BROOM IFA
IMAGINATIVE FINANCIAL ADVICE

Hybrid

Portfolio Report as at April 2021

RISK LEVEL:

1 **2** 3 4 5

TIME HORIZON:

Short 3-7 yrs
Medium 8-15 yrs
Long 16 yrs +

DESCRIPTION:

The portfolio is designed for a cautious to moderate investor looking to make a positive return on their initial outlay, but for whom capital preservation remains a principal concern. Despite the portfolio's relatively cautious 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 maximise stability, a significant portion of the portfolio is invested in bonds. These offer lower returns in the long term but provide relative consistency, making them ideal for the specified risk profile and time horizon. Bonds generally help to provide protection in falling markets.

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 using complex investment strategies; positive returns though cannot be guaranteed.

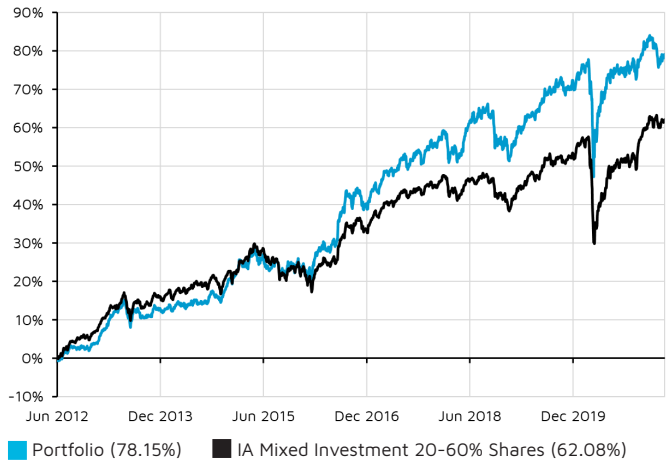
The portfolio has significant equity exposure, which will be the main driver of returns in favourable markets. Its high-risk nature means it is associated with large price movements in the short term. Exposure to international markets incurs some currency risk, so every effort has been made to ensure the portfolio is regionally diverse. The portfolio may include a limited allocation to smaller companies, which are considered higher risk but also offer greater long-term growth potential. Emerging markets are excluded from the portfolio as they are considered too high a risk for the portfolio's risk level.

FUND LIST:

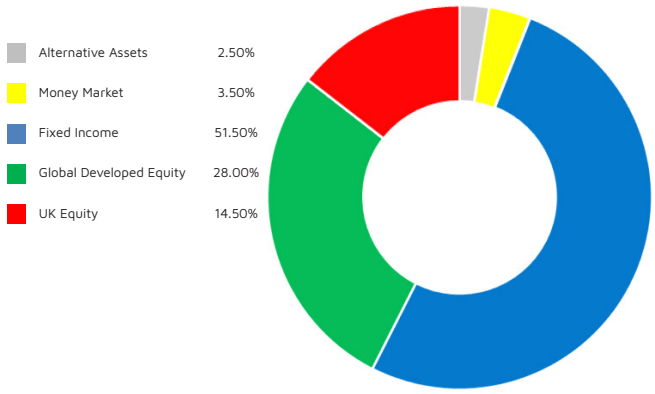
Name	Weighting
JPM Global Macro Opportunities	1.50%
BlackRock European Absolute Alpha	1.00%
iShares UK Gilts All Stocks Index (UK)	30.00%
Allianz Gilt Yield	16.50%
Allianz Strategic Bond	4.00%
Vanguard UK Government Bond Index	1.00%
Brown Advisory US Sustainable Growth	7.50%
Baillie Gifford Japanese	6.50%
Fidelity Global Dividend	5.00%
Artemis US Select	3.00%
Baillie Gifford American	3.00%
HSBC European Index	3.00%
Royal London Short Term Money Market	3.50%
Schroder Income	8.50%
Trojan Income	6.00%

This strategy should result in a steady and consistent portfolio that has the potential to increase in value by a moderate amount.

