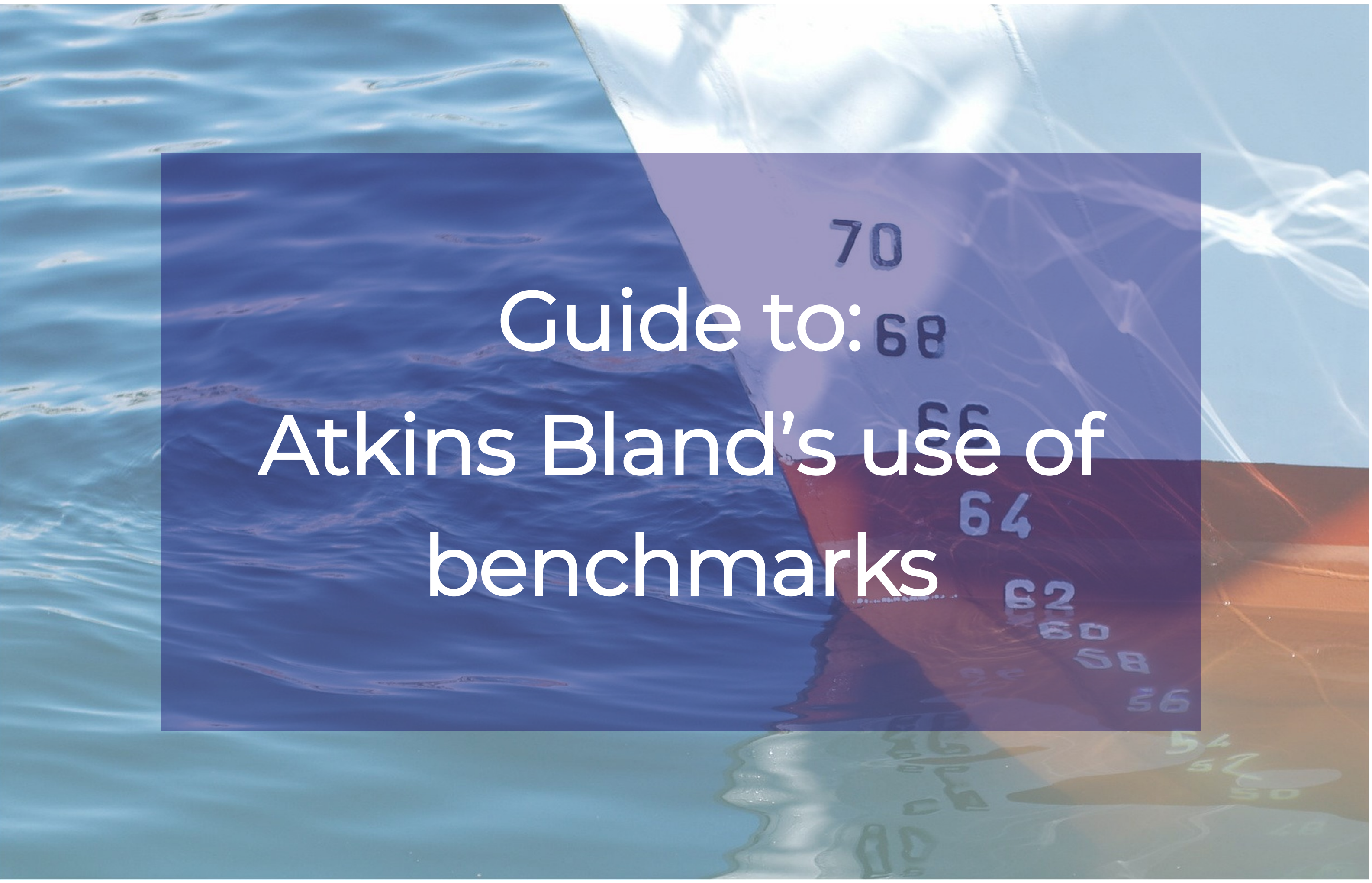
Investments • Pensions • Financial Planning



Guide to: Atkins Bland's use of benchmarks

A word on benchmarks

Why we use benchmarks

Benchmarks are useful to assess the success, or otherwise, of an investment strategy, providing the benchmark is sensibly selected and represents a fair and rational comparator.

Why we use the ones we do

Atkins Bland uses two sets of benchmarks.

One set, operated by the Investment Association (IA), reflects the actual performance of publicly available multi-asset managed investment funds in different risk classifications.

The second set, operated by Asset Risk Consultants (ARC), reflects the reported results from a number of the UKs largest private client portfolio managers.

