THANKS
WEALTH PLANNING

Everything you need to know about Thanks Wealth Planning and our; targeted client market, wealth planning formula and process, pricing policy, core investment principles and product, fund and platform selection process.

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CENTRALISED INVESTMENT & RETIREMEMT PROPOSITION

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Background to our Business

Scope of Service & Target Market

We are best suited to support our clients with one or both of the following service areas:

- Creating an initial financial masterplan and investment plan.
- Working on an ongoing basis to keep their financial masterplan and investment plan on track.

Our service is focussed primarily on clients that are in the:

- Accumulation phase of life.
- Decumulation phase of life.

We operate an independent advice model in a very specific way which we believe offers an opportunity to deliver better outcomes for our clients and a wealth planning experience that is engaging, fun and most importantly meaningful. This ensures we deliver a service that can best suit the needs of all existing and new clients of the firm. We will direct clients that do not fit this scope of service to an alternative financial adviser that can meet their requirements.

Who do we work with - Personality Types?

Similarly, we are suited to working with clients that exhibit specific personality types. We believe there are nine wealth planning personality types, and they are outlined below including a typical phrase that this type of person may say to us. We typically work well, but not exclusively, with clients that exhibit these personality traits; Family Stewards, Independents, Innovators, Phobics and Accumulators.

Family Stewards: “Good financial management lets me take good care of my family”
The largest group of affluent individuals, Family Stewards’ primary financial concerns are about taking care of their families. Most of their financial goals and needs are linked to larger family issues such as paying for education or transferring wealth to the next generation. Family stewards value expertise defined as being able to provide the services that will enable them to best fulfil their chief goal of caring for their families. They value prudence, care, and need to feel they and their families are exceptionally well protected. They tend to be conservative in their personal and professional life but not very knowledgeable about investing. Family Stewards are highly responsive to a variety of advanced planning services because of their motivation to do the best by their families. They readily understand why planning would put them in a better financial position. As a result, they are very interested in estate and financial planning, and most are very interested in asset allocation services.

Independents: “To me, successful financial management means freedom”
Independents are straightforward. They want the freedom to do whatever they want, and they seek to achieve this freedom through financial security. While they may hold corporate jobs or run businesses, they dream of financial freedom that would allow them to pursue hobbies or travel full time. Independents are average compared to the other groups in terms of their financial knowledge and sophistication, and they will turn to a wealth planner to compensate for their lack of expertise. They define this expertise as an ability to provide financial advice that will enable them to achieve financial freedom.

Because they understand the importance of allocating their assets wisely but generally do not do a good job doing so themselves, they are interested in asset allocation services. Because they typically retire early and know how important it is to keep their money working, another important area of interest to Independents is retirement distribution planning.

Phobics: **"The last thing I want to talk about is my money"**
Phobics tend not to understand money nor do they want to learn about it. They tend to find wealth planning confusing and frustrated by the responsibility of it. Instead, they much prefer delegating the management of their financial affairs to a trusted wealth manager as they dislike managing their finances and avoid technical discussions about it. Because they have little financial knowledge or sophistication, they do act on emotion, going with their "gut feelings." Phobics typically value reliability, care, and dedication to their best interests. With little interest in investing, Phobics—of all the nine personalities—are both the least knowledgeable about and the least sensitive to investment performance. While most Phobics do need advanced planning services, they are not interested in participating in an extensive wealth planning process.

The Anonymous: **"My money is my business and no one else's"**
The Anonymous are intensely private people who do not want to disclose their financial positions to anyone. Privacy and discretion are vitally important and essentially their primary concern. Typically, many of the Anonymous have not been through basic estate and tax planning processes and therefore these advanced planning services are appropriate for the Anonymous.

Moguls: **"Being rich means power"**
Moguls are motivated by power. They seek control, influence and power in their families, businesses, communities, and finances. While they do have some financial knowledge, they are not interested in it per se but regard it as another forum for flexing their power and control. Moguls find the idea of asset allocation very appealing because it means they can have control over their investments without having to be involved in the day-to-day details. They are also interested in wealth protection.

VIPs: **"There are lots of ways to get respect, and having money is one of them"**
VIPs are status-oriented, enjoying prestige and the respect of others. VIPs are the type of affluent people who look rich, and wealth management for them is about the ability to buy status and possessions. VIPs are not especially knowledgeable about finances and will rely on us as a wealth planning expert. VIPs often already have financial or estate plans and therefore are not very interested in them and their strongest interest is in wealth protection services. They like to affiliate with institutions and financial advisers with leading reputations. They are also interested in charitable giving.

Accumulators: **"You can never be too rich or to thin, but being rich matters more"**
Accumulators save more than they spend, tend to live well below their means and do not exhibit any outward displays of wealth. What they do enjoy is watching their money grow. The more they have, the better they feel. Capital appreciation is an end in itself. Accumulators are open to various advanced planning services, especially if those services will result in more money. Asset allocation services are also attractive to them because the point of asset allocation is to maximize long-term results.

Gamblers: **"You have better odds playing the market than at Vegas"**
Gamblers love the excitement and drama of investing. For Gamblers, investing is a hobby. For some it is their work, and for a few it is their life. Because of this, they are more performance-sensitive than any other group. While they are very knowledgeable about investing, they are not always astute. They believe,

for example, that it is possible to consistently beat the market. Not surprisingly, they often have a higher-than-usual risk tolerance.

Innovators: **"Derivatives are the best thing that ever happened"**
Innovators are extremely knowledgeable and like to be at the cutting edge of wealth planning. They like new products, innovative services, and sophisticated analytical methods. They often have technical backgrounds and might be computer programmers, engineers, or mathematicians. Like Gamblers, Innovators are interested in only the most sophisticated planning services.

<u>Assessing our Target Market</u>

- The number of existing clients has built up over the years from the general acquisition of new clients.
- Our business model is to service existing clients and new client referrals only.
- We consider ourselves general financial practitioners.
- Our clients are targeted through the following methods: existing client referrals, professional connection referrals and Vouchedfor.
- We do not have a specific minimum level of Assets Under Management (AUM) for us to advise a client and will act for a client provided we can add value. To determine this, we will cross reference a potential new client's situation, needs and whether we have identified them as having one of our identified five key client concerns with our modular service and pricing policy.
- We feel that we can offer advice to any kind of client because we review the needs of each client with our modular pricing structure. Provided we can add value to a client for the price of the work involved we will work with a client.
- Our modular pricing allows us to address client needs regardless of AUM or net worth.
- If, when working with a client, they would like us to be remunerated from their investment or pension, we will review our fees in conjunction with the value of their net worth or investable assets. If we deem the price for our work not to be cost effective relative to any recommendation and there is a suitable alternative we will likely decline to work with the client on the grounds of suitability for the client.
- For example, a client may wish to invest £50,000 only and the price for our ongoing work may be £2,500 pa, equivalent to 5%pa. This will be prohibitive for the client. In this regard we may possibly invest the capital sum without an ongoing service if deemed suitable or decline to work with the client and signpost them to alternative options.
- We do not work with clients who seek active management or are looking to speculate with their financial resources rather than invest using a long term buy and hold strategy.

We clearly demonstrate and record suitability of any recommended investment strategy to meet the specific needs, circumstances and requirements of our target clients and we consider a client's:

- knowledge and experience, capacity for loss and attitude to risk.
- required rate of investment return.
- financial situation.
- investment objectives.
- required service and price of the service relative to the value we can add.

Types of Advice

To deliver our advice we offer two types of advice service: Limited or Full Advice.

Limited Advice

A deliberate limiting of the range of personal recommendations sought by the client to suit their needs (e.g., to seek a recommendation on buying an ISA). The product recommendation is likely to be viewed in isolation however within limited advice, there remains a duty of care. If, for example, we are dealing with a client who is receiving limited advice in relation to a specific element of their investments, but we realise that the client has a family and no protection, there would be an expectation that we highlight that need to the client. That is not to say the client must deal with that need, but it would be right in our professional capacity to highlight what we have concluded so that the client can decide what to do. This type of advice will usually involve our client completing the attitude to risk questionnaire and potentially creating a financial masterplan to determine the asset allocation and model portfolio selection for the recommended product.

Full Advice

Full independent regulated advice and we will consider the full range of the client's needs, including their debt and protection needs. This type of advice will usually involve our client completing the attitude to risk questionnaire and creating a financial masterplan. This combination will consider the client's full financial position and will involve stress testing, presenting, and building a thorough, goal-based plan to determine the asset allocation and model portfolio selection.

Modular Pricing

We understand that our clients value certainty. We subscribe to a set of beliefs and values which underpins our commitment to maximising the value we provide to our clients. In communicating that value, we have developed a modular service and pricing structure, so our clients know exactly what service they are getting and what price they are paying in a clear and transparent way. Collaboratively our clients and we create a service and pricing structure that is tailored to their circumstances and needs.

To deliver our modular pricing policy we have adapted Go Proposal, a pricing and proposal software tool for accountants. The Thanks Wealth Planning Modular Pricing Service is collaborative, enabling us to create a positive experience for us and our client when discussing price and scope, that will strengthen our relationship by being fully transparent.

Our modular pricing is determined by three key components:

- the needs of our client.
- the complexity of our client's situation (net wealth, household annual revenue, marital status, financial dependents, business ownership, number and type of policies and age).
- the services we offer, and the required work involved.

In summary the price for our service will be lower; the less complex our client's situation is, the less needs our client has and the amount of work we are required to undertake. The factors determining our modular pricing have been stress tested across multiple client scenarios to determine fairness.

We believe The Thanks Wealth Planning Modular Pricing is essential for all clients. If our client or we cannot determine our value relative to the three key components of our modular pricing, we will direct clients to an alternative financial adviser that can meet their requirements or pricing structure.

Academically evidenced, highly diversified, low-cost investment philosophy

We aim to capture the return of the market with a buy-and-hold strategy via index tracker and rules-based funds. They aim to trade in-frequently and stay invested through good times and bad. Portfolios are built around a core of low-cost index tracker funds and factor-based investments based on empirical evidence. Our portfolios aim to mitigate investment risk with significant global diversification. We believe in the assumption of market efficiency and the concept called the Efficiency Market Hypothesis (EMH) – that stocks always trade at a fair value price that reflects all available information.

Our evidence-based investment philosophy gives our clients access to a highly diversified and low-cost suite of portfolios. The investment strategy for our clients is the engine of their financial masterplan. Other matters such as which platform or product to use for our client's best interest is driven by the availability of funds that adhere to our core investment principles, which are:

- Capitalism Works
- Costs Matter
- Risk and Return are Related
- Diversification is Essential
- Asset Allocation is Key

We believe The Thanks Wealth Planning academically evidenced; highly diversified, low-cost investment strategy is essential for all our clients. To deliver our core beliefs we operate a Model Portfolio Service using a Discretionary Investment Manager to implement our investment philosophy in a cost-effective way using their scale, technology, staffing and expertise.

We believe that our investment philosophy is suitable for our clients in the accumulation and decumulation phase of life and do not anticipate deviating away from this for either type of client. To accommodate income withdrawal needs we will review the overall usage of cash/lower risk bonds to supply these needs whilst also establish a rebalancing policy to replenish these assets over time.

Any client that does not believe in this approach and requires active fund management, use of alternatives investments, currency hedging, structured products or other esoteric investment style are not suitable for our service. We will direct them to an alternative financial adviser that can meet their requirements.

The Thanks Wealth Planning Formula & Process

Wealth Planning is about acting as our client's Trusted Counsel & Financial Custodian. We are our client's Chief Financial Officer (CFO) and address five key concerns for our target client market, consisting of Investment Consulting and Advanced Planning. We ensure that we work with our clients and their professional advisers on a collaborative basis with active Relationship Management.

We are not order takers for our clients or their professional advisers and will not act without providing proactive analysis and recommendations. We do transact business on an execution only basis although some clients may have their own investments that run alongside our core investment strategy for them.

1. **Investment Consulting (IC) - Wealth Preservation:** We help our client's make smart financial decisions to produce suitable investment returns consistent with our client's time horizon, goals, and tolerance for risk to ensure they live the life they want. We do this by creating a comprehensive lifelong financial masterplan and investment plan to help stress test financial decisions before they are made. We believe that every Thanks Wealth Planning client should have a lifelong financial masterplan to answer three big questions; "Will I be alright….?", "Can I afford to….?", "What happens if….?".

We believe that one or more of the following **Advanced Planning (AP)** areas are suitable for our clients:

2. **Wealth enhancement - tax mitigation:** minimising the impact of taxes on clients' investment returns and wealth while ensuring the cash flow they need. In short, to make our client's wealth last longer and work smarter.

3. **Wealth transfer - taking care of heirs:** finding and facilitating the most tax-efficient way to pass assets to loved ones in ways that meet the client's wishes.

4. **Wealth protection**: all concerns about protecting our client's wealth against catastrophic loss, potential creditors, litigants, children's spouses and potential ex-spouses and identity thieves—in short, ensuring that their assets are not unjustly taken.

5. **Charitable giving - looking outward beyond our client's own families to the world at large:** charitable giving comes with its own unique set of challenges—from selecting the appropriate means of giving (such as direct gifts, donor-advised funds, or private family foundations) to selecting causes and specific organizations that will have the biggest impact.

Finally, **Relationship Management (RM)** is key to a successful ongoing relationship with our clients. We nurture relationships with our client's, their life, and their wealth over time through a consultative process and manage relationships with other professional advisers - both the ones in our network and our client's other advisers to address advanced planning concerns.

We believe The Thanks Wealth Planning formula and process is essential for all our clients. If we cannot add value in any one or more of these areas, we will direct clients to an alternative financial adviser that can meet their requirements or pricing structure.

