

## Saunderson House Wealth Accumulation Balanced Model Portfolio

### One Year to 31 March 2014

### Increased allocations to equities drives a return of 8.3% over 12 months for Saunderson House Model Portfolio<sup>1</sup>

The combination of improving economic growth and central banks' focus on the maintenance of low interest rates provided a healthy backdrop for equity markets over the past year. The result was another year of gains for equity investors, with the FTSE World index rising by 7.6% after returning 17.5% in the prior 12 months.

Increased allocations to developed markets equities, together with a focus on strategic bond funds in fixed income (which have the ability to protect against the impact of rising bond yields), helped the Saunderson House (SHL) Model Portfolio to return 8.3% in the 12 months to 31 March 2014, almost twice the average return achieved by the contributors to the ARC Steady Growth Private Client Index<sup>2</sup> (PCI). While it is not appropriate to compare an all equity index with a diversified portfolio such as the SHL Model, it is noteworthy that, aided by successful fund selection, the Model Portfolio outpaced the return from global equities, despite having an average equity weighting of just 65% and lower volatility. Furthermore, with inflation subdued, the Model Portfolio also comfortably beat increases in the cost of living, as measured by the Consumer Price Index.

#### Saunderson House Model Portfolio Performance

	2013/14	2012/13	2011/12	2010/11	2009/10	3 Years p.a (%)	5 Years p.a (%)	Volatility p.a (%)
<b>SHL Model Portfolio</b>	<b>8.3</b>	<b>13.1</b>	<b>1.4</b>	<b>8.1</b>	<b>33.8</b>	<b>7.5</b>	<b>12.4</b>	<b>8.4</b>
ARC Steady Growth PCI	4.5	11.8	0.4	6.9	28.6	5.5	10.1	8.0
FTSE World Index	7.6	17.5	0.5	8.2	47.1	8.3	15.1	13.1
Inflation (CPI)	1.7	2.8	3.5	4.1	3.4	2.6	3.1	1.2

Returns to 31 March 2014. Sources: Financial Express, Asset Risk Consultants

As well as successfully tilting our asset allocation towards equities, fund selection has added significant value to our Model Portfolio return over the last 12 months. The average return of our recommended funds in every one of our equity sectors: UK, US, European, Japanese, Asian and emerging markets exceeded the return achieved by a comparative benchmark index. Of particular note was the performance of our recommended UK funds, where 21 of our 22 recommended funds outperformed the FTSE All Share index.

<sup>1</sup> The Saunderson House Wealth Accumulation Balanced Model Portfolio is used here [NB. Previously 40-49 Balanced Model Portfolio]. Portfolios for other risk profiles are constructed on the same basis with different weightings to the four asset classes as appropriate. Returns from other models are comparable on a risk adjusted basis. Performance figures are quoted on a total return basis, net of fund management charges and excluding any trail commission rebated. In addition, an indicative annual charge of 0.75%, to represent advisory fees, has been deducted. Actual advisory fees may differ. All returns are quoted in sterling unless stated otherwise.

<sup>2</sup> The ARC PCIs are Private Client Indices produced by Asset Risk Consultants. ARC produces four sterling PCIs. Each PCI is based on the monthly volatility of the MSCI World index less cash. The returns data are provided by participating discretionary investment managers. The data supplied by the participating managers are generated from unconstrained portfolios and must have returns dating back at least 12 months. All data submitted are net of all discretionary manager charges and fees. Additional advisory fees may be applicable. The ARC PCI used here is based upon 60-80% of the monthly volatility of the MSCI World index less cash.

