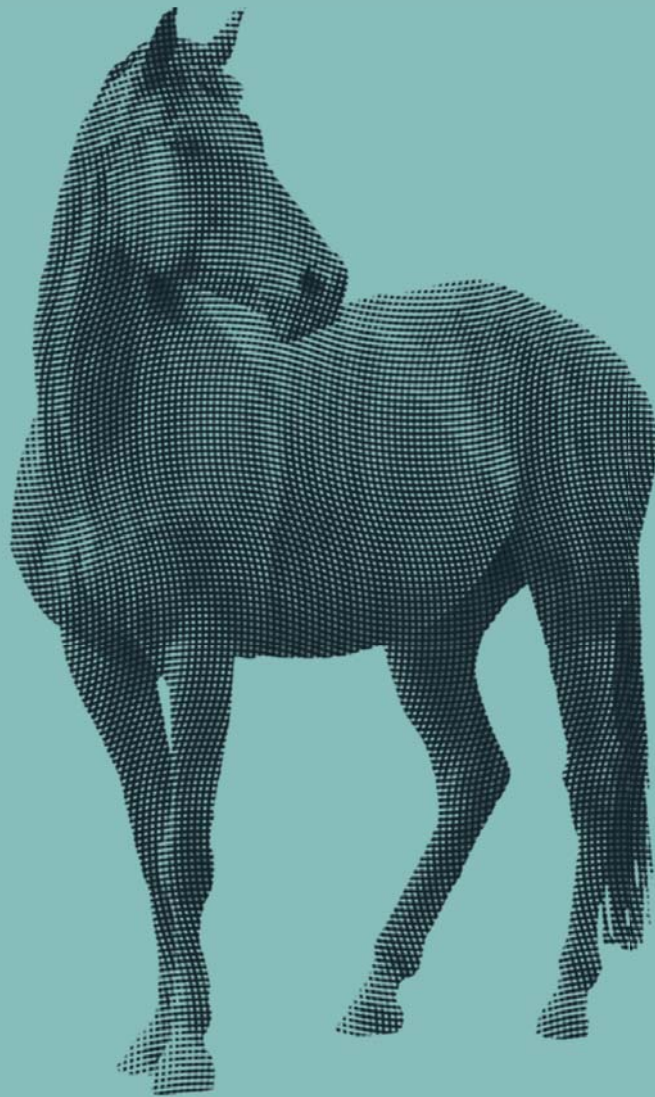


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A GUIDE TO  
INVESTMENT  
MANAGEMENT  
FINANCIAL ADVICE &  
WEALTH MANAGEMENT

2017



ESTATE  CAPITAL

*Learn why our  
portfolios consistently  
outperform industry  
benchmarks.*

- *Chartered Financial Advisers*
- *29 years professional experience*
- *Trusted, established and well resourced*

# *Co-ordinate your investments, grow capital and increase your income.*

The growth of personal assets through wise investment is the basis of financial security whether it be a investment portfolio, pension or trust fund.

It is through the correct assessment and understanding of your financial needs that allow us to construct an investment portfolio that is ideally suited to you. This assessment includes your current financial position, your capital and income requirements throughout life as well as your attitude to the balance of risk and reward.

