# An Introduction

to

# Crocus Wealth

## Who Are Crocus Wealth Ltd?

We are fully independent Chartered Financial Planners and have built a strong business based on the principles of delivering high quality advice and expertise to our clients. We pride ourselves on the level of service that we provide to our clients, which we believe they expect.

It is by this careful approach as to how we service our clients that we have established a well-founded business, which continues to grow and provides access to the full range of products and services available in the market.

We strongly believe that our investment process provides a clear and fresh approach that ensures that you fully understand investment risk and provides you with clarity around your investments.

With the ever increasing complexities of the financial services sector, we continue to broaden our knowledge and keep up with all legislative changes to ensure that when we recommend a course of action, it is in your best interests.

We believe that our size differentiates us from the bigger companies operating in the market. This provides you with continuity of your adviser, providing you with the same face year in year out. This is not the experience you would have with the banks and big advisory companies.

At Crocus Wealth Ltd, our advisers have accumulated many years experience in the financial services industry, which has enabled us to develop a high level of technical expertise covering taxation and legislation, along with economic and investment issues. We are fully qualified, including individual Chartered Financial Planners.

Whilst we recognise that our clients need the reassurance of knowing that we utilise this expertise to ensure that they receive the best possible advice from us, we judge ourselves by our ability to communicate with them in a way which is clear and concise, using plain English and avoiding technical jargon.

We pride ourselves on our ability to ensure that our clients understand what we are recommending to them and why. We encourage them to contact us whenever anything requires further explanation, in this way we believe we establish long term relationships with our clients, based on trust.

We are directly regulated by the Financial Conduct Authority.

FCA number 429588

## Areas Of Business

- Pension Planning

  Retirement funding.
  Post retirement options.

- Investments

  Constructing a portfolio designed for growth, income or a combination of both.

- Life Assurance for Family Protection and Business Protection

  Providing a lump sum or regular income in the event of death or serious illness.

- Inheritance Tax Planning and Mitigation

  Utilising all the allowances that are available, along with planning tools to reduce the impact of inheritance tax on a person's estate.

- Long Term Care

  Providing tax efficient income for nursing or domiciliary care costs and needs.

## What Is The Role Of The Adviser?

It is important that when dealing with us, you know what role we play in your planning.

- Clearly understand your goals and aspirations.
- Develop the right strategy to achieve those goals.
- Help you to understand risk and help provide education about investments.
- Develop an appropriate investment strategy with you.
- Implement agreed recommendations.
- Monitor progress towards your objectives.
- Review the investment strategy regularly.

## What We Expect From Our Clients

It is equally important that we believe clients understand what is expected of them in the process.

- Input into the process.
- Telephone calls and e-mails answered promptly.
- Paperwork completed and returned as soon as possible.
- Questions asked if something does not make sense.
- Honest feedback on our service.
- A commitment to working with us going forward.
- To be notified of significant changes to personal circumstances or requirements.

## Our Investment Process & Proposition

Anyone can pick funds and hope for the best. At Crocus Wealth, we have a clearly defined investment research process, which ensures that you understand the risk you are taking in achieving your goals and objectives. It also provides you with peace of mind that we are constantly reviewing your investments. So, what is the process?

### Client

- An initial meeting to discuss your needs and objectives. This could be in any of the following areas:
    - Retirement
    - Lump sum or income needs
    - Saving for a rainy day
- Completion of an investment risk questionnaire, which will provide you with a report clearly identifying your attitude to risk and capacity for loss.
- This is then discussed in detail and the outcome agreed with you as the basis for our recommendations.
- We will then make specific recommendations based upon the outcomes from the risk profiling.

### Investment

- Appropriate investment portfolio implemented.
- Monitoring your Portfolio on a regular basis.
- Communication with you to advise on any changes made to the portfolio.
- Access to your adviser to discuss any changes in your personal circumstances or requirements.

## How Do We Get Paid? – Cost Of Our Services

- We provide an introductory 30 minute free consultation.
- Initial advice fee - £495. Refundable against the implementation fee if you ask us to proceed.
- This includes initial meeting and recommendations.
- Implementation fee – up to 3% of assets invested.
- Ongoing service fee of 0.78% of assets under management.

## What Do The Fees Cover?

- Provision of a strategy designed to achieve your financial objectives.
- Accurate Implementation (Professional Responsibility).
- The Crocus Wealth Financial Investment service:

  I. Strategic research and development.
  II. Investment research.

- Ongoing servicing/suitability.
- A partnership with a quality firm working on your behalf.

