



## Quarterly Update 1<sup>st</sup> Jan – 31<sup>st</sup> Mar 18

Throughout each quarter briefing once subscribed I will explain through certain point each quarter to help create a greater understanding of investment fundamentals.

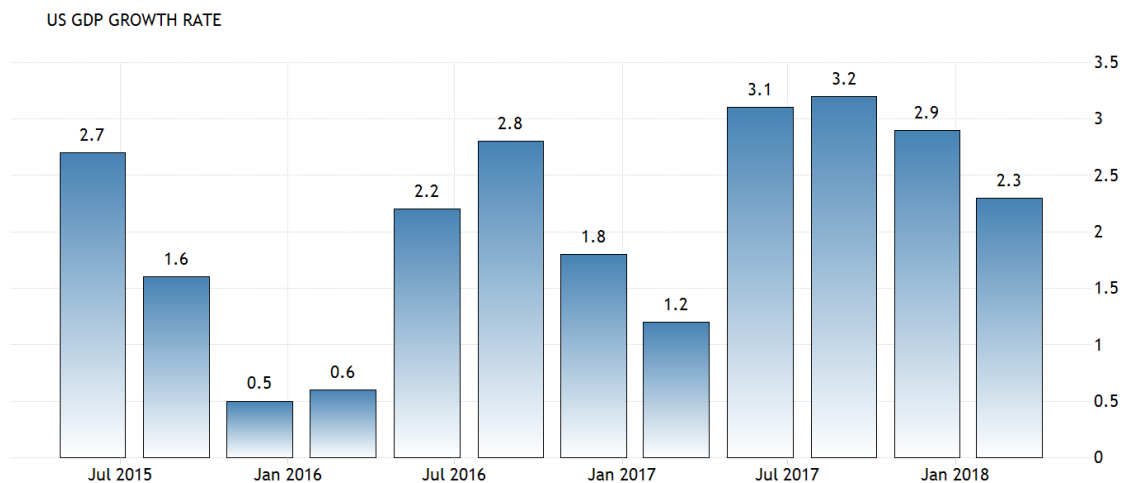
### Economic Update

#### US

In terms of US companies to date 53% in the S&P 500 have reported actual results for Q1 2018. In terms of earnings, more companies are reporting actual EPS above estimates (79%) compared to the five-year average.

The US is in a good economic position overall with growth still above 2%. Unemployment remains low at a natural rate at this stage of the cycle. The FED has raised rates once more as the economy continues to normalise. There was concern around inflation being higher than expected and as a result a fear that the Fed May raise rates a quicker pace than forecast which caused the markets to sell off in Feb and Mar.

The chart below shows US Gross Domestic Product, The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)

Americas central bank the FED raised rates by 25bps in Dec16 in line with expectations and they also raised the growth forecast from 2,1% to 2.5% for 2018. Corporate earnings over the quarter was robust with the more cyclical areas. In particular doing well.

The US passed long anticipated structural reform bill which may provide an improvement to the economy short term.

## Europe

Eurozone equities delivered negative returns in the first quarter with the Eurostoxx 50 (the top 50 companies in Europe) down by -4.88%.with the bulk of the declines coming in March. The region's stockmarkets began the year on a firmer footing but worries about the path of US interest rates and the outlook for global trade led to declines for the period overall.

Europe continued its slow but steady improvement with growth for Q4 17 confirmed at 0.6%. There are as ever variances in the European countries with Ireland and Spain growing at the fastest rate in the region. Unemployment continues to trend down with the numbers down to the lowest since March 2009 at 8.6 million.

Manufacturing indices have come off there highs but still remain in positive expansion with readings above 50 with manufacturing still at a healthy 56.6 and services at 54. Inflation remains with no prospect of interest rates rises in the.near term.



SOURCE: TRADINGECONOMICS.COM | EUROSTAT

In terms of business confidence has comedown a little over the quarter, this survey is carried out by around 23,000 companies and is based on order books, export order books, stocks and production expectations.

On the political front, the key event of the quarter was Italy's election, which yielded no overall winner. The anti-establishment Five Star Movement emerged as the largest single party. President Mattarella will now mediate talks to form a new government. Germany formed a new government after its inconclusive elections in September 2017. Angela Merkel remains as chancellor after her centre-right CDU/CSU agreed another grand coalition with the centre-left SPD.

Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)

## UK

Inflation has come back from the January high of 3% as a result of further strengthening of the pound and a slow down in both consumers spending and food prices with the March figure dropping to 2.5%, although this remains above the Bank of England target of 2%.

