

KLEINWORT HAMBROS

CAUTIOUS

MODEL PORTFOLIO SOLUTIONS

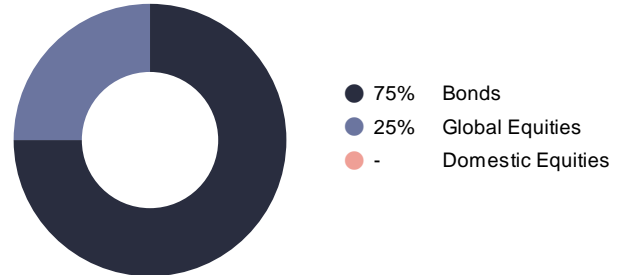
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ASSET ALLOCATION RANGES

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

REFERENCE ALLOCATION



WHAT DOES THIS STRATEGY DO?

This strategy 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 The historical reference allocation above shows how a portfolio has typically been constructed to achieve its objective. However, the risks and returns of different assets are not static over time and historical returns are not a guide to future returns. This strategy 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 strategy's current indicative asset class ranges are detailed above and may vary over time.

PERFORMANCE UPDATE

Over the quarter the portfolio returned 0.9% outperforming its ARC peer group which rose 0.4%. It was encouraging to see the strategy's strong performance year to date continue into Q4.

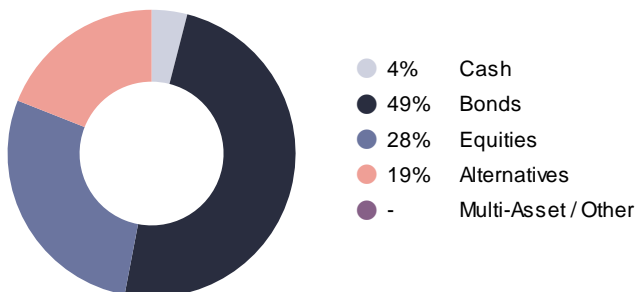
The portfolio's equity allocation was the principle driver of returns, though this was supported by the alternative exposure. Its bond positioning was a modest detractor. Global equity markets continued in their upward trajectory, though this was less than previous quarters with the MSCI World returning 1.0%, though the US market was slightly stronger returning 1.3% in sterling terms. The portfolio's significant exposure to the US market was a major positive driver of returns, though this was supported by its European, emerging markets and UK allocations. In the US deciding to hedge part of the exposure to sterling added value as sterling rallied 7.9% against the US dollar. Loomis Sayles (+2.0%) also outperformed the S&P 500. Elsewhere Threadneedle UK (+6.1%), Fidelity Emerging Markets (+4.5%) and JOHCM Continental European (+1.8%) all added value.

The fixed income investments detracted over the quarter, impacted by the sell-off in government bonds, though this was partially offset by strong performances from the high yield and investment grade credit positions; UBAM Global High Yield (+2.5%) was worthy of mention. Our decision in the third quarter to increase duration in the government bond allocation detracted, as they sold off during the quarter.

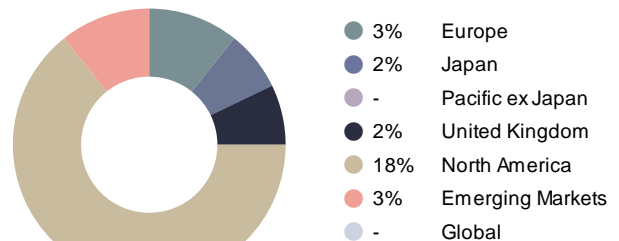
Alternatives performed well, driven by the gold position which returned 3.0%, benefiting from being hedged to sterling. The trading strategies were overall modestly negative, offsetting some of this. The best performance came from Lyxor Tiedemann Arbitrage (+2.0%).

Over the quarter we only made one change, modestly increasing our US equity exposure, adding to the holding of iShares S&P 500 GBP Hedged, funded by a modest reduction in the government bond allocation.

CURRENT ASSET ALLOCATION



EQUITY ALLOCATION



Source: Kleinwort Hambros as at 31 Dec 2019.

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

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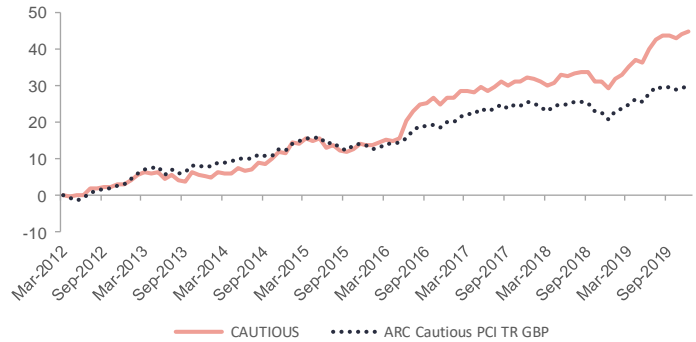
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RISK RATING 2

TOP 10 HOLDINGS

	(%)
Lyxor FTSE Actuaries UK Gilts ETF	11.0
WisdomTree Physical Gold GBP Hedged ETC	8.0
H2O MultiAggregate Fund	7.0
Invesco Sterling Bond Fund	7.0
PIMCO Global Investment Grade Credit Fund	7.0
Lyxor S&P 500 ETF	7.0
iShares S&P 500 GBP Hedged ETF	6.0
Lyxor FTSE Actuaries UK Gilts 0-5Y ETF	6.0
Loomis Sayles US Growth Equity Fund	5.0
GBP Cash Deposit	4.0

PERFORMANCE CHART



PERFORMANCE

	YTD*	3 months*	1 year*	5 year*	Inception*
CAUTIOUS	12.1	0.9	12.1	29.8	45.0
ARC PCI**	7.6	0.4	7.6	15.7	30.1
+ / -	4.5	0.5	4.5	14.1	14.9
Volatility***	-	-	3.4	3.9	3.7

	Dec 2014 to Dec 2015	Dec 2015 to Dec 2016	Dec 2016 to Dec 2017	Dec 2017 to Dec 2018	Dec 2018 to Dec 2019
CAUTIOUS	1.8	11.5	4.3	-2.1	12.1
ARC PCI**	1.3	5.5	4.5	-3.6	7.6

* to 31 December 2019

** 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; 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. The performance chart represents the cumulative performance since inception, against the cumulative return in %.

Source: ARC, Morningstar, Bloomberg and Kleinwort Hambros as at 31 Dec 2019.

YIELD, FEES AND CHARGES

Yield (gross)	1.5%
Kleinwort Hambros annual management charge (via platforms)	0.35% plus VAT

Available Platforms:

AXA Elevate
Novia
Transact
Standard Life

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