Fusion Asset Management

Discretionary Fund Management

For Independent Financial Advisers

FUSION
ASSET
MANAGEMENT

Dr. Kirill Ilinski
Chief Executive Officer
Fusion Asset Management LLP

"The whole mentality of Fusion is to be very protective of downside. Avoid drawdowns in crisis and you will nearly double your long-term returns."

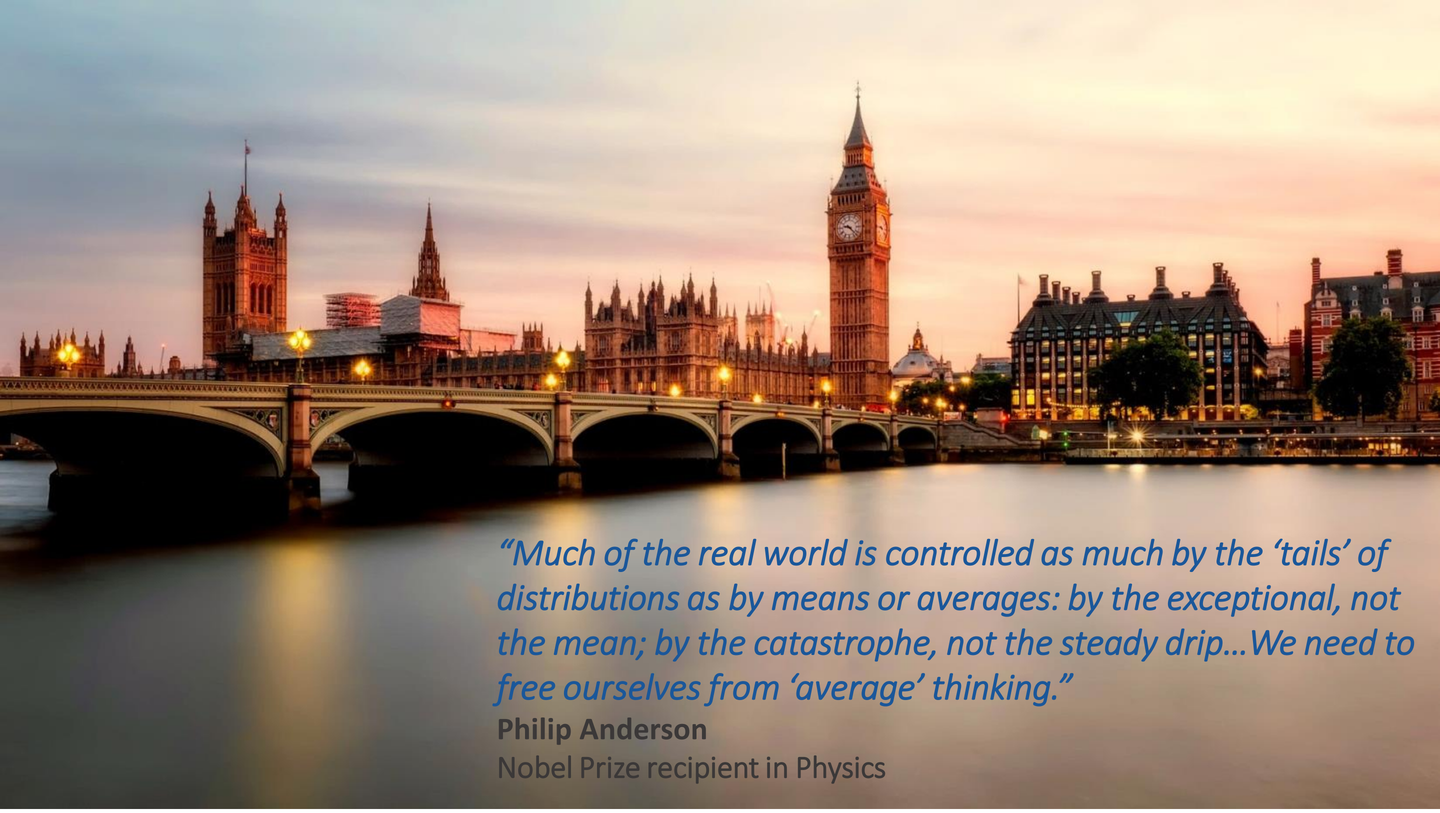
FUSION
ASSET
MANAGEMENT

Contents

FUSION
ASSET
MANAGEMENT

Fusion Asset Management is at the forefront of modern investing, drawing on extensive academic research and investment management experience.

