

RISK LEVEL:



TIME HORIZON:



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 for a cautious investor and this means that periods of loss are possible.

The portfolio has the difficult task of achieving capital growth within a few years, meaning it is important to get the balance right regarding risk exposure. To maintain stability, more than half of the portfolio is invested in either bonds or held in money market. These asset classes tend to provide more consistent – albeit lower – growth. Money market can be considered the most defensive of asset classes; however, it is unlikely to keep pace with inflation. Bonds can offer significant protection in falling equity 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.

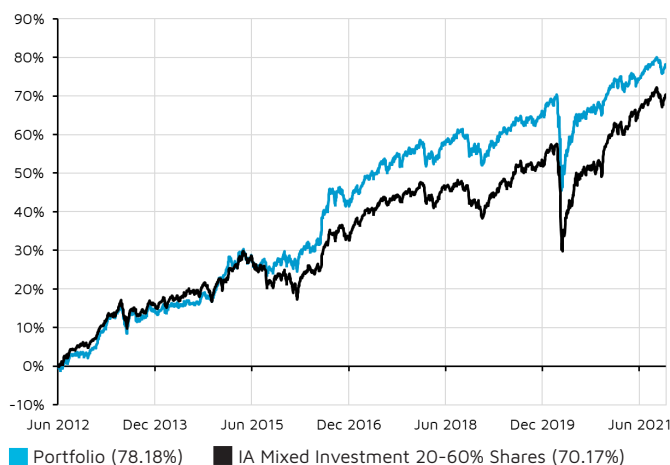
The rest of the portfolio is predominantly split between UK equity and global developed equities, which have the capacity for higher returns. Exposure to international markets is to the US, Europe and Japan. This is the highest risk portion of the portfolio but, in favourable markets, should be the main driver of portfolio returns.

The moderate nature of the portfolio means that periods of loss are possible; nevertheless, the wide range of asset classes means that it should be possible to encash investments within a few years.

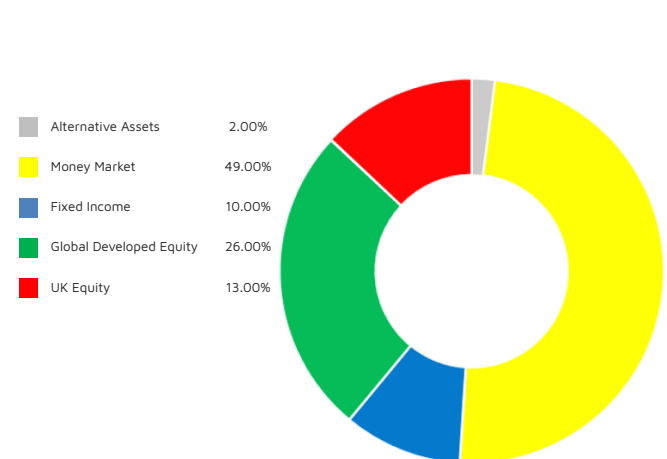
FUND LIST:

Name	Weighting
BlackRock European Absolute Alpha	2.00%
Vanguard UK Government Bond Index	4.50%
L&G All Stocks Index Linked Gilt Index Trust	3.00%
Allianz Strategic Bond	2.50%
Trojan Global Income	12.00%
Baillie Gifford American	5.00%
Baillie Gifford Japanese Smaller Companies	3.50%
Brown Advisory US Sustainable Growth	3.00%
Fidelity Global Enhanced Income	1.50%
Vanguard Japan Stock Index	1.00%
L&G Cash Trust	25.00%
Royal London Short Term Money Market	24.00%
Schroder Income	8.50%
Marlborough UK Micro Cap Growth	3.50%
Unicorn UK Income	1.00%

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	6.84%	1.10%	2.96%	4.64%	5.19%
Benchmark	12.21%	-1.19%	4.01%	2.60%	6.15%

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 4.8 per cent since launch in June 2012; its actual volatility has been slightly above this, but well 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 19.2 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.

