



For intermediaries

# Select Risk Profile Portfolios – quarterly investment report

Quarter four 2018

# Contents

About the Select Risk Profile Portfolios	3
Market review – quarter four 2018	4
<b>Fund performance</b>	<b>6</b>
Adventurous Select Portfolio	7
Growth Plus Select Portfolio	8
Growth Select Portfolio	9
Balanced Plus Select Portfolio	10
Balanced Select Portfolio	11
Cautious Select Portfolio	12
<b>Select Sector Portfolio asset allocation</b>	<b>13</b>
<b>Important information</b>	<b>14</b>



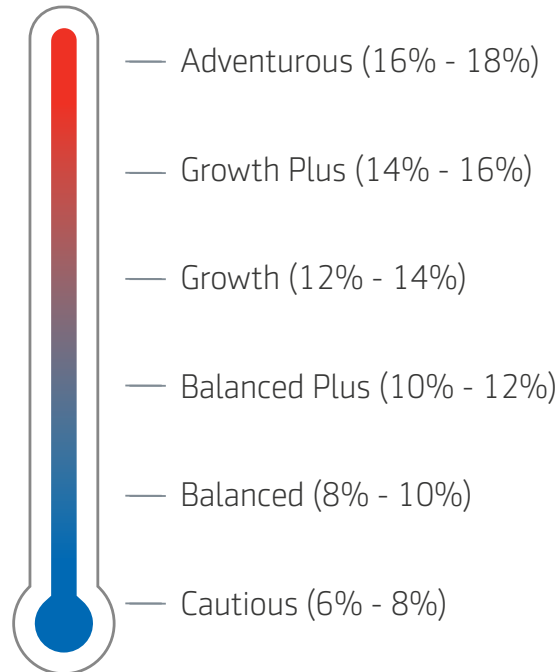
Please note: all performance data shown in this report is sourced from Financial Express.

The information contained in this report constitutes a factual review of performance only and is correct as at 31 December 2018. It shouldn't be taken as a recommendation or advice. This communication is for financial advisers only. It mustn't be distributed to, or relied on by, customers.

There's no guarantee that fund objectives will be met. The value of an investment may go down as well as up and investors may get back less than they invest.

# About the Select Risk Profile Portfolios

There are six funds in the Select Risk Profile Portfolio range. Each targets a different level of risk, ranging from 'below' to 'above average'. The volatility ranges that each portfolio targets are shown in brackets in the diagram below.



We've employed independent consultant Morningstar Investment Management Europe Limited (Morningstar) to help us build and manage these portfolios. Morningstar takes strategic and tactical asset allocation decisions to help the portfolios meet their two primary objectives, which are:

- to keep within targeted risk ranges over a market cycle, and
- to deliver the best possible performance for the amount of risk taken.

To meet these objectives, Morningstar regularly reviews the portfolios and recommends changes where this is necessary. However, there's no guarantee that the funds will meet their objectives.

The risk ranges for each portfolio are measured using annualised standard deviation over a market cycle. Standard deviation measures the extent to which a fund's returns have historically deviated from its own average. The higher the percentage, the greater the risk (and, generally, the higher the potential returns). There's no guarantee the portfolios will sit within their target risk ranges. The asset allocation of each is based on long-term historical volatility data, which may not be repeated in the future.

The Select Risk Profile Portfolios are built mainly, but not exclusively, from the funds in our Select Sector Portfolio range. The nine Select Sector Portfolios are made up of what we believe to be the best blend of funds in their sector, many of which are rated by Morningstar Inc.

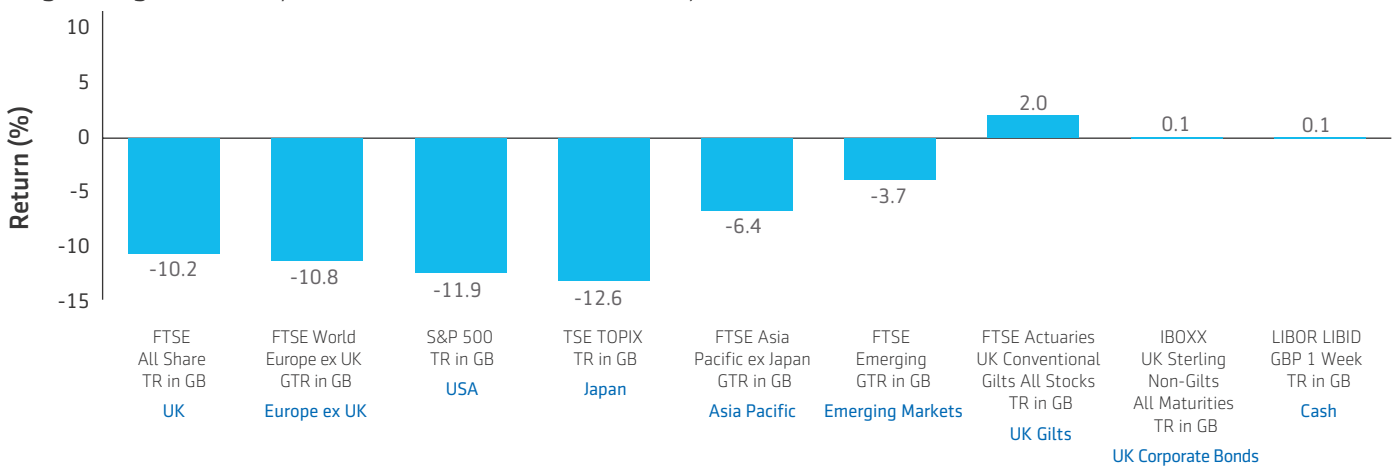
The value of these investments can fall as well as rise for a number of reasons; for example, market and currency movements. Your clients may get back less than originally invested.

