

# KLEINWORT HAMBROS

## INCOME

### MODEL PORTFOLIO SOLUTIONS

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

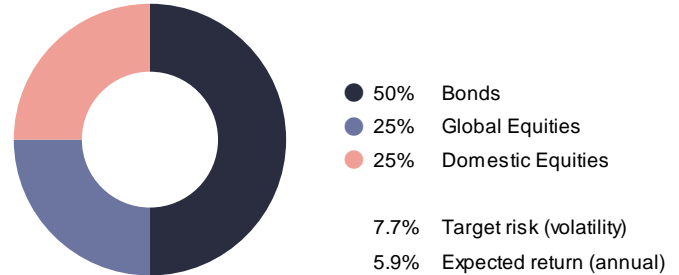
RISK RATING 4

#### ASSET ALLOCATION RANGES

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

Asset class	Range (%)
Cash	0 to 25
Government bonds	0 to 75
Credit	0 to 50
Equities	25 to 75
Real estate	0 to 10
Commodities	0 to 10
Alternative strategies	0 to 10

#### HISTORICAL REFERENCE ALLOCATION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 The historical reference allocation above shows how a portfolio has typically been constructed to achieve its objective.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 5.4% marginally behind its ARC peer group which rose 5.9%. Markets continued to fall in October as investors digested rising Covid-19 cases and tough restrictions, including lockdowns, as governments strove to contain the second wave of the pandemic. This changed in November with the arrival of three vaccines, with high efficacy levels, and the election of Joe Biden as President of the US; though not control of the Senate. Both were taken positively by markets, generating a strong equity rally into the year end.

The challenge we face is how much risk we are prepared to take to maintain an attractive yield from the portfolio. Many companies have cut or postponed their dividends, which has not yet impacted the portfolio, but will in time; though we anticipate this to be a short-term issue. The strategy current yields 2.9% on a prospective basis.

The portfolio's equity allocation was the principle driver of the portfolios return, led by its UK exposure, though all of its overseas positions delivered positive returns. Its alternative and bond positioning were modest positive contributors.

The strategy's bias towards the UK market add value with all managers outperforming; the best was Artemis Income up 14.3%. All overseas investments delivered positive absolute returns with following outperforming their respective benchmarks: Polar Capital Emerging Markets Income, Schroder Asian Income and BNY Mellon Global Income.

The fixed income investments performed well, benefiting from the strength of credit markets, with the best returns coming from Fidelity MoneyBuilder Income and PIMCO Global Investment Grade Credit. Government bonds also delivered a modest positive return.

The Alternatives performed well, delivering a positive absolute return driven by the alternative sources of income, with the best returns coming from HICL up 6.2% and International Public Partnerships retuning 6.7%, though this was offset by GCP Infrastructure which declined 4.8%. Gold was a detractor, impacted by the relative strength of sterling towards the end of the quarter.

In October we sold Artemis Global, adding the proceeds to the US. Finally, in November we increased the equity allocation by 3% to 50%. This was funded by reducing the cash balance. This increased our emerging markets allocation adding a new holding of Schroder Asian Income to the portfolio.

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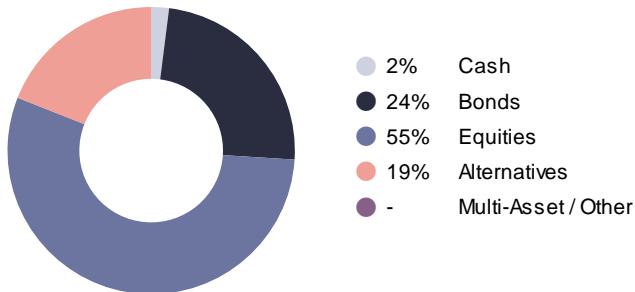
## INCOME

