



# CAERUS SELECT

QUARTER ONE 2017  
INVESTMENT REVIEW



**CAERUS**  
Portfolio Management





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# CHIEF EXECUTIVE'S STATEMENT



**Keith Carby**

Chief Executive  
CAERUS Capital Group Limited

Notwithstanding the “local” impact on us of a snap election, to check the pulse of Investment markets, you have to look first at the situation in the USA. It’s the world’s biggest economy and the richest nation. For the UK Investor, our weaker currency is of course giving all our overseas holdings a lift. But where do things stand in the world of the dollar?

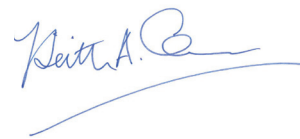
We are looking back, now, over the first hundred days of the Trump administration and watching for clearer signs of where his policy initiatives will start to achieve traction. He was fortunate to inherit an economy in good health and a stock market that was heading for new highs. His election added even more momentum. Sentiment turned even more bullish on Trump’s shock success, in the belief that his consistent talk of ‘America first’, of bringing jobs home from abroad, lower tax, deregulation, defence spending, and rebuilding US roads, dams, and civil engineering, would add a further boost to the economy and Investment markets. And all this on top of energy policies to keep America independent of the Middle East by encouraging exploitation of domestic resources, in shale gas and coal, and by building an up-to-date American energy supply network of new pipelines and electricity grids.

This was the vision. Since taking office, the President has moved on a number of policy areas but has also been checked in ways he perhaps did not anticipate. His campaign message was that he would try to ‘drain the swamp’ of Washington politics, but that is not going to be easy. Despite the Republicans achieving a working majority in both houses of Congress, Trump has failed to get enough support from his own party to repeal ‘Obamacare’, which would have released resources for some of his other policy initiatives. Why? Because his amendments did not go far enough for some in his own party. Other more symbolic moves, such as extreme vetting, have been thwarted temporarily and now the foreign affairs agenda has moved to the fore. As Truman said, if you want a friend in Washington, get a dog.

One of Trump’s targets in his commentary has been the Federal Reserve, citing the negative effects of QE on working families. The focus of our analysis is turning to the question of how the Fed will move ahead with its key objectives, to raise rates and cut the size of its balance sheet, which has swollen to over \$4.5 trillion, for a pre-QE level of \$900 billion. We see a likelihood of the dollar staying strong, despite Trump’s remark that dollar strength ‘is killing us’. And this, in turn, gives us comfort that from an international perspective, bond Investments, which already provide vital portfolio diversification, still offer important Investment opportunities.

Spreading your Investment risk, wisely, across a broad range of asset classes, remains central to our philosophy.

We look forward to the next twelve months, with optimism.



Keith Carby  
Chief Executive  
CAERUS Capital Group Limited

# MANAGING DIRECTOR'S REVIEW



## Andy Ferns

Managing Director  
CAERUS Capital Group Limited

### A better quarter for Active

Looking at the performance data in this quarter's reports, it is good to see, again, some very pleasing positive returns across all risk grades. You can see that the CAERUS risk framework is delivering sequentially increasing returns as you move higher and higher through the risk grades.

Our Risk Grade 1 Active Portfolio – which is as close as possible to a cash investment – delivered 0.3% in three months, while a mid-range, Risk Grade 6 Portfolio went up by 3.7% and at the riskiest level, Risk Grade 10, performance was strongest, with a return on your Investment, in a period of just 90 days, of 6.3%. These numbers support our consistent theme, albeit looking at the data over a very short run, that return is always a function of the level of risk you are prepared to take.

But there is another level of interest in the data this quarter. Focussing on a comparison of the Active returns against the passive portfolio figures, we can see that the Active managers, whose funds cost generally 0.5% more a year, have been justifying this expense with better returns. Why is this, when markets have been strong?

Normally when markets show strong momentum Passive investing does well. In a bull run, share prices tend to get marked up across the board on a wave of positive sentiment. Over the last seven or eight years, the policies of the central banks have added to this with the extra liquidity pumped into markets to keep confidence alive. Active managers have found it hard to compete.

We are perhaps now moving into a new phase. Quantitative easing has come to an end in the US and their central bankers are looking at ways to cancel or resell the bonds they now hold in such quantities. Active bond managers now have to decide whether they might make more money with positions in longer or shorter dated bonds, in a market that could become less 'directional'.

In equities, the Trump effect gave smaller companies a fillip, and that is an area in which Active managers excel. They can get out into the field to meet the growing businesses which have new, innovative products and services, and which will do best if the burden of regulation is lifted, even slightly. Active managers also have the ability to hold cash, which Passive managers are forbidden, so taking profits and not being invested when they, as Active managers, can't see value for money, are two ways they can protect Clients' capital should things get tougher.

### Ethical Continues to Impress

A first thought might be that Ethical Investing would be struggling in the new policy regime that exists today in the USA. The Trump drive for cheap energy – from fossil fuels – and a lack of conviction around environmental protection, could suggest that ethical Investment would be falling behind. This is far from the truth and our Ethical solutions have enjoyed an excellent quarter, outperforming our blended strategies at the middle risk grades by as much as a full 1% over three months. In very general terms, what we see is that businesses operating within Environmental, Social and Governance constraints can be just that little better run, with a little more buy-in from their people. It is another counter to the idea that Investing must be all take and no give. For now, capital has been achieving a better return invested in some really well run, ethically minded companies.



# IMPORTANT NOTES

## Views and opinions

The views and opinions expressed in this document are those of CAERUS Portfolio Management Limited and Parmenion Investment Management. They should not be taken as a personal recommendation to buy or sell, or as Advice on how any Investment mentioned is likely to perform. Every care has been taken to ensure the accuracy of the information published in this document. It cannot, however, be guaranteed.

## Performance data

Unless otherwise stated, all performance figures are from FE, formerly Financial Express Analytics, and are calculated on a total return, bid to bid basis (no initial charges) to 31st March 2017 (net income reinvested). Performance figures include the underlying funds' Annual Management Charges and exclude rebates and external charges from Parmenion or the introducing Adviser.

Where performance data is not available for a period of five years or more, this is quoted from inception date. Where no performance figures are shown, no data is available, which we have labelled as N/A for the purposes of this document.

The tables in this document provide past performance data and should not be taken as a guide to future returns. The data represents the period over which Parmenion Investment Management has operated the funds in their stated configuration. CAERUS Portfolios have been operating using the same formulation since 3rd March 2014.

The data included within this report reflects the performance and charges for the CAERUS Select Portfolios as managed on the Parmenion Platform. This data may differ on other platforms due to fund and share class availability and the trading processes adopted by the platform.

The value of Investments and the income that can be earned from them may go down as well as up and a Client may not get back the full amount invested. Rates and bases of taxation are subject to change. The risks of Investment associated with different asset classes, for example, overseas equity, property, corporate debt, commodities and alternative assets vary in their nature.

## Yield

The Quarterly Investment Review quotes the historic yield, which reflects distribution declared over the past twelve months as a percentage of the unit price. It is based on a snapshot of the Portfolio on that day.

## Ongoing Charge Figure (OCF)

The Ongoing Charge Figure is defined as the expected total cost of managing and operating the fund for the coming year. OCF includes the Annual Management Charge paid to the fund manager plus the additional operational charges of the fund (custody, distribution, audit, registration and regulatory fees).

OCF does not include an estimate of performance fees unlike the old measure, Total Expense Ratio (TER), which was based on the experience over the prior year.

The OCF figures quoted in this report are net of any rebates paid to Parmenion from the Annual Management Charge. Any such rebates received are credited to the Client's Portfolio. OCF figures in this report do not include Parmenion's own charges or those of the introducing Adviser; neither do they include any dealing costs associated with buying or selling the funds.

## Seeking appropriate Financial Advice

Parmenion is not authorised to provide Investment Advice to individuals. It is important that Clients take a medium to long-term view when investing and are realistic about performance outcomes.

If a Client wishes to obtain Financial Advice as to whether an Investment is suitable for their needs, they should consult an authorised Financial Adviser.

Clients should ensure they have understood the content of their Adviser's Suitability Report before proceeding with any proposed Investment.

## Regulatory

CAERUS Portfolio Management Limited is authorised and regulated by the Financial Conduct Authority, registration number 175524.

Parmenion Investment Management Ltd is a subsidiary of Parmenion Capital Partners LLP. Parmenion Capital Partners LLP is authorised and regulated by the Financial Conduct Authority, registration number 462085 and is a wholly owned subsidiary of Aberdeen Asset Management PLC and Aberdeen Investments Limited. Parmenion Capital Partners LLP is registered in England and Wales OC322243.



