BARON & GRANT

Specialists in Managing Investment Trust Focused Portfolios

www.baronandgrant.com

Baron & Grant Investment Management Limited is authorised and regulated by the Financial Conduct Authority
Reference number: 930300
2024

Important Information

Baron & Grant Investment Management Limited (B&G) is authorised and regulated by the Financial Conduct Authority (FCA) under Firm Reference Number 930300.

B&G is a company registered in England and Wales under registration number 12161169. Registered office: 66 Lincoln's Inn Fields, London, WC2A 3LH. Principal office: 12A Main Street, Rosliston, Swadlincote, Derbyshire, DE12 8JW.

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We try to ensure that the information provided is correct, but we do not give any express or implied warranty on its accuracy. We do not accept any liability for errors or omissions.

Please note that the value of investments and their income may fall, and you may get back less than you invested. Past performance is not a guide to future returns. The performance quoted may be before charges, which will have the effect of reducing illustrated performance.

No investment is suitable in all cases, and if you have any doubts about an investment's suitability, you should consult a professional financial adviser authorised by the FCA to conduct investment business.

Privacy Policy

We will keep your personal information confidential except to the extent that we are compelled to disclose it by law or to comply with an instruction of a regulatory body of competent jurisdiction.

To comply with the Data Protection Act 2018 requirements, we adhere to strict security procedures and have taken all appropriate measures to ensure that no unauthorised disclosures of your details are made to a third party without your permission and unauthorised access to it is prevented.

Occasionally, we may also use your details to inform you of other features, services, and products offered by B&G that we think you may be interested in, and we may contact you by post, email, or telephone unless you have requested us not to.

For our complete Privacy Policy, please refer to our website.

Contents

About Us

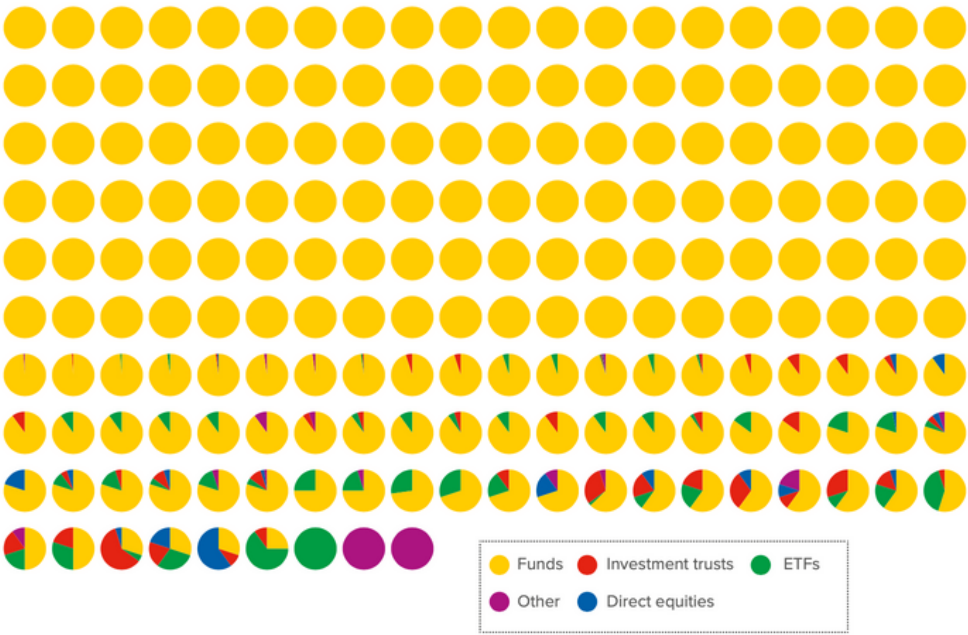
We founded Baron & Grant (B&G) to harness the many advantages of investment trusts for the benefit of our clients. A track record of outperformance, a bespoke service and portfolios tailored to individual circumstances make for a powerful combination. With the help of others, we also hope to help investors generally better understand how investment trusts can achieve financial objectives

B&G is a financial planning, advice and discretionary investment management business that **specialises in managing investment trust focused portfolios,** complemented by a carefully selected range of exchange-traded funds (ETFs).

This approach is **different to the vast majority of investment or wealth managers** who run portfolios consisting mainly of direct equities and other forms of collective funds such as unit trusts and open-ended investment companies (OEICS). Such funds, on average, have been shown to underperform investment trusts.

Independent research conducted by The Lang Cat concluded the following:

"Funds dominate the model portfolio world. Based on our State of the Adviser Nation (SOTAN) research, the total mean average use of funds as opposed to other asset types as the building blocks in models is 91%. Anything else is (currently) a minority sport. Our graphic below illustrates the asset types used by respondents of our SOTAN research who run their own model portfolio range. Each 'mini-pie' represents an individual respondents asset mix for their models."



Source: The Lang Cat publication – Practically Speaking. Investment Companies within Centralised Investment Propositions – November 2020 – Page 7

Of the 189 respondents, not one firm exclusively used both investment trusts and ETFs in their portfolios!

Our Team

Unlocking the City's best kept secret

Harnessing the power of investment trusts

Genuinely differentiated

Christopher Grant MCSI - Chief Executive Officer

- Highly rated investment analyst throughout a 20-year career in the City
- Former Head of European Equity Investment Research for ABN AMRO Bank & was also Chairman of the European Equities Management Committee
- Six years as Chairman of Derbyshire County Cricket Club

John Baron CBE MCSI - Chair of the Investment Committee

- One of the UK's leading experts on investment trusts – used in a private and professional capacity for nearly 40 years
- Best known to readers of the FT's Investors Chronicle magazine for having successfully managed and reported on two actual investment trust portfolios since 2009
- Former Director of Henderson Private Clients (later Henderson Global Investors) and then Rothschild Asset Management
- Written The FT Guide to Investment Trusts, contributed to other publications, including The Investment Trusts Handbook 2021, and regularly a keynote speaker at financial seminars

Tom Poynton Chartered MCSI - Executive Director

- Following a 10-year career as a professional cricketer, Tom retrained in financial planning, advice and investment management
- Shortlisted for the Investment Week Investment Company of the Year Rising Star Award 2023
- Qualified Financial Adviser and member of the Investment Committee

Our Team

Mark Johnson APFS - Chartered Financial Planner

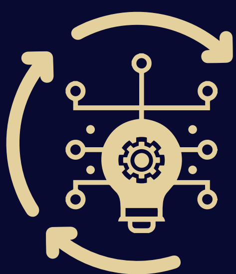
- Nationally recognised, top-rated Chartered Financial Planner
- Worked in financial services for more than 15 years
- Leads on providing financial planning and advice for Baron & Grant Investment Management Limited, supported by Tom Poynton & Harvey Hosein

Harvey Hosein IMC ACSI - Investment Associate

- Following an 8-year career as a professional cricketer, Harvey retrained in financial planning, advice and investment management
- Qualified Financial Adviser and also sits on the Investment Committee

Utilise market leading financial software

Access to best-in-class research



Diverse age, background & skillset

Active investment management approach

Our Investment Philosophy

Our philosophy is that investment is best kept simple to succeed

Simplicity & quality

Complexity adds cost, risks confusion, and usually hinders investment performance. This approach is complemented by a thorough research process when constructing client portfolios.

