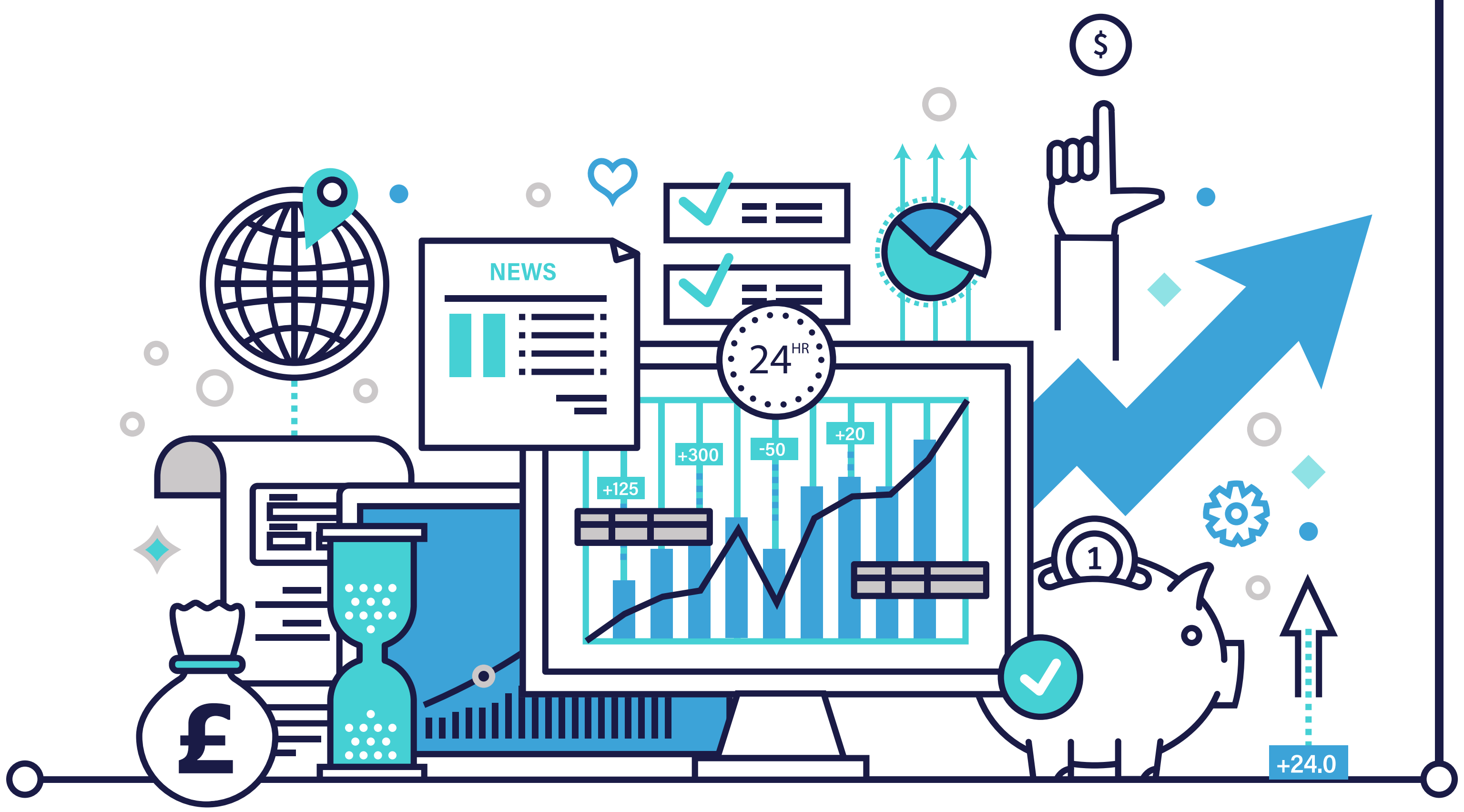
Cotswold

A World of Financial Services

Our Approach to Investments



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Welcome and thank you for choosing to work with Cotswold Independent Financial Services

Only you know the life you want to lead. We all want different things and what we value changes throughout our lives. Therefore, your investment choices will be as individual as you are.