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# MARKET COMMENTARY



**Simon Brett**

Director & Chief Investment Officer  
Parmenion Investment Management

Trumponomics, Trumpflation or the Trump trade or whatever you want to call it has been the oft quoted explanation for the good returns enjoyed by the US stock market. Wall Street made numerous all-time highs during the first quarter of 2017 as 'animal spirits' held sway.

The election of President Trump and his inauguration in January have led to a number of expectations; namely that the new administration will deliver on a number of bold promises to cut personal and corporate taxes, review trade deals that benefit the US and spend more on infrastructure and defence.

What is there not to like? Markets did not err on the side of caution and instead adopted an optimistic outlook.

However, more recently there have been a few question marks over whether all of the above is achievable. A Republican controlled Congress failed to repeal and replace Obamacare. This raises the question if Trump can garner enough support from politicians to push through other items on his extensive agenda.

Putting to one side the expected benefits of the above, the US economy was already in good shape. So much so that the Federal Reserve raised interest rates by 0.25% to 1%. Reasons given were that unemployment is falling and thus wages may rise pushing up inflation. There was also an indication that there may be two more rate hikes later in the year.

Closer to home, politics have dominated and will continue to intrigue Europe in the coming months.

The theme in Europe (as was the case in the US and UK) is the rise of populist movements that are upsetting the established political parties. Although the Dutch elections returned the incumbent government, the upcoming French election is looking to be a contest between Marine Le Pen and Emmanuel Macron. Should the former win, what then for the European Union?

It will perhaps only take one populist to win to upset the European project as per the Brexit vote in the UK.

Now that Article 50 to leave the European Union has been triggered by the UK, there are two years in which to negotiate a beneficial withdrawal. Hopefully both sides will be pragmatic and find a workable solution, and that the rhetoric from some will become more measured.

Post the June vote, the depreciation of sterling has been both good and bad for the UK economy. Good for exporters who became more competitive, but bad for imported inflation. In February the inflation rate jumped to 2.3% from 1.8% in January, pushed up by rising fuel and food prices. Interestingly the figure is the same for average readings, meaning flat living standards at best. Combined with a fall in the savings rate (the lowest rate since records began in 1963) it appears that the consumer is dipping into savings to finance their expenditure. Given that the UK economy has relied upon the consumer since the financial crisis to maintain growth, then the above may presage a slow-down in the economy. It should, therefore, come as no surprise that the next interest rate rise is forecast for the first quarter of 2019.

An old stock market adage is that 'markets climb a wall of worry'. That has certainly been the case for the past year, generated by unexpected political upheavals.

Investors should perhaps expect more of the same for the rest of 2017, and should remain aware of how much risk they are prepared and comfortable to tolerate.

In this time of change, it appears more important than ever to ensure your Clients' portfolios are well diversified to mitigate any external shocks or change in sentiment which may follow.

The risk-graded framework, around which all our portfolios are based at Parmenion, is also essential for ensuring Clients' Investment portfolios are aligned with their Attitude to Risk and Capacity for Loss, to ensure there are no surprises.





**Emily Booth**  
Senior Investment Manager  
Parmenion Investment Management

For some years, the 'hunt for yield' has driven prices up and yields down across most income-bearing asset classes. This creates a headache for all Investment managers, many of whom are struggling to reconcile their realistic expectations of companies' future cash-generating ability against the prices others in the market are prepared to pay.

These judgements are complicated by the need to consider the timing of future moves by the central banks, whose gigantic bond-buying sprees under their Quantitative Easing programmes have forced down yields to historically low levels.

The risk-free rate of return has always been important when assessing intrinsic value but in the past, markets played a greater role in setting its level. Now it is essentially set by official fiat – and that makes Investments inherently riskier as markets will move more sharply in response to policy changes due to not being at their natural equilibrium level to start with.

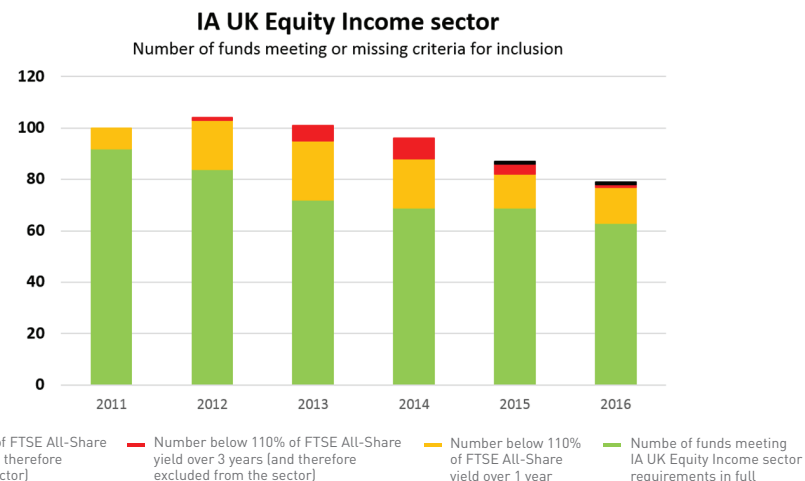
### Blind following the blind

Unwary Investors motivated purely by today's yields can be drawn into buying stocks that others with longer time horizons are avoiding. As money chases these yields, prices of such stocks rise and they become an ever-larger proportion of the index.

This process is exacerbated because risk-blind passive funds are then forced to buy more with inflows, pushing up the valuations of high dividend payers to unsustainable levels, making many Active fund managers reluctant to own them.

The Investment Association's (IA) rules, prior to this month, required funds in the UK Equity Income sector to produce an income 10% higher than that of the FTSE All-Share over rolling 3 year periods, with no less than 90% of the index yield in any one year. As the chart to the right shows, funds that focus on the sustainability of dividends have increasingly struggled to meet these requirements.

Equity Income investment managers typically seek to build portfolios of stocks offering financial strength to withstand potential interest rate rises combined with a suitably high yield. Faced with the challenges outlined above, many have concluded that the yield factor should be the one to give.



Source: [www.theinvestmentassociation.org/assets/files/sectors/20170308-UKequityincomesectoryearendyielddata.pdf](http://www.theinvestmentassociation.org/assets/files/sectors/20170308-UKequityincomesectoryearendyielddata.pdf)

They are disinclined to invest in companies whose share price is only partially reflecting future risks, yet whose yield appears high based on historic dividends paid. For example, Financial Services companies with overseas operations saw their 2016/17 earnings benefit from the post-Brexit fall in sterling but the potential loss of passporting rights into the EU represents a significant threat to their business. Whilst they paid high dividends this year, their future prospects are less rosy.

Worse yet are companies that pay out a greater share of earnings than they can safely afford. For example Pearson, that for three years maintained its dividend even as the cash flows from its core educational publishing business fell as the company struggled to adjust to the new digital world.

The IA sector has now bowed to pressure to relax their criteria: the new rule is that funds' 3 year rolling yields must at least match that of the FTSE All-Share index to be included in the UK Equity Income sector.

### Our position

As far as Parmenion's Investment process is concerned, our assessment of what constitutes a suitable fund for our UK Value and Income asset group has never been swayed by the IA's rules.

Rather, our commitment is to continue to seek out those managers who have demonstrated an ability to invest our shared Clients' money to produce above average return for risk.



# CAERUS ACTIVE AND PASSIVE PORTFOLIOS

The CAERUS offering is built around seven asset classes; Managed Liquidity, Fixed Interest, Property, UK Value and Income, UK Growth, Developed Markets and Emerging Markets. An Investor in the CAERUS offering assumes that the risk and return relationships between the various asset classes are stable over the long term. Thus, the asset allocations for the ten Risk Graded portfolios will not change frequently.

## CAERUS Active and Passive portfolios

	MANAGED LIQUIDITY	FIXED INTEREST	PROPERTY	UK VALUE AND INCOME	UK GROWTH	DEVELOPED MARKETS	EMERGING MARKETS	TOTAL
<b>Risk Grade</b>								
1	80%	20%	0%	0%	0%	0%	0%	100%
2	25%	55%	10%	5%	5%	0%	0%	100%
3	15%	55%	10%	10%	5%	5%	0%	100%
4	15%	35%	10%	20%	10%	10%	0%	100%
5	5%	30%	10%	20%	15%	20%	0%	100%
6	0%	25%	10%	20%	20%	25%	0%	100%
7	0%	15%	15%	20%	20%	25%	5%	100%
8	0%	0%	15%	20%	15%	35%	15%	100%
9	0%	0%	10%	15%	15%	35%	25%	100%
10	0%	0%	0%	10%	15%	40%	35%	100%

Portfolios are rebalanced to their asset allocation on a quarterly basis.

## Net Ongoing Charge Figure (OCF) and historic yield by risk grade

The fund OCF and historic yield for each Risk Grade are shown below. The data included will vary from month to month, depending on the fund selection of the Investment manager and the expenses of the underlying funds themselves. These figures are therefore only included for the purposes of transparency.