While the portfolios pursue a range of investment strategies, their common remit is to invest in high-quality companies that create wealth and add value over time.

The long-term

Little attention is paid to short-term market 'noise'. The focus remains on the long-term when assessing sentiment and fundamentals, and volatility is therefore seen as an opportunity.

As such, we consider the time spent in the market more rewarding than market timing. Such an approach also allows the complete harvesting of dividends, which become an increasingly important contributor to total returns over time.

Diversification

In remaining invested, we recognise the importance of portfolio rebalancing and diversification to ensure the portfolios stay in sync with desired risk profiles. Indeed, three primary factors influence portfolio performance, i.e., asset allocation, stock selection and market timing.

Diversification across various differently correlated asset classes should help reduce the overall risk level compared with a portfolio that only invests in one asset class.

An effective combination of different asset classes can significantly reduce portfolio risk without substantially decreasing its growth potential.

Strategic & tactical portfolio management

While remaining invested and true to portfolio remit, tactical portfolio management allows the flexibility to take advantage of short-term opportunities regarding individual investments. The aim is to improve performance above the market average.

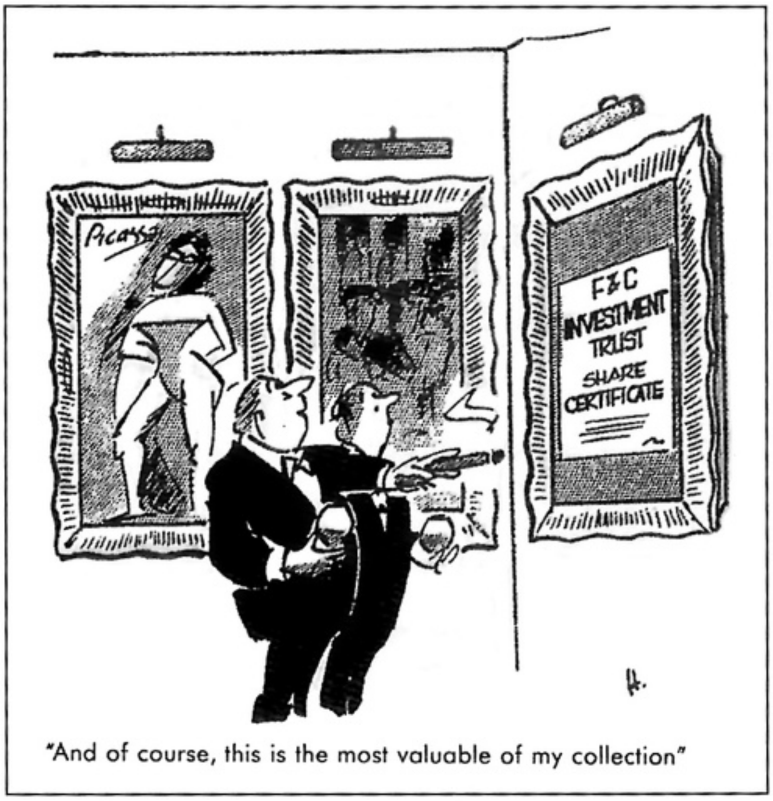
This approach acknowledges the fact sentiment and fundamentals can often part company. It attempts to increase returns by overweighting investments that are expected to outperform on a relative basis and underweight those that are not – while remaining within the portfolio's remit.

History of Investment Trusts

Over the past 150-plus years, investment trusts (often termed investment companies or closed-ended funds) have witnessed global conflicts and financial crises. Throughout, they have successfully responded and adapted such that many are still thriving today

The Foreign & Colonial Investment Trust was the first and original investment trust launched in 1868 and is still going strong today. When launched, the "investment vehicle for the many" provided "the investor of moderate means the same advantage as the large capitalist".

The London investment companies were formed to provide diversified exposure for a new breed of investors who had made money from the Industrial Revolution, particularly the nineteenth-century railway boom. The concept was swiftly taken up north of the Scottish border, and in February 1873, Robert Fleming launched The Scottish American Trust in Dundee, now called Dunedin Income Growth.



From *The Daily Telegraph*

Investment trusts still have the same purpose today as they did over 150 years ago, allowing investors to gain exposure to a diversified range of companies or other assets, such as infrastructure and property in one company.

According to The Association of Investment Companies (AIC) website, there are 365 investment trusts with a collective value of £268bn (as of 31/12/2023).

Key Features Comparison

	Open-ended	Closed-ended	Consequence
Income	All income must be distributed in each accounting period	Up to 15% of the fund's income can be retained in a revenue reserve	Allows closed-ended funds to smooth income distributions through good and bad periods giving investors greater certainty
Capital	Capital will vary according to unit creations and redemptions as investors enter/leave the fund	Capital is fixed, except where the company decides to issue/buy back shares	Fixed pool of capital enables closed-ended managers to be more fully invested and to take a longer-term view. Also enables investment in less liquid assets
Borrowing	Cannot use gearing	Can use gearing	Enables closed-ended funds to increase exposure to target assets. Can amplify gains/losses. Adds to risk
Pricing	Price set at net asset value at each trading point	Price set by the market based on supply and demand for the shares	Closed-ended funds may trade at a premium or discount to the net asset value
Trading	Directly with the fund manager	Via a stock market through a broker or investment platform	Open-ended funds typically trade at a price fixed once a day, closed-ended vehicles trade continuously through the day and often trades settle in a shorter timeframe
Governance	No independent board. Limited unitholder participation	Independent board. Active shareholder role in governance	The independent board protects shareholder interests, e.g. negotiating management fees. Shareholders of listed closed-ended funds can participate by attending AGMs and voting on company matters

Source: The Association of Investment Companies - Investment Companies: Democratising capital, funding growth and meeting investors' needs - November 2022 - Page 7

Sector Review - 2023

There was a significant increase in corporate activity in 2023. Mergers, buybacks, liquidations and manager changes dominated. This trend reflects shareholder impatience after enduring a prolonged period of wide discounts, coupled with a higher liquidity threshold as a result of wealth manager consolidation. In our view, the increased level of corporate activity witnessed last year highlights the advantages of the investment trust structure, particularly in terms of independent Boards. Looking ahead, we anticipate this elevated trend in corporate activity to continue, especially given the sector average discount of c.13% going into 2024.

