

For investment professionals only

Thesis Research and Consultancy Service (TRACS)



Professional
investment partners



“ **TRACS** - allows you to make more efficient use of your time, by releasing you to help provide good advice to your clients.”

THE **TRACS** DIFFERENCE

TRACS

Thesis Research
and Consultancy
Service

TRACS offers a consultative service, and there are a number of questions for you to consider before we agree the best course of action to develop the tailored solution for your business.

We can also finalise details with you over time.

The key issues can be broken down into **five levels**.

Business decisions

Regulatory permissions:

If you don't already have the necessary permission to conduct portfolio management and you plan to make investment decisions on behalf of your clients, you will need to apply for a Variation of Permissions to add this. Alternatively you can continue with your advisory permissions and leave the investment management to us.

Branding:

We can advise on the 'white-label' branding or cobranding of the service you offer your clients, to ensure you comply within the FCA's Financial Promotion requirements.

Client service:

Whatever level of service you plan to offer your clients, in terms of regular reviews, TRACS fits in with your review cycle and your client agreements to ensure your clients receive the service they expect. We can provide input into your investment

commentary and you can contact your Investment team for comment and updates as you require.

Nominee/platform:

If you have a preferred fund/wrap platform, we will ensure that the investments included in your solution are compatible, in terms of both the investment type and the funds selected.

If you are flexible about the platform used, we can advise on the most suitable platforms after we agree on the appropriate investment propositions.

LEVEL 1

LEVEL 2

Investment philosophy

The criteria that determines the structure of the portfolio. You may have clients at different stages of life and with different requirements, from those accumulating capital for the long term to those now relying on their investments to provide them with an income. TRACS helps you structure a Centralised Investment Process (CIP) for those in both accumulation and decumulation phases. We also work within your guidelines and constraints.

These are just some of the criteria we can include:

- Active or passive funds
- Environmental Social & Governance (ESG)/responsible investment
- Value-driven or growth-oriented
- Top-down macro-focused, benchmark driven or bottom up stock picking
- Immediate income or capital accumulation

THE TRACS DIFFERENCE CONT.

Operational arrangements

This is how we work with you day to day. If you want to be closely involved in constructing the portfolios, we will set up a Joint Investment Committee to review individual holdings or the portfolio profile. We will work with you on the composition and terms of reference of the investment committee, including the frequency of meetings to review the portfolios.

The minimum frequency and content for client reporting has been set out in MiFID II and we will agree the details with you, subject to any constraints of your nominee/platform. As part of TRACS, we can also help draft your client literature to reflect the investment process and client service you've selected.

LEVEL 3

LEVEL 4

LEVEL 5

Implementation

Establishing a CIP will have an impact on your working relationship with your clients. Having segmented clients into appropriate portfolios, existing investments need to be reviewed to ensure switching to the new portfolio is suitable and they are transferred in the most tax-efficient manner. The way in which you advise your clients may change with a CIP. This may change the records you keep or it may change the entire culture within your firm. We will help you consider and implement both of these.

Review

TRACS is as personal as your clients. Each arrangement is reviewed at an agreed frequency to confirm that it is working as expected, in addition to more informal review on an ongoing basis. This includes monitoring portfolios using the FCA TCF considerations, checking that they are performing as expected. As part of our regular monitoring, we will agree the key criteria that determine how successfully TRACS is working for you.

“As part of **TRACS**, we can also help draft your client literature to reflect the investment process and client service you've selected.”

Centralised Investment Propositions

In 2012, the FSA (now the FCA) published its final guidance on assessing the suitability of Centralised Investment Propositions (CIPs) used by advisers for their clients. The guidance defined CIPs as including:

- portfolio advice services,
- discretionary investment management, and
- distributor-influenced funds and the FSA's concerns fell into three main areas:
 - **Shoe-horning:** taking a "one size fits all" approach to matching client needs with solutions;
 - **Churning:** switching existing investments into a CIP without considering whether it is in the client's best interest; and
 - **Additional costs:** whether the added costs of a CIP can be justified. Depending on the diversity of your clients, you will need to consider the different tax wrappers available, the asset classes you use for each client, the flexibility of your CIP to change along with your clients' needs and the level of service each client requires. Designing a CIP is more than just about providing clients with a model portfolio, but that may be the result. Each portfolio needs to be suitable for each individual client and using the same "one size fits all" portfolio for clients is unlikely to be acceptable.

Ongoing monitoring of your clients' needs and the portfolios you offer is necessary to ensure continued suitability and this must be done within a cost model that is appropriate for the level of complexity of your clients' needs.

Flexibility

You can be confident with TRACS that the investment solution matches your individual clients' needs and your approach to portfolio construction. Tell us whether you want active or passive funds (or a combination) and whether your client base needs solutions for accumulating capital over the long term or needs immediate income. Every relationship is different and we treat our adviser relationships accordingly.

