



Investing - how to stay ahead?

Rothschild & Co Wealth Management

May 2019

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Leadership in investment management



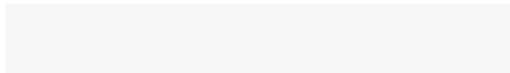
Some of the best investors

Who are they?



Warren Buffet

BERKSHIRE HATHAWAY INC.



Peter Lynch



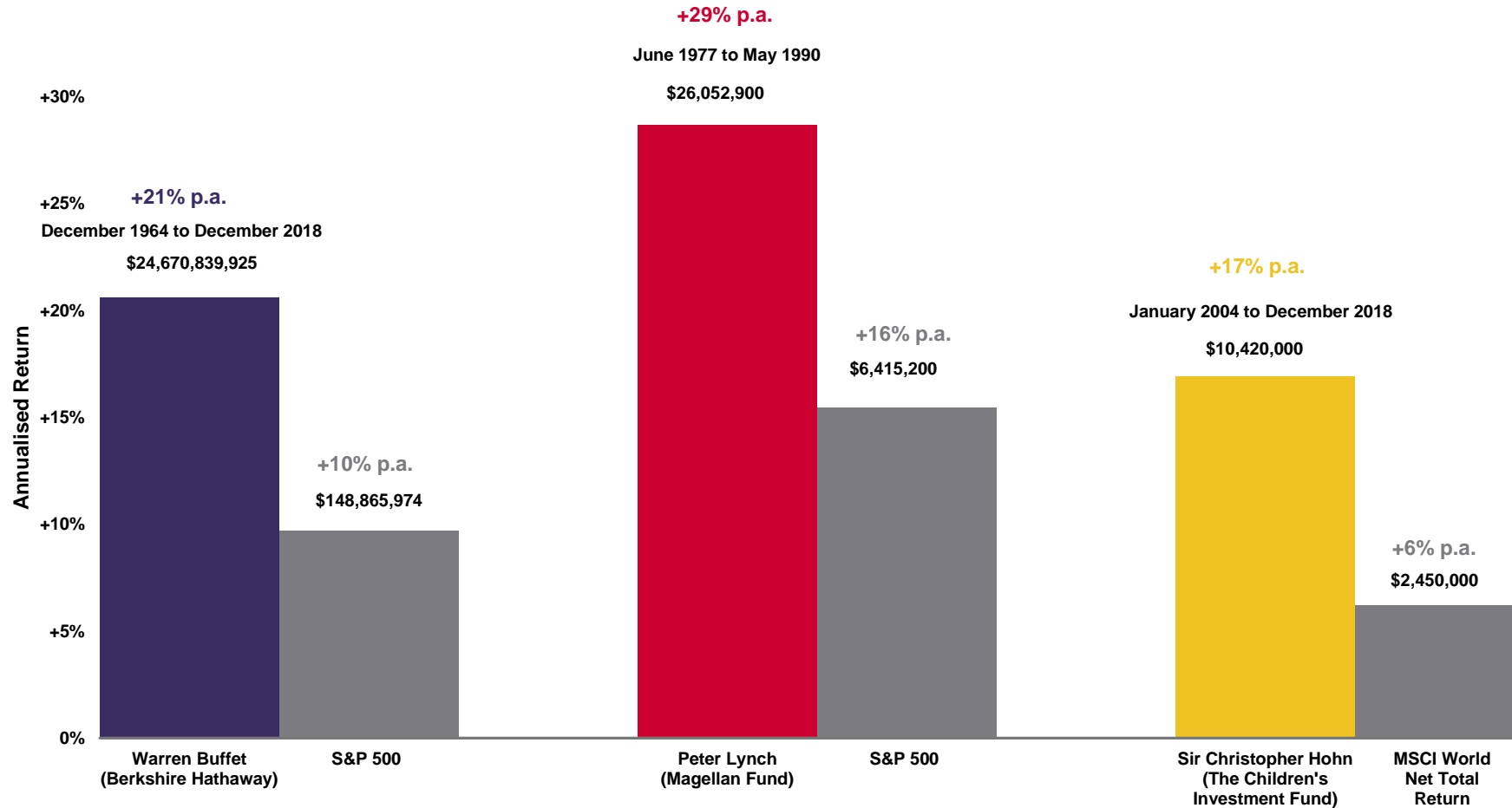
Sir Christopher Hohn





How have they performed?

The chart below shows the return on \$1m invested with each manager versus their respective benchmark since inception



Source Rothschild & Co, Bloomberg

Notes

- Past performance is not a reliable indicator of future performance and the value of investments and the income from them can fall as well as rise.
- The above does not constitute a solicitation or recommendation.



