Conservative Growth

HL PORTFOLIO +

August 2019

HARGREAVES LANSDOWN

PORTFOLIO OBJECTIVE

Aims for modest growth with reduced risk, **though it can still fall in value**.

A more conservative portfolio diversified across a number of different investment areas, such as shares, bonds and total return funds, to reduce risk.

Portfolio holdings (target %)	
HL Multi-Manager Balanced Managed	35
HL Multi-Manager Strategic Bond	35
HL Multi-Manager Equity & Bond	30

Portfolio's top ten underlying holdings (%)	
Invesco Tactical Bond	7.4
Jupiter Strategic Bond	6.1
Royal London Sterling Extra Yield Bond	6.0
M&G Optimal Income	5.1
Fidelity MoneyBuilder Income	4.4
M&G UK Inflation Linked Corporate Bond	4.4
Artemis Income	4.1
Morgan Stanley Sterling Corporate Bond	3.7
Man GLG Japan CoreAlpha	3.6
LF Woodford Equity Income	3.5

THE INVESTMENT MANAGERS

LEE GARDHOUSE
Chief Investment Officer

ELLEN POWLEY
Fund Manager

DAVID SMITH
Fund Manager

ROGER CLARK
Fund Manager

Investment research is a core part of our business. We believe exceptional fund managers are few and far between, but can be identified using a combination of rigorous statistical analysis and face-to-face meetings.

HOW DO WE SELECT INVESTMENTS?

Our proprietary, in-house quantitative model looks at over 2,000 funds and allows us to see more than just past performance. It enables us to drill down and decipher why a fund is at the top (or bottom) of performance tables. A key way to judge a manager is to find out if they consistently add value with their stock selection. In other words, do they do better than we would expect when considering their investment style? That is one of the key things we look for when we evaluate managers.

MORE THAN JUST NUMERICAL ANALYSIS

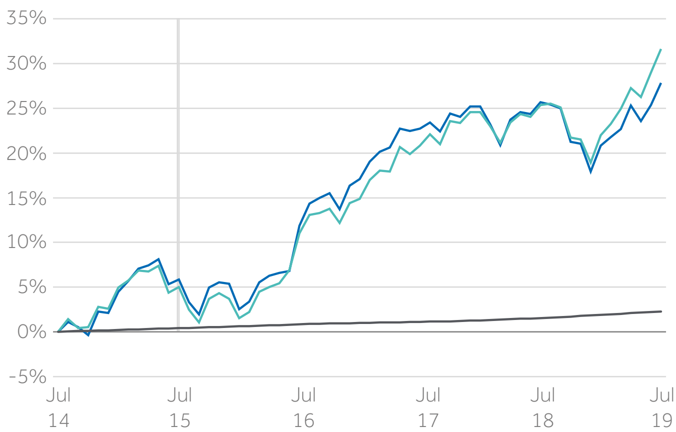
In addition to number crunching, we have unrivalled access to fund managers and conduct hundreds of face-to-face meetings each year. These meetings explore the manager's philosophy, process, team and incentivisation, among other things. We do all this because we want our clients to have exposure only to the limited pool of exceptional talent available. Each fund goes through a rigorous selection process. We constantly monitor funds and regularly review sectors to ensure you're invested only in what we believe are the very best funds.

PORTFOLIO UPDATE

This portfolio has a holding in Woodford Equity Income, in which dealing is currently suspended. This portfolio continues to trade as normal.

Backtested, and since launch, performance

Portfolio **+27.8%** Benchmark **+31.6%** Cash* **+2.3%**



* Bank of England base rate net of basic rate tax until 5th April 2016, gross thereafter.

The portfolios have been available since 03 June 2015. We have added the performance since launch as indicated by the vertical line. The Multi-Manager funds have been trading since at least 2009 and in most cases much longer, this has enabled us to backtest the performance data to give an indication of the likely performance pre-launch. We have selected a five year performance time frame which includes backtested performance up to the 03 June 2015, and actual performance since the 03 June 2015.

