



# Quarterly Investment Update

Q2 | 2021





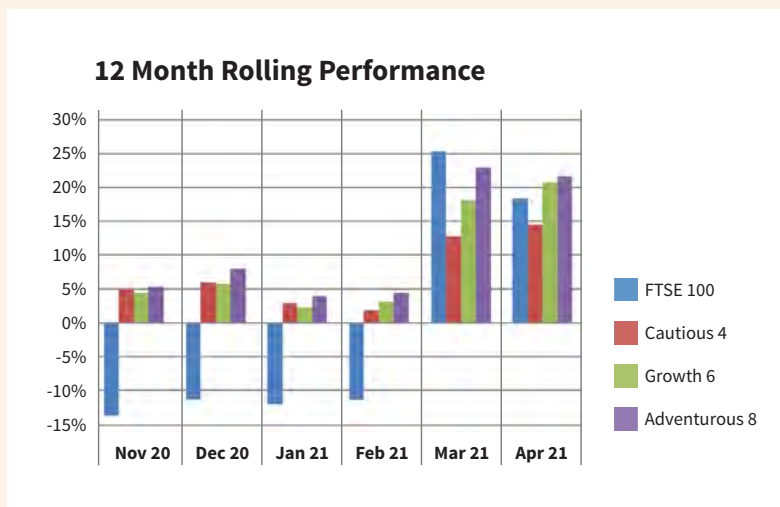
# Executive Summary

## Market Summary

- The FTSE 100 has made a slow and volatile recovery over the last 12 months, with a low of 5577.27 and currently at a high point that is not far off its pre-lockdown level.
- Over the period of 14th April 2020 – 13th April 2021, the FTSE 100 is up 18.98%.

## Investment Portfolios

- All of our growth portfolios have achieved positive returns, with most outperforming the FTSE 100 over the same period, ranging from a positive 12.43% to 21.55% net after charges.
- Our Income portfolios have also achieved positive returns and continue to hit targets for yield, with returns ranging from 15.29% to 23.51% net after charges.



## 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.

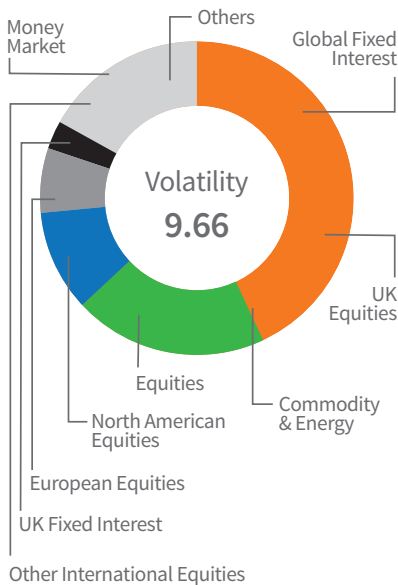


# Aisa's Investment Portfolios

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

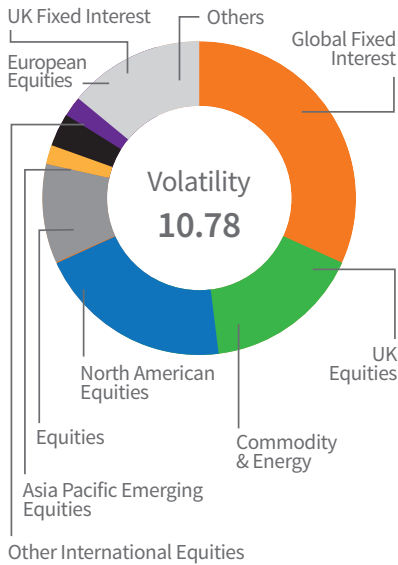
Target Return  
4%



- Global Fixed Int. 24.52%
- UK Equities 14.77%
- Commodity & Energy 12.09%
- Equities 10.46%
- N. American Equities 9.77%
- Asia Pacific Em. Eq. 6.10%
- UK Fixed Interest 5.26%
- Oth. Intl. Equities 3.39%
- Money Market 2.80%
- Others 8.60%

