



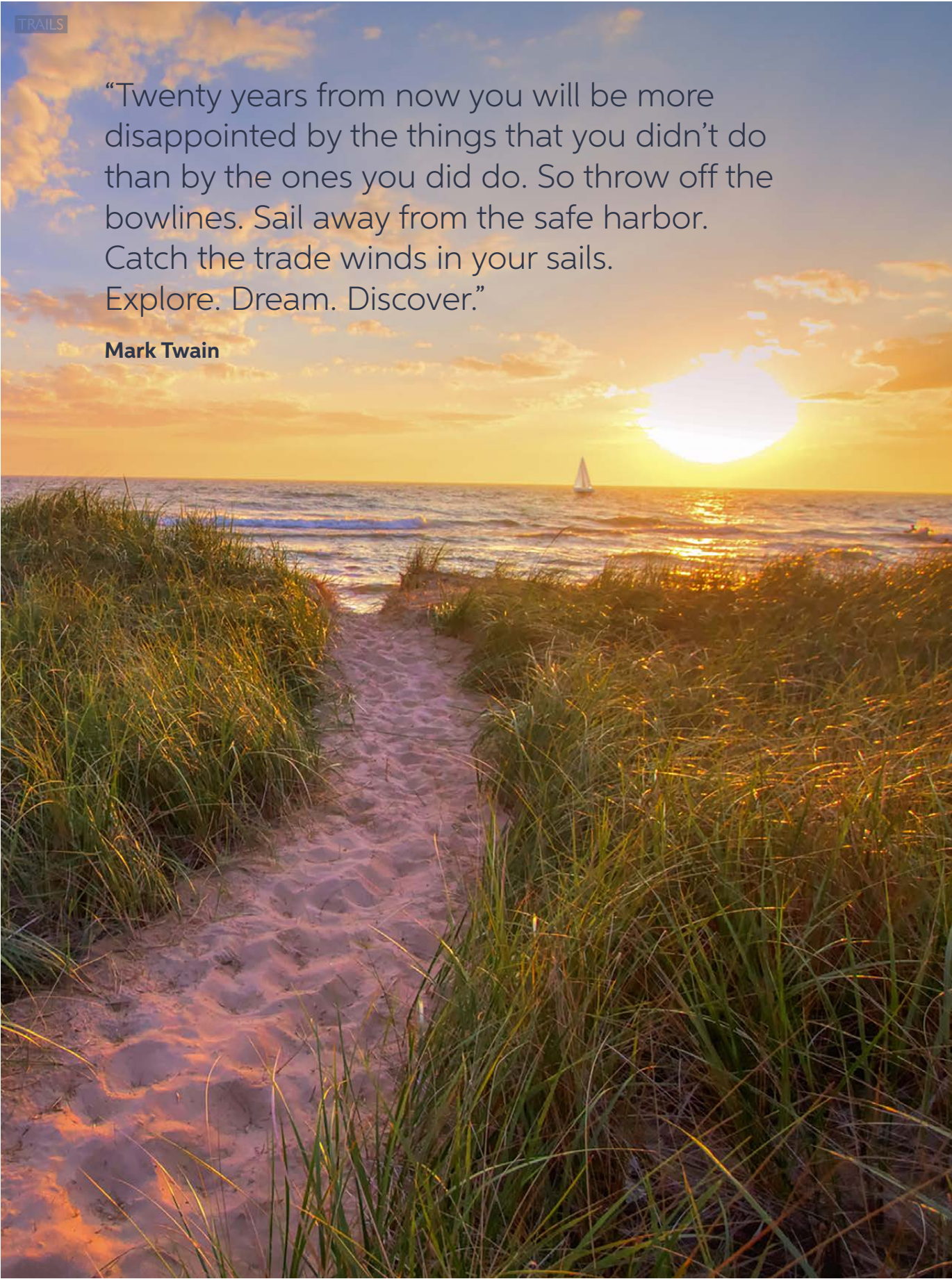
Finding your path



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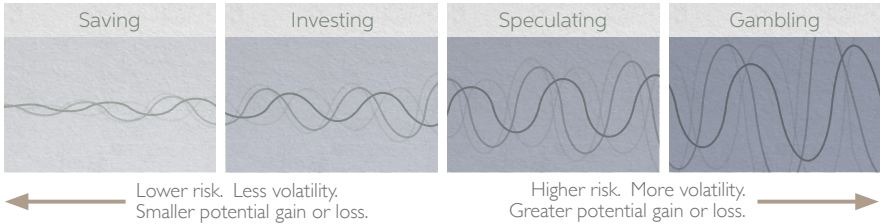
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“Twenty years from now you will be more disappointed by the things that you didn’t do than by the ones you did do. So throw off the bowlines. Sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover.”

Mark Twain



# The adventure starts here

True financial planning is about helping you find the best way forward on your own specific path, and working in tandem with you to achieve financial peace of mind. This brochure is all about our approach to investing as it is designed to help you achieve just that. It is vital therefore that, at the outset, you understand the core rationale for investing. A helpful first step is to appreciate the difference between saving, investing, speculating and gambling (see graphic above). It is always worth having a small amount of your capital in cash – ready for any unexpected needs, but

investment is where the true value of financial planning lies. In a nutshell, investing is using cash to acquire income-generating assets such as equities, bonds or property because of their possible long-term returns. Investing benefits from what Einstein called the ‘eighth wonder of the world’ – compound growth. This refers to the simple fact that money makes money. But this takes time, discipline and regular premiums. It also requires an investment strategy, like the one we are introducing here, which helps you identify your risk profile and then allocate your money into various

