sense

financial solutions

Sense Wealth Management

"You know it makes sense"

The problem…..

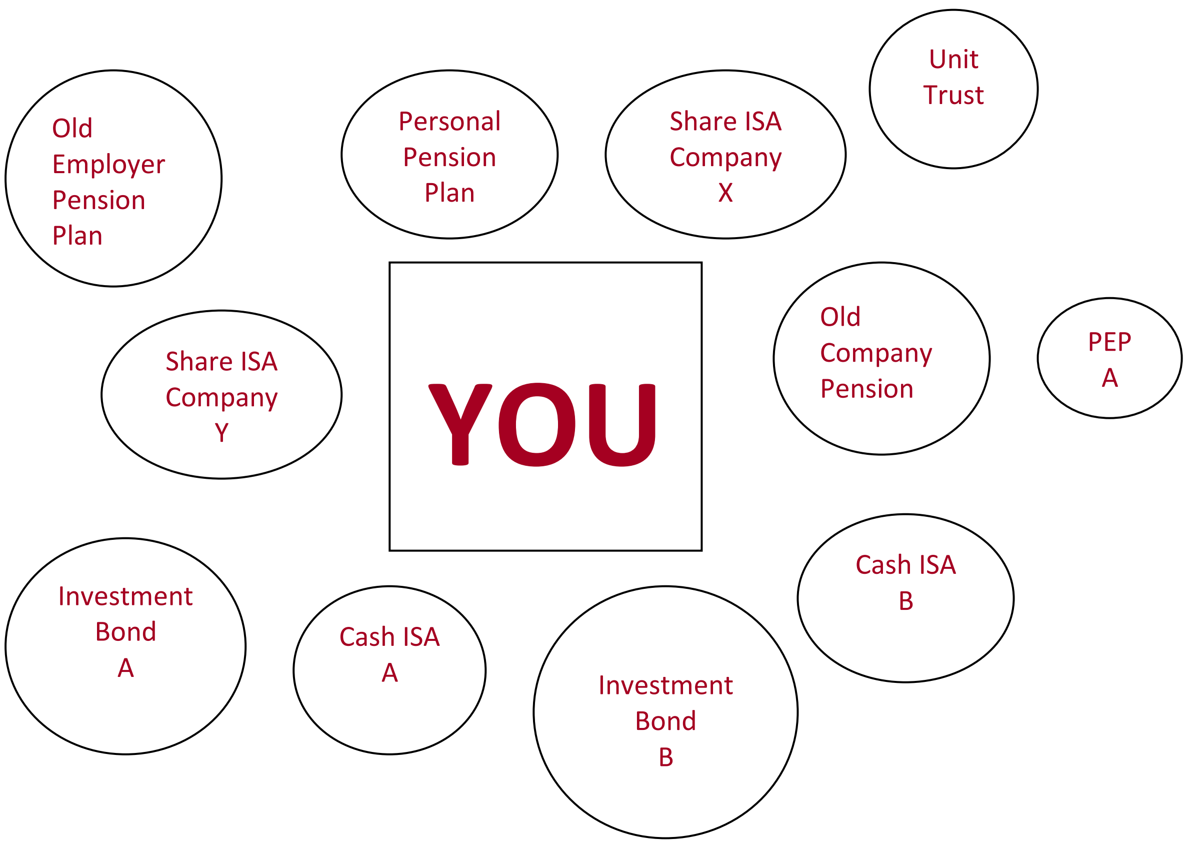
"I don't know how my money is working for me."

If there is a downside to wealth it's the time it takes to keep your assets working hard for you. Ironically, the more successful you become in life, the less time you may have to do this well.

None of us wants to go from pillar to post finding all our documentation, then taking the time to pore over it to calculate the state of our wealth.

And when you spend time with your financial adviser, you want to use that time planning what's best for your future rather than wasting time and money on the administration of your investments.

Before – how your financial world might look now.



