



# Quarterly Investment Update

Q2 | 2018





# Executive Summary

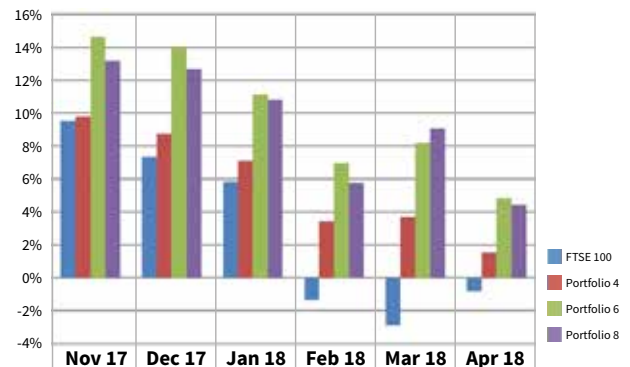
## Market Summary

- The FTSE 100 has been extremely volatile over the last quarter, this is due to the worldwide market correction which has been the catalyst of volatility in all stockmarkets.
- Over the period of 14th January 2018 – 13th April 2018, the FTSE 100 has gone down by 6.6%.
- Over the period of 14th April 2017 – 13th April 2018, the FTSE 100 had a high of 7778.60 and a low of 6888.70.

## Investment Portfolios

- All of our growth and income portfolios have outperformed the FTSE 100 over the same 12 month period, with a performance ranging from 0.55% to 6.05% net after charges.
- All of our portfolios take less risk than the FTSE 100 and exhibit lower volatility.
- Growth portfolios 3-8 have beaten a FTSE 100 tracker over a 12 month rolling period finishing in the last 3 months until April 18. They have performed well due to tactical asset allocation decisions the committee has made in the past whilst retaining the appropriate risk and volatility. We continue to do this.
- Income portfolios continue to hit targets for yield and performance.

**12 Month Rolling Performance**



## How we work

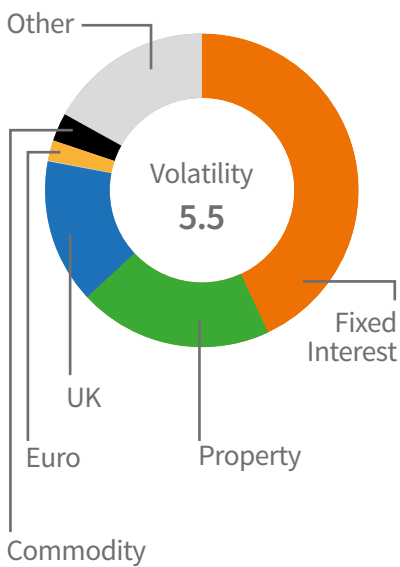
- Funds are selected using criteria in our governance document. The funds are allocated using our strategic plan and which asset classes we feel should be considered over the coming 12 months and longer.
- Our strategic plan is largely decided by our informed view on the economies of the world and individual sectors. We obtain our information by meeting with fund managers and reviewing economic publications.
- By meeting and listening to investment companies, we are able to have constructive conversations on the committee. The committee will take a collective view rather than any individual view.

## Aisa's Investment Portfolios

The graphs below show typical holdings in our following risk portfolios. They are not designed to represent the day to day current holdings which may change due to volatility in markets and the investment team quarterly reviews. Potential gain/loss on a portfolio over any short period 3 months, 6 months, 1 year is demonstrated by volatility listed inside the portfolio and shows how much you could lose or gain by being invested typically. However, actual gains or losses can be higher than this and there is no guarantee on performance. They are designed to demonstrate the concept of loss and risk and returns linked to different risk portfolios. The committee will take a collective view rather than any individual view.

### Portfolio 3

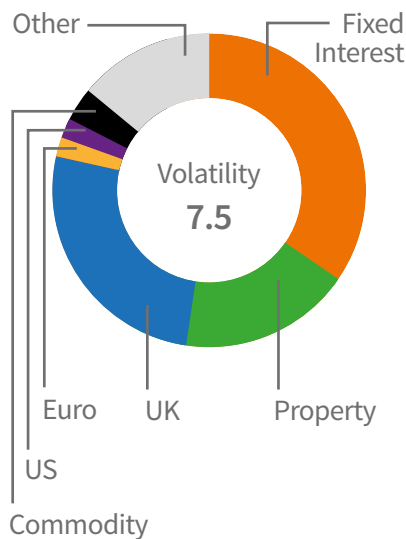
Target Return  
**4.60%**



- Fixed Interest 43.1%
- Property 20.6%
- UK Equities 14.9%
- Euro Equities 2.0%
- US Equities 0%
- Asia Equities 0%
- Emerging Markets 0%
- Japan Equities 0%
- Commodity 3.0%
- Other 16.4%

