



# Quarterly Investment Update

Q4 | 2019





# Executive Summary

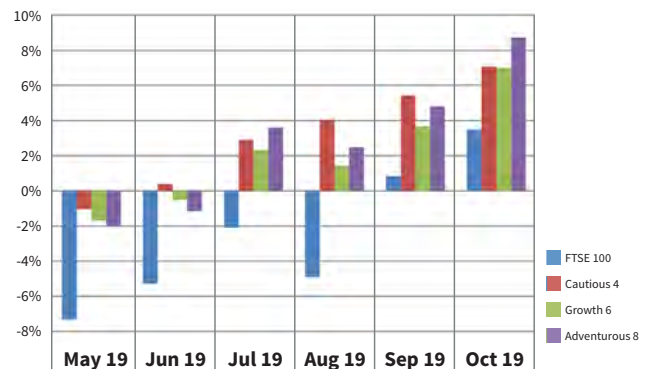
## Market Summary

- The FTSE 100 has been very volatile over the last 12 months, with a low of 6584.70 and a high of 7686.60. Over the period of 14th October 2018 – 13th October 2019, the FTSE 100 was up 3.59%.
- Over the period of 14th July 2019 – 13th October 2019, the FTSE 100 was down 3.45%.

## Investment Portfolios

- All of our portfolios have outperformed the FTSE 100 over the past 24 months, with the FTSE 100 going down 3.83%; whereas all our portfolios have seen a positive return with a minimum of 3.66% net after charges.
- Over the past 12 months our growth portfolios performance range from 5.01% to 8.74% net after charges.
- Income portfolios continue to hit targets for yield and performance.

**12 Month Rolling Performance**



## How we work

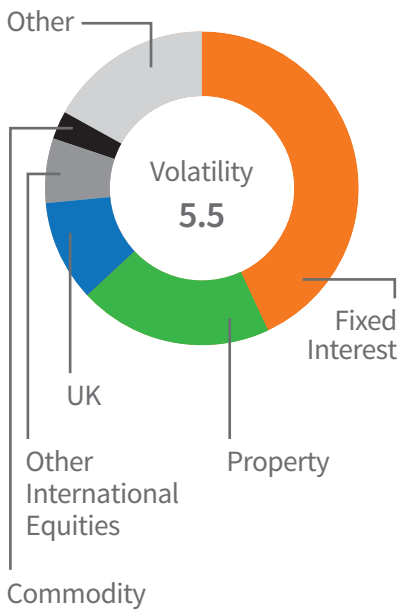
- Funds are selected using criteria in our governance document. The funds are allocated using our strategic plan and which asset classes we feel should be considered over the coming 12 months and longer.
- Our strategic plan is largely decided by our informed view on the economies of the world and individual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

