



# Bespoke Stocks & Shares Individual Savings Accounts

## Key Features 2023 / 24

*This Key Features Document (KFD) provides important information about the Balkerne Asset Management Bespoke Stocks & Shares Individual Savings Account and is designed to help you make an informed choice about your intended investment. This document does not in itself constitute the provision of advice or make any assumptions as to the suitability of the investment for you.*

***Prior to investing in the Balkerne Asset Management Bespoke Stocks & Shares Individual Savings Account you should consult with your Financial Adviser.***

*Balkerne Asset Management is a trading style of Capel Court Plc which is authorised and regulated by the Financial Conduct Authority (No. 154146)*



## KEY FEATURES OF THE BESPOKE STOCKS & SHARES INDIVIDUAL SAVINGS ACCOUNTS (ISA)

### Its aims

- ◆ The Balkerne Asset Management Bespoke Stocks & Shares ISA is a discretionary portfolio management service designed with the specific aim of enabling investors with a minimum of **£20,000** to invest in a tax efficient account.

### Your commitment

- ◆ Time – You should view this as a medium to long-term investment and should plan to keep it for at least five years.

### Risk factors

- ◆ The preferential tax treatment of ISAs may not be maintained in the future.
- ◆ The value of your Balkerne Asset Management Bespoke Stocks & Shares ISA, and any income from it, is not guaranteed and you may not get back the amount invested. Past performance is not necessarily a guide to future returns.
- ◆ If you cancel or decide to cash-in your Balkerne Asset Management Bespoke Stocks & Shares ISA, particularly in the early years, you may get back less than the amount invested due to the application of charges and adverse movements in the market.
- ◆ If you are transferring your Stocks & Shares ISA(s) and/or Cash ISA(s) to us from another provider, your investment will be transferred as cash or stock. This means your investment could be out of the market for approximately twenty working days, during which time the market may move up or down, resulting in a potential loss of growth and income. Your existing provider may also charge you for transferring.
- ◆ Charges and fees taken from capital may constrain the capital growth of your investment. Where charges and fees are taken from income, and where there is insufficient income to meet such charges, any balance will be taken from the capital. If you decide to take a regular income from your Account where the amount of income paid to you is greater than the income received into your Stocks & Shares ISA, any balance will be taken and paid out from the capital. Any of these scenarios, over time, may have a negative impact on the value of your investment, especially during adverse or challenging market conditions.

### Your investment

There are two types of ISA; a Cash ISA and a Stocks & Shares ISA.

- ◆ Balkerne Asset Management does not offer a Cash ISA.
- ◆ Subject to the maximum investment limits as determined by HM Revenue and Customs you may only subscribe to one Stocks & Shares ISA and one Cash ISA in each tax year.
- ◆ You can make lump sum investments into the Bespoke Stocks & Shares ISA subject to the maximum investment limits as determined by HM Revenue and Customs.
- ◆ You can transfer your existing Stocks & Shares ISA(s) and/or Cash ISA(s) to us from another Account Manager.
- ◆ You can transfer money saved in a Cash ISA to a Balkerne Asset Management Bespoke Stocks & Shares ISA in the same tax year. Such transfers must be the whole amount saved in that tax year in that Cash ISA up to the day of the transfer. Once the money saved in that tax year is transferred from a Cash ISA to the Balkerne Asset Management Bespoke Stocks & Shares ISA, it is treated as if it had been invested directly into the Bespoke Stocks & Shares ISA in that tax year.
- ◆ The Balkerne Asset Management Bespoke Stocks & Shares ISA will be individually constructed and managed with no investment restrictions subject to the proviso that investments can be traded on an authorised and recognised UK stock exchange.

- ◆ The level of income that your Balkerne Asset Management Bespoke Stocks & Shares ISA will generate depends on the dividends, interest and other income received from investments in the ISA.
- ◆ You can choose whether you would like to have income paid out, directly to your bank account, or reinvested to add to the value of your investment.
- ◆ The date, frequency and amount of income paid out or reinvested varies. Details are given later in this document.

