



The IT Directors Forum  
The Catering and Hospitality Forum  
PIMS

## Portfolio Planning Justifying Your Choice of Asset Allocation and Exercising Due Diligence

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# Reflecting the needs and wishes of the client when planning Portfolios

## Key components



# Asset allocation

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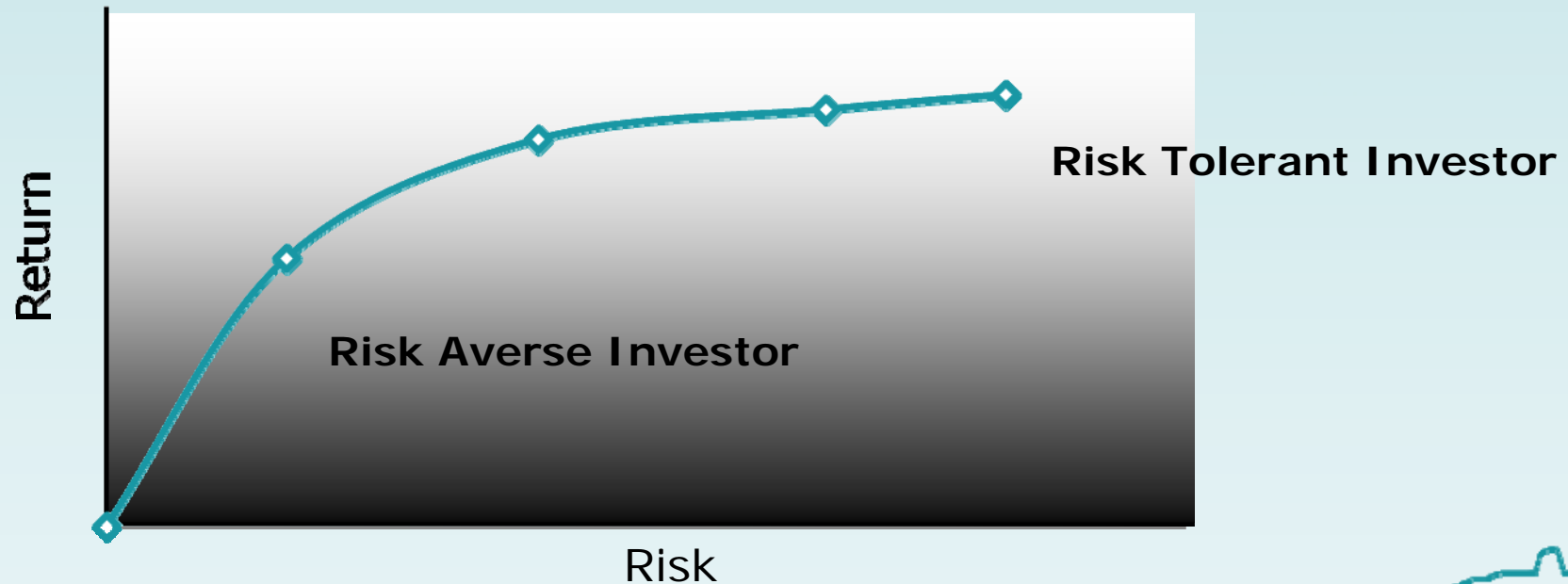
**Strategic Asset  
Allocation**

**Tactical Asset  
Allocation**



# Strategic asset allocation

- Long term risk / return profile of investor
- Risk based asset allocation models
- Changes if investor circumstances change