The Thanks Wealth Planning Formula

WM = IC + AP + RM

WM (Wealth Management) =

IC
(Investment Consulting)
+
AP
(Advanced Planning)
+
RM
(Relationship Management)

AP = WE + WT +WP + CG

AP (Advanced Planning) =

WE
(Wealth Enhancement: tax mitigation and cash-flow planning)
+
WT
(Wealth Transfer: transferring wealth effectively; may not be within a family)
+
WP
(Wealth Protection: risk mitigation, legal structures and transferring risk to insurance company)
+
CG
(Charitable Giving: maximizing charitable impact)

IC =
INVESTMENT CONSULTING

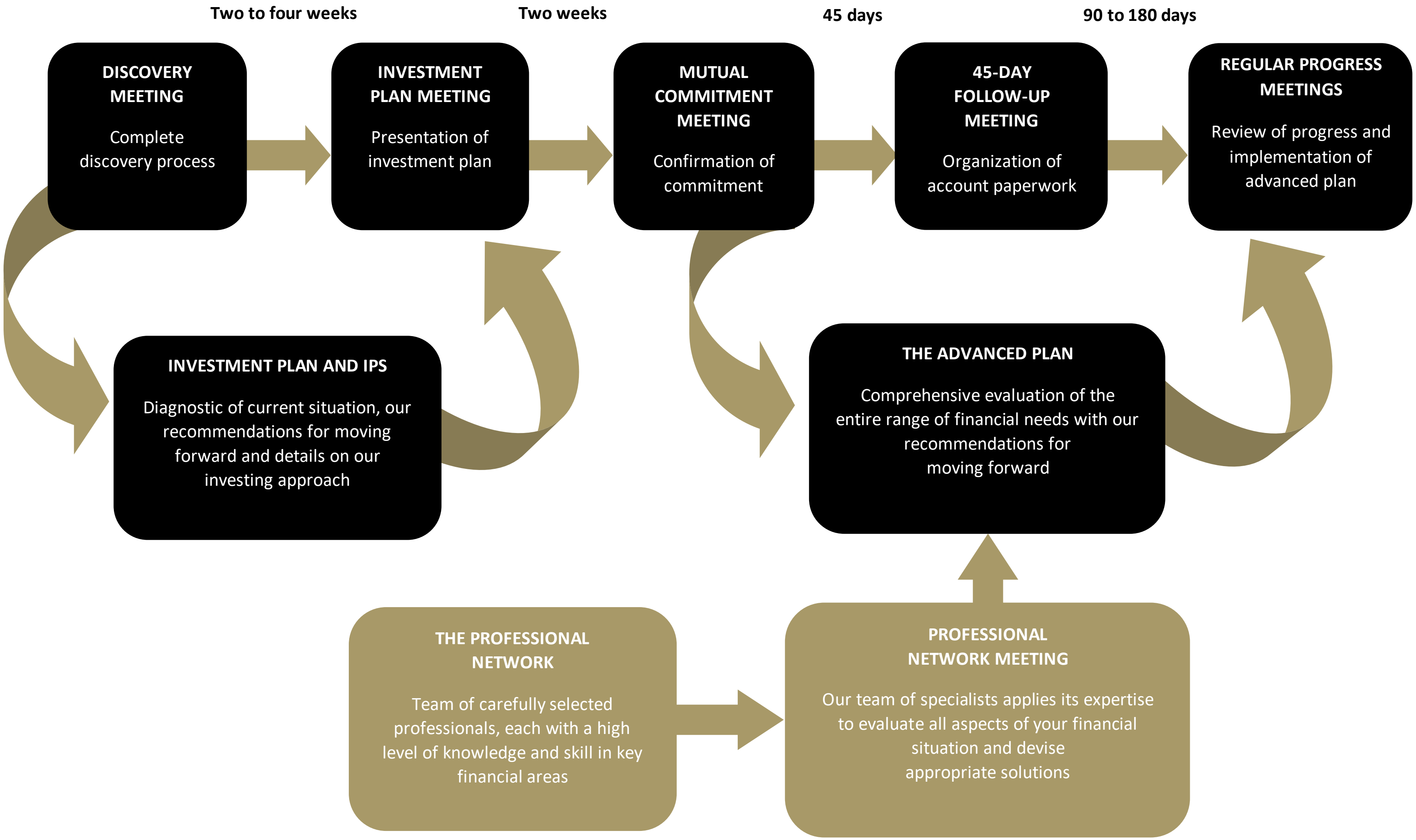
Management of all investment elements to maximize the probability of clients achieving all that is important to them.

- Portfolio performance analysis
- Risk evaluation
- Asset allocation
- Assessment of impact of costs
- Assessment of impact of taxes
- Investment policy statement

RM = CRM + PNRM

RM (Relationship Management) =
CRM
(Client Relationship Management)
+
PNRM
(Professional Network Relationship Management)

The Thanks Wealth Planning Process



The Thanks Wealth Planning Stages of Advice

The six stages in our wealth planning process are as follows:

Discovery Meeting

1. **Establish and define the relationship with our clients**
    - We inform our clients about the wealth planning process, the services we offer, and our competencies and experience.
    - We and our clients determine whether the services offered by us and our competencies meet their needs.
    - We consider our skills, knowledge, and experience in providing the services requested or likely to be required by our clients.
    - We determine if, and disclose, any conflict(s) of interest.
    - We and our clients agree on the service (s) to be provided.
    - We will describe, in writing, the scope of the work before any wealth planning is provided.
    - The scope of the work is set out in writing by us in a formal document accepted by our clients.
2. **Explore, visualise & define our client's goals**
    - We explore our client's goals to understand what they would like their wealth and financial resources to do for them. To enhance their life.
    - If agreed, we discover our client's deepest and most profound goals through a mindfulness-based process of structured and non-judgmental inquiry.
    - Using a mix of professional and advanced relationship skills, we inspire clients to pursue their aspirations, discuss and resolve obstacles.
    - We help our client visualise their new life and explore how they can use their financial resources to achieve this?

Investment Plan Meeting

3. **Collect, organise & analyse our client's financial information**
    - We and our clients identify their personal and financial objectives, needs and priorities that are relevant to the scope of the work before making and/or implementing any recommendations.
    - We collect enough quantitative and qualitative information and documents about our client's relevant to the scope of the work before making and/or implementing any recommendations
    - We analyse our client's information, subject to the scope of the work, to gain an understanding of their financial situation.
    - We assess the strengths and weaknesses of our client's current financial situation and compare them to their objectives, needs and priorities.

Mutual Commitment Meeting

4. **Develop the wealth planning recommendations and present them to our clients**
    - We consider one or more strategies relevant to our client's current situation that could reasonably meet their objectives, needs and priorities
    - We develop the wealth planning recommendations based on the selected strategies to reasonably meet our client's confirmed objectives, needs and priorities.
    - We present the wealth planning recommendations and the supporting rationale in a way that allows our clients to make an informed decision.

5. Implement our wealth planning recommendations

- We and our clients agree on implementation responsibilities that are consistent with the scope of the work, their acceptance of the wealth planning recommendations, and our ability to implement the wealth planning recommendations.
- Based on the scope of the work, we identify and present appropriate product(s) and service(s) that are consistent with the wealth planning recommendations accepted by our client's.

Regular Progress Meeting

6. Review our client's situation & forward plan their strategy

- We and our clients mutually define and agree on terms for reviewing and re-evaluating their situation, including goals, risk profile, lifestyle, and other relevant changes.
- If conducting a review, we, and our client's review their situation to assess progress toward achievement of the objectives of the wealth planning recommendations, determine if the recommendations are still appropriate, and confirm any revisions mutually considered necessary.

Wealth Preservation: Assessing Capacity for Loss, Knowledge & Experience and Attitude to Risk

Once we have gathered detailed information on our client's existing assets, liabilities, income, and expenditure, assessed the appropriateness of their current investment risk strategy and evaluated our client's goals; to recommend a suitable asset allocation and investment strategy, we will undertake several assessments.

To determine "how much risk?" our client can or is willing to tolerate we need to explore further aspects of their wealth planning such as their; investment time horizon, knowledge and experience, affordability to lose money (capacity for loss), attitude to risk, and required rate of return to meet their lifetime goals and standard of living. The following demonstrates how we consider assessing all these factors to determine a suitable investment strategy.

Assessing our client's knowledge & experience

It is imperative that we explore whether our client should be investing in the first place. What is their capability to invest and how much should they set aside as an emergency fund? We challenge the norm, our client biases, our biases, pre-disposed judgements about investing to ensure best advice practices are adhered to safeguard our clients. Some of the questions we ask will help us and our client to understand whether they can tolerate the ups and downs (volatility & uncertainty) of investing. We may consider some, most or all the following.

- Is our client experienced enough to understand why they are investing?
- Does our client understand the risks and rewards of investing?
- How much of our clients' available capital do they want to or need to invest?
- What level of instant access savings should our client retain in case a financial emergency arises so that they are not pressured into selling investments to the detriment of their longer-term wealth?
- How has our client reacted to differing investment market conditions in the past?
- Does our client require funds to meet any short-term liabilities?
- Is our client prepared to invest for at least 5 years?
- How much is our client willing to commit to investments over the long term?
- Is our client willing to invest capital that could be subject to potentially losses? Some peoples' attitude to risk will evaporate when the potential consequences are explained to them.
- Can our client afford to invest a capital sum or regular payments?
- Will our clients' attitude to investing change based on whether they are investing a capital sum or regular payment?

Assessing Attitude to Risk – Asking our clients psychometric risk questions

Using the Timeline Risk questionnaire, we ask our clients a series of psychometric questions to help determine our client's attitude to risk. The full due diligence behind this is identified in Annex 1: Due Diligence - Risk Profiling Tool. There are many tools available within the market. In selecting our preferred solution, we considered the feedback in FSA's Finalised Guidance: Assessing Suitability, March 2011 http://www.fsa.gov.uk/library/policy/final_guides/2012/fg1216.

Why do we ask our clients to take the Timeline Risk Tolerance Profile?
Some people have an instinct for avoiding risk, while others are drawn to it like fireflies. The Timeline Risk Tolerance profile allows us to pinpoint our client's natural tolerance for risk, so we both know exactly where they stand. When we do that, we know how much they are willing to let their portfolio

dip for the chance at some above-average returns. We can even use it to assess the risk tolerance profiles of couples, ensuring we reconcile any differences between each partner long before there is ever a problem. It means less stress and panic for our clients and better long-term advice from us. What our clients expect from Timeline, our selected risk questionnaire partner.

- Gain a better understanding of our client's financial self and financial risk.
- Highly personalised report.
- Better understand how our clients risk tolerance relates to alternative portfolio outcomes through the Timeline Risk and Return Guide.
- We get to know our clients' needs faster and more accurately resulting in better advice.
- Both our clients and us value the outcome of a planning process where our clients can make even smarter informed decisions as to the financial risk in their plan.

Assessing capacity for loss

Capacity for loss is "our clients' ability to absorb falls in the value of their investment. If any loss of capital would have a materially detrimental effect on our clients' standard of living, this should be considered in assessing the risk that they are able to take." In other words: if our client invests in something and it drops in value, can our client withstand the fall both emotionally and in terms of the monetary loss? And if so, for how long?

How do we assess this? By doing what we do best – holistically getting to know our client through in-depth fact-finding discussions, truly listening and piecing together all the important details of our clients' history, future goals, values, wants and needs. We will:

- assess our clients' circumstances, goals, values, and financial situation.
- understand our clients' attitude to risk and knowledge and experience.
- determine their time horizon for each goal and the amount they can save.
- assess the required rate of investment return to deliver their goals.
- Understand our clients time horizon for investing.
- stress test our client's capacity for loss using financial modelling.
- regularly review all aspects in case our clients' circumstances and/or finances change.

There is not a one size fits all approach to assessing capacity for loss. Instead, there are several methods and tools we use, including financial modelling and capacity for loss questionnaires.

Where it can be demonstrated that our clients' assets are significant and that their assets could significantly fall in value without affecting our clients' ability to draw the level of income they need, they would appear to have some capacity for loss. For example, if our client has a large drawdown fund, takes a relatively small income, and has several other assets that could also be used to generate income if needed. However, where our clients' assets are less substantial and there's a risk that if, for example, a fall in the value of these assets could mean that our client could run out of money if they are reliant on drawing income directly from them, then they do not have any capacity for loss. In this situation a pension annuity could ensure that our clients' income needs are satisfied where there is no capacity for loss. In addition, it can also be used to help to deliver a secure income for our clients with greater assets, in effect helping to establish their capacity for loss. For example, if our client needs £12,000 annually to meet their personal minimum income requirement (PMIR), then buying an annuity to deliver this level of income could give them some capacity for loss in their other assets. It means that they could potentially tolerate a level of risk with any additional assets that they may have, knowing that their base minimum income requirement was secure. Put simply, they may not want their assets to fall in value, but they could tolerate such a fall if it happened.

Capacity for loss is partially determined by our client's attitude to risk and knowledge and experience i.e., can they sleep at night knowing the level of risk they have accepted for their investment strategy.

Therefore, understanding our client's attitude to risk (tolerance for risk) and their previous knowledge and experience is vital to understand their capacity for loss and match their risk profile with their investment strategy.

Capacity for Loss vs Attitude to Risk

Establishing our clients' attitude to risk is about asking how much risk they can tolerate. When asked how much risk they want to take with their assets, many people might say "none at all" or "as little as possible". Conversely, if we re-phrase this and ask our client how much investment return, they would like they may reply "as much as possible or "a lot" or the "highest return without any risk".

However, the truth of the matter might be different: once they've agreed their financial objectives – for example, keeping hold of their assets to pass on to their family whilst taking a sustainable income for life that keeps pace with inflation – then it might become apparent that an element of risk is not just a factor, but is in fact inevitable. It is also proportional: the greater the need for income and capital control, the greater the level of risk that will need to be taken on. For example, someone who wants a 3% income that keeps pace with inflation clearly will not need to assume as much risk as someone who wants a 6% income that keeps pace with inflation. If it is established that our client does have some capacity for loss, the next step is to assess the level of risk they are prepared to accept to achieve their objectives. Our client needs to understand that if things go well, they'll achieve their objective, but also that if things do not go well, not only will they not achieve their objective, but that they could be worse off – and in some cases, considerably so.

One without the other? So, what happens when our client has a capacity for loss, but no attitude to risk? Technically they could start drawing on capital because they could withstand any market volatility, but with no attitude to risk they're unlikely to welcome the experience of watching their fund value fall and rise in value – something we'll refer to as "investment reflux". The possibility of a better outcome could be outweighed by the risk of their assets falling in value – it is a long way from the comfortable and stress-free retirement of their dreams. Alternatively, our client may have an appetite for risk, but no capacity for loss – for example, if they have a pot of £60,000 and need more income than the 5-6% pa they can secure from an annuity. Our client could generate the income they need but it is likely to require a higher level of investment risk, some may be prepared to accept this compromise and some clients may not. However, without the capacity for loss that comes from other assets, or enough income from other sources to meet their income requirement the effect on their retirement could be catastrophic. The message here is very clear. If our client intends to draw on capital to deliver some or all their income, it is essential that capacity for loss and the appropriate appetite for risk are both present or that our client understands they require an appetite for risk and have capacity for loss too. They need to be comfortable with this concept.

In summary, three key components comprise an individual's true risk profile:

- Psychological willingness to take risk, sometimes called 'risk attitude'
- Financial ability to take risk, or 'risk capacity'
- Need to take risk, including the need to accept risk to meet an objective, avoid falling short of a goal or having wealth eroded by inflation.

We will assess all of these to gauge the level of investment risk our client should accept to potentially meet their goals.

Gauging Capacity for Loss and Attitude to Risk - Considerations and Questions

- How long does our client intend to hold this investment before they start drawing an income from it, or need the capital from it?

- How much would our clients' standard of living be affected if the income from this investment or the capital sum produced by it were to fall below their expectations? We illustrate the impact through use of a cash flow modelling tool or similar output.
- If our client needed sudden access to a lump sum, how likely would they be to take it from this investment?
- Investments can go up or down in value and experts often say you should be prepared to weather a downturn. By what percentage could the total value of our clients' investment go down before this would impact upon their standard of living?
- Approximately how much income does our client have remaining each month, after all monthly expenditure?
- Does our client currently have any debts and if so, how much? (short-term debt such as credit cards, car loans; long- term debt such as a mortgage)
- Is our client anticipating any changes to their current financial circumstances?
- How knowledgeable is our client of investments and their risks?
- Is our client able to save on a regular basis without affecting their standard of living and if so, how much would they be able to comfortably save?
- How many dependants in our clients' family, besides themselves, do they fully or partially support?
- Insurance can cover a wide variety of life's major risks, theft, fire, accident, illness, death. How much cover does our client have?
- Is our client in good health?
- Thinking of our clients' net worth as being what they own. This includes their family home and other personal use assets; minus what they owe. What is the value of our clients' net worth?
- Are they worried about preserving as much capital as possible, either for themselves or beneficiaries of their estate? Or does our client understand that they can strategically erode their capital in a potentially sustainable way to achieve the goals they need.

Assessing the Investment Time Horizon

A time horizon is how long our clients is prepared to invest to reach their goal. Generally, investment time horizons can be split into three segments.

Short Term. Generally, short-term goals are those less than five years in the future. With a short-term horizon, if a drop in the market occurs, the date on which the money will be needed will be too close for the portfolio to have enough time to recover from the market drop. To reduce the risk of loss, holding funds in cash or cash-like vehicles is likely the most appropriate strategy. Money market funds and short-term certificates of deposit are popular conservative investments, as are savings accounts.

