Our portfolios

When designing our portfolios, our overriding objective is to give our clients the greatest chance of retirement success.
Simply put, we seek to generate the necessary returns to avoid our clients running out of money in retirement with the minimum amount of pain. Pain, in investing terms, can be things like minimising clients' portfolio volatility (how much it goes up and down in the short term) and drawdown (how much the portfolio value falls during times of market stress and for how long).
Our investment approach is summarised here.
As part of our research, we examine a century of historical market data to see how various asset classes have performed and base our decisions on these timeframes. However, some clients understandably want to know how these portfolios have performed in recent times.

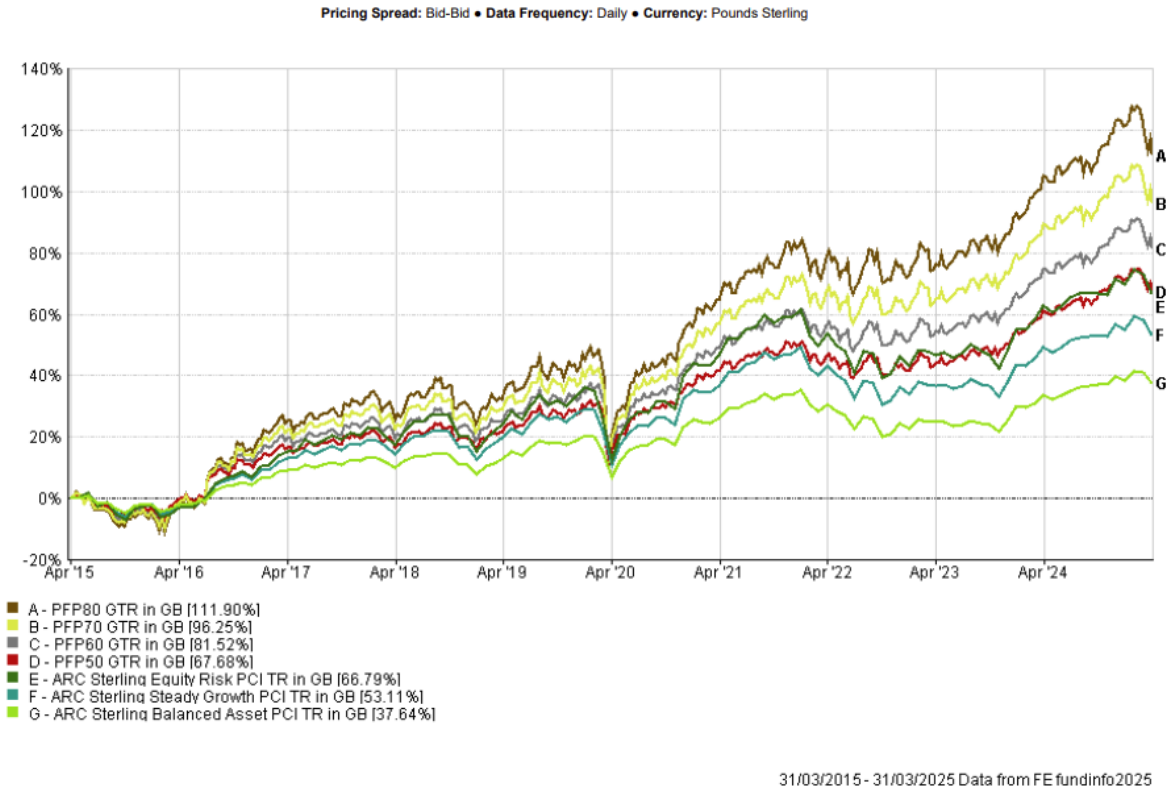
PFP vs ARC

We will start by comparing our in-house PFP (Pyrford Financial Planning) portfolios vs a popular industry benchmark, Asset Risk Consultants (ARC).
ARC produce the following benchmarks:

ARC Index	Risk relative to equities
Cautious	0-40%
Balanced Asset	40-60%
Steady Growth	60-80%
Equity Risk	80-110%

PFP portfolios range from 50% (PFP50) to 100% (PFP100) equities, increasing in 10% increments. For the purposes of this exercise, we will exclude ARC Cautious (40% max equity) and PFP90 and PFP100, as most of our retirement clients tend to hold between 50% and 80% equities.

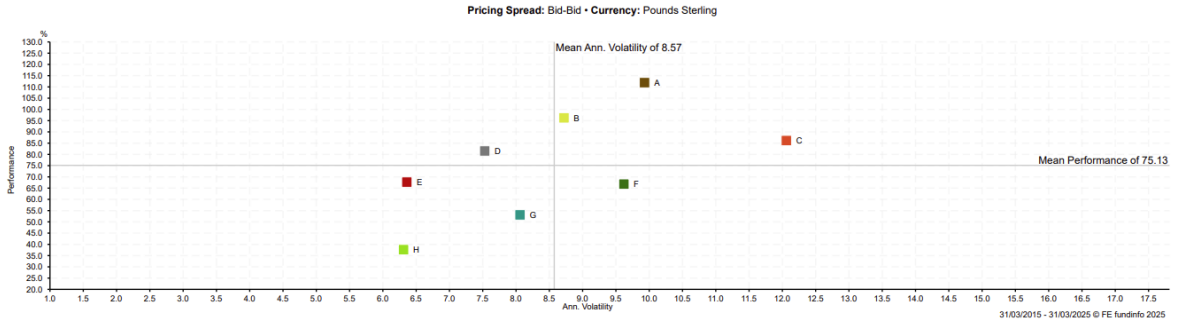
Below shows the raw performance of the PFP portfolios vs the ARC benchmarks for the 10 years to March 31st 2025.