We feel that it is important for you to understand how your investments are managed. Therefore, we have put together this guide outlining our approach to investments. The following pages will guide you through our well defined process, which is fundamental to the service we provide.

Having this process in place creates a strong yet flexible framework for our advisers to work with you. We hope that you will find this guide informative. If you do have any questions or would like further clarification, please don't hesitate to ask.

Why Are You Investing?

Depending on what stage of your financial journey you are at, there are two main reasons for investing:

- To grow your wealth
- For income

There are many different investment options available in the market and knowing why you want to invest will determine which options we consider.

Investment for growth

When you are in the building stage of your financial journey, the aim is to grow your existing wealth.

Depending on your goals, plan and portfolio, you could choose to receive a lump sum pay out within a number of years. Alternatively you may prefer to continue growing your assets by keeping them invested.

Investment for income

Later in life, for example on nearing or post retirement, you will be in the decumulation stage. Your focus at this point will most likely be on preserving your assets and securing an income.

Investment factors

The investment options we explore will depend on factors such as:

- the amount of capital you have available;
- the amount of risk with which you are comfortable;
- and the amount of returns you would like to make.

Time and risk factor

When considering the level of risk you are willing to take, it is also important to think about the time scales involved. For example, if you are in the stage of accumulating wealth you may be willing to take more risk. If you are relying on your investment for income you may want to take a lower risk approach.

Risk and Reward

What's your attitude to risk?

Our starting point is to understand your goals and your attitude to risk (how cautious or adventurous you are). This will help us to identify the right investment options for you. It will also help us to manage your wealth more effectively.

Attitude to risk questionnaire

There are several factors, both financial and psychological, which contribute to your attitude to risk. We will provide you with our Attitude to Risk Questionnaire which we ask you to fill out. The answers you give will tell us the level of risk you are comfortable taking.

Our risk level rating

Risk levels are rated from 1 to 10, with 1 being most cautious and 10 being most adventurous.

- A portfolio with a risk level 1 would have 100% of its investments in cash
- A level 10 portfolio would have 100% of investments in higher-risk global equities.

Depending upon whether your attitude to risk is cautious, balanced or adventurous, we will identify the most suitable options to meet your investment needs.

Note: The lowest risk investments tend to make limited returns. We are mindful that you will want value for money and so we will source the most cost-effective options for you.

How much can you afford to lose?

