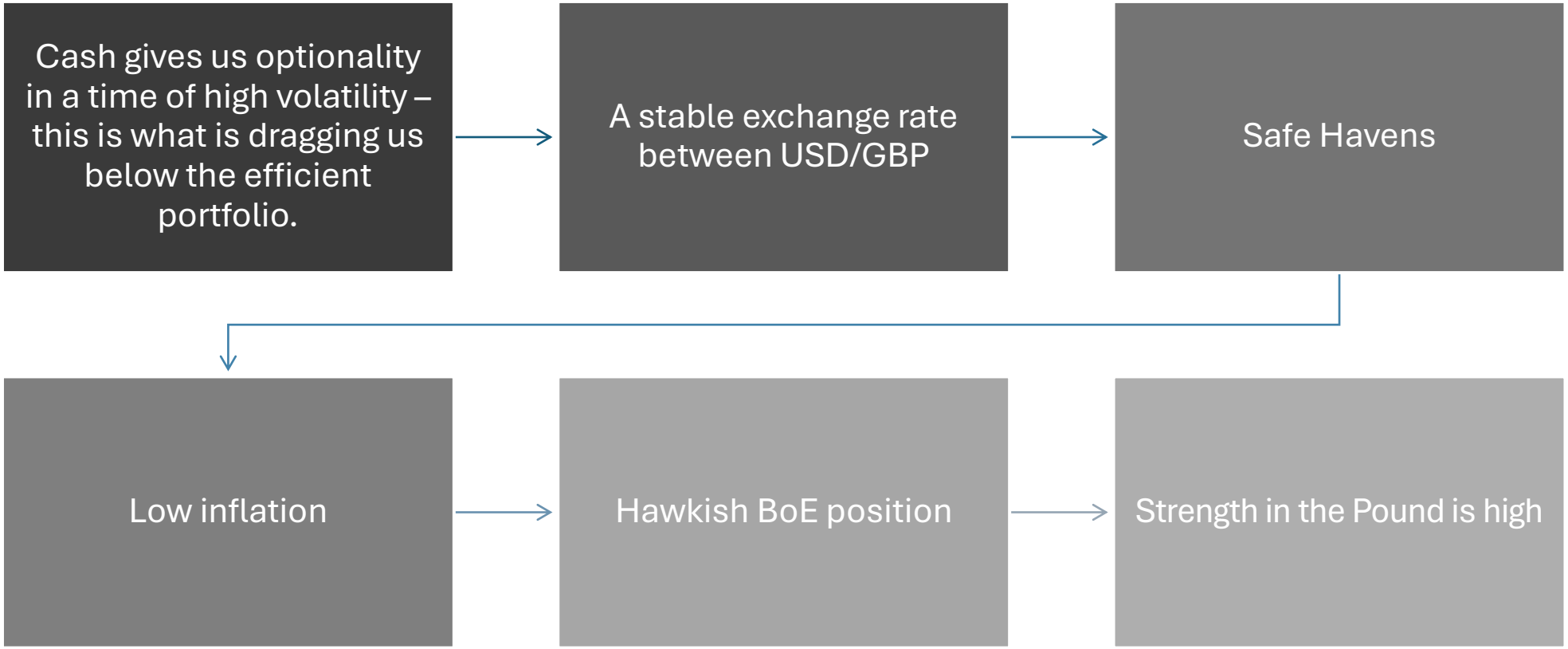
Covariance: Next, we calculated the covariance between every asset using AI tools. We needed stocks that zig-zag to reduce the total risk of the portfolio without sacrificing potential returns.

Optimisation: Ran these through the optimisation model with the help of AI tools to maximise the expected return for the given level of risk we decided on.



Average Correlation Coefficient ~ 0.5

Cash Position



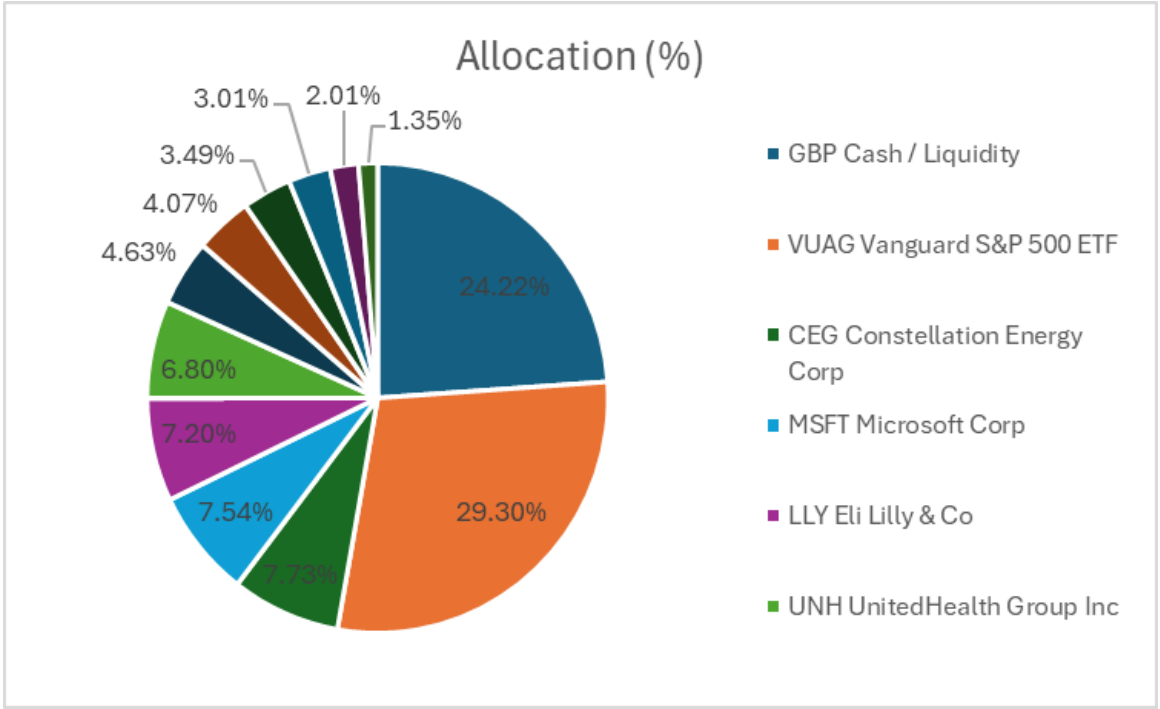
Strategic allocation: Justifying the Active Sleeve

$$\beta_{portfolio} = \sum_{i=1}^{n} (w_i \times \beta_i)$$

Set the benchmark (S&P 500 set as = 1)

Took the weighted average of all the stock beta using the equation on this slide

This leads to a beta of = 0.62



Closing statement

- This strategy combines effective stock picking that is driven by a value-based strategy, paired with statistical rigour to manage risks.

- This allowed the portfolio to outperform the S & P 500 by 4.86% , justifying its active investment strategy, generating alpha