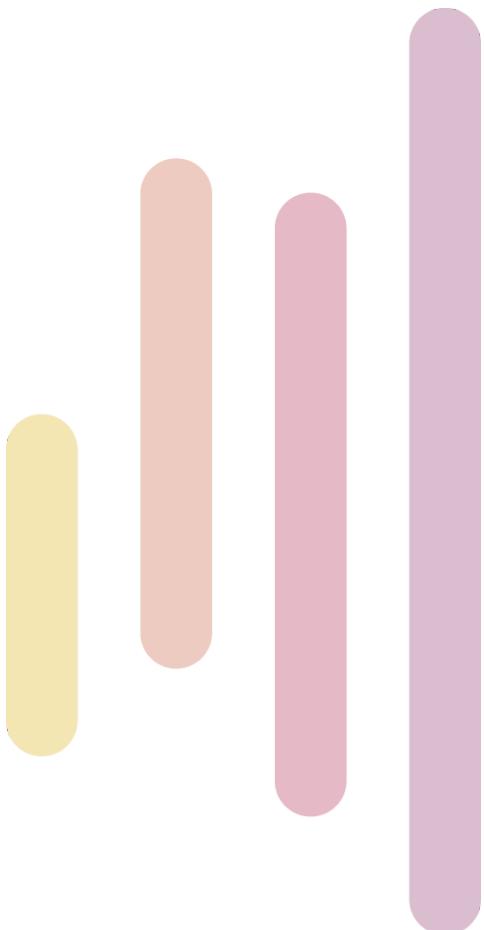




Rathbones
Look forward

Rathbone Multi Asset Portfolios Quarterly Risk Profile Update Note

Q2 2018



Summary

Portfolio	Weighted average asset allocation [^]	Latest historical asset allocation*	Comparable DT volatility†	Volatility target	Assigned risk profile	Status
Multi Asset Total Return	3 (3)	3 (3)	3 (3)	3	3	
Multi Asset Strategic Growth	5 (5)	5 (5)	5 (5)	5	5	
Multi Asset Enhanced Growth	7 (7)	6 (6)	6 (6)	8	7	
Multi Asset Strategic Income	5 (5)	5 (5)	3 (2)	5	5	

This quarter, we have maintained the Multi Asset Enhanced Growth Fund on amber status.

Based on our review of the underlying holdings there has been an increase in our expectations of the allocation volatility. There has also been an increase in equity exposure at the end of the quarter with a corresponding reduction in overall cash and bonds, though what bonds remain invested in are higher risk. Overall, this has placed the March allocation of the Fund only marginally below the assigned boundaries. We also note that the achieved volatility of the Fund has increased and is now in line with that achieved with the MSCI World over the last twelve months. Furthermore, Rathbones have informed us that they expect the held risk of the Fund to increase as market volatility moves back to more normal levels.

As such, we are comfortable with the assigned profile but have maintained the amber status while the current position remains below the assigned boundaries.

We have based our review on the approach that was agreed at the start of the risk profiling service and used the DT capital market assumptions for Q2 2018. There have been no changes to the risk profile boundaries this quarter.

() Analysis based on data to the end of December 2017 are shown in brackets.

[^] The weighted average approach incorporates the strategic asset allocation (if applicable) and the distribution of historical asset allocations.

^{*} This column provides the position of the expected volatility based on the latest historical asset allocation (i.e. March 2018). The figure in brackets illustrates the position of the volatility based on the previous quarter's allocation.

[†] DT has a set of asset allocation models which are managed to operate within each profile's boundaries. This column compares the annualised rolling volatility of each solution to the DT models and shows which model has been closest since inception. The rolling volatility period in each instance is assessed based on the performance data provided.

Please see Appendix for the Red, Amber & Green status descriptions.