ABOUT THE BENCHMARK

The Investment Association (IA) is the UK fund industry's body. This portfolio uses a benchmark made up of three IA sectors to reflect the benchmark of the underlying Multi-Manager funds. The benchmark comprises 35% IA Mixed Investment 40-85% Shares, 35% IA GBP Strategic Bond and 30% IA Mixed Investment 20-60% Shares.

Past performance is not a guide to future returns.

Year on year performance (%)

	Backtested Performance	Actual Performance					Rolling Performance – 5 Years
	Jul 14 – 3rd Jun 15	3rd Jun 15 – Jul 15	Jul 15 – Jul 16	Jul 16 – Jul 17	Jul 17 – Jul 18	Jul 18 – Jul 19	
Portfolio for Conservative Growth	7.7	-0.4	5.7	9.7	2.4	1.7	27.8
Benchmark	6.8	-0.6	5.8	8.8	3.7	5.0	31.6

SEE IMPORTANT INFORMATION >>

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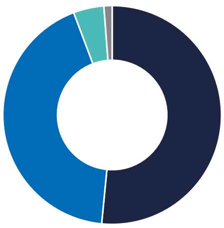
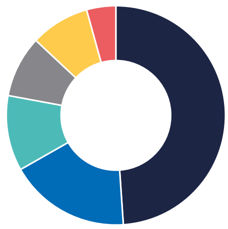
Asset Allocation (%)



- Fixed Income **51.5**
- Equity **42.7**
- Cash **4.5**
- Other **1.2**

Geographical equity allocation (%)



- UK **48.9**
- Europe **17.9**
- Japan **11.1**
- US **9.1**
- Emerging Markets **8.7**
- Asia Pacific **4.3**

Please note figures may not add up to 100% due to rounding.

MARKET REVIEW & OUTLOOK

There was plenty for investors to worry about in the three months to 31 July 2019. New Prime Minister Boris Johnson promised to take the UK out of the European Union by Halloween 'come what may'. Meanwhile there were fears of a recession in parts of Europe and the trade war between the US and China rumbled on.

Most major stock markets made money over the period though as low interest rates, which keep borrowing costs low and boost economic growth, look set to continue for longer than expected.

Bond markets did well for UK-based investors too. Overseas bonds were boosted by sterling weakness against most major currencies, although UK bonds also delivered impressive returns.

One of the portfolio's strongest performers was Findlay Park American. We hold the team behind this fund in high regard and think it's one of few funds with the potential to perform better than the broader US stock market over the long run.

This portfolio has an investment in LF Woodford Equity Income, which suspended dealing on 3 June 2019. We're monitoring the situation closely and remain committed to delivering the best outcome for investors.

Underlying holdings in focus

MAN GLG JAPAN COREALPHA

Stephen Harker's invested in Japanese shares for more than three decades and continues to use the same disciplined investment approach. He's a contrarian investor and looks for companies overlooked by others, but capable of a turnaround. This approach has rewarded investors over the long term and we believe it could continue to do so, although there are no guarantees. We think this fund is one of the best ways to invest in Japan.

FP CRUX EUROPEAN SPECIAL SITUATIONS

Richard Pease is one of the most-experienced investors in the European sector. He looks for companies that provide a product or service that's important for the end user and difficult for competitors to replicate. They have the potential to do well in both good and bad times for the wider economy. The manager has a great track record of investing in European companies and our analysis puts this down to his ability to select companies with outstanding prospects.

NEWTON REAL RETURN

We like the flexibility this fund offers. Its managers can invest in a range of assets from across the globe – from shares to bonds and commodities to cash. The team aims to grow investors' money over the long term, but provide some shelter when markets hit stormy waters. This means we expect the fund to produce relatively stable returns, although it won't keep pace when markets are rising quickly. We think this fund brings some stability to the wider portfolio.

ROYAL LONDON STERLING EXTRA YIELD BOND

This fund offers a different perspective on bond markets. Manager Eric Holt and his team focus on overlooked areas, including bonds that don't have a credit rating, or those with a claim on assets, such as property. The income on offer can be attractive, although yields are often higher to help offset the extra risk. A combination of investments in niche areas and more traditional areas of the government, corporate, and high-yield bond markets has worked well over the long term.

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