Investment Outlook

Autumn 2020

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CHARTERED FINANCIAL PLANNERS

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"I will not cease from mental fight, nor shall my sword sleep in my hand"
- William Blake, Poet

Key Points - Introduction

- National debt exceeds £2tn, but the cost of servicing the debt falls.
- Green shoots of recovery are emerging but we expect a slower recovery and greater long-term damage.

Introduction

In the US the S&P 500 hit a record high, suggesting the Pandemic is nothing more than a bad dream. In reality, market prices are not merely a view of future earnings, inflation and fiscal policy - prices are formed within a Financial System. Initially, prices plunged as Investors feared there was a very real danger of a market sell-off. Thankfully, policymakers spotted the same potential for catastrophe and moved with speed and unprecedented co-ordination. The huge stimulus provided by Central Banks has also helped to lift asset prices further. In practice, Central Banks are primarily buying Bonds, but this serves to fuel all asset classes.

Whilst markets on the whole are back to where they were in February, nearly two thirds of Companies are not. Big Tech Stocks, Facebook, Amazon, Apple, Google, Netflix and Microsoft have soared. Apple alone is now worth $2tn, marginally less than the whole of the FTSE 100. Further, when Equities rally you would normally expect yields on Treasury Bonds to rise but throughout the Pandemic, yields have hardly moved.

Long-term interest rates have never been lower, and partly justify higher Equity valuations. The historical relationship between yields and growth indicates that the outlook is rather bleak. For the moment Investors are more influenced by US Federal Bank policy than the prospect of growth and inflation.

At home, the Furlough scheme has saved jobs, maintained tax receipts and protected consumer confidence at a price. Government borrowing of £150.5bn between April and July pushed the national debt past £2tn, five years earlier than the Office for Budget Responsibility had predicted. As a share of GDP, debt is now back above 100% for the first time since the early sixties. However, whilst the National debt has soared, the cost of servicing the debt has fallen. Compulsory social contributions, mainly National Insurance, are down just 2.3% to £45.2bn. Schools are scheduled to re-open in September. The 'Eat Out to Help Out' Scheme has proved to be extremely popular, with 50% of those surveyed saying they had or would use the Scheme.

The Pandemic has accelerated change in all sectors. Consumers have embraced online shopping with Tesco's Chief Executive saying home deliveries had risen from 650,000 weekly pre lockdown to 1.5m. Online sales by independent retailers have soared. BP posted a £13.5bn loss over just three months. The Chief Executive, Bernard Looney, halved the Company's £1.6bn quarterly dividend, announcing BP "would be a very different energy Company" as it increased tenfold its investment in low carbon energy, while reducing oil and gas output by a million barrels a day. This is indicative of the acceleration of long-term trends, playing out over months not years.

Key Points - 🇬🇧 UK

- Construction and manufacturing output rose by 23.5% and 11% respectively.
- OECD predict the UK recession would be the worst of any major economy.

Key Points - 🇺🇸 US

- M2, the measure of money supply rocketed.
- The US is struggling to contain Coronavirus with over 5.7 million cases reported.

Amid a slew of insolvencies, new businesses are emerging and existing ones investing; M&S move to home delivery with Ocado and Mike Ashley is spending £100m to take his business online. The housing market is booming which was aided by the relaxation in Stamp Duty, historically low interest rates and also by lockdown, which may lead commuters to re-evaluate their work-life balance.

Green shoots of recovery are emerging. The Bank of England is more upbeat than many Economists about the short-term outlook. It now expects GDP to shrink by 9.5% in 2020 compared with May's prediction of a 14% drop. Notwithstanding, there are exceptionally large downside risks going forward and at Forrester-Hyde we expect a slower recovery and greater long-term damage.

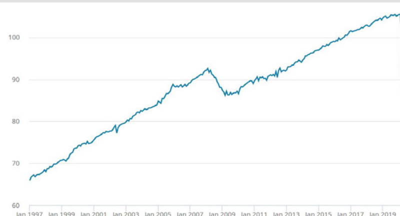
UK Equity

UK public debt will rise to more than £350bn this financial year through increased borrowing and lower tax receipts. According to calculations by The Financial Times, the deficit is likely to reach 18% of National income, almost twice the size of the deficit at its peak in the 2008-09 crisis. Rishi Sunak's support measures since March have cost £189bn and Tax Revenues have fallen.

