

# **copia:capital**

## **Quarterly Performance Update**

**30 December 2022**

**For advisers only**



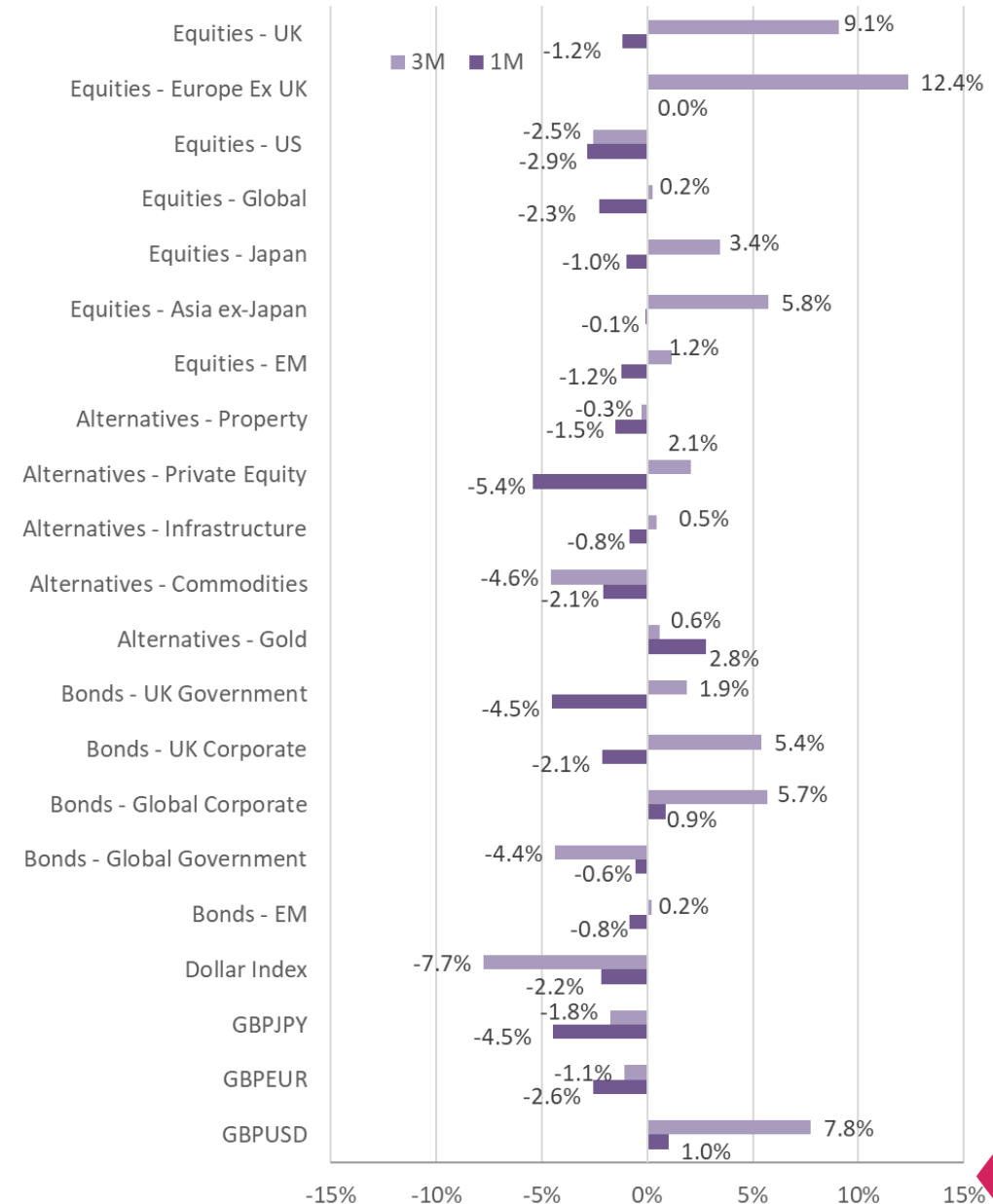
**Market performance**  
Market Positioning  
Risk barometer  
Portfolio performance  
Outcome charts



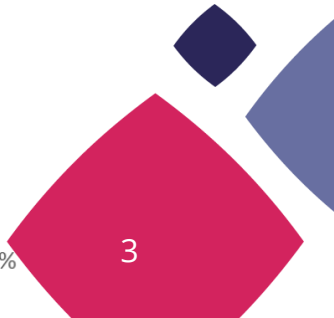
## Market performance Q4 2022

- The 4<sup>th</sup> quarter offered some respite for investors as both equities and bonds rose over the period. This recovery was driven by several factors including 1) a resolution to political turmoil in the UK 2) easing inflationary pressures and 3) China's end to "Zero Covid" policies. While this has provided some relief, 2022 has clearly been an extremely challenging period with calendar year losses not experienced since the Global Financial Crisis in 2008. What has made this year particularly difficult, has been the sharp fall across both stocks and bonds. As a result, even the most conservative portfolios experienced losses over the year.
- Global Equities were broadly positive over the period. The UK (particularly large cap stocks) was one of the top performing regions over the quarter and managed to post gains over the year when most other regions declined. This outperformance was largely due to the UK's exposure to commodity producers and more defensive consumer staple companies. European stocks also rallied sharply as inflation pressures appear to be easing. The US market was the only major region to finish with a loss (in GBP terms) although this is largely driven by currency fluctuations as the Pound rallied sharply over the period. As noted, China's change in Covid policy coupled with announcements that they would be offering further support to the property market triggered a rally in Chinese and Asian stocks over the period.
- Bond markets also posted gain over the quarter. Most of the recovery occurred in October and November as several inflation price indicators started to turn lower and there was growing expectations that interest rates may be close to peaking. This optimism faded in December as the Fed announced that rates could go higher than originally projected and surprise policy decisions made by the ECB and Bank of Japan indicating interest rates hikes could maintain their higher trajectory over the medium term.
- While 2022 has clearly been difficult, it's important to remember that markets tend to discount the future and most asset classes are trading at more attractive valuation levels. That said, there are still outstanding risk factors, including uncertainty over future inflation and interest rates, the extent of any earnings downgrades in a recessionary environment and ongoing geopolitical concerns. Based on these factors, we maintain a cautious stance but are actively looking for investment opportunities as they arise.

## Market Performance



Source: Refinitiv Datastream, Copia Capital Management. All numbers expressed in GBP



Market performance  
**Market Positioning**  
Risk barometer  
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- We believe we are already in a bear market (albeit with occasional dead cat bounces)
- Inflation likely to remain high for some time (the Fed and BOE have been too slow to raise interest rates)
- Interest rates are likely to continue to rise, but we are starting to see select opportunities arise which we will look to take advantage of
- Quantitative Tightening (QT) to reduce liquidity and therefore less marginal cash looking for returns by investing in equities
- Asian and Global Emerging Market equities have been oversold
- The conflict in Ukraine has exacerbated all of the above (impact on trade; impact on inflation)
- Brexit remains a concern for the UK (GBP has rebounded since the unwind of the mini-budget)

## **Consequently:**

- Remain well diversified
- Maintain a “risk off” mind-set (risk barometer remains in the red)
- Prefer value over growth
- Regarding our bond exposure, we prefer to keep the exposure in shorter maturities/short duration
- Recent dislocations in the bond markets have created attractive investment opportunities for short duration investment grade bond funds
- Keep exposure to Asia and Emerging Markets

Market performance  
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-0.67

As of 30-Sep-2022



-0.70

As of 30-Dec-2022

Based on our proprietary Prediction Algorithm the Copia Risk Barometer is reading -0.70 as of 30-December-2022, a change of -0.03 from last quarter, staying in the Red zone, indicating that the global economic outlook continues to be negative.

