



**WealthProfessional**

CONSULTANCY & FINANCIAL PLANNING

# WEALTH PROFESSIONAL AND PMX INVESTMENT PORTFOLIOS



PORTFOLIOMETRIX  
Investment Management **by Design**

# AN INVESTMENT PARTNERSHIP TAILORED TO MEET YOUR NEEDS



## OVERSEEING THE WEALTH PROFESSIONAL PORTFOLIOS

### The Investment Committee

We have recently completed strategic review of our investment solutions, and in particular the Wealth Professional Advisory Portfolio Service which has served our clients well for many years. Following this review we have decided to bolster our current Investment Committee add external resource and expertise into the management and operation of our model portfolio service.

As of July 2024 clients invested in one of the 6 WP MPS strategies will benefit from the strategic partnership we have formed with PortfolioMetrix (PMX).

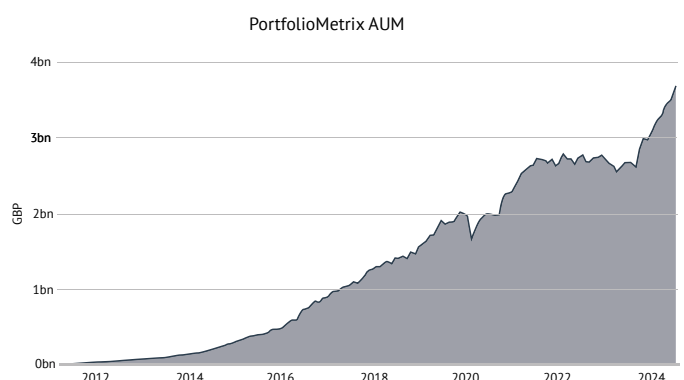
PMX is a specialist investment manager with over £3.6bn of asset under management\* (AUM). The PMX Investment Management team have a track record of delivering successful client outcomes for more than a decade and have a proud reputation for innovative partnership with financial advisers.

The PMX investment process combines a top-down view, based largely on macro-economic inputs and market valuations, with an unconstrained approach to selecting the very best specialist fund managers from around the globe in portfolio construction.

for PMX will manage each of the 6 Growth Strategies to the investment principles and mandate set by the Wealth Professional Investment Committee.

PMX will provide additional, full time, dedicated resource to monitor our client portfolios daily. Furthermore, with their regulatory permissions and discretionary licence, PMX are able to make proactive changes efficiently within client portfolios without the need for client approval each time.

Strategy Construction and Risk Mapping Wealth Professional, acting as agents for each of our clients, have entered into a strategic partnership with PMX whereby PMX provide bespoke versions of the PMX Managed Portfolio Service strategies matched to Wealth Professional's investment risk profiles; each of which targets a specific range of volatility.



# WEALTH PROFESSIONAL MODEL PORTFOLIOS



Wealth Professional and PMX meet formally every quarter as a joint investment committee, and yearly for an Annual Governance Meeting.

## The joint Investment Committee members consist of: -

- Wealth Professional - Douglas Mitchell (Director), Nigel Jaynes Dip PFS LLB (Director) and David Webster (Director).
- PMX – Alex Funk (Head of Investments, UK), Oliver Jones (Investment Manager), Isabelle Chessell (Investment Analyst).
- The PMX Investment Team is global in its outlook and institutional in calibre, with its 12 members having over 130 years of collective experience, and 9 CFA Charter holders.

