

## RISK LEVEL:



## TIME HORIZON:



### DESCRIPTION:

The portfolio is designed for a cautious investor who is primarily concerned with capital preservation and regards any growth as a bonus. It should exhibit stable and consistent returns, experiencing neither large rises nor falls in its value. Despite the portfolio's defensive focus, investors should be prepared to lock their money away for a reasonable period of time to reduce the impact of short-term market fluctuations.

To ensure stability and maintain its cautious profile, the majority of the portfolio is invested in bonds, a defensive asset that generally provides lower returns over the longer term but present less risk to capital. Bonds generally help to protect the portfolio from the worst effects of falling equity markets. During times of high uncertainty, it may include an allocation to ultra-defensive money market funds.

The portfolio may utilise a small allocation to absolute return funds to add diversification and boost returns. These funds are targeted to produce positive returns within a set period in all market environments; positive returns though cannot be guaranteed. Managers of these funds will typically employ complex investment strategies using derivatives and other sophisticated investment instruments to achieve their aims.

The portfolio has little exposure to equities due to their risky nature and any it has will be strictly controlled, with no exposure to the high-risk areas of emerging markets. In strong markets however, equities will provide the main source of portfolio returns.

Generally, this strategy will provide low overall returns but will give the investor the confidence that they will avoid heavy losses.

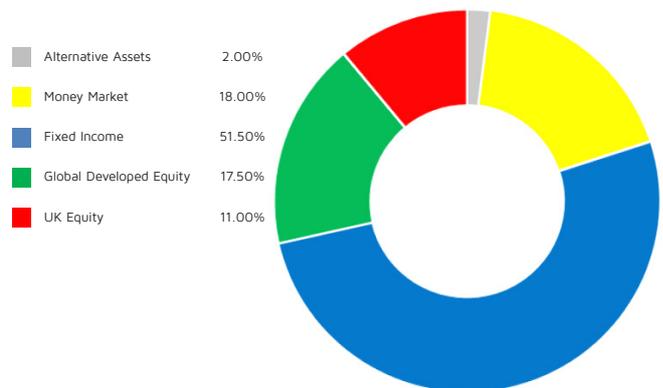
### FUND LIST:

Name	Weighting
Artemis US Absolute Return	2.00%
iShares UK Gilts All Stocks Index (UK)	30.00%
Royal London UK Government Bond	17.00%
Allianz Strategic Bond	2.00%
Allianz Gilt Yield	1.50%
Vanguard UK Government Bond Index	1.00%
Fidelity Global Enhanced Income	9.50%
Baillie Gifford American	2.00%
Baillie Gifford Japanese	2.00%
Premier Miton US Opportunities	2.00%
Dodge & Cox US Stock	2.00%
Royal London Short Term Money Market	18.00%
Schroder Income	7.00%
CFP SDL UK Buffettology	2.00%
Trojan Ethical Income	2.00%

### PAST PERFORMANCE OVERVIEW (NET OF FEES):<sup>1</sup>



### ASSET BREAKDOWN:<sup>2</sup>



### DISCRETE PERFORMANCE TO LAST QUARTER END:

Period	0-12 Months	12-24 Months	24-36 Months	36-48 Months	48-60 Months
Portfolio	7.60%	0.35%	3.19%	1.81%	12.04%
Benchmark	12.09%	-3.50%	2.41%	0.38%	9.38%

Past performance does not indicate future performance and you may get back less than you originally invested. History prior to March 2015 is synthetic history, it has been calculated using investments that were available at the time and would have been chosen for inclusion in this portfolio had it been running. All figures are calculated on a bid to bid total return basis in GBP and includes FE's charge of 0.275%. Data from FEfundinfo 2021

## RISK ANALYSIS:

The portfolio is managed to a risk target deemed appropriate for this portfolio by the actuarial firm EValue. Risk is measured using volatility which is the movement of the return around its average. The greater the swings in value the less consistent the performance of the portfolio and the higher the risk. Our aim is to match the risk target as closely as possible.

