FEIFA Masterclasses
November 2022

MODELLING SUCCESS

How low-cost Model Portfolios can add value to investors and advisors

Neil Browner – Head of Fund Solutions, IDAD

About IDAD

Established in 2002, IDAD is an FCA-regulated and UK-headquartered investment business with global coverage

Multi-faceted investment business

Established 2002

Diversified investment solutions, including Notes and Funds

1,700+ products traded in the last 10 years

Range of Fund Solutions, including UCITS, MPS and securitized offerings

GBP 2.7bn AUM (across group affiliated companies)

WHAT DO ADVISERS AND INVESTORS NEED FROM AN MPS?

1. Clear value – both in terms of asset performance and cost

2. Flow of information to allow all parties to understand the investment decisions

3. The adviser needs a defined rationale to use one provider alongside OR for replacing others within their CIP. How does the MPS align with a given segment of their adviser base? Are each of the different client types being served effectively?

4. A robust investment process that adviser and investor can trust is free from bias and is always operating with their best interests in mind

Problem 1 – understanding your MPS positioning

Most MPS providers offer some form of rationale for portfolio change, quarterly reporting and market commentary.

But can you honestly understand portfolio positioning documentation quickly and clearly – and most importantly - in language that your client can grasp?

Problem 2 – portfolio drift and suitability

Over time any portfolio will drift from a given allocation – a regular rebalance schedule is a must.

But what about underlying fund suitability or risk drift? How can an adviser maintain oversight as part of their regulatory responsibility?

Problem 3 – variable and fair pricing?

As MPS has become embedded over the past 10 years, the cost for managing these services has varied hugely with many providers offering MPS as a side-line to their main business (funds or bespoke DFM) and charging levels offered are as a “lightweight” version of an existing service.

Market forces have determined that a fair price for standard MPS services is between 0.10% - 0.30% depending on the administrative and research burden borne by the manager. MPS providers charging a greater amount must either be offering significant additional services (custody, bespoke client reporting etc…) or bearing additional cost not related to providing the MPS service.

INDUSTRY PROBLEM - BEHAVIOURAL BIASES

No matter the scale or resources of your investment product – all human decision-making is prone to unconscious bias.

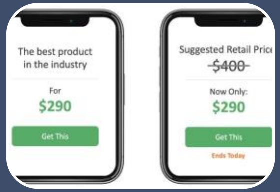
Fund selection and monitoring tools seek to mitigate these, providing proactive oversight to ensure rational and clear decision making.

Confirmation Bias

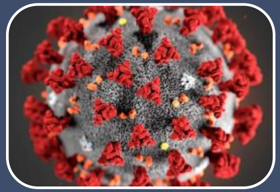
Information Bias

Loss Aversion

Endowment effect



Anchoring



Neglect of Probability

SO HOW CAN A WELL-STRUCTURED FUND SELECTION PROCESS OVERCOME THESE PROBLEMS...

Every quarter -OR- Ad-hoc manager review ··· "Circuit breaker"

Portfolio Review triggered

FUND SCORES

Robust, repeatable and unbiased fund selection and monitoring.

→

SENSE CHECK

Human oversight of quantitative analysis. Intelligent use of Active and Passive screening.

→

STRATEGIC OVERLAY

Independent SAA (Strategic Asset Allocation) provided by Dynamic Planner – augmented by investment team.

↓

TACTICAL ALLOCATION

Human oversight to manage downside exposure not to increase risk asset exposure.

←

RISK CONTROL

Independent Risk Target Managed framework from Dynamic Planner. Models must adhere to risk targets prior to any portfolio alteration.

←

REPORTING

Complete and transparent reporting provided for every step of the investment process.

IDAD TAG
Fund Selection Process

What does this look like in practice?

An established, proprietary fund research tool

Building on the success of existing methodologies over last 15 years

Responds and designed to react without bias in rapidly changing markets

Lightweight and rapid to deploy

TAG FUND SELECTION

Detailed analysis of fund universe

Every fund within the IA sectors is ranked on a percentile basis across 12 different performance measures and financial ratios. Each ratio and time period has been modelled to help us identify funds that are statistically more likely to perform better.

Responsive to changes in market conditions

The combination of long and short term screens helps in both early warning of potential pitfalls in early discovery of new winners. Flexibility to switch funds early.

The ability to change gear

The ability to change between Aggressive, Neutral and Defensive sector scenarios.

