

PORTFOLIO FINANCIAL CONSULTANCY LTD

Mission Statement

To expand the wealth of our clients, using a systematic and logical investment approach.

Introduction

We at Portfolio Financial Consultancy, aim to deliver to our clients a high level of advice with a focus on ongoing service.

Financial Planning is a highly complex area, but our objective is to make what is a complicated matter very simple for our clients to understand.

Many Investments are made with advisers over the years and simply forgotten about or not reviewed. We feel the review process to be the primary driver in our business proposition to ensure our clients' goals are achieved.

Our Advice Process –

1. Personal Financial Questionnaire

We carry out a **financial review**.

This helps us identify:

1. Your current personal and financial situation
2. Your current Financial priorities, goals and objectives
3. Future needs and changes that are planned/anticipated

We recommend regular reviews as your circumstances and financial needs can change over time.

This will be conducted by one of our highly experienced Financial Planners.

2. Attitude to Risk

One of the most important considerations in choosing your investment is your attitude to investment risk.

Attitude to risk needs to be established at outset and reviewed on a regular basis to take account of any change in circumstances or market conditions.

Everyone has a different perception of investment risk and a different attitude towards it.

This can be affected by:

1. Financial circumstances
2. Current Investments in place
3. Investment experience and understanding
4. Your age
5. Your objectives e.g. Growth or Income
6. How long you wish to invest for.

We complete a detailed Risk Profile Questionnaire to identify your attitude to investment risk based on the above, to create recommendations to match your profile.

By understanding your attitude towards risk and the levels of risk you wish to take, this enables us to build an appropriate investment strategy for you.

3. Investment Product

After completion of the Personal Financial Questionnaire and Risk Profile Questionnaire, our financial planner will recommend a suitable Investment Product for your needs and objectives.

As a highly trained firm of financial planners we offer advice on some of the most common forms of investment products such as –

- ISA'S & Oeics/Unit Trusts
- Investment Bonds – Onshore and Offshore
- Personal Pensions/Sipps & Corporate Pensions
- National Savings and Banking Accounts
- Corporate and Company Investments

We also have a fully qualified Mortgage department that offer all mortgage advice together with Life Assurance, Critical Illness and Income Protection requirements.

4. Asset Allocation

Professor Harry Markowitz published his doctoral thesis 'Portfolio Selection' in 1952, marking the beginning of what is known as the Modern Portfolio Theory. He demonstrated that for every level of risk it is possible to construct an investment portfolio that, mathematically, delivers the maximum investment return.

More recent research by Brinson, Singer and Beebower has shown that by far the dominant contributor to the variability of total portfolio returns is the asset allocation (that is the proportion held in shares, property, bonds and cash) of that investment portfolio. According to the seminal study on the subject, asset allocation, on average, accounts for 91.5% of the variation of portfolio returns over time.

The ideal asset allocation differs from investor to investor and is based on the level of risk each investor is prepared to accept.

Our portfolio construction process delivers an asset allocation suitable for an investment risk profile

Asset classes include:

- Cash/Money Market
- UK Fixed Interest
- International Fixed Interest
- Property
- UK Equity
- North America
- Europe ex. UK
- Japan
- Pacific ex. Japan
- Emerging Markets
- Global Specialist

Having thoroughly researched the Asset Allocation tools available to us, we have selected the asset allocation tool provided by our software provider True Potential, which supports asset allocation recommendations provided by IBBOTSON – a highly recognised and acclaimed analyst in this arena.

One of the key reasons for using this system is its ability via our integrated back office system to not only analyse proposed investments but to also include our clients assets already held within their portfolio e.g. property and cash.

This ensures we are able to deliver true holistic financial planning to all of our clients.

5. Fund Selection

Once a client's portfolio is determined at asset class level, funds are then selected using various criteria to include –

- Fund Managers track record
- Volatility
- Charges
- Past Performance
- Ratings via recognised industry awards*
- Sesame research and opinion

* Source: Standard & Poor's Fund Services /Old Broad Street Research (OBSR)/Citywire/Morningstar.

