



**First  
Service  
Financial**

## **Client Services Brochure**

**If you would like this document in larger print or in another format, please contact us**

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*First Service Financial Ltd is authorised & regulated by the Financial Conduct Authority*

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## Firm Background

First Service Financial provides holistic financial advice services for individuals, businesses and trusts across the United Kingdom on investments, savings, retirement planning, non-investment insurance (for example life assurance, critical illness cover) and mortgages (including lifetime mortgages and equity release).

We use state of the art technology enabling us to meet our client's financial needs and objectives in the most cost-effective way. This is important because there are thousands of different options available and our clients want to be certain that any investment, pension, mortgage, or insurance recommendations that we present for consideration are the most appropriate to their individual needs. In other words, recommendations that are totally in our client's interests - not someone else's.

We are authorised and regulated by the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN [www.fca.org.uk](http://www.fca.org.uk) tel: 0800 111 6768. Our firm reference number is 479175.

**We're passionate about making our services accessible and easy to understand. If you have any particular support needs, please let us know, so that we can accommodate them. Please contact us if you have any questions or would like to talk to us in more detail about the services we can provide.**

## What do we offer?

First Service Financial offers independent holistic advice on packaged retail investment and insurance products (these include but are not limited to pensions, investment bonds, units, annuities, ISAs and savings plans) and structured investment products only. Our recommendations will be based on an assessment of a range of relevant products that are sufficiently diversified in terms of type and provider to ensure your investment objectives can be suitably met.

Financial instruments and products considered include:

- Unit trusts
- ISAs
- Investment bonds
- Exchange traded funds
- Open ended investment companies
- Structured products, incl. structured deposits
- Term assurance
- Venture capital trusts
- Pensions
- Annuities
- Enterprise investment scheme
- Phased retirement & income drawdown
- Critical illness cover
- Income protection
- Long term care
- Investment trusts

Further details of the First Service Financial investment strategies can be found in the investment proposition section of this document.

## Client Categorisation

So that First Service Financial can treat its clients according to their knowledge and experience of investments, the Financial Conduct Authority requires us to put our clients into one of the following three categories:

- Retail client
- Professional Client
- Eligible counterparty

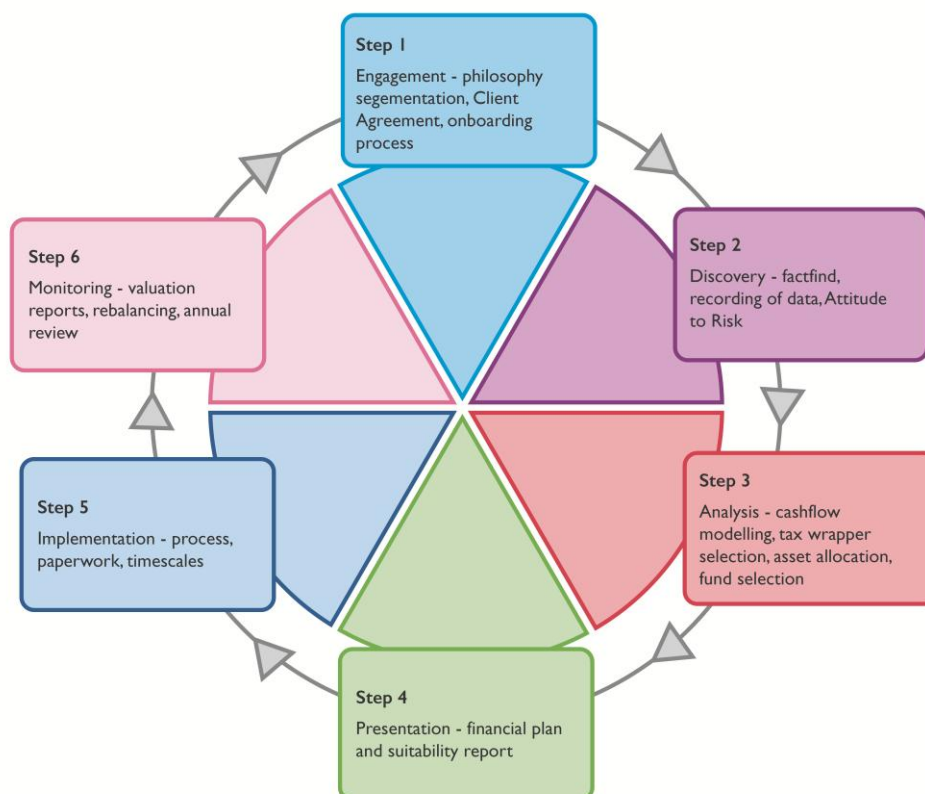
It is our policy to treat you as a retail client in order that you are given the highest level of protection available under the UK's regulatory system – please refer to the 'product cancellation rights' contained within the providers key features document. If this status does not apply to you, you can inform us of your correct status in writing. Please note, all communications between you and us will be made in English.

## Our Financial Planning Process

As a financial planning business, we are focussed on helping you understand and plan for your financial future. By working with you, we aim to have a full understanding of your current financial position, your objectives and identified needs.

The reason for obtaining this information is to assess which solutions may be suitable for your needs and to enable First Service Financial to act in the best interests of you, our client. We are committed to treating all our clients in an open and fair manner.

## Advice Process



**Footnote: Step 5** – An example advice fee due on drawdown and transfers from defined contribution pension schemes – 4.5% on the first £50,000, plus 3% for amounts over this and between £50,000 & £100,000, a further 2% for amounts between £100,000 & £200,000 and 1% on amounts above this. Minimum fee of £750 for non-pension advice and £1,250 for pension advice and maximum fee of £20,000.

**Step 6** – Annual Review (Ongoing service) – 0.80% or 1% of investment value will be deducted from the investment fund and could be taken either monthly, quarterly, six-monthly or annually. (Minimum fee of £450).

*Please see our Client Agreement for all advice types charges and fees.*

**Our advice proposition is at the very core of our client service and it is crucial that all parties have a full understanding of it before we produce any client recommendations.**

## Our First Meeting - This meeting is at our cost\*

### Finding out about us

- We'll introduce ourselves and provide you with a business card confirming your adviser's contact details.
- We'll discuss our services and give you a copy of our Terms & Conditions and Client Agreement outlining our services and how we intend to work with you.
- We'll also discuss the charges for our services.
- All actual charges and fees (in pounds and pence) will be agreed with you before we do any work and we'll explain your payment options too. First Service Financial is not registered for VAT.

### Finding out about you

- The main purpose of our first meeting is to find out more about your financial circumstances and objectives. Normally, we'll collect this information by completing our Fact Find.
- It would be helpful if you could bring along to this meeting, details of any policies, schemes, investments, mortgages, financial outgoings, wills, interests in trusts that you already have.
- Depending on your circumstances, you may want to invite other parties to this meeting such as your spouse, your children or other professional advisers.
- It's important that you provide us with the information we request about your circumstances and objectives to allow us to provide you with the appropriate advice and services. It's also important that you do not unreasonably withhold any information. All advice that we give will be based on the information you provide in order to assess suitability and this information enables the firm to act in the client's best interests.

