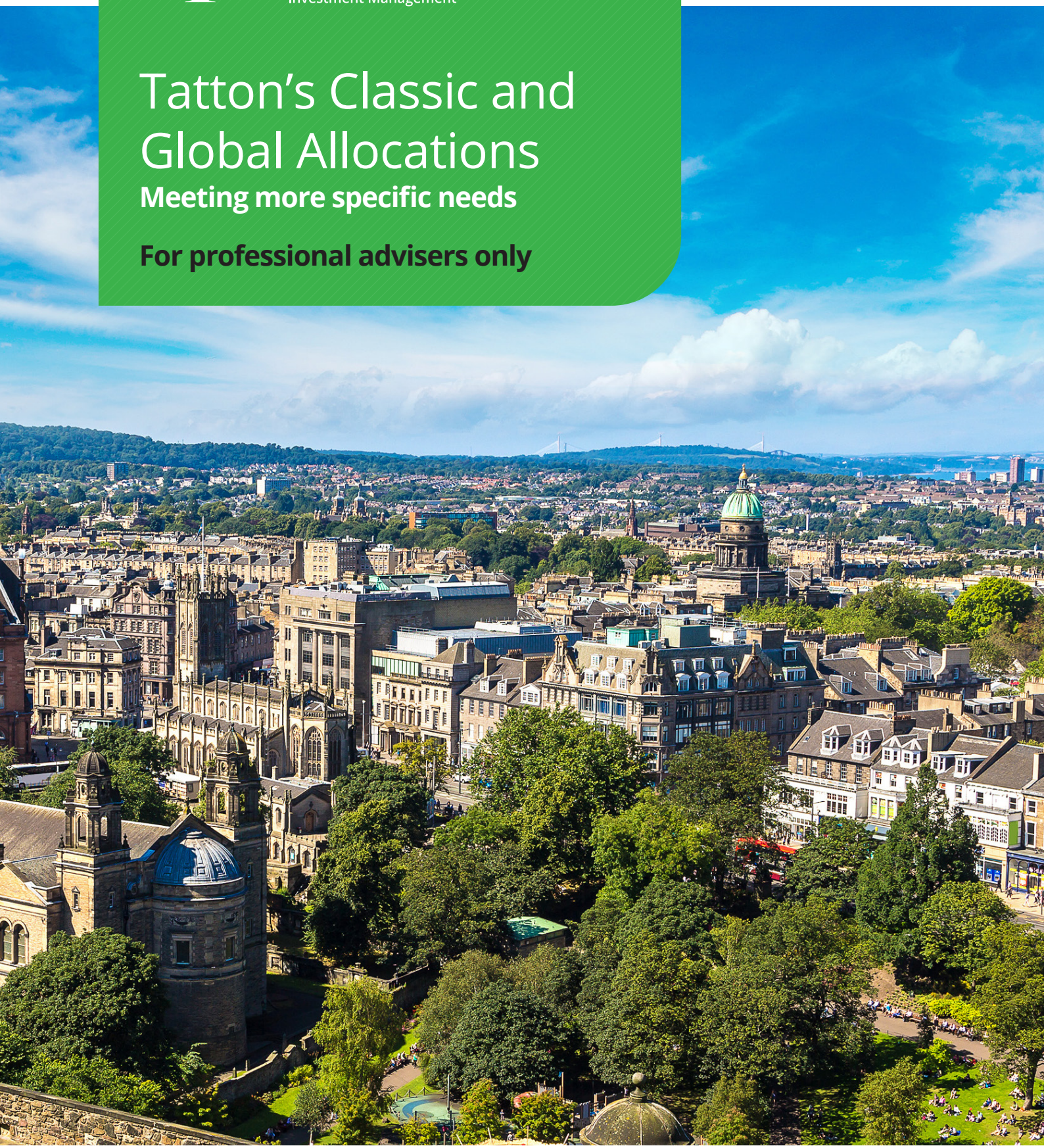
Tatton
Investment Management

Tatton's Classic and Global Allocations

Meeting more specific needs

For professional advisers only



www.tattoninvestments.com

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Tatton Classic and Tatton Global Meeting more specific needs

Tatton puts client and adviser choice at the heart of everything it does.