## Cautious 4

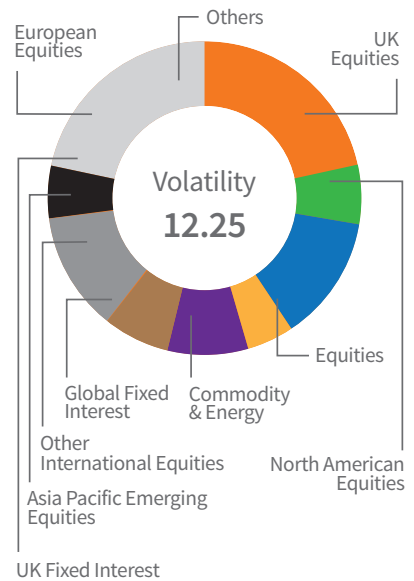
Target Return  
5.5%



- Global Fixed Int. 19.80%
- UK Equities 19.11%
- Commodity & Energy 12.80%
- N. American Equities 11.06%
- Equities 10.30%
- Asia Pacific Em. Eq. 5.27%
- Oth. Intl. Equities 4.68%
- European Equities 3.33%
- UK Fixed Int. 2.56%
- Others 9.58%

## Balanced 5

Target Return  
6.5%

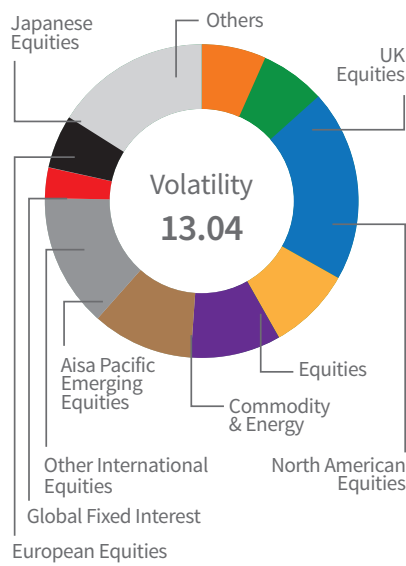


- UK Equities 19.81%
- N. American Equities 16.08%
- Equities 12.55%
- Commodity & Energy 11.82%
- Global Fixed Int. 8.51%
- Oth. Intl. Equities 5.15%
- Asia Pacific Em. Eq. 4.57%
- UK Fixed Int. 3.31%
- European Equities 3.27%
- Others 12.58%

**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

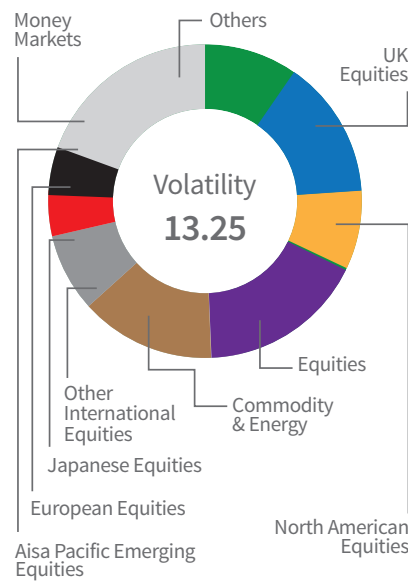
Target Return  
7.75%



- UK Equities 24.30%
- N. American Equities 15.25%
- Equities 13.16%
- Commodity & Energy 11.20%
- Asia Pacific Em. Eq. 8.20%
- Oth. Intl. Equities 6.82%
- Global Fixed Int. 3.23%
- European Equities 3.00%
- Japanese Equities 2.54%
- Others 10.24%

### Speculative 7

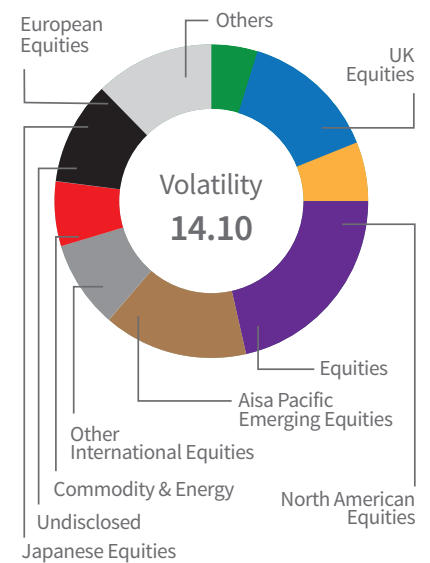
Target Return  
8.75%



- UK Equities 21.43%
- N. American Equities 16.45%
- Equities 16.16%
- Commodity & Energy 11.70%
- Oth. Intl. Equities 4.42%
- Japanese Equities 2.98%
- European Equities 2.78%
- Asia Pacific Em. Eq. 12.54%
- Money Market 2.42%
- Others 9.26%

