

MKC Invest

# Discretionary Model Portfolios





Our objective is to  
help investors  
meet their goals.

We are  
Invested. Together.

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## Important Information

MKC Investment Management Limited investment portfolios are only available to retail investors who have been provided with a personal recommendation to invest from an MKC Wealth financial planner.

The value of your investments and the income from them may go down as well as up and neither is guaranteed.

Investors could get back less than they invested. Past performance is not a reliable indicator of future results.

Changes in exchange rates may have an adverse effect on the value of an investment. Changes in interest rates may also impact the value of fixed income investments. All assets are denominated in UK Sterling. The investment or investment service may not be suitable for all recipients

of this publication. If in doubt speak to your MKC Wealth financial planner.

This publication is for UK-based retail investors who have engaged with MKC Wealth Ltd for their financial planning services. Distribution or sharing of this publication is not permitted without authorisation from MKC Investment Management Limited.

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# What we do

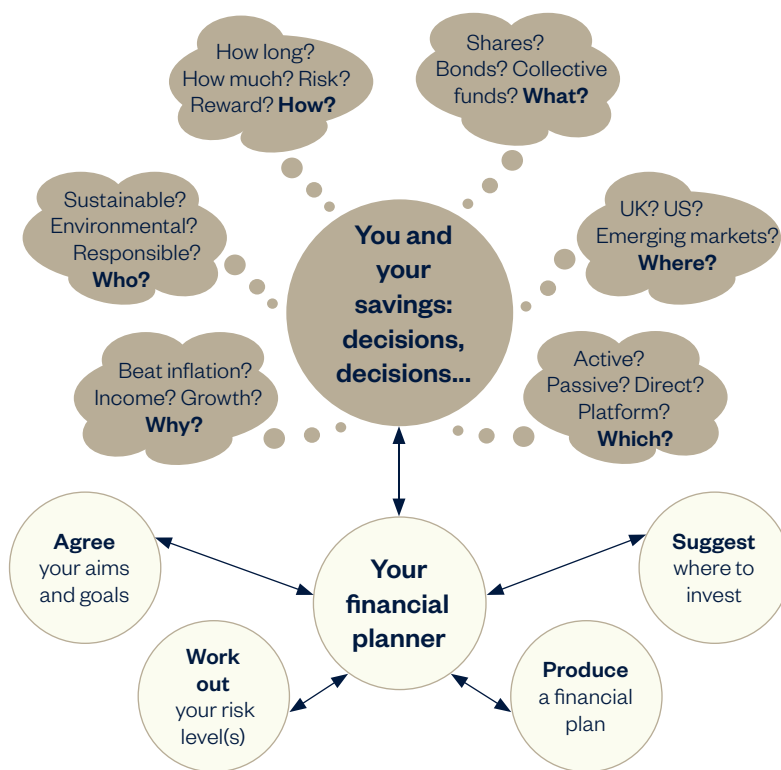
We are a discretionary portfolio manager.

We build innovative, low-cost model portfolios designed to meet the objectives of private investors advised by financial planners.

We create and manage a diverse range of investment portfolios for private investors. We manage each portfolio to an agreed set of rules and goals. When you choose one of our portfolios you grant us authority to make investment decisions without asking for approval. That is why we are called a discretionary portfolio manager: you leave the day-to-day decisions involved in managing the portfolios to our discretion or judgement.

## What is a model portfolio?

A model portfolio is like a basket: it holds a diverse range of investment funds that, as portfolio manager, we choose with the aim of achieving and remaining within stated investment objectives and risk levels. To achieve this we spread your money across different asset classes, sectors and geographic regions. We change the funds in the portfolios when we think doing so will give them a better chance of meeting their mandates.



## The MKC Invest difference





# The MKC Invest difference

We know you have a choice about who to trust with your money. Here are some reasons to trust us.

- We innovate, building new styles of portfolios to meet a wider range of objectives.
- We believe in long-term investment with a patient and disciplined approach...
- ...and in delivering clear levels of portfolio risk without shocks or surprises.
- We take a global outlook without a fixed bias to the UK, capturing opportunities worldwide.
- Our portfolios are only available through professional, authorised financial planners because expert advice is crucial to setting realistic investment objectives.
- Your financial planner will work with you to discover what you want to achieve and – if suitable – will select one or more of our portfolios to help you get there.

This means that your money is invested to achieve your agreed objectives and to stay within the level of risk you have agreed to accept.

