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Collins Stewart
Wealth Management

Guide to multi-manager investing

Multi-manager excellence, every day

Welcome to Collins Stewart Wealth Management, a leading investment manager and stockbroker with an absolute focus on preserving and growing your wealth through excellence, every day.

Our range of sophisticated investment services, including portfolio management, stockbroking and investment funds are tailored to suit your individual needs and requirements.

We are part of Collins Stewart Plc, a leading financial advisory group listed on the London Stock Exchange.

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What is multi-manager investing?

Multi-manager investing is a simple concept that aims to deliver returns and manage risk. Unlike a traditional fund, in which a single fund manager controls all of the money and investments in a fund, our multi-manager portfolios spread your money across different asset types and funds managers. By not putting all your eggs in one basket, we help you diversify your investments and reduce your exposure to risk.

Most collective investment schemes rely on just one fund manager. If your investment does not perform as well as you expected, you have two options: hope that the fund manager gets their act together; or cut your losses and look for another fund to invest in. Multi-manager, on the other hand, relies on lots of different fund managers, picked by a professional team.

With a hand picked team at the helm a multi-manager portfolio gives you assurance that your money is in expert hands. Let our team pick some of the world's best fund managers to look after your money.

Fund selection

A multi-manager approach allows a high degree of diversification, in terms of both a large number of underlying stocks and a range of investment styles and strategies.

In this way, a portfolio of funds can both enhance investment performance through superior stock and bond picking skills, whilst reducing risk through an appropriate diversification of assets, strategies and styles.

Each fund is subjected to a rigorous screening process involving both quantitative and qualitative analysis, which not only have excellent return profiles, but also provide strong risk-adjusted returns and can achieve this in a consistent and repeatable manner. Extensive quantitative analysis is undertaken not only of performance but also of consistency, volatility and other technical measures.

It is extremely important to perform qualitative research to understand the fund manager's philosophy and style, as well as his or her working environment. We maintain regular contact and visit the various managers of the funds that we hold to ensure that good historic performance is likely to be maintained in the future. Having identified the funds, we then seek to blend them together, taking into account our top-down asset allocation views, to achieve our desired risk and return objectives.

Benefits of multi-manager investing

The general awareness of multi-manager investing is growing with wider recognition of the benefits. Below are some of the main reasons why we believe this investment approach is beneficial.

- **Scrutiny before investing:** Our investment process incorporates quantitative and qualitative screening based on a range of analysis measures linked to both risk and return. Our investment process aims, therefore, to achieve consistent performance while minimising risk.
- **Optimal performance from a diversified base:** The prime task is to monitor constantly the performance of the underlying funds and ensure that they are aligned with your strategic viewpoint.
- **Broad based diversification:** Each investment house tends to have a flagship manager, investment team or fund, which subsidises other funds in the firm. Having no restriction to buy subsidised funds we are able to pick the 'best of breed' managers from various investment houses to produce a 'best of class' portfolio. Our process mixes the strengths of leading investment houses, without diluting the talent.
- **Flexibility:** Some multi-managers are limited to investing in internal funds or are ring fenced to a small pool of funds. Collins Stewart operates as a purer form of multi-manager without such limitations and is generally able to consider any fund within the full investable universe.
- **Ease of monitoring:** With a multi-manager portfolio, the investor is able to track an extensive range of fund investments through one portfolio.
- **Simplicity:** The increasing complexity of investing and the search for suitable funds can be a full-time task. Our proprietary screening is accompanied by interviews with fund managers to understand a fund's investment style and approach. Our work makes fund selection for investors immeasurably easier.
- **Affordability:** We negotiate with investment houses to reduce the up-front costs of investing, therefore providing lower entry costs to many underlying funds. Greater buying power provides us with greater access to a fund manager and his research.
- **Convenience:** By screening out those funds that are considered weakest on risk, performance and risk adjusted performance basis, we alleviate the burden of finding the most suitable funds. Further, our vigilance over the underlying funds means we can quickly identify issues/trends.