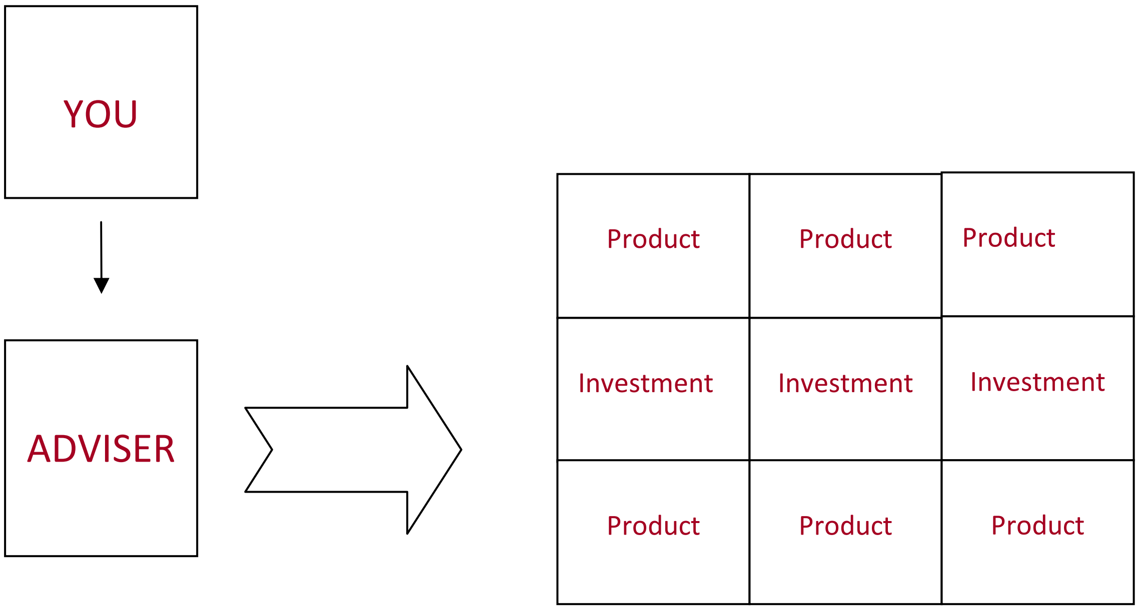
The solution…..

"I want to know what's happening with my investments when it's convenient to me."

Today, the process of managing your wealth can be simple. We use the Sense Wealth Management Platform which brings your investments together in one place. This sounds simple but it makes a profound difference. It's the logical way to keep track of your investments and will save you, and us, time.

The internet has changed our lives forever. The Sense Wealth Management Platform works securely through the web to bring all your financial products such as ISAs, pensions and even savings accounts securely into one place.

How your financial world could look.



Your summary guide to Sense Wealth Management

Sense Wealth Management is our new service for clients specifically saving for specific needs, most notably retirement, or those clients who already have wealth and who want to preserve their capital.

It's well known that a diverse investment portfolio is the best way to reduce financial risk. The problem is that spreading your investments across a number of companies tends to generate mountains of paperwork and increases the hassle of getting up-to-date valuations. Wouldn't it be helpful if there was a simple, reliable way of keeping track of all your investments? Now there is - Sense Wealth Management powered by Standard Life.

Sense Wealth Management is a web-based service that enables us to manage your entire portfolio from one web page, regardless of where your investments are held.

Sense Wealth Management means we can take a holistic approach to your financial planning, making your money work harder, looking after you through all life's changes and making your financial life easier. Sense Wealth Management takes the trouble out of managing your investments.

A single view of your investment portfolio

Looking after you

Making your financial life easier

Making your money work harder

How Sense Wealth Management can help you.

Maximise tax efficiency

Sense Wealth Management includes an impressive range of tax wrappers meaning you have the freedom to choose how to spread your investments in a tax efficient manner. (Please remember though that tax relief may be altered and its value depends on your circumstances.)

Secure a better deal

Sense Wealth Management offers excellent discounts on administration charges for many investment funds. It also has an overall charging structure that encourages flexibility in your investment strategy and rewards you as your money grows.

A service you'll value

When we make recommendations through Sense Wealth Management, our bird's eye view of your portfolio means we're doing it as part of the bigger picture. You'll hear from us regularly as we actively monitor your portfolio – a genuine service you'll really come to value.

Know what's in your portfolio

Do you know what's in your portfolio? You will with Sense Wealth Management. It can be problematic keeping track of all your different investments, but with Sense Wealth Management you'll get consolidated reports containing details of all your investments, no matter where they're held.

Keep track against your goals

Sense Wealth Management can provide you with performance reports on how your portfolio has been doing over time and how much tax has accrued. You can provide a consolidated tax report to your accountant, just one example of how easy Sense Wealth Management makes it to keep track against your goals.

