In the first half of 2018 we will be introducing a major enhancement to our Managed Portfolio Service. This guide is designed to help you understand the changes ahead and the advantages and efficiencies of the new MPS approach for your clients.

The benefits of our new investment approach include:

- Lower costs for clients from day one
- Reduced transaction costs
- A greater choice of investment strategies and managers to select from.

For FCA Authorised Individuals only

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Now available on 11 platforms, over 1,000 advice firms have signed up to use the Managed Portfolio Service (MPS). In the last financial year more than 200 firms have signed up, confirming the service’s strong investment performance and constant focus on client satisfaction.

The significant support for the service from financial advisers across the UK has created the opportunity to introduce a major enhancement to our service. With MPS assets under management now over £2bn, we are introducing a fresh, more institutional-style investment approach in the first half of 2018. This will make our portfolios more efficient and bring economies of scale, driving down costs with meaningful reductions across the service.

What’s new?

At the core of the new approach will be four ‘manager of managers funds’ which contain retail mandates with institutional level fees that leverage the skills of the best fund managers in the industry. Our chosen managers will invest using segregated mandates (tailored portfolios run in accordance with agreed criteria) instead of via their retail funds. Many of the fund managers already appear in the MPS models. However, we will also use this as an opportunity to bring some new names on board.

Each manager will be instructed to manage the assets in their mandate using a specified style or strategy in which they have already demonstrated excellence.

The four new funds will be:

- MI Select Managers Bond Fund
- MI Select Managers UK Equity Fund
- MI Select Managers UK Equity Income Fund
- MI Select Managers North American Equity Fund

These four funds will be employed in our five existing MPS model portfolios - Cautious, Income, Balanced, Growth, Global Equity.

The six other sectors, European, Absolute Return, Asia ex-Japan, Japan, Emerging Markets and Commercial Property will not change.

What stays the same?

- Access to the best asset managers in the industry
- The five risk rated portfolios
- Diversification across all major asset classes
- Our award-winning in-house research team will remain the driving force behind fund selection and the Asset Allocation Committee will continue to provide tactical asset allocation guidance
- Our commitment to independence - none of the new funds will be managed in-house by Brewin Dolphin
- The MPS fee will stay at 0.3% + VAT
- Expert service and good proven track record.

The table below illustrates what is changing – and what stays the same.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Current position</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>Selection of single manager funds</td>
<td>Manager of managers fund</td>
</tr>
<tr>
<td>UK Equity</td>
<td>Selection of single manager funds</td>
<td>Manager of managers fund</td>
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<tr>
<td>UK Equity Income</td>
<td>Selection of single manager funds</td>
<td>Manager of managers fund</td>
</tr>
<tr>
<td>North American Equity</td>
<td>Selection of single manager funds</td>
<td>Manager of managers fund</td>
</tr>
<tr>
<td>European</td>
<td>Selection of single manager funds</td>
<td>Selection of single manager funds</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>Selection of single manager funds</td>
<td>Selection of single manager funds</td>
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<tr>
<td>Asia ex-Japan</td>
<td>Selection of single manager funds</td>
<td>Selection of single manager funds</td>
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<tr>
<td>Japan</td>
<td>Selection of single manager funds</td>
<td>Selection of single manager funds</td>
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<tr>
<td>Emerging Markets</td>
<td>Selection of single manager funds</td>
<td>Selection of single manager funds</td>
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<tr>
<td>Commercial Property</td>
<td>Selection of single manager funds</td>
<td>Selection of single manager funds</td>
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The benefits of the enhanced MPS structure

Reduced costs for clients
MPS is already priced competitively and this development will drive down the underlying fund costs even further for the betterment of clients. We will be able to pass on meaningful cost savings to all clients as the new approach will reduce the Ongoing Charges Figure (OCF) of the underlying fund holdings. Additionally, costs associated with buying and selling should decrease due to lower portfolio turnover. The table below shows the reduction at launch and there will be further cost saving as the assets in the funds increase over time.

All cost savings will be passed on to clients. An analysis of the impact of the new approach on ongoing fund costs suggests savings of over £3m each year. The expected impact on overall costs for each MPS model is indicated below:

Indicative underlying fund costs for each MPS model before and after transition

<table>
<thead>
<tr>
<th>MPS Model</th>
<th>Before (bps)</th>
<th>After (bps)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cautious</td>
<td>63</td>
<td>50</td>
<td>21%</td>
</tr>
<tr>
<td>Income</td>
<td>65</td>
<td>52</td>
<td>20%</td>
</tr>
<tr>
<td>Balanced</td>
<td>62</td>
<td>52</td>
<td>17%</td>
</tr>
<tr>
<td>Growth</td>
<td>69</td>
<td>55</td>
<td>20%</td>
</tr>
<tr>
<td>Global Equity</td>
<td>69</td>
<td>51</td>
<td>27%</td>
</tr>
</tbody>
</table>

Increased performance potential
Most platform-based managed portfolios buy shares or units in funds available to investors on the open market. With this manager-of-managers investment approach, it will enable more efficient portfolio management.

