A guide to successful investment portfolio planning

ECS Financial Services adopts a five stage process in constructing and managing client's investments. These stages are:

1) Assessing the client's risk profile
2) Producing an appropriate asset allocation model
3) Recommending the type of investment and provider/s
4) Fund Research
5) Active Management

We have access to several excellent portfolio management systems enabling us to create and review client's investment portfolios and we have created our own investment process following thorough research and use of all the systems available to us.

Stage 1 - Assessing client risk profile

This is critical in ensuring that the investment portfolio we create is suitable for each individual client. The level of risk that an individual is prepared to take will significantly affect the make up of any investment portfolio.

ECS have broken the risk spectrum down to 10 different grades ranging from very defensive to highly speculative. We have then constructed a risk profiling questionnaire that can be used to help determine risk level, or this can be agreed following a discussion with one of our highly qualified and experienced consultants.

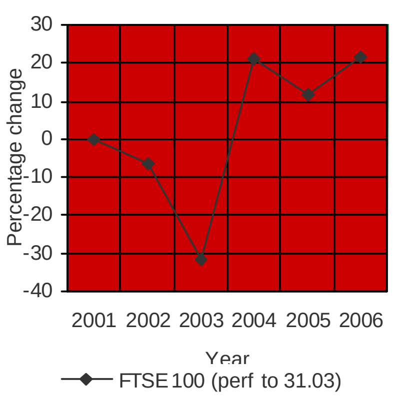
Stage 2 - Asset allocation model

By asset allocation we mean the degree to which a portfolio is split between the various asset classes. There are only four main types of assets most of us would consider investing in. These are

- Equities (both UK and overseas)
- Residential and Commercial Property
- Fixed interest securities
- Deposit funds

The expected levels of risk and return vary considerably between these asset classes.

Of the four classes, equities carry the highest risk and also the potential of higher returns but looking over the recent past shows just how volatile performance can be.



Source : Moneyfacts June 2006

Correct asset allocation is therefore essential and has consistently been proven to be the most important factor in generating returns from an investment portfolio. Some studies have shown this to account for more than 80% of the returns.

> *"ECS have created an asset allocation for each of the 10 risk profiles that we use. These are updated on a quarterly basis, and may be changed periodically. These reviews ensure we take account of the risks of the various assets and current market conditions. "*

Although the portfolio management system will recommend an asset mix, we at ECS do not believe in a "one size fits all" philosophy and we may well adapt the allocation mix due to various reasons, e.g. to suit a specific viewpoint a client may have on a particular asset class.

Stage 3 - Recommending the type of Investment and the Provider

Prior to making any recommendation our advisers will have considered all the possible available products, be it for an Investment or Pension plan. They will use their considerable knowledge and experience alongside a variety of research tools that we have available.

Factors that will play a part in deciding which type of plan would be most appropriate include among others, taxation implications, the flexibility of the plan and charges.

Having determined which product or plans is the most appropriate our advisers will then thoroughly researched the market to ensure that we are recommending the best possible provider or providers. ECS are totally independent and therefore have the significant advantage of being able to search the whole of the market for the best contracts.
Charges certainly have an influence on our recommendations although the cheapest contracts are not necessarily always the best, especially regarding investments. Other factors that will have a considerable influence are the financial standing of the respective providers, the range and quality of investment options available and the flexibility of the contracts on offer.

Stage 4 - Fund research

Having determined the most appropriate contract and identified the best provider, our advisers will then recommend a combination of investment funds that will ensure the plan matches the asset allocation model that has been created. This should ensure the plan is consistent with the level of risk that each individual is prepared to take.

Our in house team of researchers look closely at a vast array of funds that are available and identified which ones we feel are likely to outperform in the future. There are a variety of factors we have taken into account including better than average performance over 1,3, & 5 years respectively and high ratings from independent research Companies such as Citywire, Forsyth, S&P or Moodies.
Some of the funds we recommend may not meet all these criteria. For example they may not have been running long enough to obtain a rating. All however will have excellent performance records and we believe the potential to deliver excellent returns in a manner consistent with the level of risk that you want to take in the future.