The portfolio has targeted an annualised volatility of 5 per cent since June 2012; actual volatility has been slightly below this but within acceptable limits. This figure includes the synthetic history from 2012 to 2015. This allows us to say that historically, over one year, the difference between the best and worst possible results would have been 20 per cent in 95 per cent of cases. A higher-risk portfolio would have a greater spread of returns, meaning the chances of both large losses and large gains increase, whereas a lower-risk portfolio would have a narrower spread of returns.

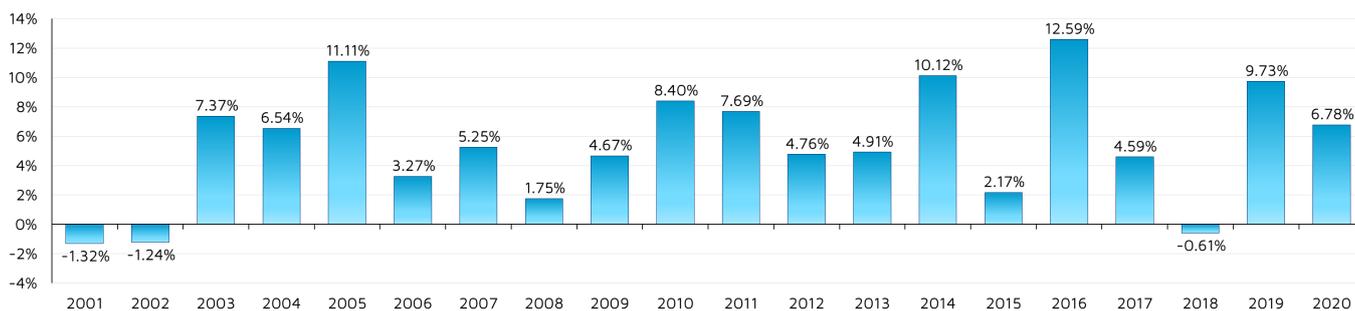
**Lowest Month:** -3.91%    **Lowest Six Months:** -5.88%    **Lowest Year:** -3.52%    **Range of Monthly Returns:** -3.91% to 5.07%

## RISK ILLUSTRATION:

The portfolio itself has only been running since 2012 and has synthetic performance back to 2008. To provide a better impression of how the portfolio might be expected to perform over the longer term we have provided simulated data back to the year 2001. The data shows that in a 20-year period this proxy for the portfolio's current investments lost money on three occasions, in 2001, 2002 and 2018. The biggest loss would have been in 2001, where over the year the portfolio would have lost 1.32 per cent; this equates to an investment of £10,000 falling to £9,868. This means over the period our proxy would have made money in 17 out of 20 years. The highest growth experienced was in 2016 when the asset allocations grew by 12.59 per cent. This means an investment of £10,000 would have been worth £11,259 at year end.

**Synthetic History:** This is history that has been generated prior to the official launch of the portfolio in March 2015; it has been calculated using investments that were available at the time and assuming no knowledge of how they would have performed going forward. It is indicative of how the portfolio would have performed over time had it been in existence.

**Simulated History:** This uses the strategic asset allocation provided by our actuarial consultants EValue. It uses passive investments to represent the risk level that we are currently targeting and whose performance we are trying to exceed. The performance provides an illustration of how the current portfolio may have behaved; historical positioning may have been different due to a variety of factors, including input from EValue, the impact of fund selection and changes of asset allocation by the portfolio management team. It also does not consider any charges. The history can be represented over a far longer time period than the synthetic history and therefore illustrates performance over a number of market cycles.

