

# Key Compendium takeouts

James Hutton



# History of Returns



# History of Returns

## THE INVESTMENT UNIVERSE



12	Equities, government bonds and cash
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# History of Returns

## Long-term UK investment returns (£)

	Equities %	Gilts %	Cash %	Inflation %		Equities %	Gilts %	Cash %	Inflation %
1900	1.3	1.2	4.0	3.3	1960	-2.9	-6.3	5.0	1.8
1901	-3.9	-0.9	2.5	0.0	1961	8.9	-7.2	5.1	4.4
1902	3.3	2.1	3.0	3.2	1962	8.7	23.7	4.5	2.6
1903	-2.6	-2.9	3.4	0.0	1963	20.8	3.8	3.8	1.9
1904	12.3	4.0	2.9	2.9					
1905	6.3	3.6	2.9	2.9					
1906	3.2	-0.9	3.0	3.0					
1907	-0.9	0.1	3.0	3.0					
1908	3.0	3.6	2.9	2.9					
1909	8.2	1.7	2.9	2.9					
1910	6.6	-1.2	3.0	3.0					
1911	2.2	0.4	2.9	2.9					
1912	4.1	0.9	2.9	2.9					
1913	1.2	-1.2	3.0	3.0					
1914	-7.2	4.4	3.0	3.0					

### Average annual total return

5 years

10 years

25 years

Since inception

Volatility

1945	5.7	14.5	0.9	1.0	2005	22.0	7.9	4.8	1.9
1946	19.6	10.5	0.5	0.5	2006	16.8	0.7	4.6	3.0
1947	0.5	-13.8	0.5	3.2	2007	5.3	5.3	5.8	1.5
1948	-1.2	0.8	0.5	4.9	2008	-29.9	12.8	6.3	4.1
1949	-10.7	-8.5	0.5	3.5	2009	30.1	-1.2	1.6	1.9
						14.5	7.2	0.5	3.2
						-3.5	15.6	0.7	4.8
						12.3	2.7	0.8	2.6
						20.8	-3.9	0.4	2.1
						1.2	13.9	0.4	0.9
						1.0	0.6	0.4	0.1
						16.8	10.1	0.4	1.6
						13.1	1.8	0.2	2.9
						-9.5	0.6	0.5	2.1
						19.2	6.9	0.7	1.3

	Equities %	Gilts %	Cash %	Inflation %
5 years	7.6	3.9	0.5	1.6
10 years	8.1	5.4	0.5	2.2
25 years	7.8	6.9	3.4	2.4
Since inception	9.3	5.2	4.6	3.7
Volatility	21.1	10.7	3.8	6.5

7.6	3.9	0.5	1.6
8.1	5.4	0.5	2.2
7.8	6.9	3.4	2.4
9.3	5.2	4.6	3.7
21.1	10.7	3.8	6.5

Sources: Barclays Equity Gilt Study / FTSE International Ltd /

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25 years

Since inception

Volatility

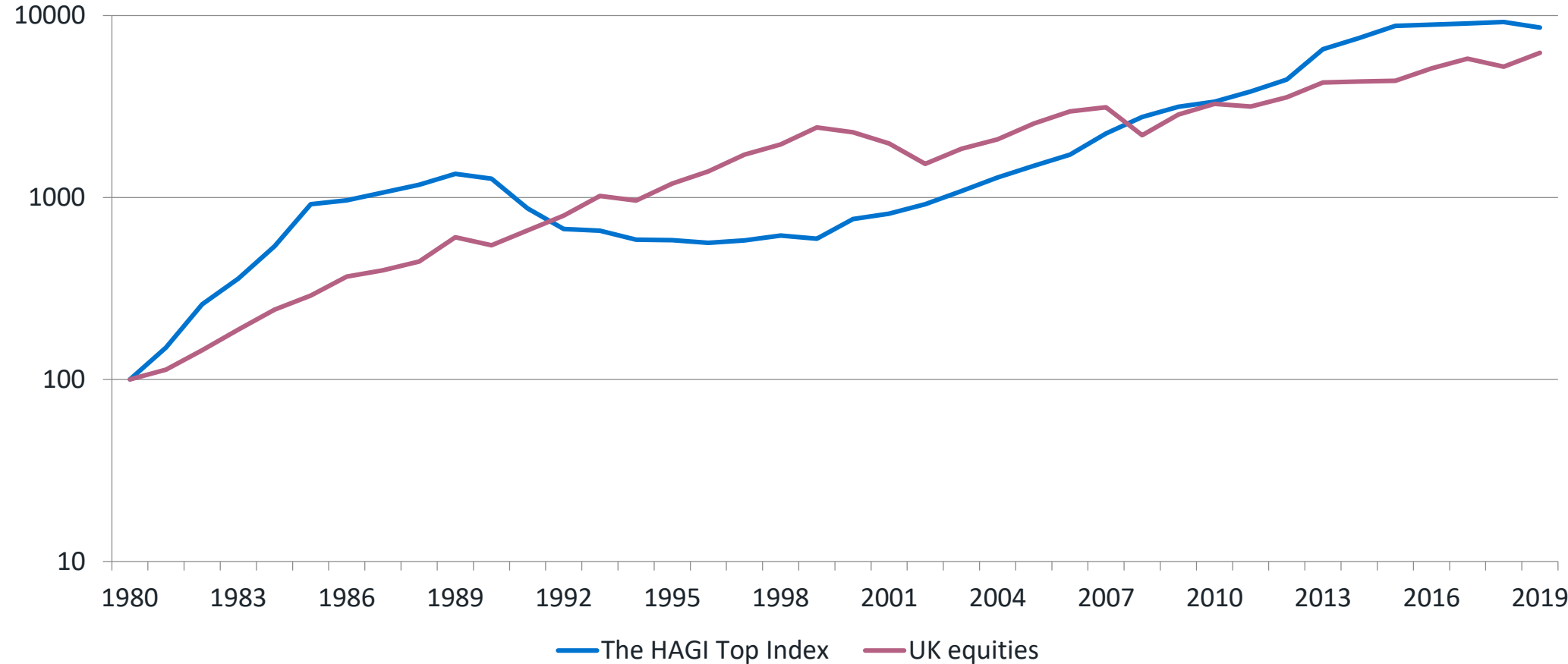
Sources: Barclays Equity Gilt Study / FTSE International Ltd /

