JM TAYLOR
INDEPENDENT FINANCIAL ADVISERS

Investment - Planning the Journey

What does investing mean?

Investing is simply the way in which we use our assets over a period of time to meet specific financial goals and objectives.

These aims can be very diverse, such as

- For growth to meet a specific capital goal.
- For income to help maintain a lifestyle in retirement.
- To preserve real value of assets against inflation.
- To simply ensure capital is protected.

The time horizon for these investments can be short term (0-5 years), medium term (5-10 years) and longer term (10+ years).

In addition, risk is a vital factor in how we invest assets. We will need to consider

- Attitude to investment risk
- Capacity for loss
- Need to take risk

This document is aimed at helping you understand all of these aspects of investing and allow you, along with your adviser, to make an informed decision regarding what investment is right for you.

Understanding your needs and requirements

Investing in what is best suited to you means we need to understand more about you and your circumstances.

Some of the areas we will consider to allow us to gain this understanding are as follows

- What am I investing for? Growth, income or both?
- What other investment products do I already have?
- What means do I have to enable me to invest?
- How long am I prepared to invest for?
- Do I need access to my money at anytime?
- What is my tax position, both now and when I want to take the benefits from my investment?
- What products can I invest in which will be most tax efficient?
- What degree of risk am I prepared to take?
- What expectations do I have for my investment?

Once your adviser has answered these questions, and potentially more, we will then look to provide tailored advice to suit your personal circumstances.

Understanding risk

It is important to understand the level of risk you are prepared to take with your investment to identify your ideal risk profile. To get your view on risk we will need to understand three key factors:

Your ATTITUDE to risk

To identify your attitude to risk, we will take you through our independent risk profiling tool. We will ask you to respond to a series of statements which will help us to understand your overall willingness to take risk.

Your CAPACITY for loss

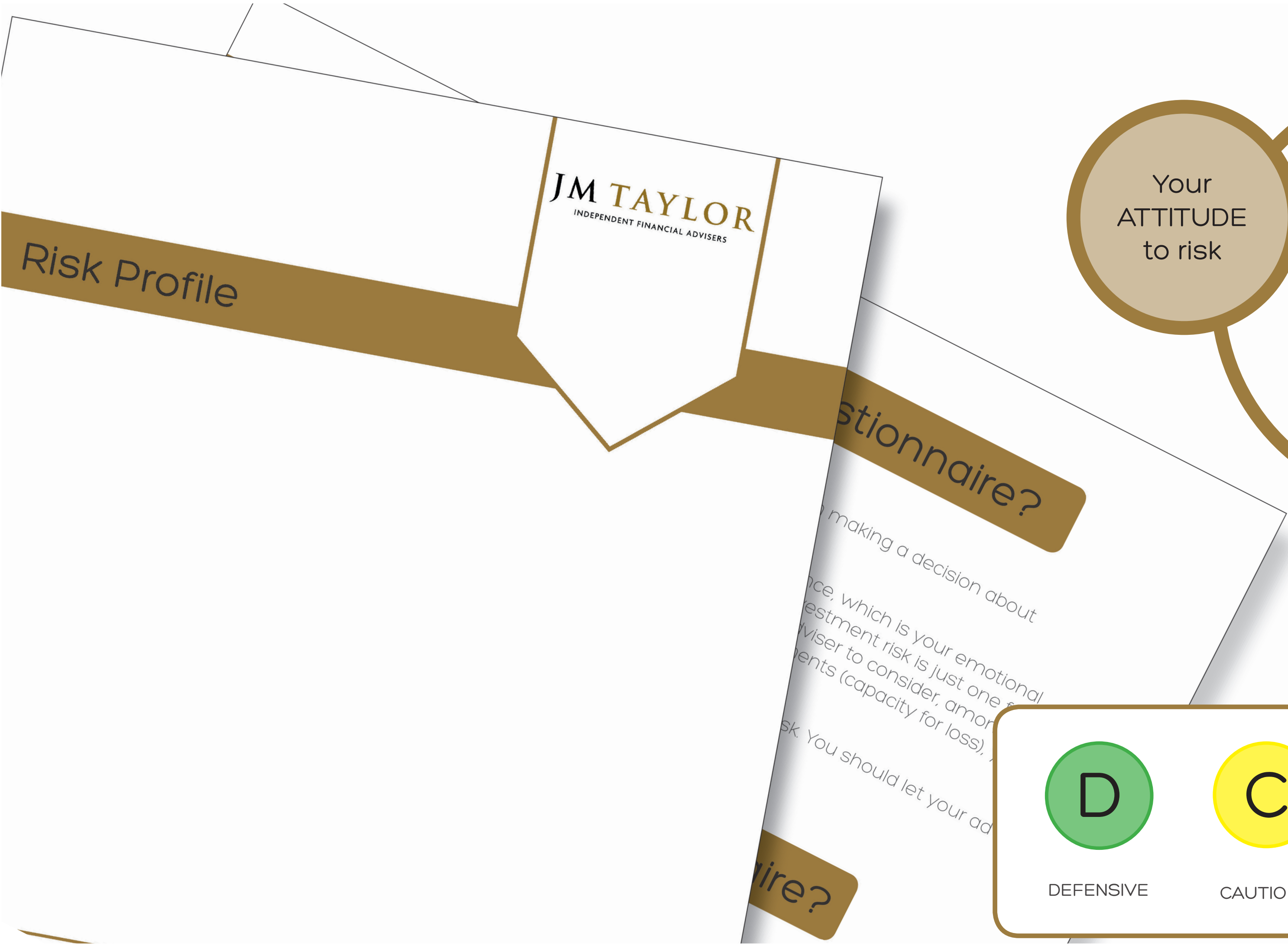
Your attitude to risk is only one factor in determining your risk profile and a suitable investment strategy. Potential loss must also be considered. Your Adviser will help you understand what level of loss you could afford and feel comfortable with, and the financial impact this may have on you.

