



## Market update

◆ Emmanuel Macron and Marine Le Pen will face off to become France's next president following the first round vote. This resulted in a strong rally in the Euro and European equity markets, making it the best performer in April. The EURO STOXX 50 index was up 2.4%.

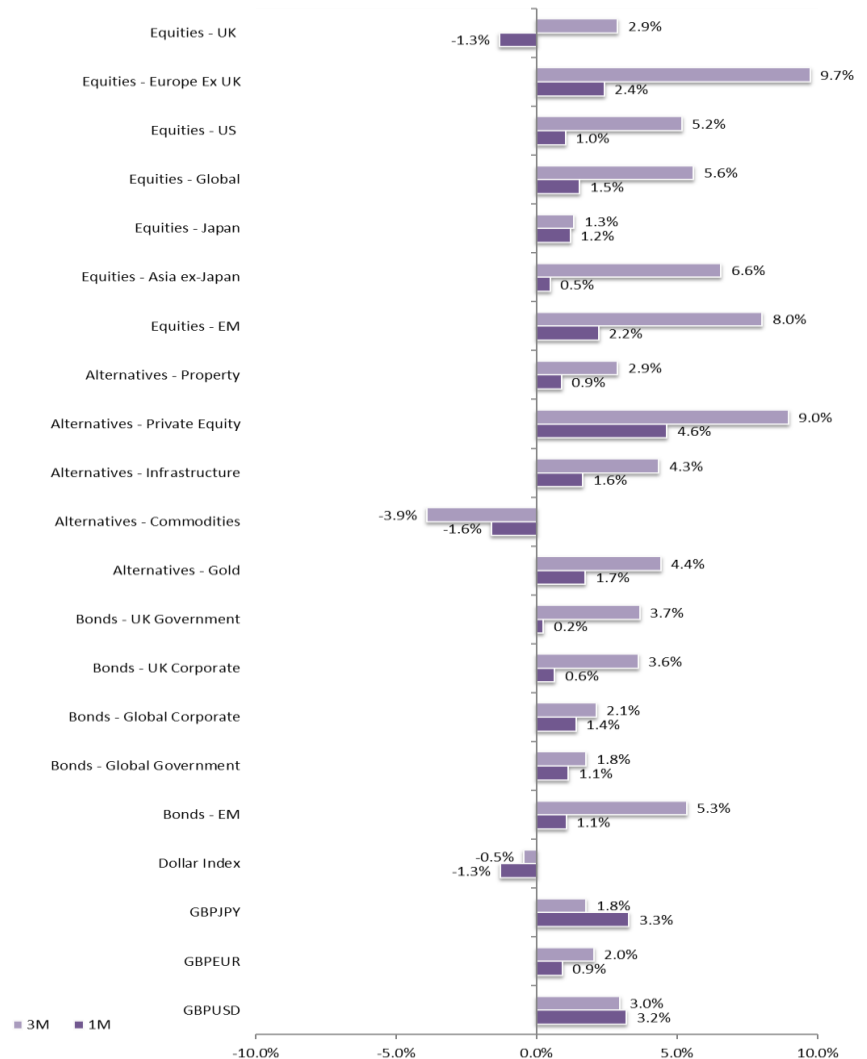
◆ Members of the Federal Reserve Board of Governors expect the US Central Bank to start reducing the size of its balance sheet towards the end of this year. Due to its large bond buying program under quantitative easing, the Fed's balance sheet has grown over \$3.4trillion since 2007. These discussions have put pressure on US government bonds leading to an uptick in rates.

◆ Theresa May called a snap election for June 8 as she looks to strengthen her position to deliver on her Brexit mandate. Pound Sterling rallied to a six-month high as market expects Prime Minister May to enter Brexit negotiations with a stronger hand. This gives more certainty about UK achieving a deal before its 2 year negotiation period ends.

◆ The ECB decided to keep their benchmark rates on hold and will continue their bond buying program of €60bn per month which will continue until at least December 2017.

◆ The UK economy slowed more than forecasted with Q1 GDP coming in at 0.3% compared to the 0.4% forecasted.

◆ Deutsche Bank, JP Morgan, UBS, Goldman Sachs, Morgan Stanley and HSBC plan to move a large number of banking jobs from London to destinations in Europe as they prepare for the UK to lose easy access to the European Union's single market.



Source: Bloomberg, Copia Capital Management



# Monthly portfolio update continued

## Portfolio realignment update

### Volatility Focus Range:

Copia Volatility Focus range was realigned on 24 April 2017 as per its 2 month realignment schedule. All portfolios in this range achieved the target objective, remaining within their stipulated volatility bands. Driven by the increase in the Copia Risk Barometer score from +0.51 in previous realignment to +0.61, all models in the Volatility Focus range are tilted further towards higher risk-return assets (equities) compared to the previous realignment.



