

Advantages of using Funds

Funds have a number of beneficial advantages over model portfolios, a number of which are listed below. It should be noted that we provide a full look through of our Funds' underlying holdings on a monthly basis.

Fees

The Ongoing Charges Figure (OCF) of our Funds is 1.00% (regardless of the portfolio value). The charges for fund expenses and management will be collected within the Fund. That means you do not need to take income out to pay these charges – so you are not liable for that tax. There is NO additional DFM fee.

Increased tax efficiency

Inside the Fund, investments are bought and sold without triggering a Capital Gains Tax (CGT) event. This means a client is not liable for CGT on any gains until they sell some or all of their holdings within the Fund.

In addition, fixed interest income is treated as dividend income, not interest. Therefore, the income is not taxable because dividends are not taxable if held in a Fund. By contrast, the interest received from fixed interest funds held directly, would be taxable.

Improved frequency for trading

We can instruct daily trades on behalf of clients – this will carry substantial benefits for investments when the ability to act quickly and decisively is paramount (as happened in the COVID-19 crisis).

Less time “out of the market” when switching Underlying Funds

In Model Portfolios, when we sell a Fund and buy another, there is typically a delay of two to three days before the deal is processed by the platform. This means time out of the market when you could miss out on gains and end up paying more for your new investment. With the Fund, buys/sells/switches can be executed on the same day.

Accurate monthly & quarterly reporting

Clients receive regular reports on the detailed holdings within the Fund which is accurate to their individual return. All clients investing in the Fund get the same return in any given period. The accuracy of a model portfolio return depends on how well the investment decisions were carried out by the platform used by the client.

Wider range of specialist investments

Because investments are pooled in a Fund, it opens the door to buying a wider range of assets, including alternative investments and investment trusts.

Ongoing management in probate

In the unfortunate event that an asset owner dies, holdings in Funds simply continue to be managed as normal. The same cannot be said for model or advisory portfolios with an appointed DFM. In many cases platforms will freeze the models at current holdings until assets are released from probate, sometimes leaving an unmanaged portfolio for years. In other cases, platforms can sell down the holdings leaving the estate with uninvested cash until released from probate.

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