ST. JAMES'S PLACE
WEALTH MANAGEMENT

INVESTMENTS

STRATEGIC GROWTH 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 Strategic Growth 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.

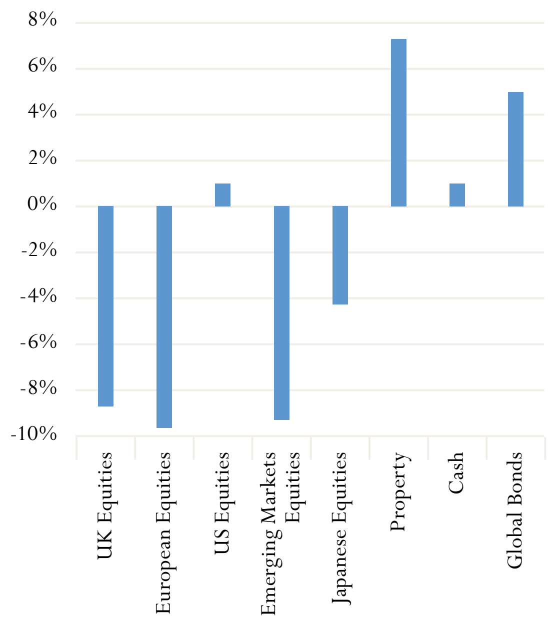
Geopolitics, diplomacy and trade loomed large. Among these, the falling price of oil was notable; a barrel of Brent crude dropped from $86 at the start of October to below $55 at year-end.

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.

MARKET RETURNS
(one year to 31 December 2018)



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.

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.

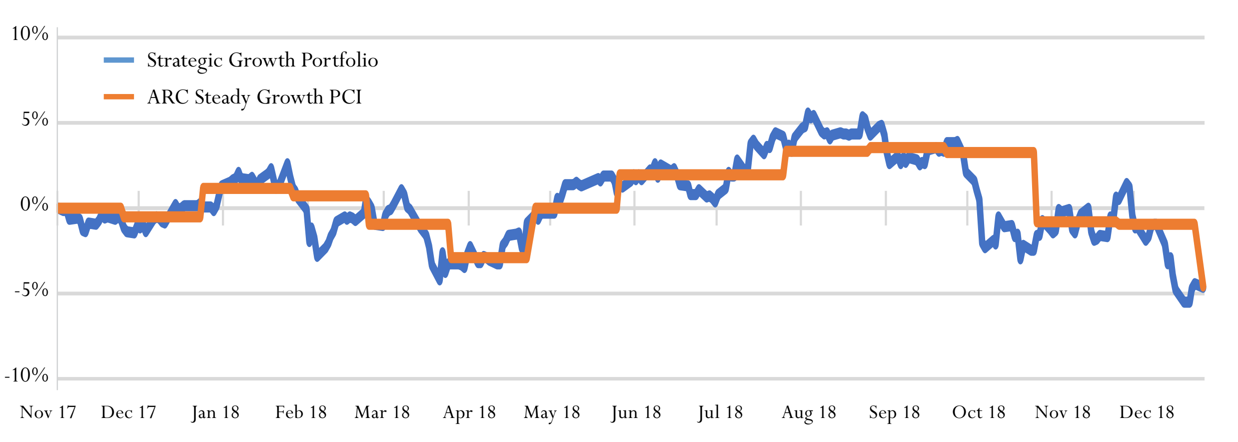
The Federal Reserve raised rates four times in 2018 as expected – against just once for the Bank of England – but was sounding more dovish by December. 2018 was also the year when markets started to feel the effects of quantitative tightening, as the Fed began to sell bonds back to the market.

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 6 November 2017. 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 Steady Growth Private Client Index (PCI) provides a representative peer group for the Strategic Growth Portfolio. ARC PCI prices are reported monthly.

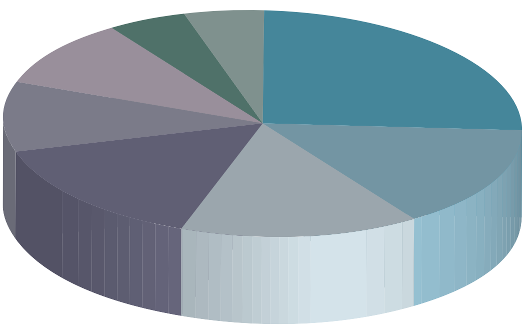
Portfolio fund allocations are not rebalanced automatically. Client Portfolios may have different fund allocations and, therefore, individual investment experience may vary.

The Strategic Growth Portfolio was launched 6 November 2017.

CUMULATIVE PERFORMANCE

	3 months	6 months	1 year	3 years	5 years	Since launch (AGR)
Strategic Growth Portfolio	-8.15%	-5.64%	-4.69%	-	-	-4.05%
ARC Steady Growth PCI	-7.64%	-6.44%	-5.71%	15.09%	23.19%	-4.01%

STRATEGIC GROWTH FUND ALLOCATION



Global Growth	25%
North American	15%
Greater European Progressive	15%
Investment Grade Corporate Bond	15%
Global Emerging Markets	10%
Diversified Bond	10%
Japan	5%
Asia Pacific	5%

PORTFOLIO COMMENTARY

The Strategic Growth Portfolio posted a negative return over the quarter.