We offer a Discretionary Fund Management service, with access to Fusion's competitive investment portfolios.



"Much of the real world is controlled as much by the 'tails' of distributions as by means or averages: by the exceptional, not the mean; by the catastrophe, not the steady drip...We need to free ourselves from 'average' thinking."

Philip Anderson
Nobel Prize recipient in Physics

Fusion's History

Fusion Asset Management LLP (Fusion) was established in May 2004 as an Institutional Asset Manager. Since then, the business has evolved into a diversified group of financial companies which provide corporate risk management advice, wealth management for High Net Worth individuals, retail financial advice, as well as continuing to offer institutional investment products and services.

The core of Fusion's expertise lies in the combination of extensive market experience with a quantitative approach to portfolio construction and risk management. The firm's culture aims at maintaining the stability of the investment and operations teams, helping to preserve the expertise and development of investment know-how.

Fusion has a 14-year track record of managing investment products and providing advisory services, with particular emphasis on protective strategies, preserving clients' money in market downturns. Fusion uses its expertise in protective strategies across all Fusion products and services.
Fusion Long Volatility Strategy was setup in 2006 to protect portfolios from tail risk, the risk of least likely but most catastrophic outcomes of market events. The strategy delivered outstanding returns in times of financial crisis in 2007, 2008 and 2011.

Fusion extended its scope to Discretionary Fund Management Services for retail clients in the UK in 2014. The aim was to offer retail clients an access to an institutional-like asset management service with a particular focus on protective features of investment portfolios. The new offering to retail clients is a natural expansion from the wealth management and institutional offering of Fusion, which is based on our extensive experience and solid track record in protective strategies for professional clients. Fusion's success in running investment strategies stems from the expertise and research capabilities in multi-asset products and strategies that Fusion has specialised in historically.

Fusion's Discretionary Fund Management

This guide details our Discretionary Fund Management (DFM) service to help your clients make the right investment choices. The financial world is moving at a faster pace than ever and the need to monitor investments frequently cannot be underestimated. We constantly review market conditions and ensure your client's investments are adapted to market changes to continue delivering outstanding performance.

If you want to dedicate more time to your clients, generate new business, and benefit from the expertise of an experienced and highly qualified investment professionals, Fusion's Discretionary Fund Management Service provides the solution. Our investment team will take the responsibility for making investment decisions within your client's portfolios in line with their investment objectives, risk profile and lifelong goals.

Our focus is on a collaborative approach with both the financial adviser and the client at the forefront. We will work closely with you to ensure our portfolios meet your clients' needs.

We manage our discretionary portfolios using a systematic approach to both asset allocation and portfolio construction and then apply our market expertise to position our portfolios for prevailing economic and market conditions.

We apply a number of performance criteria with a specific emphasis on protecting investments against significant market downturns and keeping trading costs to a minimum.

Our investment principles are simple and transparent allowing us to deliver consistent investment performance in ever changing financial markets.

Fusion's products were in the top 3-5% performing multi-strategy funds in Europe during the crisis months of 2007, 2008, and 2011.

FUSION ASSET MANAGEMENT

Investment Philosophy

At the core of Fusion's investment philosophy is a disciplined approach to quantitative investment management. Fusion sees its role as identifying long-term sources of risk premiums and extracting these risk premiums in the most cost-effective way. Systematic risk management is an integral part of this process and a key component for achieving optimal return characteristics within pre-defined levels of risk.

Investment Principles

Optimise Costs

Long risk positions, the positions which "harvest" the risk premiums have to be nearly static as excessive trading consumes a large part of positive expected returns. It is known that a large part of costs associated with an investment comes from various transaction costs. Utilising passive trackers and smart beta products where possible allows to reduce trading frequency within the portfolios, driving the costs down.

Protect downside

Investors are more sensitive to losses than to statistical characteristics of variability of their portfolios. The risk of losses, and more specifically, the risk of unrecoverable losses need to be addressed directly through utilisation of protective products and strategies. Diversification itself is not enough.

Keep it simple and transparent

Both at Asset Allocation and Asset Selection stages we only invest in things which we understand, be this portfolio construction techniques, rebalancing choices or selection of smart-beta funds. If the underlying principles are simple and transparent then there is a better chance that the performance will survive changes in market regimes and cycles.

FUSION ASSET MANAGEMENT

Asset Allocation Approach

We build our discretionary portfolios by applying the best of the asset allocation models and practices, carefully combining them together to create our own bespoke approach to optimal asset allocation.

