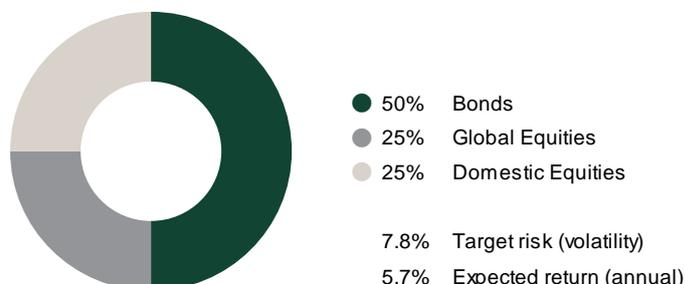


Asset allocation ranges

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

Asset class	Range (%)
Cash	0 to 25
Government bonds	0 to 75
Credit	0 to 50
Equities	25 to 75
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Historical Reference Allocation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 generate a sustainable income return. The historical reference allocation above shows how a portfolio has typically been constructed to achieve the stated risk and return figures.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

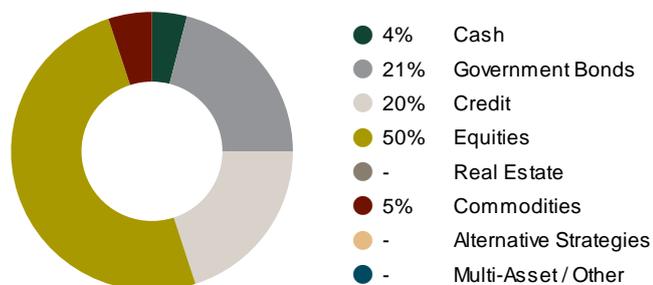
Over the quarter the portfolio rose in value by 1.0%, modestly behind its ARC peer group, which returned 1.7%. The portfolio's equity allocation added the most value, benefiting from the strength of global equity markets in sterling terms over the quarter. We also saw positive returns from our commodities exposure.

The strongest equity performance came from the Global Equity Income allocation, in particular Artemis Global Income (+8.7%). Though this was well supported by Liontrust Macro Equity Income (+3.7%), Standard Life European Equity Income (+3.1%), Artemis Income (+3.0%) and Polar Capital Emerging Market Income (+2.2%).

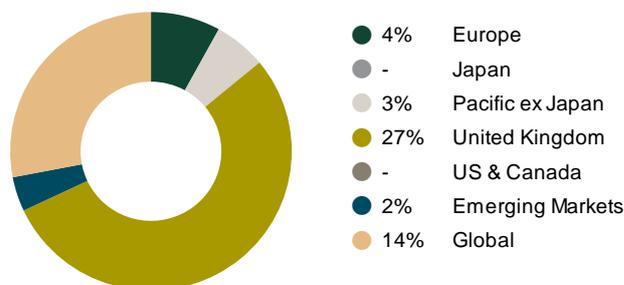
Our fixed income investments fell in value, with the exception of the High Yield Credit position that recorded a small positive return.

In the first half of the year we made a number of changes to the asset allocation and implementation of the portfolio. However, we made no changes to the asset allocation over this quarter; which proved the correct action to take. We did take 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



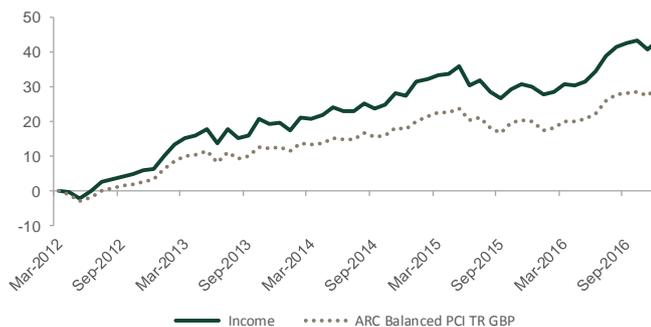
Equity allocation



Top 10 holdings

	(%)
iShares UK Gilts 0-5yr GBP Dist	10.0
Artemis Global Income	7.0
Lyxor FTSE Actuaries UK Gilts ETF	7.0
PIMCO Global Investment Grade Credit Fund	7.0
Newton Global Income Fund	7.0
Artemis Income Fund	6.0
Threadneedle UK Equity Income Fund	6.0
Smith & Williamson Short-Dated Corporate Bond	5.0
Kames High Yield Bond	5.0
Liontrust Macro Equity Income Fund	5.0

Performance Chart



Performance

	YTD*	3 months*	1 year*	Inception*
Income	10.5	1.0	10.5	43.8
ARC PCI**	8.6	1.7	8.6	30.4
+ / -	1.9	-0.7	1.9	13.4
Volatility***	-	-	6.2	5.9

* to 31 December 2016

** ARC Balanced 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)	3.1%
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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Contact details

Leigh Philpot

+44 (0) 20 3207 7694

Leigh.philpot@kleinwortbenson.com

For details of our services and general information about Kleinwort Benson please visit www.kleinwortbenson.com.