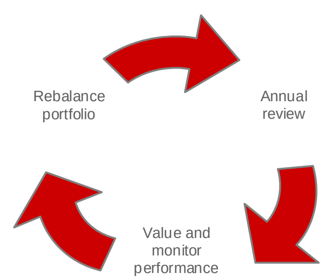
We have short listed approximately 200 funds as being worthy of inclusion in an investment portfolio, from over 8000 that are available in the market. Our advisers will then use their considerable experience and expertise, together with a detailed knowledge of each client's individual circumstances, to blend a combination of these funds. This will create an investment portfolio that is bespoke and consistent with both the asset allocation we have identified and the level of risk acceptable.

Stage 5 - Active Management

It is essential to regularly review investments to ensure they are performing well and they are still appropriate for your circumstances. Part of our commitment to clients is to offer an annual review service.

We would recommend that you contact ECS on an annual basis to arrange a meeting with your adviser. Obviously in the meantime should you require any information or advice we are always happy to assist.

At the annual review we will carry out a detailed analysis of the portfolio and examine how the various funds have performed. It may be necessary to alter the investments or to rebalance the whole portfolio to ensure it is still consistent with your attitude to risk.



Many products now offer a fund which automatically rebalances the asset allocation, in order to maintain the correct spread of assets to match risk profile. This is particularly useful for smaller portfolios where an annual review may not be required.

Chris Holland, Development Director

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RISK PROFILING

The following descriptions will help investors select their appropriate risk profile, in order for ECS to select the correct assets for an investment portfolio. The key to success is to regularly review investment portfolios to ensure they continue to meet requirements, which often change over the years.

Rating	Title	Description
1)	Very Defensive	You wish to take the minimal amount of risk possible, even if this means the potential returns are very poor. Safety of your capital is of paramount importance. Recommended investments in this risk category would not include any equity content, but could hold lower risk asset classes including Cash, Property and Fixed Interest Securities.
2)	Defensive	You wish to be very cautious but want to try to generate a better return than cash. You are prepared to accept a very small amount of risk in order to achieve this. Safety of your capital is very important even if the returns are relatively poor. Recommended investments for this category would contain only a small proportion in UK Equities with the remainder in Cash, Property and Fixed Interest Securities.
3)	Cautious	You want to invest cautiously to achieve a reasonable return and are prepared to accept a limited amount of risk to achieve this. Safety of your capital is important but you are prepared to accept some fluctuations in value to achieve a better return. Recommended investments for this category would still have relatively low equity content with the bulk of the funds directed into Property and Fixed Interest Securities.
4)	Relatively Cautious	You are relatively cautious but want to achieve a good return and are prepared to accept a degree of risk to achieve this. Safety of you capital is still important but you are looking to generate greater returns which means there would be a degree of risk in any portfolio. Recommended portfolios for this category will have reasonable holdings in Equities, Bonds and Property, with the emphasis on lower risk funds.
5)	Balanced	You are looking to generate a good return from your investments from a well diversified portfolio. You are comfortable with the risks associated with equities but want to balance this with lower risk asset classes such as Fixed Interest and Property. This type of portfolio would typically have around 50% in equities including a proportion in overseas markets.
6)	Balanced (higher equity content)	This is similar to the balanced risk profile with the exception that asset allocation weightings are slightly higher in equities where potential returns are greater but there is more volatility. It is suitable for clients looking for good returns from a diversified portfolio with a relatively high equity content. The maximum equity content could be as high as 60% with the balance in Property and Fixed Interest Securities.
7)	Moderately aggressive	You are looking to get very good returns from your investments and are prepared to accept a relatively high amount of risk to achieve this. You are comfortable with equity investment and the risks associated with this. Recommended portfolios in this category would include up to 65% in equities including overseas markets.
8)	Aggressive	You are looking to get excellent returns from your investments and are prepared to accept a high amount of risk to achieve this. You are comfortable with substantial fluctuations in value and wish for the majority of your investments to be in equities. Recommended portfolios in this category would include up to 75% in equities including substantial holdings in overseas markets.
9)	Speculative	You want to maximise the returns from your investments and prepared to invest a very high level of risk in order to achieve this. Recommended portfolios in this risk category could be 100% invested in equities including substantial holdings in overseas markets.
10)	Ultra Speculative	You are not at all concerned with safety of capital and are prepared to invest in anything where the potential returns are high. Recommended portfolios could be 100% invested in equities and include other more specialist investments areas.