assets to diversify and manage risk. Investing makes the best use of the various tax wrappers available like ISAs and Pensions. Investing helps you counter the effects of inflation, which erodes the value of money. Investing also gives you choices, it gives you flexibility, it allows you to make the most of your surplus monies and it paves the way to a financially healthy retirement. The table below sums up the main differences between these four very different approaches to money management.

	SAVING	INVESTING	SPECULATING	GAMBLING
Definition	Money not spent/ deferred consumption. Reducing expenditure.	Intentionally allocating money in a systematic way to achieve an income or profit. A continuous process.	Buying a single share or handful of shares.	Immediate event or series of events. Investing in a dream.
Risk	Low risk, low volatility	Managed risk, managed volatility	High risk, high volatility	Highest risk, highest volatility
Timescales	0-5 years (short-term)	7-10 years’ plus (medium- to long-term)	Typically less than 3 years (short-term)	Typically less than 1 year (often immediate)
Asset types	Cash	Equities/ Bonds/ Property/ Cash	Listed direct shares/ commodities, VCTs, EIS.	Unquoted shares, AIM Market, Unregulated Collectives.
Potential return	Low	Inflation beating return. Amount dependent on risk level.	High	Highest potential
Potential loss	Low	Moderate (depends on risk level)	High	Total
Purpose	Short-term saving for purchases & emergencies. Preservation of money.	To spread risk, to beat inflation, allocating monies to achieve a specific goal e.g. retirement.	Calculated risk with intention to earn high return quickly.	Hope of winning.
Return based on:	Rate of interest received.	Level of risk taken, strategy, understanding, research, asset allocation, diversification, time, discipline and regular premiums.	Market timing, hot tips, latest fads.	Luck and emotion. Random outcome or chance.
Diversification	No	Yes	No	No

