Tatton

Investment Management

Quarterly Report

01/04/2019 to 30/06/2019

Tatton Core Cautious

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Model Portfolio Performance

Returns (%)

	1 Month	3 Months	YTD	3 Years	5 Years	Since Inception
Tatton Core Cautious	2.4	3.3	8.1	19.3	36.1	54.3
IA OE Mixed Investment 20-60% Shares	2.2	3.0	8.1	18.2	26.8	41.6

	YTD	2018	2017	2016	2015	2014
Tatton Core Cautious	8.1	-3.7	6.5	13.8	3.4	6.2
IA OE Mixed Investment 20-60% Shares	8.1	-5.1	7.2	10.6	1.5	5.0

Performance

The above tables show the performance of your portfolio and also the average fund performance of the Investment Association (IA) peer group benchmark that broadly matches its profile. The short-term variances in performance between these are within normally expected ranges.

Portfolio Characteristics

Time Horizon: Minimum of 5 Years

Risk Profile: Cautious

12 Month Yield: 1.51%

3-Year Standard Deviation: 5.03%

Since Inception Annualised Return 6.90

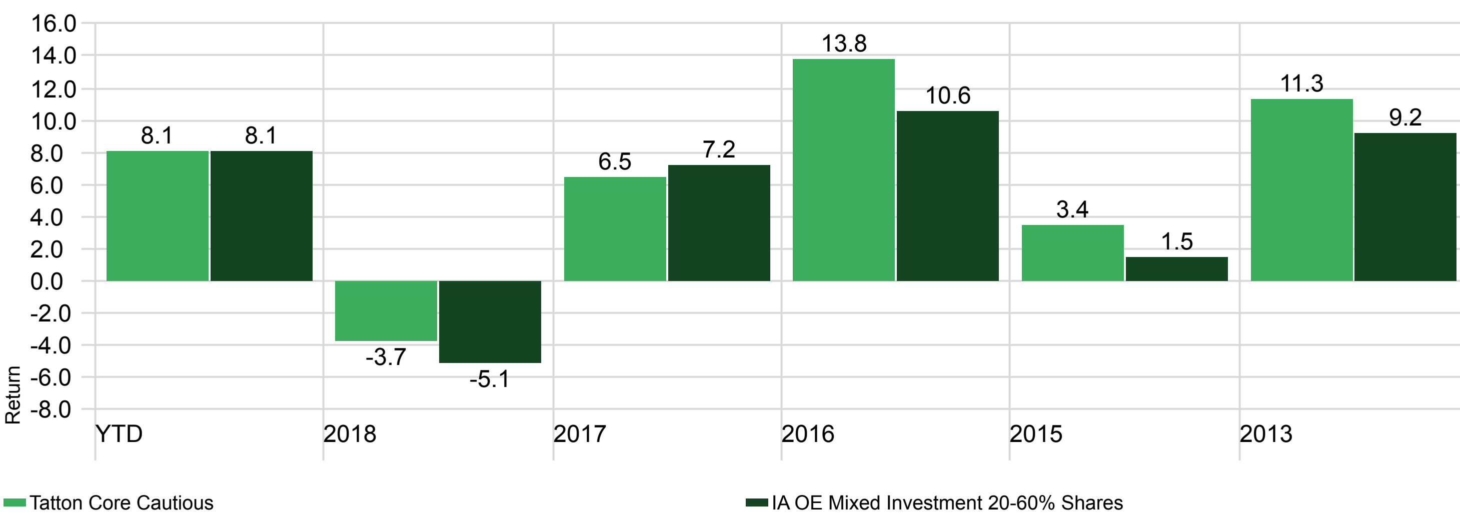
Portfolio Objective - Cautious

The leading objective of this portfolio is to maximise potential total return for a given level of risk.
The primary determinant of risk is the proportion invested in the riskiest assets, such as equities.
For this portfolio, over the long-term, we would expect the proportion invested in equities to be approximately 45%. This strategic exposure may be adjusted over the longer term to maintain adherence to the risk limits.

