

# Thesis Asset Management Helping Financial Planners outsource investment management

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## Introduction

We have been working in partnership with financial planning firms for the past four years and this source of new clients for Thesis has grown over this time to represent more than 40% of the new funds we captured last year.

We very much see our relationships with financial planners as being one of a partnership, working closely with such firms to provide a joined-up solution to their clients. We prefer this approach rather than being treated as just another product provider.

It is particularly important to us when working with financial planners that communication is joined-up and that clients clearly understand who is dealing with which aspect of their affairs and where responsibilities lie to perform our respective roles.

At the outset of a new relationship with a financial planning firm it is important to understand your advice process and in particular your approach to providing investment advice. This is important so that we can link our respective approaches in terms of asset allocation advice and risk profiling to provide the most efficient approach to ensure compliance risks are dealt with for both firms as well as ensuring the best approach for the client. We are flexible in our approach to this but it is something to be agreed and understood at outset to ensure a smooth business relationship and a clear approach for your clients. This guide outlines what we feel is best practice based on our experience of working with financial planners over the last few years.

Outsourcing the management of your client affairs to a discretionary firm may be a new venture for you. We have produced this guide to help you with the handing over of clients to Thesis so that expectations are clearly understood and hopefully ensures a smooth transition with us when taking over the investment affairs of your clients.

## Making a referral

### Introducing Thesis to your clients

- In our experience, financial planners may have several different reasons for introducing a client to a discretionary investment manager. Whatever the reason, for clients who are new to the concept of having a portfolio managed by such an adviser, we believe it is good practice to explain the benefits of operating to a discretionary mandate rather than the advisory management that most financial planners currently perform for their clients.
- In explaining the benefits of discretionary management, the appendix 'Reason why paragraphs' provides wording to assist with communicating this to your clients. In addition, our main client brochure will provide a client-friendly introduction to our services and again best practice has proved that providing this document to your clients at outset helps them to understand our role
- If your client is in agreement to an introduction to Thesis, for data protection purposes you should obtain your client's written authority for you to divulge information to us.
- Based on your client's personality, location or other factors, you then need to decide who is the most appropriate Thesis Investment Manager to introduce to your client.
- Having decided which Investment Manager you wish to use, we prefer a written or e-mailed initial brief from you sent to the manager which broadly sets out your client's circumstances, objectives and attitude to investment risk.
- Based on your brief, we will prepare an initial scheme of investment which we will forward to you for discussion with the client. At this stage, while we have yet to obtain full client information and confirm the client's attitude to risk, we would not normally make reference to the client's name to avoid our initial scheme being construed as a formal recommendation from Thesis.

### Proceeding to a formal recommendation

- If your client wishes to proceed with Thesis, then ideally we would prefer to meet with you and your client. As well as an opportunity for client and investment manager to get to know each other, we also use this meeting to complete our own factfind and confirm with the client their attitude to investment risk and objectives. If you have obtained your client's authority to divulge information to us, we will pre-complete our factfind in advance of any meeting.

- If an initial client meeting is not possible or appropriate, then the chosen investment manager will ask the adviser for a written profile of their client's investment requirements together with a completed know your client form.
- Investment manager undertakes any money laundering checks if not previously obtained by you.

## New business submission

### Making a formal recommendation

- Following the initial meeting and once we sufficiently understand the client, their objectives and risk tolerance, the Investment Manager will provide a detailed recommendation report which clearly sets out our proposed solution and costs involved. The report will be sent directly to the client with a copy to you as their adviser. Alternatively, with your client's signed authority, we can forward both copies of our report to you.
- Alternatively, we can present our recommendations and report to you and your client by way of a face-to-face meeting.
- At this stage we will await further instruction from you. In addition we will make any required changes to the proposed scheme of investment based on views or wishes expressed by you or the client following their receipt of our advice.

### Proceeding with our recommendations

- If the client wishes to proceed with our recommendation, the Investment Manager will arrange for the appropriate investment management agreement to be produced detailed the agreed fee structure and forward this to the client or you for completion and signature.
- We will also send out any additional paperwork for completion such as letter of authority forms, transfer forms or ISA application forms for example.

