ANTRAMS INVESTMENT PHILOSOPHY

Until about 50 years ago investment theory was limited to "buy low sell high", which is a great theory but difficult put into practice.

Modern Portfolio theory now offers investors clear evidence that a structured approach will help increase returns and control risk. Remarkably much investment advice still clings to the virtues of stock picking and flavour of the month funds and managers, yet the evidence for a more rigorous approach is overwhelming.

Modern portfolio theory may be a less exciting place to start than charting last year's top performing fund, but at Antrams we believe that not getting carried away with the latest star performers is an important starting point for sound advice. For us the key factors on constructing a portfolio are:

- Concentrating on asset allocation suitable to risk/return and time profiles.
- Keeping investment costs down.
- Using suitable tax breaks and investment vehicles.

EVIDENCE BASED RESEARCH

At Antrams our approach to investment is evidence based and underpinned by research and the experience of managing clients' money during a range of financial conditions. An awareness of how various assets behave and the range of likely returns they will produce, helps us to build realistic expectations of the returns that client portfolios can yield. It also helps us to moderate risk.

Of course recognising the link between risk and return is central to finding the right investment mix for our clients so that they feel comfortable with the ranges of return that their investments will experience. Investment portfolios do not move in straight lines and the range of movement or short term volatility that investments experience is one way of assessing that risk.

Put simply, it is your tolerance point to short term risk that is a critical point when choosing an investment. There is no point holding a portfolio that could have produced great long term returns but selling in fear on the first market dip.

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DIVERSIFICATION

Another key to how we construct portfolios is the use of diversification. Once again we turn to investment research *where there is significant evidence to show that mixing asset classes can help to moderate investment risk for our clients. Further research into how best to optimise that mix to yield the best return for the least risk is another key principle which underpins our investment approach.**

The importance of asset allocation and investing for an appropriate timescale is further supported by research undertaken by the UK Financial Services Authority***. These studies also go on to stress the importance of charges as a significant factor in determining a client's overall investment return. Furthermore they found very little evidence to support the theory that higher charged funds performed any better than the market.

None of this will come as a shock to studiers of Modern Portfolio Theory. However, more cynically they also stated that "If performance is random but fund managers can attract poorly informed customers through advertising there may be an incentive for a fund management group to offer lots of brands. By chance some funds will perform well. It will be possible to attract custom by advertising these funds".

OUR CONCLUSIONS AND GENERAL STRATEGY

We are not fund or stock pickers. We do not believe that the evidence is there to suggest that using past performance of individual funds (or fund managers) is any useful indication of future returns or relative performance. Our whole approach is to listen carefully and try to identify levels of risk appropriate to each individual and construct an asset allocation model tailor made for the individual and the approximate time period of the investment. Once appropriate investment aims (including risk and time profiles) have been made and a suitable asset mix and tax wrappers recommended, then the next key issue is cost.

We believe that by using this strategy we can structure an efficient asset allocation suitable to each individual's risk/return/time profile. We then select index based funds with low management charges to keep investment costs down.

*In 1990 Harry Markowitz & Bill Sharpe were awarded Nobel Prizes for their work on the science of constructing risk-efficient portfolios. The Efficient Frontier and the Capital Asset Pricing Model

** Markowitz work into what he termed "the efficient frontier".

***The Sandler report commissioned in 2001

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