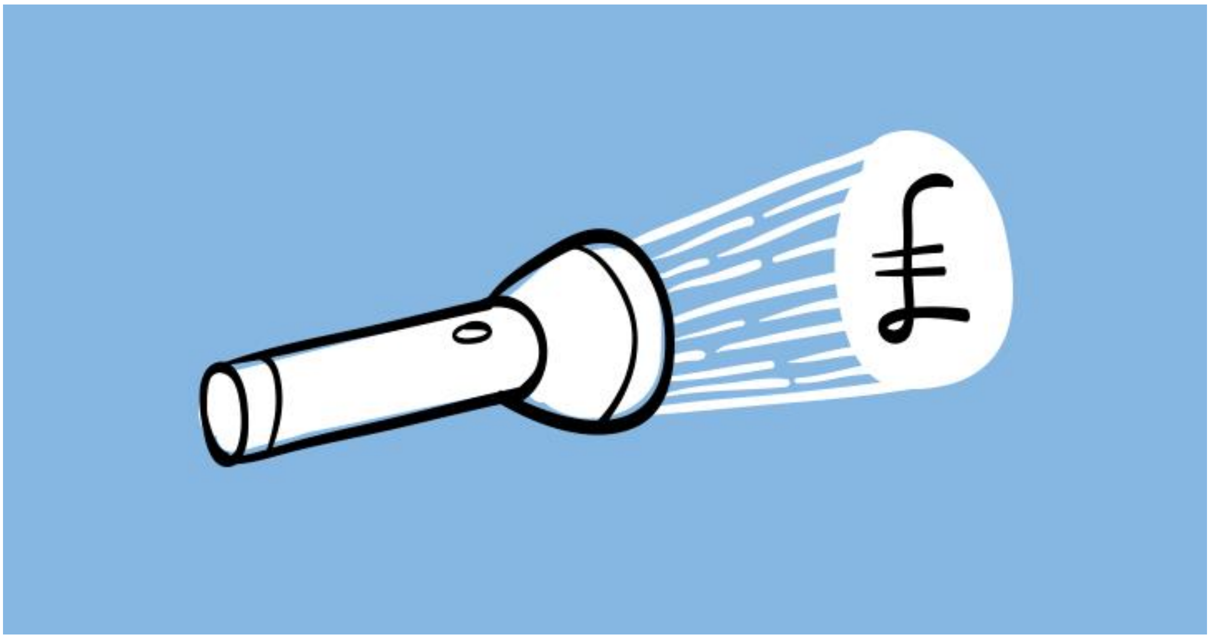
QUARTERLY PORTFOLIO REVIEW – JULY 2016



"…why do we put ourselves through this ..."

I was watching the highlights of Anthony Joshua's latest world title fight which he won, and afterwards he talked of needing a long rest from the rigours of combat.

My thought this morning is that so do we in the investment world.

We've been battered by 'Slugger Oil', beaten up by 'Clubber China' and most recently mauled by 'Bone Crusher BREXIT'.

The good news is that although it's feels like we've been run over by a truck, the portfolios made gains for the first half of 2016, not huge but they are positive.

George will shortly get into the nitty gritty of how this was achieved but at its core, the success was due to the diversity of holdings.

Making money consistently over time is hard for the simple reason that future events are unknowable.

It's a bit like betting on a horse when you don't know some of the variables (who the jockeys will be, weight it will carry or the length of race). This is why we keep to the tried and tested formula of identifying the best investors in all markets and then allocating consistent percentages of the portfolio funds to those markets.

Wisdom (it is said) is the knowledge and acceptance of what we don't know, and that the more we know comes greater acceptance of what we don't.

As a final thought on BREXIT, the remain argument was really in essence.

"Look, we might not like what we have but the alternative will turn out far far worse, we just can't tell you exactly how" (we don't know what will happen, but we know it will be bad). It's not a great battle cry, frankly a bit glass half full but it's very probably going to turn out to be pretty accurate.

As the old saying goes; “Act in haste and repent at leisure.”

We fear the UK may become world class repenters.

Paul Berry

July 2016

PORTFOLIO OVERVIEW

Bitesize introduction

It would be a lot easier if the markets were rational! 2009, 2010, 2012 and 2013 all posted double digit (or near double digit returns). Only 2011 interrupted the winning streak as the world feared the collapse of Europe!

Back in 2013 we started to believe that returns could be mid-single digit moving forward. In an environment with low inflation (sub 1%), returns of between 5% to 7% seemed reasonable. In 2014 we saw returns of between 4.30% and 8.81%, and in 2015 3.29% and 6.24%.

Fast forward to 2016. The first six weeks of the year seemed to reflect a fear that we were facing a global slowdown/recession. However, as the fear rescinded the markets bounced back and we saw 4 months of consecutive positive returns to the end of May.