### Portfolio 4

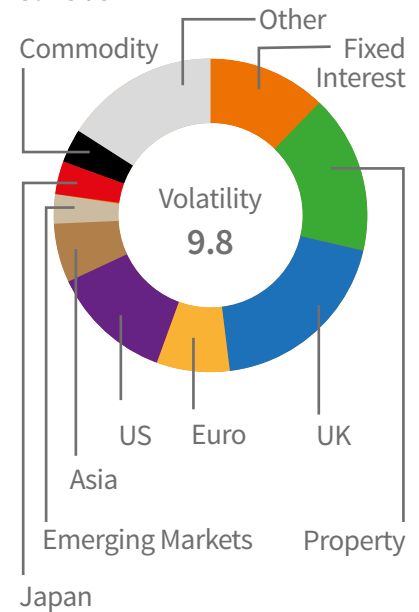
Target Return  
**5.70%**



- Fixed Interest 34.6%
- Property 17.91%
- UK Equities 26.1%
- Euro Equities 2.0%
- US Equities 2.0%
- Asia Equities 0%
- Emerging Markets 0%
- Japan Equities 0%
- Commodity 3.5%
- Other 13.9%

### Portfolio 5

Target Return  
**6.70%**

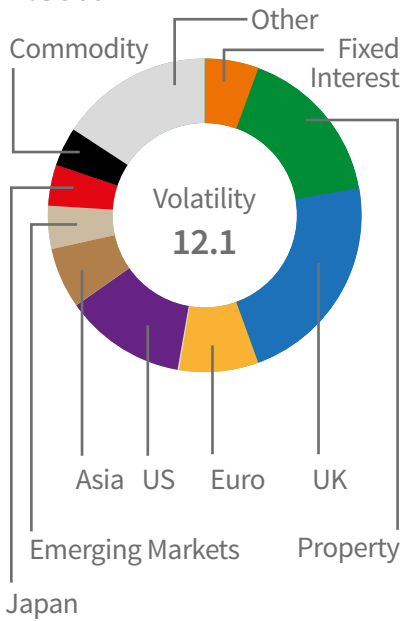


- Fixed Interest 12.2%
- Property 16.4%
- UK Equities 19.4%
- Euro Equities 7.5%
- US Equities 12.5%
- Asia Equities 6.0%
- Emerging Markets 3.1%
- Japan Equities 3.3%
- Commodity 3.5%
- Other 16.1%

**Volatility:** Refers to the amount of uncertainty or risk about the size of changes in a security's value. A higher volatility means that a security's value can potentially be spread out over a larger range of values. This means that the price of the security can change dramatically over a short time period in either direction. A lower volatility means that a security's value does not fluctuate dramatically, but changes in value at a steady pace over a period of time.

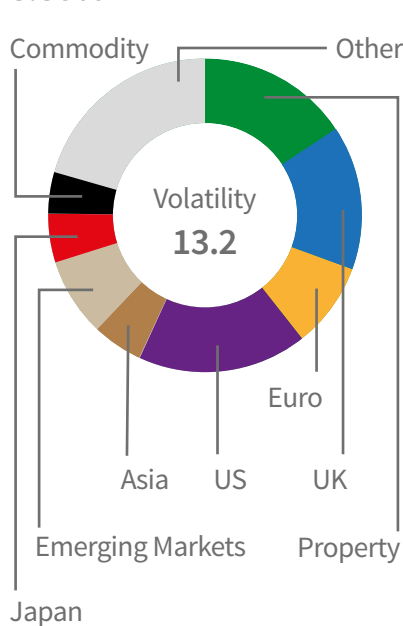
### Portfolio 6

Target Return  
**7.80%**



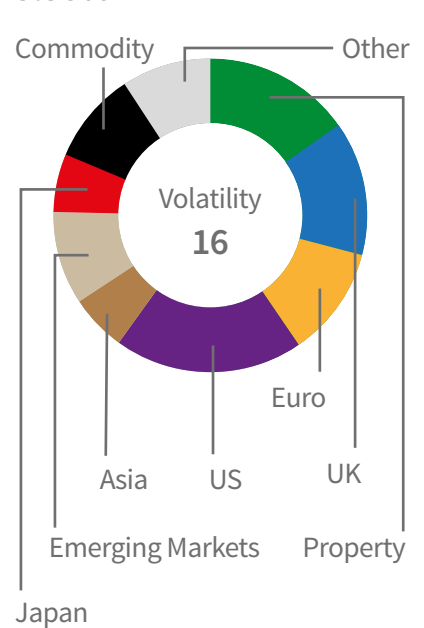
### Portfolio 7

Target Return  
**8.80%**



### Portfolio 8

Target Return  
**9.90%**



- Fixed Interest 5.6%
- Property 16.7%
- UK Equities 22.3%
- Euro Equities 8.4%
- US Equities 12.4%
- Asia Equities 6.3%
- Emerging Markets 4.5%
- Japan Equities 4.2%
- Commodity 4.0%
- Other 15.6%

