

WEALTH MANAGEMENT REPORT

|  |  |
| --- | --- |
| **CLIENT(S)** | *[Client Name]* |
|  |  |
| **ADVISOR** |  |
|  |  |
| **DATE OF REPORT** |  |

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1. WELCOME

**A Message from our Investment Director, Adrian Gough**

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**“Our objective is to be the advisor of choice for ambitious organisations, high net worth individuals and other professionals.”**

RSM Tenon Group PLC is a public company on the main list of the London Stock Exchange.  Being one of the most progressive and entrepreneurial professional services firms in the UK, it has a dedicated focus on delivering the highest quality and closest personal service to its clients.  RSM Tenon Financial Management Limited was also voted IFA of the year 2009 by a leading industry magazine, Money Marketing.

The achievement of your financial objectives takes time, knowledge and expertise, which very few individuals have.  That is why achieving the financial success that matches your personal success may sometimes seem elusive.  It is that knowledge, expertise and time that RSM Tenon Financial Management Ltd. brings to their clients to assist them achieve these.

RSM Tenon Financial Management Limited advise clients who have combined assets of over £1billion currently under management.

* Tax
* Investment
* Retirement
* Planning and structuring
* Philanthropy
* Trusts and estate planning

Our advice is delivered in an integrated way by a qualified and experienced relationship manager.

Our investment consulting is bespoke and targeted specifically at the needs of high net worth families, for whom we provide strategic asset allocation advice and portfolio management services.

This report confirms our advice and recommendations; please read it carefully and let us know if you have any questions.

2. EXECUTIVE SUMMARY

**Scope of Advice**

**Summary of Recommendations**

**Action**

Section five of this report provides significant detail relating to each of these recommendations and sets out clearly the actions that we advocate. This advice is based on the information provided and you should be aware that any information you have chosen not to disclose could affect the suitability of the advice provided. If you feel that the recommendations provided are based on any misunderstanding or incorrect information, please make sure that you let us know as soon as possible so that any amendments can be made before you decide whether to proceed.

3. CURRENT SITUATION

At our meeting on *[Meeting Date]* we completed a Personal Financial Review and you provided full details of your current circumstances. Prior to this meeting you had both completed our psychometric risk profiling form and this information was used to determine your attitude to risk.

**Summary of Current Circumstances**

**Capital and Assets**

**Income**

**Objectives and Priorities**

The following table details your current financial objectives and priorities

|  |  |
| --- | --- |
| Objective | Priority |
|  |  |
|  |  |
|  |  |

Your specific concerns relating to each of these topics are detailed below:

**Investment Time Horizon**

The *[strategy name]* investment strategy we have recommended has a minimum investment time horizon of *[Strategy Time Horizon]* years. You are able to invest for at least *[Client Time Horizon]* years which fits with the investment time horizon of the suggested strategy.

**Attitude to Risk**

You have completed a psychometric risk profiling questionnaire and you (both) have a *[strategy.name-lower]* attitude to risk. Additionally, the profile indicated that your risk and return objectives were in synch.

I have provided you with a Fact Sheet which fully details the investment and risk objectives of the *[Strategy Name]* Investment Strategy. However, I replay these here:

*[Strategy Investor Focus]*

*[Strategy Aim]*

*To achieve this objective, the minimum suggested investment period is [Strategy Time Horizon]*  *years.*

*[Strategy Asset Classes]*

**Affordability and Liquidity**

4. THE INVESTMENT PROCESS

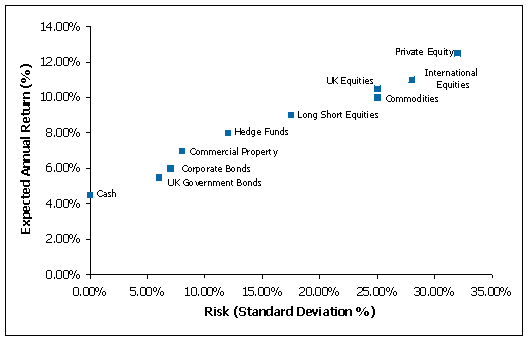
**Investment Philosophy**

When managing clients’ assets we follow certain methodologies that over time we have found work very well.

