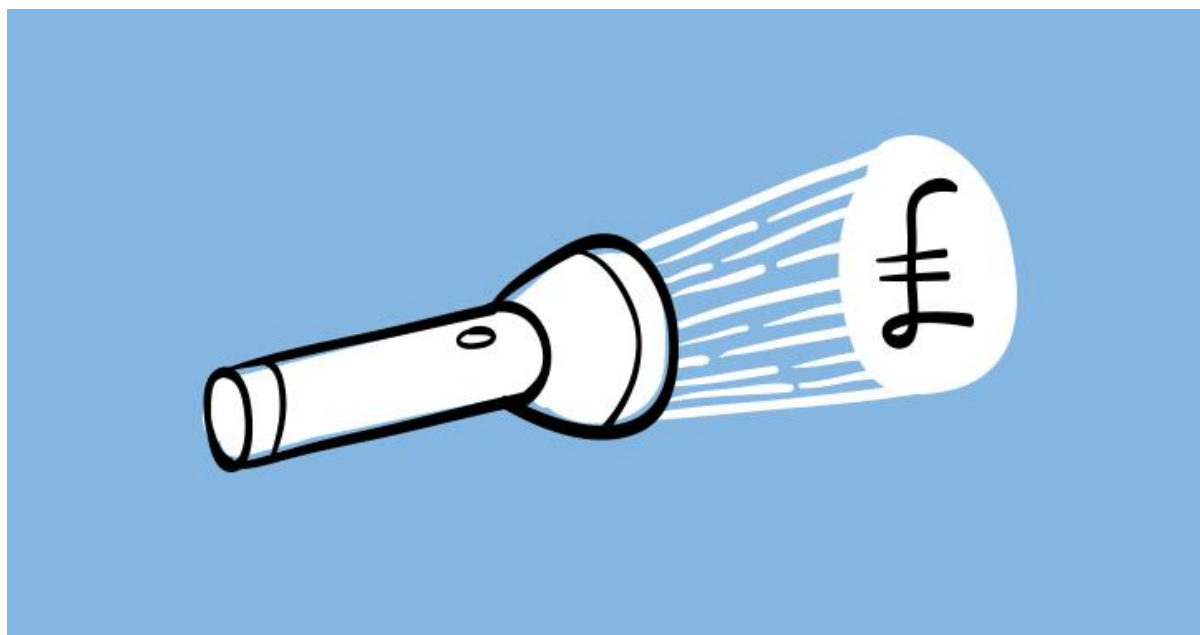


## QUARTERLY PORTFOLIO REVIEW – APRIL 2018



---

*“All time is uncertain. It was uncertain back in 2007, we just didn't know it was uncertain. It was uncertain on October 18th, 1987, you just didn't know it.” – Warren Buffett*

---

We started the last review with an air of caution. After 18 months we could have been lulled into thinking that all the markets do is go up. In fact, to have some volatility (movement up and down) is a good thing, but it can be uncomfortable.

2018 started the way 2017 had ended, and it seemed that my caution was ill founded.

But although the fundamentals driving growth in 2017 remain today, the markets have responded very differently so far in 2018; the Nikkei Index is down 10%, FTSE 100 down 7.7%, Euro Stoxx 50 down 5% and S&P 500 dropped 2%.

With this backdrop it is worth reiterating that the portfolios are designed to provide some downside protection, whilst at the same time capture the upside. We can't promise there won't be periods of negative returns. In the last two years we have managed to deliver strong returns of between 13% and 40% up to the end of March 2018.

However, there is no shying away from the fact that this first quarter has been difficult, and the portfolios are down for this period between 3% and 4%.

With some of the portfolios, we have had three straight months of negative returns, and to put this in context the last time we saw this was in 2011 where we had five consecutive negative months. The big difference with 2011 and 2018, is that the global economy is doing well but fears of the impact of a trade war are clearly leaving its mark. Both Asia and Emerging Markets which have performed exceptionally well, have dropped back significantly.

## LWM Consultants Ltd

---

It is worth remembering that “all time is uncertain” – the last 18 months were exceptional. In fact, in 2016 we had two negative months, and in 2017 one negative month. In previous years we had three to six negative months per year. 2011 delivered negative returns for the year but subsequent years have been positive. So, although it is uncomfortable this is normal.