A total of **£6.96bn was paid out by investment companies in dividends** during 2023 compared to £6.17bn in 2022, **a 13% increase**

It was a **record year** for share buybacks, with **£3.57bn** of shares repurchased according to the latest figures from Winterflood (using Morningstar data). This compares to buybacks of £2.70bn during 2022

4 investment company mergers completed in 2023. An additional 4 mergers have already been announced and if approved are expected to complete in the first half of 2024

26 investment companies changed their fees to benefit shareholders. The most common type of fee change was a reduction in a company's base fee (11 companies) and the second most common was a reduction in a tiered fee (10 companies). In addition, 7 companies introduced tiered fees for the first time and two companies removed their performance fees

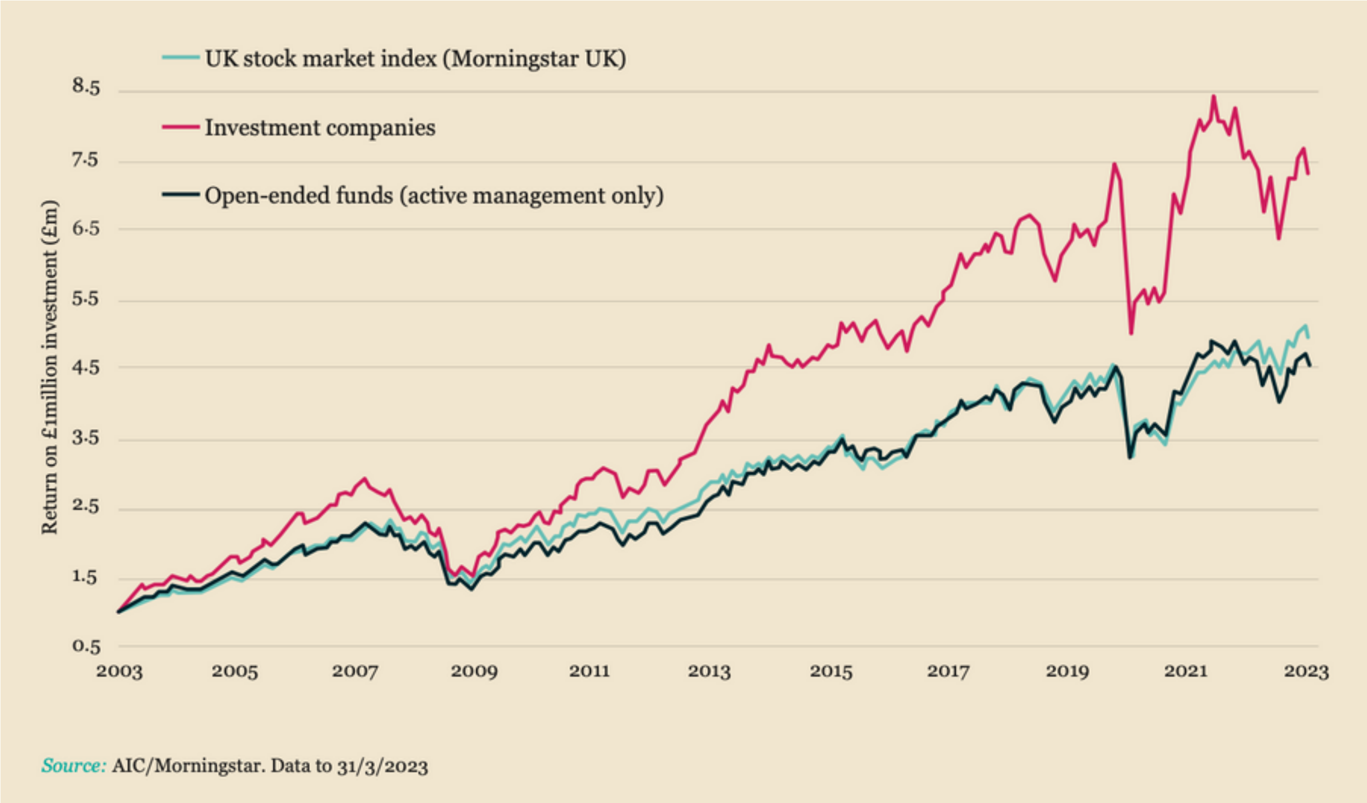
9 investment companies changed their manager in 2023, the most in a calendar year since 2009

There were **8 liquidations** of investment companies last year

Source: The AIC, Winterflood / Morningstar

Record of Outperformance

Research has consistently found that investment trusts have, on average, outperformed open-ended funds, including unit trusts, over the long-term



Source: Pensions and Lifetime Savings Association Investment Companies Made Simple Guide - May 2023 - Page 4

While the past is not a guide to the future, looking back at the sector's record (shown in the chart above) can offer insights to inform a strategic view of investment options.

Prior to the Retail Distribution Review (RDR) in 2012, open-ended funds could pay a trail commission to advisers (IFAs) for recommending their fund. As most IFAs were remunerated almost exclusively by commission, this incentivised the distribution of open-ended funds over other products, including investment trusts.

Post-RDR, there is no longer a compelling financial disincentive for IFAs to recommend investment companies. Yet, much of the structural bias towards open-ended funds remains, particularly in the advice market. This is despite the well-supported structural advantages that investment trusts offer.

The irony is, when you speak to many IFAs, they will tell you that they own investment trusts within their own investments, yet they do not recommend them to their own clients!

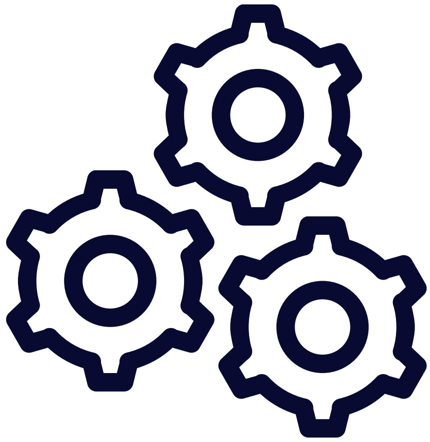
At B&G, we 'eat our own cooking' and have our own 'skin in the game' within our portfolios alongside our clients.

