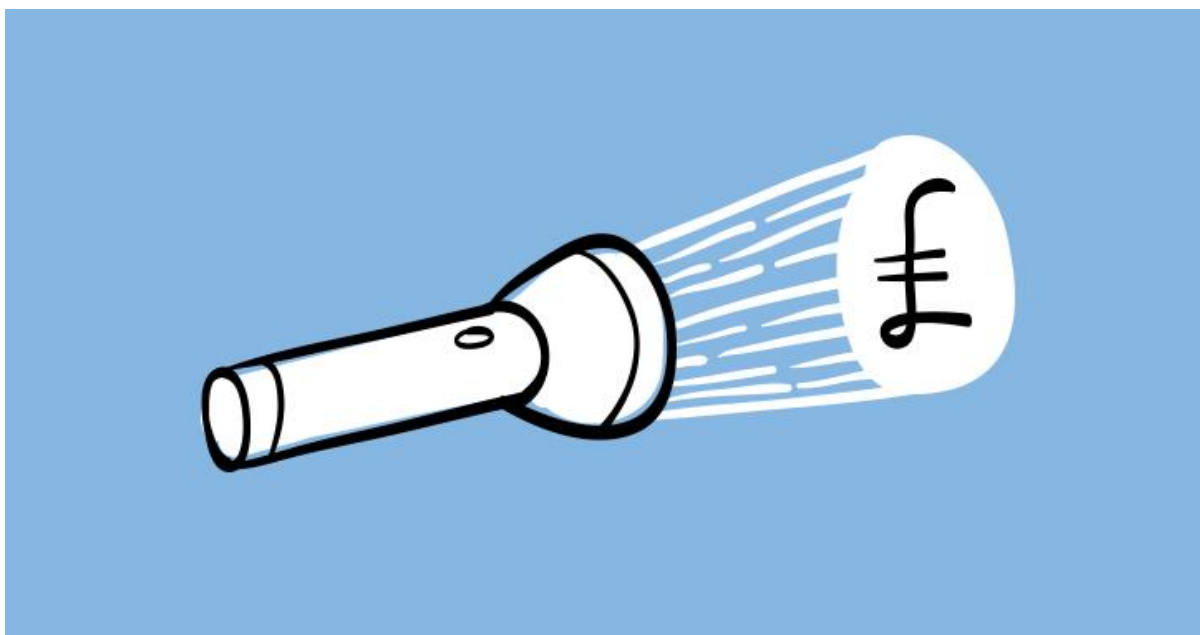


QUARTERLY PORTFOLIO REVIEW – JANUARY 2019



“A pessimist sees only the dark side of the clouds, and mopes; a philosopher sees both sides, and shrugs; an optimist doesn't see the clouds at all — he's walking on them.” Leonard Louis Levinson

The start of the last review is worth repeating:

“The message from quarter to quarter, year to year, remains the same; our primary aim is to compound wealth over time. Investing doesn't mean that each year you will get a guaranteed positive return; the returns will vary day by day, month by month, year by year but overall the power of staying invested and allowing the money to grow is the way that we can increase wealth over time.”

We are not going to hide from what happened in 2018. Coming into the last quarter we were hoping for returns of between 3% and 7%. This would have been good considering the correction in February and where we had come from. In October we had a second correction and at that point it was clear that it would be almost impossible to get even positive returns.

November was flat, and then the 'Santa rally' didn't come; it wasn't a correction but there were significant falls. This left the portfolios nursing negative returns of between -2.99% and -7.99%. At the end of September, the returns were between flat and just over +5.5%. This really shows the damage caused in two months. It is worth adding the FTSE All Share and FTSE 100 were both down over -10% in 2018.

But we shouldn't be downbeat. For some time, we had indicated that returns from equities would settle between the 5% and 7% mark over the long-term. The journey will not always be smooth.

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The table below shows the annual returns over 3 years, 5 years and since launch:

	3 years		5 years		Since launch	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Defensive Portfolio	3.61%	4.93%	4.09%	5.28%	4.49%	4.98%
Cautious Risk 4 Portfolio	6.15%	5.51%	6.08%	5.59%	9.80%	6.81%
Cautious Risk 5 Portfolio	5.74%	5.65%	5.60%	5.70%	9.31%	6.94%
Balanced Portfolio	7.74%	6.68%	7.22%	6.05%	10.49%	7.44%
Moderately Adventurous Portfolio	9.37%	8.09%	7.49%	5.99%	10.79%	7.66%
Adventurous Portfolio	10.29%	8.86%	7.93%	6.24%	11.12%	7.77%

Over 5 years, the portfolios are mostly within that 5% to 7% return bracket.