Our Asset Allocation is built around a proprietary mix of two models: Behavioural Expected Utility and Budgeted Risk Parity.

Behavioural Expected Utility Model, based on Optimal Portfolio Theory, is close to the approach used by Barclays Wealth in its Global Asset Allocation.

Risk Parity Model is employed by firms like Bridgewater Associates and Goldman Sachs Asset Management. Budgeted Risk Parity introduces risk budgets to asset classes, which reflect typical returns and risk levels associated with various asset classes in prevailing market conditions.

At the second stage of the asset allocation process we overlay the portfolios with protective strategies, which specifically address the risks of unrecoverable losses. This approach is similar to Offensive Risk Management pioneered by PIMCO, one of largest fixed income investment management firms.

“The most important thing you can have is a good strategic asset allocation mix.“

Ray Dalio

Founder, co-Chief Investment Officer and co-Chairman of Bridgewater Associates, the World’s largest Hedge Fund

Fusion’s Asset Selection

Fusion’s Managed Portfolios are available to retail clients in the UK through various platforms. While the specific portfolio compositions depend on the geographical focus and the investor’s currency, the underlying principles of the construction are shared by all the portfolios.

Fusion Optima portfolios provide an alternative to actively managed solutions and include primarily liquid low-cost passive or quasi-passive, so-called smart-beta, exchange-traded products.

Fusion Active portfolios consist of a diversified selection of actively managed funds from the best product providers, with the additions of occasional tactical overlays, thematic investments and non-traditional asset classes.

The allocations of the portfolios will be balanced between funds investing in growth assets, such as shares, to provide the potential for capital growth, and funds investing in defensive assets, such as fixed interest securities and cash. The Portfolio Protection component is included to diminish effects of market sell-offs on the portfolios.

When constructing portfolios, we are focused on delivering the best value, long-term returns and capital preservation for your clients, and are constantly assessing options for their investment potential, cost and risk.

Personalised Investment Management Services

For high net worth clients we run a Personalised Investment Management Service, Fusion’s tailored discretionary fund management service that meets client’s specific requirements. It is setup in the form of investment mandates under the Discretionary Investment Management Agreement. The portfolios are designed for sophisticated investors and can include alternative investments, notes and instruments which are qualified as high-risk investments.

Fusion Managed Portfolios Overview

Fusion Portfolios within the Managed Portfolio Service range are designed to deliver superior risk adjusted returns while at the same time cover a spectrum of risk levels to suit investors with a wide range of risk requirements. Because each Portfolio strives to maintain a pre-defined level of risk, advisers can use the portfolios to tailor investments that are most appropriate for an investor's risk profile and investment objectives.

For high net worth clients, Fusion runs Personalised Investment Management Services with an individual approach to client's specific requirements. Client portfolios are then built in accordance with bespoke Investment Mandates agreed with the client, taking into account a client's risk profile.

Fusion Portfolios are based on systematic Strategic Asset Allocation derived from a well-established scientific approach. Portfolio Components for each asset class are carefully selected from a wide range of well-established product providers, targeting outperformance of their respective benchmarks.

Systematic management of the Portfolio Drawdown at the level of Strategic Asset Allocation is a distinctive feature of Fusion Portfolios. At times of market crisis, such an approach helps to mitigate investment losses intrinsic to traditional portfolios.

Advisers can select from either Fusion Optima range of portfolios or Fusion Active range.

Fusion Optima portfolios aim to systematically harvest risk premiums while minimizing costs of the investments by investing mainly in exchange-traded instruments with a high level of liquidity and avoiding excessive portfolio turnover.

Fusion Active range is implemented primarily using actively managed collective investment schemes and is designed for investors who believe that utilising short-term market opportunities and market timing can, in the long-run, considerably add to an investor's return.

FUSION ASSET MANAGEMENT

Managed Portfolio Service ranges

Fusion Optima Range

Fusion Optima Portfolios are designed for investors who are seeking long-term investment performance by relying on systematic asset allocation and asset selection which are implemented through a careful selection of low-cost liquid exchange traded instruments.

Fusion investment team starts with systematic Strategic Asset Allocation derived from a well-established scientific approach which is shared by all Fusion portfolios. The approach aims to maximise expected long-term return within well-defined behavioural and risk parameters. The Strategic Asset Allocation assumes that markets are at fair value. Then medium-term market forecasts can be overlaid to adjust the allocation by incorporating current market trends.

Fusion Portfolio Components for each asset class are carefully selected from a wide range of well-established product providers, targeting outperformance of their respective benchmarks.

