AJ Bell Passive MPS – Q3 2019 report

Introduction

We are delighted to bring you the quarterly report from AJ Bell Investments, covering the Passive MPS over Q3.

This report is designed to keep you up-to-date on what is happening with your AJ Bell managed investments. It covers the major macro-economic events of the past three months, looks at how these have impacted the portfolios, and highlights any changes made in the period.

Summary

With weakening sterling due to heightened concerns of a potential hard Brexit, both equities and bonds broadly delivered positive returns over the quarter, helping to propel year-to-date returns to over 20% for global equities. With the Federal Reserve cutting interest rates and clear indications of further stimulus in other major economies, investors continued their 'risk on' approach, knowing that central banks were ready to act if necessary.

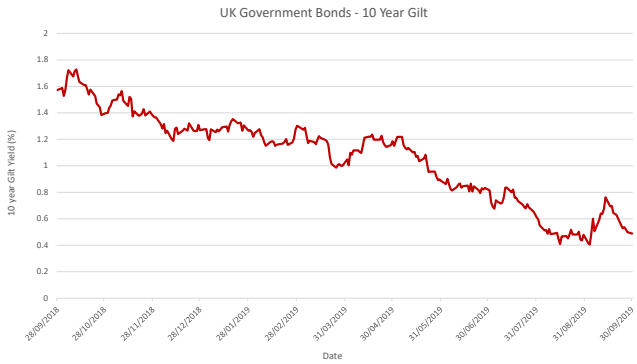
In the UK, Brexit was once again in the spotlight, with Boris Johnson installed as the new Prime Minister who then caused controversy by proroguing parliament before having the move overturned in court. Trade wars continued to escalate, while government bond yields fell sharply as investors digested the prospect of further central bank stimulus.

Economic and market review

The third quarter of 2019 was much tougher than earlier in the year, with a significant pick up in volatility and a wider dispersion of returns across both bonds and equities as investors looked to digest the direction of the global economy and the fragile state of global politics in a number of key regions. While equities overall finished in positive territory, it was lower-risk government bonds that performed strongest, as a combination of fears of a global slowdown and interest rate cuts in the US saw bond yields fall back. Sterling was weak over the period, and this had a significant effect on the returns of overseas markets, boosting returns to UK investors.

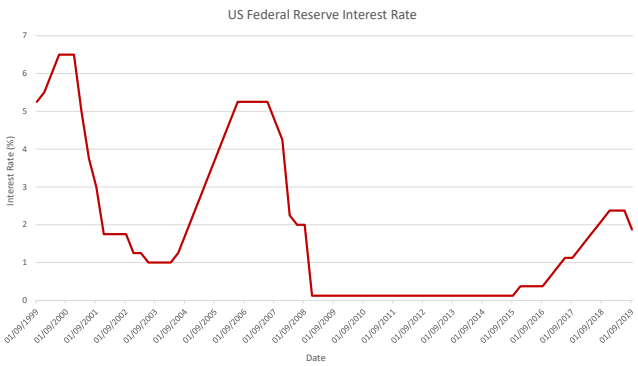
Needless to say, it was Brexit that dominated the headlines in the UK over the quarter, which started with the appointment of Boris Johnson as Prime Minister who immediately toughened the language on Brexit. This led to UK gilt yields and sterling falling sharply, as the risk of 'no deal' with the EU increased. However, Parliament flexed its muscles to pass a law forcing Johnson to request an extension to the 31 October deadline. With the prorogation of Parliament then overturned in the Supreme Court, it is not clear at this point what will happen over the next few weeks. Economic data over the quarter was mixed, with GDP contracting by 0.2% in the second quarter and retail sales also falling back, however, unemployment continued to fall. Over the period, sterling fell by over 3% against both the US dollar and Japanese yen. This fall was beneficial to larger UK companies that generate a large proportion of their earnings from overseas, and overall the FTSE All Share Index increased by 1.3% over the period.

With heightened risk of a 'no deal' Brexit, the 10-year gilt yield fell sharply, just as it did during the previous quarter. At the end of the period, the yield stood at just 0.49%, but this masked significant volatility during the quarter as rates bounced around as each political event unfolded. This helped the FTSE Actuaries UK Conventional Gilts All Stocks Index increase by 6.2% over the quarter. With risk running high, it was not surprising to see high quality corporate bonds also perform well over the quarter, as the iBoxx UK Sterling Corporate All Maturities Index increased by 3.7%. The higher risk Bloomberg Barclays Global High Yield Corporate Bond GBP Hedged Index increased by 0.9%.



Source: Bloomberg LP, AJ Bell Investments, September 2019

In the US, following talk of a shift by the Federal Reserve on its interest rate policy, the rate was reduced by 0.25% at the end of July, representing the first cut in rates in the US since December 2008. Jerome Powell, Chairman of the Federal Reserve, indicated that he did not expect this to be the start of a lengthy cutting cycle as economic growth remained, but clearly the Fed was concerned enough by the impact of the continuing trade war with China to provide stimulus into the economy. Over the quarter data was mixed with business confidence, retail sales and manufacturing data all hitting lower levels than a year ago. While in August, manufacturing data hit a decade-low level before rebounding a little in September. This led to US GDP coming in at 2.3% for the 12 months to the end of June, some way lower than the dizzy heights seen in 2018 when growth hit 3.2% fuelled by President Trump's tax reforms. As the quarter progressed, the Fed then cut interest rates again in the middle of September, leading to President Trump accusing the Federal Reserve Chairman of lacking guts for not reducing rates further. In his accompanying remarks, Jerome Powell said that there were uncertainties in the global economy and conditions worsened over the summer with job creation slowing and inflation coming in lower than hoped. During the quarter, the yield curve inverted, or in other words, rates on the 10-year Treasury were lower than the 2-year Treasury. This is significant because it is seen as a reliable indicator of a recession, as the same event has occurred before most recessions in the US since 1950. This backdrop saw equities move slightly higher in USD terms but in GBP terms the S&P 500 Index increased by 4.9% over the period. The interest rate cuts saw the US 10-year Treasury yield fall from 2.0% at the start of the quarter to 1.67% at the end of the quarter, resulting in a strong rally for US bonds.



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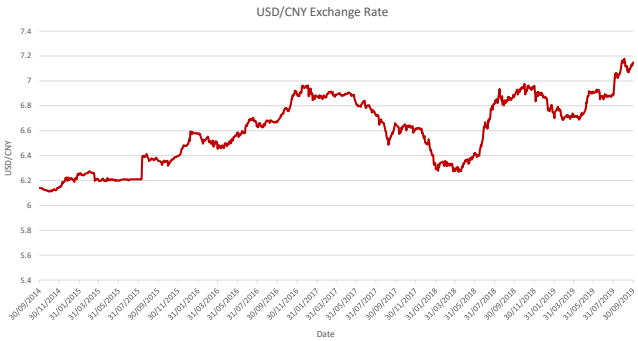
In Europe, events were dominated by the manoeuvrings of politicians to finalise the next round of appointments to the top jobs. The Chairman of the ECB, Mario Draghi, will be replaced by Christine Lagarde, currently Head of the IMF, in what was seen as a relatively uncontentious appointment given her support for the policies implemented by Draghi over recent years. Draghi looked to leave a legacy, with strong hints to the market that he expected Quantitative Easing to be restarted in order to help support the ailing European economy. This sent government bond yields tumbling, with the German 10-year Bund falling further into negative territory. This stimulus requirement was in part driven by very poor data coming from Germany, which saw manufacturing data register its steepest decline since the financial crisis a decade ago and GDP fall 0.1%, making it highly likely that Europe's largest economy will have slipped into a recession when the next data point is released. Away from Germany, European data was a little better, particularly in the services area which helped overall economic growth remain positive, but it is clear that growth has all but stagnated leading the ECB to point to further stimulus. Over the period, the MSCI Europe ex UK Index increased by 1.7%.

In Asia, focus has been on China and the impact of the ongoing trade war with the US, which introduced further tariffs on China in September, leading to China inevitably retaliating. To help the Chinese economy, the central bank allowed the Renminbi to break through the psychological 7-to-the-dollar level, which prompted a strong response from the US as well as providing further stimulus to the banks to encourage further lending. Manufacturing data rebounded strongly in September, however business confidence remained subdued, not helped by the continuing unrest in Hong Kong. Away from China, retail sales in South Korea increased sharply in August after falling in three of the previous four months, while in India Corporation Tax was surprisingly cut from 30% to 22% in an effort to boost investment and growth which currently sits at a six-year low. This is on the back of four cuts in interest rates in four months by the country's central bank. Over the period, the MSCI Ac Asia ex Japan Index fell back -1.4%.



