Quarterly Investment Update

Q2 | 2017

Aisa Professional


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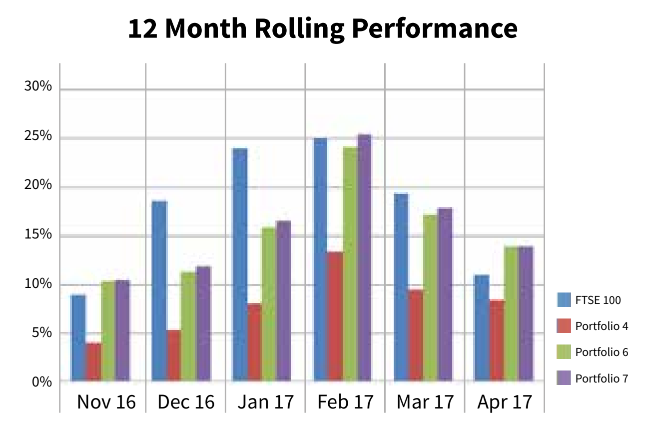
Executive Summary

Market Summary

- The FTSE 100 has been volatile over the last 12 months, with a low of 5,921.70 and a high of 7,429.81. Over the period of 14/01/2017 – 13/04/2017, the FTSE 100 was up 2.02%.
- Overall, when considering the risk of our portfolios it is great to see nearly all of our higher risk growth and income portfolios have outperformed the FTSE100 consistently over rolling 12 month periods (details inside) for the last 4 years.
- At the time of our meeting in April the main talking points include the snap election called by Theresa May, the French elections, the UK's position for Brexit negotiations and also the volatility levels of our own portfolios.
- We intend to remain cautious on some areas such as European equities.
- The markets as a whole have done extremely well over the last 8 months, although they have largely stagnated over the last few.

Investment Portfolios

- All of our growth and income portfolios over the last three months have gone up, ranging from 1.65% to 2.93% net after charges.
- Over the last 12 months our higher risk portfolios have beaten the performance of the FTSE 100. They have outperformed 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.
- All of our portfolios take less risk than the FTSE 100.
- We have been negative on China and Emerging Markets since end 2014, but neutral towards South East Asia and other Emerging Markets and our positioning is now changing.



How we work

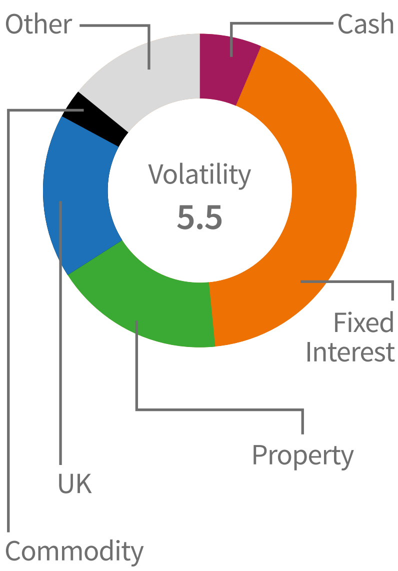
- Funds are selected using criteria in our governance document. The funds are allocated using our strategic plan and which asset classes we feel should be considered over the coming 12 months and longer.
- Our strategic plan is largely decided by our informed view on the economies of the world and individual 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

