



# Unity Wealth Management Investment Proposition

Unity Wealth Management Limited is an appointed representative of CAERUS Financial Limited, Building 120, Windmill Hill Business Park, Swindon, SN5 6NX, which is authorised and regulated by the Financial Conduct Authority.

# Unity Wealth Management

## Investment Proposition

This Guide outlines the investment proposition Unity Wealth Management have put in place for our clients. It is a proposition which we believe can add significant value to an individual's investment portfolio.

We have confidence in this, not because of an overblown belief in our own abilities, but because we involve widely acknowledged expert organisations to carry out all of the vital aspects of the management of our clients' investment portfolios.

**We have put in place an investment proposition which involves active monitoring, regular fund selection and automatic rebalancing carried out by some outstanding organisations; the use of which we believe will deliver real benefits for our clients.**

This process is designed to allow Unity Wealth Management to ensure that your investment portfolios continue to be managed in accordance with your agreed investment strategies and your tolerance for risk.

Unity Wealth Management has partnered with a number of strategic partners to deliver an investment process suitable for its clients.



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### Risk Questionnaire

- You are asked to complete a short risk questionnaire, either as part of the completion of our Personal Questionnaire, or separately.
- The questionnaire has been designed by Caerus, a leading provider of compliance support services.
- In addition to the risk questionnaire we also ask whether you would you like any social, ethical or environmental issues to be taken into account when looking at your investments.

### Attitude to Investment Risk

- We identify your overall risk tolerance from the risk questionnaire which we ask you to complete.
- We then gain your agreement to the risk tolerance suggested and provide you with the opportunity to request that we use a particular risk tolerance if you feel this suits your requirements.
- We are then able to determine which of the risk rated portfolios is the most suitable for you.
- Whilst the use of these portfolios on the Nucleus Trading Platform is the core of our investment proposition, there will be instances where it may be more appropriate to arrange an investment direct with the product provider or perhaps create a more bespoke portfolio perhaps within Nucleus.
- In such circumstances we will seek to use the asset allocation models suggested by the portfolios where possible.

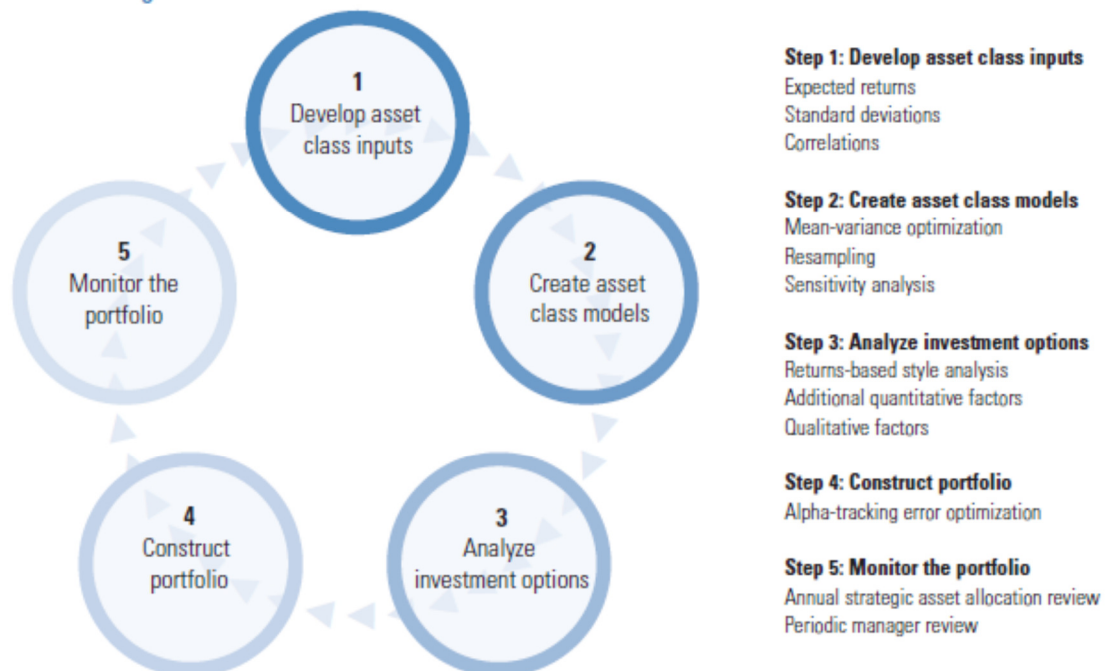
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### Ibbotson Associates

- Arguably, asset allocation is the most important step in the process of long term investment planning. Traditionally some IFA firms have attempted to set investment portfolios up 'in house', but there are now acknowledged experts in this field upon whose services we can call.
- For the purposes of the standard risk-rated portfolios we are able to make use of Ibbotson Associates Inc, a leading independent asset allocation provider in the United States and in international markets.
- Ibbotson was founded in 1977 and is a Morningstar company. Their mission is to deliver innovative asset allocation solutions, to help investors reach their financial goals, and to stimulate thought on the subject of asset allocation generally.
- Ibbotson will review the asset allocation of each portfolio annually.