- We have no ties or restrictions: we are free to include funds managed by any suitable investment house in the portfolios.

This allows us to take advantage of fresh opportunities as they arise and sell funds that we believe are overvalued.

- We encourage strong debates and competing views within our fund selection team: we value independence of thought and action over following the herd.
- We want you to understand what we do and why: honesty and transparency are our watchwords.



# Understanding risk

Investing involves taking a risk with your money. It is vital that you understand the risks you are taking and why you are taking them. Risk is about how much uncertainty you are likely to experience during your investment journey.

In general, there is a direct relationship between risk and potential returns. Riskier investments tend to have the potential for higher long-term returns – and for greater losses along the way. Understanding this trade-off is essential when setting realistic investment goals.

Time is also a factor. The longer you are invested, the more risk you may be able to accept, because your investments have more time to recover from market downturns.

Before investing you need to work out your risk tolerance or risk level. This is the extent to which you are able and willing to withstand fluctuations in the value of your investments and your potential return. It will depend on factors such as your financial goals and timescale, your general attitude to risk and how much you are prepared to lose.

## The MKC Invest difference

We want everyone who places their money in our portfolios to have selected the right risk level for their circumstances. This is one of the reasons our portfolios are only available through financial planners. Your financial planner will help you work out:

- if one or more of our range of portfolios is right for you
- if it is, work out how much risk you are willing and able to take
- select the portfolio within the range that corresponds to your agreed risk level.

# How we measure our performance

Discretionary model portfolios need benchmarks so that anyone can see how each portfolio is performing.

A few types of benchmarks are available, including those based on:

- a sector or “peer group” of other investment managers
- an economic indicator, like interest rates or inflation
- a fixed annual return, for example “5% per year”
- a market or index of shares or other assets, such as the FTSE 100 or S&P 500.

## The MKC Invest difference

We think that our performance should be judged against the agreed objectives and risk levels of each portfolio. And we want to be free to do what we think is best for our clients. It seems to us that trying to do better than benchmarks that mirror the views and actions of other investment managers is likely to prevent us from achieving this. We therefore decided to create our own benchmarks. We wanted them to:

- be simple and easy to understand
- be made of assets you can actually invest in
- not be driven by the behaviour of other investment firms
- be chosen by us, not by a third party.

We noticed that simple benchmarks that combine global shares and global bonds have done significantly better than the Investment Association’s most popular mixed asset peer groups over most time periods. This got us thinking: why measure ourselves against a group of other investment managers who collectively seem unable to beat global markets over time? Surely it makes more sense to measure ourselves **directly** against those global markets instead?

We reduced this idea to its simplest form: one index that tracks global shares and one index that tracks global bonds. We decided to use indices provided by Morningstar, a research partner we know and trust.

For global shares: Morningstar’s Global All Cap TME GBP Index

For global bonds: Morningstar’s Global Core Bond Index GBP Hedged

Each of our ten benchmarks is made up of these two indices in different fixed percentages. **We call them the MKC Invest Baseline Benchmarks.**





# About the MKC Baseline Benchmarks

We have ten Baseline Benchmarks, each made up of a percentage of global bonds and global equities. They apply to all the portfolios in all our ranges as shown in the table below.

The MKC Baseline Benchmarks	Shares: Morningstar Global All Cap TME GBP	Bonds: Morningstar Global Core Bond Index GBP Hedged	Corresponding MKC Wealth investor risk level
MKC Baseline 1	10%	90%	Cautious
MKC Baseline 2	20%	80%	Cautious
MKC Baseline 3	30%	70%	Moderately cautious
MKC Baseline 4	40%	60%	Moderately cautious
MKC Baseline 5	50%	50%	Balanced
MKC Baseline 6	60%	40%	Balanced
MKC Baseline 7	70%	30%	Moderately adventurous
MKC Baseline 8	80%	20%	Moderately adventurous
MKC Baseline 9	90%	10%	Adventurous
MKC Baseline 10	100%	0%	Adventurous

# A look inside the portfolios

We offer six model portfolio ranges. Each has a different investment strategy and each is constructed to deliver different investment objectives. However, inside all of them you will find a mix of investment funds.

We look at all funds available to UK investors and select the ones we think will best achieve the objectives of that particular range. Each range is thoroughly diversified and includes

different countries and regions. Our portfolios are as comprehensive as we can make them, but we only choose a fund if we believe that it is aligned with the specific objectives of that range.

