

## Origins of wealth

### Turning a vision into reality

We understand that no two people are alike and that each of us will have a unique set of objectives. As professional advisers, our starting point is therefore always to take the time to truly understand your goals and aspirations and to turn your vision into a reality that creates sustainable solutions for your aspirations.

You may have accumulated wealth after many years in a successful career, from the sale of a business or through receiving a substantial inheritance. Whatever the origins of your wealth, it now provides for even greater growth opportunities.

You may have specific goals that reflect your risk tolerance, time horizon or asset class preferences. Whatever your needs, we can help you develop an investment strategy that works for you. When it comes to building an investment portfolio, collective investment schemes should also be considered as part of a well-diversified portfolio.

#### UNIT TRUSTS

Unit trusts pool funds together under one umbrella and then manage them en masse. Investors pay into the unit trust, which then buys assets such as equities or bonds on their behalf.

The monetary value of these assets is divided by the number of units issued when the fund is created to give an initial unit value. This value then fluctuates as the underlying assets trade daily and investors put money in or take money out. As there is no limit to how many units can be created or redeemed on an ongoing basis, unit trusts are known as 'open-ended funds'.

#### OPEN-ENDED INVESTMENT COMPANY (OEIC)

An OEIC is a type of company or fund in the United Kingdom that is structured to invest in other companies with the ability to constantly adjust its investment criteria and fund size. The company's shares are listed on the London Stock Exchange, and the price of the shares is based largely on the underlying assets of the fund. These

funds can mix different types of investment strategies such as income and growth, and small cap and large cap.

Investors' money is pooled and spread across a wide range of investments, such as equities or fixed-interest securities. This diversification helps reduce risk of losing an investor's principal. OEIC funds offer the potential for growth or income as medium to long-term investments for five to ten years, or longer.

#### INVESTMENT TRUSTS

An investment trust works along the same principle of raising money from investors to buy assets that it manages on behalf of them all. The main difference is that the investment trust is created by selling a fixed number of shares at the outset. As no new shares are created, investment trusts are known as 'closed-end funds'.

#### TYPES OF INVESTMENT FUNDS

There are a few broad categories of funds available via a unit trust and investment trust. The type of fund or funds you choose will depend on your investment goals and attitude to risk.

**Equity funds** invest in a range of company shares that offer capital gains when share prices rise, along with an opportunity to receive the dividends that some companies pay periodically. However, share values may fall – sometimes dramatically – and dividends can be cut if companies run into cash problems.

**Equity income funds** specifically target the companies that pay strong dividends or have the potential to raise their pay-outs. This has proved a particularly successful strategy during a

recessionary environment, as the dividends can act as a cushion against lower returns from falling share prices.

**Multi-asset funds** invest in a range of equities, bonds, commodities (including gold), money markets and real estate. These can be an efficient means of reducing risk by investing across a wide range of assets so that you don't have all your eggs in one basket.

**Specialist funds** target countries or sectors that require expert knowledge by their fund managers to avoid the riskiest areas of the market and to maximise returns. Many have sprung up covering emerging markets such as Asia and Latin America, or sector-based funds such as commodities.

**Absolute return funds** aim to produce a positive return over time, regardless of the prevailing market conditions. The ability to produce positive returns is typically assessed on a rolling 12-month basis. ■

#### SOLUTIONS DESIGNED AROUND YOU AND YOUR FAMILY

We provide tailored professional advice and solutions designed around you and your family to enable you to build a goal-based financial plan that reflects what's most important to you. To discover how we can help grow your wealth, please contact us.