Alliott Graham Brown
FINANCIAL PLANNING LTD

OUR INVESTMENT PROPOSITION

Whether you are investing for growth or income, some of the key considerations will be as follows:

- Your attitude to risk and potential returns
- The blend of assets within your investment plan or portfolio
- The investments themselves
- Minimising the effects of tax
- Regular updates to ensure your plans remain on track as circumstances may change

To increase your chances of a successful outcome, it is vital to have a robust investment strategy that can easily be monitored and adjusted as required. This document provides an overview of AGB's usual investment process and how we manage our clients' affairs.

Risk Profiling

Before we provide any advice, we will ask you to complete a Confidential Questionnaire. We collect and record all your relevant personal and financial information, including details of your current circumstances and future requirements. This helps to ensure that the advice offered is entirely suitable for you.

We look at your overall financial position to establish how much risk you might be able to afford to take in order to achieve your goals, particularly in the longer term. However, we will always want to be sure that you retain sufficient "cash" to cover your shorter term needs and emergencies.

As part of this process, we will ask you to describe the level of risk that you might feel comfortable in taking, for example, a cautious, balanced or adventurous approach. In addition, to help us recommend the most suitable investment approach for you, we may ask you to complete a Risk Profiling Questionnaire.

Your answers will help us to assess your attitude to risk on a more scientific basis and will provide us with a platform for further discussion about what might be a suitable investment approach for you. Having discussed and agreed with you the most appropriate investment strategy, we then select the most suitable products or "tax wrappers" to meet your needs.

Investment Strategy

One of the most important considerations in any investment portfolio is the "asset allocation" i.e. the split between the various asset classes. In fact, an academic study carried out as far back as 2000 showed that 90% of investment performance can be due to asset allocation.* Different types of assets such as cash deposits, fixed interest stocks ("bonds"), property and shares ("equities") behave differently.

Investing across a range of assets is known as "diversification" and this helps to reduce the risk of investment values fluctuating up and down too much i.e. what is often termed "volatility". With any investment strategy, the key is finding the right balance between risk and reward. To achieve this, a portfolio needs a suitable allocation between the various asset classes, taking into account the likely timescale for the investment and an acceptable level of risk (or volatility) to achieve the required return.

Holdings in cash, commercial property and bonds are generally regarded as more stable than share based investments, offering more limited opportunities for growth in the longer term but also less risk. Shares offer greater opportunities for long term growth in excess of inflation but returns can vary significantly, both up and down. Holding cash, bonds and property investments within a portfolio can provide a cushion against the full effects of this.

The balance between the different classes (the asset allocation) will reflect the client's attitude to risk, their capacity for loss and their investment timescale. A lower risk portfolio (for a more cautious approach) will have a higher percentage of more defensive assets such as cash and bonds etc, while a more adventurous investor's portfolio will tend to hold more shares.

Our usual preference is for a “risk-based” investment approach where the aim is to maximise longer term returns within an agreed risk/reward profile by carefully managing the asset allocation. As many of our clients are retired or are planning for retirement, risk is a concern and they are aiming for steady performance over the longer term rather than more spectacular shorter term returns. A risk-based approach, which aims to manage risk, should help to deliver this.

These portfolios are managed along strict lines where the asset allocation is regularly reviewed and rebalanced to reflect market conditions and the general performance of the investments themselves. Investors can be confident that the relative risk/reward level will always remain the same – unless they choose to change things. Regular rebalancing ensures that portfolios do not “drift” from the agreed risk profile. This is important because statistics show that portfolios tend to produce better returns and demonstrate lower levels of volatility where the asset allocation is regularly rebalanced.

How Your Investments Are Managed

It is generally accepted that the key to investment success is the asset allocation i.e. the proportions in which you invest in shares, property, fixed interest etc rather than the individual shares or funds held. Fund managers actively selecting specific stocks and shares may add only modest additional returns and in fact, some do not achieve this.

Some investors will therefore prefer portfolios that are based around a “passive” investment approach as this avoids the additional costs involved with “actively managed” funds. The asset allocation will be carefully managed and rebalanced in the usual way but a passive approach will usually mean lower charges because the shares element, in particular, will be based around low cost “tracker” funds. Management charges are lower as these funds simply aim to mirror the performance of a stockmarket index, rather than trying to beat it.

However, a passive approach will not be suitable for investors looking for the outperformance that “active” management can potentially deliver. This is where the investment managers will aim to outperform the relevant stockmarket index. For these clients, who perhaps wish to take a more adventurous approach or who wish to generate an income from their investments, we offer portfolios that use the best actively managed funds.

The managers of the portfolio will select a combination of funds from various investment houses which it is felt should offer the best potential returns consistent with a stated risk profile. This “multi-manager” approach should offer greater potential returns as there is access to the top fund managers in each sector, offering excellent opportunities for outperformance. Provided there is a robust fund selection process, this approach can be very effective although higher management charges will apply. We will discuss the differences between the two with you, so we can agree on the most suitable approach for you.

Investment Choices

We can offer a very wide range of investment funds and portfolios. These include both actively managed and tracker funds, risk-based funds and portfolios (as above) and bespoke portfolios run by Discretionary Fund Managers. We can also include modern investment techniques, not usually available to private investors, which provide additional diversification to help reduce the usual effects of stockmarket volatility. In addition, we offer “target return” funds which aim to deliver more consistent and more predictable investment returns.

We use investment professionals with all the necessary research capabilities and resources to design our portfolios and to select and manage the investments they hold. They use rigorous selection and review processes to ensure that the underlying investments provide the necessary diversification to reduce risk while aiming to maximise returns for a selected level of risk.

Regular Reviews

Once your investments are in place, it will be important for the arrangements to be reviewed on a regular basis so that we can look at the progress of the portfolio, interest rates and the investment markets generally. We will also take into account any changes in your personal circumstances and requirements. Regular reviews and updates to ensure that things remain on track are a key part of our investment service. These will normally be carried out on an annual basis although they can be arranged more or less frequently, if required.

*Source: Financial Analysts Journal. Ibbotson. Kaplan. January 2000

February 2018