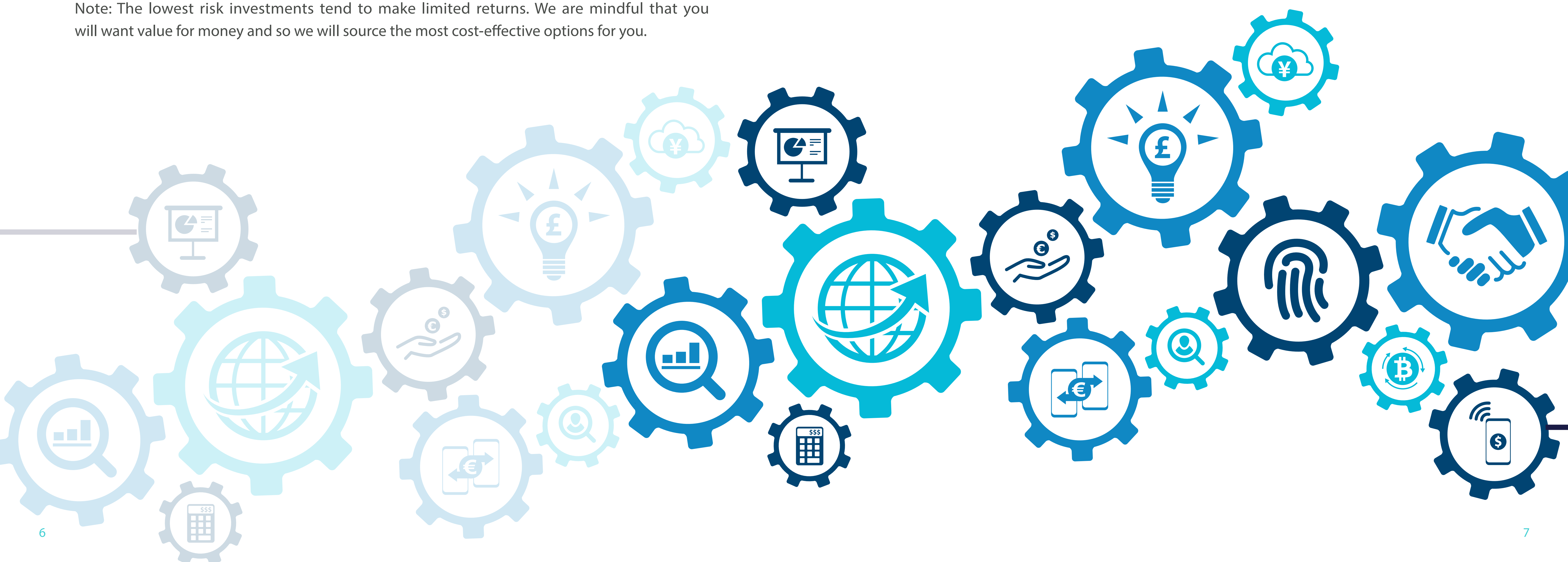
We also need to look at something called your propensity for loss, which is how much you can afford to lose. This is then taken into account when looking at the available investment strategies.

Other factors to consider

There may be other factors that matter to you, for example:

- Ethical / sustainable investments
- An interest in a particular industry
- Wanting to invest in a particular region or country

These considerations will form part of the discussion with your adviser so that we can factor them in when conducting our research.



Your Investment Options

Once we have an understanding of your attitude to risk we will then look at the investment options available to you. There are many options and approaches to investment to consider. The ones we recommend to you will be based on your attitude to risk, how much money you are investing and what life stage you are at.

Active vs. Passive Portfolios - what's the difference?

Model Active Portfolio

A Model Active portfolio is made up of a combination of actively managed funds which are intended to maximise returns.

They are personally managed by a Portfolio Manager who - using in-depth analytical research, market forecasting, and professional judgment and experience - make investments that aim to beat the market average, while keeping investments within a risk level you are comfortable with.

Model Passive Portfolio

A Model Passive Portfolio is when your investment is placed in a pre-made portfolio which is chosen to match your attitude to risk.

Your Portfolio Manager designs the asset allocation to match various risk profiles. They then make use of tracker funds, which are designed to track various indices (such as the FTSE100) as the constituent parts.

This type of portfolio requires less constant engagement from your Portfolio Manager and therefore allows you to engage in the world's investment markets at a much-reduced cost.

In summary

Passive portfolios are cheaper, which means returns are best for the costs paid, depending on the risk profile and results. Active portfolios are managed by a Portfolio Manager who can react to the market to maximise returns. As they are actively managed, they are also more expensive and tend to be better suited to investors with a higher rated risk profile.

Other options

Discretionary Fund Managers

Discretionary Fund Managers provide a proactive service in managing investments.

Where appropriate, Cotswold Independent Financial Services can bring in a Discretionary Fund Manager to manage your portfolio. They are carefully selected to match your circumstances and the service you require.

We will meet with your Discretionary Fund Manager annually to ensure that they continue to deliver investment returns in line with your attitude to risk. You may also attend the meetings if you so wish.

Cash

If you would prefer to take less risk, there is the option of making cash investments. These are easily and readily available.