Intermediate Term. Intermediate-term goals are those five to ten years in the future. At this range, some exposure to stocks and bonds will help grow the initial investment's value, and the amount of time until the money must be spent is far enough in the future to permit a degree of volatility.

Long-Term. Long-term goals are those more than ten years in the future. More conservative investors may cite 15 years as the time horizon for long-term goals. Over long-term time periods, stocks offer greater potential rewards. While they also entail greater risk, there is time available to recover from a loss.

The answer will help us to decide what type of investment vehicle we should consider, which investment strategy to adopt and/or avoid and how long our client should hold their investment before selling it and/or withdrawing capital and/or income to maintain their lifestyle. Time horizon will also help to determine capacity for loss. The shorter the time horizon typically the less capacity for loss we expect our client to have and vice versa.

The investment time horizon for each client will vary depending on their goals. This in part will be driven by our client. However, we will also assess whether the investment time horizon is realistic given our clients financial capability, capacity for loss and attitude to risk. We will stress test varying financials scenarios to determine and agree a specific time horizon. The investment time horizon will have an impact on the Expected Required Investment Rate of Return our client needs to deliver their goal/s.

Analysing the Expected Required Investment Rate of Return (ERR)

The required rate of return (hurdle rate) is the minimum annualised return that our client is expecting to receive and/or needs to receive for their investment to achieve their goal/s. Essentially, the required rate is the minimum acceptable compensation for the investment's level of risk.

To finalise and agree the ERR benchmark our client should aim for we will consider our client's attitude to risk, capacity for loss, knowledge and experience, investment time horizon, their financial resources and capability to save as well as their circumstances. We will collaboratively agree an investment strategy in line with our client's expectations and recommendations.

The required rate of return is a key concept in wealth planning as it joins the dots between investment time horizon, goals, attitude to risk, capacity for loss and the recommended investment strategy.

It is possible that our client requires a higher rate of return to achieve their goals set out in their Financial Masterplan than their attitude to risk, knowledge, and experience and/or capacity for loss dictates. We work with our clients to help them understand the relationship between these areas. For example, our client might not be able to 'stomach' the investment risk and volatility that comes with the ERR required to achieve their goals. Conversely our client's capacity for loss and financial position may mean that they can accept an increased investment risk than their attitude to risk dictates.

We will compare varying investment risk scenarios to educate our clients so that that they can make informed financial decisions and agree a risk profile and investment strategy that they are comfortable with. This therefore may mean that they deviate from their attitude to risk score and either; accept an increased attitude to risk and higher risk investment strategy to potentially achieve the goals they require or reduce their lifestyle expectations to establish a lower risk profile and in turn a lower expected rate of investment return. One cannot exist without the other as risk/return are related.

Stress testing Capacity for Loss, Knowledge & Experience and Attitude to Risk

To enable us to quantitatively evaluate our client's position we do this by using various financial software and tools such as Voyant, Timeline and Monte Carlo simulations. Using these tools, we stress test their financial masterplan and investment strategy to underpin our recommendations

By stress testing our client's decisions before they are made, we can determine the investment risk our client can tolerate and their required investment rate of return to potentially deliver the financial resources our clients require to meet their lifelong goals. We will compare any anomalies and reconcile any differences to find a collaboratively agreed investment strategy before we move forward to the recommendation and implementation phases of the advice process.

Attitude To Risk – The Profiles

The Timeline RiskProfiler calculates our client's level of risk based on three factors.

- Your attitude to risk after tallying your score
- Your experience and knowledge of investments. We see how much you have already experienced these risks and have knowledge of them. The more experience you have, the higher your risk score can be.
- How your finances would cope in the worst-case scenario. We check how your finances would cope if everything went wrong, so we can ensure that any losses you may incur will remain financially bearable. The lower your capacity for loss, the lower your overall risk score will be.

Coupled with this The Timeline RiskProfiler also calculates our client's current investment strategy, and provides a result from 1 to 10, with 1 being an investment strategy with lower, stable returns through to 10, offering higher, volatile returns.

Finally based on the output from our client's answers to the specific set of questions in our questionnaire The Timeline RiskProfiler suggests an appropriate investment strategy, again from 1 to 10, for our client and compares this to our client's current investment strategy to determine if there is a mismatch.

From this output, discussions with our client and wealth planning analysis of our own we recommend a suitable investment strategy for our client to help them "potentially make their financial resources last as long a possible". Clearly there are no guarantees and there maybe some uncomfortable financial decisions to be made however we feel that this approach offers our client's a robust process to implement an investment strategy and financial plan that meets their needs and timeframe.

Here is an example of the outputs risk mapped to our clients' risk score.

GLOBAL ASSET ALLOCATION

ASSET CLASS	BETAFOLIO 0	BETAFOLIO 10	BETAFOLIO 20	BETAFOLIO 30	BETAFOLIO 40	BETAFOLIO 50	BETAFOLIO 60	BETAFOLIO 70	BETAFOLIO 80	BETAFOLIO 90	BETAFOLIO 100
Bonds	98.0%	88.0%	78.0%	68.0%	58.0%	48.0%	38.0%	28.0%	18.0%	8.0%	0.0%
Equity	0.0%	10.0%	20.0%	30.0%	40.0%	50.0%	60.0%	70.0%	80.0%	90.0%	98.0%
Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

RISK PROFILING TOOL

	BETAFOLIO 0	BETAFOLIO 10	BETAFOLIO 20	BETAFOLIO 30	BETAFOLIO 40	BETAFOLIO 50	BETAFOLIO 60	BETAFOLIO 70	BETAFOLIO 80	BETAFOLIO 90	BETAFOLIO 100
FinaMetrica Best Fit Risk Score	0 - 20	21 - 30	31 - 37	38 - 44	45 - 50	51 - 56	57 - 62	63 - 68	69 - 76	77 - 86	87 - 100
Oxford Risk Rating	Medium-Low	Medium-Low	Medium-Low	Medium-Low	Medium	Medium	Medium	Medium	Medium	Medium-High	Medium-High
Dynamic Planner Risk Score	2.00	3.00	3.00	4.00	4.00	5.00	5.00	6.00	6.00	7.00	7.00

RISK METRICS

	BETAFOLIO 0	BETAFOLIO 10	BETAFOLIO 20	BETAFOLIO 30	BETAFOLIO 40	BETAFOLIO 50	BETAFOLIO 60	BETAFOLIO 70	BETAFOLIO 80	BETAFOLIO 90	BETAFOLIO 100
Portfolio Benchmark	RPI -1%	RPI -0.5%	RPI	RPI +0.5%	RPI +1%	RPI +1.5%	RPI +2%	RPI +2.5%	RPI +3%	RPI +3.5%	RPI +4%
Average Nominal Returns (Gross)	6.98%	6.02%	6.61%	7.25%	7.86%	8.67%	9.37%	10.24%	11.11%	11.99%	14.95%
Average Real Return (Net)	0.34%	0.15%	0.05%	1.36%	2.11%	2.84%	3.48%	4.07%	4.56%	4.92%	7.35%
Average Volatility	7.38%	7.06%	7.27%	7.38%	7.96%	8.8%	9.75%	10.7%	11.39%	13.38%	14.57%

Figures reflect tested data for the period 1926-2020. In cases where the min return is a positive number, the red bar still portrays the min return but with a positive percentage.

Strategic Asset Allocation (SAA)

Once we have assessed and determined our client's capacity for loss, knowledge & experience, and attitude to risk, we are now able to select a suitable asset allocation model to potentially deliver the financial outcomes they need to reach their specific goals within the specified timeframe.

The approach we follow is to find the allocation that offers the best average return over the wide variety of simulated situations for a given level of risk or uncertainty about the full range of outcomes. As such the portfolios we have built are "efficient" – their expected returns are not matched by any lower risk portfolio. The portfolio risk definition is consistent for each increase in portfolio risk. The portfolios are calculated to be "efficient" for investments made at that time and held for the duration of the client's investment objective. Based on our current selected Discretionary Investment Manager our clients' risk tolerance score is mapped to a particular investment strategy and asset allocation. This enables an apples-to-apples comparison between risk tolerance and investment risk.

Six steps to determine a suitable Strategic Asset Allocation (SAA)

Step One
Once our client has completed the Timeline risk test, we review the report with our client. Our client confirms they are comfortable that the score reasonably represents their risk tolerance.

Step Two
We map our clients' risk tolerance score to a specific asset allocation in the portfolio suite shown on the next page. Each risk profile has an increased allocation to growth assets (more risk) and mapped to our client risk profile score. This is an indication of how likely the fund will deliver returns and volatilities that meet our client's emotional preferences. Timeline Risk Tolerance Score Mappings for the chosen Discretionary Investment Manager model portfolios. We would expect that for each increase in risk tolerance our client should expected (but not guaranteed) a higher rate of return and higher volatility (ups and downs in portfolio value) to achieve that potential return and vice versa.

Step Three
We can then test the extent to which that investment strategy is likely to meet our client's needs as they fall due within their capacity for loss.

Step Four
It is possible that the investment strategy that mapped to risk tolerance may not meet our client's financial needs or loss capacity. In that case our client will likely need to make some trade-offs in collaboration with us. It may lead to adjustments to our client's financial masterplan that includes goal and behavioural changes or the selection of an investment strategy that's less consistent with their risk tolerance.

Step Five
We should keep clear records of the discussion and reasons for the investment strategy selection.

Step Six

If agreed with our client, on a regular basis we should review how well the investment strategy continues to map to our client's risk tolerance, financial needs, and loss capacity.

The asset allocation models set out on the previous page do not consider specific 'cash' held in platform or product cash accounts and the cash held in our client's own cash savings to provide an overall risk level. We feel that this will be determined in part by other factors such as adviser fees, product or platform fees, income, or capital withdrawal requirements, emergency fund requirements and our client's tax, financial and risk tolerance position. The outcome, for investing an element of our client's portfolio in cash, will be dependent on each clients' circumstances and their specific ongoing requirements. For example, a client wishes to invest £100,000 and we have identified that the client should hold £5,000 in investment cash. Therefore £95,000 will be invested in risk group 1 -10 according to their attitude to risk.

It is therefore possible that our client could invest in a portfolio with a higher risk profile than their agreed risk tolerance but when the product cash account and their own cash savings are considered the risk profile fits with their natural attitude to risk. Conversely, we may invest in a portfolio that agrees to their risk profile but when we include cash holdings it could mean that the investment strategy has a lower risk profile and therefore an overall lower expected rate of investment return. We will clarify this point with clients to ensure they are aware of the expectations of the investment strategy and how this meets their needs.

Risk Maps

We have three types of model portfolio: Classic, Tracker & ESG. For further information on each please ask us and we will supply you with additional material.

Our Model Portfolio Service:

We have several types of model portfolio available to our clients, seven risk profiles and several strategic asset allocations to correspond to each risk profile. Here is the potential expected rate of investment return and the level of volatility our clients may expect from each investment risk profile/model portfolio.

Expected Rates of Investment Return (ERR)

The expected rate of return is calculated as the weighted average of the estimated returns of each asset class in any given portfolio. Returns shown are gross and no allowance has been made for normal costs associated with investing such as tax, fund management, adviser, and custody costs. It is important to note that there is no guarantee that the ERR and the actual rate of return will be the same. The sum of the past is often the best estimate of the future returns, however there is a consensus in economists and consequently financial services regulators that future returns are not likely to be as generous as they have historically been. We offer no opinion on future returns rather we create a range of estimated returns for each asset class for various reputable sources and select a value at the conservative end to use as the ERR. These rates also do not include inflation.

Expected Risks: Standard Deviation (Volatility)

Standard deviation is a statistical measurement that, when applied to our model portfolios, expresses its volatility, or risk. It shows how widely a range of returns varied from the portfolios average return over a period. A low standard deviation means that most of the numbers are close to the average. A high standard deviation means that the numbers are more spread out. For example, if a fund had an average return of 5%, and its volatility was 15, this would mean that the range of its returns within one standard deviation had swung between +20% and -10%. Another fund with the same average return and 5% volatility would return between 10% and nothing, but there would be no loss in most cases. The estimated future standard deviation is obtained from simulated portfolio returns from January 1956 through to the present day. For standard deviation, the past volatility is the best indicator of future volatility.

Performance Table | Performance Graph

BETAFOLIO PORTFOLIOS	ANNUALISED PERFORMANCE (%)				ANNUALISED VOLATILITY (%)				MAX DRAWDOWN (%)	DOWNSIDE RISK (%)	HISTORIC YIELD (%)
	1-YEAR	3-YEAR	5-YEAR	7-YEAR	1-YEAR	3-YEAR	5-YEAR	7-YEAR	3-YEAR	3-YEAR	1-YEAR
Betafolio 0	0.29	2.31	1.87	2.51	2.97	3.12	2.88	3.99	-4.94	3.25	0.50
Betafolio 10	1.18	3.35	2.59	3.39	2.84	3.19	2.95	3.80	-6.59	3.49	0.54
Betafolio 20	2.06	4.37	3.21	4.20	3.34	4.16	3.77	4.27	-8.30	4.01	0.59
Betafolio 30	2.86	5.43	3.97	5.02	4.19	5.58	5.00	5.21	-10.83	6.19	0.64
Betafolio 40	3.70	6.39	4.60	5.78	5.16	7.18	6.39	6.41	-13.31	7.94	0.69
Betafolio 50	4.58	7.47	5.29	6.60	6.21	8.88	7.87	7.75	-15.88	9.02	0.74
Betafolio 60	5.23	8.35	5.84	7.27	7.23	10.64	9.40	9.24	-18.56	11.86	0.78
Betafolio 70	6.03	9.39	6.53	8.09	8.23	12.43	10.98	10.64	-21.31	13.87	0.83
Betafolio 80	6.67	10.33	7.11	8.78	9.20	14.26	12.55	12.14	-24.01	15.87	0.88
Betafolio 90	7.43	11.30	7.72	9.52	10.14	16.13	14.17	13.87	-26.66	17.96	0.93
Betafolio 100	7.93	11.99	8.12	10.03	10.86	17.62	15.46	14.90	-28.72	19.61	0.97

Performance Table | Performance Graph

BETAFOLIO ESG PORTFOLIOS	ANNUALISED PERFORMANCE (%)				ANNUALISED VOLATILITY (%)				MAX DRAWDOWN (%)	DOWNSIDE RISK (%)	HISTORIC YIELD (%)
	1-YEAR	3-YEAR	5-YEAR	7-YEAR	1-YEAR	3-YEAR	5-YEAR	7-YEAR	3-YEAR	3-YEAR	1-YEAR
Betafolio ESG 0	1.19	-	-	-	2.75	-	-	-	-	-	0.55
Betafolio ESG 10	-0.28	3.15	2.55	2.85	2.72	3.12	2.88	2.88	-5.92	3.42	0.54
Betafolio ESG 20	0.83	4.45	3.48	3.82	3.15	4.03	3.68	3.66	-7.33	4.52	0.54
Betafolio ESG 30	1.43	5.74	4.38	4.79	3.86	5.37	4.86	4.79	-9.36	6.06	0.55
Betafolio ESG 40	2.28	6.98	5.27	5.74	4.74	6.90	6.22	6.09	-11.44	7.67	0.54
Betafolio ESG 50	3.18	8.20	6.18	6.68	5.69	8.53	7.66	7.48	-13.88	9.44	0.54
Betafolio ESG 60	4.00	9.46	7.03	7.59	6.69	10.24	9.15	8.93	-16.12	11.37	0.54
Betafolio ESG 70	4.78	10.72	7.88	8.54	7.70	12.00	10.70	10.42	-18.55	13.46	0.54
Betafolio ESG 80	5.56	11.85	8.71	9.39	8.73	13.81	12.27	11.94	-20.96	15.39	0.54
Betafolio ESG 90	6.40	13.09	9.55	10.30	9.77	15.68	13.89	13.49	-23.37	17.41	0.54
Betafolio ESG 100	6.88	13.88	10.13	10.97	10.60	17.18	15.19	14.74	-25.31	19.01	0.54

