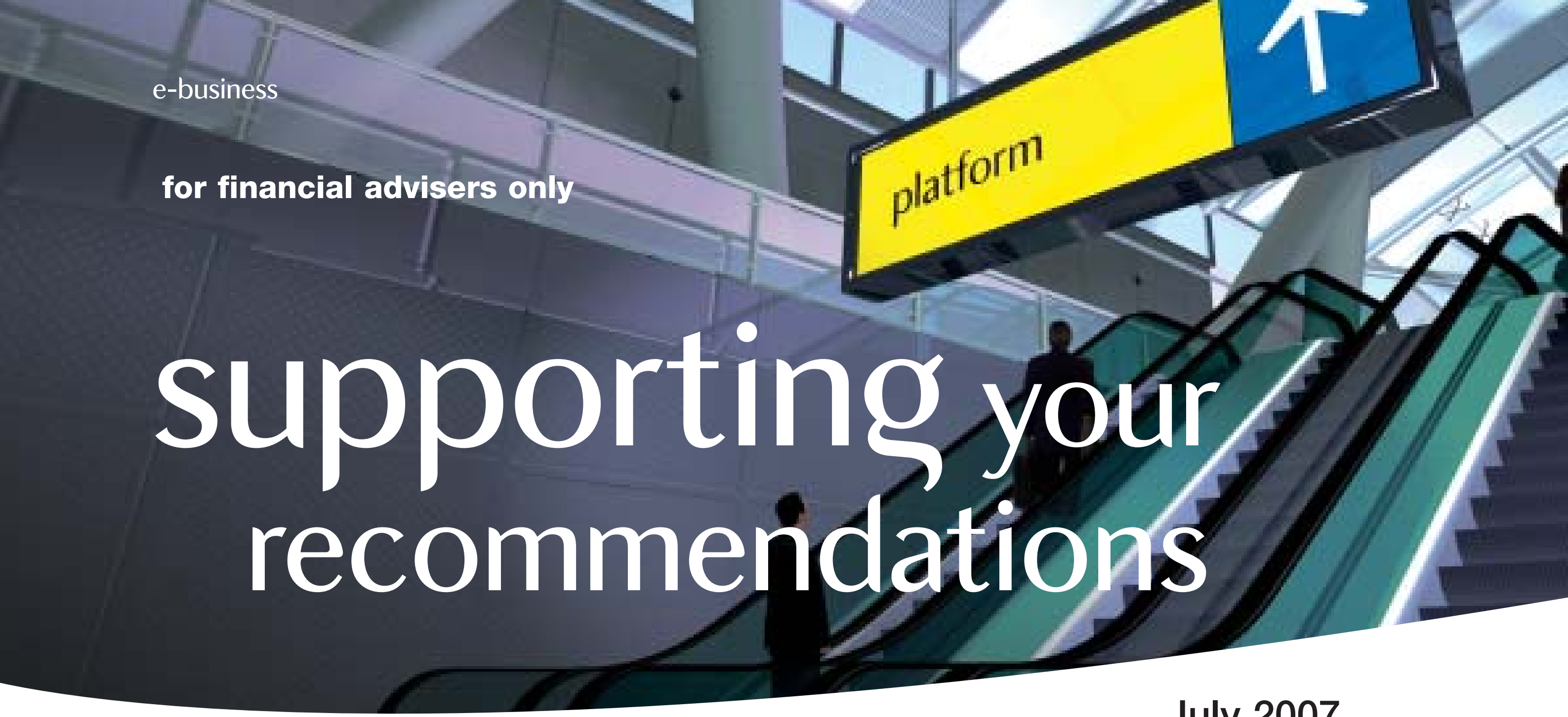
e-business

for financial advisers only



supporting your recommendations

July 2007

June's **informer** introduced the online functionality behind Selestia Investment Solutions – including how the new offering will support you at each stage of the advice cycle.

Over the coming months in **informer** we will delve deeper into Selestia Investment Solutions to tell you more about the variety of services available to you, starting with portfolio construction.

Neil Bage explains the enhancements in risk profiling.


Neil Bage
Business Development Manager

With the launch of Selestia Investment Solutions we are taking the opportunity to enhance our investment tools across Skandia. The first of these changes are a series of new Attitude to Risk Questionnaires. These are being introduced to ensure we continue to provide the most up-to-date solutions in relation to investment risk and portfolio construction.

robust science

Instead of offering one risk questionnaire, we will now offer three: one for individuals; one for trustees; and one for retirement planning. Once the questionnaire has been completed, a risk value on a scale of 1 to 10 will be generated, with 1 representing low risk and 10 high.

