



The WAY Group

LOOKING FORWARD

“If you’re in a bad situation, don’t worry it’ll change. If you’re in a good situation, don’t worry it’ll change.” (I’ll come back to this in a minute).

That is one of several sapient quotes that I have seen attributed to John A. Simone over the years but I’ve never been able to find out who he is. Now it might be that he doesn’t and never has existed and is just a nom de plume or a fabrication used to cover a group of anonymous quotations. It’s probably something everyone knows but me however it would be nice to be put out of my misery.

The tracks ahead

Anyway, back to his quote. This will be a year in our industry when we all have to prepare for change as a direct consequence of RDR. Change will be contemplated and enacted against an uncertain investment backdrop created by global economic turmoil. Pretty downheartening stuff rendered

additionally complicated as key elements of the RDR rulebook still need good clarification in order that we can go about our respective business.

The industry, however, has always had to deal with big changes. I first came into financial services in 1973, seen a litany of changes, and can back up John A Simone, whoever he is, to the hilt. I’d say that as a consequence one of the strongest attributes of the industry is its ability to deal with change. It’s certainly hoped that whatever comes to pass there remains a strong independent advice sector and we avoid the institutionalised picture evident in mainland Europe. Independence begets innovation and I rather fear that we will see more homogenised advice, product and service options should the real IFA sector dilute.

Fresh Faces, Fresh Ideas

For our small part, at WAY we have always tried to develop solutions rather than products and we will remain committed to seeking ways in which we can bring fresh investor options to market be they fund or tax related. The investment world at present seems obsessed with price but unfashionable as it seems we are more fixated by value and in trying to find answers to client

needs. You will read in this issue how we have invested further in people to make this happen.

Momentum Investing

We also touch on our Global Momentum fund herein, a genuinely innovative take on the passive/active argument, which reaches its first anniversary at the end of February. Do watch for details of our Multi-Asset version which will be coming in April as a result of adviser petitioning.

Wise Guys

“The key to wisdom is knowing all the right questions”. That’s another one of Simone’s and a good credo for us at WAY even if I can’t pose the right one to Google to find out who this chap is.

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:
£744m (31 January 2012)
Total number of retail funds:
56 Elite Funds (hosted 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,
Hasley Investment Management

Gaining Momentum

Trading rules and frequency.

Trading frequency is a subject that is raised regularly when discussing the WAY Hasley Global Momentum Fund ("GM"). This article is a précis of the research conducted by Professors Thomas and Clare of the Cass Business School on the efficiency of the GM strategy compared with other possible alternatives.

The Holy Grail of robust returns, low volatility, low costs and limited downside movements is difficult to achieve in practice. Stock-picking funds or long only passive investing will inevitably suffer if markets fall. A key issue is the frequency of investing decisions - should one actively trade every day or at a reduced frequency to hopefully capture the more fundamental shifts in markets?

The Global Momentum Fund uses a simple trend following methodology based on moving averages developed by Professors Andrew Clare and Steve Thomas of Cass Business School with Dr James Seaton. Extensive testing has been undertaken to optimise the moving averages to be used, whether to compare moving averages of different time periods or to compare current values with a moving average; how frequently to rebalance the portfolio (given dealing costs and the risk of not picking up the major trends if dealing is too frequent) and whether or not to employ stop losses. Research continues to enhance the process though the fundamental principles are likely to remain the same.

This methodology should not be confused with that of the much more complex algorithmic trend followers which inter alia seek to anticipate trend reversals. Some of these also have a much higher frequency of dealing.

Clearly there are two crucial empirical issues: what period do we take to calculate the moving average and how frequently do we perform the calculation (and hence potentially buy or sell)?

The WAY Hasley Global Momentum Fund is dealt monthly and a 10 month Moving Average ("MA") is used. A buy signal occurs when the current price of an asset is above its MA; a sell signal occurs when the current price of an asset is below its MA (see chart above).

GM – A Simple Trading Strategy

We compared these simple rules to a number of different investment strategies, including "Golden Cross" / "Death Cross" Strategy and "Breakout" Strategy - both of which proved to need daily examination of signals and possibly trading. GM provides a higher return relative to volatility and reduced drawdowns than either.