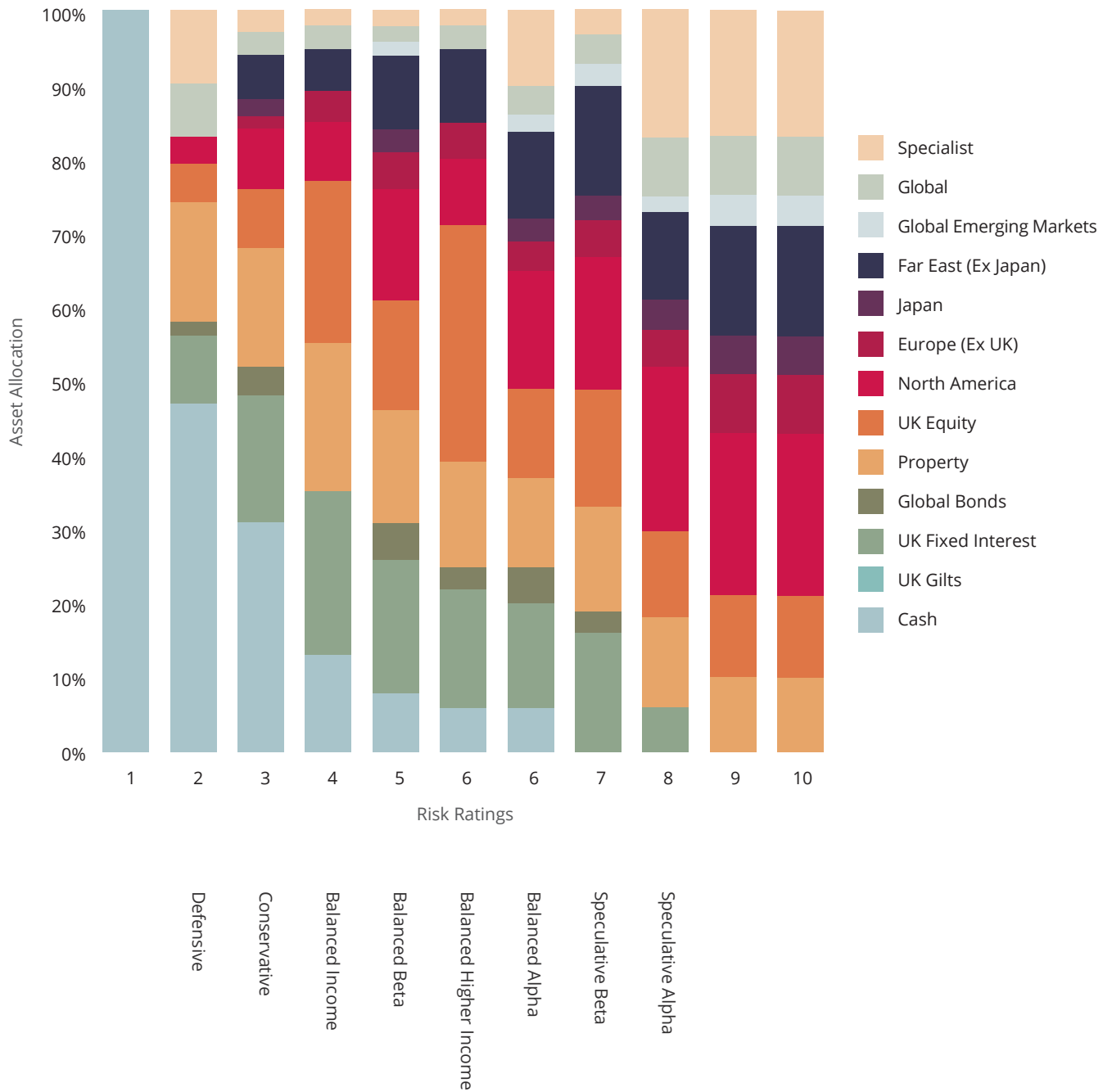
The objective is to provide attractive long term returns that support agreed investment and retirement objectives. Over time these needs and priorities will inevitably change and so the solutions need to adapt accordingly.

It is important that investors benefit not only from good returns but also be comfortable with the means by which they have been achieved. To this end we apply a rigorous due diligence and selection process.

Please remember that the value of an investment and the income received can go down as well as up. Past performance is not a guide to future returns.

# INVESTMENT MANAGEMENT

## Risk Related Asset Allocation



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## INVESTMENT MANAGEMENT

### Investment Diversity

There is a wide range of asset classes across global markets available to investors. Modern portfolios bring together a diversity of assets such as equities, fixed interest securities, commercial property, natural resources, precious metals, and cash.

The balance of investments across differing asset classes is the primary driver of portfolio returns and diversified security.

An important decision when considering a suitable investment portfolio is the level of risk you are prepared to accept. Risk is the unavoidable feature of all investment, even cash, as it loses purchasing power against inflation. As investment takes place amid uncertainty, investors need to take account of risk in their search for growth.

Investors should consider the risk of a blended portfolio as a whole rather than the individual holdings in isolation, due to the fact that the price of an asset does not move up or down in line with another. Therefore in order to reduce overall risk, a portfolio should seek to diversify its holdings across various types of investment, alternative areas of business and throughout the world economy.

Once the acceptable and appropriate level of market risk has been decided, the optimal mix of assets for any given risk profile can be identified. This is risk related asset allocation.

