Our approach to selecting investment managers

Money required for the short term

For money required in the short term, usually three to five years, we recommend holding secure assets such as cash. You spend from your secure assets. Your investments are unsuitable for money needed in the short term as they can fluctuate in value.

We top up your cash once a year by selling investments.

Investment objectives not always aligned with investors' needs

Investments are best considered as part of an overall plan rather than treated in isolation. They are the 'engine room' of your financial plan.

Our view is that inflation/cost of living increases without undue risk should be the benchmark - that is the real world in which we live and spend our money - not a stockmarket index.

Most investment managers benchmark portfolios to a stock market index. This is not always aligned with investor’s needs: for example, if the stock market falls by 30% in one year (as it did in 2008 and may do so again), managers may congratulate themselves on their clients' portfolios having only fallen by 20% despite the cost of living having increased!

What we set out to achieve

We set out to maintain and increase the purchasing power of your capital over the medium to long term. We take account of the risk you are comfortable with and how you would manage if investments fell.

If you are drawing money to spend each year you need to do so without being forced to sell investments which may have fallen. You don't want to wait for many years for investments to recover and in the meantime stop doing the things you like. After all, the purpose of money is to help you do the things you want to do, when you want to do them.

Selecting investment managers

Our Head of Investments, Natalie Burnand, selects managers from all those available in the UK. She monitors them and keeps others on a watch list to call on if she feels a manager is going off-piste or is no longer suitable.

We prefer managers who own their businesses or personally invest in the funds they manage. These managers tend to be more prudent and thoughtful and don't set out to gather clients' assets regardless of their capacity to invest the money sensibly and wisely.

No single manager or company will always make the right forecast. It is therefore high risk (and unnecessary) to only have investments with one company. We construct a portfolio of about six to nine investment managers (using their funds), all with different styles and approaches. We find it is usually less expensive than having a single manager. By choosing a blend of managers, we expect that in any given market, the managers will behave differently

and at least one will be up. For example, if markets are rising, most managers should benefit, but growth managers will most likely outperform the defensive managers. If markets fall, we expect (at least one of) the defensive managers to hold their value.

We choose the right mix of managers for each client's circumstances. We look at factors including: the potential returns the investment managers set out to make; the risks they take; the people; the culture of the organisation and how they manage their business. Charges are a major consideration.

The investment managers' funds are held in a single custody account to minimise administration. You can view everything in one place and receive a single tax report at the end of each tax year.

Does it work?

Our client portfolios have kept pace with inflation and defended capital during downturns. For example, in 2020 year to date our portfolios are up and at the lowest point in March one of the managers showed a healthy profit. In 2008 (year of the credit crunch) when the UK stock market fell by about 30%, the portfolios retained their value.

Over the short, medium and long term they have made more money than cost of living increases – without undue risk.

Independent analysis of the managers we select

We have our own views, opinions and contacts, but consult an independent firm of analysts, Rayner Spencer Mills. They look at risk, reward and management. We also have an Investment Committee, which meets four times a year with three members from Hamish Leng & Co. and three external members. The Committee reviews the funds we choose for clients and the funds we have on our reserve lists as well as regularly reviewing our investment assumptions, market conditions and our views of various managers.