Growth Real Return iBasket GBP

2 Apr, 2019

Overview

The Growth Real Return iBasket is an ETF multi-asset portfolio with weightings advised 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 4%. It is constructed on a medium to high risk basis with the aim to pursue opportunities that offer higher returns while still controlling the risk of the portfolio.

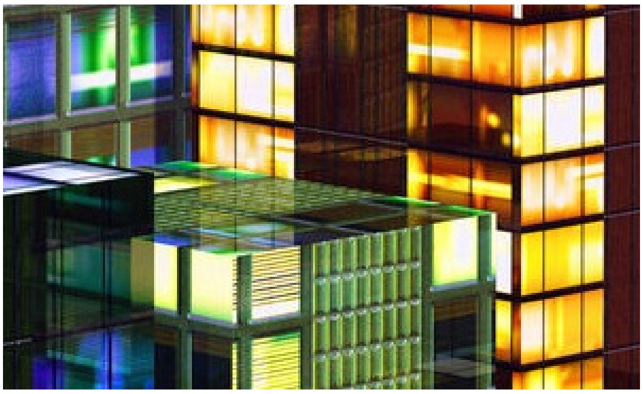
The portfolio will be reviewed on a monthly basis, with the aim of restricting the total equity exposure to 90% of the notional at the start of each re-balancing period. During periods of extreme risk, when protecting your capital is critical, we may move part or all of the allocations away from falling markets to lower risk ETFs or cash.

Investment Philosophy

- Twenty20 Investments will partner with the Investment Manager to provide advice as to the construction of 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.
- These portfolios will then be managed by the Investment Manager in accordance with the investment mandate.

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.



Investment Advisor	Twenty20 Investments
Investment Manager	Linear Investments Limited
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 + 4%
Target Risk	Medium to high risk level between 10% and 15% annualised volatility of the portfolio over a 5-year period
Minimum Subscription	£15,000
Redemption Period	Daily
Inception Date	12 Feb 2015
Management Fee	0.35% + VAT
Investment Wrapper	SIPP, ISA, General Investment
Platform Availability	Ascentric, Transact

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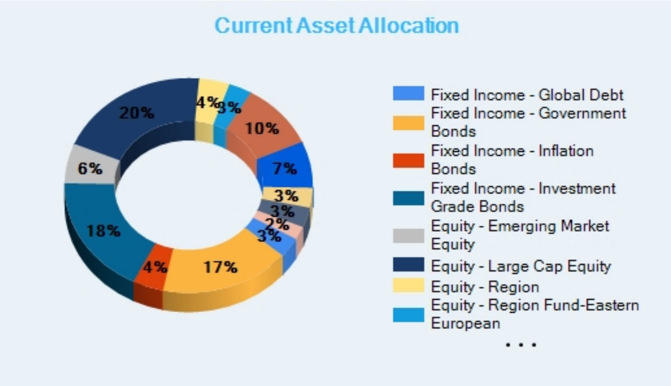
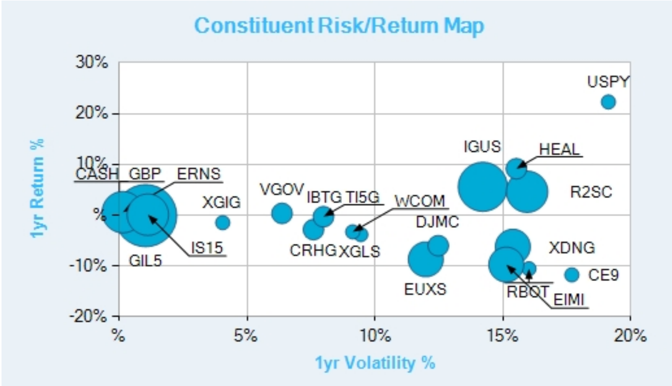
Portfolio Construction

Asset Allocation - 2 Apr, 2019





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 Apr, 2019

Twenty20 Growth Real Return iBasket	Ticker	Asset Class	Sub-Asset Class	Region
Lyxor FTSE Actuaries UK Gilts 0-5Y	GIL5	Fixed Income	Government Bonds	Europe
iShares S&P 500 GBP Hedged UCITS ETF	IGUS	Equity	Large Cap Equity	North America
iShares £ Ultrashort Bond UCITS ETF	ERNS	Fixed Income	Investment Grade Bonds	Europe
iShares £ Corporate Bond 1-5yr UCITS ETF	IS15	Fixed Income	Investment Grade Bonds	Europe
SPDR Russell 2000 U.S. Small Cap UCITS ETF	R2SC	Equity	Small Cap	United States
iShares Core MSCI Emerging Markets IMI UCITS ETF	EIMI	Equity	Emerging Market Equity	EM-Global
iShares MSCI Europe ex-UK GBP	EUXS	Equity	Large Cap Equity	European Reg. ex UK
db x-trackers JPX-Nikkei 400 GDP hedged UCITS ETF	XDNG	Equity	Large Cap Equity	Japan
Vanguard U.K. Government Bond	VGOV	Fixed Income	Government Bonds	Europe
iShares $ TIPS 0-5 UCITS ETF - GBP Hedged (Dist)	TI5G	Fixed Income	Inflation Bonds	United States

