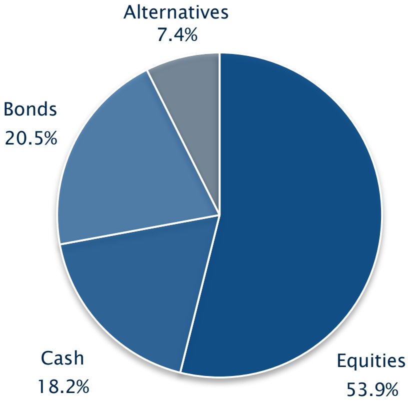
OMI BENTLEY
EURO BALANCED FUND

31ST DECEMBER 2018

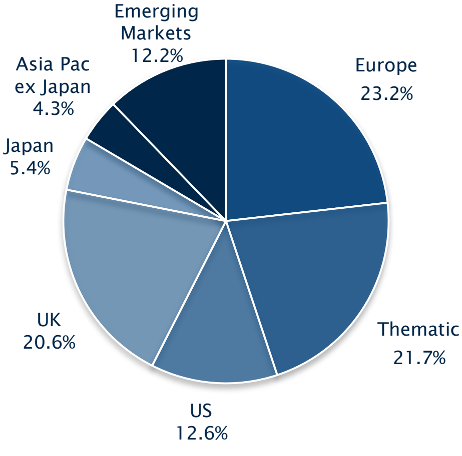
INVESTMENT OBJECTIVE

The fund seeks to achieve an average annual return of CPI + 3% over any 5-year period, after all fees, with about half the risk of a pure equity exposure. Though the mandate favours equity investment, the investment manager has the latitude to actively allocate between different asset classes to protect values and reduce volatility. The fund aims to maximise returns in EUR terms.

ASSET ALLOCATION



EQUITY BREAKDOWN



QUARTERLY INVESTMENT REPORT

Last quarter saw most headline stock markets fall by 10-15%, which took many indices in the US, Europe and Asia into bear market territory. Commodity and corporate bond prices finished the year under pressure too as mounting fears over slowing global growth and a further tightening of liquidity conditions spooked investors.

The European stock market (as measured by the MSCI Europe ex UK index) fell by 12% last quarter. The fund's price declined by 4.2%, therefore participating in only one third of the broader decline.

The limited drawdown during the recent turbulence is mainly the result of us not participating more aggressively in the final stages of the bull market between mid-2016 and late 2017. In hindsight, we de-risked too early, but recent events are helping to validate our caution, which endures. The fund's risk profile was further reduced in the early stages of the quarter via a reduction in the home market and Emerging Market equities holdings.

continued overleaf

BENTLEY REID

EQUITIES	53.9%
Europe	**12.5%**
FP Crux European	2.3%
Invesco Perpetual European	3.8%
Jupiter European	3.3%
Merian Europe ex UK Smaller	3.1%
UK	**11.1%**
LF Woodford Income Focus	4.5%
City Financial Abs' Equity	2.6%
Janus Henderson Abs Ret €H	2.0%
S&W Enterprise € Hedged	2.0%
US	**6.8%**
DB X-Trackers S&P Inverse	4.9%
iShares S&P 500 Financials	1.9%
Japan	**2.9%**
Vanguard FTSE Japan	2.9%
Asia Pac ex Japan	**2.3%**
Hermes Asia ex Japan	2.3%
Emerging Markets	**6.6%**
1167 High Income	2.1%
Stewart Latin America	2.0%
Schroder EM Debt Abs Ret €H	2.5%
Thematic	**11.7%**
Fundsmith Equity	2.8%
Guinness Global Equity Inc	1.9%
Jupiter Glb Abs Ret € Hedged	2.1%
Kennox Strategic Value	4.9%
ALTERNATIVES	**7.4%**
Pictet Physical Gold	7.4%
BONDS	**20.5%**
Vanguard US Govt' Bond €H	5.2%
Vanguard US Govt' Bond	5.7%
iShares Index-Linked Gilt	4.4%
Lyxor US TIPS ETF	5.2%
CASH	**18.2%**

