



# Managed Portfolio Service

## Balanced Income Strategy

JULY 2019

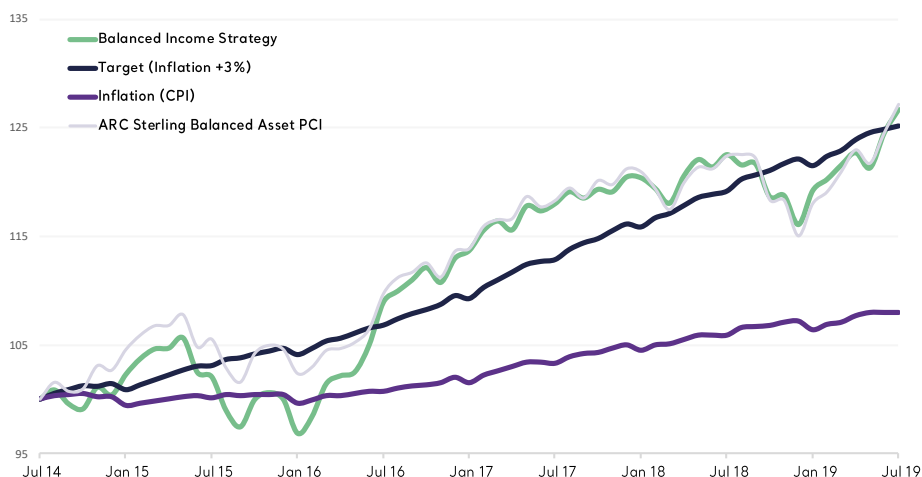
### Overview

The Psigma Managed Portfolio Service Balanced Income Strategy invests in a diverse range of asset classes, where the asset allocation is actively managed. The strategy uses a number of qualitative and quantitative inputs to decide on the asset allocation. A key focus of the Balanced Income Strategy is to deliver returns in line with inflation whilst generating a high level of income. This strategy aims to deliver these returns with low volatility and a reduced potential for capital loss.

### Investment Objective

This strategy aims to preserve your wealth above the rate of inflation and given this, to maximise income available to investors. Given this target, it also attempts to generate balanced returns through diversified investments with a maximum equity weighting of 60%.

### Net Performance Chart



ARC data is confirmed until June 2019. For July 2019 the data is based on estimates from ARC and are subject to change.

### Performance

#### CUMULATIVE NET PERFORMANCE

	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	ITD*
<b>Strategy</b>	1.73%	3.25%	6.28%	3.40%	16.31%	26.72%	111.14%
<b>Inflation</b>	0.00%	0.28%	1.51%	1.98%	7.26%	8.01%	41.23%

#### STRATEGY CHARACTERISTICS

Launched	May 2004
Target Return	Inflation +3%
Max Equity	60%
Max Higher Risk Fixed Interest	15%
Estimated Yield	3.32%
Recommended Investment Period	7 Years
ISA Eligible	Yes

#### PORTFOLIO CHARGES

Psigma AMC (Ex VAT)	0.40%
Custody, Settlement & Execution	0.12%
Product Costs <sup>#</sup>	0.87%
<b>Total Charges (Inc VAT)</b>	<b>1.47%</b>

#### MINIMUM INVESTMENT

Minimum Portfolio	£50,000
Amounts Received over £50,000	Invested Immediately
Amounts Received under £50,000	Invested Weekly
Minimum trade size	£25

#### DISCRETE NET PERFORMANCE

	ANNUAL RETURN	ANNUAL VOLATILITY
2004*	6.58%	1.24%
2005	13.33%	5.15%
2006	10.07%	4.40%
2007	-0.11%	4.62%
2008	-17.39%	16.29%
2009	17.38%	11.26%
2010	8.41%	8.43%
2011	-2.47%	8.13%
2012	9.45%	5.67%
2013	9.09%	6.47%
2014	2.85%	4.44%
2015	-0.39%	6.22%
2016	13.02%	6.44%
2017	6.65%	2.89%
2018	-3.65%	4.68%
2019	9.15%	5.95%

Inflation Source: CPI from the Office for National Statistics. Crown Copyright material is reproduced with the permission of the Office of Public Sector Information (OPSI). Reproduced under the terms of the Click-Use License.

