

DISCRETIONARY INVESTMENT MANDATE

28 FEBRUARY 2019



Wealth Preservation GBP AS AT 28 FEBRUARY 2019

Investment objective

- Aiming to preserve the absolute value of your initial investment over a three year time horizon while providing a reasonably stable flow of income.
- Target total returns exceeding those available from UK government bonds.
- Control investment risk through effective portfolio structure and diversification.
- Manage investment returns and risks in the context of the UK economy and financial markets.

Strategy guidelines

- The portfolio will invest in short-term instruments that have a substantial bias to UK financial markets to generate income.
- A substantial proportion of your capital will be allocated to UK government bonds and global fixed income, with a smaller proportion in equities.
- A proportion of capital will be invested in alternative assets with low correlation to equities for diversification and stability.
- Hedged market access strategies will be used to increase risk-adjusted returns.
- Passive strategies will be used alongside active and specialist long-only strategies for cost-efficient management.

Suitability

This portfolio is suitable for investors who:

- Primarily seek income generation over a minimum 3-year term and are willing to accept low to moderate risk to achieve it.
- Are comfortable with the variability in the level of income generated by the portfolio.
- Recognise that income distribution rather than re-investment increases the risk of capital erosion.
- Are unlikely to need access to their capital over the next three years.
- Seek a reasonable degree of capital protection over a 3-year time horizon.
- Want to diversify away from cash and are willing to accept short-term volatility.

About Coutts

Coutts is an international private bank and forms part of the RBS Wealth Management division. We are operating in Europe, Asia, the Middle East and in selected off shore centres. Our service reflects the desires of our clients – trust and partnership, values that have earned us an enduring reputation for over 300 years.

Manager comments

- In a turbulent month for global markets, Strategy returns rose by 0.5% in October.
- After a difficult start for risk assets amid concerns over global growth, the end of US quantitative easing and heightened geopolitical tensions, investors' appetite for risk returned mid-month against a backdrop of positive corporate earnings.
- Regional equity market performance was mixed, with Asia Pacific and US equities delivering solid gains for October overall, but Europe and the UK slipping into negative territory.
- Government bonds initially rallied as investors sought perceived safe havens, but gave up some gains as fears subsided – though returns remained in positive territory for the month overall.
- Emerging-market debt, our preference within fixed income, outperformed investment-grade and high-yield bonds. We continue to favour emerging-market bonds, as we see their extra yields over developed-market bonds offsetting the added volatility, liquidity and credit risk.
- We prefer equities over bonds overall in an environment of continued global recovery. While gilts have delivered positive returns so far this year, we retain our underweight stance as we expect yields to rise (prices to fall) amid continued growth in the UK economy and as policy interest rates start to increase next year.
- Gold and gold-related shares had another disappointing month, but we continue to hold them as a hedge against global uncertainties

Net strategy and peer group performance



Past performance should not be taken as a guide to future performance.

	Net performance in % ¹						Risk	
	2009	2010	2011	2012	2013	YTD	Since 2004 ²	Annualised volatility ³
Strategy	9.5	7.5	1.1	5.9	-0.2	4.6	4.3	4.4
Cash	1.0	0.6	0.8	0.8	0.4	0.4	2.7	0.7
Bonds ⁴	-1.2	7.2	15.6	2.7	-3.9	8.5	5.6	5.2
Benchmark ⁵	5.8	9.5	10.9	5.2	2.0	7.2	6.7	4.9
ARC Peer Group ⁶	7.6	6.8	-0.5	5.8	5.0	2.8	4.5	N/A

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¹ Performance figures are shown on a total return basis, net of all fees and are compliant with GIPS (Global Investment Performance Standards).

² Annualised performance since January 2004 (inception of ARC PCI calculation).

³ Volatility is measured by the standard deviation of the investment's short-term return from its long-term average. It is calculated using the strategy's monthly returns since inception.

⁴ Bonds reflect the performance of the FTSE UK Gilts All Stocks Index in GBP

⁵ Benchmark comprises 75% FTSE UK Gilts All Stocks Index (GBP), 17.5% FTSE 350 (GBP) and 7.5% FTSE World ex UK (GBP).

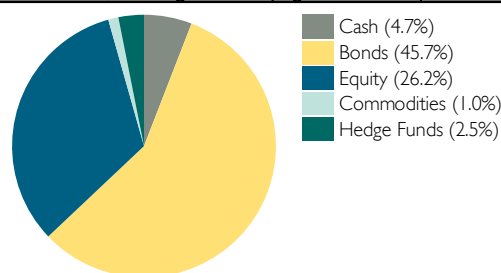
⁶ Asset Risk Consultants (ARC) may include estimates for up to 3 months in its Private Client Index (PCI) of peer group returns. The current data is not the final PCI performance and may be revised. Coutts accepts no responsibility for its accuracy.

Asset allocation and latest trades*

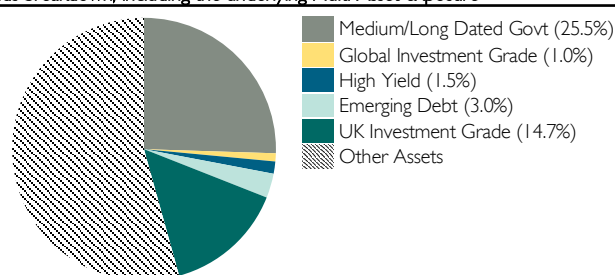
In %	Current	Bench- mark	Latest trade
Cash	4.7		
Bonds	45.7	75.0	
Medium/Long Dated Govt	25.5		
Global Investment Grade	1.0		
UK Investment Grade	14.7		
High Yield	1.5		
Emerging Debt	3.0		
Equity	26.2	25.0	
Gold	1.5		
United States	1.5		
Europe	1.0		
United Kingdom	12.2		
Japan	1.0		
Pacific Basin	1.0		
Emerging Markets	1.0		
Global Equity	3.0		
Direct Property	4.0		
Commodities	1.0		
Gold	1.0		
Hedge Funds	2.5	0.0	
Market Neutral	2.5		
Multi Asset (see pie charts)	20.0		
Multi Asset	20.0		
Total	100.0	100.0	0.0

*Please note, the breakdown above of assets within the Strategy does not include the underlying Multi Asset allocation. Specific Multi Asset fund factsheets are available on request from your Wealth Manager.

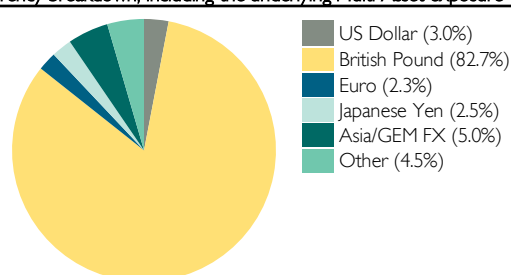
Asset breakdown, including the underlying Multi Asset exposure



Bonds breakdown, including the underlying Multi Asset exposure



Currency breakdown, including the underlying Multi Asset exposure



Please note: The currency breakdown shown is an estimate based on the main currency for each fund in the mandate.

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