

*"Failing conventionally is the route to go; as a group, lemmings may have a rotten image, but no individual lemming has ever received bad press".*

Warren Buffett



## How Have Private Client Portfolios Performed in 2017?

In short, the answer is that 2017 has been a positive year for most private client investors regardless of reference currency and risk appetite. Investors with multi-asset class portfolios have seen their real wealth grow and all the PCI indices ended 2017 at all-time highs (Dec 03 = 100) or within a hair's breadth of an all-time high.

The table below sets out the ARC Private Client Indices ("PCI") estimated results for 2017 across the four PCI risk categories and across the five PCI currencies.

Private Client Index (PCI) 12 months to December 2017	Risk relative to World Equities	GBP %	USD %	CHF %	EUR %	CAD %
ARC Cautious PCI	0 – 40%	4.4	6.4	4.8	3.6	3.5
ARC Balanced Asset PCI	40 – 60%	6.8	10.8	8.5	5.1	6.1
ARC Steady Growth PCI	60 – 80%	9.9	15.2	11.4	6.3	8.2
ARC Equity Risk PCI	80 – 110%	12.2	19.7	13.7	7.6	9.0

- ❖ Sterling reference currency portfolios generally experienced solid gains, ranging from 4.4% for cautious portfolios to 12.2% for equity-risk oriented portfolios;
- ❖ Weakness in the US Dollar and relative out-performance by a few US technology stocks translated into US Dollar denominated portfolios recording higher gains than portfolios with other reference currencies, with double digit returns commonplace;
- ❖ Conversely Euro and Canadian Dollar portfolios experienced more muted gains in local currency terms due to relative currency strength and, to a lesser extent, a domestic bias in portfolio construction; and
- ❖ Swiss Franc denominated portfolios occupied the middle ground but investors still enjoyed solid real returns.

## Has my portfolio performed well?

At the end of each calendar year, most private client investors ask themselves this question: "Is my portfolio performance any good?" PCI has been designed to assist private client investors in answering this question. Managers typically present performance versus one or more benchmarks (usually comprising one or more bond and equity market indices). Such comparisons answer the question of how well a portfolio has performed versus the financial markets. But most investors also want to know how well their portfolio has done versus other investors with similar portfolios.

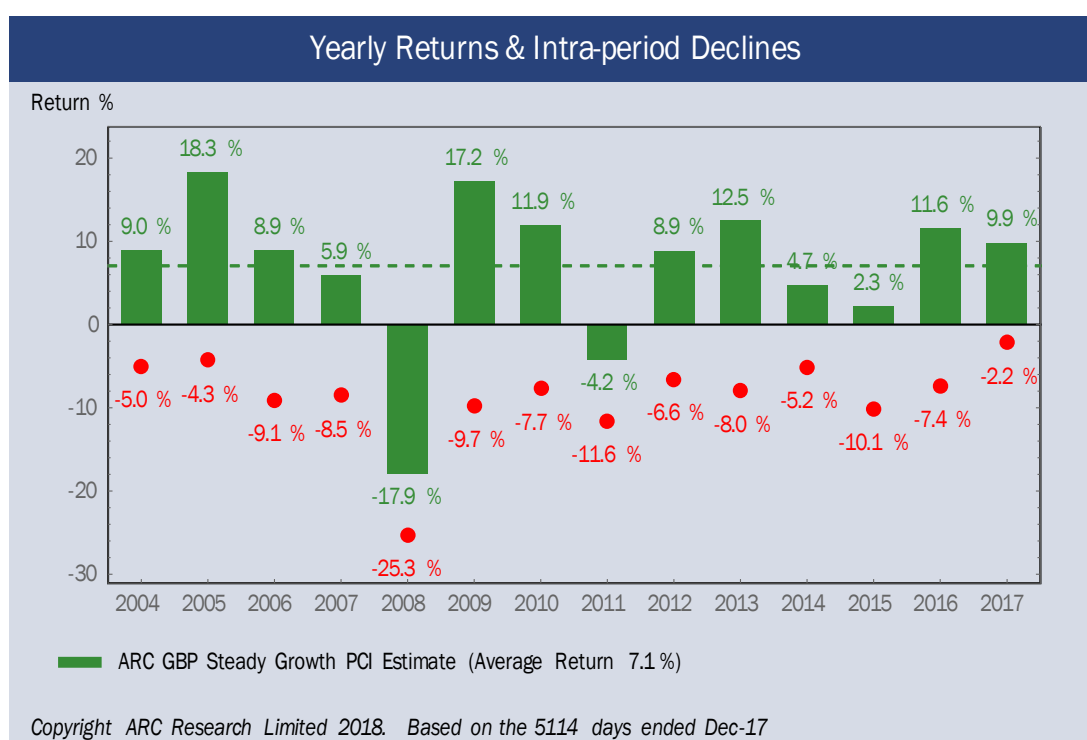
To find out whether your portfolio has performed well, it is possible to use the PCI indices and associated data, available from [www.suggestus.com](http://www.suggestus.com) and to create your own [QuickCheck](#) report completely for free!

# 2017: The Year of the Lemming

## How Does 2017 Compare With Previous Years?

In our [Q3 2017 PCI commentary](#), entitled “Volatility – A Risky Measure?” we highlighted that market volatility has been very low for an extended period. We noted that past volatility is not a reliable indicator of future capital loss. The reason for this assertion is that drawdown experience tends to vary significantly year-on-year.

The chart below shows the fourteen calendar year returns for the ARC Sterling Steady Growth Private Client Index (PCI) since inception (green) and the deepest drawdown each year (red) using daily data. The Steady Growth peer group universe has been chosen as it is the most common risk profile for private client portfolios in the PCI peer group of circa 80 discretionary investment managers and circa 130,000 private client discretionary portfolios.



The following general observations can be made:

- ❖ On average, private client investors with a Sterling Steady Growth mandate recorded a 7.1% return per year, ranging from 18.3% in 2005 to -17.9% in 2008;
- ❖ There have only been two years when negative returns were experienced: 2008 and 2011;
- ❖ Perhaps unsurprisingly, the deepest drawdown in any calendar year was in 2008 (-25.3%); and
- ❖ Ignoring 2008, the average maximum drawdown each calendar year has been 7.3%.

2017 saw a slightly above average return and the smallest maximum drawdown during a calendar year in the last fourteen years. The financial markets have been exceptionally benign with every potential setback apparently being treated as a buying opportunity. Let's hope going into 2018 that Warren Buffett's comment about "failing conventionally" does not prove prescient.

## For further information:

Graham Harrison, Managing Director, +44 (0) 1481 817777, [graham.harrison@assetrisk.com](mailto:graham.harrison@assetrisk.com)

A full list of Data Contributors to PCI is available at [www.suggestus.com](http://www.suggestus.com)