For more information on how our Select Risk Profile Portfolios work and how to use them, please visit our website at [www.aegon.co.uk/selectportfolios](http://www.aegon.co.uk/selectportfolios)

# Market review – quarter four 2018

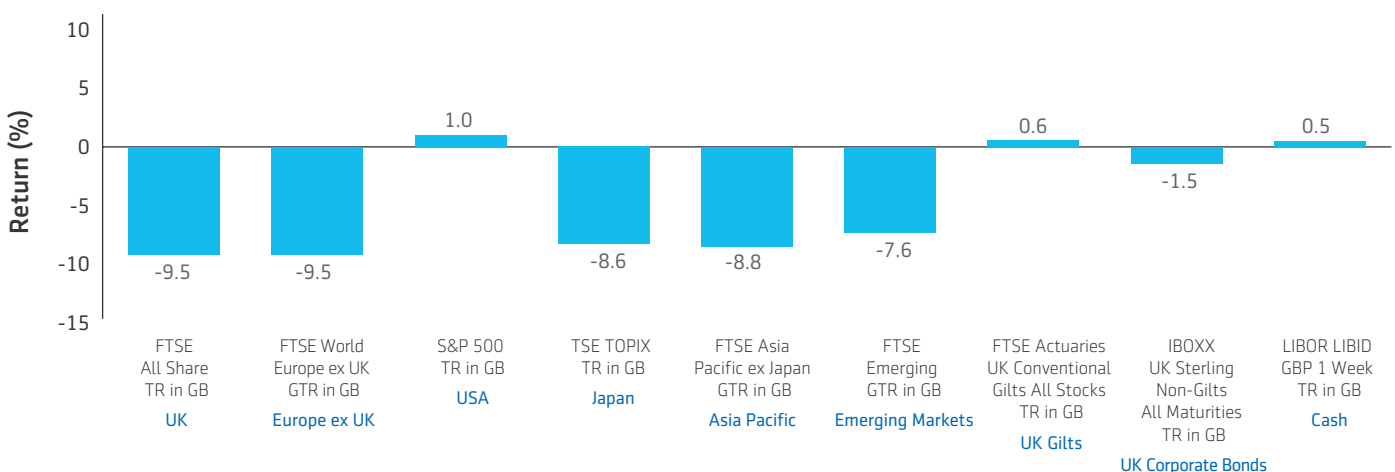
Global equity markets faced a turbulent quarter with double-digit declines across most developed market indices. Negative news over the period dented the outlook for global growth and damaged investor sentiment placing further downward pressure on global equity markets. Tensions between the US and China continued to dominate, despite a 90-day trade truce agreement made at a G20 summit in early December. Against this backdrop, [Japanese equities](#) experienced the largest falls. [US equities](#) followed close behind as the S&P 500 experienced its worst December since 1931. In [Europe](#), instability surfaced, as German Chancellor Angela Merkel set out resignation plans and France was rocked by social unrest. [UK equities](#) fell in value as the possibility of a 'no deal' Brexit impacted investor sentiment as Prime Minister Theresa May failed to negotiate a deal acceptable to Parliament. [Asia Pacific](#) market equities closed a challenging year for the region, falling further over the quarter with the MSCI China A Index of onshore Chinese shares losing more than one-quarter of its value. [Emerging market](#) equities also saw further declines after a disappointing year in which they suffered from China's cooling economy and the effects of a strong US dollar.

In [Fixed Interest](#) markets, UK gilts posted a positive performance, benefitting from their perceived safety as investor risk aversion rose and Brexit led to a political crisis. The weak investment environment led corporate bonds to underperform over the period, yet they still rallied to produce a positive return. Sterling felt the effects of the heightening uncertainty over Brexit and fell further in response.



## How did the major markets perform over 12 months?

The majority of Global equity markets ended the year in negative territory following a period of sharp declines in Q4 2018. [US equities](#) were the only developed market to deliver positive returns, as the region benefitted from continued growth and US dollar appreciation. Elsewhere, the unexpected economic slowdown and global trade tensions between the US and China led to poor performances from [Japanese](#), [Asia Pacific](#) and [Emerging market](#) equities. [European equities](#) notably underperformed as a result of heightened political risk in Italy, France and Germany, while [UK equities](#) continued to struggle against growing uncertainty around Brexit. It was a mixed story for fixed interest assets, with positive performances from UK, US and German sovereign debt, with government bonds typically seen as safe havens and central banks continued to progressively step away from emergency interest rate policies.



Source: Financial Express, produced by Aegon. Charts compiled using total return indices to 31st December 2018. Figures in sterling so include the effect of currency fluctuations. Past performance is no guide to future performance.

## What were the key events in the major markets in quarter four?

Here's a round-up of some of the key events that shaped the investment returns we've seen across the major markets.



In the **UK**, Prime Minister Theresa May reached a Withdrawal Agreement with the European Union (EU) but struggled to gain Parliamentary support. Tensions within the Conservative party saw Eurosceptics trigger a vote of no confidence in May's leadership which saw more than 100 Conservative MPs vote against the Prime Minister. Sterling weakened as a result. Data released in Q4 revealed UK GDP grew by 0.6% (quarter on quarter) over Q3. Despite this being the fastest growth rate since 2016, economists predicted a slowdown as Brexit approaches.



