



The Master Portfolio Service for Private Clients Quarterly Fact Sheet (end Dec 2017)

Cautious Portfolio

This portfolio is designed with a degree of emphasis on capital preservation (though this cannot be wholly guaranteed). Typically, the portfolio has a decent proportion of its assets in government and investment grade corporate bonds to reduce levels of volatility. Other asset classes, such as equities, commercial property and hedge funds (the latter two might well be less prominent) are used when appropriate to diversify risk and volatility (which is expected to be lower than average).

Market Commentary 31st Dec 2017

In terms of commentary, the FTSE All Share ended the year at an all-time high and retrieved some previous under-performance (the underperformance being down to recovery of the pound). Meanwhile 'Brexit' negotiations continue to dominate the headlines, and progress in this area has been a key factor in supporting the pound. Domestic demand, tempered by weak real wage growth, is sluggish, but there are signs that the pound's 2016 devaluation, along with growing global demand, is beginning to boost exports.

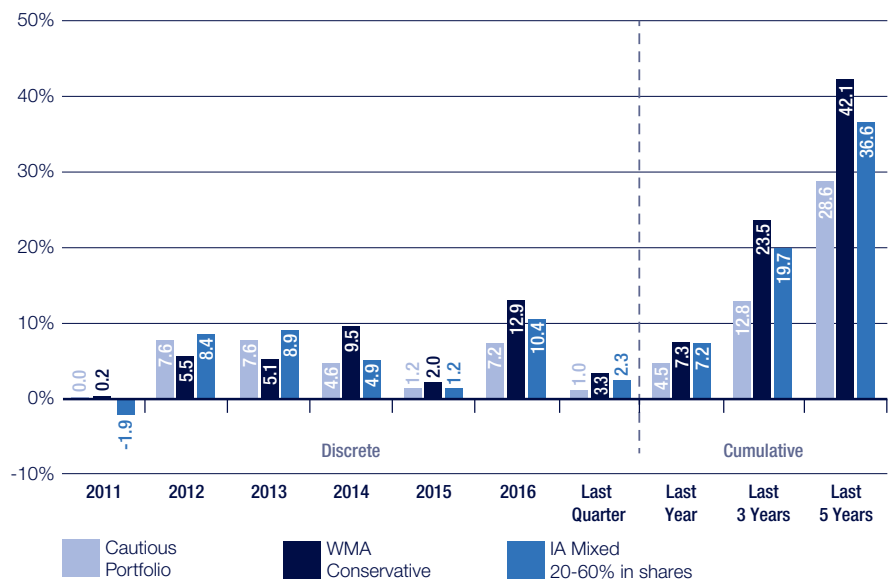
In the U.S. the S&P 500 Index made no fewer than seventy new all-time highs during 2017. The economy has good momentum, with growth topping 3% in the second and third quarters. In Europe, growth is accelerating. Banks are much better capitalised, unemployment continues to fall and election banana skins have been avoided. The region is generally viewed as being around four years behind the US in terms of its recovery, so it seems far too early to be taking profits. In Japan, growth is picking up, albeit relatively slowly, but there is a feeling that the rot has stopped. Japanese companies, in aggregate, still sport high cash balances and have the potential to increase returns to shareholders, with improving corporate governance adding more support. Emerging Markets led the performance tables in 2017, bolstered by a recovery in commodity prices and global trade as well as a weaker dollar. China remains the key driver of both growth and sentiment, and has once again defied the doom-mongers.

Elsewhere, there is a 'battle royal' being fought in the bond market between the inflation and deflation camps and there is no clear winner emerging. Inflation expectations did rise early in 2017, spurred on by the one year anniversary of the trough in commodity prices, but have since remained subdued. Higher yields on emerging market sovereign bonds and high yield credit offer a modicum of protection against falling capital values.

Investors have consistently found things to worry about – Trump, North Korea, various elections – but none of them have derailed the economic recovery. The good news is that the momentum carried forward into 2018 is strong, and it is hard to see a major recession evolving without a helping hand.

Less optimistically, we are acutely aware that all financial assets have extended their gains with unprecedentedly low levels of volatility, and also for longer-than-average without a material setback. Therefore, we would not be at all surprised to see a consolidation or some sort of pull back at some stage in 2018.