## THE INVESTMENT STRATEGY

**The Balkerne Asset Management Bespoke ISA** is an actively-managed portfolio and has a bespoke **Investment Objective** agreed with you to provide your required level of **income and/or growth**.

**Suitability:** The Balkerne Asset Management Bespoke Stocks & Shares ISA is suited to clients who already have a good knowledge and understanding of investment markets and the asset classes that are required to construct a portfolio in order to meet their requirements for either income and/or capital growth. Investors also understand that the value of investments can rise and fall and will have had some former experience of investing in stock markets; they will therefore appreciate the volatility, risks and charges associated with such investments.

**Investment Policy:** To achieve the objective by investing principally, but not exclusively, in an agreed range of qualifying equities and investments which may, though not exclusively, include equities, property and overseas and specialist stocks through collective investments, alternative investments (such as absolute return funds and multi-asset strategy funds) and other securities, ETFs, ETCs, and any other investment instrument or vehicle which is traded on an authorised and recognised UK exchange.

**Asset Allocation Guideline:** The asset allocation is agreed individually and personally with each client in accordance with their attitude to market and investment risk, their knowledge of financial markets and their investment goals and objectives.

## PORTFOLIO CONSTRUCTION

The Balkerne Asset Management Bespoke Stocks & Shares ISA will be constructed in strict accordance with and in order to meet the investment objectives and asset allocation as agreed with each client.

## RESEARCH

### Performance in all market conditions

Our research methodology has been developed over many years and is based upon sound fundamentals and proven techniques. For UK share portfolios we analyse the UK's 350 largest companies according to our own process, the core of which is our *SAFER* research model. This incorporates over 25 criteria, summarised as follows:

- Statistical** – market capitalisation, index weighting, consensus recommendation, earnings per share growth, dividend per share growth, revenue growth
- Analytical** – technical analysis by sector and stock, long and short-term
- Fundamental** – dividend yield, dividend cover, P/E (price/earnings ratio)
- Emotional** – risk, valuation, management and business/market assessment
- Review** – upside, downside, momentum, growth versus P/E assessment and target price (bull, base and bear)

# STOCK SELECTION

## Equity

As Investment Managers, we are not speculative but adhere to the disciplines of both value and growth investing. By this we mean that we do not believe in just one investment style, but change our policy as we go through the different stages of the economic cycle, analysing the UK Stockmarket to identify companies whose share prices do not yet reflect their true potential.

We start this process by looking at the different sectors of the market (of which there are currently 38) and eliminating the sectors which we believe will under-perform on an 18-month view (this normally eliminates 1/3<sup>rd</sup> of the sectors). We then identify the sectors which we like the most and expect to outperform on an 18-month view (again normally 1/3<sup>rd</sup> of the sectors).

The next step is to look at the individual shares within each sector and eliminate all companies which do not comply with our minimum criteria.

We then look at each sector and apply our 'SAFER' process to analyse the data available on qualifying companies, formulating our own opinion on each stock: **BUY**, **HOLD**, or **SELL**. Once we have identified those we wish to buy, we set a target price for purchase and acquire as opportunities arise.

## Fixed-Interest Stock

We analyse the different types of fixed-interest stocks in terms of both security and interest yield. For gilts, we analyse 'shorts', 'mediums' and 'longs' and look for value, taking into account interest-rate and inflation forecasts. For permanent interest-bearing shares (PIBS), we look at good-quality issuers with strong balance sheets to reduce the risk of interest payment default. For loan stocks, convertibles and preference shares, we first look at our equity analysis and only purchase stock of companies we like in order to reduce the risk of interest payment default.

## **Unit trusts, OEICs, Investment Trusts and other collective investments – overseas, specialist, commercial property, fixed-interest/bonds and alternative investments**

We start our assessment of Collective Investments by analysing performance on two bases. First, 12-month discrete rolling periods and second, short/medium & long-term cumulative performance. We are looking for consistent first or second quartile performances to identify funds that warrant further analysis.

The second part of our assessment is to examine the identified funds. We look at the size and charging structure of the fund, asset allocation by geographical/sectorial/market cap, external agency ratings and quantitative analysis.

