



/ Intelligent wealth management

Available Investments Guide

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- > Through the Novia Wealth Management Service you can access a very broad range of investments. They include:
 - > Authorised funds: Unit Trusts and Open Ended Investment Companies (OEICs) from the UK and overseas available to UK Investors
 - > Investment Trusts
 - > Exchange Traded Funds (ETFs)
 - > Equities
 - > Alternative Investments (including Hedge Funds and Structured Products)
 - > Cash.
- > This guide will give you more information on these investments which you may purchase and hold in one or more Novia Product Wrappers.
- > Novia does not offer advice regarding investments and investment choices. For information on any specific investment, and whether it is suitable for you or not, you should consult your Adviser.

Authorised Funds: Unit Trusts and Open Ended Investment Companies (OEICs)

- > **Very wide range of funds, covering many sectors and geographical areas**
- > **Buy units/shares direct from fund manager, single or dual pricing**
- > **Active/Passive Management**
 - > This broad range of funds are known as collective investment vehicles because they pool money from many Investors to buy assets such as shares, bonds, gilts or cash deposits. An Investor may benefit from holding these varied investments as this diversifies a portfolio, spreads risk and allows access to expert asset management.
- > Each unit trust or OEIC will have an investment objective reflecting the type of assets, planned investment return and the sector or geographical area the fund manager will focus on, such as UK equities or European growth. The fund manager will invest the fund's money in line with the stated investment objective and will make initial and annual management charges to reflect their expenses.
- > Through Novia, Investors will usually not have to pay the initial charge which may be levied by fund managers.
- > Both unit trusts and OEICs are 'open ended' funds, which means they can increase in size as more Investors buy units (unit trusts) or shares (OEICs) in them. Units/shares are created and cancelled by the fund manager when Investors buy or sell a holding in the unit trust or OEIC. Novia buys and sells units/shares on your behalf directly with the fund manager and negotiates to offer you access at a reduced cost.

- > The price of units/shares, usually calculated daily, will reflect the total value of the assets held by the fund. This is often known as the Net Asset Value, or NAV. Funds may be single or dual priced. Single pricing, often used by OEICs, means there is simply one price at which you may buy or sell shares, reflecting the NAV and any additional expenses faced. Dual pricing, traditionally used by unit trusts, means there are two prices, the lower (bid price) at which to sell units and the higher (offer) at which to buy. This 'spread' between the two prices covers any additional expenses and the mid-point will reflect the NAV.
- > Funds may be 'passively managed' to simply mirror a group of assets or an index.
- > Alternatively, funds may be 'actively managed' to reflect the managers view of the market or the potential of different underlying assets. They may employ different investment styles to identify shares in companies which can be bought or sold to maximise returns.
- > Through Novia you have access to buy units or shares in over 3,500 funds provided by more than 300 fund managers, including very large investment houses such as Jupiter or M&G and some smaller, boutique asset management companies. This means there is usually a fund to suit the requirements of most Investors with access to many different sectors across the world.

Investment Trusts

- > **Traded on the stock market, dealing charges apply**
- > **Cost effective – low initial and annual fund manager charges**
- > **Wide range of funds, active/passive management**
- > **Fixed capital and borrowing allows managers to have a long-term strategy – potential for higher returns and potential risk**
 - > An investment trust is a company listed on the London stock market (London Stock Exchange – LSE) which uses the money invested in it to buy a range of underlying assets, such as the shares of other companies, bonds or property, which reflect the objectives given to the investment manager.
 - > Buying shares in an investment trust gives Investors exposure to the assets held and changes in their price which reflect the demand for them. It also means Investors benefit from any returns which may be generated. This is therefore a way to offer Investors access to expert management and a much broader spread of assets than if they invested alone, and allows an Investor to spread their risk by diversifying their investment portfolio.
 - > There are many investment trusts available with a very wide range of objectives, covering many types of underlying asset, sector or geographical area. These investment trusts may be actively or passively managed. The investment manager, who implements the trust's investment objective, is responsible to the company's board. The board represents the interests of Stockbroking and is responsible for setting the trust's investment objectives, overseeing the investment manager's strategy and the shareholders' funds.