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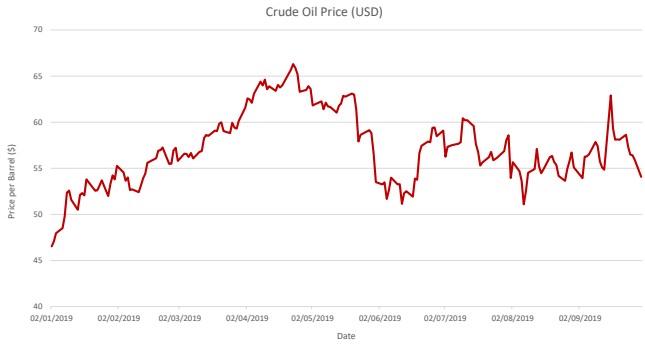
In Japan, economic growth came in at 1% for the second successive quarter after a weaker previous period. Exports were weak, with a fall of over 8% on a year-on-year basis in August, while manufacturing data hit a seven-month low as the slowdown in China hit the export-led market of Japan hard. Unsurprisingly, this meant that business confidence came in worse than expected, hitting a three-year low and, as a result, the Bank of Japan indicated it would be ready to step in with further support for the economy given it saw increasing risk from overseas. Having been the worst-performing major market in Q2, the Topix Index bounced back in the third quarter, delivering a positive return of 6.5%, helped by sterling weakening against the yen.

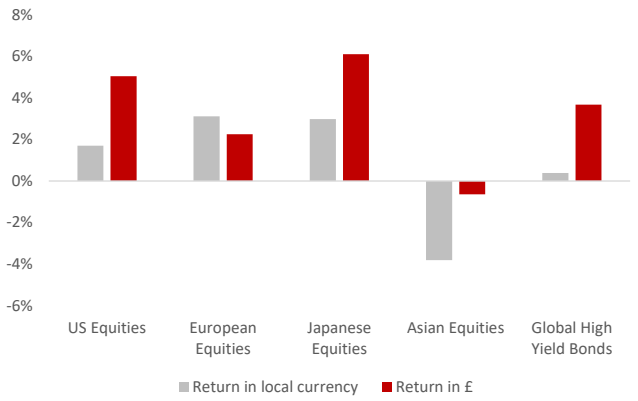
In the emerging markets, those countries exposed to a strengthening US dollar struggled, with the likes of Turkey, South Africa and Brazil all suffering. The big event over the quarter was the collapse in Argentina following a surprise election result which saw the currency fall well over 20% against the US dollar, and the stock market lose nearly half its value in just a week – reminding everyone just how volatile some of these countries can be. The Middle East also saw increased tensions during the period after a bombing of Saudi Arabia's main oil facility. The oil prices spiked 5% on the news that production would be reduced for a period of weeks before it could be brought back on tap. Over the period, the MSCI Emerging Markets Index was down by 1.1%, while emerging markets fixed interest was positive, with the JPMorgan GBI Emerging Market Global Composite Bond Index increasing by 2.3% over the period.



Source: Bloomberg LP, AJ Bell Investments, September 2019

Asset allocation and positioning

As highlighted previously, with Brexit continuing to dominate the headlines in the UK, the third quarter was, in the main, another challenging one for sterling, which continued to bear the brunt of the negative newsflow. Although we don't actively seek to trade specific currencies, as investment managers, we need to remain cognisant of the currency exposures we hold as a result of our asset allocation decisions, as fluctuations between them add another layer to the returns received by investors. That being the case, in a similar vein to Q2, a volatile sterling was a significant factor in the performance seen across the portfolios this quarter, with the fall in the currency boosting returns from overseas holdings.



Selected asset class returns for Q3 2019, Source: AJ Bell Investments, Bloomberg LP, September 2019

However, in Q3, currency was not the only factor at play, with the quarter seeing notable dispersion in returns across regions and asset classes, as significant macro-economic and poilitical stories were digested by investors. With Brexit wrangles in the UK, an ongoing US/China trade war, a European economic slowdown and dovish central banks, the multi-asset nature of the portfolios came to the fore, as the lower-risk products benefited from their significant holdings of high quality government and corporate debt, whilst the higher-risk products benefited from equity returns, which were further enhanced on translation back into sterling. This led to most of the portfolios, regardless of risk profile, returning similar levels of performance in the quarter of between 1.5% and 3%, with only our highest risk allocation lagging (albeit still positive at around 1%) due to holding no fixed income exposures and significant Asia Pacific and emerging market allocations, which fell in the period.

When we reset our strategic asset allocation back at the turn of the year, there was a conscious effort to further diversify the broader asset classes we hold, with additional equity sectors such as global consumer staples and global healthcare being added to global technology, along with some more focused fixed income allocations, like short-duration US treasuries, currency-hedged US corporate bonds and hard currency emerging market debt. It was pleasing, therefore, to see some of these allocations helping in the quarter, as uniformity began to breakdown and asset classes begin to dance to different tunes and narratives.

In equities, consumer staples performance was good in Q3, with the MSCI World Consumer Staples Index up around 4% in local currency and over 7% when converted back into sterling, as the headwinds to the global economy saw traditionally defensive holdings outperform. All of our portfolios hold 5% in consumer staples exposure, with the exception of the highest risk rating, which doesn't hold any, so gains here were a positive for the majority of the range. In a continuation of this theme, traditional safe haven region Japan also performed well, with the MSCI Japan Index returning 3.1% and 6.5%, in local and sterling-adjusted terms, respectively. Japanese equity is held across the range, so all portfolios benefitted from gains here.

In fixed income, as concerns for global economic growth increased amidst a number of headwinds, central banks returned to a more dovish tone and stance, with further easing seen in Europe and the US and an increased probability of cuts being priced into the UK curve, due to 'no-deal' Brexit risks. This led to strong gains for high quality fixed income, with UK gilts and UK corporate bonds notable outperformers. However, our portfolio gilt holdings are all in short-duration maturities of one to five years so, whilst still positive in the period, they didn't participate fully in the outsized gains seen on conventional maturities. We did benefit from our holdings in UK corporate bonds, however, and our decision to include hedged US corporates and hard currency emerging market bonds was vindicated over the period too, helping soften the blow from missing out on gilt upside. The Bloomberg Barclays US Corporate Bond Index returned over 3% in local currency and the Bloomberg Barclays Hard Currency Emerging Market Debt Index returned over 4% in sterling terms.

Asset allocation contributors

	Portfolio					
Top Contributors	MPS 1	MPS 2	MPS 3	MPS 4	MPS 5	MPS 6
1	UK Corporate Bonds	UK Corporate Bonds	UK Corporate Bonds	Japan Equities	North American Equities	North American Equities
2	Global Consumer Staples Equities	Global Consumer Staples Equities	Global Consumer Staples Equities	North American Equities	Japan Equities	Technology Equities
3	US Treasuries (Short Duration)	Emerging Market Equities (Hard Ccy)	North American Equities	Global Consumer Staples Equities	Technology Equities	Japan Equities

Source: AJ Bell Investments, Bloomberg LP, September 2019

All market performance figures are in GBP.

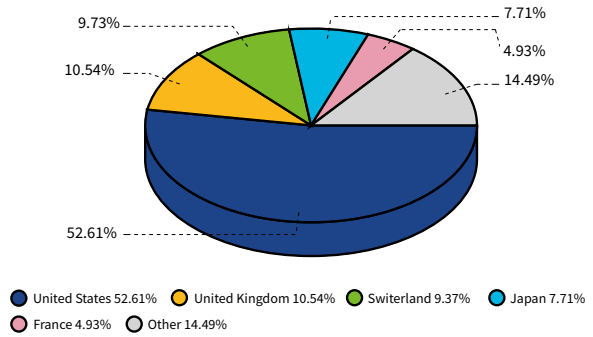
Passive Managed Portfolio review – Q3 2019

Passive MPS performance

Passive investing, by its nature, means that the bulk of the performance for an investor should be generated by the asset allocation that is being followed. When choosing an asset allocation, we select an index that we feel is the most appropriate to act as a benchmark for us to track, based on it being simple to understand, not subject to excessive turnover and easily investable. Once we have this index, we then set about selecting the most appropriate investment product with which to track the index. Ordinarily, it's very difficult to select a passive product that beats its parent index; however, what we describe as 'passive-alpha' can sometimes be demonstrated with an intelligent route to implementation. At our annual review of our strategic asset allocation at the turn of the year, one of the main changes we made was introducing more equity sectors as distinct asset classes. We believe traditional geographic allocations overstate the level of diversification they bring to a portfolio, whereas sectors bring very different characteristics, such that they improve return and reduce risk. That being the case, global consumer staples was one of the sectors we added to the mix. As mentioned, in equities in Q3, defensive and quality names were amongst the best-performing areas, with consumer staples being a big beneficiary of this theme, as investors fretted about headwinds to the global economy.