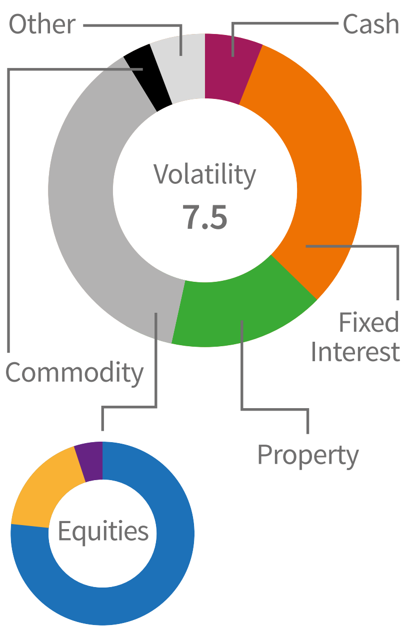
Target Return
4.60%



- 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

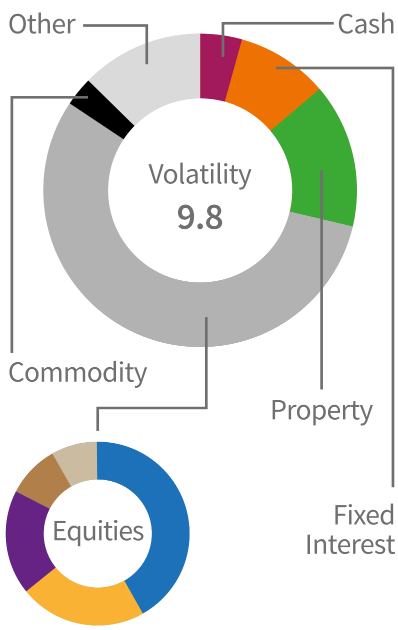
Target Return
5.70%



- 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%



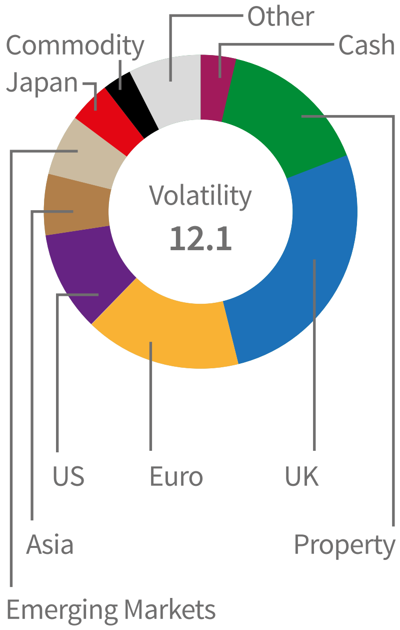
- Cash 4.3%
- Fixed Interest 9.4%
- Property 15.2%
- UK Equities 23.0%
- Euro Equities 12.5%
- US Equities 10.1%
- Asia Equities 5.2%
- Emerging Markets 5.0%
- Japan Equities 0%
- Commodity 3.0%
- Other 12.3%

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%

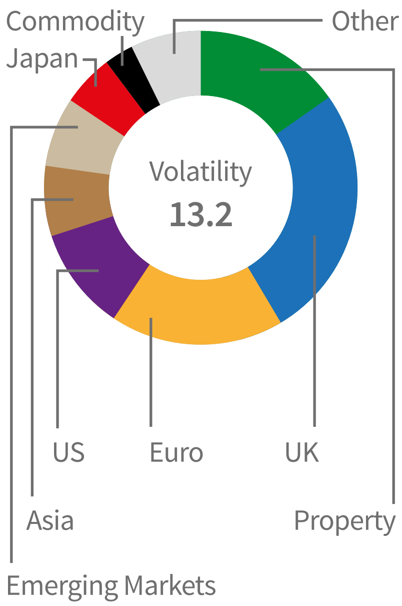


- Cash 3.6%
- Fixed Interest 0%
- Property 15.4%
- UK Equities 27.1%
- Euro Equities 16.3%
- US Equities 10.4%
- Asia Equities 6.3%
- Emerging Markets 6.3%
- Japan Equities 4.3%
- Commodity 3.0%
- Other 7.3%

Portfolio 7

Target Return

8.80%

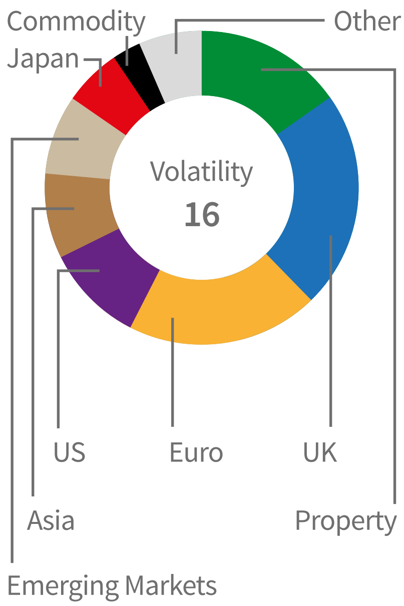


- Cash 0%
- Fixed Interest 0%
- Property 15.2%
- UK Equities 26.2%
- Euro Equities 17.9%
- US Equities 10.7%
- Asia Equities 7.3%
- Emerging Markets 7.3%
- Japan Equities 5.1%
- Commodity 3.0%
- Other 7.3%

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)

1 Review of previous minutes and sign off

After agreement, the minutes of 19th January 2017 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)

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

3a Presentation – Christopher Cade from Sarasin & Partners

Christopher started off his presentation on resilient returns in an imbalanced world. He started with showing the committee a graph on unemployment rate and how this rate has been declining over the last 5 years in Europe, UK and US. Also how low interest rates have stopped world debt defaulting but have encouraged more debt and this debt will have to be repaid at some stage. Central bank policies have caused a reduction in bond yields over the last 10 years which has pushed money over into other asset classes. Over the last five years we have seen above average returns, these returns have been driven by re-rating and not profits growth. However for the next five years Sarasin don't anticipate much more re-rating or currency gains and expect returns to depend on growth.