SOURCE: FE Analytics

Things look very positive for the PFP portfolios, with all of them outperforming ARC. As always, more investigation is required when anyone shows you some great past performance!

Let's now consider risk; looking at returns in isolation does not paint the whole picture. We first look at risk vs return over the last decade.



Key	Name	Performance	Volatility
A	PFP80 GTR in GB	111.90	9.93
B	PFP70 GTR in GB	96.25	8.72
C	FTSE 100 TR in GB	86.15	12.06
D	PFP60 GTR in GB	81.52	7.53
E	PFP50 GTR in GB	67.68	6.36
F	ARC Sterling Equity Risk PCI TR in GB	66.79	9.62
G	ARC Sterling Steady Growth PCI TR in GB	53.11	8.06
H	ARC Sterling Balanced Asset PCI TR in GB	37.64	6.31

SOURCE: FE Analytics

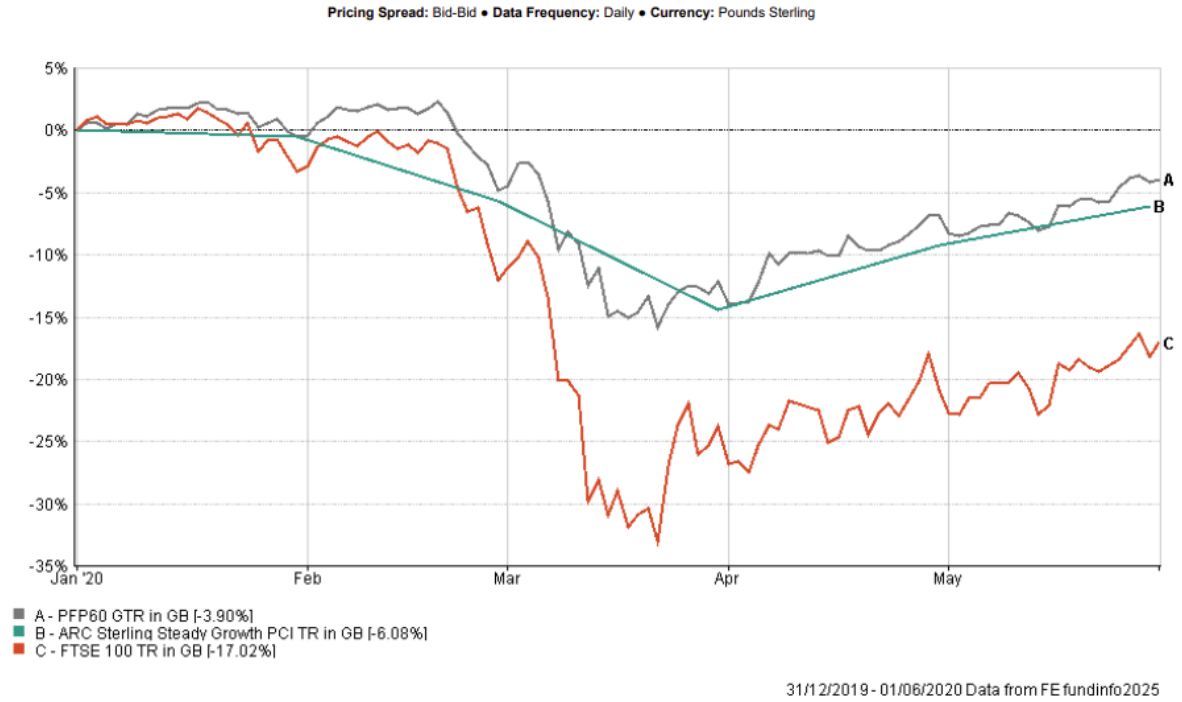
Again, we can see that the PFP portfolios have produced good risk-adjusted returns. For example, PFP60 (60% equities) has generated greater returns than ARC Sterling Steady Growth (60-80% equities) (81.52% vs 53.11%) at a lower volatility (7.53 vs 8.06).
Note that we have included the FTSE 100 to show how bad the performance of this index has been on a risk-adjusted basis (hence why it's a favourite benchmark of many Discretionary Fund Managers)!
Maximum drawdown is another (key) metric to consider, as it could lead to a retiree abandoning their plan and selling their investments (everyone has a breaking point).
If we again compare PFP60 to ARC Sterling Steady Growth, the maximum drawdown is broadly similar (-12.5% vs. -14.45%).

