IEP FINANCIAL

Optimising your investment returns

PERSONAL • PROFESSIONAL • PERFORMANCE

Our client service proposition

IEP Financial are a dynamic and independent financial services company providing a holistic advisory service dedicated to guiding its clients to financial independence. We understand that individual client circumstances are different, and that financial needs and priorities change over time.

Financial independence is a common aim for clients and one that is not easy to achieve. We have designed our client services to help realise our clients' goals and aspirations.

Our services are centred around five main areas; Client focus, solutions, transparency, long-term relationships and service.

Client focus

Our clients are at the centre of what we do, and as independent advisers we focus on tailoring a financial plan that reflects your specific needs.

Solutions

Our advice is centered around solutions rather than products. Our financial planning advice aims to deliver the best financial outcome for our clients for their given circumstances.

Transparency

Our clients recognise the value of good financial advice and understand that advice is not free. All of our services can be paid for by way of a fee, and you will always be aware of our charges prior to work being undertaken. All our charges are explicit with no hidden charges within our services.

Long-term relationships

Financial plans are 'living' and evolve as your aims, goals and situations change. We focus on building a long-term relationship with our clients and stress the importance of ongoing review and planning.

Service

We believe that the strongest relationships are supported on a face-to-face basis. We provide a team of specialist advisers with dedicated back office support staff and expect to be proactive, informative and professional. As an independent business we act solely for our clients and recognise that we as a firm will only succeed if we deliver on our service promises and assist clients in achieving their financial goals.

It's important to invest for the long-term

Building your investment portfolio
In the UK there are now over 7,000 funds investing in equities, fixed interest and property and, combined with the appearance of new types of investment like private equity and hedge funds, it's difficult to know where to start putting the building blocks of your investment portfolio together.

To be able to meet your long-term objectives it's vital your investment portfolio is suited to both your circumstances and your current and future needs – meaning you need robust portfolio planning. It's important not to get caught up in short-term trends – investing in the fad fund of the moment – or at the wrong point in the investment cycle. You need a long-term investment strategy that can be adjusted to align with short-term opportunities, but won't be driven by them.

That's where expert financial advice comes into its own. At IEP Financial we use a scientific, client-focused, investment process that helps us understand the risk you are willing to take with your capital. We then construct a portfolio that gives you the maximum opportunity to earn consistent returns, in a way you are comfortable with.

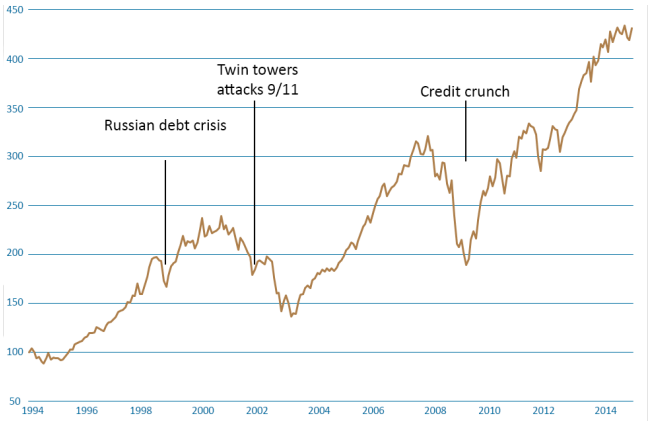
There are risks involved in investing
If you don't wish to take any risk with your money, investing in the stock market isn't for you as the value of your investment can fluctuate.

Banks offer a safer home for your money as the capital value of your savings are secure and you receive interest. However, the spending power of your capital may be reduced by inf lation over time.

To earn returns that beat inflation, you generally need to accept a degree of risk with your money. The key is in understanding how much risk you are comfortable with and taking measures to control the risk you are exposed to.

Performance over the long term
Many people are looking for greater returns than they can receive from the bank invest in the stock market. This can be volatile – remember the burst of the technology bubble in 2000, or the recent financial turmoil – but if you look at stock market returns over the long term, you'll see that these events are short-term blips in a generally upward trend. In fact, they can often indicate a good time to buy: as prices are lower, you get more shares for your money.