With BREXIT and the sudden fall in markets across the globe (and subsequent correction) it would be easy to assume that June would be a negative month but the portfolios posted returns between 0.60% and 2.20%. Putting this into perspective only three times have we seen five months of consecutive positive returns (2009, 2012 and 2013).

It’s worth adding that over the last 13 months we have seen extreme volatility in the markets with big falls in June, August, September and January. With this in mind in the portfolio period (1 July 2015 to 30 June 2016) we delivered returns of between 2.72% and 3.55%, and from 1 January to 30 June the portfolios have returned between 1.32% and 3.26%.

There is an uneasy calm post BREXIT and much will play out over the coming months and years. Some of the other things on the radar are China, Monetary Policy (US, Europe, UK and Japan), Elections (US). All of these could have an impact on markets but equally if we get incremental positive increases of between 0.5% and 1% on average month on month, we could see returns similar to those in 2014.

In summary despite what appears to be extreme volatility the portfolios have delivered positive returns in 2016, and for the portfolio year. We could end the calendar year with returns of between 5% and 8%.

Highs and lows of the second quarter

The top three areas have been Emerging Markets (16.40%), Global Bonds (12.28%) and Asia (11.92%). At the bottom were UK Smaller Companies (-9.15%), UK All Companies (-2.88%) and European Smaller Companies (0.00%).

Before reflecting on some individual funds it is worth looking at BREXIT and the impact on certain investments. As the result came through it was clear that there were significant winners and losers. Specific domestic focused company stocks like banks, builders etc have suffered significantly as have many UK centric funds. Sector wise, small and mid-cap have suffered more than large cap which has been seen as a ‘safe’ haven.

However, global funds have benefited from the fall in sterling, and some markets dropped back although they actually posted positive returns. We can see this in the region returns especially Emerging Markets and Asia.

Some of the funds which have rebounded this year include Threadneedle Emerging Market Bond Fund (+22.19%), Schroder Global Property Securities Fund (+22.01%), Scottish Oriental Smaller Companies Trust (+13.82%), BlackRock Frontier Markets IT (+17.72%), Templeton Emerging Markets IT (+25.63%) and M&G Global Dividends Fund (+15.10%).

We aim to outperform the benchmark we have built, which in 2011 we failed to outperform but over 3 and 5 years we have achieved this. However, this year the benchmarks have significantly outperformed the portfolios. This was the same at the end of the first quarter but we had started to see the gap narrow to the end of May. As a direct result of BREXIT the gap is as much as 4 times.

One of main sectors which has driven the underperformance this year is fixed interest where the benchmark is based on corporate bonds and gilts; this sector is up 10.56%. Although this isn't like for like, we felt this was the fairest match to the holdings we have. Two of the key holdings in this part of the portfolios are Standard Life Global Absolute Return Strategy and Global Focused Strategy Funds, both of these have delivered negative returns of -4.38% and -8.47% respectively. Additionally, the Invesco Targeted Returns Fund and M&G Optimal Income Fund although positive are adrift of the benchmark.

In the last update we said we had been talking to the GARS team and we had started to see the underperformance reverse during April and May but it has been impacted by its exposure to the US where weak economic data hindered performance during June. We are due to see the team again and will be monitoring this closely over the next 12 months.

Fixed interest is not the only area where the portfolios have experienced lower returns to the benchmarks. Across Europe and Asia all the funds have outperformed the sector. In the US, funds have been close to the benchmark and emerging markets has seen a 50/50 split of outperformance. The portfolios have struggled in the UK sector which is in part due to the positioning of the funds. As an example, the SLI UK Equity Income Unconstrained Fund targets the mid-cap market and where the benchmark targets large cap, there is underperformance of nearly 15%. The SLI UK smaller Companies Trust is also circa 15% adrift of the benchmark.

On the global side we have seen the same with the specialist sectors (infrastructure, agriculture and biotech) all underperforming. We are not comfortable that we are so far behind the benchmark, but we remain convinced we have the right funds and managers and that these will correct. We have a market that is rushing to safety which is pushing up asset values in areas where we have minimal exposure; this happened in 2011 and we expect this to correct.

It's interesting to observe unloved funds doing well; including the Schroder Global Real Estate Fund which we highlighted last time, but also Templeton Emerging Markets and Threadneedle Emerging Market Debt Fund.

In summary this has been a tricky time and some funds have suffered as a direct result of BREXIT, however others have benefited which has enabled us to deliver positive returns. The rush to safety has inflated the performance of the benchmark but we expect that to reverse over time.

A prediction for quarter 3

We felt this year would be unsettled with Europe, global tensions, China etc and then we had BREXIT and to come TRUMPIT. We have battled through a number of challenges and we are entering the third quarter with a small tailwind, which we could build on in the coming months.