Performance Figures up to 31/12/2017

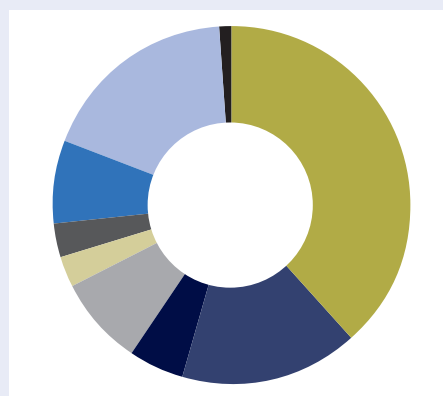


Source: IW&I and Financial Express Dec 2017

The MPS performance figures are calculated from the average return of all portfolios from private clients only, on a total return basis, net of all IW&I's charges.

Please remember that past performance is not a reliable guide to the future and that previous periods of favourable performance will not necessarily be repeated in the future.

Asset Allocation



Fixed Interest	38.5%
Equities	35.0%
U.K.	16.0%
Europe	5.0%
U.S.	8.0%
Japan	3.0%
Far East	3.0%
Property	7.5%
Hedge/Alternatives	18.0%
Cash	1.0%

Source: Investec Wealth & Investment Dec 2017

Costs & Charges

AMC: 1.25% (Plus VAT)

Minimum Fee: £500 (Plus VAT)

Transaction costs: £15 per transaction

Estimated Cost of underlying holdings: 0.7%

Estimated OCF: 2.2% (inc. VAT on IWI fee)

Portfolio Holdings	
Fixed Interest	
UK Fixed Interest Allianz Gilt Yield Fund iShares Index Linked Gilts Fidelity Strategic Bond Fund Royal London Sterling Credit Bond Fund	Overseas Fixed Interest BNY Mellon International Bond Fund Blackrock EM Flexi-Dynamic Bond Fund Standard Life Short Dated Global Index Linked Bond Fund
Equities	
UK Equities Jupiter UK Special Situations Fund Threadneedle UK Equity Income Fund Japanese Equities Schroder Tokyo Fund Far East Equities Schroder Asian Alpha Plus Fund	European Equities Henderson European Selected Opportunities Fund US Equities JP Morgan US Equity Income Fund
Commercial Property	
UK UK Commercial Property IT iShares Target UK Real Estate	Alternative Assets NB Uncorrelated Strategies Fund Protean Elder Capital SP Fund Hicl Infrastructure IT Gold Bullion Secs 0% Nts

Changes in the 4th Quarter
During the quarter we moved to reduce the UK equity exposure in favour of Alternative Assets. New holdings of Hicl Infrastructure and the Protean Elder Capital Structured Product Fund were added in this space.

Discrete Calendar Year Performance. Percentage change (total return) in sterling terms.

	Discrete Calendar Year Performance							Volatility of Portfolio		Drawdown of Portfolio	
	2011	2012	2013	2014	2015	2016	2017	3 Year	5 Year	3 Year	5 Year
Cautious Portfolio	0.0	7.6	7.6	4.6	1.2	7.2	4.5	5.0	5.4	6.5	6.6
WMA Conservative	0.2	5.5	5.1	9.5	2.0	12.9	7.3				
ARC GBP Cautious Private Client Index	-0.5	5.8	5.0	4.0	1.3	5.5	-				

Source: IWI and Financial Express Asset Risk Consultants Dec 2017

Important Information
<p>Please note, from 1st March 2017 the Wealth Management Association (WMA) changed indices provider from FTSE to MSCI. In order to benchmark the service appropriately we have made the decision to continue using the WMA Private Investor Indices incorporating MSCI.</p> <p>The MPS performance figures are calculated from the average return of all portfolios from private clients only, on a total return basis, net of all IW&I's charges.</p> <p>The benchmark figures are supplied by Exshare and are on a total return basis. The IA performance numbers are the Investment Association sector averages as provided by FE Analytics. You should remember that the value of investments and the income from them can fall as well as rise. Before proceeding to invest on the basis of this factsheet, you should obtain specific advice on the suitability of the investment in the light of your personal circumstances. Please remember that past performance is not a reliable guide to the future and that previous periods of favourable performance will not necessarily be repeated in the future. We would also refer you, particularly, to the Risk Statement set out in the main Master Portfolio Service brochure.</p> <p>The composition of the portfolio may not be a true reflection of the benchmarks, which are provided for comparison purposes only.</p> <p>The data used to calculate the performance figures consists of all of our discretionary managed clients with a portfolio value greater than £250,000 and where there are no embargoed stocks. Both the ARC PCI and the IW&I PCI are calculated on a simple average basis. Classification of portfolios is carried out by ARC using historic risk relative to the risk of global equities. ARC's risk categories may not match the risk and return objectives of all underlying portfolios. All data is net of fees. Average performance data will not necessarily reflect the returns achieved by individual portfolios.</p>