



Copia Capital Management

The art of portfolio construction



Monthly Portfolio Update

For professional investors only

September 2017



Market performance

ETF Flows

Risk barometer

Portfolio re-alignments

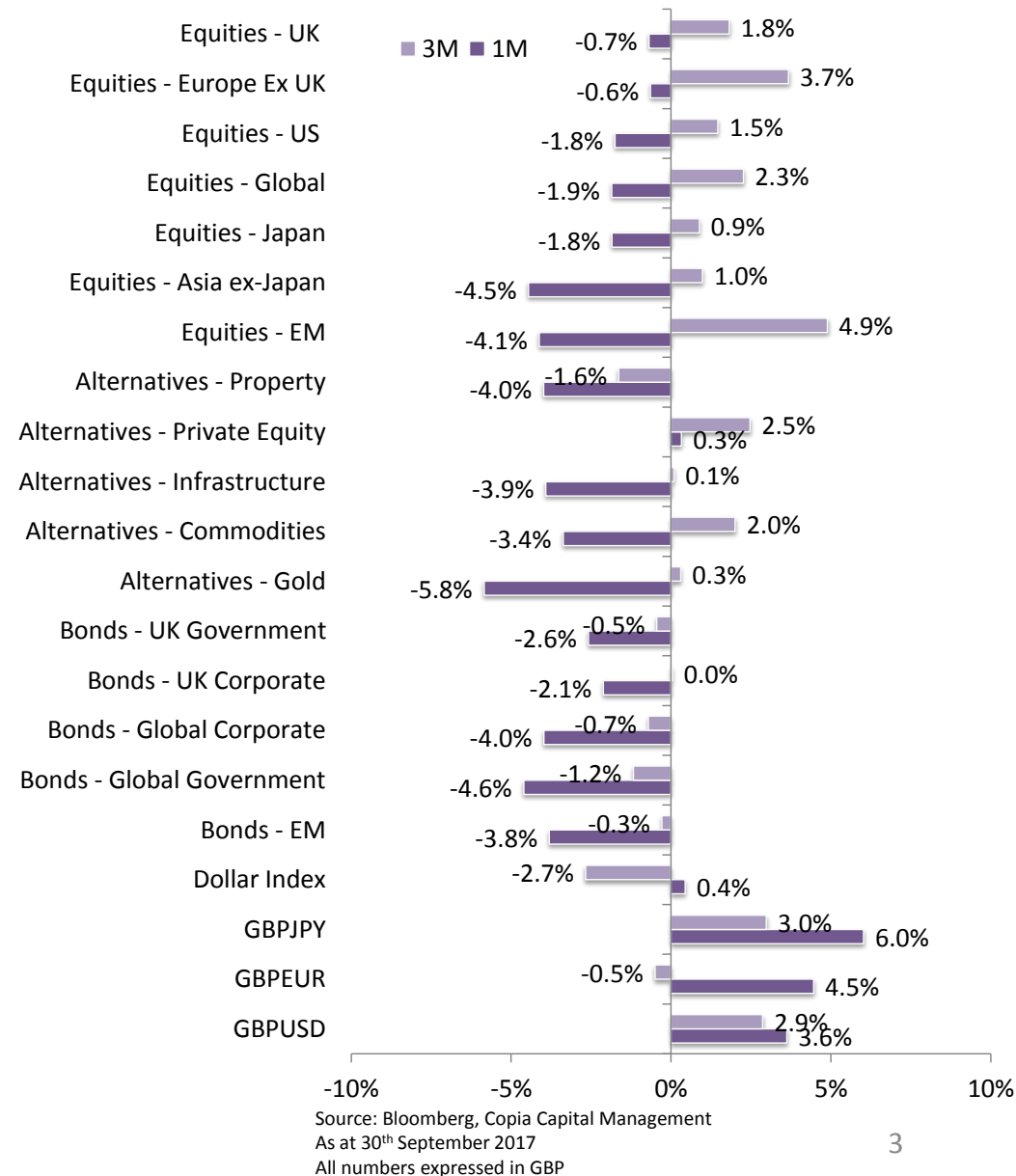
Portfolio performance

Outcome charts

Market performance

- ◆ The month of September saw a rally in Pound Sterling (GBP) on the back of imminent rate hike comments from the Bank of England (BOE). Increased rate hike expectations also pushed up UK bond yields and drop in bond prices.
- ◆ USD/GBP touched \$1.35 a level seen last in June 2016 after the Brexit referendum vote. Rally in GBP had a detrimental effect on non-UK centric assets held by GBP investors.
- ◆ US Equity markets made another life time high with S&P 500 trading above 2,500 in September as markets rallied on strong global economic data.
- ◆ On a quarterly basis, Emerging Market and European equities are leading the pack in returns as economic recovery holds strong in both these markets.

