

Growth Real Return iBasket GBP

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.

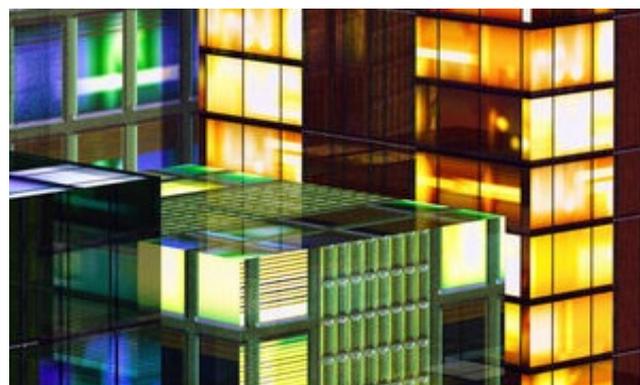
The portfolio will be reviewed on a monthly basis, with the aim of restricting the total equity exposure to 90% of the notional at the start of each re-balancing period. During periods of extreme risk, when protecting your capital is critical, we may move part or all of the allocations away from falling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



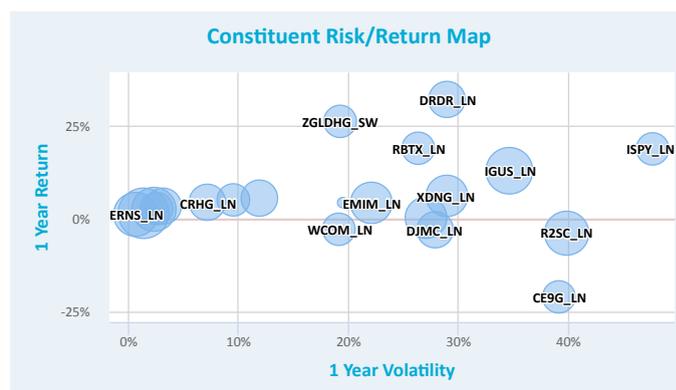
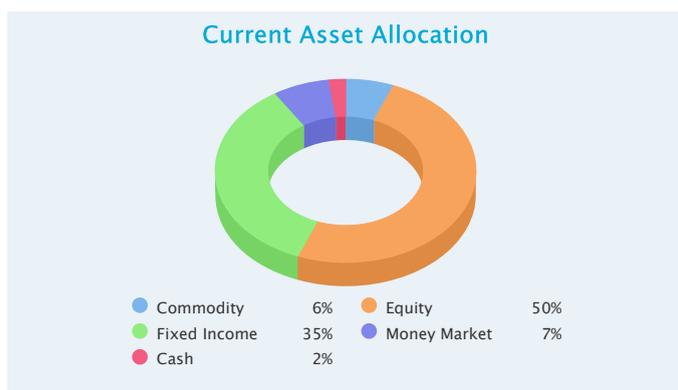
Investment Advisor	Twenty20 Investments
Investment Manager	Linear Investments Limited
Legal Form	Model Portfolio
Target Investments	Multi-asset portfolio investing 100% in Exchange Traded Funds comprising assets in equities, fixed income, commodities and alternatives
Investment Objective	Our models encode 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

Growth Real Return iBasket GBP

2 Sep, 2020

Portfolio Construction

Asset Allocation - 2 Sep, 2020



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 Sep, 2020

Growth Real Return iBasket GBP	Ticker	Asset Class	Theme	Region	Weight
Lyxor FTSE Actuaries UK Gilts 0-5Y (DR) UCITS ETF	GIL5_LN	Fixed Income	Government	United Kingdom	10.0%
iShares S&P 500 GBP Hedged UCITS ETF (Acc)	IGUS_LN	Equity	Large Cap	United States	8.0%
iShares £ Corp Bond 0-5yr UCITS ETF GBP (Dist)	IS15_LN	Fixed Income	Investment Grade	United Kingdom	7.0%
iShares £ Ultrashort Bond UCITS ETF GBP (Dist)	ERNS_LN	Fixed Income	Money Market	United Kingdom	7.0%
SPDR Russell 2000 US Small Cap UCITS ETF	R2SC_LN	Equity	Mid & Small Cap	United States	7.0%
iShares Core MSCI EM IMI UCITS ETF USD (Acc)	EMIM_LN	Equity	Large Cap	Emerging Markets	6.0%
iShares MSCI Europe ex-UK GBP Hedged UCITS ETF (Dist)	EUXS_LN	Equity	Large Cap	Europe ex UK	6.0%
Xtrackers JPX-Nikkei 400 UCITS ETF (DR) (GBP hedged)	XDNG_LN	Equity	Large Cap	Japan	6.0%
iShares \$ TIPS 0-5 UCITS ETF - GBP Hedged (Dist)	TI5G_LN	Fixed Income	Inflation	United States	4.0%
iShares EURO STOXX Mid UCITS ETF EUR (Dist)	DJMC_LN	Equity	Mid & Small Cap	Eurozone	4.0%

