



INTELLIGENTMONEY

IM OPTIMUM GROWTH FOR INCOME STRATEGY FACTSHEET – OCTOBER 2019

INVESTMENT OBJECTIVE

This portfolio also aims to provide growth in excess of global markets under different market conditions whilst reducing your equity exposure and risk as you move closer to your selected target date, at which point you will be invested in our Optimum Income strategy for balanced income.

HISTORIC PERFORMANCE

Portfolio	Cumulative Performance				Annualised
	1yr	3yr	5yr	10yr	10yr
IM Optimum Growth for Income Strategy	6.4%	29.2%	57.5%	149.9%	9.59%

Please note that these returns include all third party fees but not Intelligent Money's fee. This is the same way that platforms provide historic data and therefore enables you to compare returns on a like for like basis. The value of investments, and the income from them, can go down as well as up and past performance is no guarantee of future returns. You may not recover what you invest. Where live performance data is not available for certain time periods we have used data provided to us by Quilter Cheviot to demonstrate what the historic performance of the underlying assets held within each portfolio would have delivered. All underlying assets are denominated in GBP.

INVESTMENT MANAGEMENT



Julian Penniston-Hill:

As Intelligent Money's Chief Executive, Julian is responsible for all investment management oversight, strategy and asset allocation modelling of our IM Optimum Portfolios.

Julian has 25 years of financial services experience having previously been Investment Management Director at Willis Owen, where he was responsible for generating and retaining £1bn of funds.



Tim Horrocks:

Tim is responsible for implementing this strategy and running the day-to-day investment management of the assets held within

our IM Optimum Portfolios on behalf of Quilter Cheviot, which he joined in 1999.

He has 25 years of financial services experience and is a Chartered Fellow of the Institute for Securities & Investment and a Chartered Wealth Manager.

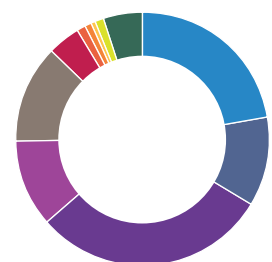
ASSET ALLOCATION/GEOGRAPHICAL LOCATION

Because of the evolutionary nature of IM Optimum Growth for Income Strategy it is not possible to show specific asset class/geographic exposure, as by definition this will be different from one investor to another at any given time. Therefore we show below illustrative asset class/geographic exposure over different cycles based on current market conditions.

Longer Investment Term

Medium Investment Term

Balanced Income



- Fixed Interest - UK Gilts
- Fixed Interest - UK Index Linked Gilts
- Other UK Fixed Interest

- Fixed Interest - Overseas
- Equities - UK Large Cap
- Equities - US

- Equities - Japan
- Equities - Europe
- Equities - Far East

- Equities - Other
- Equities - Global
- Property Funds

- Gold
- Cash

MARKET COMMENTARY

Global growth continues to slow with a widening gap between advanced and emerging economies. The OECD recently downgraded its 2019 global GDP forecast to 2.9% (1.5% advanced/4.5% emerging) but contracting global trade and the repercussions of the US/China tariff dispute mean there are still downside risks. Although negative real interest rates and robust consumer spending should avert recession, the lack of new fiscal stimulus suggests a period of stagnation for many advanced economies.

Unpredictable policy decisions and negative political developments have made conditions volatile across financial markets. After falling close to all-time lows in late August, US 10 year Treasury yields ended September 0.33% lower at 1.67%. The possibility of a “hard” Brexit pushed UK gilt yields down by a similar amount to an all-time low of 0.41% – while Japanese and German sovereign bond yields fell deeper into negative territory. Most equity markets recovered in September and ended the third quarter marginally higher. European and Japanese stock markets gained 2% and Wall Street 1% but the FTSE 100 was down 17 points at 7,408. Asian and emerging markets lost 2%. UK-based investors benefitted from both dollar strength and sterling weakness, with the value of the pound against the US dollar ending the period at \$1.23. Escalating tensions in the Middle East saw the Brent oil price spike up to \$72 per barrel before closing at \$61.

Although GDP growth is expected to decelerate to 2.3% this year (vs. 2.9% in 2018), the US remains one of the best performing advanced economies, reflecting its lower reliance on trade than Germany and Japan and the lingering benefit of tax cuts. However, manufacturing has slowed and the ISM survey unexpectedly entered contraction territory in August. Other surveys have been mixed but the decline in new order components suggests further weakness ahead. Investment is also slowing while the slight improvement in existing and new home sales is probably due to lower mortgage rates.

Services and the consumer remain robust with wage growth and jobless claims pointing to a tight labour market. Headline retail sales rose in August but, unsurprisingly, consumers are concerned about the impact of trade tariffs. Interest rate expectations have been subject to “risk on/risk off” gyrations since the start of the year. Despite the Federal Reserve’s 0.25% cut in September – ostensibly insurance against the downside risks – markets are anticipating another move in October.

Many other advanced economies are struggling to achieve growth above 1%. The impending 10% consumption tax increase and preparations for the Olympics have helped Japan offset some of the negative impact of slowing exports but the economy remains stagnant with policy biased towards an ageing population. The Bank of Japan is “inclined towards” further monetary measures but seems unlikely to act.