At Cotswold Independent Financial Services, we believe that:

- We should work with each client to develop clear portfolio objectives and design an appropriate asset allocation and investment plan to meet those objectives.
- Our policy is to educate our clients. We consider that in educating them we are providing a greater level of understanding which, in turn, removes fear and the possibility of detrimental decisions being made through uncertainty.
- Equity investments should be straightforward and understandable. Assets are invested in a range of stocks both in the UK and globally, investing for long term appreciation.
- It's of paramount importance for our investment recommendations to be fully understandable and consistent throughout the team.

Building Wealth

In the early stages of your financial journey, your focus will be on investing for growth. This is also known as the accumulation phase or the central investment proposition.

We understand that receiving value for money is important to you and therefore our job is to ensure that you receive the most suitable solution at the lowest cost. Our central investment proposition has been well researched, and we have created a uniformed approach which is documented and followed by our entire team.

The steps in our investment process are:

1. To gain an understanding of your investment goals and attitude to risk

By fully understanding your objectives and attitude to risk, we can build you an investment plan that will help you to achieve your financial goals.

Your attitude to risk

We have a structured approach to building your investment plan, which is based on your risk profile. In order to provide continuity, we have searched the entire market and identified and worked with providers to put together a panel of both higher cost (active portfolio) and lower cost (passive portfolio) funds.

The higher the risk you are prepared to take, the higher the proportion invested would be in active model portfolios:

Risk Profile	Amount of Higher Cost Funds
3	No more than 20%
4	No more than 40%
5	No more than 60%
6	No more than 80%
7+	Can have 100%

In general, the lower the risk you are willing to take, the lower the return will be. Therefore, we understand the importance of costs, particularly at the lower end of the risk spectrum where returns will be lower.

2. Searching the whole market to come up with the right plan for you

As independent advisers, we look at the whole of the market to find the most suitable providers in line with your goals and to get the right combination of investments.

3. Regular reviews of your investment plan

Your investment plan is reviewed regularly to ensure that it continues to meet your requirements.

- Quarterly monitoring of investments
- Annual review meetings with you

Preserving Wealth

Later on, in your financial journey, the focus changes to investing for income. This is known as the decumulation stage or the central retirement proposition.

Investing at this stage is crucial as you will be living off the money that you have built during your lifetime, with no chance to rebuild it.

Financial markets go through a cycle of rising (peaks) and falling (troughs). Depending on the level of risk you take, this cycle usually takes 2.5 years, after which the markets will be back to the same point as when you started investing.

It is important to make sure that your money lasts through the peaks and troughs. In putting your plan together, our aim is to ensure that you always have funds in your investment from which you can continue to withdraw your income without depleting the main pot.

Therefore, the strategies we design will take into account the rising and falling of the market and ensure that you have three years of income before getting back to where you started. Your investment plan is reviewed annually.

Reducing Sequencing Risk

Sequencing risk is the risk created by the particular sequence in which portfolio returns are generated (i.e. weak or strong years for performance) and in which withdrawals are made from the portfolio. For example, if portfolio returns are weak and unsustainable high income is withdrawn, this can affect the long-term value of the portfolio and its ability to meet future withdrawal requirements.

This is a risk which particularly affects those who are relying on their portfolios for income and therefore, our approach is to make sure that you will have:

- Two years income in cash;
- 1 year of income invested in a portfolio which is one risk profile below your current one.

