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Capital Management

Copia Capital Management

The art of portfolio construction

Monthly Portfolio Update

For professional investors only

October 2017

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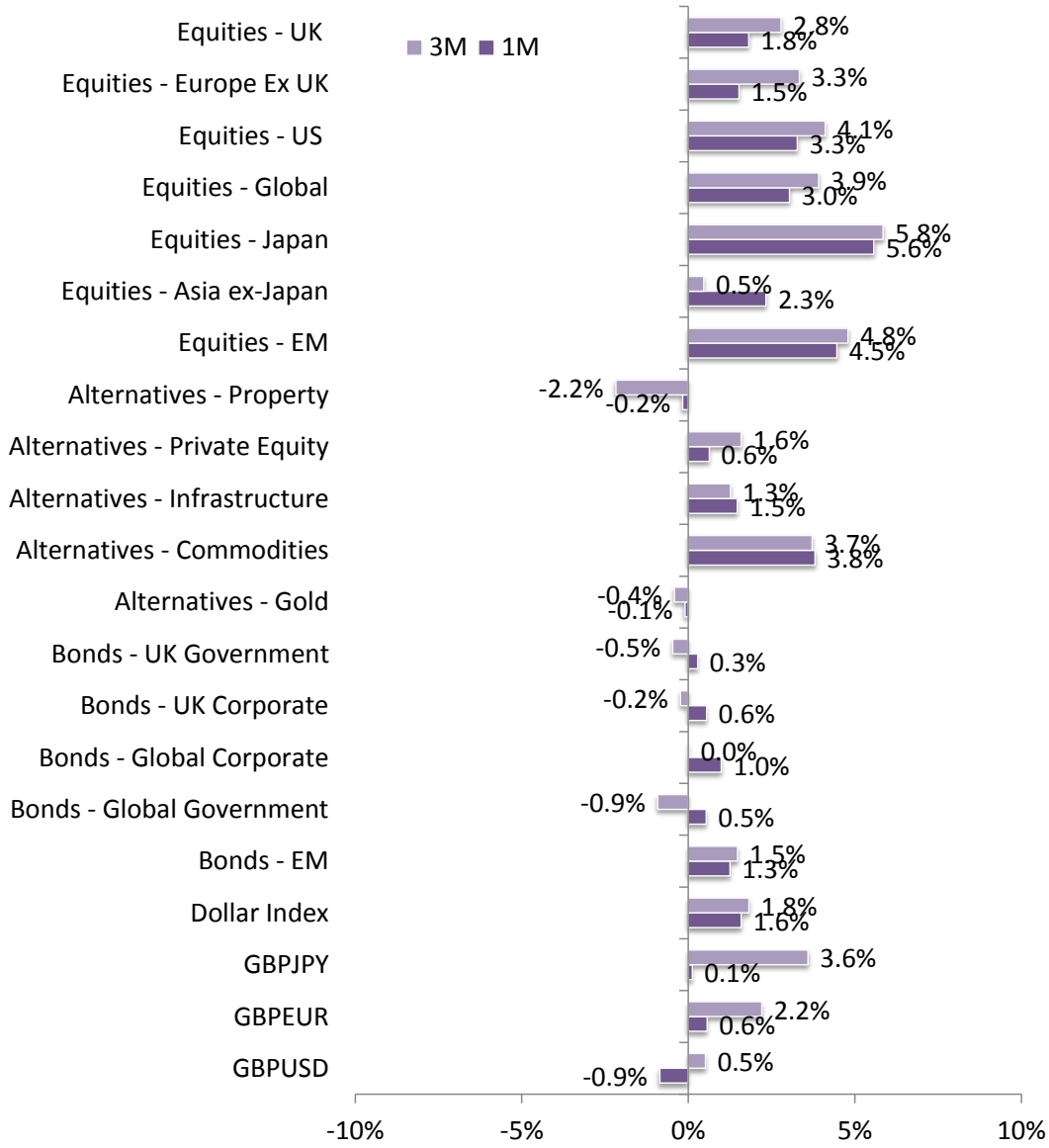
Market performance

- The most awaited ECB (European Central Bank) meeting turned out to be a non event as the ECB re-iterated that it will reduce its QE program to €30 Bn starting Jan to Sep. The Central Bank was very cautious on the European recovery and kept its options open to add further stimulus if needed. The Euro depreciated against the dollar losing 1.5% in the month.
- Bitcoin, the digital cryptocurrency, gained about 50% in Oct 2017 as the exuberance continues and has clocked in a massive gain of 540% YTD.
- Japanese markets surged in October as Prime Minister Shinzo Abe won a 4th term in office and BOJ (Bank of Japan) announced a continuation of QE policy to stimulate the economy. Japanese equities rallied gaining 5.6% in October.
- Commodity inventory levels continued to fall leading to a jump in commodity prices. Emerging markets jumped 4.5% on the back of a commodity rally.

Market performance



Source: Bloomberg, Copia Capital Management
As at 31 October 2017
All numbers expressed in GBP

