clear thinking for smart investors

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WEALTH MANAGEMENT

Here, we want to explain just how we propose to further safeguard your investments in the future. Our new monthly service will demonstrate how performance and protection work together for your money, giving you financial peace of mind.

At the heart of this new proposition is a monthly review and switch process. Every month, we review funds in your portfolio, then either recommend a switch to a better performing fund or confirm no action is required. This gives you the reassurance that your funds are being monitored on a monthly basis.

We hope this helps you understand the new process. It may be clever – but it isn't complicated!

How it works

The Fund scoring system

The service screens your funds against the following investment criteria.

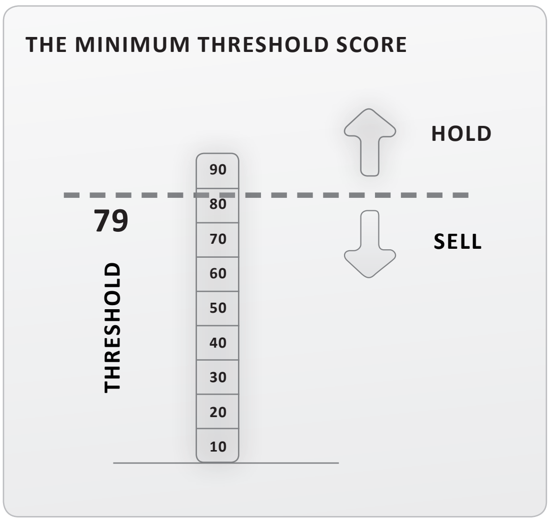
CRITERIA

- Sharpe Ratio
- Alpha
- Average 6 Months Performance
- Average 36 Months Relative Performance
- Relative Volatility
- Research Rating *
- Star Rating
- Relative Maximum Loss
- Beta

For each criterion, a maximum score of 10 can be achieved; thus in theory a fund could record a maximum score of 90 (9 criteria multiplied by 10)

The Sell process

Following robust tests, a threshold score for each sector has been set, below which we would recommend you sell this fund.



* Please note: the research rating criterion is currently unavailable, therefore all monthly reviews undertaken by the Service from 1 May 2014 (until an alternative research rating resource is sourced) will score all of your funds as '0' in this criterion.

How do we choose which new fund to recommend?

Here the process gets very clever. We can actually prioritise which criteria we believe are the most important and which are less so.

These preferences are reflected in which fund is recommended. This means we can personalise our service to you whilst still making it far more efficient.

The Buy process

Using the same scoring method as used for the Sell process, a weighting is now applied to each of the criteria to ensure our preferences are reflected in the Buy process. The criteria we value the most will have a weighting of 9 whilst the least significant will have a weighting of 1.

• In the following example, for our no.1 criterion (Sharpe Ratio), the fund score (10) is multiplied by 9 (our weighting)

• For no.2 (Alpha) the fund score (10 again) is multiplied by 8.

• For no.3 (Average 6 Months performance) the fund score (here again it is 10) is multiplied by 7... you get the picture!

At the end we arrive at a weighted Buy score for each fund in the sector.

	Criteria fund score		Our weighting		The Buy score
SHARPE RATIO	10	x	9	=	90
ALPHA	10	x	8	=	80
AVERAGE 6 MONTH	10	x	7	=	70
AVERAGE 36 MONTH RELATIVE PERFORMANCE	10	x	6	=	60
RELATIVE VOLATILITY	8	x	5	=	40
RESEARCH RATING *	7	x	4	=	28
STAR RATING	10	x	3	=	30
RELATIVE MAXIMUM LOSS	10	x	2	=	20
BETA	5	x	1	=	5

Continuing the example, after applying the weighting from our own preferences a Buy Fund score of 423 is calculated.

The fund with the highest weighted Buy score is the new fund recommended and the monitoring thus continues.

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In a nutshell, this is how the whole process works

1. Preferences determined
The nine screening criteria, used in the ASWM Analytics process, are tailor-made to our own preferences.

