

Data at 31 December 2017

INVESTMENT OBJECTIVES

The moderate model aims to provide a medium risk investment that balances income generation and capital growth over a three to five year period. Typically the portfolio will be invested across a spread of government and corporate bonds, property and UK and International equities. The model is invested across a range of funds to achieve its aim.

Target 3 year volatility of 8 to 11.

FACTS AND FEES

Historic Model yield	3.3%
Volatility Since Inception*	6.7
Estimated OCF of model	0.61%
Investment fee	0.3%
Comparison benchmark	FTSE UK Private Investor Income

Data sourced from Financial Express as at 31/12/2017

* Inception date 31 December 2014

MANAGERS

Matt Strachan BSc (Hons) Econ, ACSI

Matt is the CIO at Thorntons Investments and has over 30 years of international investment management experience, including managing an OBSR rated N American fund.

Ciaran Garvey BSc Econ & Fin, MSc Fin, MCSI

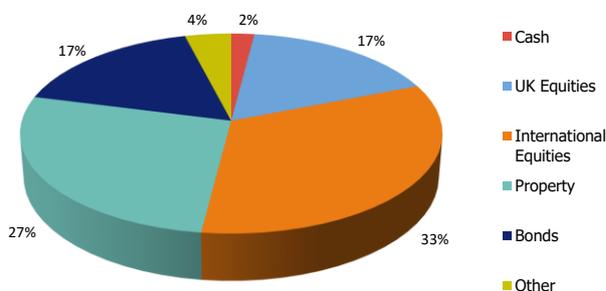
Ciaran is an investment manager at Thorntons Investments, he has seven years industry experience after graduating from University College Dublin and Heriot Watt University.

MARKET COMMENTARY

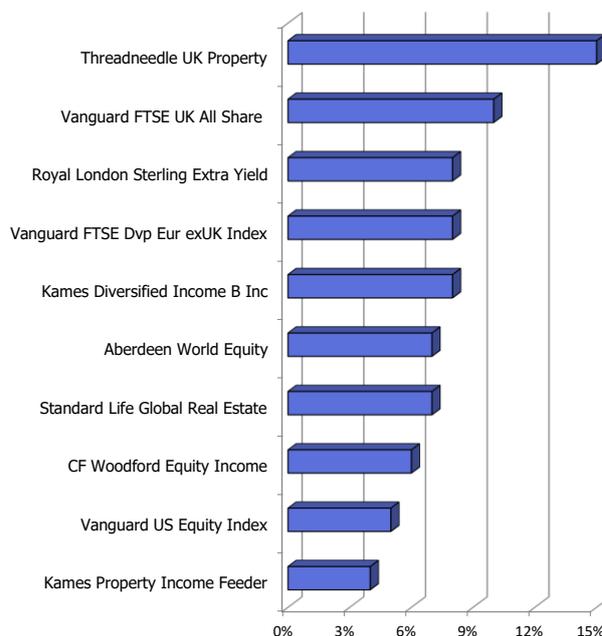
Global economic activity continued to pick up steam through the end of 2017, helping drive strong investment returns, especially in equity markets. Agreements for US tax reform and progress in Brexit discussions to move to trade talks, helped sentiment and outlooks for 2018. US and UK equity markets reached all time highs and Asian markets rose to levels not seen for decades; in some cases. The FTSE 100 had a return of 5%, whilst US stocks performed similarly. Japan was even stronger with a 7.6% return and only European equities disappointed, being flat over the final quarter. Volatility in equities remained very low and 2017 has been the least volatile year for equities on record. This should not be interpreted as the risk on equities having fallen, risks remain very much in place and we expect higher levels of volatility to return in the coming years.

Gold rallied strongly in December as the dollar continued to weaken, but was fairly flat over the quarter. Oil and metals, iron ore in particular, had a positive quarter, as economic recovery raised expectations of rising demand. There has been limited feed through to inflation, apart from food, from rising raw materials. This may help explain why gilts actually had a positive quarter, returning 1.8%, despite the Bank of England and the Federal Reserve Bank of America both raising interest rates in the last couple of months. Further rate rises will be implemented in the US in 2018 and we expect bond yields to rise also.