### CAERUS Active

	RISK GRADE 1	RISK GRADE 2	RISK GRADE 3	RISK GRADE 4	RISK GRADE 5	RISK GRADE 6	RISK GRADE 7	RISK GRADE 8	RISK GRADE 9	RISK GRADE 10
Fund OCF	0.22%	0.54%	0.62%	0.66%	0.76%	0.81%	0.84%	0.91%	0.94%	0.99%
Historic Yield	0.88%	1.90%	2.09%	2.20%	2.25%	2.28%	2.26%	2.06%	1.85%	1.55%

Fund OCF and Historic Yield data correct as at 3rd April 2017

### CAERUS Passive

	RISK GRADE 1	RISK GRADE 2	RISK GRADE 3	RISK GRADE 4	RISK GRADE 5	RISK GRADE 6	RISK GRADE 7	RISK GRADE 8	RISK GRADE 9	RISK GRADE 10
Fund OCF	0.11%	0.15%	0.15%	0.16%	0.15%	0.15%	0.19%	0.20%	0.18%	0.13%
Historic Yield	0.84%	1.90%	2.16%	2.48%	2.68%	2.82%	2.87%	2.81%	2.66%	2.47%

Fund OCF and Historic Yield data correct as at 3rd April 2017

## Portfolio holdings as at 31st March 2017

The current portfolio holdings for CAERUS Active and Passive are shown in the tables below, as at 31st March 2017. Please refer to page 30 for details on fund changes over the period.

### CAERUS Active

MANAGED LIQUIDITY	FIXED INTEREST	PROPERTY	UK VALUE AND INCOME	UK GROWTH	DEVELOPED MARKETS	EMERGING MARKETS
BlackRock ICS Institutional Sterling Liquidity Heritage	Allianz Gilt Yield	Standard Life Investments UK Real Estate Income Feeder	Rathbone Income	Neptune UK Mid Cap	CF Morant Wright Nippon Yield	Aberdeen Emerging Markets Equity
Federated Short-Term Sterling Prime	Fidelity Moneybuilder Income	L&G UK Property Feeder	Invesco Perpetual Income	JOHCM UK Opportunities	JPM US Equity Income	MI Somerset Emerging Markets Dividend Growth
	Kames Investment Grade Bond	Threadneedle UK Property Authorised Trust Feeder	Threadneedle UK Equity Income	Jupiter UK Special Situations	Pioneer US Fundamental Growth	Fidelity Emerging Markets
	Goldman Sachs Global Fixed Income Plus Portfolio		Trojan Income	Liontrust Special Situations	Stewart Investors Asia Pacific Leaders	Schroder Global Emerging Markets
	M&G Index Linked Bond		Unicorn UK Income	Schroder UK Smaller Companies	Jupiter European	
	M&G Optimal Income				Fidelity American Special Situations	
	Jupiter Strategic Bond				Threadneedle European Select	
					FP CRUX European Special Situations	

### CAERUS Passive

MANAGED LIQUIDITY	FIXED INTEREST	PROPERTY	UK VALUE AND INCOME	UK GROWTH	DEVELOPED MARKETS	EMERGING MARKETS
BlackRock ICS Institutional Sterling Liquidity Heritage	Vanguard UK Investment Grade Bond Index	Standard Life Investments UK Real Estate Income Feeder	Vanguard FTSE UK Equity Income Index	Vanguard FTSE UK All Share Index	Vanguard US Equity Index	Vanguard Emerging Markets Stock Index
Federated Short-Term Sterling Prime	L&G All Stocks Index Linked Gilt Index	L&G UK Property Feeder			Vanguard FTSE Developed Europe ex UK Equity Index	
	Vanguard Global Bond Index GBP Hedged	Threadneedle UK Property Authorised Trust Feeder			L&G Japan Index	
	Vanguard UK Government Bond Index				L&G Pacific Index	

## CAERUS Active - portfolio returns to period end 31st March 2017

All portfolios continue to perform in line with their relative risk over all periods, (except Risk Grade 9 over 5 years), owing to the continued strong relative performance of Developed Markets Equity, UK Equity (over 3 months and 5 years) and Emerging Markets over 3 months, 6 months and 1 year.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Active</b>						
1	0.30%	-0.17%	1.64%	1.11%	4.26%	6.77%
2	1.65%	0.86%	5.89%	6.39%	14.15%	23.40%
3	2.10%	1.74%	7.90%	8.65%	18.16%	30.87%
4	2.72%	3.55%	9.92%	11.33%	21.65%	40.19%
5	3.32%	5.13%	13.22%	15.22%	28.18%	52.04%
6	3.70%	6.16%	15.18%	17.61%	31.88%	59.43%
7	4.18%	7.00%	15.83%	18.37%	33.11%	60.93%
8	5.09%	8.76%	19.58%	21.40%	38.87%	68.31%
9	5.67%	9.11%	22.18%	22.48%	40.20%	67.67%
10	6.31%	9.76%	26.33%	24.64%	43.44%	70.20%

## CAERUS Passive - portfolio returns to period end 31st March 2017

All portfolios continue to perform in line with their relative risk over all periods, (except Risk Grade 9 over 5 years), owing to the continued strong relative performance of Developed Markets Equity, UK Equity (over 3 months and 5 years) and Emerging Markets over 3 months, 6 months and 1 year.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Passive</b>						
1	0.25%	-0.35%	1.48%	1.60%	5.48%	8.35%
2	1.33%	0.11%	5.32%	6.51%	15.93%	25.19%
3	1.78%	1.05%	7.72%	8.63%	19.54%	32.35%
4	2.38%	3.16%	10.84%	10.50%	21.20%	39.49%
5	3.06%	4.95%	14.86%	14.15%	27.05%	50.83%
6	3.47%	6.10%	17.30%	16.20%	30.13%	57.50%
7	4.00%	7.13%	18.31%	16.96%	31.08%	57.95%
8	5.17%	9.46%	23.12%	20.47%	36.54%	64.14%
9	5.83%	9.95%	25.84%	21.87%	38.49%	62.82%
10	6.61%	10.82%	30.41%	24.37%	42.24%	64.66%

Please note that portfolio returns prior to 1st March 2014 are based on the performance of the PIM Strategic Multi-Option portfolios, upon which the structure of the CAERUS portfolios is based.

These returns simulate the performance that would have been achieved by these portfolios had they been in existence during these periods.

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of Investments and any income from them is not guaranteed and can go down as well as up.

## CAERUS - asset class returns to period end 31st March 2017

The CAERUS Risk Graded portfolios are built through a weighted exposure to seven underlying asset classes. For transparency purposes the returns of each asset class are given below. These returns should not be considered in isolation as the asset class risk and return characteristics are taken into account within the construction of each risk graded portfolio.

### CAERUS Active

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
Managed Liquidity	0.06%	0.14%	0.38%	0.27%	2.32%	4.31%
Fixed Interest	1.66%	-0.62%	8.38%	7.86%	18.00%	27.32%
Property	3.15%	5.44%	-1.48%	6.66%	20.45%	31.43%
UK Value and Income	4.82%	6.94%	13.83%	15.48%	26.42%	70.84%
UK Growth	5.04%	9.01%	19.64%	24.27%	30.74%	70.92%
Developed Markets	4.33%	11.19%	28.28%	31.42%	63.20%	101.68%
Emerging Markets	9.88%	9.74%	31.75%	21.35%	35.48%	43.61%

### CAERUS Passive

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
Managed Liquidity	0.06%	0.14%	0.38%	0.27%	2.32%	4.31%
Fixed Interest	1.17%	-2.07%	6.39%	8.27%	21.25%	30.19%
Property	3.15%	5.44%	-1.48%	6.66%	20.45%	31.43%
UK Value and Income	3.62%	6.52%	17.48%	10.46%	18.01%	55.71%
UK Growth	4.01%	8.00%	21.83%	16.96%	24.57%	58.05%
Developed Markets	5.47%	13.14%	33.81%	33.22%	61.24%	105.91%
Emerging Markets	10.10%	10.80%	34.41%	22.03%	37.43%	31.36%

Please note that portfolio returns prior to 1st March 2014 are based on the performance of the PIM Strategic Multi-Option portfolios, upon which the structure of the CAERUS portfolios is based.

These returns simulate the performance that would have been achieved by these portfolios had they been in existence during these periods.

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of Investments and any income from them is not guaranteed and can go down as well as up.



# CAERUS BLENDS

The CAERUS Blended Portfolios are built around the seven asset classes used in CAERUS Active and CAERUS Passive; Managed Liquidity, Fixed Interest, Property, UK Value and Income, UK Growth, Developed Markets and Emerging Markets. An Investor in the CAERUS Blended portfolios assumes that the risk and return relationships between the various asset classes are stable over the long term. Thus, the asset allocations for the ten Risk Graded portfolios will not change frequently. Please refer to pages 10-11 for details on the asset weightings and underlying funds used in the solution.

