Swallow Financial Planning

CONSIDERATIONS WHEN REVIEWING YOUR FUNDS

Over many years, we have invested in every type of collective investment available. We have used managed funds, multi managed funds and passive funds. This note explains our current thinking when we choose the funds for our clients to invest in.

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1. WE USE PREDOMINATELY PASSIVE INVESTMENTS

With the current emphasis on cost, we feel that passive investments offer better value than Active fund managers.

If you want to know why we think Passive is best, search our website for:

- Active Manager Performance
- Why Do We Prefer Passive Investments
- Our Approach To Investment Management

We try not to be too dogmatic and usually include some thematic managed funds in a client portfolio where we have seen the managers produce good long term (not always correlated) returns.

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1.1 Advisory Fund Management

There are two types of investment advice. A discretionary management service entails you buying into a template (usually based on risk profile), where you have no input whatsoever as to the choice of funds.

We operate an advisory management service where we choose your funds and then alter the allocation once a year at your annual review.

We do not buy investments before we have checked you are happy with them.

1.2 Fund Size

A consideration when reviewing your investments is whether any specific holding is now too big. When investments perform well and are held in numerous tax wrappers, we need to check annually if they have become a stock specific risk. Typically, we will reduce your stock risk to between 5% and 7% at a maximum.

1.3 Manager Changes

We review the funds on our preferred list regularly and hence may change funds to cheaper or better passives. We may also switch from a managed fund if our preferred manager changes or performance slumps.

1.4 Premiums, Discounts and Spreads

Investment Trusts can trade at a premium or discount, and smaller funds can carry a significant spread. These factors affect whether we buy more stock or sell to take profits.

2. ASSET ALLOCATION

2.1 Passive

Where one asset class outperforms it is necessary to take profits and when asset classes underperform it may be appropriate to add to funds.

2.2 Active

We will move client holdings according to our active asset allocation beliefs at the time. If you want to know our current stance then search the Website for:

- Asset Allocation Update
- Active Asset & Factor Update
- An Introduction To Asset Allocation
- Investment and Economic Outlook

2.3 Your Risk Profile

Your risk profile affects our asset allocation as it tells us the extent of risk you are prepared to take in order to achieve higher long term, growth.

There is no getting away from risk and reward. If you have objectives with regard to income or capital needs then you may be left with "Hobsons choice." You either accept risk and stand a chance of reaching your goals or you don't accept risk and don't achieve your goals.

If you would like to know more about how risk affects our investment decisions, search the website for:

- What Is Risk And How Much Do You Need To Take?
- Client Risk Profiles Explained.

2.4 Guaranteed Assets

Regardless of the investments we choose, if you have a large guaranteed pension you have a secure foundation to your long-term income. We will reflect this in our choice of assets and illustrate to you the effect guaranteed pensions have on your overall asset structure.

2.5 Income Needs

If you are currently receiving a regular income from Transact, then we need to ensure that you have sufficient float to maintain your income throughout the year. At this time, we are keeping more cash than usual so that if there is a market fall you will not have to sell units at low values.