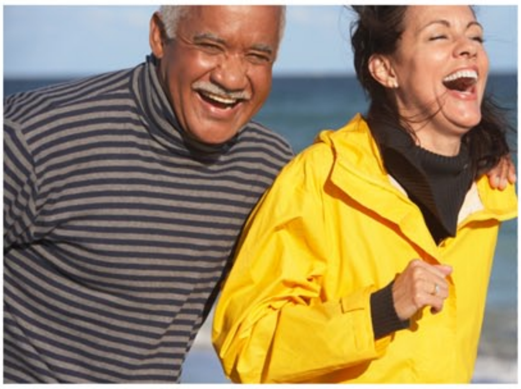
# How to Achieve ISA and SIPP Market Beating Performance



ISACO

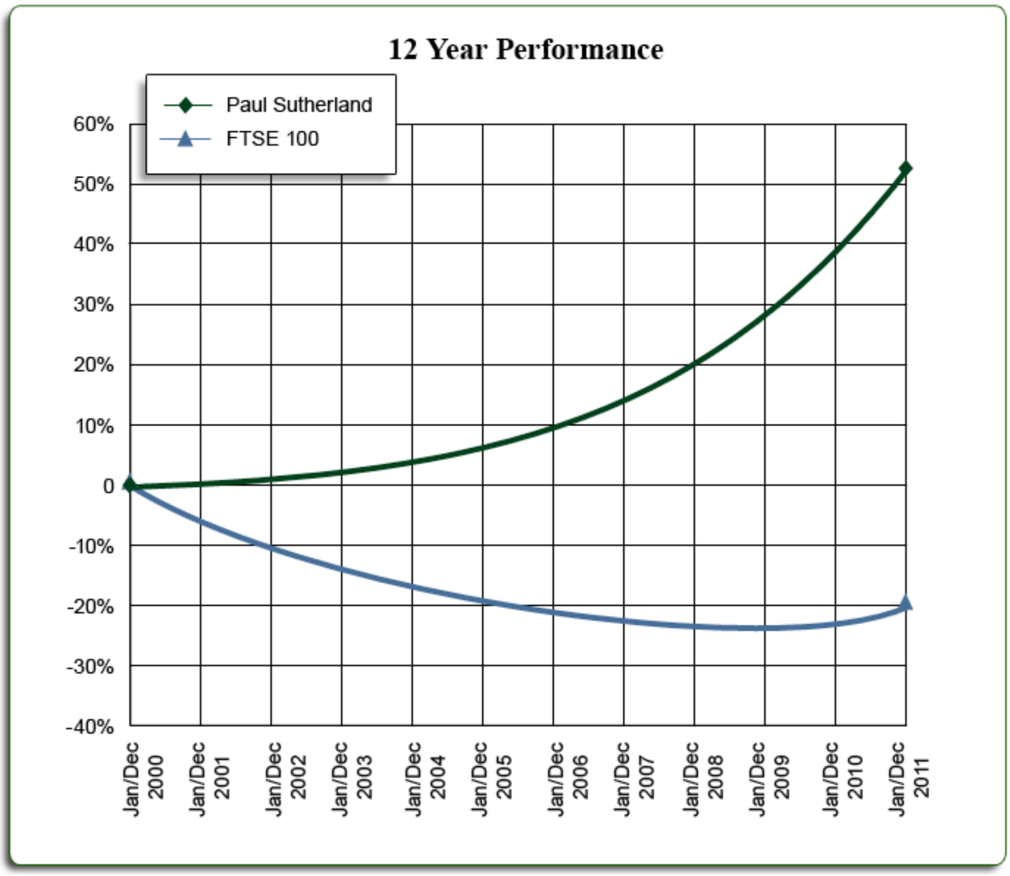
LET'S BUILD WEALTH TOGETHER.

My name is Paul Sutherland and I have been ‘shadow investing’ my brother Stephen since the year 2000.

Stephen Sutherland is ISACO's chief investment strategist and bestselling author of *Liquid Millionaire*.

Stephen is one of the UK's leading growth fund investors and is a regular commentator on business television and radio, personal finance newspapers and magazines and other market commentator mediums.