* We apply modern portfolio theory rather than guesswork or gut feelings to portfolio construction. This allows us to apply clear mathematical principles to our investment decisions
* We believe absolutely in a diversified asset strategy – this reduces risk and delivers more consistent returns
* Our investment recommendations are always clear and based on an analysis of the risks and rewards and how any changes will integrate with your existing investments
* We have a whole of market approach to the selection of investment managers
* Total underlying costs incurred in meeting your objectives should be minimised

**Modern Portfolio Theory**

Modern Portfolio Theory is the term used to describe a mathematically based investment process using the principles set out by Harry Markowitz and Bill Sharpe in their Nobel Prize Winning Investment Theory. For each asset class we estimate expected levels of risk and return based on historical performance, risk premiums and forward looking views. These estimates are then used to determine the most efficient mix of assets for each portfolio. At the core of this process is a belief in efficient markets where, over the longer term, risk is in line with reward. The following chart shows our medium term risk and return forecasts for each asset class.

****

**Diversification**

The old adage of not having all of your eggs in one basket is as sensible today as it has always been. When building a portfolio it is very useful to understand just how different or similar a range of investments are to each other. The statistical measure of similarity is ‘correlation’. Correlation is measured on a scale of -1 to +1.

Two investments with a correlation of -1 are termed negatively correlated and will usually move in opposite directions. To use a simplistic example, in the wet and cold winter months you would expect sales of umbrellas to flourish and sales of ice cream to flounder i.e. their returns are negatively correlated.

Investments with a correlation of +1 are positively correlated and will usually move in the same direction. Using a similar example, in our cold and wet British winter you would expect sales of both umbrellas and wellington boots to flourish i.e. their returns are positively correlated.

Finally, investments with a correlation of zero are uncorrelated and it is impossible to predict how they will move versus each other. For example, sales of wellington boots and children’s crayons could be expected to show little correlation.

The following chart illustrates this.



Some investments have high levels of positive correlation, such as UK and US equities: We can be fairly certain of a fall in the UK stock market if the US stock market falls overnight.

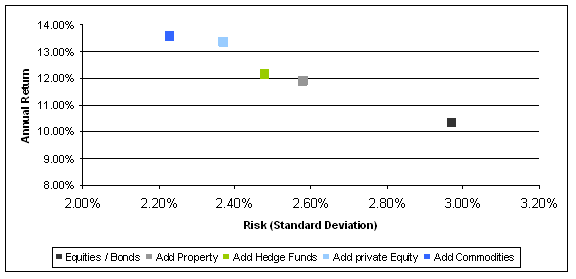
Introducing alternative investments is the key to diversification. The following table shows how little correlation some alternative investments are to the UK stock market:

* UK Gilts -0.14
* Commercial Property +0.13
* Hedge Funds +0.53
* Commodities +0.24
* Private Equity +0.49

The key to effective diversification is to have a range of investments that have correlations as low as possible. From the table above we can see that the last four investments are all positively correlated but they are all a long way from a correlation of +1.0 (where the investments could be expected to move in an identical way).

**The benefits of Diversification**

Diversifying your portfolio into alternative assets WILL reduce risk. Even adding very high risk assets such as commodities and private equity can reduce portfolio risk if the weightings are correct. The following chart demonstrates this concept using ten years of historical data. Starting with a 75% equity / 25% bond portfolio (Dark Grey) we can see the average annual return over 10 years is c.10.5% and risk is 3%. By adding a 10% commercial property weighting, portfolio risk reduces and return increases. If we add a 10% hedge fund weighting, return increases and portfolio risk reduces. These additions might seem straightforward as both of these asset classes are lower risk, however, if we add a 5% weighting to private equity (the most risky asset class in the previous section), again we see a reduction in risk and an increase in return. Finally, we add a 5% weighting to commodities, another high risk asset class; again, risk reduces and return increases.



Might there be reasons not to diversify? The major reason would be that a diversified investment strategy should be expected to under-perform a strongly rising stock market.