Market performance



Asset class overview: performance table

	%mm Performance												Return Characteristics						Risk Characteristics				
	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	3M	6M	12M	36M	2015	2016	YTD	Annualised Volatility 1Y	Annualised Volatility 3Y	Maximum Return Drawdown* 1Y	Maximum Return Drawdown* 3Y
Equities - UK	1.0%	-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%	11.2%	25.0%	-1.4%	19.2%	6.6%	8.8%	10.0%	5.5%	20.0%
Equities - Europe Ex UK	3.6%	-5.3%	7.1%	0.4%	2.2%	4.3%	1.1%	5.4%	-1.5%	1.9%	2.4%	-0.6%	3.7%	8.8%	22.3%	47.0%	5.9%	19.6%	16.4%	11.5%	11.4%	8.4%	18.6%
Equities - US	4.1%	1.5%	3.2%	0.1%	5.3%	-0.9%	-2.2%	1.9%	-0.3%	0.6%	2.6%	-1.8%	1.5%	0.8%	14.8%	64.7%	7.2%	33.6%	5.3%	8.1%	10.2%	6.6%	16.4%
Equities - Global	4.3%	-1.4%	3.5%	0.9%	4.1%	0.3%	-1.6%	2.8%	-0.4%	1.4%	2.7%	-1.9%	2.3%	3.0%	15.5%	52.7%	3.8%	29.5%	8.5%	7.8%	9.9%	5.1%	17.5%
Equities - Japan	7.7%	-4.8%	2.4%	1.5%	2.7%	-1.0%	-2.2%	3.3%	0.2%	0.7%	2.1%	-1.8%	0.9%	2.2%	10.8%	52.6%	14.7%	23.7%	5.4%	11.1%	11.8%	9.1%	19.7%
Equities - Asia ex-Japan	3.8%	-2.1%	0.7%	3.8%	4.5%	1.7%	-2.7%	-0.3%	1.2%	2.9%	2.8%	-4.5%	1.0%	-0.9%	12.0%	43.0%	-2.1%	30.1%	9.3%	9.9%	14.4%	6.2%	25.4%
Equities - EM	6.3%	-6.7%	1.6%	3.6%	4.3%	1.5%	-1.0%	3.5%	0.2%	4.6%	4.6%	-4.1%	4.9%	7.6%	19.0%	41.2%	-9.7%	33.1%	18.0%	13.4%	15.9%	10.8%	30.1%
Alternatives - Property	-0.5%	-4.9%	5.5%	-1.9%	4.4%	-2.6%	-2.6%	0.5%	0.2%	0.4%	2.1%	-4.0%	-1.6%	-3.5%	-3.9%	49.2%	6.4%	27.1%	-3.7%	11.0%	15.8%	9.1%	17.6%
Alternatives - Private Equity	4.6%	1.2%	3.4%	2.0%	3.9%	0.5%	1.3%	1.9%	1.1%	1.5%	0.6%	0.3%	2.5%	6.9%	24.5%	73.4%	3.7%	37.3%	13.8%	4.8%	10.6%	5.2%	21.4%
Alternatives - Infrastructure	3.5%	-4.9%	2.8%	-0.2%	3.1%	-0.2%	-1.6%	3.1%	-0.6%	0.3%	3.9%	-3.9%	0.1%	0.9%	4.8%	37.6%	-2.3%	29.1%	3.6%	10.1%	10.4%	6.8%	11.9%
Alternatives - Commodities	6.0%	-0.1%	2.7%	-0.2%	1.8%	-3.9%	-4.7%	-0.9%	-0.7%	2.1%	3.4%	-3.4%	2.0%	-4.4%	1.5%	-4.9%	-19.4%	38.5%	-6.6%	11.0%	14.1%	12.8%	30.8%
Alternatives - Gold	2.0%	-9.4%	-0.6%	2.9%	4.8%	-1.8%	-1.5%	0.4%	-2.8%	0.6%	5.9%	-5.8%	0.3%	-3.5%	-6.1%	27.7%	-7.8%	31.1%	2.2%	14.9%	19.7%	14.6%	19.4%
Bonds - UK Government	-3.9%	-1.3%	1.8%	-1.7%	3.1%	0.3%	0.2%	0.5%	-2.0%	0.3%	1.9%	-2.6%	-0.5%	-1.7%	-3.6%	17.5%	0.6%	10.1%	-0.1%	7.1%	7.8%	7.0%	8.7%
Bonds - UK Corporate	-4.0%	-1.5%	2.5%	-1.3%	2.8%	0.1%	0.6%	1.5%	-1.4%	0.8%	1.4%	-2.1%	0.0%	0.7%	-0.8%	22.2%	0.1%	13.3%	2.4%	7.1%	8.1%	6.6%	8.4%
Bonds - Global Corporate	4.1%	-4.9%	1.7%	-0.9%	2.0%	-1.0%	-1.8%	2.1%	-0.5%	0.3%	3.1%	-4.0%	-0.7%	-0.9%	-0.2%	31.0%	2.0%	24.4%	-0.9%	9.6%	10.0%	7.6%	8.7%
Bonds - Global Government	3.1%	-6.0%	0.8%	-0.7%	1.7%	-0.8%	-2.1%	2.0%	-1.0%	0.3%	3.3%	-4.6%	-1.2%	-2.2%	-4.4%	25.9%	2.4%	21.8%	-2.1%	10.0%	11.1%	9.4%	9.4%
Bonds - EM	4.6%	-6.4%	2.6%	-0.3%	3.3%	-0.7%	-1.6%	1.3%	-1.1%	-0.5%	4.2%	-3.8%	-0.3%	-1.7%	1.1%	46.1%	6.6%	31.5%	0.6%	11.3%	11.6%	9.5%	11.2%
GBPUSD	-5.6%	2.2%	-1.3%	1.9%	-1.6%	1.4%	3.2%	-0.5%	1.0%	1.5%	-2.2%	3.6%	2.9%	6.8%	3.3%	-17.4%	-5.4%	-16.3%	8.6%	9.1%	9.2%	7.1%	25.8%
GBPEUR	-3.4%	5.9%	-0.7%	-0.7%	0.5%	0.6%	0.9%	-3.5%	-0.6%	-2.1%	-2.7%	4.5%	-0.5%	-3.7%	-1.7%	-11.6%	5.4%	-13.6%	-3.3%	10.1%	9.7%	9.8%	25.2%
GBPJPY	-2.4%	11.6%	0.9%	-1.8%	-1.6%	0.1%	3.3%	-1.1%	2.5%	-0.5%	-2.4%	6.0%	3.0%	7.8%	14.6%	-15.2%	-5.0%	-18.4%	4.3%	14.4%	15.3%	7.4%	35.8%
Dollar Index	3.1%	3.1%	0.7%	-2.6%	1.6%	-0.8%	-1.3%	-2.1%	-1.3%	-2.9%	-0.2%	0.4%	-2.7%	-7.2%	-2.5%	8.3%	9.3%	3.6%	-8.9%	7.1%	7.4%	11.6%	11.6%

