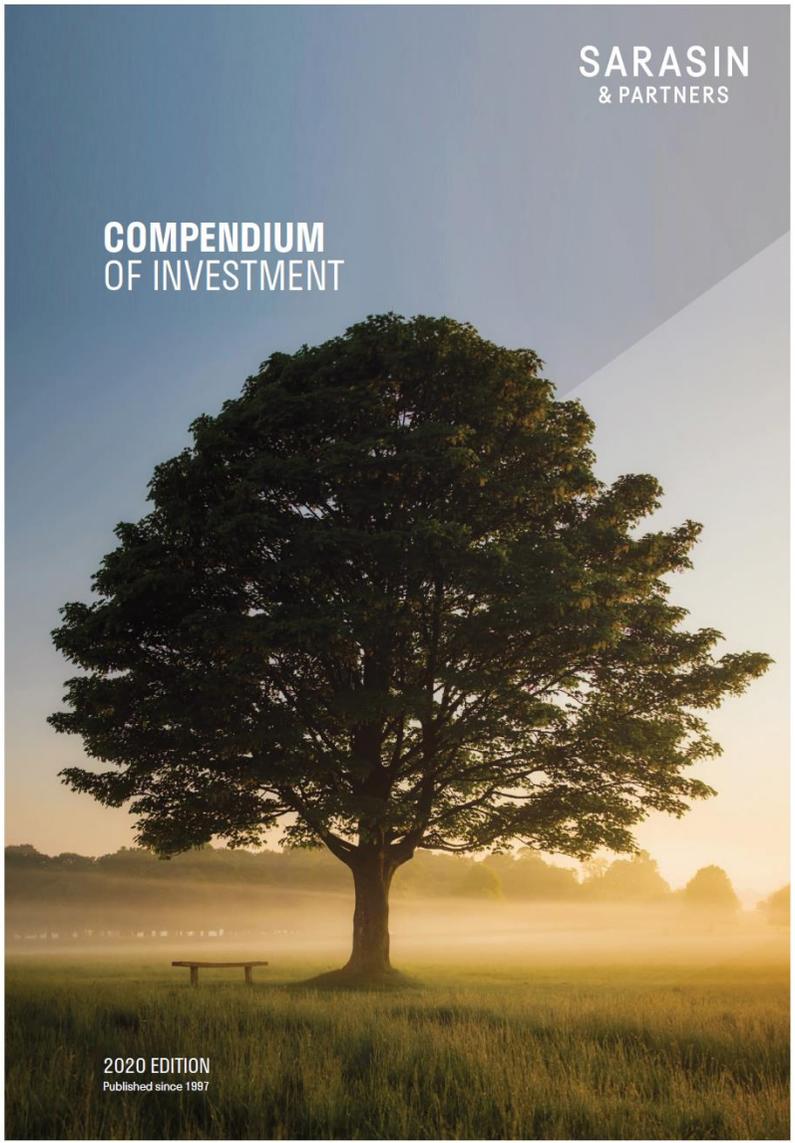


Key Compendium takeouts

James Hutton



History of Returns



History of Returns

THE INVESTMENT UNIVERSE



12	Equities, government bonds and cash
14	Bonds
27	Equities
44	Comparing equities with bonds
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	Alternatives
58	- Hedge funds
65	- Private equity
70	- Infrastructure
75	- Commodities
80	- Agriculture
81	- Collectibles
85	Derivatives

History of Returns

Long-term UK investment returns (£)

	Equities %	Gilts %	Cash %	Inflation %		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	1945	5.7	14.5	0.9	1.0
1901	-3.9	-0.9	2.5	0.0	1961	8.9	-7.2	5.1	4.4	1946	19.6	10.5	0.5	0.5
1902	3.3	2.1	3.0	3.2	1962	8.7	23.7	4.5	2.6	1947	0.5	-13.8	0.5	3.2
1903	-2.6	-2.9	3.4	0.0	1963	20.8	3.8	3.8	1.9	1948	-1.2	0.8	0.5	4.9
1904	12.3	4.0	2.9	2.9	Average annual total return					1949	-10.7	-8.5	0.5	3.5
1905	6.3	3.6	2.9	2.9	5 years					1950	14.5	7.2	0.5	3.2
1906	3.2	-0.9	3.0	3.0	10 years	7.6	3.9	0.5	1.6	1951	-3.5	15.6	0.7	4.8
1907	-0.9	0.1	3.0	3.0	25 years	8.1	5.4	0.5	2.2	1952	12.3	2.7	0.8	2.6
1908	3.0	3.6	2.9	2.9	Since inception	7.8	6.9	3.4	2.4	1953	20.8	-3.9	0.4	2.1
1909	8.2	1.7	2.9	2.9	Volatility	9.3	5.2	4.6	3.7	1954	1.2	13.9	0.4	0.9
1910	6.6	-1.2	3.0	3.0						1955	1.0	0.6	0.4	0.1
1911	2.2	0.4	2.9	2.9						1956	16.8	10.1	0.4	1.6
1912	4.1	0.9	2.9	2.9						1957	13.1	1.8	0.2	2.9
1913	1.2	-1.2	3.0	3.0						1958	-9.5	0.6	0.5	2.1
1914	-7.2	4.4	3.0	3.0						1959	19.2	6.9	0.7	1.3

