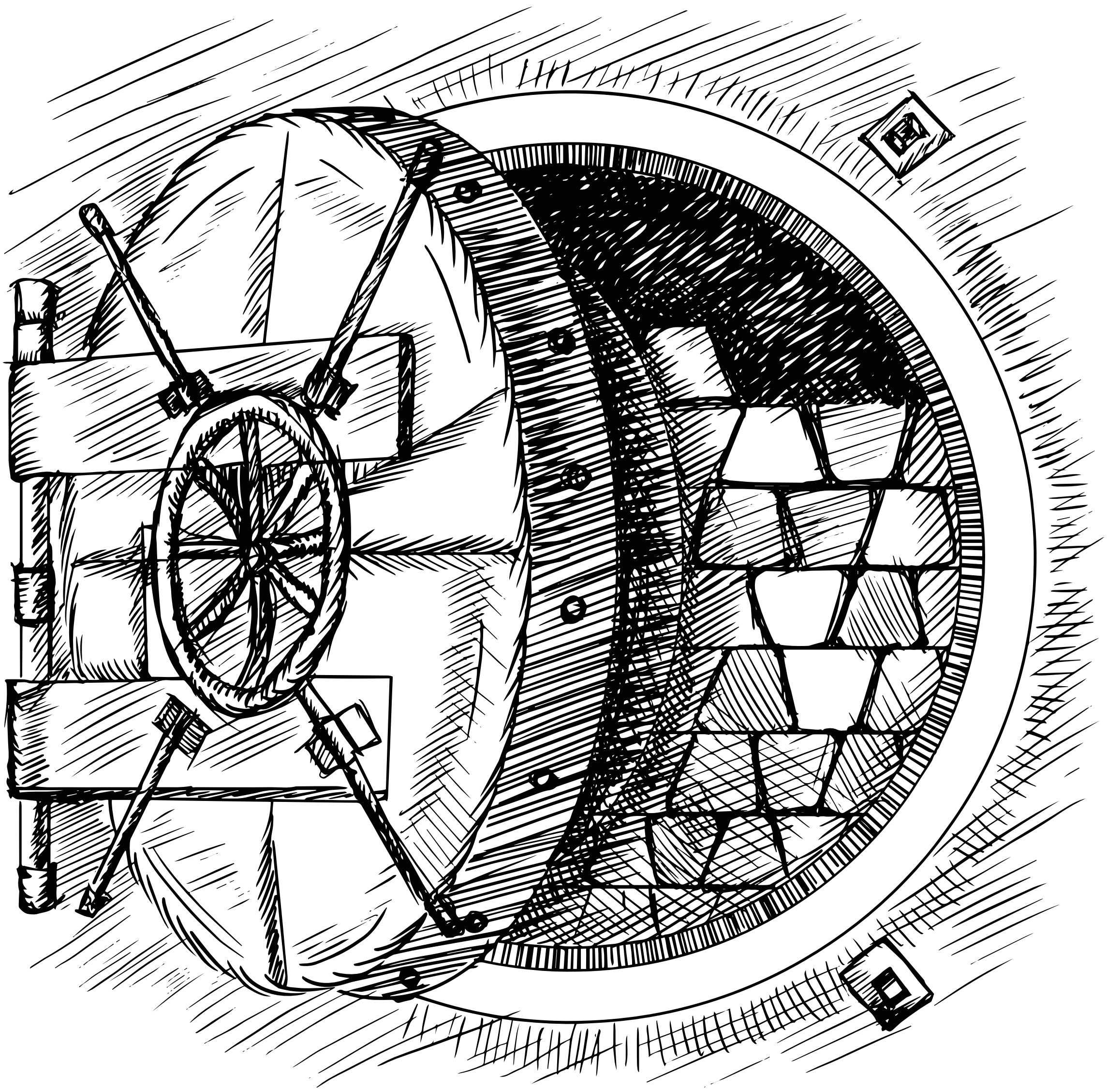
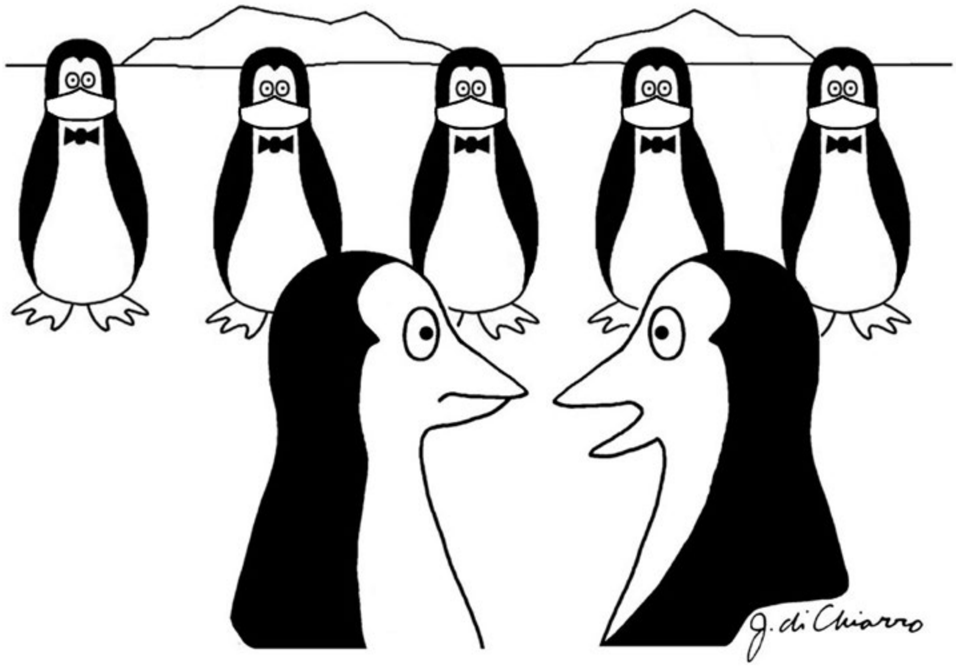
ANNUAL
**FUND
REVIEW
2021**

