July 2021 Portfolio Review, Update and Recommendations
For
Model Portfolio Risk Score 6

Introduction

The purpose of this update is to communicate the changes we are recommending to your plan/s which are invested in the **Risk Score 6 Model Portfolio**, along with reporting to you its performance and volatility.

Market Update

COVID-19 continues to take a hold and the global death toll is now over 4,000,000. Some of you may have personally been affected by it and most of us now know someone who has been. Our sympathies lie with all of those affected.

Since the last review in January 2021, global stock markets have continued to bounce back following the sharp fall due to the impact of the Coronavirus pandemic (COVID-19). US and Asian Indices continue to show a marked difference in performance in comparison to European Indices. The Dow Jones and S&P 500 have fully recovered and increased beyond their pre-COVID levels and are at record highs. It is a similar story with the main Asian Indices.

In contrast, most of the main European Indices have still not recovered to their pre-COVID levels. In particular, the FTSE 100 Index is currently c7000 whereas prior to COVID it was c7500 and in the last review it was c6600. The main constituents of the FTSE 100 Index are Financials & Energy which have been out of favour. Energy is likely to change the most as companies begin to turn towards renewable energy and there will always be a demand for Financials. The US Indices have benefited from growth with a large weighting to Technology stocks. However, there has been a rotation towards value stock which has seen a significant performance increase in comparison to growth stock. This is likely to continue into the second half of the year.

The Bank of England (BoE) base interest rate remains at a record low of 0.10% and the BoE is under pressure to increase interest rates. Inflation in the UK is expected to rise in the coming months, reaching 2.5% in June, above the BoE's target of 2.0% and the highest it has been since August 2018. It is estimated that there are high excess household savings amounting to 12% of GDP in the US, 10% in the UK and 7% in Europe (JPM Asset Management). As spending has started to increase, supply has struggled to keep up with demand, leading to rising consumer prices.

We entered our third national lockdown at the start of the year, with a roadmap for easing restrictions being set out in February. Despite a four-week delay to allow more vaccinations to take place, we are now moving into the final step with restrictions due to end on 19th July. As things start to open, consumer spending has increased, and the government have begun testing larger crowds at outdoor events. The pressure on the NHS is less during summer as opposed to the autumn and winter months.

At the start of the year, the COVID-19 mass vaccination programme began in the UK with more rollouts than the US and the European Union by a significant amount. The UK has now approved the use of Pfizer-BioNTech, Oxford-AstraZeneca and Moderna with the Janssen vaccine available later this year as a 'booster jab'. There has been an uptake of 87.4% for first doses and 66.7% for second doses in the UK. This continued success should help the latest removal of restrictions.

Governments and Central Banks continued to provide unprecedented support for businesses and individuals with the aim of protecting jobs and economies, although, this is starting to wind down now. Since the start of the year, UK unemployment has slightly decreased from 5% to 4.7%. Putting this in perspective, it is lower than the US which is currently 5.9%. The UK Government support packages appear to have achieved the aim of keeping people in work.

After leaving the European Union, Boris Johnson has agreed trading terms going forward. However, decisions are still to be made on data sharing and Financial Services and the current agreement on fishing only lasts for 5 years. The lingering Brexit uncertainty on Financial Services will have an impact on the UK markets as it is the biggest contributor to GDP.

Joe Biden was sworn into office on 20th January 2021 with Kamala Harris as Vice President. Biden has provided a Pandemic relief package of $1.9 trillion dollars which has helped US markets. The vaccine rollout in the US has been significant but they have admitted to not meeting their target with other countries now surpassing them. Elsewhere, the US have also re-joined the efforts to tackle global climate change. In November, the UK will host the 2021 United Nations Climate Change Conference which will result in changes in policy, regulation, and investment announcements – this is also known as COP26.

It is likely that travel restrictions will remain in place due to new strains of the virus and it will be the decision of each government as to whether their vaccine rollout can cope. However, where tourism is being affected, gains are being seen in other sectors such as home renovation, construction, and the housing market.

Tragedies happen all the time across the globe and from a practical investor viewpoint, the general consensus of market analysts is that the World Economy is strong enough to withstand the cumulative impact of these tragic events over time, something which we have seen happen over the past few years.

