

# Financial Planning Report

Prepared for:

Client A and Client B



Prepared by:

**Independent Financial Adviser**

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# REVIEW REPORT

## Introduction

I have agreed with you as part of my firm's servicing proposition to undertake a regular review of your 'Retail Investment Products' which remain under our care.

I am authorised to provide advice on all areas addressed in this report, I would ask that you read the report carefully and check that you understand my advice which will be focused on the continued suitability of your existing investments. Any recommendations that follow are based on my understanding of your latest financial position, investment objectives, attitude to risk and capacity for loss.

You have previously been provided with a copy of our Client Agreement. This explains my status, our terms of business, the services we offer and how we can be remunerated for these services.

**Please note where any recommendation is made to change or replace the existing investment solution(s) that materially affects the service offered or costs incurred, I will provide an additional suitability report setting out the detailed reasons for my recommendation.**

## Summary of Current Position & Objectives

Please find below a summary of your current position:

Name	Client A	Client B
Date of Birth	3/2/1965	4/7/1966
Marital Status	Married	Married
Number of Financial Dependants	1	
Occupation	Administration Manager	Nurse
Employment Status	Employed	Employed
Tax Status	Basic Rate Tax Payer	Basic Rate Tax Payer
Monthly Net Income (£)	1500	2300
Monthly Expenditure (£)	2000	Joint
Smoker	No	No
State of Health	Good	Good

I can confirm nothing has changed regarding your personal circumstances that could affect the servicing of your investments.

I can confirm the agreed objective(s) for your investments are as follows:

- Capital Growth

## Attitude to Risk

We have previously discussed at some length your attitude to risk and in particular the relationship between risk and reward. I can confirm your risk profile has been confirmed as detailed below.

You have completed the Risk Profiling Questionnaire. The questionnaire has been designed to assess your knowledge, experience, attitude towards investment risk and capacity for loss.

Your risk profile is summarised as follows:

Investment Attitude to Risk: **Balanced**

You prefer to invest in broad range of core stock-market linked investments, where the overall returns achieved are more closely linked to the performance of the underlying assets. In so doing, this will provide you with the potential to benefit from real capital growth. However, you should be aware that investment values will fluctuate according to market conditions.

Capacity for Loss: **Moderate**

Your sensitivity to volatility is realistic and you recognise that markets fluctuate and that some short term volatility must be accepted in order to achieve your investment objectives. You have sufficient assets outside of your portfolio and an investment time horizon far enough in the future to withstand small to medium losses without any detrimental effect to your living standards. Your capacity to loss threshold would be no more than 20%.

If you feel that this does not accurately reflect your attitude to risk or capacity for loss please contact me as a matter of urgency.

A full summary of my company's attitude to risk and capacity for loss definitions can be found in the appendix of this report.

## Investment Proposition Review

This Investment Proposition Review has been designed to explain clearly what strategies have previously been recommended to you and how your investments should be managed moving forward.

### Current Investments

The investments currently serviced by my company are as follows:

#### Company AXA - Onshore Bond - BB123487 - Joint

Administration	Mandate	Strategy	Style	Valuation
Wrap	Advisory	Model Portfolio	Active	£34,989

#### Company AXA - Unit Trust - LL4567LWE - Client A

Administration	Mandate	Strategy	Style	Valuation
Wrap	Advisory	Individual Collective Funds	Active	£12,678

#### Company AXA - ISA - 7689GHT - Client B

Administration	Mandate	Strategy	Style	Valuation
Wrap	Advisory	Individual Collective Funds	Active	£15,567

### Investment Administration – Wrap Service

You currently utilise a Wrap Service.

A **Wrap Service** is an internet based service where you can view and control a range of investments. Your portfolio can be analysed and quantified according to money value, tax treatment, product type and asset allocation. The information can be accessed 24 hours a day and provides certainty of affairs and excellent control.

Your current Wrap Service is provided by:

#### AXA Elevate

- Elevate is a comprehensive, flexible and easy to use wrap platform from AXA Wealth, provided by AXA Portfolio Services Ltd (APS). It allows access to over 150 fund managers and over 5,000 funds, including products and solutions developed by other AXA companies. It is a new model wealth management business that brings together the expertise of Architas, AXA Wealth International, Elevate and Winterthur. The platform is considered financially strong having been given a 'B+' (Very Strong) rating from AKG, an actuarially based consultancy specialising in the provision of credit ratings information. Assets under management surpassed £7 billion as at November 2013.

We are recommending that you **continue** with the above for the following reasons:

- We carry out regular due diligence and research of wrap providers operating within the market place and our research has confirmed that the current service provider fulfils your personal requirements. They also remain financially strong and continue to meet the service expectations of our firm and our clients.
- The service allows us the ability to access the agreed investment strategies previously recommended but also the flexibility to change if and when required
- Their charging structure remains competitive within the market place and their service standards remain high
- They provide a single point of access to a range of investments and tax wrappers

### **Investment Mandate**

Your Investment Mandate is currently Advisory.

An **Advisory** mandate service is for clients who wish to be more involved with the investment strategy. What I mean by this is that we will carefully analyse your particular objectives, your attitude towards risk and the time frame for which you would like to invest. We will then decide what investment products, investment strategies, investment styles and services best reflect your financial goals. These recommendations will then be communicated to you and will only be executed following your agreement to do so.

After assessing your investments and objectives we are recommending that you **continue** with an Advisory Mandate for the following reasons:

- The approach has fulfilled our agreed aims and we see no reason to change the mandate at this time
- You still prefer for our investment ideas to be communicated to you prior to making any changes to your portfolio

### **Investment Research**

In order to achieve the best outcome for our clients, Investment Research is an important and necessary part of our investment proposition. The time spent undertaking this research will determine which fund managers deserve our attention and which do not.

