

RISK LEVEL:



TIME HORIZON:



HOW YOU'RE DOING:

Markets have seen a lot of volatility since the last review; nevertheless, most equity markets still delivered positive returns. The spread of the Delta variant and supply chain problems hindered overall output for some businesses, but strong consumer confidence continued to encourage growth in developed economies. Inflation made a strong return in most areas, including the UK, US and Europe. Government bonds initially performed well, but the recent surge in inflation pulled prices down as talks of tapering central bank stimulus as early as this year saw them fall out of favour.

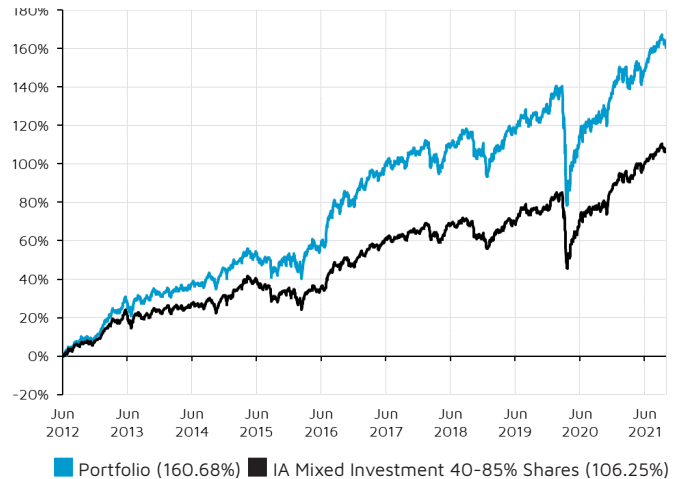
The best returns since the last review have come from growth-focused equity funds. These funds tend to have a large exposure to the technology, healthcare, and consumer product sectors and often perform well in periods of economic growth. The best performers since the last review have been Brown Advisory US Sustainable Growth and HSBC American Index. Most of the equity funds increased in value and JPM Emerging Markets Income and Trojan Income provided the smallest contribution to the portfolio. Invesco China Equity (UK) was the only fund to underperform significantly as it has a large contribution to Chinese technology companies, which have been heavily targeted with regulations by the Chinese government over this period.

The portfolio has a moderate exposure to the gilt market through Vanguard UK Government Bond Index. Over the past six months gilts have lagged as equity markets have continued their recovery, as fixed income assets have fallen in value. Considering the continuing uncertainty and the cautious nature of this portfolio, this is a position we are comfortable with. Despite the exposure to Chinese equities and gilt holdings weighing on short-term performance, the portfolio has continued to increase in value.

PORTFOLIO POST REBALANCING:

Name	Weighting
Vanguard UK Government Bond Index	21.50%
Trojan Income	13.00%
Brown Advisory US Sustainable Growth	12.00%
HSBC American Index	10.50%
Vanguard Japan Stock Index	10.50%
Marlborough Special Situations	10.00%
Baillie Gifford American	8.00%
Schroder European Recovery	4.50%
Schroder Income	3.00%
Invesco China Equity (UK)	2.50%
JPM Emerging Markets Income	2.50%
Fidelity Index UK	2.00%

PERFORMANCE OVERVIEW:²



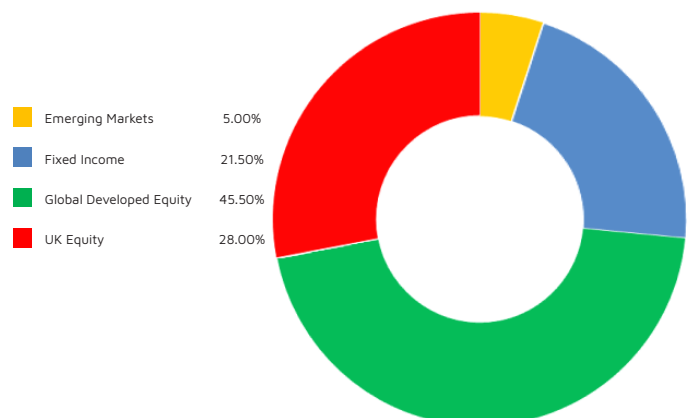
SUMMARY OF PORTFOLIO CHANGES:

This review brings an adjustment to the equity allocation of the portfolio, as well as a change to the balance of the defensive assets. At the last review the allocation to UK equities was reduced due to the uncertain outlook. Since then, the outlook has improved and many companies have returned to profitability following re-opening.