Although our asset allocation specified the MSCI Global Consumer Staples Index as the one we should be allocated to, products tracking this are expensive at around 0.30% per annum. That being the case, we made a decision in February to instead use a US consumer staples product, the **X-Trackers MSCI USA Consumer Staples UCITS ETF** which is available for 0.12% per annum, due to the fact that the US represents over 50% of the global consumer staples index anyway (see graphic below), and so is the dominant determinant of the returns to the index. It was therefore pleasing to see that since implementation to the end of Q3, our selection has outperformed our benchmark index by 2.99% in total return terms, for a sterling investor. This 'passive-alpha' i.e. getting better outcomes for cheaper cost, is something which sometimes goes unheralded by users of passive portfolios and is, we feel, one of the big advantages of having a dedicated team managing your passive allocations. The **X-Trackers MSCI USA Consumer Staples UCITS ETF** is held in all of the Passive MPS portfolios, with the exception of Passive MPS 6.

COUNTRY WEIGHTS



MSCI Global Consumer Staples Index weightings, Source: MSCI, August 2019

Across the board, fixed income benefited from a reduction in yields across most developed government bond complexes and a tightening in spreads, for quality corporate bonds. UK corporate bonds remain a significant allocation within our range, being included in all MPS models up to and including MPS 4. To affect our implementation in this asset class we use the **SPDR Sterling Corporate Bond UCITS ETF** and, in a quarter that saw it return over 3%, at the lower end of the risk spectrum, where allocations are largest, it played a significant role in boosting returns to the portfolios.

At the higher-risk end of the range, global technology continued to play a part in the returns, with the **iShares S&P 500 Information Technology Sector UCITS ETF** we hold gaining almost 7% in the quarter. In addition, US equities posted good gains in Q3; with the **Vanguard S&P 500 ETF** we hold seeing returns of over 5%.

All other areas of the portfolios performed in line with expectations, with the models all returning between 2% and 3% for the quarter, with the exception of the highest-risk portfolio, MPS 6, which lagged a little due to falls in Asia Pacific and emerging market equities, which in aggregate are its largest exposures.

Portfolio changes

In the portfolios, there were no significant changes to be seen in the quarter. However, our continued engagement with providers to improve the efficiency or investibility of their products for our end investors paid off in July, with news of a share split by one of our fund providers. Lyxor, citing feedback from AJ Bell (press release here) about the high unit cost of the **Lyxor Core FTSE Actuaries UK Gilts 0-5 years UCITS ETF**, agreed to split their product 5 for 1, in order to reduce the unit cost of a single share and help improve the efficiency of our MPS portfolios. The Lyxor product is held in Passive MPS 1, 2 and 3. We continue to lobby providers for improvements on other products and hope to be able to update you on successful outcomes here in due course.

Elsewhere, we maintain a watching brief on developments in the passive ETF and indexing space, and costs continue to fall across the providers' various ranges, to the benefit of all end investors, as the price wars continue. Unfortunately, none of our holdings saw cuts in their OCF in Q3, however, we believe this speaks to the fact that we are already using some of the most efficient and best-value products available in the marketplace.

Performance summary (all models)

	3 months	6 months	1 year	Inception*
Passive MPS 1	2.64%	5.56%	6.76%	11.58%
Passive MPS 2	2.60%	6.20%	6.87%	15.80%
Passive MPS 3	2.83%	6.99%	6.94%	20.11%
Passive MPS 4	2.87%	7.27%	6.47%	23.07%
Passive MPS 5	2.64%	7.27%	5.73%	24.17%
Passive MPS 6	1.46%	6.03%	4.45%	9.69%

**All the portfolios launched on 18 August 2016, with the exception of MPS 6, which has a launch date of 19 February 2018. All performance is net of fees.*

Source: Bloomberg LP, AJ Bell Investments, September 2019

This report provides general information about the AJ Bell Managed Portfolio Service. It should not be read or construed as investment advice. It is your responsibility to assess your circumstances and make sure it is suitable for your needs.

The value of investments can go down as well as up and you may not get back your original investment.

Past performance is not a guide to future performance and some investments need to be held for the long term.

AJB/QR/P-MPS/20191010

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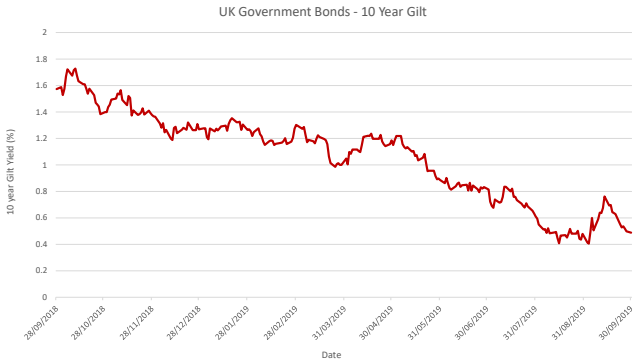

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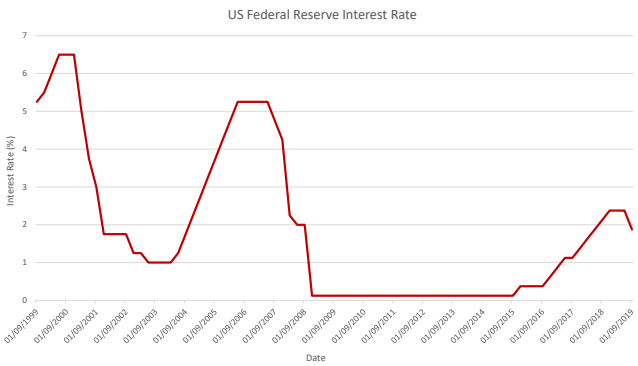

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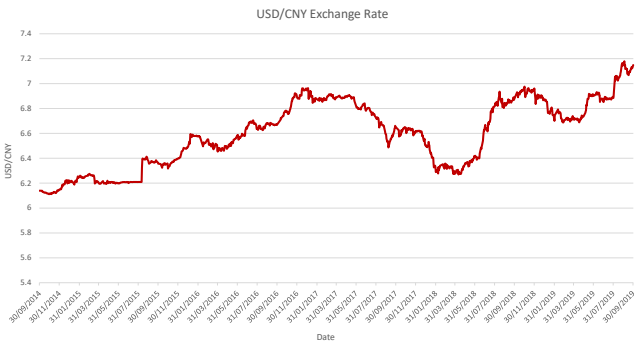

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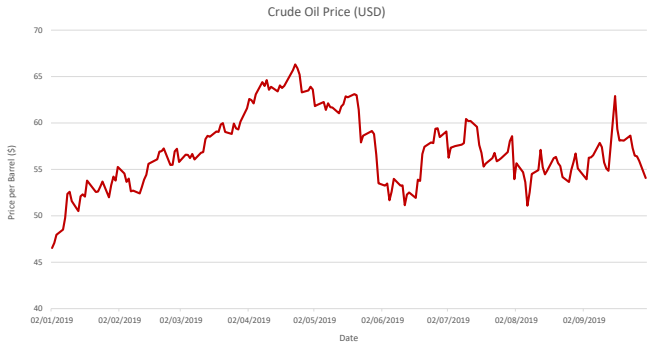

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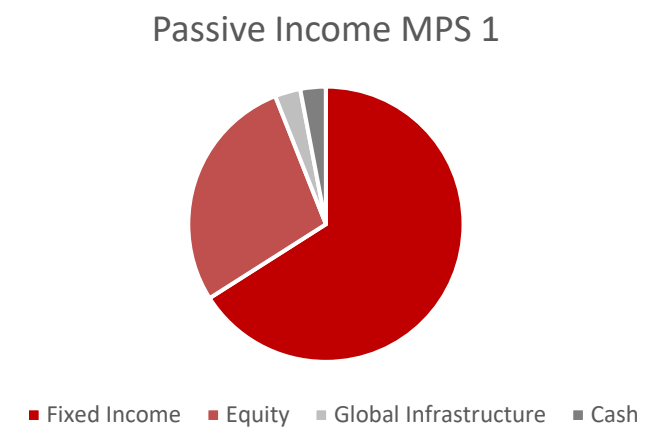
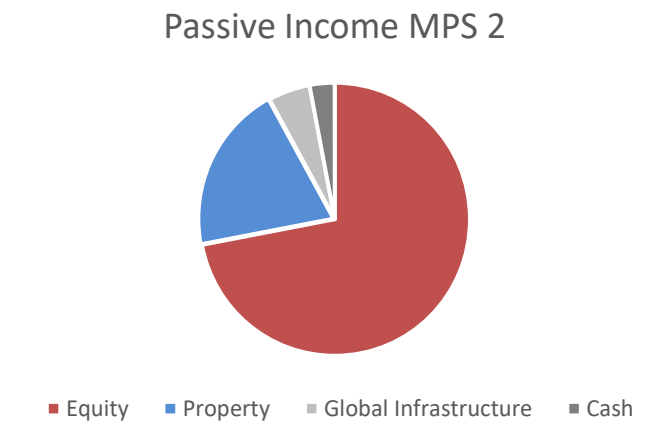
Asset allocation and positioning

As highlighted previously, with Brexit continuing to dominate the headlines in the UK, the third quarter was, in the main, another challenging one for sterling, which continued to bear the brunt of the negative newsflow. Although we don't actively seek to trade specific currencies, as investment managers, we need to remain cognisant of the currency exposures we hold as a result of our asset allocation decisions, as fluctuations between them add another layer to the returns received by investors. That being the case, in a similar vein to Q2, a volatile sterling was a significant factor in the performance seen across the portfolios this quarter, with the fall in the currency boosting returns from overseas holdings.