- Fixed Interest 0%
- Property 15.7%
- UK Equities 14.9%
- Euro Equities 8.8%
- US Equities 15.9%
- Asia Equities 5.2%
- Emerging Markets 7.9%
- Japan Equities 5.0%
- Commodity 4.3%
- Other 21.9%

- Fixed Interest 0%
- Property 15.2%
- UK Equities 13.9%
- Euro Equities 11.4%
- US Equities 19.4%
- Asia Equities 5.9%
- Emerging Markets 9.6%
- Japan Equities 6.0%
- Commodity 9.5%
- Other 9.1%

# Aisa Team (AIT) Committee Meeting

Dated: 18th April 2018

**Attendees:** John Reid (Chairman)  
James Percy-Caldwell (Member of Board and Compliance)  
Geordie Bulmer (Member of Board)  
Lee Hinton (Guest)  
Stuart Langan (Guest)

**Secretary:** James Dunford (Secretary)

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## 1 Review of previous minutes and sign off

After agreement, the minutes of 18th January 2018 were signed as correct by the Chair.

Actions outstanding at previous meeting, and outcomes:

- contacted clients who were affected by the fund change(s) in their portfolio(s)

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## 2 General strategy *(internal eyes only - not for publication)*

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### 3 Aisa Comment & Presentations

#### a) Aisa Comment

Well that was certainly an interesting quarter! Every 3 months I sit down to review the current position, what we have been told recently and to consider future direction in line with the Aisa Investment Committee.

In January's meeting we had several briefings from fund managers and economists; they were all positive. Indeed, they were so positive you just knew they were likely to be wrong! It took less than a month and we watched most indices drop by as much as double figures and all our caution over the last 6 months rewarded you, our clients, with outperformance!

For those of you in cash, in part or full, we recommended in our last investment bulletin to actually invest after the markets had dropped. For those of you not in cash, we had already asset allocated you in such a way that you were not fully exposed to the downside.

So, moving onto this quarter, of course all the briefings we had were more cautious. Dare I say this, but they were also more likely to be accurate. Despite the caution, there is a degree of positivity out there, and although all analysts are expecting the first quarter of the EU and UK year to be down, they believe that there are lots of other investment opportunities out there.

Therefore, we have listened and we are recommending one or two changes. For example, rather than sitting in a US passive tracker following the market which is what we normally do in this mature market we are looking to invest with an active fund manager or two to take advantage of some of the decisions made by the Trump administration.

We will contact you with our specific thoughts as always. Does this mean we are less cautious than we have been in the last 6-9 months? Yes, we are feeling a little more bullish again now a correction has happened. However, we will never allow that to cloud our judgement overall and recognise the inherent risks within investing. Have a good quarter.

#### b) Our first presentation was from Will McIntosh-Whyte of Rathbones, who gave us a Macro Outlook

In 2017 we saw good returns with low volatility. However in November the Bank of England increase interest rates to 0.5%, this was the first increase in over a decade. We are not expecting to see the same for 2018 and since the start of the new year we have seen volatility pick up.

In the UK economy consumer confidence is currently low and this is with real wage growth low and bills and expenses increasing. Regarding Brexit, there are still some issues to be resolved, for example what will happen with the Irish border. There is political uncertainty across Europe, with Angela Merkel's position weakening in Germany and issues in Spain with Catalonian independence. Will does not believe that this will have a material impact on Brexit.

Will is positive on the US and this is because he can see opportunities there with the US being pro-business, a clean banking system and Trump offering many tax cuts. The consumer confidence in the US is high and companies seeing higher earnings due to tax cuts. There is a regulation roll back which gives more clarity and even freeze up capital. The historic average of US companies Price to Earnings is around 16x and this is where they are now, which doesn't suggest that the US is overvalued like it has been viewed in the past. If you look at companies like Amazon, who are ever expanding their market by offering a vast range of products. They are also bringing out their own brand of many products, for example they now own a third of the online battery market with Amazon batteries. How long will it be till we make all our online purchases on Amazon?

Chinese debt levels have often put people off investing in China. However there are opportunities to be found in China. China is now moving towards a servicing economy with many Chinese residents becoming middle class and spending monies on luxuries. The One Belt One Road initiative, which was proposed by the Chinese Government, aims to improve connectivity and global trade across Eurasian countries. China also has a major link to the online gaming sector and with some online gaming competitions seeing the winners take home larger winnings than those seen at Wimbledon, this could offer opportunity for investors that has often been overlooked.

The part of the cycle we are in now means that growth is harder to find. In this period of the cycle, structural companies tend to offer better returns than cyclical companies.

In summary what are Rathbones views?

<b>Positive:</b>	<b>Negative:</b>
Equities (Structural)	Equities (Cyclical)
Commodities	Commercial Property
US Dollar	Sterling
Swiss Franc	Euro

### c) Ben Johnson of Rathbones

Rathbones are a FTSE 250 listed company.

