QUILTER CHEVIOT

Why you deserve bespoke investment management

SPECIALISTS IN INVESTMENT MANAGEMENT

Approver Quilter Cheviot Limited 30/11/2023

Foreword

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Chief Executive Officer

At a time of political and economic uncertainty, making sure that your savings deliver the future you and your family want, has become more of a challenge. How do you make sure you get the most from your money?

In answer to the question my advice is to invest with experts; those who can offer a service tailored to your individual needs.

This guide will provide you with an introduction to a tailored investment service, also known as **discretionary investment management**. It will take you through some of the fundamentals of investing and show how you can benefit from it.

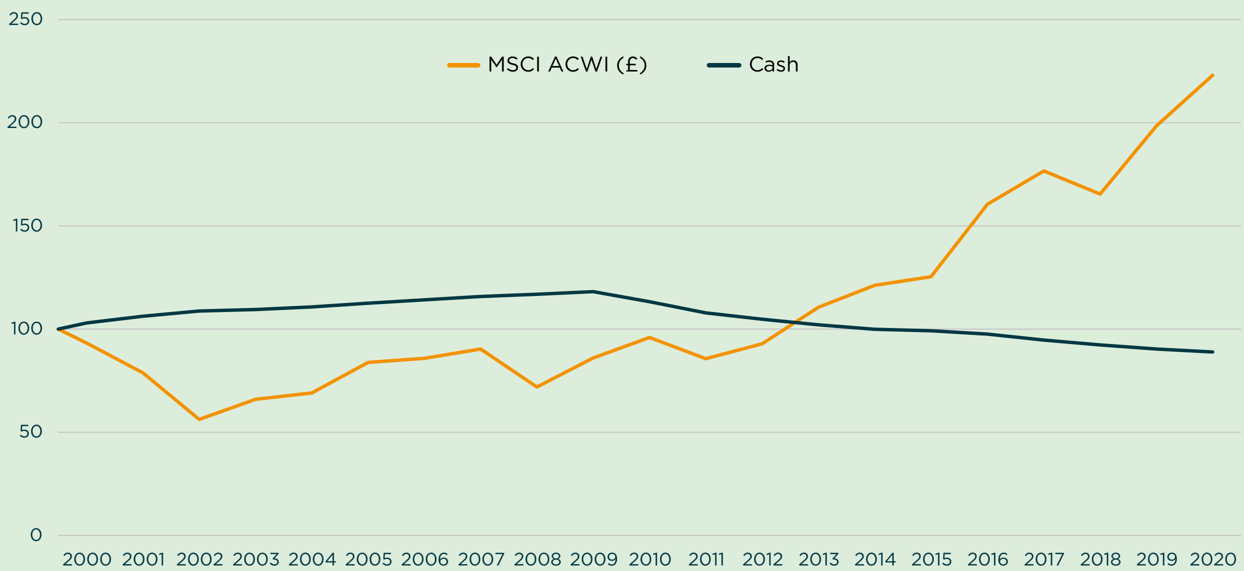
Quilter Cheviot has been in business for 250 years, with generations of clients benefitting from our services. Today, we are trusted by over 36,000 clients and pride ourselves on providing a cost-effective investment service. Whether you have £40,000 to invest or many millions, we believe that you deserve discretionary investment management.

I hope this guide will help you formulate ideas about your own financial future and show how we at Quilter Cheviot can be of service.

Why invest?

Depositing cash in a savings account often appears to be the safest option for your money. However over time, where interest earned on cash is less than inflation, the purchasing power of your money can gradually start to erode.

The graph below compares the performance of £100 invested in both global equities and in cash between 2000 and 2020, taking inflation into account.



What is discretionary investment management?

Investment is the purchase of an asset with the expectation that it will provide income in the future and/or will be sold at a higher price for a profit.

Discretionary investment management simply means that day-to-day investment decisions are made on your behalf, within agreed guidelines, by an investment professional.

Just as a bespoke suit is tailored to the individual, a reputable discretionary investment manager will tailor an investment strategy to fit your objectives. They will continuously monitor your investment portfolio and make adjustments in response to the market, economic changes, or changes in your circumstances, with all decisions underpinned by expert research.

At Quilter Cheviot, clients with a minimum of £40,000 investable assets are eligible for our Managed Portfolio Service (MPS); or £250,000 for our Discretionary Portfolio Service (DPS).

Time is of the essence...

Did you know that someone who starts saving regularly at the age of 21 and stops at 30, and leaves the money invested, could potentially see their money grow more than a saver who starts at 30 and puts money aside for the next 40 years, retiring at 70?

