

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	0.64%
Investment fee	0.3% + VAT
Comparison benchmark	MSCI WMA Private Investor Income
Comparison Sector	IA Mixed Investment 20-60% Shares

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.

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.

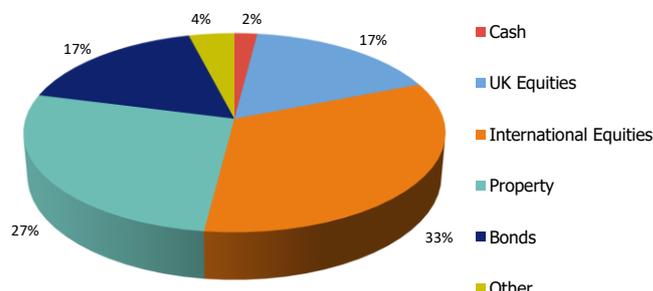
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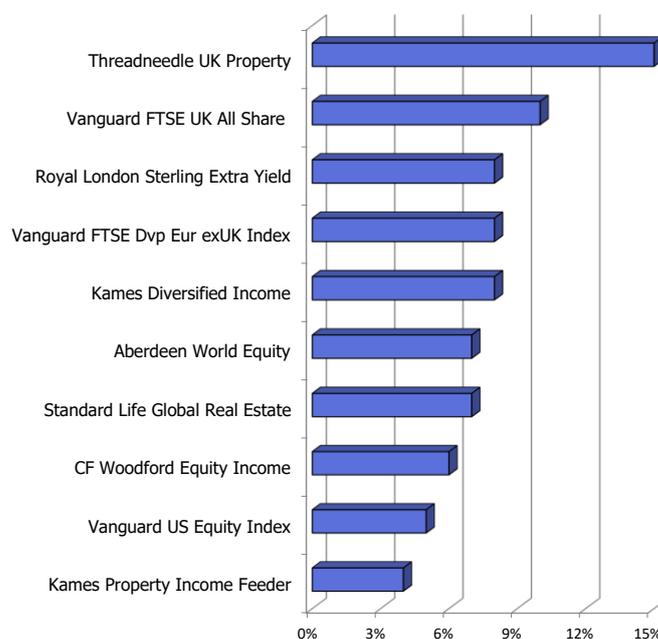
**Thorntons Moderate**  
**Q4 2018**