- If you specifically instruct us that you do not wish to discuss a particular area of financial planning, and that area should not form part of the advice given, this will be treated as 'limited advice' and we'll exclude any areas you have specifically requested us to do so. In such cases however please be aware that limiting the information provided may affect the completeness of the advice we are able to give and could affect how appropriate our advice is to your circumstances.
- One of the most valuable things we can do for you is to draw out a clearer vision of your financial future. We can help you understand what options you have around longer-term issues, such as retirement, estate planning and looking after your family. If you have an obvious and immediate need, we can also help you to meet this, in the form of a financial product.
- You may even find you have financial needs you've not yet considered. Our professional experience can help to tease these out and address them for you.
- Once your financial needs are clear, the next step is to understand your priorities. Depending on the amount of disposable income and investable wealth you have, maybe you'll be able to satisfy all your financial needs. Or you might need to prioritise some over others. Your adviser can use their expertise to help you work things through in this area and develop a plan of action that suits your personal situation.
- Where we are providing advice on investments, one of the key areas we will explore is establishing how much risk you are prepared and able to take with your money. Understanding what risk really means to you, is critical to the investment decisions you make.
- At this stage we may ask you to sign any authority forms that may be needed so that we can act on your behalf, for example to obtain the current valuations of your existing investments.
- We are obliged to put in place controls to prevent our business from being used for money laundering and other forms of financial crime. This means that we'll need to verify your identity before undertaking any business with you.
- It would be helpful if you could bring along to the meeting evidence of your identity and address. This would normally include either your passport or driving licence and a recent utility bill in your name. If these documents are not available, please speak to your adviser who will confirm what alternatives would be acceptable

**This meeting will typically last between one and two hours, depending on the complexity of your situation.**

\*The cost will be incorporated within the initial fee, which payable only if you proceed with our recommendations

### **Analysing Your Requirements – This work is undertaken at our cost\***

- Where necessary, we'll forward your authorities to obtain additional information from the relevant product providers. We may also need to contact you for further information and ask your permission to liaise with your other professional advisers (e.g. accountant, solicitor).
- Once we have all the necessary information in place, we'll undertake our research to assist us in identifying appropriate plans and solutions which will help you to achieve your objectives. As part of identifying appropriate solutions we take into account areas such as:
  - ✓ Your attitude to and understanding of the risks involved;
  - ✓ Timescales relevant to your objectives;
  - ✓ Appropriateness of products and investments, including types of fund, where these are invested and how these fit with products or investments you may already hold;
  - ✓ Tax efficient investments and planning - We'll try wherever possible, to consider tax efficient opportunities and in this respect, we may need to liaise with your tax advisers (please note that the Financial Conduct Authority does not regulate tax advice); *and*
  - ✓ Costs and charges.
- We'll set out our recommendations in a financial planning report.

**The research process and preparation of your report will typically take between 3 – 6 weeks to complete. We'll keep you informed during this time and let you know if there are any delays. An outline of our investment proposition can be found later in this document**

\*The cost is incorporated within the initial fee, which is payable only if you proceed with our recommendations.

## Our Second Meeting - This meeting is at our cost\*

### Presenting our recommendations

- Depending on what we have agreed, we'll send you our report to review or we'll arrange to meet again and discuss it.
- Depending on your circumstances, you may want to invite other parties to this meeting such as your spouse, your children or other professional advisers.
- Our report will outline your current position and detail our professional observations and recommendations.
- In developing our recommendations, we'll always look to agree a solution for you that strikes the right balance between your financial needs and objectives, and the amount of risk you are prepared and able to take in achieving them. Sometimes that means you'll need to compromise, and your adviser will be able to identify where that is the case and build it in to your plan.
- The report will also contain the supporting information behind our recommendation including where applicable, illustrations and brochures for any financial products recommended.
- The costs associated with our recommendation(s) will also be confirmed in our report.
- If further meetings are required these will be discussed and agreed.

**Our second meeting will typically last between one and two hours, depending on the complexity of your situation.**

\*The cost is incorporated within the initial fee, which is payable only if you proceed with our recommendations.

## Implementation

Payment is due to us at this stage should you decide to go ahead with the advice and recommendation(s). If our recommendations involve putting in place any financial products, once we have received your instructions, we'll forward the completed application forms and payments on your behalf.

A personalised illustration will of course be provided before you proceed with the advice and we will only start work once we have agreed our services and charges with you. The services agreed are set out in the Client Agreement and confirms how much the service will cost.

At this stage you will be liable to pay an 'initial adviser charge' to us. Our Initial charges relating to new work such as pensions, new investments and one-off reviews are detailed below. This service typically includes:

- ✓ an initial meeting to find out more about you;
- ✓ agreeing your financial goals and objectives;
- ✓ establishing your attitude to and understanding of financial risk;
- ✓ reviewing your current plans/investment;
- ✓ undertaking research to identify appropriate plans and solutions
- ✓ assessing the potential impact of key events on your plan – cash flow modelling (if appropriate);
- ✓ providing a personalised report with appropriate recommendations; *and*
- ✓ a face to face meeting to discuss our recommendations and subsequent implementation of the agreed recommendations.

## Risks of Receiving Financial Advice

There are several risks associated with obtaining financial advice – these include:

- Taking out products that aren't affordable for you;
- It does not consider whether you want to save for the long or short term;
- The advice provided isn't suitable for the risk you want to take; *and*
- The advice does not consider your tax position.

First Service Financial will of course take all these risk factors into account when making a recommendation to you, to help mitigate these risks. It is also important to point out that First Service Financial are an independent financial adviser and, as such, we will be able to look at the whole of the market for the financial instruments we consider (see page 2).

## Ongoing Support

**Our ongoing service is optional** - If you agree to purchase this service, unless otherwise agreed, the service will be provided as a follow up to the initial service. Ongoing charges can be paid in several ways:

- A regular fee paid by standing order; *or*
- By deduction from your investment(s) on a monthly, quarterly, six-monthly or annual basis, where the product / platform provider is able to offer this facility

For investments held on a platform (an online investment administration service) you can choose to pay our charges out of the funds held in the platform cash account or directly when appropriate/required. It is important to maintain enough funds in the account to cover our charges as they become payable.

**We offer two levels of ongoing service:**

### Option 1 – Premier

Our **Premier** service offers an annual review designed to make sure that your investment portfolio stays on track to meet your financial goals. This service includes:

- ✓ an annual face to face/telephone meeting (your choice) with your adviser;
- ✓ an annual review of the suitability information you have already provided to us and your financial goals and objectives;
- ✓ an up to date valuation of your current investments;
- ✓ a review of how your investments are invested and have performed;
- ✓ assessing the potential impact of key events on your plans – cash flow modelling (if appropriate);
- ✓ a written report setting out the results of the review and confirming any changes recommended and made or if the recommendation is to remain;
- ✓ implementation of any agreed changes;
- ✓ access to our team to deal with ad hoc queries; *and*
- ✓ a quarterly news bulletin updating you on current financial issues.

### Option 2 – Premier Plus

Our **Premier Plus** service offers two reviews per annum and is designed to make sure that your investment portfolio stays on track to meet your financial goals. This service includes:

- ✓ two face to face/telephone meetings (your choice) with your adviser per year;
- ✓ a bi-annual review of the suitability information you have already provided to us and your financial goals and objectives;
- ✓ an up to date valuation of your current investments;
- ✓ a review of how your investments are invested and have performed;
- ✓ assessing the potential impact of key events on your plans – cash flow modelling (if appropriate);
- ✓ a written report setting out the results of the review and confirming any changes recommended and made or if the recommendation is to remain;
- ✓ implementation of any agreed changes;
- ✓ access to our team to deal with ad hoc queries; *and*
- ✓ a quarterly news bulletin updating you on current financial issues.

## First Service Financial's Investment Proposition

This section provides information about First Service Financial's Centralised Investment Proposition (CIP). A CIP is a standardised approach to providing investment advice. Our CIP has several options for investing that will meet the majority of a typical client's needs and requirements. The standardised approach lends itself to the consistent application of investment strategies while keeping costs and charges manageable.