Apart from the 'Eat Out to Help Out' Scheme, the Chancellor cut VAT for the Tourism and Hospitality sector to 5% for six months at an anticipated cost of £4.6bn. The cut in Stamp Duty is expected to cost £3.8bn.

The Bank of England forecasts unemployment will rise from 3.9% to 7.5% when the Furlough Scheme ends, with the Hospitality and Tourism sectors being hardest hit. Andrew Bailey, the Bank of England Governor, made it clear that negative Interest rates were available, but 'at present there were no plans to use them', a statement that boosted Sterling. He went on to say there would be no rush to withdraw Monetary Stimulus.

GDP grew by 8.7% in June 2020
Source: Office for National Statistics, 2020



GDP rose 8.7% in June, compared to May. Thomas Pugh, UK Economist at Capital Economics, said "Indeed the path to full economic recovery will probably be much longer than most people anticipate".

The increase in June was supported by a 23.5% expansion in the Construction sector, whilst Manufacturing output grew by 11% as workers returned. The Service sector which accounts for 80% of the UK economy grew by 7.7%. The Paris based OECD organisation predicted the UK recession would be the worst of any major economy.

The Government announced a relaxation in the housing planning system. Currently Germany, Italy and the Netherlands give you about twice as much housing space for your money. The issues have been supply side, availability of land and demand side, the price people are willing and able to pay. The switch from High Street to Online poses questions for the viability of retail space, whilst a switch to home working poses the same threat to the viability of office space. The last thing we need is for local Planning to be a negative force.

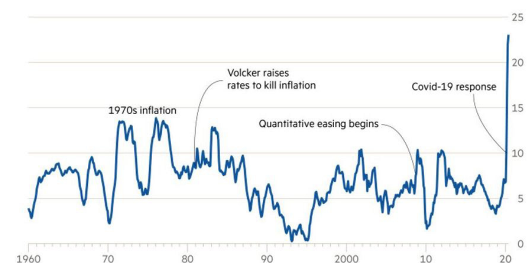
We were marginally underweight to benchmark in Summer and will remain so in Autumn.

US Equity

Productivity increased at its fastest pace in eleven years, rising 7.3% in the second quarter. Industrial production rose by 3% in July, retail sales rose 1.2%, or 1.9% after stripping out car sales.

According to Morgan Stanley, the aggressive monetary and fiscal response to the Coronavirus crisis could trigger a surge in inflation, which the Federal Reserve might struggle to control. US money supply M2 has rocketed as a result of Central Bank stimulus.

Year-on-year % change in US Money Supply
Source: The Financial Times, 2020



Share prices rose to an all-time record. The gains in the US followed a broad advance in Europe, with the Continent wide STOXX 600, rising 2% and the FTSE 100 up 2.1%. MSCI'S broad index of markets in Asia rose 1.1%. Market confidence has been boosted by stimulus as well as rising hopes for a COVID-19 vaccine.

The US is having a hard time controlling the virus and this has impacted the US currency, which is on track for its worst month since April 2011. The fall has supported a rally in gold prices to an all-time high.

The University of Chicago forecast real GDP will not recover to 2019 levels until the second half of 2021. The President is being blamed for the weak economy and for the failure to contain the COVID-19.

Joe Biden secured the Democratic nomination for the US Presidency and has a comfortable lead in the polls over Donald Trump who secured the Republican nomination for a second term. However, the Presidency is won on the number of Electoral College votes, and not on the number of individual votes for every candidate.

Four months ago, COVID-19 put 20m Americans on state support and has so far killed over 170,000. The economy shrank 9.4% between April and June and Trump's chances of re-election were in tatters. The picture is changing as the economy surges and bookmakers are cutting the odds on Trump being re-elected.

Our Investors are exposed to the US through a number of Funds, to include the Artemis US Extended Alpha Fund. The Fund has performed strongly on the back of US Tech exposure, to include Amazon, Apple, Microsoft, Alphabet, Liberty Broadband and T-Mobile US, with Tech exposure at 29.3% of the Fund.

Back in April we introduced the Polar Capital Global Technology Fund to several portfolios. Our clients have been rewarded with strong performance since introduction, having returned 37.10% (Source FE Analytics, 09/04/2020 – 25/08/2020).

