

KLEINWORT HAMBROS

CAUTIOUS

MODEL PORTFOLIO SOLUTIONS

This document is designed for professional intermediaries only and is not intended for client use.

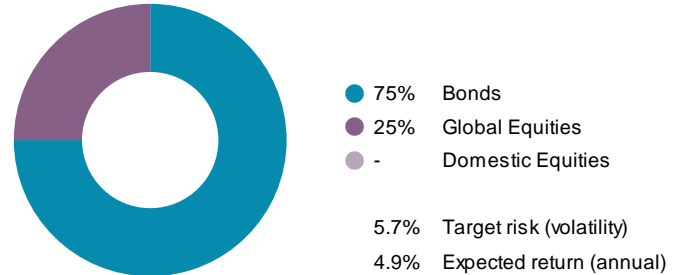
RISK RATING 2

ASSET ALLOCATION RANGES

The allocation to asset class asset class will typically fall within these ranges:

Asset class	Range (%)
Cash	0 to 25
Government bonds	25 to 90
Credit	0 to 50
Equities	0 to 50
Real estate	0 to 10
Commodities	0 to 10
Alternative strategies	0 to 10

HISTORICAL REFERENCE ALLOCATION



WHAT DOES THIS MODEL DO?

This model seeks to preserve purchasing power relative to inflation over a period of 5-7 years. The historical reference allocation above shows how a portfolio has typically been constructed to achieve the stated risk and return figures. The expected return figure shown above is calculated based on a composite benchmark, is not simulated and is based on a longer time-frame including different market conditions. While, the risks and returns of different assets are not static over time and historical returns are not a guide to future returns. This model therefore uses Kleinwort Hambros' dynamic asset allocation to invest in a wider range of asset classes in response to changing market and economic conditions. The model's current indicative asset class ranges are detailed above and may vary over time.

PERFORMANCE UPDATE

Over the quarter the portfolio fell 3.3% outperforming its ARC peer group which declined 3.7%. Despite 2018 being a negative one for risk assets, we are pleased to have outperformed the ARC benchmark by 1.7% over the year as a result of our disciplined investment process.

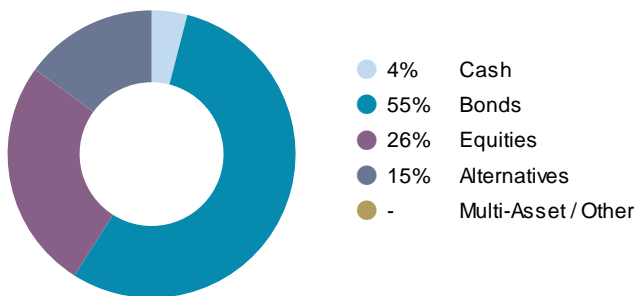
Not surprisingly it was the portfolio's equity allocation that was the biggest driver of its fall, impacted by the sharp sell-off in the S&P 500 in December. Fixed income was a modest detractor, with alternatives delivering a small positive return.

Global equity markets sold off in Q4, led by the US market. There was plenty to spook markets though the key issues were the uncertainty over the Fed's rate policy and the ongoing US-China tariff wars. There was no place to hide, the "best" performances came from Asia and emerging markets only down c. 7% and c. 5% respectively over the quarter.

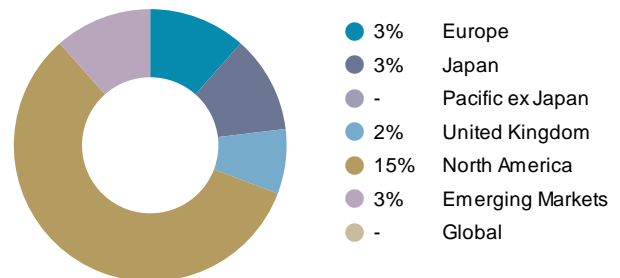
The fixed income investments delivered a small negative return driven by the weakness of our credit exposure both investment grade and high yield. Governments on the other hand were marginally up over the quarter as investors sought safety. Alternatives produced a small positive return driven by the gold exposure that returned +10.5%. The recently added alternative strategies delivered mixed returns and overall generated a very small loss for the portfolio of c. 1%.

We made few implementation changes over the quarter reflecting the overall level of uncertainty, though post the falls in October we did marginally increase the US exposure, by reducing cash.

CURRENT ASSET ALLOCATION



EQUITY ALLOCATION



Source: Kleinwort Hambros as at 31 Dec 2018

Actual weighting and investment allocations are subject to change on an ongoing basis and may not be exactly as shown.

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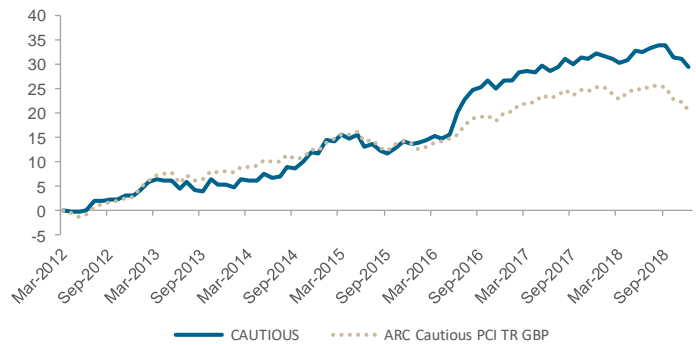
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RISK RATING 2

TOP 10 HOLDINGS

	(%)
Lyxor FTSE Actuaries UK Gilts 0-5Y ETF	11.0
Fidelity Index US Fund	10.0
H2O MultiAggregate Fund	7.0
Invesco Sterling Bond	7.0
M&G Corporate Bond Feeder Fund	7.0
PIMCO Global Investment Grade Credit Fund	7.0
Lyxor FTSE Actuaries UK Gilts ETF	5.0
Fidelity American Growth	5.0
GBP Cash Deposit	4.0
UBAM Global High Yield Solution Fund	4.0

PERFORMANCE CHART



PERFORMANCE

	YTD*	3 months*	1 year*	5 year*	Inception*
CAUTIOUS	-2.1	-3.3	-2.1	22.7	29.4
ARC PCI**	-3.8	-3.7	-3.8	11.7	20.7
+ / -	1.7	0.3	1.7	11.0	8.6
Volatility***	-	-	3.1	3.8	3.7

	Dec 2013 to Dec 2014	Dec 2014 to Dec 2015	Dec 2015 to Dec 2016	Dec 2016 to Dec 2017	Dec 2017 to Dec 2018
CAUTIOUS	6.0	1.8	11.5	4.3	-2.1
ARC PCI**	4.0	1.3	5.5	4.5	-3.8

* to 31 December 2018

** ARC Cautious PCI TR GBP

*** Annualised data

Notes: model launch date 01/04/2012; performance net of underlying fund fees but gross of Kleinwort Hambros's annual management charge, platform fees and advisor charges; the deduction of fees, commissions and other charges will reduce the performance outlined above.

Latest quarter of ARC performance data are based on ARC estimates.

Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations and the price and value of investments and the income derived from them can go down as well as up. The tax benefits and liabilities will depend on individual circumstances and may change in the future.

Source: ARC, Morningstar, Bloomberg and Kleinwort Hambros as at 31 Dec 2018

YIELD, FEES AND CHARGES

Yield (gross)	1.9%
Kleinwort Hambros annual management charge (via platforms)	0.35% plus VAT

Available Platforms:

Ascentric
AXA Elevate
Novia
Transact
Aviva
Nucleus
Standard Life

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