



# Quarterly Investment Update

Q3 | 2021





## Executive Summary

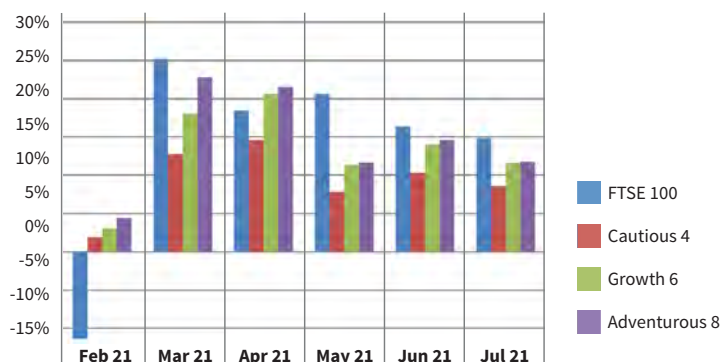
### Market Summary

- The FTSE 100 has seen a volatile rise over the last 12 months, with a low of 5577.27 and a recent high of 7184.95.
- Over the period of 14th July 2020 – 13th July 2021, the FTSE 100 is up 15.29%.

### Investment Portfolios

- All of our growth portfolios have achieved positive returns over the same period, ranging from a positive 6.44% to 12.48% net after charges.
- Our Income portfolios have also achieved positive returns and continue to hit targets for yield, with returns ranging from 13.69% to 19.27% net after charges.