This surprising fact is explained by the power of **compound interest.** The principle behind compounding is that each year, you earn interest on the original amount invested; as well as on the interest earned in previous years.

So what difference do a few years make?

Imagine you have **£10,000** to invest, you would like to retire at **65** and investment returns are fixed at 5%.

The table shows the difference investing early could make to this amount of money, when it is invested at different stages.

> *"Time in the market is more important than timing the market.' We can't always predict when prices are likely to rise or fall, but most people will do better to stay invested through the ups and downs of the markets rather than trying to 'time' the market. Compound interest is very powerful indeed."*

	Age Invested				
Time Invested	**25**	**35**	**45**	**55**	**65**
Initial Investment	£10,000				
After 10 years	£16,470	£10,000			
After 20 years	£27,126	£16,470	£10,000		
After 30 years	£44,677	£27,126	£16,470	£10,000	
Maturity	£73,584	£44,677	£27,126	£16,470	£10,000

Source: Quilter Cheviot

Your capital and income may fall as well as rise.

Investing: Where to Start

"Do you want to grow your wealth steadily over the long-term."

Your first step to a successful outcome is to decide what you are investing for, often referred to as your financial goals. With these in place we can help you determine a strategy to achieve them.

Reasons to invest may be diverse but could include building a pension, to covering care costs or saving for a future property purchase; or simply preserving your wealth to pass on to future generations. Whilst it can help to have a goal in place people often invest without one, simply because they feel that they should be saving to make their money go further in the long term.

To achieve your financial goals, there are important factors we will help you to consider:

How comfortable you are with risk

How much risk are you prepared to take in order to achieve your goals? It is important to decide on this and set a tolerance, although you can adjust this as your life stages change. For example, if you start a family, you may want to reduce risk to protect the money you have put aside to provide for your children.

How long you can keep your money invested

Do you think you might need access to your invested money in case of an emergency? If so, a lower risk investment may be the most suitable option. Alternatively, if you are saving for a pension over the long-term, you may consider higher-risk investments because there should be plenty of time to ride out the ups and downs of the markets.

Whether you want growth or income

Do you want to grow your wealth steadily over the long-term, or will you need regular access to your investments' earnings to supplement your income? You can opt for a combination of both, or change your strategy as your objectives change.

Whether or not you have a specific objective in mind, it is never too early to start investing for yourself, your children or your grandchildren.

Contact us today to find out more about how you may benefit from a Quilter Cheviot investment portfolio.

Planning for life stages

Your financial goals will change depending on your stage in life. This underlines the importance of having a flexible financial strategy that can adapt to your personal requirements.

Did you know?

The Office for National Statistics predicts that more than a third of children born today will reach the age of 100. Today's 24-year-old males have a 1-in-4 chance of reaching 98 and a 1-in-10 chance of reaching 103. For female 24-year-olds this is a 1-in-4 chance of reaching 100 and 1-in-10 chance of reaching 105.

"At 60, retirement could be just around the corner."

20-30 year olds

20 to 30-year-olds could be paying off student debts or saving to buy their first home. Time is this age group's friend. If they can start making pension contributions at 20 they could build a fund worth nearly twice as much as someone who leaves it until their 30s.

40s

The financial demands upon a 40-year-old can intensify as they save for their retirement, whilst possibly repaying a mortgage and funding school or university fees for children. Maximising income becomes imperative.

50s

Today's 50-year-olds have been described as "the squeezed middle"; still subsidising their offspring at the beginning of their working lives while also supporting parents who are living longer. At the same time, this age group is approaching retirement themselves – they and their money often have to work especially hard.

60s

At 60, retirement could be just around the corner. At this stage in life, people want to feel confident that when they stop working, they have sufficient capital invested to support them throughout their retirement years, taking into consideration any upcoming care costs they might face.

70 plus

Financial plans catering for personal needs and family interests take on a new importance for those in their 70's. Family portfolios can help ensure that you protect and preserve what you have worked hard to achieve over the years in ways that will benefit you and your family.

Understanding risk and return

The concept of taking risk in order to see your money grow and deliver a return is fundamental to the principle of investing. The general rule of thumb is that the more risk you take, the greater the potential return – but also the greater the potential loss. Investors need to consider how much of their initial investment they can afford to lose, and then set a limit on this.

Active Management

In an actively managed portfolio, your Investment Manager will assess which long-term strategic mix of assets is right for you. Shorter-term tactical adjustments may be made from time to time to manage risk and return, as well as to take advantage of market opportunities as they arise.

