

**Brief Guide to  
Maximising Investment Return**

This is a brief outline of the process we use to construct an effective strategy for your given investment objective.

<p>Introduction</p>	<ul style="list-style-type: none"> <li>• There are four basic asset classes: - equities, commercial property, fixed interest and cash</li> <li>• We use risk analysis and the principles of diversification to “Asset Allocate” your money within these classes.</li> <li>• In simple terms, this means dividing your investments into as many asset classes and geographical areas as is required to maximise returns for a given level of risk. This is known as “Optimal Portfolio Theory”.</li> <li>• We are acutely aware that the fear of investment losses is probably more important than exceptional gains for the majority of our clients and we advise accordingly.</li> </ul>
<p>Risk Profile</p>	<ul style="list-style-type: none"> <li>• We will ascertain your risk profile using our ‘Risk Tolerance Questionnaire’.</li> <li>• This will indicate the level of risk you are prepared to accept on a scale of 1 to 10, with one being the least risk-tolerant and ten being the most risk-tolerant.</li> <li>• ‘Level of risk’ is defined as ‘the degree to which you are prepared to accept fluctuations in the value of your investment in order to improve your chances of achieving higher long term returns.’</li> <li>• This means that a portfolio suggested for someone with a risk score of 1 is likely to have a modest return and limited fluctuation in value from month to month. A portfolio suggested for someone with a risk score of 10 would be more likely to achieve higher long term returns but potentially with sizeable fluctuations in value from month to month.</li> </ul>
<p>Term</p>	<ul style="list-style-type: none"> <li>• As part of the information gathering stage you will have supplied a term for your investment. This term will be worked into the model.</li> <li>• Therefore the asset allocation and forecasts for a 5 yr term is likely differ from that of a 10 yr term.</li> </ul>
<p>Optimal Portfolio Theory</p>	<ul style="list-style-type: none"> <li>• The Optimal or Efficient portfolios are defined as portfolio’s which maximise the expected return for the desired level of risk.</li> </ul> <div data-bbox="561 1447 1214 1924" data-label="Figure"> </div> <ul style="list-style-type: none"> <li>• Having established the expected outcomes for all the combinations of assets, a line can be drawn to join up each of the ‘Optimal’ portfolios at each risk level; this line is the Efficient Frontier (illustrated above). There are no portfolios with better theoretical risk-return profiles than those plotted on the Efficient Frontier.</li> </ul>

Active v Passive	<ul style="list-style-type: none"> <li>• Statistics show that there is no cost effective way to consistently out perform the market. In simple terms this means that 'active fund management' does not work and adds additional charges that further reduces investment return.</li> <li>• Statistics show that 90% of market returns are achieved by the underlying investments and passive funds are an economic way of achieving this.</li> </ul>
Fund Selection	<ul style="list-style-type: none"> <li>• We use a combination of index trackers, exchange traded funds (ishares) and specialised passive funds (Dimensional Fund Advisers) to create cost-effective, diversified portfolios. This allows us to provide you with a portfolio tailored to your specific needs.</li> <li>• By combining a transparent fee structure with a passive investment approach we have created an effective and extremely low-cost investment solution for you.</li> </ul>
Rebalancing	<ul style="list-style-type: none"> <li>• Over time, as the funds within each asset class perform differently, the weighting between the funds and therefore the asset classes may change.</li> <li>• Portfolio rebalancing is a facility under which your portfolio will be reviewed each year, and involves selling units in some funds and investing the proceeds in others so that the percentage holding in each fund is restored to the same percentages initially selected.</li> </ul>

**Risk warnings:**

Past performance is not necessarily a guide to the future. The value of units, or any income, may fall as well as rise. You may not get back the original amount invested.