FINURA PORTFOLIO REVIEW Q2 2019

GLOBAL MARKET REVIEW

Shares in developed markets gained in Q2, despite a steep fall in May due to concerns over the US-China trade war. Stock markets were supported by increasingly accommodative central banks and hopes of progress in trade tensions by the end of June.

The US S&P 500 index achieved a new record high. The Federal Reserve (Fed) did not cut interest rates at its June meeting, but indicated that there may be rate cuts ahead. More economically-sensitive areas of the market generally performed strongly.

Eurozone shares advanced, with a sharp drop in May sandwiched between gains in April and June. European Central Bank (ECB) President Mario Draghihinted at further monetary policy easing if the inflation outlook fails to improve.

UK shares performed well over the quarter, despite ongoing Brexit-related uncertainty and the resignation of Prime Minister Theresa May.

Japanese shares performed worse than the other major developed markets. The yen strengthened, partly as a result of its reputation as a safe haven at times of geopolitical risk.

Emerging market shares lagged their developed market counterparts. Trade uncertainty weighed on Chinese and South Korean stocks. South Africa, Indonesia, Turkey and Argentina were the best performing countries.

Government bond yields fell markedly as prices rose. Corporate bond markets delivered positive total returns and performed better than government bonds.

Source: Schroders. 30 June 2019. Please note any past performance mentioned in this document is not a guide to future performance and may not be repeated.

12 MONTH OUTLOOK

Maximum Positive
Neutral
Maximum Negative

	Category	View	Comments
Main Asset Classes	Equities		We hold a neutral view as economic risks continue to be elevated and trade tensions weigh on markets.
	Government Bonds[1]		We maintain a positive view as bonds' reputation as a relatively defensive asset has been reinforced during recent periods of market stress.
	Commodoties[2]		We remain neutral on broad commodities, but we are positive on gold as it can be useful during market turbulence due to its perceived defensive characteristics.
	Credit[3]		Valuations have become more attractive from a short-term perspective.
Equities	US		The momentum of the US stock market continues to be one of the strongest among the major markets.
	UK		Increasing probability of a "no-deal Brexit" and weakening investor sentiment present a strong headwind for the UK equity market.
	Europe		The actions of the Federal Reserve in the US could result in a weaker US dollar and thus a stronger Euro. This could hamper the recent improvement in European companies' performance as their exports become less affordable.
	Japan		We continue to hold a neutral view as export weakness remains an area of concern.
	Pacific ex-Japan		We remain neutral as export weakness in Singapore continues to be a drag.
	Emerging Markets		Valuations seem attractive with potential to increase although trade wars could pose a threat. Those emerging countries with a more domestic (rather than export) focus present the most interesting opportunities.

