



INVEST for SUCCESS

QUARTERLY BULLETIN

Introduction

From Managing Director, Sanjay Shah

The third quarter demanded that investors construct the Goldilocks portfolio. This is a portfolio that participates in the upside still achievable in global markets, but one that also protects against the downside latent in stretched valuations and this late stage of the long post-crisis expansion.

Take the good news from the third quarter first. The global economy has continued to grow slowly but steadily; more importantly, while global growth is still led by the US, other regions have also started to contribute. Earnings also came in ahead of expectations this season, again, particularly so in the US and in the technology sector. However, they are still some way from peak levels and so should still be able to move even higher. Low inflation – although it has started to increase in the UK – has also reassured markets.

But, on the other hand, in this past quarter, the world has also had to contend with escalating tensions between North Korea and the US, and the ongoing threat of tighter monetary policy from several major central banks. The absence of inflationary pressures may stay their hand and has kept markets sanguine amid the geopolitical troubles, but we know higher interest rates are still coming at some point alongside the likes of Federal Reserve unwinding their balance sheets.

As our review of the third quarter in this issue sets out, crafting that Goldilocks portfolio amid these conflicting trends is not easy. We note, though, that absolute return and more defensive managers may prove valuable. Other contributors highlight the benefits of blending active and passive strategies, and profile one approach to ‘tactical caution’.

We also focus on the annual Good Money Week in the following pages, as ethical investing becomes an ever greater priority for many of our clients at Succession.

Please remember, Succession builds portfolios for the long term, and short-term fluctuations are normal and to be expected. Please always refer to your usual wealth planner to ensure your plan is on schedule.



SANJAY SHAH

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Succession provides investment solutions - from global fund managers and investment houses, as well as specialist niche investment managers - delivered through our Investment Matrix to match clients' volatility and return targets agreed as part of their plan.

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- We use the expertise of Rayner Spencer Mills Research, a dedicated resource, to monitor the performance of individual funds, as well as the performance of fund managers and the investment houses, against agreed targets for return and volatility.
- The Succession Investment Committee reviews models on a monthly basis. Our committee members possess both the expertise and knowledge to challenge selected investment managers and their activity.
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While past performance can provide no guarantee of future returns, this rigorous approach to investment means clients can be certain that their investments are subject to continuous sophisticated analysis and scrutiny from an experienced team of experts.

SANJAY SHAH



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General Economic Overview

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The summer months passed without any major events for markets, with perhaps one of the stand out features being the strength of the euro versus the US dollar. The long bull market which started in 2009 following the financial crisis has continued – one of the remarkable things about this economic recovery is the lack of inflationary pressure both in goods and in wages which has meant that markets have remained quite sanguine despite some souring of political relations between North Korea and the rest of the world.

Economic growth has continued to move ahead at a moderate pace, led by the US but increasingly supported by other regions. GDP growth has been below par relative to previous recovery phases but continues to benefit from the growth in consumer demand which has been resilient, despite political uncertainty and little wage inflation. The only worrying factor is that much of this has been based on consumer credit growth which in the UK grew by 10% in the

year to April 2017, the fastest annual growth rate since 2005. A specific concern is the new car market which is heavily supported by personal contract purchases (80% of new car sales) and is responsible for half of the growth in consumer credit this year.

The earnings season for many companies has proved positive and ahead of expectations, particularly in the US which has been led by the technology sector. Earnings however

remain some way below their previous peak – even in the US where the recovery has been more pronounced, they have only reached their long-term growth rates. This leaves room for the upswing to continue given that there is a slow but steady underlying economic growth rate. The beneficiaries for the moment seem to be the equity markets which have a closer link to earnings growth than bonds, which are expensive relative to history. Equities also have the advantage of offering a decent yield, currently around 2.5% which is nearly double that of government bonds. Different countries are at different stages of recovery so there still seems to be value to be found by investors.

Inflation has started to creep

up in the UK meaning there are negative real rates of return for cash savers. Central bank action has been tempered so far by the stubborn nature of wage rises which have not yet reacted to inflationary pressures, but there is some indication that restraint in UK public sector pay is being relaxed following a long period of austerity which may lead to more pressure to raise rates. The reaction to a tightening of monetary policy across the globe is somewhat unknown but it is likely that this will be led by the US as the Fed begins to shrink its balance sheet – this is unlikely to happen quickly but it is now further up the agenda for many central banks in Western markets.

The issue for most asset allocators and fund selectors

at the moment is how to balance portfolios with enough participation in the upside whilst protecting on the downside, when a potential correction may well be focused on bond markets, the traditional safe haven area. Most investors are bearish on government and investment grade bonds at current rates and spreads because they have been so low for so long. This area offers little upside even if rates and inflation remain subdued, but should both rise then bonds could suffer capital depreciation. The solution is not easily attained, absolute return options are now widely used for diversification purposes and a number of managers have become defensive as the year has progressed with cash often the preferred option.

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We prefer to maintain a longer-term perspective believing that any correction (outside of a black swan event) is unlikely to be significant in this current economic environment.