It is worth reflecting on the outperformance vs the index and how this builds up over time as highlighted in the table below:

	3 years		5 years		Since launch	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Defensive Portfolio	11.21%	15.52%	22.20%	29.31%	39.00%	44.05%
Cautious Risk 4 Portfolio	19.60%	17.45%	34.31	31.25%	154.57%	92.20%
Cautious Risk 5 Portfolio	18.24%	17.91%	31.34%	31.93%	143.39%	95.60%
Balanced Portfolio	25.07%	21.42%	41.67%	34.16%	170.97%	105.02%
Moderately Adventurous Portfolio	30.85%	26.30%	43.48%	33.76%	178.52%	109.18%
Adventurous Portfolio	34.18%	29.02%	46.43%	35.35%	187.02%	111.28%

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. Performance up to 31 December 2018. Launch date was 1 January 2009 with the exception of the Defensive Portfolio which was launched on 30 June 2011.

Of course, it hurts when we are hit by periods of negative returns. The pain is felt by all as we have our money invested in the portfolios. But as we have stressed many times the focus is always on the longer term. It is also worth repeating that a loss is only a loss when we crystallise it; if we can sit it out, then often the loss reverts to a positive in time.

We also know that in periods of extreme volatility and falling markets, the portfolios will fall behind the index. In 2016 during the first six months the portfolios were behind, in the second half they were ahead but not enough to outperform. In 2017 they significantly outperformed the index. In 2018 they were behind. Despite this most of the portfolios have outperformed the benchmarks in what has been a tough three years.

So where does that leave us? If we look back over history, normally after a bad year there is a bounce the following year; in recent years 2008/2009 and 2011/2012 were examples of this. This doesn't always happen; after the dot.com bubble it was a couple of years before the markets responded positively.

In the market review we highlighted there are challenges, but these are not dissimilar to 2018. The markets seem to have priced in worse-case scenarios and therefore even a slight shift in sentiment in a positive direction could be good for the portfolios. We know the UK is unloved and emerging markets are cheap, these could be two areas to watch in 2019.

In summary, 2018 was disappointing but it doesn't necessarily mean 2019 will follow the same path. Over 3 to 5 years we have delivered positively and in most cases above the benchmark. If we see positive sentiment this year this could help the portfolios, but we should expect volatility. (Which isn't necessarily a bad thing!)

George Ladds

January 2019

PORTFOLIO OVERVIEW

Bitesize introduction

There was little shelter against the downturn in 2018, all the portfolios suffered including the lower risk strategies. We indicated in the last review that Standard Life Global Absolute Return Strategies Fund was struggling, and this continued to the end of the year.

We took the decision to cut back exposure to the Standard Life Fund at the annual review in July, introducing the Vanguard Global Bond Index and First State Diversified Growth Fund. The multi-asset strategies which included First State and Threadneedle suffered in the last quarter of 2018 which brought down the performance of the lower risk portfolios.

We are looking at potentially making some further changes in July to bring some defensive positions across some of the portfolios. We have more fund manager meetings to iron these out but the types of assets we are considering include infrastructure, potentially a property strategy and UK large cap.

When developing the portfolios, our process is the key element to everything we do. For example, when we meet fund managers we look to see if they stick with their investment process when times are hard, or whether they change to chase short term returns. What we are looking for is consistency; which can mean there are periods when their funds are unloved but over the long term these are the managers we like.

This is an important lesson for us when we are managing the portfolios. We constantly challenge where we are investing and ensuring we find the best of the best, but we don't chase short term returns.

As part of this we implemented a two-year review strategy which we think is important. In 2019/2020 our focus will be building some downside protection. This reflects the comments above and will likely see Standard Life GARS leave the portfolios and other alternative strategies coming into play.

In 2020/2021 we will be looking across the equity strategies to ensure we are capturing different growth trends moving forward. These include developing economies, bio-technology and technology. It is important to stress although you could build a portfolio just around these trends the volatility risk would spike, so it is about getting that balance right.

We want to get this right as it should future proof the portfolios, so it is not something we want to rush.

In summary, there was little protection across the portfolios from the downturn in the last quarter. We have in place a strategy to review the portfolios over the next two years. The most important element at this stage is downside protection and we expect this to be a feature of the rebalance in July.

Fourth quarter

In the last review we indicated that 60% of the funds were ahead of the benchmark; this dropped to 38% at the end of the year. In the portfolios overall, only 25% of the funds outperformed over the last 6 months.