The third part of our assessment is an in-depth analysis in terms of risk profile, investment management process and style, fund manager experience, benchmarks and risk controls, including performance ratios.

# SYSTEMS

## Our resources include:

1. *Thomson Reuters Eikon* – web-based intelligent database, updated daily, covering over 22,000 companies across 87 countries. Contains Pricing data, Research, News, Estimates, Fundamentals and Charts.
2. *Alpha Terminal* – real-time prices, news stories and charts with full tools for technical analysis and monitoring.
3. *Research Houses* – Balkerne Asset Management subscribes to in-depth research, analytical opinion and broker forecasts from specialist research houses, including Numis, Singer Capital Markets and Stifel Nicolaus Europe Ltd.
4. *Publications* – we subscribe to various daily, weekly and monthly financial & research publications for background in the stock selection process.

## PORTFOLIO MANAGEMENT AND REVIEW

Once portfolios have been constructed, they are reviewed on a regular basis. Individual investments are monitored daily, and each portfolio is analysed quarterly for structure, asset allocation, stock weightings, performance, income and risk requirements.

### Equity

Equity portfolios are evaluated to ensure that their composition meets our criteria. All holdings are checked and adjusted as required to reflect changes in economic conditions affecting each company and its sector.

Holdings which perform well are retained if, in our opinion, their share price does not reflect their true potential, but profits are taken as holdings get too large and unbalance the portfolio. This is normally achieved by a partial disposal to reduce the holding back to its optimum size.

If a share becomes overvalued, profits will normally be taken with the entire holding being sold, Capital Gains Tax permitting. Stocks which underperform are carefully examined to evaluate recovery potential. As necessary shares are sold with proceeds reinvested in stocks with greater potential for price rises.

### Fixed-Interest Stock

Fixed-interest holdings are checked regularly, taking into account current and anticipated levels of inflation and interest rates. As conditions change, we switch the stock to protect capital, crystallise gains, and to shield the portfolio as much as possible from interest-rate inflation risks. Profits are taken if a holding becomes too large and unbalances the portfolio.

### **Unit trusts, OEICs, Investment Trusts and other collective investments – overseas, specialist, commercial property, fixed-interest/bonds and alternative investments**

Collective holdings are reviewed to ensure that they retain ratings and their first- or second-quartile performance over a rolling 12-month period.

We also continually monitor global markets to ensure that we retain exposure only to countries which enjoy favourable market conditions and prospects. Holdings which fail our criteria are sold, with the proceeds reinvested. Holdings which do well are retained as long as asset allocation requires. Profits are taken if a holding becomes too large and unbalances the portfolio.

## Questions and answers

### 1 Who can invest in a Bespoke ISA?

Any individual who is aged 18 or over AND is resident or ordinarily resident in the UK for tax purposes, or be performing duties as a Crown employee serving overseas and paid out of the public revenue of the United Kingdom (typically a serving member of the armed forces, or a diplomat), or be married to, or in a civil partnership with, such a person.

In addition, an investor must not have subscribed to another ISA of the same type in that tax year and must not have exceeded the overall subscription limits.

### 2 What investments are allowed in a Bespoke ISA?

A broad range of investments can be included in your Bespoke Stocks & Shares ISA, including, though not exclusively:

- Qualifying shares issued by companies wherever incorporated and are officially listed on a "recognised stock exchange".
- Qualifying securities issued by a company wherever incorporated that are listed on the official list of a "recognised stock exchange".
- Government securities - Gilt edged securities, gilt strips, securities and strips of securities issued by or on behalf of a government of any EEA State, that have at least 5 years to run to maturity.
- Qualifying authorised funds – Authorised unit trusts and open ended investment companies.
- Qualifying investment trusts.
- Qualifying units or shares in a relevant UCITS.
- Alternative Investments (such as absolute return funds and multi-asset strategy funds).
- ETFs, ETCs.
- Cash.

### 3 What is the minimum initial investment level?

The minimum initial investment level is **£20,000** for lump sum investments/account transfers.

