Copia Capital Management

Annual and Q4 performance update

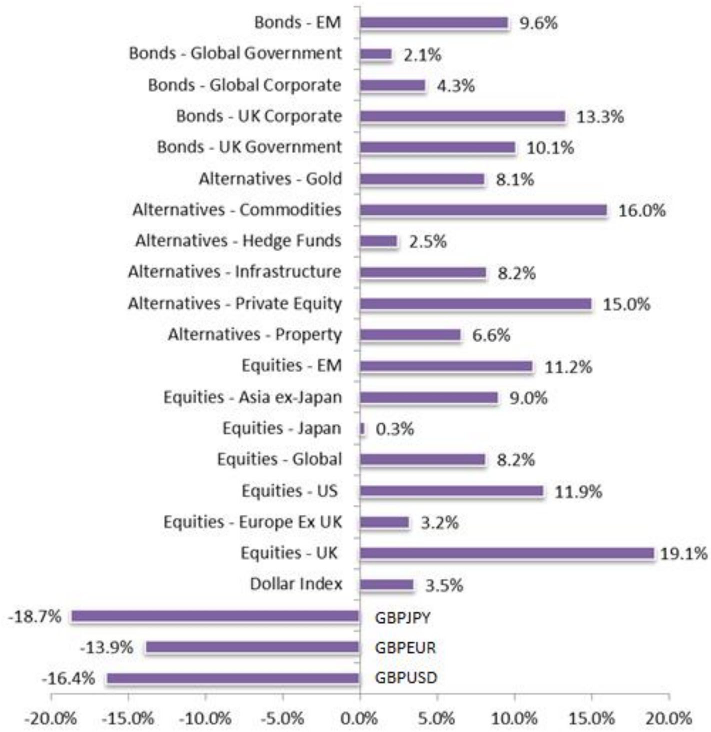
January 2017

All Copia model portfolios posted positive returns for the year that ended 31 December 2016.

Looking back at 2016

Global Financial Markets:

- As previously anticipated at the end of 2015, volatility in global equity markets continued throughout 2016.
- The markets started 2016 with a sharp sell-off driven by fears of a sharp slowdown in China. The People's Republic of China (PBoC) had to intervene by doing its own form of quantitative easing, which has helped maintain China's GDP growth rate above the 6% mark.
- Following the bounce back from China, the markets were shocked by the Brexit vote in June 2016, in which the people of the UK opted to leave the European Union (EU). The impact of this was initially felt on the UK stock market but soon translated to the Pound Sterling, with GBP falling against the USD by 16% for the year.
- Equity markets again rallied dismissing the Brexit vote and focusing on the global growth story.
- Towards the end of the second half of the year, we saw an unexpected victory for Donald Trump as the next US president, leading to a whipsaw in equity markets similar to that during the Brexit vote. Following the US presidential election, inflation expectations jumped sharply on the back of increased fiscal stimulus in the US and lower monetary stimulus with the Fed raising rates to 0.75%.



Source: Bloomberg, Copia Capital Management

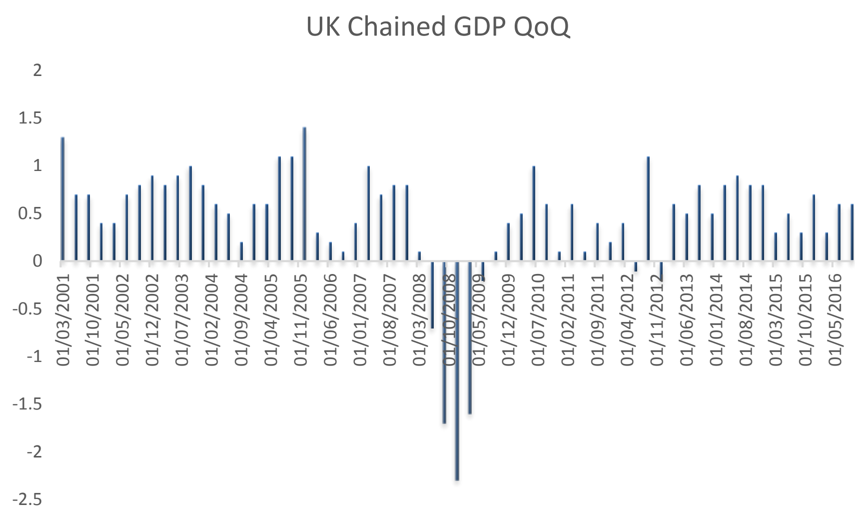
In brief:

- After a volatile start to the year from China, markets have been more sanguine than would be expected given the degree of surprise around the Brexit and US Election "shocks".
- Equity markets supported by Central Bank action and earnings recovery.
- Towards the end of the year, rising interest rate and inflation expectations have impacted the bond market.

