

KLEINWORT HAMBROS

INCOME

MODEL PORTFOLIO SOLUTIONS

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

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HISTORICAL REFERENCE ALLOCATION



- 50% Bonds
- 25% Global Equities
- 25% Domestic Equities
- 7.7% Target risk (volatility)
- 5.9% Expected return (annual)

WHAT DOES THIS MODEL 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 The historical reference allocation above shows how a portfolio has typically been constructed to achieve the stated risk and return figures.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

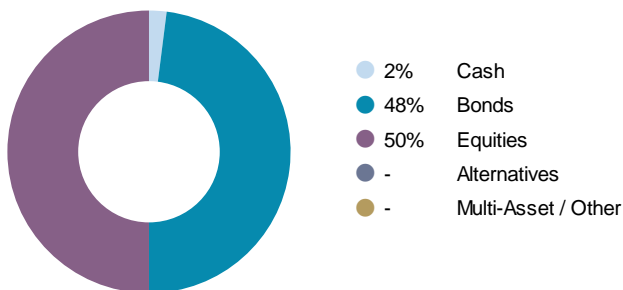
Over the quarter the portfolio returned 0.6%, outperforming its ARC peer group, which rose 0.4%. The portfolio's equity allocation added the most value but was impacted by its UK bias which we retain in order to deliver its Income target. The portfolio currently generates a gross yield of 3.5%.

Global equity markets were driven higher by the continued strength of US equities, though income focused strategies lagged as markets favoured growth orientated companies over higher yielding stocks. The UK investments came under pressure as global investors continued to shun the UK over ongoing BREXIT concerns. Despite this there were some noteworthy performances from; Standard Life UK Equity Income Unconstrained (+2.5%) and Polar Capital Emerging Markets Income (+5.5%) both outperforming their respective benchmarks. Artemis Global Income (+3.8%) and Newton Global Income (+5.2%) also performed well on an absolute basis.

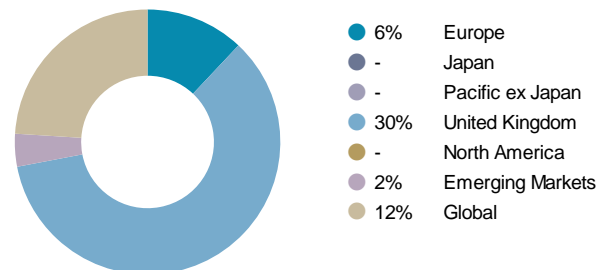
The fixed income investments remained flat overall. Government bonds were modest detractors as markets digested the increased probability of future rate rises, though partially mitigated by our short duration call. Our credit exposure's positive performance, in both investment grade and high yield offset this shortfall.

In our fixed income allocation we reduced our government bond weighting, increasing the emphasis towards investment grade credit adding two new holdings including Fidelity MoneyBuilder Income

CURRENT ASSET ALLOCATION



EQUITY ALLOCATION



Source: Kleinwort Hambros as at 30 Sept 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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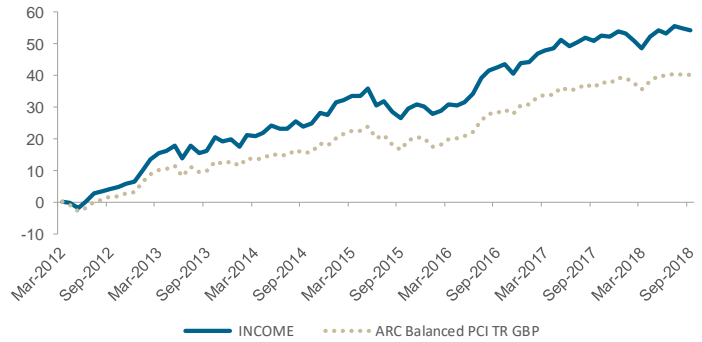
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RISK RATING
3

TOP 10 HOLDINGS

| | (%) |
|--|-----|
| Lyxor FTSE Actuaries UK Gilts 0-5Y ETF | 8.0 |
| Invesco Sterling Bond Fund | 7.0 |
| M&G Corporate Bond Feeder Fund | 7.0 |
| PIMCO Global Investment Grade Credit Fund | 7.0 |
| Artemis Global Income | 7.0 |
| Standard Life European Equity Income | 6.0 |
| Artemis Income Fund | 6.0 |
| Liontrust Macro Equity Income Fund | 6.0 |
| Royal London UK Equity Income Fund | 6.0 |
| Standard Life UK Equity Income Unconstrained | 6.0 |

PERFORMANCE CHART



PERFORMANCE

| | YTD* | 3 months* | 1 year* | Inception* |
|---------------|------|-----------|---------|------------|
| INCOME | 0.3 | 0.6 | 2.2 | 54.2 |
| ARC PCI** | 0.8 | 0.4 | 3.1 | 40.4 |
| + / - | -0.6 | 0.2 | -0.9 | 13.9 |
| Volatility*** | - | - | 3.4 | 5.6 |

| | Sep 2013 to Sep 2014 | Sep 2014 to Sep 2015 | Sep 2015 to Sep 2016 | Sep 2016 to Sep 2017 | Sep 2017 to Sep 2018 |
|-----------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| INCOME | 6.6 | 2.3 | 12.5 | 5.9 | 2.3 |
| ARC PCI** | 5.2 | 0.8 | 10.0 | 6.1 | 2.7 |

* to 30 September 2018

** 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; 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 30 Sept 2018

YIELD, FEES AND CHARGES

| | |
|--|----------------|
| Yield (gross) | 3.5% |
| 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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