

PERFORMANCE

PASSIVE MPS PERFORMANCE TABLE to 31st August 2020

Passive MPS performance pre 01/08/2019 is simulated using the IBOSS PMS strategic asset allocation.

Portfolio	Cumulative Performance				Discrete Annual Performance				Rolling 3 year Data						
	YTD	1 Year	3 Years	Since Launch*	2017	2018	2019	2020	Alpha	Beta	Sharpe Ratio	Info Ratio	Vol	Max DD	Downside Capture
Outperformance															
Portfolio 0	-0.34	0.16	6.99	12.11	3.64	-1.62	8.16	-0.34	0.80	1.04	0.06	0.71	4.36	-5.96	110.53
IA Benchmark	-0.03	0.62	4.32	8.52	3.40	-2.23	6.23	-0.03	0.00	1.00	0.00	0.00	4.03	-6.00	100.00
Portfolio 1	-0.48	0.34	7.51	14.46	4.87	-2.21	9.36	-0.48	0.87	0.85	0.09	0.37	5.13	-7.09	93.04
IA Benchmark	-0.24	0.61	5.52	11.57	4.84	-3.35	8.70	-0.24	0.00	1.00	0.00	0.00	5.78	-8.59	100.00
Portfolio 2	-1.12	0.25	8.53	18.40	6.47	-3.06	11.82	-1.12	1.35	0.81	0.11	0.45	7.04	-9.93	84.22
IA Benchmark	-2.44	-0.07	5.10	14.69	7.16	-5.10	11.84	-2.44	0.00	1.00	0.00	0.00	8.50	-12.89	100.00
Portfolio 3	-1.73	-0.02	8.84	21.04	8.14	-3.85	13.45	-1.73	0.82	0.86	0.10	0.27	8.41	-12.02	87.57
IA Benchmark	-2.25	0.53	7.06	18.68	8.56	-5.60	13.80	-2.25	0.00	1.00	0.03	0.00	9.63	-14.15	100.00
Portfolio 4	-2.05	-0.17	8.78	22.83	9.27	-4.39	14.32	-2.05	0.33	0.84	0.09	-0.03	9.16	-13.14	86.60
IA Benchmark	-2.08	1.12	9.01	22.75	9.98	-6.11	15.78	-2.08	0.00	1.00	0.08	0.00	10.82	-15.41	100.00
Portfolio 5	-2.52	-0.35	8.81	24.30	10.32	-4.61	14.97	-2.52	0.20	0.89	0.09	-0.03	9.90	-14.43	90.77
IA Benchmark	-1.75	1.59	9.00	23.76	10.59	-6.41	15.72	-1.75	0.00	1.00	0.08	0.00	10.92	-15.47	100.00
Portfolio 6	-2.62	-0.29	8.96	25.36	10.73	-5.08	15.86	-2.62	0.17	0.93	0.09	0.00	10.40	-15.16	93.86
IA Benchmark	-1.42	2.07	8.98	24.77	11.21	-6.72	15.66	-1.42	0.00	1.00	0.08	0.00	11.03	-15.53	100.00

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

*Since Launch: Start of Simulated Performance of PMS Asset Allocation 31/07/2016.

Source of Data: **FE fundinfo** 

The Passive Managed Portfolio Service (Passive MPS) past performance figures include simulated performance to 1st August 2019. Simulated figures are based on the Strategic asset allocation of the Portfolio Management Service provided by IBOSS Limited. The simulated past performance is not a reliable indicator of future performance.