PAST PERFORMANCE OVERVIEW (NET OF FEES):[1]



ASSET BREAKDOWN:[2]



DISCRETE PERFORMANCE TO LAST QUARTER END:

Period	0-12 Months	12-24 Months	24-36 Months	36-48 Months	48-60 Months
Portfolio	12.05%	-2.07%	6.36%	2.74%	15.56%
Benchmark	19.83%	-7.19%	2.86%	0.83%	12.90%

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 5.8 per cent since launch in June 2012, actual volatility has been slightly above 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 23.2 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.

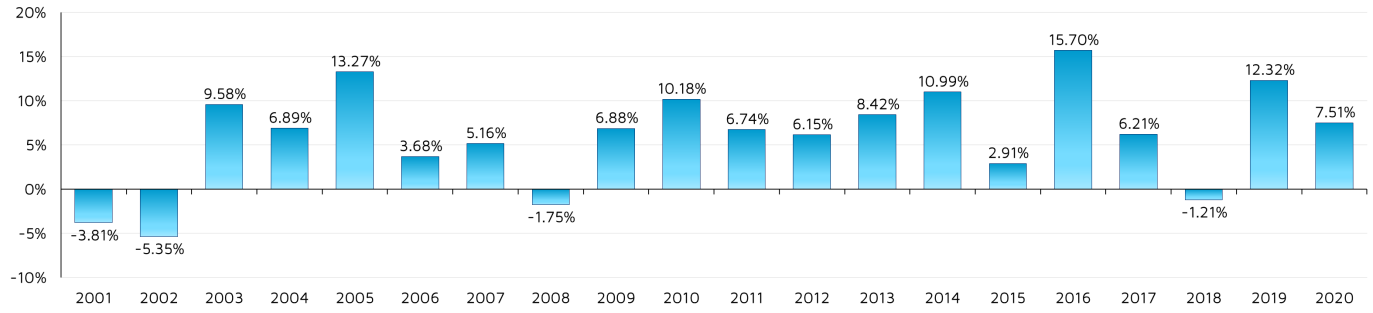
Lowest Month: -5.83% **Lowest Six Months:** -8.05% **Lowest Year:**-3.19% **Range of Monthly Returns:** -5.83% to 6.52%

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 four occasions, in 2001, 2002, 2008 and 2018. The biggest loss would have been in 2002, where over the year the portfolio would have lost 5.35 per cent; this equates to an investment of £10,000 falling to £9,465. This means over the period our proxy would have made money in 16 out of 20 years. The highest growth experienced was in 2016 when the asset allocations grew by 15.70 per cent. This means an investment of £10,000 would have been worth £11,570 at year end.

Synthetic History: This is history that has been generated prior to the official launch of the portfolio in Macrh 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.