Why Investment Trusts?

While investment trusts have delivered excellent long-term returns for their shareholders for over 150 years, they are still often referred to as **"The City's best-kept secret"**

Better performance

- Despite not being well known, investment trusts, on average, possess a superior performance record when compared to their better-known cousins - unit trusts and OEICs.
- Investment trusts have beaten most market indices, whether delineated by region or country – unlike unit trusts, OEICs and ETFs.
- Part of the reason is they charge lower fees. Another reason is that, like other public companies, trusts can borrow to buy more assets. Historically, this has benefitted asset values and share prices partly because markets have risen and good fund managers have capitalised on this gearing.



Ability to gear

Better structure

- Unlike unit trusts or OEICs, investment trusts are 'closed-ended' - they have a fixed number of shares like other closed-ended public companies such as M&S and BP, but instead of specialising in clothes or oil, they specialise in financial assets.
- The managers of investment trusts can take a long-term view of their assets as they are not subject to the same relentless flow of monies, both being introduced and withdrawn, as are open-ended funds. Investing for the long-term tends to result in better returns.
- Being closed-ended, investment trusts are also better suited for certain types of investment – particularly those less liquid, such as commercial property, as highlighted by the closure of a number of open-ended property funds during the mistaken rush to the door following the EU referendum.
- Other less-liquid assets, such as private equity or smaller companies, require a similar approach. Their very nature, and therefore, at times illiquidity, require the incubator effect best offered by the closed-ended structure of investment trusts.

Closed-ended structure

Why Investment Trusts?

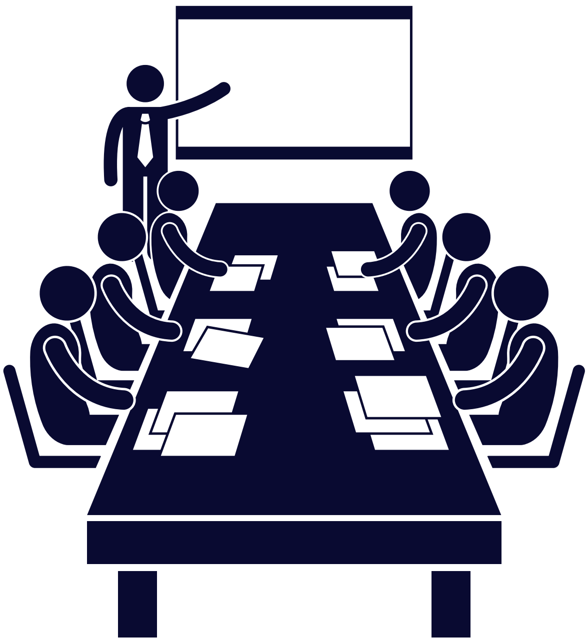
Income friendly

- Unlike unit trusts, investment trusts can retain a percentage of their dividends and income received from holdings in the underlying portfolio in any one year. This 'surplus cash' is called the Revenue Reserve.
- This reserve can supplement dividends in the future to help ensure a smooth progression even when, within reason, the underlying economy and markets go through a rough patch and portfolio holdings see dividend cuts.
- This ability is essential to those investors seeking income – understanding the extent of reserves is a key factor when selecting relevant investment trusts.
- Legislative changes allow investment trusts to dip into their capital to supplement or pay a dividend. More trusts are doing this, which, within reason, is welcome as it better allows income investors to gain exposure to low-yielding but high-growth sectors.

Withhold up to 15% of annual income as a Revenue Reserve

Aligned interests

- Investment trusts tend to display greater transparency in the interests of their shareholders. Like other public companies, investment trusts have an independent board of directors whose brief is to represent shareholders - and these directors have teeth!
- Shareholders themselves have significant powers. They can vote on issues such as changes to investment policy and the appointment of directors. They can attend shareholder meetings and ask questions about the running of the trust – it is, after all, their company.
- It is difficult for investment trusts to hide in the shadows because of mediocre performance compared to lacklustre unit trusts. They are on notice – reward shareholders, or questions will be asked. This is one reason the industry continues to evolve in response to shareholders' investment requirements.
- The AIC, the industry's well-respected trade body, has done sterling work in recent years to raise awareness and better inform and educate.



Independent Board of Directors

Why Now?

As investment trusts are publicly traded companies listed on the London Stock Exchange, you invest in them by buying shares at the price stated – the share price. However, investment trusts also have a net asset value (NAV). The NAV represents the total value of the trust's assets minus any debts, and dividing this by the total number of issued shares gives the NAV per share. If the share price is higher than the NAV per share, the trust is trading at a **premium**, indicating high investor demand and popularity. Conversely, if the share price is lower than the NAV per share, the trust trades at a **discount**, suggesting lower popularity and demand. When the share price equals the NAV per share, the trust trades at par.

Source: Numis. Entire universe, including 3i to 29 December 2023

The chart above shows the sector average discount of the investment trust universe over the past 33 years - the current discount of the sector is in line with previous crisis levels.

Successful long-term investing involves having the courage to act once sentiment and fundamentals are no longer in tandem. History suggests that the best risk-adjusted returns have been generated when the sector discount has reached these levels.

The current disconnect between sentiment and fundamentals presents **a generational opportunity** to consider investing in an investment trust focused solution.

We know from their track record that investment trusts are a superb investment vehicle for private and institutional investors alike. Yet the sector is uniquely suffering from a regulatory regime which is making for a 'double-counting' of their costs, and this in turn is making them appear unduly expensive.

Investors are shunning them as a result. This is contributing to discounts having recently been at their widest since 1990, apart from a moment during the financial crash of 2008-09, while elevated discount volatility is resulting in further selling pressure.

As we enter 2024, after some lobbying, the Government is legislating to address the issue in order to provide the necessary 'cover' for the Financial Conduct Authority (FCA) to amend its guidance accordingly.

Narrowing of the Discount

NAV: +15%
Starting Discount: -15%
End Discount: -5%
Share Price: +29%

Once sentiment turns, a rising NAV and a narrowing discount are a powerful combination - they have a 'double whammy' effect on performance.

To use a straightforward example, an investment trust that sees its NAV increase by 15% at the same time as its discount narrows from a 15% to a 5% discount will generate a share price return of 29%, offering a significant kicker to performance. This approach is well-trodden ground for many professional, value-orientated investors and a real source of long-term performance.