Investment philosophy & process

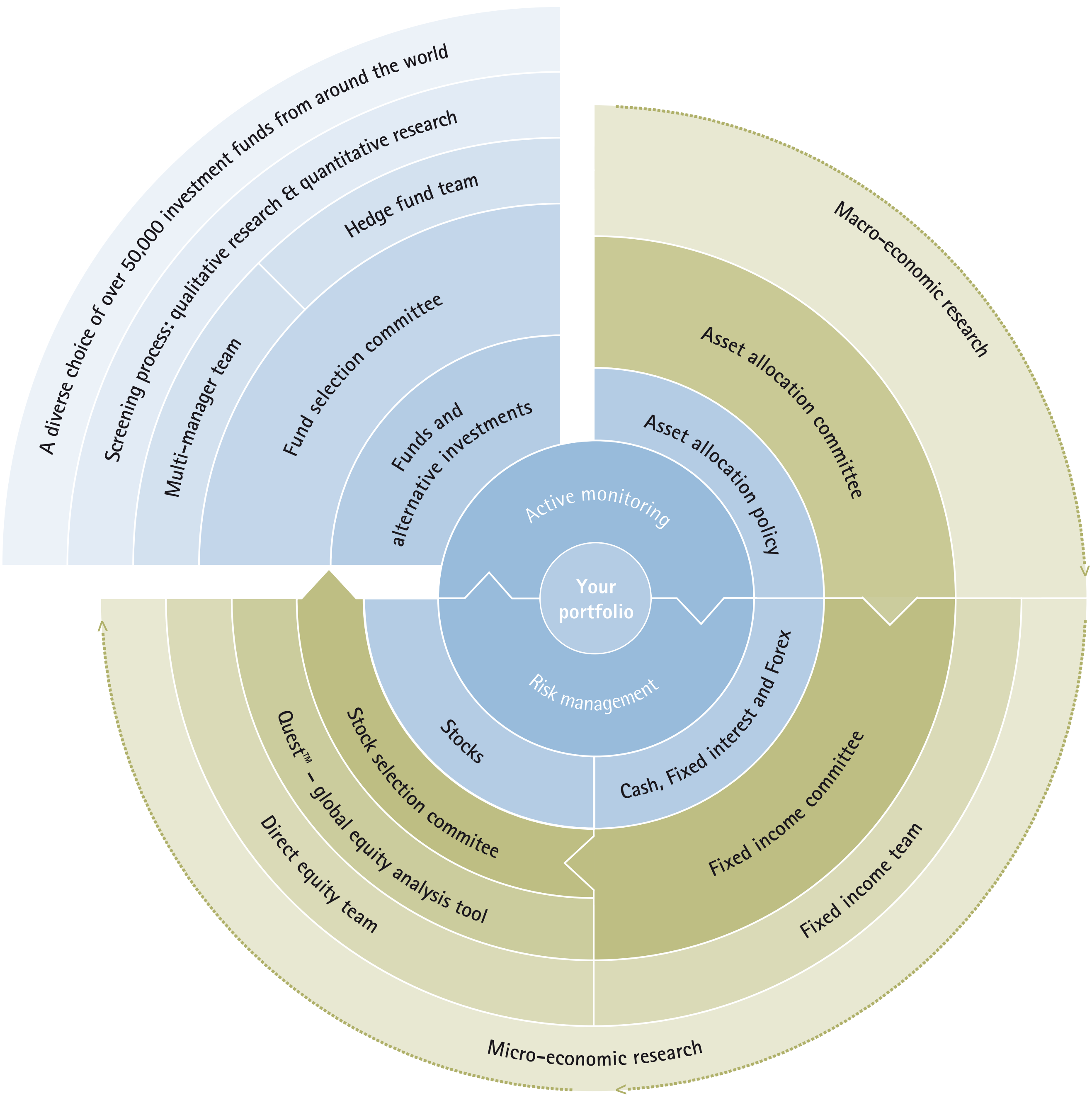
Collins Stewart Wealth Management focuses on delivering you high quality investment returns through an active, high-conviction investment style.

Our quest for quality investment returns means we focus on measuring the total return from each investment, we consider the risk/reward trade-off and will make decisions based on well researched ideas.

No one-investment style is favoured. Instead, we follow whatever strategy or tactics are appropriate to the prevailing market conditions and are aligned with your strategic viewpoint.

Our investment process benefits from a multi-disciplined team structure with professionals from all walks of life, including traders, accountants, asset allocators, engineers, stock pickers and analysts.

Overseen by our Chief Investment Officer (CIO) our rigorous investment process is agreed through a series of investment committees. These incorporate asset allocation, fund selection, fixed income, currency strategy and alternative asset class views. From this comes a coherent investment policy.



Risk management

Our investment process means that risk is managed at multiple levels and through different processes. At the portfolio level the portfolio manager tracks performance on each individual fund and monitors the contribution of each fund to performance on a daily basis. Sector specialists are responsible for monitoring their funds in the Approved Fund List using a proprietary monitoring system that gives a monthly snapshot of risk/returns and peer comparisons. Research analysts also monitor the securities of the funds held in the portfolio allowing the portfolio manager to understand individual stock risks in the funds he/she holds.

Risk is also reduced by using alternative strategies for diversification benefits and to reduce the correlation of the fund to the wider market. The absolute return philosophy of the investment team has created a risk reduction culture making us conservative investors.

We require our managers to demonstrate strong risk management controls and disciplines. Our investment approach has increasingly seen more dynamic funds within our portfolios that are not constrained by benchmarks or risk budgets linked to benchmarks. We consider benchmarks to be inappropriate proxies for markets and therefore the lack of a benchmark gives the manager of the funds we select greater freedom.

This approach leads to a greater benchmark deviation but our risk management focuses more on absolute risk and peer ranking. Our philosophy to be absolute return orientated means we have less regard to performances versus a benchmark and thus use modern risk management techniques to measure manager risk taking and aggregate portfolio risk.

An independent performance measurement and monitoring committee review each portfolio every quarter versus models, benchmarks and peer groups. Findings are presented to business heads on a quarterly basis. Reviews involve Collins Stewarts' Chief Investment Officer and Chief Executive Officer.

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