Quarterly Investment Update

Q1 | 2017

Aisa Professional


7000
6724
52.19
-67
-54
6500
6000

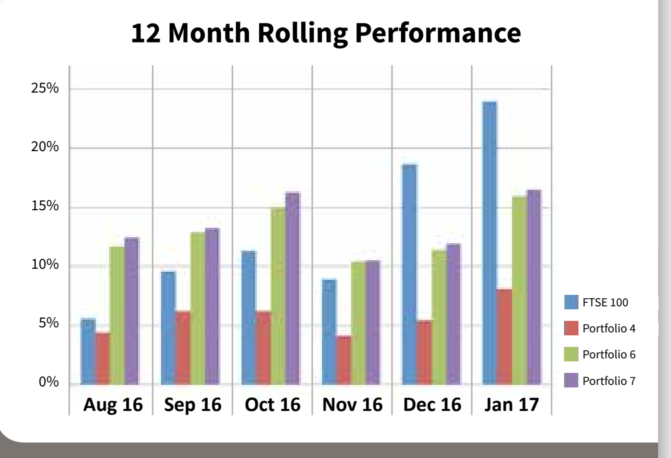
Executive Summary

Market Summary

- The FTSE 100 has been extremely volatile over the last 12 months, with a low of 5,499.50 and a high of 7,354.10. Over the period of 14/10/2016 – 13/01/2017 the FTSE 100 was up 4.7%.
- At the time of our meeting in January the main talking points included the uncertainty in USA, UK, China and the rest of the European Union (EU), with major political events happening in these areas.
- We have moved some client funds away to cash positions and some gold over the last 6 months after specific discussions reducing an exposure to equities.
- We intend to remain cautious and retain assets out of some areas such as European equities.

Investment Portfolios

- 2016 has been a good year for the investor with many of our clients enjoying double digit growth and it has been the view of our investment committee to lock the gains in now.
- Our Portfolios 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.
- Over the past 12 months there have been some major political events and it has been the view of the investment team to apply a more cautious attitude towards risk. This is why the performance of our portfolios hasn't beaten the far riskier FTSE100 index as it has previously.
- However, the risk rating of the FTSE is "100" whereas portfolio 4 is almost a third of that at 38-45.
- Despite being more cautious our growth and income portfolios with risk ratings of Balanced or higher have seen an increase of over 15% in the last 12 months.
- We have been negative on China and some Emerging Markets since end 2014, but neutral towards South East Asia and our positioning is now changing.



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.

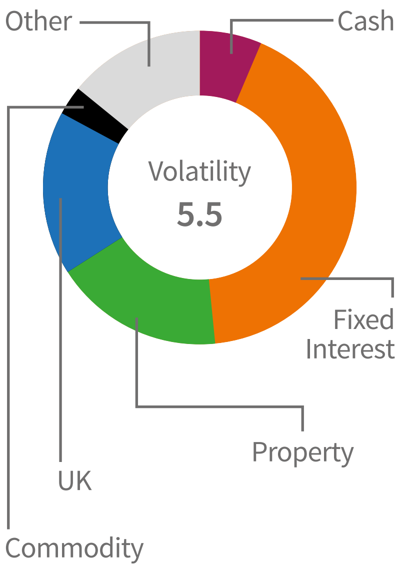
Aisa's Investment Portfolios

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%

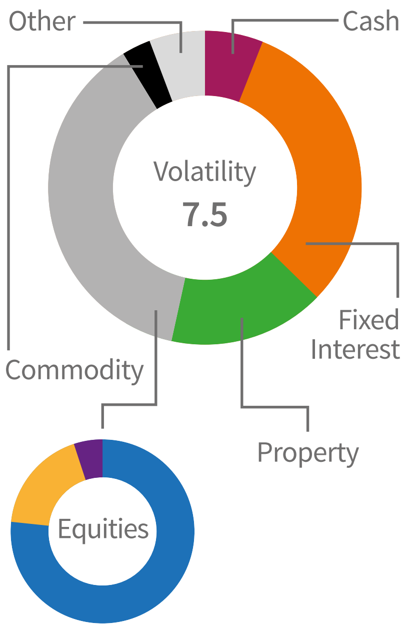


- Cash 6.5%
- Fixed Interest 41.9%
- Property 17.8%
- UK Equities 16.9%
- Euro Equities 0%
- US Equities 0%
- Asia Equities 0%
- Emerging Markets 0%
- Japan Equities 0%
- Commodity 3.0%
- Other 13.9%