Choosing the funds involves extensive, rigorous and continuous research and analysis. A lot of detailed work is involved. For instance, we regularly analyse all the individual holdings across all of the funds in each range – they can change frequently and we need to be careful not to hold too much of any single company, geographical area, investment style or

similar in a portfolio inadvertently. Also, we do not invest in funds that we think could be difficult to sell when we need to do so.

Getting into our Classic Active and Contemporary Classic portfolios is especially tough. Only the very best fund managers are good enough. The logos below are just some of the firms we use. They include well-known names – you probably recognise many of them – and some less well-known. The current funds held in the portfolios are listed in the fact sheets available on our website.

Some of the fund managers we might select to manage your money:





# Classic Active

For people who trust experts to outperform the benchmark.

## **What it aims to provide**

Our Classic Active range aims to provide long-term capital growth by investing in a diversified portfolio of mainly actively-managed funds. We are trying to outperform the portfolio's benchmark using skill and judgement.

## **How we build it**

We seek out expert fund managers in each major asset class and buy funds that they manage actively. We then combine these funds into a portfolio that reflects our global asset allocation views.

## **The Classic Active range could be right for you if**

- you want to aim for above-benchmark returns, and you believe active management is the way to achieve this
- you like knowing that human experts choose and run most or all of your investments.

## **It is not for you if**

- you can't accept the risk that active management might not do better than the benchmark over time
- the cost of investing is a big factor for you.

## **Further details**

Detailed fact sheets for all portfolios in our Classic Active range are available to download from the Classic Active section of our website, [mko-invest.com](http://mko-invest.com).



# Contemporary Active

For people who prefer modern, lower cost active investing.

## **What it aims to provide**

Our Contemporary Active model portfolios are built to provide long-term capital growth. We do this at a lower overall cost than our Classic Active range by combining actively-managed funds with passive (also known as “index-tracking”) funds.

## **How we build it**

We decide which markets or sectors we think offer the best prospects for funds that are actively managed. Then, following our usual process, we select funds that our research suggests offer the potential for doing better than average. For areas in which we think active managers may be less likely to add value we choose simple, low-cost tracker funds.

## **The Contemporary Active range could be right for you if**

- you are looking for growth over the longer-term
- you want to aim for above benchmark returns and you believe that active management combined with some index-tracking funds can help you achieve this
- you like the idea of a pragmatic combination of active and passive holdings
- you want to hold a mix of investment approaches in one managed portfolio
- you want your portfolio to cost less than our Classic Active range but still have the chance to do better than its benchmark.

## **It is not for you if**

- you can't accept the possibility that active management might not do better than the benchmark
- You want most or all of your portfolio to be invested in actively-managed funds.

## **Further details**

Detailed fact sheets for all portfolios in our Contemporary Active range are available to download from the Contemporary Active section of our website, [mkc-invest.com](http://mkc-invest.com).





# Fossil Fuel Focus

For people who want to invest with a lighter planetary touch.

## What it aims to provide

We believe that our Fossil Fuel Focus range provides a viable, transparent alternative to many of the “green” portfolios currently available. It aims to provide long-term capital growth by holding a diversified range of funds that are meaningfully reducing their holdings in companies that emit greenhouse gases.

## How we build it

With the help of our research partner, Dorey Limited (you can find out more about them on page 15), we screen over 3,000 UK investment funds for those whose holdings and mandates seem best placed to limit or eliminate fossil fuel emissions. With Dorey’s help we then study every single company each of these investment funds holds to verify our initial research. We use measures such as the Carbon Underground 200® to check our analysis still further.

The result is a list of investment funds we are confident are meaningfully reducing their holdings in companies that emit greenhouse gases. We then choose those we think are most likely to do better than the portfolio’s benchmark.

## The Fossil Fuel Focus range could be right for you if

- you want a portfolio that only invests in funds that are reducing their exposure to companies with high levels of fossil fuel emissions
- you want the chance of doing better than the global markets if returns from fossil fuel-based industries start to decline.

## It is not for you if

- You have ESG, sustainable or ethical investment preferences connected to issues other than just fossil fuel emissions: we do not consider **any other issues**
- you can't accept the chance of below-benchmark performance if companies with high fossil fuel emissions do better than those with low or zero emissions.

## Further details

Detailed fact sheets for all portfolios in our Fossil Fuel Focus range are available to download from the Fossil Fuel Focus section of our website, [mkc-invest.com](https://mkc-invest.com).