In addition, only 5 funds delivered positive numbers; 3i Infrastructure was up 17.58%, Utilico 5.44%, Threadneedle Emerging Market Bond Fund 1.96%, Jupiter Absolute Return Fund 0.75% and Vanguard Global Bond Index 0.62%.

Our target is always around 70% of the underlying funds to outperform as this is where we will start to see the portfolios outperform the index significantly. At this stage although the numbers are disappointing this is where we would expect to be, and if the markets go up this year then we would expect outperformance to be closer to this level.

When we talk about value within equities, there is value within funds. Most of the UK, European, Japanese, Asia and Emerging Market Funds are down over 10% over the year and some are down over 15%. This makes them cheaper however we don't know whether they are at the trough; but it shows there is value to be gained within a number of funds.

In summary, the benchmarks have outperformed the underlying funds. This is disappointing, however we believe we have excellent long-term fund managers.

First quarter

In the last review we indicated that some funds were cheap and if positive sentiment came through this could help performance. We also highlighted the risks of negative sentiment. The message remains the same but those funds which were cheap at the end of September have got even cheaper over the last quarter. We don't know where the trough is, the funds could go lower, but at some point, they will hit the bottom.

It is worth highlighting an example from a fund manager we spoke to recently. He was investing in a toilet paper manufacturer. He started purchasing at 50p, the shares kept dropping and he kept buying. The share price then started rising. At around 40p he was starting to make significant profit. His argument was that he believed in the company, even as the share price dropped and everyone was panicking, he saw this as an opportunity and has been rewarded for this.

It is the same for the portfolios, they may go down, but we still believe in them and the process. At some point they will rise. Whether we invest further or sit it out there will be a point when it starts to go up.

I won't get over excited if we get a strong first quarter, but I would be a lot happier if we get a strong 2019.

Summary

In summary, 2018 was a tough environment and we have seen our portfolios struggle. We are committed to the process we use. We have spent a considerable amount of time talking to the managers of the Standard Life strategy and have been patient investors. However, we feel that now is the time to review this and build a new defensive strategy across the portfolios. Part of that work is already in place as we have been doing this over the last couple of years. In the rebalance we will finalise that work. Behind the clouds is the sun (or moon), if we look to the sun and consider how cheap the underlying funds are then at some point the sun will shine, we just need to wait.

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

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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.

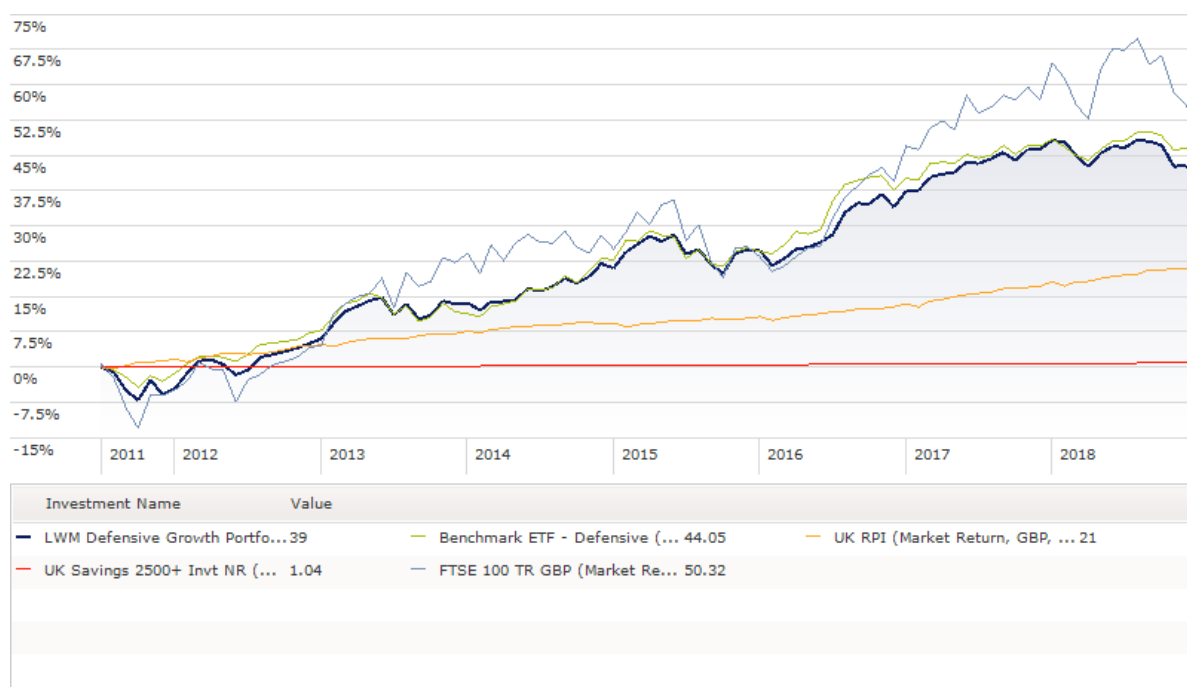
Summary of performance – 1 January 2009 – 31 December 2018