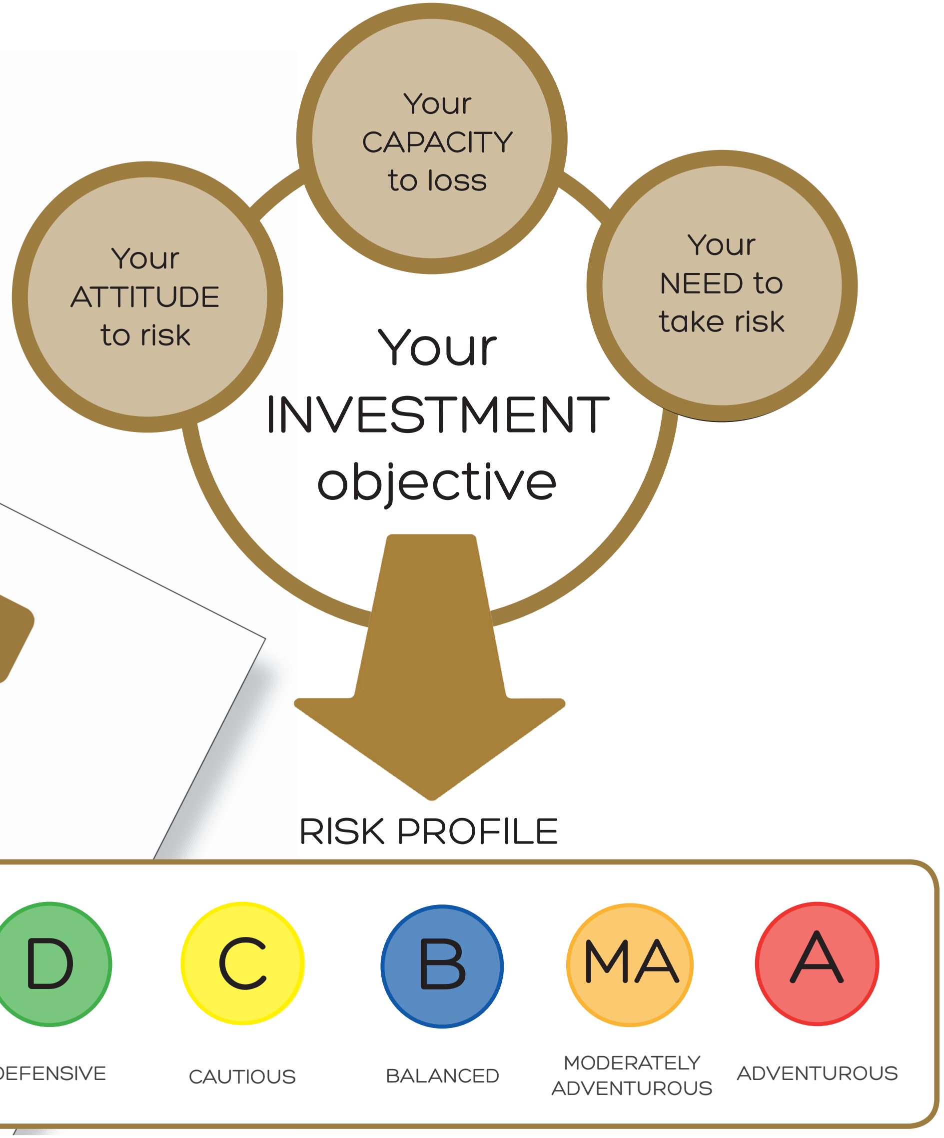
Your NEED to take risk

In many cases it may be possible to meet your financial objectives without taking significant risks, even if you are comfortable doing so. The opposite is true also. Your adviser will discuss this and explain the implications.

Identifying your risk profile

Once we have fully understood your circumstances we will then be able to establish your Risk Profile.





Understanding your risk profile

D

DEFENSIVE

Defensive investors are conservative with their investments. They prefer taking a small amount of risk to achieve modest or relatively stable returns. They accept that there may be some short term periods of fluctuation in value.

C

CAUTIOUS

Cautious investors are relatively cautious with their investments. They want to try and achieve a reasonable return, and are prepared to accept some risk in doing so. Typically these portfolios will exhibit relatively modest yet frequent fluctuations in value.

B

BALANCED