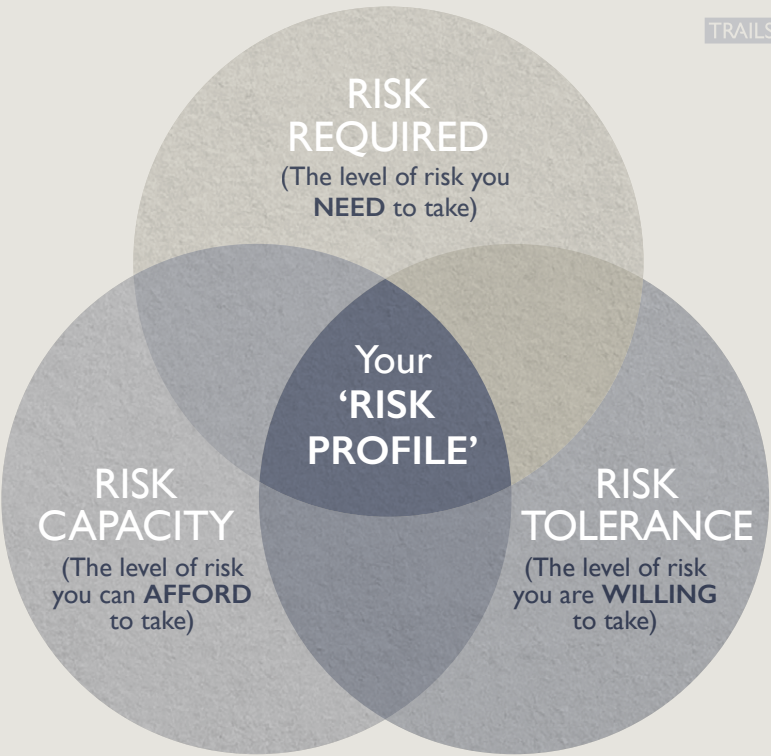
“The biggest risk is not taking any risk... In a world that is changing really quickly, the only strategy that is guaranteed to fail is not taking risks.”

Mark Zuckerberg

“I thought financial planning was about being careful, so why all this talk about risk?”

Over recent years, risk has become an increasingly central issue for financial planners. Why? Because the world is an unpredictable place and we are in the business of managing that unpredictability. Risk is simply another way of saying ‘uncertainty of outcome’ and the number of uncertainties that can affect your investment portfolio can seem daunting. Perhaps by breaking them down we can make them less so. There are four main categories of risk that you face as an investor. All are measurable, all can be quantified and anticipated through careful forward planning.

Inflation risk	Shortfall risk	Downside risk	Asset-based risks
This is the risk that inflation will grow faster than your savings. Your cash balance won't actually go down, but the cost of the things you want to buy will go up so you can afford less over time. It's a small, but not insignificant, risk factor to be aware of.	This means the risk of failing to meet a long-term investment goal. It occurs if the actual return on your investment at the end of the term is less than you predicted. This is essentially about realistic goal setting and not blindly relying on what has been forecasted.	Downside risk is the probability that an asset will fall in price. This is an investment risk that is all too often swept under the carpet by advisers but, of course, there is always the risk that any asset can actually fall in value, at least over the short-term.	There are many of these. They include political upheavals, changes in exchange rates or government policy and even natural disasters. Also poor decisions by investment managers can unexpectedly destroy value (remember the collapse of RBS in 2008?)



Finding your path

With this plethora of risk factors, it is wise to maintain a healthy scepticism of anyone claiming some sixth sense that can predict the future and generate market-beating returns for you, year after year.

Risk is something we naturally wish to avoid. When we want to go for a walk in the countryside, many of us still check the faithful old barometer (or more likely the weather app on our phones) to gauge what the weather will be like. Similarly, when preparing your financial plan, it is our responsibility as financial advisers, to gauge your ‘risk profile’ to evaluate how you fair. We regard risk as the most important

criteria when discussing investing.

We do this at our initial meeting with you – the discovery meeting. This process can seem complicated at first but your risk profile is a combination of three core elements:

- The ‘Risk Required
- Your ‘Risk Capacity’
- And your ‘Risk Tolerance’.

We use market leading on-line software to identify your risk profile. It is important that we then discuss the results of the questionnaire with you, factoring in your personal goals and timescales.

It is important that your money is invested in a way that you feel comfortable with.

