Thorntons Adventurous
Q4 2018

As at 31 December 2018

THORNTONS
INVESTMENTS

INVESTMENT OBJECTIVES

The adventurous model aims to provide capital growth over a three to five year period. A low level of income will also be generated. Typically the portfolio will predominantly be invested in equities, mostly international, with a small allocation to property and bonds. The model is invested across a range of funds to achieve its aim.

Target 3 year volatility of 12 to 16.

FACTS AND FEES

Historic Model Yield	2.3%
Volatility Since Inception*	10.3
Estimated OCF of model	0.53%
Investment fee	0.3% + VAT
Comparison benchmark	MSCI WMA Private Investor Growth
Comparison Sector	IA Flexible Investment

Data sourced from Financial Express as at 31/12/2018

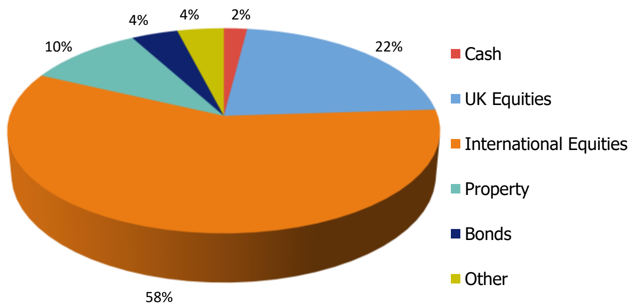
* Inception date 31 December 2014

MANAGERS

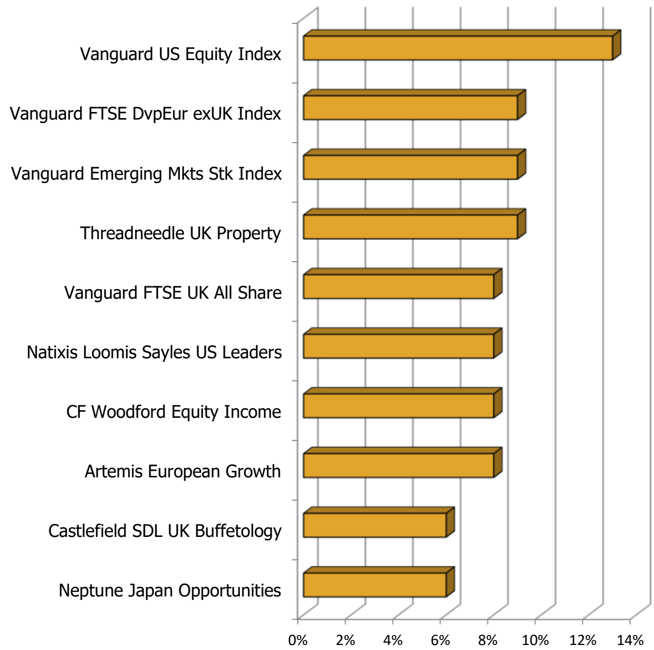
Matt Strachan BSc (Hons) Econ, ACSI
Matt is the CIO at Thorntons Investments and has over 30 years of international investment management experience, including managing an OBSR rated N American fund.

Ciaran Garvey BSc Econ & Fin, MSc Fin, FCSI
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

The final quarter of 2018 proved to be tumultuous with some violent sell-offs in equity markets. Slowing global economic growth, tightening monetary policy in the US and a host of geopolitical risks combined to generate a violent return of volatility in financial assets and created bear markets (technically a fall of 20% from peak to trough) across much of the world. At the end of the quarter the UK stock market had a negative return, including dividends, of -10.3%. Other equity markets fell by more, but because of the weakness of the pound did not look quite so bad in sterling terms, the US -11.5%, Europe -10.8% and Japan -12.4%. Asian and emerging markets fell less, but they had already been weak for much of the year.
The strength of the US economy, in contrast to slowing growth across much of the rest of the world, led to the Federal Reserve Bank raising interest rates for a fourth time in 2018. Worries that hints of further tightening would hit economic growth in 2019 caused government bonds to rise (yields to fall) and a rush to 'safe' assets meant they were one of the few positive financial assets over the quarter, with UK gilts returning nearly 2%. However, corporate bonds did not perform so well as concern about increased default risk caused credit spreads over government bonds to widen.
Concern about weakening economic growth and the ongoing trade dispute between the US and China weighed on commodity prices, particularly oil. Its price dropped by 40% over the quarter as weakening demand and plentiful supply combined. Gold was the exception, up 10%, at last seeing demand in an environment of elevated risk. UK property values continue to remain firm, although there are obvious concerns about High Street retail property. However, worries over Brexit has seen investment demand wane, particularly international demand, and some property funds have moved to lower 'cancellation' pricing, although the underlying value has not changed.
2019 will see lower economic growth and a raft of political risks to overcome. Despite this we don't expect recession and the market falls have priced in a lot of risk and left some attractive investment opportunities.

