ASSET CLASSES AND RISK

There are four main asset classes that we advise on:

- Cash deposits
- Equities
- Fixed interest
- Property

CASH DEPOSITS

Cash is mainly represented by deposits with banks. It is an important asset class and we would usually recommend you have some sort of cash within your portfolio. Bank deposits can come in various formats, such as current accounts, instant access accounts, regular saving accounts, notice accounts, fixed-term deposits and saving bonds. They are usually differentiated by access to the account, size of deposit and the rate of interest. Bank deposits do not generate capital gains but do yield interest that can be taxable. Interest payments can either be at fixed or variable rates.

You can access cash deposits through various different products, such as ISAs, pensions and investment bonds. The taxation of cash deposits within these products may vary.

Cash deposit risks

As cash deposits are placed with retail and commercial banks, there is a risk these institutions may, under extreme circumstances, fail to repay your cash deposit.

Cash deposits are heavily regulated to ensure they are a 'safe' investment and capital is not put at risk.

Most banks with a UK banking licence will be part of the Financial Services Compensation Scheme (FSCS). For more information on the FSCS, please refer to your consultant. As capital invested in cash deposits does not appreciate, your capital will, over time, depreciate if the level of interest paid does not keep up with inflation, causing the real value of your investment to fall.

For certain accounts, such as notice and fixed-term deposit accounts, there is limited access to capital and you should only use these if you do not need liquid funds over the term of the account.

Tax position

The underlying capital in a cash deposit is not subject to tax but any interest is. Although interest is paid gross, taxpayers will need to declare the interest earned on their annual tax return.

EQUITIES

An equity is an investment that provides a share of the ownership of a business. A shareholder is entitled to the profits the business generates and they can vote on the way the business is managed.

When equities are purchased, the price is a reflection of the estimated future profits of the business. As profitability is difficult to accurately forecast and can vary over time, the price of equities can fall as well as rise.

As there are substantial risks in investing in equities (see overleaf for more on risk), we generally advise you invest in open or closed-ended collective investments (see page six for more information on collective investments) that are professionally managed and spread the risk by investing in a range of different businesses.

You can invest in thousands of different types of companies, which can be located in various countries around the world, in different sectors and be of different sizes. This creates various risks, which are discussed in a later section.

Equity can provide two main types of return: dividends and capital growth.

Dividends

Dividends are a proportion of profits that are distributed to shareholders. They are usually paid as cash but can be paid in the form of shares. Dividends are variable and can be stopped at any time. Dividends are distributed from after-tax profits.

The annual dividend allowance is £2,000. Dividend income must be declared on your annual tax return and is subject to either 7.5%, 32.5% or 38.1% depending on your circumstances. All dividends are taxed in the same way, regardless of whether you hold them directly or through a collective investment such as a unit trust or open-ended investment company (OEIC).

Capital growth

Capital growth can come in the form of an increase in the share price of the business or from a return of capital through a process such as a share buyback. When the capital growth is crystallised (when you sell your shares at a profit), there may be a capital gains tax (CGT) liability.

The annual CGT exempt amount for individual and personal representatives is £12,300 in tax year 2020/21 and £6,150 for trustees of settlements.

Equities can be accessed through different products including ISAs, pensions and investment bonds (usually through collectives). The taxation of equities within these products may vary.

Equity risks

Shareholders can potentially earn high rates of return through ownership of a business, but this comes with a variety of risks. The following risks are prevalent in funds as well as in buying equities directly. As mentioned previously, estimating the future profitability of a business is difficult, and this changes over time. Therefore, the price of an equity can rise and fall quickly (also known as volatility).

Typically, equity is non-redeemable, which means the business does not have to repay the investment amount. If the business fails, equity owners are usually last in the line of creditors and often lose all their investment. There are also a number of business-specific risks that can be diversified to a degree by having a mixed portfolio of companies. A further risk is market risk, where all equity prices fall irrespective of the circumstances of each individual company.

