

Data at 31 December 2017

INVESTMENT OBJECTIVES

The progressive model aims to provide a medium to high risk investment that targets capital growth over a three to five year period, whilst still generating a respectable level of income. Typically the majority of the portfolio will be invested in equities with the balance spread across property and government and corporate bonds. The model is invested across a range of funds to achieve its aim.

Target 3 year volatility of 10 to 13.

FACTS AND FEES

Historic Model yield	2.9%
Volatility Since Inception*	8.5
Estimated OCF of model	0.57%
Investment fee	0.3%
Comparison benchmark	FTSE UK Private Investor Balanced

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

* Inception date 31 December 2014

MANAGERS

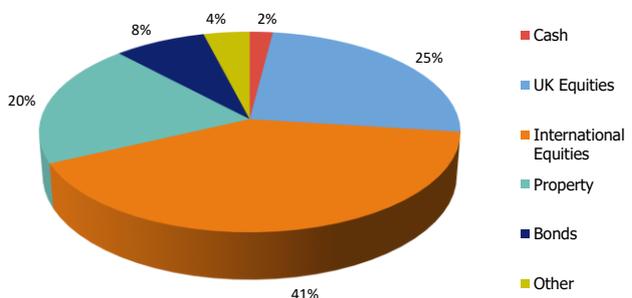
Matt Strachan BSc (Hons) Econ, ACSI

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.

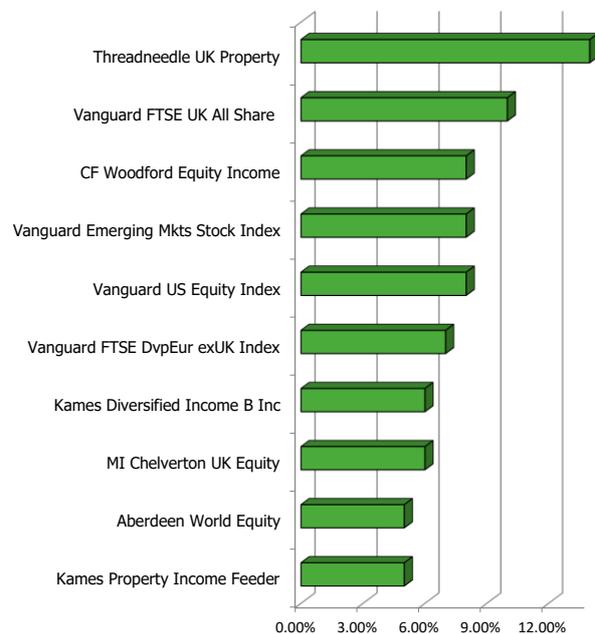
Ciaran Garvey BSc Econ & Fin, MSc Fin, MCSI

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

ASSET ALLOCATION



TOP 10 HOLDINGS



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.

Get in touch

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PORTFOLIO COMMENTARY

A final quarter rise of 3.5% left the Progressive portfolio up 11.6% for the year. Strong equity fund performances added most to returns, with Neptune Japan +9.8% and Vanguard Emerging Markets +6.7%. Some changes were made in the quarter, reducing UK equity exposure and switching Henderson UK Equity Income & Growth to Chelverton UK Equity Income for greater small company exposure. We also switched GAM N American Growth to Natixis Loomis Sayles US Equity Leaders to get better exposure to global growth stocks. Bond investment was trimmed further, as we expect them to be pressured by rising interest rates and for similar reasons switched Vanguard UK Equity Income to their UK All Share fund. We expect property to hold up well in this environment and added Kames Property Income, which invests in regional offices. 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

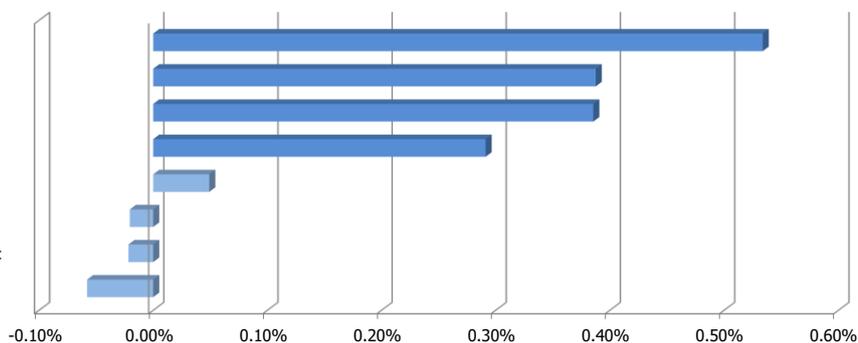
Progressive Model Total Return 31/12/14 - 31/12/17



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

TOP AND BOTTOM CONTRIBUTORS TO PERFORMANCE Q4 2017

- Vanguard - Emerging Markets Stock Index Inc
- Vanguard - US Equity Index A Inc
- Neptune - Japan Opportunities D Acc
- Threadneedle - UK Property Authorised Trust Feeder Inst Inc
- Vanguard - UK Investment Grade Bond Index Inc
- CF - Woodford Equity Income Z Inc
- Vanguard - FTSE Developed Europe ex UK Equity Index A Inc
- Smith & Williamson - Global Gold & Resources B Inc



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