ForresterHyde

CHARTERED FINANCIAL PLANNERS

Investment Outlook

Autumn 2019

www.forrester-hyde.co.uk

"Americans will always do the right thing - after exhausting all the alternatives" - Sir Winston Churchill

Key Points - Introduction

- Global debt rose to 320% of GDP in Q2 2019.
- Gathering pace of rate cuts means the monetary policy tide has turned.

Introduction

Global debt ended Q2 2019 at $246tn or 320% of global GDP, some $2tn below the Q1 2018 peak. Borrowing has risen, encouraged by Central Banks lower interest rates and extended QE. Global debt is now some 40% higher than 2008. It is harder now for Central Banks to normalise interest rates to match those of 2006-08 when they peaked at 5.25% in the US and 4.5% in the UK. Central Banks in developed markets – Australia, Canada, Israel, New Zealand, Sweden, as well as the US and EU, all raised interest rates at the start of this decade, but each has had to back pedal. It has simply proved harder to move away from record low interest rates. This year alone we have had over 40 Central Bank rate cuts, the world simply cannot afford a return to pre-financial crisis borrowing costs.

At home Neil Woodford's reputation is in freefall. We removed the Woodford Equity Income Fund from our Portfolios in March 2018, substituting the Man GLG UK Income Fund managed by Henry Dixon, who was voted Fund Manager of the year by Investment Week.

Bestinvest, a widely read magazine for private investors, publishes an annual list of 'dog' funds, the underperformers and the "pedigree picks", the top performing funds.

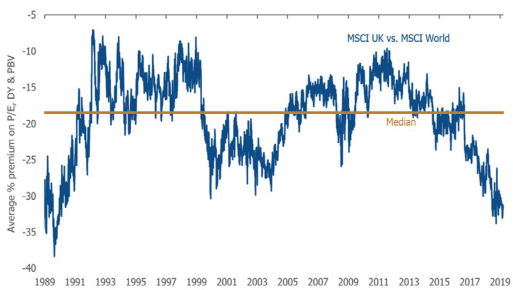
As you would expect we have no 'dogs' in our core portfolios and five pedigree picks are held by our Investors:-

- Baillie Gifford Japan
- Fidelity Emerging Markets
- Fundsmith Equity
- Lindsell Train UK Equity
- Liontrust Special Situations

Further, all the funds in which you invest are regulated and protected by the Financial Services Compensation Scheme, subject to limits.

Despite the global economic slowdown and continuing Brexit uncertainty, UK Equities look cheap compared to the rest of the world.

UK Equities look cheap vs. the rest of the world
Source, MSCI, IBES, Morgan Stanley Research as at 21 May 2019



In line with industry practice, we benchmark the asset allocation of our portfolios against those set by an investment research company. We subscribe to Morningstar for this service and they review the asset allocations we use for our benchmark annually in July.

Key Points - US

- Forecast US GDP Growth predicted to slow to 2.1% in 2019.
- US Federal Reserve lowered the target range for the Federal funds rate to 2-2.25%.

Key Points - UK

- UK Equities look cheap compared to the rest of the world.
- What matters in the UK stock market and the portfolio is the quality of the company, rather than the political backdrop.

Morningstar have no exposure to Commodities and Property and in this year's annual rebalance removed exposure to Asia Ex Japan. We followed benchmark, substituting Alternatives for Commodities and our Investors have been rewarded by the stellar performance of the Polar Capital Global Insurance Fund, which has returned 16.11% since inception (01/03/2019 - 30/08/19). However, we have been punished by our continued exposure to Property. The BMO UK Property Fund is fundamentally sound, with zero debt, little exposure to retail, but nonetheless is tainted by sentiment in the Property sector.

The US attempt to tighten monetary policy failed, and the anticipation is of a further Central Bank rate cut in September. As a consequence and as a result of the fallout from the US-China trade war, there has been a flight to Gold and Government debt.

How does this play out in our portfolios? We now include Asia Ex Japan in our Emerging Market sector resulting in the EM sector moving positive to benchmark. In the 'Alternative' sector we have increased exposure to the Polar Capital Global Insurance Fund and introduced an Infrastructure fund. In the Bond sector, both Corporate and Government, we have sought to increase credit quality. Overall, the US economic outlook is healthy according to key economic indicators. At home, Boris Johnson may succeed where Theresa May failed, but we still cannot see the EU allowing the UK any economic advantage.

UK Equity

Political uncertainty has hit business confidence, and weakened investor sentiment. Our UK asset allocation is unchanged and we remain Negative.

