

Shadow Investing

Achieve your ISA and SIPP goals with the help of our expert investor



ISACO

LET'S BUILD WEALTH TOGETHER.

Investment guidance from ISACO's chief investment strategist

ISACO's mission is to help ISA and SIPP investors achieve better performance over the long-term, better protection in falling markets and at a better price.

ISACO have been successful in helping its clients achieve better performance by offering investment guidance from an investor who has historically 'beaten' the stock market. Using a talented investor with a great track record has proved to be ISACO's secret weapon.

Investors with a history of beating the market are rare. Outperforming the stock market is extremely difficult to achieve. However beating the market should always be your number one objective when seeking long-term capital growth. Beating the market helps you to achieve stronger performance allowing you to arrive at your financial goals faster.

Receiving guidance from a talented *investor* becomes a compelling proposition when the alternative is attaining guidance from an *adviser*. It's compelling because the statistics tell us 80-90% of advisers fail to beat the stock market and when an adviser underperforms the market, it means the advisers clients arrive late to their investment goals.

Extra incentives to perform well

ISACO's proposal to 'shadow invest' a top notch investor becomes more plausible after discovering the investor has a six-figure Stocks and Shares ISA account. As well as his reputation being on the line, his own money is on the line too. Having his personal capital invested, his families and an estimated £30 million pounds of client capital 'shadowing' him, provides tremendous motivation for our lead investor to perform well.

This approach is at polar opposites when compared with traditional advisers. Traditional advisers sell products. They are not full time stock market experts, the majority of them underperform the stock market, and in most cases they do not invest their own capital into the same investments they recommend for their clients.

ISACO's chief investment strategist

The investor you receive your investment guidance from is ISACO's chief investment strategist. His name is Stephen Sutherland. Sutherland's market beating performance since 1999 has helped him to be recognised as one of the UK's leading growth fund investors. From 1999 to 2010, he made a cumulative gain of 124.2% versus the FTSE 100's 0%. In the last 3 years* he's made an average gain of 22.7% versus the FTSE 100's 9.3%.

Please remember that past performance should not be used as a guide to future performance. The value of investments can go down as well as up and you may not get back the amount you originally invest.

* (Nov 2008-Nov 2011)

How does shadow investing work?

Shadow investing is based on the idea that a full time investor with a great track record has the talent, time and energy you or your adviser may lack to beat the stock market.

ISACO's 'Investment Guidance Service' allows clients to 'shadow Invest' Sutherland. To achieve the same investment returns, clients simply copy his trading activity. By shadowing his trades, whatever returns he gets, our clients get.

Sutherland invests in high quality investment funds allowing a wider diversification to his portfolio whilst at the same helping to lower risk. He makes only one or two trades in a typical year which means client trading activity is infrequent.

Clients control their own investment accounts allowing the freedom to invest as little or as much money as they like. When Sutherland makes a trade, clients find out about it. Once they discover he's taking action, clients have the opportunity to mirror his trade in their own investment account. If he buys UK fast growth investment fund, our clients can also buy UK fast growth investment fund on exactly the same day that Sutherland buys it.

How does Sutherland guide clients?

Sutherland writes a daily report, delivered by email and arrives in client's inbox five days per week.

These updates are delivered seamlessly straight to a PC, a laptop, a tablet or a smart phone and is all the information clients need to make the same trades that Sutherland is making.

Throughout the year clients receive a daily report for every day the stock market is open. The report takes less than three minutes to read and most of our clients scan the information which takes less than sixty seconds.

In 99% of the reports there will be no action to take due to Sutherland being satisfied with the investments he currently owns. However in 1% of the reports, Sutherland will be placing a trade and these are the rare days clients get the opportunity to mirror his trading activity. These daily reports are called a '*Daily Market Updates*.'

As well as receiving *Daily Market Updates*, each and every month Sutherland creates a monthly report called '*The Big Picture*.' This is where he looks at the longer term view of the stock market and shares key insights, market distinctions and valuable stock market lessons.

Both the *Daily Market Updates* and monthly editions of *The Big Picture* give clients all the information they need to copy Sutherland's trading activity. *Daily Market Updates* and monthly editions of *The Big Picture* also provide a professional stock market education which helps to build a clients mind into the mind of a high calibre professional investor. Attaining valuable knowledge on how to profit from the stock market could be put to good use throughout the clients life and even passed onto future generations.

Sutherland's investment philosophy

Sutherland is a regular commentator on business television and radio, personal finance newspapers and magazines and other market commentator mediums.