EQUITY MARKETS OVERVIEW

The market appreciation in the quarter has continued to benefit from investors' ability to ignore any bad news on a macro basis but be more discerning on a stock by stock basis. Many investors believe this is good sign for active managers given the recent investor preference for passive investments, but more broadly we can see both over the quarter and year-to-date there have been some very strong performances from equity markets, particularly in the Far East and in Europe. The UK market has also seen positive returns but the threat of Brexit and the unexpected strength in sterling has weakened investors' confidence in the markets' ability to overcome these factors. The trend in markets has been to support focused areas and companies – for example the US has been led by the technology sector whilst the energy sector has performed poorly and in Japan and the UK, currency weakness has supported the global exporting companies. Another clear trend has been the general support for growth

stocks and the gap between the world growth and value indices has widened again in 2017 after the value rally in late 2016. There are a number of theories as to why this is the case, but we tend to believe that it is the more defensive nature of investors, who still want to be exposed to equities in this period of continued momentum, but recognise the length of the bull market and the fragility of growth levels. This leads them to pick more predictable less cyclical stocks. We would anticipate that this situation should normalise but it could persist for some time yet.

UK

For much of the year the headlines regarding the UK economy have been dominated by the current and likely effect of leaving the European Union. The robust levels of growth we have seen since the EU vote have been driven by the weakness in sterling which has helped exporters, and a further easing of monetary policy which has boosted consumer confidence. That said, household consumption has been financed by credit with the household savings ratio at its lowest level since 1960, and the continued global growth which has helped to support the UK economy may



not relied upon in the future. The inflation figure is therefore worrying many investors as it moving towards 3%, meaning that real household income has turned sharply negative over 2017, particularly if we recognise that at the same time wage rises year-on-year are at just 1.8%. The rate of retail spending has been reducing with GDP figures this year indicating a much lower growth rate of around 1.2%, well below forecasts at the beginning of the year of 1.7%.

Whilst recognising these issues, many investors have still benefitted from holding equities this year and in the third quarter the main market benchmarks have all been up around 2%, and over 6% year to date. This has been led by the larger more internationally diverse companies with more predictable dividend streams which has resulted in a growth bias in the UK market year to date.

Not all the news is negative however as data is still supportive of continued growth of the economy with unemployment less than 5% and UK PMI data still positive after the election blip.

US

The US market has continued to lead global stock markets



upwards in 2017, with all-time market highs which have caused some valuation concerns amongst investors. In dollar terms the market has seen reasonable gains this quarter but for the sterling investor, gains have been limited as the pound has strengthened this year. The forward price to earnings ratio for the S&P 500 is more than 18 times, which is well above other global markets such as Europe and several emerging market nations. This has been led in the main by the technology sector, particularly the FAANG stocks (Facebook, Amazon, Apple, Netflix and Google) and has created a split market with some concerns about these stocks being in a bubble.

A further level of uncertainty has been cast by the current level of volatility which according to the Vix index has now reached all-time lows, despite the issues over North Korea – political complications have to be added to the mix and it would be impossible to cover the US without considering the actions of the president which have been seen more on social media than in actual policy making in Congress.

The Trump reflation trade which led markets following his election has fallen flat with no real progress on tax cuts and infrastructure spending and whilst policy stagnation has been tolerated by markets so far, it

remains to be seen how long this will last. It is likely that the Fed will continue to raise rates given the positive economic conditions and low levels of unemployment but they will remain sensitive to inflation numbers, in particular wage inflation which has remained stubbornly low. At a company level the earnings season has been positive with many exceeding expectations which has helped to support current valuations. The US is seen as being further into the economic cycle than other countries but this is an unusually elongated period which has investors looking to other markets for value.

EUROPE

Europe has been one of the stronger performing markets this year thanks to an improvement in both economic conditions and in sentiment among companies and investors. For sterling investors there has been the additional bonus of a stronger euro which has added to returns. Generically Europe is benefitting from the continued loose monetary policy employed by the ECB, but the likelihood is that this will be gradually reduced if the recent policy statements from Jackson Hole are to be believed. The central bank still has a tightrope to walk because



Europe is not yet operating at the same speed, with Germany operating a much tighter labour market than the rest of Europe – Turkey, Greece and to a certain extent Spain are all delivering much weaker data. Any tapering from the ECB will be viewed with caution by markets but as long as fundamental company data continues to improve then investors will continue to see this as an area of value.

Inflation figures are weaker in Europe than the UK and the US, and overall employment numbers do not suggest more than a weak recovery so markets are likely to be more sensitive to any uncertainty or weak economic data. The strength of the euro has probably been a negative this year relative to the US and emerging markets, but if economic and PMI data continues to offer encouraging signs then investors will support European equity markets.

ASIA

Asian markets have been the beneficiaries of a stable economic regime over the last ten months, particularly the reaction of the US dollar which has been weaker than expected given the lack of fiscal expansion in the US. The Chinese market has risen substantially over 2017 year-to-date, and the majority of



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the upturn, as in the US, has been driven by the technology stocks and those whose prospects are associated with online growth. For example, not owning names such as Samsung, Alibaba, AIA, and TSMC would have caused a weak relative return for investors.

The economy in China has rebounded and macro risks in China have reduced. Technology and internet stocks have had very positive earnings revisions and as a result of this China, or to be more specific MSCI China, has been the top performer in the region in 2017. A strong property market in China, especially in the smaller Tier 2 and Tier 3 cities has resulted in low quality property stocks rallying hard.

Laggard sectors have included healthcare, telecom services, utilities and consumer staples in the main defensive sectors, with strong performances from IT, materials, financials and consumer discretionary.

