

# MANAGED PORTFOLIO SERVICE MPS INCOME

MARCH 2019



QUILTER CHEVIOT

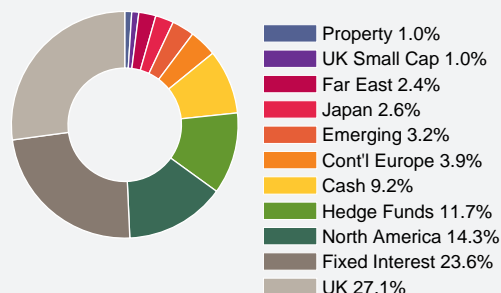
## OBJECTIVE

The investment objective is to grow the capital value of the portfolio as well as to generate some degree of income. The Quilter Cheviot MPS Income 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 MPS Income Strategy is a diversified portfolio comprising predominantly domestic and international equity funds as well as some exposure to fixed interest funds. There may also be an allocation to funds investing into "alternatives" such as commercial property, private equity, commodities and absolute return strategies.

## ASSET CLASS / GEOGRAPHICAL LOCATION

As at 28 February 2019



## STRATEGY PERFORMANCE (28 SEPTEMBER 2001 TO 28 FEBRUARY 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

**Fixed Interest & Cash: 32.8%**

Cash (£)  
Allianz Gilt Yield  
M&G Optimal Income  
Royal London Sterling Credit  
PIMCO GIS Global Invnt Grade Credit £-Hedged  
Allianz Index-Linked Gilt

**UK Equity: 28.1%**

Majedie UK Equity  
Artemis Income  
Investec UK Alpha  
Merian UK Alpha  
Legal & General UK 100 Index  
Franklin UK Smaller Cos

**International Equity: 26.4%**

iShares North American Equity Index  
Iridian US Equity  
Vulcan Value Equity  
Lazard Emerging Markets  
Henderson European Selected Opps  
JOHCM Continental European  
Sands Capital US Select Growth GBP  
Eastspring Investments Japan Dynamic  
Baillie Gifford Japanese Income Growth  
Veritas Asian  
BGF Asian Growth Leaders  
Henderson Emerging Markets Opps

**Alternatives: 12.6%**

LFIS Vision UCITS - Premia M GBP  
Invesco Global Targeted Returns (UK)  
Montlake Mygale Event Driven  
Merian Global Equity Absolute Return  
Aspect Diversified Trends  
BMO Property Growth and Income  
GAM Star Absolute Return Bond

Name	YTD	1 Year	3 Year	5 Year	Since Inception
MPS Income	4.2%	0.3%	19.7%	24.6%	192.7%
Strategy Benchmark*	4.6%	2.8%	23.7%	35.1%	178.5%
IA Mixed Investment 20-60% Shares TR	3.7%	-0.2%	18.1%	22.1%	115.9%
Cash	0.1%	0.6%	1.3%	2.4%	44.7%

Risk Statistics	Estimated	Realised (3 Year)	Realised (Since Inception)
Annualised Volatility	8.3%	5.6%	7.3%
Drawdown	-26.2%	-7.3%	-17.5%

## Key Facts

**Strategy Benchmark:** MSCI WMA Private Investor Income Index

**Strategy Launch Date:** 28 September 2001

**Historic Yield:** 2.0%

Source: Quilter Cheviot, Financial Express (FE) 15 March. All figures to 28 February 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 Income Index to 3 April 2018, changing to 100% MSCI WMA Private Investor Income 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 (28 February 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

Markets continued their upward trajectory in February, with January having already seen a rebound from fourth quarter lows. Investors were further reassured by positive noises from US-China trade talks, together with nascent signs of a stabilisation in global economic data. Following a sharp rebound across risk assets such as company shares, sentiment is also much improved.

UK equity markets rose over the month, with the FTSE 100 delivering a total return of 2.3% and the FTSE 250 returning 2.7%. US and European equity markets also registered pleasing gains for a sterling-based investor. Ten year UK Gilt yields were largely unchanged, ending February at 1.3%. While the risk of a no-deal Brexit appears to be receding, UK assets remain sensitive to news flow on talks, especially sterling, which is at its most volatile since November last year.

The moderation in US growth continued over the month, though there were encouraging signs of stabilisation. While US retail sales were weaker than expected, general US data continues to show the economy growing at a reasonable pace. The US has historically experienced relatively weak first quarter growth since the financial crisis, and we believe the current moderation reflects a return to a more normal level of growth.

Chinese data was mixed. The Caixin manufacturing PMI, a key gauge of manufacturing activity, improved from January, though it remained slightly in contraction territory. While China revealed sharply lower exports for February, Chinese economic data can be highly volatile during the Lunar New Year season, when much of the country shuts down. More positively, improving credit growth suggests the economy is now stabilising, and this should be furthered by the government's

accommodative fiscal stance, which is the most supportive since 2016.

Given the sensitivity of European growth to China, it is no surprise that the region has also slowed over the past six months. The worst may be behind us, however, with French, Italian and Spanish industrial production rebounding in January and exceeding the expectations of many economists.

The main eurozone story over the past month has been the decision by the European Central Bank to announce a new 'targeted' lending programme for the region's banks. While the initial reaction was mixed, there are reasons to be confident of further stabilisation in the eurozone, with one-off issues, such as regulatory disruption in the German car industry, unlikely to reoccur this year. We continue to monitor the potential for disruptive events such as a disorderly no-deal Brexit however.

We continue to be positive on equities, with global growth well supported and companies continuing to grow earnings. The second half of March will be an important month for investors, with the Federal Reserve likely to provide further insight into the outlook for US interest rates. While Brexit is unlikely to have a major impact internationally, a delay to the process could help to improve sentiment; most obviously for UK assets, but also for certain European markets too.

While we believe investors can continue to expect reasonable returns, it is clear that we are no longer experiencing synchronous growth in the global industrial cycle. In this environment, the benefits of careful stock selection are more important than ever, particularly in sectors more exposed to risks around global trade than others.

## 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).

## CONTACT DETAILS

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