Performance

Calendar-Year Performance	2015*	2016	2017	2018	2019	2020 Ytd
iBasket Return	-3.04%	6.03%	12.16%	-4.98%	11.67%	2.75%
RPI + 4%**	4.38%	5.62%	7.48%	7.75%	6.85%	4.20%

* Since inception date of 12 Feb 2015.

	iBasket Return	RPI + 4%**
1 Year Performance	5.51%	6.48%
3m Performance	4.73%	1.47%
6m Performance	6.66%	3.11%
Performance Since Inception	25.72%	42.16%
Ytd Performance	2.75%	4.20%

OCF: The ongoing charges figure of the underlying ETFs is 24.0bps.

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.

Market Commentary

August proved to be another month with a risk-on sentiment, with equities broadly up for the month and Fixed Income down. The US Dollar, which declined -5.3% against Sterling in the previous month, was down another -2.1% for this month. The S&P 500 in the US had another record month (iShares S&P 500 ETF up 6.8% in USD, 4.7% in GBP) as the index climbed above the record high reached back in February. The US technology focused NASDAQ index trumped that record and was up 9.7% in USD for the month and 39.2% year-to-date (or 73.5% since its trough in March this year). The US Federal Reserve (Fed) confirmed its readiness to offer further support when it announced a shift to average inflation targeting, confirming that monetary policy will remain supportive for the foreseeable future.

The risk-on sentiment investment landscape has been driven by a slowly improving economy, a better than expected earnings season, especially in the US, and the hope for an early approval of a vaccine. The Google Community Mobility Report for the UK, for example, shows that activity in Retail is slowly increasing, although still down -17% against the baseline. As an aside, the only numbers up in terms of mobility are, not surprisingly, parks and residential areas (up 80% and 9% against the baseline). This picture is replicated in nearly all countries around the world.

The drawback is that with COVID-19 cases rising in many European countries, especially France and Spain, this mobility might become restricted again. Macro-economic data for Europe gives a similar state of affairs – positive, but with the growth trend slowing. On the other hand, unemployment in the Eurozone is at a still fairly low 7.8%, showing that the job retention schemes in various countries are working. The SPDR MSCI Europe ETF was up 2.9% in EUR (2.1% in GBP).

A better than expected earnings season and the hope for an early vaccine helped Asian and Emerging Markets as well. The Xtrackers Nikkei 225 ETF rose 6.6% in Japanese Yen (4.2% in GBP), although Japanese Prime Minister Shinzo Abe resigned on the last day of the month due to health reasons. Asia Pacific ex Japan and Emerging Markets were also up in USD, although the iShares MSCI EM ETF was down -1.7% in GBP.

With the general risk-on scenario, bonds struggled in August. Government bonds in major currencies lost ground, especially UK gilts, which were down -3.5% for the month. Corporate bonds fared somewhat better, helped by lower credit spreads and high yield outperformed investment grade both in Europe and the US. Gold reached its all-time high of above \$2,000 per ounce at the beginning of the month but ended up losing ground and finished the month -0.4% down.

