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# WEALTH SOLUTIONS PORTFOLIOS

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A service offering a broad range of portfolios managed by highly respected fund managers and designed to maximise returns for your risk profile.

**Helping you achieve your financial goals.**



# What is Nestor Wealth Solutions Portfolios?

Nestor Wealth Solutions Portfolios (Nestor WSP) offers a broad range of target risk portfolios that are actively managed by experienced fund managers John Husselbee and Paul Kim of Liontrust Investment Partners LLP. The range of portfolios is designed to enable you to choose those that are managed according to the level of investment risk appropriate to you and which will help you to reach your investment goals through changing economic cycles and environments. The Service and investment process are designed to achieve two main objectives:

- To achieve maximum returns for each model portfolio within the pre-determined volatility range.
- To deliver the outcome expected by investors dependent on your appetite for risk.

The portfolios provide you with diversification across a range of different funds, fund managers, geographical regions and asset classes.

## Reasons to buy

**Broad choice:** Nestor WSP offers a broad choice of 13 Growth, Income and Active Index portfolios to suit different attitudes to risk, investment objectives and time horizons. In addition, Nestor WSP offers three specialist portfolios for those investing in funds derived from personal injury damages or as a result of clinical negligence

**Experience:** John Husselbee and Paul Kim have 62 years of combined investment experience of managing multi-manager and multi-asset portfolios

**Long track record:** John and Paul have a long track record of meeting client expectations through the management of target risk portfolios

**Long-term advice:** You can stay in the service through the accumulation and decumulation phases of your life

**Insight:** This experience means John and Paul have seen many investment cycles and new trends emerge in fund management which enables them to identify and separate the innovations from the fads and take advantage of the former and avoid the latter

**Target risk portfolios:** The portfolios are designed to deliver the outcome expected by you dependent on your appetite for risk

**Portfolio flexibility:** You can switch between Growth, Income and Active Index portfolios as your risk profile and objectives change

**Rigorous process:** The fund managers apply a rigorous investment process to the management of the portfolios to ensure the way they manage money is predictable and repeatable

**Discretionary management:** Day-to-day management decisions are made on your behalf by John and Paul so you do not have to choose which asset classes, markets and funds to invest in. Granting discretionary powers to John and Paul enables them to react quickly to any changes in markets and alter investments accordingly

**Communications:** We provide regular and relevant communications and commentaries about your investments, real time online valuations and quarterly factsheets providing the breakdown of the portfolio in which you are invested

**Costs:** We aim to keep costs to a minimum to ensure that fees and charges are competitive. We are often able to invest in underlying funds on terms better than those usually available because we can aggregate transactions for all our clients

**Risk management:** We have a strong focus on risk management. Liontrust monitors the portfolios independently of John and Paul to ensure they meet their risk targets and are being managed in line with the portfolios' objectives

Please remember that, as with all investments, there are risks. The value of investments and income derived from them may go down as well as up and you may not get back the amount invested.

# The benefits of discretionary management

There are a number of reasons why you may decide to use discretionary investment management:

- You may feel you have a lack of time or insufficient knowledge to research the investment market, buy and sell funds and then to monitor your portfolio on an ongoing basis
- Discretionary managers invest in a range of funds and asset classes on your behalf. This is advantageous because no single investment manager is usually the best performer across one asset class, let alone all asset classes. Diversification across both asset classes and investment managers can reduce risk and enhance returns
- You grant your discretionary manager the authority to buy and sell investments without having to obtain your approval before making each transaction. This means your discretionary manager is able to react quickly to investment opportunities and changes in the market environment, which can be particularly valuable in volatile markets. Transactions can be carried out in bulk for the discretionary manager's clients, which can potentially reduce costs

## Meet our experienced fund management team



John Husselbee

Paul Kim

John Husselbee and Paul Kim are two of the most high-profile managers of multi-manager and multi-asset portfolios with 62 years of combined experience. This experience enables John and Paul to identify and separate investment innovations from fads and evaluate the motivations of fund managers, identifying any changes in their contentment and commitment. John launched the portfolio management service at Rothschild Asset Management, was Director

of Multi-Manager Investment at Henderson Global Investors, where he was responsible for portfolio construction and fund selection of a range of portfolios totalling over £650m, and founded North Investment Partners.