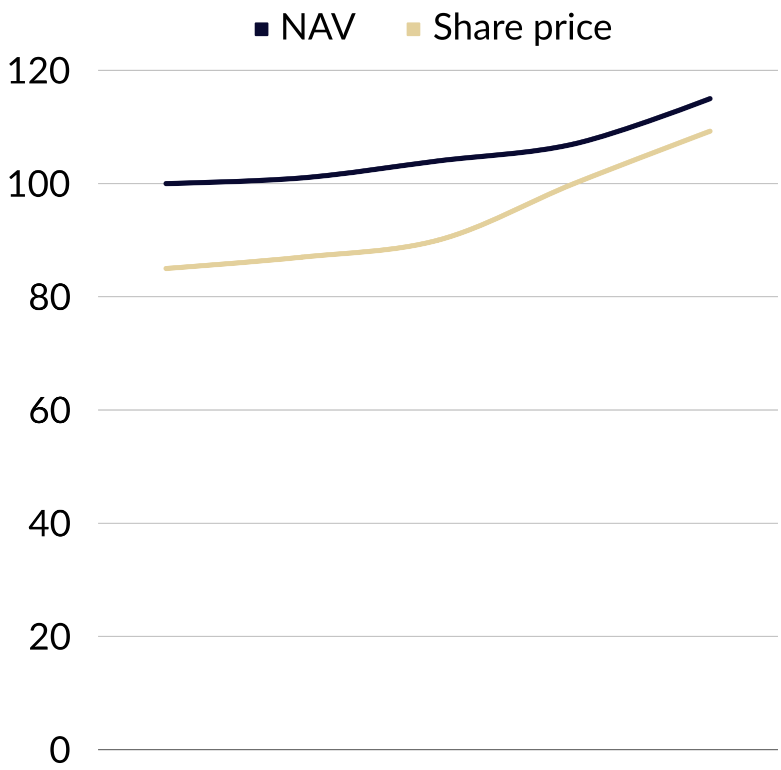


Chart is for illustrative purposes only

The catalyst for this scenario can be an asset class coming back into favour, appointing a new lead manager with a good track record, strong performance or better marketing.

We share the sentiment of the Winterflood Investment Trust Research Team in their recent Annual Review piece:

Winterflood - Potential for a 'double whammy' - *One of the key trends seen last year was the correlation between the investment trust sector average discount and UK Gilt yields. After widening, as market interest rates rose, discounts saw a material narrowing towards the end of last year when Gilt yields fell as markets priced in future rate cuts on the back of better-than-expected inflation prints. We think this trend is likely to continue, particularly in rate-sensitive asset classes such as Infrastructure, Renewable Energy Infrastructure, Property and Private Equity. In our view, the current discounts in these areas offer an attractive entry point, with the potential for a 'double whammy' of improving NAV performance and a positive re-rating when interest rates start to fall, especially if this acts as a catalyst for retail investors to re-enter the investment trust market. Nevertheless, we would caution that interest rates are unlikely to return to the near-zero levels seen for much of the last decade any time soon, and so the extent of this re-rating may well be limited to an extent. On the other hand, if we have reached the peak of the interest rate hiking cycle, as is widely thought to be the case, we do not expect to see significant downside discount risk from current levels.*[1]

It is worth noting that open-ended funds will only ever generate the NAV performance and can not benefit from this scenario.

[1] *Source: Winterflood - Annual Investment Trust Review of 2023 - 22 January 2024 - Page 4*

Portfolio Potential

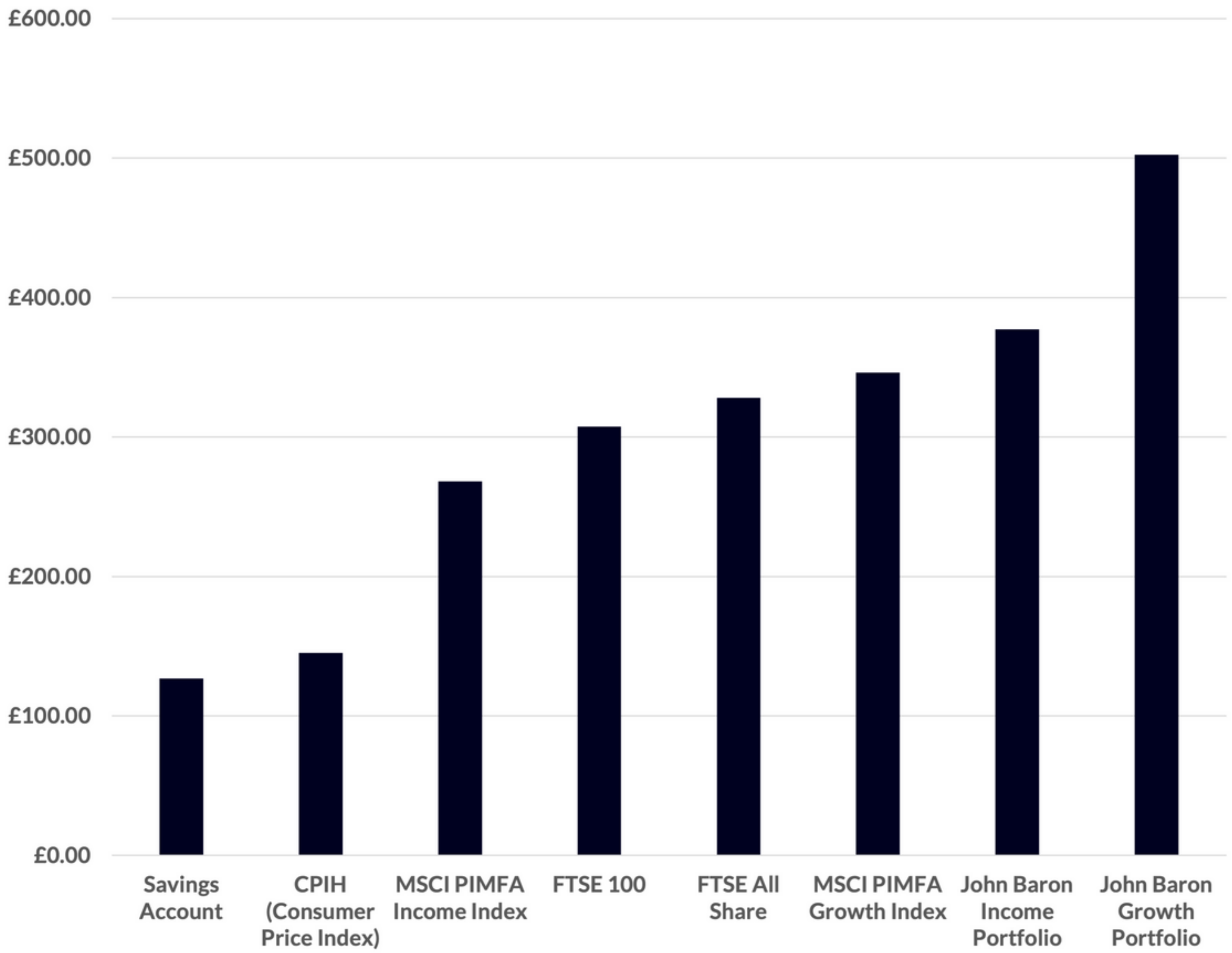
Our client portfolios contain both investment trusts and ETFs, with the former being the larger weighting because of their superior record of performance relative to unit trusts and markets