Characteristics of great investors

Some of the characteristics of great investors

- Long term
- Conviction
- Contrarian
- Discipline
- Humility
- Integrity
- Thirst for knowledge



A fall from grace – even if temporary

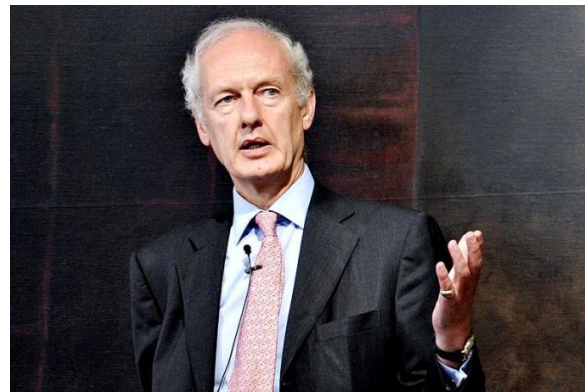
High profile casualties



Neil Woodford
 **Invesco** woodford



Bill Gross
PIMCO Janus Henderson
GROUP PLC



Anthony Bolton




Bill Ackman




What went wrong

Common mistakes

- Deviation from area of competence
- Style drift
- Poor risk management
- Hubris
- Falling in love with your investments

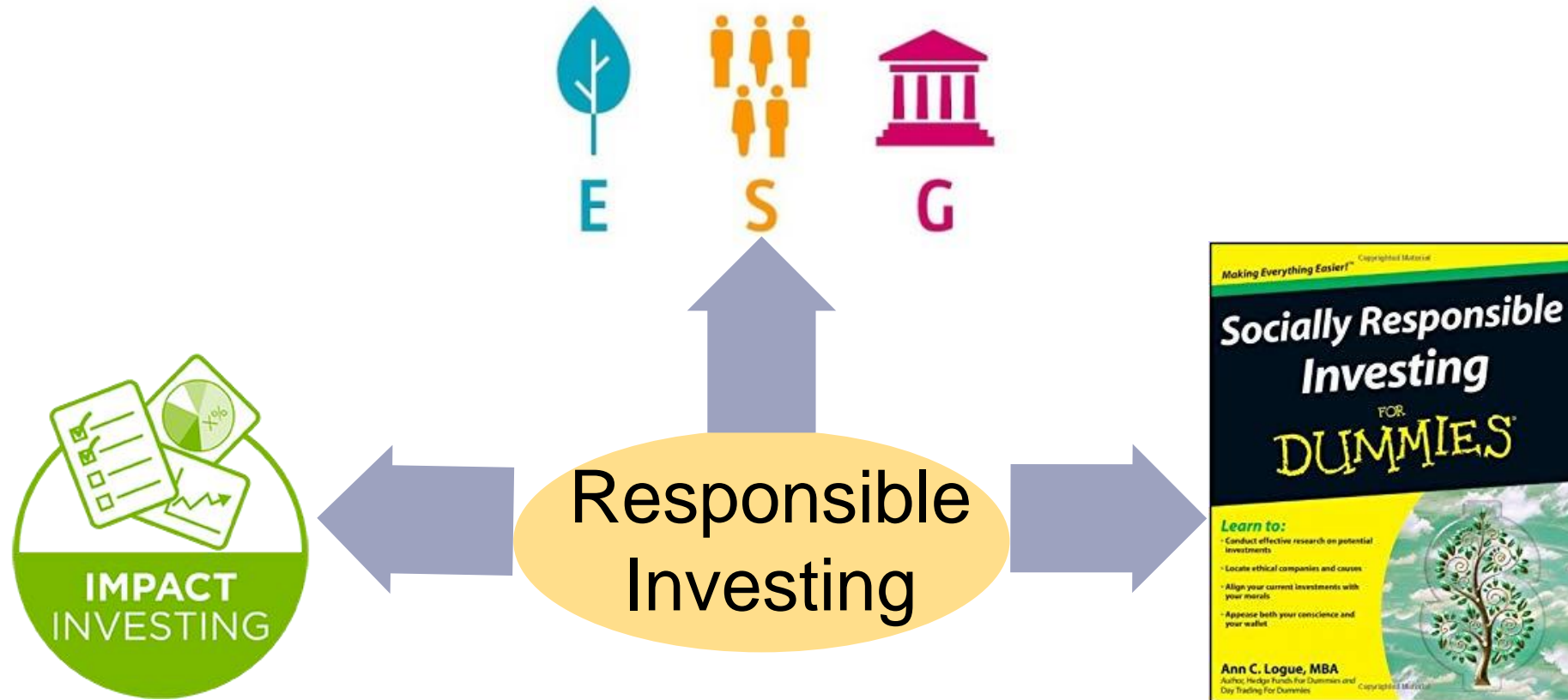
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Responsible investing



Responsible investing – what is it?

