



EQUILIBRIUM

Managing your investments



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An introduction from Colin Lawson

Founder of Equilibrium

Equilibrium's uniquely flexible investment proposition is the result of our desire to constantly evolve and meet the diverse needs of our clients. We have developed a fantastic range of financial solutions that, although sophisticated, are easy to understand once explained clearly.

The purpose of this booklet is to help our clients and potential clients gain a foundation level of knowledge about how we do what we do. Our process is explained in increasing detail to allow you to read as much as you are interested in.

Please don't worry if there is anything you are unsure about or if you would like further information. Your financial planner is always on hand to explain our approach in further detail and fill in any gaps, supported by our team of client managers.

If you have any questions, queries or feedback, please contact your client manager who will be happy to help.



Colin Lawson
Founder



The Equilibrium investment process

When you first become a client, your financial planner will guide you through our two-stage investment process, outlined in simple terms below.

We will then monitor the ongoing suitability of your portfolio on a regular basis, recommending changes as appropriate.

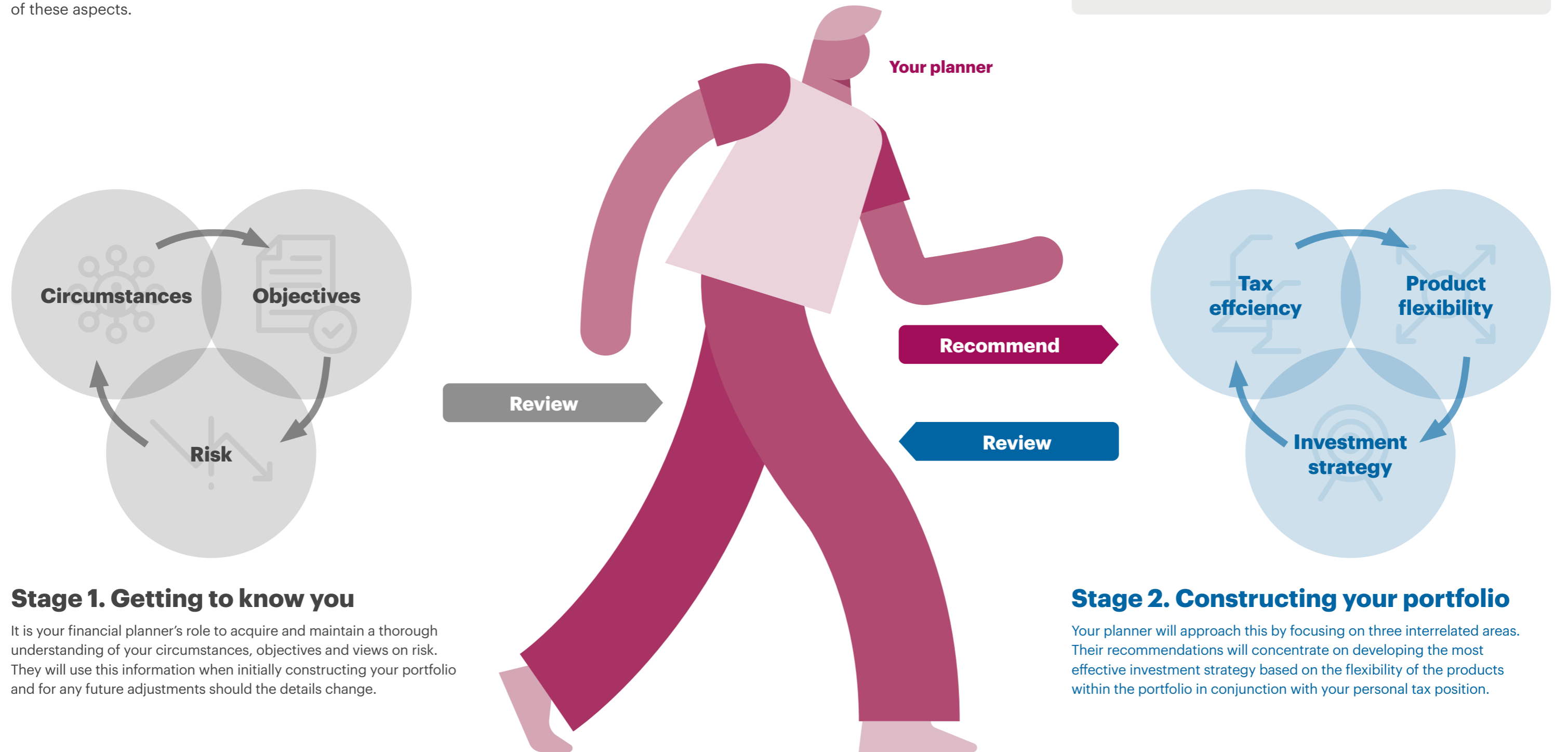
The following pages of this guide provide an overview of how we approach each of these aspects.

Financial planner

Responsible for creating your financial plan and recommending an investment strategy. Referred to as your planner hereafter.

Client manager

Your first point of contact and responsible for implementing the agreed strategy.



Stage 1. Getting to know you

It is your financial planner's role to acquire and maintain a thorough understanding of your circumstances, objectives and views on risk. They will use this information when initially constructing your portfolio and for any future adjustments should the details change.

Stage 2. Constructing your portfolio

Your planner will approach this by focusing on three interrelated areas. Their recommendations will concentrate on developing the most effective investment strategy based on the flexibility of the products within the portfolio in conjunction with your personal tax position.

Getting to know you

Your planner will take as long as they need to get to know you. They will ask a series of questions about your situation and your plans for the future. They will also want to understand your views on a number of issues, some of which you might not have considered before.

Your planner's ultimate goal is to feel confident that their recommendations are suitable to meet your needs. Their approach is outlined over the next few pages.

Your circumstances

The information we gather covers a range of different subjects and may include some, or all, of the following:

- Basic personal details: dates of birth, marital status etc
- Assets and liabilities: your balance sheet
- Income and expenditure: your cash flow statement
- Family tree: parents, children, grandchildren etc
- Wills and powers of attorney
- Details of any other professional advisers: accountant and solicitor

We also deal with trustee and corporate clients. In these instances, the information collected is a variation on the above.

Key point

We work on a full disclosure basis and will request that you tell us about everything relevant to your situation. It should be noted that the suitability of our recommendations could be affected if you decide to withhold any information.

Your objectives

When people come to see us for the first time there is usually a specific reason or event that sparked the desire for an appointment. This is often linked to a significant change in circumstances, such as retirement, the sale of a business or an inheritance. Alternatively, it could be related to external factors such as turbulent stock markets or changes in legislation, such as pension or income tax rules.

In your initial meetings, your planner will look to identify your primary objectives. They will also record any secondary requirements that arise.

Key point

Your objectives will always be directly linked to the investment strategy recommended when constructing your portfolio.

The primary objectives we record will frequently include phrases such as:

- ✓ 'plan for your retirement, making the transition from earned income to being supported by an investment portfolio'
- ✓ 'create a sustainable income to meet expenditure over the long term'
- ✓ 'design an intergenerational plan to pass wealth down to future generations of the family... and importantly, ensure that they are prepared to receive it'
- ✓ 'ensure that your portfolio is well managed and as a result free up time for you to spend on alternative pursuits'
- ✓ 'allow you to make informed decisions in the context of the changing economic environment'
- ✓ 'develop a flexible cash flow plan that can provide you with capital and income to meet known future events'
- ✓ 'ensure that you don't die with too much capital... or too little'

Secondary requirements tend to be more specific or focused, such as:

- ✓ 'identify capital to meet your home renovation expenditure plans'
- ✓ 'make a gift to your daughter to help with the purchase of her first home'
- ✓ 'review your pension and assess whether it should be retained or transferred to a more appropriate option'

Important to know

Whatever your personal objectives turn out to be, we will also aim to achieve our key goal: 'to provide you with financial confidence now and in the future'.

How we assess risk

Your attitude to risk

Once we have a good understanding of your current situation and what you are looking to achieve, the next step is for us to assess how you feel about investment risk. We break this down into several categories to provide a full picture upon which to base our investment recommendations.



Knowledge & experience

The first factors we take into account are the knowledge and experience that you have with investing your money. These will influence how confident you feel when making investment decisions and how nervous you are at times of high market volatility.

