



THROGMORTON
PRIVATE CAPITAL

Throgmorton Select Portfolios



Monthly Commentary October 2018

Independent Advice. Bespoke Solutions.

Market Update & Portfolio Positioning

“Global growth continues, driven by strong earnings, with the U.S. S&P 500 Index up 7.7% and global equities returning 4.3% over the quarter”

3rd Quarter Review

The global economy continues to grow above trend, with the U.S. leading the major economies and outperforming expectations. Strong U.S. performance was driven by the healthy economic environment leading the S&P 500 Index to return 7.7% over the quarter. Global equities returned 4.3% during the quarter, driven by strong earnings and despite risks surrounding U.S. trade policy and slowing global growth. The Federal Reserve raised U.S. interest rates by 0.25%, which the Market expected.

China implemented a number of fiscal and monetary easing measures to support the economy as the U.S. administration implemented a second round of tariffs on Chinese imports and announced a third. Government bonds sold off during Q3 in almost every major region except China, leading the FTSE World Government Bond Index to decline 1.6%.

LGT Vestra Portfolio Positioning

During September, we kept our equity allocation static, having reduced our exposure to Europe by 2% in the Balanced Portfolio last month. We reduced the allocation to the Troy Trojan Fund in the cautious portfolios by circa 2% and added a new fund, the Winton Absolute Return Fund. This is a trend following fund that provides diversification for portfolios in an environment of rising correlation between bonds and equities.



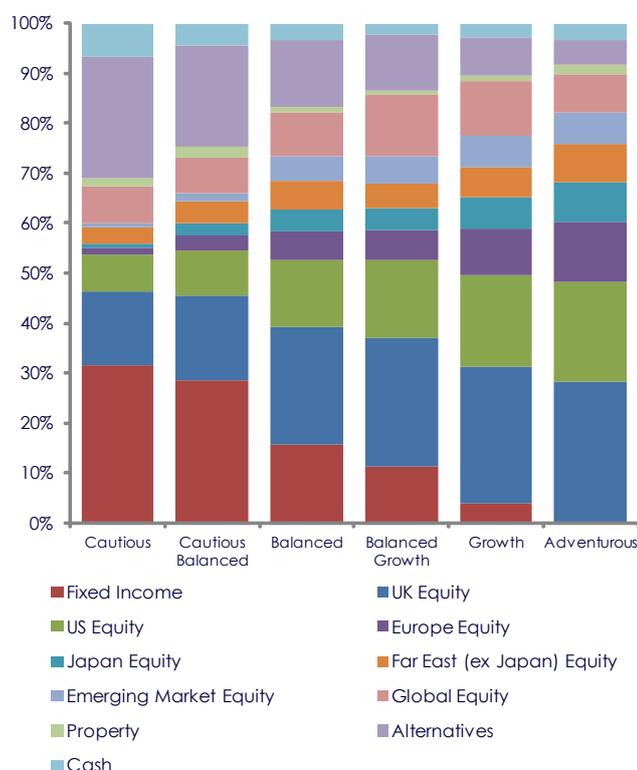
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Cornelian

Asset Allocation as at 30/09/2018



It was a good month for US and tech holdings; the Morgan Stanley US Advantage Fund was the strongest performer, followed by the L&G Global Tech Tracker Fund. Conversely Emerging Market assets struggled, which impacted the RWC Global Emerging Markets and Blackrock Asia Special Situations Funds.

Cornelian Portfolio Positioning

During September, equities, in aggregate, produced a marginally positive return. We expect that as the clouds shrouding the Brexit deal lift, any result other than a 'cliff edge' hard Brexit will be taken positively by investors. We believe the probability of a 'cliff edge' hard Brexit to be small.

Trading activity was low during the month. For the more risk tolerant funds, US equity exposure was topped up. We believe investors are under appreciating a positive short-term impact on earnings.

Within the UK equity portfolio, the funds' exposure to Legal & General was reduced, whilst the funds' exposure to Phoenix Group was increased. We believe that Phoenix's acquisition of Standard Life Aberdeen's life insurance operations is transformative and this has yet to be recognised by investors.

All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Investment Performance and Volatility as at 30/09/2018

	1 Year Return % ¹	3 Year Return % ¹	5 Year Return % ¹	Volatility % ²
SP3 Cautious	2.69	19.42	31.74	3.82
SP4 Cautious Balanced	3.25	22.87	36.41	4.62
SP5 Balanced	4.31	29.00	45.06	5.67
SP6 Balanced Growth	5.25	33.16	49.70	6.08
SP7 Growth	5.51	36.04	52.94	6.87
SP8 Adventurous	5.21	36.27	52.72	7.54

Data source FE Analytics 30/09/2018. Figures are net of underlying fund costs, but gross of all other charges, such as discretionary management fees, platform custody charges, adviser charges & where applicable transaction costs. 1. Performance figures are representative of Cornelian's funds & LGT Vestra's MPS portfolios, which are a reasonable reflection of the performance of LGT Vestra's Volare funds given that the investment process, asset allocation & fund selection is identical to that of the MPS portfolios. 2. Volatility figures calculated on a three year annualised basis.

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