

# MGTS OEIC INVESTMENT PERFORMANCE TABLE to 30<sup>th</sup> April 2019

| OEIC                  | Cumulative Performance |          |        |        |                            | Discrete Annual Performance |       | Since Launch Ratios |      |              |               |            |          |        |
|-----------------------|------------------------|----------|--------|--------|----------------------------|-----------------------------|-------|---------------------|------|--------------|---------------|------------|----------|--------|
|                       | YTD                    | 6 Months | 1 Year | 2 Year | Since Launch<br>22/02/2016 | 2017                        | 2018  | Alpha               | Beta | Sharpe Ratio | Downside Risk | Volatility | Max Loss | Max DD |
| <b>Outperformance</b> |                        |          |        |        |                            |                             |       |                     |      |              |               |            |          |        |
| MGTS IBOSS 1 R Acc    | 4.59                   | 2.97     | 1.67   | 3.57   | 11.66                      | 4.52                        | -3.46 | 0.25                | 0.73 | 0.50         | 3.45          | 3.19       | -2.31    | -4.49  |
| IA Benchmark          | 4.59                   | 3.15     | 2.14   | 3.71   | 16.18                      | 4.84                        | -3.35 | 0.00                | 1.00 | 0.78         | 3.41          | 3.37       | -2.49    | -3.85  |
| MGTS IBOSS 2 R Acc    | 5.89                   | 4.13     | 2.00   | 5.18   | 18.09                      | 6.68                        | -4.34 | 0.27                | 0.79 | 0.77         | 4.86          | 4.38       | -3.28    | -6.01  |
| IA Benchmark          | 6.87                   | 4.24     | 2.48   | 5.52   | 23.03                      | 7.16                        | -5.10 | 0.00                | 1.00 | 0.92         | 5.23          | 4.88       | -3.61    | -6.42  |
| MGTS IBOSS 3 Blend    | 6.80                   | 4.96     | 2.07   | 6.06   | 21.74                      | 8.62                        | -5.29 | 0.38                | 0.79 | 0.83         | 5.74          | 5.28       | -3.97    | -7.00  |
| IA Benchmark Blend    | 8.21                   | 5.02     | 3.27   | 7.29   | 27.68                      | 8.56                        | -5.60 | 0.00                | 1.00 | 0.96         | 6.24          | 5.90       | -4.33    | -7.73  |
| MGTS IBOSS 4 R Acc    | 7.68                   | 5.75     | 2.14   | 6.90   | 25.39                      | 10.52                       | -6.18 | 0.56                | 0.77 | 0.86         | 6.67          | 6.17       | -4.62    | -7.93  |
| IA Benchmark          | 9.55                   | 5.79     | 4.06   | 9.07   | 32.46                      | 9.98                        | -6.11 | 0.00                | 1.00 | 0.98         | 7.50          | 6.95       | -5.05    | -9.02  |
| MGTS IBOSS 5 Blend    | 8.24                   | 6.22     | 2.30   | 7.40   | 26.29                      | 11.06                       | -6.57 | 0.21                | 0.82 | 0.84         | 7.24          | 6.66       | -4.99    | -8.51  |
| IA Benchmark Blend    | 9.49                   | 5.76     | 3.65   | 9.09   | 33.74                      | 10.59                       | -6.41 | 0.00                | 1.00 | 1.00         | 7.71          | 7.17       | -5.05    | -9.18  |
| MGTS IBOSS 6 R Acc    | 8.79                   | 6.69     | 2.47   | 7.90   | 27.19                      | 11.61                       | -6.95 | -0.10               | 0.86 | 0.82         | 7.81          | 7.17       | -5.36    | -9.08  |
| IA Benchmark          | 9.42                   | 5.73     | 3.24   | 9.10   | 35.02                      | 11.21                       | -6.72 | 0.00                | 1.00 | 1.00         | 7.88          | 7.42       | -5.06    | -9.34  |

