



ADVENTUROUS PORTFOLIO UPDATE

— JANUARY 2019 —

The Investment Committee continually monitors our range of fund managers and considers the opportunities and challenges presented by an ever-changing macroeconomic and market environment. This due diligence extends to our range of Growth and Income Portfolios.

This update provides a summary of the recent performance of the Adventurous Portfolio.

MARKET OVERVIEW

For developed world equities in 2018, it was the fourth quarter that really counted.

In the US, the S&P 500 rose some 9% across the first three quarters, but a fall of some 14% in the fourth left it down for the year. Japan's Topix index, Europe's Eurostoxx 50 and the UK's FTSE 100 also suffered difficult final quarters.

The VIX, which measures volatility across S&P 500 stocks, spiked to 36 in mid-December and ended the year around 25 – its historical average is just 20.

Geopolitics, diplomacy and trade loomed large. Among these, the falling price of oil was notable; a barrel of Brent crude dropped from \$86 at the start of October to below \$55 at year-end.

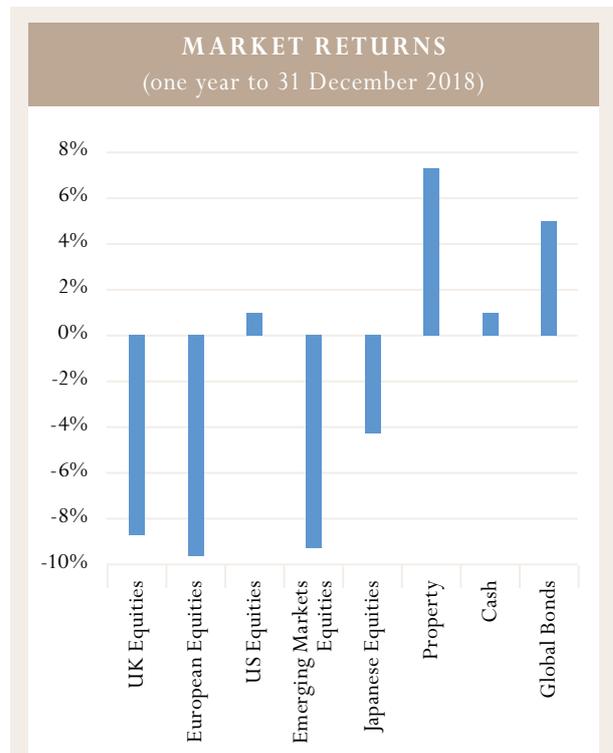
The price drop offers some relief to China, the world's largest oil importer, after a year in which growth slowed and the Shanghai Composite index fell an eye-watering 25% on growth and trade fears.

A rising dollar and specific crises in Turkey, Argentina and Brazil helped knock almost 10% off the MSCI Emerging Markets index in the first three months of the year, and nearly as much again in the final quarter.

Yet growth and corporate earnings were hardly all bad – global and US growth were forecast at around 3% for 2018. The US also benefited from strong wage growth and corporate earnings. Indeed, the US is enjoying its second-longest run of economic growth and the S&P 500 its second-longest – some say longest – bull run.

The technology majors have driven index gains in recent years and grew 18% over the first three quarters as Apple and then Amazon became the first listed companies to be valued at a trillion dollars. But 2018 gains were forfeited in the final quarter on regulation and business growth fears.

The Federal Reserve raised rates four times in 2018 as expected – against just once for the Bank of England – but was sounding more dovish by December. 2018 was also the year when markets started to feel the effects of quantitative tightening, as the Fed began to sell bonds back to the market.

