PLUTUS
WEALTH MANAGEMENT LLP

PLUTUS WEALTH MANAGEMENT
INVESTMENT PROCESS

www.plutuswealth.com

Our investment process

Deciding how best to invest your money can be daunting. With so many options available and so many uncertainties, how do you choose what's right for you?

Our job is to eliminate as much of that uncertainly as possible and to work with you to identify the most appropriate way for you to achieve your financial goals.

The Plutus investment process, which is managed by our Plutus Investment Committee (PIC), is designed with that in mind. It creates a framework for us to discuss your needs and expectations, to assess and agree your attitude to risk and then to build and manage an investment portfolio to match.

Fact find – getting to know you

The starting point of the investment process is for us to get to know you. Our fact find will be wide-ranging to ensure that our subsequent advice is soundly based.

As well as taking account of your personal and financial circumstances, it will cover your broader attitudes and values, and the level of experience and knowledge you have about investing and its associated risks.

Having established your goals, the results you expect and the timescales involved, we can begin to consider issues such as access to your money and the level of flexibility required in the investment selection.

Selection of 'tax wrappers' – ways to hold your investments

A tax wrapper is a financial product, such as a pension, ISA or bond, within which your investments can be held and which usually has certain tax benefits.

Once we have established your financial goals we can begin to determine the most appropriate tax wrapper(s) to meet your needs.

For most clients we recommend investing via an 'investment platform'. This is a way to hold, monitor and manage all your investments in a single place.

The investment platform offers improved convenience, choice and value for money. It also provides online technology that helps us assess your attitude to investment risk and then put together a portfolio that's most likely to behave as you'd expect.

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Understanding your attitude to investment risk

Whatever your goals, we want to be sure that the investment strategy we recommend for you is in line with your attitude to investment risk.

- The anticipated length of time you want your investment to last
- Cash reserves you want to be available to meet unexpected circumstances
- Your view on the potential for your earnings to grow
- How much money you want to invest
- Whether you have any debts
- Existing savings for retirement
- Your overall view on investing
- Your goals – and whether you really need to take on risk to achieve them
- The impact of short-term falls in the value of your investments
- The importance of protecting your investment from the effects of inflation
- The question of 'liquidity': if you want to cash in your investments, how easy

To establish your attitude to investment risk, we will ask you a series of questions. Each answer produces a score and these are then aggregated to calculate your specific level of tolerance for risk, from 1 (low) to 10 (high). We call this your risk profile score.

Discussing your risk profile score

Your resulting risk profile score is an indication of the extent to which you are prepared to accept a short-term fall in the value of your investments as markets go through their ups and downs. These fluctuations in the value of investments are also known as their volatility.

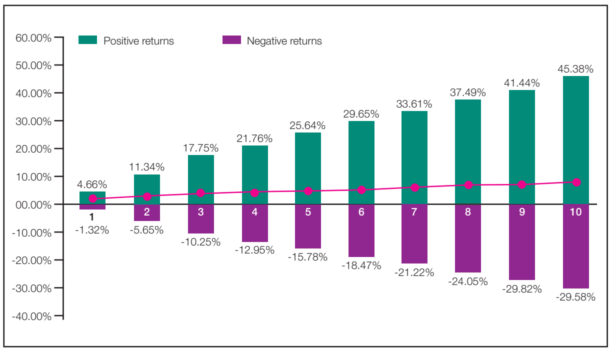
If your score is 1, then low volatility investments such as cash or bank deposits could be the resulting investment recommendation. If your score is 10, then we might recommend a portfolio which includes investments in asset classes such as emerging markets, whose higher expected volatility is matched by greater growth potential.

Before proceeding to make recommendations based on your score, we want to be sure that you understand what that score number means and what its implications are.

We will discuss with you how investment gains and losses might differ between different risk levels, to give you a better idea of the outcome you could expect at each level.

This chart shows how increasing volatility means greater price rises and falls

Source: Towers Watson as at 19 June 2017



Creating an 'asset allocation' in line with your risk profile score

'Asset allocation' involves getting the balance of assets in your portfolio right. The funds available for you to invest in are categorised under different asset classes.