As at 31 December 2018

ASSET ALLOCATION



TOP 10 HOLDINGS

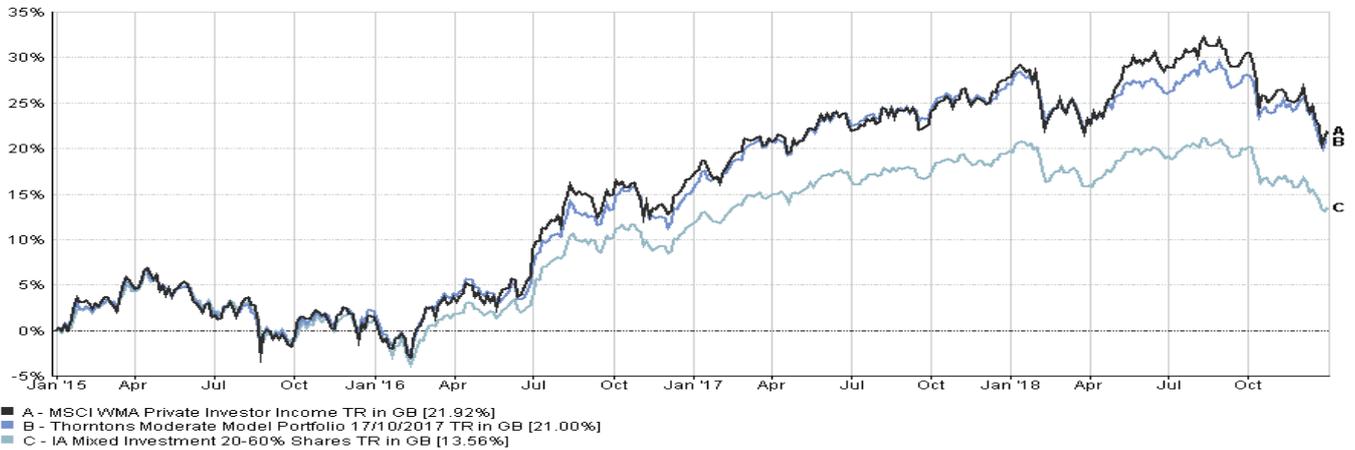


PORTFOLIO COMMENTARY Q4 2018

The Moderate portfolio had a negative return of -5.6% in the last quarter, as stock markets were shaken by heightened uncertainty, slowing economic growth and tightening monetary conditions in the US. The Vanguard Developed Europe fund and Vanguard UK All Share fund dropped -11.4% and -10.7% respectively. Some equity funds did show some defensive qualities, with Stewart Investors Asia Pacific Leaders fund, falling -1.2%, much better than its benchmark and Aberdeen World Equity Income, -2.4%, also significantly better than its benchmark. The investments in bonds held up reasonably well, with the Vanguard UK Investment Grade Bond fund returning -0.6% and the Muzinich Global Tactical Credit fund just positive over the quarter. Property values were fairly flat over the quarter with the Standard Life Global Real Estate fund was down just 0.04%. However, both UK property funds, Threadneedle and Kames, moved to cancellation pricing on their funds due to fund outflows on Brexit uncertainties, hurting portfolio performance by 1%. The best performance came from the Smith & Williamson Global Gold and Resources fund, +7.6%, as gold at last benefitted from risk aversion.

PERFORMANCE FROM INCEPTION

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

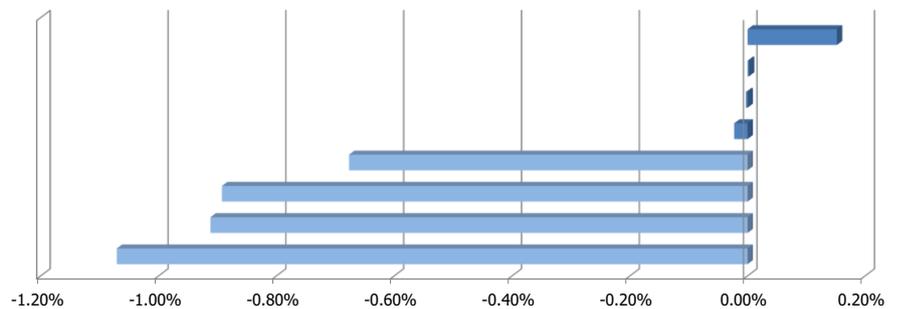


31/12/2014 - 31/12/2018 Data from FE 2019

Performance	Cumulative					Discrete Calendar Years		
	Q4	YTD	1 Year	3 Years	Since 31-Dec-14	2017	2016	2015
<b>Thorntons Moderate Model Portfolio</b>	-5.6%	-4.7%	-4.7%	18.5%	21.0%	10.1%	13.0%	2.1%
<b>MSCI WMA Private Investor Income Index</b>	-6.6%	-4.6%	-4.6%	20.1%	21.9%	9.2%	15.3%	1.5%
<b>IA Mixed Investment 20-60% Shares Sector</b>	-5.4%	-5.1%	-5.1%	12.2%	13.6%	7.2%	10.3%	1.2%

TOP AND BOTTOM CONTRIBUTORS TO PERFORMANCE Q4 2018

- Smith & Williamson Global Gold & Resources
- Muzinich Global Tactical Credit S Hedged
- Standard Life Investments Global Real Estate
- Vanguard UK Investment Grade Bond Index
- LF Woodford Equity Income
- Threadneedle UK Property Authorised Trust Feeder
- Vanguard FTSE Developed Europe ex-UK Equity Index
- Vanguard FTSE U.K. All Share Index



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