Liquidity is another risk prevalent in equity. Liquidity is the ability to sell the investment at the price that is quoted. For larger companies, liquidity is not usually a problem, but for smaller companies where there are fewer buyers and sellers it can create difficulties. The investment might take several days or weeks to be bought or sold, and the price might move away from the quoted price if there is a lack of volume (buyers and sellers). Trading costs tend to be higher in equities with low trading volumes. You should also be aware of currency risk in equity investments. Some companies might be based overseas and trade in a different currency, or might have significant overseas earnings that are subject to currency fluctuations. These can result in the value of your investment falling even if the price of the equity does not.

A further risk for equity investment is dividend risk. Some companies reward shareholders by issuing dividends. If the company has to reduce or cut the dividend, this can have an adverse effect on the price of the equity as well as resulting in a loss of expected income for you.

The rate of inflation can also be a significant risk for equity. If inflation is high, it creates a difficult environment for businesses to maintain profit margins. Likewise, a difficult environment is created if there is deflation (falling prices).

AIM MARKET

The AIM market was launched in 1995 as a submarket of the London Stock Exchange, allowing smaller companies to float and benefit from a more flexible regulatory system.

Shares in AIM listed stock are purchased in the same way as those listed on the main market; however, they have been exempt from SDRT and stamp duty since 2014.

Specialist AIM share portfolios are available and often run on a discretionary basis to allow clients to benefit from a diversified, actively managed strategy within this marketplace.

FIXED INTEREST

There are different types of fixed interest investments, including bonds, fixed income, debt and credit.

There are two main bond markets: the government bond market and the corporate bond market. Bonds are basically loans to governments or companies. In return for the loan, the government or company pays interest to the investor. At the end of the term, the government or company repays the initial investment amount. In providing a loan to the government or company, you become a creditor and therefore do not benefit from any ownership of the business.

Fixed interest provides one main form of return, interest. However, they can produce capital gains and losses if the bond is traded. The interest paid from bonds is taxed at the rates for savings income. The distribution is usually paid net of 20% tax with a further tax liability if you are a higher-rate/additional rate taxpayer.

Fixed interest risks

The following risks relate to investment in fixed interest funds and bonds. The main risk for bond investors is default, which is when the government or company that has issued the bond fails to repay the investor. There are a number of rating agencies that provide a guide to how safe they consider the bond to be and the risk of the issuer defaulting. This creates its own risks. The price of a bond can fall if the issuer gets its rating downgraded by an agency.

As with equity, liquidity can be a significant risk. Bonds are usually not traded through an exchange, which can make it difficult to understand the correct market price. As some bond issuances are not regularly traded, a lack of liquidity can result in price falls. As bonds receive a fixed level of interest, the price of bonds can fall if interest rates rise.

A further risk relating to the fixed level of interest is that of inflation. Inflation erodes the value of the fixed interest payment, so high inflation can result in falling bond prices.

PROPERTY

Investing in property has a long tradition in the UK. There are several ways to invest in property, including direct bricks and mortar, property equities and pooled property vehicles such as a unit trust or real estate investment trust (REIT). The buying and managing of the properties can be done by you or by investment professionals through collective vehicles. We mainly advise on commercial property rather than residential. Commercial property is leased to a tenant who pays rent for the term of the lease.

The main return over the long term from bricks and mortar property investment is income generated from rent. Rent derived from commercial property is taxed at your highest marginal rate of income tax. The capital value of property can go down as well as up. Any profit derived from the sale of a commercial property is subject to capital gains tax.

Property risks

Property values can go down as well as up, so you may make a capital loss. The majority of property is purchased with an element of debt. There are separate risks by using debt to finance investment, but there are specific risks around the tenancy of the property if debt is used. If the tenant cannot pay the rent, the interest payment on the capital will have to be paid by the investor. If a high debt-to-capital ratio is used, there is a risk of property values falling below the value of the debt. The debt provider could then foreclose on the property if the loan payments are not maintained.