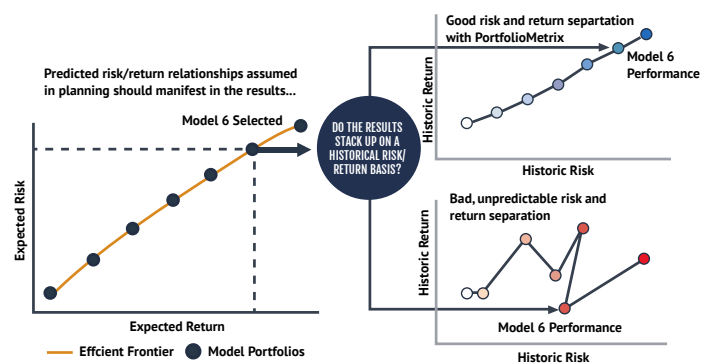
Investment management decisions are discussed and debated by the investment committee. The committee is chaired by PMX's Chief Investment Officer and meets weekly. Research, asset allocation and fund selection are discussed within a defined decision-making structure where each decision is tested and agreed upon.

## The following is typically discussed in a committee meeting:

- Significant news or events over the previous week.
- Market movements, relevant economic data releases and changes in relevant indicators.
- Presentation on a particular asset class, theme or instrument implementation for a particular asset class.
- Fund selection process, recommendations, implementation and any identified risks.
- Application of asset allocation and fund selection decisions made within proprietary portfolio construction tools.

## When implementing portfolio changes, the following steps are followed:

- Asset allocation process.
- Assumptions made in the modelling process.
- Excess return views used in the optimisation process.
- Consistency of implementation of views across the risk curve.
- Discussion of recommended implementation and any identified risks.



# KEY INVESTMENT PRINCIPLES

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The key principles underpinning Wealth Professional's and PMX's investment philosophy are:

**Diversification:** We understand the value of appropriately diversified investment solutions, this forms a key component of investment recommendations.

**Asset Allocation:** Investment portfolios must match our strategic asset allocation.

**Risk Ratings:** Investment portfolios must correlate with our client risk profiling analysis and ratings.

**Active and passive investment:** We believe in the value that active, accountable management can bring to investment portfolios. In asset classes or sectors where we believe there is no discernible benefit of paying for active management, we will recommend passive solutions such as index trackers or other synthetic low-cost investment solutions.

**Cost and Value:** We recommend solutions that are cost effective and will seek to negotiate discounts for our clients. We will also consider more expensive fund solutions where we believe that the additional costs deliver demonstrable value for clients.

**Transparency:** We only consider fund managers who are transparent in their strategy, their underlying holdings, their costs and who have a track record of delivery.

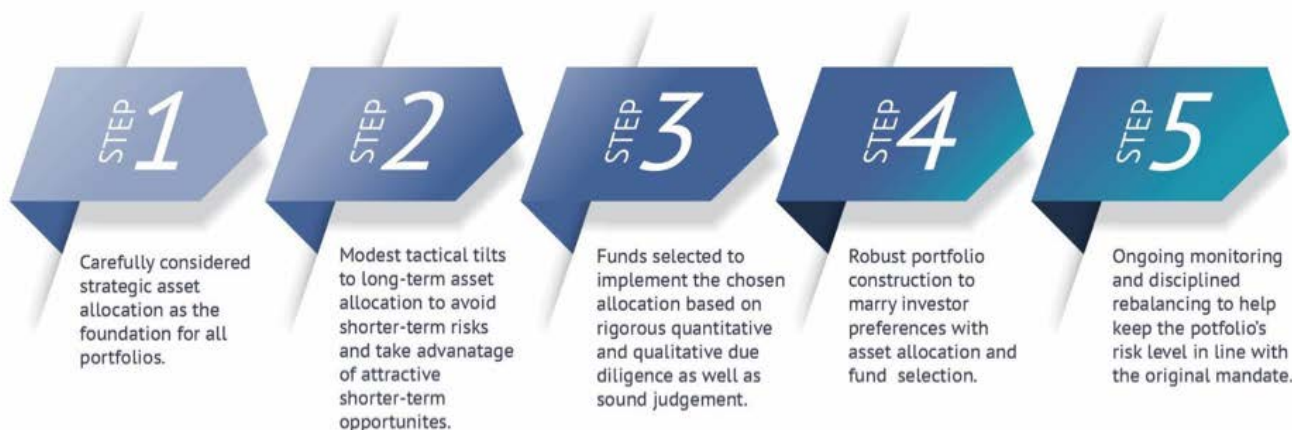
**Pedigree and performance:** We recommend fund managers who have a minimum of three years investment returns.

