Quarterly Investment Update

Q1 | 2018

Aisa Professional


7000
6724
52.19
-67
-54
6500
6000

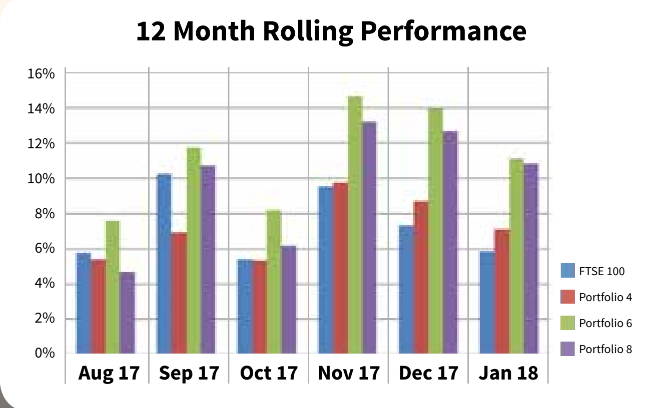
Executive Summary

Market Summary

- The FTSE 100 has experienced low volatility over the last 12 months, with a low of 7,099.20 and a high of 7,778.60.
- Over this 12 month period the FTSE 100 was up 5.8%.
- Interest rates will be a key factor in 2018 in many countries.
- The Eurozone is planning on ceasing quantitative easing.
- Most asset classes have seen strong performance over the last year.

Investment Portfolios

- All of our growth portfolios have outperformed the FTSE 100 over the same period, (except portfolio 3) ranging from 5.75% to 13.5% net after charges.
- All of our portfolios take less risk than the FTSE 100 and exhibit lower volatility.
- Growth portfolios 4-8 have beaten a FTSE 100 tracker over a 12 month rolling period finishing in the last 3 months until January 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.
- Growth portfolio 3 and 4 have outperformed cash considerably, and are much lower risk than equity only portfolios.
- Over recent 12 month periods, portfolio 7 has more than doubled the performance of a FTSE 100 tracker.
- Income portfolios continue to hit targets for yield and performance.



How we work

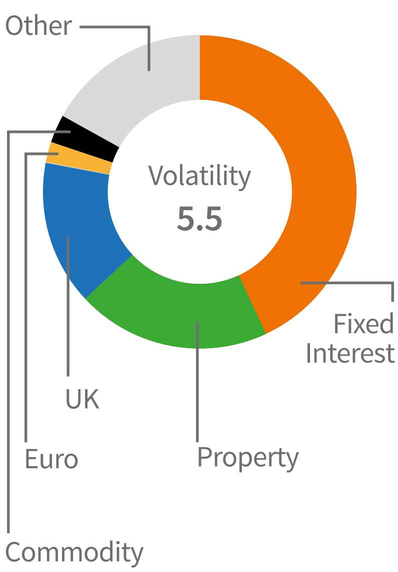
- Funds are selected using criteria in our governance document. The funds are allocated using our strategic plan and which asset classes we feel should be considered over the coming 12 months and longer.
- Our strategic plan is largely decided by our informed view on the economies of the world and individual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

