ADVICEWORKS LTD
Risk Based Investment Process

We recognise that all our clients are unique and as such have financial objectives that are specific to themselves. We have therefore developed an investment process which we feel is robust but with the flexibility to adapt to any clients individual circumstances.

An outline of our investment process is as follows

1. **Investment Objectives**

   We will ascertain your key goals in life and then align your investments in line with these goals.

   We will attempt to provide you with a realistic assessment of whether your goals are achievable with:

   The monies that you are prepared to commit,
   The degree of risk that you are prepared to take
   The term of investment

2. **Investment Term**

   All risk investing carries a **minimum** investment term of five years and ideally ten.

   During this time you will experience rises and falls in the value of your investment portfolio. When falls occur we will remain fully invested and await recovery, unless there are really exceptional circumstances that dictate otherwise.

   It is vitally important that you understand and agree with this.

3. **Risk Rating**

   We will ask you to complete a risk questionnaire. This will provide us both with an objective and reasonably accurate assessment of your attitude to investment risk.

   It will highlight how much of a fall in your monies you can withstand, as well as how much gain you are looking to make as well. If you are looking for no reduction in the value of your money at anytime then cash really is the only option.

   Our questionnaire has been constructed by an independent third party – Skandia, in conjunction with a leading firm of Actuaries Towers Watson.

   You will receive a risk rating out of 10, 1 being low and 10 being the highest.

   Compared with other risk questionnaires (i.e. Distribution Technology) this provides a more cautious risk rating.

   Subject to discussion we may revise this rating upwards or downwards!

4. **Asset Allocation**

Asset allocation is the spreading of monies between different asset classes. The main asset classes that we use include Cash, Fixed Interest, Property, UK and Global Equities

Our asset allocation process is also provided by the above third parties. It is subject to review on an ongoing basis in line with market and economic conditions.

The objective of asset allocation is to maximise investment returns by utilising a spread of different investment classes whilst being in line with the degree of risk you are willing to take.

Our asset allocations are as follows:

Risk	Cash & Fixed Interest	Property	Equities
4/10	50%	15%	35%
5/10	40%	15%	45%
6/10	30%	15%	55%
7/10	20%	15%	65%
8/10	10%	15%	75%

5. **Fund Selection – Adviceworks**

Adviceworks are totally independent and can access any active or passive investment fund in the market place.

There are over 2500 investment funds available currently in the UK. To enable us to recommend the best funds we utilise the services of an independent third party rating agency OBSR (Old Broad Street Research).

OBSR specialises in providing ongoing Independent research on the majority of funds available in the UK. Very few funds receive a OSBR rating and those that do will receive a rating from A to AAA. These ratings are designed to be an independent mark of quality and also a clear indication of OBSRs conviction in the fund managers ability to meet or exceed a funds objective compared to other funds of a similar type.

OBSR will meet managers on a regular basis. Ratings will change over the years. Funds will be added and removed from the panel of rated funds.

Using a panel of OBSR rated funds, we aim to recommend a relatively small number of funds that are of the highest quality and deliver risk and return outcomes that are commensurate with your investment objectives.

6. **Fund Selection - Passive V Active Investment Management**

We generally recommend actively managed funds over passively managed (tracker) funds, as we feel the extra 0.5% pa (approx) cost is worth paying for the potential of greater performance. We will however build a portfolio of exclusively tracker funds if appropriate.

7. **Fund selection - OBSR**

OBSR run four model portfolios which are available to you. Funds are chosen by OBSR.

8. **Fund selection - Discretionary Fund Management**

For amounts in excess of £250,000 we are able to offer the services of a discretionary manager who will build a bespoke portfolio of individual stocks and shares for you.

9. Costs

Please refer to our ‘Keyfacts about our services’ document.

We will discuss the services that you require and the cost of those services before any work is carried out

Typical annual costs for a 5/10 investment portfolio, are as follows:

	Active Investment Funds		Passive Investment Funds
Ongoing Reviews	0.50%		0.50%
Fund Management TER	1.08%	(AMC 0.73%)	0.50%
Investment Platform	Nil		Nil
Total	**1.58%**		**1%**

Where possible we will quote both the annual management charge (AMC) and also the Total Expense Ratio (TER). The AMC is the headline charge advertised by the fund. On top of this there may additional charges and therefore the TER is the more accurate of the two.

It would be usual for Adviceworks to buy all investments at commission free prices and take the agreed remuneration either from the investment platform or by fee.

The actual cost depends on the individual funds that we use and may be higher or lower than the above.

10. Reviews and Rebalancing

We will review and rebalance your portfolio either on a quarterly, half yearly or yearly basis, as agreed with you. *In the absence of any agreement, we will not provide you with any proactive reviews*

Interim reviews include:

- Up to date valuation of your portfolio.

Full reviews will include:

- Meeting with your Adviser.
- Up to date valuation of your portfolio.
- Performance data of each fund.
- Changes to your investment objectives and investment risk
- Rebalancing of your portfolio. Over time your asset allocation will stray from its starting point. Usually on an annual basis we will adjust your investments to bring them back in line with the starting asset allocation.

Investment Risk Warnings

- Your capital is at risk.
- Values will fall and rise on a daily basis.
- Even in market falls we will remain fully invested
- Past performance is no guarantee of future performance.
- Investment terms are for a minimum of 5 years