

**Investment Objective & Process**

The portfolio aims to provide a return of cash plus 6% per annum over rolling three year periods (gross of fees and charges) and has a volatility target of 6.0% to 9.0% per annum. The portfolio is designed for a balanced investor who is prepared to invest their capital over a reasonable period of time, normally in excess of five years. Whilst capital preservation is important to the investor, they are prepared to experience some periods of negative return in order to achieve some capital growth over the long term.

The portfolio strategy is a blend of active and passive management. One half of the portfolio will be split between UK equities and UK government bonds with a portion of this fixed and a portion managed with an active risk on and risk off approach. If both UK equities and UK government bonds are assessed as being risk on, i.e. in a positive trend, the portfolio will hold 25% in each. If UK equities are assessed as risk on and UK government bonds assessed as risk off i.e. in a negative trend, the portfolio will increase the allocation to UK equities to 35% and decrease the allocation to government bonds to 15%. If both are assessed as risk off then the portfolio will reduce both by 10% and revert to cash. The other half of the portfolio will be allocated to an active absolute return strategy that can invest in a mix of equities, bonds, commodities and property.

**Fees & Charges**

Management fee ; 0.48% (inc VAT)  
 Underlying fund charges ; 0.27%  
 Total Ongoing Charges Figure (OCF) ; 0.75%

**Asset risk status as at 30<sup>th</sup> September 2018**

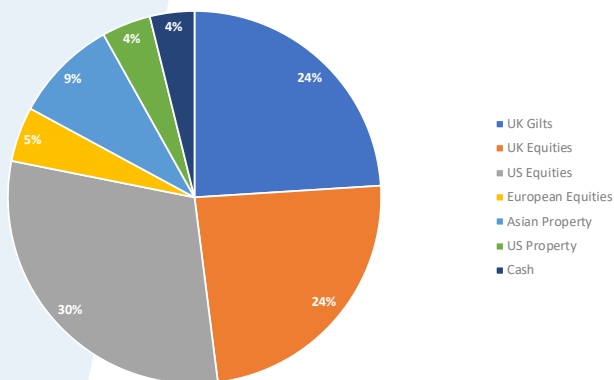
UK equities are classed as :

**RISK ON**

UK government bonds are classed as :

**RISK ON**

**Portfolio allocation as at 30<sup>th</sup> September 2018**



As at 30<sup>th</sup> of June 2018 UK equities and UK government bonds are in a positive long term trend and are therefore classified as Risk On.

Asset allocations are subject to market movements and portfolios will be re-balanced periodically. Allocations may vary from platform to platform.

**5 year returns to 30<sup>th</sup> September 2018**

Portfolio & Benchmark	3 month return	6 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)
Spectrum Plus Orange	-1.0%	2.3%	0.1%	4.4%	4.7%
Benchmark (cash +6%)	1.7%	3.4%	6.7%	6.6%	6.7%
ARC Balanced	0.3%	3.1%	2.3%	6.2%	4.9%

**Table key**

Actual performance  
 Simulated performance

**Risk to 30<sup>th</sup> September 2018**

Portfolio & Benchmark	Max annual loss*	Max monthly loss*	1 year volatility	3 year volatility (p.a.)	5 year volatility (p.a.)
Spectrum Plus Orange	-4.5%	-4.0%	5.2%	5.7%	5.9%
ARC Balanced	-2.9%	-5.7%	3.0%	3.8%	4.2%

