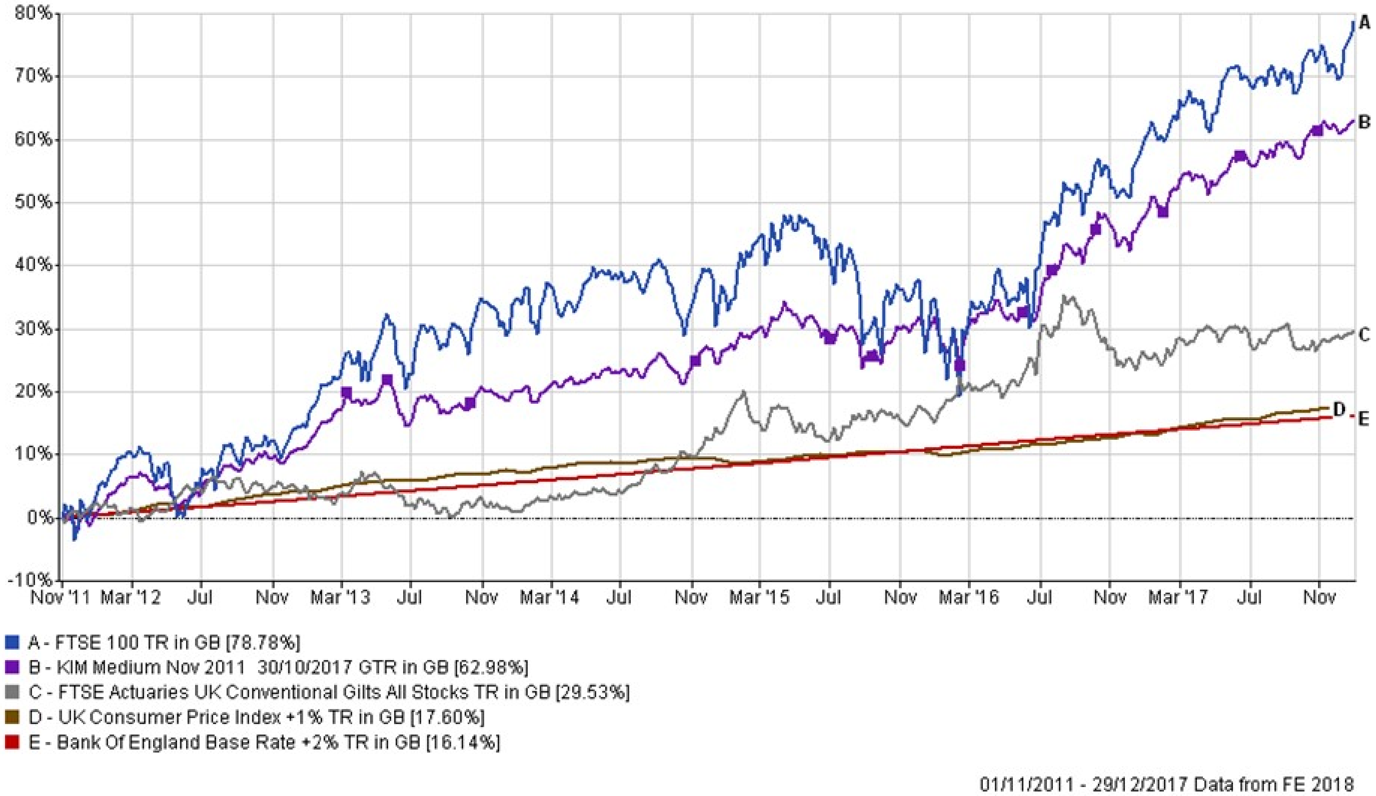
Forward Glance

Strategy Report - Medium Portfolio

January 2018

1st November 2011— 31st December 2017 — gross return (since inception)



Strategy — January 2018

Our investment team met again this month to discuss options, threats and opportunities that we can envisage through 2018 and beyond.

Investing remains a long-term strategy. We believe that the way in which your capital is invested will continue to generate good, long-term growth and we spend our time focussed on the themes that will dominate the global economy in the years and decades ahead.

As we look to these themes, we find ourselves returning not to politics but to the underlying changes to demographics, to technology, the use of resources and energy and finally to the management of money and debt.

The changes to the global population are a certainty, while politics and politicians have only short residency. That much of the work by Obama will be undone by the time Trump leaves office highlights a point in kind. We do not think that Brexit will have a long-term economic impact of consequence either.

In the West, we are ageing and requiring more support. We are having fewer children, and the need for either immigration of young, economically productive people or fundamental changes to our expectations in retirement. Will taxes rise, or services fall, as the costs to the Government in meeting expected costs in our old age rise inexorably?