## THE PORTFOLIOMETRIX (PMX) PROPOSITION

Aside from PMX's innovative use of technology, what sets them apart was their alignment with our investment philosophy, which is evident in their approach to market risks. While they believe that markets are good at pricing risk, they argue that they are not fully efficient in this regard. A rigorous, well-engineered investment process focusing on risk control should ultimately improve long-term returns.

The key to a well-engineered process is marrying careful research with sound judgement to seek out investment opportunities while avoiding uncompensated risks. Avoiding concentration by carefully diversifying across countries, currencies, sectors, securities and outsourced managers is also crucial.

Implementing such a process over the life of a portfolio significantly reduces shortfall risk and increases investor wellbeing. Investor preferences can be incorporated into portfolio construction to create a more personalised offering which also enhances investor composure.



# HOW DO PMX MANAGE THE PORTFOLIOS?



## ASSET ALLOCATION

Asset allocation has been shown to be the most important driver of long-term performance and volatility. Getting the asset allocation right is, therefore, the most important aspect underpinning long-term investment success. At the heart of good asset allocation is robust diversification, which reduces the risk the investor takes. Potential returns are simultaneously improved by investing in different areas that react differently to the same event.

PMX use an academically proven approach to asset allocation via the Black-Litterman model, developed in 1990 at Goldman Sachs by Fischer Black and Robert Litterman.

## THE PMX APPROACH

- Blends historic data and forward-looking economic views.
- Incorporates the investor's key requirements.
- Increases diversification across different asset classes.
- Does not involve trying to 'time the market'.

Left to their own devices, most investors would not employ a scientifically based asset allocation approach, nor would they have the resources to do so.

Typically, self-directed investors tend to be attracted to the extremes of the risk spectrum:

- either heavily tilted to cash, attracted by its safety and simplicity,
- or focused on risk assets such as equities, driven by the allure of higher returns.

These investors are not considering the opportunity cost of being over-exposed to low-risk, low-yielding assets or the potential composure issues and downside risk associated with very volatile, pure equity portfolios.

Our asset allocation approach is a living process which evolves over time as we adapt to changes in the relative attractiveness of the various asset classes, as well as to changes in how they behave relative to one another.



# THE CURRENT ASSET CLASSES

PMX hedge currency exposure for fixed income investments but do not do so for equities, property, infrastructure or commodities.

**Asset classes which are predominantly illiquid and not available, nor appropriate, for daily dealing are not considered. These include:**

- Private equity
- Direct property/direct property funds
- Hedge funds

CASH AND BONDS	EQUITIES	OTHER
Cash and short-term bonds	US equities	Global property (listed)
Global government bonds	Europe ex-UK equities	Global infrastructure (listed)
Global inflation linked bonds	UK equities	Commodities
Global corporate bonds	Japan equities	
Global high yield bonds	Pacific ex-Japan equities	
Emerging market bonds	Emerging market equities	

