Andrews Gwynne Portfolio Process

Introduction

We act on behalf of private clients, their trusts and pensions, and charities so we are fully aware that different clients have differing requirements, time horizons, risk profiles and tax structures. When implementing a strategy suitable for a client all of these factors need to be taken into account. This is achieved by an initial planning process this is updated as frequently as is necessary, but it is this process that informs the specific strategies for each of our clients.

Rather than allocate clients into set model portfolios (that may not be wholly suitable), and us show performance of these models, we prefer to keep track of our performance through the unique methodology and construction of the Andrews Gwynne (AG) Portfolio. Simply, we take the actual value of assets in each of the preferred investments within the AG Portfolio and divide this by the total value in the overall strategy. This therefore provides a true and accurate reflection of where our assets are invested as a whole business. We know that this method of portfolio monitoring is unlike any peers, but for over a decade we have found that it is a powerful and useful way of showing the success of our investment committee's investment strategy over the longer-term.

Due to the way the AG Portfolio is constructed none of our clients will own it as it stands, except in very unusual circumstances. It is naturally very diversified, both across the number of investments and the varied strategies. It also combines the growth, income, and/or capital preservation attributes which can be more tailored for specific clients.

Investment Process

Our straightforward, repeatable process is fundamental to our past and future performance. It consists of the following elements:

1. Investment Committee (IC): is made up of the Partners and Investment Managers of the firm.
2. Research & Strategy meetings: regular meetings when the IC discusses macro-economic issues/themes, form views on asset allocation (AA), consider new ideas, analyse performance of the preferred investments and set the strategy for the AG Portfolio.
3. Preferred Investments: those actively used when constructing portfolios; broken down in our pre-defined AA categories; focussed to ensure high conviction, to improve efficiency of ongoing monitoring and to aid risk management; low turnover rate (bias to experienced managers); investments are approved and monitored formally
4. The end result of this process is the AG Portfolio and we include our 'best ideas' from it in clients' portfolios. However, client specific needs, objectives and/or legacy holdings will naturally ensure that each client portfolio remains unique.

Investment Selection Approach

Our high conviction strategy and long-term focus means that we are reluctant to chop and change investments for short-term performance issues, particularly as these can often be the result of short-term market mispricing.

Potential new ideas are identified through a combination of one-to-one fund manager meetings, attending select industry conferences, keeping in touch with industry developments and bottom-up qualitative fundamental research.

Typically, we invest with investment managers with whom we have a strong relationship and good access. Our long-standing relationships and our reputation in the industry means we usually meet managers in our Leeds office, regularly seeing over 100 each year – a combination of those we already invest with and those we are building relationships with. We aim to meet in person the managers we invest with at least once or twice a year.

One of our key strength's is how wide we are prepared to cast our net, considering investments from a wide universe, including onshore, offshore, FCA recognised and unregulated. In addition to traditional asset classes/sectors we are comfortable considering single strategy/fund of hedge funds, absolute return funds, structured products, Exchange Traded Funds, and investment trusts.

The advantage of this wider universe is that it allows us to build in greater diversification and lower correlations, and we believe that this in turn provides less volatile and more consistent returns to an overall portfolio.

How We Interpret Risk

Following the tech bubble and subsequent bear market, followed by the rally into the financial crisis of 2008, risk and the analysis of risk has gained a higher profile amongst investors. However, following the recent recovery in stock markets, we think this has begun to fall off the radar with overly simplistic risk models guiding investment decisions.

After many years of researching investments however, we understand that there are a variety of factors that can be analysed in determining risk, which often cannot be shown through simple models. This has led us to include a wide variety of strategies and investment types over the years and has given us the experience of seeing them work through different market conditions.

Clients can be assured that we take risk very seriously and, perhaps most importantly, can have confidence that we can combine real life experience with quantitative understanding and apply this to their portfolios.