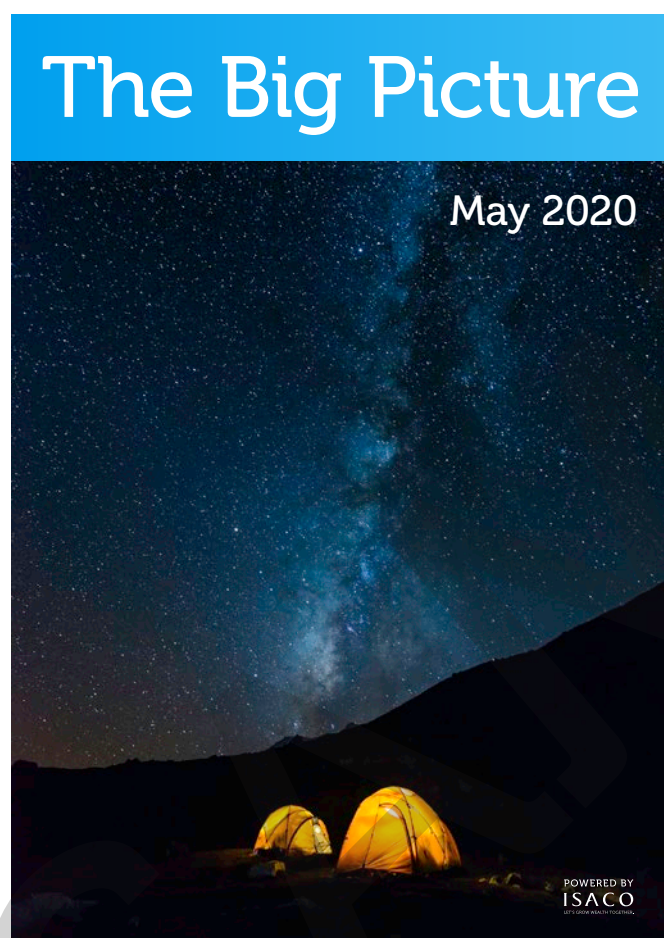


The Big Picture

Daily Market Updates focus on the short-term activity of the market and *The Big Picture* focuses on the long-term. *The Big Picture* contains more information than the *Daily Market Updates* and is published once per month. You normally receive one of these on the first Friday of a new calendar month. Just like the *Daily Market Updates*, we suggest you aim to make it a habit to read the information contained within *The Big Picture* every month.



Each edition of *The Big Picture* has a cover photo and each month is clearly dated for reference. It also contains the following sections:

- The Big Picture
- Market Indexes
- Our Portfolio
- Our Opinion of the Market's Health
- Summary

The Big Picture

In this section, we share our take on the market's behaviour over the previous month and tell you what it means. You discover whether we liked the action or not and we explain why we thought the action was good, neutral or not good.

The Big Picture | May 2020 Edition

The Big Picture May 2020




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

Due to the Covid-19 pandemic, our analysis alerted us to raise 50% in cash¹. With performance, we continue to beat our benchmark, the FTSE 100 by an impressive 13.9%².

Is the market healthy or unhealthy?

The way we use to check if the market is behaving as it should is to look at the trading action (price and volume activity) of institutional investors. Why do we do this? The stock market is about six-month forward looking and its daily activity is the consensus conclusion whether institutional investors like or don't like what they see happening down the road. By watching what the big players are doing (buying or selling) each and every day, it can provide essential clues to which way the market is likely to head.



¹ ISACO made a switch March 25th 2020
² Reading taken May 7th 2020, ISACO -8.7%, FTSE 100 -22.6%

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In this section you'll also find links to charts that give you the opportunity to further your investment education and help you understand the text better. You'll also discover our investment outlook, where we share whether we believe we are in a bull market or a bear market and how long we've been in such a market. You'll also discover what events over the last four weeks have caught our attention and what they mean to you as an investor.

Our aim is to try to pass on our knowledge and experience of the market to you in easy to understand language. Each month we will share our thoughts and ideas, including key lessons about the market and show you in easy to read charts exactly what the market has been doing, what the behaviour means, and what we believe is likely to happen because of that behaviour.

It's best to try to get 'in sync'

Institutional investors control approximately 75% of the market's future direction, which is why we aim to keep 'in sync' with them. If you don't, it feels like trying to swim against a strong current. When you don't get in sync, you often get hurt financially and that's why we like to see if the 800-pound gorilla investors are buying, because when they do, it strengthens the market.

However, if they are selling, it weakens it. The other thing we like to keep a close eye on is the behaviour of leading stocks. If the markets best stocks are acting weaker than the general averages, it's negative. However, when leading stocks are outperforming the market, it's positive.



