

## INVESTING SMALLER PORTFOLIOS

### 1. INTRODUCTION

Swallow Financial Investment Management Ltd (SFIM) manages many millions of pounds of client money. Whilst our target market is funds in excess of £250,000, over the years we have accepted many requests to manage smaller sums, typically for children, trusts or residual funds where investment management is required.

With smaller sums it is not really possible to individually asset allocate as the size of the individual investment would be too small. Likewise, if we re-allocate on a bespoke basis on smaller portfolios, our fees would have a major effect on the funds' performance..

### 2. THE VANGUARD LIFESTRATEGY FUNDS

After extensive research we have decided to change our approach to a single multi-manager fund. These types of investment are also referred to as a "fund of funds" since the portfolio contains different collective investments instead of investing directly in bonds, stocks and other types of securities. This approach ensures maximum diversification whilst minimising administrative costs and annual management fees.

At present, we are using the Vanguard Life Strategy 100% Equity Fund which consists of the following **passive** investments:

Fund	Allocation*
Vanguard US Equity Index Fund	19.50%
Vanguard FTSE UK All Share Index	19.40%
Vanguard FTSE Developed World X UK	19.30%
Vanguard S&P 500	13.30%
Vanguard Emerging Markets	9.20%
Vanguard Dev Europe X UK	7.50%
Vanguard FTSE 100	4.70%
Vanguard Japan Index	4.20%
Vanguard Pacific x Japan	2.00%
Vanguard FTSE 250	0.90%
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	100.00%

\*Allocation as at 28/02/2021. For a more up to date allocation please refer to the latest fund factsheet which can be found on our website under Library > Fund Facts > Vanguard > LifeStrategy 100% Equity Fund.

Many of the underlying funds are investments which we frequently recommend as part of a client's portfolio so existing clients will be familiar with a number of these funds.

#### Registered Office:

25 St Helen's Street, Ipswich, Suffolk IP4 1HH  
Tel: 01473 384858

#### London Office:

4<sup>th</sup> Floor, 33 Cavendish Square, London W1G 0PW  
Tel: 020 3755 3235

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[www.swallow-financial.co.uk](http://www.swallow-financial.co.uk)

Although the underlying investments are passive, the manager takes an active view on asset allocation. This is very much in line with our approach when managing larger portfolios.

We are able to channel regular monthly deposits into the Vanguard Life Strategy Fund with a regular purchase instruction since there is no minimum purchase amount via our preferred platform. This ensures that any deposits you make can be invested almost immediately.

The current annual management charge (AMC) for this fund is 0.22%.

### **3. YIELD**

The combined yield before charges is around 1.76%.

### **4. REVIEWS**

We undertake three forms of review:

#### **4.1 Asset Allocation Review**

For example, is the stance we have taken on fixed interest still right for these portfolios?

#### **4.2 Portfolio Review**

We decide whether to include fixed interest and / or commercial property within the small funds portfolios.

#### **4.3 Product Review**

Clients with these smaller portfolios will know we have changed providers on several occasions, in an effort to get a better deal for our clients. We will continue to review the fund choices and make changes where we consider them appropriate.

## 5. SUMMARY

Our aim is to ensure smaller value portfolios achieve maximum exposure to various markets whilst keeping costs to a minimum. We believe our simplified approach has helped us achieve this aim which should, in turn, generate better returns for our clients.

Please note that whilst every effort is made to ensure that the information contained within this explanation is correct, these notes are by necessity brief and of a generalised nature. Clients should seek specific personalised advice prior to undertaking any arrangement. These notes are named 09.2021 Investing Smaller Portfolios and was last updated in September 2021. Whilst we have done our best to ensure facts are current to this date laws and options are changing constantly so always check before action.

Investments are subject to market risk, including the possible loss of the money you invest. Bond funds are subject to the risk that an issuer will fail to make payments on time, and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments. Diversification does not ensure a profit or protect against a loss in a declining market. Performance data shown represent past performance, which is not a guarantee of future results. Note that hypothetical illustrations are not exact representations of any particular investment, as you cannot invest directly in an index or fund-group average.

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