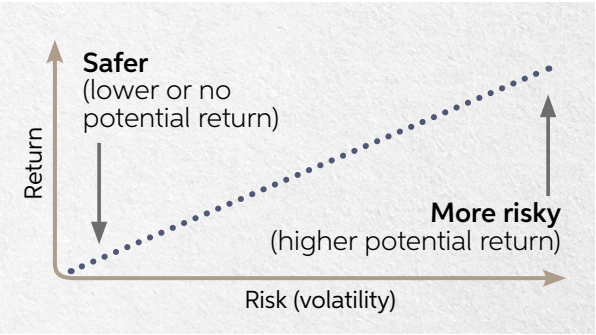
Risk Required is the level of risk that you need to take in order to achieve your goals with the financial resources you have available. It’s discovered by understanding what you want to achieve and realistically assessing your current financial position.

Risk Capacity refers to the level of financial risk you can afford to take (effectively how much you can afford to lose) or your financial ‘ability’ to take risk. It’s important to review this ‘capacity for loss’ at regular intervals, as it can change over time.

Risk Tolerance is more subjective but arguably the most important to get right. It refers to your willingness to take risk. It’s the psychological level of risk you are comfortable with; also sometimes called your ‘risk attitude.’

All these factors are carefully blended together to create the seven investment levels found in TRAILS™.





# The twelve golden rules of investing

History is littered with salutary tales of discredited investment schemes that claimed to predict the future or buck the market. At Tandem, we believe in level-headed, pragmatic investing with modest and prudent aims. Our investment philosophy reflects an enduring focus on doing what is best for you. Investing, at it's core, requires the adoption of a specific mind-set. It requires one to be patient, impartial and unemotional. In order to have a positive investment experience, we think it important to follow a set of guidelines for investing. See our twelve golden rules here:

- 1

Work out what you actually want to achieve from your investments and define the time frame.
- 2

Find your 'risk profile', taking into consideration your age, how long you want to invest and your needs.
- 3

Agree your end goal and work backwards from that place in a planned and disciplined manner.
- 4

Understand that effective investing is a long-term solution – ideally think in terms of at least 10 years.
- 5

Take advantage of the engine that powers long-term investment returns – 'compounding'.
- 6

Diversify and spread the risks within your portfolio using asset allocation models.
- 7

Remember risk and return are related. The higher the risk, the higher the likely return. And vice versa.
- 8


Recognise the importance of costs and tax that negatively affect the ultimate size of your wealth pot.
- 9

Hold your nerve. Keep short- and medium-term market movement in perspective.
- 10

Don't try to 'time the market' or 'cherry pick' popular stocks or asset classes.
- 11

Review and rebalance your portfolio at least annually.
- 12

Discipline also requires regular monthly investments to benefit from pound cost averaging.



“There is no passion to be found playing small  
– in settling for a life that is less than  
the one you are capable of living.”

**Nelson Mandela**

“Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.”

Warren Buffett

# It’s not about less eggs, but more baskets

So, now that we have our twelve golden rules of investing, we want to give them the best possible chance of success. To do this, we need to minimise the effect of any risk factors that are out of our control, and by far the most important tool we have for this is ‘asset allocation’.

Asset allocation simply means spreading your money across different asset classes including equities, property, bonds and cash (see right). Especially in the long-term, this is what determines portfolio performance more than any other single factor.

If you have a financial goal with a long time horizon, you are likely to make more money by carefully investing in asset categories with greater risk, like equities (stocks and shares), rather than restricting your investments to assets with less risk, such as investment grade bonds or cash. On the other hand, allocating solely in cash may be appropriate for short-term financial goals.

That is why a healthy mix of all the above is almost always the way to create a portfolio that meets your own personal needs.

Each ‘asset class’ has a different role and a mix of them all helps to minimise individual weaknesses.



### Equities

Equities are used for their potential for growth. They are the most responsive to both the ups and the downs.



### Bonds

Bonds are used to reduce volatility and minimise the risk of capital loss. They are safer and more comfortable.