If investing in property through an open-ended fund, such as a unit trust, the fund can experience a lack of liquidity and close to new investments and withdrawals for significant periods of time. For other property vehicles there are often fixed lock-in periods or time restraints on withdrawals. Pricing of open-ended property funds can also swing between the bid (selling) and offer (buying) price depending on investor flows. Property funds are usually valued on either a monthly or six-monthly basis by an independent valuer. These valuations can be influenced by market sentiment and trading volumes.

The next section looks at the different investment products available.

OPEN-ENDED COLLECTIVE INVESTMENTS: OEICS AND UNIT TRUSTS

Open-ended investment companies (OEICs) and unit trusts are pooled investments, in that investors' money is managed collectively as one fund, with each investor having a share of that fund. They can provide capital growth, income or a combination of both.

Capital growth may be achieved through the appreciation of the underlying assets' values and income may be in the form of dividends from equities or interest from government or corporate bonds.

Depending on the fund, it will invest in equities, fixed interest, cash, property or other types of investments permitted by the fund. The fund may also be able to short sell stocks or use derivatives. The value of your share will be directly related to the value of the fund's underlying assets. The assets the fund invests in are exposed to different risks depending on the type of asset. Please refer to the asset class description section for an explanation of the types of risks.

Tax position

The taxation of unit trusts is twofold. Any distributed income is subject to income tax, while the gain when realised is subject to CGT – currently 10% or 20% for higher-rate taxpayers. A switch is deemed to be a disposal for CGT purposes. You are responsible for declaring these to HMRC.

When a distribution is made, you will receive a tax voucher from the fund manager confirming the amount you will receive and the tax already paid by the fund managers. If you are invested via a platform, you will receive an annual consolidated tax voucher detailing the distributions made during the tax year. You need to include this in your tax return. This also applies to accumulation units. If you are unsure, you should consult a specialist tax adviser.

In April 2017 the government changed the tax rules so that interest from OEICS authorised unit trusts and investment trusts may be paid without deduction of income tax.

It is possible to buy offshore unit trusts, but the income from them is paid gross and would need to be declared on your tax return.

INVESTMENT TRUSTS AND REAL ESTATE INVESTMENT TRUSTS (REITs)

Investment trusts and REITs are structured as public limited companies and are therefore traded on an exchange. Investors' money is pooled and treated as a fund. The fund invests in assets with the aim of creating a return in the form of capital growth and, in some cases, income to investors who are shareholders of the investment trust/REIT.

Investment trust and REIT managers may gear (borrow money) to provide further funds for investment, and this will be detailed in the trust's prospectus. The ability to gear may lead to both the investment profit and loss being greater than in a fund that does not gear.

Investment trusts and REITs are closed-ended and, therefore, there is a limited number of shares, unless approval is sought from shareholders to issue further shares. Being closed-ended means the fund's share price is related to the number of buyers and sellers of the shares and so the trust can trade at a premium or a discount to its net asset value (NAV – the value of the underlying investments). For example, if there is not great demand for the shares, the trust will trade at a discount to the NAV and the price per share will be less than the NAV per share.

Tax position

Within the investment trust itself gains are free from capital gains tax, but it pays corporation tax on income arising within the investment trust. Income paid to investors is treated as dividend income and will be taxed accordingly. Further details can be provided by your consultant. On disposal of your shares, you are subject to CGT on any gain made.

EXCHANGE TRADED FUNDS (ETFs) AND EXCHANGE TRADED COMMODITIES (ETCs)

ETFs are funds that aim to track or replicate an index, and ETCs aim to track one or more commodities. They are traded on a stock exchange and so can be traded throughout the day while the exchange is open. ETFs are usually associated with low costs as there is little active investment management in tracking an index. Not all ETFs and ETCs are physically backed by the underlying asset, and this can lead to counterparty risk.

Tax position

By owning an ETF, you get the diversification of an index fund as well as the ability to trade it like an equity, for example to short sell, buy on margin and purchase as few as one share. Another advantage is that the expense ratios for most ETFs are lower than those of the average OEIC. It should be noted that any purchases or sales of ETFs would be subject to stockbroking commissions, although there is no stamp duty applicable, unlike if you purchased an equity.