## What Is The Process?

- Initial fact finding meeting to establish your current circumstances and discuss your goals and objectives.
- Provide recommendations to achieve your objectives.
- Implementation.
- Access to your adviser to discuss any changes in your personal circumstances or requirements.

## Crocus Wealth Ltd - Private Client Service

- Initial Meeting
  Establish your goals and objectives and identify your attitude to risk and capacity for loss.

- Portfolio Construction
  Portfolio design and construction, emphasis on asset allocation.
  Implement investment strategy.

- Portfolio Management
  Monitoring of portfolio on a regular basis.
  Recommendation of any changes to portfolio following our review process.
  Re-weighting of asset allocation if required.
  Valuation statements/summary – at least annually.

- Communication
  Phone calls and e-mails returned within 48 hours.
  Comment on any issue that you may have or provide a second opinion on new ideas.
  Quarterly newsletter/market commentary (Mar, Jun, Sep, Dec).

- Tax Planning Service
  Reviewing any impact of Inheritance Tax along with ideas and solutions.
  Providing strategic information and updates to your Accountant and other professional advisers.
  Supplying end of year taxation information (as required).

- Access
  To discuss any changes in your personal circumstances or requirements.

- SIPP Service
  Value added strategies using Self Invested Personal Pensions (SIPPs).

- Removing Hassle
  Taking the complexity and hassle out of administering your financial affairs.

- Pension Service
  Providing you with a guide as to what your benefits will be in retirement.
  Recommending a funding strategy to meet your retirement aims.
  Reviewing your State Pension provision.
  Managing your Pension Drawdown arrangements.

- Cash Flow Modelling
  Providing you with a cash flow model which is reviewed/updated on an annual basis.

- Website Access
  Access to live valuations on our Wealth Management Platform(s).
  Useful documents and latest news and developments.

Regularly updated social media pages.

- Review Process
  Reviewing (annually) ongoing servicing/suitability.

## Crocus Wealth Ltd – Transactional Service

It may be that you do not wish to use our Private Client service and just wish to utilise our services for a one off transaction with no need for us to provide any ongoing servicing.

This may include any of the following but is not an exhaustive list and all of these services will be priced individually. This may be by the way of an hourly rate or a fixed price.

- Annuity purchase
  Researching the market to get the best annuity and discussing your specific requirement.
  Establishing if an enhanced or impaired annuity is an option.

- Arranging Life or Critical Illness cover
  Establishing the appropriate level of family protection in the event of death.

- Arranging Income Protection cover
  Providing cover in the event of long term sickness or after an accident.

- Tax Advice
  Providing assistance with your tax affairs.

- Regular Pension contribution
  Implementation of a regular premium only pension plan.

- Regular Savings contribution
  Implementation of a regular premium only savings plan.

**Areas relating to a change in circumstances/requirements (discussion points):**

- Review against established goals and objectives, ensuring any plans made are adhered to. Action required
- Review of existing arrangements. Action required
- Additional investment or other planning areas highlighted initially to be considered at a later date. Action required
- Strategic review of your asset allocation including re-balancing of your portfolio if needed. Action required
- ISA/CGT exemptions fully utilised. Action required
- Impact of any changes to tax, pension, or general legislation, which affects you. Action required
- Risk profile – ongoing suitability of the portfolio including confirming your attitude to risk remains unchanged. Action required
- Any changes to income and expenditure. Action required
- Revisions needed to meet objectives. Action required
- Revisions made to Will. Action required
- Inheritances. Action required
- Any change to state of health (smoker, hazardous pursuits). Action required
- Economic outlook. Action required
- Changes to State Pension and benefit levels. Action required
- Changes to family circumstances. Action required
- Review of life cover arrangements via pension schemes (expression of wish/group scheme nominations). Action required
- Any changes to your professional advisers. Action required

## Ad hoc events relating to a change in circumstances/requirements (examples):

- Reviewing income and expenditure following the first full year of retirement.
- Salary review.
- Children becoming independent.
- Divorce.
- Death/Serious Illness of family member.
- Deterioration of health.
- Birth of Child/Grandchild.
- End of year tax allowances.
- Revision of Will.
- Reaching retirement age.
- Disposal of large asset.
- Setting up a new company.
- Redundancy.