Systematic management of the Portfolio Drawdown at the level of Strategic Asset Allocation is a distinctive feature of Fusion Portfolios. At times of market crisis, such an approach helps to mitigate investment losses intrinsic to traditional portfolios.

The costs of the investments within Fusion Optima portfolios are minimised by targeting low portfolio turnover and investing in exchange traded instruments with a high level of liquidity and low total expense ratios to significantly reduce future transaction costs.

Fusion Defensive
Fusion Cautious
Fusion Balanced
Fusion Growth
Fusion Generation

Fusion Active Range

Fusion Active Portfolios are designed for investors who are seeking better long-term performance by relying on both systematic asset allocation and the expertise of fund managers who actively manage portfolio components to combine market risk premiums with elements of market timing and individual asset selection.

Fusion investment team starts with Systematic Strategic Asset Allocation derived from a well-established scientific approach which is shared by all Fusion portfolios. The approach aims to maximize expected long-term return from well-diversified multi-asset portfolios within well-defined behavioural and risk parameters. The Strategic Asset Allocation assumes that the markets are at fair value. Medium-term market forecasts and short-term tactical tilts are then added to account for current market trends and short-term market or economic opportunities. This active stance on the Strategic Asset Allocation is known as Tactical Asset Allocation.

Tactical Asset Allocation is implemented using, primarily, actively managed funds selected mostly from a range of well-established product providers who aim to consistently out-perform their respective benchmarks.

Fusion investment team can also, from time to time, add a small proportion of niche specialist managers to the Fusion Active portfolios to give investors access to non-traditional asset classes as alternative sources of uncorrelated investment returns. Manager selection and resulting portfolios are constantly monitored, re-assessed and rebalanced on quarterly basis.

The prominence of the Systematic management of Portfolio Drawdown at the level of Tactical Asset Allocation, funds selection and protection overlay is the distinctive feature of Fusion Active portfolios.

Fusion Active 1
Fusion Active 2
Fusion Active 3
Fusion Active 4
Fusion Active 5

FUSION
ASSET
MANAGEMENT

Why Fusion's Discretionary Fund Management

The complexity and range of financial products, combined with the forever changing regulatory landscape, makes looking after client invested portfolios a time consuming and burdensome task. Fusion's Discretionary Fund Management service can free up your precious time, which you can dedicate to your clients. To manage clients' investments, Fusion will perform the due diligence on investment products required by the FCA, adjust asset allocation and also ensure your client's portfolios match their risk profile.

- Fusion has successfully managed client money for over 15 years. Our Investment Managers have in excess of 100 years of combined investment management experience and are highly qualified, holding PhDs and accredited diplomas.
- Fusion combines the systematic approach of employing acclaimed Asset Allocation methods with market specifics overlay.
- Fusion's expertise in fund selection stems from our extensive experience in running institutional investment products. We apply our qualitative and quantitative expertise to assess third party funds on their merits and see through marketing gimmicks and short-term effects.
- Protecting investments against significant market downturns is at the core of Fusion's investment thinking. "Avoid drawdowns in crisis and you will nearly double your long-term returns."
- Fusion maintains strict discipline in portfolio monitoring and rebalancing. Daily monitoring of assets and timely portfolio adjustments ensure sustainable long-term performance and on-going risk profile stability of the portfolios.

Systematic protection against the tail risk and the right balance between Active and Passive are the foundations of Fusion's consistent performance results

FUSION
ASSET MANAGEMENT

What does Fusion’s DFM bring to you and your client?

- Regular review, monitoring and rebalancing of your clients’ portfolios on a range of investment platforms to achieve the best investment returns for your clients
- Regularly updated detailed factsheets on Fusion Managed Portfolios, including performance and risk analysis in comparison to benchmarks
- Fusion’s regular investment bulletins with investment and market commentary
- Annual Investment Letters with detailed analysis of the Managed Portfolio Services from Fusion’s Investment Committee
- One explicit annual management fee, irrespective of the number of trades or Portfolio changes

FUSION
ASSET
MANAGEMENT

Fees and Charges

Fusion Asset Management offers a simple and clean fee structure that provides complete transparency for parties involved.

We charge a 0.5% management fee for our Managed Portfolios for retail clients. These portfolios mainly consist of low cost funds, so that the combined costs of the portfolios are kept at very competitive levels. Our portfolio reports provide up-to-date information on total expense ratios of our portfolio components to allow fair cost comparison with other DFM providers.