Christopher also believes that artificial intelligence and automation are creating new imbalances with machinery and "robots" taking peoples jobs across many different sectors. For example;

- Personal household assistants
- Service & care robots: office, shop, school, hospital
- AI as a service: business, government, science
- Law enforcement & military
- Self-driving cars

Focusing on self-driving cars, Christopher explained that self-driving cars will lead to the following;

- Empty car parks
- Fewer accidents
- Lower emissions
- Less oil consumed
- Cheaper insurance

This all sounds great however this will result in fewer jobs being needed in the car manufacturing industry, with lower car production and maintenance etc. Over the past 40 years the percentage of people in the manufacturing and agriculture industry has continued to decline and this decline is predicted to continue.

Climate change is not just affecting the environment it is also having an impact on where people invest their money. Investors may now seek investments which target environmental issues as well as growth.

The second part of Christopher's presentation was regarding Sarasin & Partners Food and Agricultural fund. Christopher explained how the food economy is huge and with an ever increasing population the food economy will only grow. Diet and nutritional plans are becoming more popular and this has increased the amount of fish that is being consumed. One of the areas of where this fund focuses on is Salmon farming. This is because of the demand for Salmon is increasing.

Another area of where this fund focuses on, is the wine industry. The demand for wine in Europe is starting to plateau but at high levels. The demand for wine in China and North America continues to grow.

People are searching for alternatives to eating at home, whether this is going out to a restaurant or even ordering a takeaway. However the fund doesn't invest in restaurants but it invests in what's behind the restaurant so for example the cooking equipment etc.

Confectionary food is now being introduced into new countries. For example there is an increasing demand for chocolate in Indonesia.

On the 31st March 2017 this fund has had a good 12 month performance of 36.7%.

3b Aisa Assessment

Portfolio returns have been good

With so much uncertainty over the last year, and with our own position of caution, then now is the time to speak out and say our investment returns for all client portfolios have been excellent when taking into account risk strategy.

However, we never claim to be anything other than what we are. The fact is that the markets as a whole have done extremely well over the last 8 months, although they have largely stagnated over the last few. As a result two things have happened:

1. Everyone's investment performance has been good.
2. Volatility of all portfolios has increased.

The position we find ourselves in is one that we have found ourselves in before. We are in a bull market with signs of overheating. In effect the bull market is up over 100% since 2011 and although we have had one or two poorer years with low or slightly negative performance over 12 month periods, the truth is that the last year has been exceptionally good.

The increase in volatility is a warning sign though. We have had to review our portfolios because of this increase in volatility, and we have also spent some time looking at the geographical sectors which we have incorporated in this month's review.

We still have positive thoughts about how things can work out this year, but we are very conscious of the fact that one single matter could lead to a market correction. Therefore, we continue to protect our clients' investments as best we can, whilst not missing out on the upside currently available. We look forward with anticipation but at the same time knowing that the client returns from the last 8 months will not be replicated in the next 12 months.

What is that old adage – past performance should not be used as a guide to future performance!

4a Geographical & Sector Outlook

The FTSE 100 has been volatile over the last 12 months, with a low of 5921.70 and a high of 7429.81. Over the period of 14/01/2017 – 13/04/2017, the FTSE 100 was up 2.02%. All of our growth and income portfolios over the same period have gone up, ranging from 1.65% to 2.93% net after charges.

Over the last year the Dow Jones Index has gone up 15.03%. With a low of 17,140.24 and a high of 21,115.55.

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
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 Gold
	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, neutral in UK and positive 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** – Neutral.
- **Property (UK Residential)** – Negative.
- **Property (UK Commercial)** – Positive.
- **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)** – Neutral, 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** – Neutral.