The advantages of using ETFs as part of a balanced portfolio are covered by the page Exchange Traded Funds. This page highlights the potential of a portfolio consisting **solely** of investment trusts

Background

Since 2009, John Baron has been reporting on two actual investment trust portfolios in his popular monthly column in the Investors Chronicle magazine (where they are called 'Growth' and 'Income'). These are two of ten actual portfolios managed in real-time on the website www.johnbaronportfolios.co.uk (where they are called 'Summer' and 'Autumn'), which achieve a range of risk-adjusted strategies and income levels.

What £100 invested on 1 January 2009 would be worth as at 31 December 2023



Portfolio Potential

Extent of outperformance

£100 invested in the Growth Portfolio on 1st January 2009 was worth £502.65 on 31st December 2023. £100 invested in the Income Portfolio was worth £377.31. This compares with:

- £126.93 if left in a Savings Account
- £145.43 if linked to CPIH (Consumer Price Index)
- £268.38 for the MSCI PIMFA Income Index
- £307.47 for the FTSE 100 Index
- £328.19 for the FTSE All Share
- £346.15 for the MSCI PIMFA Growth Index

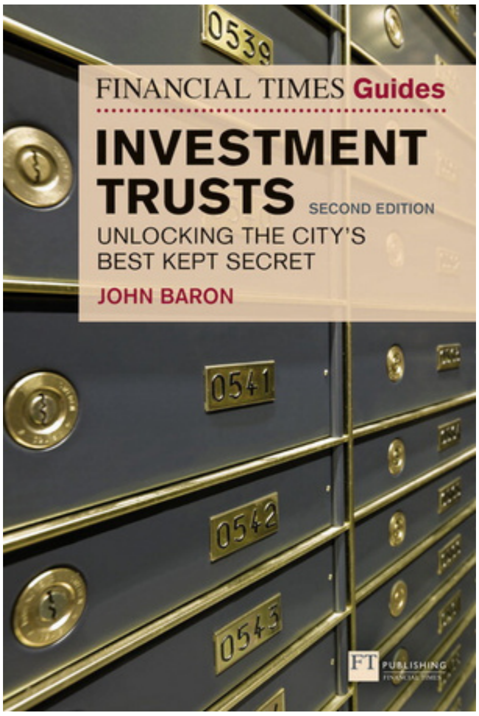
Source: Investors Chronicle, Office of National Statistics (ONS), FTSE Russell Indices, MSCI PIMFA Indices

Consistency of performance

Consistency of performance is also important for our clients. Since its launch on 1st January 2009, John Baron's Growth Portfolio has outperformed its MSCI PIMFA Growth benchmark in 9 of the 15 years of its existence. The Income Portfolio also has a similar track record of consistent outperformance.

Please Note:

- *All figures are calculated on a total return basis, and portfolio figures include all costs.*
- *These graphs are for illustrative purposes only. Past performance is not a guide to future returns, and the portfolios may not be suitable investments for every investor.*
- *B&G's client portfolios may or may not perform as well as the portfolio shown in this illustration.*



Want to learn more?

Such is his credibility within the investment trust sector; John Baron was asked by The Financial Times (FT) to write their guide on investment trusts. You can find *The FT Guide to Investment Trusts: Unlocking the City's Best Kept Secret* in any reputable bookstore or online from Amazon.

We are passionate about educating investors on the structural advantages of investment trusts. The book provides a concise, jargon-free introduction to one of the City's best-kept secrets. It explains how investment trusts differ from unit trusts and OEICs and explores their pros and cons, including their superior performance.

If you are interested in reading the book, please get in touch, and we will be happy to send you a copy.

Exchange Traded Funds (ETFs)

B&G use ETFs alongside investment trusts within our client portfolios

ETFs are similar to open-ended funds (including unit trusts) but invariably track the performance of major indices and sectors by duplicating their constituents. ETFs provide the B&G portfolios with low-cost access to a variety of asset classes and international markets, thereby broadening the scope and diversification of our portfolios while also dampening volatility and increasing liquidity.

Let’s look at the advantages of their use in more detail:

Liquidity

ETFs can be traded throughout normal market hours, unlike traditional unit trusts and OEICs, which can only be traded once a day. They also tend to be more liquid than unit trusts when markets are volatile

Volatility

ETFs can help to dampen portfolio volatility. This is an important feature for our clients, given investment trusts can be more volatile at times courtesy of their gearing

Diversification

Buying an ETF gives you instant exposure to the index it follows. It’s an effective way to get diversified exposure to different asset classes

Cheap to run

Running costs are low compared to active funds

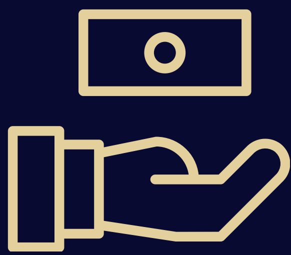
Exchange Traded Funds (ETFs)

Wide scope

There are more than 1,700 ETFs listed on the London Stock Exchange alone, allowing exposure to most countries, regions, sectors, and asset classes

Many pay an income

Many ETFs pay dividends from their holdings of shares, bonds, or property. However, they can not 'store' income for rainy days like investment trusts (see Why Investment Trusts?)



Can be held in SIPPs and ISAs

The majority of ETFs can be held within SIPPs and ISAs, meaning clients' income and capital gains are tax-free

No stamp duty

Buying most non-AIM UK shares attracts stamp duty at 0.5% – no stamp duty is payable when an ETF is bought

ETFs form an integral part of B&G's client portfolios and represent a great complement to investment trusts. Importantly, they:

Reduce the overall cost of our portfolios
Dampen portfolio volatility
Increase the overall liquidity of our portfolios

Services

We are specialists in **managing investment trust focused portfolios** which are complemented by a carefully selected range of ETFs. We provide financial planning, advice and discretionary investment management services to individuals (including ISAs, JISAs, GIAs, Onshore & Offshore Bonds), companies, pension schemes (including SIPP & SSAS), Trusts and Charities. We offer leading expertise and pride ourselves on providing clients with exceptional levels of personal service

Standalone Financial Advice

If a client wishes for B&G to manage their portfolio, the FCA stipulates we need to provide one-off 'gateway' financial advice to determine the most suitable portfolio, for which we charge £595. This fee represents less than 0.30% of our minimum £200,000 investment.