### Adventurous 8

Target Return  
9.5%



- UK Equities 18.90%
- N. American Equities 17.48%
- Equities 16.75%
- Commodity & Energy 5.66%
- Asia Pacific Em. Eq. 12.11%
- Oth. Intl. Equities 7.07%
- Undisclosed 5.00%
- Japanese Equities 4.48%
- European Equities 3.65%
- Others 7.32%

# Aisa Investment Team (AIT) Committee Meeting

Dated: 22nd April 2021

**Attendees:** John Reid (Chairman)  
James Percy-Caldwell (Member of Board and Compliance)  
Geordie Bulmer (Member of Committee)  
Max Durrant (Non-Voting Member of Committee)  
Lee Hinton (Guest)  
Toby Barklem (Ruffer)  
Duncan MacInnes (Ruffer)

**Secretary:** Danny Setters (Secretary)

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## 1 Review of previous minutes and sign off

After agreement, the minutes of 19th January 2021 were approved and signed 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) Presentation(s)

#### a) Aisa Comment

##### 1) How are we doing?

Thank you to all of you who have been writing to us over the last 6 months saying you appreciate the quiet methodical results that we have produced for you. We are delighted with the 20+ % returns over the last 12 months, and certainly our longer term performance over 5 years is exactly in line with our targets. We always have to say past performance is not necessarily a guide to future performance of course as we talk about any returns obtained.

##### 2) Will inflation harm my investments and property value?

Yes, but not yet!

Economists believe inflation will rise as countries like the UK and USA (and eventually the EU) come out of lockdown as pent-up demand in the economy is unleashed. If they are correct, this could have a big impact on investors and property owners.

Inflation could push the Central Banks to raise interest rates, which directly threatens the housing market and bond markets in particular.

Put simply, eventually, mortgages become more expensive, and for anyone born after 1985 they are unlikely to have any experience of interest rates rising. If you come out of a fixed term mortgage rate and discover your cost has doubled, it can have a huge psychological impact. Demand would drop at the same time as debt becomes much more expensive to service.

Bond owners could also suffer. Bonds pay a fixed return, or “coupon”, which is linked to interest rates and indirectly inflation. Higher inflation increases the likelihood of rising interest rates. Existing bonds depreciate as the relative value of their payments versus newly-issued bonds is worth less. So, as inflation rises investors sell bonds.

Inflation, in moderation, is not necessarily bad for all share prices though. For example, oil and mining companies would do well as rising commodity prices would be good. However, inflation could be bad for retailers, which may lack the ability to increase prices.

However, within all this we must also consider individual sectors that will benefit from the post-coronavirus boost, and some specific derivatives that may be in short supply due to increased demand. Gold often hedges inflation as there is a fixed amount available, but other commodities may do even better.

##### **Will my pension pot be eaten away?**

Inflation has an enormous impact on savings in general and the real purchase power of money. If inflation remains at 7% for example then the real value of a fixed amount of money with no growth halves in just over 10 years. If you have 30 years in retirement then an inflation rate of 4% can have an equivalent effect! For someone aged 55, then that means by the time they are 85 unless they have grown their funds they will have an enormous shock!

However, those with an annuity can see their income eroded every year if they have bought it at a fixed rate and will suffer the most from a sharp rise in inflation which will impact in each and every year after the impact

A “level annuities” might look appealing as they pay out more cash from the beginning, but in the above scenarios they become of smaller and smaller value. The opposite is an inflation-linked annuity which starts off with a much smaller income but keep increasing over time.

Anyone purchasing an annuity is taking a risk by not linking it to inflation, and if they have an appropriate attitude to risk then maybe they should also consider investments as well as an annuity in isolation.

### 3) Online bulletin boards – have you heard of them?

Investment bubbles can have many causes, a large financial injection from central government, however necessary, can have an inflationary effect on the share price of an otherwise unexceptional company.

