

# BAGGOT MULTI STRATEGY ABSOLUTE RETURN PORTFOLIO (BMS) FACT SHEET

**Baggot Multi-Strategy - Absolute Return Portfolio (BMS)** is a Global Absolute Return strategy which aims to provide positive annualised investment returns in all market conditions on a medium to long term basis. The BMS-ARP strategy utilises ten individual strategies, which are employed to varying levels dependent on market conditions. Each individual strategy is detailed overleaf.

The strategy uses a rule based, quantitative, systematic and data driven approach.

## Baggot Investment Philosophy:

1. Managing risk is the most important factor in the field of portfolio management. Unless you can manage risk effectively, it is difficult to generate consistent investment returns. Risk is the first factor to be considered when investing, and should be considered before investment returns are targeted.
2. Portfolio diversification provides significant benefits in decreasing risk.
3. The three most important factors for achieving a stable configuration of superior risk adjusted returns are Correlation, Volatility and Market Trend.

The Baggot Investment Partners (“Baggot”) approach has been formed by our own experiences in institutional capital markets, but also heavily influenced by the principles of legendary hedge fund manager Ray Dalio (Risk Parity)<sup>1</sup> & the work of Nobel Laureate, Harry Markowitz (Modern Portfolio Theory)<sup>2</sup>. Quite often when using a single broadly diversified strategy, most strategies (even those which outperform benchmarks over the long term) can go through long periods where they are in drawdown. Some strategies, while profitable over the long term, can underperform their benchmarks for up to 3 years before normalising. Baggot are inherently uncomfortable with this and since we do not know what will happen in the future, we have chosen to take “Markowitz” & “Dalio” to a new place - **A strategy of diverse strategies.**

Our strategy of strategies significantly decreases the risk of going through a prolonged period of drawdown. We are also able to decrease the magnitude of drawdowns by placing higher portfolio weightings on un-correlated strategies and lower portfolio weightings on highly correlated strategies.

The strategy aims to achieve returns during both positive and negative market conditions, by using a combination of investment strategies, primarily focused on trend following, buying traditional low risk assets, and by having the ability to take inverse ETF positions (where conditions warrant).

To execute this strategy, Baggot have entered into a research and investment advisory agreement with Conexim Advisor Support & Services (“Conexim”), who provide dealing and related services on and for your account. Under this agreement, Baggot provide ongoing research and asset allocation advisory services, which Conexim execute on a discretionary basis. Under this arrangement, Baggot also provide assessments of suitability of the strategy for individual investors, which Conexim rely on when providing the portfolio management service.

<sup>1</sup> Dalio pioneered implementation of Risk parity a portfolio allocation strategy based on targeting risk levels across the various components of an investment portfolio. The risk parity approach to asset allocation allows investors to target specific levels of risk and to divide that risk equally across the entire investment portfolio in order to achieve optimal portfolio diversification for each individual investor.

<sup>2</sup> Markowitz pioneered Modern portfolio theory (MPT), which is a theory on how risk-averse investors can construct portfolios to optimise or maximise expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. Under MPT we aim to construct an “efficient frontier” of optimal portfolios offering the maximum possible expected return for a given level of risk.

## STRATEGY OUTLINE

### Bond Strategy

A conservative approach which invests on a monthly basis in two of five different bond ETFs. Bonds are higher up the rights chain and therefore they are considered to be generally less risky in comparison to Equities. For this reason bonds tend to be significantly less volatile. Within the bond universe, the strategy is quite flexible by trading in Convertible Bonds, High Yield Bonds, Emerging Market Bonds, Treasury Bonds and Inflation Protected Treasuries. Due to the flexibility of allocating to the different bond types we try/hope to generate positive returns in both inflationary and deflationary environments.

### Permanent Portfolio Strategy

A conservative strategy, similar to our Bond strategy, which aims to provide long term steady growth for a relatively low risk profile, but it is very different in how it does so. It is our interpretation on implementation of Harry Browne's Permanent portfolio and Ray Dalio's All Weather portfolio, encompassing Equity Indices, long and short term Treasury Bonds, Gold, Convertible Bonds, Inflation Protected Bonds, and Emerging Market Bonds.

### Gold / FX Strategy

This Strategy has a Medium Risk allocation with a portfolio volatility (standard deviation) of circa 12%. This strategy is not correlated to any of our other strategies, which makes it an important source of diversification at the portfolio level and acts as a hedge. The strategy trades Gold versus Yen, Euro and the Australian Dollar using US listed ETFs. The strategy takes advantage of the negative correlation between the Gold ETFs and the U.S. dollar index.

### Volatility Strategy

This is an aggressive strategy in terms of portfolio volatility using Treasury Bonds and Inverse Medium Term Volatility ETFs (an inverse Medium Term Volatility ETF is an ETF which you buy, but which speculates on volatility going down). We use a Medium Term Volatility ETF because Medium Term Volatility is historically much less volatile than Short Term equivalents. Treasury Bonds and Inverse Volatility ETFs have significant negative correlation to each other. This means that when Treasury Bonds go up in value, inverse volatility ETFs normally go down in value and vice versa.