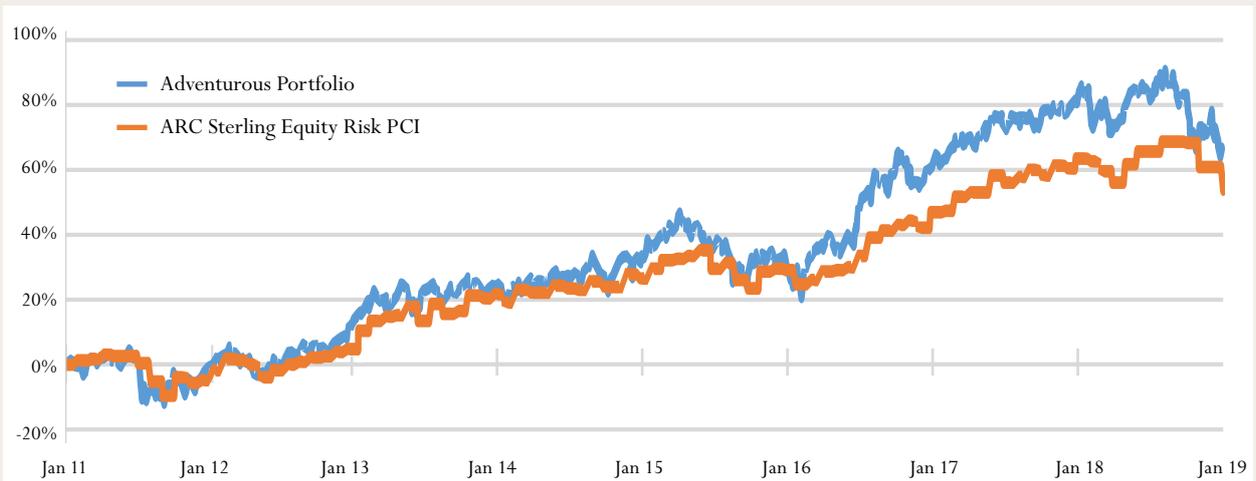


Source: Financial Express. Performance figures to 31 December 2018, expressed in sterling on a total return basis. The investment returns in the table above, reflect the performance of the relevant market indices. Please be aware that past performance is not indicative of future performance. The value of an investment may fall as well as rise. Returns on equities cannot be guaranteed. Equities do not provide the security of capital characteristic of a deposit with a bank or building society.

Politics was never far from market movements, whether in the form of a December government shutdown in the US; state elections that went badly for Angela Merkel in Germany; or ‘gilets jaunes’ protests in France that obliged the president to water down recent reforms.

Politics in the UK was more volatile still, despite improving public finances. Theresa May’s decision to delay a parliamentary vote on her Brexit plan only added to uncertainty.

PORTFOLIO PERFORMANCE
(UNIT TRUST/ISA – LAUNCH TO 31 DECEMBER 2018)



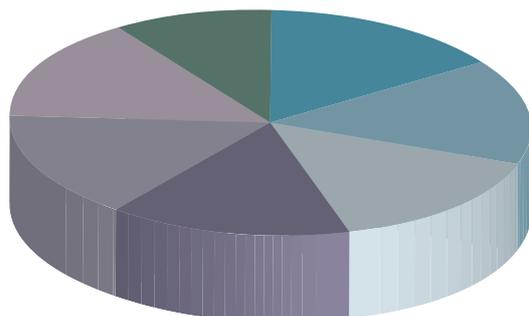
Source: Financial Express/St. James’s Place. Data to 31 December 2018. Performance figures shown assume investment into the Portfolio was made on 31 January 2011. Investment returns are based on the performance of the underlying funds and reflect the St. James’s Place Investment Committee’s recommended fund allocations over that period. Performance figures since launch have been used where funds are less than one-year-old. The ARC Sterling Equity Risk Private Client Index (PCI) provides a representative peer group for the Adventurous Portfolio. ARC PCI prices are reported monthly.

Portfolio fund allocations are not rebalanced automatically. Client Portfolios may have different fund allocations and, therefore, individual investment experience may vary.