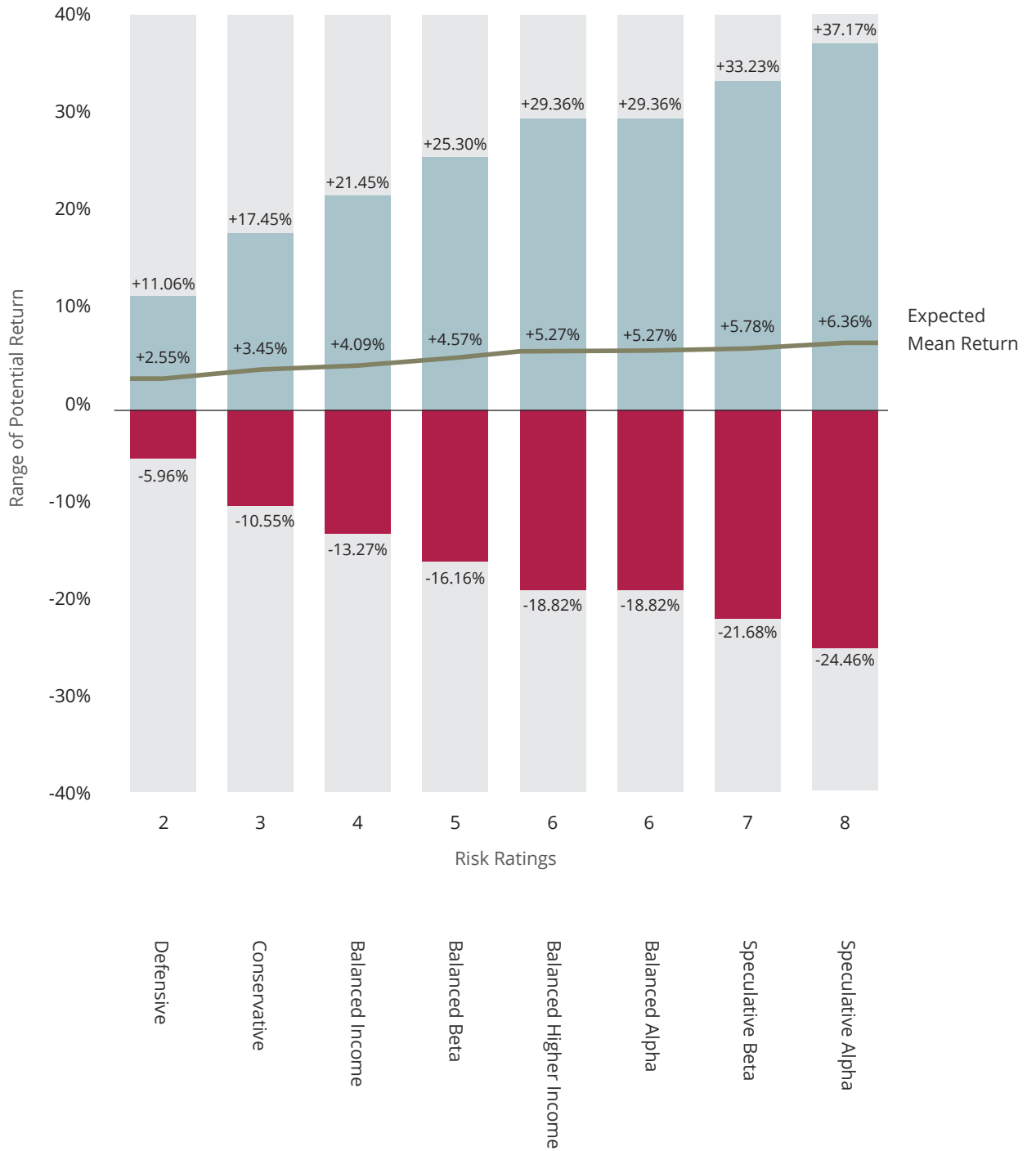
### Asset Allocation

It is commonly agreed from established academic research that asset allocation provides for more than 90% of total returns for a managed investment portfolio. Asset allocation is the unquestionable driver of portfolio performance, more important than market timing or fund selection.

