Department of Justice

The personal injury discount rate: How should it be set?

A response by the Association of Personal Injury Lawyers

1 August 2020

Question 1

Do you agree that investment decisions by claimants in Northern Ireland are likely to be similar to those made by claimants in other jurisdictions? If not, please explain.

In 2017 for the consultation conducted by both the Ministry of Justice and the Scottish Government, and in 2018 for the subsequent consultation conducted by the Ministry of Justice alone, APIL surveyed its members for the purposes of its responses. Both surveys made it clear that the investment decisions made by claimants in both jurisdictions were driven by the same issues and were made for similar reasons. There is no evidence to suggest that investment decisions made by claimants in Northern Ireland will be any different from those made by claimants in these two other jurisdictions.

Question 2

Do you agree that the legal framework for setting the personal injury discount rate in Northern Ireland should be changed so that it is no longer tied to *Wells v Wells*? Please explain.

We believe that the legal parameters of the discount rate should remain as they are, as stated in *Well v Wells* [1999] 1 AC 345. The most important principle when assessing appropriate solutions should be certainty and security of investment for the claimant. Forcing the claimant to expose their lump sum award to market risk will lead to damages being diminished, claimants being undercompensated and having to turn to the state for financial assistance to cater for their needs when their compensation is exhausted.

We consider that for the purposes of setting the discount rate the assumed investment risk profile of the claimant should be assumed to be very risk averse or “risk free” as set out in *Wells v Wells*.

Claimants whose damages are affected by the discount rate will be, by definition, severely injured: they will have continuing losses which will stretch into the future: losses of earnings due to their reduced or total loss of earning capacity: costs of future care to ensure that they are able to continue to live as independently or a safely as possible, without undue reliance upon the State.

The sole purpose of the discount rate is to ensure, as much as possible, that the lump sum awarded will generate in income what the claimant has lost over the period in question - no more and no less - and so put the claimant in the same position he or she would have been in, but for the injury.

It is safe to assume that in the majority of cases, the injury suffered by the claimant will have been the worst thing ever to happen to them. They should be allowed to be a risk averse, safe investor, so that they do not have to worry about the possibility that their funds may run out before their life is over, leaving them at the mercy of the State for their care.

Adults with care and associated needs may have been reliant on family or other gratuitous care for some time, particularly if there has been a liability dispute and they will be concerned about what might happen if that care is lost (for example, due to ill health of their gratuitous carer – often a spouse). This has a psychological bearing on their willingness to risk their award.

We know that third party insurers – those who pay damages on behalf of the insured defendant – object to the claimant being in the position of a risk-free investor. They suggest that at the very least, the claimant should be assumed to be a low risk investor with a mixed portfolio.

The discount rate is essentially the net return a claimant is able to achieve on the damages awarded in order for them to be sustained to the claimant's life expectancy. In England and Wales, the discount rate was changed to -0.25% based on the claimant being able to invest in a mixed asset portfolio and the following assumptions:

- Clients invest in a portfolio which is split 42.5% in "growth assets" (which we assume are equity/ higher risk assets) and 57.5% into "matching assets" (which we assume would be fixed interest/ cash/ low risk assets)
- The median return associated with a portfolio of this type would be 2% in excess of Consumer Price Index (CPI) inflation
- A 0.75% drag is to be deducted to account for associated tax and expenses
- Inflation drag for personal injury investors would be 1% in excess of CPI.
- A factor for under compensation was then deducted which we understand is 0.5% although is not expressly stated.

Assuming CPI at a rate of two per cent, the discount rate can be 'reverse engineered' to a gross return, using the discount rate as the starting point. If we applied the same methodology to the existing Northern Ireland discount rate of 2.5 per cent, the differential would be as follows:

Discount Rate	**-0.25%**	**2.50%**
Factor for Under Compensation	0.50%	0.50%
Tax & Investment Charge Drag	0.75%	0.75%
Inflationary Drag	3.00%	3.00%
Gross Return	**4.25%**	**6.75%**

The latest available Dynamic Planner provides risk factsheets for each risk profile as at January 2019. Using these, the indicative risk level a claimant would need to undertake based on a discount rate of -0.25% would be a Level 4 (out of 10) which has an expected return of 4.10%. This is not risk free investment. The highest risk profile that IFAs would usually countenance would be Level 5 (low medium risk) which would be for those claimants who have an element of liability compromise within their claims (which will have reduced the size of the lump sum) who may need to take some additional risk to make up the shortfall between the damages awarded and their claimed needs.

Based on the current discount rate of 2.50%, the indicative risk level required by a claimant would be a Level 7 (out of 10), which has an expected return of 6.70%. [1]

The recent market decline as a result of COVID-19 can help to put this into perspective. The Chart below shows the monthly returns from December 2019 – June 2020.

In the height of the pandemic, a Level 4 portfolio may have declined by up to 14.5 per cent, whereas a Level 7 portfolio could have declined by up to 19 per cent, based on the asset allocations in the Dynamic Planner Factsheets. This is a difference of £45,000 based on the investment of £1,000,000.

[1] Dynamic Planner Returns are inflation adjusted using an inflation rate of 2.50%. As such an expected return of 1.6% as stated on the Level 4 Factsheet would be a gross return of 4.10%.

Seriously injured people are not investors: they are people who have been given a sum of money which they must protect and 'eke out' for the rest of their life, ensuring that they are housed, cared for and in receipt of appropriate therapies, all of which continually deplete their funds.

Claimant should be investing in portfolios which are no riskier than the very low risk example at the very most. Having to risk their funds is unacceptable.

Question 3

Which of the following frameworks for setting the personal injury discount rate in Northern Ireland should be adopted?

a) the framework used in England and Wales

b) the framework used in Scotland

c) another framework (please describe).

Please give reasons for your answer.

Subject to our answer to question 2 above, we will respond to this question even though we believe that the legal parameters of the discount rate should remain as they are, as stated in *Well v Wells.*

In our view, if the legal parameters of the discount rate are to be changed, then one of the two existing frameworks should be adopted in Northern Ireland. Neither is a perfect system, but creating a third framework is unnecessary.

There are aspects of the Scottish system which make it preferable to the system which has been implemented in England and Wales. These are:

- Setting the discount rate should be depoliticised. If there is to be a panel of experts which sets the rate, then it should be independent of government and should be empowered to review the rate and then implement the revised rate. It should not simply advise the Minister of State and leave it to the Minister's discretion as to whether to amend the rate and if so, by how much.
- We agree entirely with the Scottish Government's approach of removing the possibility of political influence over the setting of the rate. There is no legitimate reason or necessity for political involvement. Setting the discount rate should be an actuarial task, not a political one.
- The formula for calculating the rate is predetermined by legislation. The combination of using the Government Actuary to set the rate and setting out the formula by which the calculation fosters transparency and this is as important to claimants in Northern Ireland as it is for pursuers in Scotland.
- We also prefer the Scottish Government's decision not to rely on the investment behaviour of injured people in setting the rate.

It is critical that the portfolio which is used to calculate the new rate generates as low a risk as possible for injured people and that the standard adjustments are realistic and fair. See our comments above in relation to the various portfolio risk levels.

One problem with the existing Scottish formula can be found in the Damages (Investment Returns and Periodical Payments) (Scotland) Act 2019. This Act provides that when calculating the discount rate in Scotland, allowance must be made by the rate-assessor for the impact of inflation on the value of the return on investment. The impact of inflation is to be allowed for by reference to the retail prices index within the meaning of section 833(2) of the Income and Corporation Taxes Act 1988, or some published information relating to costs, earnings or other monetary factors as is, for use instead of the retail prices index, prescribed in regulations made by the Scottish Ministers.

At present, those regulations prescribe use of the retail price index. But HM Treasury is currently consulting on proposed changes which would involve aligning RPI with a different measure of inflation – CPIH (Consumer Price Index including Owner Occupiers' Housing Costs). Since 2010, the annual rate CPIH inflation has been, on average, one percentage point lower than RPI as currently calculated. As a result, these proposals are likely to result in a lower rate of RPI.

Inflation is essentially a "deduction" from the claimant's rate of return. A lower deduction for inflation will result in a higher personal injury discount rate (in Scotland at present) which will, in turn, reduce the amount of damages paid to severely injured people.

Question 4

Do you agree that adopting the England and Wales model would mean that setting the rate should be a decision for the Department of Justice; and adopting the Scottish model would mean that it should be a decision for the Government Actuary? Please give reasons for your answer.

No. Adoption of one or other model should not deter the inclusion of additional aspects or amendments to it, which would improve the model for claimants in Northern Ireland.

Question 5

Should the person or body responsible for setting the rate in Northern Ireland be required to consult any other person or body? If so, who, and why?

England & Wales Framework

If this option is to be adopted, then the role of the Government Actuary and the Expert panel should be amended so that the Minister of State cannot ignore their recommendations. This would depoliticise the decision and ensure that it is made upon sound actuarial, economic and other evidential bases.

Scotland Framework

We agree entirely with the Scottish Government's approach of removing the possibility of political influence over the setting of the rate. There is no legitimate reason or necessity for political involvement. Setting the discount rate should be an actuarial task, not a political one. Additionally, in our view the decision making process should be removed from any volatility within the political climate at the time of any review or subsequent reviews, particularly within the context of this jurisdiction. The decision should be capable of being made even during the absence of the relevant political institutions.

Question 6

Should there be a requirement in Northern Ireland to review the personal injury discount rate on a regular basis?

Yes, there should be regular reviews of the discount rate.

Question 7

If so, how often should the rate be reviewed? Please give reasons for your answer.

The rate should be reviewed on a regular basis to ensure that it remains reasonably in tune with current market rates of return. The review should take place every five years, as it does in both England & Wales and in Scotland. It would be reasonable for the first review period under the new framework to be shortened so that it becomes synchronised with the five year review periods in either the Scottish or the England & Wales jurisdictions.

Question 8

Do you agree with the outcome of the screening exercises and regulatory impact assessment? If not, please explain why.

It is clear that removing the risk-free assumption as the basis for full compensation will have a detrimental effect on those with protected characteristics: those who benefit from awards which are affected by the discount rate are by their very nature disabled, young, old and infirm. Children and mothers injured as a result of birth negligence are injured by reason of pregnancy and maternity: they are also protected characteristics.

About APIL

The Association of Personal Injury Lawyers (APIL) was formed by claimants' lawyers with a view to representing the interests of personal injury victims. APIL currently has 39 members in Northern Ireland. Membership of APIL comprises solicitors, barristers, legal executives and academics whose interest in personal injury work is predominantly on behalf of injured claimants.

The aims of the Association of Personal Injury Lawyers (APIL) are:

- To promote full and just compensation for all types of personal injury;
- To promote and develop expertise in the practice of personal injury law;
- To promote wider redress for personal injury in the legal system;
- To campaign for improvements in personal injury law;
- To promote safety and alert the public to hazards wherever they arise;
- To provide a communication network for members.

Any enquiries in respect of this response should be addressed, in the first instance, to:

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e-mail: helen.blundell@apil.org.uk

Appendix A

Dynamic Risk Planner January 2019

Quarterly Asset Allocation Factsheet Q1 2019

Risk Profile 2 - Very Low Risk

Expected return
-0.39%
per annum
(Inflation adjusted)

Expected volatility
3.19%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain mainly low-risk investments, including money market investments and government bonds. It will also be expected to contain some other medium- and high-risk investments, such as property, Sterling corporate bonds, global bonds as well as shares held usually in the UK. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q1 2019

Bonds

US 10-year Treasury yields fell to their lowest level since late 2017, while the three-month Treasury bill yield rose higher than that of 10-year bonds in March. This 'yield curve inversion' has historically been a reliable bellwether of future economic recession. Mounting global growth concerns and lowering inflation expectations saw more dovish signals from the major central banks. This, in turn, triggered one of the strongest quarters for both government bonds, corporate and high yield credit following their sharp declines at the end of last year.

