Conservative Growth

HL PORTFOLIO +

July 2021

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	7.1
Jupiter Strategic Bond	6.7
M&G Optimal Income	5.4
Royal London Fixed Income Mandate (HL SB)	5.1
M&G Global Macro Bond	5.1
Troy Trojan	3.9
Pyrford Global Total Return	3.6
Man GLG Japan CoreAlpha	3.2
BNY Mellon Real Return	3.0
Morgan Stanley Sterling Corporate Bond	3.0

THE INVESTMENT MANAGERS

DAVID SMITH
Fund Manager

ROGER CLARK
Fund Manager

RICHARD TROUE
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 LF Equity Income (formerly the LF Woodford Equity Income Fund), in which dealing is currently suspended. This portfolio continues to trade as normal.

Backtested, and since launch, performance

Portfolio **+28.5%** Benchmark **+35.8%** Cash* **+2.6%**

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

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.

The portfolios have been available since 03 June 2015.

Past performance is not an indication of future returns.

Year on year performance (%)

	Jul 16 – Jul 17	Jul 17 – Jul 18	Jul 18 – Jul 19	Jul 19 – Jul 20	Jul 20 – Jul 21	Since launch 03/06/15
Portfolio for Conservative Growth	9.7	2.4	1.7	-4.1	13.0	28.5
Benchmark	8.2	3.0	5.0	-0.5	12.2	35.8

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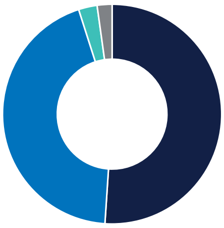
Asset Allocation (%)



- Fixed Income **51.0**
- Equity **44.0**
- Cash **2.7**
- Other **2.2**

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

Geographical equity allocation (%)

- UK **45.6**
- US **15.6**
- Europe **14.9**
- Japan **10.4**
- Emerging Markets **9.6**
- Asia Pacific **3.8**

MARKET REVIEW AND OUTLOOK

Global stock markets delivered mixed returns in the three months to the end of July 2021. The US did best, boosted by the strong performance of big tech names like Microsoft, Facebook and Alphabet (formerly Google). UK companies rose 1.8%, with small and medium-sized companies outperforming their larger peers. Asian and emerging markets were the worst performers, falling heavily in response to China's regulatory crackdown on a range of industries.

In bond markets, UK inflation-linked gilts performed best. They proved popular amid concerns that wage inflation and record-high government spending could mean higher inflation is here to stay. UK gilts and UK corporate bonds also made money, as did global bonds emerging market bonds and high yield bonds.

In terms of activity, we recently initiated a new segregated mandate, managed by Marlborough fund managers Eustace Santa Barbara and Guy Feld. We've invested with the duo and their team through their open-ended funds for several years and hold them in high regard.

Elsewhere, we reduced our investment in Comgest Growth Emerging Markets following a period of disappointing performance. We added the proceeds to the Stewart Investors Asia Pacific Leaders Sustainability fund, managed by David Gait and his experienced team.

Underlying holdings in focus

AVIVA UK EQUITY INCOME MANDATE

Chris Murphy and co-manager James Balfour look for companies that aim to make lots of cash, either to reinvest it to boost growth or to pay dividends. They like companies they believe can grow their cash flow in the long run, as this could support growing dividends. It can also mean a firm's better equipped to handle whatever's thrown at it, providing some stability when stock markets are turbulent. We like this simple investment approach, which Murphy has used throughout his investment career.

PYRFORD GLOBAL TOTAL RETURN

Tony Cousins and his team are conservative investors. They aim not to lose money over any 12-month period. They also aim to deliver an inflation-beating return over the long term with relatively low volatility. To achieve this, they invest in government bonds, shares and cash. When their outlook is positive, they invest more in shares. When they're cautious they invest more in government bonds and cash. We expect them to offer some shelter from swings in the stock market.

M&G GLOBAL MACRO BOND

This fund is run by an experienced manager with great flexibility to invest across global bond markets. A significant proportion of the fund can be invested overseas and it can be heavily exposed to foreign currencies, particularly the US dollar. Jim Leaviss invests with conviction, and proactively adjusts the portfolio in response to changing economic conditions. We think the fund provides important diversification to the UK-focused part of our bond portfolio and offers exposure to currencies other than sterling.

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