On the Income range, both mandates have a 4% income target, with the lower-risk mandate looking to protect capital on the downside, and the higher-risk one looking to protect capital from the effects of inflation. In order to achieve this the two strategic allocations have very different makeups, with the lower-risk allocation being a blend of equity, fixed income, global infrastructure and cash, whilst the higher-risk one eschews fixed income in favour of larger equity weights, a UK and global property allocation, global infrastructure and cash. As a result of the differences in allocation, the drivers of returns and yield differ across the two mandates, with the lower-risk earning the bulk of its yield from fixed income holdings, whilst the higher-risk earns yield from dividends from equities.





Source: AJ Bell

In the quarter, as concerns for global economic growth increased amidst a number of headwinds, central banks returned to a more dovish tone and stance, with further easing seen in Europe and the US, and an increased probability of cuts being priced into the UK curve due to 'no-deal' Brexit risks. This led to strong gains for high quality fixed income as yields fell, helping the lower-risk income portfolio, which holds significant fixed income exposures. When we set the strategic asset allocation for the portfolios in February 2019, a conscious decision was taken to further diversify our fixed income exposures in the lower-risk portfolios. To this end we included allocations to unhedged US treasuries and US corporates, as well as hard currency emerging market debt. All three sub-asset classes provided strong returns in Q3, with the Bloomberg Barclays US Corporate Bond Index returning over 3% in local currency and over 6% in sterling terms, whilst the Bloomberg Barclays Hard Currency Emerging Market Debt Index returned over 4% in sterling terms.

On the higher-risk portfolios, the lack of fixed income exposures saw us diversify the sources of yield within equities instead when we set the strategic allocation at the start of the year. This saw us add Asia Pacific, emerging market and North America equities to the portfolios. In Q3, Asia Pacific and emerging market equities saw falls, as trade war concerns and a stronger US dollar impacted returns, however, a weaker sterling did help offset the worst of this. Pleasingly, North American equities had a much stronger quarter, up over 4% in sterling terms.

Whilst we don't allocate to specific equity sectors (with the exception of Global Infrastructure, which we see as a distinct asset class), due to our yield mandate we are by default larger holders of companies in more mature sectors. Industries that are mature are able to pay out more of their earnings as income, due to the lower growth opportunities available in their field. Utilities and consumer staples are two of these sectors and, due to their characteristics, they can act bond-like, or 'defensive' during risk-off periods. Unsurprisingly, therefore, given the political and economic headwinds seen across markets and the outperformance of quality, the best-performing equity sectors in the portfolios were utilities, real estate and consumer staples.

All market performance figures are in GBP.

Passive Managed Portfolio review – Q3 2019

Passive Income MPS performance

Passive income investing is much less homogenised when compared to investing for growth. Many different methodologies exist for constructing indices to track income-based asset classes. Therefore all the product is passive in the sense that it uses rules-based products, but the performance of different holdings can be quite different to the one we have chosen to represent the asset class.

For example, we use the S&P Global Infrastructure Index as our benchmark for the Infrastructure asset class. The most cost-effective route to invest in this asset class using a reputable, diversified product is to use the **iShares Global Infrastructure ETF**. This tracks the FTSE Global Core Infrastructure index. The FTSE index has larger weights in the US and Japan, and therefore significantly outperformed the S&P index over the quarter, up 6.4% versus the S&P benchmark return of 4.0%. Each asset class has a similar story, with the ETF often delivering a different performance compared to the index used to represent that asset class.

However, across a diversified portfolio these differences often cancel out, and this was the case this quarter, with our blended selection for both the Income 1 & Income 2 portfolios delivering a return within 0.1% of the blended underlying asset class return. This highlights the benefits of taking a diversified approach to portfolio construction, and the need to use several different underlying holdings, even when investing 'passively'.

Portfolio changes

No changes to the portfolios were made over the quarter. We remain happy with our positioning following our annual asset allocation review in April. We continue to monitor the investment landscape, and would expect Income ETFs to continue to come down in price over the next couple of years as the space matures.

Performance summary (all models)

	3 months	6 months	1 year	Inception*
Passive MPS Income 1	2.34%	5.80%	7.69%	14.00%
Passive MPS Income 2	2.89%	6.03%	7.56%	15.37%

**Both portfolios launched on 19 February 2018. All performance is net of fees.*

Source: Bloomberg LP, AJ Bell Investments, September 2019

This report provides general information about the AJ Bell Managed Portfolio Service. It should not be read or construed as investment advice. It is your responsibility to assess your circumstances and make sure it is suitable for your needs.

The value of investments can go down as well as up and you may not get back your original investment.

Past performance is not a guide to future performance and some investments need to be held for the long term.

The target yields are not guaranteed and can fluctuate.

AJB/QR/P-INC/MPS/20191010

AJ Bell Active MPS – Q3 2019 report

Introduction

We are delighted to bring you the latest quarterly report from AJ Bell Investments. This report is designed to keep you up-to-date on what is happening with your AJ Bell managed investments. It covers the major macro-economic events of the past three months, looks at how these have impacted the portfolios, and highlights any changes made in the period.

Summary

With weakening sterling due to heightened concerns of a potential hard Brexit, both equities and bonds broadly delivered positive returns over the quarter, helping to propel year-to-date returns to over 20% for global equities. With the Federal Reserve cutting interest rates and clear indications of further stimulus in other major economies, investors continued their 'risk on' approach, knowing that central banks were ready to act if necessary.

In the UK, Brexit was once again in the spotlight, with Boris Johnson installed as the new Prime Minister who then caused controversy by proroguing parliament before having the move overturned in court. Trade wars continued to escalate, while government bond yields fell sharply as investors digested the prospect of further central bank stimulus.

Economic and market review

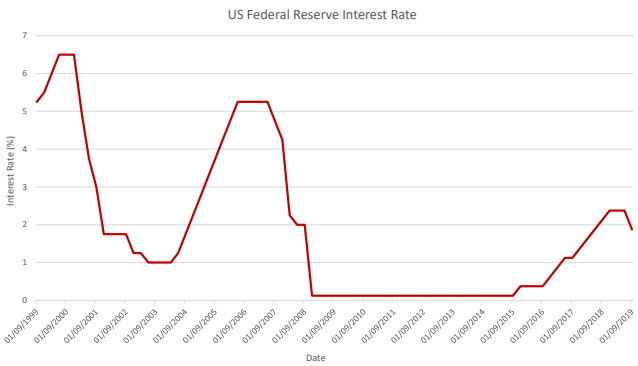
The third quarter of 2019 was much tougher than earlier in the year, with a significant pick up in volatility and a wider dispersion of returns across both bonds and equities as investors looked to digest the direction of the global economy and the fragile state of global politics in a number of key regions. While equities overall finished in positive territory, it was lower-risk government bonds that performed strongest, as a combination of fears of a global slowdown and interest rate cuts in the US saw bond yields fall back. Sterling was weak over the period, and this had a significant effect on the returns of overseas markets, boosting returns to UK investors.

Needless to say, it was Brexit that dominated the headlines in the UK over the quarter, which started with the appointment of Boris Johnson as Prime Minister who immediately toughened the language on Brexit. This led to UK gilt yields and sterling falling sharply, as the risk of 'no deal' with the EU increased. However, Parliament flexed its muscles to pass a law forcing Johnson to request an extension to the 31 October deadline. With the prorogation of Parliament then overturned in the Supreme Court, it is not clear at this point what will happen over the next few weeks. Economic data over the quarter was mixed, with GDP contracting by 0.2% in the second quarter and retail sales also falling back, however, unemployment continued to fall. Over the period, sterling fell by over 3% against both the US dollar and Japanese yen. This fall was beneficial to larger UK companies that generate a large proportion of their earnings from overseas, and overall the FTSE All Share Index increased by 1.3% over the period.