Platform Availability:

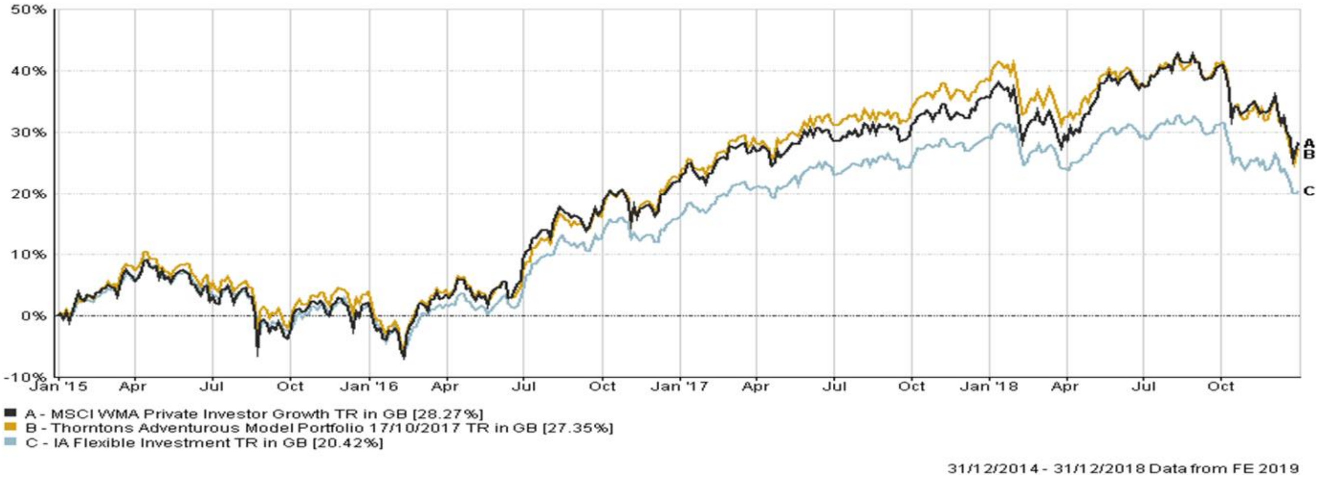
nucleus ZURICH Standard Life ascentric novia

PORTFOLIO COMMENTARY Q4 2018

The Adventurous portfolio felt the impact of stock market falls of more than 10% around the world with a return of -9.9% in the last quarter. The Vanguard US Equity Index fund has the biggest negative impact with a -12.4% return. However, Neptune Japan Opportunities and Artemis European Growth had the worst performances, -19.3% and -15.9% respectively. Both underperformed their benchmarks with the Neptune fund missing out on a strong yen from currency hedging and Artemis having poor stock selection. Both funds are under review. The Vanguard Emerging Stock market fund was one of the least badly affected equity funds, returning -4.9%, as valuations in these markets are already low. The only fund to record a positive return over the quarter was the Smith & Williamson Global Gold and Resources fund, +7.6%. This reflected the long-awaited recovery in gold as a hedge against rising risk. The small investment in corporate bonds through the Royal London Sterling Extra Yield fund had a return of -1.6%, reflecting widening credit spreads. UK Property which remains steady in value, recorded a negative return of -6.0% through the Threadneedle fund, which swung to cancellation pricing in December.

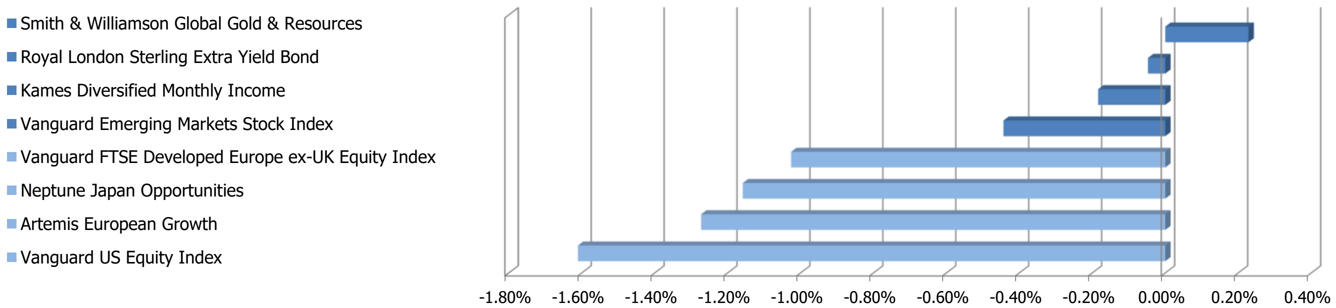
PERFORMANCE FROM INCEPTION

Adventurous Model Total Return 31/12/14 - 31/12/18



Performance	Cumulative					Discrete Calendar Years		
	Q4	YTD	1 Year	3 Years	Since 31-Dec-14	2017	2016	2015
Thorntons Adventurous Model Portfolio	-9.9%	-7.9%	-7.9%	22.6%	27.4%	13.0%	17.9%	3.9%
MSCI WMA Private Investor Growth Index	-9.0%	-5.5%	-5.5%	25.7%	28.3%	11.4%	19.4%	2.1%
IA Flexible Investment	-8.3%	-6.7%	-6.7%	18.1%	20.4%	11.2%	13.8%	2.0%

TOP AND BOTTOM CONTRIBUTORS TO PERFORMANCE Q4 2018



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