When you add an avalanche of hype and unqualified opinion, often from people who think they know a great deal more about investing than they actually do (e.g. on bulletin boards) it’s possible to see how a bubble could arise.

If you throw in a bit of thematic hype and promotion to follow “success” stories, e.g. “Tesla”, then you start to sway minds.

If I use words that you will all recognise, “tech”, “crypto” or “gig economy” then I hardly need mention that this is all a lot more exciting than “utilities”, “insurance” and “banking”. One is the future “Google” and the other is the boring past.

If enough people who have never invested before are given easy access to the latest concept through internet trading, or through ETP trackers then you have a boom. The problem is the boom becomes a boomerang and those at the top of the arc rapidly return back to earth.

#### Has this started to happen?

Well, we are seeing some large volatility in those share classes that could be best described as the new economy, but the remainder of the market looks relatively stable in comparison.

The old duffers, such as oil shares, boring old utility companies and others are going up from their lows but not with any enthusiasm. Or are they?

Well, if you invested in boring old engineering shares you may be sitting on some big gains over the last few months actually, same with oil, banks, insurance and some retail. In the same time you would have seen the exciting tech stocks actually fluctuate widely around highs and then drop away.

#### So, what is going on?

I think it is best described by two thirty somethings I recently met at different times. Both of them have started trading with a few thousand into “tech” stocks and “crypto”. They both found it very exciting. One was actually about 70% up, and the other was 30% down and yet both were positive about the future as they only saw it going one way.

#### Summary

If enough investors buy into the hype then the law of supply and demands will apply. The increase in demand for a share will drive up the price of that share without regard to the actual underlying value of that share.

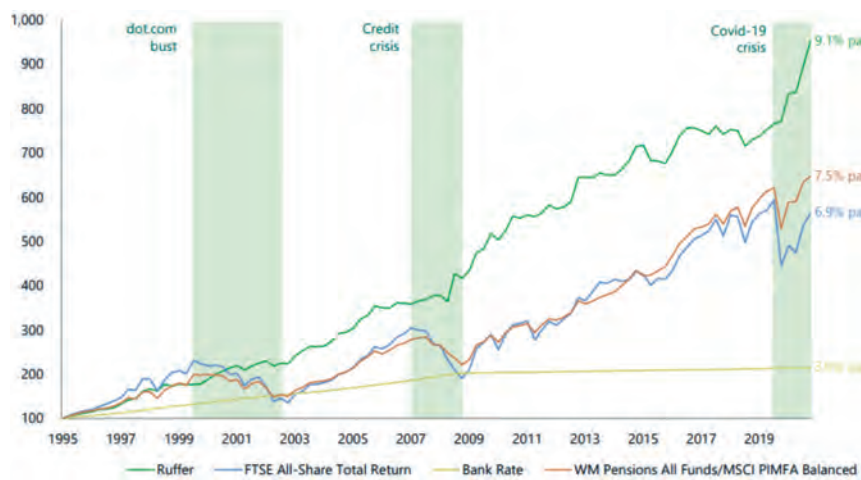
Conversely, if demand for a share falls away and large numbers sell the share, the price will fall. If sales are caused by comments on online bulletin boards or via calls made through ETFs (trackers), again the price is not consistent with the actual value.



## b) Ruffer Presentation

Joining us in this AIT meeting were Toby Barklem and Duncan MacInnes from Ruffer Investment Management. Duncan is an Investment Director at Ruffer and gave us a brief presentation on their investment strategy.

Ruffer’s primary focus when investing is Absolute Return, stating that capital preservation is a driver behind long-term performance. Establishing in 1994, they have a long and clear track record to back this up, shown below in the long-term performance of their investments and how they have guaranteed returns in multiple market slumps.



