

KLEINWORT HAMBROS

INCOME

MODEL PORTFOLIO SOLUTIONS

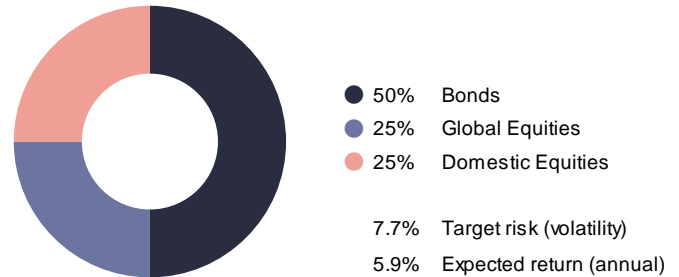
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ASSET ALLOCATION RANGES

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

Asset class	Range (%)
Cash	0 to 25
Government bonds	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HISTORICAL REFERENCE ALLOCATION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 model seeks to generate a sustainable income return. The historical reference allocation above shows how a portfolio has typically been constructed to achieve the stated risk and return figures. However, 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 0.2% behind its ARC peer group which rose 0.8%. Markets continued to recover from their mid-March lows as sentiment improved, though at a slower rate than in the second quarter as many countries continued to see an increase in new Covid-19 cases. Global markets were broadly flat in September as investors digested increasing restrictions to keep the virus under control.

The portfolio's equity allocation was the principle driver of the portfolios fall in value, led by its UK exposure, though its overseas positions offset some of this weakness. Its alternative and bond positioning were modest positive contributors, further offsetting some of this weakness.

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 3.1% on a prospective basis.

The strategy's bias towards the UK market, which has historically delivered above average yields, detracted from performance. However, selected managers overall outperformed the UK market. The overseas positions were more affected by this issue with the majority lagging their respective benchmarks. The exception being Aberdeen European Equity Income which outperformed.

The fixed income investments added value over the quarter driven by the rally in investment grade credit; its government bond allocation also delivered a small positive absolute return. The best returns came from Invesco Sterling Bond and PIMCO Global Investment Grade Credit.

The Alternatives performed well, delivering a positive absolute return driven by the gold position which returned 2.0%. The alternative sources of income were broadly flat over the quarter; GCP Infrastructure returned 5.6%, though this was offset by modest declines from HICL and International Public Partnerships.

In September we carried out a full review of the strategy. The first step was to increase the equity exposure by 5% to 47%, in line with our other strategies, this was funded by a reduction in the government bond allocation. Within equities we took the bold step to reduce the UK weight by 5% and add 7% to the US and 3% to a new position in Japan, through a new holding of Jupiter Japan Income. The alternative sources of Income were increase by 4% adding a holding of Sequoia Economic Infrastructure, funded by the removal of the emerging market debt position. Overall, these changes did not reduce the yield

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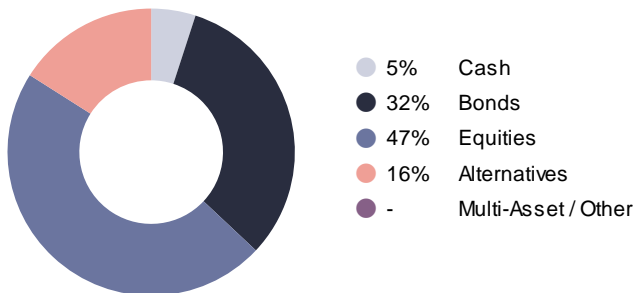
RISK RATING 3

INCOME

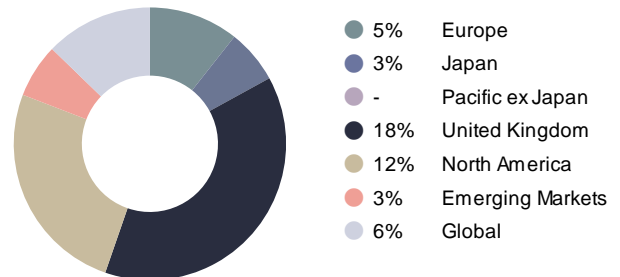
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CURRENT ASSET ALLOCATION



EQUITY ALLOCATION



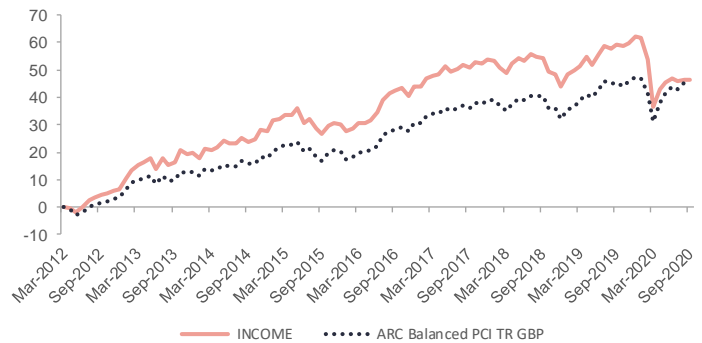
Source: Kleinwort Hambros as at 30 September 2020

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

TOP 10 HOLDINGS

Holder	(%)
Lyxor FTSE Actuaries UK Gilts ETF	14.0
Lyxor S&P 500 ETF	9.0
Invesco Sterling Bond Fund	7.0
Artemis Income Fund	6.0
Royal London UK Equity Income Fund	6.0
Threadneedle UK Equity Income Fund	6.0
BNY Mellon Global Income Fund	6.0
GBP Cash Deposit	5.0
Fidelity MoneyBuilder Income Gross Fund	5.0
Standard Life European Equity Income	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

INCOME

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RISK RATING 3

PERFORMANCE

	YTD*	3 months*	1 year*	5 year*	Inception*
INCOME	-9.8	-0.2	-7.9	15.7	46.5
ARC PCI**	-1.9	0.8	-0.3	24.2	44.9
+ / -	-7.9	-1.0	-7.5	-8.5	1.6
Volatility***	-	-	13.7	7.8	7.3

	Sep 2015 to Sep 2016	Sep 2016 to Sep 2017	Sep 2017 to Sep 2018	Sep 2018 to Sep 2019	Sep 2019 to Sep 2020
INCOME	12.5	5.9	2.3	3.0	-7.9
ARC PCI**	10.0	6.1	3.1	3.6	n/a

* to 30 June 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.

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"> ▪ Growth ▪ Income ▪ Long term 	<ul style="list-style-type: none"> ▪ Capital Preservation ▪ Short/Medium term
Distribution	Advised or Discretionary	Execution Only

YIELD, FEES AND CHARGES

Yield (gross)	3.1%
Kleinwort Hambros annual management charge (via platforms)	0.35% plus VAT

Available Platforms:

AXA Elevate
Novia
Transact
Standard Life



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 30 September 2020

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Marketing

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