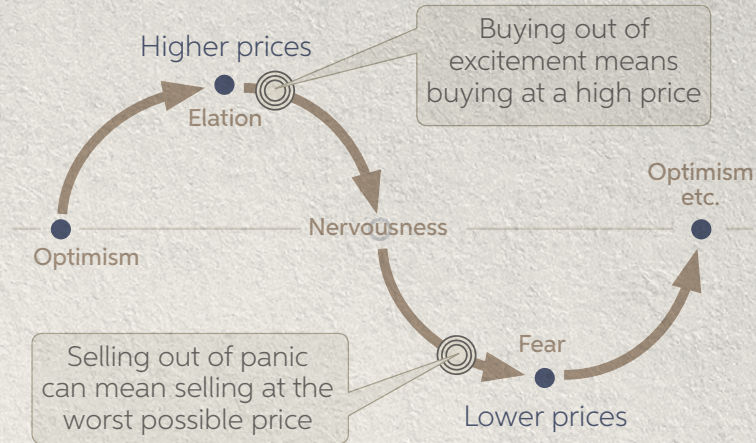
### Property

Property is a hedge against inflation because property values tend to rise with prices. Also used as a diversifier.



### Cash

Cash is the workhorse of your portfolio. It pays fees and allows for withdrawals quickly if ever needed.



## Diversification

Just like we British always like to try and see trends in the weather – ‘the summers are getting hotter’ or ‘we are due the coldest winter on record’ – we also like to look for trends in the performances of various asset classes. But with the markets, as with the weather, the long-term statistics never bare this out.

Those who try to ‘call the market’ tend to struggle to separate their emotions from their investment decisions. Following a reactive cycle of excessive optimism and fear, as shown in the graph above, usually leads to poor decisions at the worst times.

A glance at the table below shows that you can never know which markets will outperform from year to year. By holding a globally diversified portfolio, you are more likely to capture returns wherever they occur.

With a little consideration, a balanced, well-diversified portfolio should weather the short-term storms of stock market and property market fluctuations. It will smooth out the many peaks and troughs and help you meet your financial objectives over the longer-term without causing too many shocks along the way.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
13.0%	62.5%	23.6%	20.3%	17.8%	28.3%	19.6%	8.8%	35.4%	21.0%	0.8%	25.7%	16.4%	28.1%	0.3%
7.6%	30.1%	21.3%	16.7%	15.5%	25.2%	18.8%	5.5%	34.1%	17.2%	0.5%	21.6%	13.0%	20.0%	-3.3%
3.6%	21.2%	19.1%	6.5%	12.8%	21.0%	14.6%	5.4%	29.6%	16.9%	0.1%	20.2%	12.8%	18.3%	-6.4%
8.0%	20.1%	16.7%	5.8%	12.3%	20.8%	12.5%	1.9%	25.5%	13.8%	-0.4%	19.2%	11.9%	17.6%	-7.3%
-13.2%	14.8%	14.5%	1.2%	12.0%	13.6%	11.3%	1.4%	25.4%	13.1%	-2.2%	15.5%	11.3%	4.0%	-8.8%
13.3%	14.7%	8.9%	-3.5%	11.2%	1.6%	7.9%	1.0%	21.2%	11.3%	-3.4%	13.7%	9.1%	2.5%	-9.4%
-19.4%	13.6%	8.7%	-6.6%	10.7%	0.6%	7.9%	0.7%	16.8%	4.9%	-7.6%	9.3%	8.9%	1.0%	-12.2%
-24.0%	6.3%	7.5%	-12.6%	5.9%	0.0%	2.8%	14.6%	12.3%	2.5%	-8.0%	7.6%	7.8%	-1.5%	-19.3%
-29.9%	5.3%	5.8%	-14.7%	2.9%	-4.2%	1.2%	-1.1%	10.7%	2.0%	-9.1%	6.9%	5.0%	-3.3%	-25.1%
-34.8%	-1.2%	4.8%	-18.4%	0.6%	-5.3%	0.2%	-10.3%	3.7%	1.9%	-9.5%	6.3%	-9.8%	-5.3%	-34.5%