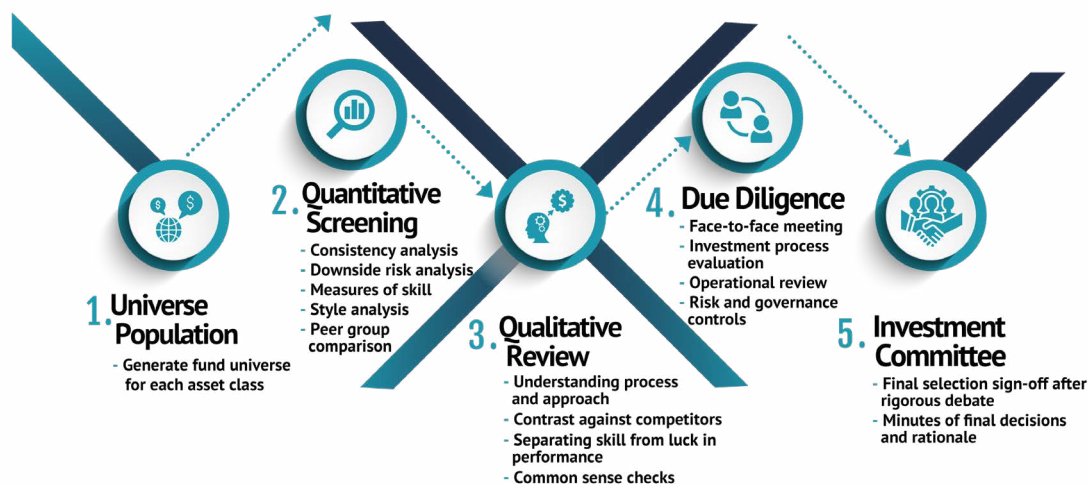
## THE PMX APPROACH

PMX take a best-of-breed approach to portfolio construction, selecting the most appropriate products to meet specific requirements. They are completely independent and can use any third-party funds to populate the asset allocation. The proposition is designed to provide practical combinations ensuring a wide range of choice, whilst safeguarding that all choices are fit for purpose.

**They operate a detailed selection process based on the type of fund:**

- **Active long-only funds:** High active share, low to medium tracking error, low to medium factor exposure, high alpha.
- **Market cap-weighted passive funds:** Low tracking error, low overall cost, operational stability.
- **Stewardship and ESG Integration:** Responsible allocation leading to sustainable benefits for the economy, the environment and society.

PMX do not currently use direct securities, investment trusts or structured products.



# MONITORING AND DISCIPLINED REBALANCING

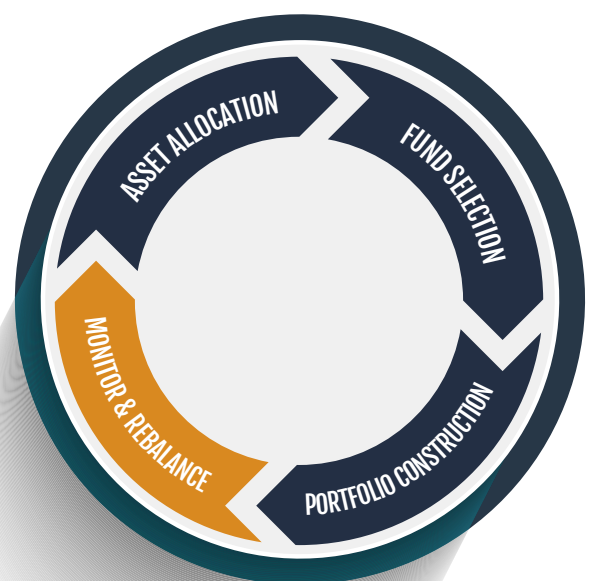


Asset allocation and fund selection is monitored daily and re-optimised as and when the investment committee deems it necessary. In addition, each individual fund used in portfolios is tracked daily against several metrics to ensure it meets requirements. Replacement funds are under constant review should a fund need to be replaced.