### Submitting the business

- Upon receipt of the returned and signed documents from the client, the Thesis investment manager checks to make sure all paperwork is completed and signed with supporting documentation attached. This is then forwarded to our new business team in Chichester for processing.
- Provided the new business team is in receipt of fully completed and signed client documents they will ensure that all new client accounts are opened within 5 business days upon receipt of the documentation from the relevant investment manager.

**NOTE** – Based on our experience, the above steps set out what we consider to be best practice to ensure the smooth, efficient and compliant take-on of a new client. However, we also appreciate that not all referrals come in as neatly as described above. We are flexible and understand there might be changes to the above approach in order to accommodate your own style of operating.

## Reviews and future communication

We pride ourselves on providing a high level of personal service and we are always willing to meet with prospective new clients where it is practical to do so. We feel that the opportunity to meet face-to-face with a client early in the relationship helps get things off to a positive start.

On an ongoing basis, we communicate with clients and their advisers in the following ways;

### Client reporting

We will formally report back to clients every 6 months. For investors in to our Personal Investment Portfolio service, the first review produced will be six months from the initial investment and thereafter every six months. Investors in to our Optima Investment Portfolio service will receive reports every April and October.

Clients invested within our Personal Investment Portfolio service will also receive a quarterly update from their investment manager summarising recent market events and conditions and the impact this has had on the client's portfolio.

### Review meetings

In terms of annual review meetings, we will be guided by you as the client's financial planner. Very often we would attend your own review meeting with your client in order to provide input on the client's portfolio and obtain confirmation that this still matches their investment objectives.

As well as the formal review processes outlined above, your Thesis Investment Manager always remains accessible and available to you and your clients.

### E-bulletins

Both you and your clients can choose to subscribe to our two free monthly e-bulletins The View and Optima News & Views. The View provides commentary about our house view on investment markets and other market news while Optima News & Views provides an update on the performance of our Optima funds and investment changes we may have made.

### Portfolio valuations

We can provide you with access to our online portfolio valuation facility as a way of running an updated valuation of your clients' portfolios. This access can also be provided to your clients also should you wish.

A guide setting out how to access this facility is provided as an appendix to this document.

## **Investment Forums**

We encourage all of our financial planning connections to attend our quarterly Investment Forums. Held every January, April, July and October and normally in your own offices, this is an opportunity to hear from your local Thesis investment team about what we have been doing within client portfolios and how we have performed. Importantly we will also keep you updated about our current thinking and future investment ideas.

## **Relationship reviews**

Every six months, the Business Development team will look to meet with you in order to review the state of our working relationship with you. This is an important opportunity to get feedback from you about what is working well and any areas where there is room for improvement in the service we deliver to you and your clients.

## Appendix – Useful points of contact

<b>David Dudley</b> 01243 753418 <a href="mailto:david.dudley@thesis-plc.com">david.dudley@thesis-plc.com</a>	Operations Manager	For queries relating to financial planner remuneration
<b>Lynette Scott</b> 01243 753414 <a href="mailto:lynette.scott@thesis-plc.com">lynette.scott@thesis-plc.com</a>	Senior Contracts Administrator	For queries relating to the processing of new client business
<b>Emm Lawlor</b> 01243 753426 <a href="mailto:emm.lawlor@thesis-plc.com">emm.lawlor@thesis-plc.com</a>	Business Development Manager	For queries relating to our business relationship

## Appendix - Reason why paragraphs

### Why use discretionary investment managers?

Performed correctly, discretionary investment management is not about off-the-shelf investment solutions. Nor should it be about offering a range of products that are simply 'shoe-horned' to fit a client's needs.

Instead, discretionary investment portfolios should be built around each client's individual needs and should only be constructed once a client's future objectives and attitude to risk are fully understood.

It is not simply how investment managers create investment portfolios that set them apart from other specialist investment advisers. Perhaps more importantly, it is the way they actively manage your client's investment portfolio to make sure their changing needs are continually met. As the following graph shows, no one asset type can expect to remain the best performing over all time periods thus demonstrating the importance of having a qualified professional actively managing your investment portfolio with the knowledge and tools to monitor performance and take advantage of timing and market conditions.

