MANAGED PORTFOLIO SERVICE

AN EXCLUSIVE INVESTMENT SOLUTION
INTRODUCTION

Exclusively available to our clients, the Mercer Jelf Managed Portfolio Service offers access to a range of portfolios of diversified investments carefully selected from amongst the best in the industry.

The portfolios are managed on a discretionary basis by Mercer Limited (Mercer). They use their extensive global investment research and management capability to blend together a range of investments that seek to deliver attractive returns whilst controlling the associated volatility and costs.

The portfolios are accessed via the award-winning investment platform Standard Life Wrap, with availability through a variety of ‘tax wrappers’, such as Individual Savings Accounts or pensions, to suit your personal financial planning objectives.

Utilising their platform means various types of investments can be efficiently combined and managed, plus in-depth information and analysis of your portfolio and its performance is available at your fingertips.

Our objective is to manage your money and help you achieve your aspirations and goals for the future.
INVESTMENT PHILOSOPHY

The Mercer Jelf Managed Portfolio Service strikes a sensible balance that we believe our clients appreciate and value. The portfolios have been created to provide realistic investment returns over the medium to long term, whilst monitoring and controlling risk and cost.

REALISTIC RETURNS
You want your money to work hard for you; to outstrip inflation and provide the returns necessary for you to achieve your financial objectives. The portfolios are therefore designed to provide a realistic investment return within a disciplined risk- and cost-controlled framework.

The portfolios will not take excessive risk to chase higher investment performance; protection against potential falls in the stock market is an important feature too. The performance will be monitored against independent industry benchmarks.

COST CONTROL
Investment opportunities with higher potential returns also tend to be more expensive to run, which adds to the ongoing cost of your portfolio. The effect of ongoing fund charges has a disproportionately adverse impact if the desired investment returns are not achieved.

Mercer Jelf Managed Portfolio Service seeks to deliver value for money by making intelligent use of the range of investments available to achieve the portfolios’ objectives, including blending together the optimum mix of ‘active’ and lower cost ‘passive’ collective investment funds.

RISK MITIGATION
It may be possible to achieve higher returns but this would generally mean exposing your portfolio to higher risk. This in turn means greater volatility in the value of your investment and the potential for losses that you may be uncomfortable with.

The portfolios seek to take advantage of growth opportunities whilst also protecting against inherent risks, such as market falls, with the ability to quickly modify investment holdings if required.

As part of getting to know about, your circumstances and your objectives, we also take into consideration your attitude to risk and tolerance for financial loss. We can then ensure that your money is invested in a portfolio with a corresponding risk profile, where you have a clear understanding of how your investments can be expected to perform.

Risk can never be totally eliminated, particularly in times of exceptional, short term market volatility. However, the advantage of having your money managed on a discretionary basis via a platform means that any changes considered appropriate can be made quickly and efficiently.
AN EXPERT BLEND OF ACTIVE AND PASSIVE INVESTMENTS

The portfolios consist of a blend of active and passive funds; active funds where it is believed that there is a realistic opportunity for out-performance, and passive funds in the more developed and efficient markets. This pragmatic, blended approach gives you, the investor, the best of both worlds in terms of cost and access to growth potential.

ACTIVE FUNDS
Active funds are those where the investment manager aims to achieve the best returns possible by exploiting inefficiencies in markets and selecting underlying stocks that they believe will provide superior performance, using research, analysis and their own skill and judgment.

Active funds provide the potential for greater returns but because of the research and resources required to run them, they are more expensive than the alternative passive funds, and there is no guarantee that higher returns will actually be achieved.

However, Mercer has an established track record of selecting strong performing, actively managed funds.

By using their global investment scale, they have also been able to negotiate lower fund management charges with many leading fund managers, and this cost benefit is passed on to investors.

PASSIVE FUNDS
Passive funds are funds that, for example, simply seek to track the performance of a stock market index without adding extra value through individual stock selection.

The benefit of this is that you are participating in the market so you will benefit from any index growth. However, it also means that returns can be more volatile as if the index falls, the value of the fund will naturally follow.

A BLENDED APPROACH
The approach of using a blend of active and passive funds helps set Mercer Jelf Managed Portfolio Service apart from other investment solutions that rigidly invest in one or the other.

It also means that you only pay for the active management that Mercer feel will add value to your investments. For the reasons of potential out-performance and lower cost, Mercer Jelf Managed Portfolio Service will typically invest between 50% and 85% in Active funds.

Where it is considered appropriate, funds can be replaced as quickly as possible, for example where a particular fund manager resigns or where a fund’s investment approach may not be suited to current or anticipated market conditions.

Mercer also blends different types of funds together within portfolios to reduce issues such as over-exposure to a certain investment style or sector, like banks or energy.

