

Managed Income Service – wording for financial planners/advisers writing suitability reports to clients

About Thesis Asset Management Limited

Thesis is a private limited company established in 1974 and has been managing money on behalf of private clients for well over 40 years.

Thesis creates both bespoke investment solutions and model portfolios to help professional financial planners meet their clients' investment needs.

Thesis group has approximately £15.1 billion under management (as at 30/12/2017).

Independent ratings and awards

Its bespoke portfolios are assessed and rated by Asset Risk Consultants, an independent investment consultancy.

Thesis bespoke portfolios and model portfolios are rated 5 stars by Defaqto and its unitised discretionary management service is rated 4 Diamonds (as at Feb 2018). Thesis received performance awards from Citywire in 2014 and 2015.

What they do

Thesis uses a centralised approach to manage investment portfolios enabling it to apply the same principles consistently across the business and thereby treating all customers fairly regardless of whether the investment portfolio is large or small, bespoke or model.

Thesis uses this process to create seven model portfolios designed to reflect a rising scale of risk and potential reward.

Model portfolios

Model portfolios blend equities, fixed income and alternative assets (commercial property, infrastructure, commodities, gold and hedge funds) providing diversification both through asset type and geographical spread. The blend of assets and holdings within each portfolio is unique to the specific risk mandate.

Bespoke portfolios

Bespoke portfolios are typically based on one of the seven investment models and then tailored to meet a client's specific objective, such as ethical investing, capital gains tax management, regular income or long term growth. Bespoke portfolios can also accommodate legacy assets, offshore solutions and alternative currencies. Individual reporting and ongoing review meetings with a dedicated investment manager make this service a highly personal solution.

Investment process

The Thesis investment process results from the input of four specialist investment committees to the Asset Allocation Committee. The Asset Allocation Committee then sets long term strategic parameters for each asset class within the seven models. The short term tactical positioning can fall anywhere between these ranges, but not outside. This ensures that portfolios do not become too concentrated and that their risk levels will not cross over into another portfolio mandate.

Models are rebalanced quarterly (or more often if there is a compelling reason to do so) to ensure they remain aligned with their long term risk and asset allocation objectives.

Investment philosophy

Thesis believes that constructing appropriate client portfolios requires a deep understanding of risk and return characteristics, not only of the different asset classes but also the underlying stocks within them.

The primary driver is not necessarily to match or outperform a specific benchmark or index, but to manage risk within the portfolio.

Thesis monitors markets and asset classes closely to find opportunities to invest at the appropriate level of risk.

The investment landscape changes over time, and the risk and return profiles of different asset classes also change in response to macro-economic events, government policy and market sentiment.

Different asset classes do not move in step with each other and therefore holding a diversified variety of assets helps to moderate the level of risk in an investment portfolio.

Thesis takes a highly proactive approach to all assets under its management and ensures that investment portfolios remain aligned with individual clients' objectives.

Awards





Investment strategy and rationale for using the service

Please find enclosed a report from Thesis Asset Management detailing its Managed Income Service. We have provided Thesis with details of your attitude to risk and capacity for loss and this has been taken into account when preparing this report.

We discussed the different risks that investors face depending on whether they are accumulating a pot of money to provide an income in retirement or actually drawing down that pot to provide a stable and sustainable income.

Incorporating risk in your portfolio is crucial to ensuring that your financial plans deliver the returns you need and continue to provide you with ongoing financial security.

The risks of longevity, that you may outlive your anticipated life expectancy, and inflation, eroding the purchasing power of capital over time, mean that to provide a sustainable income it is necessary to take some investment risk to achieve your goals.

With investment risk there will be volatility and potential loss of capital. These two risks are exacerbated by sequencing risk, where a period of poor or negative returns occurs in the early years, when income is being taken.

The Managed Income Service aims to reduce the impact of sequencing risk by enabling income to be paid as much as possible from assets that are not volatile, thus attempting to avoid selling growth assets when they fall in value.

In order to achieve this, a proportion of the portfolio is held in defensive assets for the first years. This allocation means that the overall portfolio will initially be more cautious than your attitude to risk could accommodate, because your capacity to take risk in the early years is reduced.

Beyond the initial period of years your capacity to take risk will align with your current risk profile and the defensive assets will have reduced accordingly.

The Managed Income Service is a very flexible solution that can be adapted to mirror your changing situation. It is important that we review regularly (at least annually) your participation in this service to ensure that it continues to match your circumstances.

The value of the investments and the income from it can fall as well as rise, and you may not receive back the amount that you invest. Past performance is not a guide to the future.

Charges

Thesis Asset Management

The annual management charge for this service on the Thesis nominee will be 0.75% plus VAT inclusive of dealing, subject to a minimum fee of £750 per wrapper. The Thesis annual management charge for this service on third party platforms will be 0.30% plus VAT, with minimums, dealing fees and other charges determined by each platform.

IFA Managed Income Service

Client name

Adviser name

Adviser firm

Managed Income Service portfolio

Target date

Income level

Investment in the Managed Income Service will result in a proportion of your investment being made in defensive assets which form the wealth preservation portfolio, and a proportion of your investment being made into growth assets which form the wealth accumulation portfolio.

The split between the two is demonstrated in the illustration below and the initial split will depend on your target date which is up to 5 years from the date of commencement, after which your whole portfolio will be invested in your chosen wealth accumulation portfolio.

Income is provided quarterly at the point of rebalance and will ordinarily be as a result of the sale of some of the wealth preservation portfolio as this is reduced on a quarterly basis over the term of the service.

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	30%	25%	20%	15%	10%	Model portfolio
Wealth Accumulation	70%	75%	80%	85%	90%	