Low Cost Portfolios

The Low Cost Investment Solution

eQ investors

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The low cost option for multi asset investors:

Applies the EQ strategic asset allocation model to optimise risk and return ✓	Built from hand-picked funds that track the performance of key asset types ✓	Competitive solution using institutional funds ✓	Tax efficient solution for ISA funds and pensions ✓

The benefits of passive investment

Passive funds and ETFs seek to replicate the performance of a benchmark index by owning most, or all, of its constituents. Most actively managed funds fail to beat their benchmarks over the long term, so a passive fund not only removes the risk of dramatic underperformance, it also offers the prospect of above average returns.

The second benefit is that the total cost of a passive fund is in the region of 0.25% per annum, much cheaper than most active funds, which typically charge 0.75% or more. Furthermore, EQ Investors charges a lower management fee for its Low Cost portfolios compared with our portfolios based on actively managed funds, so there is a double saving.

What does Low Cost mean?

There are numerous types of asset in which you can invest, such as government bonds, shares and commercial property. Each will move in value according to different factors. Academic studies suggest that it is desirable to spread investment risk across a range of asset types and avoid putting all your eggs in one basket. This is called a 'multi asset' approach and helps to improve the balance of risk and return.

Building the strategy

The first and most important decision we make is the distribution between each of the main types of investment such as:

Equities (shares in companies based anywhere in the world)	**Bonds** (short, medium and long term debt)
Commercial Property (offices, shops, warehouses etc)	**Commodities** (metals, oil & gas, agricultural products)

We set a range for each of these types of investment which will vary depending on the risk profile selected. Typically there will be a lower allocation to Equities for the lower risk portfolios.

We regularly adjust the amount allocated to each asset depending on our views on the various markets. Periods when the overall trend in stockmarkets is upwards are called *Bull* markets and the opposite *Bear* markets. It would be very helpful if we could predict accurately when those changes are going to occur but markets don't work like that. They constantly reflect the views of all those participating and we believe that it is nigh on impossible to predict with any consistency the timing of changes in direction.

However, we do seek to have an opinion on whether the *value* of an asset is cheap or expensive: this is at the core of our investment research and analysis. History shows that if you buy assets when they are cheap and wait long enough you will earn excellent returns.

Rebalancing the portfolio

Assets move in value across time and this will change the proportion allocated. For example, if the value of the equities in the portfolio grows, that asset class will eventually form a proportionately larger segment of the overall total value and so increase the risk.

Every quarter we will rebalance the portfolios. Studies suggest that this not only helps to control risk but also increases returns because it leads to assets being sold when they are expensive and bought when they are cheap.

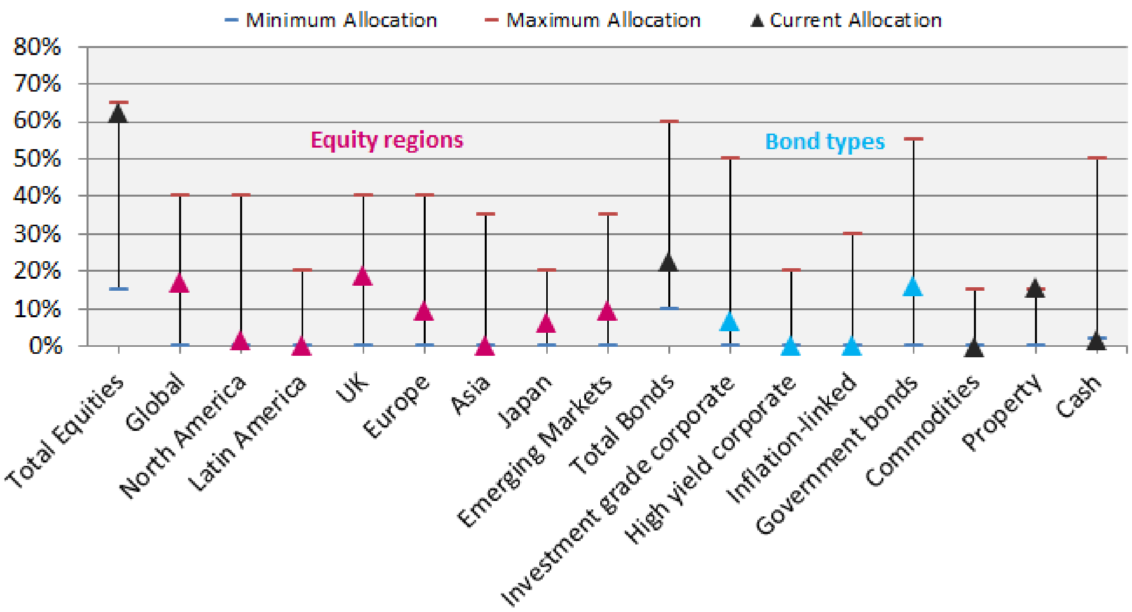
Building the portfolio

We review the market of passive funds and carry out a rigorous examination to identify those that:

- Are run by fund managers experienced in managing tracking funds
- Minimise tracking error so that performance is an accurate and up to date reflection of the asset class being tracked
- Offer competitive management fees.

In almost every case we will invest in funds that actually buy the individual stocks or assets that they set out to track. This reduces risk when compared to 'synthetic' tracking funds which use derivatives and so are exposed to the risk of a default by the issuer.

Typical Asset Allocation



The chart above shows a typical asset allocation for a Balanced (Risk Grade 6) Low Cost Portfolio. Data from 15/01/2016. The allocation will be subject to change as markets' prospects alter - for current monthly figures please download a portfolio factsheet from the EQ website: **www.eqinvestors.co.uk**

Tailored to your Risk Profile

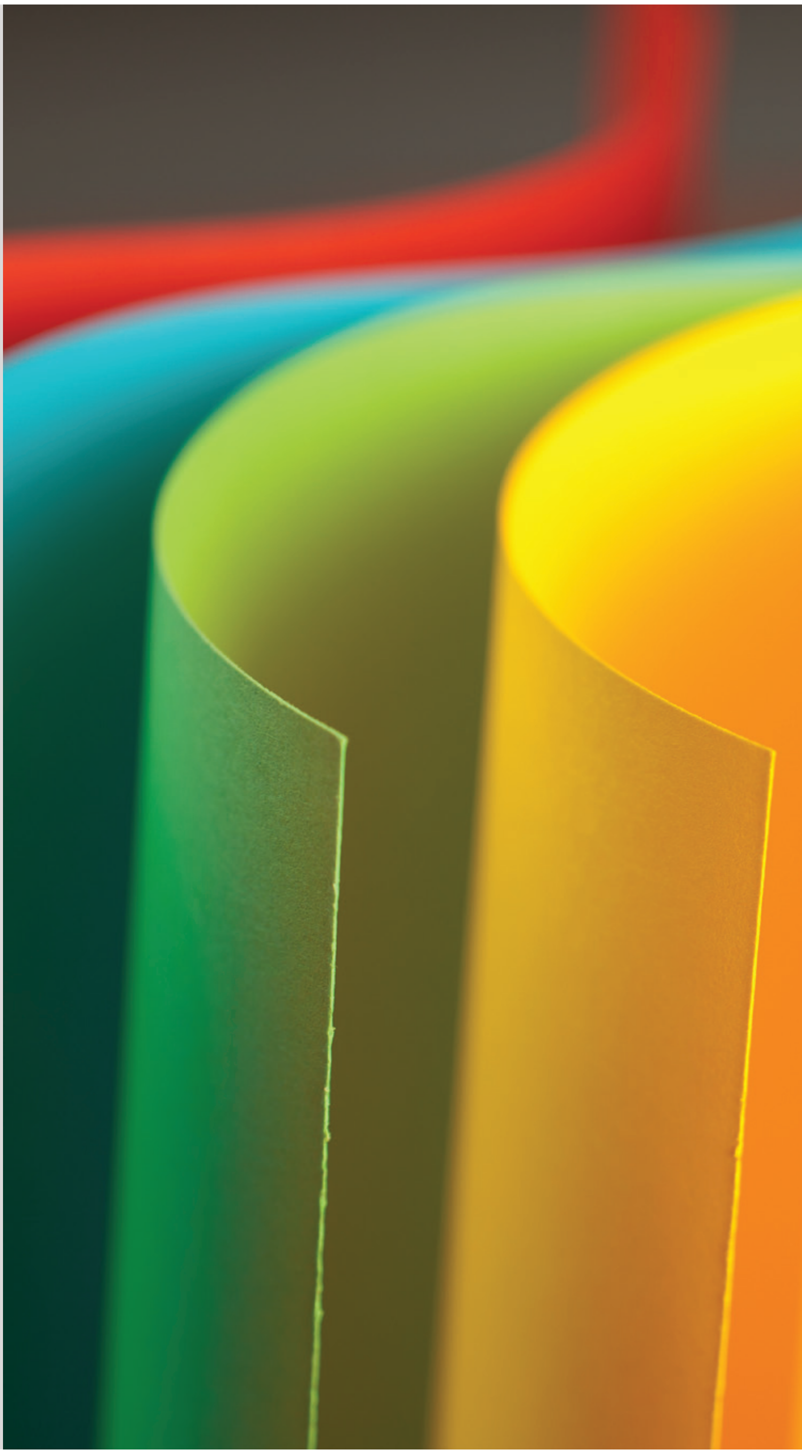
We operate several versions of the Low Cost Portfolio to suit differing levels of risk.

Tax Efficiency

The Low Cost Portfolios are available for Individual Savings Accounts (ISAs) and Self-Invested Personal Pensions (SIPPs) as well as General Investment Accounts (GIAs).

Further Information

To discuss the EQ Low Cost Portfolio, please contact us on **020 7488 7110**
or email **enquiries@eqinvestors.co.uk**



EQ Investors Limited, Centennium House, 100 Lower Thames Street, London EC3R 6DL. www.eqinvestors.co.uk

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