



THROGMORTON
PRIVATE CAPITAL

Throgmorton Select Portfolios



Monthly Commentary November 2018

Independent Advice. Bespoke Solutions.

Market Update & Portfolio Positioning

“October signalled a sudden market correction, suffering the worst month for global equities since 2012, with all major markets closing lower”

October Review

October finished as the worst month for global equities since 2012. All major markets closed lower over the month. Ongoing geopolitical risks diminished investor sentiment, whilst concern grew that corporate earnings had peaked for the cycle. However, despite the outlook for the underlying international economic environment marginally weakening, particularly outside the U.S., it was not sufficient to justify the equity sell-off given the robust pace of global growth.

LGT Vestra Portfolio Positioning

Tighter monetary policy seemed a natural response to a strong U.S. economy, but positivity quickly faded as the Federal Reserve's FOMC members struck a more hawkish tone. Investors took the mixed guidance as a sign of a potential economic slow down, albeit U.S. GDP growth remains robust, with unemployment at a 49-year low and wages rising.

The European Central Bank maintained gradual monetary tightening and The European Commission rejected Italy's proposed budget, due to the impact of higher deficit funded spending on Italy's mounting debt.

In the UK, Gilt markets rallied with 10 year yields falling by -0.14%. Global economic stability continues to be threatened by trade war rhetoric and Brexit uncertainty, but valuations, particularly in the UK, remain attractive.



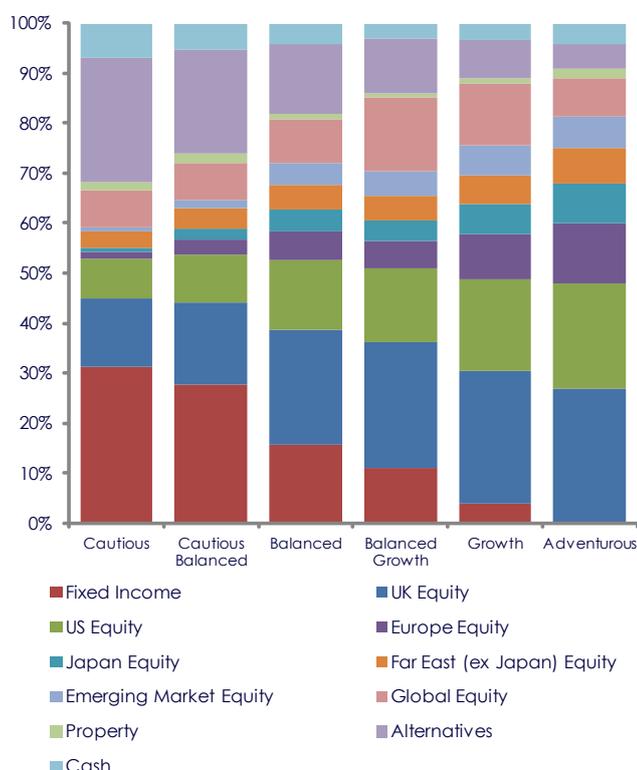
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Cornelian

Asset Allocation as at 31/10/2018



Cornelian Portfolio Positioning

It is interesting (and reassuring) to note that during October many of the economic and market indicators that are often used to determine whether investor risk appetite is reducing across asset classes, did not signal such a move.

During a difficult month for equities, it was good to see some of our investments in the alternatives space (such as Jupiter Absolute Return, H2O Natixis MultiReturns and International Public Partnerships) produce positive returns.

Trading was fairly muted. However, we top-sliced the Royal London Sterling Extra yield Fund and sold out of the Edinburgh Dragon Investment Trust, allocating the proceeds to U.S. equities, where it is our opinion that the outlook remains better than many investors currently believe.

More recently, we have started to switch some of our international equity funds' units into Sterling hedged share classes, in order to increase portfolio value protection against the risk that Sterling starts to strengthen on positive Brexit-related newsflow, as this dynamic would reduce the Sterling value of the funds' international holdings, if no mitigating actions were taken.

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 31/10/2018

	1 Year Return % ¹	3 Year Return % ¹	5 Year Return % ¹	Volatility % ²
SP3 Cautious	-1.56	14.32	25.63	4.12
SP4 Cautious Balanced	-2.05	16.36	28.65	4.95
SP5 Balanced	-3.14	19.61	33.71	6.24
SP6 Balanced Growth	-2.83	22.76	37.29	6.67
SP7 Growth	-3.77	23.83	38.55	7.51
SP8 Adventurous	-4.73	23.10	37.33	8.13

Data source FE Analytics 31/10/2018. 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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