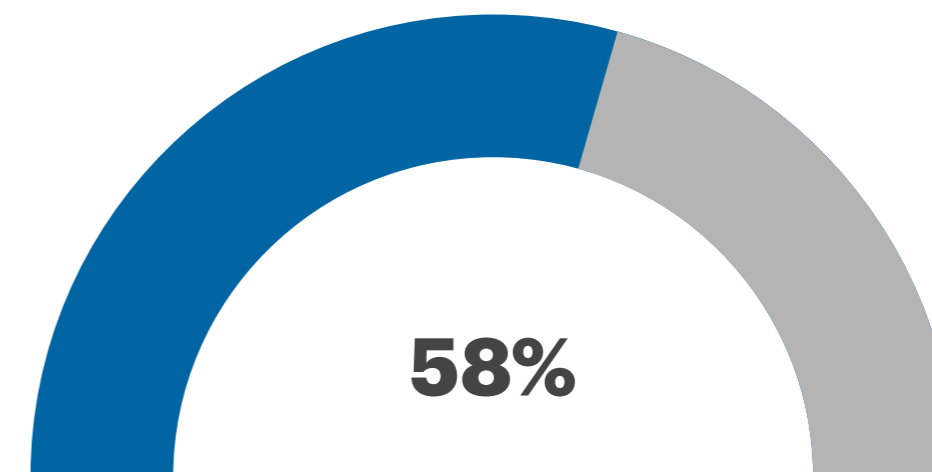
Capacity for loss

The next aspect of risk we consider is your capacity for loss. This is a general assessment of your personal financial situation and the impact that losses could have on your standard of living. We will assess your capacity for loss as follows and provide justification for our assessment.

Classification	Clients would tend to have...	Impact of losses on standard of living	Impact of losses on how you feel
High	Significant excess capital or high levels of guaranteed income	Not affected	Not affected
Medium	Enough flexibility with capital or income to adapt to reasonable market volatility	Some short term changes may be needed to non-essential expenditure	Feeling uncomfortable while market volatility continues
Low	A high dependency on their capital or income which may only just meet desired expenditure	Could result in major changes being required to expenditure	Outside of your comfort zone

Tolerance

We use a system called Financial DNA to better understand your financial personality. Just as our genetic makeup determines our physical traits, our financial DNA shapes our attitudes, behaviours, and beliefs about money. Every client is asked to complete a short questionnaire which includes the assessment of your risk behaviour score.



Your risk behaviour score is a reflection of your comfort level with taking risks in investments and financial decisions. A higher score indicates a higher risk tolerance, while a lower score suggests a more conservative approach.

For joint clients, such as spouses it is important for each individual to complete their own Financial DNA questionnaire independently. Where scores differ significantly, this can mean that the individual with the lower score could potentially be uncomfortable with the recommended portfolio. Your planner will indicate if this is likely to be the case and discuss how we manage this.

Key point

Our approach is to recommend the portfolio that meets your objectives at the lowest level of risk. This means that in normal market conditions your tolerance portfolio is generally not the one we will recommend for you to invest in, if a lower risk alternative meets your needs.

Need for risk

Your need for risk is a very important factor in determining the portfolio into which you should invest. This is the level of risk that you actually need to take in order to meet your investment goals. It is often lower, but can sometimes be higher than your risk tolerance. We will assess this on a regular basis as part of our ongoing service and adjust the target portfolio as appropriate.

Desire for risk

At the same time as we are assessing the factors above, you are also likely to be reflecting on your personal views in this area. This will be influenced by the prevailing market conditions and your past experience of investing. Your planner will frequently talk to you about your desire for risk to ensure you remain comfortable with your investment portfolio as your views change over the years.



Horizon planning

The **getting to know** you stage results in us gathering a lot of information. One of the benefits of this is that your planner should now know the **purpose** of your money. This will include:

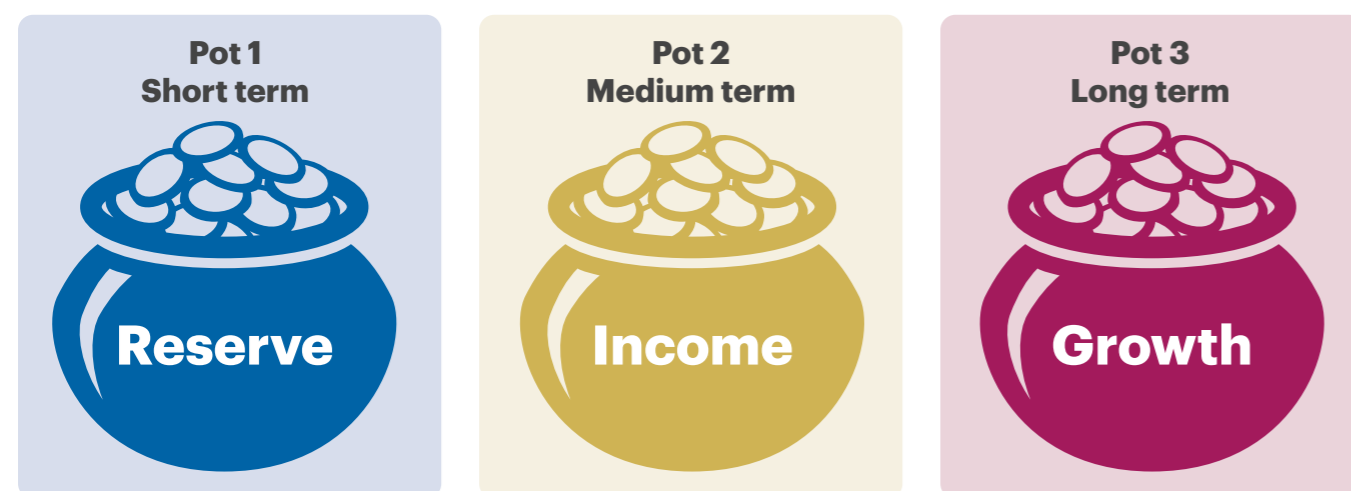
- When might access to capital be needed?
- What known future liabilities exist?
- Is an income required and will this fluctuate?

We can then structure your portfolio in such a way that your investments are directly linked to your goals. We call this process **horizon planning**, as it is based on three specific time horizons:

Horizon	Typical timescale
Short term	The first 5 years
Medium term	The next 20 years (after the first 5 years)
Long term	Over 25 years

The actual timescales used will be based on discussions with your planner along with your views on risk and your personal circumstances.

We use the agreed time horizons to segment your portfolio (usually) into three pots:



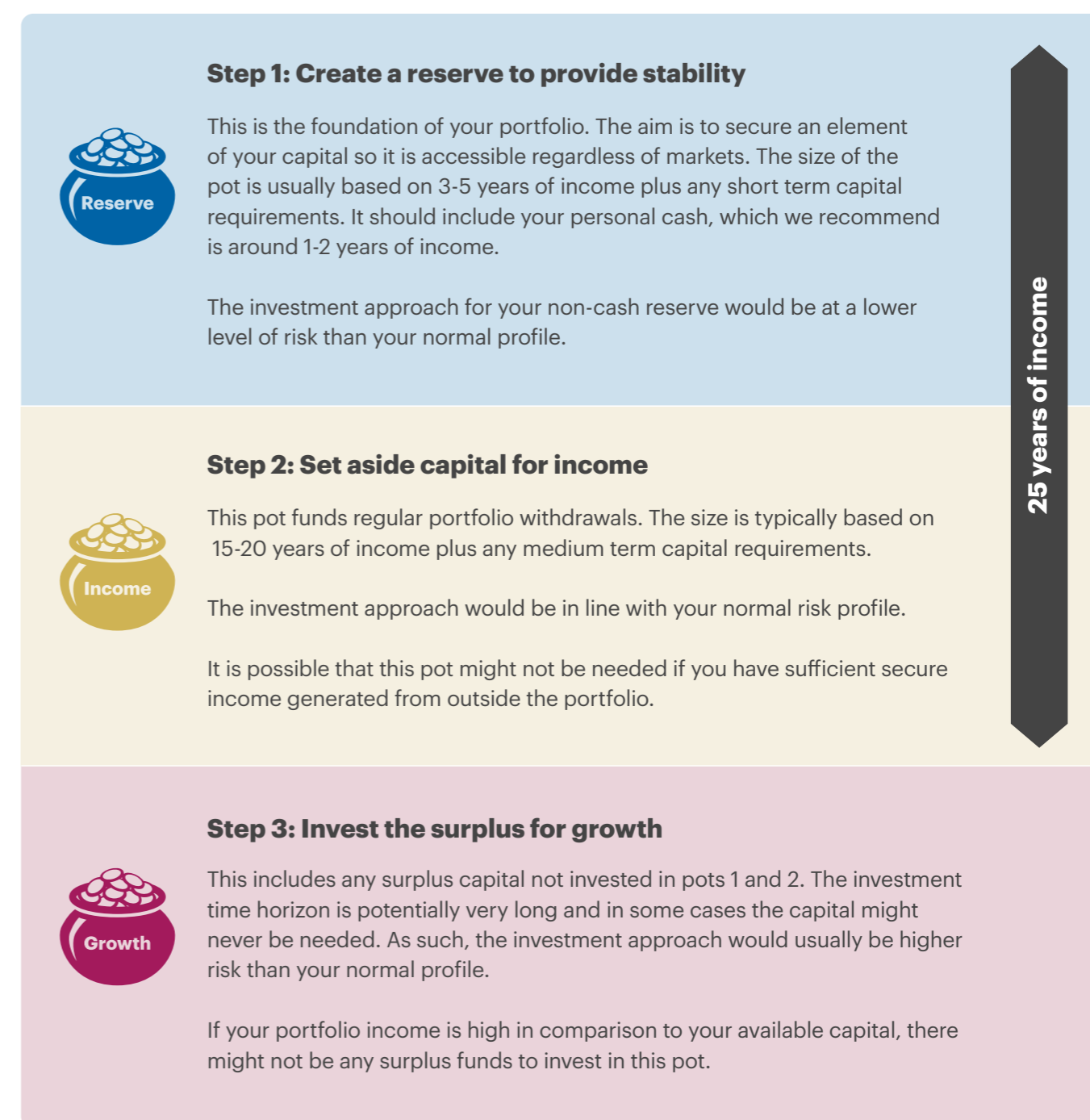
Each pot can then be invested at an appropriate level of risk corresponding to the planned investment timescale. This allows your planner to create a highly customised and flexible portfolio that matches your specific needs. This would then be kept under review at least annually in line with your changing circumstances.

