

Minutes of the
Solomon's IFA

Investment Committee Meeting

19 May 2017

Date and venue

The Investment Committee met via telephone conference call on 19 May 2017. The Chair called the meeting to order at 14.00.

A. Investment Policy Statement

1. The Committee voted to maintain the Investment Policy Statement dated 17-April-2014.

B. Review of investment strategies

2. Solomon's IFA (SIFA) has adopted a passive approach to investment management in keeping with our view that, for all intents and purposes, the capital markets are 'efficient'. Competition between rational, diligent investors means that the quoted prices of equities and bonds very quickly reflect all publically available information. If this is the case, it follows that it is not possible for 'active' investment management to consistently provide profits which are over and above the costs involved in trying to do so. (References: Samuelson 1965, Fama 1970).
3. Having reviewed the structure of the capital markets, new academic research releases and the requirements of SIFA's clients, the Committee could identify no compelling reason to alter this approach.
4. The Committee highlighted its view that the 'default' investment strategy (and in particular, the target asset allocation templates detailed in the Investment Policy Statement) would not be suitable for all of SIFA's clients.

C. Performance

Description	1m %	3ms %	6ms %	12ms %	3yrs %	5yrs %	10yrs %
Solomons 20	-0.1	0.9	3.9	11.0	17.4	31.5	58.0
Solomons 35	0.0	0.7	4.8	14.7	21.1	42.2	65.9
IA Mixed Invest 0-35 Shares	0.8	1.5	4.5	10.3	15.1	28.4	39.0
Solomons 50	0.2	0.4	5.7	18.7	24.6	52.8	69.2
Solomons 65	0.2	0.0	6.3	22.2	27.2	62.2	69.0
IA Mixed Invest 20-60 Shares	1.4	1.9	6.3	14.3	19.7	42.1	46.1
Solomons 80	0.4	-0.3	7.0	25.5	29.8	73.2	67.4
IA Mixed Invest 40-85 Shares	1.9	2.0	7.7	19.2	26.6	59.3	57.7

D. The global economy

- The FTSE 100 Index closed at 7,204 on 30 April, 1.6 percent lower compared with a month earlier and 0.9 percent higher than it was at the start of the year
- The Monetary Policy Committee voted unanimously to maintain Bank Rate at 0.25 percent
- Bond market prices are consistent with Bank Rate remaining lower than 1.0 percent for five years
- The redemption yield on the 10-year gilt averaged 1.1 percent in April
- A typical basket of investment grade corporate bonds yields 3.0 percent
- GDP is estimated to have increased by 0.3 percent in Q1 2017
- The Bank of England forecasts output across the British economy as a whole to increase by 2.0 percent in 2017

- Consumer prices are rising at a year-on-year rate of 2.3 percent
- The Bank of England expects inflation to reach 2.8 percent by year end
- Unemployment stands at 4.7 percent
- Average weekly earnings are rising at a year-on-year rate of 2.3 percent
- The average home costs £207,699

E. The international economy

- The FTSE All World ex UK Index lost 1.8 percent compared with a 0.4 percent loss in the FTSE All Share Index
- Both the European Central Bank and the Bank of Japan have augmented their asset purchase programmes with negative rates
- The upper limit on the main rate of interest in the US is 0.75 percent and is likely to move higher as 2017 progresses
- The redemption yield on the 10-year US government bond stands at 2.3 percent
- The redemption yield on the 10-year German government bond stands at 0.3 percent
- The redemption yield on the 10-year Japanese government bond stands at 0.0 percent
- A typical basket of global government bonds has a distribution yield of 1.0 percent
- The US economy is expanding at a moderate pace with moderate inflation and low unemployment
- The Euro Area economy is expanding at a moderate pace with moderate inflation and high unemployment
- The Japanese economy is expanding at a slow pace with close to zero inflation and low unemployment
- The Chinese economy is expanding at target pace with moderate inflation and low unemployment
- Economic output across the global economy is widely projected to accelerate in 2017

F. Evaluation of asset classes

5. The Committee reviewed the current breadth of asset class exposure, judging it, for the moment, to be optimal.

G. Asset class weightings

6. The Committee reviewed the current breadth of asset class exposure, judging it, for the moment, to be optimal.

H. Asset allocation brochure

7. The Committee reviewed and approved the asset allocation factsheet brochure dated May 2017.

I. Appropriate securities

8. The Committee discussed concerns about what it considered to be conditions of unusually high geopolitical risks. Not least among those is Britain's exit from the EU. Others include a loose cannon US president, Russian belligerence in Ukraine & Georgia, North Korean proliferation and Chinese expansionism in the East China and South China seas.
9. In response, the Committee agreed to move to increase exposure to gold bullion – that being considered a hedge to match the risk of heightened volatility.

10. The Committee endorsed the selection of BlackRock's Natural Resources Growth and Income fund at the expense of M&G's Global Basics fund. The BlackRock fund has around 33 percent invested in the shares of companies that profit from the mining of gold and other precious metals – corresponding exposure in the Global Basics fund is, by comparison, negligible.
11. The Committee reviewed the securities contained in Cormorant's latest Security Selection report (Volume 16). The report takes a whole of market approach to identifying suitable securities (OEICs, ETFs and Investment Trusts).
12. The Committee noted that the report's focus on mandate first was well suited to the implementation of SIFA's philosophy as set out in the Investment Policy Statement.
13. The Committee endorsed the current selection.

J. Conflicts of Interest

14. The Committee confirmed members' activities did not give rise to any conflicts of interest.

Other Business

15. The Committee set a date of 22.08.2017 at 14:00 for the next meeting.

Attendees

Present at the meeting were: Dominic Thomas (Chair) and Steve Williams (external appointee from Cormorant Capital Strategies Limited).