The Adventurous Portfolio was launched 31 January 2011

CUMULATIVE PERFORMANCE						
	3 months	6 months	1 year	3 years	5 years	Since launch (AGR)
Adventurous Portfolio	-9.18%	-9.41%	-8.05%	24.54%	33.82%	6.65%
ARC Sterling Equity Risk PCI	-8.61%	-7.17%	-5.93%	19.18%	26.59%	5.61%

ADVENTUROUS PORTFOLIO FUND ALLOCATION



- Asia Pacific* 15%
- Emerging Markets Equity 15%
- Global Smaller Companies** 15%
- Greater European Progressive 15%
- North American 15%
- UK & General Progressive 15%
- Japan 10%

*Prior to 10 October 2016 the Asia Pacific fund was called the Far East fund

**Prior to 10 October 2016 the Global Smaller Companies was called the High Octane fund

PORTFOLIO COMMENTARY

The Adventurous Portfolio fell over the period, as investors left equities behind in a flight to safety.

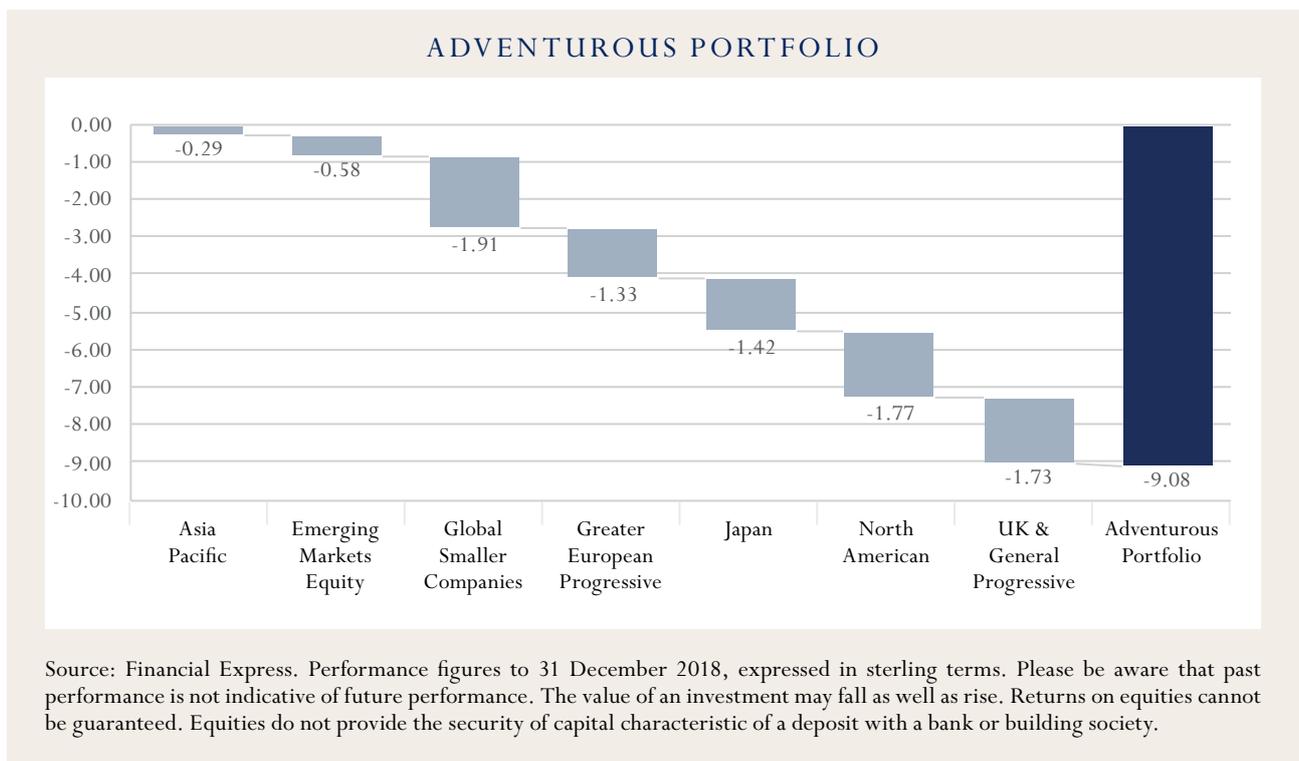
The range of fears felt by investors caused risk assets to fall in value over the quarter, even as global growth continued. The flight to safety led to price falls for all kinds of companies, large and small. The Global Smaller Companies fund, managed by Paradise, fell only marginally in the first three quarters of the year, but suffered in the fourth as investors dialled down their risk exposure.