Shares

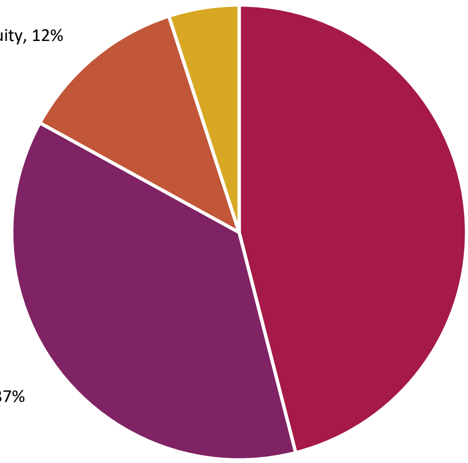
Growing hopes over a China-US trade dispute resolution, combined with the major central banks appearing less set on their path of tighter monetary policy, helped markets enjoy a strong bounce in Q1, most notably in the Asia Pacific (ex-Japan) and Emerging markets. Even the beleaguered UK market joined in, as delays to Brexit and hopes of a disorderly exit from the EU could be avoided provided investors with some encouragement. China A-shares were particularly strong as a major market index provider announced plans to quadruple their weight in its regional index over the coming year.

Alternatives

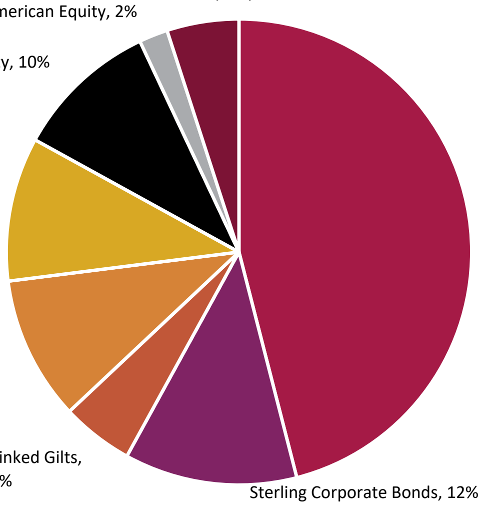
Oil prices rebounded from a sell-off in Q4 as OPEC production cuts tightened supply. Industrial metals also moved higher amid speculation of improving US-China trade negotiations, but gold only saw a muted upturn.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	1.3%	1.3%	2.0%	1.2%
Realised Annual Return (nominal)	3.8%	4.3%	4.3%	4.0%
Realised Volatility (annualised)	3.4%	3.4%	3.5%	3.1%
Maximum Drawdown	2.7% [May 18 - Dec 18]	5.4% [Aug 16 - Dec 18]	5.4% [Aug 16 - Dec 18]	5.4% [Aug 16 - Dec 18]
Beta	0.2	0.2	0.2	0.1

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

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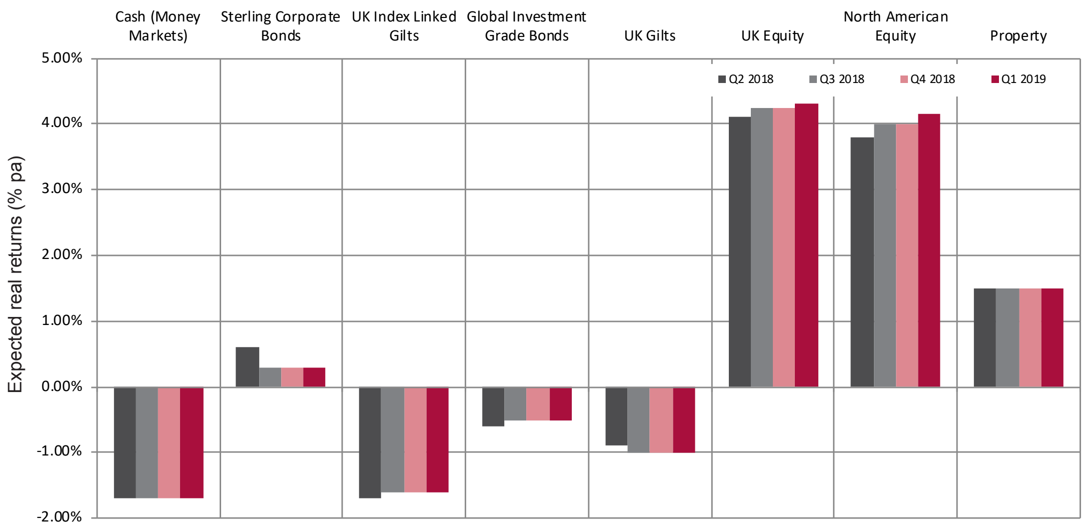
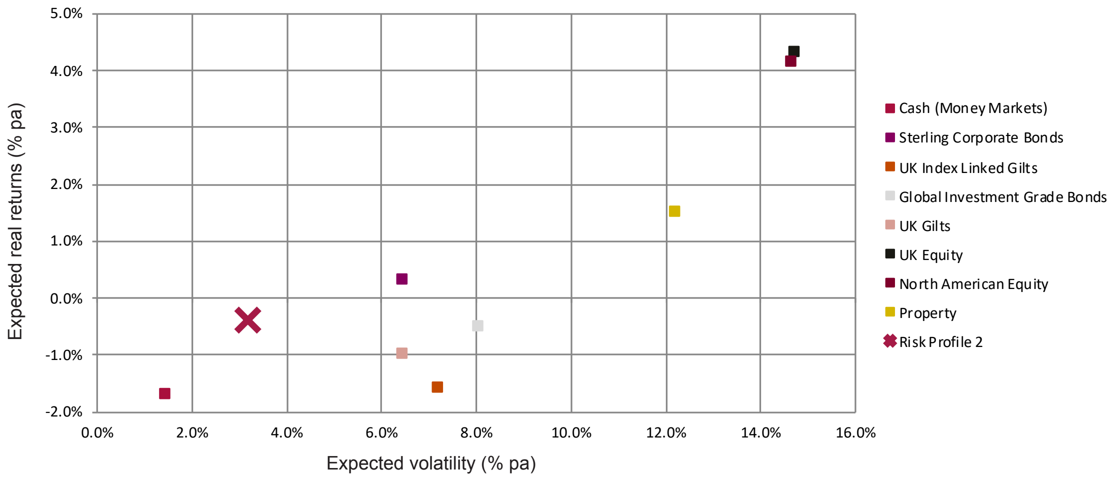
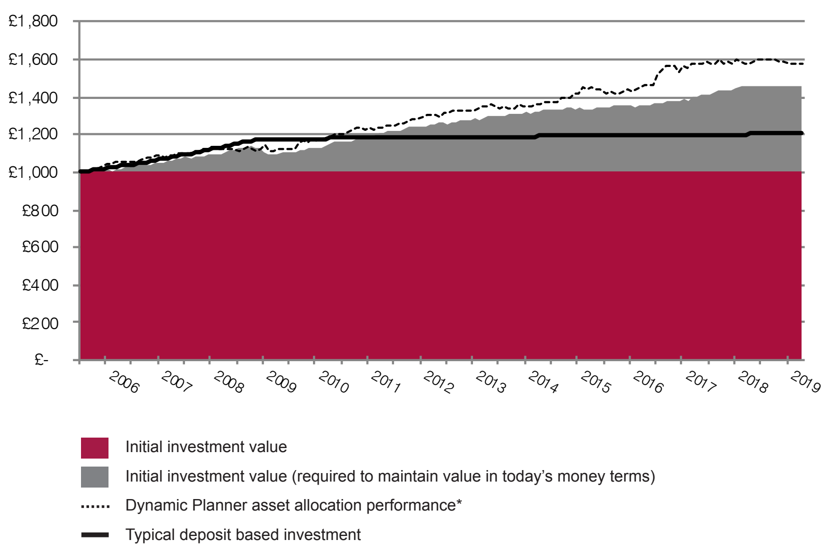
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 2



Performance of Dynamic Planner Asset Allocation 2 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

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Quarterly Asset Allocation Factsheet Q1 2019

Risk Profile 3 - Low Risk

Expected return
0.6%
per annum
(Inflation adjusted)

Expected volatility
5.3%
per annum

Profile Description:
A target portfolio for this risk profile is most likely to contain mainly low-risk and some medium-risk investments, including money market investments, government bonds, Sterling corporate bonds, global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, held mainly in the UK but with smaller amounts in other developed markets as well as other higher-risk investments. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q1 2019

Bonds

US 10-year Treasury yields fell to their lowest level since late 2017, while the three-month Treasury bill yield rose higher than that of 10-year bonds in March. This 'yield curve inversion' has historically been a reliable bellwether of future economic recession. Mounting global growth concerns and lowering inflation expectations saw more dovish signals from the major central banks. This, in turn, triggered one of the strongest quarters for both government bonds, corporate and high yield credit following their sharp declines at the end of last year.

Shares

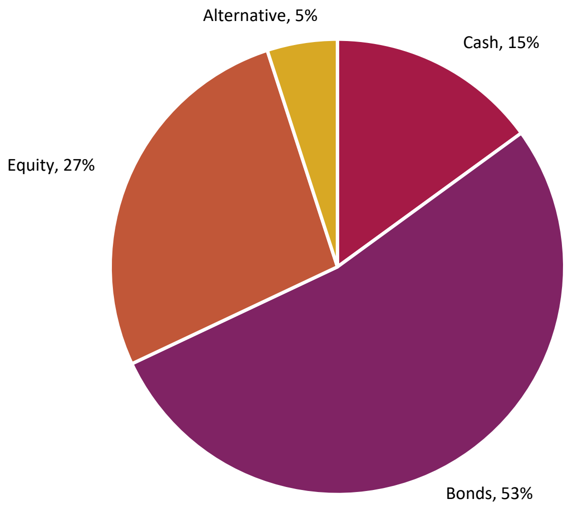
Growing hopes over a China-US trade dispute resolution, combined with the major central banks appearing less set on their path of tighter monetary policy, helped markets enjoy a strong bounce in Q1, most notably in the Asia Pacific (ex-Japan) and Emerging markets. Even the beleaguered UK market joined in, as delays to Brexit and hopes of a disorderly exit from the EU could be avoided provided investors with some encouragement. China A-shares were particularly strong as a major market index provider announced plans to quadruple their weight in its regional index over the coming year.

