

# PERFORMANCE

## PMS OLD MUTUAL WEALTH PERFORMANCE TABLE to 29<sup>th</sup> February 2020

Portfolio	Cumulative Performance						Discrete Annual Performance											Rolling 5 year Data							
	YTD	1 Year	3 Years	5 Years	10 Years	Since Launch 01/11/2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Alpha	Beta	Sharpe Ratio	Info Ratio	Vol	Max DD	Downside Capture	
<b>Outperformance</b>																									
<b>Portfolio 0</b>	-1.40	3.62	6.92	14.37	47.68	72.88	14.31	7.20	1.33	7.54	6.60	3.07	2.09	4.66	5.21	-2.46	7.36	0.65	0.94	0.27	0.44	2.69	-3.47	92.72	
<b>IA Benchmark</b>	-0.68	3.81	5.46	11.44	36.14	56.28	9.42	6.25	1.15	5.03	3.46	3.39	0.31	5.95	3.40	-2.23	6.23	0.00	1.00	0.07	0.00	2.56	-3.14	100.00	
<b>Portfolio 1</b>	-1.88	3.85	8.15	17.55	58.57	89.26	14.93	8.25	0.75	8.40	9.04	3.25	3.06	5.67	6.48	-2.78	8.52	0.85	0.81	0.38	0.16	3.38	-4.01	79.71	
<b>IA Benchmark</b>	-1.02	5.19	7.30	15.87	49.54	77.16	11.71	7.77	1.38	6.22	4.20	4.84	0.38	8.47	4.84	-3.35	8.70	0.00	1.00	0.27	0.00	3.65	-4.49	100.00	
<b>Portfolio 2</b>	-3.20	4.20	10.75	24.28	75.82	114.88	13.97	9.85	-0.88	9.48	10.69	5.10	3.99	8.52	9.22	-3.55	11.19	1.29	0.87	0.51	0.68	4.78	-5.45	81.23	
<b>IA Benchmark</b>	-3.20	4.43	7.81	19.14	61.09	94.49	15.90	8.56	-1.89	8.35	8.85	4.85	1.21	10.32	7.16	-5.10	11.84	0.00	1.00	0.29	0.00	5.34	-6.56	100.00	
<b>Portfolio 3</b>	-3.89	4.49	12.52	29.13	92.76	151.63	21.41	12.90	-2.83	11.54	12.18	5.44	4.65	10.46	11.86	-4.46	12.87	1.50	0.88	0.56	0.72	5.75	-6.33	83.26	
<b>IA Benchmark</b>	-4.05	4.77	9.22	22.75	72.37	113.80	18.00	10.43	-3.72	9.16	11.64	4.86	1.94	11.60	8.56	-5.60	13.80	0.00	1.00	0.34	0.00	6.39	-7.62	100.00	
<b>Portfolio 4</b>	-4.28	4.71	13.26	31.50	100.89	168.39	23.70	14.41	-4.41	12.30	14.29	5.51	5.24	11.25	13.21	-5.17	13.94	1.54	0.84	0.57	0.42	6.41	-7.13	80.26	
<b>IA Benchmark</b>	-4.91	5.09	10.61	26.41	84.19	134.68	20.12	12.29	-5.51	9.97	14.47	4.87	2.66	12.87	9.98	-6.11	15.78	0.00	1.00	0.38	0.00	7.46	-8.68	100.00	
<b>Portfolio 5</b>	-4.81	4.74	14.16	34.79	112.47	194.77	27.20	16.24	-6.02	13.73	15.50	5.75	5.72	12.98	14.87	-5.68	14.82	1.74	0.90	0.59	0.72	7.10	-7.58	85.23	
<b>IA Benchmark</b>	-5.02	4.80	10.42	26.61	83.60	136.96	22.07	13.44	-7.13	10.05	14.51	4.88	2.33	13.34	10.59	-6.41	15.72	0.00	1.00	0.37	0.00	7.72	-9.34	100.00	
<b>Portfolio 6</b>	-5.10	4.96	14.53	36.75	118.72	214.55	31.08	17.87	-7.27	14.41	16.01	6.01	6.66	13.50	15.18	-6.01	15.68	1.96	0.91	0.60	0.83	7.46	-8.09	86.42	
<b>IA Benchmark</b>	-5.14	4.51	10.22	26.79	82.93	139.13	24.03	14.57	-8.73	10.13	14.54	4.89	1.99	13.82	11.21	-6.72	15.66	0.00	1.00	0.36	0.00	8.00	-10.00	100.00	

Please find the details for the associated benchmarks at the back of this document.

\*For historic life styled performance please contact a member of the IBOSS team.