Investors who are balanced in their attitude to risk don't seek risky investments but don't avoid them either. They are prepared to accept fluctuations in the value of their investments to try and achieve better long-term returns. These portfolios will be subject to frequent and at time significant fluctuations in value.

MA

MODERATELY ADVENTUROUS

Investors in this category are relatively comfortable with investment risk. They aim for higher long-term returns and understand that this can also mean some sustained periods of poorer performance. They are prepared to accept significant fluctuation in value to try and achieve better long-term returns.

A

ADVENTUROUS

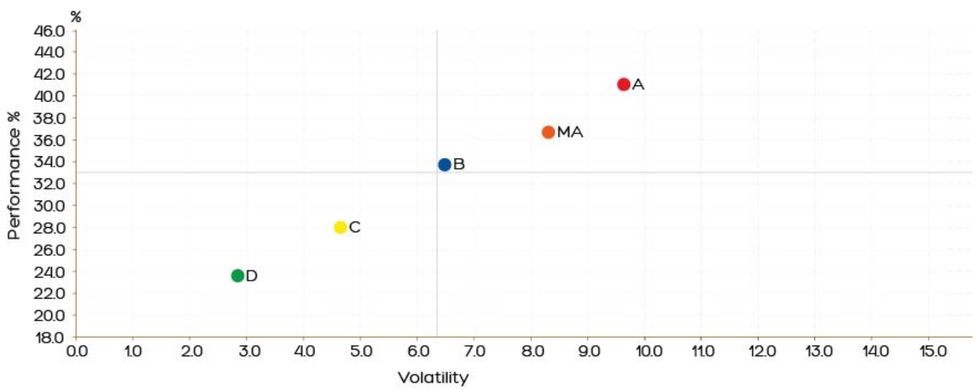
Adventurous investors are very comfortable with investment risk. They aim for high long-term investment returns and do not overly worry about periods of poorer performance in the short to medium term. Ordinarily these portfolios can be subject to the full extent and frequency of stock market fluctuations