There will be fallout from BREXIT as we have seen with property funds and more will unfold over time. We are entering unchartered territory with potentially falling interest rates and rising inflation as well as a weaker sterling.

I stated in my last update that it wouldn't surprise me if we voted to stay in Europe and Clinton would be president, but added I wasn't willing to put my life savings on it! BREXIT is a potential game changer as it reflects a growing unrest between 'haves' and 'have nots' and a belief that any alternative is better (whatever that might be).

We are in a period of low growth, low interest rates and perhaps some inflation. We can expect volatility and markets being uneasy with negative noise, but even a slight positive can make a big difference in one day on the markets!

Summary

Away from all of this Emerging Markets and Asia have continued to perform strongly this year and this has benefited the portfolios. Equally having a diversified portfolio of assets has protected on the downside with BREXIT. If we see calm over the next three months we should build enough of a buffer to protect any fall out from 'TRUMPIT' and we could end up with healthy single digit positive returns for 2016.

Note: You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

A summary of the performance is shown below. The performance shown does not reflect our fees and any charges for where the investments are held. The impact of these charges varies but is around 1% p.a.

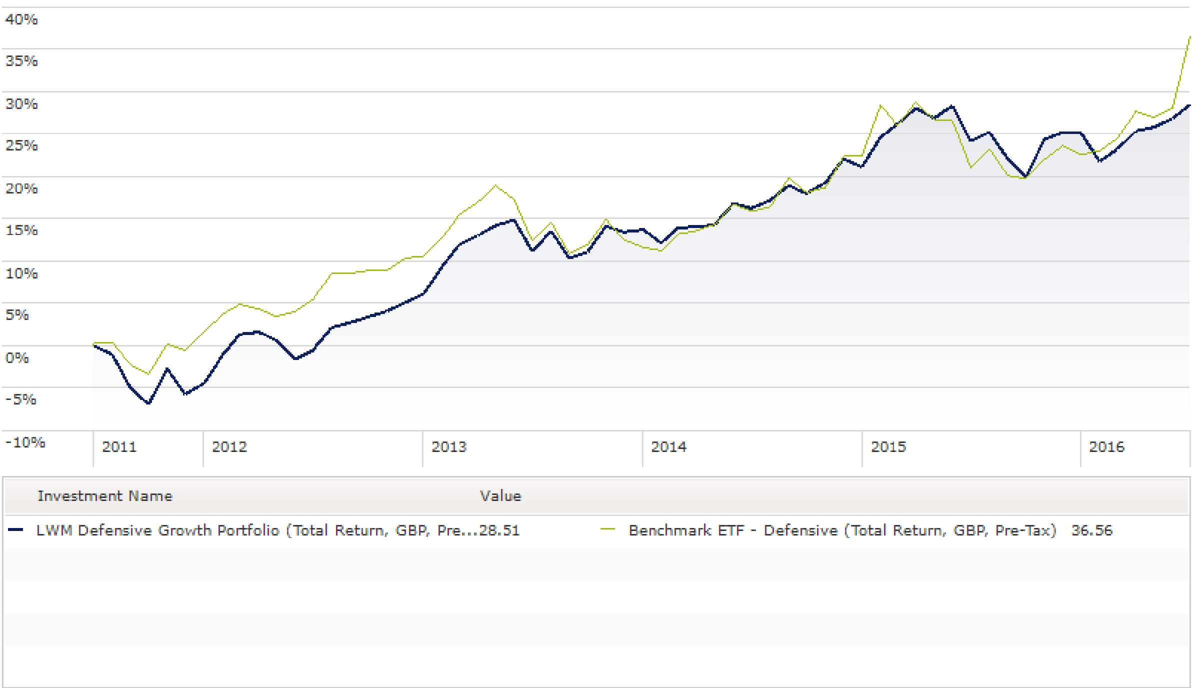
Summary of performance – 1 January 2009 – 30 June 2016

	12 months		2 years		3 years		4 years		5 years		Since launch	
	Portfolio	**Benchmark**	**Portfolio**	**Benchmark**	**Portfolio**	**Benchmark**	**Portfolio**	**Benchmark**	**Portfolio**	**Benchmark**	**Portfolio**	**Benchmark**
Defensive	3.45%	12.79%	10.46%	17.81%	15.55%	21.50%	29.09%	29.46%	28.43%	36.56%	28.43%	36.6%
Cautious Income	3.55%	13.01%	13.29%	9.75%	20.05%	16.09%	36.61%	24.91%	38.58%	27.80%	120.31%	63.58%
Cautious Growth	3.09%	12.06%	11.82%	14.32%	18.47%	19.41%	36.21%	29.99%	33.48%	32.65%	112.19%	71.15%
Balanced	2.72%	10.38%	12.36%	10.77%	21.77%	16.71%	42.33%	29.41%	35.38%	27.30%	119.50%	66.90%
Mod Adventurous	2.81%	9.43%	11.55%	7.63%	21.93%	13.67%	44.79%	27.48%	32.92%	21.72%	119.09%	63.03%
Adventurous	2.98%	8.63%	11.46%	6.44%	22.81%	13.69%	48.06%	28.94%	33.19%	19.12%	120.86%	59.55%
Ethical	4.84%	-2.52%	-	-	-	-	-	-	-	-	16.15%	-0.19%

