SETTING THE PERSONAL INJURY DISCOUNT RATE

A CALL FOR EVIDENCE

A response by the Association of Personal Injury Lawyers

Date: 30 January 2019

The Association of Personal Injury Lawyers (APIL) is a not-for-profit organisation with a 28-year history of working to help injured people gain access to justice they need and deserve. We have over 3,400 members committed to supporting the association's aims and all of which sign up to APIL's code of conduct and consumer charter. Membership comprises mostly solicitors, along with barristers, legal executives and academics.

APIL has a long history of liaison with other stakeholders, consumer representatives, governments and devolved assemblies across the UK with a view to achieving the association's aims, which are:

- To promote full and just compensation for all types of personal injury;
- To promote and develop expertise in the practice of personal injury law;
- To promote wider redress for personal injury in the legal system;
- To campaign for improvements in personal injury law;
- To promote safety and alert the public to hazards wherever they arise;
- To provide a communication network for members.

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Introduction

This call for evidence was issued by the Ministry of Justice on 6 December 2018.

Prior to that date, APIL surveyed 130 claimant lawyers who run claims where the discount rate is applied. These lawyers were asked about their own experiences of defendant behaviour since the Lord Chancellor announced in February 2017 that she would reduce the discount rate to minus 0.75 per cent. The survey was open to responses from July 2018 to November 2018.

Subsequent to the publication of the Ministry of Justice's call for evidence, APIL surveyed 30 claimant lawyers who run claims where the discount rate is applied. These lawyers were asked about their three most recent relevant cases, particularly in relation to investment behaviour and claimant demographics. The survey was open to responses from 16 December 2018 to 14 January 2019.

The responses to both surveys have greatly assisted in the production of this response and APIL would like to thank those APIL members who took the time and effort to respond.

Many of the questions contained within the call for evidence required the input of an Independent Financial Adviser (IFA). APIL would like to thank Paul Rosson, Senior Financial Consultant at Adroit Financial Planning Ltd, for his advice and assistance with the content of APIL's response.

30 January 2019

APIL Response

Q1:

1 (a) What asset classes are generally available to claimants investing lump sum damages and suitable for the hypothetical "low-risk" investor envisaged in the setting of the discount rate?

Asset classes which are generally available in diversified portfolios for claimants are as follows:

- Cash / Money Market
- Corporate Bonds
- UK Conventional / Index Linked Gilts
- Investment Grade Bonds
- High Yield Bonds
- Strategic Bonds
- Global Bonds
- UK Equities
- International Equities in Developed Markets
- International Equities in Emerging Markets
- Property
- Commodities / Hedge Funds

Each of these can be broken down further to provide geographical and industry sector diversification. Each asset class has its own individual risk rating, (for example, cash / money market instruments would be considered low risk whilst equities would be considered high risk). Even in a low risk portfolio, though, it is probable that the overall portfolio will have exposure to each asset class to provide suitable diversification, growth and income potential. The proportion of investment (i.e. the asset allocation) is the main difference between low risk and high risk portfolios, rather than the individual asset classes themselves.

Exposure to each of these asset classes is not always achieved through direct investments, but through the use of investment funds, often in an Open Ended Investment Company (OEIC) / Unit Trust (UT) arrangement.

Examples

Property: direct vs indirect investment in asset class

Property is a good example of an asset class where exposure can be achieved through direct and indirect investment. A claimant could choose to purchase a single or multiple properties directly or could choose to invest in a fund which invests in a range of properties (including commercial properties such as office blocks or hotels, for example). Alternatively, the claimant could invest in a fund which indirectly invests in properties: buying shares in property companies whose market value is determined by the property market.

Index linked Gilts: direct vs indirect investment in asset class

Index linked Gilts are extremely difficult to purchase directly on the primary market by individual investors, but exposure to this asset class is possible through Exchange Traded Funds (ETFs) which track the relative index, so the investor experiences the same returns and/or volatility without actually investing or holding the asset.

1 (b) What asset classes are not generally available in practice to such an investor, for example due to reasons of scale, liquidity, cost-efficiency or unsuitability?

