nucleus

HENDERSON ROWE

# Henderson Rowe fact sheet

## What is your corporate background?

Henderson Rowe is a private, independent company that was founded in 2002. It is majority owned by the founding directors who act as CEO and CIO. Henderson Rowe has invested using Exchange Traded Funds (ETFs) since its foundation. We are therefore very experienced at using ETFs to deliver multi asset, globally diverse returns to our clients.

## Why should I consider using your discretionary fund management service?

This service will enable you to access six risk scaled portfolios that only use ETFs. It provides a topical new service to your clients, will allow you to demonstrate consideration of and use of a discretionary ETF option for clients to the FCA, retain control of your clients' assets and therefore the costs charged and, finally, to manage your clients' expectations about returns more realistically. Exchange Traded Funds deliver index returns, with total transparency of holdings and wide diversification with no hidden costs. We only use asset backed ETFs.

This service has a clear cost advantage over historic unit trust or insurance bond portfolios. There are no initial charges, no redemption charges, no fund switching costs and minimal bid/offer spreads. Our ETF risk scaled portfolios are intended for use as the core to your clients investable assets.

## What is your approach to discretionary fund management?

Our standard approach to discretionary investment management for segregated clients starts with differentiating how "Defensive" or "Enterprising" the client is as an investor. We establish this by taking all potential clients through our own Investment Strategy Assessment Tool questionnaire, or ISAT. Then our priority is to understand the client's goals, constraints, tolerance for volatility, need for liquidity and individual preferences. We then work on the strategic asset allocation decisions with a leading independent economics consultancy. All investment decisions are determined centrally, which allows each investment manager to focus on serving clients directly.

The more "Defensive" an investor is the more they will be preoccupied with avoiding serious losses and mistakes, which means diversifying more and reducing costs. We achieve this by investing in Exchange Traded Funds (ETF's). Investors today are able to diversify across both global markets and asset classes with high levels of accuracy and low cost using ETFs. These instruments are highly liquid and transparent in both charging and price reporting.

We then aim to enhance the diversified market returns captured through the ETF holdings by investing in a small number of direct equities for each client. Our stock picking investment process is called RAID (Ranked Active Investment Decisions) and is both quantitative and qualitative. This involves extracting a broad range of fundamental data and market indicators about stocks in an index from various databases/sources, such as Bloomberg and Reuters.

Each stock then earns a score based on factors related to value, growth, sentiment or quality. These scores are then normalised and ranked. The entire index is listed in order to aid detection of patterns across and within sectors.

Short-listed stocks are then put through a robust valuation template to enable comparison with market estimates, stress testing and to assist discussions with company managements. The end product is buy recommendations for stocks that offer good value compared to their growth potential. Each recommendation has a specific price range within which to buy the stock and a specific upside and downside target price at which to review selling the stock. This is important in helping to ensure that profits are taken and capital preserved.

## What investment solutions can you offer through the Nucleus platform?

The model portfolios on Nucleus are based on the ETF element of our actively managed discretionary, segregated, client portfolios that we have been managing since 2002. There are six risk scaled portfolios that offer global, multi-asset exposure, by using only asset backed ETFs. Risk Scale 1 is a conservative, domestic portfolio and is the most risk averse. Risk Scale 6 is an aggressive, international portfolio which is the least risk averse.

## What are your fees?

We charge 0.3 per cent of assets attached to any of the models. The cost of the model portfolios varies because the underlying costs of ETF varies by asset class and provider. For example, bond ETFs can charge as little as 0.2 per cent and emerging market ETFs can charge up to 0.8 per cent, but they usually form a smaller part of the portfolio. So the average underlying cost of the ETFs in each portfolio is around 0.4 per cent to 0.5 per cent.

## Who should I contact to discuss the service further?

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