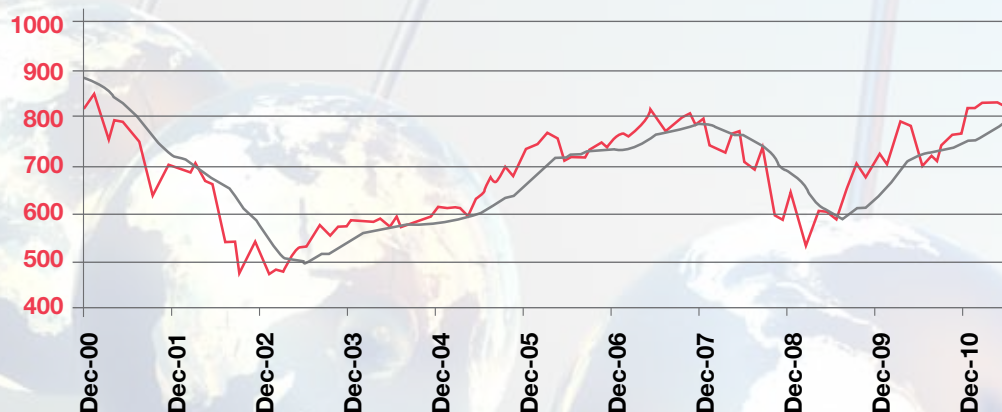
Through this research, we have also found that the best trading frequency for GM is monthly trading. Dealing too frequently leads to excessive transaction costs and too many "false trades", and there is a trade-off between this and sensitivity of the signals. But what is the optimal dealing frequency?

Monthly Trading (GM) Versus Other Frequencies

The table below shows a comparison of GM versus a variety of frequencies over a 10 year period. The simple monthly dealing mechanism of GM produces superior results. Please also note the reduced number of trades required. We believe these results suggest that "overtrading" is a problem for many strategies.

In conclusion, all our research has led to the GM fund using simple trading rules with a monthly dealing mechanism. This, in our opinion, compared with the myriad other options available is the best strategy from both a cost and relative return point of view.

Source: Hasley Investment Management



If you would like further information on the WAY Hasley Global Momentum Fund, or on the forthcoming Mixed Asset Momentum Fund, please do not hesitate to call Tony Lyons on 01202 890 895.

Source: CAMR, Cass Business School

	GM	200-DAY MA - DAILY TRADING FULL	200-DAY MA - WEEKLY TRADING FULL	150-DAY MA - WEEKLY 1/4	200-DAY MA - WEEKLY 1/4	250-DAY MA - WEEKLY 1/4	200-DAY MA - WEEKLY 1/2
Ann. Return (%)	5.56	1.06	3.67	3.75	4.33	3.87	3.89
Ann. Vol (%)	9.30	9.69	9.43	9.22	9.37	9.58	9.52
Sharpe (3.26%)	0.25	-0.23	0.04	0.05	0.11	0.06	0.07
Max Month (%)	7.55	7.71	7.69	7.92	7.65	7.90	7.69
Min Month (%)	-7.20	-8.83	-7.08	-7.04	-6.88	-7.16	-6.96
Max Drawdown (%)	16.04	30.37	17.76	20.29	18.86	17.19	22.20
No. of Transactions	268	1397	611	356	305	283	333

Reportage 2012

IHT Planning at Retirement

Ordinarily pension benefits are taken at retirement. However, there are clients who do not wish to take their monies at this time as they may already have sufficient income from other sources. If they were to take their benefits and leave it to form a surplus inside their estate, it would be potentially liable to IHT at death.

Options

They could go into income drawdown and gift the pension monies away. But they could regret gifting it away, especially if they need funds to pay care home fees at some time in the future. It may also cause difficulties if gifted to a beneficiary who then divorces. A better consideration might be to gift the pension monies into trusts.

The Pension Commencement Lump Sum (up to a maximum of £325,000) would be treated as a Chargeable Lifetime Transfer and move outside the estate in seven years. The monies within the trust could be placed inside an investment bond, using the 5% withdrawal facility to generate an 'income'. But if your client requires additional access to the monies within the trust this could incur a tax charge of up to 50%.

A better alternative to the above would be to use a Flexible Reversionary Interest Trust, like the WAY Flexible Inheritor Plan. This gives the client the opportunity to take reversions of capital at each anniversary of the trust. Or, they can take part-reversions or defer the amount to a later date if they have no immediate need for the 'income'. This trust also allows loans to be made to beneficiaries at any time. If a beneficiary were to divorce in this case, the loan from the trust would not be included in the monetary settlement, keeping the assets in the family. Pension income can also be gifted away and be

immediately exempt from IHT provided it meets the following criteria:

- the money given away is from 'real' net income
- a regular pattern of gifting is established
- the standard of living of the client is not reduced in any way.

as per section 21 of the 1984 IHT Act.

There is currently only one retail product which can fulfil this, while enabling future access - the WAY Gifts From Income Plan. This plan can accept the pension income, plus any other surplus income from earnings, investments, and rents. Capital Repayments are not allowed therefore investment bond withdrawals are excluded. This plan also allows for the flexible reversions and loans to beneficiaries as above.