In the table below you can see that this risk score links directly to a maximum level of annualised volatility that the client is willing to accept which gives science to your recommendations and a robust audit trail for your compliance.

The risk levels that Skandia currently provide (Low, Low to Medium, Medium, Medium to High and High) can be easily mapped to the new 1 to 10 scale, shown below. Please note that there is no need to complete a new questionnaire for your clients if you have previously completed a Skandia Risk Questionnaire. However, we would recommend that you do this at the client's next annual review. ■

Risk Level	1	2	3	4	5	6	7	8	9	10
Annualised Volatility	2.00%	4.50%	7.00%	8.57%	10.14%	11.71%	13.29%	14.86%	16.43%	18.00%

converting risk levels

The table below allows you to convert the original Skandia risk level scale to the new risk number.

	ORIGINAL SKANDIA RISK LEVEL				
INVESTMENT TERM	Low	Low to Medium	Medium	Medium to High	High
5	2	3	4	6	9
10	3	4	5	7	9
15	3	4	5	7	8
20	4	4	5	7	9
25	4	4	5	7	8
30	3	4	5	7	8

■ = New Risk Number

Alison Everett
e-business Marketing Manager

Alison Everett gives details of the wide adviser choice in portfolio construction tools.

Neil's article on the facing page explains the enhancements you will see with the risk profiling questionnaires and the resultant outcomes. To enable you to use these results to build portfolios that are tailored to your clients' needs, we have combined the very best of Selestia and Skandia to offer you a wide choice in asset allocation tools.

asset allocation

You can choose to build your client's asset allocation through a variety of methods:

Skandia Investment Management – you can outsource the choice of asset allocation and funds by choosing from the Skandia Investment Management range of funds.

Optimised Portfolios for Yield or Growth – these are based on Watson Wyatt data. You simply take your client's risk profiling result, select Optimised for Yield or Growth, and we will provide you with the relevant asset allocation. These are 'pure' asset allocation models and are not created with any parameters. If your client is averse to any particular sectors you can re-optimise and the calculation engine will recalculate the asset allocation for you.

Lipper Asset Analysis Models – use any of the industry consensus asset allocation models provided by Lipper.

Build your own – if you feel comfortable you can build your client's asset allocations using our tools. If there is any particular sector where you do not feel comfortable selecting funds you can always choose one of Skandia Investment Management's blended sector solutions.

Copy an existing portfolio – if you have previously created portfolios using our tools you can copy and edit that portfolio for a new client.

fund selection

Selestia Investment Solutions offers you a choice of over 950 funds and a comprehensive research tool to enable you to make an informed choice of the right funds for your clients.

We have over 30 data items from which to choose and these will display in a screen customised to your requirements. You can choose from:

Ratings – Citywire and Forsyth-OBSR.

Fund Data – annual management charge, discounted initial charge, relative tracking error, actual expense ratio, launch date, fund size, fund manager tenure, fund yield over one year, fund yield over three years, IMA sector, annualised growth rate and positive months.

Risk/Return Matrix – over three years.

Yield – running yield and payment date.

Performance – cumulative performance and sector quartile rankings. Discrete performance and sector quartile ranking.

Risk Measures – volatility and sector quartile ranking, annual alpha, annual beta, maximum loss, maximum gain, risk evaluator number, annual sharpe ratio and annual information ratio.

filtering

Once you have customised your data screen, you can apply filters to narrow the range of funds. For example, you may only want to see funds with AA Citywire ratings or above, or funds with a certain level of volatility.

Applying the filters and narrowing your fund choice allows you to select the appropriate funds for your client. You can also access detailed information on the funds – fund factsheets and U-Skan analysis are available at the click of a button. ■

audit trail

Each step of building your client's portfolio is recorded in an audit trail. This will provide you with an end report detailing the answers and outcome of the risk profiling questionnaire, the chosen model and any amendments made, the research items and filters used for your client's fund choice, and the funds selected.

U-Skan

At the end of this process a U-Skan report is available to tell you what is happening underneath the skin of the portfolio, including sector breakdowns, top ten holdings, stock overlaps and volatility. All of this adds up to give you a robust, compliant audit trail.

The combination of the best elements of Skandia and Selestia into Selestia Investment Solutions offers advisers the leading e-business proposition in the UK.

accessing Selestia Investment Solutions

Simply visit **www.skandia.co.uk** Existing Selestia users can log on using their normal user details. If you are not already registered with Selestia, please follow the links to register online.

For more information on our services, please contact your Skandia regional office. Alternatively, please contact our E-Commerce Helpdesk – details can be found on the back page of informer.