

INVESTMENT OBJECTIVES

The cautious model aims to provide a low risk investment that preserves capital value and generates a sustainable income greater than that achieved from a deposit account over a three to five year period. Typically the majority of the portfolio will be invested in government and corporate bonds, with a smaller allocation to property and equities. The model is invested across a range of funds to achieve its aim.

3 to 5 year volatility target of 3 to 6.5.

FACTS AND FEES

Historic Model Yield	2.7%
Five Year Monthly Volatility	6.8
Estimated OCF of model	0.58%
Investment fee	0.3% + VAT
Comparison benchmark	IA Targeted Absolute Return

Data sourced from Financial Express as at 31 March 2021

Date of Inception 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 over 10 years industry experience after graduating from University College Dublin and Heriot Watt University.

MARKET COMMENTARY

The success of the UK vaccination programme has given real light to the end of the dark economic tunnel that we have been through over the winter months and allowed financial markets to anticipate a strong economic recovery. Equity markets had a positive first quarter, with the FTSE 100 returning 5%, just ahead of US stocks, +4.8%, and European equity, +3.4%. Japan was the weakest of the main stock markets, +0.2%, as new more infectious variants of Covid-19 gained a foothold and restrictions were introduced.

Along with the rapid roll-out of vaccines in the UK and US, fiscal policy has been designed to pump-prime economic growth as lockdown measures are removed. This has seen some rotation in equity from tech/growth stocks to recovery/cyclical stocks; from growth to value. This rotation has also lifted commodity prices, especially metals and oil, with a basket of commodities up more than 9% over the quarter. The corollary of this was a further decline in the price of gold, -11%, as confidence in vaccination and economic recovery gained traction.

Also performing poorly were bonds, with UK gilts returning -7.1%, as falls in capital values overwhelmed meagre coupon returns. Although central bank monetary policy remains highly supportive, with large bond buying programmes, investors are showing concern over inflation. A spike in inflation is now expected as the sharp fall in prices at the onset of the pandemic begin to drop out of annual calculations, but if the economic recovery is robust and quickly closes the output gap, supply disruption caused by Covid-19 could make inflation stickier.

Covid has undoubtedly changed the economic landscape, with work-from-home and online shopping the most obvious, so there is still a great deal of uncertainty as to how recovery will evolve. This is most obviously true for property, returning 1.6% for the quarter, where there is still a high degree of uncertainty; will people return to offices, or not?

Despite some Brexit disruption and costs, sterling has been one of the strongest currencies this year, +3.6%, which has tapered returns from overseas investments. With a number of stock markets rising to new highs, most notably the US, a sharp recovery in profits is already baked into share prices, however, with a valuation discount on the UK, there is still probably room to recover some of the UK equity underperformance that has been suffered over the last few years.

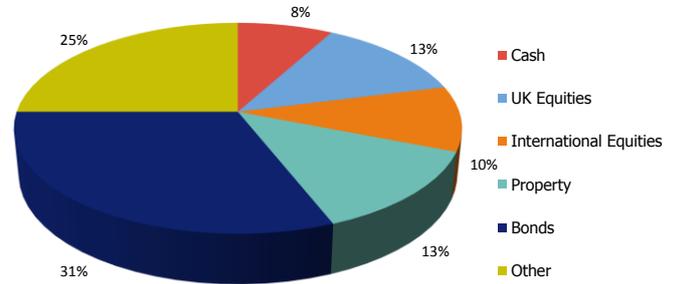
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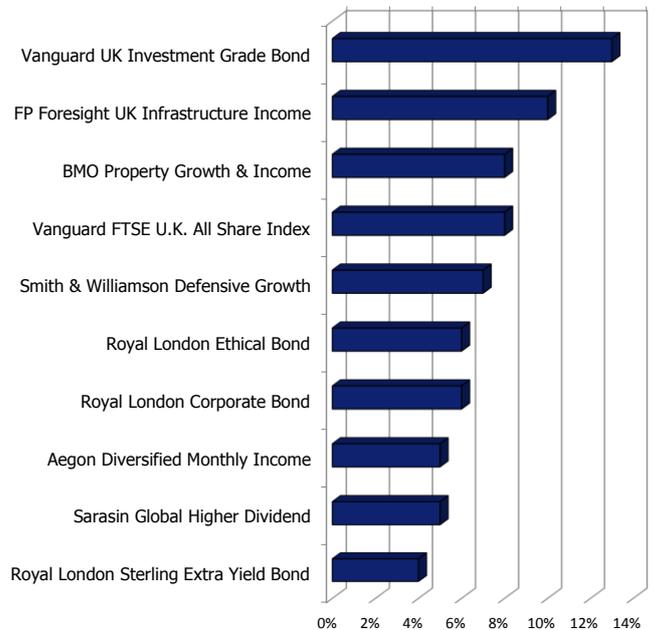
**Thorntons Cautious**  
**Q1 2021**