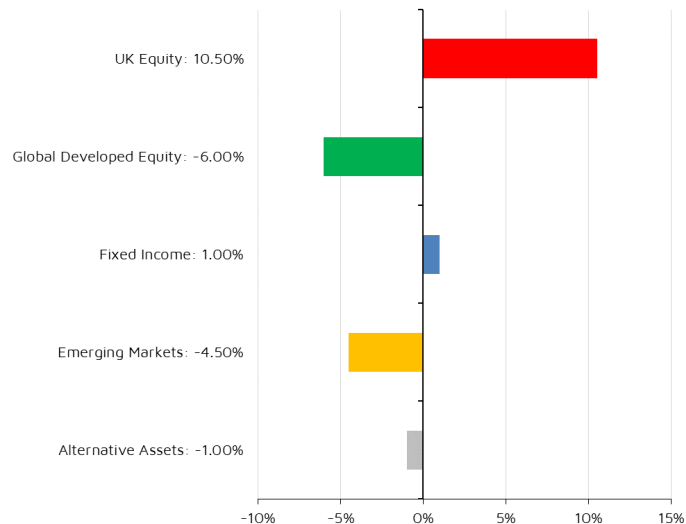
The allocation to UK equities has increased substantially and our exposure to US and European equities has been reduced. The allocation to emerging markets has also been reduced and this means the equity holdings better reflect the changed outlook for global markets. The allocation to gilts has been increased slightly and absolute return strategies have been removed due to the improved outlook since the last review.

The addition of Schroder Income has helped increase UK exposure. The inclusion of Marlborough Special Situations also increases the allocation to UK equities and this fund's focus on smaller companies balances the large-cap exposure of Schroder Income and Trojan Income. Schroder European Recovery replaces Schroder Global Recovery. Invesco European Equity has been removed as part of the reduction in European equities. Finally, Artemis US Absolute Return has been removed.

NEW ASSET CLASS BREAKDOWN:²



ASSET CLASS CHANGES:



WHAT IT COSTS:³

Financial Instruments OCF: 0.50%³

Financial Instruments Transactional Costs: 0.07%

Change in Portfolio Expense: 0.01%

The Financial Instruments OCF refers to the underlying costs of managing the funds. Transactional costs refers to additional costs which this does not capture such as trading fees, investment research and foreign exchange fees. It also includes implicit costs that can have an impact on performance but are not charged directly to the end investor. **The charges represent the current maximum charges, for the exact charges please refer to the Platform Portfolio Charges Document and Platform Fund Charges Document.**

PORTFOLIO CHANGES

BUY

Vanguard UK Government Bond Index	1.00%
Trojan Income	0.50%
Vanguard Japan Stock Index	1.00%
▶ Marlborough Special Situations	10.00%
Baillie Gifford American	3.50%
▶ Schroder European Recovery	4.50%
▶ Schroder Income	3.00%

SELL

Brown Advisory US Sustainable Growth	-2.00%
HSBC American Index	-3.50%
Invesco China Equity (UK)	-3.50%
JPM Emerging Markets Income	-1.00%
Fidelity Index UK	-3.00%
◀ Invesco European Equity (UK)	-5.50%
◀ Schroder Global Recovery	-4.00%
◀ BlackRock European Absolute Alpha	-1.00%

KEY:

▶ New fund to the portfolio

◀ Sell completely out of fund

If blank add or subtract from existing holding

Weightings refer to portfolio holdings not individual fund holdings

FUNDS IN:

■ Marlborough Special Situations

Portfolio Holding: 10.00% **Yield:** 0.29% **Total Charge:** 0.79%

This fund invests in smaller companies within the UK, and the higher-risk nature of smaller companies means exposure in the portfolio is strictly limited. The fund aims to identify companies with significant growth potential and tries to invest at an attractive price. In order to limit risk in the portfolio, the fund will hold between 150 and 250 positions, with no one company making up more than 2 per cent of the portfolio. This reduces the risk of any one position having a significant negative impact on the fund, although it also limits the upside potential.

■ Schroder European Recovery

Portfolio Holding: 4.50% **Yield:** 1.09% **Total Charge:** 0.95%

This fund invests in European companies that are currently out of favour. Managers Andrew Lyddon and Andrew Evans focus only on finding businesses that have been through periods of stress and whose share prices are significantly below what they consider a fair value. The team screens the universe, highlighting the cheapest 20 per cent of the market, which is then considered for further analysis. Their investment process aims to assess the quality of a business, its financial strength and to ensure the company can survive financial distress. Position weight is a function of risk rather than their conviction, as they look to balance risk and reward. The resulting portfolio is relatively concentrated with 40 to 60 positions.