In case you have not heard of shadow investing before, using my Stocks and Shares ISA account, I copy the trades that Stephen makes in his Stocks and Shares ISA account. When he buys a particular investment fund, I buy the same one. In falling markets when he switches into a cash park, so do I. Using this simple method of copying his trading activity, it allows a novice investor like me to get almost identical returns to the ones a high caliber investor gets.




He does the work, and I simply copy him. The market over the last twelve years (2000-2011) has been in a sideways trend which has resulted in the FTSE 100 making a cumulative loss of 19.6%. To make money over this period has been tough.

However by copying Stephen's ISA trades over the last twelve years I've made a cumulative after tax gain of 52%.

With the FTSE 100 losing almost 20% from 2000 to 2011 and Stephen making over 50%, it means by shadowing Stephen's trading activity, I've beaten the FTSE 100 by 71.6%. Performance of this nature is classed as market beating performance.

Market beating performance of this nature is rare and it's not that often that you hear about investors who have 'beaten' the market. And yet a relatively uneducated investor like me has managed to achieve that worthy goal.

In my opinion I would not have been able to achieve such gains if I would not have been following the lead from my brother Stephen. Stephen is my secret weapon and he alone is the reason I've managed to outperform the FTSE 100 since 2000.

If I would have followed the traditional route of receiving guidance on how to grow my Stocks and Shares account using the services of a traditional financial adviser, I probably would have performed poorly and most probably more in line with the FTSE 100's performance. The reason I say that is because of the shocking but true statistic that 80-90% of financial advisers *underperform* the stock market. That tells you most advisers will achieve less than the FTSE 100's growth.

# The dangers of underperformance

That means over the last twelve years, if you'd been taking your guidance from an adviser, your performance will probably be either in line with the FTSE 100's 19.6% cumulative loss or possibly worse. When an IFA or wealth adviser underperforms the stock market, it often results in major client disappointment because poor performance means the client not arriving at their intended goals on time.

This may seem harmless to some but when you link performance to retirement goals, most people take more notice. This table below highlights the dangers and shows what happens to your retirement plans if you underperform. In this example, I've used a person with a £250,000 portfolio whose aim is to grow it into a million pounds over the next ten years.

| Starting amount | Retirement goal | Annual growth rate | Time frame taken to hit retirement goal | Arrived at goal on time? |
|---|---|---|---|---|
| £250,000 | £1 million | 15% | 10 years | Yes |
| £250,000 | £1 million | 7.5% | 20 years | No, 10 years late. |
| £250,000 | £1 million | 3.75% | 40 years | No, 30 years late. |

To be able to do that successfully, the person would have to grow their account at 15% per year which I agree is no easy feat. However, it is possible when you have all the components in place such as a strong upwards trending market. The compounding rule is, when you achieve 15% annual growth, your money doubles every five years. That means at 15% annual growth, £250,000 turns into £500,000 in the first five years, and the £500,000 turns into a £1million in the final five years.

However, if you fail to get adequate growth on your capital, it is going to take you much longer to reach your retirement goals. For example, if your adviser is one of the 80-90% of advisers that underperform the market, and helps you to achieve just 7.5% annual growth, it would take you twice as long to get to your goal. Instead of getting to your objective in ten years, it would take you twenty. And if your adviser was in the bottom 20% of their field, and only managed to help you achieve 3.75% annual growth, it would take you forty years to get to your goal. That's thirty years late!

# The reason I started shadow investing

When I first started shadowing Stephen he was a completely unknown investor however his market beating performance has helped Stephen to be recognised as one of the UK's leading growth fund investors.

What a wise move it was for me to make the decision to shadow Stephen in 2000. I remember explaining to Stephen my frustration with getting poor investment returns and shared how I'd been making all my own investment decisions due to not trusting the competence of financial advisers. I also told him that I didn't have the passion, time or desire to become a full time trader.

