



1st June 2021

Our Investment Approach Fairey Associates Ltd – 2021/22 Investment Portfolios



Overview and Introduction

We endeavour to keep this document generic and as short, clear and easy to understand as possible.

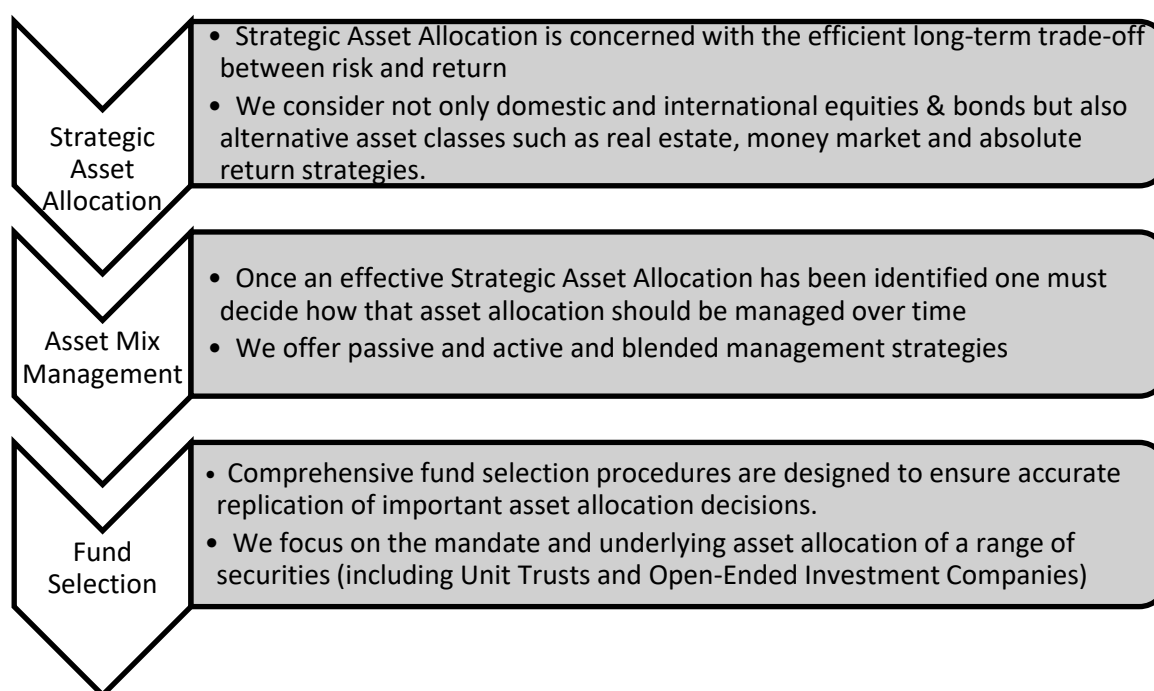
This document is for information only purposes and does not constitute bespoke independent financial advice.

Section One – Investment Methodology

Our approach to investment management follows a disciplined top-down process which is designed to maximise potential returns proportionate to the level of risk you are willing and able to accept.

A top-down process of management sees fund selection as a means of replicating carefully considered asset allocation decisions rather than as an isolated act of investment. It is this top-down process – beginning with asset allocation and ending with fund selection (see figure 1) – that we believe allows us to manage risk as effectively as possible.

Figure 1 – the top-down process





The Portfolios we offer

We build five types of portfolio to suit our client's needs and attitudes. The first part of the process - the strategic asset allocation is the same across all portfolios and then we make specific decisions in building each of the portfolios. The main differences between the portfolios are below:

Active

The active portfolios are made up of funds that allow the fund managers to make active and decisive decisions on the assets they hold in their funds. We do not actively use these portfolios with clients, however the ideas flow into the Hybrid portfolios.

Advantages

- Potential to receive returns above the benchmark
- Exposure to a range of asset classes and strategies. The diversity of these investments allows us to manage and reduce risk and volatility

Disadvantages

- Will be more expensive as actively managed funds charge higher fees than passive funds that track an index with little to no decision making involved.
- Fund Managers can make the wrong decisions and underperform

Passive

The passive portfolios are made up of funds that track a benchmark or index. Stocks are held in line with the underlying index and no active decisions are made on individual holdings. If there is not a passive fund available, you will not have exposure to that asset class.

Advantages

- Low cost investment solution
- Not exposed to any fund manager underperformance

Disadvantages

- Will fully match the downside of markets
- We cannot replicate the full asset allocation and diversity of investments. This means that portfolios are likely to be riskier and more volatile.

Hybrid

This is a mix of our best ideas from the Passive and Active portfolios and are our most popular portfolios.

Advantages

- Competitively priced investment solution offering a combination of active and passively managed funds.
- Exposure to a range of asset classes and strategies. The diversity of these investments allows us to manage and reduce risk and volatility

Disadvantages

- Fund Managers can make the wrong decisions and underperform



Light Green

Based on our hybrid portfolio, but with an ethical twist. Where we can substitute an ethical fund for a standard fund then we do so. If there is no substitute, then the standard fund choice from our Hybrid portfolio remains in place.

Advantages

- The same diversification benefits as the Hybrid portfolio by using all strategies and asset classes available
- An ethical view that underpins some asset classes

Disadvantages

- Some of the funds have no ethical screening
- Ethically managed funds can incur higher ongoing charges due to the additional work included in screening and managing the funds.

Dark Green

All funds in the Dark Green portfolio have ethical screening. This will be a mix of negative (no tobacco/alcohol/arms) screening and positive screening. If there is not an ethical fund available, you will not have exposure to that asset class.

Advantages

- Ethical asset management
- Exposure to smaller companies may lead to better performance (but is not guaranteed)

Disadvantages

- We cannot replicate the full asset allocation and diversity of investments which means that portfolios are likely to be riskier and more volatile
- Limited range of funds from which to choose.