Period: (31 Mar 2015 to 31 Mar 2025) • **Return Period:** Monthly • **Benchmark:** Funds own Sector average • **Risk Free Rate:** 3.5% • **Annualised Ratios:** Yes • **Currency:** Pounds Sterling

Name	Alpha	Beta	Downside Risk	Info Ratio Rel.	Jensens Alpha	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	r²	Relative Return	Return	Sharpe	Sortino	Tracking Error	Treynor	Volatility
PFP50 GTR in GB	2.54	0.43	6.49	-0.10	0.54	-10.38	12.40	-10.15	47	73	0.66	-0.80	5.30	0.28	0.28	8.00	4.24	6.36
ARC Sterling Balanced Asset PCI TR in GB	0.00	1.00	6.85	0.00	0.00	-11.13	11.22	-11.01	47	73	1.00	0.00	3.25	-0.00	-0.04	0.00	-0.25	6.31
PFP60 GTR in GB	2.90	0.51	7.81	-0.00	1.16	-12.50	14.79	-12.19	48	72	0.67	-0.01	6.14	0.35	0.34	7.49	5.23	7.53
ARC Sterling Steady Growth PCI TR in GB	0.00	1.00	8.61	0.00	0.00	-14.45	13.51	-14.45	49	71	1.00	0.00	4.35	0.11	0.10	0.00	0.85	8.06
PFP70 GTR in GB	3.25	0.59	8.95	0.11	1.79	-14.61	17.21	-14.22	48	72	0.67	0.78	6.97	0.40	0.39	7.16	5.94	8.72
PFP80 GTR in GB	3.60	0.67	10.11	0.22	2.42	-16.71	19.75	-16.25	48	72	0.67	1.55	7.80	0.43	0.43	7.03	6.46	9.93
ARC Sterling Equity Risk PCI TR in GB	0.00	1.00	10.17	0.00	0.00	-17.33	15.73	-17.33	48	72	1.00	0.00	5.25	0.18	0.17	0.00	1.75	9.62
FTSE 100 TR in GB	0.00	1.00	13.80	0.00	0.00	-24.00	18.26	-23.84	45	75	1.00	0.00	6.41	0.24	0.21	0.00	2.91	12.06

SOURCE: FE Analytics

These drawdowns took place during the COVID crisis in 2020. ARC returns are collated monthly; you can see how PFP fared compared to the comparator.

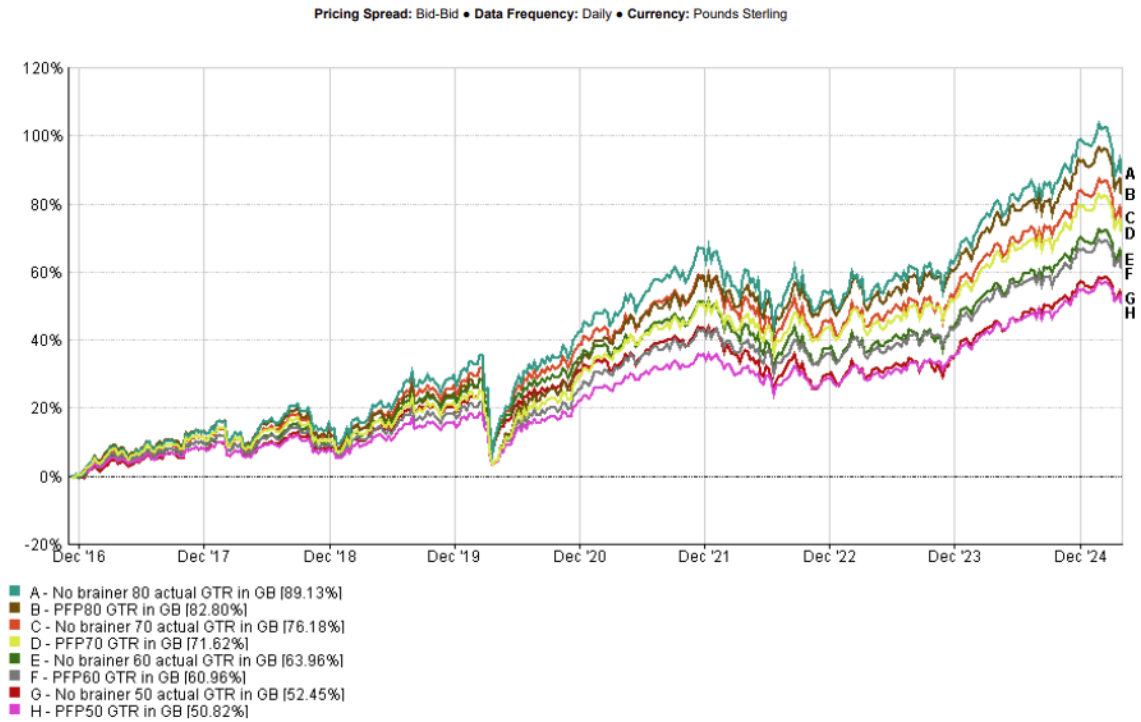


SOURCE: FE Analytics

The FTSE 100 endured a challenging period!

