Portfolio review notes

This document provides important background information, risk warnings and caveats which you should take into account in conjunction with our portfolio review letter.

If you have any questions on any of the issues raised, please do let us know.

Risk warnings

The value of investments will fall as well as rise, past results are no accurate guide to the future and there are no guarantees concerning the amount you will receive back on sale, since this depends on unknown future market conditions.

Fund selection and research

Atkins Bland carries out comprehensive research into investment markets and investment funds available to access these and any advice we give reflects this.

The detailed data we have analysed is held at our Ferndown office and is available on request.

High cost funds

While we are always mindful of a fund management charges and quoted costs, there are occasions where we feel the specialist nature of a fund makes it a good selection, despite high quoted running costs.

It is important to note that, with these, the fund manager charges are normally in line with others, and it is the treatment of other costs and expenses that make the total quoted figure so high. The reason is often because a fund invests in a range of investment trusts, which themselves have management fees and various expenses, such as borrowing costs, and these must be included in the cost calculation.

Although all trading companies also have management costs and expenses, including borrowing costs in many cases, these do not get included in the quoted costs of a fund holding them, and this lack of a level playing field based on what type of shares a fund invests in needs to be considered in the selection process.

When we recommend a fund with high quoted costs it is because we believe the opportunities for investors, after all costs, are attractive. However, we can never know in advance if this judgement will be validated by future results and, if required, we are able to exclude all investments in this category. If you would like us to do this, please let us know.

Socially Responsible Investing (SRI)

After decades dwelling a bit on the fringes of investment planning, SRI has, at last, come of age and is gaining more and more traction. This is partly down to heightened global awareness of the issues SRI is concerned with, and particularly those relating to protecting the environment and our biodiversity, and partly the expanding choice of investment in the category.

We are not evangelical and recognise it is for each person to decide their own priorities, be it in investment planning or any other area of life, but we welcome the opportunity to discuss SRI options and to build these into our advice process.

If this is something you would like to look at and review in terms of your own portfolio, please do let us know.

To provide background on the subject and explain how we approach the complex world of SRI Atkins Bland has produced a "*Guide to Socially Responsible Investing*", which is available on request.

Caveats

Any advice in your review is designed to bring your strategy in line with our views on market and economic outlook but future investment market movements and returns cannot be known in advance and any changes recommended might reduce returns rather than improve them.

Atkins Bland fund switching fees

Details of our payment terms for fund switching are set out in your client agreement, a further copy of which is available on request.

Our fees are taken directly from your portfolio and exact figures are set out in transaction confirmations following completion of any fund changes.

While any advice to allocate money to new investments reflects our opinions on market outlook and a belief that the change should enhance the portfolio performance in the future, after taking into account all costs, it must be remembered that there is no guarantee that our recommendations will produce better rather than worse results than would be experienced if no change took place.

Charts & Calculations

Any charts in your review have been generated using the wrap administrator's portfolio analysis tool. The asset performance chart tracks the performance of your portfolio as though it were a unit trust, with an initial unit price of 100 set at inception. As the value of your portfolio changes over time, this is reflected in the portfolio "price" and illustrated graphically. The asset performance chart only reflects the performance of the underlying assets which comprise your portfolio, and not the timings of deposits, withdrawals and income.

Calculation of performance based on unit pricing principles is a very complex process. The reports included in your review are estimates and not intended to provide definitive statements of performance. While every care has been taken to provide accurate information, we can accept no responsibility or liability for any errors or omissions.

Your Internal Rate of Return (IRR) represents the cumulative realised and unrealised capital gains and losses of your investments, plus income from the investments, over a period of time. The IRR takes into consideration the timing of your personal deposits and withdrawals.

All figures and calculations take into account the effect of fees on performance.

Fund Key Information Documents

Where new collective investments are recommended, we will enclose the Key Information Documents (KIDs), as required by our regulators.

