

# Select Portfolio 10

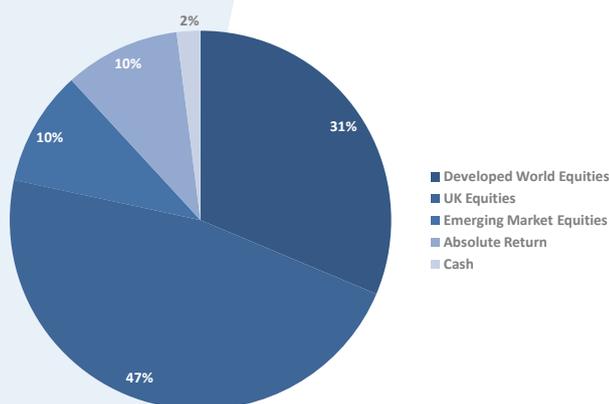
## Risk Profile

The portfolio is designed for an investor who is willing to accept high levels of stock market volatility and the possibility of a negative investment return over a period of longer than 12 months. The investor is prepared to invest their capital over a reasonable period of time, normally in excess of five years. Capital preservation is not important to the investor and a monthly loss of over 10% would not alter their attitude to risk. The investors prime consideration is to achieve a strong positive return on their capital and in order to achieve this they are willing to hold almost all of their portfolio in both domestic and international equities. The portfolio does not have a fixed allocation to bonds, however, the portion of the portfolio allocated to an absolute return strategy may hold bond assets from time to time.

## Portfolio Strategy - Strategy OCF (ongoing charges figure) : 1.0%, Strategy yield : 2.3% (may vary from platform to platform)

The portfolio uses a mix of UK, developed international and emerging market equity indices that are held in proportions aimed at meeting the requirements of an aggressive investor. The portfolio will consist of three elements; (1) a core asset allocation to a number of equity assets, (2) an allocation to an absolute return strategy, (3) a flexible approach (risk on and risk off) to UK large cap equities. The flexible risk on and risk off approach is designed to add a degree of risk management to the portfolio by increasing and decreasing the allocation to UK equities and UK government bonds depending on their recent performance. If UK equities are performing poorly and trending negatively, they will be classified as Risk Off and the portfolios allocation will be reduced and the portfolios cash allocation increased. If UK equities are trending positively, they will be classified as Risk On and the portfolios allocation will be increased.

### Portfolio allocation as at 30<sup>th</sup> June 2017



### Asset risk status as at 30<sup>th</sup> June 2017

UK equities are classed as :

**RISK ON**

UK government bonds are classed as :

**RISK ON**



As at 30<sup>th</sup> of June 2017 UK equities and UK government bonds are in a positive long term trend and are therefore classified as Risk On.

Asset allocations are subject to market movements and portfolios will be re-balanced periodically. Allocations may vary from platform to platform.

### 10 year returns to 30<sup>th</sup> June 2017

Portfolio & Benchmark	3 month return	6 month return	1 year return	3 year return	5 year return	10 year return
Select Portfolio 10	1.4%	6.2%	18.0%	9.4% p.a.	11.0% p.a.	6.4% p.a.
ARC Equity Risk	1.2%	5.5%	16.3%	7.9% p.a.	9.6% p.a.	5.1% p.a.

### 10 year risk to 30<sup>th</sup> June 2017

Portfolio & Benchmark	Max annual loss	Max monthly loss	1 year volatility	3 year volatility	5 year volatility	10 year volatility
Select Portfolio 10	-29.5%	-10.4%	6.7%	8.0% p.a.	8.2% p.a.	12.0% p.a.
ARC Equity Risk	-27.4%	-10.6%	5.9%	7.1% p.a.	7.1% p.a.	10.8% p.a.

#### Table key

- Actual performance
- Simulated performance

**Performance Notes :** Past performance is not a reliable guide to future performance. Performance for the Select portfolios, actual & simulated, is net of all fees and charges (iFunds' management fee, underlying fund fees & Parmenion's platform fees). Simulated performance has been calculated using monthly data & is a representation of what would have been experienced by an investor had the prescribed rules of the portfolio been applied. Simulated performance has only been used where insufficient data is available to show actual performance. Actual performance has been calculated from the point at which a portfolio was managed using that particular strategy. Max annual loss is the maximum loss over any rolling 12 month period. Max monthly loss is the maximum loss suffered over a calendar month. Volatility is a statistical measure of the extent to which a portfolio value changes over time. The higher the volatility the greater the fluctuation in the value, up or down, of the portfolio. Data has been supplied by iFunds Asset Management, ShareScope & other third party data providers.