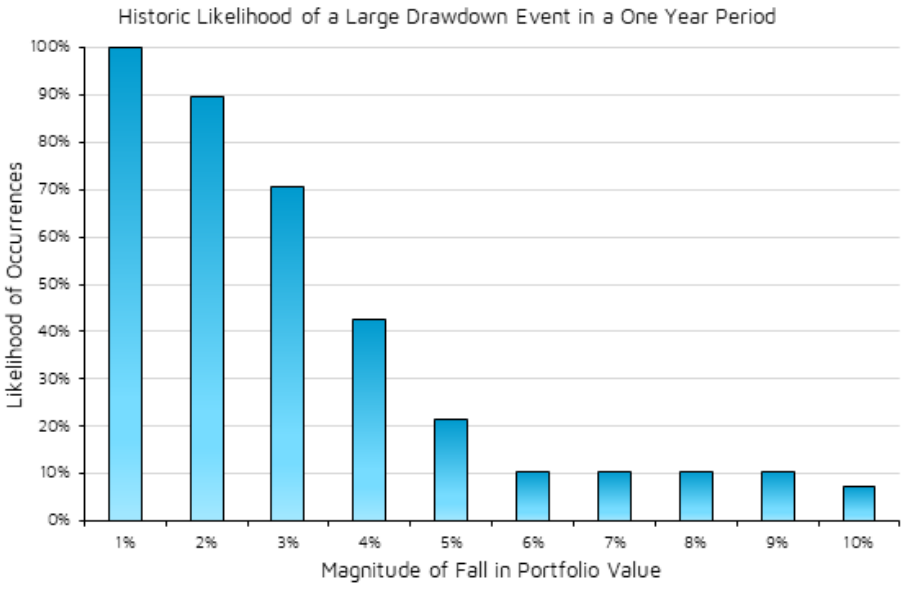


The average annualised performance of the asset allocation since 2000 has been 5.88%

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.

WHAT IT COSTS:[3]

Portfolio Expense:0.46% **Transactional Costs:**0.11% **DFM Charge:**0.275% **Total Cost of Investment:** 0.85%

Portfolio expense refers to the underlying costs of managing the funds. Transactional costs refers to additional costs which this does not capture such as trading fees, investment research and foreign exchange fees. It also includes implicit costs that can have an impact on performance but are not charged directly to the end investor.

WHAT YOU'RE INVESTED IN:

JPM Global Macro Opportunities
Weighting: 1.50% **Yield:** 0.00% **Total Charge:** 0.66% +(0.70%)
This fund aims to generate a return of 7 per cent over the medium term, regardless of the market conditions. The fund benefits from the insights of JPMorgan's extensive macroeconomic research to form macro themes affecting the world economy. It then defines investment strategies to implement these themes. These strategies could be traditional or more complex but they must all meet the return target as well as maintain the volatility target set by the manager. There is a strong focus on risk management. It can also dynamically hedge risk through the use of derivatives in order to protect the portfolio.

BlackRock European Absolute Alpha
Weighting: 1.00% **Yield:** 0.00% **Total Charge:** 0.93% +(0.49%)
The fund is a long/short equity fund, which means that it is able to profit not only when share prices increase but also when they fall. When it is going long on a company, it is looking for the share price to increase; in this instance it focuses on cashflow-generating companies that have a clear growth path over the medium- to long term. When it is going short on a company it is looking to benefit from a falling share price; in this instance it is looking for companies that are very indebted, which have structurally challenged and inefficient business models, and which are likely to have negative earnings surprises. This ability to benefit from both rising and falling markets makes the fund less correlated to traditional equity funds and adds important diversification benefits.

iShares UK Gilts All Stocks Index (UK)
Weighting: 30.00% **Yield:** 0.90% **Total Charge:** 0.11% +(0.01%)
This fund provides passive exposure to the FTSE Actuaries UK Conventional Gilts All Stocks Index and helps construct the fixed income portion of the portfolio. It has been chosen due to its exceptionally low costs compared to other passive funds and its ability to replicate the index as closely as possible. Gilts generally have a low correlation to other asset classes and this helps to increase the diversification levels of the portfolio.

Allianz Gilt Yield
Weighting: 16.50% **Yield:** 0.70% **Total Charge:** 0.32% +(0.15%)
This fund is a core fixed-income holding that invests primarily in British government bonds. It tends to have a low correlation to other asset classes, providing strong diversification benefits for the portfolio. It is run by an experienced manager, Mike Riddell, who has a good track record both at Allianz and previously at M&G.

Allianz Strategic Bond
Weighting: 4.00% **Yield:** 3.90% **Total Charge:** 0.65% +(0.32%)
This fund is one of the most active bond funds available, as it moves to different parts of the market to try and generate performance. The fund can buy corporate and government bonds from anywhere globally including emerging markets, although there is a limit to ensure no more than 20 per cent can be invested in foreign currency bonds. Manager Mike Riddell aims to have a low correlation to equity markets, meaning that the fund should provide some protection against falling stockmarkets.