## Net Ongoing Charge Figure (OCF) and historic yield by risk grade

The fund OCF and historic yield for each Risk Grade are shown below. The data included will vary from month to month, depending on the fund selection of the Investment manager and the expenses of the underlying funds themselves. These figures are, therefore, only included for the purposes of transparency.

### CAERUS 75% Active & 25% Passive

	RISK GRADE 1	RISK GRADE 2	RISK GRADE 3	RISK GRADE 4	RISK GRADE 5	RISK GRADE 6	RISK GRADE 7	RISK GRADE 8	RISK GRADE 9	RISK GRADE 10
Fund OCF	0.19%	0.44%	0.50%	0.54%	0.61%	0.64%	0.68%	0.73%	0.75%	0.78%
Historic Yield	0.87%	1.90%	2.11%	2.27%	2.36%	2.41%	2.41%	2.24%	2.05%	1.78%

Fund OCF and Historic Yield data correct as at 3rd April 2017

### CAERUS 50% Active & 50% Passive

Fund OCF	0.16%	0.35%	0.39%	0.41%	0.46%	0.48%	0.51%	0.56%	0.56%	0.56%
Historic Yield	0.86%	1.90%	2.12%	2.34%	2.47%	2.55%	2.56%	2.43%	2.25%	2.01%

Fund OCF and Historic Yield data correct as at 3rd April 2017

### CAERUS 25% Active & 75% Passive

Fund OCF	0.14%	0.25%	0.27%	0.29%	0.31%	0.32%	0.35%	0.38%	0.37%	0.35%
Historic Yield	0.85%	1.90%	2.14%	2.41%	2.57%	2.68%	2.72%	2.62%	2.46%	2.24%

Fund OCF and Historic Yield data correct as at 3rd April 2017

## CAERUS 75% Active & 25% Passive - portfolio returns to period end 31st March 2017

All portfolios continue to perform in line with their relative risk over all periods, (except Risk Grade 9 over 5 years), owing to the continued strong relative performance of Developed Markets Equity, UK Equity (over 3 months and 5 years) and Emerging Markets over 3 months, 6 months and 1 year.

Risk Grade	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
1	0.29%	-0.21%	1.60%	1.23%	4.57%	7.16%
2	1.57%	0.67%	5.75%	6.42%	14.60%	23.85%
3	2.02%	1.56%	7.85%	8.65%	18.51%	31.25%
4	2.64%	3.45%	10.15%	11.12%	21.54%	40.02%
5	3.36%	5.39%	14.03%	15.34%	28.47%	52.41%
6	3.64%	6.15%	15.71%	17.26%	31.45%	58.96%
7	4.13%	7.03%	16.45%	18.02%	32.61%	60.20%
8	5.11%	8.94%	20.46%	21.18%	38.30%	67.29%
9	5.68%	9.50%	23.16%	22.32%	39.80%	66.49%
10	6.38%	10.02%	27.35%	24.59%	43.16%	68.83%

Please note that portfolio returns prior to 1st March 2014 are based on the performance of the PIM Strategic Multi-Option portfolios, upon which the structure of the CAERUS portfolios is based.

These returns simulate the performance that would have been achieved by these portfolios had they been in existence during these periods.

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of Investments and any income from them is not guaranteed and can go down as well as up.

### CAERUS 50% Active & 50% Passive - portfolio returns to period end 31st March 2017

All portfolios continue to perform in line with their relative risk over all periods, (except Risk Grade 9 over 5 years), owing to the continued strong relative performance of Developed Markets Equity, UK Equity (over 3 months and 5 years) and Emerging Markets over 3 months, 6 months and 1 year.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Risk Grade</b>						
1	0.27%	-0.26%	1.56%	1.35%	4.87%	7.56%
2	1.49%	0.48%	5.61%	6.45%	15.05%	24.30%
3	1.94%	1.39%	7.81%	8.64%	18.85%	31.62%
4	2.55%	3.36%	10.38%	10.92%	21.43%	39.85%
5	3.19%	5.04%	14.04%	14.69%	27.62%	51.44%
6	3.58%	6.13%	16.24%	16.91%	31.02%	58.49%
7	4.09%	7.07%	17.06%	17.67%	32.10%	59.46%
8	5.13%	9.11%	21.34%	20.95%	37.72%	66.25%
9	5.75%	9.53%	24.00%	22.19%	39.37%	65.27%
10	6.46%	10.29%	28.36%	24.53%	42.85%	67.44%

### CAERUS 25% Active & 75% Passive - portfolio returns to period end 31st March 2017

All portfolios continue to perform in line with their relative risk over all periods, (except Risk Grade 9 over 5 years), owing to the continued strong relative performance of Developed Markets Equity, UK Equity (over 3 months and 5 years) and Emerging Markets over 3 months, 6 months and 1 year.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Risk Grade</b>						
1	0.26%	-0.31%	1.52%	1.48%	5.18%	7.95%
2	1.41%	0.29%	5.47%	6.48%	15.49%	24.75%
3	1.86%	1.22%	7.77%	8.64%	19.20%	31.99%
4	2.47%	3.26%	10.61%	10.71%	21.32%	39.67%
5	3.13%	4.99%	14.45%	14.42%	27.34%	51.14%
6	3.53%	6.12%	16.77%	16.56%	30.57%	58.00%
7	4.05%	7.10%	17.69%	17.32%	31.60%	58.71%
8	5.15%	9.29%	22.23%	20.71%	37.13%	65.20%
9	5.79%	9.74%	24.92%	22.04%	38.94%	64.05%
10	6.53%	10.55%	29.38%	24.46%	42.54%	66.04%

Please note that portfolio returns prior to 1st March 2014 are based on the performance of the PIM Strategic Multi-Option portfolios, upon which the structure of the CAERUS portfolios is based.

These returns simulate the performance that would have been achieved by these portfolios had they been in existence during these periods.

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of Investments and any income from them is not guaranteed and can go down as well as up.

### CAERUS - asset class returns to period end 31st March 2017

The CAERUS Risk Graded portfolios are built through a weighted exposure to seven underlying asset classes. For transparency purposes the returns of each asset class are given below. These returns should not be considered in isolation as the asset class risk and return characteristics are taken into account within the construction of each risk graded portfolio.

#### CAERUS 75% Active & 25% Passive

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
Managed Liquidity	0.06%	0.14%	0.38%	0.27%	2.32%	4.31%
Fixed Interest	1.54%	-0.98%	7.88%	7.96%	18.81%	28.04%
Property	3.15%	5.44%	-1.48%	6.66%	20.45%	31.43%
UK Value and Income	4.52%	6.84%	14.74%	14.23%	24.32%	67.06%
UK Growth	4.78%	8.76%	20.19%	22.44%	29.20%	67.70%
Developed Markets	4.62%	11.68%	29.66%	31.87%	62.71%	102.74%
Emerging Markets	9.94%	10.01%	32.42%	21.52%	35.97%	40.55%

#### CAERUS 50% Active & 50% Passive

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
Managed Liquidity	0.06%	0.14%	0.38%	0.27%	2.32%	4.31%
Fixed Interest	1.42%	-1.35%	7.39%	8.07%	19.63%	28.76%
Property	3.15%	5.44%	-1.48%	6.66%	20.45%	31.43%
UK Value and Income	4.22%	6.73%	15.66%	12.97%	22.22%	63.28%
UK Growth	4.53%	8.51%	20.74%	20.62%	27.66%	64.49%
Developed Markets	4.90%	12.17%	31.05%	32.32%	62.22%	103.80%
Emerging Markets	9.99%	10.27%	33.08%	21.69%	36.46%	37.49%



## CAERUS 25% Active &amp; 75% Passive

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
Managed Liquidity	0.06%	0.14%	0.38%	0.27%	2.32%	4.31%
Fixed Interest	1.29%	-1.71%	6.89%	8.17%	20.44%	29.47%
Property	3.15%	5.44%	-1.48%	6.66%	20.45%	31.43%
UK Value and Income	3.92%	6.63%	16.57%	11.72%	20.11%	59.49%
UK Growth	4.27%	8.25%	21.28%	18.79%	26.11%	61.27%
Developed Markets	5.19%	12.65%	32.43%	32.77%	61.73%	104.85%
Emerging Markets	10.05%	10.54%	33.75%	21.86%	36.94%	34.42%

Please note that portfolio returns prior to 1st March 2014 are based on the performance of the PIM Strategic Multi-Option portfolios, upon which the structure of the CAERUS portfolios is based.

These returns simulate the performance that would have been achieved by these portfolios had they been in existence during these periods.

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of Investments and any income from them is not guaranteed and can go down as well as up.