Sources: Barclays Equity Gilt Study / FTSE International Ltd /

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25 years

Since inception

Volatility

	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

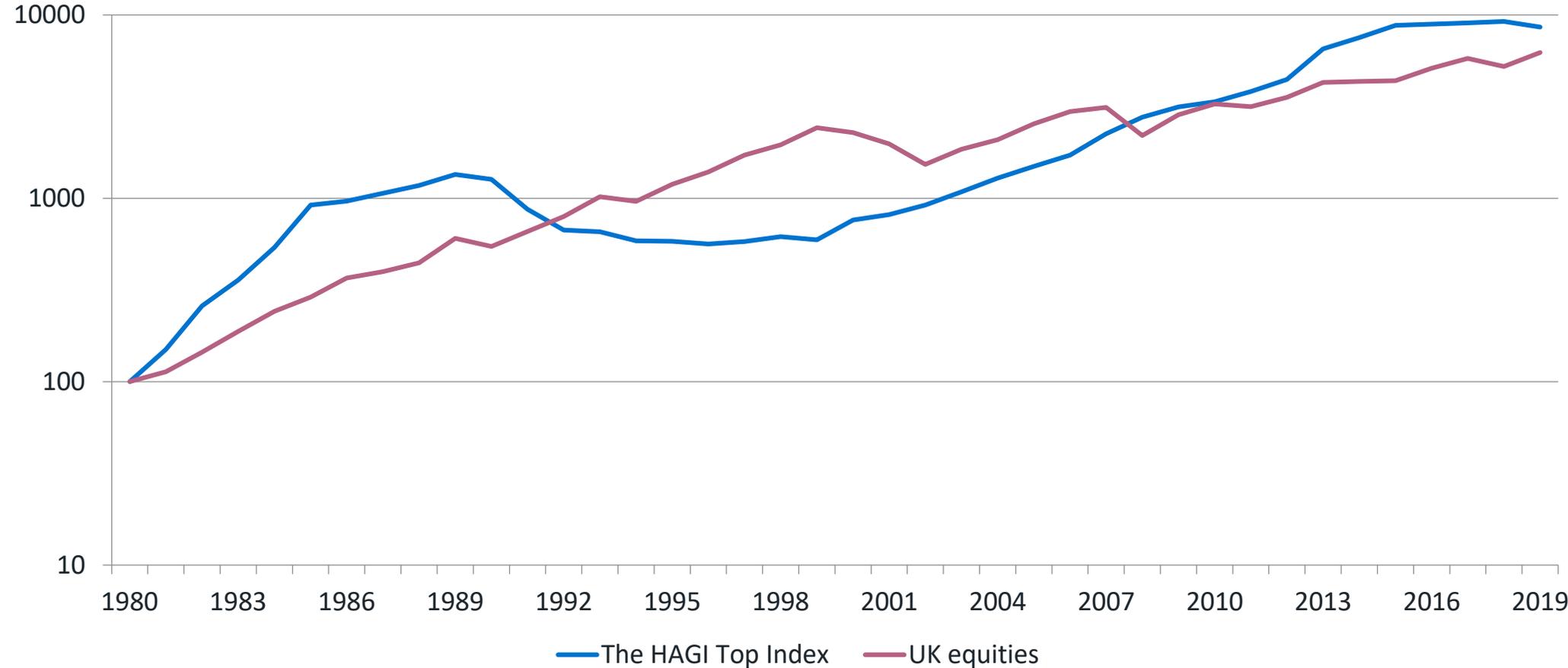
Sources: Barclays Equity Gilt Study / FTSE International Ltd /

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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



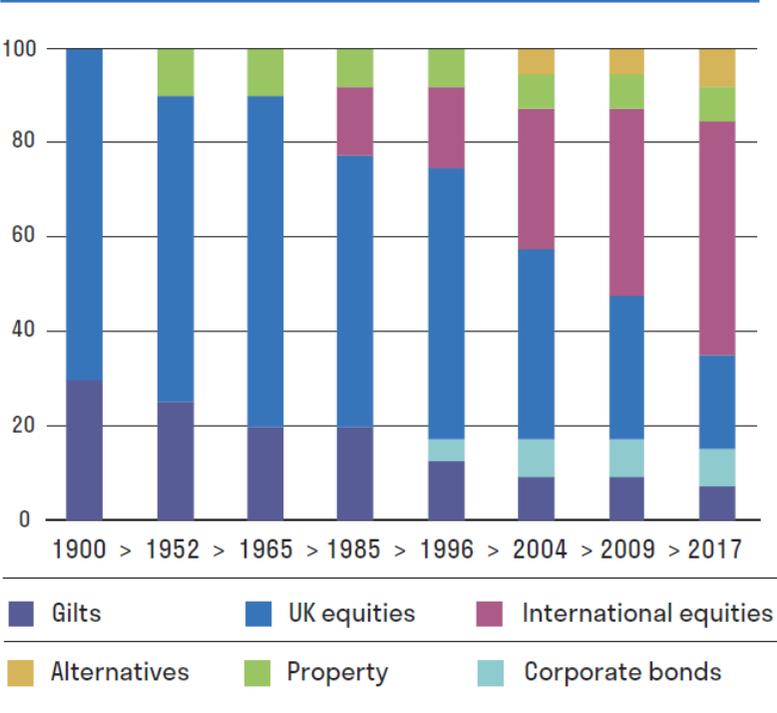
Source: Sarasin & Partners Compendium of Investment

Endowments Model



Evolution of the Endowments Model asset allocation (%)