How does this work?

The first stage of the process is to set aside enough capital to cover income for the short and medium term horizons (usually 25 years) plus any capital requirements. This will be split between:

- a relatively small and low risk **reserve** pot, and
- a larger **income** pot invested in line with your normal risk profile.

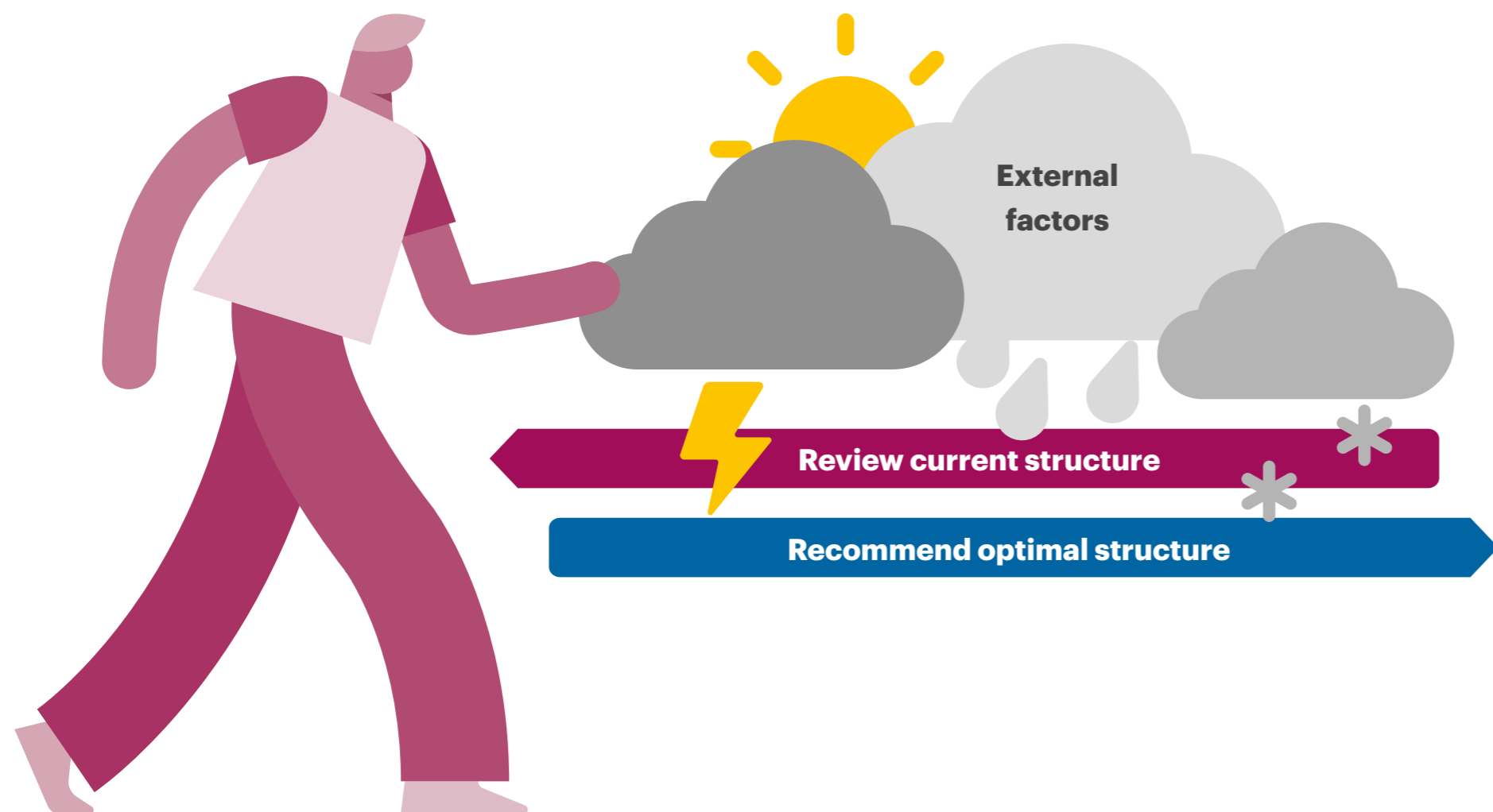
Once this has been achieved, there is the opportunity to invest the surplus for **growth** at a higher level of risk, given the extended timeframe of the long term horizon. These concepts are illustrated further below:



Constructing your portfolio

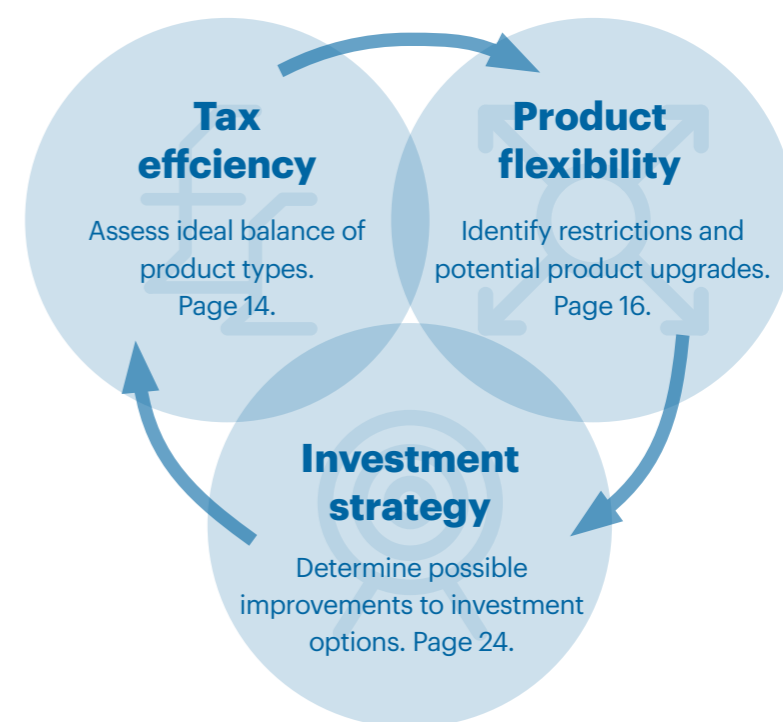
The horizon planning review will allow your planner to create the basic structure of your portfolio. However, there is much more for them to consider when designing a portfolio to meet your specific requirements. They will aim to achieve the optimal structure, which we define as the ideal balance between tax efficiency, product flexibility and the investment options available.

