

# PERFORMANCE

## PMS NOVIA PERFORMANCE TABLE to 31<sup>st</sup> March 2020

Portfolio	Cumulative Performance							Discrete Annual Performance											Rolling 5 year Data							
	Outperformance	YTD	February 20th to Date	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
Portfolio 0		-6.54	-7.76	-2.62	0.95	8.57	37.77	64.95	14.31	7.20	1.33	7.54	6.60	3.07	2.49	5.01	5.22	-2.45	7.28	0.63	1.01	0.00	0.54	3.64	-6.92	95.62
IA Benchmark		-5.58	-6.57	-2.20	-0.10	5.21	26.42	48.57	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	0.00	0.00	3.42	-6.00	100.00
Portfolio 1		-7.72	-9.07	-3.16	1.31	11.31	46.59	79.96	14.93	8.25	0.75	8.40	9.04	3.25	3.66	6.08	6.58	-2.78	8.55	1.07	0.84	0.04	0.50	4.36	-8.03	80.52
IA Benchmark		-8.03	-9.37	-3.50	-0.80	6.61	34.94	64.60	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	0.00	0.00	4.89	-8.59	100.00
Portfolio 2		-10.54	-12.12	-4.78	1.89	13.87	57.60	98.87	13.97	9.85	-0.88	9.48	10.69	5.10	4.49	7.72	9.56	-3.51	11.25	1.63	0.82	0.11	0.81	5.90	-10.54	79.07
IA Benchmark		-12.91	-14.22	-7.21	-3.77	5.98	39.89	74.97	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	0.00	0.00	7.04	-12.91	100.00
Portfolio 3		-12.38	-14.16	-5.96	1.67	15.89	67.70	128.67	21.41	12.90	-2.83	11.54	12.18	5.44	4.99	9.62	11.97	-4.51	12.95	1.55	0.86	0.14	0.79	6.99	-12.38	82.35
IA Benchmark		-14.17	-15.71	-7.60	-3.15	8.37	47.50	91.26	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	0.00	0.00	8.01	-14.17	100.00
Portfolio 4		-13.37	-15.18	-6.57	1.58	17.14	72.82	142.24	23.70	14.41	-4.41	12.30	14.29	5.51	5.93	9.88	13.51	-5.20	14.00	1.43	0.83	0.16	0.52	7.68	-13.37	80.66
IA Benchmark		-15.43	-17.19	-8.01	-2.58	10.74	55.32	108.72	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	0.01	0.00	9.03	-15.43	100.00
Portfolio 5		-14.46	-16.34	-7.23	1.59	18.77	79.97	163.69	27.20	16.24	-6.02	13.73	15.50	5.75	6.38	11.39	15.15	-5.68	14.92	1.61	0.89	0.18	0.73	8.41	-14.46	85.54
IA Benchmark		-15.49	-17.22	-8.09	-2.74	10.70	54.19	110.84	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	0.01	0.00	9.23	-15.49	100.00
Portfolio 6		-15.03	-16.97	-7.50	1.47	20.14	83.95	181.03	31.08	17.87	-7.27	14.41	16.01	6.01	7.31	12.17	15.49	-5.96	15.73	1.82	0.91	0.20	0.85	8.79	-15.03	87.09
IA Benchmark		-15.56	-17.26	-8.18	-2.90	10.65	53.00	112.86	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	0.00	0.00	9.45	-15.56	100.00

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

Past performance prior to 01.11.2014 is based on performance of the PMS using the Old Mutual Wealth platform.

Source of Data:



# SUMMARY

Being quite defensively set up coming into March meant that the portfolios held up reasonably well in relative terms, with outperformance ranging from +0.40% in PMS6, +1.43% in PMS 4, +2.33% in PMS 2 and +1.04% in PMS 1.

The best performing fund was the Vanguard US Government Bond Index (Hedged) with a positive return of 2.70%, followed by the iShares UK Gilt All Stocks Index which managed an also positive 1.57% return. These was followed by the various money market funds which produced approximately nothing in an environment where nothing was an excellent return. It is often said that being early is the same as being wrong, but this is mainly true for traders, not longer-term investors. Fortunately, we came into this period with our highest ever cash weighting, which was a position that ironically made some investors nervous. In the period leading toward the 20th February, investors were suffering from FOMO (fear of missing out) rather than worrying about excessive market valuations. Fortunately, we had our highest credit quality within fixed income, our most diversified equity holdings and our smallest allocation to property ever. All these points helped to one degree or another on a relative to peer group basis but there was no place to hide in absolute terms.

On the negative side the UK stock market fared worse than almost any other developed nation as big oil and financials stocks tanked but then domestics didn't fare much better as investors sold pretty much everything. The UK looks to us significantly undervalued on a medium-term outlook and we have not reduced our weighting in light of recent events. The recent significant outperformance has given us back top quartile performance numbers over the last five years, whilst the whole range is comfortably above benchmark over one, three, five and ten years, except for Portfolio 0 which has a slight underperformance over one year. Our returns since launch are currently the strongest so far on a relative basis against the respective benchmarks.



## 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

Portfolio	Benchmark
0	70% IA Mixed Investment/0%-35% Shares/ 30% Composite IA Money Market
1	IA Mixed Investment 0%-35% Shares
2	IA Mixed Investment 20%-60% Shares
3	50% IA Mixed Investment 20%-60% Shares/ 50% IA Mixed Investment 40%-85% Shares
4	IA Mixed Investment 40%-85% Shares
5	50% IA Mixed Investment 40%-85% Shares/ 50% IA Flexible Investment
6	IA Flexible Investment

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.



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