PFP vs No Brainer

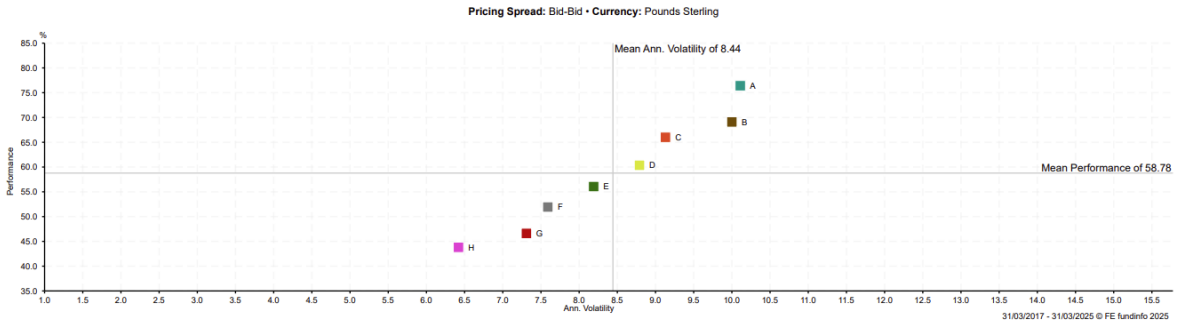
Those who have read this far might wonder where the catch is. Much like the FTSE 100, the ARC benchmarks are not particularly challenging to outperform on a risk-adjusted basis. For example, some contributors show their performance net of platform and advice costs, unfairly handicapping them.
Therefore, our preferred benchmark is the "No Brainer" portfolio, which consists of two Vanguard global passive funds, one equity and one bond.
Things are now much more challenging when comparing raw returns, particularly as the equity content increases.



SOURCE: FE Analytics

Note that the comparison is over less than a decade, as the Vanguard equity fund was only launched in late 2016.

If we now look at risk-adjusted returns, things start to look a little better, especially at the lower equity content. For example, No brainer 50 (G) has a worse risk-adjusted return than PFP50 (H) and PFP60 (F).



Key	Name	Performance	Volatility
A	No brainer 80 actual GTR in GB	76.41	10.11
B	PFP80 GTR in GB	69.10	10.00
C	No brainer 70 actual GTR in GB	66.00	9.13
D	PFP70 GTR in GB	60.36	8.79
E	No brainer 60 actual GTR in GB	56.06	8.19
F	PFP60 GTR in GB	51.93	7.59
G	No brainer 50 actual GTR in GB	46.60	7.31
H	PFP50 GTR in GB	43.80	6.42

SOURCE: FE Analytics

Note: The comparison is over 8 years rather than 10 due to the Vanguard equity fund.

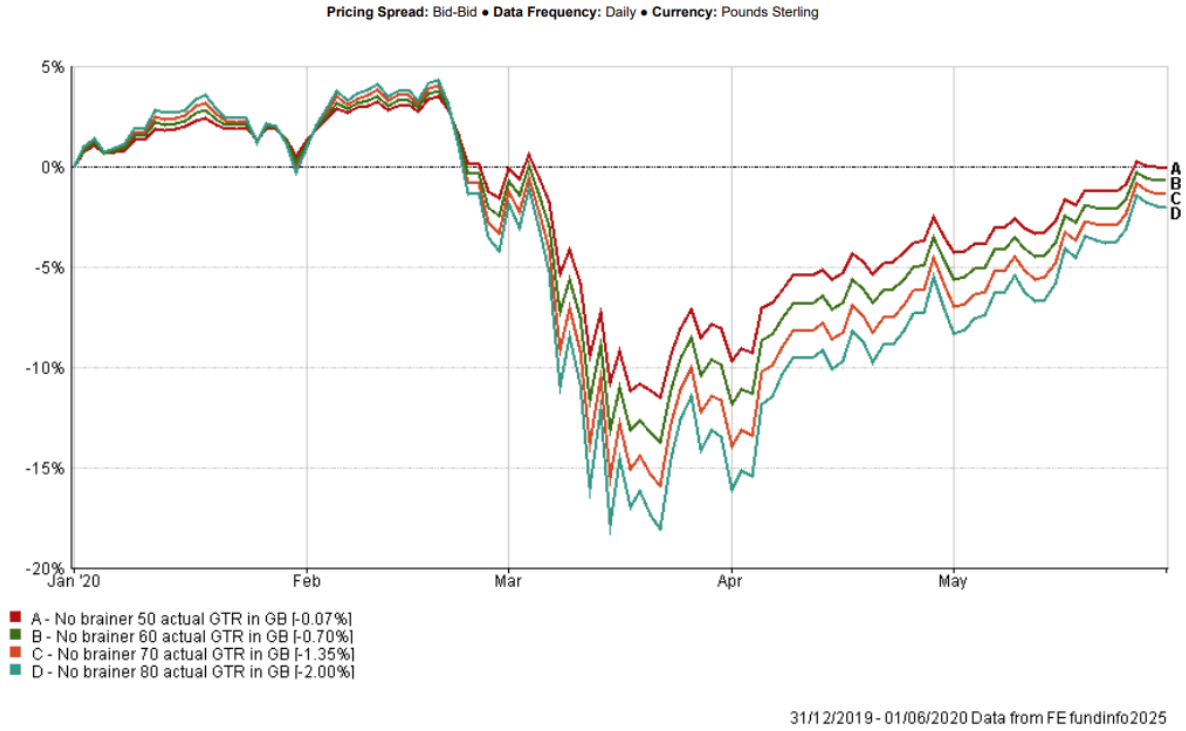
The max drawdown shows the PFP portfolios performing slightly worse in aggregate.