### 4 What is the maximum investment limit for the Bespoke ISA?

For the tax year 2023/24, investors can subscribe up to £20,000 in either a Cash ISA or a Stocks & Shares ISA or a combination of the two subject to this overall limit.

### 5 Can I make additional investments?

Subject to the maximum ISA investment limits you can make additional investments into your Bespoke Stocks & Shares ISA at any time subject to a minimum amount of **£2,000**.

### 6 How many ISAs can I subscribe to during the tax year?

In each tax year and subject to the maximum ISA investment limits, you can subscribe to:

- One Stocks & Shares ISA with one ISA Manager, or
- One Cash ISA with one ISA Manager, or
- One Stocks & Shares ISA and one Cash ISA with up to two ISA Managers.

### 7 Will my Bespoke ISA provide me with income?

You can elect to have income paid directly to your bank account. Alternatively you can elect to have income reinvested to add to the value of your investment.

**8 How much income will be paid or reinvested?**

You decide on the amount of income that you will receive.

Income paid directly to your bank account may either be a fixed amount as decided by you or a variable amount which depends on the dividends, interest and other income received from the investments in your Bespoke Stocks & Shares ISA.

Income reinvested in your Bespoke Stocks & Shares ISA depends on the dividends, interest and other income received from the investments in your Bespoke Stocks & Shares ISA.

**9 What date is income distributed/reinvested?**

Income received into your Bespoke Stocks & Shares ISA throughout the year is accumulated. Where requested, you may have income paid to your bank account either:

1. As a variable amount each quarter on the 18 January, 18 April, 18 July and 18 October.
2. As a fixed amount decided by you each quarter on 18 January, 18 April, 18 July and 18 October.
3. As a fixed amount decided by you on 18 of each month

**You should bear in mind that the amount paid to you as a fixed amount each month or quarter may be greater than the amount of income received into your Bespoke Stocks & Shares ISA by way of dividends, interest and other income. Where this happens, the balance will be taken from the capital. This scenario, over time, may have a negative impact on the value of your investments, especially during adverse or challenging market conditions.**

**10 Can I be sure how much my Bespoke ISA will be worth at any time in the future?**

**NO.** The value of your Bespoke Stocks & Shares ISA is determined by the value of the underlying investments that it invests in.

**You should bear in mind that the value of your underlying investments will vary from day to day. Past performance is not necessarily a guide to future performance. Stock and Share prices can fall as well as rise and you may not get back the amount you originally invested.**

**11 How am I kept informed about my Bespoke ISA?**

Valuation Statements will be sent to you every quarter within 21 days of 31 March, 30 June, 30 September, and 31 December using our Valuations Online Service which is accessed via our website [www.balkerneassetmanagement.com](http://www.balkerneassetmanagement.com). Login credentials will be sent to you for this purpose.

In addition, you will be sent an annual statement as at 05 April (issued by the end of May), including where applicable, a Consolidated Tax Voucher, full cash, dividend and transaction statements and a Capital Gains Tax report, all via the Valuations Online Service.

**12 What happens to my Bespoke ISA if I move abroad?**

You can continue to hold your Bespoke Stocks & Shares ISA if you move abroad but in most circumstances you will not be able to make any further contributions. If you move abroad, you must notify us in writing of your new mailing address, quoting both your new and old addresses.

**13 How can I take my money out?**

You can cash in part or all of your investment at any time. If you cash in part of your investment, the remaining value of your Bespoke Stocks & Shares ISA must be above the minimum investment level of **£20,000**.

If you make a capital withdrawal from your Bespoke Stocks & Shares ISA you will be entitled to re-invest the amount withdrawn without it affecting your overall maximum subscription limit. **The only conditions are that the re-investment is credited into the same Bespoke Stocks & Shares ISA it was taken from and is made within the same tax year as the withdrawal.** For example, if you subscribe £10,000 into a Bespoke Stocks & Shares ISA and then withdraw £2,000, you will be permitted to re-invest the £2,000 and subscribe a further £10,000 into the same Bespoke Stocks & Shares ISA or re-invest the £2,000 into the same Bespoke Stocks & Shares ISA it came from and subscribe a further £10,000 into a separate Cash ISA, providing the transactions are made within the same tax year.



