Financial Vulnerability Charter

Chartered Financial Planners

Our Guide to Investment Solutions

ArmstrongWatson®

Financial Planning & Wealth Management

www.armstrongwatson.co.uk

Helping our clients achieve prosperity, a secure future and peace of mind.

Our four stages of Assurance

Stage 1: Armstrong Watson Financial Planning & Wealth Management

We act as independent advisers to select the appropriate multi-asset solutions that are available in the marketplace.

ArmstrongWatson®
Financial Planning & Wealth Management

Stage 2: Our Investment Philosophy

Our philosophy is to utilise active management solutions as we believe in the skill and judgment of professional fund managers to choose where to invest and have the ability to manage the underlying assets according to economic and market conditions.

Although we adopt this approach, depending on a clients investment preferences and experience, we also provide advice on other strategies such as passive solutions, socially responsible investing and discretionary fund management

Stage 3: Investment Committee

Our Investment Committee, supported by extensive external research and expertise, monitors the whole of the market to choose the best options available across different risk profiles and asset allocations.

Stage 4: Armstrong Watson Financial Planning & Wealth Management

Our main objective is to support you throughout your lifetime. Once you have engaged with ourselves as a client we then start your journey to ensure that your funds, through regular ongoing reviews, continue to meet your needs, objectives and risk outlook.

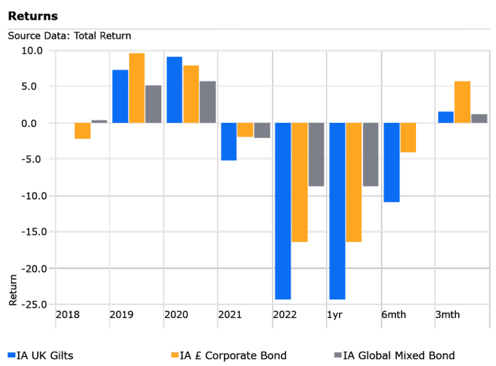
Which assets do you choose?

The tables below illustrate how a higher risk asset class may drive strong returns in one year, yet may do entirely the opposite in following year. The charts alongside shows it's volatility.

Volatility often refers to the amount of uncertainty or risk related to the size of changes in an asset's value. Higher volatility means that an asset's value can potentially be spread out over a larger range of values. This means that the price of the asset can change dramatically over a short time period in either direction. Lower volatility means that an asset's value does not fluctuate dramatically, and tends to be more steady.

Source data: Morningstar Direct

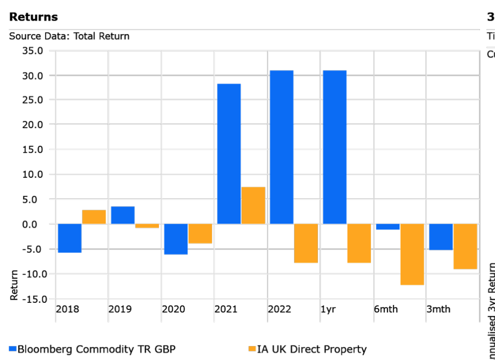
Fixed Interest



	2018	2019	2020	2021	2022	1yr	6mth	3mth
IA UK Gilts	-0.05	7.19	8.98	-5.31	-24.31	-24.31	-10.96	1.56
IA £ Corporate Bond	-2.20	9.52	7.87	-1.94	-16.35	-16.35	-4.14	5.68
IA Global Mixed Bond	0.32	5.19	5.65	-2.20	-8.77	-8.77	-0.08	1.16

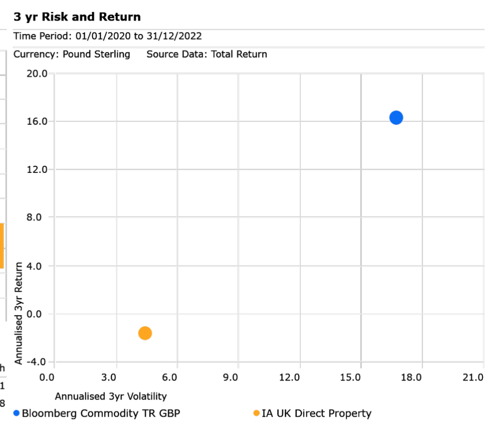
Source: Morningstar Direct

Commodities and Property

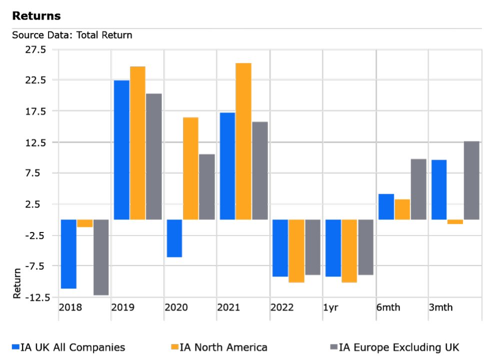


	2018	2019	2020	2021	2022	1yr	6mth	3mth
Bloomberg Commodity TR GBP	-5.78	3.64	-6.10	28.21	30.76	30.76	-1.00	-5.11
IA UK Direct Property	2.86	-0.78	-3.77	7.43	-7.83	-7.83	-12.23	-9.08