Source: Bloomberg, Copia Capital Management.

Notes:

Returns based on Total return, assuming income is re-invested immediately and realigned on due dates. Data as at 30 Sep 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.



Market performance

ETF Flows

Risk barometer

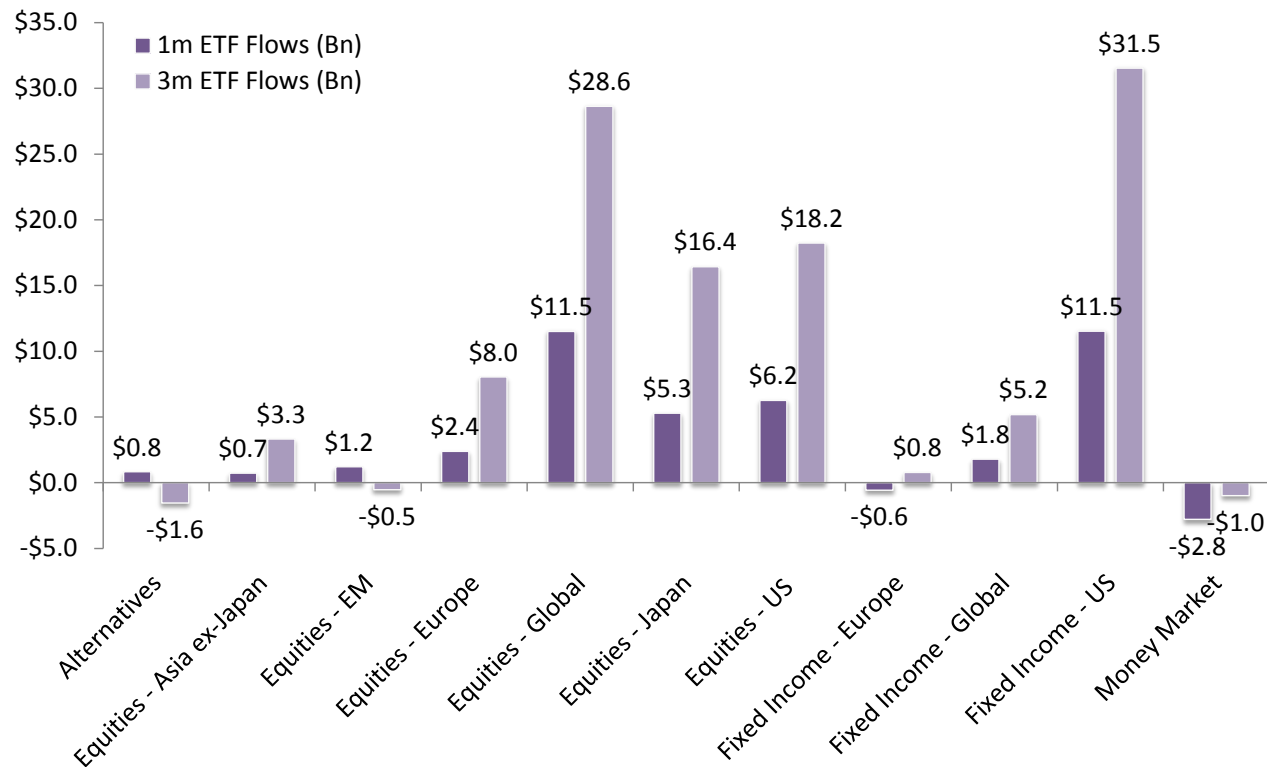
Portfolio re-alignments

Portfolio performance

Outcome charts

Net ETF Fund Flows by asset class

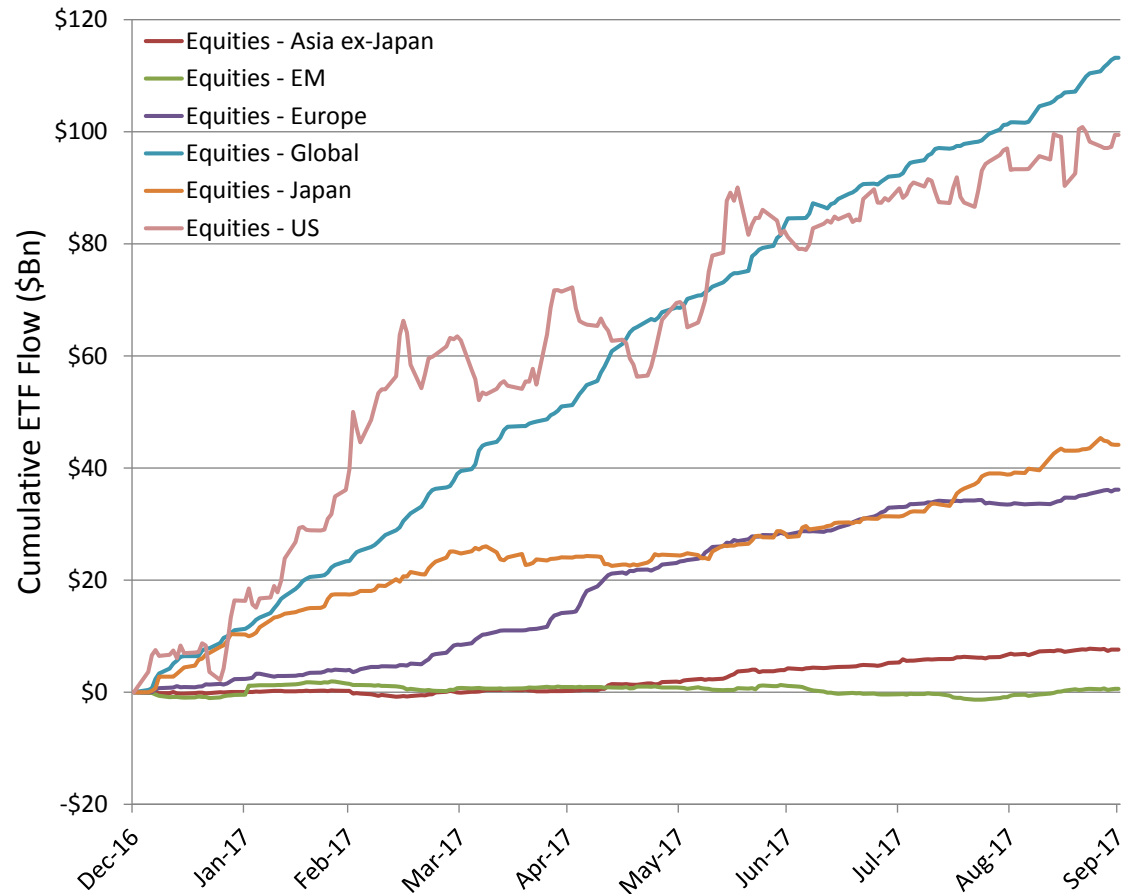
- Despite the spectre of the US Fed hiking rates, the month of September saw fund flows of \$11.5 Bn into US Fixed Income ETFs.
- Similar flows of \$11.5 Bn were seen going into Global Equity ETFs implying that within equities, investors prefer to hold a global equity portfolio compared to single country/geography ETFs.
- Over the last 3 months, flows into US and Japanese equities have been relatively stronger compared to Europe and Emerging Markets.
- Money Market funds saw outflows indicating investors' have increased their appetite for risk as they move away from cash into investments.



Source: Bloomberg, Copia Capital Management
As at 30th September 2017

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 \$100 Bn each YTD.
- ◆ Investment into Europe has picked up since the French election in April 2017 but growth has slowed slightly in September.
- ◆ Japanese ETFs on the other hand have gathered much over the last few months as the BOJ is set to continue its loose monetary policy for longer until the revival of inflation.
- ◆ Overall investors prefer to take equity risk exposure through Global Equity ETF as the cumulative flows grow at a steady pace.



Source: Bloomberg, Copia Capital Management
As at 30th September 2017



Market performance

ETF Flows

Risk barometer

Portfolio re-alignments

Portfolio performance

Outcome charts

Copia Risk Barometer

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



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.