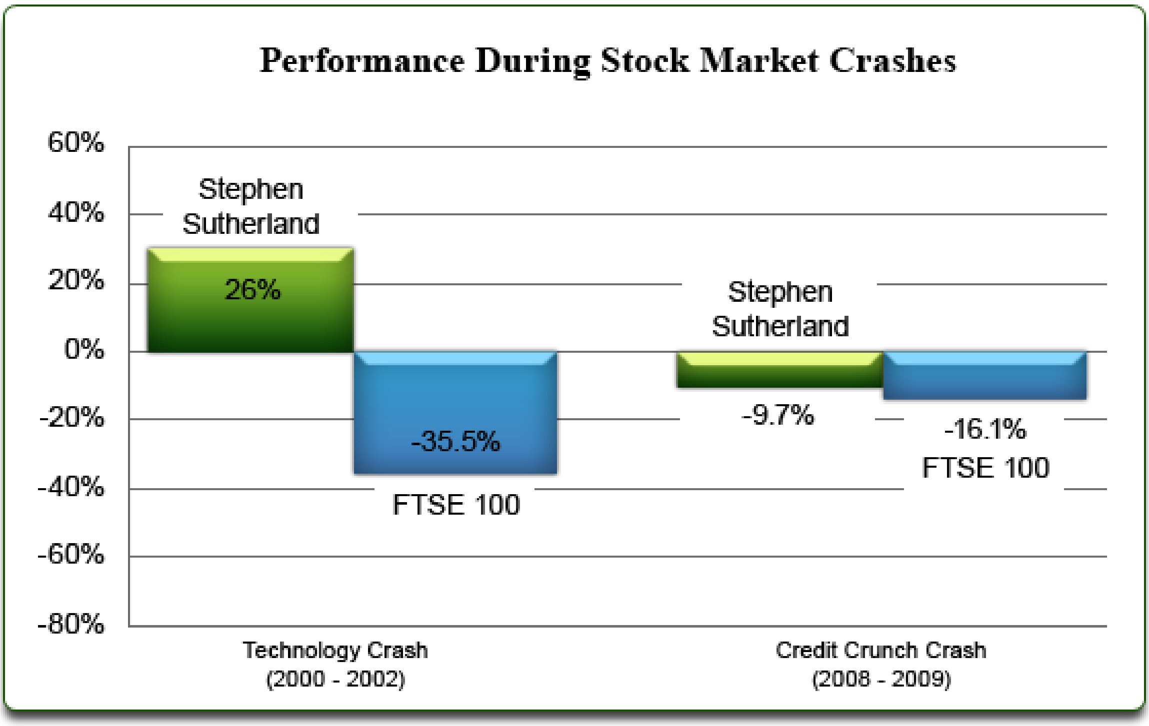
I was in a bit of a tricky situation because I wanted to get the same returns that Stephen had been attaining but at the same time I didn't want to put in the same amount of time he was putting in. Whilst I was pondering on how I could overcome this challenge, all of a sudden, I had an idea. I said to Stephen, "Stephen, how do you feel about me copying you?"

I continued, "I want to get the same returns as you. Would you share what investments you are buying and selling and tell me the day you are doing it?" Stephen immediately said yes and from that day I've had the privilege of following him and achieving the same returns that he's been getting.

# Performance during falling markets

If you've been investing for as long as I have, 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, Stephen has helped me to outperform them both.

This image is to show you that it is possible for you to beat the stock market when it's falling if you are shadowing an investor who knows what he is doing. These two market periods were arguably two of the worst bear markets in the stock markets entire history.