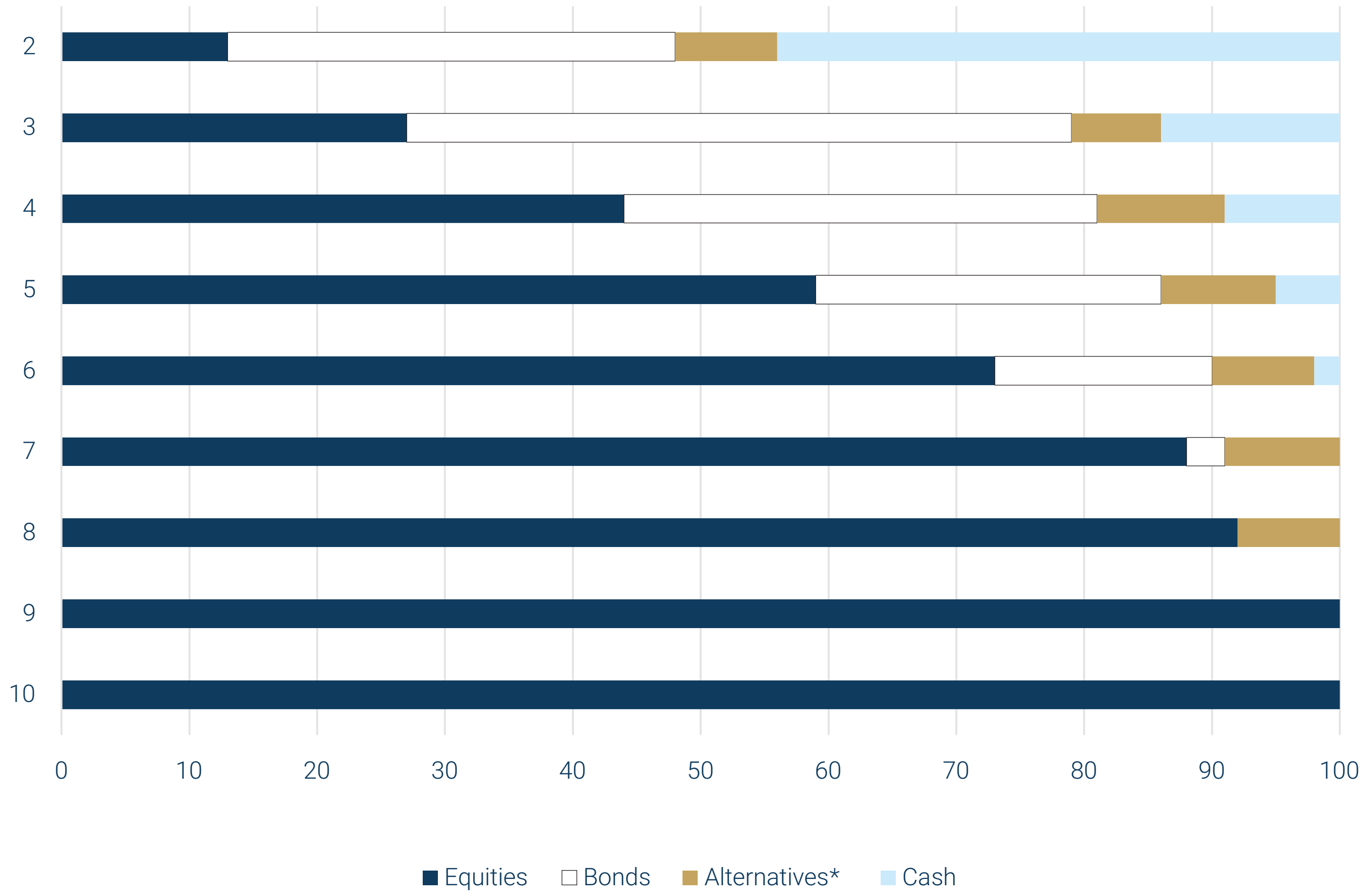
Opinions expressed are not a recommendation to buy and/or sell and do not constitute as investment advice.

Source: Schroders, June 2019. [1]Bonds are a way for governments and companies to raise money from investors. In exchange for an upfront payment from investors, the issuer will make annual interest payments and repay the initial investment amount on a fixed future date. [2]An asset class which encompasses a broad range of physical assets including oil and gas, metals and agricultural produce. [3]A corporate bond, or a bond issued by a company.

ASSET ALLOCATION REVIEW

The FW Market Asset Allocation (MAA) range is based on a strategic, long-term assessment of markets and should not change drastically at quarterly reviews.

RISK LEVELS 2-10



As part of your risk profiling, you will agree on a risk level with your financial adviser. A portfolio with the lowest risk level does not mean a risk-free investment.

Source: Fusion. July 2019. *Alternatives include Global High Yield Bonds, Property and Absolute Return funds.

STRATEGIC MODEL PORTFOLIO REVIEW

FW PORTFOLIOS

The FW Portfolios enjoyed positive performance during the second quarter of 2019. With several asset classes up over the same time period, the best relative returns came from a range of funds across different regions. The strongest performers were Blackrock European Dynamic (risk levels 3-8), Ballie Gifford European (6-9), First State Asia Focus (3-10), Fidelity Emerging Markets (4-10) and Lindsell Train UK Equity (2-10).