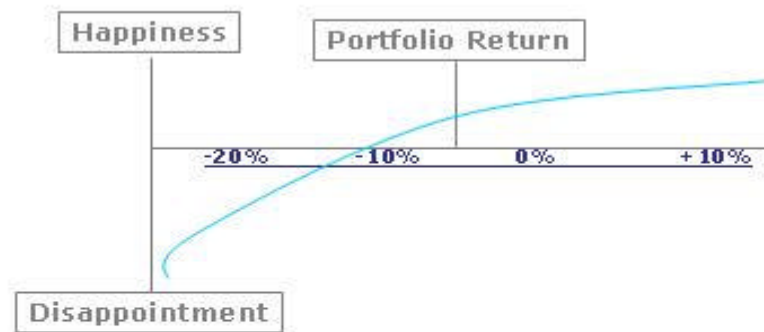
From year to year, there's no telling which asset classes will be the best performers—a strong argument for portfolio diversification. The chart below ranks the best to worst performing asset classes from top to bottom for the years 1999 to 2008.

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Small-Cap Growth 41.1%	Commodities 31.8%	Small-Cap Value 14.8%	Commodities 25.9%	Small-Cap Growth 48.5%	Real Estate 33.1%	Commodities 21.3%	Real Estate 38.1%	Commodities 16.3%	Long-Term Bonds 24.0%
Large-Cap Growth 33.1%	Real Estate 31.0%	Real Estate 12.3%	Unhedged Foreign Bonds 22.5%	Small-Cap Value 46.0%	Small-Cap Value 22.3%	International Stocks 14.0%	International Stocks 26.8%	Large-Cap Growth 11.8%	Unhedged Foreign Bonds 12.9%
International Stocks 27.3%	Small-Cap Value 22.8%	Inter-Term Bonds 8.4%	Long-Term Bonds 16.7%	International Stocks 38.1%	International Stocks 20.7%	Real Estate 13.9%	Small-Cap Value 23.4%	International Stocks 11.6%	Short-Term Bonds 6.6%
Commodities 24.3%	Long-Term Bonds 23.2%	Short-Term Bonds 8.3%	Inter-Term Bonds 10.2%	Large-Cap Value 30.0%	Large-Cap Value 15.4%	Large-Cap Value 1.8%	Large-Cap Value 22.2%	Unhedged Foreign Bonds 10.8%	Inter-Term Bonds 5.2%
Large-Cap Value 13.4%	Inter-Term Bonds 11.6%	High Yield Bonds 4.4%	Short-Term Bonds 5.3%	Large-Cap Growth 28.7%	Small-Cap Growth 14.3%	Long-Term Bonds 6.5%	Small-Cap Growth 13.3%	Long-Term Bonds 9.8%	Cash 1.8%
Cash 4.7%	Short-Term Bonds 8.0%	Long-Term Bonds 4.2%	Real Estate 3.0%	High Yield Bonds 28.1%	Unhedged Foreign Bonds 12.6%	Large-Cap Growth 5.2%	High Yield Bonds 13.7%	Short-Term Bonds 7.3%	High Yield Bonds -25.3%
Short-Term Bonds 3.6%	Large-Cap Value 7.0%	Cash 4.9%	Cash 1.7%	Real Estate 27.7%	High Yield Bonds 10.8%	Small-Cap Value 4.7%	Large-Cap Growth 5.6%	Small-Cap Growth 7.8%	Small-Cap Value -38.9%
High Yield Bonds 2.5%	Cash 3.9%	Unhedged Foreign Bonds -3.5%	High Yield Bonds -1.8%	Commodities 23.9%	Commodities 5.1%	Small-Cap Growth 4.1%	Unhedged Foreign Bonds 5.9%	Inter-Term Bonds 6.3%	Commodities -25.6%
Inter-Term Bonds -0.8%	Unhedged Foreign Bonds -3.4%	Large-Cap Value -5.9%	Small-Cap Value -11.4%	Unhedged Foreign Bonds 18.6%	Long-Term Bonds 7.7%	Cash 3.0%	Cash 4.7%	Cash 4.7%	Large-Cap Value 36.3%
Small-Cap Value -1.8%	High Yield Bonds -5.1%	Small-Cap Growth -9.2%	Large-Cap Value -15.5%	Inter-Term Bonds 4.1%	Large-Cap Growth 6.3%	High Yield Bonds 2.7%	Inter-Term Bonds 4.3%	High Yield Bonds 2.9%	Large-Cap Growth 39.4%
Real Estate -2.5%	International Stocks -11.9%	Commodities -19.5%	International Stocks -15.4%	Long-Term Bonds 2.4%	Inter-Term Bonds 4.3%	Inter-Term Bonds 2.4%	Short-Term Bonds 2.0%	Large-Cap Value -8.1%	Small-Cap Growth -35.4%
Unhedged Foreign Bonds -4.1%	Large-Cap Growth -22.4%	Large-Cap Growth -20.4%	Large-Cap Growth -27.8%	Short-Term Bonds 1.9%	Cash 1.3%	Short-Term Bonds 1.6%	Commodities 2.0%	Small-Cap Value -8.7%	Real Estate -29.2%
Long-Term Bonds -6.7%	Small-Cap Growth -22.4%	International Stocks -21.2%	Small-Cap Growth -32.7%	Cash 1.0%	Short-Term Bonds 0.9%	Unhedged Foreign Bonds -2.4%	Long-Term Bonds 1.0%	Real Estate -17.8%	International Stocks -43.3%