With heightened risk of a 'no deal' Brexit, the 10-year gilt yield fell sharply, just as it did during the previous quarter. At the end of the period, the yield stood at just 0.49%, but this masked significant volatility during the quarter as rates bounced around as each political event unfolded. This helped the FTSE Actuaries UK Conventional Gilts All Stocks Index increase by 6.2% over the quarter. With risk running high, it was not surprising to see high quality corporate bonds also perform well over the quarter, as the iBoxx UK Sterling Corporate All Maturities Index increased by 3.7%. The higher risk Bloomberg Barclays Global High Yield Corporate Bond GBP Hedged Index increased by 0.9%.

Source: Bloomberg LP, AJ Bell Investments, September 2019

In the US, following talk of a shift by the Federal Reserve on its interest rate policy, the rate was reduced by 0.25% at the end of July, representing the first cut in rates in the US since December 2008. Jerome Powell, Chairman of the Federal Reserve, indicated that he did not expect this to be the start of a lengthy cutting cycle as economic growth remained, but clearly the Fed was concerned enough by the impact of the continuing trade war with China to provide stimulus into the economy. Over the quarter data was mixed with business confidence, retail sales and manufacturing data all hitting lower levels than a year ago. While in August, manufacturing data hit a decade-low level before rebounding a little in September. This led to US GDP coming in at 2.3% for the 12 months to the end of June, some way lower than the dizzy heights seen in 2018 when growth hit 3.2% fuelled by President Trump's tax reforms. As the quarter progressed, the Fed then cut interest rates again in the middle of September, leading to President Trump accusing the Federal Reserve Chairman of lacking guts for not reducing rates further. In his accompanying remarks, Jerome Powell said that there were uncertainties in the global economy and conditions worsened over the summer with job creation slowing and inflation coming in lower than hoped. During the quarter, the yield curve inverted, or in other words, rates on the 10-year Treasury were lower than the 2-year Treasury. This is significant because it is seen as a reliable indicator of a recession, as the same event has occurred before most recessions in the US since 1950. This backdrop saw equities move slightly higher in USD terms but in GBP terms the S&P 500 Index increased by 4.9% over the period. The interest rate cuts saw the US 10-year Treasury yield fall from 2.0% at the start of the quarter to 1.67% at the end of the quarter, resulting in a strong rally for US bonds.



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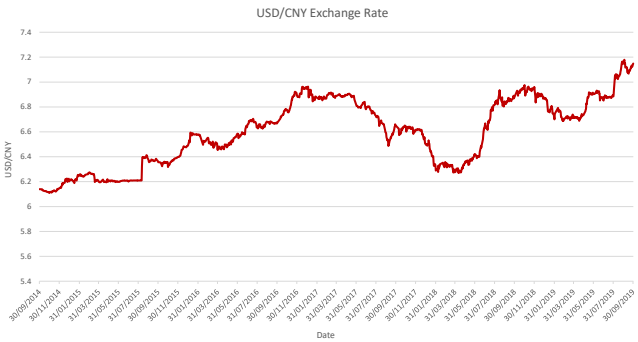
In Europe, events were dominated by the manoeuvrings of politicians to finalise the next round of appointments to the top jobs. The Chairman of the ECB, Mario Draghi, will be replaced by Christine Lagarde, currently Head of the IMF, in what was seen as a relatively uncontentious appointment given her support for the policies implemented by Draghi over recent years. Draghi looked to leave a legacy, with strong hints to the market that he expected Quantitative Easing to be restarted in order to help support the ailing European economy. This sent government bond yields tumbling, with the German 10-year Bund falling further into negative territory. This stimulus requirement was in part driven by very poor data coming from Germany, which saw manufacturing data register its steepest decline since the financial crisis a decade ago and GDP fall 0.1%, making it highly likely that Europe's largest economy will have slipped into a recession when the next data point is released. Away from Germany, European data was a little better, particularly in the services area which helped overall economic growth remain positive, but it is clear that growth has all but stagnated leading the ECB to point to further stimulus. Over the period, the MSCI Europe ex UK Index increased by 1.7%.

In Asia, focus has been on China and the impact of the ongoing trade war with the US, which introduced further tariffs on China in September, leading to China inevitably retaliating. To help the Chinese economy, the central bank allowed the Renminbi to break through the psychological 7-to-the-dollar level, which prompted a strong response from the US as well as providing further stimulus to the banks to encourage further lending. Manufacturing data rebounded strongly in September, however business confidence remained subdued, not helped by the continuing unrest in Hong Kong. Away from China, retail sales in South Korea increased sharply in August after falling in three of the previous four months, while in India Corporation Tax was surprisingly cut from 30% to 22% in an effort to boost investment and growth which currently sits at a six-year low. This is on the back of four cuts in interest rates in four months by the country's central bank. Over the period, the MSCI Ac Asia ex Japan Index fell back -1.4%.



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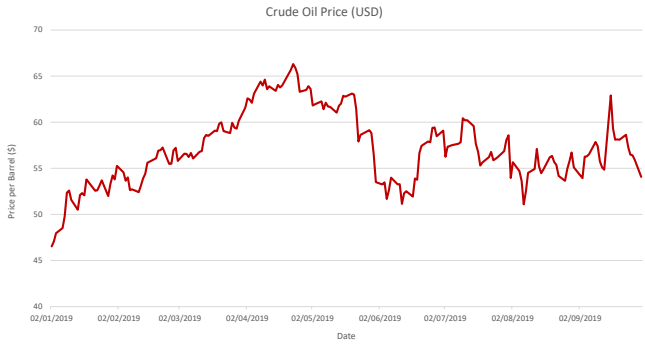
In Japan, economic growth came in at 1% for the second successive quarter after a weaker previous period. Exports were weak, with a fall of over 8% on a year-on-year basis in August, while manufacturing data hit a seven-month low as the slowdown in China hit the export-led market of Japan hard. Unsurprisingly, this meant that business confidence came in worse than expected, hitting a three-year low and, as a result, the Bank of Japan indicated it would be ready to step in with further support for the economy given it saw increasing risk from overseas. Having been the worst-performing major market in Q2, the Topix Index bounced back in the third quarter, delivering a positive return of 6.5%, helped by sterling weakening against the yen.

In the emerging markets, those countries exposed to a strengthening US dollar struggled, with the likes of Turkey, South Africa and Brazil all suffering. The big event over the quarter was the collapse in Argentina following a surprise election result which saw the currency fall well over 20% against the US dollar, and the stock market lose nearly half its value in just a week – reminding everyone just how volatile some of these countries can be. The Middle East also saw increased tensions during the period after a bombing of Saudi Arabia's main oil facility. The oil prices spiked 5% on the news that production would be reduced for a period of weeks before it could be brought back on tap. Over the period, the MSCI Emerging Markets Index was down by 1.1%, while emerging markets fixed interest was positive, with the JPMorgan GBI Emerging Market Global Composite Bond Index increasing by 2.3% over the period.



Source: Bloomberg LP, AJ Bell Investments, September 2019

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Active Managed Portfolio review – Q3 2019

Active MPS performance

Another quarter of positive performance from both equities and bonds helped the Active portfolios deliver positive performance during the third quarter. Overseas exposure, particularly in the US, was very positive as sterling weakened once again over the quarter to boost returns. Fixed interest was positive, as yields tightened on the back of increased Brexit risk in the UK, interest rate cuts in the US and expectations of further economic stimulus in other major economies.

In the UK, with a relatively flat market it was encouraging to see the traditionally defensive Trojan Income fund (Portfolios 1-6) significantly outperform the market, while core holding Investec UK Alpha fund (Portfolios 3-6) also outperformed. The Man GLG Undervalued Assets fund (Portfolios 1-6) was a little behind the market, with the value style out of favour, while smaller companies also lagged creating a headwind for the Tellworth UK Smaller Companies fund (Portfolios 5-6).

In the US, for the second quarter in a row, the JP Morgan US Equity Income fund (Portfolios 1-2) was a very good performer, outperforming the US market as its focus on higher-quality companies was beneficial. With value stocks underperforming sharply in August, the Dodge & Cox Worldwide US Stock fund (Portfolios 3-6) underperformed the market, however, through September there were signs that the style was coming back into favour and the fund performed well. Technology equities lagged the market for the second quarter running, creating a headwind for the US-focused Polar Cap Global Technology fund (Portfolio 3-6), while the healthcare exposure also lagged with the Xtrackers MSCI USA Healthcare ETF (Portfolios 1-6) delivering a positive return but behind the broader market.