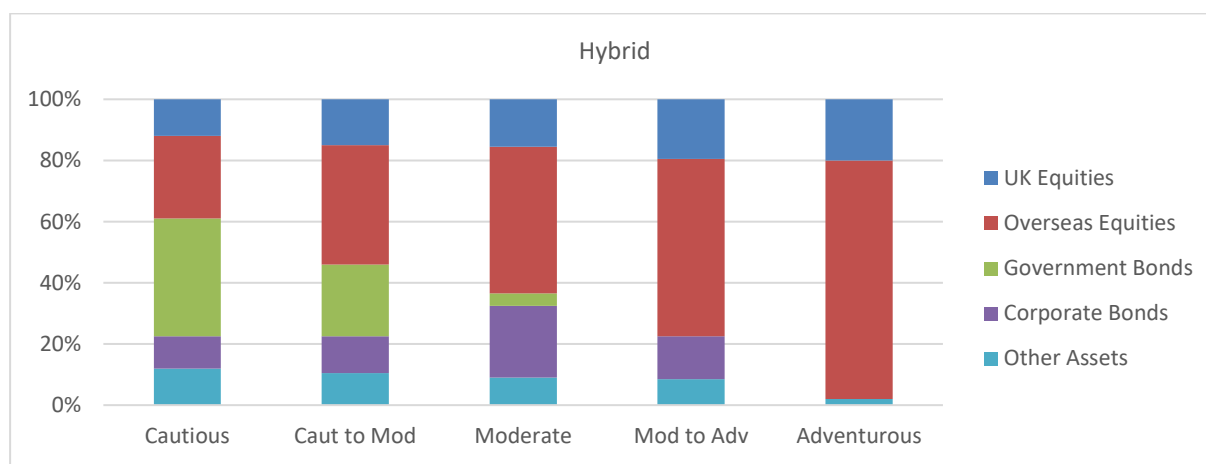


Strategic Asset Allocation

Strategic Asset Allocation is concerned with the efficient trade-off between risk and return. We use a rigorous process to construct a series of Strategic Asset Allocation templates.

We have identified a range of asset allocation templates, each with differing amounts of equity, bond, property and money market investments. The greater the exposure to equities, for example, the greater the potential risks and returns. Unfortunately, it is not possible to achieve high rates of investment return without having to accept high levels of risk.

Figure 2 – Fairey Associates’ Strategic Asset Allocation Templates – Hybrid (and Active) Portfolios



From the Cautious portfolio on the left with 39% in equity investment to the Adventurous portfolio on the right with 98% equity investment, our range of portfolios each present increasing levels of risk and potential return. The diversified combination of assets in each template is an attempt to deliver as high a return over the long term as possible for each increased amount of risk.

Figure 3 – Fairey Associates’ Strategic Asset Allocation Templates – Passive Portfolios

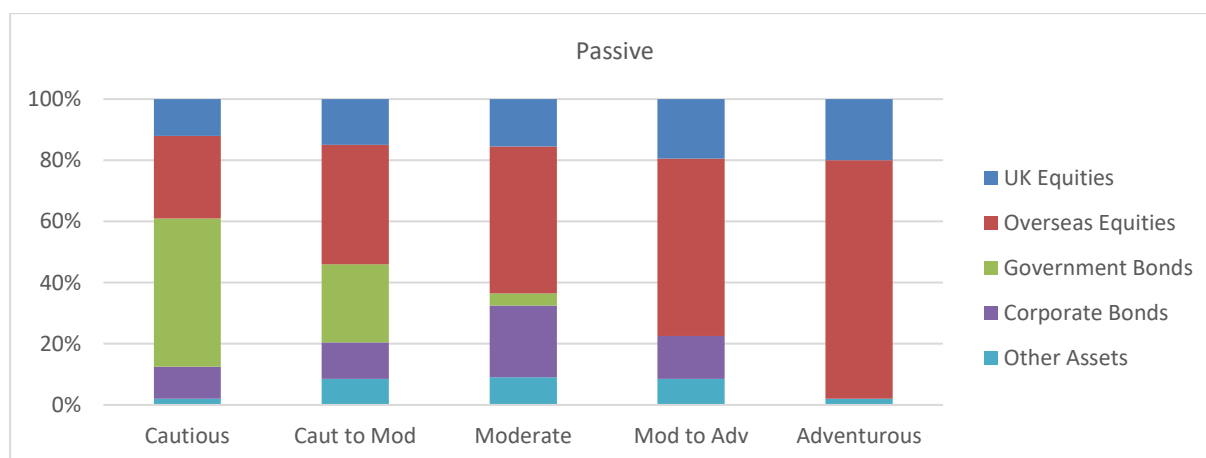




Figure 4 – Fairey Associates’ Strategic Asset Allocation Templates – Light Green Portfolios

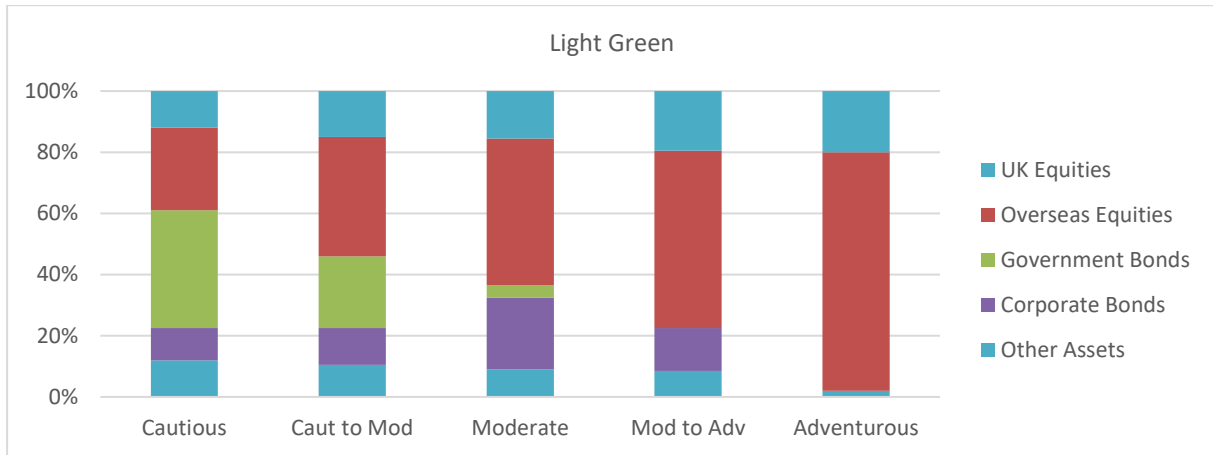
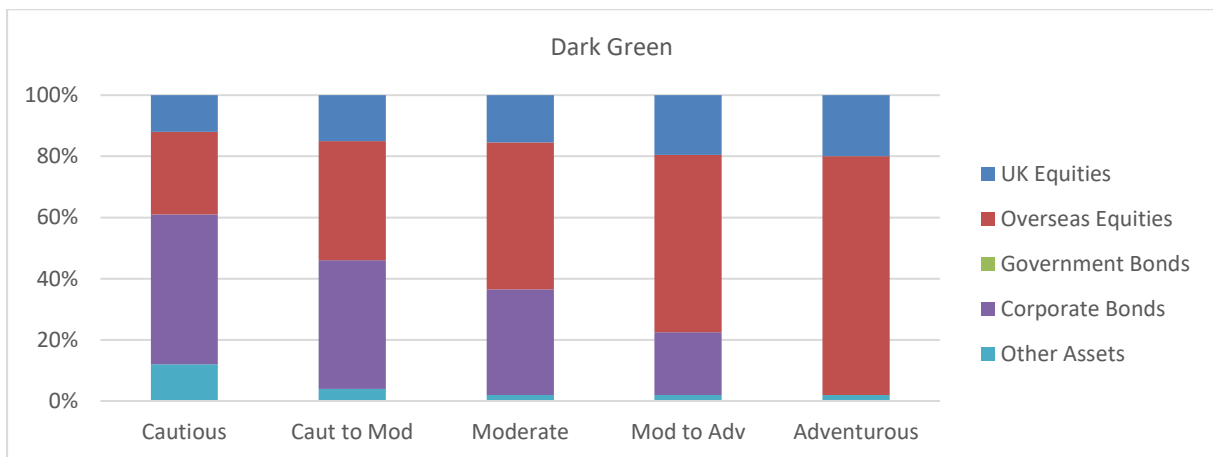


