Why Choose Assetfirst for Portfolio Management

There are many different methodolgies that can be applied to running an investment portfolio. Historically this has usually meant handing your funds over to a Discretionary Investment Manager or Stockbroker and relying on them to ensure that your funds are invested in the correct stocks and bonds for the prevailing markets. In reality this approach has proven to be both flawed and expensive. Trying to time markets with any degree of consistency has been proven to be virtually impossible and star fund managers tend to come and go with alarming regularity.

We believe that the only true indicator of consistent performance is cost. Many studies have shown that low cost funds tend to show greater levels of consistent outperformance over longer terms and our investment proposition embraces this research.

In 2008 Assetfirst designed and launched a range of low-cost, risk-graded, multi-asset portfolios which could be held within any of the tax favoured wrappers on most platforms. The portfolios range from Defensive through to Aggressive and in the nearly 10 years since we launched them have all delivered returns within the parameters which we set for them. We put this down to the fact that the portfolios are constructed using predominantly low-cost index tracking funds (sometimes called passive funds) rather than more expensive actively managed funds (active funds) where managers take "bets" that certain stocks within a particular asset class can achieve higher returns than the sector in general, or *alpha* as it is often referred to. The problem with this active strategy is two-fold;

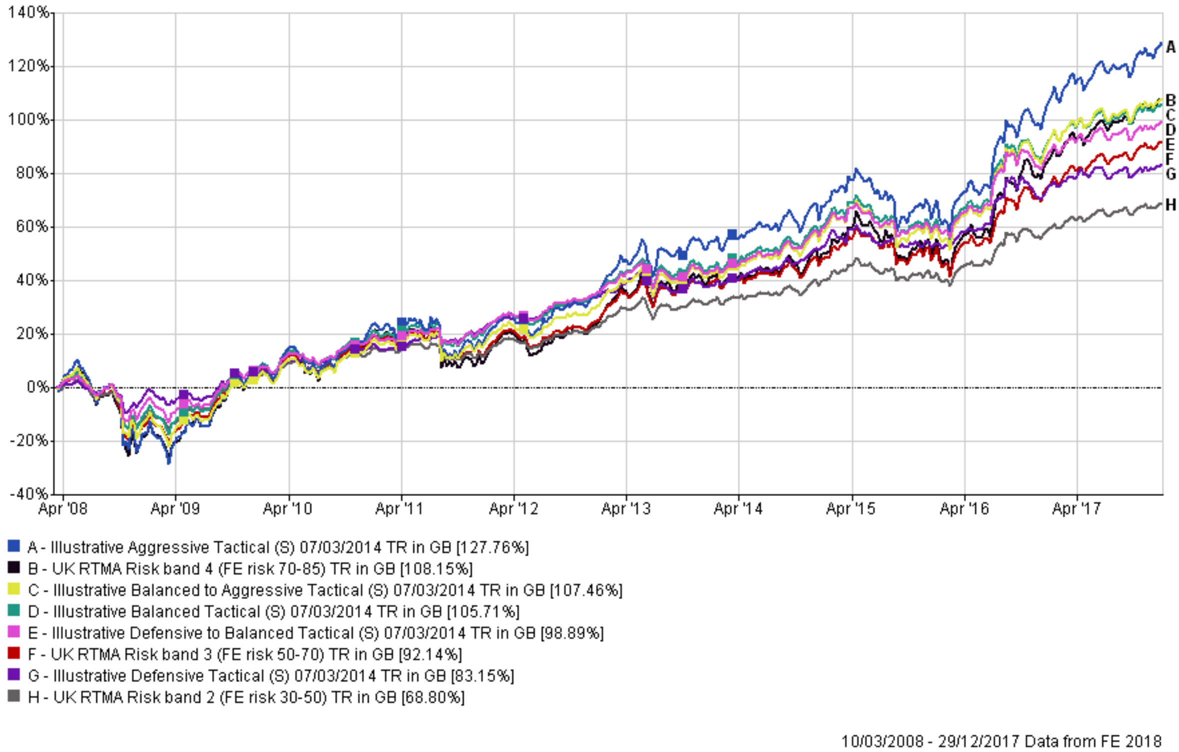
1. *No manager can consistently outperform the sector over the long term*
2. *When the manager gets it wrong, losses can be magnified*

For this reason we limit exposure to these "bets" and simply buy the return of the overall asset class at the lowest cost using appropriate index tracking unit trusts. The table below shows the current Asset classs holdings within the Assetfirst Balanced Portfolio.