In the shorter term, we may also adjust this weight tactically as economic and market conditions dictate while not deviating by more than ±12.5%*.
*The ±12.5% comprises a maximum ±10% Tactical Asset Allocation (TAA) decision mandate and a ±2.5% buffer that allows for variation in prices, which can inadvertently drive the chosen allocation higher or lower (i.e. market drift).

Suitability Wording - Cautious

This portfolio is likely to be suitable for: A investor seeking to maintain capital over the medium to long term. An investor who is prepared to accept a lower investment return than equity markets over the longer term in exchange for trying to minimise potential losses. Someone who accepts that the portfolio will be subject to fluctuations in value.



Model Portfolio Analysis

Tatton Core Cautious
IA OE Mixed Investment 20-60% Shares

Tatton Core Cautious - Monthly Excess Returns

Calculation Benchmark: IA OE Mixed Investment 20-60% Shares

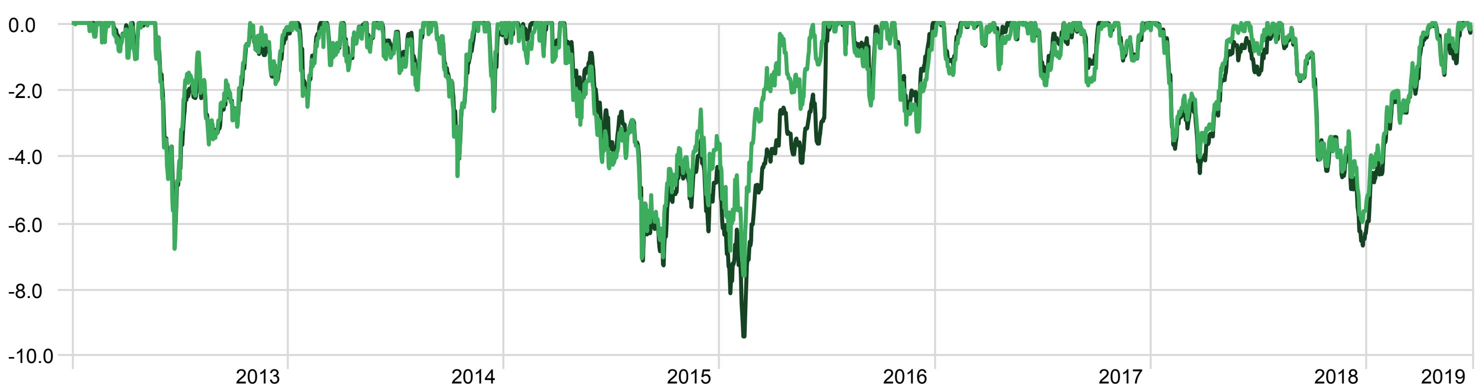
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-0.32	-0.54	0.50	-0.30	0.38	0.23							—
2018	-0.28	0.47	0.60	-0.49	0.54	0.04	-0.18	0.09	-0.04	0.34	-0.23	0.55	1.39
2017	-0.11	0.09	-0.08	-0.25	0.01	-0.36	0.00	0.54	-0.55	0.08	0.05	-0.03	-0.67
2016	1.22	0.38	-0.16	-0.59	0.19	1.62	0.19	0.33	-0.18	0.15	-0.34	0.08	3.20
2015	1.01	-0.68	0.38	-0.39	0.36	-0.16	0.60	0.47	0.37	-0.60	0.44	0.11	1.93
2014	-0.27	-0.04	0.21	-0.17	-0.08	-0.12	-0.27	0.73	-0.09	0.64	0.28	0.32	1.18

Monthly Excess Return: The performance table shown above calculates the performance of the model portfolio minus the portfolio of its relative benchmark on a month by month basis.