# Aisa's Investment Portfolios

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

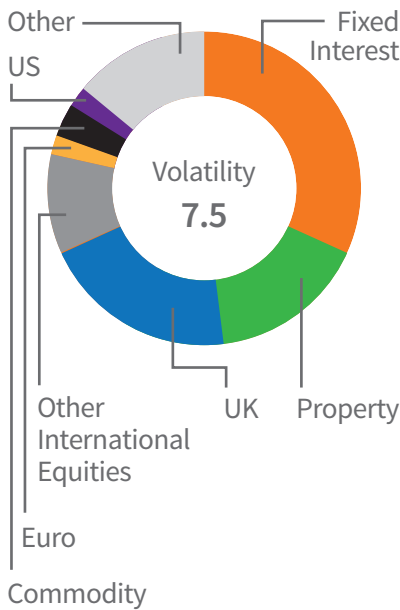
## Defensive 3

Target Return  
**4.00%**



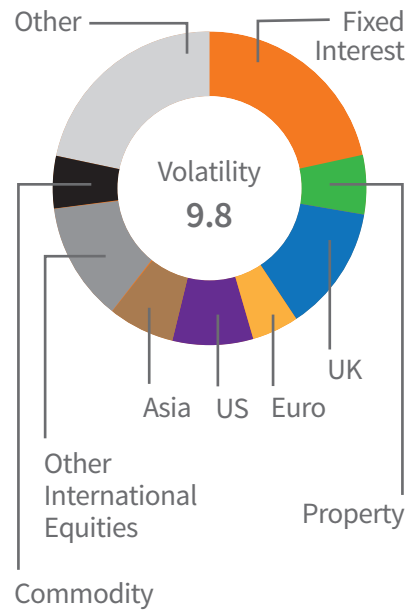
## Cautious 4

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%

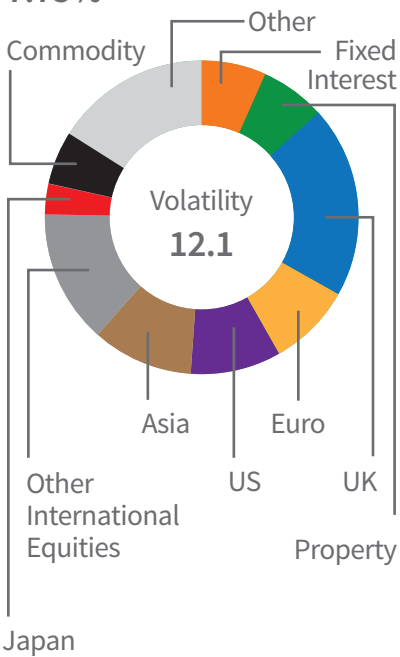
- Fixed Interest 26.80%
- Property 14.01%
- UK Equities 15.57%
- Euro Equities 2.14%
- US Equities 2.05%
- Asia Equities 0%
- Other Int. Equities 12.76%
- Japan Equities 0%
- Commodity 15.8%
- Other 10.87%

- 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

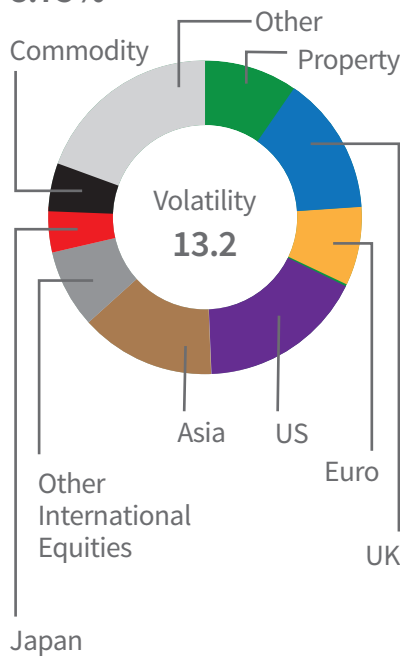
Target Return  
**7.75%**



- 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

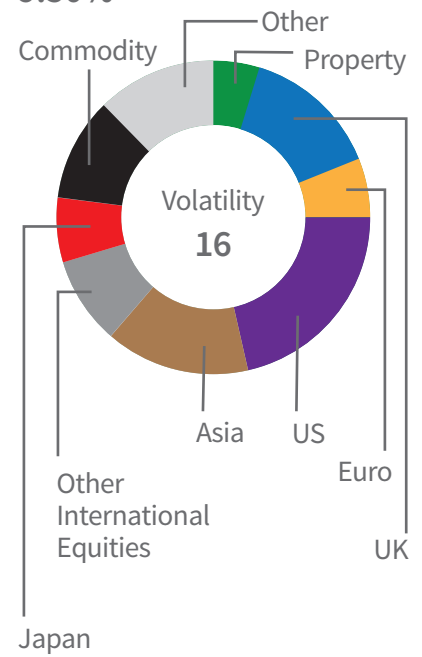
Target Return  
**8.75%**



- 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: 10th October 2019

**Attendees:** John Reid (Chairman)  
James Percy-Caldwell (Member of Board and Compliance)  
Geordie Bulmer (Member of Committee)  
Max Durrant (Non-Voting Member of Committee)

**Secretary:** James Dunford (Secretary)

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## 1 Review of previous minutes and sign off

After agreement, the minutes of 24th July 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)

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

### 3) Presentations

#### a) Aisa Comment

The AIT committee has remained diligent regarding Brexit throughout the process and tried to avoid commenting on the subject. As this is written we only know that the Prime Minister has an agreement, but we are unsure as to whether it will pass parliament, or when.

The fact remains (pardon the pun) that 3 years ago 2 very different and polarised views were expressed with non-truths coming from both sides. We will comment on what is going on in the economy and what might happen once there is a resolution. This is key, as what business and investment is now crying out for is resolution, and that cannot happen until we have trade deals in place to replace the trading environment we already have.