The star performers have been, Lindsell Train UK Equity, Liontrust Special Situations and Franklin UK Equity Income, which have all significantly outperformed their benchmark.

Fund	1 Year (%)	3 Year (%)
Lindsell Train UK Equity	10.65	47.71
Liontrust Special Situations	-0.39	30.36
Fund Benchmark: UK All Companies	-5.35	15.74
Franklin UK Equity Income	-2.14	14.20
Fund Benchmark: UK Equity Income	-6.14	9.34

We recently met with the Marlborough Special Situations co-fund manager Eustace Santa Barbara, who said "Over the medium to longer-term, what matters in the UK stock market and the portfolio is the quality of the company, rather than the political backdrop. Stock picking has been profitable for the portfolio and we predict this will continue."

Whilst our overall allocation to UK Equity is unchanged, we have reduced exposure in the Schroder Recovery Fund increasing weighting in Liontrust Special Situations Fund. A fund we favour for Mid Cap/Growth exposure.

We remain negative in the short term.

US Equity

The Federal Open Market Committee met on 19 June 2019 and forecast US GDP Growth will slow to 2.1% in 2019 from 3% in 2018, and will be 2% in 2020 and 1.8% in 2021. The projected slowdown is as a direct result of the trade war Trump is waging as a key component of his economic policy to make "America great again".

The forecast unemployment rate will average 3.6% in 2019, but will increase marginally to 3.7% 2020 and to 3.8% 2021. Inflation will average 1.5% in 2019, rising to 1.9% in 2020 and 2.0% in 2021. During its July meeting the US Federal Reserve lowered the target range for the Federal funds rate to 2-2.25%, the first rate cut since the financial crisis as inflation remained subdued amid heightened concerns about the economic outlook and ongoing trade tensions with China. Interest rates in the US averaged 5.66% from 1971 until 2019, peaking at 20% in March 1980 and falling to 0.25% in December 2008.

In practice, we anticipate a further rate cut from 2.25%. The Fed began reducing its $4tn holding in Treasuries from October 2017, however, at the 31 July meeting the Fed announced it will suspend further sales of its holdings. In practice, this will create more supply in the Treasuries market which in turn should raise the yield on 10 year US Treasuries, but investor concern over global economic volatility has kept rates low.

The US Energy Information Administration predicts Crude Oil prices will average $67pb in 2019, increasing to $81.73pb by 2025.

Whilst President Trump is blind to climate change, the Federal Reserve has asked banks plan for the economic impact of extreme weather (Florida banks for the hurricane risk). The Insurance industry ranked climate change as the top risk for 2019, over concerns for cyber damages, financial instability and terrorism. In 2017 Insurance Companies paid out $138bn in damages from natural disasters, such as hurricanes, floods and wild fires. Insurance

Key Points - Japan

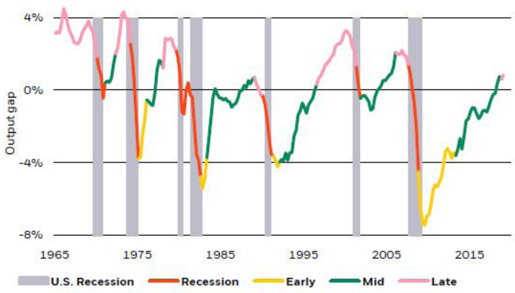
- The Japanese Cabinet Office has reduced its 2019 Growth Forecast from 1.3% to 0.9%.
- The Yen strengthened to ¥106.77 against the Dollar, a high point since January.

Key Points - Europe

- Europe's economies are slowing, particularly German Manufacturing.
- Nationalist sentiment is rising adding political uncertainty to the mix.

The US and China have entered into a strategic competition that we see as structural and persistent. The fallout is a potential reversal of decades long globalisation trends that gradually lowered inflation and improved corporate profit margins. However, the record-long US economic cycle looks unlikely to come to an end any time soon. The US economy has only recently hit full capacity and entering the late stage of that cycle can often run for an extended period – see below.

Output Gap and the stages of the US business cycle 1965-2019
Source: BlackRock, July 2019



We have been consistently positive to Morningstar, but they have increased exposure.

We have retained the same allocation to US Equity, meaning we are now neutral to benchmark.

European Equity

Inflation remains low, global economic activity is softening and we have discounted any ECB rate increase this year. In fact, the departing ECB President, Mario Draghi, has even suggested restarting QE. Europe's economies are slowing, particularly German Manufacturing. Nationalist sentiment is rising adding political uncertainty to the mix.

