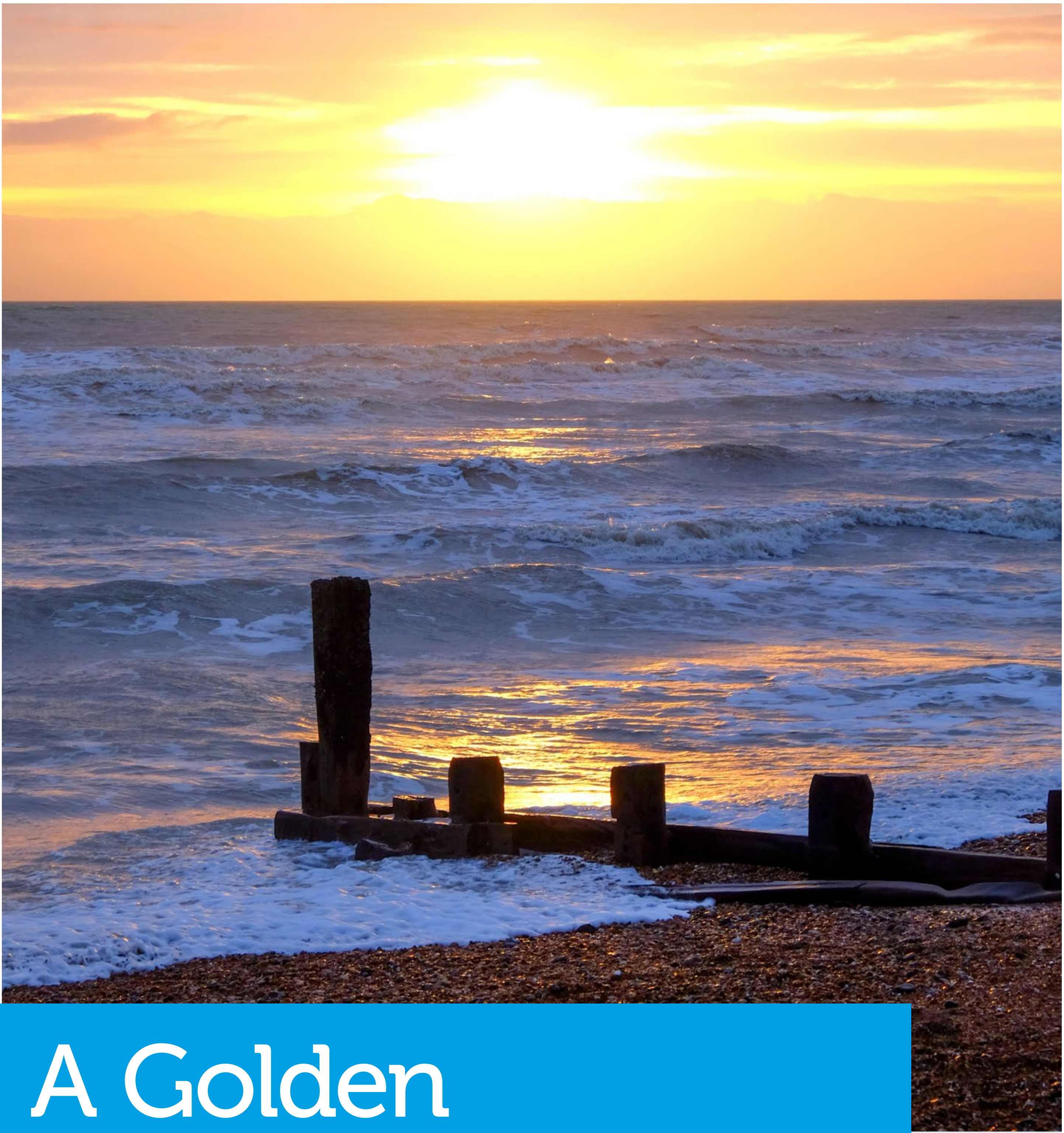


A Golden Opportunity

Essential reading for ISA and SIPP investors with over £250,000 actively invested.

ISACO

LET'S GROW WEALTH TOGETHER.

Stephen Sutherland.
ISACO's Chief Investment Strategist and author of *How to Make Money in ISAs and SIPPs*.

My name is Stephen Sutherland and today I'm going to share with you details of an investment opportunity that could boost your ISA and/or SIPP portfolio over the coming years.

This same opportunity is right under everybody's noses but because they have not been informed about it, they have no idea it exists. There is an English Proverb that sums this up beautifully, 'Some men go through a forest and see no firewood.'

To explain how it's possible to capitalise on this rare opportunity, we are going to start with some basic lessons about the stock market. Let's begin. Most people who live in the UK have heard of the FTSE 100 but fewer have heard of the S&P 500. The FTSE 100 is an index in the UK that has the top 100 companies trading in it. The S&P 500 is its equivalent in the United States and, you guessed it, this one has 500 companies that belong to it.