Ratios and Performance Grouping

Responsive (R)

1m – 1 Month performance

3m – 3 month Performance

6m – 6 Month Performance

Core (C)

Alpha – 3 year Alpha

Beta – 3 Year Beta
(relative proximity to R Squared target)

PP – Positive Periods over 3 years

Sharpe – 3 Year Sharpe

Sortino – 3 Year Sortino

UC – 3 Year Upside Capture

Defensive (D)

ML – Max Loss over 3 years *(inverse)*

VOL – Volatility to peer over three years *(inverse)*

DR – Max Drawdown to peer over three years *(inverse)*

iDAD

TAG MPS FUND SCREENING PROCESS

All Available Funds in a sector e.g. UK All Companies

IDAD Fund Screening System

1 Mth Past Performance
3 Mth Past Performance
6 Mth Past Performance
Alpha
Beta
Sharpe Ratio
Sortino Ratio
Positive Periods
Upside Capture
Maximum Loss (inverse)
Volatility (inverse)
Max Drawdown (inverse)

Names	1 mth	3 mth	6 mths	ALPHA	BETA	PP	UC	SHARPE	SORT	DR	ML	VOL	Total	Rank
Invesco UK Opportunities (UK) GTR in GB	69.04	100.00	100.00	97.07	98.74	93.31	64.27	77.99	77.99	12.68	11.92	11.80	814.81	1
FTF Franklin UK Opportunities GTR in GB	89.54	97.49	97.91	82.43	61.51	86.19	22.76	68.28	66.61	14.69	20.33	19.71	727.45	2
TM CRUX UK Core GTR in GB	100.00	96.23	97.07	83.68	30.96	86.19	7.70	68.28	67.95	27.49	26.86	26.74	719.16	3
Jupiter Responsible Income in GB	89.96	67.78	71.13	84.52	61.51	86.19	36.15	70.29	70.63	27.74	22.85	21.97	710.71	4
RBS UK Equity GTR in GB	94.14	74.48	84.52	82.85	37.24	86.19	30.46	68.28	67.95	25.86	24.48	25.36	701.80	5
Thesis Stonehage Fleming Opportunities GTR in GB	97.49	97.91	72.80	97.49	11.30	93.31	70.29	76.99	76.65	0.63	0.63	1.38	696.86	6
iShares Core FTSE 100 UCITS ETF TR in GB	90.79	94.56	94.56	76.57	27.20	98.74	12.72	57.57	58.91	23.22	25.61	28.37	688.83	7
HSBC FTSE 100 UCITS ETF TR in GB	92.47	95.82	96.23	76.57	27.20	98.74	12.05	59.92	55.90	19.33	25.36	28.12	687.70	8
Vanguard FTSE 100 UCITS ETF TR in GB	92.89	94.98	95.82	74.90	27.20	98.74	12.38	57.57	55.90	22.47	24.85	28.12	685.82	9
Liontrust UK Growth GTR in GB	99.58	96.65	67.36	86.61	20.92	86.19	3.35	70.29	69.29	27.24	27.74	28.74	683.97	10
Fidelity Institutional UK GTR in GB	73.22	76.99	75.73	85.77	48.12	86.19	33.47	70.29	69.29	19.96	19.96	24.23	683.22	11
iShares Core FTSE 100 UCITS ETF GBP in GB	90.79	95.40	95.82	73.22	27.20	98.74	11.72	57.57	55.90	22.22	24.60	27.87	681.05	12
Schroder Prime UK Equity GTR in GB	59.83	87.45	71.13	79.50	74.48	86.19	43.51	64.27	62.93	14.94	12.93	16.57	673.72	13
iShares MSCI UK UCITS ETF in GB	95.82	99.16	98.74	71.13	27.20	98.74	9.04	51.55	50.21	17.95	24.10	26.99	670.63	14
Invesco FTSE RAFI UK 100 UCITS ETF TR in GB	92.47	85.77	99.16	71.97	61.51	86.19	32.47	51.55	50.21	11.17	13.43	12.93	668.83	15
L&G UK Equity UCITS ETF in GB	94.14	97.07	97.49	67.78	27.20	98.74	11.05	51.55	50.21	19.08	25.61	27.11	667.03	16
FTF Franklin UK Rising Dividends GTR in GB	94.98	82.43	71.97	83.26	32.64	67.36	10.71	68.95	70.63	28.87	27.36	27.62	666.78	17
Redwheel UK Value in GB	76.57	33.89	88.28	92.05	54.39	67.36	39.16	74.31	76.32	26.36	23.85	13.68	666.23	18
TB Evenlode Income GTR in GB	98.74	88.70	68.62	84.10	8.37	93.31	1.67	65.61	65.61	28.74	29.25	29.87	662.59	19
Jupiter UK Special Situations GTR in GB	75.31	65.69	94.14	69.04	95.40	67.36	48.20	57.57	58.91	12.18	9.29	8.91	662.01	20
Allianz UK Listed Opportunities in GB	69.87	63.60	83.68	98.33	16.74	93.31	73.64	77.66	77.32	1.88	2.01	3.51	661.55	21
VT Sorbus Vector TR in GB	49.79	56.07	42.26	97.91	44.77	86.19	49.21	78.33	79.33	28.24	28.49	20.08	660.67	22