6. Review/Reassessing/Rebalancing

We recommend that your portfolio is regularly reviewed for a number of reasons. These could include –

- A change in your personal circumstances
- A change in your attitude to risk
- Your existing portfolio will become 'un-balanced' following changes in market conditions and differing performances of your original funds selected.
- Change in your investment objectives – e.g. growth to income.

Over time different parts of your portfolio will perform differently. For example, if you invested 50% in equities and 50% in bonds, over time equities may outperform bonds so the portfolio could become 70% equities and 30% bonds or vice versa. Left unchanged you could be taking more risk than you really want, so investors often redistribute profits or "rebalance" their portfolios back to their intended asset mix.

APPENDIX – INVESTMENT SECTORS AND DESCRIPTIONS

Sector Definitions and Classification

There are about 2000 investment funds to choose from. But to help identify funds with similar characteristics, they are categorised within a fund classification system of over thirty sectors. The sector categories are broadly divided into funds that aim to provide an 'income' and those designed to provide 'growth'. Each sector is made up of funds investing in similar assets, or the same stock market sectors, or in the same geographical region.

Funds are classified in this way to make it easier to find those that meet the investment objectives. This ensures that when comparing one fund with another, we are comparing funds with similar objectives or with similar underlying assets.

Funds principally targeting income

UK Gilts

Funds that invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) Triple AAA rated, government backed securities, with at least 75% invested in UK government securities (Gilts).

UK Index Linked Gilts

Funds that invest at least 90% of their assets in UK Index Linked Government securities (Gilts).

UK Corporate Bond

Funds that invest at least 80% of their assets in Sterling-denominated (or hedged back to Sterling), Triple BBB minus or above bonds (as measured by Standard & Poor's or an equivalent external rating agency – (Moody's Baa or above)). This excludes convertibles.

UK Other Bond

Funds investing at least 80% of their assets in Sterling denominated (or hedged back to Sterling), and at least 20% of their assets in below BBB minus bonds (as measured by Standard and Poor's or an equivalent external rating agency), convertibles and income producing preference shares.

Global Bonds

Funds that invest at least 80% of their assets in fixed interest stocks. All funds which contain more than 80% fixed interest investments are to be classified under this heading regardless of the fact that they may have more than 80% in a particular geographic sector, unless that geographic area is the UK, when the fund should be classified under the relevant UK heading.

UK Equity & Bond Income

Funds that invest at least 80% of their assets in the UK, between 20% and 80% in UK fixed interest securities and between 20% and 80% in UK equities. These funds aim to have a yield in excess of 120% of the FTSE All Share Index.

Funds principally targeting income

UK Equity Income

Funds which invest at least 80% in UK equities and which aim to achieve a yield on the distributable income in excess of 110% of the FTSE All Share yield.

Funds principally targeting capital

UK Zeros

Funds investing at least 80% of their assets in Sterling denominated (or hedged back to Sterling), and at least 80% of their assets in zero dividend preference shares or equivalent instruments (i.e. not income producing). This excludes preference shares that produce an income.

UK All Companies

Funds that invest at least 80% of their assets in UK equities which have a primary objective of achieving capital growth.

UK Smaller Companies

Funds that invest at least 80% of their assets in UK equities of companies which form the bottom 10% by market capitalisation.

Japan

Funds that invest at least 80% of their assets in Japanese equities.

Japanese Smaller Companies

Funds that invest at least 80% of their assets in Japanese equities of companies which form the bottom 30% by market capitalisation.

Asia Pacific including Japan

Funds that invest at least 80% of their assets in Asia Pacific equities including a Japanese content. The Japanese content must make up less than 80% of assets.

Asia Pacific excluding Japan

Funds that invest at least 80% of their assets in Asia Pacific equities and exclude Japanese securities.

