



### MPS and Volare market update and portfolio positioning

Volatility in markets has risen and we expect the sharp up and down daily movements to continue for some time. It is interesting to note that the volatility in the UK equity market is noticeably lower than that of the US and Asian markets. In addition, the FTSE 100 looks as if it is pricing in a lot of bad Brexit-related news. Following the recent period of underperformance the UK market has a yield of 4.3% and a price-to-earnings ratio of 13. This makes the index look like an interesting value trade particularly as the 10 year gilt yield is currently 1.4%. The P/E is only in line with the 10 year average but given the differential to bond yields, despite Brexit, we feel that the UK is looking more attractive versus international equities. The energy sector is under represented in portfolios and offers an interesting opportunity as oil stocks are undervalued in a geopolitical environment that could lead to a higher oil price. If The US pulls out of the Iran nuclear deal and puts sanctions back on it will cut supply. On the other hand if the oil price rises then shale oil production may rise but this takes time. With the dividend yield on Shell at 5.7% the UK oil producers look well supported.

It was noted that global GDP growth remains positive, and the US consumer being a key driver of this growth. Some economic data points have fallen back from highs (for example PMIs slightly rolling over) but generally it remains consistent with a growing global economy. While the rate of global growth may not be going higher from here we do not believe that the global economy is about to fall back into a recession, and in fact a slightly lower, but more sustainable level of growth, is a better scenario. Adding to this, investment intentions look encouraging, particularly in the US, on the back of Trump's tax changes.

In terms of changes in the portfolios, we have sold the holding in Henderson UK Absolute Return. As a result of post MIFID II reporting, the fund is now publishing a cost of 3.3%. This includes the OCF, transaction costs and incidental costs. These charges are not new, investors have always paid them, but now they are very clearly stated on illustrations and client reports. We have sold the position across portfolios as we believe there are more efficient uses for client capital. In the lower risk portfolios we have reallocated the funds raised to AXA US Short Duration High Yield which is currently offering us an attractive entry point. In the higher risk portfolios we have reallocated the funds to JP Morgan Global Macro Opportunities and Old Mutual GEARS, two existing absolute return funds in the portfolio. We continue to utilise a US long/short equity fund (run by Artemis) in portfolios to get exposure to stock dispersion that we believe will increase from here with heightened volatility, particularly in the US market.

In the Cautious and Balanced portfolios we have also sold the exposure to Lazard Global Listed Infrastructure. Infrastructure as an asset class has become more vulnerable to potential increases in interest rates, so by selling the holding out of the lower risk portfolios we are removing this element of central bank risk. In the Cautious portfolio we have increased exposure to the Lindsell Train UK equity fund and in the Balanced portfolio we have increased exposure to the FTSE 100 index fund to increase the weighting to energy (oil) stocks.

### MPS Performance and volatility as at 31 March 2018

	Target*			Five year annualised	
	Volatility %	Return % pa	Maximum Loss %	Volatility %	Return %
Defensive	2 to 4.75	3 to 4.5	-5.0	3.86	4.73
Cautious	4 to 7	4.5 to 6	-9.1	4.35	5.53
Balanced	5 to 9	5.2 to 7.5	-13.5	5.65	7.41
Growth	8 to 13	6 to 8	-19.0	6.55	8.35
Adventurous	10 to 16	7 to 10	-25.0	7.08	9.32

**\*Where targets are given, these are for indication purposes only; the actual figures achieved could be more or less than the ranges given.**

Quarterly figures are net of underlying fund costs but gross of all other charges. Other charges include the LGT Vestra discretionary management fee, the platform custody charge, all adviser charges and where applicable any transaction costs (e.g. ptm / trading charges)

## MPS and Volare fund positioning as at 18 April 2018

	Defensive	Cautious	Balanced	Growth	Adventurous	Strategic Income
<b>Fixed Income</b>	<b>44</b>	<b>35</b>	<b>19</b>	<b>10</b>	<b>0</b>	<b>45</b>
Jupiter Strategic Bond	7	8	6			7
M&G Strategic Corporate Bond						6
Threadneedle Credit Opps	8	7				
L&G All Stocks Index Linked Gilt Index	6	4	4	3		
Invesco Perpetual Monthly Income Plus	8	6	6	5		7
AXA US Short Duration High Yield Bond	8	5				7
PIMCO Low Duration Real Return	7	5	3	2		6
BlackRock Fixed Inc Global Opps						6
Invesco Perpetual Corporate Bond						6
<b>UK Equities</b>	<b>8</b>	<b>14</b>	<b>22</b>	<b>25</b>	<b>27</b>	<b>17</b>
Old Mutual UK Smaller Companies			3	5	7	
Marlborough Multi Cap Income						4
Schroder Income Maximiser						4
Threadneedle UK Equity Income						4
Schroder Income	3	4	7	6	6	
RWC Enhanced Income						5
CF Lindsell Train UK Equity	2	5	6	7	7	
L&G FTSE 100 Index Trust	3	5	6	7	7	
<b>International Equities</b>	<b>15</b>	<b>18</b>	<b>40</b>	<b>47</b>	<b>62</b>	<b>23</b>
<i>Europe</i>	<i>0</i>	<i>0</i>	<i>5</i>	<i>5</i>	<i>9</i>	<i>3</i>
Blackrock European Dynamic			5	5	6	
Blackrock Continental European Income						3
Henderson European Smaller Companies					3	
<i>North America</i>	<i>4</i>	<i>7</i>	<i>12</i>	<i>16</i>	<i>17</i>	
Vanguard US Equity Index	4	7	6	9	8	
Schroder US Mid Cap			6	7	9	
<i>Asia Pacific</i>	<i>0</i>	<i>3</i>	<i>13</i>	<i>13</i>	<i>19</i>	<i>6</i>
Blackrock Asia Special Situations		3	5	4	4	
Schroder Asian Income Maximiser						6
Baillie Gifford Japanese			3			
Baillie Gifford Japanese Smaller Companies				3	7	
Jupiter India			2	2	3	
Somerset EM Dividend Growth			3	4	5	
<i>Global</i>	<i>11</i>	<i>8</i>	<i>10</i>	<i>13</i>	<i>17</i>	<i>14</i>
Fundsmith	6	5	6	7	7	
River & Mercantile World Recovery Fund				4	5	
Artemis Global Income	5	3	4	2	2	8
Lazard Global Equity Income						6
L&G Technology Index Trust					3	
<b>Alternatives</b>	<b>26</b>	<b>26</b>	<b>17</b>	<b>16</b>	<b>9</b>	<b>12</b>
<i>Absolute Return</i>	<i>26</i>	<i>26</i>	<i>17</i>	<i>12</i>	<i>7</i>	<i>9</i>
Old Mutual Global Equity Absolute Return	8	7	8	5		
BNY Newton Real Return						
Artemis US Absolute Return	7	6				
JP Morgan Global Macro Opportunities	4	6	6	7	7	4
Troy Trojan O	7	7	3			
Invesco Perpetual Global Targeted Income						5
<i>Property/Infrastructure</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4</i>	<i>2</i>	<i>3</i>
Lazard Global Listed Infrastructure				4	2	3
<b>Cash</b>	<b>7</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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