- > To invest through an investment trust with Novia, you buy shares on the LSE as you would for any other company. Similarly, the price is determined by demand and supply for the shares, but will relate to the value of the assets held by the company (the NAV). As such, the market price of the shares may be lower or higher than the NAV per share. This is known as the shares trading at a 'discount' or 'premium' to the trust's NAV. It indicates the market's view, either negative or positive, of the future prospects of the trust, the sector it focuses on and the underlying assets it holds.
- > Since investment trusts trade on the stock market they can be an easy and cost effective way to invest in assets like equities and provide exposure to certain types of investment or geographical sector.
- > Investment trusts pay any costs and expenses incurred directly, thus reducing investment returns. There are no direct costs to the Investor apart from stamp duty and any dealing charges payable. Altogether this means the cost of investing through an investment trust can be lower than other collective investment vehicles.
- > Investment trusts can benefit from the fact that there is a fixed number of shares and therefore a fixed amount of money that can be invested in assets, allowing the investment manager to pursue a long term strategy. Many investment trusts can also use extensive borrowing, or 'leveraging', with the permission of the board, to fund further investment. The ability to utilise such techniques may increase associated risks, which apply differently for each investment trust.

✓ Exchange Traded Funds (ETFs)

- > **Tracks a particular index or sector very closely**
- > **Instant diversification, ETFs to cover many indices and sectors**
- > **Cost effective, very low annual management charges compared to other collective investments**
- > **Trades on LSE, dealing charges apply**
- > ETFs act like a hybrid of a share and a pooled fund, trading like equities on a recognised exchange, such as the LSE and tracking a certain index (like the FTSE 100 or S&P 500) a specific sector (such as Water or Timber) or type of underlying asset (like corporate bonds or Gilts).
- > The fund will hold assets, such as company shares or bonds, to very closely reflect the sector or index it is following. In this sense it will not be actively managed by changing holdings to reflect the manager's view of the market, a particular share or prospects for the future. Instead the fund will be passively managed to replicate the makeup of a sector or index and any changes which occur. Due to the way the shares are created and traded Investors can generally be confident that an ETF will very closely match its underlying index/sector.
- > This allows Investors to easily and efficiently add the risk and reward potential of a certain index or sector to their portfolio and aids in diversification and spread of an Investor's risk.
- > ETFs are well developed investments, now used widely around the world and can provide a mix of the benefits of shares and funds; offering a low cost and easily

traded investment, usually with no inherent leveraging, on a well regulated market.

- > Due to the way they are managed, and traded on a stock exchange, ETFs can have lower costs than other collective investments and therefore offer a lower total expense ratio (TER). This is typically 0.20% to 1.20% TER. However, there will be dealing costs associated with buying and selling ETFs, and this will vary depending on the amount and size of trades.
- > The price of an ETF is closely linked to the Net Asset Value of the assets they hold and will reflect this throughout the trading day. Price information is readily available as with any other share.
- > Through Novia you can access a variety of ETFs. More than 400 ETFs are available and will be traded on an aggregated basis. Through our Stockbroking service you will also be able to access all of the ETFs traded on the LSE. There is no stamp duty payable on the purchase of ETFs, unlike other stock exchange traded securities.

✓ Equities

- > **Share in a company traded on the London Stock Exchange**
- > **Easily traded, dealing charges apply**
- > **No further charges for holding equities**
- > **Access to rise and fall of share prices and possible company dividends**
- > Through Novia you can buy and sell shares in companies and bonds quoted on the LSE. We use our Stockbroking partner to buy and sell these equities as instructed. This provides access to numerous stocks available on the LSE in addition to the other investments offered by traditional fund managers.
- > With equities, you invest directly in listed companies and can benefit from any increases in the share price and any dividends issued. You also face the risk of any falls in the share price or the company being wound up.
- > Some listed companies may issue dividends – a share of any profits made, which will be credited to shareholders automatically. As a shareholder you own a part of the company and will have the right to vote on matters such as changes to the company. You will be notified directly by our Stockbroking partner of any changes to the company structure or voting issues.
- > Unlike a pooled investment fund there are no annual charges to cover fund manager expenses but there are costs associated with buying and selling shares, including dealing charges. When you invest in equities through Novia these charges will be levied by our Stockbroking partner from the money you use to buy shares, along with stamp duty payable on the trading of equities.