# Risk based asset allocation models

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## Some key considerations

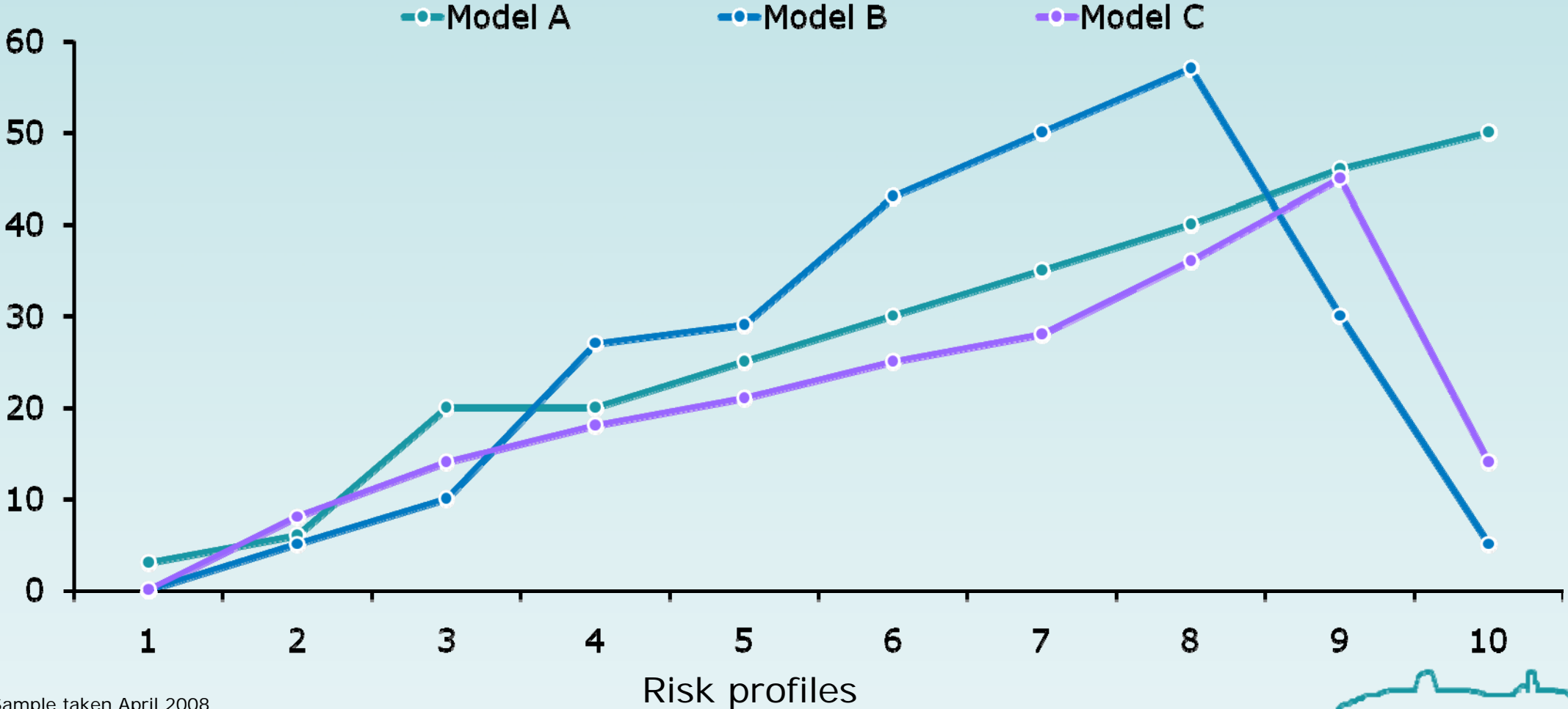
- Models from different providers will give different solutions for the same client profile
- Does the model include current “economics” overlay?
- Some appear more tactical than strategic and long term
- Adviser must understand how the chosen model works
- Chosen model must become central to adviser’s TCF regime