The UK equity funds have continued to deliver a decent overall return thanks to Lindsell Train, which continues to benefit from the 'growth' bias in markets. The Standard Life UK Equity Income Unconstrained fund (2, 5-8) struggled because of its mid-cap bias. A Brexit resolution will support this holding and so we are being patient for the time being.

Fixed interest funds added some relative value with the majority performing well against their peer groups.

With expectations for lower interest rates, we reduced our allocation to property in favour of infrastructure. As a result, we removed our position in the Aberdeen UK Property Feeder Fund (2-8), investing in M&G Global Listed Infrastructure (2-5) and First State Global Listed Infrastructure (6-8). In addition, because interest rates are less likely to increase in the near future, we removed the RLAM Short Duration Gilt Fund (2-6) replacing it with the Vanguard UK Government Bond Index (2-6). This is a cost-effective way of delivering a neutral duration for this asset class in the portfolios.

FW TRACKER PORTFOLIOS

The key influence on these portfolios, as always, is the response of markets to the prevailing investor sentiment. This quarter we have seen a continuation of positive investor sentiment after some market falls in May based on trade tensions between the US and China. The higher levels of volatility saw active funds outperform their passive equivalents during the period.

As with the previous quarter, the strongest markets were equity based with the US, Emerging Markets and Europe delivering the best returns. The HSBC American, Pacific and European funds reflected this but the strongest performing fund in the range was the HSBC European Index. This benefitted from a recovery in European markets, after lagging in Q1.

The fixed interest element of the portfolios also saw strong returns. The asset class continues to benefit from potential interest rate cuts in the US and a spread tightening in credit. The shorter duration funds contributed less in this environment, as they have lower sensitivity to rate expectations.

At the quarterly rebalance the portfolios were repositioned to match, as close as possible, the FW MAA. The portfolios have exposure to physical property through the Aberdeen UK Property Feeder Fund.

During the quarter, we removed this fund and replaced it with the M&G Global Listed Infrastructure Fund for lower risk portfolios. In the higher risk portfolios we have reduced the Blackrock Global Property Securities Fund and added the First State Global Listed Infrastructure Fund. With expectations for lower interest rates, we believe that this type of fund can add greater value.

In addition, because interest rates are less likely to increase in the near future, we removed the L&G Short Dated Corporate Bond Index and replaced it with the L&G Sterling Corporate Bond Index. This is a cost-effective way of delivering a neutral duration for this asset class in the portfolio. Lastly we have exchanged the HSBC UK Gilt Index Tracker with the Vanguard UK Government Bond Index to achieve a lower cost selection for the portfolios.

FW ETHICAL

The FW Ethical portfolios delivered positive returns during Q2 on the back of strong equity and bond markets, which continue to be supported by central bank policies.

Equity was the top performing asset class where global funds such as WHEB Sustainability and BMO Responsible Global Equity delivered the highest returns. This is a reflection of the US, Asian and European markets all continuing to perform well. Fixed interest also contributed towards overall returns. In the portfolio, the funds have remained quality based with M&G Global Macro Bond and Rathbone Ethical Bond delivering the best performance.

With expectations for lower interest rates, we reduced our allocation to property in favour of infrastructure. As a result, we removed our position in the Aberdeen UK Property Feeder Fund, investing into M&G Global Listed Infrastructure for lower risk and First State Global Listed Infrastructure for higher risk portfolios as well as adding the Threadneedle UK Property Authorised Feeder Fund to the adventurous portfolio. In addition, because interest rates are less likely to increase in the near future, we removed the RLAM Short Duration Gilt Fund replacing it with the Vanguard UK Government Bond Index for the Cautious and Balanced portfolios. This is a cost-effective way of delivering a neutral duration for this asset class in the portfolios.