The Central Bank has already committed to keeping interest rates at zero for the foreseeable future.

We are positive to benchmark.

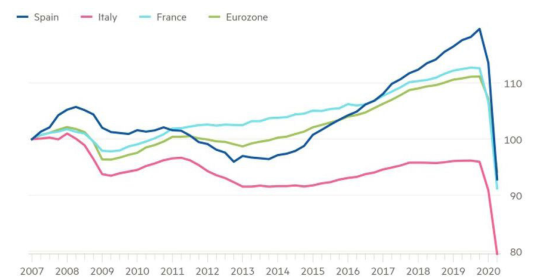
European Equity

The ECB pushed ahead with stimulus after COVID-19 plunged the Eurozone economy into a historic recession. The Bundesbank has extended almost €1tn of 'credit' to 'Club Med', particularly Italy. Italy is effectively insolvent, with COVID-19 pushing the debt ratio to 160% of GDP. Oxford Professor, Richard Werner, said the Euro has become a doomsday machine "in the end it destabilises every Country in one way or another. It will be Germany's turn next." One thing is beyond doubt, the Monetary Union cannot last without the political consent of the German voters. Eurozone GDP fell by 12.1% in Q2, following a fall of 3.6% in Q1. The only sector that grew was Agriculture.

Germany has weathered the Pandemic with less than 10,000 deaths, far lower than in the UK and other major European Countries. German GDP fell by 10.1% in Q2 2020 and unemployment rose to 4.2%. Olaf Scholz the Finance Minister threw the weight of currency reserves behind the economy with the biggest state aid package in German history - €1.1tn. This was followed in June by a further stimulus package of €130bn designed to kick start the economy. The Country remains highly dependent on international trade requiring its trading partners recover at the same pace.

Eurozone countries suffer historic Real GDP contraction

Source: The Financial Times, 2020 (data rebased, 2007=100).



We have been in regular contact with our core regional exposure, the LF Miton European Opportunities Fund. This strategy invests at least 80% in the shares of European Companies with a bias towards medium sized Companies with a market capitalisation of between €2bn and €15bn.

Performance Breakdown

Source: FE Analytics, as at 25/08/2020.

Portfolio	3 Month %	1 Year %	3 Year %
LF Miton European Opportunities B Acc	17.29	29.39	63.51
UT Europe Excluding UK	13.71	6.16	7.10
Euro STOXX 50	13.80	1.54	1.99

Our benchmark has reduced exposure. We have not reduced and by default move to neutral.

Japanese Equity

Shinzo Abe, the Country's longest-serving prime minister, has resigned due to health concerns. The Bank of Japan revised down its growth forecast, but expects a rapid rebound in 2021-22. The Bank kept monetary policy on hold believing it has done all it can for now and taking comfort from the stability of the Yen. Overnight interest rates have been held at minus 0.1%, Ten Year Bond yields capped around zero and continuing with purchases of ETF's (Exchange Traded Funds) at a rate of ¥12tn ($112bn) per annum.

Key Points - Europe

- The most vulnerable Countries, Greece, Italy, Portugal and Spain are most badly hit by the Pandemic.

Key Points - Japan

- UK and Japan anxious to conclude a trade deal – Stilton Cheese a sticking point?

The Bank of Japan launched monetary stimulus in 2013, aimed at ending twenty-five years of near deflation. The Programme had some initial success, but has stalled this year, and with interest rates already at rock bottom there is little more the Government can do.

Haruhiko Kuroda, the Central Bank Governor, stated the obvious "The spread of the Coronavirus is having a grave effect on our economy". The Bank of Japan cut its growth prediction for the current fiscal year to a range of -3% to -5%. This is more optimistic than many external Economists.

The UK and Japan are anxious to conclude a post Brexit trade deal – individual food tariffs are posing a sticking point with Liz Truss, UK Trade Secretary, seeking concessions on the tariff imposed on Stilton Cheese; reflecting the "cars for cheese" talks between Brussels and Japan. Both sides appear to have agreed to phase out British tariffs on Japanese Auto exports by 2026 in line with the Japan–EU deal.

We continue to be underweight to a marginally reduced benchmark.

Key Points - EM

- Whilst Chinese factory activity expanded, Technology stocks suffered as Trump targeted TikTok and WeChat.

