Isle of Wight Investment Report
4 July 2017

Our mandate: to manage a UK equity portfolio, with up to 20% of assets in non-UK stocks.

Objective: to outperform the FTSE All Share by 2% per annum over rolling three years, net of fees.

Market value of portfolio (provisional): £135,650,999, at 30 June 2018.

Portfolio managers: unchanged: James de Uphaugh, Chris Field, Matthew Smith & Richard Staveley.

Investment approach: again unchanged: flexibility anchored by fundamental insights, and a distinctive portfolio structure. Decisions underpinned by rigorous fundamental analysis, plus a macro overlay.

Majedie distinguishing features: committed to remaining independent, employee owned, and relatively small. Our investment capacity management – there have been no material net flows into the strategy since 2006 – ensures we retain an investment edge.

Portfolio returns, net of fees, in Sterling, to 30 June 2018 (provisional):

	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (31.8.09) (p.a.)
Isle of Wight	9.1	8.7	9.6	11.4
FTSE All-Share	9.0	9.6	8.8	9.7
Relative	+0.1	-0.9	+0.8	+1.7

- An attractive absolute return from UK equities, in-line with the high single digit annualised returns of the last three and five years. We underperformed in 2017 – a function of the defensive positioning of the portfolio through holdings such as food retail, telecom and utility stocks. This has caused the three year return to fall below target. Returns since the start of 2018 are ahead of the index, as a range of the stocks that underperformed in 2017 have recovered.
- Positive contributors to returns included Tesco, which continues to grow its profits ahead of expectations under a new management team. The commodity groups BP, Anglo American and KAZ Minerals also outperformed, helped by better pricing and operational improvements.
- Negative contributors to returns included Centrica, the utility group, and Saga, the leisure and insurance group. Both warned on profits in the second half of last year. Both remain prominent holdings and have made a positive contribution since the start of 2018.

Current positioning:

Top five stocks (relative to the FTSE All-Share): Tesco, Wm Morrison, BP, Orange, and Centrica.

Bottom five stocks (relative to the FTSE All-Share): British American Tobacco, AstraZeneca, Diageo, Rio Tinto, and HSBC.

Top five sectors (relative to the FTSE All-Share): Food & Drug Retailers, Fixed Line Telecoms, General Retailers, Oil and Gas Producers, and Support Services.

Bottom five sectors (relative to the FTSE All-Share): Tobacco, Equity Investment Trusts, Pharmaceuticals and Biotechnology, Household Goods and Home Construction, and Beverages.

Investment outlook: UK equities looks particularly attractive relative to other global equity markets, even allowing for Brexit concerns. As such, the portfolio is full of exciting investment opportunities.