

KLEINWORT HAMBROS

INCOME

MODEL PORTFOLIO SOLUTIONS

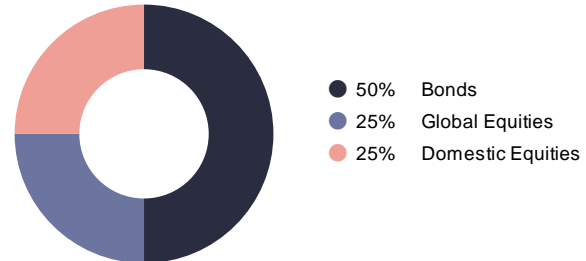
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ASSET ALLOCATION RANGES

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

REFERENCE ALLOCATION



WHAT DOES THIS STRATEGY DO?

This strategy 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 The historical reference allocation above shows how a portfolio has typically been constructed to achieve the stated risk and return figures.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 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

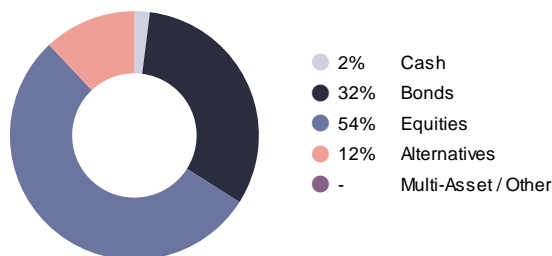
Over the quarter the portfolio returned 2.1% comfortably ahead of its ARC peer group which rose 1.2%. The portfolio's equity allocation was the principle driver of returns, though this was supported by the alternative exposure. Its bond positioning was a modest detractor.

The portfolio currently generates a gross yield of 3.7%. 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 UK market outperformed global markets returning 4.2%. Income was ahead of this with the IA UK Equity Income up 7.2% over the quarter. While the UK funds outperformed the wider UK market they failed to outperform the average of the IA UK Equity Income sector, though Aberdeen UK Income Unconstrained, Liontrust Macro Equity Income and Royal London UK Equity Income all returned c. 7.0%. Looking overseas there were strong performances from Artemis Global Income (+2.5%) and Polar Capital Emerging Markets Income (+2.8%) though this was partially offset by Aviva US Equity Income and BNY Global Income which both fell modestly.

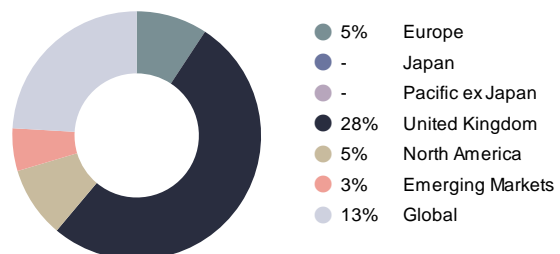
The fixed income investments detracted, impacted by the sell-off in government bonds, though this was partially offset by strong performances from the high yield and investment grade credit positions; UBAM Global High Yield (+2.5%) was worthy of mention. Our decision in the third quarter to increase duration in the government bond allocation detracted. Within alternatives the infrastructure holding performed strongly; HICL (+3.9%), GCP Infrastructure (+5.6%) and International Public Partnerships (+8.5%). These are held for their high income and lack of correlation with equity markets, offering a degree of downside protection. The recently added small gold position was a detractor driven mostly by sterling's rally against the US dollar.

Over the quarter we modestly increased our US and UK equity exposure, adding to the holdings of Liontrust Macro Equity Income, Aberdeen UK Equity Income Unconstrained and SPDR S&P US Dividend Aristocrats ETF. This was funded by a modest reduction in the government bond and cash positions.

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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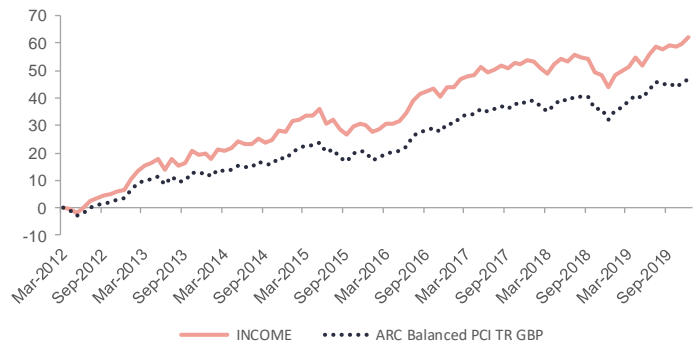
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RISK RATING 3

TOP 10 HOLDINGS

	(%)
Invesco Sterling Bond Fund	7.0
Artemis Global Income	7.0
BNY Mellon Global Income Fund	6.0
Artemis Income Fund	6.0
Royal London UK Equity Income Fund	6.0
Threadneedle UK Equity Income Fund	6.0
Lyxor FTSE Actuaries UK Gilts ETF	5.0
Fidelity MoneyBuilder Income Gross Fund	5.0
UBAM Global High Yield Solution Fund	5.0
Standard Life European Equity Income	5.0

PERFORMANCE CHART



PERFORMANCE

	YTD*	3 months*	1 year*	5 year*	Inception*
INCOME	12.9	2.1	12.9	27.2	62.4
ARC PCI**	11.3	1.2	11.3	24.8	47.1
+ / -	1.6	0.9	1.6	2.5	15.3
Volatility***	-	-	5.3	5.7	5.8

	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
INCOME	2.0	10.5	7.0	-6.5	12.9
ARC PCI**	1.9	8.6	6.7	-5.1	11.3

* to 31 December 2019

** 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.

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)	3.6%
Kleinwort Hambros annual management charge (via platforms)	0.35% plus VAT

Available Platforms:

AXA Elevate
Novia
Transact
Standard Life

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