14 Evolution of the Endowments Models asset allocation (%)



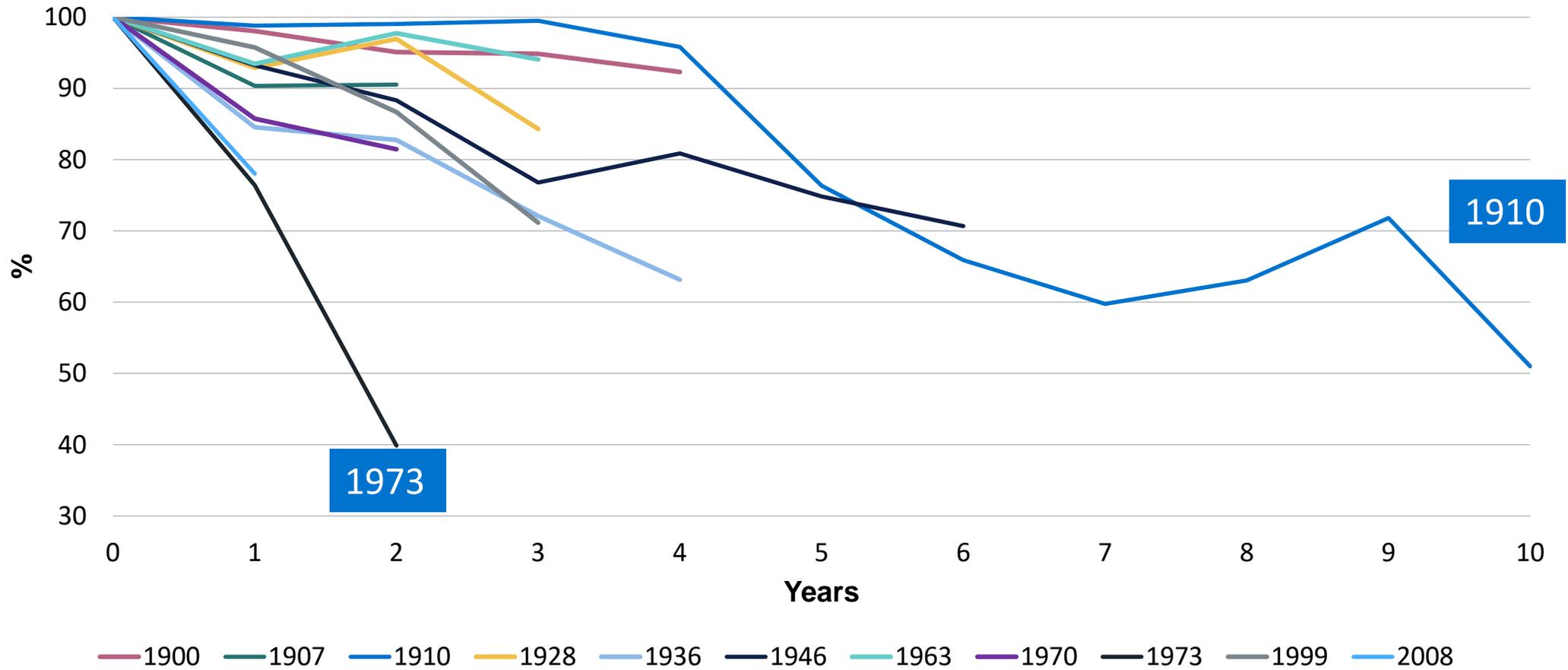
Source: Sarasin & Partners LLP

Source: Sarasin & Partners Compendium of Investment

Real Bear Markets



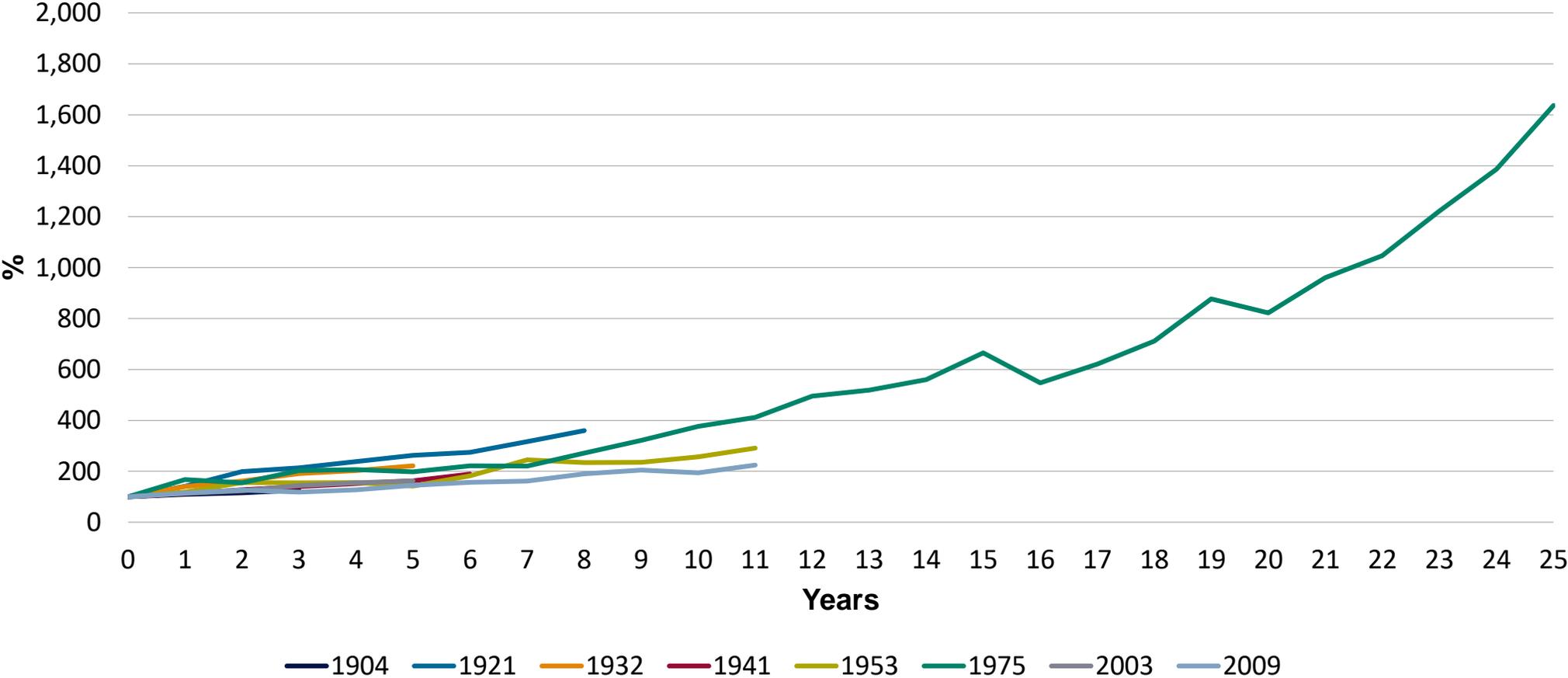
Endowments Model



Source: Sarasin & Partners

Real Bull Markets