Performance up to 31 December 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	-6.29%	-3.03%	1.05%	2.75%	11.21%	15.52%	14.78%	17.21%	22.20%	29.31%	39.00%	44.05%
Bespoke Cautious	-2.99%	-3.66%	7.13%	3.36%	19.60%	17.45%	23.48%	17.22%	34.31%	31.25%	154.57%	93.20%
Cautious	-5.88%	-3.96%	5.24%	3.49%	18.24%	17.91%	22.22%	19.21%	31.34%	31.93%	143.39%	95.60%
Balanced	-6.99%	-5.42%	9.98%	4.19%	25.07%	21.42%	32.79%	22.93%	41.67%	34.16%	170.97%	105.02%
Mod Adventurous	-7.75%	-5.78%	10.84%	5.14%	30.85%	26.30%	36.86%	25.97%	43.48%	33.76%	178.52%	109.18%
Adventurous	-7.99%	-5.93%	12.15%	6.10%	34.18%	29.02%	40.41%	28.18%	46.43%	35.35%	187.02%	111.28%
Ethical	-5.30%	-7.46%	9.60%	2.28%	26.52%	15.75%	34.91%	15.76%	-	-	43.42%	15.38%

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

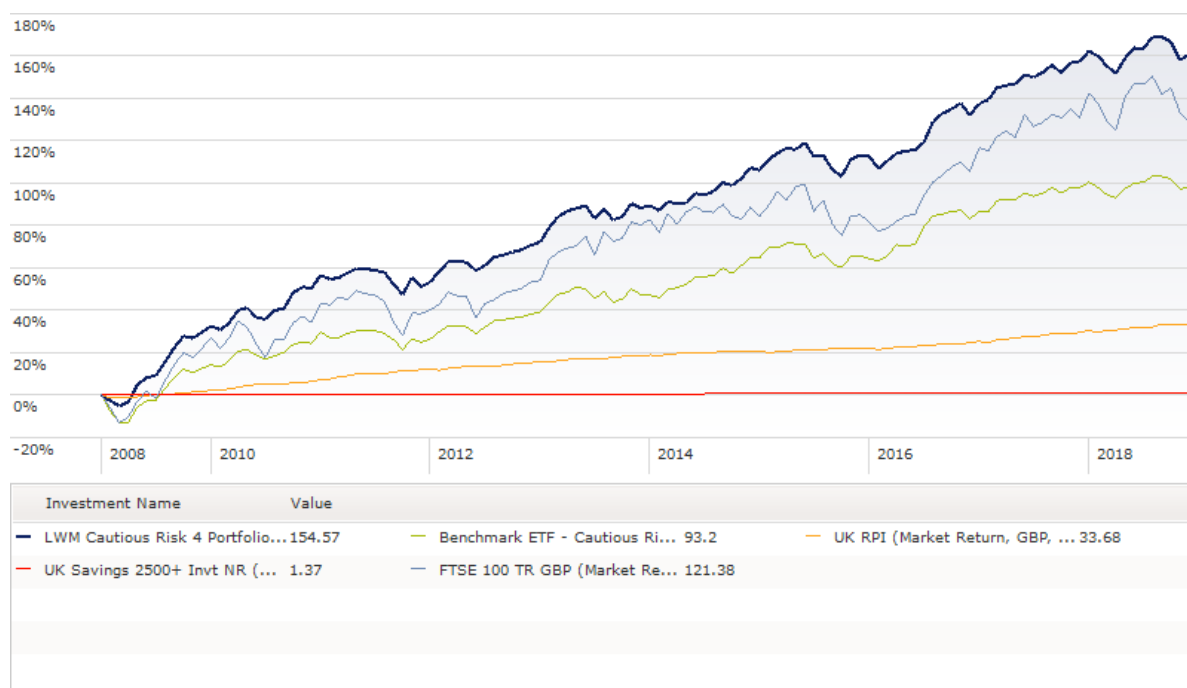


	2013	2014	2015	2016	2017	2018	Since launch
Defensive	7.18%	6.50%	3.29%	10.14%	7.83%	-6.29%	4.49% p.a.
Benchmark	3.21%	10.32%	1.47%	12.42%	5.96%	-3.03%	4.98% p.a.