His investment philosophy focuses on trend following and market timing and his main influences are stock market legends William O'Neil, Jesse Livermore and Gerald Loeb.

Sutherland aims to profit in rising markets and protect in falling markets.

His aim is to help ISACO's clients get in sync with the markets trend and direction and achieves this by studying the price and volume activity of institutional investors.

His aim is to help clients ride the uptrend of a bull market. During bull markets clients invest in high quality investment funds. When the bull market ends a bear market begins. When bear markets surface the trend changes from up to down.

During falling markets Sutherland's aim is to guide clients quickly into the safety of cash by using cash parks to protect their capital. When the bear market is over, a new bull market begins.

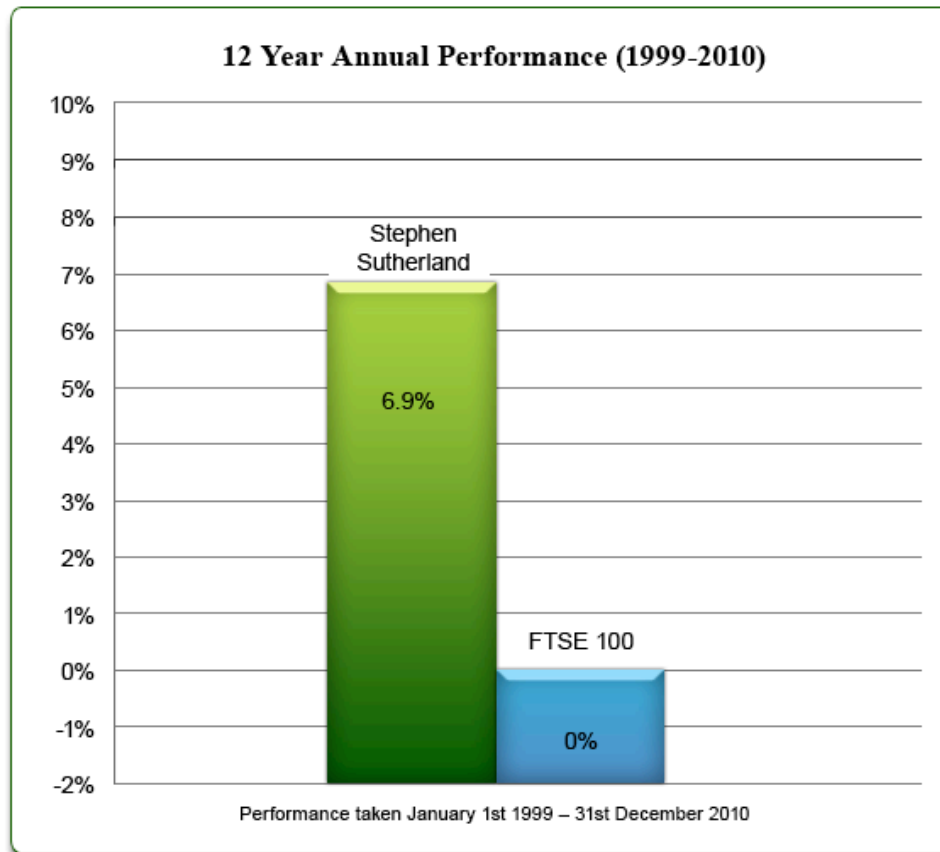
As you can see in this table, the underlying investment philosophy of Sutherland is long-term capital growth by maximizing gains in rising markets and the protection of capital in falling markets.

Market description	Type of market	Estimated length of time	Aim
Bull Market.	Rising.	2-4 years.	Profit - Invest in high quality investment funds.
Bear market.	Falling.	9-18 months.	Protect – Use cash parks to preserve profits.