Interest Rate – The Bank of England interest rate remained at 0.5% over the quarter with further monetary tightening likely over the year, whilst inflation remains above target,

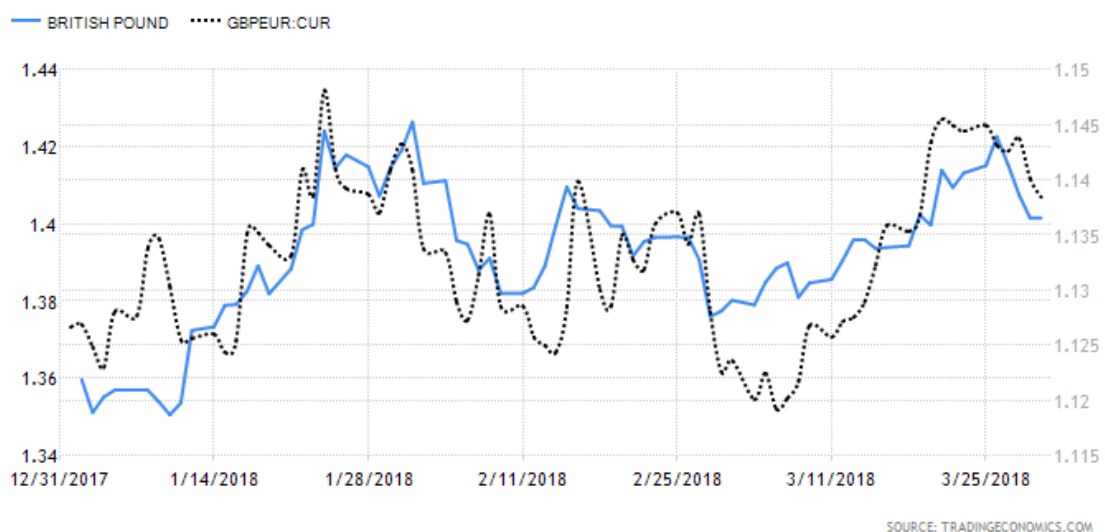
Currency – Sterling has strengthened against the dollar over the quarter and has remained relatively flat against the Euro. The appreciation against the dollar has been largely down to sterling looking cheap on a relative basis to the dollar as well as further increases in US government debt levels and concerns around trade wars.

Stock Market = The main stock market of the UK FTSE 100 -7.8 and the FTSE All Share -8.1% fell as concern around inflation and faster interest rate rises in the US caused concern in markets along with further sterling appreciation and continued Brexit concerns.

Inflation fell back over the quarter but still remains above the Bank of England 2% target.



## Sterling v USD (BLUE LINE LEFT AXIS) & Sterling v Eur (BLACK LINE FOR AXIS)



Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)

## Emerging Markets

In Emerging markets growth has also taken part in the improvement in global economic data. Earnings growth has accelerated as some companies move to generating profits over expansion and the market still look good value relative to developed markets. Many emerging market countries and companies are continuing to reduce their debt, interest rates remain low, inflation is contained, currencies are stabilising and earnings upgrades are outnumbering downgrades.

China remains a key concern for the emerging markets as a whole as it continues is change from an export led economy to a more domestic focused one and the careful rebalancing of this remains key. Careful active selection of companies buy the underlying fund managers remains the most important factor but there are more positives than negatives looking forward currently.

Japan continues to do well with increasing confidence in business and consumers alike as a result of further global growth and continued structural reformat as well looking lowly valued relative to other areas.

The chart below shows the Japanese consumer spending over the last 3 years as various changes in



SOURCE: TRADINGECONOMICS.COM | CABINET OFFICE, JAPAN

the economy has helped spending increase which is good for the economy.

## Fixed Income (Debt)

On the fixed income side there is more of a mixed feeling in this quarter with yields (income rate on debt) on UK Government Bonds rising as a mix of further interest rises and inflation rises have pushed up the expected rate of future income rate relative current levels. This increase has caused some of the rates offered by high yield (companies with lower credit ratings) to a closer level and the risk of capital loss is being challenged i.e. the trade off between a higher rate if income relative to getting the capital money back.

The chart below shows on the right hand side the income rate (bond yield) given by the Indian Government over a 10 year point currently 7.75% v the UK 1.40%. As ever careful selection is sort from fund managers to ensure capital protected remembering as yield goes up capital comes down and vice versa in fixed income.