To withdraw monies from your Bespoke Stocks & Shares ISA you should advise the Account Manager in writing. All withdrawals will normally be paid to you within 10 working days from the date of receipt of your written instructions.

Where a withdrawal of monies from your Bespoke Stocks & Shares ISA results in the value of your Account falling below our minimum investment level, Balkerne Asset Management reserve the right, and at its sole discretion, to close your Account by liquidating the remaining funds and stocks and on completion of all sales to forward you the proceeds within 10 working days, subject to giving you at least 1 months' notice in writing.

#### **14 How will charges and expenses affect my investment?**

There is no Initial Charge when you subscribe to, pay in additional lump sums or transfer into the Balkerne Asset Management Bespoke Stocks & Shares ISA.

There is an Annual Management Charge (AMC), which is a percentage of the value of the account. This is charged quarterly in arrears on 31 March, 30 June, 30 September and 31 December and is currently 1.15% plus VAT. Capel Court Plc financial planning service clients receive a 0.25% discount thereby reducing the AMC to 0.9% pa plus VAT.

In addition, dealing charges relating to the buying and selling of equities, gilts, investment trusts, unit trusts, collective investments, alternative investments and other fixed interest stocks are levied at the following scale:

1.25%	on the first	£ 7,500
0.75%	on the next	£12,500
0.50%	thereafter	

The Company will retain the difference between the above scale and lower dealing charges. Other mandatory charges e.g. Stamp Duty (0.5% of consideration on equity and investment trust purchases) and Panel of Takeovers & Mergers Levy (£1 when consideration is £10,000 or greater on equity and investment trust trades) will be applied when applicable.

Balkerne Asset Management are required to expedite their regulatory and administrative responsibilities for compliance and transaction/portfolio reporting (daily, monthly, quarterly or half-yearly as required) to industry regulators, you and other authorised entities (e.g. SIPP providers) for which an Annual Compliance Charge (ACC) is levied against each individual portfolio at the following rates:

Portfolio Value of up to £100,000	£40 plus VAT (£48)
Portfolio Value of £100,000 and over	£80 plus VAT (£96)

The ACC is based on an individual investment portfolio valuation as at 31 December.

#### **15 How much will any advice cost?**

For arranging this transaction, we will pay your adviser an initial adviser remuneration charge, based on the amount you have invested, as per your instruction on the adviser-agreed remuneration form. We will also pay a portfolio based ongoing adviser remuneration charge, quarterly in arrears, based on the value of your investment per annum, as per your instruction on the adviser-agreed remuneration form.

#### **16 What happens if I close my Bespoke ISA?**

If you close your Bespoke Stocks & Shares ISA completely, the Stocks will be sold. The proceeds and any cash held within your Bespoke Stocks & Shares ISA will normally be paid to you within 10 working days from the date of receipt of your written instructions. You may also be entitled to a further payment for items such as income distributions, tax repayments and interest accrued during the term of the Bespoke Stocks & Shares ISA but not received until after the proceeds have been paid to you. Any such further payment will be sent to you normally within four months of receipt of your notice to close the Bespoke Stocks & Shares ISA. On closure, disposals will be subject to our normal dealing charges and any outstanding management fees will be debited to the Bespoke Stocks & Shares ISA up to and inclusive of the date of closure. There will be no refund, in whole or part, in regard to the Annual Compliance Charge.

**17 Can I transfer an existing ISA from another provider to Balkerne Asset Management?**

Yes. ISAs from other providers can be transferred to the Balkerne Asset Management Bespoke ISA using the ISA Transfer Application form.

Balkerne Asset Management only offers a Stocks & Shares ISA. Either Cash and/or Stocks & Shares ISAs may be transferred in.

While ISA regulations allow for partial ISA transfers, if your existing Account Manager has amalgamated your subscriptions into a single Account, you may only be able to transfer the whole Account to us.

If you are transferring only part of a previous years' ISA, you must provide details of how much and from which tax year you wish to transfer on the Transfer Application form.