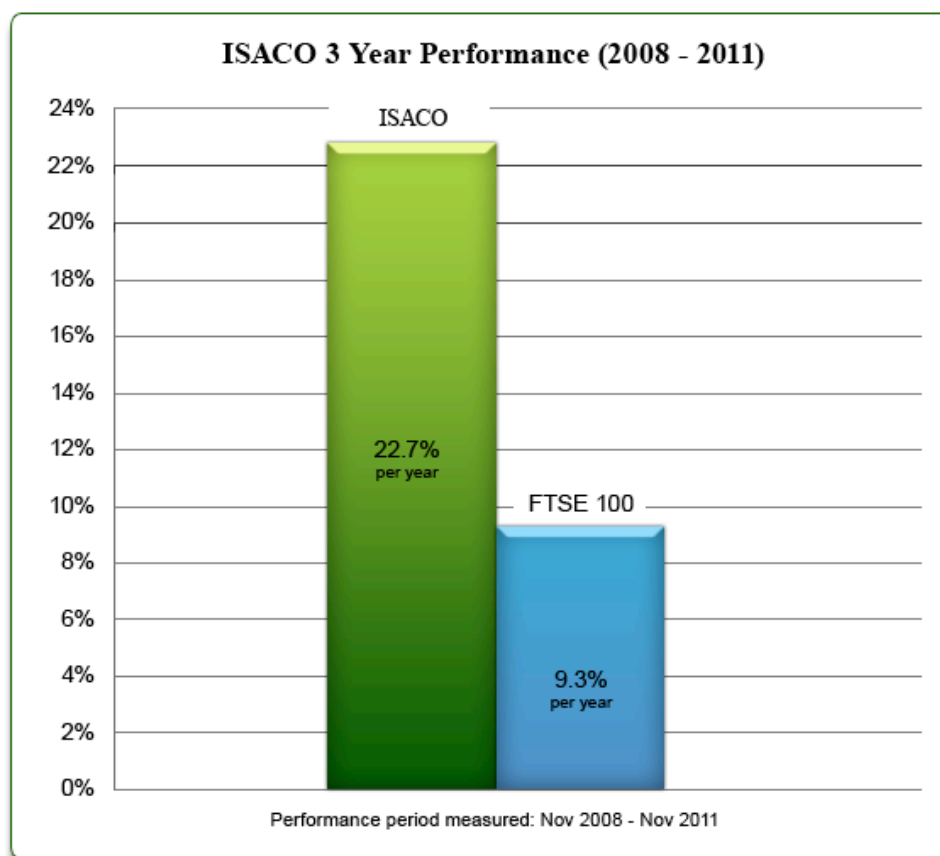
Sutherland's Performance

Performance is everything when your objective is long-term capital growth. First I'd like you to look at long-term performance. As you can see in this chart below, from 1999 to 2010, Sutherland has made an annual gain of 6.9% versus the FTSE 100's 0%.

Averaging 6.9% per year over the last 12 years has helped Sutherland make a cumulative gain of 124.2% versus the FTSE 100's 0.3%



Let's now focus on the shorter-term. As you can see in this chart below, over the last three years* Sutherland helped our clients return 22.7% versus the FTSE 100's 9.3%.



*(Nov 2008 – Nov 2011)

FAQ

What is the Shadow Investment objective and policy?

Shadow investing aims to provide long-term capital growth for ISA and SIPP investors.

What is the objective of Shadow Investing?

The main objective is to outperform the Nasdaq Composite over the long-term. The Nasdaq is a much stronger index than the FTSE 100 and is arguably one of the strongest market indexes in the world. Clients are helped to achieve this objective by 'Shadowing' Stephen Sutherland. Sutherland ISACO's lead investor likes to set the bar high and since 1999 been successful in outperforming the Nasdaq Composite, the FTSE 100, and many other world recognised stock market indices.

What kind of returns can I expect by Shadowing Sutherland?

Sutherland has different expectations depending on the trend of the market. He believes the returns he makes will always be relative to market direction. For example in a sideways trending market, he expects 3%-5% per year, in an up-trending market 12%-15% per year and in a powerful up-trending market 15%-20% per year. Sutherland's investment outlook over the next decade is 'very strong upwards trending market' which could result in 15%-20% annual growth. However there is no guarantee his outlook will materialise. His outlook for 2012 is positive returns in excess of 18%.

Sutherland sometimes beats his expectations. For example in the 12 year 'sideways' trending market from 1999 to 2010 where we saw the FTSE 100 return 0% annual growth, Sutherland returned 6.9% per year. Another example comes from the three year 'powerful up-trending market' of 2009-2011*. Over that period, the FTSE 100 made 9.3% per year and Sutherland returned 22.7% per year.*

*(Nov08-Nov11)

Are the expected returns guaranteed?

No, nothing is guaranteed when investing in the stock market. Stock market investing is always based on risk versus reward. If your goal is to achieve double digit returns over the long-term, risk will be associated with your investing.

You can lower risk by extending the time frame. It's been proven that the longer the period you invest for, the higher the probability of achieving a positive return

What methods does Sutherland use to protect his portfolio in a falling market?

Sutherland uses cash parks. A full economic cycle lasts about 5 years and consists of a bull market and bear market. A bull market is when the market forms an uptrend and a bear market is when the market forms a downtrend.