We know if we stay invested, unlike the speculators who sell out in panic during these declines, our patience is often rewarded with a return greater in magnitude than the decline. The Investment Committee have kept this in mind for this review, limiting switching unless they are truly unhappy with a fund as they do not want to make any hasty switches which could lead to losing out on the recovery of certain funds. Similarly, there have been no drastic alterations to asset allocation maintaining exposure where necessary but taking into account current market sentiment and Towers Watson's view.

It is impossible to predict what the second half of 2021 will be like in terms of performance and indeed political stability. Although COVID-19 remains an issue, there is light at the end of the tunnel with the vaccine programme in full swing. This should see life in the UK and overseas return to normal and allow global economies to recover. Hopefully we can see calm waters and plain sailing ahead.

Your Investment/s

- **Performance**

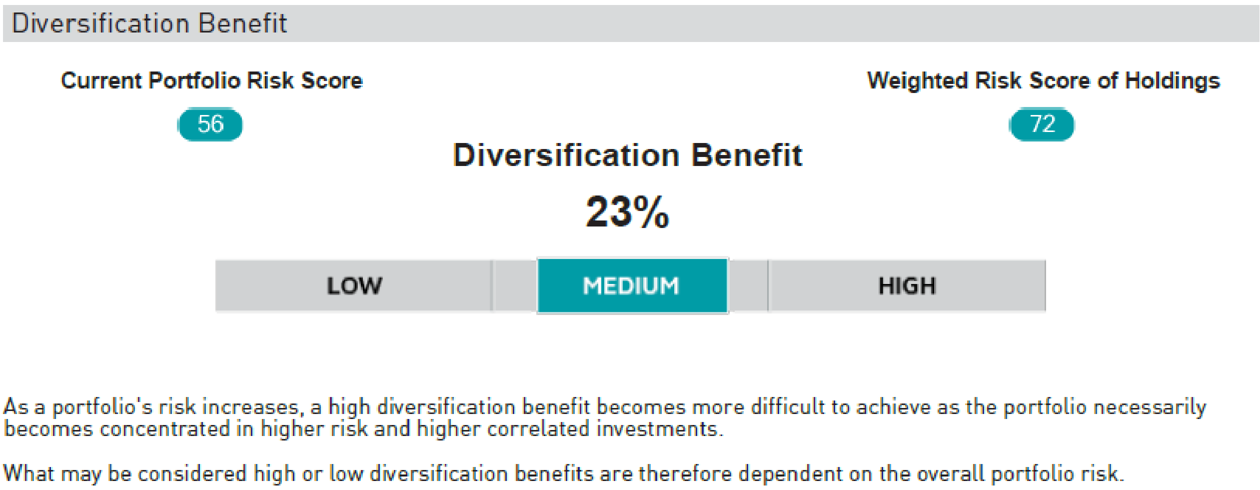
It is important to remember that all investments you hold through our service must have a medium to long term view. Markets go through cycles and there will be corrections along the way, but, over time returns are likely to be better than cash in more periods than not. At each personal review with you we check you are comfortable with your determined attitude to risk and capacity for loss. Your portfolios are reviewed on a regular basis with the aim of keeping them well diversified and monitoring the funds within each sector. The table below shows the cumulative performance of the **Risk Score 6 Model Portfolio** compared with different benchmarks and time frames (reference date being 1st July 2021):

	3 Month Performance	6 Month Performance	1 Year Performance	Since Inception (01/01/2013)
Risk Score 6 Portfolio	**5.22%**	**5.22%**	**18.24%**	**92.03%**
Weighted Sector Average	4.01%	6.23%	18.51%	75.81%
FTSE 100	4.74%	9.30%	18.01%	65.16%
UK Retail Price Inflation	1.99%	2.86%	3.14%	22.33%

Please note that the performance of the portfolio has been the **true performance** since inception which takes into account costs and the regular changes we have made since the launch of the portfolio. The costs include fund manager, provider and Kirk Rice's on-going fee.