A rapidly growing area of the investment universe



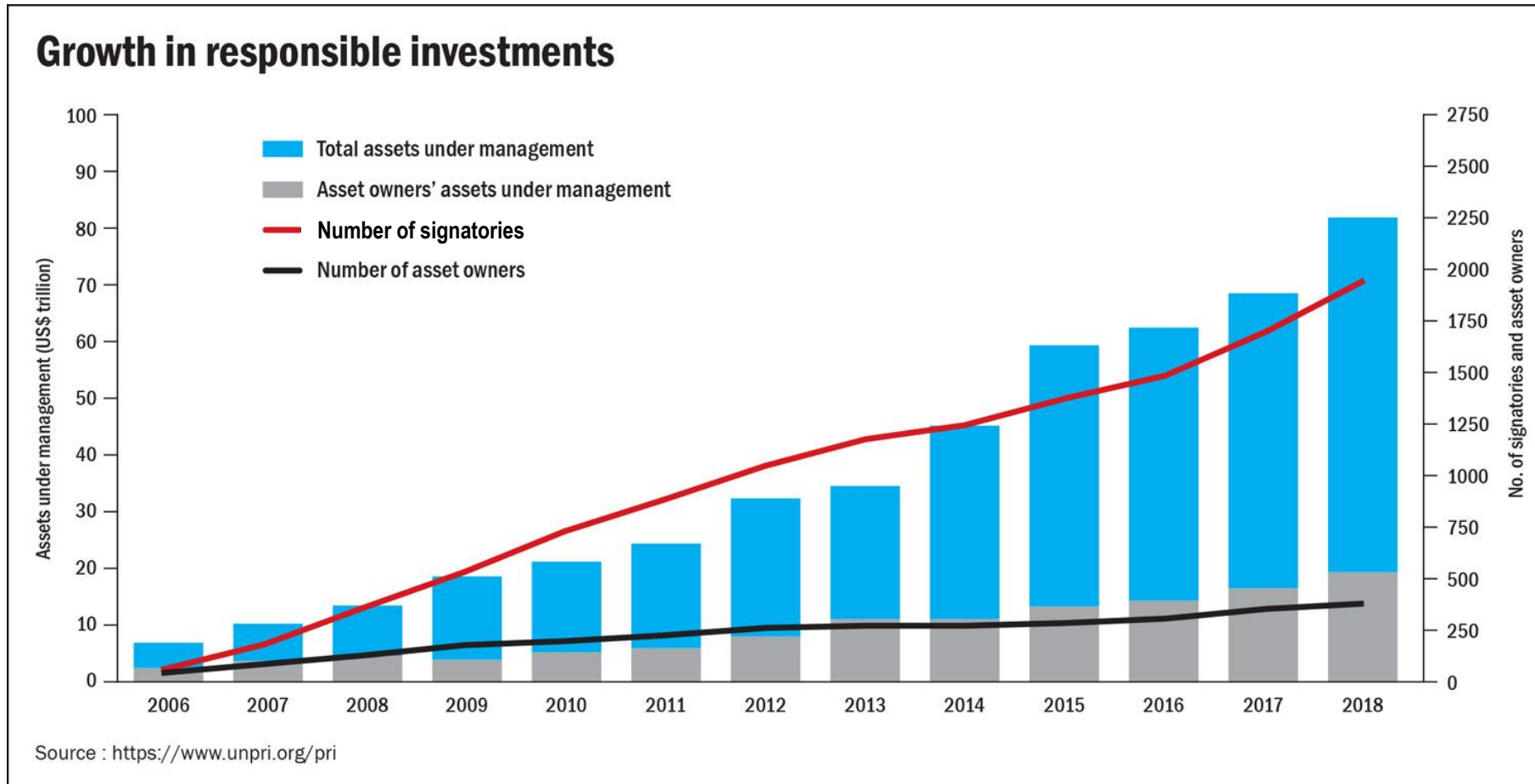
“Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.”





Responsible investing – a growing awareness

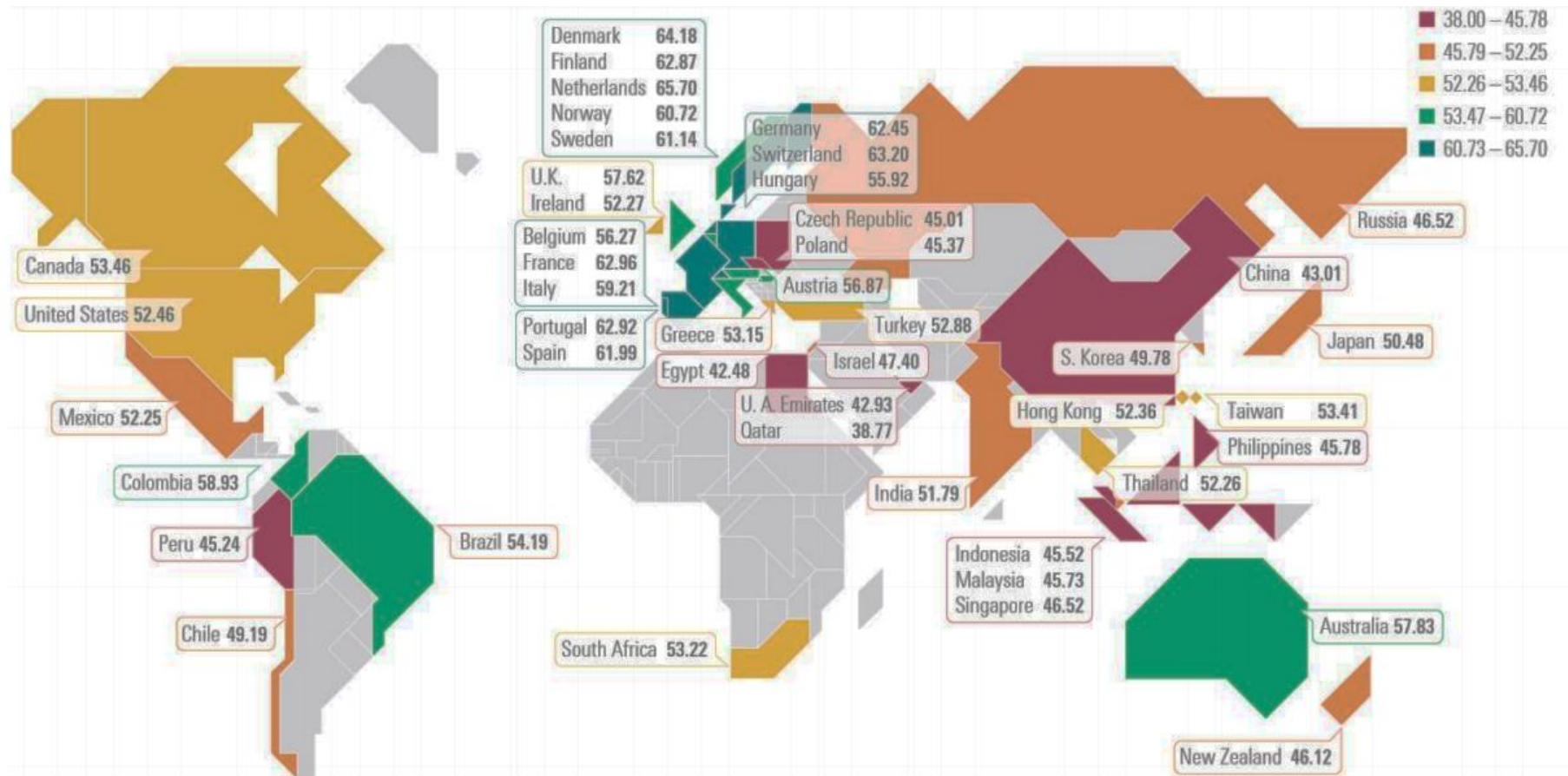
Significant growth of assets and signatories