Figure 5 – Fairey Associates’ Strategic Asset Allocation Templates – Dark Green Portfolios





Figures 6 & 7 (below) illustrates the returns from the best and worst 12 & 60 month period (to quarter end) since 2002 (running from December 2002 to March 2021) as well as the annualised return from each asset allocation in the 'hybrid' range. Please note that past performance is not a guide to future performance and a portfolio comprising those assets might see significantly different returns in the short and medium term.

Figure 6 – Fairey Associates' 2021/22 Hybrid Portfolios – best, worst and annualised returns (1 Year)

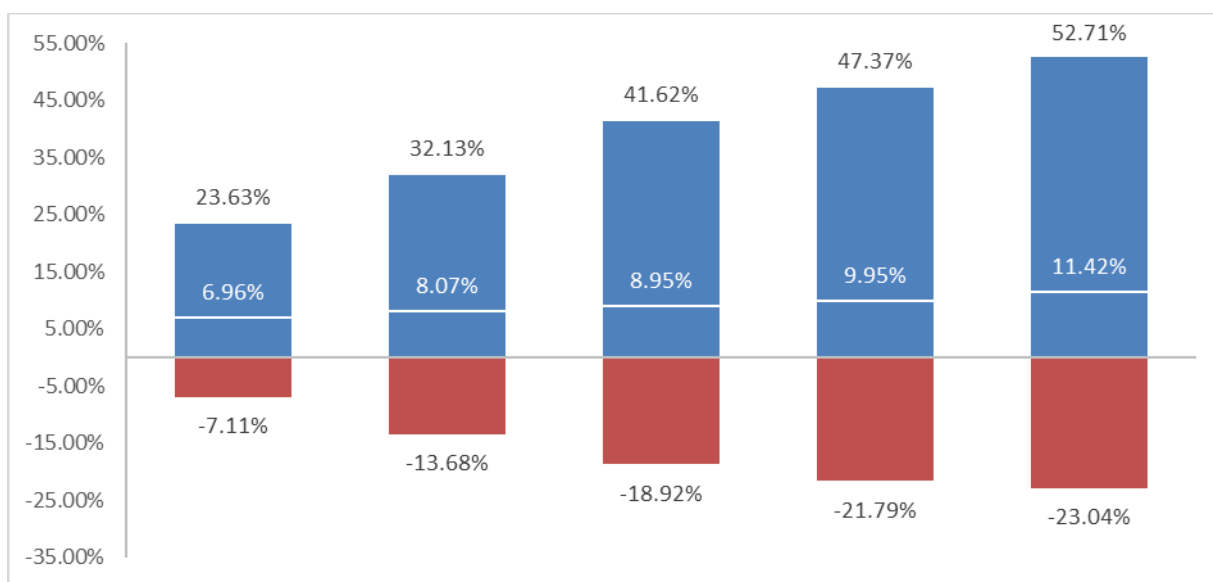
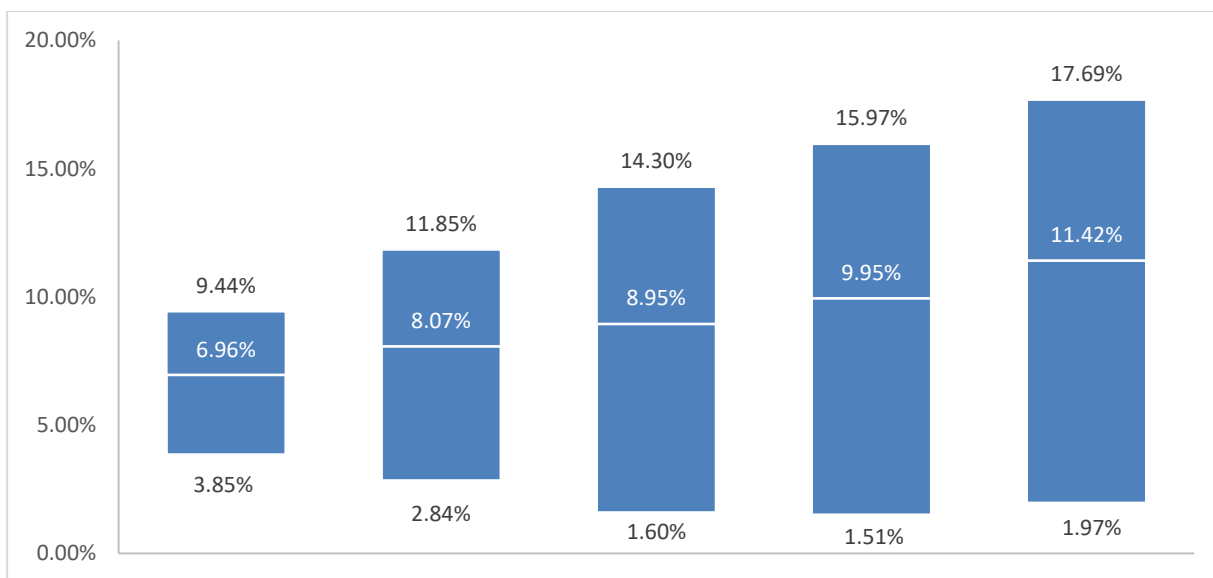


Figure 7 – Fairey Associates' 2021/22 Hybrid Portfolios – best, worst and annualised returns (5 Years)





Figures 8-13 (below) illustrate the returns from the best and worst 12 & 60 month period (to quarter end) since 2001 (running from December 2002 to March 2021) for the Passive and the Light Green and Dark Green ranges, as well as the annualised return from each asset allocation. Please note that past performance is not a guide to future performance and a portfolio comprising those assets might see significantly different returns in the short and medium term.

