alexander beard
Wealth L.L.P

The Alexander Beard **Investment Advice Process**

About The Alexander Beard Group

The Alexander Beard Group of Companies Ltd was founded in October 1987. We operate from a number of regional offices in the UK as well as locations in the US, Australia, New Zealand, South Africa and The Netherlands. Our advice and support services cover investment services, financial planning, international schools, charities, expatriate services and employee benefits.

We focus on long-term relationships, which is why so many of our clients remain with us throughout their professional and personal lives.

The Alexander Beard Investment Advice Process

We work through six logical steps to guide you through the investment advice process. This enables us to design, implement and manage an investment plan to meet your objectives.

1. Understanding your Circumstances
We will discuss all aspects of your personal circumstances and your financial objectives. This is a vital first step before we begin our research, because you are the single most important aspect of our work.

2. Understanding your views on Investment Risk
We discuss your views on investment risk from many different angles to ensure that we understand your personal views and your financial capacity to absorb risk. This helps us agree the limits for your investment strategy.

3. Research
We have a wide range of in-house solutions and external investment managers at our disposal, as well as access to the latest investment platforms. Our research will isolate the strategies that are most likely to meet your personal objectives.

4. Report
A solid financial plan will allow you to access your money exactly when you need it and it can help ensure that you do not pay more tax than is necessary. Your report will provide a full explanation of the recommendations and a balanced overview of the associated risks, so that you can make your choice on a fully informed basis.

5. Implementation
We provide everything that you need to implement your investment plan. This covers the documentation you will need as well as dealing with the investment companies on your behalf, to make the business of investing as straight-forward as possible for you.

6. Reviews
We will contact you at the appointed time to provide you with a current statement of your investments. We will review the returns achieved and recommend any updates that should be made to your investment strategy.

The Alexander Beard Investment Philosophy

Our Investment Philosophy is based on **four clear** perspectives:

1. **We are a client-focused organisation.**

   The starting point for all our advice is full consideration of the circumstances and views of each individual investor.

2. **Long term growth is likely with diversification.**

   Economic progress brings growth in the long run. The value of shares, property and bonds changes at different points in the global economic cycle.

3. **We use collective investment funds.**

   Collective investment funds provide access to a wider range of assets and global stock markets at a lower cost than individuals acting alone.

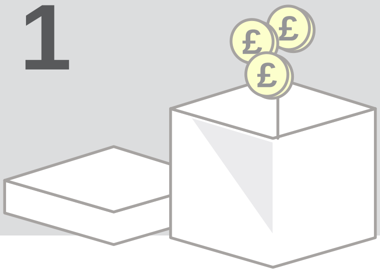
4. **The investment landscape changes constantly.**

   We remain flexible with our research, and disciplined with our investment recommendations.

Three Key Investment Decisions

Choosing how to invest your money can be daunting due to the huge range of features that investments can have. We have simplified these features into three key areas that must be considered when making an effective investment decision.

Key Decision 1



Investment Vehicles

An investment vehicle is what you use to hold your investment. It affects how much tax you pay on the investment returns, when you pay the tax and the degree of access you have to your money.

The main investment vehicles we use are described below.

General Investment Accounts
Unit Trusts and OEICs (Open Ended Investment Companies) are forms of collective investment funds. You can purchase a range of investment funds under a General Investment Account so that they combine in a single portfolio. You are responsible for tax on dividends, interest and capital gains when they arise. You can generally access your money at any time.

Individual Savings Accounts (ISAs)
An ISA is simply a tax-efficient investment vehicle for UK resident investors. It can be used to hold Unit Trusts, OEIC funds and cash. Any income or growth withdrawn from an ISA is free from tax. Due to the generous tax advantages there is a maximum amount that each person can invest in a single tax year. You can generally access your money at any time.

Investment Bonds
Insurance companies also run collective investment funds known as Insured Funds. The vehicle often used to hold these funds is known as an Investment Bond. You can take out up to 5% of the original amount invested each policy year without paying tax. The 5% allowances are carried into the next year if not used. Withdrawals above this 5% allowance are taxable. You can usually cash in the Investment Bond at any time and any growth above the original amount invested is subject to income tax.

Pension Funds
A pension is also a form of Investment Vehicle. It can be used to hold Unit Trusts, OEICs and Insured Funds (as well as many other forms of investment asset). There are generous tax advantages, including tax relief on payments into pensions, virtually tax free growth and 25% of the fund can be withdrawn tax free in retirement. Any further withdrawals are then taxed as income. You cannot access the fund before the age of 55 and there are limits on the amount you can invest and hold in pensions.