Source: Morningstar Direct



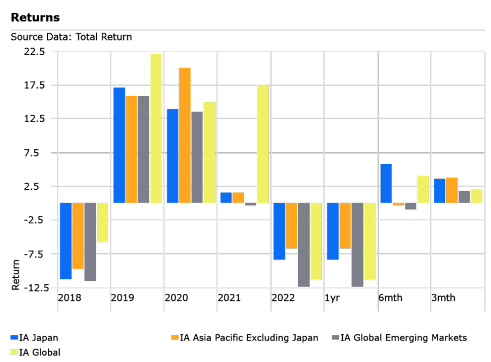
UK, North American and European equities



	2018	2019	2020	2021	2022	1yr	6mth	3mth
IA UK All Companies	-11.15	22.37	-6.17	17.15	-9.23	-9.23	4.17	9.61
IA North America	-1.15	24.56	16.46	25.26	-10.10	-10.10	3.28	-0.71
IA Europe Excluding UK	-12.16	20.38	10.53	15.65	-8.90	-8.90	9.77	12.55

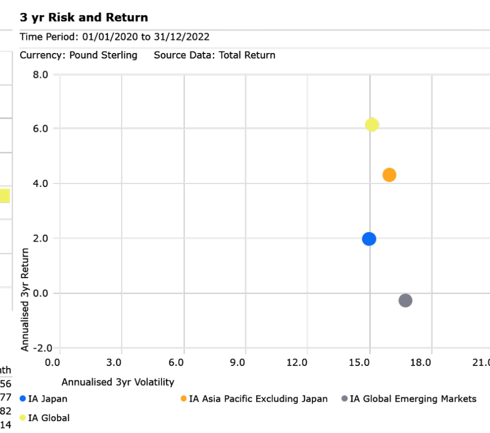
Source: Morningstar Direct

Japanese, Asia Pacific, Emerging Markets and Global equities

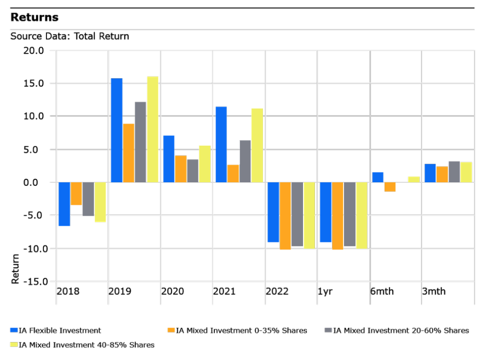


	2018	2019	2020	2021	2022	1yr	6mth	3mth
IA Japan	-11.32	17.08	13.94	1.56	-8.37	-8.37	5.83	3.56
IA Asia Pacific Excluding Japan	-9.81	15.86	19.95	1.48	-6.77	-6.77	-0.44	3.77
IA Global Emerging Markets	-11.53	15.77	13.56	-0.36	-12.33	-12.33	-0.91	1.82
IA Global	-5.71	22.01	14.81	17.55	-11.34	-11.34	3.96	2.14

Source: Morningstar Direct

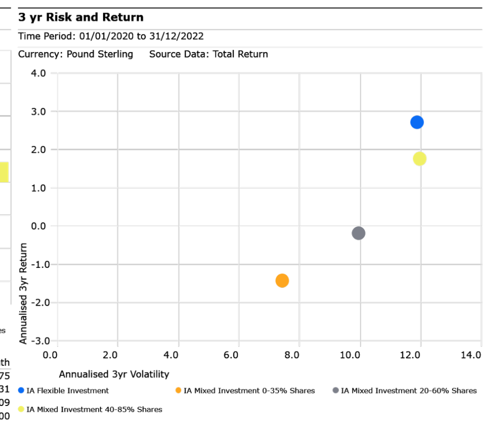


Mixed Investment



	2018	2019	2020	2021	2022	1yr	6mth	3mth
IA Flexible Investment	-6.64	15.64	7.01	11.38	-9.12	-9.12	1.47	2.75
IA Mixed Investment 0-35% Shares	-3.41	8.80	3.98	2.57	-10.22	-10.22	-1.39	2.31
IA Mixed Investment 20-60% Shares	-5.11	12.08	3.49	6.28	-9.63	-9.63	-0.06	3.09
IA Mixed Investment 40-85% Shares	-6.07	15.94	5.50	11.10	-10.11	-10.11	0.84	3.00

Source: Morningstar Direct



The importance of making investment decisions based on detailed analysis and by building a diversified portfolio cannot be over emphasised, as exposure to multiple asset classes helps to smooth out the volatility of current winners and losers.