Note: Please read special note to tables at the end of the tables. The launch date of the portfolios is 1 January 2009 with the exception of the Defensive Portfolio which is 30 June 2011, and Ethical Portfolio 1 August 2014. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

Detailed breakdown of performance

Defensive

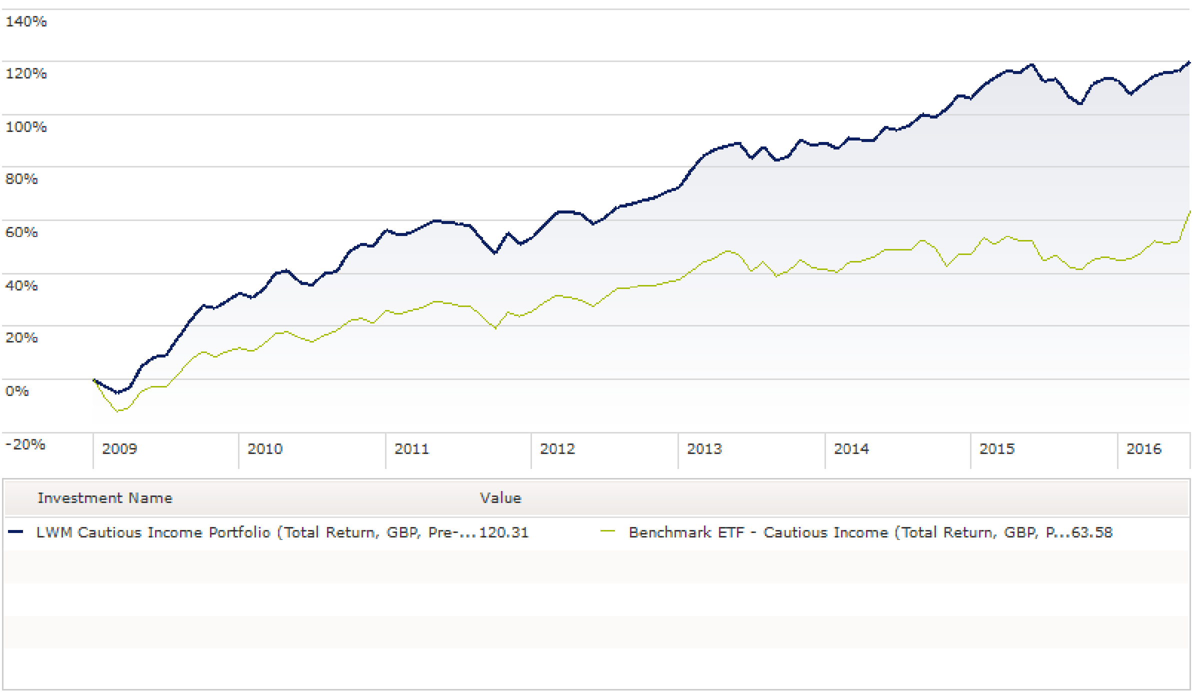


	2011	2012	2013	2014	2015	2016	Since launch
Defensive	N/A	11.02%	7.18%	6.50%	3.29%	2.65%	5.13% p.a.
Benchmark	N/A	8.80%	0.98%	9.66%	0.12%	11.39%	6.43% p.a.

	1 Year to 30/06/12	1 Year to 30/06/13	1 Year to 30/06/14	1 Year to 30/06/15	1 Year to 30/06/16
Defensive	-0.51%	11.71%	4.61%	6.78%	3.45%
Benchmark	5.48%	6.55%	3.13%	4.45%	12.79%

Note: Please read special note to tables at the end of the tables. The launch date of the Portfolio is 30 June 2011, and performance is up to 30 June 2016. The Benchmark performance tracks the performance period of the portfolio. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