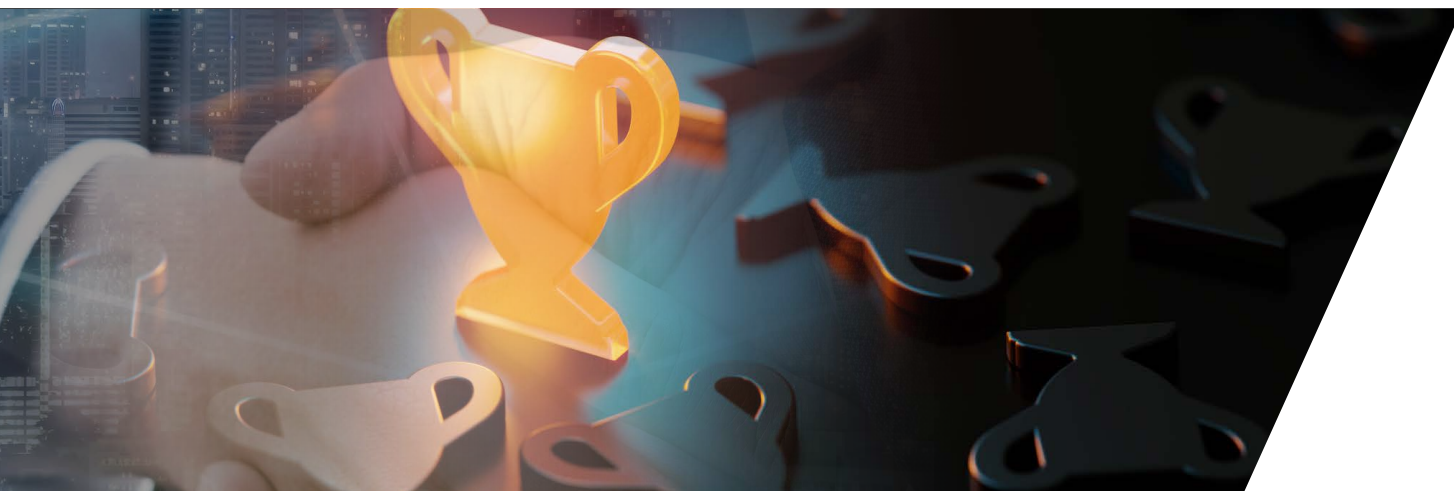
Even if target asset allocation or funds used do not require adjustment, over time actual asset and fund allocations within a client portfolio can also 'drift' from the target allocation because of the relative performance of the assets within the portfolio. Typically, this is because higher risk assets, such as equities, outperform lower risk assets, such as bonds, over the long term. The result is that the equity weighting would likely increase at the expense of bonds, resulting in a portfolio that is riskier than originally targeted.

Portfolio rebalancing is the process of reducing this risk mismatch through purchases and sales of assets in the portfolio that move weights back to the target allocation. Left to their own devices, most investors tend not to rebalance, as they find it counterintuitive to take money out of better-performing assets and reallocate this money to assets that are not performing so well. While rebalancing is designed to control risk, rather than maximise returns, this discipline can add to investment returns in volatile markets. Selling assets at a higher price and subsequently purchasing other assets at a lower price enables investors to benefit from any mean reversion.

We address the unique requirements of each portfolio and only use trigger-based rebalancing. Many peers rebalance on a calendar basis (at a predefined point in time, whether the portfolio needs it or not), which doesn't make sense. PMX only rebalance portfolios when they will benefit from the process. We have demonstrated that this disciplined rebalancing methodology can improve the investment returns and risk control compared with the simplistic calendar-based approach.



# PMX: AN AWARD-WINNING COMPANY



Professional Adviser  
**PA AWARDS**  
2024

**Best MPS** (Professional Adviser 2020)  
**Best DFM** (Professional Adviser 2022, 2019)  
**Best Client Engagement**  
(Professional Adviser 2024, 2023, 2022, 2020)

**CITYWIRE**  
WEALTH  
MANAGER

**Best DFM London**  
(Citywire Adviser Choice 2024, 2022,  
2021, 2020, 2019, 2018)





# WealthProfessional

CONSULTANCY & FINANCIAL PLANNING



## Wealth Professional CFP

### Contact

Bathgate: 2 Old Well Court, Wester Inch Business Park, Bathgate, West Lothian, EH48 2TQ  
Aberdeen: 23, Westhill Business Centre, Arnhall Business Park, Westhill, AB32 6UF  
Horsham: Broadlands Business Campus, Langhurst Wood Rd, Horsham RH12 4QP

**Tel: 0131 600 0166**

**Email: [enquiries@wealthprofessional.co.uk](mailto:enquiries@wealthprofessional.co.uk)**

[portfoliometrix.com](http://portfoliometrix.com)

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