Key
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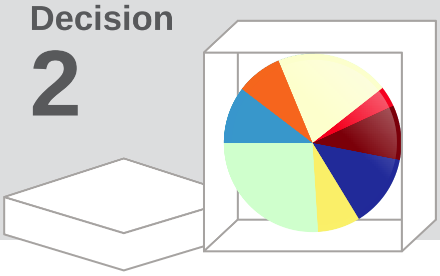


Asset Allocation

There are four main types of investment asset. A well-diversified investment portfolio will hold all of these assets. Deciding how much to invest in each one is a process that we call Asset Allocation.

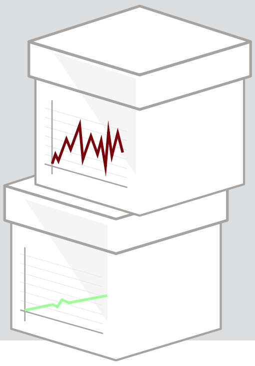
Cash: Money is deposited in banks and building societies. A portion of it is then lent out to individuals and businesses and some of the interest paid on the loans is passed back to the depositor. Cash is almost always secure but may not produce returns above inflation. Banks can fail, although it is rare.

Property: Funds can buy commercial property directly, they can also buy the shares of property companies. Returns are driven by rental income and increasing property values. Property tends to rise in value as the economy grows, but it can also fall and become hard to sell in a recession.

Bonds: A bond is a loan to a government or company. The bond owner receives interest each year until the loan is repaid. Because bonds can be traded, their value can rise and fall. Bonds tend to rise in value when interest rates are low or when stock markets fall. Values can also fall and some bonds are never repaid.

Shares: A company share entitles the owner to a share of the profits in the form of dividends. Shares are traded on the stock markets. Stock markets tend to rise in the long term but can fall sharply in a recession. Individual shares can collapse without value but stock markets usually recover after a crash.

Key
Decision
3



Investment Strategy

The investment strategy determines how your investment manager will take decisions about which specific shares, bonds and properties to buy and sell.

Working with your adviser, you may find that one particular strategy stands out, or that a combination of strategies is right for you.

The main strategies that we use are shown below.

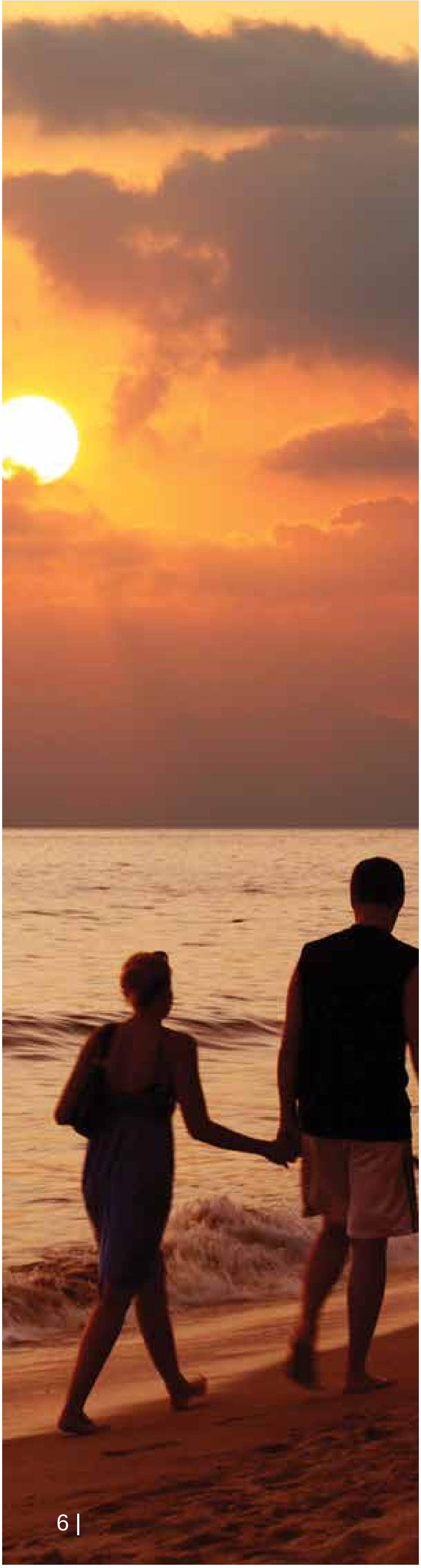
The Managed Portfolio Service: Our in-house investment strategy allows you to choose from a wide range of asset allocation models, populated with researched funds from across the market. It is a highly personalised approach where returns are driven by the asset allocation and enhanced with fund research.