Key Points - Alternatives

- Since JPM's inception the Fund has ranked within the top 3% of the UT Targeted Absolute Return sector.

Emerging Markets

In July, Factory activity in China expanded at its fastest rate in almost a decade, amid signs of a wider recovery from the Coronavirus crisis in some of Asia's biggest economies. China's economy returned to growth in the second quarter and Factory activity has increased in each of the past three months. Both Korea and Japan's Manufacturing sectors posted their best performance since February, but neither returned to growth.

However, Chinese Technology stocks lost more than $75bn earlier this month after Trump unveiled Executive Orders targeting popular social media apps, TikTok and WeChat. Equity Traders said there was the possibility the US could bar all dealings in Tencent and ByteDance, delivering a serious blow to Tencent's US gaming business. Losses extended to AliBaba and JD.com.

Trump has taken the fight to China. Since China re-joined the global system on favourable terms, the Governments of developed Countries have turned a blind eye as Beijing engaged in mass industrial espionage, eroded Hong Kong's freedom, threatened Taiwan and incarcerated millions of its own citizens. The West has done nothing as China sought leverage, buying American Debt, British Infrastructure, European Companies and African Minerals. China is serious in its pursuit of global power at the expense of the West.

Russia's Central Bank cut its benchmark rate to a new low of 4.25%. Quarantine measures caused Manufacturing output to shrink by the largest amount on record. Domestic demand collapsed and the price of Oil - Russia's key export - plunged 40%.

Exposure to Emerging Markets is via:

- BlackRock Emerging Markets
- Fidelity Emerging Markets
- First State Asia Focus

After a review we are proposing no Fund changes to our Investors' exposure to this market.

We remain positive to the benchmark.

Alternatives

This quarter we reviewed the Legg Mason IF RARE Global Infrastructure Fund and, as a result, reclassified the Fund that more appropriately should be held in the European and US sectors where it is principally exposed.

Within the Alternative sector, we retain the JPM Global Macro Opportunities Fund. The Fund has outperformed over the medium-term with volatility below 10%. The stated aim is "to provide Investment returns over a rolling three year period in all market conditions by investing in securities globally, using financial derivative instruments where appropriate".

JPM Global Macro Opportunities vs Peer Group*
Source: FE Analytics, 15/02/2013-25/08/2020. *Since Fund Inception

Morningstar, our benchmark, has no commodity exposure. The stellar performer has been Gold, but its impact is not significant when compared with hard commodities Oil, Gas, Coal and Steel. The first half of 2020 has been brutal for the Oil industry, with global demand dropping 30% at the height of the Pandemic. Where Energy once battled for supremacy in the S&P 500's market capitalisation, its share has now dwindled to less than 3%.

Gold prices rocketed above $2,000 per troy ounce. Demand for wearable Gold has collapsed, instead much of the demand comes from Exchange Traded Funds tracking the price of Gold.

We remain positive to a zero benchmark.

Key Points - Property

- The BMO UK Property Fund like its peers remains suspended.

Key Points - Fixed Interest

- US Companies sold $32bn of Junk Bonds in April.
- We increase exposure to the Artemis Corporate Bond Fund.

Key Points - Cash

- We gain exposure to short-term money markets via the Royal London Cash Plus Fund and L&G Cash Trust.

Property

The Financial Conduct Authority, FCA, indicated Investors in Open-Ended Property Funds could (following reform) have to wait up to six months to sell down their Investment in an attempt to reconcile the daily trading requirements of Open-Ended Funds with illiquid Property assets that are hard to sell quickly.

FCA rules already require Managers consider suspending Funds during periods of market volatility to avoid risking a "fire sale" of illiquid assets. Funds are also required to stop trading if the value of more than 20% of their portfolio cannot be assessed accurately.

We have always felt commercial property had a place in an Investor's Portfolio, albeit a small one. However, the changes proposed would trap an Investor within a closed Fund and whilst the BMO UK Property Fund holds 23.1% in Cash, and is debt free, we feel the changes proposed by the FCA would significantly impact our ability to trade and therefore may see us act swiftly.

We remain overweight to a zero benchmark but are strongly reviewing exposure.

