

# MANAGED PORTFOLIO SERVICE IDX BALANCED

AUGUST 2019



QUILTER CHEVIOT

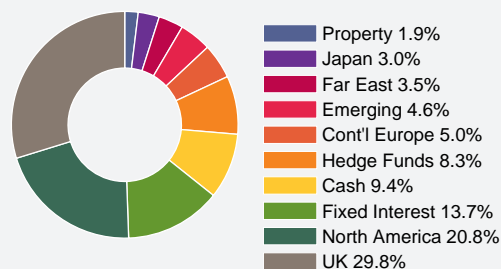
## OBJECTIVE

The investment objective is to grow the capital value of the portfolio as well as to generate some degree of income. The Quilter Cheviot IDX Balanced Strategy is designed for an investor with a time horizon of more than 5 years, and a medium tolerance for risk that can accept moderate variation or disruption to capital value or current income in order to achieve their longer-term objective.

The Quilter Cheviot IDX Balanced Strategy is a diversified portfolio comprising predominantly domestic and international equity index-tracking funds as well as some exposure to fixed interest index-tracking funds. There may also be exposure to exchange-traded products (ETPs) and funds investing into "alternatives" such as commercial property, private equity, commodities and absolute return strategies.

## ASSET CLASS / GEOGRAPHICAL LOCATION

As at 31 July 2019



## STRATEGY PERFORMANCE (30 APRIL 2013 TO 31 JULY 2019)



Source: Quilter Cheviot, Financial Express (FE). Model performance is shown in GBP, gross of management fees with all income reinvested, actual returns may vary. **Past performance is not a guarantee of future results.**

## PORTFOLIO HOLDINGS

### International Equity: 36.9%

Vanguard US Equity Index  
iShares North American Equity Index  
L&G European Index  
L&G Global Emerging Markets  
L&G Pacific Index  
iShares Japan Equity Index

### UK Equity: 29.8%

Vanguard FTSE UK All Share Index  
HSBC FTSE All Share Index  
HSBC FTSE 250 Index  
Vanguard FTSE UK Equity Income Index

### Fixed Interest & Cash: 23.1%

Cash (£)  
iShares UK Gilts All Stocks Index  
Vanguard UK Investment Grade Bond Index  
L&G Short Dated Sterling Corporate Bond Index  
Vanguard Global Corporate Bond Index  
L&G All Stocks Index-Linked Gilt Index

### Alternatives: 10.2%

PIMCO GIS Dynamic Multi-Asset  
La Francaise Investment Solutions Vision UCITS Premia M GBP  
Acc  
BMO Property Growth and Income  
Montlake Mygale Event Driven  
Merian Global Equity Absolute Return  
Aspect Diversified Trends

Name	YTD	1 Year	3 Year	5 Year	Since Inception
IDX Balanced	13.6%	5.6%	26.2%	48.9%	58.2%
Strategy Benchmark*	14.5%	5.7%	26.4%	50.2%	61.2%
IA Mixed Investment 40-85% Shares TR	14.2%	5.1%	23.7%	41.1%	50.2%
Cash	0.4%	0.7%	1.4%	2.5%	3.1%

Risk Statistics	Estimated	Realised (3 Year)	Realised (Since Inception)
Annualised Volatility	9.3%	6.6%	7.1%
Drawdown	-27.9%	-7.4%	-8.0%

## Key Facts

Strategy Benchmark: MSCI WMA Private Investor Balanced Index

Strategy Launch Date: 30 April 2013

Historic Yield: 2.3%

Source: Quilter Cheviot, Financial Express (FE) 14 August. All figures to 31 July 2019

## IMPORTANT INFORMATION

Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up. You may not recover what you invest.

\* The strategy benchmark was 100% FTSE UK Private Investor Balanced Index to 3 April 2018, changing to 100% MSCI WMA Private Investor Balanced Index thereafter. The benchmark performance since inception is therefore shown as a combination of both benchmarks and may differ from the performance calculated for one of these alone.

The historic yield data is calculated using the previous year's dividend information and the bid or mid price from the last dividend. Data provided by Financial Express (FE), Quilter Cheviot (31 July 2019). The level of yield actually achieved on your portfolio will be dependent on the tax treatment of the product you have invested in and your personal tax circumstances.

Volatility is a measure of risk and measures the variability of price fluctuations of an investment, or a portfolio of investments. Realised (i.e. experienced) model volatility is expressed as the annualised standard deviation of returns over the stated time period(s), calculated using monthly data. The realised drawdown is the peak to trough decline experienced by the model over the stated time period(s), calculated using monthly data. Estimated annualised volatility and drawdown figures have been calculated based upon an historic analysis of the model's current strategic asset allocation, calculated using monthly data. IA Sector returns are net of the underlying fund manager charges whilst benchmarks will not include any charges.

The asset allocations shown are dynamic, based upon the price movements of the underlying investments. Clients investing in the strategy for the first time, either via new business or a switch, will have their portfolio determined by the fund and asset allocations set at the last rebalance date.