As at 31 March 2021

ASSET ALLOCATION



TOP 10 HOLDINGS



PORTFOLIO COMMENTARY Q1 2021

The Cautious portfolio saw a small positive return of 0.3% in the first quarter, with performance heavily split between positive equity performance and negative bond and gold performance. With the price of gold dropping 11%, the Smith & Williamson Global Gold and Resources fund declined 17.2% and was the biggest detractor to performance. We still see it as valuable insurance against numerous risks that markets face. Bond markets sold off and the Vanguard UK Investment Grade fund returned -3.6%. Whilst other fixed income investments also had negative returns, there was, however, a notable positive return of 2.2% from Royal London Sterling Extra Yield.

UK equity was the biggest driver of positive performance, with Vanguard FTSE All Share +5.7% and strong performance from Chelverton UK Equity Income +9.6%. The Vanguard US Equity fund and Sarasin Global Higher Dividend, both +5.4%, also added to positive performance. Property provided a small positive contribution, with BMO Property Growth & Income +1.5%. Alternative funds were mixed, with the Smith & Williamson and Brooks MacDonald Defensive funds +2.2% and +2.5% respectively, whilst Foresight UK Infrastructure was -1.4%. There were no portfolio changes during the quarter.

PERFORMANCE FROM INCEPTION

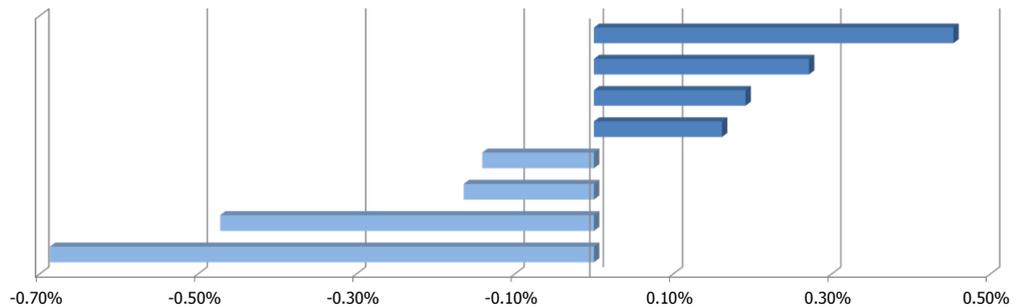
Cautious Model Total Return 31/12/14 - 31/03/2021



Performance	Cumulative						Discrete Calendar Years				
	Q1	YTD	1 Year	3 Years	5 Years	Since 31-Dec-14	2020	2019	2018	2017	2016
<b>Thorntons Cautious Model Portfolio</b>	0.3%	0.3%	16.0%	12.1%	26.7%	31.7%	1.3%	11.4%	-2.8%	7.8%	8.5%
<b>IA Targeted Absolute Return Sector</b>	0.9%	0.9%	10.1%	5.4%	10.8%	12.3%	2.6%	4.4%	-2.8%	3.4%	1.1%

TOP AND BOTTOM CONTRIBUTORS TO PERFORMANCE Q1 2021

- Vanguard FTSE U.K. All Share Index
- Sarasin Global Higher Dividend
- MI Chelverton UK Equity Income
- Vanguard US Equity Index
- Royal London Corporate Bond
- Royal London Ethical Bond
- Vanguard UK Investment Grade Bond Index
- Smith & Williamson Global Gold & Resources



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