Alternatives

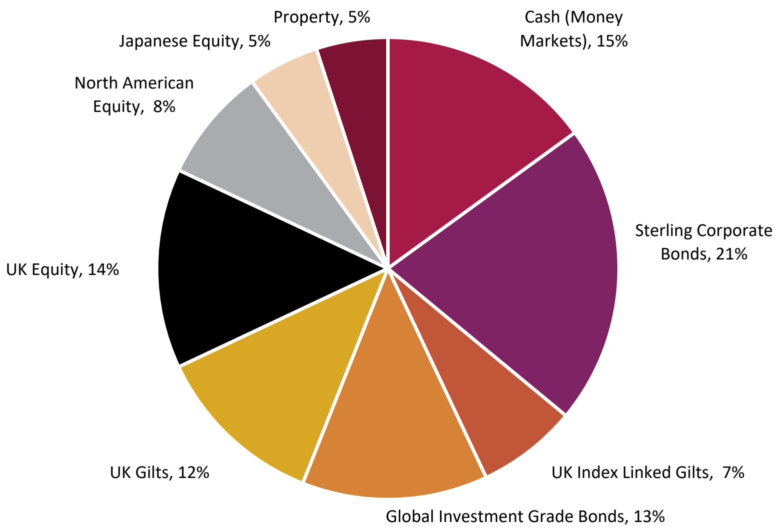
Oil prices rebounded from a sell-off in Q4 as OPEC production cuts tightened supply. Industrial metals also moved higher amid speculation of improving US-China trade negotiations, but gold only saw a muted upturn.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	2.8%	3.7%	4.5%	3.1%
Realised Annual Return (nominal)	5.4%	6.8%	6.8%	6.0%
Realised Volatility (annualised)	5.0%	5.1%	5.2%	4.8%
Maximum Drawdown	4.1% [Jul 18 - Dec 18]	4.7% [Aug 17 - Dec 18]	4.7% [Aug 17 - Dec 18]	11.4% [Oct 06 - Oct 08]
Beta	0.3	0.4	0.4	0.2

Key Terms

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Expected Volatility:
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Realised Volatility:
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Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

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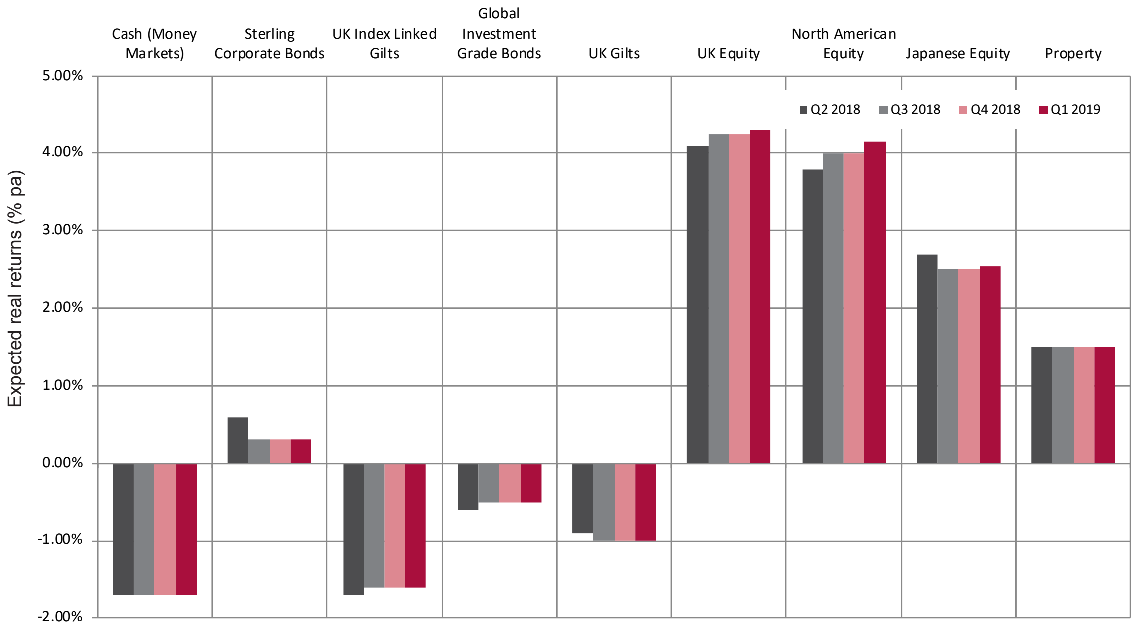
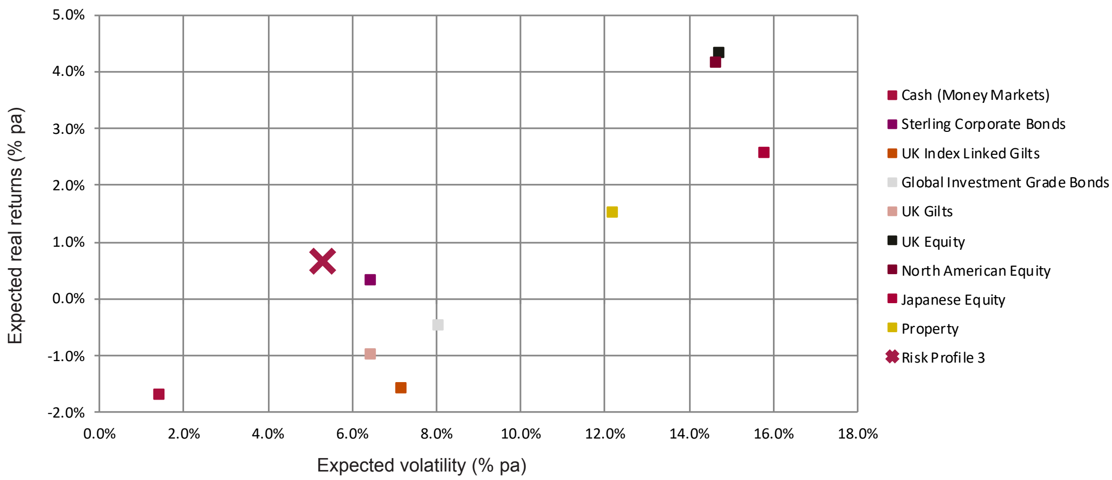
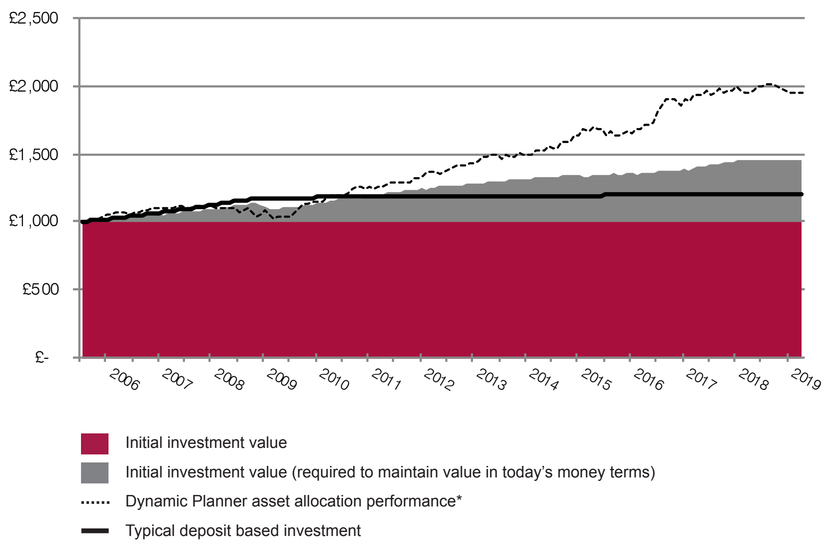
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 3



Performance of Dynamic Planner Asset Allocation 3 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
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Quarterly Asset Allocation Factsheet Q1 2019

Risk Profile 4 - Lowest Medium Risk

Expected return
1.6%
per annum
(Inflation adjusted)

Expected volatility
7.4%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain mainly low- and medium-risk investments, including money market investments, government bonds, Sterling corporate bonds, and a mix of global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, but held mainly in UK and other developed markets. Small amounts in other higher-risk investments may also be included. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q1 2019

Bonds

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Alternatives

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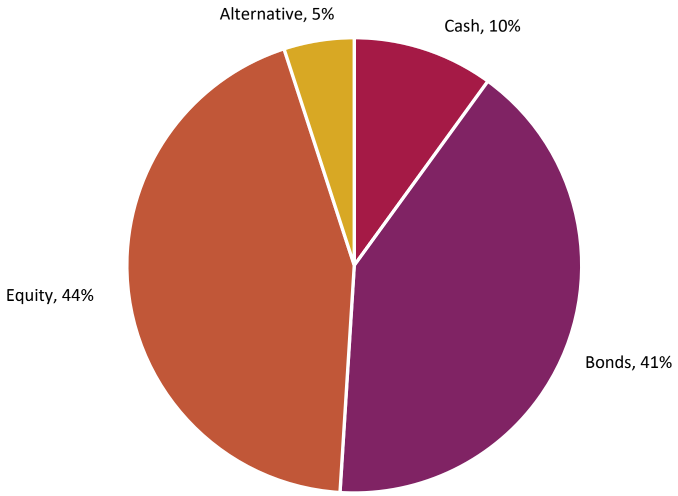
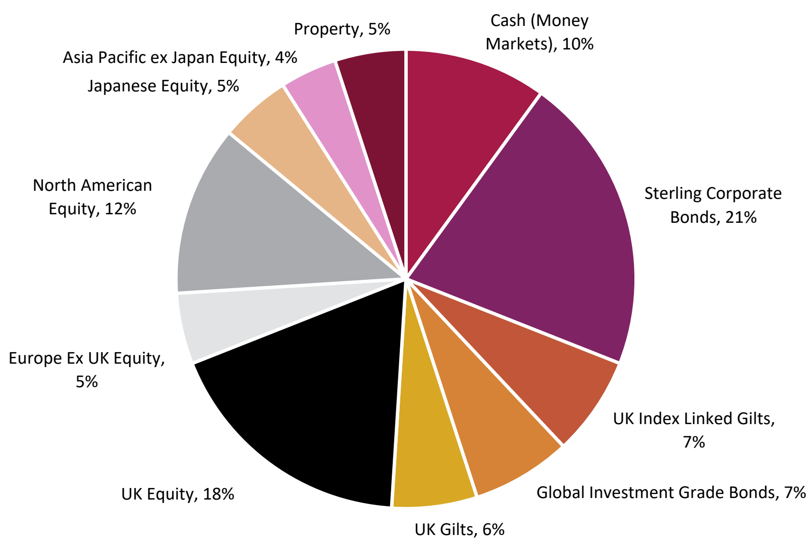
Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	4.1%	5.3%	5.3%	3.4%
Realised Annual Return (nominal)	6.7%	8.5%	7.7%	6.1%
Realised Volatility (annualised)	6.5%	5.7%	5.8%	7.0%
Maximum Drawdown	5.8% [Jul 18 - Dec 18]	5.8% [Jul 18 - Dec 18]	5.8% [Jul 18 - Dec 18]	27.9% [May 07 - Feb 09]
Beta	0.5	0.5	0.5	0.5

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

Realised Volatility:
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Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