After many years where investment and productivity have stalled, we look to be at a tipping point. Less immigration and rising wages mean companies look for productivity growth elsewhere, resulting in greater investment in equipment and technology. All of this should be positive for economic output, so long as alternative jobs are there for those found surplus to requirement through the mechanisation of services and we have an education system fit for purpose in the training of future skills.

Elsewhere in the world, it is quite different but looks to follow a similar pattern in the future. Global population may hit its peak earlier than expected. A richer, more productive world will require the types of consumer lifestyle that we take for granted.

In the future we may all be hiring rather than buying more so than ever, and we will continue to want more experiences rather than material things.

Finally, there is more money swirling around the Globe than at any other time. This has to go somewhere and is the reason for high asset prices across the board. Reversing this flow of public debt is under discussion, particularly in the US, but it will be painfully slow with many willing to reverse it at the first sign of trouble. More of the same seems the most likely outcome.

Summary

We have reported very strong returns over the past 18 months and we remain optimistic on the changes and trends at the heart of the global economy.

Overall, there was little evidence of change from before Christmas to make us look at wider amendments to the investment strategy and we continue to believe that the investment strategy is the best that we can think of.

We will continue with our process of bringing the portfolio back in line with our desired strategy every three months or so, which has the impact of crystallising some profits and using these to buy back into other areas which have not risen, but we believe are a valuable part of the overall diversified portfolio and therefore add to incremental and cumulative gains in performance.

