

# PERFORMANCE

## PMS OLD MUTUAL WEALTH PERFORMANCE TABLE to 31<sup>st</sup> May 2020

Portfolio	Cumulative Performance							Discrete Annual Performance											Rolling 5 year Data						
	YTD	February 20th 2020 to Date	1 Year	3 Years	5 Years	10 Years	Since Launch 01/12/2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Alpha	Beta	Sharpe Ratio	Info Ratio	Vol	Max DD	Downside Capture
<b>Portfolio 0</b>	-2.13	-3.37	1.40	4.34	12.58	44.96	71.59	14.31	7.20	1.33	7.54	6.60	3.07	2.09	4.66	5.21	-2.46	7.36	0.38	1.07	0.10	0.39	4.13	-7.38	99.94
<b>IA Benchmark</b>	-1.50	-2.53	1.34	3.23	9.79	33.74	54.99	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	3.67	-6.00	100.00
<b>Portfolio 1</b>	-2.58	-3.95	1.49	4.98	15.14	55.64	87.91	14.93	8.25	0.75	8.40	9.04	3.25	3.06	5.67	6.48	-2.78	8.52	0.61	0.88	0.18	0.18	4.91	-8.49	84.82
<b>IA Benchmark</b>	-2.28	-3.70	1.61	3.99	13.34	45.93	74.90	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	0.10	0.00	5.27	-8.59	100.00
<b>Portfolio 2</b>	-3.69	-5.35	1.62	6.76	21.19	71.98	113.77	13.97	9.85	-0.88	9.48	10.69	5.10	3.99	8.52	9.22	-3.55	11.19	1.54	0.86	0.29	0.79	6.60	-11.07	82.40
<b>IA Benchmark</b>	-5.41	-6.83	0.01	2.63	14.19	56.56	90.05	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	0.09	0.00	7.55	-12.89	100.00
<b>Portfolio 3</b>	-4.63	-6.52	1.42	7.46	25.07	87.94	149.70	21.41	12.90	-2.83	11.54	12.18	5.44	4.65	10.46	11.86	-4.46	12.87	1.51	0.90	0.33	0.80	7.80	-12.95	85.79
<b>IA Benchmark</b>	-5.63	-7.33	0.57	4.28	17.86	68.53	110.29	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	0.16	0.00	8.59	-14.15	100.00
<b>Portfolio 4</b>	-4.95	-6.90	1.50	7.71	27.09	95.12	166.52	23.70	14.41	-4.41	12.30	14.29	5.51	5.24	11.25	13.21	-5.17	13.94	1.38	0.86	0.34	0.45	8.50	-13.81	83.64
<b>IA Benchmark</b>	-5.86	-7.83	1.11	5.92	21.59	81.20	132.33	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	0.21	0.00	9.68	-15.41	100.00
<b>Portfolio 5</b>	-5.46	-7.51	1.43	8.04	29.88	106.29	192.76	27.20	16.24	-6.02	13.73	15.50	5.75	5.72	12.98	14.87	-5.68	14.82	1.58	0.93	0.36	0.75	9.29	-14.92	88.46
<b>IA Benchmark</b>	-5.89	-7.82	1.24	5.87	21.71	80.57	134.78	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	0.20	0.00	9.87	-15.47	100.00
<b>Portfolio 6</b>	-5.69	-7.82	1.56	8.21	31.35	112.36	212.59	31.08	17.87	-7.27	14.41	16.01	6.01	6.66	13.50	15.18	-6.01	15.68	1.73	0.94	0.37	0.86	9.66	-15.41	89.75
<b>IA Benchmark</b>	-5.93	-7.82	1.36	5.81	21.83	79.87	137.14	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	0.20	0.00	10.08	-15.53	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 portfolios struggled through May into a rapidly rising equity market, underperforming the benchmarks by between 0.14% and 0.36%, with the exception of Portfolio 0 and Portfolio 2 which outperformed by 0.32% and 0.05% respectively. As was the case the month prior, we saw another period of very strong returns with IA Multi Asset benchmarks generating between 2.11% to 3.84%.

US equity and technology stocks – the well-publicised and popular areas of the market - continued to perform well through May however the best performing assets this month were Japanese and European equities, as lockdown measures were either removed or significantly lessened.

The majority of IBOSS portfolios have benefitted from these ex-US positions, having held a combination of the HSBC European Index tracker, Miton European Opportunities and Baillie Gifford European funds. All these positions outperformed the MSCI World index and, in the case of Baillie Gifford and Miton, produced returns in excess of 13% for May alone. Another notable individual fund performance comes from the Bailie Gifford Asia Pacific fund which has a 62% holding in Japanese equities and has returned 9.5% in May, against a global average return of 6.95%.

As with last month's MPU these are relative outperforming positions and, in reality, it has been a very difficult month to make negative returns. In fact, the only IA sector to produce negative returns in May has been direct property - an area we do not invest in.

Overall, most portfolios remain above benchmark year to date, however it is worth noting that markets have not yet rewarded more diversified portfolio positions. It is not hard to find funds and portfolios demonstrating very strong short-term figures, but should volatility pick up we would still prefer to err on the side of caution. What this means is that we are looking to remain underweight expensive areas of the market, instead tilting the portfolio toward those areas where the opportunity set looks more attractive.



## 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.

**Sharpe Ratio** - This is a commonly used measure that 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 (volatility). The resulting ratio is an indication of the amount of excess return generated per unit of risk. In general, it is considered that the higher the Sharpe ratio, the better.

**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.

**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.

**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.

**The Downside Capture Ratio** - shows the fund's performance in a down market relative to the benchmark. A Downside Capture Ratio that is less than 100% demonstrates that when the market went down the fund caught only a fraction of the losses, and the lower the down capture the better. E.g. If a fund has a Downside Capture Ratio of 85% this tells us that the fund captured only 85% of the benchmark's negative performance during a down market. The ratio is calculated by taking the funds downside capture returns and dividing it by the benchmark's downside capture returns over the same time period.



# 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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