We felt that if we achieved positive returns this year it would be hard fought, and certainly the first three months will now make it harder to get positive returns. At this stage and as we have said in the past we would hope that some of the lost ground can be made up. We were optimistic that we would achieve positive returns this year; we are less confident now with the volatility and uncertainty and therefore if we can get flat returns for the year then that will be a positive result.

In summary, investing is a marathon, not a sprint. We will have periods where the markets race away, and that turbo charges the returns. These naturally fall back but over the longer term the returns should even out. It is the longer term that we focus on, but we are mindful of short term movements and try to provide some downside protection through diversification in the investments we manage.

*George Ladds*

April 2018

## PORTFOLIO OVERVIEW

### Bitesize introduction

In 2014 and 2015 we saw the lower risk portfolios outperform the adventurous portfolios both in the short and long term. At the time, we said we felt this would reverse but we didn't know when. In 2016 and 2017 we saw the reversal with the Adventurous Portfolio returning just over 45% compared to the Defensive Portfolio returning just over 18%. The boom in equity prices clearly benefited the higher risk portfolios (as you would expect).

The flip-side now seems to be happening again. Over the last twelve months the lower risk portfolios have returned between 1% and 3.5%, whereas the higher risk portfolios have returned between 8% and 10%. Much of this reflects the higher equity content of the higher risk portfolios. We will discuss this in more detail in the first quarter review. But, as before when we wrote about the higher risk portfolios in 2014 and 2015, we believe that these lower returns on the lower risk portfolios will reverse.

We continue to meet with managers, with nearly 20 meetings this year already. We have further meetings lined up for the next quarter, and we continue to see this as a valuable source of information.

In terms of the performance over the last 3-months it is disappointing, but we continue to focus on the long-term outcomes, and if the year ends up flat or slightly positive then we will be content with that in this current climate.

### First quarter

There are 38 funds in the portfolio and all but four have delivered negative returns this year. Additionally, 50% of the funds are ahead of the benchmark in this first quarter. Since 1 July, 17 funds were behind the benchmark and 11 of those are in the lower risk portfolios.

With the lower risk portfolios, the absolute return funds have not been immune to volatility and only the Invesco Fund is slightly positive. The Jupiter Absolute Return Fund which was negative last year and struggled at the start of this year, has responded as we expected with the volatility in the market helping to deliver positive numbers in February and March. It is still slightly down for the year but if the volatility continues then it should reverse the negative numbers.

Although these funds provide some downside protection, being slightly negative means that the portfolios have had to rely on other assets to drive returns. During this period of heightened volatility, the property funds dropped during January and February but slightly recovered in March. All these funds remain negative but as they recovered, we saw in March the UK Income funds fell sharply. So, some of the larger components of the lower risk funds have fallen, and there isn't enough in higher risk assets to counter this.

For this reason, since 1 July the lower risk portfolios are only slightly positive. Conversely the higher risk portfolios have delivered stronger returns over this period because as sharply as equities have fallen, these assets have recovered. At the end of February, the higher risk portfolios were slightly positive, but March moved them into negative territory. If there are big swings in volatility this may benefit higher risk portfolios more over the year.

In summary, the first quarter has been difficult to navigate and as we indicated in the last review we expected the higher risk portfolios to benefit from the increased volatility. If positive returns arise from the portfolios, it is more likely to come from those with increased equity exposure.

### **Second quarter**

Going into April, markets have edged up slightly. We shouldn't lose sight of the fact that the global recovery is gathering pace. What could derail this is a trade war, and that is something we can't guess as to which way it will fall.

The markets are edgy which increases volatility. Income producing assets have been hardest hit but we have good fund managers who are making the most of the opportunities which have come about during this volatility. The alternative funds have struggled again this year, but it is good to see that Jupiter is responding to the volatility within the market, posting two positive months.

To reverse the negative first quarter, we need to post 1% to 2% positive per month up to the end of June. The reality is that only in 2009 and 2017 did we achieve this. Based on the past the next quarter tends to be flat. The second half of the year tends to be where recovery might come through. But as we have said before we don't have a crystal ball to the future and the markets will behave as they do.

### **Summary**

In summary, we said that 2018 might be hard to grind out returns and so far it seems to be the case. There are positives and we are in an unusual place. If the trade war fizzles out, and the global recovery continues then this could change everything, but we don't know what will happen next.