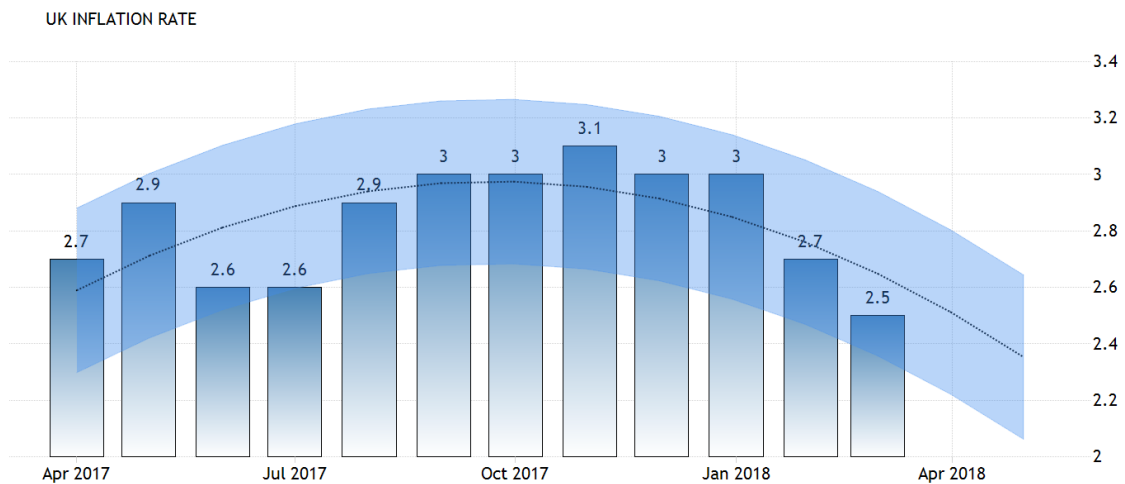
Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)



SOURCE: TRADINGECONOMICS.COM

The US and UK both raised rates as the economies continues to improve, given the improvements in corporate balance sheets since the

The chart below shows the forecast of UK inflation despite the concerns Feb give the continued debt and demographic position of the UK as well as ongoing Brexit concerns are likely to keep inflation increase relative stable.