Annual volatility statistics are reported on a rolling 12 month basis. Annual Volatility is a measure of the price variation of an investment over time. It is a contributor to defining the risk characteristics of a specific asset class or a portfolio of diverse investments.

<sup>#</sup>Product costs are external costs levied by third party fund managers for providing collective investment schemes for your investment portfolio and include: fund expenses incurred by third party fund managers, transaction costs as a result of acquisition or sale of assets and incidental costs, which include third party performance fees.

\*Inception to Date. Performance Inception from May 2004.

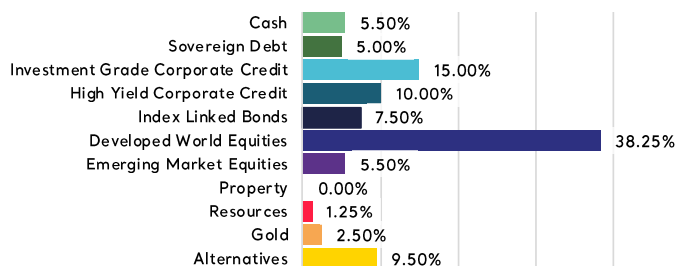
Unless otherwise stated, all data is from Interactive Data as at 31/07/2019.

Past performance is not a guide to future performance.



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## ASSET ALLOCATION



## TOP FIVE HOLDINGS

FUND	ALLOCATION
Fidelity Global Inflation Linked GBP HGD	7.50%
Schroder Income Maximiser	7.00%
Artemis Income	6.50%
Neuberger Berman Short Duration EM Debt	5.00%
AXA Global Short Duration	5.00%

## Market View

Following a strong month for equity markets, returns were again positive in July, but more modest in nature. The main event of the month was in the US, where the US Federal Reserve cut interest rates for the first time in more than a decade. The 0.25% cut was cited as a "mid-cycle" adjustment, given growing economic risks, rather than the start of a rate-cutting cycle. The European Central Bank also indicated a new wave of monetary easing, with an interest rate cut and quantitative easing looking on the cards in the not too distant future. Politics dominated in the UK, with Boris Johnson confirmed as new Prime Minister. His well-publicised harder stance towards Brexit and rhetoric that the UK would definitely leave the EU on 31st October regardless of whether a deal was in place contributed to another chastening month for sterling. The currency weakened across the board vs the dollar, euro and the yen in July. This once again meant that the returns for UK investors' overseas investments were enhanced in the month. Interestingly, in local terms, UK equities were the best performing developed market in July, but due to currency movements, in sterling terms lagged the US and Europe. Emerging markets lagged their developed counterparts in July, actually finishing in negative territory. Sentiment was dominated by concerns over global economic conditions, but also the lingering trade dispute between the US and China. Asia was the worst-performing region, followed by EMEA (Europe, Middle East & Africa). Latin American equities were flat on the month. Focussing on the MSCI All Country World Index, the best performing sectors in the month were technology and telecoms, with the laggards being the energy and basic materials sectors.

Turning to fixed income, UK government bonds continued to rally, given the political and Brexit related uncertainty. However, UK corporate bonds again outperformed and have had a stellar 2019 to date. On the back of European Central Bank rhetoric concerning easier monetary policy, European bonds put in a good month of performance, with the 10-year German bund yield falling ever lower, finishing the month at a record negative yield of -0.44%. Despite the US Federal Reserve cutting rates, US treasury yields moved higher and the US dollar strengthened, as markets were disappointed in the size of the cut and also the accompanying commentary that this was not the start of a rate-cutting cycle. US investment grade and US high yield both made modest positive returns in July. Emerging market local currency bonds had a stand out strong month, with returns more muted for the hard currency variety. Focussing on commodities, gold bullion sustained its push higher, with gold equities continuing to outperform, given they are a leveraged play on the gold price. Brent crude oil (global benchmark) fell in the month.

## Portfolio Activity

We have not made any trades this month. Our policy remains one of patience, trying to find attractive long-term opportunities that are thrown up by volatility. We believe that the strategy is at present adequately positioned, with an appropriate mix of long-term value and short-term dependability.

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### Investment risk:

- The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money that he/she invests. Past performance is not a guide to future performance.
- Foreign currency denominated investments are subject to fluctuations in exchange rates that could have a positive or adverse effect on the value of, and income from, the investment.
- Investors should consult their professional advisers on the possible tax and other consequences of their holding any of the investments contained in this publication.

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