As indicated in 1(a) above, Index Linked Gilts and Conventional Gilts upon issue are not available to directly invest in as they cannot generally be purchased by individuals.

Additionally, claimants are generally advised not to invest directly into real assets, such as investment property, gold and other commodities as they are unsuitable for inexperienced investors: they may not have the necessary skills or abilities to manage such assets, for example.

In order to directly purchase other bonds or fixed interest assets there may be a minimum investment sum requirement, which could alter the asset allocation of an investor's overall portfolio, rendering it unsuitable for their needs.

Building a diversified portfolio of direct equities requires skills which the claimant is unlikely to possess as an inexperienced investor and significant amounts of capital are usually required to buy a sufficient number of a wide range of shares to create a diversified portfolio.

As indicated in 1(a) above, exposure to each asset class can be achieved by claimants but it is likely to be through the use of funds/ETFs rather than through direct investment.

Q2

2 (a) Please provide information regarding how recipients of lump sum damages awards for future financial loss are typically advised to invest, when they are normally advised and why?

The majority of personal injury claimants are not introduced to a financial adviser until their case has settled and they are either in receipt of their award or are due to receive it shortly.

Any advice provided which relates to the award prior to settlement of a claim is likely to be in the form of expert evidence given to the Court which will be based on other evidence (such as, for example, from a care expert) and the claimant's itemised schedule of loss.

Under *Conduct of Business (COBS) 9.2* of the Financial Conduct Authority (FCA) Handbook[1], an adviser is unable to make a personal recommendation regarding the suitable investment sum, how or where any funds should be invested without first ascertaining the claimant's or their representative's knowledge and experience in the relevant investment field, their financial situation and financial objectives. Never the less, advisers are able to provide a professional opinion on which form of award would be a suitable solution for the claimant.

[1] https://www.handbook.fca.org.uk/handbook/COBS/9/2.html

Given that the claimant is generally inexperienced in financial matters and has, in many cases, built up debts throughout the life of the claim, there will be a need to put in place a strategy to ensure that their award lasts for the rest of their lives.

A financial plan is therefore more than just a question of where to invest the award. The planning will need to include:

- advice to repay any outstanding debts;

- examination of short term capital requirements, such as a property purchase and/or adaptation and any equipment and vehicles which may be required;

- detailed budgeting to calculate the ongoing budget for items such as care, case management and other ongoing expenditure;

- risk assessment to establish the recipient's 'investment risk tolerance';

- cash flow forecast to establish the level of return required to ensure that the award (taking account of regular required withdrawals) can last for the remainder of the claimant's lifetime. Generally the claimant would be advised to hold the first five years' capital and income requirements on cash deposit: investing these sums in a diversified portfolio would be a highly risky strategy;

- build a diversified portfolio of investments designed to meet the individual's income and capital needs throughout their lifetime;

- annual review of the cash flow model and risk appetite: the investment portfolio to be amended / adjusted as and when required to ensure that the award remains on track to last the remainder of the claimant's life expectancy. Adjustments may be required when either there is either an under or overspend or if the portfolio has under or over performed.

2 (b) Is there any regulatory material or guidance available to those providing such advice? If so, what?

2 (c) Does such guidance help advisers achieve a suitable and consistent approach?

A large proportion of personal injury settlements are placed into Trust. Trustees are subject to the Trustee Act 2000. Part II, Section 5 of the Trustee Act 2000 sets out the Trustee's duties relating to exercising their powers of investment:

> ***"5. Advice***
>
> *(1) Before exercising any power of investment, whether arising under this Part or otherwise, a trustee must (unless the exception applies) obtain and consider proper advice about the way in which, having regard to the standard investment criteria, the power should be exercised.*
>
> *(2) When reviewing the investments of the trust, a trustee must … obtain and consider proper advice about whether, having regard to the standard investment criteria, the investments should be varied.*
>
> *…*

(4) *Proper advice is the advice of a person who is reasonably believed by the trustee to be qualified to give it by his ability in and practical experience of financial and other matters relating to the proposed investment…"*

The Financial Conduct Authority (FCA) regulates financial advisers. To be considered as an 'approved person' under the FCA a financial adviser must:

- meet the requirements of its 'fit and proper' test and follow its principles;
- comply with the Statements of Principle and Code of Practice (these explain the behaviour expected of people that the FCA approve);
- report anything that could affect their ongoing suitability to the FCA and the authorised firm.[2]

Further details of the 'fit and proper' test and the Statements of Principle and Code of Practice can be found in the FCA Handbook.[3]

Additionally, the FCA's Executive Summary of "Occasional Paper No. 08" provides a definition of a vulnerable client and what is considered as good practice when dealing with these types of client.[4]

The Personal Finance Society (PFS), of which many advisers are members, also provides guidance on how to set up company policies and procedures in relation to the service they offer to vulnerable clients.[5]

2 (d) Do claimants follow the advice given? If not, please explain to what extent and why.

Most claimants understand the need to invest to ensure they can maintain the real value of investments over their lifetime. A reasonable percentage of those will accept some form of financial advice. We surveyed our members who told us that the majority of their clients do so (70.37%). Only a minority (14.8%) said that they did not. Some clients will make their own investment plans and others are fearful of investing at all, particularly in the current investment climate and therefore prefer to hold their award in cash deposits rather than invest.

For example, two respondents to APIL's survey provided additional insight:

"I recommended they did [follow advice on investment] but they seemed reluctant due to non-understanding of financial issues."

"In one case, he [claimant] had been left homeless by the claim and the actions of the Defendant in refusing interim payments, so he was using the damages to purchase a home."

[2] Section 59 Financial Services and Markets Act 2000
[3] See the FCA Handbook *Statements of Principle*: https://www.handbook.fca.org.uk/handbook/APER/2/?view=chapter
[4] See the FCA's *Occasion Paper 8, Consumer Vulnerability*, February 2015: https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8-exec-summary.pdf
[5] See PFS Good Practice Guide, *Meeting the Needs of Vulnerable Clients*, September 2017. https://www.thepfs.org/media/7774414/good-practice-guide-addressing-needs-of-clients-in-vulnerable-circumstances.pdf

2(e)
and… Para 27 of the call for evidence: "the cost of financial advice to the claimant during negotiations and litigation is generally met by the defendant as part of the general settlement of legal costs and disbursements."

APIL can assure the MoJ that this is not correct. As a matter of law the claimant is not entitled to recover these costs and disbursements. They are not a valid head of damage.

Q3:
3 (a) To what extent do changes to financial conditions affect investment advice provided to claimants who receive a lump sum award?

Although the investment advice given will always have a certain amount of linkage to the investment climate and financial conditions at the time the advice is provided, investments will be designed to last for the lifetime of the recipient and are therefore on the whole, long term investments. The advice will look to the longer term and as such, will be designed to take account of the long term financial climate. It is observable, though, that during times of market uncertainty, clients are less inclined to agree to investment in a portfolio which contains stocks and shares, for fear of losing money.

3 (b) Is there any evidence available to show how the change to the discount rate in March 2017 directly affected investment advice provided to claimants?

An investment portfolio may be constructed in a way which is adapted to market conditions at the time of investment, but this will be continually assessed against market conditions to ensure it remains suitable, as discussed in APIL's response to question 2(a) above. This highlights the importance of obtaining prudent financial advice: without it a claimant may invest the settlement in a way which is suited to current market conditions but may not consider how economic changes may affect the portfolio in the longer term.

The main difference since the discount rate changed in March 2017 is that the risk which claimants are now required to take with their award is far lower than when the discount rate was set at 2.5 per cent.

When the rate was 2.5 per cent, investment portfolios were regularly required to adopt either a level 5 or level 6 risk profile (out of 10)[6] because the gross return required from investments in order to achieve a net investment return of 2.50 per cent was significantly higher, once inflation, tax and investment advice were factored in. (These were not originally factored in when the discount rate was set in 2001). Alternatively, claimants were required to significantly reduce their expenditure in cases where they did not have the risk appetite for a portfolio which could meet their financial needs.