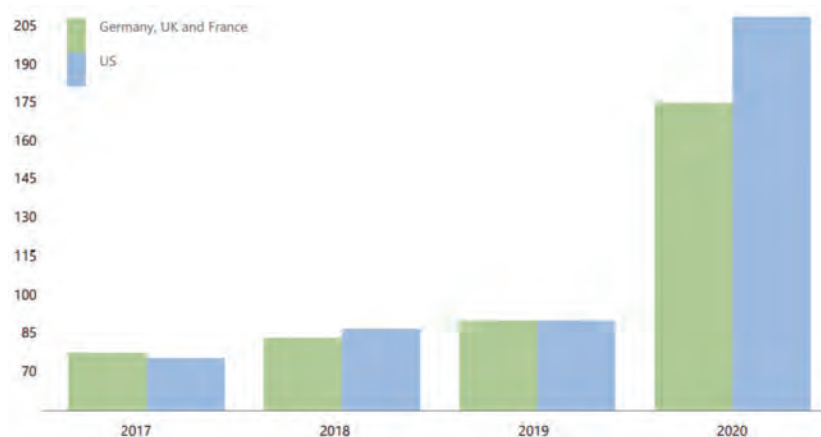
### Market Outlook

Ruffer also gave us their Market Outlook for the near future, predicting that inflation is on the rise and is ready to be taken advantage of in the way of index-linked bonds.

On top of this they also predict a consumer boom occurring post-lockdown, where household savings (see below) as well as the demand for retail spending are at their highest, leading many businesses that have survived the pandemic to great profits.

Please note that these are Ruffer views and may not represent our views and clients should not make decisions solely based on these views.