KEY	Global Equities	North American Equities	Emerging Markets Equities	Developed Asia Equities	Europe Ex-Uk Equities	UK Equities	UK Government Bonds (Gilts)	UK Index-Linked gilts	UK Investment Grade corporate bonds	Hedges Global Bonds
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Source: Vanguard calculations, using data from Barclays Capital and Thompson Reuters Datastream. UK equity is defined as the FTSE All Share Index, Europe ex-UK equity as the FTSE All World Europe ex-UK Index, developed Asia equity as the FTSE All World Developed Asia Pacific Index, North America equity as the FTSE World North America Index, emerging market equity as the FTSE Emerging Index, global equity as the FTSE All World Index, UK government bonds as Barclays Sterling Gilt Index, UK index-linked gilts as Barclays Global Inflation-Linked UK Index, hedged global bonds as Barclays Global Aggregate Index (hedged in GBP), UK investment grade corporate bonds as Barclays Sterling Corporate Index. Returns are denominated in GBP and include reinvested dividends and interest.

# TRAILS

Discovering your level,  
finding your path



Tandem is about planning your adventure in the same way we plan to enjoy the great outdoors. The beautiful, inspiring, challenging environments found all around the world serve as perfect metaphors for the journey of life that we see stretching before us. Some are gentle and undemanding but less dramatic. Others offer stiffer ascents and increased danger, but with more spectacular views.

Seven beautiful British National Parks symbolise the different 'model' portfolios that have been devised with asset allocations that offer specific levels of risk and potential return. TRAILS™ is the acronym for the Tandem Financial Ltd investment strategy, which is trade-marked. It stands for Tandem Risk-Assessed Investment Levels.

Their goal is to give you the opportunity to achieve the highest possible level of long-term returns in a manner that is most consistent with your own personal risk profile.

The question is: **which one of these is yours?**

## TRAIL 1



The Broads

**20% Equities / 80% Bonds**

Sensitive to short-term losses, but still aims to beat inflation over the long run. You are not comfortable with volatility within your portfolio and you are keen to keep risk to a minimum.



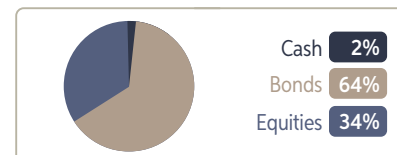
## TRAIL 2



South Downs

**34% Equities / 66% Bonds**

Still sensitive to short-term losses, but with a likely goal of beating inflation over the long run. You seek growth in the real value of your assets over the long-term but while minimising risk.



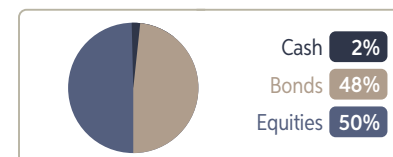
## TRAIL 3



Pembrokeshire Coast

**50% Equities / 50% Bonds**

Less sensitive to short-term losses you are willing to take on slightly more risk than the cautious investor in order to increase expected return, although risk is still an important consideration.



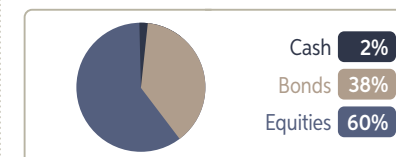
## TRAIL 4



Peak District

**60% Equities / 40% Bonds**

Willing to accept more risk than the conservative investor, but you are probably not willing to accept the short-term downside risk associated with achieving a long-term return dramatically above the inflation rate.



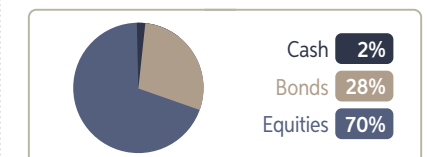
## TRAIL 5



Northumberland

**70% Equities / 30% Bonds**

Comfortable with more risk than the moderate investor but you are not comfortable with the short-term risk associated with achieving a long-term return dramatically above the inflation rate. You think of risk more as opportunity than uncertainty.



