

# Defensive Income Portfolio

October 2017

## Portfolio manager's commentary

This quarter has seen lower investment returns than normal which is not surprising when we consider the natural disasters, the political change in many countries and the change to interest rate policy in the USA and possibly the UK. Markets are at all time highs and the UK investor is also affected by a strengthening Sterling.

The outlook is uncertain as much depends on President Trump providing the stimulus for the US economy that he promised. In the UK, Brexit negotiations provide doubts about the future of trade and this will continue until negotiations gain momentum. The leadership of the Communist Party of China will be elected later this month, which should provide Xi Jinping with a committee for the next five years.

We have undertaken an annual review of the strategic model that underpins our investment portfolios and this has led us to review the risk factors that we face. We have taken steps to reduce the exposure of the Investments to currency risk and also the risk of rising interest rates. We have also made a fund change for performance reasons.

These changes are taken to ensure we continue to provide a stable level of income.

## Indicative risk rating



## Portfolio mandate

Indicative risk rating	Asset classes	Asset allocation				Benchmark
		Cash	Fixed interest	Equities	Other	
2 - 3	Minimum	0	60	0	0	Mixed Investment 0%-35% Shares Retail
	Maximum	80	100	35	20	
	Normal alloc.	5	65	25	5	

## 5 year fund performance versus benchmark



A - \*\*\*IMS Defensive Income (July 2010) 01/07/2017 TR in GB [31.29%]  
 B - UT Mixed Investment 0-35% Shares Retail TR in GB [23.91%]

01/10/2012 - 29/09/2017 Data from FE 2017



Andrew Urquhart  
Portfolio Manager

## Portfolio objective

To provide a stable level of income and protect the nominal capital invested.

## Investment approach

The objective is achieved by using a cautious investment approach primarily focused on UK government and corporate bonds with limited exposure to equities to provide a degree of inflation-proofing. The performance of all the funds in the portfolio is constantly monitored and formally reviewed on a quarterly basis by an investment committee.

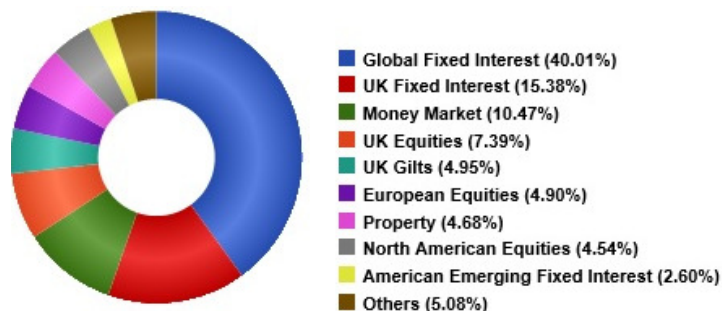
## Holdings

<b>Sterling Corporate Bond</b>	<b>19%</b>
Blackrock Corporate Bond Royal London - Corporate Bond	
<b>Sterling Strategic Bond</b>	<b>22%</b>
Fidelity - Extra Income Henderson - Fixed Interest Monthly Inc Artemis High Income	
<b>Global Bonds</b>	<b>14%</b>
M&G Global Government Bonds L&G Global Inflation Linked Bond Index Marlborough Global Bonds	
<b>Emerging Market Bond</b>	<b>4%</b>
M&G - Emerging Market Bond	
<b>Europe ex UK</b>	<b>3%</b>
Schroder-European Alpha	
<b>UK Equity Income</b>	<b>10%</b>
Rathbone - Income Schroder - Income Maximiser	
<b>UK Gilts</b>	<b>5%</b>
Legal & General - All Stocks Gilt Index	
<b>North America</b>	<b>3%</b>
M&G - North American Dividend	
<b>Global Emerging Markets</b>	<b>2%</b>
SLI Global Emerging Markets Equity Income	
<b>Japan</b>	<b>2%</b>
Man GLG-Japan Core Alpha	
<b>Property</b>	<b>6%</b>
Threadneedle - UK Property Feeder	
<b>Cash</b>	<b>10%</b>
Aberdeen - Cash/ Blackrock - Cash*	

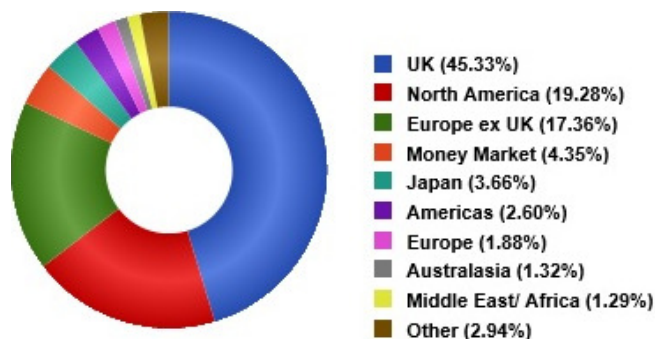
\*Dependant on platform availability

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## Asset allocation



## Regional breakdown



## Important notes

Returns shown include most ongoing charges - further details on request. All data are to 30.09.2017.

Past performance is not a guide to future performance. The value of investments and any income from them will fall as well as rise; you may get back less than the amount invested. Higher volatility investments are subject to sudden and large falls in value and could result in a loss equal to the sum invested. Certain investments are not readily realisable and investors may experience difficulty in realising the investment or in obtaining reliable information on the value or associated risks. Changes in rates of exchange may have an adverse effect on the value, price or income of investments denominated in currencies other than Sterling.

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## Key facts

Ongoing charge figure (OCF)	1.01%
ISA qualification	Yes
Twelve month historical yield	3.28%
Volatility*	4.38(Benchmark4.01)
Sharpe ratio**	0.50(Benchmark0.24)

The annual charge shown above does not include any fee that your adviser may elect to receive and is the total of all recurring charges on the portfolio. For the purposes of comparison it represents the highest potential charge (excluding platform costs) therefore the actual cost will depend on the provider selected. Further details are available on request.

\*Volatility measures how much an investment deviates from its average over a period.

\*\*The Sharpe Ratio measures the trade-off between risk and return.

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