Germany, Europe's biggest manufacturer, saw the Manufacturing PMI drop to 45.4. Fiscal stimulus and solid wage growth in France and Italy are sustaining consumption, and therefore the area.

Overall, earnings and sales results have improved since the last quarter and macro data appears to have bottomed. The weakness of the Euro (except against the £) has benefited sectors with international exposure. The flatter yield curve has led to the Banking sector underperforming.

The MSCI Europe Index rose 13.2% in the first half of 2019, just shy of the MSCI World Index, 15.6%. Over ten years Insurance has been the best performing sector in Europe. Notwithstanding, large International investors are typically underweight Europe and at the time of writing we have witnessed the longest run of Equity outflows in Europe (66 consecutive weeks) for more than a decade. In seven out of the last ten years, Europe's Equity markets have underperformed other regions due to stagnant economic and earnings growth, zombie banks, low exposure to technology stocks and high exposure to old economy sectors such as Autos, Capital Goods and Chemicals.

Europe now stands at a PE of 13, a low point not seen since 2012 relative to other markets.

We have been neutral on European equities up to Q1 2019, since then we have moved to negative.

Japanese Equity

The fallout from the US-China trade war is taking its toll in Asia. The Japanese Cabinet Office has reduced its 2019 Growth Forecast from 1.3% to 0.9%. Export growth previously forecast at 3% is now expected to slow to 0.5% with Japanese Exports falling for a seventh consecutive month in June, dropping year-on-year by 6.7%.

According to the Tankan survey conducted by the Bank of Japan business sentiment at Japan's largest manufacturers is at a three year low.

The Bank of Japan has struggled to reignite inflation despite six years of aggressive monetary stimulus. Last month the Japanese Central Bank Committee voted 7-2 to maintain the Central Bank interest rate at minus 0.1%, maintained its cap on 10 Year Bond yields at around zero and pledged to keep buying Government Bonds at a rate of ¥80tn ($743bn) a year. The Yen strengthened to ¥106.77 against the Dollar, a high point since January.

We have moved to Negative.

Emerging Markets

Despite Morningstar believing US equities remain expensive, they have increased exposure reallocating from Pacific (Asia) Ex Japan, effectively reducing benchmark exposure to Asia to zero. In the past we have taken contrarian positions to benchmark for example retaining exposure to Property and substituting Alternatives for Commodities.

On this occasion we will follow benchmark removing our Asia sector, but in practice will retain exposure by way of the following EM funds, all have investment in Asia to include China:

- BlackRock Emerging Markets
- Fidelity Emerging Markets
- Schroder Asian Income

Key Points - Emerging Markets

- President Zi fuelled the trade war by allowing the Renminbi to weaken against the US Dollar.

Top 10 Holdings

Source: FE Analytics 29 August 2019

BlackRock Emerging Markets	Fidelity Emerging Markets	Schroder Asian Income
Tencent Hldgs Ltd	Naspers	Taiwan Semiconductor
Samsung Electronics Co	Aia Group Ltd	Samsung Electronics Co
Bank of China Ltd	Sberbank of Russia	BHP Group Ltd
Notre Dame Intermedica	Taiwan Semiconductor	Midea Group Co Ltd
Ping An Insurance Co of China	HDFC Bank Ltd	HSBC Hldgs
Sberbank Rossii Pao	Alibaba Group Hldg Ltd	Boc Hong Kon Hldgs
Petroleo Brasileiro Petrobras	China Mengniu Dairy Co	National Australia Bank
Fomento Economico Mexicano	Bank Central Asia	Swire Pacific
BB Seguridade Participacoes	Housing Development Finance	China Petroleum & Chem Corp
SK Hynix Inc	Infosys	China Mobile Ltd

Overall, the EM sector has enjoyed a strong run over recent months with the broad MSCI EM Index returning circa 15% in GBP terms year to date, buoyed by a more favourable policy stance from the US Fed.

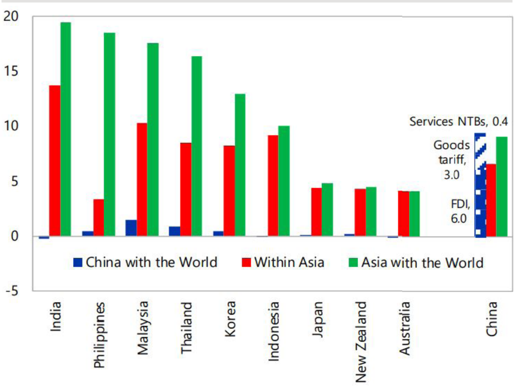
Having devalued the Renminbi in 2015, China had sought to stabilise currency against the US Dollar. However, President Zi fuelled the trade war by allowing the Renminbi to weaken against the US Dollar. China's economic growth is moderating to 6.2% (projected 2019), but, the IMF is quoted as saying the quality of growth has improved in three ways in 2018:

- The pace of debt accumulation has slowed.
- The financial system is better regulated.
- The current account surplus is no longer excessive.