*Make better informed investment decisions that are right for you.*

# INVESTMENT MANAGEMENT

## Range Of Return



# *Maximise your returns with a level of risk you're entirely comfortable with.*

## Risk Related Asset Allocation

Against a constantly changing world, often the most efficient long term investment outcome is achieved using a blend of investments. A portfolio of diversified assets can shield against the effects of volatility and inflation.

For these reasons we have built our own risk related asset allocation graph to create efficient portfolios. For any given level of risk a portfolio that delivers the maximum possible return is considered 'efficient'.

Our asset allocation is built using a mathematically modelled asset allocation tool powered by research from actuaries Towers Watson and investment data from Financial Express. This modelling system offers us great accuracy to build and test the most efficient blend of assets for each risk tolerance.

## Risk Related Returns

Our asset allocation modelling system provides an indication, based upon the blend of assets for each risk tolerance of the anticipated future gross returns and a realistic range of expected returns for each portfolio. We use the historical rate of return and volatility for each asset class within a portfolio to predict the anticipated average annual return and range of volatility the portfolio may experience.

*Make better informed investment decisions that are right for you.*

# *Understand some of the rationale behind our investment selections.*

## Fund Management Rating Agencies

Although asset allocation is the main driver of return, we also wish to ensure our fund selection process is rigorous and successful. There are several companies that perform detailed due diligence appraisals of investment fund and their managers. These organisations have significant resources and high levels of access to investment groups and fund managers.

The quality of fund management will have significant influence upon likely future returns. We filter the entire listing of UK retail investment funds by preferring funds that are rated Gold, Silver or Bronze by Morningstar Analysts and are Rated by Rayner Spencer Mills Research.

## Morningstar Analyst Ratings <sup>TM</sup>

The Morningstar Analyst Ratings for investment funds is the summary expression of a forward looking analysis of the fund. Morningstar Analyst Ratings are assigned to funds on a five tier scale running from Gold to Negative. The top three ratings, Gold, Silver and Bronze all indicate that the analysts think highly of the fund. The differences between them correspond to the level of analyst conviction in the funds ability to outperform its benchmark and peers within the context of the level of risk taken. The five pillars of success that funds are judged against are:-

- The quality of the investment team.
- Investment processes and performance objective.
- Parent organisation.
- Performance.
- Price.

Morningstar Analyst Ratings include passive funds in their ratings.



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## INVESTMENT MANAGEMENT

**Gold Rating** – These funds are the highest conviction recommendations and stand out as best of breed for their investment mandate. To earn a Gold rating, a fund must distinguish itself across all the five pillars of success that are the basis of the analysis.

**Silver Rating** – Funds that fall into this category are high conviction recommendations. They have notable advantages across several but perhaps not all of the five pillars.

**Bronze Rating** – These funds have advantages that clearly outweigh any disadvantages across the pillars, providing a conviction to award a positive rating.

Source: Morningstar website and publication

### Rayner Spencer Mills Research

Rayner Spencer Mills operate both a quantitative and qualitative measure in order to rate an investment fund. After initial screening for acceptable risk and performance characteristics, funds are judged upon:–

- Acceptable risk and reward parameters.
- Robust fund management processes.
- A strong management team.
- Total expense cost ratios.
- Fund size.
- Fund manager’s background.
- Fund philosophy.
- Fund manager’s process and resources.
- Overall risk control.

Rayner Spencer Mills include property funds in their ratings. Successful funds are awarded a **Rated** status. This rating is reviewed every three months.

Source: Rayner Spencer Mills website and publications.

*Our Portfolios consistently  
outperform industry  
benchmarks.*



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## INVESTMENT MANAGEMENT

### Investment Performance

Consistent performance figures do not lie and quality fund management will express itself in above average and top quartile returns. We therefore point score quartile performance over 1 year, 2 years and 3 years, with a weighting to recent performance. The quartile performance measure gives us an indication of how a fund has compared within its sector.

We also seek to identify funds that have a consistent track record of providing above average returns. Our selection process is therefore designed to identify investment funds that are consistently successful rather than those where long term performance is a result of one or two year's speculative returns. We therefore measure actual average growth rates over 1 year, 3 years, 5 years and 10 years to identify and reward long term consistent performance.

### Financial Express Crown Fund Ratings

The FE Crown Fund Rating™ enables investors to distinguish between funds that are consistently outperforming their respective benchmarks. The ratings take into account three key measures that influence overall performances:

- Stockpicking.
- Risk control.
- Consistent outperforming of relevant benchmarks.

