



Quarterly Investment Update

Q3 | 2019



Executive Summary

Market Summary

- The FTSE 100 has continued to be extremely volatile over the year to 13th July 2019, with a low of 6,584.70 and a high of 7,776.70. Over this 12 month period the Dow Jones Index has gone up 9.24%.
- Over the quarter 14th April 2019 – 13th July 2019, the FTSE 100 was up 0.93%.

Investment Portfolios

- All of our growth risk portfolios have outperformed the FTSE 100 over every time period up to 60 months. Our cautious portfolios have performed very well almost matching the FTSE 100 returns.
- Our graph (bottom right) demonstrates our recent out performance.
- Over this 12 months our growth portfolios performance range from 2.33% to 3.59% net (after all charges), against a FTSE return (gross) of (minus) -2.1%.
- Income portfolios have not hit targets of matching inflation over the last 12 months, and we are reviewing that, although they have outperformed the FTSE 100.
- Income portfolios continue to hit yield targets, and longer term performance has met with our targets.
- We have agreed to a slightly more conservative approach over the coming 6-12 months.



How we work

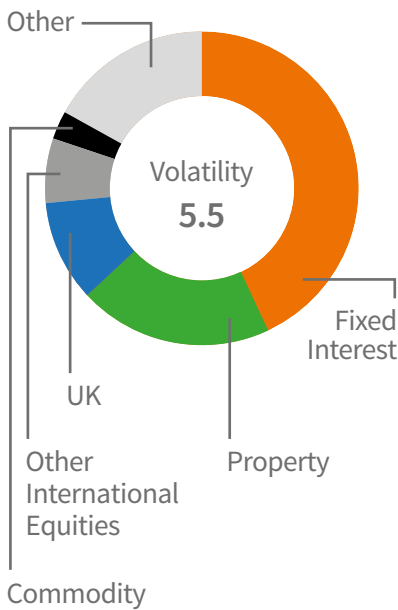
- Funds are selected using criteria in our governance document. The funds are allocated using our strategic plan and which asset classes we feel should be considered over the coming 12 months and longer.
- Our strategic plan is largely decided by our informed view on the economies of the world and individual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

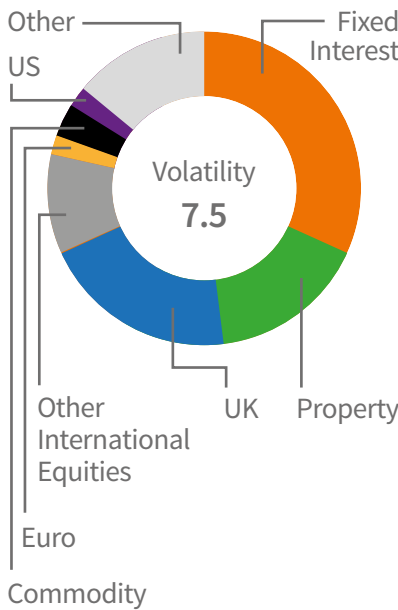
Defensive 3

Target Return
4.00%



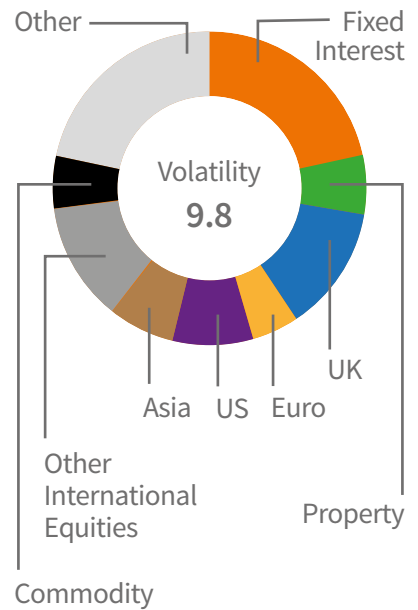
Cautious 4

Target Return
5.50%



Balanced 5

Target Return
6.50%



- Fixed Interest 41.03%
- Property 15.81%
- UK Equities 8.07%
- Euro Equities 0%
- US Equities 0%
- Asia Equities 0%
- Other Int. Equities 7.35%
- Japan Equities 0%
- Commodity 13.50%
- Other 14.24%