Fig. 2 Equity allocation (as %), current vs previous

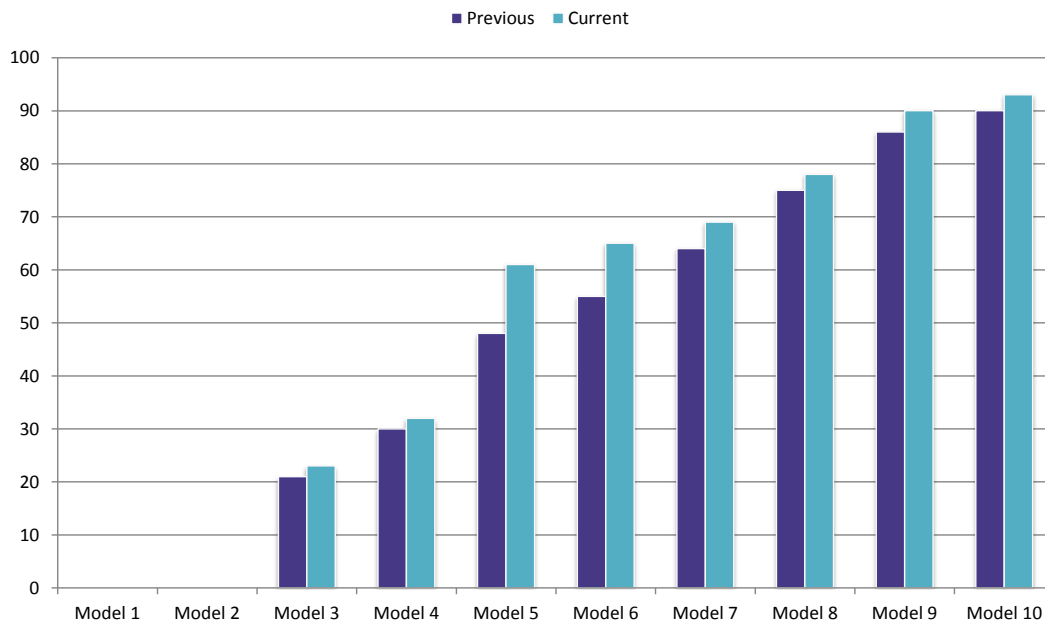
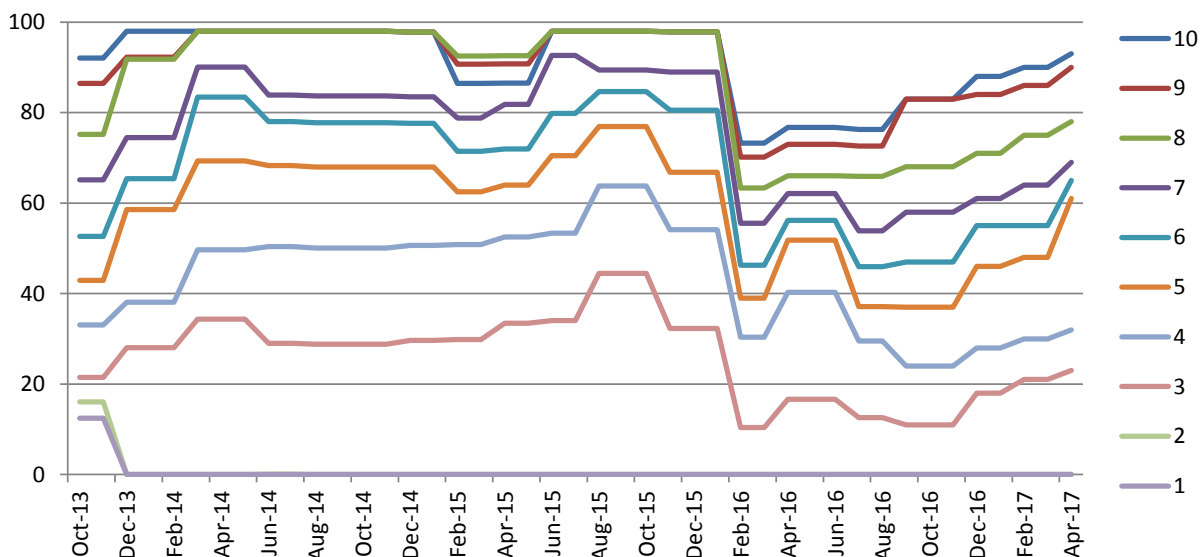


Fig 3 Equity allocation by model over time since inception (as %)