A KID sets out information on a fund in a prescribed format. In some cases, the detail is reasonably comprehensive but, in others, especially with Investment Trusts, the information does not include much of an explanation about the fund's investment strategy, philosophy or current asset allocation approach. This information is, however, available via the funds 'fact sheet'.

Rather than add to an already daunting quantity of documents, we have only enclosed the KIDs which are required, but the fact sheets are readily available. If you are interested in seeing these, please do let us know.

In the meantime, we should point out that a KID may show a risk score which differs from our own current classification. This is because our own risk ratings are dynamic, based on current financial conditions, whereas those quoted in KIDs by fund managers are usually fixed, so do not take into consideration current valuation levels or other variable factors.

It is also important to explain that, in many cases, KIDs refer only to the 'retail' share class so may show higher charges than apply with the lower cost share classes available to those using a platform or wrap account. This is an aggravation but, since we are obliged to send these KIDs out, we must do so, even though some overstate actual costs so are not as accurate as would be ideal.

Where we recommend an investment which is a listed share rather than a collective investment, there are no KIDs or Fund Fact Sheets available, but our research is available on request.

Additional risks with Investment Trusts and other "closed ended" funds

Investment Trusts and other closed ended funds differ from other collective investments funds since they are quoted shares, with prices impacted by supply and demand for the shares in the fund, rather than just by the quoted value of their underlying holdings.

This means they can trade at a price well below their "Net Asset Value" (NAV) or significantly above this, and the difference between the price and NAV can vary substantially over time.

In addition, Investment Trusts are able to borrow money to "gear" their portfolio, which can increase gains if markets are favourable but increase losses if they are unfavourable.

There is, therefore, an additional risk attached to Investments Trusts since the fund's share price can fall more than any drop in the value of the underlying assets. This goes hand in hand with the fact that the share price can also rise more than the increase in the market value of the assets it holds.

We identify funds in this category in our buy recommendations by using the ending "Investment Trust" in the title, even where it is not actually an Investment Trust but a different version of a closed ended fund.

Please be aware that, with these, you are likely to experience larger swings in values than would apply with an equivalent unit trust or OEIC (Open Ended Investment Company) fund.

In extreme cases gearing could result in the premature winding up of an investment trust and total loss of capital.

Our *Guide to Investment Trust Pricing* and *Guide to Investment Vehicles* give additional information on this subject and are available on request.

Investment Trusts are not covered by the Financial Services Compensation Scheme and therefore a shareholder cannot make a claim in the event that the Investment Trust becomes insolvent.

Ongoing charges with listed shares

Where an investment is set up as a listed share, the FCA disclosure regulations for management costs do not apply, so the figure quoted is 0%. However, this does not mean there are no underlying costs for the management of the company and for its operations, as clearly there always are.

Our risk classification of these investments

Our fund specific risk classification system uses numbers instead of the word-based approach we use for overall portfolio risk. This is structured so "1" is very low risk and "9" is very high risk, which makes "5" average risk.

However, the arithmetic mean of the individual fund risk scores cannot be used to assess the overall portfolio risk score since there are other factors to consider. Details on this are in our "*Guide to Atkins Bland's Fund Specific Risk Classifications"*, which is available on request

Each risk classification is determined on the basis that the investment is held for the minimum recommended holding period of five years. If the holding period is longer than five years, the risk score might be lower. Conversely, a shorter holding period might mean a higher risk score.

We normally reserve a score of 9 for individual shares in trading companies or other investments where full loss of capital is possible. Shares in individual trading companies are exposed to the fortunes of just one company, rather than a wide range of companies as applies with an investment fund. This means that an individual company shareholding can become worthless if the company fails, which is not normally possible with an investment in a fund, although there are exceptions to this generalisation.

Please remember that the risk characteristics of an investment can change over time, since prevailing values and the economic climate can both have an impact

Further information on the general subject of investment risk and its relationship with timeframe is available in our *Guide to Investment Risk.*

Benchmarks

We use benchmarks to assess portfolio performance. We do not use them to guide portfolio allocation.

