Perspective
MANAGING WEALTH

Investment Philosophy

How we manage your wealth



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The Investment Philosophy outlined in this document is based on the following principles, which have been established through academic research and studies conducted over the last seven decades.

There is no guarantee that adherence to these principles will always produce the best outcomes for every investor. However, the evidence supporting these principles suggests the potential for attractive long-term investment returns.

This document explains the rationale behind these principles and the approach taken in applying them within an investment framework designed to help investors pursue their financial objectives, taking into account their individual investment risk tolerance.

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Control risk

Take only the amount of risk you are comfortable with and can afford to accept.

02
Markets work

Current share prices always incorporate and reflect all relevant information.

03
Capitalism works

Risk is rewarded.

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Spreading your money across different investments removes unnecessary risk.

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More important than stock selection.

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To maintain discipline and risk tolerance.

01

Control risk

Take only the amount of risk you are comfortable with and can afford to accept.

If you have exposure to shares in your portfolio, there will be periods in the future where your fund will fall, to some extent.

It is important that you are comfortable with these investment risks before investing. If you can accept the additional risk in the short term, your adviser believes that in the longer term you will reap the additional rewards available from investing in shares.

As a long-term investor, a buy and hold strategy is more likely to yield better returns than selling in and out of investments, where timing is crucial to returns and transaction costs are involved.

Your adviser uses an investment risk profiling questionnaire to establish broadly how much risk you can take, and match that to a potential portfolio, and a specialist consultant will consider this against your goals and needs.

Your adviser will then discuss the potential consequences of that choice, over both the long and short term.

Your adviser needs to be sure that you are able to accept that the portfolio may fall in the future, in exchange for the chance of higher returns over the long-term.

Events such as geopolitical conflicts, inflationary pressures and periods of market uncertainty serve as a reminder that investments can fall as well as rise in value.

This reinforces the importance of maintaining an emergency fund in a secure and accessible account to help meet unforeseen financial needs.



02
Markets work

It's all priced in.

All available information about a company is already priced into the current valuation. In other words, the prices of shares traded on markets is determined by all the information available to the participants in the stock market and takes account of all that information.

Future market movements will be influenced by events and information that are not yet known.

As a result, no one can predict with certainty which companies will outperform and which will underperform.

When share prices rise or fall, market commentators and investment professionals will often explain the reasons behind those movements and attempt to forecast future performance.

Such forecasts may prove accurate, but they may not. Where forecasts are correct, success is often attributed to analysis and insight. Where they are incorrect, outcomes are frequently explained by unforeseen events or changing circumstances.

Relying on predictions about individual companies or short-term market movements can introduce additional risk and uncertainty. An alternative approach is to focus on broad market participation through diversified investment solutions, rather than attempting to identify in advance which individual shares will perform best or relying on forecasts of inherently uncertain future outcomes.

While market conditions and world events will inevitably change over time, a qualified financial adviser can help clients understand what these changes mean, provide reassurance during periods of uncertainty, and offer ongoing guidance throughout their investment journey.

*The value of investments can go down as well as up and you may get back less than the amount invested.

03
Capitalism works

Risk is rewarded.

Shareholders are investors in companies who are owed a return on their investment.

There is a long history of research evidencing an extra return for investment in shares, known as the "equity premium", or the excess return investing in the stock market provides over a risk-free rate, such as the return from government bonds.

Those who invest in riskier shares, for example in smaller companies, are owed a greater return than less risky shares.

This excess return from holding equities is only available in return for additional risk.



04
Diversification

Removes unnecessary risk.



Exposure to investment risk can provide the potential for higher long-term returns, particularly through investment in equities. However, unnecessary risk can arise when investments are concentrated in too few companies, sectors or asset classes.

Different asset classes are influenced by different economic and market factors and, as a result, do not always move in the same direction at the same time. Spreading investments across a range of asset classes can help prepare a portfolio for different market conditions, as periods that favour one asset class may be less favourable for another.