The last two years returns (including the falls in the first quarter) are strong and we shouldn't lose sight of that. We remain optimistic that the managers we have in place can weather this current storm and this is reflected in minimal changes within the portfolios. The recommendations will be coming out next month.

*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*

# LWM Consultants Ltd

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.

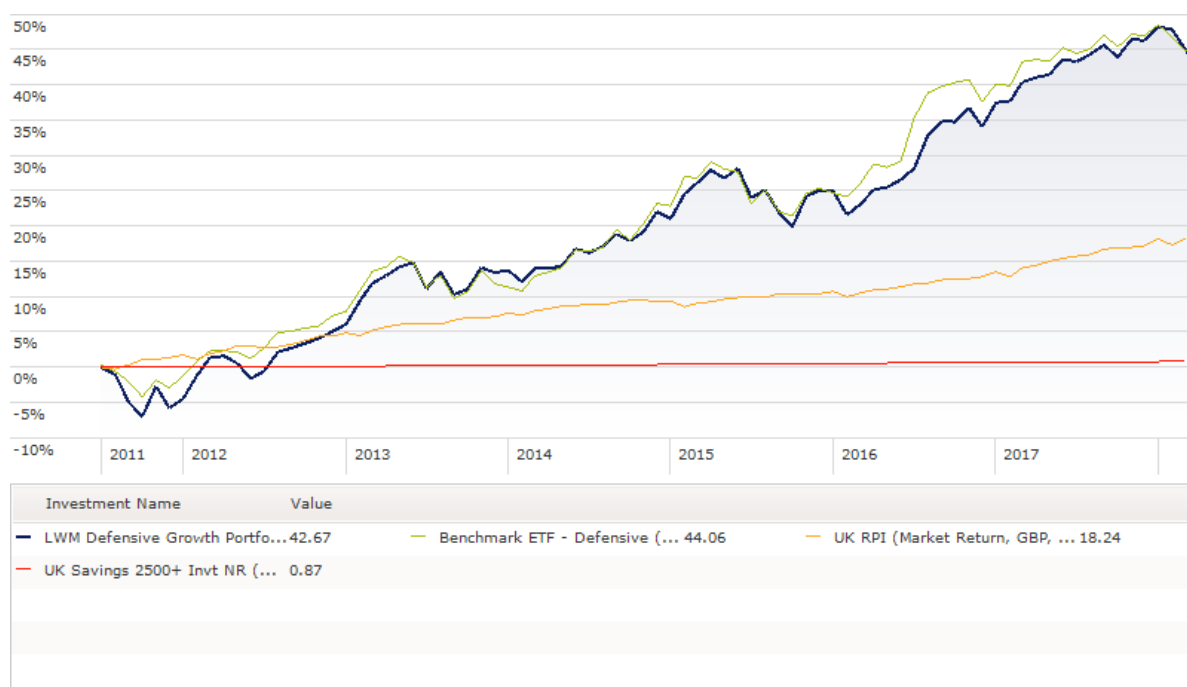
## Summary of performance – 1 January 2009 – 31 March 2018

Performance up to 31 March 2018												
	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	1.10%	0.28%	13.96%	11.80%	11.47%	11.56%	25.08%	26.91%	26.22%	26.09%	42.67%	44.06%
Cautious Risk 4	2.30%	0.29%	17.62%	12.95%	16.45%	12.41%	32.40%	27.88%	35.02%	29.70%	152.35%	92.34%
Cautious Risk 5	3.57%	0.82%	20.35%	15.11%	17.92%	13.65%	33.70%	30.38%	37.23%	31.21%	148.70%	96.55%
Balanced	8.60%	2.24%	31.32%	21.03%	29.18%	17.91%	46.29%	34.24%	53.84%	36.37%	182.55%	107.12%
Mod Adventurous	9.13%	2.90%	38.14%	26.79%	33.86%	21.29%	50.83%	35.47%	59.51%	38.26%	192.63%	112.56%
Adventurous	10.19%	3.45%	41.82%	29.63%	37.58%	23.05%	54.40%	37.19%	65.55%	42.01%	202.61%	114.67%
Ethical	6.00%	0.19%	28.17%	19.47%	28.83%	11.52%	-	-	-	-	45.98%	16.80%