Aviva Inv UK Index Tracking GTR in GB	83.26	81.59	82.43	74.06	37.24	86.19	23.43	59.92	58.91	24.23	22.34	26.36	659.96	23
ASI UK Equity Index Managed in GB	70.29	92.47	96.65	69.04	37.24	93.31	10.04	57.57	58.91	23.85	23.22	25.61	658.20	24
Royal London Sustainable Leaders Trust GTR in GB	53.97	81.17	45.19	96.65	10.04	86.19	38.49	78.66	78.66	29.50	30.00	29.37	657.91	25
Royal London UK Dividend Growth GTR in GB	32.64	61.51	44.77	89.54	89.96	86.19	58.91	73.31	72.97	17.32	13.81	15.94	656.86	26
Slater Recovery in GB	40.59	43.51	42.68	99.58	37.24	98.74	62.59	80.00	80.00	20.59	27.24	22.85	655.61	27
Vanguard FTSE U.K. All Share Index Unit Trust in GB	83.26	88.28	83.26	74.06	34.73	86.19	16.07	59.92	58.91	19.96	22.22	26.61	653.47	28
Artemis SmartGARP UK Equity GTR in GB	81.17	46.86	62.34	93.72	28.87	98.74	76.99	76.32	74.98	2.64	5.40	5.27	653.31	29
Vanguard FTSE 100 Index Unit Trust in GB	92.47	94.56	95.82	72.38	18.41	99.16	4.35	51.55	50.21	17.82	26.11	28.62	651.46	30
HSBC UK Multi-Factor Equity GTR in GB**	68.20	82.01	87.03	69.87	61.51	67.36	31.80	59.92	61.59	22.34	17.32	21.72	650.67	31
Fidelity UK Opportunities in GB	34.73	60.25	43.10	94.98	86.19	67.36	68.95	76.99	76.99	12.80	16.44	11.30	650.08	32
ASI UK Value Equity in GB	97.91	99.58	51.88	88.28	4.60	93.31	78.33	68.28	66.61	0.25	0.25	0.38	649.67	33
SSGA SPDR FTSE UK All Share UCITS ETF in GB	83.26	80.33	82.85	66.95	40.17	86.19	23.77	57.57	55.90	21.97	20.84	25.86	645.65	34
M&G Index Tracker GTR in GB	77.82	73.64	85.77	61.09	61.51	93.31	21.09	51.55	55.90	21.21	20.08	21.84	644.81	35
Xtrackers FTSE 100 Income UCITS ETF TR in GB	81.59	90.79	92.47	66.53	27.20	98.74	10.38	47.20	50.21	25.86	25.10	28.37	644.44	36
Invesco Income & Growth (UK) GTR in GB	85.36	70.71	70.29	78.24	48.12	86.19	20.08	64.27	61.59	16.44	16.82	23.60	641.72	37
Invesco UK Enhanced Index (UK) in GB	77.82	83.26	88.70	53.97	69.87	86.19	37.49	47.20	44.52	17.70	14.31	18.58	639.62	38
Schroder Sustainable UK Equity in GB	95.40	98.33	46.86	46.44	95.40	93.31	50.88	39.83	40.17	9.04	10.29	12.30	638.24	39
JPM UK Equity Core in GB	55.23	76.99	79.92	80.33	69.87	45.61	41.17	65.61	65.61	20.71	17.07	19.08	637.20	40
MGTS AFH DA UK Multi-Cap Growth in GB	55.65	75.31	77.41	79.08	74.48	45.61	39.50	64.27	65.61	20.33	17.70	19.08	634.02	41
HSBC FTSE 100 Index GTR in GB	66.11	91.21	90.79	63.18	40.17	93.31	13.72	51.55	50.21	24.35	23.72	24.60	632.93	42
iShares 100 UK Equity Index (UK) in GB	66.11	91.63	93.72	64.44	42.68	86.19	15.06	51.55	50.21	22.72	22.97	23.97	631.26	43
HSBC FTSE All Share Index in GB	74.48	83.68	85.36	68.20	61.51	45.61	28.79	59.92	61.59	21.84	18.33	20.96	630.25	44
LF IM UK Growth TR in GB	49.37	84.52	66.11	84.94	14.64	86.19	17.41	68.28	67.95	28.62	27.99	29.12	625.15	45
Quilter Investors UK Equity in GB	61.51	64.44	63.60	62.34	89.96	67.36	42.51	57.57	58.91	22.59	15.19	16.07	622.05	46
Royal London UK Equity GTR in GB	71.55	87.87	76.15	76.99	42.68	45.61	21.76	62.26	61.59	25.98	23.10	24.73	620.25	47
Threadneedle UK Sustainable Equity in GB	71.55	47.70	38.91	77.41	76.99	67.36	40.84	64.27	65.61	26.11	24.48	17.45	618.66	48
VT Munro Smart-Beta UK in GB	60.67	89.96	99.58	47.70	82.43	86.19	35.48	36.82	37.82	13.93	13.18	14.18	617.95	49
Lyxor Core UK Equity All Cap (DR) UCITS ETF TR in GB	86.61	87.03	87.45	55.65	37.24	86.19	19.75	43.85	44.52	21.59	21.59	25.48	616.95	50
VT Cape Wrath Focus in GB	98.33	40.17	56.49	95.82	1.26	93.31	80.00	73.31	72.97	0.13	0.13	0.13	612.01	51