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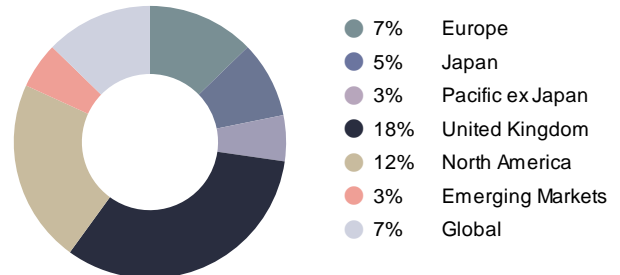
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RISK RATING 3

## CURRENT ASSET ALLOCATION



## EQUITY ALLOCATION



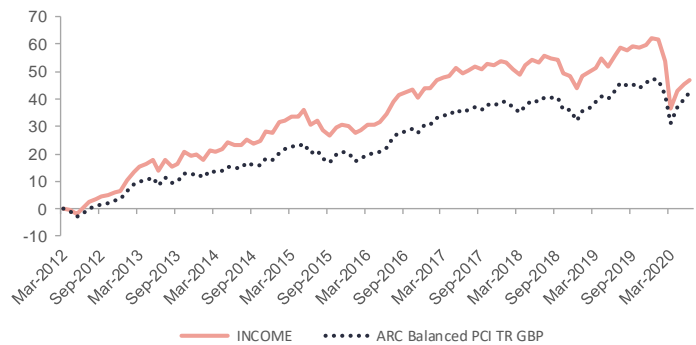
Source: Kleinwort Hambros as at 31 Dec 2020

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

## TOP 10 HOLDINGS

Holdings	(%)
Lyxor FTSE Actuaries UK Gilts ETF	9.0
Lyxor S&P 500 ETF	9.0
Standard Life European Equity Income	7.0
Invesco Sterling Bond Fund	7.0
BNY Mellon Global Income Fund	7.0
Artemis Income Fund	6.0
Royal London UK Equity Income Fund	6.0
Threadneedle UK Equity Income Fund	6.0
iShares Physical Gold ETC	6.0
Fidelity MoneyBuilder Income Gross Fund	5.0

## PERFORMANCE CHART



Past performance should not be seen as an indication of future performance. Performance net of underlying fund fees but gross of Kleinwort Hambros's annual management charge, platform fees and advisor charges. The deduction of such fees and charges will reduce the gross performance shown above.

## KLEINWORT HAMBROS

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## PERFORMANCE

	YTD*	3 months*	1 year*	5 year*	Inception*
INCOME	-4.8	5.5	-4.8	18.7	54.5
ARC PCI**	3.5	5.4	3.5	27.3	52.9
+ / -	-8.4	0.1	-8.4	-8.6	1.7
Volatility***	-	-	14.9	8.1	7.4

	Dec 2015 to Dec 2016	Dec 2016 to Dec 2017	Dec 2017 to Dec 2018	Dec 2018 to Dec 2019	Dec 2019 to Dec 2020
INCOME	10.5	7.0	-6.5	12.9	-4.8
ARC PCI**	8.6	6.7	-5.1	11.7	4.3

\* to 31 December 2020

\*\* ARC Balanced 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. The deduction of such fees and charges will reduce the gross performance shown above.

## YIELD, FEES AND CHARGES

Yield (gross)	2.9%
Kleinwort Hambros annual management charge (via platforms)	0.35% plus VAT

## Available Platforms:

AXA Elevate  
Novia  
Transact  
Standard Life Elevate



## TARGET MARKET

Target Market Category	Suitable for ... ✓	Not suitable for ... X
Client categorisation	Retail	-
Knowledge & Experience	Basic	-
Capacity for loss	Required	Clients who cannot bear loss
Risk tolerance	Medium	-
Objectives	<ul style="list-style-type: none"> <li>▪ Growth</li> <li>▪ Long term</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capital Preservation</li> <li>▪ Short/Medium term</li> </ul>
Distribution	Advised or Discretionary	Execution Only

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 %. Estimated yield is calculated based on distributed 12-month historic yield data and reflects the actual cash distribution yield, which may change.

Source: ARC, Morningstar, Bloomberg and Kleinwort Hambros as at 31 December 2020.

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This document is a financial promotion

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