Make changes quickly and efficiently

Because Sense Wealth Management holds everything together in one web-based service, any changes you need to make can be handled quickly and efficiently. With less hassle and less fuss, we aim to ensure your portfolio is working hard for you.

Investments

Working in conjunction with you, the system allows us to choose the most suitable tax platform for your investments. By this, we mean we can decide whether your investments are best held in ISAs, Unit Trusts, Bonds or Self Invested Personal Pensions according to your tax position and objectives. We can then move your investments between the various tax wrappers to achieve the most tax efficient method of managing your portfolio on an ongoing basis.

Based on your attitude to risk, we aim to build a portfolio which uses a wide range of different asset classes (such as shares, commodities, property, fixed interest products and cash) combining this principle with the expertise of investment managers who select the most appropriate blend of the underlying investments.

The Sense Wealth Management Platform allows us to do this both at outset and throughout the life of your portfolio by offering regular reviews and 'rebalancing' of your investments.

We can select the underlying investments from a wide range of funds (over 2000) at discounted prices, due to Standard Life's buying power, and review and rebalance your investments so that your portfolio remains well structured for your objectives and attitude to risk.

Client view…..

Sense
Financial Solutions

Client Admin Research

Portfolio
Summary
Detail
Cash
Client Details
Document Library

Portfolio - Summary

Jack Harris - WP1069963

As At: 02/02/2010 GO

Select view: Wrap View

View Investment Summary Tax Wrapper Summary

Include Legacy: No

Account Name: Jack Harris
Contact Name: Jack Harris
Adviser: Demo Advisor for SENSE
Account Type: Individual
Company: Sense Wealth Management

Email: jharris@pcworld.com
Home Phone: 01415558899
Work Phone: 015066332211
Mobile Phone: 07702852369

Product Wrapper	Location*	%	Value
Investment Assets			
Wrap Cash	Wrap	36.86%	£205,280.35
Personal Portfolio	Wrap	19.20%	£106,926.79
SIPP	Wrap	21.43%	£119,335.88
ISA Stocks & Shares	Wrap	0.00%	£0.00
ISA Cash	Wrap	0.00%	£0.00
Onshore Bond	Wrap	8.50%	£47,328.47
Offshore Bond	Wrap	14.01%	£78,016.94
	Total	100%	£556,888.43

Risk profiling – identifying your attitude towards risk

Why assess your risk tolerance?

To select the most appropriate investment strategy, it is vital to understand your investment goals and risk tolerance.

Your risk tolerance is a measure of both your emotional and rational responses in changes in the value of your investments i.e. your ability to withstand losses. It is usually linked to your temperament, time frame and financial circumstances.

Why use a risk questionnaire?

Risk questionnaires are a recognised way of assessing risk tolerance.

To help select an investment strategy that is consistent with the way you respond to risk, we calculate your risk tolerance profile based on your responses to the risk questionnaire.

The risk questionnaire measures your overall risk tolerance to place you in one of five risk categories:

- **Low risk**
- **Low-medium risk**
- **Medium risk**
- **Medium-high risk**
- **High risk**

This gives an indication of your overall risk tolerance compared to a representative sample of the UK population. The higher your risk tolerance profile, the more likely you will be willing to take higher levels of risk when making financial decisions and accept greater volatility in your investments.

The questionnaire also analyses five different risk measures in order to better understand your overall risk profile:

Perception - how you perceive your risk behaviour.
Risk vs Reward - how you view the trade-off between risk and return.
Future Change - whether you are likely to be more or less risky in the future.
Actual Behaviour - how you actually behave when investing.
Time Horizon – whether you are investing for short, medium or longer term.

Asset Allocation and Efficient Portfolios

Asset allocation — getting the investment mix right

Traditionally, investment decision making has been centred on which funds to choose. However, investment research has shown that, in most circumstances, the asset allocation choice is actually the critical factor determining investment performance over the long term. In fact, the Sandler Report in July 2002 reiterated this view: “the asset allocation decision is by far the most important factor in determining returns”

In the past investment decisions have perhaps been based on:

1. Which Manager should I use or which fund should I buy?
2. Should I be in or out of the market?
3. When should I sell stocks or switch?