S&P 500

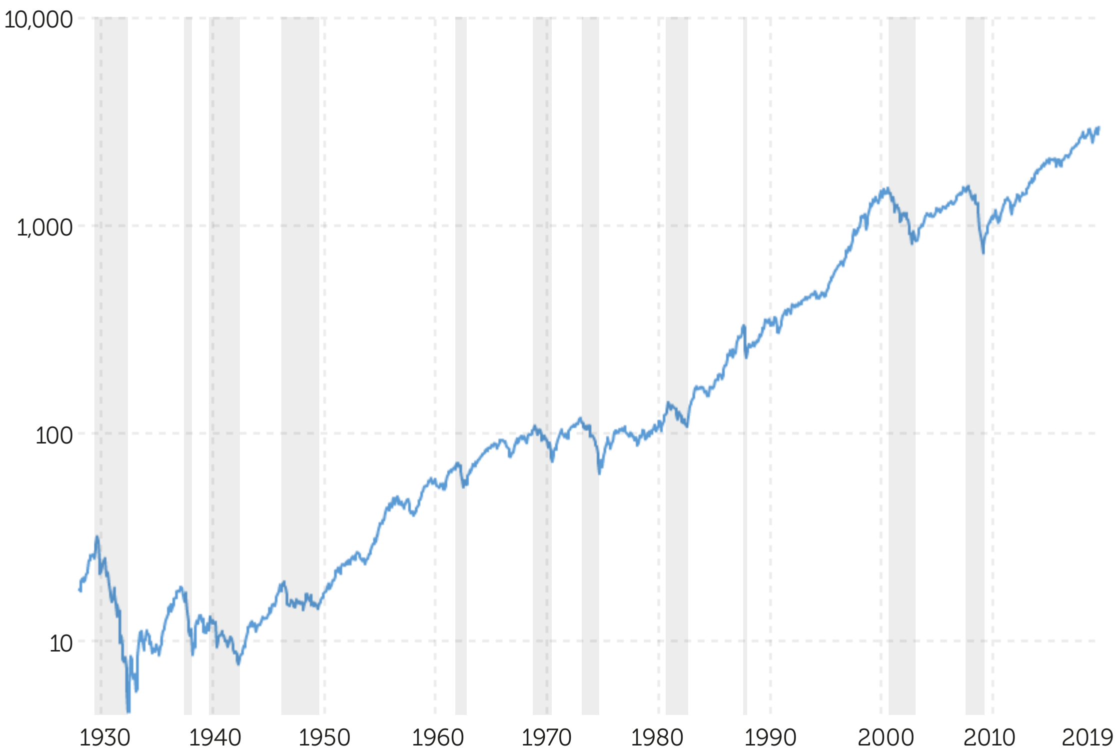


Image courtesy of Macrotrends.com.

What long-term trend has this index formed? Is it up, down or sideways?

Yes, that's right, it's in an uptrend.

Can you see the grey vertical shaded areas on the chart?

These represent the down periods in the market. They are known as bear markets. On the other hand, the white areas on the chart are the times when the market rose. These periods are called bull markets.

What do you see happening after each bear or down market?

That's right, the market goes up. Would you agree that after every bear market the index has always eventually moved into new high ground?

Excellent!

Did you know that historically, bull markets or up markets have lasted between two and four years?

Bear or down markets tend not to last as long. Bear markets last between nine and eighteen months and therefore are much shorter than bull markets. Because bull markets last longer, the stock market forms an uptrend. It's like a staircase effect where you have three stairs up and one stair down.

Just before we move on, take a look at the period on the chart from 1970 to 1980.

S&P 500

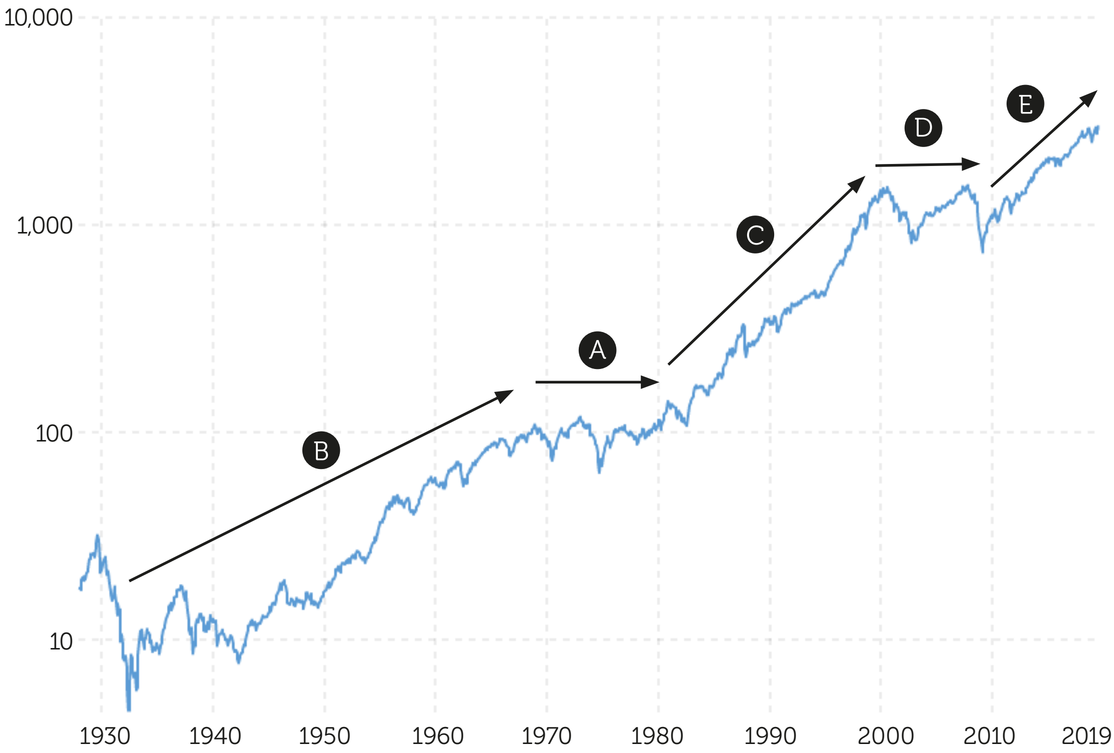


Image courtesy of Macrotrends.com.

Notice that the market made very little price progress over that decade (Point A). Do you see that?

Do you also see what happened before it went sideways? Can you see the strong uptrend (Point B)?

And what happened after it went sideways?

Have you spotted that after the ten-year sideways period, the market continued with its uptrend (Point C)?

And after that significant run up, notice what it did. Do you see how once again it moved sideways for about ten years (Point D)?

