



Tatton
Investment Management

For professional
advisers only

Money Market Risk Profile

**A low risk profile to increase
choice and flexibility**



www.tattoninvestments.com



Money Market risk profile

Concerns and investor fatigue from market volatility, coupled with rising interest rates have made high street deposit accounts attractive to lower risk investors for the first time in over 15 years. Rather than just shielding investments from equity risk for no real gain, cash can now offer a 'reasonable' return.

However to access cash returns most clients assume that they need to remove invested capital from platform based portfolios and put the money on deposit with a bank – an assumption made more attractive by the disappointing returns on cash offered by most platforms. The challenge is that, like any market timing decision, once money is removed from a portfolio and is placed on deposit, moving the money back into a portfolio becomes more difficult – particularly for lower risk investors.

In addition, banks who have been criticised for not passing higher rates to savers, often attach notice periods on higher deposit rates and switching account to chase better rates is time consuming and involves all the anti-money laundering requirements, paper work and proof of ID every time an account is opened.

To overcome the risk to portfolio returns of disinvesting, the challenges of securing a higher rate of return on cash and allowing clients to preserve their investment portfolios on platform, Tatton is adding to our Managed Portfolio Service to include a "Money Market" risk profile. This creates an option for clients who want to benefit from elevated rates without taking money off platform, locking up their money for a fixed term, or being limited to the offering from retail banks.

Our new risk profile offers the potential for clients to receive a return on cash that tracks the Bank of England base rate more closely than most instant access UK bank deposit accounts. We believe that for many clients the main driver for moving assets is making more money not security of provider, such as a bank, therefore providing the potential for a 'don't have to do anything for the same return' alternative is attractive and offers value.

Note: The value of investments can go down as well as up and investors may get back less than the amount invested.



WHAT IS A MONEY MARKET RISK PROFILE?

Until now Tatton has used a combination of bonds and equities to manage risk exposure in its Managed Portfolio Service. For lower risk investors the Pandemic has significantly impacted bond returns which have struggled to generate any meaningful gains in recent years.

The new Money Market risk profile is different from our other risk profiles by investing in a controlled portfolio of Money Market funds instead. It's a portfolio of money market funds held on platform and accessible in exactly the same way as our other portfolios. It is available on all of the platforms we work with and can be used alongside all Tatton portfolio styles or as a standalone portfolio recommendation.

Money market funds are a specific type of fund designed to hold short term investments in the lowest risk assets available, offering a slightly higher return than those typically available at high street banks. Typically the funds hold a range of low risk investments including, for example, overnight deposits, government bonds, and short term commercial debt. They are able to be traded daily, and have historically very low volatility, with returns closely mirroring policy rates from the Bank of England.

Money market funds are stable, low-risk investment and more diversified than holding cash at one bank.

The Tatton Money Market risk profile aims to produce a similar return to the prevailing interest rate set by the Bank of England, from a controlled portfolio of Money Market funds selected by our investment team under our existing robust investment process.

***The Tatton Money Market Portfolio does not have the Tatton ethical investment process screening applied.**



How does it work and what does it cost?

The Money Market risk profile expands our existing Managed Portfolio Service and the charging structure remains the same for all investors regardless of their investment risk profile. We apply the same robust due diligence on fund manager and fund selection regardless of the invested asset or the mandate of the fund manager.


The new profile will be made available on all platforms according to demand and can be found in the same way as our other MPS models are accessed.

Since your clients' money remains invested on platform they have the flexibility to move back into higher risk profile assets whenever you agree with them it is appropriate to do so. Clients can also preserve capital ahead of an event or during periods of personal vulnerability, for example, creating much needed breathing space when times can be difficult. Taking the pressure off investment decisions may be a real benefit and access to capital will be exactly as for other portfolio investments.

There are no limits on the number of funds in the Money Market risk profile, although we envisage it will contain around four funds. Please refer to the Factsheet for a full breakdown of the allocation.

The standard Tatton fee of 0.15% applies and the target Ongoing Charge (OCF), before platform and adviser charges, will be between 0.12% and 0.15%.