There are a number of ways you can choose to build a diversified portfolio:

Active management

As the name suggests, active management involves direct input and influence by a fund manager (or managers) over the mix of asset classes within funds, whether to buy, sell or hold them and by taking full account of geographical and economic conditions they drive the overall fund strategy.

Based upon extensive experience and data to support their decisions, active fund managers will try to predict how markets and sectors are likely to react and will take positions within portfolios to reflect their views.

This doesn't necessarily mean that active fund management will deliver better returns over other solutions, or indeed, provide a cushion when market conditions are adverse, but it does mean that the investor isn't exposed to the full market or economic risk conditions that prevail at the time and fund managers can make changes to the underlying portfolio to take account of these factors.

Because of the additional management involved, actively managed funds are likely to be more costly than passively managed alternatives, but many investors believe that this is a cost worth bearing.

Passive management

Passive management is the opposite to active management and passive funds aim to closely follow or track particular investment indices, such as the FTSE 100, FTSE 250, Dow Jones, etc., which is why passive investments are often called index or tracker funds.

Passive investing keeps management costs low, because there is no need to employ the expertise of a fund manager to undertake research and transaction costs are reduced as the underlying investments are bought and sold less frequently.

There are inherent risks with index funds though, as investors absorb the full market risk of the index they are tracking (less costs), so whilst they can enjoy positive returns when the index rises, they will also suffer the corresponding falls when market conditions are less favourable.

Passive management can also include Exchange Traded Funds (ETF's) however providing access to these solutions is not part of our advice proposition or investment or philosophy.

Responsible Investment - Environment, Social and Governance (ESG)

Some investors are interested not only in the financial outcomes of their investments, but also in the impact of their investments across a range of different themes, named by the United Nations as 'Sustainable Development Goals'. These include key areas of focus such as climate change, tackling world poverty and improving inequalities in society.

Investment managers and clients are increasingly turning to ESG considerations as a way of looking beyond bottom-line profits and in turn seeking out investment in companies and organisations who take account of their own ESG performance, with the theory that well-run companies with good intentions are a matter of long-term ownership and strong stewardship.

It's important when thinking about your own preferences to be mindful that responsible investing does not follow the older style 'ethical' investment approach of excluding certain companies or sectors, but instead seeks to influence change for good or better.

We recognise and welcome that responsible investing is a varied, evolving, and growing movement, covering a wide range of diverse approaches and products, designed to meet investors different responsible investment goals. This can simply be seen within a range from doing nothing, to doing no harm, through to doing better and finally to doing good. Although this doesn't guarantee investment returns, it's clear that 'doing the right thing' and utilising capital to sustain a better future for the world is becoming more and more integrated with investment solutions.

Where appropriate we will work with you to understand your views and preferences when researching suitable investment solutions, whilst also taking account of a range of other factors as set out above.

Single asset funds

Single-assets funds focus on one asset type, such as gilts, property, UK equities, European equities, etc. You're essentially employing the specialist expertise of a fund manager who has an in-depth knowledge of the specific market sector they cover and are well placed to select investments that they believe will outperform in that sector.

Employing this strategy usually requires an understanding of the relevant investment markets and the economic conditions that affect them. It's also prudent to perform research on the fund managers and monitor their performance - according to the Investment Association (IA) there are around 4,000 funds available to individual investors across 37 sectors.

These type of funds will typically need to make sure they remain suitable, as each fund will perform differently according to market conditions and possibly, due to currency fluctuations, which, if left alone could 'drift'.

It is our view, in line with our investment philosophy, that single asset funds in most circumstances may not provide the full benefit of diversification in a portfolio.

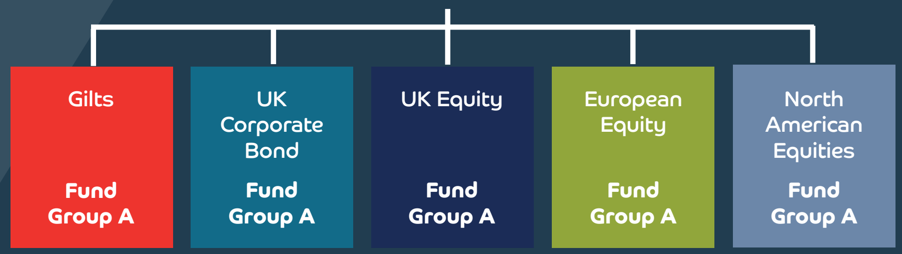
Multi asset funds

This is where a single fund management team invests in many asset classes and does so by buying stocks/securities directly rather than via other fund managers' funds. The investment style of the fund is the view of the overriding investment company and affects the construction of the portfolio.