Comments and notes from previous reviews

Q1 2018

This quarter, the Multi Asset Enhanced Growth Portfolio has been kept on amber as its latest asset allocations continue to be positioned comfortably within the DT 6 risk boundaries and have now been positioned there for a year. Based on the twelve month rolling volatility of performance, the Multi Asset Growth Portfolio is currently most closely aligned to that achieved by AA 3 and roughly two thirds that of the MSCI World.

We will look to discuss our concerns surrounding this Portfolio's current positioning with Rathbones following this review.

There is also now sufficient performance history for us to review the comparable volatility of the Multi Asset Strategic Income Portfolio. Since inception this Portfolio has maintained an achieved volatility between that of AA 2 and AA 3. In future we will also look to assess the discrepancy between our expectations and the achieved volatility.

Q4 2017

This quarter, the statuses of the solutions have been maintained.

The allocations of the Enhanced Growth Portfolio continue to be positioned safely below the assigned boundaries, and have been now for close to a year. We have maintained the amber status for now but will discuss our concerns with the manager in due course to ensure we understand the long term expectations of the Portfolio.

Q3 2017

This quarter we have maintained the statuses of the solutions.

Q2 2017

This quarter we have maintained the amber status of the Multi Asset Enhanced Growth Portfolio.

Due to further inflows to the Multi Asset Enhanced Growth Fund the latest tactical allocations have dropped further below the assigned boundaries. We have maintained the amber status of the Fund but due to the nature of this cash increase remain comfortable with the assigned profile.

We note that based on the 36 month rolling volatility of real performance against the MSCI World, the Multi Asset Total Return is now in line with its target of 33% while the Multi Asset Strategic Growth is falling below its target of 66%.

Q1 2017

This quarter we have maintained the amber status of the Multi Asset Enhanced Growth Portfolio.

The latest allocations of the Multi Asset Enhanced Growth Fund have dropped below the bounds of DT 7 due to increased holdings in cash. However, this increase has been confirmed as new inflows into the portfolio which will be invested soon. The amber status has been maintained however as the rolling volatility of achieved returns remains in line with that achieved by the MSCI ACWI, for which our long term expectation is DT 8.

Q4 2016

In line with the mandate and profile change of the Multi Asset Enhanced Growth Portfolio we have removed data from prior to October 2015 from our analysis. We have maintained the amber status as the 12 month volatility is much closer to that of AA 8 than AA 7.

- We note that the rolling performance volatility of the Multi Asset Total Return Portfolio has dropped below that achieved by AA 2. However as discussed on page 8, the realised nominal volatility of the Portfolio is still above its target value.

The ranges of blends to obtain the required DT risk profiles have been updated marginally. The values in brackets would take the long term targeted volatility of the combined portfolio to the centre of the relevant profile.

Portfolio	Total Return	Strategic Growth	Strategic Income	Enhanced Growth	DT Profile
Blend of Rathbone Strategic Income Portfolio & Rathbone Total Return Portfolio	34% - 52% (43%)	-	48% - 66% (57%)	-	4
Blend of Rathbone Strategic Growth Portfolio & Rathbone Total Return Portfolio	32% - 50% (41%)	50% - 68% (59%)	-	-	4
Blend of Rathbone Strategic Growth Portfolio & Rathbone Enhanced Growth Portfolio	-	50% - 66% (57%)	-	34% - 50% (43%)	6