Bull markets can be seen as the 'boom' part of the cycle and the bear market can be seen as the 'bust'. Sutherland's aim is to ride the wave of the bull market and stay fully invested. This is typically a two to four year period. During this time Sutherland stays fully invested in high quality investment funds and sits patiently in his investment funds until the bull market has run its course.

When the bull market ends, a bear market begins. This is when Sutherland's investment strategy changes from 'profit' to 'protect.' 75% of investment funds move in the same direction as the stock market and if the market is falling (bear market), most investment funds will drop irrelevant of their grade or manager status.

This is the reason why investing against the markets trend is dangerous. Sutherland's experience has taught him that investing into investment funds during a bear markets is high risk. In bear markets Sutherland believes the best place to be invested is cash.

To summarise, when a bear market takes hold, he moves into cash. This gives full protection to his ISA portfolio. To guarantee that his full ISA account will be safe, he uses a cash park. The one Sutherland prefers is Fidelity's ISA Cash Park. Switching from being invested in a high quality investment fund into a cash park is just like moving your cash from the stock market to the bank.

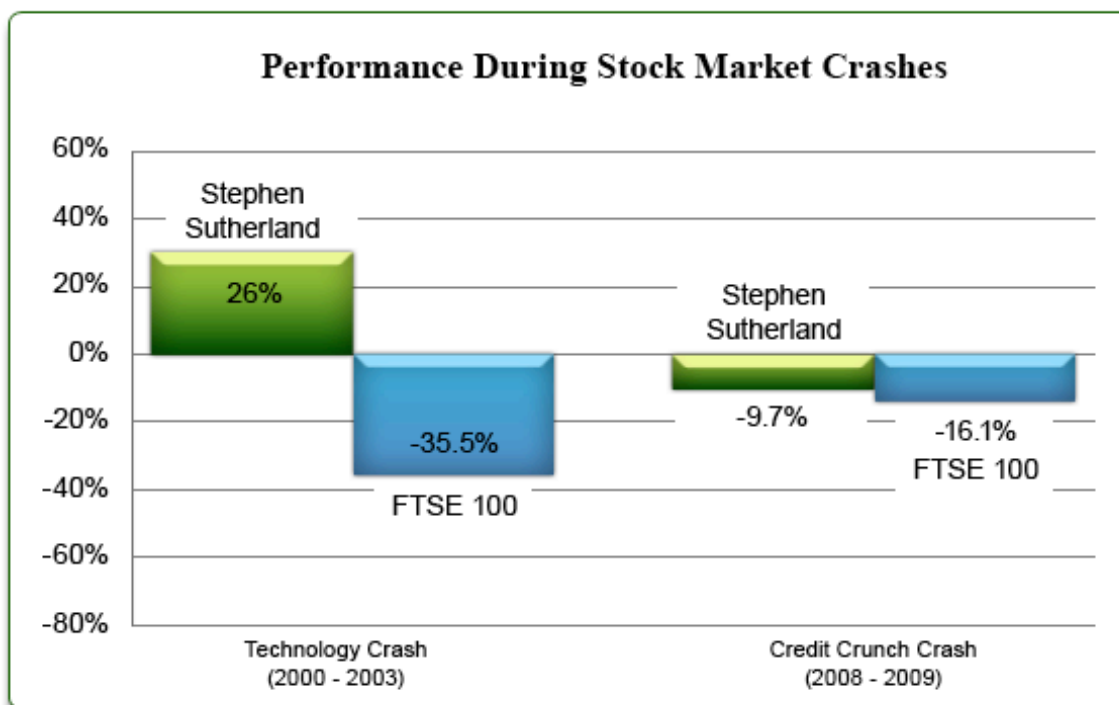
Bear markets are shorter in length than bull markets and tend to last 9-18 months. During this time Sutherland and his clients patiently sit in cash until the bear market ends and a new bull market begins.

When the bear market is over, a new bull market begins and this is when Sutherland moves back into high quality investment funds. Take a look at this table to show you how it works.

Market description	Type of market	Estimated length of time	Aim
Bull market.	Rising.	2-4 years.	Profit – Invest in high quality investment funds.
Bear market.	Falling.	9-18 months.	Protect – Use cash parks to preserve profits.

By moving temporarily into a cash park when the market is falling, it helps to preserve and protect your profits made in the bull market periods.

You are probably aware that we've just recently been through one of the worst markets in history. Some of the main world stock market indexes lost over half their value. As you can see from this next image, in the two most recent bear markets, Sutherland fortunately managed to outperform them both.