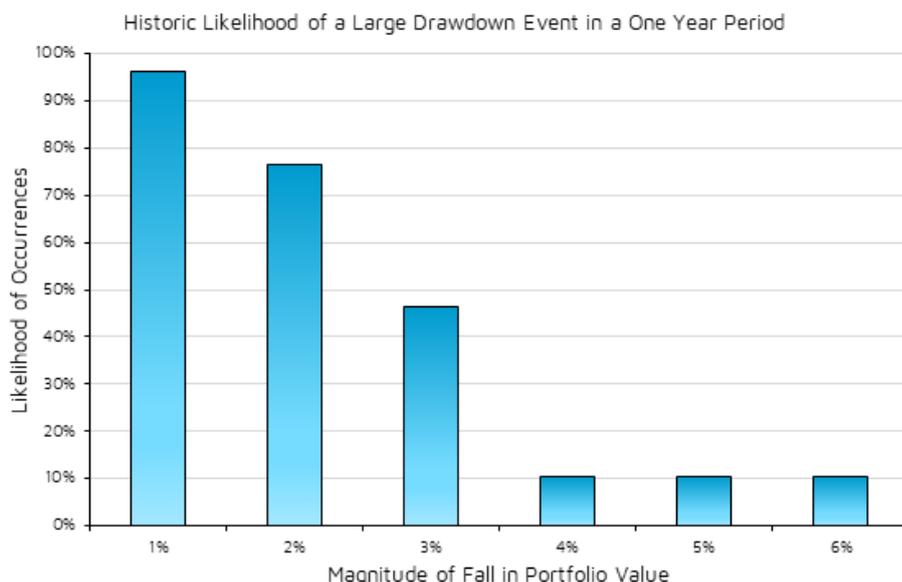


The average annualised performance of the asset allocation since 2000 has been 5.36%

## POSSIBILITY OF LARGE LOSSES:

All investments necessarily include some risk that cannot be fully diversified away, meaning periods of loss will occur. It is important therefore that investors understand what the potential magnitude of these losses could be and whether they are comfortable with them.

The chart opposite analyses the current strategic asset allocation of the portfolio back to the year 2000, looking at rolling one-year periods. For each of these periods we analyse what the largest loss the portfolio experienced during that period was and then plot the total occurrences. For instance, a chart that reads 5 per cent on the 'x' axis and 60 per cent on the 'y' axis would indicate that over any one year period there was a 60 per cent chance the portfolio fell by at least 5 per cent. It therefore shows what would happen if you invested at the top and sold at the bottom. Any recovery during the period is not considered.



**All information presented on this page is only illustrative of what has happened in the past, it should not be seen as a guarantee that losses will not exceed past levels.**



#### ■ Dodge & Cox US Stock

**Weighting:** 2.00% **Yield:** 0.0% **Total Charge:** 0.63% +(-0.08%)

This fund is run on a committee basis, using its large US-based analyst team to present ideas to the investment committee, which will collectively approve any investment decisions. The fund takes a long-term view when investing, with a slight value tilt towards large global US companies. It can be considered a core holding within the global developed equity portion of the portfolio. The fund tends to behave rather differently to the market, meaning it works best when blended with other funds.

#### ■ Schroder Income

**Weighting:** 7.00% **Yield:** 2.9% **Total Charge:** 0.91% +(0.11%)

Managers Kevin Murphy and Nick Kirrage look to invest in undervalued large companies in the UK. This can lead to the fund looking quite contrarian as it is trying to invest in companies underappreciated by the market and looking to benefit from when this situation changes. This can mean that the fund performs very differently from the wider market whilst the managers wait for sentiment to change, and some periods of underperformance should be expected. Value investing can be high risk and, to mitigate this, the process concentrates on identifying companies with strong balance sheets and healthy profits that are not currently reflected in the price.

#### ■ Trojan Ethical Income

**Weighting:** 2.00% **Yield:** 2.1% **Total Charge:** 0.87% +(0.20%)

This fund takes a relatively cautious approach to investing and helps to make up the UK equity portion of the portfolio. A priority for the fund is to protect the wealth of investors after inflation. The fund, run by Hugo Ure, has a reputation for providing consistent returns to investors: it will not fully participate in market rallies, but conversely it will not fall as heavily in corrections. The fund invests in stable, predictable and diversified businesses that can hold up well through all market cycles whilst avoiding volatile companies that rely on high levels of capital investment and debt. The fund excludes investments in tobacco, pornography, oil & gas, armaments, alcohol, gambling and high-interest-rate lending.

