



# CAERUS SELECT

QUARTER FOUR 2017  
INVESTMENT REVIEW



**CAERUS**  
Portfolio Management





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# IMPORTANT NOTES

## Views and opinions

The views and opinions expressed in this document are those of 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 December 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 (FCA No 175524) and is registered in England and Wales, Registered Office, Wiltshire Court, Farnsby Street, Swindon SN1 5AH, registered number 03056894.

CAERUS Portfolio Management Limited is part of the CAERUS Capital Group, which is wholly owned by Intrinsic Financial Services Limited. Old Mutual Wealth Holdings Limited owns 100% of the share capital of Intrinsic Financial Services Limited.

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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**CAERUS**  
Portfolio Management

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# MARKET COMMENTARY



**Simon Brett**

Director & Chief Investment Officer  
Parmenion Investment Management

Lets shout it, another great year for stock markets! Once again you have been rewarded by taking on risk in 2017.

The FTSE100 reached a new high on the final day of trading in 2017 (up approximately 12%) as has the US market over 2017, (up 10.6% in Sterling terms). Elsewhere, Asian markets had their best year since 2009 and European markets their best since 2013.

The good news story in 2017 was the performance return of the Emerging Markets with a rise of 21% in Sterling terms. Increased world trade and higher commodity prices have helped. A weaker US dollar also helped lower inflation allowing interest rates to be cut in Brazil and Russia. China also continued to grow at over 6%.

For the first time since the Great Financial Crisis (GFC) all of the major world economies are growing i.e. global growth is synchronised. After 10 years of historically low interest rates and the printing of money in the form of QE, growth is now positive and inflation remains low.

So what are the challenges for the year ahead? A major theme for 2018 will be the pace and timing of interest rate rises. The United States and the UK have already embarked on lifting rates, whilst in Europe QE is being scaled back. During the GFC the Federal Reserve of the US was the first central bank to cut interest rates and adopt QE. Investors were deprived of the yield bonds traditionally provided. Thus they invested in riskier shares and corporate bonds for yield, whilst bond prices enjoyed gains as interest rates reached record lows. Wealth was created via the stock and bond markets and a meltdown in economies was averted.

The artificially low interest rates have perhaps distorted markets suggesting they do not reflect the long term fundamentals. Has QE borrowed future investment returns? And will future returns be lower as a result? 2018 may provide clues. However given that economies are growing, now is perhaps the best time to unwind. It is likely and has been the case so far that any rises have been well signalled to markets, allowing them, companies and the public to make adjustments as required to the higher price of money. Should that remain the case then a return to more "normal" conditions may be relatively painless.

As for geopolitics, you can take your pick of the potential problem areas. Each of which on their own may disrupt the steady progress of the past couple of years. North Korea and its nuclear ambitions, the tension between Saudi Arabia and Iran, Trump and various pronouncements, and the plans of China? Throw in the Italian elections early in the year and politics geeks will have plenty to chew on for the year.



Source: FE 2018

Closer to home it is very likely that Brexit will dominate the domestic headlines as was the case in 2017, along with the ebbs and flows of the fortunes of the incumbent Conservative government. The UK economy post the Brexit vote appears to have fared better than some commentators feared. Employment continues to rise and growth is forecast to remain positive, albeit behind that of the EU.

Given the above, 2018 is likely to be another interesting investment year, with plenty of opportunities and challenges.



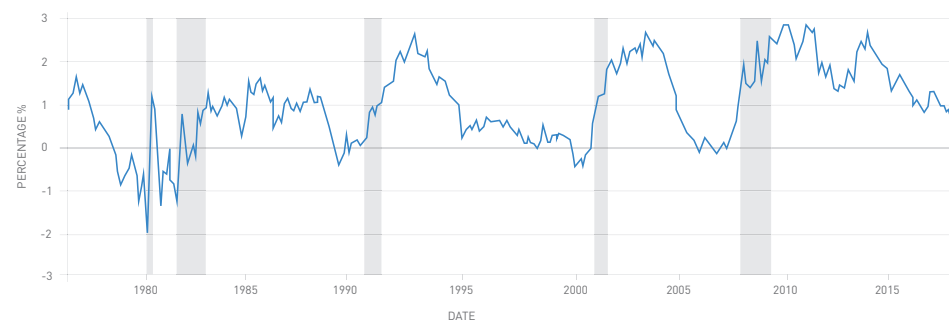
**Tim Willis**  
Investment Manager  
Parmenion Investment Management

The US bond market appears to be painting a rather different picture to the equity market, one at odds with recent economic data. Despite synchronous global growth, record low unemployment and the confident stock market, the US yield curve is flattening. This can be a signal of difficulty ahead.

