

Adventurous Real Return iBasket GBP



2 Jun, 2017

Overview

The Adventurous Real Return iBasket is an ETF multi-asset portfolio with weightings managed by Twenty20 Investments. The portfolio will invest 100% in Exchange Traded Funds (ETFs) comprising assets in equities, fixed income and alternatives across different regions.

The portfolio aims to provide a real return, outperforming the UK Retail Price Index (RPI) by 6%. It is constructed on a higher risk basis with a higher focus on potential total returns. There is still a robust risk control of the portfolio, but the emphasis is more towards growth of capital.

The portfolio will be reviewed on a monthly basis. It will invest mainly in equity and alternatives ETFs, but during periods of extreme risk, when protecting your capital is critical, we may move part or all of the allocations away from falling markets to lower risk ETFs or cash.

Investment Philosophy

- Twenty20 Investments constructs diversified portfolios built entirely from ETFs, aiming to achieve outperformance by optimising and adjusting the weights using various macro-economic forecasting models and market indicators.
- Our asset allocation adapts to changes in the markets aiming to protect capital in a falling market while looking to outperform inflation-linked benchmarks by identifying the best investment opportunities in a timely manner.

Investment Strategy

- We use the versatility of ETFs to gain exposure to a wide range of asset and sub-asset classes which makes the portfolio liquid, well diversified and economically priced.
- Our risk budgeting process delivers diversified holdings across multiple asset classes aiming to provide more stable returns, reduced volatility and seeks to ensure profits are taken as and when appropriate.
- We use state of the art technology to screen extensive market, macro-economic and ETF data sets from around the world. This enables us, along with human overlay, to determine economic cycles and risk appetite in the markets and to capture the risk premia across various asset classes.
- The ETFs are selected by our Fund Research Department. This rigorous and systematic research process carefully analyses a wide universe of ETFs, identifying the best investment opportunities as and when they occur.



Weightings Manager	Twenty20 Investments
Legal Form	Model Portfolio
Target Investments	Multi-asset portfolio investing 100% in Exchange Traded Funds comprising assets in equities, fixed income, commodities and alternatives
Investment Objective	Our models encode macro-economic and fundamental indicators as market timing signals to tactically allocate between different asset classes
Target Return	UK RPI + 6%
Target Risk	High risk level between 15% and 25% annualised volatility of the portfolio over a 5-year period
Minimum Subscription	£15,000
Redemption Period	Daily
Withdrawal Notice	Daily
Management Fee	0.35% + VAT
Subscription Fee	0%
Investment Wrapper	SIPP, ISA, General Investment
Platform Availability	Ascentric, Nucleus, Transact, Praemium, Standard Life

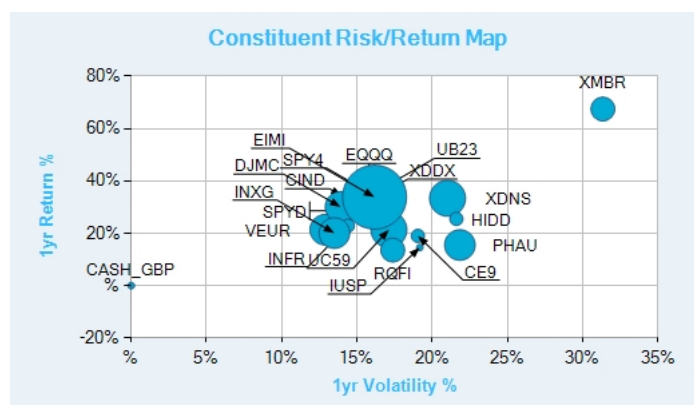
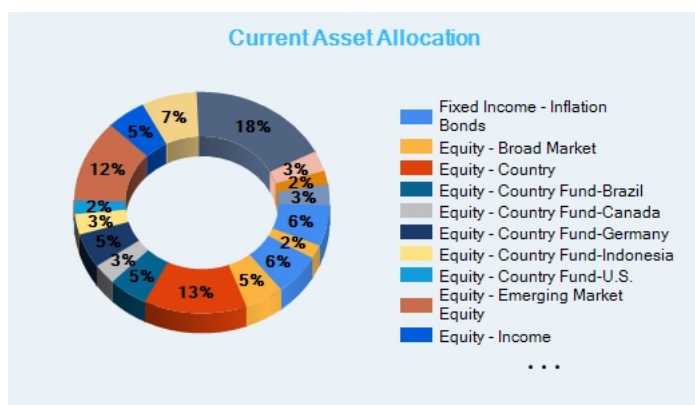
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Portfolio Construction

Asset Allocation - 2 Jun, 2017



A portfolio allocation diversified across asset and sub-asset classes and across regions.