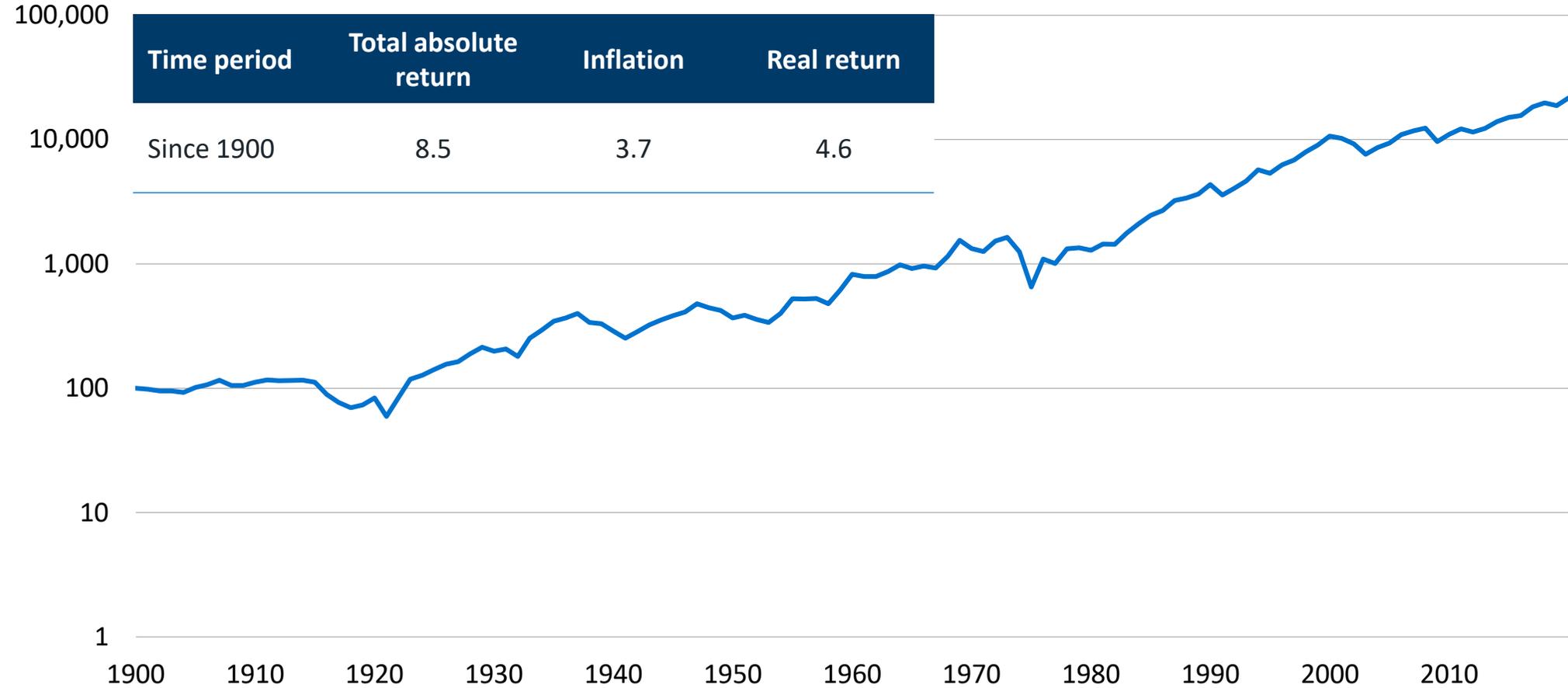
Endowments Model



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
100	Total fund	5.3
Expected inflation		2.0
Project real return		3.3

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	Total fund	6.3
		Expected inflation	2.0
		Projected real return	4.2