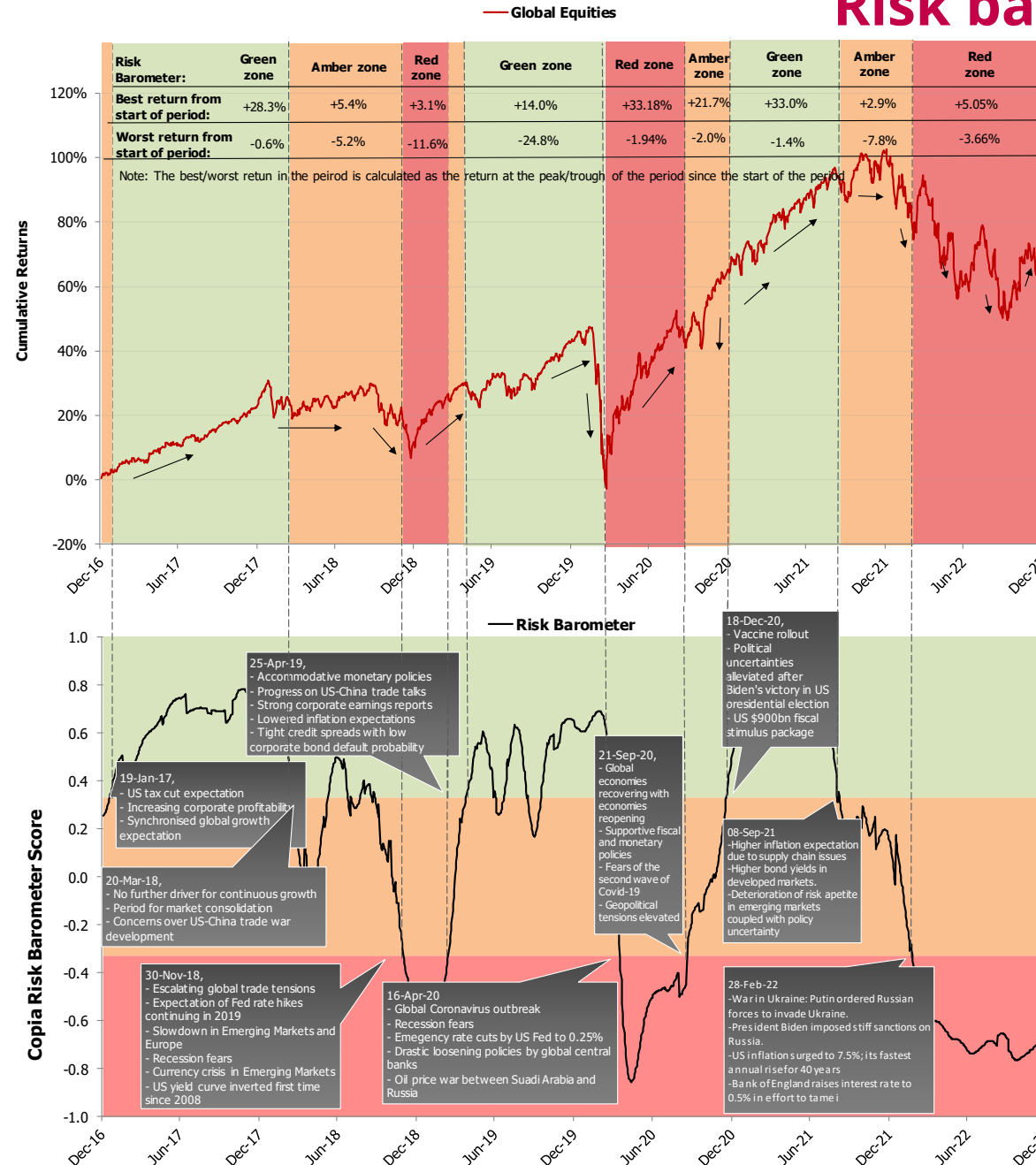
#### Primary drivers for the Risk Barometer:

- **Government bond markets:** Major global yield curves continue to be heavily inverted following a steep shift upwards in major developed market yield curves over the last quarter. This is a cautionary signal from the bond markets suggesting the liquidity fuelled rally in risk assets is coming to an end. Historically recessions have followed 9 out of 10 times, 18 months from the point when the yield curve inverts and remains in inversion.
- **Equity market pricing:** Economic growth expectations have been lowered going forward as companies start to feel the pressure from supply chain issues, rising inflation and stalling growth. Geopolitical uncertainty remains high and equities are likely to remain volatile in the near term. Markets have also lost its long term positive momentum and are in bear market territory. As such the equity market signals are presenting a cautious signal.
- **Credit Spreads:** The tight credit spreads which had underpinned positive sentiment in risk assets all through 2021 have materially expanded. Rising Credit Default Swap indices indicate corporate bond investors have now started to price in a probability of an inflation/Fed induced recession. Although these levels are not comparable to those seen during the Covid recession, the spreads have materially widened compared to levels seen over the last few months.
- **Overall:** The Risk Barometer is picking up much more negative signals than positive ones and is indicating a negative outlook toward risk assets. Volatility is likely to persist and if these conditions continue, economic growth outlook will be challenging for 2023.

Note: The Risk Barometer score varies between -1.0 and +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. A score of 0 indicates a neutral economic outlook with almost equal probability of positive and negative returns in risky asset classes. 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.

## Risk Barometer history

- The top chart shows the market performance (best and worst returns) during different Risk Barometer regimes.
- The bottom chart shows how the Risk Barometer has moved between different regimes and the triggers for regime changes.
- The Risk Barometer is a forward-looking quantitative model that provides a systematic rules-based approach for dynamic risk management.



Note: The Risk Barometer score varies between -1.0 and +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.

A score of 0 indicates a neutral economic outlook with almost equal probability of positive and negative returns in risky asset classes.

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.