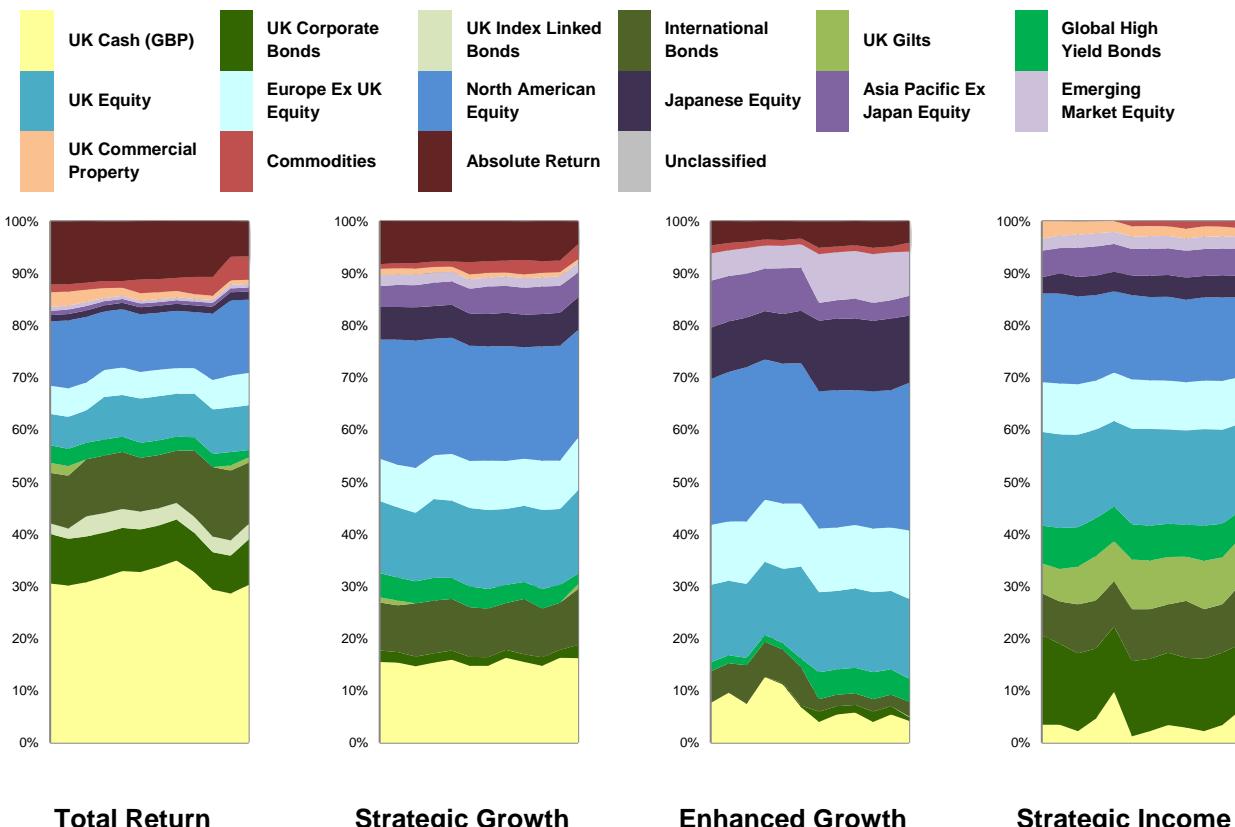
Analysis

Volatility analysis



The graph above shows the annualised volatility of returns over rolling twelve month periods of the Multi Asset Portfolios.