The tax treatment is, however, the same as for other funds.

TRUSTEE INVESTMENT PLANS (TIPs)

This is an investment wrapper provided by insurance companies to pension trustees. The TIP can be used to access the insurance companies' investment funds. These investment funds can invest in equities, fixed interest, cash, property and other assets depending on the fund's objective. Please refer to the asset class description section for an explanation of the types of risks.

There may be an indefinite delay for disinvestments from property funds where the fund manager is unable to realise the assets immediately, as the underlying property may not be readily saleable. Due to the high dealing costs involved in buying and selling property, if the amount of money being disinvested from the fund exceeds the amount being invested by all investors combined, there may be a significant reduction in the unit price.

Usually, increments can be made to TIPs and ad hoc or regular withdrawals can be taken. However, the TIP contract may impose penalties on certain withdrawals, for example on those taken in the earlier years. TIPs are normally categorised as long-term insurance by the FSCS. Therefore, if the provider becomes insolvent and is unable to meet their obligations, you may be entitled to claim from the FSCS.

ONSHORE INVESTMENT BONDS (UNIT-LINKED BONDS)

An investment bond is technically a single premium life assurance contract, although the life cover is only nominal. Investment bond funds are collective investments in which the investments of many individual investors are pooled. This pooling enables each investor to benefit from the economies of scale made available to institutional fund managers.

A wide choice of managed, general and specialist funds are available, offering investment opportunities in equity, property and fixed interest securities. Investment bonds enjoy the facility to switch between these internal insurance company funds if desired. Although classed as single premium investments, 'top-up' facilities are often offered for further amounts to be invested either on a regular or ad hoc basis.

Tax position

The ongoing tax treatment is simple if you make no withdrawals or restrict your withdrawals to a tax deferred amount of up to 5% of the original investment each year (to a maximum of 100% of the original investment). The 5% facility is a key feature of bonds since this is the amount you can take annually without attracting any immediate tax liability if you are a higher-rate tax payer. Additionally, the 5% tax-deferred withdrawals do not affect your age allowance or tax credits. If you are a basic-rate taxpayer, you would only have a tax liability if the withdrawal both exceeded the 5% and, when any gain is added to your current income, this pushed you into the higher-rate tax bracket for that year. The 5% facility can be rolled-up. For example, if you do not make a withdrawal in the first three years, in year four you can withdraw 20%. Moreover, these withdrawals do not have to be declared to HMRC in your tax returns.

There is a tax liability on the underlying investment funds. On encashment any calculated gain is averaged over the number of years the investment has been in place. When added to your other income if you remain a basic-rate tax payer, no further tax is payable. Furthermore, there is normally no personal liability to CGT.

If you are already a higher-rate/additonal rate tax payer or the average gain pushes you into higher-rate tax, you will be subject to tax on the whole gain with credit given for basic-rate tax already deemed to have been paid on the underlying investment.

When a chargeable event occurs (i.e. on death, full or partial surrender or maturity), any gain made will be added to your other income and taxed in full at the appropriate rate. However, the amount added to your income to determine if additional tax is payable is the average amount of gain, normally calculated as the total gain divided by the number of years the bond has been in force. This is known as the 'top slice' gain.

A further feature includes the ability to assign the bond, that is, pass it to another person, without triggering a tax charge. Similarly, switching within the bond does not trigger a personal tax charge, unlike with a unit trust where the disposal would be subject to CGT.

Note regarding offshore investment bonds

Residents of the UK, including companies, are free to invest in the equivalent UK investment bonds, offshore. For example, investment trusts, unit trusts and investment bonds are all available in offshore versions. These investments are normally managed by subsidiaries of the major UK companies based in areas such as Dublin, Isle of Man, Jersey and Guernsey.

Offshore investment bonds carry the same 5% tax-deferred withdrawal feature mentioned previously. When a chargeable event occurs, you pay tax on the entire gain made, due to the fact the funds grow largely free of tax while offshore.