Market performance

Asset class overview: performance table

	%mm Performance												Return Characteristics							Risk Characteristics	
	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	3M	6M	12M	36M	2015	2016	YTD	Annualised Volatility 3Y	Maximum Return Drawdown* 3Y
Equities - UK	-2.0%	5.4%	-0.6%	3.1%	1.1%	-1.3%	4.9%	-2.5%	0.9%	1.7%	-0.7%	1.8%	2.8%	6.1%	12.1%	28.5%	-1.4%	19.2%	8.5%	9.9%	20.0%
Equities - Europe Ex UK	-5.3%	7.1%	0.4%	2.2%	4.3%	1.1%	5.4%	-1.5%	1.9%	2.4%	-0.6%	1.5%	3.3%	9.3%	19.8%	51.2%	5.9%	19.6%	18.1%	11.3%	18.6%
Equities - US	1.5%	3.2%	0.1%	5.3%	-0.9%	-2.2%	1.9%	-0.3%	0.6%	2.6%	-1.8%	3.3%	4.1%	6.4%	13.9%	63.8%	7.2%	33.6%	8.7%	10.1%	16.4%
Equities - Global	-1.4%	3.5%	0.9%	4.1%	0.3%	-1.6%	2.8%	-0.4%	1.4%	2.7%	-1.8%	3.0%	3.9%	7.8%	14.1%	54.1%	3.8%	29.5%	11.8%	10.0%	17.5%
Equities - Japan	-4.8%	2.4%	1.5%	2.7%	-1.0%	-2.2%	3.3%	0.2%	0.7%	2.1%	-1.8%	5.6%	5.8%	10.4%	8.6%	61.2%	14.7%	23.7%	11.4%	12.0%	19.7%
Equities - Asia ex-Japan	-2.1%	0.7%	3.8%	4.5%	1.7%	-2.7%	-0.3%	1.2%	2.9%	2.8%	-4.5%	2.3%	0.5%	4.2%	10.3%	37.8%	-2.1%	30.1%	11.9%	14.1%	25.4%
Equities - EM	-6.7%	1.6%	3.6%	4.3%	1.5%	-1.0%	3.5%	0.2%	4.6%	4.6%	-4.1%	4.5%	4.8%	13.5%	16.9%	43.8%	-9.7%	33.1%	23.3%	16.0%	30.1%
Alternatives - Property	-4.9%	5.5%	-1.9%	4.4%	-2.6%	-2.6%	0.5%	0.2%	0.4%	2.1%	-4.0%	-0.2%	-2.2%	-1.1%	-3.6%	36.5%	6.4%	27.1%	-3.9%	15.1%	17.6%
Alternatives - Private Equity	1.2%	3.4%	2.0%	3.9%	0.5%	1.3%	1.9%	1.1%	1.5%	0.6%	0.3%	0.6%	1.6%	6.2%	19.8%	70.6%	3.7%	37.3%	14.5%	10.6%	21.4%
Alternatives - Infrastructure	-4.9%	2.8%	-0.2%	3.1%	-0.2%	-1.6%	3.1%	-0.6%	0.3%	3.9%	-3.9%	1.5%	1.3%	4.0%	2.8%	35.6%	-2.3%	29.1%	5.1%	10.3%	11.9%
Alternatives - Commodities	-0.1%	2.7%	-0.2%	1.8%	-3.9%	-4.7%	-0.9%	-0.7%	2.1%	3.4%	-3.4%	3.8%	3.7%	4.2%	-0.6%	-1.6%	-19.4%	38.5%	-3.0%	14.2%	30.8%
Alternatives - Gold	-9.4%	-0.6%	2.9%	4.8%	-1.8%	-1.5%	0.4%	-2.8%	0.6%	5.9%	-5.8%	-0.1%	-0.4%	-2.1%	-8.0%	31.5%	-7.8%	31.1%	2.1%	19.6%	19.4%
Bonds - UK Government	-1.3%	1.8%	-1.7%	3.1%	0.3%	0.2%	0.5%	-2.0%	0.3%	1.9%	-2.6%	0.3%	-0.5%	-1.7%	0.6%	16.3%	0.6%	10.1%	0.1%	7.8%	8.7%
Bonds - UK Corporate	-1.5%	2.5%	-1.3%	2.8%	0.1%	0.6%	1.5%	-1.4%	0.8%	1.4%	-2.1%	0.6%	-0.2%	0.6%	3.9%	21.5%	0.1%	13.3%	2.9%	8.1%	8.4%
Bonds - Global Corporate	-4.9%	1.7%	-0.9%	2.0%	-1.0%	-1.8%	2.1%	-0.5%	0.3%	3.1%	-4.0%	1.0%	0.0%	1.9%	-3.2%	30.0%	2.0%	24.4%	0.1%	10.0%	8.7%
Bonds - Global Government	-6.0%	0.8%	-0.7%	1.7%	-0.8%	-2.1%	2.0%	-1.0%	0.3%	3.3%	-4.6%	0.5%	-0.9%	0.4%	-6.8%	24.8%	2.4%	21.8%	-1.6%	11.1%	9.4%
Bonds - EM	-6.4%	2.6%	-0.3%	3.3%	-0.7%	-1.6%	1.3%	-1.1%	-0.5%	4.2%	-3.8%	1.3%	1.5%	1.1%	-2.1%	43.2%	6.6%	31.5%	1.9%	11.5%	11.2%
GBPUSD	2.2%	-1.3%	1.9%	-1.6%	1.4%	3.2%	-0.5%	1.0%	1.5%	-2.2%	3.6%	-0.9%	0.5%	2.6%	8.5%	-17.0%	-5.4%	-16.3%	7.6%	9.2%	24.7%
GBPEUR	5.9%	-0.7%	-0.7%	0.5%	0.6%	0.9%	-3.5%	-0.6%	-2.1%	-2.7%	4.5%	0.6%	2.2%	-4.0%	2.3%	-10.7%	5.4%	-13.6%	-2.8%	9.7%	25.2%
GBPJPY	11.6%	0.9%	-1.8%	-1.6%	0.1%	3.3%	-1.1%	2.5%	-0.5%	-2.4%	6.0%	0.1%	3.6%	4.5%	17.6%	-16.0%	-5.0%	-18.4%	4.5%	15.3%	35.8%
Dollar Index	3.1%	0.7%	-2.6%	1.6%	-0.8%	-1.3%	-2.1%	-1.3%	-2.9%	-0.2%	0.4%	1.6%	1.8%	-4.5%	-4.0%	8.8%	9.3%	3.6%	-7.5%	7.5%	11.6%

Source: Bloomberg, Copia Capital Management.

Notes:

Returns based on total return, assuming income is re-invested immediately and rebalanced on due dates. Data as at 31 Oct 2017.

*The performance of each asset class is represented by relevant indices and expressed in GBP 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. *Maximum Return 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.*

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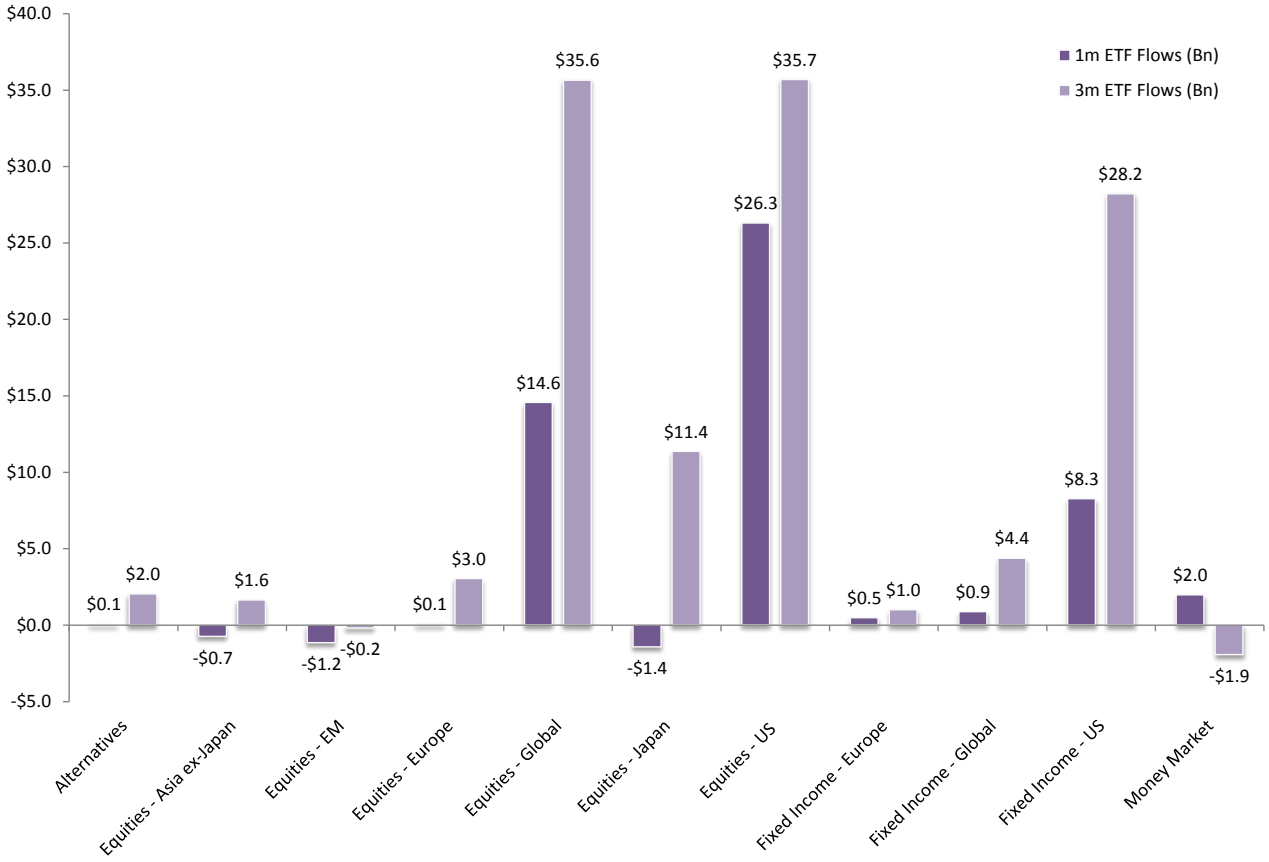
ETF flows

Net ETF Fund Flows by asset class

- Assets invested in ETFs listed globally reached a new record of $4.8 trillion.
- US and Global Equities continued to see new money flows as they touched new highs taking in $14.6 Bn and $26.3 Bn respectively in October 2017.
- October saw $8.3 Bn flows into US Fixed income ETFs despite the fact that the Fed are expected to raise interest rates in December.
- ETF flows in other asset classes remained subdued in the last month.