### Yield curves: all shapes and sizes

Normally, short term interest rates are less than longer term rates, meaning a line plotted across increasing maturities will slope upwards. This is because when you lend out money for a long time you want a better annualised return for the extra risk and reduced liquidity – term premia. Occasionally, however this relationship breaks down leading to an inverted yield curve (short rates above long rates). In fact, every time the US yield curve has inverted over the past 40 years, a recession has occurred within two years – a scarily effective signal. The chart below shows the net of the US Treasury’s 10 year rate less their 2 year rate since 1975 with recessionary periods overlayed.

This makes sense if bond investors believe short rates will fall in the medium term. In practical terms, investors believe there is reinvestment risk – that on expiry of the 2 year bond they will be unable to reinvest capital at the same yield as previously. Implicitly, the market prices in a recession, believing the central bank will begin dropping rates to stimulate growth.



— 10 Year Treasury Constant Maturity Minus 2 Year Treasury Constant Maturity

Source: Federal Reserve Bank of St. Louis

At the year end, the spread between the 10 and 2 year Treasuries was 52bp, the lowest since 2007. Consequently the bond market is close to implying a recession. Indeed, Minneapolis Federal Reserve President Neel Kashkari voted against a rate rise this December as a result. His theoretical justification is predicated on the risk the Fed runs if it chokes off credit growth and slows the economy to suppress inflation too aggressively. High levels of private and corporate debt are factors making the current situation more delicate.

### It’s not necessarily so

A consensus today believes that it will be different this time and there are credible reasons why the lack of yield curve slope may not be a danger sign but a result of other factors.

**Passive Demand** – Duration (interest rate risk) on benchmark bond indices has dramatically increased over the past decade given the flood of long dated issuance during QE. This has coincided with an exponential increase in passive flows creating structural demand for long dated bonds. Also, as the Fed has a preference for shorter dated issuance there is scarcity at the long end for new money, bidding up long bond prices and pulling down their yields.

**Other Central Banks** – The ECB and BOJ continue to expand their balance sheets and operate ultra-low interest rate policies. Higher bond yields in the US relative to other major economies will encourage foreign purchasers of long dated US Treasuries.

**Risk rebalancing** – Strong equity outperformance and the demographics of pension funds has required investors to rebalance portfolios, adding to duration. When equities rise and volatility remains low, investors buy long duration bonds to offset the risks in equities.

**Lower for longer** – The US is achieving growth alongside low unemployment with little wage growth or inflationary pressure. Previous tightening cycles were used to choke off excess demand and constrain inflation - not so this time. Short rates have risen but from an incredibly low base. Consequently, while the 10 year yield remains just above the two year rate, this is consistent with the ‘new normal’ of a lower rate environment alongside lower global inflation – meaning a flatter yield curve is representative of the steady state, not impending recession.

### Conclusion

History implies an inverted yield curve predicts a US recession. With the current 10 year over 2 year spread at its lowest since 2007, should we be preparing for an equity market correction? Market consensus thinks not, citing a number of reasons why ‘this time is different’. While the yield curve retains its positive slope it is prudent to watch for more evidence, but to be aware of the risks. Signs of falling yields at the long end could be the canary in the coal mine.



# 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	0.21%	0.53%	0.61%	0.66%	0.76%	0.81%	0.83%	0.89%	0.92%	0.95%
Historic Yield	0.65%	1.99%	2.21%	2.25%	2.31%	2.33%	2.31%	2.07%	1.84%	1.49%

Fund OCF and Historic Yield data correct as at 2nd January 2018

### 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	0.10%	0.15%	0.15%	0.16%	0.15%	0.15%	0.19%	0.21%	0.18%	0.13%
Historic Yield	0.39%	1.40%	1.69%	2.17%	2.42%	2.60%	2.75%	2.78%	2.58%	2.30%

Fund OCF and Historic Yield data correct as at 2nd January 2018



## Portfolio holdings as at 31st December 2017

The current portfolio holdings for CAERUS Active and Passive are shown in the tables below, as at 31st December 2017. Please refer to page 28 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	Allianz Gilt Yield	Standard Life Investments UK Real Estate Income Feeder	Rathbone Income	Neptune UK Mid Cap	CF Morant Wright Nippon Yield	GS Emerging Markets Equity Portfolio
Federated Short-Term Sterling Prime	Fidelity Moneybuilder Income	L&G UK Property Feeder	Invesco Perpetual Income	Jupiter UK Special Situations	JPM US Equity Income	MI Somerset Emerging Markets Dividend Growth
	Kames Investment Grade Bond	Threadneedle UK Property Authorised Trust Feeder	Threadneedle UK Equity Income	Liontrust Special Situations	Pioneer US Fundamental Growth	Fidelity Emerging Markets
	Goldman Sachs Global Fixed Income Plus Portfolio		Trojan Income	Schroder UK Smaller Companies	Stewart Investors Asia Pacific Leaders	Schroder Global Emerging Markets
	M&G Index Linked Bond		Unicorn UK Income		Jupiter European	
	M&G Optimal Income		CF Miton UK Multi Cap Income		Fidelity American Special Situations	
	Jupiter Strategic Bond				Threadneedle European Select	
					Veritas Asian	
					Schroder Tokyo	
					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	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 December 2017