# CAERUS TACTICAL INCOME

The CAERUS Tactical Income portfolios aim to deliver a set of target yields while controlling the level of portfolio volatility. Parmenion will use Tactical Asset Allocation to achieve both the target yields and to keep portfolio volatility within the constraints identified for each Risk Grade.

The CAERUS Tactical Income portfolios have, as their name suggests, the flexibility to adopt tactical asset allocations. This means the Parmenion Investment Managers has the capability to alter the asset allocation of the portfolios in light of changing market conditions. This flexibility enhances PIM's ability to increase allocations to income generating assets to meet the target yields, when it is prudent to do so, while simultaneously managing the portfolios' volatility and exposure to risk. All changes to asset allocation are made within prescribed limits only.

## Key benefits

- 10 risk graded portfolios
- Rising target yields, rising from 3% to 5.25%
- Tactical asset allocation to make the targeted yields achievable
- Proactive blending of Passive and Active funds
- Natural income arises periodically, not evenly, and can be paid as it arises
- Controlled use of Maximiser Funds
- Portfolio withdrawals can be set in £ or % amounts, monthly, quarterly, half yearly or annually.

## What are Maximiser Funds?

Up to 35% of a CAERUS Tactical Income portfolio may be invested in Maximiser Funds to help ensure an attractive level of income. A Maximiser Fund is a portfolio of stocks in which the fund manager has a high level of conviction. Derivatives contracts are written on a select number of underlying companies, carefully managed by a derivatives specialist, generating additional income in return for giving up some potential return on a stock above the level specified in the contract. In this way, Maximiser Funds can generate an income greater than that achieved by only investing in stocks.

## Tactical Asset Allocation

Parmenion has designed the CAERUS Tactical Income portfolios using a range of neutral strategic asset allocations as its starting point. These strategic asset allocations are based around the performance and volatilities of various asset class indices over a 20 year period and combined with a qualitative overlay to ensure diversification.

As market conditions change over time, so do the relative volatility and valuations of different asset classes. When prudent to do so, the CAERUS Tactical Income portfolio asset allocations can adapt to ensure that target yields are achieved with the least anticipated risk and within the acceptable range of volatility for each particular risk grade.

CAERUS Tactical Income portfolios - historic yield, fund OCF and 20 year risk and return data

	TARGET YIELD	HISTORIC YIELD (12 MONTHS)	ANNUALISED RETURN	ANNUALISED STANDARD DEVIATION	MAX 12 MONTH LOSS	MAX 12 MONTH GAIN	OCF
<b>Risk Grade</b>							
1	3.00%	2.24%	4.71%	2.31%	-6.59%	14.53%	0.54%
2	3.25%	2.82%	6.01%	4.06%	-13.69%	23.63%	0.61%
3	3.50%	3.28%	7.03%	5.60%	-17.92%	31.96%	0.67%
4	3.75%	3.61%	7.68%	6.84%	-21.75%	37.70%	0.70%
5	4.00%	3.85%	8.10%	7.97%	-24.81%	41.94%	0.72%
6	4.25%	3.99%	8.31%	9.44%	-27.25%	45.06%	0.73%
7	4.50%	4.15%	8.45%	10.53%	-29.32%	47.24%	0.74%
8	4.75%	4.34%	8.54%	11.72%	-31.81%	49.81%	0.75%
9	5.00%	4.56%	8.59%	13.03%	-34.25%	52.44%	0.76%
10	5.25%	4.68%	8.52%	14.16%	-35.46%	54.56%	0.75%

\*Correct as at 3rd April 2017

Please note, the Annualised Return, Standard Deviation, Maximum Loss and Gain figures are based on the simulated returns, of the portfolio's neutral asset weightings over the last 20 years to December 2016. Figures are based on indices and therefore exclude the effect of taxes or fees from Parmenion or the Adviser. Charges are however taken from portfolio liquidity and therefore will not affect the income distributed.

## Portfolio holdings as of 31st March 2017

The current fund holdings for CAERUS Tactical Income portfolios are shown in the table below, as at 31st March 2017. Please refer to page 30 for details on fund changes over the period. If you have any further queries, please refer to your relationship manager.

Asset Group	Holdings	1	2	3	4	5	6	7	8	9	10
Managed Liquidity	Dimensional Global Ultra Short Fixed Income	18.34%	11.67%	5.00%	1.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	AXA Sterling Credit Short Duration Bond	18.33%	11.67%	5.00%	1.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	M&G Short Dated Corporate Bond	18.33%	11.66%	5.00%	1.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bonds	Fidelity Moneybuilder Income	7.50%	7.50%	11.25%	11.25%	10.00%	7.50%	5.00%	2.50%	0.00%	0.00%
	M&G Corporate Bond	7.50%	7.50%	11.25%	11.25%	10.00%	7.50%	5.00%	2.50%	0.00%	0.00%
	Jupiter Strategic Bond	7.50%	7.50%	11.25%	11.25%	10.00%	7.50%	5.00%	2.50%	0.00%	0.00%
	M&G Optimal Income	3.75%	3.75%	5.63%	5.63%	5.00%	3.75%	2.50%	1.25%	0.00%	0.00%
	PIMCO Global Bond	3.75%	3.75%	5.62%	5.62%	5.00%	3.75%	2.50%	1.25%	0.00%	0.00%
High Yield Bonds	Schroder High Yield Opportunities	0.00%	0.00%	1.00%	1.50%	2.00%	3.00%	3.50%	4.00%	4.50%	5.00%
	Threadneedle High Yield Bond	0.00%	0.00%	1.00%	1.50%	2.00%	3.00%	3.50%	4.00%	4.50%	5.00%
Property	Henderson UK Property PAIF Feeder	3.09%	4.12%	3.09%	3.09%	3.09%	2.06%	2.06%	2.06%	2.06%	0.00%
	L&G UK Property Feeder	3.09%	4.12%	3.09%	3.09%	3.09%	2.06%	2.06%	2.06%	2.06%	0.00%
	Threadneedle UK Property Authorised Trust Feeder	6.19%	8.25%	6.19%	6.19%	6.19%	4.13%	4.13%	4.13%	4.13%	0.00%
UK Equity Income	Rathbone Income	0.00%	1.00%	1.50%	1.90%	2.20%	2.60%	2.90%	3.30%	3.50%	3.80%
	Vanguard FTSE UK Equity Income Index	0.00%	3.50%	5.25%	6.65%	7.70%	9.10%	10.15%	11.55%	12.25%	13.30%
	Trojan Income	0.00%	1.00%	1.50%	1.90%	2.20%	2.60%	2.90%	3.30%	3.50%	3.80%
	Artemis Income	0.00%	1.00%	1.50%	1.90%	2.20%	2.60%	2.90%	3.30%	3.50%	3.80%
	Fidelity Enhanced Income	0.00%	3.50%	5.25%	6.65%	7.70%	9.10%	10.15%	11.55%	12.25%	13.30%
US Equity	JPM US Equity Income	0.00%	1.00%	1.50%	2.00%	2.50%	3.50%	4.00%	3.50%	3.00%	2.50%
	Aviva Investors US Equity Income II	0.00%	1.00%	1.50%	2.00%	2.50%	3.50%	4.00%	3.50%	3.00%	2.50%
Europe ex UK	Standard Life Investments European Equity Income	0.00%	1.00%	2.00%	3.00%	4.00%	6.00%	7.00%	8.00%	10.00%	12.00%
Asia Pacific ex Japan	Henderson Asian Dividend Income	0.00%	0.00%	0.00%	0.66%	1.66%	2.66%	3.33%	4.33%	5.66%	6.66%
	L&G Pacific Index	0.00%	0.00%	0.00%	0.67%	1.67%	2.67%	3.33%	4.33%	5.67%	6.67%
	Schroder Asian Income Maximiser	0.00%	0.00%	0.00%	0.67%	1.67%	2.67%	3.34%	4.34%	5.67%	6.67%
Global Maximiser	Schroder ISF Global Dividend Maximiser	1.97%	4.13%	4.22%	4.97%	5.72%	6.56%	8.06%	9.56%	11.06%	11.25%
	Fidelity Global Enhanced Income	0.66%	1.38%	1.41%	1.66%	1.91%	2.19%	2.69%	3.19%	3.69%	3.75%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## CAERUS Tactical Income - portfolio returns to period end 31st March 2017