The diagram below shows how we approach this and indicates where you can find further details:



! Important to know

In reality the optimal portfolio structure is never achieved for long due to the fast-paced nature of financial services in the modern world. For this reason we regularly review all client portfolios.



External factors

The ideal portfolio structure can be compromised by external factors beyond our control.

- Changes in legislation and government policy, such as rule changes to pensions, can cause a major rethink to the portfolio strategy. Another example of this is inheritance tax, where the major political parties can have very different ideas on how this should be applied.
- Tax changes can also significantly alter the ideal balance of a portfolio. An example of this could be changes to capital gains tax, which can influence the selection of a general investment account compared with an investment bond.

- New products such as Junior ISAs and Lifetime ISAs can increase planning opportunities for some clients.
- Changes to interest rates and exchange rates can impact the investment strategy and the desire to hold cash deposits.

The key here is to retain flexibility within the portfolio structure. The investment platforms we use are an essential part of this, enabling us to quickly make changes between product types if required.



Tax efficiency

One of the key aspects of planning your investment portfolio is how we set it up to maximise tax efficiency. Your planner will typically recommend a range of product types to meet your requirements, including some or all of the types below:

General Investment Accounts

This type of account allows you to hold a number of collective investment funds in one account. It is effectively the same as investing in the funds directly, without the administrative burden of creating multiple accounts with each fund provider.

Dividends and interest received within the account are taxable as income. Any gains made are subject to capital gains tax (CGT) if they are in excess of the annual exemption(s) of the account holder(s).

Investments held within a general account can be used to fund ISA and pension contributions as part of your tax planning strategy. This is something we will look to undertake each year for you as part of our service.

It is also possible to designate a general account for a child and use it to invest on their behalf, potentially utilising their CGT exemptions.

Individual Savings Accounts (ISAs)

An ISA is a tax efficient account which allows you to earn interest and dividends without paying income tax or CGT on capital growth. The amount you are able to contribute to an ISA is therefore restricted on an annual basis and we generally recommend that our clients utilise their ISA allowances in full each tax year where possible. There are two forms of ISA account: cash and stocks & shares. We focus on the

stocks & shares ISA which is effectively the same as a general investment account, but with a tax efficient status.

There are two alternative forms of ISA available; namely Junior ISAs for children below the age of 18 and Lifetime ISAs for young adults saving for a first home or their retirement from age 60.

Pension and Drawdown Accounts

A pension is a long-term savings vehicle that can be used to build up a pot of money for retirement. To incentivise people to contribute to a pension, HM Revenue & Customs (HMRC) allow tax relief on personal contributions into registered pension schemes, thereby boosting the amount invested. Once contributions are held within a pension, the tax environment within is identical to that of an ISA outlined above.

The consequence of this tax efficiency is that access to pension benefits is restricted by age. In addition, although part of the benefits can be taken

tax free, the remainder is taxable as income at the individual's marginal rate.

A drawdown account is the name given to a pension account if an individual starts to draw benefits with the residual fund remaining invested. It should be noted that this is only one way of receiving pension benefits and we will recommend the most appropriate method on a client by client basis.

We can also arrange pensions for children and grandchildren as part of a highly tax efficient estate planning strategy.

Onshore and Offshore Investment Bonds

Investment bonds are life assurance policies where the primary focus is for tax efficient investment rather than life cover, which is minimal under this type of policy. Investment bonds can be set up on a single life, joint life or multiple life basis. This decision is important as it determines the lifespan of the policy.

Chargeable gains produced by an investment bond are subject to income tax rather than CGT, with the tax liability only being assessed on a 'chargeable

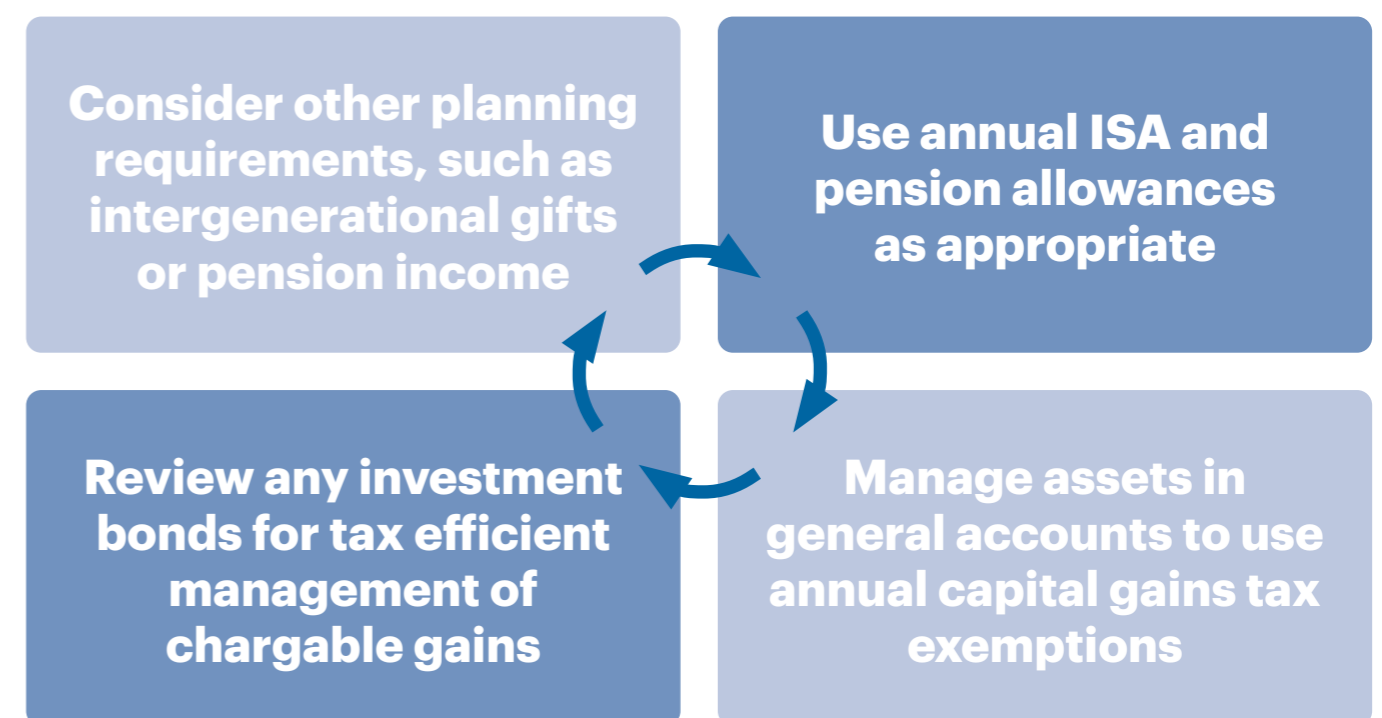
event', such as the full encashment of a policy. This is useful as it allows us to plan when to create a tax liability, while giving us complete freedom in terms of switching funds within the policy in the meantime. It is also possible to take withdrawals of up to 5% per annum on a tax deferred basis.

Onshore and offshore investment bonds have differing internal taxation and the selection of one over the other will depend on a client's financial circumstances and the structure of their existing portfolio.

We will regularly review the balance of the products held to ensure your portfolio remains tax efficient. Some of the factors we will consider include:

- The amount you have to invest and the structure of any existing investments, for example, existing ISAs, pensions or investment bonds.
- Whether tax allowances are used from the portfolio or new cash investments.
- Your tax position, such as income tax, capital gains and inheritance tax.
- Your regular income requirements and whether additional withdrawals might be required.

The diagram below shows our general approach to the regular review of your portfolio structure.





