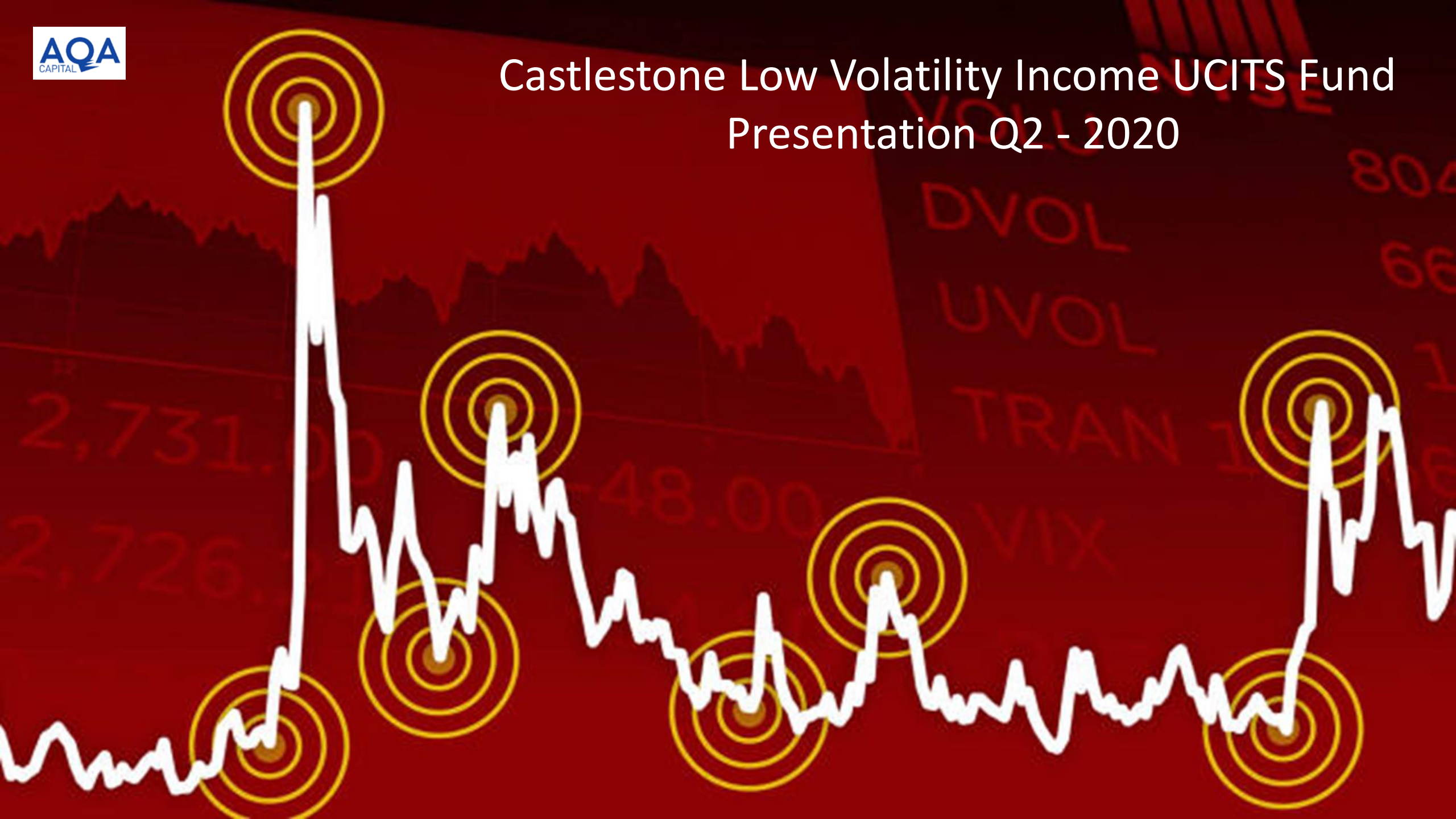


# Castlestone Low Volatility Income UCITS Fund Presentation Q2 - 2020



## Investing in Low Volatility Equities

- Low Volatility stocks can help smooth out the ups and down of an unpredictable market.
- Low Volatility Funds are generally bought to reduce risk.
- Holdings are all large capitalization, well-known companies with good dividend yields.
- Low Volatility Funds have had much lower maximum drawdowns.
- According to a research paper by S&P Dow Jones Indices, over the 28-year period through December 2017, the S&P 500 Low Volatility Index had a 10.7% average annualized return, while the broader S&P 500 Index averaged 9.8%.
- Compared to the US Stock Market - Low Volatility Funds Outperformed since 1991
- Low Volatility stocks potentially help to diversify portfolios that are concentrated in these areas.



## Sample of Companies in Low Volatility Portfolio



*Procter & Gamble*

## Low Volatility Stocks

### Low-volatility stocks rule the factor roost

Performance normalised as of March 14, 2018.



Note: Past performance cannot be relied on as a guide to future performance.