**Model Portfolios**

We maintain model portfolios for all of our core investment strategies. This allows us to more efficiently manage our clients’ portfolios, attribute risk and monitor any deviations. Each model has a detailed investment objective which, together with appropriate constraints and risk controls, ensures maximum opportunity for expectations to be achieved.

Our model portfolios are monitored by the firm’s Investment Committee who meet regularly to ensure portfolios are performing in line with expectations, review performance of investment managers and agree new asset classes or changes in policy.

**Whole of Market Approach**

We believe that no single manager will be effective at managing money in all asset classes. Consequently, we operate an open architecture approach to investment management, choosing the world’s best managers wherever they may be.

Our universe of investment options includes Boutique Investment Managers, UK Unit Trusts and OEICs, offshore funds, Investment Trusts and funds listed on any recognised investment exchange. We are NOT restricted to the funds available on a particular IFA or stockbroker investment platform.

*Whole of Market – Key Benefits*

* Access to some of the worlds most talented and experienced investment professionals
* Risk control through diversification across asset classes, styles and managers
* Much reduced stock specific risk
* Monitoring your investment managers against strict buy and sell criteria
* Competitive total expense ratio

**Manager Selection and De-selection**

We have a detailed process for the selection, monitoring and de-selection of investment managers. It is designed to put managers on watch and to trigger recommended sales in the event of excessive risk or poor performance relative to the market or peers. This analysis is applied to all managers.

All manager appointments are made against these criteria and of particular importance are:

* A consistent track record
* Excellent risk adjusted returns
* Management tenure
* Good communication links with the manager

The following chart illustrates our manager selection process, starting with over 53,000 manager options which are refined down to c.25 managers who would be used in your portfolio.

**53,311**

**Number of Managers**

**25**

**57**

**120**

**150**

**Process**

**Resource**

Investment

Approved List

Qualitative Due Diligence

Quantitative Analysis

Database, contacts, clients

ARC Profiler System

Skill and experience overlay

Research

Manager visits and independent due diligence reports

**Manager Blending**

Selecting good managers is only half of the process. Very little benefit is obtained by ‘diversifying’ risk by using four managers who all follow very similar investment strategies. The key is to choose good managers and then blend these managers together to deliver a mix where overall risk is reduced. The following chart shows how this works in practice.

The black line represents the ‘Capital Markets Line’ which is all of the possible mixes of two asset classes; Cash and Equities. Any fund above the line is delivering a superior level of risk adjusted return. Our two funds, 1 and 2 are both very good. If we were to blend these funds together in a 50/50 mix, the return of the blend would be the average of the two, as we might expect. The risk of the blend, however, would NOT be the average. This is because the funds are not perfectly correlated. In this example, the funds are approximately 50% correlated and we can see a significantly reduction in risk by blending the funds together in a portfolio.



**What happens in practice?**

Your portfolio is monitored on a regular basis with a detailed review of every fund and manager included in your portfolio on at least a monthly basis. Where we detect undesirable risk or return trends we will investigate further and, where appropriate, recommend changes. **Any changes will be communicated to you and you will need to agree the changes before they are implemented**. This ensures you remain involved in the management of your portfolio.

Our investment committee meets on a monthly basis to review markets and the outlook for risk and return of the various asset classes. We buy in independent research and this forms the thrust of our asset allocation decision making.

We do not believe that constant tactical asset allocation changes add significantly to returns and will make changes to asset allocation only in specific circumstances:

* If we determine that medium term risk and return forecasts have changed;
* If there has been a shift in the correlation between asset classes;
* Where a new asset class becomes available or an existing asset class which was previously inaccessible becomes available;

Again, asset allocation changes will be communicated to you and will require your consent before any changes are implemented.

In summary, this is a proactive investment management service where you remain involved in the decision making, to the extent that you wish to be, but where change is not made for change’s sake.