Vanguard UK Government Bond Index
Weighting: 1.00% **Yield:** 1.00% **Total Charge:** 0.12% +(0.02%)
This fund provides passive exposure to the Barclays Global Aggregate UK Government Float Adjusted Bond Index. It has been chosen due to its exceptionally low costs compared to other passive funds and its ability to replicate the index as closely as possible. Gilts generally have a low correlation to other asset classes and this helps to increase the diversification levels of the portfolio. The fund is an offshore reporting fund, meaning that it is treated in the same way as an onshore fund by HM Revenue & Customs.

Brown Advisory US Sustainable Growth
Weighting: 7.50% **Yield:** 0.00% **Total Charge:** 0.90% +(0.02%)
This fund helps to make up the core global equity portion of the portfolio. The team employs negative screens to exclude certain industries deemed harmful to society, such as armaments, fossil fuels and genetic modifications. As well as this, it aligns its process with the United Nations Global Compact Principles. The managers are looking for companies that have outstanding business models, with a sustainability focus that can also improve the financial performance. This focus means the fund tends to be underweight energy, utilities and financials, so could struggle if these areas are performing well.

Baillie Gifford Japanese
Weighting: 6.50% **Yield:** 1.40% **Total Charge:** 0.61% +(0.00%)
This fund, run by experienced manager Matthew Brett, helps construct the global developed equity portion of the portfolio. Japan has a history of behaving differently to other developed markets and it therefore acts as a strong diversifier in the portfolio. Exposure to Japan is strictly controlled due to the increased risks inherent with investing in the region. Baillie Gifford has one of the most experienced and successful Japanese equity teams.

Fidelity Global Dividend
Weighting: 5.00% **Yield:** 2.50% **Total Charge:** 0.93% +(0.18%)
This fund takes an unconstrained but relatively cautious approach to income investing, concentrating primarily on European and UK companies, although these companies tend to have a global focus. The fund has a strong track record in growing its dividends year on year. The manager looks for simple, understandable business models with a strong valuation discipline, and this leads to a relatively concentrated portfolio of around 50 stocks.

Artemis US Select
Weighting: 3.00% **Yield:** 0.00% **Total Charge:** 0.85% +(0.80%)
The fund is used to construct the core US equity portion of the portfolio. It is run by renowned US equity manager Cormac Weldon and his team, who have built a formidable reputation, first at Threadneedle and now at Artemis. The fund has a flexible approach to US equity investing, although it is currently biased towards growth and technology companies. This is essentially a 'best ideas' fund and therefore is relatively concentrated.

Baillie Gifford American

Weighting: 3.00% **Yield**: 0.00% **Total Charge**: 0.51% +(0.09%)

This fund is a concentrated investment solution that helps construct the global developed equity portion of the portfolio. The fund has an investment style that is geared towards growth investing, meaning that it offers significant diversification benefits when blended with funds of differing styles, chiefly value. The team has a high conviction in the companies that it invests in, thus the fund can have large holdings in just a few stocks, meaning it can perform very differently to the market.

Royal London Short Term Money Market

Weighting: 3.50% **Yield**: 0.40% **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.

Trojan Income

Weighting: 6.00% **Yield**: 2.80% **Total Charge**: 0.86% +(0.13%)

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 Francis Brooke, 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. It tends to avoid investing in areas that are particularly sensitive to market cycles such as car and aeroplane manufacturers, construction companies and miners.

HSBC European Index

Weighting: 3.00% **Yield**: 2.50% **Total Charge**: 0.06% +(0.05%)

This fund provides passive exposure to the FTSE Developed Europe ex-UK Index and helps construct the global developed equity portion of the portfolio. It has been chosen due to its low costs compared to other passive funds and its ability to replicate the index as closely as possible. The fund replicates the market by holding all stocks within the index.

Schroder Income

Weighting: 8.50% **Yield**: 2.90% **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.

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 classifed 100% UK Equity. A mixed investment fund would be classifed 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%.