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

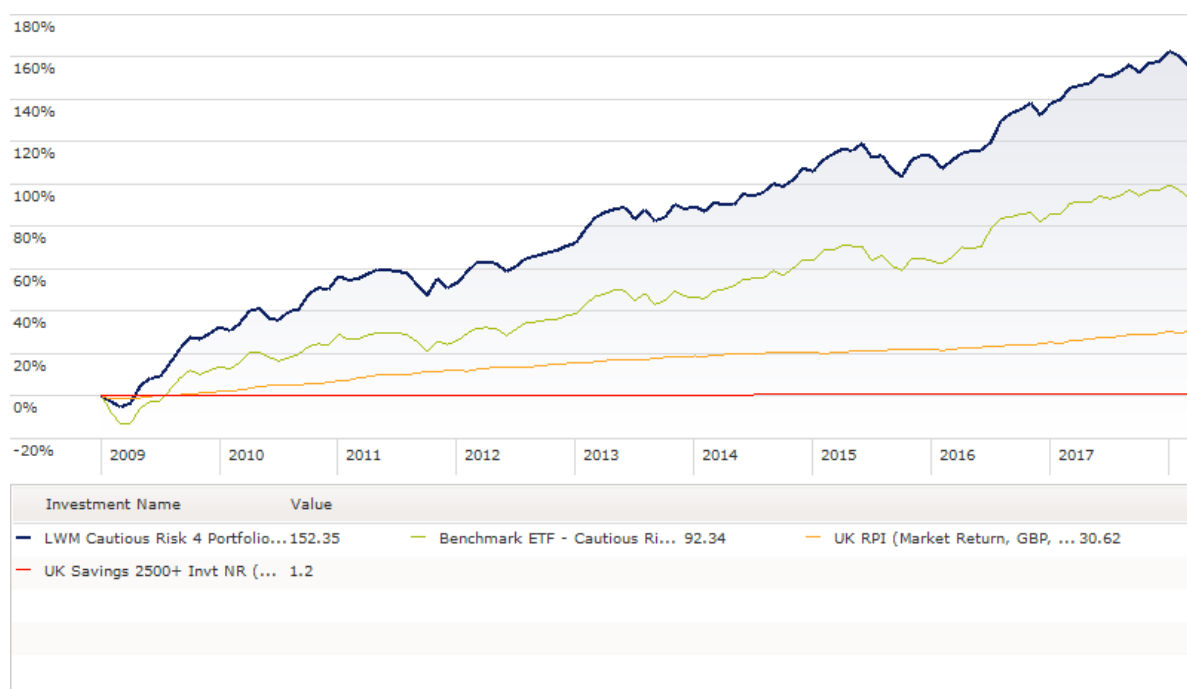


	2013	2014	2015	2016	2017	2018	Since launch
<b>Defensive</b>	7.18%	6.50%	3.29%	10.14%	7.83%	-3.81%	5.41% p.a.
<b>Benchmark</b>	3.21%	10.32%	1.47%	12.42%	5.96%	-3.03%	5.56% p.a.

	1 Year to 31/03/14	1 Year to 31/03/15	1 Year to 31/03/16	1 Year to 31/03/17	1 Year to 31/03/18
<b>Defensive</b>	0.91%	12.21%	-2.19%	12.72%	1.10%
<b>Benchmark</b>	-0.65%	13.76%	-0.21%	11.49%	0.28%

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 31 March 2018. 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 Risk 4 (Previously Cautious Income)