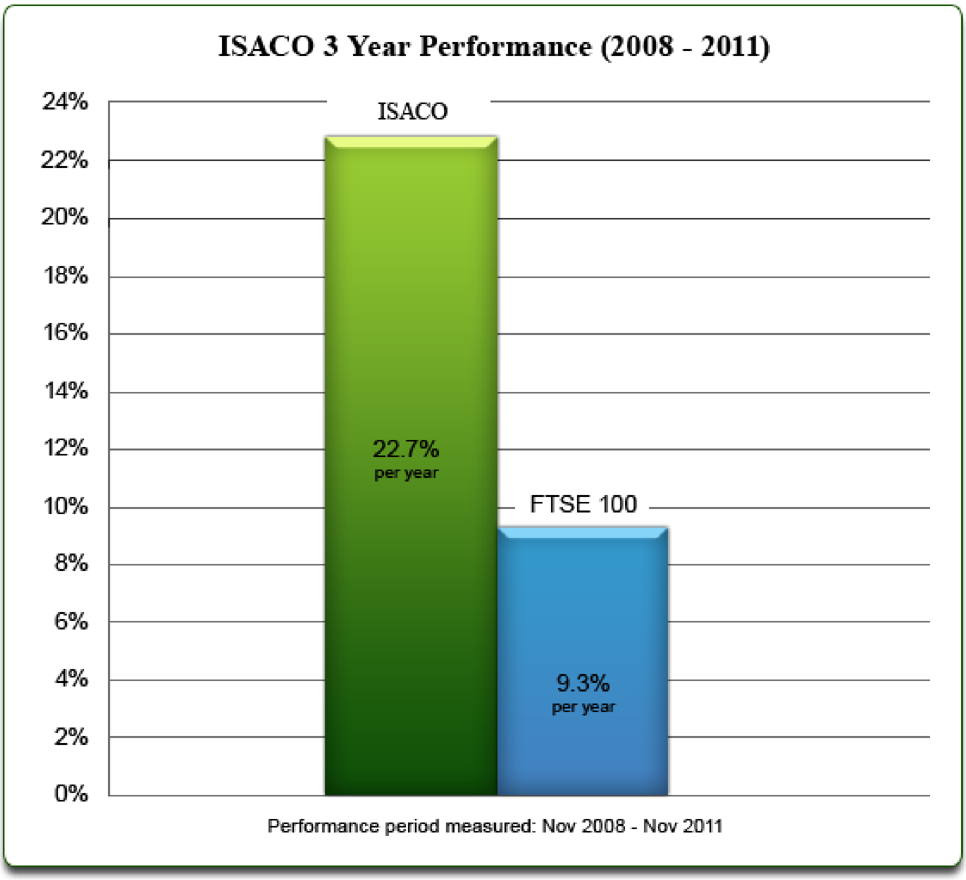

In the 2000-2002 technology crash, by following Stephen's lead I was extremely fortunate to make a gain of 26% compared to the FTSE 100's 35.5% loss. To make such a decent gain in such a brutal bear market environment was a clue to say how good Stephen was at his job. As you can imagine, when I realised how skilled he was, and how easy it was to make the same returns as him, I was hooked.

In the credit crunch crash of 2008-2009 the FTSE100's dropped 16.1% however my loss was not as extreme. By copying Stephen's trading activity, I managed to make a loss of 9.7%.

These results say that Stephen helped me to beat the FTSE 100 in the two previous bear markets which is something 80-90% of private investors and advisers failed to do.

# Performance in upwards trending markets

Stephen has so far helped me outperform in upwards trending markets too. This bar chart below shows the 22.7% annual returns that Stephen has helped me and our clients achieve over a recent three year period versus the 9.3% annual returns of the FTSE 100.




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.

# ISACO clients who shadow invest

Over three hundred carefully selected individuals have the privilege of shadowing Stephen who include the original pioneer of health clubs in the UK, a leading authority in cosmetic, implant and restorative dentistry, a professional rugby player, a hedge fund manager and two serial property investors.

Other clients of note include a company director of Johnson and Johnson, the head of operations at State Street Bank and Trust, a radiographer and a specialist haematologist.

The list of premium clients who 'shadow invest' Stephen also includes a lawyer who works for a major US investment bank, a mergers and acquisitions analyst of a FTSE 100 company, a retired CIO of one of the world's leading international banks, a professor in physics at Oxford University and a senior intelligence official.

# Is now is a good time to invest?

In a recent edition of our monthly premium client newsletter *The Big Picture*, Stephen stated:

"*My take is and has been for some time now that the market over the next decade will outperform. There are numerous facts and statistics that point to the likelihood of outperformance and the behaviour of the market over the last three years gives me even more reasons to believe a stock market boom may have already begun. My belief is the 'boom period' started back in 2009."*

One piece of research that backs up Stephen's long-term outlook is the Barclays gilt study of 2009.

History shows the returns enjoyed by investors who can overcome their instinct to seek safe haven in difficult times could be significantly higher in the long-term.