- **Diversification**

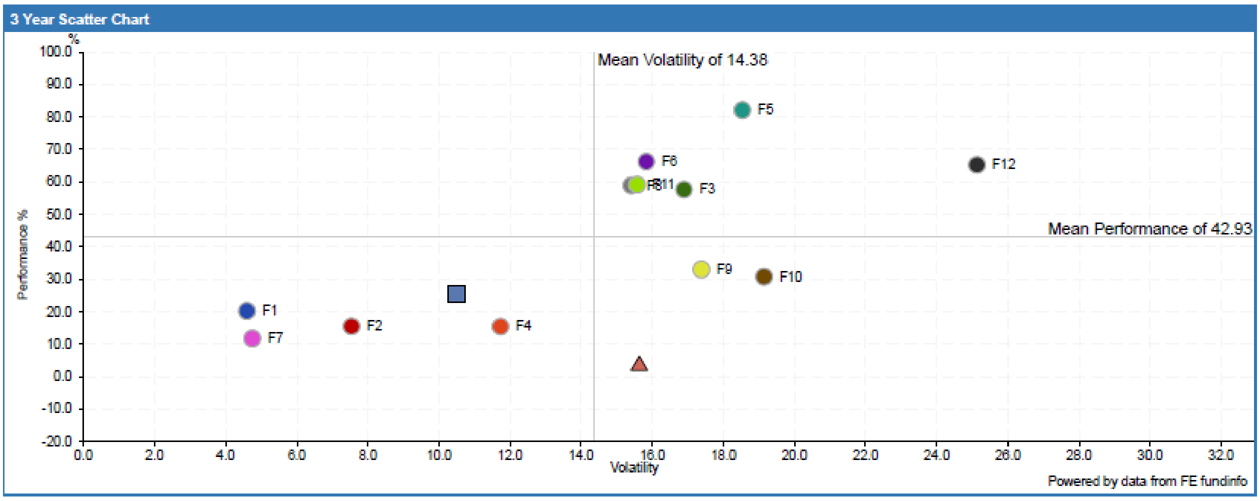
Diversification is the process of allocating capital in a way that reduces the exposure to any one particular asset or risk. We usually achieve this by investing in a variety of assets. The calculated diversification benefit for the **Risk Score 6 Model Portfolio**:



As you can see, the diversification benefit for the **Risk Score 5 Model Portfolio** is medium. Previously it was medium/23%. We are comfortable with the current level of Diversification (data provided by from FE Analytics). Each Portfolio is highly diversified with the aim of hedging against any market downturns and in line with Modern Portfolio Theory.

- **Risk Relative to the FTSE 100 Index**

The **Risk Score 6 Model Portfolio** is expected to be lower risk relative to the FTSE 100 Index. One measure of risk is Volatility. The table below shows the volatility of the **Risk Score 6 Model Portfolio** compared with the FTSE 100 over the past 3 years along with the top 12 funds (by weighting). You can see the Portfolio has a Historical 3 year Volatility of 10.49 compared to the FTSE 100 Index at 15.63.



Scatter chart contains the Top 12 funds based on the largest holding weighting. Equally weighted funds are subsequently selected by contribution

3 Year Scatter Chart

Key	Name	Performance	Volatility	Holding (%)
F1	JP Morgan Asset Management UK - Global Macro Opportunities C Acc - Feb 13	20.13	4.60	8.00
F2	Threadneedle Investment Servic - Dynamic Real Return SNA GBP - May 15	15.41	7.54	7.00
F3	JP Morgan Asset Management UK - Emerging Markets C Acc - Feb 94	57.60	16.89	6.00
F4	M&G UK - Emerging Markets Bond I Acc GBP - Oct 99	15.33	11.73	6.00
F5	UBS Asset Mgmt Funds Ltd - US Growth C Acc - Nov 08	82.07	18.53	5.00
F6	Veritas Asset Mgmt LLP - Asian A GBP - Oct 04	66.19	15.83	5.00
F7	Aberdeen Standard Fund Manager - Global Real Estate Platform 1 Acc - Oct 05	11.67	4.75	4.00
F8	Artemis Fund Managers Limited - US Select I Acc GBP - Sep 14	58.88	15.41	4.00
F9	Baring Fund Managers Limited - Europe Select Trust I Inc GBP - Jan 95	32.92	17.38	4.00
F10	ConBrio Fund Partners Limited - SDL UK Buffettology General Acc - Sep 17	30.71	19.14	4.00
F11	JP Morgan Asset Management UK - Asia Growth C Acc - Jan 95	59.09	15.57	4.00
F12	JP Morgan Asset Management UK - US Small Cap Growth C Acc - Jan 95	65.18	25.13	4.00
	Total Portfolio	**25.34**	**10.49**	
	Benchmark - FTSE 100 - Dec 85	**3.30**	**15.63**	