Period: (30 Nov 2016 to 31 Mar 2025) • **Return Period:** Monthly • **Benchmark:** Funds own Sector average • **Risk Free Rate:** 3.5% • **Annualised Ratios:** Yes • **Currency:** Pounds Sterling

Name	Alpha	Beta	Downside Risk	Info Ratio Rel.	Jensens Alpha	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	r²	Relative Return	Return	Sharpe	Sortino	Tracking Error	Treynor	Volatility
PFP50 GTR in GB	2.21	0.41	6.68	-0.17	0.16	-10.38	12.13	-10.15	39	61	0.67	-1.40	5.04	0.24	0.23	8.38	3.74	6.32
No brainer 70 actual GTR in GB	3.34	0.55	9.28	0.06	1.77	-11.65	15.09	-11.65	39	61	0.60	0.50	7.06	0.40	0.38	8.06	6.42	9.01
No brainer 60 actual GTR in GB	2.87	0.49	8.42	-0.04	1.08	-11.67	13.88	-10.09	39	61	0.58	-0.34	6.17	0.33	0.32	8.38	5.45	8.08
No brainer 50 actual GTR in GB	2.40	0.43	7.45	-0.13	0.39	-12.16	13.10	-8.54	36	64	0.55	-1.18	5.27	0.25	0.24	8.83	4.17	7.20
PFP60 GTR in GB	2.52	0.49	8.07	-0.08	0.73	-12.50	14.64	-12.19	39	61	0.67	-0.65	5.84	0.31	0.29	7.83	4.80	7.48
No brainer 80 actual GTR in GB	3.81	0.62	10.19	0.17	2.46	-13.43	16.31	-13.43	36	64	0.61	1.34	7.95	0.45	0.44	7.88	7.18	9.97
PFP70 GTR in GB	2.83	0.56	9.25	0.01	1.29	-14.61	17.18	-14.22	39	61	0.67	0.10	6.63	0.36	0.34	7.44	5.56	8.65
PFP80 GTR in GB	3.13	0.64	10.44	0.12	1.87	-16.71	19.75	-16.25	39	61	0.67	0.84	7.42	0.40	0.38	7.24	6.12	9.85

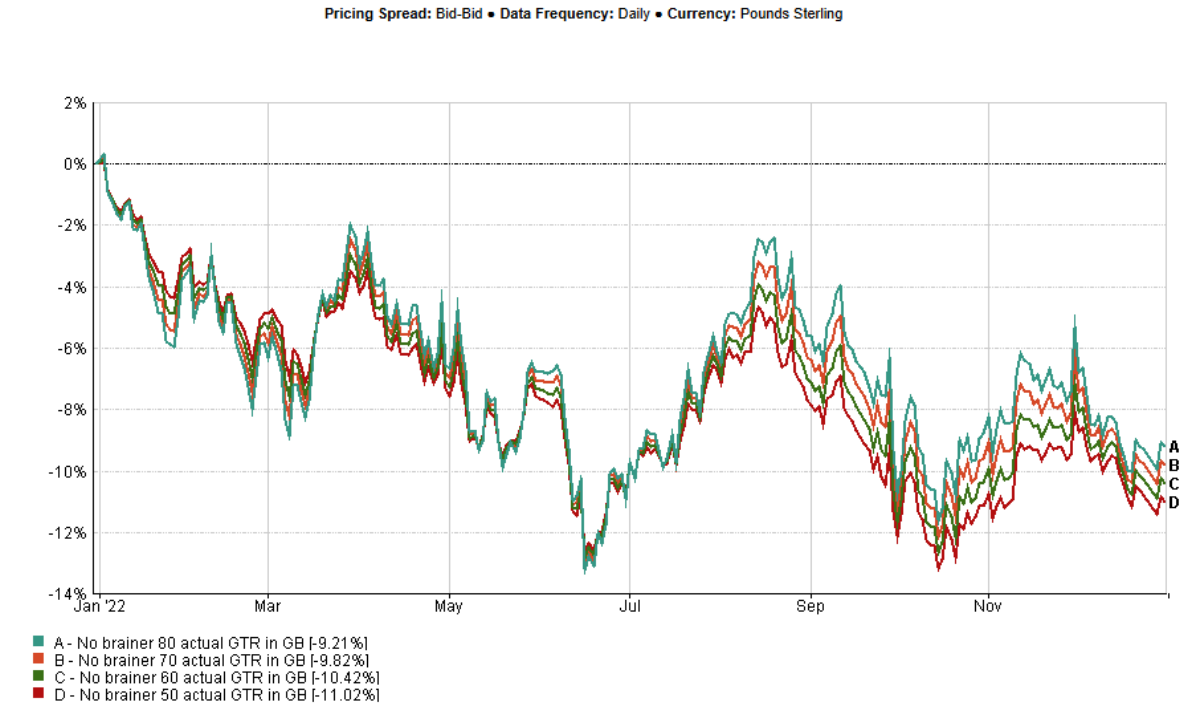
SOURCE: FE Analytics

This analysis raises an interesting point. Of the No Brainer portfolios, 70% equity shows the lowest drawdown (-11.65%), less than No Brainer 50, which many might not expect.
You can see that during the COVID turbulence, the No Brainer portfolios behaved as expected, with equity-heavy funds falling further.



SOURCE: FE Analytics

However, in 2022, the opposite happened, with the 50% equity portfolio showing the greatest falls.



SOURCE: FE Analytics

Why not No Brainer?