When you look at history, you find that extended periods of poor performance have almost always led to periods of above-average performance. As investment in equities should be viewed as a medium to long-term savings vehicle, the study looked at returns over ten year periods, as illustrated in this table.

| Average annual returns over ten years: | % | Average annual returns in the ten years immediately afterwards: | % |
|---|---|---|---|
| 1906 - 1915 | -0.2 | 1916 - 1925 | +3.9 |
| 1907 - 1916 | -3.7 | 1917 - 1926 | +6.5 |
| 1908 - 1917 | -3.8 | 1918 - 1927 | +9.1 |
| 1909 - 1918 | -3.5 | 1919 - 1928 | +10.3 |
| 1910 - 1919 | -3.8 | 1920 - 1929 | +7.8 |
| 1911 - 1920 | -7.9 | 1921 - 1930 | +12.8 |
| 1912 - 1921 | -5.1 | 1922 - 1931 | +7.6 |
| 1913 - 1922 | -1.9 | 1923 - 1932 | +7.5 |
| 1914 - 1923 | -1.3 | 1924 - 1933 | +9.6 |
| 1965 - 1974 | -6.0 | 1975 - 1984 | +17.4 |
| 1967 - 1976 | -0.3 | 1977 - 1986 | +14.6 |
| 1968 - 1977 | -0.2 | 1978 - 1987 | +12.0 |
| 1969 - 1978 | -3.5 | 1979 - 1988 | +12.4 |
| 1970 - 1979 | -2.3 | 1980 - 1989 | +15.6 |
| 1972 - 1981 | -2.4 | 1982 - 1991 | +13.2 |
| 1973 - 1982 | -1.2 | 1983 - 1992 | +12.7 |
| 1999 - 2008 | -1.5 | | |
| **Average** | **-2.9%** | **Average** | **+10.8%** |

Source: Barclays Capital Gilt Study 2009 (based on FTSE All Share index and includes dividends reinvested)

The Barclays study shows that since 1899, there have been 17 lost decades (10 year periods of negative aggregate performance) with an average annual return of -2.9%.

This includes the most recent decade (to the end of 2008) where UK equities suffered average annual returns of -1.5%.

Notice that each of these decades immediately following a lost decade has proved positive average annual total returns, with an average of +10.8% per annum for these ensuing good decades.

This data suggests to Stephen that over the next decade, we are likely to see above average performance – however this is not guaranteed.

# Has the boom begun?

It may seem hard to believe but the decade of outperformance may have already begun. As Stephen stated in a recent edition of *The Big Picture*, "*My belief is the 'boom period' started back in 2009."*

One reason for Stephen saying that a boom may have started is our recent performance that I mentioned earlier. Our returns of 22.7% per year over the last three years  is in Stephen's eyes 'abnormally' high and acts as a huge clue that something good under the surface is happening right now. That's why even though the media are doom and gloom, Stephen is stating the opposite. Stephen is saying now is the time to invest if you have a long-term investment horizon.

# Shadow Investing compliments private investors perfectly

Shadow investing Stephen provides my clients and I with all the information we need to achieve almost identical returns to the ones he gets. Stephen helps us to attain long-term capital growth on our ISA accounts. I also use my personal pension account to shadow Stephen and so do some of our clients.

However the traditional way of receiving capital growth guidance for your ISA and SIPP is to go and see a financial adviser. The challenge with this approach is that financial advisers are not professional investors and some advisers don't have your best interests at heart.

Numerous studies show that advisers on equities constantly do worse than the market they are in, even before making any allowance for any fee. As you've already discovered, ISACO have a different take on investment guidance and who the investment guidance should come from.

Instead of getting guidance about what to do with your ISAs and SIPP from a financial adviser who has a history of *losing* against the stock market, I think a better idea would be to get your guidance from an investor with a history of *beating* the stock market. If you are a time starved private investor who wants an expert resource to help you get better performance on your ISA and SIPP account, ISACO might be able to help.

ISACO's Investment Guidance Service allows you to shadow invest Stephen and aims to help you achieve better performance over the long-term, better protection in falling markets and at a better price.

However, if you don't like paying for help and want some pointers of how to shadow invest without using our service, here are some notes. First of all ask yourself, do you know an ISA or SIPP investor who has been performing much better than you have?

Ideally this will be somebody close to you and it will be a person whom you trust implicitly. I say this because you'll have to get some kind of commitment from this person that they will be happy to pass on details of their trading activity to you as and when it happens.

Take it from a person who has been shadow investing for the last twelve years, to succeed you need absolute belief in the investor and to never second guess their decisions. My relationship with Stephen involved me copying Stephen and never questioning his decisions. That means I was not a nervous follower. I was a good student and that's why the relationship has worked so well and why my results so far have been market beating.

Thank you for your time.

Yours sincerely,

Paul Sutherland

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