Positive values reflect outperformance and negative values reflect underperformance for that month/year.

Drawdown

Time Period: Since Common Inception (01/01/2013) to 30/06/2019



Tatton Core Cautious
IA OE Mixed Investment 20-60% Shares

Drawdown - Defined

The peak to trough decline during a specific period. On the drawdown chart a new high is represented at any period where the chart shows 0. The period between the low and 0 is recovery to the new peak. With the 0 to low the drawdown from peak to trough in percentage terms

Model Portfolio: Asset Allocation

Asset Allocation

	%
Equity	34.0
Bond	30.2
Overlay Strategy	24.8
Cash	9.5
Alternatives	1.5
Total	**100.0**

Overlay Strategy Sub Asset Allocation

	%
UK Equity	20.1
Strat Bond	17.7
North America Equity	12.5
Inv. Grade Bond	11.6
Govt Bond	9.4
Europe Equity	7.4
Alternatives	6.1
Cash	5.6
Cash Proxy	3.6
Emerging Market Equity	3.0
Other	3.2
Total	**100.0**

Overlay Strategy

The Overlay Strategy allows us to benefit through institutional pricing, provides access to funds that may not be available on all platforms, and provides a more efficient means of portfolio management, therefore allocations can differ. The Overlay Strategy and the platform-held portfolio together aim to create the "ideal" portfolio.

Portfolio Activity: Asset Allocation & Fund Selection

Asset Allocation

We rebalanced the portfolio on 7 May 2019. After considering the global environment we decided to maintain our equity neutral weighting within client portfolios. However, we adjusted the regional equity weightings, reducing Japan in favour of US stocks.

As we move into the second quarter of 2019 we are faced with continued political headwinds, corporate indecision and changes in central bank outlook. Following a robust recovery from the equity market falls in the fourth quarter of 2018 we are heading towards equity valuation levels which are once again far more in line with longer term averages, while fixed income assets remain expensive in a historic context.

On one hand we see expectations falling for investment from corporations, as well as slowing international trade growth, and rising cost pressures in certain industries through wages.

On the other, we see that inflation has eased off a bit using both "core" and "headline" statistics, and indications from central banks that policy will remain easy, few signs of panic from asset market participants, as well as generally robust figures from service indicators. This mixed picture at valuations just below averages seems appropriate and thus we will not be moving over or underweight equity at this stage.

Fund Selection

Within equity, we removed the overweight to Japanese stocks. The region is exposed to China who despite showing some signs of stimulus, we expect to disappoint relative to the large-scale fiscal injections of previous slowdowns. Added to this we have begun to see worrying signs from headline data in Japan, with GDP growth declining near to the 10-year bond yield which tends to limit the upside of risk asset investments. The Bank of Japan has more limited scope to stimulate the region. Being some years further on in QE than the rest of the world, it is already a significant owner of not only the Japanese bond but also equity markets. The proceeds will be redeployed into the US via the HSBC North American Index tracker, reducing our underweight to the region.

We retain an overweight position to Europe, at the expense of US markets. Valuations are generally better in Europe than elsewhere, some somewhat justifiable, given their exposure to the gordian knot of Brexit, and the manufacturing industry's reliance on export markets including the UK and China. Disappointing recent manufacturing numbers belie a far stronger looking domestic economy, where high savings rates also point to an untapped reservoir of consumption. European industrial production is also seen as the biggest potential beneficiary of the anticipated gradual recovery of global trade volumes over 2019. The Euro also looks to be the only major currency more attractive than GBP on a PPP basis adding to the investment case.

Bond positions remain unaltered, but fixed income markets have repriced over the start of the year, with yields and spreads adjusting lower to a more moderate longer-term growth outlook and softer monetary stance by central banks. Following this move, we see this asset class as fairly priced and we do not believe it is prudent to add duration to portfolios at these levels now a far more dovish path for the Fed has been priced in.