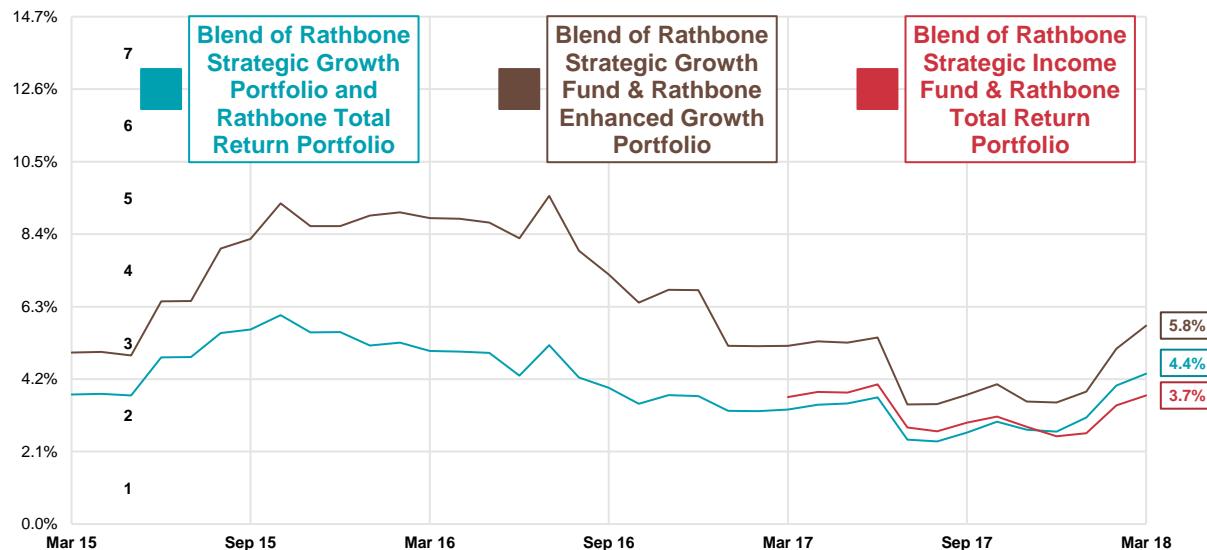
Asset allocations



The charts above illustrate the changes in asset allocations on a monthly basis for the Multi Asset Portfolios for the year to March 2018.

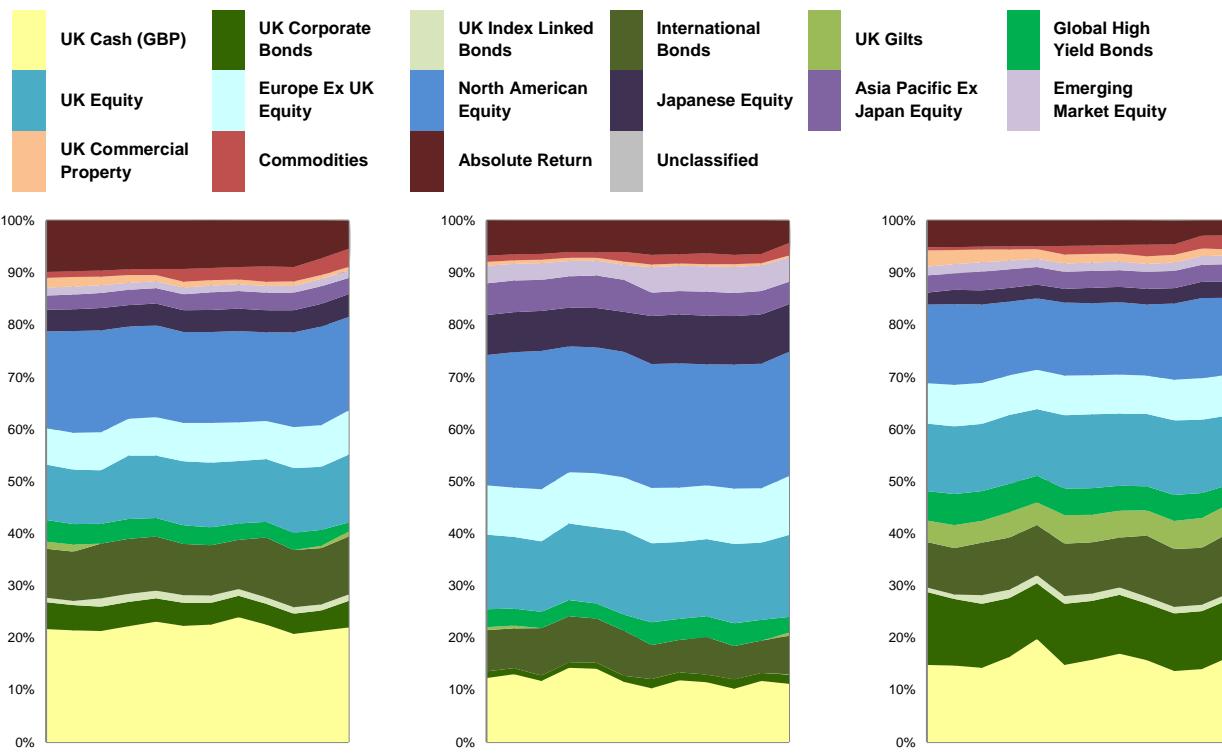
Analysis for Blended Portfolios

Volatility analysis



The graph above shows the annualised volatility of returns over rolling twelve month periods.