Our aim is to provide the widest choice of portfolio styles and risk profiles, so that clients and advisers can decide how best their individual needs and longer-term investment goals can be met. We are agnostic on the choice of platform or investment style, whether that be opting for portfolios with active or even passive funds, an income focus, or any ethical restrictions.

We really value your feedback in shaping our proposition and believe the new Tatton Global Portfolios create greater choice and flexibility to help you serve a broader range of client needs.

The Tatton Global Portfolios reduce the amount of more traditional UK companies found within the portfolio and increase the number of businesses located in overseas markets. We will explain what this move means for your portfolio below.

It is important to note, that both Classic and Global portfolios will adhere to the same risk profiling framework.

The overarching risk framework and ability to move positions on a shorter-term tactical basis around the long-term mix of bonds and equities (known as a Strategic Asset Allocation) within the boundaries set for each risk profile remains the same.

Our aim is to provide the widest choice of portfolio styles and risk profiles.

Why is Tatton doing this now?

We have been looking at adding a global allocation for some time. The COVID-19 pandemic flattened the global economy across the board, as governments locked down their people and their economies. With lockdowns easing across the world now is the ideal starting point to add the Global allocations for both new investors and any that want to switch from our Classic portfolios that have a greater bias towards UK markets.

WHAT WILL CHANGE?

The overall mix of bonds and equities remain the same, but the new range of portfolios changes the proportions of stocks and shares for specific countries and geographic regions. The table below shows the asset allocations at strategic and tactical level of Managed Balanced portfolios.

Asset class	Global Managed Balanced - strategic	Classic Managed Balanced - strategic	Difference
Cash	2%	2%	0%
Bonds	30%	30%	0%
Asia developed - ex Japan	4%	1%	3%
Europe	8%	6%	2%
Global Emerging	5%	4%	1%
Japan	5%	3%	2%
North America	35%	19%	16%
UK	3%	27%	-24%
Alternatives	8%	8%	0%
Total	100%	100%	0%

THE TABLE BELOW SUMMARISES BOTH THE OPPORTUNITIES AND RISKS OF USING A MORE GLOBAL ALLOCATION.

Asset class	Benefits of allocating this way	Risks of allocating this way
Classic Strategies	• Higher allocation to UK listed Equities which tend to yield more through high dividend pay-outs relative to the Rest of the World (RoW). • UK allocation contains companies most would be familiar with. • Up to 2014 a 30% exposure to UK equities has outperformed global market cap. • Lower overseas currency volatility	UK equities, especially larger stocks have a greater skew to basic materials and banking which can be cyclical.
Global Strategies	• Closer exposure to the largest companies in the world by market capitalisation. • Greater benefits achieved as emerging regions grow. • Returns generated by global market capitalised allocations have outperformed Classic strategies since 2014 – giving a reasonable period to analyse and compare.	Higher Currency risk volatility. Greater skew to US equities.

WE OUTLINE 4 POSSIBLE CLIENT SCENARIOS AND WHICH PORTFOLIO OPTIONS MAY SUIT THEIR NEEDS.