For transfers of your current tax years' ISA, regulations only allow you to transfer the whole amount saved (right up to the day of transfer) in the current tax year.

If you transfer an ISA to us from another provider, you will not receive a cancellation notice from us, which means you will not have the option of immediately transferring your Bespoke Stocks & Shares ISA on again to another ISA manager. You may however choose to have your Bespoke Stocks & Shares ISA proceeds returned to you though this may lead to you getting back less than was transferred if the market has fallen in that time and it will also result in the loss of the ISA status relating to those proceeds.

Upon receipt of your completed Transfer Application form we will contact your existing ISA Account Manager to arrange the transfer and contact you once the proceeds have been received (this may take up to 20 working days to complete). You should be aware that where stocks in your existing ISA are sold prior to transferring the proceeds to us, the monies will be out of the investment market during the period of the transfer.

You may continue to receive income from your investments with your existing Account Manager(s) after the date of transfer. This income will either be forwarded to us by your existing Account Manager(s) or paid by them directly to you according to your agreement with them.

Transfers can be made either as stock (in specie) or as cash; either way the investment does not lose its ISA tax status during the transfer process.

**18 Can I transfer my Bespoke ISA to another provider?**

Yes. In accordance with the ISA regulations, you may transfer all or part (but not part of the current tax year) of your Bespoke Stocks & Shares ISA to another ISA Account Manager where they agree to such a transfer.

Following receipt of your written instructions and acceptance from the new Account Manager we will sell the stocks in your Bespoke Stocks & Shares ISA and transfer the proceeds or, if requested by you, transfer the account investments (without selling the stock i.e. in specie) to the ISA Account Manager of your choice.

Subscriptions to a Bespoke Stocks & Shares ISA can be transferred to another Stocks & Shares ISA or a Cash ISA.

Transferring the account investments in specie are subject to a charge of £25 +VAT per holding, plus Nominee costs as applicable. Any outstanding management fees will be debited to all ISA's transferred to another provider up to and inclusive of the date of transfer. There will be no refund, in whole or part, in regard to the Annual Compliance Charge.

## **19 What happens if I die?**

The tax benefits of your Bespoke Stocks & Shares ISA cease immediately and the value of your Bespoke Stocks & Shares ISA at the time of your death will form part of your estate for Inheritance Tax purposes.

Until your executor's instructions and Grant of Probate or Letters of Administration are received, your investment will continue to be subject to market movement. In the interests of good management, we will continue to sell stocks as appropriate but will not purchase any new holdings.

Upon the request of your executors or appointed administrators, Balkerne Asset Management will collate and produce a portfolio valuation specifically for probate purposes for which there will be a charge as detailed in our Schedule of Charges (Costs) – Please refer to the Balkerne Asset Management Bespoke Portfolio Service Terms and Conditions.

Balkerne Asset Management will only act upon the written instructions and signed authority of ALL executors and/or administrators to the estate.

## **Further Information**

### **Cancellation Rights**

Cancellation rights do not apply.

### **Tax**

You will not pay any tax on capital gains made within the Bespoke Stocks & Shares ISA.

You will not pay any tax on income withdrawn from your Bespoke Stocks & Shares ISA.

This information is based on current legislation and HM Revenue & Customs practice. Legislation and tax practice may change in the future.

### **Cash held in the Bespoke ISA**

Any interest arising on cash held in your Bespoke Stocks & Shares ISA pending investment or payment to you will be credited to your account gross, as prescribed by HM Revenue & Customs.

### **Buying and selling Investments**

The underlying investments which make up your Bespoke Stocks & Shares ISA are bought and sold by the account manager who has total discretion as to the timing of such transactions.

### **Money Laundering**

We reserve the right to carry out any money laundering checks as may be required by regulations.

### **Law**

This investment is governed by the Law of England and Wales.

### **Investment Risk Health Warning**

**The value of investments can go down as well as up, and as a consequence, the value of your portfolio at any given point in time cannot be guaranteed. Upon withdrawal or transfer of your portfolio you may not realise the sum originally invested. Past performance cannot be relied on and is not necessarily a guide to future returns.**

#### **Balkerne Asset Management**

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