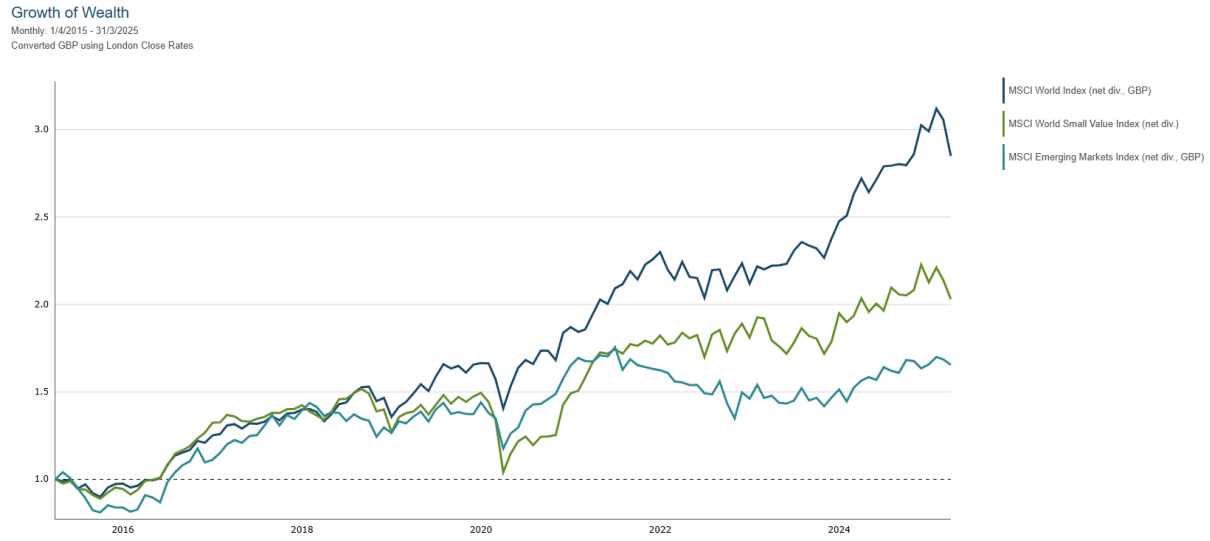
Based on the above analysis, you may wonder why we chose a PFP-type model over the No Brainer.
The answer lies in our desire to minimise the downside when things are bad, rather than maximising the upside when things are good. Below, we outline how we attempt to do this.

Equities

We will first look at equities.
The PFP portfolios differ from No Brainer in the following ways:

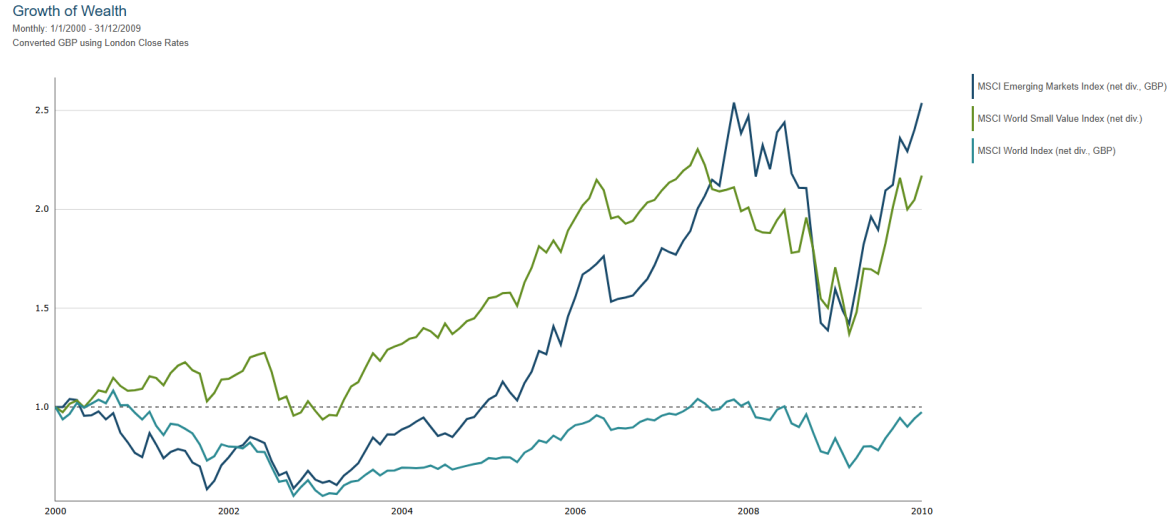
- We are slightly overweight in emerging markets (MSCI Emerging Markets Index, which is the benchmark) vs developed markets (MSCI World Index).
- We are also slightly overweight in small-cap value shares (MSCI World Small Value Index).

(This is a similar approach to that taken by Tim Hale at Albion Strategic Consulting).
Both have been a drag on returns over at least the last decade.



