WOODRUFF FINANCIAL PLANNING

# Case Study:

# Portfolio Management

**This case study shows how the portfolio management service works in practice, and demonstrates the benefits it can bring to clients.**

## What is the Portfolio Management Service?

This service is for clients who have lump sums invested, whether in investments or pensions. Usually, we find that it is worthwhile to consider for those with assets of more than £40,000.

The idea is to service the investments each year, so that we can review their progress and generate better returns over time.

## Review meeting

An important part of the service is a review meeting, where we sit down with the client and discuss their options, along with our recommendations. This is vital to the process as the client needs to understand their options and take appropriate decisions.

## A case study - Mr Jones

Mr Jones has built up a good-sized fund, worth more than £100,000. He came to us for advice on how to invest this fund as he wanted to take an income from it.

## Initial advice

We started by analysing his risk profile and built a portfolio of investments around his aims of providing an income, with the hope of also generating growth in the fund. Mr Jones came out as a relatively high risk investor (8 out of 10 on our scale), which meant that the funds we recommended were a blend of shares based in UK, Europe, North America and the Far East.

Mr Jones was taking an income during the first year of approximately 6% of the fund.

## Mr Jones's report

After a year had passed, we produced a report for the client, which focused on the following areas:

### Policy valuations and fund reports

We showed him how the value of his plan had changed since the last review. We also compared the portfolio against sector averages, and showed him how it had performed against inflation.

This analysis showed that his fund had grown by over 18% since the start of the plan, although this had been impacted by the charges and also the income he took. However, this represented an excellent return given that he was taking income as well. Thus, he had managed to achieve a good level of capital growth, while also receiving an income.

An important note: while this was a very good year, Mr Jones is a motivated investor. Thus, he is taking higher than average risks with his money in the hope of generating good returns over time. We had explained to him the risks that his fund could also drop in value. Investing is not guaranteed.

In general, if you are looking for a safer portfolio, your expectation of returns should be lower over

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time, although you will also have a lower likelihood of loss.

**Risk analysis**
It is important to maintain the level of risk that Mr Jones is comfortable with, so we analysed the portfolio to ensure he remained on target with the ideal portfolio for his risk tolerance.

We recommend that he rebalance his portfolio each year to bring the investments back into line with his stated aims. Thus, we made small changes to his portfolio to effectively lock in some of his gains.

**Individual fund analysis**
We provided data on his funds, and compared these with others in their sectors. The idea of this is to show him how well his funds performed versus the best available. We do this by analysing the past performance, and then reviewing the likely future performance based on the ratings provided by experts in the field. We did this for his actual funds, and then compared this against all others in the sector. This gave us an indication of how well his funds were doing.

We then provided him with a commentary on the funds' performance, making a recommendation to hold or sell the fund based on its performance, future outlook and his own circumstances. In fact, we recommended that he switch 2 out of 5 funds held because the future outlook was not looking as bright as previously.

**Review meeting**
We did not just provide a report for him to digest, with lots of statistics and graphs. We actually sat down with Mr Jones to talk him through the analysis and explain how each area affected his goals. We were then able to show him some alternative solutions so that he was able to understand his decisions, and actually become involved in the process.

## Why manage your portfolio?
We think that much of the negative feeling about pensions and investments is actually down to complication, and the fact that other advisers do not review their clients' progress over time.

We see the portfolio management process as a bit like servicing your car. You spend thousands of pounds on that shiny new model; if you don't get it checked out every now and again you know it will gradually rust and eventually stop working.

Your investments are like this as well; if you keep pup to date with the risks you are taking and how well the funds are performing, the theory is that over time you will get better performance than if you had left the portfolio alone.

Investing is a complicated area, and requires financial advice. If your portfolio needs a boost, why not contact us?




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