



Where money meets intelligence



TACTICAL INVESTORS

Suitability Document

The Crossing Point Portfolio Management Service is only available to investors who use the ongoing services of a financial adviser. For information purposes only, please contact your personal financial adviser for further information.

About Crossing Point

Crossing Point Investment Management was conceived in 2014 and formed in 2018, based on the conclusion of extensive academic research into an investment philosophy established upon trend following and tactical trading. Our investment strategies are based on exhaustive and robust research and testing, backed up by MSc and PhD research papers.

Crossing Point's investment managers have both extensive academic and analytic backgrounds which has led to the unique use of trend following and tactical trading for our managed portfolio services.

Managed Portfolio Service (MPS)

Multi-asset class portfolios are invested across different geographies and available in portfolios aligned to a client's risk level.

The Managed Portfolio Service (MPS) is a discretionary, actively managed service for clients of Independent Financial Advisers. There are four solutions with different risk levels designed to suit a range of needs. The MPS provides access to professionally managed portfolios invested in third-party funds with a global outlook.

The portfolios are designed as long-term investments and may not be suitable if planning to withdraw money within five years.

Investment Philosophy

Our investment philosophy is guided by our core principles:

- A focus on prudent management of capital
- Provide honest and active investment management
- Institutional discipline
- Minimising client costs and charges

Risks

The value of investments and the income from them can go down as well as up. Investors may get back less than the full amount originally invested. If you are unsure about any information contained within this document, or the suitability of this investment to meet your needs, you should speak with your financial adviser.

Five Reasons to Choose Crossing Point

- 1. Unique Investment Strategies** – Our distinctive strategies offer a diverse set of solutions to suit a range of investors compared to many established discretionary investment managers.
- 2. Attractive Returns** – At the heart of all portfolios is the desire to provide attractive long-term performance. Our portfolios typically perform well when compared to their relevant benchmarks.
- 3. Risk Control** – All of our portfolios are tactically managed using technical, trend-following indicators that help smooth returns and reduce volatility and maximum drawdowns. The portfolios offer a double layer of risk control without compromising returns.
- 4. Diversified Global Asset Allocation** – All our portfolios are well-diversified, based on accredited asset allocation models and either use index-tracker funds, exchange traded funds or investment trusts to gain a full global asset class exposure.
- 5. Solution-based Portfolios** – Designed with a client objective in mind. We match strategies to investment outcomes or objectives whether these are risk controlled decumulation, growth, or ethical ESG investing.

Prudent Management of Capital

We access capital markets through low-cost funds after analysing international stock markets for movement and momentum. Our proprietary algorithms monitor and signal when to participate in a rising market and when to withdraw from a declining market. We aim to provide consistent returns at lower risk and lower cost.

Active Investment Management

The foundation of our investment approach is strategic asset allocation – the practice of identifying and assembling the optimal mix of asset classes to maximise returns at a given risk level over the long term.

We have created four distinct investment solutions each with a number of different risk-based portfolios which can be used exclusively or as part of a larger asset allocation.

We control risk and volatility through a dynamic combination of asset allocation, market monitoring and tactical trading. Our dynamic, technical, rules-based analysis actively informs us when to hold equities and when to revert to the security of safer investments. This process responds to evolving stock market conditions with each fund within each geographic equity sector monitored independently. Trend-following strategies have been shown to significantly reduce volatility and maximum drawdowns while providing consistent capital returns.

At the heart of all portfolios is both the desire to provide attractive performance and the pursuit of low-cost funds. We compare available funds to ensure that the selected funds have favourable returns and low fees. All our portfolios are created using well-diversified, global asset allocations as the initial source of risk management.

Our trend-following strategy, implemented across all of the assets within our portfolios, provides a second layer of risk management. Through market monitoring and tactical trading our portfolios are designed to make the most of global equity rallies and seek to avoid the worst of any subsequent falls. The aim of our proactive management is to provide consistent long-term returns with reduced downside risk.

Research Process

We use a rigorous and robust research process that greatly increases the likelihood of identifying investment managers that offer the low-cost funds and investment trusts that make up our portfolios.

We work to ensure that the funds we select are some of the lowest cost funds available for each market. We also actively minimise our costs and keep our fees low compared to other DFMs.

Our investments are based on respected asset allocation models with an additional trend-following overlay. Each fund within each geographical equity sector is monitored individually. We may completely or partially exit one fund or market and retain another depending on the positive or negative signals from each particular fund. If we have sold out of a specific equity exposure, our monitoring system will signal when to reinstate that position as conditions become more favourable.

