THORNTONS
INVESTMENTS

Thorntons Progressive Q4 2018

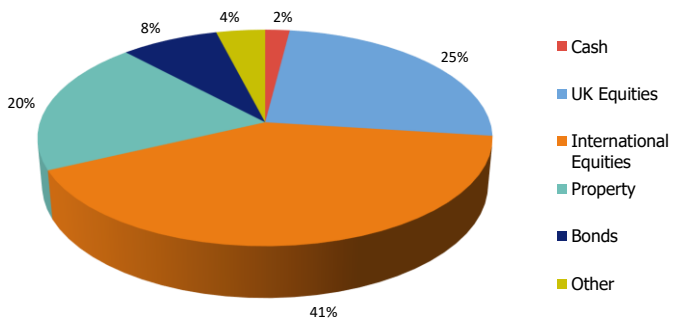
As at 31 December 2018

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.

ASSET ALLOCATION



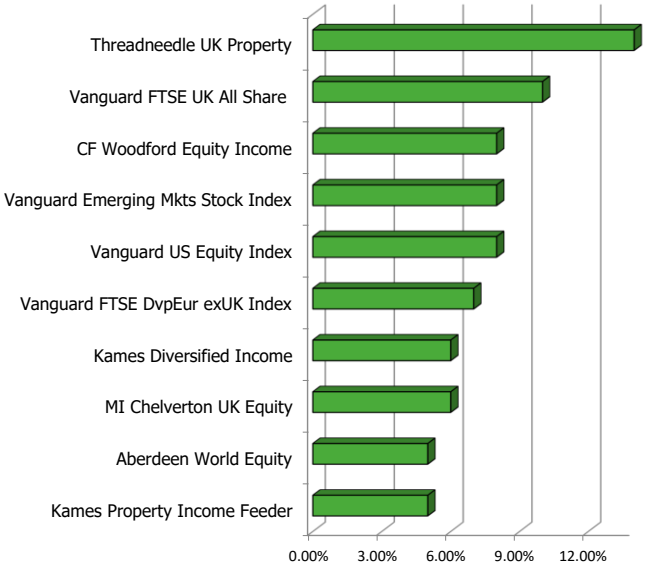
FACTS AND FEES

Historic Model yield	3.1%
Volatility Since Inception*	8.5
Estimated OCF of model	0.60%
Investment fee	0.3% + VAT
Comparison benchmark	MSCI WMA Private Investor Balanced
Comparison Sector	IA Mixed Investment 40-85% Shares

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

* Inception date 31 December 2014

TOP 10 HOLDINGS



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.

Platform Availability:

nucleus ZURICH Standard Life ascentric novia

PORTFOLIO COMMENTARY Q4 2018

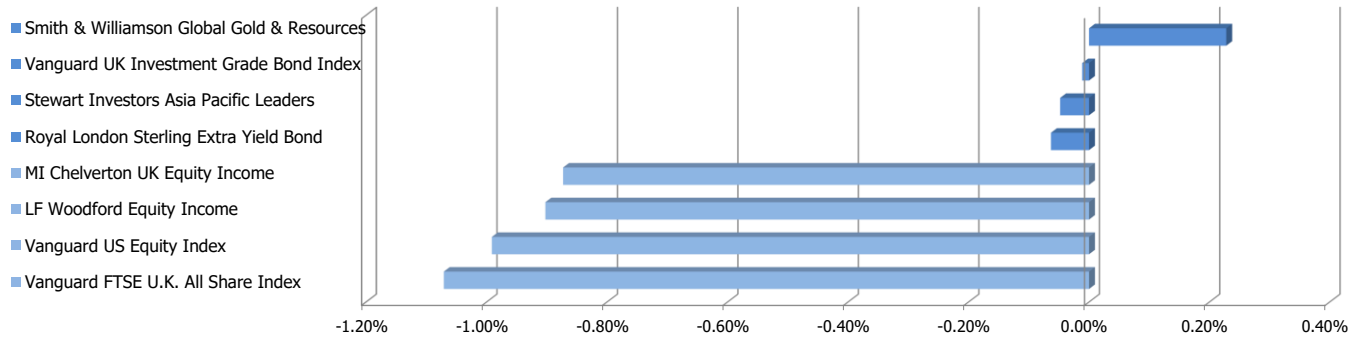
The Progressive portfolio returned -7.8% in the last quarter, feeling the impact of most stock markets around the world falling more than 10%. The Vanguard US Equity Index fund and UK All Share fund returned -12.4% and -10.7% respectively. Smaller companies generally suffered worst in the market falls and the Chelverton UK Equity Income fund had a -14.6% return. One equity fund that impressed over the quarter was Stewart Investors Asia Pacific Leaders fund, falling just -1.2%, much better than its benchmark. Another fund displaying defensive qualities was Aberdeen World Equity Income, -2.4%, also significantly better than its benchmark. In contrast Neptune Japan Opportunities, -19.3%, was worse than its benchmark hurt by missing out on yen strength from currency hedging. The allocation to bonds provided some defence with the Vanguard UK Investment Grade Bond fund down just -0.6%. UK property values were flat over the quarter. Unfortunately, both Threadneedle and Kames moved to cancellation pricing as Brexit uncertainties led to outflows having a -1% performance impact on the portfolio in December. The one fund up on the quarter was the Smith & Williamson Global Gold and Resources fund, +7.6%, as gold at last benefitted from risk aversion.

PERFORMANCE FROM INCEPTION

Progressive 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 Progressive Model Portfolio	-7.8%	-6.8%	-6.8%	18.7%	21.4%	11.6%	14.2%	2.3%
MSCI WMA Private Investor Balanced Index	-7.4%	-4.8%	-4.8%	22.9%	25.3%	9.9%	17.4%	2.0%
IA Mixed Investment 40-85% Shares Sector	-7.9%	-6.1%	-6.1%	16.6%	19.7%	10.0%	12.9%	2.7%

TOP AND BOTTOM CONTRIBUTORS TO PERFORMANCE Q4 2018



REGULATORY NOTICE

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