In the event that a bespoke proposition is required, our research will accommodate this, and an individual proposition will be recommended to you. The First Service Financial's CIP offers three different investment propositions, designed to meet most client needs, namely:

1. Discretionary Model Portfolio Service (Discretionary Investment Management (DIM) by Copia Capital Management);
2. Multi-Asset Passive Portfolios (Vanguard) – Low Cost;
3. Multi-Asset Smoothed Funds (Prufund Risk Managed)

Discretionary investment management is where the investment manager, the person making decisions with regards to the most appropriate balance of investments in a portfolio, has discretion to make changes to your portfolio as and when they deem appropriate based on a set investment mandate. The decision as to which investment proposition is to be offered to clients will depend upon:

- The amount you wish to invest;
- The degree of future involvement you require with ongoing investment decisions;
- Your knowledge and experience of investments / investment products; *and*
- Your attitude to investment risk.

In this document, we outline how each of the four propositions works, who they are aimed at, the associated risks, the costs and charges, and what reports you will receive.

## Asset Allocation

Asset allocation involves the distribution of capital to various asset classes (such as equities and bonds) and geographies. It is based on the principle that the values of different assets react in different ways to changes in economic and market conditions.

The investment objectives for each of the portfolios, together with the asset allocation and typical client risk profile (ATR), are set out below (please note these are subject to change and the most up to date allocation will be provided at your presentation meeting):

Portfolio	Investment Objective	Asset Allocation		Typical Client Risk Profile (see definitions in the appendices)
3	To provide long-term (greater than five years) capital growth through a strategic asset allocation. A target portfolio for this risk profile is most likely to contain mainly low-risk and some medium-risk investments, including money market investments, government bonds, Sterling corporate bonds, global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, held mainly in the UK but with smaller amounts in other developed markets as well as other higher-risk investments.	Property:	5%	<b>Low (Risk Category 3)</b>
		Japanese Equity:	5%	
		North American Equity:	10%	
		UK Equity:	9%	
		Global Investment Grade Bonds:	20%	
		Sterling Corporate Bonds:	15%	
		UK Index Linked Gilts:	8%	
		UK Gilts:	10%	
		Cash (Money Markets):	18%	
4	To provide long-term (greater than five years) capital growth through a strategic asset allocation. A portfolio for this risk profile is most likely to contain mainly low and medium-risk investments, including money market investments, government bonds, Sterling corporate bonds, and a mix of global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, but held mainly in UK and other developed markets. Small amounts in other higher-risk investments may also be included.	Property:	5%	
		Asia Pacific Ex Japan Equity:	4%	
		Japanese Equity:	6%	
		North American Equity:	15%	
		Europe Ex UK Equity:	6%	
		UK Equity:	12%	
		Global Investment Grade Bonds:	14%	
		Sterling Corporate Bonds:	15%	
		UK Index Linked Gilts:	8%	
		UK Gilts:	5%	
		Cash (Money Markets):	10%	
5	To provide long-term (greater than five years) capital growth through a strategic asset allocation. A portfolio for this risk profile is most likely to contain low-, medium- and high-risk investments, including money market investments, government bonds, Sterling corporate bonds and global bonds as well as property. It will also be expected to	Property:	5%	<b>Low Medium (Risk Category 5)</b>
		Emerging Market Equity:	4%	
		Asia Pacific Ex Japan Equity:	4%	
		Japanese Equity:	6%	
		North American Equity:	22%	
		Europe Ex UK Equity:	6%	
		UK Equity:	21%	

	contain some high-risk investments such as shares, but held mainly in UK and other developed markets, and also a small amount in other higher-risk investments such as shares in emerging markets.	Global Investment Grade Bonds: 10% Sterling Corporate Bonds: 8% UK Index Linked Gilts: 4% UK Gilts: 3% Cash (Money Markets): 7%	
6	To provide long-term (greater than five years) capital growth through a strategic asset allocation. A portfolio for this risk profile is most likely to contain mainly medium- and high-risk investments, including sterling corporate bonds and global bonds including higher income types as well as property and shares. The shares are expected to be held mainly in the UK and other developed markets, but there is also likely to be some in higher-risk emerging markets.	Property: 5% Emerging Market Equity: 10% Asia Pacific Ex Japan Equity: 10% Japanese Equity: 6% North American Equity: 22% Europe Ex UK Equity: 6% UK Equity: 22% Global Investment Grade Bonds: 7% Sterling Corporate Bonds: 8% Cash (Money Markets): 4%	<b>High Medium (Risk Category 6)</b>
7	To provide long-term (greater than five years) capital growth through a strategic asset allocation. A portfolio for this risk profile is most likely to contain mainly high- and very-high-risk investments, such as UK, overseas developed and emerging market shares. It is also expected to have a small amount of medium-risk investments such as property as well as sterling corporate bonds and global bonds including higher income types.	Property: 5% Emerging Market Equity: 11% Asia Pacific Ex Japan Equity: 11% Japanese Equity: 6% North American Equity: 25% Europe Ex UK Equity: 6% UK Equity: 31% Global High Yield Bonds: 5%	<b>Highest Medium (Risk Category 7)</b>
8	To provide long-term (greater than five years) capital growth through a strategic asset allocation. portfolio for this risk profile is most likely to contain high- and very-high-risk investments such as UK, overseas developed and emerging market shares. There is also likely to be a small amount in medium-risk investments such as Property and higher-income types of global bonds. Always check that you are comfortable with the investments that are included in your chosen portfolio.	Property: 5% Emerging Market Equity: 28% Asia Pacific Ex Japan Equity: 24% Japanese Equity: 6% North American Equity: 12% Europe Ex UK Equity: 6% UK Equity: 14% Global High Yield Bonds: 5%	<b>High Risk (Risk Category 8)</b>

## Proposition 1: Discretionary Model Portfolio Service (DIM)

The table below describes the key components and characteristics of the discretionary model portfolio service investment proposition:

<b>Purpose</b>	For customers who require an advised investment strategy on an ongoing basis (regular reviews and ongoing adviser contact).
<b>Description</b>	This service will be provided through our in-house Investment Committee (IC) and Copia Capital Management. The team works within defined parameters and remits (Terms of Reference) and utilises external research which is ratified by the IC. Different portfolios are available with varying investment risk profiles and asset allocations (see below). Each portfolio is made up of a selection of investment funds. The team selects a number of investment funds to make up each portfolio. This is regularly reviewed and if they believe that changes are needed to the portfolio, this will be implemented on your behalf.
<b>Advised or Discretionary?</b>	This is a Discretionary proposition. Copia Capital Management will implement any recommendations or changes on your behalf based on a set investment mandate. We operate the custom mandates under a 'Reliance on Others' basis, which means Copia Capital Management take responsibility for the discretionary model portfolio service. We shall ensure we have conducted sufficient research and due diligence on the discretionary investment manager that we recommend to you to provide the discretionary investment management service.
<b>Product Provider or Platform?</b>	Platform
<b>Ongoing Service</b>	This proposition will require ongoing contact between you and First Service Financial. We will be available to answer your queries on an ongoing basis, but a formal review will be required at least annually to ensure that the investment strategy remains appropriate and compatible for your needs. Please refer to the Client Agreement for more information about the ongoing service.

### What portfolios are available?

Within the above proposition, we have created nine diversified investment portfolios with varying investment risk profiles. Some of which have been produced with the aim of reducing volatility compared to the traditional models, typically for clients that are taking regular income or withdrawals. Your personal risk profile (your Attitude to Investment Risk (ATR)) and objectives will be evaluated and agreed with you and your investments will be aligned with your ATR using an appropriate asset allocation tool. Please see Asset Allocation table on page 6-7.

### Managed Blended Portfolios: Who will they be appropriate for?

It is important to ensure that any investment strategy we recommend is compatible with your needs and characteristics as an investor. The funds in our portfolios contain only those that are regularly available, regularly realisable (i.e. they can be sold easily) and are provided by UK based investment managers who are regulated by the Financial Conduct Authority (FCA). They do not contain what are sometimes described as 'complex' investments (typically esoteric or non-regulated investments).