Some Brexit doomsayers predicted that a decision to leave would trigger an instant recession. This never happened but confusion has meant the life has slowly been sapped out of the economy as inaction, political bickering, repeated delays and threatened cliff edges raised chronic uncertainty to barely precedented levels.

Whatever happens now will be a relief to the economy (certainty will assist business and investment). Either way we anticipate the commencement of growth, and with any kind of deal then sterling will go higher.

#### These are the three matters which we understand could happen in the UK:

##### **Businesses to unleash pent-up investment**

From the start of 2014 to the referendum in 2016, business investment grew by an average of 1.6pc each quarter. Over the same period since the referendum, however, it has contracted by an average of 0.1pc per quarter - a dire result for an economy which urgently needs to boost its productivity.

A deal grants a degree of certainty, removing the prospect either of a no deal exit or further pointless extensions to this stage of the process that threatened to impose a long series of “cliff edges”.

The Telegraph writes that, “Capital Economics expects that a deal could turn around business investment from a contraction of 0.5pc this year to growth of 4.1pc in 2020 and 6.7pc in 2021, on a par with growth seen in 2012 and 2014, and almost back to the post-crisis high of 7.2pc in 2015.”

##### **Investors and pound enjoy deal dividend**

The FTSE 100 has slipped 2% in dollar terms since the Brexit vote compared to a gain of more than 40pc in US shares.

A deal may trigger a £240bn, or 10% deal dividend for investors in London’s equity market, according to data giant MSCI’s models.

The pound has lost 18% of its value against the dollar, which has led to inflation impacting on real incomes. Analysts at Goldman Sachs expect the battered currency to bounce back to \$1.41 against the dollar by the end of next year says the Telegraph. A rising pound would likely hold back inflation which impacts on the next key matter.

### Suffering savers to get welcome relief from the Bank

Uncertainty has forced policymakers to retain interest rates at 0.75%, but if the economy is stronger and Sterling strengthens then the Bank could increase borrowing costs.

Whilst pent-up demand from business would normally cause growth, which is combated by rate hikes, the global economy could ease the pressure on the Bank to hike. The Telegraph says that “Economists at Capital Economics expect” the Bank to wait until middle 2021 for the first rise before lifting the base rate to 1.5% by the end of 2021.

That would provide much-needed relief for savers that have faced low rates since the turn of the century, although it may be slow and gradual rises.

#### Will this all happen?

Well they are predictions, and for once they are not predictions of doom. In private chats with economists and fund managers, they are keen to get a conclusive outcome to the Brexit debate as many feel there are opportunities present.

And their biggest concern? More delays, and the weakness of the Eurozone. In fact, many think the Eurozone is the next big crisis whatever the outcome; Brexit might just be a catalyst though if the politicians don't act conclusively one way or the other.

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### b) Columbia Threadneedle

1 Ashish Kochar and Amit Kumar presented the Threadneedle American Extended Alpha Fund. Both have US background and a dedicated US research base for positioning considerations for the portfolio over (25 Investment professionals). The fund is long/short equity. They increase the Alpha by taking a 130% long position, counterbalanced by a 30% short position. This leaves a net 100% exposure similar to long only funds.

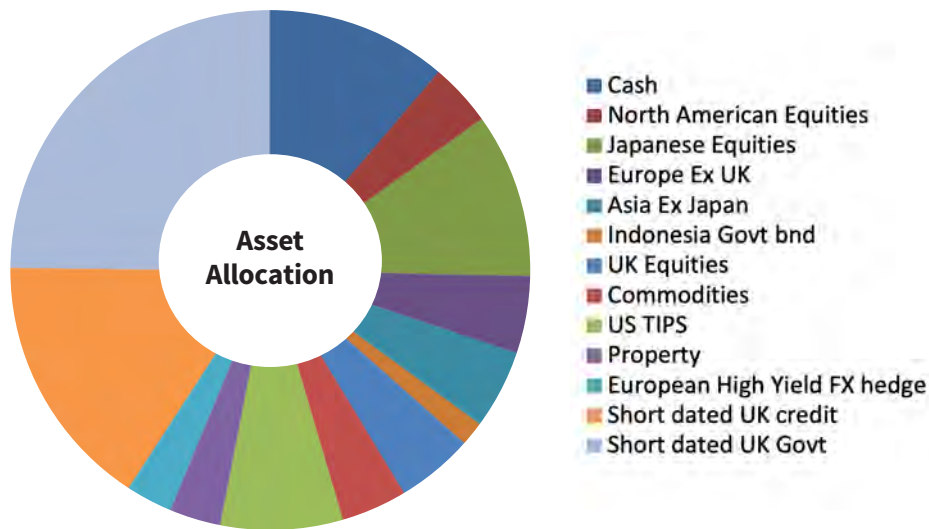
The investment approach taken is to take a:

- **Fundamental analysis**, identifying quality compounders (companies which potentially double their operating earnings over 5 years. The annual operating earnings yield should be above 15%
- **Long Book Construction**. The objective here is to select stocks with >15% total operating earnings yield that fit into the following categories: Core holdings (growth and Value); Cyclical Growth; Special Situations; and Catalyst driven.
- **Short Book Construction**. Here short opportunities are selected from the following categories: Long-term Secularly challenged; Catalyst Driven; Relative Value/Pair trades
- **Buy Sell Discipline**: Here new purchases in the long book is a combination if stock conviction, individual stock risk, contribution to overall risk, and the overall sector weightings. For the short book position sizes are positively correlated to High liquidity, low takeover risk, large market cap, low short interest. Sales triggers could be because of a change to the business model, total operating earnings yield being below target, a lack of catalysts positive or negative, and comparisons becoming tougher annually. Deceleration in growth trends.



2 Craig Nowrie talked about the Threadneedle Dynamic Real Return fund.

This fund targets CPI +4% in line with long run real return of equities, aiming for equity type returns with 2/3rd of the volatility. This is done without using leverage or index constraint; there is no neutral position, just dynamic asset allocation, using direct holdings, derivatives, beta strategies and in house funds, from the universe of Threadneedle’s entire investment platform, without doubling on charges.



**c) Parmenion**

Ethical decisions are becoming increasingly part of people’s lives and we believe having a solution to offer our clients in the sector will be beneficial for our future success.

Neal Smith presented to us on the Ethical offering that Parmenion could assist with. Essentially this is a bespoke DFM proposition for clients that covers most client objectives, and feel that their matrix covers 90 percent of client preferences in this sector. Any further bespoke and they would not be able to assist. Although Parmenion are now owned by Standard Life Aberdeen they have full autonomy to run their business as they see fit, but benefit from the economy of scale offered by their parent company. Parmenion’s head office is the most environmentally friendly commercial building in the whole of the UK.

Parmenion offer a range of different Ethical portfolios based on the client’s attitude towards risk and how ethically motivated they are. The portfolios they offer either avoid certain unethical areas or they positively look for ethical promoting investment opportunities.

He also gave an insight to their award winning platform, but this is UK centric and does not cover individual equities.

#### 4a) Geographical & Sector Outlook

























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The US market has also been volatile. Over the last year the Dow Jones Index has gone up 5.83% from 14th October 2018 – 13th October 2019.



## 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 Silver.	
Currency	We have no specific new views on the main currencies of USD, JPY, CHF, AUD, CAD or EUR.  GBP – Committee feels it is at a low and the Brexit outcome, either way, could create a stronger Pound.	
Investment Trusts	No comments.	
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 (37)	3	0.49% 0.20%	6.62% 5.01%	6.89% 3.66%	14.87% 9.52%	21.62% 14.00%	25.68% 16.57%
Cautious (52)	4	0.37% 0.09%	8.76% 7.07%	7.27% 4.00%	16.23% 10.88%	24.90% 17.16%	30.61% 23.03%
Balanced (64)	5	-0.83% -1.11%	10.21% 8.55%	8.60% 5.96%	21.21% 17.26%	39.37% 33.59%	50.11% 42.59%
Growth (73)	6	-1.53% -1.81%	8.65% 7.02%	7.56% 4.36%	20.68% 15.00%	42.16% 32.75%	57.05% 43.69%
Speculative (79)	7	-2.11% -2.29%	9.46% 7.77%	8.37% 5.10%	21.88% 16.21%	44.18% 34.95%	59.78% 46.74%
Aggressive (89)	8	-2.30% -2.54%	10.27% 8.74%	9.86% 6.83%	20.48% 15.53%	46.26% 37.05%	57.86% 45.51%

### Important Note

Past performance should not be a guide to future performance. Returns may vary due to currency variation and tax treatment. Tax is subject to individual circumstances and subject to change due to legislation. Clients retain responsibility for their tax affairs and should consult the relevant tax experts in the relevant jurisdictions.

