



# Managed Fund Service

## *Key Features Document*

Important information about our Managed Fund Service

- ◆ Its aims
- ◆ Your commitment
- ◆ The risks
- ◆ Your Investment

*This Key Features Document provides important information about the Balkerne Asset Management Managed Fund Service 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 Managed Fund Service 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.*



## **KEY FEATURES OF THE MANAGED FUND SERVICE**

### **Its aims**

- The Balkerne Asset Management Managed Fund Service (MFS) is a discretionary portfolio service designed for investors with a minimum of **£20,000** to invest.

### **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 value of your MFS portfolio, 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 your MFS portfolio, you may get back less than the amount you originally invested due to the application of charges and adverse movements in the market.**
- **If you decide to cash in your MFS portfolio, particularly in the early years, you may get back less than the amount invested because of the application of charges and adverse movements in the market.**
- **If you are transferring your portfolio 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 portfolio where the amount of income paid to you is greater than the income received into your MFS portfolio, any balance will be taken and paid out from 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

- Portfolio Construction - Each portfolio is individually constructed and managed.
- Investment Strategy - The Balkerne Asset Management investment strategy uses active management of individually-selected investments which are monitored for price performance. This strategy is reviewed and adjusted as we go through the different stages of the economic cycle with the objective of delivering out-performance under different market conditions.
- Full Service - The MFS combines our investment expertise and comprehensive administrative systems with a friendly personal service. Our Discretionary Service enables us to make and implement investment decisions on your behalf without delay, allowing us to take advantage of market trends and price movements.
- Cash Management - Cash management ensures that any monies not invested in stocks / funds are held in an interest-bearing account with NatWest Bank Plc, which has statutory trust status. We will pay you interest at the following rate: Bank of England Base rate **less** 2% subject to a minimum rate of 0.01% pa. Interest amounting to £2 or less per quarter will **not** be paid to you and may be retained by the firm. If due and applicable, we will pay you gross interest on the balance standing to your credit in accordance with the Financial Services (Client Money) Regulations.
- Reporting - The service includes complete integration with nominees, dividend collection and distribution or re-investment, quarterly valuations and stock sale/purchase summary report, and an annual Consolidated Tax Voucher and Capital Gains Tax report as at 5 April (if applicable).
- Tax Management - Tax management is a feature of our service and disposals are made at the end of each tax year to maximise utilisation of Capital Gains Tax allowances.
- Initial Charge – The Managed Fund Service has no initial charge when joining or when making additional lump sum investments.
- Cash Investment - You can make additional lump sum investments subject to a minimum amount of £2,000.
- Transfer - You can transfer your existing stock/fund portfolio to us from another Plan Manager(s). There is no liability to Capital Gains Tax when transferring in an existing portfolio.
- Portfolio Investments - The MFS will invest in OEICs, Unit Trusts, Investment Trusts, collective investments, alternative investments (such as absolute return funds and multi-asset strategy funds) and other securities at the discretion of the Account Manager.
- Income Level - The level of income that your MFS portfolio will generate depends on the dividends, interest and the other income received from investments in your portfolio.
- Income Distribution - You can choose whether you would like to have a fixed amount of income paid out monthly or quarterly, or a variable amount of income paid out quarterly, directly into your bank account. Alternatively, income may be reinvested to add to the value of your holding.

## A CHOICE OF FIVE INVESTMENT STRATEGIES

1. **THE CONSERVATIVE PORTFOLIO** is an actively-managed portfolio of 15 to 30 holdings, with a minimum cash holding of 5% and has the **Investment Objective** of capital preservation and income with a **Lower Risk Profile**.

### **Suitability:**

This portfolio is particularly suited to clients whose main priority is the preservation of the original value of their investment. Investors understand that the value of any investment can rise and fall and, in order to minimise the risk to their portfolio, are prepared to accept lower returns.

### **Investment Policy:**

To achieve the objective by investing principally, but not exclusively, in fixed-interest/bond and cash investments (minimum weighting 55%) and, as appropriate, UK blue-chip equities, property, international and specialist stocks through collective investments and alternative investments (such as absolute return funds or multi-asset strategy funds).

### **Asset Allocation Guideline:**

|                |        |
|----------------|--------|
| UK Equities    | 0-35%  |
| International  | 0-15%  |
| Fixed Interest | 50-95% |
| Property       | 0-15%  |
| Cash           | 5-50%  |
| Alternative    | 0-25%  |

2. **THE INCOME PORTFOLIO** is an actively-managed portfolio of 15 to 30 holdings, with a minimum cash holding of 3% and has the **Investment Objective** to provide long-term capital and income appreciation with a **Lower than Medium Risk Profile**.

