TOWN CLOSE FINANCIAL PLANNING

Money, Made, Human.

Our Investment Approach

How we invest your money, and the thinking behind it.

This is a short explanation of how Town Close invests on your behalf — what we do, and why. It is not personal advice; your own plan is set with your adviser.

Your plan comes first

A successful investment strategy starts with your goals, not your investments.

We ask three questions: who is this money for, what is it for, and when will you need it? Only then do we build a plan, and only then a portfolio to carry that plan out.

This matters because your investment strategy is the servant of your financial plan, never its master. The plan decides how much risk is sensible for you. The investments simply deliver it.

Short term and long term

We divide your money by when you need it.

- **The short term — the next three years.** This is made as secure as it can be, covered by a mix of earnings, pensions, rent and cash. Its job is certainty, not growth.
- **The long term — beyond three years.** This is invested, with one aim: to grow faster than inflation, so that you can buy more in future than you can today.

The three-year cash buffer is what makes the rest work. Because you never have to sell investments to fund near-term spending, the invested side can be left alone to ride out the inevitable ups and downs.

We review this at each meeting. If investments have performed well, we use that growth to top the short-term reserve back up. If markets have fallen, we can sit tight and draw from the cash already set aside, rather than selling investments at a poor time.

Three years is a sensible working reserve: long enough to give investments time to recover from most downturns, without holding so much in cash that inflation does too much damage.

It is what allows you (and us) to stay calm when markets fall.

Why we invest the way we do

Inflation is not a risk that might happen, it is a certainty. At around 3% a year, the value of money halves roughly every twenty years. Cash feels safe because its number does not fall, but over the long-term holding cash means you are certain to become poorer in real terms. Being poorer tomorrow than you are today is a bad outcome, and for long-term money it is the likely one.

Historically, only equities (owning companies) have reliably grown faster than inflation over the long run. That is why your long-term money is invested mainly in companies.

A share is a stake in human ingenuity at work: many thousands of businesses worldwide, solving problems and growing. Owning the great companies of the world means you share in that global growth.

But growth comes with uncertainty. Markets rise and fall, sometimes sharply. That is why we also hold bonds. Bonds are simply loans to governments and large organisations. They are not expected to grow as much as companies, but they tend to be steadier and provide resilience when markets are under pressure.

How your money is invested

Your long-term money is invested through two Town Close funds, held in a blend set by your own plan and circumstances.

- **The Growth fund** is the equity-led engine. It provides the global company ownership that drives your real, inflation-beating return over time.
- **The Defensive fund** is the bond-led stabiliser. It dampens the swings and tends to hold up best when shares take a serious, prolonged fall.

A typical long-term blend is about 75% companies and 25% bonds, though yours is set to suit your plan and shifts as your life changes.

Through the two funds you own a broadly diversified spread of many thousands of companies worldwide and a large holding of bonds, held through around two dozen low-cost index-tracking funds from established managers such as iShares, Vanguard, Invesco and HSBC.

We do not try to find the one outstanding investment or the superstar manager because they are needles in a haystack — the chance of picking it in advance is tiny.

Instead we buy the haystack: broad, low-cost ownership of global business.

We are only interested in the steady accumulation of the returns earned by all those companies over the years.

What to expect

Your investments will not rise in a straight line. Temporary falls are a normal, expected feature of investing — not a sign that anything has gone wrong.

You should expect a fall of at least 10% in a typical year, and a fall of 30% or worse every five or six years. Every decline so far, however deep, has proved temporary.

We do not try to dodge these falls by selling out and buying back later.

To profit from that we would have to be right twice — picking both the bottom and the top. Nobody does that consistently. We stay invested, and the three-year cash buffer is what allows us to.

The real risk we work to avoid is not these temporary swings — it is permanent loss: money you never get back.

That happens when an investor sells during a fall and locks it in, or when inflation quietly erodes the value of money held as cash. Our whole approach is built to protect you from both.

The historical long-term return of a portfolio of this kind has been in the region of 5 to 6% a year on average, after costs.

That is not a guarantee, and the future is genuinely unknowable. But by owning global business broadly, keeping costs low, holding a cash buffer and staying the course, we give your plan the best chance of success.

Who looks after your money

Your funds are watched by the Town Close Investment Committee, which meets every month to review them and the wider market.

Most months it makes only small adjustments; the aim is steady, inflation-beating returns over time, not dramatic bets.

Town Close makes the investment decisions. The funds are independently governed by Margetts, an FCA-regulated firm that acts as their Authorised Corporate Director, responsible for compliance, governance and investor protection.

Each month the Committee publishes notes on what it discussed and decided, alongside the full list of fund holdings, so you can always see what you own and why.

In summary

> Invest the long-term money to beat inflation; keep a cash buffer for the short term.
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> The goal is years of uninterrupted, growing income — not a spectacular year.
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> Own companies all over the world and at low cost; buy the haystack, not the needle.
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> Risk is permanent loss, not the temporary ups and downs. Stay the course.
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> Your financial plan is the master; your investment strategy is its servant.