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Source: Sarasin & Partners Compendium of Investment

# Classic Cars

 The HAGI top index



Source: Sarasin & Partners Compendium of Investment

# Fine Wine



## Liv-ex fine wine investables index



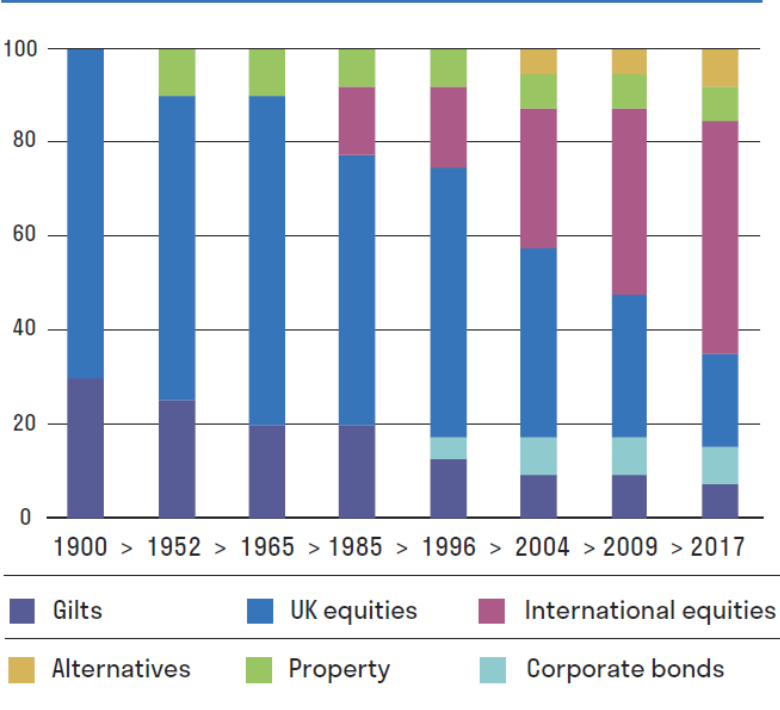
Source: Sarasin & Partners Compendium of Investment