Source IDAD TAG May 2022

TAG MPS FUND SCREENING PROCESS

Strong short term performance

Consistent positive return ratios

Low scores for defensive ratios – lowest weighting for Neutral Scenario

Names	1 mth	3 mth	6 mths	ALPHA	BETA	PP	UC	SHARPE	SORT	DR	ML	VOL	Total	Rank
Invesco UK Opportunities (UK) GTR in GB	69.04	100.00	100.00	97.07	98.74	93.31	64.27	77.99	77.99	12.68	11.92	11.80	814.81	1
FTF Franklin UK Opportunities GTR in GB	89.54	97.49	97.91	82.43	61.51	86.19	22.76	68.28	66.61	14.69	20.33	19.71	727.45	2
TM CRUX UK Core GTR in GB	100.00	96.23	97.07	83.68	30.96	86.19	7.70	68.28	67.95	27.49	26.86	26.74	719.16	3
Jupiter Responsible Income in GB	89.96	67.78	71.13	84.52	61.51	86.19	36.15	70.29	70.63	27.74	22.85	21.97	710.71	4
RBS UK Equity GTR in GB	94.14	74.48	84.52	82.85	37.24	86.19	30.46	68.28	67.95	25.86	24.48	25.36	701.80	5

Consistent outperformance and Beta

Strong risk / return ratios

A system designed to pick out the funds with the best potential for outperformance, using readily available data to select the most appropriate fund.

ACTIVE & PASSIVE ALLOCATION

Active Sectors
Screened using IDAD TAG Fund Screening

IA Global
IA UK Smaller Companies
IA UK All Companies
IA Europe Ex UK
IA European Smaller Companies
IA Japan
IA Japanese Smaller Companies
IA Global Emerging Markets
IA North America
IA North American Smaller Companies
IA Asia Ex Japan

Passive Sectors
Actively Managed

IA UK All Companies
IA North America
IA Property
IA Money Market
IA Gilts
IA Global Bond
IA Index-Linked Gilts
IA Sterling Corporate Bond
IA Targeted Absolute Return
IA Technology

iDAD

WHAT TRIGGERS A FUND SWITCH?

Standard Switch

Any fund that falls below second decile ranking is ‘relegated’ and replaced automatically.

Continual, active portfolio optimisation

Trigger points for fund alteration based on active opportunity for Alpha generation as well as allowing full discretion and flexibility.

Responsive Switch

Any existing fund held – trending down in the league table.

Replacement fund **must** have better TAG score than outgoing fund.