# Models from different providers will give different solutions for the same client profile

% of asset class

UK Equity

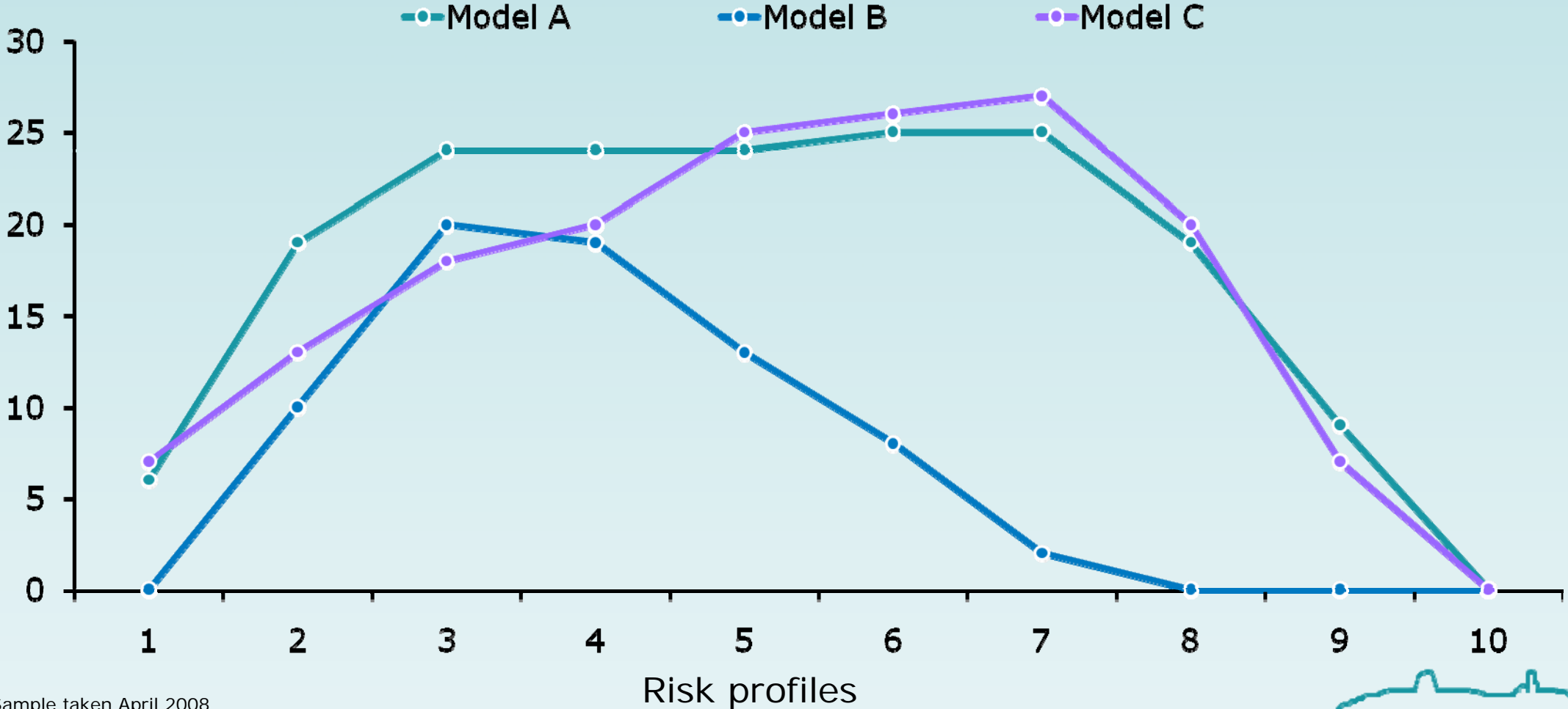


Sample taken April 2008

# Models from different providers will give different solutions for the same client profile

% of asset class

Property



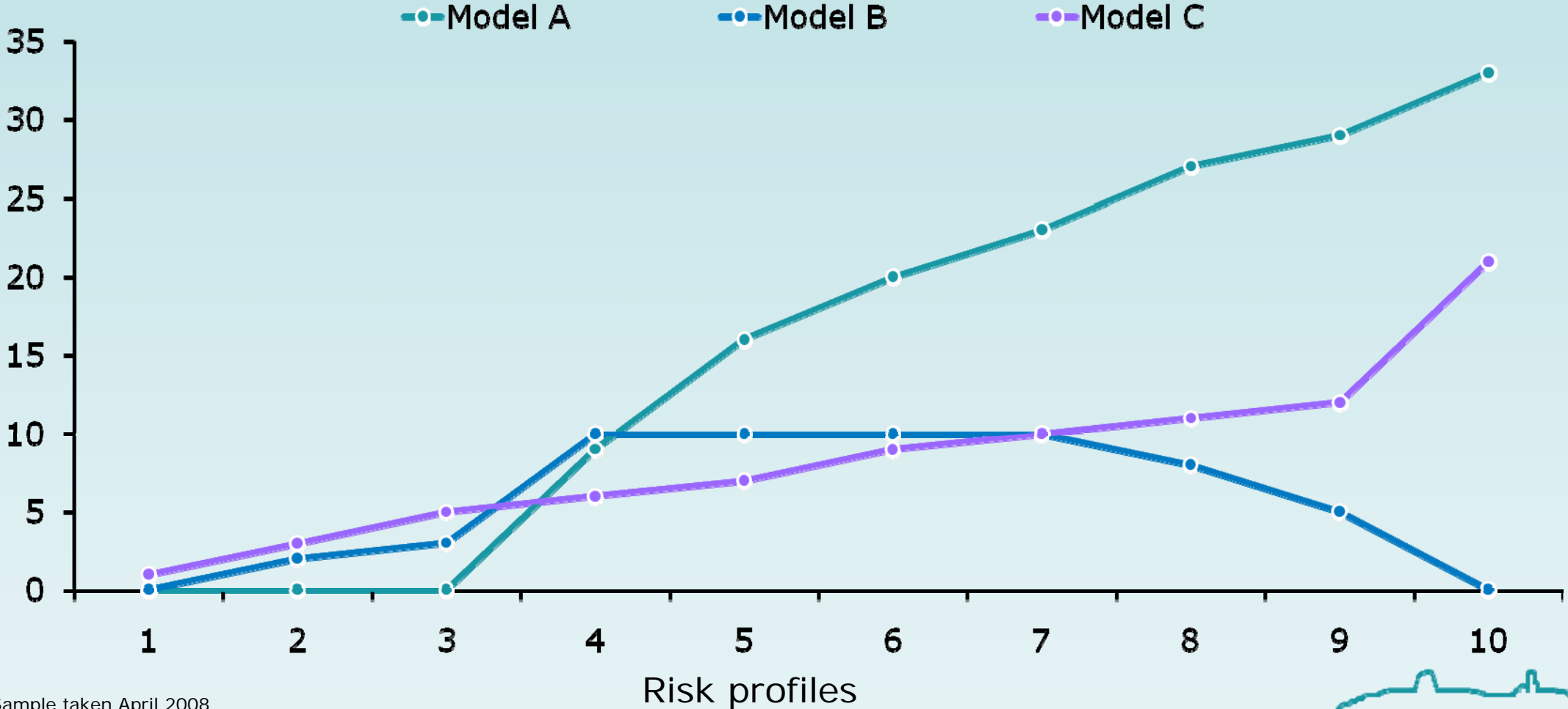
Sample taken April 2008

Risk profiles

# Models from different providers will give different solutions for the same client profile

% of asset class

## US Equity



Sample taken April 2008

# Matching funds to risk based asset allocation model

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## Pitfall

- Asset allocation meets client requirement **but** wrong type of funds selected

## Results

- Asset allocation benefit negated
- Client's expectations not met



# Which is the 'Best Fund'?

UK All Companies sector



