

Portfolio of Funds

Investor Update October 2015

Morningstar provides an update to the Openwork Investment Committee each quarter about the Portfolio of Funds that we have recommended you invest in. The Openwork Investment Committee has considered the latest reports and the following summarises the key points.

History of changes

The Portfolio of Funds launched in February 2012.

Since then, due to market changes and changes to individual funds, the Openwork Investment Committee has updated the Portfolios as follows:

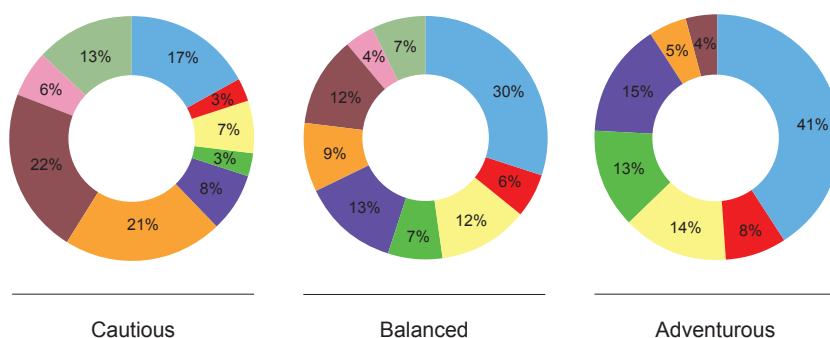
Portfolio risk rating	Launch date	Updates made
Cautious	February 2012	May 2013, September 2014, July 2015
Balanced	February 2012	May 2013, September 2013, September 2014
Adventurous	February 2012	May 2013, September 2013, November 2013, September 2014

If you are unsure which version of the Portfolio of Funds you are invested in, or would like to understand the differences, please speak to us.

Asset allocation - UPDATED

The Portfolio of Funds offers you a diversified investment portfolio that invests in funds from some of the most recognised fund managers in the marketplace. As a result of changes in Morningstar's capital market assumptions and to Openwork's recommended funds, the asset allocation for the Portfolio of Funds has been updated as shown in the graphs below:

- UK Equity
- Europe ex UK Equity
- North American Equity
- Global Emerging Markets Equity
- Asia Pacific inc Japan Equity
- UK Gilt
- UK Corporate Bond
- Inflation Linked Bond
- Global Government Bond



For more details on the asset allocation changes within each of the portfolios, which take effect from October 2015, please see pages 2 and 3.

Changes Effective October 2015

Below is a summary of the main changes, which were agreed during the scheduled annual review of the Portfolio of Funds:

- Improved total portfolio risk/return profile:
 - Minor improvement in expected return for Cautious and Balanced, based on current capital market assumptions.
 - Reduction in volatility estimate, based on current capital market assumptions.
 - Significant improvement in forward-looking drawdown estimates.
- Introduction of UK Short-term Government Bonds as an additional asset class and proxy for Cash.
 - This change is funded by the lower allocation to UK Government Bonds, Inflation-Linked and Credit.
 - Reduced interest rate exposure (duration) for Cautious and Balanced.
 - This change can be implemented during the portfolio construction stage by considering underlying holding duration.
- Increase to overseas fixed income markets in Balanced and an introduction in Adventurous, instigating a significant change to the fixed income home bias.
- Transferred exposure to US equity in favour of Japan and Europe which tend to exhibit favourable fundamentals due to the different stage of the economic cycle.
- UK Mid Cap favoured over UK Large Cap, particularly in Balanced and Adventurous.
- Developed Asia Pacific markets risk/return profile has diminished based on the anticipation of a continued lack of demand for commodities, which is affecting Australia, and the relative unattractive valuation of Hong Kong and Singapore.

Cautious Portfolio

The asset allocation changes from the previous version (available from July 2015) are:

- UK Equity up 2%
- North American Equity down 3%
- UK Gilt down 1%
- UK Corporate Bond down 4%
- Inflation Linked Bond added with an allocation of 6%

The underlying fund changes from the previous version (available from July 2015) are:

- The allocation to Artemis Income has increased from 6% to 7%
- Black Rock UK Special Situations has been removed from the Portfolio (previously 3% allocation)

- GLG Undervalued Assets has been added to the Portfolio with an allocation of 4%
- Schroder US Mid Cap has been removed from the Portfolio (previously 3% allocation)
- M&G Gilt and Fixed Interest has been removed from the Portfolio (previously 11% allocation)
- Royal London UK Government Bond has been added to the Portfolio with an allocation of 10%
- The allocation to Fidelity Moneybuilder Income has reduced from 10% to 8%
- The allocation to M&G Corporate Bond has reduced from 9% to 7%
- PIMCO GIS Global Real Return GBP Hedged has been added to the Portfolio with an allocation of 6%

Balanced Portfolio

The asset allocation changes from the previous version (available from September 2014) are:

- UK Equity down 1%
- Europe ex UK Equity up 2%
- North American Equity down 2%
- Asia Pacific inc Japan Equity up 1%
- UK Gilt down 2%
- UK Corporate Bond down 4%
- Inflation Linked Bond added with an allocation of 4%
- Global Government Bond up 2%

The underlying fund changes from the previous version are:

- Black Rock UK Special Situations has been removed from the Portfolio (previously 8% allocation)
- GLG Undervalued Assets has been added to the Portfolio with an allocation of 7%
- The allocation to Schroder European Opportunities has increased from 4% to 6%
- The allocation to Schroder US Mid Cap has reduced from 5% to 3%
- The allocation to Schroder Tokyo has increased from 6% to 8%
- The allocation to Investec Asia ex Japan has reduced from 6% to 5%
- M&G Gilt and Fixed Interest has been removed from the Portfolio (previously 6% allocation)
- Royal London UK Government Bond has been added to the Portfolio with an allocation of 4%
- M&G Corporate Bond has been removed from the Portfolio (previously 4% allocation)
- PIMCO GIS Global Real Return GBP Hedged has been added to the Portfolio with an allocation of 4%
- The allocation to Invesco Perpetual Global Bond has increased from 5% to 7%

Adventurous Portfolio

The asset allocation changes from the previous version (available from September 2014) are:

- UK Equity down 2%
- Europe ex UK Equity up 1%
- UK Corporate Bond down 3%
- Global Government added with an allocation of 4%

The underlying fund changes from the previous version are:

- Black Rock UK Special Situations has been removed from the Portfolio (previously 10% allocation)
- The allocation to AXA Framlington UK Selected Opportunities has reduced from 11% to 10%
- GLG Undervalued Assets has been added to the Portfolio with an allocation of 9%
- The allocation to Jupiter European Special Situations has increased from 3% to 4%
- The allocation to JPM US has increased from 8% to 11%
- The allocation to Schroder US Mid Cap has reduced from 6% to 3%
- The allocation to Schroder Tokyo has increased from 6% to 9%
- The allocation to Investec Asia ex Japan has reduced from 9% to 6%
- The allocation to Kames Strategic Bond has increased from 4% to 5%
- Invesco Perpetual Global Bond has been added with an allocation of 4%

Risk Warnings And Other Important Information

Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested. This document is issued by Openwork Limited (Openwork) which is authorised and regulated by the Financial Conduct Authority (www.fca.org.uk) in the UK. Openwork's registered office is Washington House, Lydiard Fields, Swindon, SN5 8UB, Company No: 4399725.

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