

Smith & Williamson

Asset management as it should be

Smith & Williamson Investment Management

Discretionary Fund Management

Proposition

Smith & Williamson Investment Management is one of the largest independently-owned wealth managers in the UK. Our main activity is private client discretionary fund management (DFM) and we have total assets under management of over £14 billion (as at 31/03/13).

We have a long and successful history of managing portfolios tailored for the needs of private investors which has been built by developing long-term relationships based on trust and integrity – with both advisers and their clients. We have achieved this by developing a strong service and investment offering and are proud of our performance track record. Our focus is on a collaborative approach with advisers, and we believe this is helped by our similar mindset of being independently-owned and boutique in structure. We work with advisers to ensure that portfolios meet the needs of the client, as putting the client first is at the cornerstone of

Smith & Williamson. This is relevant to full-service DFM, guided architecture (initially available via Verbatim) and multimanager, and we underpin this with appropriate risk management.

We take an active approach to the management of discretionary portfolios using both asset allocation, and fund and stock selection, to position portfolios for prevailing economic and market conditions. Our analysis is driven by valuations and fundamentals. We operate in a collegiate manner with over 140 investment managers who all contribute to our investment process and implementation. Consideration is given to a broad range of asset classes and investment vehicles. We generally prefer to invest in liquid assets as this gives our investment managers the flexibility to respond appropriately within client portfolios as individual circumstances, and market conditions change.

We understand the sensitivities and obligations of the role we have in the relationship with the client and their adviser, and we know that DFM is likely to be part of a rounded financial planning service being provided by the adviser. We therefore work closely with the adviser on all aspects of the DFM client relationship. We believe this benefits the adviser, allowing more time to focus on client's broader financial needs.

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About us

Smith & Williamson was founded in 1881. Since then, we have managed the financial affairs of private clients and their business interests, combining an independent firm of chartered accountants with an investment management and private banking house.

Today, Smith & Williamson Investment Management has developed further and our investment management business has over £14 billion of funds under management and advice (as at 31/03/13). We have over 1,450 staff based in offices in the UK and Ireland, of which about one third work in the investment management and banking division.

As a professional and financial services group we have a diverse service offering and recognise that our clients' needs vary enormously. Our company-wide values hold true whether our services are delivered from one of our regional offices or our HQ in London.

Why us

Our culture is about working together in the best interests of our clients and we are dedicated to meet both the requirements of the client and the adviser.

We have three core values which we apply to all our dealings with clients and colleagues alike:

- We put the client first and focus on delivering the right solutions.
- We have high quality people who deliver excellent service.
- We are trustworthy and aim to provide good performance with integrity.

These values are intrinsically linked to the high standards we have set ourselves and to the way we conduct our business. We employ high quality people and we are keen to nurture the ideas, knowledge and expertise of our investment teams. A testament to this is that we have fund managers who have enjoyed many years' service at Smith & Williamson.



Our services for professional advisers

We have three levels of services for professional advisers to choose from depending on the needs of their clients.

- Discretionary Fund Management – Bespoke portfolios
- Guided architecture (via Verbatim)
- MultiManager

Managing an investment portfolio is a complex challenge that requires continuous monitoring and research. Every client has different needs, aspirations and time horizons, and our services address these.

Discretionary Fund Management – bespoke portfolios

Our discretionary fund management service offers bespoke portfolio management for private clients. We understand that every client is different and we work closely with advisers to ensure we are in alignment with the clients' suitability needs, risk appetite and financial objectives. The relationship between the investment manager, adviser and client is of paramount importance in understanding the needs of the client and we aim to build a strong working relationship with trust and integrity at the core.

Investment philosophy

Our investment philosophy for DFM is underpinned by the belief that each client should be treated as an individual and requires a portfolio that is specific to their needs, aspirations and tolerance for risk. The focus is always on delivering the right solution for the client, and we consider investments within a wide range of asset classes ensuring clients needs and preferences can be met.

In developing our approach we draw upon many years of experience in managing private client portfolios. This experience has taught us the importance of maintaining an open mind and flexible approach. There are distinct cycles in investment and economic activity, and our job is to recognise these and strive to anticipate the transition from one cycle to the next. We see this as an important part of minimising risk and maximising potential returns. Making a realistic assessment of the way component investments within the portfolio are likely to behave, both in absolute and relative terms and under different economic conditions, is central to our approach.

Investment process

We build a portfolio designed to address the client's specific objectives, and we continuously evaluate the widest range of investments so that we can increase the number of options available. To do so effectively, we have a well-established two-pronged approach based on asset allocation and investment selection:

Asset allocation

The asset allocation committee consists of our strategists and senior investment managers and meets monthly. It considers the views of in-house sector and geographic specialists with reference to prevailing economic conditions. The committee is responsible for setting the tone of our investment thinking and provides the most important guidance for our investment managers. Smith & Williamson's asset allocation framework has been in place for a number of years and stands as a record of our long-term investment views.

In addition to the formal monthly meeting, our strategists and economist provide a daily overview, lead a weekly update meeting and write a monthly macroeconomic and investment outlook report. They closely analyse the expected returns from different asset classes which can vary markedly depending on whether we are living through a period of high or low nominal growth with inflation, disinflation or deflation. To help formulate their views, they use external economic research services from a number of organisations. Our strategists and economist are consulted on their views on a daily basis by investment colleagues.

Investment selection

The second stage of our investment process is bottom-up analysis involving both sector review and stock and fund research. We assess a wide range of investment vehicles within each asset class including closed-ended funds, open-ended funds, Exchange Traded Funds (ETFs) and direct fixed interest and index-linked securities.

Within each asset class we have in-house sector specialists who analyse sector performance and relative valuations, using quantitative research. They assess the short-term and long-term risks, opportunities and themes for the sector, as well as looking at specific characteristics of individual investments such as price, value and style.