Artemis UK Special Situations

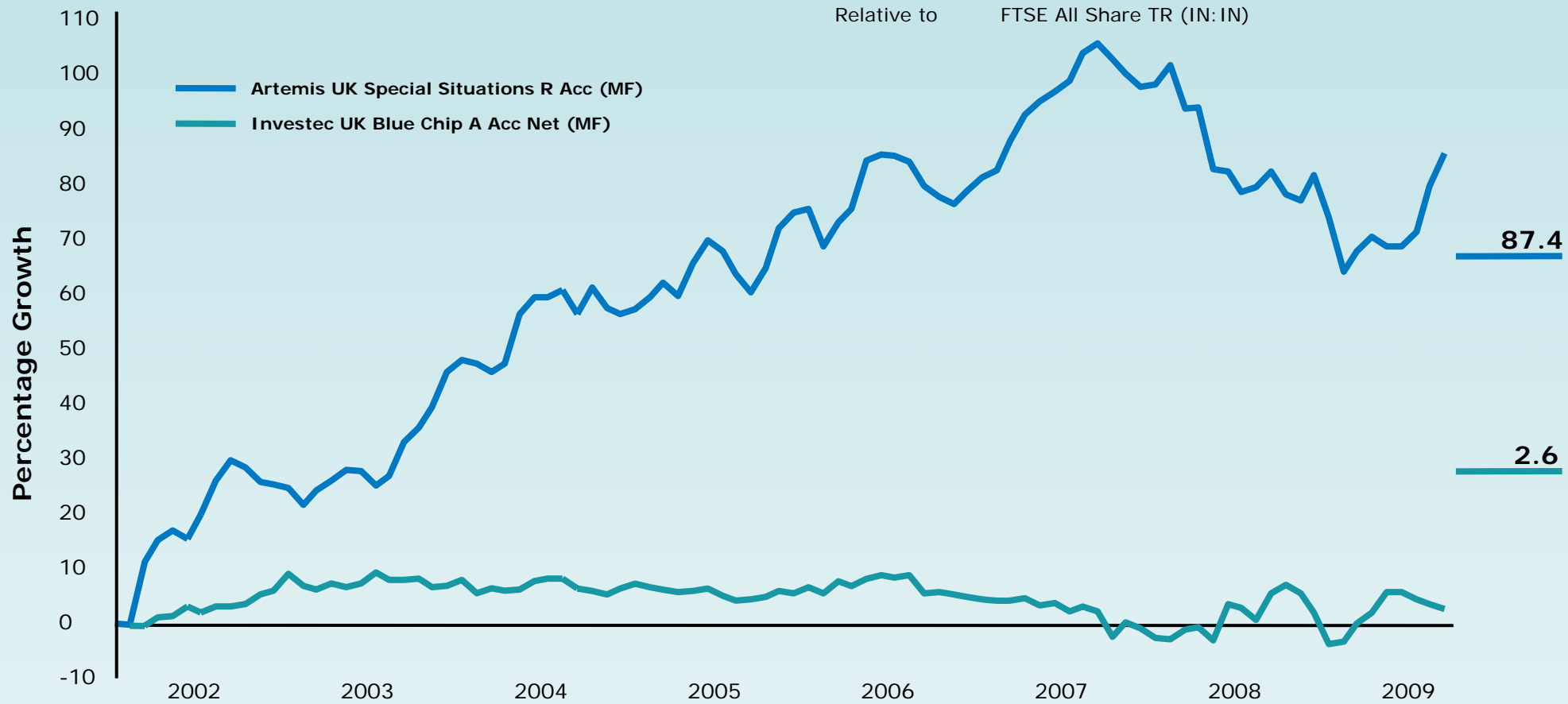


Investec UK Blue Chip



# Which is the 'right' fund?

Percentage Growth Total Return, Tax Default, In GBP



92 Months From 28/09/2001 To 29/05/2009



User may have modified the original chart and axis titles provided by Lipper.

# Managing investment portfolios for clients

## The regulatory environment

.....is the key driver

- Outcomes based regulation – Treating Customers Fairly
- Retail Distribution Review – Advice

Put the client first

Recognise your level of expertise  
Outsource to complement skill set  
Ongoing review and advice



# Regulatory risk by segment for “investment business”

Expertise segment	Regulatory risk
Advisers who outsource portfolio management totally	Mismatch client needs (risk profile) with selected “managed solution” (LOWER RISK)
Advisers who want some involvement in portfolio management	<ul style="list-style-type: none"><li>• Mismatch client needs (risk profile) to solution</li><li>• Getting the asset allocation wrong</li><li>• Selecting inappropriate funds</li></ul> (HIGHEST RISK)
Advisers who want total control over portfolio	<ul style="list-style-type: none"><li>• Mismatch client needs (risk profile) to solution</li><li>• Getting the asset allocation wrong</li><li>• Selecting inappropriate funds</li></ul> (HIGHER RISK)



# Managing investment portfolios for clients

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## In summary

- Regulatory environment is the key driver
- Outsource to compliment skill set
- Multi-manager, asset allocation models and professional fund research are outsource options
- Embed your outsource solutions within your TCF regime





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