5. RECOMMENDATIONS

**Summary of Recommendations**

|  |  |  |
| --- | --- | --- |
| Need | Recommendation | Key Reasons |
|  |  |  |
|  |  |  |
|  |  |  |

**Transfer day to day management of your portfolio to Investment Strategies**

We have agreed that an absolute return orientated approach, where risk is actively controlled and investment returns are targeted at a margin above Bank of England Base Rate, net of all fees is appropriate for you given your objective and appetite for risk. We believe this to be a far more suitable return objective than to simply try and out-perform the stock market index by 1-2% per annum and where an investment manager will claim to have performed well if he ‘only’ loses 18% of your portfolio value when stock markets have fallen by 20%!

**My recommended investment approach is our** *[Client Investment Type]* **Strategy which is designed to deliver a return of** *[Strategy Return Over Base]* **per annum above Bank of England Base Rate (after all fees) over a rolling** *[Strategy Time Horizon]* **year period.**

We believe the MOST important investment decision is to determine the most effective asset allocation mix and a large number of studies have been conducted into whether asset allocation adds value to the investment process. The latest of these “Does Asset Allocation Policy Explain 40, 90 or 100 Percent of Performance?” by Roger Ibbotson and Paul Kaplan confirmed the results of all previous studies – that around 90% of performance is determined by asset allocation.

*[Allocation Chart Header]*:

*[Allocation Chart]*

*[Allocation Chart Caption]*

*[Allocation Comparison Chart]*

*[Allocation Chart Weighting Text]*

*[Stress Crash Header]*

*[Stress Crash Text]*

*[Stress Test Market Crash Chart]*

As can be seen, the more diversified approach provided valuable downside protection during market shocks; performing significantly better than equities.

**How does Performance Compare?**

Higher risk usually means higher return. How would a diversified mix of assets have performed during the three year bull market of 2003-06 and over a longer period such as the last ten years? *[Stress Rise Text]*

*[Stress Test Market Rise Chart]*

As you can see, a more diversified investment strategy will not perform quite as well when equity markets rise very strongly – this is the price you pay for very strong protection in falling markets.

However, and perhaps most interestingly, over a ten year period, Global equities and UK Government Bonds would have delivered 5.5% and 52.25% as a total return. Our *[Strategy]* Strategy would have delivered a total return of around *[Strategy Return]*. This clearly demonstrates the long term benefits of lower levels of volatility – a more steady return profile provides better compounded returns.

**This analysis is somewhat hypothetical as these ‘shock’ events will certainly not be replicated in their original form again. However, it does serve to illustrate the potential impact of higher levels of risk in a portfolio and the potential benefits of diversification. The past performance shown above does not represent any maximum or minimum gains or losses and future ‘shocks’ could, potentially, see even bigger losses.**

**Note: Value of investments call fall as well as rise and past performance is no guide to future performance.**

The following chart compares the ten year performance of the recommended approach vs *[Comparison Chart Header]*

*[Ten Year Return Chart]*

**Rolling Return Charts**

Ten year return charts are very good at showing how a portfolio would have performed had your money been invested at the beginning of the ten year period. However, what would the performance be if your funds were invested on alternative dates? One way of looking at this is to use rolling return charts. The following three charts show rolling returns over one three and five years. These charts are slightly complex but basically, choose a date on the horizontal axis and the ‘value’ of the various lines at that date shows the compound performance for the appropriate time period. The VALUE of the various indices at that date shows the average compound annual return of the indices for the last three years. So, in this example, the *[Strategy]* model would have delivered *[Strategy Rolling Return]* per annum for the last three years, cash would have delivered 3% per annum, the FTSE APCIMS Growth Index would have delivered 1.72% per annum and the FTSE World Index would have delivered 3.85% per annum. As you can see, the longer you hold the model the less variable the return becomes. Over five years, the model shows returns consistently above those of cash as well as the comparison indices.

*[Rolling Return 1yr Chart]*

*[Rolling Return 3yr Chart]*

*[Rolling Return 5yr Chart]*

Another way of exploring risk is to look at ‘drawdowns’ or falls in value. The following chart shows ALL falls in value *[Drawdown Chart Text]* The chart allows you to see both the magnitude of falls in value and, perhaps more importantly, the time taken to recover.

*[Drawdown Chart]*

As you can see, the *[Strategy]* Strategy would have delivered significantly lower falls in value when the bear market struck in 2000-03 with recovery to the previous highest value significantly more quickly.

**In light of these issues, I recommend the Investment Management Service to both of you. The recommended investment strategy is** *[Strategy Name]***.**

The key reasons for this recommendation are:

* This investment approach is appropriate for your needs and attitude to risk.
* Active management of your portfolios
* An absolute return approach to the management of your funds

The *[Strategy Name]* Strategy is appropriate for your needs and in line with your key objectives:

* 1. xxxx
  2. xxxx
  3. xxxx
  4. xxxx

Implementing this strategy for your portfolios will require the purchase of new holdings. Each purchase will incur fixed dealing charges of £20 for a daily traded fund or an investment trust and £100 for other funds. As we buy funds on institutional terms, we have minimised the impact of initial charges. Therefore, the impact of charges on your portfolio due to the implementation will be £*[Strategy Cost]*. These dealing charges are in addition to the fees we have separately agreed for the provision of our services (see Section 8).

Additionally, purchase of the replacement investments will not take place until the sale proceeds are available for investment. **It is very important that you understand that you will be not be invested for a period of time during which you will not participate in any market movement.**

**Individual Fund Sales:**

To bring your portfolios into line with our recommended asset allocation and manager selections a number of changes need to be made. Some of these recommended sales are because the fund provides exposure, or a level of exposure, to an asset class which we believe should be eliminated or reduced. Other changes will be because we are unhappy with the risk / performance profile of the fund manager or the investment strategy followed by the manager is inappropriate. Your holdings in the following funds will be sold:

1. xxx
2. xx
3. xx
4. xx
5. xx
6. xx
7. etc etc

When selecting managers we consider the following issues:

* Historic risk / return profile
* Consistency of performance
* Fund manager tenure
* Performance in different market conditions
* Company structure and financial soundness of the investment group
* Investment strategy and the manager’s adherence to this strategy
* Charges and terms
* Information availability from the manager
* Our access to the manager for meetings and performance reviews

These managers have then been ‘blended together’ to provide the most appropriate mixture of styles and asset exposure for your needs.

This mix of assets and managers will be monitored on a monthly basis and, as changes become appropriate, we will pro-actively contact you with our recommendations.

**Whilst some of these funds and managers will have individual risk ratings that are higher or lower than your own attitude to risk the combined effect of these investments in a portfolio is in line with your attitude to risk**.

*[Strategy Income Note 1]*

*[Strategy Income* *Note 2]*

The following table details our current investment recommendations. The portfolio is focused on total return and is not designed to deliver substantial levels of income.

**Custody of Your Investments**

All of your investments will be held in nominee format by a stockbroker.  Holding investments in nominee format is now the, 'normal' way of holding investments.  There are a number of advantages of using this type of service:

* As your assets will be held in nominee form, no share certificates will be issued.  This is much safer than holding paper certificates (and better for the environment!)
* Sales and purchases can take place much more speedily by the use of electronic trading links
* All of your investment assets can be held in one place which makes the day to day management of your portfolio much more efficient

We have conducted a detailed review of the firms that provide this service and have selected James Brearley and Sons Ltd as the custodian of your portfolio. James Brearley & Sons Ltd are based in the north west of England and specialise in providing this sort of service to wealth managers such as ourselves. We have made this recommendation for a number of reasons:

* James Brearley & Sons Ltd is a long established well managed business with significant experience of operating this type of service
* They are well capitalised and we monitor their financial soundness each year
* They have agreed with us detailed service levels for the operation of our clients’ accounts
* They maintain appropriate levels of Professional Indemnity insurance
* Due to the very significant level of investments they trade each day we gain the advantage of their buying power which significantly reduces the cost of purchasing your investments
* Their ongoing charges are very competitive

6. OUR CLIENT APPROACH

A successful relationship depends upon a number of things:

* A clear understanding of your goals and aspirations – what are you striving to achieve, when and why – how important are these objectives and what are the priorities?
* Regular communication between Consultant and client
* Risk – how much risk do you want to take? How certain do you want to be that your goals will be achieved?