Beta:
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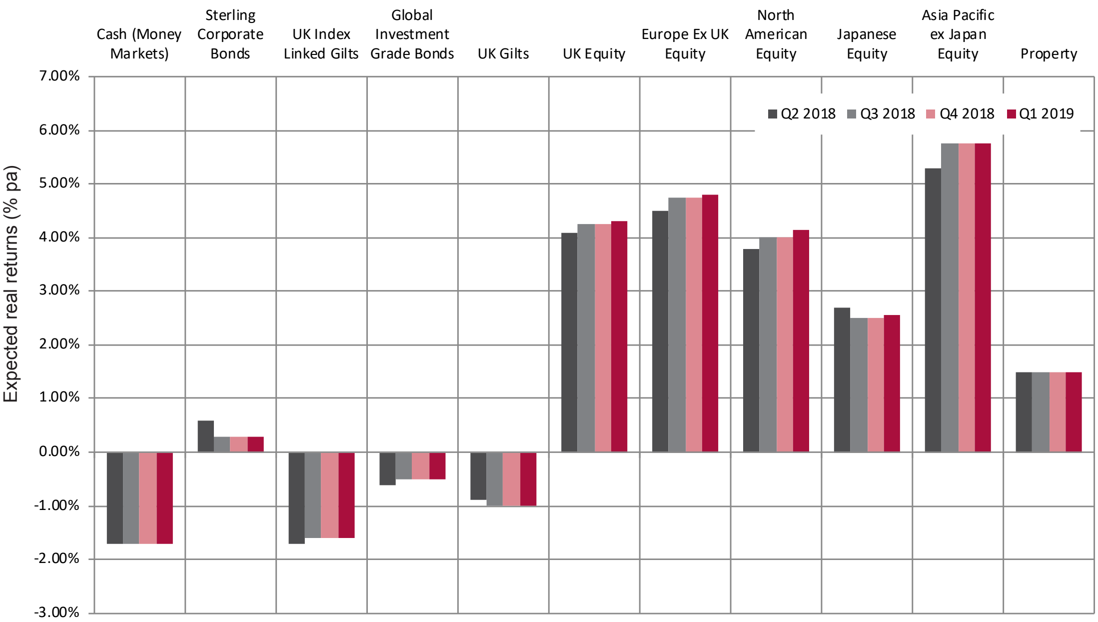
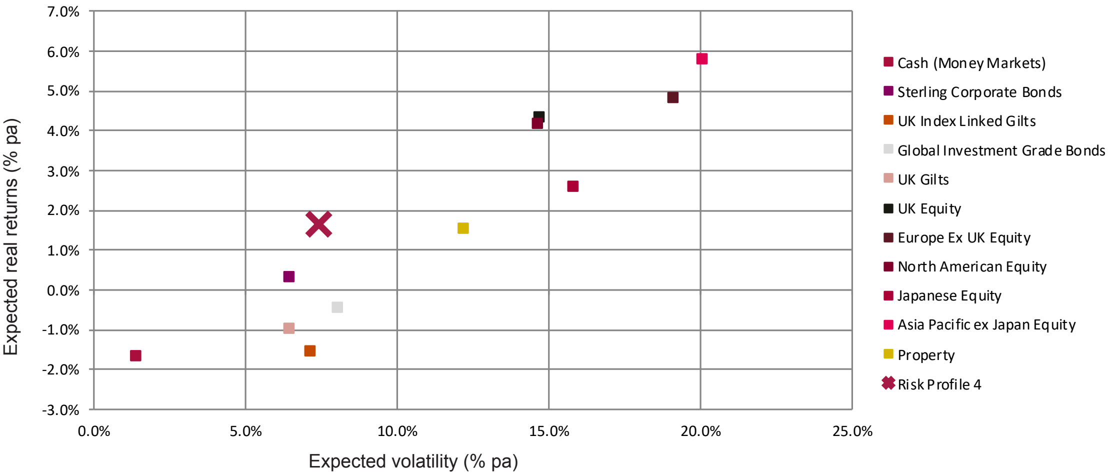
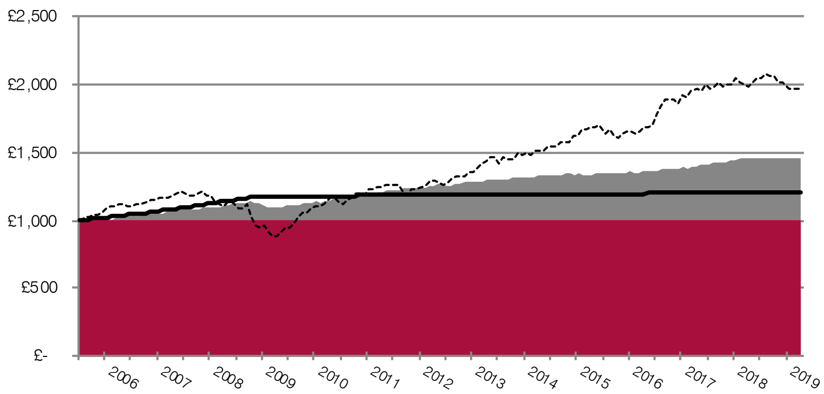
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 4



Performance of Dynamic Planner Asset Allocation 4 Since Launch - for £1000 Investment



Initial investment value

Initial investment value (required to maintain value in today's money terms)

Dynamic Planner asset allocation performance*

Typical deposit based investment

* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
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Quarterly Asset Allocation Factsheet Q1 2019

Risk Profile 5 - Low Medium Risk

Expected return
2.6%
per annum
(Inflation adjusted)

Expected volatility
9.5%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain low-, medium- and high-risk investments, including money market investments, government bonds, Sterling corporate bonds and global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, but held mainly in UK and other developed markets, and also a small amount in other higher-risk investments such as shares in emerging markets. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q1 2019

Bonds

US 10-year Treasury yields fell to their lowest level since late 2017, while the three-month Treasury bill yield rose higher than that of 10-year bonds in March. This 'yield curve inversion' has historically been a reliable bellwether of future economic recession. Mounting global growth concerns and lowering inflation expectations saw more dovish signals from the major central banks. This, in turn, triggered one of the strongest quarters for both government bonds, corporate and high yield credit following their sharp declines at the end of last year.

Shares

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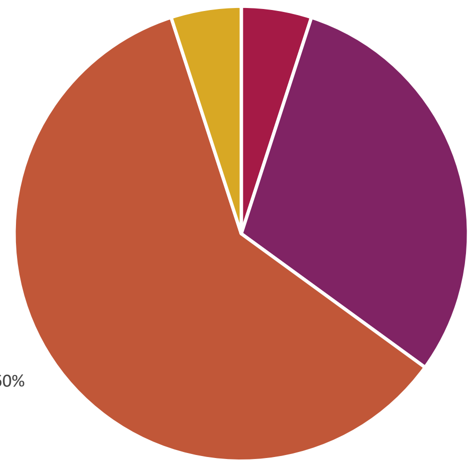
Alternatives

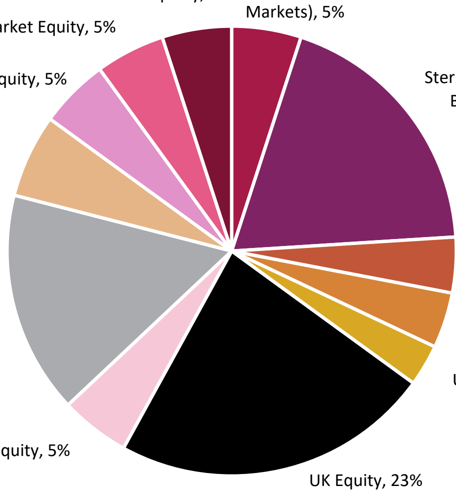
Oil prices rebounded from a sell-off in Q4 as OPEC production cuts tightened supply. Industrial metals also moved higher amid speculation of improving US-China trade negotiations, but gold only saw a muted upturn.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	4.6%	6.8%	5.9%	4.2%
Realised Annual Return (nominal)	7.2%	10.0%	8.3%	6.7%
Realised Volatility (annualised)	8.1%	6.8%	6.9%	8.8%
Maximum Drawdown	7.4% [Jul 18 - Dec 18]	7.4% [Jul 18 - Dec 18]	7.7% [May 15 - Sep 15]	30.5% [Oct 07 - Feb 09]
Beta	0.6	0.6	0.6	0.6

For more information: 0333 6000 500 | sales@dynamicplanner.com | www.dynamicplanner.com

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

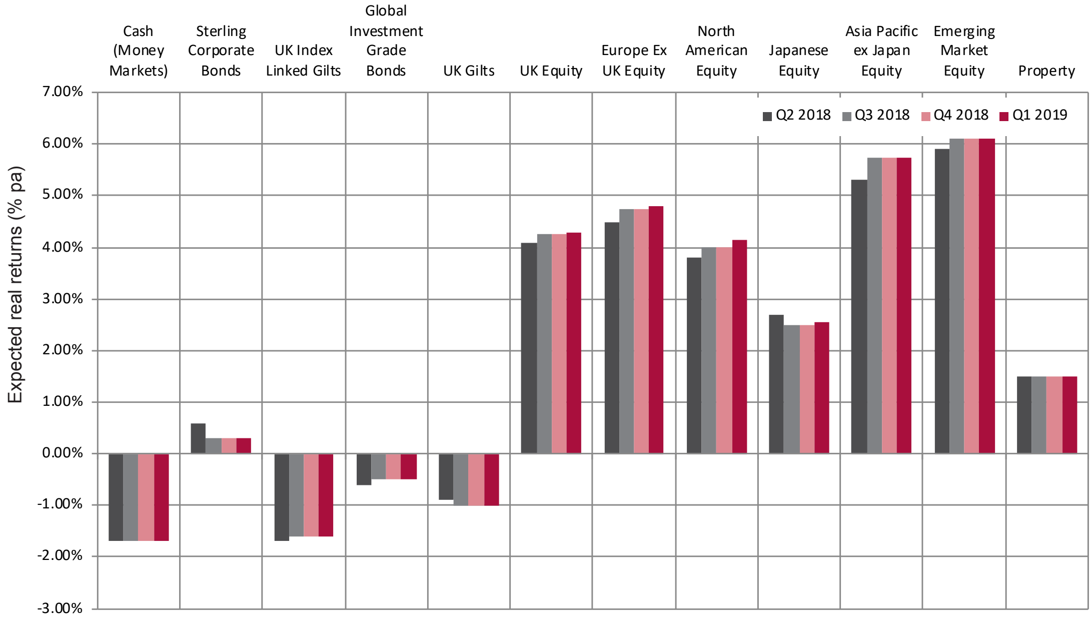
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

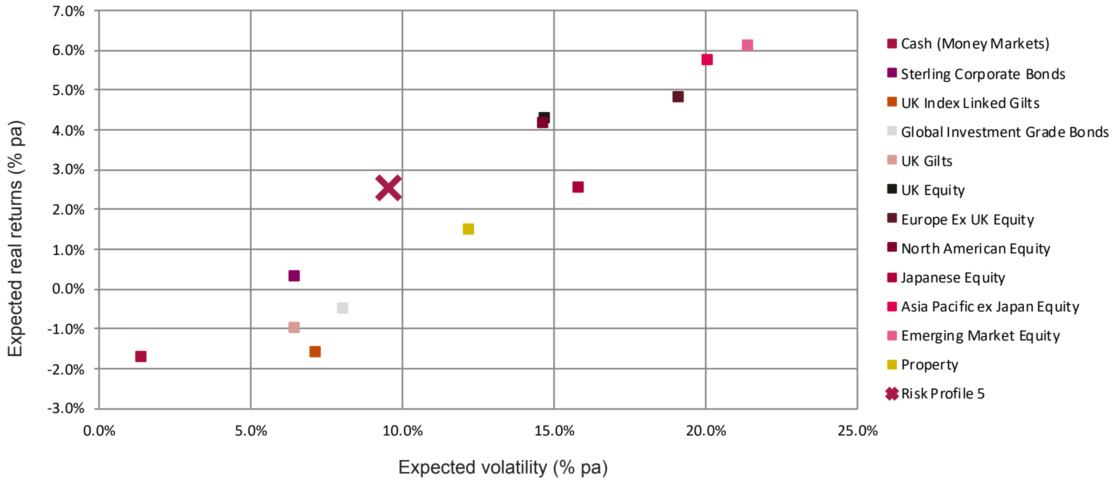
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

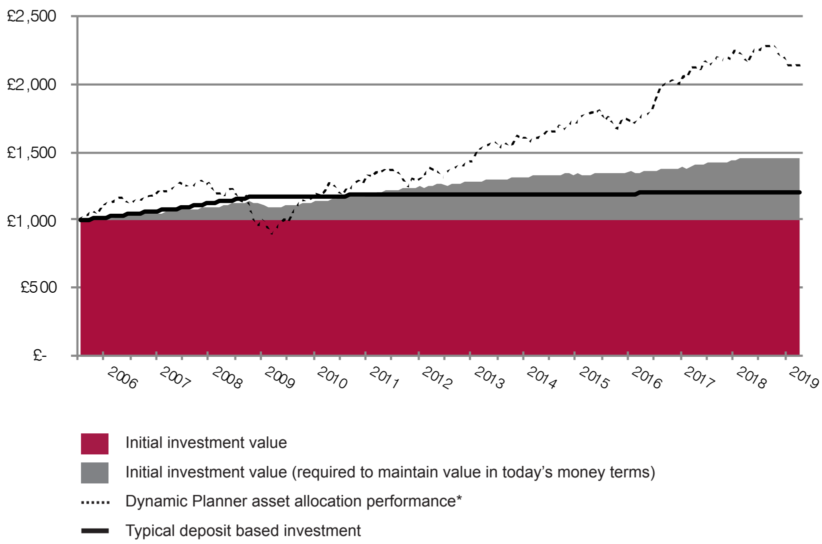
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 5



Performance of Dynamic Planner Asset Allocation 5 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

Quarterly Asset Allocation Factsheet Q1 2019

Risk Profile 6 - High Medium Risk

Expected return
3.4%
per annum
(Inflation adjusted)

Expected volatility
11.6%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain mainly medium- and high-risk investments, including Sterling corporate bonds and global bonds including higher income types as well as Property and shares. The shares are expected to be held mainly in the UK and other developed markets, but there is also likely to be some in higher-risk emerging markets. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q1 2019

Bonds

US 10-year Treasury yields fell to their lowest level since late 2017, while the three-month Treasury bill yield rose higher than that of 10-year bonds in March. This 'yield curve inversion' has historically been a reliable bellwether of future economic recession. Mounting global growth concerns and lowering inflation expectations saw more dovish signals from the major central banks. This, in turn, triggered one of the strongest quarters for both government bonds, corporate and high yield credit following their sharp declines at the end of last year.