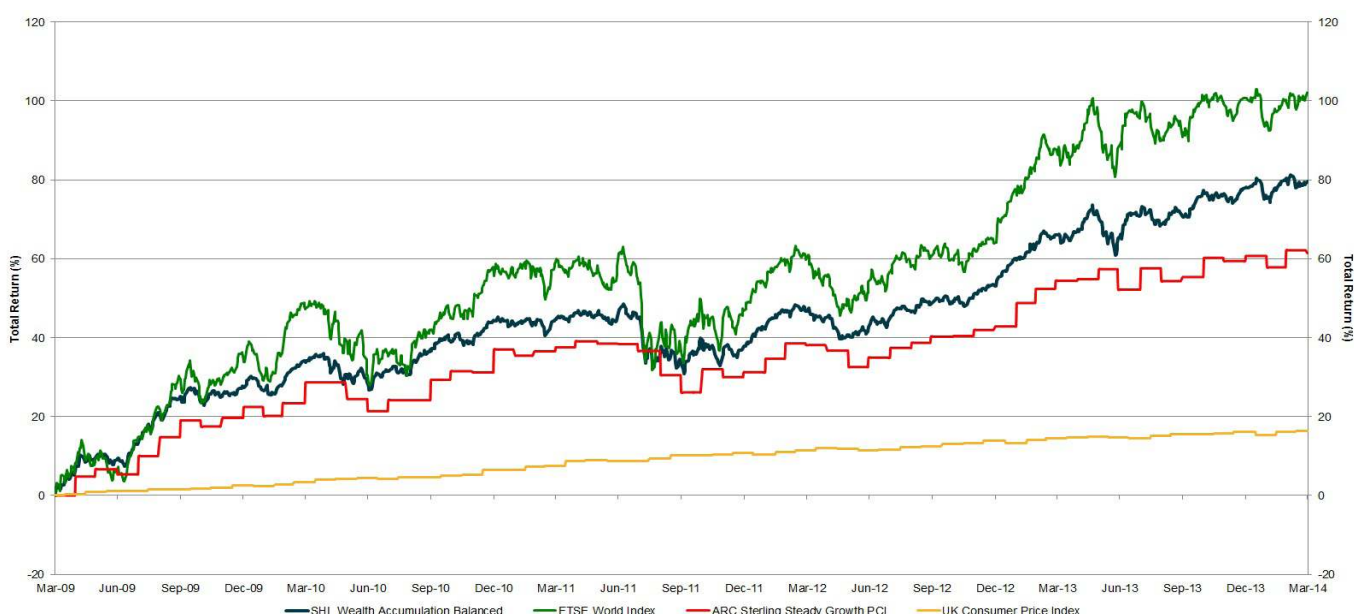
# Saunderson House Wealth Accumulation Balanced Model Portfolio

Five Years to 31 March 2014

Focus on long-term value opportunities delivers a five year return of 12.4% per annum

Equities have enjoyed a 'stealth' bull market in the last five years. Since the low point of the financial crisis, investors have had to endure repeated crises in the eurozone, political stalemate in the US and a weakening of growth in emerging economies. Despite these challenges, global equity markets, as measured by the FTSE World index, have delivered an impressive return of 102% (equating to 15.1% p.a.) over the period, supported by extraordinary policy measures from central banks and a gradual return of confidence in the global financial system.

The strong performance of stock markets has helped the SHL Model Portfolio produce a total return of 80%, with significantly less equity exposure and volatility<sup>3</sup> than global equities. This equates to an annualised return of 12.4% with an average equity weighting over the five years of just 57%. The SHL Model Portfolio has also comfortably beaten the 10.1% p.a. returned by the ARC Sterling Steady Growth PCI, which is comprised of returns achieved by discretionary managers after fees and management charges. Finally, considering the rising cost of living, the Model Portfolio has also outpaced inflation which, as measured by CPI, has risen by 3.1% p.a.



The returns achieved by the SHL Model Portfolio are the result of our disciplined, research-driven and, above all, valuation-focused investment management process. We keep things simple by focusing our research on just four asset classes: equities, fixed income, property and cash. We work to identify those assets trading at attractive valuations where there is a sound investment case, and tilting portfolios to capture this value. This approach enables us to avoid areas of the market that we consider to be overvalued, and also helps us to remain objective despite the influence of market sentiment and momentum. As well as delivering strong returns, the SHL investment process also results in diversified and transparent portfolios, with a high degree of liquidity.

<sup>3</sup> Volatility is a measure of how much variability there has been in returns from financial assets. It is widely used as a measure of risk. Volatility is calculated from historical observations and is simply a measure of how widely spread observed returns have been from their average. The higher the volatility figure, the more the value of the portfolio or index in question has moved in either direction over the period.



This note is for general guidance only and should not be construed as financial advice. We cannot assume legal liability for any errors or omissions and detailed advice should be taken before entering any transaction. The value of investments and any income therefrom can go down as well as up and you may not get back the full amount you invested. Performance data is purely indicative and based on unaudited pro-forma models. Actual returns will depend on individual circumstances. Past performance is not a guide to future performance. Saunderson House Limited is authorised and regulated by the Financial Conduct Authority.

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