Annual and Q4 performance update

UK growth proves resilient in the face of Brexit:

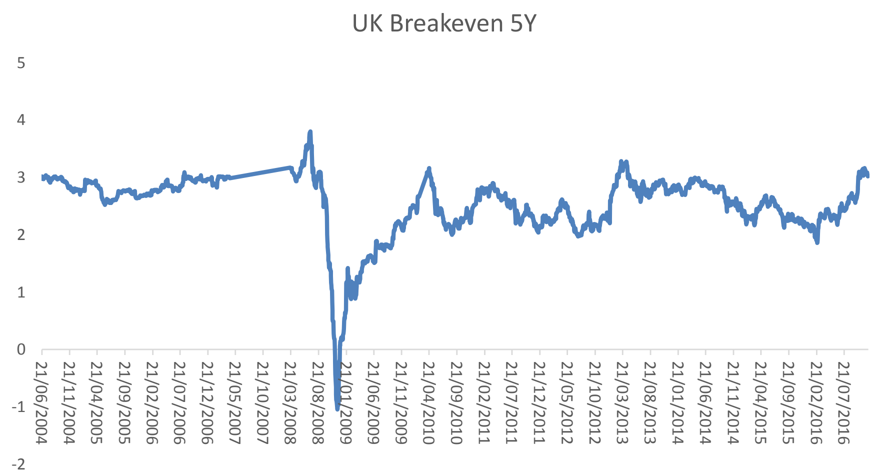
- UK GDP growth continued to stay resilient in 2016 even in the face of uncertainty related to its exit from the EU.
- The Bank of England has been successful in assuring UK business that it will continue to support them and increase QE if the economy shows signs of deflation.
- This has helped strengthen business confidence in the UK and capital investment continues to stay buoyant.



Source: Bloomberg, Copia Capital Management

Uptick on inflation expectations:

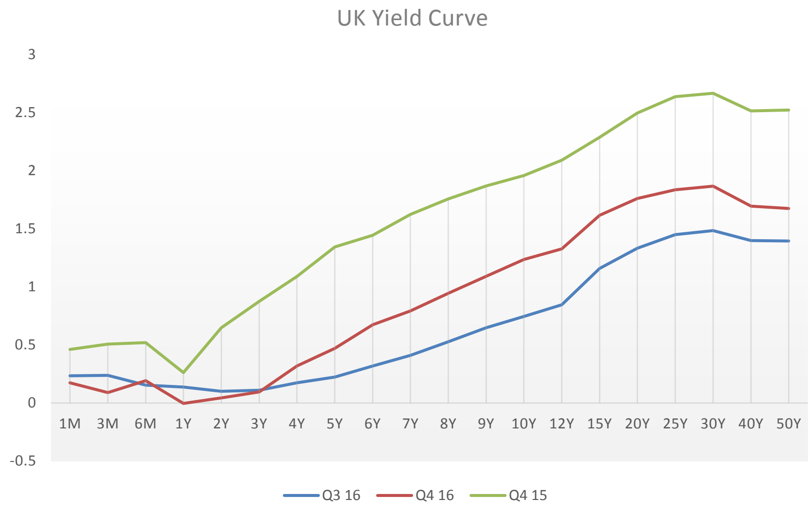
- The drop in Pound Sterling following the Brexit vote has sparked fears of increased inflation going forward as UK import costs have moved higher.
- Stabilising crude oil price and rising interest rates in the US have added to expectations that inflation will return to target 2% levels.



Source: Bloomberg, Copia Capital Management

Lower rates with a steep yield curve:

- December 2015 saw a lift off in interest rates in the US which built up expectations of a rate hike in the UK in early 2016, but a sharp sell-off in equity markets dampened those expectations.
- Instead, following the Brexit vote the Bank of England took a pre-emptive measure cutting interest rates, propping business confidence and encouraging businesses to continue their investment in the UK.
- The yield on the UK 10 year moved from 2% in December 2015 to 1.2% in Q4 2016. Uncertainty on Brexit negotiations continue to linger as markets look for a decisive outcome.