Responsible investing – a growing awareness

How well have countries performed?



Source: Morningstar



Responsible investing – why its growing in importance

From niche to norm

Greater awareness

People have become more aware of the adverse impacts of environmental damage

Demand

Investors are demanding that their managers be more focused on ESG and responsible investing

Quality

ESG factors have become more integral to the process of assessing the quality of a company and a vital part of investment analysis

Sustainability

A company's treatment of the environment, consumers, employees, suppliers and regulators could help determine its sustainability

Evolution of ESG standards



**United Nations
Global Compact**

1999



Institutional Investors Group on Climate Change

2012

**GLOBAL SUSTAINABLE
INVESTMENT ALLIANCE**



GSIA

2014



2005



2015



UK Stewardship Code

2010



Global Investors Driving Business Transition

2017



Creating an ESG policy

Incorporating quantitative and qualitative ESG principles

Negative screening

The exclusion of certain sectors or companies involved in activities deemed unacceptable or controversial



Positive screening

Investment in sectors, companies or projects selected for positive performance relative to industry peers



ESG factors

The systematic and explicit inclusion by investment managers of ESG factors into their financial analysis



Impact investing

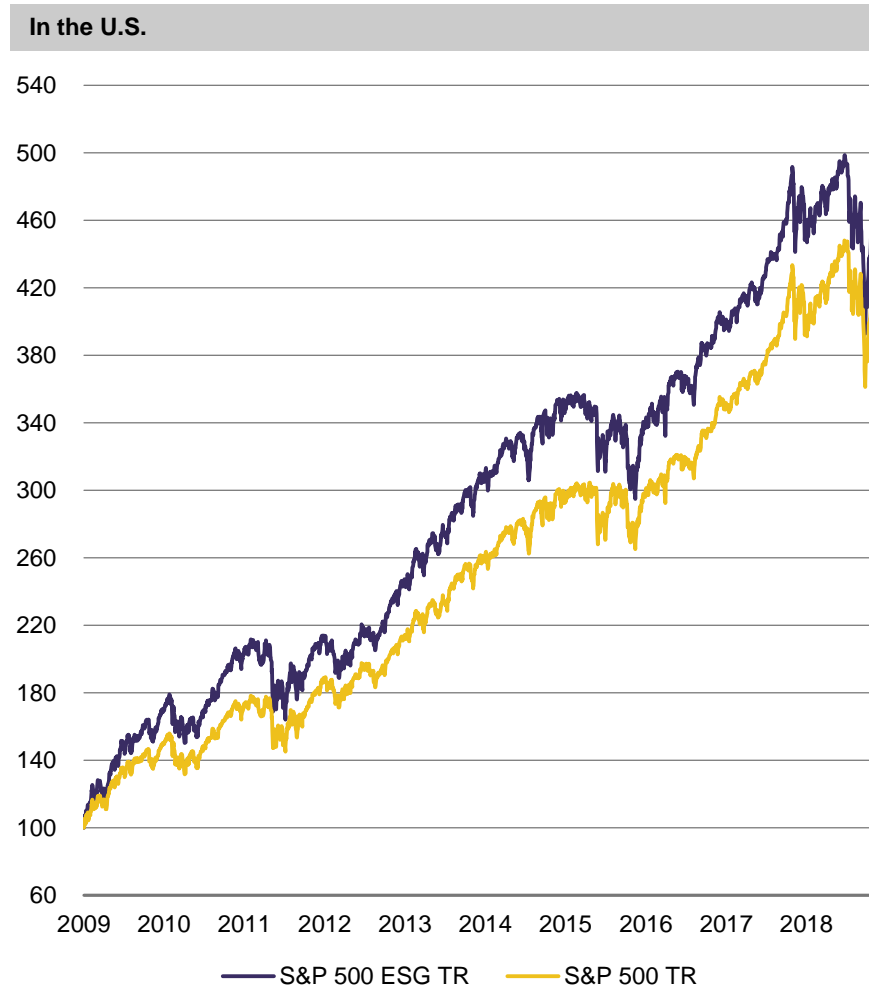
Targeted investments aimed at solving social or environmental problems





Does ESG investing affect returns?

