

Investment Committee Meeting Minutes

Review	
Attendee:	Faisal Mahboob: Compliance Manager, Skybound Wealth Management Husain Rangwalla: Strategic Operations Manager, Skybound Wealth Management Jaanvi Lachhwani: Investment Analyst, Skybound Wealth Management Jabir Sardharwalla: Group Chief Investment Strategist, Skybound Capital Jonathon Curtis: Head of Investment Research, Skybound Wealth Management Joshua Burton: Chief Operating Officer, Skybound Wealth Management Lisa Dean: Head of Compliance, Skybound Wealth Management Peter Gollogly: Group Director of Financial Planning, Skybound Wealth Management Stephen Philp: Operations Manager, Skybound Wealth Management Theodore Shou: Group Chief Investment Officer, Skybound Capital
Date & Location:	20 July 2021 via Microsoft Teams Conference Call
Action Points	<ul style="list-style-type: none"> Asset class performance Performance of Model Portfolios US/UK Portfolios DFM solution Provider fund availability update Excess cash update Automated reports

Executive Summary for Investment Committee

Discussions:	<p>The Committee meeting began with a discussion of the macro-economic overview. Jabir Sardharwalla (JS) spoke about the following:</p> <ul style="list-style-type: none"> - Manufacturing PMI – There is more activity data coming in since the last time. Current numbers are holding up strong although there’s a slight drop from previous one. PMI of Countries within the emerging markets have dropped as they have to close parts of their economy. - Services PMI – The numbers average almost in the 60s. Economies have picked up and managed to adapt to the pandemic. - Capacity utilisation – This is the real measure indicating how much are we using. US and China are well above its previous. Europe is picking up. Germany is almost back to where it was. UK is in the same line of things. <p>JS also discussed bond yields and the reason for them being dramatically low. In well-vaccinated countries, the Delta surge in cases is no longer mirrored in deaths. Countries where vaccine programs are progressing strongly is a clear break between infections and hospitalisation. Where vaccine programs are not developed or advanced, death rates are reaching record highs. For example, in Namibia, an emerging country, the death rates are high. Due to the positive correlation between death rates and yields we can conclude that due to this reason bond yields have been decreasing.</p> <p>Certain countries have adapted very well to sales even in the current climate. Goldman Sachs does this effective lockdown index which they now believe that there’s still about 3.5% GDP that’s locked up because of the lockdown we have around the world.</p> <p>World map of vaccination – At the beginning of the year people were questioning the vaccination. By the end of July, 3.62 billion doses have been administered.</p> <p>Vaccine progress – Immunity is vaccination plus natural immunity. The infection rate creates its own immunity as well. High immunity countries who were not the best when dealing with virus have naturally higher immunity rates. Other countries have lower immunity as they’ve had tight lockdowns. They did too good a job of their covid lockdown to the point that Australia and New Zealand have become quite vulnerable. That’s why they get into a panic whenever there’s an outburst as they don’t have natural immunity.</p> <p>Commodity price index since 1795 – Over the next few weeks, markets will start to factor all of this in. The CPI highlights one thing – a major low is always followed by a major high. So, commodities are one big thing that’s going to come out of this.</p>
---------------------	--

Theodore Shou (TS)

US equity as the benchmark. The current P/E is at its historic high. During 2007 and 2008 when the financial crises took place, the P/E was at a very low level. There's no direct forecast where high valuation indicates low crash or vice versa.

Growth significantly outperformed value over the quarter. Majority outperformers were from last couple of years or more from March 2020. In the recent periods, value had outperformed growth. In the new quarter, it's reversed. From March to date, growth outperformed value and this is very much in line with how the US 10-year bond yield moved.

Asset class performance – Jonathon Curtis (JC)

Asset class/style - Value is still up versus growth, YTD. This emphasises why we don't tend to rotate into or out of factors. We like to hold a broad exposure across all factors as markets are uncertain.

Over the past 10-12 years, commodity has been at the bottom of the pile compared to everything else. Now it seems to peak. This is generating a lot of interest. Our exposure to gold has been an issue with providers. So, we're looking for alternatives to retain exposure to commodities.

Skybound Model Portfolios Quarter 2 performance – Since their launch, the portfolios have outperformed as expected. They're ahead of their benchmarks too.

Changes under consideration – We're looking to swap gold for a broad-based commodity ETF. We are also changing the ASI fund's shareclass because the UK domiciled version is not permissible on all policies. Previously some providers couldn't ringfence funds. We've now negotiated with ASI to access the Luxemburg share class that is not ring fenced.

Quarterly portfolio reviews – A broad overview on how the portfolio has performed compared to its benchmark is updated quarterly to help advisors with their reviews.

USA investment proposition – We've completed constructing all ETF portfolios specifically for the US. The structure, asset allocation, style exposure is the same. Because of the increasing cost consciousness of the client, we've created all ETF portfolios at a grand total of 9 basis points. We're also looking to launch the blended version of the active and passive portfolios. Portfolio factsheets and quarterly reviews will go on side by side.

UK investment proposition – Very similar to international ones with slight tweaks. They've all been launched.

DFM of choice – Quilter and LGT Vestra are the two choices of DFMs. We're currently sorting out new TOB with LGT Vestra with Skybound. We've also negotiated a lower fee from 1% to 0.75% with a minimum investment of £500,000.

Provider fund availability update

We've added Ardan and Novia since the launch.

Excess cash – Jaanvi Lachhwani (JL)

Anything over 8% of a client's AUM is excess cash. We reach out advisors and their managers asking reasons for holding excess cash every month and a report is sent to the board.

SWM model portfolio and CRM

MPV update – Added dealing charges and product type.

CRM MP tracking – to track new models AUM, models need to be linked to business registers.

Automated reports have been approved and tested. 45% of our approvals didn't go through CIO approval for Global Partners. We're hoping to roll out this process for regulars to the entire company in the next quarter; and the same process for lumpsums with the Global Partners.

In the last quarter, 487 regular and 147 lumpsum cases (Global Partners) and 58 regular and 87 lumpsum (Dubai Advisors) were invested into our model with an AUM of approximately £20 million and £9 million with Global Partners and Dubai Advisors respectively.

The investment committee did not have any other news for discussion, and we moved to some feedbacks from the committee members. Husain Rangwalla (HR) added that the automated reports help in visibility. It should be beneficial from time and efficiency. We're doing a quarterly portfolio review with the US team and sent the clients a review pack in July. The factsheets will look professional and be a talking point to their clients every quarter.

HR also raised a question with regards to the timing of quarterly reviews, JC notified that ARC benchmark publish their performance figures on FE during the first week of the month. Once the figures are published, the investment team will be able to build the report. Considering this JC offered a timeline of 2-3 working days after the ARC publishes their figures.

Furthermore, Peter Gollogly (PG) mentioned that the factsheets are high level. He requested for a detailed analysis for high-net-worth clients. JC offered to create two versions – current and in-depth analysis factsheets.

The meeting ended with a positive Q2 2021 outlook and excitement to onboard the rest of our model portfolios.