Shares

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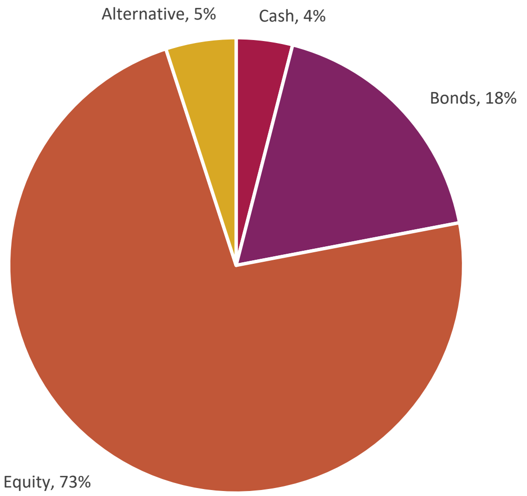
Alternatives

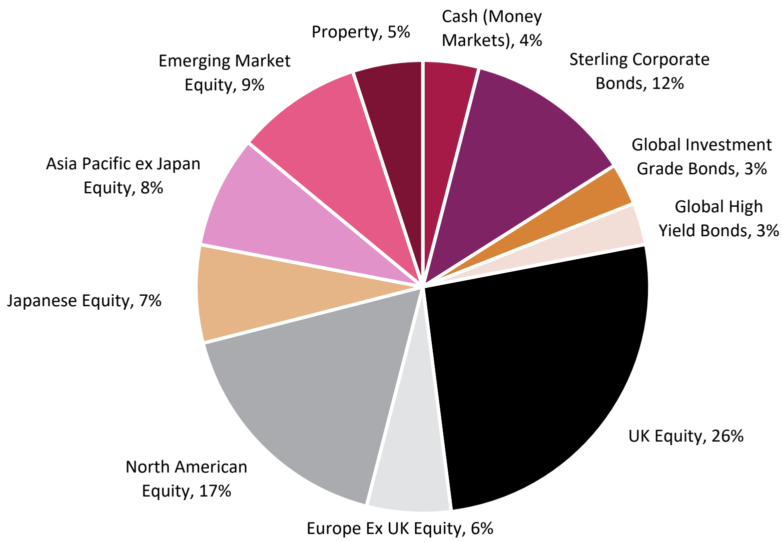
Oil prices rebounded from a sell-off in Q4 as OPEC production cuts tightened supply. Industrial metals also moved higher amid speculation of improving US-China trade negotiations, but gold only saw a muted upturn.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	4.7%	7.7%	6.2%	4.5%
Realised Annual Return (nominal)	7.3%	11.0%	8.6%	7.0%
Realised Volatility (annualised)	9.5%	8.0%	8.0%	10.5%
Maximum Drawdown	8.7% [Jul 18 - Dec 18]	8.7% [Jul 18 - Dec 18]	10.1% [Apr 15 - Sep 15]	34.6% [Oct 07 - Feb 09]
Beta	0.7	0.7	0.7	0.8

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

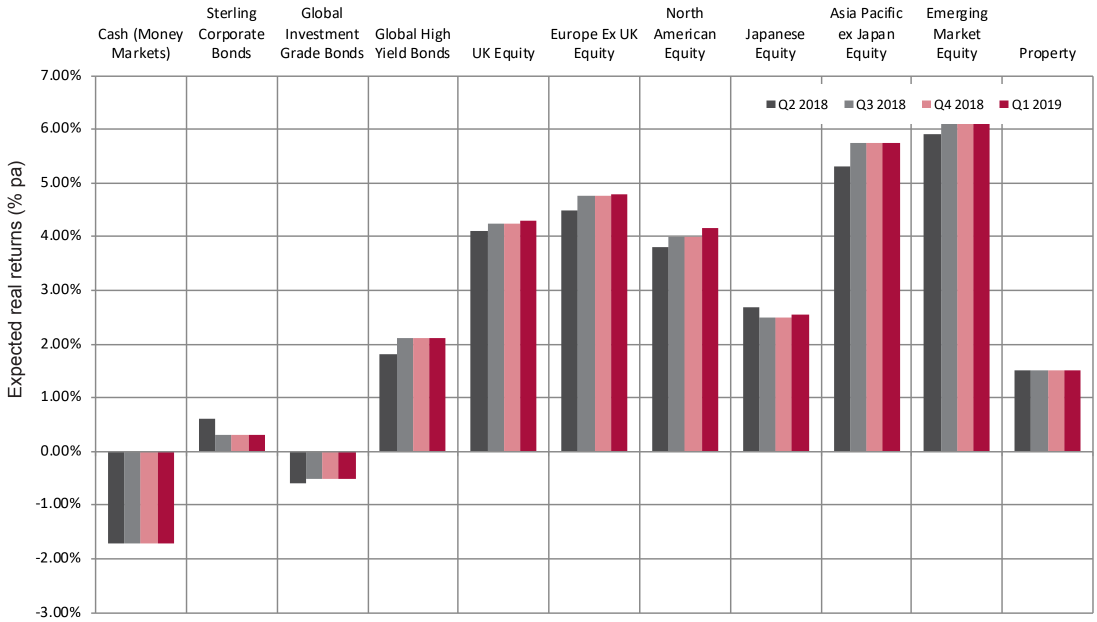
Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

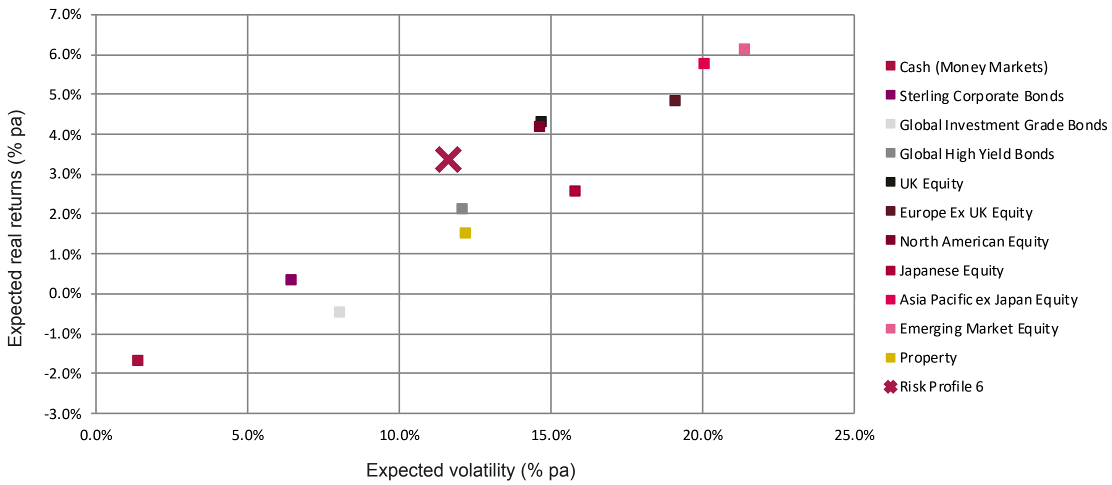
Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

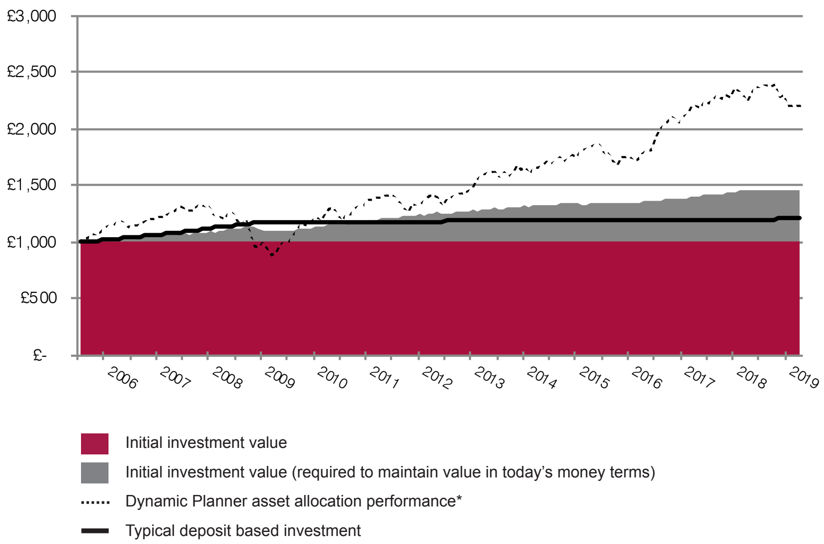
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 6



Performance of Dynamic Planner Asset Allocation 6 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

DYNAMIC PLANNER

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

Quarterly Asset Allocation Factsheet Q1 2019

Risk Profile 7 - Highest Medium Risk

Expected return
4.2%
per annum
(Inflation adjusted)

Expected volatility
13.8%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain mainly high- and very-high-risk investments, such as UK, overseas developed and emerging market shares. It is also expected to have a small amount of medium-risk investments such as Property as well as Sterling corporate bonds and global bonds including higher income types. Always check that you are comfortable with the investments that are included in your chosen portfolio.

Market Round Up - Q1 2019

Bonds

US 10-year Treasury yields fell to their lowest level since late 2017, while the three-month Treasury bill yield rose higher than that of 10-year bonds in March. This ‘yield curve inversion’ has historically been a reliable bellwether of future economic recession. Mounting global growth concerns and lowering inflation expectations saw more dovish signals from the major central banks. This, in turn, triggered one of the strongest quarters for both government bonds, corporate and high yield credit following their sharp declines at the end of last year.