Over the last decade, the message appears to be positive..



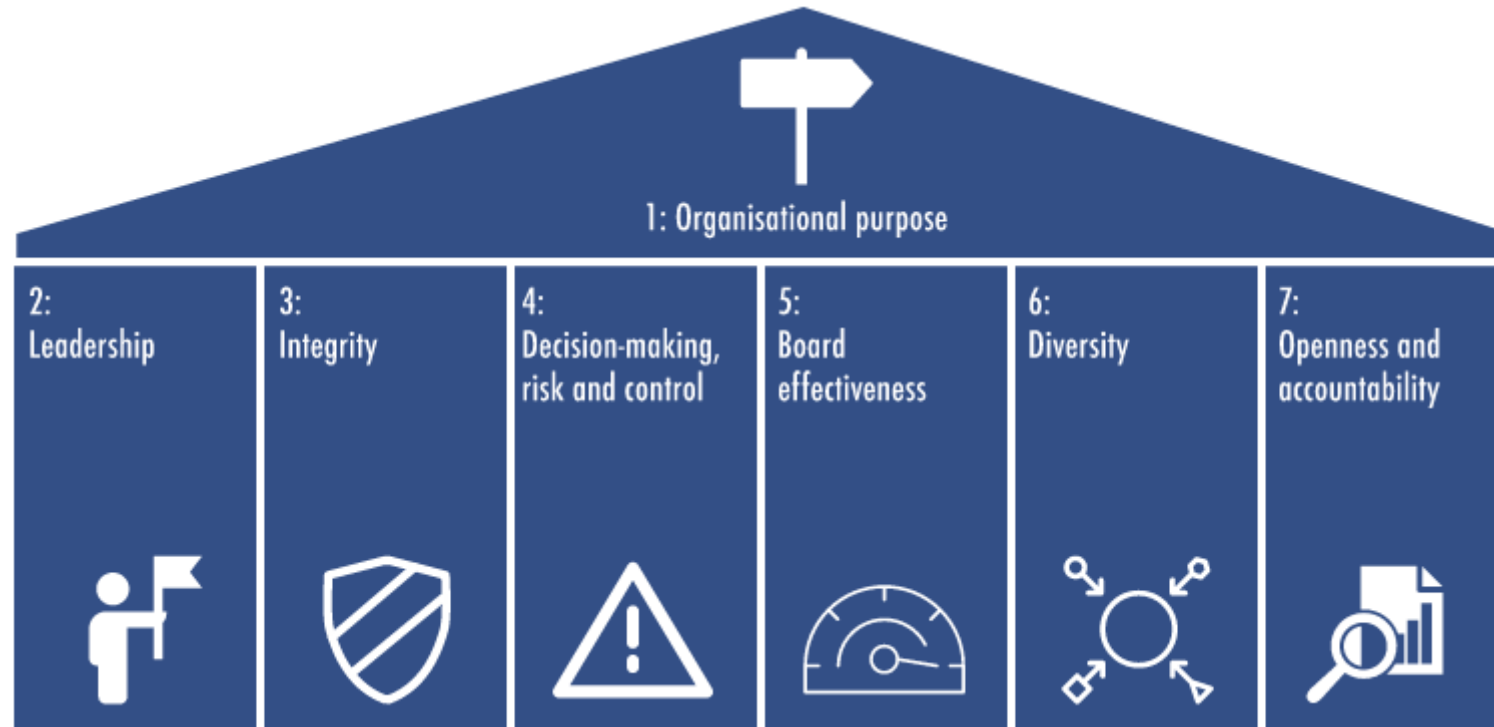
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Governance