It is surprising, perhaps for many, what the factors are which determine performance variability over time. The contribution to return variation, according to Brinson, Singer and Beebower (1991) states the following:

Market Timing	=	contribution to return of 1.8%
Security Selection	=	contribution to return of 4.6%
Other	=	contribution to return of 2.1%
Asset Allocation	=	contribution to return of 91.5%

Asset allocation does make intuitive sense though. Individual stocks in the same asset class tend to be highly correlated and tend to move together. For example, if another Enron-type scandal erupts, most of the equity market is likely to fall. So, it’s the behavior of the asset class as a whole that makes the difference.

Different assets behave in different ways.

- Cash has a very stable market value but normally provides the lowest return.
- Bonds are relatively stable, low-risk investments but tend to give a comparatively low return.
- Equities are relatively volatile, higher-risk investments but tend to give a better return over the long-term.
- Overseas equities add currency risk and are often even more volatile, but give the opportunity of investing in different markets.
- Commercial property funds enjoy relatively low volatility and provide good, reasonably stable returns over the mid to long-term.

Diversification reduces risk.

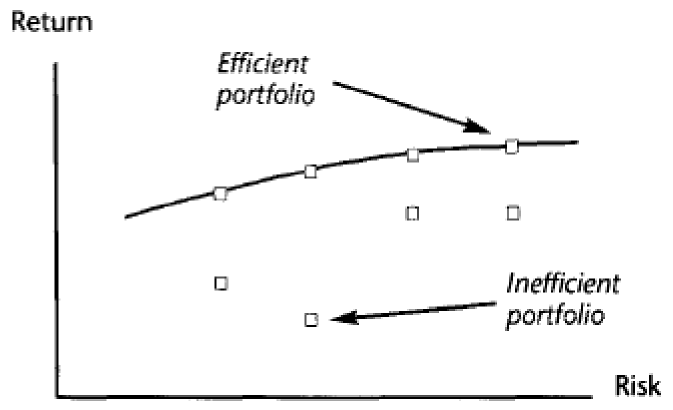
Again, it makes sense not to “keep all your eggs in one basket” — if you have everything invested in equities and the market falls you would lose out. But suppose you invest some in bonds and some in equities — if equities fall, bonds may well rise, helping to compensate for the loss. So, by diversifying the investment portfolio you can reduce risk and still invest in equities aiming for good long-term returns.

Efficient frontiers — efficient portfolio diversification

For a particular investment portfolio, we can illustrate the potential return and the risk (its volatility). As you might expect, different portfolios will give different risk-return results. In fact, if you calculated all the different portfolios that gave you the same amount of risk, some portfolios would give a better return than others and one would be the highest. This portfolio giving the highest return for a particular level of risk is the most "efficient" — it gives the most return possible for the risk taken on.

The chart shows a variety of different portfolios — those on the line are the most efficient so this line defines the efficient frontier.

The Portfolio Planner uses efficient frontier methodology to present a range of investment portfolios ranging from low to high risk.



Getting the asset allocation right

Ultimately, the right asset allocation for an investor depends on:

- The ability to withstand market volatility (attitude to risk)
- Investment time-frame
- Investment goals

We combine these three factors together, to help recommend the most appropriate asset allocation.