And finally, do you see how yet another new uptrend has recently begun (Point E)?

Good, because we will be talking more about that later.

Let's now move on to talking about funds. What do you know about investment funds?

In case you are unsure, an investment fund is a pooled investment vehicle that allows investors like you and me to invest in the stock market. They are controlled and managed by a professional investor who is called a fund manager. These fund managers buy stocks (companies) that they believe are going to rise in value. If they choose well, the fund's value will do well and all the people invested in the fund will be rewarded with an increase in their investment portfolio.

Job 1: Find fund managers with great track records

Investment funds are the investment vehicles that have the potential of growing your account at 6-8% each year, if the market is trending upwards and if you choose well. Fund managers are the individuals who manage investment funds and they are the people who decide which companies they want to invest in.

If they choose well, the funds overall value will increase and people who invest in the fund will be rewarded. So your first job is to find a fund manager with an outstanding track record. Here's how I do that: when the market is in a confirmed uptrend, I scan for funds managed by exceptional fund managers. I like to ensure that the fund manager has proven they can beat the market in the short and the long term.

Job 2: Find fund managers in the money flow

However, what a lot of investors don't realise is that many fund managers with great track records will not always be 'on form' and producing good returns.

There is however, a good reason why this happens.

Do you have any idea what this is?

The reason is that each fund manager has an objective and a mandate that they have to stick to, such as only investing in Japanese stocks, British stocks or possibly American stocks. Some managers' mandates state that they can only invest in a particular sector, such as the technology or the basic resources sector. The important thing to understand here is that all fund managers have a brief that they have to stick to.

This puts many managers at a disadvantage because the big money can only flow into a handful of countries/sectors at any given time. This is one of the reasons why most top managers are never going to be able to constantly outperform the market every single year.

That's why you have to always be active. Instead of just finding a fund run by a top manager, buying it and then holding it, you have to be dynamic. You have to be aware of where the big money is flowing at any given time and then aim to invest in the best fund managers who are right in the middle of the money flow.

Why I love ISAs

ISAs are fantastic. Yes, they really are the UK's best-kept secret and it's not commonly known how they work or how powerful they are. Many people think that when they take out an ISA with a bank, their ISA has to remain with that same bank for life. A few people mistakenly think that they are locked in and can't move their ISA. Both these myths are utter nonsense.

With your ISAs, you have the power to control where your money is being parked or invested. And you can change your mind at any time. If you have been placed in a stocks and shares ISA, perhaps by your bank manager, broker or financial adviser, it's really easy to check how good their recommendations have been. All you need is a little training.

This is just one of the things my brother and I like to teach our clients. I have to say that when they've been given that knowledge, they tell us it makes their bank managers, brokers or advisers feel very nervous. Knowledge of the characteristics of a good fund versus those of a bad fund gives you serious power over your adviser.

Real ISA millionaires

Most people in the UK are totally unaware that ISAs can help them accumulate a multi-million pound, tax-free portfolio.

Yes, it's true, some ISA investors have accounts in the tens of millions.*

*Source: FT.com 8th Oct 2010 -'ISAs' values rise to £1m for some investors'

Did you know that an ISA is not an investment, but is the name of a wrapper that goes around an investment, sheltering it from the Inland Revenue?

Think about a sweet in a wrapper. The investment is the sweet and the ISA is the wrapper. Did you know that there is no limit to how much your tax-free portfolio can grow into?

Yes, it's true. If you start with say £1000 and eventually over time it grows into, let's say, £1 million then all of that £1 million would be tax-free.

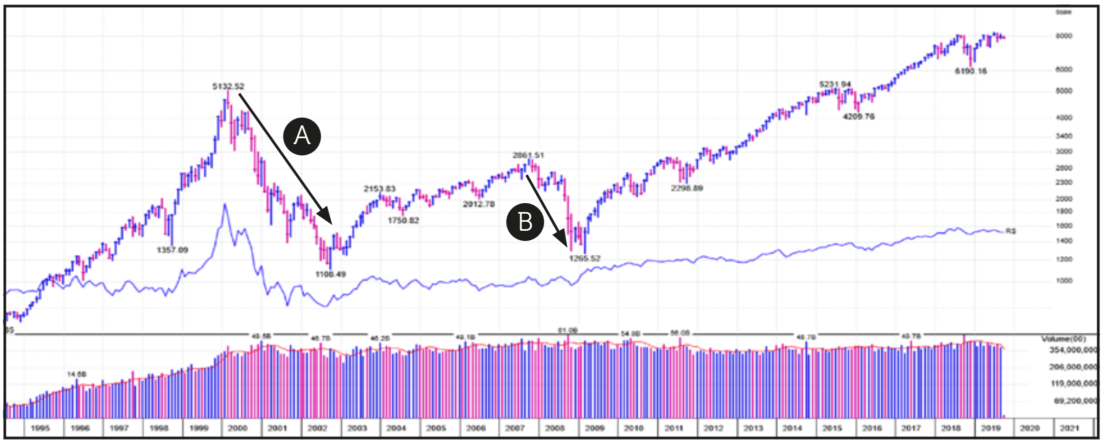
Three out of four stocks move in the same direction as the market

One of the things that I first learned about how the stock market works is that three out of every four stocks move in the same direction as the market.

So if the market is in an uptrend, approximately 75% of stocks move up. And if the market is in a downtrend, approximately 75% of stocks move down. And because investment funds own stocks, funds also move in the same direction as the market.

When the market had huge corrections during 2000-2002 and 2007-2009, individuals who remained invested in the market's downtrend will have lost a lot of money.

NASDAQ Composite



Take a look at this 20 year chart of the NASDAQ Composite. On this chart I am showing you something important. When the market was in a major downtrend from 2000-2002 (Point A) and during the period 2007-2009 (Point B), the smart money was out on the sidelines.

