

MANAGED PORTFOLIO SERVICE MPS CAUTIOUS

DECEMBER 2018



QUILTER CHEVIOT

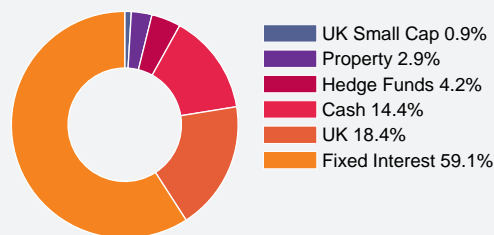
OBJECTIVE

The investment objective is to generate a return from the income from the portfolio. The Quilter Cheviot MPS Cautious Strategy is designed for an investor with a time horizon of more than 1 year, and a lower tolerance for risk that regardless of market conditions would only be comfortable with minimal variation or disruption to capital value or income.

The Quilter Cheviot MPS Cautious Strategy is a diversified portfolio comprising predominantly fixed interest funds with a small exposure to domestic equity 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 30 November 2018



STRATEGY PERFORMANCE (30 JUNE 2005 TO 30 NOVEMBER 2018)



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: 73.5%

Vanguard Global Short Term Bond Index
Allianz Gilt Yield
Cash (£)
AXA US Short Duration High Yield Bond
L&G Short Dated Sterling Corporate Bond Index
PIMCO GIS Global Invnt Grade Credit £-Hedged
M&G Optimal Income

UK Equity: 19.4%

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

Alternatives: 7.1%

Aberdeen UK Property Feeder Unit Trust
GAM Star Absolute Return Bond
Invesco Global Targeted Returns (UK)
Merian Global Equity Absolute Return
BMO Property Growth and Income

| Name | YTD | 1 Year | 3 Year | 5 Year | Since Inception |
|------------------------------|-------|--------|--------|--------|-----------------|
| MPS Cautious | -2.2% | -1.1% | 8.8% | 18.0% | 71.5% |
| MPS Cautious Composite Index | -0.7% | 0.5% | 8.5% | 31.2% | 109.6% |
| IA UK Gilt TR | -2.0% | 0.0% | 9.4% | 24.9% | 76.1% |
| Cash | 0.5% | 0.6% | 1.3% | 2.3% | 24.1% |

| Risk Statistics | Estimated | Realised (3 Year) | Realised (Since Inception) |
|-----------------------|-----------|-------------------|----------------------------|
| Annualised Volatility | 4.3% | 3.2% | 3.8% |
| Drawdown | -7.9% | -2.8% | -4.2% |

Key Facts

Strategy Benchmark: MPS Cautious Composite Index

Strategy Launch Date: 30 June 2005

Historic Yield: 1.9%

Source: Quilter Cheviot, Financial Express (FE) 07 December. All figures to 30 November 2018

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 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 (30 November 2018). 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 manager fund 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.

Please note that at the beginning of November 2014 the strategy changed name from Defensive to Cautious and the benchmark changed from the FTSE A British Govt Over 15 Years TR Index to the MPS Cautious Composite Index. The composite benchmark performance is therefore shown as a combination of both benchmarks over the affected time period(s) and may differ from the performance calculated for one of these alone. Full details of the underlying components of the current benchmark are available upon request.



MARKET COMMENTARY

Slowing global growth and uncertainty over the impact of US trade tariffs and normalisation of monetary policy resulted in further volatility in November. Equity markets drew some comfort at the end of the month after the Chairman of the Federal Reserve said future rate rises would become more data dependent, as well as a temporary reprieve on higher US tariffs.

Since early October, the oil price has gone into reverse, largely due to US shale over-production, Iran sanction waivers, the escalation in US/China trade tensions and slowing global growth. Brent crude has now fallen nearly 30% from its recent high to \$61 a barrel.

The tapering of quantitative easing and normalisation of monetary conditions has continued throughout 2018, resulting in lower liquidity. The process will enter a new phase next year as total central bank asset purchases turn negative, leaving the private sector to absorb a significant increase in bond issuance. The change to net supply will have the greatest impact in the EU, with repercussions potentially extending beyond sovereign debt and currency markets.

Chinese economic activity is now broadly in line with lowered expectations. "Shadow" financing continues to fall while conventional banks loans have been steady. Having stabilised year-to-date, fixed asset investment is showing a small rise that suggests the drive to boost infrastructure spending is about to bear fruit. Manufacturing investment has accelerated this year whereas spending on residential property has rolled over. The main disappointment continues to be retail sales, particularly autos, where one-off factors have blunted consumer appetites.

Real GDP growth in the US has picked up this year as a result of the cyclical upturn in capital expenditure, increased employment and accommodative monetary policy. The fiscal boost will level off next year before becoming mildly negative in 2020. Interest rates have been rising gently but should not choke off growth; we believe markets are over-pessimistic about US growth prospects.

Trade tensions and the slowdown in China have triggered a sharp deterioration in EU export growth. In the absence of another financial crisis, however, which appears less likely now Italy has repositioned its budget plans, consumer spending should remain resilient. This suggests the tough external environment and monetary policy tightening by the European Central Bank will continue.

UK economic activity in Q4 has slowed marginally as the Brexit end game approaches. If Parliament votes against the deal on 11 December, a constitutional crisis is likely and this would impact economic activity. Sterling, which continues to be the main bellwether for financial markets, has drifted lower on some short selling but could fall by 10% if the Prime Minister loses the vote or there is a "hard exit".

While the scaling back of estimates for corporate profits is largely down due to overoptimistic assumptions before, all industrial sectors have experienced some negative revisions – especially technology and consumer discretionary. Profits are now expected to grow 8% across the developed world in 2019, taking the prospective price/earnings valuation from 15x to 14x, which is below the 20 year average. At this stage, financial conditions remain accommodative in these economies, and therefore supportive for risk assets.

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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