Hybrid

Portfolio Report as at August 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 an investor prepared to take on a moderate amount of risk in the hope of making a positive return on their initial outlay. Capital preservation is less important than in a cautious portfolio, meaning significant periods of loss are possible and the investor should be prepared to commit their money for a significant period to minimise the effects of such occurrences.

A significant proportion of the portfolio is invested in equities based in the world's more developed economies, as these offer good prospects for growth over the long term. There is no exposure to emerging markets, which are deemed to be too high a risk for this portfolio.

The portfolio may include some exposure to property if it is viewed as an attractive opportunity. 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 strategy should lead to sustained growth rates, although there are likely to be bumps along the way.

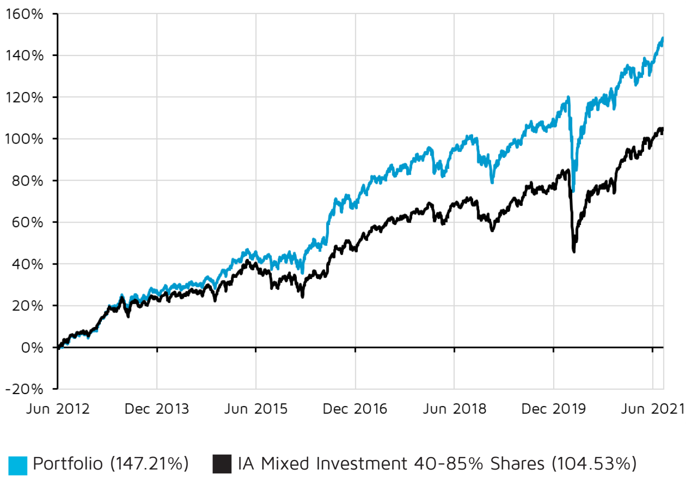
An allocation to bonds adds some stability. Although these typically provide lower returns than equities they do provide protection during times of market stress and therefore play an important role when it comes to risk control.

The portfolio is expected to show strong growth in rising markets but may experience large dips when they fall due to its high weighting to equities.

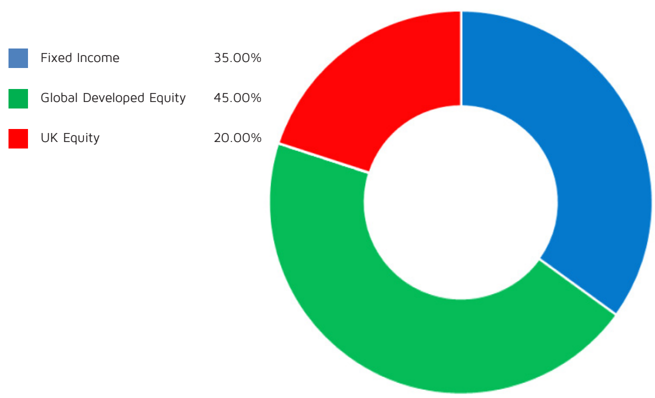
FUND LIST:

Name	Weighting
iShares UK Gilts All Stocks Index (UK)	27.50%
Vanguard UK Government Bond Index	7.50%
Lindsell Train Global Equity	14.50%
HSBC American Index	12.00%
Brown Advisory US Sustainable Growth	5.50%
HSBC European Index	5.50%
Baillie Gifford American	4.00%
Dodge & Cox US Stock	3.50%
Trojan Income	10.00%
JOHCM UK Dynamic	3.50%
ES R&M UK Equity Smaller Companies	3.50%
Man GLG Income	3.00%

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	12.77%	6.52%	3.89%	6.54%	17.02%
Benchmark	17.29%	-0.11%	3.62%	4.85%	16.14%

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 0.27%. 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.

This portfolio has targeted an annualised volatility of 7.6 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 30.4 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.

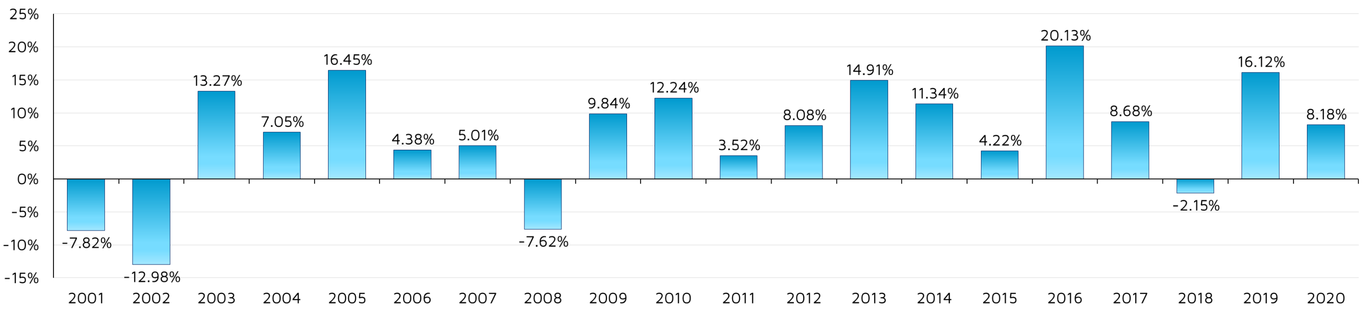
Lowest Month: -7.32% **Lowest Six Months:** -8.87% **Lowest Year:**-5.96% **Range of Monthly Returns:** -7.32% to 8.48%

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, including two consecutive years, 2001 and 2002. The biggest loss would have been in 2002, where over the year the portfolio would have lost 12.98 per cent; this equates to an investment of £10,000 falling to £8702. 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 20.13 per cent. This means an investment of £10,000 would have been worth £12,013 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.

