

Progeny Optimised Passive Income 60/40 Portfolio

Progeny Asset Management – Dynamic Planner 5

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Market Commentary

Markets have been positive over the quarter with the S&P 500 returning 3.31% and FTSE 100 returning 0.38%, after giving away higher gains from mid-January.

The General Election result in the UK helped buoy markets, in the hope a no-deal Brexit will be avoided, and more certainty will surround the fate of the UK.

At the beginning of the quarter there was increasing positivity around the easing of a global trade war. Donald Trump had reduced some of the tariffs on China and has delayed a third round of tariffs which would have hit the US consumer more than any of the previous rounds. Economic data had started to improve following mixed numbers at the beginning of 2019.

The big shock to markets this year has been the outbreak of the Coronavirus which started in China but has spread globally. The effects on the global economy are still unknown and will depend on how long the virus continues to spread. There is likely to be supply chain disruption and a negative impact on the consumer and tourism industries. So far, we have had Alibaba and Burberry warn that there has been a material impact and first quarter profits are likely to be lower than expected.

We have made a slight change to asset allocation, increasing US Equity slightly and reducing UK equity.

Portfolio Information

Portfolio Benchmark	ARC Balanced Asset
Investment Management fee	0.30% + VAT
Fund Underlying OCF	0.39%
Total Cost	0.75%
Yield	2.92%
Inception Date	1st April 2018

Performance

%	1m	3m	6m	1y	Incep
OPI	0.11	2.20	1.98	9.93	12.70
Benchmark	-0.20	2.44	0.96	8.69	7.46



Performance calculation: all income reinvested. Performance is shown inclusive of underlying fund charges but gross of Progeny Asset Management investment management fees. Deduction of this charge will have the result of reducing the illustrated performance.

Performance is calculated based on the model portfolio and provided for illustrative purposes only and should not be viewed as the performance of a specific client account.

For the historical optimisation, the portfolio put forward for back-testing has historically had an annualised return of > 8.50% (over 3 years).

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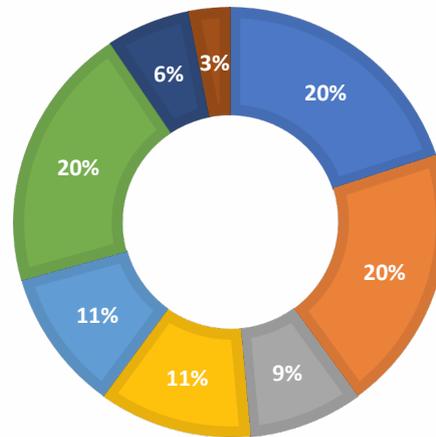
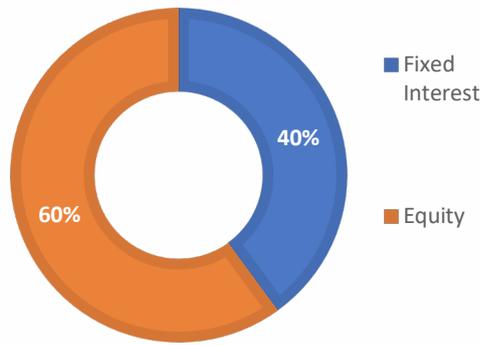
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Progeny Optimised Passive Income

60/40 Portfolio

Asset Allocation



- UK Corporate Bonds
- UK Equity
- UK Gilt
- Global High Yield Bonds
- Property
- North American Equity
- Private Equity
- Asia Pacific

Portfolio Holdings

iShares Core £ Corporate Bond UCITS ETF	20.00%
iShares FTSE 250 UCITS ETF	20.00%
iShares MSCI USA Dividend UCITS ETF	20.00%
iShares Global High Yield Corp Bond UCITS ETF	11.44%
iShares Developed Markets Property Yield UCITS ETF	10.66%
iShares Core UK Gilts UCITS ETF	8.56%
iShares Listed Private Equity UCITS ETF	6.25%
iShares Asia Pacific Dividend UCITS ETF	3.09%

Process

Taking guidance from Markowitz's Modern Portfolio Theory, we have adopted a scientific approach to risk and return, and the portfolio has been constructed to sit along the efficient frontier. We set the criteria that the portfolio should target a minimum 3% yield. It is a low-cost, passive solution consisting of exchange traded funds.

BlackRock, as the largest provider of exchange-traded funds (ETFs) in the world*, were able to bring their significant experience and insight to bear on the optimisation of the portfolio.

* iShares is the world's leading Exchange Traded Fund (ETF) provider with more than a decade of expertise and commitment to investors. This is based on over 830 ETFs and more than \$1.75 trillion USD in assets under management globally (BlackRock, 31/12/17).

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