# Endowments Model



## Evolution of the Endowments Model asset allocation (%)

14 Evolution of the Endowments Models asset allocation (%)

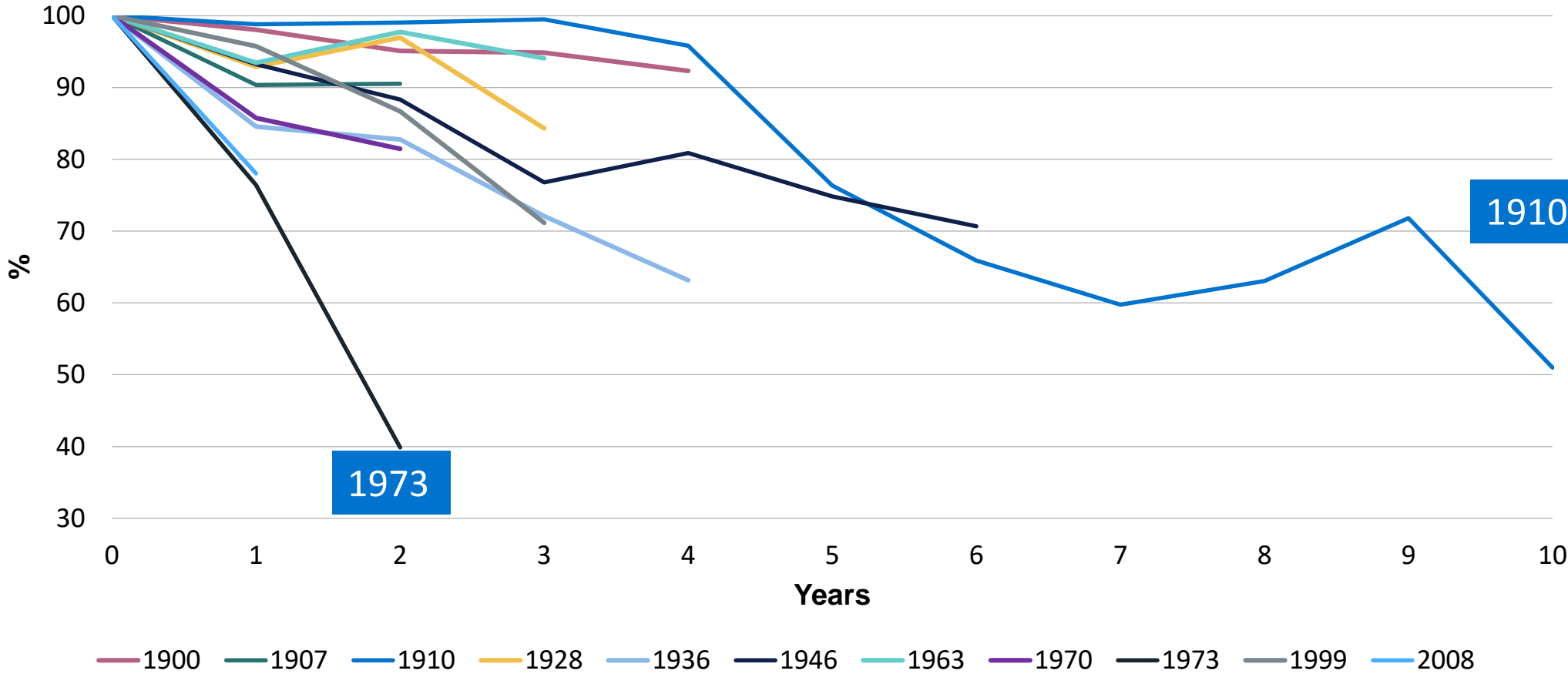


Source: Sarasin & Partners LLP

Source: Sarasin & Partners Compendium of Investment

# Real Bear Markets

 Endowments Model

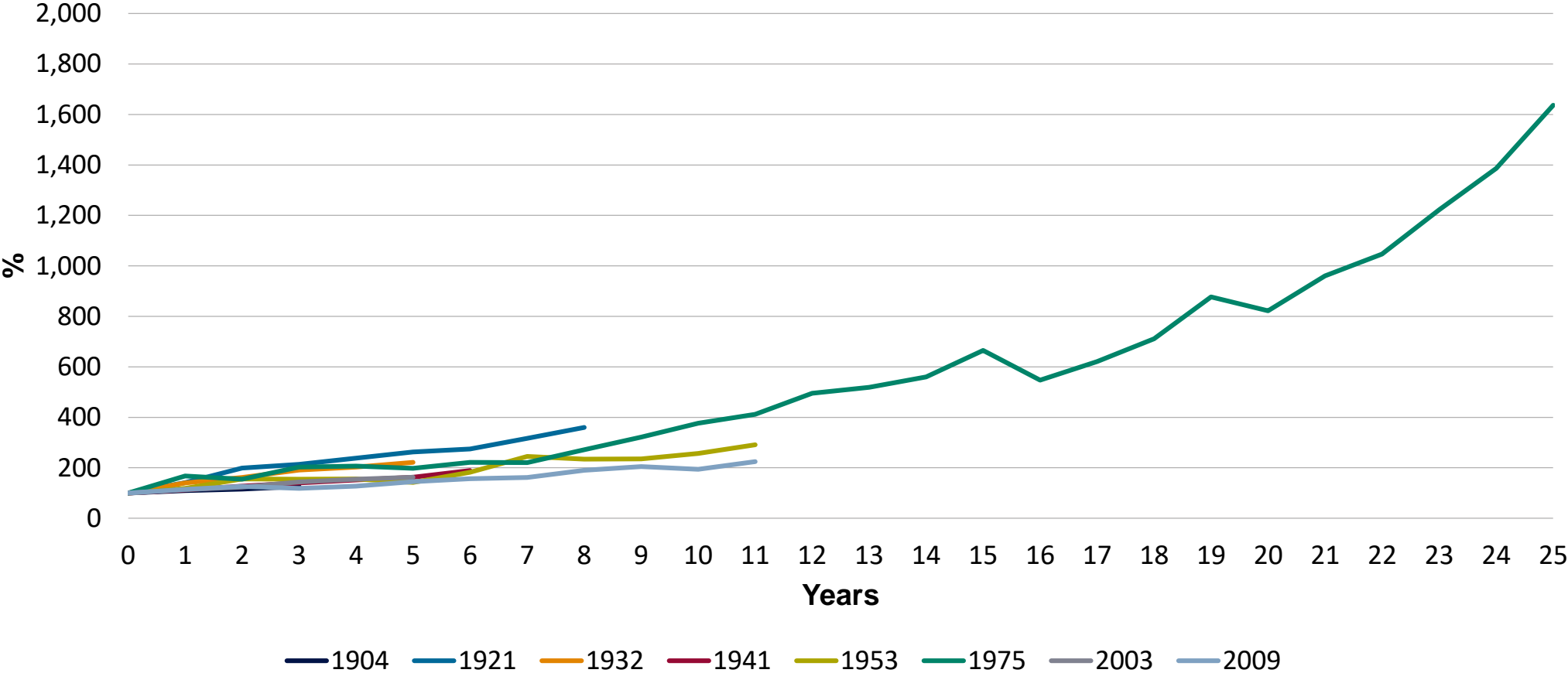


Source: Sarasin & Partners



# Real Bull Markets

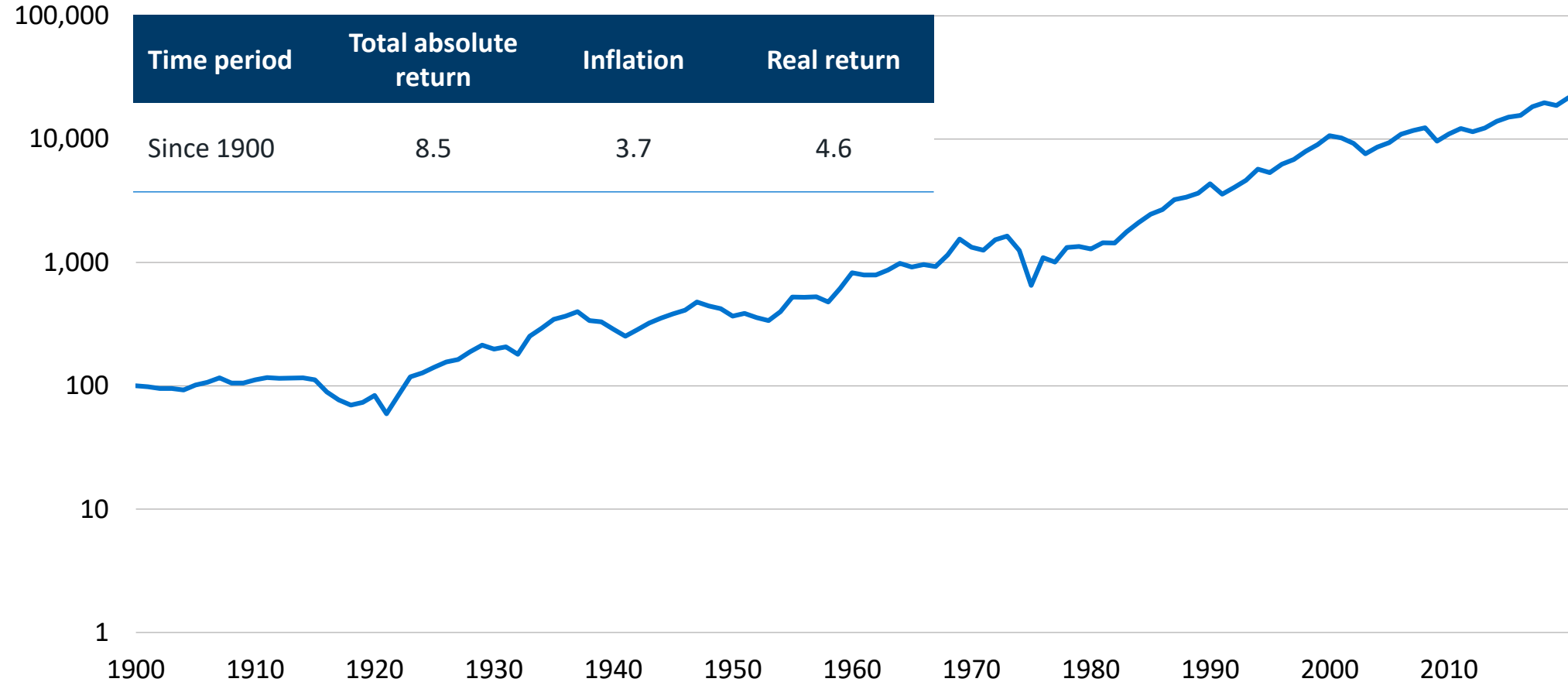
## Endowments Model



Source: Sarasin & Partners

# So in the long run

## Endowments Model



Source: Sarasin & Partners

# The Future – the next 7 to 10 years

## Endowments model (%)

Asset mix %		Trend return per annum %
7.5	Gilts	0.9
7.5	Corporate bonds	2.2
70.0	Equities	6.3
5.0	UK property	5.0
10.0	Alternatives	4.5
<b>100</b>	<b>Total fund</b>	<b>5.3</b>
<b>Expected inflation</b>		<b>2.0</b>
<b>Project real return</b>		<b>3.3</b>

Source: Sarasin & Partners

# But tactically you could....

 Endowments model (%)

	Asset mix %		Trend return per annum %
	5.0	Gilts	0.9
	5.0	Corporate bonds	2.2
↓	75.0	Equities	7.3
↑	5.0	UK property	5.0
	10.0	Alternatives	4.5
	100	<b>Total fund</b>	<b>6.3</b>
		<b>Expected inflation</b>	<b>2.0</b>
		<b>Projected real return</b>	<b>4.2</b>

