STYLO INVESTMENTS

Currency: USD

2018/07/31

Newsletter

Global Indices Return (%)

As of Date: 2018/07/31   Data Point: Return

	1M	3M	YTD	1Y	3Y	5Y	10Y	15Y
Developed Equities	3.0	3.2	3.1	11.6	9.1	9.5	6.9	8.3
Emerging Equities	3.3	-4.3	-3.8	4.8	7.9	5.3	3.0	10.7
USA Equities	3.6	6.8	6.5	16.3	12.4	13.0	10.7	9.6
Global Real Estate	1.0	4.7	1.2	4.7	5.6	6.7	5.7	-
Global Bonds	-0.2	-1.4	-1.6	-0.5	2.4	1.2	2.6	3.9

Source: Morningstar, FTSE Indices, Barclays Global Aggregate Indices

US Fund Flows: Risk-Off

The *June Morningstar Report* on US mutual fund and ETF asset flows highlights the cautious sentiment of investors:

- US Equity funds: $21bn outflow for the month
- International Equity funds: $10bn outflow for the month
- All fund categories had outflows except for bond funds
- Demand remained strong for ultrashort-bond funds

This was the largest outflow from risk-asset based funds since August 2015.

Beware of market timing

Investors should take heed of the warning about long-term investing, and not try to 'time the markets'. Following the large outflow from equity-based funds in August 2015, the S&P500 total return was around 50% over the subsequent three years:

Source: Morningstar

Goldman Sachs *has shown* that this investor behaviour of acting in the heat of the moment often leads to significant underperformance of the investors relative to the fund performance. The months with the largest US equity fund inflows "have often clustered around the short term peaks in the S&P500" and conversely the months with the largest US equity fund outflows "have often occurred at or near temporary price bottoms".

Long-Term Investing

Over the last ten years, the US equity markets have delivered 10.7% annualised return. But in the first four months, your investment would have been down 40% - in the depth of the global financial crisis. Investors were rewarded for staying invested. The lesson couldn't be simpler, stick to a long-term investment plan and don't let your emotions govern your investment decisions.

Currency: USD

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 four main risk-profiled model portfolios:

- Global Equity - targeting 100% equity exposure
- 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 80% of their peer group, after accounting for costs, since inception (Jan 2015).

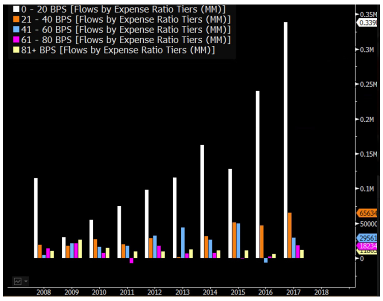
Source: Morningstar Inc, Stylo Investments; considering the returns of the top performing 1,000 funds with a comparable asset allocation to the Stylo model portfolio and domiciled in Europe.
Past investment returns are not necessarily indicative of future returns.
*Please read disclosure regarding investment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

10 year US fund flows: low expense ratio funds attracting the flows



Source: Bloomberg Intelligence

This chart indicates how the net flow of funds in the US are spread across funds based on expense ratios.

Contact *us* about our global ETF-based portfolios