Rathbone only offer business to business and not direct to private clients. Ben explained that Rathbones offer a model portfolio service. Where they have multiple portfolios depending on the risk level of the client. All of their portfolios comply with MIFID II rules on declaration of charges. Multiple wrappers and products can be put into the model portfolio service. One specific product that took our attention was Assurance Vie, as this can be used as a tool for tax and estate planning for expatriates who are resident in France.

Rathbones also offer specialist tax portfolio service. This uses Enterprise Investment Schemes (EIS) or Business Property Relief (BPR). These schemes are government sanctioned and invest primarily in the Alternative Investment Market (AIM). Rathbones employ PWC to ensure the qualifying status of the assets. These schemes are considered high risk but they can benefit the client by offering tax reliefs.



#### **d) Stephen Mason of James Hay Partnership**

Stephen presented to us the proposition of James Hay. James Hay are mainly known for being a SIPP provider and with 97% of its business being from SIPPs then it's easy to see why, however they do offer other types of investments in the form of ISA's and General Investment Accounts. James Hay are now expanding their market to the expatriate community with this representing 6% of their book. James Hay are adviser focused and work with the advisers to get the best results for their clients, this is done through their Modular iPlan.

The Modular iPlan is where you can control all the clients' pensions, savings and investments. Under the Modular iPlan the client will have access to over 3700 funds, access to various DFMs, access to an offsite stockbroking service, access to whole of market, access to commercial property, access to a cash panel, the ability to run model portfolios and the client can have access themselves to choose their own investments.

Through access to the cash panel the client can hold fixed term deposits with multiple banks and with each of these accounts they can be protected up to £85,000 under the FSCS fund. The Modular iPlan is only available in GBP, however if the money goes off platform it can be other currencies but when it comes back to the platform it has to be in GBP. They do not have the ability to link family members. James Hay are fully compliant with MIFID II declaration of charges.

### 4a) Geographical & Sector Outlook

The FTSE 100 has been extremely volatile over the last quarter and this is due to the worldwide market correction. Over the period of 14th January 2018 – 13 April 2018 the FTSE 100 has gone down 6.6%. Over the period of 14th April 2017 – 13th April 2018, the FTSE 100 had a high of 7778.60 and a low of 6888.70. All of our growth and income portfolios have outperformed the FTSE 100 over the same period, with a performance ranging from 0.55% to 6.05% net after charges.



The US market has also been extremely volatile over the last quarter but did see steady growth leading up to the market correction. Over the last year the Dow Jones Index has gone up 19.10% from 14th April 2017 – 13th April 2018.



**MONITOR:** Our ongoing review of asset classes & where the AIT would collectively invest:

Medium Term Stance		Tactical Funds	
<b>Very Heavy</b>			
Credit	Heavy	Developed Asia Equities Investment Grade Corporate Bonds Emerging Market \$ Debt Gold	UK Equities European Equities US Equities
Property Equities Cash	Neutral	Emerging Market Local Debt High Yield Corporate Bonds UK Inflation-linked Debt Global Commodities	US, European and Asian Real Estate Emerging Market Equities Japanese Bonds Japanese Equities
	<b>Light</b>	UK Gilts US Dollar FX UK Real Estate Cash	European Bonds Euro FX Yen and Sterling FX
Government Bonds	<b>Very Light</b>	US Treasuries	

- **Equity** – We are positive on Europe, UK and US. We are neutral towards Japan. We are positive on China and Emerging Markets connected with China, positive towards South East Asia and other Emerging Markets.
- **Equity Income** – Positive.
- **Property (UK Residential)** – Negative.
- **Property (UK Commercial)** – Negative.
- **Property (Global)** – Neutral.
- **Bonds (Gilts)** – Negative.
- **Bonds (Strategic)** – Neutral.
- **Bonds (Corporate)** – Positive on not heavily indebted and investment grade only bonds.
- **Cash** – Negative, although some National Savings products could be considered.
- **Commodities / currency concerns** – Neutral, can be useful hedge over the medium term.

**4b) Plus Service** (*only applies to those clients signed up*)

No additional change for our plus clients – retain same fund strategy as main portfolios.