Fixed Interest

The flight to safety continues as the unrelenting rally in Government debt drives US Treasury yields to new record lows. Since our last edition of Outlook, the 10 year treasury yield has fallen from 0.72% to 0.52% as of the 4th August. This yield compression is a signal of the pessimistic outlook priced in by Bond Investors and reflects a disconnect between what is currently being observed within global equity markets.

Yet, there are reasons to be positive. As we saw back in March, global Central Banks continue to offer monetary support by providing Bond markets with liquidity and price stability. The FED remain dovish, with Jay Powell recently affirming "We've got to hope for the best and plan for the worst" and this rhetoric appears to have reassured Investors with an appetite for yield. In July, US junk bonds (below BBB rated) saw their best monthly performance in nine years, coming shortly after the widespread default expectations that plagued both high-yield and Investment grade markets. Debt remains cheap and the vast policy response to COVID-19 has made it possible for Companies to strengthen their balance sheets with $150bn being raised from junk-rated Companies since the start of April.

The outlook for the European Union (EU) appears optimistic with the S&P raising the credit rating of the EU to positive, a step in the right direction to regaining the pinnacle rating of AAA, a status that was lost back in 2016 following the Brexit vote. The effort of member states to establish a recovery Fund in the wake of the Pandemic has given S&P confidence in the "strengthening political cohesion" within the EU. New issuance between 2021 and 2026 will fund the €750bn recovery package and help restore productivity and economic growth.

Closer to home, a new fiscal record looks to be achieved as the UK Government is on track to sell over £500bn of debt this year, more than doubling the previous record set during the economic response to the Global Financial Crisis.

We have introduced the Royal London Sustainable Managed Income Fund to our core range, a fund held within the Forrester-Hyde Ethical Portfolio since June 2016. The Fund predominantly invests in sterling-denominated bonds that are deemed to have a positive contribution to society and excludes Companies that fail to comply with ESG standards.

We remain negative to benchmark but increase exposure.

Cash

Last quarter we introduced the L&G Cash Trust. This quarter we propose diluting exposure to the Royal London Cash Plus Fund in favour of the Janus Henderson Absolute Return Fixed Income Fund.

The Fund was launched in 2007 but only opened to UK investors in February 2019. Managed by Nick Maroutsos the income stream is established through the use of short-dated global Corporate and Government Bonds combined with a derivative toolkit to manage price volatility.

We remain negative to benchmark.

Key Points - Conclusion

- The UK economy is in recession.
- On 31 December the UK may well trade with Europe on WTO terms.

Conclusion

The UK economy is in recession. As a Service based economy the UK has suffered more than the US and Germany. Between April and June our economy contracted by 20.4% compared with 9.5% US and 10.1% Germany. The IMF predict the global economy will shrink by 4.9%, making it the worst recession since the Great Depression of the 1930s.

The Bank of England forecast the UK economy will shrink by 9.5% this year compared with an earlier estimate of 14%. Unemployment is expected to rise by 750,000 when Furlough ends in October. Banks will lend more to British Businesses than at any time since the Financial Crash, but have greater reserves and are better prepared. The Government debt exceeds £2tn, equating to 100.9% of GDP, up from 85.9% in 2018, a year when Eurozone debt stood at 80.4% and German debt at 61.9% of GDP. Investors have seen UK dividend pay-outs fall by 54%, and yield starved Investors have started rummaging in the triple C rated basement.

Let's not forget Brexit! On 31 December the UK may well trade with Europe on WTO terms. This is looking increasingly likely as Michel Barnier refuses to concede ground insisting that before talks on Tariffs can begin, the UK must concede on Fishing Rights, the supremacy of the ECJ over the UK Courts, State Aid and Subsidies to Business. Further, the UK has so far failed to replace dozens of trade deals with Countries outside the Eurozone, particularly the US, where we are being bullied to accept lower standards for food hygiene and animal welfare.

Returning to Coronavirus, the Office of National Statistics records that between 2 March and 12 June, 66,112 people died in Care Homes, of these, 19,394 (29.3%) involved COVID-19. In 2018, 616,014 people died in the UK, up 1.7% over the previous year. Up to 5 August, 41,433 deaths from COVID-19 have been recorded in the UK, with BAME individuals suffering disproportionately. Until there is an effective vaccine the virus will remain in the community. We must all remain vigilant, but life must go on.