A useful way to think about diversification is to compare it to backing a single horse in a race versus having exposure to the outcome of the entire field. Rather than relying on a small number of investments to succeed, diversification seeks to reduce the impact that any single investment can have on overall portfolio performance.

Investing across UK and global markets provides exposure to thousands of companies operating in different regions, sectors and industries. This broad exposure helps reduce the risk that the performance of any one company will have a significant effect on investment outcomes.

Diversification can be enhanced further by investing across different asset classes. Government bonds, corporate bonds and other fixed interest investments can help reduce overall portfolio volatility and provide an additional source of diversification alongside equities.

The mix of assets within a portfolio can be tailored to align with an investor's objectives, time horizon and tolerance for investment risk. Different assets may also be used to address specific investment challenges. For example, inflation-linked bonds can provide additional protection during periods of higher inflation.

Understanding how diversification works, and why different investments perform differently over time, is an important part of successful long-term investing. A qualified financial adviser can help explain these concepts, provide context during changing market conditions, and support investors in maintaining an appropriate strategy as circumstances evolve.

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05
Invest for the long-term

Don’t speculate for the short term.

Predicting which individual shares will deliver the strongest returns in the future is extremely difficult and cannot be done consistently. Despite this, many investment approaches are built around selecting a relatively small number of companies in the belief that they will outperform the wider market.

Concentrated investment strategies can increase risk, as portfolio performance becomes more dependent on the fortunes of a limited number of investments. While this approach may occasionally produce strong results, it can also lead to periods of significant underperformance.

Similarly, the selection of investment managers is often influenced by historical performance. While past results can provide useful information, they cannot reliably predict future outcomes. A manager who has outperformed during one market cycle may not necessarily deliver the same results during the next.

Different investment styles, such as value and growth investing, tend to perform differently under varying economic and market conditions. As environments change, periods of outperformance and underperformance often rotate between styles, sectors and regions.

For this reason, it can be difficult to determine whether strong investment results are primarily the result of skill, favourable market conditions, or a combination of both. By the time sufficient evidence exists to draw meaningful conclusions, circumstances may have changed considerably.

Interestingly, some of the most successful long-term investment approaches have been characterised by patience, discipline and low portfolio turnover. Rather than attempting to predict short-term market movements, these approaches focus on remaining invested, allowing investments time to benefit from long-term economic growth and the power of compounding.

Successful investing is often less about finding tomorrow’s winning investment and more about maintaining a well-constructed strategy through changing market conditions. A qualified financial adviser can help investors stay focused on their long-term objectives, understand market developments in context, and provide reassurance and guidance during periods of uncertainty.

06

Keep costs to a minimum

Maximise returns for investors.

Investment costs can have a significant impact on long-term outcomes. Keeping costs and expenses as low as possible means more of the money invested remains working towards an investor's financial goals, helping to maximise the potential benefit of long-term market returns.

Many diversified investment portfolios make use of asset class, index-tracking or passive funds. These funds provide exposure to broad areas of the market, such as UK equities, global equities and fixed income investments, without attempting to select individual companies expected to outperform.

By investing across a wide range of securities within a market, these approaches typically seek to capture market returns efficiently and at a lower cost than many actively managed alternatives.

Within individual asset classes, there may also be opportunities to gain exposure to areas of the market associated with higher levels of risk and potentially higher long-term returns, such as emerging market equities.

Investment costs are not always immediately obvious. In addition to annual fund charges, transaction costs, portfolio turnover and other operating expenses can all reduce the returns ultimately received by investors.



For this reason, careful consideration is often given to both headline charges and the total cost of ownership when selecting investment solutions. Approaches that minimise unnecessary trading and keep overall expenses low can help reduce the drag that costs place on long-term investment returns.

While costs are only one of several factors to consider when investing, they are among the few elements that can be controlled. A qualified financial adviser can help investors understand the costs associated with different investment options, explain the value received in return, and ensure investment decisions remain aligned with long-term financial objectives.

07

Asset allocation



More important than stock selection.