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“Providing investors returns in excess of bank deposit rates but with an equal or higher credit profile”

Q&A

How can Tatton charge for cash when bank accounts are free?

The new risk profile expands our existing Managed Portfolio Service and so falls under the same charging structure. Investment decisions will fall under our existing robust research and due diligence investment process and form an addition to our existing range with consistent charging.

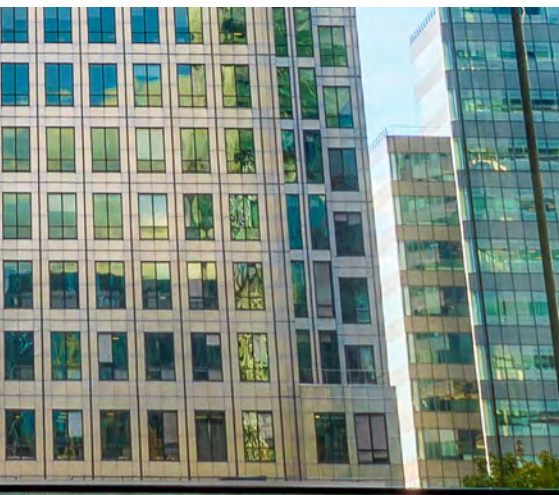
As part of an MPS on platform, the portfolio fees and charges are explicit and transparent and we believe do not unduly impact returns to reduce value.

Although bank deposit accounts may not have charges this does not mean they offer good value. Generally, they have restrictions such as minimum amounts that can be invested and notice periods to return cash. Also, being held off platform reduces advice potential and can add complexity and transactional delays when a decision to reinvest is made.

High street banks are currently under the spotlight for not passing interest rates rises to account holders and they are under no obligation to do so. Money Market fund managers are under competitive pressure to generate the best returns possible from money markets and it is Tatton’s responsibility to ensure that clients benefit from this since we are free to select funds from the entire market place.

The Money Market risk profile gives your clients a choice and the flexibility to potentially generate increased return on cash without having to disinvest from their portfolio on platform.

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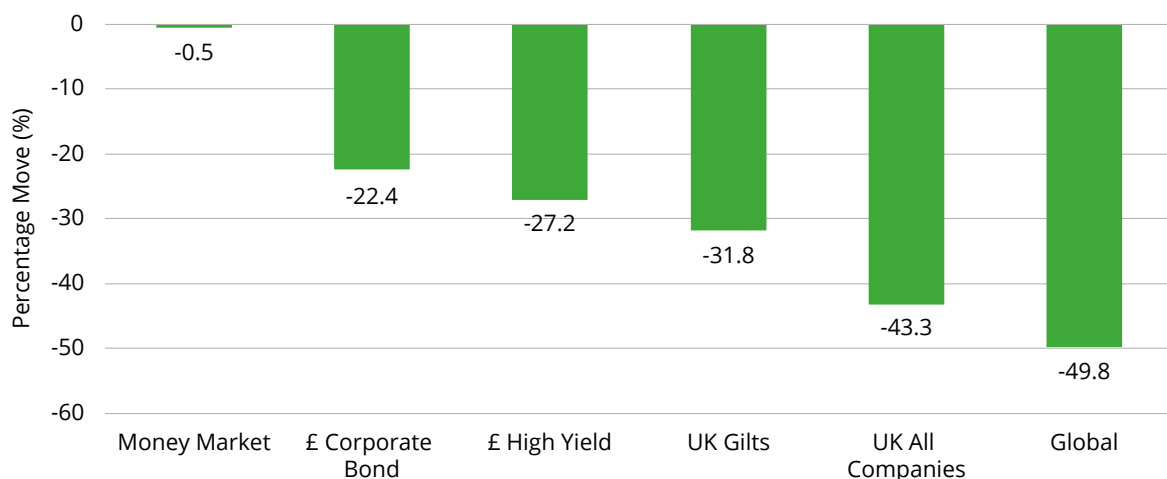


Is using a fund more risky than a bank account?