### S&P/10YR Risk Parity Strategy

This is a medium risk strategy which invests in the S&P 500 ETF and either the Treasury bond ETF or the Inflation Protected Treasury bond ETF. Normally the S&P 500 and Treasury Bonds are inversely correlated. If there is a significant stock market sell-off, then Treasury bonds are considered to be a safe haven that money flows into when it leaves the stock market. In a low growth inflationary environment, it is possible that the S&P 500 and Treasury bonds can both sell-off aggressively. This is why we have the third choice of allocating to Inflation protected Treasuries.

### NASDAQ 100 Low Beta/High Beta

This is a strategy which dynamically allocates to four component stocks of the Nasdaq 100 index each month and can also allocate between 0% and 30% of funds to a 3 times leveraged US Treasury ETF. We allow the model to allocate a part of the portfolio to Treasuries to balance out the supercharged NASDAQ momentum stocks. This effectively improves risk adjusted returns by moderating strategy drawdowns. It also allows the model to allocate more to Treasuries if the NASDAQ index exhibits momentum weakness.

### Global Sector Strategy

This is a medium risk strategy which adds diversification to our other strategies. Global Sector ETFs provide a great advantage in that, even in a situation where market conditions are quiet, you will always have sectors that perform relatively well compared to the major indices. This strategy is a simple rotation strategy which invests in the top two best performing Global Sectors, based on volatility and trend from a universe of twenty seven global sector ETFs. We are looking for the strongest ETFs, with the lowest volatilities.

### World Region Strategy

The World Region Strategy is a medium risk strategy that invests on a monthly basis in up to four ETFs from a list of forty nine Equity ETFs. Most are MSCI Country ETFs, representing a large majority of the Equity universe around the world. In a minority of cases the ETFs are region specific, such as the Market Vectors Africa Index or Dow Jones Gulf States Titans index. The strategy adds excellent geographic diversity, rotating on a monthly basis between a wide variety of country ETFs, blending the best mix for risk-adjusted growth.

### Global Market Strategy

The Global Market Strategy is a medium risk strategy that invests on a monthly basis in one of seven global market ETFs and the best performing Bond ETF from our Bond Strategy. Our broadest, global investment strategy covering all major regions in the world. The ETFs representing each region are broadly diversified as well. This strategy provides balance to our more US centric strategies. During periods where US-centric strategies underperform other major regions of the world, this strategy gives us the potential to capture the outperformance of the other major regions of the world.

### US Sector Strategy

Another medium risk strategy which invests dynamically in four long positions and can (depending on conditions) hold one inverse position, using only S&P Sector ETFs. It is a combination of simple trend following system that rotates into the best performing sector ETFs on a monthly basis and a mean reversion strategy which buys the worst performing sectors and sells the best performing sectors. US sectors are a very good way to do trend following, because each sector normally over/underperforms for long periods at a time.

### Multi Strategy Returns

In the multi strategy approach, allocating risk to measurably different strategies attempts to generate alpha (excess return) that is not correlated to traditional asset classes. Correlation diversity minimises the magnitude and length of the drawdowns that occurs in a single strategy. Our objective is to generate the highest Sharpe ratio possible, for the lowest level of volatility.

### Strategy Cumulative Performance

	YTD 2020	Last 12 months*	Last 3 years*	Last 5 years*
Baggot Multi-Strategy Absolute Return Portfolio (BMS-ARP)	6.07%	6.07%	7.71%	30.49%
Benchmark, QAI Hedge Multi-Strategy ETF in euro	-1.85%	-1.85%	9.00%	-4.51%