Good governance

According to the charity commission



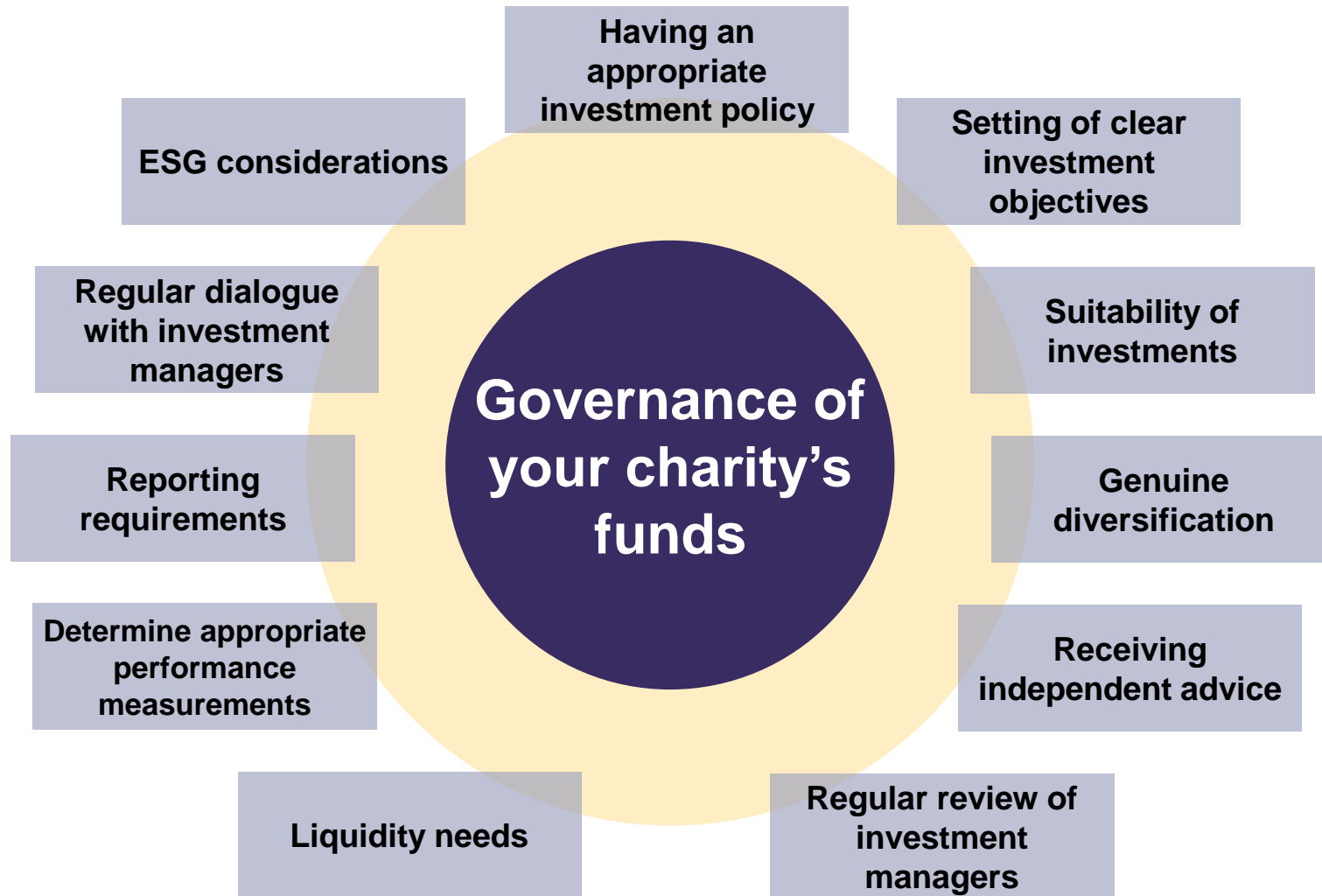
Adopting a **proactive** rather than a **reactive** approach to governance can save costs, time and stress in the long run ... good governance will ensure that your charity continues to deliver its charitable purpose to the best of its ability for the benefit of the people, communities, animals and environments you work in

Source: Charity Governance Code Steering Group



What good governance means for investing

Considerations for charity trustees



Conclusion



Learn from the best investors

Invest responsibly

Ensure good governance

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Appendix

Our differentiated investment approach



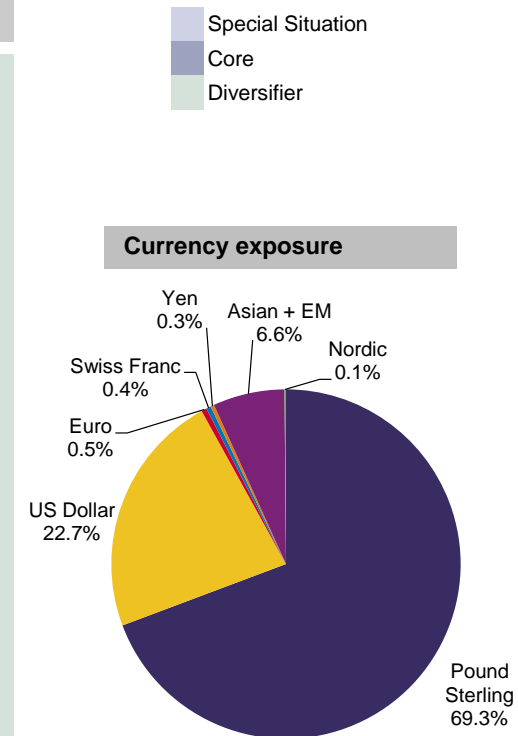
	Typical approach	Our approach
Objective	Beating markets and benchmarks	Real capital preservation
Portfolio construction	Top down – based on asset allocation	Bottom up – based on intensive research
Market forecasts	Regular attempts to predict the future	Sceptical about attempts to predict the future
Emphasis	Current headlines and popular themes	Long-term ownership of assets
Portfolio holdings	100% funds or 100% segregated positions	Funds and segregated positions
Alignment of interests	Managers' own money invested very differently from clients	Managers' own money invested alongside clients
Willingness to be different	Low	High
Time horizon	< 1 year	3 years +



What an actual Rothschild & Co portfolio looks like

The table below shows a balanced GBP portfolio targeting inflation +3%, split between Return and Diversifying assets