Global Market Review

June was a strong month for equity markets, ending a solid second quarter and a very strong first half of the year (H1). Global stock and fixed income markets added a collective $4.5 trillion to wealth worldwide in June alone. The gains were boosted by Central banks in Europe, the US and Japan, who signalled that monetary policy would continue to remain loose, or in some cases, potentially see interest rate cuts or further monetary stimulus.

Both the US Federal Reserve and European Central Bank continued their dovish pivot, helping spark the best start to a year for the US S&P 500 in 22 years. Policy makers were confronted by a combination of weaker economic data, rising risks to global trade and continued low inflation. The end of June brought with it the prospect of entering the longest economic expansion on record – it is now almost 121 months since the end of the Global Financial Crisis in 2009, which surpasses the previous record between March 1991 and March 2001 – the bursting of the dot com bubble.

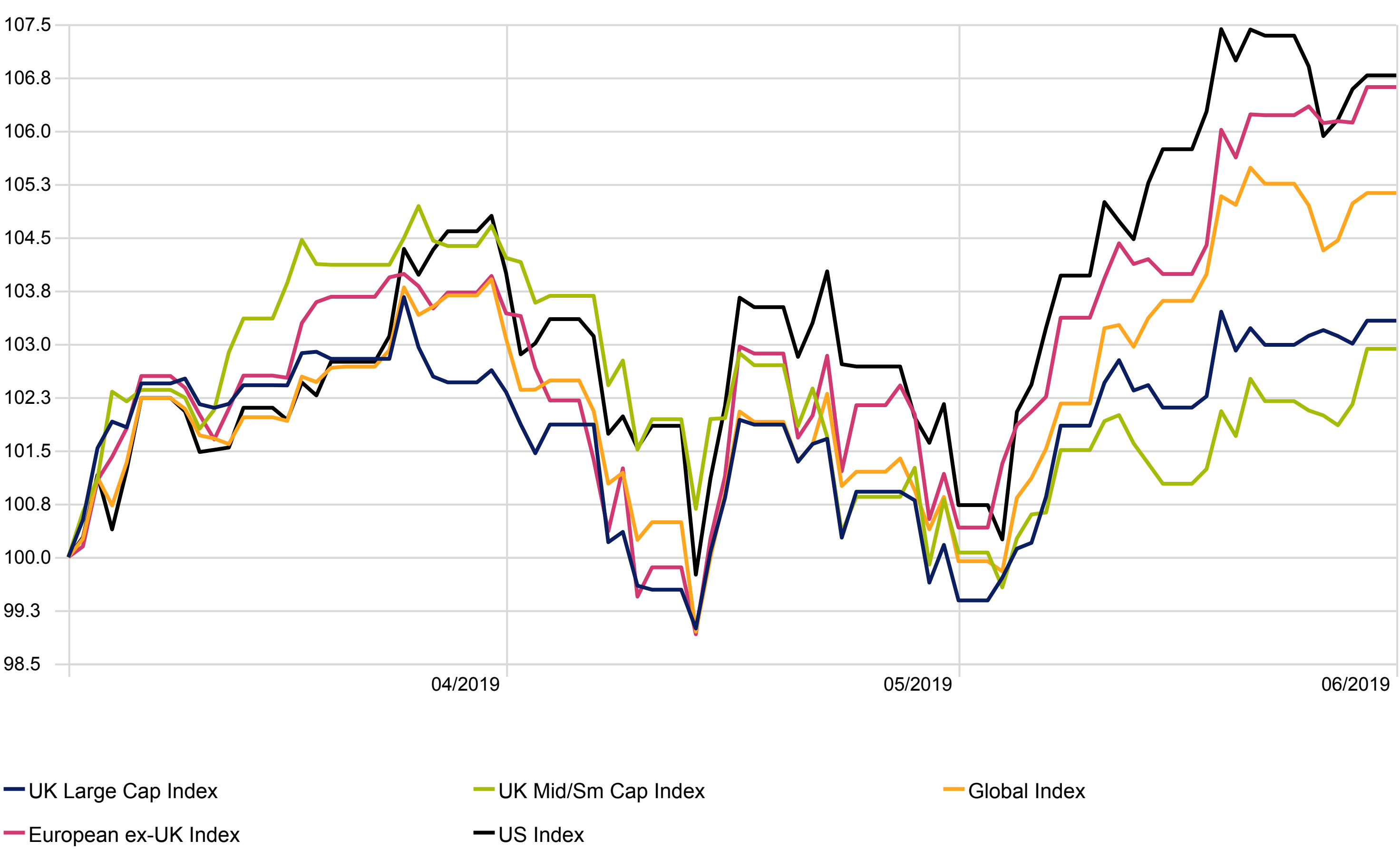
While, this cycle has been one of the weakest economic recoveries of all the 11 such cycles that moved past 4 years, it has been one of the strongest in terms of asset price growth. Perhaps it's testament to the power central banks have exerted via monetary policy, where liquidity injections and policy interventions have flowed into assets, but less so to the wider economy. It also helps us understand the powerful market reaction in Q2 due to the dovish tilt of central banks worldwide.