Market Returns Overview - 2 Sep, 2020

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

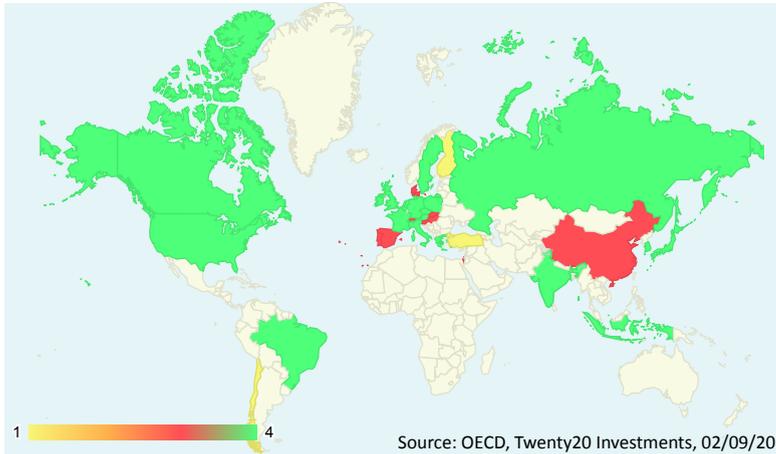
ETF Name	Asset Class	Theme	Asset Region	ytd	1m	1yr	3yr	5yr
iShares Developed Markets Property Yield UCITS ETF USD (Dist)	Alternative	Property	Global	-18.5%	-0.4%	-22.2%	-5.8%	32.8%
Lyxor MSCI AC Asia Pacific Ex Japan UCITS ETF	Equity	Large Cap	Asia Pacific Ex Japan	1.6%	1.8%	4.6%	7.0%	74.3%
iShares MSCI EM UCITS ETF USD (Dist)	Equity	Large Cap	Emerging Markets	-2.4%	-1.7%	0.4%	1.9%	66.9%
SPDR MSCI Europe UCITS ETF	Equity	Large Cap	Europe	-6.5%	2.1%	-4.2%	1.5%	39.9%
Xtrackers Nikkei 225 UCITS ETF 1D	Equity	Large Cap	Japan	-0.4%	4.2%	3.7%	24.6%	74.6%
iShares Core FTSE 100 UCITS ETF GBP (Dist)	Equity	Large Cap	United Kingdom	-18.9%	1.7%	-14.3%	-9.6%	16.3%
iShares S&P 500 UCITS ETF USD (Dist)	Equity	Large Cap	United States	8.5%	4.7%	10.4%	43.8%	119.0%
iShares JP Morgan \$ EM Bond UCITS ETF USD (Dist)	Fixed Income	Government	Emerging Markets	0.6%	-1.6%	-6.5%	8.8%	54.5%
Xtrackers II Eurozone Government Bond UCITS ETF (DR)	Fixed Income	Government	Eurozone	8.0%	-1.5%	-2.5%	6.6%	40.8%
SPDR Bloomberg Barclays Sterling Corporate Bond UCITS ETF	Fixed Income	Investment Grade	United Kingdom	4.4%	-1.0%	4.3%	13.1%	33.6%
Vanguard UK Gilt UCITS ETF	Fixed Income	Government	United Kingdom	8.8%	-3.5%	4.4%	16.5%	32.4%
iShares £ Index-Linked Gilts UCITS ETF GBP (Dist)	Fixed Income	Inflation	United Kingdom	8.2%	-4.5%	-1.9%	13.6%	41.4%
Xtrackers II iBoxx \$ Treasuries UCITS ETF (DR)	Fixed Income	Government	United States	8.2%	-3.3%	-2.7%	12.6%	39.0%

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:

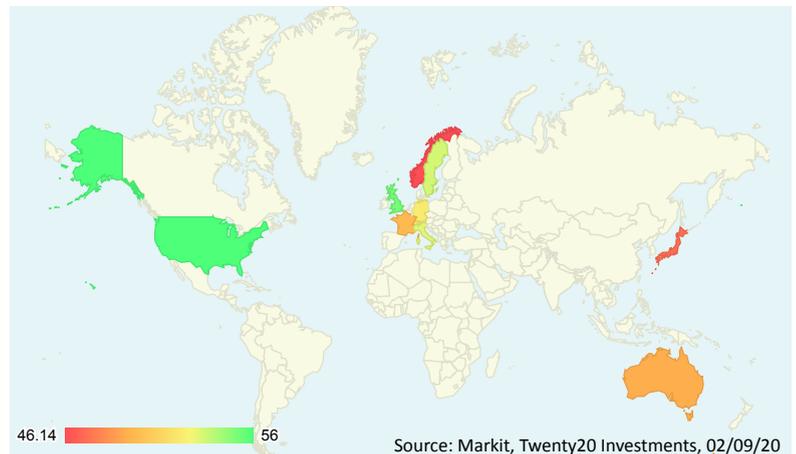
- Expansion ■ Downturn ■
- Slowdown ■ Recovery ■

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.

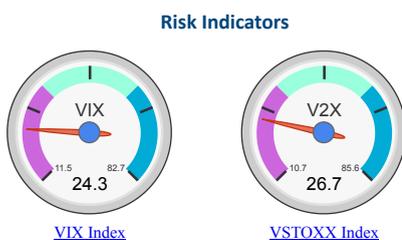
The Purchasing Managers Index (PMI) is a very important sentiment reading, not only for manufacturing, but also the economy as a whole. Although manufacturing is not always the largest component of a country's gross domestic product (GDP), purchasing managers are often the first to know about trading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



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 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 and the Covid-19 induced crisis in 2020 they both peaked at above 80%. Risk Indicator Data Source: CBOE, STOXX, 02/09/20

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