On an asset-by-asset basis, the one year risk and return characteristics of the constituent ETFs are shown in the chart above.

iBasket Top Holdings - 2 Jun, 2017

Twenty20 Adventurous Real Return iBasket	Ticker	Asset Class	Sub-Asset Class	Region
iShares Core MSCI Emerging Markets IMI UCITS ETF	EIMI	Equity	Emerging Market Equity	EM-Global
UBS ETF - MSCI EMU 100% hedged to GBP UCITS ETF (GBP) A-dis	UC59	Equity	Country	Europe
db x-trackers JPX-Nikkei 400 UCITS ETF	XDNS	Equity	Japan	Japan
iShares £ Index-Linked Gilts UCITS ETF	INXG	Fixed Income	Inflation Bonds	Europe
Powershares EQQQ Fund	EQQQ	Equity	Country	North America
iShares EURO STOXX Mid UCITS ETF	DJMC	Equity	Region	Europe
SPDR® S&P 400 US MID CAP ETF	SPY4	Equity	Region	North America
Vanguard FTSE Developed Europe Ucits ETF	VEUR	Equity	Region	Europe
ETFS Physical Gold	PHAU	Commodity	Precious Metals	Global
db x-trackers Harvest CSI300 INDEX UCITS ETF (DR)	RQFI	Equity	Broad Market	EM-Asia Pacific

Performance

Performance	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
iBasket Return	4.01%	2.74%	0.69%	1.11%	4.20%	-6.78%	2.22%	0.24%	4.19%	0.24%	-0.88%	1.87%
RPI + 6%	0.61%	0.60%	0.63%	0.66%	0.63%	0.67%	0.64%	0.68%	0.71%	0.65%	0.77%	0.73%

	iBasket Return	RPI + 6%
3m Performance	1.21%	2.17%
6m Performance	8.05%	4.26%
1 Year Performance	14.18%	8.27%
YTD Performance	5.70%	3.59%

Market Commentary

Another month laden with politics and elections on the news front. President Macron's win in France was greeted well by the market and brought on what might be best described as a risk-on environment in Europe. In the UK the pre-election mood had been heating up and with it an increase in uncertainty on who will win the election. Sterling continued its rally at the beginning of the month, but was down later on with the news on a tighter outcome as suggested by opinion polls and ended the month down -0.5% against the Dollar. Developed Markets Equities (MSCI World) returned 2.1% in May in USD (2.7% in GBP).

The markets looked quite rosy at the beginning of May when polls showed a comfortable lead for the Conservatives in the June election. When that majority began to tighten later on in the month, Sterling weakened somewhat, but the FTSE 100 still managed to rally 4.9% for the month. Consumer spending was reported upwards, although GDP growth was revised down as were the manufacturing and services sectors.

The Eurozone saw a good run in equities boosted by the French election outcome that did not upset the apple cart, a further decrease in the unemployment rate to 9.3%, and increase in consumer confidence. Progress on bailout talks around Greek debt did also help, with Greek equities returning 9% in EUR. On the other hand, there are concerns of a possible early election in Italy this autumn, with potentially more euro-sceptic parties winning ground.

Despite the economy still waiting for Trumponomics to happen in the form of tax cuts and political stimulus, the rally in the United States continued. The US market saw a broad-based higher earnings trend, resulting in a record level of the S&P 500 at more than 2,430 and a 1.4% return for the month in USD (1.9% in GBP). The employment rate for May fell to 4.4% and an increase in the flash May PMI Composite index, pointing to continued growth.

Generally a more risk-on feeling globally was supportive for Emerging Markets with the MSCI Emerging Markets returning 3% in USD (3.6% in GBP). Eastern European equities did well amid the wider improved European outlook. At the bottom of the spectrum though were Brazilian equities with another round of corruption allegations and increased political risk. China was downgraded by Moody's amid an increased corporate debt pile.

Global bonds were stronger across the risk spectrum in May, except for inflation-linked bonds with inflation slowing down slightly in a few regions. Investment-grade and Emerging Markets bonds on average did well.