Cautious Income

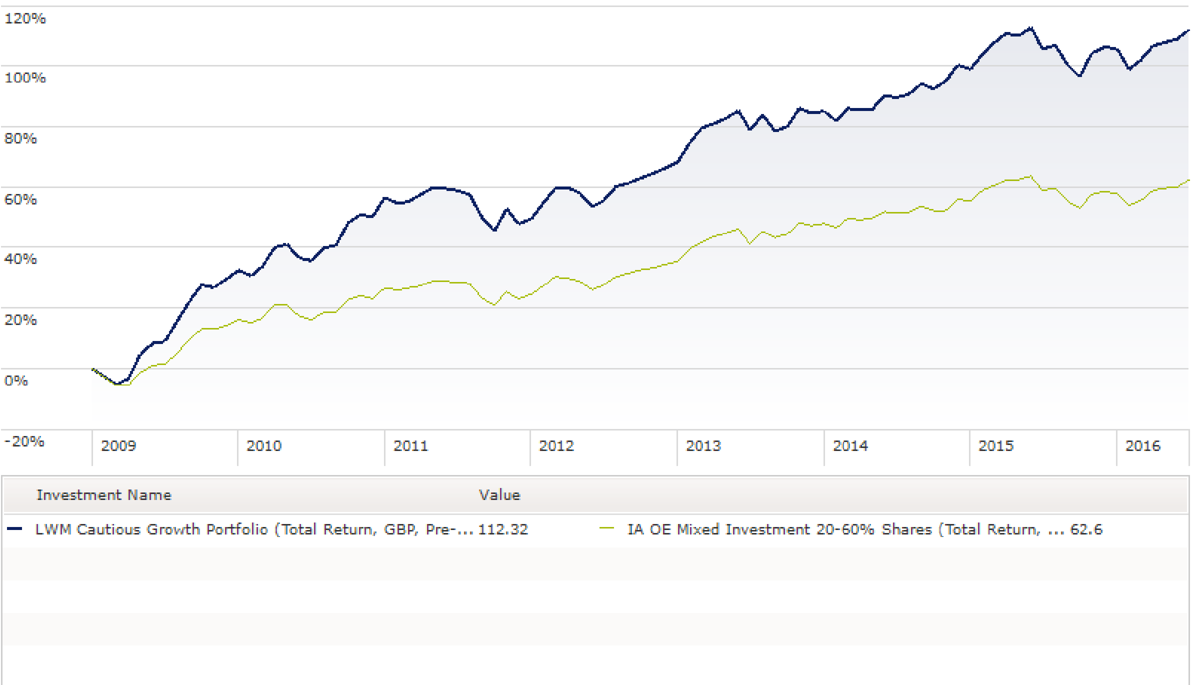


	2011	2012	2013	2014	2015	2016	Since launch
Cautious Income	-2.04%	12.27%	9.97%	8.81%	3.52%	3.19%	11.12% p.a.
Benchmark	-0.32%	9.46%	2.84%	4.01%	-1.50%	12.72%	6.79% p.a.

	1 Year to 30/06/12	1 Year to 30/06/13	1 Year to 30/06/14	1 Year to 30/06/15	1 Year to 30/06/16
Cautious Income	1.44%	13.80%	5.96%	9.41%	3.55%
Benchmark	2.32%	7.60%	5.77%	-2.89%	13.01%

Note: Please read special note to tables at the end of the tables. The launch date of the Portfolio is 1 January 2009, and performance is up to 30 June 2016. The Benchmark performance tracks the performance period of the portfolio. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

