

# MANAGED PORTFOLIO SERVICE IDX BALANCED

DECEMBER 2018



QUILTER CHEVIOT

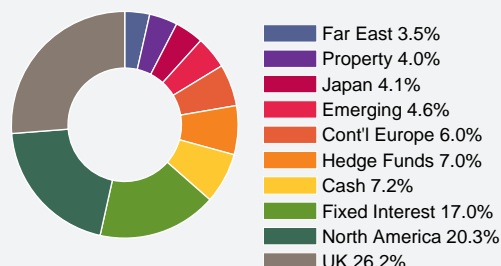
## OBJECTIVE

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 30 November 2018



## STRATEGY PERFORMANCE (30 APRIL 2013 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

**International Equity: 38.5%**  
iShares North American Equity Index  
Vanguard US Equity Index  
L&G European Index  
L&G Global Emerging Markets  
iShares Japan Equity Index  
L&G Pacific Index

**UK Equity: 26.2%**  
Vanguard FTSE UK All Share Index  
HSBC FTSE All Share Index  
HSBC FTSE 250 Index  
Vanguard FTSE UK Equity Income Index

**Fixed Interest & Cash: 24.2%**  
Cash (£)  
iShares UK Gilts All Stocks Index  
Vanguard US Government Bond Index Fund  
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: 11.0%**  
Aberdeen UK Property Feeder Unit Trust  
LFIS Vision UCITS - Premia M GBP  
Invesco Global Targeted Returns (UK)  
Merian Global Equity Absolute Return  
Aspect Diversified Trends  
iShares Global Property Securities Eq Index  
GAM Star Absolute Return Bond

Name	YTD	1 Year	3 Year	5 Year	Since Inception
IDX Balanced	-0.9%	1.2%	25.5%	39.9%	44.3%
Strategy Benchmark*	-1.0%	1.5%	26.5%	41.2%	46.1%
IA Mixed Investment 40-85% Shares TR	-2.3%	-1.0%	20.9%	31.5%	36.9%
Cash	0.5%	0.6%	1.3%	2.3%	2.6%

Risk Statistics	Estimated	Realised (3 Year)	Realised (Since Inception)
Annualised Volatility	9.4%	6.1%	7.0%
Drawdown	-27.9%	-4.1%	-8.0%

## Key Facts

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

**Strategy Launch Date:** 30 April 2013

**Historic Yield:** 2.1%

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 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 (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 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

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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