Volatility

The up and down movement of the markets is one measure of risk. Investors tend to worry most about volatility when shares are falling. However **losses or gains are only realised when you sell your holdings**. Investments are for the long-term, so short-term volatility is not necessarily a reason to make drastic changes to your investment portfolio.

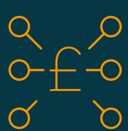
Diversification

Diversification is essentially 'not putting all your eggs in one basket'. If you invest in a single type of asset, you are concentrating risk. In times of volatility, should that single investment perform badly, you could lose some – or in the worst case scenario - all of your money.

Diversification seeks to limit your risk. In an investment portfolio we look to include a range of types of investment so that their returns are not all linked to one another and risk is spread. If one asset type performs badly, the overall performance of your investment portfolio should be supported by the others.

This is where experts like Quilter Cheviot can help to maximise your chance of success.

Your portfolio can be diversified across:



Asset classes
{e.g. company share, bonds}

Geography
{e.g. UK, US, or Emerging Markets}

Sectors
{e.g. technology, energy}

Each of these will have differing risk profiles, and their performance will vary according to the economic environment and financial market conditions.

5 steps to a more rewarding future...

An investment portfolio must be sufficiently flexible and forward-looking to cope with today's fast-changing markets.

1. Get the experts on board
In addition to a complex global investment environment, tax and regulatory changes continue to mean that we all face challenging financial futures. It can be hard to know where to start, so you need to find the right Investment Manager to help you - one whose values are aligned with yours and who provides you with value for money. We may invest in a company if its activity in an area is not part of its core business and only constitutes an immaterial source of revenue.

2. Beat inflation
Think carefully about your long-term goals. If the interest you are currently earning is less than inflation, your money is starting to lose purchasing power. You may need to take more risk than you have in the past in order to achieve your goals.

3. Take measured risk
Look beyond cash and bonds - traditional sources of income. These may appear low risk but offer low yields, often less than inflation. Income can be earned from a wide range of sources such as corporate bonds, rental income from commercial property and company dividends.

4. Use your time wisely
Achieving growth means starting as soon as you can and taking a long-term view. A versatile, balanced portfolio tailored to meet your personal needs, invested over the long-term could increase your opportunity for growth.

5. Don't put all of your eggs in one basket
If you want to manage your own money, make sure your risk is spread across multiple asset types. Many people are drawn to property, however your risk is concentrated if the property market should decline. Making sure that you have exposure to multiple asset types is essential for reducing risk in your portfolio

Fees explained

There are a number of different costs associated with running an investment portfolio. You may be quoted a single management fee, however this figure in isolation does not give you a true view of all costs involved in managing your portfolio or what you receive for the charge.

To ensure complete transparency, the total account cost (TAC) is a way of illustrating the key components of your fee. The TAC is usually made up of three components (see right).

Quilter Cheviot Annual Management Charge

The annual management charge is usually based on the value of your portfolio and is calculated monthly. Charges are applied at the end of March, June, September and December, and are subject to VAT.

Up to £1m	**1.00%**
Between £1m and £2.5m	**0.5%**
Between £2.5m and £5.5m	**0.4%**
Over £5.5m	**0.3%**

1

One-off costs

These may include account set-up costs or initial charges, if these are required by your chosen Investment Management firm.