Source: Copia Capital Management, Refinitiv Datastream

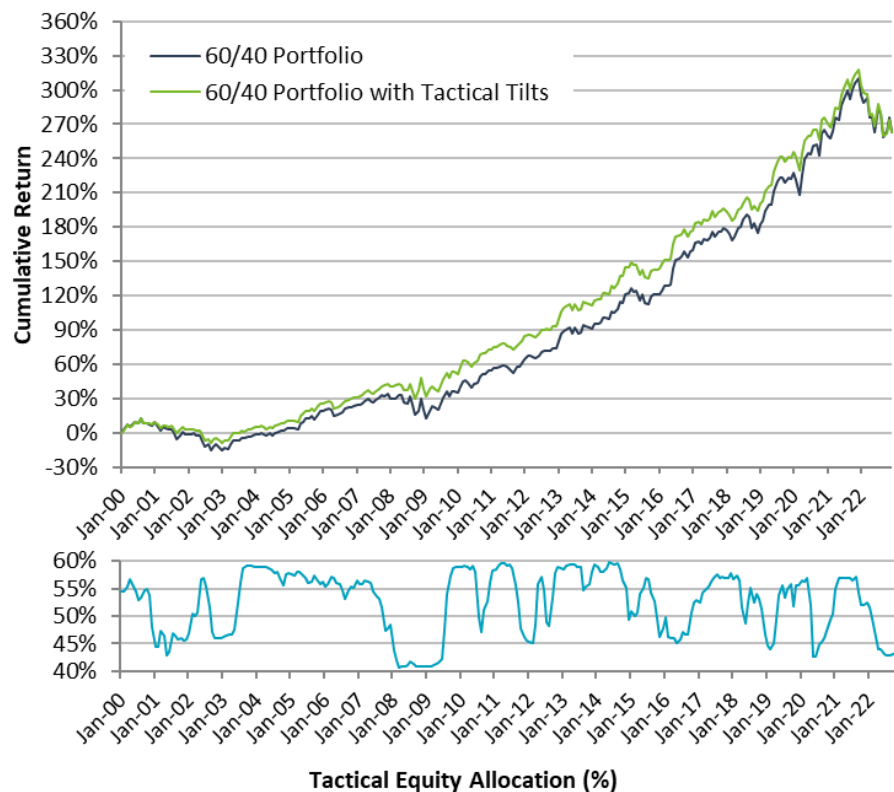
Global Equities Returns is based on actual data of MSCI World Index for the period between 31-Dec-2016 and 30-Dec-2022.



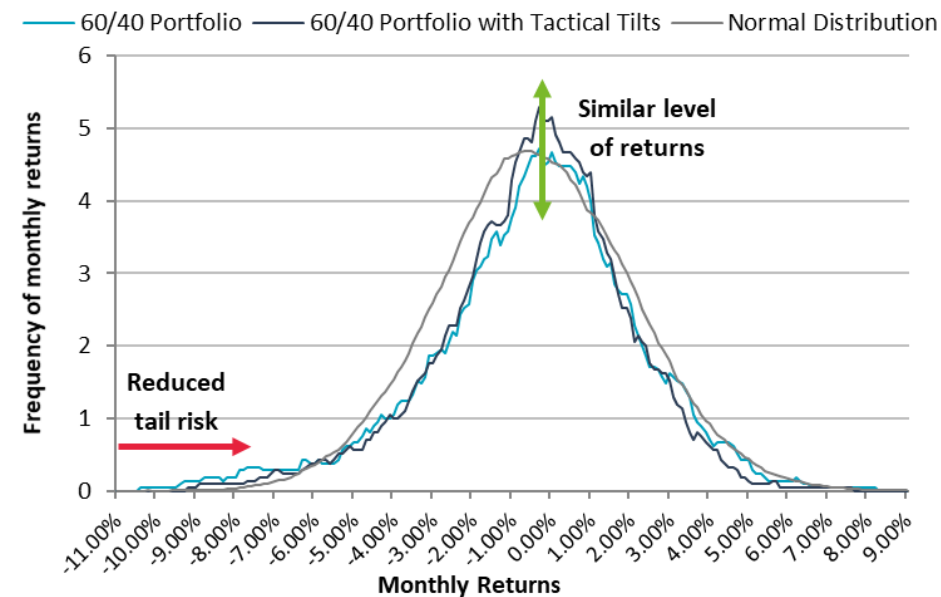


**Impact of dynamic risk management using the Risk Barometer**

- Objective is to achieve similar levels of returns, with a narrower dispersion of returns (reduced tail risk)
- Can enhanced risk-adjusted returns
- Can deliver a smoother investment journey whilst mitigating downside risk
- We evaluate impact using a theoretical 60/40 portfolio with and without the Risk Barometer



	Annualised Return	Annualised Volatility	Sharpe Ratio	Maximum Drawdown
60/40 Portfolio	5.79%	8.40%	0.69	-25.40%
60/40 Portfolio with Tactical Tilts	5.79%	7.32%	0.79	-19.13%
Impact	→ 0.00%	↓ -12.94%	↑ 14.88%	↓ -24.68%



Note: 60/40 Portfolio consists of 60% allocation to MSCI World Index and 40% allocation US 10 year Bond Index rebalanced monthly. Figures are based on historic actual figures in GBP terms for the period 31-Jan-2000 and 30-Dec-2022. All return figures are before fees.

The 60/40 Portfolio with Tactical Tilts consists of dynamic allocation to MSCI World Index within a range of 40% to 60% driven by the Risk Barometer. The portfolio is rebalanced monthly and remaining allocation is to US 10 year Bond Index.

Source: Copia Capital Management, Refinitiv Datastream



**Market performance**  
**Market Positioning**  
**Risk barometer**  
**Portfolio performance**  
**Outcome charts**



# Select Acc. and Select ESG performance table

Select Acc. was previously known as Select

Select Accumulation	Discrete											
	3 M	6 M	1 Yr	3 Yr	Since Inception (31-Oct-2016)	Since Inception (31-Oct-2016) (Annualized)	1 Yr Volatility	Year 1 31-Dec-17 to 31-Dec-18	Year 2 31-Dec-18 to 31-Dec-19	Year 3 31-Dec-19 to 31-Dec-20	Year 4 31-Dec-20 to 31-Dec-21	Year 5 31-Dec-21 to 30-Dec-22
<b>Cautious</b>	2.02%	0.08%	-5.19%	2.76%	14.27%	2.19%	6.19%	-0.52%	9.07%	6.24%	2.03%	-5.19%
<b>Moderate</b>	2.26%	0.25%	-5.87%	6.70%	26.03%	3.82%	7.66%	-1.80%	12.74%	6.91%	6.03%	-5.87%
<b>Balanced</b>	2.70%	1.47%	-5.83%	11.08%	36.44%	5.17%	9.25%	-3.99%	15.68%	6.98%	10.26%	-5.83%
<b>Growth</b>	2.54%	2.30%	-6.73%	12.99%	42.56%	5.92%	11.47%	-4.28%	17.57%	6.51%	13.74%	-6.73%
<b>Equity</b>	2.71%	2.31%	-6.32%	16.39%	49.03%	6.68%	11.60%	-5.22%	18.11%	7.24%	15.85%	-6.32%

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

Select ESG	Discrete											
	3 M	6 M	1 Yr	3 Yr	Since Inception (31-Mar-2020)	Since Inception (31-Mar-2020) (Annualized)	1 Yr Volatility	Year 1 31-Dec-17 to 31-Dec-18	Year 2 31-Dec-18 to 31-Dec-19	Year 3 31-Dec-19 to 31-Dec-20	Year 4 31-Dec-20 to 31-Dec-21	Year 5 31-Dec-21 to 30-Dec-22
<b>Cautious</b>	2.09%	-1.56%	-7.34%	#N/A	2.97%	1.07%	7.06%	#N/A	#N/A	#N/A	1.93%	-7.34%
<b>Moderate</b>	2.53%	-1.90%	-9.05%	#N/A	11.51%	4.04%	8.89%	#N/A	#N/A	#N/A	6.45%	-9.05%
<b>Balanced</b>	2.94%	-1.24%	-9.74%	#N/A	21.97%	7.49%	10.62%	#N/A	#N/A	#N/A	10.45%	-9.74%
<b>Growth</b>	3.04%	-0.52%	-10.94%	#N/A	27.92%	9.37%	13.03%	#N/A	#N/A	#N/A	14.06%	-10.94%
<b>Equity</b>	3.13%	-0.30%	-11.05%	#N/A	32.69%	10.83%	13.47%	#N/A	#N/A	#N/A	16.26%	-11.05%