Returns from these portfolios increase sequentially with risk over all time periods (except Risk Grade 10 over 6 months), owing to the relative outperformance of US Equity over all periods beyond 3 months, Asia Pacific Ex-Japan over 3 months, 6 months, 1 year, 2 year and since inception and Global Equity Income Maximiser over 6 months, 1 year, 2 years and since inception.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	FROM INCEPTION (01.02.2014)
<b>Risk Grade</b>						
1	1.30%	1.51%	4.22%	4.58%	11.25%	12.10%
2	1.84%	2.82%	6.65%	6.92%	15.70%	17.07%
3	2.08%	3.00%	8.83%	8.63%	18.97%	20.80%
4	2.46%	3.71%	10.69%	10.25%	21.71%	24.01%
5	2.84%	4.51%	12.47%	11.82%	24.36%	27.15%
6	3.12%	5.38%	14.83%	13.84%	27.02%	30.37%
7	3.38%	6.23%	16.33%	15.20%	28.93%	32.88%
8	3.73%	6.93%	17.65%	16.20%	30.41%	34.76%
9	4.16%	7.73%	19.27%	17.43%	32.19%	36.93%
10	4.30%	7.70%	21.04%	18.37%	33.12%	38.13%

## CAERUS Tactical Income - asset class returns to period end 31st March 2017

The CAERUS Tactical Income Risk Graded portfolios are built through a weighted exposure to nine underlying asset classes. For transparency purposes the returns of each asset class are given below. These returns should not be considered in isolation as the asset class risk and return characteristics are taken into account within the construction of each Risk Graded portfolio.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	FROM INCEPTION (01.02.2014)
<b>Asset Class</b>						
Managed Liquidity	0.44%	0.57%	2.23%	2.62%	4.79%	4.91%
Corporate Bonds	1.57%	0.18%	7.68%	6.57%	16.39%	17.60%
High Yield Bonds	2.48%	4.28%	11.37%	13.08%	14.81%	17.49%
Property	4.11%	6.61%	-0.66%	1.74%	15.95%	18.23%
UK Equity Income	2.96%	4.13%	12.77%	10.84%	20.48%	25.21%
US Equity	1.73%	14.93%	32.47%	37.04%	71.46%	76.60%
Europe ex UK	4.44%	7.69%	21.91%	19.47%	32.56%	39.31%
Asia Pacific ex Japan	9.51%	10.52%	32.58%	24.75%	45.22%	52.45%
Global Equity Income Maximiser	2.94%	12.74%	28.90%	24.03%	44.72%	50.58%

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of investments and any income from them is not guaranteed and can go down as well as up.



# CAERUS STRATEGIC ETHICAL ACTIVE PORTFOLIOS: PROFILE A-D

## What is Ethical Investing?

Ethical Investment is known by a variety of terms including: 'Green Investment', 'Socially responsible Investment' (SRI) and 'Sustainable finance'. All of these terms refer to financial or Investment services which strive to maximise investment performance and social welfare. In general, Ethical Investment looks to encourage corporate practices that promote environmental stewardship, consumer protection, human rights and diversity, although additional criteria such as the avoidance of weapons, alcohol, tobacco, gambling and pornography are often included as legitimate areas of concern. These criteria can be broadly summarised as environmental, social justice and corporate governance issues or ESG criteria.

## What are the benefits of investing Ethically?

Ethical Investment provides the opportunity to invest in ethically sound Investment solutions that cater for a range of ethical preferences. It gives Investors the option to avoid companies that engage in activities that they could not usually support, and proactively invest in companies that recognise their corporate responsibilities. Investing ethically is now one of the fastest growing areas in financial services with funds under management having grown to approximately \$6.57 trillion in the United States alone (Source: <http://ussif.org>).

## Solution Description

The CAERUS Strategic Ethical Active Investment Solution offers the discretionary management of active funds across up to eight distinct asset class groups. There is an independent ethical overlay provided by the Ethical Oversight Committee, which includes Julian Parrott and Julia Dreblow. Both Julian and Julia are ethical specialists, with over 20 years experience in ethical investing, previously holding the positions of Chair of the EIA and Director of UKSIF, respectively.

Each asset class is populated with funds according to their Ethical Profile and risk adjusted returns. Incorporated within the solution are four Ethical Profiles (A to D) and ten Risk Graded portfolios (1 to 10), which are designed to capture the majority of Clients' ethical preferences and values. The Ethical Portfolio Selector is available to assist Advisers in identifying the appropriate Ethical Profile for their Client.

## Ethical screening criteria by Ethical profile

SCREENING CRITERIA	ETHICAL PROFILE A*	ETHICAL PROFILE B*	ETHICAL PROFILE C**	ETHICAL PROFILE D**
Armaments (Strategic)	✓	✓	✓	✓
Pornography (Production)	✓	✓	✓	✓
Human Rights (Evidenced/Country Based)	✓	✓	✓	✓
Environmental Management / Technology	✓	✓	✓	✓
Animal Testing (Non-Medical)	✓	✓	✓	✓
Tobacco (Production)	✓	✓	✓	✓
Environmental Impact		✓	✓	✓
Gambling			✓	✓
Alcohol Production				✓
Nuclear (Power)				✓

\*Exposure to ethical criteria is likely to be limited by the responsible approach to environmental, social and governance issues adopted in Ethical Profiles A and B.

\*\*Ethical Profiles C and D only invest in funds which include the specified ethical criteria, as defined by the Ethical Oversight Committee.

Please note: 'avoidance criteria' does not always mean 'zero involvement' as most ethical funds have de minimis limits which allow for limited (normally non-manufacturing or wholesale related) exposure to excluded areas. This allows funds to be manageable and support otherwise positive larger companies.

### CAERUS Strategic Ethical Active - asset class weightings as of 31st March 2017

The CAERUS Strategic Ethical Active portfolios are constructed using up to eight asset classes, each with their own distinctive risk and reward characteristics. Ten Risk Graded portfolios (1-10) are produced, by varying the percentage exposure to each asset class, to match the risk tolerance of a particular client. UK Government Bonds are currently excluded from Ethical Profiles B-D, whilst Ethical Profiles C-D also exclude Property due to the difficulties in screening the underlying tenants. The current split between the asset classes for each of the portfolios are detailed in the tables below. Strategic Investors assume relatively constant long term risk and return characteristics, and as such the underlying asset allocations will only vary where these have materially changed.

#### CAERUS Strategic Ethical Active - Profile A

Asset Group	1	2	3	4	5	6	7	8	9	10
Managed Liquidity (Unscreened)	70.00%	45.00%	15.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UK Ethical Corporate Bonds	24.00%	28.00%	40.00%	40.00%	32.00%	24.00%	12.00%	4.00%	0.00%	0.00%
UK Gilts	6.00%	7.00%	10.00%	10.00%	8.00%	6.00%	3.00%	1.00%	0.00%	0.00%
UK Property	0.00%	10.00%	15.00%	15.00%	15.00%	10.00%	10.00%	10.00%	5.00%	0.00%
UK Ethical Equity Growth	0.00%	3.00%	6.00%	9.00%	15.00%	18.00%	21.00%	21.00%	24.00%	24.00%
UK Ethical Equity Income	0.00%	2.00%	4.00%	6.00%	10.00%	12.00%	14.00%	14.00%	16.00%	16.00%
International Ethical Equity	0.00%	5.00%	10.00%	15.00%	15.00%	20.00%	25.00%	30.00%	30.00%	30.00%
Ethical Emerging Markets Equity	0.00%	0.00%	0.00%	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%

#### CAERUS Strategic Ethical Active - Profile B

Asset Group	1	2	3	4	5	6	7	8	9	10
Managed Liquidity (Unscreened)	70.00%	45.00%	15.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UK Ethical Corporate Bonds	30.00%	35.00%	50.00%	50.00%	40.00%	30.00%	15.00%	5.00%	0.00%	0.00%
UK Property	0.00%	10.00%	15.00%	15.00%	15.00%	10.00%	10.00%	10.00%	5.00%	0.00%
UK Ethical Equity Growth	0.00%	3.00%	6.00%	9.00%	15.00%	18.00%	21.00%	21.00%	24.00%	24.00%
UK Ethical Equity Income	0.00%	2.00%	4.00%	6.00%	10.00%	12.00%	14.00%	14.00%	16.00%	16.00%
International Ethical Equity	0.00%	5.00%	10.00%	15.00%	15.00%	20.00%	25.00%	30.00%	30.00%	30.00%
Ethical Emerging Markets Equity	0.00%	0.00%	0.00%	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%

### CAERUS Strategic Ethical Active - Profile C

Asset Group	1	2	3	4	5	6	7	8	9	10
Managed Liquidity (Unscreened)	70.00%	45.00%	15.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UK Ethical Corporate Bonds	30.00%	45.00%	65.00%	65.00%	55.00%	40.00%	25.00%	15.00%	5.00%	0.00%
UK Ethical Equity Growth	0.00%	3.00%	6.00%	9.00%	15.00%	18.00%	21.00%	21.00%	24.00%	24.00%
UK Ethical Equity Income	0.00%	2.00%	4.00%	6.00%	10.00%	12.00%	14.00%	14.00%	16.00%	16.00%
International Ethical Equity	0.00%	5.00%	10.00%	15.00%	15.00%	20.00%	25.00%	30.00%	30.00%	30.00%
Ethical Emerging Markets Equity	0.00%	0.00%	0.00%	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%

### CAERUS Strategic Ethical Active - Profile D

Asset Group	1	2	3	4	5	6	7	8	9	10
Managed Liquidity (Unscreened)	70.00%	45.00%	15.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UK Ethical Corporate Bonds	30.00%	45.00%	65.00%	65.00%	55.00%	40.00%	25.00%	15.00%	5.00%	0.00%
UK Ethical Equity Growth	0.00%	3.00%	6.00%	9.00%	15.00%	18.00%	21.00%	21.00%	24.00%	24.00%
UK Ethical Equity Income	0.00%	2.00%	4.00%	6.00%	10.00%	12.00%	14.00%	14.00%	16.00%	16.00%
International Ethical Equity	0.00%	5.00%	10.00%	15.00%	15.00%	20.00%	25.00%	30.00%	30.00%	30.00%
Ethical Emerging Markets Equity	0.00%	0.00%	0.00%	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%

Portfolios are rebalanced to their asset allocation on a periodic basis.