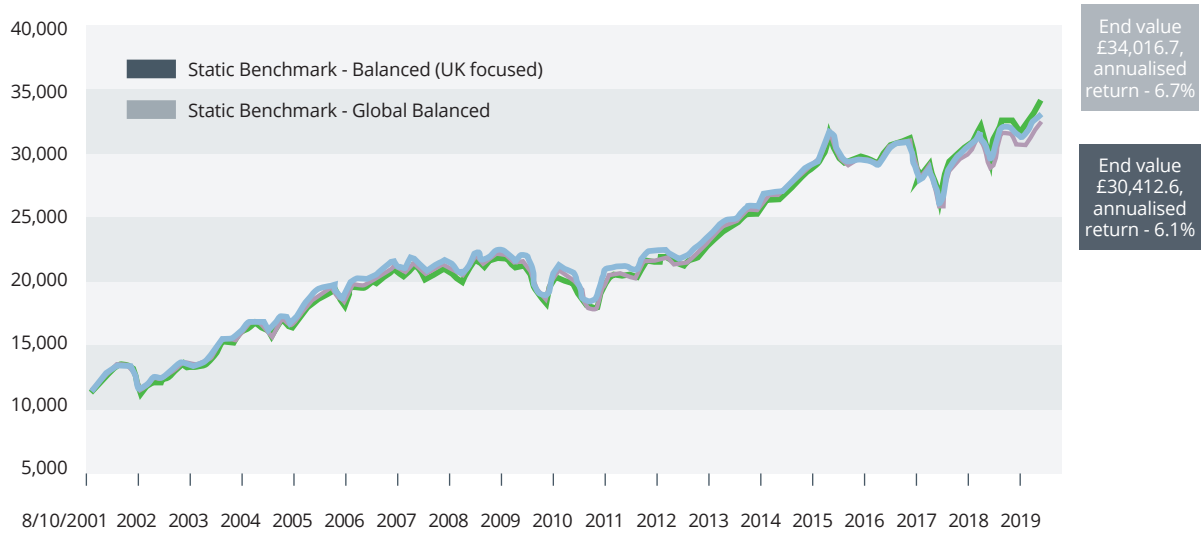
MEET EMMA

Emma has well over 15 years of investment experience, across individual stocks, pensions and ISAs. Emma has worked in several different countries and is familiar with the companies and brands she used while abroad. She prefers holding more of her portfolio in a globally diverse range of different businesses located overseas, rather than predominantly UK-based businesses, which she believes offer lower growth potential overall. The Tatton Global range of portfolio may better suit Emma's needs, as these allocate just 5% of the regional equity allocation to the UK, with majority allocated to global markets.

MEET PRASHANT

Prashant is in the early stages of his career and has limited investment experience, mainly through his ISA. During the initial fact find, Prashant drops repeated hints that increasingly frequent sharp movements in the Pound relative to other currencies like the Euro or US dollar are a growing concern. He believes these movements may have a negative impact on the value of any overseas investments that might be included in his portfolio. The Tatton Classic range of portfolios may better suit Prashant's needs as holding around a third of his equities in the UK might help dampen currency volatility.

THE CHART BELOW SHOWS HISTORIC RETURNS OF BOTH A UK AND A GLOBALLY FOCUSED PORTFOLIO.



Source: Morningstar Direct as at 09/07/20. Relative performance between a UK & a globally focused portfolio, with annualised returns. Please note past performance is not a guide to the future and returns do not take account of the costs of investing.

MEET YU & HER HUSBAND MARK

Mark met Yu while working in Shanghai and the two decided to move back to the UK three years ago to work on their new tech start-up, which has grown rapidly since. Both are natural risk takers and prefer to invest in the fastest growing companies worldwide, especially those in the technology sector. The Tatton Global models may better suit Yu and Mark given that larger stock market listed firms in the tech sector are less common in the UK but can be more easily found in the US, Europe and Asia.

MEET JULIA & JOHN

Both are getting closer to retirement and are thinking of cutting back on the total number of hours worked each week by supplementing their income from the natural level of dividends and interest that come from their investments. During conversations with their adviser, they continually mention that they are not looking for pure natural income but would be happier if the dividend yield on their portfolio was just a little higher without sacrificing the total growth of their savings. Perhaps the Classic range may better suit their needs, as it is well known that UK stock markets tend to have higher dividend yields, around 5% versus 2-3% for markets in Europe or the US.

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