All portfolios continue to perform in line with their relative risk over all periods (except 5 years) owing to the strong relative performance of UK Growth, Developed and Emerging Markets Equity. Risk Grades 8 to 10 are out of line over 5 years owing to Emerging Markets lagging both Developed and UK Markets for that period.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Active</b>						
1	0.31%	0.31%	0.70%	2.50%	2.49%	5.45%
2	1.35%	1.72%	4.18%	9.86%	11.62%	22.06%
3	1.64%	2.04%	5.21%	12.57%	15.35%	29.93%
4	1.82%	2.34%	6.60%	14.93%	19.91%	40.58%
5	2.37%	3.11%	8.22%	19.55%	26.40%	54.02%
6	2.67%	3.61%	9.29%	22.32%	30.48%	62.58%
7	2.86%	4.10%	10.52%	24.12%	32.50%	65.63%
8	3.41%	5.01%	12.68%	30.34%	38.67%	75.99%
9	3.69%	5.68%	14.10%	35.03%	41.34%	75.82%
10	4.09%	6.42%	15.63%	41.62%	45.76%	79.01%

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

All portfolios continue to perform in line with their relative risk over all periods (except 5 years) owing to the strong relative performance of UK Growth, Developed and Emerging Markets Equity. Risk Grades 8 to 10 are out of line over 5 years owing to Emerging Markets lagging both Developed and UK Markets for that period.

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Passive</b>						
1	0.24%	0.26%	0.39%	2.46%	2.76%	6.53%
2	1.30%	1.65%	2.91%	9.36%	10.68%	22.18%
3	1.75%	2.21%	4.02%	12.62%	14.29%	29.40%
4	2.45%	3.15%	5.96%	16.46%	18.49%	37.96%
5	3.11%	4.07%	7.80%	21.96%	24.79%	50.61%
6	3.53%	4.69%	9.01%	25.31%	28.58%	58.35%
7	3.79%	5.27%	10.47%	27.57%	30.77%	60.93%
8	4.31%	6.33%	13.20%	35.15%	37.78%	70.82%
9	4.44%	6.81%	14.53%	39.94%	40.59%	70.74%
10	4.67%	7.37%	16.04%	46.98%	45.18%	73.89%

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 4 for how performance figures are calculated. Performance data is correct as of 31st December 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 December 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	0.07%	0.12%	0.24%	0.68%	1.11%	3.47%
Fixed Interest	1.72%	1.96%	4.30%	13.61%	13.62%	23.54%
Property	2.54%	4.34%	9.41%	6.40%	16.25%	40.42%
UK Value and Income	1.30%	0.91%	9.64%	17.46%	27.79%	69.96%
UK Growth	3.04%	6.24%	14.38%	29.51%	42.32%	75.71%
Developed Markets	4.87%	5.74%	11.33%	39.67%	52.77%	115.19%
Emerging Markets	4.71%	9.24%	24.03%	59.59%	47.47%	52.14%

### CAERUS Passive

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
Managed Liquidity	0.07%	0.12%	0.24%	0.68%	1.11%	3.47%
Fixed Interest	1.09%	1.19%	1.73%	11.11%	11.66%	23.58%
Property	2.54%	4.34%	9.41%	6.40%	16.25%	40.42%
UK Value and Income	4.40%	5.13%	9.86%	23.58%	23.32%	52.02%
UK Growth	4.95%	7.17%	13.03%	31.81%	33.03%	62.35%
Developed Markets	4.66%	6.26%	12.97%	46.30%	55.01%	116.02%
Emerging Markets	4.73%	9.37%	23.09%	62.74%	46.47%	44.58%

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 4 for how performance figures are calculated. Performance data is correct as of 31st December 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 8-9 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	0.18%	0.44%	0.50%	0.54%	0.61%	0.65%	0.67%	0.72%	0.73%	0.75%
Historic Yield	0.58%	1.84%	2.08%	2.23%	2.34%	2.40%	2.42%	2.25%	2.02%	1.69%

