thesis
asset management

For clients

Managed Income Service

Introduction to Thesis Managed Income Service

The Managed Income Service is designed to improve a portfolio's ability to deliver a long term income, by mitigating some of the risks in the crucial early stages of investment.

How does the service work?

Initially the investment is split between lower risk assets to provide income (wealth preservation portfolio), and a higher risk model portfolio for long term growth (wealth accumulation portfolio). The portfolio is migrated over time until it is fully invested in the model portfolio.

If the portfolio was fully invested in the model from the start, a sharp market fall would severely reduce the value of the whole investment. Withdrawing income would then shrink the pot still further, potentially making it too small to generate either income or growth in future - even if markets subsequently recovered later on.

Sheltering some of the portfolio in lower risk investments gives the remainder of the portfolio time to grow in rising markets or to recover from short term market falls. Growth is further encouraged by removing the requirement for this portion of the portfolio to deliver the income stream until it has grown enough to withstand the withdrawals.

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 model portfolio holds underlying assets which have been carefully selected and blended to meet the long term objectives for that particular mandate.

For each of our models, we have set limits on the maximum and minimum holdings for each asset class (fixed income, 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 somewhere between these limits, and is reviewed every quarter.

We have a dedicated manager for the Managed Income Service, supported by a team of analysts, who 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 of fund manager.

Features of the Managed Income Service

- Aims to improve the likelihood of reliable income over the long term by mitigating portfolio risks in the short term
- Invests in a dynamic blend of lower risk assets (for income) and a model portfolio of higher risk assets (for growth)
- Income is paid only from the lower risk portfolio to start with
- Growth assets are not sold to provide income initially, allowing them to grow in rising markets and to avoid being sold at a loss in falling markets
- In rising markets, the rebalancing process recycles profits from equities into the wealth preservation portfolio
- Conversely in falling markets, the income portfolio tops up the growth portfolio with assets made cheaper by the market fall
- This rebalancing continues until the portfolio is fully invested in the appropriate model portfolio
- Model portfolios offer 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
- Investors can hold model portfolios in tax 'wrappers', such as ISAs and SIPPs, benefiting from their tax efficiency
- The past performance of an investment 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

Illustrative five year term

This simplified diagram shows how a Managed Income Service investment is rebalanced over a five year term, gradually moving from the income producing assets (wealth preservation) towards the growth assets (wealth accumulation). In reality, the portfolio is rebalanced every calendar quarter and in smaller increments, rather than once a year as shown here.

Investment	Start of year 1	Start of year 2	Start of year 3	Start of year 4	Start of year 5	End of year 5 and beyond
Wealth preservation portfolio	30%	25%	20%	15%	10%	Model portfolio
Wealth accumulation portfolio	70%	75%	80%	85%	90%	

Every quarter the portfolio is rebalanced between the higher and lower risk assets to meet predefined weightings. This ensures that the balance does not ‘drift’ away from its defined blend, and enables the portfolio to be fully invested in the model after the specified time period.

How do I keep track of my investment?

If you are invested through Thesis nominee companies, you will receive statements quarterly, 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 nominee companies), 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 the Managed Income Service, your financial adviser will be able to provide you with valuations and updates as required.

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.

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