## Net Ongoing Charge Figure (OCF) and historic yield by risk grade

The fund OCF and historic yield for each risk grade are shown below. The data included will vary from month to month, depending on the fund selection of the Investment manager and the expenses of the underlying funds themselves. These figures are, therefore, only included for the purposes of transparency.

### CAERUS Strategic Ethical Active - Profile A

	RISK GRADE 1	RISK GRADE 2	RISK GRADE 3	RISK GRADE 4	RISK GRADE 5	RISK GRADE 6	RISK GRADE 7	RISK GRADE 8	RISK GRADE 9	RISK GRADE 10
Fund OCF	0.23%	0.37%	0.51%	0.57%	0.64%	0.68%	0.72%	0.76%	0.79%	0.80%
Historic Yield	1.22%	1.69%	2.28%	2.42%	2.46%	2.29%	2.12%	1.95%	1.86%	1.77%

\* Fund OCF and Historic Yield data correct as at 3rd April 2017

### CAERUS Strategic Ethical Active - Profile B

	RISK GRADE 1	RISK GRADE 2	RISK GRADE 3	RISK GRADE 4	RISK GRADE 5	RISK GRADE 6	RISK GRADE 7	RISK GRADE 8	RISK GRADE 9	RISK GRADE 10
Fund OCF	0.23%	0.37%	0.52%	0.57%	0.65%	0.68%	0.73%	0.76%	0.79%	0.80%
Historic Yield	1.38%	1.88%	2.54%	2.69%	2.67%	2.45%	2.20%	1.97%	1.86%	1.77%

\* Fund OCF and Historic Yield data correct as at 3rd April 2017

### CAERUS Strategic Ethical Active - Profile C

	RISK GRADE 1	RISK GRADE 2	RISK GRADE 3	RISK GRADE 4	RISK GRADE 5	RISK GRADE 6	RISK GRADE 7	RISK GRADE 8	RISK GRADE 9	RISK GRADE 10
Fund OCF	0.23%	0.35%	0.48%	0.54%	0.61%	0.66%	0.70%	0.74%	0.78%	0.80%
Historic Yield	1.38%	1.93%	2.62%	2.77%	2.75%	2.51%	2.26%	2.03%	1.89%	1.77%

\* Fund OCF and Historic Yield data correct as at 3rd April 2017

### CAERUS Strategic Ethical Active - Profile D

	RISK GRADE 1	RISK GRADE 2	RISK GRADE 3	RISK GRADE 4	RISK GRADE 5	RISK GRADE 6	RISK GRADE 7	RISK GRADE 8	RISK GRADE 9	RISK GRADE 10
Fund OCF	0.24%	0.36%	0.50%	0.55%	0.62%	0.66%	0.70%	0.73%	0.76%	0.79%
Historic Yield	1.38%	1.93%	2.63%	2.77%	2.76%	2.52%	2.27%	2.04%	1.91%	1.79%

\* Fund OCF and Historic Yield data correct as at 3rd April 2017

### CAERUS Strategic Ethical Active (A-D): portfolio holdings as of 31st March 2017\*

The fund universe for each of the Ethical Profiles is determined by the Ethical Oversight Committee (EOC) as per the ethical screening criteria defined on page 22 of the QIR. The table below shows the current holdings for each Ethical Grade (A-D), to demonstrate the impact of the ethical screening on fund selection and for the purposes of transparency. Please note these holdings may change over the period, depending on the views of the investment manager. Details of any fund changes over the period, are available on page 30 of this document.

### Illustration of the impact of Ethical screening on portfolio holdings as of 31st March 2017

FUND		A	B	C	D
<b>Asset Class</b>					
Managed Liquidity (unscreened)	BlackRock ICS Institutional Sterling Liquidity Heritage				
	Federated Short-Term Sterling Prime				
Ethical Corporate Bonds	Rathbone Ethical Bond				
	Kames Ethical Corporate Bond				
	F&C Responsible Sterling Bond				
	Liontrust Sustainable Future Corporate Bond				
	Royal London Ethical Bond				
UK Government / Inflation Linked Bonds	Allianz Gilt Yield				
	M&G Index Linked Bond				
Property	Henderson UK Property Feeder				
	L&G UK Property Feeder				
	Threadneedle UK Property Feeder				
Ethical UK Equity Growth	Royal London Sustainable Leaders				
	Liontrust Sustainable Future UK Growth				
	EdenTree Amity UK				
	Premier Ethical				
	F&C - Responsible UK Equity Growth				
	Liontrust UK Ethical				
	Kames - Ethical Equity				

FUND		A	B	C	D
<b>Asset Class</b>					
Ethical UK Equity Income	F&C Responsible UK Income				
	Henderson Global Care UK Income				
Ethical International Equity	Henderson Global Care Growth				
	F&C Responsible Global Equity				
	Liontrust Sustainable Future Global Growth				
	Liontrust Sustainable Future European Growth				
Ethical Emerging Markets Equity	Stewart Investors Asia Pacific Sustainability				
	Stewart Investors Global Emerging Markets Sustainability				

\*Fund weightings are excluded, as it would depend upon the risk grade selected.

## CAERUS Strategic Ethical Active (Profile A-D): portfolio returns to period end 31st March 2017

All portfolios continue to perform in line with their relative risk over all periods, owing to the strong relative performance of International and Emerging Markets Equity over all periods, UK Equity Growth over 3 months, 6 months and 5 years and UK Equity Income over 5 years.

### CAERUS Strategic Ethical Active - Profile A

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Risk Grade</b>						
1	0.66%	-0.21%	3.08%	2.38%	7.58%	14.82%
2	1.67%	1.18%	5.38%	5.66%	13.41%	24.78%
3	2.75%	2.20%	8.77%	9.69%	20.64%	37.30%
4	3.33%	3.06%	10.67%	11.69%	23.76%	45.03%
5	3.97%	4.09%	12.25%	13.28%	27.02%	52.03%
6	4.58%	5.11%	14.62%	15.00%	30.05%	58.09%
7	5.23%	6.46%	16.46%	16.61%	33.07%	64.72%
8	5.78%	7.48%	18.25%	18.05%	36.08%	65.19%
9	6.15%	7.90%	19.86%	19.00%	38.29%	68.96%
10	6.41%	7.96%	21.40%	19.79%	40.47%	70.78%

### CAERUS Strategic Ethical Active - Profile B

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Risk Grade</b>						
1	0.70%	0.02%	2.80%	1.99%	6.87%	14.79%
2	1.80%	1.64%	5.42%	5.94%	13.73%	27.44%
3	2.89%	2.65%	8.38%	9.04%	19.39%	39.77%
4	3.38%	3.46%	10.19%	11.00%	22.42%	47.01%
5	4.01%	4.42%	11.87%	12.73%	25.92%	54.92%
6	4.61%	5.35%	14.33%	14.58%	29.20%	61.68%
7	5.25%	6.59%	16.31%	16.39%	32.63%	69.04%
8	5.78%	7.52%	18.20%	17.97%	35.94%	73.46%
9	6.15%	7.90%	19.86%	19.00%	38.30%	79.11%
10	6.41%	7.97%	21.40%	19.80%	40.49%	82.77%

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of investments and any income from them is not guaranteed and can go down as well as up.