All Green Path investments are screened for their environmental, social and governance (ESG) principles. Green Path fund providers are all signatories of the Principle of Responsible Investing and use either positive or negative screening, or a combination of both. We also utilise Morningstar Sustainability Ratings and MSCI ESG Ratings where available.

Our Heritage portfolios invest in investment trusts which increase the diversity of underlying investments while also providing a reduction in fees compared to OEICs.

Our Fusion portfolios invest in a mix of active, passive and ESG funds to achieve greater exposure and diversification.

Decumulation Strategy

A very real danger to long-term income investors is the potential damaging impact of early falls in pension fund values causing a reduction in long-term capital, also known as sequence of returns risk. This impact is magnified when income withdrawals are needed creating a “double” fall in values. Research into sequence of returns risk shows that early falls in an investment creates a long-term impact on capital values which can affect the long-term viability of income withdrawals. Also, during decumulation, the process of selling underlying assets for income when markets are falling has a greater impact on the reduction of the underlying capital.

Crossing Point's portfolios are designed to protect capital values of income paying portfolios allowing retired investors to take an income from a portfolio with greater confidence.

Typical Investor

Our MPS are designed for investors seeking exposure to global investment markets through third-party funds in order to optimise returns or income. Clients have the flexibility to switch between portfolio strategies if their circumstances or objectives change.

Performance and Reporting

We believe in clarity and transparency of reporting, delivered in a timely way and tailored to reflect our investment service. We produce quarterly factsheets and monthly reports showing key performance information along with a review of economic and market trends.

Investment Strategies

There are four investment solutions: Guardian, Green Path, Heritage, and Fusion. Each offers a range of portfolios to suit different risk-return appetites. Investors can choose whether to focus on capital growth, ESG principles, passive investments, or a combination depending on their requirements.

Portfolio Descriptions

Each of our solutions uses third-party funds to gain exposure to the different asset classes, helping to spread manager risk.

Crossing Point applies a fixed fee of 0.30%

Additional fund costs (weighted OCF) will apply and will vary dependent upon the portfolio range selected for your needs.

Additional platform charges will apply and are dependent upon the platform selected.

Costs

The cost of running an investment portfolio over the long term has one of the highest impacts on performance. Since the introduction of MIFIDII, cost transparency and cost awareness has become even more of an important factor when considering a DFM option for clients.

Crossing Point works to ensure that the funds they select are some of the lowest cost funds available for each market. They also complete further due diligence in order to assess the impact of any added one-off fees, transaction fees, and ongoing charges. Studies have found that paying a higher fee for an active fund not only does not improve performance but higher-charging funds can often underperform cheaper funds.

To further reduce costs for your clients, Crossing Point also actively minimise their costs in order to keep fees low compared to other DFMs.

Low management fees and the dynamic use of low-cost investment instruments represent a significant evolution in effectively utilising modern access to global markets.

Institutional Discipline

We have a team of investment managers who have extensive experience within capital market analysis and investment management. They are also academics and so have the experience and ability to apply the theory underlying Crossing Points' investment philosophy.

We encourage open debate and our investment managers meet formally at least fortnightly, but usually weekly, to discuss trends and trading strategy. We will also meet on an ad-hoc basis if there are significant movements within markets that may adversely affect portfolios.

Guardian

Our five Guardian portfolios are designed to protect portfolios by smoothing longer term returns to help Financial Advisers plan with greater accuracy and confidence. Our portfolios use a trend-following strategy which has been shown to minimise volatility and maximum drawdowns and can assist in an efficient, reliable low-cost decumulation pension strategy.

Decumulation investors could hold a combination of cash to support their income requirements and a Guardian portfolio that focusses on providing consistent returns and capital protection. We do not use structured products that introduce additional risk and cost. Instead, we prefer the use of low-cost funds as our underlying assets.

Trend following uses a combination of varying average stock price movements which can, when rising, signal a buy opportunity or, when falling, signal to sell. These market momentum signals allow us to buy into equity assets as they start to build upward momentum but also tell us when to leave the asset when markets' reverse. If there is a signal to sell, we reduce or completely sell out of a fund and move to the security of safer assets to protect our gains. We only repurchase assets when upward momentum returns.

