Currency: USD

2018/08/31

Newsletter

Global Indices Return (%)

As of Date: 2018/08/31 Data Point: Return

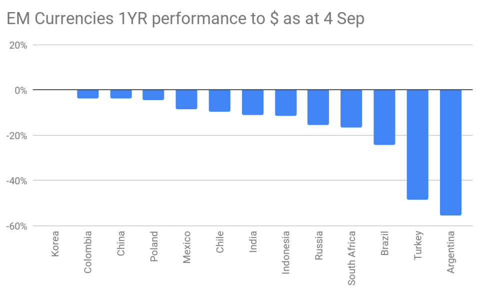
	1M	3M	YTD	1Y	3Y	5Y	10Y	15Y
USA Equities	3.2	7.6	9.7	19.1	15.2	13.7	10.2	8.9
Developed ex USA Equities	-1.9	-0.6	-2.3	4.5	7.2	5.5	3.5	7.0
Emerging Equities	-3.4	-4.1	-7.1	-1.7	10.3	5.2	3.5	9.9
Global Real Estate	1.2	3.8	2.4	5.5	8.3	8.1	5.9	-
Global Bonds	0.1	-0.5	-1.5	-1.4	2.4	1.3	2.7	3.9

Source: Morningstar, FTSE Indices, MSCI Indices, Barclays Global Aggregate Indices, Returns annualised for periods longer than a year

USA Dominance

The strong $ and strong US equity market trend continued in August - and continues in these first few days of September. This has been the trend for the last year - and the last five years. In the table above you can see the strong performance of US equities relative to the other major asset classes and regions for all periods up to ten years. The major asset class returns converge when looking at 15 year returns.

The strong $

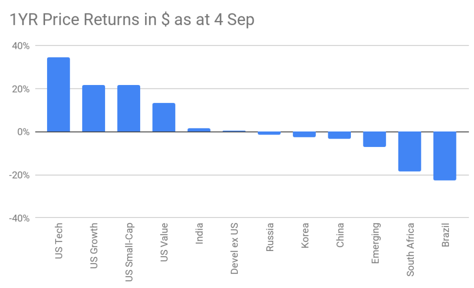


The strong $ has been a key theme over the last five years:

- Brazil, Russia and South Africa currencies are down 35% to 50%
- Much worse for Argentina (-85%) and Turkey (-70%)
- Even the major developed market currencies are down 12% to 20%

Interest rates and investment returns in the rest of the world have not compensated for these currency losses.

Equity Returns



The chart above is based on one year returns for a range of different equity regions and sectors:

- US Technology, US Growth and US small cap equities have been the stand-out winners
- Emerging markets have typically been the losers.

This trend has been in place for the last five years.

Fund Flows: passive continues to increase market share

Both in USA and Europe, investors, in aggregate, sold equity-based funds in June and ‘bought back a little’ in July:

- USA: July in-flow of $9bn (split active out-flow $15bn and passive in-flow of $24bn)
- Europe: July in-flow of €3bn (split active out-flow €0.6bn and passive in-flow €3.7bn)

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.

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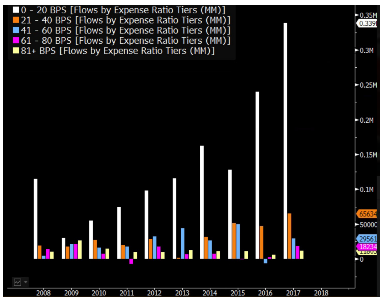
10 year US fund flows: low expense ratio funds attracting the flows



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