Performance Table | Performance Graph

BETAFOLIO TRACKER PORTFOLIOS	ANNUALISED PERFORMANCE (%)				ANNUALISED VOLATILITY (%)				MAX DRAWDOWN (%)	DOWNSIDE RISK (%)	HISTORIC YIELD (%)
	1-YEAR	3-YEAR	5-YEAR	7-YEAR	1-YEAR	3-YEAR	5-YEAR	7-YEAR	3-YEAR	3-YEAR	1-YEAR
Betafolio Tracker 0	-1.81	2.91	2.30	2.38	3.83	4.38	3.94	3.91	-7.33	4.89	1.13
Betafolio Tracker 10	0.13	4.77	3.63	3.72	3.91	4.33	3.92	3.85	-8.21	4.79	1.15
Betafolio Tracker 20	0.59	5.71	4.37	4.82	3.50	4.52	4.30	4.25	-8.50	4.97	1.17
Betafolio Tracker 30	2.01	6.52	5.16	5.56	4.28	5.64	5.21	5.36	-10.76	6.39	1.20
Betafolio Tracker 40	3.30	7.92	6.08	6.58	5.19	7.21	6.47	6.38	-12.89	8.19	1.22
Betafolio Tracker 50	4.56	9.08	6.93	7.51	6.08	8.75	7.83	7.70	-14.75	9.87	1.24
Betafolio Tracker 60	5.59	10.18	7.78	8.44	6.91	10.23	9.24	9.08	-16.56	11.56	1.27
Betafolio Tracker 70	6.36	11.67	8.72	9.45	7.61	11.82	10.79	10.56	-19.26	13.22	1.29
Betafolio Tracker 80	8.43	13.31	9.81	10.93	9.32	14.80	13.07	12.56	-22.43	16.33	1.31
Betafolio Tracker 90	9.24	14.14	10.43	11.30	9.94	16.09	14.21	13.74	-24.02	17.76	1.33
Betafolio Tracker 100	10.28	14.97	11.03	12.06	10.58	17.37	15.35	14.88	-25.36	19.17	1.35

Continually determining the level of risk / return

When 'on-boarding a new client' we will take the necessary steps to determine our clients' needs, attitude to risk, investment time horizon, the required investment rate of return to achieve their goals and their capacity for losing money. We will establish a suitable allocation of their assets and invest their capital in an appropriate investment portfolio. Over time personal circumstances change as does the investment portfolio asset mix. We therefore advocate regular ongoing reviews to ensure there is synergy between our client, their needs, and their investment strategy. This graph shows the correlation between (a) the return required by a client to 'achieve their goals' within the chosen time frame from initially 'on-boarding' a new client in year 1 and (b) the actual return a client achieves.

At each annual review, our role as wealth planners is to assess any differential between the required rate of return and the actual rate of return and subsequently recommend a suitable level of risk for the forthcoming year to enable our client to potentially reach their goal. The level of return required will determine whether the client accepts the inherent level of risk, has enough capacity to lose money, has enough tolerance of risk to meet their goals or adjusts their expectations accordingly.

We do not advocate simply adjusting a client's risk profile on a year-on-year basis if there is a variance between the required rate of return and the actual rate of return. The adviser should clearly demonstrate that there is a significant reason for changing the client's attitude to risk and subsequent asset allocation for the long term. Our adviser should also consider other factors such as capacity for loss or a change in need or time horizon and clearly demonstrate why a change in asset allocation and attitude to risk would be suitable.

Portfolio/Fund Selection

To deliver investment strategies for our clients in line with their needs and our investment philosophy we identified that the chosen Discretionary Investment Manager will deliver the analysis and required fund selection to meet each asset allocation and client risk profile. Please refer to Investment Philosophy for further information regarding our Core Investment Principles.

As part of an on-going review process, the chosen Discretionary Investment Manager will regularly research the funds universe to ensure we have the most efficient portfolios we believe we can build. An ongoing report shows both the funds currently in use, as well as funds that have been considered but have deemed to be unsuitable or to have a better alternative available. Please ask for our latest report for fund choices selected.

We will monitor the chosen Discretionary Investment Manager to ensure their adhere to our core investment principles and manage the model portfolios in line with their agreed mandate. We will replace them if they do not deliver the requisite service, change their core investment principles or we find another solution that suits our targeted client's market.

Substituting our chosen investment funds

The way we have formulated our investment methodology for clients allows each adviser to substitute the investment philosophy, provided that the new recommended solution adheres to the Strategic Asset Allocation as outlined in this document and our clients attitude to risk and capacity for loss. This means that each adviser can tailor an investment strategy for their client based on the needs and circumstances of the client and utilise suitable investment funds with the requisite due diligence performed to justify deviating from our chosen investment manager. However, there would need to be a convincing argument to justify why a client might be better off using an alternative strategy than the one we use that incorporates our Investment Philosophy and Core Investment Principles. In short, it is highly unlikely that we would accept a client if our Investment Philosophy and Core Investment Principles are not suitable but as independent wealth planners this could occur. All relevant analysis and background checks should be conducted to evidence why a fund selected by our chosen Discretionary Fund Manager has not been used and why an alternative solution is better suited. All funds and portfolios must be fully researched and evidence to qualify a specific recommendation must be clearly justified.

Identify a suitable investment instrument or universe

Having settled on a Strategic Asset Allocation and a method for delivering our clients investment strategy time we now decide how to build an investment portfolio for our clients to deliver their requisite risk/return to meet their unique circumstances.

- Generally, investments will be restricted to equities, gilts and other fixed interest/bond investments, unit trusts, investment trusts, open-ended investment companies, exchange traded funds, other collective investments, and cash. There are no restrictions on us regarding the type of investment or markets in which funds can be invested.
- Selected investment funds are typically index trackers.
- This gives us and our clients' access to some of the world's best investment managers, liquidity, and investment processes for each part of the portfolio; a far better approach than to build portfolios of individual investments ourselves based on our Core Investment Principles.
- Passive funds, index trackers and ETFs are lower cost and shadow a benchmark, such as the FTSE 100, reflecting growth in the asset class or index concerned. Active fund managers, by contrast,

believe the markets are intrinsically inefficient and seek to beat the average return by identifying and profiting from perceived mispricing.

- We can access the whole market for our clients, if required.
- As we have already identified that we do not advocate an investment strategy other than using passive funds/tracker funds or funds that include a factor-based investing approach we will not work with clients that wish to deviate from this unless there is sufficient reasoning.
- Some clients may have specific requirements such as ethical investing preferences. We can incorporate some element of ethical investing; however, this will usually still incorporate some element of non-ethical investment selection if a suitable ethical fund cannot be found that adheres to our Core Investment Principles and Investment Philosophy.
- Our ethical portfolios are primarily driven by our Core Investment Principles and therefore should a client require a full suite of ethical investments. If our client requires a full ethical investing experience, we can accommodate this by using an outsourced investment partner. In this situation we would still be our client's wealth planner and the outsourced partner would be reasonable for the investment strategy in line with our client's attitude to risk, capacity for loss and knowledge and experience.
- Where possible, we will recommend using income units for clients and that they be swept to the cash account of their portfolio to fund, fees, charges, income withdrawals.
- For some investors, alternative and specialist funds consist of more unusual investments like hedge funds, private equity, and commodities, such as forestry and property. It is more difficult to try to control the risks associated with investment in alternative assets. Some of the investments here have severe limitations on liquidity with infrequent 'dealing' which means that it may not be possible to encash their investment at a time of their choosing, particularly in times of investment market stress. Such investments are not suited for our clients.
- We will however review the use of AIM ISAs, EIS investments, Business Relief Investments and VCT investments for some clients that require an element of tax planning for their financial masterplan. Even for those investors with a greater appetite for risk we advocate their core portfolio is in place first before they consider such investments. Nevertheless, for those willing to accept the risks we will consider investments they make under their own volition as part of their overall asset allocation. As a rule of thumb, we earmark and advocate around 5-10% of our clients' net worth in such investments and we will incorporate the risks of these assets in an investment strategy and asset allocation to meet our client's capacity for loss, knowledge & experience and attitude to risk.
- We will adjust our clients core investment strategy in line with their risk profile where possible to accommodate such investments.
- In determining a suitable investment strategy, we therefore consider whether our client:
    - prefers active, passive, or ethical funds
    - wishes to consider alternative funds
    - requires investment into AIM ISAs, EIS investments, Business Relief Investments and VCT investments
    - has a specific reason for selecting or deselecting a particular asset or asset class?
- If our adviser concludes that an alternative investment is required, or a particular strategy whereby we have limited expertise, we will discuss this with our client and where we are unable to advise in such an area, we will consider introducing them to a third party who has the requisite experience necessary to advise them accordingly.
- It is possible, where a client has an investment that we do not act for or advise on, that other parts of our client's portfolio that we do act on should be adjusted accordingly to maintain the overall risk group to coincide with our client's attitude to risk including a capacity for loss assessment.

Wealth Enhancement: Tax and Administrative Solutions

Once we have determined our client's investment strategy based on the factors discussed so far, the next step is to recommend a suitable tax and administrative solution from our independent research. These solutions should suit our clients' needs, mitigate taxes where suitable to their situation and reduce the administrative burden of managing their wealth.

- There are several different tax wrappers in which investments can be held. These include pensions, ISAs, unit trusts, OEICs, onshore bonds, offshore bonds, VCTs, EISs or other trusts investments.
- Each is treated differently from a taxation point of view and may also involve restrictions on the types of investments that can be made.
- Based on our understanding of our client's situation and future we will recommend a suitable vehicle and explain the reasons for these choices.
- There are different several products and platform solutions that can provide the administrative, tax and legislative requirements to allow our clients to invest.
- We will independently research a suitable solution for each client. Our decision might include consideration of one or more of the following:
    - Does our client require online access?
    - What tax wrappers are suited for our client?
    - What level of control does our client require?
    - Is there enough level of investment funds to choose from to meet their needs?
    - Are the charges competitive?
    - Can our model portfolio service be accessed?
    - What might our clients financial position look like in the future?
    - Does our client require valuations 24 hours a day, 7 days a week online?
    - How does our client wish to interact with the product or platform provider?
    - What are the administration standards like for each provider we could use?
    - Is there a requirement for our client to receive consolidated reports for tax purposes?
    - Does our client require wealth enhancement and/or wealth transfer as part of our service?
    - What is the financial strength of the platform or provider?
    - Can the product provider or platform cope with the administrative and legislative requirements of pension planning to enable us to advise our client to a high standard?
    - Does our client require complexity or simplicity?
    - Can our client set up investment instructions in accordance with their needs and wishes?
    - Would our client benefit from linking family members?
    - Does our client wish to incorporate their family members or wider family in their wealth planning?
- There are several product provider and platforms available and we use the most suitable one in each situation however we have a preferred platform that usually meets the needs of our target market. If it does not, we will recommend an alternative for our client. Please refer to Annex 4: Due Diligence – Platform & Product Providers

Selection of Provider, Product and/or Platform

On selection of the funds, a scheme provider or platform will be chosen to provide the tax wrapper and administrative custodianship of our client's investments. This is the final piece in the jigsaw and will effectively deliver the implementation of the tax wrappers, investment strategy and the efficiency of the service we can offer.

For certain types of arrangements, the product and its features may drive the choice of provider prior to the fund selection (i.e., pension drawdown or specific tax or trust wrappers). However, if a client agrees to work with us, in the main, our investment philosophy will dictate the platform or provider we use provided a suitable tax wrapper can be used. Where the portfolio consists of a range of funds and/or additional functionality is required, we may use the services of a platform provider. We research the platform market on a regular basis to select the platform(s) we consider most appropriate for our clients, but also assess its appropriateness for each client objective. To research platform and/or product providers, we use the information gathering from Adviser Asset. See Annex 3: Due Diligence – Research Tools & Platforms Due Diligence for the due diligence to support this process.

Not all products or solutions can be researched from the above tool and where this arises, additional sources of research will be used. This might be relevant for investments in AIM ISAs, Business Relief Investments, VCTs and EISs.

- www.trustnet.com
- www.structuredproductreview.com
- www.futurevc.co.uk
- www.taxshelterreport.co.uk
- www.taxefficientreview.com
- www.micap.com
- www.defaqto.com

Other assets and policies

It can be quite usual for our clients to have investment, pension, tax vehicles and trust arrangements that are not suitable for transferring on to a platform or to another product. This is commonplace when there are tax and cost implications to change any existing structure or when there are guarantees that or client would lose by virtue of moving i.e., safeguarding rights such as Guaranteed Annuity Rates. When it is suitable for our client to retain their existing policy, we will recommend this, but it does not mean we cannot work with our client on an ongoing basis. In these situations, our service can include such policies as part of our overall analysis and stress testing however our client will be required to understand that there is a fair chance that the price for our work will be higher as a result. This will be reflected in the 'Ongoing Wealth Planning' proposal and letter of engagement.

Post Transaction

It is our preference to regularly review the investments we have arranged on behalf of our clients. This is to ensure they all remain suitable for our client. This is our duty of care. Our ongoing proposition is confirmed in our 'Ongoing Wealth Planning' proposal and letter of engagement. The full costs of our services are detailed within this and are agreed with the client when the transaction has been arranged. We constantly review all aspects of our services to ensure they remain suitable and appropriate. These reviews are carried out following gathering of internal management information and through direct discussions with our clients. We fully advocate a regular review service for client where we can add value. However, it may be suitable for our client to have a lighter touch service, and this will be considered.

Annex 1: Due Diligence - Risk Profiling Tool

Due Diligence – Risk Profiling Tool

Name of risk profiling tool:	**TIMELINE RISKPROFILER**
Planned frequency of review:	**Annual**
Month & Year of Review:	**DECEMBER 2021**
Completed by:	**SAM WHYBROW**

1. Assessing a client's risk tolerance and capacity for loss is not only a regulatory requirement, but also an important aspect of delivering the best client outcome.

Many existing risk profiling tools on the market are not fit-for-purpose. Not only do they lack robust foundations, but they also often ask leading questions, have a flimsy approach to assessing risk capacity and conflate volatility and risk, thereby actively discouraging equity risk-taking in a way that is damaging to the long-term objective of most clients.

As a recognised leader in the application of empirical evidence to financial planning and decumulation, Timeline has applied its rigorous approach to the process of risk profiling based on extensive academic research. Our robust modelling based on 120-year asset class data enables them/us to look at investment risk from a unique vantage point that other existing risk profiling tools lack.

Furthermore, Timeline's technology captures detailed information about the end clients (including age, relationship status, income, expenditure, and financial goals), enabling us to undertake a robust assessment of the likely impact of falls in asset value on the client's objectives and lifestyle, rather than through the misguided, abstract lens of 'volatility' that is typical of other risk profiling tools.

Using relevant questions that are clear, fair, and not misleading, the Timeline Risk Profiler generates clear descriptions on how clients might view risk and loss. It puts this into context as to how an investment portfolio might then be appropriately structured. We can also download inputs and resulting output in an easy way for client reports.

2. The science behind Timeline risk assessment

As per FCA suitability requirements under COBS 9.2, the Timeline RiskProfiler looks at the following components of risk profile:

- Attitude to risk and volatility
- Knowledge and experience of investments
- Capacity for loss

This approach is guided by extensive academic evidence and regulatory requirements which are summarised below.