Bull market? Bear market? Where are we?

Take a look at this 30-year chart of the NASDAQ Composite and you'll see that a bull market in equities began March 2009 (Point A).

From the absolute bottom (March 2009) to the recent top (February 19th 2020), the NASDAQ Composite made a very impressive return of 677.1%¹.

The NASDAQ Composite has recently 'crashed' falling 32.6%, top to floor, in roughly 4-weeks (Point B). The speed in what we've seen the NASDAQ fall is the fastest in history and even though the snapback rally (Point C) has been powerful, it has many of the hallmarks of a bear market rally. If this is true, we have just entered what will turn out to be a very severe bear market correction.

Right now, the market is sending mixed messages. At this time, there is a 50% chance that a new bull market has just begun and a 50% chance that we are at the start of a severe bear market.

¹ Source: Marketsmith.com. Performance data taken April 30th 2020.

Snapback rally too 'V' shaped
In our Daily Market Update on Thursday April 30th 2020, we said...

What we liked / like

- Recent follow-throughs on key indexes, sectors and stocks.

University of Oxford scientists are confident they can get their jab for the incurable virus rolled out for millions to use by autumn and major drug giant Pfizer has also announced that it may have a coronavirus vaccine ready by the autumn, aiming to have

'hundreds of millions of doses' ready by the end of the year.

Governments and central banks have enacted aggressive fiscal and monetary stimulus measures to counteract the disruption caused by Covid-19.

- Strong relative strength in technology indexes, some leading sectors and some leading stocks.

- The current 'confirmed' rally on the NASDAQ Composite is twenty-six days old - so far so good.

We continued with...

- Fastest 20% bear market drop in history. Market technicals are a mess and with the indexes dropping so much and so quickly.



Which of our funds are in the money flow?

Each month we like to make sure that the funds we own are acting right. We have an active investment strategy which aims to control risk and deliver superior performance. We invest in a number of actively managed funds to form a complete investment portfolio and select what we believe to be the best funds in

each asset class. We monitor all the investments selected, replacing under-performers and continuously rebalance the portfolios with the aim of maximising growth potential and managing risk. Typically, we hold onto the funds that continue to outperform and exit or par down the ones that breach our sell rules.

ISACO monthly portfolio analysis

On April 30th 2020, we looked at the returns of the six funds in our portfolio and compared them with the returns of the FTSE 100, our performance benchmark. This is what we discovered:

	1 Week Return % ¹	1 Month Return % ²	3 Month Return % ³	YTD Return % ⁴	Performance analysis
CLASSIFIED	4.9	7.8	-17.8	-18.9	N/A
CLASSIFIED	1.1	20.0	15.0	16.7	Outperformance
CLASSIFIED	2.0	8.5	-0.4	-1.3	Outperformance
CLASSIFIED	3.3	9.1	-5.6	0.5	Outperformance
CLASSIFIED	1.0	6.4	-5.8	-4.3	Neutral
CLASSIFIED	4.9	11.5	-9.2	-6.9	Outperformance
CLASSIFIED	4.0	9.6	-10.7	-7.9	Outperformance
CLASSIFIED	N/A	N/A	N/A	N/A	N/A

¹Performance data collected from Investing.com and Morningstar.co.uk, April 30th 2020.

"We have an active investment strategy which aims to control risk and deliver superior performance."

Because we track money flows around the world, we analyse the funds we own to help us determine which ones are in the money flow. We want to know which ones are performing and which ones aren't. In our opinion, the short-term performance of a fund is very important. It's vital because we've noticed that strong funds tend to get stronger and weak funds tend to get weaker. By keeping a close eye on short-term periods, it can help you act quickly should you notice that your fund is behaving poorly. The short-term periods of time that we like to measure are weekly, monthly and three monthly. We like to compare the returns versus the short-term performance of the FTSE 100.

Market Indexes

Here you get a detailed table showing you how each main index has performed during the month.

Market Indexes

Index	Price Change for the Month	Volume Change for the Month	What this Means
NASDAQ COMPOSITE	+15.45%	-18.7%	PROFESSIONAL ACCUMULATION
S&P 500	+12.68%	-31.8%	PROFESSIONAL ACCUMULATION
S&P 600	+12.60%	-5.7%	PROFESSIONAL ACCUMULATION
DJIA	+11.08%	-31.8%	PROFESSIONAL ACCUMULATION

Our Portfolio

This next section called 'Our Portfolio' is self-explanatory and mirrors the information contained in the same section in your *Daily Market Updates*.

Our Portfolio

On Wednesday March 25th 2020, we made some changes to our portfolio.