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

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

5 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	2.23% (1.82%)	8.2% (6.48%)	7% (3.69%)	15.67% (10.19%)	20.74% (13.65%)	N/A
Cautious (41)	4	2.54% (2.05%)	10.15% (8.38%)	7.53% (4.22%)	19.96% (14.26%)	22.47% (15.4%)	38.99% (30.11%)
Balanced (70)	5	3% (2.59%)	14.98% (13.13%)	13.14% (9.79%)	28.2% (22.24%)	28.5% (21.46%)	46.63% (36.64%)
Growth (75)	6	2.9% (2.5%)	15.69% (13.88%)	14.47% (11.11%)	35.05% (28.8%)	38.77% (30.99%)	59.68% (48.7%)
Speculative (82)	7	3.05% (2.65%)	15.71% (13.87%)	13.83% (10.45%)	38.42% (31.85%)	44.35% (36.11%)	66.48% (55.13%)
Aggressive (97)	8	2.45% (2.04%)	18.87% (15.67%)	11.98% (7.72%)	37.82% (30.22%)	45.11% (35.89%)	69.98% (57.53%)

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.

Please be aware that there may be occasions when an individual fund or funds may have a higher risk rating than a client's overall stated attitude to risk. If this is the case, then the overall risk rating applied to all of the combined funds being recommended is still designed to meet the stated tolerance.

Growth+ Portfolios

■ Including Charges ■ After Charges

Aisa Portfolio	Risk Grade	3 mths	12 mths	24 mths	36 mths	48 mths	60 mths
Cautious (42)	4	2.04% (1.65%)	8.42% (6.89%)	5.79% (2.52%)	11.78% (19.96%)	14.75% (7.85%)	N/A
Balanced (73)	5	2.30% (2.01%)	13.55% (12.36%)	13.42% (10.72%)	28.8% (23.76%)	27.6% (21.57%)	43.67% (35.47%)
Growth (75)	6	2.49% (2.1%)	14.97% (13.42%)	11.95% (8.86%)	33.25% (27.22%)	36.18% (28.5%)	56.37% (44.63%)
Speculative (82)	7	2.48% (2.17%)	13.71% (12.24%)	12.25% (9.28%)	34.8% (28.99%)	40.1% (40.55%)	60.58% (50.67%)

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	4.51%	2.53% (2.15%)	11.37% (9.71%)	7.85% (4.81%)	18.1% (12.97%)	17.89% (11.88%)	N/A
Balanced (56)	5	4.21%	2.4% (2.02%)	14.29% (12.6%)	10.71% (7.67%)	23.43% (18.27%)	24.79% (18.51%)	36.76% (28.62%)
Growth (62)	6	4.09%	3.31% (2.93%)	15.07% (13.37%)	12.95% (9.92%)	22.63% (17.53%)	24.51% (18.18%)	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 4%.

12-Month Rolling Performance

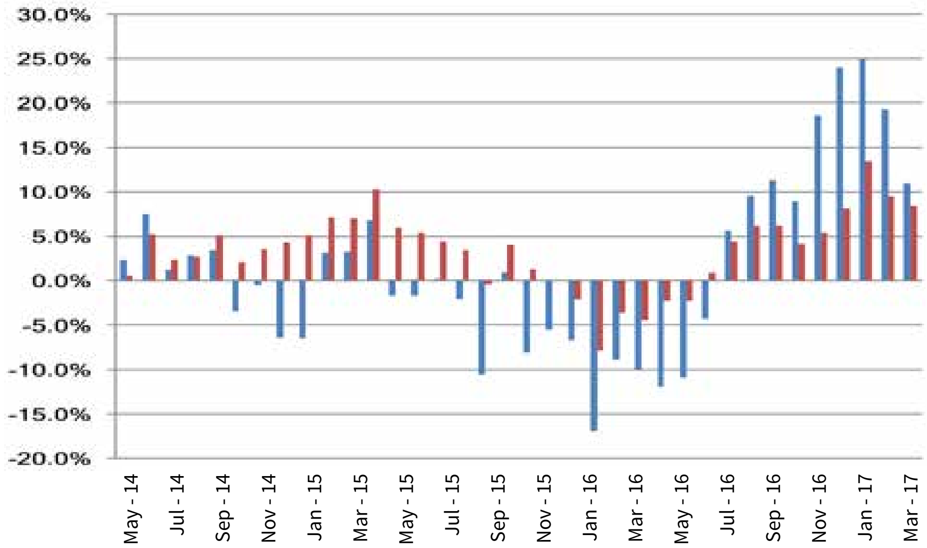
We have analysed the actual performance of three of our model portfolios over the last two years, on a rolling 12-month basis. In the table below, next to each month, we have shown the performance for the last 12 months, i.e. January 2014 to January 2015, February 2014 to February 2015 and so on.