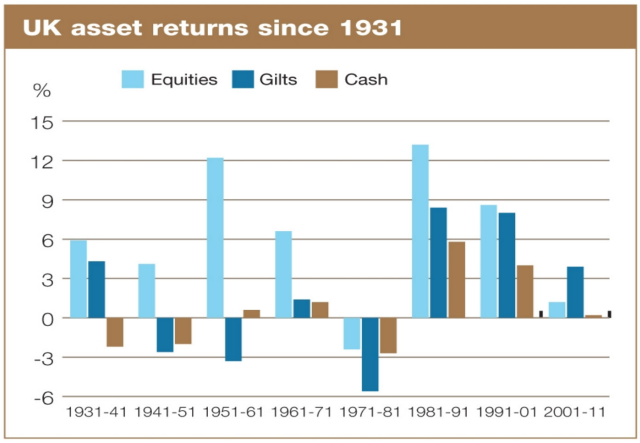
FTSE All-Share Index



Source: Morningstar. FTSE All-Share Index, income reinvested from 1st January 1994 to 1st December 2014.

History tells us that despite day-to-day movements in share prices, investing in stocks and shares over the long term has usually generated a greater return than that from investing in gilts or cash.

UK asset returns since 1931



Source: Barclays Equity Gilt Study 2012, Barclays Capital. Average annual percentage growth real investment returns (adjusted to remove the effects of inflation).

Stock markets and currency movements mean the value of your investments and any income from them can fall as well as rise and you may not get back the amount invested. Savings in a bank/building society are usually readily accessible and capital and interest, once earned, is guaranteed. Past performance is not a guide to future returns.

Diversifying your mix of assets

Best	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1	Emerging Markets 50.1	Property 23.0	Asia Pac ex Japan 36.0	UK Gilts 12.0	Emerging Markets 60.3	Emerging Markets 23.7	UK Gilts 16.2	£ High Yield Bonds 20.4	American Equity 30.6	Index-Linked Gilts 18.7
2	Japanese Equity 43.6	European Equity ex UK 18.8	Emerging Markets 34.6	Cash 2.3	Asia Pac ex Japan 53.8	Asia Pac ex Japan 22.4	£ Corporate Bonds 5.3	European Equity ex UK 19.4	UK All Companies 26.5	American Equity 17.8
3	Asia Pac ex Japan 33.3	Asia Pac ex Japan 17.9	European Equity ex UK 12.7	Japanese Equity -1.8	£ High Yield Bonds 47.9	Japanese Equity 19.2	£ Strategic Bonds 3.9	Asia Pac ex Japan 16.6	European Equity ex UK 26.3	UK Gilts 14.9
4	European Equity ex UK 26.0	UK All Companies 17.5	American Equity 5.0	£ Corporate Bonds -9.8	UK All Companies 30.5	UK All Companies 17.5	Cash 0.0	UK All Companies 15.4	Japanese Equity 26.1	Property 13.1
5	UK All Companies 20.9	Emerging Markets 17.0	Cash 4.0	£ Strategic Bonds -15.8	£ Strategic Bonds 22.7	American Equity 17.2	£ High Yield Bonds -1.8	£ Strategic Bonds 14.4	£ High Yield Bonds 8.0	Tech & Telecoms 12.82
6	American Equity 18.8	£ High Yield Bonds 5.8	UK Gilts 3.0	American Equity -18.6	European Equity ex UK 19.5	Property 12.6	American Equity -2.0	£ Corporate Bonds 14.3	Property 5.6	£ Corporate Bonds 10.6
7	Property 15.5	Cash 3.3	UK All Companies 1.7	European Equity ex UK -24.6	American Equity 18.5	£ High Yield Bonds 12.3	Property -5.3	Emerging Markets 13.6	£ Strategic Bonds 3.5	American Small Companies 9.8
8	UK Gilts 7.1	£ Strategic Bonds 1.3	£ Strategic Bonds 0.0	£ High Yield Bonds -25.4	£ Corporate Bonds 14.7	European Equity ex UK 8.8	UK All Companies -6.8	Property 12.8	Asia Pac ex Japan 1.9	Asia Pac ex Japan 9.7
9	£ Strategic Bonds 6.9	£ Corporate Bonds -0.7	£ High Yield Bonds -0.1	Property -30.0	Property 14.4	£ Strategic Bonds 8.7	Japanese Equity -11.3	American Equity 7.5	£ Corporate Bonds 1.3	China 9.4
10	£ Corporate Bonds 6.7	UK Gilts -1.3	£ Corporate Bonds -0.2	UK All Companies -32.0	Cash 0.9	£ Corporate Bonds 7.9	European Equity ex UK -15.4	Japanese Equity 3.3	Cash 0.2	Global Equity Income 7.1

Source: IMA as at 5 February 2014. Figures show the median percentage rise or fall of each asset grouping per calendar year. Figures do not include fees or other charges. The effect of these would reduce the returns quoted.