Stock selection can have an impact on the performance of a portfolio, but the most important determinant of returns is the asset classes and geographic areas in which investments are made.

There is significant research demonstrating that the biggest influence on investment returns is the asset classes in which a portfolio invests.

The asset allocation of the portfolio is responsible for over 90% of the variation in returns, whilst the actual stocks selected within each asset class, is responsible for around 6% of the variation of returns.

The preferred process therefore is to focus on getting the asset allocation right at portfolio level, rather than paying extra for an expensive active fund manager to focus risk (in a bid to boost returns) by choosing a smaller number of investments, the opposite of diversification.

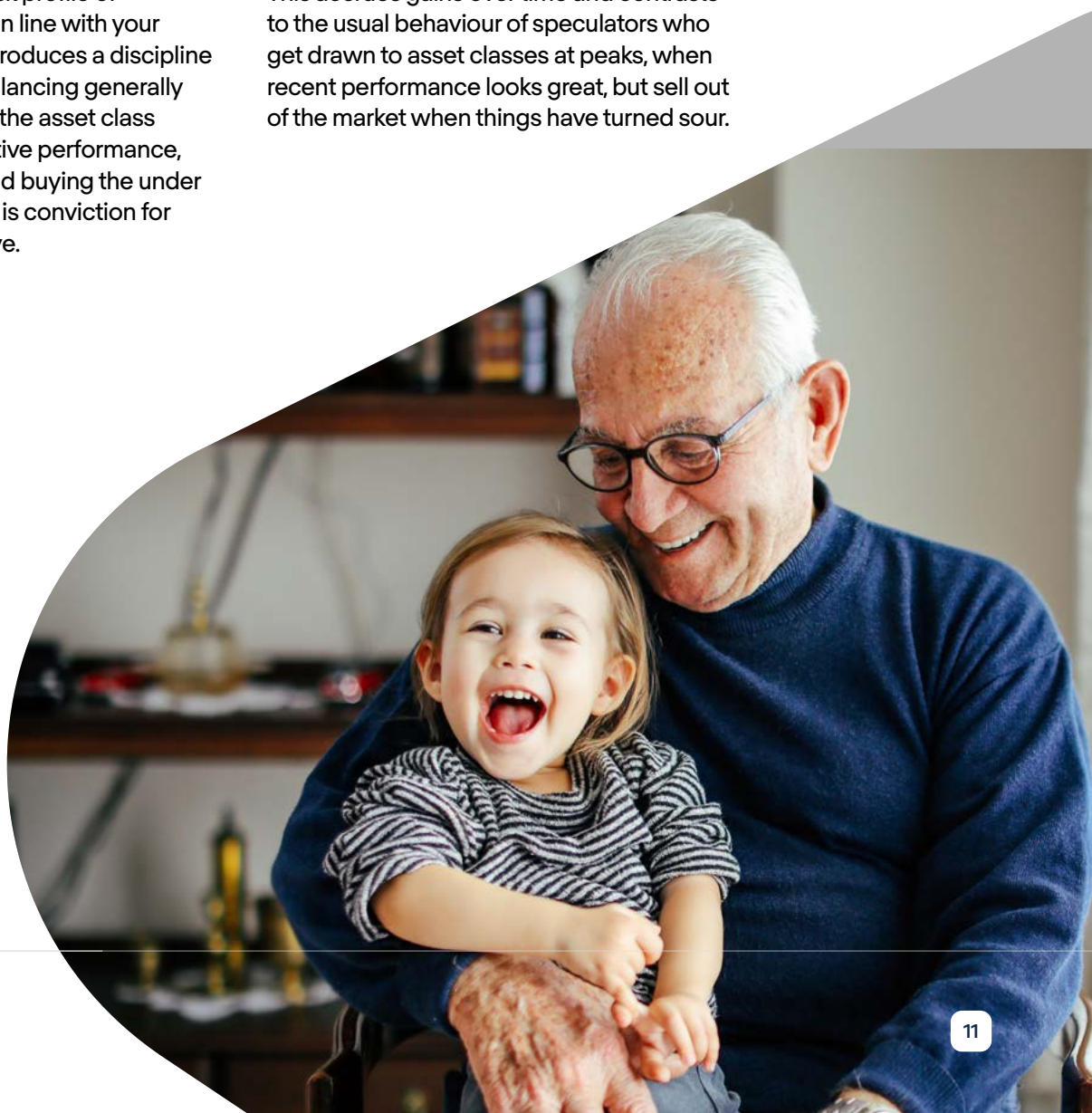
08
Rebalance

To maintain discipline and risk tolerance.

It is important to emphasise the importance of rebalancing the portfolio on a regular basis.

This ensures that the risk profile of your portfolio remains in line with your requirements, and it introduces a discipline to the portfolio, as rebalancing generally means selling some of the asset class with the strongest relative performance, consolidating gains, and buying the under performer where there is conviction for performance to improve.

This accrues gains over time and contrasts to the usual behaviour of speculators who get drawn to asset classes at peaks, when recent performance looks great, but sell out of the market when things have turned sour.



The process of managing your money



This multi-stage investment strategy is delivered in practice using modern technology and administration platforms often in conjunction with Discretionary Fund Management.

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The first step in the process is for your adviser to establish and agree your aims and objectives for your investment.

Key factors such as the timescale for your investment, your risk profile, and your tax position will enable your adviser to establish which platform, tax wrapper and portfolio is right for your particular circumstances and requirements.

Your adviser will also ensure that you have an emergency fund to ensure the portfolio recommend has time to withstand the inevitable fluctuations in value associated with longer term investment.

An important element of our partnership is the annual review process, where your adviser will update you on any changes to the longer term strategic asset allocation, confirm the portfolio's progress through the year, and ensure that it remains appropriate with regard to your circumstances and objectives, which may also change from time to time.

Tax "wrappers"

