



# Bespoke Portfolio Service

## Key Features

*This Key Features Document provides important information about the **Balkerne Asset Management Bespoke Portfolio 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 Bespoke Portfolio 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 (No. 154146)*



## KEY FEATURES OF THE BESPOKE PORTFOLIO SERVICE

### Its aims

- The **Balkerne Asset Management Bespoke Portfolio Service (BPS)** is a discretionary portfolio management service designed for investors with a minimum of **£500,000** 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 BPS, 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 BPS investment, 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 BPS, 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 investments 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 BPS portfolio, 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

- **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 **BPS** 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 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 **BPS** 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 £10,000.
- Transfer - You can transfer your existing portfolio to us from another Portfolio Manager(s). There is no liability to Capital Gains Tax when transferring in an existing portfolio.
- Portfolio Investments - The **BPS** will invest in directly held UK blue-chip equities within the UK FTSE-350 Index, fixed-interest/bond investments, property, international and specialist stocks through collective investments, alternative investments (such as absolute return funds or multi-asset strategy funds) and other securities at the discretion of the Portfolio Manager.
- Income Level - The level of income that your **BPS** 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 value to your portfolio.

## THE INVESTMENT STRATEGY

**THE BESPOKE PORTFOLIO** 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 Portfolio 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 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 or multi-asset strategy funds) and other securities, ETFs, ETCs, and any other investment instrument or vehicle which is traded on a recognised UK stock 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 **BPS** Portfolio 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, i.e. being a current constituent of the FTSE-350 index.

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 Securities Ltd, N+1 Singer 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 What investments are allowed in the BPS?

A broad range of investments can be included in your **BPS**, including though not exclusively:

- 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
- ETFs & ETCs
- 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 **£500,000** for an initial lump sum investment/portfolio transfer.

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

There is no maximum investment level.

### 4 Can I make additional investments?

Yes. You can make additional investments into your **BPS** portfolio at any time subject to the current minimum increase of **£10,000**.

### 5 Will my BPS 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 value to your portfolio.

### 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 **BPS** Portfolio.

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

### 7 Which date is income distributed/reinvested?

Income received into your **BPS** 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 BPS 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 portfolio, especially during adverse or challenging market conditions.

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

**NO.** The value of your **BPS** is determined by the value of the stocks it invests in.

**You should bear in mind that the value of your stocks will vary from day to day. Past performance is not a guide to future performance. Share and asset 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 BPS?**

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.

**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 **£2,500**. If you cash in part of your investment, the remaining value of your portfolio must be above the minimum investment level of **£500,000**. To withdraw monies from your **BPS** you should advise the Portfolio 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 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 Balkerne Asset Management **BPS**.

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 1.15% pa 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.

**12 How much will any advice cost?**

For arranging this transaction, we will pay your professional 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 BPS?**

If you close your **BPS** completely, all stocks will be sold. The proceeds and any cash held within your **BPS** 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 **BPS** 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 **BPS**. 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 BPS to another Account Manager?**

If you transfer your **BPS** 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. Transferring the portfolio 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 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 BPS if I move abroad?**

Clients living overseas may hold investments in the **BPS** and you can continue to hold your **BPS** 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 **BPS** 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 investments will continue to be subject to market movements. In the interest 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 pay Capital Gains Tax on capital gains in excess of your annual allowance made within the **BPS**.

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

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 **BPS** are bought and sold by the Portfolio 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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**[www.balkerneassetmanagement.com](http://www.balkerneassetmanagement.com)**

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