Source: Sarasin & Partners

# Feast and Famine



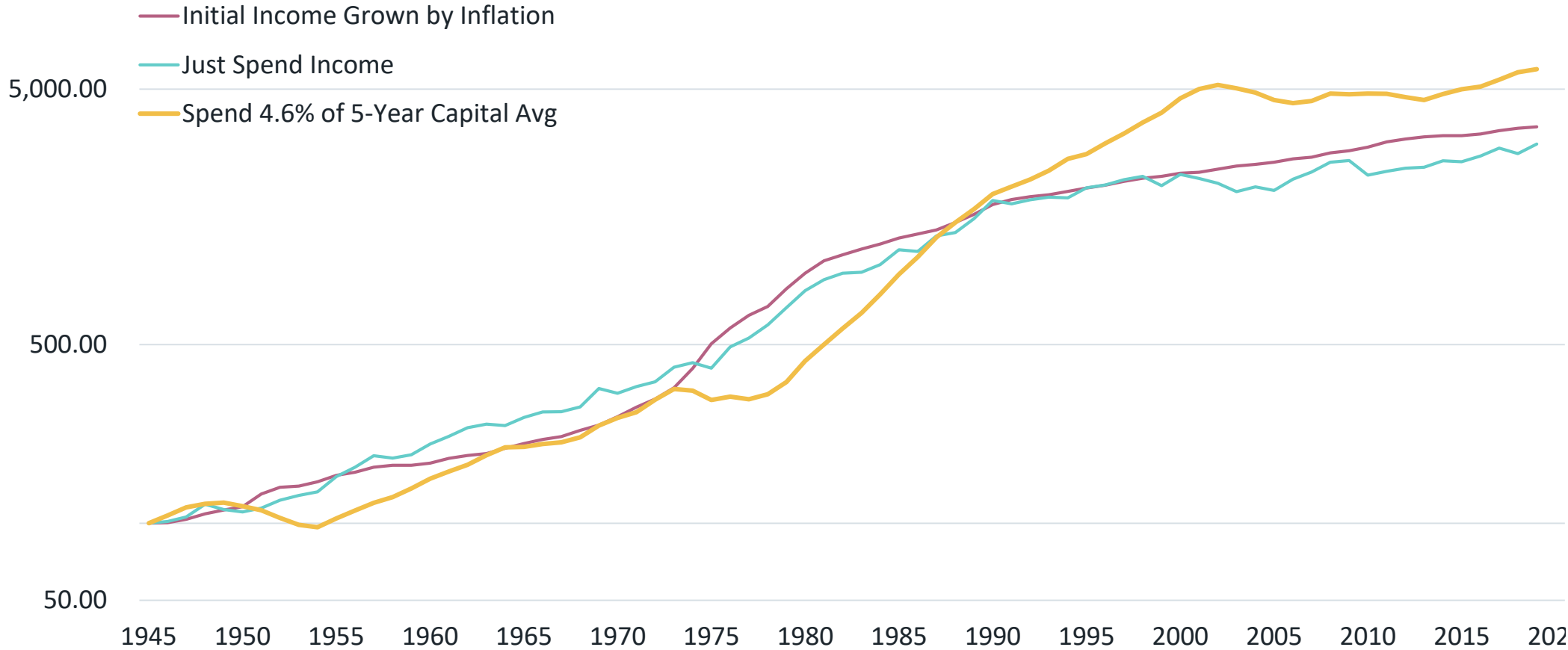
The investment returns generated by a typical Multi-Asset portfolio have never been smooth

Decade	Total return % p.a.	Inflation% p.a.	Real return % p.a.	Comment
1900s	2.4	1.3	1.1	Bad
1910s	5.2	8.3	-2.9	Very bad
1920s	5.8	-2.9	9.0	Excellent
1930s	4.1	0.4	3.8	Weak
1940s	5.3	2.8	2.4	Bad
1950s	12.9	4.1	8.5	Excellent
1960s	8.7	3.7	4.9	Average
1970s	12.7	13.1	-0.3	Very Bad
1980s	20.7	6.9	12.9	Excellent
1990s	13.2	3.5	9.4	Excellent
2000s	2.7	2.3	0.3	Very Bad
2010s	9.3	2.2	7.0	Good
<b>Since 1900s</b>	<b>8.5</b>	<b>3.7</b>	<b>4.6</b>	<b>The Average</b>
<b>Forecast 2020s</b>	5.3	2.0	3.3	The Future: Weak?

Source: Sarasin & Partners Compendium of Investment