5a) Fund review for all portfolios *Actual Performance of our clients colour co-ordinated as follows:*

**Growth Portfolios**

■ Including Charges ■ After Charges

Aisa Portfolio	Risk Grade	3 mths	12 mths	24 mths	36 mths	48 mths	60 mths
Defensive (26)	3	-1.79%	3.31%	12.22%	10.48%	19.78%	24.55%
		-2.17%	1.66%	8.57%	5.23%	12.09%	15.31%
Cautious (40)	4	-3.04%	2.78%	12.59%	10.68%	21.79%	25.89%
		-3.41%	1.53%	10.21%	7.43%	17.02%	16.46%
Balanced (68)	5	-4.11%	5.36%	21.25%	19.68%	35.77%	36.26%
		-4.48%	3.68%	17.27%	14.17%	27.13%	26.41%
Growth (69)	6	-3.79%	6.58%	23.18%	21.64%	44.19%	47.66%
		-4.16%	4.86%	19.05%	15.83%	34.39%	36.02%
Speculative (75)	7	-3.62%	7.78%	24.82%	17.74%	48.91%	54.45%
		-3.99%	6.05%	20.75%	12.69%	39.22%	42.91%
Aggressive (89)	8	-4.01%	6.00%	24.25%	17.74%	42.87%	50.79%
		-4.35%	4.44%	20.19%	12.69%	34.20%	40.32%

**Important Note**

Our portfolio past performance is linked to actual clients who hold these portfolios. For this quarterly review we have decided to include past performance for 60 months.

We have included the portfolios past performance for 60 months because we now have that information for the majority of our portfolios.

Please note that clients may receive slightly different performance to this as the charges taken into account within the portfolios are based on the value of two clients averaged. As charges vary linked to the value of investment held then, the charges and fees you pay will determine the actual return you obtain.

## Growth+ Portfolios

■ Including Charges
■ After Charges

Aisa Portfolio	Risk Grade	3 mths	12 mths	24 mths	36 mths	48 mths	60 mths
Cautious (40)	4	-2.74% -3.12%	2.14% 0.55%	10.82% 7.50%	7.41% 2.05%	17.78% 10.01%	19.64% 10.63%
Balanced (68)	5	-3.28% -3.62%	4.42% 2.93%	17.71% 14.83%	16.77% 12.30%	32.20% 24.95%	29.93% 21.72%
Growth (72)	6	-3.09% -3.46%	4.99% 3.33%	20.72% 17.13%	17.48% 12.43%	40.00% 31.38%	43.03% 32.68%
Speculative (75)	7	-3.14% -3.47%	6.04% 4.60%	20.90% 17.71%	19.01% 14.37%	43.27% 35.27%	45.82% 36.56%

## Income Portfolios

■ Including Charges
■ After Charges

Aisa Portfolio	Risk Grade	Yield	3 mths	12 mths	24 mths	36 mths	48 mths	60 mths
Cautious (38)	4	4.38%	-2.19% -2.54%	4.79% 3.25%	16.06% 12.64%	12.86% 8.14%	22.35% 15.30%	N/A
Balanced (58)	5	4.09%	-3.24% -3.43%	3.04% 2.24%	14.69% 12.94%	12.12% 9.76%	24.31% 20.72%	26.07% 21.92%
Growth (64)	6	3.88%	-4.27% -4.64%	2.73% 1.13%	18.43% 14.75%	16.09% 11.16%	26.25% 18.99%	28.15% 19.64%

It has been agreed by the committee that all the income portfolios must produce a yield of more than the average standard daily saving rate (annualised) plus 1%. Current yields are higher than 3.8%.

## 5a) 12-Month Rolling Performance

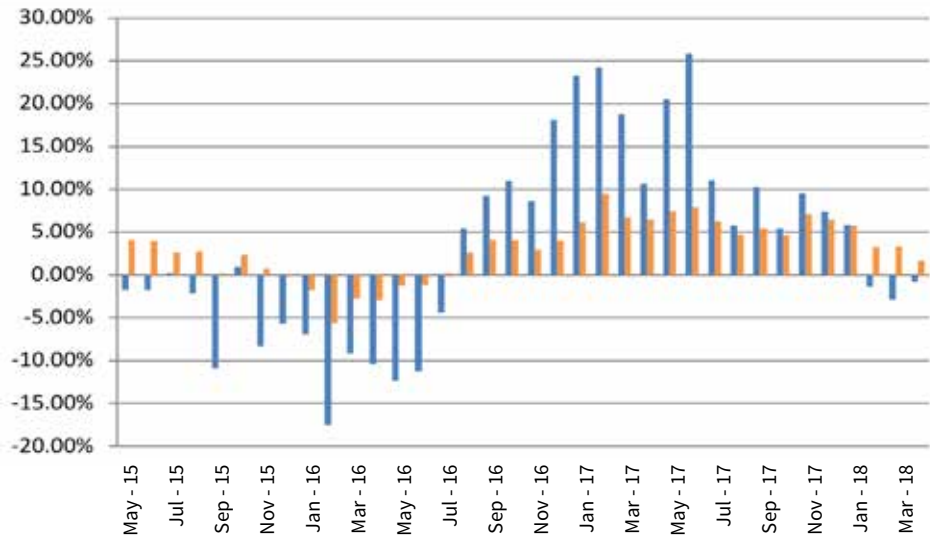
We have analysed the actual performance of our growth model portfolios over the last three years, on a rolling 12-month basis. In the table below, next to each month, we have shown the performance for the last 12 months, i.e. January 2017 to January 2018, February 2017 to February 2018 and so on.