Shares

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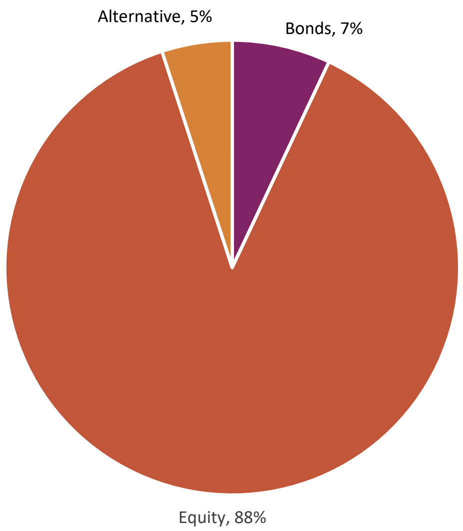
Alternatives

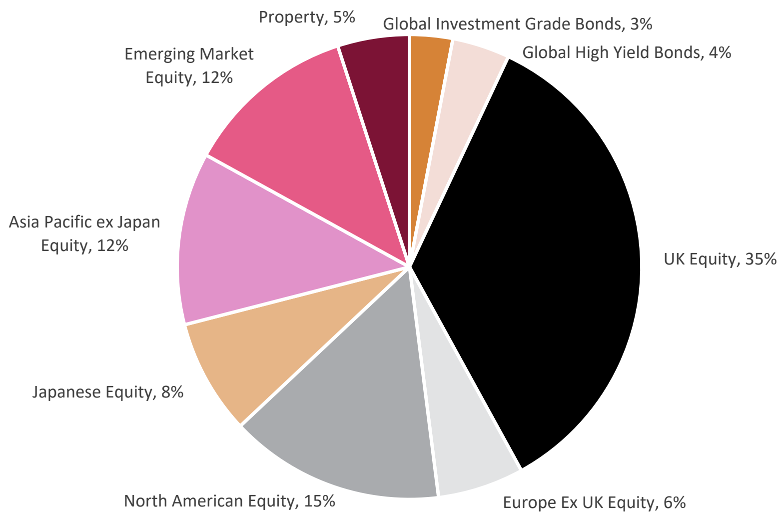
Oil prices rebounded from a sell-off in Q4 as OPEC production cuts tightened supply. Industrial metals also moved higher amid speculation of improving US-China trade negotiations, but gold only saw a muted upturn.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	4.6%	8.7%	6.3%	4.9%
Realised Annual Return (nominal)	7.2%	12.0%	8.7%	7.3%
Realised Volatility (annualised)	10.9%	9.2%	9.2%	12.3%
Maximum Drawdown	10.1% [Jul 18 - Dec 18]	10.1% [Jul 18 - Dec 18]	12.6% [Apr 15 - Sep 15]	37.3% [Oct 07 - Feb 09]
Beta	0.8	0.8	0.8	0.9

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

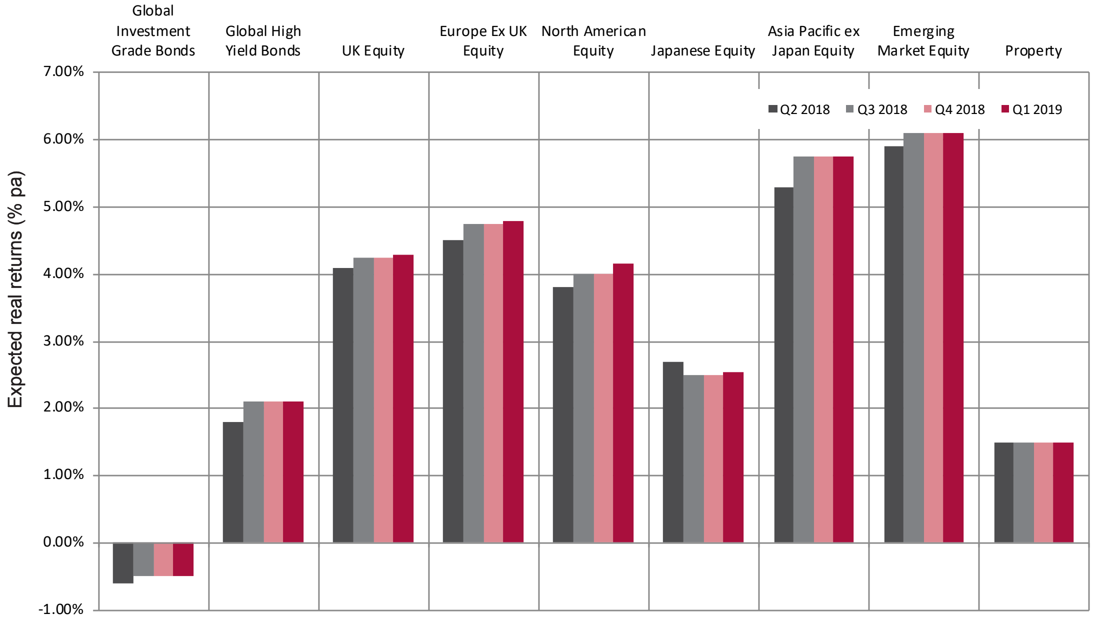
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

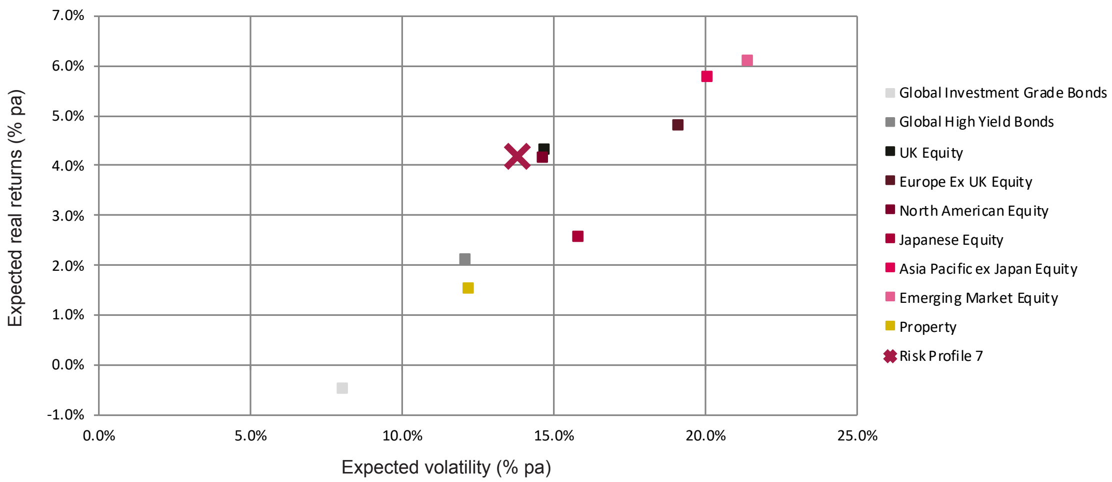
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

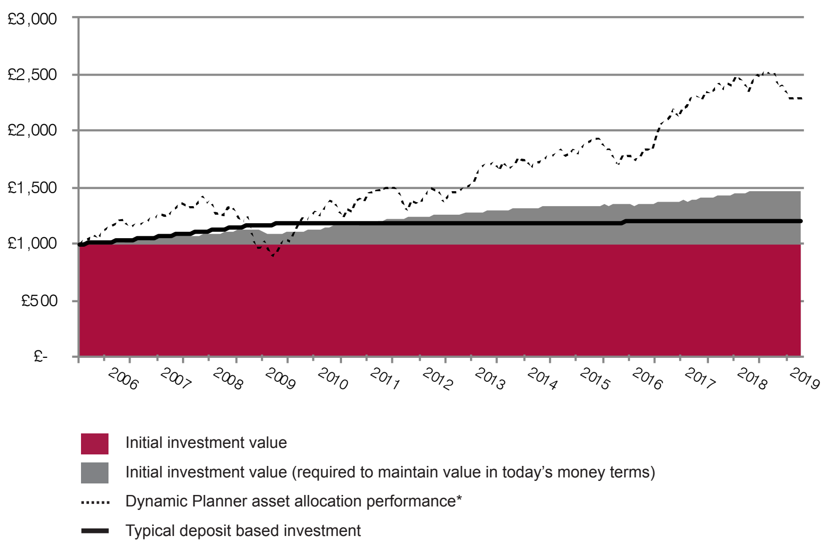
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 7



Performance of Dynamic Planner Asset Allocation 7 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
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Quarterly Asset Allocation Factsheet Q1 2019

Risk Profile 8 - High Risk

Expected return
4.8%
per annum
(Inflation adjusted)

Expected volatility
15.7%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain high- and very-high-risk investments such as UK, overseas developed and emerging market shares. There is also likely to be a small amount in medium-risk investments such as Property and higher-income types of global bonds. Always check that you are comfortable with the investments that are included in your chosen portfolio.

Market Round Up - Q1 2019

Bonds

US 10-year Treasury yields fell to their lowest level since late 2017, while the three-month Treasury bill yield rose higher than that of 10-year bonds in March. This 'yield curve inversion' has historically been a reliable bellwether of future economic recession. Mounting global growth concerns and lowering inflation expectations saw more dovish signals from the major central banks. This, in turn, triggered one of the strongest quarters for both government bonds, corporate and high yield credit following their sharp declines at the end of last year.

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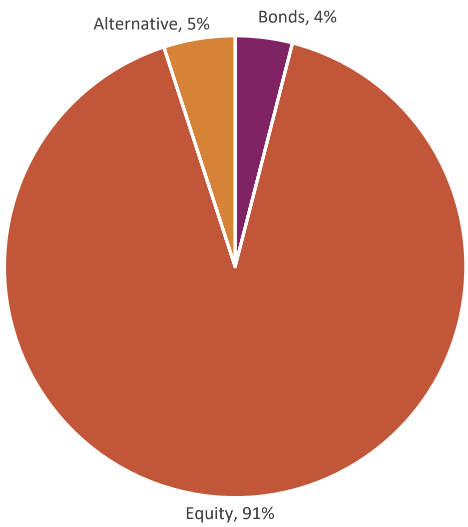
Alternatives

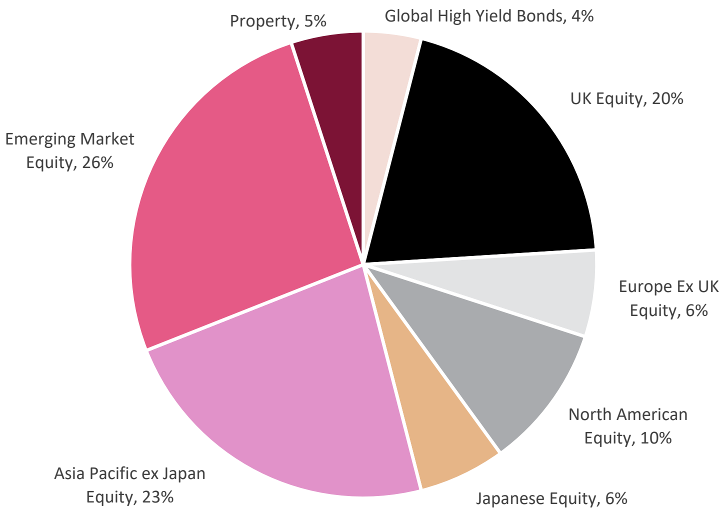
Oil prices rebounded from a sell-off in Q4 as OPEC production cuts tightened supply. Industrial metals also moved higher amid speculation of improving US-China trade negotiations, but gold only saw a muted upturn.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	4.5%	9.9%	6.7%	5.1%
Realised Annual Return (nominal)	7.0%	13.1%	9.1%	7.4%
Realised Volatility (annualised)	11.3%	10.2%	10.3%	13.6%
Maximum Drawdown	9.6% [Jul 18 - Dec 18]	9.6% [Jul 18 - Dec 18]	15.2% [Apr 15 - Sep 15]	39.9% [Oct 07 - Feb 09]
Beta	0.8	0.8	0.8	1.0

