PJ AIKEN LTD
INDEPENDENT FINANCIAL ADVISERS

Asset Allocation & Portfolio Construction

Our investment process is driven by the requirements of our clients and is designed to ensure that we construct portfolios that aim to deliver the required outcomes broadly aligned with their tolerance to risk. It is important, therefore, that we select and combine appropriate asset classes for each individual client taking account of a range of factors such as financial objectives, timescales as well as their attitude to risk and perceived capacity for loss. As a result, each of our clients' portfolios will be tailored to their own requirements.

Asset Allocation

The investment market place is a broad one, covering a range of relatively low risk choices through to those carrying greater risk but where history suggests that better returns can be achieved over time. The aim of asset allocation is to achieve a balance between these various options in a manner that best suits individual client requirements whether they be seeking growth or inflation protection, balanced by present or future needs for sustainable income. Our role at asset allocation level is to blend asset classes in a manner that we regard as appropriate for each client.

We do not consider that cash, on anything other than on a very short term basis, is an investment. While all clients should retain adequate cash reserves outside of their investment portfolios, holding excess cash leaves clients exposed to a combination of low interest rates, falling purchasing power in real terms and, in recent years, depreciation relative to other currencies.

We use fixed interest investments in various proportions, particularly when they can be held tax efficiently, for example in pension funds and particularly in ISAs.

We draw upon absolute return funds as a further defensive option, while a range of equity based investments (a class of asset that in itself carries within it a wide range of opportunity) form the basis of our growth focused and sometimes more volatile allocations.

We will also consider commercial property, both in the UK and globally as well as infrastructure.

For clients with particular inheritance tax issues, there are a number of well-established funds offering investments in assets with business property relief. These specialist vehicles can also form a part of the asset mix in certain circumstances.

We regard asset allocation as a key starting point when designing individual portfolios. We will advise clients to vary the overall allocation if market circumstances suggest that this is appropriate and when the needs of individual clients change, for example if they move from a stage in life where drawing income begins to override the need for capital growth.

Version 1.01.2020

Asset Allocation & Portfolio Construction

Our strategic and tactical asset allocations rely on a matrix reflecting objectives, investor timescales and attitude to risk. This information is gleaned from risk profiling, with clients being invited to comment on the mathematical conclusions that the questionnaires produce. If a particular client is uncomfortable with his/her result, this can be overridden after discussion with, and by agreement with, the client. This is recorded in a note retained on file.

The application of the asset allocation process is applied flexibly rather than rigidly: it is P J Aiken's view that this approach better delivers a more personalised result for individual clients.

Portfolio Construction

Having established an appropriate technical basis for asset allocation, the next step is to consider which individual fund or funds might most appropriately be used to invest in the various sectors.

Here our broad aim will be to put together a range of funds covering different sectors of the marketplace in a way that complement one another.

We operate a fund screening process, unique to PJ Aiken Ltd, which focusses in part on the past performance that an individual manager and his team has achieved but also, importantly, on seeking to understand how that performance is achieved, how stable the management team of a particular fund appears to be and indeed how committed the management groups are to running the funds for which they are ultimately responsible.

The outcome of this process is the creation of a panel of monitored funds across a wide range of sectors. The list is regularly reviewed and as a consequence funds are rated on the basis of buy, hold, or sell.

A number of portfolios incorporate funds that are not subject to this monitoring process and which can be described as 'non-researched', beyond a simple performance monitoring approach.

Such funds might be in portfolios as a result of specific client choice or because they are "inherited" when portfolios are taken on from other providers.

While over time we might aim to reduce the number of 'non-researched' holdings across the client base, this is not always a straightforward process and in the interim, the funds are subject to a light monitoring regime.

We generally prefer funds managed on an active basis, but we also draw upon what are known as passive funds where we believe it to be appropriate.

Social Responsibility

Wherever possible, we include funds with a socially responsible approach to investment. Details of the four categories of investing that we classify as socially responsible can be found in our 'Understanding ESG' fact sheet.

Constructing portfolios that comprise solely of a single category of funds in order to meet a client's particular values or beliefs is problematic as there are different types of funds within in each category. For example, there are Ethical funds that employ a negative screening process, others that favour positive screening and yet more who use both negative and positive screening.

As a result, when constructing socially responsible portfolios, we blend funds that employ the Ethical, Sustainable and Impact approach to investing but exclude ESG Factors, which we regard it as a more diluted form of ethical investing.

Conclusion

We believe that the investment process at P J Aiken Ltd draws on the considerable knowledge and experience of our research and adviser team, creating and monitoring soundly based portfolios reflecting the needs of the individual.