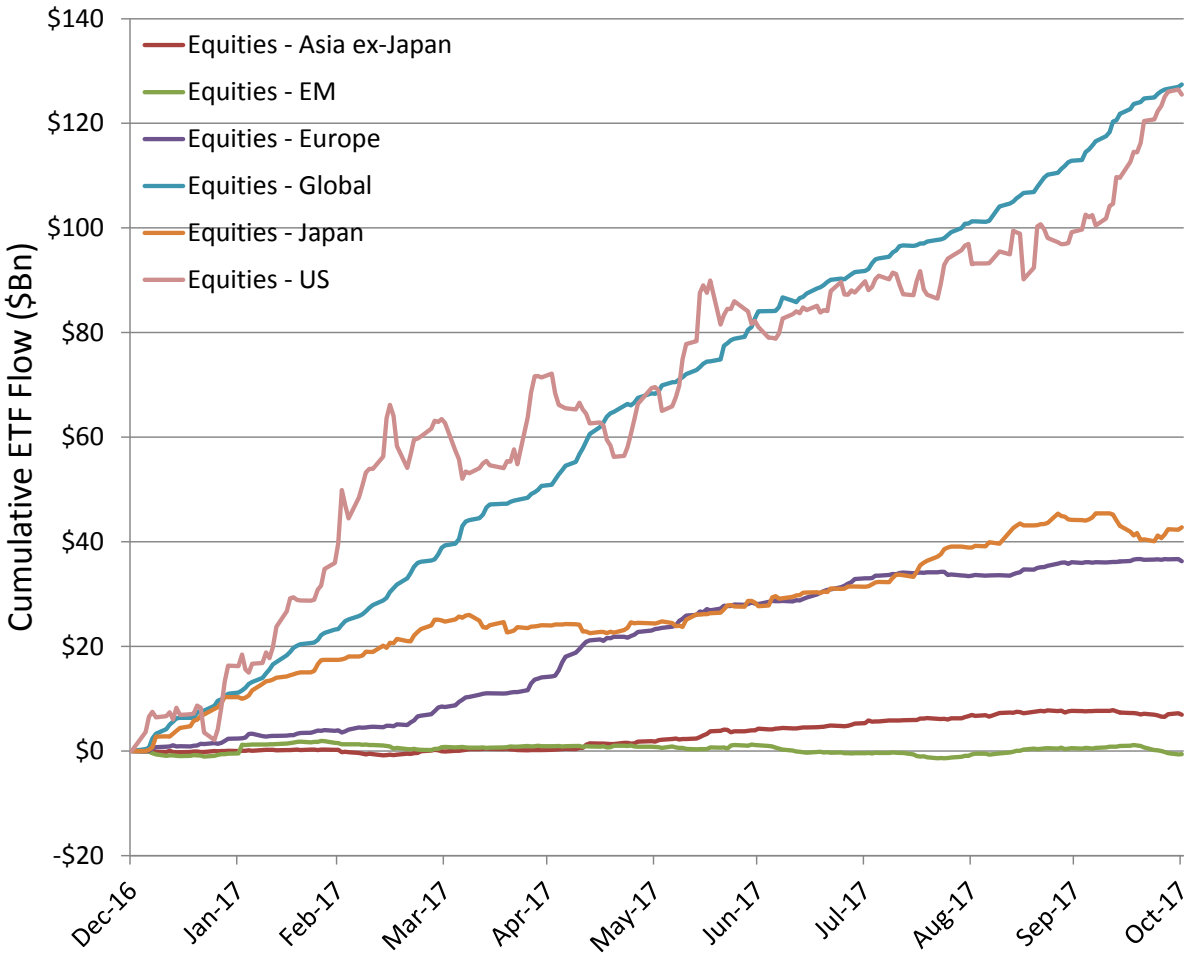


Source: Bloomberg, Copia Capital Management
As at 31 October 2017

ETF flows

Cumulative Equity ETF Fund Flows

- Cumulative ETF flows continue to be positive for almost all asset classes as US and Global Equity ETFs have gathered more than $120 Bn each YTD.
- US Equities saw a sharp jump in investment on the back of strong earnings and a possibility of a tax bill being passed in the coming months.
- Investment into Europe has picked up since the French election in April 2017 but has flat lined since.
- Japanese ETFs on the other hand saw redemptions in October possibly on the back of profit booking by investors as the Japanese markets have rallied sharply in October.



Source: Bloomberg, Copia Capital Management
As at 31 October 2017

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Copia Risk Barometer

- Based on our proprietary Prediction Algorithm the Copia Risk Barometer is now reading +0.68 as of 31-Oct-2017, slightly lower compared to +0.70 on 30-Sep-2017. This implies the global economic outlook continues to be positive.

+0.70 → +0.68

As of 30-Sep-2017 | As of 31-Oct-2017

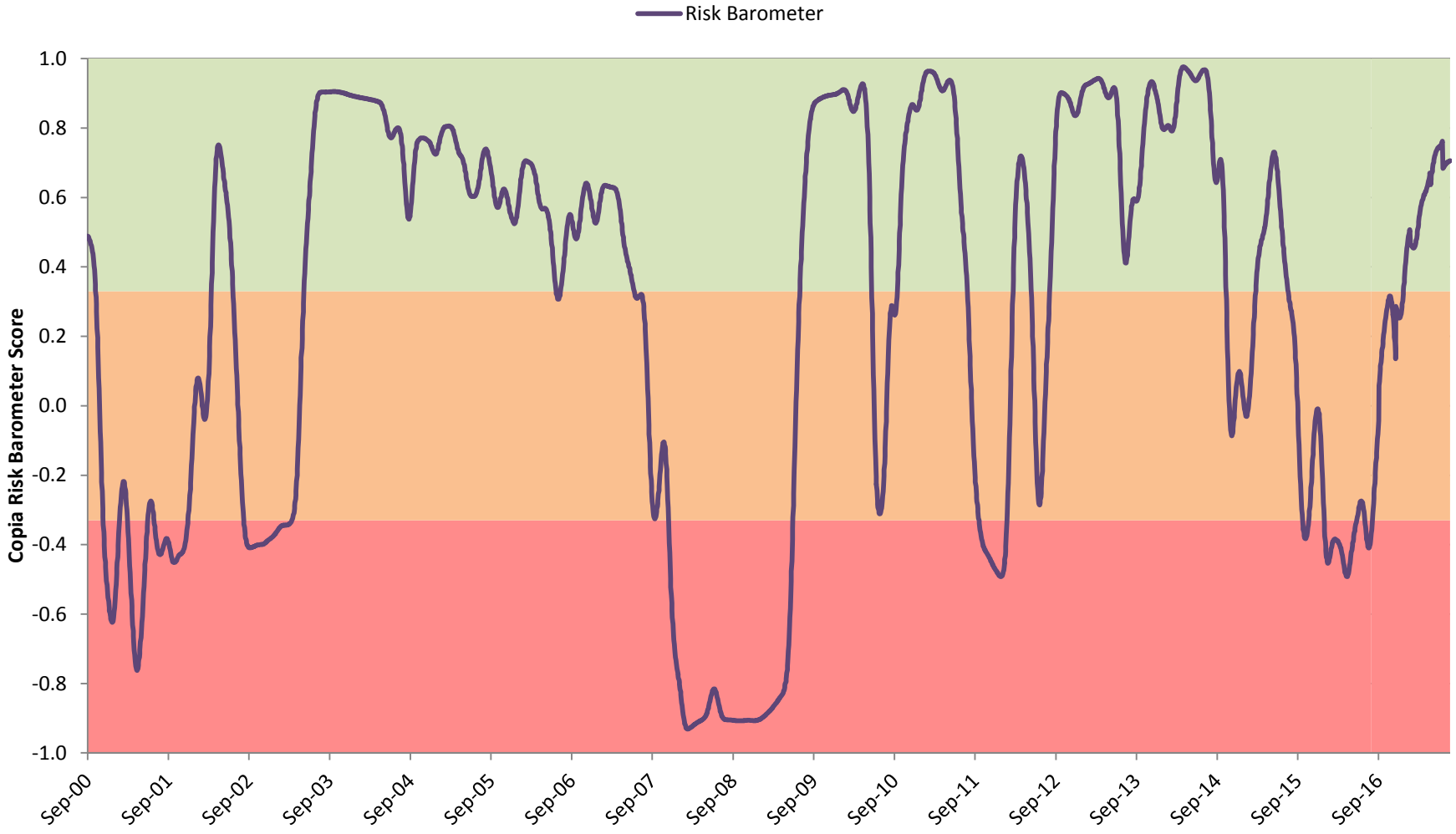
The Risk Barometer is a measure of economic outlook across asset classes.