Further details are provided overleaf.

Lifestyle Strategies:
Pension companies tend to offer these ‘low-maintenance’ strategies. They take higher risks during the early years then automatically reduce risk in the approach to your selected retirement age. The change in risk levels is determined by the date, rather than tactical considerations.

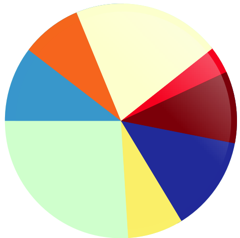
Multi-Asset Strategies: These investment funds aim to deliver medium to long term growth through a broad range of assets. This can be achieved through purchasing a huge variety of assets directly or through buying a range of investment funds. Such strategies often have fewer risk levels to choose from but can work well as a broad approach to investing.

Guaranteed or Protected Strategies:
The protection is either provided through the financial strength of an insurance company, or by using complex financial structures such as derivatives. It can come at a higher cost than the other strategies. This approach is for investors who are concerned about the possibility of losing money or who require a more secure income.



The Alexander Beard Managed Portfolio Service

The Managed Portfolio Service provides you with a highly personalised investment approach, with a more detailed and focused strategy. There are five key ingredients to this unique service:



1. We understand the importance of asset allocation as a key driver of investment returns.

2. We are sector specific in our asset allocation, using a range of around 15 investment fund sectors to build our investment models. Portfolios are diversified but also lean towards potential growth areas.

3. We apply a mathematical process concerning the logic of investment decision making, known as utility theory. It swiftly assesses the risk vs. reward trade-off. These calculations allow us to compare the relative merits of each of the assets at thousands of risk levels before identifying the preferred asset allocation models.

4. We use a broad range of criteria to identify our preferred investment funds to populate each sector. Some of the criteria used specifically relate to the risk measurements used in building the asset allocation models, to ensure consistency.

5. All of our portfolios are aimed towards an annual review meeting with your adviser. At each review there will be adjustments to the risk level, the asset allocation and the researched investment funds, in-line with our latest research.

Lessons from the Past

The table on the opposite page shows the average return for each asset used in our Asset Allocation model, for every calendar year from 2001 to 2010. We chose this time period because it contains good examples of 'boom' and 'bust', showing the technology bubble bursting in 2001 and the effect of the credit crunch in 2009. The table ranks the assets by their percentage return for the year, the best-performing at the top.

You may notice that when the riskier assets are towards the top of the column for each year (the red and yellow shades), the more cautious assets tend to be towards the bottom (the blue and green shades), and how the situation reversed during the market crashes of 2002 and 2009. Some assets do not always fit this standard pattern, such as Property, Japan and Commodity / Energy. Understanding this relationship helps us assess the level of risk and diversification in each portfolio. It also demonstrates the importance of adapting the asset allocation every year.

If you had chosen the best-performing asset at the start of each year from 2001 to 2010 your investments would have grown by **1,203%**. If you had chosen the bottom-performing asset at the start of each year you would have lost **-72%.** In practice it is impossible to consistently pick the best investment year after year, however we only need a small portion of the additional potential return available to enhance long term growth.

This is why we favour well-diversified portfolios, with smaller adjustments towards preferred sectors. We use a wide range of indicators from fund management groups, central banks and global financial institutions to identify the future growth areas.