# Can you smooth your spending to ride out the bumps?

## The progression of distributions



Source: Sarasin & Partners Compendium of Investment

# Can you smooth your spending to ride out the bumps?

The challenge

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Maintain withdrawals that are:

Consistent

Maintained Impact

Capital must continue to grow in line with inflation

# Sarasin methodology

What did we do?

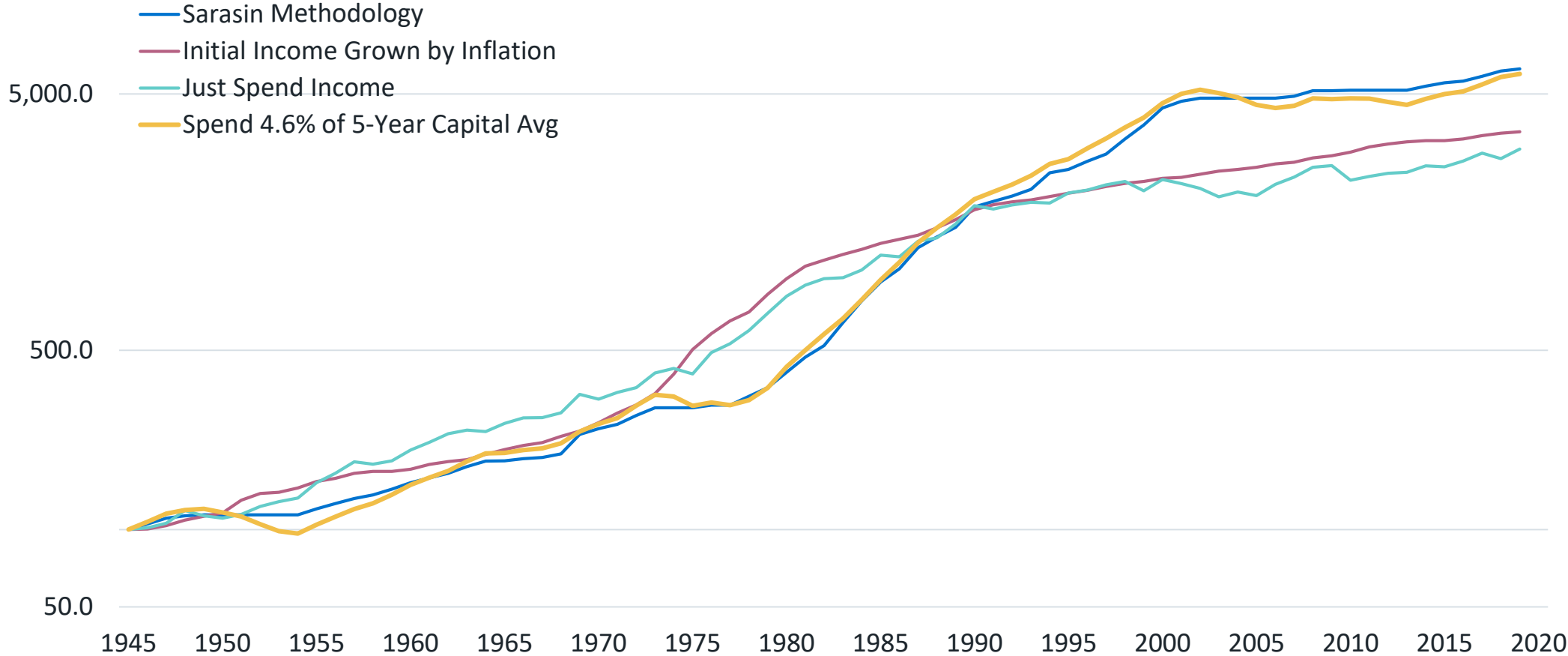
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1. Start with 4.6% of the rolling 5 year capital value
2. Reduce this by 30%
3. Ensure that withdrawals never fall in absolute terms
4. Ensure that we distribute at least 3.5% of starting capital value each year