The IMF went on to forecast China and other countries would benefit from China liberalising its trade and investment regime further.

Benefits of China libralising its trade and investment regime

Source: IMF Asia and Pacific Regional Economic Outlook (2018)



India's markets welcomed the May Election result with Narendra Modi leading his National Democratic Alliance Party (NDA) to a decisive victory.

Competent economic management has saved Russia from economic collapse despite Vladimir Putin turning the country into an aggressive backward-looking Police State. Between 2014 and 2018 the Russian economy grew by an average of 0.5% a year. The IMF calculate the rate could have been 1.1% per annum, save for western sanctions following the annexation of Crimea, the fall in the price of Oil and the fiscal and macroeconomic responses to those shocks. Given Putin's political constraints it is hard to see how Russia can defuse the time bombs facing the economy:

- Falling private investment.
- Chronic capital outflow.
- Household debt – individuals pay on average 50% of their income to service consumer loans.

To conclude, we expect Chinese stimulus will remain supportive, the region has benefited from the softening of the US Fed's monetary stance. Whilst Australia and New Zealand look fully valued, we see some merit in Emerging Asian valuations.

By including Asia Ex Japan in our EM sector, we have moved from neutral to positive against our EM benchmark.

Key Points - Alternatives

- We are introducing the Legg Mason Global Infrastructure Income Fund.

Alternatives

We adopted this sector as an alternative to Commodities, which Morningstar removed from the benchmark in September 2016. Although, we continue to monitor Commodities, essentially Oil, Ore, Metals and soft Commodities, Grain, etc. In 2019, oil demand softened, Iran-US tension mounted in the Straits of Hormuz with Tankers now convoyed through with military support. Ore prices hardened benefiting Rio Tinto/BHP Billiton. Sector volatility sees FH with zero exposure in line with benchmark.

In lieu of Commodities, we introduced the Polar Capital Global Insurance Fund, which despite the title is US centric. The Fund focuses on Companies with strong Balance Sheets and conservative reserving strategies that balance their portfolios to the underwriting opportunities they face. During the first half of 2019, rates have hardened. Evan Greenburg, CEO of Chubb, a leading insurer, commented that "positive pricing and underwriting continued to improve through the quarter and spread to more classes of business".

We are increasing exposure to this Fund from 3% to 4% in our balanced portfolio on the back of strong performance 24.57% (31/12/18-28/08/19) year to date and on the prospect for future returns.

In addition, we are introducing the Legg Mason Global Infrastructure Income Fund. The Fund launched on 1 July 2016, had total net assets of £453.63m at 31 July 2019 The fund has an OCF of 1.03%. The fund is well diversified, see allocations below:

Country	(%)	Sectors	(%)
North America	34.55	Electricity Supply	49.80
UK	18.57	Oil & Gas	19.09
Australasia	18.12	Telecom, Media & Tech	13.34
Europe Ex UK	12.63	Water	9.06
Americas	7.51	Cash & Cash Equivalents	5.34
Money Market	5.34	Transport	3.28

We opted for a global listed Infrastructure fund to provide diversification in our Alternatives sector.

We believe Global Infrastructure is well positioned to survive an economic slowdown. Its essential service nature enables Infrastructure to recover inflation without destroying demand. Over the next two years the sector is forecast to deliver EBITDA (1), EPS (2) and DPS (3) growth of 6%, 7% and 8%, respectively.

Note:

1. Earnings Before Interest, Debt, Tax, Debt and Amortisation
2. Earnings Per Share
3. Dividend Per Share

We are positive to a zero benchmark.

Property

From June 2019 we reduced exposure to Property removing the Threadneedle UK Property Fund from all portfolios. At the same time we retained but reduced investment in the BMO UK Property Fund. This Fund is priced on a single swing basis, designed to incorporate the dealing costs of Property into the pricing of units in the Fund. The NAV (Net Asset Value) has swung to offer or bid, to reflect whether the Fund is buying or selling assets. The objective is to protect investors from the potentially dilutive effects of transaction costs on investment return. Year to date the Fund has been priced on an offer basis reflecting the fact the Fund was overweight Cash and acquisitive.