**Fund**

MGTS IBOSS 1  
 MGTS IBOSS 2  
 MGTS IBOSS 3 Blend  
 MGTS IBOSS 4  
 MGTS IBOSS 5 Blend  
 MGTS IBOSS 6

**Benchmark**

IA Mixed Investment 0%-35% Shares  
 IA Mixed Investment 20%-60% Shares  
 50% IA Mixed Investment 20%-60% Shares/50% IA Mixed Investment 40%-85% Shares  
 IA Mixed Investment 40%-85% Shares  
 50% IA Mixed Investment 40%-85% Shares/50% IA Flexible Investment  
 IA Flexible Investment

Source of Data:  FE ANALYTICS  
 BE BETTER INFORMED

NB. MGTS IBOSS Figures are calculated on a Total Return basis - Total return shows the total return of the instrument

# SUMMARY

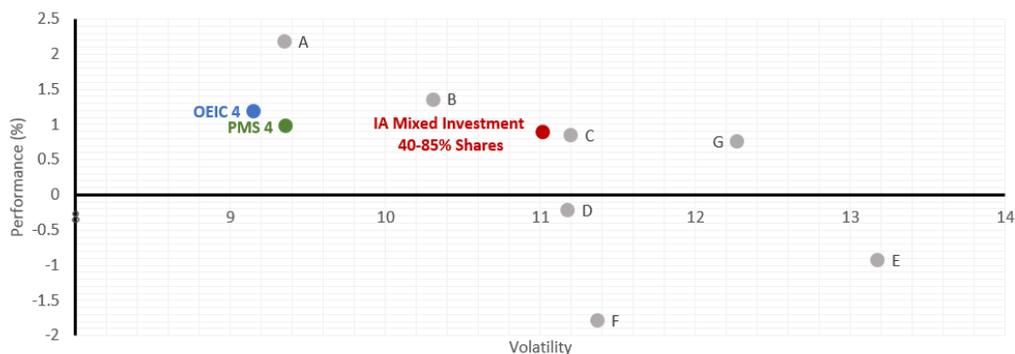
All OEIC funds outperformed through April by an average of 0.34%. Though OEIC 4 only marginally outperformed the IA 40-85% Sector by 0.02%, it is worth highlighting that the medium risk benchmark has a considerable bias to US equities.

The IA Mixed Investment 40-85% Shares (the old balanced managed sector and the benchmark for both of our medium risk products) has, over the last decade, seen US assets increase from, on average, 11% to 24% of a balanced portfolio. The chart below (Fig 2) demonstrates that this level of US exposure has, traditionally, been reserved for higher risk portfolios and funds (Flexible).

We have recently put together a piece explaining our US positioning which can be found [here](#).

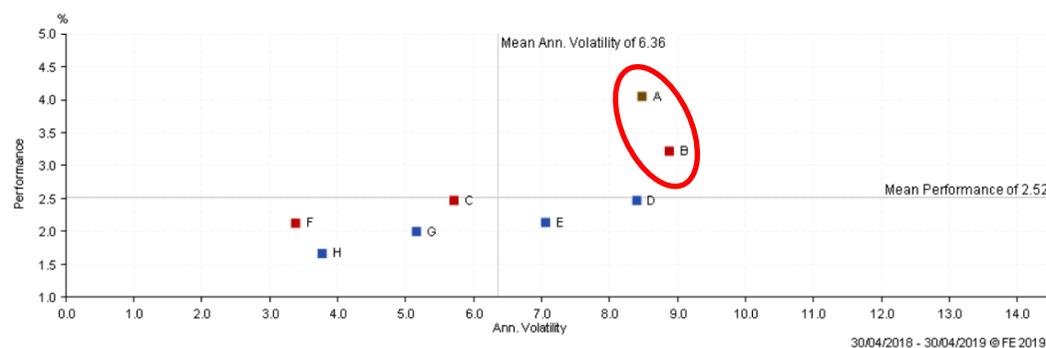
As can be seen from the chart (Fig 1), we continue to put our emphasis on the defensive characteristics of our investments, and this won't change until either the economic backdrop materially improves or valuations become more attractive relative to their own histories. We do now appear to have returned to a FOMO (fear of missing out) mentality, especially in the US, and that is rarely a sign of a good period to be ramping up risk. We remain focused on selecting the best possible managers whilst ensuring a high level of diversification - a characteristic we feel to be increasingly important.

