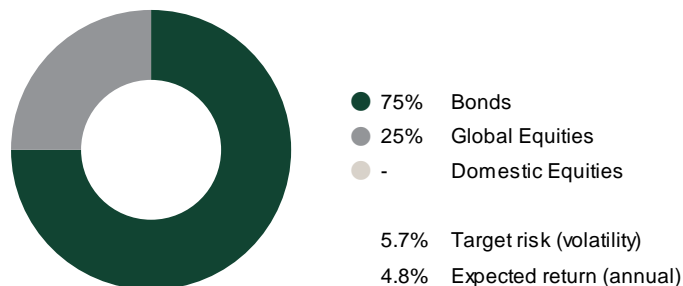


Asset allocation ranges

The allocation to broad asset class will typically fall within these ranges:

Asset class	Range (%)
Cash	0 to 25
Government bonds	25 to 90
Credit	0 to 50
Equities	0 to 50
Real estate	0 to 10
Commodities	0 to 10
Alternative strategies	0 to 10

Historical Reference Allocation



What does this Model do?

This model seeks to preserve purchasing power relative to inflation over a period of 5-7 years. The historical reference allocation above shows how a portfolio has typically been constructed to achieve the stated risk and return figures. However, the risks and returns of different assets are not static over time and historical returns are not a guide to future returns. This model therefore uses Kleinwort Benson's dynamic asset allocation to invest in a wider range of asset classes in response to changing market and economic conditions. The model's current indicative asset class ranges are detailed above, and may vary over time.

Performance update

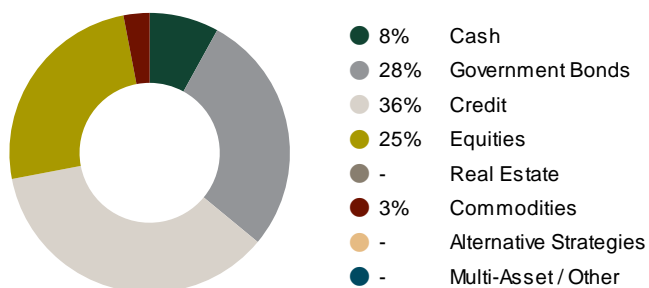
Over the quarter the portfolio rose in value by 1.1%, comfortably outperforming its ARC peer group, which returned 0.4%. The portfolio's equity allocation added the most value, benefiting from the strength of global equity markets in sterling terms over the quarter. We also saw positive returns from our commodities exposure

The strongest equity performances came from the US and Europe, though they were well supported by the UK, Japan and Asia. Of note were Fidelity US Index (+10.7%), JO Hambro Capital Management (JOHCM) Continental European (+6.6%), Threadneedle UK (+3.1%), Tokio Marine Japanese Equity Focus (+2.0%) and Hermes Asia Ex Japan (+2.6%).

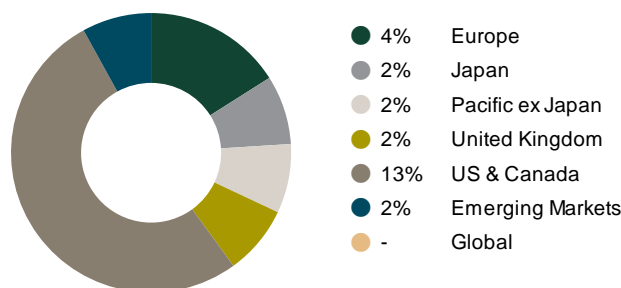
Our fixed income investments fell in value, with the exception of the High Yield Credit position that recorded a small positive return.

There were no changes to the strategy's overall asset allocation though we took profits from the commodities position that we added in April, converting it to a sterling hedged instrument as we considered sterling undervalued following its devaluation post Brexit.

Current asset allocation



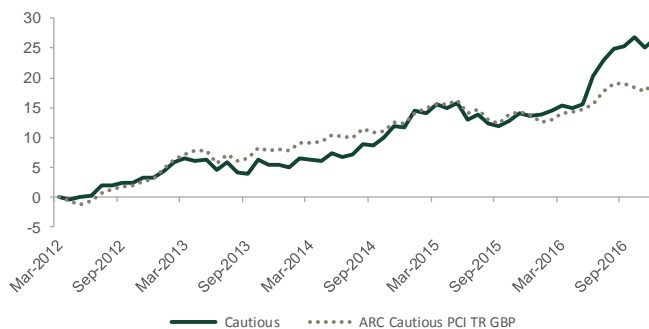
Equity allocation



Top 10 holdings

	(%)
iShares UK Gilts 0-5yr GBP Dist	13.0
SPDR® Barclays 0-3 Year US Corp Bd ETF	9.0
Lyxor FTSE Actuaries UK Gilts ETF	9.0
GBP Cash Deposit	8.0
iShares £ Ultrashort Bond GBP Dist	8.0
Smith & Williamson Short-Dated Corporate Bond	8.0
Fidelity Index US Fund	8.0
PIMCO Global Investment Grade Credit Fund	7.0
Lyxor FTSE Actuaries UK Index Linked Gilts ETF	6.0
Fidelity American Growth	5.0

Performance Chart



Performance

	YTD*	3 months*	1 year*	Inception*
Cautious	11.5	1.1	11.5	26.7
ARC PCI**	5.1	0.4	5.1	19.6
+ / -	6.4	0.8	6.4	7.1
Volatility***	-	-	5.0	3.6

* to 31 December 2016

** ARC Cautious PCI TR GBP

*** Annualised data

Notes: model launch data 01/04/2012; performance net of underlying fund fees but gross of Kleinwort Benson's annual management charge, platform fees and advisor charges; Latest quarter of ARC performance data are based on ARC estimates. Past performance is not an indicator of future returns.

Source: ARC, Morningstar, Bloomberg and Kleinwort Benson

Yield, fees and charges

Yield (gross)	1.6%
Kleinwort Benson's annual management charge (via platforms)	0.35% plus VAT

Available Platforms:

Ascentric
AXA Elevate
Novia
Transact
Aviva
Nucleus
Standard Life

General risk information

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