Paul was instrumental in setting up Investment Manager Selection Ltd (IMS), was Head of Fund Selection and Multi-Manager at Liverpool Victoria Asset Management (LVAM) and has also managed portfolios at Capel Cure Myers, Sun Life Portfolio Counselling Services (AXA Sun Life), Christie Group Investment Management and Spencer Thornton Investment Management Services.

## Our range of model portfolios

We offer a range of portfolios to suit different attitudes to risk, investment objectives and time horizons.

### Growth

Nestor WSP Growth Portfolios are designed to deliver long-term capital growth

### Income

Nestor WSP Income Portfolios are designed to deliver an attractive and rising level of income in addition to some long-term capital growth.

### Active Index

Nestor WSP Active Index Portfolios are designed to deliver long-term capital growth at a competitive price, mainly through the use of lower cost passive strategies

### Specialist

Nestor Core Portfolio, Diversified Income Portfolio and Nestor Personal Injury Portfolio

Please remember that, as with all investments, there are risks. The value of investments and income derived from them may go down as well as up and you may not get back the amount invested.

# Investment process

The Liontrust Multi-Asset investment process is designed to achieve two main objectives. The first objective is to target the outcome expected by investors in terms of the level of risk, as measured by volatility, of each model portfolio. This can enable investors to match the appropriate portfolio to their desired risk profile.

The second objective is to maximise the return for each model portfolio while still targeting the investor's level of risk.

These two objectives are pursued through a quantitative and qualitative approach. We use a scientific approach to target the risk outcome expected but consider the maximisation of returns to require an additional element of experience, knowledge and qualitative interpretation.

There are four key stages to our investment process, starting with strategic asset allocation, followed by tactical asset allocation, fund selection and portfolio construction. Risk management is central to each of these stages, and the model portfolios are designed to provide diversification across asset classes, geographical regions and investment style in order to enhance the risk-adjusted returns.

## There are four key stages to the investment process:

- Strategic asset allocation
- Tactical asset allocation
- Fund selection
- Portfolio construction

## Strategic Asset Allocation

Each of the model portfolios has a distinct risk profile, expressed in terms of target volatility. A higher volatility will usually imply there is the potential for higher gains but also greater potential losses and thus represents a higher level of risk. The range of portfolios has been designed to meet most investors' risk and return objectives.

**We break down the available universe of portfolio combinations into expected return and volatility ranges. Each volatility range corresponds to a risk profile which we offer through Nestor Wealth Solutions Portfolios.**

On an annual basis we collate and analyse historical returns and volatilities of a range of asset classes, as well as their correlations with each other, in order to determine the strategic asset allocation (SAA) that should meet the volatility targets for each model portfolio over the long-term. In constructing the SAA, we assume the long-term historic return characteristics of the different asset classes are a reasonable base expectation for their future behaviour.

The SAA produced is not only intended to meet the relevant volatility target but also to maximise returns for each volatility range. The SAA identified is essentially the default asset allocation should we have no views on the relative attractiveness of different asset classes. The long-term SAA is reviewed and updated on an annual basis to reflect the evolution of the historical returns, volatility and correlation data set.

## Tactical Asset Allocation

The primary aim of our tactical asset allocation (TAA) is to increase our exposure to an asset class when it looks cheap and reduce exposure when it appears expensive; our focus is on valuations rather than market timing.

We believe that it is important to supplement the long-term benefits of the SAA with the flexibility to take advantage of valuation opportunities in the shorter term.

To this end, the first step of our TAA process is to rate the overall investment environment – taking into account valuation levels and investor sentiment – to reflect our interpretation of the market's risk appetite.

This helps us understand if capital appreciation or capital preservation should be the objective of TAA adjustments. The environment is rated from 1 to 5, where 5 is most positive.

We then give each of the asset classes a score from 1 to 5 to reflect our tactical view, with 1 again being the most bearish and 5 being the most bullish. In practice, our scores typically range from 2 to 4.

The weighting to each asset class is then automatically adjusted to reflect our tactical view. For example, if we increase our score to equities and Japan from 3 to 4 then the weightings to equities and Japan will be adjusted upwards in all the relevant portfolios.

There are a number of factors that we review in determining our scores, such as the macro-economic environment (growth, interest rates, inflation), where we are in the business cycle and valuations (both absolute and relative).