**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.

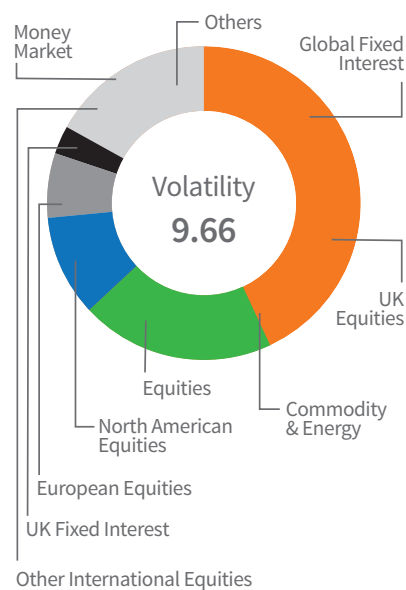


## Aisa's Investment Portfolios

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

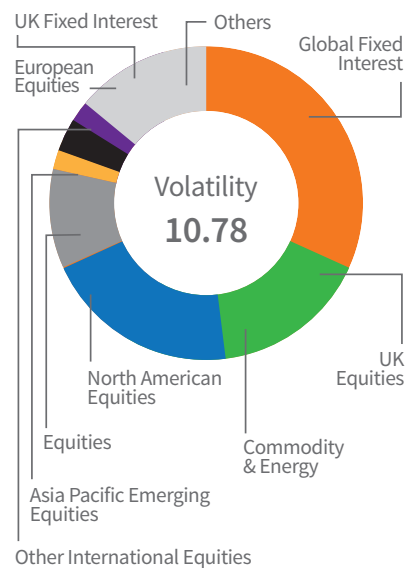
Target Return  
4%



- 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

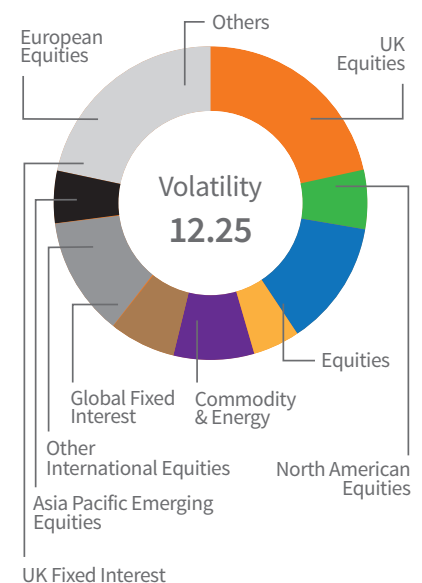
Target Return  
5.5%



- 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%

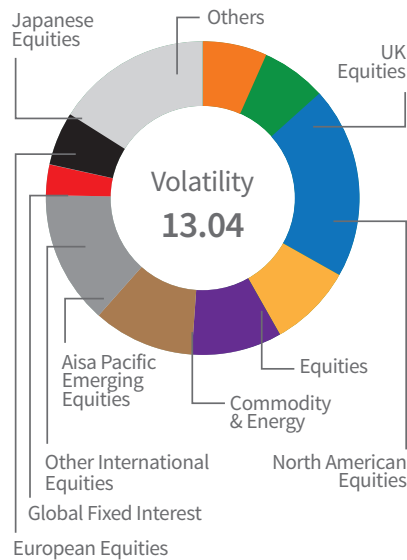


- UK Equities 19.81%
- N. American Equities 16.08%
- Equities 12.55%
- Commodity & Energy 11.82%
- Global Fixed Int. 8.51%
- Oth. Intl. Equities 5.15%
- Asia Pacific Em. Eq. 4.57%
- UK Fixed Int. 3.31%
- European Equities 3.27%
- Others 12.58%

**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

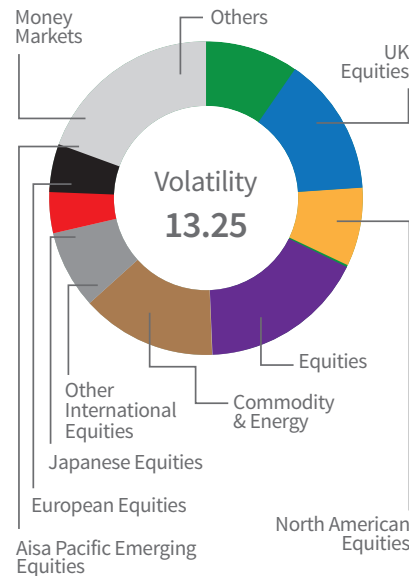
Target Return  
7.75%



- 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

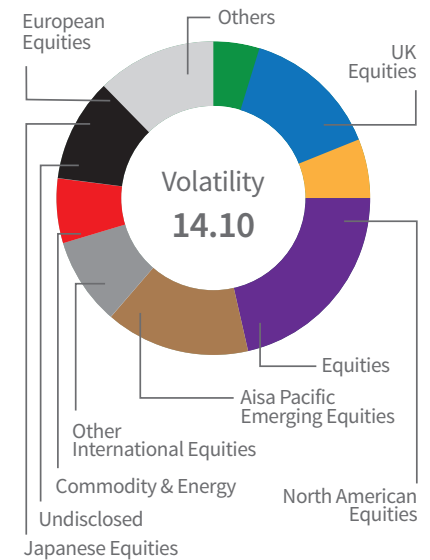
Target Return  
8.75%



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

# Aisa Investment Team (AIT) Committee Meeting

Dated: 15th July 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)  
Josef Myslivec (Aisa International)  
Ceri Morris (Guest – T. Rowe Price)  
Michael Walsh (Guest – T. Rowe Price)

**Secretary:** Danny Setters (Secretary)

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## 1 Review of previous minutes and sign off

After agreement, the minutes of 22nd April 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

It appears that our investment meetings are dominated by some latest bit of covid related news and how it impacts on us all and our investment strategy. Well, the latest issue is inflation.

Since no-one actually knows how high inflation will go and for how long it will last, far be it for us to now issue a prediction.

However, we can tell you what we think will be a few key determining factors that you might want to watch out for or may indicate what is likely to happen.

**The first** is earnings and this includes anything linked to measures of inflation (such as the pension triple lock in the UK). Whilst it is now blindingly obvious there is inflation feeding through in most western countries as economies restart, it is made out to be temporary phenomenon.

What happens if people start demanding larger pay rises to compensate, or you raise income received on the basis of inflation links? When wages start to rise in this way then temporary becomes a spiralling increase and inflation will not be short lived.

**The second** is supply and demand. With supply chains having been shut or reduced, and shortfalls in items escalating demand; if you have two buyers for one seller, then the resultant outcome is inflated prices. Again, that may stabilise itself with time, but if people get used to the higher prices then the inflated prices will stick around. This could be anything from building material through to restaurant prices. As buying power reduces then eventually people will want to increase earnings to match the raised prices they are paying.