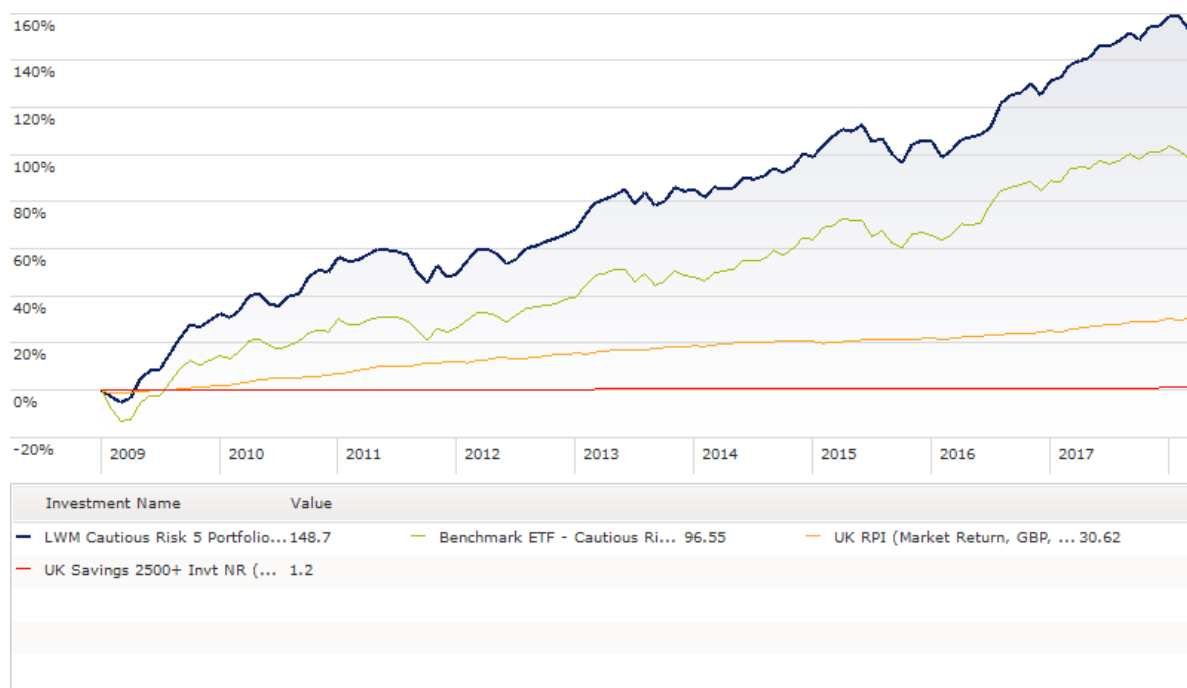


	2013	2014	2015	2016	2017	2018	Since launch
<b>Cautious Risk 4</b>	9.97%	8.81%	3.52%	11.73%	10.43%	-4.04%	10.53% p.a.
<b>Benchmark</b>	5.74%	11.79%	-0.20%	13.64%	7.20%	-3.69%	7.33% p.a.

	1 Year to 31/03/14	1 Year to 31/03/15	1 Year to 31/03/16	1 Year to 31/03/17	1 Year to 31/03/18
<b>Cautious Risk 4</b>	1.98%	13.69%	-0.99%	14.98%	2.30%
<b>Benchmark</b>	1.42%	13.77%	-0.48%	12.63%	0.29%

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 31 March 2018. 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 Risk 5 (Previously Cautious Growth)



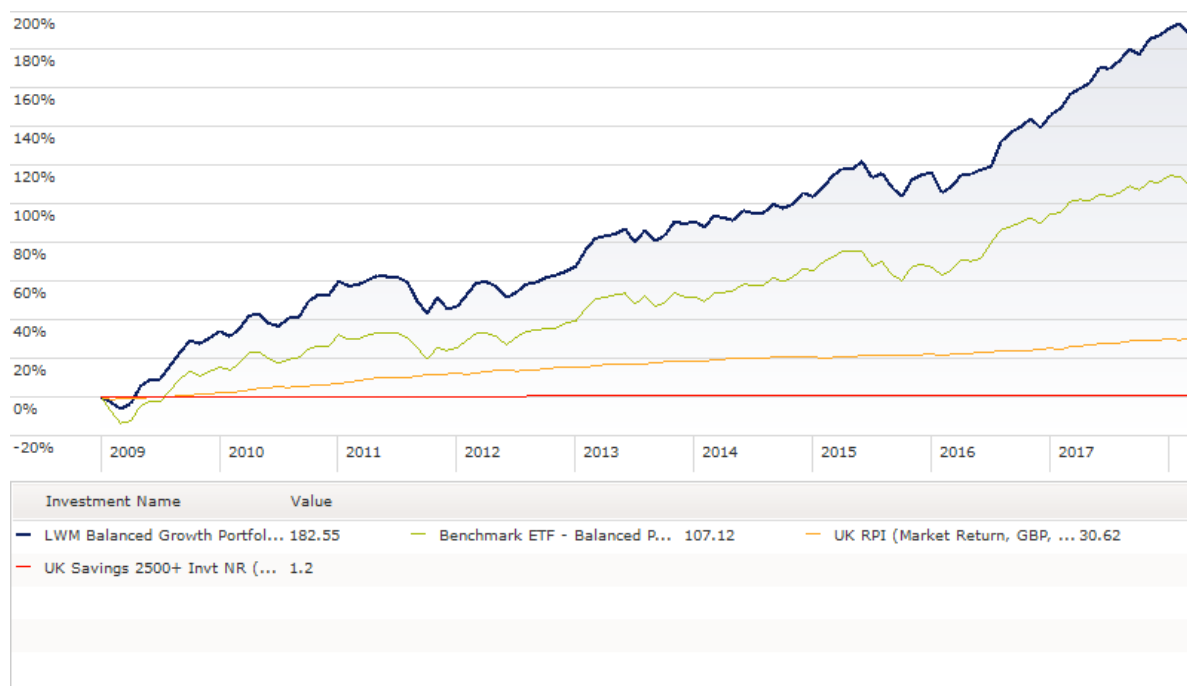
	2013	2014	2015	2016	2017	2018	Since launch
<b>Cautious Risk 5</b>	10.00%	7.49%	3.52%	12.42%	11.81%	-3.91%	10.36% p.a.
<b>Benchmark</b>	6.06%	10.67%	1.10%	13.94%	7.76%	-3.50%	7.58% p.a.