It is very unlikely that UK investors will lose money in a deposit bank account through the failure of their bank. Risk however, is relative and the risk with a bank account is for that particular bank to fail, no matter how unlikely – so called provider risk. Money Market funds spread provider risk by investing across numerous financial institutions so the actual risk on your clients money is very widely diversified and therefore arguably lower in a Money Market fund than in a single bank account.

Capital is, of course, not guaranteed however, the charts below show how secure Money Market funds are when compared with other assets.

The chart below shows the maximum drawdown in different assets over the past 34 years. Drawdown is a measure of how much an asset falls from its peak before regaining that loss. So, for money market as a sector the most it has ever fallen before making up a loss is 0.5% over the past 34 years, the time period includes the Global Financial Crisis and the COVID pandemic – a position that is not shared by all bank accounts.



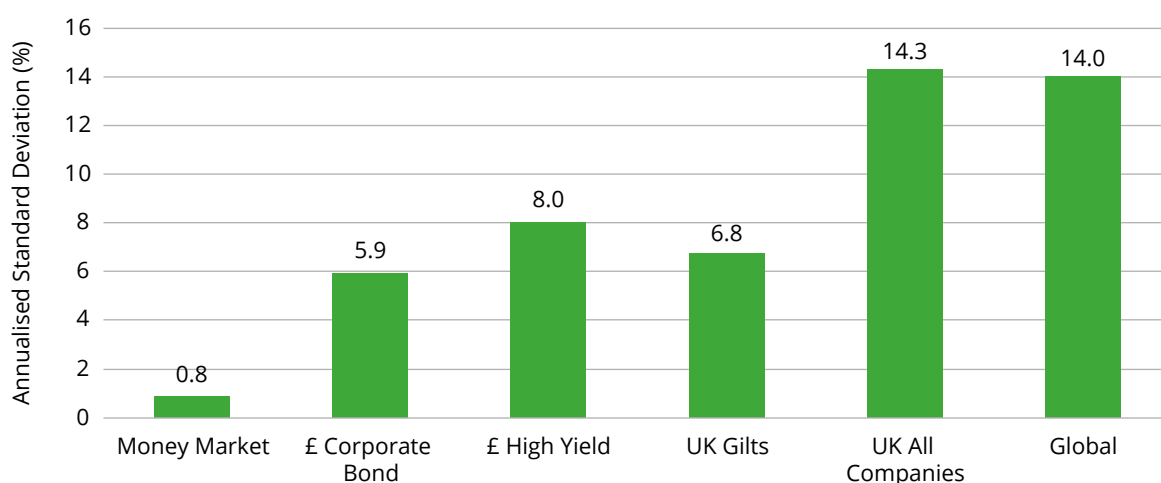
Source: Tatton, Morningstar, Max drawdown over 34 years as at 30/06/2023



Money market funds have exhibited very low volatility over this period, a volatility of 0.8% vs. close to 7% for government bonds. They have typically produced returns consistent with the Bank of England Base Rate and very few surprises, especially when compared to so called 'cash plus' or 'enhanced cash' funds.

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Chart showing annualised volatility between different assets over the past 34 years.