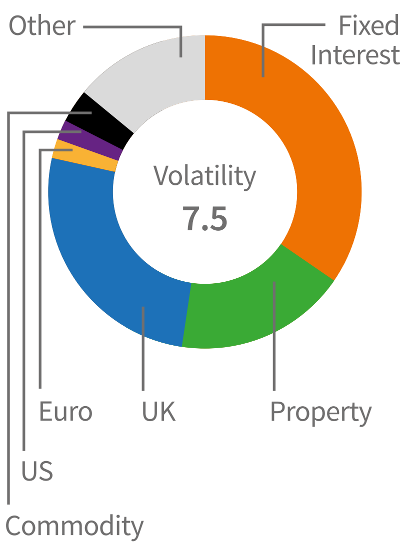
Target Return
4.60%



- 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

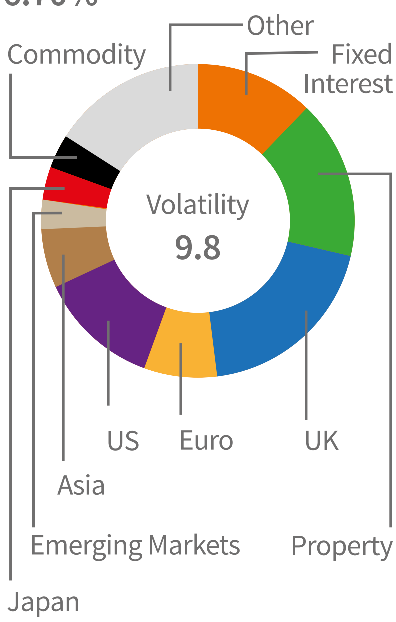
Target Return
5.70%



- 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%

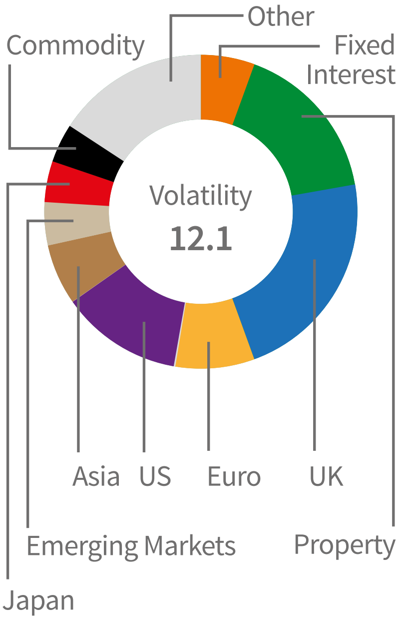


- Fixed Interest 12.2%
- Property 16.4%
- UK Equities 19.4%
- Euro Equities 7.5%
- US Equities 12.5%
- Asia Equities 6.0%
- Emerging Markets 3.1%
- Japan Equities 3.3%
- Commodity 3.5%
- Other 16.1%

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

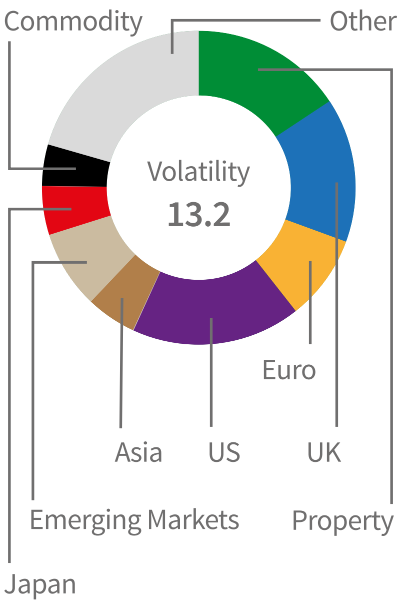
Target Return
7.80%



- 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%

Portfolio 7

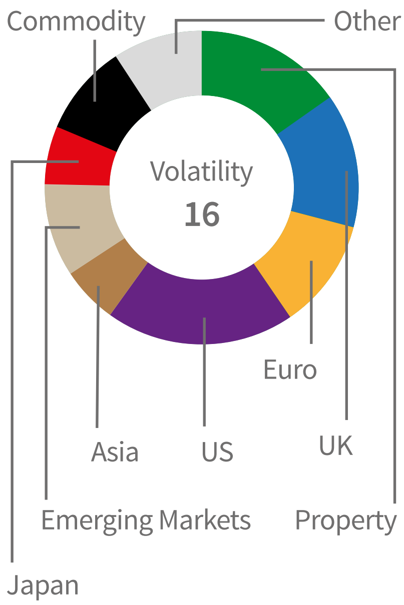
Target Return
8.80%



- 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%

Portfolio 8

Target Return
9.90%



- 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 January 2018

Attendees: James Pearcy-Caldwell (Acting as Chairman in parts and Compliance)
John Reid (Chairman Via Skype)
Geordie Bulmer (Member of Board) (Via Skype)
Lee Hinton (Guest)
Sam Ricks (Guest)
Paul Pulickal (Guest)

Secretary: James Dunford (Secretary)

1 Review of previous minutes and sign off

John Reid (Chairman) was ill and conducted the meeting over Skype asking James Pearcy-Caldwell to act as Chairman for sign-off and in parts of the meeting requiring co-ordination. John Reid was present on Skype throughout. After agreement, the minutes of 12th October 2017 were signed as correct by James Pearcy-Caldwell as acting Chair.