# Tracking Tomorrow

For people looking for a new approach to investing for the very long term.

## **What it aims to provide**

Our Tracking Tomorrow range takes a unique approach to delivering capital growth over the very long term. By this we mean 20-30 years from now.

## **How we build it**

We commissioned independent research from Dorey Limited (you can find out more about them on page 15) asking them to map how global stock markets may evolve by 2050-2060. We use their projections to select index-tracking funds that offer you a vision of tomorrow's markets today.

## **The Tracking Tomorrow range could be right for you if**

- you have a very long investment horizon and you want to be thinking decades ahead
- you are in your 20s or 30s and looking for a growth portfolio
- you want exposures to global markets.

## **It is not for you if**

- you can't invest for at least 15 years, if not much longer
- you are unwilling to accept the risk of your investments not achieving their objectives if our long-term projections prove incorrect.

## **Further details**

Detailed fact sheets for all portfolios in our Tracking Tomorrow range are available to download from the Tracking Tomorrow section of our website, [mkc-invest.com](http://mkc-invest.com).



# Tactical Passive

For people who think that investing should be nimble yet low cost.

## **What it aims to provide**

Our Tactical Passive range aims to provide long-term capital growth by investing in funds that passively track market indices from countries and regions we believe have the potential for growth – including over the relatively short term.

## **How we build it**

We make decisions about which countries and regions we believe are under valued or offer potential for growth at any given time. We then buy passive, low-cost index funds that track these countries and regions. We are trying to spot regional or national opportunities. This approach is sometimes called tactical asset allocation.

## **The Tactical Passive range could be right for you if**

- you want to aim for above-benchmark returns, but you don't believe in traditional active fund management
- you want a low-cost, globally diversified portfolio.

## **It is not for you if**

- you can't accept the chance of below-benchmark performance if our asset allocation decisions do not do better than the market.

## **Further details**

Detailed fact sheets for all portfolios in our Tactical Passive range are available to download from the Tactical Passive section of our website, [mkc-invest.com](http://mkc-invest.com).





# Baseline Index

For people who want the simplest portfolio we can think of...

## **What it aims to provide**

Our Baseline Index range aims to provide long-term capital growth by investing in the two global markets we have chosen for our benchmarks.

## **How we build it**

We choose one global equity tracker fund, and one global bond tracker fund. We combine the two funds in proportions that match your risk level. And that's it. Our Baseline Index portfolios try only to recreate our benchmarks.

## **The Baseline Index range could be right for you if**

- you want to get into the global equity and bond markets as simply as possible
- you don't believe that it is worth paying for any form of active management.

## **It is not for you if**

- you can't accept the chance of being left behind if more actively-managed portfolios perform better and do better than their benchmarks
- you want any form of professional skill or judgement in your portfolio.

## **Further details**

Detailed fact sheets for all portfolios in our Baseline Index range are available to download from the Baseline Index section of our website, [mkc-invest.com](http://mkc-invest.com).



# The range at a glance

	Classic Active	Contemporary Active	Fossil Fuel Focus	Tracking Tomorrow	Tactical Passive	Baseline Index
Investment style of funds in the portfolio	Active	Active and passive	Active	Passive	Passive	Passive
Do we decide which funds to include?	Yes	Yes	Yes	Limited	Limited	Very limited
Do we decide asset allocations?	Yes	Yes	Limited	Based on Dorey's model	Yes	No
Number of portfolios in the range	10	10	5	5	8	10
MKC Baseline risk levels available	1-10	1-10	4-8	10 only	3-10	1-10
Our fee for managing the portfolio**	0.25%	0.25%	0.20%	0.15%	0.12%	0.10%*

\* We do not charge any fee for managing the Baseline Index 10 portfolio.

\*\* This is what we charge per year. It is payable monthly based on the rolling monthly value of your holdings.

Other costs payable include investment fees (charged by the managers of each fund in the portfolios for managing the fund), trading costs (which we may pay when we buy and sell holdings in funds within a range) and the cost of investing via any platform recommended by your financial planner. Current costs associated with the portfolios are set out in the portfolio factsheets. Your financial planner will explain the costs you will incur, and the full amount you pay will be set out in your Suitability Report.

# Our expert partners



## **Who they are**

Dorey Limited is an independent mathematical modelling and actuarial science firm based in Guernsey. Among other things, they offer economic modelling that has delivered robust and accurate forecasts over a number of economic cycles. Their clients include many large banks and investment managers, as well as the government of Guernsey.

