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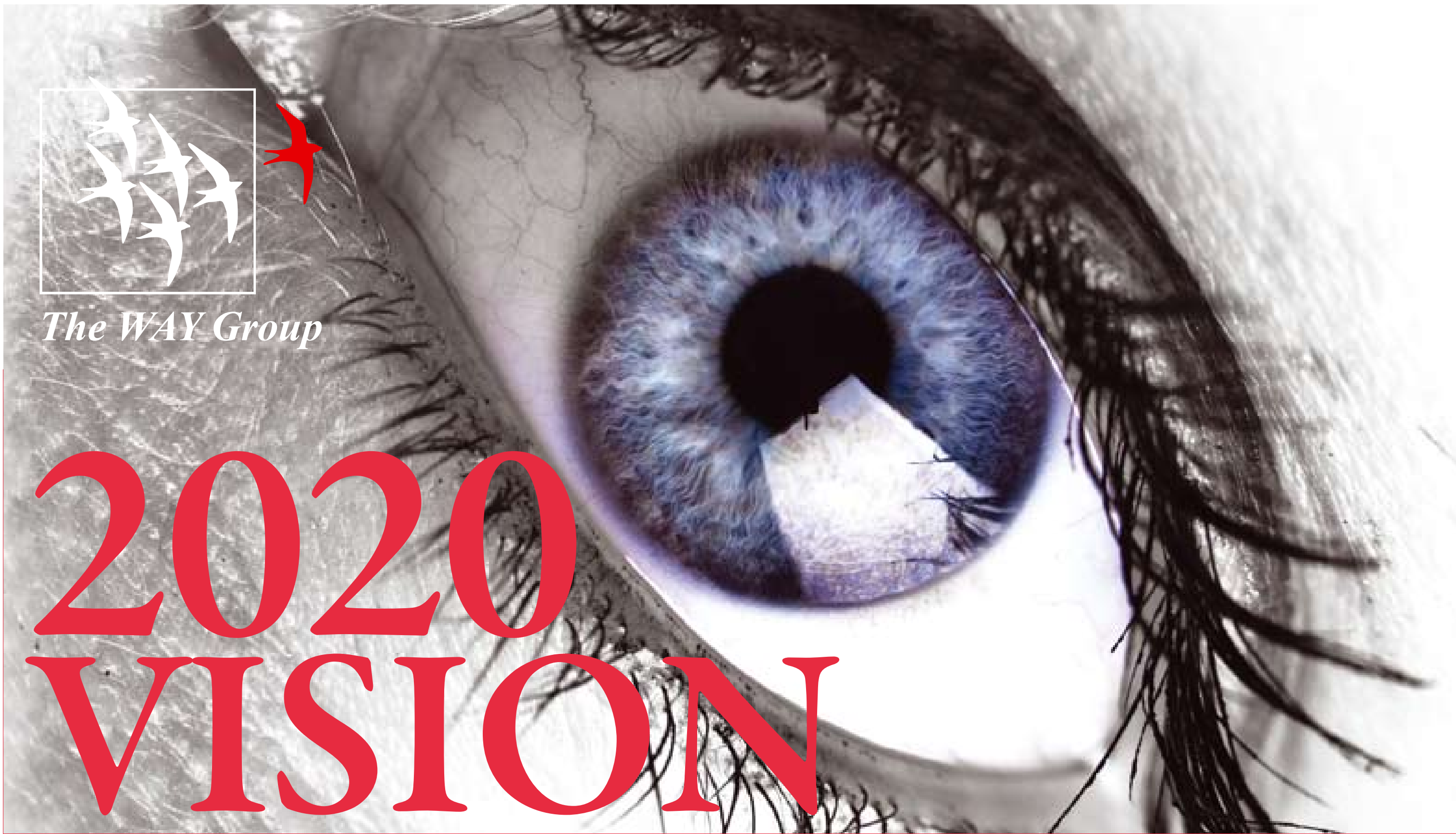
ISSUE NO.3
AUTUMN 2010



2020 VISION

"My interest is in the future, as I'm going to be spending the rest of my life there." So said American inventor, Charles Kettering.

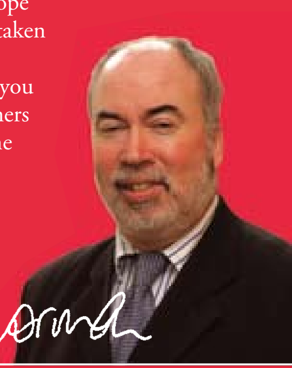
This has been a year when WAY has addressed its own future with decisions and actions which have and will affect, for the better we believe, our relationship with you courtesy of the establishment of our in-house investment management company and a range of new specialist funds - some of which were introduced with a truly innovative charging structure. This issue covers articles on each of those matters.

Since our inception we have outsourced investment management responsibilities for our funds but determined at the end of last year that whilst this arrangement had proved fruitful for investors and WAY alike over the years, the evolving nature of portfolio management techniques and the impending RDR considerations meant that we craved the greater flexibility we could employ if we had our own fund management capability. Early days of course but after eight months we hope that all of you with clients in our Global range – Red, Blue and Cautious – feel vindicated in the continuation of your support with each of those funds beating the sector average in the intervening period.

The other big development on the funds front this year has been the introduction of new satellite funds to supplement our core 'fund of funds'. Looking forward to the investment areas we thought would be significant over the next decade – Gold, Climate Change, Absolute Return, Asia and Freestyle (uncorrelated growth) - we have launched five funds which we believe to be potential winners through to 2020. It's not only the strategies and specialist management that make these funds unique, however, it's the radical charging structure of three of these funds that has captured most of the headlines on launch.

On the Inheritance Tax front, now that the Government has decided on the rulebook for the next five years, it's time for the market to stop second guessing what the future might hold for IHT. We hope to see as many of you as possible in November in our next round of estate planning roadshows when we will expound our belief that IHT mitigation should encompass family wealth preservation considerations as well as dealing with the headline problem.

It's been a very busy period at WAY HQ and whilst activity shouldn't be mistaken for achievement we hope the steps we have taken mean that we will continue to enjoy you all as trading partners for a very long time to come.



The WAY Group Footprint. Founding date: 1996 Founder/Chairman: Paul Wilcox

Ownership: Private (mostly held by the executives and friends and family)
Investment Professionals: WAY Investment Managers Ltd

Total AUM fund: £650m (31 October 2010)
Total number of retail funds: 10 WAY funds, 42 Elite (third-party funds)

Key products: Inheritance tax mitigation plans, Income plan
Key investment areas: Fund of funds, Specialist funds

Investment partners for WAY range: North Investment Partners, Vestra Wealth LLP, Charteris Treasury Portfolio Managers, Wessex Asset Management, Hasley Investment Management

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Sharing Both Pain & Gain

WAY's trio of new funds launched on 30th July were presented with a radical charging structure hitherto unseen in the retail investment market.

NO WIN / NO FEE The fund which initially opened most eyes was the WAY Freestyle Growth Portfolio Fund. Managed by Trevor Chanter and supported by the think tank (Star Chamber) team that has delivered sector beating performance across WAY's risk graded fund-of-funds portfolios, the new mandate provides them with an opportunity to craft a pure mixed asset growth vehicle without benchmark constraint.

As with any fund aiming to provide investors with good profit opportunity the risk trade-off will be higher than average but here is where WAY will align our fortunes to that of the clients. WAY will take no annual charge for itself in any year where returns are less than 10%.

There will be a performance fee which will kick in as gross annual returns exceed this amount in accordance with the following table:-

Band	Performance fee	Band	Performance fee
<10%	0%	10-20%	10%
20-30%	15%	>30%	25%

All fees are applied on the margin. So, to be clear, if the fund were to return 12% gross in any accounting year (April to March) there would be a manager's charge of 0.2% (10% of the surplus return).

Trail commission of 0.5% is paid to IFAs exclusive to this calculation so in this example an investor would see an annual management charge of 0.7%.

Clearly, WAY would enjoy a rewarding fee if bountiful returns were achieved but it would be just that....reward for providing the investor with a bountiful return.

The consequence of the above is to truly align the interests of the investor and the investment manager.

TOO GOOD TO BE TRUE? The nature of the above model is that it answers the criticism so often heaped on the fund management industry in that it/we pocket our fees irrespective of investors' fortunes. This voice has risen in recent years as markets have not been too friendly and portfolios have suffered accordingly.

We have sought to present a structure that is both fair and transparent to all but recognise that there will be those that stand back thinking there must be a catch.

Let's be clear, we are a commercial enterprise and our shareholders do not want to be sacrificed on the altar of altruism. Our back-testing informs the obvious –that we will lose money on the fund in bear and flat market periods (because of fixed costs alone) but we do believe that this model is operable on the high alpha and/or volatile funds. It is not something we would contemplate across our entire fund range.

We will lean further on skill and the occasional dash of good fortune to make our return but those are probably the attributes that investors are looking for us to portray.

BUT WHAT OF THE FUNDS? There are three new funds and whilst the Freestyle pricing model described above is the most extreme, the other two are also very keenly priced for their markets (full details on respective fact sheets).

The funds are:-

WAY ABSOLUTE RETURN PORTFOLIO FUND – *Investment Manager, Roderick Collins (Hasley Investment Management).* The very experienced and respected Roderick Collins will be managing a fund of absolute return hedge funds and investment trusts designed to provide a positive return in any twelve month period. The fund will embrace multi-strategies and will be particularly suited as a core holding in low-risk portfolios.

WAY ASIAN SPICE PORTFOLIO FUND – *Investment Manager, Gabrielle Knights (Wessex Asset Management).* Gabrielle will front the management team from this specialist investment house. Their number includes Peter Chesterfield who will have been followed by many when he managed the Abbey Asian Pacific Trust in the 1980/90s and looked after £1bn+ whilst there. They have been persuaded to run a retail fund for us after concentrating exclusively on institutional management since formation of their company in 1999.

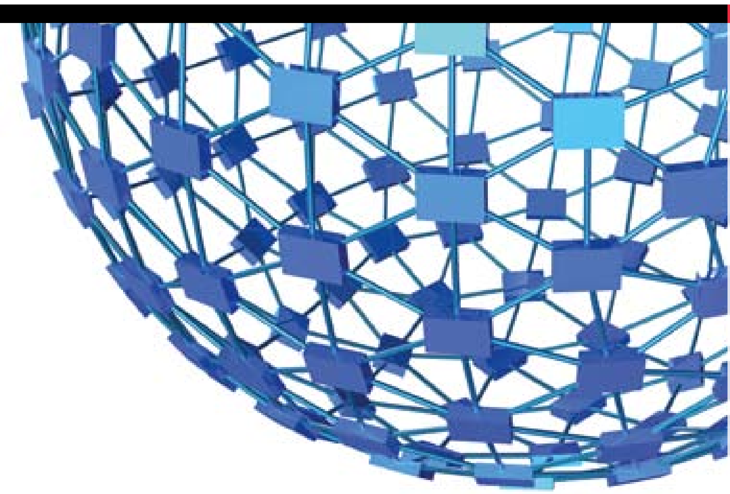
WAY FREESTYLE GROWTH PORTFOLIO FUND – *Investment Manager, Trevor Chanter (WAY Investment Managers).* As previously referred, Trevor will manage this high conviction non-correlated fund supported by input from our 'Star Chamber' think tank.

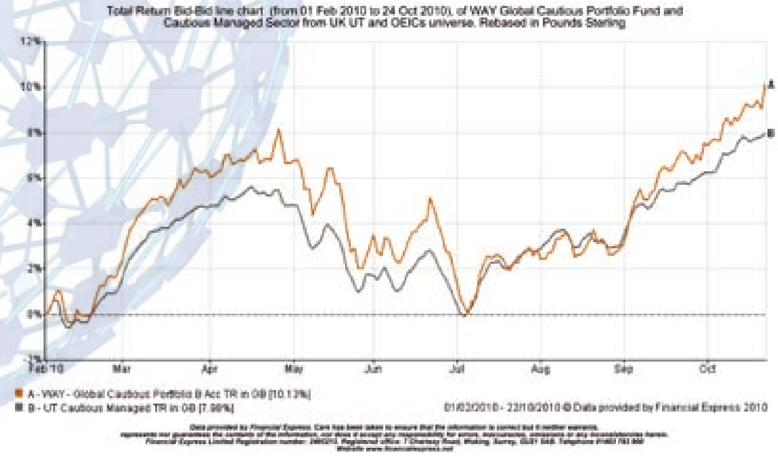
SUMMARY: We are very excited by the launch of these three new funds and hope that in tandem with the introduction of the investor empathetic charges you will want to learn more also and consider for your clients and their portfolios.

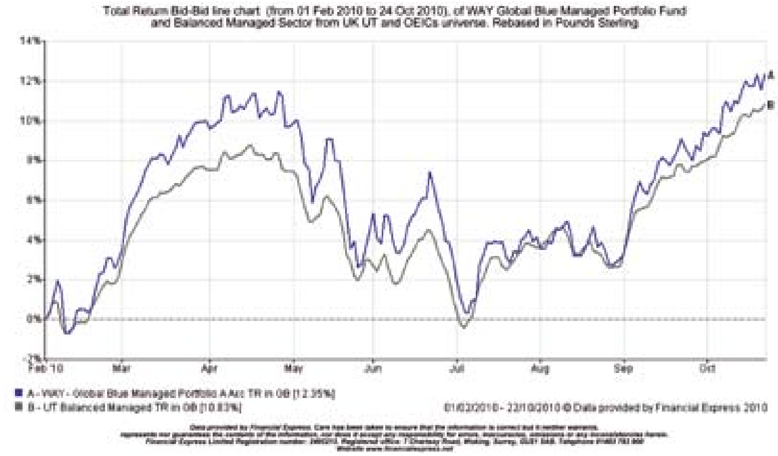
MA Growth Portfolio
Investment Manager Change

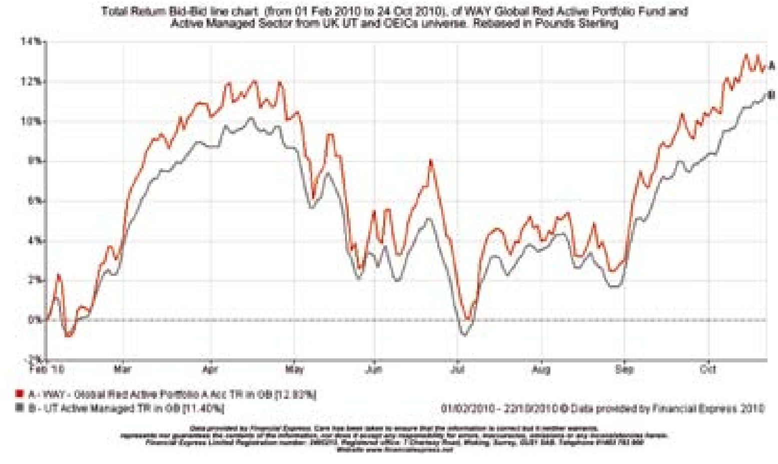
1st October saw a change of investment management duties on the WAY MA Growth Portfolio. Henceforth it will be looked after by John Husselbee at North Investment Partners who already looks after the companion MA Cautious Portfolio.

There will be no need for any dramatic surgery, with the fund outperforming the sector by 2.5% over the last 12 months (to Oct 24th), and John will look to continue its husbandry with a judicious selection of low cost core funds supplemented by an actively managed suite of multi-asset satellite funds.









A Global Success

When we announced at the beginning of 2010 that we were to bring in house the investment management of our three flagship portfolio funds - Global Red, Blue and Cautious – there was general encouragement and approval for the move but a little surprise that we appointed the hitherto unknown Trevor Chanter as the lead manager.

Whilst having 25 years of investment management experience under his belt, Trevor was not a familiar name in the retail investment world having spent the vast majority of that time in stockbroking and private portfolio management. We had not been interested however in appointing a 'journeyman' fund manager to the role and we were looking in particular for a portfolio manager rather than a securities manager, believing that they required quite separate skills – in that regard Trevor's past experience was highly relevant. He was also conversant through past association with the specific requirements of our mandates.

Rewardingly for investors all three funds have outperformed their peer group since WAY Investment Managers assumed control on 1st February without any increase in risk profile. Changes to the funds have been made progressively but not dramatically. Trevor has sought to reduce risk by broadening the asset mix and increasing the number of holdings whilst looking to reduce cost by seeking funds with similar characteristics to those in the portfolio which can be held at a lower charge.

Ultimately it is the blend of underlying funds which determine the consistency of a portfolio and shrewd asset allocation which gives it an edge. We aim to say a little more about style and tactical considerations in the next issue when the new management regime will be approaching its first anniversary but for now, as the charts testify, investors will have no qualm with Trevor's appointment.

Welcome home

Many of you long standing WAY supporters will be pleased to hear that Julie Cosgreave (née Saunders) has returned to the WAY fold after enjoying her relaxing maternity leave with her beautiful daughter Lucy. Julie has elected to return part-time to keep everything running smoothly and we are delighted to have her back – her encyclopaedic knowledge of the WAY admin processes are a boon to us and a reassuring presence for those she has dealt with over the years.

New Gold Dream

The star asset class of the previous decade was Gold and as 2010 began there was much talk of 'a bubble,' whilst the 'gold bugs' were predicting further big gains in the year ahead.

Well, it has been another great year for those investors who opted for the latter of the above predictions and the WAY Charteris Gold Portfolio has been at the forefront of the performing funds in this sector. Launched on the 1st February, it has at the time of writing (24th October) returned 26.4% and with, amongst other technical reasons, the Chinese supplying the increased demand and the supply mechanism not one that can be turned up like a tap there remains a very good reason why all client portfolios might consider a 5%-10% holding in this asset often neglected in the retail investment world.

A bright idea

The climate change revolution is here.

National Ethical Investment Week generated a good deal of national press inches in 2009 and this seems set to increase when the campaign organisers re-run the event this year, 7th -13th November.

For those with clients who have expressed an interest in this area it might be a useful time to make contact whilst interest is heightened or provoked.

Climate Change presents a major investment opportunity - likely to appeal to those with a social conscience, as well as investors attracted by the potentially excellent returns.

Part of WAY's 2020 Vision, the WAY Green Portfolio Fund is the UK's first fund of funds to concentrate purely on climate change funds. It primarily invests in other funds from investment houses that have demonstrated commitment, experience and a proven track record in this sector.

As it is a relatively new arena for investment, and many companies are only just starting out, it is difficult to tell who will be the winners and losers at this stage. A fund of funds is ideally placed to provide the diversification that is required to moderate the risk of single sector investment. The experienced active portfolio manager can then select the appropriate companies for investment, keeping an eye on the correlation between expected and actual performance.

Climate change and sustainable management of limited resources are hot topics on the political agenda. With promises of future government grants and support, it is a sector where the investment prospects will only increase. The WAY Green Portfolio Fund provides the gateway to access those opportunities.

Go now for IHT Planning

Although the inheritance tax nil rate band (NRB) has been frozen for the next five years, that does not mean that everything else has to stand still - the IHT market is showing the green light to get strategising.

With the NRB remaining at £325,000 until 2015/16, many more individuals will leave their beneficiaries in line for considerable inheritance tax bills. Some may believe that they will be saved by the transferable NRB between spouses. This might be true where the growth in its value may keep up or even exceed the growth in the value of the estate over time; however where the band is frozen the value of the typical estate is likely to increase significantly past this point. This is an issue that must be brought home to those that could be affected, but may only form part of the appropriate solution. IHT planning is at its most creative when forming a strategy.

While many clients will view their will as being the key to succession planning, IHT legislation favours making plans that take effect well ahead of death. In fact, planning should start before the end of an individual's working life - which will mean that a strategy is required which can work and adapt over the long-term to changing circumstances.

We would love to see you at one of our upcoming seminars where we will develop this theme and talk of the elements in our plans that make them a favourite with your professional connections.

Friday 5th November
Ashford International Hotel, Ashford, Kent

Wednesday 10th November
East India Club, London

Friday 12th November
Holiday Inn, Milton Keynes, East

Tuesday 16th November
Haydock Park Racecourse

Wednesday 17th November
Weetwood Hall, Leeds

Thursday 18th November
Rowley Mile Centre, Newmarket

Tuesday 23rd November
Aztec West Hotel, Bristol

Thursday 25th November
Alverton Manor, Truro

All seminars are at 10am for 10.30am and will last for 1.5hrs with CPD points awarded.

Please contact Tony Lyons on 01202 890895 or tony@waygroup.co.uk if you wish to attend.