We may also use technical analysis to help understand short-term market movements to aid the timing of such decisions, including moving averages, relative strength index and bull/bear ratios.

We review the tactical asset allocation on a frequent basis, and at least quarterly.

We adjust our weightings to funds in the portfolios in line with movements in the TAA. Weighting changes may on occasion require us to sell a fund or add a new fund to portfolios.

This can give us greater exposure to particular investment styles, such as growth or value, as well as asset classes. We often find that these tactical adjustments can be effected most efficiently through the use of passively rather than actively managed funds.

This is because we fundamentally believe good active managers deliver outperformance over the longer term whereas passives provide good beta exposure over shorter periods.



## Fund Selection

We invest in a range of funds and fund managers, including active, passive and alternative investment strategies.

Our analysis has shown that many funds with headline-grabbing cumulative returns have been remarkably inconsistent when analysed on a discrete basis. Often one period of extreme outperformance can mask subsequent longer-term underperformance, so we will never look at cumulative performance in isolation. We believe that the key elements that should underpin fund selection are: investment process, fund manager experience, fund manager knowledge and fund manager incentive (i.e. remuneration).

Our fund manager selection process incorporates both quantitative and qualitative analysis. Quantitative analysis allows us to highlight the relatively attractive opportunities that exist in the defined investment universe of approximately 5,000 funds. The objective is to identify fund managers who use an investment process that consistently outperforms an appropriate benchmark with little style drift and an appropriate level of investment risk (i.e. their returns are generated from the correct application of their investment process). The aim of this analysis is to determine if a fund's return has been generated by genuine fund manager skill or if it is more down to chance, and if the fund manager is consistent in the application of his or her investment process. Having passed through the quantitative process, the funds are then subject to a qualitative review which looks at additional characteristics and risks.

### Fund size and flows

We look at the size of a fund and the degree to which the fund has recently enjoyed inflows or suffered outflows. This is becoming increasingly relevant as a smaller number of discretionary and wealth managers control an ever larger proportion of assets in the retail market. Funds can grow to a size that can detrimentally impact performance.

### Investment style and style drift

We select funds and fund managers that complement each

other in terms of their investment style. It is key, therefore, that the fund managers have a track record of maintaining their investment style and do not drift away from it. If they do, this is a reason for us to sell out of a fund.

### Fund manager motivations

We identify the key personnel who have historically contributed to the fund's performance, whether the same people are in place to drive future performance and the impact of changes in personnel.

We always meet the key individuals who are likely to have a material impact on future performance – we conduct more than 200 detailed one-to-one manager meetings each year. We place an emphasis upon understanding the motivations of a fund's key contributors. This includes the remuneration of fund managers but we also evaluate changes in the contentment and commitment of managers which can be a warning signal of a future deterioration in performance.

## Risk Control and Portfolio Construction

As we look to add value from investment style and fund selection as well as tactical asset allocation, it is important that we consider both the weightings and the blend or interaction of our holdings.

We want to ensure the funds are exposed to the segment of the market which we feel has the most potential for outperformance whilst reducing unintended risk. This process requires us to consider how each holding interacts with each other in terms of correlation, risk and return to ensure the benefits identified at the holding and sector levels are not diversified away when grouped together at the fund level.

We are able to draw upon Liontrust's risk control resources throughout this process. We create a portfolio for each risk profile which targets the appropriate volatility by combining our fund selections with the SAA, adjusted for the short-term tactical weightings. We then examine each portfolio from a top down perspective to ensure that its characteristics are in line with our risk controls.

## Specialist portfolios

The specialist portfolios are intended to provide investment solutions to complement the core Nestor Wealth Solutions Portfolios offerings.

The specialist portfolios are designed with specific objectives in mind. John and Paul conduct research and analysis to identify suitable funds from external fund managers in which to invest in order to meet the portfolio objectives. The funds chosen will be in line with the Liontrust Multi-Manager Multi-Asset investment approach and may be active or passive in nature. The fund managers continuously monitor the portfolios to ensure that the underlying funds continue to meet the specified objectives and meet the Liontrust investment philosophy. The underlying funds can be changed at any time at the discretion of the Liontrust Investment Team.

