

Key facts – Our Investment Management Process

Our model portfolios have been designed to cater for a variety of attitudes to risk. Each is created from a different fund and asset mix, which means we are able to offer a portfolio to suit you, whether your investment style is cautious, adventurous or somewhere in between.

How are our model portfolios developed?

Thorough research and continuous review of investment houses, fund managers and funds provides the basis for our selection process. We also monitor the wider market and take into account the impact of economic changes on fund choice.

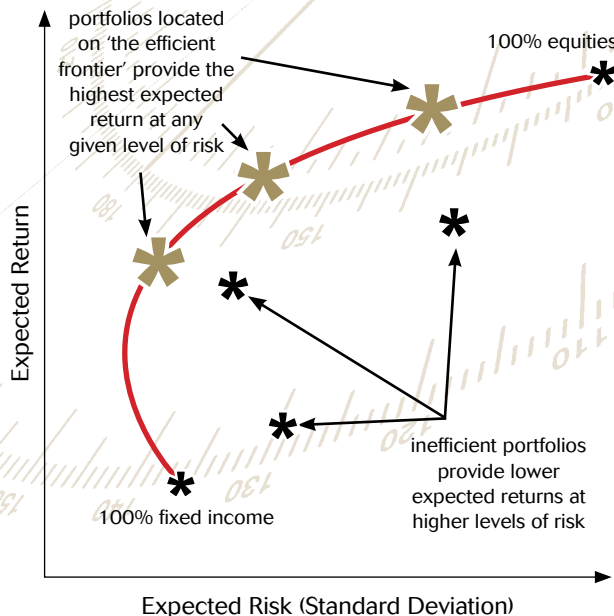
We take a strategic view

Our Asset Allocation Committee meets regularly and develops a view on a 12 – 36 month outlook. This view allows portfolios to be diversified appropriately and deliver returns in line with long-term expectations.

We start the design of each portfolio from a common point. The following is the baseline asset mix assumption for all our portfolios but the risk level and objective of each portfolio will determine how far we deviate from this.

Equity	60% UK Equity, 40% Global Equity
Fixed Income	100% UK Corporate Bond
Gilts	100% UK Gilts
Property	100% Commercial Property
Thematic	Global Macro Themes
Cash	100% money market instruments

And we aim for each portfolio to provide the highest expected return on any given level of risk. This is known as the 'efficient frontier'.



How are the individual funds chosen?

The selection process for the funds that make up our model portfolios is SMART. This stands for Screening, Managers, Alpha, Repeatability and Terms. These are the key pieces of information that inform our decision process.

Screening – a high-level quantitative screen is applied to the mutual fund universe to identify a shortlist of funds.

- All Investment Management Association sectors are screened
- Minimum total fund size £15 million
- Must be able to demonstrate a consistent performance track record
- Risk/reward trade off must be assessed
- Annual Management charges and total expense ratios
- A due diligence fund questionnaire must be completed

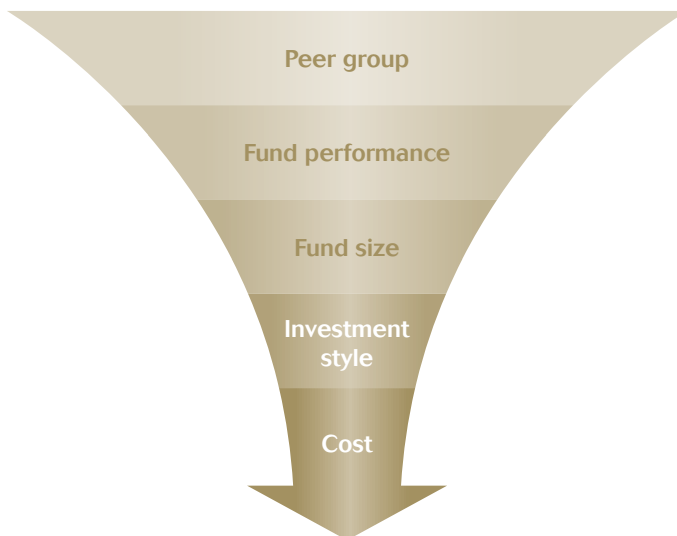
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Multiple factors are also taken into account including:

- *Style – Growth, Blend, Value*
- *Cap Bias – Large Cap, Mid Cap, Small Cap*
- *Risk – Cautious, Moderate, Adventurous*

Funds are submitted to a Fund Selection Group which reviews and challenges the investment case and ensures that parameters are adhered to. This means that core funds e.g. equity/bond/property funds make up no more than 25% of any individual portfolio and that non-core funds e.g. emerging markets/thematic/cash, make up no more than 10%. There is no percentage limit to a holding in index tracking fund.

Our screening takes multiple factors into account



Manager – reviews are conducted of fund managers to establish their investment approach, their tenure, personal commitment and even their remuneration structure.

Alpha – we use a risk adjusted measure of the active return on an investment (the return in excess of the risk). This uncovers whether there is true value to you of investing in the fund. This measure is known as alpha.

Repeatable – we aim to verify whether the fund process is repeatable and that the manager applies it in a robust fashion. We want to know whether it can deliver outperformance in a variety of market conditions or if it simply works in secular conditions.

Terms – Our final consideration is terms. Price is part of our fund selection process and due to our scale, we are able to negotiate management fee discounts, all of which are credited back for the benefit of our investors.

Monitor and review

All funds are monitored and reviewed regularly. Quantitative checks are run on our models monthly and successes and failures are assessed to identify performance attributes.

This process delivers a selection of risk adjusted model portfolios, monitored regularly which can help meet your individual needs as part of your holistic financial planning.

We offer advisory services where you will be proactively contacted. Change can be managed between reviews and without input from your Wealth Management Consultant.

Alexander Forbes Wealth Management

Leon House, 233 High Street, Croydon, Surrey CR9 9AF

Telephone: 020 8686 0660 Fax: 020 8681 4093 www.alexanderforbes.co.uk

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