SOURCE: TRADINGECONOMICS.COM | OFFICE FOR NATIONAL STATISTICS

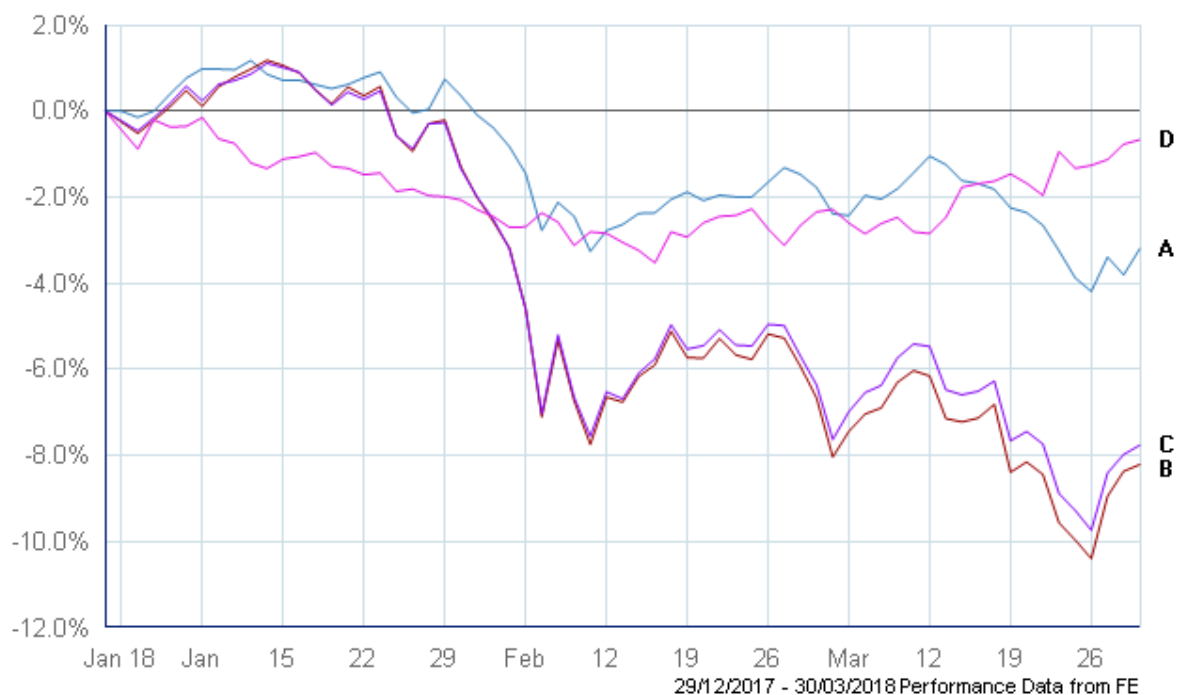
## Summary

In summary, I remain positive on equity markets relative to other asset classes as a whole with some important fundamentals coming through in general business making money so spending to aid expansion. Jobs continue to be created with wage growth as the domestic consumer continuing to play a large part in the growth expectations. On the UK side, however caution should be given to stocks that have domestic cyclical exposure that have both sterling input costs and generate profits largely from UK at this time given some political concerns. Again careful selection of fund and being aware of how the fund in the portfolio is positioning is important and nothing should be looked at with a broad brush as this always creates longer term opportunities. In addition it is also important to continue to have a blend of different styles of investment and asset classes to provide a pragmatic approach longer term.

## Portfolio Performance Q1 18

### Performance – Pragmatic Moderate Portfolio

The chart below shows the performance of the Moderate portfolio -3.6% v the FTSE 100 -7.8%, FTSE All Share -8.1% as pure equity reference over the first quarter of 2018. The FTSE All Gilts is a reference to government debt -0.9%



Cumulative Performance		Discrete Performance		Annualised Performance					
Key	Chart Instrument	1m	3m	6m	1y	3y	5y	10y	Since Launch
C	<input checked="" type="checkbox"/> FTSE All Share	0.3%	-6.8%	-3.9%	-1.1%	4.1%	19.5%	28.9%	3870.0%
B	<input checked="" type="checkbox"/> FTSE 100	0.5%	-7.2%	-4.4%	-1.8%	2.0%	14.2%	19.1%	619.8%
D	<input checked="" type="checkbox"/> FTSE Actuaries UK Conventional Gilts All Stocks	-0.4%	-1.0%	-0.9%	-4.3%	0.0%	2.9%	19.5%	62.9%
A	<input checked="" type="checkbox"/> My Portfolio	-1.2%	-3.6%	-2.3%	0.7%	19.8%	-	-	25.9%

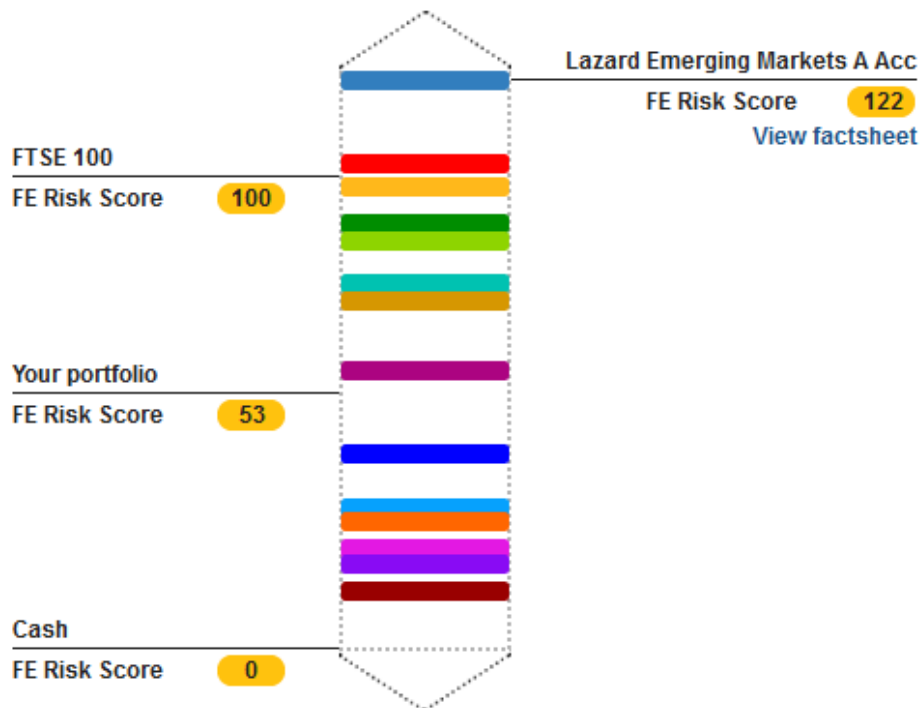
Performance values rebased to Pound Sterling.

## Current Risk Positioning

### FE RISK-O-METER

Coloured lines represent holdings in your portfolio.