Return Assets (63.1%)		Diversifying Assets (36.9%)	
Equities - Companies	17.2%	Equities - Companies	17.5%
Admiral	3.6%	American Express	3.4%
Cable One	1.2%	Comcast	2.2%
Charter Communications*	1.4%	Deere	2.8%
Lloyds	3.4%	Linde	2.5%
Middleby	1.9%	Mastercard	1.5%
Ryanair	2.8%	Moody's	2.6%
Wells Fargo	3.0%	S&P Global	2.6%
Equities - Funds	4.0%	Equities - Funds	24.5%
Albizia ASEAN**	1.5%	Bares US Equity	4.4%
Cederberg Greater China***	2.4%	Berkshire Hathaway	4.4%
		Egerton	3.0%
		IVI European	3.1%
		Lansdowne Developed Markets	3.0%
		Phoenix UK	4.1%
		Ward Ferry Asian Smaller Cos**	2.6%
		Alternative Strategies	5.8%
		Abbey Capital	1.7%
		Artemis Volatility	0.8%
		CFM Trends	1.8%
		CFM IS Trends	1.3%
		Rubicon	0.3%
		Portfolio Protection	1.8%
		Okura	1.5%
		Euro Stoxx 50 2800 Put - Mar 2019	<0.1%
		Euro Stoxx 50 2900 R Put - Jun 2019	0.1%
		S&P 500 2350 Put - Sep 19	0.1%
		S&P 500 2200 R Put - Dec 19	0.1%
		Fixed Income - Investment Grade	16.9%
		Fixed Rate Bonds****	12.4%
		Floating Rate Bonds****	4.5%
		Cash	12.4%
		Cash / T-Bills	4.5%
		Cash / T-Bills (SOF)**	1.1%
		Cash / T-Bills (IGB)****	6.7%
		Currency Hedges	
		EUR FX hedge	-7.5%
		USD FX hedge	-11.4%
		GBP FX hedge	18.8%



Source: Rothschild & Co

Notes

*Held via the 'Selected Opportunities Fund' (SOF). This is a Rothschild & Co vehicle that allows us to allocate to talented managers with limited capacity or liquidity.

**Implemented via R&CoWM Investment Grade Bond Fund' ("IGB"). This is a Rothschild & Co vehicle that helps us to implement investment grade fixed income exposure within the portfolio efficiently. We do not charge an investment management fee within the SOF or the R&CoWM Investment Grade Bonds Fund.

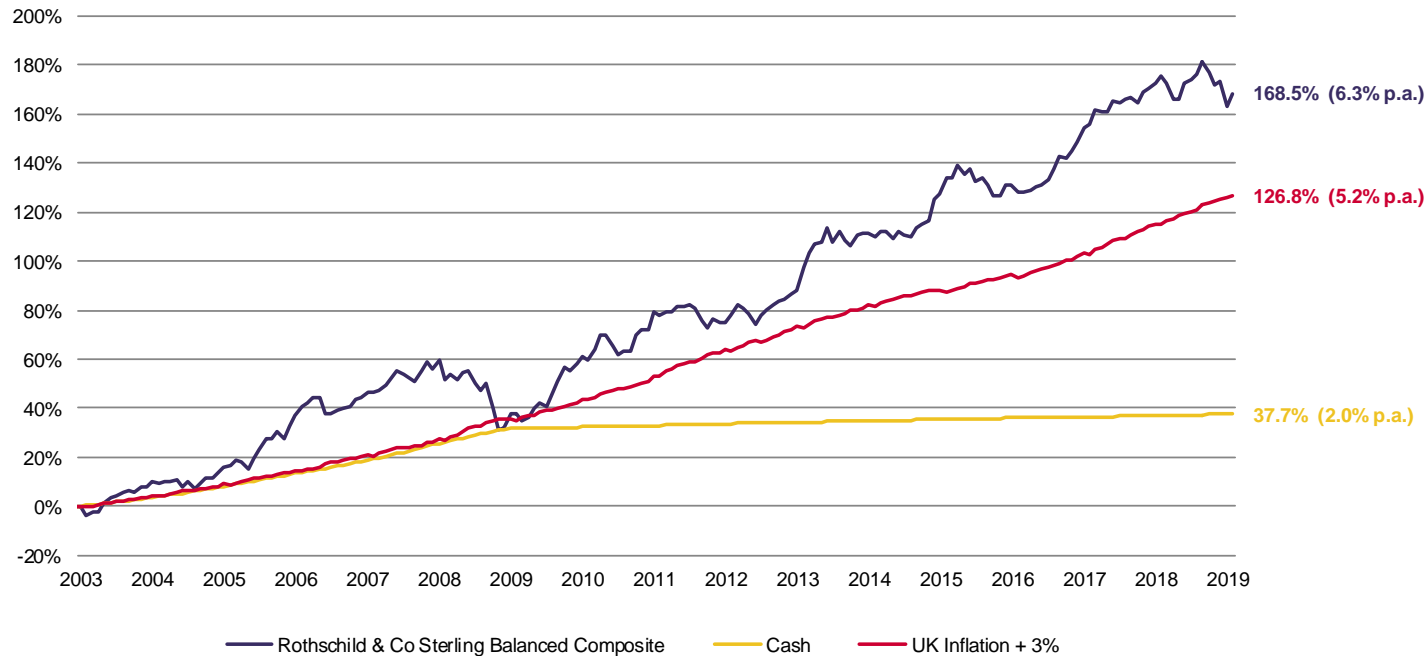
***Implemented both directly and via 'SOF'

- Percentages may not sum to 100% due to rounding. The above shows a summary composition of the portfolio. The above holdings illustrate investments made within the portfolio at the discretion of Rothschild & Co Wealth Management UK Limited. They are not shown as a solicitation, recommendation or promotion of any security or fund on a standalone basis. Holdings are subject to change without notice.
- Currency exposure is based on the "look-through" revenues of the companies and underlying holdings of the funds. This information is prepared on a best efforts basis, based on the most up to date information available. Currency exposure shown is net of foreign exchange hedges.
- Put warrants behave like insurance; we pay a premium for them and hope that they expire worthless, losing only the premium (a very small detraction). They will increase in value if equity markets fall, thereby providing some protection to the portfolio in the event of a fall in the value of equities held in the portfolio.



