



ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

MARKET COMMENTARY

JUNE 2018



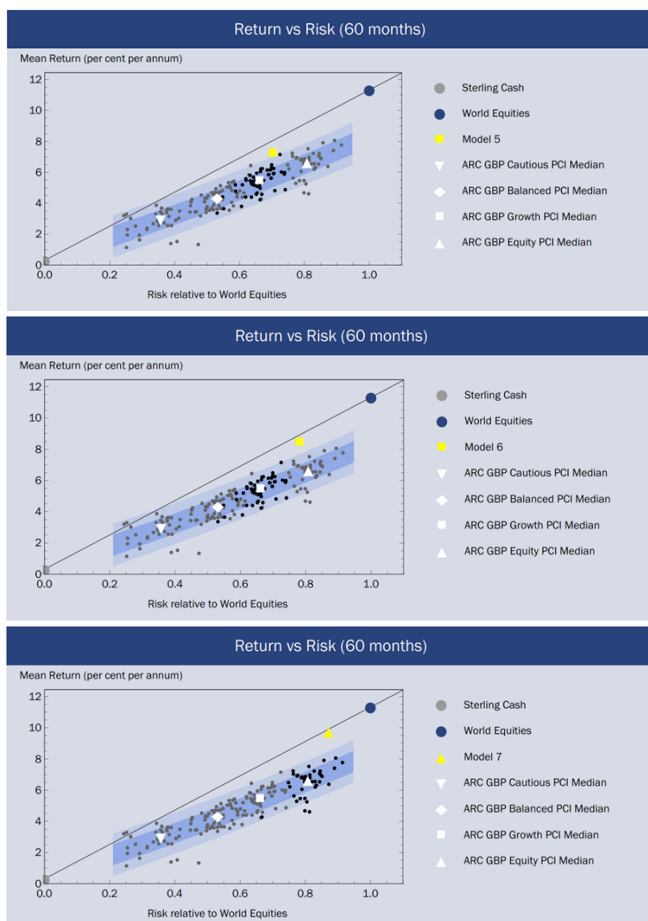
Turnover Time

May proved to be a mixed month for equities with continental European markets hit by political turmoil in Italy and South America rocked by similar events in Brazil. The UK continued to rally, albeit from a low base and the US crept higher, boosted by the technology sector, with the NASDAQ hitting a new all-time high.

Currencies have been volatile and following reports of the UK government seemingly floundering with Brexit negotiations, sterling has sold off to levels last seen in November. The Japanese government has also faced something of a public backlash recently, resulting in the yen weakening by over 5% since March. However this seems like small beer compared to the Brazilian real down almost 15% against the dollar and the Argentinian peso which has devalued by a third so far this year.

We have been busy of late, reassessing our fund selections and uncovering an unusually large number of potential new candidates. It looks likely that there will be some major changes to portfolios in the coming weeks, in contrast to our buy and hold approach of the last few years. Indeed, the turnover has been freakishly low and it seems remarkable that the third quarter of 2017 saw no changes at all across our suite of model portfolios.

The approach has undeniably worked and as the charts provided by ARC indicate below, three of our key strategies now rank first amongst their peer group over five years. (Yellow shapes vs grey dots.)

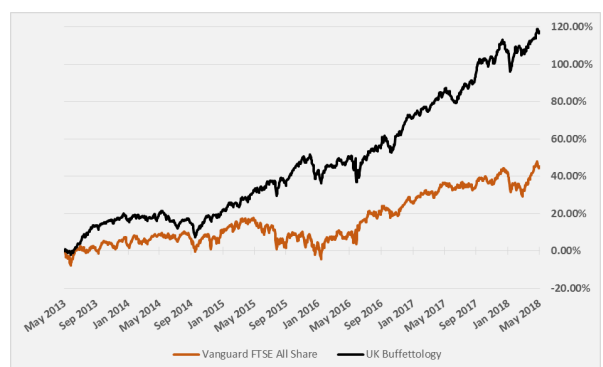


Source: Asset Risk Consultants, 31 March 2018

One positive side-effect emerging from the reorganisation is that the underlying fund charges across the portfolios look set to drop sharply.

The annual charge for a fund, also referred to as the OCF (ongoing charging figure) can vary widely. For example a tracking fund such as the [Vanguard FTSE UK All Share Index](#) costs just 0.08% per annum in management fees, whereas the [CFD UK Buffettology](#) fund that actively invests in UK shares within the same index fund costs 1.78%*.

In other words the Buffettology fund is a staggering 22 times more 'expensive', charging £178 on every £10,000 compared to just £8 per £10,000 for Vanguard. However, over the last five years, a £10,000 initial investment in Buffettology would now be worth £21,772, compared to £14,529 in the Vanguard fund, a £7,243 difference. Myopic focus on the before-the-event cost has led to a very large and very real after-the-event loss.



Making a decision based purely on the annual charge is therefore misguided, in our view. If a fund can consistently justify a higher than average fee with higher than average risk-adjusted returns then the OCF becomes a secondary issue and the above case rams the point home. Indeed, the 'reassuringly expensive' slogan extends to fund selection.

Over the last few years, the portfolio OCFs have been coming in at around 0.85% and it looks as though the number will now fall close to 0.70%. Have we reduced the quality? Absolutely not! This is just a happy coincidence, in that we have identified several funds that offer superior risk-adjusted returns *and* charge a lower fee.