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## Market commentary

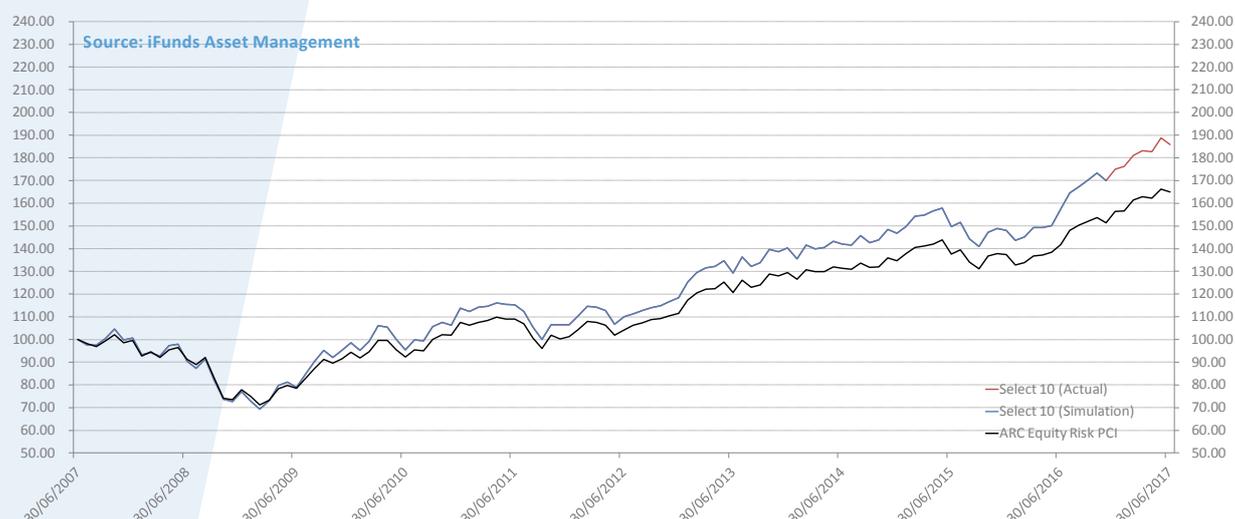
The portfolio returned 1.2% during the second quarter of 2017 as volatility returned to global equity and bond markets towards the end of the period. For the quarter UK equities, as measured by the FTSE 100, rose by 1% whilst UK government bonds declined by 1.3% with June’s general election result delivering added uncertainty. In continental Europe equities were flat in local terms but positive in sterling terms due to a strengthening Euro. Towards the tail end of the quarter comments made by European Central Bank chief Mario Draghi sent both equity and bond markets down. The comments he made were interpreted by some as the beginning of the end of economic stimulus.

In the US Donald Trump continues to court controversy and has yet to deliver on many of the election promises he made. Despite a lack of progress on the promised tax reforms and infrastructure projects, the S&P 500 rose by just over 3% during the quarter, however, a weaker dollar means that in sterling terms the S&P 500 was down just over 0.5%. During the latter stages of the quarter the NASDAQ index took a hit as tech stocks such as the FAANGs (Facebook, Amazon, Apple, Netflix and Google) fell following another global cyber attack.

With regards to the portfolio both equities and bonds remain in a positive trend and are therefore classed as Risk On. Of the two assets it is bonds that weighed the most on portfolio performance with yields rising and prices falling. During the quarter the absolute return portion of the portfolio provided a positive return thanks to its allocation to European equities.

*Nigel Baynes - Investment Director*

## Performance index - 30<sup>th</sup> June 2007 to 30<sup>th</sup> June 2017



## Additional Information

**Strategy OCF (Ongoing Charges Figure)** - The annual cost of the strategy. It includes our management fee, the cost of the underlying investments and Parmenion’s platform fees. As at 30<sup>th</sup> June 2017 the OCF of the strategy is 1.0%.

**Benchmark** - The portfolio does not have a specific benchmark. However, for comparison purposes, we have used the ARC Sterling Equity Risk PCI index which is provided by Asset Risk Consultants [www.assetrisk.com](http://www.assetrisk.com).

## About iFunds Asset Management

iFunds develop and implement quantitative investment processes with the aim of delivering robust risk based portfolio solutions. Due to the quantitative and rules based nature of their investment strategies they are able to simulate the performance of a strategy and back test it over long periods that encompass different market cycles and periods of high market volatility and uncertainty. Back testing like this is not a forecasting method but it does allow investors to see what would have happened had they followed the strategy in question and whether the returns, volatility and drawdowns experienced are in line with their expectations and tolerances.

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