You see, the market is like a river. If it's heading downwards, then you don't want to be in the river trying to swim upstream against a strong current. Your aim should be to stay on the sidelines patiently waiting for the flow of the river to change. You therefore need to swim with the current and not against it.

How to win

To win at ISA and SIPP investing, your job is to know how to pick a top performing investment fund that is currently 'in the money flow' and then wrap an ISA and/or SIPP around it. You also need to aim to buy it when the market is in a confirmed uptrend.

William J. O'Neil is not well known in the UK, but in the US he is regarded as a stock market master. Back in 2000 and 2001, O'Neil taught me an investment strategy – a method based on how the market has operated in each of the cycles over the last 125 years.

Not missed the start of a single bull market

What I discovered from Bill is that one of the secrets to investment success is to be 'active'. I learned that over the last 50 years, using this dynamic investment method, Bill had not missed the start of a single bull market. This impressive fact was just one of the many reasons that drew me towards this method of investing.

An investment method based on facts, not opinions

This active investment strategy that Bill O'Neil and I use is based on facts. These are facts that have come from the entire 125-year history of the stock market and they are not opinions. That is probably why it tends to work so well. I'm immensely proud of the fact that over the last 21 years[1], we've beaten the FTSE 100 by 132.6% and over the last 10 years[2] we've made an average annual return of 9.9% versus the FTSE 100's 4.3%.

This year we are once again outperforming and currently[3] sitting on a return of 13.5% versus the FTSE 100's 5.9%, beating our benchmark by 7.6%.

Personally, I think it is a great way to stay in step with the market. But I have to warn you that it's not foolproof. My clients follow in my footsteps and have the opportunity to invest in exactly the same funds that I'm investing in. Therefore, if they follow my lead, they have the potential to achieve exactly the same returns as me.

[1] January 1st 1998 - December 31st 2018. Total return ISACO 163.3%, FTSE 100 30.7%.
[2] January 1st 2009 – December 31st 2018.
[3] January 1st 2019 – August 21st 2019.

Clients like the fact that my brother Paul and I put our own personal money where our mouth is. It puts them at ease knowing my track record and following exactly what Paul and I are doing with our ISA and SIPP. I think it gives them peace of mind knowing that Paul and I both have significantly sized tax-free accounts and that I have been investing in ISAs since 1997. They understand that the decisions Paul and I make about when to get into the market, what to get into and when to get out, are not taken lightly.

And unlike hedge funds, we don't take a penny of any of the profits our clients make. This means if you became a client, you get to keep everything you make. Plus we are totally impartial. Unlike financial advisers, stock brokers and banks, we do not receive any commission from the investment funds that we personally invest in. That's also something our clients see as a benefit.

75% of the stock market's movement comes from institutional investors

Do you know the following fact?

Approximately 75% of the stock market's movement comes from institutional investors.

Yes it's true, the big professional investors have the largest influence on the market's future direction. Institutional investors can be fund managers, banks, building societies or insurance companies. If these 800-pound gorilla investors are buying, you can jump on their coattails. Similarly, if they are selling, you can quickly switch out onto the sidelines.

Here's how it works.

Picture the market as a big tree. Let's imagine the professional investors being woodcutters. If the professionals are selling heavily, then you can see them selling their stocks by looking at charts. When they sell, it's like they're taking a cut out of a tree and, of course, this makes the tree, or market, weaker.

If they take too many swipes at the tree in a short space of time, what is going to happen?

That's right, the tree will fall over. So when the tree, or market, gets weak because of excessive selling or cutting, it sends you a red flag to say it might be time get out of the market. On the other hand, when the professional investors are buying heavily and in a short period of time, it makes the market healthy and extremely strong – and this is the time we like to be invested.

Did you know that the NASDAQ Composite, the US technology index, has averaged 9.1%[1] since its inception back in 1971?

[1] Investing.com: February 5th 1971 – December 31st 2018. Total return of 6535% over a 48-year period.

And did you also know that over the last 18 years[1], it has averaged just 2.7% per year?

[1] MarketSmith.com: January 1st 2000 – December 31st 2018. Total return of 63.1% over a 18-year period.