Shifting sentiment towards US equities affected stocks right across the developed world over the period, as political volatility was felt on markets. Midterm elections in the US returned a Democrat-controlled Congress, making it far harder for Donald Trump to push through further market-boosting legislation, as he did with his earlier tax cuts package. As a result, many investors began to fret that growth might slow. The S&P 500 fell dramatically over the quarter, and the North American fund, managed by Aristotle, fell with it. The fund also suffered from a few specific detractors, among them General Electric.

Tremors from the US dip were felt in the UK and across Europe, although more localised issues also weighed on sentiment. In the UK, continued uncertainty around Brexit held foreign investors at bay, while economic growth remained disappointing. The UK & General Progressive fund, co-managed by Majedie and BlackRock, incurred losses over the period, having risen slightly over the first three quarters. Exposure to UK retail names weighed on performance, as microbrands continued to disrupt the sector.

In Europe, worries were not limited to Brexit. Extended anti-government demonstrations in France obliged the president to row back on some of his reforms, while Angela Merkel was left weakened by state elections and Rome faced off with Brussels over an expansionist budget. The Greater European Progressive fund, co-managed by Investec, outperformed the wider market but recorded a fall over the quarter. Performance was strong relative to the market due to exposure to select industrial companies, although the lack of exposure to the household and personal products sectors, both of which outperformed, hampered performance. Wirecard, a technology stock, was the main detractor; despite positive earnings, the broader tech sell-off took the company's share price with it.

The chart below shows the individual fund contribution to the performance of the Portfolio over the quarter.



CONSTITUENT FUND PERFORMANCE

The table below shows the past performance of the underlying funds that are currently in the Portfolio.

Performance 12 months ending (%)

FUNDS CURRENTLY IN THE PORTFOLIO	Launch Date	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Asia Pacific*	01/92	-0.5	17.7	-	-	-
Emerging Markets Equity	04/14	-7.3	24.2	13.2	-12.4	-
Greater European Progressive	01/92	-8.2	13.3	11.4	11.4	0.7
Global Smaller Companies**	04/08	-13.9	12.6	-	-	-
Japan	11/17	-13.4	-	-	-	-
North American	04/99	-5.8	8.8	39.5	8.7	21.0
UK & General Progressive	01/92	-9.0	4.8	13.9	4.3	2.1

Source: Financial Express. Fund performance data to 31 December 2018. All figures are percentage growth on a bid to bid basis for accumulation units, income reinvested and in fund currency. Please be aware that past performance is not indicative of future performance. The price of units and the income from them may go down as well as up. You may not get back as much as you invested.

*Prior to 10 October 2016 the Asia Pacific fund was called the Far East fund

**Prior to 10 October 2016 the Global Smaller Companies was called the High Octane fund

Historic fund performance data and history of the underlying fund allocation for each of the Portfolios is available from your St. James's Place Partner.

- The Portfolio fund split shown overleaf applies to investments made from 6 November 2017. Some funds within your Portfolio will perform better than others so, over time, those funds will make up a larger proportion of your investments. Consequently, the weighted average yield and average fund charges on your investments will also fluctuate over time. The Portfolio fund allocation will not be rebalanced automatically. You should review your investments regularly to ensure that the balance of risks remains appropriate to your circumstances. Your St. James's Place Partner will help you to do this.
- Equities do not provide the security of capital characteristic of a deposit with a bank or building society.
- The prices of funds and the income from them may go down as well as up. You may not get back the amount invested.
- All data is quoted as at 31 December 2018.
- This Portfolio has been rated as upper-medium risk. The St. James's Place 'A Guide to understanding the balance between risk and reward including the St. James's Place Portfolios and funds', explains investment risk in detail and is available from your St. James's Place Partner.

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