Asian markets have always been

a significant beneficiary of US currency weakness and this year has been no exception. Growth prospects have therefore improved in Asia with upgrades to GDP forecasts across the region. As the US currency has weakened capital flows have come back, so current accounts across the region have improved, as have FX reserves compared to external debt. The turn in the US currency has also been beneficial to China, where there has been a focus on new economy names – many traditional consumer names have found life more difficult, even though disposable income continues to grow strongly, partly due to internet or online competition and a lot of multi-national consumer names have come into the market increasing competition. On the negative side, regional geopolitics between the North and South Korea, China and the US has impacted on sentiment, with the ban on group travel or package holidays to South Korea by the Chinese hitting tourism and certain

consumer sectors. In Indonesia the economy and consumer spending have been surprisingly weak impacting on domestic orientated names in that market.

JAPAN

The economic recovery has continued in Japan with Premier Abe now seeking a new mandate from the populous. Inflation, although modestly picking up, remains below the central banks 2% target. Whilst the jobs market has tightened significantly this has largely been in lower paid service sector jobs, and is a reason why wage growth in the country remains subdued. The recent Tankan survey painted a positive picture of company prospects.

The yen has proven to be the linchpin to the expansion of the Japanese economy in recent years and it is this which is likely to continue to boost the market



and exporting companies in particular. Sterling has once again started to strengthen against the yen and this has begun to redress some of the weakness for sterling investors in Japan this year. Many active managers have benefitted from the dispersion in the performance of stocks in the main index, comfortably outperforming over the quarter and year to date.

Japanese corporate earnings have been robust and the recent data supports the expansion of profits growth into the third and fourth quarters. The rise in the Topix in the second half of the year has been supported by reduced political uncertainty around the rest of the globe and a weakening yen led by the larger multinational companies, who are the first line beneficiaries. If the yen continues to weaken then Japan may well be a sensible place for investment over the next twelve months on a valuation basis.

EMERGING MARKETS

The emerging world has been a bright spot this year with the rebound in the Chinese economy helping companies throughout the region and also commodity exporters across the world. For example, Brazil, which has been through a recessionary period, has recently seen upgrades to economic forecasts for 2018 and 2019 with the country expected to return to positive growth.

For corporates in China, and in fact Asia in general, the halving of the nominal Chinese GDP growth rate from 15% to 7-8%, which is in effect a company's top line, made operating conditions difficult. Nominal GDP in China has since picked up and this is a significant factor behind the increase in earnings expectations for the region where, in marked contrast to each of the last five years analyst's expectations, from January have been upgraded. This year EM should see profits growth in the region of 20% and

as long as the global economic upswing continues, a further rise of around 10% is forecast for 2018. Positive earnings expectations globally are a factor behind the continued bull run in equities despite in some cases extended valuation levels. India will benefit over the longer term from domestic reforms including the Goods and Sales Tax, even though short-term growth for some businesses has been impacted because of the lingering effects of demonetisation. In Indonesia the economy has been surprisingly weak even though interest rates have been cut with consumption poor. At current valuations EM stocks are still attractive to investors as they have an average forward price to earnings ratio of 12.6 times and are trading at a marked discount to their developed market counterparts. The index has also changed over the last three years, with investors not as exposed to the manufacturing sector, as IT and banks have risen to prominence with IT representing

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27% of the index. There is a note of caution here however as the top five technology stocks represent 16% of the index.

Longer term, both China and India will both be key to global growth, yet both are still a small percentage of the MSCI Global Index. By many forecasts China and India will account for 40% of the global growth in GDP to 2030. These two countries already account for one third of the world's population and their growth dynamic means that capital will both be needed and thrown off. Both countries are likely to be chief drivers of global growth over the next decade.

FIXED INTEREST

The overall view on this sector has been negative for some

time with many managers calling time on the so-called bond bull market. Rising rates in the US have generally lifted expectations across the globe for yields to rise and recent statements by the Bank of England and the European Central Bank have reinforced this sentiment. The current levels of yield available on government bonds have left many investors with little choice but to seek higher risk investments to satisfy income requirements. So far, this has not reduced demand as the bond-buying programmes of many central banks and pension funds have been maintained along with loose monetary policy. This regime may well be changing as statements from the US, Europe and the UK central banks have suggested tightening of policy in the near future. The question for

many investors is how far this tightening cycle can go in the current low-growth environment.

It seems unlikely that rates will move quickly upwards and that they will reach more than 3% before the peak of the growth cycle is reversed. This means capital losses for bond holdings will be lower than anticipated from these current levels. That said, most investment managers are avoiding government debt and investing selectively in credit. Spreads have tightened in the last few months with little opportunity to make gains for investment grade bond holders. High yield has been well supported but even here the risk premium for holding such assets offers less reward. Consensus suggests that rates are likely to rise from here, but many investors have been

wrong for the last 18 months with short-duration strategies dragging down many mixed-asset portfolios. Those with a more balanced duration strategy have benefitted with small gains being made in 2017.

A secondary threat is liquidity in bond markets which have been much less liquid since the new banking rules came into place following the financial crisis. Concerns have been raised for some time by investors that the new regime has not really been tested in a stressed environment but little can be done about this at the moment other than holding fewer non-investment-grade assets.