In the eurozone, industrial production and retail sales have lost momentum so the risks are tilted to the downside. With the industrial sector experiencing a fifth consecutive quarterly decline in output and forward indicators showing little sign of improvement, Germany is almost certainly in technical recession. Spain has been the best performer and a new coalition government has improved

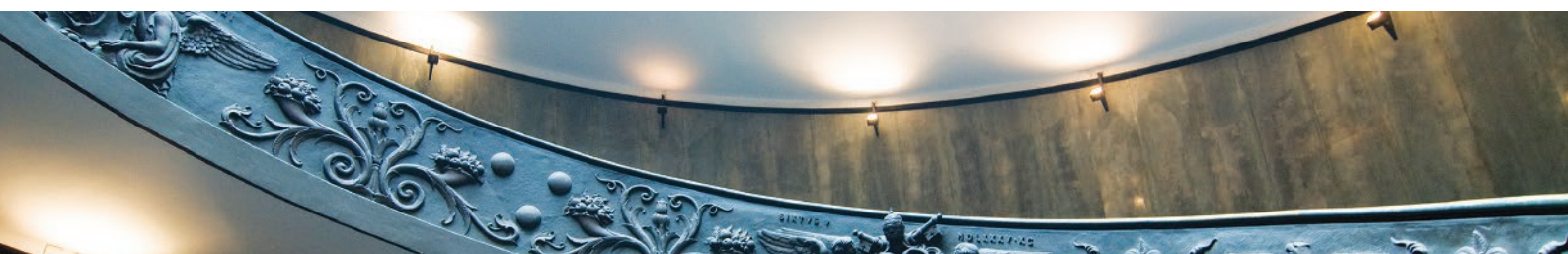
the outlook for Italy. Market reaction was mixed to the European Central Bank’s announcement of further quantitative easing in September, although the outgoing President raised the bar on future rate increases by including core inflation in forward guidance. Mild fiscal stimulus across the eurozone is unlikely to be effective without a co-ordinated move led by Germany.

Emerging economies have also been hit by the slowdown reflecting their reliance on global trade, higher US tariffs and reduced credit stimulus in China. Recent monetary and fiscal packages have not matched the scale of China’s previous measures as the authorities attempt to contain asset price inflation. The net result is that GDP growth in China may well fall below 6% next year. While this would still be strong by global standards, it will have a knock-on impact in the region, particularly for Singapore, Taiwan and South Korea. Corporate tax cuts and other policy measures should help India maintain growth in excess of 6%.

Increasing political disarray over Brexit continues to cloud the outlook for the UK economy. Another round of stockpiling is likely ahead of 31 October but business surveys suggest that manufacturing is already well into contraction territory with further falls in new orders and exports. Brexit uncertainty has spread to the service sector and weaker employment growth is starting to threaten consumer spending. Although the consumer has remained robust, a disruptive exit and the immediate imposition of World Trade Organisation tariffs would be a major challenge.

The most likely outcome appears to be a further Brexit delay and a snap election, but the result could be less clear-cut than polls are indicating. With GDP expected to grow 1% this year and next, a disruptive exit could very easily push the economy into recession. However, the Bank of England is ready to cut interest rates and the Chancellor has scope to ease a transition beyond the “borrow to build” measures already announced. Sterling is in the firing line with speculators anticipating a sizeable depreciation – although we believe this is unlikely. Our portfolio positioning has been biased towards stocks for a decade. Over this period, the accommodative monetary backdrop has supported one of the longest running bull markets and companies have made the most of globalisation opportunities. Profit gains have resulted in healthy dividend increases and shareholder returns significantly above inflation. In the absence of the traditional “excess” signals seen near the top of previous cycles, there seems little reason why – left to their own devices – companies should not continue to adapt and thrive. It also seems reasonable to assume that gyrations in interest rate expectations could be absorbed over the medium to longer-term.

However, the US shift towards protectionism – initially perceived as a short-lived repositioning tactic in a competitive environment – is becoming a geopolitical trend that is likely to lead to lower economic growth as production efficiencies wane. While it would be naïve to expect a rapid return to globalisation, we remain hopeful that politicians will exercise restraint and avert a global recession. We still prefer equities to bonds, which currently offer little intrinsic value, but have been reducing exposure to a more neutral position. We continue to focus on quality/growth equities and remain wary of “cheap” companies – many of which appear to be value traps in an era of rapid structural change and digitisation.



Intelligent Money is authorised and regulated by the Financial Conduct Authority. The underlying Investment Manager of our IM Optimum Portfolios is Quilter Cheviot. Quilter Cheviot Limited is registered in England with number 01923571, registered office at One Kingsway, London WC2B 6AN. Quilter Cheviot Limited is a member of the London Stock Exchange and authorised and regulated by the UK Financial Conduct Authority.

This document is not a solicitation or an offer to buy or sell any security. The information on which the document is based is deemed to be reliable, but we have not independently verified such information and we do not guarantee its accuracy or completeness. Changes in exchange rates may have an adverse effect on the value, price or income of foreign currency denominated securities. Estimated gross yield is not a reliable indicator of future returns. The securities and investment services discussed in this factsheet may not be suitable for all recipients. Intelligent Money recommends that investors independently evaluate particular investments and strategies, and seek the advice of a financial advisor. The appropriateness of a particular strategy will depend on an investor’s individual circumstances and objectives.