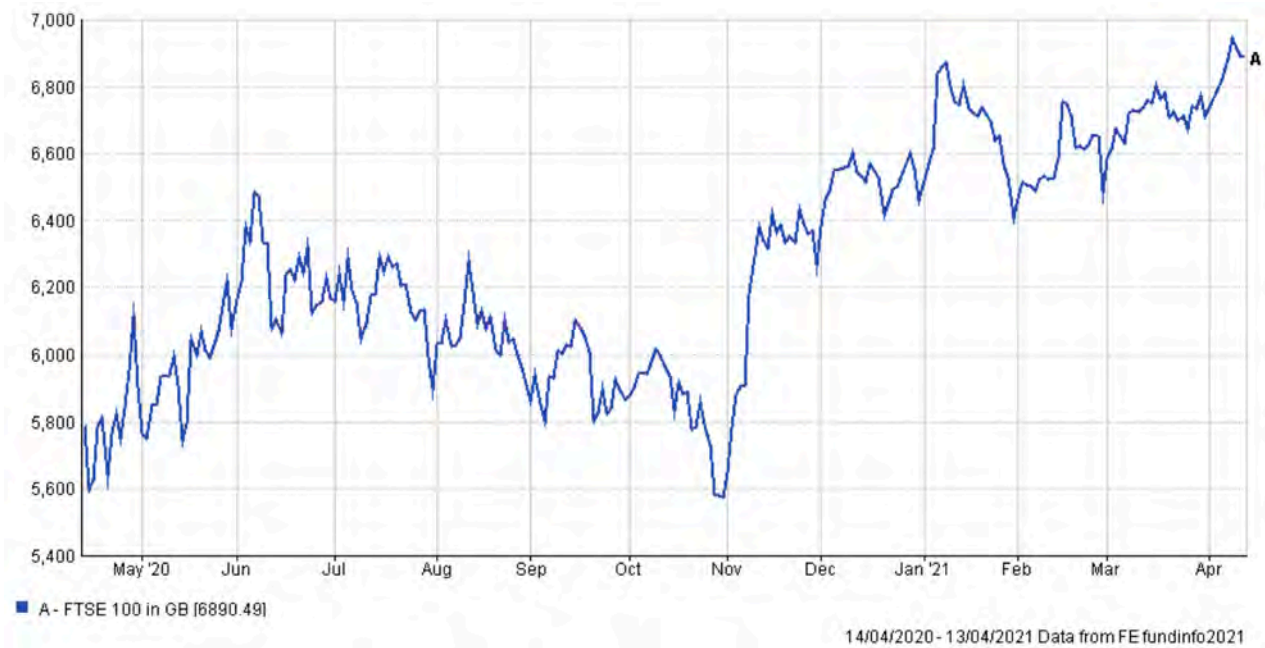
### Aggregate household savings



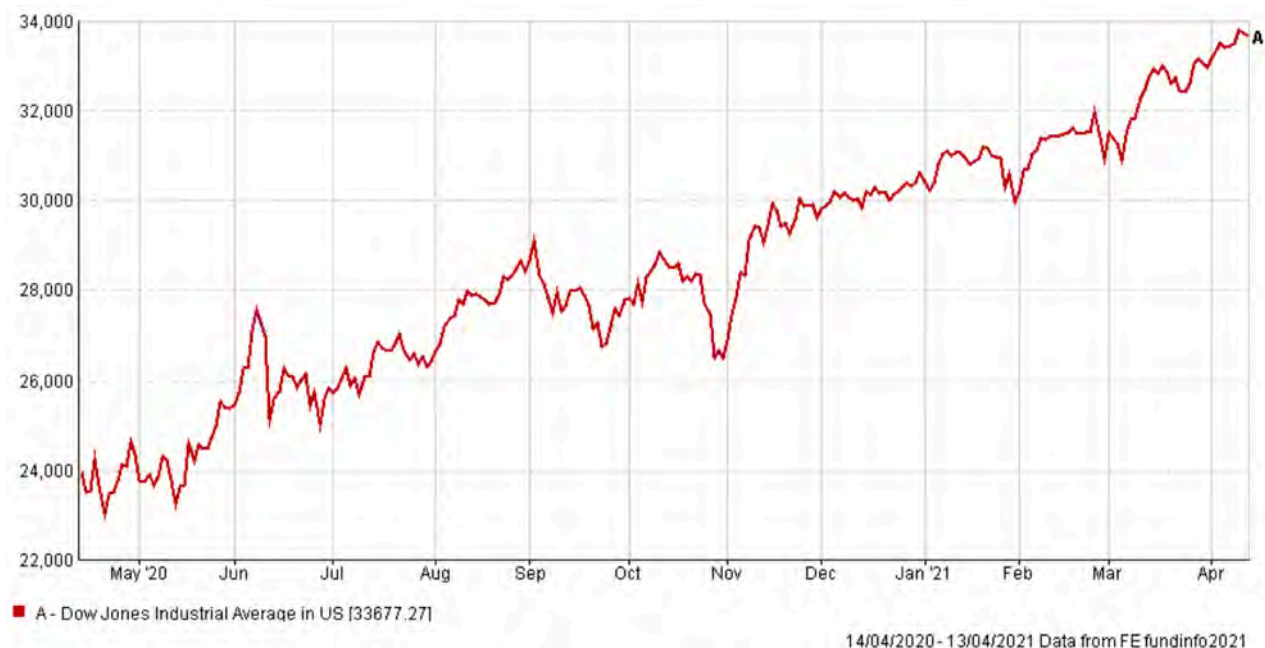
Source: Berenberg Bank, BEA Deutsche Bundesbank, ONS, BoE, INSEE, 8 January 2021. Q1 to Q3 2019 = 100

## 4a) Geographical & Sector Outlook































The FTSE 100 has seen a very volatile recovery over the last 12 months, with a low of 5577.27. Over the period of 14th April 2020 – 13th April 2021, the FTSE 100 was up 18.98% gross (*no charges applied*). In the same term the majority of our Growth and Income portfolios have outperformed the FTSE 100 (the exceptions being our Defensive and Cautious portfolios), with returns ranging from 12.43% to 23.51% net after charges.



Over the same period the US market has undergone a much less volatile recovery, with the Dow Jones seeing an increase of 40.62% over the year.



## 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 remain neutral on Gold and plan to maintain the current holding in the model portfolios. We remain positive about mining stocks in general and specifically those commodities likely to be in short supply due to the boom post-coronavirus.	
Currency	We have no specific new views on the main currencies.	
Investment Trusts	No comments on Investment Trusts.	
General	We continue the year with the same general opinion as the previous update, focusing investments on areas we expect to benefit from post-lockdown recovery.	

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 (46)	3	-0.64% -1.02%	14.32% 12.43%	13.83% 10.17%	15.88% 10.77%	20.65% 14.26%	29.55% 20.83%
Cautious (52)	4	-0.03% -0.38%	16.20% 14.52%	14.10% 10.89%	18.91% 13.66%	24.18% 16.70%	36.57% 25.79%
Balanced (58)	5	1.29% 0.91%	21.67% 19.71%	21.91% 11.12%	21.91% 16.32%	28.25% 20.40%	48.79% 36.65%
Growth (61)	6	0.92% 0.54%	21.51% 19.61%	14.87% 11.36%	21.46% 15.88%	29.16% 21.23%	49.40% 37.36%
Speculative (63)	7	0.87% 0.49%	22.89% 20.97%	15.78% 12.32%	22.89% 17.29%	32.42% 24.31%	53.89% 41.54%
Aggressive (70)	8	0.67% 0.29%	23.51% 21.55%	16.28% 12.75%	27.62% 17.57%	37.05% 23.39%	55.35% 35.97%