### Nestor Core

The Nestor Core Portfolio is a cautious portfolio, which aims to provide capital growth and income in line with global markets by investing across different asset classes to balance income and growth.

### Nestor Personal Injury

The Nestor Personal Injury Portfolio is a passive fund invested with a defensive risk strategy in mind. The portfolio aims to provide a positive long-term total return by investing in a range of asset classes. The portfolio has been designed to be suitable for investment by or on behalf of individuals who have been granted personal injury awards but is not restricted to such persons. There may be moderate risk to capital but the portfolio is managed with the intention of limiting volatility to relatively low levels in normal circumstances. As a consequence, long term return expectations may be lower than those for higher risk portfolios.

### Nestor Diversified Income

The Nestor Diversified Income Portfolio seeks to provide income with capital growth by mainly gaining exposure to higher yielding equities and fixed interest securities. The portfolio is invested using a cautious risk strategy and may get exposure to money market instruments and deposits and invest in alternative asset classes, such as commodities, infrastructure, property and convertibles through transferable securities. The portfolio also aims to have a yield greater than the FTSE All-Share Index.

# Risk & volatility in the portfolios

## Determining your risk profile

You should answer a number of key questions before you make an investment. These include what are your investment objectives, what is your time horizon and what is your risk profile?

The first two questions tend to be easier to answer than the last one largely because risk is hard to quantify as it is a subjective measure. The risk profile comprises your risk tolerance, risk capacity and the risk required to meet your objectives. Various methods and tools have been developed to help determine an individual's risk tolerance, including questionnaires and personality tests. Ultimately, the level of risk you are prepared to take will often come down to how much money you are prepared to lose before you start worrying.

Your capacity for loss can be expressed in terms of how much capital you are prepared to lose during any 12-month period and how much capital you are willing to lose over the length of time you will be invested. The longer the time horizon for investment, the greater the level of risk you can potentially take.

It is equally important, however, to consider the amount of risk you need to take to achieve your investment objectives within your time frame. Take too little risk and you may not reach your financial goals.

Choosing a risk profile, therefore, involves targeting sufficient risk to achieve your investment goals, but also ensuring that this level does not exceed your risk tolerance and capacity.

## Nestor Wealth Solutions Portfolios offers a range of risk and return objectives

We have created portfolios for five different risk profiles, which are designed to meet most investors' risk and return expectations. We offer a choice of investment strategies: Growth, Income and Active Index, as well as three specialist funds: Core, Personal injury and Diversified income.

The portfolios invest in a diversified mix of asset classes, geographical regions, sectors, funds and fund managers, and each targets a different expected level of risk and return. The intention is that the greater the risk a portfolio takes, then the greater its expected return over the medium and long term (five years or more).

Offering a range of risk profiles allows you to choose the one that most closely matches your attitude to risk and investment objectives.

When people talk about investment risk, they usually refer to the level of volatility in returns. Volatility is a statistical measure of variation of returns over time, which is defined as the annualised 'standard deviation' of monthly investment returns. The actual returns of the portfolios in any one year should lie within the range of returns formed by adding and subtracting the standard deviation from the expected returns. For example, a portfolio with an expected return of 5% with a standard deviation of 6% should return between -1% and 11% in any one year about 70% of the time.

The higher the standard deviation then the greater the level of volatility. A higher volatility will usually imply there is the potential for higher gains but also greater potential losses and thus represents a higher level of risk.

We offer a range of portfolios to suit different attitudes to risk, investment objectives and time horizons. The table below shows our model portfolios and their expected volatility ranges over the medium and long term as an indication of the different levels of risk they provide. There is no guarantee that these ranges of volatility will be delivered. For more details on strategic asset allocation, tactical asset allocation, fund selection and portfolio risk control, please refer to the Multi-Asset Investment Process.

Risk Graded Investment Strategies	Nestor WSP Defensive	Nestor WSP Cautious	Nestor WSP Balanced	Nestor WSP Capital Growth	Nestor WSP Aggressive
Expected Volatility % (5 years)	2-6%	6-10%	11-17%	14-22%	16-24%
Expected Volatility % (10 years)	3-5%	7-9%	13-15%	17-19%	19-21%
Nestor WSP Growth	✓	✓	✓	✓	✓
Nestor WSP Income	✓	✓	✓		
Nestor WSP Active Index	✓	✓	✓	✓	✓

Specialist Portfolios	Nestor Core	Nestor Diversified Income	Nestor Personal Injury
Defensive			✓
Cautious	✓	✓	

The Specialist Portfolios are risk-rated multi-asset portfolios which meet specific objectives. Liontrust's research and analysis identifies suitable funds from external fund managers to invest in to meet the portfolio objectives.