The qualitative assessment of investment opportunities involves meetings with company management and collecting information for our in-house database. We enjoy excellent access to companies and typically hold over 500 meetings with management every year.

Summary

The result of this two-pronged investment process is used to construct and review a client's portfolio using a multi-asset approach to reduce correlation and help deliver the required investment outcome. The investment managers of individual portfolios are ultimately responsible for any decisions made within those DFM portfolios.

We believe that the combination of proprietary in-house research and the accumulated experience of our investment team, who understand each client's requirements, is critical in determining how successfully we discharge our responsibility to advisers and their clients who entrust assets to our care.

Risk and risk controls

Investment risk

We create a portfolio with the appropriate risk level based on the suitability analysis of the client undertaken by the adviser. We believe that risk management is an integral part of our role and deserves the same consideration and commitment as fund management, to ensure that a portfolio is suitably positioned for performance relative to the client mandate.

Management risk

We have in place a performance monitoring system where senior management are able to review performance data at the individual investment manager level so that any deviations from benchmark and peer group can be identified early.

Our peer review committee screens client portfolio performances each quarter to select accounts for review. Over the course of a year all private client accounts will be considered for review by the committee. Portfolios selected are subject to a detailed portfolio review by an investment manager from another team. The review covers the suitability, performance and activity of the portfolio.

Transparency of client reporting

We have a personalised reporting programme ensuring the format and the frequency coincides with the timetable used by advisers for reporting to clients. Our reporting programme is designed to offer complete transparency as to the composition and performance of a portfolio. We also provide year-end tax packs to clients which are also usually sent to the adviser.

Client portfolios can also be accessed via our online portfolio reporting service.

Custody

Smith & Williamson operates discretionary managed accounts for clients across pensions, trusts, offshore bonds, personal and ISA accounts. Assets can be within our nominee company, Smith & Williamson Nominees, which gives full flexibility in the service and reporting arrangements for clients and their advisers. Our nominee company is a separate legal entity from Smith & Williamson and its assets cannot be set against any group liabilities.

For clients with portfolios in Smith & Williamson Nominees we are able to custody client assets held outside our discretionary remit, monitor and report on their performance as required.

We also operate select strategies where assets are held outside our nominee company such as in the case of the Verbatim risk-rated range.

Cash management

Cash deposits are placed in pooled client money accounts held by us as a statutory trustee under the FSA's Client Money rules. The pool is diversified across a number of systemically significant UK and international banks. In the event of any of the pool-banks being declared in default by the FSCS, claims on the pool would be administered under the FSA's Client Money Distribution rules, with eligible depositors being able to make claims under the FSCS arrangements for any shortfall.

Access to your team

Advisers dealing with our London office are assigned three primary contacts; a lead investment manager, an associate investment manager and a senior administrator. In this way we ensure advisers have continuous access to our investment views and co-ordinated client delivery across our range of services. Advisers dealing with one of our regional offices are assigned a lead investment manager and a senior administrator.

Fees and administration

We have a variety of fee schedules available depending on individual preferences regarding fees and commissions. Please contact us directly to discuss your requirements.

Our service and reporting for clients includes the following:

- Personalised portfolio reports
- Performance statistics/attribution are available
- Online portfolio valuation
- Contract notes/bank statements
- Year End Tax Report (Income Tax & CGT)
- Investment Income Collection & Distribution
- Nominee Service
- Direct Access to Investment Team

Contact Us

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Important information

Smith & Williamson Investment Management LLP

Authorised and regulated by the Financial Conduct Authority.

The Financial Conduct Authority does not regulate all of the products and services referred to in this document.

Risk Warnings

- Investment does involve risk. The value of investments can go down as well as up. The investor may not receive back in total the original amount invested.
- Past performance is not a guide to future performance.
- Rates of tax are those prevailing at the time and are subject to change without notice. Clients should always seek appropriate tax advice from their financial adviser before committing funds for investment.
- When investments are made in overseas securities, movements in exchange rates may have an effect on the value of that investment. The effect may be favourable or unfavourable.
- Investing in alternative assets involves higher risks than traditional investments and may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain.
- Investments in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems.
- Please note that bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds the certainty of a fixed income for a fixed period with a fixed return of capital are lost.
- Shares in AIM companies are likely to be high risk and volatile. Their value, and the income arising from them, may go down as well as up, and there is the possibility that investors could lose their entire investment. Shares in an AIM company may be illiquid and it may be difficult or impossible to sell them. Investors should take independent investment and taxation advice regarding AIM investments and qualifying tax relief, which can be provided by Smith & Williamson.
- In relation to any guided architecture investment options, Smith & Williamson Investment Management is unable to assess or provide advice on the suitability of any product or service for individual circumstances. No consideration has been given to the suitability of any investment or service for the particular needs of any recipient. SWIM will not be responsible to any other person for providing the protections afforded to retail investors or for advising on any investment as a result of using this service.

Important information

This document contains information believed to be reliable but no guarantee, warranty or representation, express or implied, is given as to their accuracy or completeness. This is neither an offer nor a solicitation to buy or sell any investment referred to in this document. Smith & Williamson Investment Management documents may contain future statements which are based on our current opinions, expectations and projections. Smith & Williamson Investment Management does not undertake any obligation to update or revise any future statements. Actual results could differ materially from those anticipated. Appropriate advice should be taken before entering into transactions. No responsibility can be accepted for any loss arising from action taken or refrained from based on this publication. The officers, directors and employees of Smith & Williamson Investment Management, and affiliated companies and /or their officers, directors and employees may own or have positions in any investment mentioned herein or any investment related thereto and may trade in any such investment.

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