Source – Allianz Global Investors based on data for US markets to 31 December 2008

Having understood and agreed a client's objectives and attitude to risk, passing discretion over future management decisions to your investment manager means that they can make fast and effective decisions, especially important in volatile stockmarket conditions, without the need to contact you beforehand.

Discretionary investment management is not just about seeking superior investment performance. Managing private client investment portfolios is as much about preserving an individual's wealth as it is increasing wealth and as the following graph shows, it is important to acknowledge that the disappointment and pain experienced from negative returns is greater than the pleasure from double digit positive investment performance.



- Negative returns = dissatisfaction
- Double digit positive returns only marginally add to contentment

### Why recommend Thesis Asset Management?

We feel that Thesis Asset Management follows the above principles of discretionary investment management closely and we are currently confident to recommend them to clients with capital sums to invest. We believe that Thesis' own six key principles make them a sound choice for clients of our firm.

#### Investment Manager expertise

An important strength of Thesis is the depth of investment expertise as a result of all managers participating in their house investment process and therefore having input into to Thesis' house investment decisions. This approach combined with a strong client care ethic produces personal and informed management of client assets.

Each Thesis client has a dedicated investment manager – someone who is not just a relationship manager merely providing advice solely based on research and recommendations from other people in the company.

Every Thesis Investment Manager is involved in research, individual asset selection as well as personally managing individual client relationships. This makes them directly accountable for all that they do for their clients and a strong commitment to doing the right things well.

### **Accountability**

Thesis' primary concern is the growth and preservation of clients' capital and income, and sometimes this means moving in the opposite direction to the rest, and investing in new areas. Equally, Thesis recognises that clients need to understand how their portfolios are performing. That is why they use recognised benchmarks, and clearly present performance data in their six monthly reviews so that clients are easily able to judge how well Thesis manages their portfolios.

### **Client access**

Thesis believes that clients and their professional advisers should have easy access to their Thesis Investment Manager and rather than being based in a central office, are accessible in one of their convenient local offices.

Thesis also maintains one of the industry's lowest client, investment manager ratios, so you will enjoy greater access to your dedicated investment manager and his or her support team.

### **Regular communication**

Thesis prides itself on all communications being clear and transparent ensuring that clients and their advisers can understand their portfolios and the role Thesis is performing for them.

Thesis reports back formally to clients every six months by way of a detailed and personalised review report. In addition, your Thesis Investment Manager will provide a more informal quarterly update on the state of the markets and any impact this has had on your portfolio.

Any of our investment managers would be happy to attend client meetings and where appropriate will attend annual review meetings in conjunction with you to ensure that your client's portfolio remains in line with the stated objectives and risk profile and in harmony with your client's overall financial planning strategy.

### **Heritage**

Thesis is the largest solicitor-linked investment management firm in the UK with approximately £3bn of funds under management and more than 35 years experience of dealing with clients of other professional advisers.

With our legal heritage you can rely on us to apply the highest standards of governance and integrity to all that we do. What is more, this solidity helps Thesis to maintain high levels of staff retention – people do not tend to leave the company very often and the relationship you will share with your investment manager is likely to be long-standing.

### **Style**

Thesis employs open, approachable, straightforward people. People with interests outside work and people who are grounded in the real world. People who are willing to work with other professional advisers you already share a relationship with – financial planners, lawyers, accountants – to give you the best possible service.