As such, these portfolios may be compatible with clients with the following characteristics:

<b>Managed Blended Portfolio Client Compatibility</b>	
<b>Client Category</b>	An individual investing for your own needs and requirements (what we call a Retail Client)
<b>Knowledge and Experience</b>	You will have a basic knowledge of investing
<b>Ability to bear losses</b>	The individual investing can bear losses up to the investment amount
<b>Income or Growth</b>	You are looking for a portfolio of funds to deliver growth (these portfolios are not designed for those requiring income generation)
<b>Timescales</b>	You can invest for at least 5 years
<b>Investment Risk</b>	The investments must match your Attitude to Investment Risk

## Who will the Managed Blended Portfolios NOT be appropriate for?

These portfolios are not compatible with those investors who require preservation of capital or who are seeking to achieve a specified return by a particular date.

Investors who are not confident that they have the knowledge or experience to make an informed investment decision on these portfolios should seek professional investment advice.

Investors who do not suit a discretionary management style and would like to control when they dispose of assets for tax purposes.

## How much does the service cost?

Your money is used to buy investments on your behalf. The investments carry costs and charges that will impact on your investments' performance. We endeavour to keep these as low as possible. Typical costs and charges are as follows (these will be disclosed explicitly before you make any investment).

<b>Platform charge</b>	A platform is where your investments will be held. Platforms are useful for consolidating different investment products and funds. If we do not believe that you need to have a platform for your investments, we will tell you. We will provide you with a copy of the platform Key Features Document, which outlines more about its services and associated charges as appropriate.	The typical platform charge is 0.20% of the value of your investments. (Based on an initial investment of £100,000)*
<b>Underlying fund and DFM charges for each model portfolio</b>	These charges will vary over time as the investments change in value. Please refer to our individual factsheets for details on the estimated underlying fund charges for each portfolio.	A typical consolidated fund charge is 0.40% of the value of your investments plus a discretionary management fee of 0.15% (Copia Capital Management)
<b>First Service Financial Fees</b>	<b>Initial Adviser Fee</b> - this is based on the amount of money we invest on your behalf. We will tell you what the fee will be before you proceed. Please refer to the Client Agreement for more information.	Typical Initial Adviser Fee: 3.00% or £3,000.00 (Based on an initial investment amount of £100,000)**
	<b>Ongoing Adviser Fee</b> - this is based on the value of your investments and will vary as those investments fluctuate in value. This fee is levied to cover the ongoing work we undertake on your behalf. We will tell you what the fee will be before you proceed. Please refer to the Client Agreement for more information.	Typical Ongoing Adviser Fee: 0.80% per annum. (£800 per annum based on an investment amount of £100,000)

\*Effective percentage based on the tiered platform fee structure as detailed on page 14.

\*\* Effective percentage based on the tiered fee structure as detailed in the client agreement.

## Costs and Charges Examples

Investment Amount	Cost & Charges Description		Percentage of Investment	Amount
£100,000	<b>INITIAL ADVISER FEE</b> (charged once)		3.00%	£3,000 one-off
	Ongoing Service Costs & Charges (charged per annum)	Platform Charge	0.20%	£200 per annum
		Ongoing Adviser Fee	0.80%	£800 per annum
	Ongoing Product Costs	Underlying Investment and DFM charge*	0.55%	£550 per annum
	Third party payments	e.g. retrocession	0.00%	£0.00 per annum
	<b>TOTAL ONGOING CHARGES**</b>			1.55%

\* Please note this is an indicative investment charge only used for illustration purposes

\*\*Please note that these example costs exclude the initial, and where appropriate, ongoing advice charges – the detail of which are outlined in the client agreement.

## Reporting

The information you will receive on your investments is outlined in the reporting section of this document on page 14.

## Proposition 2: Multi-Asset Passive Portfolios – Low Cost

The table below describes the key components and characteristics of the Multi-Asset Passive Portfolio investment proposition:

<b>Purpose</b>	For customers who require an advised investment strategy on an ongoing basis or transactional only basis.
<b>Description</b>	Vanguard LifeStrategy Portfolios have been specially created to provide a consistent investment approach that is regularly monitored by their Investment Advisory Committee (IAC) and automatically updated at no extra cost. Overall it means you can make investment decisions based on risk attitude and asset allocation and be confident that a governance process is in place to ensure the chosen portfolio continues to meet its objective. There are 5 portfolios, which have been approved for use that correspond with Dynamic Planner's (Distribution Technology) Risk Grades. The funds selected are on Distribution Technologies "Premium" basis, which means the funds demonstrated superior risk adjusted performance, net of fees, over 5 years.
<b>Advised or Discretionary?</b>	This is an advised proposition but the underlying investment strategy is decided by Vanguard and is risk profiled to ensure it stays within the suitable risk profile. First Service Financial will not implement any recommendations or changes without prior approval from you. There is, of course, a risk with this approach that in a fast-changing market we could miss an opportunity whilst we await your decision; however, this proposition is designed as a medium to long term investment and is risk profiled, so the need for immediate or urgent changes should be rare.
<b>Product Provider or Platform?</b>	Platform
<b>Ongoing Service</b>	This proposition does not require an ongoing contract between you and First Service Financial, as the funds are risk profiled so should not move outside the recommended risk profile. If you decide to have an ongoing advice service, we will be available to answer your queries on an ongoing basis and a formal review would help to ensure that the investment strategy remains appropriate and compatible for your needs. Please refer to the Client Agreement for more information about the ongoing service.

### What portfolios are available?

Within the above proposition, we have created five diversified investment portfolios with varying investment risk profiles. Your personal risk profile (your Attitude to Investment Risk (ATR)) will be evaluated and agreed with you and your investments will be aligned with your ATR using an appropriate asset allocation. Please see Asset Allocation table on page 6-7.

### Asset Allocation: Restrictions & Parameters

<b>Equities</b>	UK and overseas equities are listed on recognised global exchanges. There are no direct equity holdings.
<b>Fixed interest to include</b>	Index-linked bonds and other credit instruments with floating interest rates. There are no direct holdings.
<b>Property</b>	UK & overseas commercial property. There are no direct shares in property companies.
<b>Alternative</b>	No alternative assets are included in these portfolios.
<b>Cash</b>	Cash, cash funds and short-dated deposits.
<b>UCITS</b>	Daily dealt UCITS or Non UCITS Retail Schemes only.
<b>Asset Allocation parameters</b>	The percentages at the start of the quarter will be the original percentages for the model and so allocations may exceed the limits between rebalances. The investment committee meets quarterly to review these parameters. However, in most situations the portfolios are set to rebalance, so they don't stray too far from the asset allocation agreed.

## Multi-Asset Passive Portfolios: Who will they be appropriate for?

It is important to ensure that any investment strategy we recommend is compatible with your needs and characteristics as an investor. The funds selected are only those that are regularly available, regularly realisable (i.e. they can be sold easily) and are provided by UK based investment managers who are regulated by the Financial Conduct Authority (FCA). They do not contain what are sometimes described as 'complex' investments (typically esoteric or non-regulated investments).

As such, these portfolios may be compatible with clients with the following characteristics:

Managed Passive Portfolio Client Compatibility	
<b>Client Category</b>	An individual investing for your own needs and requirements (what we call a Retail Client)
<b>Knowledge and Experience</b>	You will have a basic knowledge of investing
<b>Ability to bear losses</b>	The individual investing can bear losses up to the investment amount
<b>Income or Growth</b>	You are looking for a portfolio of funds to deliver growth (these portfolios are not designed for those requiring income generation)
<b>Timescales</b>	You can invest for at least 5 years
<b>Investment Risk</b>	The investments must match your Attitude to Investment Risk

## Who will the Multi-Asset Passive Portfolios NOT be appropriate for?

The portfolios are not compatible with those investors who require preservation of capital or who are seeking to achieve a specified return by a particular date.