<u>**Regulatory Requirement**</u>
The regulatory obligation to place knowledge and experience, as well as capacity for loss at the centre of risk profiling is documented in COBS9.2.2R as follows:

1. A firm must obtain from the client such information as is necessary for the firm to understand the essential facts about him and have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered while managing:

- meets his investment objectives.
- is such that he is able financially to bear any related investment risks consistent with his investment objectives; and
- is such that he has the necessary experience and knowledge to understand the risks involved in the transaction or in the management of his portfolio.

2. The information regarding the investment objectives of a client must include, where relevant, information on the length of time for which he wishes to hold the investment, his preferences regarding risk taking, his risk profile, and the purposes of the investment.

3. The information regarding the financial situation of a client must include, where relevant, information on the source and extent of his regular income, his assets, including liquid assets, investments and property, and his regular financial commitments.

Academic Underpinning: Literature Review

Below we summarise the key academic literature that supports Timeline's approach to risk profiling.

a. Risk tolerance is domain specific.

Research by Corter and Chen (2006) as well as Weber et al (2002) found evidence that risk-taking behaviour is a situation-specific behaviour, not a general personality trait. This conclusion was supported by the fact that investment risk tolerance, as measured by RTQ score, was not related to a measure of sensation seeking (Zuckerman, 1994). This is also consistent with the findings of Morse, 1998, showing no relationship of sensation seeking and investment risk preferences.

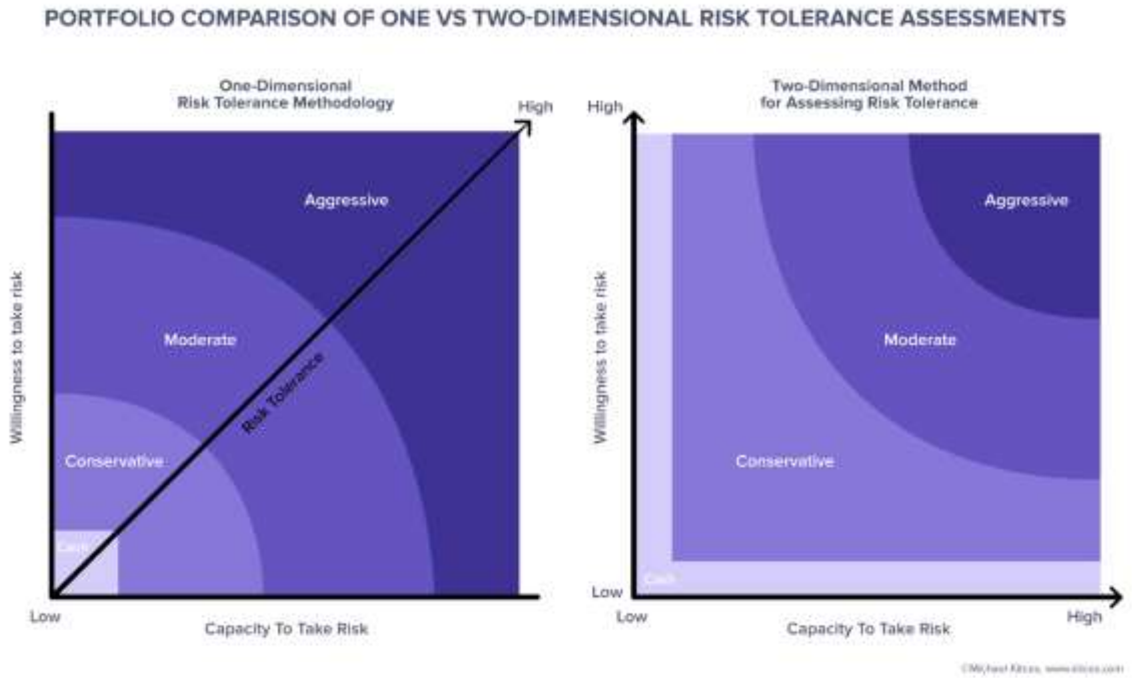
b. There is a strong direct relationship between investment knowledge/experience and risk tolerance.

- There is a consensus among academic researchers that individuals who are more financially literate tend to be more tolerant of risk (Grable and Joo, 1999, 2004; Grable, 2000; Grable and Roszkowski, 2008; Gibson et al., 2013). Furthermore, Grable and Joo (1999) state that financial knowledge is the most important factor for predicting risk tolerance when compared to other factors such as demographics and socioeconomic characteristics.
- Corter and Chen (2006) found that investment experience proved to be an important predictor of risk tolerance, with more experienced investors showing more risk-tolerant attitudes, as well as more risky investment portfolios. The increased risk tolerance with increasing investment experience is consistent with Grable's (2000) results showing that risk tolerance increases with investment knowledge.

c. To be effective, capacity for loss should be scored separately, assessed robustly, and applied as a mediating factor to risk tolerance

Kitces (2017) makes the case for why risk tolerance and risk capacity are two different dimensions of the client's overall risk profile and must be assessed and 'scored' separately to properly recognize the constraining role that each can have on the appropriate investment policy statement.

Kitces proposed a 2-dimensional approach to risk profiling, noting that ***'having a low willingness to take risk, and/or limited capacity to afford risk, should be viewed not just as a component of the risk score, but a constraint to the proper portfolio the investor agrees to in an Investment Policy Statement. Which means investors who have low tolerance or low capacity should remain in conservative portfolios and similarly, investors with "just" moderate tolerance or capacity should stay in moderate portfolios, and not drift up to aggressive just because their other score is high.'***



d. Responses to hypothetical questionnaires are poor predictors of actual behaviour.

Usherwood, 1999 suggests that one should not put too much weight on responses to hypothetical questions:

https://pubmed.ncbi.nlm.nih.gov/1854520/

This view is corroborated by Quantitative UX expert Nikki Anderson who makes a compelling case that people are generally poor at correctly predicting their own future behaviour. She suggests that past behaviour is a much stronger predictor of future behaviour.

e. Understanding a client risk tolerance can be useful in managing client behaviour and helping them to stick to their long-term plan

Guillemette and Finke (2014) suggested that financial planners can be of great value by assisting their clients in developing a long-term strategy to deter them from selling low and buying high because their risk aversion varies in the short-term.

Commitment strategies can be used to influence households' saving and investment behaviour. Because those with more self-control have been shown to be more risk tolerant (Griesdorn et al., 2014), financial advisers may be able to help them become more comfortable taking risk by suggesting some commitment strategies. For example, they could suggest that their clients make a commitment to maintain a particular level of risk in their portfolios. As markets fluctuate, they may be less tempted to adjust their portfolio risk accordingly if they are committed to holding a portfolio with a particular amount of risk.

3. How Timeline applies academic evidence in practice to meet regulatory requirements?

The Timeline Risk Profiler specifically addresses the regulatory requirements set out in COB9.2R by using a questionnaire to assess attitude to risk and volatility, as well as knowledge and experience of investments and we use a client's actual finances to assess capacity for loss.

The specific steps are as follows:

- **Attitude to volatility**

This aspect of the questionnaire is designed to assess how clients might cope with short-term volatility. It is based on the understanding that, while clients are investing for long-term returns, short-term volatility is what they must contend with. Making investments can be a bit of a rollercoaster ride, with markets responding to world events in unpredictable ways. While over the long-term, riskier investment types (asset classes) tend to see higher returns than less risky ones, their values can fluctuate wildly, and so it is important to understand if the client might be uncomfortable at the level of volatility and potential loss their portfolio might experience, even if temporary.

- **Investment knowledge and experience**

One area that differentiates Timeline's approach from most risk profiling tools is that they place greater emphasis on a client's investment knowledge and past behaviour than hypotheticals.
Extensive academic research suggests that an investor's knowledge and experience is one of the most important factors. As shown in the review of risk tolerance research, there is a consensus that individuals who are more financially literate tend to be more tolerant of risk (Grable and Joo, 1999, 2004; Grable, 2000; Frijns et al., 2008; Grable and Roszkowski, 2008; Gibson et al., 2013). Furthermore, Grable and Joo (1999) state that financial knowledge is the most important factor for predicting risk tolerance when compared to other factors such as demographics and socioeconomic characteristics

- **Capacity for loss**

When it comes to deciding how best to invest your client's money, Timeline places a strong emphasis on the client's capacity for loss and uses this as a mediating factor for their willingness to accept risk. According to FG11/05: 'By 'capacity for loss' Timeline refers to the customer's ability to absorb falls in the value of their investment. If any loss of capital would have a materially detrimental effect on their standard of living, this should be considered in assessing the risk that they are able to take.'
To meet this requirement, Timeline applies its 120 years of capital market data to assess how well the client can bear losses that may come from their investments and specifically measure how their standard of living might be impacted in the potential worst-case scenario.

Timeline, and therefore we, can be quite accurate with this by looking at how the scenario with the worst returns from the last 120 years of market history, including the Great Depression and World War II, would impact their overall finances. It considers the client's financial situation (including age, all current and future income sources, portfolio balance etc) as well as their objectives including expected retirement age, income required and other planned expenditure.

Furthermore, Timeline benchmarks their income in the worst-case scenario against the independent PLSA Retirement Living Standards and provide a clear indication of how their essential and lifestyle expenditures might be impacted by any portfolio loss in the worst-case scenario.

4. Here's how Timeline calculate the risk score:

- They calculate attitude to risk based on answers in the questionnaire.
- They assess how reliable this 'risk attitude' score is based on our clients' previous experience and knowledge of investments. If a client has a tolerant attitude to risk, but they don't have the experience or knowledge to know for sure, the algorithm may cap the overall risk score, depending on how high the attitude to risk score is.

- They check whether the risk score arrived at thus far is suitable for the client based on the personal historical worst-case scenario for their yearly spending power. In other words, their Capacity for Loss. They define capacity for loss based on a client's definition of their 'Must Do' and 'Plan To' spending levels. If the client does not define personal levels, Timeline and we, use the research from the PLSA (Pension & Lifetime Savings Association) to ascertain what minimum level of yearly spending is necessary to pay for the essential things in life and whether the client achieves that.

When designing the questionnaire, Timeline apply the following rules:

1. Questions should be open, not leading. This means Timeline do not provide a statement for the responder to agree or disagree with but provide open questions which have multiple potential answers. Leading questions can prejudice a responder to answer in a certain way, rather than letting their uninfluenced answer come out.

a. For example, Timeline ask: *How much short-term volatility would you expect to have to accept to get high long-term results?*

- None
- Little
- Some
- A lot
- Not sure

b. Instead of: *You would need to accept a lot of short-term volatility to get high long-term results*

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Garland[1] (1999) shows the effect on survey results of having no neutral or mid-point on a Likert scale. Participants in a survey were shown either a five point (with mid-point) or four point (no mid-point). This research provides some evidence that social desirability bias, arising from respondents' desires to please the interviewer or appear helpful or not be seen to give what they perceive to be a socially unacceptable answer, can be minimised by eliminating the midpoint ('neither... nor', uncertain etc.) category from Likert scales.

2. Responders should have the ability to answer 'Not sure' on relevant questions, so that they do not answer a question in a random way just so they can move onto the next question.

3. When asking for attitude, be as specific as possible. The more specific the question, the more accurate and less subjective an answer will be.

a. For example, Timeline ask: *The chart below represents 4 investment portfolios in the last 10 years. Although past performance is no guarantee of future results, which portfolio best suits your desired level of risk and return?*

- Portfolio A, [details of portfolio performance]
- Portfolio B, [details of portfolio performance]

- Portfolio C, [details of portfolio performance]
- Portfolio D, [details of portfolio performance]

1 Garland R (1999) The Mid-Point on a Rating Scale: Is it Desirable? Marketing Bulletin, 1991, 2, 66-70, Research Note 3 **https://www.rangevoting.org/MB_V2_N3_Garland.pdf**

b. Instead of: *I am willing to put a significant part of my wealth in high-risk investments.*

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

4. Understand the client's experience and knowledge of investment as a foundation for understanding their attitude to risk. A person's past behaviour is a better predictor of future behaviour than a hypothetical attitude to risk. Attitude informed by experience and knowledge is much more likely to be accurate than an uninformed attitude to risk. This is how Timeline take 'composure' into account, as those with a lot of experience and knowledge will be more likely to stay the course in volatile market conditions than those without.

The results of the Timeline risk profiler provide a better understanding of risk and volatility. Historically, equities have performed consistently better over the long-term than other asset classes like bonds. It would be inaccurate to describe them as higher risk, therefore, but accurate to describe them as more volatile. That is why our 'Risk score' is labelled as 'Appropriate Investment Strategy', with a scale from 1, being the lowest return, most stable investments and 10 being the highest, most volatile returns. This allows us, our client's financial adviser, to have a much healthier and more open discussion about risk with our client, which can lead to the implementation of a more appropriate investment strategy.

5. What Timeline offer	
User Profile	Retail and professional clients
Risk Tolerance	Yes
Capacity for Loss	Yes
Knowledge & Experience	Yes
Inconsistency Alert	No, however we can see all answers to the questionnaire and assess ourselves
Check of Client Understanding	Yes
Risk Rating Outcomes	Yes
No. Questions	18
No. Descriptors	10
Client Completion	Online
Mapped to models/ Mapped Asset Allocation Models Provided	In development
Facility to map to our own models	In development
Branding	Yes, they offer a white label option
Adviser Support	Yes
Standalone or part of a tool	Part of the tool (but it could be separate)
Cost	Included in our Timeline subscription

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Annex 2: Due Diligence - Discretionary Investment Manager (DIM)

RESPONSIBILITIES OF THE ADVISER FIRM

DIM selection

We shall ensure we have conducted sufficient research and due diligence on the DIM that we select to provide the Discretionary Investment Management service.

KYC and Suitability

We shall assess your circumstances and financial planning objectives, knowledge, and experience to ensure that a DIM service is appropriate. We shall ensure that the DIM service and the investment policy or investment strategy of the model portfolios we recommend are suitable such that you are able financially to bear the investment risks and have the necessary experience and knowledge in order to understand the risks involved in the management of the investments.

On-going suitability of the DIM service and Model portfolio

We shall ensure that the DIM service and the investment policy or investment strategy of the model portfolios we recommend remain suitable for your investment objectives and attitude to risk on at least an annual basis.

On-going monitoring of our selection and the DIM service

We shall monitor the performance of the DIM service to ensure the on-going appropriateness of our selection for your overall financial planning and investment objectives.

Reporting

You will be provided with access to an online portal and can view reports uploaded to it by either Us, the platform or the DIM. We shall notify you if the overall value of your portfolio depreciates by 10% (as measured from the beginning of a reporting period) and any subsequent depreciation in multiples of 10%.

Fees and charges

We shall be responsible for notifying you of the fees and charges of the DIM service we select for you.

Tax

We shall be responsible for providing advice to you on the tax implications of the DIM service.

RESPONSIBILITIES OF THE DIM

The discretionary investment manager will:

- Manage your investments in accordance with the investment policy, investment strategy and investment mandate of the model portfolios we have selected for you.
- Ensure its decisions to trade and all transactions are consistent with the terms of the investment policy, investment strategy and investment mandate of the model portfolios we have selected for you.

The Discretionary Investment Manager will NOT:

- Provide you with financial planning or tax advice or assess your suitability for their investment management service.