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

3 Aisa Comment & Presentations

a) Aisa Comment

There has been some really good news filtering through recently, and whilst we welcome this, there are still some concerns. For people in the Southern Hemisphere they may be concerned about Chinese debt, or be encouraged by Chinese growth depending on their positioning. In the Northern hemisphere things have been looking up, but there are ongoing concerns about interest rate rises and inflation in the UK and US.

As the president of the Central Bank, Mario Draghi announces the easing or finishing of any quantitative easing, which has delivered real growth in the EU in 2016 and 2017, the bull market in government bonds has to end soon. With Brexit, the political statements from M Barnier that no future trade deal can include servicing, is bound to further have impact on EU financial affairs.

As my son recently wrote, “As Brexit evolves, analysing economic and business activity has become more engaging and fascinating. There is no modern recent scenario equivalent where a major country removes itself from an economic block against a backdrop of greater globalisation, which has never been greater as modern communication has enabled companies and states over the last 20 years. Therefore, we are now in uncharted territory where the normal theories of economics and business may not be able to explain the outcome of this event. Politics will play a significant part.”

The idea that 27 countries will speak as one once negotiations over Brexit trade and servicing deals seriously start will be short lived as reality, and individual country “red lines” are tested.

However, the last 2 years have been good for the investor with many enjoying double digit growth. Whilst we have remained cautious, the fund managers we are speaking to are more bullish for 2018 because of various reasons, although they anticipate volatility and so should you.

In the UK, inflation is likely to ease in 2018. Whilst inflation can be good in terms of reducing the real value of debt, it can be bad for those having to repay the debt! Everyone wants the former without the pain of the latter. Having higher debt repayments takes money from other areas of expenditure both in governments, companies and individuals. Something has to give and therefore, the issue of interest rates (which directly affects the payments) is a major issue, and will affect markets.

The “talk of the town” since mid-2017 has been the interest rate rises in the USA, UK and the ceasing of quantitative easing in the Eurozone. An increase in interest rates or a reduction in quantitative easing will reduce the amount of money in circulation by making money more expensive to obtain. In normal circumstances, this should lead to asset depreciation, and businesses with borrowings are also affected. It will lead to money being diverted away from equities to safer assets.

The confidence of investors and economists remain strong at the moment; we will see how this changes with events.

b) Macro-Economic Outlook

The first presentation we had was from Michael Johnson who gave us a macro-economic outlook. Michael is from the Markets Insight Team at Invesco Perpetual .

Over the past year equities have been strong. How much longer will this go on for? Well, Michael believes that equities are highly valued but he doesn't believe that this will have substantial impact the performance of equities. The main concerns fund managers face is central bank's monetary policy. Monetary policy is how a nation's central bank aims to stipulate long term economic growth. This can be in many different forms. For example a programme of quantitative easing can be used to increase the money supply. The US has seen a pull back on quantitative easing and if managed correctly this will have a limited effect on the US. In Europe and Japan quantitative easing is slightly benign. Inflation could be seen as more of a risk to fund manager and part of this is with earnings inflation not having been pushed through. Earning inflations hasn't been pushed through yet and this is because unions are having less impact, companies offering zero hour contracts and employees not demanding an increase in wages.

A structural issue of the global economy is that there is still a vast amount of worldwide debt.

Banks have been able to offer loans to people and companies at relatively low rates and this has led to lots of borrowing worldwide. For example in certain cities across Europe people are borrowing large amounts of money to buy residential property. However Michael believes that in real terms this isn't affecting people everywhere.

We are currently in the late cycle and at this stage of the cycle you own equities because that is where you will see the growth. In Michael's opinion equities may be valued highly and are very volatile but they are the best looking asset class at the moment. Corrections do often happen when valuations are high so it is good business to plan for such corrections. Corrections aren't just limited to when valuations are high they can happen at any point, even when valuations are low. However trying to time the markets and trying to predict when the correction will happen can have a massive impact on your investments. Is it better to be early? Is it better to be late? If you are early you may miss a large boost in performance. If you are late you may experience a large drop.

We are in late cycle but after evaluating all the current economic evidence it doesn't suggest that the cycle will be ending soon.

c) Absolute Return Strategies

The second presentation we had was from Clive Emery. Clive works in the absolute return section at Invesco Perpetual.

The Invesco Perpetual Global Targeted Returns fund is a fund offered by Invesco which clients mainly use in their portfolios for three main reasons.