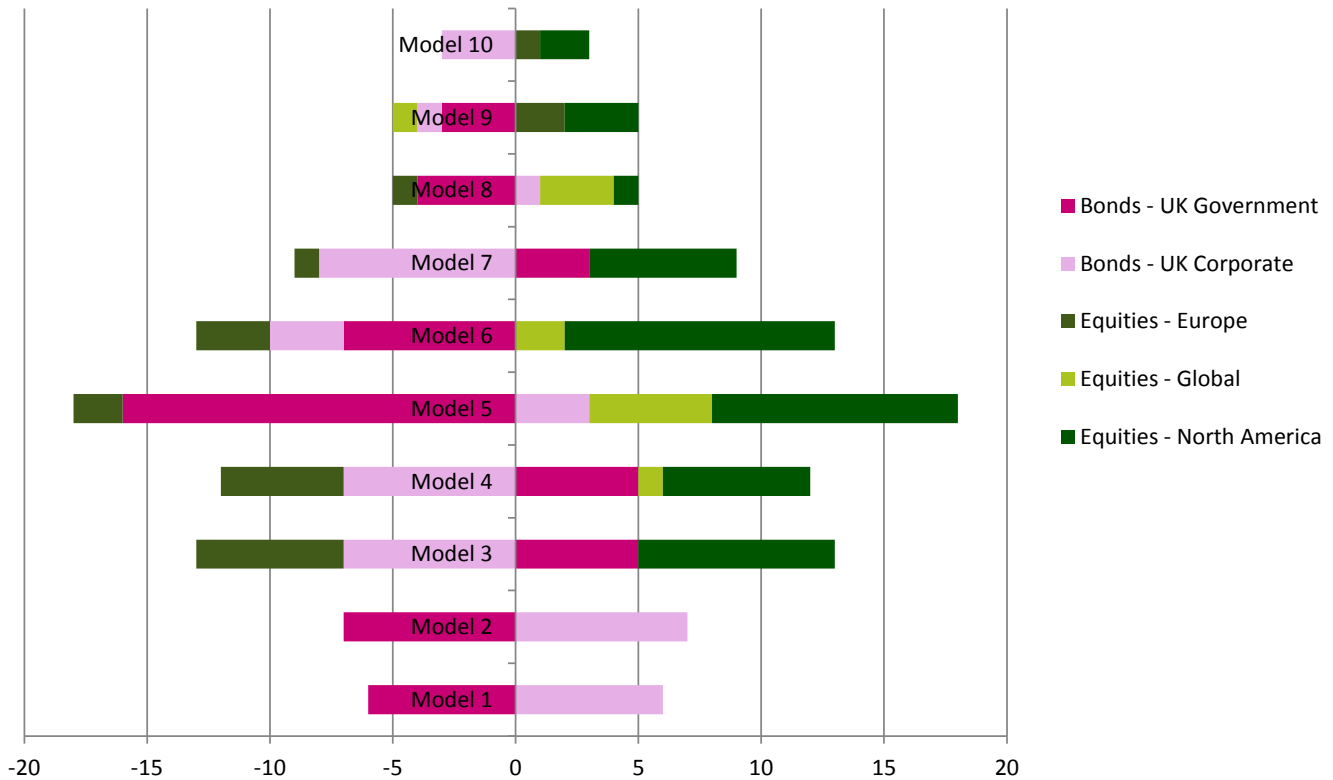
# Monthly portfolio update continued

## Tactical asset allocation changes in this realignment for Volatility Focus Range

### Asset class change highlights:

- For risk levels 1 and 2, minor rotation from short duration UK gilts (ETF Ticker: IGLS) into short duration UK corporate bonds (ETF Ticker: IS15).
- Reduction in UK corporate bonds and European equities from risk levels 3 and 4 and increased exposure into UK gilts and North American equities.
- Increased North American equity and Global equity allocation in models 5 to 10 with reduction of fixed income, driven by the move in the risk barometer from +0.51 to +0.61.

Fig.4 Tactical asset allocation changes (in ppt):



### ETF changes:

- Selling out of long duration UK corporate bonds (ETF Ticker: SLXX) across risk levels 4-7.
- Moving out of European dividend ETF (ETF Ticker: IDVY) and moving into Euro STOXX 50 ETF (ETF Ticker: EUN) across risk levels 3-10.
- Selling out of US Small Cap holdings (ETF Ticker: ISP6) for higher risk levels 7-10.
- Initiating exposure to S&P 500 GBP hedged ETF (ETF Ticker: IGUS) across models 3-10.

All other holdings are optimised to incorporate the tactical changes highlighted above.

