



# 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 Services 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 £10,000 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 taken from capital may constrain the capital growth of your investment. Where charges are taken from income, and where there is insufficient income to meet such charges, any balance will be taken from the capital.**

### **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, earning an interest rate equivalent to the NatWest Bank Base Rate.
- Reporting - The service includes advice and rationale for all sales and purchases, complete integration with nominees, quarterly dividend collection and distribution or re-investment, half yearly valuations, annual Consolidated Tax Voucher and Capital Gains Tax report as at 5 April each year.
- 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 an initial charge of £100 inclusive of VAT when opening an account.
- Cash Investment - You can make lump sum investments.
- Transfer - You can transfer your existing 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 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, quarterly income may be reinvested to add to the value of your holding. Details are given later in this document under the section "Questions and Answers".

# A CHOICE OF THREE INVESTMENT STRATEGIES

## 1. UK MIXED PORTFOLIO

**Investment Objective:** To provide long-term capital and income appreciation with a **Lower than Medium Risk Profile**.

**Investment Policy:** To achieve the objective by investing principally in OEICs, Unit Trusts, Investment Trusts and collective investments and, as appropriate, companies within the FTSE-350 Index and fixed-interest/bond investments.

The UK Mixed Portfolio is an actively-managed portfolio of 10 to 20 holdings, with a nominal cash holding.

<b>Asset Allocation Guideline:</b>	UK	35-75%	International	0-10%
	Fixed Interest	25-50%	Property	0.5%
	Cash	0-20%		

## 2. UK & DIVERSIFIED PORTFOLIO

**Investment Objective:** To provide long-term capital and income appreciation with a **Medium Risk Profile**.

**Investment Policy:** To achieve the objective by investing principally in OEICs, Unit Trusts, Investment Trusts and collective investments and, as appropriate, companies within the FTSE-350 Index and fixed-interest/bond investments.

The UK & Diversified Portfolio is an actively-managed portfolio of 10 to 20 holdings, with a nominal cash holding.

<b>Asset Allocation Guideline:</b>	UK	40-80%	Cash	0-20%
	Fixed Interest	10-35%	Property	0-10%
	International	5-25%		

## 3. UK & INTERNATIONAL PORTFOLIO

**Investment Objective:** To provide long-term capital and income appreciation with a **Higher than Medium Risk Profile**.

**Investment Policy:** To achieve the objective by investing principally in OEICs, Unit Trusts, Investment Trusts and collective investments and, as appropriate, companies within the FTSE-350 Index and fixed-interest/bond investments.

The UK & International Portfolio is an actively-managed portfolio of 10 to 20 holdings, with a nominal cash holding.

<b>Asset Allocation Guideline:</b>	UK	40-80%	Fixed Interest	0-10%
	International	20-50%	Property	0-10%
	Cash	0-20%		

## PORTFOLIO CONSTRUCTION

OEICs, Unit trusts, investment trusts and other collective investments are used to provide UK, commercial property, fixed-interest/bond, specialist and overseas exposure. 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 34 criteria, summarised as follows:

**Statistical** – market capitalisation, consensus recommendation, earnings per share growth, dividend per share growth

**Analytical** – technical analysis by sector and stock

**Fundamental** – dividend yield, dividend cover

**Emotional** – risk, valuation, management and business/market assessment

**Review** – upside, price/earnings ratio, growth versus P/E assessment and target price

## STOCK SELECTION

**Unit trusts, OEICs, Investment Trusts and other collective investments – overseas, specialist, commercial property and fixed-interest investments.**

We start our assessment of Collective Investments by analysing performance on two bases, firstly 12-month rolling periods and then second long-term performance. Here we are looking for consistent first- or second-quartile performance over rolling 12-month periods and first-quartile performance over the longer term.

The second part of our assessment is to identify funds that possess at least an 'A' Standard & Poors Fund Research Rating or an 'A' Forsyth-OSBR fund rating, in markets that we like on a medium-term view. We also favour funds whose manager has obtained a Citywire fund manager rating.

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

## SYSTEMS

Our resources include:

1. *Reuters Knowledge* - web-based intelligent database, updated daily, covering over 1,300 UK companies. Contains broker forecasts for each stock, from the basic buy, hold and sell recommendations to detailed earnings per share, dividend cover and sales growth figures, current and forecast.
2. *AJ Bell Powered Investment Research* – internet-based research service giving access to the latest research on all UK companies published by the major investment houses
3. *Alpha Terminal* – real-time prices, news stories and charts with full tools for technical analysis and monitoring.
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**

Collective holdings are reviewed to ensure that they retain ratings and that they retain 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
- Cash

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

The minimum investment level is £10,000 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 £500.

### **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 or that is reinvested.

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 Which date 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, which will be dependent upon the dividends, interest and other income received from the investments in your MFS Portfolio.
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.**

Where income is received, this will normally be credited to the income account by the next working day following receipt. The money is held in the income account pending reinvestment or distribution.

## 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 statements, which are sent out within 21 days of 5 April and 5 October.

## 10 How can I take my money out?

You can cash in part or all of your investment at any time, subject to a minimum withdrawal of £250. If you cash in part of your investment, the value of the remaining shares must be above the minimum investment level of £10,000.

To withdraw monies from your MFS you should advise the Account Manager in writing.

## 11 How will charges and expenses affect my investment?

11.1 There is an Initial Charge of £100 inclusive of VAT when you open an account by subscription, or transfer into the Balcerne Asset Management Managed Fund Service.

11.2 There is an Annual Management Charge (AMC), which is a percentage of the value of the portfolio. This is charged quarterly on 5 January, 5 April, 5 July and 5 October and is currently 0.75% plus VAT.

11.3 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 and Panel of Takeovers & Mergers Levy will be applied when applicable. All commissions payable to the Company on unit trusts and other collective investments will be fully rebated to the client.

## 12 How much will any advice cost?

For arranging this transaction we will pay your adviser an initial commission, based on the amount you have invested, as per your instruction on the adviser agreed remuneration form. We will also pay portfolio-based renewal commission, 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 stocks will be sold. The proceeds and any cash held within your MFS will be paid to you. 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 four months of receipt of your notice to close the MFS. On closure, disposals will be subject to our normal dealing charges as detailed in 11.3 above and any outstanding management fees will be debited to the portfolio up to and inclusive of the date of closure.

### **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 within CREST and any cash balance will be sent to the new Account Manager as soon as is practicable following the stock 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.

### **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 stocks as appropriate but will not purchase any new holdings.

## **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 Inland Revenue 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.

### **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 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 Services Authority; FSA Registered Number 154146

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