Importantly, as Standard Life Wrap makes no charge for switching between funds, investment decisions are not constrained by implementation costs.
A ROBUST INVESTMENT PROCESS

Significant value is added through a disciplined investment process.

Markets are dynamic, and the performance and outlook for geographic regions and economic sectors shift constantly. Our philosophy is to take advantage of this through investment across a range of different types of asset and markets, adding incremental value to portfolios at all levels. It is a continuous, iterative and robust process with three key layers – strategic asset allocation, tactical asset allocation and fund selection.

‘Asset allocation’ means the proportion of your investment that is allocated to each different type of asset, such as cash deposits, UK and overseas equities (i.e. shares), fixed interest (e.g. government and corporate bonds), physical assets (e.g. property and infrastructure) and alternative investments (e.g. commodities and private equity). Typically, a lower risk portfolio such as MJMPS 3 will include more cash and fixed interest investments, and a higher risk portfolio such as MJMPS 8 will include more equity exposure, as you can see from the chart below.

When you invest in one of the portfolios, you give Mercer a discretionary mandate to dynamically change the asset allocation and underlying funds within the portfolio’s risk profile, according to their view of markets, types of asset and investment fund managers. This means they can make changes quickly and efficiently, and they do not need you to sign fresh paperwork every time.

Source: Mercer Limited. This chart shows the typical strategic asset allocation of the portfolios. The actual asset allocation will depend on when you invest and will be shown on your personal illustration.
A ROBUST INVESTMENT PROCESS

Significant value is added through a disciplined investment process.

STRATEGIC ASSET ALLOCATION

Long term vision and strategic asset allocation are key determinants of a portfolio’s investment returns.

Mercer’s team of portfolio managers and researchers use various techniques to establish an optimum asset allocation to meet the longer term objectives of the model portfolios. The team have a wealth of experience in building portfolios and use a wide range of asset classes to ensure you benefit from the effects of diversification.

TACTICAL ASSET ALLOCATION

Markets are volatile and strong performance in one year is no guarantee of strong performance in the next. By maintaining an active approach to asset allocation, Mercer seeks to incrementally enhance performance above and beyond the returns of the strategic asset allocation. Depending on the prevailing investment market conditions, Mercer may decide to make changes in order to enhance returns and/or reduce risk in volatile market conditions.

This tactical view draws upon the input and experience of Mercer’s Asset Allocation Committee. Composed of global and UK strategists and investment professionals, the Committee meets monthly to ensure the Mercer portfolios are aligned to their current views of the investment world.

REBALANCING

Left untended, the risk profile of a portfolio will change over time because different types of assets and funds perform in different ways.

Mercer continuously monitors the portfolios to ensure the risk profile of the model portfolios do not significantly deviate from the optimum position. If necessary, Mercer will automatically buy or sell a proportion of the appropriate investments so that the resulting asset allocation is in line with their latest thinking. This is known as ‘rebalancing’ and it helps maintain the portfolios within the desired risk profile.

SELECTION OF UNDERLYING INVESTMENTS

Once the optimum asset allocation is determined, the appropriate underlying investments are selected to populate the portfolios.

Rather than buying the underlying funds directly, the portfolios typically access a small range of Mercer funds, which in turn purchase the underlying funds. This means portfolios can be managed more efficiently and it helps control potential capital gains tax within portfolios. There is no extra cost, and in fact this approach means that investors can benefit directly from the lower underlying fund management charges that Mercer is able to negotiate due to the scale of its global fund management activities.

The underlying funds will predominantly be UK regulated investments but may also include other investments such as exchange traded funds and investment trusts.

For example, there are estimated to be over 17,000 collective funds available in the market, and Mercer has the expertise and resource to research and filter the underlying funds to derive the right blend for the portfolios. Mercer applies a four factor approach focusing on idea generation, portfolio construction, implementation of ideas and business management. Information such as past performance, investment style and forward-looking risk analysis are also considered in the blending of the model portfolios.

To provide flexibility, Mercer can also use a number of directly managed and highly rated external investment funds, where they believe this to be in the best interests of the model portfolios.
A UNIQUE COMBINATION OF EXPERTS

The Mercer Jelf Managed Portfolio Service benefits from the combined experience and expertise of three different parties: each of whom plays a vital role in helping you achieve your financial plans.

Mercer Jelf Financial Planning is the specialist UK financial planning arm of Mercer, which has more than 22,000 employees based in 43 countries.*

We have extensive experience in helping individuals put in place bespoke financial plans that will help them achieve their personal goals and aspirations.

As a firm, we hold the prestigious Chartered Financial Planners designation as awarded by the Chartered Insurance Institute (CII), compelling independent testament to the quality of advice and service we offer our clients.

Mercer Jelf Financial Planning is one of Standard Life’s largest financial planning partners and therefore has significant buying power, meaning that our clients benefit directly from some of the most competitive charges Standard Life offers.