Risk Vs Reward - The efficient frontier

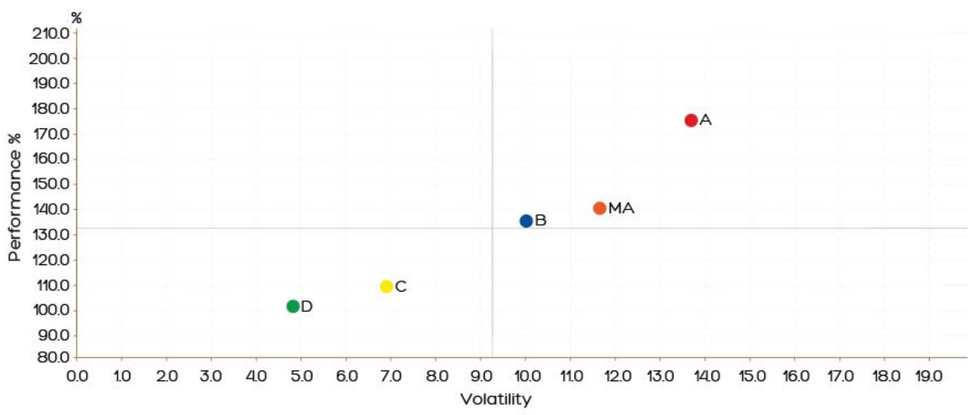
When making a decision regarding the level of risk a person is willing to take in relation to their investments an understanding of the concept of risk versus reward is needed.

In general, if more risk is taken with an investment then over the longer term this should be rewarded with more growth. The best way to demonstrate this is in the following graphs. The first shows the 'model' efficient frontier, or how much return current investment theory expects for any given level of risk over the longer term.
However, as is shown in the second graph, over short time periods it is possible for this efficiency to be impacted upon by market volatility.

Model Efficient Frontier



Recent Efficient Frontier

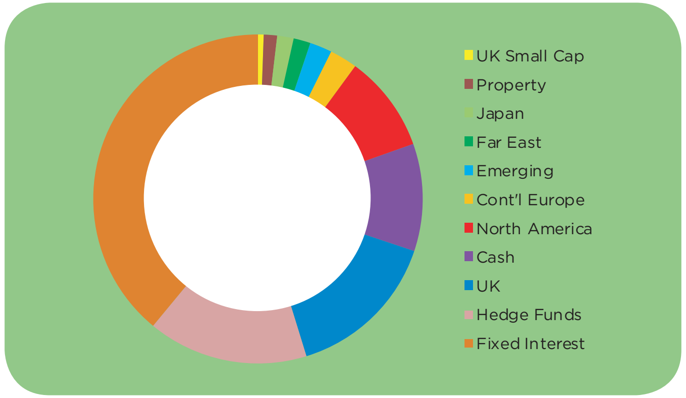


So, what mix of assets are needed to create an effective investment solution and what can you expect from them in terms of returns?

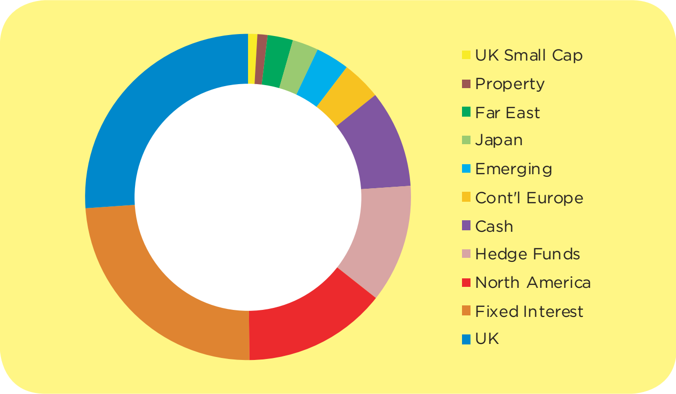
How will my investments look?

Diversification is a very important part of any effective investment strategy. Currently the typical asset mix for the five risk profiles we use is as follows.