### Ibbotson Investment Management Process



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### Ibbotson's key attributes

- Focus on Asset Allocation
- Management of asset allocation portfolios is their core business and has been since their founding in 1977.
- Academic Underpinnings – their corporate culture is built upon a strong foundation of academic research.
- Independence – they create customized and innovative solutions for financial institutions.
- They do not market their own investment products.
- Experience and Expertise - with over 30 years of experience and an accomplished staff, Ibbotson is a leader in asset allocation.

You can find out more about Ibbotson on their website – [www.ibbotson.com](http://www.ibbotson.com)

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### **Old Broad Street Research**

The funds that populate each active portfolio are then chosen by Old Broad Street Research (OBSR), an independently owned UK consultancy business.

Their emphasis is on forward-looking research, based upon a qualitative analysis informed by quantitative information.

### **OBSR's approach**

- OBSR takes a long-term approach aligned with the needs of long-term savings.
- OBSR's process relies upon a rigorous timetable of quarterly face-to-face meetings with fund managers.
- OBSR will review the funds being used at the end of each quarter and make changes as they think appropriate.

You can find out more about OBSR on their website

- [www.obsr.co.uk](http://www.obsr.co.uk)

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### **Our Portfolio's**

Provided that our core investment proposition is felt to be suitable, based on your attitude to risk, we identify the most suitable of five risk rated types of portfolios as follows:

- Income
- Cautious
- Balanced
- Active
- Aggressive

### **Outsourcing Fund Selection Decisions-Our Key Portfolio Offerings**

There are a number of different investments options for our clients and each has its own costs and benefits. In summary these are:

**Vanguard Portfolios-** these are portfolios designed to track asset classes at a very affordable cost

**Old Broad Street Portfolios-** these are portfolios provided by one of the country's leading fund research companies.

**Discretionary Fund Manager Portfolios-** We are able to offer a range of portfolios managed by expert discretionary fund managers, Quilters.

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### What is a Wrap or Trading Platform?

Put simply, a WRAP account is a new concept in portfolio administration which is designed to assist the investor and their adviser with arranging transactions, reporting and administering an investment portfolio or pension arrangement.

There are many advantages for investors in using a Trading Platform such as:

The portfolios are held on the Nucleus Wrap which facilitates automatic rebalancing of each portfolio every three months which is administered by Unity Wealth Management.

This rebalancing procedure has the benefit of capturing the gains made by the 'winners' over the last quarter and investing those gains back into the 'losers'. This obeys one of the key requirements of a good investment process, that of buying low and selling high. It also seeks to make sure that your portfolio does not evolve into a higher risk vehicle than originally intended.

An overview of our investment proposition is therefore as follows:

- 1) five OBSR actively managed portfolios
- 2) five Core Passive portfolios
- 3) Five Discretionary Managed Portfolios

The two types of portfolios are quite straightforward in that they are either 100% actively managed (i.e. the OBSR portfolios) or they are 100% passive, or index tracking, portfolios (i.e. the Vanguard portfolios).

"Investment portfolios which have been rebalanced annually would have returned 16 per cent more than those which have not been rebalanced over the last decade, according to Skandia. The analysis also found that rebalanced portfolios would have been significantly less volatile over the period."

Article entitled 'Rebalanced Portfolios Win Out' published in Financial Adviser 8 October 2009

- Ease of Transactions- one point of entry to access your portfolio and arranging transactions.
- Reduced Administration- consolidated income and capital gains tax statements from one source to help simplify the year end reporting for tax return purposes. As your financial planner we can spend less time on processing and more time on your portfolio strategy and other financial planning issues, which we believe all our clients value more from a relationship with us
- Control-as your adviser we will be able to report, arrange transactions and monitor your portfolio from one, centralised online platform.

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- Enhanced Choice-providing the investment and/or security are tradable it can be accessed by the Trading Platform. The retail investor has access to many funds that would otherwise be off limits due to high minimum investment amounts imposed by the management groups when seeking to invest directly.
- Access- you will be able to access your portfolio online via our website or by telephone to get an up to date valuation or perform a number of transactions such as withdrawing income without the need for any paperwork.
- Cost and Economies of Scale-the avoidance of marketing and sales costs for the fund management groups and purchasing power of the trading Platform equates to favourable discounts on initial and annual management charges of individual funds chosen. The net result is the favourable position, in which you can benefit from the administration support, servicing and ongoing advice for a similar cost to that which you would pay for a direct purchase of a fund holding, which may not include the same ongoing support and advice.
- The portfolios are held on the Nucleus Trading Platform and have the facility to provide automatic rebalancing of each portfolio at specified intervals. In effect this involves placing your portfolio in line with the latest fund selection following the most recent review of the funds. This rebalancing procedure has the benefit of capturing the gains made over the last quarter and investing those gains back into the portfolio. This fulfils one of the key requirements of a good investment process, that of buying low and selling high. It also seeks to make sure that your portfolio does not evolve into a higher risk vehicle than originally intended.
- Where you require a Bespoke Portfolio we can also implement a rebalancing process.