Performance track record

We have achieved our clients' investment objectives



The chart shows the performance of our clients' Sterling 'Balanced' portfolios, targeting a return of inflation + 3%

Source Rothschild & Co, Bloomberg

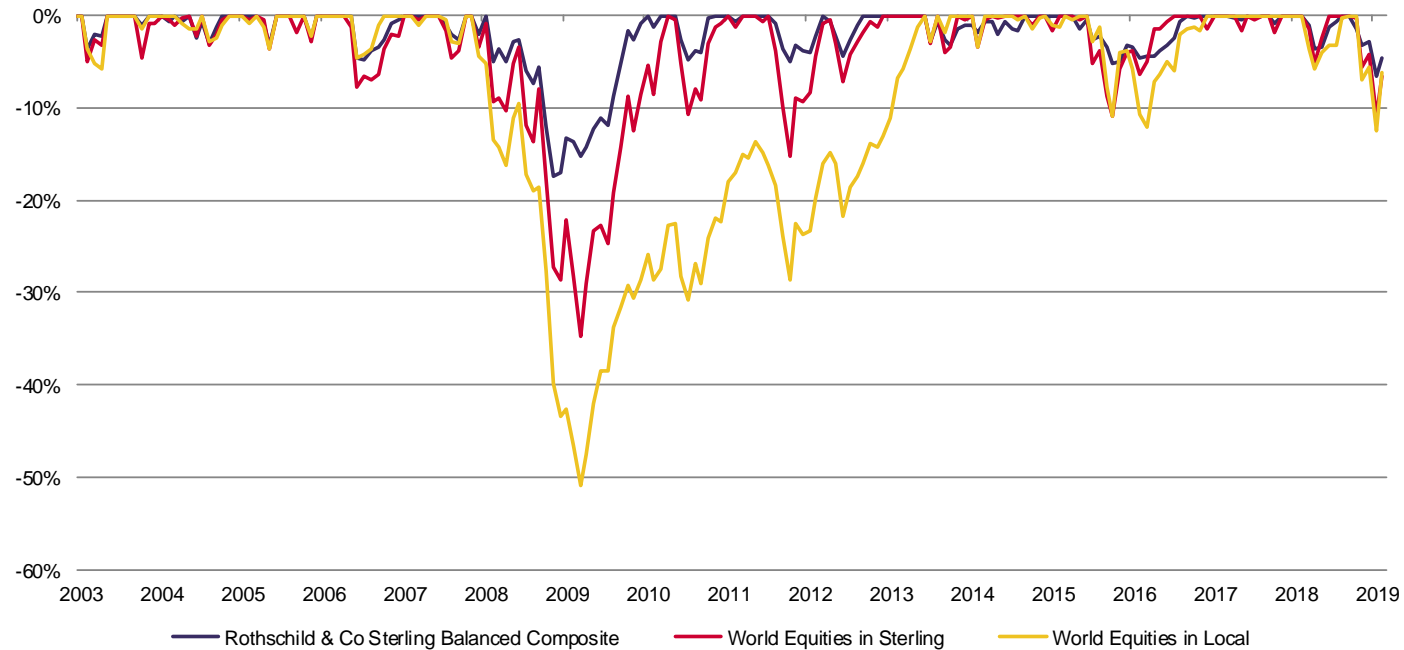
Notes

- 1 Data from 31st December 2002 to 31st January 2019. Inflation data is as at 31st December 2018.
- 2 Rothschild & Co Sterling Balanced Composite is a composite of actual client portfolios following a Sterling 'Balanced' strategy targeting a return of inflation + 3%. Performance data is net of fees.
- 3 Indices used: Inflation (UK Consumer Price Index); Cash (Citi GBP 1 Month Eurodeposit).
- 4 Past performance is not a reliable indicator of future performance and the value of investments and the income from them can fall as well as rise.



Volatility and drawdowns

We have achieved our clients' investment objectives with approximately half the volatility and drawdowns of world equities



The chart shows the historical drawdowns (peak to trough performance) of our clients' Sterling 'Balanced' portfolios compared to world equities in Sterling and Local terms

Performance Summary	Volatility	Worst Drawdown
Rothschild & Co Sterling Balanced Composite	6.7%	-17.4%
World Equities in Local	12.9%	-51.0%
World Equities in Sterling	12.9%	-34.7%

Source Rothschild & Co, Bloomberg

Notes

- 1 Data from 31st December 2002 to 31st January 2019.
- 2 Rothschild & Co Sterling Balanced Composite is a composite of actual client portfolios following a Sterling 'Balanced' strategy targeting a return of inflation + 3%. Performance data is net of fees.
- 3 Index used: World Equities (MSCI All Countries World Equities Net Total Return in Sterling and Local terms).
- 4 Past performance is not a reliable indicator of future performance and the value of investments and the income from them can fall as well as rise.

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Speakers

Speakers



Nandu Patel – Head of Charities



Nandu.Patel@rothschildandco.com

+44 20 7280 1732

Andrew Blair – Director



Andrew.Blair@rothschildandco.com

+44 20 7280 5190

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