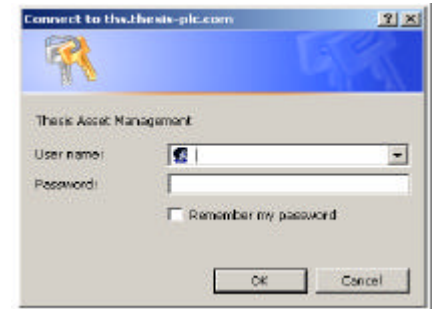
## Appendix - Remuneration guidelines

	Optima Investment Portfolio	Personal Investment Portfolio	Thesis SIPP
<b>How much initial remuneration will Thesis pay?</b>	Thesis will pay up to 3% of the investment to the introducing Financial Planner	Thesis will pay up to 3% of the investment to the introducing Financial Planner	An amount of 0.50% will be paid initially and is implicit with the client's annual management fee
<b>How do I request any initial remuneration?</b>	If initial remuneration is to be paid, this should be requested by the Financial Planner as an e-mail to <a href="mailto:portfolio@thesis-plc.com">portfolio@thesis-plc.com</a> . A copy of this request will be retained on the client's Thesis file.	If initial remuneration is to be paid, this should be requested by the Financial Planner as an e-mail to <a href="mailto:portfolio@thesis-plc.com">portfolio@thesis-plc.com</a> . A copy of this request will be retained on the client's Thesis file.	Initial remuneration at the above rate will be paid automatically at outset
<b>How is any initial remuneration accounted for?</b>	The sum to be paid to the Financial Planner is simply deducted from the monies available for investment	The sum to be paid to the Financial Planner is simply deducted from the monies available for investment	As part of overall management fee unless additional initial commission is requested in which case the difference is deducted from the investment amount
<b>How can I expect payment of any initial remuneration due to me?</b>	Thesis will pay any initial remuneration requested directly to the Financial Planner's nominated bank account via BACS	Thesis will pay any initial remuneration requested directly to the Financial Planner's nominated bank account via BACS	Thesis will pay initial remuneration directly to the Financial Planner's nominated bank account via BACS
<b>When can I expect payment of any initial remuneration due to me?</b>	Any payment will be made in the month that total monies are received by Thesis and the client has been set-up on our Pulse back-office system	Any payment will be made in the month that total monies are received by Thesis and the client has been set-up on our Pulse back-office system	Any payment will be made in the month that total monies are received by Thesis and the client has been set-up on our Pulse back-office system
<b>How can I expect payment of any ongoing remuneration due to me?</b>	This will be paid directly to the Financial Planner's nominated bank account via BACS	This will be paid directly to the Financial Planner's nominated bank account via BACS	This will be paid directly to the Financial Planner's nominated bank account via BACS
<b>When can I expect payment of any ongoing remuneration due to me?</b>	Payment will be made quarterly in arrears shortly after the end of every April, July, October and January	Payment will be made quarterly in arrears shortly after the end of every April, July, October and January	Payment will be made quarterly in arrears shortly after the end of every April, July, October and January

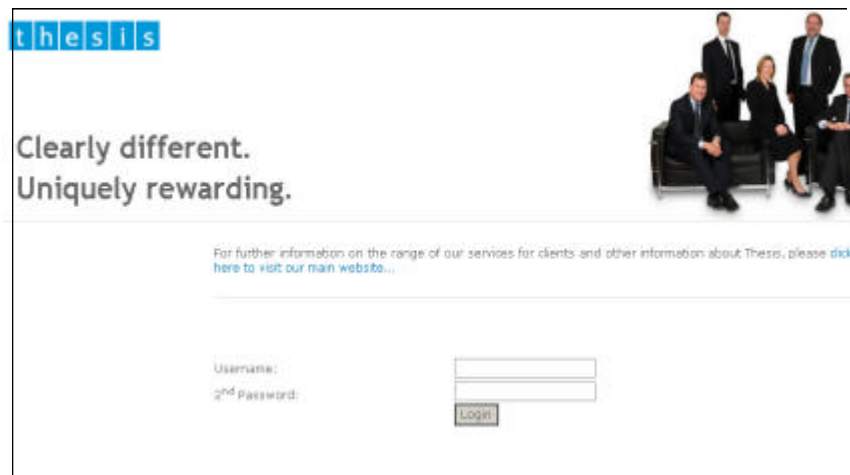
## Appendix – Online portfolio valuation guide