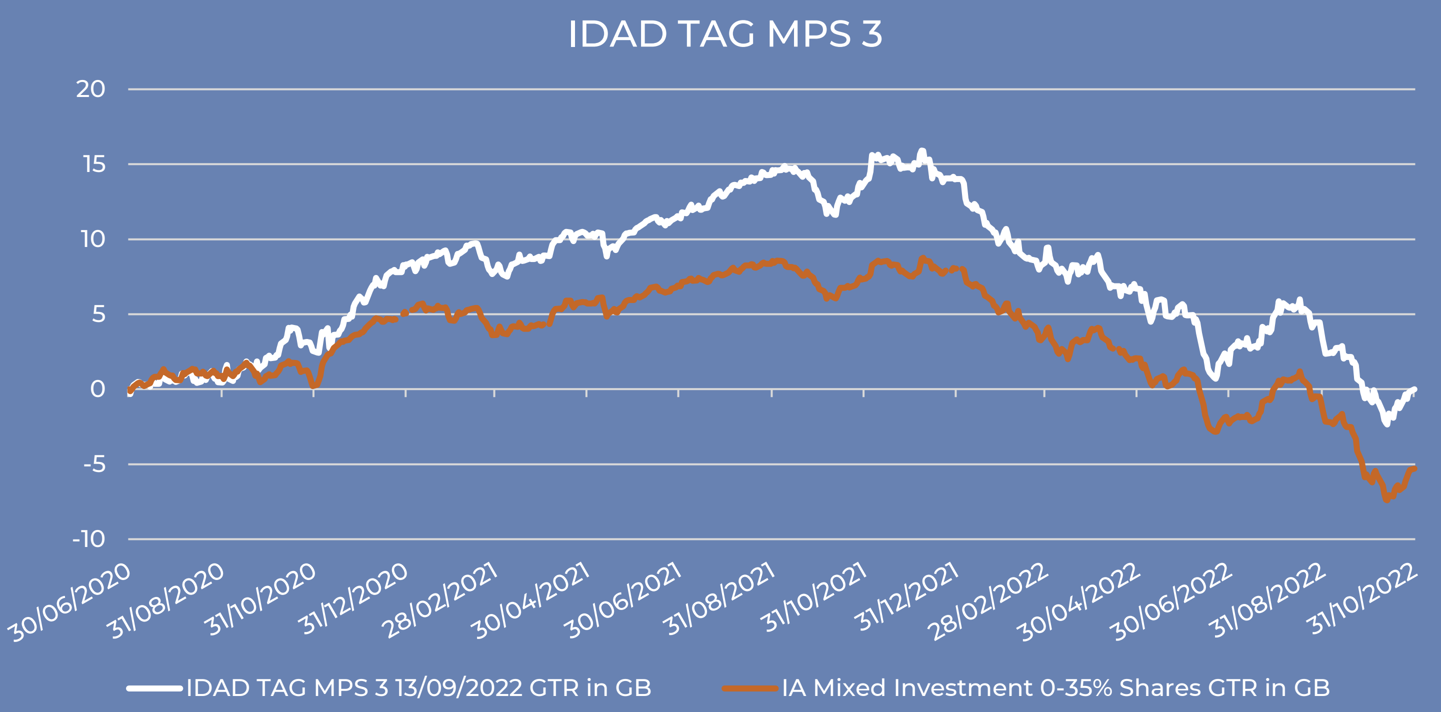
The committee always reserves the right to switch into a better scoring fund – triggered via macro risk, opportunity or momentum

IDAD MPS TAG PORTFOLIOS

- ✓ 5 Risk managed portfolios in GBP, USD or EUR
- ✓ Built to generate returns for investors in line with their attitude to investment risk
- ✓ Market leading risk-based asset allocation model
- ✓ Rules based fund screening system designed to select the most appropriate available funds by asset class
- ✓ Blends Active and Passive funds for the greatest performance impact
- ✓ Independently monitored to ensure that risk parameters aren't exceeded
- ✓ Fair price
- ✓ Available from selected platforms

