

For investment professionals only

Bespoke portfolio service

Summary

- Bespoke portfolio managed by an individual investment manager
- Diversified asset and geographical exposure to reduce risk
- Stocks and shares, active and passive funds, ETFs, legacy assets, tax efficiency
- Competitive transparent fees that cover all the costs of portfolio management

| Key data | |
|---------------------------|--|
| Approx number of holdings | Tailored to client requirements |
| Rebalanced | Continual oversight and rebalancing |
| Minimum portfolio size | £150,000 |
| Manager | Personally assigned to client |
| Charges | 1.2% up to £750,000 and 0.4% thereafter (we may at our discretion offer lower rates, for example to charity clients), subject to a minimum fee of £2,000 |
| Availability | Thesis |

Reasons to recommend bespoke portfolios

| | |
|--|---|
| Tailored for your client | Bespoke portfolios are tailored specifically to the individual needs of your client, taking into account their time frame, income needs and spending requirements |
| Dynamic suitability | Our investment managers work closely with your client over the long term, finessing the portfolio as the client's needs and objectives change |
| Managing legacy assets | We can balance and rebalance legacy assets in an orderly fashion, managing down historical overweights to produce more diversified portfolios better suited to your client's objectives |
| Individual asset screening | We can apply filters, exclusions and positive selection criteria to a portfolio to ensure that it fully reflects your client's preferences |
| Tax efficient investing | We can invest in a tax efficient manner, using wrappers such as ISAs and taking CGT into account, ensuring that each tranche of investment provides the most suitable tax outcome for your client |
| Diversified holdings | Each portfolio holds a diversified mix of asset classes including equities, fixed income and alternatives in varying proportions according to client needs |
| Rigorous research and selection | Holdings are subject to stringent research, selection and monitoring |
| Transparent fees | Our fees are transparent and include all portfolio management costs, including dealing commission and custody fees |

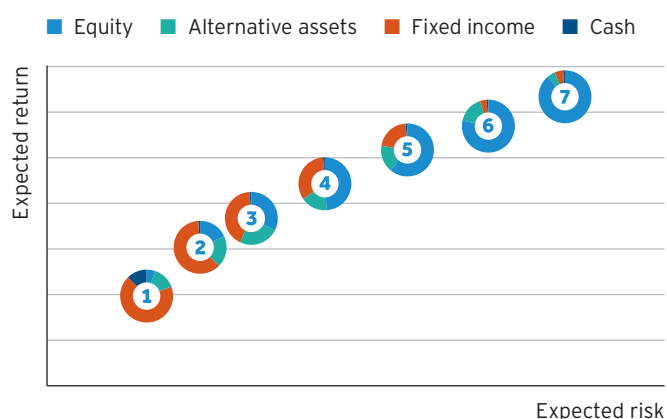
Features of the Thesis bespoke portfolio service

- Our bespoke portfolios are managed to meet your client's individual investment needs
- They are typically based on one of our seven investment models, and then tailored to the client's own objectives, such as regular income or long term growth
- Portfolios usually hold a diversified mix of investments to reduce the risks of investing too heavily into a single area or asset type
- An individual investment manager oversees the portfolio, managing it to meet the needs of clients as they change over time
- Our in house professional analysts research and monitor potential assets, recommending holdings and disposals for investment managers to consider
- Clients can choose an ethical screen, or exclude certain industries or specific companies to tailor their portfolio. They can also request that preferred holdings be retained
- Through the use of ISAs, pensions and bonds, the investment manager can invest tax efficiently and take into account individual tax considerations, such as potential CGT liabilities
- ARC private client indices enable advisers to compare our investment performance against that of our competitors
- Due diligence reports and independent risk mapping are available to help advisers evidence suitability
- Our fees are simple and transparent and include the costs of buying and selling holdings in the portfolio
- As with all investments, past performance is not a guide to the future. The value of an investment and any income from it may fall as well as rise, and investors may get back less than they invested
- Movements in currency exchange rates can affect the value of investments

Introduction

Thesis bespoke portfolios are managed to suit the specific requirements of each client. The investment manager responsible for your client's portfolio will select and blend underlying assets to match their investment objectives. Typically the manager will use one of our seven model mandates as a starting point and tailor the portfolio to accommodate each individual client requirement.

