



Tideway
Wealth & Retirement

Investment Process and Model Portfolios

www.tidewaywealth.co.uk



“Tideway specialise in advising clients planning for retirement or living off their investment income”

We recognise that we are often dealing with irreplaceable capital - funds that would be impossible to replace. With this in mind, here are things we focus on:

- Generating inflation beating returns
- Generating portfolio income
- Investing globally
- Hiring the best investment talent
- Lowering costs
- Being tax efficient
- Avoiding large permanent losses
- Not betting the ranch on one strategy
- Avoiding price bubbles
- Avoiding esoteric or illiquid investments

Tideway’s leadership has over 35 years of investment advisory experience. We believe in hard work, thorough research and strong due diligence.

We are not aiming to shoot the lights out, we are focused on capital preservation and we are passionately sensible in the way we set about investing your money. This runs through the whole firm, from the wealth managers we hire, the pension and platform providers we use, the external research we pay for, through to the funds and managers we select to invest in.

It is a collaborative team effort. No short cuts, just passionate, sensible effort.




**“We use
collective funds
for diversification
and to hire the
best talent to
invest your money”**

Tideway does not select and invest directly into individual shares or bonds. To do so across bonds and shares on a global basis would require a big team and it would be very hard for any one company to hire the best talent needed to do all of this well.

By investing in collective funds, we get the proper level of diversification into your portfolio to reduce the chances of any big permanent losses through the collapse of one company. Plus, we get to hire what we believe is the best talent to look after your money.

Talented fund managers get drawn to firms specialising in fund management for the best rewards and best support for their skills. This is where we go hunting for our selected funds.

The left side of the page features a vertical photograph of a vineyard. A wooden post stands in the foreground, with green grapevines and leaves extending upwards and outwards. The background is a bright, slightly blurred sky.

“We have created ten portfolios to address different objectives and risk appetites”

The portfolios target a range of real returns, annual income yields, risk ratings and investment objectives.

At the lowest risk, we start with improving on cash deposit returns by investing in corporate bond funds. At slightly higher risk, we target capital growth as well as income yield. And in our most growth-oriented portfolios we invest in the shares of the world's fastest growing companies.

There are four portfolios focused on generating regular income payments up to and beyond the natural income of the portfolio – often referred to as income drawdown – which are ideal for pension accounts.

The portfolios make use of a wide range of fixed income funds lending to companies, equity funds investing in the shares of companies and alternatives funds often backed by real assets such as commercial property or infrastructure. The different risk and return characteristics of these funds enables us to construct our portfolios to deliver a range of target returns and risk levels.



“We plan for short term investment volatility; it should be embraced and not feared”

The risk of the portfolios is a function of how much their value may go up and down in the short term and the length of time it will take to ensure a profit if you are unfortunate enough to invest just before a market correction. We can't completely smooth the performance of the portfolios.

Investment price volatility is a by-product of earning a premium longer-term return. However, with lower risk portfolios any short-term losses should be smaller and recovered more quickly.

When you are drawing income from a portfolio over and above the portfolio's natural yield, short term volatility can be very costly unless planned for. Tideway's drawdown portfolios are designed so we don't have to sell equity funds in a market downturn to support income withdrawals.

By constructing defined portfolios like this, often referred to as 'model' portfolios, we deliver consistent returns across our clients with similar objectives and risk tolerances. This means the full weight of the firms fund selection and portfolio construction effort is delivered to every client.

Tideway Horizon Portfolio Name	Target Real Return After All Fees and Inflation	Target Annual Yield After All Fees	Tideway Risk Score	Portfolio Objectives and Strategy
Lower Risk Fixed Income (B1)	0.5%	2%	Low	Pure fixed income portfolios of corporate debt providing a higher degree of certainty of returns.
Balanced Fixed Income (B2)	1%	3%	Low to Medium	
Higher Yield Fixed Income (B3)	1.5%	4%	Medium	
Multi-asset Cautious (DD1)	1%	3.0%	Low	Mixed asset portfolios, increasing in return targets and risk. Incorporating both shorter time horizon fixed income investments as well as longer term equity and alternatives investments. The portfolios target a high level of natural income after fees to support income withdrawals. The shorter-term fixed income investments can be used as buffers to support withdrawals above the portfolio natural income without needing to sell equities in a market downturn.
Multi-asset Moderate (DD2)	1.5%	2.75%	Low to Medium	
Multi-asset Balanced (DD3)	2%	2.5%	Medium	
Multi-asset Growth (DD4)	2.5%	2.25%	Medium to High	
Equity Income (E1)	3%	1.75%	High	Pure equity portfolios invested in shares of companies on a global basis targeting above average income, capital growth and a blend of both strategies.
Equity Growth (E2)	3%	0.25%	High	
Equity Blend (E3)	3%	0.75%	High	



“Extensive research effort goes into the construction of each portfolio”

We have a two-step process to construct each portfolio, both of which are reviewed and approved by Tideway’s investment committee.

› Step One – Asset Allocation

We decide how to allocate funds in each portfolio across different asset classes and regions, in the light of opportunities available. We also assess the risks involved and changes occurring in investment markets. There is strong evidence to suggest that asset allocation is a major contributor to both investment risks and rewards. We spend a lot of time thinking about the components and relative weightings within the portfolio.

› Step Two – Fund Selection

Funds and managers are selected primarily on process rather than past performance. We want to have a range of strategies we can use to build our model portfolios. We look under the bonnet of each fund to see how it is invested and how it will look in the portfolio alongside other funds. We want to avoid having too many funds adopting the same styles, as they are likely to be investing in the same companies, and therefore overlapping.

› Independent Global Research

To ensure our investment framework is robust, we retain an external analysis firm to advise us. This is currently TS Lombard who are employed to help us understand global macroeconomic events along with their implications for investment assets and our portfolios. A TS Lombard representative takes a seat on our Investment Committee, bringing an independent and external input into the committee’s decision making.

“The most important factor in fund selection is the quality of the investment process”

Past performance of funds in isolation has historically been a poor indicator of future returns but is still widely used by many advisers and wealth managers as the way to pick funds. It can be an indicator of manager skills or it can simply be because that manager has been in the right place at the right time, more by coincidence than skill.

We believe the most important factor for selecting funds is the quality of investment process. A good investment process must include detailed analysis of the portfolios constituent company fundamentals as well as explicit controls to protect against downside risk. This is what ensures the protection of capital and generates the consistency of returns that we look for.

Rather than just past performance, we use a four-step process to sift a very large list of funds down to a shortlist using:

- **Research and Market Experience**
We identify managers where we think good track records can be maintained through a sensible, repeatable investment process.
- **Operational Due Diligence**
We use a third-party research platform that interviews and collates the risk management processes around liquidity, portfolio concentration and style drift. This thorough work will highlight managers operating without these controls and considerations which we prefer to avoid.
- **Investment Due Diligence**
We review the manager’s literature to understand their philosophy, process and portfolio construction, concluding with face-to-face meetings or calls with the fund management team.
- **Investment Committee Sign Off**
A report is written detailing the investment case of each new fund we want to approve for selection. This describes how it will fit into a model portfolios and is presented to the investment committee for final approval.



“Ongoing monitoring makes sure the portfolio remains optimally invested”

Asset Allocation

Tideway will usually stick closely to the strategic asset allocations throughout the cycle of short-term rallies and corrections, which are very difficult, if not impossible, to time optimally. However, we will take tactical positions should we feel an asset class has become significantly under or overvalued.

Asset allocation is reviewed at each quarterly Investment Committee meeting. This includes reviewing exposures to style factors and geographical allocation of the portfolios in comparison to the peer group including the Investment Association Global Index and TS Lombard model portfolio weights.

Fund Selection

The decision to sell a particular fund is not based solely on performance but also on whether Tideway believes that this fund is still the best option available to perform the role in the portfolio that it was initially selected for.

Straying away from their investment mandate, ‘style drift’, or obvious poor individual stock selection would be good examples of reasons to consider substituting a fund with another approved fund that better performs the desired role in the portfolio.

Rebalancing

Portfolios are reviewed monthly for divergence from our initial models. We may rebalance our model portfolios to return the portfolio to its initial weightings after larger moves in one fund or asset class.

This means either taking profits in an investment that has done well or adding to one which has done badly if we feel that it is a temporary issue.

Conclusion

At Tideway we believe in the value of clear strategies, supported by detailed analysis.

We are first and foremost cautious investors, being aware of the irreplaceable nature of much of our clients funds. Our structured approach ensures every client gets the benefit of the hard work underlying our model portfolios.

Overall, we believe it’s a passionately sensible approach. We’ll be sensible now so you don’t have to be later.





Tideway

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Please be aware that the value of investments, and the income you may receive from them, cannot be guaranteed and may fall as well as rise.

We always recommend that you seek professional regulated financial advice before investing.

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