Centralised Investment Proposition (CIP)

Stride
Financial Advice

Introduction to our Centralised Investment Proposition (CIP)

There is an abundance of information available on where to invest your hard-earned money. Nearly everyone will have an opinion on where they think you should invest.

Our role is to identify the most suitable investment opportunities by tailoring them to your unique circumstance and financial goals.

We believe that before we can make any investment decision you need a suitable and robust financial plan.

During our discussions we will figure out what's important to you and where want to go (the plan).

We will then use this plan to work out the most suitable mode of transport for you to get there (the investments).

This document establishes a framework to discuss your investment needs and expectations, assess your risk tolerance, and develop a tailored investment portfolio aligned with your objectives.

Before making any investment recommendations, we believe it is essential for our clients to understand the core principles that shape our investment approach.

These guiding principles serve as the foundation for building long-term, trusted relationships with you. No surprises. No jargon.

We recognise the dedication and effort that has gone into accumulating the wealth you are entrusting to us.

Therefore, we encourage you to review this document carefully, as it serves as a reference point for the discussions held at the outset of our investment journey together.

The Risks

- **Inflation risk** - inflation is the silent killer of wealth. Doing nothing with your money is a risk, even if it feels like a safe option.

- **Volatility** - We believe volatility is one of the most misunderstood aspects of investing. When properly understood, it can significantly reduce the stress of your investment journey. While company share prices naturally fluctuate, it's important to remember that the declines are temporary, the advancement is permanent.

- **Loss of capital (permanently losing your money)** - This is a significant risk and one to avoid. We do this by diversifying, ensuring you stick to the plan.

- **Concentration risk** - This is a risk that is also mitigated by diversification. Holding a few shares or even one single share increases your risk of loss substantially.

- **Liquidity risk -** This is the risk that you can’t sell what you own at the time you need to. The advantage of global financial markets is that investments are very easy to buy and sell so there is nearly always a seller or buyer. We avoid investing in illiquid investments like property.

The Risks - Market falls

What we know:

- Market falls are an inevitable part of investing.
- They are a part of the process, not a flaw in the system.
- They are unavoidable and the reason for superior long term returns.
- When they occur (and they will), your portfolio will fall in value.
- Although this will only ever be temporary, it will test you.
- It's important not to react emotionally and to stick to the plan.

What we don't know:

- When market falls will be.
- How long these falls will last.
- When the recovery will happen.
- What future returns are going to be.

Timescales

- Investing is a marathon, not a sprint. The longer you hold an investment, the greater the likelihood it will deliver those sought-after returns. While "long-term" typically means at least five years, this can shift depending on the asset class and market dynamics.

- Short-term plays aren't our game. We steer clear of investments with horizons under five years, focusing instead on building lasting wealth.

- Safety has its limits—and its risks. It's natural to want to shield your money, but avoiding investment risk entirely can leave your capital vulnerable to inflation's slow erosion. Over time, this chips away at its real value and purchasing power. For long-term horizons, we believe you need to use higher-risk investments to preserve it's real value.

- Investing demands patience, not haste. We want to make it as clear as possible: capital shouldn't be parked in investments for a quick turnaround. Our expectation is a minimum five-year commitment, stretching further as equity exposure ramps up.

- The longer the journey, the bolder the portfolio. A lengthier time horizon opens the door to greater investment in global equities, amplifying growth potential while riding out market waves.

Our Investment Philosophy

- Our clients will benefit more from fund investments than from directly buying stocks and shares, thanks to broader diversification, lower cost, lower administration and tax advantages.
- While there is no ‘perfect’ investment. The overwhelming evidence is that active fund managers cannot consistently pick individual companies that will outperform the market.
- Fees erode returns. Keeping the cost of investing to a minimum is essential to maximise returns.
- That’s why we believe that using index funds is the best way for or our clients to achieve optimum investment returns for the lowest cost.
- Most of our clients will be invested in funds via a Managed Portfolio (MPS) or Multi-Asset funds available through our preferred platforms. This offers the most cost effective option of holding a diversified portfolio.
- Ethical investing - If you have an ethical preference we can offer ethical investment options.

Our Investment Philosophy

- **Developed Global Shares (investing in the world's leading companies)** - Investing in developed global shares means simply buying into the profits of the world's top companies—many of which you will use every day. These stocks, from stable, advanced economies, act as the powerhouse of most client portfolios, driving growth and fueling long-term returns.

- **Emerging Market Shares (investing in companies in developing countries)** - Investing in developing countries' companies is riskier due to lax regulation and less mature markets, but it offers the potential for higher returns as businesses have plenty of opportunity to grow.

- **Fixed Interest** - This is where you lend your money to a government or a company in return for an interest payments. We include fixed-interest investments like bonds for many client portfolios. They provide steady income via regular interest payments, with predictable returns tied to issuer creditworthiness and interest rates. Their lower volatility offers stability, making them ideal pairing with shares to create a well balanced portfolio.

- **Property** - Due to the liquidity risk and high costs involved in property transactions, we don't invest client money in this asst class. Many of our clients will already have exposure to the UK property market via their main residence or rentals.

- **Cash / Money Market** - While returns are low, cash deposits benefit from the expectation (and usually a government guarantee) that the value will not reduce. How much cash you hold back in reserve is a key part of a successful financial plan.

- **Commodities and alternative investments** - We choose not to invest client funds in commodities or alternative investments, such as raw materials or speculative assets. Unlike shares or fixed-interest options, these don't generate income from interest, dividends, or company profits. Instead, their value fluctuates based on market supply and demand.

