

## PRIVATE CLIENT SERVICE UPDATE – SPRING 2011



I trust you all managed to get some time away from work over the Easter / multiple Bank Holiday period, to enjoy the good weather.

It is now 12 months on from when we relaunched our Private Client service, and I am delighted that we have taken on 60 new clients in that period (with approx £40m of portfolio assets). We are very grateful to the increasing number of Financial Advisers, spread right across the UK, who have recommended us to their clients.

**Bob Brown (Chairman)**

## FEATURE ARTICLE – Does cheaper always mean value for money?

With prices of almost everything we purchase on the up, we are all looking for a good deal, but in the world of investment portfolios does cheaper necessarily mean better?

There has been a lot of talk in the financial press over the past 12 months, that the overall cost to a client for an investment portfolio would inevitably come down through economies of scale and the use of newer and cheaper ways of investing. Whilst this could well be the case, I would like to exercise a word of caution, and suggest that “value for money” should be what we are all searching for.

In a time of relatively low growth across markets, one way of boosting the return that clients see is to reduce the costs that drag on that performance, but does that then bring other issues into play? There is no doubt that a ‘passive’ portfolio is cheaper to construct and look after than an ‘active’ one (whether it is just made up of Index Tracking funds or the newer and more glitzy ETFs), but does it provide the same growth opportunity? For example, if the biggest growth opportunities in UK equities were some of the FTSE350 companies, should you invest in a cheaper ETF that includes the whole index or a ‘UK Companies’ actively managed fund that can make specific stock selections?

Then there is transparency. We all think we understand the ‘true’ costs of Funds, ETFs and OEICs, but it is a murky world where rebates and platform discounts are not always disclosed, and the only way to find out the real cost is

to stick some money in for a year and see how much is left after 12 months.

All of this played on our minds when we were constructing our Private Client service, just over 12 months ago. We purposely opted for our management fee to be “all inclusive” of trading, custody and admin charges, and to use a platform that allowed us to buy ‘institutional units’ for our chosen Funds to avoid any loading on the costs. In addition, we only operate one scale of fees whether your client has a Funds portfolio or a more bespoke equity portfolio. This enables us to easily transition clients between the two portfolio types, as the value increases and their needs/objectives change, without having to completely sell one portfolio before building the new one. Our fee scale reduces as the value increases, so the overall percentage gets cheaper for the client. On top of that, holding an element of the portfolio in individual stocks, shares and bonds, also reduces the overall cost to the client. As an example, the TER for a Managed Funds portfolio is currently in the region of 1.8% compared to that of 1.4% for a similar sized Bespoke portfolio.

When it comes to portfolio construction, we do use EFTs where we believe they can deliver a better return than a comparable ‘active’ Fund, but our biggest asset in keeping the overall cost low is our ability to share the discounted buying opportunities we have across both our Institutional AND Private Client portfolios. The majority of share purchase that we make are where established and well respected

companies are wanting to raise capital for specific needs. We do not speculate on untried business plans, we carefully select the opportunities and companies who have a track record, and invariably looking for money to expand. The benefit for our investors is that these shares are very often offered at a discount to the current value, so immediately having a positive effect on their portfolios.

Nothing dramatic about that you might think, except that RCBIM has made a strong name for itself in this area over the past 21 years, and is one of the first investment managers to get offered these type of opportunities. Added to that, to our knowledge we are the only independent discretionary investment firm that includes Private Client portfolios in these type of deals, as the majority of our competitors don’t have an Institutional side to their business and therefore don’t get offered these opportunities.

So in conclusion, we question whether a passively managed portfolio will deliver a consistently better ‘net of fees’ performance than one we actively manage. Alternatively your client may prefer to have a portfolio that makes the best use of both.

**Alan Beaney**  
Investment Director

## HOW TO DO BUSINESS WITH US

### Our services

Managed Fund Portfolios  
(Min £25,000)

Direct/Bespoke Portfolios  
(min £250,000)

Ethical Portfolios  
(min £250,000)

We have a clear & transparent charging structure:

- a. Our fees already include transaction and custody charges
- b. We purchase 'institutional' units (where available), and pass on 100% of any rebates we receive
- c. Tiered fee structure dependent on the value of the portfolio
- d. IFA remuneration is disclosed and levied separately to our own charges

### ISAs, Bonds & SIPPs

We have our own ISA (at no additional cost), and our portfolio services can also be used through a range of Bond and SIPP wrappers, including but not limited to those offered by:

**Canada Life**  
**Hornbuckle Mitchell**  
**James Hay**  
**LV=**  
**Merchant Investors**  
**Suffolk Life**

Where you have an existing relationship with a provider not listed above, we are happy to contact them to discuss arrangements to do so.

For further details of our Private Client services, and to discuss how we might assist you/your clients, please contact:

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## WHO WE ARE



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