### **Suitability:**

This portfolio is suited to clients who wish to retain a degree of safety in their portfolio, but are also looking for a higher rate of investment return than is associated with prioritising capital preservation. Investors understand that the value of their investments, and the income from them, are not guaranteed and may rise and fall to a greater extent than with a 'Conservative' portfolio.

### **Investment Policy:**

To achieve the objective by investing principally, but not exclusively, in fixed-interest/bond and cash investments (minimum weighting 33%), UK blue-chip equities (minimum weighting 20%) and, as appropriate, property, international and specialist stocks through collective investments and alternative investments (such as absolute return funds or multi-asset strategy funds).

### **Asset Allocation Guideline:**

|                |        |
|----------------|--------|
| UK Equities    | 20-50% |
| International  | 0-25%  |
| Fixed Interest | 30-50% |
| Property       | 0-15%  |
| Cash           | 3-50%  |
| Alternative    | 0-15%  |

3. **THE BALANCED PORTFOLIO** is an actively-managed portfolio of 15 to 30 holdings, with a minimum cash holding of 2% and has the **Investment Objective** to provide long-term capital appreciation and income with a **Medium Risk Profile**.

**Suitability:**

This portfolio is suited to clients who are willing to take the degree of risk necessary to achieve a potentially higher return than can normally be achieved by an 'Income' portfolio approach, with a bias towards equity market growth. Potential returns will be sought from a balanced portfolio of assets used in the 'Income' portfolio, as well as a wider range of capital growth and income generating assets which may experience higher levels of volatility, but have the potential to provide a higher return. Investors understand that the value of their investments, and the income from them, are not guaranteed and may rise and fall to a greater extent than with an 'Income' portfolio.

**Investment Policy:**

To achieve the objective by investing principally, but not exclusively, in fixed-interest/bond and cash investments (minimum weighting 17%), UK blue-chip equities (minimum weighting 40%) and, as appropriate, property, international (minimum weighting 5%) and specialist stocks through collective investments and alternative investments (such as absolute return funds or multi-asset strategy funds).

**Asset Allocation Guideline:**

|                |        |
|----------------|--------|
| UK Equities    | 40-78% |
| International  | 5-30%  |
| Fixed Interest | 15-30% |
| Property       | 0-20%  |
| Cash           | 2-40%  |
| Alternative    | 0-15%  |

4. **THE GROWTH PORTFOLIO** is an actively-managed portfolio of 15 to 30 holdings and has the **Investment Objective** to provide long-term capital appreciation, with less emphasis on income, and a **Higher than Medium Risk Profile**.

**Suitability:**

This portfolio is suited to clients who understand that the level of potential return on their investment should increase as a result of taking greater risk. They also understand that to achieve the potential for higher returns, their investment may fluctuate substantially at times, but that over the longer term they could achieve a higher level of return than from a 'Balanced' portfolio. The value of investments, and the income from them, are not guaranteed and may rise and fall to a greater extent than with a 'Balanced' portfolio.

**Investment Policy:**

To achieve the objective by investing principally, but not exclusively, in UK blue-chip equities (minimum weighting 50%) and, as appropriate, fixed-interest/bond investments, property, international (minimum weighting 10%) and specialist stocks through collective investments and alternative investments (such as absolute return funds or multi-asset strategy funds).

**Asset Allocation Guideline:**

|                |        |
|----------------|--------|
| UK Equities    | 50-90% |
| International  | 10-40% |
| Fixed Interest | 0-20%  |
| Property       | 0-20%  |
| Cash           | 0-40%  |
| Alternative    | 0-20%  |

5. **THE ADVENTUROUS PORTFOLIO** is an actively-managed portfolio of 15 to 30 holdings and has the **Investment Objective** to provide long-term capital appreciation with a **Higher Risk Profile**.

**Suitability:**

This portfolio is suited to clients whose aim is to achieve higher rates of return on their investment over the longer term. In the short term the extent and style of stock market exposure could produce considerable fluctuations in the value of their investment. They accept this strategy is a much higher risk than all the other strategies in the expectation of higher long-term rewards, which even then may not occur due to market conditions. Portfolios may be unbalanced and opportunistic in nature. Investors understand that the value of their investments, and the income from them, are not guaranteed and may rise and fall to a greater extent than with a 'Growth' portfolio.

**Investment Policy:**

To achieve the objective by investing principally, but not exclusively, in UK blue-chip equities (minimum weighting 40%) and, as appropriate, fixed-interest/bond investments, property, international (minimum weighting 20%) and specialist stocks through collective investments and alternative investments (such as absolute return funds or multi-asset strategy funds).