	1 Year to 31/03/14	1 Year to 31/03/15	1 Year to 31/03/16	1 Year to 31/03/17	1 Year to 31/03/18
<b>Cautious Risk 5</b>	2.64%	13.38%	-2.02%	16.20%	3.57%
<b>Benchmark</b>	0.63%	14.72%	-1.27%	14.17%	0.82

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 31 March 2018. 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

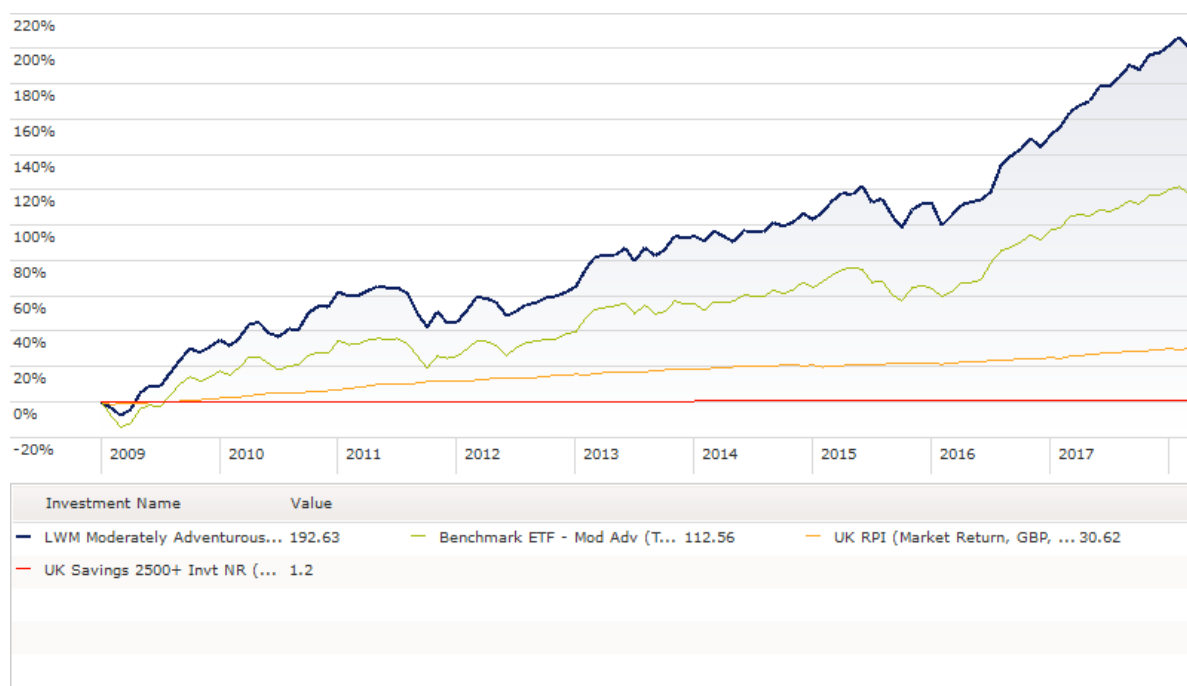


	2013	2014	2015	2016	2017	2018	Since launch
<b>Balanced Growth</b>	13.89%	6.71%	6.24%	13.76%	18.24%	-3.02%	11.89% p.a.
<b>Benchmark</b>	8.89%	8.80%	1.25%	16.53%	10.17%	-3.60%	8.19% p.a.