Figure 8 – Fairey Associates’ 2021/22 Passive Portfolios – best, worst and annualised returns (1 Year)

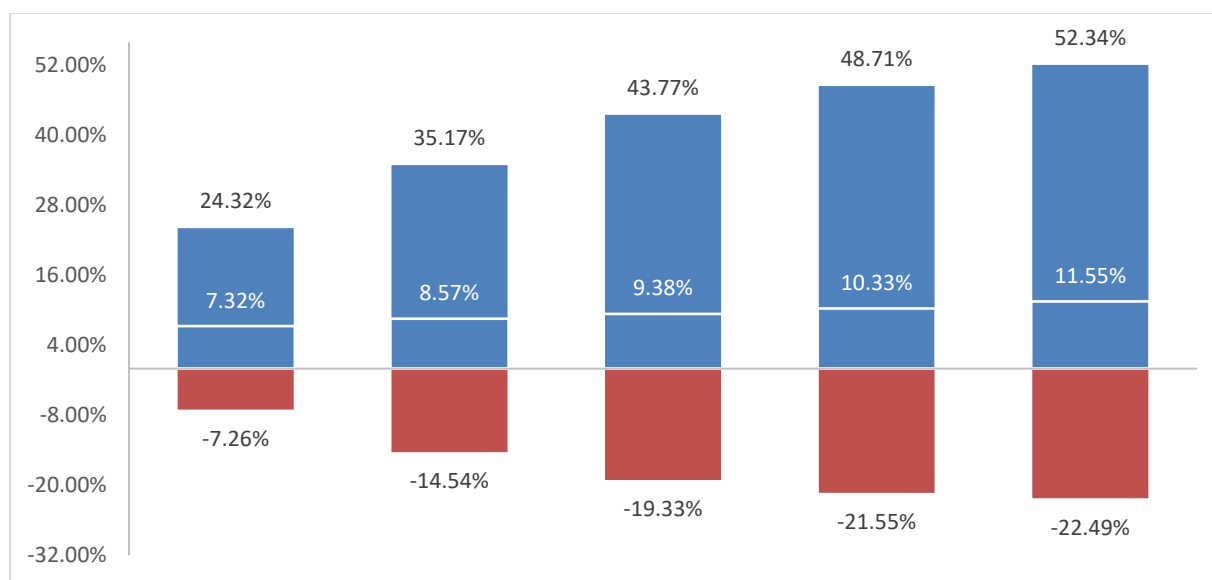


Figure 9 – Fairey Associates’ 2021/22 Passive Portfolios – best, worst and annualised (5 Years)

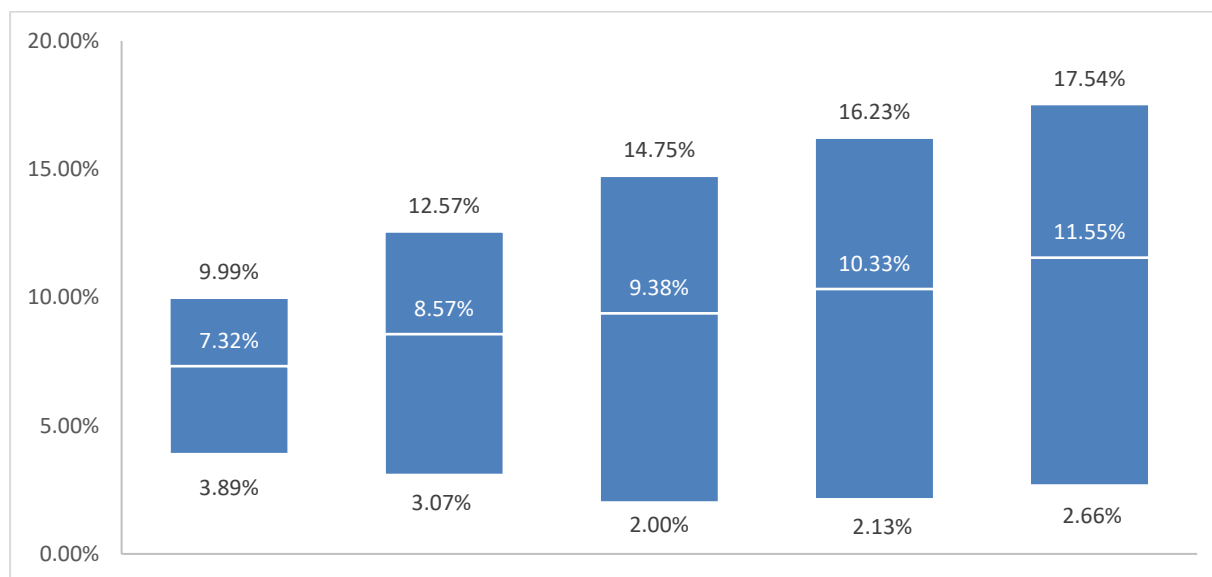




Figure 10 – Fairey Associates’ 2021/22 Light Green Portfolios – best, worst and annualised returns (1 Year)

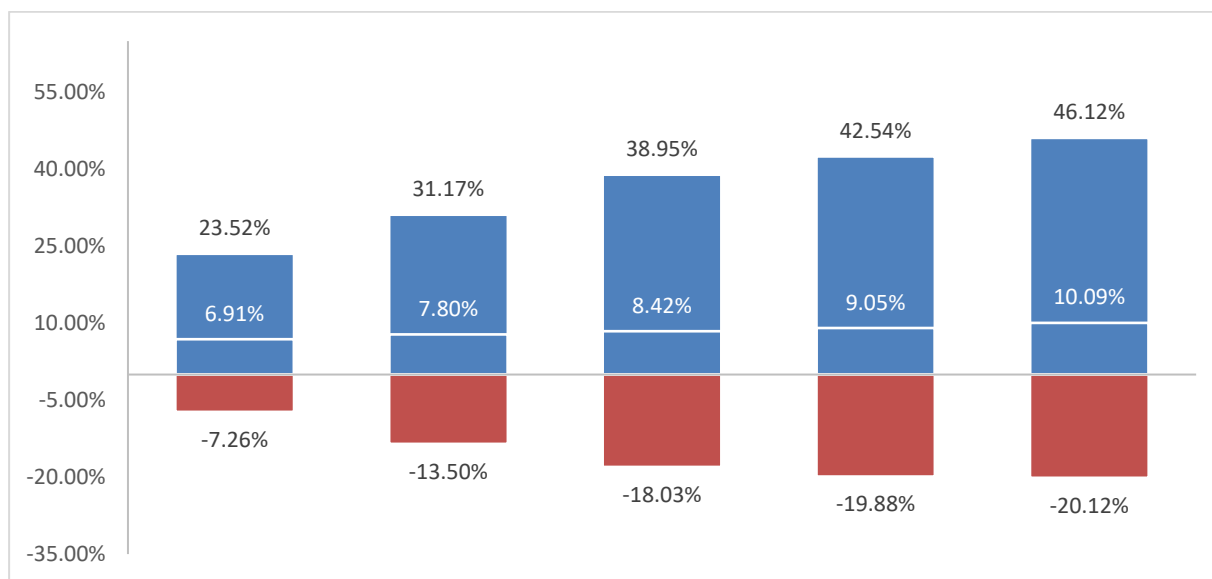


Figure 11 – Fairey Associates’ 2021/22 Light Green Portfolios – best, worst and annualised returns (5 Years)