You can find out more about the Nucleus Trading Platform on their website – [www.nucleusfinancial.com](http://www.nucleusfinancial.com)

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### **Tax Efficiency**

If your investment is within a tax efficient wrapper, such as the Nucleus ISA or Nucleus SIPP, then the issue of tax efficiency is dealt with automatically.

However, if you are invested in the Nucleus General Account you may also gain an advantage from the fact that you are invested in a portfolio and not a single fund. The switch of funds each quarter could produce a chargeable gain for capital gains tax (CGT) purposes.

For most of our clients this will be an advantage, as such chargeable gains will be below the annual CGT exempt amount (£11,000 per person in 2014/15) and will wash out the gains in a tax efficient manner rather than letting them accumulate.

As the Nucleus General Account can be held in joint names this could allow both annual CGT exempt amounts to be applied.

This will be of no benefit if you already use up your annual CGT exempt amount in other ways but very few of our clients would be in this position in every year.

### **Investment Reporting**

There are three types of investment reporting for those who invest via our investment proposition:

- You always have access to the value of your investment by logging into the special Nucleus website. This has current values, an asset summary, and transaction history.
- We will make available quarterly reports on the progress of your portfolio.
- Your adviser will arrange to carry out a review of your investments as part of an overall financial review at intervals determined by your requirements and to be agreed with you. In most cases this will be annually.

Our investment proposition can be used for a range of

- investment types:
- Unit Trust Portfolio
- ISAs
- Onshore Investment Bonds
- Offshore Investment Bonds
- Self-Invested Personal Pensions (SIPPs)

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- SIPPs, holding S2P/SERPS, contributions
- Unsecured Pensions (Pension Income Drawdown)

### Why a New Investment Proposition?

Until the introduction of our new investment proposition we researched and recommended individual funds that were reviewed to suit the needs of our clients and an attempt was made at rebalancing from time to time.

The 'old model' had become increasingly cumbersome as we tried to keep abreast of so many changes that are occurring with increasing rapidity, such as:

- The proliferation of new fund launches, each one requiring analysis before being recommended to our clients.
- The increasing use of a wider range of asset classes which are now available under the UCITS III directive, which, whilst being of enormous benefit to investors, has added to the complexity of asset allocation and rebalancing
- The constant movement of fund managers from one investment house to another, results in analysis being required each time to evaluate the likely impact on the fund and forwarding our misgivings to all our clients when appropriate.
- The increasing number of smaller boutique investment management companies, some of which have been poorly funded

We constantly strive to increase our knowledge of investment theory and practice through studying for professional examinations such as the CII's Investment Portfolio Management qualification; attending investment seminars and workshops; meeting fund managers and, of course, reading a very wide range of investment publications and trade journals.

However, much of this work is moving beyond our specialist areas of expertise, leading us to the conclusion that with such complex advances in the investment process it is foreseeable that our standard of advice could be compromised if we did not outsource the technical aspects to specialist partners.

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### **The Costs Involved**

The costs for those who invest via Unity Wealth Management using our investment proposition are typically no more than those that would be involved should they invest in an average unit trust fund without any of the benefits outlined.

### **Initial Costs**

There are potentially two types of initial costs with any advice that we provide. These are firstly our cost for the advice and secondly our cost to arrange the investment itself.

The cost for advice is usually a fixed fee depending on the complexity of the advice that is required.

The cost to arrange the investment is usually a percentage of the amount to be invested. This is typically 3% of the amount invested.

If we take an investment of, say, £50,000 and ignoring the advice costs we would require 3% of the amount invested to set up the investment as part of our investment proposition as described. In most cases the initial cost of the underlying assets would be less than 0.5%. The total initial transaction costs of no more than 3.5% compares favourably with the initial costs associated with the purchase of an individual unit trust fund.

### **Annual Costs**

There are three annual costs involved in the Unity Wealth Management Investment Proposition.

These are the Nucleus Trading Platform charge of 0.5% pa, our annual fee of 1% pa and heavily discounted annual fees from the underlying funds, typically 0.65% pa on average. Please note that this information does not constitute personal advice and should not be treated as a substitute for specific advice based on your circumstances. If you are in any doubt as to whether the investment proposition would be suitable for you, then you should discuss the matter with a suitably qualified independent financial adviser such as ourselves.

Any information given in this Guide relating to income tax legislation is based on our understanding of legislation and practice in force at the date of this Guide. Whilst we believe our interpretation of current law and practice to be correct in these areas, we cannot be responsible for the effects of any future legislation or any change in interpretation or treatment.

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