Commodities did not fare so well in May. Brent crude was down -2.8% amid oversupply concerns and Gold was more or less flat for the month, returning 0.3%. Commodities on average produced a negative return, which in turn led to the slowing down of inflation that we had also seen filtered through for inflation-linked bonds.

Market Returns Overview - 2 Jun, 2017

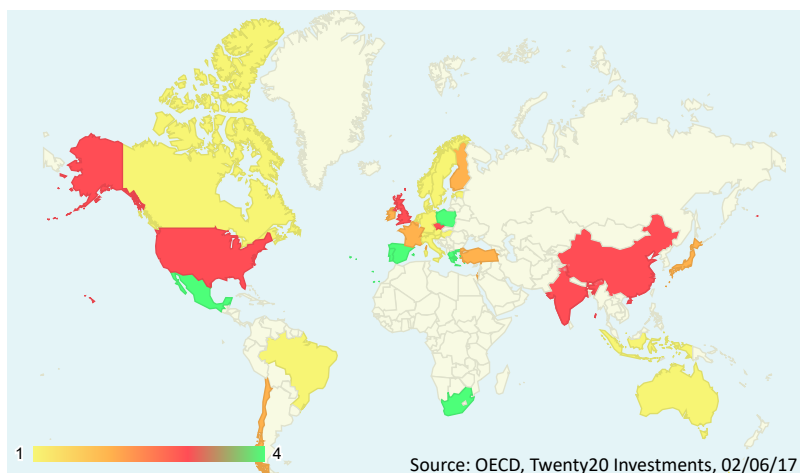
ETF Name	Asset Class	Sub-Asset Class	Asset Region	ytd	1m	1yr	3yr	5yr
iShares Core FTSE 100 UCITS ETF	Equity	Country	Europe	7.3%	4.9%	25.5%	22.8%	68.8%
iShares S&P 500 UCITS ETF (Inc)	Equity	Country	North America	3.9%	2.0%	31.3%	70.2%	136.5%
LYXOR ETF JAPAN TOPIX	Equity	Country Fund-Japan	Japan	5.2%	3.7%	30.2%	62.6%	97.7%
SPDR® MSCI Europe ETF	Equity	Region	Europe	12.1%	5.5%	31.8%	30.1%	98.2%
LYXOR ETF MSCI AC ASIA-PACXJ	Equity	Region	Asia Pacific ex Japan	12.4%	3.2%	39.7%	40.8%	67.6%
iShares MSCI Emerging Markets UCITS ETF (Inc)	Equity	Region	EM-Global	12.1%	3.5%	42.3%	34.3%	43.3%
iShares Developed Markets Property Yield UCITS ETF	Equity	REITs	Global	-0.3%	1.3%	16.5%	50.3%	80.6%
iShares Core UK Gilts UCITS ETF	Fixed Income	Government Bonds	Europe	2.3%	0.4%	6.7%	23.8%	22.6%
iShares £ Index-Linked Gilts UCITS ETF	Fixed Income	Inflation Bonds	Europe	2.4%	-1.7%	21.6%	42.6%	48.8%
iShares £ Corporate Bond ex-Financials UCITS ETF	Fixed Income	Investment Grade Bonds	Europe	3.0%	1.2%	10.8%	25.0%	38.8%
iShares Core Euro Government Bond UCITS ETF	Fixed Income	Government Bonds	Europe	1.8%	4.3%	12.8%	19.2%	37.9%
iShares USD Government Bond 7-10 UCITS ETF (Acc)	Fixed Income	Government Bonds	North America	-1.3%	1.6%	11.9%	41.4%	28.9%
iShares J.P. Morgan \$ Emerging Markets Bond UCITS ETF	Fixed Income	Government Bonds	EM-Global	1.8%	1.4%	22.8%	50.0%	58.6%

Source: Twenty20 Investments, Markit. All returns in GBP.

ETF Scorecards

We use a diversified set of signals for each ETF based on macro-economic and market data and on the current risk in the markets. This allows us to measure the probability of higher expected returns for the next period. Below are some of the indicators that make up our set of scorecards.