PERFORMANCE (NET OF FEES)*

	3 Months	YTD	1 Year	3 Year (Ann.)	5 Year (Ann.)
Fund	-4.2%	-7.0%	-7.0%	-4.0%	-0.4%
Inflation (EUR CPI)**	n/a	n/a	1.6%	1.4%	-0.8%

12 Months to	31 Dec 18	31 Dec 17	31 Dec 16	31 Dec 15	31 Dec 14
Fund	-7.0%	2.4%	-7.0%	3.7%	-6.7%

** the fund's return is calculated net of the Insurance Bond Wrapper cost*
*** the CPI figure is the actual inflation figure and is not adjusted to show the fund's target return. The 3 and 5-yr figures are annualised averages.*

These sales took the aggregate "long" equity exposure down to around 30%. The defensive positions have also performed better in recent months. The inverse S&P 500 tracker gained 18% in Euro terms and, as we are yet to see a capitulation sell-off that typically marks the end of a bear market, we retain a 5% weighting. City Financial, the active long-short manager (who is short several US healthcare and financial names), rallied 12% last quarter.

The more traditional "risk off" holdings have added value in recent months. Gold rose by 10% in Euro terms as investors sought safe haven assets and began to price in the end of the Federal Reserve's rate hike cycle. These factors also boosted the US government bond market with Treasury yields falling (and prices rising) sharply across the curve. As a result, the fund's allocations to the hedged and unhedged Vanguard US Government Bond trackers appreciated by 2% and 4%, respectively. It was also a reasonable quarter for the UK index-linked bond ETF, which benefited from a rise in UK inflation expectations; the result of intensifying Brexit uncertainty and renewed sterling weakness.

The few "risk on" equity positions struggled last quarter with the Japan equity and US financials holdings amongst the main losers. The latter fell by 12% in Euro terms. With the US yield curve continuing to flatten (a trend that reduces banks' profit potential) and recession risks set to build over the coming months, further downside is likely. We plan to use any meaningful bounce to fully redeem the positon.

Given the extensive falls in US and European equity markets it was no surprise to see many emerging markets (EM) also suffer, particularly in Asia with the Hermes Asia fund declining by 12%. However, we are encouraged by the recent outperformance of EM assets over their developed market counterparts as this is unusual during such extreme bouts of risk aversion. The Stewart Latin America fund posted a 4% gain last quarter, buoyed by a strong bounce in Brazilian stocks, and the Schroders EM debt fund appreciated by 1%. With signs of stability starting to unfold across multiple EM assets we may look to amplify the fund's exposure to these regions over the coming months.

We expect the equity and credit sell-off in developed markets will continue, but the fund's de-risking process is already complete. Looking ahead, our immediate priority is to ensure that the existing positions, and particularly the more defensive holdings, perform as we expect them to during any further market downside so that we can continue to protect capital. However, we are now turning our attention to how we will gradually "re-risk" the portfolio once market conditions permit. We will first need to see valuations de-rate to more supportive levels and liquidity conditions improve before we can feel comfortable buying back into equities and other risk assets, but some specific opportunities are already starting to look interesting. We would welcome further market weakness because it would encourage us to revert to a more bullish stance for the first time in several years.

PORTFOLIO ACTIVITY

DECREASE EQUITY EXPOSURE (57.5% to 54.5%):
Sell Invesco European Equity (-1.5%)
Sell Merian Europe ex UK Smaller (-1.5%)

FUND SWITCHES:
Sell iShares MSCI EM (-3.0%)
Sell Crux European Special Situations (-3.0%)
Buy 1167 High Income (+2.0%)
Buy S&W Enterprise € Hedged (+2.0%)
Buy Janus Henderson Abs Ret € Hedged (+2.0)

KEY FACTS

Price	€0.948
Fund Size	€1.9m
Benchmark	EZ CPI +3%
Launch Date	31/01/2001
Prices Published	www.bentleyreid.com

CONTACTS

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