(i) There will be fewer transactions, which will benefit performance over the long-term.

(ii) MPS will benefit from having a greater choice of investment strategies to select from and managers who aren’t otherwise available.

(iii) The fresh approach will enable MPS to continue to invest in strategies closed to new business, when the publicly available funds have restricted access.

Greater control
We will have a greater scope to work in conjunction with our highest-rated investment managers to further enhance the service to your clients’ advantage.

(i) It gives us tighter control over costs, enabling us to negotiate lower fees as funds under management grow.

(ii) The approach means that we remove the risk of being forced sellers/buyers of a retail fund if a manager moves investment house, a process which adds to costs and means clients may be out of the market during a crucial period.

(iii) In extreme circumstances we will have improved liquidity as we will not be in pooled funds that could be temporarily closed to redemptions.

(iv) There is scope to introduce more segregated mandates as the service grows and evolves.
What the future looks like

New look factsheets
As part of the process we are redesigning our MPS factsheets, as demonstrated below. The new factsheets will reflect the revised holdings, including the funds and the top underlying holdings sitting with each third party manager.

Old fact sheets

New fact sheets

Active & Passive
There will be a slightly increased weighting to active management in the new manager of managers funds. The North American equity allocation will retain a 50% passive weighting outside of the North American Fund, replicating the current active/passive split, while the passive element in the Bonds fund will reduce.

Potential tax implications
The majority of MPS clients are in tax-efficient wrappers so the transition to the new structure will have no tax implications for them. However, we estimate a small number of clients are in taxable wrappers and as their adviser you will need to establish if the switch to the new structure will trigger a potential capital gains tax (CGT) liability. To make it easier for you to mitigate a potential CGT liability, we will be transitioning these clients to the new MPS structure over two tax years.

What happens next?
A carefully orchestrated transition plan will see MPS assets transfer into the new structure between February and May 2018, using the normal monthly re-balancing schedule. We will keep you fully informed during this transition.
Your questions answered

Q1. Are you changing from a wealth manager to a fund manager?
A: No. This is about reducing the charges for the end client and investing in a more efficient way. Brewin Dolphin is acting in the role of asset allocator rather than a traditional fund manager.

Q2: Why are you creating your own funds when one of your differentiators has been your independence?
A: The funds will be set up purely as a cost effective and efficient way to structure MPS. It will not compromise our independence, but simply be a cheaper way of accessing key investment managers at a reduced cost.

Q3: Will the MPS models still be re-balanced monthly?
A: Yes.

Q4: Will the benchmarks also change?
A: No. Our benchmarks are reviewed periodically, but any change in the future would be communicated to financial advisers well in advance.

Q5: Is Brewin Dolphin making any money out of this new structure?
A: No. Our 0.3% plus VAT model portfolio fee will remain the same.

Q6: Will you issue individual fund factsheets for the new funds?
A: No, the MPS factsheets will reflect the revised holdings showing the weighting of the new funds with each third party manager.

Q7: What will happen to your past performance record?
A: There will be no impact on the past performance records of the MPS model portfolios as they are not changing. It will be the underlying investments that change, and they are already altered on a regular basis. We are working with the platforms to ensure that there is no issue with showing performance.

Q8: How will this affect the service’s independent ratings?
A: We do not expect any changes but will be working closely with each third-party risk firm to provide sufficient data for them to make a relevant assessment.

Q9: Will I be able to buy the individual funds that will be created?
A: No as these will be component parts of our models and not for general use.

Q10: Is Passive Plus changing?
A: No, these enhancements are about leveraging the benefits of active management at an improved price point. Passive Plus is focused purely on low charges.

Q11: Will there be CGT implications for clients?
A: Around 90% of MPS assets are held in tax-efficient wrappers. However, around one in ten clients is in taxable wrappers and as their adviser you will need to establish if the switch to the new structure will trigger a potential capital gains tax (CGT) liability. The asset transfer to the new MPS structure will span two tax years to help you with tax planning.

What do you need to do next?

You do not need to do anything to effect the change. However, it is crucial that you review all MPS clients to establish if the switch to the new structure will trigger a potential CGT liability.

The plan is that the asset transfer to the next structure will span two tax years to help with tax planning. A portion of a client’s assets will be transferred in the current 2017-18 tax year, and the remaining portion in the new 2018-19 tax year.