Given that liquidity levels are now closer to its long-term target, and BMO's desire to ensure the Fund maintains a defensive and cautious position ahead of the current Brexit deadline in October, they have taken the opportunity to temporarily move the pricing to a 'Bid' basis. This move will bring the BMO UK Property Fund in line with most other open-ended property funds operating a single swing pricing methodology, who have already switched to bid pricing. The switch will result in a reduction in price of approximately 6.4%.

This pricing change ensures that should the Fund choose to sell an asset, the existing investors in the Fund are protected from the unit price being diluted due to transaction costs. However, we remain comfortable that the Fund has a strong liquidity position.

We met with Emma Gullifer, the Assistant Fund Manager at BMO's offices on 6 August and she confirmed to us the Fund will return to being priced on an offer basis when positive net inflows into the Fund resume and the Fund is again actively acquiring new assets. In the interim, the swing to bid price represents a buying opportunity for new investment at a discount of 6.4% to the offer price. We will continue to monitor this Fund, but remain confident this investment is an effective diversifier, is well managed and will continue to deliver attractive returns over the medium to long term.

We remain positive to zero benchmark.

Key Points - Property

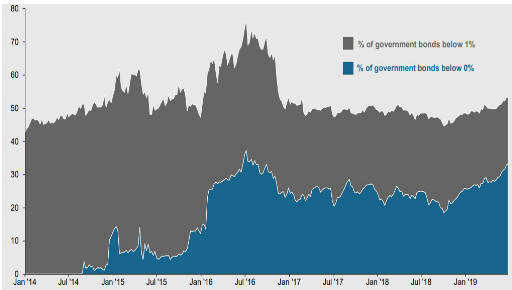
- BMO UK Property Fund has taken the opportunity to temporarily move the pricing to a 'Bid' basis.

Fixed Interest

Our current focus is on increasing the credit quality in this sector. The amount of negative debt, Government Bonds yielding 0% or less, has been growing since July 2014.

Developed market government bond yields

Source: Bloomberg, BofA/Merrill Lynch, J.P. Morgan Asset Management.



Key Points - Fixed Interest

- Inversion remains a prominent feature across the U.S. yield curve, where long-dated yields are below short-dated ones.

Key Points - Cash

- We have reduced exposure by 2%.

According to the Barclays Multiverse Index the average yield in the Bond market today is 1.46%, whilst the average duration is 7.05 years. Dividing one by the other produces duration as a multiple of yield which is currently at an all-time high surpassing the peak of 2016. This is a consequence of fears surrounding a global economic slowdown, rate cuts from the US Fed and the prospect of the ECB restarting QE pushing yields back to previous lows and edging duration higher.

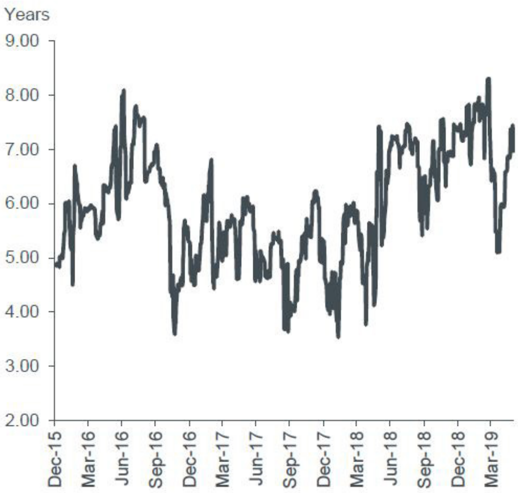
In an effort to improve credit quality we are, after extensive research, introducing two new Fixed Interest funds from September 2019. These funds succeed Kames Absolute Return Bond and Threadneedle UK Fixed Interest which will be removed from our panel, autumn 2019. The funds we are introducing are:

Janus Henderson Strategic Bond Fund

The Fund launched on 11 October 1986, and is managed by John Patullo and Jenna Barnard. The Fund size at 31 May 2019 was £2.35bn, OCF 0.69%. We have introduced this Fund to improve credit quality increasing exposure to AA and AAA rated assets. The Fund can invest in higher yielding assets, but favours large cap, non cyclical businesses and avoids EM or distressed debt. John will manage the duration of the fund to enhance returns.

