

Progeny Optimised Passive Income 60/40 Portfolio

Progeny Asset Management – Dynamic Planner 5

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Market Commentary

The second quarter of 2019 has seen a mixture of ups and downs in world markets, as stocks rotated between bullish and bearish sentiment, ending the quarter on a high. A key contributory factor to the volatility was continued world tensions. This was epitomised in the recent G20 summit in Osaka, where we saw Donald Trump leave Japan to be the first US President to step foot in North Korea. Trade war negotiations between the USA and China seem to be defusing for now, citing positive reaction in world equity markets at the end of the reporting period.

Whilst there is a lot of 'noise' in the economic environment at the moment, global stock markets have made a great start to the year, with double digit returns seen in many key geographies for the past 6 months.

In June, the central banks came to the rescue once again. Confronted by weaker economic data, risks to the trade outlook and continued low inflation, the European Central Bank (ECB) indicated that the cavalry is coming in the form of further monetary stimulus and Jay Powell and the Federal Reserve (FED), hinted at a rate cut due to the dislocation from the trade wars; so bad economic news was in fact good news for markets...

Riskier assets, such as equities and credit, rallied along with traditional safe haven assets, such as developed market government bonds. Reversing the weakness of those riskier assets in May, June's strong performance has made it a good quarter and certainly a good start to the year, almost irrespective of what you were invested in.

July saw the appointment of Boris Johnson as Prime Minister of the United Kingdom. This was very much expected, following the announcement Theresa May was stepping down, after the UK's failure to depart from the European Union on time.

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	2.43	3.53	7.99	4.16	11.05
Benchmark	2.10	1.28	5.53	1.74	8.25



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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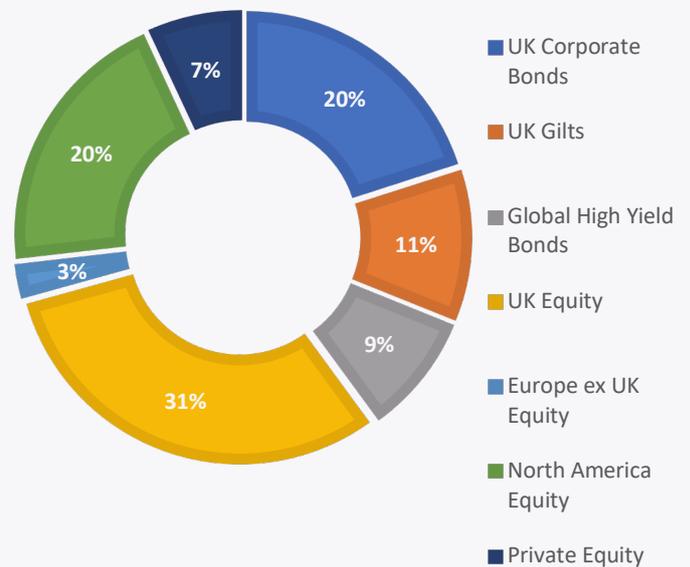
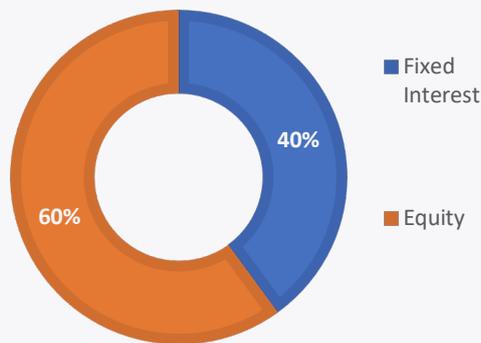
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60/40 Portfolio

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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