The methodology does not simply identify the best performers but those who achieve their results in a solid and intrinsically valuable way.

5 Star Top 10% of funds in sector  
4 Star Top 76-90% of funds in sector  
3 Star Next 51-75% of funds in sector  
2 Star Bottom 26-50% of funds in sector  
1 Star Bottom 25% of funds in sector

Source: Money Management and Financial Express Crown Fund Ratings

### Active Investment Funds

Active investment managers will seek to outperform their sector average through their analysis and understanding of the market. Asset allocation, stock selection and market timing are key determinates.

Active management is implemented through either a growth or value strategy.

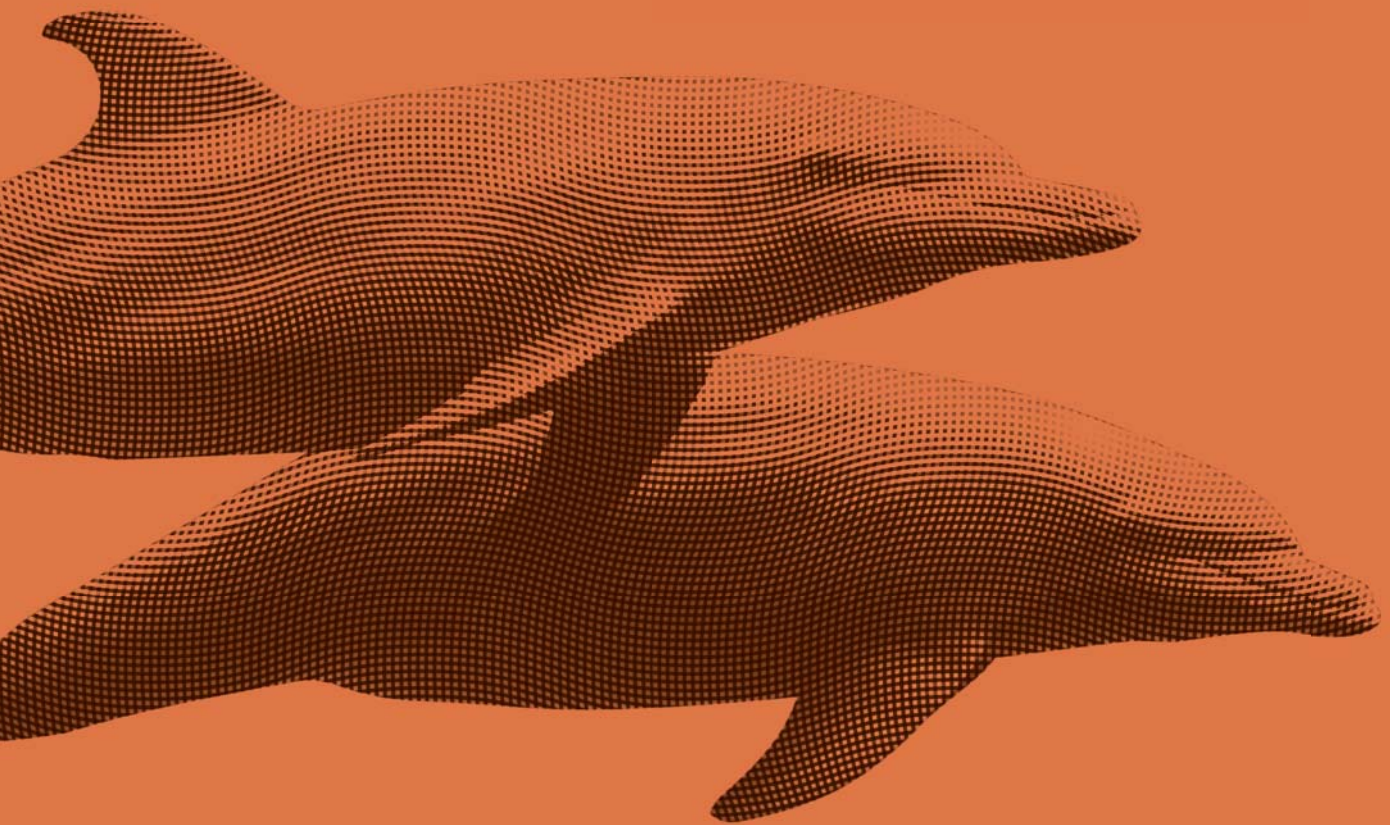
Growth funds seek outperformance through stock selection based upon growth potential and momentum.