In the **US**, trade-war tensions continued with China despite a temporary truce being agreed in December. Domestic political risks rose as President Trump triggered a partial government shutdown just weeks after his Republican Party lost ground in the mid-term elections. The Fed met market expectations by raising US interest rates for the fourth time in 2018 in spite of softer inflation rates. Economic data released in Q4 showed US GDP growth grew 3.5% (on an annualised basis), in Q3. Unemployment remained at multi-decade lows, at 3.7%, but the Fed's preferred measure of inflation fell to 1.9%, below the 2% target.



In **Europe**, inflation decreased to 1.9%, in line with the European Central Bank's target of just under 2%. Disappointing economic data showed that Eurozone GDP rose by 0.2% in Q3, below expectations. In Germany, data released in Q4 revealed GDP unexpectedly contracted in Q3 and regional election losses led the regions Chancellor, Angela Merkel, being replaced as leader of the Christian Democratic Union of Germany (CDU) party. She will step down as Chancellor before the next election. In France, social unrest led President Macron to increase government spending to a level that may breach the EU's 3% deficit plans.



In **Japan**, economic data released over the period showed that GDP growth was weak in Q3 2018, falling 2.5% (on an annualised basis) – the sharpest decline for the region's economy since 2014. The scale of this GDP weakness is partly attributable to natural disasters that included flooding, an earthquake and a typhoon. Inflation rates remained significantly below the Bank of Japan's 2% target, at 0.8%. While plans by telecom companies to reduce mobile phone fees in the first half of 2019 are likely to act as an additional headwind to inflation.



In the **Asia Pacific** regions, the dispute between China and the US evolved from a broad trade disagreement to one focused on technological rivalry and limiting intellectual property theft. The arrest of Huawei's Chief Financial Officer (CFO) heightened these specific tensions. China's growth rate continued to suffer with data released in Q4 showing annual GDP growth falling to 6.5% in Q3, its lowest level since the first quarter of 2009 at the height of the financial crisis. Chinese authorities announced further stimulus policies over the quarter, including cutting bank's reserve requirement ratios and signalling tax cuts. Elsewhere, Australia reported a slower quarterly GDP growth rate of 0.3% in Q3, as its economy felt the impact of the slowdown in China.



In **Emerging markets**, Brazil was the stand-out performer for the region as investors reacted positively to the election of right-wing candidate Jair Bolsonaro as President. Turkish equities showed signs of recovery, as tensions with the US eased following the release of US pastor Andrew Brunson, who had been arrested following the attempted coup in 2016. Despite agreeing the United States-Mexico-Canada Agreement (USMCA) trade agreement to replace the North American Free Trade Agreement (NAFTA), Mexican equities fell sharply. This was due to a decline in oil prices and the new populist President, Andres Manuel Lopez Obrador, disappointing investors with early measures that included cancelling a new international airport for Mexico City.



In **Fixed Income** markets, political uncertainty across the globe saw investors turn to the relative safety of government bonds despite continued, gradual policy tightening in the US and Eurozone. Yet due to lower inflation data, investors reduced their expectations for US interest rate rises in 2019, further boosting government bonds. In the UK, gilts benefitted from continued uncertainty regarding Brexit, while riskier high-yield corporate bonds delivered negative performance.

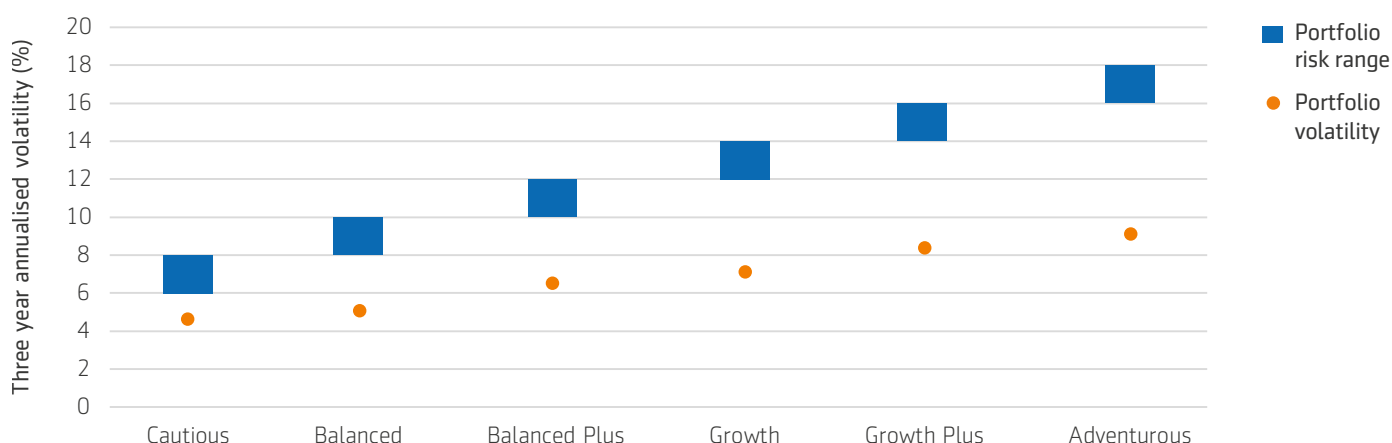
# Fund performance

Fund	3 months (%)	Year to date (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Adventurous Select Portfolio	-11.5	-10.2	-10.2	7.4	5.8
Growth Plus Select Portfolio	-10.2	-9.4	-9.4	6.3	5.3
Growth Select Portfolio	-8.8	-8.1	-8.1	5.7	4.9
Balanced Plus Select Portfolio	-7.2	-6.7	-6.7	5.2	4.6
Balanced Select Portfolio	-5.5	-5.5	-5.5	4.7	4.3
Cautious Select Portfolio	-3.6	-4.1	-4.1	4.0	4.0

Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested.

