

novia / Processes for suspended assets

Since the EU Referendum, and a UK vote to leave we have seen some mixed activity within the markets. In response, some Fund Managers issued liquidity warnings, with some assets being temporarily suspended. With such a high level of activity and uncertainty we wanted to make sure that you were aware of trading processes and the options that are available to you.

Where a model portfolio has a suspended fund this will result in:

- > The model portfolio appearing invalid within Model Portfolio Manager (MPM)
- > Regular investments into the suspended asset will not be placed and therefore, the money from this portion of the regular investment will be held in the product wrapper cash facility
- > Applications where the transfer/client contribution have not yet been received, will not be placed and therefore, the money will be held in the product wrapper cash facility
- > Web applications will not be able to be submitted into a model portfolio with a suspended fund

As such, if you manage a model portfolio with a suspended fund then the options detailed below are available to you, if you do not want new monies to be held in cash.

How to manage a model portfolio with a suspended fund

The management of model portfolios is performed within MPM, where actions can be performed to make your model portfolio valid again.

Option 1, Edit a model portfolio

Editing of a model portfolio to remove the suspended fund will trigger a realignment across the clients that are currently associated to the model. You must have the appropriate client authorisation or discretionary powers to perform this.

Clients who already hold investments in the model will keep their holding in the suspended asset, whilst the rest of their portfolio will realign according to the new asset weightings. For example, if the client currently holds 5% in the suspended asset, the system will calculate the realignment based on 95% of the client's holdings. This means the other 5% will continue to be held and will sit separately to the new model portfolio.

By taking this action it will:

- > Make the model portfolio valid allowing web applications to be submitted
- > Clients that have regular investments will now invest into the new asset allocation
- > Applications where the transfer/client contribution have not yet been received will invest into the new asset allocation
- > Realign client portfolios to the new asset allocation.

Option 2, create a new model portfolio

The creation of a new model portfolio can be performed by using the clone function. This can be performed by selecting the model you wish to clone and then select the 'clone' option on the bottom right hand side of the MPM dashboard. The clone option allows you to create a copy of the existing model and edit the new model (to replace the suspended asset). The new version of the model will need to be updated to not include the suspended fund.

You may now link clients from the original model to the new model, this will have the following impacts on the client:

- > Clients that have regular investments will now invest into the new asset allocation
- > Applications where the transfer/client contribution have not yet been received will invest into the new asset allocation
- > Whilst linking clients to the new version of the model there will be an option to realign the clients you must have the appropriate client authorisation or discretionary powers to perform this.

Where you have elected to realign the clients, then those clients who already hold investments in the model will keep their holding in the suspended asset, whilst the rest of their portfolio will realign according to the new asset weightings. For example, if the client currently holds 5% in the suspended asset, the system will calculate the realignment based on 95% of the client's holdings. This means the other 5% will continue to be held and will sit separately to the new model portfolio.

Where automatic rebalancing is in place, the new model portfolio will be used for rebalancing but will exclude any suspended funds. Once a suspension is lifted, that fund will be swept into the rebalance using the new model allocation. We will send out further communication regarding the lifting of any suspensions as we are notified by the fund manager.

How to amend a client's Default Investment Strategy

Where you do not use a model portfolio to manage a client's portfolio, you may be using a Default Investment Strategy to manage rebalancing and regular investments. To update the Default Investment Strategy so that rebalancing will take place using the new asset allocation, please submit the appropriate Rebalancing Instruction form which is available within the Servicing Documents section of the Secure Literature webpage.

This will amend the Default Investment Strategy and will have the following impacts on your client:

- > Clients will rebalance at the next instructed rebalance date and those clients who already have a holding in the suspended fund will keep their holding in the suspended asset, whilst the rest of their portfolio will realign according to the new asset weightings. For example, if the client currently holds 5% in the suspended asset, the system will calculate the realignment based on 95% of the client's holdings. This means the other 5% will continue to be held and will sit separately to the new Default Investment Strategy.
- > Clients that have regular investments will now invest into the new asset allocation

Where automatic rebalancing is in place, the new Default Investment Strategy will be used for rebalancing but will exclude any suspended funds. Once a suspension is lifted, that fund will be swept into the rebalance using the Default Investment Strategy. We will send out further communication regarding the lifting of any suspensions as we are notified by the fund manager.

How to amend regular investments where the client does not have a Default Investment Strategy

Where you are investing regular investments into a specified list of funds, and one or more of the funds is suspended, the suspended asset will not trade, but instead the money for this asset will remain in the cash facility. The remainder of the balance will still be invested in the other selected assets. To update the regular investment instructions please submit the appropriate Recurring Switch Instruction form which can be found in the Servicing Documents section of the Secure Literature webpage.

Please visit our [Corporate Actions page](#) to view the latest notifications regarding Corporate Actions and Dilution Levies.