**Asset Allocation Guideline:**

|                |        |
|----------------|--------|
| UK Equities    | 40-80% |
| International  | 20-60% |
| Fixed Interest | 0-20%  |
| Property       | 0-20%  |
| Cash           | 0-40%  |
| Alternative    | 0-20%  |

## PORTFOLIO CONSTRUCTION

OEICs, Unit Trusts, Investment Trusts, Alternative Investments (such as absolute return funds and multi-asset strategy funds) and other Collective investments are used to provide exposure to UK and International equities; commercial property, fixed-interest and bond funds; and other specialist investments. Our stringent selection process ensures that monies are only invested in good-quality collective funds with a consistent performance history and investment process.

## 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:

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

## STOCK SELECTION

### **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 Securities Ltd 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.

### **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 What investments are allowed in the MFS?

A broad range of investments can be included in your MFS, including:

- Shares issued by companies wherever incorporated and officially listed on a “recognised stock exchange”
- Loan stocks (secured or unsecured), debentures and Eurobonds
- Gilt-edged securities and similar securities issued by governments of countries in the European Economic Area
- Authorised unit trusts and open-ended investment companies
- Investment Trusts
- UCITS and non-UCITS retail schemes
- Alternative Investments (such as absolute return funds and multi-asset strategy funds)
- Cash

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

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

### 3 What is the maximum investment limit for the MFS?

There is no maximum investment level.

### 4 Can I make additional investments?

Yes. You can make additional investments into your MFS portfolio at any time subject to the current minimum increase of **£2,000**.

### 5 Will my MFS 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 holding.

### 6 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 MFS Portfolio.

Income reinvested in your MFS Portfolio depends upon the dividends, interest and other income received from the investments in your MFS portfolio.

## **7 When is income distributed/reinvested?**

Income received into your MFS Portfolio 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 MFS Portfolio 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.**

## **8 Can I be sure how much my MFS will be worth at any time in the future?**

**NO.** The value of your MFS is determined by the value of the funds and stocks it invests in.

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

## **9 How am I kept informed about my MFS?**

You will receive regular quarterly statements, which are sent out within 21 days of 31 March, 30 June, 30 September and 31 December.

In addition, you will receive an annual statement as at 05 April (issued by the end of May), including a Consolidated Tax Voucher, full cash, dividend and transaction statements and Capital Gains Tax report.

## **10 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 portfolio must be above the minimum investment level of **£20,000**. To withdraw monies from your MFS 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 investment portfolio results in the value of your portfolio falling below our minimum investment level, Balkerne Asset Management reserves the right, and at its sole discretion, to close your portfolio by liquidating the remaining funds and stock 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.

## 11 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 Balcerne Asset Management Managed Fund Service.

There is an Annual Management Charge (AMC), which is charged quarterly in arrears, and is based on the value of an individual portfolio as at 31 March, 30 June, 30 September and 31 December. The current AMC is 1.00%pa plus VAT. Capel Court Plc financial planning service clients receive a 0.25% discount thereby reducing the AMC to 0.75% pa plus VAT.

In addition, dealing charges relating to the buying and selling of equities, gilts, investment trusts, unit trusts, collective 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.

Balcerne 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 investment 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.

## 12 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.

## 13 What happens if I close my MFS?

If you close your MFS completely, the funds and stocks will be sold. The proceeds and any cash held within your MFS 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 and interest accrued during the term of the MFS but not received until after the proceeds have been paid to you. Any such further payment will be sent to you normally within 4 months of receipt of your notice to close the MFS. On closure, disposals will be subject to our normal dealing charges and any outstanding management fees will be debited to the portfolio 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.

**14 What happens if I transfer my MFS to another Account Manager?**

If you transfer your MFS to another Account Manager, the stocks will normally be transferred to their Nominee either within CREST or by us liaising directly with a fund provider. Any cash balance will be sent to the new Account Manager as soon as is practicable following the stock and fund transfers. Transfers out are subject to a charge of £25 plus VAT per holding and any outstanding management fees will be debited to the portfolio 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.

**15 What happens to my MFS if I move abroad?**

Clients living overseas may hold investments in the MFS and you can continue to hold your MFS if you move abroad. If you move abroad, you must notify us in writing of your new mailing address, quoting both your new and old addresses.

**16 What happens if I die?**

The value of your MFS 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 funds and 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 and Costs of our Services.

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 pay Capital Gains Tax on capital gains in excess of your annual allowance made within the MFS.

You will pay Income Tax as appropriate on income generated from your MFS.

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

### **Buying and selling stocks**

The underlying stocks which make up your MFS are bought and sold by the Account Manager who has discretion as to the timing of such transactions.

### **Money Laundering**

We are required by law to obtain evidence of identification and residence.

### **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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Balkerne Asset Management is a trading style of Capel Court Plc which is authorised & regulated by the Financial Conduct Authority; FCA Registered Number 154146