Fund OCF and Historic Yield data correct as at 2nd January 2018

### CAERUS 50% Active & 50% Passive

Fund OCF	0.15%	0.34%	0.38%	0.41%	0.46%	0.48%	0.51%	0.55%	0.55%	0.54%
Historic Yield	0.52%	1.69%	1.95%	2.21%	2.37%	2.47%	2.53%	2.42%	2.21%	1.90%

Fund OCF and Historic Yield data correct as at 2nd January 2018

### CAERUS 25% Active & 75% Passive

Fund OCF	0.12%	0.25%	0.27%	0.28%	0.30%	0.32%	0.35%	0.38%	0.37%	0.34%
Historic Yield	0.46%	1.55%	1.82%	2.19%	2.40%	2.53%	2.64%	2.60%	2.39%	2.10%

Fund OCF and Historic Yield data correct as at 2nd January 2018

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

All portfolios continue to perform in line with their relative risk over all periods (except 5 years) owing to the strong relative performance of UK Growth, Developed and Emerging Markets Equity. Risk Grades 8 to 10 are out of line over 5 years owing to Emerging Markets lagging both Developed and UK Markets for that period.

Risk Grade	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
1	0.29%	0.30%	0.62%	2.49%	2.56%	5.72%
2	1.33%	1.70%	3.86%	9.74%	11.39%	22.10%
3	1.67%	2.08%	4.91%	12.58%	15.09%	29.80%
4	1.98%	2.54%	6.44%	15.31%	19.56%	39.93%
5	2.72%	3.54%	8.39%	20.80%	26.67%	54.08%
6	2.89%	3.88%	9.22%	23.06%	30.01%	61.53%
7	3.09%	4.39%	10.51%	24.98%	32.08%	64.46%
8	3.63%	5.34%	12.81%	31.53%	38.46%	74.71%
9	3.98%	5.98%	14.10%	36.02%	41.11%	74.44%
10	4.23%	6.66%	15.74%	42.95%	45.64%	77.74%

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 4 for how performance figures are calculated. Performance data is correct as of 31st December 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 December 2017

All portfolios continue to perform in line with their relative risk over all periods (except 5 years) owing to the strong relative performance of UK Growth, Developed and Emerging Markets Equity. Risk Grades 8 to 10 are out of line over 5 years owing to Emerging Markets lagging both Developed and UK Markets for that period.

	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%	0.28%	0.55%	2.48%	2.63%	5.99%
2	1.32%	1.68%	3.55%	9.61%	11.16%	22.13%
3	1.70%	2.12%	4.62%	12.60%	14.83%	29.67%
4	2.14%	2.75%	6.28%	15.69%	19.21%	39.28%
5	2.74%	3.59%	8.01%	20.75%	25.60%	52.32%
6	3.10%	4.15%	9.15%	23.81%	29.54%	60.48%
7	3.32%	4.68%	10.50%	25.84%	31.65%	63.29%
8	3.86%	5.67%	12.94%	32.74%	38.25%	73.42%
9	4.06%	6.25%	14.32%	37.48%	40.99%	73.31%
10	4.38%	6.90%	15.84%	44.29%	45.51%	76.46%

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

All portfolios continue to perform in line with their relative risk over all periods (except 5 years) owing to the strong relative performance of UK Growth, Developed and Emerging Markets Equity. Risk Grades 8 to 10 are out of line over 5 years owing to Emerging Markets lagging both Developed and UK Markets for that period.

	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%	0.27%	0.47%	2.47%	2.70%	6.26%
2	1.31%	1.67%	3.23%	9.49%	10.92%	22.16%
3	1.72%	2.17%	4.32%	12.61%	14.56%	29.54%
4	2.30%	2.95%	6.12%	16.08%	18.85%	38.62%
5	2.92%	3.83%	7.91%	21.36%	25.20%	51.46%
6	3.32%	4.42%	9.08%	24.56%	29.06%	59.42%
7	3.56%	4.98%	10.49%	26.70%	31.22%	62.11%
8	4.09%	6.00%	13.07%	33.94%	38.02%	72.13%
9	4.25%	6.53%	14.43%	38.71%	40.80%	72.03%
10	4.53%	7.14%	15.94%	45.63%	45.35%	75.16%

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 4 for how performance figures are calculated. Performance data is correct as of 31st December 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 December 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	0.07%	0.12%	0.24%	0.68%	1.11%	3.47%
Fixed Interest	1.56%	1.77%	3.66%	12.99%	13.13%	23.55%
Property	2.54%	4.34%	9.41%	6.40%	16.25%	40.42%
UK Value and Income	2.08%	1.97%	9.70%	18.99%	26.67%	65.48%
UK Growth	3.52%	6.47%	14.04%	30.09%	40.00%	72.37%
Developed Markets	4.82%	5.87%	11.74%	41.33%	53.33%	115.40%
Emerging Markets	4.72%	9.27%	23.80%	60.38%	47.22%	50.25%

