

## Overview

The Twenty20 Cautious-Balanced SRI iBasket seeks to invest in ETFs that track companies that are screened for their social responsibility because of the nature of the business the company conducts. Common themes for socially responsible investments include avoiding investment in companies that produce or sell addictive substances and seeking out companies engaged in environmental sustainability and clean technology efforts.

The aim is to construct a portfolio on a low to medium risk basis with the prospect of future capital and income growth and to provide a real return in line with the UK Retail Price Index (RPI) plus 1%.

The portfolio will be reviewed on a monthly basis, with the aim of restricting the total equity exposure to 50% of the notional at the start of each re-balancing period. 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 government bond 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 and fixed income
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 + 1%
Target Risk	Low to medium risk level not exceeding 8% 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

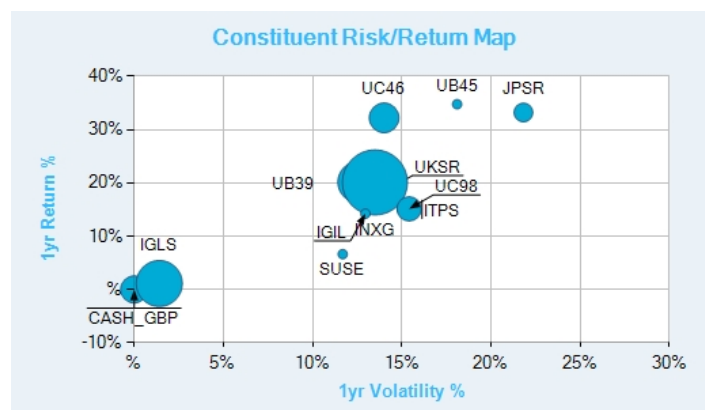
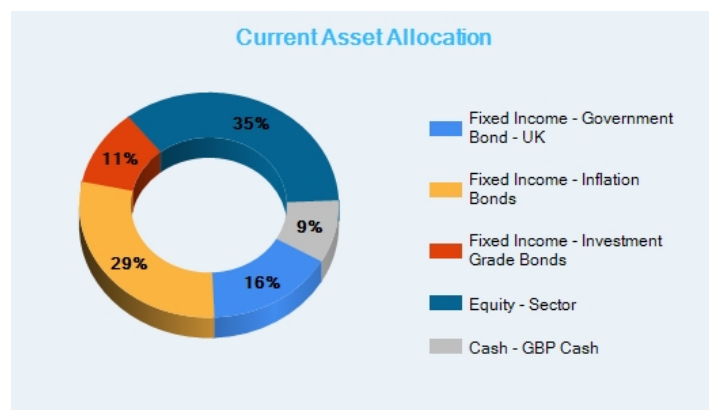
# Cautious-Balanced SRI iBasket GBP



3 Jul, 2017

## Portfolio Construction

### Asset Allocation - 3 Jul, 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 - 3 Jul, 2017

Cautious-Balanced SRI iBasket GBP	Ticker	Asset Class	Sub-Asset Class	Region
iShares £ Index-Linked Gilts UCITS ETF	INXG	Fixed Income	Inflation Bonds	Europe
iShares UK Gilts 0-5yr UCITS ETF	IGLS	Fixed Income	Government Bond - UK	Europe
UBS ETF MSCI EMU Socially Responsible UCITS ETF	UB39	Equity	Sector	Europe & Middle East
UBS ETF MSCI North America Socially Responsible UCITS ETF (USD) A-dis	UC46	Equity	Sector	North America
Cash - Sterling	CASH_GBP	Cash	GBP Cash	Europe
UBS ETF - Barclays MSCI US Liquid Corporates Sustainable UCITS ETF	UC98	Fixed Income	Investment Grade Bonds	North America
UBS ETF - MSCI Japan Socially Responsible UCITS ETF	JPSR	Equity	Sector	Japan
iShares \$ TIPS UCITS ETF	ITPS	Fixed Income	Inflation Bonds	North America
iShares Global Inflation Linked Government Bond UCITS ETF	IGIL	Fixed Income	Inflation Bonds	Global
iShares Euro Corporate Bond Sustainability Screened 0-3yr UCITS ETF	SUSE	Fixed Income	Investment Grade Bonds	Europe

## Performance

Performance	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17
iBasket Return	0.32%	2.36%	-0.19%	0.84%	-2.68%	2.27%	-0.36%	1.89%	0.46%	-0.20%	0.56%	-0.78%
RPI + 1%	0.20%	0.22%	0.25%	0.23%	0.25%	0.25%	0.27%	0.30%	0.28%	0.36%	0.34%	0.38%

	iBasket Return	RPI + 1%
3m Performance	-0.42%	1.08%
6m Performance	1.57%	1.93%
1 Year Performance	4.47%	3.36%
YTD Performance	1.57%	1.93%

## Market Commentary

The month of June might go down in history when the tightening of economic stimulus measures finally started in the UK and Europe. Hawkish remarks from central bankers in the last week of the month drove yields on government bonds higher and most fixed income sovereign bonds lost as a result. The tightening resulted in a similar tone for equities, with many equity markets reversing their earlier gains and down in their local currencies over the month.

It does not feel as if the UK elections had only happened last month. After the announcement of the snap elections in April the FTSE 100 gained steadily until about the end of May when the polls narrowed ahead of the UK general election and dropped further as a hung parliament materialised, losing -2.4% over the month. The Purchasing Managers' Index (PMI) was down 2 points from the previous month at 54.3, overall still showing expansion, but in its third month now of a downward trend.