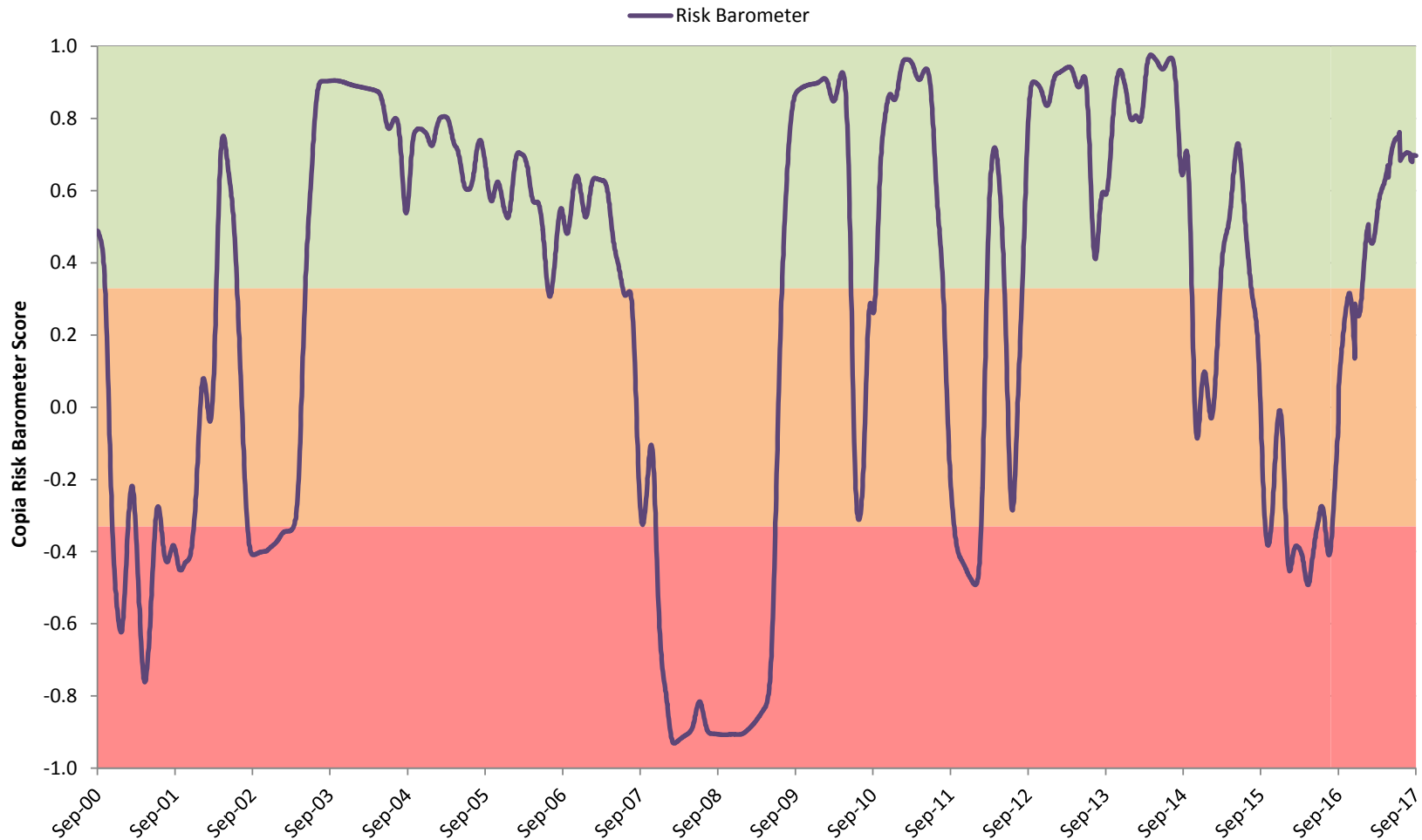
0.0

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

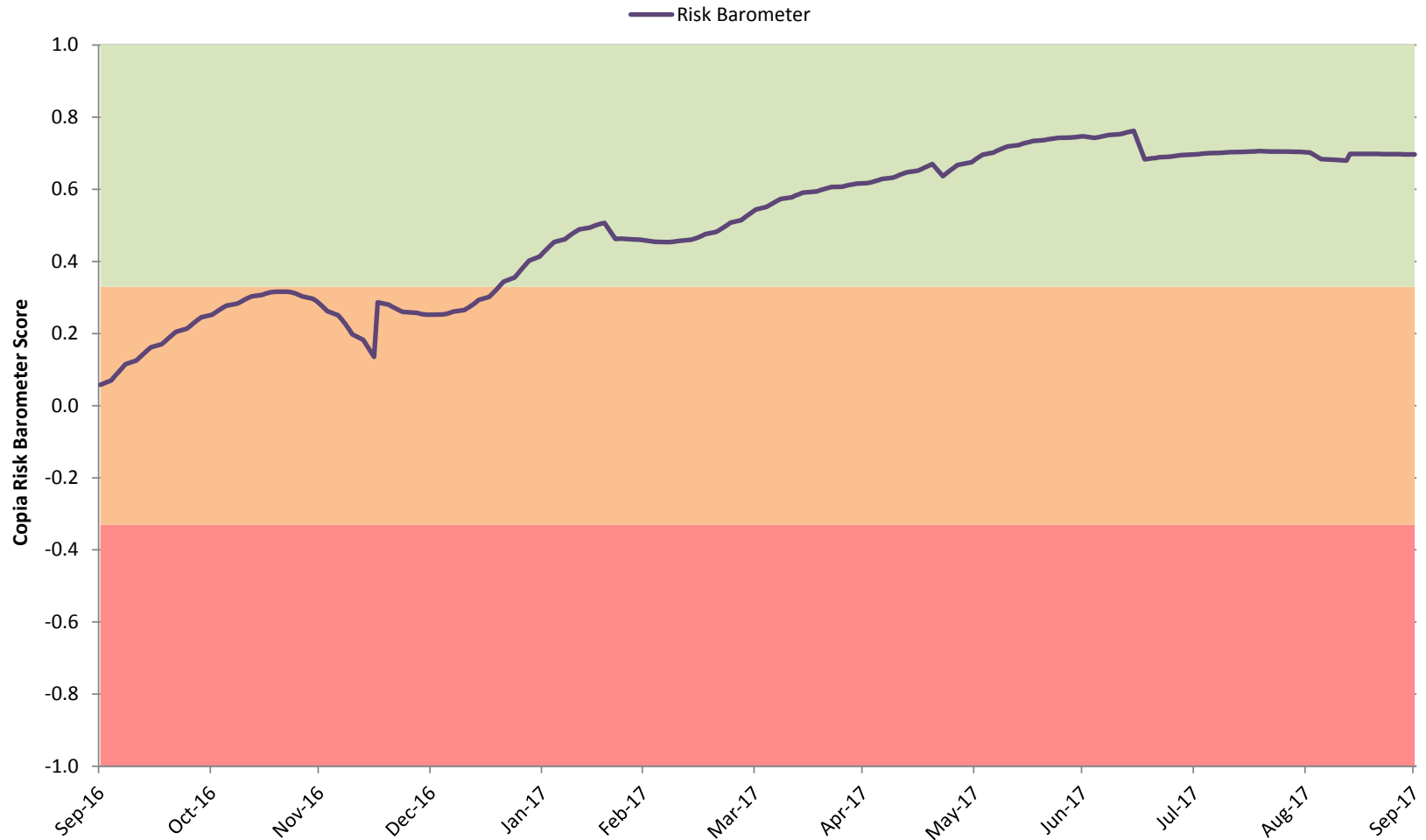
A score of +1.0 indicates an extremely positive economic outlook, which is accompanied by a high probability of positive returns in risky asset classes like equities. These periods are typically expansionary periods in the business cycle. The Risk Barometer tilts our portfolios towards equities during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