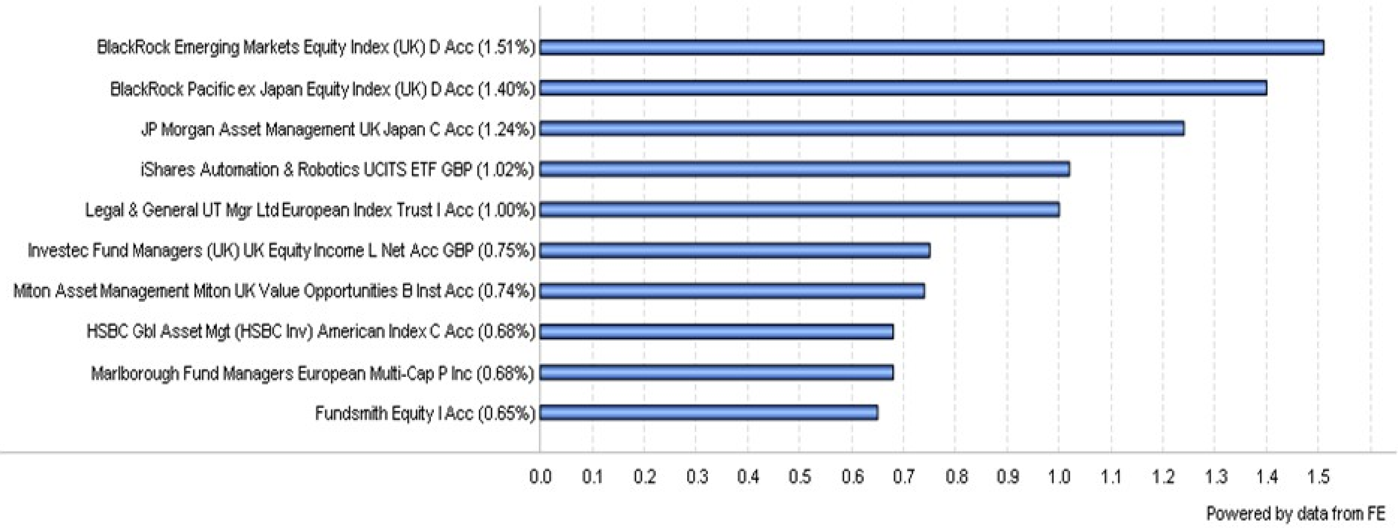
Portfolio analysis

Investment objective

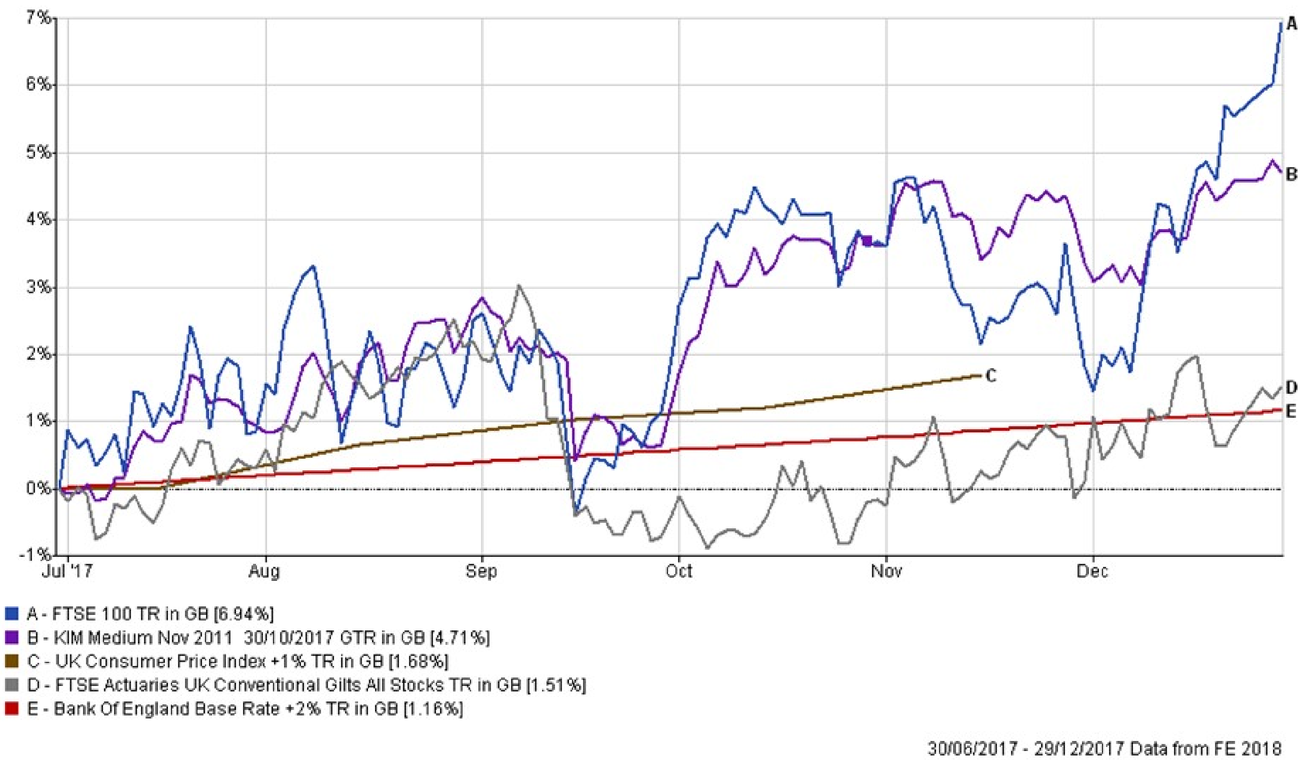
The medium portfolio offers a diverse fund range with the aim of achieving capital growth over the longer-term. The portfolio has the ability to invest in a broad range of investments on a wide geographical basis. Equity exposure within this portfolio will vary between 50% - 70%.

Portfolio details			
Inception date	1/11/2011	**Number of holdings**	27
Estimate yield	1.99%	**Benchmark**	BoE Base Rate +2%
Total expense ratio	0.51% (net—clean)	**Volatility target range**	6% - 10%
Minimum investment time horizon		Five years	

Contribution to performance by fund — 1 year



1st July 2017 — 31st December 2017 — gross return (six months)



Statistics (five years)

Gross

	1st November 2011 – 31st December 2017			Six-month performance	Average annual compound return
	Maximum fall in capital *	Performance	Volatility		
Index: **FTSE 100**	-17.21	78.78	13.27	6.94	9.88
Index: **FTSE UK Conventional Gilts All Stocks**	-8.22	29.53	6.34	1.51	4.29
Index: **S&P 500**	-11.64	195.11	13.03	6.99	19.18
Index: **FTSE Eurofirst 300**	-17.65	103.87	13.99	4.50	12.24
Index: **AFI Balanced Index**	-10.17	68.19	7.07	4.92	8.80
BM: BoE Base Rate +2%	0.00	16.14	0.02	1.16	2.46
Portfolio: **KMG Medium-High Nov 2011**	-10.56	73.91	8.23	5.57	9.39
Portfolio: **KMG Medium Nov 2011**	-7.94	62.98	6.77	4.71	8.24
Portfolio: **KMG Medium-Low Nov 2011**	-5.53	50.81	4.83	3.38	6.89

** The percentage between the highest and lowest values*

ROUGH BEECH COURT, DOWLANDS LANE, SMALLFIELD, SURREY RH6 9SD
T: 01342 840 100 **E: KMG@KMG.CO.UK** **W: WWW.KMG.CO.UK**