Asset allocations



Blend of Rathbone Strategic Income Portfolio & Rathbone Total Return Portfolio

Blend of Rathbone Strategic Growth Portfolio & Rathbone Total Return Portfolio

Blend of Rathbone Strategic Growth Portfolio & Rathbone Enhanced Growth Portfolio

The charts above illustrate the changes in asset allocations on a monthly basis for the blend for the year to March 2018.

Fund Objectives and Initial Methodology

Rathbone Total Return Portfolio: The investment philosophy and style of the Portfolio is to maintain clients' real value of capital over time unconstrained by index benchmarks but not to be invested in every asset class at all times (i.e. the asset allocation is dynamic). The asset allocation is principally driven by estimated risk and correlation. The funds do not have direct exposure to equities but the whole of the investment fund and bond market is open for choice and there is no restriction to buying from platforms.

The Portfolio targets a return equal to 2% above Sterling (six month) London Interbank Offered Rate (LIBOR) over the long-term and a volatility of one third or less that of equity markets as measured by the MSCI World Equity Index.

Initial Review (2011)

At the time of the initial review the Portfolio's volatility target was 6.3% based on the estimated long term volatility of the MSCI World Equity Index of 19.0%. Using the realised volatility figures for both the Portfolio and the Index since inception of the Portfolio, the comparable volatility at the initial review for the Portfolio was 8.2%. In addition to this, the implied volatility¹ as determined by reviewing the historical asset allocation positions supported the volatility analysis with 80% of the monthly positions residing within risk profile 3.

Launch (June 2009) to end Q1 2018

The nominal volatilities of the Portfolio and the MSCI World Equity Index have been used to calculate a ratio. This ratio has then been applied to the implied volatility of the MSCI Index, which is 14.4%.

The nominal realised volatility for the Rathbone Total Return Portfolio since inception to Q1 2018 is 4.4% pa and for the Index over the same period is 11.2% pa. The Portfolio is currently above its target volatility of 4.8% (one-third of the MSCI Index) by 6%, therefore a ratio of 39% has been applied to the implied volatility of the MSCI Index to generate a portfolio volatility of 5.7%.

Rathbone Strategic Growth Portfolio: The investment philosophy and style of the Portfolio is to maintain clients' real value of capital over time unconstrained by index benchmarks but not to be invested in every asset class at all times (i.e. the asset allocation is dynamic). The asset allocation is principally driven by estimated risk and correlation. The funds do not have direct exposure to equities but the whole of the investment fund and bond market is open for choice and there is no restriction to buying from platforms.

The Portfolio targets a return equal to 3 to 5% above UK CPI (Consumer Price Index) and a volatility equal to two thirds that of global equities as measured by the MSCI World Equity Index.

Initial Review (2011)

When reviewing the volatility since inception of the fund it was apparent that the Portfolio had been managed within the two thirds MSCI World Equity Index target as mentioned above – at the time of the initial review the Portfolio's volatility target was 12.5% based on the estimated long term volatility of the MSCI World Equity Index of 19.0%. Using the realised volatility figures for both the Portfolio and the Index since inception of the Portfolio, the comparable volatility at the initial review for the Portfolio was 11.4%. In addition to this, the implied volatility as determined by reviewing the historical asset allocation positions supported the volatility analysis with 100% of the monthly positions residing within risk profile 5.

Launch (June 2009) to end Q1 2018

The nominal volatilities of the Portfolio and the MSCI World Equity Index have been used to calculate a ratio. This ratio has then been applied to the implied volatility of the MSCI Index, which is 14.4%.