The principal benefit of an offshore investment is that the underlying funds grow in a very low-tax environment. Another significant feature is you can control the timing and amount of benefit taken from the investment, therefore also controlling the amount and timing of the payment of any potential tax liabilities.

CAPITAL REDEMPTION BONDS

These are in many ways like investment bonds. The key difference is that having no lives assured, the capital redemption bond is not an asset that is affected by your death. Technically it is a vehicle where a contract or contracts of insurance are arranged in which, in return for one or more fixed payments, a sum or series of sums of a specified amount become payable at a future time or over a period of time. Such sums are based on actuarial calculations and so are not life assurance business.

In simple terms, a capital redemption bond is a policy of assurance that matures after a certain period of time, typically 99 years, with a minimum maturity value. In all other respects it is exactly the same as an investment bond in that it is possible to make withdrawals and surrender it.

Because there is a guarantee of a maturity value, most jurisdictions require the life office to set aside a percentage of the initial premium for this event. It is our belief that in the UK this is such a significant amount that no life offices based onshore in the UK offer such a plan – it is mainly companies based in the Isle of Man that offer them, generally for the same cost as a life assurance bond.

Tax position

Offshore capital redemption bonds are taxed in the same way as offshore investment bonds.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

Individual savings accounts (ISAs) are wrappers set up by the Government in 1999 to replace PEPs and TESSAs. An individual can invest without being subject to capital gains or income tax. In the 2014 Budget certain amendments were made to create a simpler, more flexible product, the New ISA. Stocks and shares ISAs can invest in direct equities or in collective investment funds such as OEICs and unit trusts.

Any UK dividend income in a stocks and shares ISA is tax free. You can only save and invest in ISAs if you are resident or ordinarily resident in the UK for tax purposes, a Crown employee serving overseas or married to, or in a civil partnership with, a Crown employee serving overseas.

There is a limit to how much can be invested in an ISA per tax year. This was increased to £20,000 per tax year from April 2017, covering cash ISAs, stocks and shares ISAs and the new lifetime ISA.

The government introduced the lifetime ISA in April 2017. These can be opened by individuals aged between 18 and 40, allowing them to save up to £4,000 per tax year with the government providing a 25% bonus. The bonus accrues up to age 50. However, a 25% charge on the amount withdrawn will be levied if you do not use the savings to purchase your first home or you access the funds before age 60.

You can only put money into one of each type of ISA in any one tax year. However, ISAs are permitted to be transferred between providers. You can transfer all or part of the ISA monies from previous years, but if you wish to transfer money in an ISA from a current tax year, you must transfer all of it. In addition, cash and stocks and shares ISAs are permitted to be transferred both ways between types.

Since 6 April 2016, the government has allowed ISA savers to withdraw and replace money from certain ISAs without this counting towards their annual ISA subscription, provided they make a repayment in the same tax year, and the ISA is deemed flexible.

If an ISA holder dies their spouse or civil partner is allowed to invest an amount equivalent to the deceased's ISA into their own ISA via an additional allowance. This is in addition to their normal annual ISA limit for the tax year and applies to deaths on or after the 3 December 2014.

JUNIOR INDIVIDUAL SAVINGS ACCOUNTS (JISAs)

JISAs were launched on 1 November 2011 and have many of the same features as adult ISAs. They were intended to replace child trust funds (CTFs) as these are no longer available to new subscribers, although unlike CTFs, JISAs will not receive any government contributions.

To satisfy eligibility, children must be resident in the UK and either (i) be born on or after 3 January 2011, (ii) be under 18 and born before September 2002, or (iii) not already have a CTF if born between these dates. Existing CTFs can now be transferred over to JISAs.

