

Progeny Optimised Passive Income 60/40 Portfolio

Progeny Asset Management - Dynamic Planner 5

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Market Commentary

From a market perspective, the contrast between the first quarter of 2019 and the final quarter of 2018 could not be starker. The gloominess around US Federal Reserve policy and the US-China trade dispute has lifted for now.

The underlying problems from a fundamental perspective remain. Economic activity is slowing, and a real concern is that the market has got ahead of itself, leaving it vulnerable to a sudden pull back. However, recession doesn't feature as a headline worry for us at this point.

Global equity markets have rallied year to date. Driven by the US Federal Reserve's dovish turn and positive news flow around the US and China trade dispute, equities rebounded from oversold and bearish levels in late December to more sensible valuations as the first quarter progressed. From the worst December since 1931 for the S&P 500, returns for January were the best since 1987. Equity sentiment has switched from considerably pessimistic to fairly optimistic over the past quarter.

However, the British stock market, which along with the pound has borne the brunt of shifts in investor appetite in response to Brexit developments, has performed relatively poorly. Although the FTSE 100 is up 10 percent year-to-date, it is challenging Spain's IBEX as the worst performer among the major European bourses in 2019.

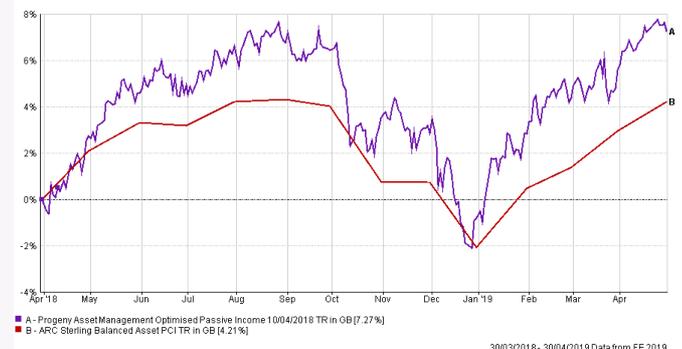
For all the Brexit tumult, one thing that has remained strong and stable - to borrow a phrase Prime Minister Theresa May once used to describe her leadership - is demand for British government debt. Conversely, we have seen political crises push up borrowing costs in euro zone countries such as Greece and Italy in recent years.

Portfolio Information

Portfolio Benchmark	ARC Balanced Asset
Investment Management fee	0.30% + VAT
Fund Underlying OCF	0.36%
Total Cost	0.72%
Yield	3.00%
Inception Date	1st April 2018

Performance

%	1m	3m	6m	1y	Incep
OPI	1.34	3.77	3.45	4.41	7.27
Benchmark	1.20	3.72	3.42	2.06	4.21



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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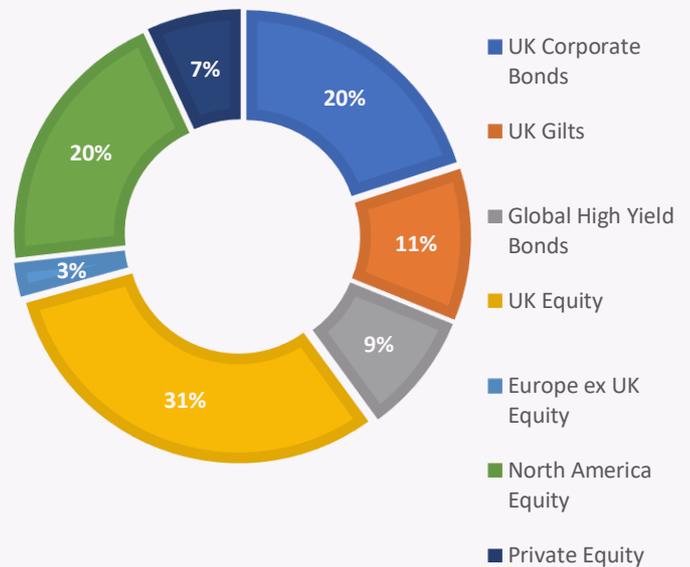
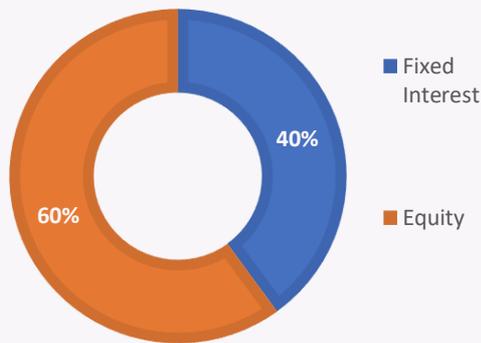
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Progeny Optimised Passive

60/40 Portfolio

Asset Allocation



Portfolio Holdings

iShares £ Corp Bond 0-5yr UCITS ETF	20.00 %
iShares Listed Private Equity UCITS ETF	6.83 %
iShares Global High Yield Corp Bond GBP Hedged UCITS ETF	8.84 %
iShares Core UK Gilts UCITS ETF	11.16 %
iShares FTSE 250 UCITS ETF	20.00 %
iShares UK Dividend UCITS ETF	10.67 %
iShares Euro Dividend UCITS ETF	2.50 %
iShares MSCI USA Quality Dividend UCITS ETF	20.00 %

London

Egyptian House, 170-173 Piccadilly, London W1J 9EJ

t: +44 20 3284 5071

Leeds

Progeny House, 46 Park Place, Leeds LS1 2RY

t: +44 113 467 1596

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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