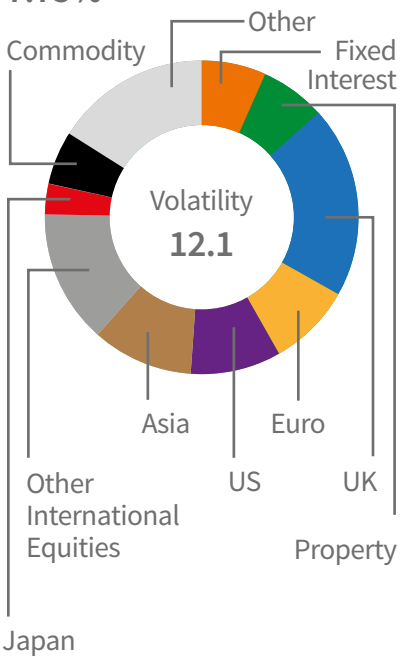
- Fixed Interest 26.80%
- Property 14.01%
- UK Equities 15.57%
- Euro Equities 2.14%
- US Equities 2.05%
- Asia Equities 0%
- Other Int. Equities 12.76%
- Japan Equities 0%
- Commodity 15.8%
- Other 10.87%

- Fixed Interest 20.14%
- Property 7.50%
- UK Equities 12.79%
- Euro Equities 6.99%
- US Equities 8.71%
- Asia Equities 6.29%
- Other Int. Equities 10.76%
- Japan Equities 0%
- Commodity 6.61%
- Other 20.21%

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.

Growth 6

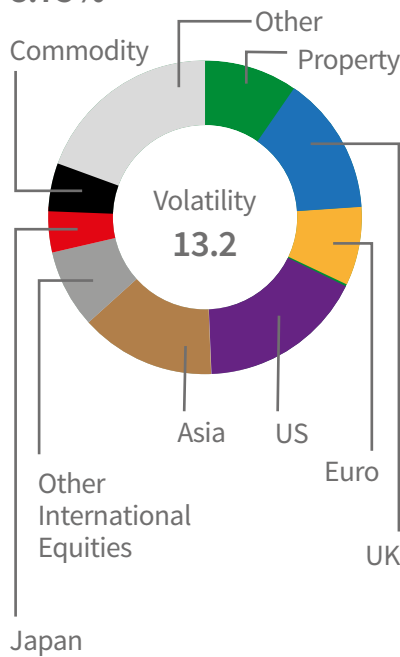
Target Return
7.75%



- Fixed Interest 6.19%
- Property 7.00%
- UK Equities 21.17%
- Euro Equities 7.79%
- US Equities 7.77%
- Asia Equities 8.04%
- Other Int. Equities 13.50%
- Japan Equities 4.13%
- Commodity 6.47%
- Other 17.94%

Speculative 7

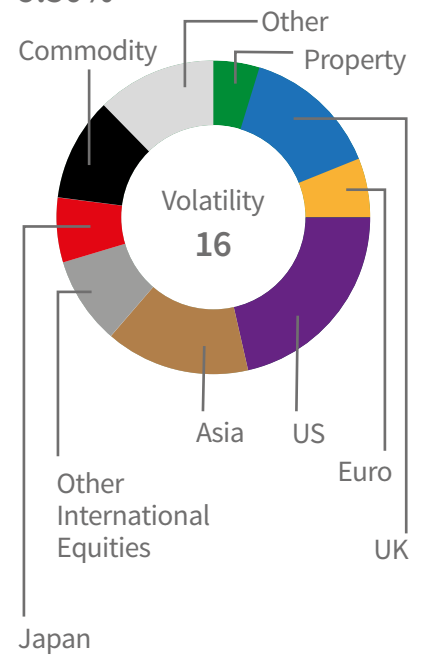
Target Return
8.75%



- Fixed Interest 0%
- Property 8.00%
- UK Equities 15.02%
- Euro Equities 8.31%
- US Equities 17.00%
- Asia Equities 12.97%
- Other Int. Equities 8.95%
- Japan Equities 5.03%
- Commodity 7.01%
- Other 17.71%

Adventurous 8

Target Return
9.50%



- Fixed Interest 0%
- Property 5.50%
- UK Equities 11.55%
- Euro Equities 8.72%
- US Equities 20.91%
- Asia Equities 14.88%
- Other Int. Equities 10.00%
- Japan Equities 7.77%
- Commodity 9.83%
- Other 10.84%

Aisa Team (AIT) Committee Meeting

Dated: 24th July 2019

Attendees: John Reid (Chairman)
James Percy-Caldwell (Member of Board and Compliance Representative)
Geordie Bulmer (Member of Board)
Max Durrant (Non-Voting Member of Committee)
Shane Wood (Guest)
Brian Dunhill (Guest)

Secretary: James Dunford (Secretary)

1 Review of previous minutes and sign off

After agreement, the minutes of 29th April 2019 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)*

3) Presentation(s)

a) Aisa Comment - 2019 Slowdown in World Economy

We often invest based on where we think we see potential growth whilst also avoiding potential problems. With this in mind I am reviewing the 2019 slowdown in World Economy.