June saw all 38 of the non-currency assets we regularly track move higher - only the second time in 150 months, with January 2019 being the other occurrence. It was a similar story for H1 2019 overall, 37 out of 38 investments were higher - the highest H1 ratio over the same period. June's G20 meeting ended on an optimistic note, at least avoiding investor's worst-case scenario. The US suggested it would not place further tariffs on Chinese goods and agreed to continue trade discussions. The relative lack of any significant progress in addressing the key sticking points in the negotiations leave a measure of uncertainty for markets, which may continue to weigh on business sentiment, compressing potential economic growth.

Lastly, in the UK, the Bank of England seemingly bucked the dovish trend, with policy makers signalling concern over the recent acceleration of wage growth and limited room for spare capacity in the domestic economy. However, UK retail sales printed at the weakest level since the financial crisis. A continuation of weak domestic data could alter the position of the Bank of England. The domestic political situation in the UK was dominated by the conservative party leadership contest, but both candidates Johnson and Hunt appear to favour a harder Brexit. While UK markets have held up relatively well given the uncertainty, a general election could be a next logical step to provide politicians with the necessary mandate to resolve the current parliamentary impasse.

So far, investors have been willing to look through the weaker economic data on the belief that central bank action would help the global economy avoid recession. Market expectations of monetary stimulus or lower rates is high, but the efficacy of any future measures remains to be seen. Only time will tell if global growth slows further or rebounds. It's the uncertainty around this binary outcome that means we remain cautiously optimistic but choose to leave overall allocations to risk assets at more neutral levels relative to the long-term benchmark.