# Low Volatility Performance vs S&P From 2000



Source: Data sourced from Bloomberg 01/01/2000 to 27/05/2020\*. Chart by Castlestone Management  
Note: Past performance cannot be relied on as a guide to future performance.

## Low Volatility Portfolio vs US Stock Market

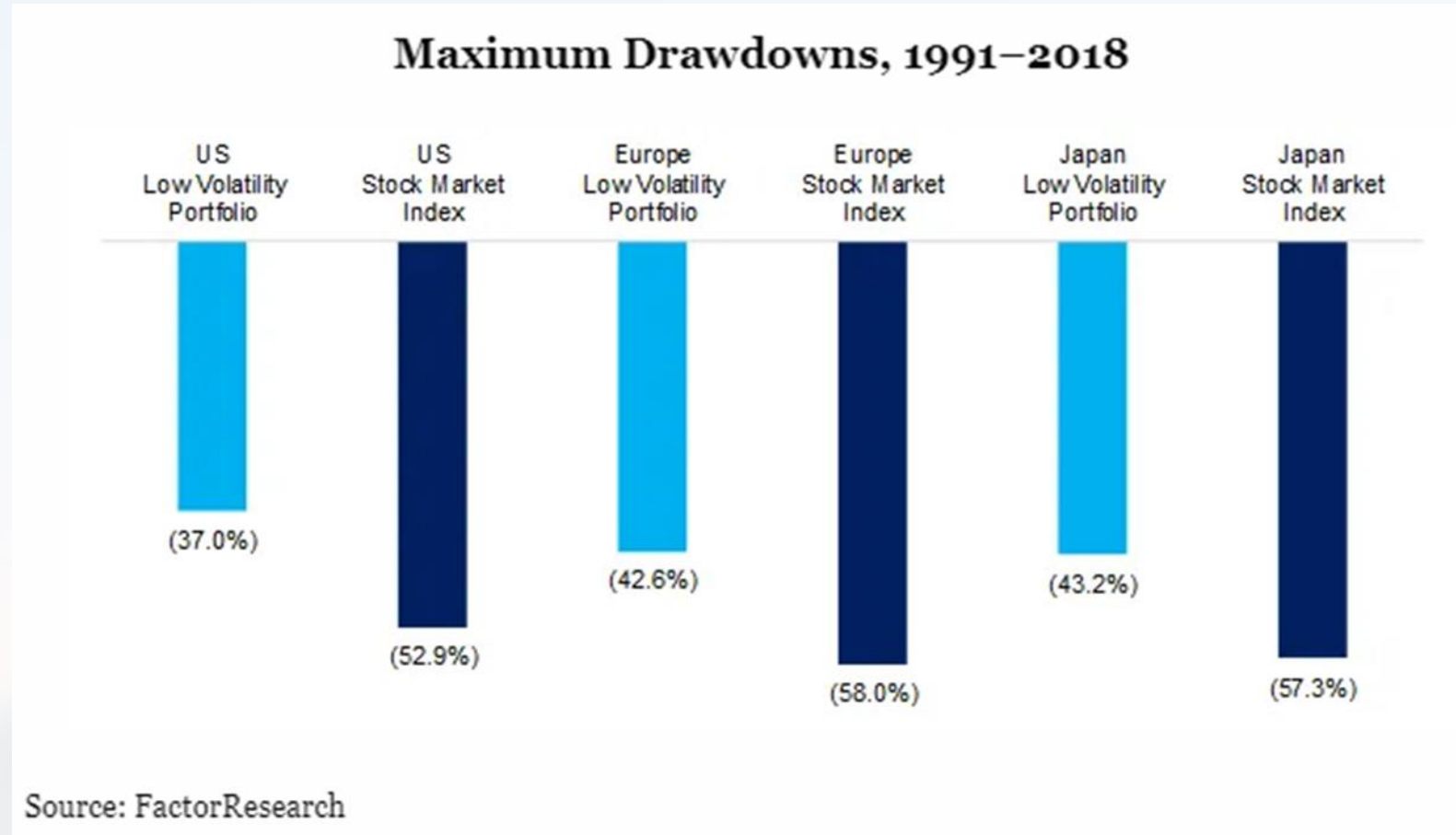
- This is a long-only portfolio composed of the top 10% of US equities ranked by price volatility over the last 12 months with monthly rebalancing.
- **Compared to the US stock markets low-volatility portfolio outperformed the stock market since 1991.**





## Drawdowns

- **Low-volatility funds are generally bought to reduce risk.** Over the last 25-plus years the low-volatility portfolios has much lower maximum drawdowns than their corresponding stock market indices.