**The third** is falling profits of companies leading to reduced margins. This is linked to the above additional costs listed in point 1 and 2 leading to a squeeze on profits. Also, and this hardly needs mentioning, some types of business have had a poor 18 months due to impacts of coronavirus. Companies will put prices up and this leads to further inflation.

**The fourth** is political actions – e.g. tax breaks being provided that are then notified as ending, driving a purchase action. Many governments are guilty of this; for example in the UK you can look at stamp duty on property purchases. When they end it drives inflated prices as a rush to keep costs down, bringing forward purchases and leading to the second point above. Another example is governments printing money (or the EU), often known as quantitative easing, which leads to money losing value, as a result leading to asset values increasing and increasing debt burdens that need to be inflated away.

**The fifth** is expectation and acceptance! If people expect prices to rise, then they buy quickly before prices rise. Ironically, if everyone thinks like that it leads to price increases and shortage of product. The opposite of all the above would be if people see prices falling, or expect them to fall, then they hold off a purchase, thus reversing the cycle into one where you have more sellers than buyers. Another reverse is when there is less lending or after-tax breaks are removed.

#### Summary

So, which is it to be? Short-term inflation simply linked to the re-start of the economy, or a long-term inflation leading to debt servicing problems and further issues for wage demands rising.

We simply do not know at this point, but we can watch closely the above points. If we start to see wage inflation feeding through, then we would hedge towards a longer-term inflation problem that will require central bank interventions. What do you feel will happen next? Let us know.

## b) T. Rowe Price Presentation

Joining us from T. Rowe Price were Ceri Morris and Michael Walsh. Michael is a specialist in T. Rowe Price's Multi-Asset team and gave a presentation on the company as well as a brief market outlook.

Founded in the US and with a total AUM of over £1 Trillion, T. Rowe Price have a comprehensive range of investment strategies. They have an extensive collection of SICAVs based in the European market but in recent years have branched into the UK with a small selection of OEICs, with plans to broaden their UK business going forward.



### T. Rowe Price investment approach

Michael also answered questions on a range of topics regarding their market outlook. To summarise his views:

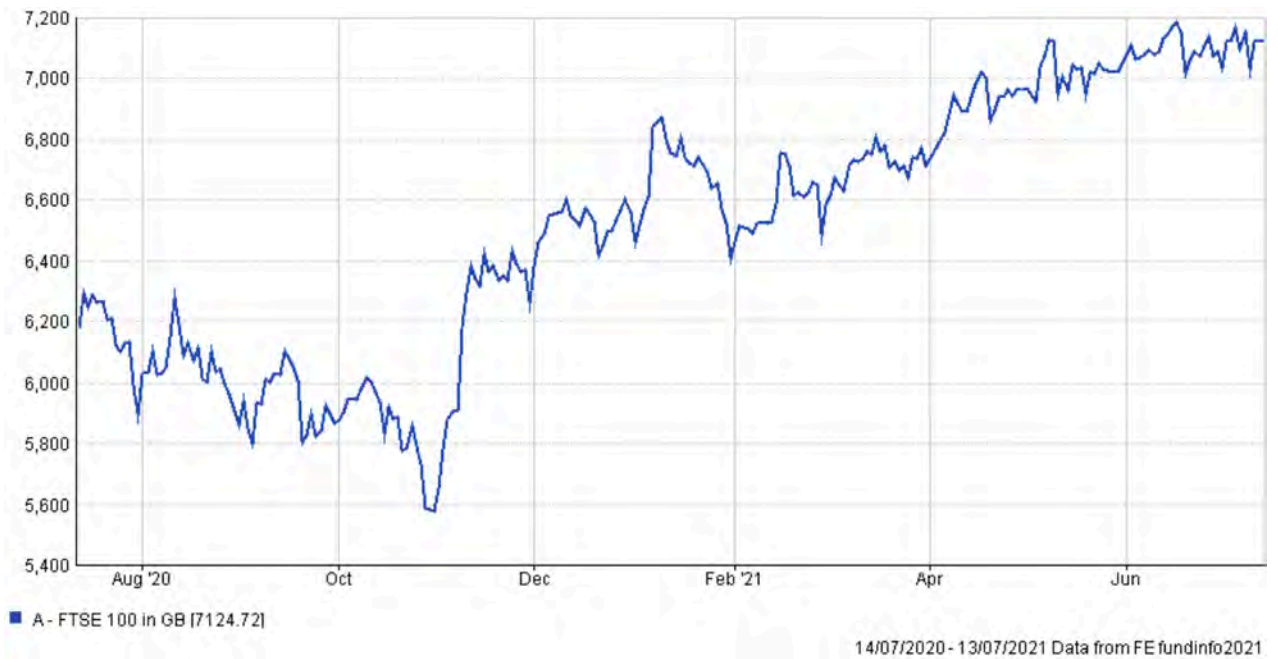
- Rising inflation is something to be aware of but not necessarily worth taking drastic measures over as it could potentially be temporary like many changes over lockdown have been.
- Vaccine rollout in Europe picking up speed could mean European equities grow accordingly.
- Still cautious of the 'Overvalued' US stocks, instead of choosing Growth or Value they plan on cautiously utilising both
- Equities are strong in recovery periods but there is likely to be volatility
- Geopolitical conflicts provide opportunities for investment, e.g. with US-China

