Global Indices Return (%) in $

As of Date: 2018/01/31 Data Point: Return

	1M	3M	YTD	1Y	3Y	5Y	10Y	15Y
Developed Equities	5.2	9.0	5.2	26.5	12.1	9.0	6.5	9.6
Emerging Equities	8.9	13.6	8.9	37.4	10.9	13.6	4.0	13.1
USA Equities	5.8	10.2	5.8	26.5	14.5	10.2	9.8	10.7
Global Real Estate	-0.6	3.7	-0.6	9.2	2.8	3.7	4.6	-
Global Bonds	1.2	2.7	1.2	7.5	2.5	2.7	2.9	4.2

Source: Morningstar, FTSE Indices, Barclays Global Aggregate Indices

Stick to a long-term investment plan

January was a continuation of positive equity returns (even with the market pull back at month-end). Over the last year, developed and emerging markets are up 26% and 37% respectively. 2017 was another great year for global equities, extending the positive run to nine years (following the global financial crisis). In these last nine years the annualised returns for both developed and emerging equities have been around 12%, that's well above the long-term average return. World stock market index levels are close to all time highs.

We caution investors and advisers not to extrapolate these high returns forward. Developed equity markets - and in particular the US equity market - are trading at *very high price earnings ratios (PE)*; why this is important is that historically *when the starting PE is high the following five and ten year returns are lower than average*.

We are not saying 'get out of equities'. What we are saying is that we believe that long-term returns going forward are likely to be lower than average. As we have indicated before, we don't believe that there are any clear signals when to get into or out of the stock market and we caution investors and advisors not to try to time the markets but rather to stick to a long term investment plan.

ETF and Index Funds

The global trend to passive continues:

- The trend has been most dramatic in the US fund space, where currently around $6trn of the $17trn is managed passively, 36% market share up from less than 10% twenty years ago.
- The trend is also in place in the second largest investment market, the European fund space, where $1.5trn of the $9trn is managed passively, 16% market share up from less 5% twenty years ago.

What % of your offshore assets are invested in passive?

Warren Buffet won the ten year bet

In 2007 Warren Buffet challenged the investment industry when he proposed that:

"Over a ten-year period commencing on January 1, 2008, and ending on December 31, 2017, the S&P 500 will outperform a portfolio of funds of hedge funds, when performance is measured on a basis net of fees, costs and expenses."

Protege Partners took up the challenge and bet against the Oracle of Omaha.
The results are now in and Warren Buffett's index fund delivered an annualised return of **7.1%** versus Protege's **2.2%** as per Wall Street Journal.

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).

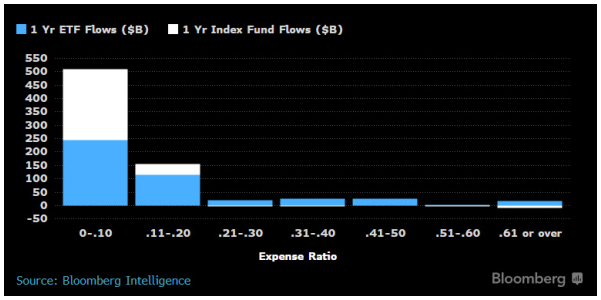
Source: Morningstar Inc, Stylo Investments; considering the returns of the top performing 1,000 funds with a comparable asset allocation to the Stylo model portfolio and domiciled in Europe.
Past investment returns are not necessarily indicative of future returns.
*Please read disclosure regarding investment 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 July 2017: $1trn move from active to passive



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