■ Schroder Income

Portfolio Holding: 3.00% **Yield:** 3.08% **Total Charge:** 0.91%

Managers Kevin Murphy and Nick Kirrage look to invest in undervalued large companies in the UK. This can lead to the fund looking quite contrarian as it is trying to invest in companies underappreciated by the market and looking to benefit from when this situation changes. This can mean that the fund performs very differently from the wider market whilst the managers wait for sentiment to change, and some periods of underperformance should be expected. Value investing can be high risk and, to mitigate this, the process concentrates on identifying companies with strong balance sheets and healthy profits that are not currently reflected in the price.

FUNDS OUT:

■ Invesco European Equity (UK)

Previous Holding: 5.50% **Yield:** 1.97% **Total Charge:** 0.93%

This fund's co-managers take a valuation-orientated approach aiming to identify companies that are trading at attractive prices – this can mean investing heavily in areas that are currently out of fashion. The manager has built a reputation for mitigating losses during market falls, while still managing to capture the rebound through superior stock selection. The fund has been removed from the portfolio to boost diversification by increasing the portfolio's allocation to deep value-style funds.

■ Schroder Global Recovery

Previous Holding: 4.00% **Yield:** 1.28% **Total Charge:** 0.93%

The managers focus on finding businesses that have been through periods of stress and whose share prices have fallen significantly below what they consider a fair value. Each stock should re-rate without the need for a specific catalyst. This means that the fund can invest heavily into businesses and sectors that are out of favour, meaning the fund can be exceptionally volatile whilst the managers are waiting for their share prices to correct. This does add significant diversification benefits to the portfolio but means investors may have to be patient and tolerate periods of underperformance. The fund has been removed at this review to allow the inclusion of a more value-focused fund to help balance the increased allocation to small-cap growth stocks.

■ BlackRock European Absolute Alpha

Previous Holding: 1.00% **Yield:** 0.00% **Total Charge:** 0.93%

This fund aims to generate positive returns irrespective of the direction of European equity markets by focusing on stock picking and removing the effect of market directions. The fund aims to buy cashflow-generating companies that have a clear growth path over the medium-to-long-term. The fund can also bet on falling share prices of individual stocks where it is looking for companies that are very indebted, have structurally challenged and inefficient business models, and are likely to have negative earnings surprises. The fund has been removed as part of the changes made to the portfolio's allocation to absolute return strategies. The very uncertain outlook at last rebalance saw the use of absolute return strategies increase across the portfolio range. As the outlook has improved significantly the allocation to absolute return funds is being reduced.

External Risk Ratings



About FE Investments

FE Investments Portfolios: Our portfolios are a total investment solution designed to help advisers in achieving their clients objectives. FE Investments has produced a range of optimised portfolios which are designed to manage risk to achieve the desired outcome for investors.

The portfolios are optimised to maximise the overall level of diversification between different fund strategies. By analysing the relationships between funds we aim to find the best possible mix, where differing strategies are complementary and further reduce the total risk in the portfolio; thus allowing for greater market exposure for the same level of risk compared to a more traditional portfolio solution.

FE Investments produce fifteen growth portfolios that uses optimal asset allocation models from EValue as a reference for each level of risk. We optimise our portfolios to match the risk of the reference, to try and achieve greater returns and better capital protection. We use the asset allocation models as a guide but allow our portfolios to differ significantly where we are able to diversify away the extra risk. This approach has been developed internally by FE Investments and has been validated by Cass Business School.

FE Investments Portfolios are constructed exclusively from funds that have made the FE Investments Approved List and have therefore gone through a rigorous vetting procedure. We've developed 15 growth portfolios, spanning three time periods and five risk levels, as well as a natural income solution which is outcomes orientated, as opposed to risk targeted.

FE Investments Approved List: Our recommended list of funds builds upon our established suite of research tools to help keep investors better informed. Funds initially undergo a rigorous quant screening to identify the best performers. This screening encompasses four distinct areas; Crown Ratings, Alpha Manager Ratings, Group Awards and AFI (Adviser Fund Index).

These four areas combined allow us to accurately scrutinize a fund from all angles. Our dedicated team of analysts overlay this quant analysis with their own independent and unique qualitative analysis. Funds that pass this rigorous two-stage quantitative and qualitative analysis process then make it on to the FE Investments Approved List.

Awards & Ratings For FE Investments



Important Information

1 Performance Overview: All performance figures are calculated on a bid to bid total return basis in pounds sterling to last month end.

2 Asset Breakdown: For this calculation a fund is assumed to invest 100% in any one asset class. For example a fund in the IA UK All Companies sector would be classified 100% UK Equity. A mixed investment fund would be classified as 100% Mixed.

3 What it Costs: The portfolio expense is calculated using the weighted value of the OCF of the portfolios constituent funds. The average expense of funds is a simple average of the OCF of the portfolios constituent funds. Where OCF is not available TER is used. Total cost of investment include FE Invests charges of 0.27%.

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