## Income Portfolios

 Including Charges
 After Charges

Aisa Portfolio	Risk Grade	Yield	3 mths	12 mths	24 mths	36 mths	48 mths	60 mths
Cautious (58)	4	3.35%	2.99% 2.62%	17.07% 15.29%	3.71% 0.78%	7.37% 2.72%	12.75% 6.20%	25.93% 16.45%
Balanced (75)	5	3.19%	3.91% 3.53%	23.62% 21.76%	6.24% 3.20%	11.34% 6.42%	16.21% 9.32%	32.15% 22.03%
Growth (79)	6	3.08%	3.73% 3.33%	25.51% 23.51%	6.43% 3.24%	12.63% 7.30%	15.35% 8.20%	18.77% 7.32%

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%.

### 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). Please note that gross returns are net of the underlying fund management charges, which typically range between 0.2% and 0.9%. (A typical portfolio average would be 0.57%). 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) 1.96%. For 300,000 your charges were therefore  $300,000 \times 1.96\% = 5,880$ . 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.



## 5b) 12-Month Rolling Performance

We have analysed the actual performance of our model portfolios over the last two years, compared with a net-adjusted FTSE 100 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. March 2020 to March 2021, April 2020 to April 2021 and so on.

In the twelve-month rolling performance for March and April 2021, we can see quite clearly the inflating effect caused by the market crash in March 2020. This is evident in the 25.22% increase when comparing the FTSE 100 in March 2020 to March 2021. Over this same period all of our portfolios have underperformed the FTSE 100, and in the April 2020 to April 2021 period our Defensive and Cautious portfolios have underperformed the FTSE 100. This underperformance can be explained by looking at the March 2020 figures, where our performances experienced a significantly lower drop in performance when compared with the FTSE 100.

Month	FTSE 100	Defensive <sup>3</sup>	Cautious <sup>4</sup>	Balanced <sup>5</sup>	Growth <sup>6</sup>	Speculative <sup>7</sup>	Adventurous <sup>8</sup>
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%
Nov-19	4.10%	4.91%	7.01%	9.43%	8.48%	9.06%	10.79%
Dec-19	6.67%	6.02%	8.69%	9.97%	9.29%	9.03%	9.04%
Jan-20	9.81%	9.42%	12.24%	15.12%	14.70%	15.10%	15.21%
Feb-20	2.94%	8.63%	11.49%	12.37%	11.69%	11.54%	11.51%
Mar-20	-25.80%	-1.82%	-1.73%	-4.35%	-5.67%	-6.77%	-7.92%
Apr-20	-21.38%	-2.80%	-2.66%	-6.98%	-6.66%	-7.16%	-7.83%
May-20	-18.11%	1.61%	2.25%	-1.22%	-0.40%	-0.81%	-0.70%
Jun-20	-17.66%	1.40%	1.59%	-2.06%	-1.24%	-1.74%	-1.83%
Jul-20	-18.25%	1.28%	1.72%	-1.49%	-0.13%	-0.86%	-1.45%
Aug-20	-15.13%	2.86%	2.76%	0.36%	1.29%	1.52%	0.93%
Sep-20	-18.67%	2.74%	2.34%	1.60%	1.17%	1.60%	1.20%
Oct-20	-18.15%	4.17%	4.52%	2.82%	3.79%	5.13%	4.81%
Nov-20	-13.79%	5.23%	5.00%	2.67%	4.46%	5.01%	5.35%
Dec-20	-11.30%	6.41%	5.97%	4.45%	5.74%	6.73%	7.97%
Jan-21	-11.85%	3.55%	3.05%	1.45%	2.38%	3.07%	4.02%
Feb-21	-11.39%	2.62%	1.88%	2.10%	3.15%	4.39%	4.45%
Mar-21	25.22%	10.66%	12.77%	16.43%	18.03%	20.62%	22.84%
Apr-21	18.41%	12.43%	14.52%	19.71%	20.68%	20.97%	21.55%