Strategic Bond portfolio duration since 2016

Source: Janus Henderson Investors, 2019



Allianz Gilt Yield Fund

This is a direct replacement for the Threadneedle UK Fixed Interest Fund at a lower OCF of 0.32% down from 0.36%. Having launched 16 May 2002 it has grown to £2.21bn. The team have outperformed their benchmark, on a consistent basis, net of fees by 1.65% since Mike Riddell took over management of the Fund in November 2015.

Our process is aligned to Morningstar favouring defensive assets in an environment where valuations have moved against us. The increase in exposure to Global Treasury Bonds allow more diversified interest rate exposure without increasing the foreign currency exposure of a portfolio. We are also favouring Treasuries over inflation-linked Bonds. Nominal duration from Treasury Bonds also tend to provide more defensive characteristics than the real duration inflation linked Bonds.

We remain negative to benchmark.

Cash

Our strategy was fully explained in issues Summer 2017 and Summer 2019. As Morningstar have reduced Cash we have reduced, lowering the holding in the Royal London Cash Plus Fund by 2%.

We remain neutral.

Key Points - Conclusion

- Boris has raised the stakes with the Queen approving suspension of Parliament five weeks leading up to Halloween 31st October, the date the UK is set to leave the European Union.
- Global Growth Forecast for 2019-20 remain firmly in positive territory.

Conclusion

The UK economy has suffered as a result of ongoing Brexit uncertainty. The EU will not concede any commercial advantage and whilst Merkel has opened a 30 day window for Boris to find an alternative backstop agreement over the Irish border, that agreement must be accepted by the other member states. Further the German press has been briefed by EU officials that nothing has changed. Norbert Röttgen, the Head of the Brundestag's Foreign Affairs Committee observed that in Merkel's meeting with Johnson she "did not move a millimetre. At no point did she suggest Germany is ready to abandon the backstop." Boris has raised the stakes with the Queen approving suspension of Parliament in the lead up to Halloween 31st October, the date the UK is set to leave the European Union.

Meanwhile, a weak Pound and surfeit of Cash has resulted in overseas investors buying prime UK assets to include Just Eat, Merlin Entertainments, Cobham, Greene King, Immarsat and Diary Crest et al.

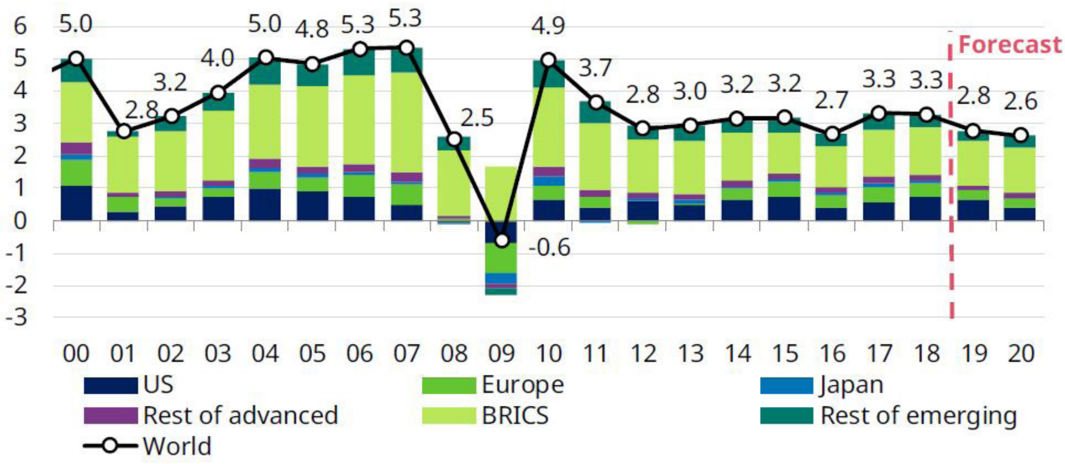
Across the pond Trump declared his desire for the US to buy Greenland, certainly not for the sake of the environment. Whilst he has disclaimed global warming, Greenland's ice sheet is melting at an alarming rate and will eventually reveal a mineral rich country. Oil and gas reserves alone are estimated at $1.5tn. At the same time, Putin is looking to claim international territory in the Arctic Circle to secure mineral rights.