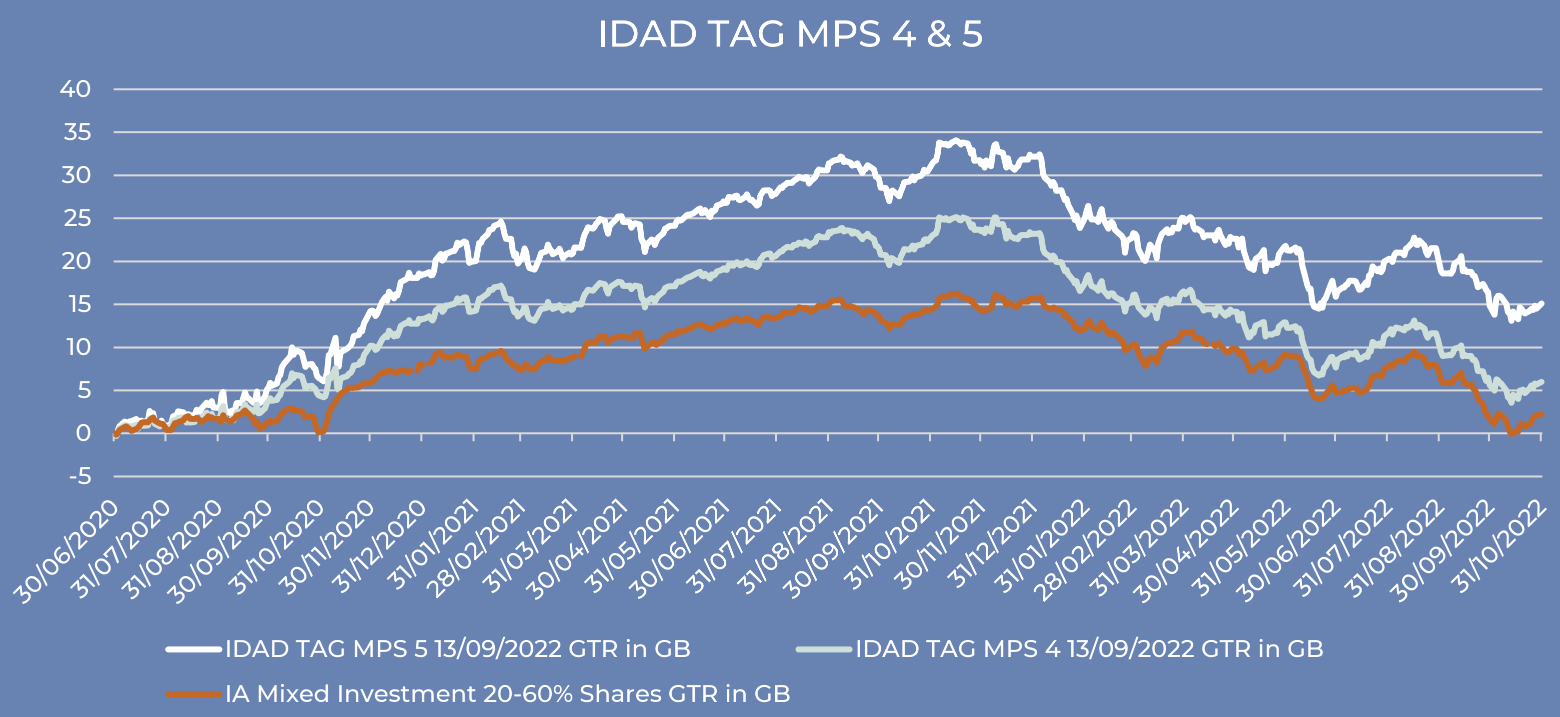
Model Name	Dynamic Planner Risk Rating	OCF	Management Charge	Total Charge	Benchmark
IDAD TAG MPS 3	3/10	0.27%	0.20%	**0.47%**	IA Mixed Investment 0% - 35% shares
IDAD TAG MPS 4	4/10	0.37%	0.20%	**0.57%**	IA Mixed Investment 20% - 60% shares
IDAD TAG MPS 5	5/10	0.44%	0.20%	**0.64%**	IA Mixed Investment 20% - 60% shares
IDAD TAG MPS 6	6/10	0.53%	0.20%	**0.73%**	IA Mixed Investment 40% - 85% Share
IDAD TAG MPS 7	7/10	0.60%	0.20%	**0.80%**	IA Mixed Investment 40% - 85% Shares

