



This fourth article by UBS, the final in the series, examines the fourth step in their approach to discretionary portfolio management and how the importance of regular reviews is essential to successful portfolio management.

Review, review, review

vital to successful portfolio management

Trustees have a special responsibility to safeguard the interests of beneficiaries and while every trust is unique, many adhere to a fairly broad-based but nonetheless challenging remit, which is: to maintain capital value whilst providing a stable and sustainable level of income for grant-making or other purposes. The review process is one of the most important components of an investment plan that aims to deliver on this remit.

It might seem an obvious pre-requisite that investment managers first take time to understand client needs, but the long term value of getting this right should never be underestimated and its importance cannot be overstated. Thorough understanding forms the basis for the most appropriate, effective investment solutions.

Following this phase of listening and analysis, a solution is proposed whereby client requirements are replayed to ensure that all considerations and expectations have been taken into account. The investment mandate is then agreed and implemented. And from the moment an investment solution is implemented – it is under review.

The review process is vital to the successful execution of the investment strategy and to satisfying client needs. UBS reviews at three levels: first, within the context of the four-step client experience, client circumstances (for example, retirement, change in risk and or return outlook, the requirement for more or less income, or a change in time horizons) are reviewed to ensure that the portfolio under management remains suitable and appropriate.

Secondly, UBS rebalances portfolios quarterly, i.e. they are reviewed and

adjusted to ensure that they remain within the agreed risk profile. For example, an investor may have 50% of the portfolio invested in equities and a range of 40%–60% within which tactical allocations are

management and an investment philosophy that is built on three pillars: holistic solutions, portfolio integrity and investment discipline.

By reviewing regularly the different situations a client may experience during his or her lifetime, investment solutions are aligned with current and future needs and goals. This holistic view or ‘life cycle management’ involves taking into account current bankable assets, the structure of assets invested in other financial

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made across other asset classes. This allocation is managed according to the investment team’s view in response to market conditions and rebalanced as required, in line with the agreed strategy.

Underlying this quarterly activity is the third level of review, the UBS team-based investment approach that deploys dedicated teams of analysts whose responsibility is to monitor individual securities, line by line, within client portfolios. If something happens to indicate that a particular security should be removed, this is actioned swiftly and efficiently across all portfolios, which is just one of the benefits of a robust, team-based approach.

This kind of multi-layered approach reflects a commitment to active

institutions, and future liabilities – not only traditional debts, but also possible future cash flows. Non-bankable exposures are also considered. The in-depth profiling and subsequent review process goes far beyond understanding risk aversion; it encompasses a wide range of factors that by their very nature are prone to change (personal and economic drivers and preferences, liabilities, tax, inflation) and therefore need to be reviewed on a regular basis.

With UBS, review is implicit in managing portfolio performance; it also contributes to the development of rewarding, long-term working relationships, where better understanding ultimately leads to better investment solutions.



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