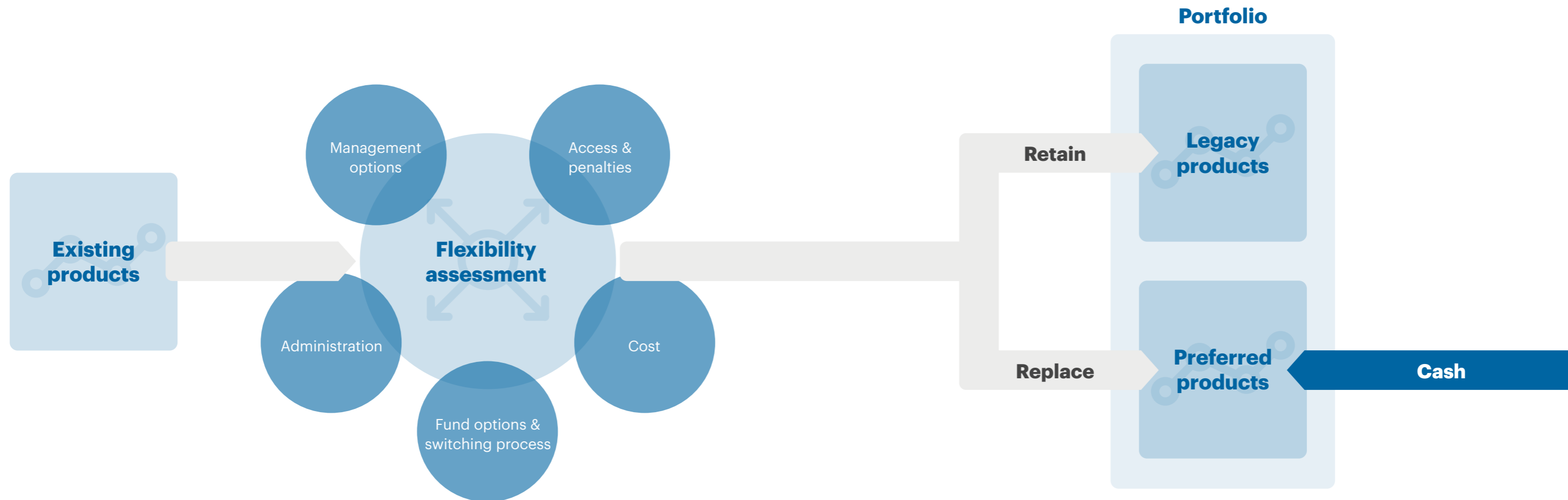
Product flexibility

Our ability to deliver the optimal portfolio strategy will often be restricted by the features of the products in which you invest. An example of this is where older style contracts have limited fund options, which will generally mean we need to select second best funds.

When constructing your portfolio, we will look to identify any products that do not meet our requirements and potentially replace them with more suitable alternatives. Sometimes this might not be possible, such as where there are exit penalties or a high tax liability. In this case we would create a strategy to work for that particular product.

On the other hand, if you are investing from cash, we will simply recommend the most appropriate provider to meet your requirements. A portfolio could therefore be held in one of three ways: completely with our preferred providers, solely with legacy providers, or a combination of the two.

An outline of our flexibility assessment process is shown below. We will repeat this exercise on a regular basis for any legacy products retained and also if our preferred providers change.



Investment platforms

We use a particularly flexible type of product provider for the majority of client portfolios, known as an investment platform. The platforms we recommend have the following features:

- Your portfolio is held electronically and can be valued at any time online by logging into a dedicated portal.
- We can access an unrestricted fund choice from all UK investment groups, plus all UK listed shares and investment trusts.
- Gains or losses can be viewed at a glance through a capital gains tax report.
- Funds can be purchased at institutional rates and often with no initial charge. This often includes an annual management charge discount when compared with purchasing the same fund via an insurance company.

- There is complete transparency over all costs and how these are divided between the platform and Equilibrium.
- There are no exit penalties at any time. This means that we have flexibility to alter the product selection if needed, including the ability to transfer assets between family members.
- We are able to offer a discretionary management service if this is needed.

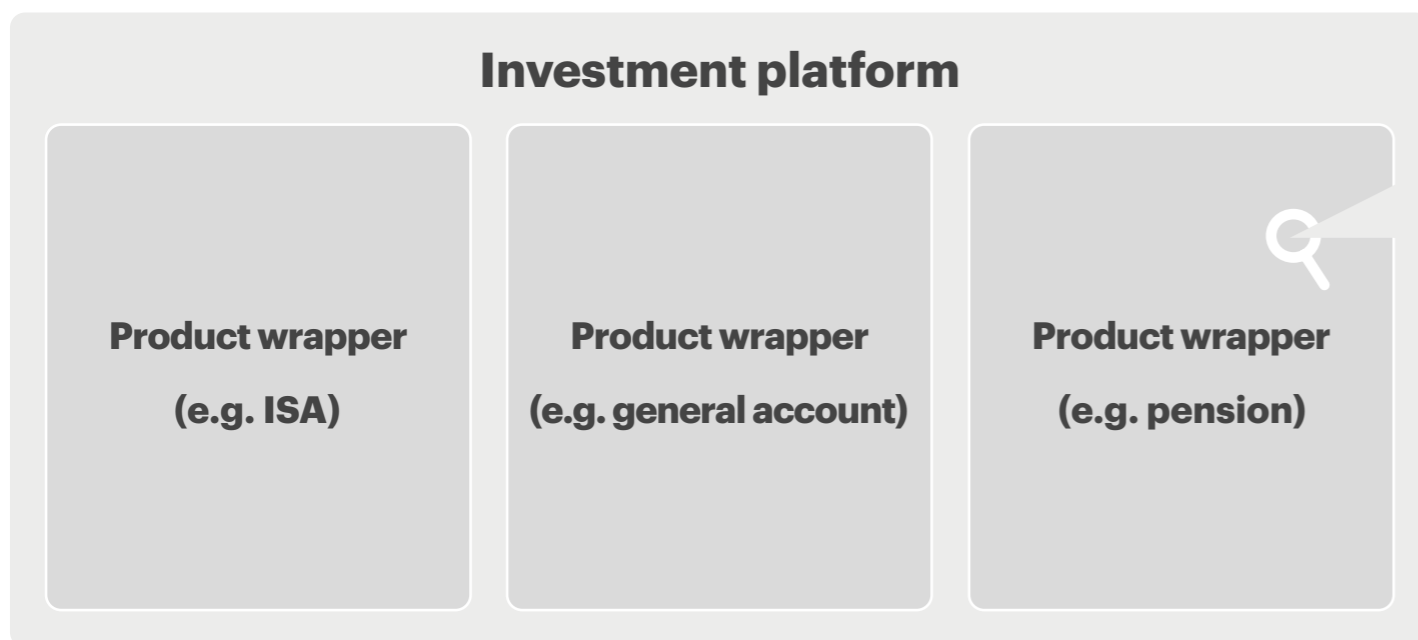
We regularly review the investment platform marketplace to ensure that our preferred providers remain the most competitive and flexible options available. The following pages provide more information about how an investment platform works and describe the specific features of our preferred providers.