All of our portfolios have outperformed a FTSE 100 tracker for a 12 month rolling period to April 18, March 18 and February 18. Over these 12 month rolling periods all of our portfolios have seen a positive return whilst a FTSE 100 tracker has returned a negative return. For the 12 month rolling period to March 18 portfolio 7 saw an over 13% better return than a FTSE 100 tracker.

Month	FTSE 100	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Portfolio 8
May-15	-1.73%	4.08%	6.00%	6.34%	11.60%	12.80%	11.90%
Jun-15	-1.73%	3.93%	5.40%	6.61%	11.00%	11.20%	9.83%
Jul-15	0.06%	2.63%	4.40%	4.59%	8.80%	9.30%	5.92%
Aug-15	-2.13%	2.72%	3.40%	4.72%	7.90%	8.60%	5.04%
Sep-15	-10.90%	0.18%	-0.40%	-0.30%	1.70%	1.90%	-2.90%
Oct-15	0.91%	2.35%	4.00%	5.84%	8.70%	8.90%	5.15%
Nov-15	-8.30%	0.72%	1.30%	1.65%	3.70%	2.60%	1.26%
Dec-15	-5.69%	-0.22%	0.00%	0.08%	1.20%	0.30%	-3.61%
Jan-16	-6.89%	-1.77%	-2.10%	-3.13%	-2.20%	-3.40%	-7.22%
Feb-16	-17.47%	-5.64%	-7.90%	-9.53%	-8.80%	-10.30%	-13.62%
Mar-16	-9.18%	-2.74%	-3.64%	-3.49%	-2.63%	-3.89%	-6.55%
Apr-16	-10.37%	-2.93%	-4.47%	-3.54%	-3.22%	-4.28%	-6.68%
May-16	-12.33%	-1.29%	-2.29%	-0.70%	0.55%	-1.47%	-3.80%
Jun-16	-11.23%	-1.23%	-2.29%	0.50%	0.66%	0.56%	-1.09%
Jul-16	-4.43%	0.05%	0.88%	6.80%	7.61%	8.14%	9.15%
Aug-16	5.41%	2.64%	4.41%	10.86%	11.67%	12.43%	14.30%
Sep-16	9.26%	4.11%	6.19%	11.58%	12.90%	13.22%	16.09%
Oct-16	10.96%	3.99%	6.21%	12.73%	15.02%	16.22%	18.53%
Nov-16	8.66%	2.97%	4.10%	8.49%	10.40%	10.50%	15.31%
Dec-16	18.07%	3.95%	5.40%	10.71%	11.40%	11.90%	16.18%
Jan-17	23.27%	6.14%	8.10%	15.15%	15.93%	16.50%	21.14%
Feb-17	24.23%	9.42%	13.40%	23.13%	24.12%	25.37%	30.31%
Mar-17	18.73%	6.72%	9.50%	16.07%	17.17%	17.83%	19.99%
Apr-17	10.65%	6.48%	8.40%	13.09%	13.90%	13.90%	15.67%
May-17	20.49%	7.45%	10.12%	15.58%	17.38%	17.69%	19.73%
Jun-17	25.82%	7.93%	10.95%	16.77%	17.83%	18.51%	21.25%
Jul-17	11.06%	6.28%	7.80%	10.01%	11.01%	11.42%	8.33%
Aug-17	5.77%	4.68%	5.39%	6.90%	7.62%	7.56%	4.68%
Sep-17	10.27%	5.44%	6.94%	11.11%	11.74%	12.97%	10.73%
Oct-17	5.40%	4.63%	5.36%	7.77%	8.19%	8.72%	6.21%
Nov-17	9.51%	7.07%	9.80%	15.00%	14.65%	16.95%	13.19%
Dec-17	7.35%	6.42%	8.73%	13.61%	13.97%	16.27%	12.67%
Jan-18	5.83%	5.75%	7.11%	11.17%	11.13%	13.53%	10.82%
Feb-18	-1.34%	3.23%	3.42%	5.98%	6.96%	8.74%	5.78%
Mar-18	-2.89%	3.38%	3.72%	7.68%	8.21%	10.74%	9.09%
Apr-18	-0.83%	1.66%	1.53%	3.68%	4.86%	6.05%	4.44%
<b>Average</b>	<b>3.92%</b>	<b>3.09%</b>	<b>4.25%</b>	<b>7.32%</b>	<b>8.87%</b>	<b>9.16%</b>	<b>8.26%</b>