Portfolio 4

Target Return

5.70%

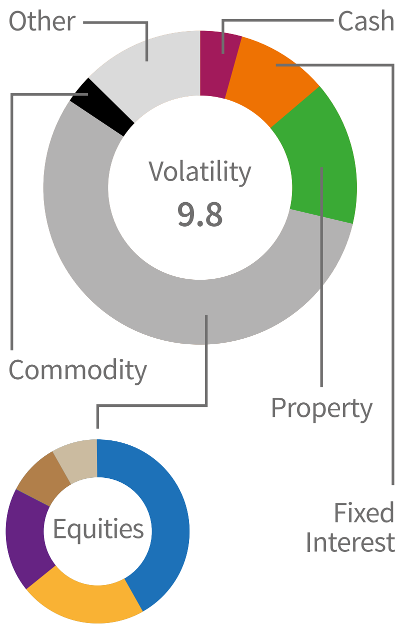


- Cash 6.0%
- Fixed Interest 31.3%
- Property 16.1%
- UK Equities 29.4%
- Euro Equities 7.1%
- US Equities 1.5%
- Asia Equities 0%
- Emerging Markets 0%
- Japan Equities 0%
- Commodity 3.0%
- Other 5.6%

Portfolio 5

Target Return

6.70%



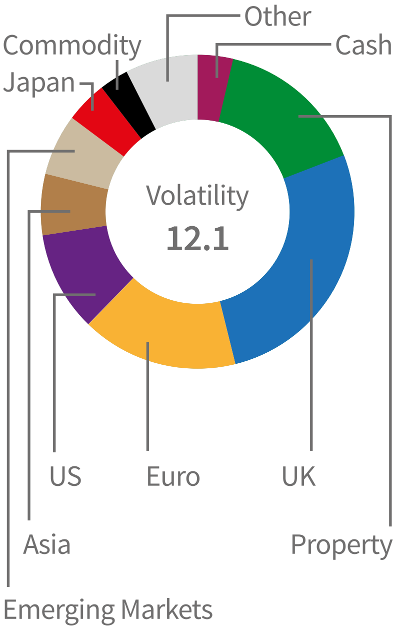
- Cash 4.3%
- Fixed Interest 9.4%
- Property 15.2%
- UK Equities 23.0%
- Euro Equities 12.5%
- US Equities 10.1%
- Asia Equities 5.2%
- Emerging Markets 5.0%
- Japan Equities 0%
- Commodity 3.0%
- Other 12.3%

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%

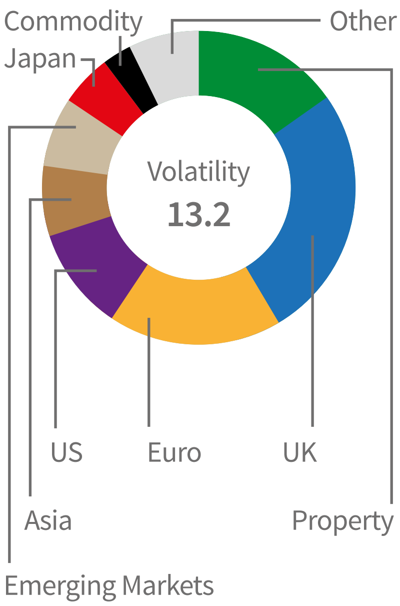


- Cash 3.6%
- Fixed Interest 0%
- Property 15.4%
- UK Equities 27.1%
- Euro Equities 16.3%
- US Equities 10.4%
- Asia Equities 6.3%
- Emerging Markets 6.3%
- Japan Equities 4.3%
- Commodity 3.0%
- Other 7.3%