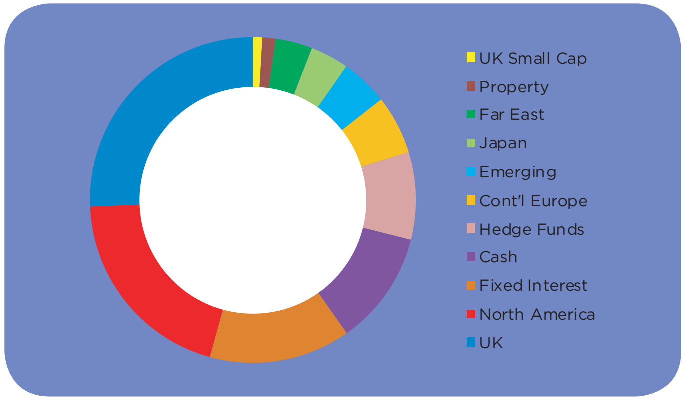
DEFENSIVE



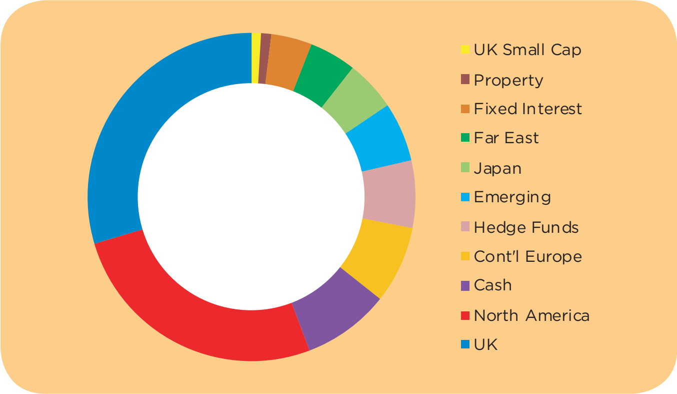
CAUTIOUS



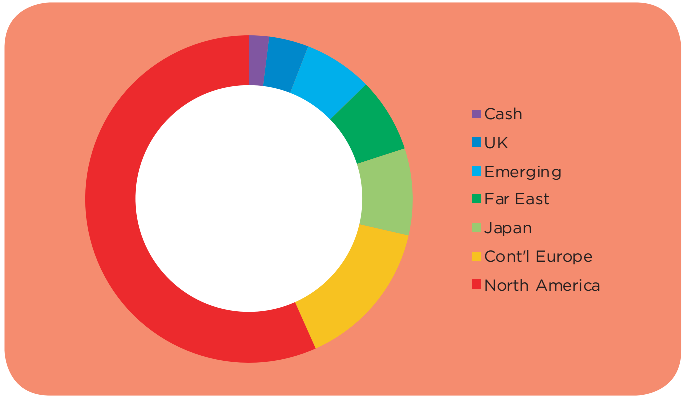
BALANCED



MODERATELY ADVENTUROUS



ADVENTUROUS

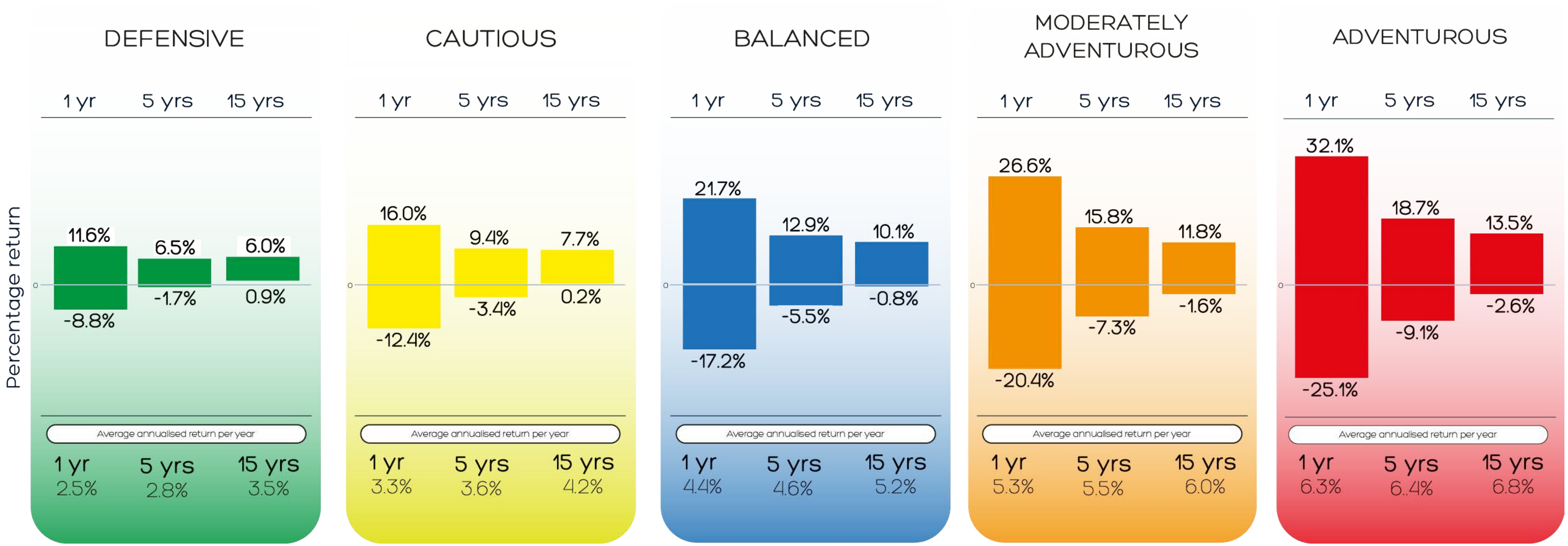


What can you expect?

Each risk profile is aimed at providing you with a level of return from your investment that is both predictable and consistent, with greater levels of risk being rewarded with greater returns.. However, this also means that you may be subject to greater losses too.

Based on current inflation figures, interest rates and equity returns, the typical average returns over a range of time periods are as follows. As you can see even at a relatively cautious level the maximum possible loss can be significant.

Past performance is not necessarily a guide to future performance and actual returns may be more or less than those indicated below



The value of investments can fall as well as rise and you may not get back all of the money you invest

What has actually happened?

Whilst modern investment theory allows us to map out expected ranges of return for any given time period and risk profile, it is important to consider what has actually happened too. In reality there are many macro and micro economic, political and social influences on investment that have an effect on the way in which investments behave.

The following chart shows the actual performance of the FTSE 100, Bank of England Base Rate and the average performance of the five fund sectors that broadly relate to each of our risk profiles since 1994. As you can see, over the longer term the sectors perform as expected but that over shorter time periods volatility can occur.

A - FTSE 100

B - Adventurous

C - Balanced

D - Moderately Adventurous

E - Cautious

F - Defensive

G - Bank of England Base Rate

H - Retail Price Index

29/04/1994 - 01/05/2019 Data from FE

Investment solutions

Once we have identified the most appropriate risk profile for you, we then will consider the most appropriate type of investment solution for you. Your adviser will help identify this by considering the complexity of your personal circumstances, the scale of your assets, your emphasis on cost and willingness to actively participate in the investment process.