Source of Data:  **FE ANALYTICS**  
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# SUMMARY

The IBOSS portfolios performed well through February and, though the defensive positioning had previously been a headwind in the face of rapidly rising equity markets, the combined humanitarian and economic threat of the coronavirus has been positive for the portfolios' relative performance numbers.

Whilst we are pleased with the performance of the portfolios during the market's first pullback since the infamous Fed policy misstep in Q4 of 2018, it is important to stress that the drawdown period has only occurred for a number of weeks and as such the data is impacted heavily by movements in daily pricing. The table below shows the impact of the recent market pullback on the portfolios both from the 20<sup>th</sup> February to the 2<sup>nd</sup> March (the drawdown period) and from the start of February to date following the settlement of pricing.

## IBOSS PMS Range Short Term performance to 02.03.2020 (figure 1)

Portfolio	Cumulative Performance to 02.03.2020		
	YTD	February	Feb 20th to Date
<b>Outperformance</b>			
<b>Portfolio 1</b>	-1.73	-2.06	-3.17
<b>IA Benchmark</b>	-1.30	-1.90	-2.74
<b>Portfolio 2</b>	-2.92	-2.91	-4.64
<b>IA Benchmark</b>	-3.74	-3.72	-5.19
<b>Portfolio 4</b>	-3.94	-3.64	-5.94
<b>IA Benchmark</b>	-5.40	-5.14	-7.38
<b>Portfolio 6</b>	-4.68	-4.14	-6.86
<b>IA Benchmark</b>	-5.46	-4.99	-7.36

Source of Data: FE Analytics

The portfolios' bond holdings performed very well through February, as high yield performed poorly relative to haven sovereigns and shorter dated bonds. Though physical gold demonstrated capital protection characteristics through February, gold equities such as the, currently held, Investec Global Gold fund have struggled, falling alongside equities over the shorter term. What is perhaps most surprising is that the portfolios' Asian holdings were one of the strongest performers, making marginally positive returns despite the very real impact of the coronavirus on the Chinese economy.

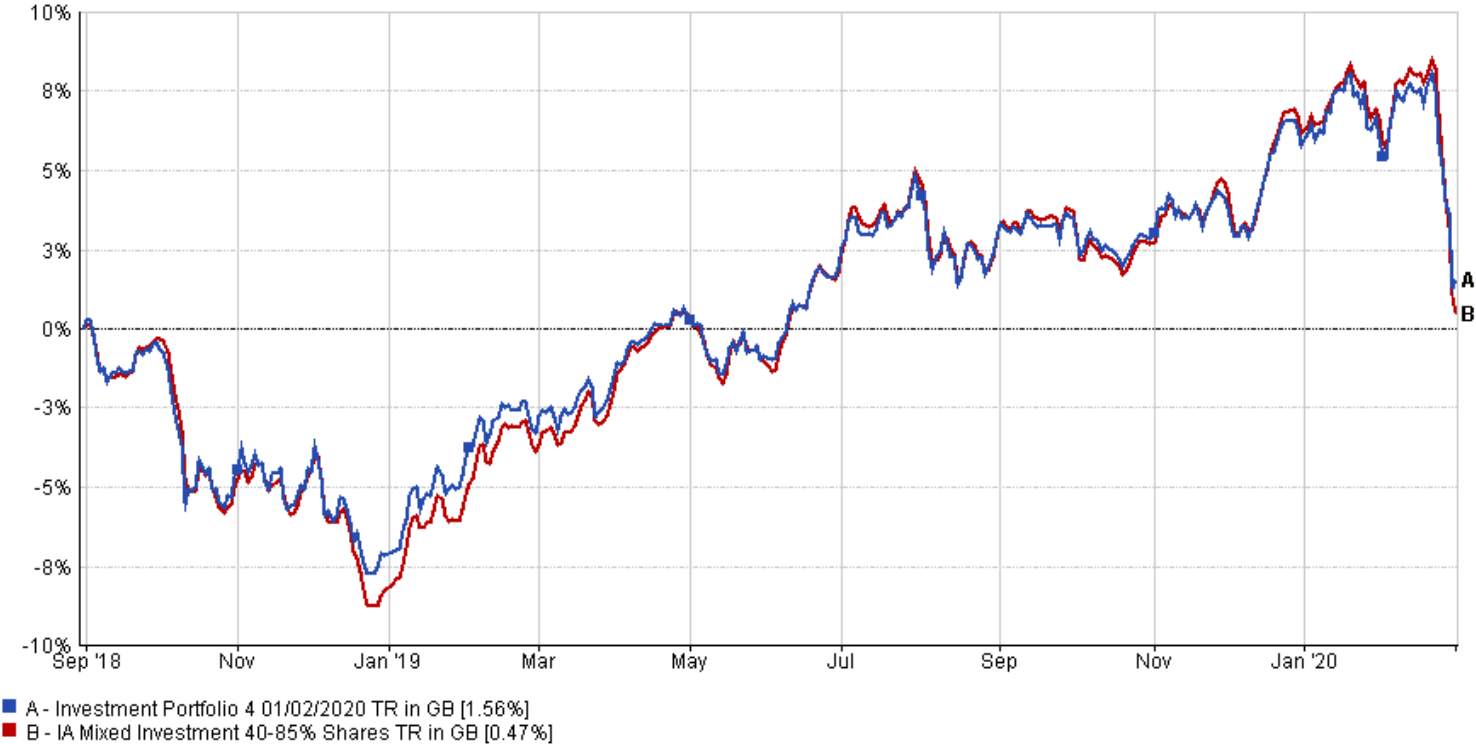
Portfolios 0 & 1 have struggled against their respective benchmarks. Though our bond positioning has been largely positive across all portfolios, the benchmarks for both portfolios have a high weighting in longer dated sovereign bonds relative to the IBOSS portfolios. Though we are positive on these as part of a fully diversified portfolio, we continue to think that there are risks to holding too much duration, even amongst what are considered to be the safer fixed income instruments.



