

High Income Portfolio

July 2018

Portfolio manager's commentary

This was a strong quarter for performance with 3.53% achieved. The strongest performance was attributable to our equity funds and we continue to have concerns about fixed interest which have led us to make some changes this quarter.

The main news in financial markets has been the tariffs that are being imposed with the objective of restoring the USA's trade imbalances with China and other economies. There has also been some weakening of economic data in Europe and many indicators have been slowing or reversing their previously positive trends. In the UK the focus is on Brexit and the potential impact of the, as yet undefined, trade agreements.

The change in central bank policy following the extraordinary measures imposed after the Financial Crisis of 2008-09 is likely to affect markets and in particular increase risk in fixed interest investments. We have taken steps to reduce the impact of rising interest rates and potential credit issues by changing the fixed interest funds we hold. We have also made some regional changes to reflect the latest outlook for developed markets. We will continue to monitor data and review decisions on a regular basis.

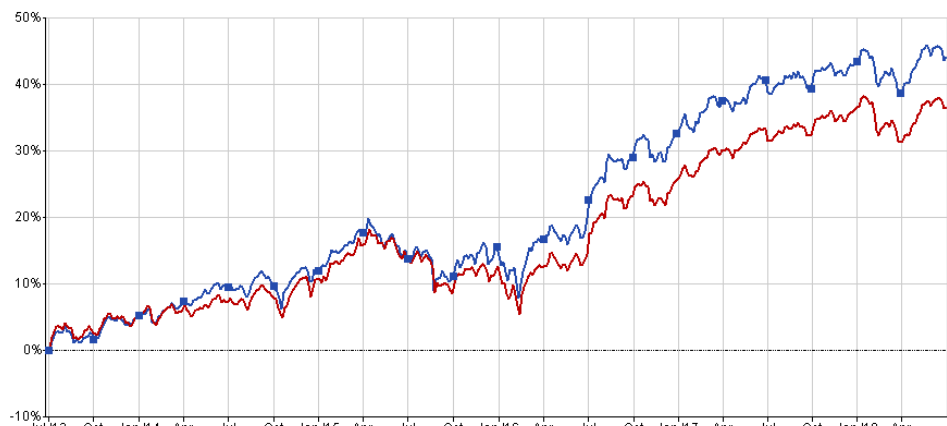
Indicative risk rating



Portfolio mandate

| Indicative risk rating | Asset classes | Asset allocation | | | | Benchmark |
|------------------------|---------------|------------------|----------------|----------|-------|--|
| | | Cash | Fixed interest | Equities | Other | |
| 4-6 | Minimum | 0 | 30 | 30 | 0 | Composite benchmark (50% 20-60% Shares Retail / 50% 40-85% Share Retail) |
| | Maximum | 15 | 70 | 75 | 20 | |
| | Normal alloc. | 0 | 50 | 45 | 5 | |

5 year fund performance versus benchmark



■ A - ***IMS High Income (July 2010) 01/04/2018 TR in GB [44.11%]
 ■ B - ***IMS High Income benchmark (composite) TR in GB [36.60%]

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



Andrew Urquhart
Portfolio Manager

Portfolio objective

To provide a higher level of income than our benchmark and a long-term capital return to protect the real value of the capital.

Investment approach

The objective is achieved by using an investment approach balanced between fixed interest securities and UK and international equity allowing the portfolio to benefit from higher levels of income and also potentially higher returns. The performance of all the funds in the portfolio is constantly monitored and formally reviewed on a quarterly basis by an investment committee.

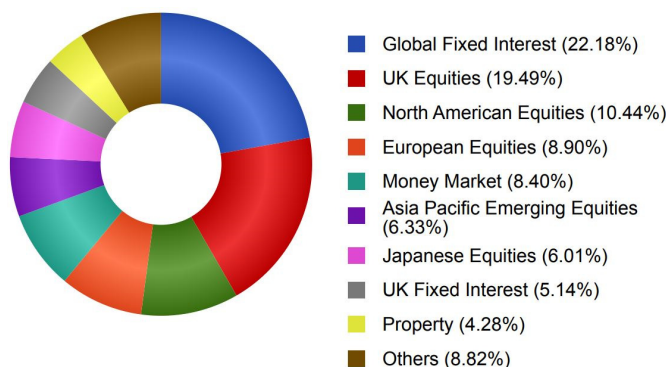
Holdings

| | |
|--|------------|
| European Equities | 6% |
| Schroder - European Alpha Income | |
| Global Fixed Interest | 5% |
| L&G Global Inflation Linked Bonds Index | |
| UK Equity Income | 23% |
| Schroder-Income Maximiser | |
| JPM - UK Higher Income | |
| JOHCM—UK Equity Income | |
| Sterling Corporate Bond | 5% |
| Royal London Corporate Bond | |
| Sterling Strategic Bond | 14% |
| Artemis-High Income | |
| Fidelity Extra Income | |
| Royal London Short Duration Credit | |
| Money Market | 8% |
| Aberdeen Sterling Money Market/Blackrock Cash* | |
| L&G Cash Trust | |
| US Equities | 11% |
| L&G US Index Trust | |
| M&G North American Dividend | |
| Asia Pacific ex Japan | 3% |
| Invesco Perpetual—Asian | |
| Japan | 6% |
| JPM Japan (Hedged) | |
| Global Emerging Market Bonds | 3% |
| M&G Emerging Market Bond | |
| Global Emerging Markets | 6% |
| SLI-Global EM Equity Income | |
| Property | 5% |
| Threadneedle UK Property | |
| UK Gilts | 5% |
| L&G All Stocks Gilt | |

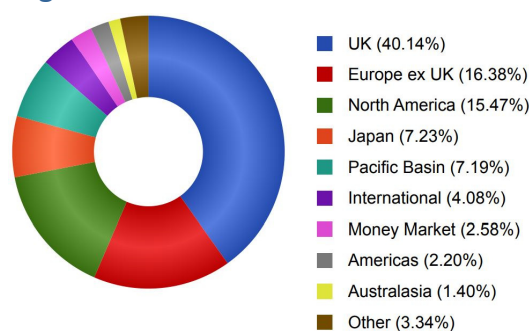
*Dependant on platform availability

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 | 1.29% |
| ISA qualification | Yes |
| Twelve month historical yield | 3.34% |
| Volatility* | 5.95 (Benchmark 5.71) |
| Sharpe ratio** | 0.81 (Benchmark 0.70) |

*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.

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