We will provide yearly reviews where we will:

* Review your goals and objectives
* Agree any changes to your strategy
* Agree short term cash flow needs
* Discuss the performance of your portfolio and agree necessary changes to our approach or the managers used

We will send *[Client Reporting Frequency]* statements which will include information on asset allocation, transactions and a full income statement.

We provide secure internet access to your portfolio allowing you to view real time valuations.

Ad-hoc valuations are available at any time subject to a nominal fee of £35 +VAT

After the end of the tax year we send a comprehensive tax pack to you or your tax advisors (if you are not using RSM Tenon for tax compliance) detailing all income received and capital gains realised during the tax year.

7. KEY PEOPLE

We have over 300 team members looking after our clients with 140 of these being experienced investment and planning professionals. Below, I list key members of our investment committee

**Adrian Gough – Investment Director**

Adrian has been involved at the sharp end of investment markets for over twenty years. He is a Chartered Member of the Chartered Institute for Securities and Investments and holds the Chartered Insurance Institutes Advanced Financial Planning Certificate, including qualifications in Investment Management and Tax and Trust Law.

**Mike Nevill – Director**

Mike has over 35 years of experience in financial markets, and has spent over 20 years advising high net worth clients, trustees and charities on investments. Mike has previously held directorships at Fidelity Investments and Prudential. Mike is also an Associate of both the Chartered Insurance Institute and the Personal Finance Society.

**Robert Bunting – Executive Consultant**

Robert has fifteen years investment and financial planning experience. He holds a diploma in business studies from Loughborough College. In his previous role, Robert worked for a major UK pension consultancy where he provided investment advice to pension schemes. Robert now focuses on investment advice for entrepreneurs and family business owners.

**Graham Harrison – Managing Director, Asset Risk Consultants Ltd**

Graham is a graduate of the London School of Economics and a fellow of the Securities Institute. Prior to founding ARC he worked at a senior level for a number of international banks both in Europe and farther afield. He is a regular commentator on investment performance for various trade magazines and a frequent TV commentator on investment issues. Graham sits on our investment committee as a non executive member.

8. FEE STRUCTURE

Since the inception of Investment Strategies, we have worked on a fee as opposed to commission basis, believing this aligns our interests and yours and removes any hint of bias. We believe that total costs should be minimised where possible and that fees should be totally transparent.

**Annual Management Charge**

We charge an explicit fee, payable quarterly in arrears and based on the portfolio value at the quarter end.

Portfolio Value Fee

£0 - £5,000,000 1%

£5,000,001 - £10,000,000 0.75%

£10,000,001 and above 0.5%

These fees are tiered so, for example, a £7,000,000 portfolio would be charged 0.93% (£5m at 1% and £2m at 0.75%). VAT will be added to these fees as appropriate.

**Fund Fees**

The investment funds that we purchase on your behalf all have management charges. Some of these funds also have performance related fees. All fees are detailed in the attached fund fact sheets. We work hard to reduce costs and one of the ways we achieve this is to negotiate rebates on management fees from the fund managers. **ALL trail commission, rebates and retrocessions received from fund managers will be credited to your portfolio as a cash credit each quarter.** These commissions can be as much as 0.75% of the fund value and by crediting them back to the portfolio we significantly reduce the total cost of managing the portfolio. **We estimate that the aggregate charge levied by the funds in your portfolio, net of these rebates, will be 1.25% per annum.** This figure excludes performance fees because all performance fees are bespoke to the fund. We do not know what the performance of the fund will be and, therefore, cannot illustrate the impact of these fees. They are, in essence, a payment to the fund manager for achieving certain levels of out-performance and are fully described in the attached fund fact sheets.

**Dealing and Custody Charges**

All assets will be custodied on a stockbroker platform which provides custody, dealing and execution functionality.  The cost of this service is:

* £50 custody charge per account, payable half yearly in advance.  This fee does NOT apply to PEP & ISA accounts
* For PEP & ISA accounts the custody fee is 0.5% of the portfolio value, subject to a minimum of £25 and a maximum of £125 per account per year.
* £20 per trade (buy) for UK listed equities and daily traded collective investment schemes (unit trusts etc)
* £100 per trade (buy) for non daily traded collective investment schemes
* £20 per trade (sell) for all UK listed equities, daily and non daily  traded collective investment schemes

Dealing fees are payable at the time of the trade and are not normally subject to VAT.