There is a lot of similarity between these, but the funds making up the IA benchmarks are under more constraint and are not allowed to deviate from set broad asset allocation thresholds, while the private client portfolios measured by ARC have far more discretion, as long as they do not step outside their overall target risk exposures.

This makes the underlying portfolios that make up the ARC indices a little more in line with our approach to asset allocation than the multi asset funds that make up the IA indices.

Neither set of benchmarks is constructed from simple market indices, as both show the results from actively managed portfolios where the managers are deciding the allocation by asset type, sector and geographic regions based on their analysis of the merits and attractions of each, and obviously reflecting the required risk characteristics of the fund.

This aligns with our own core service, which is structured to provide ongoing advice on geographic and sector allocations, so means we are comparing ourselves with others doing the same thing, rather than simple market indices which would not be a rational comparator.

Tracking indices, such as the FTSE 100 or the S&P 500 in the US, is ideal for comparing the performance of an individual fund investing in that market, but not for multi-asset managed portfolios.

How relevant are the benchmarks we use?

The ideal would be to benchmark on a completely "like for like" basis, so comparing our net of cost results with the average net of cost results in the same risk category.

This would enable us, and our clients, to see very clearly the extent to which our decisions on asset allocation, and the selection of funds to create that asset allocation, has enabled us to outperform, or caused us to underperform, the average.

Do we expect to outperform our benchmarks?

While we can never predict the future with confidence, we would certainly hope to out-perform our benchmarks after adjusting for costs.

However, reflecting the fact that our benchmarks exclude plan administration and advice costs, while our results are always shown net of these, if we manage to get net results in line with the benchmark, we feel this is a very decent outcome. This is because it means we are outperforming the average, as measured by our benchmarks, by enough to fully cover our own advice fees and third-party administrator charges and expenses.

As our clients know, our advice fees normally cover a lot more than just the asset allocation advice on a portfolio.

In this respect, it is worth remembering that the advice costs we are taking into account are not just for our asset allocation advice, but also cover other areas of advice we provide on our clients' financial and tax planning, as well as a lot of administration.

If the results from our investment advice cover our overall advice fees, we therefore feel this is a very good outcome for our clients.

In terms of the prospect of outperforming the benchmarks we use after deducting all advice and administration costs, this is a demanding target, but one which is achievable over the longer term if asset allocation strategies are more successful than the average.

Are we likely to underperform our benchmarks sometimes?

This is almost inevitable.

In order to achieve the potential for long term outperformance by an amount which exceeds the administration and advice costs on a portfolio, we believe we need to avoid getting hijacked by short term speculative activity from the stock markets but focus on realistic medium to long term economic outlook and fundamental analysis.

This strategy means we do expect that, in shorter time periods, we may well underperform the benchmark, sometimes by quite considerable margins, just as this can reverse at other times, with our strategy outperforming by a considerable margin. This is because our investment strategies are not constructed with any reference to what our peer groups are doing or with too much concern over the very short term, as we are not advising on short term investment portfolios.

We take the view that our clients should rightly expect us to be applying our best judgement from our own internal research, rather than simply following the decision making of other companies, many of whom are likely to be "closet index trackers" and more concerned with avoiding deviation against short term benchmarks than achieving longer term outperformance.

What is our ambition against our benchmarks?

It would be irrational to express any expectation on a possible level of outperformance against a benchmark over any specified period, since that involves pretending that the unknown future is, in fact, predictable. It isn't.

Likewise, we certainly cannot guarantee that we will achieve our objectives of outperforming our benchmarks over the longer term at all. However, we can guarantee that we will try our best to do so.

We will also try to achieve attractive actual returns for our clients, which is a different discipline than simply trying to outperform a benchmark and, in reality, is rather more important.

Important notes

Any opinions expressed on the merits or disadvantages of any options are intended as a general comment only and not as specific advice to the reader.

This document is intended as a supplement to full independent advice and not as a replacement for it and should be read in conjunction with any personalised recommendations provided by Atkins Bland Ltd and with any product brochures supplied.

The value of investments will fall as well as rise, as can any income produced.

Inflation can reduce the real value of capital and the income it generates

Past investment performance is not a reliable guide to the future

Any reference to taxation, regulation or legislation is based on our current understanding and details should be checked before any reliance is placed upon its accuracy.

The impact of taxation and tax planning depends on individual circumstances and may be subject to change, which can be retrospective.

Errors and omission excepted

Prepared by Atkins Bland Ltd. January 2023