In 2019 China reported its economy had grown 6.2%, the lowest economic growth for over 20 years. It comes at a time where the USA has been locking horns with China over certain (non-consumer focused) trade, with President Trump keeping to his manifesto of boosting domestic growth and industry, through protectionism with foreign competitors.

However, if you can believe first quarter reports from both economies, whilst they retain excellent figures in 2019, they are showing an economic slowdown. The US's financial target under Trump was set to be 3% economic growth and this is unlikely to be achieved through 2019.

As they are two of the biggest economies, as they produce and consume less (in relative terms as they are still growing), it impacts on other economies. Simply put, less high ticket items are bought.

In Europe, where many high ticket items are produced, the major economies like Germany, France, UK and Italy have experienced a 2019 slow down. Additionally, uncertainty factors like Brexit and Trump's trade war with China and other competitor countries have caused businesses to stop investing and spending, awaiting clarity on what will be the outcome of these events.

The European Union has some member states that have not fully recovered from the 2007 financial crisis; these already weak economies cannot withstand another recession in their current state. With countries operating on record low interest rates already and European Central Bank having a negative interest rate and the world's largest money printing operation over the last few years (which was due to stop in 2018) there is little room for manoeuvre. Banks in the Eurozone still operate on a 1% asset ratio against money they lend out, compared to 10% for US banks and 5% for UK banks, making the latter two more secure.

Further, this is not helped by the fact that the German economy which is the bedrock of the Eurozone has seen its industry sector begin a technical recession. This has also been reported by the Ifo Institute who released data showing Germany's business climate index fell from 1.3 in June to minus 4.3 in July, coming as German manufacturers put workers on to 'short time'; workers will operate on a 4-day working week rather than a 5-day week.

Meanwhile Italy, an economy struggling with debt problems of €2 trillion, around 130% of their GDP, have just seen GDP fall 0.21% in their second quarter report. This combination is unsustainable as, unlike other economies who are outgrowing their debt, Italy's debt is outgrowing their GDP leading to a worrying future for them. Further, Italy's market index of 49.7 indicates the majority of manufactures are still reporting a contraction of activity.

Our conclusion is the world's largest economies (China, the EU and the US) are in economic slowdown. This will lead to countries eventually having reduced consumer spending. Investors looking on, are unsure whether the economic slowdown shall turn to recession, and will decrease business investment. The

leading manufacturing economies of Germany and Italy have already seen in 2019 their manufacturing sector decline over 2 quarters of economic reports. A technical recession would lead to inevitable job losses and the Eurozone Central Bank has little capacity to deal with a slowdown. The current cycle could lead to a general world recession, although it may be avoided through governments changing course or taking action.

b) JP Morgan Global Macro Economic Outlook

The first presentation we had was from JP Morgan on their Global Macro Economic Outlook. Trade wars between the US and China is at the forefront of everyone’s minds, with the US imposing tariffs on imports from China. There is a strong correlation between global exports and US earnings, if global exports rise so will US earnings. In the latest figures for US wage growth the IT sector is growing the fastest whilst Education and Health is growing the slowest. Both the US and China want to be the global leader in technology and this is causing extra pressure on the trade wars. Trump is up for re-election next year and he will want to have a strong position on China and he will also want to have the markets at high levels.

Boris Johnson has now become the Prime Minister of the UK and the main task he has at hand is to complete Brexit by the 31st October 2019. The question everyone is asking is what is going to happen on the 31st October. One difference between Theresa May and Boris Johnson is that Johnson did actually campaign for Brexit; however he will still need to rely on parliament to get a deal sorted. It is possible that we will see a further extension to the official date for Brexit.

The Central Banks will want to extend the economic cycle and this support from the Central Banks could see riskier assets continue to perform well.

JP Morgan have a Global Macro Opportunities fund, this fund targets cash +7% annualised with less than 10% volatility over the medium term, gross of fees. It aims to do this taking advantage of mispriced macroeconomic trends. The fund is daily liquid and has an AMC of 0.60%.

As this fund is not correlated to global equities it can be used as a diversifier in portfolios. The fund has had positive performance when markets have gone down, however it does not capture all of the upside when markets go up. The fund tends to see a positive return regardless of what happens in the markets.