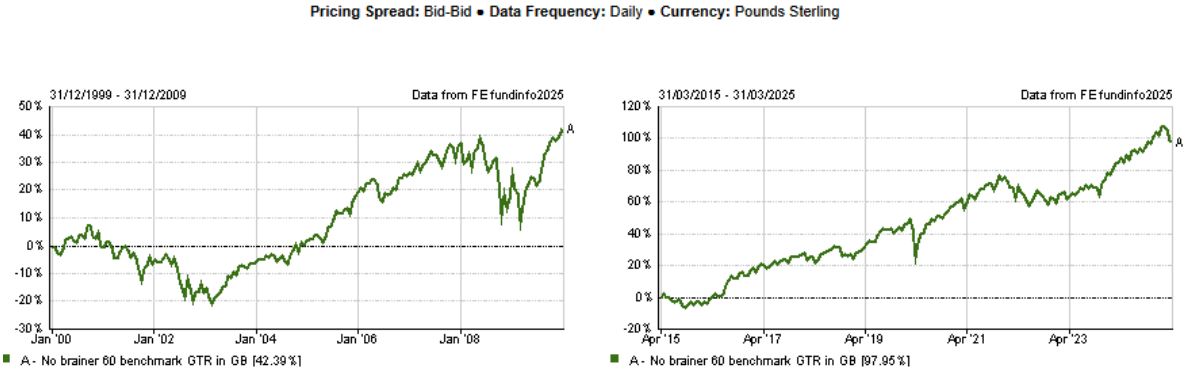
SOURCE: Dimensional Fund Advisors

However, if we look at the "lost decade" from 2000 to 2010, the situation is reversed, with developed markets ending the decade with broadly flat returns.



SOURCE: Dimensional Fund Advisors

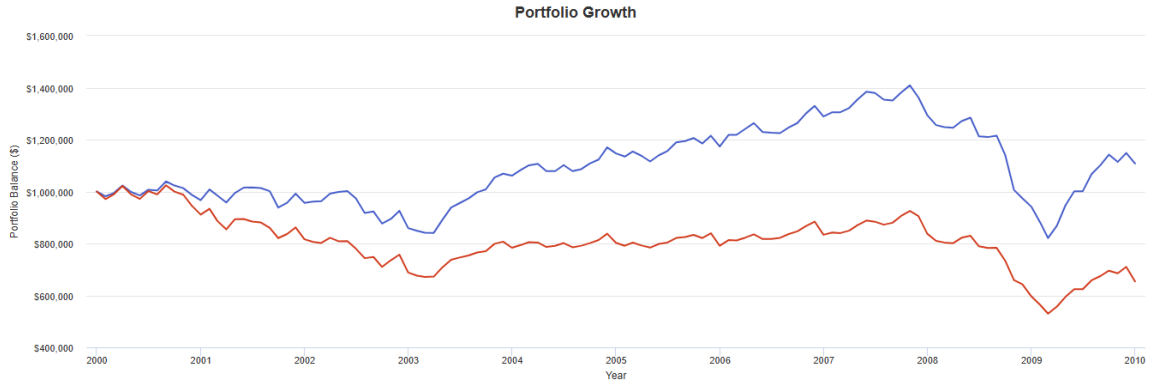
The No Brainer 60 portfolio returned around 42% from 2000 to 2010 (bond returns helped mitigate the lacklustre returns of equities) and 97% over the last decade.



SOURCE: FE Analytics

We want our portfolio tilts to work when No Brainer returns are less good, effectively smoothing the range of returns (and therefore portfolio balances) when comparing decades, because we just don't know what decade we will get.
As an example, below, we compare a "No-Brainer" portfolio to one tilted toward small-cap value shares over the same time periods as above and examine how a retiree drawing an income may have fared.
The starting balance is $1,000,000 (US-based data), and an inflation-adjusted $50,000 is taken from each portfolio annually. Both portfolios are 60% equity.

For someone retiring in 2000, the tilted portfolio's (blue) final balance is higher than the starting balance ($1.1m). Conversely, the “No Brainer” portfolio (red) is down to around $650,000. A retiree may have found it challenging not to feel the urge to reduce their expenditure (which we’d consider to be a real shame, as you only have one retirement to enjoy).



