

## Lepretre & Partners Ltd Approach to Investment

This document explains how we approach investment advice at Lepretre & Partners Ltd and is designed to stimulate the discussion between you and your adviser.

### Reserves

Always keep enough readily available cash to cover emergencies (we would suggest minimum reserves of 3-6 months living costs). Then set aside enough funds to cover any additional expenditure you may have planned over the next five years.

### Spreading your Investments

Potentially high investment returns are normally associated with a higher risk of loss. One way of providing greater growth potential with controlled risk is to spread your money over many different forms of assets, such as cash, bonds, shares and property. It is very unusual for all investment assets to fall in value at the same time. By combining assets that behave differently in the same economic conditions you can reduce the overall risk of loss in your investment portfolio, whilst maintaining the potential for growth in the medium to long term.

We use a statistical model to balance different investment assets. It is aimed at providing the greatest potential for investment growth at a level of risk that is acceptable to you. It takes into consideration the following information:

- average past performance of investment funds
- how much they have fluctuated in value in the past year on year
- sentiment about the future prospects for the investments
- comparisons against a risk free asset to arrive at a suitable balance of assets

### Time

The more time you have for your investment to grow, the more risk you might be able to tolerate in your investments. We have three different timescales affecting the model: 5-10 years, 10-15 years and 15+ years. Even if you have more than 15 years for your investments to grow, you may feel more comfortable with a portfolio that does not need so long for the risks to even out. You can discuss this with your adviser.

Reducing the risk as you approach the point where you will need to access the investments can be very important, particularly with pension investment funds. It could be disastrous to expose your investments to a significant risk of loss at a crucial moment in your life.

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*Money is like muck, no good unless it is spread.*

Francis Bacon, English philosopher and statesman (1561-1626)

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## The Asset Allocation Pie-Chart

You will be provided with a pie-chart and table for your suggested investment portfolio. The pie-chart shows the suggested spread of assets for you. The colour coding illustrates the risk scale, with green being at the more cautious end and red being at the riskier end.

The table at the bottom of the chart shows all of the suggested portfolios for each level of risk. It also shows some historical information about how the suggested portfolio would have performed over the last ten years. This is based on £1,000 invested ten years ago, £100 invested every year over ten years and also the weighted volatility – which means how much, on average, the portfolio would have fluctuated in value year on year. It can be helpful to compare your suggested portfolio against the other possibilities shown in the table.

This information is based on past performance and on investment sector averages. We like to show you a range of possibilities so that you can more easily see if there is an option that is more palatable to you. It is intended as a guide only. The actual experience of investing and future investment returns may be quite different.

## Choosing Investment Funds

Having settled on an asset allocation model, the next step is to choose the investment funds. The heading for each of the assets in your pie-chart describes a broad investment sector with many different funds. So there is still some work to do before the final investment selection is made.

Some financial arrangements have a limited selection of investment funds (such as Stakeholder Pensions), others have a very wide and varied choice of investment funds (such as Unit Trust portfolios). Your adviser will research the options available to you and tailor the fund choice to your circumstances.

*Even if you're on the right track, you'll get run over if you just sit there.*

Will Rogers, US humorist and showman (1879-1935)

## Future Reviews

It is important for you to review the investments on a regular basis. An annual review should be sufficient, but you may need to review more often if you have a higher risk portfolio or if you are approaching a key end date to your investments.

It is your responsibility to contact us to arrange for a review. We are happy to provide valuations and meet for reviews as often as you wish on the terms agreed with your adviser.

If you do not think that you will be diligent in reviewing your affairs please inform your adviser because the asset allocation models we have designed may not be suitable for

you. However, there are other, automated options or strategies that we can help you with as a good alternative.

## Theories

The weakest aspect of the statistical model for investments is that it uses a prediction of future investment returns. There will always be a difference between the theory and reality. This investment model will require interpretation and adaptation to your own particular circumstances and objectives.