Value funds seek outperformance through the selection of unpopular and undervalued stock that in time recover their true market value.

### Passive Tracker Funds

Passive funds replicate the stockholdings of an underlying index, such as the FTSE 100 or S&P 500. Since these funds track the composition and performance of the underlying index, there are low levels of management, analysis and trading activity and so the funds charges are much reduced.

*Understand some of the rationale behind our investment selections.*



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## INVESTMENT MEASURES

### Income Yield

The yield is the income returned to investors from the fund. The yield can be made up of dividends from shares, rent from property or bond interest payments. For income seeking investor's dividend and bond yields are important distributions.

### Volatility

We measure the three year volatility of a fund to help determine the relative risk. Volatility is the degree to which fund prices move. One that fluctuates wildly has high volatility while a fund that remains relatively stable has low volatility.

### Beta Ratio

Beta is a measure of sensitivity to market movement. The Beta Ratio compares the volatility of a fund to that of the market as a whole. The higher the Beta, the greater the risk taken as compared to the market.

### Alpha Ratio

Alpha measures the performance of a fund on a risk adjusted basis by gauging its performance against a market index. The excess return of the fund compared to the market index is the funds Alpha Ratio. Alpha is considered the added value that active investment management brings to the overall returns that are above and beyond that which the market in general provides.

### Information Ratio

The information Ratio measures a funds ability to generate excess return relative to a sector benchmark and the consistency of that performance. The higher the Information Ratio, the better and more consistent the fund is at beating its sector benchmark.

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## INVESTMENT SELECTION

### Fund Selection

An overall fund merit rating is provided by a total points score from a combination of fund management confidence factors from leading fund management ratings agencies, past quartile performances over three years, actual annual and average growth rates from the past one, three, five and ten years, FE Crown Ratings, Current yields, historic volatility as well as Beta, Alpha and Information Ratio's.

The combined scores provide us with an overall merit rating. Each fund that passes through our initial screening process receives a point score on our 'Short List'. Usually some 450 out of a possible 4000 funds make it to our 'Short List'. The highest scoring funds from each sector are then usually but not exclusively chosen for our 'Purchase List'. The 'Purchase List' is made up of some 130 funds from which some 55 then make it into our Portfolios.

### Performance Measures

In order to demonstrate the competency and success of our investment portfolios, we benchmark each portfolio against the most relevant sector average from the Investment Association (IA) Mixed Investment Sectors. The data collected gives a clear indication of success and relative performance against a recognised national performance measure. We publish our cumulative and discrete performances for the past five years every six months. We consistently outperform these national benchmarks.

### Portfolio Review

It is important that a risk related investment portfolio remains within the associated asset allocation range. With investments growing or falling at differing rates, it is possible for a allocation to fall out of balance. Likewise it is possible that a selected fund may not perform as well as expected or as it may have done in the past to achieve its selection. For these reasons we update our portfolio allocations and fund selections regularly.

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## INVESTMENT MANAGEMENT

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### DEFENSIVE PORTFOLIO

The Defensive Portfolio is a blended style strategy. It is aimed at medium to long term investors who are seeking a cautious investment that has a genuine prospect of capital growth above cash based investments.

The Defensive Portfolio performance is benchmarked against the average performance of the IA Mixed Investment 0%–35% sector and has a risk rating and investor profile of 2 out of 10.

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### BALANCED INCOME PORTFOLIO

The Balanced Income Portfolio is a value style income and growth strategy. It is aimed at medium to long term investors who are seeking a sustainable level of income within a balanced portfolio along with a genuine prospect of income & capital growth.

The Balanced Income Portfolio performance is benchmarked against the average performance of the IA Mixed Investment 20%–60% sector. The Balanced Income Portfolio has a risk rating and investor profile of 4 out of 10.

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### CONSERVATIVE PORTFOLIO

The Conservative Portfolio is a blended style strategy. It is aimed at medium to long term investors who are seeking a relatively cautious investment that has a genuine prospect of capital growth.