Over the last 12 months our higher risk portfolios have beaten the performance of the FTSE 100. All of our portfolios take less risk than the FTSE 100. The 12 month rolling performance for February 2017 and March 2017 has seen good performance for all our portfolios and with our highest risk portfolio beating the FTSE 100 over both these periods.

Month	FTSE 100	Portfolio 4	Portfolio 6	Portfolio 7
May-14	2.3%	0.6%	-0.5%	2.93%
Jun-14	7.4%	5.2%	6.1%	11.14%
Jul-14	1.2%	2.4%	1.5%	2.30%
Aug-14	2.9%	2.7%	2.0%	2.17%
Sep-14	3.4%	5.1%	6.1%	5.74%
Oct-14	-3.5%	2.1%	1.6%	1.52%
Nov-14	-0.5%	3.5%	6.0%	5.63%
Dec-14	-6.4%	4.3%	8.1%	9.12%
Jan-15	-6.5%	5.1%	9.4%	9.45%
Feb-15	3.1%	7.1%	10.5%	10.51%
Mar-15	3.3%	7.0%	11.6%	11.66%
Apr-15	6.8%	10.3%	17.6%	19.67%
May-15	-1.7%	6.0%	11.6%	11.90%
Jun-15	-1.7%	5.4%	11.0%	9.83%
Jul-15	0.1%	4.4%	8.8%	5.92%
Aug-15	-2.1%	3.4%	7.9%	5.04%
Sep-15	-10.6%	-0.4%	1.7%	-2.92%
Oct-15	0.9%	4.0%	8.7%	5.15%
Nov-15	-8.1%	1.3%	3.7%	1.26%
Dec-15	-5.5%	0.0%	1.2%	-3.61%
Jan-16	-6.7%	-2.1%	-2.2%	-7.22%
Feb-16	-17.0%	-7.9%	-8.8%	-13.62%
Mar-16	-8.9%	-3.6%	-2.6%	-6.55%
Apr-16	-10.1%	-4.5%	-3.2%	-6.68%
May-16	-12.0%	-2.3%	0.6%	-3.80%
Jun-16	-10.9%	-2.3%	0.7%	-1.09%
Jul-16	-4.3%	0.9%	7.6%	9.15%
Aug-16	5.6%	4.4%	11.7%	14.30%
Sep-16	9.6%	6.2%	12.9%	16.09%
Oct-16	11.3%	6.2%	15.0%	18.53%
Nov-16	8.9%	4.1%	10.4%	15.31%
Dec-16	18.6%	5.4%	11.4%	16.18%
Jan-17	24.0%	8.1%	15.9%	21.14%
Feb-17	25.0%	13.4%	24.1%	30.31%
Mar-17	19.3%	9.5%	17.2%	19.99%
Apr-17	11.0%	8.4%	13.9%	15.67%
Average	**-1.9%**	**2.5%**	**5.5%**	**4.8%**