-1.0 A score of -1.0 indicates an extremely poor economic outlook, which is accompanied by a high probability of negative returns in risky asset classes like equities. These periods are typically recessionary periods in the business cycle. The Risk Barometer tilts our portfolios away from equities during such periods.

0.0 A score of 0 indicates a neutral economic outlook with almost equal probability of positive and negative returns in risky asset classes like equities. The Risk Barometer maintains a balance between equities and other asset classes during such periods.

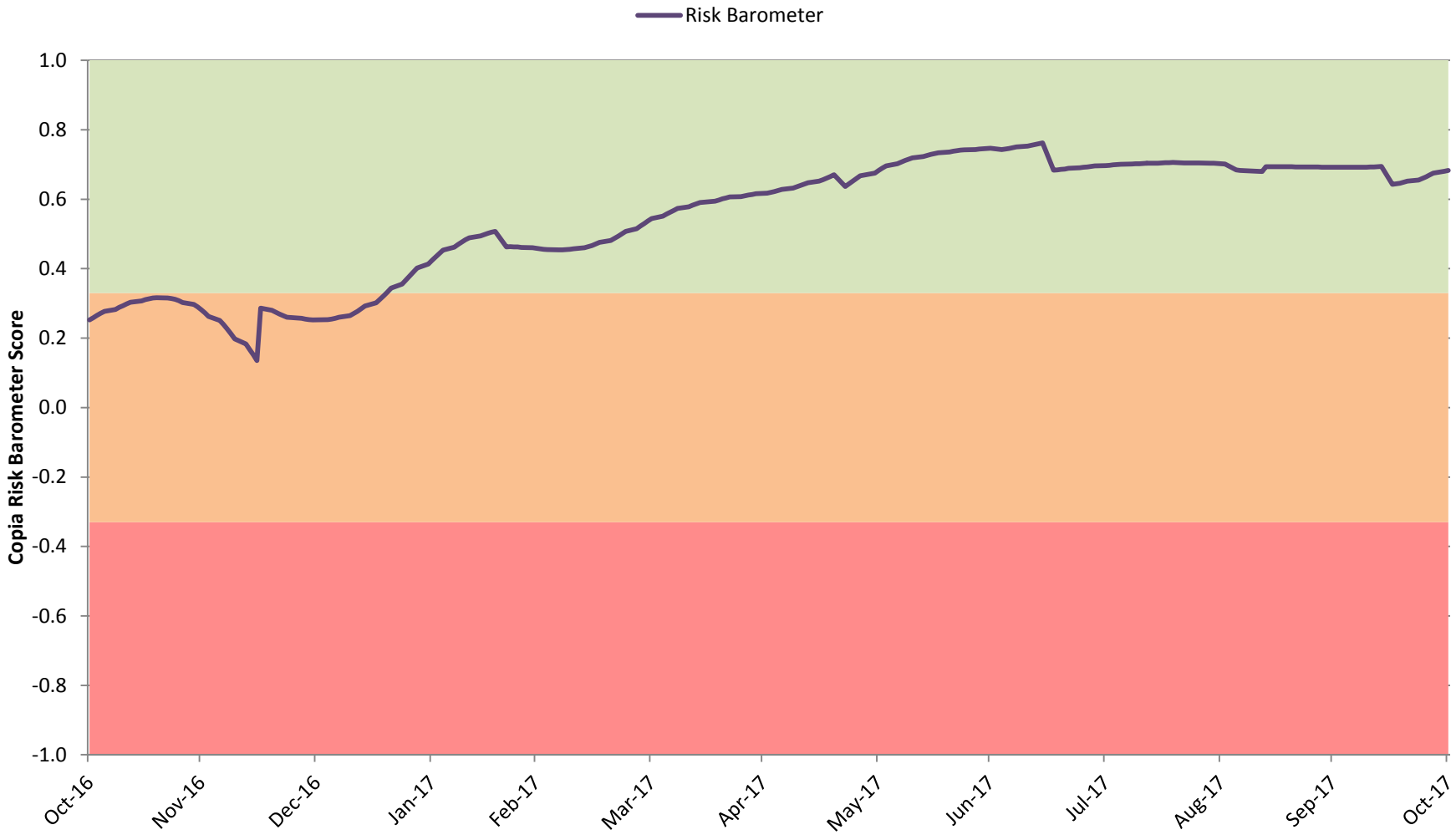
+1.0 A score of +1.0 indicates an extremely positive economic outlook, which is accompanied by a high probability of positive returns in risky asset classes like equities. These periods are typically expansionary periods in the business cycle. The Risk Barometer tilts our portfolios towards equities during such periods.

Copia Risk Barometer (Long-term)



Source: Copia Capital Management, as of 31-Oct-2017

Copia Risk Barometer (last 12m)