## Excess Return Index

- Low Volatility factor exists in US and international stocks, and across the market-cap spectrum, so it can play a role across asset classes.
- Low Volatility has a particularly low historical correlation with the Value factor, and negative correlation with the Quality and Momentum factors.
- **Low Volatility stocks potentially help to diversify portfolios that are concentrated in these areas.**

Two-year correlation of excess returns

	Low volatility	Dividend yield	Quality	Value	Momentum	Size
Low volatility	1.00	-	-	-	-	-
Dividend yield	0.75	1.00	-	-	-	-
Quality	-0.01	-0.10	1.00	-	-	-
Value	0.01	0.32	-0.32	1.00	-	-
Momentum	-0.65	-0.72	-0.07	-0.35	1.00	-
Size	0.24	0.53	-0.09	0.55	-0.38	1.00

Source: Bloomberg L.P., as of June 30, 2019. Correlations below 0.50 represent increased diversification potential. Diversification does not guarantee a profit or eliminate the risk of loss. Low Volatility is represented by the S&P 500 Low Volatility Index; Dividend Yield by the S&P 500 Low Volatility High Dividend Index; Quality by the S&P 500 Quality Index; Value by the S&P 500 Enhanced Value Index; Momentum by the S&P 500 Momentum Index and Size by the S&P 500 Equal Weight Index. An investment cannot be made directly into an index.



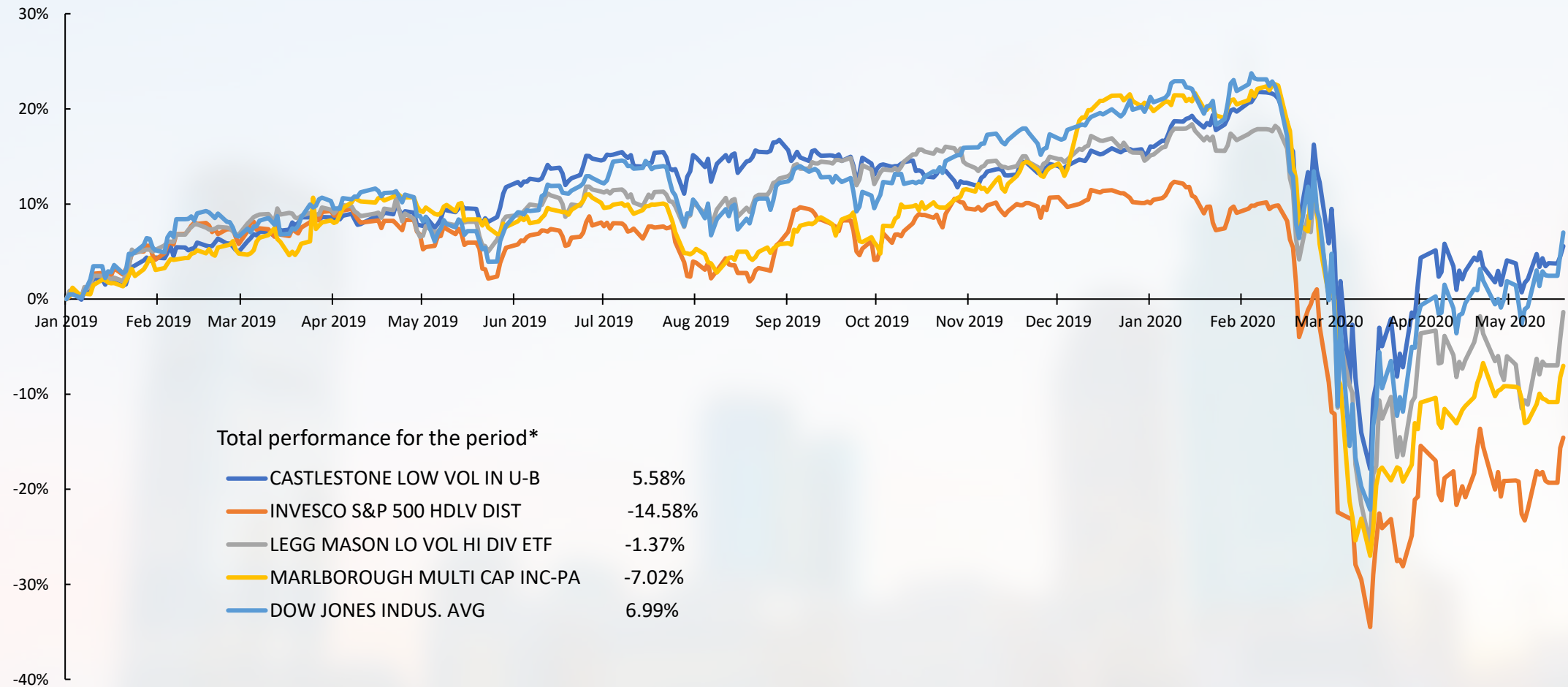
## Low Volatility ETF Inflows Continue To Grow

### Maximum love for minimum-volatility ETFs

Assets under management of 10 biggest min-vol ETFs (\$bn).



## Castlestone Low Volatility UCITS Performance Since Inception



Source: Data sourced from Bloomberg 09/01/2019 to 27/05/2020\*. Chart by Castlestone Management

Note: Past performance cannot be relied on as a guide to future performance.

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