Source: Sarasin & Partners

Feast and Famine



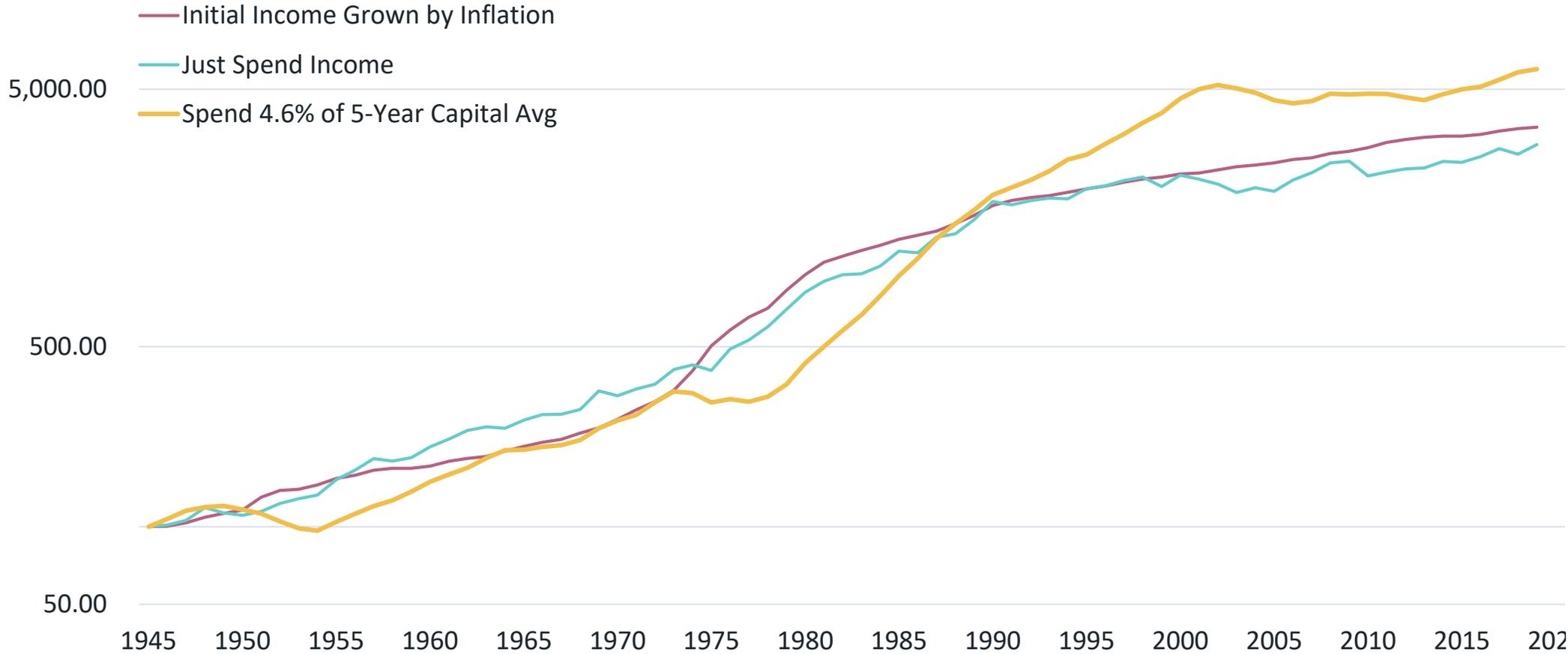
The investment returns generated by a typical Multi-Asset portfolio have never been smooth

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
Since 1900s	8.5	3.7	4.6	The Average
Forecast 2020s	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

Maintain withdrawals that are:

Consistent

Maintained Impact

Capital must continue to grow in line with inflation

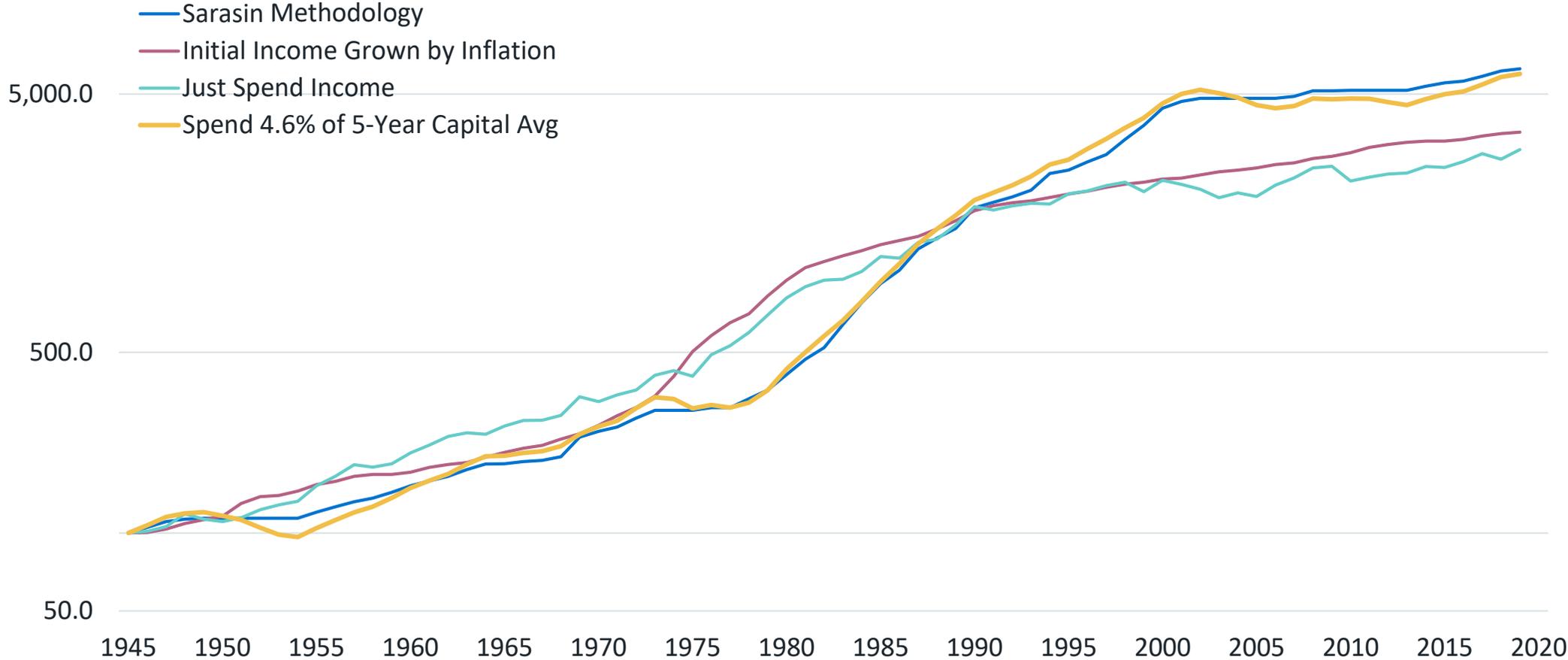
Sarasin methodology

What did we do?

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

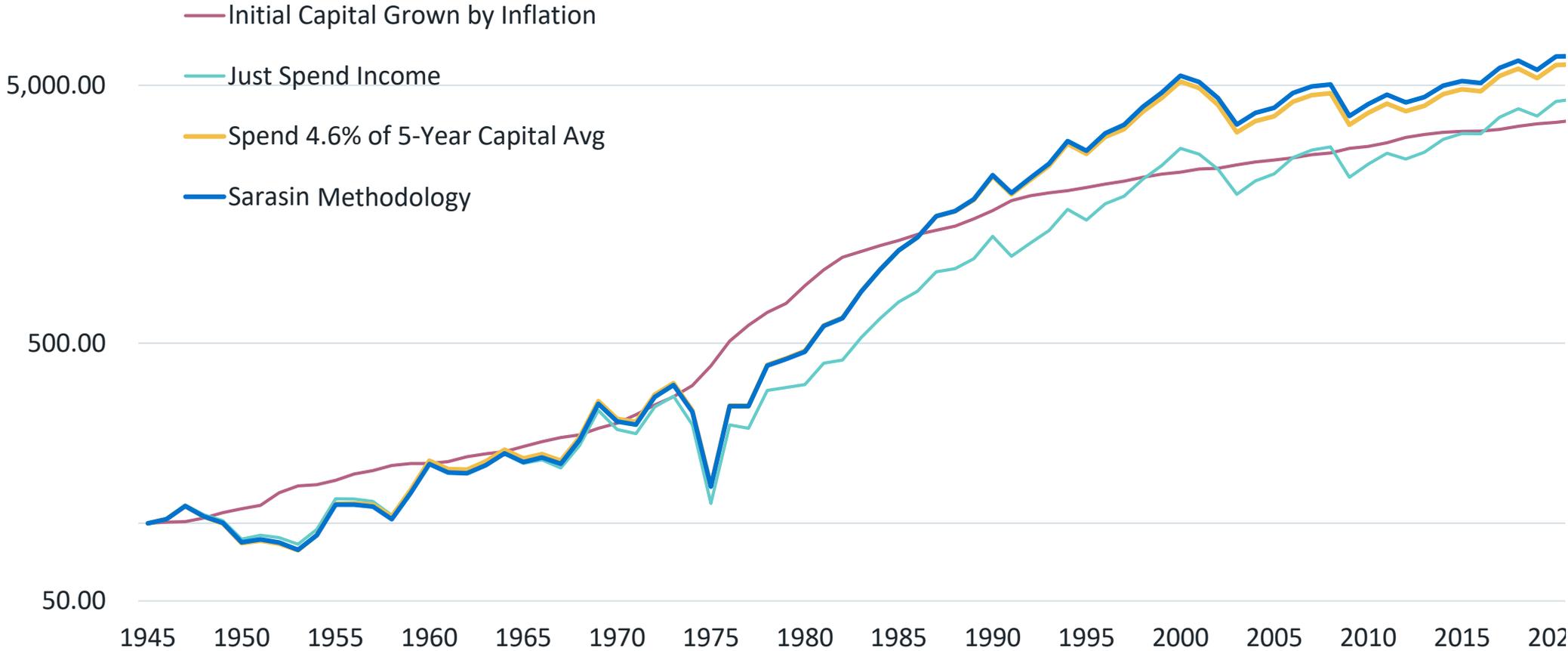


Source: Sarasin & Partners Compendium of Investment

But what happened to your capital?



The progression of capital



Source: Sarasin & Partners Compendium of Investment

What does the future hold?