Welcome to
“our feature meeting room built in the original vault”



How many millionaires do you know who have become wealthy by investing in savings accounts?

Robert G. Allen



"Can't tell one from another with those protective face masks."

2020 will go down in history as an **EXTRAORDINARY YEAR**

It was the year Covid - 19 dominated our lives, financial stimulus packages that dwarfed those we saw during the financial crisis were put into place and the UK finally negotiated a trade deal with the EU.

These events serve as a reminder that there will always be unforeseen events, out of our control, which can impact investments and highlight the need for a solid long term strategy. After a relatively healthy start to the year, markets across the world saw huge losses as both supply and demand were paralysed when the pandemic took hold. As lockdowns were eased and then reintroduced markets began to recover strongly with the support of Governments and central banks. Under such extreme circumstances there will always be opportunity, as evidenced by Amazon's ever increasing share price, which with the help of other growth stocks helped to push the S&P 500 to new heights. Amid uncertainty the UK and Europe had a slower recovery, whilst Emerging Markets exhibited the kind of volatility one might expect under the circumstances, confirming that larger allocations here are suitable for higher risk investors only.

We moved into our new office, "The Bank" on Banstead High Street, which includes a feature meeting room built in the original vault. Our official opening day become the first day of national lockdown and also the trough of the FTSE 100. Despite the challenging times we have remained open throughout in order to help our clients at the time of greatest need and would like to reassure you it is our plan to continue to do so regardless of the national situation. The business remains strong and we managed to grow our assets under management despite the economic backdrop.

We are pleased with our in house portfolios, which have once again performed well and are currently showing higher valuations than they were at the same time last year. It is now time to carry out our reviews, to ensure our investors continue to benefit from our advice.

The following brochure contains summaries of our discussions, over the last few months.

Equity

THE UK

Troy Trojan Income

Like all of Troy's funds, this offering has an emphasis on capital protection, making it very popular in the current environment.