The chart below shows the target risk/volatility ranges for each portfolio (the blue bands), expressed in standard deviation terms, and the orange circles show the actual level of volatility.

## Three year annualised volatility, to end December 2018



Source: Financial Express by Aegon. Figures show annualised volatility from 31 December 2015 to 31 December 2018. Past performance is no guide to future performance.

Each Select Risk Profile Portfolio has a target risk range that it aims to meet over a market cycle, which can last three years or more. Currently, each of the portfolios is lagging behind its respective target risk range. The Select Risk Profile Portfolios are created based on long-term market analysis, so when market risk is lower than average, we would expect to see the portfolios fall below their target risk range. Currently, market volatility is lower than average in most sectors, especially those traditionally considered higher risk, like equities (shares). This is reflected in the volatility of the Select Risk Profile Portfolios but is even more pronounced at the higher end of the risk spectrum – the Adventurous Select Portfolio is lagging further behind its target risk range than the less-risky portfolios.

These target risk ranges may be met by increasing exposure to riskier markets in each portfolio. We believe, however, that investors are best served by a diversified portfolio that matches their individual risk profile over the longer term, as opposed to chasing market risk in periods of low volatility. For example, currently the Adventurous Select Portfolio would have to be 100% invested in global emerging markets to get just within its 16-18% target risk range. As market volatility returns to normal levels, we expect the Select Risk Profile Portfolios to close the gap on their target risk ranges. Whether market volatility is high or low, the ranges will offer what we believe is a suitable level of risk and suitably diversified asset allocation.



# Adventurous Select Portfolio

This fund aims to provide long-term capital growth while keeping risk in a target volatility range of 16%-18% over a market cycle, which can last three years or more. Morningstar helps us select and manage the blend of funds it contains.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Adventurous Select Portfolio	-11.5	-10.2	7.4	5.8
UK Equity Select Portfolio	-13.0	-11.9	3.0	2.5
Global Emerging Markets Equity Select Portfolio	-4.4	-11.8	12.8	5.1
North American Equity Select Portfolio	-12.2	-1.2	12.2	11.8
European Equity Select Portfolio	-13.1	-12.7	4.9	3.9
Japanese Equity Select Portfolio	-12.6	-10.5	7.9	8.2
Asian Equity Select Portfolio	-7.4	-9.4	13.6	8.5

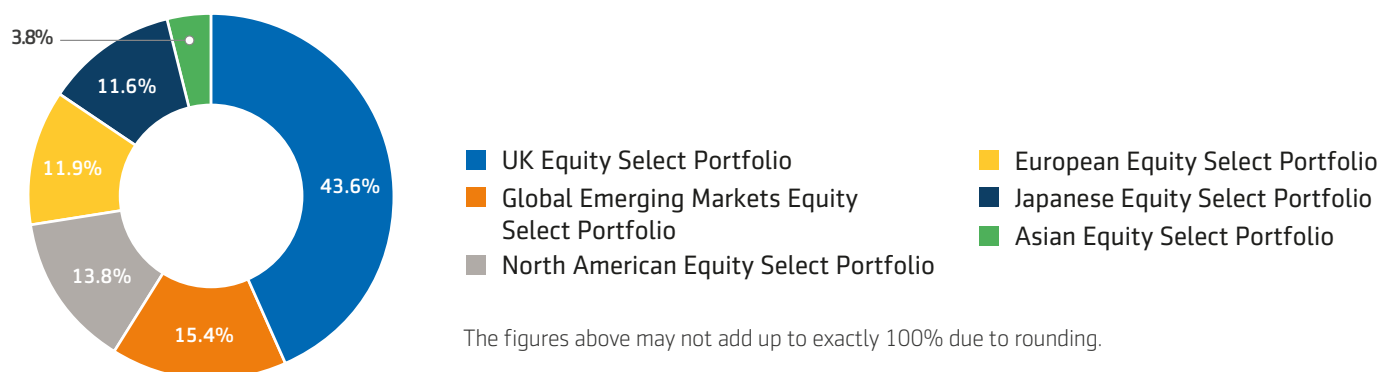
Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 30 September 2009. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than they invested. Please note: the funds shown below the blue line are the current components of the Adventurous Select Portfolio as at 31 December 2018. However, these can change and the performance of the Adventurous Select Portfolio takes these changes into account over the periods shown above.

## Fund commentary, quarter four 2018

The Adventurous Select Portfolio gave a negative performance of -11.5% over Q4 2018. The fund suffered from a bias towards global equities, which experienced falls across the board over the quarter as a result of a challenging investment environment and a prolonged period of market volatility.

The portfolio's majority holding in the UK Equity Select Portfolio (43.6% of assets) was impacted heavily by the effects of Brexit uncertainty and delivered -13.0%. The second-largest weighting in the fund, the Global Emerging Markets Equity Select Portfolio (15.4%), gave the strongest performance out of the equity components, yet still came in negative at -4.4%. The North American Equity Select Portfolio (13.8%) saw significant declines of -12.2%, but it was the European Equity Select Portfolio (11.9%) that gave the weakest performance of the period, -13.1%. As the backdrop of a continuing global trade war further impacted equities, the Japanese Equity Select Portfolio (11.6%) and Asian Equity Select Portfolio (3.8%) also fell, returning -12.6% and -7.4% respectively.

## Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

# Growth Plus Select Portfolio

The fund aims to invest in a mix of asset classes, companies, regions and fund managers, targeting an annualised standard deviation range of 14%-16% over a market cycle. Morningstar helps us select and manage the blend of funds it contains.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Growth Plus Select Portfolio	-10.2	-9.4	6.3	5.3
UK Equity Select Portfolio	-13.0	-11.9	3.0	2.5
Global Emerging Markets Equity Select Portfolio	-4.4	-11.8	12.8	5.1
North American Equity Select Portfolio	-12.2	-1.2	12.2	11.8
European Equity Select Portfolio	-13.1	-12.7	4.9	3.9
Japanese Equity Select Portfolio	-12.6	-10.5	7.9	8.2
UK Corporate Bond Select Portfolio	-1.1	-3.8	2.9	3.7
Asian Equity Select Portfolio	-7.4	-9.4	13.6	8.5
International Bond Select Portfolio	3.0	2.2	2.4	1.3
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Cash	0.0	-0.3	-0.5	-0.5

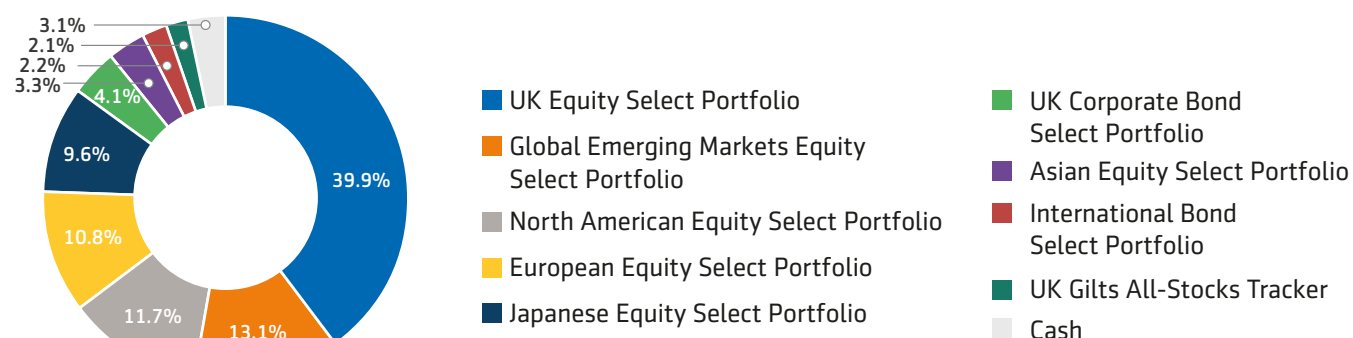
Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 30 September 2009. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than they invested. Please note: the funds shown below the blue line are the current components of the Growth Plus Select Portfolio as at 31 December 2018. However, these can change and the performance of the Growth Plus Select Portfolio takes these changes into account over the periods shown above.

## Fund commentary, quarter four 2018

The Growth Plus Select Portfolio posted a return of -10.2%. With a bias towards global equities, it fell in line with a universally negative performance of many of the world's stock markets over the period. The portfolio's biggest holding in the UK Equity Select Portfolio (39.9% of assets) detracted heavily from overall performance with a negative return of -13.0%, as the UK economy felt the effects of continuing Brexit uncertainties. The strongest performer within equities was the Global Emerging Markets Equity Select Portfolio (13.1%), posting -4.4%, whilst the North American Equity Select Portfolio (11.7%) fell by -12.2% - with record-breaking declines for the region's S&P 500. The Japanese, European and Asian holdings also gave negative returns as the US-China trade war continued to rattle markets.

For fixed income assets, the UK Corporate Bond Select Portfolio (4.1%) was impacted by the weak investment environment and underperformed, returning -1.1%. Yet, as investor sentiment shifted to safer-haven investments, government bonds gained over the period.

## Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.



# Growth Select Portfolio

The fund aims to invest in a mix of asset classes, companies, regions and fund managers, targeting an annualised standard deviation range of 12%-14% over a market cycle. Morningstar helps us select and manage the blend of funds it contains.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Growth Select Portfolio	-8.8	-8.1	5.7	4.9
UK Equity Select Portfolio	-13.0	-11.9	3.0	2.5
Global Emerging Markets Equity Select Portfolio	-4.4	-11.8	12.8	5.1
North American Equity Select Portfolio	-12.2	-1.2	12.2	11.8
European Equity Select Portfolio	-13.1	-12.7	4.9	3.9
Japanese Equity Select Portfolio	-12.6	-10.5	7.9	8.2
UK Corporate Bond Select Portfolio	-1.1	-3.8	2.9	3.7
International Bond Select Portfolio	3.0	2.2	2.4	1.3
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Asian Equity Select Portfolio	-7.4	-9.4	13.6	8.5
Cash	0.0	-0.3	-0.5	-0.5

Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 30 September 2009. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than they invested. Please note: the funds shown below the blue line are the current components of the Growth Select Portfolio as at 31 December 2018. However, these can change and the performance of the Growth Select Portfolio takes these changes into account over the periods shown above.