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

# Select Decumulation performance table

Previously known as Retirement Income

Select Decumulation						Discrete							
	3 M	6 M	1 Yr	3 Yr	Since Inception (28-Feb-2017)	Since Inception (28-Feb-2017) (Annualized)	1 Yr Volatility	Year 1 31-Dec-17 to 31-Dec-18	Year 2 31-Dec-18 to 31-Dec-19	Year 3 31-Dec-19 to 31-Dec-20	Year 4 31-Dec-20 to 31-Dec-21	Year 5 31-Dec-21 to 30-Dec-22	
RP1/3-10Y	2.23%	0.10%	-3.10%	-0.53%	5.39%	0.90%	3.96%	-0.93%	5.99%	0.53%	2.11%	-3.10%	
RP1/11-15Y	3.00%	-0.70%	-6.02%	-3.24%	4.59%	0.77%	6.31%	-1.87%	8.47%	-0.10%	3.06%	-6.02%	
RP1/16-20Y	2.97%	-0.41%	-6.68%	-3.48%	6.46%	1.08%	6.88%	-1.87%	9.95%	-0.16%	3.60%	-6.68%	
RP1/20-25Y+	3.10%	-0.21%	-7.46%	-2.88%	8.68%	1.44%	7.51%	-1.98%	11.05%	0.37%	4.56%	-7.46%	
RP2/3-10Y	2.42%	0.35%	-4.53%	-1.21%	5.81%	0.97%	5.33%	-2.41%	7.83%	-1.29%	4.84%	-4.53%	
RP2/11-15Y	3.17%	-0.30%	-7.11%	-5.15%	4.32%	0.73%	7.46%	-3.26%	10.83%	-2.77%	5.03%	-7.11%	
RP2/16-20Y	3.07%	0.02%	-7.79%	-4.24%	7.40%	1.23%	8.03%	-3.13%	12.29%	-2.40%	6.40%	-7.79%	
RP2/20-25Y+	3.01%	0.48%	-8.16%	-3.51%	9.77%	1.61%	8.65%	-2.99%	13.22%	-1.68%	6.86%	-8.16%	
RP3/3-10Y	2.91%	0.53%	-6.45%	-4.02%	4.93%	0.83%	6.81%	-3.62%	10.39%	-4.14%	7.04%	-6.45%	
RP3/11-15Y	3.26%	0.46%	-8.29%	-5.57%	5.36%	0.90%	8.42%	-4.11%	12.48%	-4.85%	8.22%	-8.29%	
RP3/16-20Y	3.21%	0.72%	-8.74%	-4.87%	8.58%	1.42%	8.93%	-4.04%	14.37%	-4.36%	8.99%	-8.74%	
RP3/20-25Y+	3.37%	0.97%	-9.06%	-4.88%	9.40%	1.55%	9.25%	-3.89%	14.84%	-3.89%	8.82%	-9.06%	
RP4/3-10Y	3.26%	0.93%	-8.92%	-5.63%	6.38%	1.06%	9.14%	-4.90%	13.96%	-7.06%	11.49%	-8.92%	
RP4/11-15Y	3.24%	0.98%	-9.95%	-6.60%	6.99%	1.16%	9.73%	-4.86%	15.18%	-7.90%	12.61%	-9.95%	
RP4/16-20Y	3.17%	0.93%	-10.20%	-5.77%	8.38%	1.39%	9.93%	-4.61%	15.23%	-6.79%	12.58%	-10.20%	
RP4/20-25Y+	3.14%	1.03%	-9.92%	-6.97%	7.21%	1.20%	9.87%	-4.53%	15.35%	-6.58%	10.56%	-9.92%	
RP5/3-10Y	2.23%	2.30%	-10.70%	-2.66%	13.87%	2.25%	11.60%	-4.17%	16.11%	-6.69%	16.81%	-10.70%	
RP5/11-15Y	2.88%	1.32%	-11.81%	-5.20%	10.55%	1.73%	11.51%	-3.72%	15.20%	-7.73%	16.50%	-11.81%	
RP5/16-20Y	2.95%	1.20%	-11.73%	-5.58%	9.43%	1.56%	11.42%	-4.01%	14.84%	-7.81%	16.02%	-11.73%	
RP5/20-25Y+	2.93%	0.97%	-11.64%	-7.01%	7.36%	1.22%	11.24%	-4.60%	15.13%	-8.27%	14.73%	-11.64%	

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

# Select Volatility and Preservation performance table

Previously known as Volatility Focus

Select Volatility	Cumulative Returns				Since Inception (28-Oct-2013)			Discrete Returns				
	3 M	6 M	1 Yr	3 Yr	Since Inception (28-Oct-2013)	Since Inception (28-Oct-2013) (Annualized)	1 Yr Volatility	Year 1 31-Dec-17 to 31-Dec-18	Year 2 31-Dec-18 to 31-Dec-19	Year 3 31-Dec-19 to 31-Dec-20	Year 4 31-Dec-20 to 31-Dec-21	Year 5 31-Dec-21 to 30-Dec-22
<b>Model 1</b>	0.14%	-2.27%	-3.53%	-3.79%	5.69%	0.61%	3.50%	-0.28%	3.03%	0.96%	-1.21%	-3.53%
<b>Model 2</b>	-2.74%	-0.74%	0.70%	0.70%	10.53%	1.10%	3.85%	-0.05%	3.33%	0.79%	-0.78%	0.70%
<b>Model 3</b>	-0.96%	-1.00%	-2.70%	-1.83%	15.27%	1.56%	3.25%	-2.52%	5.74%	-0.92%	1.83%	-2.70%
<b>Model 4</b>	-0.82%	-0.94%	-4.29%	-1.47%	19.50%	1.96%	3.55%	-3.48%	6.26%	-0.67%	3.65%	-4.29%
<b>Model 5</b>	-0.90%	-1.39%	-6.36%	-4.17%	18.36%	1.85%	4.88%	-4.71%	7.99%	-2.00%	4.43%	-6.36%
<b>Model 6</b>	-0.21%	-0.53%	-4.66%	-1.24%	23.93%	2.37%	5.64%	-4.96%	9.17%	-2.79%	6.56%	-4.66%
<b>Model 7</b>	-0.68%	-0.39%	-5.38%	0.14%	29.86%	2.89%	6.35%	-4.96%	10.12%	-3.17%	9.30%	-5.38%
<b>Model 8</b>	-0.34%	0.30%	-5.65%	4.01%	35.87%	3.40%	7.51%	-5.40%	10.44%	-1.16%	11.53%	-5.65%
<b>Model 9</b>	-0.53%	0.54%	-6.42%	3.35%	37.87%	3.56%	8.54%	-6.96%	11.98%	-2.24%	12.96%	-6.42%
<b>Model 10</b>	0.03%	0.29%	-9.16%	1.64%	35.59%	3.37%	9.35%	-7.27%	12.74%	-0.51%	12.46%	-9.16%