**MARKET COMMENTARY**

Share prices globally pushed onto new highs in July. US, Japanese and European markets rose between 0.5% and 1.5% in local currency terms, but were eclipsed by a 2.2% gain in the UK market. The pound fell 4% against the dollar to \$1.21 on Brexit uncertainty. Central banks are easing monetary policy once again. Bond investors see this as pre-emptive action ahead of a global economic slowdown, perhaps even recession, whereas equity investors anticipate a pick-up in corporate profitability from a boost to GDP growth.

Economic data is surprising on the downside however. Manufacturing weakness broadened across global economies and while there was a small uptick in new orders in the US and China, they remain in contraction territory, implying a continued drag on global growth in the third quarter of 2019.

Unfortunately, trade tensions show no sign of abating, at least not until closer to the 2020 US election. For now, the President has tweeted that the US will impose a 10% tariff on the remaining \$300bn of Chinese imports starting on 1 September. There is scope to raise this to 25% and/or increase tariffs on goods already suffering this rate.

An extended trade war, unrest in Hong Kong and Japan/Korea semiconductor tensions mean growth is slowing quite sharply in much of Asia. Japan has stabilised, however, with consumer spending offsetting negative net exports. The Chinese economy continues to grow strongly. Annual GDP growth slowed to near 6% in the second quarter of 2019 – services grew at around 7%, while manufacturing slowed to 5.6%. We expect a similar performance in the second half of the year.

Meanwhile, US consumption rebounded in the second quarter. The economy looks on track to grow 2.6%, a touch lower than last year but still well above the advanced world average. Low levels of unemployment will likely keep wages growing at 3%+. Investors will be watching to see if higher labour costs can be passed on by price rises or whether competition forces margin compression. At the end of July the Federal Reserve announced an end to its ‘quantitative tightening’ balance sheet reduction and cut rates by 25bp to 2.25%, citing a mid-cycle adjustment and insurance against weak global trade. This represents a dovish pivot by the Fed, and markets anticipate further cuts.

Euro area surveys point to further deterioration. As with other regions, there is a contrast between manufacturers and consumers. Extended weakness has prompted the ECB to provide additional – as yet unspecified – support, likely involving interest rate cuts and renewed bond buying.

A UK general election looks likely and possibly further Brexit delays. Protracted uncertainty and global headwinds have pushed business surveys in the manufacturing and construction sectors into recession territory. Hard data has been more resilient, especially consumer data.

Investors have been prepared to look through the sharp deceleration in corporate profit growth this year, in the expectation of an improvement in 2020 once supportive monetary policy kicks in. This optimism has pushed valuations towards the top end of their normal range, leaving them vulnerable to disappointing news. An estimated 3% increase in global earnings this year looks reasonable, but 10% growth for next year appears optimistic.

**ABOUT QUILTER CHEVIOT'S MANAGED PORTFOLIO SERVICE**

Quilter Cheviot has a heritage that can be traced back to 1771. We are one of the UK’s largest discretionary investment management firms, focusing on providing and managing bespoke investment portfolios for private clients, trusts, charities and pension funds.

Our Managed Portfolio Service (MPS) provides a range of discretionary investment portfolios which offer clients diversified exposure to global financial markets. MPS was launched in 2001 and provides clients with a high level of diversification through investment in collective funds. With a strong track record, we offer a range of investment Strategies and the flexibility to switch seamlessly between them without charge should an investor’s circumstances or risk appetite change.

**PLEASE NOTE**

Our MPS does not take unrealised capital gains into account when making changes to client portfolios. This means there may be occasions when realised gains are in excess of your Annual Exempt Amount (AEA), which may result in you having to pay capital gains tax (CGT). Please also be aware that the minimum investment amount for our MPS is £25,000 when accessed through Quilter Cheviot’s own nominee arrangements. It may not be possible to align your portfolio to the agreed strategy should the investment value of your portfolio fall below this amount. This may have a detrimental impact on the ability to manage your portfolio to the agreed mandate.

**INVESTMENT MANAGERS**



**Simon Doherty** - Chartered FCSI  
Simon joined Quilter Cheviot in 2007 and is lead portfolio manager of the Quilter Cheviot Managed Portfolio Service (MPS) and chair of the firm’s Investment Funds Committee. A graduate of Trinity College Dublin with a first class honours degree, Simon has completed the Investment Management Certificate (IMC), the CISI Masters in Wealth Management and has passed Level I of the CFA Program.



**Antony Webb** - Chartered FCSI  
Antony joined Quilter Cheviot in 2010 and is a portfolio manager of the Quilter Cheviot Managed Portfolio Service (MPS). Antony graduated from University College London with a Bsc (Hons) degree in Economics, and is a Chartered Fellow of the Chartered Institute of Securities and Investments (FCSI). He has also completed the Investment Management Certificate (IMC).

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