Copia Risk Barometer (Long-term)



Source: Copia Capital Management, as of 30-Sep-2017

Copia Risk Barometer (last 12m)



Source: Copia Capital Management, as of 30-Sep-2017

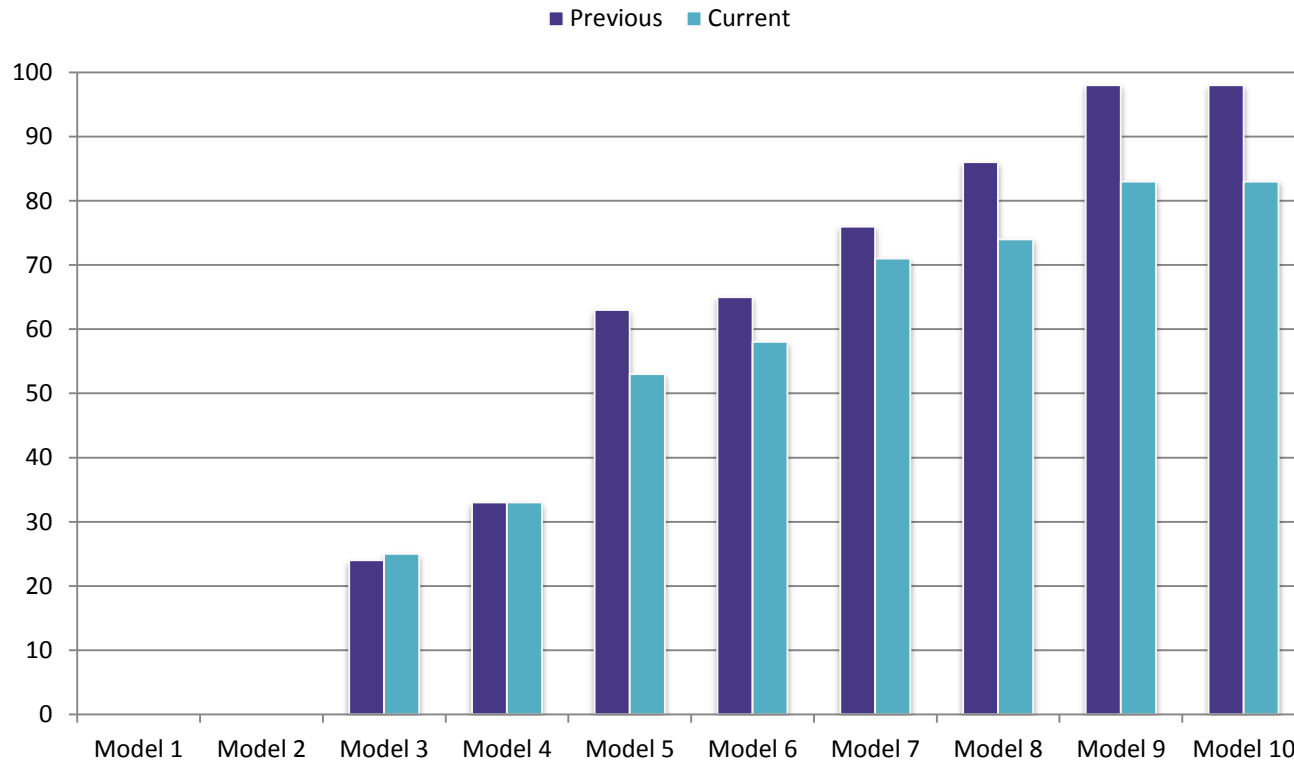


Market performance
ETF Flows
Risk barometer
Portfolio re-alignments
Portfolio performance
Outcome charts

Portfolio realignments in September 2017

Copia Volatility Focus range

- The Copia Volatility Focus range was realigned on 12 September 2017 as per its 2 month realignment schedule.
- The Copia Risk Barometer score has come down slightly from +0.75 in previous realignment (3 July 2017) to +0.68, but still remaining in the green zone indicating a positive global economic outlook.
- All models in the Volatility Focus range now have slightly reduced exposure to higher risk-return assets (equities).



