

INSIGHT

THE GREATEST WEALTH IS **YOUR PEACE OF MIND...**



BARNETT
RAVENSCROFT
WEALTH MANAGEMENT

Good outcomes: the result of a sensible process



Good outcomes: the result of a sensible process

When building your investment portfolio we employ a risk - rather than performance - focused approach. Taking on sensible risks should be rewarded appropriately. We focus on the things we can control: portfolio structure e.g. country and sector exposures, stock concentrations; product costs; and avoiding exposure to specific risks such as counterparty or leverage. We accept that there are things we cannot control such as short-term portfolio performance as a result of movements in equity markets due to the never-ending release of new information. Many investors will try, and generally fail, to control this either by themselves or by selecting fund managers they believe can do so. For most, this outcome-focused approach to investing is not where success lies.

An important part of the process when building your portfolios is searching, or 'screening', for potentially suitable products to capture market returns. We review a universe of tens of thousands of possibly suitable products to get down to one solution to capture specific market exposures in the portfolio. This is no mean feat and requires a comprehensive and rigorous process.

Taking a major part of your portfolio as an example - developed equities – we look to find investments that can capture the returns of these markets and do so effectively through time. Our screening process considers a wide array of datapoints, none of which measure performance, to filter down to the solution we use in your portfolio. To focus on fund longevity (i.e. mitigating the risk of the fund closing) we look for funds of a sufficient size and age. To ensure the solution holds an exposure to the developed equity market we look through the fund to see where the underlying stocks are listed and verify this matches the structure of the market we are looking to capture. We screen out investments with higher charges, those with insufficient diversification and those lacking in transparency.

The result of this risk-focused, rather than outcome-focused, approach is that we are left with a high-quality short list of 'on watch' investments. For the final step in the selection process, we consider the fund manager's philosophy and approach, as well as any data that set the investment apart on this competitive watch list.

When reviewing the competitors that make up the watch list we see that their past performance is in fact strong relative to other participants in the industry. Despite not screening on performance, and instead focusing on process, we end up with a list of investments that have performed strongly because of their sound structure, placing them predominantly in the top quartile of all managers in the same category, particularly over the longer term. This is evidenced in the figure below. Each column of dots represents a fund's performance its category over the corresponding time period. Blank spaces imply the fund has not been in existence for the respective time period.

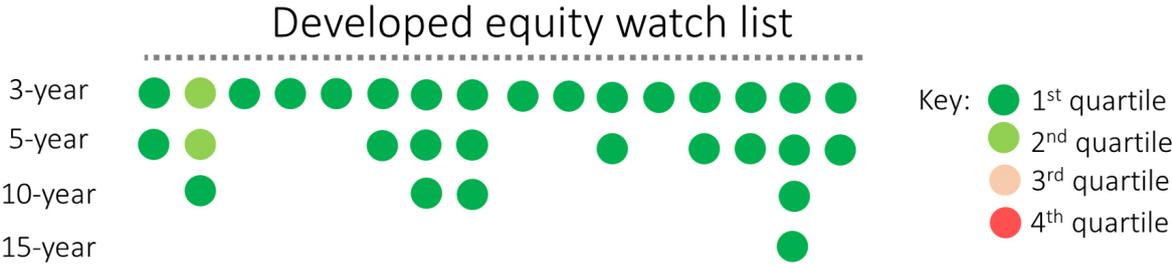


Figure 1: Developed equity watch list fund performance quartiles
 Data source: Morningstar Direct © All rights reserved. Data to Aug-21. Fund performance measured against EAA Fund Global Large-Cap Blend Equity Morningstar category. All funds on Albion's generic global equity 'Watch List' screen as at 30-09-2021.

What's more, this entire process is repeated at least annually. You can have every confidence that your portfolio comprises high quality investment products as a result of a screening process which is not outcome-focused, but risk-focused. This gives you every opportunity to achieve strong outcomes going forward.

Other notes and risk warnings

Use of Morningstar Direct® data

© Morningstar 2021. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied, adapted or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information, except where such damages or losses cannot be limited or excluded by law in your jurisdiction. Past financial performance is no guarantee of future results.

Risk warnings

This article is distributed for educational purposes only and must not be considered to be investment advice or an offer of any security for sale. The reference to any products is made only to make educational points and must, in no circumstances, be deemed to be any form of product recommendation.

This article contains the opinions of the author but not necessarily the Firm and does not represent a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable but is not guaranteed.

Past performance is not indicative of future results and no representation is made that the stated results will be replicated.

Errors and omissions excepted.

Barnett Ravenscroft Wealth Management is a trading name of Barnett Ravenscroft Financial Services Ltd which is authorised and regulated in the United Kingdom by the Financial Conduct Authority FRN: 225634 and registered in England and Wales under Company No. 04013532.

The registered office address of the Firm is 13 Portland Road, Edgbaston, Birmingham, B16 9HN

INSIGHT

**Good outcomes:
the result of a
sensible process**



**BARNETT
RAVENSCROFT**
WEALTH MANAGEMENT

Barnett Ravenscroft Wealth Management
13 Portland Road
Edgbaston
Birmingham
B16 9HN
UK

Tel: +44 (0)121 454 0910
Fax: +44 (0)121 410 5619
Email: info@brwm.co.uk
Web: www.brwm.co.uk