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

Select Preservation	Cumulative Returns				Since Inception (02 Nov 20)			Discrete				
	3 M	6 M	1 Yr	3 Yr	Since Inception (02 Nov 20)	Since Inception (02 Nov 20) (Annualized)	1 Yr Volatility	Year 1 31-Dec-17 to 31-Dec-18	Year 2 31-Dec-18 to 31-Dec-19	Year 3 31-Dec-19 to 31-Dec-20	Year 4 31-Dec-20 to 31-Dec-21	Year 5 31-Dec-21 to 30-Dec-22
<b>Select Preservation</b>	1.83%	-0.12%	-3.50%	#N/A	4.02%	1.84%	5.69%	#N/A	#N/A	#N/A	4.10%	-3.50%

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

# Select Thematic and Copia Short Duration Bond performance table

Previously known as Enhanced Equity

	Discrete Returns											
	3 M	6 M	1 Yr	3 Yr	Since Inception (14-Mar-2016)	Since Inception (14-Mar-2016) (Annualized)	1 Yr Volatility	Year 1 30-Sep-17 to 30-Sep-18	Year 2 30-Sep-18 to 30-Sep-19	Year 3 30-Sep-19 to 30-Sep-20	Year 4 30-Sep-20 to 30-Sep-21	Year 5 30-Sep-21 to 30-Sep-22
<b>Select Thematic</b>	2.39%	-8.67%	-11.74%	5.84%	49.19%	6.30%	14.52%	5.92%	-0.36%	-0.59%	20.62%	-11.74%

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

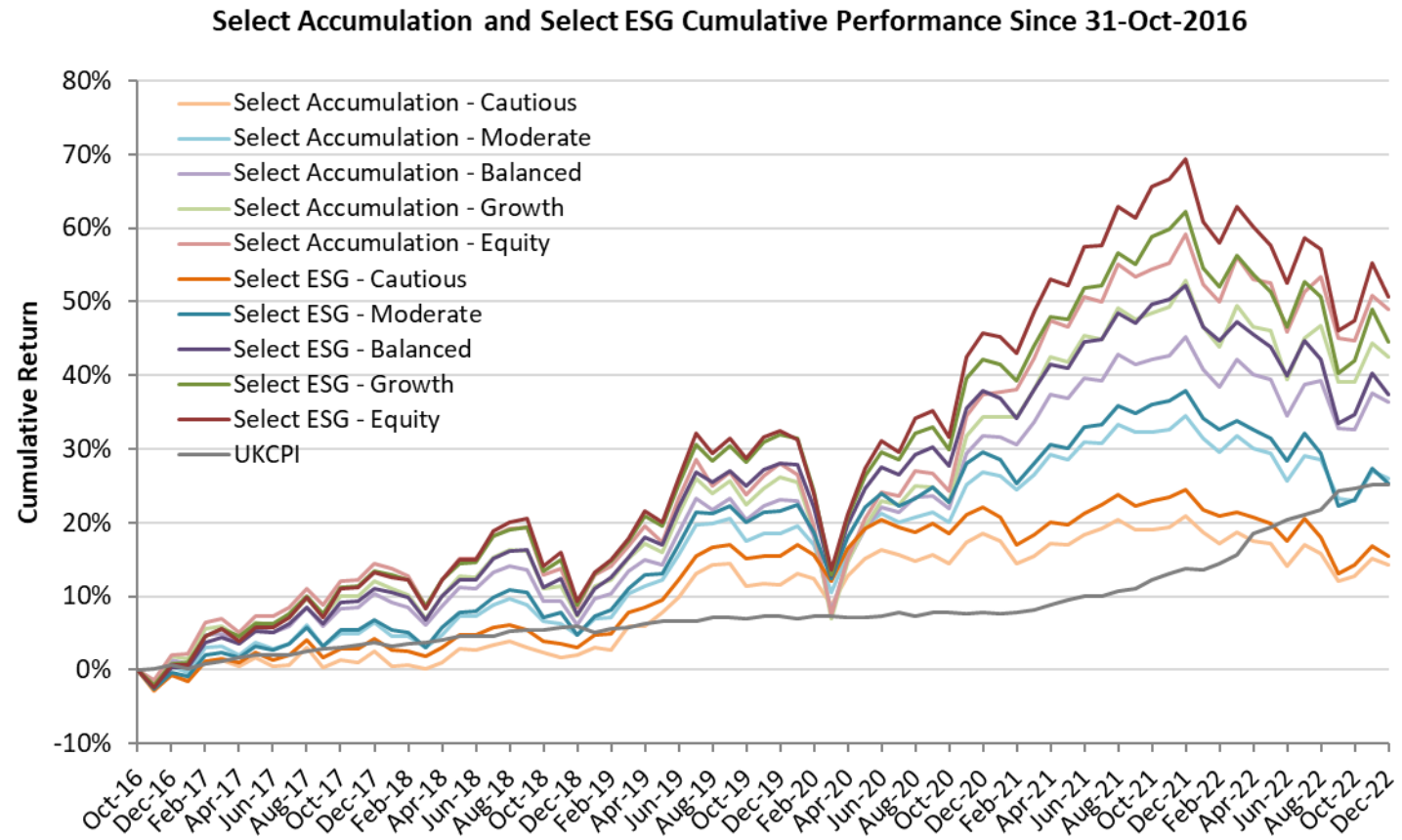
	Discrete											
	3 M	6 M	1 Yr	3 Yr	Since Inception (31 Oct 22)	Since Inception (31 Oct 22) (Annualized)	1 Yr Volatility	Year 1 31-Dec-17 to 31-Dec-18	Year 2 31-Dec-18 to 31-Dec-19	Year 3 31-Dec-19 to 31-Dec-20	Year 4 31-Dec-20 to 31-Dec-21	Year 5 31-Dec-21 to 30-Dec-22
<b>Copia Short Duration Bond Portfolio</b>	#N/A	#N/A	#N/A	#N/A	1.66%	10.51%	5.69%	#N/A	#N/A	#N/A	#N/A	#N/A

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

**Market performance**  
**Market Positioning**  
**Risk barometer**  
**Portfolio performance**  
**Outcome charts**



Outcome (cumulative return) analysis as of 30 December 2022



Our 'Select Accumulation' portfolio was previously known as 'Select'.