NASDAQ Composite

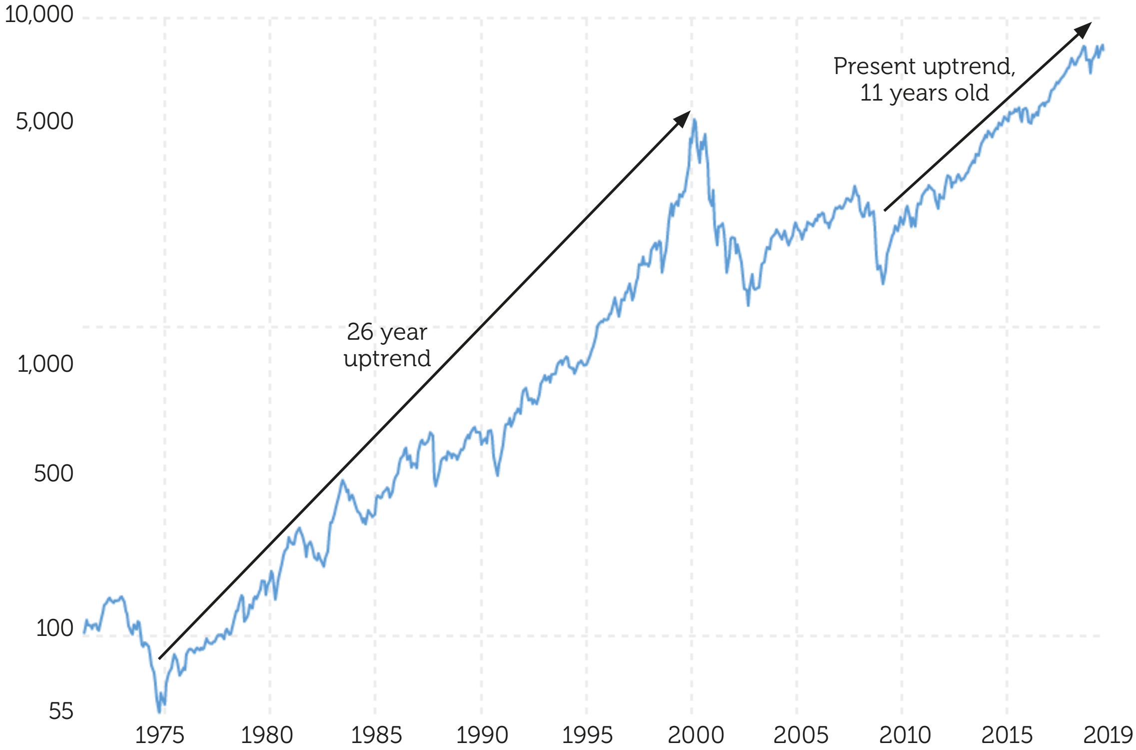


Image courtesy of Macrotrends.com.

Let me repeat that once again for emphasis. Over the last 18 years[2], the NASDAQ Composite has averaged just 2.7% per year. This is important because as you may recall, its average annual growth rate since its inception was 9.1%.

With this in mind, and learning from history, we think that the NASDAQ could be ascending higher and at a decent growth rate, for another 10-15 years.

[2] MarketSmith.com: January 1st 2000 – December 31st 2018. Total return of 63.1% over a 18-year period

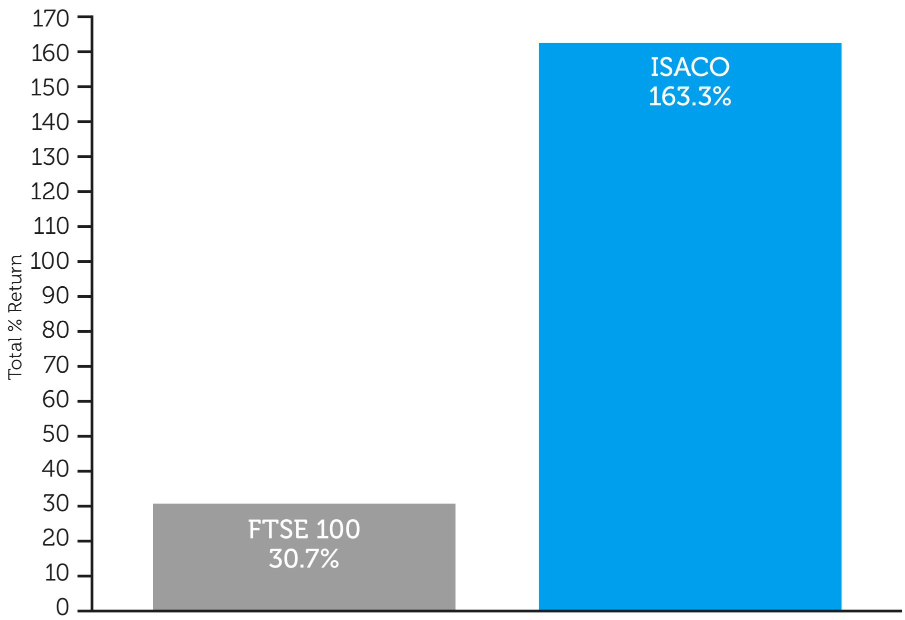
Our objective

Even though we'd ideally like to beat the NASDAQ, aiming to outperform it would be an unrealistic goal. Our objective is to outperform a stock market index that I'm sure you are very familiar with, the FTSE 100. Beating the Footsie is a tough objective because most of the professional fund managers who benchmark against it, fail to beat it. However, beating the FTSE 100 in our opinion is realistic and doable.

The FTSE 100 has annualised 6.0% since its inception 35 years ago[1]. That tells us that if we can beat the FTSE 100 over the long term, we're going to be blessed with a reasonable rate of return. Since beginning investing back in 1997[2], we've outperformed it by 132.6% which means over that 21-year period we'd beaten the main UK stock index on average by 3.4% per year.

[1] January 3rd 1984 - December 31st 2018.
[2] January 1st 1998 – December 31st 2018.

ISACO 21-Year Total Return



January 1st 1998 – December 31st 2018.

Legg Mason Japan Equity A Acc: 43.1% in 12 months

We are going to start by looking at the dangers associated with buy and hold, using a real life example of a fund we bought back in 2005 and what would have happened to our clients' accounts if we hadn't taken a more active role. The fund we bought was called the Legg Mason Japan Equity A.

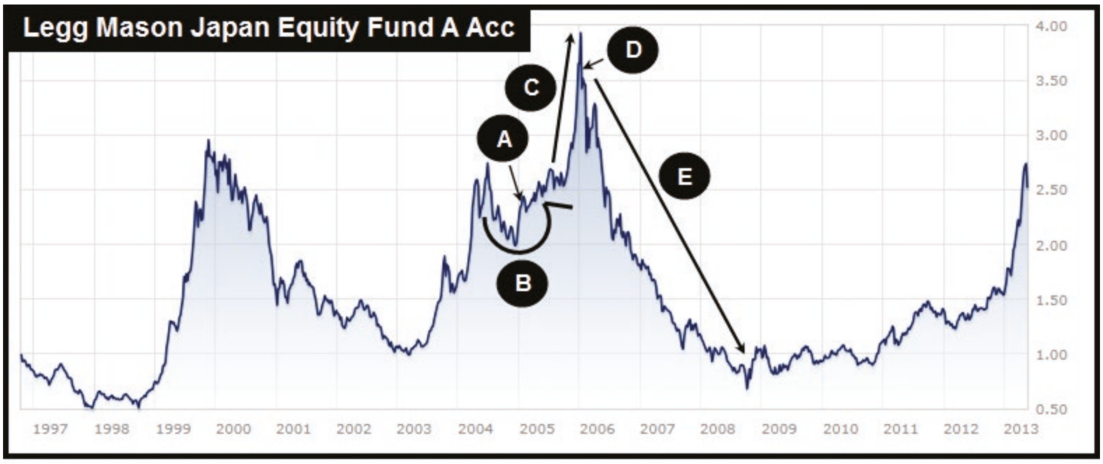


Chart courtesy of Morningstar.co.uk.