The higher up the bar, the higher the risk of the funds that the lines represent. Use the colour code below, or [Learn more about FE Risk Scores](#)



## Portfolio Overview

### Asset Allocation

Instant X-Ray™



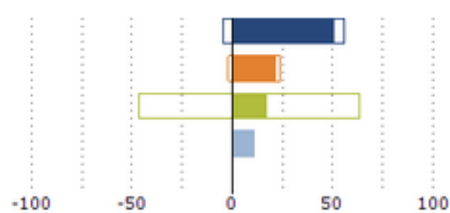
Instant X-Ray is a feature of Morningstar Premium.

Select a view

Select a Benchmark

### Asset Allocation %

Holding Details

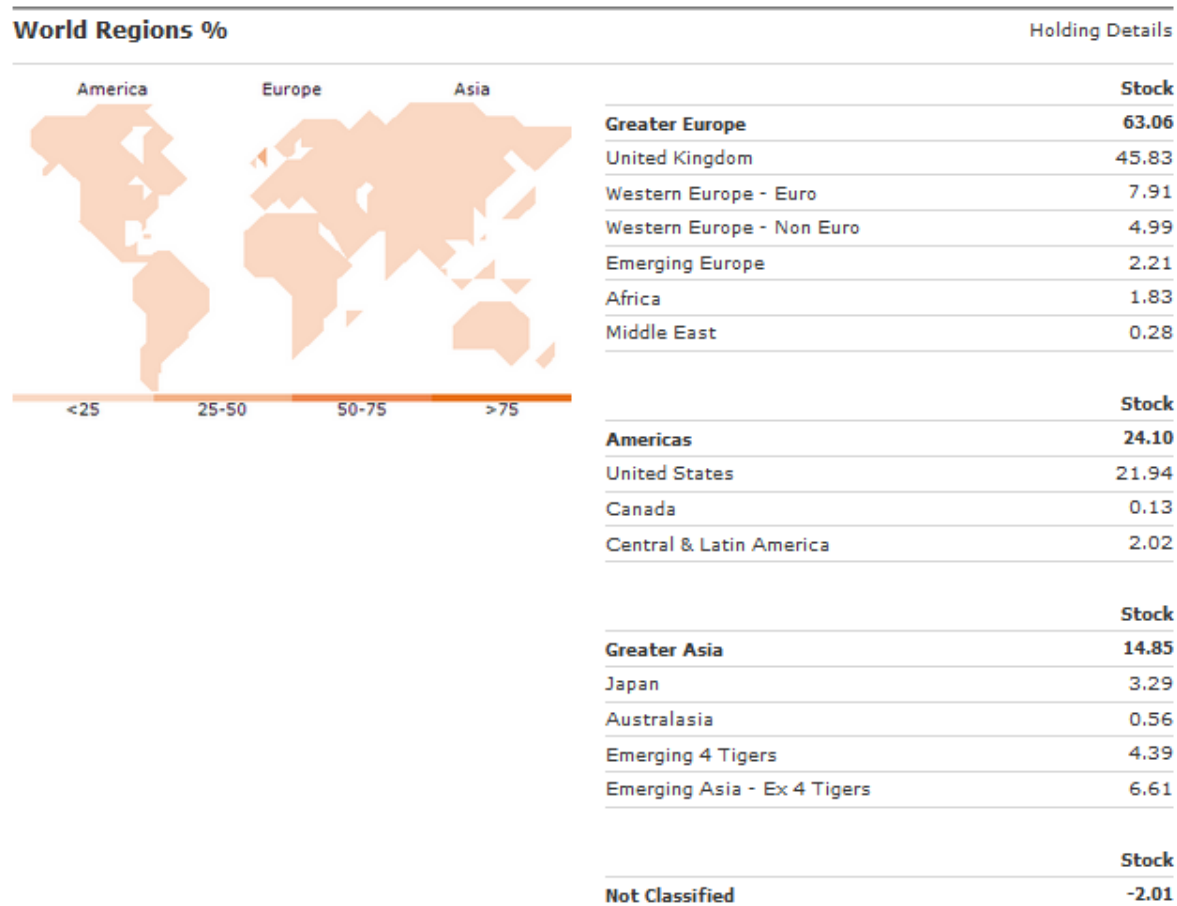


	Long	Short	Net
● Stocks	55.58	4.47	51.11
● Bonds	23.76	2.09	21.67
● Cash	63.15	46.24	16.91
● Other	10.65	0.35	10.30
● Not classified	0.00	0.00	0.00

Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)



## Geographic



Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)