# Can you smooth your spending to ride out the bumps?

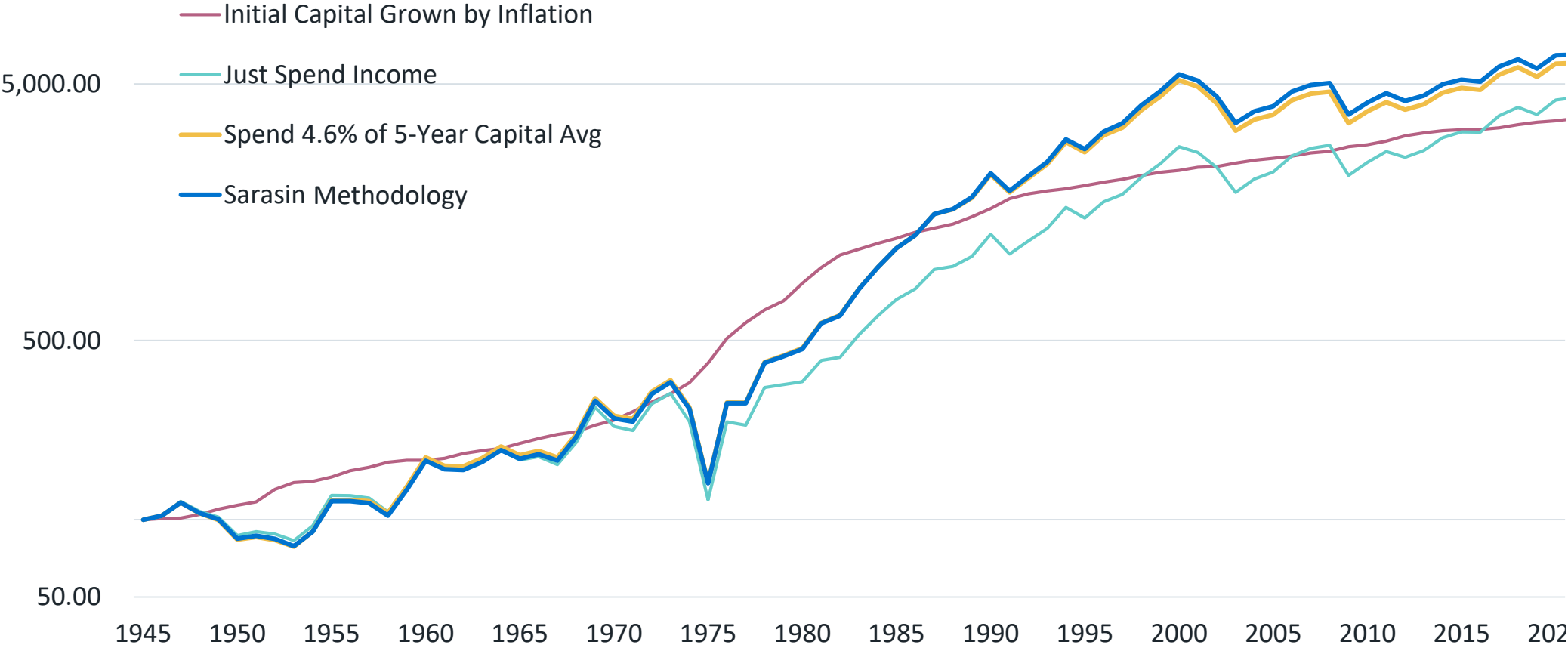
## The progression of distributions



Source: Sarasin & Partners Compendium of Investment

# But what happened to your capital?

## The progression of capital



Source: Sarasin & Partners Compendium of Investment

# What does the future hold?



Source: Sarasin & Partners Compendium of Investment

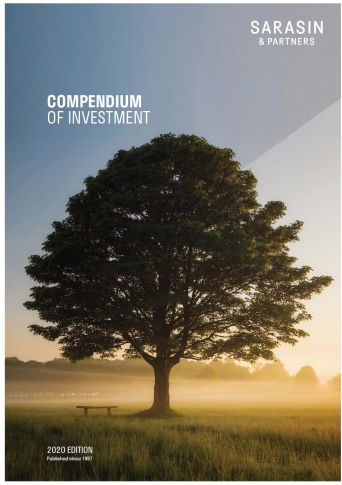
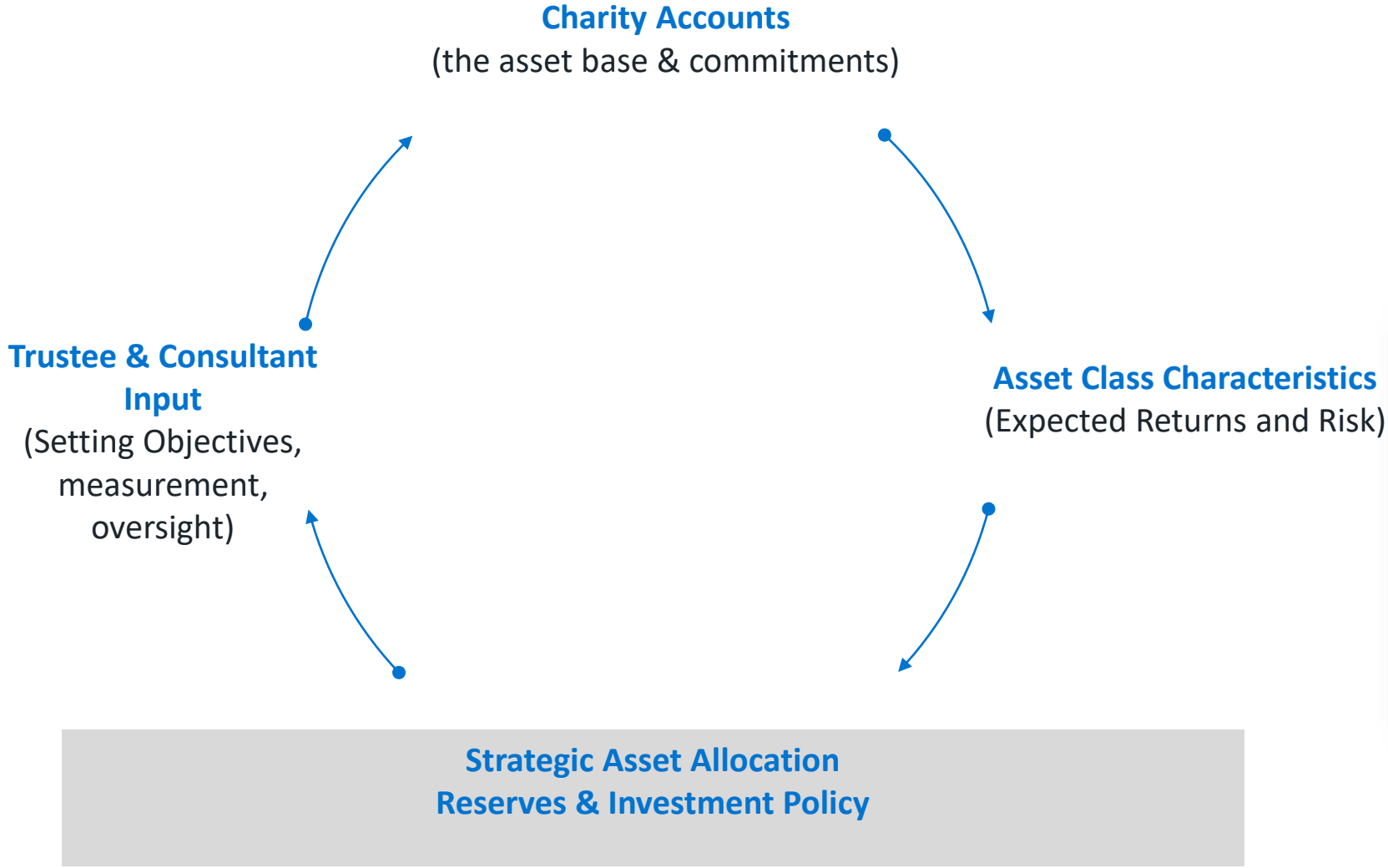
# The qualitative element