You need to diversify your portfolio

A better option than only investing in the stock market is to spread your money between several different types of asset, typically including equities, property, fixed interest and cash. Diversifying your portfolio can help to reduce risk and increase your potential for returns. This is because different types of asset often behave differently under the same economic conditions. If you therefore invest in several types of asset, it's likely some will perform well even if the rest are temporarily declining.

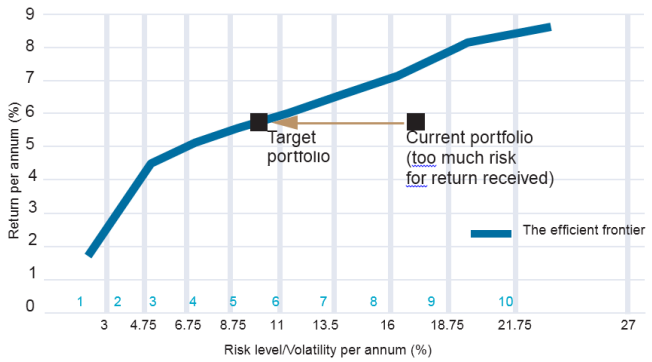
It's impossible to predict which asset class or geographic area will deliver the best return over the medium to long-term. The chart above shows this by ranking the best (at the top) to worst (at the bottom) assets each year over the last 11 years. As you can see, no one asset class or geographic area is consistently the best year in, year out.

This shows how important it is to have exposure to a blend of different assets to help drive long-term performance and reduce the risk of being overly exposed to any single asset class.

The efficient frontier – aligning risk and reward

The efficient frontier describes the relationship between the return that can be expected from a portfolio and its risk. It can be drawn as a curve on a graph representing a portfolio's risk against expected return. The efficient frontier gives the best return that can be expected for a given level of risk, or the lowest level of risk needed to achieve a given expected rate of return. This illustrates the benefits of diversification. An undiversified portfolio can be moved closer to the eff icient frontier by diversifying it. Diversification can, therefore, increase expected returns without increasing risk, or reduce risk without reducing expected returns.

For example, the chart below shows that an investor's current investment portfolio is unnecessarily risky for the returns it is delivering. By changing the asset allocation based on the investor's identified risk profile, they are put on the efficient frontier. The target investment portfolio produces the same level of return but with less risk.



Source: Dynamic Planner, Distribution Technology

Getting the right mix of assets

Our aim is to simplify this complex investment universe and provide you with professional, unbiased financial advice based on your personal goals and objectives, and to maximise your investment returns whilst helping to reduce your risk. Our advisers are highly skilled, qualified and up to date with investment, taxation and pension developments. Suitable investment advice is at the core of our service to our clients. To help us deliver this, we have developed a robust investment process that we explain below.

The IEP Financial investment process

Our investment process aims to identify the right spread of investments to match your appetite for risk and returns and maximise the likelihood of you reaching your investment goals.

The key to this is in establishing the correct balance of different types of asset as this is known to determine up to 90% of the variation in the returns of a portfolio over the long-term.

Step 1 – Review your existing assets
We gather detailed information on all the investments you currently own.

Step 2 – Understand your tolerance to risk
We ask you a set of questions designed to bring out your attitude to risk when investing, your time horizon, future cash needs and your objectives. Aided by an independent modelling tool we will determine your risk profile on a scale of 1 to 10. The risk profile is then discussed to seek agreement with you.

Step 3 – Establish your required asset allocation
The modelling tool is built upon a large volume of historical data on equities, fixed interest and property. Using this data and your answers to the questions you were asked, it recommends an asset allocation for your portfolio that has a higher probability of delivering returns in line with your objectives at the level of risk you are comfortable with. The recommendation will be diversified across different geographical areas and asset types. The system also calculates where on the scale of 1 to 10 your current portfolio is, so that we can see where it differs from our recommended asset allocation. The objective is to ensure you sit on the efficient frontier (see previous page), which seeks to optimise your returns while helping to reduce your risk.