Regulatory notes

Regulatory consequences of categorisation as a professional client	Our response
1. Information	
a) Communication with clients	
A firm must ensure that its communications with all clients are fair, clear, and not misleading. The way in which a firm may communicate with professional clients (about itself, its services and products, and its remuneration) may be different from the way in which the firm communications with retail clients. A firm's obligations in respect of the level of detail, medium and timing of the provision of information are different depending on whether the client is a retail or professional client.	Although the DIM may treat us as a Professional Client, we will treat you, our investor, as a retail client. We will ensure that the risks of any DIM services we select is explained to you clearly and the risks are clearly disclosed.
b) Information on costs and charges	
A firm must provide clients with information on costs and associated charges. The information provided may not be as comprehensive for professional clients as it must be for retail clients.	We will provide you with clear information on the costs and charges of any services we provide you as well as the costs and charges involved in any DIM service we may select. Under the regulatory system, we are obliged to provide you aggregated costs and charges disclosure on an annual basis. This will include all the costs and charges of investments that we have arranged for you or recommended. The costs and charges of the DIM would be included in this disclosure.
c) Disclosure of risks	

A firm is entitled to assume that a Professional Client has the requisite knowledge and experience to understand the risks involved in investing.	Although the DIM may treat us as a Professional Client, we will treat you, our investor, as a retail client. We will ensure that we assess your knowledge and experience in the investment field relevant to the specific type of investment or service we may recommend. We will also ensure that the risks of any DIM service we recommend are explained to you clearly.
2. Suitability and appropriateness	
If a firm makes a personal recommendation or manages investments for a client, it is required to obtain and consider the following information in relation to the client: • The client's knowledge and experience in the investment field relevant to the specific type of investment or service; • The financial situation of the client; and • The client's investment objectives However, when making a personal recommendation or managing investments to or on behalf of a professional client, a firm is entitled to assume that, in relation to the products, transactions and services for which the professional client is so classified, the client has the necessary level of experience and knowledge to understand the risks involved in the transaction or in the management of his portfolio. This assumption cannot be made for a retail client and firms must assess this information separately.	We will treat you, our Investor, as a retail client. Under the regulatory system we are required to obtain and consider the following information in relation to: • Your knowledge and experience in the investment field relevant to the specific type of investment or service; • Your financial situation; and • Your investment objectives Where we recommend You use the services of a DIM, we will ensure that the services of the DIM are suitable for you at outset and on an ongoing basis.
3. Client money	
The definition of 'client' in CASS includes 'if a person ('C1'), with or for whom the firm is conducting or intends to conduct designated investment business, is acting as agent for another person ('C2'), either C1 or C2 in accordance with the rule on agent as client COBS 2.4.3 R'. Therefore, in the absence of agreement to the contrary, the client would be the adviser and a per se professional client. A firm can obtain written acknowledgement from a professional client to confirm that their money is not subject to the client money rules (CASS 7.10.9 – 10). If a professional client opts-out, its money will be segregated from the money of the firm and used by the firm in the course of its own business, and the professional client will rank only as a general creditor of the firm.	Although the professional client opt-out is available, we will not be agreeing to the opt-out and will request our money is treated as client money in accordance with the client money rules.

4. Financial Ombudsman Service (FOS)	
The FOS handles complaints about investments and resolves disputes for free between financial services companies and their customers without having to go to court. The services of the Financial Ombudsman Service in the UK may not be available to professional clients, unless they are, for example, consumers, small businesses, or individuals acting outside their trade, business, craft, or profession. Given that we will be classified as a professional client and our trade is financial services, we may not be able to take a complaint on your behalf to the FOS. Given that you have no direct contractual relationship with the DIM you may not be able to take your complaint to the FOS.	We operate our own complaints procedure, a copy of which is available on request. Should you wish to make a complaint about the DIM we recommend you would need to complain to us in the first instance.
5. Financial Services Compensation Scheme (FSCS)	
The FSCS exists to protect customers of financial services firms that have failed. If a company you have been dealing with has failed and cannot pay claims against it, the FSCS can step in to pay compensation. We are a member of the UK Financial Services Compensation Scheme. You may be entitled to claim compensation from the FSCS if we cannot meet our obligations to you. This will depend on the circumstances of the claim.	Any DIM that we select will also be a member of the FSCS and your money should be protected. COMP 5.5.1 confirms that 'protected investment business' includes: 'designated investment business carried on by the relevant person with, or for the benefit of, the claimant (so long as that claimant has a claim), or as agent on the claimant's behalf'. COMP 12A.2.2 states: 'If a claimant has a claim as agent for one or more principals, the FSCS must treat the principal or principals as having the claim, not the claimant'.

Due Diligence - Discretionary Investment Manager

Name of Discretionary Firm: **Betafolio**

Planned frequency of review: **Annual**

Month & Year of Review: **October 2021**

Research Source: **DD HUB**

Completed by: **SAM WHYBROW**

Research

1a. Total costs.

- OCF 0.37%pa to 0.40% pa for Betafolio ESG Portfolios including transactions costs, DFM (0.09% pa) and Fund costs. For Classic Portfolios the OCF is 0.36% pa to 0.47% pa and for the Tracker Only portfolios the OCFs are 0.26% pa to 0.35% pa.

1b. Minimum investment amount.

- Dependent on the platform use for each client but generally clients with net worth of between £200k and £10m and Portfolios of between £100k and £5m.

2. How is performance benchmarked? Is this method considered appropriate?

- Each portfolio is measured against RPI + or - 0.5% depending on the equity content. The higher the equity content the higher the expected return. its relevant Market Benchmark. In turn, we measure against the suitable Investment Association sector and one of 4 Asset Risk Consultants Sterling Benchmarks as follows:
  - Portfolios with 0% to 30% incl. Equity Content = IA Mixed 0-35% / ARC Cautious
  - Portfolios with 40% to 50% incl. Equity Content = IA Mixed 20-60% / ARC Balanced
  - Portfolios with 60% to 80% incl. Equity Content = IA Mixed 45-85% / ARC Steady Growth
  - Portfolios with 90% to 100% incl. Equity Content = IA Flexible / ARC Equity
- For us performance is also benchmarked against client specific targeted return requirements.
- We need to monitor Betafolio investment decisions / investment strategy / funds Betafolio is using. We believe Betafolio investment solution is extremely low risk for us and our clients. The portfolios are built around a core suite of low-cost index funds from the world's largest fund managers and rules-based systematic investment funds from leading quantitative investment managers. They have three portfolio suites to suits accumulation / decumulation clients and clients with ESG preferences. We feel we can manage all our clients expectations by using Betafolio.
- Betafolio operates a buy and hold philosophy and whilst it has sole discretion to change portfolios without authority, they will always seek to consult us/other users and work using a collaborative approach when making amendments to our suites.
- There is a fund due diligence section of Betafolio website which details information on why funds are being used in Betafolio portfolios, and why potential alternatives have been discounted. We can download the due diligence report which is updated on a regular basis.

3. Performance / track record

- We need to monitor DIMs performance and can do so using independent research using Financial Analytics and DD Hub.
- Betafolio supplies performance presentations and core data documents which are updated monthly. The performance is benchmarked against Investment Association (IA), Asset Risk Consultants (ARC) and a custom-built benchmark. Benchmarking against peers is also included in the multi-index fund report. The last report was produced October 2021.

4. Size and structure of the firm

- Betafolio is the UK's premier turnkey asset management provider (TAMP), offering: a flat-fee, low-cost, evidence-based, discretionary model portfolio service (MPS) exclusive to financial planning firms.
- Private limited company with private shareholders.

- Betafolio has over £550m AUM as of September 2021, across 50+ advice forms and over 800 retail clients.
- Betafolio works in collaboration with IFAs, and their services are only available through an FCA authorised financial advice firm. We deal with retail investors in both the accumulation and de-cumulation stages of their financial planning journey and Betafolio offers investment strategies to meet the requirements of both types of clients.
- It's essential that Betafolio's views and philosophies are aligned with our evidence-based investing philosophy, which is the conscientious, explicit, and judicious use of current best empirical evidence in making investment decisions.
- Betafolio's Investment Committee is responsible for the regular review of our investment proposition to ensure that our portfolios remain consistent with our philosophy and mandate as set out in this document.
- The committee consists of the following core members:

With voting rights:

- **Nicki Hinton-Jones** BA, CFA - Chief Investment Officer
- **Abraham Okusanya** MSc, AFPS, MCSI - CEO
- **Karthica Underwood**, BSc, APFS - COO, Compliance & MLRO

Others:

- **Daniel Rawlinson** BSc, MSc, IMC - Investment Analyst
- **James Gillespie** BSc - Senior Investment Analyst
- **Emmanuel Asare** BSc - Investment Analyst
- **Reva Bala** MSc, MBA - Investment Analyst
- **Georgios Bouzianis** PhD (c) - Senior Quantitative Analyst

5. Client contact. Does the DIM deal directly with clients and how is the relationship managed between us and our clients?

- Betafolio do not deal directly with our clients.
- Our relationship with Betafolio is as Agent As Client (AAC)
- Agent as client means that whilst the knowledge and transaction is managed by the DIM, we as advisers are making the 'recommendations' for the underlying investment transactions.
- Our clients' needs to give their consent to the relationship. However, when it comes to suitability, the usual Know Your Client rules apply that we have enough information to know that a recommendation to a DIM is suitable. Not only that, but we must be able to ensure the investment proposition the DIM builds are suitable for our client.
- The DIM also has their own responsibility to ensure they build and manage an appropriate proposition that matches the requirements of the client characteristic and the overall strategy designed by us.
- Betafolio adhere to our core investment principles and investment philosophy.

6. If a client suffers a 10% depreciation to their portfolio during the reporting period, what is the process for notification and timescale?

With regards to the 10% drop notification, the process, and the responsibility of who notifies the end client differs per platform.

7. Other DIMs considered and discounted?
Reasons:

- All actively managed DFMs have been discounted as we do not adhere to this investment philosophy.
- Using DDHub we assessed several passively managed DIMs and filtered the selection to 2 possibly suitable DIMs based on Investment Process, Portfolio Construction & Performance.
- The results concluded the Betafolio was suitable for our clients.

Due Diligence

1. Who agrees 'risk' with clients?

- Thanks Wealth Planning

2. How is risk managed by the DIM?

- **Risk Profiling and Asset Allocation Guidelines:** This crucial step maps out the process of reconciling an investor's risk profile (attitude to risk and capacity for loss) and investment needs with our portfolios. It discusses high-level asset allocation and risk parameters (expected return, periodic maximum loss) and the back-testing of portfolios using historical data. By thoroughly back-testing the model portfolios, Betafolio can ensure that the portfolios are within the specified risk/return parameters, albeit from a historical standpoint.
- The Betafolio portfolios have been designed in line with defensive and growth allocations and the strategic allocations are pre-set.
- There are 11 possible portfolios in each suite of model portfolios.
- Betafolio Portfolios are risk mapped with FinaMetrica, one of the leading independent risk profiling tools, Oxford Risk, Dynamic Planner and their own Risk Profile tool via Timeline
- It is our responsibility to discuss risk and capacity for loss - to make sure that we do not blindly follow the results of Timeline and 'shoehorn' a client into a portfolio.
- Each of Betafolio's suite of portfolios provides 11 models with 11 levels of risk and expected returns expressed through the 11 different alternative asset allocations. Each top-down selection allows our clients to allocate their risk appetite across compensated exposures.
- Our clients seek to manage their risk by selecting the asset allocation model which most closely meets their investment objectives and constraints to give the desired risk/return payoffs.
- Betafolio seeks to reduce risk and improve investment outcomes for the client in several other areas:
    - ***Rebalancing:*** Betafolio monitors the target asset allocations and periodically rebalances when allocations drift away from their targets over time due to market movements. A formula is used to execute this process. Tolerance bands are in place.
    - ***Portfolio construction:*** Betafolio allocates funds across compensated systematic (rules-based) risk assets such as passive index and factor-based funds. Betafolio determines the weightings to benefit from diversification, reduce risks and maximise returns.
    - ***Fund selection and manager research:*** Betafolio researches the fund universe to review the market for new and existing funds that may be suitable for inclusion in the Model Portfolios if they meet certain pre-set guidelines. Betafolio employs quantitative and qualitative screens and evaluation to isolate the viable fund candidates including but not limited to (i) fund portfolio characteristics (ii) investment philosophy (adherence to style) (iii) people (manager quality, where relevant) and (iv) process (implementation). For bond funds considerations of duration (term structure) and credit quality are also considered.

- *Performance evaluation:* Betafolio monitors and appraises performance against suitable benchmarks over a range of evaluation cycles such as 1, 5, 10 and 20 years.
- *Minimising fees:* Betafolio seeks to minimize the spectrum of fees and charges that may be incurred by investors to maximise returns on the ongoing funds and to help identify any switching opportunities to lower cost funds. Such costs include buy-in costs, the AMC, in addition to OCFs. All these costs and fees will affect payback periods for switches and determine the outcomes of the investments. Stock lending practices are also considered.
- *ESG considerations:* Betafolio has an ESG screened investment suite that has the same investment philosophy but with an ESG screening overlay.

3. How are Betafolio able to monitor and track this?

- Every Quarter, Betafolio Portfolios provide a review of the Fund's individual and the Portfolio's overall performance against their respective Benchmarks and the overall market.
- In addition, there is a private online Forum, where Advisers can contact Betafolio (and other Advisers) to discuss potential new products, events and questions that arise during everyday work.
- Online daily valuations are available daily via the platform provider.
- A Portfolio Snapshot is provided for each Betafolio. Contained within each fact sheet is the section 'Important Investor Information', whereby a review of historical performance (constructed using simulated data), indicates a minimum investment period required to generate a positive return.

4. What level of discretion does the investment manager have to deviate from portfolio constraints and how is it monitored?

- Portfolios are rarely amended and when they are, it is usually after extensive research and communication with the adviser community. This monitoring is not needed on a day-to-day basis. Portfolios are based on academic research and not active fund management. Funds fit with the investment philosophy and are not actively picked on fund performance alone. Costs and factor investing are the main drivers of fund selection.

What level of interaction do Betafolio investment professionals have with third party fund managers?

- Betafolio regularly talks to all the fund managers. As Betafolio are not involved in active fund management, there is little value in engaging with Fund Managers too frequently.

What benchmarks do Betafolio propose for client portfolios?

- Each portfolio is measured against RPI + or - 0.5% depending on the equity content. The higher the equity content the higher the expected return. its relevant Market Benchmark. In turn, we measure against the suitable Investment Association sector and one of 4 Asset Risk Consultants Sterling Benchmarks as follows:
    - Portfolios with 0% to 30% incl. Equity Content = IA Mixed 0-35% / ARC Cautious
    - Portfolios with 40% to 50% incl. Equity Content = IA Mixed 20-60% / ARC Balanced
    - Portfolios with 60% to 80% incl. Equity Content = IA Mixed 45-85% / ARC Steady Growth
    - Portfolios with 90% to 100% incl. Equity Content = IA Flexible / ARC Equity

To what extent would Betafolio be able to adapt the selection of investments for different portfolios within a specific asset class, e.g., a different selection of hedge funds depending on the risk profile?

- Whilst this is possible, this would go against the principles of Betafolio Portfolios.

Would Betafolio advocate the use of retail or institutional funds?

- Retail funds only

5. What investment vehicles do they use?
• The Model Portfolios are suitable for professional and retail customers and aim to provide a total return by way of growth in capital.
• The investments will be restricted to equities, gilts and other fixed interest/bond investments, unit trusts, investment trusts, open-ended investment companies, other collective investments, and cash.
• Selected investment funds are typically index trackers or factor-based funds. Some will have an ESG overlay for their ethical portfolios.
• Rules based passively managed funds that do not track an index may be used where an index tracker fund is either not available or a passively managed fund is deemed a more suitable strategy to obtain exposure to a certain factor.
• Not permitted to purchase investments that are not readily realisable. Liquid assets only.
• Not permitted to purchase 'penny' shares.

6. Which tax wrappers are they able to manage?
• N/A – platform or product provider led not DIM led

7. Can they discretionary manage funds within a platform?
• Yes. Transact, Fundment Standard Life, Aviva, Novia, Nucleus, Ascentric, Quilter, 7IM, Fusion and Wealthtime.