The three portfolio managers aim to achieve this through the steady long term compounding of returns. They invest in less cyclical businesses, avoiding the likes of airlines and housebuilders, across a well-diversified, UK focused portfolio. Typically this will result in relatively strong performance during challenging market conditions. The fund has maintained its first quartile position over 1, 3, 5 and 10 years, with the lowest volatility in the sector, since launch. Troy pay attention to Environmental, Social and Governance (ESG) issues, which is evidenced by the fund's A+ ESG rating, making it attractive for ethical investors. This year has seen a slight tactical shift from the managers, with investment in higher growth stocks, due to the unprecedented disruption to UK dividend payments, although the fund has been relatively unaffected by the cuts. This versatility leaves the fund well placed going forward, despite the reduction in dividend yield across the sector. We will continue to hold this fund and look forward to working with Troy in 2021.

Lindsell Train UK Equity

In recent years this fund has become central to our investment proposition, partly because our investment philosophy is aligned with that of Nick Train and because it has been impossible to ignore the stellar performance.

Train's mantra of "when in doubt, do nothing" has served him well over the years and contributes to the low trading costs associated with the fund. He has a bias towards larger companies with more than 90% of the portfolio being invested in FTSE 100 type holdings. The investment strategy has three central themes; "digital winners", "beloved consumer brands" and "luxury brands. Whilst typically there were not many changes over 2020, Train took an opportunity to add the Fever Tree drinks brand to the portfolio at a very competitive price. This is exactly the kind of investment we have been used to the team making, with existing holdings in Diageo, Heineken and Burberry. We see many of the funds "digital winners" as well placed to benefit from the continued rebasing of activities, from trading to publishing, to online platforms; an inevitable trend that could well be accelerated by the global pandemic. This is very much a buy and hold fund and one that we can expect to show volatility but has the potential for extremely good returns, as evidenced by past performance. We will continue to hold this fund and in greater proportions further up the risk spectrum.

*top 25% of performers in its peer group.

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GLOBAL

BNY Mellon Global Income

2020 saw the departure of long standing manager Nick Clay and his team. We would like to thank them for the fantastic returns they generated during their tenure; the fund was ranked number 1 in its sector at the time of our last write up, and wish them luck in their new roles.

Clay worked at the asset manager for over 20 years and we feel that such a fundamental shift in management means the fund must be viewed as an entirely new proposition. As such, we will not be using the fund from the point of our next rebalance, although we will continue to monitor it going forward.

"HE'S STOPPED WAITING FOR BREXIT AND MOVED ON WITH HIS LIFE."

CartoonStock.com

Emerging Markets

FIDELITY EMERGING MARKETS

As of December 2019, this fund now operates with two Portfolio Managers, Nick Price and Amit Goel, who brings a wealth of experience as an Asia specialist.

The co PM structure is a feature we often look for, as we like the idea of rigorous debate and extra checks and balances. This is a trend across most of Fidelity's offerings, which dovetails well with their companywide ethos of sharing information between managers and specialists operating in different and overlapping areas. The fund holds c.50 stocks, utilising a bottom up stock picking approach, with a preference for quality companies with substantial free cash flow as opposed to those that are leveraged. This is a true Emerging Markets fund with China being the biggest influencer on performance and Alibaba the largest single stock. The fund has managed to outperform the MSCI Emerging Markets index in 2020, being first quartile over 1 and 3 years. The country allocation shows an underweight to some of the more fragile EM economies such as Brazil, where the market fell by 50% over March and April. This is a trend we expect to see continue as the managers believe that the countries whose economies have been hit hard by the global pandemic will continue to see markets struggle going forward. We look forward to continue working with the team in 2021.

FIXED INCOME

Henderson Strategic Bond

We have been recommending this fund for over 10 years and will continue to do so into 2021. John Pattullo and Jenna Barnard have a huge amount of experience.