Step 4 – Choose the correct tax wrappers to minimise tax
Once we have established your optimum asset allocation we will ensure you are not paying more tax than you need to. We consider the income tax, capital gains tax and inheritance tax implications of your current portfolio and any new investments to be made. We also weigh up the tax benefits of tax wrappers such as investment bonds, ISAs, unit trusts and pensions to ensure you maximise the tax shelters available.

Step 5 – Construct the portfolio to meet your asset allocation
We will then either recommend a rebalancing of your existing portfolio, or a new portfolio of investments tailored to take account of your risk profile and corresponding asset allocation, your investment preferences and objectives. We will outline a range of well researched solutions that will give you access to leading investment companies. We explain this further on the next page.

Step 6 – Monitor your portfolio to ensure it continues to meet your requirements
As the asset allocation of your portfolio changes over time due to fluctuations in the performance of the underlying funds, we review your portfolio on an ongoing basis to ensure it remains on the efficient frontier.

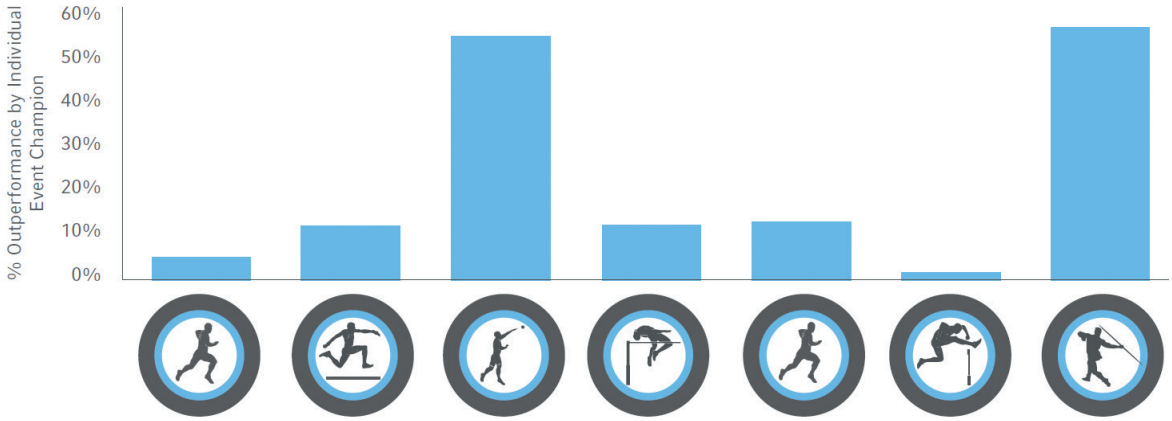
Portfolio construction

Each portfolio has been constructed to offer a 'best of breed' approach as we accept that different fund managers excel in different areas. This is known as a multi manager style of investing.

Why multi manager?

Because one manager cannot deliver great returns all of the time. Anyone who watches the Olympics knows that the athletes have spent a considerable amount of time preparing. Decathletes face the challenge of excelling at a wide range of physical activities: they need speed, stamina and technique. It takes a special person to reach Olympic level in the decathlon, but there are athletes who regularly outperform them. The chart shows each of the ten events in the decathlon and highlights the consistent outperformance of the single event champion in each.

Rather than spreading their skills over a range of activities, these specialists have prepared by focusing on what they're really good at. Investment managers are no different. There are specialists and generalists to choose from, but over time, specialists consistently do better in their field.



Event	100m	Long jump	Shot put	High jump	800m	110m hurdles	Javelin
Olympic champion	21.88 s	7.12 m	20.70 m	2.05 m	1:56.19	12.35 s	69.55 m
Heptathlon champion	22.83 s	6.48 m	14.28 m	1.86 m	2:08.65	12.54 s	47.49 m

Source: www.london2012.com, women's heptathlon event.

One size does not fit all

Having talked through our process and developed an understanding of your risk tolerance we will match this against your overall financial situation and your overriding objectives. This will then take us to the final stage of the process, which is selecting the type of service most suitable to you.

In generic terms we offer three types of investment management service.