Any person or organisation can contribute to a JISA, but the account is held in the child's name. Contributions by anyone other than the child would qualify as a gift for IHT purposes, but the £3,000 annual exemption and/or the normal expenditure for income exemption may be available to cover such gifts. Like adult ISAs, JISAs are not subject to capital gains or income tax and are available as stocks and shares or cash accounts. However, while only one of each type is permitted to be held, switching is permitted both ways between types and providers. In addition, a CTF can be transferred to a JISA. The child has a limit of £9000 per tax year (2020/2021) across both JISA types. The limit is due to be updated annually in line with the consumer prices index (CPI), as is the CTF limit. However in 2020/2021 the increase was more than double from £4,368 in 2019/2020. The CTF limit was also increased to £9000 in 2020/2021.

Where money given by a parent to a child produces a gross income of more than £100 a year, the parent is liable for tax on all the income. However both CTFs and JISAs avoid this by forcing the parent to give up all control of the money. No withdrawals are allowed until the child reaches the age of 18 and then it is legally their money. Until the child is 16, the JISA must be managed by a person with parental responsibility for the child. At 16, the child may take on the management, if they wish. At age 18 the JISA is converted into an adult ISA. JISA contributions will not impact upon adult ISA limits, i.e. at 16 a child can open an adult cash ISA and at 18, an adult stocks and shares ISA, regardless of whether a JISA has been subscribed to for that tax year.

NATIONAL SAVINGS AND INVESTMENTS (NS&I)

NS&I is an executive agency of the Chancellor of the Exchequer and offers a range of savings and investments such as Income Bonds, which pay a variable monthly income, and Premium Bonds, which pay no interest but offer a chance to win a monetary prize every month. There is a wide variety of NS&I products although they may not always be available.

NS&I is backed by HM Treasury and is therefore considered as more secure than a bank deposit. Your investment with NS&I is effectively a loan to the Government, and HM Treasury uses this loan to manage the national debt. Some of the most popular NS&I products are:

Guaranteed growth bonds

These have a fixed term with a guaranteed rate of interest dependent on market interest rates at the date of issue. Interest is paid net of basic-rate tax. Higher-rate taxpayers should include the interest on their tax returns.

Income bonds

Income bonds pay a monthly income at a variable rate of interest. You can invest between £500 and £1 million. You can withdraw from the bond without notice or penalty. The interest is paid gross but is taxable at your highest rate.

Premium Bonds

Premium Bonds are an investment where, instead of interest payments, you have the chance to win tax-free prizes. The minimum purchase is £25, and you can hold up to £50,000. Prizes are free of UK income tax and CGT and do not need to be declared on your tax return.

VENTURE CAPITAL TRUST (VCTs), ENTERPRISE INVESTMENT SCHEMES (EISs) AND SEED ENTERPRISE INVESTMENT SCHEME (SEISs)

VCTs, EIS and SEIS are approved by HMRC and are designed to encourage individuals to invest indirectly in smaller UK companies by building in tax benefits. This also allows the qualifying companies, which are always small and generally considered to be high-risk, to raise finance. VCTs, EISs and SEISs invest in qualifying unquoted and AIM-listed companies.

Qualifying companies must meet a number of rules relating to, for example, the amount of money they can raise and the number of full-time employees. In addition, there are excluded trading activities, for example, dealing in land, commodities, futures, shares or other financial instruments.

Unquoted and AIM-listed companies can be higher risk than fully listed companies and are not as readily marketable or realisable. Tax legislation may change in the future, which may affect VCTs, EISs and SEISs. There is no guarantee that a company will remain qualifying as a VCT, EIS or SEIS. However, a fund or portfolio manager should only invest in companies that they believe will remain qualifying.

The suitability of a VCT or an EIS will depend on your personal circumstances and you must meet certain criteria to achieve the tax benefits. Due to the nature of the underlying assets, VCTs and EISs should be considered as illiquid investments, and therefore there can be delays on encashment. You should be prepared to invest in a VCT or EIS for the longer term, at least five years in a VCT and at least three years in an EIS.

Tax position

Tax legislation may change in the future that may affect VCTs and EISs.

VENTURE CAPITAL TRUSTS (VCTs) IN THE CURRENT TAX YEAR

The maximum you can invest into a VCT is £200,000 per tax year. You can claim income tax relief of 30% on new shares only, which is based on the gross investment amount. The investment must be held for five years otherwise your relief can be withdrawn.