In Europe, exposure comes from the FP Crux European Special Situations fund (Portfolios 2-6) and having performed well in the last quarter, it marginally lagged the market in this quarter as medium-sized companies underperformed their larger counterparts.

In Asia, our core exposure to the Invesco Asian fund (Portfolios 2-6) was ahead of its broad-based Asian benchmark, while the Schroder Asian Alpha Plus fund (to Portfolios 4-6) was behind the index. The Stewart Investors Asia Pacific Leaders fund (Portfolios 5-6) was again a strong relative performer, as its focus on high quality companies was rewarded. The Fidelity Asian Values IT (Portfolio 6) was weak over the quarter, as its focus on smaller companies went unrewarded.

In emerging markets, the Fidelity Emerging Markets fund (Portfolios 4-6) was comfortably ahead of the benchmark for the third quarter in a row, delivering a positive return when the index was down. The JP Morgan Emerging Markets Income fund (Portfolios 2-6) also outperformed, as its focus on quality, cash-generative companies was rewarded. The Lazard Emerging Markets fund (Portfolio 6) was fractionally ahead of the market, as its value approach performed well during September.

In Japan, the Man GLG Japan Alpha fund finished the quarter significantly behind the Topix Index, as its value focus went unrewarded. In September, there were signs of a rotation in the market with this style performing well, which was encouraging. The Evenlode Global Income fund (Portfolios 1-5) performed well in absolute terms, as its focus on high quality companies that have strong free cashflow was rewarded.

Fixed interest markets performed strongly as a combination of increased risk in the UK and interest cuts in the US saw bond prices rise. The Lyxor UK Gilt 0-5yr ETF (Portfolios 1-3) marginally increased but again lagged behind the broad-based gilt benchmark as longer-dated bonds outperformed. Within UK corporate bonds both the Fidelity MoneyBuilder Income fund (Portfolios 1-3) and TwentyFour Corporate Bond fund (Portfolios 1-4) performed well, as did the iShares USD Corporate Bond ETF (portfolio 1-3).

Within the high-yield bond market, performance of the Baillie Gifford High Yield Bond fund (Portfolios 1-5) was solid, comfortably outperforming the index, while the Royal London Short Duration Global High Yield Bond fund (Portfolios 1-4) delivered positive returns over the quarter. Away from UK fixed interest, the M&G Emerging Markets Bond fund (Portfolios 1-5) delivered another good quarter of performance.

The final area of the portfolio is the commercial property allocation, which continues to be zero-weighted due to expectations of weak performance, liquidity risks and Brexit concerns. This has not gone away and in many ways increased over the quarter. In its place, the Janus Henderson UK Absolute Return fund (Portfolios 1-5) delivered positive returns over the quarter, while the average physical property fund fell back.

Portfolio changes

No changes to the portfolios were made over the quarter.

Performance summary (all models)

	3 months	6 months	1 year	Inception*
Active MPS 1	2.20%	5.21%	6.14%	8.30%
Active MPS 2	2.18%	5.81%	6.01%	8.44%
Active MPS 3	2.02%	5.92%	5.34%	8.97%
Active MPS 4	1.91%	5.92%	4.73%	8.93%
Active MPS 5	1.65%	6.03%	4.26%	8.26%
Active MPS 6	0.85%	5.33%	3.33%	6.55%

**Active MPS launched on 19 February 2018.*

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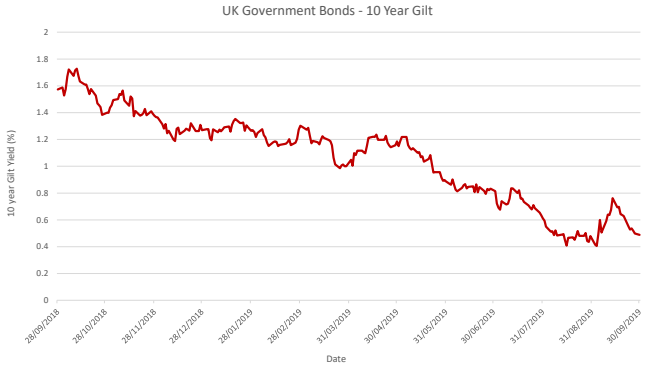

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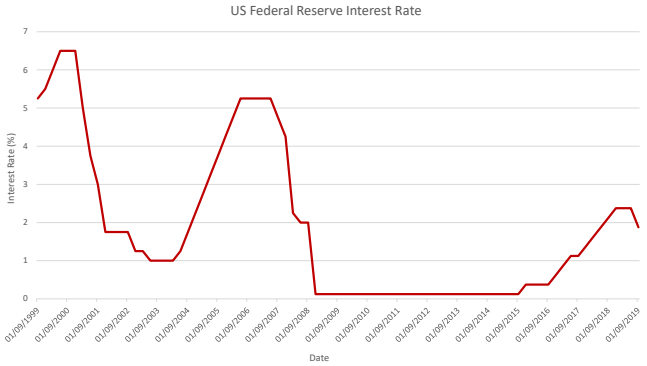

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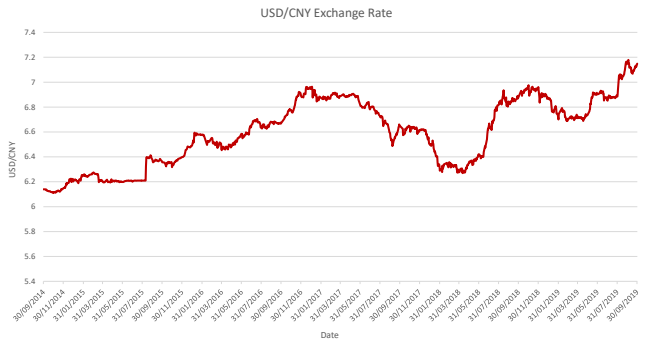

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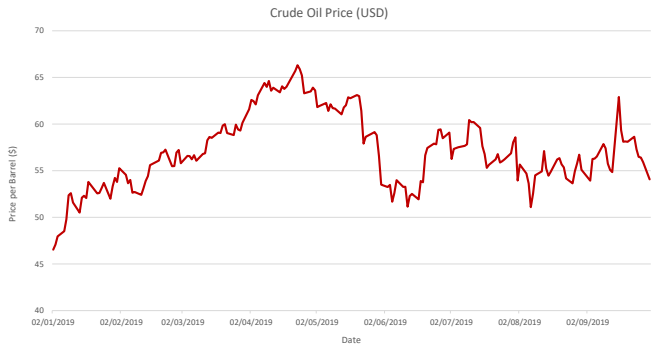

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Active Managed Portfolio review – Q3 2019

Active Income MPS performance

Another quarter of positive performance from both equities and bonds helped the Active Income portfolios deliver positive performance during the third quarter. Overseas exposure, particularly in the US, was very positive as sterling weakened once again over the quarter to boost returns. Fixed interest was positive, as yields tightened on the back of increased Brexit risk in the UK, interest rate cuts in the US and expectations of further economic stimulus in other major economies.

In the UK, with a relatively flat market it was encouraging to see the traditionally defensive Trojan Income fund (Income 1 and 2) significantly outperform the market, while the Montanaro UK Income fund (Income 2) also outperformed but to a lesser extent. The Man GLG UK Income fund was a little behind the market, with the value style out of favour.

Within global equities, the core position of BNY Global Income (Income 2) performed well in absolute terms but marginally lagged the broader market, while the value-tilted Artemis Global Income fund (Income 2) also did well in absolute terms, but was behind the market as its style was out of favour with investors.

Looking at the regional allocations, the BlackRock Continental European Income fund (Income 1 and 2) was a strong performer, significantly outperforming the broader European equity market as

its focus on higher quality, cash generative companies paid off. It was a similar story in the US, with the JP Morgan US Equity Income fund (Income 2) delivering a very strong absolute return and outperforming the US market. With more challenging conditions in both Asia and the emerging markets, the Jupiter Asian Income fund (Income 1 and 2) produced a positive return when the broader market was negative, while the JP Morgan Emerging Markets Income fund (Income 1 and 2) was ahead of its benchmark but marginally negative in absolute terms. The Schroder Oriental Income IT (Income 2) was the exception, with a weaker quarter, slightly underperforming the broader Asian market.

In the alternatives exposure, the relatively defensive Legg Mason IF RARE Global Infrastructure Income fund was a strong performer, outperforming global equities. Looking at property, UK property exposure comes from the iShares MSCI UK Target Real Estate ETF (Income 2) and this was additive to performance over the quarter, following a very strong finish to the period. In international property, the L&G Global Real Estate Dividend Index fund (Income 1 and 2) was the strongest-performing fund in the portfolio, helped by weakening sterling.