#### ■ Royal London Short Term Money Market

**Weighting:** 18.00% **Yield:** 0.4% **Total Charge:** 0.10% +(0.00%)

Cash is the safest and most defensive asset class available for use in the portfolios. Although the fund will offer little in terms of absolute performance it will provide substantial protection to the portfolio should there be a large market sell-off. It therefore makes it ideal for a portfolio of this risk level and time horizon, and allows higher risk investments elsewhere in the portfolio that over time will drive returns. The fund invests in short-term debt issued by companies with a term of 60 days or less and is one of three money market funds approved by FE Investments.

#### ■ CFP SDL UK Buffettology

**Weighting:** 2.00% **Yield:** 0.3% **Total Charge:** 1.19% +(0.22%)

This fund helps construct the core UK equity portion of the portfolio. The manager is a long-term investor seeking to identify easy to understand and transparent businesses that he could theoretically hold forever. The fund tends to have a high weighting to smaller and medium-sized companies – these companies will tend to have a leading position in a niche market, with high barriers to entry. The fund tends to be relatively concentrated at around 25 to 35 companies, meaning each stock can make an appreciable difference.

# External Risk Ratings



## About FE Investments

**FE Investments Portfolios:** Our portfolios are a total investment solution designed to help advisers in achieving their clients objectives. FE Investments has produced a range of optimised portfolios which are designed to manage risk to achieve the desired outcome for investors.

The portfolios are optimised to maximise the overall level of diversification between different fund strategies. By analysing the relationships between funds we aim to find the best possible mix, where differing strategies are complementary and further reduce the total risk in the portfolio; thus allowing for greater market exposure for the same level of risk compared to a more traditional portfolio solution.

FE Investments produce fifteen growth portfolios that uses optimal asset allocation models from EValue as a reference for each level of risk. We optimise our portfolios to match the risk of the reference, to try and achieve greater returns and better capital protection. We use the asset allocation models as a guide but allow our portfolios to differ significantly where we are able to diversify away the extra risk. This approach has been developed internally by FE Investments and has been validated by Cass Business School.

FE Investments Portfolios are constructed exclusively from funds that have made the FE Investments Approved List and have therefore gone through a rigorous vetting procedure. We've developed 15 growth portfolios, spanning three time periods and five risk levels, as well as a natural income solution which is outcomes orientated, as opposed to risk targeted.

**FE Investments Approved List:** Our recommended list of funds builds upon our established suite of research tools to help keep investors better informed. Funds initially undergo a rigorous quant screening to identify the best performers. This screening encompasses four distinct areas; Crown Ratings, Alpha Manager Ratings, Group Awards and AFI (Adviser Fund Index).

These four areas combined allow us to accurately scrutinize a fund from all angles. Our dedicated team of analysts overlay this quant analysis with their own independent and unique qualitative analysis. Funds that pass this rigorous two-stage quantitative and qualitative analysis process then make it on to the FE Investments Approved List.

## Awards & Ratings For FE Investments



## Important Information

**1 Performance Overview:** All performance figures are calculated on a bid to bid total return basis in pounds sterling to last month end.

**2 Asset Breakdown:** For this calculation a fund is assumed to invest 100% in any one asset class. For example a fund in the IA UK All Companies sector would be classified 100% UK Equity. A mixed investment fund would be classified as 100% Mixed.

**3 What it Costs:** The portfolio expense is calculated using the weighted value of the OCF of the portfolios constituent funds. The average expense of funds is a simple average of the OCF of the portfolios constituent funds. Where OCF is not available TER is used. Total cost of investment include FE Invests charges of 0.275%.