*For illustration only.*

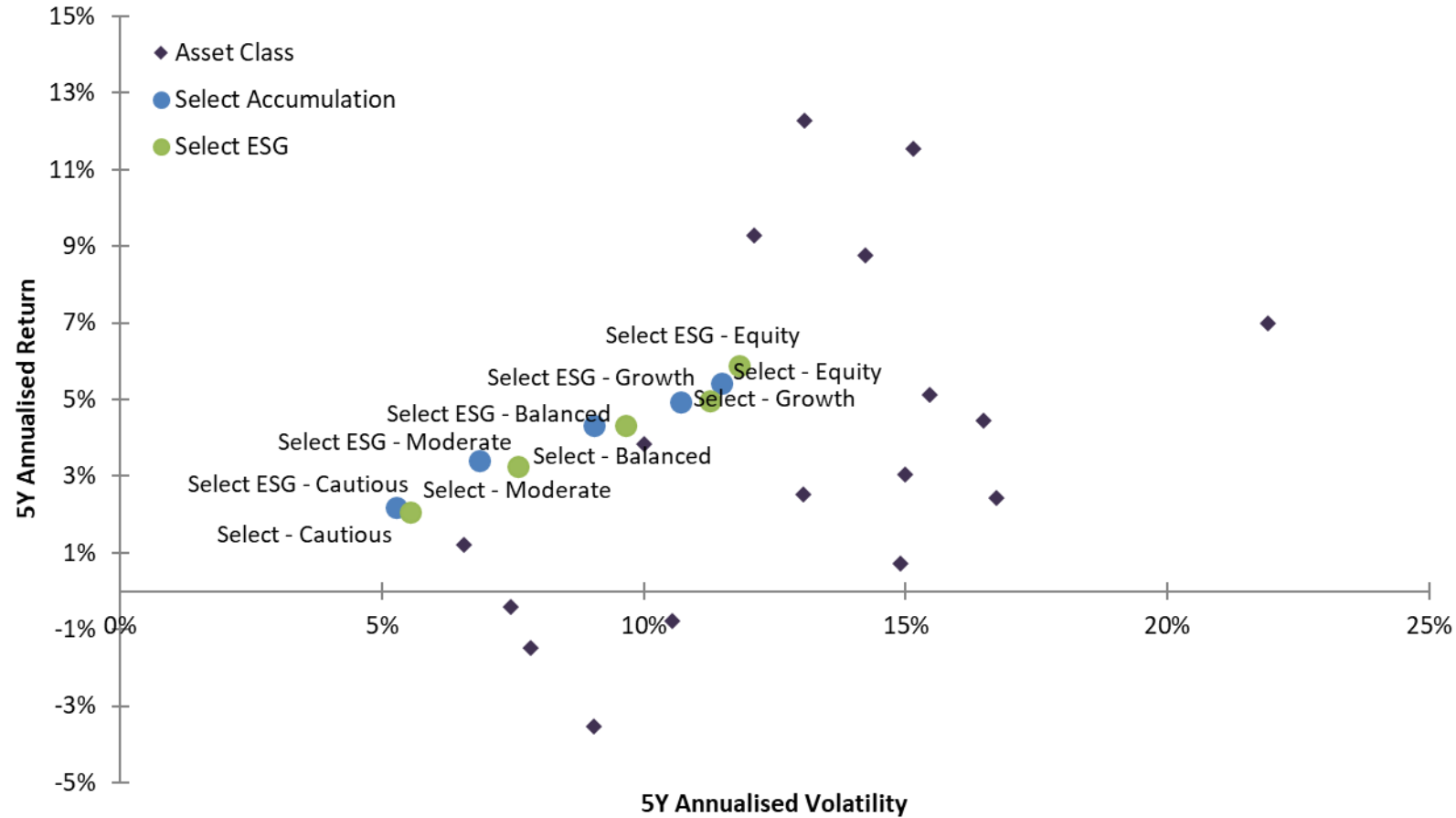
*Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates.*

*Available CPI data has been used as a comparator for real returns. CPI data for Dec 2022 is currently unavailable and not shown.*

**The cumulative returns are calculated based on the period from the inception date of the Select Accumulation portfolios (31-Oct-2016). The performance figures for Select ESG portfolios include simulated data before the inception date of the Select ESG portfolios (31-Mar-2020).**



Outcome (risk-return) analysis as of 30 December 2022



Our 'Select Accumulation' portfolio was previously known as 'Select'.

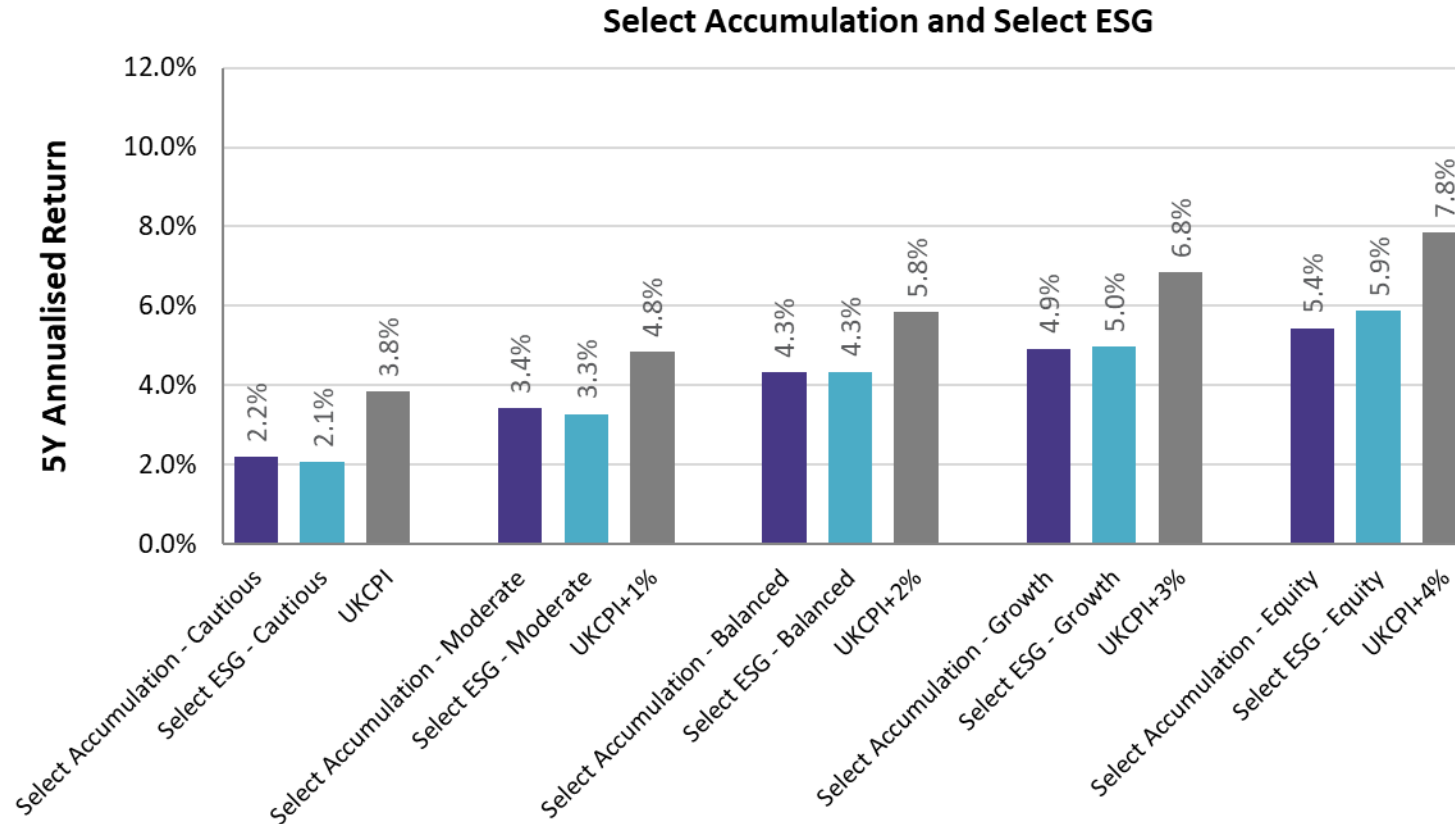
*For illustration only.*

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

**The annualised risk and return figures are calculated based on a historic 5 year period as of 30-Dec-2022.**

**The performance figures for Select ESG portfolios include simulated data before the inception date of the Select ESG portfolios (31-Mar-2020).**

Outcome (annualised return) analysis as of 30 December 2022



Our 'Select Accumulation' portfolio was previously known as 'Select'.