Expected Volatility is expressed as the annualised standard deviation of monthly returns. The volatility range quoted in the table is our annualised target volatility for each portfolio. There is no guarantee that the actual volatility achieved during any period will reach these targets.

Please remember that, as with all investments, there are risks. The value of investments and income derived from them may go down as well as up and you may not get back the amount invested.

# Key information on Nestor Wealth Solutions Portfolios

## Discretionary Manager

Liontrust Investment Partners LLP is the discretionary investment manager and is responsible for the investment management of your portfolio.

## Praemium and Praemium Administration Limited

The Praemium Group is a market leading provider of investment administration in Australia. It offers administration services in the UK via its subsidiary, Praemium Administration Limited. Praemium Administration Limited is authorised and regulated by the Financial Conduct Authority and is able to hold and safeguard the investments and cash in your portfolios.

Liontrust Investment Partners LLP has arranged for Praemium Administration Limited to provide administration and custody services. Praemium Administration Limited is also the product provider for the General Investment Account (GIA) and Individual Savings Accounts (ISAs) within Nestor WSP.

GIA is a taxable investment account through which you can invest in the underlying portfolios of Nestor WSP. There are no restrictions as to how much you can invest. Unlike ISAs, there are no tax benefits associated with this type of investment account. You can invest in a GIA and an ISA in the same tax year.

Your cash and investments are always held separately from Praemium Administration Limited's own accounts. As such, should Praemium Administration Limited be wound up, your cash and assets will remain yours and any administrator is obliged to return them to you as part of the wind-up process. Should Praemium Administration Limited fail financially, your cash will remain segregated and you will be able to recover your cash from the banks and/or administrator, according to the Financial Services Compensation Scheme. The banks and administrators used by Praemium Administration Limited are all covered by the UK compensation scheme.

## Investing in Nestor WSP

Once your adviser has recommended the most appropriate portfolios to meet your investment objectives, time horizon and risk profile, including the fees and charges that will apply, you will need to complete a couple of documents. You must complete an application form (or an Initial Investment Form if you invest through the GIA or an ISA Investment Form through an ISA) to open your account. You use this form to tell Praemium Administration Limited how much you will be investing and any adviser charges that are to be debited from your account and paid to the adviser on your behalf.

The declarations contained within this document confirm you have read and accepted the Terms and Conditions of Nestor WSP. On completion of this form, Liontrust will manage your investments. You will also need to sign the Custody and Execution Set up Form, accepting the Custody and Execution Terms and Conditions. This will enable Praemium Administration Limited to provide safeguarding and administration services for your investments.

Dealing for Nestor WSP takes place once a week. All product applications must be received by Praemium Administration Limited together with cleared funds by close of business (5pm) each Tuesday. Your money will be invested two days later, on the Thursday.

## Cancelling investments

Investments can be cancelled by writing to:  
Client Services, Praemium Administration Ltd  
PO Box 60294, London EC2P 2DL

The cancellation period is 14 calendar days after you receive the Welcome Letter confirming receipt of your application. If you cancel, you may get back less than you originally invested due to market movement outside of our control. If you decide to cancel an ISA transfer, your existing ISA manager has no obligation to reinstate your ISA. In this instance, they may choose to either:

- Close the ISA and have the proceeds returned to the client; or
- Transfer the ISA to any other authorised ISA manager.

## Redemptions

If a redemption order is received after close of business on a Tuesday, it will be placed on the next available dealing day, which will be the Thursday of the following week. Once we have received monies from the underlying investment companies, Praemium Administration Limited will transfer the proceeds to your bank accounts via BACS. A BACS payment will take the standard 3 to 5 days to clear, provided all bank account details have been verified.

## Risks

The portfolios have been designed to reflect different levels of risk. The fund managers will actively manage the portfolios to ensure they will continue to meet their risk and reward objectives so that you are not exposed to a higher level of investment risk than expected. The amount of risk you are prepared to accept will determine the level of potential returns. Your adviser will help you determine your investment objectives, your time horizon for investing and what is your risk profile. Any investment you make in the portfolios should be considered to be for the medium to long term (at least five years). Do remember that the value of an investment and the income from it can fall as well as rise and you may not get back the amount you originally invested. Past performance is not a guide to future performance.

## Taking an income

There are two ways for you to receive regular payments from your portfolios, either variable income or fixed regular withdrawals. Variable means that every month the amount of income that has been received within your portfolios will be paid out. With the fixed regular withdrawal option, you determine the amount you receive each month.

The minimum regular withdrawal for fixed income is £40 per month. If there are insufficient funds to pay the requested fixed regular withdrawal, we will realise capital from the underlying investments. If the income derived is more than the fixed withdrawal amount required, any residual cash will remain in the investment account as non-invested cash. If you have opted to take a regular payment and have invested via an ISA and GIA, you will be paid on the 15th of the month (or the next business day where the 15th falls on a non-working day) via BACS. A BACS payment will take the standard 3 to 5 days to clear, provided all bank account details have been verified.

## Contact

If you have any additional questions or have any doubts about the suitability of an investment, please consult your adviser.

# About Nestor

Nestor are independent financial advisers with specialist experience in the field of personal injury. We have a team of experienced, independent financial advisers who work with a wide range of clients throughout the UK. Many years of experience in the personal injury field has established Nestor as the 'expert of choice' in pre-settlement issues and post-settlement awards. As a result, Nestor is an indispensable partner to many lawyers acting for personal injury claimants, nationwide.

Nestor also provides a wide range of more conventional financial advice for individual and corporate clients. We are committed to ensuring clients receive the best possible wealth management opportunities available. As an ownermanaged business, all of our instructions are overseen by a director.

- Nestor provides both professional expertise and friendly client service
- Nestor offers considered advice which aims to provide optimum results for clients
- Nestor acts with integrity and operates with full transparency
- Nestor uses leading investment fund managers and analysts to make sure clients' financial needs are met
- Nestor pride themselves on providing high quality, consistent service and advice provided by industry experts

# About Liontrust

We are a specialist fund management company that takes pride in having a distinct culture and approach to fund management through the following factors:

- The company launched in 1995 and was listed on the London Stock Exchange in 1999.
- We are an independent business with no corporate parent, our head office is on the Strand in London and we have offices in Edinburgh and Luxembourg.
- We believe in the benefits of active fund management over the long term and all our fund managers are truly active.
- We focus only on those areas of investment in which we have particular expertise. We have eight fund management teams: six that invest in UK, European, Asian and Global equities, one team that manages Multi-Asset portfolios and a Sustainable Investment team.
- Our fund managers are independent thinkers and have the courage of their convictions in making investment decisions.

- Our fund managers have the freedom to manage their portfolios according to their own investment processes and market views without being distracted by other day-to-day aspects of running a fund management company.
- Each fund management team applies distinct and rigorous investment processes to the management of funds and portfolios that ensure the way we manage money is predictable and repeatable.
- Staying true to their documented investment processes helps to create an in-built risk control for our fund managers, especially in more challenging environments, by preventing them from buying stocks for the wrong reasons.
- We aim to treat investors, clients, members, employees, suppliers and other stakeholders fairly and with respect. We are committed to the Principles of Treating Customers Fairly (TCF) and they are central to how we conduct business across all our functions.

# Important information

- This document is issued by Liontrust Investment Partners LLP and is intended to be used for marketing purposes only and does not aim to provide advice
- You should remember that past performance is not a guide to future performance. The portfolios' investments are subject to normal fluctuations and other risks inherent when investing in securities
- There can be no assurance that any appreciation in the value of investments will occur. The value of investments and any income derived from them may fall as well as rise and investors may not get back the original amount they invested
- There is no certainty the investment objectives of the portfolios will actually be achieved and no warranty or representation is given to this effect
- The portfolios therefore should be considered as medium to long-term investments
- Nestor Wealth Solutions Portfolios is the marketing name for the product
- Liontrust Investment Partners LLP is authorised and regulated by the Financial Conduct Authority FRN. 518552