When purchasing collective investment schemes we are able to deal on institutional terms thus **significantly** reducing the cost of purchase.

**Initial Advice Fee**

Our fee for the work involved in researching your current circumstances, analysing your existing asset allocation position, generation of this report and setting up the new investment portfolio will be *[Initial Fee]*% of the portfolio value.

9. SUMMARY AND CONCLUSION

We hope you have found this report interesting. Our aim has been to demonstrate a clear investment process based on sound principles, robust risk controls, proven process and depth of experience.

We would welcome the opportunity to explain how we could help you meet your objective in more detail.

**Yours sincerely**

**Consultant name:**

**Consultant title:**

Note – Please complete Sign Off section

10. RISK WARNINGS

Although levels of risk are closely monitored, any investment carries risks. Amongst those you should consider are:

* **A large proportion of investments are made into offshore or unlisted funds which are not regulated by the Financial Services Authority. Investors in these funds are not covered by the Financial Services Compensation Scheme nor do they have the right of recourse to the Financial Ombudsman Service.**
* **Some asset classes, particularly private equity, hedge funds and alternative bond funds, have limited liquidity which tends to tie up capital for extended periods of time. A number of these funds allow only quarterly redemptions and sometimes have extended notice periods. These funds may not be appropriate if you might require sudden access to a significant proportion of your portfolio.**
* Part of your portfolio would provide exposure to funds which invest in property and land, which can be difficult to sell; so you may not be able to sell/cash in this investment when you want to. The investment provider may have to delay acting on your instructions to sell your investment. This delay could be very significant; **historically, we have seen redemption delays of over twelve months.**  These funds may not be appropriate if you might require sudden access to a significant proportion of your portfolio. The value of property and land is generally a matter of a valuer’s opinion rather than fact.
* **While your capital is being transferred it will be out of the market. This means that if the markets rise while your transfer remains pending you will not benefit from any growth in capital or income.**
* Part of your portfolio would provide exposure to funds which invest in higher yielding bonds. Companies issuing higher yielding bonds are more likely to default on the loan.
* Many funds have a, ‘redemption gate’ of around 10% of the fund value. Where total redemptions in a given time frame exceed the, ‘gate’ managers have the ability to pro-rata redemptions for that time period. This would have the effect of delaying redemption of part of your holding in such a fund. We sometimes invest in smaller boutique funds where the aggregate investment from our clients forms a relatively large part of the fund. Holdings in such funds are more likely to trigger the redemption gate than holdings in very large funds. The redemption terms of all the funds we propose to purchase on your behalf are detailed in the fund fact sheets which are attached to this report.
* A diversified investment strategy (where your portfolio is invested in a wide range of asset classes) can be expected to underperform against strongly rising equity markets.
* Past performance is not an indication of likely future performance.
* Investments can go down as well as up and you may not get back the amount you originally invested. Projected investment returns are merely an estimate, not a forecast and certainly not a guarantee.
* There is no guarantee that by transferring your funds to an alternative investment arrangement you will benefit from better returns than could have been achieved with your existing investment managers.
* Taxation legislation may change and therefore impact on any income and investment returns you receive.
* Investment Strategies have been running since 1 December 2006. All of the back-testing and stress testing referred to in this report has been compiled using the performance of the indices which represent the asset allocation of the strategy.
* The investments we are suggesting are for your anticipated investment term. It is impossible to predict the way in which the economy and the financial markets may develop during that period. If inflation, interest rates or investment performance were to change significantly this could affect your needs, the possible returns and our recommendations.

11. APPENDICES

* *[Strategy]* Strategy Fact Sheet
* Risk Profile Report
* *[Strategy]* Strategy Performance Sheet
* Investment Information Pack containing our asset class guides and fund fact sheets