*For illustration only.*

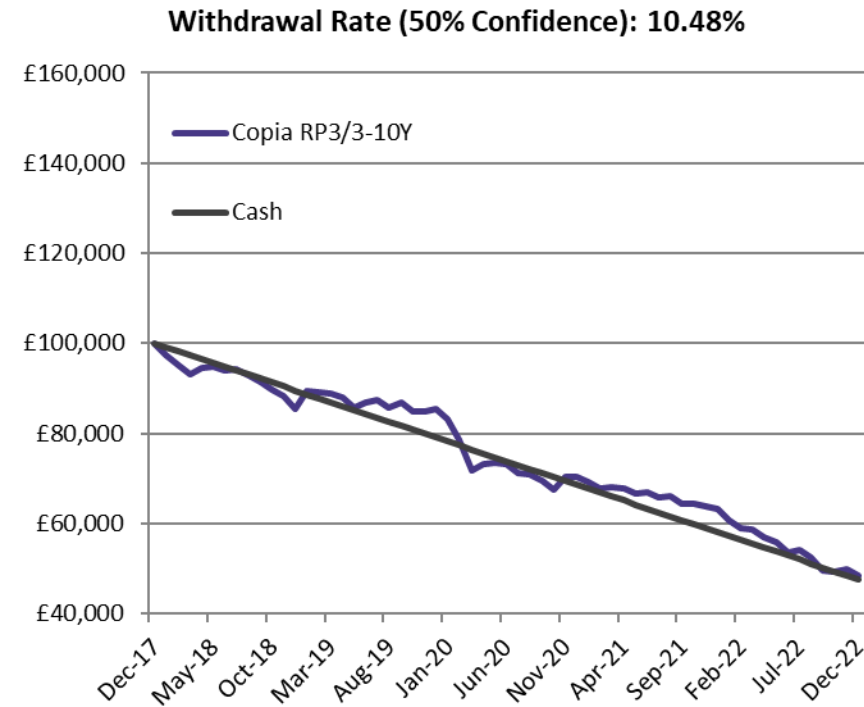
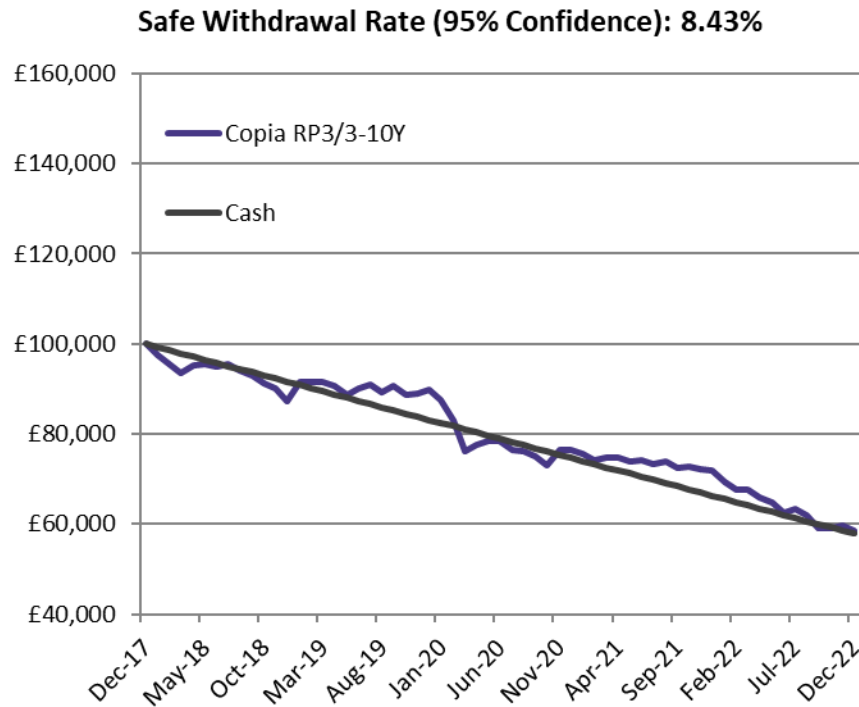
*Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates.*

*Available CPI data has been used as a comparator for real returns. CPI data for Dec 2022 is currently unavailable and not shown.*

**The annualised returns are calculated based on a historic 5 year period as of 30-Dec-2022.**

**The performance figures for Select ESG portfolios include simulated data before the inception date of the Select ESG portfolios (31-Mar-2020).**

Outcome analysis as of 30 December 2022



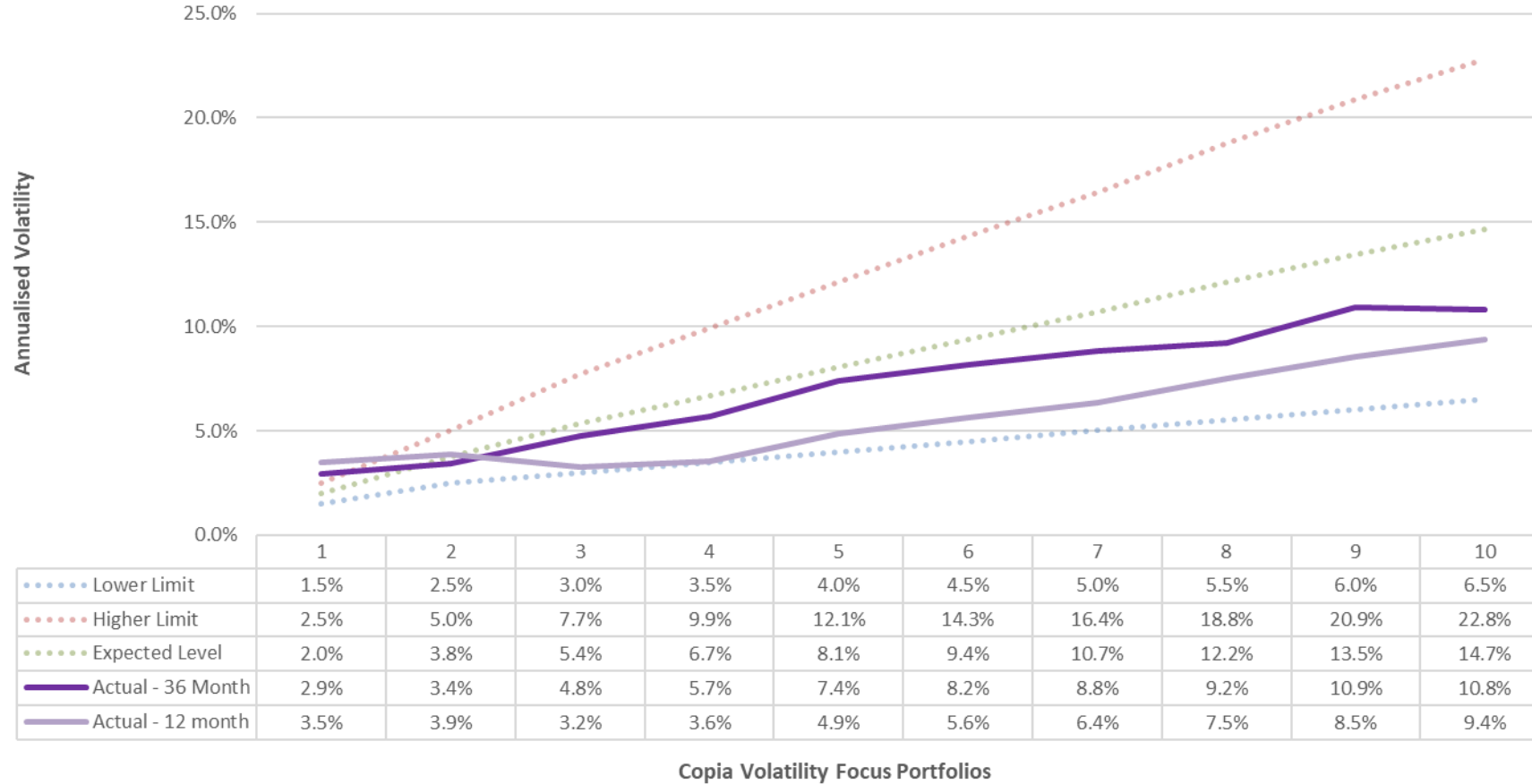
Our 'Select Decumulation' portfolio was previously known as 'Retirement Income'.