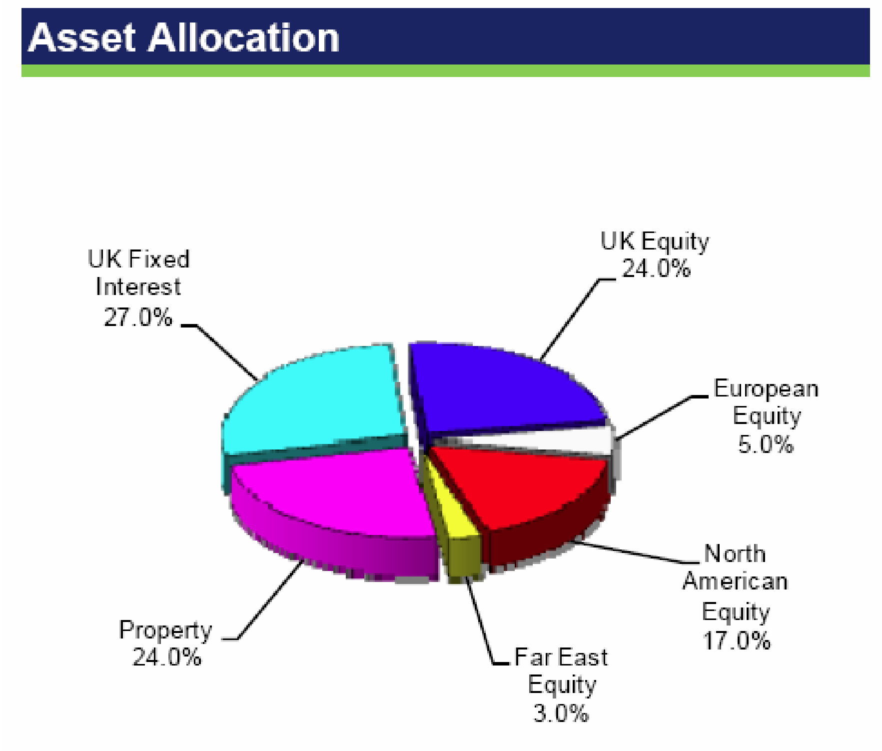
Money Management

Using the Platform gives you access to a range of 'model portfolios' designed to match your attitude to risk. These portfolios contain a range of funds in order to obtain a reasonable return without excessive volatility.

The appropriate asset allocation for your risk profile is determined using the expertise of Tillinghast Towers-Perrin who are industry leaders in this field.

Once the asset allocation has been set, the next stage is to decide which funds or structures should be used within each asset class to achieve the best results. The model portfolios use an independent research company called Old Broad Street Research (OBSR) to select the funds based on qualitative views supported by in-depth quantitative analysis. Tillinghast Towers-Perrin and OBSR both keep the portfolios under regular review and will make changes on a regular basis. An example of a model portfolio including a breakdown of the underlying assets is below.

Fund	Weight (%)	OBSR Rating	Q1 2010 (%)	Ptl	1 Year (%)	Ptl	3 Year (%)	Ptl
Standard Life Sample 5	100.0		5.43	N/A	35.83	N/A	-1.80	N/A
CB Standard Life Sample 5			*6.85*		*36.78*		*0.66*	
UK Equity	**24.0**		**5.36**		**48.03**		**-3.11**	
Investec UK Blue Chip	6.0	A	8.05	17	45.24	79	-0.97	44
M&G Recovery	4.0	AAA	4.07	90	56.18	20	4.50	2
M&G UK Select	7.0	NR	3.37	95	39.00	94	-0.48	35
Newton Income	7.0	A	5.79	58	29.96	99	3.44	4
FTSE All Share			*6.42*		*52.30*		*-0.23*	
European Equity	**5.0**		**3.15**		**39.35**		**4.79**	
Cazenove European	5.0	AA	3.15	61	39.35	84	4.79	6
FTSE Europe ex UK			*4.01*		*48.76*		*1.79*	
North American Equity	**17.0**		**11.03**		**49.51**		**3.15**	
UBS US Equity	8.0	AA	11.59	43	48.35	15	1.73	76
Threadneedle American	9.0	AA	10.53	78	41.01	59	6.90	13
S&P 500			*12.19*		*41.52*		*4.40*	
Far East Equity	**3.0**		**10.68**		**63.04**		**11.12**	
Aberdeen Asia Pacific & Japan	3.0	AA	10.68	67	63.04	17	11.12	34
MSCI AC Asia Pacific ex Japan			*8.71*		*67.50*		*13.63*	
Topix			*15.41*		*28.32*		*-0.50*	
Property	**24.0**		**3.05**		**26.73**		**-14.78**	
M&G Property Portfolio Sterling	12.0	N/A	3.32	60	17.01	69	-9.31	45
Standard Life Inv Select Property	12.0	N/A	2.77	83	36.96	55	-20.51	86
IPD UK All Property Monthly			*5.75*		*16.35*		*-8.18*	
UK Fixed Interest	**27.0**		**3.84**		**21.49**		**4.86**	
Standard Life Inv UK Gilt	6.0	NR	1.36	20	-0.11	54	5.27	34
Standard Life Inv AAA Income	7.0	NR	1.43	100	1.49	100	1.98	60
Old Mutual Corporate Bond	7.0	AA	8.45	2	64.44	2	-0.07	91
M&G Strategic Corporate Bond	7.0	AA	3.98	69	23.86	59	10.70	1
IMA UK Gilt			*0.82*		*-0.05*		*4.62*	
IMA £ Corporate Bond			*4.32*		*27.51*		*2.22*	



Model portfolios

Chosen because of their extensive knowledge of each fund manager and fund group, OBSR has been appointed to select funds to populate each asset risk model portfolio. The preferential terms which Sense Wealth Management has secured on the funds used to populate our model portfolios ensures that you benefit from high quality investment research and funds selected from the most competitive fund range.