### CAERUS Strategic Ethical Active - Profile C

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Risk Grade</b>						
1	0.70%	0.02%	2.80%	1.99%	6.88%	15.02%
2	1.64%	0.89%	6.03%	5.33%	12.43%	25.41%
3	2.69%	1.74%	9.75%	9.15%	19.09%	39.20%
4	3.27%	2.59%	11.66%	11.12%	22.14%	46.48%
5	3.89%	3.54%	13.34%	12.84%	25.61%	53.97%
6	4.53%	4.76%	15.33%	14.65%	28.97%	60.81%
7	5.17%	5.99%	17.33%	16.45%	32.38%	67.85%
8	5.70%	6.93%	19.23%	18.03%	35.66%	72.18%
9	6.11%	7.60%	20.38%	19.03%	38.13%	77.68%
10	6.41%	7.97%	21.40%	19.80%	40.45%	81.37%

### CAERUS Strategic Ethical Active - Profile D

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Risk Grade</b>						
1	0.70%	0.05%	2.85%	1.95%	7.06%	15.12%
2	1.63%	0.94%	6.07%	5.18%	12.95%	25.75%
3	2.68%	1.82%	9.80%	8.88%	20.03%	40.02%
4	3.25%	2.67%	11.67%	10.75%	23.37%	47.60%
5	3.86%	3.62%	13.27%	12.41%	26.74%	55.12%
6	4.50%	4.84%	15.19%	14.14%	30.29%	62.14%
7	5.13%	6.06%	17.14%	15.87%	33.90%	69.38%
8	5.66%	6.99%	19.03%	17.39%	37.44%	73.67%
9	6.06%	7.66%	20.12%	18.36%	39.83%	79.16%
10	6.36%	8.02%	21.13%	19.13%	42.12%	82.84%

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of Investments and any income from them is not guaranteed and can go down as well as up.

## CAERUS Strategic Ethical Active (Profile A-D): asset class returns to period end 31st March 2017

International and Emerging Markets Equity continue to perform well over all periods, whilst UK Ethical Equity Growth and Income have relatively outperformed over 5 years and UK Ethical Equity Growth has posted solid gains over 3 and 6 months.

### CAERUS Strategic Ethical Active - Profile A

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Asset Class</b>						
Managed Liquidity	0.06%	0.14%	0.38%	-0.13%	2.75%	8.33%
UK Ethical Corporate Bonds	2.45%	0.21%	9.56%	9.21%	20.79%	38.51%
UK Government Bonds	1.90%	-3.78%	13.60%	15.27%	33.55%	37.69%
Property	3.22%	5.96%	-0.50%	7.33%	21.39%	32.87%
UK Ethical Equity Growth	5.28%	7.36%	12.89%	14.25%	23.04%	74.97%
UK Ethical Equity Income	3.56%	4.39%	10.48%	12.84%	25.93%	76.35%
International Ethical Equity	7.15%	11.58%	27.46%	25.70%	41.34%	73.59%
Ethical Emerging Markets Equity	8.46%	7.42%	29.68%	24.29%	67.84%	66.95%

### CAERUS Strategic Ethical Active - Profile B

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Asset Class</b>						
Managed Liquidity	0.06%	0.14%	0.38%	-0.13%	2.75%	8.33%
UK Ethical Corporate Bonds	2.45%	0.21%	9.56%	9.21%	20.79%	38.51%
Property	3.22%	5.96%	-0.50%	7.33%	21.39%	38.17%
UK Ethical Equity Growth	5.28%	7.36%	12.89%	14.25%	23.04%	74.97%
UK Ethical Equity Income	3.56%	4.39%	10.48%	12.84%	25.93%	76.35%
International Ethical Equity	7.15%	11.58%	27.46%	25.70%	41.34%	73.59%
Ethical Emerging Markets Equity	8.47%	7.43%	29.69%	24.29%	67.84%	110.41%

### CAERUS Strategic Ethical Active - Profile C

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Asset Class</b>						
Managed Liquidity	0.06%	0.14%	0.38%	-0.13%	2.75%	8.33%
UK Ethical Corporate Bonds	2.45%	0.21%	9.56%	9.21%	20.81%	39.43%
UK Ethical Equity Growth	5.28%	7.36%	12.89%	14.25%	23.09%	74.98%
UK Ethical Equity Income	3.56%	4.39%	10.48%	12.84%	25.81%	71.30%
International Ethical Equity	7.15%	11.58%	27.46%	25.70%	41.20%	71.90%
Ethical Emerging Markets Equity	8.47%	7.43%	29.69%	24.29%	67.84%	110.41%

### CAERUS Strategic Ethical Active - Profile D

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Asset Class</b>						
Managed Liquidity	0.06%	0.14%	0.38%	-0.13%	2.75%	8.33%
UK Ethical Corporate Bonds	2.45%	0.31%	9.73%	9.06%	21.49%	39.81%
UK Ethical Equity Growth	5.06%	7.50%	11.63%	13.15%	22.08%	74.62%
UK Ethical Equity Income	3.56%	4.39%	10.48%	12.84%	25.81%	71.30%
International Ethical Equity	7.17%	11.64%	27.57%	24.23%	47.83%	76.85%
Ethical Emerging Markets Equity	8.47%	7.43%	29.69%	24.29%	67.84%	110.41%



# PORTFOLIO CHANGES

**Portfolios affected:** CAERUS Strategic Ethical Active (Profiles A-D)

**BUY** Stewart Investors Global Emerging Markets Sustainability

**REDUCE** Stewart Investors Asia Pacific Sustainability

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Whilst Asia Pacific has significantly outperformed Emerging Markets over the last 5 years, there was clear evidence of a potential reversion in Emerging Markets in 2016 and this move helps to mitigate this risk given the differences in underlying valuations.

**Portfolios affected:** CAERUS Strategic Active and Blends.

**BUY** FP CRUX European Special Situations

**REDUCE** Jupiter European and Threadneedle European Select

---

CRUX European Special Situations has been added into the asset class to provide additional diversification from a market cap perspective and to reduce stock concentration. CRUX has consistently delivered attractive risk adjusted returns on a historic basis via investing in global businesses based in Europe. The fund is managed by Richard Pease who has over 30 years experience of investing in the region.

**Portfolios affected:** CAERUS Strategic Ethical Active (Profiles A-C).

CAERUS Strategic Ethical Active (Profile D) for F&C Responsible UK Growth.

**BUY** Royal London Sustainable Leaders and F&C Responsible UK Growth

**SELL** Kames Ethical Equity / Standard Life Investments UK Ethical

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Royal London Sustainable Leaders and F&C Responsible UK Equity Growth have been added to the portfolios, given their consistent historic risk adjusted returns. This will improve the best fit analysis to the underlying client's Ethical Profile. Greater diversification in market cap exposure is achieved by this change, given Kames and SLI's increased focus on small and mid cap stocks which struggled in 2016 given the fall in sterling post the BREXIT referendum.



# INDEX AND PEER GROUP RETURNS

## Index and peer group returns to period end 31st March 2017

Performance data for comparative indices is included below over various market periods.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Comparative Indices</b>						
IA Mixed Investment 0-35% Shares	2.13%	2.07%	9.38%	7.48%	15.49%	26.28%
IA Mixed Investment 20-60% Shares	2.93%	4.29%	12.91%	10.14%	19.59%	36.58%
IA Mixed Investment 40-85% Shares	3.78%	6.39%	17.11%	13.67%	25.75%	49.66%
IA Flexible Investment	4.34%	7.46%	19.05%	13.96%	27.16%	49.34%
<hr/>						
LIBOR GBP 12m	0.19%	0.39%	0.83%	1.86%	2.88%	5.18%
IBOXX Sterling Gilts All Maturities	1.67%	-2.04%	6.80%	10.32%	26.49%	29.88%
Citi UK Inflation-Linked Securities Index	1.20%	-1.44%	19.55%	21.54%	44.16%	53.13%
IBOXX Sterling Corporates All Maturities	1.87%	-0.75%	10.66%	10.77%	25.63%	45.70%
Barclays Global Aggregate GBP (H)	0.24%	-2.36%	0.59%	3.27%	11.35%	18.98%
PIM Property Index	1.38%	2.98%	-1.10%	4.98%	17.38%	29.60%
<hr/>						
FTSE All Share	4.02%	8.07%	21.95%	17.17%	24.87%	58.66%
FTSE UK Equity Income	3.66%	6.58%	17.61%	10.73%	18.61%	57.33%
FTSE North America	4.83%	14.28%	34.97%	39.86%	75.03%	130.27%
FTSE Europe Ex UK	7.05%	12.79%	28.46%	23.45%	31.85%	78.56%
FTSE Asia Pacific Ex Japan	11.23%	12.18%	36.79%	26.11%	51.38%	65.17%
FTSE Japan	3.63%	8.92%	32.79%	28.48%	63.35%	83.80%
FTSE World ex UK	5.76%	13.26%	33.64%	34.16%	60.83%	103.76%
FTSE Emerging	8.92%	11.28%	35.58%	23.58%	43.77%	37.74%

Please refer to Important Notes on page 6 for how performance figures are calculated. Performance data is correct as of 31st March 2017. Past performance is not an indication of future returns. The value of Investments and any income from them is not guaranteed and can go down as well as up.

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