Managed Portfolio Service

Active portfolio management, ensuring diversification and risk management

Smith & Williamson

For professional advisers only. Not for distribution to retail investors.

Our Managed Portfolio Service

Managing an investment portfolio is a complex challenge, requiring continuous monitoring and research.

Our Managed Portfolio Service (MPS) is designed to address these issues and provides high-quality investment management for your clients' portfolios.

Investors are given a choice of six Distribution Technology (DT) risk-rated models, with the service being 5-star Defaqto rated. The models are actively managed and built using a range of investment tools including open-ended funds (OEICS, unit trusts), investment companies and exchange traded funds (ETFs). This structure offers diversification by asset class and product type, giving our investment managers additional flexibility to respond to changing market conditions.

Our MPS is administered by external platform providers and structured to preserve the client / adviser relationship.

Benefits of the service

- Active portfolio management, ensuring diversification and risk management.
- A dedicated MPS investment team, supported by over 55 investment professionals, giving you access to our broad intellectual capital.
- Ongoing monitoring of our model portfolios by DT, ensuring our models stay within the permitted risk parameters.
- No set rebalancing dates, enabling our MPS managers to amend asset weightings as and when their views on markets and investment strategy change.
- Our MPS has been awarded a 5-star Defaqto rating in 2014, 2015, 2016 and 2017.


defaqto 2014 MPS (PLATFORM)
defaqto 2015 DFM Managed Portfolio
defaqto 2016 DFM Managed Portfolio
defaqto 2017 DFM MPS on Platform

Six risk-rated model portfolios, covering a range of investment objectives and risk profiles.

What portfolios are available?

These strategies are managed to align the portfolios with the middle six of DT's ten levels (i.e. models 3-8).

Defensive (DT3)

To preserve capital in inflation-adjusted terms through investing up to 85% in defensive assets such as government bonds, corporate bonds and property. Up to 35% of the portfolio may be invested in global stock market investments (e.g. shares), subject to prevailing market conditions.

Defensive Income (DT4)

To deliver defensive total returns with an emphasis on offering above average[1] income. The portfolio may invest between 35% and 60% in global stock market investments subject to market conditions with the remainder in defensive asset classes.

Balanced Income (DT5)

To deliver balanced returns through a combination of investment income and capital growth. The portfolio is diversified across major asset classes and may invest between 55% and 70% in global stock market investments, subject to market conditions.

Balanced Growth (DT6)

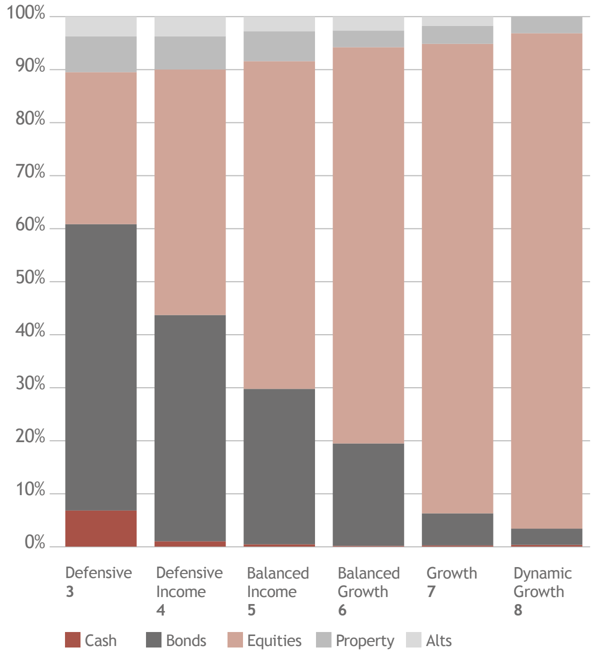
To deliver balanced growth through investing actively across defensive and riskier asset classes. The portfolio is biased towards global stock market investments and may invest between 65% and 85% in equities, with the remainder diversified across defensive asset classes.

Growth (DT7)

To deliver long-term growth by investing predominantly in stock market investments across a wide range of geographic regions. The portfolio will always retain an emphasis on developed markets, and, in particular, investments in UK company shares. The portfolio will normally be more than 90% invested in stock markets, but may be up to 15% in defensive asset classes.

Dynamic Growth (DT8)

To deliver long-term growth by investing actively in stock market investments across a wide range of geographic regions. The portfolio will usually retain a strong emphasis on developing markets, with the flexibility to be as much as 50% invested in Asia and emerging markets, subject to market conditions. The portfolio will usually be fully invested in stock markets.



Source: Smith & Williamson Investment Management and StatPro as at 31 December 2016.