## Sector Overview

Stock Sectors %	Holding Details	Fixed Income Sectors %	Holding Details
	<b>Stock</b>		<b>Fixed Income</b>
Cyclical	40.03	<b>Government</b>	23.53
Basic Materials	5.54	Treasury	22.48
Consumer Cyclical	11.14	Inflation-Protected	1.30
Financial Services	20.59	Agency/Quasi Agency	1.59
Real Estate	2.76	Government Related	-0.25
	<b>Stock</b>	<b>Corporate</b>	34.31
<b>Sensitive</b>	36.18	Corporate Bond	28.25
Communication Services	4.38	Bank Loan	0.33
Energy	7.99	Convertible	4.90
Industrials	10.75	Preferred	0.83
Technology	13.05	<b>Securitized</b>	2.56
	<b>Stock</b>	Agency Mortgage Backed	0.68
<b>Defensive</b>	30.07	Non-Agency Residential Mortgage Backed	0.02
Consumer Defensive	15.11	Commercial Mortgage Backed	0.00
Healthcare	11.27	Asset Backed	1.83
Utilities	3.69	Covered Bond	0.03
	<b>Stock</b>	<b>Municipal</b>	0.00
<b>Not Classified</b>	-6.27	<b>Cash &amp; Equivalents</b>	38.36
		<b>Derivative</b>	-0.36
		<b>Not Classified</b>	1.60

## Equity & Fixed Income Style

Stock Style	Holding Details	Fixed Income Style	Holding Details																																												
<table border="1"> <tr> <td>25</td> <td>24</td> <td>25</td> <td rowspan="3">Size</td> </tr> <tr> <td>6</td> <td>5</td> <td>9</td> </tr> <tr> <td>2</td> <td>2</td> <td>1</td> </tr> <tr> <td>Value</td> <td>Blend</td> <td>Growth</td> <td></td> </tr> <tr> <td>Style</td> <td></td> <td></td> <td></td> </tr> <tr> <td>0-10</td> <td>10-25</td> <td>25-50</td> <td>&gt;50</td> </tr> </table>	25	24	25	Size	6	5	9	2	2	1	Value	Blend	Growth		Style				0-10	10-25	25-50	>50		<table border="1"> <tr> <td>0</td> <td>0</td> <td>0</td> <td rowspan="3">Credit Quality</td> </tr> <tr> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>18</td> <td>22</td> <td>0</td> </tr> <tr> <td>Ltd</td> <td>Mod</td> <td>Ext</td> <td></td> </tr> <tr> <td>Interest Rate</td> <td>Sensitivity</td> <td></td> <td></td> </tr> <tr> <td>0-10</td> <td>10-25</td> <td>25-50</td> <td>&gt;50</td> </tr> </table>	0	0	0	Credit Quality	0	0	0	18	22	0	Ltd	Mod	Ext		Interest Rate	Sensitivity			0-10	10-25	25-50	>50	
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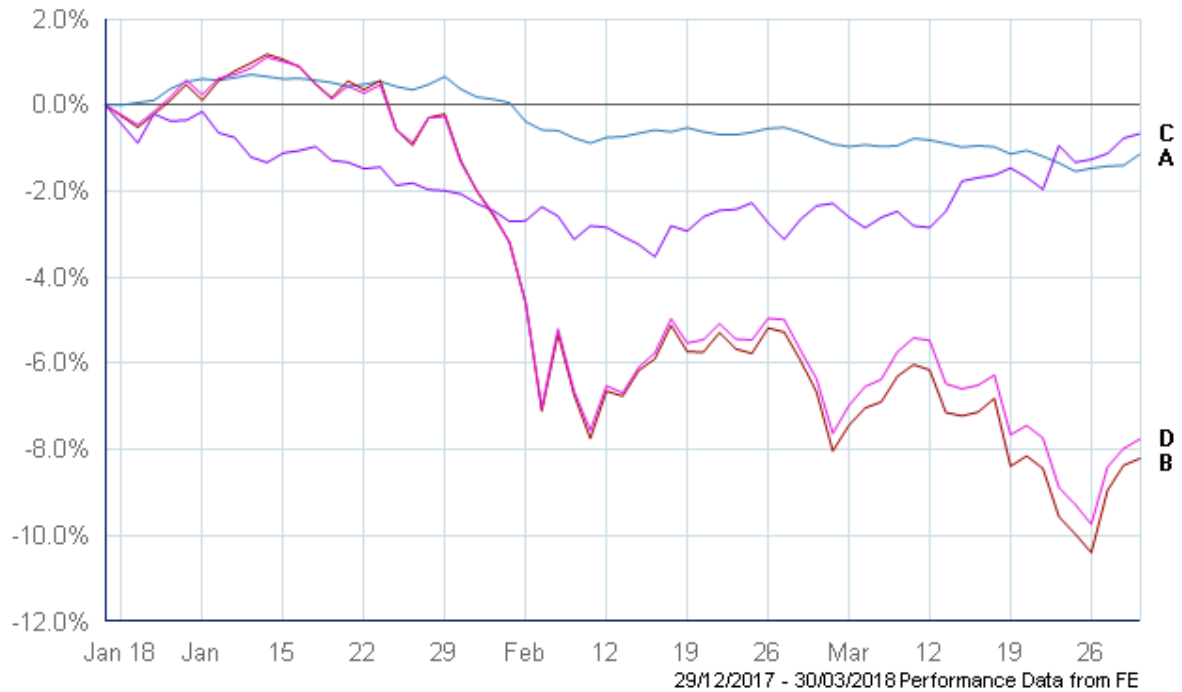
Percentage of portfolio analyzed: 53.00