Please note the views of T. Rowe Price may not represent Aisa's views, and clients should not make decisions based solely on these views.

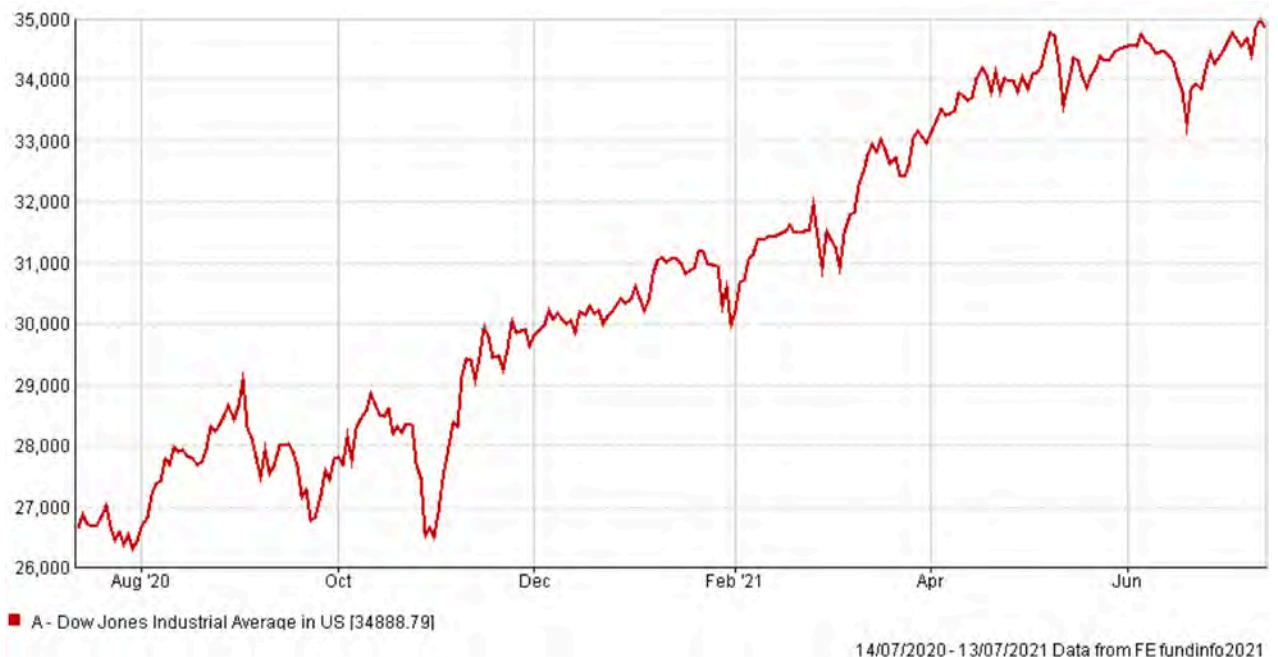


#### 4a) Geographical & Sector Outlook

The FTSE 100 has seen a volatile rise over the last 12 months, with a low of 5577.27 and a recent high of 7184.95. Over the period of 14th July 2020 – 13th July 2021, the FTSE 100 was up 15.29% gross (no charges applied). All of our growth and income portfolios have underperformed the FTSE 100 over the same period, with returns ranging from 6.44% to 12.48% net after charges.



