

Whitechurch Absolute Return Strategy



Whitechurch
Securities

L I M I T E D

Q&A

What Is The Objective Of The Investment Strategy?

The strategy aim is to achieve consistent long-term returns, through investing in a range of investment strategies that have potential to generate positive returns irrespective of market conditions. The portfolio will aim to operate with a lower risk than more traditional approaches to portfolio management which tend to be largely dependent on the performance of equity markets.

Where Will This Investment Strategy Invest?

The portfolio will be invested in collective investments, comprising UK listed unit trusts, Open Ended Investment Companies (OEICs) and UCITs III* schemes. These will principally be Absolute Return funds but may also include fixed interest, money market funds and other collective investment schemes.

** Undertaking for Collective Investment in Transferable Securities (UCITS) III: Set of European directives allowing collective investment schemes to operate freely throughout the European Union. The directive accorded investment funds additional powers to invest in other transferable securities, derivative instruments and collective investment schemes.*

What Are Absolute Return Funds?

These are innovative products that seek to avoid the use of traditional stockmarket indices as benchmarks. Instead, these investments use a cash benchmark with the aim of preserving capital and generating long term positive returns. This area can describe a multitude of different products. It is important to understand what these funds are designed to do, their key investment characteristics and their relative risk/reward profiles. Whitechurch researches these funds in detail and will only use funds with proven records that we believe add value as part of a diversified investment portfolio. (NB: Returns from absolute return funds are not fixed and can incur losses of capital and fluctuating income).

Why Launch The Absolute Return Strategy Now?

We are responding to demand from clients (and advisers) who are looking for defensive investments that can add diversification to traditional asset classes held within a portfolio. Whitechurch has selectively been using Absolute Return funds within our Prestige Investment Management Service (PIMS) for some time. Until now we have not felt that there has been sufficient quantity or quality of retail funds to allow us to offer a high quality, diversified core portfolio dedicated to this area. However, following a number of recent launches from highly regarded fund managers (with more planned in the near future), we have now created a model portfolio that we believe will add value. Due to the complex nature of these funds we believe that selecting the right managers and understanding how the fund works is more important than ever. With our research experience and resources we believe that the Whitechurch Absolute Return Strategy will provide access to a well diversified actively managed portfolio of some of the best funds in this important area of investment. We are also responding to demand from clients (and advisers) who are looking for defensive investments that can add diversification to traditional asset classes held within a portfolio.

Is Now The Right Time To Invest In An Absolute Return Strategy?

Unlike traditional asset classes, these investments are not determined by the stage of the cycle in which the investment is made. They utilise instruments to allow them greater potential to provide a positive return irrespective of the market backdrop. If equities or other asset classes should recover strongly then we would expect them to outperform absolute return vehicles, whilst the funds in our Absolute Return Strategy should prove relatively resilient if we see further market falls. We would stress that these funds are not a replacement for investment in traditional asset classes (such as equities, bonds and property). However, their potential to grind out a positive return irrespective of market cycle make them a good "middle ground" investment to add diversification to a balanced portfolio.

What Is The Risk Profile?

This Strategy has a Whitechurch risk rating of 4 out of 10. This means we believe it is suitable for a relatively cautious investor who is keen to keep some degree of security of capital but accepts that the investment is exposed to a degree of risk with the aim of a higher potential long-term return. Some loss of capital is possible over some periods.

What Are The Charges?

The initial charge is up to 5.5% plus VAT (subject to IFA discounts), though the minimum initial charge is 0.5% plus VAT. The annual management charge is 1.5% plus VAT in line with all strategies under the portfolio management service. For collective investments held within the Strategy, the normal charges levied by the investment groups will apply. But as we take no initial commission on the purchasing of collective schemes and due to our buying power we are generally able to access funds at no initial charge. A full breakdown of charges is detailed in the Portfolio Management Service Brochure on page 15.

Is This A Unitised Fund?

No. Like all investments under the Whitechurch Portfolio Management Service, this is a discretionary managed portfolio. Each clients' portfolio is individual with the underlying investments held under a ring-fenced company, Whitechurch Nominees Ltd. However, all individual portfolios will be managed following the same strategy.

Is This An Income Producing Investment

The Strategy does not have an income option as funds utilised tend to invest on a total return basis. However, investors can elect to take fixed withdrawals through the monthly withdrawal facility.

What Is The Minimum Investment Amount

The minimum investment into the Whitechurch Managed Portfolio Service is £10,000 with subsequent increases by increments of £1,000. For ISA investments and ISA transfers, if a portfolio is held within an ISA, the minimum investment into the Whitechurch Portfolio Management Service is just £3,600.

How Is Risk Managed

We will manage the Strategy with rigorous risk controls, ensuring it is diversified across a wide range of different strategies, asset classes and fund managers. The Strategy will be limited to a maximum long equity exposure thereby ensuring a relatively market-neutral position. We will consider volatility, maximum loss potential and ensure regular rebalancing. The Strategy will follow our risk weighted guidelines to ensure it follows the pre-determined risk profile. It is important to be aware that Absolute Return funds are not guaranteed investments.

How Many Funds Will Be In The Strategy?

It is likely the Strategy will invest in a mix of 6 – 8 funds providing adequate diversification across different Absolute Return strategies, asset classes and fund managers without diluting the potential returns.

What Funds Will Feature In The Strategy?

The finalised Strategy portfolio will not be decided until launch. However, highly regarded fund managers such as Crispin Odey (Odey Asset Management), Tim Russell (Cazenove) and Colin Maclean (SVM) are currently in the model we have constructed.

When Is The Strategy Available?

The Whitechurch Absolute Return Strategy is open for new investments from Monday 2nd March 2009.

Risk Warnings

Investment returns cannot be guaranteed and your capital is at risk - you may not get back the full amount you invested.

Withdrawals may erode your capital. Past performance is not a guide to future performance. The value of investments in the stockmarket directly through individual shares or indirectly through collective investment vehicles, as well as any income derived from them can go down as well as up.

Levels and bases of, and reliefs from, taxation are subject to change. Information in this publication should not be taken as a personal recommendation. We recommend you take professional financial advice before entering into any investment.

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