1) Can be used as an equity replacement
2) Can be used as a volatility replacement, or
3) Can be used as a way to diversify a portfolio

The fund was launched in September 2013 and targets a gross return of 5% per annum above UK 3-month Libor. The fund aims to achieve this with having less than 50% of the risk of equities. It sets out by doing this by operating around 30 ideas simultaneously with each idea aiming at 0.25% return on each idea. These ideas aren't limited so they can be in any asset class, in any type of investment and in any location. The fund massively focuses on risk management and within each idea they build in protection for if the idea fails. This built in protection will dampen the return of the fund. This is because if the idea returns 0.30% and the protection costs 0.04% then the total idea will return 0.26%. However if the idea fails it can minimise the negative return on the idea.

The funds aims on returns stay the same, whether the markets are performing or underperforming, it aims to keep ticking along and not to be correlated to anything. This can be seen by the fund only having four negative quarters since inception whilst markets have fluctuated much more than this.

d) Japanese Economy

The third and final presentation was from Tony Roberts. Tony is part of the Japanese equities team at Invesco Perpetual.

At the end of 2008 Japan became an investable location again and Japan is now a wealthy country. This is with Japan owning 99% of the Japanese bond market. Japan is a cyclical market in a structural uptrend.

When global markets crashed the respective governments gave money to the banks. However in Japan not a single Yen was given to the banks from the Japanese government. Since 2007 Japan has seen a drop in capital expenditure and has seen an increase in maintenance and repair.

Corporate profits are at record levels and unemployment levels are incredibly low, which indicates that currently the Japan economy is in a strong position. For every person applying for a job they have 1.6 jobs to choose from. This still gives the view that Japanese cyclical companies will outperform structured and defensive companies. However if the growth does slow down then investors will then graduate towards the structured and defensive companies.

Average earnings are not going up at all. And the wage growth has not matched inflation. Part time workers and manual labour workers are seeing a slight increase in wages.

Invesco Perpetual offer a Japan fund of which Tony is a co-manager. The fund launched in November 2012 and aims to achieve capital growth by investing in shares of Japanese companies. The fund is currently overweight on the industrial sector. This includes shipping where many factories are now working to full capacity. The fund is also overweight on Financials and this includes banks

4a) Geographical & Sector Outlook

The FTSE 100 has experienced low volatility over the last 12 months, with a low of 7,099.20 and a high of 7,778.60. Over this 12 month period the FTSE 100 was up 5.8%. All of our growth portfolios have outperformed the FTSE 100 over the same period, (except portfolio 3) ranging from 5.75% to 13.5% net after charges.

Over the last year the Dow Jones Index has gone up 30.76% with a low of 19,732.40 and a high of 25,803.19.

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

- **Equity** – We are positive on Europe, neutral in UK, US and Japan. We are neutral on China and Emerging Markets connected with China, but positive towards South East Asia and other Emerging Markets.
- **Equity Income** – Neutral.
- **Property (UK Residential)** – Negative.
- **Property (UK Commercial)** – Neutral.
- **Property (Global)** – Positive.
- **Bonds (Gilts)** – Negative.
- **Bonds (Strategic)** – Negative.
- **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.

5a) 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	1.76% 1.36%	7.49% 5.75%	16.32% 12.56%	15.77% 10.29%	22.72% 15.03%	31.52% 21.94%
Cautious (41)	4	1.84% 1.44%	8.85% 7.11%	19.65% 15.82%	19.48% 13.91%	27.31% 19.46%	36.84% 26.76%
Balanced (67)	5	2.65% 2.27%	12.96% 11.17%	32.97% 28.72%	30.91% 24.90%	41.15% 32.61%	50.69% 39.99%
Growth (72)	6	2.66% 2.27%	12.94% 11.13%	33.44% 28.99%	32.74% 26.36%	46.91% 37.34%	66.46% 53.29%
Speculative (80)	7	3.26% 2.88%	15.34% 13.53%	37.50% 33.07%	35.14% 28.95%	51.75% 42.40%	74.45% 61.53%
Aggressive (95)	8	3.47% 3.11%	12.44% 10.82%	39.71% 35.16%	30.17% 25.10%	45.81% 37.46%	69.61% 57.99%