We bought this fund at a price of 2.32 on January 11th 2005 (Point A), just before it broke out of a bullish cup-with-handle formation (Point B). Soon after purchase, this fund really took off, eventually hitting a peak at 3.93. We recognised this behaviour as climax topping (Point C) and, soon after it hit this high, we decided to exit at a price of 3.32 (Point D) on January 5th 2006. This helped us net a 43.1% gain in twelve months. As you can see from the chart, just after getting out, the fund fell like a stone, dropping 71.4% (Point E) over the next three years.

Fidelity Funds – China Focus Fund A – GBP: 64.9% in 31 months

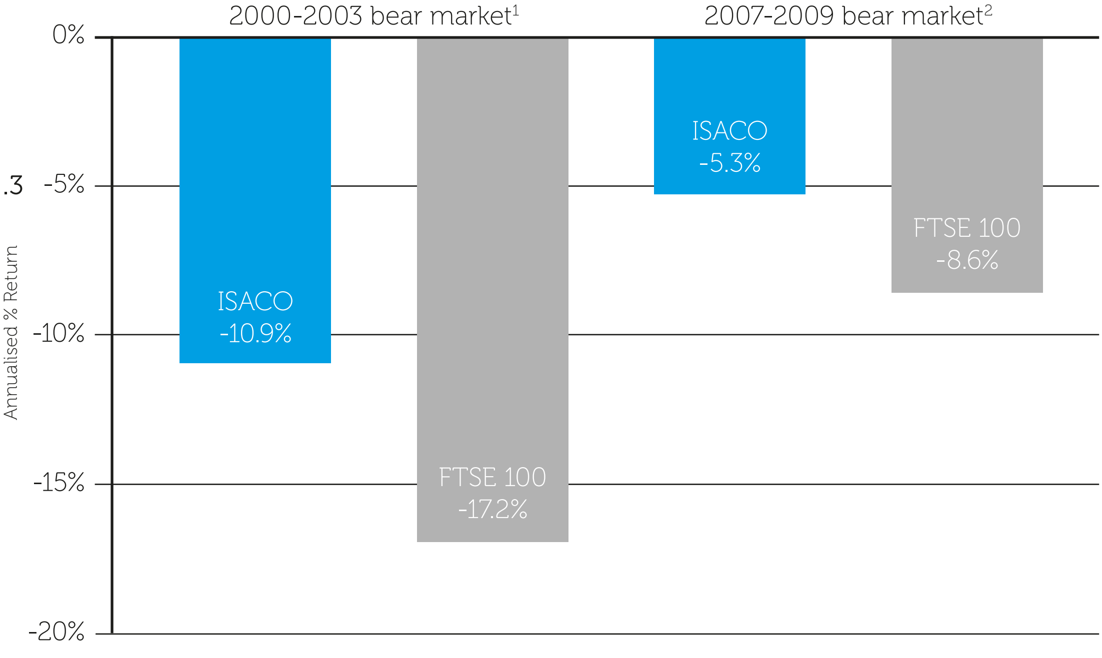
Chart courtesy of Morningstar.co.uk.

On 16th December 2008, we entered this fund at 2.14 and it was eventually sold on July 27th 2011 at a price of 3.53 after we noticed that it was acting out of character – helping us bag a tidy 64.9% gain over a 31 month period. Please note that these kinds of funds must only be purchased in the right market environments. They can also drop very quickly, so getting your timing right is crucial.

How have you performed in bear markets?

In the three year 'tech crash,' over the period 31st December 1999 to 31st December 2002 our annual return was -10.9% versus the FTSE 100's -17.2%. In the 2 year 'subprime' bear market, over the period 31st December 2007 to 31st December 2009 our annual return was -5.3% versus the FTSE 100's -8.6%. Please be aware that this does not guarantee that we will continue to outperform in future bear markets.

Annual investment returns during bear markets



[1] December 31st 1999 - December 31st 2002.
[2] December 31st 2007 - December 31st 2009.

Have you ever thought about...

Have you ever thought about what could happen to your retirement plans if you failed to achieve your target returns? In this example, I've used an investor with a £250,000 portfolio whose aim is to grow their investment account into a million pounds over the next twenty years.

To be successful, the investor would have to grow their account by 7.5% per year over the twenty year period – which I agree, is no easy feat. However, it is made more possible when you have all the correct components in place, such as knowing how to analyse the market's health, how to find good funds and have a good understanding on market timing.

How to double your money

The compounding rule is, when you achieve a 7.5% annual return, your money roughly doubles every 10 years. That means by achieving a return of 7.5% each year, £250,000 would turn into £500,000 over the course of the first 10 years, and the £500,000 would grow into £1 million in the final 10 years.

However, if you fail to get a reasonable return on your capital, it is going to take you much longer to reach your retirement goals. For example, if you achieved a 3.75% annual return, it would take you twice as long to get to your goal. Instead of reaching your objective in twenty years, it would take you forty!