Stock Stats	Holding Details	Fixed Income Stats	Holding Details
	<b>Portfolio</b>		<b>Portfolio</b>
Price/Earnings Ratio	15.80	Effective Maturity (Y)	3.05
Price/Cashflow Ratio	9.50	Effective Duration	2.36
Price/Book Ratio	2.54	Average Credit Quality	BB

Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)

## Performance – Pragmatic Cautious Portfolio

The chart below shows the performance of the Cautious portfolio -0.3% v the FTSE 100 4.2%, FTSE All Share 1.7% as pure equity reference over the third quarter of 2017. The FTSE All Gilts is a reference to government debt 1.3%



Cumulative Performance		Discrete Performance	Annualised Performance							
Key	Chart Instrument	1m	3m	6m	1y	3y	5y	10y	Since Launch	
D	<input checked="" type="checkbox"/> FTSE All Share	0.3%	-6.8%	-3.9%	-1.1%	4.1%	19.5%	28.9%	3870.0%	✘
B	<input checked="" type="checkbox"/> FTSE 100	0.5%	-7.2%	-4.4%	-1.8%	2.0%	14.2%	19.1%	619.8%	✘
C	<input checked="" type="checkbox"/> FTSE Actuaries UK Conventional Gilts All Stocks	-0.4%	-1.0%	-0.9%	-4.3%	0.0%	2.9%	19.5%	62.9%	✘
A	<input checked="" type="checkbox"/> My Portfolio	-0.4%	-1.9%	-1.6%	-1.8%	2.7%	-	-	7.1%	✘

Performance values rebased to Pound Sterling.

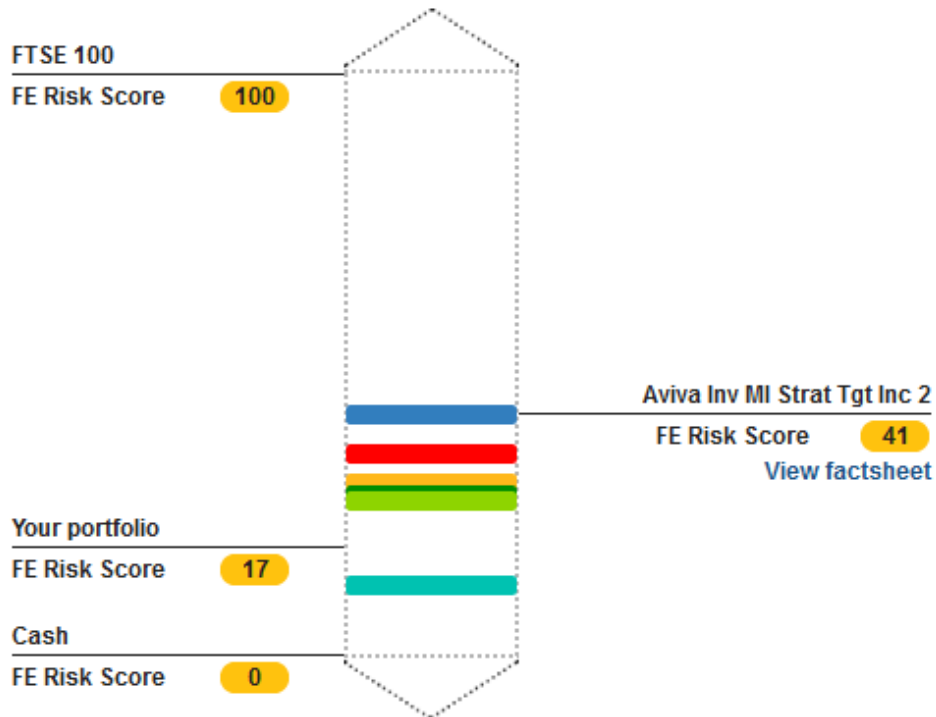
## Risk

### FE Risk-o-meter

Coloured lines represent holdings in your portfolio.

