

## **SUITABILITY REPORT – MODERATE PASSIVE**

I am writing to detail my recommendations for a switch of funds within your existing portfolio. The changes we are making take into account our latest views on different asset classes and geographical sectors and are designed to ensure that your portfolio is positioned well for the current economic climate. They are also aimed to deliver growth in line with your agreed attitude to risk and capacity for loss.

My recommendations that follow are based on my understanding of your current financial position and objectives as detailed at our last meeting. If there have been any changes to your circumstances or objectives since then, please let me know immediately as it is possible that my advice would be different.

The advice contained in this report is limited to a switch of funds within your existing investments. If there are any other areas of your financial planning which you would like to discuss please do let me know.

### **Attitude to Risk and Capacity for Loss**

We have previously discussed at some length your attitude to risk and in particular the relationship between risk and reward. Your existing portfolio is invested on a Medium risk basis and we have agreed that this level of risk remains suitable for you taking into account your investment objectives and capacity for loss.

If you feel that this does not accurately reflect your attitude to risk and capacity for loss please contact me as a matter of urgency.

### **Existing Investments**

This report is focused on the portfolio of funds as detailed in my covering letter. Please see your most recent portfolio review for details of the current investment allocation. If you would like an up to date valuation please let me know and I will be happy to provide one.

## Recommendation

I recommend that you undertake an **internal fund switch** for the reasons detailed below:

- The proposed fund switch will ensure your portfolio continues to reflect your assessed attitude towards risk and capacity for loss.
- The new portfolio reflects our most recent views on the optimum asset allocation to deliver strong performance going forward.
- To achieve the correct asset allocation for your portfolio we have employed the services of a specialist third party consultancy, Square Mile.
- Square Mile believe that detailed, independent qualitative fund research is the best indicator of a fund's ability to meet its objectives. Their experienced team of portfolio managers understand the factors that drive the investment industry and affect investors.
- The portfolios are designed to operate within volatility bands matched to your risk profile.
- Your plans will not incur any tax charge and the switch will be actioned free of charge.

Your underlying investment portfolio will be restructured as follows:

Portfolio	Risk Rating	Ongoing Charges Figure	Allocation
Dentons Square Mile Moderate v5 Passive	Medium	0.16%	100%

The underlying funds are as follows:

Fund	Sector	Initial Charge	Ongoing Charges Figure	Allocation
L&G All Stocks Gilt Index Trust	UK Gilt	0.00%	0.15%	3%
Vanguard UK Investment Grade Bond Index	Sterling Corporate Bond	0.00%	0.12%	4%
Vanguard Global Bond Index	Global Bonds	0.00%	0.15%	14%
CT Dynamic Real Return	Absolute Return	0.00%	0.50%	15%
iShares UK Equity Index	UK All Companies	0.00%	0.05%	24%
Vanguard US Equity Index	US Equity	0.00%	0.10%	14%
iShares Continental European Equity Index	Europe ex UK	0.00%	0.06%	4%
iShares Pacific ex Japan Equity Index	Asia Pacific ex Japan	0.00%	0.13%	4%
iShares Japan Equity Index	Japan Equity	0.00%	0.08%	4%
Vanguard Emerging Markets Stock Index	Global Emerging Markets	0.00%	0.24%	4%
Fidelity Index World	Global	0.00%	0.12%	10%
<b>Aggregate:</b>		<b>0.00%</b>	<b>0.16%</b>	<b>100%</b>

## Rationale/Market Commentary

Following our recent review of our strategic asset allocation, we are now making some changes to our portfolios to reflect the current market conditions. These adjustments seek to improve the portfolios long-term expected returns. We are therefore taking this opportunity to recommend a repositioning of your investments to ensure that the funds held in your portfolio truly reflects our best-in-class fund choices.

We are retaining a neutral weighting to equities relative to the portfolio benchmark and the volatility targets remain unchanged. Within the equity portion of the portfolio we have retained the existing geographical allocations. We have reduced the allocation to fixed interest securities in order to

increase the weighting to absolute return funds. The absolute return allocation seeks to offer a true diversification benefit and very low correlation with stock and bond markets.