Since the reduction in the discount rate, an IFA's advice has been to invest in a significantly lower risk investment portfolio: one which is based predominantly on level 3 and 4 risk profile portfolios. See the Risk Profiles 3 and 4 **in appendix A (Dynamic Planner Quarterly Asset Allocation Factsheet Q3 2018)** which provide a profile description of typical portfolios.

There are several reasons why the required risk profile is not lower than 3 or 4. These are based partly around the issues surrounding accommodation claims: very little is now received for this element of the claim since the discount rate reduction due to the calculation approach used (see APIL's comments on *Roberts v Johnstone* calculations in answer to

[6] See the Risk Profiles **in appendix A (Dynamic Planner Quarterly Asset Allocation Factsheet Q3 2018)**

question 6(b) below). Due to the on-going uncertainty surrounding the eventual outcome of the current discount rate review many cases are, we understand, settling at a compromised discount rate which is significantly higher (which therefore reduces the amount of the award and increases the level of investment risk required).[7]

APIL surveyed 130 of its members who run claims where the discount rate is applied. The survey ran from July to November 2018. These lawyers were asked about their own experiences of defendant behaviour since the Government announced in February 2017 that it would reduce the discount rate to minus 0.75 per cent. The survey makes it clear that defendants are attempting to delay settlement of claims until the discount rate is changed again or are arguing that the current discount rate should be ignored.

34 per cent of respondents said that these claims have generally settled with a discount rate above minus 0.75 per cent. 60 per cent indicated that claims have settled with the current discount rate applied.

APIL's respondents commented that defendants are only settling claims at the statutory minus 0.75 per cent where a trial is imminent; in other cases they are arguing that a higher rate should be used in anticipation of the forthcoming review of the rate.

Q4:

4 (a) Please provide evidence of how recipients of lump sum damages awards actually invest, and why?

See our answers to question 3 above.

4 (b) What sources of balanced reliable data on investments actually made by claimants are available?

The constraints of the Data Protection Act 2018 and EU General Data Protection Regulation (GDPR) mean that we are unable to supply information about actual client investments.

Q5:

5 (a) What data is available regarding the profile of claimants of lump sum damages?

APIL members were asked to provide information about their three most recent clients whose claims were affected by the discount rate. The responses provided suggest that, at the point at which their claim is settled, a client affected by the discount rate is most likely to be:

- A man in his twenties
- Not in employment
- Single, with no dependent children

Detail:

Age

Information was provided about 63 claimants. Average (median) age at claim settlement was 39 years.

[7] APIL research, 130 members who run claims where the discount rate is applied were surveyed. The survey ran from July to November 2018.

Breakdown of claimants by age range

Age of client when claim settled	Percentage of claimants	Number of claimants
0-9	7.94%	5
10-19	11.11%	7
20-29	25.40%	16
30-39	6.35%	4
40-49	9.52%	6
50-59	15.87%	10
60-69	15.87%	10
70+	7.94%	5

Gender %:
Information was provided by APIL members about 63 claimants.

Gender	% of claimants
Male:	69.84%
Female:	28.57%
Other:	1.59%

Employment status
Information was provided about 63 claimants

Employment status	Percentage of claimants	Number of claimants
Employed	19.05%	12
Not employed	80.95%	51

Marital status
Information was provided about 62 claimants

Marital Status	Percentage of claimants	Number of claimants
Single	53.23%	33
Married	35.48%	22
Divorced	11.29%	7

Dependent children when claim settled
Information was provided about 58 claimants

Dependent children	Percentage of claimants	Number of claimants
Yes	27.59%	16
No	72.41%	42

Ethnicity
Information was provided about 49 claimants

Don't Know	55.10%	27
White (British)	30.61%	15
White (Other White)	8.16%	4
Mixed/Multiple ethnic group (White and Black Caribbean)	2.04%	1
Black (African)	2.04%	1
Asian/ Asian British (Indian)	2.04%	1
Any other ethnic group	0.00%	0
Ethnicity	**Percentage of claimants**	**Number of claimants**

5 (b) APIL is not aware of any standard split of damages between earnings and care needs.

5 (c) In our view, 30 years is a reasonable average projection period because it smooths out the peaks and troughs in the investment markets and provides a realistic differential between inflation and investment returns.