ASSET ALLOCATION



TOP 10 HOLDINGS



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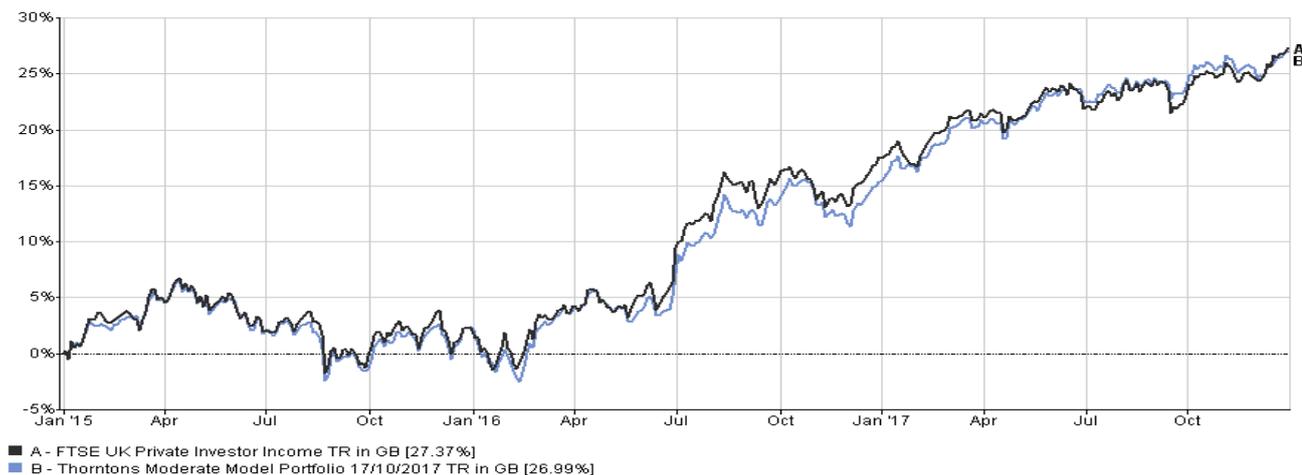
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PORTFOLIO COMMENTARY

With a robust final quarter, +2.6%, the Moderate portfolio returned 10.1% for the year. Equity funds generally had the best returns, with Vanguard US Equity +5.4% and Standard Life Global Emerging Markets +6.9%. Some changes were made to the portfolio in October anticipating what we think will be more testing times for bonds with further interest rate increases. Bond investment was trimmed, and Kames Property Income added. We switched Vanguard UK Equity Income to the UK All Share fund to reduce exposure to companies more sensitive to higher interest rates. We also reduced UK equity investment selling Henderson UK Equity Income & Growth and buying Vanguard Emerging Markets. GAM N American Growth was switched into Natixis Loomis Sayles US Equity Leaders to get better exposure to global growth stocks. With volatility expected to rise we added Smith & Williamson Global Gold to diversify risk, this had a negative return of -1.9% for the period.

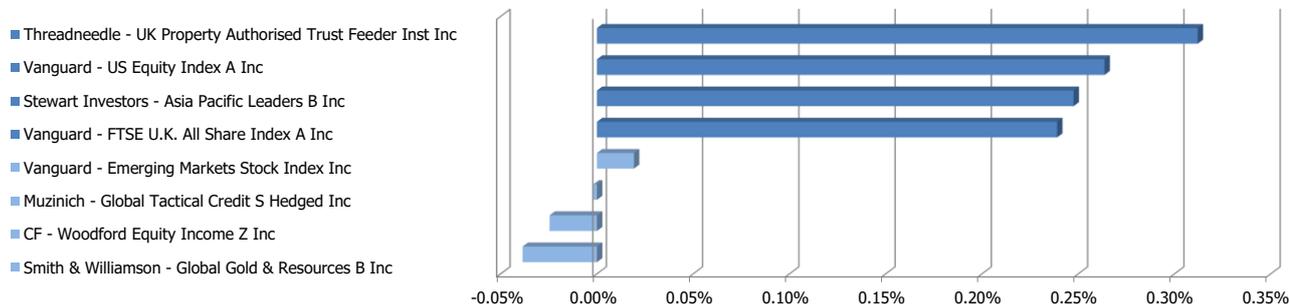
PERFORMANCE

Moderate Model Total Return 31/12/14 - 31/12/17



31/12/2014 - 29/12/2017 Data from FE 2018

TOP AND BOTTOM CONTRIBUTORS TO PERFORMANCE Q4 2017



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