# Monthly portfolio update continued



## Volatility Focus range: Previous positions (20-Feb-2017) vs. actual outcomes to 24-Apr-2017

Asset Class	Relative Algorithm Indication	Previous positions	Actual outcomes
<b>Bonds - UK Government</b>	Neutral	<ul style="list-style-type: none"> <li>Exposure only to short duration gilts</li> </ul>	<ul style="list-style-type: none"> <li>Low duration gilt ETF (Ticker IGLS): up 0.25%</li> <li>Low duration gilt ETF (Ticker GLTS): up 0.23%</li> </ul>
<b>Bonds - UK Corporate</b>	Outperform	<ul style="list-style-type: none"> <li>Short duration and long duration corporate bonds</li> </ul>	<ul style="list-style-type: none"> <li>Low duration corporate bond ETF (Ticker IS15): up 0.51%</li> <li>Long duration corporate bond ETF (Ticker SLXX): up 2.3%</li> </ul>
<b>Bonds - EM</b>	Neutral	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>EM bonds were down -0.13%</li> </ul>
<b>Equities - UK</b>	Underperform	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>FTSE-100 was up 0.4%</li> <li>FTSE-250 gained 5.2%</li> </ul>
<b>Equities - US</b>	Outperform	<ul style="list-style-type: none"> <li>Exposure toward dividend yielding equities and small cap sector</li> </ul>	<ul style="list-style-type: none"> <li>USD lost 2.6% vs. GBP leading to a drag on US equity holdings.</li> <li>In GBP terms:                             <ul style="list-style-type: none"> <li>S&amp;P 500 was down -2.5%</li> <li>US Dividend ETF (Ticker HDIQ): down -1.41%</li> <li>US Small Cap ETF (Ticker ISP6): down -3.2%</li> </ul> </li> </ul>
<b>Equities - Europe</b>	Outperform	<ul style="list-style-type: none"> <li>Exposure toward dividend yielding equities and German DAX index stocks</li> </ul>	<ul style="list-style-type: none"> <li>EUR lost 0.2% vs. GBP leading to a drag on European equity holdings.</li> <li>In GBP terms                             <ul style="list-style-type: none"> <li>Euro Stoxx 50 gained 4.1%</li> <li>EU Dividend ETF (Ticker IDVY): up 6.9%</li> <li>German DAX ETF (Ticker XDDX): up 4.8%</li> </ul> </li> </ul>
<b>Equities - Japan</b>	Outperform	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>MSCI Japan was down -2.7% in GBP terms</li> </ul>
<b>Equities - EM</b>	Neutral	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>MSCI EM was up 0.78% in GBP terms</li> </ul>
<b>Alternatives - Gold</b>	Neutral	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>Gold was up 0.33% in GBP terms</li> </ul>

# Monthly portfolio update continued



## Volatility Focus range: Current positioning (24-Apr-2017)

Asset Class	Relative Algorithm Indication	Current positions	Rationale	
			Quantitative Signals	Qualitative Oversight
<b>Bonds - UK Government</b>	Neutral	<ul style="list-style-type: none"> <li>Exposure only to low duration gilts</li> </ul>	<ul style="list-style-type: none"> <li>Negative momentum for long duration bonds</li> <li>Rising interest rates</li> </ul>	<ul style="list-style-type: none"> <li>With the US fed rate hike and discussions about ECB and Bank of Japan unwinding their QE programs, downside pressure on bonds is expected to continue.</li> </ul>
<b>Bonds - UK Corporate</b>	Outperform	<ul style="list-style-type: none"> <li>Exposure to short duration UK corporates</li> </ul>	<ul style="list-style-type: none"> <li>Improving credit spread</li> </ul>	<ul style="list-style-type: none"> <li>Improving economy is expected to tighten credit spreads.</li> </ul>
<b>Bonds - EM</b>	Neutral	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>Positive momentum but countered by weakening of GBP/USD exchange rate</li> </ul>	<ul style="list-style-type: none"> <li>Improving credit quality on EM bonds has helped tighten spreads against DM bonds.</li> </ul>
<b>Equities - UK</b>	Underperform	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>High P/E valuation and weak momentum relative to global equities</li> </ul>	<ul style="list-style-type: none"> <li>Uncertainty related to Brexit will continue to dominate UK equities.</li> </ul>
<b>Equities - US</b>	Outperform	<ul style="list-style-type: none"> <li>Exposure to S&amp;P 500 using currency hedged and un-hedged ETFs</li> </ul>	<ul style="list-style-type: none"> <li>Positive momentum</li> <li>Rising EV/EBITDA may start to dampen outlook</li> </ul>	<ul style="list-style-type: none"> <li>Expected tax cuts boosting outlook to US equities.</li> </ul>
<b>Equities - Europe</b>	Outperform	<ul style="list-style-type: none"> <li>Exposure to EURO STOXX 50</li> <li>Exposure to German Equities, DAX Index</li> </ul>	<ul style="list-style-type: none"> <li>Attractive valuation based on P/E, EV/EBITDA and Dividend Yield</li> <li>Positive momentum makes a strong case for European equities</li> </ul>	<ul style="list-style-type: none"> <li>Macro-economic data continues to strengthen but political uncertainty continues due to elections in various European countries.</li> </ul>
<b>Equities - Japan</b>	Neutral	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>Lack of momentum</li> <li>Low dividend yield</li> <li>Poor ROA and ROE fundamental ratios</li> </ul>	<ul style="list-style-type: none"> <li>Falling Yen signals move away from safe haven assets but fundamental valuation ratios lack a compelling case for Japan to outperform.</li> </ul>
<b>Equities - EM</b>	Neutral	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>Lack of momentum but EV/EBITDA valuations remain attractive</li> </ul>	<ul style="list-style-type: none"> <li>As global uncertainty subsides, outlook for EM markets remains positive.</li> <li>New regulations curb shadow banking in China leading to a cash crunch.</li> </ul>
<b>Alternatives - Gold</b>	Neutral	<ul style="list-style-type: none"> <li>No exposure</li> </ul>	<ul style="list-style-type: none"> <li>Negative momentum</li> <li>Weak US Dollar against global currencies</li> </ul>	<ul style="list-style-type: none"> <li>Gold remains in limbo as investors remain cautiously optimistic on global outlook.</li> </ul>

