The USPs

Netwealth Managed Portfolios

netwealth

Wealth management as it should be

Wealth management | Pensions & ISAs | Financial planning

Important Information

This document is intended for professional financial intermediaries and is not suitable for retail investors.

Netwealth Investments Limited is authorised and regulated by the Financial Conduct Authority with firm reference number 706988.

Netwealth is covered by the Financial Services Compensation Scheme (FSCS). In the event that we have stopped trading or are delcared to be in default and cannot meet our obligations, a client may be able to claim compensation. This depends upon the type of business and the circumstances of the claim. The FSCS offers different levels of cover for different types of business. Most types of investment business are currently covered for 100% of the first £85,000. Further information is available from the FSCS website (www.fscs.org.uk).

Netwealth’s Managed Portfolio Service - The USPs

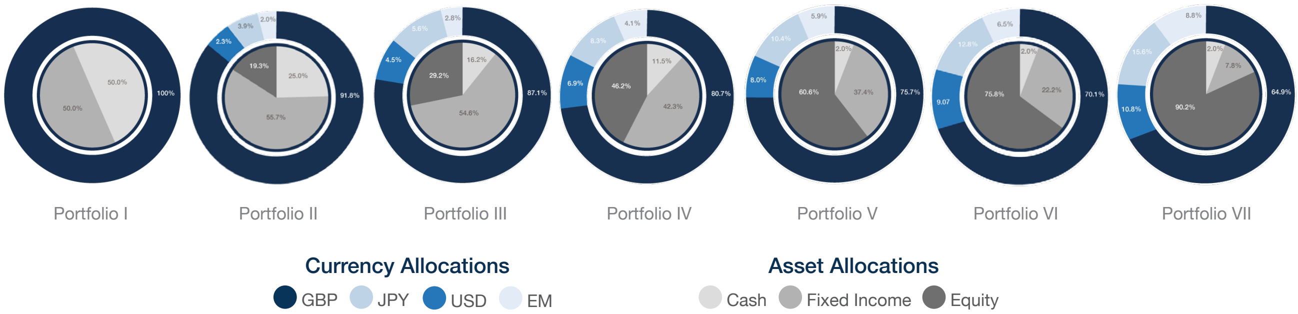
Overview

- Seven risk-return profiles
- Cost-effective investing - DFM fee of 0.20% + VAT
- High quality and globally diversified with 100% daily liquidity
- Strategic currency allocations
- Daily monitoring with personalised portfolio rebalancing
- Active allocations, passive instruments
- Experienced team making day-to-day decisions
- Available exclusively to financial advisers on the Transact Wrap Service

The Netwealth difference

1. Currency allocations

Unlike the majority of MPS solutions, the Netwealth portfolios have strategic allocations to currencies as well as asset classes. We believe that leaving the majority of our international equity exposure unhedged allows the portfolios to benefit from the diversification that such positions often bring – not least when the base currency of a portfolio goes through a period of stress.



2. Portfolio drift

Netwealth’s model portfolio strategies are managed in a way where the weights “drift” with the difference in performance across investment instruments.

The investment team rebalance the model portfolios when:

i. the investment team believe that the underlying asset weights should be adjusted to reduce or remove the effects of “drifting”; or
ii. the Investment Committee has decided to make changes to the strategies

In terms of timing, there is no fixed schedule for rebalancing, instead each rebalance is effected as soon as a decision is made or necessary adjustment identified. All individual client portfolios are checked daily for compliance with the relevant model, with any adjustments made if necessary. This approach ensures that all client portfolios perform closely in line with the intended model portfolio strategy, reducing discrepancies through time compared to the use of a static model approach.

3. Active allocations, passive instruments

The management of our portfolios is an ongoing process by our experienced investment team, with monthly formal Investment Committee meetings. One of the responsibilities of the Committee is to consider any potential changes to portfolio positions and address specific economic or market risks that may knock portfolio performance off-track.