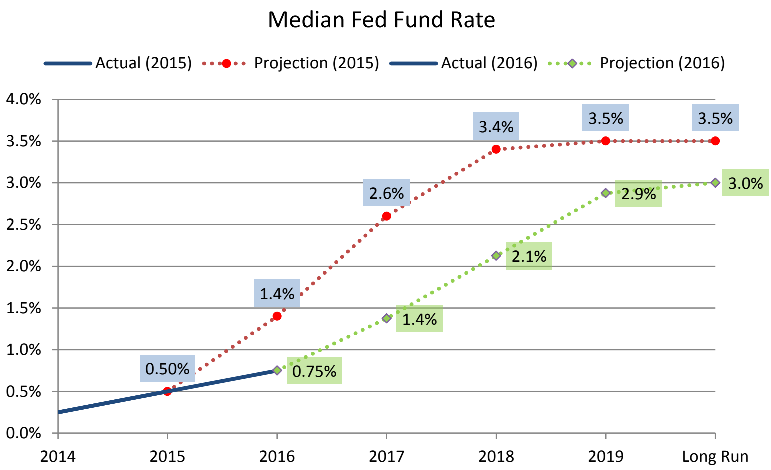


Note: The above aims to compare the change between current yield curve (Q4 16), and both that of previous quarter (Q3 16) and previous year (Q4 15)

Source: Bloomberg, Copia Capital Management

The Fed Rate Hike:

- At the end of 2015, the Fed was quite hawkish hinting at 3-4 rates hikes for 2016, but given the sharp jump in economic uncertainty in 2016, the Fed held off on raising rates.
- We only saw one hike in the December meeting which took the Fed Fund rate from 0.5% to 0.75%. The Fed has also lowered its rate guidance for 2017 with the median expectation at around 1.4%.
- The US Dollar rallied through 2016, with the US Dollar Index, a measure of the value of the United States dollar relative to a basket of foreign currencies, rising 4% in 2016.
- The US Fed's hawkish projections along with easing of monetary policies from the European Central Bank (ECB), Bank of Japan (BOJ) and the PBOC, sets the stage for the US Dollar rally to continue in 2017.



Source: Bloomberg, Copia Capital Management

Annual and Q4 performance update

Table 1: Performance of Copia portfolios in the year ending 31 December 2016

Copia Volatility Focus	3 M	6 M	1 Yr	3 Yr	Since Inception (28-Oct-2013)	Since Inception (28-Oct-2013) (Annualized)	UK Inflation (CPI)*	Discrete Year 1 (2014)	Discrete Year 2 (2015)	Discrete Year 3 (2016)
Model 1	-1.07%	0.18%	3.61%	6.94%	6.29%	1.94%	0.75%	3.41%	-0.19%	3.61%
Model 2	-1.41%	0.15%	4.36%	6.67%	5.56%	1.72%	0.75%	3.31%	-1.07%	4.36%
Model 3	-1.72%	0.43%	2.34%	10.25%	10.12%	3.08%	0.75%	6.19%	1.45%	2.34%
Model 4	-1.03%	1.81%	3.66%	13.60%	13.62%	4.10%	0.75%	7.11%	2.32%	3.66%
Model 5	-1.06%	1.83%	2.40%	12.47%	12.78%	3.86%	0.75%	6.14%	3.48%	2.40%
Model 6	-0.26%	2.57%	2.30%	12.71%	12.78%	3.86%	0.75%	5.95%	3.98%	2.30%
Model 7	0.80%	4.08%	3.76%	14.36%	14.49%	4.35%	0.75%	6.38%	3.61%	3.76%
Model 8	1.78%	4.96%	4.45%	14.92%	15.03%	4.50%	0.75%	5.81%	3.99%	4.45%
Model 9	2.65%	6.26%	5.94%	16.94%	17.10%	5.09%	0.75%	5.92%	4.22%	5.94%
Model 10	2.24%	5.84%	5.62%	16.18%	16.44%	4.91%	0.75%	5.90%	3.87%	5.62%

Returns based on Total return, assuming income is re-invested immediately and realigned on due dates
****UK Inflation (UK CPI) annualised using available data from Oct-2013.***

Disclaimer

Exchange Traded Funds used in Copia models typically have high share prices. Small investments are unlikely to be able to invest into the asset allocation intended by the quantitative model due to the typically high share prices of ETFs and therefore a small investment may not achieve the investment returns expected.

The performance shown represents the results of the model portfolio managed by Copia Capital Management. Copia model performance and comparisons are shown gross and take no account of the Novia platform charge or Copia Capital Management charge. Individual investor performance will differ due to factors specific to the investors account, trading drag and charges and the effect of Platform, Investment management and Adviser charges.

This illustrative document is intended for investors where advice has been given by Advisers. The value of investments may go down as well as up, investors may not get back the amount invested, figures quoted relate to the past and past performance is not a reliable indicator of future. Models are prepared in accordance with tolerance to risk and not client circumstances and information is from given sources is taken to be reliable and accurate, which Copia cannot warrant for accuracy or completeness.

copia Capital Management