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

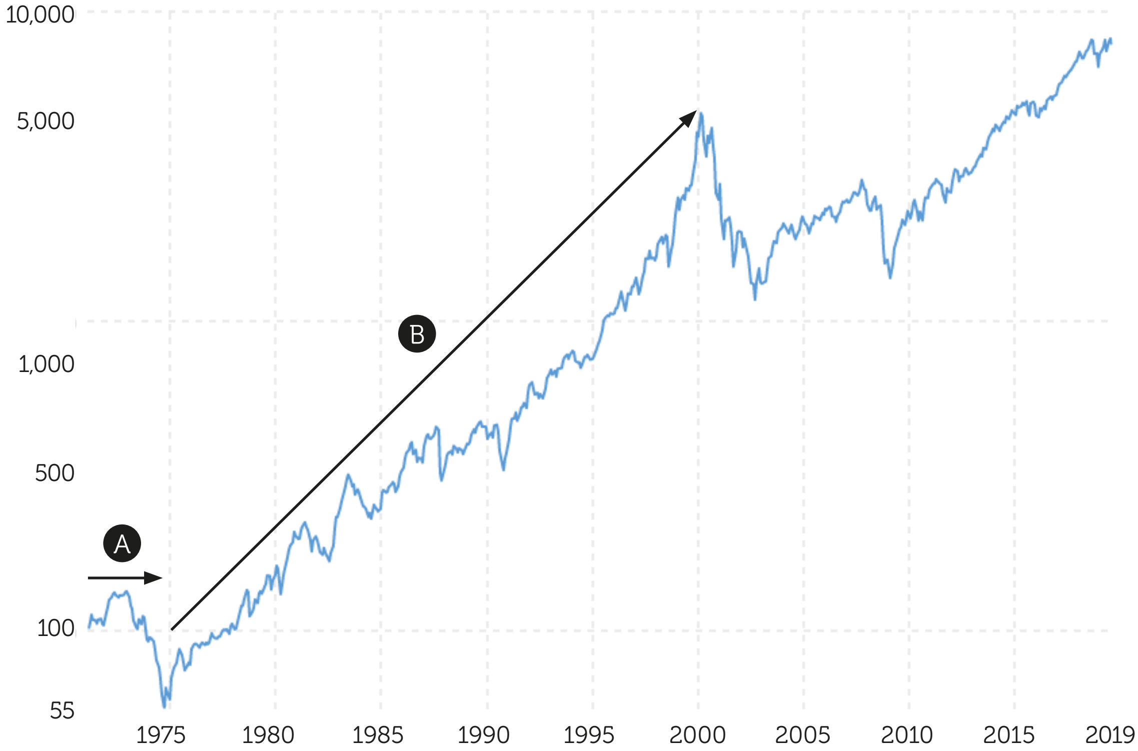
Courtesy of ISACO.co.uk.

A golden investment opportunity

This chart highlights a potential investment opportunity. Can you see on this chart that the NASDAQ didn't make any price progress from 1970 to 1980 (Point A)?

Can you also see that it had a nice 25-year run from 1975 to 2000 (Point B)?

NASDAQ Composite



And when markets underperform their long-term average growth rates over a significant length of time, sooner or later, they have to play catch up.

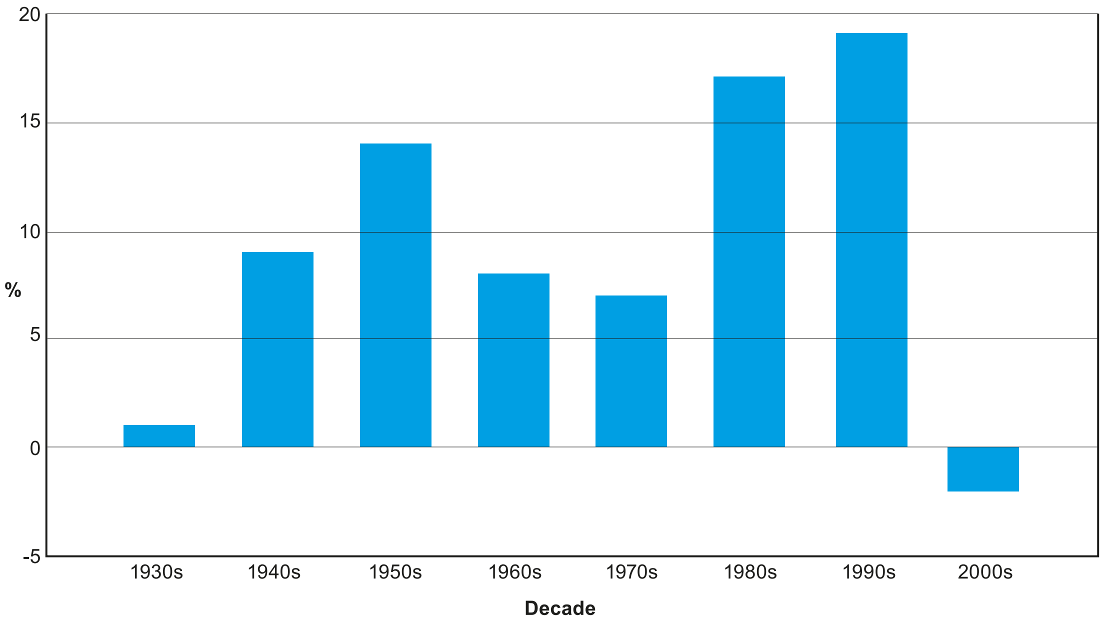
Look again at the period on the chart (Point A) highlighting the NASDAQ's price performance from 1970 to 1980. After that sideways movement, what did it do? That's right, it had an incredible 25-year upwards move.

More evidence of a possible up and coming boom

It's worth remembering that there can be opportunities when it looks like a bad time to invest.

Did you know that the challenges faced by markets today are no different than the Great Depression of the 1930s or the crisis years of the 1970s?