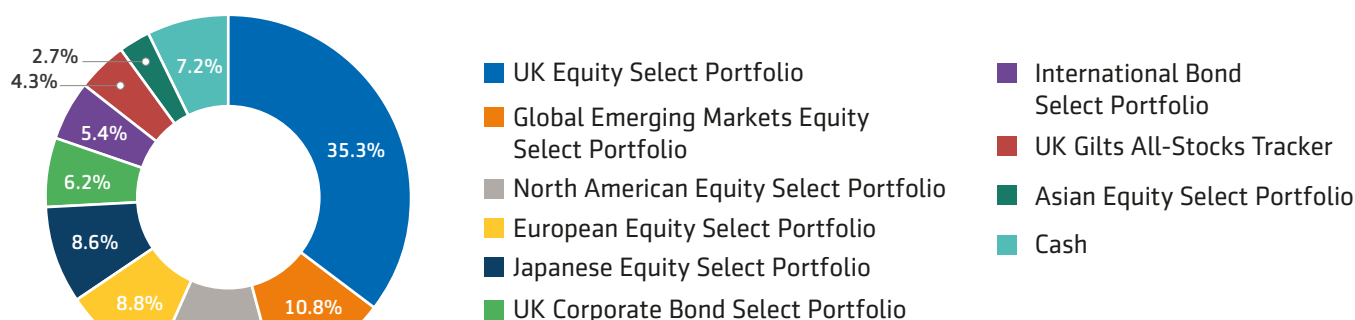
## Fund commentary, quarter four 2018

The Growth Select Portfolio returned -8.8% over the period. Leaning heavily towards equity investment, the portfolio suffered from largely-universal negative returns from world stock markets, as a challenging investment environment shook equities. Contrastingly, the portfolio's lower-risk investments gained in value over the quarter as investor sentiment turned to the perceived safety of bond markets.

The portfolio's largest holding in the UK Equity Select Portfolio (35.3% of assets) declined -13.0%, detracting largely from the overall performance of the portfolio, as the region faced continued market turbulence around Brexit. The Global Emerging Markets Equity Select Portfolio (10.8%) and North American Equity Select Portfolio (10.7%) also gave negative returns of -4.4% and -12.2% respectively, as global trade wars continued to rock global equity markets. European (8.8%), Japanese (8.6%) and Asian (2.7%) equities also delivered negative returns in line with this challenging investment backdrop.

The International Bond Select Portfolio (boosted by a majority weighting in Overseas Government bonds) was the top-performer and posted 3.0%, while the UK Gilts All-Stocks Tracker returned 1.8%. Cash (7.2%) remained muted at 0.0%.

## Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

# Balanced Plus Select Portfolio

The fund aims to invest in a mix of asset classes, companies, regions and fund managers, targeting an annualised standard deviation range of 10%-12% over a market cycle. Morningstar helps us select and manage the blend of funds it holds.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Balanced Plus Select Portfolio	-7.2	-6.7	5.2	4.6
UK Equity Select Portfolio	-13.0	-11.9	3.0	2.5
UK Corporate Bond Select Portfolio	-1.1	-3.8	2.9	3.7
International Bond Select Portfolio	3.0	2.2	2.4	1.3
North American Equity Select Portfolio	-12.2	-1.2	12.2	11.8
European Equity Select Portfolio	-13.1	-12.7	4.9	3.9
Global Emerging Markets Equity Select Portfolio	-4.4	-11.8	12.8	5.1
Japanese Equity Select Portfolio	-12.6	-10.5	7.9	8.2
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Asian Equity Select Portfolio	-7.4	-9.4	13.6	8.5
Cash	0.0	-0.3	-0.5	-0.5

Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 30 September 2009. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than they invested. Please note: the funds shown below the blue line are the current components of the Balanced Plus Select Portfolio as at 31 December 2018. However, these can change and the performance of the Balanced Plus Select Portfolio takes these changes into account over the periods shown above.

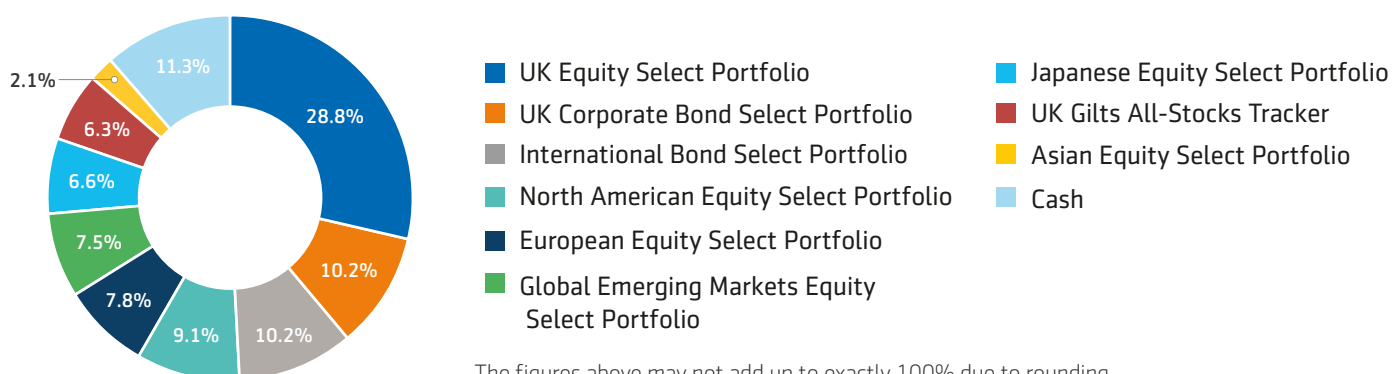
## Fund commentary, quarter four 2018

The Balanced Plus Select Portfolio gave a return of -7.2%. The portfolio's equity holdings detracted significantly from overall return, as political uncertainty and global trade disputes led the world's stock markets to experience declines across the board. Meanwhile, some of the lower-risk elements of the fund were driven into positive territory as investors turned to perceived safer-haven options.

Holdings in the UK Equity Select Portfolio (28.8% of assets) declined -13.0% as Brexit continued to dominate news headlines, fuelling uncertainty. In line with this challenging investment environment, Cash (11.3%) remained muted at 0.0%, while UK corporate bonds (10.2%) also declined to -1.1%. Contrastingly, international bonds (10.2%) gained 3.0% to return the strongest performance for the portfolio.