Investors who are not confident that they have the knowledge or experience to make an informed investment decision on these portfolios should seek professional investment advice.

## How much does the service cost?

Your money is used to buy investments on your behalf. The investments carry costs and charges that will impact on your investments' performance. We endeavour to keep these as low as possible. Typical costs and charges are as follows (these will be disclosed explicitly before you make any investment).

<b>Platform charge</b>	A platform is where your investments will be held. Platforms are useful for consolidating different investment products and funds. If we do not believe that you need to have a platform for your investments, we will tell you. We will provide you with a copy of the platform Key Features Document, which outlines more about its services and associated charges as appropriate.	The typical platform charge is 0.20% of the value of your investments. (Based on an initial investment of £100,000)*
<b>Underlying fund charges for each model portfolio</b>	These charges may slightly vary over time as the underlying investments change. Please refer to the individual factsheets for details on the estimated underlying fund charges for each portfolio.	A typical consolidated fund charge is 0.22% of the value of your investments
<b>First Service Financial Fees</b>	<b>Initial Adviser Fee</b> - this is based on the amount of money we invest on your behalf. We will tell you what the fee will be before you proceed. Please refer to the Client Agreement for more information.	Typical Initial Adviser Fee: 3.00% or £3,000 (Based on an initial investment amount of £100,000)**
	<b>Ongoing Adviser Fee</b> - this is based on the value of your investments and will vary as those investments fluctuate in value. This fee is levied to cover the ongoing work we undertake on your behalf. We will tell you what the fee will be before you proceed. Please refer to the Client Agreement for more information.	Typical Ongoing Adviser Fee: 0.80% per annum. (£800 per annum based on an investment amount of £100,000)

\*Effective percentage based on the tiered platform fee structure as detailed on page 14.

\*\* Effective percentage based on the tiered fee structure as detailed in the client agreement.

## Costs and Charges Examples

Investment Amount	Cost & Charges Description	Percentage of Investment	Amount	
£100,000	<b>INITIAL ADVISER FEE</b> (charged once)	3.00%	£3,000 one-off	
	Ongoing Costs & Charges (charged per annum)	Platform Charge	0.20%	£200 per annum
		Underlying Investment charge*	0.22%	£220 per annum
		Ongoing Adviser Fee	0.80%	£800 per annum
	<b>TOTAL ONGOING CHARGES**</b>	1.22%	£1,220 per annum	

\* Please note this is an indicative investment charge only used for illustration purposes

\*\*Please note that these example costs exclude the initial, and where appropriate, ongoing advice charges – the detail of which are outlined in the client agreement.

## Reporting

The information you will receive on your investments is outlined in the reporting section of this document on page 14.

## Proposition 3: Multi-Asset Smoothed Funds (Prufund Risk Managed)

- The table below describes the key components and characteristics of the Multi-Asset Smoothed Funds (Prufund Risk Managed):

<b>Provider</b>	Prudential
<b>Purpose</b>	For customers who require an advised investment strategy on an ongoing basis or a transactional service.
<b>Description</b>	Prudential Risk Managed Portfolios have been specially created to provide a consistent investment approach that is regularly monitored by their Investment Advisory Committee (IAC) and automatically updated at no extra cost. Overall it means you can make investment decisions based on risk attitude and asset allocation and be confident that a governance process is in place to ensure the chosen portfolio continues to meet its objective. There are 5 portfolios, which have been approved for use that correspond with Dynamic Planner's (Distribution Technology) Risk Grades.
<b>Advised or Discretionary?</b>	This is an Advised proposition. First Service Financial will not implement any recommendations or changes without prior approval from you. There is, of course, a risk with this approach that in a fast-changing market we could miss an opportunity whilst we await your decision; however, this proposition is designed as a medium to long term investment so the need for immediate or urgent changes should be rare.
<b>Product Provider or Platform?</b>	Product Provider
<b>Investment Manager</b>	Prudential
<b>Ongoing Service</b>	This proposition does not require an ongoing contract between you and First Service Financial, as the fund are risk profiled so should not move outside the recommended risk profile. If you decide to have an ongoing advice service, we will be available to answer your queries on an ongoing basis and a formal review would help to ensure that the investment strategy remains appropriate and compatible for your needs. Please refer to the Client Agreement for more information about the ongoing service.

## What portfolios are available?

Within the Prufund Risk Managed proposition, we have selected five portfolios with varying investment risk profiles. Your personal risk profile (your Attitude to Investment Risk (ATR)) will be evaluated and agreed with you and your investments will be aligned with your ATR using an appropriate asset allocation. Please refer to the appropriate portfolio factsheet for further information.

## PruFund Risk Managed Portfolios: Who will they be appropriate for?

It is important to ensure that any investment strategy we recommend is compatible with your needs and characteristics as an investor. The funds in these portfolios contain only those that are regularly available, regularly realisable (i.e. they can be sold easily) and are provided by UK based investment managers who are regulated by

the Financial Conduct Authority (FCA). They do not contain what are sometimes described as ‘complex’ investments (typically esoteric or non-regulated investments).

As such, these portfolios may be compatible with clients with the following characteristics:

<b>PruFund Risk Managed Portfolio Client Compatibility</b>	
<b>Client Category</b>	An individual investing for your own needs and requirements (what we call a Retail Client)
<b>Knowledge and Experience</b>	You will have a basic knowledge of investing
<b>Ability to bear losses</b>	The individual investing can bear losses up to the investment amount
<b>Income or Growth</b>	You are looking for a portfolio of funds to deliver growth (these portfolios are not designed for those requiring income generation)
<b>Timescales</b>	You can invest for at least 5 years
<b>Investment Risk</b>	The investments must match your Attitude to Investment Risk

### **Who will the Risk Managed Portfolios NOT be appropriate for?**

The portfolios are not compatible with those investors who require preservation of capital or who are seeking to achieve a specified return by a particular date. Investors who are not confident that they have the knowledge or experience to make an informed investment decision on these portfolios should seek professional investment advice.

### **How much does the service cost?**

Your money is used to buy investments on your behalf. The investments carry costs and charges that will impact on your investments’ performance. We endeavour to keep these as low as possible. Typical costs and charges are as follows (these will be disclosed explicitly before you make any investment).

<b>Underlying charges for the Retirement Account</b>	These charges will vary over time as the investments change in value. Prudential offer a tiered charging structure based on plan value. Their current structure is as follows: Fund Value: £0 - £25,000 (0.45% pa) Fund Value: £25,000 - £49,999 (0.45% pa) Fund Value: £50,000 - £99,999 (0.45% pa) Fund Value: £100,000 - £249,999 (0.40% pa) Fund Value: £250,000 - £499,999 (0.35% pa) Fund Value: £500,000 - £749,999 (0.30% pa) Fund Value: £750,000 - £999,999 (0.275% pa) Fund Value: £1,000,000+ (0.25% pa)	A typical retirement account charge is 0.45% of the value of your investments. (Based on an initial investment amount of £100,000)
<b>Underlying fund charges for each Risk Managed portfolio</b>	0.65%p/a on all the Risk Managed funds. Any additional fund charges are mitigated in the expected growth rates	A typical consolidated fund charge is 0.65% of the value of your investments. (Based on an initial investment amount of £100,000)
<b>First Service Financial Fees</b>	<b>Initial Adviser Fee</b> - this is based on the amount of money we invest on your behalf. We will tell you what the fee will be before you proceed. Please refer to the Client Agreement for more information.	Typical Initial Adviser Fee: 3.00% or £3,000 (Based on an initial investment amount of £100,000)**
	<b>Ongoing Adviser Fee</b> - this is based on the value of your investments and will vary as those investments fluctuate in value. This fee is levied to cover the ongoing work we undertake on your behalf. We will tell you what the fee will be before you proceed. Please refer to the Client Agreement for more information.	Typical Ongoing Adviser Fee: 0.80% per annum. (£800 per annum based on an investment amount of £100,000)

\*\* Effective percentage based on the tiered fee structure as detailed in the client agreement.

