

Defensive Income Portfolio

July 2018

Portfolio manager's commentary

The portfolio has performed well over the last quarter with total returns of 1.56%, with most of this attributable to our equity investments. However the performance of fixed interest funds has been weaker and we continue to monitor this situation closely.

The main news in financial markets is about the impending tariffs that are meant to help the US balance their trade deficit with China. The fact that China was also in the news following a drop in the Renminbi against the dollar reminds us of the impact currency movements can have on returns. Finally, we see a number of surprises in the economic data coming from Europe, which is concerning as the region continues to see some tightening of monetary policy by the European Central Bank.

Our decisions this quarter are based on a concern about risks surrounding fixed interest investments as central banks start to reverse the extraordinary measures they took after the Financial Crisis of 2008-09. We do not believe we will continue to be rewarded for duration risk and would expect the risk of defaults to rise. This does reduce potential returns that these areas provide so we will review this decision regularly. The fund changes we have made support these strategic changes.

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) 01/04/2018 TR in GB [29.87%]
 B - UT Mixed Investment 0-35% Shares Retail TR in GB [21.26%]

28/06/2013 - 29/06/2018 Data from FE 2018



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.

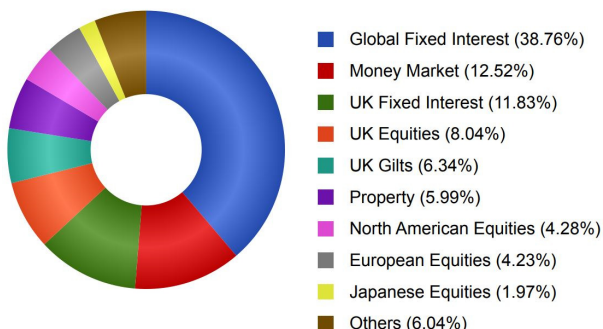
Holdings

Sterling Corporate Bond	15%
Blackrock - Corporate Bond Royal London - Corporate Bond	
Sterling Strategic Bond	20%
Fidelity - Extra Income Royal London - Short Duration Credit Artemis - High Income	
Global Bonds	14%
L&G - Global Inflation Linked Bond Index Marlborough - Global Bonds	
Emerging Market Bond	4%
M&G - Emerging Market Bond	
Europe ex UK	3%
Schroder - European Alpha	
UK Equity Income	8%
JPM - UK Higher Income Schroder - Income Maximiser	
UK Gilts	8%
Legal & General - All Stocks Gilt Index	
North America	4%
M&G - North American Dividend	
Global Emerging Markets	2%
SLI - Global Emerging Markets Equity Income	
Japan	2%
JPM - Japan (Hedged)	
Property	7%
Threadneedle - UK Property Feeder	
Cash	13%
Aberdeen - Sterling Money Market / Blackrock -	
Cash*	L&G - Cash Trust

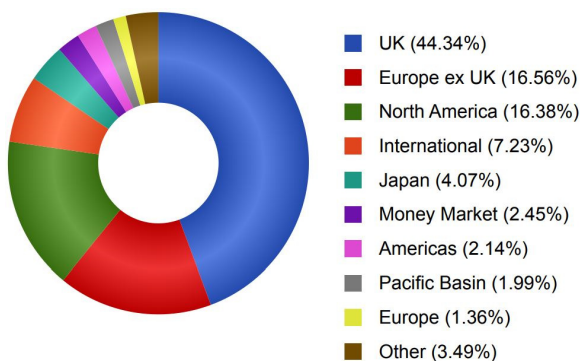
*Dependant on platform availability

July 2018

Asset allocation



Regional breakdown



Important notes

All data are to 30.06.2018. Any fund performance data include explicit (OCF) and implicit (ongoing) fund manager charges but do not include platform, adviser or investment management fees. Full details will be outlined in your product provider illustration. For further information please contact your financial adviser.

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 (e.g. property) 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	1.12%
ISA qualification	Yes
Twelve month historical yield	3.31%
Volatility*	3.81(Benchmark 3.62)
Sharpe ratio**	0.48(Benchmark 0.10)

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

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

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.

Full details will be outlined in your product provider illustration. For further information please contact your financial adviser.

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