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 (42)	4	1.62% 1.23%	6.96% 5.35%	16.65% 13.23%	14.30% 8.62%	21.10% 13.41%	29.71% 20.13%
Balanced (69)	5	2.42% 2.07%	10.25% 8.70%	28.99% 25.83%	26.35% 21.58%	35.57% 28.55%	41.50% 32.68%
Growth (73)	6	2.40% 2.01%	10.94% 9.24%	29.85% 26.06%	28.64% 23.08%	44.77% 36.16%	59.17% 47.74%
Speculative (80)	7	2.76% 2.42%	11.87% 10.45%	32.50% 29.01%	30.28% 25.15%	44.22% 36.67%	63.71% 53.38%

Income Portfolios

■ Including Charges ■ After Charges

Aisa Portfolio	Risk Grade	Yield	3 mths	12 mths	24 mths	36 mths	48 mths	60 mths
Cautious (39)	4	4.37%	3.96% 3.46%	10.74% 8.74%	21.15% 16.96%	23.11% 17.00%	28.04% 20.01%	N/A
Balanced (59)	5	4.08%	2.54% 2.19%	10.11% 8.60%	23.72% 20.24%	22.50% 17.45%	29.17% 22.08%	37.46% 28.61%
Growth (66)	6	3.86%	2.91% 2.52%	10.58% 8.91%	28.37% 24.50%	26.82% 21.50%	32.51% 25.19%	39.59% 30.63%

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 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. December 2016 to December 2017, January 2017 to January 2018 and so on.

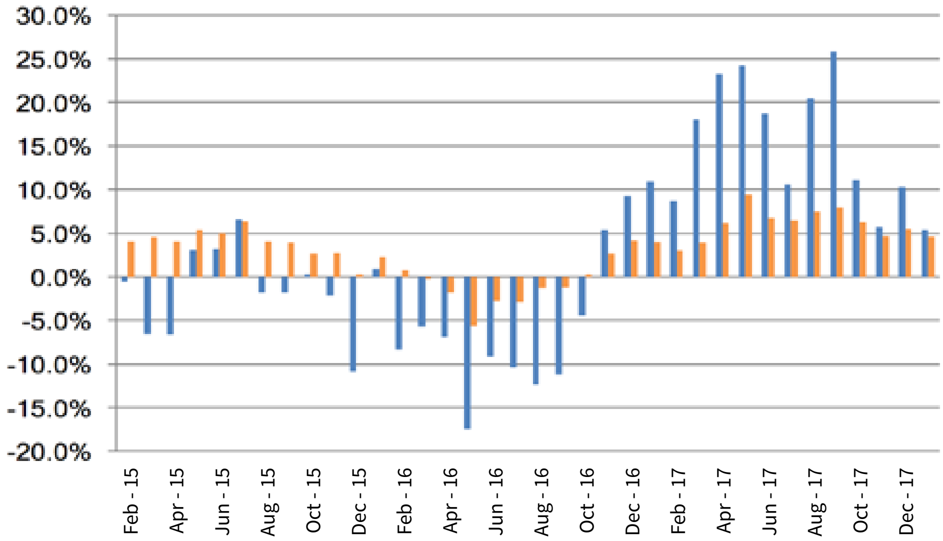
Out of our growth portfolios only growth portfolio 3 hasn't beaten a FTSE 100 tracker over a 12 month rolling period to January 18, to December 17 and to November 17. Growth portfolios 4-8 have beaten a FTSE 100 tracker over these periods. All of our portfolios take less risk than the FTSE 100. Over the 12 month period to December 17 and the 12 month period to January 18, portfolio 7 has more than double the performance of a FTSE 100 tracker.

