

Progeny Optimised Passive Income 60/40 Portfolio

Progeny Asset Management - Dynamic Planner 5

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Market Commentary

Ongoing events have taken a toll on global markets. Overall the FTSE 100 has been range bound since February trading between 7000 to 7600. The S&P 500 was up 3.46% for the quarter, as investors appear to be brushing aside the trade war.

Turning to the defensive element, there was also notable news in the Fixed Interest sector. We experienced a rare event in the bond market during quarter three, which was the inversion of the US and UK yield curve. 10-year Treasury Bonds and Gilts had a lower yield than those of the 2-year rates. This is unusual as naturally one would require a greater expected return from a longer duration bond, to account for the increased levels of risk being taken (such as inflationary risk). The inversion of the yield curve tells us investors expect slower inflation and more tepid economic growth in the future and is sometimes seen as an early indicator for a future recession. In recent weeks, we have seen yields return to 'normality' with 10-year Gilts currently yielding 0.52% and 2-year Gilts yielding 0.45%.

Whilst it was doom and gloom on a macro-economic front, we have seen impressive earnings reports and performances from many companies. These have been epitomized by takeover bids, for numerous UK listed companies from foreign buyers, using the low exchange rate to pick up businesses at a discount.

Turning to the portfolio, there have been no fund or asset allocation changes. However, we are monitoring three funds closely, one of which is performance related.

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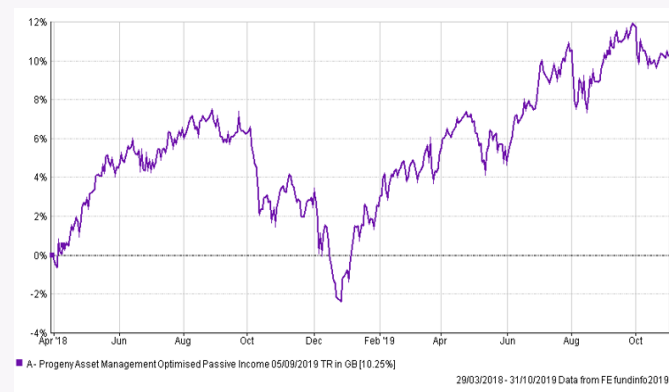
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Portfolio Information

Portfolio Benchmark	ARC Balanced Asset
Investment Management fee	0.30% + VAT
Fund Underlying OCF	0.39%
Total Cost	0.75%
Yield	2.97%
Inception Date	1st April 2018

Performance

%	1m	3m	6m	1y	Incep
OPI	-1.42	-0.24	3.19	6.72	10.25
Benchmark	-0.90	-1.28	2.00	5.98	6.78



Performance calculation: all income reinvested. Performance is shown inclusive of underlying fund charges but gross of Progeny Asset Management investment management fees. Deduction of this charge will have the result of reducing the illustrated performance.

Performance is calculated based on the model portfolio and provided for illustrative purposes only and should not be viewed as the performance of a specific client account.

For the historical optimisation, the portfolio put forward for back-testing has historically had an annualised return of > 8.50% (over 3 years).

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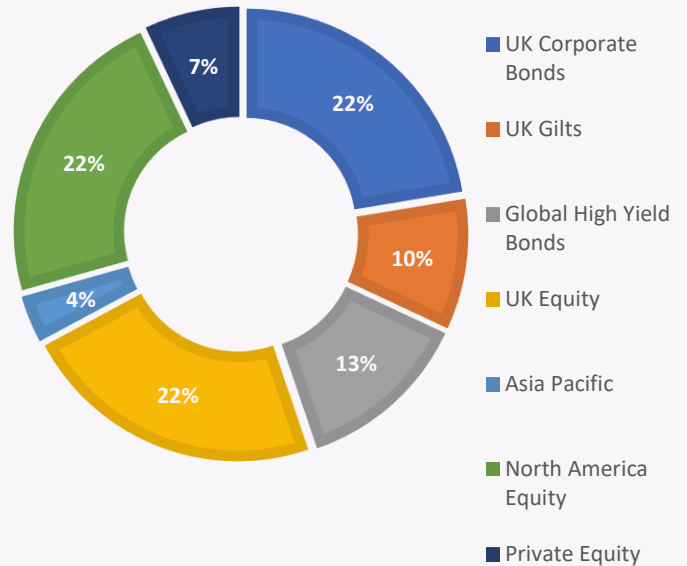
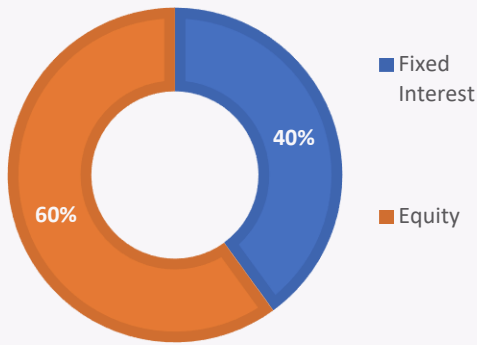
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Progeny Optimised Passive

60/40 Portfolio

Asset Allocation



Portfolio Holdings

iShares Core £ Corporate Bond UCITS ETF	20.00%
iShares FTSE 250 UCITS ETF	20.00%
iShares MSCI USA Dividend UCITS ETF	20.00%
iShares Global High Yield Corp Bond UCITS ETF	11.44%
iShares Developed Markets Property Yield UCITS ETF	10.66%
iShares Core UK Gilts UCITS ETF	8.56%
iShares Listed Private Equity UCITS ETF	6.25%
iShares Asia Pacific Dividend UCITS ETF	3.09%

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Process

Taking guidance from Markowitz's Modern Portfolio Theory, we have adopted a scientific approach to risk and return, and the portfolio has been constructed to sit along the efficient frontier. We set the criteria that the portfolio should target a minimum 3% yield. It is a low-cost, passive solution consisting of exchange traded funds.

BlackRock, as the largest provider of exchange-traded funds (ETFs) in the world*, were able to bring their significant experience and insight to bear on the optimisation of the portfolio.

* iShares is the world's leading Exchange Traded Fund (ETF) provider with more than a decade of expertise and commitment to investors. This is based on over 830 ETFs and more than \$1.75 trillion USD in assets under management globally (BlackRock, 31/12/17).

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