Example:

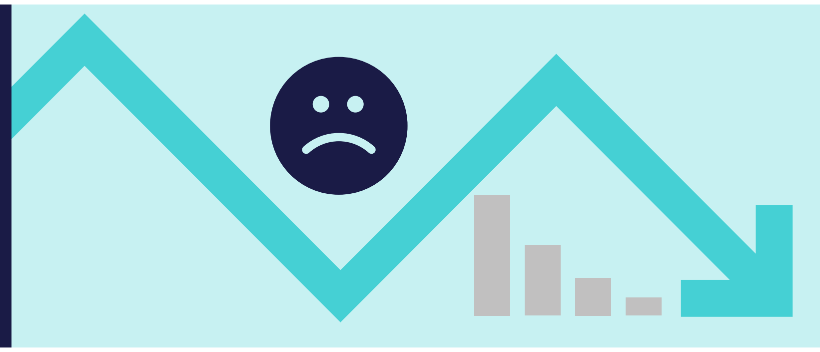
Susan requires an income of £12,000 per annum, has a fund value of £300,000, and her risk profile is 5. She has:

- £24,000 in cash
- £12,000 in a risk profile 4 portfolio
- Remaining £264,000 invested in a risk profile 5 portfolio

If Susan's fund has decreased, we leave it alone and let the second years' cash payout. If on the other hand, the main fund has increased in value, some of this is used to replenish the income cash stocks.

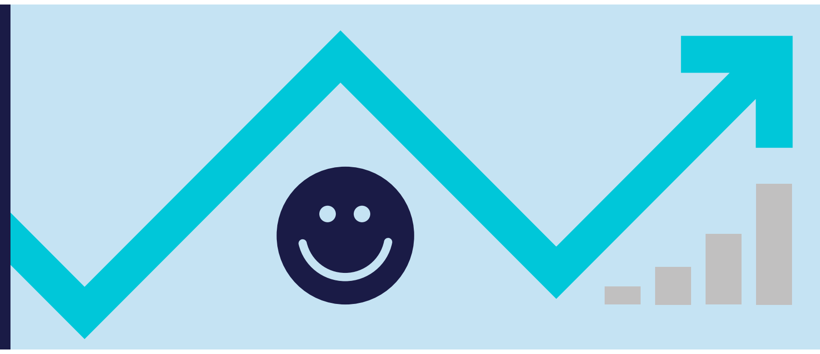
This process continues each year.

Scenario:
Fund decreases
Fund was: £264,000
Fund is now: £257,000



No changes are made as Susan can use the cash for another year to provide income. The client might be in the 3-year peak to trough to peak period.

Scenario:
Fund increases
Fund was: £264,000
Fund is now: £280,000



Susan still requires £12,000 in income. The first years' income cash has been used. We can use £12,000 of the main fund to top up the cash fund. Here the client is not suffering from sequencing risk.

Summary

At Cotswold Independent Financial Services, our financial advisers will work with you in creating a long-term investment strategy that will work for you. We will take the time to understand and help you to clarify your income and capital needs as well as establish if there are any shortfalls in your income requirements.

Our process, as described in this document, is a consistent and well thought-out approach to building assets (accumulation phase) and drawdown (decumulation phase). We have worked closely with our providers to ensure the consistency of our investment process and to give you peace of mind that our approach to managing investments is both thorough and robust.

We like to keep things simple.

Our advisers will work with you to:

- ✓ Minimise risk and maximise return, tailored to your attitude to risk.
- ✓ Take advantage of tax-efficient savings and investments such as ISAs.
- ✓ Select from a diverse range of products which meet your risk profile.
- ✓ Choose products which respect your ethical and environmental beliefs.

We will:

- ✓ Review your investments regularly with quarterly monitoring and annual face to face meetings.
- ✓ Ensure we deliver value for money.
- ✓ Provide continuous support on your investment journey.

Contact Details

Email: info@cotswoldfs.co.uk

Call: 02476 920 029

Office: Stanley House, 1 Warwick Street, Earlsdon, Coventry CV5 6ET

Cotswold Independent Financial Services Ltd. is authorised and regulated by the Financial Conduct Authority. We are registered in England. Company registration number is 08423995. Our registered office is: Stanley House, 1 Warwick Street, Earlsdon, Coventry, CV5 6ET

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Cotswold Independent Financial Services Ltd
Stanley House, 1 Warwick Street, Earlsdon, Coventry, CV5 6ET