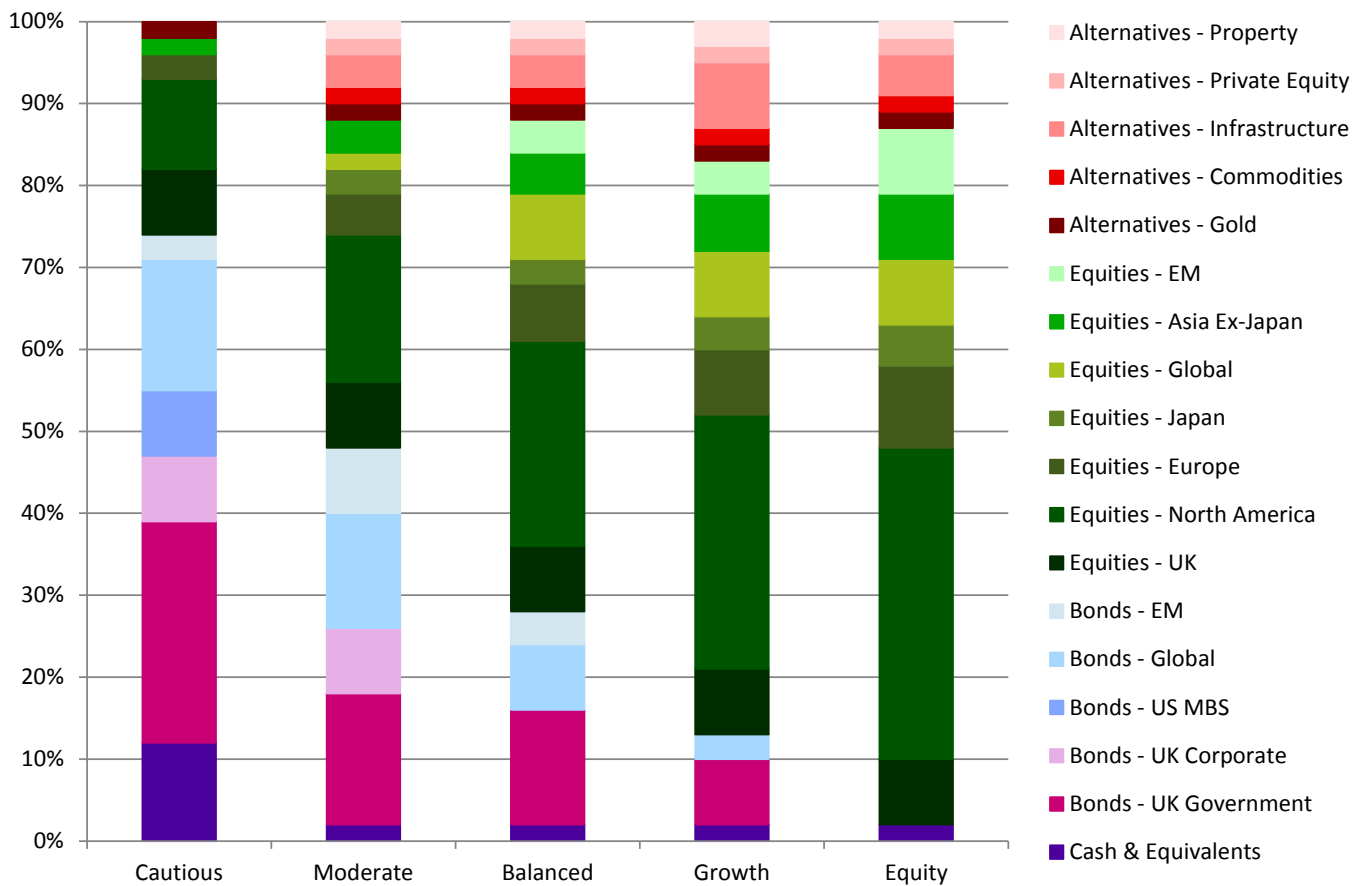
# Monthly portfolio update continued

## Select Range:

The Copia Select range was rebalanced on 24 April 2017 as per its 3 month realignment schedule.

A Risk Barometer reading of +0.61 indicates less market uncertainty and a positive global economic outlook. Copia Select portfolios have therefore maintained their strategic asset allocations, unchanged from previous re-alignment.