Different types of assets have different performance characteristics, so our aim is to allocate the right mixture of funds to your portfolio so that, over time, the peaks and troughs of their performance balance each other out in a way that is optimised for your particular risk profile and your expectations for growth.

Sector	Cautious	Balanced	Growth	Adventurous
Asia Pacific Excluding Japan	9%	14%	20%	21%
International Fixed Interest	7%	4%	4%	0%
Absolute Return	19%	10%	8%	6%
Europe Excluding UK	7%	11%	15%	15%
Global Emerging Markets	2%	6%	8%	8%
Global Growth	3%	6%	7%	12%
North America	7%	11%	12%	16%
Property	12%	12%	12%	8%
Sterling Corporate Bond	17%	8%	0%	0%
Managed	7%	6%	0%	0%
Specialist	0%	0%	0%	5%
UK All Companies	3%	7%	11%	9%
UK Equity Income	7%	5%	3%	0%
CASH	0%	0%	0%	0%
Total	100%	100%	100%	100%

Selecting investments to match your asset allocation

Once the asset allocation stage is completed, we then select the underlying investments from the various asset classes. There are thousands of investment options to choose from, including unit trusts and OEICs, investment trusts, exchange traded funds (ETFs) and absolute return funds.

Understanding the structure and style of these investments and their relative success in producing risk adjusted returns helps us to evaluate how they may perform in the future.

One of the biggest decisions we make is whether to select an 'active' or 'passive' approach to investment management. An active fund is one in which the fund manager selects a portfolio of stocks they believe should perform better than average or in other words better than the benchmark in their particular sector.

Whereas, a passive fund replicates the benchmark or index of its sector; seeking to provide the return of the index as closely as possible.

At Plutus, we do not take an ideological view, only buying either active or passive funds. Instead, we believe each style has their respective merits and you will find both active and passive funds in our portfolios. We change or tilt the weightings towards either style dependent on our view of prevailing market conditions.

We aim to use in excess of ten investment funds to build your portfolio – this is to meet the asset allocation requirements and to reduce the concentration risk of having your monies in only a small number of funds.

Fund selection criteria

The PIC fund selection process uses a variety of different research resources and analytical tools to monitor both our existing holdings and a 'subs bench' of potential new funds.

We also apply our own quantitative analysis which considers a number factors such as, but not exclusively, past performance figures. While these cannot and should not be used in isolation to select a fund. When looked at in conjunction with the funds historic performance against others in its sector; how well the fund manager has performed and how long the fund manager has been at the fund, it is possible to have a good indication of the funds potential future performance.

In most circumstances we will request to meet the fund manager as part of our screening process for potential new fund additions, before committing our clients' capital. We also meet regularly with our existing fund managers in order to hold them to account.

It is also important to understand there are variations even within each asset class. For example, in the UK equity asset class, there are a variety of sub-sectors, such as smaller companies' funds or income producing funds. Careful selection of these allows us to position portfolios more tactically without necessarily altering the asset allocation. It also enables us to further tailor each portfolio's level of risk.

The cost of a fund is another important determining factor in our selection process, as we strive to keep the cost, or total expense ratio (TER) of our portfolios to a minimum, whilst ensuring we are in the best funds available. This is a delicate and never-ending balancing act.

This process ensures the PIC is confident all our portfolios are robust and well positioned to provide the risk-adjusted returns in accordance with our clients' varying attitudes to risk.

Monitoring and reporting

The PIC works throughout the year. The process of monitoring and meeting with representatives from our existing funds, but also screening and reviewing potential new funds, takes place most weeks. As a committee we meet regularly, but more formally on a monthly basis or if necessity dictates.

We do not believe portfolio changes should take place at set times or intervals. Instead they should be made dependent on our view of prevailing market conditions, or an individual asset class or fund's performance.

As we do not levy fees for 'fund switches', only through our percentage based, clean fee model - our interests are therefore aligned to yours.

In the last 5 years we have reported to our clients between 2 – 6 times per calendar year. However, typically you should expect to hear from us 3 – 4 times.

These reports invariably contain an economic overview and vary in length dependent on our recent and proposed activity and the accompanying rationale. Alternatively, we will issue shorter reports either centred on a single (often political) issue, asset class or fund.

The PIC is available to talk to throughout the year and your adviser can arrange a call or a meeting with a member of the team.

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