

Data at 31 December 2017

INVESTMENT OBJECTIVES

The steady model aims to provide a low to medium risk investment that generates an income above that provided by UK Government bonds over a three to five year period, with the prospect of capital appreciation. Typically the portfolio will be invested across a spread of government and corporate bonds, property and equities. The model is invested across a range of funds to achieve its aim.

Target 3 year volatility of 6 to 9.

FACTS AND FEES

Historic Model yield	3.6%
Volatility Since Inception*	5.7
Estimated OCF of model	0.67%
Investment fee	0.3%
Comparison benchmark	FTSE UK Private Investor Conservative

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

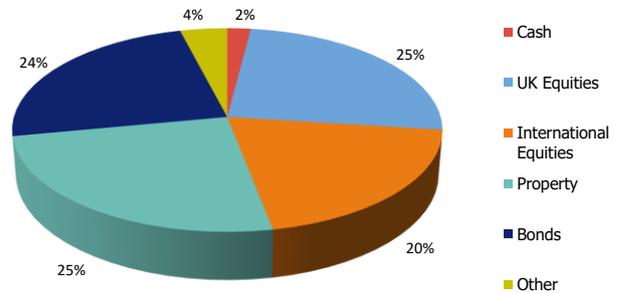
Ciaran is an investment manager at Thorntons Investments, he has seven years industry experience after graduating from University College Dublin and Heriot Watt University.

MARKET COMMENTARY

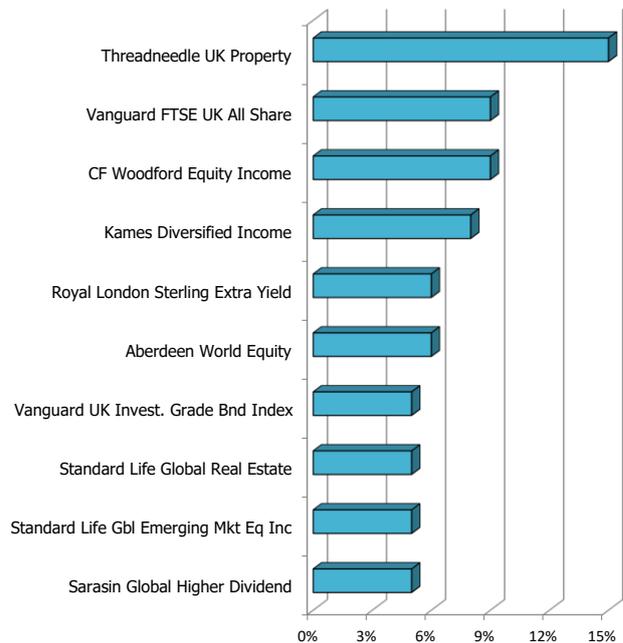
Global economic activity continued to pick up steam through the end of 2017, helping drive strong investment returns, especially in equity markets. Agreements for US tax reform and progress in Brexit discussions to move to trade talks, helped sentiment and outlooks for 2018. US and UK equity markets 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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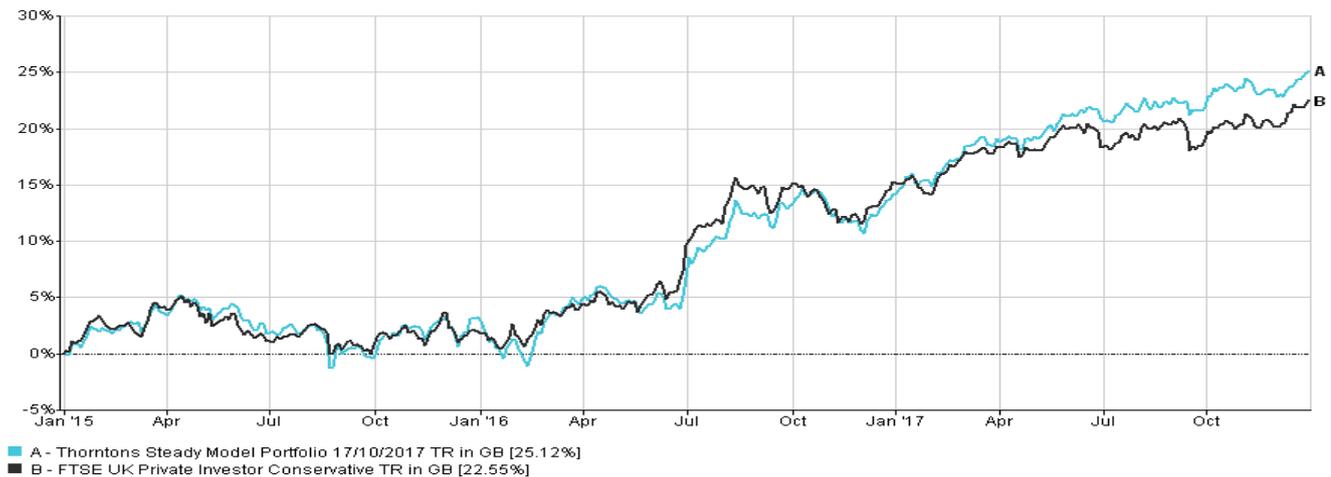
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PORTFOLIO COMMENTARY

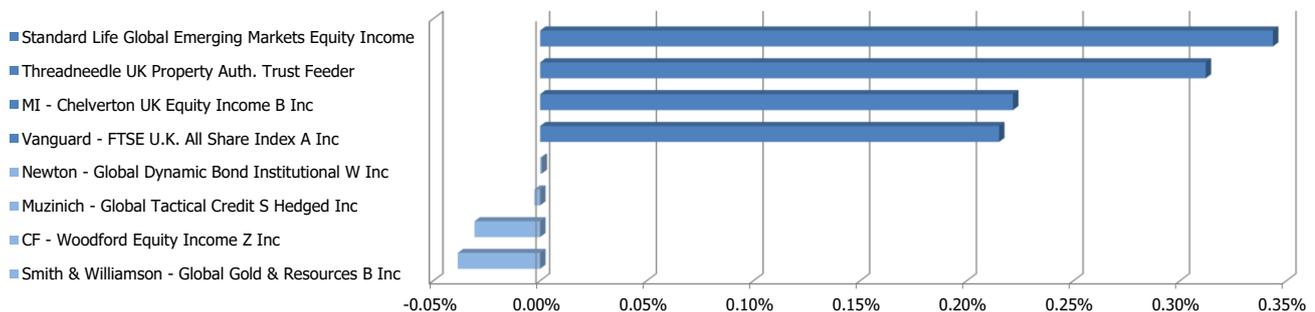
A strong last quarter, +2.7%, helped the Steady portfolio return 9.6% for the year. Most of the gains came from the equity funds, with Standard Life Emerging Markets +6.9% and Vanguard US Equity +5.4%. There were several changes made to the portfolio in October, in anticipation of some more difficult years for bonds. Longer dated bond exposure was reduced and cash also as it receives almost no interest on platforms. We added Muzinich Global Tactical Credit, which has a yield close to 3%. Vanguard UK Equity Income was switched into their UK All Share fund which should be less sensitive to higher bond yields. Investment in Standard Life Global Real Estate was reduced, and exposure added to UK property through Kames Property Income fund which is largely invested in regional offices. A small new investment was made in Smith & Williamson Global Gold, which should act as a risk diversifier against our expectation of volatility picking up in the years ahead.

PERFORMANCE

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



TOP AND BOTTOM CONTRIBUTORS TO PERFORMANCE Q4 2017



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