Fig.5 Copia Select Strategic Asset Allocation:



# Monthly portfolio update continued



**Portfolio Performance:** please note this is available as a separate document

Asset class overview: performance table

	%mm Performance													Return Characteristics							Risk Characteristics			
	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	3M	6M	12M	36M	2015	2016	YTD	Annualised Volatility 1Y	Annualised Volatility 3Y	Max Drawdown 1Y	Max Drawdown 3Y	
Equities - UK	0.3%	4.7%	3.4%	1.7%	1.8%	1.0%	-2.0%	5.4%	-0.6%	3.1%	1.1%	-1.3%	2.9%	5.6%	20.0%	19.0%	-1.4%	19.2%	2.3%	8.0%	9.7%	5.9%	20.0%	
Equities - Europe Ex UK	2.4%	-4.6%	4.1%	0.8%	-0.1%	0.0%	0.1%	6.3%	0.0%	2.6%	4.4%	2.4%	9.7%	16.8%	19.7%	29.4%	11.5%	3.3%	9.7%	9.8%	13.7%	10.2%	25.1%	
Equities - US	1.8%	0.3%	3.7%	0.1%	0.0%	-1.8%	3.7%	2.0%	1.9%	4.0%	0.1%	1.0%	5.2%	13.3%	17.9%	34.8%	1.4%	12.0%	7.2%	6.2%	10.4%	5.5%	13.0%	
Equities - Global	0.6%	-1.1%	4.2%	0.1%	0.6%	-1.9%	1.5%	2.4%	2.4%	2.8%	1.1%	1.5%	5.6%	12.5%	15.3%	20.2%	-0.3%	8.2%	8.2%	5.9%	10.6%	7.4%	17.6%	
Equities - Japan	2.8%	-9.5%	6.2%	0.6%	0.2%	5.1%	5.4%	3.5%	0.1%	0.8%	-0.7%	1.2%	1.3%	10.7%	15.8%	38.0%	10.8%	0.3%	1.5%	14.2%	16.1%	12.6%	28.2%	
Equities - Asia ex-Japan	-2.0%	0.8%	6.9%	-1.3%	2.7%	-2.1%	0.1%	-0.5%	5.7%	3.3%	2.7%	0.5%	6.6%	12.2%	17.8%	8.3%	-7.4%	9.0%	12.6%	10.1%	16.0%	5.8%	29.4%	
Equities - EM	-3.7%	4.1%	5.1%	2.5%	1.3%	0.2%	-4.6%	0.3%	5.5%	3.1%	2.6%	2.2%	8.0%	9.0%	19.6%	6.6%	-14.6%	11.6%	13.9%	10.8%	16.1%	9.3%	35.2%	
Alternatives - Property	0.2%	4.8%	5.3%	-2.6%	-0.9%	-6.1%	-2.9%	3.3%	0.6%	3.3%	-1.2%	0.9%	2.9%	3.8%	3.9%	21.2%	0.2%	6.6%	3.5%	11.7%	12.9%	14.1%	15.4%	
Alternatives - Private Equity	1.0%	-3.5%	7.0%	1.9%	0.7%	-1.4%	3.5%	2.1%	3.8%	2.6%	1.5%	4.6%	9.0%	19.5%	26.0%	28.7%	-1.9%	15.1%	13.1%	9.5%	13.6%	9.6%	24.6%	
Alternatives - Infrastructure	-0.7%	2.2%	2.4%	-0.8%	0.8%	-2.4%	-2.8%	1.5%	1.6%	1.8%	0.8%	1.6%	4.3%	4.7%	6.0%	8.8%	-7.6%	8.2%	6.0%	6.1%	7.1%	6.9%	13.1%	
Alternatives - Commodities	0.0%	3.9%	-4.7%	-0.9%	3.8%	-0.1%	2.1%	1.4%	1.6%	0.6%	-2.9%	-1.6%	-3.9%	1.1%	2.9%	-32.5%	-23.8%	16.0%	-2.3%	8.9%	13.3%	7.1%	45.9%	
Alternatives - Gold	-5.7%	9.0%	1.6%	-2.4%	1.0%	-3.8%	-7.4%	-2.7%	5.8%	3.5%	-0.9%	1.7%	4.4%	-0.4%	-1.5%	-1.7%	-12.1%	8.1%	10.5%	16.5%	15.0%	17.6%	21.3%	
Bonds - UK Government	1.7%	5.6%	2.0%	2.7%	-2.3%	-3.9%	-1.3%	1.8%	-1.7%	3.1%	0.3%	0.2%	3.7%	2.4%	8.2%	24.8%	0.6%	10.1%	1.9%	9.2%	7.7%	8.7%	8.7%	
Bonds - UK Corporate	1.2%	3.0%	6.0%	3.4%	-1.9%	-4.0%	-1.5%	2.5%	-1.3%	2.8%	0.1%	0.6%	3.6%	3.3%	11.1%	26.8%	0.1%	13.3%	2.3%	9.7%	8.1%	8.4%	8.4%	
Bonds - Global Corporate	-0.7%	1.5%	1.7%	0.2%	0.0%	-1.8%	-2.8%	0.5%	0.9%	0.7%	0.0%	1.4%	2.1%	0.5%	1.3%	2.8%	-3.6%	4.3%	3.0%	4.7%	4.2%	6.1%	6.3%	
Bonds - Global Government	-1.3%	2.9%	0.8%	-0.5%	0.6%	-2.8%	-4.0%	-0.5%	1.1%	0.5%	0.2%	1.1%	1.8%	-1.6%	-2.1%	-1.2%	-3.2%	2.1%	2.9%	6.4%	5.0%	9.1%	9.1%	
Bonds - EM	-5.6%	5.9%	0.6%	0.1%	1.9%	-0.8%	-7.2%	1.7%	2.3%	1.9%	2.3%	1.1%	5.3%	1.7%	3.5%	-6.6%	-14.5%	9.6%	7.8%	12.3%	11.8%	9.9%	27.3%	