## **What they do for us**

Dorey provides us with forward-looking economic models that help us understand the possible future performance of our benchmarks. Their output helps financial planners explain the likely possible long-term outcomes of investing in our portfolios.

They help us with the long-term model we use for our Tracking Tomorrow range and provide us with the detailed screening and research we require for our Fossil Fuel Focus range.



## **Who they are**

Morningstar provides independent investment research, investment software and analysis. They are best known for their ratings of investment funds, shares and other investments. Their research is widely used by financial professionals to make informed decisions about investments.

## **What they do for us**

We use Morningstar's software to help us understand every aspect of the funds we select and how our overall portfolios relate to global markets and the MKO Baseline benchmarks.



## **Who they are**

Square Mile analyses and rates investment funds. Their research, which goes deep into the holdings within each fund, helps professional investors make informed decisions aligned with their needs and objectives.

## **What they do for us**

Square Mile provides us with detailed information about individual investment funds and their managers. This gives us the granular, qualitative information we need as part of our fund selection process.

# The management team

## Rick Eling, Managing Director



Rick is hugely experienced in building investment strategies that financial planners can use when advising clients. He has a clear understanding of how well-constructed portfolios

can support the long-term financial planning goals of private clients. His approach to this is fresh and innovative.

He has been working in financial services since 2005. Before joining MKC Invest Rick led teams that successfully designed investment portfolios for wealth management groups including Sanlam and Quilter. Understanding the way financial advice interacts with investment choice and constructing portfolios that are influenced by people's investment goals has always been crucial to his

work. He was an early champion of psychometric risk profiling, which has since become the standard way of aligning people's investments with their objectives and tolerance for risk.

Rick attended the Hulme Grammar School in Oldham and read English Literature at the University of Liverpool. He then commissioned as an officer in the Royal Navy and served for six years on a variety of surface warships and shore bases. He is a CFA Charterholder and has a Diploma in Financial Planning.

## Trevor Hubner, Portfolio Manager



Trevor is the lead Portfolio Manager of MKC Invest. His job is to keep each portfolio on track and meet the expectations of people who have

money in it. Trevor spent 25 years as a bond broker based mainly in London, with periods in New York and Frankfurt. He was a client of MKC Wealth for over 10 years and has had money invested in the portfolios since before joining the business in 2015.

Initially his role was that of adviser and investment manager. This background has given him a good understanding of clients' needs and concerns, which are always at the forefront of how the portfolios are built.

He was appointed manager of the model portfolios, which were then managed by MKC Wealth, in 2018 and has been managing them ever since. His role within MKC Wealth evolved when MKC Invest was set up as a separate company in 2021 and he was appointed to his current role.

Trevor holds the CII Certificate in Discretionary Investment Management and the Diploma in Regulated Financial Planning.

## Mark Sibley, Independent Investment Consultant

Mark is a highly experienced investment professional with particular emphasis on the trading and risk management of a wide range of investment products. He is now applying this knowledge to help us with the selection and ongoing analysis of the funds in our model portfolios. He has worked in global financial markets

for 30 years, most of which he spent trading and marketing equities and bonds. He has worked in New York, London and Munich. He started his career trading UK and Japanese equities at SG Warburg and then held a number of senior positions trading corporate bonds at some of the largest global investment banks

including Citibank, JP Morgan and Deutsche Bank. Latterly, he oversaw the risk management of Deutsche Bank's global loan portfolio and chaired its loan screening committee. He holds a degree in Management Sciences from the University of Manchester Institute of Science and Technology.

# Governance and oversight

As discretionary portfolio managers, we never forget that we are making decisions on your behalf. Our compliance with our mandates is iron-clad, and we have independent governance to ensure we stick to what we have agreed.

Our model portfolios are governed by an Investment Oversight Committee, chaired by Stuart Goldsmith. The committee, which includes compliance, investment and governance specialists, is accountable to our Board of Directors and our regulator, the Financial Conduct Authority. Its role is to supervise the work of our portfolio management team, and to make sure that our clients' interests are considered and protected at every step. The committee meets formally once a quarter to review the performance, holdings, and risk levels of every portfolio we offer and to make sure that each one complies with its stated mandate.

## Stuart Goldsmith, Chairman of the Investment Oversight Committee

Stuart brings his extensive experience and his lifelong care for the wealth of others to his chairmanship of our oversight committee.