The investment process:

Generate Macro Themes	Selective Investment Strategies	Risk Management
Establish and maintain set of themes that encompasses structural and cyclical trends in the global macroeconomic environment	Seek mix of focused strategies. Criteria for selection: <ul style="list-style-type: none"> • Reflect at least one macro theme • Offer positive return potential • Desired impact on portfolio 	Fully integrated, real time risk analysis informs decision making and ensures continued robustness
8 Macro Themes	Focused Strategies	Less than 10% Volatility

c) Brooks Macdonald Defensive Capital Fund and DFM Proposition

Brooks Macdonald provided an update on their Defensive Capital Fund. This is a long only absolute return fund. The fund is also not correlated to global equities so it can also be used as a diversifier in portfolios. The fund has achieved its target of positive rolling 3 year returns in all 75 months since the strategy changed to the Defensive Capital fund. From inception up till the end of May 2019 the fund has seen 5.6% annualised returns with only 4.4% volatility.

The asset allocation of the fund is as follows:

- Structured Notes 18%
- Other Structured Notes 2%
- Convertibles 24%
- Discounted Assets 6%
- Structured Credit 5%
- Specialist Lending 9%
- Fixed Return 8%
- Real Assets 16%
- Hedges 2%
- Other 2%
- Liquidity 8%

Some of the investment ideas are that the fund has an auto call feature on Structured Notes which prices the Structured Notes and will tell them if they are overvalued / undervalued etc, these are highly liquid assets with attractive defined returns. The fund looks to buy convertibles which have strong fundamentals and are not likely to go bust, these have unlimited upside potential with defensive features. They look to buy Investment Trusts that are trading at a discount. For Structured Credit they look for timely opportunities to invest in asset-backed debt. Specialist lending is where they look for areas which are no longer served by banks. Fixed Returns is where they look for low risk assets which provide an attractive yield. Real assets have inflation linked returns with low market correlation. Hedges provide downside protection.

The fund is set up that different asset classes perform well at different periods, this is to smooth out returns and lower volatility. With the current markets the fund continues to look for undervalued assets, seek inflation protections, keep FX exposure low to minimise Brexit-driven volatility all while maintaining portfolio liquidity.

Brooks Macdonald also have discretionary investment solutions, these come in the form of Multi-asset solutions and Single-strategy solutions. There are 3 Multi-Asset solutions and 3 Single-strategy solutions.

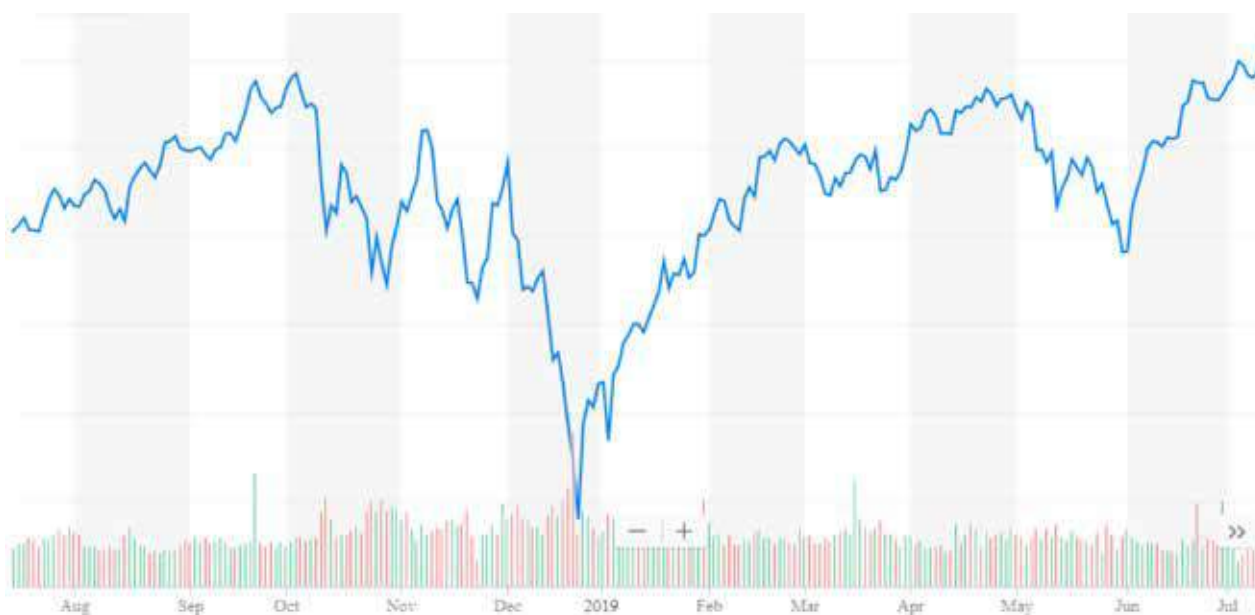
Multi-asset Solutions			Single-strategy Solutions		
International BPS	International MPS	Multi-Asset Funds	Corporate Bond Strategy	Direct Equity Strategy	Strategic Income Strategy
Individually managed account	Managed according to models	Collective Investment funds	Segregated portfolio of directly held corporate bonds	Segregated portfolio of directly held equities	Segregated portfolio of directly held corporate bonds and equities
Segregated portfolio of funds, bonds and equities	Segregated portfolio of funds	UCITS IV regulated & daily dealing			
£\$€	£\$€	£\$€	£\$€	£\$€	£\$€
Risk Based			Objective Based		