IDAD TAG MPS 3 PORTFOLIO



Source FE Analytics November 2022

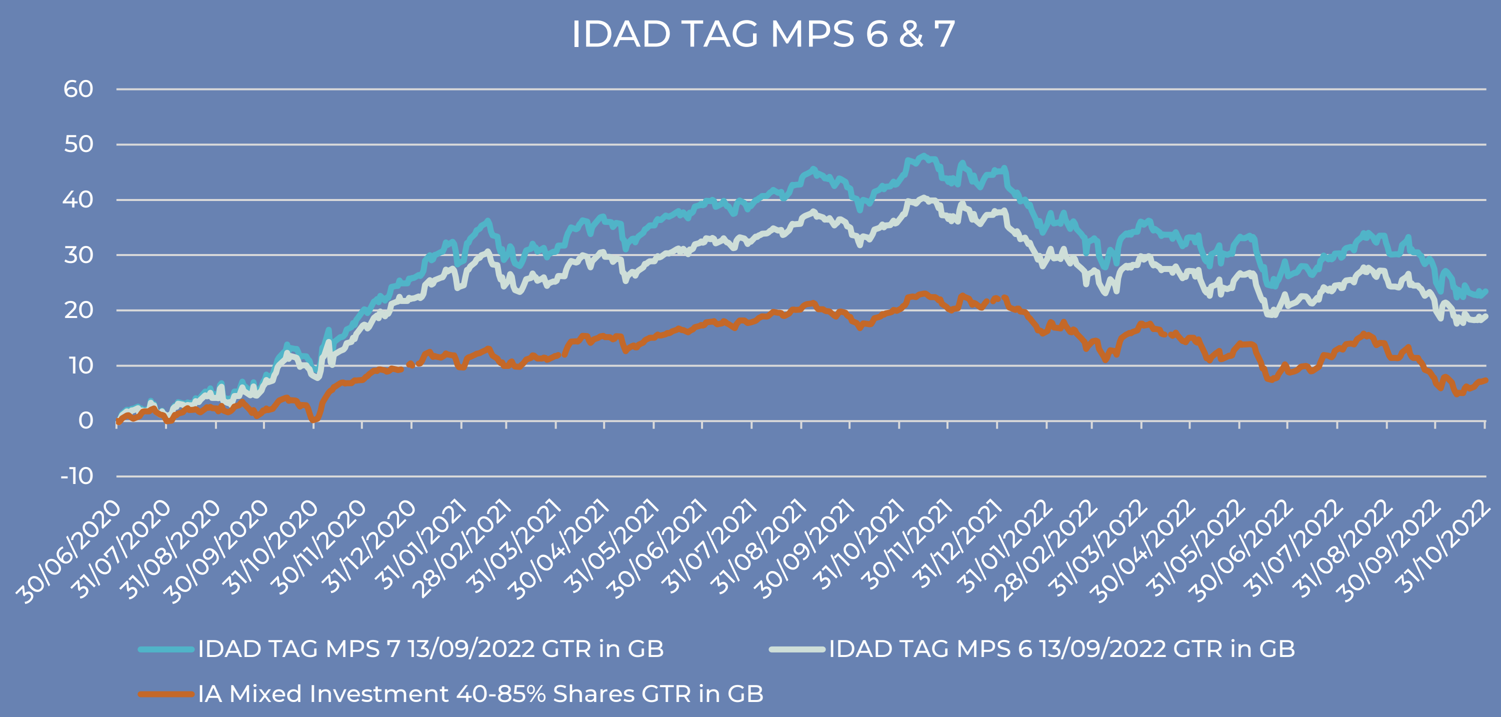
IDAD TAG MPS 4 & 5 PORTFOLIOS



Source FE Analytics November 2022

iDAD

IDAD TAG MPS 6 & 7 PORTFOLIOS



Source FE Analytics August 2022

SUMMARISING THE BENEFITS

Fund selection is the focal point of alpha creation – asset allocation for downside risk management

Rapid access to data – enables rapid decision making of investment team

Man and machine in harmony – quantitative screening utilised when efficacious

Use of momentum and consistency of league outcome as additional value indicator

Sector gear options allow rapid "what if" interrogation and fund selection based on current market conditions

DISCLAIMER

This presentation has been prepared by IDAD Limited.

IDAD Limited is authorised and regulated by the Financial Conduct Authority.

It should be considered in conjunction with the MPS Brochure and other documentation available.

Clients should be aware that the value of investments and the income from them may fall as well as rise and you may not get back what you originally invested. Investments which are likely to yield a high income may do so at the expense of capital, or at a greater risk to the capital, and the income from them may fluctuate up or down.

Past performance is no guarantee of future returns.

Overseas investments can fluctuate in value according to market and currency conditions.

iDAD