### Aisa Defensive 3

- FTSE 100
- Aisa Defensive 3



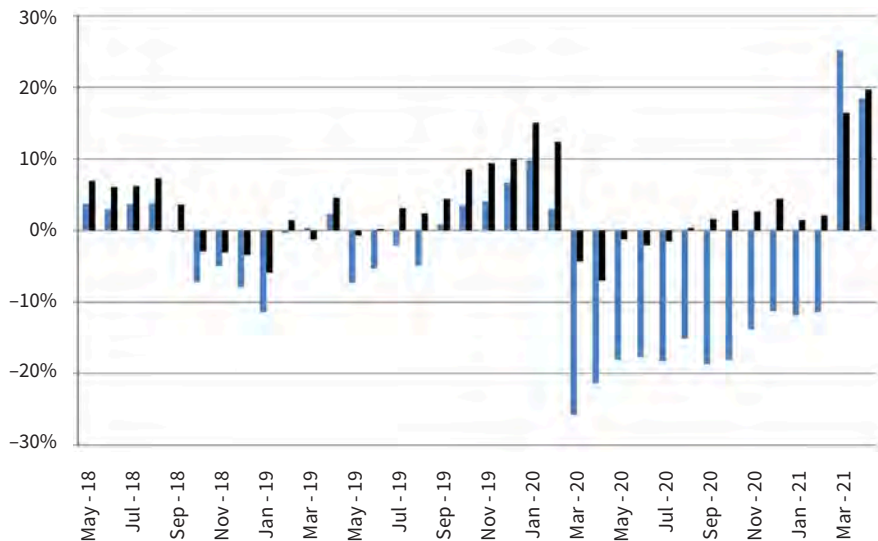
### Aisa Cautious 4

- FTSE 100
- Aisa Cautious 4



### Aisa Balanced 5

- FTSE 100
- Aisa Balanced 5



**Aisa Growth 6**

- FTSE 100
- Aisa Growth 6



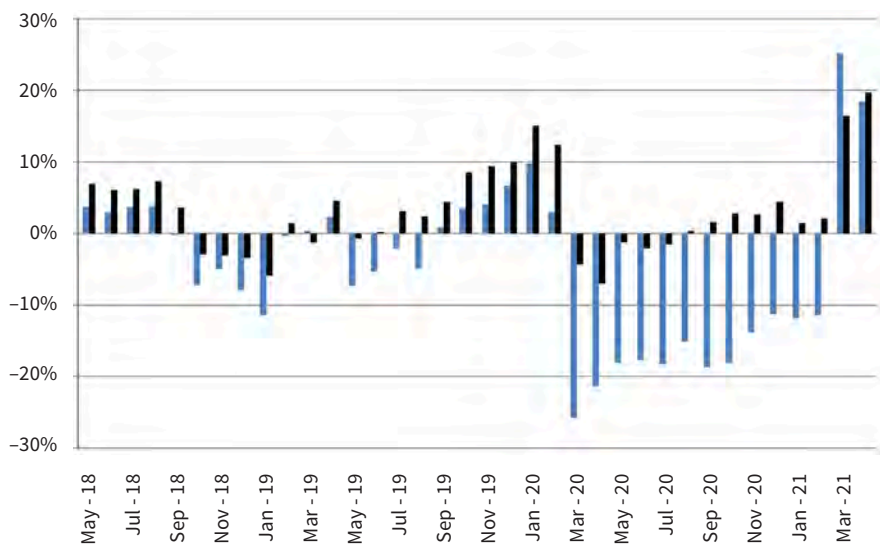
**Aisa Speculative 7**

- 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 'SIPPs' reviewed by John Reid, 'Investment Trusts' reviewed by James Pearcy Caldwell, and 'Group Pensions – Corporate & GPP Pensions' reviewed by Geordie Bulmer. 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:

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

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## 8) Next Meeting

Next meeting will be held on the 15th July 2021 at a location TBD.

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## 9) Actions Outstanding

- Action:** Contact clients who are affected by any fund change(s) in their portfolio(s).
- Action:** Update the Governance document with quarterly research.
- Action:** Monitor those funds on quarterly watch.
- Action:** Monitor Income portfolio performance.

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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.