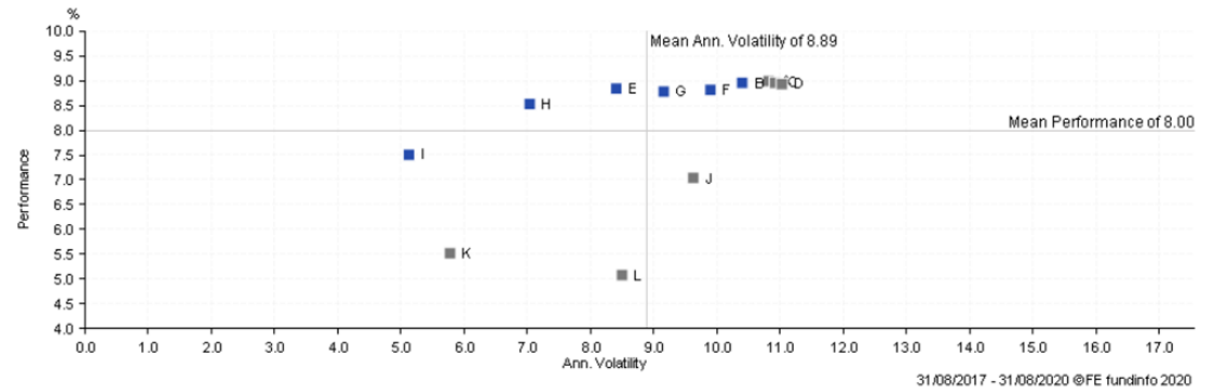
The Managed Portfolio Service performance is produced using the preferred share classes, this may differ from platform to platform.

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SUMMARY

Over a 1-year period we have rarely seen such a wide dispersion of both returns and relative volatility. The month of August was also exceptional with the IA 40-85% Share Sector returning +2.3% which would have been nearer +4% were it not for a stronger pound. It will not have missed anybody's attention that the US market and technology stocks in particular, are hitting new highs on a daily basis. Tesla, Apple and Zoom have gone stratospheric and the comparisons with the tech bubble of 2000 are increasing daily. Similarly, we are all familiar with the counterargument to those who believe the valuations of these companies are insane; the argument goes that these are good companies and therefore the current situation is different to the last. They may well be better companies than those that blew up in 2000 but in our opinion that does not justify endlessly higher valuations. The risk return profile of these stocks and the risks they bring to the wider market are growing. This is not, in our opinion, the moment to be chasing momentum stocks powered by passive vehicles like the new breed of US retail investor who thinks even if markets do fall, it is just another dip buying opportunity. We have spoken several times about the very human concept of recency bias. This is one of the most extreme and concentrated versions of this we have ever seen - except perhaps for the 2000s tech bubble.

1 Year Scatter against peers to 31st August



Key	Name	Performance	Annualised Volatility
A	IA Mixed Investment 40-85% Shares TR in GB	8.99	10.82
B	Passive MPS 6 TR in GB	8.96	10.40
C	Composite Benchmark 5* TR in GB	8.96	10.92
D	IA Flexible Investment TR in GB	8.93	11.03
E	Passive MPS 3 TR in GB	8.84	8.41
F	Passive MPS 5 TR in GB	8.81	9.90
G	Passive MPS 4 TR in GB	8.78	9.16
H	Passive MPS 2 TR in GB	8.53	7.04
I	Passive MPS 1 TR in GB	7.51	5.13
J	Composite Benchmark 3* TR in GB	7.04	9.63
K	IA Mixed Investment 0-35% Shares TR in GB	5.52	5.78
L	IA Mixed Investment 20-60% Shares TR in GB	5.09	8.50

Each of the Passive portfolios has produced positive returns ranging from +0.2% in Passive MPS 0 through to +1.9% in Passive MPS 6. The formula for success in August was simple; the more risk and equity content you had the better. To really excel a portfolio needed to be overweight in those areas that had already been working i.e. participating heavily in momentum investing (trading). Against this backdrop our range underperformed the respective benchmarks by circa 0.5%, apart from Passive MPS1 which marginally outperformed its benchmark. The fact that we did not underperform by more leads us to believe that many of our multi-asset peer group are also concerned about the factors driving markets higher and are positioned more defensively than they have been.

Our longer-term performance and risk adjusted numbers remain strong and we continue to benefit from our diversified geographical and Cap size (company size) portfolio make-up. We have already seen what has happened to funds which were too concentrated in dividend focussed stocks. We believe similar but larger concentration risks exist in the funds that have, so far, benefitted from holding stocks which are both growth stocks and the darlings of a lockdown/homeworking world.

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

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.

IMPORTANT INFORMATION

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