Source: Copia Capital Management, as of 31-Oct-2017

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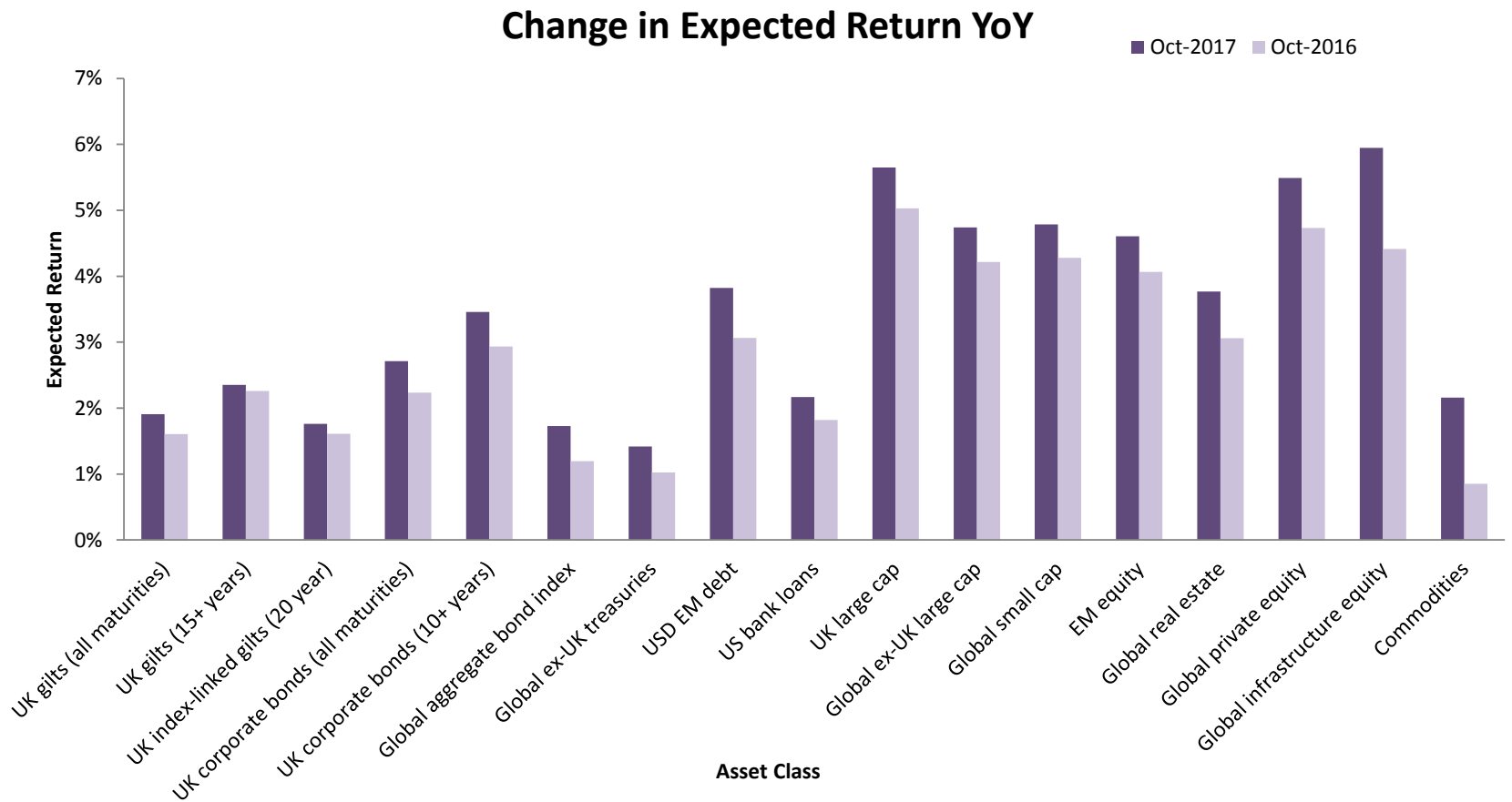
Portfolio realignments in October 2017

Copia Select range

- The Copia Select range was realigned on 16 October 2017 as per its 3 month realignment schedule.
- Capital Market Assumptions were updated to the latest expected risk, return and correlations for all asset classes.



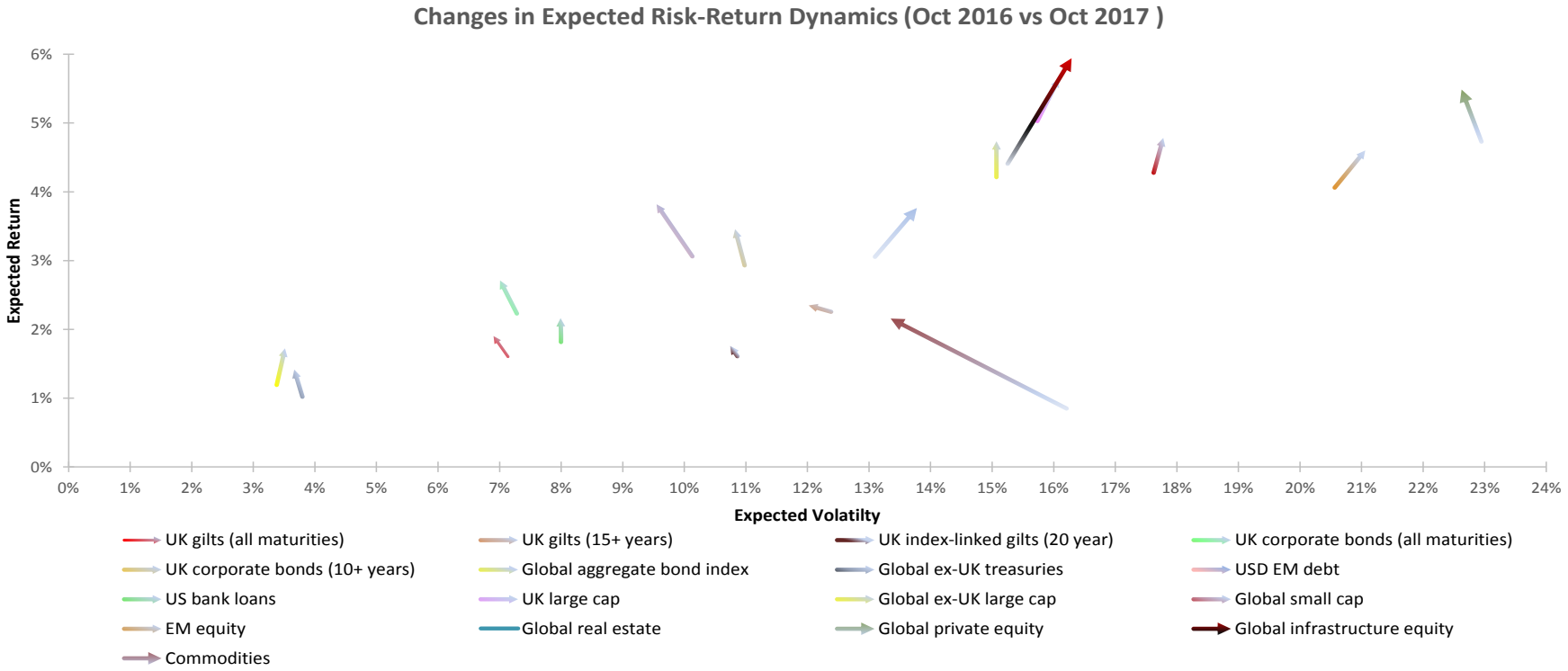
Source: BlackRock Investment Institute, Copia Capital Management

Portfolio realignments in October 2017

Copia Select range

Capital Market Assumption Changes:

- The below chart displays change in the expected risk vs. return assumptions over 12 months for all asset classes.
- Starting point for arrows represent Risk/Return in October 2016
- Ending point for arrows represent Risk/Return in October 2017
- For e.g. Expected Return for Commodities Increased from 0.9% to 2.2% while Expected Volatility dropped from 16.2% to 13.3%.



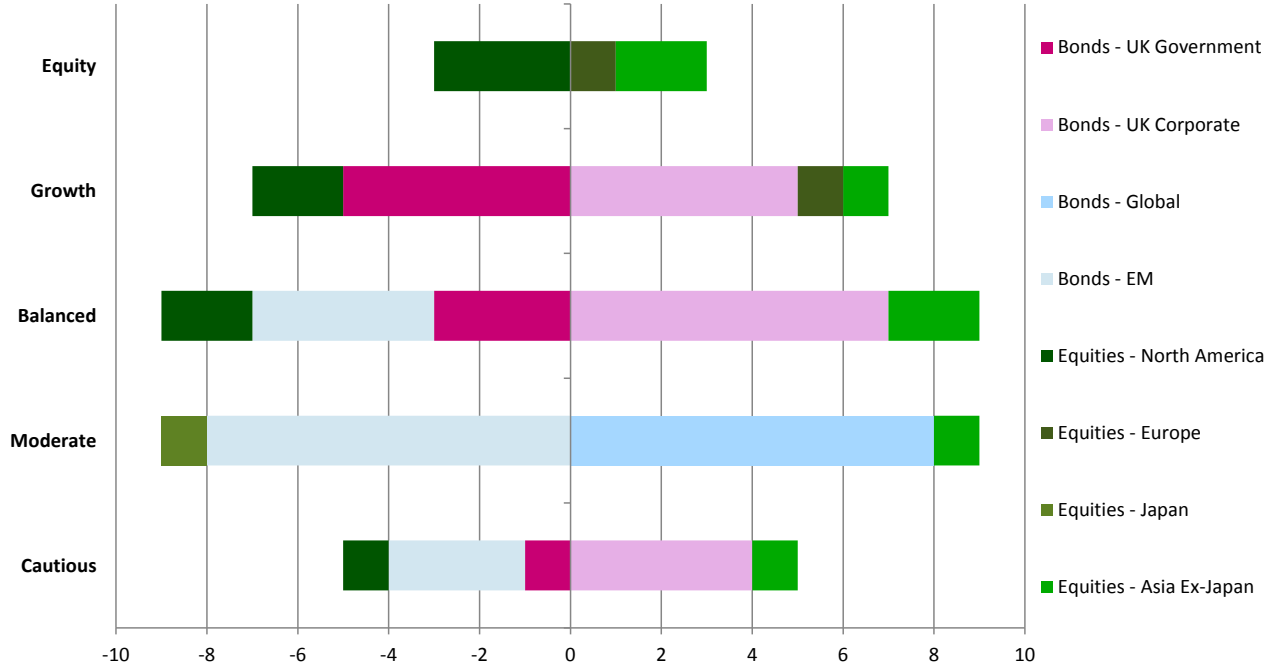
Source: BlackRock Investment Institute, Copia Capital Management