### 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	0.07%	0.12%	0.24%	0.68%	1.11%	3.47%
Fixed Interest	1.41%	1.58%	3.02%	12.36%	12.64%	23.56%
Property	2.54%	4.34%	9.41%	6.40%	16.25%	40.42%
UK Value and Income	2.85%	3.02%	9.75%	20.52%	25.56%	60.99%
UK Growth	4.00%	6.71%	13.71%	30.66%	37.68%	69.03%
Developed Markets	4.77%	6.00%	12.15%	42.99%	53.89%	115.61%
Emerging Markets	4.72%	9.31%	23.56%	61.17%	46.97%	48.36%

## 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	0.07%	0.12%	0.24%	0.68%	1.11%	3.47%
Fixed Interest	1.25%	1.38%	2.37%	11.74%	12.15%	23.57%
Property	2.54%	4.34%	9.41%	6.40%	16.25%	40.42%
UK Value and Income	3.63%	4.08%	9.81%	22.05%	24.44%	56.51%
UK Growth	4.47%	6.94%	13.37%	31.24%	35.35%	65.69%
Developed Markets	4.71%	6.13%	12.56%	44.64%	54.45%	115.81%
Emerging Markets	4.73%	9.34%	23.33%	61.95%	46.72%	46.47%

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 4 for how performance figures are calculated. Performance data is correct as of 31st December 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%	2.35%	4.45%	2.31%	-6.59%	14.53%	0.54%
2	3.25%	3.04%	5.70%	4.04%	-13.69%	23.63%	0.61%
3	3.50%	3.60%	6.66%	5.56%	-17.92%	31.96%	0.66%
4	3.75%	3.98%	7.34%	6.77%	-21.75%	37.70%	0.70%
5	4.00%	4.25%	7.82%	7.87%	-24.81%	41.94%	0.72%
6	4.25%	4.45%	8.08%	9.27%	-27.25%	45.06%	0.73%
7	4.50%	4.63%	8.26%	10.34%	-29.32%	47.24%	0.74%
8	4.75%	4.87%	8.45%	11.50%	-31.81%	49.81%	0.75%
9	5.00%	5.10%	8.63%	12.77%	-34.25%	52.44%	0.75%
10	5.25%	5.25%	8.63%	13.84%	-35.46%	54.56%	0.75%

\*Correct as at 2nd January 2018

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 December 2017

The current fund holdings for CAERUS Tactical Income portfolios are shown in the table below, as at 31st December 2017. Please refer to page 28 for details on fund changes over the period.

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 GIS 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	Janus 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	Janus 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 December 2017

Risk Grades 3 to 10 have continued to meet or exceed their income targets over the last 12 months. From a total return perspective, all portfolios have performed in line with their relative risk over all periods (except Risk Grade 10 over 3 and 6 months) owing to the strong relative performance of Asia Pacific ex Japan and Global Equity Income Maximiser. US Equity has also delivered strong relative returns over all periods (except 1 year) and Europe Ex UK Equity has performed well over 1 year to 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	0.89%	1.28%	3.17%	6.62%	7.78%	13.12%
2	1.40%	1.82%	4.59%	10.04%	12.11%	19.19%
3	1.65%	2.08%	5.40%	13.04%	15.26%	23.62%
4	1.93%	2.39%	6.29%	15.66%	18.10%	27.52%
5	2.19%	2.68%	7.10%	18.15%	20.69%	31.26%
6	2.39%	2.87%	7.63%	21.17%	23.57%	34.86%
7	2.57%	3.08%	8.15%	23.15%	25.64%	37.79%
8	2.73%	3.26%	8.85%	24.95%	27.47%	40.19%
9	2.90%	3.51%	9.72%	27.25%	29.71%	43.00%
10	2.90%	3.44%	9.96%	29.39%	31.21%	44.30%

## CAERUS Tactical Income - asset class returns to period end 31st December 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	0.27%	0.44%	1.15%	3.62%	4.07%	5.66%
Corporate Bonds	1.37%	1.84%	4.79%	12.54%	13.49%	21.33%
High Yield Bonds	1.05%	3.31%	8.12%	18.64%	21.46%	23.96%
Property	2.65%	4.35%	10.46%	5.53%	12.25%	26.58%
UK Equity Income	2.30%	1.58%	7.82%	17.11%	22.22%	31.38%
US Equity	5.34%	5.25%	3.47%	44.16%	46.22%	79.61%
Europe ex UK	1.16%	3.75%	13.83%	33.38%	43.36%	51.84%
Asia Pacific ex Japan	5.34%	5.88%	17.97%	50.58%	42.87%	64.50%
Global Equity Income Maximiser	3.60%	5.02%	7.30%	38.85%	37.55%	56.96%