Fixed interest (held in Income 1 only) markets performed strongly, as a combination of increased risk in the UK and interest cuts in the US saw bond prices rise. The Lyxor UK Gilt 0-5yr ETF marginally increased, but again lagged behind the broad-based gilt benchmark as longer-dated bonds outperformed. Within UK corporate bonds, while both the Royal London Corporate Bond fund and TwentyFour Corporate Bond fund performed positively, they were marginally behind the broader market. Within the high-yield bond market, performance of the Baillie Gifford High Yield Bond fund was solid, comfortably outperforming the index.

Away from UK fixed interest, all holdings delivered positive returns, with the strongest coming from the Invesco US Treasury Bonds 3-7yrs ETF as Treasuries rallied on the back of interest rate cuts in the US. Both the actively managed M&G Emerging Markets Bond fund and passively managed L&G Emerging Markets Government Bond Local Currency Index fund performed well over the period too.

Portfolio changes

No changes were made to the portfolios over the quarter.

Performance summary (all models)

Fund	3 months	6 months	1 year	Inception*
Active MPS Income 1	2.63%	7.33%	9.45%	11.70%
Active MPS Income 2	2.88%	7.19%	7.78%	12.65%

**Active Income MPS launched on 19 February 2018.*

Source: Bloomberg LP, AJ Bell Investments, September 2019

This report provides general information about the AJ Bell Managed Portfolio Service. It should not be read or construed as investment advice. It is your responsibility to assess your circumstances and make sure it is suitable for your needs.

The value of investments can go down as well as up and you may not get back your original investment.

Past performance is not a guide to future performance and some investments need to be held for the long term.

AJB/QR/A-INC/MPS/20191010

AJ Bell Pactive MPS – Q3 2019 report

Introduction

We are delighted to bring you the latest quarterly report from AJ Bell Investments. This report is designed to keep you up-to-date on what is happening with your AJ Bell managed investments. It covers the major macro-economic events of the past three months, looks at how these have impacted the portfolios, and highlights any changes made in the period.

Summary

With weakening sterling due to heightened concerns of a potential hard Brexit, both equities and bonds broadly delivered positive returns over the quarter, helping to propel year-to-date returns to over 20% for global equities. With the Federal Reserve cutting interest rates and clear indications of further stimulus in other major economies, investors continued their 'risk on' approach, knowing that central banks were ready to act if necessary.

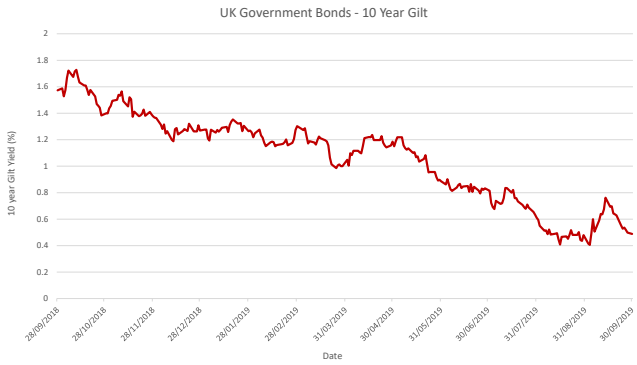
In the UK, Brexit was once again in the spotlight, with Boris Johnson installed as the new Prime Minister who then caused controversy by proroguing parliament before having the move overturned in court. Trade wars continued to escalate, while government bond yields fell sharply as investors digested the prospect of further central bank stimulus.

Economic and market review

The third quarter of 2019 was much tougher than earlier in the year, with a significant pick up in volatility and a wider dispersion of returns across both bonds and equities as investors looked to digest the direction of the global economy and the fragile state of global politics in a number of key regions. While equities overall finished in positive territory, it was lower-risk government bonds that performed strongest, as a combination of fears of a global slowdown and interest rate cuts in the US saw bond yields fall back. Sterling was weak over the period, and this had a significant effect on the returns of overseas markets, boosting returns to UK investors.

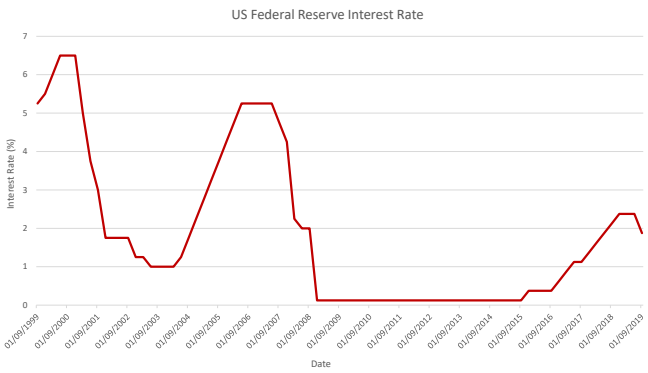
Needless to say, it was Brexit that dominated the headlines in the UK over the quarter, which started with the appointment of Boris Johnson as Prime Minister who immediately toughened the language on Brexit. This led to UK gilt yields and sterling falling sharply, as the risk of 'no deal' with the EU increased. However, Parliament flexed its muscles to pass a law forcing Johnson to request an extension to the 31 October deadline. With the prorogation of Parliament then overturned in the Supreme Court, it is not clear at this point what will happen over the next few weeks. Economic data over the quarter was mixed, with GDP contracting by 0.2% in the second quarter and retail sales also falling back, however, unemployment continued to fall. Over the period, sterling fell by over 3% against both the US dollar and Japanese yen. This fall was beneficial to larger UK companies that generate a large proportion of their earnings from overseas, and overall the FTSE All Share Index increased by 1.3% over the period.

With heightened risk of a 'no deal' Brexit, the 10-year gilt yield fell sharply, just as it did during the previous quarter. At the end of the period, the yield stood at just 0.49%, but this masked significant volatility during the quarter as rates bounced around as each political event unfolded. This helped the FTSE Actuaries UK Conventional Gilts All Stocks Index increase by 6.2% over the quarter. With risk running high, it was not surprising to see high quality corporate bonds also perform well over the quarter, as the iBoxx UK Sterling Corporate All Maturities Index increased by 3.7%. The higher risk Bloomberg Barclays Global High Yield Corporate Bond GBP Hedged Index increased by 0.9%.



Source: Bloomberg LP, AJ Bell Investments, September 2019

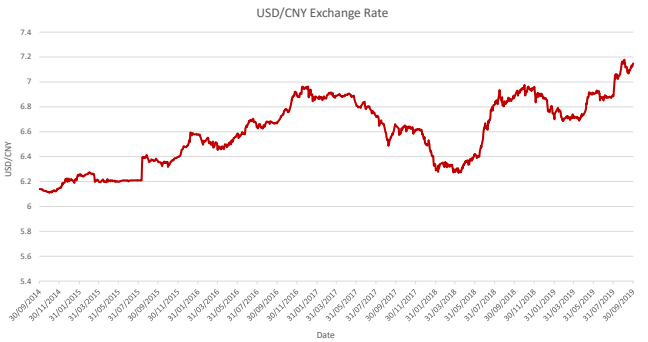
In the US, following talk of a shift by the Federal Reserve on its interest rate policy, the rate was reduced by 0.25% at the end of July, representing the first cut in rates in the US since December 2008. Jerome Powell, Chairman of the Federal Reserve, indicated that he did not expect this to be the start of a lengthy cutting cycle as economic growth remained, but clearly the Fed was concerned enough by the impact of the continuing trade war with China to provide stimulus into the economy. Over the quarter data was mixed with business confidence, retail sales and manufacturing data all hitting lower levels than a year ago. While in August, manufacturing data hit a decade-low level before rebounding a little in September. This led to US GDP coming in at 2.3% for the 12 months to the end of June, some way lower than the dizzy heights seen in 2018 when growth hit 3.2% fuelled by President Trump's tax reforms. As the quarter progressed, the Fed then cut interest rates again in the middle of September, leading to President Trump accusing the Federal Reserve Chairman of lacking guts for not reducing rates further. In his accompanying remarks, Jerome Powell said that there were uncertainties in the global economy and conditions worsened over the summer with job creation slowing and inflation coming in lower than hoped. During the quarter, the yield curve inverted, or in other words, rates on the 10-year Treasury were lower than the 2-year Treasury. This is significant because it is seen as a reliable indicator of a recession, as the same event has occurred before most recessions in the US since 1950. This backdrop saw equities move slightly higher in USD terms but in GBP terms the S&P 500 Index increased by 4.9% over the period. The interest rate cuts saw the US 10-year Treasury yield fall from 2.0% at the start of the quarter to 1.67% at the end of the quarter, resulting in a strong rally for US bonds.