Attitude to Risk

From our previous discussions about Attitude to Risk and/or upon completion of our Attitude to Risk Questionnaire it has been determined that you are prepared to adopt a **Risk Score** 6. You are therefore invested in the Kirk Rice Model Portfolio Risk Score 6 which is compatible with your determined Attitude to Risk. I would briefly define a **Risk Score of** 6 as follows:

Risk Score 6: **Medium/High Risk – Capital Security not a Priority. Prepared to accept periods of greater Negative Returns.**

Your determined **Risk Score** will have performance parameters which you need to be aware of and these include the:

UPPER / POSITIVE RETURN	AVERAGE OF ALL RETURNS	LOWER / NEGATIVE RETURN
In 95 years out of 100, this is the HIGHEST expected level of return for a given level of risk. There is a 2.5% chance that returns could fall outside the upper return figure in one year.	This is the AVERAGE of all possible returns within a risk level in one year.	In 95 years out of 100, this is the LOWEST expected level of return for a given level of risk. There is a 2.5% chance that returns could fall outside the lower return figure in one year.
It should be remembered that you can have Consecutive Years of **LOWER / NEGATIVE RETURNS** and also there is a 5% chance that returns can fall outside of the ranges indicated. In fairly recent times we have seen 2 examples of these; 2000 to 2003 saw 3 years of NEGATIVE Stock Market Performance following the Technology Bubble bursting and 9/11. More recently in 2008 Portfolios fell far more than the **LOWER / NEGATIVE RETURN** that we would ordinarily expect following the Banking Crisis.		

The Risk Parameters are as follows for this Risk Score:

Upper Return : 29.12% **Average of all Returns : 4.85%** **Lower Return : -19.42%**

It is important to understand that these are not guaranteed and their purpose is to provide you with an idea of the range of returns you could expect for this Risk Score, both positive and negative. Please note that the above parameters are simply to act as guidance for your tolerance to risk.

This Portfolio has been constructed so that it is in line with your attitude to risk. **If you feel there has been a change to your attitude to risk, please notify us immediately and we will reassess this to ensure your Portfolio meets your wishes**.

Latest Recommendations from our Investment Committee

Our Investment Committee meets at **6-month intervals** to assess the performance of your Portfolio and its component Funds. This review also encompasses a detailed analysis of the Asset Allocation of the Portfolio, and the Fund selection.

Portfolio Asset Allocation

Willis Towers Watson (WTW) is the independent company we use to provide the Strategic Asset Allocation guidance for the Portfolio which is long term and based on a 10-year time frame. When reviewing the Asset Allocation Guidance from WTW we also consider the Market Sentiment from a number of Fund Managers. Their views are short term and based on 6 to 18 months.

WTW's Asset Allocation has changed slightly since our January 2021 Review.

As per the January 2021 review, we have tried, where possible, to limit the number of fund switches and only recommended a switch where we are unhappy with a fund. In general, we do not want to make hasty switches given the market conditions as this could mean we miss out on a subsequent recovery.

As you are aware, the expectation is for you to hold sufficient cash holdings on deposit to be used as an emergency fund and as such, cash has historically never formed part of our Portfolios. This is still our view and therefore in this instance we have not adopted the same view as WTW who do consider this as an investment asset. The Investment Committee designed these Portfolios to be held for the medium to long term and offer diversified Portfolios that hold a wide range of assets, while controlling the associated levels of risk. We also do not feel it is appropriate to be paying us a fee to invest in cash.

We continue to include Absolute Return Funds in order to dilute the exposure to UK Fixed Interest due to the on-going negative consensus on this sector. We also retain the International Fixed Interest Funds in the Portfolio as we believe this will again help to dilute exposure to UK Fixed Interest. Absolute Return and the International Fixed Interest Funds have comparable Risk Scores to UK Fixed Interest Funds, so we are happy that the Portfolio does target the relevant Risk Score (**4**). We previously introduced a Global Emerging Markets Bond (Debt) Fund to further dilute Absolute Return Funds and diversify holdings. We also retain exposure to Property as it further diversifies the non-equity portion of the portfolio and it is still producing good returns. We have previously increased diversification in this asset class by including Global Bricks & Mortar Property Fund.