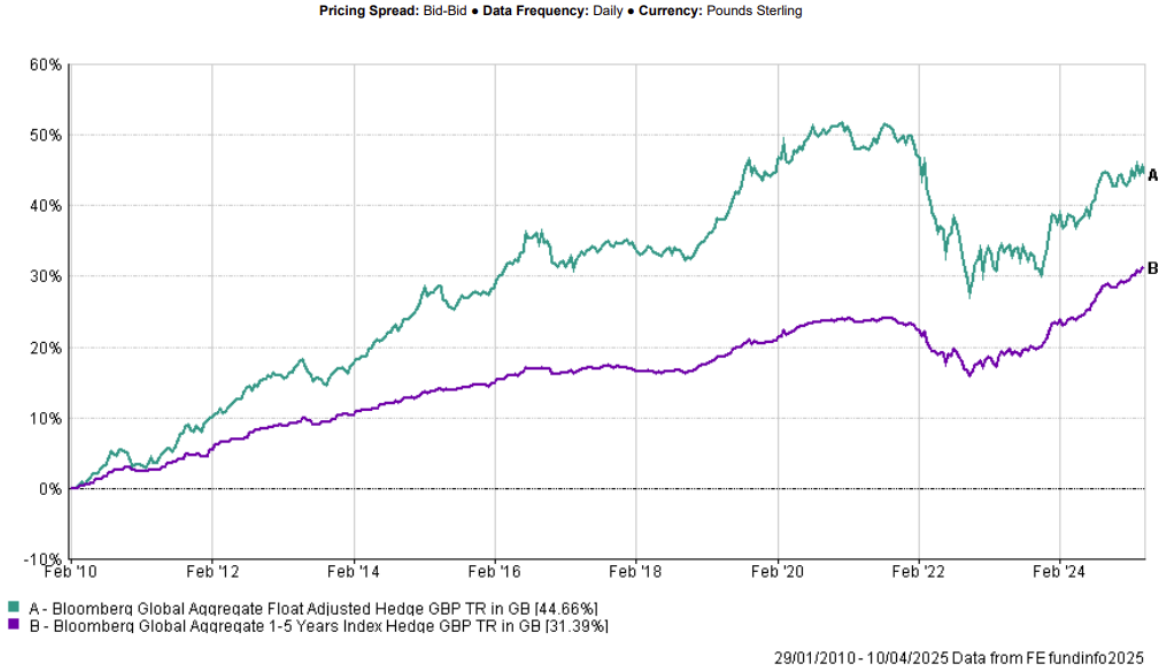
SOURCE: Portfolio Visualizer

Over the last decade, the situation has reversed ($1.1m vs. $1m), but more importantly, the tilted portfolio's finishing balance is broadly in line with the starting balance. Unlike the “No Brainer,” it has given a reasonable outcome in both scenarios.

SOURCE: Portfolio Visualizer

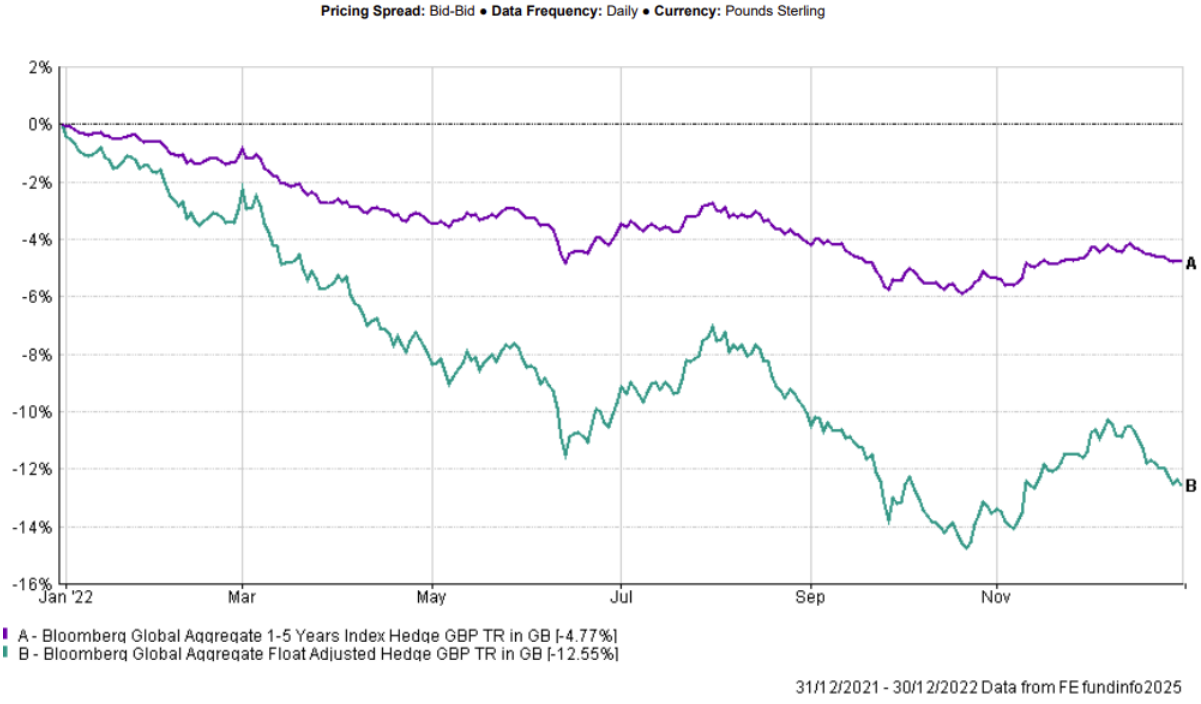
Bonds

With bonds, we are taking a lower duration than the bonds within the no-brainer portfolios. This will tend to lead to lower returns over the longer term.



SOURCE: FE Analytics

However, a shorter duration can limit bond drawdowns during inflationary periods and rising interest rates. 2022 was an example when inflation was temporarily (slightly) elevated.



SOURCE: FE Analytics

As with equities, we are seeking to minimise downsides.

Disclaimers

- All performance figures are in Pounds Sterling (£GBP) unless stated otherwise.
- Past performance is used as a guide only. It is no guarantee of future returns, and the returns achieved may be less than those illustrated.
- The value of any investment can go up and down, and you may not get back the full amount invested.
- Other than deposit-based savings, investments should be viewed over the medium to long-term - a period of 5 years plus.
- The financial services sector uses many different benchmarks and benchmarking entities. Therefore, other benchmarks exist. Please make sure you do your own due diligence and research to ensure a fair benchmark is reasonable for the investments against which it is being compared.
- Nothing in this document constitutes personalised financial advice.