Please refer to Important Notes on page 4 for how performance figures are calculated. Performance data is correct as of 31st December 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 \$8.72 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 December 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	0.22%	0.37%	0.52%	0.58%	0.65%	0.68%	0.73%	0.76%	0.78%	0.80%
Historic Yield	1.10%	1.70%	2.43%	2.59%	2.57%	2.32%	2.07%	1.85%	1.70%	1.59%

\* Fund OCF and Historic Yield data correct as at 2nd January 2018

### 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%	0.53%	0.59%	0.66%	0.69%	0.73%	0.76%	0.78%	0.80%
Historic Yield	1.29%	1.92%	2.75%	2.90%	2.82%	2.51%	2.17%	1.88%	1.70%	1.59%

\* Fund OCF and Historic Yield data correct as at 2nd January 2018

### 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	0.22%	0.34%	0.48%	0.54%	0.61%	0.65%	0.70%	0.73%	0.77%	0.80%
Historic Yield	1.20%	1.84%	2.64%	2.79%	2.74%	2.44%	2.15%	1.89%	1.72%	1.59%

\* Fund OCF and Historic Yield data correct as at 2nd January 2018

### 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	0.23%	0.35%	0.49%	0.55%	0.62%	0.66%	0.70%	0.73%	0.76%	0.79%
Historic Yield	1.18%	1.81%	2.61%	2.77%	2.73%	2.44%	2.16%	1.91%	1.75%	1.62%

\* Fund OCF and Historic Yield data correct as at 2nd January 2018

### CAERUS Strategic Ethical Active (A-D): portfolio holdings as of 31st December 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 20. 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 28 of this document.

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

FUND		A	B	C	D
<b>Asset Class</b>					
Managed Liquidity (unscreened)	BlackRock ICS Institutional Sterling Liquidity				
	Federated Short-Term Sterling Prime				
Ethical Corporate Bonds	Rathbone Ethical Bond				
	Kames Ethical Corporate Bond				
	EdenTree Amity Sterling Bond				
	F&C Responsible Sterling Bond				
	Liontrust Sustainable Future Corporate Bond				
UK Government / Inflation Linked Bonds	Royal London Ethical Bond				
	Allianz Gilt Yield				
	M&G Index Linked Bond				
Property	Janus Henderson UK Property PAIF 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				
	Janus Henderson UK Responsible Income				
Ethical International Equity	Janus Henderson Global Sustainable Equity				
	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 December 2017

All portfolios continue to perform in line with their relative risk over all periods owing to the continued strong relative performance of International and Emerging Markets Equity. UK Equity has also delivered attractive returns over all periods (except 2 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	0.68%	0.73%	1.55%	4.73%	4.76%	11.15%
2	1.43%	1.92%	4.43%	9.14%	11.15%	22.79%
3	2.28%	3.16%	7.44%	15.00%	18.71%	35.03%
4	2.65%	3.77%	9.13%	18.04%	22.87%	44.37%
5	3.10%	4.43%	10.90%	20.46%	26.79%	52.51%
6	3.44%	4.93%	12.35%	23.55%	30.63%	59.28%
7	3.81%	5.53%	14.02%	26.22%	34.62%	67.04%
8	4.12%	5.99%	15.21%	28.76%	37.86%	71.64%
9	4.39%	6.28%	16.02%	30.74%	40.12%	75.53%
10	4.61%	6.44%	16.33%	32.56%	41.55%	76.73%

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

Please refer to Important Notes on page 4 for how performance figures are calculated. Performance data is correct as of 31st December 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 B

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Risk Grade</b>						
1	0.65%	0.75%	1.78%	4.44%	4.58%	10.91%
2	1.48%	2.12%	5.07%	9.56%	12.10%	24.72%
3	2.32%	3.33%	8.14%	14.76%	18.63%	35.13%
4	2.60%	3.80%	9.55%	17.52%	22.53%	43.78%
5	3.06%	4.46%	11.24%	20.03%	26.51%	53.04%
6	3.41%	4.95%	12.60%	23.22%	30.40%	61.49%
7	3.79%	5.54%	14.15%	26.05%	34.50%	70.76%
8	4.11%	5.99%	15.25%	28.70%	37.81%	77.35%
9	4.38%	6.28%	16.01%	30.73%	40.12%	82.87%
10	4.60%	6.44%	16.32%	32.55%	41.55%	85.60%