The passive portfolio is made up predominantly of passive funds and has been constructed using the expertise of Square Mile. The asset allocation decisions are driven by the same factors as for the active portfolio. The passive approach will result in a reduction to your investment charges but should deliver a similar level of growth to our standard portfolio. I have made you aware that passive funds can be more volatile than actively managed funds.

The new portfolio reflects our most recent views on the optimum asset allocation to deliver strong performance going forward along with our best-in-class fund choices to deliver this performance, as such I recommend that you switch your existing investments to this new allocation. We will continue to monitor your portfolios and the changing financial situation and should the need arise, make additional recommendations for further repositioning of your portfolio.

### **Taxation**

As this switch is taking place within a tax advantaged product there will be no liability to capital gains tax as a result of this recommendation.

## **Important Information**

### **Further Information and Risk Warnings**

A summary of the risk warnings associated with my advice can be found at the end of this report and should be read with particular care. Additional information regarding your investments can be found in the Key Features Document(s) provided previously.

### **Charges Summary**

There will be no changes to the platform charge or our ongoing adviser fee that you pay to for your investments as a result of this switch. The only change will be the cost of the investment funds themselves and following the switch the overall cost of the portfolio of investment funds will be 0.16% per annum. Details of the fund charges for your existing portfolio can be found in the relevant suitability report and I will be happy to provide you with a copy of this if required.

We will not charge a fee for making this recommendation; this is covered by our ongoing adviser charge. In addition, there will be no transaction charges as a result of this recommendation.

## **Confirmation**

I have identified your objectives and I hope you agree that the recommendations made correspond to your current needs and future requirements. If you have any queries concerning the content of this report, or should you feel the recommendations are in any way an inaccurate reflection of your circumstances and future objectives please contact me immediately.

24 February 2023

## Risk Warnings

- The recommendations are based on current taxation, law and practice all of which may be subject to change.
- Past performance is no guarantee of future returns.
- Inflation will reduce the real value of the capital invested if returns do not match or exceed the rate of inflation.
- An investment should be considered over a medium to long-term time frame and should not be entered into if the capital is required for other needs.
- The value of the investment is determined by units or shares, the price of which can fall as well as rise. The value could be less than what was originally invested, especially in the early years or if withdrawals are greater than the underlying returns.
- Please bear in mind that the outlook for asset classes and market sectors can change and as a result the asset allocation could become unbalanced.
- Investing in a single or limited range of asset classes or sectors may lead to greater volatility and therefore carry a greater investment risk.
- A certain fund or funds may have a higher risk rating than the agreed attitude to risk, but the overall risk applied of the combined funds or portfolio is designed to meet the agreed risk profile.
- Equities can significantly fall in value and in difficult times dividends may reduce or stop.
- Property fund investments may take significantly longer to sell. If market conditions are volatile prices may fall, exit fees could be applied or even a fund dealing suspension be imposed. This would delay any withdrawals and affect the rebalancing of a portfolio.
- Corporate bonds are not risk free as the bond issuer could default, interest rate rises could reduce the capital values and in adverse market conditions the fund could become illiquid making it difficult to sell.
- Where a fund invests in overseas markets, domestic upheaval and changes in currency exchange rates mean that the value of the investment can go up or down.
- Specialist funds which invest in emerging markets, niche industries, smaller companies or unquoted securities are likely to be more volatile and therefore carry greater investment risk.
- It is important to periodically review the value of an investment against expectations and the underlying investment strategy, particularly when close to retirement.
- The higher the charges applied to an investment the greater the effect of those charges on the performance.
- Changing funds or transferring excessively, may erode the value due to transactional based fees.
- Provider restrictions may apply on which funds can be switched into especially if they are not the same type of fund (e.g. capital or income units which attract different charges or other fund limitations).
- A switch does not guarantee that the new fund will outperform an existing fund.
- Investment values could materially suffer from market movements when transferring due to a period where the funds are not invested.
- Delays or restrictions in switching between funds may apply where there is difficulty in realising the underlying asset.