Dividend relief is available along with CGT relief on both new and second-hand VCT shares.

Dividends paid by the VCT are free from any additional tax liability in the hands of the investor.

ENTERPRISE INVESTMENT SCHEME (EISs)

The maximum you can invest into an EIS is £1,000,000 in the current tax year, and the initial income tax relief is 30%. There is an additional £1m allowance for investment in knowledge intensive companies. However, this is based on the net investment amount not the gross subscription amount as for a VCT. This tax relief can be carried back one year and applied to the previous tax year's income tax liability.

You must hold the investment for three years (from the date the monies are invested into the underlying companies as per the EIS3 certificates), otherwise income tax relief will be withdrawn on sale.

SEED ENTERPRISE INVESTMENT SCHEMES (SEISs)

The rate of income tax relief is 50%. However, the maximum you can invest for one tax year is £100,000 (2019/20). You can make a claim for relief up to five years after the 31 January following the tax year in which you made the investment.

Tax payers can roll over a chargeable gain on the disposal of assets in the tax year into shares qualifying for SEIS income tax relief, with a 50% CGT deferral and the remaining gain being exempt.

VCT, EIS and SEIS tax relief can be applied to all taxable income including PAYE, rental income and dividend income. Relief can only be claimed where there is sufficient tax liability to offset.

Disposal relief allows you to not pay CGT on a gain made within your EIS or SEIS investment upon sale providing it has been held for three years.

EIS loss relief exists if you sell your EIS shares at a loss after any income tax relief is deducted; if this is to be claimed against income tax rather than CGT it needs to be claimed by the 31 January following the tax year in which the loss was made.

Structured Products Fund

Structured products can provide the following four benefits to a portfolio:

Uncorrelated Returns. A Structured Product could pay a return linked to an underlying asset that goes up, down or has not moved from its start level at maturity.

Leverage. Structured Products can provide a leveraged return, so the return on the structured product could be greater than if the underlying asset was invested in directly.

Access. Structured Products can give investors access to asset classes that individual investors cannot normally access. Commodities and Inflation are examples of this.

Protection. Structured products are intended to protect your initial investment unless financial markets move substantially (commonly a fall greater than 40%).

The Mattioli Woods Structured Product fund provides all the benefits of structured products plus the additional benefits of liquidity, transparency and collateralisation. The fund can be traded daily, the holdings of the fund are published on our website, and collateral is held in the form of UK government bonds to protect against counterparty default. The Mattioli Woods Structured Products fund also gives instant access to a diversified basket of individual structured products, further reducing your risk. Each structured product is an investment into a domestic, international, and/or sector-specific index, or a range of those indices. The Fund itself is designed to deliver growth, with volatility less than that of leading global equity indices over the long term. Mattioli Woods has employed two advisers with over 25 years of investing in structured products to manage the investments in the fund. Since the fund was launched in November 2016, it has attracted well over £200 million of client money and has invested in a widely diversified portfolio of structured products.

ADVISORY AND DISCRETIONARY INVESTMENT MANAGEMENT

Investment management can be provided as an advisory or a discretionary service. With an advisory service, your authorisation is required to make any changes to your investments. With a discretionary service, your investments will be managed on your behalf with respect to your agreed mandate and therefore no authorisation would be required from you to make investment changes.

PLATFORMS

Platforms are administrative wrappers for investing in various products and funds. The availability of products and vehicles varies between platform providers. Investing through a platform does not result in an investment in the platform provider; they generally provide administration services only. The main benefit of using a platform is the ability to invest in different funds and products through one structure.

RISK WARNING

The information contained in this document is based on our current understanding of the prevailing legislation, which is subject to change. While every endeavour has been made to ensure that our interpretation is correct, Mattioli Woods plc cannot give any guarantees in this respect and accepts no responsibility for any errors of fact or opinion and assumes no obligation to provide you with any changes to our assumptions.

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The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

Authorised and regulated by the Financial Conduct Authority.

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