OBSR believes that risk and reward need to be assessed together. In simple terms, they seek to ensure that managers who are exposing their investors to high levels of risk compared with their peers are generating sufficient excess return on a consistent basis to compensate for the extra degree of risk.

Platform rebalancing

What is rebalancing?

Rebalancing is the act of adjusting a client's investment portfolio to return it to a pre-determined target asset allocation.

This may also involve adjusting the investment selection within each asset class.

Why rebalance?

Portfolio Drift

The most common reason for rebalancing an investment portfolio is to adjust the current asset allocation of the portfolio back to a strategic asset allocation following movements in asset values.

This allocation will have been selected at outset or at a subsequent review based on an individual's goals, time horizon and attitude to risk.

As the asset allocation drifts, the risk and return characteristics of the portfolio change and can become out of line with your objectives and risk appetite. This could lead to results that are inconsistent with your expectations.

Rebalancing provides a structure and routine that is useful for our clients to see in operation during times of market stress. It reminds them that there is a process in place for monitoring the assets they are exposed to, and the risk they are taking. It's also good for them to be reminded that this should be consistent through positive and negative markets.

Changed objectives or risk profile

Rebalancing could also be required if there has been a change to your risk appetite or investment objectives, for example as the result of a life event such as the birth of a child, that makes the current risk and return characteristics of their investment portfolio unsuitable. In this situation, a new target asset allocation will be determined and the portfolio adjusted to reflect this.

Taking tactical positions to enhance portfolio returns

Rebalancing can also be used to take a tactical asset allocation position with a view to enhancing portfolio returns.

Establishing a Rebalancing Strategy

Just as there is no single investment strategy that will meet all your needs at all times, the same is also true of rebalancing. There are several factors that ought to be considered in defining an appropriate rebalancing strategy.

Time horizon – Generally speaking, the shorter the investment period, the less likely that rebalancing will be required as there is less time for the asset allocation to drift from its initial position. This will, however, depend on the volatility of the asset classes within the portfolio.

Risk appetite – Clients with lower risk appetites may prefer more frequent rebalancing to keep tighter control over the risk and return characteristics of the portfolio although the frequency required will also depend on the volatility of the assets within the portfolio.

Frequency – portfolios will normally be reviewed on a 6 monthly basis on specified dates.

Cost – there are various costs that might be incurred when rebalancing a portfolio. These include the time and effort spent in calculating the rebalancing transactions required, contacting clients to get agreement and then processing the trades and/or switches required. These are usually covered by the annual management charge.

Sense Wealth Management Service

- Initial exploratory meeting to establish personal information and financial objectives
- Annual risk profiling
- Portfolio construction
- Portfolio management
- Half-yearly portfolio valuations
- Half-yearly portfolio rebalancing review and report
- Annual review meetings with your personal financial planner
- Online access to valuation information
- Direct access to your financial planner at any time
- Direct access to Company's specialist team members
- Liaison and meetings with client's accountants, solicitor, bankers, commercial advisers if required
- Invitation to seminars and other client-orientated social events as arranged
- All policy administration maintained and providers liaised with, where appropriate
- All enquiries handled by dedicated support team

Additional services

We are able to provide additional services such as lifetime cash-flow forecasting, estate planning, 'disaster' planning, objective-based investment and holistic financial planning – all available from a fixed cost menu – details of which are available on request.

Initial and annual management fees

Getting your portfolio up and running is a sizeable task. Sense Financial Solutions charges up to 3% of the value of your investments when moving onto the Platform. Once your investments are on the Platform, we charge 1% per annum to cover the costs of the reviews and any other changes or administrative requirements you may have, subject to a minimum annual fee of £500pa.

Contact Us

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www.itmakessense.net

"You know it makes sense"