Solutions

Being independent, we have the ability to choose the very best investment options for clients.

We review our investment selection at least once a year but typically more frequently.

Our current shortlisted investment solutions are listed below. However, we are not limited to these. When deciding on our investment solutions, we look at a range of metrics such as performance against benchmark, costs, fund size and risk rating.

Investments

- **Vanguard Lifestrategy Global MPS** (Managed Portfolio Service) - These model portfolios are available as a range of five individual portfolios with varying levels of potential risk and return based on their mix of shares and bonds.
  Designed for investors that value simplicity and low costs.

- **Timeline Classic & Tracker MPS** - low-cost, evidence-based discretionary Model Portfolio Service.

- **Ethical options** - recommended on a case by case basis.

Fund Filter

After evaluating the market, we've identified the following providers as top-tier fund options, chosen for their investment philosophies, strong reputation, and robust financial stability.

Timeline MPS

Vanguard Life Strategy MPS

Solutions

We take where our clients money and investments are held seriously.

As an independent firm, we have unrestricted access to the entire market, allowing us to identify the most advantageous options.

We research all aspects, including cost, user experience, functionality, and customer service, to ensure we choose the best fit.

To maintain this high standard, we conduct regular reviews and adjust when necessary.

After extensive research our preferred platforms are:

- Transact
- Fundment

Research

We use Defaqto risk profiling tool as a way, alongside discussion and consideration of a client's financial position and objectives, of assessing the level of risk a client can take.

Risk-mapping
In order to ensure that the recommended portfolio will be suitable for the client's Attitude to Risk: We make it simple to find the right investment strategy for you.

Here's how we assess your risk profile and build a plan that fits your goals:

- **Getting Started with Risk**: We use the Defaqto Risk Profiling tool to kick off a conversation about your comfort with investment risk. You'll answer a straightforward questionnaire to help us understand your preferences.

- **Crafting Your Risk Profile**: Together, we'll settle on a risk profile (rated 1-10) that feels right. This is based on the profiling tool's results, your past investment experience, specific answers from the questionnaire, and how much loss you can handle without stress.

- **Tailoring Your Plan**: Your risk profile guides us to investment options within our Central Investment Proposition (CIP), each matched to the 1-10 risk scale.

Beyond your attitude to risk, we also consider:

- **Required Growth**: How much your investment needs to grow, factoring in your starting point, regular contributions, and timeline.

- **Capacity for Loss**: Your ability to weather dips in your investment's value without derailing your financial plans.

Research

- **Who the CIP is For**: Our CIP is designed for clients with risk profiles between 3-9, focusing on growth-oriented strategies.
    - **Risk Profile 1 (Cash Only)**: We don't advise on cash deposits, as there is little value for us to add.
    - **Risk Profile 2**: Options exist, but you probably aren't ready to invest.
    - **Risk Profile 3 - 9:** This is where most of our clients will fall within. The higher the rating the, the higher the risk but also the potential for greater returns.
    - **Higher Risk Profiles (10)**: These reflect a taste for bold investing, with potential for double-digit swings. While we can support such clients, we'd work on a custom basis outside the CIP, as these portfolios may lack the diversification we value for balanced growth.

Our Clients

Client segmentation is based on where you are in life's journey.

We have four main client segments and our clients normally fall into one of these categories:

- **Accumulators:** Individuals and young families who are in the early to mid-stages of their careers, focused on building their wealth through consistent saving and investing.
- **Core Accumulators:** Individuals and families who have built wealth and are typically earning more, seeking to maximise growth while preparing for future financial goals like retirement.
- **Retiring:** Individuals and families who are approaching retirement and need to shift their focus from growing wealth to providing income and capital to enjoy while they are no longer working.
- **Retired:** Individuals who are no longer working and rely on their investments and other income sources to support their lifestyle, often focusing on wealth preservation and legacy planning.

Governance

We will undertake a formal review of our CIP at least once a year and more frequently if we deem it appropriate.

Whenever we review this CIP we will review our research for the investment solutions, platforms and products that we have selected centrally for our clients and re-run this in order to determine whether these solutions continue to be appropriate.

These regular reviews of the centralised solutions are particularly important for any recommendations to new clients we work with, as it is important that our research is current.

Appendix i: Investment Research

We us Defaqto to conduct our investment and platform research. Defaqto offer unbiased risk assessments for investments. Their impartial Risk Ratings make it easy to align a fund or MPS portfolio to a client's agreed level of risk.

Managed Portfolio Services (MPS)

When searching for the most appropriate MPS we look at the following core criteria:

- Maximum Discretionary Management Fee (0.2%)
- Minimum Assets Under Management (£5bn)
- Multiple portfolio options (8+)
- Accessible via a platform

When we apply these filters to the whole of the market this gives us a shortlist of 15 investment solutions from which we have selected the following:

- Timeline MPS
- Vanguard MPS

Appendix ii: Platform Research

Platform Research

When looking for the most appropriate platform we look at the following core criteria:

- Maximum charging levels.
- Minimum Assets Under Administration (£5bn).
- Reporting options.
- Interest paid on cash.

When we apply our filters looking for these core features to the whole of the market they reduced this list to 5 options.

From this shortlist we have then hand selected Fundment & Transact. Three of the key reasons for their selection are:

- They own their own technology.
- They have exceptional customer service & support.
- Simple onboarding process.

Therefore, we believe that currently they are the best platforms which align with the values that we share at Stride Financial Advice.