Portfolio 7

Target Return

8.80%

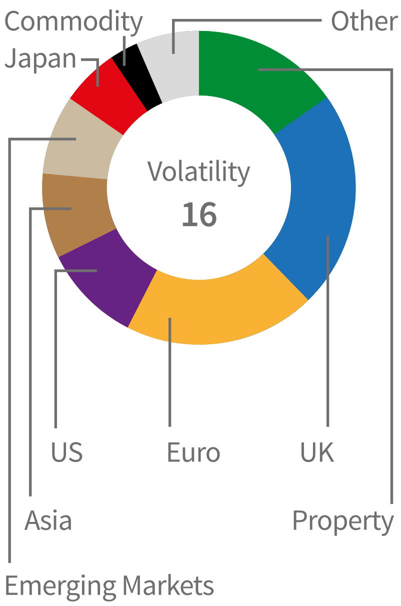


- Cash 0%
- Fixed Interest 0%
- Property 15.2%
- UK Equities 26.2%
- Euro Equities 17.9%
- US Equities 10.7%
- Asia Equities 7.3%
- Emerging Markets 7.3%
- Japan Equities 5.1%
- Commodity 3.0%
- Other 7.3%

Portfolio 8

Target Return

9.90%



- Cash 0%
- Fixed Interest 0%
- Property 15.4%
- UK Equities 22.3%
- Euro Equities 19.8%
- US Equities 10.2%
- Asia Equities 8.9%
- Emerging Markets 8.1%
- Japan Equities 6.0%
- Commodity 3.0%
- Other 6.3%

Aisa Team (AIT) Committee Meeting

Dated: 20th October 2016

Attendees: John Reid (Chairman)
James Pearcy-Caldwell (Member of Board and Compliance)
Geordie Bulmer (Member of Board)

Secretary: James Dunford (Secretary)

Guest: Shane Wood (Business Development Manager)

---

1 Change of chairman, review of previous minutes and sign offf

a) James Pearcy-Caldwell stepped down as chairman. John Reid was proposed by James Pearcy-Caldwell to be chairman, seconded by Geordie Bulmer.

b) After agreement, the minutes of 20th October 2016 were signed as correct by the Chair. Actions outstanding at previous meeting, and outcomes:

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

---

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

3a 2017 – Good or bad for investing?

When investing money on behalf of clients, one of the main concerns is avoiding those areas of total uncertainty. However, 2017 starts with uncertainty in the USA, UK, rest of European Union (EU) and China with banking, inflation, government debt, and the highest worldwide trending word of 2016, Brexit. With Dutch, French and German elections it is fair to say that with so many things all changing, it would be a fool's errand to predict the global macro picture over the next 24 months.

We have been cautious in our investment recommendation to clients over the last few months. We do not apologise for that, and whilst for the first time in 7 years we have slightly underperformed the far riskier FTSE 100 (We normally outperform this index whilst taking less risk) we feel comfortable with our position for clients in 2017. Indeed, we intend to remain cautious and retain assets out of some areas such as European equities.

With Brexit looming large, elections in various countries, continuing high unemployment and zero growth the EU has many problems in 2017. Additionally the EU has a debt problem and has more than one country without a full democratic leadership that is simply ignoring Brussels, as well as banking insolvency in some countries and debt repayments in southern Mediterranean countries that cannot continue. The idea that 27 countries will speak as one once negotiations over Brexit seriously start will be short lived as reality, and individual county "red lines" are tested.

However, 2016 has been good for the investor with many of our clients enjoying double digit growth. We want to lock these gains in now. Unfortunately, so many investors and advisers base their decisions on past performance, assuming that just because an asset class or strategy worked in one year it is a reason to invest- or indication of what will happen in the next. This type of strategy may work, especially with hindsight and the ability to spot 'trends' in the past that match recent situations, but it's very hard to predict for the near future.

Anyone who bases their 2017 investment strategy on what worked in 2016, from history, is unlikely to get ten out of ten right, in fact they will be lucky to even get more than 50% correct. From the evidence here, which had been repeated in many annual cycles, anyone who invested in 2016 based on strong past performance in 2015 would have come out of the last 12 months very badly.

It is also worth pointing out that investing in the worst performers and expecting they will outperform is not going to be a successful strategy either; it is not the case as some may continue to invest in areas where there are ongoing issues/problems or in companies that actually go bust such as China or the EU.

The key is, if you are lucky to be in a stellar performer, to take your profits. The same is true if you are in a dud, make a stop-loss and get out! The real stars in the long term investors' portfolio are those funds that outperform the average, and they do not have to be the best or top-quartile. The biggest lesson you can take from trying to chase performance is that it is a fool's game.