## Investment Research & Process In Detail

### Asset Allocation

This is the practice of diversifying assets between different asset classes and is a very important part of the process of building a portfolio. In fact, a number of studies have found that the decision as to how to divide up a portfolio into several classes is more important than the process of choosing the actual stocks, bonds, and funds that are owned. The model asset allocation is determined by the amount of risk you are prepared to accept and also the amount of time the investment is likely to be left to grow (both of which are confirmed whilst establishing the Attitude to Risk).

Each model asset allocation includes exposure to individual asset classes, which have a higher or lower risk rating than the overall Attitude to Risk profile. The aim is to achieve diversity and appropriate correlation by exposure to a range of asset classes whilst ensuring that the overall risk exposure is consistent with the Attitude to Risk, following completion of the questionnaire, which is agreed with you.

Our strategic asset allocations are as follows:-

| Asset Class | Very Cautious | LR Cautious | Cautious | LR Balanced | Balanced | LR Adventurous | Adventurous | Very Adventurous |
|---|---|---|---|---|---|---|---|---|
| Cash | 45% | 10% | | | | | | |
| Gilt | 20% | 20% | 10% | | | | | |
| Corporate Bonds | 20% | 50% | 45% | 40% | 20% | 10% | | |
| Property | 5% | 5% | 5% | 5% | 5% | | | |
| UK Equity | 5% | 5% | 15% | 15% | 20% | 15% | 5% | |
| Global Developed Market Equity | 5% | 10% | 25% | 35% | 30% | 35% | 40% | 30% |
| US Equity | | | | | 10% | 10% | 15% | |
| European Equity | | | | | 5% | 5% | 5% | 5% |
| Japanese Equity | | | | | | 5% | 5% | |
| Asian and Emerging Market Equity | | | | 5% | 10% | 20% | 30% | 65% |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

Please note actual asset allocations will vary depending on market conditions and active management of your portfolios.

## Fund Selection Criteria

Within each asset class we have identified specific funds. These have been selected as meeting the following criteria:

### ● Underlying Investment

The portfolios of all the selected funds are consolidated to gain an overall picture of sector/asset class exposure, ensuring there are no individual holdings within the total portfolio that are under or overweight, relative to a client's attitude to risk. A swing in excess of 10% (beyond the mandated fund holdings/management) of the underlying asset class holdings, monitored by the monthly fund review, would warrant thorough investigation.

### ● Fund Management Process

The fund selected will either rely primarily on a centralised investment process to set portfolio parameters (which should mean continuity if the designated manager leaves) or give 'star' managers discretion, which can mean fund performance is more contingent on the manager staying in place. Some analysis of the Fund Management Process is therefore required.

### ● Fund History

Past performance is not a guide to the future but an analysis of a fund's history can provide useful information about how the fund has been managed and its future prospects. For example, a fund with a good performance record may owe this to a manager no longer in the driving seat. Sector changes can also make a difference too – for example a fund may have moved from the UK Equity Income sector to the UK All Companies sector or been amalgamated with a poorly performing fund. Some analysis of the fund history is therefore required.

### ● Fund Size

In theory small funds are more nimble than their larger counterparts and find it easier to buy mid-cap and small-cap shares. For the specialist funds in the UK All Companies, sector size could be important in allowing the manager to build up relatively large holdings. There is always the risk that a small fund which has performed well gets swamped with cash inflows. For this reason a fund of above average (within the sector) is preferable. This is to confirm that performance has not been unduly influenced by managing a relatively small fund that could be flooded with large cash inflows in a short period of time.

## ● Volatility

This is a past performance measure and so must be treated with caution, particularly as it will normally be based on the last 36 months, which includes some considerable market turbulence. However, when examining a fund's performance record, the volatility measure is a good yardstick in gauging the risk adopted by the fund, relative to its peers. This analysis can be extended by examining ratios and other yardsticks that incorporate volatility measures, e.g. the Sharpe ratio, tracking error or the information ratio. We aim to avoid the 25% most volatile (risk) funds in the sector, preferring those which demonstrate greater consistency throughout differing market conditions.

## ● Environmental, Social & Governance (ESG)

We give consideration to the above factors when making fund selections within our model portfolios. This has become more and more prevalent over the recent years and as such individual asset management companies apply their own criteria to each of their funds in this regard. At the point of fund research we focus on the following screening process prior to making a decision regards the inclusion or exclusion of a fund within our portfolios, by asking the following:

- Please explain and demonstrate where possible the experience and track record your organisation has in the area of ESG investing.
- Which ESG related industry groups are you a member of and how does this impact on the management of your funds? To what extent do you undertake collective or collaborative engagement with other investors?
- What evidence can you provide to support the view that adopting ESG factors in an investment portfolio can have a positive impact on investment returns?
- What is your firm's policy on engaging with underlying investment companies on ESG related issues? In particular, do you have a voting policy and stewardship code in place? Please provide details.