Worries over growth afflicted most of the major economies in the final quarter, contributing to the downturn on markets. Third quarter growth – reported in the fourth quarter – came in negative for Germany, which is often viewed as Europe's economic powerhouse; at the same time, eurozone growth turned more sluggish. Japan, likewise, saw growth turn negative after a series of natural disasters and extreme weather during the third quarter.

The Greater European Progressive fund, co-managed by Investec and Burgundy, outperformed the wider market but delivered negative returns over the quarter. Social unrest in France, coupled with a budgetary dispute between Rome and Brussels, added to political uncertainty, buffeting markets. But the fund was aided by its allocation to the industrials sector. Vestas, a wind turbine manufacturer, was a positive contributor, buoyed by signs that pricing across the sector is beginning to stabilise. Despite troubles in the broader financial sector, holdings in Plus 500 and Raiffeisen Bank both provided support. Detractors included Scandinavian Tobacco, which reported disappointing earnings, and Wirecard, a German payments processor.

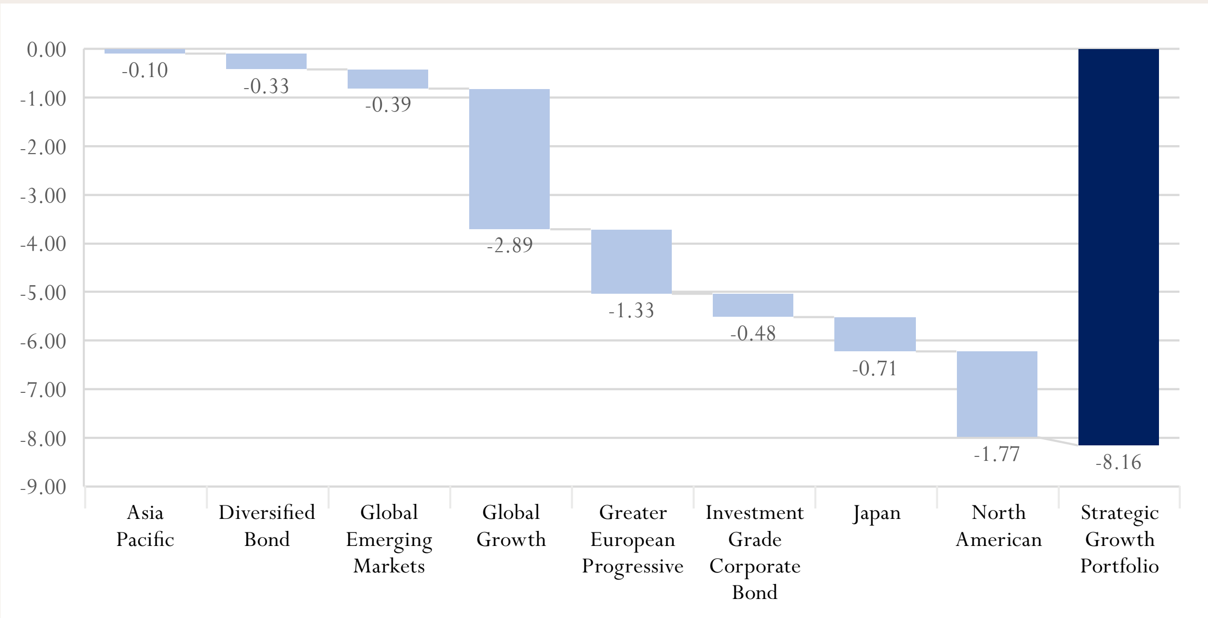
The Japan fund, managed by Nippon Value Investors, suffered due to its exposure to the consumer discretionary, financial and healthcare sectors, and from its low allocation to more defensive sectors. KYB, a components company, was another detractor, as it suffered the effects of a product liability scandal. Early indications, however, suggested that growth figures for the Japanese economy in the fourth quarter should show a return to the black.

US equities declined dramatically in the fourth quarter despite continued economic growth. The US midterm elections in November saw the House of Representatives turned over to the Democrats. The ensuing budgetary face-off led to a government shutdown in December. But US equity market investors were perhaps more worried about whether the Federal Reserve's programme of quantitative tightening would combine with trade tensions and the end of the Trump-tax-cuts boost to bring a period of stellar growth and stockmarket returns to an end.

The North American fund, managed by Aristotle, struggled over the period. Aristotle sold out of its General Electric position in mid-October, crystallising a loss in local currency terms, on concerns over the direction in which the new CEO, Lawrence Culp, plans to take the company. GE had announced on the first day of the quarter that it might have to write down the value of its business by up to $23 billion.

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

STRATEGIC GROWTH PORTFOLIO



Source: Financial Express. Performance figures to 31 December 2018, expressed in sterling terms. 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.

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	-	-	-
Diversified Bond	11/15	-3.5	4.2	8.2	-	-
Global Emerging Markets	04/10	-10.1	18.5	27.7	-8.8	3.6
Global Growth	11/17	-0.1	-	-	-	-
Greater European Progressive	01/92	-8.2	13.3	11.4	11.4	0.7
Investment Grade Corporate Bond	04/09	-3.4	4.0	4.7	-1.3	6.9
Japan	11/17	-13.4	-	-	-	-
North American	04/99	-5.8	8.8	39.5	8.7	21.0

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.

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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