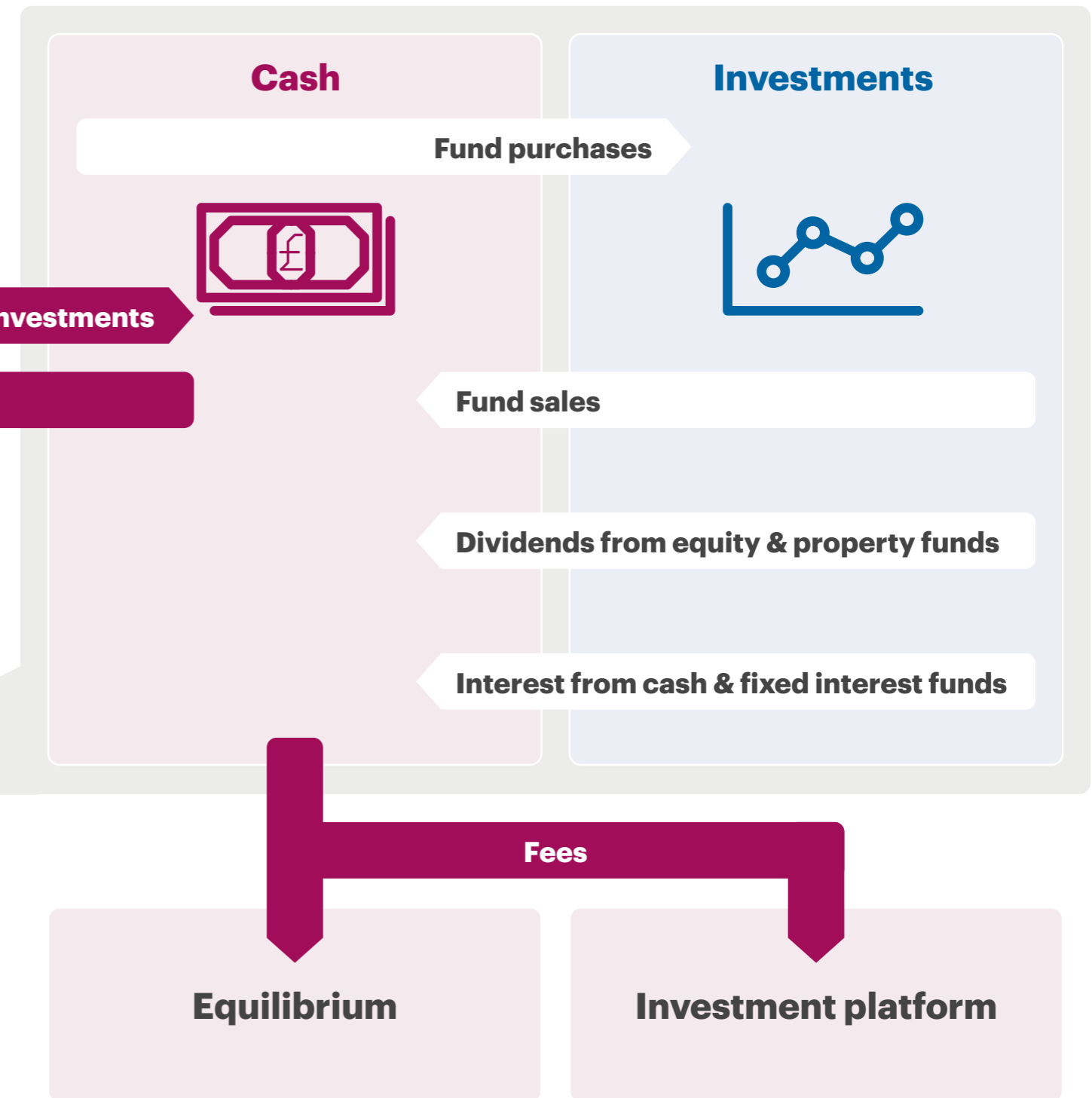
How an investment platform works

An investment platform is an administrative service that allows you to hold your portfolio in a single location.

It effectively allows you to invest in a number of different product types (or wrappers) without the need to use multiple providers.



Looking inside a product wrapper



! Important to know

Withdrawals can be made to either the client's linked bank account or other products within the same or linked wrap account.

As shown above, each product wrapper contains cash in addition to the investment funds to facilitate the operation of the account. Within each contract you must generally hold 1% in the cash account, which is used to cover charges.

Our preferred providers

We currently use three preferred investment platform providers and one investment fund provider. We can also hold our Core funds* directly if appropriate. We may recommend one or more of these options depending on your individual circumstances. The main features of these providers are below:



	Provider	Details	Available products	Discretionary management available**	Statement frequency	Additional Features
Investment platform	Nucleus Financial Services Nucleus HQ, Greenside, 12 Blenheim Palace, Edinburgh EH7 5JH t: 0131 226 9535 e: client.contact@nucleusfinancial.com w: www.nucleusfinancial.com/client-home	Nucleus was founded in 2006 by a number of Independent Financial Advisers (IFAs) who wanted to create a platform where the client is the central focus of its service.	<ul style="list-style-type: none"> General Investment Account ISA and Junior ISA Pension and Drawdown Accounts Onshore and Offshore Investment Bonds 	Yes	Quarterly	<ul style="list-style-type: none"> Flexibility to move between multiple product wrappers. No additional charges for moving to a pension drawdown account and taking income payments. Discounted fee structure for holders of our Core funds.
	Seven Investment Management (7IM) 55 Bishopsgate, London EC2N 3AS t: 0203 823 8599 e: ps3@7im.co.uk w: www.7im.co.uk	7IM was founded in 2002 and offers a variety of different investment services, including their wrap platform. The platform was originally developed to provide a discretionary management service to 7IM's high net worth clients. In 2005, it was then opened up to other financial advisers, who were looking for a cost effective way to manage their clients' assets.	<ul style="list-style-type: none"> General Investment Account ISA Junior ISA Pension and Drawdown Accounts 	Yes	Quarterly	<ul style="list-style-type: none"> Foreign shares, investments and currencies can be purchased if appropriate. Live trading stockbroking service provided within standard platform cost.
	AJ Bell AJ Bell Investcente, 4 Exchange Quay, Salford Quays, Manchester, M5 3EE t: 0345 839 9060 e: enquiry@investcentre.co.uk w: www.investcentre.co.uk	Launched in 1995, AJ Bell is a well-established investment platform that provides various financial products and solutions for investors. The platform holds over £76bn of assets and more than 398,000 investors.	Same as 7IM, plus: <ul style="list-style-type: none"> Lifetime ISA 	No	Quarterly	<ul style="list-style-type: none"> The only provider to offer a suitable Lifetime ISA product.
Investment fund provider	Investment Fund Services Limited (IFSL) Marlborough House, 59 Chorley New Road, Bolton BL1 4QP t: 0808 178 9321 e: ifslclientsupport@ifslfunds.com w: www.ifslfunds.com	IFSL is part of the Marlborough group of companies which has been managing funds since 1986 and has £10bn of assets under management. IFSL are the Authorised Corporated Director (ACD) of the Equilibrium Portfolio Funds and provide a full range of fund administration services.	<ul style="list-style-type: none"> General Investment Account ISA Junior ISA 	No	Six monthly	<ul style="list-style-type: none"> No additional product fees are charged. Only available for holders of our Core funds.

Provider fees commence as money is invested into each product. They are usually based on daily values and collected monthly in arrears. Share dealing will incur additional charges on Nucleus and Transact. 7IM offers UK share dealing at no charge.

* **Our Core funds:** The IFSL Equilibrium Portfolio funds (see page 25 for further details).

** This refers to whether we currently offer discretionary management via this provider.

Where we invest



Cash

- Cash held in a bank account attracting a rate of interest.
- Returns are from interest payments only with no capital growth potential.
- Brings liquidity to a portfolio and allows us to act quickly or cover fees or withdrawals.

Fixed interest

- Funds investing in debt instruments, such as government gilts and corporate bonds. The underlying securities usually have a fixed rate of interest, but the capital value can go up or down.
- Returns are typically from interest payments combined with an element of capital growth.
- Usually regarded as lower risk than equities but can be affected by changes in interest rates or inflation. It is not always easy or quick to trade in the underlying securities as there is no formal exchange.
- We can also hold Short Dated Fixed Interest funds. These invest in fixed interest securities, which are relatively close to maturity, with the aim being to achieve returns just above those available from cash.

Real assets

- Funds that invest in physical assets such as property, infrastructure or commodities.
- Returns are often linked to inflation and include income (such as rent) and capital growth in the value of the underlying assets.
- Property holdings are typically 'bricks and mortar' commercial property funds or real estate investment trusts (which can be more volatile as listed on the stock market).
- Property funds can be relatively illiquid as it takes a long time to buy or sell a building.

! Important to know

Our tactical portfolios also invest in:

Defined returns: These return a defined rate if the underlying index is above a specific level on the anniversary of the product (known as the 'kick out' date).

Alternatives: Often held to diversify the equity mix, there will be some equity correlation but with a typically lower volatility than traditional equity. Holdings will include investments such as long/short funds and hedge funds.

Increasing risk and return

Equity

- Funds that predominantly hold shares in companies listed on a recognised stock exchange.
- We may also have exposure to private equity through funds that invest in shares of unlisted companies.
- Usually viewed as a long-term investment with high potential returns, but with potential for significant losses.
- Returns are from capital growth and company dividends.
- We use a blend of active and passive investment strategies depending on our outlook and the active funds available.
- Our equity portfolios are made up of three core equity classes that we blend based on market conditions.

UK equity

A range of funds that invest in shares in companies listed on the UK stock market. Our UK equity mix will typically have:

- A blend of styles that can benefit from ongoing income (dividends paid by the company) and/or capital growth.
- Exposure to a range of companies from smaller microcap all the way up to largest UK companies listed in the FTSE 100.
- A diverse mix of companies across various industry sectors.

Global developed equity

Funds investing in companies listed on the established and developed global markets of North America, Western Europe and Japan. This will include large and small companies in these regions.