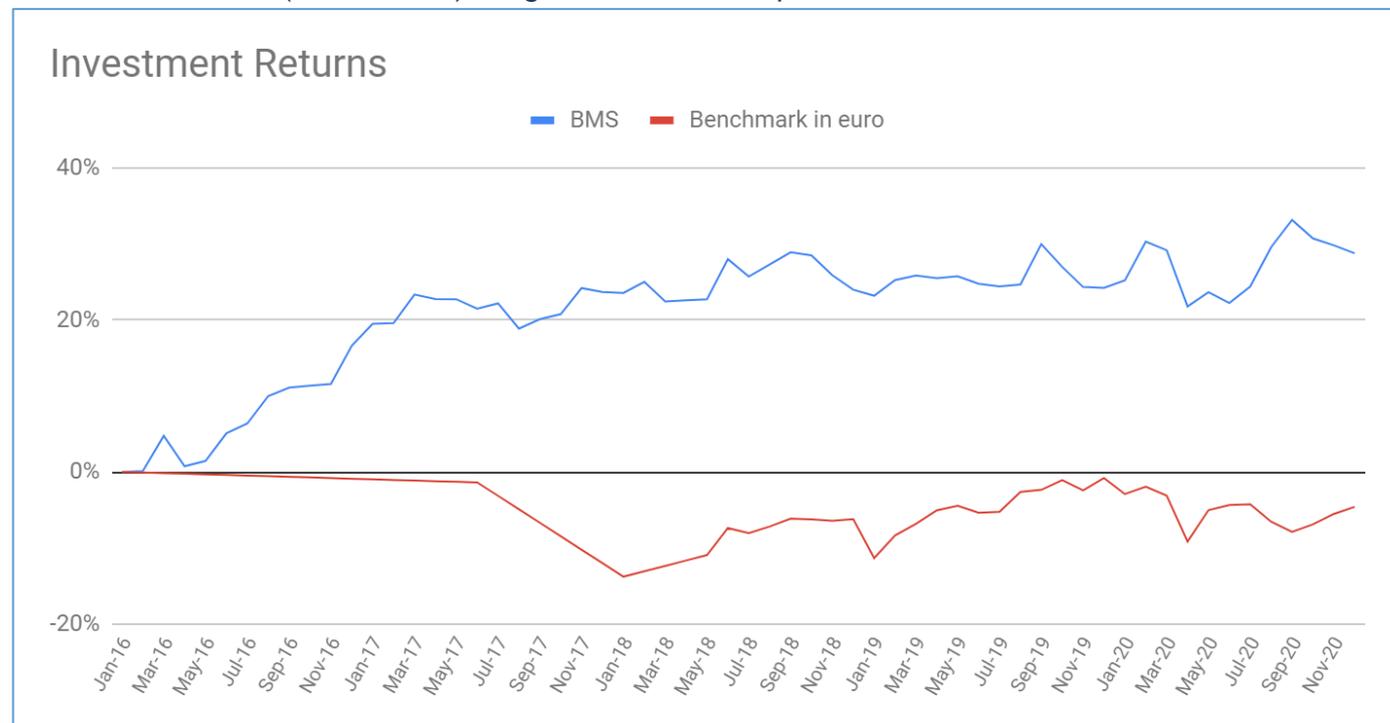
\* Calculated using quarterly return data

### Month by Month Returns

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
2016	0.13%	4.62%	-3.99%	0.70%	3.62%	1.29%	3.61%	1.11%	0.26%	0.22%	5.04%	2.86%	19.47%
2017	0.09%	3.76%	-0.59%	-0.02%	-1.24%	0.69%	-3.31%	1.23%	0.66%	3.43%	-0.52%	-0.11%	4.06%
2018	1.45%	-2.58%	0.17%	0.12%	5.27%	-2.28%	1.58%	1.60%	-0.41%	-2.60%	-1.90%	-0.79%	-0.37%
2019	2.04%	0.61%	-0.36%	0.25%	-0.96%	-0.35%	0.25%	5.30%	-3.00%	-2.64%	-0.10%	0.97%	2.01%
2020	5.10%	-1.13%	-7.39%	1.87%	-1.42%	2.17%	5.17%	3.58%	-2.43%	-0.91%	-1.05%	2.51%	6.07%

### Investment Growth

This is an ESMA 4 (Risk Profile) weighted investment product



**Warning: Past performance is not a reliable guide to future performance.**

**Warning: The value of your investment may go down as well as up. You may get back less than you invest.**

**Warning: Funds may be affected by changes in currency exchange rates.**

**Warning: If you invest in this product you may lose some or all of the money you invest.**

**Warning: These figures are estimates only. They are not a reliable guide to the future performance of your investment.**

## Strategy Advantages

Tax efficient strategy for pre and post retirement pension accounts as well as personal and corporate accounts. Clients are able to monitor performance online on a daily basis. No Fixed Term contracts, no lock-in periods. No upfront commissions, 100% allocation.

Performance is not correlated to Traditional Asset Classes

Low Drawdown Strategy

Strict Risk Controls

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## Fees and commissions

**Management Fee:** 1.43% per annum, calculated on a daily basis and levied to your account monthly in arrears.

**Trading Commissions:** 0.10% per transaction. Estimated at approximately 0.30% in Year One; 0.20% thereafter.  
(Based on an investment scenario of €300,000)

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## Important Information

It is vitally important that before you make any investment decision that you seek advice from Baggot Investment Partners (or an independent financial advisor) who can assess your needs and ensure a suitable personal recommendation is made as to the suitability of this portfolio solution for your investment needs and objectives.

**NOTHING CONTAINED ON THIS KEY FEATURES DOCUMENT CONSTITUTES INVESTMENT, LEGAL, TAX, OR OTHER ADVICE, NOR IS TO BE RELIED ON IN MAKING AN INVESTMENT OR OTHER DECISION. YOU SHOULD OBTAIN RELEVANT AND SPECIFIC PERSONAL ADVICE FROM BAGGOT INVESTMENT PARTNERS BEFORE MAKING ANY INVESTMENT DECISION.**

You will be required to sign Application Form(s) as well as consent and declaration forms for Terms of Business issued by Baggot Investment Partners, Conexim Advisors Ltd. to avail of this service which contain additional and important information in relation to the services which may be provided to you. You should not make an investment in relation to these portfolios based on the information contained in this Key Features Document in isolation.



38 Fitzwilliam Square, Dublin 2, D02 NX53, Ireland

+353 (0)1 699 1590 | [info@baggot.ie](mailto:info@baggot.ie) | [www.baggot.ie](http://www.baggot.ie)



@baggotinvest



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