[1] Average of FTSE All-Share and 10-year bond yields.

How much does the service cost?

The annual management charge for the MPS is 0.3% + VAT.

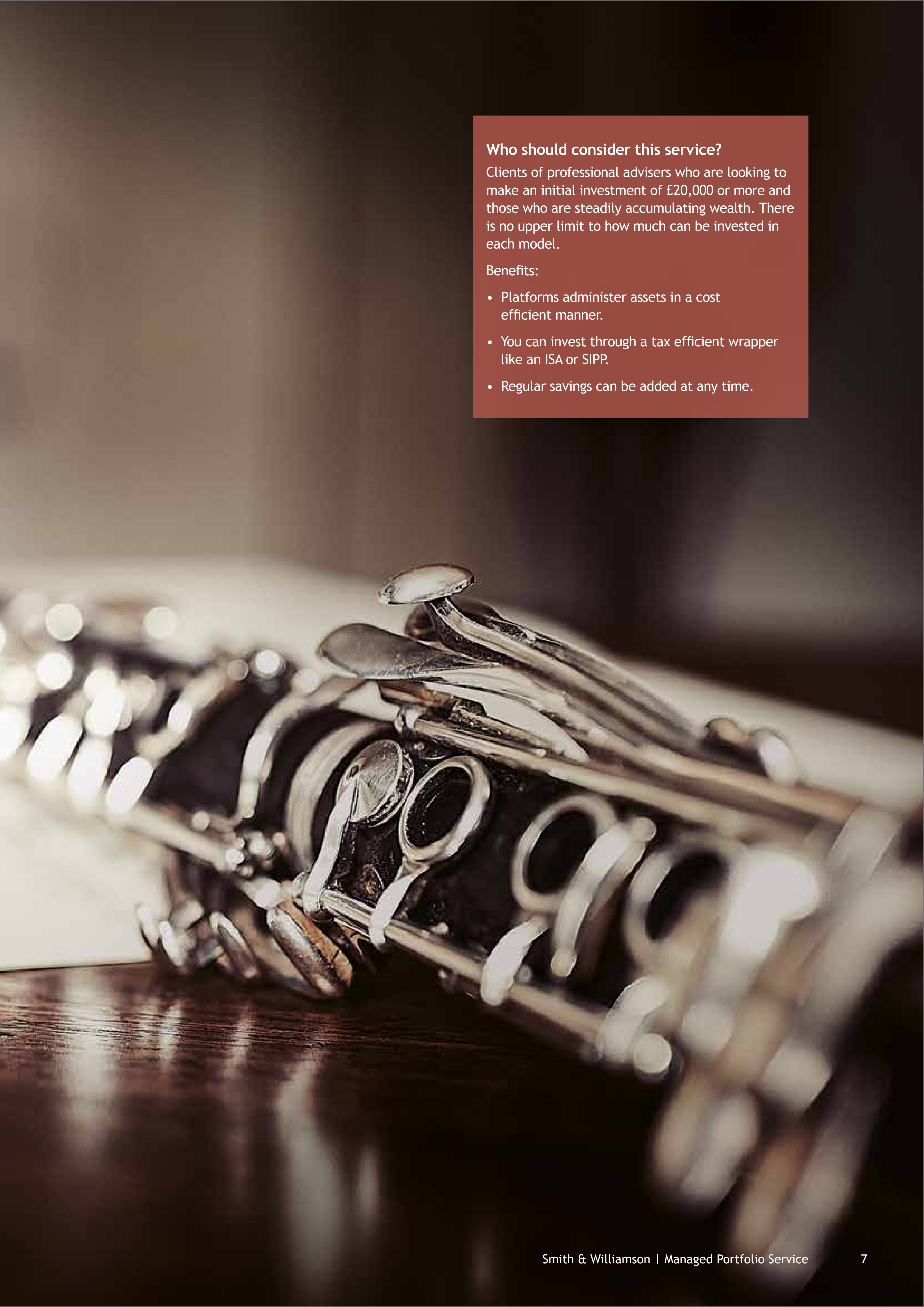
Please note that, in addition, there will be underlying fund charges for each model portfolio that will vary over time as the underlying holdings within the portfolio change. Please refer to our individual factsheets for details on the estimated underlying holding charges for each portfolio.

How to access our MPS?

Your clients can hold the MPS in a:

- general investment account
- self-invested personal pension (SIPP)
- small self-administered (pension) scheme (SSAS)
- individual savings account (ISA)
- offshore bonds

The service is available through external platform providers Ascentric, Novia, Transact, Verbatim and Standard Life.