Full Financial Planning & Advice

Should clients require wide-ranging financial advice, one of our qualified financial advisers can help cater for an extensive range of personal requirements – from protecting a client's family, pension and estate planning, to passing on wealth to chosen beneficiaries.

Initial charges are 2% from £0 to £500,000 and 1% from £500,000 to £1 million. There is no further initial charge for assets above £1 million.

Discretionary Investment Management

We offer a range of eleven model portfolios which span the full spectrum of risk-adjusted returns, thus enabling us to fully accommodate our clients' different investment objectives and profiles.

Seven portfolios are categorised by Dynamic Planner Profiles 4 to 8 – the risk/reward remit increasing with the profiles. Five portfolios (B&G 4, 5, 6, 7, and 8) are focused on capital growth, while two are income-orientated, aligned to risk profiles 5 and 7, with a targeted yield in excess of 5%. We also offer four unconstrained portfolios - Positive Impact, ISA, High Yield (with a targeted yield in excess of 6%) and Best Ideas.

We continually monitor the portfolios to ensure an optimum balance between remit and risk. The investment committee formally meets once a month and portfolio changes are undertaken quarterly, or whenever required.

Our discretionary investment management fee is 1% per annum, payable monthly in arrears.

VAT is not payable on our Discretionary Investment Management Service.

The minimum investment for this service is £200,000.

Services

"I am looking to invest a cash sum only - how can I invest my money in one of Baron & Grant's Portfolios?"

↓

Standalone Investment Advice Service

↓

Advice Cost
Written Recommendation Report
Simple one-off fixed cost of £595

↓

DFM Cost
We charge a discretionary investment management fee of 1% per annum, payable monthly in arrears

"I would like you to become my financial adviser and look after all my financial affairs"

↓

Full Financial Planning & Advice Service

↓

Advice Cost
Written Recommendation Report
(See previous page)

↓

DFM Cost
We charge a discretionary investment management fee of 1% per annum, payable monthly in arrears

↓

Ongoing Advice Service (Optional)
To ensure ongoing suitability of your advice throughout your financial journey
Cost – 0.5% of funds under management

Portfolios

Our portfolios are risk-mapped to Distribution Technology's Dynamic Planner risk profile bandings. We analyse the level of risk at every stage in the process of a portfolio's construction, including the volatility or risk of the underlying investment trusts and ETFs in which we invest, as well as the risk inherent in asset allocation.

Our rigorous approach to risk management means that we are continually monitoring both our modelling and our individual investment decisions. We back-test the portfolios, ensuring they are correlated to the underlying asset allocation. This assessment of the historical volatility and performance of the portfolios helps to build our understanding of how they may perform in the future.

Our portfolios are actively managed on a forward-looking, tactical basis. So, when an investor puts money into one of our portfolios, you can be sure that the risk levels will remain consistent with your risk profile expectations over time.

BARON & GRANT	**Growth Portfolio**	**4**	**5**	**6**	**7**	**8**
DYNAMIC PLANNER	**Risk Profile**	**4**	**5**	**6**	**7**	**8**
	Volatility Bands (%)	**6.3 - 8.4**	**8.4 - 10.5**	**10.5 - 12.6**	**12.6 - 14.7**	**14.7 - 16.8**

BARON & GRANT	**Income Portfolio**	**5**	**7**
DYNAMIC PLANNER	**Risk Profile**	**5**	**7**
	Volatility Bands (%)	**8.4 - 10.5**	**12.6 - 14.7**
	Targeted Yield	**5%**	**5%**

BARON & GRANT	**Unconstrained Portfolio**	**ISA**	**Best Ideas**	**Positive Impact**	**High Yield**
DYNAMIC PLANNER	**Risk Profile**	**N/A**	**N/A**	**N/A**	**N/A**
	Volatility Bands (%)	**N/A**	**N/A**	**N/A**	**N/A**
	Targeted Yield				**6%**

Portfolios

The table below outlines the objective of each portfolio

Portfolio	Portfolio Objective
B&G 4 Growth	Active low-risk growth portfolio comprised of investment trusts and ETFs
B&G 5 Growth	Active low-medium risk growth portfolio comprised of investment trusts and ETFs
B&G 5 Income	Active low-medium risk income portfolio comprised of investment trusts and ETFs, targeting a yield in excess of 4%
B&G 6 Growth	Active medium-risk growth portfolio comprised of investment trusts and ETFs
B&G 7 Growth	Active high-medium risk growth portfolio comprised of investment trusts and ETFs
B&G 7 Income	Active high-medium risk income portfolio comprised of investment trusts and ETFs, targeting a yield in excess of 4%
B&G 8 Growth	Active high-risk growth portfolio comprised of investment trusts and ETFs
B&G Best Ideas	Active, unconstrained, thematic, high-risk growth portfolio comprised solely of investment trusts
B&G ISA	Active, unconstrained, high-risk growth portfolio comprised solely of investment trusts
B&G High Yield	Active, unconstrained, income portfolio comprised of investment trusts and ETFs, targeting a yield in excess of 6%
B&G Positive Impact	Active, unconstrained, thematic, impact driven portfolio comprised of investment trusts and ETFs

All portfolios are aimed at investors with a medium to long-term time horizon

Portfolios - IT & ETF Weightings

The table below shows the investment trust to ETF weightings within our portfolios at the end of 2023. Please note that this is a snapshot of the portfolios at a point in time, and the weightings are subject to constant change. However, it does give a clear indication as to the expected level of underlying exposure to each vehicle

Growth Portfolio	4	5	6	7	8
Risk Profile	4	5	6	7	8
Investment Trust Weighting	62.5%	66%	66.5%	73.5%	75%
ETF Weighting	37.5%	34%	33.5%	26.5%	25%

Income Portfolio		5		7	
Risk Profile		5		7	
Investment Trust Weighting		68%		68%	
ETF Weighting		32%		32%	

Unconstrained Portfolio	ISA	Best Ideas	Positive Impact	High Yield	
Risk Profile	N/A	N/A	N/A	N/A	
Investment Trust Weighting	100%	100%	75%	63%	
ETF Weighting	0%	0%	25%	37%	

Our investment objective is to outperform the appropriate benchmarks and generate the best risk-adjusted returns, net of all costs and charges, for the respective risk profile/volatility bandings while adhering to the portfolio's remit

As such, the typical portfolio will have a bias towards investment trusts because of their track record, on average, of beating their respective benchmarks over time

Third Parties

Annual platform charge

B&G does not hold clients' cash or assets. Client investments are managed on what is known as an investment/wrap platform. Our chosen platform partners are:

- M&G Wealth Platform
- AJ Bell Investcentre
- 7IM
- Transact
- Nucleus
- Wealthtime (formerly Novia)

Our chosen platform partners provide B&G with online dealing, valuation and custody services. Clients can log in and access their portfolio valuation(s) anytime.