Whilst there are a number of options available, which will be considered, there are three main investment solutions we employ.

Multi Asset Single Funds

This option would normally be suitable for investors with relatively simple financial objectives have funds under management of up to £125,000 do not wish to actively participate in the on-going investment process.

Managed Portfolio Service

Clients utilising this option would normally have invested assets of over £125,000 want to be actively involved in the management of their assets have more complex financial objectives.

Discretionary Fund Management

The use of a DFM would normally be considered by clients with assets over £350,000 complex financial planning needs that require bespoke investment solutions want to have a direct personal input into their investments.

Our investment Philosophy

The financial world is complex, and making the right decisions for your future can seem a daunting prospect.

It is our philosophy that you should be supported throughout your investment journey in order to give you an excellent opportunity to achieve your goals/objectives. We therefore are committed to:

- INDENTIFYING a financial action plan that is right for you and your circumstances
- IMPLEMENTING this plan utilising tax efficient vehicles and investment solutions that are appropriate for you.
- ACTIVE asset management. Whether using tracker funds or managed funds, the active management of the asset allocation of clients wealth is at the core of our investment philosophy, as we feel that it provides a demonstrable benefit to investors.

Of course, doing all of the above is not just a one-off exercise. Your circumstances will change, markets will fluctuate and regulations will alter. So the most import commitment we make is to:

- REVIEW your investments on a regular basis, ensuring that any changes that need to be made to keep you on track to achieve your goals are made.

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