The higher up the bar, the higher the risk of the funds that the lines represent. Use the colour code below,

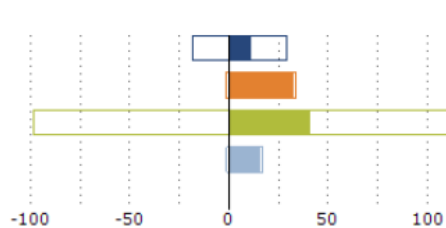
[Learn more about FE Risk Scores](#)



## Portfolio Overview

### Asset Allocation

### Asset Allocation %



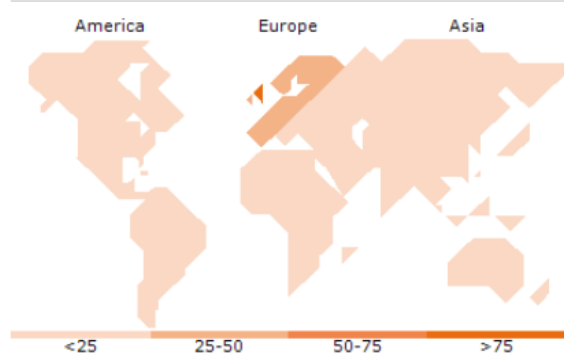
	Long	Short	Net
● Stocks	29.11	18.32	10.79
● Bonds	33.97	1.59	32.38
● Cash	139.41	98.44	40.97
● Other	17.04	1.19	15.85
● Not classified	0.00	0.00	0.00

### Geographic

Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)

## World Regions %

Holding Details



	Stock
<b>Greater Europe</b>	<b>137.75</b>
United Kingdom	84.37
Western Europe - Euro	33.19
Western Europe - Non Euro	13.25
Emerging Europe	6.40
Africa	0.52
Middle East	0.02

	Stock
<b>Americas</b>	<b>-38.78</b>
United States	-42.90
Canada	2.56
Central & Latin America	1.55

	Stock
<b>Greater Asia</b>	<b>37.10</b>
Japan	8.37
Australasia	4.16
Emerging 4 Tigers	12.55
Emerging Asia - Ex 4 Tigers	12.02

## Sectors

Stock Sectors %	Holding Details	Fixed Income Sectors %	Holding Details
	<b>Stock</b>		<b>Fixed Income</b>
<b>Cyclical</b>	<b>111.12</b>	<b>Government</b>	<b>17.32</b>
Basic Materials	21.39	Treasury	14.37
Consumer Cyclical	24.84	Inflation-Protected	4.00
Financial Services	54.71	Agency/Quasi Agency	0.35
Real Estate	10.19	Government Related	-1.05
	<b>Stock</b>	<b>Corporate</b>	<b>26.77</b>
<b>Sensitive</b>	<b>83.86</b>	Corporate Bond	20.60
Communication Services	9.68	Bank Loan	0.59
Energy	26.08	Convertible	5.20
Industrials	31.86	Preferred	0.37
Technology	16.25	<b>Securitized</b>	<b>0.71</b>
	<b>Stock</b>	Agency Mortgage Backed	0.26
<b>Defensive</b>	<b>31.89</b>	Non-Agency Residential Mortgage Backed	0.00
Consumer Defensive	11.18	Commercial Mortgage Backed	0.00
Healthcare	13.58	Asset Backed	0.44
Utilities	7.12	Covered Bond	0.00
	<b>Stock</b>	<b>Municipal</b>	<b>0.00</b>
<b>Not Classified</b>	<b>-126.87</b>	<b>Cash &amp; Equivalents</b>	<b>52.56</b>
		<b>Derivative</b>	<b>-0.19</b>
		<b>Not Classified</b>	<b>2.83</b>

## Equity & Fixed Income Styles

Stock Style	Holding Details	Fixed Income Style	Holding Details																																												
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Percentage of portfolio analyzed: **100.00**

Stock Stats	Holding Details	Fixed Income Stats	Holding Details
	<b>Portfolio</b>		<b>Portfolio</b>
Price/Earnings Ratio	13.90	Effective Maturity (Y)	-
Price/Cashflow Ratio	5.52	Effective Duration	-
Price/Book Ratio	1.56	Average Credit Quality	-

Source of Data: [www.trustnet.com](http://www.trustnet.com) & [www.morningstardirect.co.uk](http://www.morningstardirect.co.uk)