[Click here](#) for a full explanation for our reasons and rationale behind the trade. The table below shows

the funds we currently own, their unique ISIN numbers and their portfolio weightings:

Name of Fund Owned	ISIN Number	Portfolio Weighting ⁵
CLASSIFIED	CLASSIFIED	11.2%
CLASSIFIED	CLASSIFIED	10.2%
CLASSIFIED	CLASSIFIED	10.1%
CLASSIFIED	CLASSIFIED	7.3%
CLASSIFIED	CLASSIFIED	7.2%
CLASSIFIED	CLASSIFIED	6.7%
CLASSIFIED	CLASSIFIED	47.3%

⁵ Reading taken April 30th 2020.
⁴ Formerly known as CLASSIFIED
⁷ Formerly known as CLASSIFIED

We start by reminding you 'when' we made the last switch in our portfolio, together with a link to a reasoning letter which explains 'why' we made the switch. Below this is a table that shows the funds we currently own and each funds' current weighting in our portfolio. It also tells you our current cash position.

Our Opinion of the Market's Health

In this section we share with you our current stance on the market and give a brief summary of what happened each week during the month.

The Big Picture | May 2020 Edition

Our Opinion of the Market's Health

Based on our market analysis, the market appears unhealthy. Below is a brief summary of how the market acted each week for the month of April. As always, we will concentrate on the NASDAQ Composite (the market's leading index) and the S&P 600 (the market's second leading index), as their action carries much more weight than the S&P 500 and the Dow.

Week Commencing Monday March 30th

For the week the NASDAQ the markets leading index dropped 1.72%. The S&P 600 the markets second leading index plunged 7.10%.

Although the NASDAQ started the week on a positive note and was up over 5% at one point (Point E) this was short-lived as by the end of the week it was back in the red. If we do see it pulling back further we would like to see the

Composite staying above the 6631 low it made March 23rd (Point G). This would keep the recent rally 'alive' but we have not ruled out the fact that this level could be retested or even broken through and the NASDAQ could make a new low. In its favour even though the Composite did pullback for the week its RS (relative strength) line continues to trade near its all-time high (Point H).

The S&P 600 on the other hand continues to underperform and this week fell over 7% in heavy trade indicating small-caps are out of favour with the large institutions. In fact, the 600 is now trading over 40% below the highs it was making mid-January (Point I). If we take a look at the S&P 600's RS (relative strength) line it has been heading lower since August 2018 (Point J) indicating its underperformance against the benchmark S&P 500.

Week Commencing Monday April 6th

For the week the NASDAQ the markets leading index powered up a healthy 10.59%. The S&P 600 the markets second leading index did even better shooting up 19.42%.

This week saw the NASDAQ gaining over 10% and breaking above the psychological 8000 level (Point A) which we like. Although volume was below average this week (Point B) as the Composite powered higher that can partially be attributed to the shortened trading week due to the Easter holiday.

Although the NASDAQ has cleared one hurdle it does have some tough resistance just above where it is currently trading were its 50 and 200-day moving averages are converging (Point C). These levels will be a major test for the NASDAQ and could determine which way the market will go from here, hence why we have 50% of our money parked in cash, should the market fall dramatically from these levels. If on the other hand it breaks through it would get us more interested in moving our parked cash back into the market.

The S&P 600 had been underperforming of late and had dropped almost 45% since mid-January (Point D). This week it had a change of character and pulled out all the stops gaining over 19% (Point E). The big question we are asking is will smallcaps be able to keep up this forward momentum? Ideally, if they can it will be good



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Summary

We conclude with a summary to help drill home key points. This is handy to view when you don't have the time to read the complete edition in more detail.

The Big Picture | May 2020 Edition

Summary

Here's a summary of this month's edition:

- Due to the Covid-19 pandemic, our analysis alerted us to recently raise approximately 50% in cash¹.
- With performance, we continue to beat our benchmark, the FTSE 100 by an impressive 13.9%².
- Last year³ we returned 16.5% compared to the FTSE 100's 12.1%.
- Mixed messages – 50% chance we are at the start of new bear market and 50% chance that a new bull has just begun.

¹ ISACO made a switch March 25th 2020.
² Reading taken May 7th 2020, ISACO +8.7%, FTSE 100 -22.6%.
³ January 1st 2019 – December 31st 2019.

Important Information

The value of the 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.

From all of us here at ISACO we hope you stay safe and keep healthy. I'd like you to know that if you are ever unsure about anything we have said or you have any suggestions to help us

improve the overall service we provide, please get in touch as we'd love to talk to you and help you in any way we can. Our aim continues to be to provide you with information that will help you make better informed investment decisions.

Your friend,
Stephen Sutherland.



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



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