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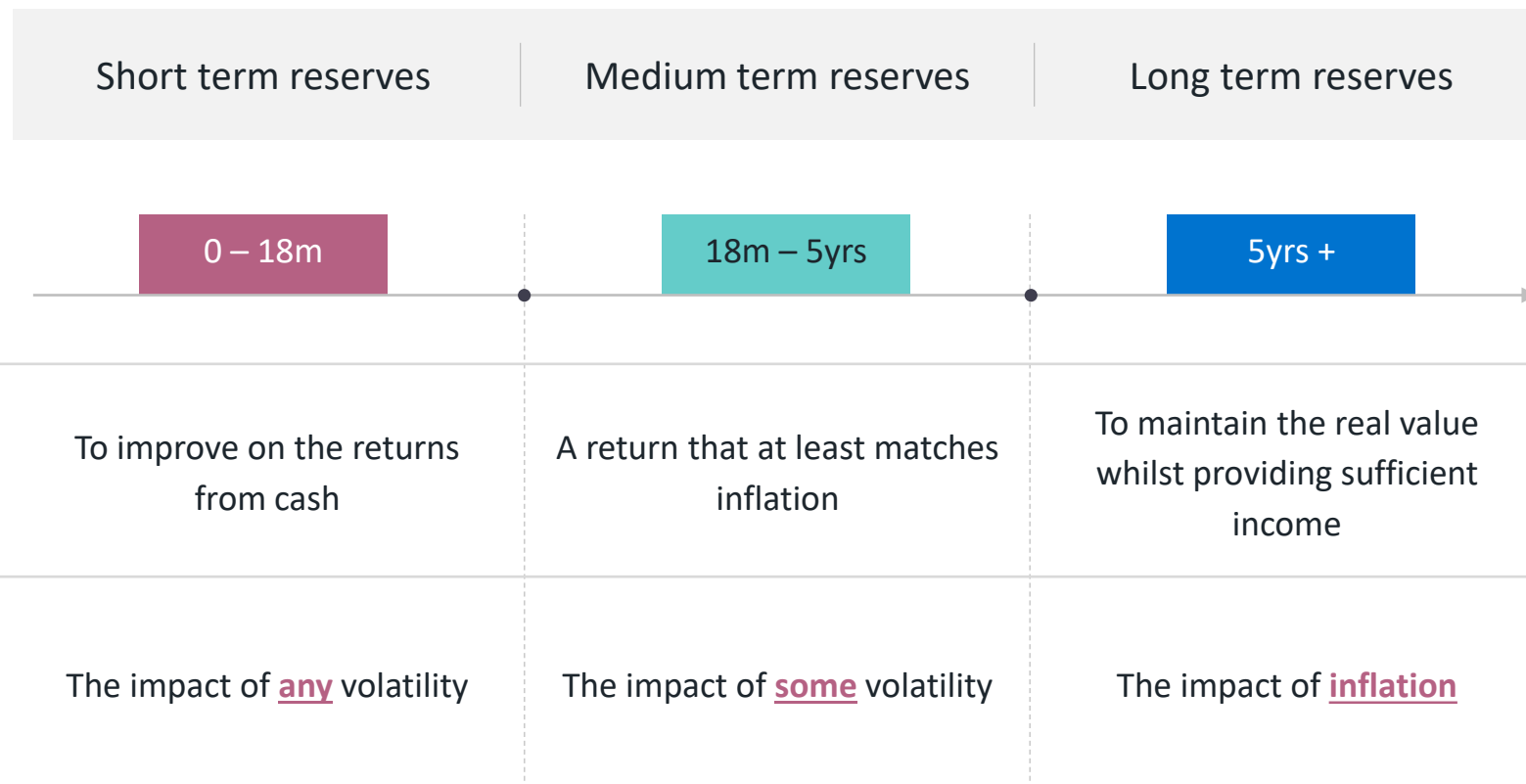


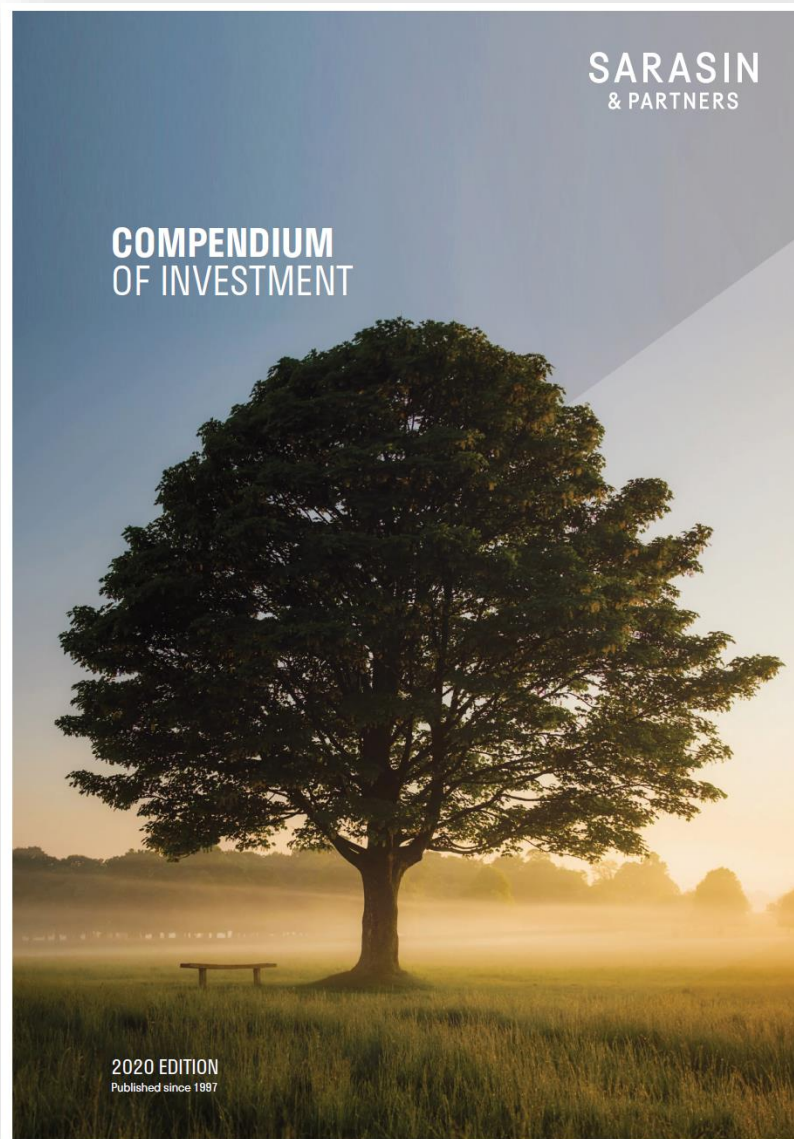
134	Creating a strategic investment policy
140	Choosing an investment manager
146	Passive investment
152	Instructing an investment manager and assessing performance
155	Paying for investment management

# Building an investment strategy



# Strategic asset allocation considerations





# Important information

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