## Costs and Charges Examples

Investment Amount	Cost & Charges Description	Percentage of Investment	Amount	
£100,000	<b>INITIAL ADVISER FEE</b> (charged once)	3.00%	£3000 one-off	
	Ongoing Costs & Charges (charged per annum)	Product Charge	0.45%	£450 per annum
		Underlying Investment charge*	0.65%	£650 per annum
		Ongoing Adviser Fee	0.80%	£800 per annum
	<b>TOTAL ONGOING CHARGES**</b>	1.90%	£1,900 per annum	

\* Please note this is an indicative investment charge only used for illustration purposes and further cost may apply.

\*\*Please note that these example costs exclude the initial, and where appropriate, ongoing advice charges – the detail of which are outlined in the client agreement.

## Reporting

The information you will receive on your investments is outlined in the reporting section of this document on page 14.

## Risks of Investing

The Annex sets out a summary of some of the risks of investing. Please note that this list is not exhaustive and has been provided as an indication of the factors that can affect the value of your investments.

## Reporting

The reports which you may receive are outlined below:

### Annual statements

You will receive a statement every twelve months, which will show you, amongst other things, details of the investments that you hold within your portfolio, valuations of those investments, the value of your portfolio, and the total amount of fees and charges you have paid during the period.

### Forwarding Documents to you

We will forward to you all documents showing ownership of your investments as soon as practicable after we receive them (which will be no later than the first business day following receipt of the confirmation)

## Wrap Platform

A Wrap platform enables a client to hold several different tax wrappers in one place. For example, ISA, collectives, pensions and bond could be held under one roof easing administration, visibility, and potentially reducing overall cost. Our due diligence has led us to recommend the following WRAP Platforms:

### AEGON ARC platform

First Service Financial will only recommend the use of a platform where it is in your best interests and where it will help you achieve your investment objectives and goals.

Where the use of a platform is beneficial to you there will be an associated fee structure as follows:

Amount Invested	Platform charge	What the fee covers
0-£500k	0.20%	<ul style="list-style-type: none"> <li>▪ administration of your investments</li> <li>▪ 24/7 access to your account(s)</li> <li>▪ Custodian services</li> <li>▪ Safekeeping of your assets</li> <li>▪ Customer services support</li> </ul>
£500k +	0%	

## Aviva platform (Choice)

First Service Financial will only recommend the use of a platform where it is in your best interests and where it will help you achieve your investment objectives and goals.

Where the use of a platform is beneficial to you there will be an associated fee structure as follows:

Amount Invested	Platform charge	What the fee covers
£0+	0.25%	<ul style="list-style-type: none"><li>administration of your investments</li><li>24/7 access to your account(s)</li><li>Custodian services</li><li>Safekeeping of your assets</li><li>Customer services support</li></ul>

Should you invest through a platform there is a risk that a fund manager's systems and the platforms may show that you hold differing amounts while transactions are being processed. If the systems weren't aligned and the Platform went out of business at the same time, you may not get back the full value of your investment. This risk would remain the same whether you took out the platform service independently or as part of the advice provided by First Service Financial.

Platform risk: One of the reasons a platform can administer your investments efficiently is that it pools investors' money together when investing with fund managers. This means that although you are always entitled to receive the full value of your investment, the fund units are registered in the name of the appropriate Nominee company with the fund manager. This means that your individual holding is therefore **not** visible to each fund manager – they only see the platform's name on their register. Whilst the platform does maintain a full list of the individual investors and check this against the fund managers' registers on a regular basis, there is a risk that if the platform went out of business, you may not get back the full value of your investment.

## Annex - Risks of Investing

### A. General Investment Risks

**1. Market risk:** It concerns the danger of the price level of the market of the entire or part of the category of assets of the relevant investment product diminishing.

The four most common market risk factors are the following:

- **Share risk:** the danger that the prices of shares change as a result of different factors, a situation which can affect the fulfilling of obligations of the financial bodies.
- **Interest rate risk:** upwards or downwards.
- **Currency risk:** fluctuations in the value of sterling against other currencies.
- **Commodity risk:** fluctuations in the price of commodities such as gold or other precious metals.

The changing of the share index or other indexes is also a factor which is taken into consideration during the evaluation of the market risk.

**2. Credit risk:** Concerns the danger of weakness in the fulfilling of obligations of the contracting party like, for example, the weakness in the payment of dividends or interest etc. This risk is possible to be pre-assessed and restricted through the credit evaluation of the contracting parties. The effect of the credit risk is multiple: it might affect an issuer - and consequently their financial instruments- credit institution or investment company - and as a result, affect their solvency.

**3. Liquidation:** (settlement risk): concerns a special form of credit risk and occurs due to the non-smooth fulfilment of the obligations of the contracting parties who are participating in payment systems and settlement of transactions on financial instruments. For example, when one of the contracting parties is not delivering the titles which he has sold and is obliged to hand in, or, in relation to buying, when he is not paying the owed title price. In cases where the investment concerns products which are the object of negotiation in organised markets, this danger is minimised because of the strict supervision of organised markets. This danger increases in cases where the investment is made in relation to products outside the stock exchange.

**4. Liquidity risk:** Liquidity risk is a financial risk caused when an asset cannot be sold on time or at a reasonable price.

**5. Transaction risk:** Changes in the currency may affect the value of an investment which is carried out in a different currency from sterling.

**6. Fiduciary risk:** the risk that an agent handling funds on behalf of a principal (e.g. a trustee) will not live up to his/her full fiduciary responsibility or act in the client's best interest. This could be due to negligence or fraud.

**7. Diversification risk:** it is the risk taken by an investor who invests all his money in only one financial instrument (i.e. too many eggs in too few baskets).

**8. Performance risk:** It is about the risk relating to the fluctuation of the performance of the assets of the investment.

**9. Deflation (Inflation) risk:** The course of the General Index of Consumer Prices affects the real value of invested capital and desired performances.

**10. Tax risk:** In relation to the dangers regarding the taxation of income from investments in financial instruments, as well as any changes in the tax legislation, the client will be notified from his investment advisor regarding the relevant investment product in which he desires to invest in.

**11. Systemic risk:** the weakness of a financial institution to fulfil its obligations can cause weaknesses of other financial institutions or businesses to fulfil their own obligations. This can potentially lead to a domino effect.

## **B. Collective Investment Schemes (commonly known as 'Funds')**

Funds are asset groups which are comprised of cash and movable values, which are under collective management and are kept by a trustee. For each of the elements of these asset groups there is co-ownership of investors. At the same time every investor has an independent ownership right in relation to the independent shares which he has bought. The collective management of the total assets of the mutual funds is being made by the management company and is always in the interest of the shareholders who mutually share all the profits or losses which might burden the mutual fund.

Investing in Funds can be doubly profitable for the investor. He might collect dividends provided that it is a Fund which gives dividends. The investor might also benefit by any increase in the assets of the Mutual Funds because of an increase in the value of titles in which the Funds are investing in the market.

The risk in relation to a fund depends from the structure of its assets, the followed investment strategy and the ability of the manager. Their investment risk therefore varies according to their kind.

Detailed information concerning the risks relating a particular Fund can be found in the information document of each Fund. In every case it must be borne in mind that investing in such funds does not offer guaranteed performance and involves a risk of losing some, or even all of the entire original investment.

## **C. Investment Trusts**

Investment trusts are publicly listed companies that invest in financial assets or the shares of other companies on behalf of their investors. When you invest you are buying shares in an investment trust, the value of which fluctuates based on:

- The underlying value of the assets they own; and
- The supply and demand for their shares.

