Global Indices Return (%) in $

As of Date: 2017/06/30 Data Point: Return

	1M	3M	YTD	1Y	3Y	5Y	10Y	15Y
Developed Equities	0.4	4.2	11.1	18.7	5.3	4.2	4.0	7.4
Emerging Equities	0.5	4.0	14.6	20.2	1.1	4.0	2.0	10.7
USA Equities	0.6	3.1	9.6	18.2	9.4	3.1	7.3	8.5
Global Real Estate	0.8	2.3	4.7	-0.4	4.8	2.3	3.3	-
Global Bonds	-0.1	2.6	4.4	-2.2	-0.4	2.6	3.7	4.5

Source: Morningstar, FTSE Indices, Barclays Global Aggregate Indices

Focus on the long-term

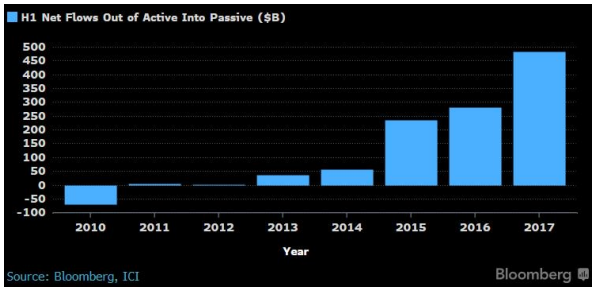
We agree with John Bogle, the founder of Vanguard, that deciding when to invest in the different asset classes (such as equities versus bonds or developed versus emerging markets) is an extremely risky strategy.

"The idea that a bell rings to signal when investors should get into or out of the market is simply not credible. After nearly 50 years in this business, I do not know of anybody who has done it successfully and consistently. I don't even know anybody who knows anybody who has done it successfully and consistently." ***John Bogle***

And yet look at the investor behaviour in the first half of 2017. Equity market performance has been strong (in the table above) and this is matched by the largest inflows into US equity mutual funds and ETFs, $400bn (see section below). We believe that investors should make regular investment contributions over time to average the peaks and troughs of equity markets rather than trying to time them.

US Asset Flows: first half of 2017 has largest flow from active into passive...by far

Morningstar reported that the fund flow swing from active to passive was just shy of $500bn during the first half of 2017. This is nearly double the first half of 2016, with about $400bn of new money invested.



The UK asset management industry needs radical reform

This is according to the UK regulator, the Financial Conduct Authority (FCA), following the release of its findings *report* on the £7trn asset management industry. The FCA called for a radical shake-up of the industry with a key focus on transparency regarding costs.

"We looked at whether some investors, when choosing between active funds may choose to invest in funds with higher charges in the expectation of achieving higher future returns. However, our additional analysis suggests that there is no clear relationship between charges and the gross performance of retail active funds in the UK. There is some evidence of a negative relationship between net returns and charges. This suggests that when choosing between active funds investors paying higher prices for funds, on average, achieve worse performance. Similar academic studies of the US mutual fund industry have typically found a negative relationship between fund charges and fund performance."
FCA Asset Management Market Study: Final Report

Currency: USD

STYLO INVESTMENTS

ETF portfolios are attractive

We, at Stylo, are ETF (exchange traded funds) managers. We build global portfolios using ETFs as the investment building blocks. The ETFs we use are transparent, liquid and low-cost funds provided by some of the largest and most successful index-tracking managers in the world, like Vanguard and BlackRock (iShares).

We have attached Morningstar Snapshot Reports of our three main risk-profiled model portfolios:

- Global High Equity - targeting 75% equity exposure
- Global Balanced - targeting 50% equity exposure
- Global Low Equity - targeting 25% equity exposure

These model portfolios would have beaten more than 85% of their peer group, after accounting for costs, since inception (Jan 2015).

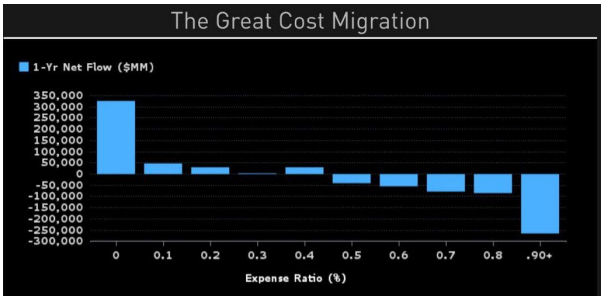
Source: Morningstar Inc, Stylo Investments; considering the returns of the top performing 1,000 funds with a comparable asset allocation to the Stylo model portfolio and domiciled in Europe.
Past investment returns are not necessarily indicative of future returns.
*Please read disclosure regarding investment returns **here***

We also have more specialised model portfolios (currency hedges, ESG/Shariah compliant, target duration etc.).

We believe we add significant value to you, the adviser.

- We evaluate the thousands of ETFs available and select ones we believe are most appropriate for each asset class or sub-asset class.
- We then package risk-profiled solutions using these ETFs.
- You can now rest assured that your clients are in portfolios that match their risk profile, are well diversified, have low-cost and typically beat the vast majority of comparable actively managed funds.
- We can co-brand client statements and the client portal with your brand.
- You can access our portfolios on tax-efficient platforms (Old Mutual International and Glacier International) using the custodian option. We are approved discretionary investment managers and use Saxo Bank as our custodian.

1 year US fund flows to end April 2017: $1trn move from active to passive



Source: Morningstar

This chart indicates how the net flow of funds in the US is out of high-fee funds into low-fee funds.

Contact *us* about our global ETF-based portfolios