Over the same period the US market has seen a much greater rise, with the Dow Jones Index growing 30.95% from 14th July 2020 – 13th July 2021.



## 4b) Committee Asset Allocation Views

## Views

Negative



Neutral



Positive



## Outlook



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 cautious on Gold and will maintain the current holding, also looking positive on Lithium.

Currency

We have no specific new views on any currencies.

Investment Trusts

No comments on Investment Trusts.

General

The coming months will be crucial for the global economy, with the possibility of rising inflation potentially influencing investment decisions.

## 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 (47)	3	3.58% 3.18%	8.15% 6.44%	12.13% 8.75%	17.14% 11.93%	22.48% 16.00%	27.45% 19.26%
Cautious (53)	4	4.11% 3.75%	9.98% 8.45%	13.55% 10.46%	18.58% 13.57%	26.82% 19.37%	38.93% 28.31%
Balanced (58)	5	4.14% 3.75%	13.79% 12.07%	13.56% 10.27%	18.93% 13.67%	29.62% 21.94%	46.46% 34.94%
Growth (64)	6	3.97% 3.58%	13.21% 11.50%	14.31% 10.97%	19.25% 13.72%	29.96% 21.94%	46.55% 34.90%
Speculative (64)	7	4.15% 3.76%	14.20% 12.48%	14.83% 11.51%	19.89% 14.62%	32.48% 24.58%	51.09% 39.34%
Aggressive (75)	8	3.69% 3.28%	13.51% 11.77%	14.12% 10.78%	26.13% 16.48%	38.98% 25.59%	52.96% 34.61%

### Income Portfolios

■ Including Charges ■ After Charges

Aisa Portfolio	Risk Grade	Yield	3 mths	12 mths	24 mths	36 mths	48 mths	60 mths
Cautious (57)	4	3.28%	2.83% 2.44%	15.38% 13.69%	4.20% 1.31%	7.56% 2.98%	12.77% 6.33%	28.21% 18.66%
Balanced (74)	5	3.00%	3.53% 3.12%	20.53% 18.65%	6.07% 2.99%	14.34% 7.23%	14.34% 7.23%	30.70% 19.98%
Growth (78)	6	2.81%	3.71% 3.30%	21.17% 19.27%	7.57% 4.42%	17.36% 10.18%	17.36% 10.18%	22.38% 10.78%

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 above 2.8%.

### 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 0.75%). 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) 1.72%. For 300,000 your charges were therefore  $300,000 \times 1.72\% = 5,160$ . 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

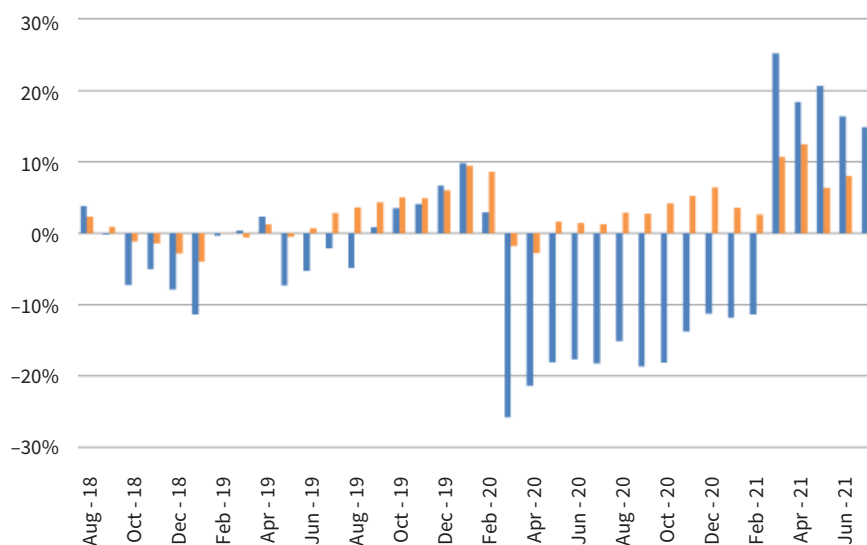
We have analysed the actual performance of three of our model portfolios over the last two years, compared with a net-adjusted FTSE 100 on a rolling 12-month basis. In the table below, next to each month, we have shown the performance for the last 12 months, i.e. June 2020 to June 2021, July 2020 to July 2021 and so on.