The following research techniques and criteria have previously been considered for your investments.

- *Qualitative Research* - this helps determine which fund managers deserve focus or not. Those that are transparent and have a well-run investment process will often be rated. Also assessed is how likely they are to perform well in the future over an economic cycle against their peers and accepted benchmark
- *Quantitative Research* - this considers a detailed set of statistical criteria of investment funds identified following qualitative research
- *Risk Return Matrix* - the position of a fund's performance and risk (calculated over three years and represented by its quartile ranking) within the sector the fund is classified in

Having reviewed our investment proposition we have decided to **add** further research methods as follows:

- *Citywire Ratings* - a totally objective statistical gauge of an individual fund manager's risk adjusted performance. Citywire considers all managers who run actively managed funds and assigns ratings to managers who achieve or exceed demanding performance measures over three years
- *Fund Tenure* - how long has the manager been running the fund
- *Fund Size* - how big is the fund in terms of its valuation

The reasons for adding to our research process are:

- Due to the proliferation of new fund launches and continual turnover in investment fund managers we believe the existing research process criteria being considered within our investment proposition needs to be strengthened. The additional criteria will ensure we effectively review the on-going changes within investment markets globally.

### **Investment Strategy**

It is important to review any investment strategy to ensure it still meets your investment objectives, time horizon, attitude towards risk and performance expectations. The investment strategy previously recommended is as follows:

- **Model Portfolio** - This investment solution typically involves a pre-constructed portfolio of investment funds that meets a specific risk mandate and/or investment mandate, (e.g. growth, income or a combination). Model portfolios offer a clearly defined risk and return path for investors and aim to maximise the returns for the given level of risk agreed upon. Making use of the resources and expertise of investment professionals, providers of model portfolios will seek to combine asset allocation with fund selection to create a range of model portfolios which tend to suit most investors circumstances.
- **Individual Collective Investment Funds** - This is a way of investing collectively with others for growth or income and to benefit from the inherent advantages of working as part of a group. Investors using a collective fund strategy will reduce risk by spreading their investments more widely than may have been possible if they were investing in the assets directly. Each fund will hire a professional investment manager thereby offering the prospects of better returns and risk management. Funds are promoted with a wide range of investment aims either targeting specific geographic regions or specified industry sectors. Funds are typically selected on the basis of their specified investment aims, their past investment performance, their volatility and other factors such as fees.

We are recommending that you **continue** with the current investment strategy for the following reasons:

- The objectives agreed for your investments have not changed and the strategies detailed remain the most appropriate moving forward
- The investment returns generated have been consistent and met all expectations
- The costs versus performance of this strategy can be described as satisfactory
- Volatility has remained commensurate with your attitude to risk

### **Asset Allocation**

Asset allocation involves dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash. The process of determining which mix of assets to hold in your portfolio is a very personal one. The asset allocation that will work best for you depends largely on your time

horizon and your ability to tolerate risk. As different asset classes behave in different ways, ongoing management of asset allocation is of utmost importance.

The asset allocation function can be managed in different ways, and these range from an in-house approach, outsourced to a third party or where the service provider of the recommended investment strategy manages the asset allocation themselves.

The asset allocation undertaken previously has been managed in-house, but after assessing your particular requirements we are recommending the management of the asset allocation be **outsourced** to a specialist third party:

#### **Automatically within the recommended investment strategy**

- The provider of the recommended investment strategy is a recognised specialist within investment market diversification and has significant experience in the field of asset allocation. They have strict processes and controls and use them to generate effective strategic and tactical asset allocation decisions to match portfolio objectives, risk tolerance and time horizons. They comprehensively fulfil a wide range of ‘risk mandates’ and ‘investment mandates’ and will automatically rebalance so as to comply with each mandate.

#### **Portfolio Drift**

Different types of assets have different performance characteristics and one asset may perform better than another between this review and the last. If left unchecked this would cause ‘portfolio drift’ meaning the original portfolio may no longer be suited to your particular risk profile and expectations of return. Our aim therefore is to allocate the right mixture of funds to your portfolio so that, over time, the peaks and troughs of their performance balance each other out.

We recommend the portfolio be rebalanced for the following reasons:

- As a result of the research undertaken there has been a drift in the investment portfolio(s) sufficient to warrant the rebalancing of the underlying asset allocation(s). This will need to be brought back in line with your stated attitude to risk.

#### **Company AXA BB123487**

<b>Fund</b>	<b>Current %</b>	<b>Proposed %</b>
ABC Global Equity	14	16
EFG UK Equity	19	17
CDE Global Bond	25	24
HJK Income Gilt	10	2
XYZ Specialist	32	41

#### **Company AXA LL4567LWE**

<b>Fund</b>	<b>Current %</b>	<b>Proposed %</b>
ABC Special Situations	27	20
OPQ Distribution	25	30
FGH Equity & Bond	26	30
TUV Property	22	20

## Company AXA 7689GHT

Fund	Current %	Proposed %
ABC Special Situations	27	20
OPQ Distribution	25	30
FGH Equity & Bond	26	30
TUV Property	22	20

## Investment Style

There are differing styles of investment management and each can be an important determinant of long term investor returns. The style currently being used is:

- An **Active Management** style - where the fund manager uses their skill to select stocks they think will outperform the average benchmark in a particular sector.

We are recommending that you **continue** with the current investment management style for the following reasons:

- We previously agreed that the primary objectives for your money invested should be growth, with this in mind we recommended an Active management approach as this would provide the greatest opportunity of medium to long term returns. I can confirm the performance to date has fulfilled expectations and we see no reason to change at this time.

# **INVESTMENT VALUATION**