For clients

Model portfolio service: securities

Introduction to Thesis model portfolios

Our model portfolios aim to meet the investment objectives of our seven risk rated mandates, ranging from low/moderate risk through to high risk. Each holds assets which have been carefully selected and blended to meet the long term objectives for that particular mandate.

What do these portfolios invest in?

These models invest directly into UK stocks and shares, as well as into a variety of funds selected to provide a specific focus (for example corporate bonds or emerging markets). Investing in different markets like this can help to reduce risk, as it means that portfolios are not disproportionately affected if a particular market area suffers a fall in value.

For each of our models, we have set limits on the maximum and minimum holdings for each asset class (fixed interest, equities, alternatives and cash). For example, our model 4 of 7 can hold a minimum of 25% and a maximum of 45% of the value of the portfolio in fixed income assets. The actual amount held is typically between these limits, and is reviewed every calendar quarter.

We make sure we hold only liquid assets in all our portfolios. This ensures that we can trade easily when we want to buy and sell investments.

Why invest directly into securities?

Instead of holding UK equity funds, our securities models hold UK equities directly.

Investing in UK stocks directly is typically cheaper than in UK equity funds, because of the funds’ management costs. Our UK equities are initially selected through TESS, our proprietary Thesis Equity Stock Screen which was developed in conjunction with independent academics. TESS is a quantitative screen applied to approximately 350 UK stocks to rank them according to six financial strength indicators. The top 20% of these are further refined through research and analytics by our in house team of specialists, resulting in about 30 of our ‘best ideas’. These are the stocks that we believe will outperform the wider UK market, although this is not guaranteed.

Holding a selection of UK equity funds may mean a more diversified portfolio of UK stocks, as well as a combination of different managers, but at a slightly higher cost than direct securities.

Features of model portfolios

- Model portfolios are designed to be an effective way of achieving a defined investment objective
- They offer clients a diversified collection of investments, often designed to target a specific level of risk and reward
- A specialist typically manages the portfolio, to ensure it stays in line with its investment mandate
- The manager invests according to the defined model and client portfolios will have identical holdings, scaled in proportion to the amount they invest
- Professional analysts research and monitor the holdings, blending and balancing them to target the optimum combination
- Investment companies may offer a range of models, so clients can invest in the portfolio best suited to their own needs
- If you have a financial adviser, they can assess the suitability of various model portfolios and recommend one for you
- Models can suit clients with significant assets to invest, as well as those with quite modest portfolios
- Investors can hold model portfolios in tax ‘wrappers’, such as ISAs and SIPP’s, benefiting from their tax efficiency
- As with all investments, the past performance of model portfolios is not a guide to the future. The value of your investment and any income from it may fall as well as rise, and you may get back less than you invested
- Movements in currency exchange rates can affect the value of an investment
How do I choose the right model for me?

If you have a financial adviser, they may research and recommend a model portfolio to suit you. If you do not have an adviser, or if your adviser delegates the responsibility to us, Thesis will assess which of our models would best suit you and make a recommendation for you to consider. The recommendation will depend on your long term investment objectives, your attitude to risk, the potential impact on you of capital loss, how long you plan to stay invested and other relevant information.

The manager, supported by a team of analysts, keeps all the portfolio holdings under review, ensuring that appropriate action is taken when the underlying funds change mandate, merge with other funds, deliver consistent poor performance or experience a change in manager.

How do I keep track of my investment?

If you are invested through Thesis, you will receive statements every six months, showing the stocks bought and sold on your behalf and any money added or withdrawn throughout the period. You can visit our website for updates on our market views and commentary. In addition we will send you a tax pack as at 5 April each year to help you complete your tax return.

You can also obtain valuations at any time using our online valuation service.

If you invest through a third party, such as a platform, ISA or SIPP provider (rather than Thesis), this third party will be responsible for reporting to you. You should find out before you invest what you will receive from them.

However you invest in Thesis model portfolios, your financial adviser will be able to provide you with valuations and updates as required.

How will my money be managed?

Thesis will buy the same investments for you as for the other investors in that model, in proportion to the amount of money you invest. Every calendar quarter, or more frequently if appropriate, the manager will rebalance the portfolio to keep it on target. This prevents the portfolio from becoming too concentrated: for example, if one investment area has seen a sharp rise in value, some of the holdings may be sold in order to bring the portfolio back in line with its mandate.

Mandates 1 and 2 are not available in our securities models

How do I find out more information?

Please speak to your financial adviser to find out more. If you do not have a financial adviser, please contact Thesis using the telephone numbers below. We will be happy to help.

We recommend that you take professional advice before making an investment decision.