Fixed interest continues to provide diversification for an investor portfolio, at a time when many asset classes are

increasingly correlated. It would be extremely risky to move to a portfolio holding just equities, as unexpected events, could happen and in an era of heightened geopolitical tensions, exogenous shocks are always possible. Bond investors have some difficult decisions to make in the coming months, in particular related to which assets to hold for balancing yield requirements with safety for their portfolios. Fixed interest holdings should be maintained in a diversified and balanced portfolio with strategic bond funds continuing to offer investors a spread of fixed interest assets with the ability to react quickly to any changes in macroeconomic conditions. We believe that this will be where the skills of the managers will come to the fore as we transition to a higher interest rate regime.

PROPERTY

The physical property market remains relatively stable, despite the continued uncertainty surrounding Brexit. Values did fall following the referendum, with city offices the worst affected. Offices have since witnessed a solid rebound and over 2017 capital values have increased. Including rental income, which grew modestly over the six months, offices recorded a total return of over 5%. It is unclear at this stage the scale of any relocation of financial institutions to other European business centres such as Frankfurt, Paris or Dublin.

The retail sector has seen the weakest growth in both capital and rental values – up by 0.9% and 0.2% respectively. Despite this, the total return from the

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sector was 3.9% and reflects the higher yields that can be obtained. Generally, most businesses are not cutting back on their requirements for retail space. Capital value growth has been strongest for industrials where valuations are fairly well underpinned due to the lack of supply of quality assets. Moreover, there is ongoing demand from retailers for smaller warehouses close to towns, as online shoppers demand tighter delivery windows, while larger spaces are still required for regional and national distribution. Student accommodation proved resilient in the last downturn and investment in this sector provides exposure to a market which is structurally undersupplied, as well as adding to the overall yield.

As an asset class, the fundamentals for commercial property have not changed and the potential continues for valuations to be impacted for those properties, sectors and regions that have experienced the greatest price rises in recent years. The relative weakness of Sterling versus overseas currencies has countered this to some extent as property becomes more attractive to overseas buyers. For the remainder of 2017 returns are still expected to be reasonable but with absolute returns more muted than in recent years. The primary driver of returns will be income with capital growth limited (in some cases negative) and rental growth will become a more dominant factor for performance.

In a low interest rate environment, the asset class continues to be a solid option for income-seeking investors as well as for diversification purposes in portfolios but the liquidity issues experienced in 2016 still provide cause for concern. The secondary market versus primary property yield gap remains attractive but the selection of the individual property will continue to be important.

Global real estate securities may still offer the most potential but equally a greater risk. Yields continue to be reasonable in most regions although growth prospects are weakest in the commercial sector.

SUMMARY

The position for investors today is as intriguing as ever with

global stock markets close to all-time highs after a long period of improving valuations. Fixed interest assets are under pressure from a tightening of monetary policy and a reduction in bond buying programmes although the likelihood of rates rising to the levels seen in previous cycles is limited.

There is a growing confidence that global growth can be maintained at current levels as economies continue to recover from the financial crisis some nine years ago. Markets can continue to benefit from the synchronised global recovery for a while yet, especially in an environment where monetary policy overall looks likely to remain accommodative. The end of dollar dominance has proved supportive to emerging markets,

and particularly Asia, which is likely to provide the engine to global growth over the next decade.

We are not yet seeing a threat from inflationary pressures, other than in selected economies, and growth has been at subdued levels which is expected to continue. Only the US has really moved into an expansionary phase. At the same time investment managers are broadly taking a more defensive stance in portfolios in the belief that a correction of some kind is perhaps overdue. No-one knows what the catalyst for this might be as even the recent political tensions with North Korea have not really dented investor sentiment. There is always the unexpected event which cannot be predicted but from what we

can see there seems little threat to the current economic pattern we are in. Being more defensive is perhaps a natural reaction to an extended, if muted, economic cycle but the conundrum for investors is how to deliver the safety they are looking for whilst participating in the current stock market growth.

Ken Rayner & Graham O'Neill

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October 2017

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Active matters

There is an ongoing debate between the proponents of active and passive management – a discussion that largely revolves around the themes of cost, efficiency and performance potential. We are relatively pragmatic in our view and deploy both active and passive strategies in our F&C MM Lifestyle portfolios. Portfolio management is one area however, in which we firmly believe that taking an active approach matters.

ACTIVE ABOUT PASSIVE

The F&C MM Lifestyle Funds recently celebrated their 10 year anniversary – an eventful decade over which it has made sense to adopt an active approach to investment.

Changes in the level of exposure to passive strategies is one of the more notable themes over recent years and currently, our passive weighting stands at its lowest level for five years. We hold passive funds – trackers and Exchange Traded Funds – for a number of reasons. They are cost-effective and can help us effectively manage portfolio risk – important as we work to deliver performance within defined volatility parameters. Recently, we have chosen to increase our emphasis on active managers – a shift that reflects our view that there is greater scope for investment talent to add value through active investment selection. In recent years, the scope for active managers to generate outperformance in some areas has been somewhat restricted against the backdrop of a broad based rally driven by liquidity (large inflows

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into markets). Within our Japanese exposure for example, we have sold all our passive holdings and currently only invest in actively managed funds.

