INVESTMENT OBJECTIVE
To provide actively managed investment in UK gilt-edged and fixed-interest securities. The Fund seeks to achieve excess return through duration as well as sector and security selection. The Fund is well diversified and, under normal circumstances, direct cash holdings are kept to a minimum.

FUND REVIEW
The fund returned -4.5% over the quarter, underperforming the benchmark returns of -3.9%. The fund reduced overweight duration relative to the benchmark over the quarter. We remained overweight to investment grade (IG) corporate, covered bonds and non-government credits as off-benchmark positions for attractive spread.

The overweight IG corporate credit markets contributed as the market witnessed spread compression on the back of improved risk sentiment following a phase one trade deal with China and positive economic data. The allocation in covered bonds, which offers spread exposure in a low beta and less volatile sector, also added to alpha. As of end of the quarter, the fund’s duration was in line with the benchmark.

FUND OUTLOOK
We lowered the probability of Recession to 25%, down from 40% on the back of a thaw in the trade war and monetary easing from central banks. Monetary easing in the US has had a positive impact on growth as lower interest rates freed up U.S. consumers to spend and save. Europe and Japan, however, still struggle. In the emerging market, rate cuts have served to limit trade war-induced damage. Sub Trend Growth is our likeliest scenario (55% probability, up from 40%) as global growth bottoms, including in the emerging economies. Going into the next quarter, the fund is positioned to benefit from the positive risk environment. The fund is underweight UK government bonds and overweight corporate investment grade credit, agencies and covered bonds.

FUND STATISTICS

<table>
<thead>
<tr>
<th>Fund manager(s)</th>
<th>Julian Le Beron</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund launch date</td>
<td>11/77</td>
</tr>
<tr>
<td>Fund size (as at 31/12/19)</td>
<td>GBP 80.2m</td>
</tr>
</tbody>
</table>

PORTFOLIO BREAKDOWN

<table>
<thead>
<tr>
<th>Duration to Maturity %</th>
<th>31/12/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1 years</td>
<td>7.7</td>
</tr>
<tr>
<td>1-3 years</td>
<td>11.4</td>
</tr>
<tr>
<td>3-5 Years</td>
<td>10.4</td>
</tr>
<tr>
<td>5-7 Years</td>
<td>6.7</td>
</tr>
<tr>
<td>7-10 Years</td>
<td>13.1</td>
</tr>
<tr>
<td>10+ Years</td>
<td>50.8</td>
</tr>
</tbody>
</table>

SECTOR BREAKDOWN (MV%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>31/12/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government/Cash</td>
<td>76.1</td>
</tr>
<tr>
<td>Corporate</td>
<td>12.2</td>
</tr>
<tr>
<td>Covered Bonds</td>
<td>7.1</td>
</tr>
<tr>
<td>Agency</td>
<td>4.6</td>
</tr>
<tr>
<td>Asset Backed Securities</td>
<td>-</td>
</tr>
</tbody>
</table>

BENCHMARK

FTA Government All Stocks Index

Returns calculated on an offer to offer, pension fund tax basis.

Source: J.P. Morgan.
You should remember that past performance is not a guide to the future. The price of investments and the income from them may go down as well as up and you may not get back the full amount invested.

Investment in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems. Investments in smaller companies may involve a higher degree of risk as markets are usually more sensitive to price movements. Exchange rate changes may cause the value of underlying overseas investments to go down or up. The value of property assets is a matter of valuer’s opinion, not fact. These assets may be more difficult to realise and may not be realisable at all. The level of tax benefits and liabilities will depend on individual circumstances and may change in the future.

Countrywide Assured plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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