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
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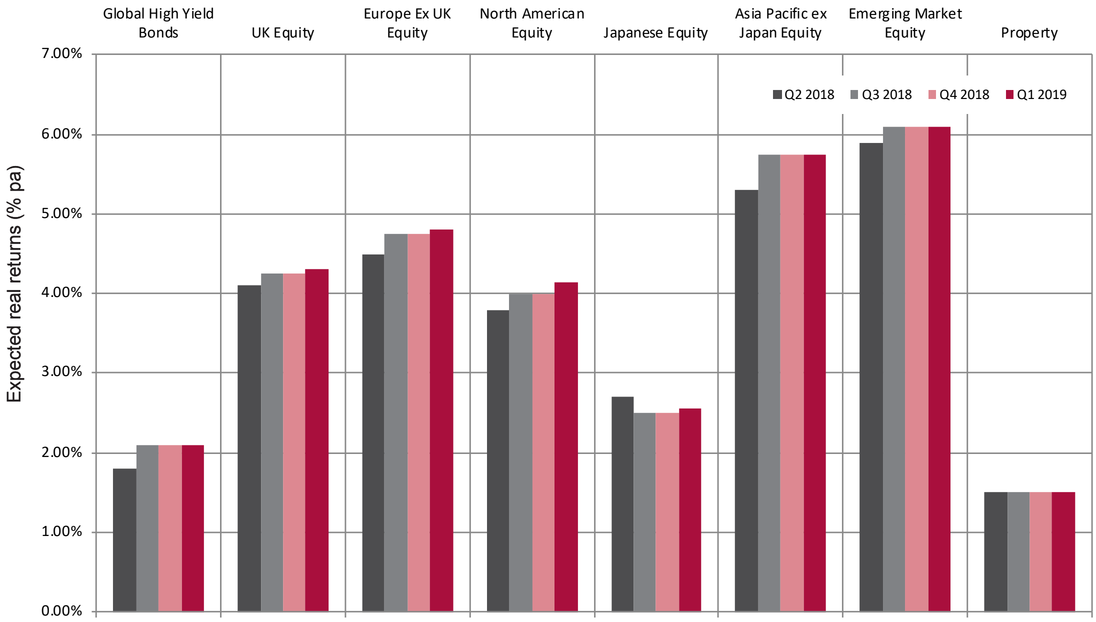
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

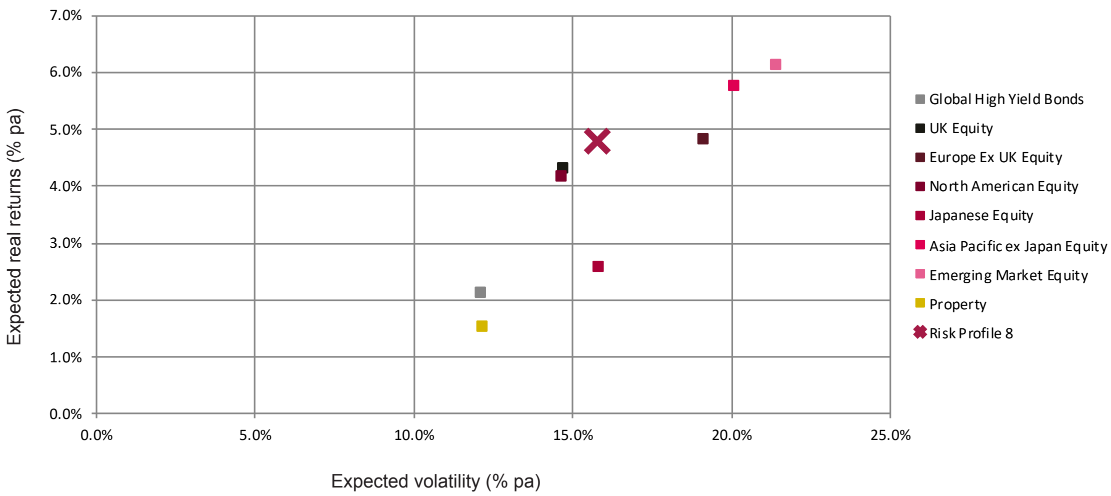
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

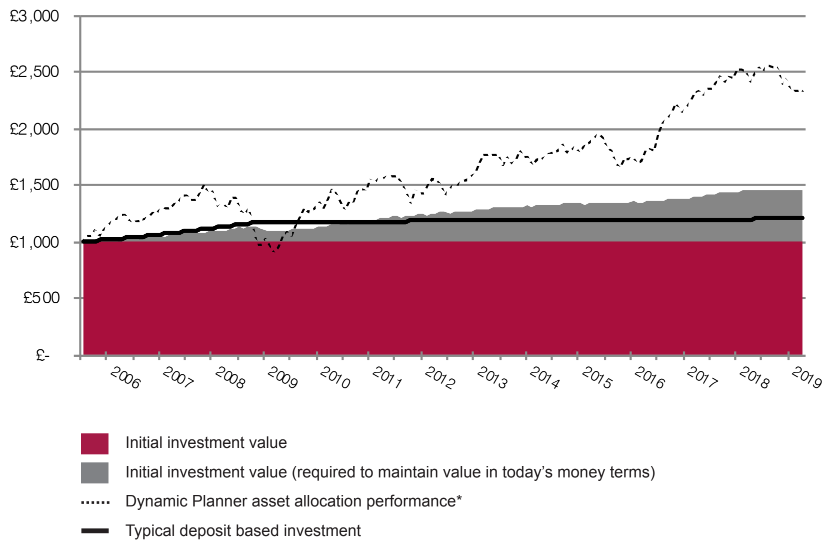
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 8



Performance of Dynamic Planner Asset Allocation 8 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

Risk Profile 9 - Very High Risk

Expected return
5.3%
per annum
(Inflation adjusted)

Expected volatility
17.9%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain high- and very-high-risk investments, such as UK, overseas developed and emerging market shares. Always check that you are comfortable with the investments that are included in your chosen portfolio.

Market Round Up - Q1 2019

Bonds

US 10-year Treasury yields fell to their lowest level since late 2017, while the three-month Treasury bill yield rose higher than that of 10-year bonds in March. This 'yield curve inversion' has historically been a reliable bellwether of future economic recession. Mounting global growth concerns and lowering inflation expectations saw more dovish signals from the major central banks. This, in turn, triggered one of the strongest quarters for both government bonds, corporate and high yield credit following their sharp declines at the end of last year.

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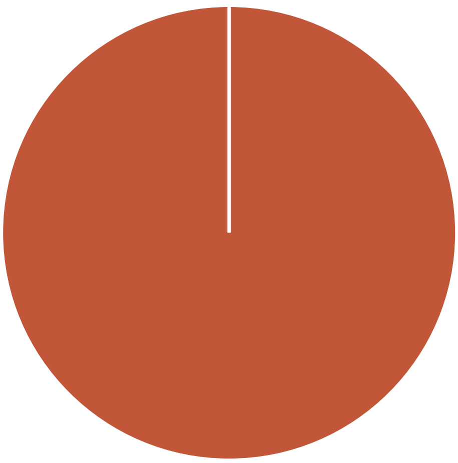
Alternatives

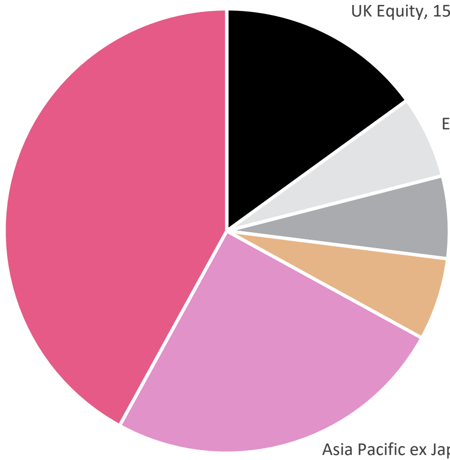
Oil prices rebounded from a sell-off in Q4 as OPEC production cuts tightened supply. Industrial metals also moved higher amid speculation of improving US-China trade negotiations, but gold only saw a muted upturn.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	3.1%	10.5%	6.9%	6.1%
Realised Annual Return (nominal)	5.7%	13.8%	9.3%	8.4%
Realised Volatility (annualised)	11.7%	11.3%	11.7%	15.6%
Maximum Drawdown	9.7% [Jul 18 - Dec 18]	10.9% [Jan 18 - Dec 18]	18.0% [Apr 15 - Sep 15]	42.1% [Oct 07 - Feb 09]
Beta	0.8	0.9	0.9	1.1

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

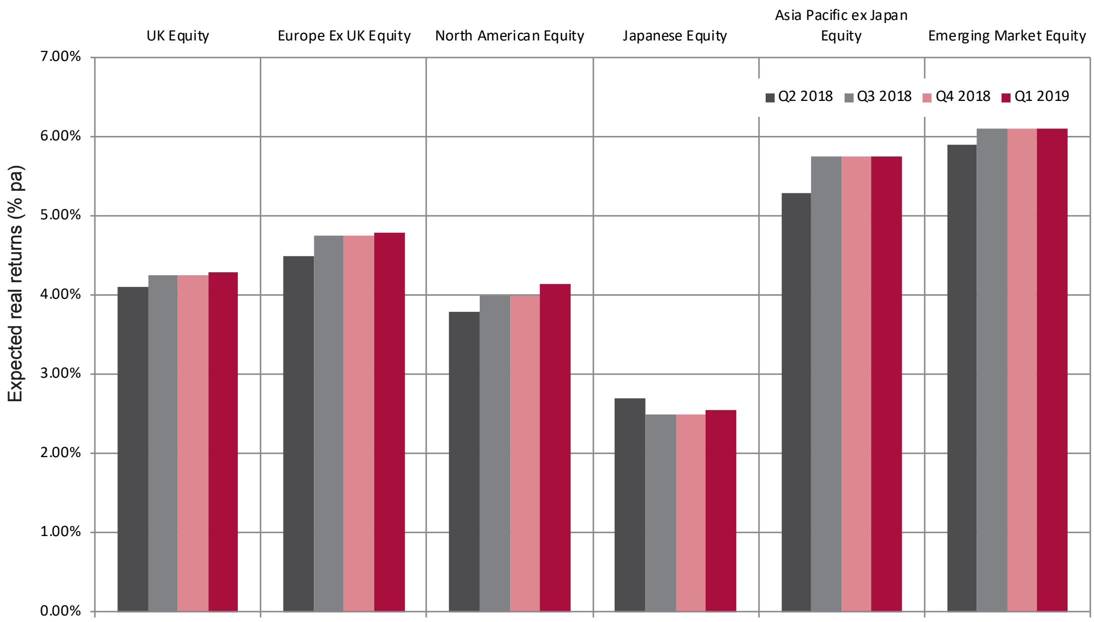
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

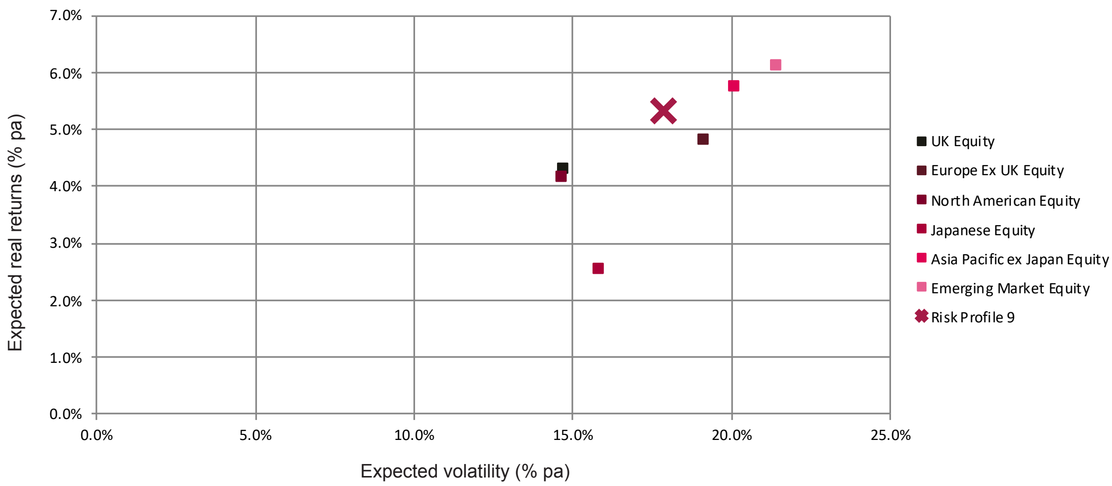
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