His entire career has been spent in the City of London. He was trained as an investment analyst, became an investment manager and for many years ran a £4bn unit trust and pension fund group. More recently he has worked with smaller investment management groups advising on strategy.

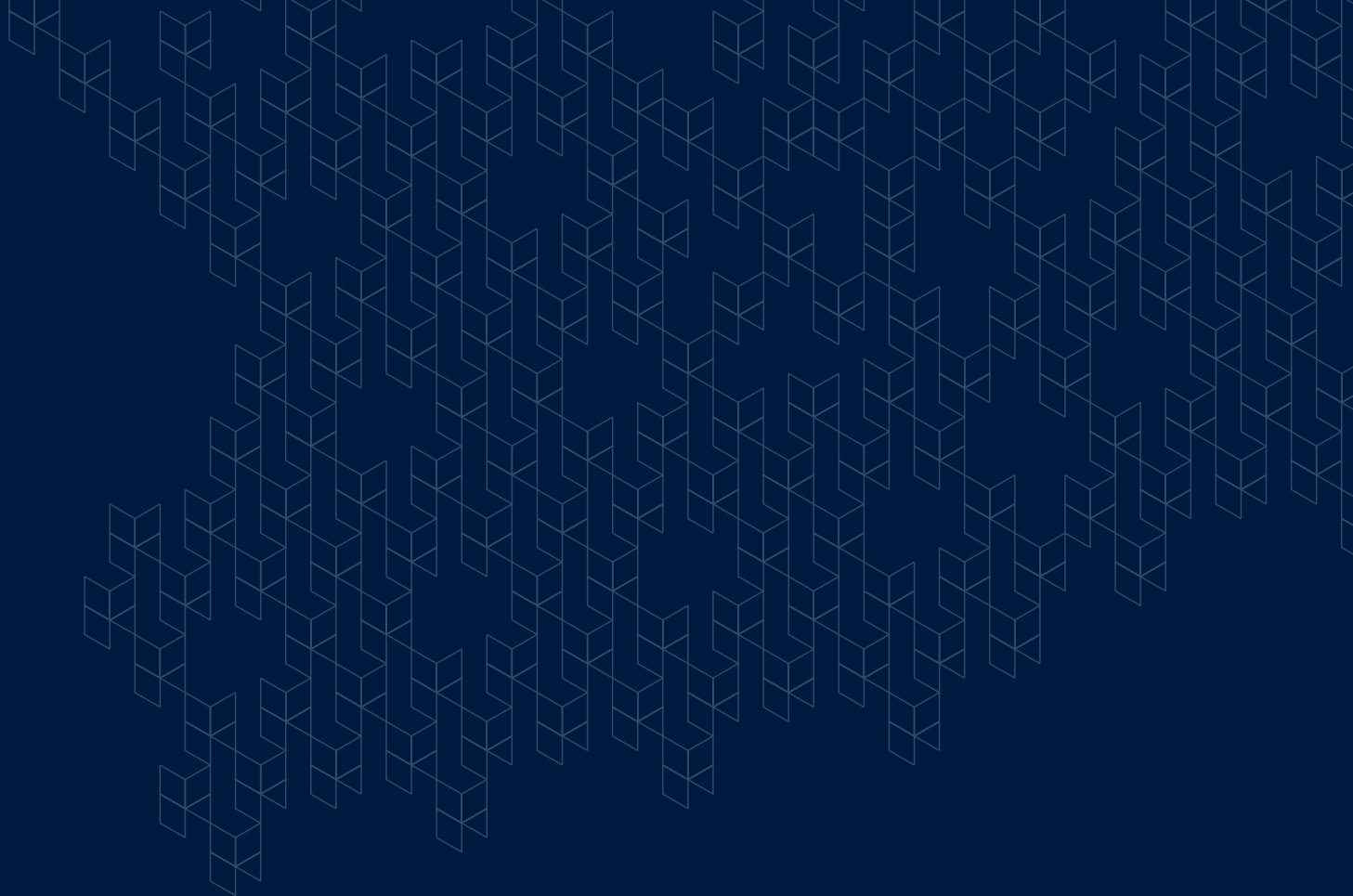


## Morven Grierson, Compliance Director

Morven takes strategic level oversight of governance, risk and compliance frameworks for the portfolios to enhance investor outcomes.

She is an experienced compliance and risk practitioner specialising in discretionary investment management and financial planning and advice. She holds the CII Certificate in Discretionary Investment Management and is a Fellow of the International Compliance Association.





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Invested.  
Together.