### 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 (45)	4	4.15%	-1.17% -1.45%	5.17% 3.51%	4.19% 0.85%	13.38% 7.75%	20.14% 12.20%	28.37% 17.65%
Balanced (65)	5	4.05%	-1.79% -2.12%	3.84% 2.16%	1.91% -1.42%	12.58% 6.88%	23.20% 14.92%	34.43% 23.28%
Growth (72)	6	4.02%	-2.25% -2.71%	4.39% 1.68%	3.37% -1.50%	15.50% 7.53%	30.03% 18.38%	36.82% 22.42%

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%.

## 5b) 12-Month Rolling Performance

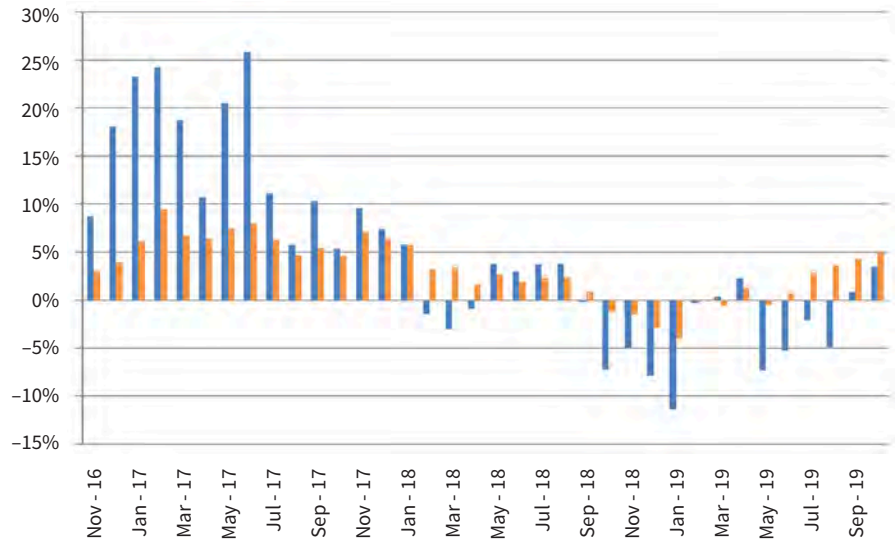
We have analysed the actual performance of three of our model portfolios over the last two years, on a rolling 12-month basis. In the table below, next to each month, we have shown the performance for the last 12 months, i.e. January 2014 to January 2015, February 2014 to February 2015 and so on.

In the 12 month rolling performance to August 2019 the FTSE 100 saw a negative performance of 4.88% whereas all the Growth portfolios saw positive returns of 1.45% or higher. For these rolling performances to September 2019, the Growth portfolios have more than quadrupled the performance of the FTSE 100, but reduced to only outperforming the FTSE.

Month	FTSE 100	Defensive 3	Cautious 4	Balanced 5	Growth 6	Speculative 7	Adventurous 8
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%
Aug-19	-4.88%	3.63%	4.05%	2.40%	1.45%	1.96%	2.48%
Sep-19	0.84%	4.32%	5.41%	4.45%	3.67%	4.00%	4.80%
Oct-19	3.48%	5.01%	7.07%	8.55%	7.02%	7.77%	8.74%