Risk graded model portfolios

These portfolios can be described as 'off the peg' solutions designed to exactly match the output from our risk modeling questionnaire. The asset allocation will be broadly fixed at outset although it can be tilted to reflect changing economic conditions. This is a very cost effective way of diversifying your capital across a blended portfolio of 'star' fund managers.

Managed Portfolio Service

Our core investment solution provides dynamically managed portfolios benefiting from daily interaction from our appointed investment partners.

This service is designed to bring together the complimentary talents of leading fund managers under the expert stewardship of our investment partners.

Modern portfolio theory will be actively employed to control the levels of volatility within agreed ranges. Control the volatility and you can control the downside risks without reducing the expected returns.

Discretionary portfolio management

Whilst our core solution benefits from the ongoing interaction of a discretionary portfolio manager, a number of our clients like their investments to be managed on a fully bespoke basis by an individual portfolio manager.

Our extensive due diligence will lead you to one of our preferred managers who will allocate an individual manager to manage your money.

Charges

Our charges for constructing the Initial Portfolios are;

- 4% of the investment up to £100,000
- 3% of the investment from £100,000 to £500,000
- 2% of the investment over £500,000

All of our charges are explicit and will be typically deducted from the investment, or if preferred charges can be paid directly by cheque. For an investment of £100,000 this would represent a fee of £4,000.

Ongoing servicing charges

We charge an annual servicing fee of between 0.75% and 1.00% pa of the assets we look after. This is payable monthly and is deducted from your investment.

Special projects

We undertake specialist projects and work outside of our core wealth service. This work will be charged hourly by fee with an estimate of the overall cost provided before undertaking the work. Our fees will reflect the complexity of the advice being given and the seniority of the person providing the advice. Our schedule of fees can be provided on request.

Other charges

For protection contracts, annuities and mortgages we will discuss how we will charge you for our advice. These amounts will be fully disclosed to you prior to you proceeding and you will receive a copy of our client charges sheet.

Our ongoing service

Our clients will benefit from the following;

- Access to your adviser and administrator by phone, email and face to face
- Newsletters and eBulletins
- Periodic email updates covering topical issues and key changes to your portfolios
- Annual valuation of your investments
- Updated attitude to risk questionnaire

Following research we have found that clients value a face-to-face discussion on their investments with their adviser. We also believe that a regular review is essential to ensure your financial plans are still on course to achieve your objectives.

Client review service

The IEP Financial annual review comprises of the following;

1. Changes to client circumstances
2. Review of Financial Strategy
3. Summary of Investment performance since last review
   - key drivers to performance
   - summary of economy and outlook
4. Provide updates on changes to tax legislation
5. Opportunities that are present
6. Discuss suggested changes to investment strategy and asset allocation
7. Review protection and mortgage
8. Review IHT position, to include wills and LPA's
9. Action Plan

The face-to-face review meeting is charged at £250 for clients who have assets under advice with IEP Financial of below £100,000.

Additional reviews can be carried out during the year and can be arranged with your adviser on a 'as required' basis.

Our full menu of charges will be provided to clients at our first meeting.

"Price is what you pay. Value is what you get."

Warren Buffet

IEP FINANCIAL

Selecting our investment partners

Selecting the best investment managers out of the thousands available is a crucial part of our wealth management strategy, and no simple matter.

Identifying managers and investment partners who not only produce solid returns over time, but also employ investment styles that fit properly into a diversified portfolio is pivotal. Even the most careful individual investors may not know if an investment manager changes style, loses members of its analyst staff or undergoes other changes that can compromise their role in an overall portfolio. These events are continually monitored to ensure that funds remain appropriate for our clients' needs.

Quantitative screening, qualitative analysis, process governance, peer review, and ongoing due diligence are fundamental stages to provide leading and appropriate investment solutions.

Ongoing review is essential and therefore we hold structured reviews of our chosen investment partners on a quarterly basis to ensure they continue to meet our requirements.

Our selection process enables us to put together a proposition that we believe delivers innovation, flexibility, reliability and investment excellence.

Key points

- Asset allocation is key in delivering investment returns over the long-term. It can enhance the potential returns of your portfolio, whilst helping to reduce risk through diversification across differently correlated asset classes
- Investing in equities is a long-term strategy
- Our investment process enables your attitude to risk to be matched with your optimum risk portfolio, placing you on the efficient frontier
- We offer a number of tailored solutions to help create your optimum risk/reward portfolio

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