What is perhaps equally as interesting is the extent of February's pull back. Looking at the performance of Portfolio 4 against its benchmark since the drawdown of Q4 2018, you can see that much of the gains made through 2019 were quickly erased, leaving investors with close to flat returns over the period and the IBOSS portfolios slightly above benchmark. This is due, largely, to the portfolios' underweight position in what we consider to be the most expensive areas of the market and generally more defensive positioning.

## Portfolio 4 Performance (figure 2)

31/08/2018 – 02/03/2020



31/08/2018 - 02/03/2020 Data from FE fundinfo2020



## Ratio Definitions

**Alpha** - Alpha is a measure of a fund's 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 indicates the extra value a manager's activities have contributed: if the Alpha is 5, the fund has outperformed its benchmark by 5%. A further aspect of Alpha emerges when it is taken in conjunction with Beta. If a strong R-Squared correlation exists, the Beta will show how volatile the fund is compared to its benchmark and indicate how much extra risk the manager has taken on in order to get that high-Alpha performance. So, Alpha indicates better/worse performance compared with the index, whilst Beta shows higher/lower risk.

**Beta** - Beta is the estimate of a fund's volatility by comparison to 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. It's important to stress that Beta is just an estimate: however, the stronger the R-Squared correlation between fund and benchmark, the more reliable this estimate becomes.

**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.

**Information Ratio** - So called because it assesses the degree to which a manager uses skill and knowledge to enhance returns, this is a versatile and useful risk-adjusted measure of actively managed fund performance. It is calculated by deducting the returns of the fund's benchmark from the fund's overall returns, then dividing the result by its Tracking Error (which is a measure of the volatility of those excess returns). In this way, we arrive at the value, per unit of extra risk assumed, that the manager's decisions have added to what the market would have delivered anyway. The higher the Information Ratio the better. As ever, the R-squared between the fund and its benchmark must be strong if any discrete reliance is to be placed on the Information Ratio.

**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.

**Sortino Ratio** - This ratio is similar to the Sharpe Ratio, using downside risk rather than standard deviation as the denominator. Thus, the Sortino Ratio is calculated by subtracting the risk-free rate from the return of the portfolio and then dividing by the downside deviation. The Sortino ratio measures the return to "bad" volatility thereby giving investors a measure to assess risk in a better manner than simply looking at excess returns to total volatility. A large Sortino Ratio indicates a low risk

**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.



# BENCHMARKS

<b>Portfolio</b>	<b>Benchmark</b>
<b>0 / A</b>	<b>70% IA Mixed Investment/0%-35% Shares/ 30% Composite IA Money Market</b>
<b>1 / BF</b>	<b>IA Mixed Investment 0%-35% Shares</b>
<b>2 / CGK</b>	<b>IA Mixed Investment 20%-60% Shares</b>
<b>3 / DHLQ</b>	<b>50% IA Mixed Investment 20%-60% Shares/ 50% IA Mixed Investment 40%-85% Shares</b>
<b>4 / EIMRV</b>	<b>IA Mixed Investment 40%-85% Shares</b>
<b>5 / PTX / JNSW</b>	<b>50% IA Mixed Investment 40%-85% Shares/ 50% IA Flexible Investment</b>
<b>6 / UYZ</b>	<b>IA Flexible Investment</b>

NB. MPU Figures are calculated on a Total Return basis - Total return shows the total return of the instrument with all income reinvested, assuming income is taxed at basic rates of income tax.





# IMPORTANT INFORMATION

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01/08/2018.