PERSPECTIVES ON THE UK

There is a sizable allocation to UK equities in each of the F&C MM Lifestyle Funds with neutral weightings ranging from around 14% in Foundation to 35% in Growth. From an asset allocation perspective we are currently slightly underweight the UK as a result of subdued prospects for the domestic economy, particularly given the uncertainty surrounding Brexit. But what about activity at the fund level? In broad terms, more growth orientated areas of the market have been favoured by investors in the period since the financial crisis that started in 2008. Conversely, value has underperformed. We think this situation may begin to reverse. As a result we have been gradually introducing a more value tilt into our fund selections.

ACTIVE BENEFITS

These examples are a selection of the ways in which we have been active and across other asset types we have been just as keen to best position the portfolios through our fund selection and asset allocation activities. We believe that such an approach is in the best interests of our clients and view it in stark contrast to the typically more static nature of a model portfolio approach.

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Risk: tactical caution for strategic advantage

Nick Watson, fund manager with Janus Henderson's UK-based Multi-Asset Team, discusses some of the changes the team have been implementing to trim portfolio risk levels.

We have recently trimmed the levels of risk across our Multi-Manager and Core Income strategies. We sold FTSE, S&P, and Eurostoxx futures to bring our overall equity exposure down by approximately 2-4% to what we consider to be a neutral position.

The performance of our portfolios has benefited from our exposure to risk assets such as equities and high yield bonds; however, the risks now look asymmetric to us (ie, potential gains may not outweigh the risks from potential losses) and we have tactically taken profits.

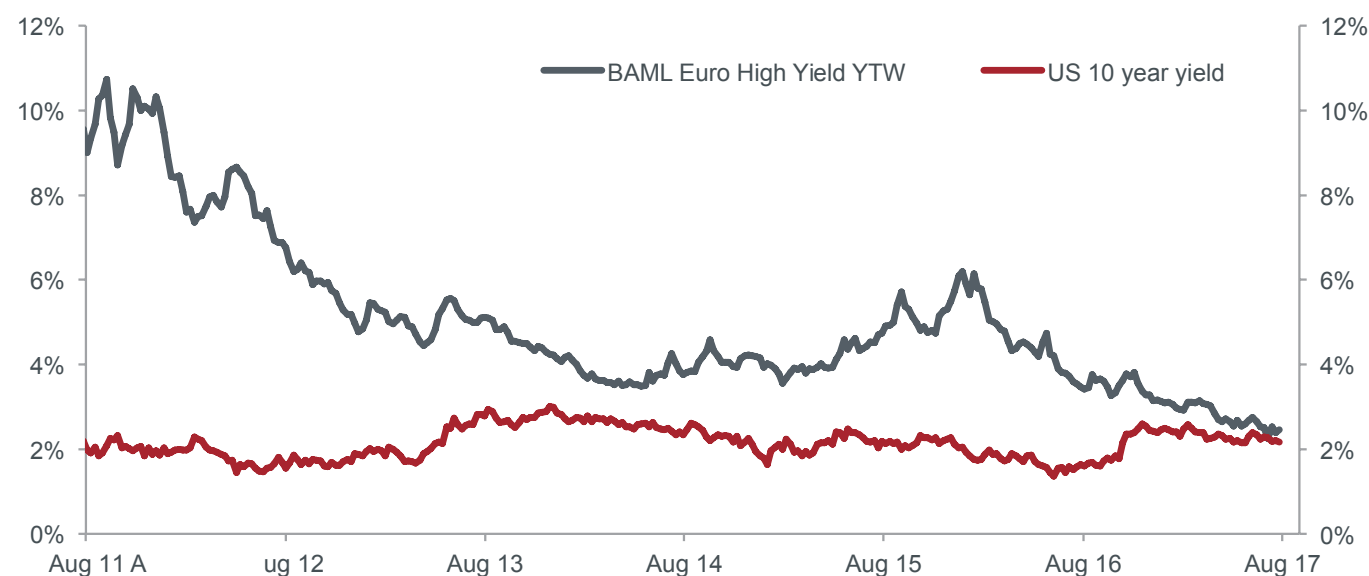
From an implementation perspective we have chosen to use futures to trim our equities exposure, because this provides us with the flexibility to continue capturing alpha from our underlying fund managers and also enables us to

move quickly back into the market if the backdrop stabilises.

PAYING TOO MUCH FOR OLD JUNK?

Within credit, high yield corporate bonds have performed very well over the past five years and have, thus far, proved to be relatively immune to wider market events. Lower quality companies have benefited from very cheap money and have been able to refinance their debt despite challenged or potentially untenable business models. Our view about the stretched performance of credit is perhaps best observed in chart 1, which shows how the yield on the Bank of America European High Yield Index (yield to worst) and US 10-year Treasuries has almost converged over the past six years. We think it bizarre that the same level of yield is available from lending to the US government as it is from lending to a 'junk' European company.

CHART 1: Yields from junk bonds and Treasuries almost converging



Source: Janus Henderson Investors, Bloomberg, as at 31 August 2017. European high yield credit is used for illustrative purposes. Past performance is not a guide to future performance. BAML = Bank of America Merrill Lynch, YTW = yield to worst: the lowest potential yield an investor can expect to receive when investing in a callable bond (without the bond defaulting).

As with equities, we do not view this as being an immediate call for a correction in the high yield market and the asset class could continue to pay coupons in a continuation of the 'lower for longer' rates environment. That said, high yield bonds can prove illiquid, and the asset class has collectively seen very significant inflows as investors 'tumble down' the risk spectrum in search of income. We find it hard to see a bull case at these levels, so we think it reasonable to take profits where we do have exposure to the asset class. Hedging exposure to high yield is difficult and can prove expensive, so we approach adjusting our portfolios from different angles depending on their investment objectives.