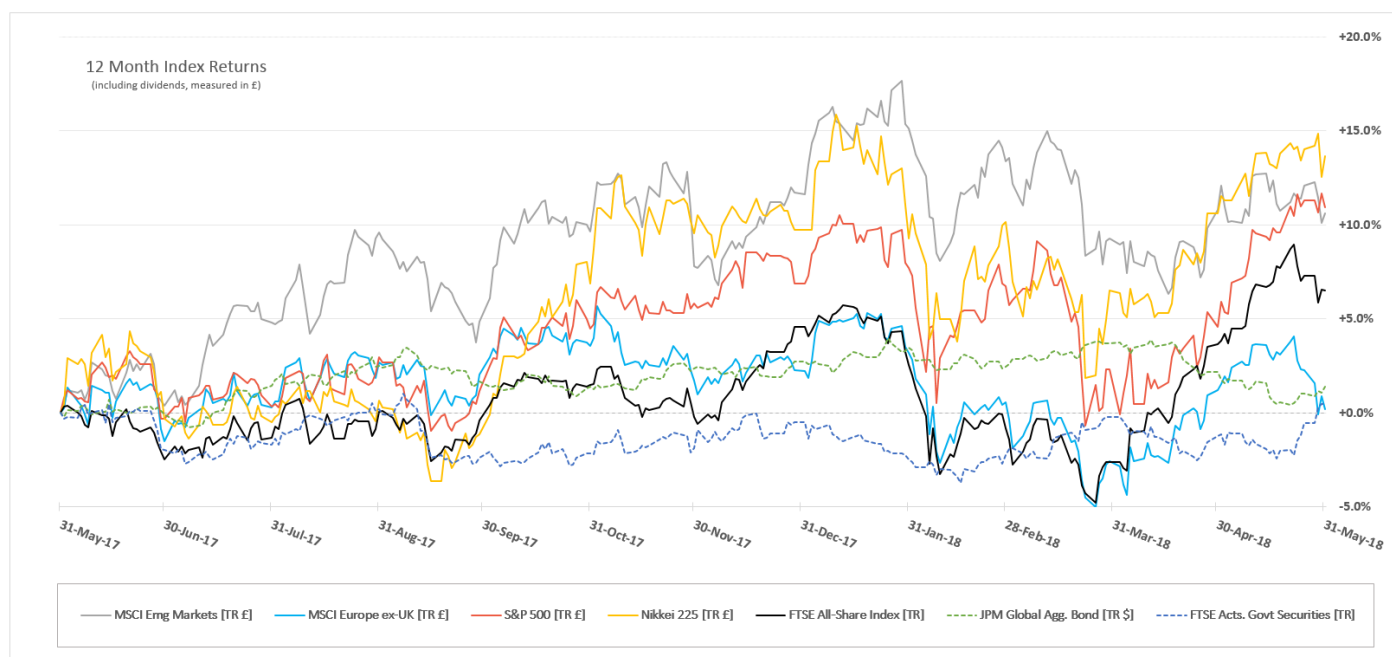
Next month we will reveal the changes and explain our reasoning, along with an outlook into the the last two quarters of the year.

*This is the retail class of share; the institutional class that Albert E Sharp buys at has an OCF of 1.28%

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INDEX RETURNS

Index	Region/Asset Class	31 May 2018	1 Month Change	1 Year Change	2 Year Change
UK 100	UK	7,678.2	+2.2%	+2.1%	+23.2%
UK Mid Cap	UK	582.1	+4.1%	+2.2%	+16.4%
UK Small Cap	UK	5,924.9	+1.1%	+4.8%	+28.9%
Dow Jones Ind Avg	USA	24,415.8	+1.0%	+16.2%	+37.3%
S&P 500 Index	USA	2,705.3	+2.2%	+12.2%	+29.0%
NASDAQ Comp.	USA	7,442.1	+5.3%	+20.1%	+50.4%
Nikkei 225	Japan	22,201.8	-1.2%	+13.0%	+28.8%
Euro Stoxx 50	Europe	3,406.7	-3.7%	-4.2%	+11.2%
CAC 40 Index	France	5,398.4	-2.2%	+2.2%	+19.8%
DAX Index	Germany	12,604.9	-0.1%	-0.1%	+22.8%
Milan Index	Italy	21,784.2	-9.2%	+5.1%	+20.9%
MSCI Emg Mkts (£)	Emg Mkts	570.1	-0.2%	+10.6%	+58.9%
IBOVESPA Index	Brazil	76,753.6	-10.9%	+22.4%	+58.3%
IMOEX Index	Russia	2,302.9	-0.2%	+21.2%	+21.3%
S&P BSE SENSEX	India	35,322.4	+0.5%	+13.4%	+32.5%
Shanghai SE Comp.	China	3,095.5	+0.4%	-0.7%	+6.1%
Hang Seng	Hong Kong	30,468.6	-1.1%	+18.7%	+46.4%
UK All Property	UK Property	132.6	-1.0%	+6.3%	+6.9%
UK Conv Gilts	UK Gilts	3,624.5	+1.8%	+0.5%	+7.3%
UK Index linked Gilts	UK IL Gilts	4,897.9	+2.4%	-0.5%	+20.5%
JPM Glob Agg. Bond (\$)	Global Bonds	562.8	-0.7%	+1.4%	+2.3%
iBoxx Non-Gilt	UK Corp Bonds	337.5	+0.4%	-0.1%	+9.3%
WTI Crude (\$/barrel)	Oil	67.0	-2.2%	+38.7%	+36.5%
LMEX	Base Metals	3,350.6	+1.5%	+21.4%	+49.1%
Gold Spot (\$/oz)	Commodities	1,298.52	-1.3%	+2.3%	+6.8%
S&P Agri & Livestock	Agriculture	775.98	+1.5%	-3.9%	-12.0%
£1 = US\$	Currencies	1.33	-3.4%	+3.2%	-8.2%
£1 = €	Currencies	1.14	-0.2%	-0.8%	-12.6%
£1 = Yen	Currencies	144.70	-3.8%	+1.3%	-9.8%



Source: Bloomberg®

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