2. Chosen sector screened
ASWM Analytics process screens the 9 criteria per fund sector. These are the key factors which determine how it assesses your investments.

3. Alert is triggered
If the combined scores fall below the thresholds set, the ASWM Analytics process creates a report for us.

4. The Switch Notice sent
After the data has been confirmed, notification is immediately sent to you via email or post and includes the fund fact sheet for the proposed new fund.

5. Agreement to switch
If you agree to switch the fund and confirm via email, we'll then switch the funds via the Wrap provider.

6. New Fund monitored
The new fund is then monitored by the ASWM Analytics process and the cycle begins again.

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Why do you need this anyway? Why is it so important?

The markets have changed

Q: Why not just buy and hold?
A: The truth is that we are in a completely different investment environment than experienced over the 80's and 90's.

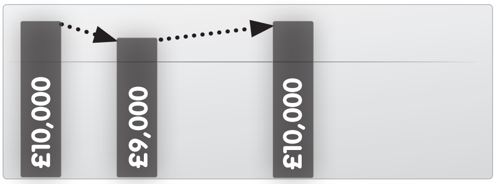
We can't rely on past performance.
In the last 23 years of the last century, the UK stock market rose in 21 of those years. That is abnormal. It has never happened before, and it may never happen again in our lifetimes. Since then in the last decade, the 'Noughties', the UK stockmarket rose in 6 of the last 10 years.

The evidence is compelling

So, what system should we use?

The answer is a stop loss strategy. One that quickly identifies a failing fund and exits before too much loss is suffered.

Fund drops by **35%**
To recover the loss, the fund must rise by over **53%**



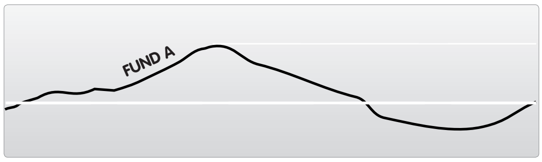
Fund drops by just **10%**
To recover the loss, the fund must rise by just over **11%**

This system means that you can switch funds before major losses are sustained, so that the investments build upon previous success and consolidate gains over time.

It works on the time-honoured principle – **prevention is better than cure.**
ASWM Analytics regular re-diagnosis of every individual fund means that we can try to keep losses to a minimum.

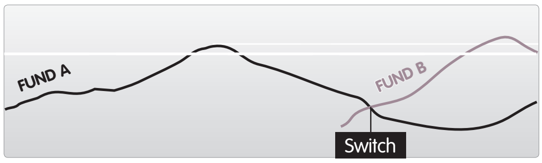
Run the winners – cut the losers.

The 'Buy and Hold' principle popular in the last two decades.



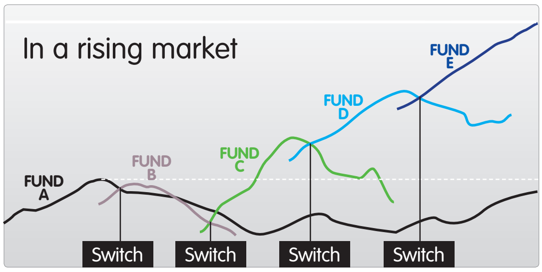
Though a small overall gain has been achieved, there is a significant drop from the highest performance point.

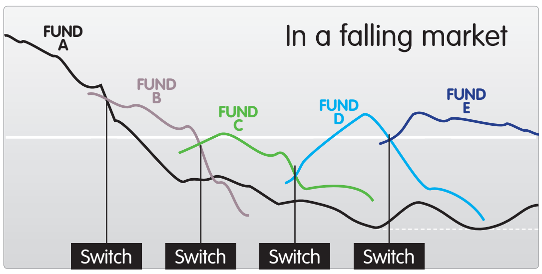
The 'Switch when things look bad' model.



Though modest gains were achieved, the benefit of the high points of each fund was almost completely lost.

ASWM Analytics aims to maximise gain by trying to minimise losses.





By the fast response of ASWM Analytics switching funds before major loss is sustained, the investment builds on previous success and consolidates gains over time.

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