Holdings	Exposure	Ongoing Charge Factor (OCF)
UK Large Cap	11.00%	0.17%
UK Equity Income	7.00%	0.22%
US Equity	10.00%	0.10%
European Equity	7.00%	0.19%
Japan Equity	2.00%	0.21%
Pacific Equity	3.00%	0.21%
UK Government Bond	3.00%	0.15%
UK Index-Linked Gilt	11.00%	0.15%
UK Short Investment Grade Bond	6.00%	0.15%
UK Investment Grade Bond	14.00%	0.15%
£ High Yield Bond	11.00%	0.79%
Global Property	15.00%	0.23%
Tactical Asset Allocation	**100.00%**	**0.25%**

How have the Assetfirst portfolios performed?

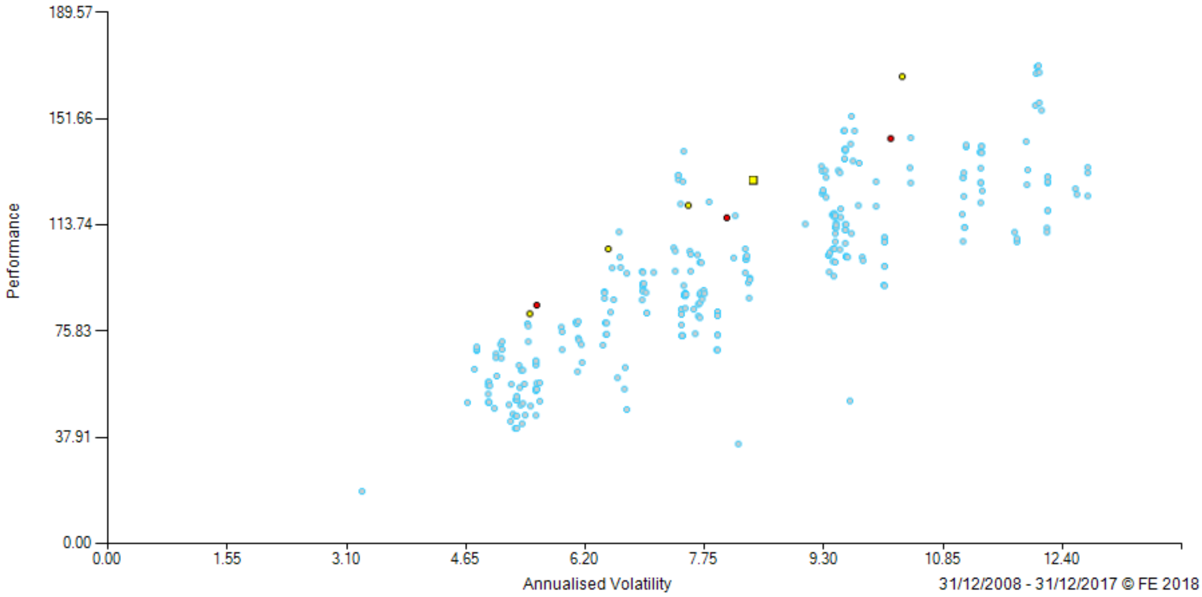
The chart below shows the performance of our range of portfolios (here referred to as "illustrated") compared to the average of similarly risk-rated funds available in the UK market (here referred to as "UK RTMA"). The Risk Targeted Multi Asset (RTMA) sectors include funds from all the major investment managers and insurance companies.



Whilst this chart shows that all of the Assetfirst Portfolios have outperformed their respective benchmarks in terms of Total returns, we are more concerned with the consistency of return rather than the overall number. If a portfolio is consistenetly above average it shows that the overall return is not as a result of one period of significant short-term outperformance which can obviously be misleading. This focus on consistency is vitally important when a portfolio is being used to provide a regular stream of income.

Risk vs Reward

The chart below shows the performance of our portfolios (yellow) against their relevant RTMA sector averages (red) and RTMA sector constituent funds (blue) over the last nine years. The x-axis shows risk (or volatility) and the y-axis shows total return over that time period.



As is indicated by the fact that all of our portfolios sit on or close to the upper edge of the chart, they have all delivered some of the highest returns over the last 9 years for any given level of risk. The only fund to produce higher returns than our Aggressive portfolio was taking a substantially higher degree of risk than we believed to be prudent for our clients over the time period in question.

Our portfolios are doing exactly what they were designed to do - provide maximum return at minimum risk – and our focus on reducing investment cost is a major contributing factor to that outcome.