YOU.

Investment strategies explained

You will have developed a relationship with your financial adviser and discussed your financial goals, as well as completing a 'fact find' to understand more about what you are looking to achieve.

Within this process, your adviser will gain enough knowledge and understanding of your goals to ensure you understand exactly what it means for your financial plan and its investment strategy.

Your financial adviser will work with you to select the most appropriate investment solutions for you. These will typically cover the following types of investment choices:

Understanding investment strategy

Diversification

Diversification is an important element of any investment strategy. It aims to maximise returns (within differing risk tolerances) by investing in different areas that would each react differently to the same event. This technique reduces risk by allocating investments across various financial instruments, industries, and other categories.

Defensive, Growth & Balanced

A defensive investment strategy is as conservative as the name suggests and will hold lower risk investments such as cash, bonds and absolute return assets. These are typically used for investments of a shorter-term nature where risk management is key.

A growth investment strategy is focused on generating strong returns over the long-term. Portfolios will be heavily biased towards holding shares. Diversification will be achieved through investment in listed shares across the globe, in large and small companies.

A balanced investment strategy is one that combines Defensive and Growth investments in a portfolio that aims to balance risk and return. Balanced portfolios combine shares, bonds and alternative investments.

Active & Passive

Active investing allows fund managers to apply expertise and judgement to adjust portfolios for the purposes of return enhancement or risk management. With more resource applied, costs are higher for these strategies, which result in higher fees for clients. In addition, the average fund manager fails to beat the market, so you need to find one that does! Fund selection is therefore key to the outcome.

Passive investing seeks to build wealth gradually by replicating market performance in order to construct a well-diversified portfolio. It is an efficient way of generating market returns and has lower fees as a result. In replicating the market, the strategy buys assets that have risen in price and sells those that have fallen.

Ethical & Income

Ethical strategies combine investments in socially responsible, ethical, and sustainable funds with a strategy for long term capital growth. All funds in this sector are independently monitored for consistency in their ethical and environmental credentials.

Income investing builds an investment portfolio to generate a sustainable and regular flow of income. This is a diversified portfolio which is invested in equities, bonds and other asset classes, in order to receive dividends, coupons, and other income payments. Although designed to target income over growth, it is important to understand that the income is not guaranteed and will fluctuate, depending on the economic conditions. The higher the income you are targeting, the more risk there is to the money you invested.

Model Portfolios & Multi-Asset Blend Funds

A model portfolio is a diversified system of mutual funds that are grouped together to provide a return on your investment. Each fund holds a range of assets which may include property, equity, cash, bonds and the weighting of the assets corresponds to the level of risk an investor is willing to take.

Funds offer an easy and convenient way to invest and are popular with novice and experienced investors alike. They offer an easy way of diversifying across a number of different investments.

The objective of the Multi-Asset Blend Funds is to increase the value of an investment over a minimum of 5 years, through a combination of capital growth, which is profit on an investment, and income, which is money paid out from an investment such as interest and dividends.

Property investment vs investment portfolios

Historically, the UK as a nation has focused on buying properties for retirement as we have a tangible asset that we own, that we can see, touch and use. The main reason you would compare property investment and investment portfolios is for investment returns. Property costs have a range of differing outgoings – fixed (ie a mortgage and stamp duty tax), unknown costs (unexpected boiler issues for example) as well as a limitation on salary versus house prices, whereas an investment portfolio will have fixed implementation and ongoing costs known upfront.

Your potential return on your investment in a market where interest rates are low, means that placing money in a portfolio is likely to generate higher returns than your property. Where possible, look at purchasing your own home as well as holding a diversified portfolio to achieve your financial goals.

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