SELLING FUTURES TO HEDGE HIGH YIELD

Our core range strategies aim to keep delivering stable levels of income each month and corporate bond coupons play an important role. We have found that the most efficient way for us to hedge our exposure to credit markets in these portfolios is to sell equities. Looking at the last five drawdowns of over 10% in the high yield bond market, developed market equities have fallen by a similar amount during each of those time periods. Our strategy is to therefore sell some equity futures against our long positions in high yield. We believe this should offer protection in the event of a sell-off in high yield, while still enabling us to collect the income from our high yield holdings.

For more information please contact your Financial Advisor.

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Sustainable Development Goals and Good Money Week 2017.

Good Money Week is an annual event which is designed to let consumers know they have sustainable and ethical options when it comes to their banks, pensions, savings and investments, and this year's strap line was 'Make money and make a difference'.

Started in 2005, Good Money Week was previously known as National Ethical Investment Week (NEIW). Good Money Week is co-ordinated by UKSIF – the UK Sustainable Investment and Finance Association. UKSIF is the membership association for sustainable and responsible financial services, they promote responsible investment and other forms of finance that support sustainable economic development, enhance quality of life and safeguard the environment.





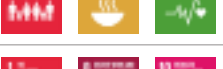



Good Money Week is a UK based campaign which aims to raise awareness of options open to clients and each year it is gaining traction. Many of the topics raised this year were based upon the United Nations sustainable development goals.

The UK and the rest of the world are facing big problem: weather, food and water shortages and a rapidly growing population to name a few. In January 2016 The United Nations launched their Sustainable Development Goals. The UN highlighted 17 goals; each goal has its own specific targets to be achieved over the next 15 years. For the goals to be reached, the UN would like everyone to do their part; Governments, the private sector and civil society.

WHAT IS SUSTAINABLE DEVELOPMENT?

- Sustainable development has been defined as development that meets the needs of the present without compromising the ability of future generations.
- Sustainable development calls for concerted efforts towards building an inclusive, sustainable and resilient future for people and planet.
- For sustainable development to be achieved, it is crucial to harmonise three core elements: economic growth, social inclusion and environmental protection. These elements are interconnected and all are crucial for the well-being of individuals and societies.
- Eradicating poverty in all its forms and dimensions is an indispensable requirement for sustainable development. To this end, there must be promotion of sustainable, inclusive and equitable economic growth, creating greater opportunities for all, reducing inequalities, raising basic standards of living, fostering equitable social development and inclusion, and promoting integrated and sustainable management of natural resources and ecosystems.

THESE GOALS CAN BE SEGMENTED IN THE FOLLOWING WAY;

UN Global Goals	PILLARS	SUB-THEMES
	Circular Economy	Resource efficiency Material recovery and reuse
	Sustainable Energy	Access to energy Food quality Sustainable agriculture
	Food & Agriculture	Access to water & hygiene Clean water Water efficiency
	Water & Sanitation	Access to healthcare & social care Enhanced healthcare Drug development
	Health & Social Care	Risk – the Changing Objective!
	Finance Inclusion	Access to financial services
	Sustainable Real Estate	Affordable housing Echo-building
	Education & Employment	Access to education and skills development Quality employment and job creation

As consumer knowledge grows the demand for their investment portfolio to take these goals into consideration will increase. The ethical investment solution offered by King & Shaxson to Succession does reflect these current themes and goals.

The King & Shaxson ethical portfolios will always avoid the core areas of concern for ethical clients because of the avoidance screen we apply. The King & Shaxson portfolios within Succession's investment matrix will also contain Social and Environmental solutions which positively address the UN's sustainable development goals.

The portfolios will seek to invest into renewable energy, public transport, sustainable forestry, social property and water.

As part of our service for Succession advisers we are happy to assist you analyse clients existing portfolios to see where they might conflict with the clients concerns.

Should you need further information please contact Mark Tomlinson on 07733 363306 or mark.tomlinson@kasl.co.uk

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Management**

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THE CASE FOR MULTI-ASSET

Investing is
a Journey,
Not Just a
Destination.

People often think about investing in terms of where they need to go but not necessarily how they get there. We think this exposes investors to a range of risks along the way. Multi-asset portfolios enable investors to spread the risk they take and can be an effective way of maintaining and building wealth over the long term.

At GSAM, we appreciate that investors have different goals when setting out on their investment journey. Therefore, we offer a range of multi-asset portfolios with different approaches, each of which is constructed to meet investors' distinct goals and objectives.