When assessing potential cyclical positions, the investment team looks at the macro-economic environment, inferred policy response, asset fundamentals and valuation levels, as well as market positioning. The impact of cyclical positions is considered primarily at the portfolio level, but also monitored and measured on a standalone basis to retain investment discipline.

Advice Messages

1. Bespoke advice, centrally managed portfolios

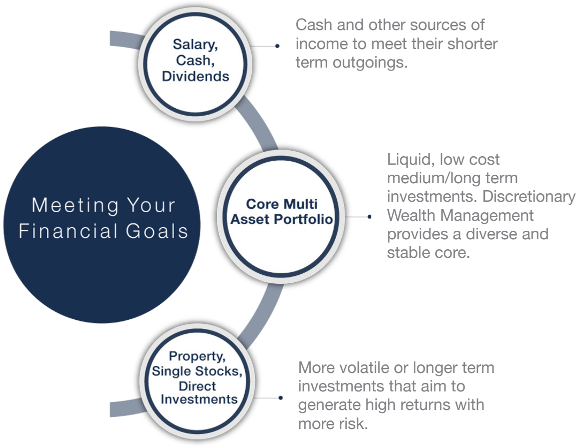
Many traditional UK wealth managers' tell you that your client needs a bespoke investment portfolio, designed around their individual needs. At first glance, this approach appears to make sense. After all, every client has their own specific financial goals and reasons for investing. A closer analysis, however, sheds a different light. Each client has unique needs and individual circumstances, and therefore most certainly needs individual – indeed bespoke – financial advice and planning, but not necessarily in a *bespoke investment portfolio*.

Most wealth management firms employ a central team of specialist investment managers. They research, analyse and manage a set of asset allocations for diversified investment portfolios, with each of these 'model' portfolios reflecting their 'best thinking'. Therefore, any subsequent change that a client adviser or 'personal investment manager' makes to the model portfolio allocations is, by definition, a move *away* from the firm's best thinking.

In addition to providing the best investment allocations the firm has to offer, model portfolios should also provide the benefit of substantially lower fees, as they are significantly more cost effective than running a portfolio allocation per client.

We believe it is the role of the financial adviser to consider the clients personal circumstances and individual financial needs and goals. This process will result in a comprehensive financial plan that provides the client with the best chance of meeting their goals, and is likely to include different 'pots' to be invested via one or more risk-return profiles. At this stage, once the planning is done, the investment team should take over, with each 'pot' being invested in an appropriate centrally-managed portfolio, ensuring the client's money is being managed in a cost-effective environment by the best team for the job.

2. Three-Pot Theory™



Recommending Netwealth to your clients.

In our experience, a helpful way for clients to think about their assets is managing them across three hypothetical pots. These pots tend to represent how they live their lives, thus making financial planning more intuitive and accessible.

Netwealth helps with Pot 2.

Pot 2 is designed to be their 'sleep well' money for investments that may need to help generate a secure income over the medium to long term, such as for school fees, retirement or for elderly care. It is usually funded by savings in ISAs, pensions and general investment accounts.

By making sure that Pot 2 is managed in a flexible, transparent and low cost solution, clients are able to access their investments as required, keep track of their bespoke objectives and benefit from the compounding value of keeping the cost of investing as low as possible. All of which helps to increase the likelihood of clients achieving their financial goals and should be expected from a modern wealth management service.

3. Control the Controllables

We all know that there are aspects of investing that are beyond our control – the market, inflation, longevity - and we also know that these will have an impact on the future value of our investments. Therefore, it is important to put in place measures that can dampen any negative effects that could be caused by these events – poor performance, investment shortfalls or running out of money in retirement.

At Netwealth, we believe that this is best achieved by concentrating our efforts on the aspects of investing that are within our control – being invested for the long-term in globally diversified portfolios, making the most of the allowances available to us (ISAs, pensions, CGT) and making sure we are not paying too much for the privilege of being invested, fees can have a hugely negative impact on the future value of a client's portfolio.