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

Please refer to Important Notes on page 4 for how performance figures are calculated. Performance data is correct as of 31st December 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	0.62%	0.73%	1.76%	4.42%	4.56%	10.89%
2	1.29%	1.73%	4.36%	9.55%	10.76%	21.23%
3	2.08%	2.87%	7.31%	15.62%	18.04%	32.98%
4	2.45%	3.48%	9.00%	18.66%	22.15%	41.95%
5	2.92%	4.14%	10.69%	21.20%	26.11%	50.84%
6	3.32%	4.74%	12.23%	24.01%	30.12%	59.53%
7	3.71%	5.33%	13.78%	26.87%	34.21%	68.62%
8	4.04%	5.79%	14.89%	29.54%	37.53%	74.27%
9	4.35%	6.19%	15.83%	31.16%	39.97%	80.49%
10	4.60%	6.44%	16.32%	32.55%	41.55%	84.13%

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

Please refer to Important Notes on page 4 for how performance figures are calculated. Performance data is correct as of 31st December 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 D

	3 MONTH RETURN	6 MONTH RETURN	1 YEAR RETURN	2 YEAR RETURN	3 YEAR RETURN	5 YEAR RETURN
<b>Risk Grade</b>						
1	0.62%	0.74%	1.79%	4.48%	4.61%	11.10%
2	1.33%	1.81%	4.45%	9.66%	10.74%	21.79%
3	2.15%	3.01%	7.49%	15.79%	17.96%	34.17%
4	2.55%	3.68%	9.25%	18.86%	21.97%	43.48%
5	3.08%	4.45%	11.05%	21.40%	25.99%	52.47%
6	3.51%	5.10%	12.64%	24.19%	29.85%	61.38%
7	3.93%	5.76%	14.25%	27.04%	33.80%	70.72%
8	4.27%	6.22%	15.36%	29.72%	36.91%	76.38%
9	4.61%	6.67%	16.37%	31.32%	39.37%	82.61%
10	4.86%	6.92%	16.85%	32.71%	40.93%	86.22%

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

Please refer to Important Notes on page 4 for how performance figures are calculated. Performance data is correct as of 31st December 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 December 2017

International Ethical Equity performed well over all periods, whilst Ethical Emerging Markets Equity also delivered attractive relative returns over 2 to 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>Asset Class</b>						
Managed Liquidity	0.07%	0.12%	0.24%	0.68%	0.95%	5.66%
UK Ethical Corporate Bonds	2.30%	3.07%	6.89%	16.26%	17.36%	31.28%
UK Government Bonds	2.78%	2.44%	2.58%	20.31%	19.38%	34.26%
Property	2.85%	4.70%	9.94%	7.46%	17.99%	42.30%
UK Ethical Equity Growth	3.61%	6.35%	17.37%	21.22%	34.69%	81.92%
UK Ethical Equity Income	3.13%	4.28%	12.73%	18.21%	30.44%	76.31%
International Ethical Equity	3.96%	6.88%	18.96%	42.39%	52.21%	91.14%
Ethical Emerging Markets Equity	7.24%	7.78%	16.03%	43.06%	46.62%	64.65%

### 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	0.07%	0.12%	0.24%	0.68%	0.95%	5.66%
UK Ethical Corporate Bonds	2.30%	3.07%	6.89%	16.26%	17.36%	31.28%
Property	2.85%	4.70%	9.94%	7.46%	17.99%	43.06%
UK Ethical Equity Growth	3.61%	6.35%	17.37%	21.22%	34.69%	81.92%
UK Ethical Equity Income	3.13%	4.28%	12.73%	18.21%	30.44%	76.31%
International Ethical Equity	3.96%	6.88%	18.96%	42.39%	52.21%	91.14%
Ethical Emerging Markets Equity	7.21%	7.78%	16.01%	43.03%	46.59%	95.06%

### 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	0.07%	0.12%	0.24%	0.68%	0.95%	5.66%
UK Ethical Corporate Bonds	2.19%	2.76%	6.57%	15.91%	17.01%	30.90%
UK Ethical Equity Growth	3.61%	6.35%	17.37%	21.22%	34.69%	81.21%
UK Ethical Equity Income	3.13%	4.28%	12.73%	18.21%	30.44%	71.59%
International Ethical Equity	3.96%	6.88%	18.96%	42.39%	52.21%	89.49%
Ethical Emerging Markets Equity	7.21%	7.78%	16.01%	43.03%	46.59%	95.06%