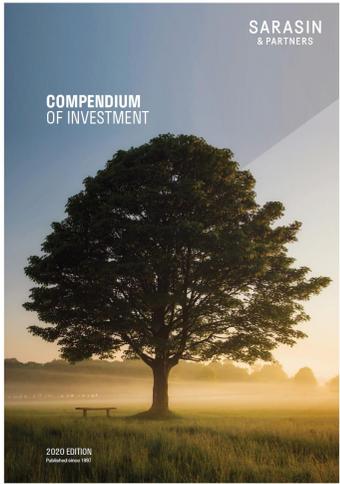
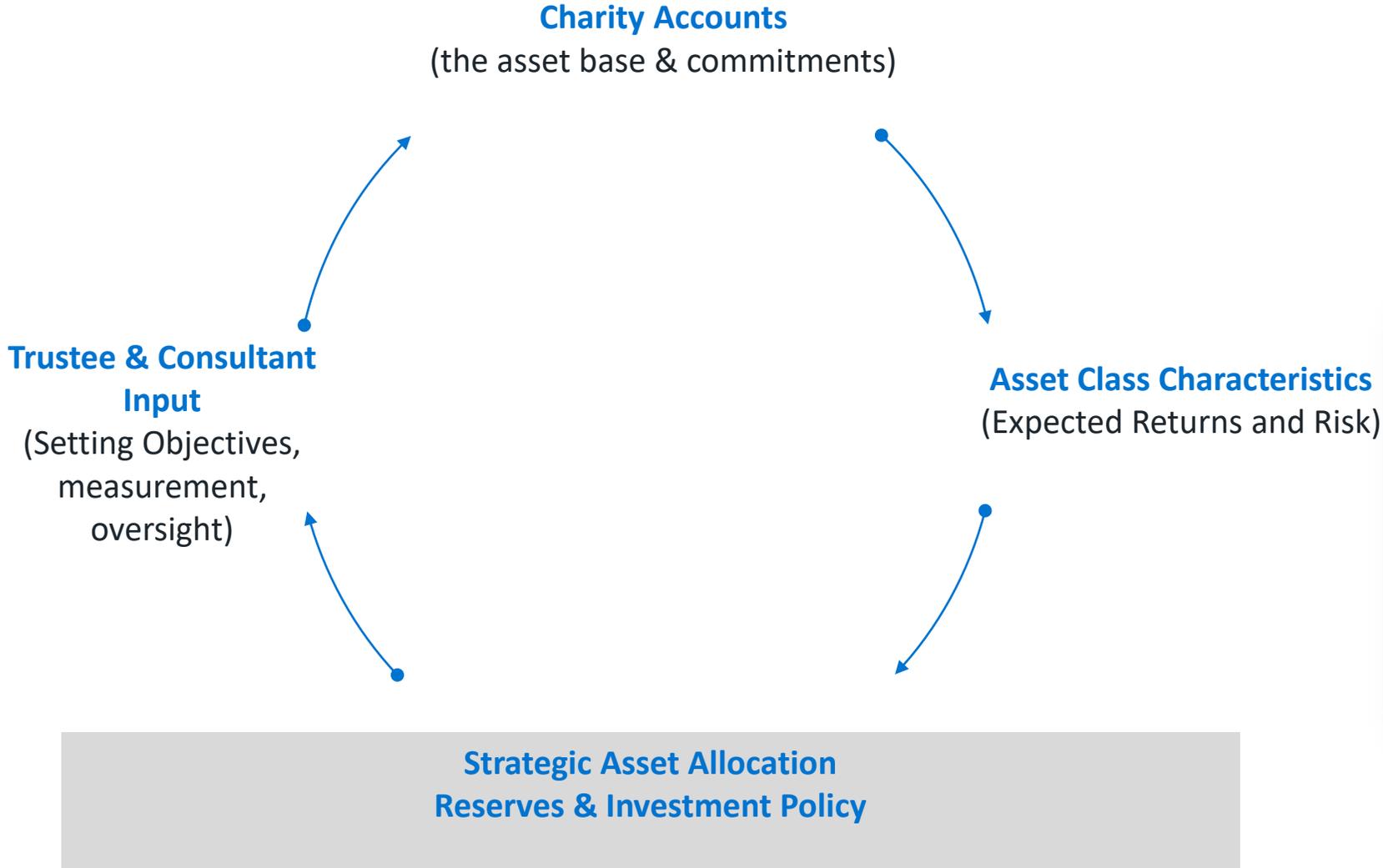
Source: Sarasin & Partners Compendium of Investment