Trade wars and Brexit cast a shadow over our forecast. Growth prospects around the globe have been hit by the US-China trade war. Inflation forecasts have been raised in all regions, largely driven by the rise in oil price. The reversal of the hawkish US Fed Monetary Policy, with US Base Rate down 0.25% in July and a further cut of 0.25% anticipated in September, has helped Dollar indebted countries, but the US Dollar is strong and likely to remain so and is still the global currency of choice despite China seeking to position the Renminbi in this role. The Bank of England is likely to retain the 0.75% Base Rate, but the Governor has hinted the rate may be cut in the event of a No-Deal Brexit. Global interest will remain low favouring borrowers. In the UK you can borrow 75% of the value of your house at a rate as low as 1.32%. Savers must look outside bank deposit if they are to achieve a return above the rate of inflation.

Is there any good news? Yes, on a historical basis, UK and European Equities present value compared to the rest of the world and their historical valuations and Global Growth Forecast for 2019-20 remain firmly in positive territory.

Global growth and forecast for 2019 and 2020

Source: Thomson Reuters Datastream, Schroders Economics Group. 18 June 2019



To conclude, the Forrester-Hyde Investment Committee speak and meet regularly with the Managers of the Funds in which you invest and are always looking for opportunity. Capital protection underpins all our decisions. Diversification is another key underpin to the way we manage our Investors' money. One way or the other, it is incumbent on Parliament to end Brexit uncertainty which has certainly slowed investment in the UK.

Fund Panel Update

FH Core

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Conservative	Cautious	Balanced	Assertive	Aggressive
Allianz Gilt Yield		2	3	7	10
Artemis US Extended Alpha	2				
AXA Sterling Credit Short Duration					-2
Baillie Gifford Japanese	-1	-1	-1	-1	
Baillie Gifford Strategic Bond				1	3
Blackrock Emerging Markets		1			
Blackrock Corporate Bond		3	-1		
Fidelity Emerging Markets	-3	-2	-1		
Janus Henderson Strategic Bond		3	6	7	8
Kames Absolute Return Bond				-4	-6
L&G Global Inflation Linked		-3	-4	-4	-5
Legg Mason IF RARE Infrastructure	2	2	2	2	2
LF Miton EU Opportunities		1	4		
LF Miton US Opportunities	6	5		-1	-1
Liontrust Special Situations	3	2	1	1	1
Man GLG UK Income				-1	-1
Man GLG Undervalued Assets	-1				
Marlborough Special Situations	-2	-1			
Merian North American	-6	-4			
Polar Capital Global Insurance	1	1	1	1	
Rathbone Strategic Bond				1	1
Royal London Cash Plus		-2	-2	-2	-2
Schroder Asian Income	-1	-1			
Schroder Recovery			-1		
Threadneedle EU Select			-3		
Threadneedle UK Fixed Interest		-2	-3	-6	-7
TwentyFour Dynamic Bond		-4	-1	-1	-1

Funds Introduced

Janus Henderson Strategic Bond - John Pattullo has managed this strategy since launch in October 1999 and has demonstrated the aptitude for economic cycle analysis and positioning the portfolio accordingly over time and is reflected in the strategy's strong long-term performance. The fund targets large-cap, non-cyclical businesses that can provide dependable income and avoids emerging markets, distressed debt, and certain sectors such as energy.

Legg Mason IF RARE Global Infrastructure Income - The fund provides defensive global equity exposure, stable income streams and drawdown protection. RARE's team are infrastructure specialists and provide unique experience across the infrastructure asset lifecycle. RARE stands for Risk-Adjusted Return to Equity which is the concept that underpins the investment process. We have selected the hedged version.

Allianz Gilt Yield - The fund seeks to preserve capital and deliver returns by investing in the British government debt. It is actively investing at least 80% of its value in conventional gilts and up to 20% in inflation-linked gilts or foreign government bonds hedged to sterling. It is one of a few funds able demonstrate alpha within the Gilt market.

Fund Panel Update

FH Passive Plus

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Cautious	Balanced	Assertive
BlackRock 100 UK Equity Index	-1		
Fidelity Index Emerging Markets		-1	-2
Fidelity Index US			2
HSBC European Index		1	1
Janus Henderson Strategic Bond	6	6	3
L&G Global Inflation Linked Bond	-4	-4	
Legg Mason Global Infrastructure	2	2	2
Natixis H20 MultiReturns	-1	-4	-4
Polar Capital Global Insurance	1	1	1
Royal London Cash Plus	-1	1	
TwentyFour Dynamic Bond	-8	-5	-3
Vanguard UK Government Bond Index	2	1	
Vanguard UK Investment Grade Bd Index	4	2	

