

MANAGED PORTFOLIO SERVICE MPS CAUTIOUS

MAY 2019



QUILTER CHEVIOT

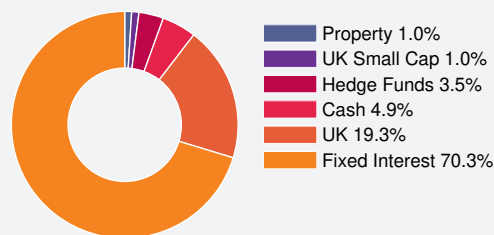
OBJECTIVE

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 April 2019



STRATEGY PERFORMANCE (30 JUNE 2005 TO 30 APRIL 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: 75.2%

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

UK Equity: 20.3%

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

Alternatives: 4.5%

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

Name	YTD	1 Year	3 Year	5 Year	Since Inception
MPS Cautious	4.0%	1.6%	11.6%	20.0%	77.8%
MPS Cautious Composite Index	2.8%	2.2%	9.6%	29.5%	114.3%
IA UK Gilt TR	1.9%	3.0%	11.3%	28.1%	83.6%
Cash	0.2%	0.7%	1.4%	2.4%	24.5%

Risk Statistics	Estimated	Realised (3 Year)	Realised (Since Inception)
Annualised Volatility	4.3%	3.3%	3.8%
Drawdown	-7.9%	-3.2%	-4.2%

Key Facts

Strategy Benchmark: MPS Cautious Composite Index

Strategy Launch Date: 30 June 2005

Historic Yield: 2.2%

Source: Quilter Cheviot, Financial Express (FE) 13 May. All figures to 30 April 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 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 April 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 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

Major stock markets gained between 2% and 4% in April. Better than expected economic news and first quarter corporate results helped Wall Street to a new all-time high. Returns for sterling-based investors were boosted by the dollar strengthening to \$1.29 as the delayed Brexit timetable prompted speculators to close short positions. The FTSE 100 rose 139 points to 7,418, lagging global markets as well as small and mid-sized UK stocks. The oil price was squeezed higher as the US ended sanction waivers on eight major purchasers of Iranian oil.

Economic growth in the advanced economies appears stable – albeit marginally lower than last year – and a long way from fears of a US recession that were circulating a few months ago. While markets were convinced that a US/China trade deal was imminent, the latest setback may simply represent negotiating rhetoric by a President who is keen to secure a second term. The pick-up in US orders for capital goods suggests business investment will accelerate in the second half of the year. Financial markets are pricing in a 50% chance of an interest rate cut during the second half of the year, but this may be premature given GDP is expected to be around 2.7%. US Treasury yields have risen to 2.4% reflecting better economic data and the yield curve is still broadly flat.

By comparison, GDP growth in other advanced economies remains pedestrian. The eurozone faces GDP growth of 1% this year and, while sentiment has been boosted by the Brexit delay, US tariff wars could escalate and German exports may not benefit as much as anticipated from the improving position in China. However, the eurozone's 8% unemployment rate continues to fall and higher wages are supporting consumer spending. Japanese growth remains anaemic, with business surveys suggesting weaker global trade

continues to hold back the country's manufacturers.

China has engineered a mild economic acceleration with industrial production, retail sales and exports all up sharply in March. Further policy stimulus is unlikely before the Politburo meeting in July when the leadership will reassess the economic outlook and recalibrate policy. The current priority is to channel liquidity towards the real economy, particularly small and medium sized enterprises, in order to boost domestic demand.

With the UK government and Parliament still incapable of agreeing a way forward on Brexit, the impasse could continue until 31 October. The Brexit delay means business investment is unlikely to pick up but improved government finances should see spending increase so, despite the obvious uncertainties, GDP growth is likely to be 1.4%, similar to last year and higher than the major eurozone economies.

With first quarter corporate reporting nearly complete, it is encouraging to note that earnings exceeded estimates, even if these had been significantly reduced. Comparatives should now become easier and revisions year-to-date have improved. Given the economic backdrop, year-to-date returns of around 15% reflect improved sentiment rather than material changes to the GDP or earnings outlook. As valuations in most markets have risen towards the top of their twelve month range, a period of consolidation is likely. The good news is that, apart from balance sheet leverage, there are few signs of typical end of cycle indicators. Global trade and US tariffs remain the major uncertainties.

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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