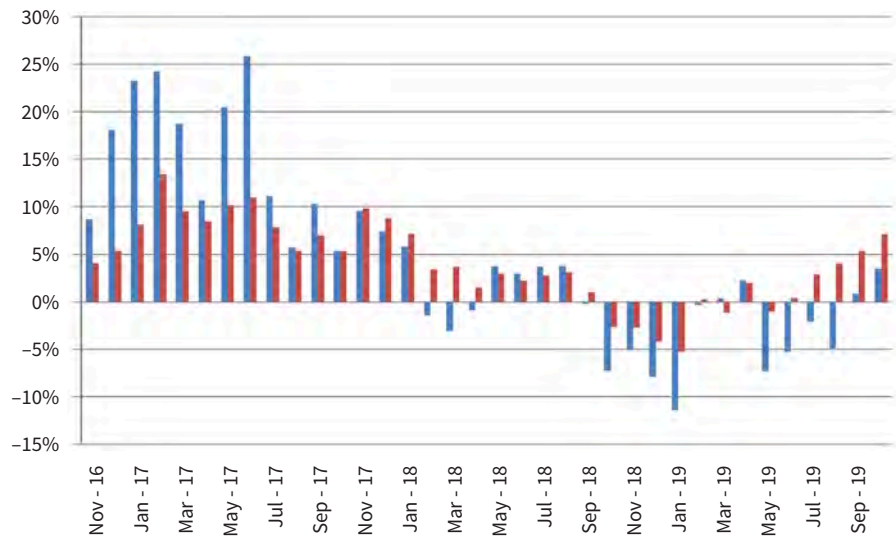
### Aisa Defensive 3

- FTSE 100
- Aisa Defensive 3



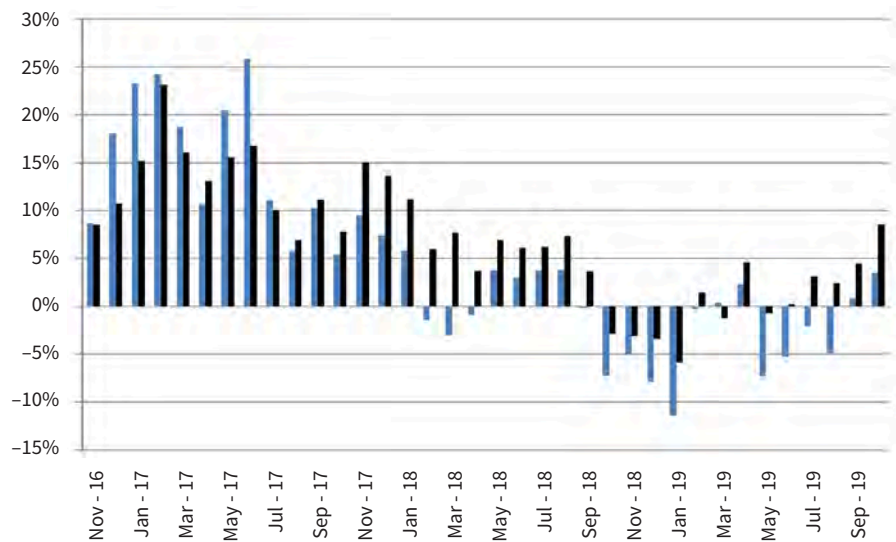
### Aisa Cautious 4

- FTSE 100
- Aisa Cautious 4



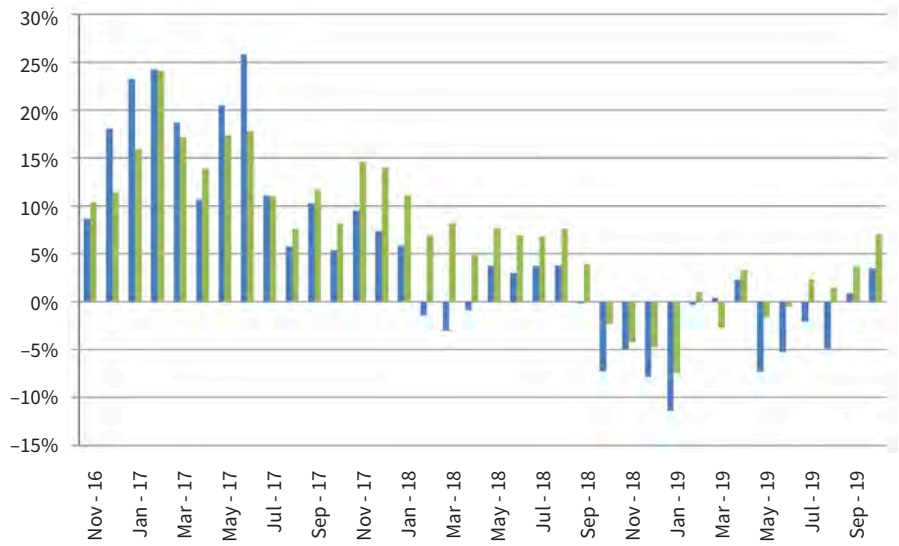
### Aisa Balanced 5

- FTSE 100
- Aisa Balanced 5



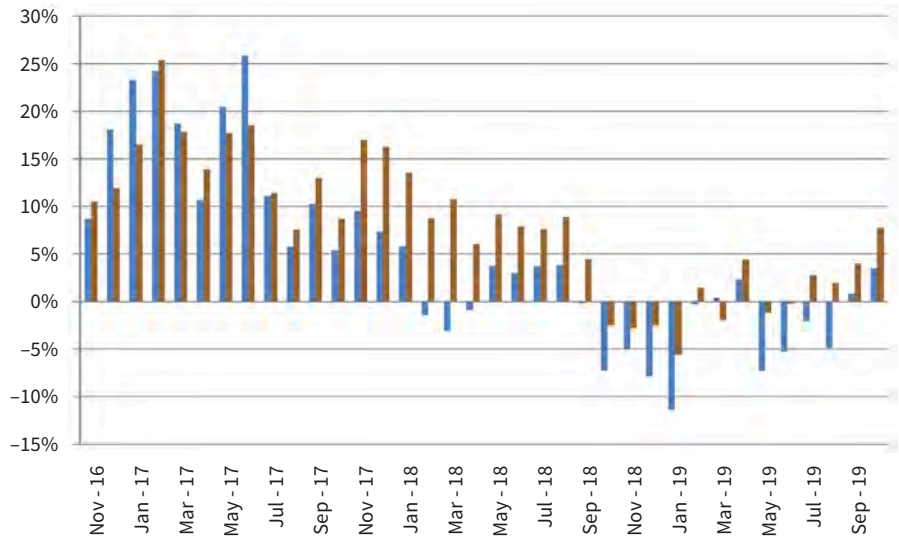
**Aisa Growth 6**

- FTSE 100
- Aisa Growth 6



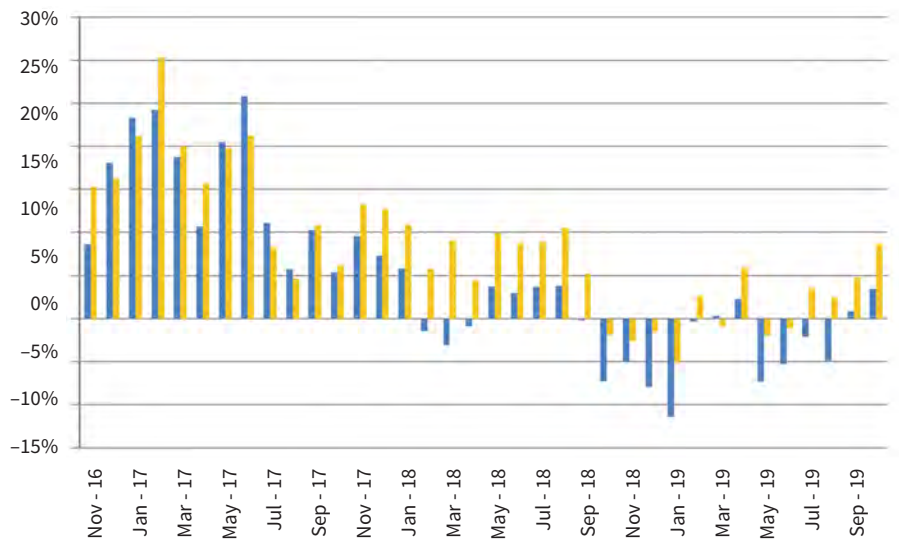
**Aisa Speculative 7**

- FTSE 100
- Aisa Speculative 7



**Aisa Adventurous 8**

- FTSE 100
- Aisa Adventurous 8





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## 6) Quarterly timetabled asset/product discussions

The product discussions for this quarter were Offshore Pensions which was reviewed by John Reid, Structured Products which was reviewed by Geordie Bulmer and Asset Allocation Profiling which was reviewed by James Pearcy-Caldwell. All information is to be updated into our Governance document centrally held at our main office.

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## 7) AOB

### Reference Material utilised in this meeting:

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

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## 8) Next Meeting

Next meeting will be held in Devizes on 15th January 2020.

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## 9) Actions Outstanding

- Action:** Contact clients who are affected by any fund change(s) in their portfolio(s).
- Action:** James to update the Governance Document with quarterly research.
- Review:** Those funds on quarterly watch.
- Review:** Monitor funds in growth portfolios.

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Signed by Chairman



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