Investment Update

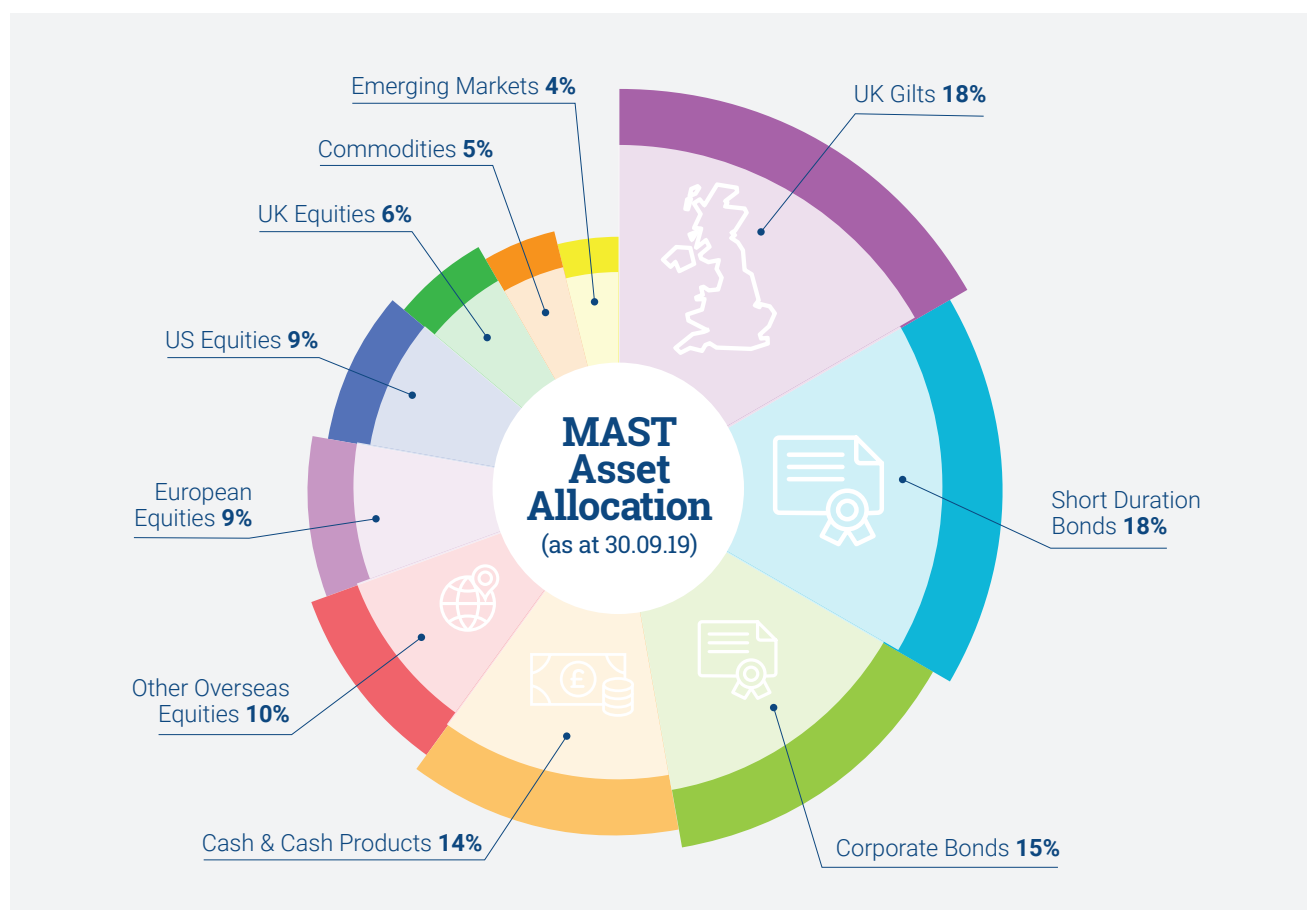**from Company Secretary,
Tim Robertson**

31st October 2019

www.shepherdsfriendly.co.uk

Investment Update

A review of the Society's investment management at the end of 2018 and early 2019 resulted in the Board deciding to switch investment management from LGT Vestra to Royal London Asset Management (RLAM), and to invest the proceeds into the RLAM MAST Fund.
The transfer to RLAM took place at the end of July 2019.

The objective of the MAST Fund is to achieve capital growth and income in excess of cash returns, while managing volatility and downside risk through diversified multi asset strategies. The MAST Fund combines two complementary return drivers, each with its own separate in-built risk controls, the first driver offers diversified exposure across a range of asset classes to capture upside during positive market trends and the second is designed to generate additional return despite irrespective market direction.

This MAST is used to back most of the Society's with-profits liabilities and was felt to provide a better match for smoothed returns in line with with-profit policyholders' expectations. The Fund has a diversified portfolio of assets which include UK and overseas equities, fixed income securities, commodities, money market instruments, deposits and cash.

MAST Asset Allocation (as at 30.09.19)

- Emerging Markets **4%**
- Commodities **5%**
- UK Equities **6%**
- US Equities **9%**
- European Equities **9%**
- Other Overseas Equities **10%**
- Cash & Cash Products **14%**
- UK Gilts **18%**
- Short Duration Bonds **18%**
- Corporate Bonds **15%**

In line with the Prudent Person Principle, assets of good quality are chosen, and the mix may change over time depending on our investment managers' views on potential future returns and our Board's approach to risk.

RLAM MAST Fund Performance

Despite Political uncertainty both in the UK and Overseas and continued market volatility, we are pleased to report the MAST Fund has produced positive returns year to date. Return Year to Date to the 31st October 2019 was +6.86%* net of fees.

*NB: Past performance is not necessarily a reliable indicator of future performance. The value of investments and income from them is not guaranteed and may well go down as well as up.