Mercer’s Discretionary Fund Managers create value by applying its extensive knowledge to solving investment challenges on behalf of clients with more than $10.2 trillion in assets under advice and $160 billion under management.**

It leverages its scale to secure exceptional fee arrangement for clients, and in particular to ensure that investment management fees remain highly competitive.

Standard Life

Mercer Jelf Managed Portfolio Service is managed on the leading investment platform, Standard Life Wrap. Standard Life Wrap is provided by Standard Life Savings Ltd, which is a wholly owned subsidiary of the FTSE 100 listed Standard Life Aberdeen plc.

Standard Life has been a leading provider of financial services since 1825, and is well placed to continue to invest in improvements including greater “straight through processing” and access to the latest versions of investment funds. The Wrap holds the coveted Schroder Best Platform Provider (with assets over £15bn) Award for 2016 and 2017. Standard Life has assets under administration of £48.2bn*.

*Company details as at September 2017.
**Asset information as at 30 June 2017.
GOVERNANCE

A third party manager ran the Mercer Jelf Managed Portfolio Service since its launch in 2009. However, now we are part of the wider Mercer business, we have access to a world class ‘in house’ investment management capability that we to use for the benefit of our clients. We therefore appointed Mercer as the investment manager of the Mercer Jelf Managed Portfolio Service from February 2018.

GOVERNANCE COMMITTEE

We work closely together at a senior level to monitor the key aspects of the portfolios and ensure they are running smoothly. A key element of this oversight is the Mercer Jelf Investment Steering Committee. This meets formally every three months to monitor the running of the portfolios in relation to the agreed mandate, with due consideration of the risk profile, cost and investment returns achieved. As you would expect from an investment firm of Mercer’s scale, there are numerous checks and balances in place to ensure appropriate review and scrutiny of its investment management operations. We believe Mercer will do a great job managing your money but importantly we still have the authority to appoint another firm if they are not performing.

COMMUNICATION

A performance factsheet including commentary regarding markets and portfolio activity is available every three months. This is in addition to comprehensive personalised statements that can be accessed on the Standard Life Wrap or via our client portal. We are mindful of environmental concerns and try to eliminate paper documentation where possible.

In addition, when you have signed up for our ongoing advisory services, we will provide you with ongoing financial planning reviews to help ensure that your Mercer Jelf Managed Portfolio Service investment, and your other financial planning arrangements, as appropriate, remain suitable for your needs.

RISKS STATEMENTS

• The value of your investments (and any income from them) can fall as well as rise, and you may get back less than you invested.

• Past performance is not a guide to future performance.

• One of the key objectives of the Mercer Jelf Managed Portfolio Service is to remain within a defined volatility boundary. However this cannot be guaranteed, for example, in times of exceptional short term stock-market volatility.

• Inflation will reduce the real value of your investments and what you could buy with them.

• There is no guarantee that the portfolios will out-perform other cheaper alternative investments.

• This document does not constitute investment advice and should not be relied upon in isolation. A personalised illustration is available on request which will detail all costs associated with investing in the Mercer Jelf Managed Portfolio Service.
A COMPELLING INVESTMENT SOLUTION

The Mercer Jelf Managed Portfolio Service is a unique investment service and for the right type of investor, we believe it represents a compelling investment solution as part of an overall financial plan.

As well as aiming to provide investment growth, managing the risk of potential loss is a critical element of the Service. The underlying principles include:

- a tightly defined investment mandate and objectives
- dynamic asset allocation
- a blend of both active and passive investments
- expert fund research
- management of investment volatility within agreed risk boundaries
- high quality reporting
- regular portfolio reviews and, if necessary, rebalancing
- ease of access through the Standard Life Wrap platform

We can advise on a range of investment solutions and our experienced team of qualified financial planners will work with you to assess if the Mercer Jelf Managed Portfolio Service is a suitable solution for your needs. We believe it is typically suitable for investors who:

- have more than £50,000 available to invest and are UK resident
- appreciate that investment returns are achieved within a cost- and risk-controlled framework
- do not wish to be actively involved in investment decisions, yet wish to understand how their money is being managed
- want to invest over the longer term (typically at least seven years for portfolios with a very high equity content)
- appreciate the value of both active and passive fund management
- understand the significance of expert fund research and how dynamic asset allocation can add value to portfolios
- want the reassurance of ongoing reviews
- need a consistent investment approach whilst using different tax wrappers
- may wish to blend Mercer Jelf Managed Portfolio Service with other investments
- may wish to make regular savings in addition to a lump sum investment
- value the technology that provides a convenient method of viewing their various investments
C O N T A C T

For more help and information please contact us by:

Telephone: 0333 400 1106

Email: fpservicingteam@mercer.com

Visit: www.uk.mercer.com/managed-portfolio-service