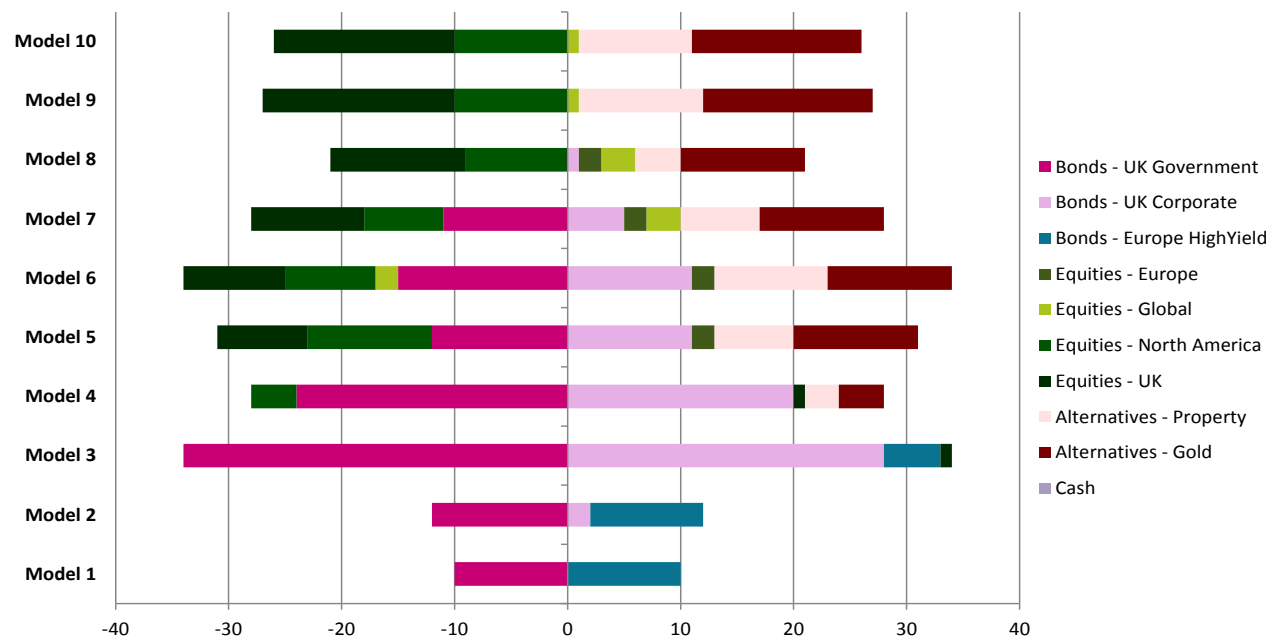
Portfolio realignments in September 2017

Copia Volatility Focus range

Asset class changes:

- ◊ Reduction in UK Government Bond exposure in Models 1 to 7 while increasing exposure to UK Corporate and European High yield bonds.
- ◊ Reduction in exposure to North American and UK equity holdings in models 4 to 10 while increasing exposure to alternative asset classes like Property and Gold.
- ◊ Slight adjustments to European and Global equity allocations across models 5 to 10.

[Please click here for a complete analysis of this realignment](#)



No change to allocations for the Copia Retirement Income range, Copia Select range, the Copia Dorsey Wright Smart Beta and the Copia First Trust Smart Beta portfolio in September 2017



Market performance
ETF Flows
Risk barometer
Portfolio re-alignments
Portfolio performance
Outcome charts

Copia Volatility Focus range

	%mm Performance												Return Characteristics							Risk Characteristics				
	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	3M	6M	12M	36M	2015	2016	YTD	Since Inception (28 Oct 13)	Annualised Volatility 1Y	Annualised Volatility 3Y	Maximum Return Drawdown* 1Y	Maximum Return Drawdown* 3Y
Model 1	-1.3%	-0.1%	0.3%	-0.3%	0.6%	0.0%	0.2%	0.2%	-0.5%	0.4%	0.3%	-0.9%	-0.3%	-0.3%	-1.1%	5.2%	-0.2%	3.6%	0.0%	6.3%	2.0%	2.2%	1.9%	2.3%
Model 2	-1.5%	-0.2%	0.3%	-0.3%	0.7%	0.0%	0.2%	0.3%	-0.4%	0.4%	0.3%	-0.9%	-0.2%	-0.2%	-1.3%	5.4%	-1.1%	4.4%	0.1%	5.7%	2.2%	2.7%	2.4%	3.3%
Model 3	-1.7%	-1.7%	1.7%	-0.3%	0.6%	0.7%	0.2%	0.8%	-0.6%	0.8%	0.5%	-0.8%	0.5%	1.0%	0.2%	9.1%	1.5%	2.3%	2.0%	12.3%	3.6%	5.1%	4.1%	7.6%
Model 4	-1.0%	-2.5%	2.6%	-0.5%	1.2%	0.7%	0.0%	1.0%	-0.6%	0.8%	0.8%	-1.0%	0.6%	1.0%	1.4%	12.5%	2.3%	3.7%	2.4%	16.4%	4.7%	6.3%	4.6%	10.9%
Model 5	-0.2%	-3.6%	2.8%	-0.5%	1.7%	0.8%	-0.4%	1.8%	-0.7%	1.0%	1.2%	-1.1%	1.1%	1.7%	2.7%	13.6%	3.5%	2.4%	3.8%	17.0%	5.9%	7.6%	5.2%	13.1%
Model 6	-0.2%	-3.1%	3.1%	-0.5%	2.0%	0.9%	-0.4%	1.9%	-0.6%	1.1%	1.2%	-1.2%	1.0%	1.8%	3.9%	14.5%	4.0%	2.3%	4.2%	17.5%	5.8%	8.2%	4.7%	15.1%
Model 7	-0.1%	-2.6%	3.6%	-0.7%	2.2%	0.8%	-0.6%	2.0%	-0.7%	1.2%	1.3%	-1.1%	1.4%	2.1%	5.3%	16.2%	3.6%	3.8%	4.5%	19.6%	6.0%	8.6%	4.5%	17.7%
Model 8	-0.7%	-1.4%	3.9%	-0.8%	2.2%	0.9%	-0.8%	2.2%	-0.7%	1.3%	1.5%	-0.9%	1.8%	2.5%	6.7%	17.8%	4.0%	4.4%	4.8%	20.6%	5.9%	9.2%	3.5%	18.9%
Model 9	0.0%	-1.6%	4.4%	-1.0%	2.7%	0.9%	-1.0%	2.5%	-0.6%	1.6%	1.6%	-1.4%	1.7%	2.6%	8.0%	20.1%	4.2%	5.9%	5.2%	23.2%	6.6%	9.5%	4.0%	19.0%
Model 10	-0.1%	-1.9%	4.3%	-1.0%	2.8%	0.9%	-1.1%	2.6%	-0.6%	1.6%	1.6%	-1.4%	1.8%	2.6%	7.7%	19.5%	3.9%	5.6%	5.3%	22.7%	6.8%	9.7%	4.2%	19.5%