This means that our asset allocations may differ significantly from the construction of the benchmark and our recommended exposure to equities (shares) may differ from the range used in the corresponding benchmarks, as our advice reflects our views on the merits and risks of different sectors, which inevitably change over time.

We have historically used data provided by the Investment Association (IA) based on the actual performance of publicly available multi-asset managed investment funds in different risk classifications.

Following a routine review at the end of 2022, we decided to introduce a second set of benchmarks, using data provided by Asset Risk Consultants (ARC). These are based on the reported results from a number of the UKs largest private client portfolio managers, again grouped by risk strategy.

The data from ARC is drawn from private client portfolios, not funds, and so more closely aligns to the structure of the portfolios we advise on.

We believe that, by providing data from both ARC and the IA, we can deliver a more comprehensive set of comparator benchmarks for clients to refer to.

As the ARC data is drawn monthly, our charts will now use month-end data. However, all other figures in the review will continue to refer to daily data.

For more information on our approach to benchmarks the *Guide to Atkins Bland's Use of Benchmarks* is available on request.

Adjusting allocation to reflect amount raised from sales

Markets can be volatile, and we are unable to know exactly how much will be raised from the sale of a holding. While we try to take this into account by allowing some leeway and retaining a float, it is possible that the sale proceeds from selling 100% of investments can be lower than assumed in your advice letter.

In this event, we will reduce the amounts redeployed to reflect this, and, if divided between more than one new holding, use a broadly pro-rata basis, but rounded to the nearest £50.

Timing of cash movements between wrappers after a sale

When we are raising cash in one facility and moving it to another before re-investment, there will be a delay in the reinvestment pending receipt of cleared funds from the sale. This could be up to 7 working days.

This could mean buying fewer or more shares than would have been the case if the delay did not occur, so can cause a gain or a loss compared with the option of buying without first transferring to another sub account.

We can avoid this by moving the shares to be sold "in specie" first, before selling. However, that involves a stamp duty cost of 1%, and we feel that is best avoided.

Possible delay on withdrawing money from property funds

Where funds invest in real asset property the managers may delay a withdrawal if this is considered necessary to protect the interests of shareholders. This would typically be when there are high levels of withdrawals and a sale of a property is required to raise the cash needed. If you are uncomfortable with this please let your adviser know since this would alter the advice.

Other advice available

Atkins Bland is able to provide you with advice on a wide range of issues including;

- Funding for retirement- including an appraisal of plans in place against estimated needs
- Estate and Inheritance Tax planning
- Income and Capital Gains Tax planning
- Long term care funding
- Assessing a need for financial protection from the impact of ill health or death (we do not provide advice on life insurance and protection policies)

The Financial Conduct Authority does not regulate Tax or Estate Planning.

If you, a member of your family or anyone you know would like advice in any of the above areas or would like a general financial planning review, please do let us know.

Important notes

Any opinions expressed on the merits or disadvantages of any options are intended as a general comment only and not as specific advice to the reader.

This document is intended as a supplement to full independent advice and not as a replacement for it and should be read in conjunction with any personalised recommendations provided by Atkins Bland Ltd and with any product brochures supplied.

The value of investments will fall as well as rise, as can any income produced or generated. An investor may, therefore, get back less than invested.

Inflation can reduce the real value of capital and the income it generates.

Past investment performance is not a reliable guide to the future.

Investment Trusts are not covered by the Financial Services Compensation Scheme and therefore a shareholder cannot make a claim in the event that the Investment Trust becomes insolvent.

Any reference to taxation, regulation or legislation is based on our current understanding and details should be checked before any reliance is placed upon its accuracy.

The impact of taxation and tax planning depends on individual circumstances and may be subject to change, which can be retrospective.

The Financial Conduct Authority does not regulate Income and capital Gains Tax planning or Estate and Inheritance Tax Planning.

Errors and omission excepted.

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Atkins Bland

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