Month	FTSE 100	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Portfolio 8
Feb-15	3.1%	5.39%	7.1%	7.12%	10.5%	12.7%	10.51%
Mar-15	3.2%	4.99%	7.0%	7.39%	11.6%	13.8%	11.66%
Apr-15	6.6%	6.31%	10.3%	11.01%	17.6%	20.0%	19.67%
May-15	-1.7%	4.08%	6.0%	6.34%	11.6%	12.8%	11.90%
Jun-15	-1.7%	3.93%	5.4%	6.61%	11.0%	11.2%	9.83%
Jul-15	0.1%	2.63%	4.4%	4.59%	8.8%	9.3%	5.92%
Aug-15	-2.1%	2.72%	3.4%	4.72%	7.9%	8.6%	5.04%
Sep-15	-10.9%	0.18%	-0.4%	-0.3%	1.7%	1.9%	-2.9%
Oct-15	0.9%	2.35%	4.0%	5.84%	8.7%	8.9%	5.15%
Nov-15	-8.3%	0.72%	1.3%	1.65%	3.7%	2.6%	1.26%
Dec-15	-5.7%	-0.22%	0.0%	0.08%	1.2%	0.3%	-3.61%
Jan-16	-6.9%	-1.77%	-2.1%	-3.13%	-2.2%	-3.4%	-7.22%
Feb-16	-17.5%	-5.64%	-7.9%	-9.53%	-8.8%	-10.3%	-13.62%
Mar-16	-9.2%	-2.74%	-3.6%	-3.49%	-2.6%	-3.9%	-6.55%
Apr-16	-10.4%	-2.93%	-4.5%	-3.54%	-3.2%	-4.3%	-6.68%
May-16	-12.3%	-1.29%	-2.3%	-0.70%	0.6%	-1.5%	-3.80%
Jun-16	-11.2%	-1.23%	-2.3%	0.50%	0.7%	0.6%	-1.09%
Jul-16	-4.4%	0.05%	0.9%	6.80%	7.6%	8.1%	9.15%
Aug-16	5.4%	2.64%	4.4%	10.86%	11.7%	12.4%	14.30%
Sep-16	9.3%	4.11%	6.2%	11.58%	12.9%	13.2%	16.09%
Oct-16	11.0%	3.99%	6.2%	12.73%	15.0%	16.2%	18.53%
Nov-16	8.7%	2.97%	4.1%	8.49%	10.4%	10.5%	15.31%
Dec-16	18.1%	3.95%	5.4%	10.71%	11.4%	11.9%	16.18%
Jan-17	23.3%	6.14%	8.1%	15.15%	15.9%	16.5%	21.14%
Feb-17	24.2%	9.42%	13.4%	23.13%	24.1%	25.4%	30.31%
Mar-17	18.7%	6.72%	9.5%	16.07%	17.2%	17.8%	19.99%
Apr-17	10.7%	6.48%	8.4%	13.09%	13.9%	13.9%	15.67%
May-17	20.5%	7.45%	10.1%	15.58%	17.4%	17.7%	19.73%
Jun-17	25.8%	7.93%	11.0%	16.77%	17.8%	18.5%	21.25%
Jul-17	11.1%	6.28%	7.8%	10.01%	11.0%	11.4%	8.33%
Aug-17	5.8%	4.68%	5.4%	6.90%	7.6%	7.6%	4.68%
Sep-17	10.3%	5.44%	6.9%	11.11%	11.7%	13.0%	10.73%
Oct-17	5.4%	4.63%	5.4%	7.77%	8.2%	8.7%	6.21%
Nov-17	9.5%	7.07%	9.8%	15.00%	14.7%	17.0%	13.19%
Dec-17	7.3%	6.42%	8.7%	13.61%	14.0%	16.3%	12.67%
Jan-18	5.8%	5.75%	7.1%	11.17%	11.1%	13.5%	10.82%
Average	**3.9%**	**3.3%**	**4.6%**	**7.5%**	**9.2%**	**9.7%**	**8.9%**