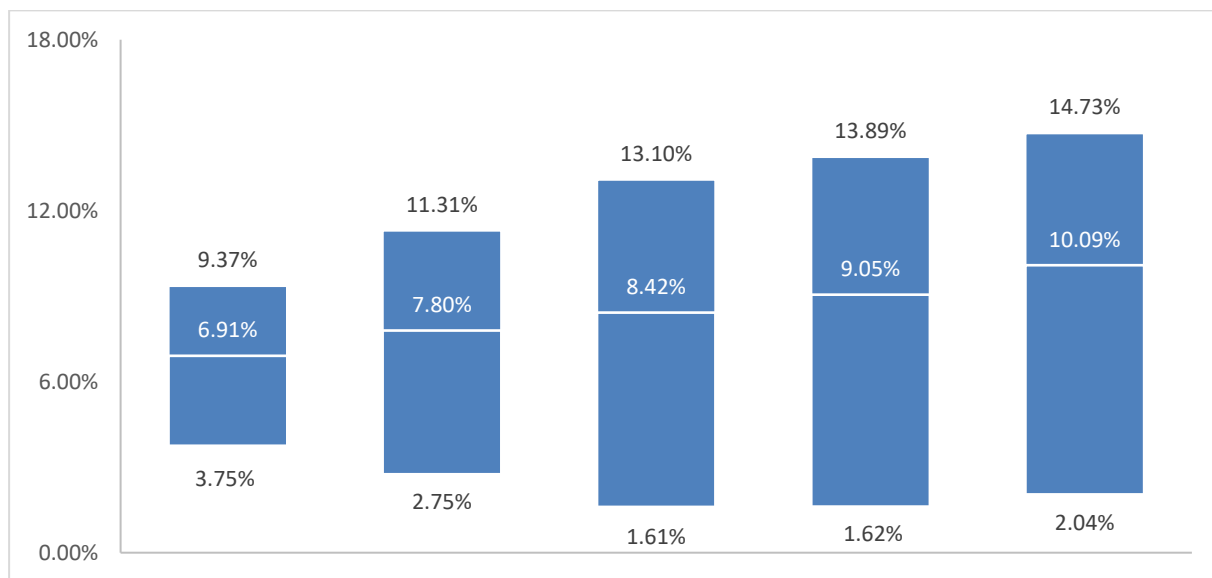




Figure 12 – Fairey Associates’ 2021/22 Dark Green Portfolios – best, worst and annualised returns (1 Year)

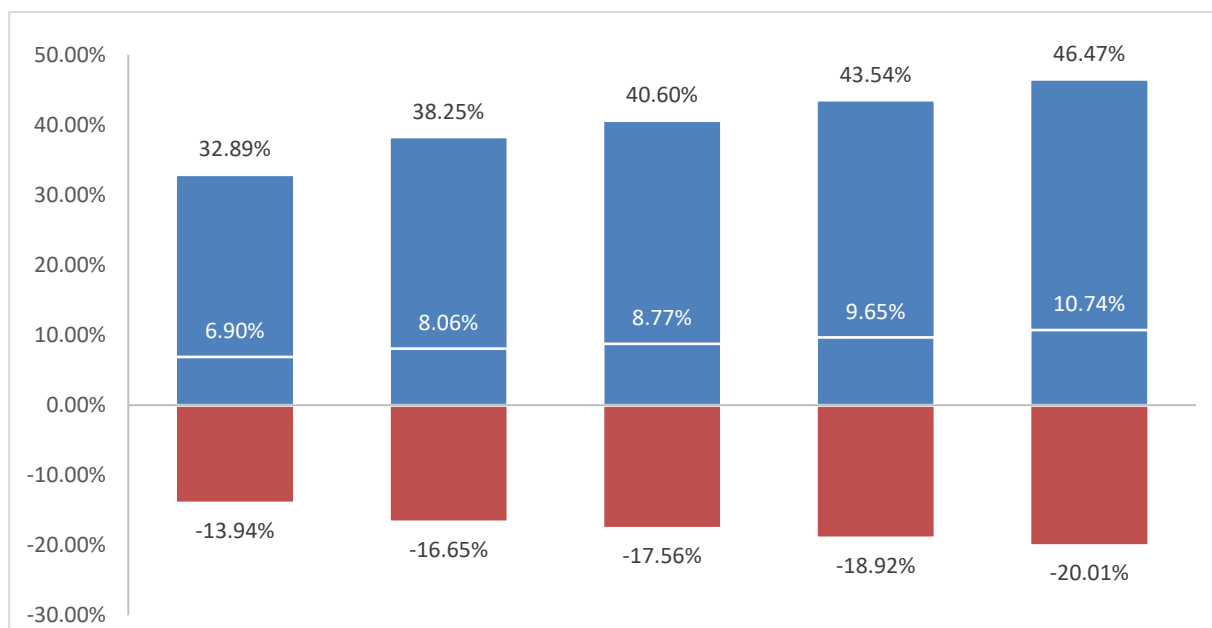
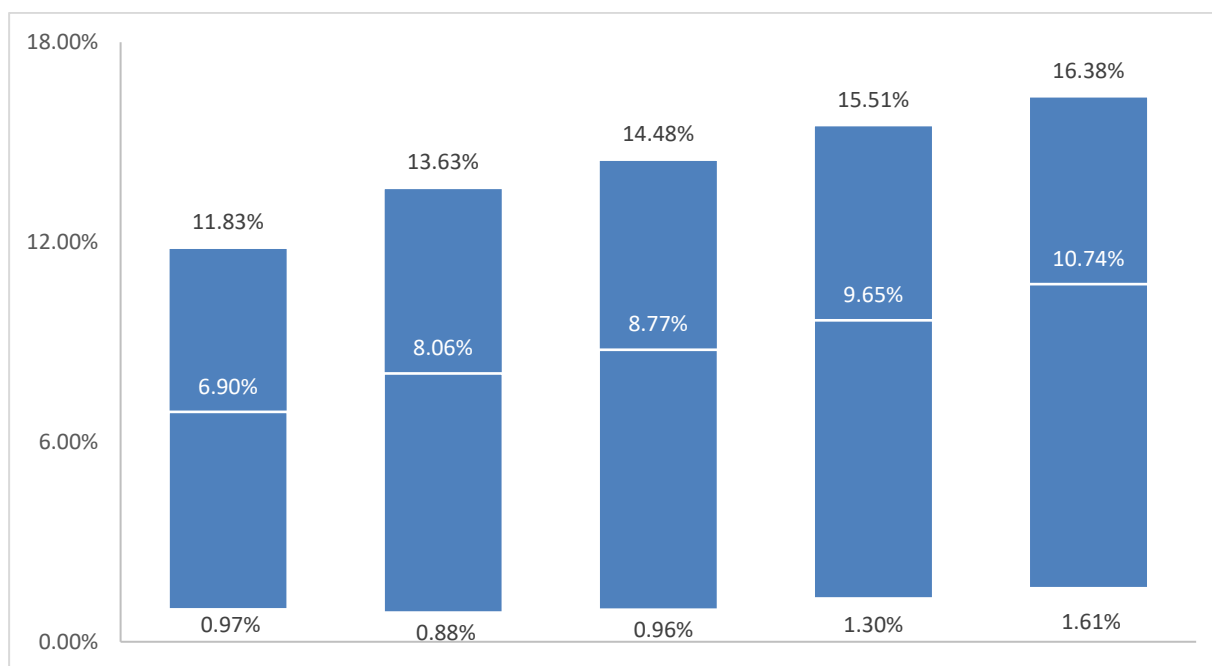