Portfolio Fund Review & Portfolio Performance

As a result of the revised asset allocation and review of performance, we recommend the following changes:

iShares Overseas Corporate Bond Index	**100% TO**	**ASI Global Inflation Linked Bond P Acc**
M&G Emerging Markets Bond	**100% TO**	**Barings Emerging Market Debt Blended Total Return C Acc**
JPM US Small Cap Growth	**100% TO**	**Artemis US Smaller Companies I Acc**
Lindsell Train Japanese Equity	**100% TO**	**Legg Mason IF Japan Equity X Acc**
UBS US Growth	**100% TO**	**Premier Miton US Opportunities B Acc**
JPM Asia Growth	**100% TO**	**Stewart Investors Indian Subcontinent Sustainability B Acc**

Removal of M&G Global Macro Bond
Removal of Legal & General UK Property Feeder

A Rebalance of the Portfolio

The recommended funds complement the portfolio and we believe will provide a better return going forward (not guaranteed). Please note, past performance is not a prediction for future performance and can only be used as a guide.

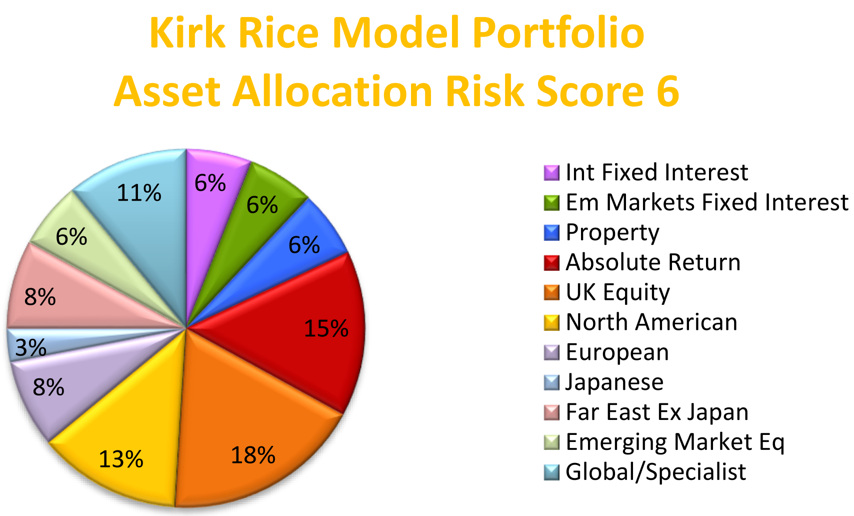
Funds are chosen (where possible) based on their:

Morning Star Analyst Research, Financial Express Crown Rating, Discrete Quartile Ranking, Alpha, Beta, Volatility, Fund Manager Tenure, Liquidity and Investment Style.

It is important to remember that the **Asset Allocation** of the Portfolio is **targeting a Risk Score** of 6 which sits in line with your determined **Attitude to Risk**. In reality, the volatility of the funds will constantly be changing and therefore in any snapshot of time the Portfolio **may have a higher or indeed a lower risk score than** 6.

NB – Please note that a copy of the Investment Meeting Minutes are available upon request.

The asset allocation for this portfolio is as follows:



The Funds in the Portfolio have been reviewed for the forthcoming six months and we have made recommendations for both the fund choice and the asset allocation. **Your current portfolio is as follows:**

Sector	Fund	%	Action
International Fixed Interest	iShares Overseas Corporate Bond Index (Acc)	3%	**Switch**
	M&G Global Macro Bond (Acc)	3%	**Remove**
Emerging Markets Fixed Interest	M&G Emerging Markets Bond (Acc)	6%	**Switch**
Property	ASI Global Real Estate (Acc)	4%	Retain
	Legal & General UK Property Feeder (Acc)	4%	**Remove**
UK Equity	CFP SDL UK Buffettology (Acc)	4%	Retain
	Lindsell Train UK Equity (Acc)	4%	Retain
	Marlborough UK Multi Cap Growth (Acc)	4%	Retain
	Premier Miton UK Multi Cap Income (Acc)	4%	Retain
North American	UBS US Growth (Acc)	5%	**Switch**
	Artemis US Select (Acc)	4%	Retain
	JPM US Small Cap Growth (Acc)	4%	**Switch**
European	Barings Europe Select Trust (Inc)	4%	Retain
	Premier Miton European Opportunities (Acc)	4%	Retain
Japanese	Lindsell Train Japanese Equity (Inc)	3%	**Switch**
Far East Ex Japan	Veritas Asian (Inc)	5%	Retain
	Baillie Gifford Pacific (Acc)	3%	Retain
	JPM Asia Growth (Acc)	4%	**Switch**
Emerging Market Equity	JPM Emerging Markets (Acc)	6%	Retain
Global/Specialist/AbsRtn	Ninety One Global Gold (Acc)	2%	Retain
	Fundsmith Equity (Acc)	3%	Retain
	Rathbone Global Opportunities (Acc)	2%	Retain
	JPM Global Macro Opportunities (Acc)	8%	Retain
	Threadneedle Dynamic Real Return (Acc)	7%	Retain