Performance

Portfolio	3 Month %	12 Month %
Forrester-Hyde Adventurous Model Portfolio	3.79	0.95
Forrester-Hyde Assertive Model Portfolio	3.61	1.59
Forrester-Hyde Balanced Model Portfolio	3.39	2.34
Forrester-Hyde Cautious Model Portfolio	2.78	2.77
Forrester-Hyde Conservative Model Portfolio	2.60	3.44

Portfolio	3 Month %	12 Month %
Forrester-Hyde Passive Plus Assertive Model Portfolio	3.84	3.47
Forrester-Hyde Passive Plus Balanced Model Portfolio	3.88	4.15
Forrester-Hyde Passive Plus Cautious Model Portfolio	3.58	4.40

Asset Class	3 Month %	12 Month %
Euro STOXX 50	5.82	3.38
FTSE 100	1.16	0.32
FTSE Actuaries UK Conventional Gilts All Stocks	5.96	11.28
IBOXX UK Sterling Corporate All Maturities	5.74	10.35
MSCI Emerging Markets	1.84	0.27
MSCI World	6.93	6.28
Nikkei 225	5.77	1.44
S&P 500	8.58	8.96

Glossary & Abbreviations

Alpha - A measure of the return of a portfolio relative to an investment benchmark.

ARC Index – A set of risk-based indices designed to be used by private clients and advisers in assessing performance of their portfolio. The index comprises of the performance of a series of private client investment managers.

Basis point – 1/100th of 1% (0.01%).

BBB bonds – Credit rating of a bond considered to be of Investment Grade.

Bear Market – When a market shows signs of decline - prices go down.

Beta – The sensitivity of an asset's or portfolio's return to fluctuations in the return of the market or benchmark.

BoE – Bank of England

BoJ – Bank of Japan

Bottom-up – An approach to active investment management that gives priority to the selection of companies (with less emphasis on sector and country selection) to build up an investment portfolio.

Bull Market – When the prices rise consistently over a period of time.

CAPE Ratio – Cyclically-Adjusted Price-to-Earnings Ratio

Correlation – The extent to which two assets' values rise and fall together.

Covenant Protection – Covenants are conditions tied to an indenture or loan agreement, usually in the form of forbidding certain actions of the issuer, put in place by lenders to protect themselves from borrowers defaulting.

Diversification – A risk management strategy that mixes a wide range of investments within a portfolio in order to reduce overall volatility.

Dividend Cover Ratio – Measures the number of times that a company could pay dividends to its shareholders.

Dividend Yield – The annual dividend on a share divided by the share price.

Duration – The duration is a measure of the average time until a bond's cash flows occur, and of the sensitivity of its price to interest rate changes.

Earnings per share – A common way of expressing company profits – dividing the profits after tax by the number of shares in issue. This is the basis for the calculation of the P/E Ratio.

ECB – European Central Bank

FDI - Foreign Direct Investment

Fiscal Stimulus – Combination of tax cuts and increasing government spending in order to increase aggregate demand within an economy.

G7 Countries – The seven largest IMF-described advanced economies in the world, comprising of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

GDP – Gross Domestic Product

Growth stock – A stock that is expected to achieve above average earnings growth. Growth stocks normally have a high P/E ratio relative to the market as a whole, as investors are willing to pay a premium for future higher earnings.

IMF – International Monetary Fund

ISM – Institute for Supply Management Index

Large cap stock – A stock with a market capitalisation is among the largest within a market. Medium and Small cap definitions also used.

Liquidity – The extent to which an asset can be bought or sold quickly and cheaply.

Macroeconomics – The study of market behaviour and performance of an economy as a whole, examining general economic factors such as interest rates and national productivity.

MiFID II – A legislative framework instituted by the European Union to regulate financial markets and offer greater protection and transparency for Investors.

Monetary Tightening – When central banks increase interest rates and reduce the money supply within the economy to help control the rate of inflation.

Nominal – Very small or far below the real value or cost.

P/E Ratio – The relationship between the company's Stock Price and Earnings per Share.

Quantitative Easing (QE) – Is the introduction of new money into the money supply by a central bank, usually via a Central Bank purchasing Government and Corporate bonds.

Quantitative Tightening (QT) – The counterpart of QE. QT is used to decrease liquidity within the economy.

Top-down - An approach to active investment management which starts with macro-economic factors, followed by business cycle analysis to identify a portfolio distribution across asset classes, then a country/currency mix, a sector distribution and ultimately a stock selection.

Transactional Charges – Expenses incurred when buying or selling a good or service.

Value stock – A stock that appears cheap when compared with other stocks because the share price is low relative to the book value of the equity (or earnings or dividends).

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