2

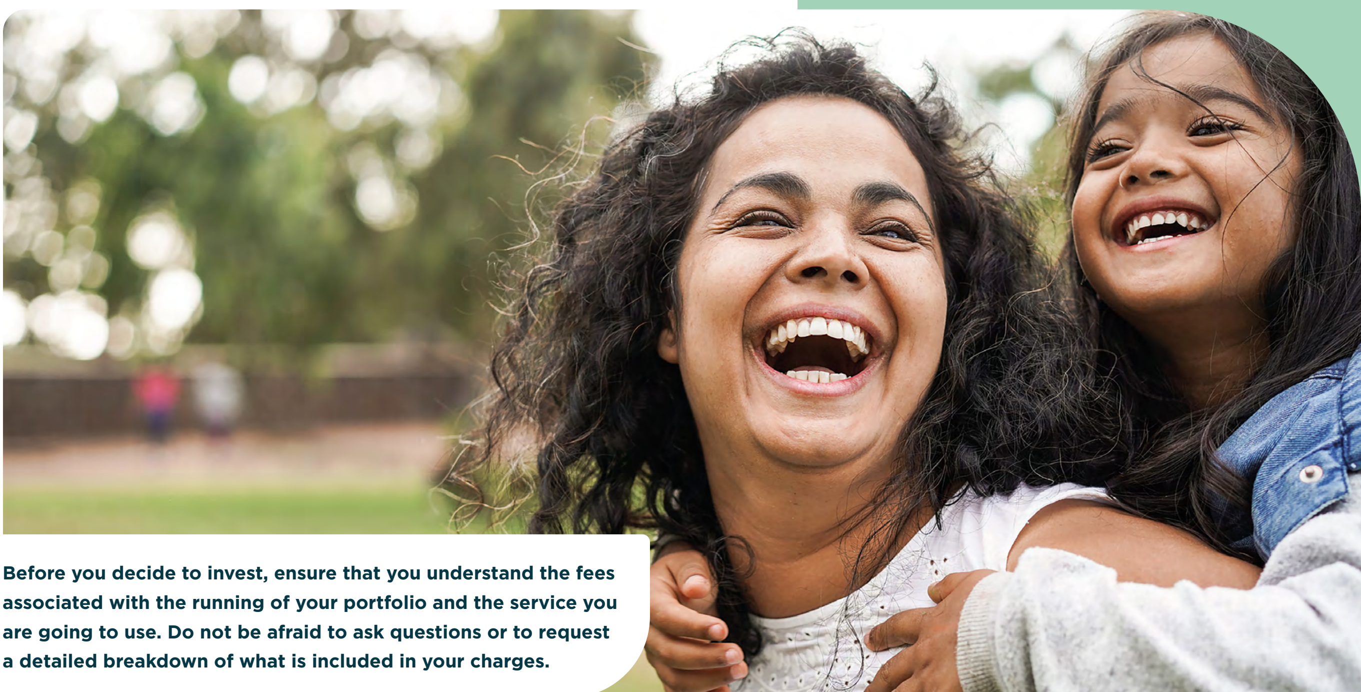
Ongoing costs

These may include an annual management charge (this is usually the main part of the fee paid and varies depending on investment amount) and any transaction charges.

3

Incidental costs

These may include stamp duty, adviser charges, custodian fees or foreign exchange transaction charges.



Before you decide to invest, ensure that you understand the fees associated with the running of your portfolio and the service you are going to use. Do not be afraid to ask questions or to request a detailed breakdown of what is included in your charges.

The relationship and service you can expect

defaqto
DFM Bespoke 2024
EXPERT RATED

defaqto
DFM MPS Direct 2024
EXPERT RATED

defaqto
GOLD
DFM Service 2024
EXPERT RATED

Quilter Cheviot offers a relationship, service and continuity that you and your family can depend on today and in the years ahead.

Throughout our history, our standards and values have remained consistent. Our impartial approach, high standards of personal service, drive to build and preserve the wealth of our clients and a belief in the importance of a robust yet innovative investment process have remained unchanged.

When you invest with Quilter Cheviot:

- **You will have your own dedicated discretionary Investment Manager**
  Every Quilter Cheviot client is assigned an Investment Manager, who will be available to you from the outset and will remain your primary point of contact. Our Investment Managers have on average over 19 years' investment experience and an average of 16 years at Quilter Cheviot, so you can be sure of continuity of service.
- **We will closely and actively manage your portfolio**
  Your portfolio is monitored on an ongoing basis by your Investment Manager to ensure that it is still in line with your objectives and circumstances and adjusted as necessary. Your Investment Manager will also make use of any wrappers that might offer you a level of relief from tax, including ISAs, SIPPs, offshore bonds and trusts. We have a robust governance framework which includes independent (from your Investment Manager) oversight of portfolio composition, investment risks and investment outcomes.
- **We will keep you well informed**
  We will send you regular reports to let you know how your portfolio is performing. This includes portfolio valuations, performance reports, transaction schedules, capital and income statements, a tax year-end pack, and commentary on market conditions. We will gladly provide interim reports at your request. You can also view your portfolio online whenever you wish.
- **Safekeeping of your investments**
  Your investments will be registered in Quilter Cheviot's nominee name, safeguarding and administering your investments, cutting down on the paperwork normally associated with market transactions.

3 steps to becoming a client

At Quilter Cheviot, we appreciate that you and your circumstances are unique – that's why we need to get to know you.

At Quilter Cheviot, your annual management charge includes:

- Administration and ongoing active management of your investment portfolio
- Access to your dedicated Investment Manager and their team, including regular review meetings
- Regular reporting including a tax year-end pack and updates on investment performance
- Online access to your portfolio
- Market updates and commentary (optional).

We do not charge an account set-up fee, however transaction charges and incidental costs may apply.