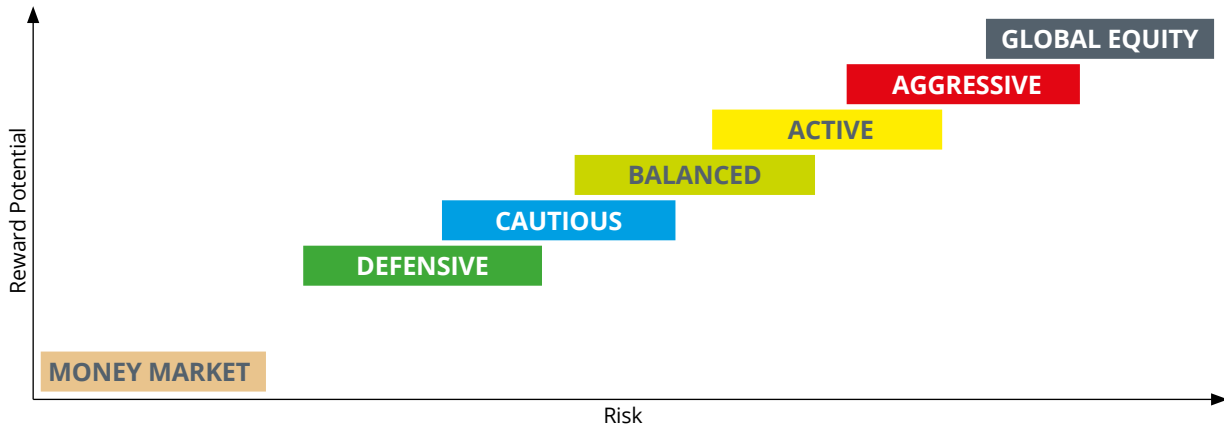


Source: Tatton, Morningstar, Annualised volatility over 34 years as at 30/06/2023

Where does it sit within your current risk profiles?

We now offer seven risk profiles with the addition of the Money Market risk profile.

TATTON RISK CATEGORIES:



MONEY MARKET

Minimal risk to capital

Tatton's money market portfolio invests in money market securities with a suggested minimum one month investment period. It tracks the Bank of England Base Rate and as such is different to all other risk profiles as it is highly unlikely to outperform the rate of inflation over the longer term.

DEFENSIVE

Low level investment risk

Tatton's defensive portfolios typically invests in 75% fixed income paying investments and 25% in equity-based investments, with a suggested minimum five-year investment period.

CAUTIOUS

Low to moderate level investment risk

Tatton's cautious portfolios typically invest in 55% fixed income paying investments and 45% in equity-based investments, with a suggested minimum five-year investment period.

BALANCED

Moderate level investment risk

Tatton's balanced portfolios typically invest in 40% fixed income paying investments and 60% in equity-based investments, with a suggested minimum seven-year investment period.

ACTIVE

Moderate to high level investment risk

Tatton's active portfolios typically invest in 25% fixed income paying investments and 75% in equity-based investments, with a suggested minimum seven-year investment period.

AGGRESSIVE

High level investment risk

Tatton's aggressive portfolios typically invest in 10% fixed income paying investments and 90% in equity-based investments, with a suggested minimum eight-year investment period.

GLOBAL EQUITY

The highest level of investment risk

Tatton's global equity portfolios typically are 100% invested in equity-based investments, with a suggested minimum eight-year investment period. These portfolios are not available in the Classic Allocations.

What is the process for requesting the new profile for existing or new clients?

The new risk profile is an addition to our existing MPS so the process is unchanged for clients to become invested and we can make the portfolio available to you on your choice of investment platform. Please contact your Business Development Director or your Telephone Account Manager email enquiries@tattonim.com.

What is the Money Market risk profile called on my clients' platform? How do I find it?

As an addition to our range, the portfolio will be available in the same way via your chosen investment platform(s) and can be found under the Tatton range of portfolios on your clients platform, named 'managed money market'.

How do I move money from one risk profile to this for existing clients?

The money market risk profile works in exactly the same way as other Tatton risk profiles and moving your clients' money from one portfolio to another is the same process across all Tatton portfolios.

You will need to access your chosen platform(s) and client portfolio(s) in the usual way and unhook your client from one portfolio and move them into the appropriate Tatton portfolio.

How will the new risk profile fit into the portfolio update process?

The Money Market risk profile will fall under the same portfolio update and rebalance process as our other risk profiles and portfolios. The allocations in the funds will not 'drift' in the same way that, for example, the relationship between equities and bonds in a model after a bull market run, but will need review and adjustment from time to time, which we will do as part of the wider adjustments we make.

Where can I find more information?

Technical information on the portfolio can be found on the Tatton Portal, more general information can be viewed on our website (www.tattoninvestments.com) or our team of Investment Specialists are on hand to provide more detailed information.



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Tatton Investment Management Limited is registered in England and Wales No. 08219008.

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