The recommended funds for Risk Score 6 Portfolio are as follows:

Sector	Fund	%	Current/ New
International Fixed Interest	ASI Global Inflation Linked Bond (Acc)	6%	**New**
Emerging Markets Fixed Interest	Barings Emerging Market Debt Blended Total Return (Acc)	6%	**New**
Property	ASI Global Real Estate (Acc)	6%	Current
Absolute Return	JPM Global Macro Opportunities (Acc)	8%	Current
	Threadneedle Dynamic Real Return (Acc)	7%	Current
UK Equity	CFP SDL UK Buffettology (Acc)	6%	Current
	Lindsell Train UK Equity (Acc)	4%	Current
	Marlborough UK Multi Cap Growth (Acc)	4%	Current
	Premier Miton UK Multi Cap Income (Acc)	4%	Current
North American	Premier Miton US Opportunities (Acc)	5%	**New**
	Artemis US Select (Acc)	4%	Current
	Artemis US Smaller Companies (Acc)	4%	**New**
European	Barings Europe Select Trust (Inc)	4%	Current
	Premier Miton European Opportunities (Acc)	4%	Current
Japanese	Legg Mason IF Japan Equity (Acc)	3%	**New**
Far East Ex Japan	Veritas Asian (Inc)	4%	Current
	Baillie Gifford Pacific (Acc)	4%	Current
Emerging Market Equity	JPM Emerging Markets (Acc)	6%	Current
Global	Fundsmith Equity (Acc)	3%	Current
	Rathbone Global Opportunities (Acc)	2%	Current
Specialist	Stewart Investors Indian Subcontinent Sustainability (Acc)	4%	**New**
	Ninety One Global Gold (Acc)	2%	Current

Concluding Recommendations

Our investment strategy is to Rebalance the Portfolio on a yearly basis at which point your Investment will exactly mirror the Portfolio. If there are any significant changes to the Asset Allocation or our views (or WTW) on certain Sectors due to events happening globally then we may Rebalance the Portfolio more frequently. We will assess this at each review and advise you accordingly and gain your consent before making any changes. **As a reminder, Kirk Rice do NOT charge a fee for switches. This service is provided to you as part of the agreed on-going fee from your investments.** Our Initial fee is ONLY applicable for NEW/ADDITIONAL Investment. It is NOT APPLICABLE to any Portfolio change.

Factsheets for this Portfolio, Portfolio Analysis Reports and Key Investor Information Documents (KIID) for each of the recommended funds are provided for your perusal. It is a requirement that the KIIDs are issued to you (where available). In relation to the KIIDs, the initial charges for each of the Recommended Funds are shown assuming you were investing directly and NOT via a platform i.e. Old Mutual Wealth where these initial charges are either **waived** or **discounted**. We will disclose any initial costs to you and it will be shown in any illustrations from the provider (for new investments).

For switches within the portfolios, if there is a small initial charge imposed by the fund manager affecting certain funds we have disclosed this within our covering email correspondence to make it clear, transparent and to ensure everyone reads it.

What you should do now

We are recommending changes to your Portfolio and you need to respond to this update to confirm your consent. If you have any further questions or want to alter to Risk Score i.e. move on to a different Model Portfolio, then please contact us **ASAP**.

The Portfolio switches will start to take place on Wednesday 4th August 2021. The deadline for a response from you is therefore Tuesday 3rd August 2021. If we do not hear back from you by this date, then your Portfolio will NOT be switched on the 4th August and will remain as it is.

Please note that the next review is due to take place **on or around the 1st January 2022** and correspondence will be issued following this date. The funds will be reviewed again along with the Asset Allocation being assessed depending on the Towers Watson update.

Recommendations by Peter Sharratt FPFS, Chartered Financial Planner.