For more information about our multi-asset funds and risks, please visit:
gsam.com/multi-asset

The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk. In the United Kingdom, this material is a financial promotion and has been approved by Goldman Sachs International, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Confidentiality No part of this material may, without GSAM's prior written consent, be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorised agent of the recipient. © 2017 Goldman Sachs. All rights reserved. 97319-OTU-585885



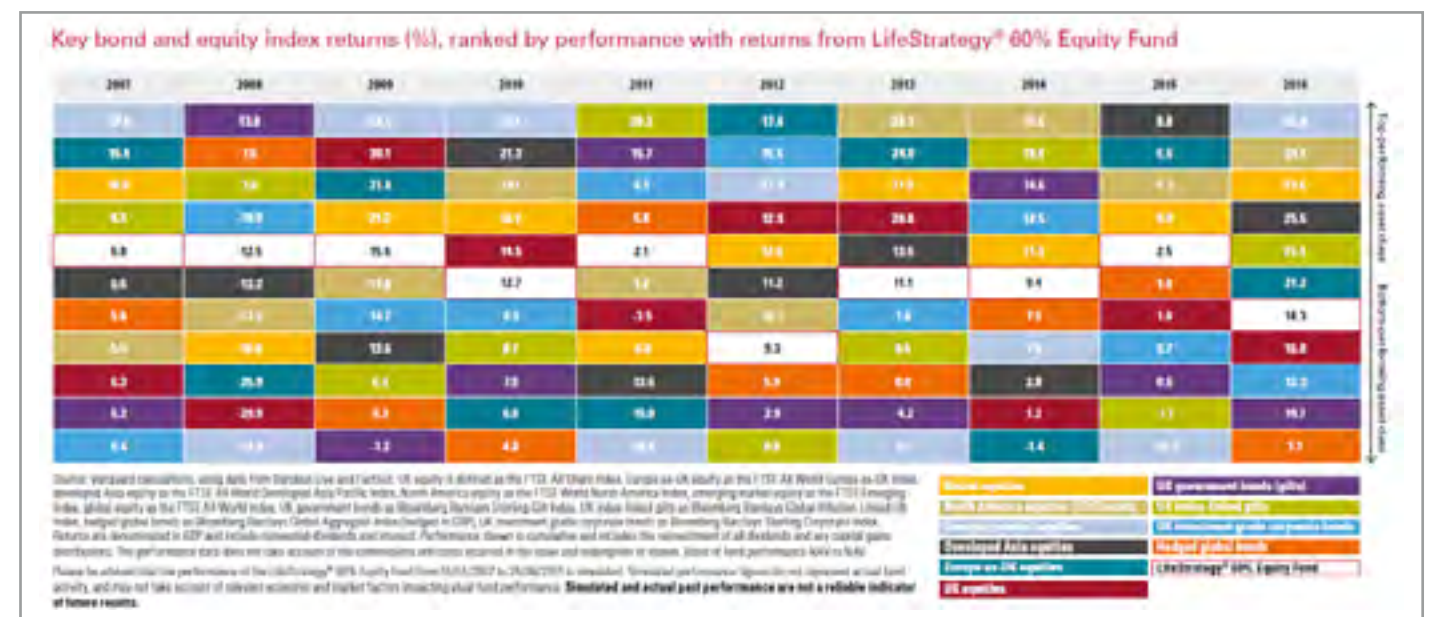
A stylized illustration of a briefcase. The briefcase is orange with a light blue handle and a white keyhole. A large, dark blue key is inserted into the keyhole. The key has a white diamond-shaped head with a blue outline. The background is white.

Please contact us for more information.
0207 149 6437
www.charles-stanley.co.uk

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Tania Allerton
National Sales Manager



Green lights all the way! GMAPs: your route to investor outcomes

A SMOOTHER RIDE

Multi asset investing seeks to offer less volatile returns through diversification. As can be seen in the table below, asset class returns have varied greatly over the last 10 years, and there is no discernible pattern. To maximise returns, it is necessary to take a forward-looking approach in order to identify which asset classes are likely to do well or badly, and when, and to use the principles of diversification to combine these to achieve better risk/return ratios.

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD
1	EM Stocks	Oil	EM Stocks	EM Stocks	Oil	EM Stocks	Global Stocks	Property	Property	EM Stocks	EM Stocks
2	Commodities	Cash	UK Stocks	Commodities	Property	UK Stocks	UK Stocks	Oil	Global Stocks	Commodities	Global Stocks
3	Global Stocks	Inflation (RPI)	Global Stocks	Global Stocks	Inflation (RPI)	Global Stocks	Property	Global Stocks	Multi Asset	Global Stocks	UK Stocks
4	Cash	Multi Asset	Multi Asset	Property	Multi Asset	Multi Asset	Multi Asset	EM Stocks	Inflation (RPI)	UK Stocks	Property
5	Multi Asset	Commodities	Commodities	UK Stocks	Cash	Inflation (RPI)	Inflation (RPI)	Multi Asset	UK Stocks	Multi Asset	Multi Asset
6	UK Stocks	Global Stocks	Inflation (RPI)	Multi Asset	UK Stocks	Oil	Cash	Inflation (RPI)	Oil	Oil	Inflation (RPI)
7	Oil	Property	Property	Oil	Global Stocks	Property	Oil	UK Stocks	Cash	Property	Oil
8	Inflation (RPI)	UK Stocks	Cash	Inflation (RPI)	Commodities	Cash	EM Stocks	Cash	EM Stocks	Inflation (RPI)	Cash
9	Property	EM Stocks	Oil	Cash	EM Stocks	Commodities	Commodities	Commodities	Commodities	Cash	Commodities
	+37.4%	+12.8%	+62.5%	+23.6%	+15.6%	+12.8%	+21.2%	+19.5%	+13.9%	+35.4%	+20.0%
	+14.3%	+3.7%	+10.1%	+20.5%	+8.1%	+12.3%	+20.8%	+11.9%	+4.4%	+33.3%	+10.8%
	+11.2%	+0.9%	+20.6%	+17.2%	+4.8%	+12.1%	+11.0%	+12.2%	+1.8%	+30.3%	+8.2%
	+6.0%	+10.4%	+12.6%	+14.7%	+1.6%	+7.1%	+7.3%	+7.9%	+1.2%	+16.8%	+6.5%
	+5.5%	+10.9%	+5.9%	+14.5%	+0.6%	+3.1%	+2.7%	+6.5%	+1.0%	+12.1%	+4.7%
	+5.1%	+18.5%	+2.1%	+11.7%	+3.5%	+2.7%	+0.5%	+1.6%	+0.6%	+10.1%	+2.3%
	+5.5%	+22.6%	+1.9%	+7.2%	+6.9%	+2.3%	+1.9%	+1.2%	+0.5%	+2.6%	+2.5%
	+4.3%	+20.8%	+1.0%	+1.6%	+12.7%	+0.6%	+5.3%	+0.5%	+10.3%	+2.5%	+0.2%
	+5.4%	+34.8%	+1.2%	+9.6%	+18.4%	+5.4%	+11.2%	+11.8%	+20.3%	+0.4%	+6.7%