### 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	0.07%	0.12%	0.24%	0.68%	0.95%	5.66%
UK Ethical Corporate Bonds	2.19%	2.80%	6.65%	16.12%	17.18%	31.69%
UK Ethical Equity Growth	4.62%	8.27%	19.47%	21.37%	36.10%	82.82%
UK Ethical Equity Income	3.13%	4.28%	12.73%	18.21%	30.44%	71.59%
International Ethical Equity	4.00%	6.95%	19.08%	42.66%	48.62%	95.32%
Ethical Emerging Markets Equity	7.21%	7.78%	16.01%	43.03%	46.59%	95.06%



# PORTFOLIO CHANGES

## Portfolios affected: CAERUS Active

**INCREASE** Liontrust Special Situations / Neptune UK Mid Cap / Schroder UK Smaller Companies / Jupiter UK Special Situations

**SELL** JOHCM UK Opportunities

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The retirement of John Wood has meant a change of manager for JOHCM UK Opportunities. Having met the two new co-managers, we were uncomfortable with the extent to which they were willing to increase cash levels and thus the appropriateness of the fund in providing adequate exposure to UK Equities. The proceeds from the sale were invested equally across our existing UK Equity Growth funds.

## Portfolios affected: CAERUS Active

**BUY** Veritas Asian

**REDUCE** Stewart Investors Asia Pacific Leaders

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We halved our holding in Stewart Investors Asia Pacific Leaders with proceeds used to purchase Veritas Asian. The change was prompted by the desire to bring more balance to the Asia Pacific ex Japan Asset Class rather than any quantitative or qualitative concerns. While both funds are managed with a focus on real returns and downside protection, Ezra Sun's Veritas Asian fund brings an additional cyclical element to the asset class which should perform well if sentiment continues to improve.

## Portfolios affected: CAERUS Active

**BUY** GS Emerging Markets Equity

**SELL** Aberdeen Emerging Markets

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We met with the managers of Aberdeen Emerging Markets, following a period of disappointing performance, which raised question marks over the fund's ability to consistently produce above average risk-adjusted returns. Proceeds were therefore switched into the Goldman Sachs Emerging Markets Equity Portfolio, a style agnostic fund with a proven track record of stock selection as the main driver of returns. The fund has an extensive team with a strong focus on risk management.



# INDEX AND PEER GROUP RETURNS

## Index and peer group returns to period end 31st December 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	1.55%	1.94%	4.84%	13.72%	14.15%	24.70%
IA Mixed Investment 20-60% Shares	2.28%	2.87%	7.16%	18.22%	19.65%	36.56%
IA Mixed Investment 40-85% Shares	3.35%	4.32%	9.98%	24.13%	27.44%	52.98%
IA Flexible Investment	3.62%	4.78%	11.21%	26.57%	29.09%	55.09%
LIBOR GBP 12m	0.19%	0.35%	0.70%	1.60%	2.63%	4.57%
IBOXX Sterling Gilts All Maturities	2.04%	1.63%	1.97%	12.71%	13.19%	24.35%
Citi UK Inflation-Linked Securities Index	1.61%	0.87%	0.29%	25.54%	24.12%	48.33%
IBOXX Sterling Corporates All Maturities	2.04%	2.24%	5.01%	17.43%	18.09%	35.12%
Barclays Global Aggregate GBP (H)	0.48%	0.97%	1.93%	5.66%	7.13%	15.66%
PIM Property Index	1.56%	2.81%	5.67%	3.69%	11.49%	34.27%
FTSE All Share	4.96%	7.21%	13.10%	32.04%	33.34%	62.98%
FTSE UK Equity Income	4.44%	5.21%	10.03%	23.94%	23.80%	53.51%
FTSE North America	5.59%	7.06%	11.27%	49.23%	57.21%	141.21%
FTSE Europe Ex UK	0.46%	4.33%	16.86%	41.59%	49.35%	82.65%
FTSE Asia Pacific Ex Japan	7.49%	9.47%	23.37%	58.73%	53.21%	70.83%
FTSE Japan	7.93%	8.76%	14.44%	40.39%	65.07%	111.89%
FTSE World ex UK	4.97%	6.77%	13.45%	47.96%	55.01%	113.50%
FTSE Emerging	6.12%	10.88%	21.06%	63.94%	47.03%	50.21%

Please refer to Important Notes on page 4 for how performance figures are calculated. Performance data is correct as of 31st December 2017. Past performance is not an indication of future returns. The value of Investments and any income from them are not guaranteed and can go down as well as up.



# NOTES

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# NOTES

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**CAERUS Portfolio Management Limited**

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