Figure 13 – Fairey Associates’ 2021/22 Dark Green Portfolios – best, worst and annualised returns (5 Years)





Fund Selection

It is our belief that passive funds should form the bedrock of the investment portfolio rather than actively managed funds which can become cost prohibitive. Passive funds aim to track the performance of a recognised index and do not involve the additional cost burden associated with attempts to beat the index. As a result, passive funds have much lower costs. In turn we provide you with a diversified, risk-return optimised portfolio at low costs.

There are many different considerations when selecting the right passive fund for a portfolio. Cost and availability are important factors but there are other items to bear in mind. What the fund owns for example. Two indices that cover the same geographical region or asset type for example can differ greatly and will display unique risk and return characteristics. The ongoing fund charge of a fund is also a key factor, but there are other cost considerations too, such as the legal structure and taxation.

Key Investor Information Documents (KIIDs)

KIIDs provide key facts and figures about the funds we recommend and will describe what each of the funds do, the investment risks involved with the funds, the charges and the past performance. These documents will be issued to you as part of our recommendation process.

Regular Reviews

It is essential that investments are managed on an ongoing basis. At Fairey Associates Ltd we do this on several levels:

Asset Allocation and Fund Selection – the above detailed process is conducted every year by the Fairey Associates Investment Management Committee, the resulting portfolios are then rolled out to our clients on a client by client basis.

Clients Annual Review – we write to you each year with a summary of the last year of performance with several options. Ideally, we wish to meet with you to then review your personal financial situation, discuss the new portfolios, re-assess your attitude to investment risk and rebalance your portfolio accordingly. We do not change your investments without your agreement so it is essential that you are involved!

The Black Swan – we are of course always monitoring markets and economic conditions and whilst we employ asset allocation and the principles of modern portfolio theory, we may still recommend a wholesale move to cash for a period of time if we believe that there could be good reason to do so.



Section 2 – 2021/22 Portfolios

Asset allocation and fund composition overview

It has been a tough 18 months but the Fairey Associates Investment Committee remain pleased with how the portfolios have performed. The use of diversification across different asset classes and geographical regions has proven instrumental in delivering returns in challenging conditions.

As such, for this review we have made no changes to our high-level asset allocation and have kept the allocations to UK Equities, Global Equities, Fixed Interest Securities, Property and Cash the same. We have made some adjustments to the sub asset classes, with a particular focus on our Government and Corporate Debt holdings. The decision has been made to increase the lower to medium risk portfolios' exposure to Investment Grade Corporate Bonds (and subsequently reduced our Government Bond allocations) as well as adjust the ratios between gilt and index linked holdings. We believe that global inflationary pressures will start to become more apparent in the coming months / years and we have increased the index linked exposure for this reason. As a result of these adjustments we do expect the volatility of the portfolios to increase.

The global equity exposure has remained broadly the same for the majority of our portfolios, but a small adjustment has been made to increase our Asia Pacific ex Japan holdings across the Hybrid and Passive portfolios. The Japanese holdings have been reduced accordingly. Emerging markets and Global Smaller Companies allocations have remained the same.

The decision has been made to remove the Artemis European Opportunities fund from the Hybrid portfolios and replace this with the Vanguard FTSE Developed Europe ex UK Equity Index fund. The Artemis fund has experienced a significant reduction in assets under management (AUM) over the last 24 months and although the fund has served the portfolios well historically, we feel now is the time to exit this position. The Vanguard FTSE Developed Europe ex UK Equity Index fund has featured in our Passive portfolios for some time and following an in-depth review of alternative actively managed European Equity funds available, we believe this passive fund can offer similar returns and help keep the ongoing costs down.

Our Light Green and Dark Green portfolios have seen some re-allocations between the two UK equity funds. As such the UK equity allocation is now more evenly spread between them. Although we don't believe this will have a significant impact on volatility or performance we expect this will help diversify the UK holdings going forward.

The global allocations between the three global funds for our ethical portfolios have also seen some adjustments. Due to the Edentree Responsible & Sustainable Global Equity fund holding more UK exposure than we would like, the allocation to this fund across all ethical portfolios has been reduced. This has resulted in a higher percentage of the portfolios being allocated to the BMO Responsible Global Equity and Sarasin Responsible Global Equity funds. We prefer these funds as they hold more US stock and this is more in line with our asset allocation.

The Edentree Responsible & Sustainable European Equity fund has also been removed from our Dark Green portfolios as we now feel the three Global funds hold sufficient European stocks. By removing the Edentree European fund we will reduce the risk of being too overweight in this region.