We hold and continue to monitor the detailed strategy of each fund/asset manager separately noting their positive or negative impacts regards the above areas, in addition to sustainability. As this is a very specialised investment area we do not offer bespoke investment models for specific ESG requirements and if this is your preferred strategy we would recommend that you seek an alternative adviser who specialises in this market.

## ● Independent Ratings

Independent assessment of funds is available from a number of organisations and publications:

- Financial Express (FE) Crown Rating - preferable to have a three crown or above rating. FE are an independent ratings agency whose in-depth analysis allows them to adopt this process and methodology. FE Crown Fund Ratings are quantitative ratings ranging from one to five designed to help investors identify funds which have displayed superior performance in terms of stockpicking, consistency and risk control.

- Morningstar rated funds – preferable to have a three star rating or better. This rating system is quantitative rather than qualitative, reflecting risk-adjusted historical performance achieved.

## ● Charges

In the UK All Companies sector, most actively managed funds have an annual management charge (AMC) of circa 0.75%, while trackers may have AMCs as low as 0.05%. In terms of choosing core funds, relative charges (ongoing charges figure (OCFs) including performance fees, rather than AMCs) are likely to be important. It is clear that high fund charges have a significant drain on performance, especially in poor investment conditions and for this reason, individual funds (not including product charges, fund of funds or multi asset) must have a OCF of less than 1.50%, to be included within our portfolios.

Each portfolio will be restricted to a maximum of twelve funds at any given time beyond which, diversity is likely to offer no real benefit.

Portfolios have been constructed for Fund (including ISAs), Pension and Investment Bond investments incorporating a requirement for income or capital growth or a combination of the two.

It should be noted that the fund (ISA, OEIC, Unit Trust etc) investment, details our preferred funds within the investment portfolios for each given level of risk.

Where these funds are not available via additional investment vehicles (pension and bond) from our preferred providers, alternative funds have been recommended within each portfolio. Please be advised that these funds are still considered recommended (as opposed to preferred) funds by Crocus Wealth and are subject to the same criteria as noted above, prior to selection within any given portfolio.

## Investment Research & Process In Detail continued

Each portfolio is linked to a suitable benchmark, which will detail the relevant relative under or outperformance.  The benchmark sets the long term neutral position of the portfolio and allows quantitative performance assessment of the fund manager.

All portfolios and benchmarks are detailed on a separate document and can be provided once a client's risk profile has been established.

Once the initial portfolio has been agreed with you, the portfolio should be rebalanced (in accordance with the original percentage holdings and relevant existing Crocus Wealth model portfolio) on a bi-annual basis.

## Future Reviews

Model portfolios, including relative performance comparable to the benchmark and in isolation, will be formally reviewed and logged on a monthly basis. Interim measures will be taken whenever an individual fund has been found to no longer meet our selection criteria.  The Crocus Wealth Investment Committee will be chaired by Jakob Payne.

## Description Of Attitude To Risk (ATR)

### Very Cautious

You have a low tolerance to investment risk. This implies that you would accept a small amount of investment risk to achieve the growth that you require but only if this can be achieved with a low degree of price volatility. Whilst your tolerance to risk is low, you recognise that diversification is important and therefore, you accept a limited amount of equity exposure. Although the volatility of your asset mix may be less than that of the Moderate Portfolio, you accept that by taking a conservative approach, inflation may reduce the purchasing power of your savings. You should note that these funds are subject to market movements, but you would feel very uncomfortable if your investment rose and fell in value very quickly.

(TYPICAL EXPOSURE: Cash 45%; Fixed Interest 40%; Property 5%; Equities 10%)

### LR Cautious

You accept that investment risk is inevitable if they are to achieve reasonably attractive real returns. Funds in this category usually offer reasonable growth potential in the medium term and can produce an income. Similarly, their currency risk is reduced through limiting the exposure to overseas assets, however these funds are still subject to market movements, but it is unlikely that any investment in this portfolio will rise and fall in value very quickly.

(TYPICAL EXPOSURE: Cash 10%; Fixed Interest 70%; Property 5%; Equities 15%)

### Cautious

You accept that investment risk is inevitable if you are to achieve reasonably attractive real returns. Funds in this category usually offer reasonable growth potential in the medium term and can produce an income. Similarly, their currency risk is reduced through limiting the exposure to overseas assets, however, you should note that these funds are still subject to market movements, but you would feel very uncomfortable if your investment rose and fell in value very quickly.