Performance

Calendar-Year Performance	2015*	2016	2017	2018	2019 Ytd
iBasket Return	-3.04%	6.03%	12.16%	-4.98%	5.78%
RPI + 4%	4.38%	5.62%	7.48%	7.75%	1.67%

* Since inception date of 12 Feb 2015.

	iBasket Return	RPI + 4%
3m Performance	5.78%	1.67%
6m Performance	-0.75%	3.57%
1 Year Performance	3.60%	7.44%
Ytd Performance	5.78%	1.67%
Performance Since Inception	15.90%	29.83%

OCF: The ongoing charges figure of the underlying ETFs is 24.5bps.

Source: Twenty20 Investments, Markit. All returns in GBP, including the underlying ETF charges but excluding the model portfolio management fee. Any fees or charges payable to your Financial Adviser are in addition to the above.

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Market Commentary

After the sharp correction seen at the end of last year, equities rallied further in March due to a dovish US Federal Reserve, a more positive outlook on a resolution being found in the trade war between the US and China and perceptions of economic growth recovering. The more dovish tone from both the US and European central banks helped bonds rally in tandem. Let's add that even an extension to the Brexit deadline could not dampen the mood.

During March Sterling was down -1.7% against the US Dollar and -0.4% against the Euro amid the ongoing political uncertainty. The FTSE 100 gained 3.3% in March, buoyed by the lower currency. The FTSE 250 on the other hand was down -0.1% as businesses are more and more complaining about the accompanying economic uncertainty. Wage growth is up at 3.4% and higher inventories are currently helping growth although consumer confidence is weak and business investments are contracting.

The Eurozone has not been able to get out of its slumber. The Eurozone industrial production is down -2.5% since its peak in December 2017 and export-oriented Germany has been hit the hardest. The European Central Bank signalled that it will not raise rates until next year and announced a new round of quantitative easing in the form of cheap financing for the banking sector. Despite the weaker outlook, unemployment is down at 7.8%.

The US Federal Reserve signalled it would no longer hike interest rates this year amid moderating growth and subdued inflation. Together with signs that the US-China trade war can be resolved, US and international equities rallied. The iShares S&P 500 ETF gained 1.9% in USD (3.6% in GBP). Wage growth and reduced unemployment, however, seem to be the order of the day in most developed markets which puts continued pressure on businesses.

Emerging Markets equities did well in March, returning 0.8% in USD (2.5% in GBP) although were slightly behind their developed markets counterparts. Turkey is one of the biggest losers in Emerging Markets, down -13.7% in March in GBP amid political struggles. China fared better than the average with an increase of 4.1% in GBP. Progress in trade talks with the US and a package of Chinese tax cuts and infrastructure investments are aimed to help the local Chinese market, although potentially not as much help for the global economy.

Bonds were one of the big winners in March with both the European and US central banks signalling a more dovish tone. The iShares UK Gilts ETF was up 3.2% whereas the iShares UK Index-Linked ETF was up a whopping 6.2%. Corporate and High Yield bonds were up too, albeit not quite as much as their government counterparts.

In commodities, WTI Crude Oil topped the leaderboard with a return of 5.1% for the month. In contrast, amid the general risk-off tone in markets, Gold fell -1.6% in USD, whereas the broader commodity index was up 0.6%.

Market Returns Overview - 2 Apr, 2019

We include an overview of the returns of different asset and sub-asset classes to provide a sense of the most recent market returns.