Cautious Growth

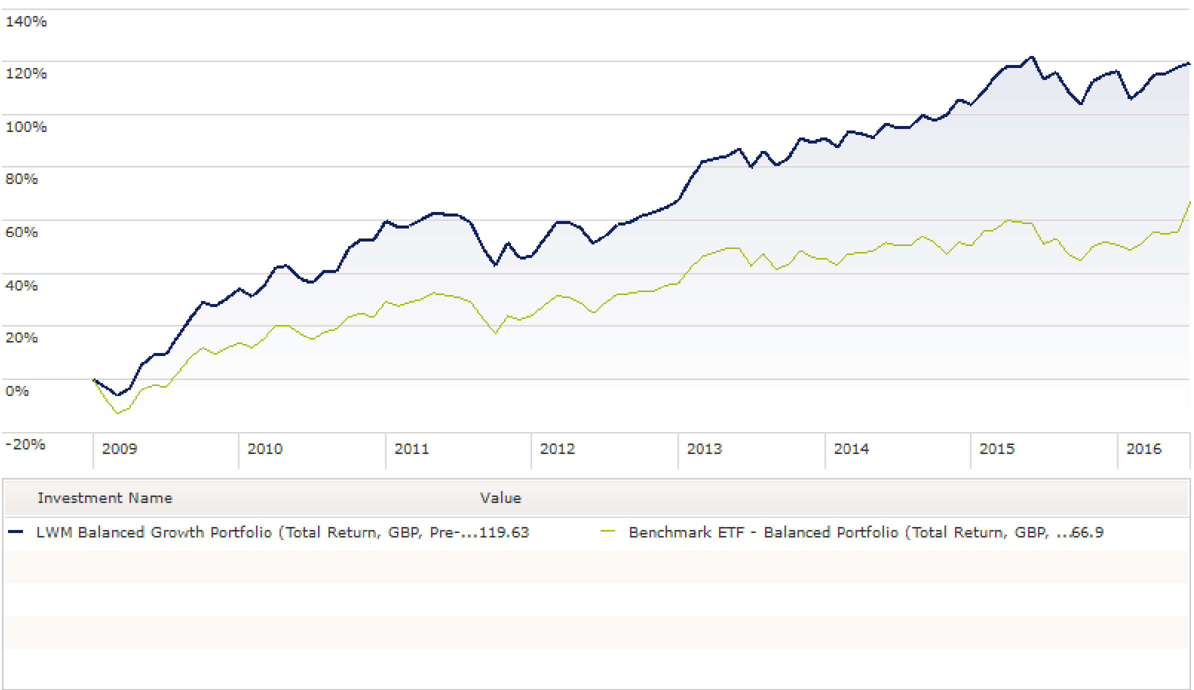


	2011	2012	2013	2014	2015	2016	Since launch
Cautious Growth	-4.52%	12.89%	10.00%	7.49%	3.52%	2.91%	10.56% p.a.
Benchmark	-0.49%	0.46%	3.86%	6.56%	-0.05%	11.40%	7.43% p.a.

	1 Year to 30/06/12	1 Year to 30/06/13	1 Year to 30/06/14	1 Year to 30/06/15	1 Year to 30/06/16
Cautious Growth	-2.00%	14.97%	5.95%	8.47%	3.09%
Benchmark	-0.50%	10.51%	7.25%	4.90%	12.06%

Note: Please read special note to tables at the end of the tables. The launch date of the Portfolio is 1 January 2009, and performance is up to 30 June 2016. The Benchmark performance tracks the performance period of the portfolio. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

Balanced Growth

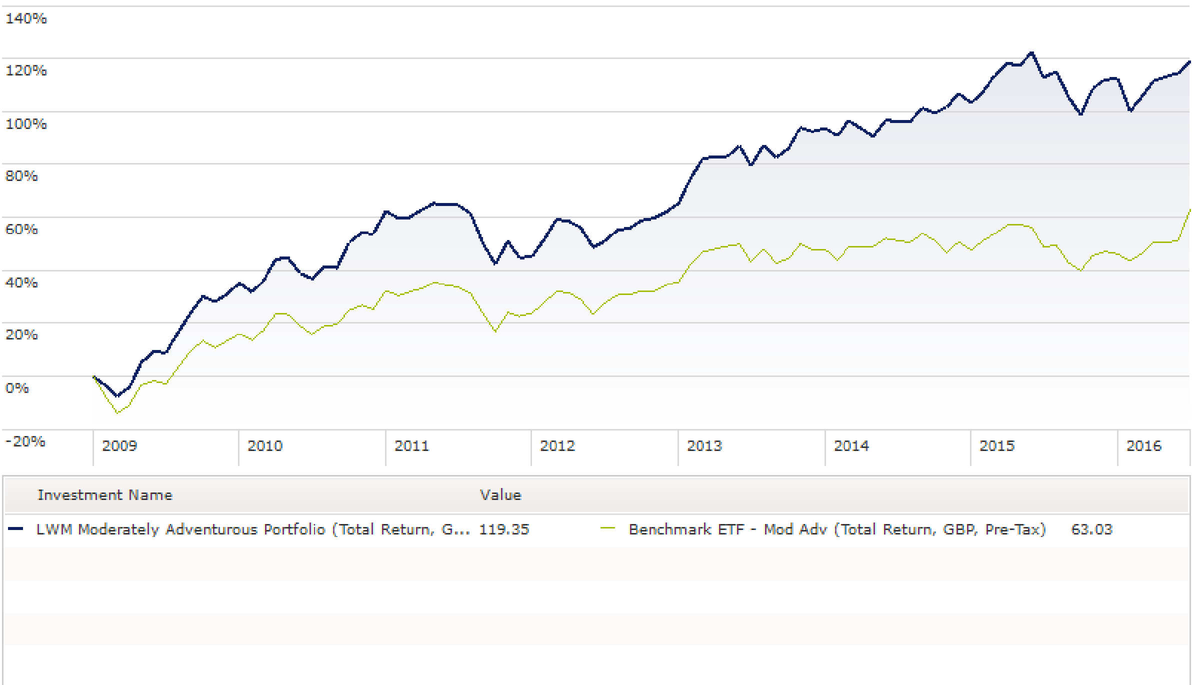


	2011	2012	2013	2014	2015	2016	Since launch
Balanced Growth	19.25%	-8.29%	14.36%	13.89%	6.71%	1.32%	11.06% p.a.
Benchmark	13.62%	-5.56%	7.78%	7.11%	0.81%	10.61%	7.07% p.a.