Source: Bloomberg LP, AJ Bell Investments, September 2019

In Europe, events were dominated by the manoeuvrings of politicians to finalise the next round of appointments to the top jobs. The Chairman of the ECB, Mario Draghi, will be replaced by Christine Lagarde, currently Head of the IMF, in what was seen as a relatively uncontentious appointment given her support for the policies implemented by Draghi over recent years. Draghi looked to leave a legacy, with strong hints to the market that he expected Quantitative Easing to be restarted in order to help support the ailing European economy. This sent government bond yields tumbling, with the German 10-year Bund falling further into negative territory. This stimulus requirement was in part driven by very poor data coming from Germany, which saw manufacturing data register its steepest decline since the financial crisis a decade ago and GDP fall 0.1%, making it highly likely that Europe's largest economy will have slipped into a recession when the next data point is released. Away from Germany, European data was a little better, particularly in the services area which helped overall economic growth remain positive, but it is clear that growth has all but stagnated leading the ECB to point to further stimulus. Over the period, the MSCI Europe ex UK Index increased by 1.7%.

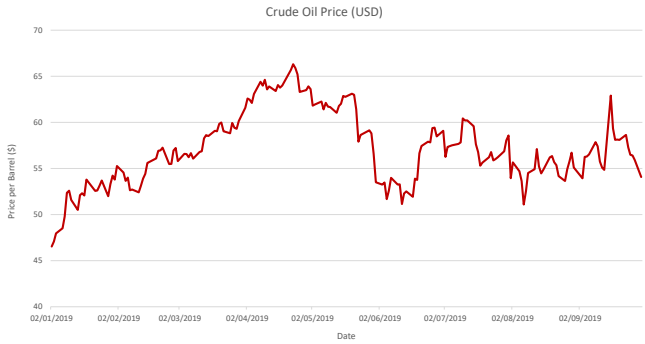
In Asia, focus has been on China and the impact of the ongoing trade war with the US, which introduced further tariffs on China in September, leading to China inevitably retaliating. To help the Chinese economy, the central bank allowed the Renminbi to break through the psychological 7-to-the-dollar level, which prompted a strong response from the US as well as providing further stimulus to the banks to encourage further lending. Manufacturing data rebounded strongly in September, however business confidence remained subdued, not helped by the continuing unrest in Hong Kong. Away from China, retail sales in South Korea increased sharply in August after falling in three of the previous four months, while in India Corporation Tax was surprisingly cut from 30% to 22% in an effort to boost investment and growth which currently sits at a six-year low. This is on the back of four cuts in interest rates in four months by the country's central bank. Over the period, the MSCI Ac Asia ex Japan Index fell back -1.4%.



Source: Bloomberg LP, AJ Bell Investments, September 2019

In Japan, economic growth came in at 1% for the second successive quarter after a weaker previous period. Exports were weak, with a fall of over 8% on a year-on-year basis in August, while manufacturing data hit a seven-month low as the slowdown in China hit the export-led market of Japan hard. Unsurprisingly, this meant that business confidence came in worse than expected, hitting a three-year low and, as a result, the Bank of Japan indicated it would be ready to step in with further support for the economy given it saw increasing risk from overseas. Having been the worst-performing major market in Q2, the Topix Index bounced back in the third quarter, delivering a positive return of 6.5%, helped by sterling weakening against the yen.

In the emerging markets, those countries exposed to a strengthening US dollar struggled, with the likes of Turkey, South Africa and Brazil all suffering. The big event over the quarter was the collapse in Argentina following a surprise election result which saw the currency fall well over 20% against the US dollar, and the stock market lose nearly half its value in just a week – reminding everyone just how volatile some of these countries can be. The Middle East also saw increased tensions during the period after a bombing of Saudi Arabia's main oil facility. The oil prices spiked 5% on the news that production would be reduced for a period of weeks before it could be brought back on tap. Over the period, the MSCI Emerging Markets Index was down by 1.1%, while emerging markets fixed interest was positive, with the JPMorgan GBI Emerging Market Global Composite Bond Index increasing by 2.3% over the period.



Source: Bloomberg LP, AJ Bell Investments, September 2019

All market performance figures are in GBP.

Pactive Managed Portfolio review – Q3 2019

Pactive MPS performance

Another quarter of positive performance from both equities and bonds helped the Pactive portfolios deliver positive performance during the third quarter. Overseas exposure, particularly in the US, was very positive as sterling weakened once again over the quarter to boost returns. Fixed interest was positive as yields tightened on the back of increased Brexit risk in the UK, interest rate cuts in the US and expectations of further economic stimulus in other major economies.

In the UK, with a relatively flat market it was encouraging to see the traditionally defensive Trojan Income fund (Portfolios 1-6) significantly outperform the market, while core holding Investec UK Alpha fund (Portfolios 3-6) also outperformed. The Man GLG Undervalued Assets fund (Portfolios 1-6) was a little behind the market, with the value style out of favour, while smaller companies also lagged creating a headwind for the Tellworth UK Smaller Companies fund (Portfolios 5-6).

In the US, for the second quarter in a row, the JP Morgan US Equity Income fund (Portfolios 1-2) was a very good performer, outperforming the US market as its focus on higher quality

companies was beneficial. With value stocks underperforming sharply in August, the Dodge & Cox Worldwide US Stock fund (Portfolios 3-6) underperformed the market, however, through September there were signs that the style was coming back into favour and the fund performed well. Technology equities lagged the market for the second quarter running, creating a headwind for the US-focused Polar Cap Global Technology fund (Portfolios 3-6), while the healthcare exposure also lagged with the Xtrackers MSCI USA Healthcare ETF (Portfolios 1-6) delivering a positive return but behind the broader market.

In Europe, exposure comes from the FP Crux European Special Situations fund (Portfolios 2-6) and having performed well in the last quarter, it marginally lagged the market in this quarter, as medium-sized companies underperformed their larger counterparts.

In Asia, our core exposure to the Invesco Asian fund (Portfolios 2-6) was ahead of its broad-based Asian benchmark, while the Schroder Asian Alpha Plus fund (Portfolios 4-6) was behind the index. The Stewart Investors Asia Pacific Leaders fund (Portfolios 5-6) was again a strong relative performer, as its focus on high quality companies was rewarded.

In emerging markets, the Fidelity Emerging Markets fund (Portfolios 4-6) was comfortably ahead of the benchmark for the third quarter in a row, delivering a positive return when the index was down. The JP Morgan Emerging Markets Income fund (Portfolios 2-6) also outperformed, as its focus on quality, cash-generative companies was rewarded. The Lazard Emerging Markets fund (Portfolio 6) was fractionally ahead of the market as its value approach performed well during September.

In Japan, the Man GLG Japan Alpha fund finished the quarter significantly behind the Topix Index, as its value focus went unrewarded. In September there were signs of a rotation in the market with this style performing well, which was encouraging. The Evenlode Global Income fund (Portfolios 1-5) performed well in absolute terms, as its focus on high quality companies that have strong free cashflow was rewarded.

Fixed interest markets performed strongly, as a combination of increased risk in the UK and interest cuts in the US saw bond prices rise. The Lyxor UK Gilt 0-5yr ETF (Portfolios 1-2) marginally increased but again lagged behind the broad-based gilt benchmark, as longer-dated bonds outperformed. Within UK corporate bonds, while both the Fidelity MoneyBuilder Income fund (Portfolios 1-3) and TwentyFour Corporate Bond fund (Portfolios 1-4) performed well, as did the iShares USD Corporate Bond ETF (portfolios 1-3).

Within the high-yield bond market, performance of the Baillie Gifford High Yield Bond fund (Portfolios 1-5) was solid, comfortably outperforming the index, while the Royal London Short Duration Global High Yield Bond fund (Portfolios 1-4) delivered positive returns over the quarter. Away from UK fixed interest, the M&G Emerging Markets Bond fund (Portfolios 1-5) delivered another good quarter of performance.

The final area of the portfolio is the commercial property allocation, which continues to be zero-weighted due to expectations of weak performance, liquidity risks and Brexit concerns. This has not gone away and in many ways increased over the quarter. In its place, the Janus Henderson UK Absolute Return fund (Portfolios 1-5) delivered positive returns over the quarter, while the average physical property fund fell back.

Portfolio changes

No changes to the portfolios were made over the quarter.

Performance summary (all models)

	3 months	6 months	1 year	Inception*
Pactive MPS 1	2.16%	5.11%	-	-
Pactive MPS 2	2.21%	5.91%	-	-
Pactive MPS 3	2.29%	6.57%	-	-
Pactive MPS 4	2.20%	6.63%	-	-
Pactive MPS 5	1.85%	6.64%	-	-
Pactive MPS 6	0.97%	5.91%	-	-

**Pactive MPS launched on 18 February 2019.*

Source: Bloomberg LP, AJ Bell Investments, September 2019

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