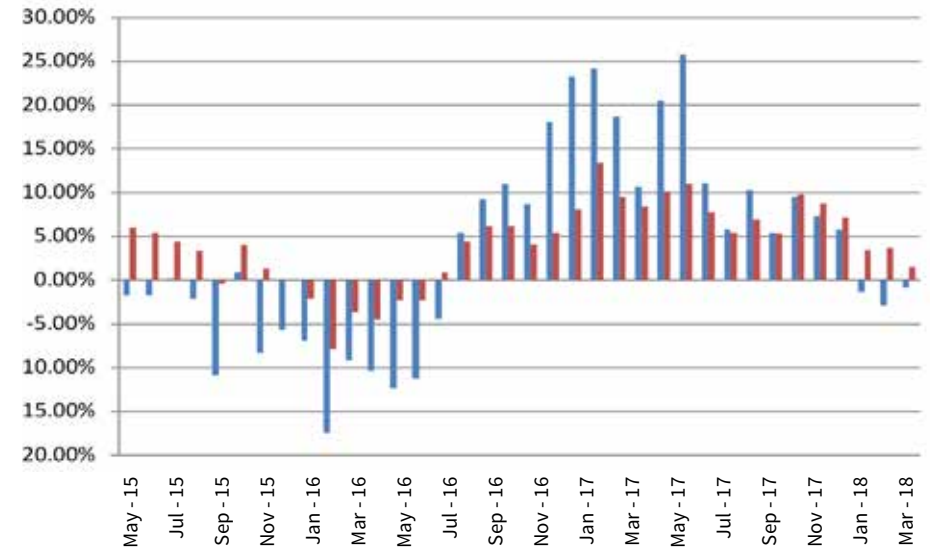
**Aisa Portfolio 3**

- FTSE 100
- Aisa Portfolio 3



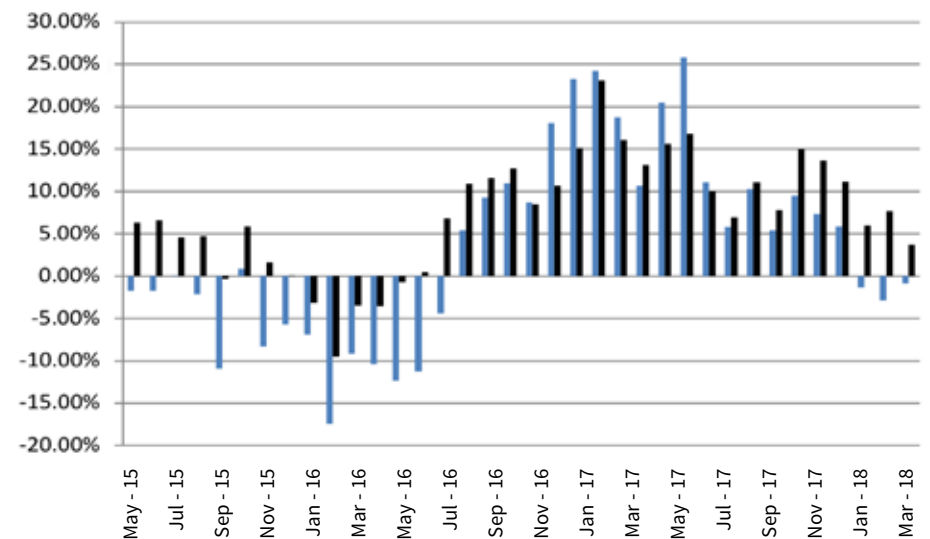
**Aisa Portfolio 4**

- FTSE 100
- Aisa Portfolio 4



**Aisa Portfolio 5**

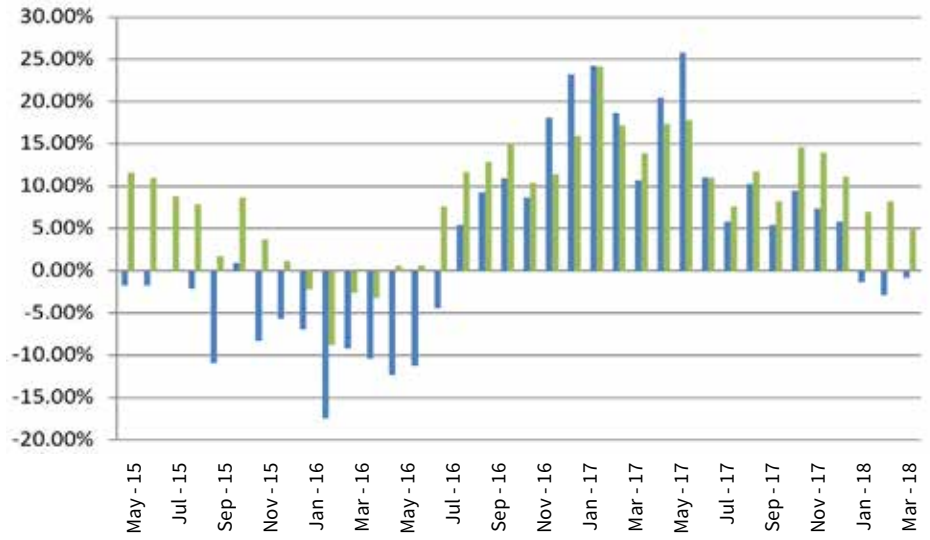
- FTSE 100
- Aisa Portfolio 5





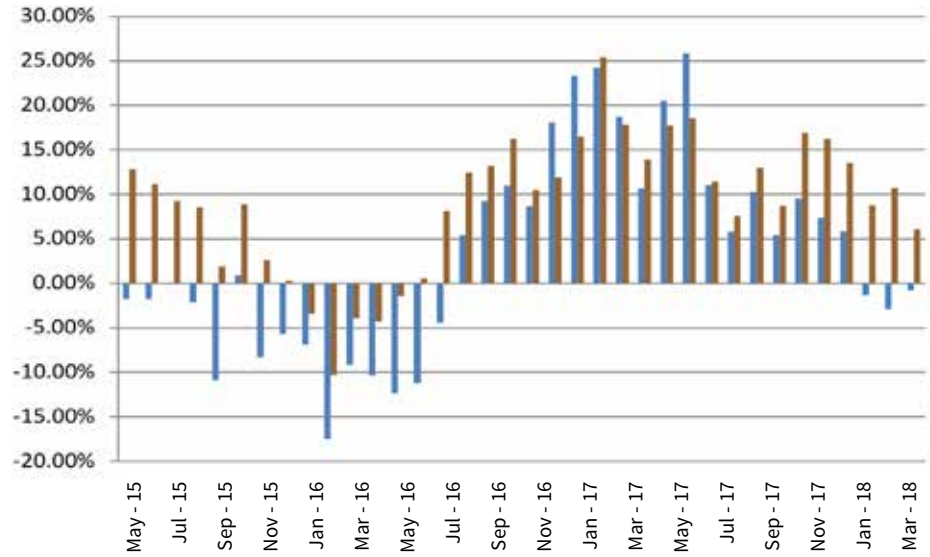
### Aisa Portfolio 6

- FTSE 100
- Aisa Portfolio 6



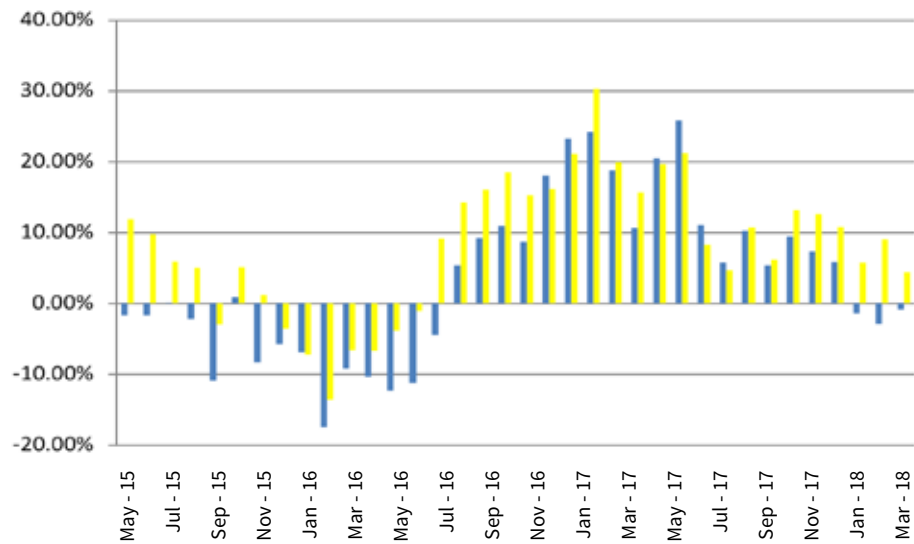
### Aisa Portfolio 7

- FTSE 100
- Aisa Portfolio 7



### Aisa Portfolio 8

- FTSE 100
- Aisa Portfolio 8



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## 6 Quarterly timetabled asset/product discussions

The product discussions for this quarter were platforms, SIPPs and personal and group pensions. Platforms were reviewed by James and a working group has been set up to complete due diligence on multiple platforms. SIPPs were reviewed by John and personal and group pensions were reviewed by Geordie. All information is to be updated into our Governance document centrally held at our main office.

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## 7 AOB

General Data Protection Regulation (GDPR) will be implemented across all EU member states from the 25th May 2018. GDPR is being introduced to increase data protection for clients. GDPR will have a material impact on how businesses handle client information and give more transparency to the clients of who their information is being shared with.

**Reference Material utilised in this meeting:**

Analytics – review of funds.

Aisa Performance data.

Aisa Governance Document.

Ascentric presentations.

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## 8 Next Meeting

Next meeting will be held on 19th July 2018.

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## 9 Actions Outstanding

**Action:** Contact clients who are affected by any fund change(s) in their portfolio(s).

**Action:** James to update the Governance Document with quarterly research.

**Review:** Those funds on quarterly watch.

**Review:** Monitor funds in growth portfolios.

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Signed by Chairman





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