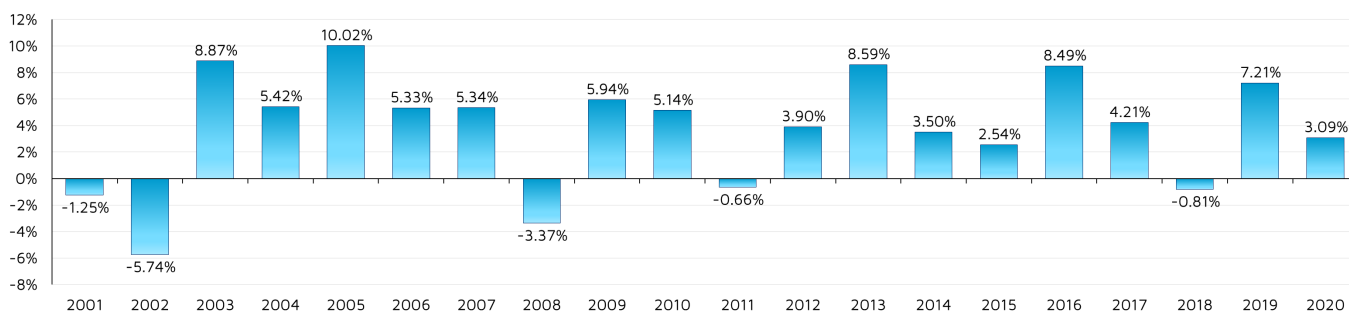
Lowest Month: -6.44% **Lowest Six Months:** -7.85% **Lowest Year:** -4.76% **Range of Monthly Returns:** -6.44% to 5.16%

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 five occasions, in 2001, 2002, 2008, 2011 and 2018. The biggest loss would have been in 2002, where over the year the portfolio would have lost 5.74 per cent; this equates to an investment of £10,000 falling to £9,426. This means over the period our proxy would have made money in 15 out of 20 years. The highest growth experienced was in 2005 when the asset allocations grew by 10.02 per cent. This means an investment of £10,000 would have been worth £11,002 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.

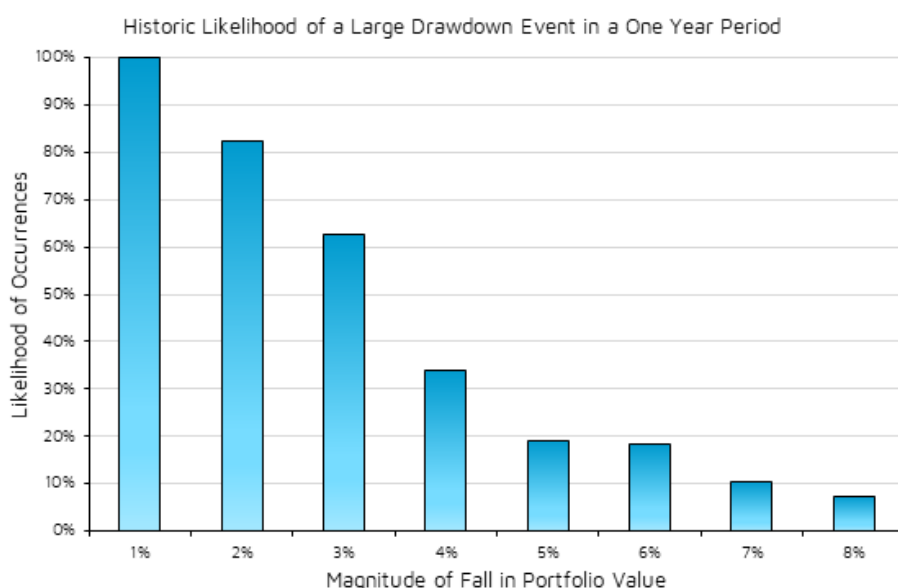


The average annualised performance of the asset allocation since 2000 has been 3.70%

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: 0.42%

Investment Services: 0.27%

Financial Instruments Transactional Costs: 0.05%

Third Party Payments: 0.00%

Total Cost of Investment: 0.74%

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:

■ **BlackRock European Absolute Alpha**

Weighting: 2.00% **Yield:** 0.0% **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.

■ **Vanguard UK Government Bond Index**

Weighting: 4.50% **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.

■ **L&G All Stocks Index Linked Gilt Index Trust**

Weighting: 3.00% **Yield:** 0.0% **Total Charge:** 0.15% (+0.02%)

This fund provides passive exposure to the FTSE Actuaries UK Index Linked Gilts All Stocks Index. This fund has been selected due to its low cost and ability to closely track the underlying index. To supplement fund returns and compensate for the trading costs involved with direct ownership of the securities, the fund manager engages in stock lending. This is where a select third-party borrows a limited amount of the passive fund's holdings, in exchange for a fee. When reinvested, profits from stock lending reduce the effect of management fees, further minimising overall tracking difference to the index.