PERFORMANCE SCATTER OEIC 4 & PMS 4 Vs PEERS (Fig 1)  
30/09/2018 – 30/04/2019



| Key | Name                              | Performance | Annualised Volatility |
|-----|-----------------------------------|-------------|-----------------------|
|     | PMS 4                             | 0.97        | 9.36                  |
|     | OEIC 4                            | 1.19        | 9.15                  |
|     | IA Mixed Investment 40-85% Shares | 0.89        | 11.02                 |
| A   | Vanguard LifeStrategy 60%         | 2.18        | 9.35                  |
| B   | Jupiter Merlin Balanced Portfolio | 1.36        | 10.31                 |
| C   | Royal London Governed 4           | 0.85        | 11.2                  |
| D   | Janus henderson Multi-Managed A   | -0.22       | 11.18                 |
| E   | 7IM Moderately Adventurous        | -0.93       | 13.18                 |
| F   | Standard Life Myfolio MM IV       | -1.79       | 11.37                 |
| G   | Standard Life Myfolio Market IV   | 0.76        | 12.27                 |

1 YEAR SCATTER OEIC V BENCHMARK (Fig 2)  
30/04/2018 – 30/04/2019



| Key | Name                              | Performance | Annualised Volatility |
|-----|-----------------------------------|-------------|-----------------------|
| A   | IA Mixed Investment 40-85% Shares | 4.05        | 8.48                  |
| B   | IA Flexible Investment            | 3.22        | 8.88                  |
| C   | IA Mixed Investment 20-60% Shares | 2.47        | 5.71                  |
| D   | MGTS - IBOSS 6                    | 2.47        | 8.40                  |
| E   | MGTS - IBOSS 4                    | 2.14        | 7.06                  |
| F   | IA Mixed Investment 0-35% Shares  | 2.13        | 3.38                  |
| G   | MGTS - IBOSS 2                    | 2.00        | 5.16                  |
| H   | MGTS - IBOSS 1                    | 1.67        | 3.77                  |

## RATIO DEFINITIONS

### **Alpha**

Alpha is a measure of a fund's over- or under-performance by comparison to its benchmark. It represents the return of the fund when the benchmark is assumed to have a return of zero, and thus indicates the extra value that the manager's activities have contributed: if the Alpha is 5, the fund has outperformed its benchmark by 5% and the greater the Alpha, the greater the out performance.

A further aspect of Alpha emerges when it is taken in conjunction with Beta. Assuming that a strong R-Squared correlation exists, the Beta will show how volatile the fund is compared to its benchmark, and thus indicate how much extra risk the manager has taken on in order to get that high-Alpha performance. Negative Alpha in conjunction with 1+ Beta is an indication of poor performance: managers are subjecting funds to volatility that is higher than the benchmark, while achieving returns that are lower than the benchmark attained. So, if Alpha indicates better/worse performance compared with the index, Beta shows higher/lower risk.

### **Beta**

Beta is a statistical estimate of a fund's volatility by comparison to that of its benchmark, i.e. how sensitive the fund is to movements in the section of the market that comprises the benchmark. A fund with a Beta close to 1 means that the fund will generally move in line with the benchmark. Higher than 1 and the fund is more volatile than the benchmark, so that with a Beta of 1.5, say, the fund will be expected to rise or fall 1.5 points for every 1 point of benchmark movement.