The nominal realised volatility for the Rathbone Strategic Growth Portfolio since inception to Q1 2018 is 6.9% pa and for the Index over the same period is 11.2% pa. The Portfolio is currently below its target volatility of

¹ The implied volatility is the ex-ante view based on asset allocations. The realised volatility is based on the achieved performance of the Portfolio and the MSCI Index.

9.6% (two-thirds of the MSCI Index) by 5%, therefore a ratio of 62% has been applied to the implied volatility of the MSCI Index to generate a portfolio volatility of 8.9%.

The **Rathbone Enhanced Growth Portfolio** seeks to achieve a long term total return in excess of CPI +5% with a risk budget of 100% MSCI World Equity Index.

Initial Review (2012)

The target volatility for the Enhanced Growth Portfolio is 100% of the estimated long term volatility of the MSCI World Equity Index of 19.0%. Using the realised volatility figures for both the Portfolio and the Index since inception of the Portfolio, the comparable volatility at the initial review for the Portfolio was 25.0%.

Mandate update (October 2015) to end Q1 2018

The nominal volatilities of the Portfolio and the MSCI World Equity Index have been used to calculate a ratio. This ratio has then been applied to the implied volatility of the MSCI Index, which is 14.4%.

The nominal realised volatility for the Rathbone Enhanced Growth Portfolio since the mandate update to Q1 2018 is 8.4% pa and for the Index over the same period is 8.9% pa. The Portfolio is currently below its target volatility of 14.4% (100% of the MSCI Index) by 5%, therefore a ratio of 95% has been applied to the implied volatility of the MSCI Index to generate a portfolio volatility of 13.6%.

Rathbone Strategic Income Portfolio

The Fund invests in a range of direct and indirect assets, in order to return a target of UK CPI + 3% to 5% pa.

This Fund is similar in risk characteristics to the Rathbone Strategic Growth Portfolio, with a risk budget of 2/3 of MSCI World volatility. This Fund has the additional target of a minimum gross nominal yield of 3% annually. The two funds will invest in similar assets, determined by the same macroeconomic viewpoint, but the Rathbone Strategic Income Portfolio will have more preference for income generating funds.

The Fund was launched on 1st October 2015.

Appendix

Status descriptions



A **red** status indicates that the solution's current risk profile is no longer appropriate to the DT scale and that it will be changed at next quarter's review unless action is taken by the asset management team.



An **amber** status indicates that one or more of the measures considered may indicate the possibility of an alternative risk profile. This could be due to short-term tactical positioning within the solution or other market considerations, and does not imply that the long term risk profile should necessarily change.



A **green** status indicates that the solution is in line with the assigned risk profile and no action is needed.

Basis of Preparation and Use

You should not rely on this information in making an investment decision and it does not constitute a recommendation or advice in the selection of a specific investment or class of investments.

The analysis in this report has been based on data and information provided by Rathbones as at 31 March 2018.

The information does not indicate a promise, forecast or illustration of future volatility or returns. The outputs represent a range of possible indications of volatility and returns for various collections of asset classes. Distribution Technology Ltd ("DT") is not liable for the data in respect of direct or consequential loss attaching to the use of or reliance upon this information.

DT does not warrant or claim that the information in this document or any associated form is compliant with obligations governing the provision of advice or the promotion of products as defined by the Financial Services Act.

Copyright

Distribution Technology Ltd 2015 onwards. All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or any means, electronic or mechanical, including photocopying and recording for any purpose other than the purchaser's personal use without the written permission of DT.

Source of information

Bank of England, Barclays Capital Inc., Bloomberg LLC, Heriot Watt University Gilt database, International Monetary Fund (IMF) and Office of National Statistics

Publication date

22/05/2018

Trademarks

DT may have patents or pending patent applications, trademarks, copyrights or other intellectual property rights covering subject matter in this document. The furnishing of this document does not give you any license to these patents, trademarks, copyrights or other intellectual property rights except as expressly provided in any written license agreement from DT.

All other companies and product names are trademarks or registered trademarks of their respective holders.

www.dynamicplanner.com