This has allowed them to maintain first quartile performance over 1, 3 and 5 years periods. The managers focus mainly on lending to quality companies, rather than chasing higher yield, further up the risk spectrum. For example, they tend to avoid the more cyclical sectors and do not invest in Emerging Markets. They also don't hold equities in the portfolio, unlike some of their peers, which is a feature we look for. The managers took the decision to increase the risk exposure of their portfolio in April, moving completely out of government debt. This allowed the fund to capture the market recovery at that time and facilitated very strong relative returns for the sector this year. The reason we use strategic bond funds for our fixed income allocation is to access this kind of flexibility; the managers can choose to invest in government debt, all the way through to high yield, depending on what they feel is most suitable given the market environment.

Jupiter Strategic Bond

We hold this fund alongside the Janus Henderson offering for diversification, downside protection and strong risk adjusted returns, as it offers a slightly different approach.

Jupiter are a major player in the fixed income space with over $19bn in Assets Under Management. The team, headed by Ariel Bezalel have full flexibility in terms of where they can invest, from AAA rated Government Bonds through to Emerging market holdings. Over the last year they have taken a more defensive stance than Janus Henderson, holding up to 45% in government bonds (the figure is c.26% at the time of writing), with a preference for non-cyclical companies, that aren't leveraged. This approach cushioned the falls in early 2020 giving very strong performance against the peer group and equally meant the fund did not capture as much of the upside when markets began to recover. The team were concerned by the prospect of a "double dip" in the markets and with their philosophy of mitigating downside risk chose to play it slightly safer. This strategy is well proven with only one negative year of returns since inception, whilst maintaining strong relative performance. Jupiter implement what they describe as a "barbell" approach, hedging their corporate bond exposure with safer government bonds. We are also attracted to the fact that Jupiter have an emphasis on liquidity, claiming they could liquidate 65% of the portfolio in one day. Overall, we feel that this strategy compliments the Janus Henderson one and we will continue to invest with the manager in 2021.

LOW VOLATILITY

Janus Henderson Absolute return

This "Absolute Return" fund aims to generate positive returns in all market conditions partly by avoiding large drawdowns (peak to trough movements in price), to achieve this the managers Ben Wallace and Luke Newman use a combination of long and short positions.

The short positions allow the fund to make money from falling prices. The fund has low volatility compared to the market and the sector. This can be seen if we look at the fund drawdown in March which was c.3% against a market backdrop of close to 15%. The fund has a UK focus and is mandated in invest 60% here, with up to 40% split between the US and Europe. Currently the team have net long exposures to both the UK and Europe, whilst they are short on the US market, largely due to what they see as inflated prices in the tech sector. The holding periods in this fund are shorter than others we use, with a core long book that has an average of c.3 years but

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also tactical exposures which can be held for just hours. We use this fund to dampen down volatility and in particular for clients drawing an income who do not want to encash units at low values during volatile times. The difference in portfolio structure is demonstrative of the specific roll the offering plays in our portfolios. Whilst many absolute return funds have been criticised for not protecting enough on the downside, Janus Henderson have once again shown that their fund delivers when it matters. We will continue to hold this fund through the next year.

Property

L&G PROPERTY

Legal & General have long been our property fund manager of choice, with Michael Barrie and Matt Jarvis heading up the team.

They have consistently been a strong performer and have not exhibited the same liquidity issues as most of their peers, over the last five years. The managers had begun a move away from retail and towards industrials pre pandemic, which undoubtedly helped them when Covid 19 struck, as the retail sector has suffered the most. They still believe this is the correct stance and will be have an overweight allocation to industrials going into 2021, they also hold a neutral position in office space, which has been relatively resilient. As with all property funds, they have had to raise cash levels by selling some buildings during the recent suspension (of all property funds) due to Coronavirus, in order to cater for redemptions upon reopening. This presented the team with opportunities and they were able to sell some properties above valuation. The fund employs a bottom up stock picking approach, which drives 2/3rds of their returns, with the final 1/3 being added by asset allocation. We feel property is still a desirable asset class for our clients, as it has not only capital growth potential but can also generate returns via income and has a low correlation to both equity and fixed income markets. L&G continue to be our manager of choice.

We feel property is still a desirable asset class for our clients

TRACKERS

Analysis has shown time and time again that the average actively managed fund does not outperform the market, making us highly selective when it comes to recommending these.