The qualitative element

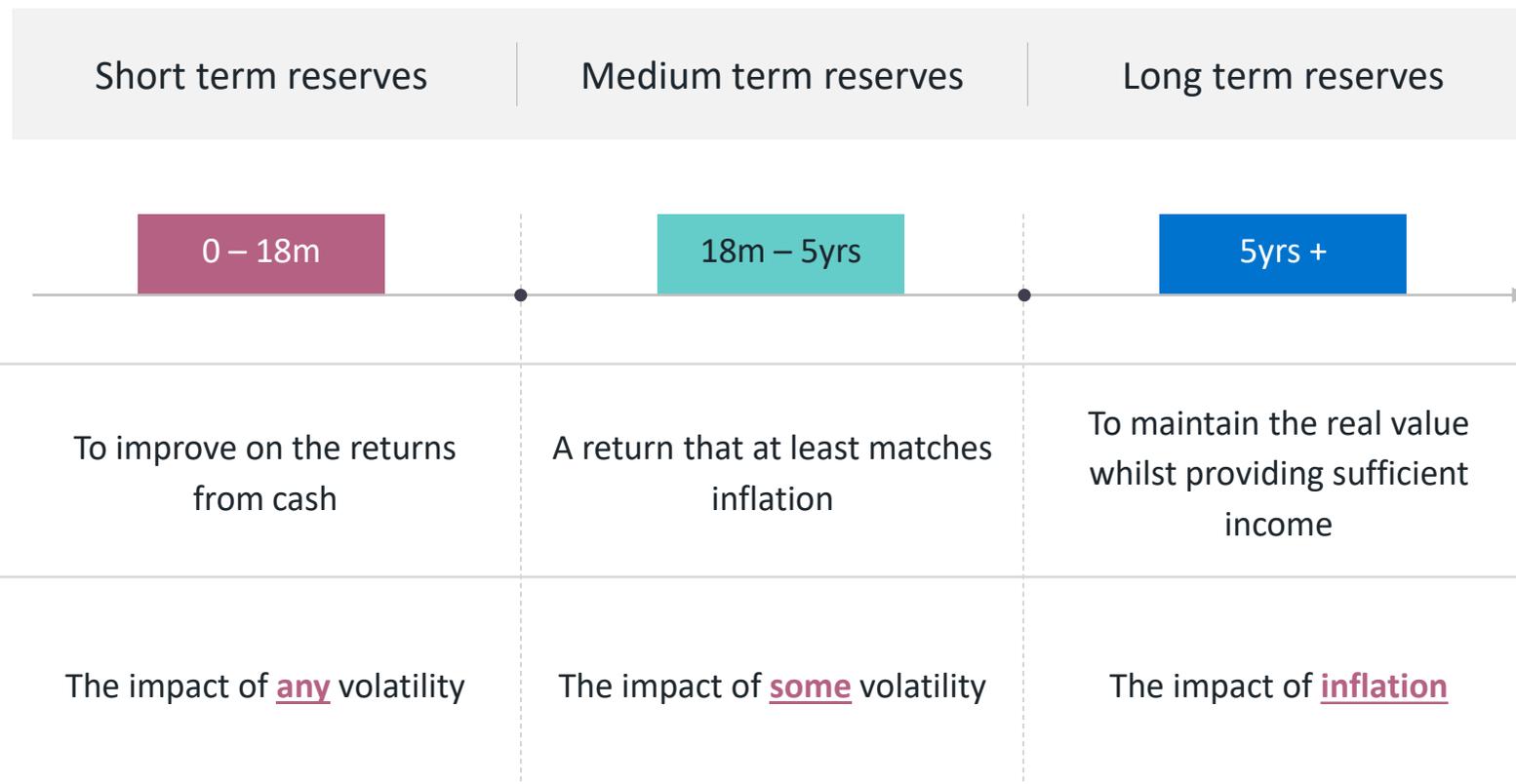


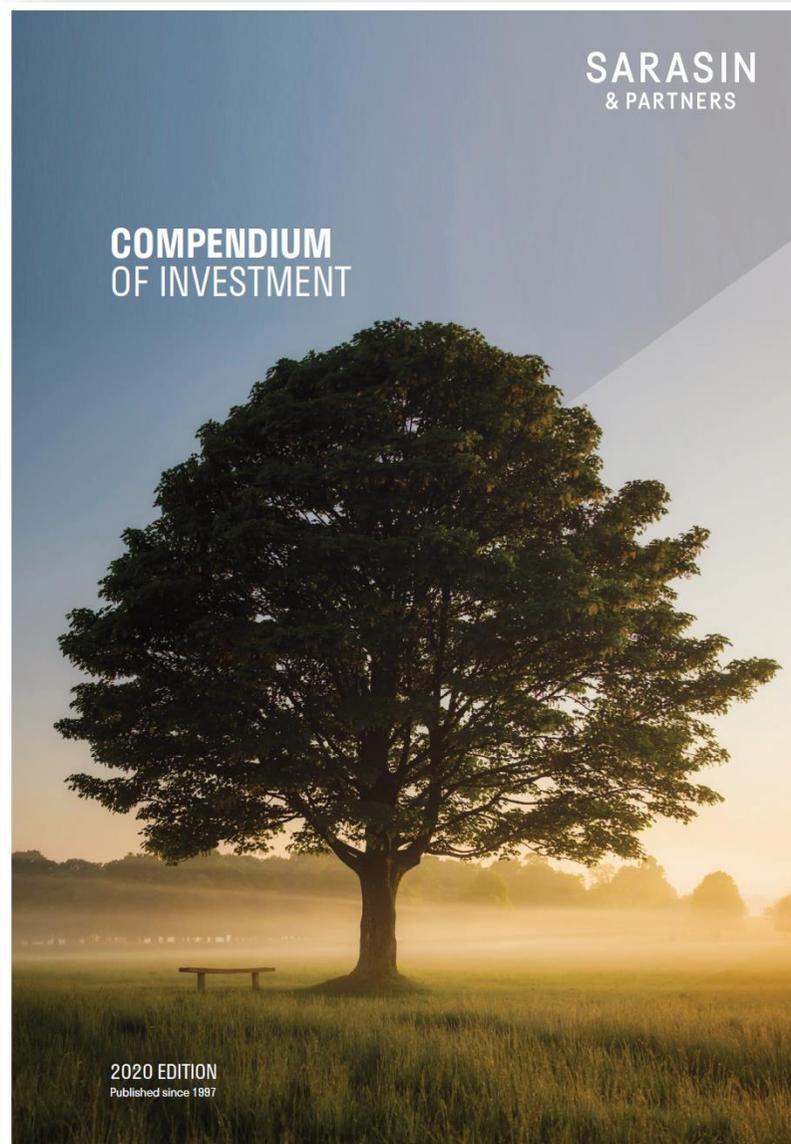
134	Creating a strategic investment policy
140	Choosing an investment manager
146	Passive investment
152	Instructing an investment manager and assessing performance
155	Paying for investment management

Building an investment strategy



Strategic asset allocation considerations





Important information

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