Alternative Investments

- > 'Alternative investments' can cover a very large and diverse range of investments that can include, amongst others, hedge funds and structured products, a number of which are available through Novia.
- > There is no one, simple, definition of an alternative investment and many have very individual characteristics and aims. This is true of both hedge funds and structured products, where the individual investment will be characterised by its own specific structure, investment objective and strategy. There may be restrictions on investing and removing money from such products, such as minimum investment amounts and non-regular dealing.
- > As they can be complex investments with specific risks, alternative investments, such as hedge funds, may be restricted to clients with a certain level of expertise and knowledge of investing. You should consult your Adviser for further information on whether or not such investments may be suitable and whether you can invest in them. Clients investing in alternative investments have a lower level of Investor protection than Retail Clients as defined by the FCA, without access to institutions such as the Financial Ombudsman Service and the Financial Services Compensation Scheme.

Hedge Funds

- > **Normally unregulated by the FCA, many different objectives and strategies**
- > **Often aim to provide absolute returns whether the market rises or falls**
- > **Use unorthodox and often risky techniques like short-selling, leveraging and derivatives**
- > **Expensive fee structure and often high risk**
- > Hedge funds are investment vehicles where managers have the ability to use many different investment techniques to maximise the potential for growth and profits, benefit from changes in the market and produce 'absolute' returns. For example, they may buy or sell assets and use financial instruments such as derivatives to profit from both a falling or rising market, and 'bet' on future movements in many different markets such as energy, other commodities or equities.
- > As hedge funds are generally not regulated or available to the general public, they make use of complex investment strategies (such as short-selling, leveraging and use of derivatives) to increase potential returns, but this may also significantly increase the risks faced by Investors. Hedge fund managers may also make higher management charges than other investments and often share in any profits by charging performance fee, usually 20% of the increase in a fund's NAV.
- > It can be difficult both to invest and disinvest from a hedge fund. There are often minimum investment amounts much higher than other types of investment available to Retail Clients. It can also be difficult to sell shares you hold in a hedge fund and realise your investment. This is because many funds do not price and deal regularly and in some funds an Investor could

have to wait up to three months or more for their money.

- > The use of hedge funds in an Investor's portfolio may offer the potential for significant returns whatever the market conditions but also exposure to substantial risk, demonstrated in recent years by the failure of some very large funds. The lack of transparency surrounding some hedge funds, the large sums of money needed to invest, performance fees, along with possible risks mean they may not suit many Investors but might offer others the chance to further diversify their portfolio.
- > It is important to remember that alternative investments such as hedge funds offer a lower level of Investor protection than other collective investments.

Structured Products

- > **Range of tailored products with different objectives and structure**
- > **Specific risk-return profile for each investment**
- > **Often aim to provide a mix of capital protection and limited exposure to investment performance**
- > Structured products offer a very wide range of options. They tend to be tailored investment vehicles designed to fulfil a specific set of aims and feature distinct risk versus reward profiles.
- > Generally, they will feature two elements; one to protect some, or all of the capital invested and one to seek returns from investments that may offer varying profiles of risk and reward.
- > This will usually be in the form of low risk deposits or bonds designed to guarantee a fixed amount of capital and more high risk, high return assets to provide income or growth potential. For example, this may be in the form of financial derivatives, investments in emerging companies or sectors, commodities, foreign exchange or hedge funds.
- > There may be rules surrounding minimum investment levels and irregular trading which can make specific products unsuitable for some Investors. Each investment is different and will have its own set of features and characteristics.

Cash

- > Through Novia, you may also hold some of your money as cash. Investors may benefit from doing so, especially when markets are volatile or investment options uncertain. However, a certain level of cash may be an important element in a balanced asset allocation to reflect an Investor's risk profile.
- > Money held within the Cash Facility will be held according to the Financial Conduct Authority's client money regulations in a designated client money account with our bankers, primarily HSBC.
- > Investors may also access a range of investments, such as cash based unit trusts or OEICs, which hold very high levels of cash or cash based assets, often known as money market instruments, to offer a stable return at low risk. You should ask your Adviser for further information on such investments.