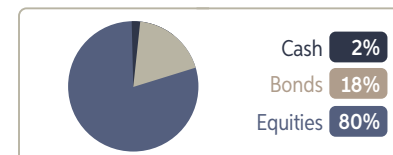
## TRAIL 6



Lake District

**80% Equities / 20% Bonds**

Seeking to maximise long-term returns rather than minimise short-term losses. You are more concerned with the potential of financial return than with short-term volatility but you wish to retain some marginal protection against downside risk.



## TRAIL 7



Cairngorms

**100% Equities / 0% Bonds**

Focused on maximising long-term expected returns rather than minimising possible short-term losses. You understand there is no marginal protection against capital risk, since 98% of the investments are in growth assets but you are willing to accept these risks to achieve the best possible return.



As you can see here, each of the seven TRAILS™ portfolios has a different bond-to-equity ratio, which reflects a different investment 'personality'. So, *The Broads* (#1) is effectively 20% equities and 80% bonds, whereas *Cairngorms* (#7) is effectively 100% equities and 0% bonds.

Once you've decided on the mix you feel most comfortable with, it is important to regularly 'rebalance' your portfolio. What does that mean?

Say you have chosen equal amounts of equities and bonds. You buy £5000 in faster growing equities and £5000 in slower, safer bonds. After a year the equities have grown to, say £6000 while the bonds are still £5000. This is now 'unbalanced' and you would need to sell some equities and buy bonds to make it balanced again.

You would end up with £5500 worth of equities and £5500 worth of bonds – a real increase in the size of your portfolio but the same level of risk that you had agreed to originally.

# Now, let us introduce you to one of your greatest assets. Time.

The chart below shows the actual performance of all seven of our TRAILS™ portfolios over 24 years to the end of 2022, compared to the inflation rate (the retail price index) over the same period.

The conclusions we can draw from the chart are unequivocal:

- Successful investing means long-term investing
- All seven TRAILS™ portfolios have significantly outperformed inflation, represented by RPI in the graph
- Over the long-term, the higher the risk profile, the higher the return
- But also, the higher the risk profile, the more volatile the portfolio tends to be.

While it is clear that all the portfolios seriously outperform cash, more interesting perhaps, is how the different portfolios perform against each other.

Taking the long view, the seven risk profiles have performed as expected. *Cairngorms* (#7), the riskiest, has produced the highest return over time, whereas *The Broads* (#1) has produced the lowest.

But look how during the Dotcom bust of 2001, the volatility of *Cairngorms* led to it being outperformed by all portfolios, even *The Broads*, for some months. See also how in the darkest days of the 2008-09 crash, although all seven portfolios fell, *Cairngorms*

plummeted while *The Broads* suffered little more than a minor blip.