Asset by % Return: 2001	Asset by % Return: 2002	Asset by % Return: 2003	Asset by % Return: 2004	Asset by % Return: 2005	Asset by % Return: 2006	Asset by % Return: 2007	Asset by % Return: 2008	Asset by % Return: 2009	Asset by % Return: 2010
Property: 16.9	Index Linked: 7.2	UK Gilts: 7.6	Emerging Markets: 39.8	Property: 27.4	Emerging Markets: 48.7	UK Smaller: 23.4	Commodity: 39.5	Global Bonds: 22.9	Emerging Markets: 60.2
Global Bonds: 6.8	Corp Bonds: 4.2	Corp Bonds: 7.6	Asia: 34.7	UK Smaller: 22.7	Japan: 42.7	Property: 20.5	Asia: 36.2	UK Gilts: 11.8	Commodity: 54.6
Corp Bonds: 6.5	Cash: 3.7	Index Linked: 7.4	UK Smaller: 38.7	Emerging Markets: 14.3	Commodity: 37.7	Europe: 19	Emerging Markets: 35.1	Cash: 3.7	UK Smaller: 52.6
UK Gilts: 6.4	High Yield: 2.3	Global Bonds: 7.3	Europe: 27.2	Europe: 13.8	Asia: 34.9	UK: 17.2	Europe: 13.2	Index Linked: 3	Asia: 52.6
Cash: 4.3	Property: 1.6	Property: 6.1	Japan: 25.3	UK: 13.3	Europe: 25.2	Emerging Markets: 16.9	Index Linked: 7.2	Japan: -1	High Yield: 49.9
High Yield: 2.5	Global Bonds: 0.9	Commodity: 4.4	UK: 23.3	High Yield: 12.2	UK: 21.5	Asia: 16.5	North America: 5.2	Corp Bonds: -10.4	UK: 30.6
Europe: 2.0	UK Gilts: 0.6	Cash: 3.4	Commodity: 22	Asia: 8.4	UK Smaller: 21.4	Commodity: 9	Cash: 4.3	North America: -17.9	Europe: 20
North America: 0.9	Emerging Markets: -2	High Yield: 0.0	High Yield: 19.5	Index Linked: 7.6	North America: 18.6	High Yield: 7.4	Global Bonds: 4.1	Europe: -24.2	North America: 19.3
Index Linked: -0.6	Asia: -2.5	Emerging Markets: -15.3	Property: 17.1	Japan: 6.6	Property: 16.1	Cash: 4	UK Gilts: 3.2	High Yield: -28.1	Property: 16.9
UK Smaller: 0.4	Commodity: -12.5	Asia: -17	North America: 14.3	Corp Bonds: 6.4	Index Linked: 8.7	Index Linked: 2.1	UK: 2.6	Property: -29.6	Corp Bonds: 14.8
Commodity: -2.7	North America: -13	Japan: -18	Corp Bonds: 6.1	UK Gilts: 5.6	High Yield: 7.8	Corp Bonds: 0.3	High Yield: 0	UK: -31.4	Global Bonds: 7.2
UK: -3.4	UK: -13.9	UK: -22.4	Index Linked: 5.8	Global Bonds: 4.4	Corp Bonds: 7.7	UK Gilts: -0.3	Corp Bonds: -0.6	Commodity: -30.9	Index Linked: 6.3
Asia: -18.8	UK Smaller: -19.1	Europe: -24.2	Global Bonds: 5.2	Cash: 3.7	UK Gilts: 7.4	North America: -1.8	UK Smaller: -6.6	Asia: -32.5	Cash: 0.8
Emerging Markets: -23.7	Europe: -21.3	UK Smaller: -25.1	Cash: 3.1	North America: 1.5	Global Bonds: 5.9	Global Bonds: -2	Japan: -10.6	Emerging Markets: -35.8	UK Gilts: -2.5
Japan: -29.4	Japan: -26.6	North America: -32.6	UK Gilts: 1.5	Commodity: -2.7	Cash: 4.2	Japan: -15.1	Property: -14.9	UK Smaller: -39.8	Japan: -2.6

The returns provided are average returns for each sector, net of the standard charges before the average is calculated. This does not include an adjustment for the discounts and charges applicable to investment platforms, nor does it adjust for the effect of commissions or fees for advice. A continuation of the above table to the end of the most recent calendar year is available upon request.
Source: Morningstar, quoted in February edition of Money Management for each calendar year shown.

What to Expect

You will live through more than one significant economic downturn during your career and also during your retirement. It is unlikely that we will be able to identify investment market crashes in advance and recommend an immediate switch to safer assets. Market crashes do not happen frequently, thankfully, but they would not happen at all if they were easy to predict!

This is a key reason why our investment philosophy cannot be applied to investment terms of less than five years, because some time must be allowed for a recovery from a potential market crash, however with the right advice, and with time, the values should recover. We are ready and able to assist you throughout the bad times as they occur and we will adapt the portfolios to increase the likelihood of a recovery.

Our experience of working with people for more than a quarter of a century tells us that ‘personal crashes’ are just as likely as market crashes. Events such as redundancy, business failure, divorce, periods of illness and bereavement will also trigger a review of your investment strategy. We respect your needs as they change throughout your life - whatever life may throw at you.

And of course, we really want you to make the most of market rises without breaching the limits you set us with regard to investment risk.

Your capital is at risk. The value of your investments can go down as well as up and you may not get back the full amount invested, especially if you sell the investments during the early years. The descriptions of investment vehicles are not exhaustive and there are other aspects that you should be aware of before deciding how to invest. You should not take any action, or refrain from taking any action, as a result of reading this brochure. You should seek professional advice with your investment decision. The past performance information in the table above is not an illustration of a product or of the investment services described in this brochure, it is intended as an example of boom and bust periods for educational purposes only. Past performance is not a reliable indicator of future returns.

Contact Us

For more detailed information on the services we offer
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