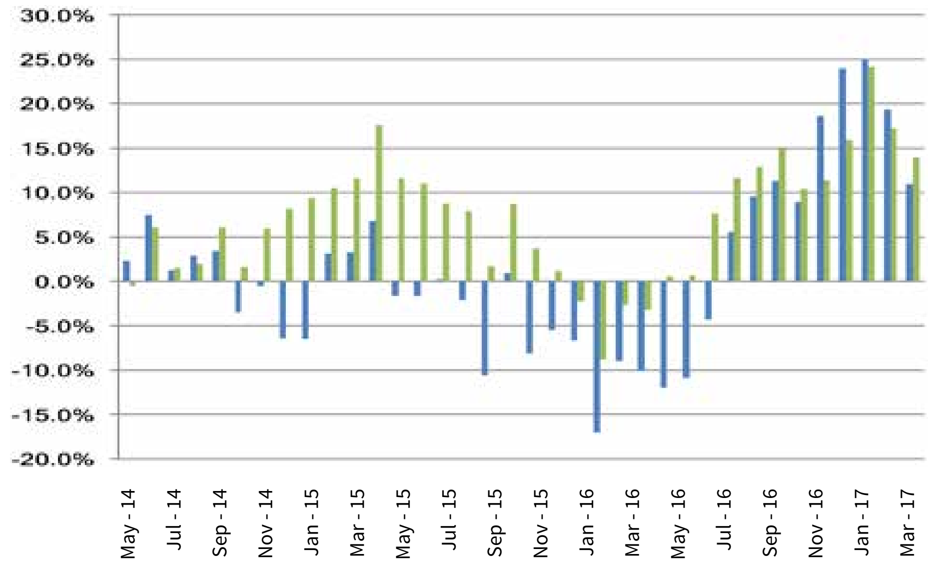
Aisa Portfolio 4

- FTSE 100
- Aisa Portfolio 4



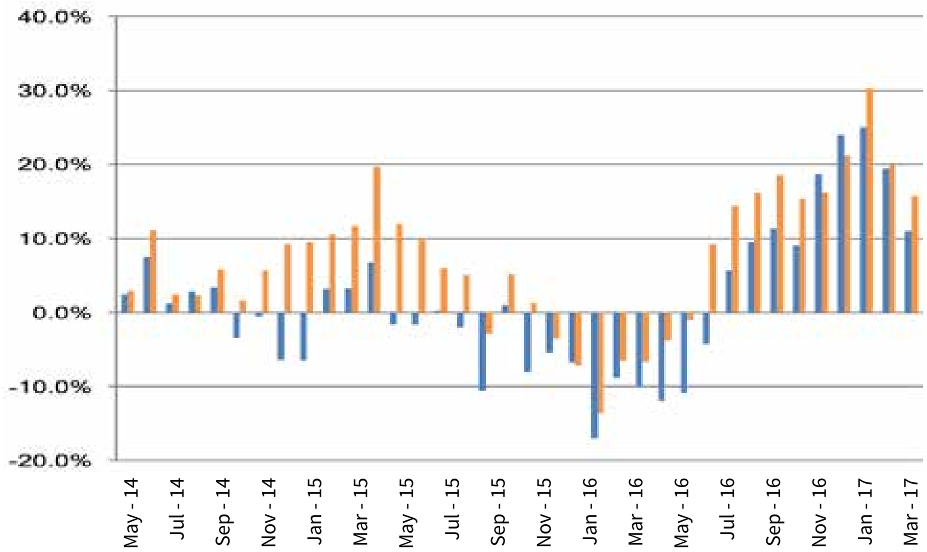
Aisa Portfolio 6

- FTSE 100
- Aisa Portfolio 6



Aisa Portfolio 8

- FTSE 100
- Aisa Portfolio 8



6 Quarterly timetabled asset/product discussions

The product discussions for this quarter were SIPPs, Platforms and Corporate Pensions.

First to be discussed was SIPPs, which was reviewed by John. After researching multiple options John would recommend that we use AJ Bell for small SIPPs of up to £80,000 because they have low annual management charge. For Larger SIPPs over £80,000, the recommendation is to use Ascentric, this is due to flexibility of investment and that large tracts of the administration are in-house and Aisa has control over the outcomes rather than relying to third part administrators. For SIPPs with property the recommendation is to use Guardian or Rowanmoor as both are property specialist SIPPs with low initial and ongoing costs.

James PC then reviewed Platforms. We have created a spreadsheet which compares offshore platforms against Ascentric and AJ Bell in the UK. This focuses on client costs of being on a platform and trading UCITS, ETP and equities. Due diligence has been done on Novia Global; Novia Global features on the spreadsheet and is a good performer across all aspects. For sterling investors the recommendations are Ascentric, AJ Bell or Novia Global. For other currency investors the recommendation is Platform One. Clients can go outside of the recommendations if other platforms best fit their needs.

Finally Geordie reviewed Corporate Pensions. This is split into two parts personal pensions and group pensions. For personal pensions the recommendation is to use Royal London for regular premium investing only, the reason being that they have a low annual management charge. For transfer business only the recommendation would be to use either Royal London Pension Plan or the Scottish Widows Retirement Account. Both plans have low charging structures and they offer a competitive range of investment funds. When recommending Group Pension schemes we have used Royal London and Scottish Widows before, both of which offer competitive terms and good service. Geordie also recommended NOW pensions as they offer a quick and efficient process, with an extremely competitive charging structure.

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

7 AOB

Reference Material utilised in this meeting:

Analytics – review of funds.

Aisa Performance data.

Aisa Governance Document.

Ascentric presentations.

8 Next Meeting

Next meeting will be held on Wednesday 19th July 2017.

Quarterly review topics for next meeting are:

a) Investment Trusts.

b) VCT & EIS.

c) DFM processes.

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

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