In the twelve-month rolling performance for May, June, and July 2021, all of our portfolios have underperformed the FTSE 100, with growth in our portfolios ranging from a positive 6.44% to 12.48% for the July period, compared to 14.83% growth achieved by the FTSE 100 in the same 12 months.

Month	FTSE 100	Defensive 3	Cautious 4	Balanced 5	Growth 6	Speculative 7	Adventurous 8
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%
May-21	20.64%	6.39%	7.90%	12.05%	11.34%	12.91%	11.59%
Jun-21	16.35%	8.01%	10.30%	14.45%	13.99%	14.92%	14.57%
Jul-21	14.83%	6.44%	8.52%	12.07%	11.50%	12.48%	11.77%

### Aisa Defensive 3

■ FTSE 100  
■ Aisa Defensive 3



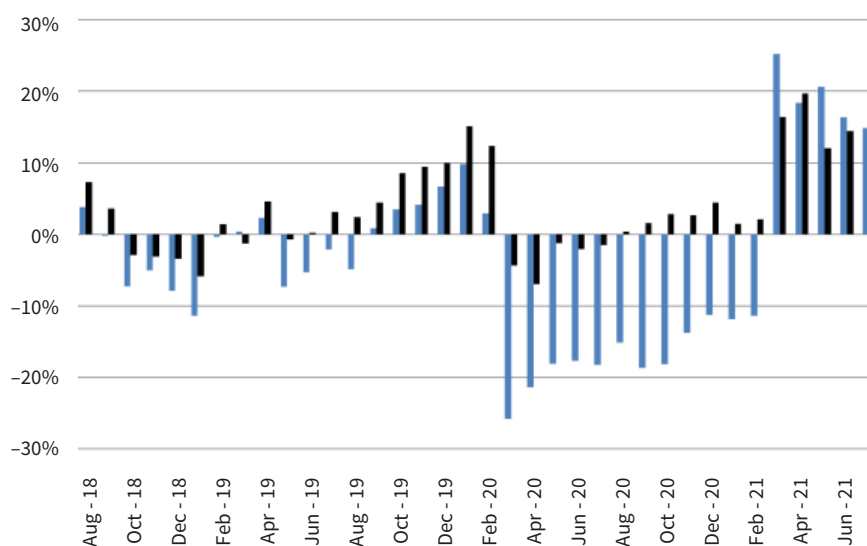