Source: Copia Capital Management

Copia Smart Beta range

	%mm Performance												Return Characteristics							Risk Characteristics				
	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	3M	6M	12M	36M	2015	2016	YTD	Since Inception (14 Mar 16)	Annualised Volatility 1Y	Annualised Volatility 3Y	Maximum Return Drawdown* 1Y	Maximum Return Drawdown* 3Y
Copia First Trust	3.6%	0.6%	2.3%	0.0%	3.3%	1.8%	-1.9%	3.1%	-0.3%	2.5%	3.2%	-1.3%	4.4%	5.3%	18.1%	#N/A	#N/A	#N/A	10.8%	33.6%	6.6%	#N/A	5.1%	#N/A
Copia Dorsey Wright	7.0%	-4.4%	2.7%	2.5%	3.2%	1.7%	-2.2%	3.3%	0.3%	2.3%	3.0%	-1.9%	3.4%	4.7%	18.4%	#N/A	#N/A	#N/A	12.7%	35.0%	10.6%	#N/A	8.7%	#N/A

Source: Copia Capital Management

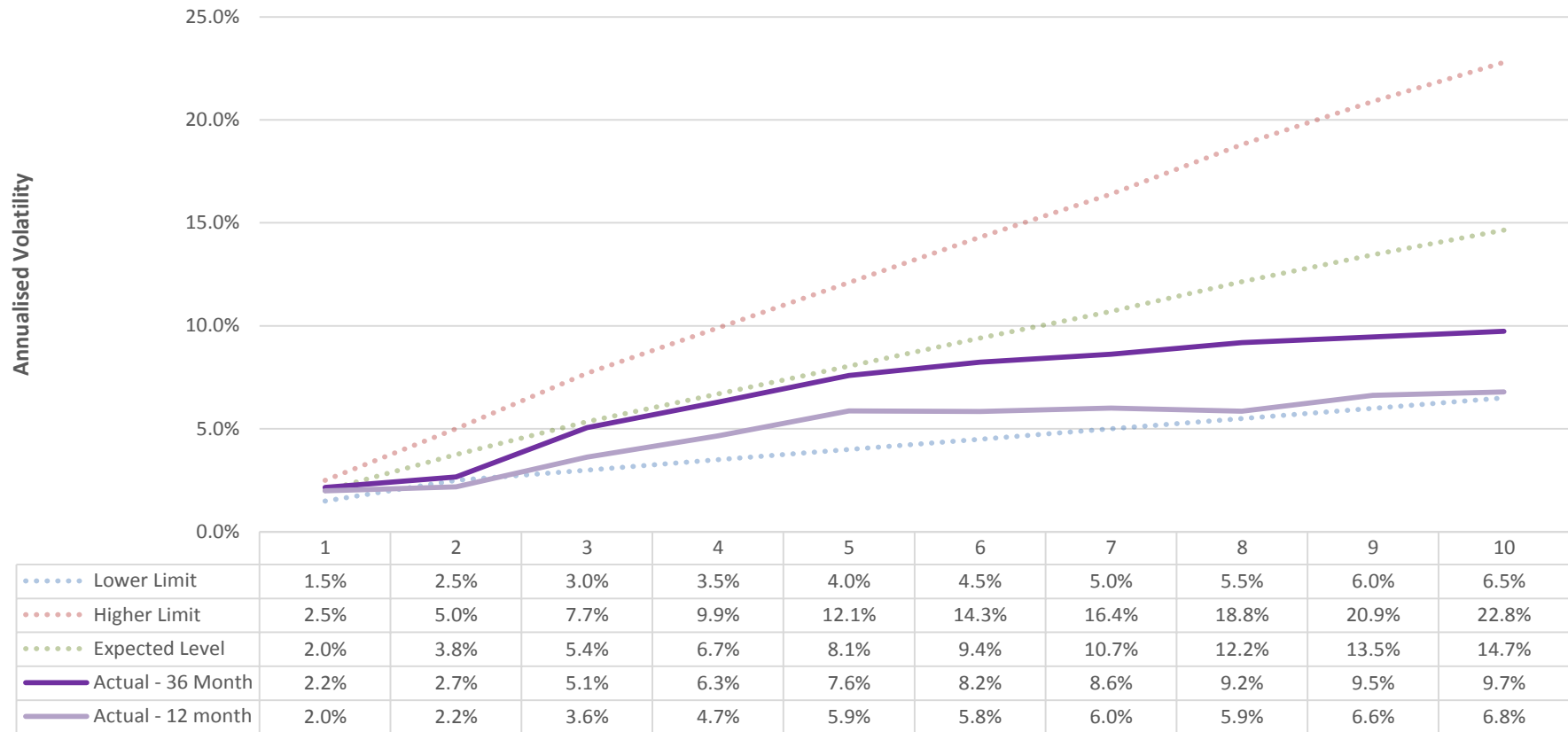
Notes: Returns based on Total return, assuming income is re-invested immediately and realigned on due dates. Data as at 30 Sep 2017.



Market performance
ETF Flows
Risk barometer
Portfolio re-alignments
Portfolio performance
Outcome charts

Volatility Focus: outcome chart

Outcome analysis as at 30 September 2017



Copia Volatility Focus Portfolios

For illustration only

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



Copia Capital Management

The art of portfolio construction

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.

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