Canaccord Genuity Wealth Management

3rd Quarter 2019

MPS Cautious Balanced Portfolio

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Investment Manager

Nick manages discretionary investment portfolios on behalf of the clients of Independent Financial Advisers. Joining CGWM from UBS in 2014, Nick is a Chartered Fellow of the Chartered Institute for Securities and Investment.

Benchmark

PIMFA Conservative Portfolio Return

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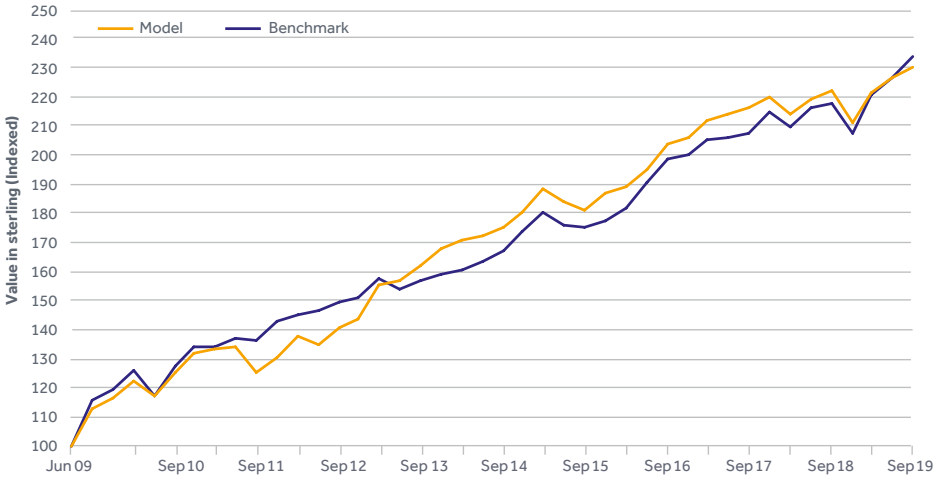
Investment objective

This portfolio aims to produce a balance between capital appreciation and reduced volatility over a typical investment cycle (i.e. 7-10 years). The strategy uses global equities and fixed interest and cash type investments to provide diversification, with a focus on the themes we consider are likely to perform in the prevailing economic environment. Alternative asset classes (such as commodities, currencies and hedge funds) may be employed in this strategy, to balance the risk during unfavourable conditions and produce returns uncorrelated to the general equity market.

Performance since inception (30/06/2009)



Discrete performance (%)

Total return to end of last calendar quarter 30/09/2019.

	2018	2017	2016	2015	2014	2013	2012	2011
Model	**-4.0**	**+6.5**	**+10.3**	**+3.8**	**+7.4**	**+16.9**	**+10.0**	**-1.4**
Benchmark	**-3.4**	**+7.5**	**+12.9**	**+1.9**	**+9.5**	**+5.1**	**+5.5**	**+6.7**

Cumulative performance (%)

Total return from inception to 30/09/2019.

	3 Months	1 Year	3 Years	5 Years	Inception (30/06/2009)
Model	**+1.7**	**+3.8**	**+13.1**	**+31.7**	**+130.1**
Benchmark	**+3.2**	**+7.6**	**+17.6**	**+39.8**	**+133.6**

Source: Canaccord Genuity Wealth Management (CGWM).
All performance data to 30/09/2019. Total return before fees and charges are deducted.

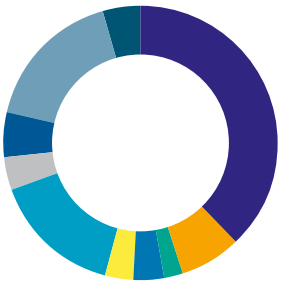
Risk & return since inception

	Model	Benchmark / PIMFA Conservative
Annualised volatility (%)	**+7.1**	**+7.3**
Maximum loss (%)	**-6.7**	**-7.1**
Sharpe ratio	**1.1**	**1.1**

Annualised volatility: risk is measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore the risk) of the Fund or the index.

Sharpe ratio: measures the risk/return trade-off. It is the annualised return less the average risk-free rate, divided by the annualised volatility of the model.

MPS Cautious Balanced Portfolio suggested asset allocation (%)



	Model
Fixed Interest	37.9
Convertible Securities	7.3
Asia Equity	2.0
Emerging Market Equity	3.8
Japan Equity	3.2
UK Equity	15.2
US Equity	4.0
Sector Specific	5.4
Alternatives	16.7
Cash	4.5

Top 10 holdings (%)

CQS FUNDS (IRELAND) PLC CQS GLOBAL CONVERTIBLE UCITS S GBP ACC	7.3
LINK FUND SOLUTIONS LTD LF LINDSELL TRAIN UK EQUITY DIS	6.0
ISHARES PHYSICAL METALS PLC ISHARES PHYSICAL GOLD ETC USD (GBP) ACC	5.9
VONTOBEL ASSET MANAGEMENT SA TWENTYFOUR STRAT INC AQG GBP DIS	5.3
INVESCO MANAGEMENT SA BOND Z GBP QD DIS	5.0
M&G SECURITIES LIMITED CORPORATE BOND I GBP INC	5.0
LINK FUND SOLUTIONS LTD TROJAN O INCOME	5.0
VONTOBEL ASSET MANAGEMENT SA TWENTYFOUR ABST RETURN CREDIT G GBP	5.0
FIL INVESTMENT SERVICES(UK)LIMITED SPECIAL SITUATIONS W ACC NAV	4.8
ISHARES CORE FTSE100 UCITS ETF GBP DIS	4.5

Source: CGWM

Portfolio Manager commentary

Markets appear trapped in an episode of Deal or No Deal. The uncertainties surrounding the China/US trade talks and Brexit dominate the headlines. During the quarter, manufacturing contracted globally, trade weakened and corporate profits came under pressure. The US yield curve signalled that recession risks are increasing, and Chinese economic indicators are weakening. There were also fears during the quarter that global uncertainties could generate a self-fulfilling cycle where rising pessimism leads to less private-sector spending and higher unemployment.

The added concern was that central banks have limited ammunition to fight a downturn. Interest rates are already at zero, or negative in Japan and Europe. The US Federal Reserve (Fed) has more scope to ease, but it also faces the zero-lower bound constraint. Previous recessions have seen the Fed cut rates by over five percentage points on average, something that would be impossible this time, with the Fed funds rate in a target range of 1.75% to 2%.

We make no predictions on the above developments, but we do note the resilience of our portfolios during this more volatile quarter. We added to both gold and fixed income, and we did not alter our neutral equity position relative to the benchmark. Within equities, we continue to prefer the more defensive qualities of the US to the more volatile European markets and remain comfortable with more defensive themes like healthcare and infrastructure. We continue to focus on generating attractive risk-adjusted returns.