Signed:

<u>Kirk Rice Model Portfolio Programme Process</u>

- The recommended Portfolio will be the one most suited to your determined Attitude to Risk. After entering on to the Kirk Rice Model Portfolio Programme, reviews are performed on a 6th Monthly basis on or around 1st January and 1st July each year.

- We review the Funds and Asset Allocation within the Portfolios every **6 months** (each January and July).

- **If you also have a Collective Investment Account with Old Mutual Wealth then we will review this along with Capital Gains Tax Planning every February. It will NOT fall under these 6 monthly reviews.**

- At 6 month intervals, our investment committee meets to assess the performance of our Portfolios and their component Funds. The Investment Committee looks for any outperformance - or underperformance - that might need further investigation. Funds are assessed using the same criteria as in the Fund selection process. If the committee feels it necessary to change a Fund within your portfolio before our next meeting with you, we will contact you and ask you to authorise the switch.

- At these 6 monthly intervals we will also provide you with an update on the market in general. Even if there are no changes being you will receive an update from us to confirm this.

- At your Annual Review we will ask you to complete a further Risk-Profiling Questionnaire so that, if your Risk Profile Score has changed, we can realign the Asset Allocation of your Portfolio accordingly. This will mean moving you to one of our alternative Risk Score Portfolios. Valuations are available at any time by request but otherwise we will provide them at the Annual Review. Please also note that you have online access to valuations.

For a full insight into the overall Investment Process of Kirk Rice LLP, a brochure detailing this can be supplied upon request.

Glossary of Terms

- **Asset Allocation:** The percentage split of an investment Portfolio among different asset classes (equities, cash, fixed interest, property etc).

- **Benchmark:** An Index or other market measurement which is used as a yardstick to assess the risk and performance of a portfolio.

- **Risk:** In its simplest sense, risk is the variability of returns. Investments with greater inherent risk must provide higher expected yields if investors are to be attracted to them.

- **Sector Averages:** Sector Average denote the average performance of all funds within a particular sector.

- **Volatility (Portfolio or Fund):** Volatility is a statistical method that measures how much a series of values moves up and down around its average. The higher the volatility number, the less consistent the historical performance has been.

- **Volatility and Sector Quartile Ranking:** A fund's percentage volatility and its quartile ranking position within its sector over three, five or ten years. Volatility is represented by Standard Deviation, i.e. by how much the monthly fund price deviates from its average price over the period selected. This figure is then multiplied by the square root of 12 to arrive at an annualised figure. The larger the figure, the higher the volatility of a fund and thus its risk. A first quartile ranking shows a fund is in the lower risk, top quarter of its sector, whereas a fourth quartile ranking shows a fund is in the higher risk, bottom quarter.

- **Alpha:** Alpha is measure of the performance of the fund adjusted for the risk the fund is taking. A high alpha indicates that the fund has performed better than would be predicted given its beta (volatility).

- **Beta:** Beta is a measure of how the return on a fund changes compared to the return for its benchmark. The Beta between a fund and its benchmark is the amount the fund moves when the benchmark moves by one. For example, if one fund always goes up and down by exactly half of the performance of the benchmark, its Beta will be 0.5.

- **Cumulative Performance and Sector Quartile Rankings:** The cumulative performance of a fund and its quartile ranking position within its sector over the following time periods: six months, one year, three years, five years or ten years. A first quartile ranking shows a fund is in the top quarter of its sector for performance, whereas a fourth quartile ranking shows a fund is in the bottom quarter.

- **Discrete Performance and Sector Quartile Rankings:** The 12-month performance of a fund and its quartile ranking position within its sector from a defined point in time (12, 24, 36, 48 or 60 months ago – to the most recent month end). A first quartile ranking shows a fund is in the top quarter of its sector for performance, whereas a fourth quartile ranking shows a fund is in the bottom quarter.

- **Rebalancing:** This is when the Portfolio is rebalanced back to the original Asset Allocation and Fund splits. As time goes on and Funds perform differently your Portfolio could become over or underweight in certain sectors. By rebalancing the Portfolio you will be bringing it back in line with the original weightings. It must be noted that there is **no** additional cost to you if we recommend this.

- **Switching:** Switching within the Portfolio in all its simplicity is when you switch out of one fund and in to another, i.e. the previous Fund is replaced by a new Fund within the Portfolio. Again, **Kirk Rice does NOT charge per switch** so there would be **no** additional cost to you should we recommend a switch during the reviews.

End.