	1 Year to 30/06/12	1 Year to 30/06/13	1 Year to 30/06/14	1 Year to 30/06/15	1 Year to 30/06/16
Balanced Growth	-4.88%	16.89%	8.38%	9.38%	2.72%
Benchmark	-1.64%	10.89%	5.36%	0.36%	10.38%

Note: Please read special note to tables at the end of the tables. The launch date of the Portfolio is 1 January 2009, and performance is up to 30 June 2016. The Benchmark performance tracks the performance period of the portfolio. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

Moderately Adventurous Growth

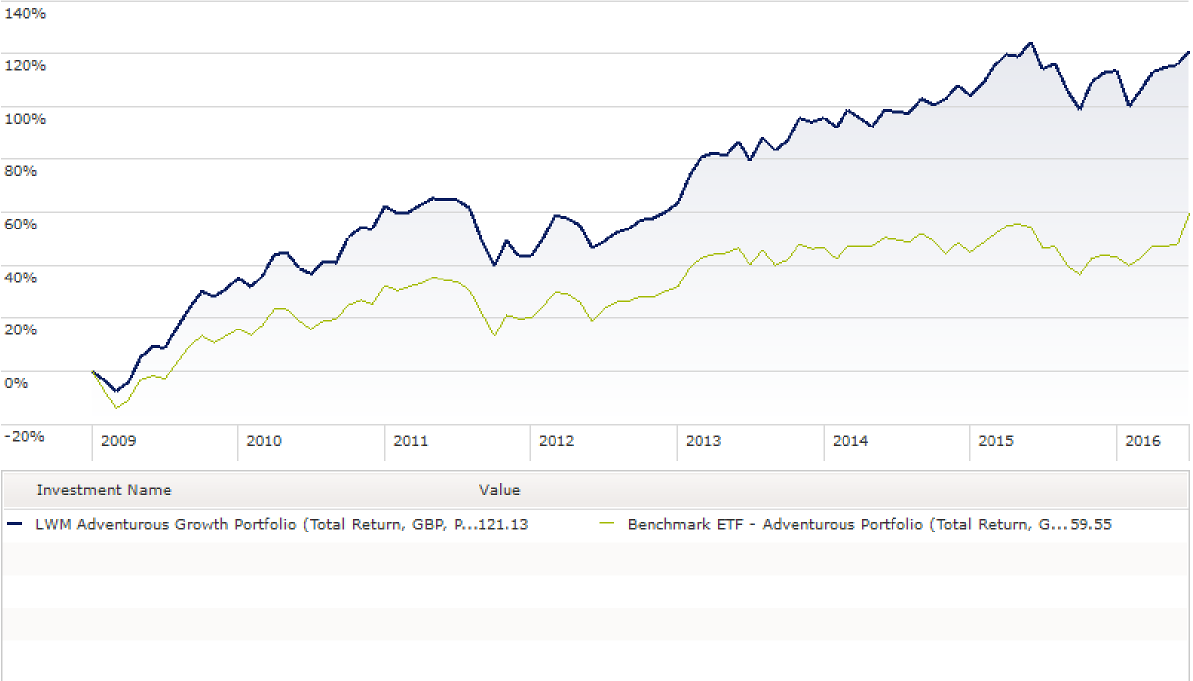


	2011	2012	2013	2014	2015	2016	Since launch
Moderately Adventurous Growth	-10.51%	13.82%	17.19%	4.86%	4.66%	2.91%	11.05% p.a.
Benchmark	-6.30%	9.54%	9.00%	-0.17%	-1.04%	11.40%	6.74% p.a.

	1 Year to 30/06/12	1 Year to 30/06/13	1 Year to 30/06/14	1 Year to 30/06/15	1 Year to 30/06/16
Moderately Adventurous Growth	-8.20%	18.75%	9.31%	8.51%	2.81%
Benchmark	-4.52%	13.42%	6.81%	-2.01%	8.63%

Note: Please read special note to tables at the end of the tables. The launch date of the Portfolio is 1 January 2009, and performance is up to 30 June 2016. The Benchmark performance tracks the performance period of the portfolio. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