4a) Geographical & Sector Outlook































The FTSE 100 has been extremely volatile over the last 12 months, with a low of 6,584.70 and a high of 7,776.70. Over the 12 months, the FTSE 100 was down 2.03%. All of our growth portfolios have outperformed the FTSE 100 over the same period. Over this 12 months our growth portfolios performance range from 2.33% to 3.59% net after charges. Over the period of 14th April 2019 – 13th July 2019, the FTSE 100 was up 0.93%.



The US market has also been extremely volatile over the last 12 months. Over this period the Dow Jones Index has gone up 9.24%.



4b) Committee Asset Allocation Views

Views		Outlook
Negative	Neutral	Positive
		
		  
Equity Europe		
Equity UK		
Equity US		
Equity Japan		
Asia		
Emerging Markets		
Emerging Markets Debt		
Government Bonds		
Investment Grade		
High Yield		
Commercial Property		
Residential Property		
Commodities	We are positive on Gold and this has had a real impact on the performance of some of our portfolios.	
Currency	We have no specific new views on the main currencies of USD, JPY, CHF, AUD or CAD. GBP, EUR – Brexit and a global economic slowdown will have an impact on these currencies. We anticipate them both becoming volatile over the coming 6 months and will hedge investments where required.	
Investment Trusts	We are currently considering investing in the Infrastructure and Defence sectors for Investment Trusts.	
General	We are considering taking some risk out of our portfolios and also looking how best we can introduce ESG into our 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 (29)	3	3.34% 3.03%	4.45% 2.85%	8.83% 5.48%	18.12% 12.50%	20.02% 12.52%	25.68% 15.79%
Cautious (45)	4	4.45% 4.14%	4.48% 2.89%	10.01% 6.63%	20.83% 15.18%	23.99% 16.40%	31.79% 21.65%
Balanced (70)	5	4.77% 4.45%	4.67% 3.13%	13.91% 10.48%	28.12% 22.11%	38.98% 30.38%	48.79% 37.17%
Growth (74)	6	4.29% 3.98%	4.10% 2.33%	14.06% 10.27%	30.48% 23.80%	41.48% 31.97%	56.74% 43.33%
Speculative (87)	7	4.81% 4.50%	4.33% 2.79%	15.21% 11.72%	31.09% 24.94%	43.33% 34.45%	52.05% 41.25%
Aggressive (100)	8	6.00% 5.71%	5.00% 3.59%	17.00% 13.75%	29.51% 23.67%	43.06% 34.65%	55.40% 44.00%

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.

Aggregate costs and Cumulative effect on of costs on returns

The total costs and charges for your investment are made up of a mixture of our charges, the platform or product and investment funds and services. The table above shows how the total costs are allocated over the different time periods by measuring the difference between the gross returns (black) and the net returns (orange).

The total charge deducted for each investment or product will have an impact on the investment return you might receive. Using the tables above you can calculate that impact. For example, if you were a Balanced Investor with 300,000 invested then over the last 12 months the total charges applied were (black minus orange) 1.54%. For 300,000 your charges were therefore $300,000 \times 1.54\% = 4,620$. If there were no charges this is how much more your fund would have grown by.

You can therefore do this calculation over any time period up to 5 years for all our portfolios. Past performance should not be used as a guide to future returns.

Income Portfolios

■ Including Charges ■ After Charges

Aisa Portfolio	Risk Grade	Yield	3 mths	12 mths	24 mths	36 mths	48 mths	60 mths
Cautious (44)	4	4.27%	2.09% 1.80%	3.01% 1.58%	7.81% 4.77%	21.71% 16.40%	21.70% 14.86%	28.34% 19.18%
Balanced (66)	5	4.10%	0.84% 0.50%	-1.17% -2.65%	5.89% 2.66%	21.47% 15.77%	23.34% 16.01%	31.43% 21.71%
Growth (73)	6	4.14%	2.31% 2.00%	1.29% -0.23%	8.05% 4.76%	25.21% 19.32%	28.31% 20.73%	34.84% 24.97%

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 all higher than 4.0%.