This table is to show you that Sutherland has beaten the stock market in two stock market 'crash' periods. These two time frames were arguably two of the worst bear markets in the stock markets entire history. In the 2000-2002 technology crash, Sutherland made a gain of 26% compared to the FTSE 100's 35.5% loss.

In the credit crunch crash of 2008-2009, Sutherland made a loss of 9.7% compared to the FTSE100's drop of 16.1%. These results tell you that Sutherland beat the FTSE 100 in the two previous bear markets which is something 80-90% of DIY investors and advisers failed to do.

What are the risks involved?

When investing in investment funds using a Stocks and Shares ISA or a SIPP, the value of your investment could fall as well as rise. But, there are plenty of reasons why you should consider them.

First, there's performance. Over the longer term, investments in the stock market produce better returns than money placed in savings accounts. According to industry

figures, £10,000 invested in the average unit trust at the beginning of 1997 would have been worth £21,859 at the end of 2006.

The same amount invested in a building society account paying 5% interest would only have grown to £16,289. Stock markets have their downs as well as ups, however, and you need to invest long term to ride out these bumps. As an absolute minimum you should look to invest for five years - longer if you seek double digit returns such as 12-15% per year.

You should avoid investing in Stocks and Shares ISAs and SIPP's if you can't stomach the possibility that the value of your investment could fall. While the performance of stock market investments tends to beat savings accounts over the long term, this isn't guaranteed.

If I decided I wanted to Shadow Invest, who is the investor I follow?

Stephen Sutherland is ISACO's lead investor of ISACO's 'Investment Guidance Service.' Sutherland's impressive track record has made him one of the UK's leading growth fund investors. He's also known as bestselling author of *Liquid Millionaire*.

Sutherland is a regular commentator on business television and radio, personal finance newspapers and magazines and other market commentator mediums.

Stephen's investment philosophy focuses on trend following and market timing. His main influences are stock market legends William O'Neil, Jesse Livermore and Gerald Loeb.

Sutherland has proved successful in outperforming the stock market. From 1999 to 2010 he made a cumulative gain of 124.2% versus the FTSE 100's 0.3%. Over the last three years* Sutherland has made an average yearly gain of 22.7% versus the FTSE 100's 9.3%.

*(Nov08-Nov11)

What is the minimum period I can Shadow Invest?

You can pay as you go which means the minimum period is one year. However because you would be investing into the stock market, ISACO suggest that all clients invest for a minimum of five years.

How much time is involved?

Shadow Investing is time friendly. There are only one or two trades to make in a typical year and *Daily Market Updates* take minutes to read. These updates are delivered seamlessly straight to your PC, your laptop, your tablet or your smart phone and is all the information you need to make the same trades that Sutherland is making.

How many trades will I make in a typical year?

One or two is typical.

What will I be investing in? Is it stocks or investment funds?

You invest in high quality investment funds.

Why funds and not stocks?

Buying individual stocks carries too much risk because a single stock can fall as much as 50% in just one day. Even though high quality investment funds carry risk, the risk of significant one day percentage drops is reduced due to the fund being diversified into a large number of quality stocks. For example most investment funds own at least thirty different companies and some funds own more than a hundred.

What type of risk profile do you need to have for Shadow Investing?

Shadow Investing may suit investors seeking strong long-term performance. It's ideal for investors seeking strong capital growth with a five to ten year investment horizon.

I have a personal pension / SIPP that I'd like to use to shadow invest Stephen. Is it any different from shadow investing using ISAs?

It is possible to use either a self invested personal pension (SIPP) or a personal pension to shadow invest ISACO's lead investor. It is important however to know the differences between these two wealth building vehicles.

The big difference between pensions and ISAs is when you get your tax benefit. With a pension, you make contributions out of your pre-tax earnings, but get taxed on the income when you draw your pension. With an ISA, you contribute out of your post-tax earnings, but get tax benefits on any income that you take from it.

ISAs are liquid. That means you can get at your cash whenever you want. However with pensions, once money has gone in, it can't come out until you reach 55 years of age and then it's taxed.

If you want to shadow invest using a pension such as a SIPP, you simply do it in the same way that you would shadow invest using ISAs.

I have many ISA's set up in different locations. What is the best way to get organized so that they are all under one roof allowing me to manage them more effectively?

We always suggest clients use Fidelity's FundsNetwork™. Fidelity's FundsNetwork™ simplifies the process of investing and, with online access, powerful consolidation tools and back office integration. You can move your investments in one of two ways. Re-registering your ISAs or transferring them.

Thank you for your time.

Yours sincerely,



Paul Sutherland
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