



Research Process

The primary aim of our research process is to identify collective investments that are worthy of inclusion in our buy list. Typically, the list will comprise about 50 funds from which the investment team choose suitable funds when constructing portfolios for clients. One of the overriding factors when selecting funds is the need to appropriately balance the risk for our clients. As a result, we seek out funds that have performed consistently well over long periods of time without unduly high levels of volatility and avoid those where performance has been less consistent.

While we consider the whole of the managed funds market, we need to ensure that the funds we select are available on the platforms we use and have a clean share class. The stability and reputation of the management company is also a key factor in fund selection.

Using our research process, we look to select managers that have a proven track record in their respective asset class or market. These managers typically have:

- Proven ability to deliver strong and consistent performance
- Extensive industry experience
- Proven their skills and success through a variety of market conditions
- A strong understanding of the strengths and limitations of their approach
- Insight and conviction to invest for the longer term

Ideally, these managers will be part of a team that has a wealth of experience and can provide the necessary support in analysing the data required to identify investment opportunities and manage a fund effectively.

We use a variety of tools to make our assessment including analytical software programmes, independent research agencies, fundamental analysis, the financial media, industry publications and other analysts' notes as well as information provided by the managers themselves either in print or at fund manager presentations. In selecting funds, we carefully consider a whole range of factors, the most important of which from our point of view is volatility.

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We believe it important that a fund and its managers complement our general philosophy, add something new or unique to our offering and enhance our ideas.

The investment team are responsible for making fund recommendations, which must be approved by the Investment Strategy Group (ISG). Likewise, while the downgrading of funds will be instigated by the investment team, the change of recommendation must be agreed by the ISG. These decisions will be noted in the minutes of the ISG monthly meeting.

While we do not have a strict upper limit in terms of the size of the fund in which we are prepared to invest, the ISG will carefully consider the implications of investing in a fund with a value in excess of £10bn before agreeing to add such a fund to our buy list. However, we would not consider a fund that has a value of less than £50m.

As a general rule of thumb, we would not be prepared add a fund to our buy list unless it had a track record of at least 3 years. In the event of a fund with a track record of less than 3 years being put forward as a possible addition to the buy list, its inclusion must be agreed by the whole of the ISG.

In selecting funds for inclusion in the buy list, we do so on the basis that they will be held for a minimum of 3 years. However, the process is an ongoing one in which managers are constantly researched, selected, and monitored. As a result, funds that are on the buy list and do not perform as expected can be downgraded at any time.