Investment trusts, unlike unit trusts, can borrow money to buy shares, which is known as gearing. This extra buying potential can produce gains in rising markets but also accentuate losses in falling markets.

Also, unlike with a unit trust, if an investor wants to sell their shares in an investment trust, they must find someone else to buy their shares. Usually this is done by selling on the stock-market. The investment trust manager is not obliged to buy back shares before the trust's winding up date.

The price of shares in an investment trust can be lower or higher than the value of the assets attributable to each share – this is known as trading at a discount or at a premium.

### **Risks**

Investment Trusts will be subject to a combination of the risks associated with shares, bonds and funds in which they are invested – as such:

- The value of the investment trusts, or the income derived from them, can decrease as well as increase and you may not necessarily get back the amount you invested; and
- The level of risk and return will depend on the investment trust you choose. Find out what type of assets the trust will invest in, as some are riskier than others.

## D. Enterprise Investment Scheme (EIS)

An EIS is designed to help smaller trading companies to raise finance by offering a range of tax reliefs to investors purchasing new shares in those companies. Investing in an EIS has such risks as:

### Investment risks:

- a) There is generally no external market for shares issued by EIS Qualifying Companies and it could be difficult or even impossible to realise the investment or obtain accurate performance information.
- b) The return on any EIS Portfolio will depend greatly on the Manager's performance. Past performance of any Manager is no guide to future performance.
- c) EIS Shares will not be listed on a recognised Stock Exchange. An investment in EIS Shares should be regarded as a longer-term investment (a minimum of three years to retain the tax reliefs, but please bear in mind that disposal or realisation of an EIS investment may take much longer than this). Realisation of your investment will generally depend on the Exit available to the Managers, and that in turn can be significantly affected by external market circumstances over which they have no effective control.
- d) Investments in small or medium unquoted companies by their nature involve a high degree of risk and there is a strong possibility of EIS Qualifying Companies failing. Your capital is at risk and you may not receive back the amount invested or any return.
- e) There is no guarantee that the market value of an EIS company will fully reflect the underlying net asset value. Investors should be aware that the value of an investment in an EIS Portfolio and the income (if any) derived from it may go down as well as up
- f) The expected life of each EIS investment is three to five years or more.
- g) EIS Managers reserve the right to realise an investment within the three-year period if this is considered by them to represent a worthwhile return on the investment. As this would jeopardise the availability (or continued availability) of appropriate EIS tax reliefs and benefits, it is only done under exceptional circumstances.
- h) Any returns accrued from cash deposits will principally be affected by movements in interest rates

### Commercial risks

- a) Investee Companies may be exposed to exchange rate fluctuations which affect both the profits of the company and the value of the shares.
- b) EIS Qualifying Companies typically have small management teams and are highly dependent on the skills and experience of a small number of individuals.

### Tax and regulatory risks

- a) Tax reliefs are subject to approval by HMRC in accordance with their qualifying rules, which could change from time to time.
- b) It may take some considerable time from the date shares are issued to obtain the income tax relief.
- c) Business Property Relief for inheritance tax only applies when an IHT event takes place and applies to shares but not to cash proceeds or cash awaiting investment. Shares must have been held for two or more years and must still meet the qualifying requirements.
- d) There is no guarantee that EIS qualifying investments will be available for further reinvestment when the investment proceeds are returned to the Administrator.
- e) The various tax benefits described in this Guide are based on First Service Financial's understanding of the current tax legislation and HMRC practice. This interpretation may subsequently be found to be incorrect. Tax legislation and HMRC practice may change in the future in a manner which could adversely affect your investment.
- f) The amount of tax relief you may gain from subscription through First Service Financial depends on your own personal circumstances. You are strongly advised to seek independent professional advice in relation to the tax implications of your investment.
- g) The Managers will take all reasonable steps to make sure that tax relief is available on all investments made by the Portfolio. However, tax relief could be withdrawn or modified in certain circumstances and neither First Service Financial, nor the Managers, nor the Administrator accepts any liability for any loss or damages suffered by you or other person as a consequence of such relief being denied or withdrawn or reduced.
- h) You may lose some or all of the tax benefits derived under the EIS if you fail to comply with the relevant legal requirements. Such a situation might arise, for example, if you cease to be a UK tax resident during the Relevant Period or you receive value from an Investee Company, other than by way of an ordinary

dividend, in the period commencing one year prior to the issue of EIS Qualifying Shares to the end of the Relevant Period.

- i) Where an Investee Company ceases to carry on a Qualifying Trade during the Relevant Period, whether through the actions taken by the Investee Company or otherwise, its EIS qualifying status may be adversely affected and so could the tax relief available to you. No guarantee can be given that all investments made by the Managers will carry on a Qualifying Trade, or continue doing so, for the purpose of claiming tax relief. The Managers will, where possible, implement measures to reduce this risk, such as seeking advanced assurance from HMRC that each company in the Portfolio is an EIS Qualifying Company.
- j) The Investor is advised that there may be a delay in investing into funds after the Acceptance Date and that certain Tax Benefits may not apply until the monies are fully invested in accordance with the Investor Agreement.
- k) No guarantee can be given that an Investee Company will retain EIS qualifying status.
- l) Any disposal of EIS Shares during the Relevant Period will crystallise an obligation to repay the income tax relief claimed in respect of those shares, and any capital gain will be subject to capital gains tax.

## E. Venture Capital Trusts (VCT)

VCTs offer investors the chance to invest in small firms to help them grow. The government offers generous tax breaks to VCT investors, but they are higher-risk and longer term than conventional investment – e.g. investors would be exposed to substantially higher risks than mainstream equities for example.

VCTs should only be considered by sophisticated investors with significant investment portfolios who can take a long-term view and are comfortable with higher risks. The Financial Conduct Authority (FCA) suggests a sophisticated investor is somebody with an annual income in excess of £100,000 or investable assets of more than £250,000.

VCTs are unlikely to be suitable for mainstream investors who may need access to their money in the short term, or for whom loss of the investment will cause financial hardship. VCTs invest in smaller, sometimes fledgling, companies, some of which could struggle or fail altogether, meaning losses for investors. The VCT manager may also have trouble selling the underlying investments. Investors should also be aware that VCT shares are illiquid. This means they can be difficult to sell (and buy) on the secondary market. Although shares are fully listed on the London Stock Exchange, there might be only one ‘market maker’ for the shares, which means investors may have difficulty selling at a price that fairly reflects the value of the underlying holdings or, in extreme circumstances, at any price.

Often the VCT manager will offer to buy back investors’ shares at a target discount to the value of the underlying holdings. Details of any such buyback schemes can be found in the prospectus. They are subject to conditions and not guaranteed.

A long-term horizon is essential with VCT investing. Aside from ‘limited life’ VCTs that look to wind up after a 5-7-year time period, a ten-year time horizon is desirable. This is because it takes time for expanding businesses to fully realise their potential.

Investors should also be aware of risks affecting specific VCTs and VCT types. For instance, a further issue arises from smaller VCT funds who fail to raise enough money at launch. The resulting portfolio of investments may be more concentrated, and it could increase the risks and charges. It is also worth noting that all VCTs tend to have higher charges than other types of fund and usually have performance fees.

As well as investment risks, it is possible that HMRC could withdraw the tax status of the VCT if it fails to meet the qualifying requirements. If this happens any tax rebate may have to be repaid. **Each VCT will issue a prospectus at launch which gives details of specific risks and it should be read thoroughly before considering an investment.**

## F. Structured Products, including Structured Deposits

A structured product is a kind of fixed-term investment whose pay-out depends on the performance of something else, like a stock market index. There are two main types of structured product:

- **Structured deposits** – Structured deposits are savings accounts, offered from time to time by some banks, building societies and National Savings & Investments, where the rate of interest you get depends on how the stock market index or other measure performs. If the stock market index falls, you will usually get no interest at all. But – unlike structured investments (see below) the money you originally invest has the same protection as you get with any other savings account.