Source: RLAM, DataStream as at 31.08.2017. Figures show total returns in GBP terms ranked from highest to lowest each year.

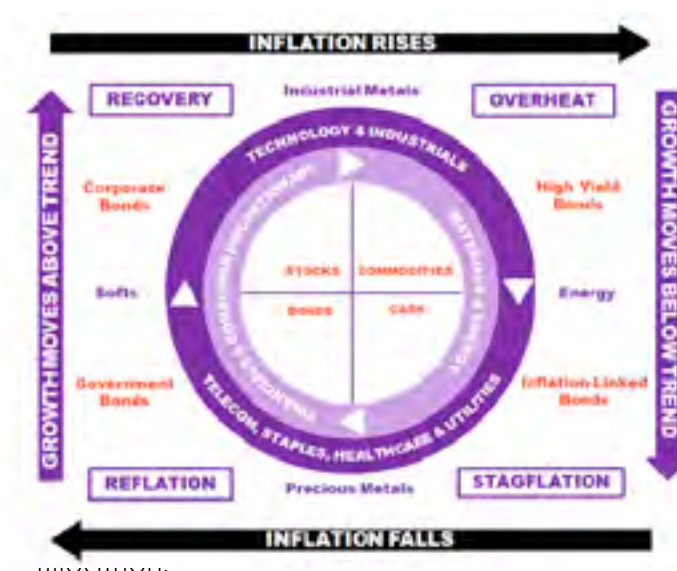
The investment process used across RLAM's Global Multi Asset Portfolios (or GMAPs) combines strategic and tactical methods. Using strategic asset allocation (SAA), assets are allocated with the aim of maximising long term returns according to a Fund's return goals and risk tolerance parameters. SAA ensures the Funds are diversified across an efficient mix of return-seeking assets such as equities and property, and assets that are resilient to shocks such as gilts, while avoiding exotic or expensive investments. We then use active tactical

asset allocation (TAA) to add value over the short to medium term by moving money towards assets that we consider currently to be attractive in relative terms.

MIRROR, SIGNAL, MANOEUVRE

Our active TAA process consists of a systematic, research-led framework overlaid with experience and judgement. Based on quantitative models that simulate the added value that different asset

allocation strategies have achieved, our Investment Clock model shows which asset classes tend to perform well, and which are likely to struggle, during the various stages of the economic cycle, which is driven by growth and inflation. For example, according to the Investment Clock, stocks tend to perform best during periods of recovery, when inflation is weak but growth is improving, while commodities tend to perform well in the 'Overheat' stage, when growth is strong and inflation is rising. Back-testing of the investment clock over a 40-year period shows that the theory is borne out in real-life.



RESPECTING OTHER DRIVERS

However, it is important to note that while we believe that our models and templates are a good guide, we do not stick to them slavishly. Perhaps the most important part of the process is relying on our team's collective expertise and experience to identify and take action where there are market or economic factors that may impact our models in an unexpected way.

We have been overweight equities since 2012 given the environment of continued global recovery and loose interest rate policy. We added to stocks in August during the dip caused by political tensions between the US and North Korea. Stocks have rallied since then and we've taken some profits

at the margin but remain moderately overweight equities. We remain underweight government bonds, although less so than of late. Quantitative easing and pension fund buying have pushed yields to levels that make no sense in the long run, but inflation pressures are peaking. We are neutral to slightly overweight UK commercial property. A positive supply / demand backdrop and a rental yield cushion should make UK property resilient; it has proven to be so since the Brexit vote. We are slightly underweight commodities due to the negative roll return in those markets.

ARRIVING SAFELY AT YOUR DESTINATION

The GMAPs benefit from the actuarial rigour that comes with Royal London's multi asset heritage and Trevor Greetham's strong performance record and could be well suited to investors seeking smoother returns across a number of economic scenarios. The range aims to maximise real returns within an appropriate risk level. By combining robust SAA with research-led TAA and judgment, we aim to map a smooth journey towards improved outcomes for investors.

Trevor Greetham,

Head of Multi Asset,
Royal London Asset Management

Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested. The views expressed are the manager's own and do not constitute investment advice. Our ref: AL RLAM PD 0003.



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