5b) 12-Month Rolling Performance

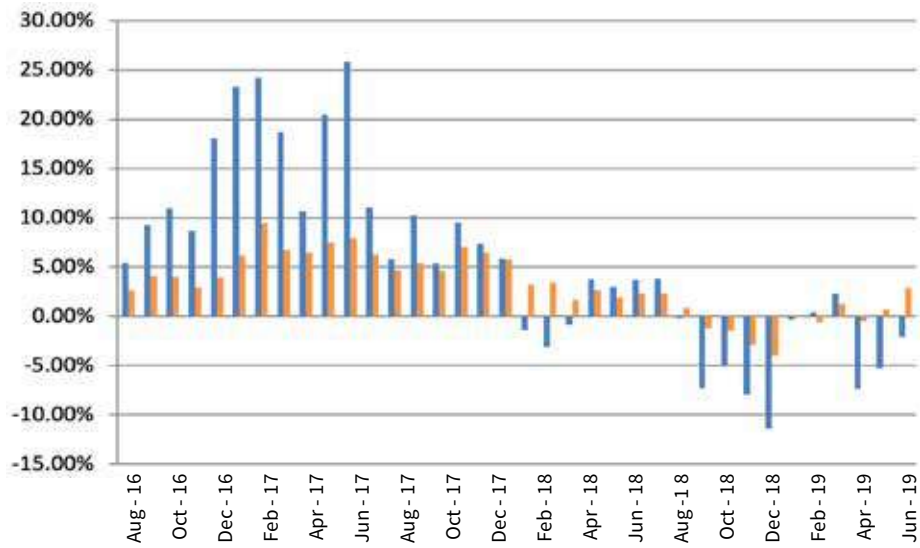
We have analysed the actual performance of our model portfolios over the last two years, on a rolling 12-month basis. In the table below, next to each month, we have shown the performance for the last 12 months, i.e. January 2018 to January 2019, February 2018 to February 2019 and so on.

For the 12 month rolling periods to May 19, June 19 and July 19 all of our growth portfolios outperformed a FTSE 100 tracker. For the 12 month rolling period to July 19 all of our growth portfolios saw a positive return whilst a FTSE 100 tracker saw a negative return. Over this period a FTSE 100 tracker was down by 2.10% whereas our growth Adventurous 8 portfolio was up 3.59%.

Month	FTSE 100	Defensive 3	Cautious 4	Balanced 5	Growth 6	Speculative 7	Adventurous 8
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	-1.42%	3.23%	3.42%	5.98%	6.96%	8.74%	5.78%
Mar-18	-3.07%	3.38%	3.72%	7.68%	8.21%	10.74%	9.09%
Apr-18	-0.89%	1.66%	1.53%	3.68%	4.86%	6.05%	4.44%
May-18	3.77%	2.65%	2.97%	6.93%	7.68%	9.16%	9.94%
Jun-18	2.98%	1.91%	2.26%	6.09%	6.89%	7.91%	8.86%
Jul-18	3.73%	2.31%	2.80%	6.21%	6.80%	7.61%	8.92%
Aug-18	3.81%	2.32%	3.13%	7.32%	7.65%	8.86%	10.52%
Sep-18	-0.20%	0.89%	1.03%	3.63%	3.92%	4.46%	5.24%
Oct-18	-7.27%	-1.19%	-2.67%	-2.91%	-2.32%	-2.48%	-1.91%
Nov-18	-5.01%	-1.45%	-2.71%	-3.09%	-4.26%	-2.79%	-2.62%
Dec-18	-7.89%	-2.86%	-4.21%	-3.42%	-4.72%	-2.49%	-1.52%
Jan-19	-11.39%	-4.00%	-5.26%	-5.89%	-7.39%	-5.59%	-5.09%
Feb-19	-0.33%	0.01%	0.28%	1.42%	1.03%	1.48%	2.70%
Mar-19	0.36%	-0.62%	-1.16%	-1.27%	-2.68%	-1.95%	-0.88%
Apr-19	2.30%	1.29%	1.99%	4.60%	3.30%	4.43%	5.95%
May-19	-7.31%	-0.48%	-1.04%	-0.73%	-1.69%	-1.17%	-1.99%
Jun-19	-5.27%	0.70%	0.40%	0.22%	-0.51%	-0.25%	-1.15%
Jul-19	-2.10%	2.85%	2.89%	3.13%	2.33%	2.79%	3.59%

