Atkins Bland

Investments • Pensions • Financial Planning

Guide to:

Our Fund Selection & Portfolio Construction Process

Our core investment services

An overview of what we provide our clients and how we do it

Atkins Bland offers whole-of-market independent advice and we select funds ourselves. We do not delegate this work to a discretionary fund manager since this adds to clients' costs and, in our view, inevitably has elements of a 'one size fits all' approach.

We offer personal investment advice structured to reflect whatever priorities and objectives are most suited to each individual client, but the core range is either a portfolio selected without cost constraints or a portfolio where there is an emphasis on lower cost funds, including passives or 'trackers'.

The unconstrained portfolios do still include fund management costs as part of the fund selection process, but a fund will not be excluded simply because it has higher costs than others available.

The low cost portfolios typically hold a combination of passive (tracker) funds and actively managed funds, but these are all selected with an emphasis on keeping costs as low as we feel is practical.

We operate with client specific advice but use templates for internal guidance on suitable asset allocations for different core objectives, risk classifications and priorities. Individual portfolios are operated on a bespoke basis, but with careful reference to the templates in terms of overall strategy and risk control.

Our in-house review software compares the asset allocation of a client's portfolio with the template for their relevant set of objectives and risk exposure, so we are aware of any deviations against our template. We then monitor these with ongoing judgements on whether any action should be taken, after considering the individual client's specific priorities and needs.

The templates are constructed for three different objectives, with five different risk classifications for each. The objectives we use are:

- Income
- Income & Growth, and
- Growth

The risk classifications we use are:

- Low
- Below average
- Below average to average
- Average
- Average to above average
- Above average, and high

We aim to provide clear information on the way we construct an overall portfolio in any given risk category using a carefully selected collection of individual investments in varying risk categories. This approach helps ensure a wide level of diversification and can be a very useful ingredient in overall risk management, even though it involves using individual investments which may be more, or less, volatile than the overall target.

We feel precision of classification helps in this so, instead of using word descriptions, we use a numerical scale for fund specific risk categorisation. This is structured so "1" is very low risk and "9" is very high risk, which makes "5" average risk.

These risk classifications are fund specific and look at the fund in isolation. They cannot be translated to reflect their risk characteristics within a full portfolio. This is because, when correlation and other factors are taken into account, an investment's contribution to the risks of a portfolio may be quite different to its individual risk classification.

However, by using a scale with 9 points, we are able to be more specific in terms of our prevailing risk classification of an individual investment than is viable using descriptive words instead.

Our processes

A summary of the processes we apply to achieve your set outcome

There are 3 core stages to our investment process:

1. Assessing the global economic and market outlook;
2. 2. Deciding suitable asset allocation strategies for different risk levels and objectives and with reference to our research in stage 1, above;
3. 3. Choosing investments to create our selected asset allocation structures.

Here's a look at each stage in turn:

1. Assessing the global economic and market outlook

We use a variety of sources to keep us informed on what is going on and to help us formulate views on where things are headed.

These include:

- Economic and market commentaries and views published by newspapers and magazines and online. Notable amongst the sources we use regularly are:
  - ◊ Financial Times
  - ◊ Money week
  - ◊ Citywire's Wealth Management
  - ◊ BBC
- Market and economic updates on outlook and fund strategies directly from fund management companies in the form of conferences, webinars, teleconferences, fund manager meetings and presentations, newsletters and fund updates
- Internal assessment through discussions within our in-house investment committee both ad-hoc and at regular monthly meetings

2. Deciding suitable asset allocation strategies for different risk levels and objectives

We assess the third-party information from the sources listed above, and many others, alongside our in-house views on economic and market outlook on an ongoing basis and at our monthly investment committee meetings to reach a conclusion on:

- Where we feel things are headed in the short, medium and longer term
- Which asset classes and regions seem best and worst positioned
- The degree of risk prevailing at any point in time for the different asset classes and geographic regions

The outcome of this analysis is summarised in our quarterly market overview which is sent to investment clients by email or with their scheduled portfolio reports and reviews.

We then use our conclusions to construct asset allocation templates for the different profiles referred to earlier.

Socially Responsible Investing (SRI)
This asset strategy involves considering environmental, social and governance factors alongside financial considerations when assessing investment opportunities. This type of investing is also referred to as SRI or sustainable finance. For a more detailed read around SRI, please refer to our ***Guide to Socially Responsible Investment*** which is available on request.

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3. Fund selections to create our selected asset allocation structures

We use Financial Express Analytics (FE) as our core data research tool, applying a range of measures to assess the universe of fund options. We have designed our own analysis structure to generate a score for each, which we use as a starting point, to determine how each compares within its peer group. This process incorporates both open ended and closed ended funds and includes offshore domiciled options and exchange traded funds, so is very comprehensive in terms of the universe reviewed.

While the process is very helpful in terms of steering us in the right direction, no data-based structure of this type should be relied upon entirely, since it has a fundamental flaw insofar as it is necessarily backward rather than forward looking. To clarify this, all the data we can capture to analyse is necessarily about what a fund has done in the past, and none is, or can be, about what it will actually do in the future.

To address this, we spend significant resources speaking to fund managers, reading their reports and briefings on strategy and attending presentations. While this also covers some past data, the focus is invariably on current strategies and outlook, so directed at future performance potential. This enables us to assess how a fund is positioned and whether we feel past performance is likely to be repeated or reversed.

This process can lead us to select a fund which has done badly recently but seems well positioned for recovery, as opposed to one which has done really well but which no longer looks well positioned for prevailing conditions.

Our final fund selections may not, therefore, be fully supported by the statistical data we assess through our analysis systems but, when this occurs, a note will be made in our research records, to explain the reason.

As well as performance attributes, our data analyses a range of other information such as total expense ratios (TERs), dividend pay-out rates, third party awards based on process analysis, and discounts or premiums on closed ended funds.

The third party ratings we factor in are from Morningstar/OBSR, Rayner Spencer Mills, Financial Expresses Crown rating and Alpha Manager.

The process we use is to download data from FE into a spreadsheet and then apply a scoring system to rank each fund within its sector.

The scoring system takes into account the performance records using a range of parameters, third party ratings and TERs.

We use this same process for all main investment vehicles (Collectives, Investment Trusts, Exchange Traded Funds (ETF's) Exchange Commodity Funds (ECF's) and Offshore FCA regulated funds (SICAV's).

The full universe of funds is then marked as a buy, hold, or sell, although it is emphasised that this is for guidance only.

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We then assess from the top scoring funds which we consider the best selections overall, often filtering based on additional details we have obtained from the managers on current investment strategy.

As mentioned earlier, this final stage may also bring a lower scoring fund to be included in our recommendations. The reasons for this can vary but, as examples, could be:

- A wide discount on an investment trust which we feel cannot be justified
- A recently launched fund which has not succeeded in our filtering due to a lack of any track record
- A turnaround story where we feel recent poor performance from a fund's strategy will reverse
- Something as simple as the fund's suitability to a specific objective - such as its income yield

Important notes

Any opinions expressed on the merits or disadvantages of any options are intended as a general comment only and not as specific advice to the reader.

This document is intended as a supplement to full independent advice and not as a replacement for it and should be read in conjunction with any personalised recommendations provided by Atkins Bland Ltd and with any product brochures supplied.

The value of investments will fall as well as rise, as can any income produced or generated. An investor may, therefore, get back less than invested.

Inflation can reduce the real value of capital and the income it generates.

Past investment performance is not a reliable guide to the future.

Errors and omission excepted.

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