We stick by our principles from the last 6 months and will be looking through the rhetoric and understanding the fundamentals. We are looking not so much for best growth areas, but areas to avoid, whilst sticking to the fundamentals and ignore the headlines! We urge our clients to do the same.

Happy Investing!

3b Presentations

a) Grainger Thomas (Regional Business Development Director) and Howard Crossen (Senior Investment Director) from Brooks Macdonald came for a general chat in how they may be able to help us.

Firstly Grainger and Howard wanted to know how we (AISA) operate. James explained that we are a small IFA and are UK based. However we are pushing and looking to expand the international side of the business, AISA International and OpesFidelio. Around 2-3 years ago we decided to distribute a UK model overseas, which has been very successful and is continuing to grow.

Grainger mentioned that they offer Tier 1 (Investor) visa services. This is where if you live outside the EEA or Switzerland then you can apply for a visa to live in the UK if you invest a minimum of £2 million. This visa will last for 3 years and 4 months but can be extended. The AIT were interested in this service and have decided to look into this service in further detail.

Grainger also thought that we might be interested in the AIM portfolios that they offer. Howard explained that they offer portfolios upwards of £250,000 with no lock in periods but they do suggest a minimum of 5 years and that you cannot go permanently into cash. He also mentioned that Brooks MacDonald operate on all major platforms.

b) Andrew Pope (Intermediary Sales Director) and Niall O'Connor (Deputy Fund Manager) also from Brooks MacDonald gave us a presentation on funds that they are offering.

The presentation began with Niall giving us a snapshot of his view on the current commercial property market. With him believing that commercial property is good value compared to equities and government bonds and that it is better to have real assets over nominal assets. He explained that if the value of sterling decreases then the value of property would increase.

Niall then started talking about a property fund that he co manages. With this fund you have immediate property-like exposure with daily liquidity. The aim of the fund is to provide property-like returns over the medium term, with high income, low volatility and diversification. The volatility of the fund is currently 7% which is well below the 20% volatility of UK REITs.

The fund is invested in property derivatives, the derivative instruments they use are swaps and futures. This is 1 for 1 because if one goes down then so will the other. The derivative trades daily with the future trades on the IPD Index, which covers 60% of the commercial property in the UK. The fund is a capital market fund and is therefore priced at market every day. The fund has a yield of 2.5% and is currently hedged against sterling. The fund is focused on UK property and currently has £30 million under management.

After talking about the property fund that he manages he then talked about the absolute return fund that he also co manages. He stated that this is a defensive fund however it still has good returns, with the fund making 9.31% from December 2015 to December 2016. The fund aims to provide low sensitivity to short-term equity markets, high short term fixed returns, defensive optionality and convexity, senior assets with tangible capital cover, high levels of portfolio liquidity and attractive return profiles.

With its defensive nature the fund has low volatility. The portfolio has been created using 8 different factors, these are; return profile, asset cover, asset quality, seniority, volatility, term, liquidity and lastly value.

The asset types the fund holds are:

- Structured notes 23%
- Convertible bonds 19%
- Bond and loan 20%
- Preference Shares 16%
- Discounted Assets 11%
- Other (including cash) 11%

The fund has a yield of 4.9% and 1.9x covered.

4 Geographical & Sector Outlook

The FTSE 100 has been extremely volatile over the last 12 months, with a low of 5,499.50 and a high of 7,354.10. Over the period of 14/10/2016 – 13/01/2017 the FTSE 100 was up 4.7%.

Over the last year the Dow Jones Index has gone up 29.01%. With a low of 15,503 and a high of 20,000.

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

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

- **Equity** – We remain negative on Europe (due to banks and political), negative in UK and neutral in US. We are positive towards Japan. We remain negative on China and Emerging Markets connected with China, but neutral towards South East Asia and other Emerging Markets.
- **Equity Income** – Negative.
- **Property (UK Residential)** – Neutral.
- **Property (UK Commercial)** – Neutral.
- **Bonds (Gilts)** – Negative except for strategic bonds, which can be utilised in asset allocation where risk mitigation is required. Strategic bonds are more likely to take account of inflation and their long term values will not be as affected as fixed gilts.
- **Bonds (Corporate)** – Negative, although some may have to be used as part of an asset allocation strategy; where necessary to utilise then Investment Grade only.
- **Cash** – Negative, although some National Savings products could be considered.
- **Commodities / currency concerns** – Positive, although currency swings mean that we are backing gold in early 2017.

