mottram
CHARTERED FINANCIAL PLANNERS

Investment Philosophy

Mottram Financial Services is a chartered firm of independent financial advisers.

We provide financial advice and planning services to individuals, commercial organisation and charities. Our aim is to deliver a professional service, tailored to your needs, based on high quality advice and access to products across the whole of market.

Our wealth management service is built upon a clear investment philosophy, which seeks to protect as well as grow your wealth, supported by the use of modern analysis tools and the latest portfolio management techniques. This philosophy is set out below. It outlines our beliefs about investment and explains our approach to managing your money.

Informed Choices: An important part of our advice process is to ensure you understand the features of the investments being made and how they are designed to meet your goals. So whilst there is a lot of economic theory and evidence behind our investment process, we are keen to make sure that you understand our recommendations and how they fit with your financial objectives.

Consistent Approach: We believe that investment success comes from the consistent application of a robust process. As a firm, we consistently apply a multi-stage investment process to ensure the delivery of suitable advice.

Risk and Return: When it comes to investing, risk and return are inextricably linked. All investments involve some degree of risk and it is important that you understand this before you invest. Real assets, such as equities, property and commodities, that offer higher average returns, are almost always more volatile. We endeavour to help you understand the nature of investment risk and your attitudes towards it so that you can strike a balance between your goals and the degree of uncertainty you want to accept.

Capacity for loss: When making any recommendation, we not only consider your attitude to investment risk, but also your ability to absorb any falls in value your investment may experience. Your ability to tolerate risk is very different to your attitude to risk. Understanding your capacity for loss helps to make informed decisions about the amount of risk you can afford to take, rather than simply the maximum risk that you feel happy with.

Markets are efficient: We believe financial markets adjust quickly to new information, driving asset prices quickly and efficiently to their fair value. Trying to time market entry and exit decisions is a dangerous strategy as the biggest gains and falls tend to happen quickly and are impossible to accurately predict. Market timing is also largely unnecessary when investing over the medium term with a well-diversified portfolio across different investment asset classes.

Asset Allocation: We believe that the bulk of long-term returns come from asset allocation. Economists continue to argue about the value that comes from strategic asset allocation, rather than stock selection, investment style or market timing, but it is widely accepted that asset allocation has by far the biggest influence over the variance in portfolio returns. We, therefore, use asset allocation as the basis for constructing your portfolio, informed by your investment objectives, attitude to risk and capacity for loss.

Rebalancing: Maintaining asset allocation is an important part of managing your portfolio. We recommend that your portfolio is regularly rebalanced as this not only helps to hold your portfolio within your risk tolerance but studies have shown that regularly rebalanced portfolios generally outperform those that are allowed to drift from their original asset allocation.

Diversification: The most sensible way to seek higher expected returns is through broad diversification across many asset classes, industries, and geographical markets. A well diversified portfolio balances out the random effects of individual stock performance. A diversified portfolio should be diversified at two levels: between asset categories and within asset categories. So in addition to allocating your investments among stocks, bonds, cash equivalents, and possibly other asset categories, you'll also need to spread out your investments within each asset category.

Fund Selection: Strategic asset allocation is responsible for the bulk of long-term returns, but other factors can also play a role in delivering additional value and importantly reducing risk of a portfolio. The two factors we believe can add extra value are tactical asset allocation decisions and fund selection. We have a robust process for each of these factors, with tactical decisions made within a defined risk budget and fund selection the result of a quantitative screening process.

Active and Passive Management: Active management and passive strategies can both play a valuable role. There is a role for active and passive funds within a well-managed investment portfolio. We believe that there are strong arguments for both approaches and accordingly we include both strategies in the portfolios we recommend.

Costs: We believe that costs can have a significant influence on investment performance, particularly in periods of low growth; therefore, we look to minimise costs wherever it is possible and sensible to do so and consistent with your objectives.

Things we don't do: Success is often about the things you don't do as much as the things you do. Unless you specifically request a different approach, we apply the following rules to all our portfolios: no individual stocks; no direct investment in hedge funds; no unauthorised funds; and, we only use funds run by FCA regulated managers.

Mottram Financial Services Ltd
PO Box 393
Hyde
Cheshire
SK14 9BG

Telephone 0161 710 3050

www.mottram-fs.co.uk