- **Platform neutral:** As far as possible, we will work with you to ensure our model portfolio holdings can be replicated on your chosen investment platforms. We can also advise on which platforms may be suitable for given portfolio sizes, trading activity, investment types and tax wrappers.
- **Accumulation or decumulation:** Whether your clients have a long investment horizon and are willing to accept more risk while looking to grow their capital or they need an immediate regular income, we can provide model portfolios to meet their objectives.
- **Active, passive or both:** We will work to your preferences, whether you want to focus on asset allocation through a range of low-cost index trackers or you prefer funds with active managers who aim to deliver their returns through stock selection.
- **Model or bespoke portfolios:** We can establish model portfolios that meet the needs of a wide range of client objectives and risk profiles. This could be suitable for clients with ethical preferences, legacy assets or non-sterling requirements and includes a dedicated Investment Manager.
- **Fund blending:** We are 'style-neutral' managers and we can combine funds to suit your chosen style, such as a passive fund at the core with growth funds targeting return as satellites.
- **Diversification:** Management of the risk of each portfolio is extremely important. We ensure every portfolio is a combination of different asset classes to ensure an appropriate level of diversification, based on the degree of correlation between those assets. Replication of styles across funds within a portfolio is kept to a minimum.
- **Ongoing support:** Your clients' needs and their approach to risk evolve over time. Our reviews and ongoing support make sure that your clients' investments continue to meet their changing needs.
- **Thesis funds or open architecture:** If appropriate we can establish a fund for you, through our sister company Thesis Unit Trust Management Limited as the Authorised Corporate Director (ACD). Alternatively you can access the full universe of funds on the market via our Fund Research. Service.

Risk mapping and investment research

Investment decisions are coming under increasing scrutiny and justifying them is a key part of the focus on suitability of advice. At Thesis, top-down asset allocation is decided by our Asset Allocation Committee, with bottom-up stock or fund selection determined through a process of shortlisting each asset class by each of our specialist investment committees. This process produces seven model investment portfolios, each with a predetermined range of possible exposures to different asset classes. The actual exposure at any time to specific asset classes is driven by tactical asset allocation decisions. All holdings included in a portfolio are selected to ensure the appropriate balance of risk and return, while ensuring sufficient diversification. If individual holdings are not available through your chosen investment platform, alternatives may be provided to maintain the desired risk return profile, but similar returns cannot be guaranteed.

We work with you to identify your client segments, based on their needs, objectives and risk profiles. We help you provide the most appropriate risk profiled investment solution for each client segment. Our ongoing support ensures that the portfolio adapts to your client's changing situation. Regular rebalancing of our portfolios ensures the combination of risk and return is right for your clients.

Portfolio construction

TRACS ensures that your portfolios consist of investments that are appropriate for your clients. Portfolio construction is tailored to your needs, but there are common features, such as risk control and agreeing a strategic range of exposure to each asset class. Different asset classes can help to reduce the level of risk in a portfolio. Asset classes are correlated to each other to a greater or lesser extent and the reduction in risk depends on how closely correlated they are. At the same time, short-term moves in the prices of assets are very hard to predict, as they can be based on factors other than fundamentals. So we will generally recommend maintaining at least some exposure to asset classes whose prospects we do not like, for risk-mitigation purposes. As an illustration, our standard

model portfolios have been divided into seven mandates with varying risk-reward profiles, consisting of the major asset classes. Where appropriate, the diversification by asset class can be further enhanced by geographical spread within the asset classes.

Management

We have a team dedicated to running our portfolios and to rebalancing them regularly. We recommend that the weightings to each asset class are reviewed every quarter to ensure they remain aligned with their long term risk and asset allocation objectives. A variety of factors are considered, some of the core ones being:

- The strategic range for each asset class within each portfolio and any divergence from the target weighting,
- Our views of the macro-economic outlook and its impact on each asset class, and
- The risk profile of each portfolio, to ensure that each portfolio is still appropriate for the client segment and that the range of risk profiles of your clients is adequately covered.

As well as rebalancing between asset classes, we may recommend changes to the funds or securities providing exposure to each asset class. There may have been recent changes within the fund or company or we may believe that the outlook for a different investment style is more appropriate for the economic environment.

Portfolio construction and rebalancing is not a mechanical process, with each decision logged and justified. For example, we have combined a number of key factors into our proprietary screening process, the Thesis Equity Stock Screen (TESS), for our standard model portfolios.

TRACS investment portfolios are tailored to you and can accommodate your specific needs or objectives.

How can TRACS help your business

Improved consistent efficiency - each client should get the same service and their desired outcome



Avoid creating business risks - regulatory or reputational



Segmenting your business - different solutions for your groups of clients



Focus on your key skills - providing your clients with holistic advice



Focus on client outcomes and what they really value



Where required we can work with your current **Investment Committee**



TRACS

Thesis Research and Consultancy Service

“Clients come in all shapes and sizes, so matching them with the right investment solution - and making sure the portfolios continue to meet their ongoing needs - takes time.”

Ongoing support

We pride ourselves in the ongoing support given to Financial advisers, whether that is via your open discussions with our research and investment teams, helping you with Financial Promotions or providing engaging investment commentary as part of your client communications. We can tailor a solution to work in partnership with you.

Take advantage of our local presence - offices in **Chichester, Guildford, Lyminster** and **Brighton**.

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

Business Development team



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