	1 Year to 31/12/14	1 Year to 31/12/15	1 Year to 31/12/16	1 Year to 31/12/17	1 Year to 31/12/18
Defensive	6.50%	3.29%	10.14%	7.83%	-6.29%
Benchmark	10.32%	1.47%	12.42%	5.96%	-3.03%

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 December 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)

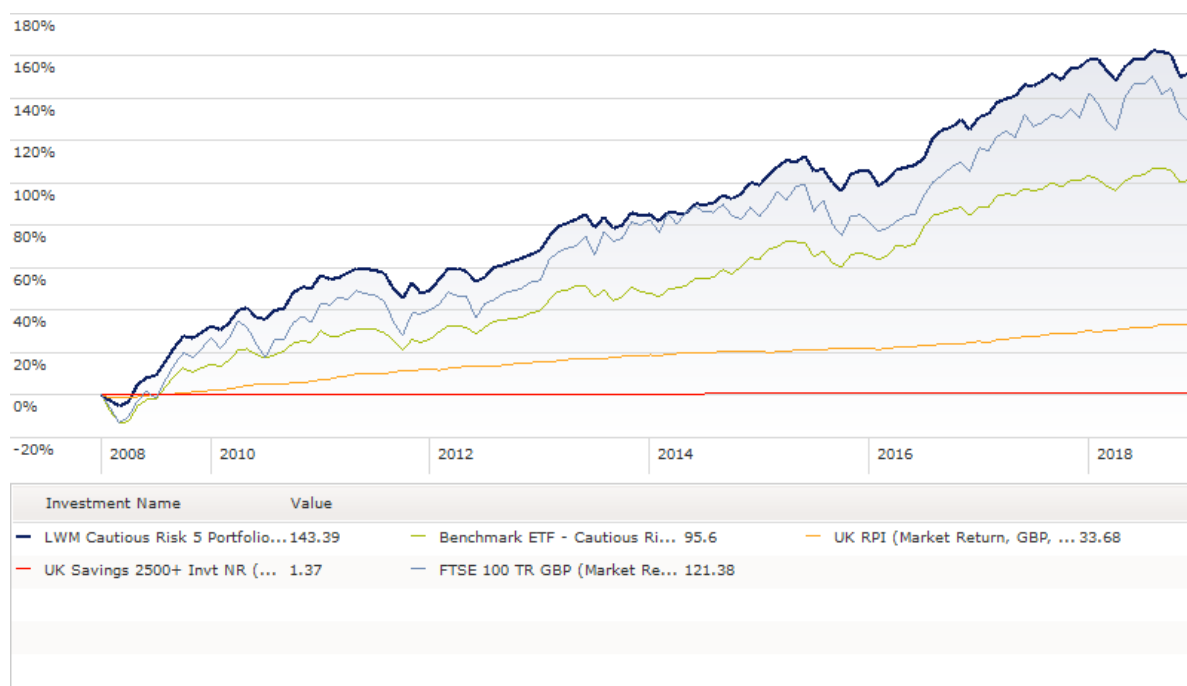


	2013	2014	2015	2016	2017	2018	Since launch
Cautious Risk 4	9.97%	8.81%	3.52%	11.73%	10.43%	-2.99%	9.80% p.a.
Benchmark	5.74%	11.79%	-0.20%	13.64%	7.20%	-3.66%	6.81% p.a.

	1 Year to 31/12/14	1 Year to 31/12/15	1 Year to 31/12/16	1 Year to 31/12/17	1 Year to 31/12/18
Cautious Risk 4	8.81%	3.52%	11.73%	10.43%	-2.99%
Benchmark	11.79%	-0.20%	13.64%	7.20%	-3.66%

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 December 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)