Aisa Portfolio 3

FTSE 100

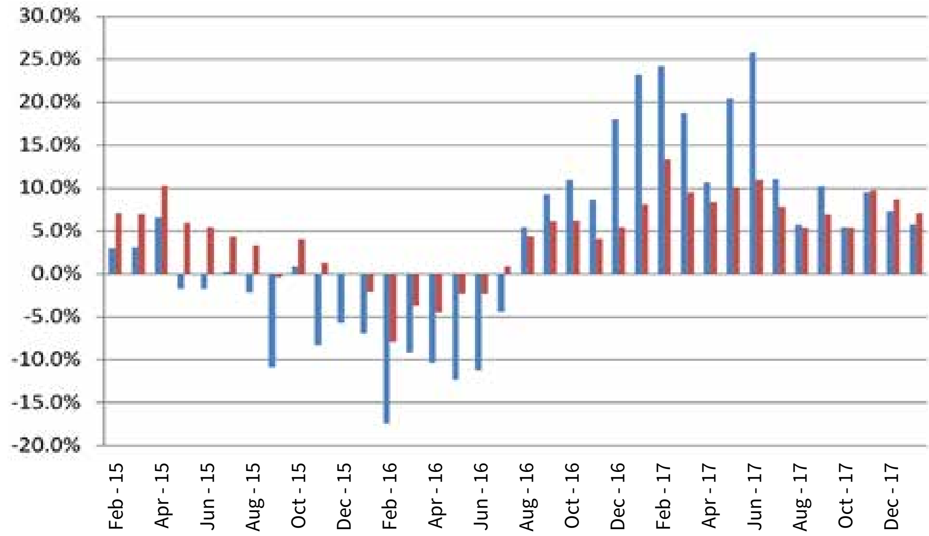
Aisa Portfolio 3



Aisa Portfolio 4

FTSE 100

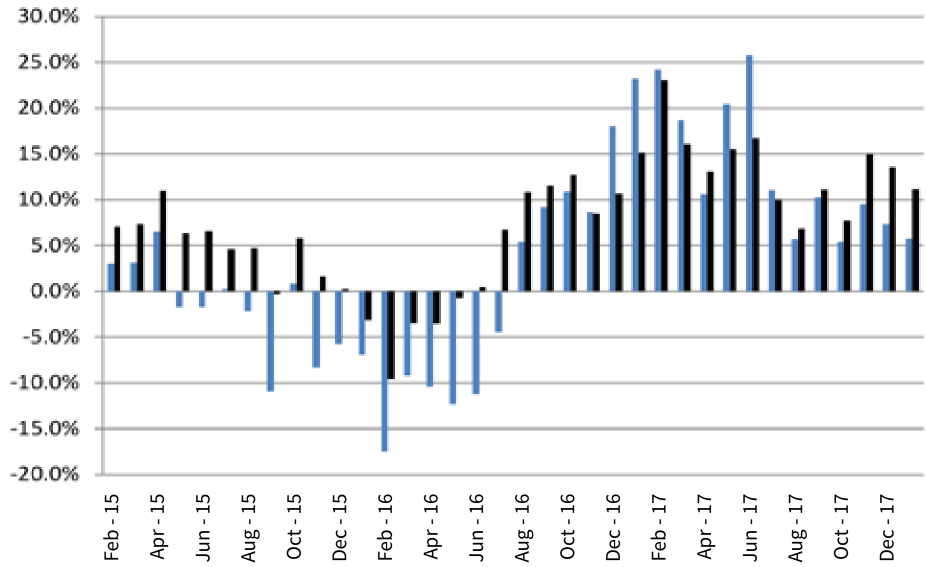
Aisa Portfolio 4



Aisa Portfolio 5

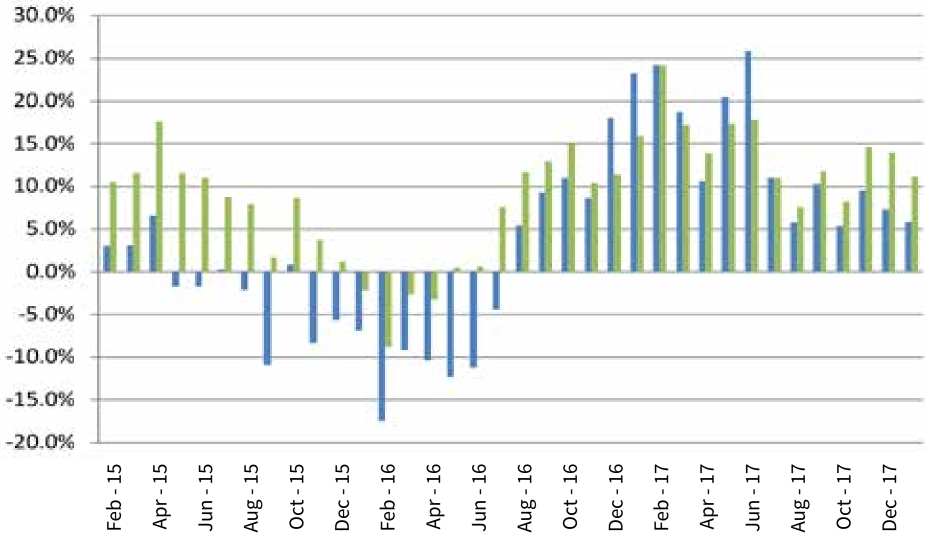
FTSE 100

Aisa Portfolio 5



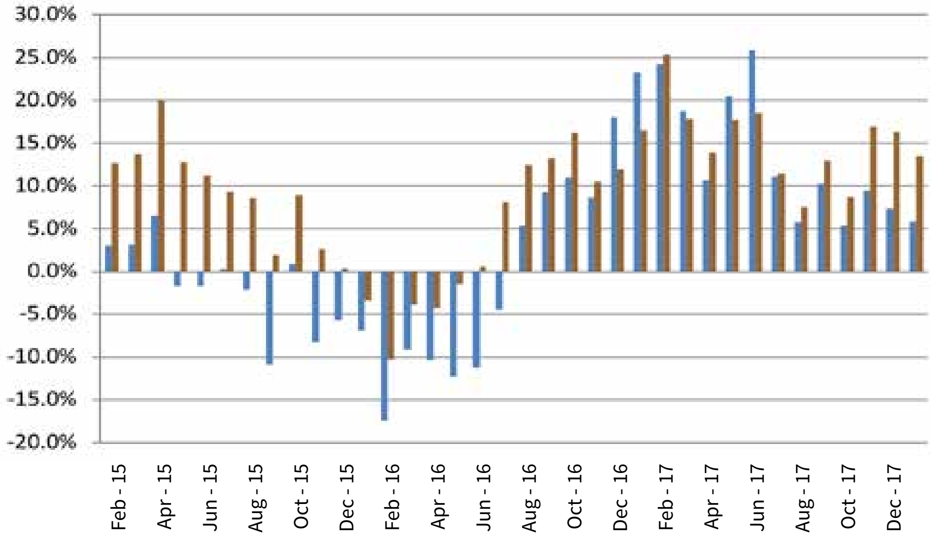
Aisa Portfolio 6

FTSE 100
Aisa Portfolio 6



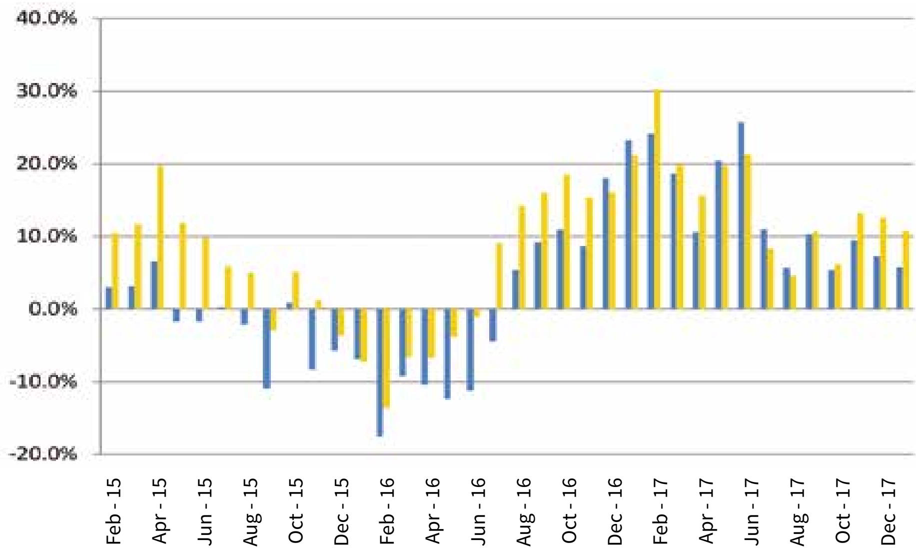
Aisa Portfolio 7

FTSE 100
Aisa Portfolio 7



Aisa Portfolio 8

FTSE 100
Aisa Portfolio 8



6 Quarterly timetabled asset/product discussions

The product discussions for this quarter were UCIS Methodology which was reviewed by John Reid, ETP and Passive Tracking which was reviewed by James Pearcy-Caldwell and Offshore Bonds which was reviewed by Geordie Bulmer. 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 at the Pewsey office on 18th April 2018.

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.**
Action: **James Dunford to review historic crashes.**
Action: **James D, John R and Lee H to discuss offshore multi-currency portfolios.**
Review: **Those funds on quarterly watch.**
Review: **Monitor funds in growth portfolios.**

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Signed by Chairman

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