Yes it's true and the good news is that even though the 1930s and 1970s were both seen as a bad time to invest, they were followed by successive decades of massive growth and robust investment returns (as you can see from the chart below).



Source: Thomson One, Jan 7, 2010.
Past performance is not a guarantee of future results.

As you can see, abandoning the market may have been an understandable response in the early 40s or 80s, as it may still have been seen as a bad time to invest, but what a mistake it would have been!

A lost decade – strength after weakness

Have you heard of The Barclays Gilt Study? I hope so, because another piece of research that proves useful is the Barclays Gilt Study of 2009.

When you look at history, you find that extended periods of poor performance have almost always led to periods of above average performance.

Barclays Gilt Study 2009

Average annual returns over 10 years	%	Average annual return in the 10 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%. All of these could have been seen as a bad time to invest.

However, notice how each of the decades immediately following a lost decade has provided positive average annual total returns, with an average of +10.8% each year for these following good decades.

When will the market move?

When will the move start you may be asking? Well we believe that it could have begun back in 2009, especially with us making an average annual return of 9.9% since then[1].

And I'm sure that you'd agree that some investors would be fairly pleased with that return especially when knowing that over the same period the FTSE 100, our benchmark returned 4.3%.

[1] January 1st 2009 – December 31st 2018.

In my eyes, our recent strong investment returns could be a sign! For now, all you need to know is that the market appeared to start the move back in 2009 and I believe that it's probably going to keep running until around 2034, giving it a further 14-15 years of upside from these levels.

Are you starting to see how this next ten to fifteen year period could be a potential investment opportunity for those of us in the know?

Good.

If you like what's been presented, and you agree with our bullish long-term outlook, you now have two options. You could either decide to do it yourself or get help.

As we grow our wealth, you grow yours. Together we prosper.

ISACO are a specialist in ISA and SIPP investment and together with our clients have an estimated £75 million actively invested1. Our 'Shadow Investment Service' gives you the opportunity to look over our shoulder and buy the same actively managed investments that we personally own. As we grow our wealth, you grow yours.

[1] Internal estimation taken January 1st 2015 of total ISA and pension assets owned by the ISACO Investment Team and ISACO premium clients.

How does Shadow Investment work?

Shadow Investment' is a unique service which gives you the opportunity to look over our shoulder and buy the same actively managed funds that we personally own, effectively piggybacking on our expertise.

The key difference with our service is that we put our money where our mouth is. And as an ISACO premium client, you'll have the opportunity to mirror our 'market–beating'[1] investment portfolio throughout the year. This gives you the potential for achieving almost identical returns to the ones we make. Past performance is not a guide to future performance.

[1] January 1st 1998 – December 31st 2017 ISACO 183.4%, FTSE 100 49.3%.

Delivering superior performance

We have an active investment strategy which aims to control risk and deliver superior performance. Over the last 21 years[2], we've beaten the FTSE 100 by 132.6% and over the last 10 years[3] we've made an average annual return of 9.9% versus the FTSE 100's 4.3%. This year we are once again outperforming and currently[4] sitting on a return of 13.5% versus the FTSE 100's 5.9%, beating our benchmark by 7.6%. Please remember that past performance is no guarantee of future performance.

[2] January 1st 1998 - December 31st 2018. Total return ISACO 163.3%, FTSE 100 30.7%.
[3] January 1st 2009 – December 31st 2018.
[4] January 1st 2019 – August 21st 2019.

What type of clients is your service aimed at?

Shadow Investment is a premium service suited to ISA and SIPP investors with over £250,000 actively invested. It's been designed to take the hard work out of investing for DIY, self-directed investors who haven't got the time to sift through the thousands of investments available. The majority of our clients are wealthy retirees, business owners, self-employed professionals and corporate executives.

However, we also have clients from the financial services sector, such as IFAs. All clients enjoy unrestricted access to both Stephen and Paul Sutherland, ISACO's two founders. This gives you the peace of mind of knowing you'll always be dealing with the most senior members of the company, who between them have a tremendous amount of investment knowledge, experience and expertise. The two brothers are fanatical about client care, which ensures lightning quick response times to any questions or concerns you may have.

Get in touch

If you have over £250,000 actively invested, click here to arrange a free financial review (valued at £495) with Paul Sutherland, ISACO's Managing Director.

Our long-term outlook

As you have probably gathered, my belief is that we are going to have a really good period over the next 10-15 years where we will see the markets outperform and if I'm right, there should be some good gains to be made.

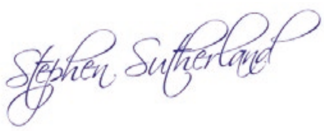
Our objective as you've heard is to buy the highest quality growth funds managed by 'star-performing' fund managers. When investing in funds, we watch where the big money is flowing and invest in the managers who are right in the middle of the money flow. Once invested, we then stay invested as long as the fund continues to outperform the market.

I've made what we do sound really easy but in practice it isn't. Getting your entry and exit points right is incredibly tricky and even though we watch the markets every single day, we still make lots of mistakes. But have a go yourself and see how you get on. And if you do need some help, come and speak to either me or my brother Paul and we'll try to give you some pointers.

I hope you've enjoyed my presentation and thank you for your time.

Your friend,

Stephen



Chief Investment Strategist and author of *How to Make Money in ISAs and SIPPs*

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Important Information

The value of a fund and the income from it can go down as well as up so you may get back less than you invested. If your fund invests in overseas markets, changes in currency exchange rates may affect the value of your investment. If your fund invests in small and emerging markets, these can be more volatile than other, more developed, markets. Past performance is not a guide to future returns. Due to the greater possibility of default, an investment in corporate bonds is generally less secure than an investment in Government bonds. Default risk is based on the issuer's ability to make interest payments and to repay the loan at maturity. Default risk may therefore vary between different government issuers as well as between different corporate issuers.

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