	1 Year to 31/03/14	1 Year to 31/03/15	1 Year to 31/03/16	1 Year to 31/03/17	1 Year to 31/03/18
<b>Balanced Growth</b>	5.16%	13.24%	-1.63%	20.92%	8.60%
<b>Benchmark</b>	1.59%	13.84%	-2.57%	18.38%	2.24%

Note: Please read special note to tables at the end of tables. The launch date of the is 1 January 2009, and performance is up to 31 March 2018. 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

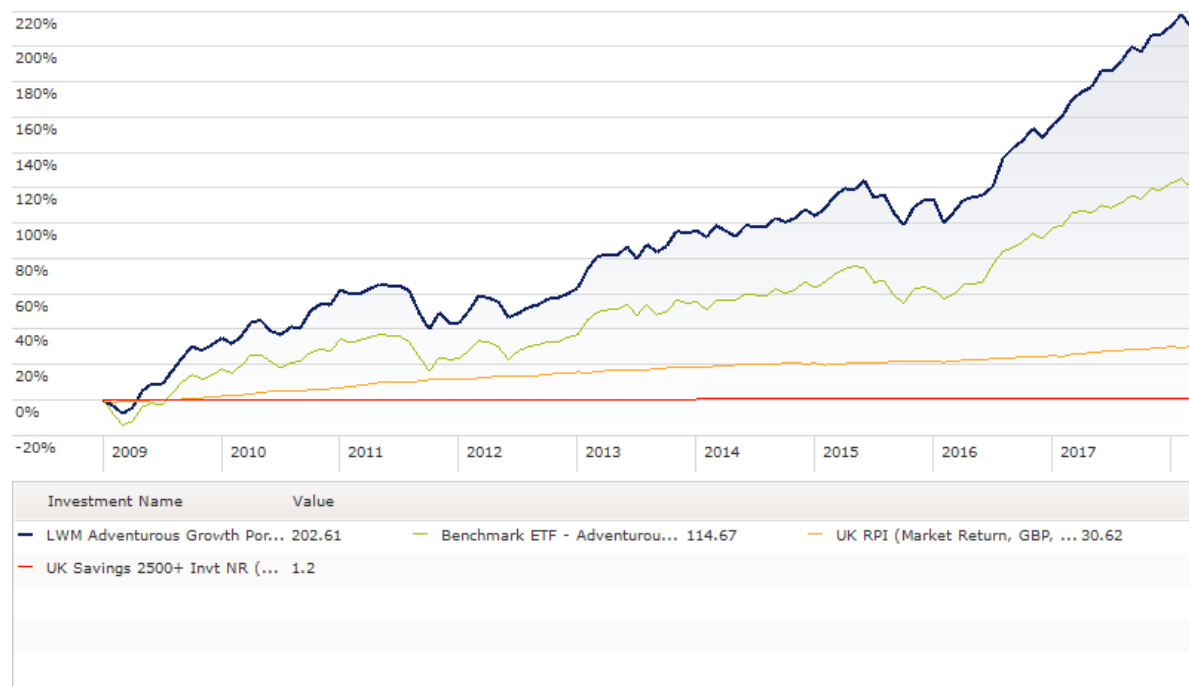


	2013	2014	2015	2016	2017	2018	Since launch
<b>Moderately Adventurous Growth</b>	17.19%	4.86%	4.66%	18.06%	20.16%	-3.08%	12.32% p.a.
<b>Benchmark</b>	11.32%	5.86%	-0.26%	20.12%	11.59%	-3.62%	8.50% p.a.

	1 Year to 31/03/14	1 Year to 31/03/15	1 Year to 31/03/16	1 Year to 31/03/17	1 Year to 31/03/18
<b>Moderately Adventurous Growth</b>	5.76%	12.68%	-3.10%	26.58%	9.13%
<b>Benchmark</b>	2.05%	11.69%	-4.33%	23.22%	2.90%

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 31 March 2018. 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