(TYPICAL EXPOSURE: Fixed Interest 55%; Property 5%; Equities 40%)

### LR Balanced

You accept that an increased investment risk is inevitable if they are to achieve attractive real returns. Investments in this category usually offer reasonable growth potential in the medium term. Although risk is reduced through diversification across markets, the Fund Manager can use this wide choice of assets to adjust exposures according to specific market conditions. It should be noted that these funds are subject to market movements and currency risk.

(TYPICAL EXPOSURE: Fixed Interest 40%; Property 5%; Equities 55%)

### Balanced

You accept that an increased investment risk is inevitable if you are to achieve attractive real returns. Investments in this category usually offer reasonable growth potential in the medium term. Although risk is reduced through diversification across markets, the Fund Manager can use this wide choice of assets to adjust exposures according to specific market conditions. You should note that these funds are subject to market movements and currency risk.

(TYPICAL EXPOSURE: Fixed Interest 20%; Property 5%; Equities 75%)

### LR Adventurous

You have a willingness to accept high investment risk. This enables you to include a wide range of equity assets with good long-term growth prospects. Although asset class diversification will usually be compromised in an effort to achieve higher real returns, the Fund Manager can use both UK and overseas equities to react to specific market conditions. You should note that these funds are subject to market movements and currency risk.

(TYPICAL EXPOSURE: Fixed Interest 10%; Equities 90%)

### Adventurous

You have a willingness to accept high investment risk.  This enables you to include a wide range of equity assets with good long-term growth prospects.  Although asset class diversification will usually be compromised in an effort to achieve higher real returns, the Fund Manager can use both UK and overseas equities to react to specific market conditions.  You should note that these funds are subject to market movements and currency risk.

(TYPICAL EXPOSURE: Equities 100%)

### Very Adventurous

You has a very high tolerance to investment risk.  This will allow them access to a wide range of funds, which will target specific assets with potential for high growth. These funds can offer a high level of real return in the longer term.  As they focus on asset types or specific markets that undergo a high degree of price change, they can, and often do, experience greater than average volatility. Diversification will usually be compromised in an effort to achieve higher real returns and there will be a significant chance that the value of the assets may fall and could take several years to recover their original value.   It is likely that they are looking to invest over the long-term.  It should be noted that these funds are subject to market movements and currency risk.

(TYPICAL EXPOSURE: Equities 100%)

## Description Of Asset Classes

### Cash

Cash generally refers to investments in bank bills and similar securities which have a short investment timetable. They provide a stable, low risk income, equally in the form of regular interest payments. Alternatively, funds are held in deposit accounts paying monthly/annual income. The capital is guaranteed (subject to the Financial Services Compensation Scheme limit). Risk is present in the reduction in real value (i.e. after inflation adjustment), of the deposit holding.

### Gilt

Investing in Gilts involves buying government bonds, which are issued by a government, promising to pay back the invested amount with interest over a specified period. Due to the backing of a stable government, Gilts are considered low-risk, making them a secure investment option for investors.

### Corporate Bond

Mostly corporate bonds, mortgages and hybrid securities which generally operate in the same way as loans. The income return is usually in the form of regular interest payments for an agreed period of time and a par value of the original capital loan is returned at redemption date. Due to their ranking in corporate debt, fixed interest security is considered lower risk in comparison to a share and price trading normally results in reduced volatility.

### Property

Property has bond-like qualities, in that it represents a solid asset that produces an income via rents, where the yield rises as the price falls and vice-versa (provided the rental income doesn't fall, of course). Property also offers some of the rewards and risks of equities:

i) The opportunity to make long-term capital gains.
ii) The potential for income to rise over time, ahead of inflation.
Bricks-and-mortar property offers some diversification away from equities.

### UK Equities/Shares

A share represents part ownership of a company. Shares are generally bought and sold on the Stock Exchange with potentially wide price swings. Returns usually include capital growth (or loss) and income through dividends. Equity would be considered a volatile investment for a higher risk investor.

### Overseas Equities/Shares

Overseas shares generally work the same as UK shares. The additional benefit is the increased opportunity to invest in a much wider range of countries (e.g. Europe, Asia) and a broader selection of companies (e.g. Microsoft, Johnson and Johnson) outside the UK. However currency valuations can negatively affect performance over and above the risks noted above.