Please note that by taking pension benefits and moving into income drawdown your client's beneficiaries would not receive the residual pension fund free of tax. Similar to funds after age 75, there would be a 55% tax charge on the remaining amount. To counter this, a simple term assurance policy should be put into place to cover the shortfall up to age 75.

If you would like more information on either the WAY Flexible Inheritor Plan or the WAY Gifts From Income Plan, please contact me on 01202 890 895.

By Tony Lyons,
IFA Support Manager.



Asian Spice

Gabrielle Knights, manager of the WAY Asian Spice Fund, has moved into the WAY offices at Wimborne. She had been located just down the road in Bournemouth but sadly the company where she worked, Wessex Asset Management, closed at the end of 2011 as the partners were retiring.

There will be no difference in the way the Fund is managed. It is invested across markets in Asia ex-Japan, seeking opportunities for growth. The current focus of the Fund is in the consumer and infrastructure sectors. There is still good momentum from demographics and rising affluence in many Asian countries, particularly Indonesia, Thailand, the Philippines and India, which is positive for consumer spending and property prices. (The Fund is not currently investing in India but expects permission for investment there to come through shortly.) China is making a determined effort to raise consumption as a percentage of GDP but infrastructure continues to be the larger contributor to growth and is again supported in 2012 by the government's commitment to increase the stock of social housing. Indonesia passed the Land Acquisition Bill in December which will expedite badly needed new roads and pipelines. Meanwhile this year Thailand will be rebuilding property damaged by last year's floods.

I am looking forward to working more closely with Trevor Chanter and Jason Britton on the analysis of global equity market valuations overall. I am enthusiastic and optimistic about the prospects for WAY Group.

By Gabrielle Knights,
Fund Manager





The future's bright – the future's GREEN

2012 looks bright for green investment; particularly with the imminent launch of the Government's Green Investment Bank (GIB). The GIB's mission is to 'provide financial solutions to accelerate private sector investment in the green economy'. They plan to begin making investments in green projects from April this year.

This means a huge inflow of new monies into the 'green' arena, opening up a variety of new investment opportunities. The WAY Green Portfolio Fund is perfectly placed to take advantage of the predicted surge in interest in this sector – being the first environmental solutions fund of funds on the market means we can take full advantage of picking and choosing the best funds for inclusion in the portfolio. 2012 could be the year that interest in protecting the environment goes hand in hand with financial reward. This year is also the second anniversary of the WAY Green Portfolio Fund.

As it is a fund of funds, we sift through a huge amount of information during research into the ideal funds for investment. This can come

from fund managers that we already work with, or those we are considering for inclusion. We now plan to make this information available to IFAs in 'bite-sized chunks' as part of the WAY Environmental Solutions Forum.

The forum is being introduced to provide advisers with regular updates on the sustainable investment theme – including key changes, trends and current thinking within the sector. We hope that this new flow of information will prove useful both to you, and ultimately to your clients.

If you would like any more details, please do email: ifasupport@waygroup.co.uk.

New faces, new places

It's not only a new year at WAY, but we've also recently recruited three new faces into the WAY fold and will be moving our London operations to new offices this month.

New faces

Peter Hugh-Smith: Director, Investment Funds and Products for WAY Investment Services Ltd. He has the brief to develop the attraction and sales of WAY's own branded funds. Peter started his career at Capel Cure Myers and following a spell in Hong Kong, establishing an investment management firm, he returned to the UK to join Russell Investments. Peter remained there for 13 years, culminating in the role of Managing Director, UK Private Client Services.

Nick Godfrey: Director, Advised Sales

The former Head Of Sales at both Selestia and Cofunds, Nick will be moving to WAY to manage the IFA sales team and to spearhead our activity in what will be a period of significant change in the financial advice domain. His breadth of sales experience over 25 + years allied to his personal skills and values made him the ideal man to seek adviser empathetic solutions to our company challenges.

Gabrielle Knights: Fund Manager. Gabrielle has always managed the WAY Asian Spice Portfolio Fund for WAY, but previously was based at Wessex Asset Management. With the retirement of the Wessex partners, Gabrielle has agreed to bring the fund in-house, and join WAY Investment Managers Ltd.

We are very pleased to welcome them all to the company!

Peter and Nick will be based at our new London office, and Gabrielle is located at Wimborne HQ.

New places

Later in February, the London WAY office (where Trevor Chanter and his team are currently located) will be moving from North Investment Partners' offices to new and more distinctive offices at 8/9 Lovat Lane, Monument, London, EC3R 8DW. Telephone details TBC. All email addresses remain the same.

If you have any comments or queries on any of the above, please do not hesitate to contact IFA Support on 01202 890 895.