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

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

6 Fund review for all portfolios *Actual Performonce 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 (27)	3	1.48% (1.09%)	7.86% (6.14%)	7.74% (4.35%)	14.11% (8.78%)	22.34% (15.2%)	N/A
Cautious (44)	4	1.26% (0.86%)	9.89% (8.12%)	9.71% (6.24%)	16.94% (11.45%)	25.69% (18.21%)	31.18% (23.06%)
Balanced (72)	5	1.03% (0.63%)	17% (15.2%)	15.11% (11.6%)	24% (18.45%)	32.47% (25.17%)	42.63% (30.42%)
Growth (79)	6	0.83% (0.47%)	17.65% (15.88%)	17.26% (13.83%)	29.93% (24.24%)	46.53% (38.16%)	N/A
Speculative (86)	7	0.05% (-0.35%)	18.49% (16.51%)	16.6% (12.87%)	29.94% (23.62%)	42.82% (51.58%)	66.84% (55.15%)
Aggressive (97)	8	0.75% (0.35%)	24.6% (21.3%)	16.74% (12.24%)	31.77% (24.78%)	54.34% (44.55%)	72.47% (60.07%)

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 (45)	4	1.03% (0.66%)	8.91% (7.36%)	6.82% (3.02%)	13.02% (7.37%)	21.05% (13.73%)	N/A
Balanced (72)	5	0.45% (0.16%)	17.57% (16.23%)	16.18% (13.25%)	25.33% (20.46%)	30.93% (24.68%)	45.77% (37.52%)
Growth (79)	6	1.43% (1.06%)	16.63% (15.04%)	15.62% (12.32%)	30.09% (24.26%)	42.96% (34.77%)	55.92% (41.87%)
Speculative (86)	7	0.42% (0.11%)	17.42% (15.8%)	15.86% (12.62%)	29.35% (23.9%)	48.39% (40.55%)	61.71% (51.77%)

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	4.49%	2.88% (2.49%)	10.46% (8.82%)	11.14% (7.91%)	16.32% (11.33%)	N/A	N/A
Balanced (56)	5	4.21%	3% (2.64%)	15.81% (14.1%)	14.24% (11.09%)	19.96% (15.06%)	26.4% (20.12%)	36.21% (28.24%)
Growth (61)	6	4.05%	2.24% (1.87%)	15.46% (13.69%)	13.76% (10.36%)	26.67% (21.18%)	26.31% (19.94%)	N/A

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 3.9%.

12-Month Rolling Performance

We have analysed the actual performance of three of our model portfolios over the last 3 years, on a rolling 12-month basis. In the table below, next to each month, we have shown the performance for the previous 12 months.

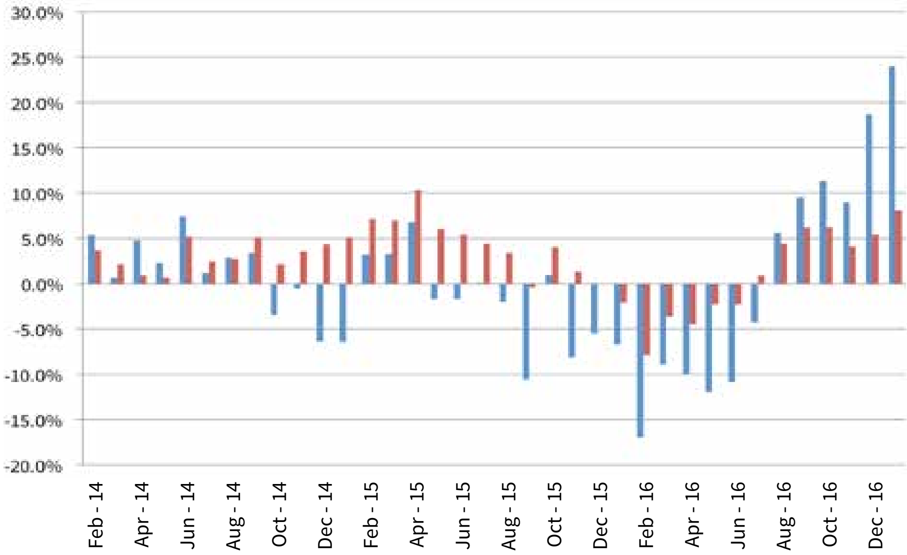
Over the past 12 months there has been some major political events and it has been the view of the investment team to apply a more cautious attitude towards risk. This is why the performance of our portfolios hasn't beaten the FTSE100 index as it has previously. However, the risk rating of the FTSE is "100" whereas portfolio 4 is almost a third of that at 38-45. However portfolio 6 and portfolio 7 are still registering an increase of around 15.9% and 16.5% respectively in the last year despite being more cautious, and so are doing excellently. If they followed the market up, then they would follow it down!