Seven risk mandates: illustrative portfolios



Bespoke portfolios can hold a wide variety of assets, including collective funds, ETFs, and individual stocks and shares. We ensure as far as possible that portfolios are diversified by asset class and region, increasing the chance that clients will hold some of the best performing assets in any given investment period, and reducing the likelihood of their portfolio being overweight in a region or asset class that falls out of favour.

Asset allocation

We group assets into three broad categories, fixed interest, equities and alternatives. Our asset allocation committee decides the overall asset allocation, taking into consideration a range of factors including interest rates, inflation, wages and employment data, commodity prices, asset class correlation, fixed income yields and default rates, and various independent economic forecasts. The committee is informed by the work of four sub committees, (UK Equity, Fixed Interest, Pooled Vehicles and Ethical). Research for the committees is conducted in house by our own research department.

Investment managers typically use one of our model portfolios as the basis for constructing a bespoke portfolio. This means the portfolio retains the appropriate risk characteristics and asset parameters, within which it can be tailored to the client's particular investment needs.

Funds selection

Bespoke portfolios typically gain exposure to asset classes (other than UK equities) via funds, investment trusts and ETFs. Our research teams analyse style and peer group as well as absolute and risk adjusted performance over a range of time periods. This quantitative screening process usually eliminates around 80% to 85% of the peer group.

Liquidity is an important consideration and we aim to purchase only daily traded assets, rarely using investments with less frequent dealing. Investments with holding period restrictions are generally not considered.

Recommendations from the research teams are passed to our investment managers, who consider the merits of each recommendation in the context of every individual client's investment strategy and objectives.

Securities selection

Investing directly into stocks is typically cheaper than buying funds, because funds incur management and running costs that stocks and shares do not. Our UK equities are initially selected through TESS, our proprietary Thesis Equity Stock Screen. TESS is a quantitative screen applied to a universe of approximately 350 UK stocks to rank them according to six indicators of financial strength.

The top scoring 20%, about 70 or so stocks, are subject to further research and analytics by our in house specialists, refining the list down to about 30 of our 'best ideas'. These are the stocks that we believe will

outperform the wider UK market, although this is not guaranteed. The TESS list is revisited at least every quarter or more frequently if necessary, and appropriate recommendations are made to investment managers.

We generally aim to buy the shares of companies with a market capitalisation of at least £750m.

Implementation

Investment managers maintain a constant watchful eye over bespoke portfolios. They consider the recommendations from our research teams and decide whether, when and how much of a holding should be bought or sold for each client. They take into account the client's long and short term objectives and how any change would impact the other holdings in the portfolio.

In circumstances where you have recommended a specific tax wrapper for a client, we have the ability to invest within ISAs, pensions or bonds as well as being able to arrange asset transfers, for example between spouses, to aid the management of tax liabilities.

Some clients prefer to discuss portfolio changes with their investment manager on an ongoing basis, others to discuss them only at scheduled meetings - we can accommodate the approach that best suits you and your client. We can send client reporting to you, your client or both parties, as well as other professional advisers such as accountants and tax consultants.

| Key benefits | Key risks |
|--|---|
| Wholly bespoke portfolios managed to meet individual client needs | Portfolios managed at variance to markets in general may generate markedly different returns and may not benefit from wider market growth |
| Constantly monitored and refined to stay aligned with investment mandate | Bespoke portfolios with investment restrictions in place may generate lower returns than unconstrained portfolios |
| Transparent charges include all the portfolio management costs such as dealing commission and custody fees | Portfolios with heavy overweight positions, caused for example by legacy assets, may suffer disproportionate falls in value if those assets decline |
| Diversified by asset class and geography to mitigate concentration risk | Past performance is not a guide to the future |
| Free choice of screens and filters, including ethical investing or excluding industry sectors | Investments can fall as well as rise and clients may not get back the amount they invest |

Contact us

To find out how Thesis can deliver the right investment management services for your clients, please contact our business development team.

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