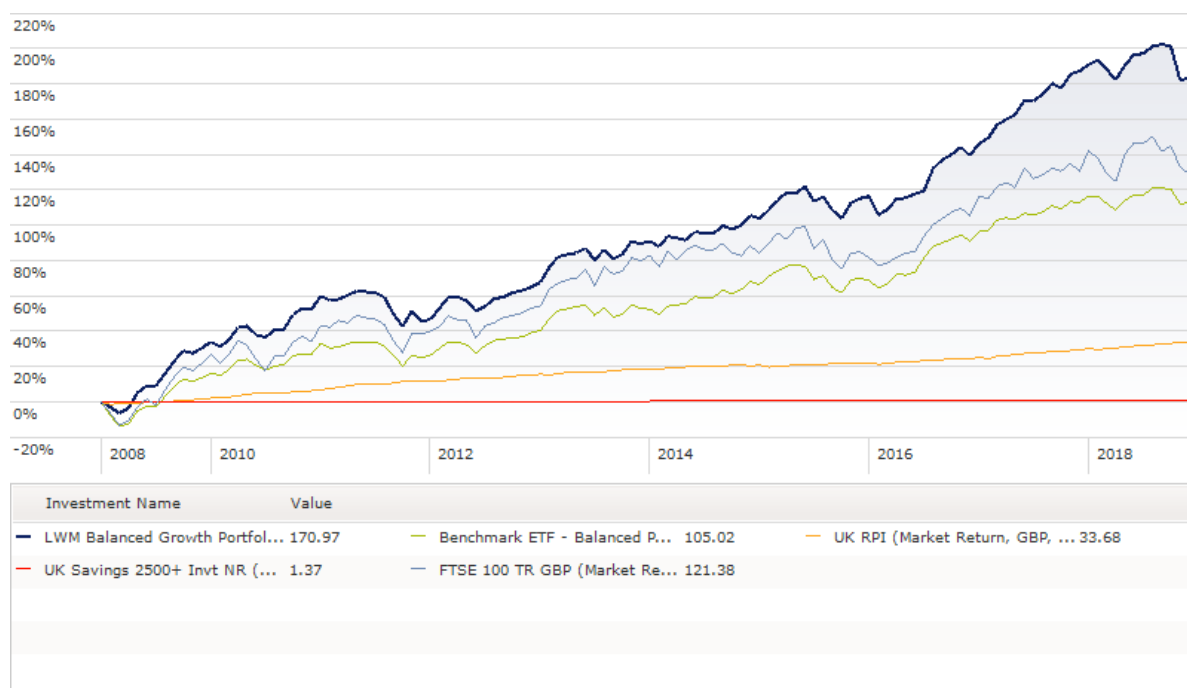


	2013	2014	2015	2016	2017	2018	Since launch
Cautious Risk 5	10.00%	7.49%	3.52%	12.42%	11.81%	-5.88%	9.31% p.a.
Benchmark	6.06%	10.67%	1.10%	13.94%	7.76%	-3.96%	6.94% p.a.

	1 Year to 31/12/14	1 Year to 31/12/15	1 Year to 31/12/16	1 Year to 31/12/17	1 Year to 31/12/18
Cautious Risk 5	7.49%	3.52%	12.42%	11.81%	-5.88%
Benchmark	10.67%	1.10%	13.94%	7.76%	-3.96%

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 December 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