The Federal Reserve (Fed) raised rates in June by 25 bps and set out plans to reduce the size of its balance sheet. The US economy is in good shape, with the PMI numbers coming in very bullish at 57.8, well ahead of the consensus estimate of 55.3 and at its highest since May 2014 suggesting there are still signs of strength in the US economy. On the other hand, political uncertainty is still an important feature in the market with doubts over the ability of the administration to push through its fiscally expansive policies. This also weighed on the Dollar, which was down -1.0% against Sterling.

The risks in Europe of a breakup of the European Union faded with President Macron's French election win in May. With the Eurozone showing reduced political risk, a positive economic outlook, and improved corporate earnings, all should be well on the continent. However, with the latest hawkish remarks from the ECB that it may soon look to reduce its QE purchases, both bond and equity markets reacted badly to the news. The MSCI Europe was down -2.9% in EUR (-2.0% in GBP) for the month.

Emerging market equities had a positive return in June of 0.6% in USD (-0.2% in GBP), helped by the weakness in the Dollar and by improving EM growth. Chinese equities gained over the period as better economic data and a landmark decision by index provider MSCI to include local Chinese stocks (A-shares) in a range of its benchmark indices supported sentiment. Japan showed improved economic data with growing confidence among Japanese corporates. The TOPIX returned 2.5% in JPY, but on the other hand the Yen was down against major currencies with increased fears of economic stimulus tightening in these countries, resulting in the TOPIX only returning 0.3% in GBP.

With the hawkish remarks from several central banks it is a surprise that government bonds did not show negative returns across the board. In fact, only gilts had negative returns, whereas Treasuries were about flat in USD and German government bonds returned around 1%.

More or less at the bottom of the leader board for the month is Oil, with WTI Crude Oil down -5.0% in USD. And gold did not act as its general diversifying asset, being down -2.0% in USD.

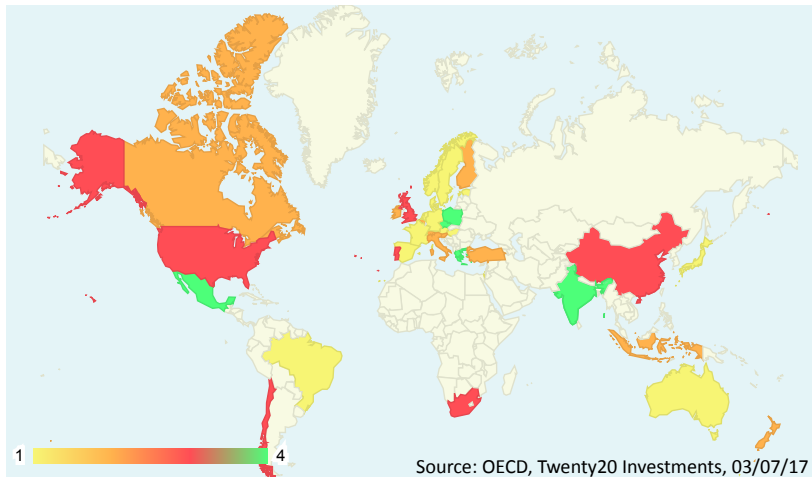
## Market Returns Overview - 3 Jul, 2017

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%

## 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:

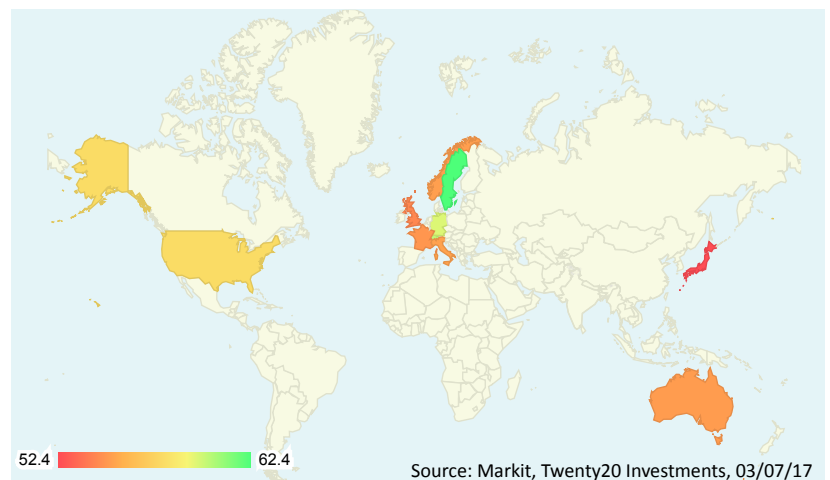
- Expansion ■
- Slowdown ■
- Downturn ■
- Recovery ■

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.

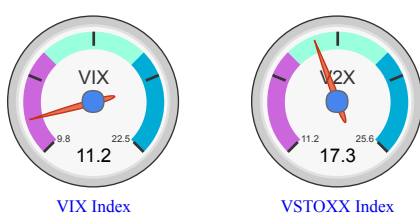
The key number for PMI is 50. A reading of 50 or higher generally indicates that the industry is expanding. If manufacturing is expanding, the general economy should be doing likewise.



## 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



[VIX Index](#)

[VSTOXX Index](#)

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, 03/07/17

## 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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