2021/22 FAL 'Hybrid' Portfolios

Asset Allocation	Fund	Risk	C	CM	M	MA	A
UK Large Cap Companies	Vanguard FTSE All Share Index	High	11.0%	10.5%	7.5%	6.0%	2.0%
UK Mid Companies	HSBC FTSE 250 Index	High	1.0%	3.5%	5.5%	9.0%	12.0%
UK Smaller Companies	Liontrust UK Smaller Companies	High	0.0%	1.0%	2.5%	4.5%	6.0%
US All Companies	Vanguard US Equity Index	High	12.0%	15.0%	17.5%	19.0%	25.0%
US Mid Cap Companies	Schroder US Mid Cap	High	3.5%	7.5%	9.0%	10.0%	11.0%
European Equities	Vanguard FTSE Dev Europe ex UK Index	High	4.0%	6.0%	6.5%	7.5%	9.5%
Asia Pacific Equities	Stewart Investors Asia Pacific Leaders Sustainability	High	2.5%	3.5%	4.0%	4.5%	5.5%
Japan Equities	AXA Framlington Japan	High	2.0%	3.0%	3.5%	4.0%	4.5%
Emerging Market Equities	ishares Emerging Markets Index	High	3.0%	4.0%	5.0%	5.5%	7.0%
Global Smaller Companies	ASI Global Smaller Companies	High	0.0%	0.0%	2.5%	7.5%	15.5%
Direct Property	L&G Property Feeder	Medium	0.0%	6.5%	6.0%	5.0%	0.0%
Indirect Property	iShares Global Property Securities Equity Index	Medium	0.0%	0.0%	1.0%	1.5%	0.0%
UK Conventional Gilts	L&G All Stocks Gilt Index Trust	Medium	13.0%	6.0%	0.5%	0.0%	0.0%
UK Index-Linked Gilts	L&G All Stocks Index - Linked Gilt Index Trust	Medium	12.5%	8.0%	1.5%	0.0%	0.0%
Overseas Government Bond	Vanguard Global Bond Index	Medium	9.0%	5.5%	1.0%	0.0%	0.0%
Overseas Index-Linked	Royal London Global Index - Linked	Medium	4.0%	4.0%	1.0%	0.0%	0.0%
Investment Grade Bonds	BlackRock Corporate Bond	Medium	10.5%	11.0%	20.0%	10.0%	0.0%
Non-Investment Grade Bonds	Threadneedle High Yield Bond	Medium	0.0%	1.0%	3.5%	4.0%	0.0%
Money Market	Royal London Cash Plus	Low	10.0%	2.0%	0.0%	0.0%	0.0%
Cash	Wrap/Product Cash	Low	2.0%	2.0%	2.0%	2.0%	2.0%



2021/22 FAL 'Passive' Portfolios

Asset Allocation	Fund	Risk	C	CM	M	MA	A
UK Large Cap Companies	Vanguard FTSE All Share Index	High	11.0%	10.5%	7.5%	6.0%	2.0%
UK Mid Cap Companies	HSBC FTSE 250 Index	High	1.0%	4.5%	8.0%	13.5%	18.0%
US Equities	Vanguard US Equity Index	High	15.5%	22.5%	26.5%	29.5%	36.0%
European Equities	Vanguard FTSE Dev Europe ex UK Index	High	4.0%	6.0%	6.5%	7.5%	9.5%
Asia Pacific Equities	HSBC Pacific Index	High	2.5%	3.5%	4.0%	4.5%	5.5%
Japan Equities	HSBC Japan Index	High	2.0%	3.0%	3.5%	4.0%	4.5%
Emerging Market Equities	iShares Emerging Markets Index	High	3.0%	4.0%	5.0%	5.5%	7.0%
Global Smaller Companies	Vanguard Global Small Cap Index	High	0.0%	0.0%	2.5%	7.0%	15.5%
Indirect Property	ishares Global Property Securities Equity Index	Medium	0.0%	6.5%	7.0%	6.5%	0.0%
UK Conventional	L&G All Stocks Gilt Index	Medium	15.0%	6.5%	0.5%	0.0%	0.0%
UK Index-Linked Gilts	L&G All Stocks Index Linked Gilt Index Trust	Medium	17.0%	8.5%	1.5%	0.0%	0.0%
Global Fixed Interest	Vanguard Global Bond Index	Medium	10.5%	6.0%	1.0%	0.0%	0.0%
Overseas Index-Linked	L&G Global Inflation Linked Bond Index	Medium	6.0%	4.5%	1.0%	0.0%	0.0%
UK Investment Grade	iShares Corporate Bond Index	Medium	10.5%	12.0%	23.5%	14.0%	0.0%
Cash	Wrap/Product Cash	Low	2.0%	2.0%	2.0%	2.0%	2.0%



2021/22 FAL 'Light Green' Portfolios

Asset Allocation	Fund	Risk	C	CM	M	MA	A
UK Equities	BMO Responsible UK Income	High	6.0%	7.5%	7.5%	9.5%	10.0%
UK Equities	Edentree Responsible & Sustainable UK Equity	High	6.0%	7.5%	8.0%	10.0%	10.0%
European Equities	Edentree Responsible & Sustainable European Equity	High	4.0%	6.0%	6.5%	7.5%	9.5%
Global Equities	BMO Responsible Global Equities	High	7.5%	11.5%	14.0%	19.0%	28.0%
Global Equities	Edentree Responsible & Sustainable Global Equity	High	5.0%	6.0%	8.5%	7.0%	5.5%
Global Equities	Sarasin Responsible Global Equity	High	7.5%	11.5%	14.0%	19.0%	28.0%
Emerging Market Equities	Ishares Emerging Markets Index	High	3.0%	4.0%	5.0%	5.5%	7.0%
Direct Property	L&G UK Property Feeder	Medium	0.0%	6.5%	6.0%	5.0%	0.0%
Indirect Property	Ishares Global Property Securities Equity Tracker	Medium	0.0%	0.0%	1.0%	1.5%	0.0%
UK Conventional	L&G All Stocks Gilt Index Trust	Medium	13.0%	6.0%	0.5%	0.0%	0.0%
UK Index Linked Gilts	L&G All Stocks Index Linked Gilt Index Trust	Medium	12.5%	8.0%	1.5%	0.0%	0.0%
Global Fixed Interest	Vanguard Global Bond Index	Medium	9.0%	5.5%	1.0%	0.0%	0.0%
Global Index-Linked	Royal London Global Index - Linked	Medium	4.0%	4.0%	1.0%	0.0%	0.0%
Corporate Bonds	Rathbone Ethical Bond	Medium	5.5%	6.0%	12.0%	7.0%	0.0%
Corporate Bonds	Edentree Responsible & Sustainable Sterling Bond	Medium	5.0%	6.0%	11.5%	7.0%	0.0%
Money Market	Royal London Cash Plus	Low	10.0%	2.0%	0.0%	0.0%	0.0%
Cash	Wrap / Product Cash	Low	2.0%	2.0%	2.0%	2.0%	2.0%