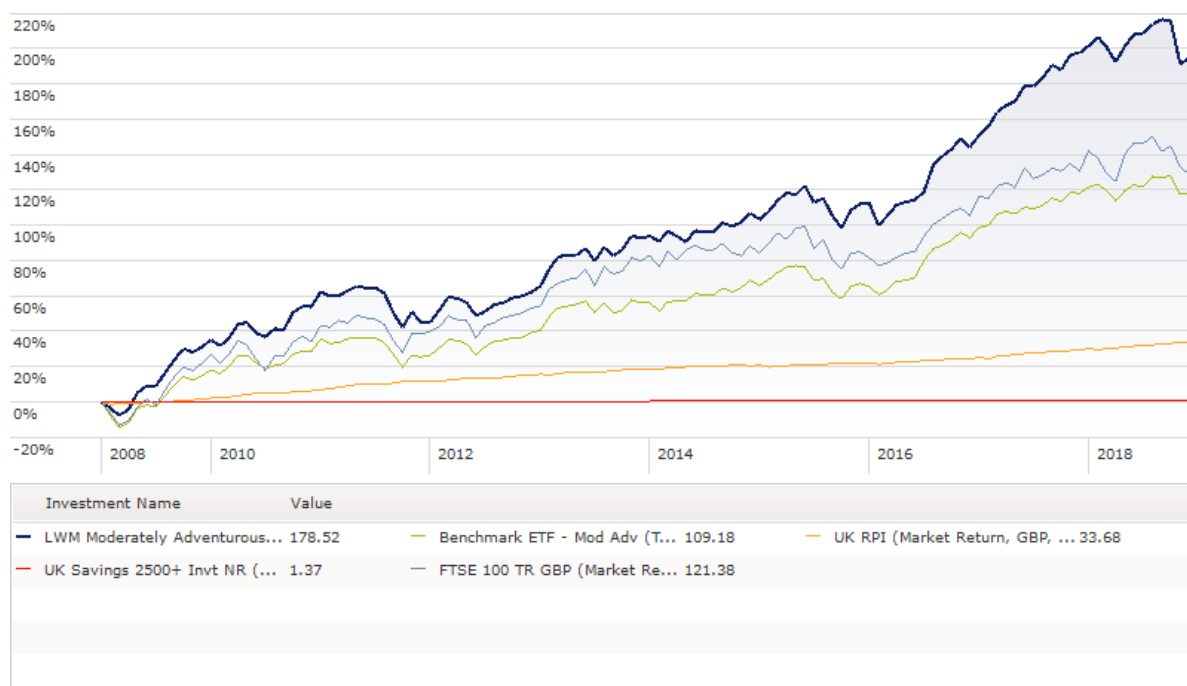


	2013	2014	2015	2016	2017	2018	Since launch
Balanced Growth	13.89%	6.71%	6.24%	13.76%	18.24%	-6.99%	10.49% p.a.
Benchmark	8.89%	8.80%	1.25%	16.53%	10.17%	-5.42%	7.44% p.a.

	1 Year to 31/12/14	1 Year to 31/12/15	1 Year to 31/12/16	1 Year to 31/12/17	1 Year to 31/12/18
Balanced Growth	6.71%	6.24%	13.76%	18.24%	-6.99%
Benchmark	8.80%	1.25%	16.53%	10.17%	-5.42%

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 December 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

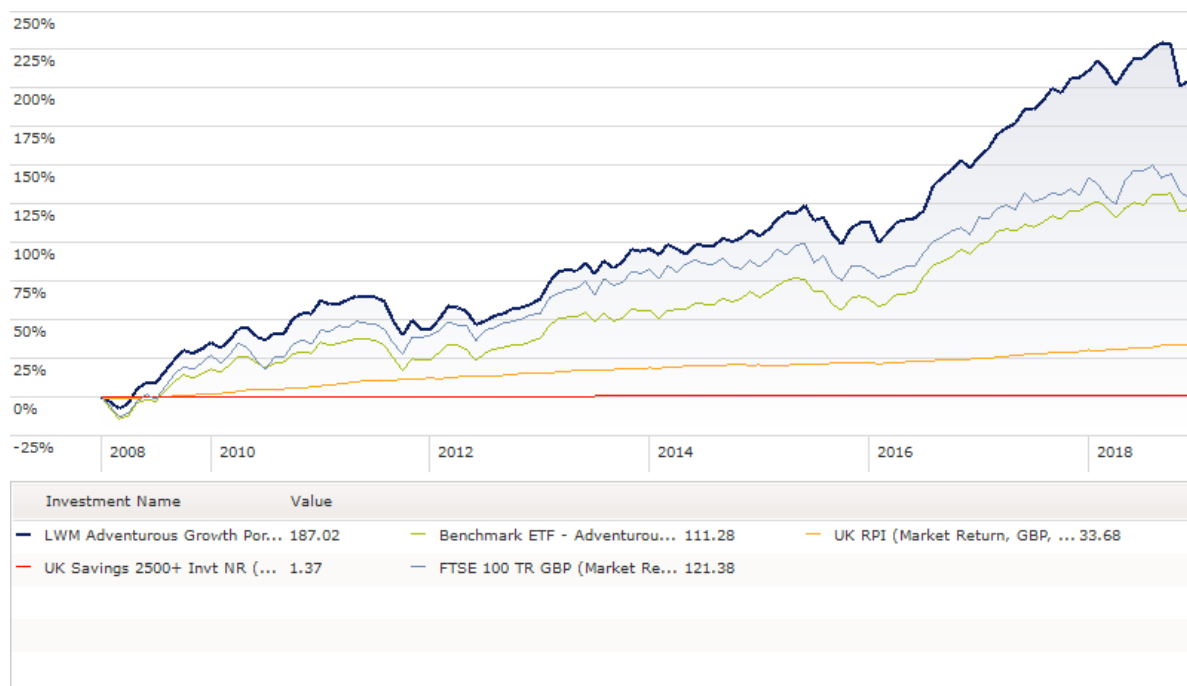


	2013	2014	2015	2016	2017	2018	Since launch
Moderately Adventurous Growth	17.19%	4.86%	4.66%	18.06%	20.16%	-7.75%	10.79% p.a.
Benchmark	11.32%	5.86%	-0.26%	20.12%	11.59%	-5.78%	7.66% p.a.