Source: Bloomberg, Copia Capital Management.

## Notice

The performance of each asset class is represented by relevant indices and expressed in base currency terms, which are selected by Copia Capital Management. Reference to a particular asset class does not represent a recommendation to seek exposure to that asset class. Max Drawdown is defined as the largest single drop from peak to trough of the value of an asset class or portfolio over any timeframe within the stated period. This information is included for comparison purposes for the period stated, but is not an indicator of potential maximum loss for other periods or in the future



# Monthly portfolio update continued

## Volatility Focus portfolio range: performance table

	%mm Performance												Return Characteristics							Risk Characteristics				
	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	3M	6M	12M	36M	2015	2016	YTD	Since Inception (28 Oct 13)	Annualised Volatility 1Y	Annualised Volatility 3Y	Max Drawdown 1Y	Max Drawdown 3Y
1	0.4%	1.4%	1.0%	0.5%	-0.2%	-1.3%	-0.1%	0.3%	-0.3%	0.6%	0.0%	0.2%	0.8%	0.7%	2.5%	6.2%	-0.2%	3.6%	0.5%	6.8%	2.4%	2.1%	2.1%	2.3%
2	0.6%	1.8%	1.3%	0.8%	-0.4%	-1.5%	-0.2%	0.3%	-0.3%	0.7%	0.0%	0.2%	0.9%	0.6%	3.1%	6.0%	-1.1%	4.4%	0.5%	6.1%	3.0%	2.7%	2.8%	3.3%
3	1.1%	3.2%	1.8%	0.9%	-0.5%	-1.7%	-1.7%	1.7%	-0.3%	0.6%	0.7%	0.2%	1.5%	1.2%	6.0%	10.5%	1.5%	2.3%	1.2%	11.5%	4.9%	5.2%	5.0%	7.6%
4	1.5%	3.7%	2.4%	0.6%	-0.2%	-1.0%	-2.5%	2.6%	-0.5%	1.2%	0.7%	0.0%	1.9%	1.4%	8.7%	13.6%	2.3%	3.7%	1.4%	15.2%	6.0%	6.4%	5.6%	10.9%
5	1.4%	4.1%	2.5%	0.3%	0.1%	-0.2%	-3.6%	2.8%	-0.5%	1.7%	0.8%	-0.4%	2.1%	0.7%	9.1%	12.8%	3.5%	2.4%	1.5%	14.5%	6.9%	7.8%	6.0%	13.1%
6	1.3%	4.5%	2.7%	0.1%	0.1%	-0.2%	-3.1%	3.1%	-0.5%	2.0%	0.9%	-0.4%	2.5%	1.8%	10.7%	13.8%	4.0%	2.3%	1.9%	14.9%	7.0%	8.4%	5.7%	15.1%
7	1.4%	4.9%	3.1%	0.1%	0.1%	-0.1%	-2.6%	3.6%	-0.7%	2.2%	0.8%	-0.6%	2.4%	2.6%	12.6%	15.1%	3.6%	3.8%	1.7%	16.4%	7.4%	8.8%	5.4%	17.7%
8	1.3%	5.4%	3.2%	-0.2%	0.1%	-0.7%	-1.4%	3.9%	-0.8%	2.2%	0.9%	-0.8%	2.2%	3.9%	13.7%	15.9%	4.0%	4.4%	1.4%	16.6%	7.5%	9.4%	4.9%	18.9%
9	1.4%	5.1%	3.5%	-0.2%	0.3%	0.0%	-1.6%	4.4%	-1.0%	2.7%	0.9%	-1.0%	2.5%	4.3%	15.0%	18.0%	4.2%	5.9%	1.5%	18.9%	7.8%	9.6%	4.9%	19.0%
10	1.3%	5.4%	3.6%	-0.4%	0.4%	-0.1%	-1.9%	4.3%	-1.0%	2.8%	0.9%	-1.1%	2.6%	4.0%	14.8%	17.5%	3.9%	5.6%	1.6%	18.3%	8.1%	9.9%	5.3%	19.5%