Adventurous Growth

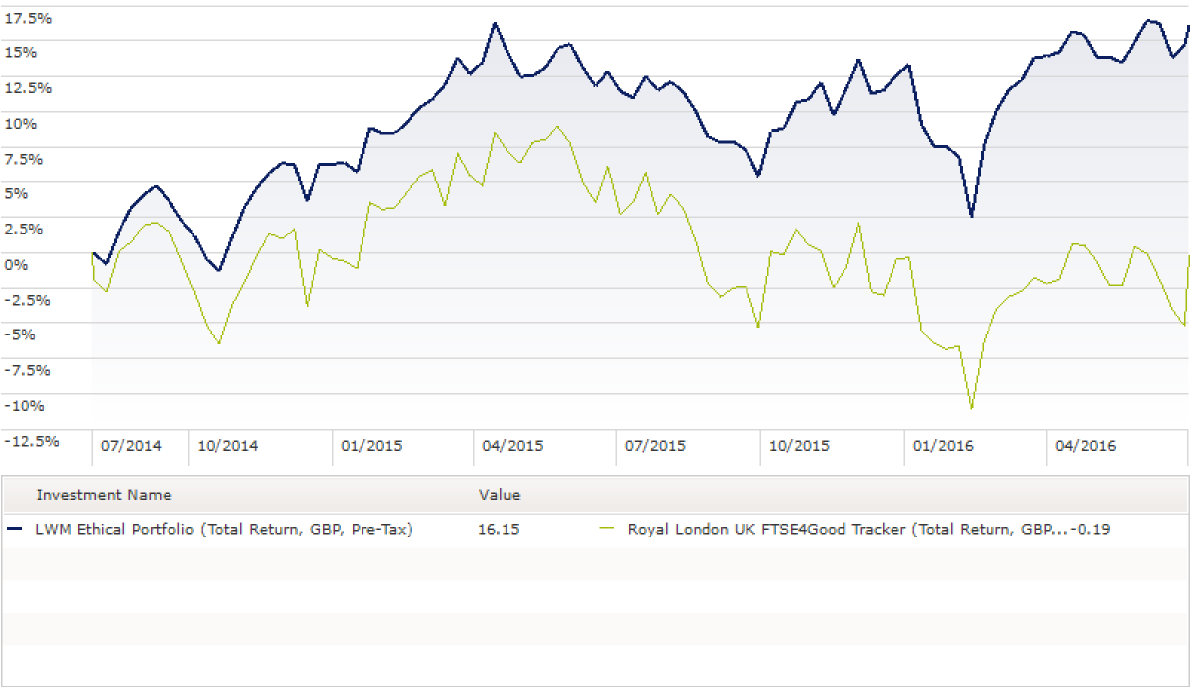


	2011	2012	2013	2014	2015	2016	Since launch
Adventurous Growth	-11.59%	13.88%	19.73%	4.30%	4.69%	3.26%	11.03% p.a.
Benchmark	-9.18%	9.82%	11.19%	-1.09%	-1.34%	11.35%	5.52% p.a.

	1 Year to 30/06/12	1 Year to 30/06/13	1 Year to 30/06/14	1 Year to 30/06/15	1 Year to 30/06/16
Adventurous Growth	-9.50%	20.56%	10.19%	8.23%	2.98%
Benchmark	-7.62%	13.42%	6.81%	-2.01%	8.63%

Note: Please read special note to tables at the end of the tables. The launch date of the Portfolio is 1 January 2009, and performance is up to 30 June 2016. The Benchmark performance tracks the performance period of the portfolio. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

Ethical Portfolio



	2011	2012	2013	2014	2015	2016	Since launch
Ethical	N/A	N/A	N/A	N/A	6.63%	2.46%	8.14% p.a.
Benchmark	N/A	N/A	N/A	N/A	0.01%	0.14%	-0.10% p.a.

	1 Year to 30/06/12	1 Year to 30/06/13	1 Year to 30/06/14	1 Year to 30/06/15	1 Year to 30/06/16
Ethical	N/A	N/A	N/A	N/A	4.84%
Benchmark	N/A	N/A	N/A	N/A	-2.52%

The launch date of the Portfolio is 1 August 2014, and performance is up to 30 June 2016. The Benchmark performance tracks the performance period of the portfolio.

Special note to tables: *You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

Additional notes

The key measure for us is to outperform a fund that tracks an index over a medium to long term period. Within each sector we will have funds that perform differently. We have set a benchmark which accurately and fairly reflects what we are aiming to do. The benchmark is tradable and therefore can be invested in. The benchmarks we have used are:

Fixed Interest	iShares Core UK Gilts
	iShares Core £ Corporate Bond
	iShares J.P.Morgan $ Emerging Mkts Bond
Property	iShares Developed Markets Property Yld
UK	iShares UK Dividend
	Lyxor ETF FTSE All Share
Europe	iShares MSCI Europe Ex UK
	iShares MSCI Eastern Europe Capped ETF
US	iShares MSCI North America
Japan	DB X-Trackers MSCI Japan ETF
Asia	iShares MSCI AC Far East Ex Japan
Emerging Markets	iShares MSCI Emerging Markets (Acc)
	iShares MSCI Frontier 100
Global	iShares MSCI World Dist
Specialist	ETFS All Commodities
	ETFS Agriculture
	iShares Global Infrastructure
	Lyxor ETF MSCI World Health Care

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