	1 Year to 31/12/14	1 Year to 31/12/15	1 Year to 31/12/16	1 Year to 31/12/17	1 Year to 31/12/18
Moderately Adventurous Growth	4.86%	4.66%	18.06%	20.16%	-7.75%
Benchmark	5.86%	-0.26%	20.12%	11.59%	-5.78%

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 December 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

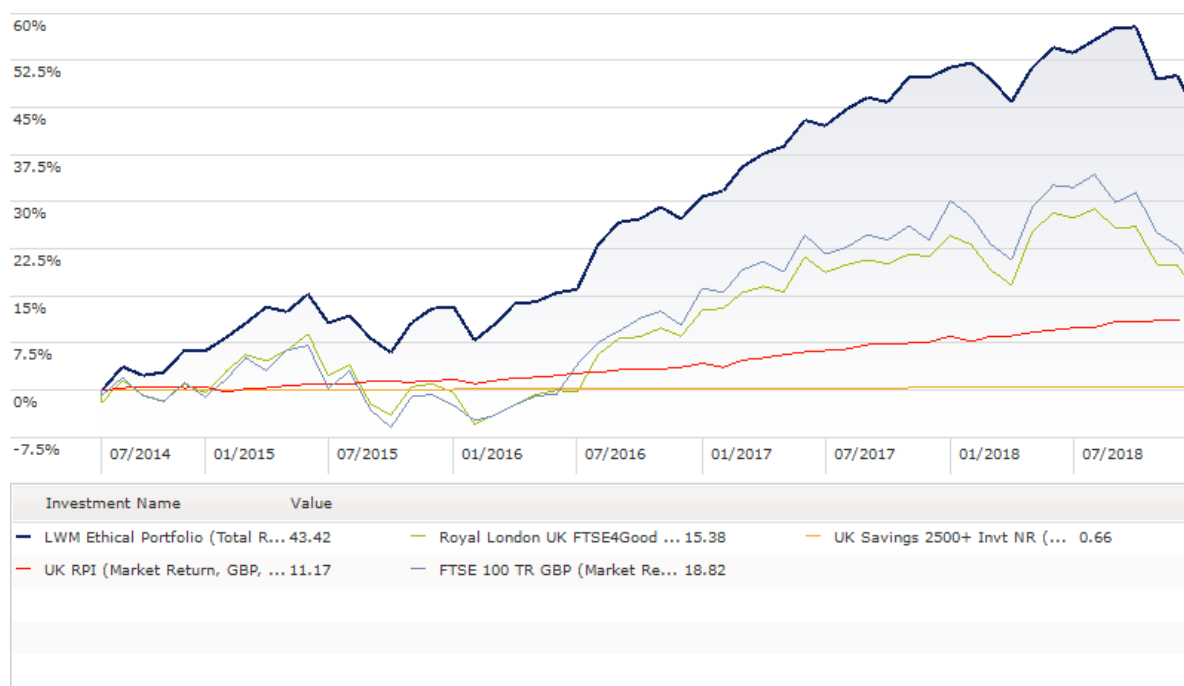


	2013	2014	2015	2016	2017	2018	Since launch
Adventurous Growth	19.73%	4.30%	4.69%	19.65%	21.89%	-7.99%	11.12% p.a.
Benchmark	13.41%	5.12%	-0.65%	21.59%	12.79%	-5.93%	7.77% p.a.

	1 Year to 31/12/14	1 Year to 31/12/15	1 Year to 31/12/16	1 Year to 31/12/17	1 Year to 31/12/18
Adventurous Growth	4.30%	4.69%	19.65%	21.89%	-7.99%
Benchmark	5.12%	-0.65%	21.59%	12.79%	-5.93%

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 December 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
Ethical	N/A	N/A	6.63%	15.51%	15.73%	-5.30%	8.51% p.a.
Benchmark	N/A	N/A	0.01%	13.27%	10.52%	-7.46%	3.29% p.a.

	1 Year to 31/12/14	1 Year to 31/12/15	1 Year to 31/12/16	1 Year to 31/12/17	1 Year to 31/12/18
Ethical	N/A	6.63%	15.51%	15.73%	-5.30%
Benchmark	N/A	0.01%	13.27%	10.52%	-7.46%

The launch date of the Portfolio is 1 August 2014, and performance is up to 31 December 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.

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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
	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
	Royal London UK FTSE4Good Tracker

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