Source: Copia Capital Management

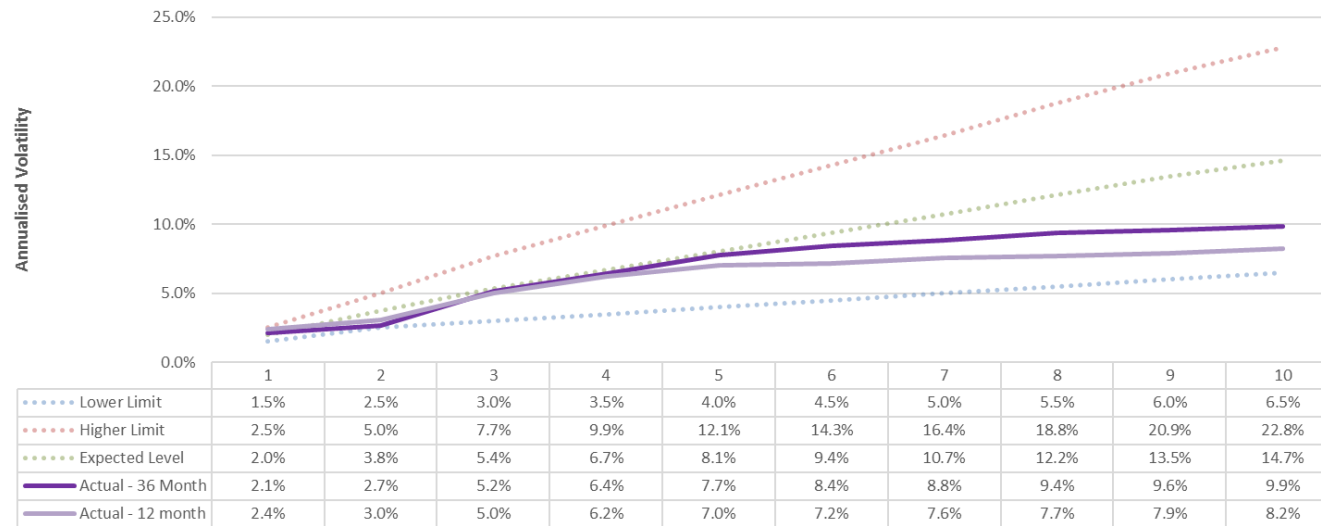
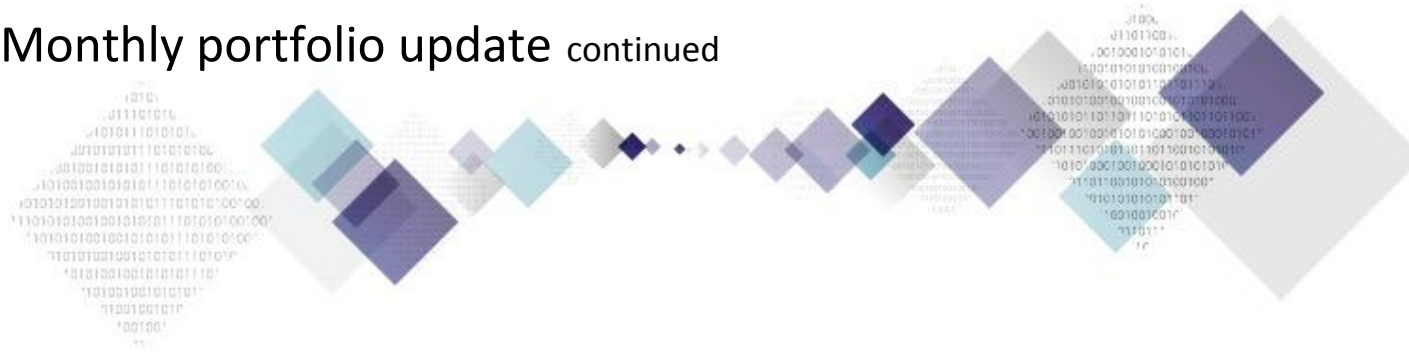
## Smart Beta portfolio range: performance table

	%mm Performance												Return Characteristics							Risk Characteristics				
	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	3M	6M	12M	36M	2015	2016	YTD	Since Inception (14 Mar 16)	Annualised Volatility 1Y	Annualised Volatility 3Y	Max Drawdown 1Y	Max Drawdown 3Y
Copia First Trust	0.5%	5.0%	4.2%	1.4%	1.0%	3.6%	0.6%	2.3%	0.0%	3.3%	1.8%	-1.9%	3.2%	6.1%	24.0%	#N/A	#N/A	#N/A	3.2%	24.4%	6.8%	#N/A	5.1%	#N/A
Copia Dorsey Wright	0.7%	5.4%	4.6%	1.2%	0.9%	7.0%	-4.4%	2.7%	2.5%	3.2%	1.7%	-2.8%	2.1%	2.7%	24.6%	#N/A	#N/A	#N/A	4.6%	25.3%	11.1%	#N/A	8.7%	#N/A

Source: Copia Capital Management

**Notice:** 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, Adviser charges and investment wrapper type.

# Monthly portfolio update continued



Copia Volatility Focus Portfolios

## 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.

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