### Instructions for accessing your portfolio valuations online: Getting started

1. Open Internet Explorer, or any other suitable Internet Browser. Type <https://ths.thesis-plc.com> into the address bar at the top and click on Go (or hit return)
2. You will be asked to enter a username and password. Enter your username and password1 in the appropriate boxes and click **OK** (or hit **Return**)

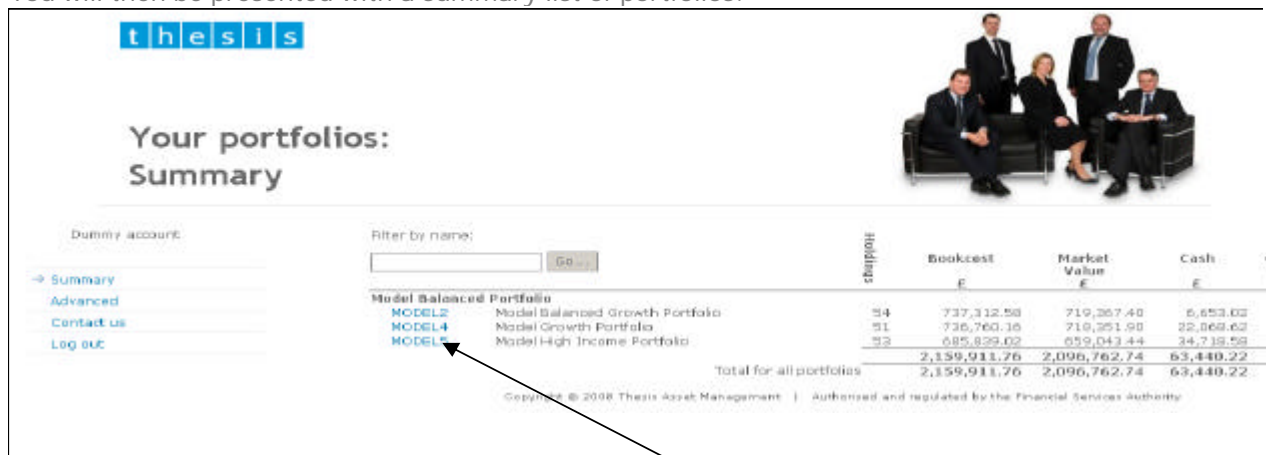


3. This will open a second Internet Browser window and you will be presented with another set of login and password boxes. Enter your username as the login (again) and password2 this time. Click **Login** (or hit **Return**).



Please note the reason for the two passwords is to ensure high security for the website

4. You will then be presented with a summary list of portfolios.



5. To display a valuation for a particular portfolio, simply click on the relevant portfolio code (**highlighted in blue**). You will then see the screen below.



## Your portfolios: Reports



[Print...](#)   [Go back to summary](#)

Model High Income Portfolio  
Thesis Asset Management PLC  
Exchange Building  
St John's Street  
Chichester  
West Sussex  
PO19 1UP

04-Aug-2008 INVESTMENT Client Valuation

				Code:	MODEL5		
X	Nominal		Mid Market Price £	Book Cost £	Market Value £	Projected Gross Income £	Yield %
FIXED INTEREST							
GOVT. SECS (CONVENTIONAL)							
	92,854	TREASURY 4 3/4% STK 2020 (NET) <b>±</b>	0.9831 ( 147 Days Accrued )	92,519.73	91,284.77 1,761.03	4,410.56	4.83
	44,239	TREASURY 5 1/2% 10/09/09-12 (NET) <b>±</b>	1.0002 ( 144 Days Accrued )	44,540.71	44,247.05 952.10	2,433.15	5.50
	45,749	TREASURY 5% STOCK 2014 (NET) <b>±</b>	1.0109 ( 147 Days Accrued )	45,755.06	46,243.09 913.74	2,287.45	4.95
	34,216	TREASURY 8% 07/06/2021 (NET) <b>±</b>	1.2820	45,447.50	43,804.91	2,737.28	6.24

By scrolling down to the lower part of the page will be able to view the cash accounts of your portfolio.

Thesis operates portfolios with 2 cash accounts called the revenue and trading accounts. The revenue account is the account which receives all income and dividends paid to the portfolio. The trading account shows all transactions and funds received for investment.