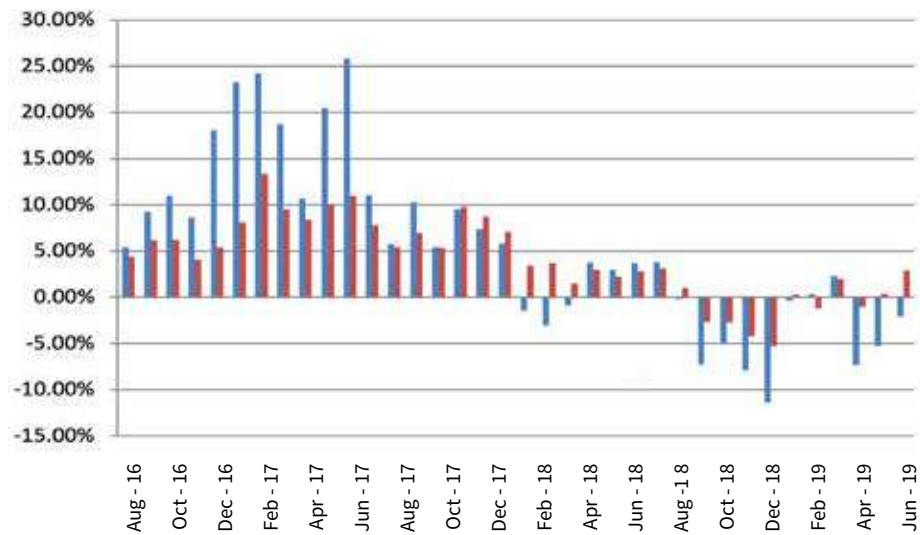
Aisa Defensive 3

- FTSE 100
- Aisa Defensive 3



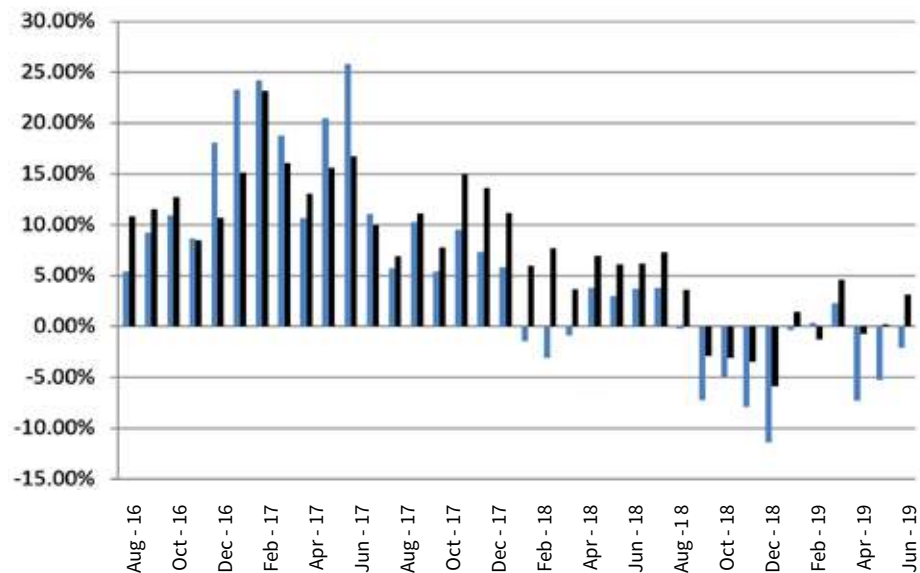
Aisa Cautious 4

- FTSE 100
- Aisa Cautious 4



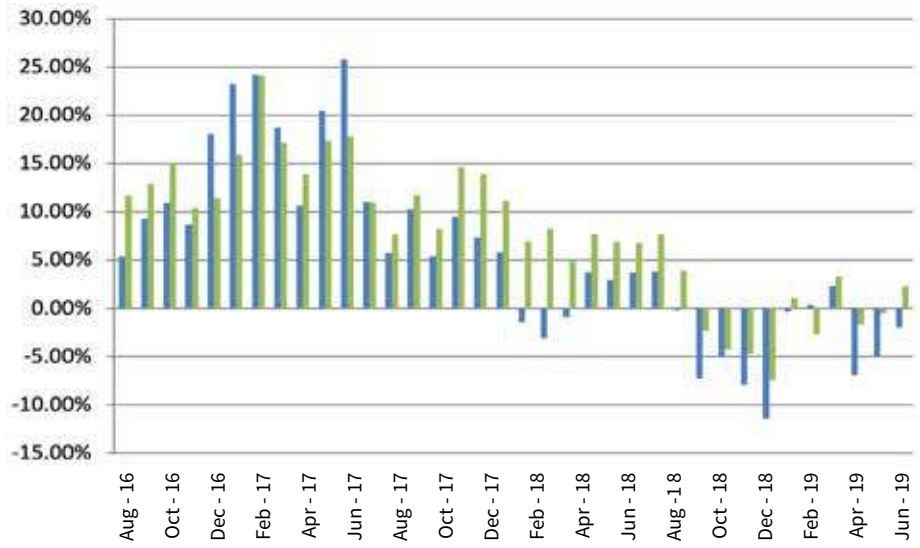
Aisa Balanced 5

- FTSE 100
- Aisa Balanced 5



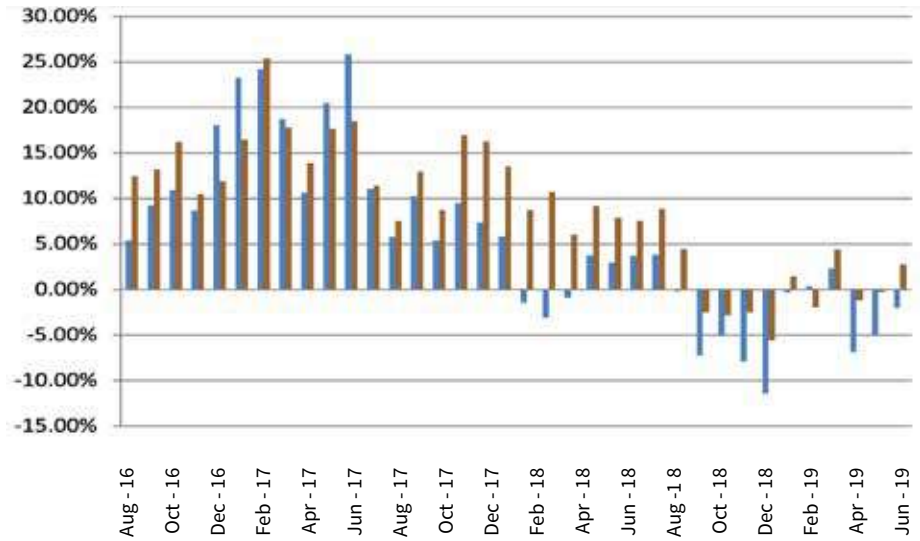
Aisa Growth 6

- FTSE 100
- Aisa Growth 6



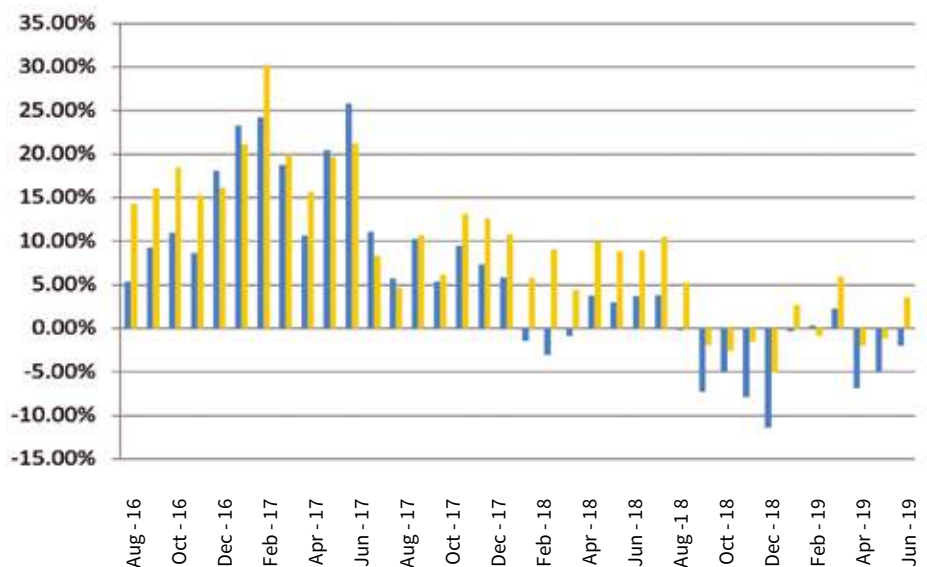
Aisa Speculative 7

- FTSE 100
- Aisa Speculative 7



Aisa Adventurous 8

- FTSE 100
- Aisa Adventurous 8



8) Quarterly timetabled asset/product discussions

The product discussions for this quarter were VCT & EIS's, Investment Trusts and DFM's. VCT & EIS's were updated by John Reid, Investment Trusts updated by James Pearcy-Caldwell and DFM's by Geordie Bulmer. All information is to be updated into our Governance document centrally held at our main office.

9) AOB

Reference Material utilised in this meeting:

Analytics – review of funds.
Aisa Performance data.
Aisa Governance Document.
Ascentric presentations.

10) Next Meeting

Next meeting will be held at Threadneedle on 23rd October 2019.

11) 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 569 111

Email: info@aisagroup.org

Website: www.aisagroup.org

UK Address: 10 Prince Maurice Court, Devizes, Wiltshire SN10 2RT

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The guidance contained within this publication is targeted at those people who live in the UK.