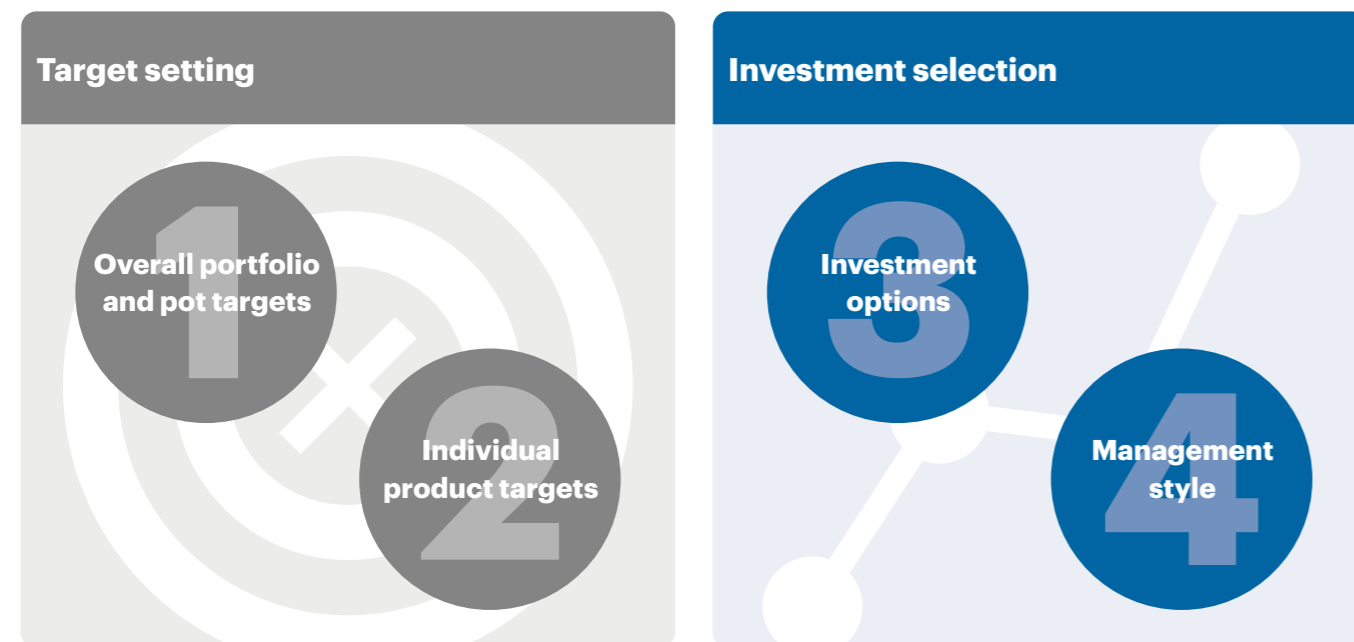
Global emerging equity

Funds investing in companies listed on emerging and undeveloped global stock markets. These markets tend to have higher volatility and associated risks.

Selecting an investment strategy

This is the culmination of our portfolio construction process. Your planner will have completed their tax efficiency and product flexibility review and the portfolio structure will have been established. The final piece of the jigsaw is therefore how to apply our investment philosophy.

Your planner will approach their recommendations in four stages:



Target setting

Stage 1: Overall portfolio and pot targets

The horizon planning process will include setting risk targets for each pot. Your planner might also set a target for the portfolio as a whole as would be the case if horizon planning is not used. Your portfolio could therefore include a range of risk targets to meet your investment goals.

Stage 2: Individual product targets

Once your overall and/or pot targets have been established, we will then look at how each product should be aligned with this. It could be appropriate for a product to simply be invested in line with one of your pots. However, there are also circumstances where it makes sense for a product to be included in more than one pot. Some typical examples include:

- A pension invested solely for growth.
- An ISA invested as part of your reserve and income pots.

It is also quite possible for portfolios to be structured in such a way that some products might need to be included in all three pots.



Investment selection

Stage 3: Investment options

Your planner has access to a range of flexible investment options provided by Equilibrium Investment Management LLP (EIM):

	Core	Bespoke
Overview	<p>Five unique investment funds that correspond to our strategic asset allocations, managed by our in-house investment managers.</p> <p>These funds are held by clients at all asset levels and are the simplest way to access our investment expertise.</p>	<p>An ongoing investment management service provided by EIM. This is our alternative to investing in the Core fund range.</p> <p>The underlying investment holdings will usually be the same as the Core funds. If product flexibility does not allow this, other suitable investments will be selected.</p>
How it works	<p>Your planner would simply recommend one or more of the following funds to be held within your products or direct with IFSL:</p> <ul style="list-style-type: none"> - IFSL Equilibrium Defensive Portfolio A Acc - IFSL Equilibrium Cautious Portfolio A Acc - IFSL Equilibrium Balanced Portfolio A Acc - IFSL Equilibrium Adventurous Portfolio A Acc - IFSL Equilibrium Global Equity Portfolio A Acc <p>Your products and fund holdings are then monitored on a regular basis by your planner.</p>	<p>Your planner would recommend the targets for each Bespoke product and specify how they should be managed. This would be set out in an investment agreement, which will also appoint EIM to manage your portfolio.</p> <p>EIM would then establish the investments to be held within each product and complete any necessary changes in line with the agreed management style.</p>
Asset allocation changes	<p>These are completed within each Core fund by our investment managers. This means that the asset allocation and underlying holdings will always be up to date with any changes.</p>	<p>Implementing changes can be complex and client specific. Transactions will be undertaken in bulk where possible, but manual intervention is often necessary.</p>

Specialist

We also offer a **Specialist** service option for clients with specific requirements, such as part of an estate planning strategy. This includes our Alternative Investment Market (AIM) portfolio.



Investment selection

Stage 4: Management style

This stage only relates to our Bespoke and Specialist services. This is because the ongoing management of our Core funds happens within the funds themselves and no separate agreement is therefore required.

Bespoke and Specialist

We can agree for EIM to manage a product within your portfolio in one of two ways:

Advisory: An investment manager will make recommendations in relation to your portfolio. You will then decide whether to proceed each time.

Discretionary: You will delegate ongoing investment decisions to our investment managers. They will be able to make appropriate changes to your investments without contacting you first.

Your planner will recommend an appropriate style to match your investment objectives for each individual product. Discretionary management is only available via our preferred investment platforms. Further information on these management styles can be found in the appendix.

Things you need to know about our advisory management service

- Adviser recommendations will lag discretionary changes due to the time involved in making the specific recommendations and the potential additional time of processing the switch. A delay could have a negative effect on performance.
- All recommendations will be accompanied by a short written report explaining our advice and anything that you may need to consider, including costs, benefits and risks. The changes will only be processed after we have your permission to proceed.
- Investment switches may be completed online if we are able to do so. In certain cases we will require written authority.
- When managing assets where we cannot undertake electronic dealing, trades may take significantly longer, especially if undertaken by post.

Things you need to know about our discretionary management service

- By giving us discretion to manage your portfolio you are giving up an element of control. We will not contact you before making most changes to your portfolio, meaning that you will not be able to turn down the proposed transactions.
- Changes we make to your portfolio could have a negative effect on performance, or give rise to a tax liability, particularly capital gains tax.
- If your circumstances have changed and we have not been informed, our investment decisions could turn out to be inappropriate.