Month	FTSE 100	Portfolio 4	Portfolio 6	Portfolio 7
Feb-14	5.3%	3.7%	7.1%	9.0%
Mar-14	0.6%	2.1%	3.3%	4.4%
Apr-14	4.7%	0.9%	1.4%	2.8%
May-14	2.3%	0.6%	-0.5%	1.4%
Jun-14	7.4%	5.2%	6.1%	10.4%
Jul-14	1.2%	2.4%	1.5%	3.6%
Aug-14	2.9%	2.7%	2.0%	3.6%
Sep-14	3.4%	5.1%	6.1%	8.1%
Oct-14	-3.5%	2.1%	1.6%	4.2%
Nov-14	-0.5%	3.5%	6.0%	8.7%
Dec-14	-6.4%	4.3%	8.1%	10.3%
Jan-15	-6.5%	5.1%	9.4%	11.6%
Feb-15	3.1%	7.1%	10.5%	12.7%
Mar-15	3.3%	7.0%	11.6%	13.8%
Apr-15	6.8%	10.3%	17.6%	20.0%
May-15	-1.7%	6.0%	11.6%	12.8%
Jun-15	-1.7%	5.4%	11.0%	11.2%
Jul-15	0.1%	4.4%	8.8%	9.3%
Aug-15	-2.1%	3.4%	7.9%	8.6%
Sep-15	-10.6%	-0.4%	1.7%	1.9%
Oct-15	0.9%	4.0%	8.7%	8.9%
Nov-15	-8.1%	1.3%	3.7%	2.6%
Dec-15	-5.5%	0.0%	1.2%	0.3%
Jan-16	-6.7%	-2.1%	-2.2%	-3.4%
Feb-16	-17.0%	-7.9%	-8.8%	-10.3%
Mar-16	-8.9%	-3.6%	-2.6%	-3.9%
Apr-16	-10.1%	-4.5%	-3.2%	-4.3%
May-16	-12.0%	-2.3%	0.6%	-1.5%
Jun-16	-10.9%	-2.3%	0.7%	0.6%
Jul-16	-4.3%	0.9%	7.6%	8.1%
Aug-16	5.6%	4.4%	11.7%	12.4%
Sep-16	9.6%	6.2%	12.9%	13.2%
Oct-16	11.3%	6.2%	15.0%	16.2%
Nov-16	8.9%	4.1%	10.4%	10.5%
Dec-16	18.6%	5.4%	11.4%	11.9%
Jan-17	24.0%	8.1%	15.9%	16.5%
Average	**-1.5%**	**2.5%**	**5.4%**	**6.3%**