Portfolio realignments in October 2017

Copia Select range

Portfolio Allocation Changes:

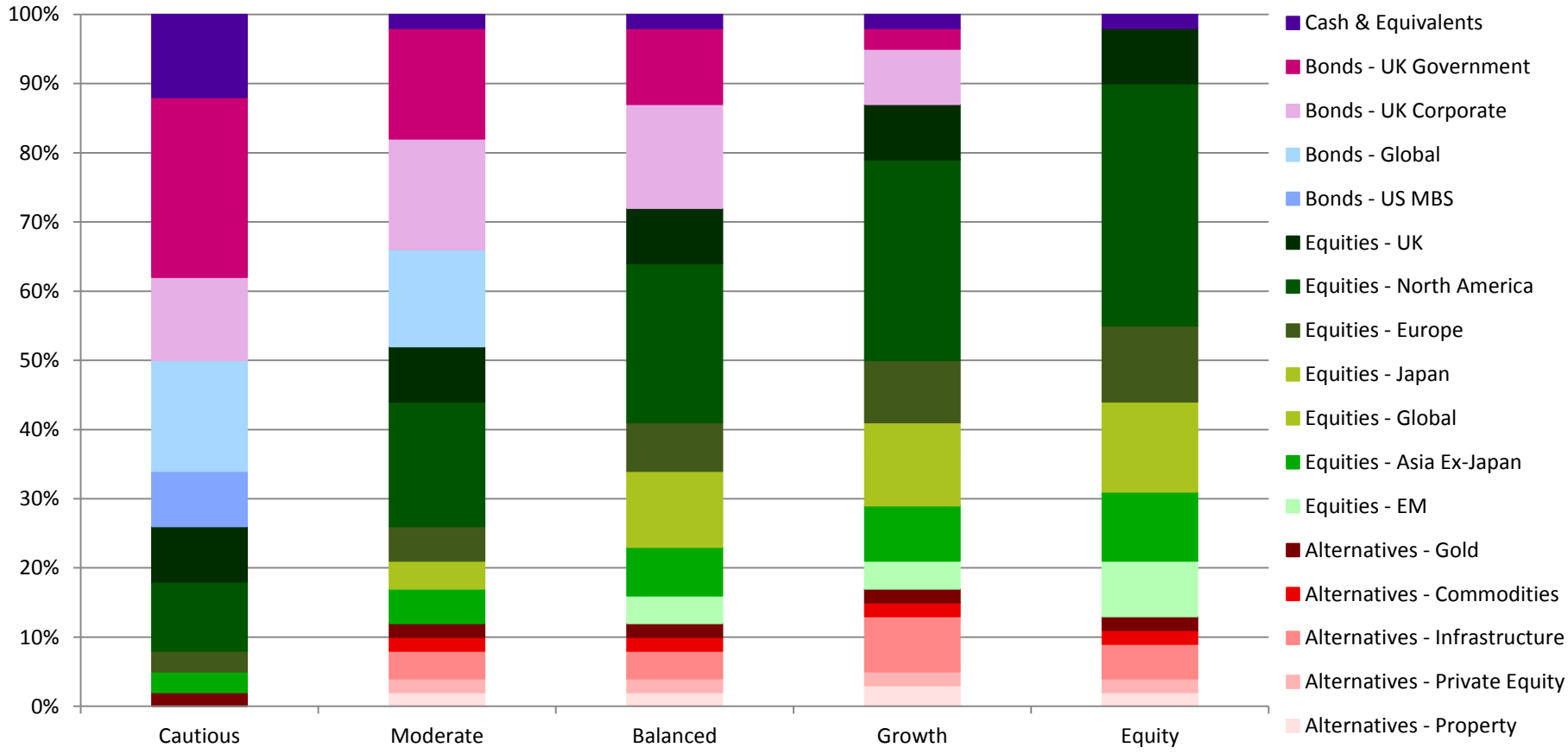
- Slight reduction in UK Government Bond exposure while increasing UK Corporate Bonds in Cautious, Balanced and Growth models. Increased exposure to Global Bonds in Moderate portfolio, while reducing exposure to EM Bonds in Cautious, Moderate and Balanced models.
- Reduction in exposure to North American Equities across all models except Moderate, while reduction of Japanese equity holdings for the Moderate portfolio.
- Slight increase in Asia Ex-Japan equity holdings across all models and slight increase in European equities in Growth and Equity models.



Portfolio realignments in October 2017

Copia Select range

Strategic Asset Allocation:



No change to allocations for the Copia Retirement Income range, Copia Volatility Focus range, the Copia Dorsey Wright Smart Beta and the Copia First Trust Smart Beta portfolio in October 2017. Please click here for a complete analysis of this realignment

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Copia Volatility Focus range

	%mm Performance												Return Characteristics							Risk Characteristics		
	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	3M	6M	12M	36M	2015	2016	YTD	Annualised Volatility 1Y	Annualised Volatility 3Y	Maximum Return Drawdown* 3Y
1	-0.1%	0.3%	-0.3%	0.6%	0.0%	0.2%	0.2%	-0.5%	0.4%	0.3%	-0.9%	0.2%	-0.4%	-0.3%	0.5%	4.8%	-0.2%	3.6%	0.2%	1.5%	2.1%	2.3%
2	-0.2%	0.3%	-0.3%	0.7%	0.0%	0.2%	0.3%	-0.4%	0.4%	0.3%	-0.9%	0.2%	-0.4%	-0.2%	0.5%	5.0%	-1.1%	4.4%	0.3%	1.5%	2.7%	3.3%
3	-1.7%	1.7%	-0.3%	0.6%	0.7%	0.2%	0.8%	-0.6%	0.8%	0.5%	-0.8%	0.7%	0.4%	1.5%	2.7%	8.3%	1.5%	2.3%	2.7%	3.2%	5.0%	7.6%
4	-2.5%	2.6%	-0.5%	1.2%	0.7%	0.0%	1.0%	-0.6%	0.8%	0.8%	-1.0%	0.8%	0.6%	1.9%	3.3%	11.7%	2.3%	3.7%	3.3%	4.5%	6.3%	10.9%
5	-3.6%	2.8%	-0.5%	1.7%	0.8%	-0.4%	1.8%	-0.7%	1.0%	1.2%	-1.1%	1.3%	1.3%	3.5%	4.2%	13.3%	3.5%	2.4%	5.1%	5.9%	7.6%	13.1%
6	-3.1%	3.1%	-0.5%	2.0%	0.9%	-0.4%	1.9%	-0.6%	1.1%	1.2%	-1.2%	1.3%	1.3%	3.6%	5.5%	14.2%	4.0%	2.3%	5.6%	5.9%	8.2%	15.1%
7	-2.6%	3.6%	-0.7%	2.2%	0.8%	-0.6%	2.0%	-0.7%	1.2%	1.3%	-1.1%	1.7%	2.0%	4.5%	7.3%	16.4%	3.6%	3.8%	6.3%	6.1%	8.6%	17.7%
8	-1.4%	3.9%	-0.8%	2.2%	0.9%	-0.8%	2.2%	-0.7%	1.3%	1.5%	-0.9%	1.8%	2.3%	5.3%	9.4%	18.3%	4.0%	4.4%	6.8%	5.8%	9.2%	18.9%
9	-1.6%	4.4%	-1.0%	2.7%	0.9%	-1.0%	2.5%	-0.6%	1.6%	1.6%	-1.4%	1.8%	2.0%	5.5%	10.0%	20.6%	4.2%	5.9%	7.1%	6.7%	9.5%	19.0%
10	-1.9%	4.3%	-1.0%	2.8%	0.9%	-1.1%	2.6%	-0.6%	1.6%	1.6%	-1.4%	1.9%	2.1%	5.7%	9.9%	20.1%	3.9%	5.6%	7.3%	6.8%	9.8%	19.5%