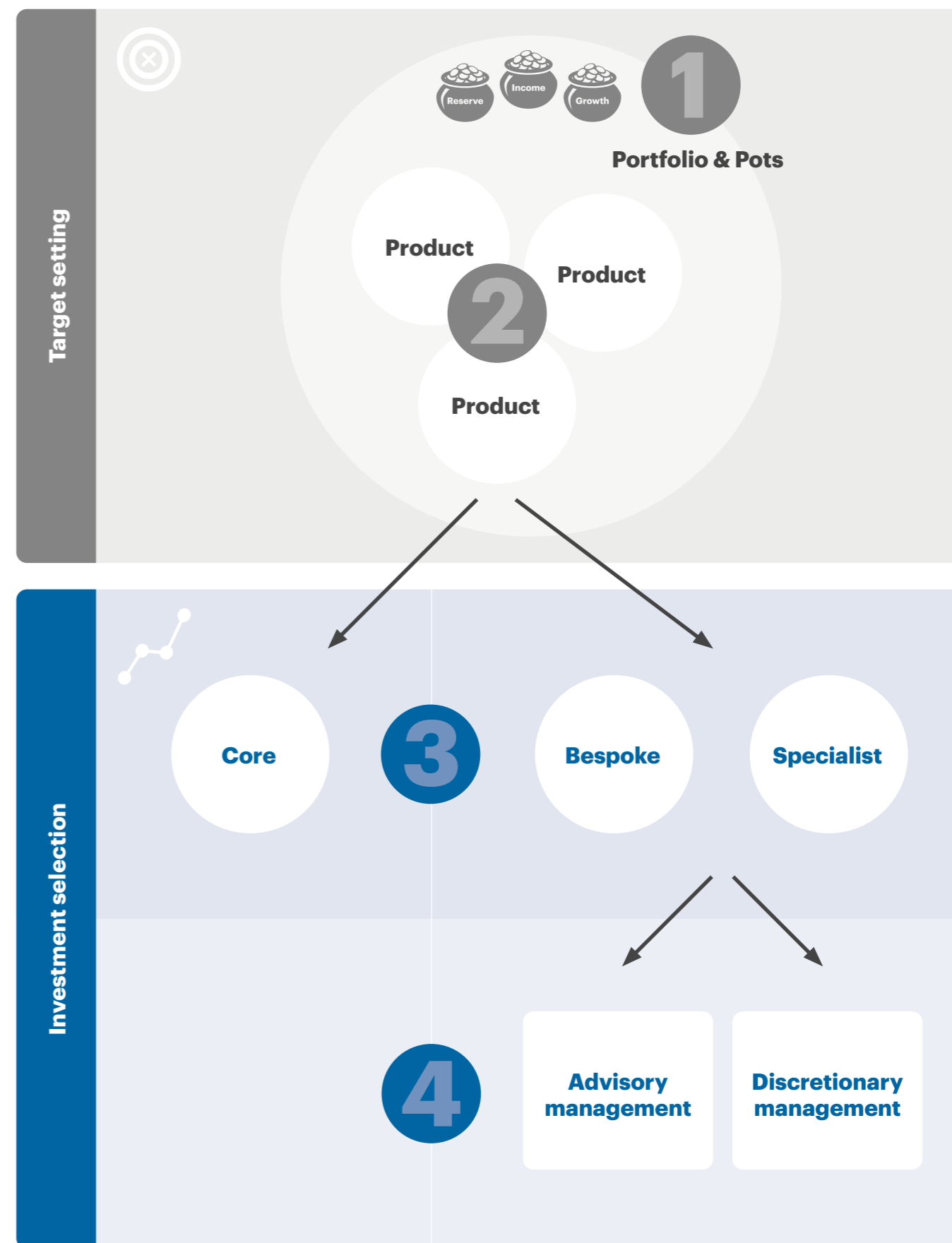


Key point

Your planner could potentially recommend both Core and Bespoke options for your portfolio. However a particular product must either be one or the other; it cannot be split between the options.

Investment strategy matrix

The diagram below summarises the last three pages, showing the flow of the process from start to finish.





How your money is protected

An overview of how your investments are protected is provided below. This is a complex subject, so please do not hesitate to speak to your planner if you would like further information or clarification.

The Financial Services Compensation Scheme (FSCS) was established in 2001 and is the UK's fund of last resort for clients of authorised financial services firms. It protects consumers when firms go bust, providing compensation if a firm has stopped trading or does not have enough assets to pay the claims against it. The cover is provided against the firms that provide the investments or give the advice to invest, not the investments themselves. In other words, in order to claim under the FSCS:

- You would need to have experienced a financial loss as a result of bad advice, fraud or mismanagement.
- The authorised firm responsible would need to be in default.
- The loss could not be from poor investment performance.

Compensation limits

The amount of compensation available would depend on the basis of your claim as shown below. Please note that the stated compensation limits are per person, per firm.

Cash Deposits - £85,000

This applies to cash in a bank or building society and sometimes on an investment platform. If you have cash deposits over the limit with one provider, it is good practice to look at spreading this over a number of providers to stay within the compensation limits.

Investments - £85,000

Many well-known investment FSCS compensation cases are claims against financial advisers for bad advice. The compensation limit for such claims is £85,000. This compensation limit also applies to investment fund providers to cover against fraud or mismanagement. As such it applies to our Core funds, or any funds held via an investment platform in an ISA, general investment account or pension. The factors to consider here are:

- If the fund management firm goes into liquidation, there are safeguards in place to prevent the assets of its investment funds being used to bail it out. This is known as ring-fencing i.e. the assets owned by each fund are held and accounted for completely separately from any other assets owned by the fund manager itself.
- Conversely, if there are losses in a fund due to fraud or mismanagement then the corporate assets of the fund management firm can be called upon to cover these losses. If this does not provide sufficient assets to meet the claims for losses within the fund, this is where FSCS protection would kick in.

Long-term insurance - 100% without limit

Applies to insurance companies providing pension and onshore investment bond products. Protection for offshore investment bonds depends on the nationality of the provider.

Important to know

Direct shares and our defined returns products are not covered by the FSCS.

The table below provides a summary of the FSCS cover available relevant to clients of Equilibrium

Claim against	Product provider	Product type	Cash deposit compensation limit	Investment compensation limit
Equilibrium	N/A	N/A	N/A	£85,000 per person
An investment platform or funds (including our Core funds) held on an investment platform	Nucleus, 7IM or Transact	ISA, general, pension	£85,000 per person per provider	£85,000 per person per provider
	Sanlam Life & Pensions Limited (Nucleus)	Onshore Bond	N/A	100% without limit
	RL360 (Nucleus)	Offshore Bond	N/A	Protected by the Isle of Man Policyholders' Compensation Scheme: 90% of the liability
The provider of our Core funds when held direct	IFSL	ISA, general	N/A	£85,000 per person
Other providers	Investment providers	ISA, general, pension	£85,000 per person per provider	£85,000 per person per provider
	Insurance companies	Pensions and onshore bonds	N/A	100% without limit

Key point

Equilibrium does not hold client money. As a client, you have absolute ownership of your investments either directly, or via a third party platform. Neither Equilibrium, nor the third-party providers (such as Nucleus, IFSL or 7IM) have any title to your holdings.

If Equilibrium Financial Planning ceased trading, the main impact would be that you would need to find a new adviser. If Equilibrium Investment Management ceased trading, you would need to appoint a new investment manager. Your investments would be unaffected in either case. In terms of the IFSL Equilibrium Portfolio funds, IFSL would appoint a new fund manager to take over from Equilibrium.

Appendix



Risks

As outlined in the 'Where we invest' section (page 22), our portfolios will potentially invest across the following areas: fixed interest, property, structured products and equities. You should therefore be aware of the following factors:

- Fixed interest investments are sensitive to interest rate movements and the value of your capital can fall as well as rise.
- All funds, particularly property funds, can enforce a time delay on any withdrawals should market conditions dictate. They can also change the pricing basis of their fund from an 'offer' to a 'bid' price, which can have the effect of devaluing the fund overnight. Whilst this is more prevalent with property funds it can apply to any fund.
- Where a fund holds illiquid assets, such as property, the value can sometimes be considered to be a matter of opinion rather than fact.
- The returns of our defined returns products are provided by a counterparty. If that counterparty goes bankrupt, you could lose some or all of your money. These products are not covered by the Financial Services Compensation Scheme (FSCS). The returns generally depend on the performance of a stock market index. If the level of that index falls during the term of the investment you may lose some or all of the original amount invested. Even though the products are linked to the performance of a stock market index, you will not receive any dividend income from the companies that make up that index.
- Whilst equity investments generally carry potential for greater returns over the longer term relative to investment in other asset classes, the volatility of these returns is also generally greater, thereby increasing the potential for capital loss. Some of our equity holdings are based overseas, you should therefore note that changes in exchange rates between currencies may cause the value of your capital and/or income to increase or decrease.
- Alternative equity has many of the same risks as traditional equity.



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Equilibrium is a trading style of Equilibrium Financial Planning LLP and Equilibrium Investment Management LLP (Limited Liability Partnerships). Equilibrium Financial Planning LLP (OC316532) and Equilibrium Investment Management LLP (OC390700) are authorised and regulated by the Financial Conduct Authority and are entered on the financial services register under references 452261 and 776977 respectively. Registered Office: Head office. Both companies are registered in England and Wales. The FCA regulates advice which we provide on investment and insurance business; however it does not regulate advice which we provide purely in respect of taxation matters.

Investment Fund Services Limited (IFSL) is the Authorised Corporate Director of the IFSL Equilibrium OEIC. IFSL is registered in England No. 06110770 and is authorised and regulated by the Financial Conduct Authority. Registered office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. Copies of the Prospectus and Key Investor Information Documents are available in English from www.ifslfunds.com or can be requested as a paper copy by calling 0808 178 9321 or writing to IFSL, Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP.