



The WAY Group

END OF TERM REPORT

My seven year old daughter brought her end of school year report home last month and I was astounded. Not that she was intent in shaming her father's academic achievements but the depth of the report itself. In my day, reports were short-form and coded – 'always contributes generously to lessons' was indeed a sign that you had the class loud-mouth. Now there are photos of your child at learning, details of projects undertaken and the type of character assessment and personality insight I'd more readily associate with a psychiatrist than a primary school teacher.

In this issue we have an end-of-term report for our three specialist funds launched in July of last year. All carry an innovative charging structure incorporating a performance fee wholly sympathetic to client psychology – "I don't mind paying when managers make money for me but I begrudge it when my investments are going down". Well, investors in WAY's Freestyle Fund,

in a difficult market year, would have made 2.06% if invested for that full year. Now some may have been disappointed in that return but not as much as WAY's bank manager – our own take was exactly 0%. The only charge to the Fund being the 0.5% trail commission affixed to the retail class. A more detailed end of year report is included herein.

Through the spring and early summer we have run a number of seminars both launching the WAY Hasley Global Momentum Fund – which at the time of putting this edition to bed looks as though it has been introduced at exactly the right time for nervous investors; and taking a fresh slant on our inheritance tax solutions. IHT planning became a lost art for a while as political sabre rattling created an uncertain backdrop. But with the rules set for the life of this parliament we have seen a noticeable rise in new trusts written this year. We will again be running roadshows on these topics in the autumn and hope to catch up with more of our supporters then.

In the meantime I'd like to wish everyone who has traded with us this year a happy autumn and winter term. I hope you enjoy reading the report on our Asian Spice, Absolute Return and Freestyle Funds and maybe learn something you may not have been aware of amidst the WAY fund range. Incidentally, I dug out my old school reports after I read my daughter's and instantly recalled the new word I learned from my report at seven – frivolous. Pretty harsh I thought.

Eddie O'Gorman,
Head of Sales
The WAY Group



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 funds:

£770m (1 August 2011)

Total number of retail funds:

56 pure Elite Funds (third party funds)
11 WAY 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

Special Fund Report: First Anniversary

Our three performance fee funds reached their first anniversaries in July this year. Below, each fund manager takes a look back at the year past, as well as a quick look to the future.



WAY Asian Spice Portfolio Fund Introduction by Eddie O' Gorman



Technical problems blighted the launch of the WAY Asian Spice Portfolio Fund, so investment manager, Gabrielle Knights of Wessex Asset Management was unable to apply the full range of investment techniques adopted in her firm's successful institutional fund. With permissions now in place, the fund shows as top quartile over the last six months. Here Gabrielle looks forward to the rest of the year with real optimism.

The MSCI Asia Pacific ex-Japan index is down 3% in Sterling terms this year. Rising inflation has led to monetary tightening across the region. Accounting fraud in China and political scandals in India have also prompted investors to sell those stock markets.

Looking forward to the rest of the year we expect sentiment and returns to improve. Inflation will peak this summer and, barring any oil shocks or natural disasters, will decline over the third and fourth quarters. This means interest rates will no longer be rising - which will be positive for Asian equities.

Politics should also benefit selected markets. We expect a rally in Taiwan and Malaysia in advance of

their elections within the next six months. China is also anticipated to bounce ahead of the inauguration of its new President next year.

Growth forecasts are being downgraded in the USA and Europe on the back of high levels of debt and rising unemployment, depressing consumer sentiment and spending. Asia, on the other hand, has far lower debt levels, increasing middle class affluence and buoyant domestic demand. With Asian equity market valuations trading at a discount to their Western counterparts, we think this is a good opportunity to buy.

Gabrielle Knights
Wessex Asset Management

WAY Absolute Return Portfolio Fund



The WAY Absolute Return Portfolio Fund was launched in July 2010 to provide a low risk diversifying element within portfolios, not least to mitigate equity risk. A year after launch the retail share class of the Fund has appreciated by some 4.2% - given that ten year gilt years currently stand at 3.2%, the Fund also offers a useful alternative to fixed income investment, but without duration risk.

The portfolio is over 90% invested in the quoted sector and has taken advantage of the contraction of discounts. The quoted investments held include investment trusts of hedge funds, quoted hedge funds and in-house funds of funds. The hedge strategies pursued have been diversified, though with a slight emphasis on those with a low equity correlation and in particular fixed income and credit exposure. In the open-ended sector of the Fund we hold the following: a fund investing in US life settlements; another investing in developed markets

currencies and bonds, as well as a third - a European long/short equity fund.

As managers of the fund we are very conscious that we are operating in a "risk-on" "risk-off" environment when market sentiment can swing rapidly from euphoria to despair and back again. We try not to be swayed by these events, conscious that the underlying assets held within the portfolio have been carefully selected. If events, such as a new chapter in the Eurozone crisis do occur, causing discounts to widen, the situation will be contained by the discount management mechanisms - not least continuation votes. We will also need to be opportunist, for example selling companies which go to a substantial premium, voting against continuation votes, taking up "C" share issues as appropriate and reviewing new issues.

Roderick Collins
Hasley Investment Management

WAY Freestyle



WAY Freestyle was launched last year to invest in an eclectic mix of ideas from the Star Chamber. The Chamber comprises of industry professionals who were brought together by WAY to provide intellectual resource to assist the WAY investment process. The input into the process for the WAY Global fund range remains a great success and lead to the viability of that professional input being utilised for an unconstrained investment approach. The input is then used invest in a range of themes seeking growth potential.

The broad mix of specialism within the Star Chamber gives rise to a wide use of asset classes and investment vehicles. The suggestion that the mixing of diverse investments does itself mean that the Fund is unlikely to be directly correlated to any particular

market has proved to be the case. Indeed, it has proved to be defensive when equity markets are falling whilst capturing much of the upside of equities when they are more bullish mode.

Since inception there has been exposure to Gold and related equities, and at various times specialist investment trusts, international direct equities, ETFs, ETNs, and cash. In what looks like a stockpicking environment right now, the flexibility of the selection process and the specialist skills of the Star Chamber 'think tank' will be a boon to the Fund's prospects in the coming period.

Trevor Chanter
WAY Investment Managers Ltd

Momentum seminars reach their peak

Tuesday 28th June saw the final in a series of seminars to promote the recently launched WAY Hasley Global Momentum Fund. The venue was the prestigious Westbury hotel in the heart of Mayfair, and over 60 IFAs and investment professionals were in attendance. The seminar concentrated on the academic research undertaken by Professors Andrew Clare and Steve Thomas of the Cass Business School - part of City University. Professor Clare presented research that demonstrated how difficult it has been historically for fund managers to outperform stock markets.

Professor Thomas then explained the potential alternative solution provided by the Global Momentum Fund. 'Trend following' refers to an investment rule whereby the investor buys an asset if the price is above the average of past prices and sells if it turns below that average. For the Fund, the upside of equity investing is captured while removing much of the downside - an appealing prospect given prolonged bear markets in equity market history. There is no human overlay in this framework and decisions are based on signals evaluated on a monthly basis.

Eddie O'Gorman, WAY Group Director, concluded the seminar with a look at the nuts and bolts of the Fund.

The WAY Hasley Global Momentum Fund is a core solution suitable for a wide range of clients, particularly those seeking to avoid most of the volatility that occurs in equity markets.

The feedback from the attendees was positive. Since launch in March the Fund has attracted nearly £10million in assets. The series of seminars raised interest further, so we look forward to the future for this innovative investment solution.

Peter Atkins
Regional Sales Manager
London & South East

WAY's Performance Fee Structure In Action

Performance fees normally receive bad press. The enduring comment is that investment managers take their full charges and if they happen to make money for their clients then they take some more. Well take a look at this.

FUND	Investor Net Return	WAY Manager Charge	Trail Commission
Absolute Return	4.22%	0.5%	0.5%
Asian Spice	3.19%	0.5%	0.5%
Freestyle	2.06%	0.0%	0.5%

During their first year each fund saw a positive net return for investors. None of these reached their threshold for further charges however and I would hope that investors would genuinely feel that the manager charge is modest and commensurate with

their own return. Indeed, Asian Spice and Freestyle investors can make up to 10% a year without incurring a higher level of charge.

This has not been a vintage year for markets but it has enabled us to show that we have constructed

a performance fee basis that is sympathetic to investors' own considerations. If clients' returns are pared down then so are ours.

I hope our income level from these funds are a lot higher next year but, if they are, then this will not be incidental to investors' own returns but purely because they have escalated to another level. Surely, a mutual benefit that investors will feel both fair and comfortable with.

If you wish to find out more about our performance fee structure and funds then please speak with your Regional Sales Manager or telephone / e-mail Tony Lyons on 01202 890895 / tony@waygroup.co.uk

Show and Tell

We have always found seminars to be a very productive way of informing IFAs about our products and services.

The audience is invariably seeking innovative ideas on how to tackle the thorny issue of IHT. We make every effort to inform and educate IFAs so that they leave our seminars having gleaned something which has made their attendance worthwhile.

Our latest round of seminars has just been completed. We travelled to Borehamwood, Brighton, Cheltenham and Leicester and in total, 102 attended (which also included professional connections). We do encourage IFAs to bring any solicitor and/or accountant they may be working with along to our seminars.

The content of the seminars included a technical update and case study. Within the technical update we explained that the DOTAS rules now included IHT. In brief, from April 2011 new IHT schemes will require a reference number from HMRC and be quoted by clients in any returns to HMRC. Existing schemes have been 'grandfathered' and therefore do not require a reference number. We also mentioned that whilst there is no change to IHT until 2015, a number of reports have been published recently that recommend a complete overhaul of IHT. This will probably be addressed by the Government in the next Parliament.

In our case study we introduced Jerry and Margot, a couple in their 60s, who had not completed any IHT planning. We explained their current financial

position and how our plans would help to preserve their wealth. We also highlighted the lifestyle issues faced by families and how a flexible IHT arrangement should be recommended at all times.

The feedback from attendees was encouraging. Asked why they attended, amongst the comments received included:

"Looking for innovative solutions for IHT planning" – BK

"Interested in new ideas for IHT planning" – SP

"Interest in learning about reversionary trusts" – SC

There is clearly a renewed interest in IHT mitigation amongst IFAs and they are looking for alternatives to deal with their clients burgeoning IHT liabilities.

We will be having further seminars in the autumn so look out for your invitation.

Tony Lyons
IFA Support Manager

Planned Autumn Seminars - may be subject to change:

Southampton	11 Oct
Reading	12 Oct
Norwich	18 Oct
Newcastle	26 Oct
Glasgow	27 Oct (am)
Edinburgh	27 Oct (pm)
Exeter	8 Nov

Who is Rabea Wullner?

You may have spoken to Rabea a number of times in your dealings with WAY – but she doesn't just answer the telephone. Read on to discover more about her role at WAY in the latest of our people profiles....



Many of you will probably have spoken to me when calling WAY Investment Services not because we don't have any other staff, but because my early career in the Hotel and Catering Industry has left me with a chronic inability to leave a ringing phone unanswered!

For those curious about my unusual name it might be of interest to know that I am German by birth - although it's not a common name there either, so I can only conclude that my parents had slightly overindulged on the Schnapps the night I was named...

I take care of some of the admin tasks generated by our Inheritor Plans, Bonds and Income Plans. My work is varied and largely dictated by what our IFAs and their clients might need on a daily basis - whether that's pointers as to how to complete the forms for annual Inheritor Plan anniversaries, to a change of trustees, a current valuation, receipt of new Inheritor Plan applications and payment of monies to Trustees and Settlers alike.

In addition to our IFAs I also take and deal with enquiries from our plan holders and their authorised representatives direct by phone, letter and e-mail. In this fast moving world I always try to bear in mind that most of us don't have the time or inclination to pore over forms and documents and try to make the process as quick and easy as possible.

So, give me a call or send me an e-mail with your admin queries and if I don't have the answer for you I will soon find out and hopefully make your life that little bit easier.

Until then I wish you a happy and profitable summer and leave you with a cheery 'Auf Wiedersehen'.

I want to ride my bicycle...

Normally when you wake up on a Sunday morning and it's absolutely lashing down you forget that you were due to go for a bike ride and reach for the papers. But Peter Atkins and I were pre-entered for the 50 mile Newbury Sportive and others had offered to sponsor us so we had to go. Trevor Chanter was injured and could not ride so could not suffer along with us.

A sportive is a road ride where you are timed so it is competitive if you want it to be. This was Peter's first event and we were using it as training for our target event of 100 miles in the New Forest in October so finishing strongly

was our main objective. There were around 1500 pre-entered for the event based at Newbury Racecourse.

As always once you get going it's not so bad and despite the rain we were soon enjoying the quiet lanes that were relatively traffic free at 8-00am. The organisation on this event was second to none with good signage to ensure no-one got lost, mechanics and first aid covering the course on motorbikes and well stocked feed stations to replenish energy. We covered the course in just over 4 hours riding which was a good result considering the conditions. A full report is here <http://www.cyclegb.co.uk/>.

We are in training for a longer ride in October, when we will still be raising money for two charities:

Juvenile Diabetes Research Foundation
(for young people with Type 1 diabetes)

and The Neuroblastoma Society (fighting childhood cancer).

If you would like to sponsor us, please go to the WAY website for more information, or please do contact me.

Rob Owen
Regional Sales Manager.
South West & N. Ireland