Aisa Portfolio 4

FTSE 100

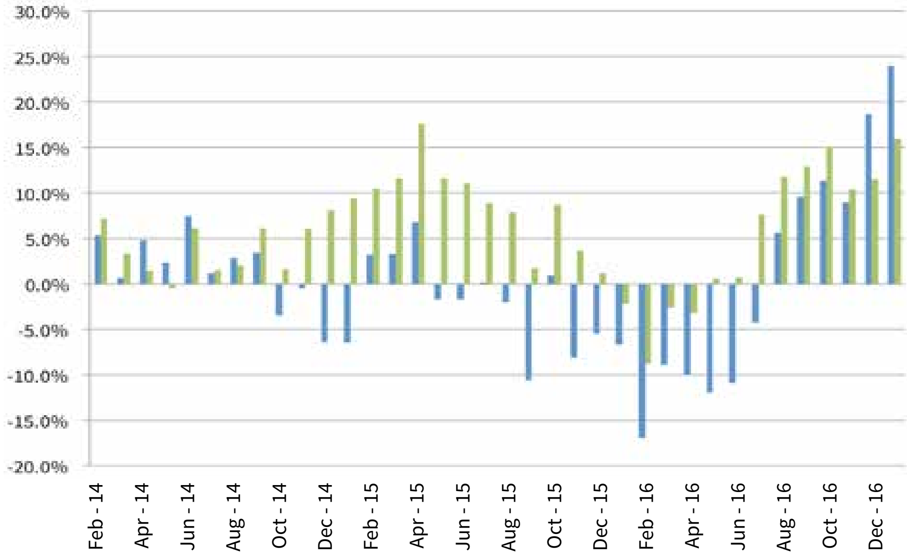
Aisa Portfolio 4



Aisa Portfolio 6

FTSE 100

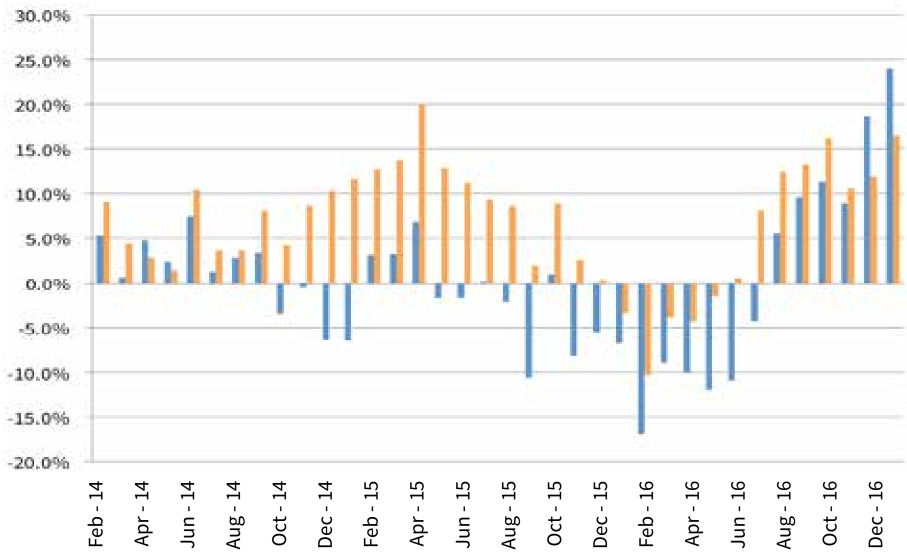
Aisa Portfolio 6



Aisa Portfolio 7

FTSE 100

Aisa Portfolio 7



7 Quarterly timetabled asset/product discussions

The product discussions for this quarter were; UCIS Methodology, ETP and Passive Tracking, and Available Offshore Bonds.

Our stance on UCIS funds has not changed and we will not use them. Definition of high net worth has changed slightly and has been updated.

The currency consideration for ETP and passive tracking is that when UK pound is strong then you want investments to be unhedged, and When the UK pound is going to weaken then your current investments should remain unhedged, and your future investment should be hedged. The same argument can be made for any currency.

Available offshore bond recommendations have been reviewed and updated.

All information is to be updated into our Governance Document centrally held at our main office.

8 AOB

Reference Material utilised in this meeting:

Analytics – review of funds.

Aisa Performance data.

Aisa Governance Document.

Ascentric presentations.

9 Next Meeting

Next meeting will be held at Pewsey on Wednesday 19th April 2017.

Quarterly review topics for next meeting are:

a) Corporate and GPP Pensions which Geordie will be reviewing.

b) SIPPs which John will be reviewing.

c) Main Investment Platforms which James will be reviewing.

10 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.**

....

Signed by Chairman

Aisa Professional

Phone: +44 (0)1672 569111
Email: info@aisagroup.org
Website: www.aisagroup.org

UK Address: Aisa, Unit 4, Fordbrook Business Centre, PEWSEY, Wiltshire, SN9 5NU