Who should consider this service?

Clients of professional advisers who are looking to make an initial investment of £20,000 or more and those who are steadily accumulating wealth. There is no upper limit to how much can be invested in each model.

Benefits:

- Platforms administer assets in a cost efficient manner.
- You can invest through a tax efficient wrapper like an ISA or SIPP.
- Regular savings can be added at any time.

How are the model portfolios constructed?

The Managed Portfolio Service managers draw heavily upon Smith & Williamson's proprietary asset allocation framework and fund research processes.

This involves more than 55 qualified investment personnel and strategists.

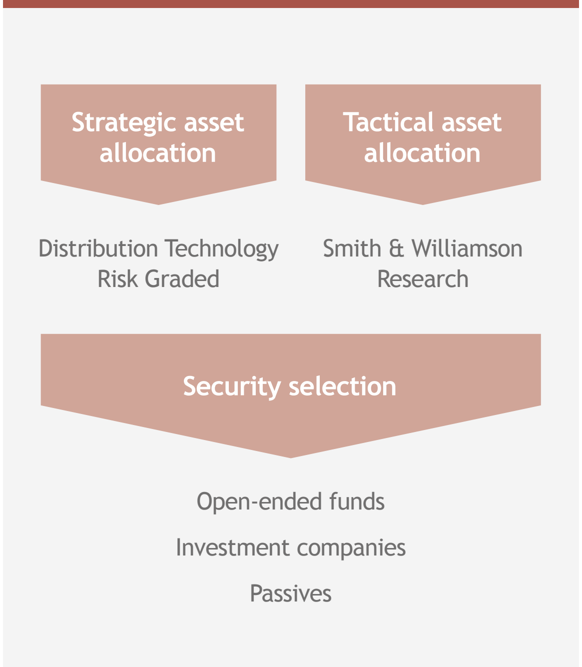
Rigorous asset allocation constraints are employed to ensure consistent levels of exposure to the underlying asset classes, but within this, the managers look to take an active approach.

The models have no set rebalancing dates, instead they are amended when required, to reflect the team's views on market and investment opportunities.

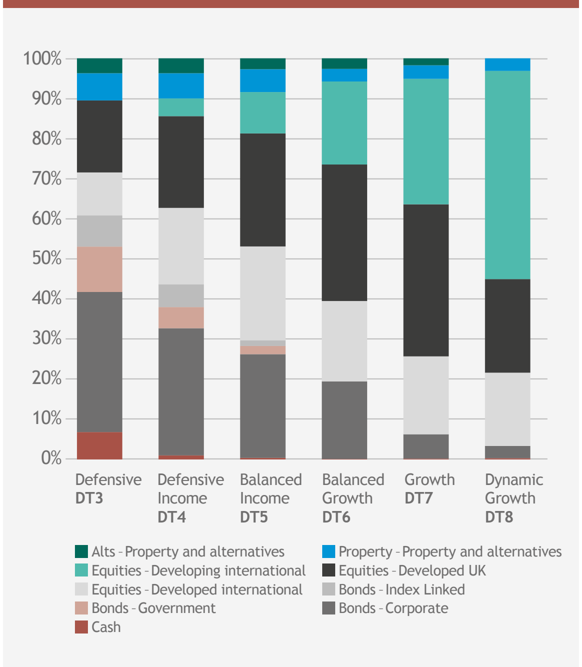
The portfolios are continually monitored to ensure the levels of volatility remain consistent with each strategy's risk profile.

Smith & Williamson MPS Investment process & research

The Process



The Result



Source: Smith & Williamson Investment Management and StatPro as at 31 December 2016.

About us

Smith & Williamson has been advising private clients and their families since it was established in 1881. We have around 1,700 operating across 12 offices in the UK, Ireland and Jersey, offering a range of services from accountancy and tax to investment management and private banking.

We have been actively involved in investment management since 1911. Today, we are among the largest, independently owned, private client investment managers in the UK. We have over 160 qualified investment professionals working across eight investment offices and around £18.2bn of funds under management and advice as at 31st December 2016.

The MPS Managers

James Burns - Partner

James co-manages Smith & Williamson's Managed Portfolio Service and its MultiManager team. He sits on the firm's Asset Allocation Policy Committee and co-ordinates the investment trust recommended list for our private client department. James joined Smith & Williamson in September 1999 and began working on the investment trust desk in January 2001. He is a chartered member of the Chartered Institute of Securities & Investment and has a MA (Hons) from the University of St. Andrews.