Investing via different "tax wrappers" affects the way contributions to, and withdrawals from, your investment are taxed, as well as the income and capital gains generated within the portfolio.

We will select the best combination for you from the following, to make use of the allowances available to you:

- Individual Savings account (ISA)
- Personal Pensions & Self Invested Personal Pensions (Sipps)
- Investment Bonds, Onshore and /or Offshore
- General Investment Account (no "wrapper", taxed directly)
- Specialist tax wrappers such as Enterprise Investment Schemes (EIS), Venture Capital trusts (VCTs) and Inheritance Tax (IHT) portfolios, where appropriate, although these come with additional investment risks

Administration platforms

We use a range of administration platforms which allow both ourselves and a Discretionary Portfolio Manager to oversee your investments in one place, using various tax wrappers, as appropriate to the individual.

These administration platforms have different charging structures and offer slightly different product ranges, which is why we use more than one.

We will recommend the platform most suitable for your circumstances.

Discretionary Portfolio Management

Portfolio management is best left to fully qualified and experienced fund managers, therefore where appropriate we recommend Discretionary Portfolio Management.

This service comes in many forms but our preference is to identify a competitively priced service which is based on the principles set out in this document:

- Low cost passive funds available
- Extensive diversification across global markets and asset classes
- Choice of portfolios tailored to different risk profiles and ethical preferences
- Continual expert investment management making all day to day investment decisions on the client's behalf
- Discretion to alter the geographic constitution and equity exposure of the portfolio, within agreed parameters

The "discretionary" element of this service means that the managers can make these shorter term adjustments to the portfolio without reference back to you, making it possible to move quickly when circumstances and markets change.

The main purpose of these adjustments is to protect the portfolios by temporarily reducing exposure to asset classes or geographic areas deemed to be overvalued, and potentially at risk of a short term correction.

However sometimes the managers will seek to take advantage of undervalued asset classes.

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Email enquiries.northeast@pfgl.co.uk

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Email enquiries.northwest@pfgl.co.uk

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Email enquiries.southeast@pfgl.co.uk

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Email enquiries.NI@pfgl.co.uk

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