Key Objectives

- Focuses on growth and capital preservation
- Reduces volatility
- Smooths long-term returns supporting more accurate cash flow modelling
- Limits the sequence of returns risk
- Reduces maximum drawdown
- Protects assets in times of market stress

Green Path

Socially responsible investment (SRI) and the use of Environmental, Social, Governance (ESG) investment criteria to guide investments have become mainstream. There is now overwhelming evidence that sustainable investment can deliver comparable returns with traditional investments and can also offer opportunities for outperformance.

All our investments are rigorously screened using ESG criteria. The latest strategies, which we adopt, take a positive approach by seeking sustainable investments that have a greater potential to boost returns. This is achieved by integrating environmental, social and governance (ESG) considerations into the investment process. Sustainable companies are typically less exposed to tail risks such as environmental accidents or punishment from regulators and can therefore propel long-term returns.

Our Green Path Portfolios use a trend-following overlay.

Key Objectives

- Globally diversified investment
- Maintain the integrity of the environment and the use of natural resources
- Recognise the civil, economic and social rights of every human being
- Promote sustainable development today without compromising future development
- Maximise results and reduce risk from drawdown through trend-following strategies

Heritage

Investment Trusts were a Victorian invention and were a means to raise private capital to fund new developments, such as railways, across the world. They also allowed more moderate investors the same access to the stock market that had previously only been available to much larger capital investors and organisations. The investment trust industry has continued to invest in ground-breaking opportunities including technology, biotechnology, healthcare, emerging and frontier markets, private equity and venture capital.

Our Heritage Portfolios use a trend-following overlay.

Key Objectives

- Superior long-term performance and returns
- Greater diversification and range of holdings
- Global equity strategies
- Flexible investment management
- Lower management costs than open-ended investment companies
- Maximise results and reduce risk from drawdown through trend-following strategies

Fusion

Our five Fusion portfolios bring together low-cost index tracking funds and leading active fund managers which can invest in markets and sectors not covered by mainstream tracker funds. This portfolio range is aimed to achieve diversity, global stock market growth, and risk control through the use of a broad asset allocation and to manage downside risk and smooth longer term returns through the use of trend-following strategies.

Fusion portfolios are designed to assist in an efficient, reliable, low-cost accumulation investment and pension strategy.

Key Objectives

- Focuses on growth and capital preservation
- Reduces volatility
- Smooths long-term returns, supporting more accurate cash flow modelling
- Diversified assets in active and passive funds
- Reduces maximum drawdown
- Protects assets in times of market stress

IMPORTANT INFORMATION

The Crossing Point Portfolio Management Service is only available to investors who use the ongoing services of a financial adviser. For information purposes only, please contact a personal financial adviser for further information.

Independent financial advisers take no responsibility for the underlying investment strategy, the investment process and the choice of funds will be based purely on Crossing Point Discretionary Fund Managers' experience within the market. By the nature of tactical trading, holdings will be regularly bought and sold, but the investment manager will not seek your permission to do this. Investment decisions will be the responsibility of the Discretionary Fund Manager.

Guardian portfolios show actual performance data from September 2019 onwards. Before September 2019, the performance of the underlying funds is shown by applying the decisions made based on the rules-based trend-following signals that would have been applied over the period. The performance data is substantially the same as what would have been achieved if the portfolios had been 'live'.

Heritage portfolios show actual performance data from December 2019 onwards. Before December 2019, the performance of the underlying funds is shown. The performance data is substantially the same as what would have been achieved if the portfolios had been 'live'.

Performance Calculation: Performance is shown inclusive of ongoing fund charges but gross of transaction and incidental fund charges as well as Crossing Point's investment management charge. Deductions for these charges will have the result of reducing the illustrated performance. Platform and IFA charges are applicable. Please refer to your investment adviser for details. Performance is quoted on an annualised basis and calculated through FE Analytics direct and provided for illustrative purposes only and should not be viewed as the performance of a specific client account.

Past performance is not a guide to future performance. The value of investments and any income from them can fall and you may get back less than you invested. If you invest in currencies other than your own, fluctuations in currency value will mean that the value of your investment will move independently of the underlying asset. The information contained in this documentation has been taken from sources stated and is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Tax concession are not guaranteed and may be charged at any time, their value will depend on individual circumstances.

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Detail of the nature of the investments, the commitment required, and the specific risk warnings are described in the Crossing Point Investment Management Terms of Business with a financial adviser. Reference to any particular fund or portfolio does not constitute a recommendation for investment purposes. Indices are used for comparative purposes only. Persons who do not have professional experience in matters relating to investments should speak with a financial adviser before making an investment decision.

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