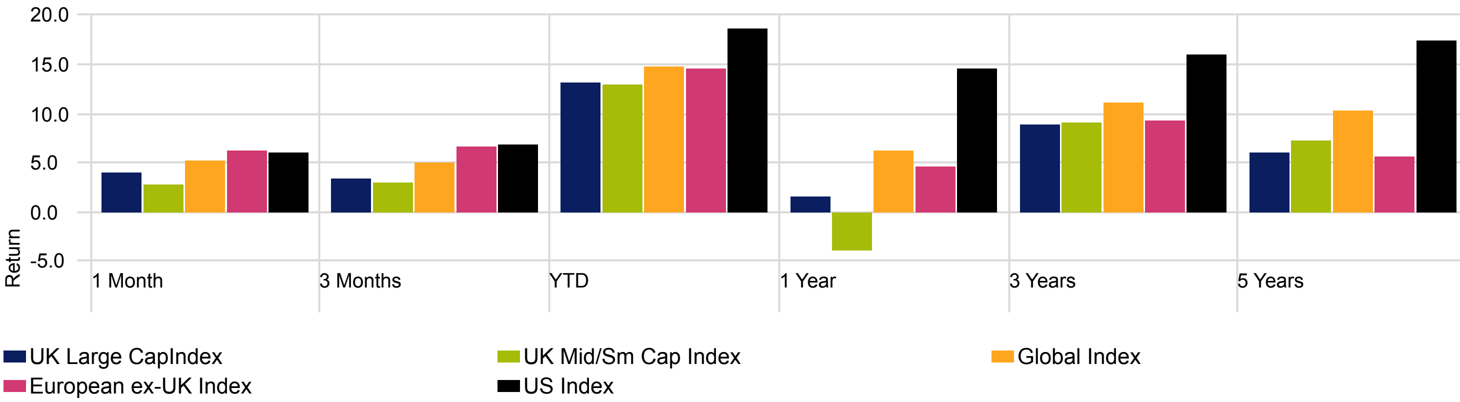
Time Period: 01/04/2019 to 30/06/2019



Global Market Analysis

Equity Indices (%)

	Last Qtr	YTD	2018	2017	2016	2015	2014
UK Large Cap Index	3.3	13.1	-8.7	11.9	19.1	-1.3	0.7
UK Mid/Small Cap Index	2.9	13.0	-13.3	17.8	6.7	11.2	3.7
UK Ethical Index	4.2	11.5	-9.2	6.7	12.6	-5.3	-2.5
Global All Cap Index	5.1	14.8	-6.4	11.2	26.7	1.6	8.1
Europe Ex-UK Index	6.6	14.6	-11.9	13.3	15.6	3.0	-2.8
US Index	6.8	18.6	1.6	11.3	33.5	7.3	20.8
Japan Index	5.8	9.5	-2.2	14.7	26.0	17.0	1.5



Bond Indices (%)

	Last Qtr	YTD	2018	2017	2016	2015	2014
Global Bond Index	5.8	5.6	4.9	-1.9	21.8	2.5	6.8
UK Government Bond Index	1.3	4.7	0.6	1.8	10.1	0.6	13.9
Cash Rates	0.2	0.5	0.6	0.3	0.6	0.6	0.5
Sterling Corporate Bond Index	2.3	7.3	-2.2	5.0	11.8	0.6	12.3

Alternatives Indices (%)

	Last Qtr	YTD	2018	2017	2016	2015	2014
Cash Rates	0.2	0.5	0.6	0.3	0.6	0.6	0.5
Gold Index USD	12.1	10.3	5.0	2.2	30.2	-6.3	6.0
Oil Index	-1.9	20.4	-14.5	7.5	79.9	-31.5	-44.1
Global Commodity Index	0.9	13.4	-8.5	-3.4	32.8	-29.0	-28.9
UK CPI	—	—	2.1	3.0	1.6	0.2	0.5

DISCLOSURE

The portfolio returns presented in this document are for information purposes only and should be regarded as indicative of the returns individual clients will have achieved with their actual investment portfolios, which are managed in the same respective investment style and risk profile. While client portfolio returns are expected to be very similar to the returns shown here, they may differ as a result of new monies having been introduced by the client, or withdrawn from the portfolio and/or the specific fee charging arrangements agreed between the client and the adviser. The performance does not account for the differences due to the limitations of a particular platform.

Past performance is not a guide to future performance. Please be aware that adjustments to previously reported data can occur. The value of your investments and the income from them can fluctuate and it is possible that investors may not get back the amount they invested.

All returns are calculated in £-Sterling and are shown after Tatton's DFM fee and fund charges, but before all other fees, like platform and adviser charges.

The charts, data and related performance calculations shown within this report is sourced from FactSet/Trustnet and is valid as at the last

Asset Allocation: Operational cash of 2% is required by the platform to cover costs and charges; any additional amount is for strategic purposes. [3]Portfolio yield is calculated as the rolling 12-month yield.