All the fund's other global equity holdings fell over the period on the back of the continuing US-China trade wars and domestic political tensions in the regions. The portfolio's smaller holding in the UK Gilts All-Stocks Tracker (6.3%) bolstered overall performance with a positive return of 1.8%.

## Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

# Balanced Select Portfolio

The fund aims to invest in a mix of asset classes, companies, regions and fund managers, targeting an annualised standard deviation range of 10%-12% over a market cycle. Morningstar helps us select and manage the blend of funds it holds.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Balanced Select Portfolio	-5.5	-5.5	4.7	4.3
UK Equity Select Portfolio	-13.0	-11.9	3.0	2.5
UK Corporate Bond Select Portfolio	-1.1	-3.8	2.9	3.7
International Bond Select Portfolio	3.0	2.2	2.4	1.3
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
North American Equity Select Portfolio	-12.2	-1.2	12.2	11.8
European Equity Select Portfolio	-13.1	-12.7	4.9	3.9
Global Emerging Markets Equity Select Portfolio	-4.4	-11.8	12.8	5.1
Japanese Equity Select Portfolio	-12.6	-10.5	7.9	8.2
Cash	0.0	-0.3	-0.5	-0.5

Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 30 September 2009. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than they invested. Please note: the funds shown below the blue line are the current components of the Balanced Select Portfolio as at 31 December 2018. However, these can change and the performance of the Balanced Select Portfolio takes these changes into account over the periods shown above.

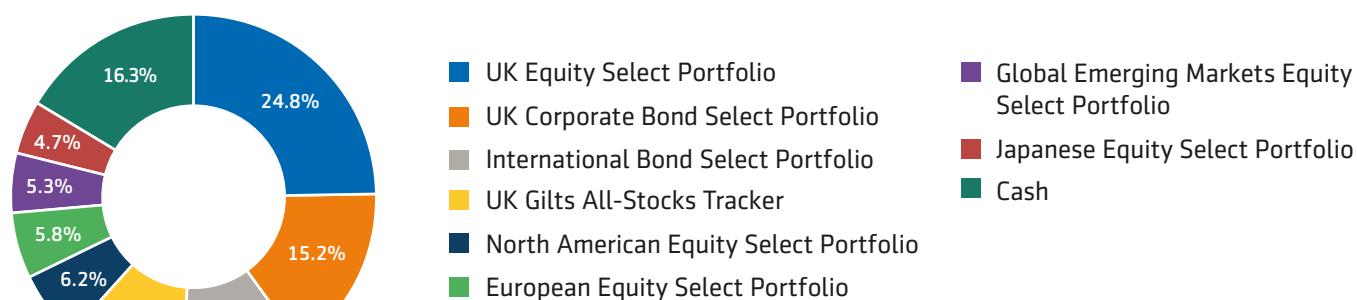
## Fund commentary, quarter four 2018

The Balanced Select Portfolio returned -5.5% over the period. All the portfolio's equity holdings declined in line with significant falls for many of the world's stock markets, while government bonds made gains.

It was a particularly turbulent quarter for the UK with political tensions surrounding Brexit rising on the back of the Prime Minister failing to negotiate a deal in Parliament. In response, the fund's majority weighting in the UK Equity Select Portfolio (24.8% of assets) declined -13.0% and heavily detracted from overall performance. Cash (16.3%) gave a more muted 0.0%, while the UK Corporate Bond Select Portfolio (15.2%) posted a negative return of -1.1%.

Bolstering the portfolio, the International Bond Select Portfolio (11.2%) and UK Gilts All-Stocks Tracker (10.5%) both benefitted from the shift in investor sentiment towards lower-risk investment options – posting, 3.0% and 1.8% respectively.

## Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

# Cautious Select Portfolio

The fund aims to invest in a mix of asset classes, companies, regions and fund managers, targeting an annualised standard deviation range of 6%-8% over a market cycle. Morningstar helps us select and manage the blend of funds it contains.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Cautious Select Portfolio	-3.6	-4.1	4.0	4.0
UK Equity Select Portfolio	-13.0	-11.9	3.0	2.5
UK Corporate Bond Select Portfolio	-1.1	-3.8	2.9	3.7
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
International Bond Select Portfolio	3.0	2.2	2.4	1.3
North American Equity Select Portfolio	-12.2	-1.2	12.2	11.8
Japanese Equity Select Portfolio	-12.6	-10.5	7.9	8.2
Global Emerging Markets Equity Select Portfolio	-4.4	-11.8	12.8	5.1
Index Linked	2.3	-0.8	7.8	7.8
European Equity Select Portfolio	-13.1	-12.7	4.9	3.9
Cash	0.0	-0.3	-0.5	-0.5

Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 26 September 2012. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than they invested. Please note: the funds shown below the blue line are the current components of the Cautious Select Portfolio as at 31 December 2018. However, these can change and the performance of the Cautious Select Portfolio takes these changes into account over the periods shown above.