- To see specific transactions for individual cash positions or assets within the valuation, you can use the **±** icon (circled in red in the screen print above) next to the relevant asset which will lead to a separate screen showing a year's worth of transactions. You can print any of the reports via the [Print](#) Icon or the [Go Back to Summary](#) icon which will you return to the list of portfolios.

### Transactions

Portfolio Code : MODEL5  
Security Code : 3134965  
Security Name : BARCLAYS ORD GBP 0.25

Trade & Settlement Dates		Nominal	Book Cost £	Gain (Loss) £
01/10/2003	b/wtd	435,000	2,109.00	
01/10/2003				
31/12/2004	Bought 73 BARCLAYS ORD GBP 0.25	73,000	427.96	
31/12/2004				
22/06/2005	Bought 52 BARCLAYS ORD GBP 0.25	52,000	284.41	
27/06/2005				
02/10/2006	Bought 8 BARCLAYS ORD GBP 0.25	8,000	54.62	
05/10/2006				
		568,000	2,875.99	
Date of last price: 01-Aug-2008				
Market value £				1,939.72

[Print...](#)  
[Close window](#)

Please note for security that if you do not move on to a new page within 10 minutes you will automatically be logged off.

## Advanced Options

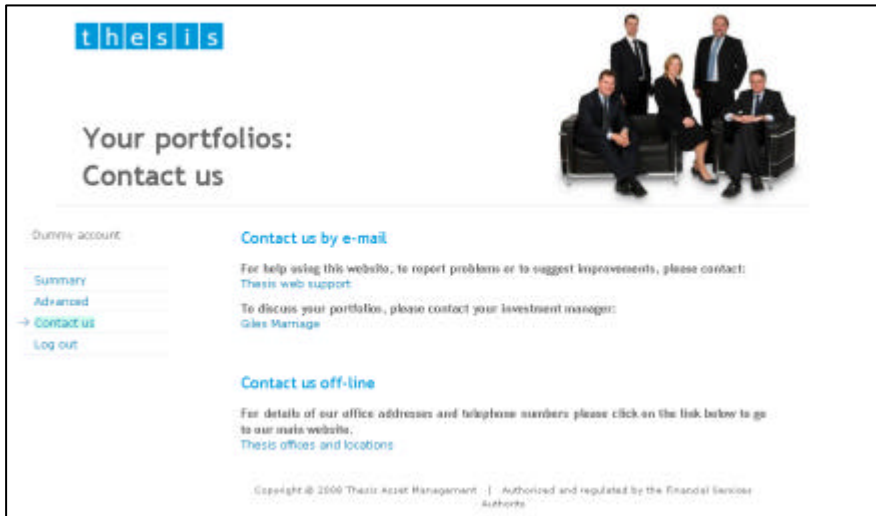
7. If you require a more detailed report across a range of portfolios, you can click on the **Advanced** icon on the left hand side of the summary page. You will then be presented with options to tick **Valuation** and/or **Account Statement** and the dates for which you wish to run these reports (preset from today's date going back one year).

8. Simply tick the relevant box next to the portfolio codes that you require and then hit **Go** (or hit **Return**). Please note, this action is set to a default to **Display on screen** which will allow you to print the content.

However there is also option to run to **Download as a CSV file** which will run an Excel file of the content. The report produced is very similar to the valuation pages (see screen print below) and contains the cash account information on the lower half of the page.

9. The advanced option also gives the option of producing valuations at a historic date. Valuations are produced at the date in the lower boxes labelled 'Valuation Date' (underlined in the screen print at the top of the page). Account statements are produced between the two dates specified, ending at the valuation date. It is therefore possible to compare valuations at different days however there is no way to display these at the same time therefore it may be beneficial to print off valuations or run to CSV (excel) files.
10. The filter option at the top of the summary page also allows current valuations of specific portfolios to be summarised by typing in a word common to the portfolio names.

11. If you wish to contact your manager or our web support desk to suggest any developments or issues, simply press the **Contact us** icon on the left hand side of the homepage and follow the instructions.



12. To log out click on the **Logout** link at the bottom of the page or simply close both Internet browser windows.

If you have any questions, please do not hesitate to contact your local Thesis office for assistance.

Thesis Asset Management plc is authorised and regulated by the Financial Services Authority