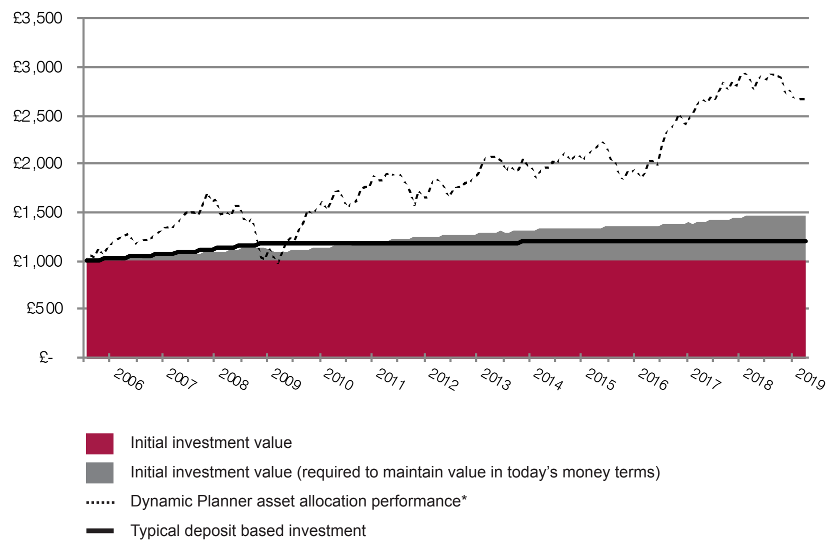
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 9



Performance of Dynamic Planner Asset Allocation 9 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
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DYNAMIC PLANNER

Quarterly Asset Allocation Factsheet Q1 2019

Risk Profile 10 - Highest Risk

Expected return
5.9%
per annum
(Inflation adjusted)

Expected volatility
19.9%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain very-high-risk investments such as emerging market shares and a small amount in high-risk investments such as shares in UK and overseas developed markets. Always check that you are comfortable with the investments that are included in your chosen portfolio.

Market Round Up - Q1 2019

Bonds

US 10-year Treasury yields fell to their lowest level since late 2017, while the three-month Treasury bill yield rose higher than that of 10-year bonds in March. This 'yield curve inversion' has historically been a reliable bellwether of future economic recession. Mounting global growth concerns and lowering inflation expectations saw more dovish signals from the major central banks. This, in turn, triggered one of the strongest quarters for both government bonds, corporate and high yield credit following their sharp declines at the end of last year.

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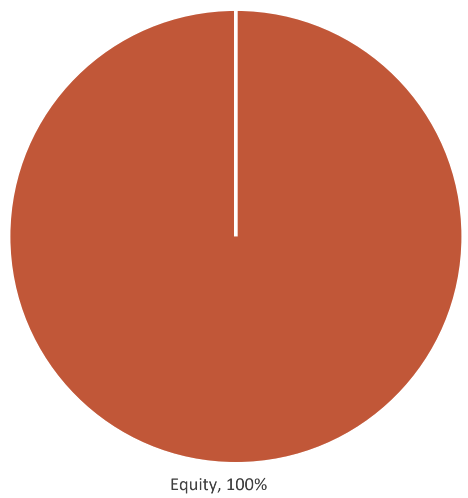
Alternatives

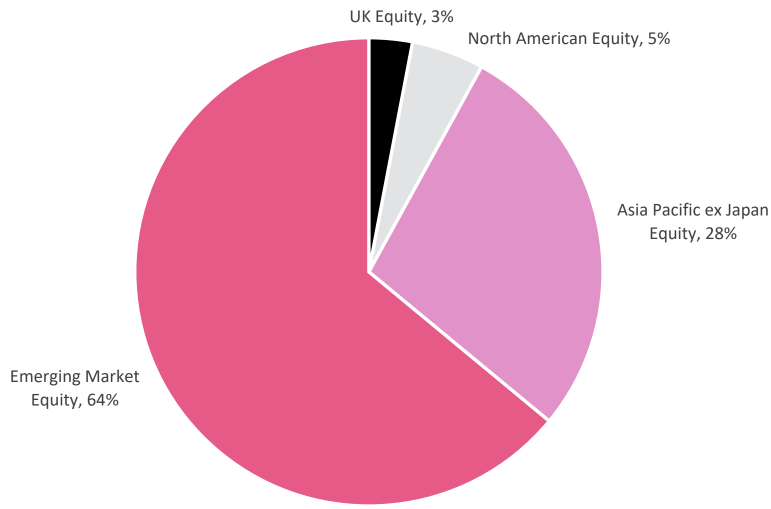
Oil prices rebounded from a sell-off in Q4 as OPEC production cuts tightened supply. Industrial metals also moved higher amid speculation of improving US-China trade negotiations, but gold only saw a muted upturn.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 31st March 2019

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	2.1%	11.3%	7.1%	6.9%
Realised Annual Return (nominal)	4.6%	14.6%	9.6%	9.1%
Realised Volatility (annualised)	12.4%	12.6%	13.0%	17.6%
Maximum Drawdown	9.4% [Jul 18 - Oct 18]	12.2% [Jan 18 - Oct 18]	20.5% [Apr 15 - Sep 15]	44.7% [Oct 07 - Nov 08]
Beta	0.7	0.9	0.9	1.1

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

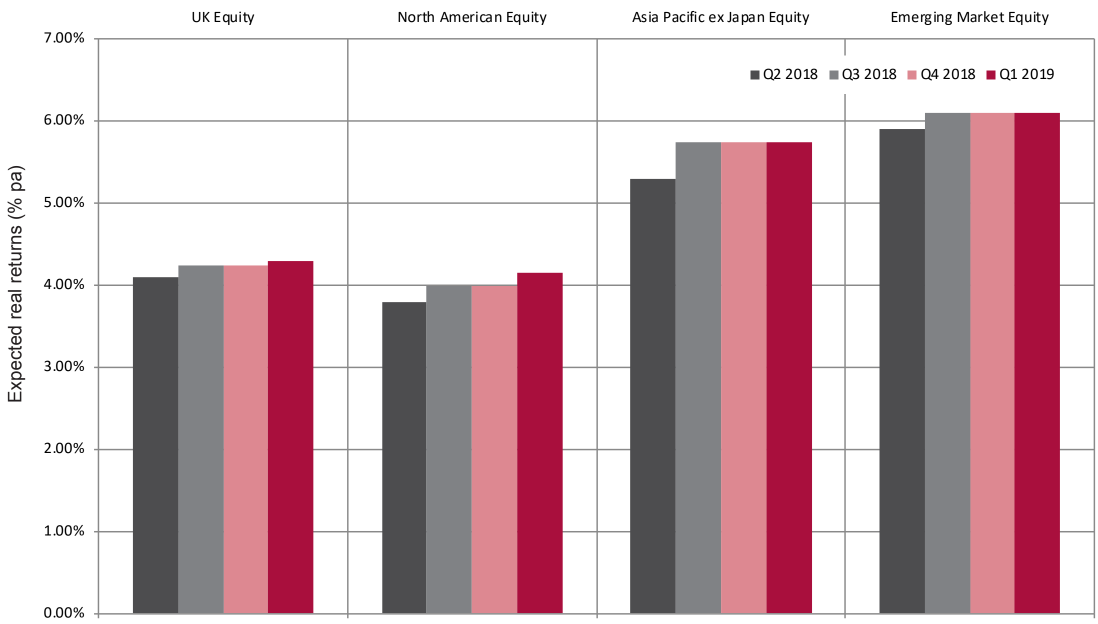
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

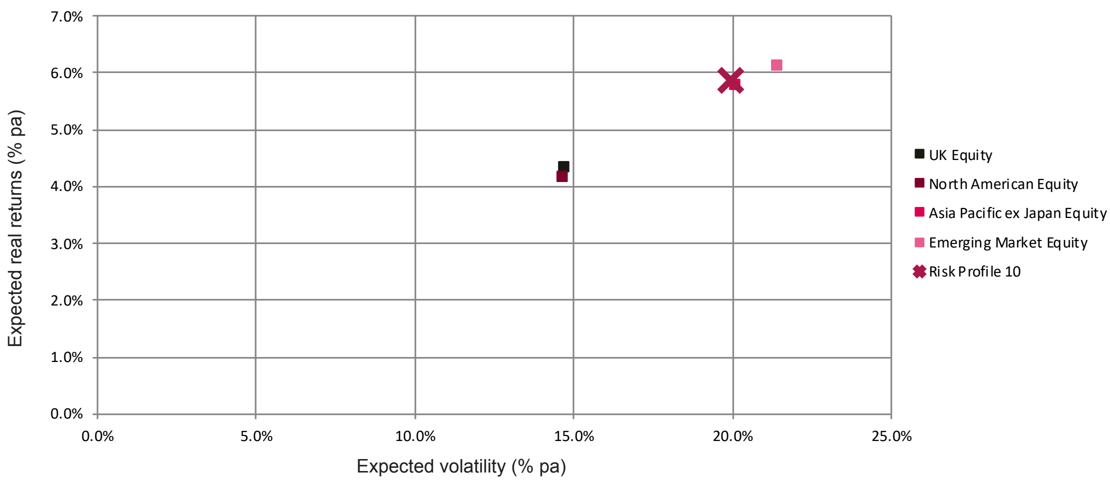
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

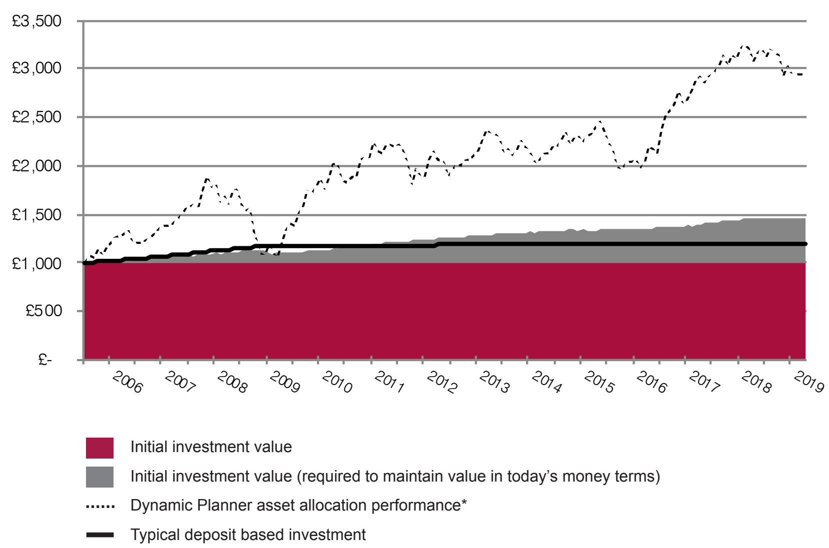
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 10



Performance of Dynamic Planner Asset Allocation 10 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.