*For illustration only.*

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

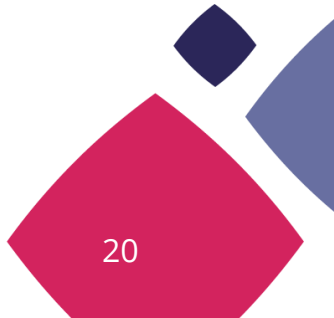
**Performance includes simulated performance for data prior to launch date (28-Feb-2017). Actual data is used from 1-Mar-2017 to Present.**

Outcome analysis as of 30 December 2022

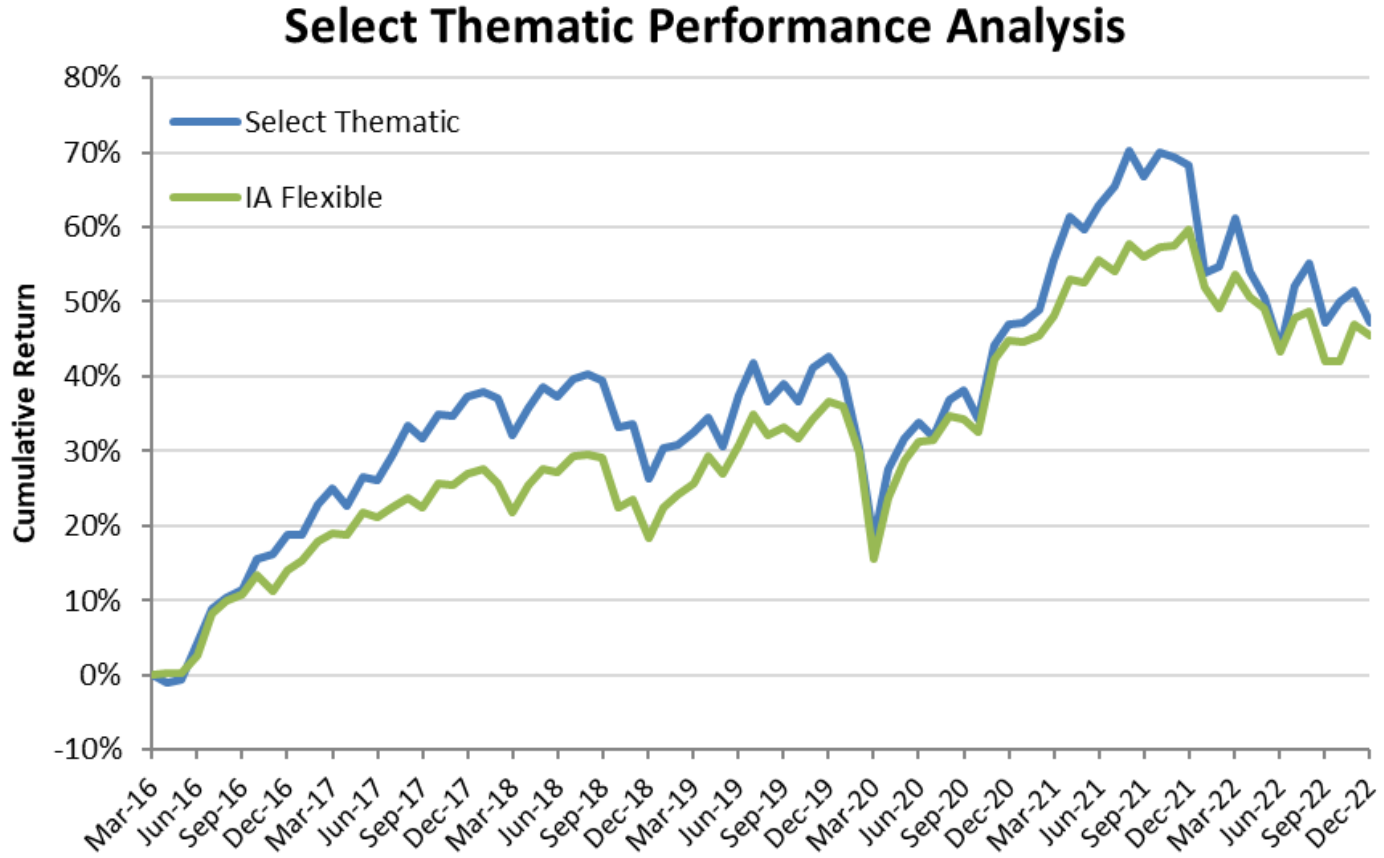


Our 'Select Volatility' portfolio was previously known as 'Volatility Focus'.

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

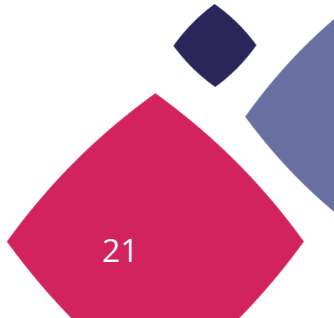


Outcome analysis as of 30 December 2022



Our 'Select Thematic' portfolio was previously known as 'Copia Enhanced Equity'.

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



# copia:capital

## Understanding the risks

- Investment model portfolios may not be suitable for everyone
- The value of funds can increase and decrease, past performance and historical data cannot guarantee future success
  - Investors may get back less than they originally invested

## Disclaimer

Some figures and numbers in this document are based on Copia's simulation data. Figures relating to simulated performance is not a reliable indicator of the future. Models are prepared in accordance with tolerance to risk and not client circumstances and information is from given sources and taken to be reliable and accurate, which Copia cannot warrant for accuracy or completeness.

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