North America

Funds that invest at least 80% of their assets in North American equities.

North American Smaller Companies

Funds that invest at least 80% of their assets in North American equities of companies which form the bottom 20% by market capitalisation.

Europe including UK

Funds that invest at least 80% of their assets in European equities. They may include UK equities, but these must not exceed 80% of the fund's assets.

Europe excluding UK

Funds that invest at least 80% of their assets in European equities and exclude UK securities.

European Smaller Companies

Funds that invest at least 80% of their assets in European equities of companies which form the bottom 20% by market capitalisation in the European market. They may include UK equities, but these must not exceed 80% of the fund's assets. ('Europe' includes all countries in the MSCI/FTSE pan European indices.)

Cautious Managed

Funds investing in a range of assets with the maximum equity exposure restricted to 60% of the fund and with at least 30% invested in fixed interest and cash. There is no specific requirement to hold a minimum % of non-UK equity within the equity limits. Assets must be at least 50% in Sterling/Euro and equities are deemed to include convertibles.

Balanced Managed

Funds would offer investment in a range of assets, with the maximum equity exposure restricted to 85% of the Fund. At least 10% must be held in non-UK equities. Assets must be at least 50% in Sterling/Euro and equities are deemed to include convertibles.

Active Managed

Funds would offer investment in a range of assets, with the Manager being able to invest up to 100% in equities at their discretion. At least 10% must be held in non-UK equities. There is no minimum Sterling/Euro balance and equities are deemed to include convertibles. At any one time the asset allocation of these funds may hold a high proportion of non-equity assets such that the asset allocation would by default place the fund in either the Balanced or Cautious sector. These funds would remain in this sector on these occasions since it is the Manager's stated intention to retain the right to invest up to 100% in equities.

Global Growth

Funds which invest at least 80% of their assets in equities (but not more than 80% in UK assets) and which have the prime objective of achieving growth of capital.

Global Emerging Markets

Funds which invest 80% or more of their assets directly or indirectly in emerging markets, as defined by the World Bank, without geographical restriction. Indirect investment e.g. China shares listed in Hong Kong, should not exceed 50% of the portfolio.

The above sectors also require funds to be broadly diversified within the relevant country/region/asset class. Funds that concentrate solely on a specialist theme, sector or single market size (or a single country in a multi-currency region) would be incorporated in the Specialist sector (see below), or in the case of tech funds, in the Technology & Telecommunications sector.

Funds principally targeting capital protection

Money Market

Funds that invest at least 95% of their assets in money market instruments (i.e. cash and near cash, such as bank deposits, certificates of deposit, very short term fixed interest securities or floating rate notes).

Protected/Guaranteed Funds

Funds, other than money market funds that principally aim to provide a return of a set amount of capital back to the investor (either explicitly guaranteed or via an investment strategy highly likely to achieve this objective) plus some market upside.

Specialist Sectors

Absolute Return

Funds managed with the aim of delivering absolute (i.e. more than zero) returns in any market conditions. Typically funds in this sector would normally expect to deliver absolute (more than zero) returns on a 12 months basis.

Note:

- 1. Funds are classified to and remain in this sector on the basis of self election by firms with qualitative oversight by the Performance Category Review Committee (PCRC).*
- 2. There is no asset based monitoring for this sector. Consideration should be given by those listing in this sector to the obligation for Treating Customers Fairly (TCF).*
- 3. Performance comparisons are inappropriate due to the diverse nature of the objectives of the funds populating this sector, including differing benchmarks, risk characteristics and timeframes for delivering performance.*
- 4. Absolute returns are made in the base currency of the fund. Investors may be subject to currency losses should the base currency be different to their domiciled/invested currency. Currently, only funds that are trying to achieve an absolute return in Sterling are classified to the sector.*
- 5. Funds listed in this sector do not guarantee returns.*

Source of information – Trustnet/Financial
Express/Citywire/Sesame/Morningstar/Standard & Poors/Skandia