2021/22 FAL 'Dark Green' Portfolios

Asset Allocation	Fund	Risk	C	CM	M	MA	A
UK Equities	BMO Responsible UK Income	High	6.0%	7.5%	7.5%	9.5%	10.0%
UK Equities	EdenTree Responsible & Sustainable UK Equity	High	6.0%	7.5%	8.0%	10.0%	10.0%
International Equities	BMO Responsibility Global Equity	High	11.0%	16.5%	20.0%	25.5%	36.0%
International Equities	EdenTree Responsible & Sustainable Global Equity	High	5.0%	6.0%	8.0%	7.0%	6.0%
International Equities	Sarasin Responsible Global Equity	High	11.0%	16.5%	20.0%	25.5%	36.0%
Corporate Bonds	Rathbone Ethical Bond	Medium	25.0%	21.0%	17.5%	10.5%	0.0%
Corporate Bonds	EdenTree Responsible & Sustainable Sterling Bond	Medium	24.0%	21.0%	17.0%	10.0%	0.0%
Money Market	Royal London Cash Plus	Low	10.0%	2.0%	0.0%	0.0%	0.0%
Cash	Wrap / Product Cash	Low	2.0%	2.0%	2.0%	2.0%	2.0%



Portfolio Risk Descriptions

Risk Profile	Description
Cautious	A typical Cautious investor will be invested mostly in fixed interest gilts and bonds as well as in cash, with a small element in equities and property that can boost longer term returns but are associated with more risk. Using a broad range of assets gives you a varied portfolio and that diversification helps to reduce the overall levels of risk.
Cautious to Moderate	A typical Cautious to Moderate portfolio will usually have the larger part of the portfolio invested in fixed interest gilts, bonds or cash that are low risk but offer only low returns. The remainder of the portfolio will usually be invested in equities and property which can boost longer term returns but are associated with more risk. Using a broad range of assets gives you a varied portfolio and that diversification helps to reduce the overall levels of risk.
Moderate	A typical Moderate Investor will usually invest in a variety of assets to obtain diversification and therefore reduce risk. Equities and property, which can boost longer term returns but are associated with more risk, would often account for a higher proportion of assets than fixed interest gilts and bonds or cash. At shorter investment terms the proportion of higher risk assets is usually reduced. The range of asset types helps reduce the overall risks while increasing the chance of better returns.
Moderate to Adventurous	A typical Moderate to Adventurous investor will be invested in equities but with other assets included to provide some diversification. There may be a small amount of specialised equities within the portfolio, which focus on a particular sector of the economy or relate to a particular market or industry. Specialised equities can boost longer term returns but are associated with more risk than standard type equities.
Adventurous	A typical Adventurous investor will usually be invested entirely in higher risk assets such as equities. There may also be a proportion of the investment in specialised equities, which focus on a particular sector of the economy or relate to a particular market or industry. Specialised equities can boost longer term returns but are associated with more risk than standard type equities.

Capacity for Loss Definitions

	Description
Low	Given your level of income and the value of your other assets we agreed that you have low capacity for investment loss. This means that should your investments go down in value at any point and you choose to crystallise such a loss by gaining access to your investments it would greatly disadvantage you.
Medium	Given your level of income and the value of your other assets we agreed that you have medium capacity for investment loss. This means that should your investments go down in value at any point and you choose to crystallise such a loss by gaining access to your investments it would somewhat disadvantage you.
High	Given your level of income and the value of your other assets we agreed that you have high capacity for investment loss. This means that should your investments go down in value at any point and you choose to crystallise such a loss by gaining access to your investments it should not materially disadvantage you.



Simulated Portfolio Notes

Return simulation

These simulations do not represent actual client portfolios, but are intended to provide an indication of the magnitude and direction of historical returns from hypothetical portfolios made up of asset class market indices and sectors held in comparable proportions to those described in the 'Risk Allocation Tables'. We consider this to be a fair and worthwhile exercise to help you to understand the broad characteristics of the portfolio that you have been recommended.

In compiling the simulated return history, data from December 2002 has been used through to March 2021 for the Hybrid & Passive Portfolios and for the Light & Dark Green Portfolios, representing the common starting point for all asset class data. All returns are shown before inflation and are net of fund management charges as these are built into the daily unit prices. No costs of any other kind have been deducted (e.g. product Ongoing Charge Figure, platform charges, rebalancing costs and adviser fees). The exact data used and the methodology behind the simulation is available on request.

Tax and legislation

All statements concerning the tax treatment of products and their benefits are based on our understanding of the current law and HM Revenue & Customs (HMRC) practice and are for general guidance only. Whilst every effort has been made to ensure accuracy, no liabilities can be accepted for any errors of omissions. Levels and bases of, and reliefs from, taxation are subject to change.

Past performance is not a reliable indicator of future results.



Estimated charges for our portfolios

The tables below show the estimated fund charges for our portfolios. These charges are built into the daily unit prices. All performance figures shown in your annual reviews are net of these charges.

Hybrid	C	CM	M	MA	A
Ongoing Fund Charges	0.25%	0.35%	0.45%	0.48%	0.49%
Transaction charges ex ante	0.03%	0.01%	0.05%	0.07%	0.12%
Total	0.28%	0.36%	0.50%	0.55%	0.61%

Passive	C	CM	M	MA	A
Ongoing Fund Charges	0.13%	0.13%	0.12%	0.13%	0.15%
Transaction charges ex ante	0.03%	0.05%	0.06%	0.08%	0.09%
Total	0.16%	0.18%	0.18%	0.21%	0.24%

Light Green	C	CM	M	MA	A
Ongoing Fund Charges	0.47%	0.62%	0.72%	0.75%	0.80%
Transaction charges ex ante	0.05%	0.02%	0.06%	0.10%	0.17%
Total	0.52%	0.64%	0.78%	0.85%	0.97%

Dark Green	C	CM	M	MA	A
Ongoing Fund Charges	0.66%	0.74%	0.77%	0.80%	0.86%
Transaction charges ex ante	0.10%	0.13%	0.15%	0.17%	0.21%
Total	0.76%	0.87%	0.92%	0.97%	1.07%

All data shown is sourced from FE Analytics and does not include any special terms that the platforms may have with the chosen fund providers therefore the actual charges may differ to those above. These are for illustrative purposes only.

Please note we do our best to keep the ongoing costs down but our Ethical portfolios have seen increases in the estimated annual charges due to some of the underlying funds increasing their ongoing management charges.

Although we don't actively recommend our Active portfolios to clients, for information purposes we have detailed the estimated charges of our Active portfolios below.

Active	C	CM	M	MA	A
Ongoing Fund Charges	0.61%	0.74%	0.82%	0.90%	0.98%
Transaction charges ex ante	0.00%	0.03%	0.14%	0.19%	0.26%
Total	0.61%	0.77%	0.96%	1.09%	1.24%