- **Structured investments** – Structured investments are commonly offered by insurance companies and banks. Your money typically buys two underlying investments, one to protect your capital and another to provide the bonus. The return you get depends on how the stock market index or other measure performs. In addition, if it performs badly or the firms providing the underlying investments fail, you might lose some or all of your original investment.

When you buy a structured deposit, you agree to tie up your money for a set time – often five or six years – in return for a lump sum at maturity. The amount you earn depends on how well something else performs – often a stock market index such as the FTSE 100.

When you buy a structured investment, you also agree to tie up your money for a set period. Some of these products offer you a lump sum at maturity depending on the performance of the stock market index or other measure. Others may mature early and provide a bonus, for instance at policy anniversary if a market condition is met.

### Risks of structured products

- Structured deposit:** these give you the possibility of getting a stock market return without risking your capital as you would if you invested directly in shares. But bear in mind that:
  - You might get less interest than you would have done with an ordinary savings account - or no interest at all.
  - If you invested in shares instead, you would potentially benefit from a rise in the stock market index (share prices) – and you would usually receive income in the form of dividend payments as well.
- Structured investments:** If you take out a structured investment the insurance company will buy some underlying investments from one or more other companies, often referred to as ‘counter parties’. These investments can often be complex in tier nature. You will not be a client of the counter parties, and therefore you won’t have any agreement yourself with the counter parties. As such, if any of them fails – so that your structured investment fails to give you your money back or provide the promised return - you will not have any direct claim on the counterparty and no compensation scheme would apply. Instead, you would have to try to seek redress from the insurance company that sold you the product.

## Attitude to Risk (ATR) Descriptions

### Risk Profile 1 of 10 – Lowest

It’s important that the amount of risk you take with your portfolio matches your willingness and ability to take investment risk. The ‘lowest’ risk profile shows that you want to take the least amount of investment risk possible with your money. A portfolio that matches this risk profile will be designed to reduce, as far as possible, falls in value. But the returns you make are also likely to be low. If inflation (the rate at which the prices of goods and services rise) is higher than the rate of return on your investments, the spending power of your money will be reduced

### Risk Profile 2 of 10 - Very low:

It’s important that your investment portfolio matches your willingness and ability to take investment risk. A ‘very low’ risk profile shows that your willingness and ability to accept investment risk is well below average. Any falls in the value of a portfolio that matches this risk profile should be very small. However, potential returns are also likely to be modest. So, if inflation (the rate at which the prices of goods and services rise) is higher than the rate earned on the investment, the spending power of your money will be reduced.

### Risk Profile 3 of 10 - Low

It’s important that your investment portfolio matches your willingness and ability to take investment risk. A ‘low’ risk profile shows that your willingness and ability to accept investment risk is below average. Any falls in the value of a portfolio that matches this risk profile should usually be small. However, potential returns are also likely to be modest. So, if inflation (the rate at which the prices of goods and services rise) is higher than the rate earned on the investment, the spending power of your money will be reduced.

### Risk Profile 4 of 10 - Lowest medium

It’s important that your investment portfolio matches your willingness and ability to take investment risk. A ‘lowest medium’ risk profile shows that your willingness and ability to accept investment risk is just below average. A portfolio matching this risk profile is likely to experience both rises and falls in value. So, while there is potential for returns from your investment to match or go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment could fall in value, particularly in the short term.

**Risk Profile 5 of 10 - Low medium**

It's important that your investment portfolio matches your willingness and ability to take investment risk. A 'low medium' risk profile shows that your willingness and ability to accept investment risk is about average. A portfolio that matches this risk profile is likely to experience both rises and falls in value. So, while there is good potential for returns from your investment to match or go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment could fall in value, particularly in the short term.

**Risk Profile 6 of 10 - High medium**

It's important that your investment portfolio matches your willingness and ability to take investment risk. A 'high medium' risk profile shows that your willingness and ability to accept investment risk is slightly above average. A portfolio that matches this risk profile is likely to experience some significant rises and falls in value. So, while there is good potential for returns from your investment to match or go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment is likely to fall in value from time to time, particularly in the short term.

**Risk Profile 7 of 10 - Highest medium**

It's important that your investment portfolio matches your willingness and ability to take investment risk. A 'highest medium' risk profile shows that your willingness and ability to accept investment risk is well above average. A portfolio that matches this risk profile is likely to experience significant rises and falls in value. So, while there is strong potential for returns from your investment to match or go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment could fall in value from time to time, particularly in the short term.

**Risk Profile 8 of 10 – High**

It's important that your investment portfolio matches your willingness and ability to take investment risk. A 'high' risk profile shows that you are willing and able to take a high level of risk with your investments. A portfolio that matches this risk profile is highly likely to experience both significant rises and falls in value. So, although there is very strong potential for returns from your investment to go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment is very likely to fall in value from time to time, particularly in the short term.

**Risk Profile 9 of 10 - Very high**

It's important that your investment portfolio matches your willingness and ability to take investment risk. A 'very high' risk profile shows that you are willing and able to take a very high level of risk with your investments. A portfolio invested to match this risk profile is highly likely to experience both significant rises and falls in value. So, although there is very strong potential for returns from your investment to go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment is very likely to fall in value from time to time, particularly in the short term.

**Risk Profile 10 of 10 – Highest**

It's important that your investment portfolio matches your willingness and ability to take investment risk. A 'highest' risk profile shows that you are willing and able to take an extremely high level of risk with your investments. A portfolio invested to match this risk profile will probably experience very significant rises and falls in value. So, although there is extremely strong potential for returns from your investment to go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), it is very likely that your investment will fall sharply in value from time to time, especially in the short term.

## Glossary of Service Elements

We explain here some of the terminologies we may use to describe our services. If there's anything you don't understand please ask us to explain it.

### Investment Platform

Although relatively simple financial needs can often be met by stand-alone products such as a pension, Individual savings accounts (ISAs) or life insurance, where more active management of your investment portfolio is needed, it might be appropriate to use an investment platform.

A platform is an online administration service which lets you buy and sell investments across your whole portfolio. You can often make changes to your whole portfolio at the same time, and you'll have an aggregated view of your investments and their value, typically updated on a daily basis.

Where we believe that it's suitable for your investments to be held on a platform, we'll explain more about how it works and the charges that will apply to the platform service.

### Portfolio Valuation

This provides a snapshot of the current position of your investment portfolio.

### Asset Allocation Review

Asset allocation is an investment technique that aims to balance risk and create diversification by dividing your money among different investment sectors (often referred to as asset classes) such as cash, fixed interest, property and equities. Each of these asset classes has different levels of return and risk, so each will behave differently over time.

Your investment portfolio valuation will show how your investments are made up i.e. which sectors they are invested in. We'll use this to assess the allocation of your investments across different sectors against your recorded objectives and attitude to risk.

Where we think it's appropriate, we'll suggest any changes that may be needed to the makeup of your portfolio. For example, where we feel (taking into account your objectives and attitude to risk) that you have too much invested in particular sectors we may recommend that you switch some of your investments into other funds.

### Cash Flow Modelling

One of the most visual ways to help you plan for your financial future is by using cash flow modelling technology.

Using our cash flow analysis system, we can input information about the current value of your investments and apply relevant assumptions about things like investment growth rates and key life events to create detailed and precise cash flow models based on your individual circumstances.

We can use this information to assess what you are likely to need to save, the investment returns needed to achieve your goals or estimate whether your ongoing income is likely to be sufficient to sustain you for the rest of your life. Please note that the Financial Conduct Authority does not regulate Cashflow Modelling.

### Telephone Access to Our Client Team

When you require support /guidance feel free to contact us by either telephone or email. If we're not available, we'll respond during normal working hours, within 24 hours.

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