Andy Haldane, the Bank of England Chief Economist, believes the UK economy is robust and will recover, and there are signs of the resilience and resourcefulness of the British people, with new businesses emerging. The Pandemic has accelerated changes in the way we live. The Pandemic has sounded the death knell for many Companies that were already tired and struggling in the new Tech environment.

The next twelve months will be challenging. How quickly will Industries rebound? Companies will look to shorten supply chains by reshoring production. There is a housing shortage, but relaxed planning may lead to empty commercial premises morphing into social housing.

Our Investment Committee have reviewed every Fund in our portfolios, have interviewed Fund Managers and without the luxury of a crystal ball are as confident as we can be, in these unchartered waters, that the Funds in which you invest remain appropriate. Our Portfolios have so far proved resilient catching as much of the upside and shielding Investors from the worst of the downside, commensurate with each Investors risk appetite.

Fund Panel Update

FH Core

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Conservative	Cautious	Balanced	Assertive	Adventurous
Allianz Gilt Yield		1	1		
Allianz Strategic Bond	1	1	1	2	
Artemis Corporate Bond	1	2	3	5	
Artemis US Extended Alpha		1.5	2.5	2.5	2.5
ASI Global Smaller Companies				3	4
AXA Sterling Credit Short Duration Bond	4	4	3		
Baillie Gifford Japanese	0.5		1	1	1
BlackRock Emerging Markets				0.5	1.5
Fidelity Emerging Markets	0.5	0.5	1.5		
First State Asia Focus				1	1
Franklin UK Equity Income		2	1		1
Fundsmith Equity			1	1	1
Janus Henderson Absol Return Fixed Inc	7	4	4		
Janus Henderson Strategic Bond	1	1	5	5	
JPM Global Macro Opportunities					1
L&G Cash Trust	3	1			
L&G Global Inflation Linked Bd Ind	3	2			
Legg Mason IF ClearBridge Gbl Inf Inc (H)	1	1			
LF Miton European Opportunities	1.5	4.5	3	2	1
LF Miton US Opportunities			2		
Liontrust Special Situations	0.5				
Man GLG Undervalued Assets		0.5	0.5	1	
Polar Capital Global Insurance			1	1	1
Rathbone High Quality Bond	1				
Royal London Cash Plus	5	4	4		
Royal London Sustainable Mgd Income	8	6	6		
Royal London UK Equity Income	2	2	1.5	1	1
TB Amati UK Smaller Companies				1	2
Threadneedle European Select	2	4	3	3	3
Vanguard Global Credit Bond (H)	1	1	1	1	

Funds Introduced

Janus Henderson Absolute Return Fixed Income - The Fund is actively managed by Daniel Siluk, Jason England, Nick Maroutsos and Tim Winstone. It seeks to generate an absolute positive return, above that of cash and money market funds, whilst exposing the Investor to less downside risk and interest rate sensitivity than the core fixed income Fund (target volatility of <1.5% p.a.). The Fund can act as a cash alternative or a lower risk core bond alternative. Although the Fund has only recently been made available to the UK market (February 2019) it was actually founded back in 2006 and has an established track record through periods of market stress. The investment approach is guided by a secular outlook (6-12 months) and consists of four pillars: capital preservation, bond allocation, risk and derivatives for hedging. The income stream is established through the use of short-dated global corporate and government bonds combined with the derivative toolkit to manage price volatility.

Royal London Sustainable Managed Income Trust - The Fund was founded in December 2012 and is actively managed by Richard Nelson. The investment process adheres to the manager's ethical and sustainable investment policy by integrating financial analysis with ESG considerations such as energy transition, next generation medicine and affordable housing. The Fund predominantly invests in sterling-denominated bonds that are deemed to have a positive contribution to society, with the aim of providing an income exceeding typical cash deposit rates. This strategy excludes Companies that fail to comply with ESG standards and this process is overseen by an external advisory committee.