### Aisa Cautious 4

■ FTSE 100  
■ Aisa Cautious 4



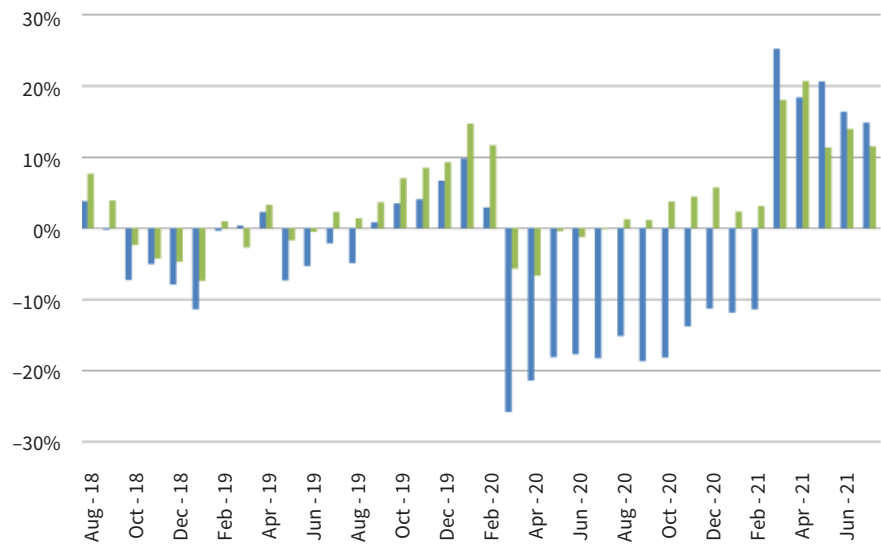
### Aisa Balanced 5

■ FTSE 100  
■ Aisa Balanced 5



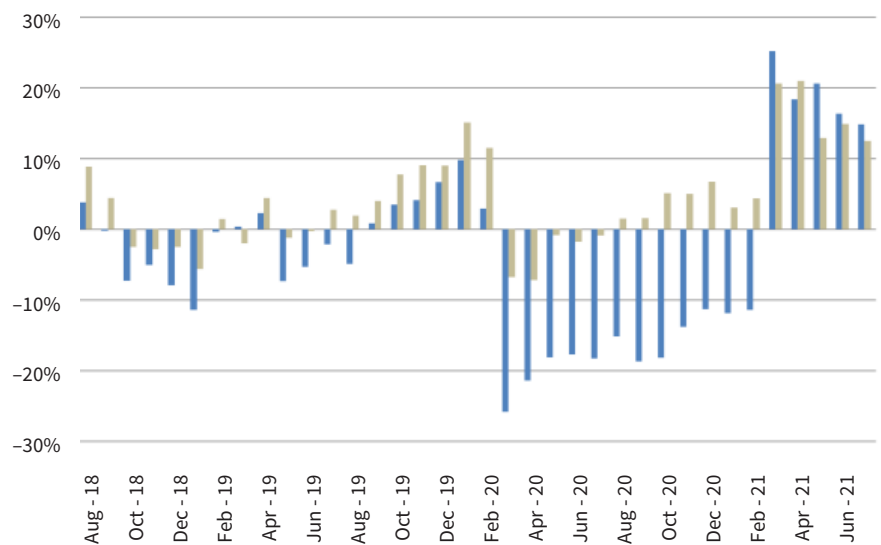
### Aisa Growth 6

■ FTSE 100  
■ Aisa Growth 6



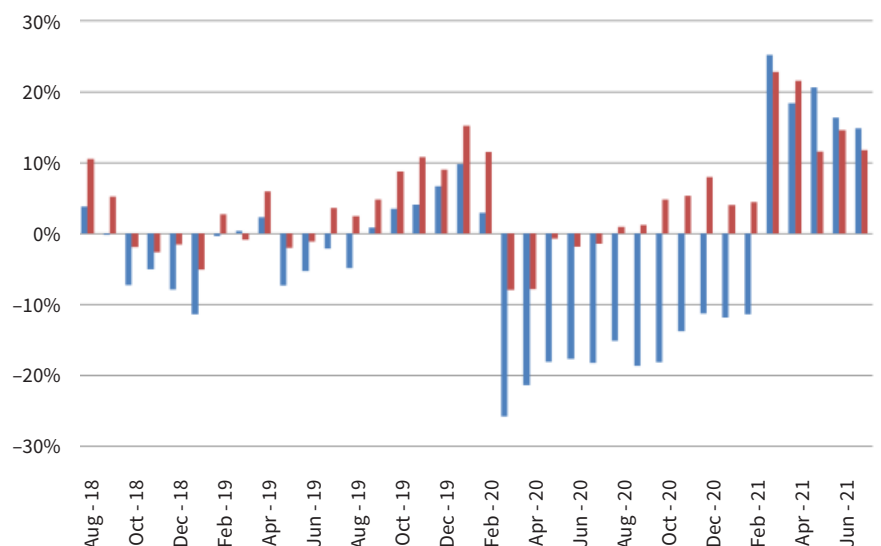
### Aisa Speculative 7

■ 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 'VCT & EIS' reviewed by John Reid, 'Investment Trusts' reviewed by James Percy-Caldwell, and 'Discretionary Management – DFM Processes' 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:

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 19th October 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.