FW SCHRODER INCOME

The FW Schroder Income Portfolio aims to deliver a 5% income per year not guaranteed, by investing in a selection of Schroder equity and fixed income funds. The strategy rebalances on a quarterly basis to match the positions within the Schroder Mixed Distribution Fund. The portfolio slightly underperformed its sector average[1] during the quarter. All but one of the funds posted a positive return over the period, but three of the equity funds invest in 'value' stocks. Broadly, these stocks lagged during the period as the market continues to prefer those trading on a higher multiple. Schroder Income Maximiser was the only fund that fell in value over the quarter, weighed down predominantly by the underperformance of Centrica, Pearson and Standard Chartered. These remain holdings in the fund, reflecting the potential long-term opportunity in these names.

Source: Fusion. July 2019. [1]Investment Association Mixed Investment 20-60% shares average. [2]International Selection Fund.

TACTICAL PORTFOLIO REVIEW

The FW Tactical range has the flexibility to implement the latest macroeconomic views of the Schroders Multi-Asset team.

PERFORMANCE AND POSITIONING

A softening position from world central banks supported markets during the second quarter of 2019. In this environment the Schroder Fusion Portfolios delivered positive returns across risk levels 3-7. Equities and credit were the main contributors towards performance, while government bonds also added modest gains. Within equities, the highest return came from the UK market, followed by global equities.

Our internal models show that the US economy has moved into the 'slowdown' phase of the cycle. As a result, we shifted the portfolio to be more defensively positioned, reducing our allocation to equities while adding to risk-reducing positions in government bonds. Given the narrow rally in equity markets, we purchased stocks with low volatility characteristics, trimming exposure to the Global Multi-Factor Equity Fund. We further reduced our equity exposure in Japan, as we limit exposure to highly cyclical markets. In May, we bought some Australian equities, as the region is trading on relatively attractive levels. With the Fed's shift to a more dovish stance, we also see some upside in emerging market (EM) equities. The possibility of a weaker dollar coupled with improved valuations since the sell-off in May, could provide support for the region. Although we reduced our allocation to EM's over the quarter, we bought back some exposure in June.

Bonds can be a valuable defensive asset class during periods of stress, particularly when the risk of a 'stagflationary' environment is still relatively low. In June, we opened a small position in high yield as we currently prefer credit to equities as a return-seeking asset. We also bought a gold ETF (Exchange-Traded Fund) to hedge against the risks of a weakening dollar and easing momentum in equities. In terms of currencies, we closed our overweight 'Australian versus Canadian dollar' position as the trade didn't perform as we expected.

The Schroder Fusion Managed Defensive Fund posted a net return of 2.2% over the quarter, as once again both equities and fixed income markets delivered positive returns. The fund invests based on stages in the cycle: 'Growth', 'Inflation' and 'Slowdown.' For more information on each of these categories, please speak to your financial adviser. During the quarter, we shifted some of our allocation from 'Growth' and 'Slowdown' buckets into 'Inflation'. We reduced our allocation to 'Growth', selling down Japanese, Australian and European equities. We trimmed our holdings in the 'Slowdown' bucket, bringing down the total allocation to 45.1%. With an increasing probability of a "no-deal Brexit", we upgraded our view on UK duration from neutral to positive, and increased our allocation to UK Bonds, as we believe gilts could benefit from the uncertainty. Within 'Inflation', we topped up exposure to index-linked UK gilts.

RISK CONSIDERATIONS

- Past performance is not a guide to future performance and may not be repeated
- The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested
- This information is for illustrative purposes only and is not intended as investment advice, nor a solicitation to invest
- You may be exposed to currency risk caused by fluctuations in foreign exchange rates. This can adversely affect the value of your return and the value of your investment
- Unless the performance of an investment meets or exceeds the rate of inflation, the real value of that investment will reduce
- As a result of fees being charged to capital, the distributable income of the fund may be higher but there is the potential that performance or capital value may be eroded
- The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses
- Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk
- High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk
- A rise in interest rates generally causes bond prices to fall
- A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless
- In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares
- A derivative may not perform as expected, and may create losses greater than the cost of the derivative

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