Tracker funds offer cheap access to markets, by attempting to replicate their performance, which over the long term have shown the ability to provide investors with attractive returns. Always seeking to optimise our clients investments, we have increased our use of tracker funds over the last five years, with some portfolios containing up to 7 different index style funds. We look closely at both tracking error and cost when selecting these and are currently working with Fidelity, Blackrock and HSBC for this exposure.

CONSENSUS

For clients who want pure tracker portfolios, we offer the BlackRock Consensus, fund of funds range.

There are five different risk rated options, with maximum equity content limits from 35%-100%. The portfolios also have fixed income and property exposure. The asset allocation of the portfolios is based on the average of the relevant ABI pension sector. BlackRock rebalance the portfolios once a month to prevent investment drift and keep the portfolios at the appropriate risk level.

Being tracker portfolios, we can expect performance in line with that of the underlying markets but at a very low cost. The result has been strong long term performance.

The portfolios are useful in a standalone capacity or to add diversification and help bring down costs in a larger portfolio.

QUILTER/OLD MUTUAL WEALTH – MANAGED PORTFOLIO SERVICE

For clients who prefer tighter risk controls and quarterly investment rebalances, we continue to offer the Quilter (formerly Old Mutual Wealth), Model Portfolio Service (MPS).

This is run by a team of investment specialists and analysts headed up by Stuart Clark. There is a choice of risk rated portfolios from 3-10 across "Active" and "Passive Blend" ranges, the main difference being a price cap on the Blend range which is adhered to via the "blending" of tracker funds. Each one has a target volatility band which is adhered to via the rigorous investment process. The portfolios very rarely slip out of these bands, even under extreme market conditions, which is one of the reasons we like the offering; you know exactly what you are getting.

The year started with strong performance and the team considered adding risk to the portfolios, eventually the decision was made

"Who called this meeting again?"

not to do this and as the sell-off began they moved in the other direction. Good diversification helped relative performance as markets slid by dampening down volatility leaving the portfolios towards the bottom of their target bands. This has since been amended with cash recycled into equities and "alternatives" such as some fixed interest and precious metal funds. They currently sit in a "neutral" position within the bands. This allowed performance to benefit from the recovery more than it would have, although Stuart is cautious in his outlook, believing that the markets are ahead of the fundamentals that drive them. Nearly every single offering via the MPS has outperformed it's benchmark at the time of writing, over 1 and 3 years, as well as since inception.

Going forward the team plan on exiting their small holding in commercial property as an asset class altogether, as liquidity issues associated with the asset class and new regulations, don't allow for the fluidity the portfolios require. The manager believes that whilst many growth style equities such as US tech giants that have led the recent recovery look expensive, there are parts of the market that have been "left behind" and is therefore looking for opportunities in more "value" based holdings.

We have now been recommending the MPS for the last three years and have been very pleased with the results, we look forward to continuing to work with Stuart and Quilter in 2021.

TAX EFFICIENT VEHICLES

At MLP Wealth we also offer advice on more niche tax efficient vehicles such as those that qualify for Business Property Relief (BPR) and Venture Capital Trusts (VCTs).

BPR products allow an investor to reduce inheritance tax liabilities to zero in two years, with the option of supplementary life assurance to cover any liabilities during this period, essentially this means an individual can negate IHT on invested monies from day one. This is much quicker than gifting assets, which takes 7 years for full exemption. We have been working with Octopus in this area for many years and have had successful claims with HMRC during this time. More recently, we have also been working with Foresight, for the sake of diversification and life assurance options not available with Octopus.

VCTs are becoming more and more popular with investors, partly due to the restriction many higher earners face on pension contributions but also with those who don't want to lock their money away until retirement but are looking or attractive tax incentives. Investors can benefit from 30% income tax relief upfront and well as well as exemptions from capital gains tax and income tax on their investments. We are currently working with Octopus in this area, who run the UKs biggest VCT, which has backed household names including Graze, Secret Escapes and Zoopla at early stages.

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