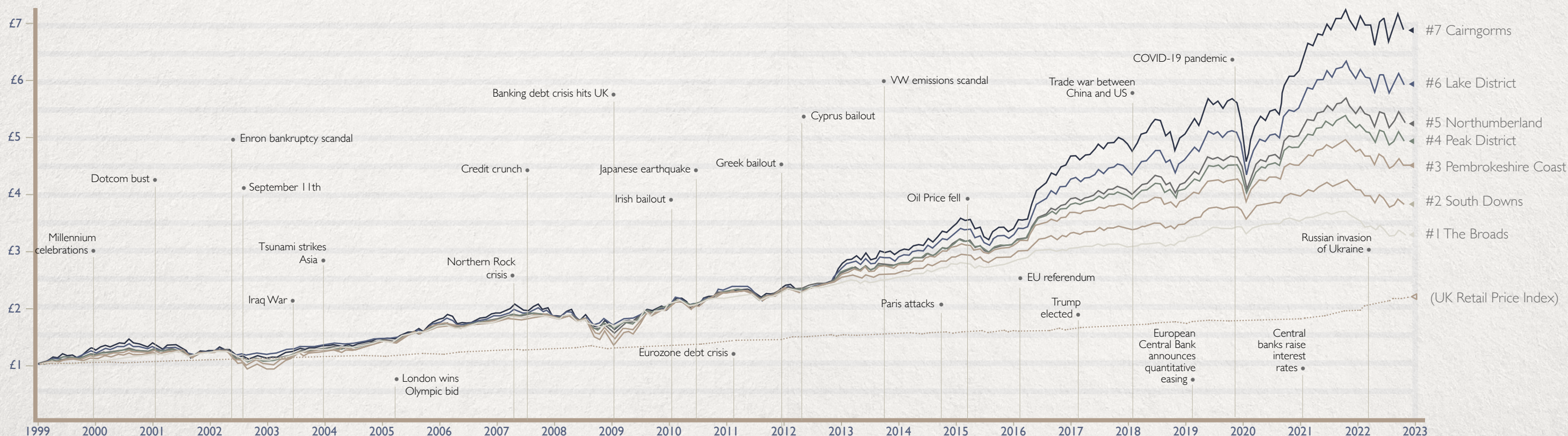
In choosing these funds, we focus on low cost, 100% passive, (non-predictive) funds from financially strong providers with a reputation for transparency and liquidity. All funds are collectives (unit trusts or OEICs).

TRAILS™ advocates a 'buy and hold' strategy, also known as 'strategic asset allocation' which reduces trading costs incurred through portfolio turnover (excessive buying and selling) and annual rebalancing to manage volatility.

At Tandem, we take as much of the stress as possible out of the journey, giving you the best possible chance to enjoy the ride.

“The best time to plant a tree was 20 years ago. The second best time is now.”

Chinese proverb



“Life is like riding a bicycle.  
To keep your balance, you must keep moving.”

Albert Einstein

## Pursuing a better investment experience

Our absolute focus here at Tandem is to make your investment experience as good as it can possibly be – even fun! That is our goal. That is why we get out of bed in the morning. We want you to enjoy the journey. The best accolade you could pay us is to find yourself singing in the shower. It all starts with us working together to formulate an investment plan based on market principles, informed by sound science, and tailored to your specific needs and goals. Along the way, we will help you focus on actions that add value, such as providing quarterly bulletins, annual re-balancing and keeping a close eye on the funds and core strategy at all times.

Equally important, we are here to provide knowledge and encouragement to help you stay disciplined through various market conditions. Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions at the worst times.

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### Making sure you are ready for the road ahead

As well as maximising the potential returns, we also work hard to minimise any unnecessary costs that could reduce the size of your

portfolio. We aim to maximise the potential for your investments by applying proven investment principles and a strategy based on logic and sound reasoning.

### Planning your adventure

So, as they say, today is the first day of the rest of your life. And instead of seeing this as a daunting challenge, we hope you can now start to see it as

the beginning of a new adventure.

There are some technical terms and concepts in this brochure, but our core philosophy is based on simplicity; control what you can control and don't worry about the rest.

Time, discipline and a steady hand can all work together to make the most of your money over the years ahead so that you can make the most of your time.

*Focus on what you can control.*



## Disclaimer:

This document is designed only for use by, and is directed only at, persons resident in the UK. The information in this document does not constitute legal, tax or investment advice. You must not, therefore, rely on the content of this document when making investment decisions.

If you have any questions related to your investments or the suitability or appropriateness for you of anything described in this document, please contact your adviser at Tandem Financial Ltd.

Past performance is not necessarily a guide to future performance. Changes in exchange rates may also cause an investment to fluctuate in value. Levels of taxations depend on an investor's individual circumstances and the value of any applicable tax reliefs.

The value of investments and the income arising from them, can go down as well as up, and are not guaranteed, which means that an investor may get back less than they invested.

# tandem.

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