### **Downside Risk**

Downside risk is a measurement which only considers negative returns. It is calculated as a downside deviation of returns below a specified Risk Free Rate. It represents an estimation of a security's potential to suffer a decline in price in negative market conditions. It could be considered as an estimate of the potential loss on any investment.

### **Maximum Drawdown**

Represents the worst possible return over a period, e.g. buying at the maximum price over the period and selling at the worst.

### **Maximum Loss**

Represents the worst running return over a period e.g. the longest running consecutive loss without making a gain

### **R-Squared**

The R-Squared measure is an indication of how closely correlated a fund is to an index or a benchmark. It can be treated as a percentage, showing what proportion of a fund's movements can be attributed to those of the benchmark. Values for R-Squared range between 0 and 1, with 0 indicating no correlation at all, and 1, rarely, showing a perfect match. Values upwards of 0.7 suggest that the fund's behaviour is increasingly closely linked to its benchmark, whereas the relevance diminishes as R-Squared descends towards 0.5, and starts to disappear altogether below that.

R-Squared is a key ratio, in that other measures of a fund's performance - such as Alpha and Beta - will have been calculated by reference to its benchmark. The weaker the R-Squared correlation, the more unsuitable the benchmark is, and the more unreliable these measures will be in assessing the fund.

## Sharpe Ratio

This is a commonly-used measure which calculates the level of a fund's return over and above the return of a notional risk-free investment, such as cash or Government bonds. The difference in returns is then divided by the fund's standard deviation - its volatility, or risk measurement. The resulting ratio is an indication of the amount of excess return generated per unit of risk.

Sharpe is useful, when comparing similar portfolios or instruments. There is no absolute definition of a "good" or "bad" Sharpe ratio, beyond the thought that a fund with a negative Sharpe would have been better off investing in risk-free government securities. But clearly the higher the Sharpe ratio the better: as the ratio increases, so does the risk-adjusted performance. In effect, when analysing similar investments, the one with the highest Sharpe has achieved more return while taking on no more risk than its fellows - or, conversely, has achieved a similar return with less risk.

## Treynor Ratio

This is another risk-adjusted performance measure, similar in calculation and application to the Sharpe Ratio. The difference is that while Sharpe weighs a fund's returns against total risk (standard deviation, or volatility), Treynor looks at excess return for each unit of systemic risk (the volatility, inherent in the market that cannot be diversified). The Treynor calculation, then, takes the fund's excess return over a notional risk-free rate (what would be earned from, say, cash on deposit, or Government bonds), then divides it by the fund's Beta. A Treynor Ratio greater than 1 shows that the fund has produced more units of return than of risk. So, in basing on market risk alone, the ratio assumes that non-systemic risk is capable of being eliminated by diversification across a wide range of investments, and measures whether the systemic risk has been rewarded.

Also known as the Volatility to Reward ratio, Treynor is useful in comparing funds that invest in similar market sectors and achieve similar returns. Also, since it factors out the manager's ability from movements in the fund's sector. While not perfect, and not to be taken in isolation, the Treynor Ratio can be a pointer to the optimum risk- and sector-adjusted fund for a particular risk-aversion profile.

## Volatility

Standard deviation is a statistical measurement which, when applied to an investment fund, expresses its volatility, or risk. It shows how widely a range of returns varied from the fund's average return over a particular period. Low volatility reduces the risk of buying into an investment in the upper range of its deviation cycle, then seeing its value head towards the lower extreme. For example, if a fund had an average return of 5%, and its volatility was 15, this would mean that the range of its returns over the period had swung between +20% and -10%. Another fund with the same average return and 5% volatility would return between 10% and nothing, but there would at least be no loss.

While volatility is specific to a fund's particular mix of investments, and comparison to other portfolios is difficult, clearly, for those that offer similar returns, the lower-volatility funds are preferable. There is no point in taking on higher risk than necessary in order to achieve the same reward.

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