Source: Copia Capital Management

Notes: Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates. Data as at 31 Oct 2017

Performance table

Copia Select range

	%mm Performance												Return Characteristics							Risk Characteristics		
	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	3M	6M	12M	36M	2015	2016	YTD	Annualised Volatility 1Y	Annualised Volatility 3Y	Maximum Return Drawdown* 3Y
Cautious	-2.8%	2.4%	-0.9%	2.6%	0.1%	-0.7%	1.1%	-1.2%	0.2%	2.4%	-2.7%	1.0%	0.6%	0.8%	1.4%	#N/A	#N/A	#N/A	1.9%	6.5%	#N/A	#N/A
Moderate	-2.5%	3.0%	-0.7%	3.4%	0.1%	-1.1%	1.7%	-0.8%	0.7%	2.4%	-2.7%	1.6%	1.3%	2.9%	5.0%	#N/A	#N/A	#N/A	4.5%	7.1%	#N/A	#N/A
Balanced	-1.9%	3.3%	-0.4%	3.8%	0.2%	-1.3%	1.8%	-0.5%	0.9%	2.5%	-2.3%	2.2%	2.3%	4.5%	8.4%	#N/A	#N/A	#N/A	6.9%	7.0%	#N/A	#N/A
Growth	-1.5%	3.4%	-0.3%	4.1%	0.3%	-1.5%	1.9%	-0.3%	1.0%	2.4%	-2.2%	2.5%	2.7%	5.3%	10.0%	#N/A	#N/A	#N/A	8.0%	7.2%	#N/A	#N/A
Equity	-1.3%	3.5%	0.1%	4.2%	0.4%	-1.6%	2.0%	0.0%	1.1%	2.4%	-2.0%	3.0%	3.4%	6.6%	12.1%	#N/A	#N/A	#N/A	9.8%	7.1%	#N/A	#N/A

Source: Copia Capital Management

Copia Smart Beta range

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Return Characteristics 3M	6M	12M	36M	2015	2016	YTD	Risk Characteristics Annualised Volatility 1Y	Annualised Volatility 3Y	Maximum Return Drawdown* 3Y
Copia First Trust	0.6%	2.3%	0.0%	3.3%	1.8%	-1.9%	3.1%	-0.3%	2.5%	3.2%	-1.3%	2.5%	4.3%	10.0%	16.7%	#N/A	#N/A	#N/A	13.5%	6.3%	#N/A	#N/A
Copia Dorsey Wright	-4.4%	2.7%	2.5%	3.2%	1.7%	-2.2%	3.3%	0.3%	2.3%	3.0%	-1.9%	1.9%	3.0%	9.1%	12.7%	#N/A	#N/A	#N/A	14.8%	8.8%	#N/A	#N/A

Source: Copia Capital Management

Notes: Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates. Data as at 31 Oct 2017

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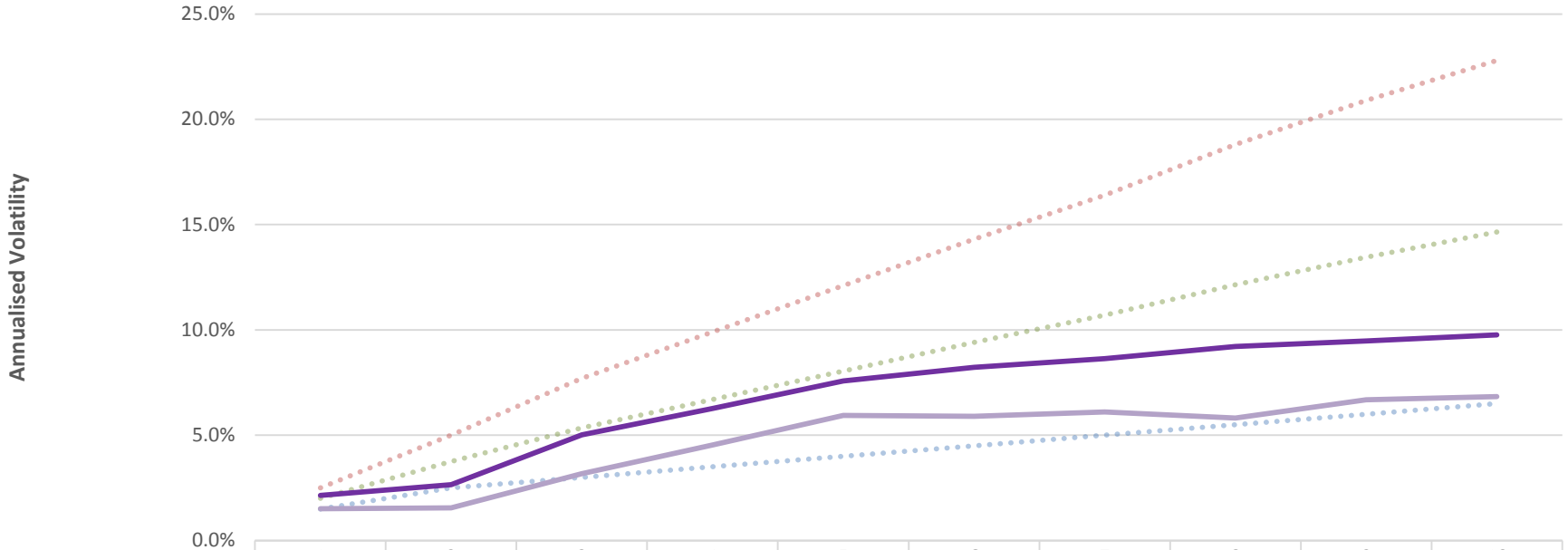
Volatility Focus: outcome chart