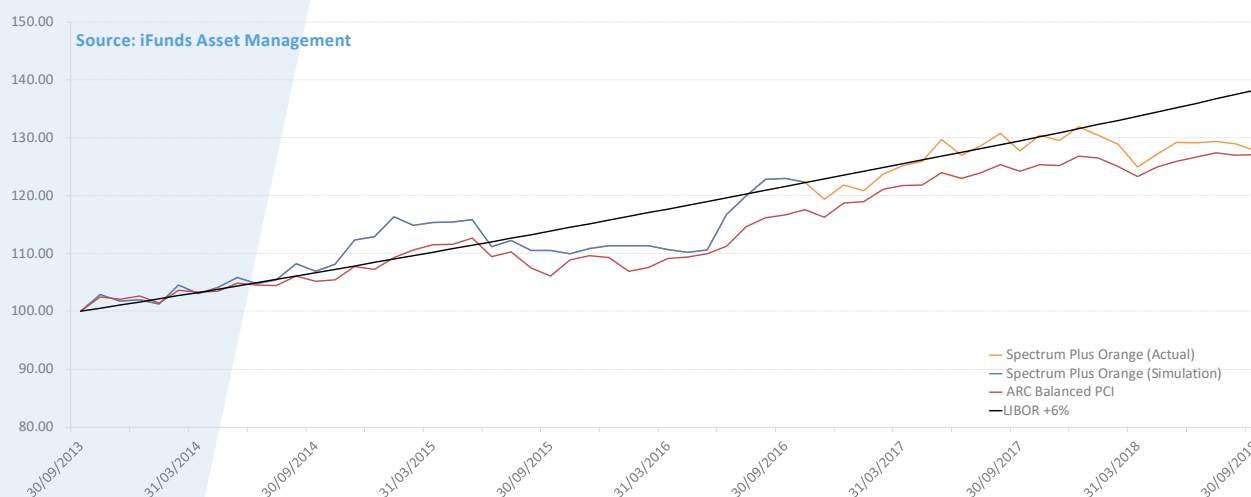
**Performance Notes :** Past performance is not a reliable guide to future performance. Performance for the Spectrum Plus portfolio, actual & simulated, is net of iFunds' management fee and underlying fund fees. Platform and adviser fees are not included. Simulated performance has been calculated using monthly data & is a representation of what would have been experienced by an investor had the prescribed rules of the portfolio been applied. Simulated performance has only been used where insufficient data is available to show actual performance. Actual performance has been calculated from the point at which a portfolio was managed using that particular strategy. \*Max annual loss is the maximum loss over any rolling 12 month period over the past 10 years. \*Max monthly loss is the maximum loss suffered over a calendar month over the past 10 years. Volatility is a statistical measure of the extent to which a portfolio value changes over time. The higher the volatility the greater the fluctuation in the value, up or down, of the portfolio. Data has been supplied by iFunds Asset Management, ShareScope & other third party data providers.

**Market commentary**

The portfolio was down 1.0% during the quarter as UK equities and UK government bonds both fell. In America, US equities were particularly strong with the S&P 500 index up over 7% for the quarter despite the ongoing trade war with China. Japanese equities were also buoyant, posting a return of 8.8%, a weakening Japanese Yen significantly benefitting the countries numerous exporters. Closer to home, UK equities and government bonds were negative as Brexit continues to weigh heavily on investors minds. Rounding up markets, we saw European equities shed the majority of their gains towards the end of the quarter as political and budgetary arguments between Italy and the EU intensify.

Regarding the portfolio, it remains almost unchanged since the end of the last quarter with the only difference coming from the alternative exposure which has increased its allocation to US equities and the US dollar. UK equities and gilts were the main detractors on portfolio performance as uncertainty surrounding the future relationship of the UK and the EU remains unclear. With Prime Minister Theresa May's Brexit plan appearing to be as unpopular with Europe as it is at home, the chances of a no deal Brexit and the uncertainty that could bring in the short term, has increased. This coupled with Labour now refusing to rule out a second referendum, is likely to cause continued volatility in the price of sterling going forward. Whilst UK equities and UK government bonds remain "Risk On" for now, should we see a further deterioration in performance, our process may reduce UK exposure and increase cash.

**Performance index - 30<sup>th</sup> September to 30<sup>th</sup> September 2018**



**Additional Information**

**Strategy OCF (Ongoing Charges Figure)** - The annual cost of the strategy. It includes our management fee and the cost of the underlying investments. Adviser and platform fees are excluded as these. As at 30<sup>th</sup> September 2018 the OCF of the strategy is 0.75%.

**Benchmark** - The portfolio has a return benchmark and a risk benchmark. The return benchmark is cash, as measured by 6 month LIBOR, plus 6%. The risk benchmark is 6.0% to 9.0% per annum as measured by standard deviation. For comparison purposes, we have used the ARC Sterling Balanced PCI index which is provided by Asset Risk Consultants [www.assetrisk.com](http://www.assetrisk.com).

**About iFunds Asset Management**

iFunds develop and implement quantitative investment processes with the aim of delivering robust risk based portfolio solutions. Due to the quantitative and rules based nature of their investment strategies they are able to simulate the performance of a strategy and back test it over long periods that encompass different market cycles and periods of high market volatility and uncertainty. Back testing like this is not a forecasting method but it does allow investors to see what would have happened had they followed the strategy in question and whether the returns, volatility and drawdowns experienced are in line with their expectations and tolerances.

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