FH Passive Plus

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Cautious	Balanced	Assertive
Artemis Corporate Bond	7	6	3
Fidelity Index Emerging Markets	1		2
Fidelity Index Japan		1	2
Fidelity Index Pacific ex Japan		2	3
Fidelity Index US	4	7	12
HSBC American Index	6.5	11.5	13.5
HSBC European Index	3	6	8
iShares Corporate Bond Index	10	8	3
iShares Overseas Corporate Bond Index	8	5	2
iShares Pacific ex Japan Equity Index	1.5	3	4
Janus Henderson Strategic Bond	7	6	4
JPM Global Macro Opportunities			1
L&G Cash Trust		3	
L&G Global Inflation Link Bond Index	2		
LF Miton European Opportunities	4.5	6	8
Natixis H2O MultiReturns	4	4	4
Polar Capital Technology	3	3	3
Royal London Cash Plus	7		3
Royal London FTSE 350 Tracker	0.5	1	1.5
Vanguard FTSE UK Equity Income Index	2	2.5	1
Vanguard Global Credit Bond (H)	2		3
Vanguard UK Government Bond Index		1	
Vanguard UK Investment Grade Bond Ind	6	3	

Funds Introduced

Following our annual passive review, several changes have been recommended with their reasoning below:

HSBC American Index – The Fund has a lower index tracking error and stronger performance than our previous exposure over the past three years.

iShares Corporate Bond Index - The Fund has a lower index tracking error and stronger performance than our previous exposure over the past three years.

iShares Pacific ex Japan Equity Index – The Fund has a lower OCF, index tracking error and stronger performance than our previous exposure over the past three years.

Fund Panel Update

FH Specialist

Allocation Increased Allocation Decreased Fund Added Fund Removed

Fund Name	Distribution	Ethical
AXA Sterling Credit Short Duration Bond	2	3
Baillie Gifford Strategic Bond	1	
BlackRock Continental European Income	1	
BMO Responsible UK Income		1
L&G Cash Trust	5	
Janus Henderson Fixed Int Monthly Inc	3	
Janus Henderson UK Responsible		1
Jupiter Japan Income	1	
Kames Diversified Monthly Income	1	
Legg Mason IF Brandywine Gbl Inc Opt	7	
Marlborough Global Bond	1	
Man GLG UK Income	3	
Rathbone Ethical Bond		1
Rathbone High Quality Bond	3	
Royal London Ethical Bond		1
Royal London Sustainable Mgd Income		1

Funds Introduced

Legg Mason IF Brandywine Global Income Optimiser Fund – The Fund is managed by Brian Kloss, Tracy Chen, Anujeet Sareen and Jack McIntyre - a team with extensive macro and fixed income expertise across all sectors. The Fund targets attractive levels of income relative to the market, regardless of market conditions, over a rolling 3-5 year period, whilst preserving capital. The Fund seeks to generate returns through a flexible macroeconomic approach combined with fundamental credit analysis and bottom-up research that invests across global fixed income sectors (no sector or regional biases). At the same time they adopt active exposure management and risk hedges to regulate risk and protect the Fund on the downside. This investment approach has provided an attractive yield and strong performance since launch and has proven to take advantage of high conviction opportunities and rotate quickly to capture opportunities in different market environments.

Performance

Portfolio	1 Year %	3 Year %
Forrester-Hyde Adventurous Model Portfolio	2.61	12.28
Forrester-Hyde Assertive Model Portfolio	1.56	10.98
Forrester-Hyde Balanced Model Portfolio	0.99	8.87
Forrester-Hyde Cautious Model Portfolio	0.04	6.28
Forrester-Hyde Conservative Model Portfolio	1.29	6.81

Portfolio	1 Year %	3 Year %
Forrester-Hyde Passive Plus Assertive Model Portfolio	-1.61	7.55
Forrester-Hyde Passive Plus Balanced Model Portfolio	-1.93	6.84
Forrester-Hyde Passive Plus Cautious Model Portfolio	-0.65	7.06

Portfolio	1 Year %	3 Year %
Forrester-Hyde Ethical Model Portfolio	6.58	15.48
Forrester-Hyde Distribution Model Portfolio	-3.60	2.44

Asset Class	1 Year %	3 Year %
Euro STOXX 50	-2.48	1.01
FTSE 100	-14.32	-9.49
FTSE Actuaries UK Conventional Gilts All Stocks	2.42	13.23
IBOXX UK Sterling Corporate All Maturities	3.87	13.13
MSCI Emerging Markets	6.50	7.03
MSCI World	6.74	28.07
Nikkei 225	1.75	17.64
S&P 500	10.99	42.93

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