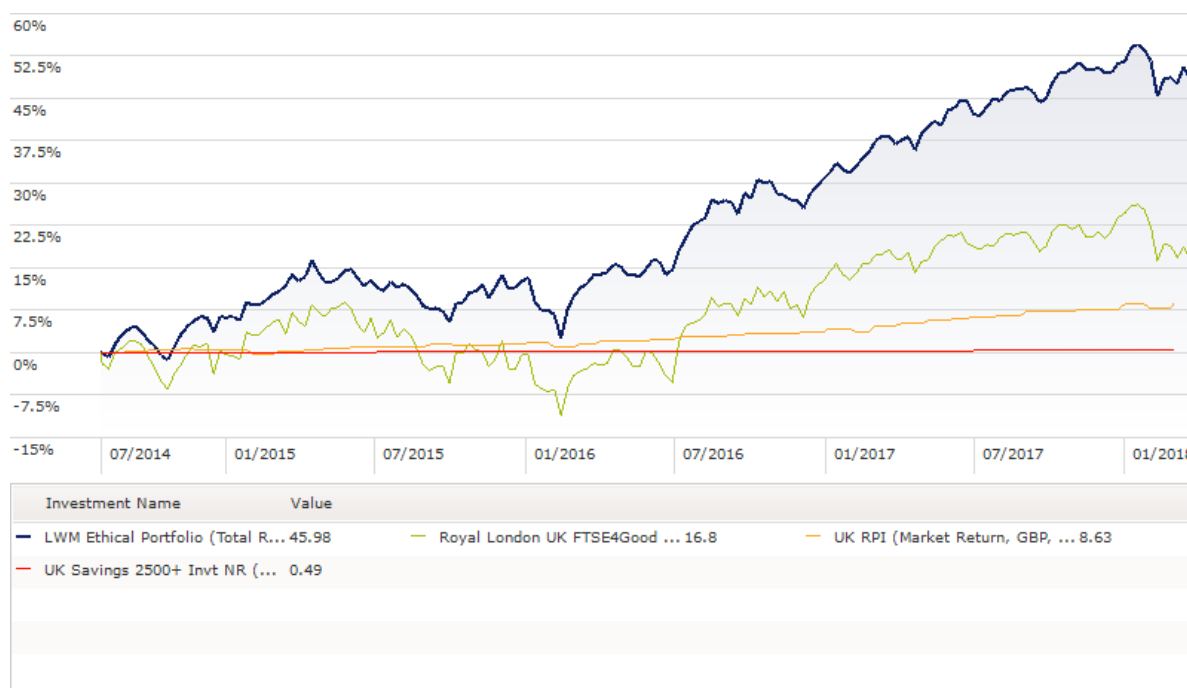


	2013	2014	2015	2016	2017	2018	Since launch
<b>Adventurous Growth</b>	19.73%	4.30%	4.69%	19.65%	21.89%	-3.00%	12.73% p.a.
<b>Benchmark</b>	13.41%	5.12%	-0.65%	21.59%	12.79%	-3.72%	8.61% p.a.

	1 Year to 31/03/14	1 Year to 31/03/15	1 Year to 31/03/16	1 Year to 31/03/17	1 Year to 31/03/18
<b>Adventurous Growth</b>	7.22%	12.23%	-2.99%	28.70%	10.19%
<b>Benchmark</b>	3.51%	11.49%	-5.07%	25.30%	3.45%

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 31 March 2018. 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



	2013	2014	2015	2016	2017	2018	Since launch
<b>Ethical</b>	N/A	N/A	6.63%	15.51%	15.73%	-3.61%	10.88% p.a.
<b>Benchmark</b>	N/A	N/A	0.01%	13.27%	10.52%	-6.32%	4.33% p.a.

	1 Year to 31/03/14	1 Year to 31/03/15	1 Year to 31/03/16	1 Year to 31/03/17	1 Year to 31/03/18
<b>Ethical</b>	N/A	N/A	0.52%	20.91%	6.00%
<b>Benchmark</b>	N/A	N/A	-6.66%	19.25%	0.19%

The launch date of the Portfolio is 1 August 2014, and performance is up to 31 March 2018. 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	Vanguard Global Bond Index Fund
Property	iShares J.P.Morgan \$ Emerging Mkts Bond
UK	iShares Developed Markets Property Yld
	iShares UK Dividend
Europe	Lyxor ETF FTSE All Share
	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
	Royal London UK FTSE4Good Tracker

LWM Consultants Ltd is authorised and regulated by the Financial Conduct Authority. FCA Number 728107. Registered in England & Wales under Company Number 07408315. Registered Office: The Garden Suite, 23 Westfield Park, Redland, Bristol, BS6 6LT