8. Client's tax position where tax liability is created on sale of funds. How and when are these calculated/communicated?
• Detailed via platform or provider and communicated to client by us.
• If a rebalance is triggered by one of the templates breaching its tolerance band, Betafolio will send out notification to us to advise that a rebalance is to take place.
• Betafolio will not rebalance any GIA without our consent due to potential CGT issues.

9. Reporting periods. At what frequency are reports published and are these produced in a client friendly format?
• Funds and fund prices are available daily through the platform of choice.
• Betafolio provide monthly portfolio snapshots.
• Betafolio Portfolios Ltd do not custody the assets.

10. Do they provide us with any ongoing MI to allow us to assess their ongoing suitability?
• Ongoing MI provided via Compliance and ThreeSixty Compliance Services
• Subscription to DDHub allow us to monitor suitability compared to the marketplace.
• Annual Accounts readily available.
• Betafolio publish AUM for their portfolios. This can be found on their website and is updated every UK trading day.

11. Are the roles and responsibility lines for each party clearly defined? Yes.

<u>They, Betafolio, shall provide the Model Portfolio Service:</u>

Model Portfolios

- Betafolio will create and manage several Model Portfolios which they will make available to us.
- Each Model Portfolio will have its own Investment Strategy. This Investment Strategy will explain the type of investments, intended asset allocation and risk profile of that Model Portfolio. The Investment Strategy will include sufficient information for us to determine whether the Model Portfolio will be suitable for our client. Unless required by Law, the Regulatory Requirements, and/or any Regulatory Agency to make changes sooner.

Discretionary Investment Management

- Betafolio shall manage our client's investments in accordance with our Agreement.

On-going suitability of transactions

- Betafolio shall ensure their decisions to trade and all transactions are consistent with the terms of the Agreement and the Investment Strategy of each Model Portfolio.

Reporting

- Betafolio will provide us with quarterly valuations. The platforms will notify us if the overall value of an Investor's Model Portfolio depreciates by 10% (as measured from the beginning of a reporting period) and any subsequent depreciation in multiples of 10%. Reporting periods may vary between platforms. We are responsible for notifying our client within the regulatory specified time or satisfying ourselves that the platform will complete this obligation on our behalf.

Fees and charges information

- Betafolio will provide us with information about their fees and charges as necessary for the ex-ante and ex post information on costs and charges which we are required to provide to our clients.

Product Intervention and Product Governance

- Betafolio shall make available to us information about their product governance, the target market and appropriate distribution channels for the Model Portfolio Service and each Model Portfolio. For example, the Investment Strategy will indicate the target market for that Model Portfolio.

12. Will we be able to demonstrate the DIM is adding value to our services and our clients on an ongoing basis? Yes.

<u>Client Benefits</u>

- Consistent rebalancing across all clients to match performance/risk for each client. Rebalances occur as and when predetermined tolerance bands are breached, which removes the dispersion of results that occur when different clients are rebalanced on different dates.
- Additional resource for fund selection analysis and research
- Low Ongoing Charges Figure (OCF)

- Academically proven factors added to portfolio to potentially deliver an additional premium of return.
- Around 25,000 stocks and bonds selection
- Average Bond duration is still less than 5 years and used for controlling volatility.
- Used and pre-tested by 50+ advisory firms
- Environmental, Social, and Governance (ESG)s Portfolios available for socially responsible investors
- Low portfolio turnover

Thanks Wealth Planning Benefits

- Portfolios are available on multiple platforms that we use or have used for clients
- Can turn on/off the Model Portfolio Service to manage risks and portfolio access when required
- Portfolio links to our back-office systems
- VAT Exempt
- Access to backtested data and academic research for monitoring and assessment
- Process is like our existing process
- Investment strategy aligns with our investment philosophy

Due Diligence - Discretionary Investment Manager

Name of Discretionary Firm:	**EBI Portfolios Ltd**
Planned frequency of review:	**Annual**
Month & Year of Review:	**May 2021**
Research Source:	**DD HUB** **DEFAQTO**
Completed by:	**SAM WHYBROW**

Research

1a. Total costs.

- OCF 0.32%pa to 0.61% pa for Vantage Earth Portfolios including transactions costs, DFM (0.12% pa) and Fund costs

1b. Minimum investment amount.

- Dependent on the platform use for each client but generally no minimum for EBI or Thanks WP

2. How is performance benchmarked? Is this method considered appropriate?

- Each fund holding is measured against its relevant Market Benchmark or another that EBI Portfolios deem appropriate. In turn, the overall Portfolio is measured against the suitable Investment Association sector and one of 4 Asset Risk Consultants Sterling Benchmarks.
- Performance is benchmarked against client specific requirements.
- We need to monitor EBI investment decisions / investment strategy / funds EBI is using. We believe EBI's investment solution is extremely low risk for us and our clients. The portfolios are built around a core suite of low-cost index funds from the world's largest fund managers and rules-based systematic investment funds from leading quantitative investment managers.
- EBI operates a buy and hold philosophy and whilst it has sole discretion to change portfolios without authority, they will always seek to consult us/other users and work using a collaborative approach when making amendments to our suites.
- There is a fund due diligence section of EBI's website which details information on why funds are being used in EBI portfolios, and why potential alternatives have been discounted. We can download the due diligence report which is updated on a quarterly basis.

3. Performance / track record

- We need to monitor DIMs performance and can do so using independent research using Financial Analytics.
- EBI supplies performance presentations and core data documents which are updated monthly. The performance is benchmarked against Investment Association (IA), Asset Risk Consultants (ARC) and a custom-built benchmark. Benchmarking against peers is also included in the multi-index fund presentation which is updated monthly.

4. Size and structure of the firm

- EBI was born out of principles of investment proposition used in their sister company, Blackstone Wealth Management (2007). Blackstone has been operating for several years and provide fee-based advice to high net worth clients. The approach and portfolio construction methods became popular with other like-minded advisers and in-turn led to the forming of a dedicated company to support advisers with portfolios and tools (research, portfolio construction, reporting, rebalancing etc).
- EBI Portfolios Ltd became authorised by the FCA in April 2013. EBI recruited Alistair Meadows in 2014 to develop the company in areas of research, investments, and analysis.
- Current $1billion assets under management.

5. Client contact. Does the DIM deal directly with clients and how is the relationship managed between us and our clients?

- EBI do not deal directly with our clients.
- Our relationship with EBI is as Agent As Client (AAC)

- Agent as client means that whilst the knowledge and transaction is managed by the DIM, we as advisers are making the 'recommendations' for the underlying investment transactions.
- Our clients' needs to give their consent to the relationship. However when it comes to suitability, the usual Know Your Client rules apply that we have enough information to know that a recommendation to a DIM is suitable. Not only that, but we must be able to ensure the investment proposition the DIM builds are suitable for our client.
- The DIM also has their own responsibility to ensure they build and manage an appropriate proposition that matches the requirements of the client characteristic and the overall strategy designed by us.
- EBI Portfolios Ltd adhere to our core investment principles and investment philosophy.

6. If a client suffers a 10% depreciation to their portfolio during the reporting period, what is the process for notification and timescale?

With regards to the 10% drop notification, the process, and the responsibility of who notifies the end client differs per platform.

8. Other DIMs considered and discounted?

Reasons:

- All actively managed DFMs have been discounted as we do not adhere to this investment philosophy.
- Using Defaqto we assessed 226 DFM's and reduced the list to 14 passively managed DIMs.
- Using DDHub we assessed several passively managed DIMs and filtered the selection to 2 possibly suitable DIMs based on Investment Process, Portfolio Construction & Performance. We also considered Betafolio however they do not subscribe to DDHub and therefore we have no verifiable way to compare.
- The results concluded the highest weighted score was by EBI Portfolios.

Due Diligence

1. Who agrees 'risk' with clients?

- Thanks Wealth Planning

2. How is risk managed by the DIM?

- The Vantage portfolios have been designed in line with defensive and growth allocations and the strategic allocations are pre-set.
- There are 21 possible portfolios in each suite of model portfolios.
- EBI Portfolios are risk mapped with FinaMetrica, one of the leading independent risk profiling tools.
- It is our responsibility to discuss risk and capacity for loss - to make sure that we do not blindly follow the results of Timeline and 'shoehorn' a client into a portfolio.
- Each of EBI's suite of portfolios provides 11 models with 11 levels of risk and expected returns expressed through the 11 different alternative asset allocations. Each top down selection allows our clients to allocate their risk appetite across compensated exposures.
- Our clients seek to manage their risk by selecting the asset allocation model which most closely meets their investment objectives and constraints to give the desired risk/return payoffs.
- EBI seeks to reduce risk and improve investment outcomes for the client in several other areas:
  - ***Rebalancing:*** EBI monitors the target asset allocations and periodically rebalances when allocations drift away from their targets over time due to market movements. A formula is used to execute this process. Tolerance bands for a group of funds are currently 25% over or 20% below the target weighting. Vantage triggers a rebalance only when tolerance bands on Portfolio 70 Acc have been breached.
  - ***Portfolio construction:*** EBI allocates funds across compensated systematic (rules-based) risk assets such as passive index and factor-based funds. EBI determines the weightings to benefit from diversification, reduce risks and maximise returns.
  - ***Fund selection and manager research:*** EBI researches the fund universe to review the market for new and existing funds that may be suitable for inclusion in the Model Portfolios, if they meet certain pre-set guidelines. EBI employs quantitative and qualitative screens and evaluation to isolate the viable fund candidates including but not limited to (i) fund portfolio characteristics (ii) investment philosophy (adherence to style) (iii) people (manager quality, where relevant) and (iv) process (implementation). For bond funds considerations of duration (term structure) and credit quality are also considered.
  - ***Performance evaluation:*** EBI monitors and appraises performance against suitable benchmarks over a range of evaluation cycles such as 1, 5, 10 and 20 years.
  - ***Minimising fees:*** EBI seeks to minimize the spectrum of fees and charges that may be incurred by investors to maximise returns on the ongoing funds and to help identify any switching opportunities to lower cost funds. Such costs include buy-in costs, the AMC, in addition to OCFs. All these costs and fees will affect payback periods for switches and determine the outcomes of the investments. Stock lending practices are also considered.
  - ***ESG considerations:*** EBI monitors to ensure that selected portfolios, such as the Earth suite, score highly on meaningful ESG considerations using a range of pre-determined metrics. EBI use screened funds within the ESG portfolios which means that they eliminate certain exposures from the portfolio based on criteria such as business involvement or sector.

3. How are we able to monitor and track this?

- Every Quarter, EBI Portfolios provide a review of the Fund's individual and the Portfolio's overall performance against their respective Benchmarks and the overall market.
- In addition, there is a private online Forum, where Advisers can contact EBI (and other Advisers) to discuss potential new products, events and questions that arise during everyday work.
- Online daily valuations are available daily via the platform provider.
- A factsheet is provided for each EBI portfolio. Contained within each fact sheet is the section 'Important Investor Information', whereby a review of historical performance (constructed using simulated data), indicates a minimum investment period required to generate a positive return.

5. What level of discretion does the investment manager have to deviate from portfolio constraints and how is it monitored?

- Portfolios are rarely amended and when they are, it is usually after extensive research and communication with the adviser community. This monitoring is not needed on a day-to-day basis. Portfolios are based on academic research and not active fund management. Funds fit with the investment philosophy and are not actively picked on fund performance alone. Costs and factor investing are the main drivers of fund selection.

What level of interaction do EBI investment professionals have with third party fund managers?

- EBI regularly talks to all the fund managers. As EBI Portfolios are not involved in active fund management, there is little value in engaging with Fund Managers too frequently.

What benchmarks do we propose for client portfolios?

- Each Fund holding is measured against its relevant Market Benchmark or another that EBI Portfolios deem appropriate. In turn, the overall Portfolio is measured against the suitable Investment Association sector and one of 4 Asset Risk Consultants Sterling Benchmarks.

To what extent would EBI be able to adapt the selection of investments for different portfolios within a specific asset class, e.g. a different selection of hedge funds depending on the risk profile?

- Whilst this is possible, this would go against the principles of EBI Portfolios.

Would EBI advocate the use of retail or institutional funds?

- Institutional funds wherever possible to reduce costs.

5. What investment vehicles do they use?

- The Model Portfolios are suitable for professional and retail customers and aim to provide a total return by way of growth in capital.
- The investments will be restricted to equities, gilts and other fixed interest/bond investments, unit trusts, investment trusts, open-ended investment companies, exchange traded funds, other collective investments, and cash. There are no restrictions on us regarding the type of investment or markets in which funds can be invested.
- Selected investment funds are typically index trackers.
- Rules based passively managed funds that do not track an index may be used where an index tracker fund is either not available or a passively managed fund is deemed a more suitable strategy to obtain exposure to a certain factor.
- Not permitted to purchase investments that are not readily realisable.
- Not permitted to purchase 'penny' shares.

6. Which tax wrappers are they able to manage?

- N/A – platform or product provider led not DIM led

7. Can they discretionary manage funds within a platform?
• Yes. Transact, Standard Life, Fundment, Aegon, Aviva, Embark, Advance by Embark, Novia, Nucleus, Ascentric, Quilter, 7IM and Wealthtime.

10. Client's tax position where tax liability is created on sale of funds. How and when are these calculated/communicated?
• Detailed via platform or provider and communicated to client by us.
• If a rebalance is triggered by one of the Vantage templates breaching its tolerance band, EBI will send out notification to us to advise that a rebalance is to take place.
• EBI will not rebalance any GIA without our consent due to potential CGT issues.

11. Reporting periods. At what frequency are reports published and are these produced in a client friendly format?
• Funds and fund prices are available daily through the platform of choice.
• EBI provide monthly fund factsheets.
• EBI Portfolios Ltd do not custody the assets.

10. Do they provide us with any ongoing MI to allow us to assess their ongoing suitability?
• Ongoing MI provide via Compliance and Training Solutions (CATS).
• Subscription to DDHub and Defaqto allow us to monitor suitability compared to the marketplace.
• Annual Accounts readily available.
• EBI publish AUM for their portfolios. This can be found on their website and is updated every UK trading day.

13. Are the roles and responsibility lines for each party clearly defined? Yes.

<u>They, EBI Portfolios Ltd, shall provide the Model Portfolio Service:</u>

Model Portfolios

- EBI will create and manage several Model Portfolios which they will make available to us.
- Each Model Portfolio will have its own Investment Strategy. This Investment Strategy will explain the type of investments, intended asset allocation and risk profile of that Model Portfolio. The Investment Strategy will include sufficient information for us to determine whether the Model Portfolio will be suitable for our client. Unless required by Law, the Regulatory Requirements, and/or any Regulatory Agency to make changes sooner, EBI will give at least 3 (three) months' notice of any substantive changes to the Investment Strategy.

Discretionary Investment Management

- EBI shall manage our client's investments in accordance with our Agreement.

On-going suitability of transactions

- EBI shall ensure their decisions to trade and all transactions are consistent with the terms of the Agreement and the Investment Strategy of each Model Portfolio.

Reporting

- EBI will provide us with quarterly valuations. The platforms and/or EBI Portfolios Ltd will notify us if the overall value of an Investor's Model Portfolio depreciates by 10% (as measured from the beginning of a reporting period) and any subsequent depreciation in multiples of 10%. Reporting periods may vary between platforms. We are responsible for notifying our client within the regulatory specified time or satisfying ourselves that the platform will complete this obligation on our behalf.

Fees and charges information

- EBI will provide us with information about their fees and charges as necessary for the ex-ante and ex post information on costs and charges which we are required to provide to our clients.

Product Intervention and Product Governance

- EBI shall make available to us information about their product governance, the target market and appropriate distribution channels for the Model Portfolio Service and each Model Portfolio. For example, the Investment Strategy will indicate the target market for that Model Portfolio.