The Conservative Portfolio performance is benchmarked against the average performance of the IA Mixed Investment 0%–35% sector and has a risk rating and investor profile of 3 out of 10.

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### BALANCED BETA PORTFOLIO

The Balanced Beta Portfolio is a passive growth strategy. It is aimed at medium to long term investors who are seeking above average capital growth from a balanced portfolio of mainly equity investments.

The Balanced Beta Portfolio performance is benchmarked against the average performance of the IA Mixed Investment 20%–60% sector and has a risk rating and investor profile of 5 out of 10. The Balanced Beta Portfolio is the Estate Capital default portfolio for regular pension contributions.

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## INVESTMENT MANAGEMENT



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### BALANCED HIGHER INCOME PORTFOLIO

The Balanced Higher Income Portfolio is a value style income and growth strategy. It is aimed at medium to long term investors who are seeking a sustainable level of high income within a balanced portfolio along with a genuine prospect of income and capital growth.

The Balanced Higher Income Portfolio performance is benchmarked against the average performance of the IA Investment 40%–85% sector. The Balanced Higher Income Portfolio has a risk rating and investor profile of 6 out of 10.

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### SPECULATIVE BETA PORTFOLIO

The Speculative Beta Portfolio is a passive growth strategy. It is aimed at medium to long term investors who are seeking above average capital growth from a balanced portfolio of mainly equity investments.

The Speculative Beta Portfolio performance is benchmarked against the average performance of the IA Mixed Investment 40%–85% sector and has a risk rating and investor profile of 7 out of 10.

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### BALANCED ALPHA PORTFOLIO

The Balanced Alpha Portfolio is a growth style strategy. It is aimed at medium to long term investors who are seeking above average capital growth from a balanced portfolio of mainly equity investments.

The Balanced Alpha Portfolio performance is benchmarked against the average performance of the IA Mixed Investment 40%–85% sector and has a risk rating and investor profile of 6 out of 10.

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### SPECULATIVE ALPHA PORTFOLIO

The Speculative Alpha Portfolio is a growth style strategy. It is aimed at medium to long term investors who are seeking above average capital growth from a speculative portfolio of mainly global equity investments.

The Speculative Alpha Portfolio performance is benchmarked against the average performance of the IA Mixed Investment 40%–85% sector and has a risk rating and investor profile of 8 out of 10.

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## FREQUENTLY ASKED QUESTIONS

### What Risk is involved with Investment?

All investment carries risk. We can manage risk to acceptable levels of volatility through the blending of different types of assets that behave in different ways. Asset allocation can give investors' confidence about the likely future range of returns and anticipated average likely return for each risk category of portfolio. We publish these returns every six months.

### What returns can I expect?

Each portfolio has a published anticipated average rate of return. This figure is the gross annual anticipated return but is not guaranteed. We publish our past five years cumulative and discrete performance as measured against the most relevant national risk related benchmark every six months. We are pleased to report that our portfolios consistently outperform the recognised national benchmarks.

### What is the minimum term to hold an investment?

We recommend that investors stay invested in our portfolios for a minimum of five years. This is due to the nature of investment and the time needed to participate in an economic growth cycle.

The longer an investment portfolio is left to grow the more that compounding growth factors will improve overall returns.

This does not mean that investors cannot access their capital from the portfolios at any time without penalty.

### What is the minimum amount I can invest?

The minimum amount of money one can invest is £5,000 single payment or £100 pm regular contribution. There are no maximums.

### What am I committed to?

All our portfolios comprise of daily traded funds so your commitment to an investment is simply as long or as short as you wish. For monthly savings the same applies.

### What are the charges associated with investing?

Our ongoing advice, service and investment management charges are between 0.5% or 0.75% per annum depending upon the size of the portfolio we manage. On top of our fees are the custodial charges levelled by the investment platform. These range between 0.1% and 0.35% per annum. The selected funds will also charge for their investment expertise and management. These costs range from 0.07% to 0.85% depending upon the specific fund.



*We take responsibility for people's life savings. A responsibility we take very seriously.*

Financial Advice & Wealth Management



7 Uplands Crescent  
Swansea  
SA2 0PA

Phone: 01792 477763  
Email: [mail@estatecapital.co.uk](mailto:mail@estatecapital.co.uk)  
[www.estatecapital.co.uk](http://www.estatecapital.co.uk)

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