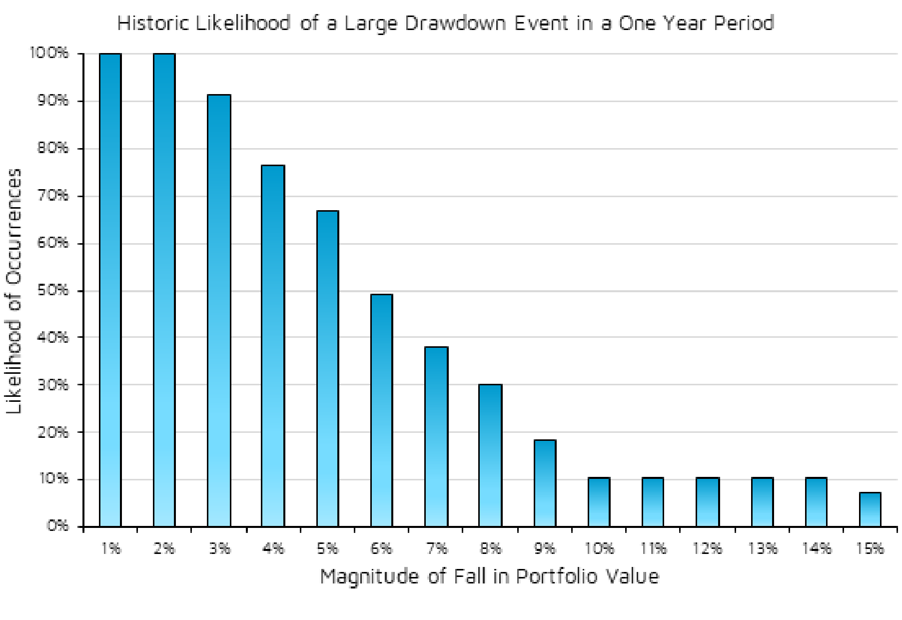


The average annualised performance of the asset allocation since 2000 has been 6.29%

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]

Financial Instruments OCF: 0.40%
Financial Instruments Transactional Costs: 0.08%
Investment Services: 0.27%
Third Party Payments: 0.00%
Total Cost of Investment: 0.75%

The Financial Instruments OCF 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. The Investments Services charge is the cost of managing the portfolio. **The charges represent the current maximum charges, for the exact charges please refer to the Platform Portfolio Charges Document and Platform Fund Charges Document.**

WHAT YOU'RE INVESTED IN:

iShares UK Gilts All Stocks Index (UK)
Weighting: 27.50% **Yield:** 0.9% **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.

Vanguard UK Government Bond Index
Weighting: 7.50% **Yield:** 0.9% **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.

Lindsell Train Global Equity
Weighting: 14.50% **Yield:** 0.9% **Total Charge:** 0.65% +(+0.06%)
The fund makes up the global developed equity portion of the portfolio. The managers aim to identify a small number of leading companies that will survive over the long term by maintaining their competitive advantages through staying ahead of structural market changes. The team is looking for business franchises, particularly favouring family ownership, to buy and hold forever, meaning the strategy has a very low turnover. The fund is defensively positioned with a large allocation to technology and consumer brands whilst being underweight energy and financials.

HSBC American Index
Weighting: 12.00% **Yield:** 1.2% **Total Charge:** 0.06% +(+0.03%)
The fund makes up part of the core developed-equity portion of the portfolio by tracking the S&P 500 Index. It has been chosen because it provides low-cost exposure to US markets, which can prove difficult to beat using an active strategy. The fund replicates the index by holding all 500 stocks within it.

HSBC European Index
Weighting: 5.50% **Yield:** 1.9% **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.

Baillie Gifford American
Weighting: 4.00% **Yield:** 0.0% **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.

Dodge & Cox US Stock
Weighting: 3.50% **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.

Trojan Income
Weighting: 10.00% **Yield:** 2.8% **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.

Brown Advisory US Sustainable Growth

Weighting: 5.50% **Yield:** 0.0% **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.

ES R&M UK Equity Smaller Companies

Weighting: 3.50% **Yield:** 0.6% **Total Charge:** 0.85% +(+0.33%)

Fund manager Daniel Hanbury describes the strategy behind this fund as "PVT": potential, value and timing. He looks for UK small-cap stocks that have the potential to grow investors' money, that are cheap in terms of valuation and that he can buy at the right time. R&M use an in-house quantitative screen to sort thousands companies into one of four investment buckets: 'quality business', 'growth prospect', 'recovery situation' and 'asset-backed firm'. The fund holds 60 to 100 names with the majority drawn from quality and growth.

JOHCM UK Dynamic

Weighting: 3.50% **Yield:** 2.7% **Total Charge:** 0.67% +(+0.42%)

This fund helps make up the core UK equity portion of the portfolio, and it invests in companies that the managers have identified as 'recovery plays' – businesses that have identified their problems and formulated a strategy for dealing with them. This means that periods of underperformance are possible and investors need to be prepared to hold the fund for a while to allow its investments to play out. The fund has a performance fee of 15 per cent applied for any excess performance above the benchmark.

Man GLG Income

Weighting: 3.00% **Yield:** 4.6% **Total Charge:** 0.90% +(+0.68%)

This fund has an unconstrained approach to UK equity investing, which at times means that it can look quite different from the wider UK market. The team tries to identify companies that are undervalued by the market, but which have strong balance sheets and are cash generative. The fund invests across the market-cap spectrum, with the manager not afraid to hold large positions in small and medium-sized companies if that is where he perceives opportunity. This positioning can lead to impressive periods of outperformance, although the fund is likely to lag in certain market conditions, particularly one that favours growth companies.

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. Total cost of investment include FE Investments charges of 0.27%.

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