Macro-Economic Indicators



The business cycle is split into 4 different regimes:

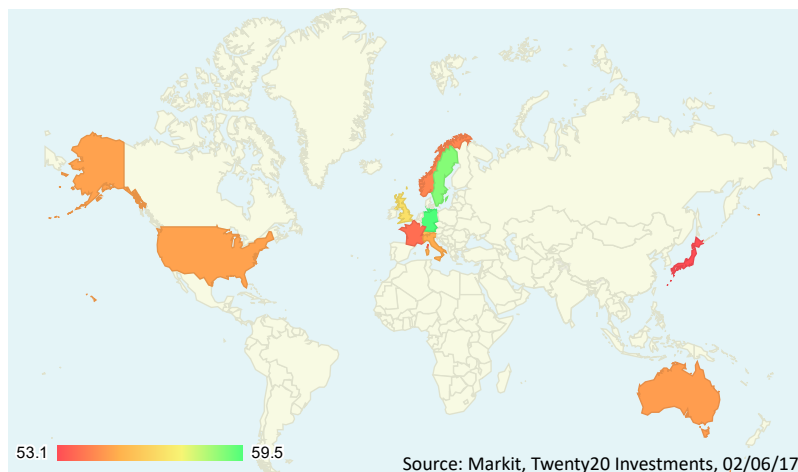
Expansion	■	Downturn	■
Slowdown	■	Recovery	■

The [OECD](#) has developed a system of composite leading indicators (CLIs) to provide early signals of turning points in overall economic activity.

The calculations work on the basis that a set of leading indicators for a given country can provide early signals of turning points in economic activity. The CLIs are based on consumer and business sentiment, estimates of economic activity and other macro economic and monetary factors.

The Purchasing Managers Index (PMI) is a very important sentiment reading, not only for manufacturing, but also the economy as a whole. Although manufacturing is not always the largest component of a country's gross domestic product (GDP), purchasing managers are often the first to know about trading conditions and therefore about company performance.

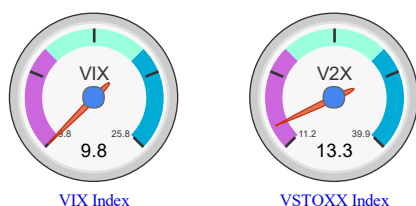
The key number for PMI is 50. A reading of 50 or higher generally indicates that the industry is expanding. If manufacturing is expanding, the general economy should be doing likewise.



Risk Indicators

Controlling the risk of an iBasket is at the heart of our investment process. To determine the risk of the overall iBasket we start by studying the volatility of each individual ETF. We then calculate signals for each of the ETFs in an iBasket. From these signals we determine scorecards, which show the expected return on an aggregate level per ETF.

Risk Indicators



A heightened risk in the markets is often a sign of a subsequent downturn in the economy. If the risk in the markets is high, one tends to reduce the exposure to risky assets in the portfolio and increase the exposure to safer assets like government and inflation-linked bonds. The higher the risk level, the higher the scorecard for any of the safer, low risk ETFs and vice-versa for the more risky ETFs.

A level of between 15% and 20% for the VIX and the VSTOXX can be seen as a neutral risk level, whereas values lower than that are considered as low risk. To get a feeling for how extreme the levels of the VIX and the VSTOXX can vary over time it is worth noting that during the financial crisis of 2008 they peaked at 81% and 88%. Risk Indicator Data Source: CBOE, STOXX, 02/06/17

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Experienced Management Team

Twenty20 Investments is a division within Sapia Partners LLP

The management team of Twenty20 Investments were key players in the development of the systematic investment solutions that Barclays Global Investors (BGI) became famous for and have developed their models as a unit since 2006.

Having spent several years at iShares, BlackRock, developing new ETFs and designing ETF portfolios for institutional clients the investment team are also leading experts in ETFs and their usage in dynamic asset allocation.



Allan Lane, PhD - Managing Partner Allan is the founding and managing partner of Twenty20 Investments. Prior to this Allan spearheaded BlackRock's iShares' investment research initiative in Europe, working with a number of clients in the portfolio solutions space. Allan has held a number of senior roles in the investment banking industry, including Head of Active Fixed Income Implementation at Barclays Global Investors, Global Head of Quantitative Research at RBS and Head of Equity Derivatives Models at JP Morgan.



Irene Bauer, PhD – Founding Partner & Chief Investment Officer Irene is a founding partner of Twenty20 Investments and is providing the expertise in research and investment strategies. Previously, Irene was leading a client advisory role at iShares, BlackRock, providing ETF portfolio solutions and insights. Irene has experience across all aspects of ETFs having designed and researched new products at iShares. Previously, Irene was responsible for the asset allocation models in the Active Fixed Income business of Barclays Global Investors and modelled structured products at ABN Amro.

Risk Warning

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