14. Will we be able to demonstrate the DIM is adding value to our services and our clients on an ongoing basis? Yes.

<u>Client Benefits</u>

- Consistent rebalancing across all clients to match performance/risk for each client. Rebalances occur as and when predetermined tolerance bands are breached, which removes the dispersion of results that occur when different clients are rebalanced on different dates.
- Additional resource for fund selection analysis and research
- Lower than active management Ongoing Charges Figure (OCF)
- Academically proven factors added to portfolio to potentially deliver an additional premium of return.

- Around 19,000 stocks and bonds in a typical portfolio
- Average Bond duration is still 4.5 years and used for controlling volatility.
- Used and pre-tested by 220 advisory firms
- Environmental, Social, and Governance (ESG)s Portfolios available for socially responsible investors

Thanks Wealth Planning Benefits

- Portfolios are available on multiple platforms that we use or have used for clients
- Can turn on/off the Model Portfolio Service to manage risks and portfolio access when required
- Portfolio links to our back-office systems
- VAT Exempt
- Access to backtested data and academic research for monitoring and assessment
- Process is like our existing process
- Investment strategy aligns with our investment philosophy

Annex 3: Due Diligence – Research Tools

Due Diligence – Research Tools

Name of Tool: **Adviser Asset**

Review Frequency: **Annual**

Month & Year of Review: **May 2021**

Completed by: **SAM WHYBROW**

1. Is the tool free from all provider influence, including funding?
Yes.

2. Does the tool include all Retail Investment Products as defined by the FCA? If no, which products are excluded? How will the firm carry out research on these Retail Investment Products, if included within its product consideration?
• Yes. The tools cover investments in unwrapped collectives, ISAs, pensions, onshore bonds, offshore bonds. • Both on and off-platform products included other than off-platform ISAs. No plans to extend ISAs to off platform as the off-platform ISAs tend to have highly restricted fund range, and therefore not directly comparable. • The product providers and platforms manage their own data in the tools. This is checked by Adviser Asset and by thousands of advisers through their ongoing use of our tools.

3. Does the tool offer unrestricted access to all providers from the whole marketplace? If no, what are the limitations of the system and how will additional research be carried out? Would any other tool offer whole of market access?
• Yes, either pre-baked into the tools or by the facility for the user to user-define platforms, DFMs and products. The tool can accommodate any DFM and any DFM portfolio. • We cover products available to advisers that are defensibly comparable. This will exclude products/providers who do not distribute through advisers, or who provide products which cannot be defensibly compared, such as limited fund availability ISAs, or pension/bond products with guaranteed returns. • Most off-platform onshore and offshore bonds are covered by the tools.

4. How do you track and obtain updates to the tool? How do you ensure that the most up-to-date version is being utilised by all users of the system?
• Product/platform data managed by the platforms/providers in real time through their own dedicated online environments. • Fund data supplied to us by platforms/providers on a regular basis ranging from weekly to monthly. • Funds OCF data received and updated via Morningstar.

5. Does the research tool have unrestricted access to all providers?
• Yes.

6. How often do users of the tool receive training and who provides this?
• Online training videos. • Access to management and training on a one to one basis.

Any additional comments:
• How does Adviser Asset ensure that the tool is being used in a manner which is used without bia • Tool process and data validation checks. • PDF reports which outline the audit trail by which the advisers configure analysis.

Annex 4: Due Diligence – Platform & Product Providers

Due Diligence - Platform & Product Provider

Preferred Platform for Thanks WP Clients:	**Transact**
Review Frequency:	**Annual**
Name of Research Tool:	**Adviser Asset**
Month & Year of Review:	**May 2021**
Completed by:	**SAM WHYBROW**

1. Are all platform fees and fund charges transparent?

- Yes.

2. Is there an option to white label the platform and is this flexibility something that will benefit our firm and clients?

- No this is not important for us because we wish to retain independence and free from influence.

3. Does the platform encompass all Retail Investment Products? If not, what are the main exclusions?

- Yes. General Investment Account, ISA, LISA, JISA, VCTs, PPP, S32, SIPP, onshore and offshore bond.
- They do not offer unlisted shares and physical commercial property in pensions.

3a. Does the platform allow access to high risk investments that may not be suitable for an ordinary 'retail investor' and if so, can investors trade directly in these?

- Transact would need to look at the particular investment as it could be restricted under the current regulations. We would not advise any of our clients to invest in esoteric investments.

4. Does the platform have access to whole of market or a substantial range of funds?

- Yes. Open Architecture.
- Currently they have over 8000+ unit trust and OEICS, over 300 Investment Trusts, over 4000 shares/bonds/gilts and just under 1000 ETFs. They also have structured products, terms deposits, hedge funds and VCTs available.

5. Are the funds available on the platform presented without bias?

- Yes. Transact do not have any own funds or Model portfolios. They only provide Platform Services. They have no conflict of interest.

6. Is the platform able to accommodate other assets, such as existing investments, property, savings, etc.? If so, how are these valued?

- Transact have an asset memo section where our client/us can record other assets. If Transact can receive a price feed it will update the value daily.

7. Are model portfolios used? If so, what is the availability of the portfolio funds?

- Yes. All funds within our chosen Betafolio portfolios are available.

8. Is rebalancing available? Is this an automated process?

- Yes.

15. Re-direction? Can this be accommodated and over what timescale and cost?

- Yes. Transact do not charge for in-specie transfers. The transfer time will depend on the receiving scheme and whether it is electronic or whether they need a wet signature.

10. Will the platform provide consolidated client valuations and reports 'on demand'? Are these in a client friendly format?

- Yes. Available on the platform and for client ready usage.

11. Does the platform have the facility to generate ex-ante and ex-post disclosure of full aggregated costs and charges? If so, at what time-period(s) is this produced and to whom is it sent?

- Yes. the ex-ante is included in the client illustration.
- The ex-post is included in the annual statement sent by post or provided online in early May.

12. Does the MI provided by the platform provider fulfil our firm's MI requirements?

- Yes. External due diligence provided from The Lang Cat & Finalytiq.

13. What is their financial position and strength? (AUM, ownership, etc.)

For headline pre-tax profit, Transact, Novia, AJ Bell, 7IM and Wealthtime are rated as excellent in terms of financial performance by FinalytiQ. Transact are the most profitable followed by AJ Bell and 7IM. According to FinalytiQ Transact has £37.8billion Assets Under Management and £99.2 million turnover. Transact are one of the most profitable platforms in the marketplace, with one of the largest assets under management and with 20 + years' experience. This is important as we expect but cannot guarantee that Transact will continue to be solvent and be able to offer our clients tax wrappers and a platform for their lifetime. Some other platforms may offer cheaper solutions however in our experience this has compromised their service and the quality of the platform. We also may not expect the 'cheap platforms' to have the longevity that we do from Transact. Further evidence can be provided on request.

14. What support and training is available from the platform provider?

- Transact have a dedicated team that provide training services - Adviser Support Managers. They are happy to assist with any training requirements. Transact will specifically help with the first 5-10 cases to make sure that we are comfortable with the platform.

15. Are services documented in a service level agreement and do their service standards meet our operational objectives?

- The whole proposition is based on providing the highest service level. Transact aim for the phone to be answered in 3 rings and they aim to process applications within 24 hours.
- The service is based on our own dedicated service team.
- Refer to due diligence pack for further information.
- Further evidence can be provided on request.

16. How easy are their systems to use for both us and our clients?

- Very easy interface and usability.

17. Do any conflicts of interest exist? If so, how are these managed?

- No conflicts of interest. We do not get any benefit for using Transact or any preferred platform. This is important as it shows a high level of integrity compared to other platforms that require us to confirm the level of business, we will place with them as part of the due diligence process. We have been offered preferential terms for our clients for placing higher level of business with some platforms. We feel that this creates a conflict of interest and questions our integrity. Should we not be able to fulfil our business quota we feel that this could lead to other platforms compromising their service standards. We do not wish to compromise our ethics and independence. This creates a conflict of interest which is not inherent with Transact and we prefer this model for our clients and our firm.

Due Diligence - Platform & Product Provider

Preferred Platform for Thanks WP Clients:	**Fundment**
Review Frequency:	**Annual**
Name of Research Tool:	**LangCat**
Month & Year of Review:	**May 2021**
Completed by:	**SAM WHYBROW**

1. Are all platform fees and fund charges transparent?

- Yes.

2. Is there an option to white label the platform and is this flexibility something that will benefit our firm and clients?

- No this is not important for us because we wish to retain independence and free from influence.

3. Does the platform encompass all Retail Investment Products? If not, what are the main exclusions?

- Yes. General Investment Account, ISA, PPP, onshore and offshore bond via TGIA.
- They do not offer unlisted shares and physical commercial property in pensions, SIPPS, JISAs, Cash ISAs, LISAs, VCTs, EIS, UCOS, Hedge Funds or Section 32 Pensions.

3a. Does the platform allow access to high-risk investments that may not be suitable for an ordinary 'retail investor' and if so, can investors trade directly in these?

- Fundment allow investment into all major investment opportunities for our segmented client base. We would not advise any of our clients to invest in esoteric investments.

4. Does the platform have access to whole of market or a substantial range of funds?

- Yes. Open Architecture.
- Currently they have access to several thousand, unit trusts, OEICS, Investment Trusts, shares, bonds, gilts, and ETFs. They also have structured products and terms deposits.

5. Are the funds available on the platform presented without bias?

- Yes. Fundment do not have any own funds or Model portfolios. They only provide Platform Services. They have no conflict of interest.

6. Is the platform able to accommodate other assets, such as existing investments, property, savings, etc.? If so, how are these valued?

- No. This is not important as we capture our client's wealth position using MyThanks and our internal systems.

7. Are model portfolios used? If so, what is the availability of the portfolio funds?

- Yes. All funds within our chosen Discretionary Investment Managers are available.

8. Is rebalancing available? Is this an automated process?

- Yes.

16. Re-direction? Can this be accommodated and over what timescale and cost?

- Yes. Fundment do not charge for in-specie transfers. The transfer time will depend on the receiving scheme and whether it is electronic or whether they need a wet signature. They do charge for onshore bond and offshore bond admin charges and regular equity trading, which we do not expect to use frequently.

10. Will the platform provide consolidated client valuations and reports 'on demand'? Are these in a client friendly format?

- Yes. Available on the platform and for client ready usage.

11. Does the platform have the facility to generate ex-ante and ex-post disclosure of full aggregated costs and charges? If so, at what time-period(s) is this produced and to whom is it sent?

- Yes. the ex-ante is included in the client illustration.
- Fundment send the quarterly report including DIM responsibility & transaction reporting to clients via the client's portal. The client receives notification from Fundment that a document has been added

12. Does the MI provided by the platform provider fulfil our firm's MI requirements?

- Yes. External due diligence provided from The Lang Cat.

13. What is their financial position and strength? (AUM, ownership, etc.)

Fundment Limited is an IFPRU firm as such is required to comply with the three Pillars of Basel II (the Capital Requirements Directive). Their current minimum capital adequacy requirement is £0.3m. Internally, their target for capital adequacy requires them to hold a minimum of 50% above the liquid capital requirement, and they currently hold 1,633% above the minimum.

Fundment is backed by ETFS Capital and Collector Ventures ("NFT Ventures"). ETFS Capital is a strategic investment company focused on growth opportunities across the investment ecosystem. Created by ETF industry veterans and chaired by Graham Tuckwell, an ETF industry pioneer and founder of ETF Securities. In 2018 ETF Securities sold its European and North American asset management businesses to WisdomTree, Legal & General Investment Management and Aberdeen Standard, and became ETFS Capital.

Their platform turnover for 2020 was £698.53k. They expect to be profitable for 2021. And are gaining sufficient traction in the adviser community that is driving this.

Fundment proprietary technology developed and maintained in-house by their team who are all based in their London offices. They do not rely on third party administration for any core services. There are operators of 3rd party services on the platform such as SIPP administrators, Offshore Bond providers, however, the platform operates and maintains its own in-house equivalent products.

All account information is encrypted and stored behind securely monitored firewalls in a secure facility that is safeguarded 24-hours a day.

They use secure communication methods such as Transport Layer Security (TLS) or a Virtual Private Network (VPN) will provide assurance that the content of the communication cannot be understood if intercepted provided the method is implemented correctly

14. What support and training is available from the platform provider?
• Fundment make use of efficient technology that makes their platform very simple to use and keep their platform costs low. Fundment will specifically help with the first 5-10 cases to make sure that we are comfortable with the platform.

15. Are services documented in a service level agreement and do their service standards meet our operational objectives?
• Refer to due diligence pack for further information. • Further evidence can be provided on request.

16. How easy are their systems to use for both us and our clients?
• Very easy interface and usability.

17. Do any conflicts of interest exist? If so, how are these managed?
• No conflicts of interest. We do not get any benefit for using Fundment or any preferred platform. This is important as it shows a high level of integrity compared to other platforms that require us to confirm the level of business, we will place with them as part of the due diligence process. We have been offered preferential terms for our clients for placing higher level of business with some platforms. We feel that this creates a conflict of interest and questions our integrity. Should we not be able to fulfil our business quota we feel that this could lead to other platforms compromising their service standards. We do not wish to compromise our ethics and independence. This creates a conflict of interest which is not inherent with Transact and we prefer this model for our clients and our firm.
18. Other
• Developments in the Pipeline include: o Automated Bed & ISA o Firm level reporting & statistics o Flow metrics and reporting o Workplace Pension o Pension wake-up packs

Which platforms have we discounted?

- Platforms that cannot accommodate our use of our chosen Discretionary Investment Manager (DIM) to implement our Investment Philosophy is very much part of our DNA as a Wealth Planning firm.
- Platforms that cannot fully integrate with MyThanks App are discounted.
- From the platforms that can access our chosen DIM we have fully discounted the following:
    - Ascentric – poor financial performance, do not offer excess reportable income. Fractional share dealing not possible.
    - Aviva – fair financial performance, loss making, do not offer excess reportable income
    - Advance by Embark – no financial performance provided, do not offer excess reportable income. Fractional share dealing not possible.
    - Nucleus – James Hay have become a major investor which could significantly change the administrative and platform service. This is a wait and see situation. They do not offer excess reportable income and fractional share dealing. Fractional share dealing not possible.
    - Aegon – poor admin & reasonable financials (possibly use purely on a cost basis for larger AUM). Do not offer excess reportable income. Fractional share dealing not possible.
    - Wealthtime – no relationship and smaller platform. Their fee structure has recently changed for the worse and the feedback from our adviser community is that their service has been poor. They cannot accommodate flat adviser charges, which is our preferred payment method.
    - 7IM – the cash assets cannot be split from the DIM therefore not allowing us to create a bespoke solution for our client's needs. possible conflict of interest with their fund management arm. System functionality is not at the level of other platforms. They do not offer excess reportable income for some funds. Fractional share dealing not possible.
    - Novia – the cash assets cannot be split from the DIM therefore not allowing us to create a bespoke solution for our client's needs. They do not offer excess reportable income for some funds.
    - Standard Life – possible conflict of interest with their fund management arm. System functionality is not at the level of other platforms. Tend to be more expensive for SIPP users. They do not offer excess reportable income, fractional share dealing or the ability to sell funds in isolation.
    - Quilter – do not offer excess reportable income, fractional share dealing or the ability to sell funds in isolation.
    - True Potential – do not offer excess reportable income, fractional share dealing or the ability to sell funds in isolation. They also charge additionally for per trade. Their flat fee model is not competitive.
- From the remaining platforms our preferred platforms are Transact and Fundment but may use Novia for prefunding SIPP contribution clients, successor drawdown clients, ARC reporting and CGT analysis whereby dividends are removed from CGT liability.