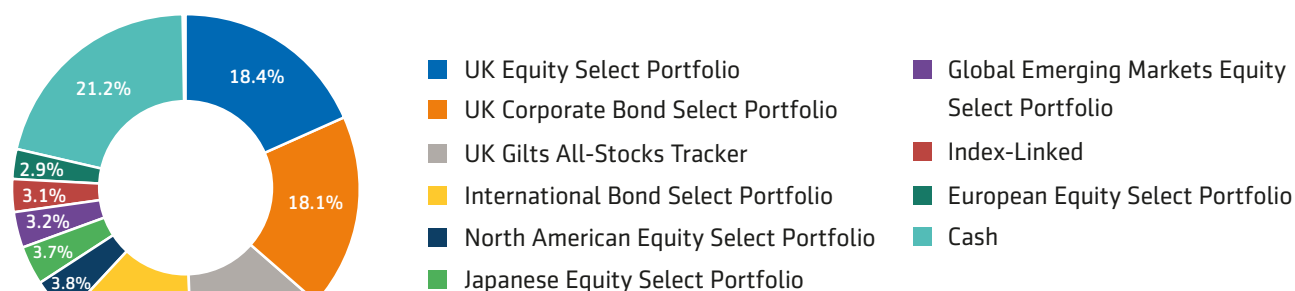
## Fund commentary, quarter four 2018

The Cautious Select Portfolio returned -3.6% over Q4 2018. Mainly invested in lower-risk bonds, the portfolio benefitted from the shift in investor sentiment towards perceived safer-haven investment options as the world's equity markets saw significant declines.

The portfolio's exposure to UK markets impacted on overall returns, as the region felt the effects of continued tensions surrounding Brexit with the Prime Minister failing to secure an agreed approach to leaving the European Union in Parliament. As a result, sterling fell over the period, resulting in a muted 0.0% return for the fund's Cash holding (21.2% of assets). The UK Equity Select Portfolio (18.4%) and UK Corporate Bond Select Portfolio (18.1%) also felt the effects of a challenging investment environment and saw declines of -13.0% and -1.1%.

The portfolio's smaller holdings in global equities were the weakest performers with universal declines, detracting from overall performance. Yet, bolstering returns were delivered by fixed income assets with the UK Gilts All-Stocks Tracker (13.0%) gaining 1.8%, and the International Bond Select Portfolio (12.7%), and Index-Linked (3.1%) gaining 3.0% and 2.3% respectively.

## Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

# Select Sector Portfolio asset allocation

(as at 31 December)

The Select Risk Profile Portfolios are mainly made up from funds in our Select Sector Portfolio range. These are eight portfolios covering the major regions and asset classes and they're carefully selected from our range, on recommendations from Morningstar, as the best blend of funds in their respective sectors. The tables below show the current asset allocation of the Select Sector Portfolios that make up our Select Risk Profile Portfolio range.

Asian Equity Select Portfolio	Weight (%)
SE Fidelity Asia	25.4
SE Schroder Asian Alpha Plus	25.3
Pacific Ex-Japan Equity Tracker	24.0
SE Investec Asia ex Japan	15.0
SE Aberdeen Asia Pacific Equity	10.3

Global Emerging Markets Equity Select Portfolio	Weight (%)
Emerging Markets Equity Tracker	25.3
SE Lazard Emerging Markets	20.5
SE JPMorgan Emerging Markets	17.1
SE M&G Global Emerging Markets	15.2
SE Somerset Global Emerging Markets	11.3
SE Aberdeen Emerging Markets (blend) (Closed to new investors)	10.7

Japanese Equity Select Portfolio	Weight (%)
Japan Equity Tracker	40.1
SE Schroder Tokyo	25.0
SE Man GLG Japan Core Alpha	19.7
SE Jupiter Japan Income	15.2

North American Equity Select Portfolio	Weight (%)
North American Equity Tracker	39.9
SE JPMorgan US Equity Income	21.2
SE Schroder US Mid-Cap	20.8
SE Janus Henderson US Growth	18.1

European Equity Select Portfolio	Weight (%)
Continental European Equity Tracker	30.4
SE Jupiter European Special Situations	19.8
SE BlackRock European Dynamic	19.4
SE Janus Henderson European Selected Opportunities	15.3
SE Schroder European Recovery	15.0

International Bond Select Portfolio	Weight (%)
Overseas Government Bond Tracker	35.6
SE Newton International Bond	28.2
Overseas Corporate Bond Tracker	19.8
SE Templeton Global Total Return Bond	16.4

UK Corporate Bond Select Portfolio	Weight (%)
SE Fidelity MoneyBuilder Income	28.2
SE Kames Investment Grade Bond	24.9
SE M&G Strategic Corporate Bond	20.0
SE RLAM Corporate Bond	14.5
SE Janus Henderson Strategic Bond	12.4

UK Equity Select Portfolio	Weight (%)
UK Index Tracker	35.7
SE Threadneedle UK Equity Income	15.2
SE Artemis Income	15.0
SE BlackRock UK Special Situations	14.8
SE Artemis UK Special Situations	9.8
Aegon Merian UK Smaller Companies fund	9.4

SE = Scottish Equitable

# Important information

Please note – we reserve the right to add, remove and replace funds within the Select Risk Profile Portfolios or alter weightings between funds with the aim of making sure they continue to meet their aims and objectives. This may affect the additional charges/expenses we disclose for the portfolios. We reserve the right to change these without prior notification. We'll announce any changes on the 'Fund changes and news' section of our website: [www.aegon.co.uk/about-aegon/investments/fund-changes-and-news](http://www.aegon.co.uk/about-aegon/investments/fund-changes-and-news)



[aegon.co.uk](http://aegon.co.uk)

 @aegonuk

 Aegon UK

 Aegon UK

Aegon is a brand name of Scottish Equitable plc. Scottish Equitable plc, registered office: Edinburgh Park, Edinburgh EH12 9SE. Registered in Scotland (No. 144517). Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number 165548. An Aegon company. [www.aegon.co.uk](http://www.aegon.co.uk) © 2018 AEGON UK plc

INV 00375615 12/18