Outcome analysis as at 31 October 2017



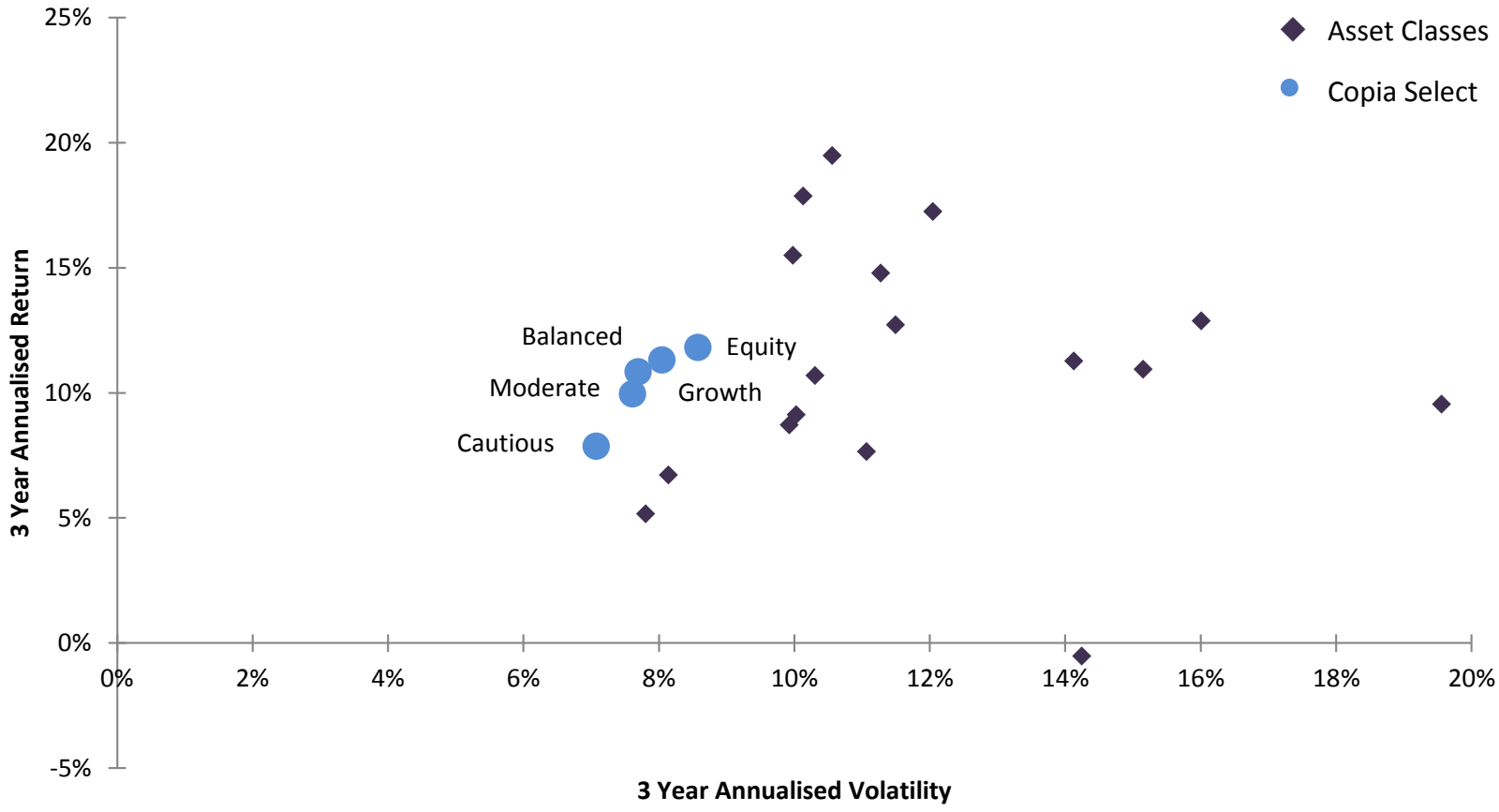
	1	2	3	4	5	6	7	8	9	10
Lower Limit	1.5%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
Higher Limit	2.5%	5.0%	7.7%	9.9%	12.1%	14.3%	16.4%	18.8%	20.9%	22.8%
Expected Level	2.0%	3.8%	5.4%	6.7%	8.1%	9.4%	10.7%	12.2%	13.5%	14.7%
Actual - 36 Month	2.1%	2.7%	5.0%	6.3%	7.6%	8.2%	8.6%	9.2%	9.5%	9.8%
Actual - 12 month	1.5%	1.5%	3.2%	4.5%	5.9%	5.9%	6.1%	5.8%	6.7%	6.8%

Copia Volatility Focus Portfolios

For illustration only. Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates.

Select: outcome chart

Outcome analysis as at 31 October 2017



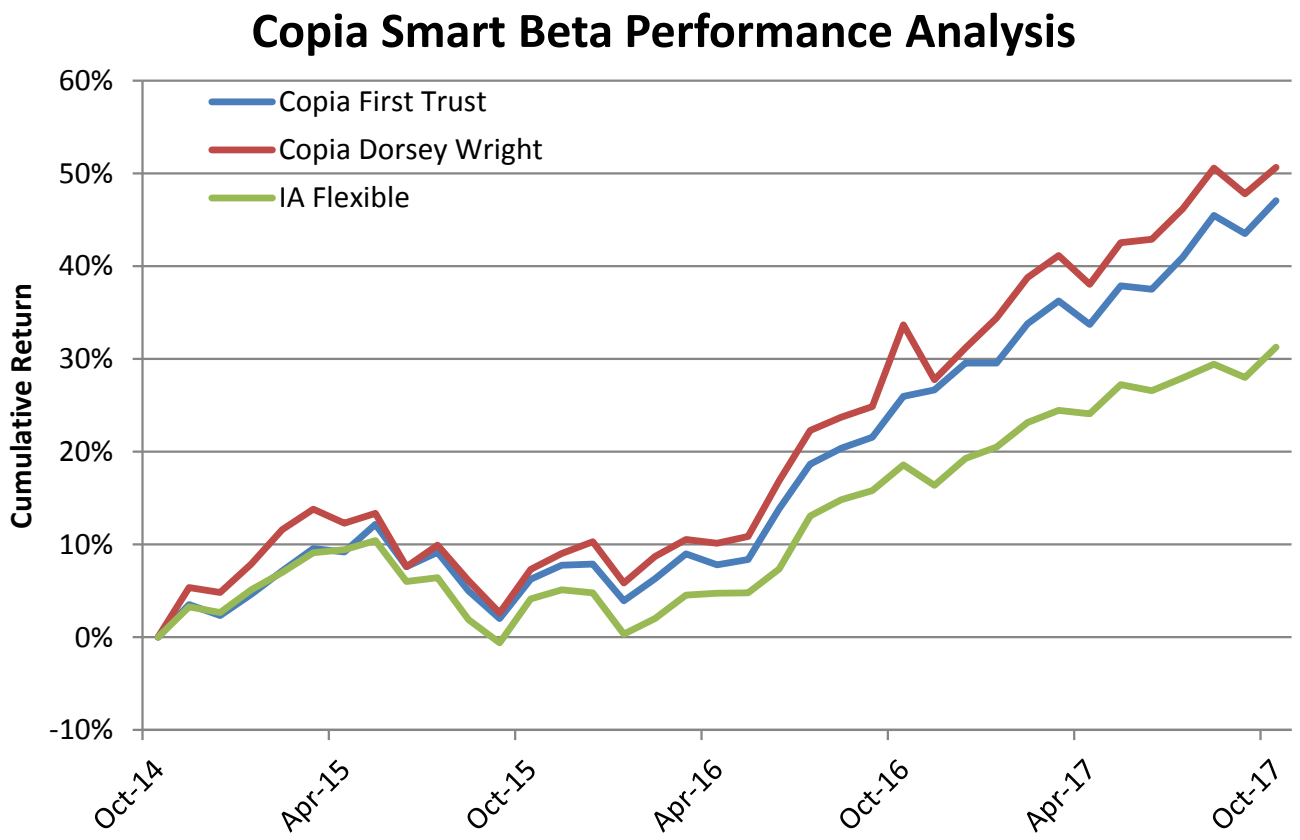
For illustration only

Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates.

Performance includes simulated performance from 31-Oct-2014 to launch date (31-Oct-2016). Live data is used from 1-Nov-2016 to Present

Smart Beta: outcome chart

Outcome analysis as at 31 October 2017



For illustration only

Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates.

Performance includes simulated performance from 31-Oct-2014 to launch date (13-Mar-2016). Live data is used from 14-Mar-2016 to Present

Copia Capital Management

The art of portfolio construction

Disclaimer

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.

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