■ **Allianz Strategic Bond**

Weighting: 2.50% **Yield:** 1.9% **Total Charge:** 0.45% (+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.

■ **Baillie Gifford American**

Weighting: 5.00% **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.

■ **Baillie Gifford Japanese Smaller Companies**

Weighting: 3.50% **Yield:** 0.2% **Total Charge:** 0.61% (+0.22%)

This fund aims to identify small Japanese companies with the greatest long-term growth potential, particularly those that receive little attention from other investors. The team is happy to pay high prices for these stocks if it thinks they are justified by growth potential. After narrowing down the initial universe of over 3,000 companies the team is typically left with around 300 stocks, from which a portfolio of around 70 names will be constructed. The fund has a bias towards the internet, advanced technology, pharmaceuticals, and manufacturing sectors such as robotics and automation.

■ **Brown Advisory US Sustainable Growth**

Weighting: 3.00% **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.

■ **Fidelity Global Enhanced Income**

Weighting: 1.50% **Yield:** 3.9% **Total Charge:** 0.94% (+0.28%)

This fund aims to generate an income that is in excess of 50 per cent of its benchmark, the MSCI AC World Index. In order to achieve this it uses a derivatives strategy through covered calls, which can generate additional income, although it can sacrifice capital growth. The manager will tend to implement this strategy on the more expensive holdings within the fund, meaning that the fund still benefits from the capital gains on the cheaper stocks. The fund tends to be reasonably defensive, the manager preferring companies with a strong quality earnings stream. The use of the covered call derivatives strategy further boosts the defensive profile.

■ Trojan Global Income

Weighting: 12.00% **Yield:** 2.8% **Total Charge:** 0.93% $+(+0.11\%)$

The managers favour global companies that can sustain a high return on capital employed owing to identifiable competitive advantages such as brands, scale and dominant market positions. Companies should have the potential for long-term growth with robust financials due to strong profits and a strong balance sheet with little to no debt. The manager aims to balance the portfolio between high dividend companies and companies expected to grow dividends in the future. The resulting portfolio is concentrated and low turnover in nature, comprising of around 35 holdings. To ensure portfolio discipline and avoid high position concentration, the manager has a limit of 6 per cent and 3 per cent on large and mid-sized companies respectively.

■ L&G Cash Trust

Weighting: 25.00% **Yield:** 0.0% **Total Charge:** 0.15% $+(-0.03\%)$

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 less than six months and is one of three money market funds approved by FE Investments.

■ Schroder Income

Weighting: 8.50% **Yield:** 3.1% **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.

■ Unicorn UK Income

Weighting: 1.00% **Yield:** 3.5% **Total Charge:** 0.81% $+(+0.22\%)$

This fund is unusual in the UK equity income sphere as instead of producing its income from the large commodity, pharmaceutical and tobacco companies in the FTSE 100, it does so by investing in small- and medium-sized companies. As the fund is predominantly investing in companies that make their money from the domestic UK economy, it incurs much less currency risk than many of its peers, although it is worth noting that smaller companies are normally viewed as inherently more risky.

■ Vanguard Japan Stock Index

Weighting: 1.00% **Yield:** 1.7% **Total Charge:** 0.16% $+(+0.02\%)$

This fund provides passive exposure to the MSCI Japan index and helps construct the global developed-equity 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. The fund does this by holding all (or substantially all) the stocks within the index. Japan generally has a low correlation to other equity markets 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.

■ Royal London Short Term Money Market

Weighting: 24.00% **Yield:** 0.1% **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.

■ Marlborough UK Micro Cap Growth

Weighting: 3.50% **Yield:** 0.1% **Total Charge:** 0.80% $+(-0.15\%)$

Although this fund makes up the UK equity portion of the portfolio, it has a different focus to the other funds selected and therefore helps to provide important diversification benefits. The fund invests in the smallest traded companies in the UK; these companies have huge growth potential but their small size means that movements can be volatile. Marlborough reserves the right to redeem any units sold over £15,000 at the cancellation 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 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. Total cost of investment include FE Investments charges of 0.27%.

This document has been prepared for general information only and is not guaranteed to be complete or accurate. It does not contain all of the information which an investor may require in order to make an investment decision. If you are unsure whether this is a suitable investment you should speak to your financial adviser. You may get back less than you originally invested.

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