

# Select Portfolio 4

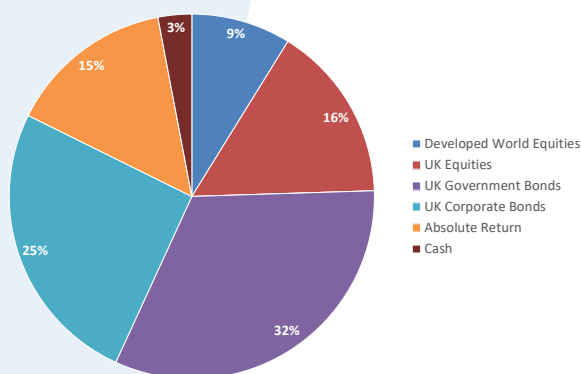
## Risk Profile

The portfolio is designed for a cautious investor who is prepared to invest their capital over a reasonable period of time, normally in excess of five years. Capital preservation is important to the investor and whilst they are prepared to experience some periods of negative returns due to market volatility, their prime consideration is preservation of capital. The investor understands that they are expecting to achieve a lower level of investment return by investing in a portfolio that has the majority of its assets in bond and managed liquidity investments. Whilst UK government bonds and high grade corporate bonds have historically provided a lower level of risk, it is not possible to predict whether this will continue into the future. Bonds may also lose capital value if yields rise. This lower risk, combined with an expected lower rate of return, is something the investor is willing to accept in order to avoid the heavy equity market declines seen during periods of extreme market volatility and in order to try and achieve an above cash return on their capital.

**Portfolio Strategy - Strategy OCF (ongoing charges figure) : 1.11%, Strategy yield : 1.6% (may vary from platform to platform)**

The portfolio uses a mix of UK bonds and UK and developed international equity indices that are held in proportions aimed at meeting the requirements of a balanced 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 and UK government bonds. 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 allocation reduced. If UK equities are trending positively, they will be classified as Risk On and their allocation increased. The same process is applied to the portfolio's bond content.

## Portfolio allocation as at 31<sup>st</sup> December 2018



## Asset risk status as at 31<sup>st</sup> December 2018

UK equities are classed as :

**RISK ON**

UK government bonds are classed as :

**RISK ON**



As at 31<sup>st</sup> December 2018 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 31<sup>st</sup> December 2018

Portfolio & Benchmark	3 month return	6 month return	1 year return	3 year return	5 year return	10 year return
Select Portfolio 4	-3.1%	-3.4%	-4.2%	4.2% p.a.	4.1% p.a.	5.3% p.a.
ARC Balanced	-5.9%	-5.1%	-5.1%	3.2% p.a.	3.2% p.a.	5.2% p.a.

## 10 year risk to 31<sup>st</sup> December 2018

Portfolio & Benchmark	Max annual loss	Max monthly loss	1 year volatility	3 year volatility	5 year volatility	10 year volatility
Select Portfolio 4	-4.7%	-3.5%	3.1%	5.2% p.a.	5.3% p.a.	5.2% p.a.
ARC Balanced	-5.1%	-3.5%	5.0%	4.6% p.a.	4.7% p.a.	5.5% 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.

## Select Portfolio 4

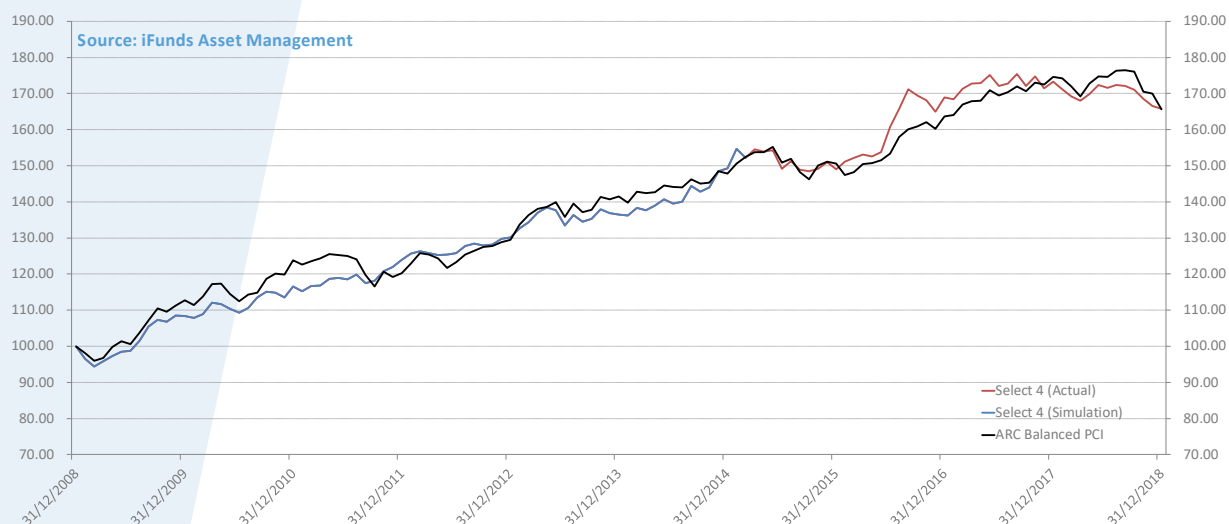
### Market commentary

Stock markets ended the year with further falls as a difficult and turbulent investment year came to a close. Over the quarter we saw UK equities fall by 9.6%, whilst European, US and Japanese equity markets fell 11.4%, 13.5% and 16.8% respectively. These falls, added to the falls of the first quarter, meant that many stock markets suffered their worst year since the 2008 financial crisis. US equities saw big falls, particularly across the technology sector, which up until this year, had delivered significant returns. In Japan, a stronger Yen, which is traditionally seen as a safe haven, has hurt profit margins for its many exporters. In Europe, Angela Merkel and Emmanuel Macron continue to face significant domestic problems that have hindered their plans for EU reform. In the UK, Brexit continues to be the main distraction, although UK equities did out perform the majority of other markets over the quarter, this was partly due to a weaker pound rather than positive economic performance. As we head into 2019, volatility remains high and is likely to continue until we see some resolution to a number of the major global issues. Moving away from equities, bonds enjoyed a positive quarter as investors looked towards defensive assets. In February and March last year we saw an asset wide sell off of both bonds and equities, whereas this time around, bonds were able to offer investors protection from equity falls with a number of Central Banks suggesting the rate rise cycle may be slower than previously planned.

Overall, the portfolio has taken a more defensive stance through their alternative allocation which has switched into a mixture of government bonds, cash and precious metals. UK equities are yet to go risk off but have moved closer to doing so following the negative quarter.

*Nigel Baynes - Investment Director*

### Performance index - 31<sup>st</sup> December 2008 to 31<sup>st</sup> December 2018



### 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 31<sup>st</sup> December 2018 the OCF of the strategy is 1.11%.

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

This document is issued by iFunds Asset Management Limited. Simulated past performance is not a reliable indicator of future results. Except where otherwise indicated performance numbers are sourced from iFunds. Data for simulating performance is supplied by Third Parties. We reasonably believe that the information contained herein is accurate as at the date of publication. This document must not be relied on for purposes of any investment decisions. This document includes simulations which are based on our current investment processes. Actual results could differ materially from those simulated. The value of investments, and the income from them, can go down as well as up and you may not recover the amount of your original investment. iFunds Asset Management Ltd is authorised and regulated by the Financial Conduct Authority, registered in England and Wales, No. 2442391. Registered office The TechnoCentre, Puma Way, Coventry, CV1 2TT. [www.ifunds.co.uk](http://www.ifunds.co.uk)