David Amphlett-Lewis - Partner

David co-manages the Smith & Williamson Managed Portfolio service, is a partner of Smith & Williamson Investment Management LLP and a member of the firm's Managed Portfolio Service Investment Committee. He also manages bespoke portfolios for clients of independent financial advisers. David joined Smith & Williamson in 2010 from Deutsche Bank, where he chaired Deutsche Private Wealth Management's Asset Allocation Review Committee. He is a member of the Chartered Institute of Securities & Investment and an economics graduate from the University of Birmingham.

Genevra Banszky von Ambroz - Associate director

Genevra has been a member of Smith & Williamson's MultiManager team since January 2010, covering both open and closed-ended vehicles. She is a member of the firm's Managed Portfolio Service Investment Committee, co-ordinates Smith & Williamson's investment trust preferred lists, alongside James Burns, and is responsible for the infrastructure funds preferred list. Genevra is a chartered member of the Chartered Institute of Securities & Investment and is a CAIA Charter holder. She graduated from Durham University in 2007 with a BA (Hons) in Politics.

Definitions

Exchange Traded Funds (ETFs)

An exchange traded fund (ETF) is a way of buying a collection of investments, providing diversification without having to buy each one individually. ETFs are defined as passive instruments because they track the performance of a collection of securities or an index. Costs are generally low versus actively managed investments. ETFs are traded on recognised stock exchanges, such as the London Stock Exchange, and track a variety of asset indices including equities, bonds and commodities.

Open-ended investment companies and unit trusts

The most commonly used investments within the Smith & Williamson Managed Portfolio Service are open-ended investment companies (OEICs) and unit trusts (UTs). These, like ETFs, invest in a collection of securities, but they usually employ active management in an attempt to outperform their relevant indices. Among other advantages, investors benefit from the potential for outperformance due to fund managers differentiating between underlying securities, and sizing exposure according to their confidence in a security performing better than its peers. There is, however, the possibility that the fund managers choose securities which perform badly, in which case the fund will underperform the index. OEICs and UTs are defined as 'open-ended' vehicles as units or shares are created or cancelled in reaction to demand. The prices of these funds are based on the value of the underlying investments (the net asset value or NAV).

Closed-Ended Investment Vehicle Investment Trusts (ITs)/ Investment Companies (ICs)

ICs also invest in a collection of securities and, on the whole, are actively managed. The key differentiator between ICs, OEICs and UTs, is that the structure is 'closed-ended', meaning that the number of shares in the company remains constant, irrespective of market demand, resulting in the capital being permanent in nature. Permanent capital allows fund managers to deliver their strategies without having to be concerned with managing the increase or decrease in capital available for investment associated with fund subscriptions and redemptions. ICs are listed on recognised stock exchanges, such as the London Stock Exchange. Given the closed-ended nature of these funds, they price differently to their open-ended counterparts. Companies produce regular NAVs which reflect the value of the underlying investments, but the market demand dictates the price paid, with popular shares trading at a premium to the NAV, and more unpopular shares trading at a discount.

Key risks

- The value of investments can go down as well as up, and investors may not receive back the original amount invested.
- Past performance is not a guide to future performance.
- There can be no assurance that any portfolio will achieve its investment objective, the target return or any volatility target. Any target return or volatility target shown is neither guaranteed nor binding on the Manager.
- When investments are made in overseas securities, movements in exchange rates may have an effect on the value of that investment. The effect may be favourable or unfavourable.
- Investing in alternative assets involves higher risks than traditional investments and may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain.
- Investments in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems.
- Please note that bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds the certainty of a fixed income for a fixed period with a fixed return of capital are lost.
- Investments in smaller companies may involve a higher degree of risk as markets are usually more sensitive to price movements.

MPS profiles are tailored to the output of a Distribution Technology risk profiling process which is complex and not for use without assistance from a financial adviser. Performance outcomes will depend on the rebalancing and timing of entry and exit to the strategy on the platform.

Important information

Smith & Williamson Investment Management is unable to assess or provide advice on the suitability of any profile for individual circumstances. No consideration has been given to the suitability of any investment profile for the particular needs of any recipient. SWIM or it's affiliates will not be responsible to any other person for providing the protections afforded to retail investors or for advising on any investment, as a result of using this information.

We have taken great care to ensure the accuracy of this publication. However, the publication is written in general terms and you are strongly recommended to seek specific advice before taking any action based on the information it contains. This is neither an offer nor a solicitation to buy or sell any investment referred to in this document.

Appropriate advice should be taken before entering into transactions. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication.

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Our offices: London, Belfast, Birmingham, Bristol, Cheltenham, Dublin (City and Sandyford), Glasgow, Guildford, Jersey, Salisbury and Southampton.