ETF Name	Asset Class	Sub-Asset Class	Asset Region	ytd	1m	1yr	3yr	5yr
iShares Core FTSE 100 UCITS ETF	Equity	Country	Europe	9.5%	3.3%	7.6%	32.8%	33.5%
iShares S&P 500 UCITS ETF (Inc)	Equity	Country	North America	10.9%	3.6%	17.3%	58.8%	108.3%
LYXOR ETF JAPAN TOPIX	Equity	Country Fund-Japan	Japan	3.4%	2.3%	-2.0%	38.3%	68.3%
SPDR® MSCI Europe ETF	Equity	Region	Europe	7.7%	2.5%	3.6%	34.0%	34.5%
Lyxor ETF MSCI AC Asia Pacific ex Japan - C - EUR	Equity	Region Fund-Asian Pacific	Asia Pacific	8.1%	3.3%	2.9%	47.9%	58.4%
iShares MSCI Emerging Markets UCITS ETF (Inc)	Equity	Region	EM-Global	7.1%	2.5%	-1.6%	45.8%	47.9%
iShares Developed Markets Property Yield UCITS ETF	Equity	REITs	Global	12.1%	5.2%	22.3%	30.6%	80.6%
iShares Core UK Gilts UCITS ETF	Fixed Income	Government Bonds	Europe	3.3%	3.2%	3.5%	10.6%	29.7%
iShares £ Index-Linked Gilts UCITS ETF	Fixed Income	Inflation Bonds	Europe	5.8%	6.2%	5.3%	27.1%	52.7%
iShares £ Corporate Bond ex-Financials UCITS ETF	Fixed Income	Investment Grade Bonds	Europe	4.8%	2.8%	4.0%	16.0%	32.5%
iShares Core Euro Government Bond UCITS ETF	Fixed Income	Government Bonds	Europe	-2.2%	2.2%	0.0%	11.9%	22.5%
iShares USD Government Bond 7-10 UCITS ETF (Acc)	Fixed Income	Government Bonds	North America	0.4%	4.2%	13.6%	12.7%	46.9%
iShares J.P. Morgan $ Emerging Markets Bond UCITS ETF	Fixed Income	Government Bonds	EM-Global	4.7%	3.2%	11.4%	27.9%	61.4%

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

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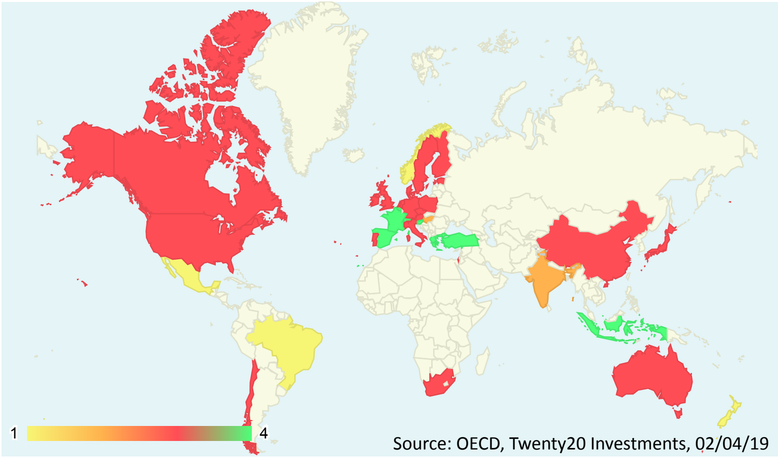
ETF Scorecards

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:

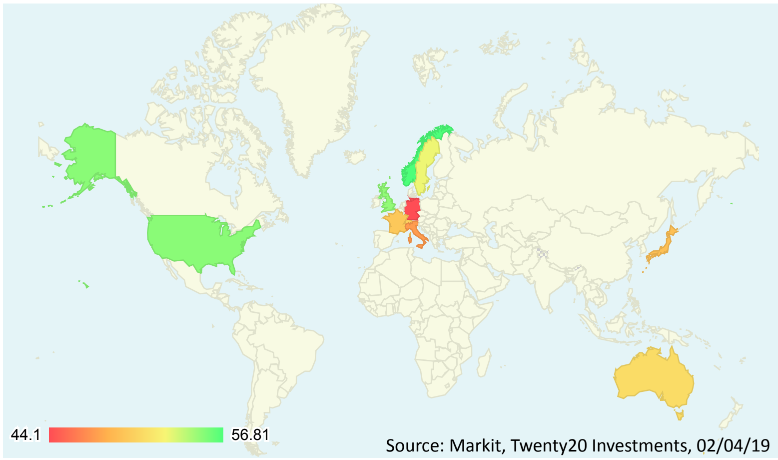
Expansion Downturn
Slowdown Recovery

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.

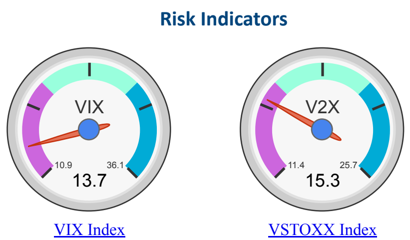
The Purchasing Managers Index (PMI) is a very important sentiment reading, not only for manufacturing, but also the economy as a whole. Although manufacturing is not always the largest component of a country's gross domestic product (GDP), purchasing managers are often the first to know about trading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



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, 02/04/19

2 Apr, 2019

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