Each platform partner has its own charging structure; however, annual platform charges tend to start around **0.25%** of the portfolio value. This charge tiers down for higher portfolio values, and family linking facilities are available (platform dependent). Charges are deducted monthly in arrears and are calculated in relation to a daily valuation.

A detailed breakdown of the recommended platform costs and charges will be provided as part of our advice process.

There are many benefits associated with investment/wrap platforms. These include:

- Institutional dealing capability with no dealing fees (platform dependent)
- Ability to consolidate existing products and policies onto one platform for ease of administration
- Ability to rebalance portfolios to keep them in line with desired risk profile - this is difficult and often costly to achieve on DIY platforms
- Access to up-to-date portfolio valuations online 24/7
- Consolidated reporting enabling accurate and efficient calculation of CGT liability (provided all chargeable assets are administered on the platform)

Personal Finance Portal (PFP)

Personal Finance Portal (PFP) is a service available only from a financial adviser. We use the portal to gather personal and financial information to try and ensure an efficient onboarding process. It also provides B&G with:

- Secure encrypted messaging
- Secure encrypted Document Vault - store financial documents online securely and fully backed up
- Access to Open Banking - a service that enables you to collate information from bank accounts and credit cards, giving you powerful insights

Third Parties & Due Diligence

Security of assets

B&G have conducted extensive due diligence on our platform partners to ensure financial strength, resilience, stability, ongoing investment, functionality and competitive fee structures.

Your cash and assets are held separately from their accounts and from those with whom they place the assets. As such, should a platform be wound up, your cash and assets will remain yours and any administrator is obliged to return them to you as part of the wind-down process.

Clients also have access to the Financial Services Compensation Scheme (FSCS) for qualifying investments and cash - subject to the limits.

Further details on the security of assets for the respective platforms can be provided upon request.

Due diligence

B&G is an independent, owner-managed business that was established in 2019. B&G has no debt and a strong balance sheet and liquidity position. The UK Investment Firms Prudential Regime (IFPR) came into force on 1st January 2022, and B&G is classed as a MIFIDPRU Investment Firm. As a MIFIDPRU investment firm, B&G's own funds requirements will be the highest of:

1. Its Permanent Minimum Capital Requirement (PMR) of £75,000
2. A Fixed Overheads Requirement (FOR) of 3 months fixed costs

The FCA expects firms to assess, at least annually, the full financial resource requirements in relation to specific risks that a firm faces. As a firm that falls within the scope of the IFPR, B&G has submitted its Internal Capital Adequacy and Risk Assessment (ICARA) to the FCA. Based on the firm's unaudited financial accounts for the year ended 31st December 2023, B&G had more than 5.8 times its FCA own funds requirements.

Our compliance consultants are threesixty Services LLP. Threesixty delivers support and compliance services to over 950 directly regulated IFA practices, including over 100 discretionary investment management firms, equating to over 10,000 registered individuals. Their experts provide an unparalleled understanding of the issues impacting discretionary management firms, and their service ensures our in-house compliance resource gets the help, expertise and external opinion it needs.

With regards to our track record, whilst we have only been authorised since the 4th January 2021, we can point to the track record of John Baron's actual real investment trust portfolios ('Growth' and 'Income') in his popular monthly column in the Investors' Chronicle magazine. John has reported on these portfolios monthly, trade by trade, since the 1st January 2009. These are two of ten actual portfolios that John has managed, which have an auditable track record of performance.

Our portfolios share the same foundation, DNA, style, and themes.

Cost Disclosure Issue

There has been an ongoing debate around the disclosure of investment trust costs within retail products and services. Investment trusts are listed companies with a share price as well as a NAV/share - investors receive the share price performance and not the NAV performance.

Stock markets enable foreseeable costs to be fully accounted for (or “discounted”) in the share price. Requiring the ongoing costs of investment trusts to be aggregated in the product costs of portfolios that hold them results in the double-counting of those costs.

The FCA has recently issued interim measures allowing investment companies and the funds/portfolios that hold them to disaggregate their total cost figures into component parts.

If the investment trusts’ costs were excluded from the single aggregated Ongoing Charges Figure (OCF), the weighted cost of our portfolios would be the weighted cost of the ETFs c.0.10% - 0.20%. Some of our unconstrained portfolios contain solely investment trusts; hence, the OCF for these portfolios would be zero.

The UK is the only market in the world where public companies (including investment trusts) are subject to any form of MiFID and PRIIPS regulations and, therefore, report costs and charges. No other public company has to abide by the same level of misleading cost disclosure. M&S and BP do not have to report their costs despite the extent of these costs in managing a wide range of (sometimes expensive) assets. These costs are reflected in share prices - the market has taken them on board. The same should be true of investment trusts given they too are public companies managing a range of assets.

The irony is that not even the EU now adheres to these regulations – not a single company listed on any EU exchange is now subject to these MiFID and PRIIPS regulations. Only in this country are we still adhering to, if not gold-plating, such regulations.

The Government has accepted the urgency of the situation. Two Statutory Instruments (SIs) are being introduced to the House of Commons. SIs secure modest changes to legislation quickly without having to pass another Act. These will, in effect, place the MiFID and PRIIPS regulations onto the FCA rulebook – thereby providing the legislative cover for it to introduce the required guidance change.

Cost is the primary driver for investment management and selection for many investment solutions. At times, this can limit an investible universe, reduce portfolio diversification, or result in an unsuitable investment vehicle/structure being selected for a particular asset class, e.g. holding illiquid assets in an open-ended structure.

While we are very cost-conscious in portfolio construction and investment selection, **our primary driver is to generate the best risk-adjusted returns for clients net of all costs and charges.**

Another area we have been campaigning for on the cost front is eliminating stamp duty on investment company purchases - we have lobbied for this directly with the past two Chancellors. To level the playing field between investment companies and open-ended funds, the AIC has recommended that stamp duty is abolished on the shares of UK investment companies, UK REITs and VCTs.

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