

KLEINWORT HAMBROS

CAUTIOUS

MODEL PORTFOLIO SOLUTIONS

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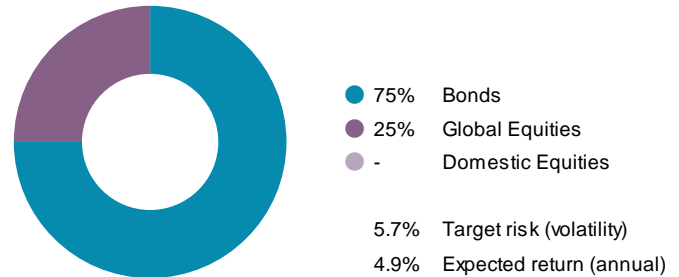
RISK RATING 2

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

HISTORICAL REFERENCE ALLOCATION



WHAT DOES THIS MODEL DO?

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 The historical reference allocation above shows how a portfolio has typically been constructed to achieve the stated risk and return figures.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

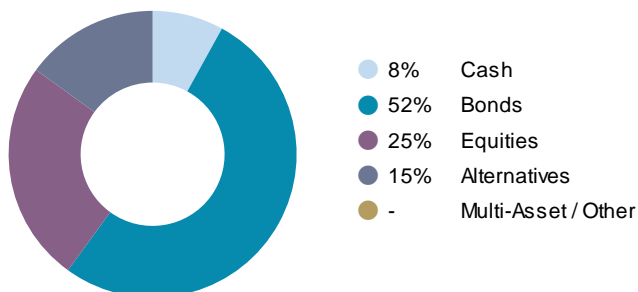
PERFORMANCE UPDATE

Over the quarter the portfolio returned 4.6% outperforming its ARC peer group which rose 2.6%. It was also encouraging to see the strategy more than make up its losses suffered in Q4 2018. Not surprisingly it was the portfolio's equity allocation driving its positive performance, though this was well supported by the fixed income allocation and to a lesser extent the alternatives which delivered small positive returns.

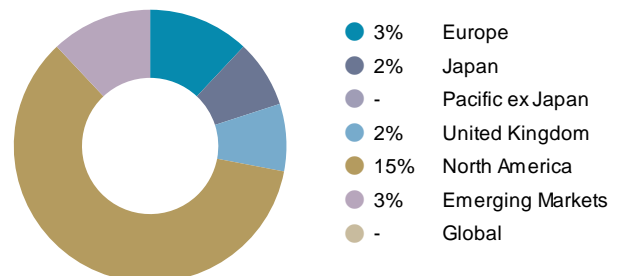
Global equity markets rallied strongly in Q1 2019 after the sell-off in Q4 2018. The MSCI World returned 9.9%, though the US market was slightly stronger returning 11.1% in sterling terms. The portfolio's significant exposure to the US market was a major positive driver of returns. Fidelity American Growth (+15.4%) outperformed the US market over the period. All other equity markets delivered positive returns with the following outperforming their respective benchmarks; Threadneedle UK Equity (+10.0%), Fidelity Emerging Markets (+10.8%), Baillie Gifford Japanese (+9.1%) and BlackRock Continental European Flexible (+12.9%)

The fixed income investments were a significant contributor over the quarter with both government bonds and credit exposures adding value, benefiting from the change in interest rate expectations towards the end of the period. The high yield implementation added the most value, with UBAM Global High Yield returning 5.2%. The only slight weakness was our short duration exposure in the government bond positioning, which did not participate in the markets broad rally. Alternatives produced a small positive return driven by the alternative trading strategies, with gold being a modest detractor. Lyxor Epsilon Global trend (+5.5%) was the best performer, benefiting from its long European Bond positioning. In January we decided to remove Alegbris Financial Credit fund from the portfolio as it added more risk than we had expected. The proceeds were held in cash to increase the portfolio's defensive potential. In February we decided to hedge some of our US Dollar exposure into sterling as there was an increasing possibility that sterling could rally from its historic lows if any certainty arose from the Brexit process. To do this we switched our gold and part of our S&P 500 ETF exposures into sterling hedged versions.

CURRENT ASSET ALLOCATION



EQUITY ALLOCATION



Source: Kleinwort Hambros as at 31 Mar 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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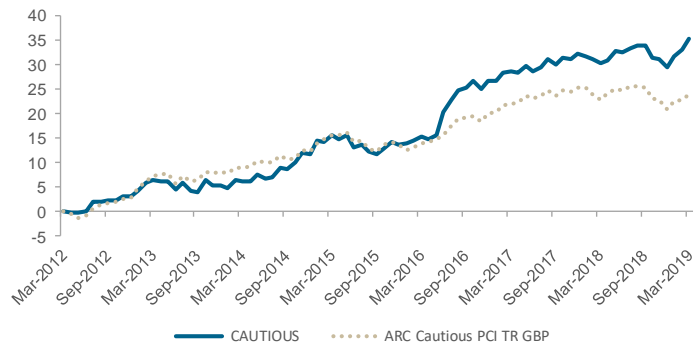
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RISK RATING 2

TOP 10 HOLDINGS

	(%)
Lyxor FTSE Actuaries UK Gilts 0-5Y ETF	11.0
GBP Cash Deposit	8.0
H2O Multi Aggregate Fund	7.0
Invesco Sterling Bond	7.0
iShares Core £ Corp Bond ETF	7.0
PIMCO Global Investment Grade Credit Fund	7.0
Lyxor S&P 500 ETF	7.0
Lyxor FTSE Actuaries UK Gilts ETF	5.0
Fidelity American Growth	5.0
UBAM Global High Yield Solution Fund	4.0

PERFORMANCE CHART



PERFORMANCE

	YTD*	3 months*	1 year*	5 year*	Inception*
CAUTIOUS	-2.1	4.6	4.0	22.7	35.4
ARC PCI**	-3.6	2.6	0.9	11.9	24.1
+ / -	1.5	2.0	3.0	10.8	11.3
Volatility***	-	-	3.1	3.8	3.7

	Mar 2014 to Mar 2015	Mar 2015 to Mar 2016	Mar 2016 to Mar 2017	Mar 2017 to Mar 2018	Mar 2018 to Mar 2019
CAUTIOUS	8.8	-0.1	11.5	1.2	4.0
ARC PCI**	6.0	-1.4	7.1	0.7	0.9

* to 31 March 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; 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. The performance chart represents the cumulative performance since inception, against the cumulative return in %.

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

YIELD, FEES AND CHARGES

Yield (gross)	1.7%
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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