To find out more about Quilter Cheviot and how we can help you, visit **www.quiltercheviot.com**, email **enquiries@quiltercheviot.com**, telephone **+44 (0)20 7150 4000** or speak to your financial adviser.

1

An initial meeting

To trust us with something as important as your investments, you need to know us. We will arrange a meeting to discuss in more detail:

- Your situation, objectives and risk tolerance
- Our investment strategies
- Fees and charges associated with running your portfolio
- Any issues or other objectives that you might like to raise.

2

Investment Proposal

With a thorough understanding of your expectations, your Investment Manager will send you a tailored proposal of the investments they think fit your attitude to risk and objectives.

3

Signing up

Deciding what to do with your money is one of the most important decisions you will make, so you are encouraged to consider our investment proposal before deciding to proceed.

If you decide you would like to invest with us, please let us know and we will help you to complete an application form.

Case studies

1. Client profile: A married couple with two young children. They had been using their ISA allowances to save for the long-term, in particular for their children's school fees in 10 years' time.

Initial investment: £40,000

Objective: The couple had initially tried to invest by themselves by selecting funds that had been recommended in the press and through their own research. However, they found that having busy day-to-day lives meant that they were not able to monitor the performance of their investments, review their geographical exposure or asset allocation and were not getting the best financial returns.

Solution: The couple approached Quilter Cheviot directly and met with an Investment Manager who explained to them Quilter Cheviot's approach to building a portfolio, discussed their investment objective and developed an understanding of investment risk. Their Investment Manager recommended the Managed Portfolio Service (MPS) which gave them the option of seven model-based investment strategies. Having determined their risk profile, the Investment Manager recommended the MPS Growth Strategy, as this investment portfolio fitted perfectly with their current requirements.

Result: Following the transfer of their existing ISA holdings to Quilter Cheviot, their funds were aligned to the MPS Growth Strategy. The couple agreed to meet with their Investment Manager on a regular basis to review their requirements and performance. In between meetings, they are comforted in the knowledge that they can check the progress of their portfolio anytime via Quilter Cheviot's Online portal or App.

Investors should remember that the value of investments, and the income from them, can go down as well as up and that past performance is no guarantee of future returns.

"We finally feel confident that our finances are being managed appropriately. We know what we're paying and why, and feel assured that we're getting value for money."

2. Client profile: A family had sold their business 12 years earlier for £5 million and had approached their accountant, who approached a financial adviser to advise them on a financial plan and consider inheritance tax and to make best use of their pension allowances.

Initial investment: £3.37m

Objective: Since the sale of their business, the family had their finances managed by a Private Bank and had become increasingly frustrated with the service and charging structure. The financial adviser introduced the accountant to Quilter Cheviot so he could carry out due diligence on behalf of his clients. Once he was satisfied, the family were introduced to their designated Investment Manager. The key objectives for the family were to be able to have direct contact with their Investment Manager and have complete transparency around the fees they would be paying.

Solution: Having received a tailored investment proposal, they met with their Investment Manager and adviser, and agreed a long-term strategy, the clients opted to use the discretionary managed service for a total of six portfolios to include personally held money, ISA's, pension funds and offshore bonds.

Result: The family now receive £48,000 per year from their pension and approximately £6,000 per year from offshore bonds. In agreement with their financial adviser, the family have since placed additional funds with Quilter Cheviot.

3. Client profile: A recently retired couple with children in their late twenties and early thirties. Other than their house, they had savings and investments worth £500,000. The husband received a final salary pension which provided them with a sufficient income for the essentials in life. They wanted to keep £100,000 in cash at their bank.

Initial investment: £400,000

Objective: They knew that they would need to depend on their savings to pay for holidays, gifts to their children and unplanned expenditure. They were concerned with the paperwork and number of investment decisions they might have to make

Solution: The couple approached Quilter Cheviot directly and met with an investment manager who discussed their investment objectives and the risk that they were prepared to take on their investments.

On consideration of their overall financial position and their objectives, the investment manager recommended the discretionary service using a cautious strategy for the investments. Once accepting this recommendation, all the paperwork and future investment decisions would be made by the investment manager.

Result: The couple transferred into Quilter Cheviot their ISA's, share certificates, share scheme payments and a cash sum. The investment manager reorganised these investments to take consideration of their annual capital gains tax position and to build a portfolio that met their needs and to top up their ISA's each year from the personal portfolio. They arranged to take a monthly sum from the portfolio and knew that they could easily access their savings when they needed additional cash.

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The value of investments, and the income from them, can go down as well as up and past performance is no guarantee of future returns. Investors may not receive back the amount originally invested. Investments and investment services referred to may not be suitable for all recipients.

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