Multi-Manager (fettered) funds

This is where a fund manager invests across many different asset classes using only their own company's fund range to build the portfolio. They have the ability to switch between those funds run by their company according to their investment decisions and the underlying market conditions. The investment style of the fund is the view of the overriding investment company and affects the construction of the portfolio. A Multi-Manager (fettered) fund differs to a Multi-Asset fund through using a number of different fund managers, who will each have their own area of specialist knowledge and expertise. This typically brings higher levels of diversification and more specialised knowledge.

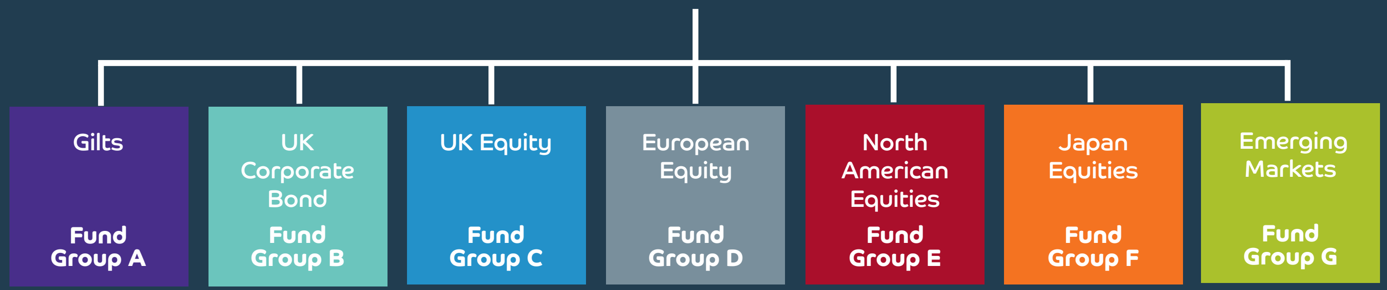
Fund of Funds from a single fund group



Multi-Manager (unfettered) funds

The fund manager invests in different underlying funds run by fund managers from a range of different investment companies. Where the fund manager believes conditions are right they can change strategy and substitute the funds or fund managers within different sectors in order to make sure they are delivering against expectations. A Multi-Manager (unfettered) fund differs to a Multi-Manager (fettered) fund through its ability to select specialist underlying fund managers regardless of which company they work for, rather than being limited to those underlying managers who are part of just one company.

Funds available from many different fund groups



Discretionary Fund Managers (DFM's)

Discretionary Fund Managers operate in a similar way to multi-manager funds, but can provide exposure to individual shares and bonds directly, as well as holding conventional investments such as Open Ended Investment Companies (OEICs), unit trusts, investment trusts and Exchange Traded Funds (ETFs) within the portfolio.

There are often additional costs for this more bespoke service which allows a client to delegate the execution of an agreed overall investment strategy to a discretionary fund managment service. We research the whole of the market and have developed strong relationships with a number of DFM's. Where suitable we will advise and support a client to help build a relationship with the DFM whilst also helping to hold them to account against the client's investment mandate. As this is a bespoke service there are usually minimum levels of investment for this type of service.

Smoothed Return Funds

Smoothed Return funds are offered by a small number of insurance companies and the money you invest is pooled together with that of other investors. These have widely replaced the traditional With Profit funds that still exist in old style investment and pension products.

Smoothing can offer some comfort against short term adverse market conditions. Traditional with profits investments apply regular annual and final/terminal bonuses whereas the newer smoothed return investments use varying methods to "smooth out" returns. This could be a rolling average of fund unit prices over a period of time or an annual expected growth rate.

However, smoothing will not stop the value of your plan reducing if investment returns have been low or provide any guarantee of return. In more extreme market conditions a smoothing mechanism may be suspended or the value of your investment could be valued on the actual underlying falling fund unit price and you may not get back what you invested.

Whilst smoothed return funds can provide the benefits of a diversified portfolio we believe that anyone investing in actively managed solutions should do so in a transparent manner to help understand that investments can fluctuate according to a range of factors and influences.

The value of investments and the income from them can fall as well as rise. You may get back less than you originally invested. Past performance is not a reliable indicator of future results.

What to do next?

To find out more please speak to one of our Financial Planning Consultants or visit our website **www.armstrongwatson.co.uk**

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Call 0808 144 5575 to be put through to your local office

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