Our Managed Portfolios cover a full range of risk levels, so that you can select the portfolio best suited to your client's risk profile. Fusion does not provide any advice and is not required to assess the suitability of the product provided to the client. It is the advisers responsibility to assess the suitability of the DFM service for the client.

Managed Portfolios Service	**Personalised Investment Management Service**
Minimum Investment £5,000	Minimum Investment £250,000
Management Fee 0.30%	Management Fee £0 .25m- £1m = 1% £1m - £2m = 0.75% £2m+ = 0.5%

Any charges for the use of Fusion DFM service will be deducted from the client account and therefore will affect the overall investment performance.

How to access Fusion’s Portfolios

Fusion’s Managed Portfolios are currently available on our partner platforms – Standard Life, Ascentric, FundsNetwork and Aviva – and we are in the process of partnering with other platforms in the U.K.

We choose the platforms which provide

- A comprehensive range of funds and wrappers to choose from, to have unrestricted access to investment components for Fusion Portfolios
- Best execution capabilities with minimum trading costs for your clients
- Settlement of trades through well established Custodians
- Competitive platform fees
- A Comprehensive range of reports for your clients

If you are using a different platform, then please give us a call to discuss how we can make Fusion’s Portfolios available to your clients.

If you do not want to give advice on the suitability of the DFM services, we can introduce your client to one of our partner advisers familiar with the DFM landscape.

Get in touch with Fusion

If Fusion Asset Management's Discretionary Fund Management service is something that you feel could benefit your clients then please get in touch.

Phone: 020 7802 2280
E-mail: DFMinfo@fusionam.com
Website: fusiondfm.com

FUSION ASSET MANAGEMENT

Legal Information

For professional advisers only.
The information provided in this document has been drafted by Fusion Asset Management LLP ("**FAM**") and is intended as general information and is not oriented to your personal situation. The information may therefore not expressly be regarded as a recommendation or as a proposal or offer to (1) buy or trade financial instruments and/or (2) procure investment services nor as investment advice. Decisions made on the basis of the information in this document are your own responsibility and at your own risk.

FAM does not give tax or legal advice. Investors should seek advice from their own tax experts and lawyers, in considering investments and strategies suggested by FAM.

The contents of this document are based upon sources of information believed to be reliable. However, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and FAM, its directors, officers and employees do not accept any liability or responsibility in respect of the information or any recommendations expressed herein, which, moreover, are subject to change without notice. The material in this document is for information purposes only and should not be deemed to constitute the provision of financial, investment or other professional advice in any way. The services, securities, investments and funds described may not be available to or suitable for your clients. For your security, communications may be recorded.

Neither FAM nor any of its agents or subcontractors shall be liable for any damages (including lost profits) arising in any way from the information provided in this document or for the use thereof.

FAM, or the relevant owner, retains all rights (including copyright, trademarks, patents and any other intellectual property right) in relation to all the information provided in this document (including all texts, graphic material and logos). The information in this document may not be copied or published, distributed or reproduced in any form without the prior written consent of FAM or the appropriate consent of the owner. The information in this document may be printed for your personal use.

The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, including the United States, where such distribution, publication, availability or use would be contrary to law or regulation or which would subject FAM to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. FAM cannot be held responsible for any damages or losses that occur from transactions and/or services in defiance with the restrictions aforementioned.

Investments are subject to various risks, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you may not recover the amount originally invested at any point in time. Furthermore, substantial fluctuations of the value of the investment are possible even over short periods of time.

FAM cannot guarantee that it will achieve the objectives set out for the portfolios. Past performance is not a guide to future performance. The value of investments and the income from them can go down as well as up and an investor may not get back the amount originally invested and investments may be affected by fluctuations in exchange rates. The levels and basis of tax assumptions may change. You should obtain professional advice on taxation where appropriate before proceeding with any investment.
This document may not be distributed in Canada, Japan, the United States of America, or to any U.S. person.

Fusion Asset Management LLP, registered in England and Wales (OC308197) at 8-10 Great George Street, London SW1P 3AE. Fusion Asset Management LLP is authorised and regulated by the Financial Conduct Authority (401334).

© 2020 **Fusion Asset Management LLP**

FUSION
ASSET
MANAGEMENT

8-10 Great George Street, London, SW1P 3AE
0207 802 22 80
info@fusionam.com
www.fusionam.com

Fusion Asset Management LLP is authorised and regulated by the Financial Conduct Authority (FCA). Fusion is given permission to provide regulated products and services.