A shorter timeframe is likely to provide an unrealistic figure: short term events such as a stock market crash, an event which raises inflation for a short period of time, (such as a currency devaluation) can skew the figures. APIL's working group member who is an IFA indicates that 30 years is a reasonable timeframe. There are longer time frames, but it may be difficult to gather such data (one source of this data would be the Barclays Equity Gilt Study, which is published annually.[8]

Q6: What evidence is available to illustrate how the following characteristics affect investment behaviours in practice?

APIL members were asked about how clients affected by the discount rate behaved. Most members said that these clients invested their lump sum and obtained independent financial advice about how to do so. This is usual because solicitors refer their clients to independent financial advisers who have the expertise to advise the client. Solicitors are, generally, unlikely to meet the requirements introduced by the Financial Services Authority (FSA) in 2001[9]. The SRA's Handbook sets out the Financial Services (scope) Rules which prohibit firms which are not regulated by the FCA from carrying on certain regulated activities.[10]

[8] The Equity Gilt Study has been published continually since 1956, providing data, analysis and commentary on long-term asset returns in the UK and the US. In addition to the macro discussions, this publication contains a uniquely deep and consistent database: the UK data go back to 1899 and the US data, provided by the Center for Research in Security Prices at the University of Chicago, begin in 1925.
[9] *Should your firm team up with an IFA*? By Ian Muirhead, Law Society Law Management Section website: http://communities.lawsociety.org.uk/law-management/updates/law-management-features/should-your-firm-team-up-with-an-ifa/5064210.fullarticle
[10] SRA Handbook Version 21: https://www.sra.org.uk/solicitors/handbook/finserscope/part1/content.page

Here are the details from our survey:

Generally speaking, did these clients invest any part of their lump sum?

	Percentage of respondents (APIL members)	Number of respondents (APIL members)
Yes	74.07%	20
No	11.11%	3
Don't know	14.81%	4

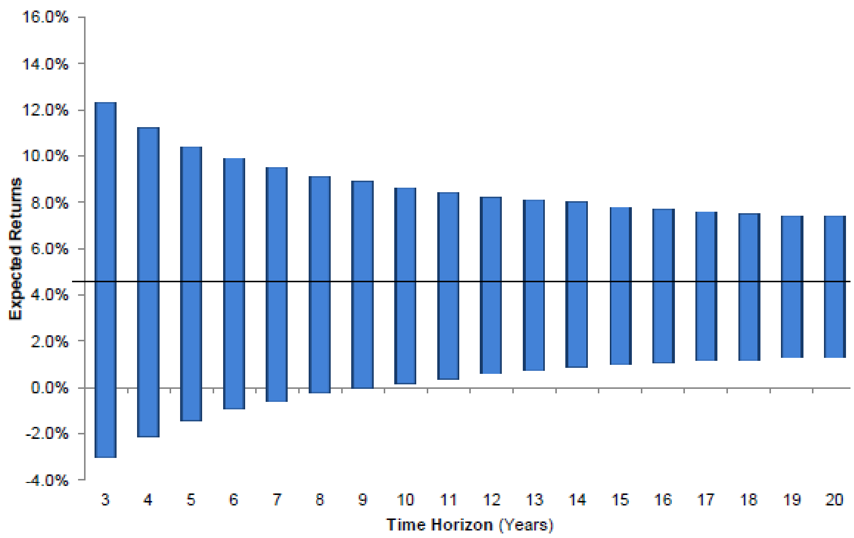
Generally speaking, did these clients obtain independent financial advice about how to invest their lump sum?

	Percentage of respondents (APIL members)	Number of respondents (APIL members)
Yes	70.37%	19
No	14.81%	4
Don't know	14.81%	4

(a) We surveyed our members, 20% of whom indicated that age and expected future life time (longevity) affected the way in which they invested their lump sum. In those cases with a long life expectancy, the investment has to meet daily needs over a long period of time.

The number of years for which the award is required to last is an important factor, because the effects of market volatility are diluted over time: the longer that investments are held, the more time they have to recover from market turbulence.

The chart below illustrates the range of returns available in each given year, which reduces the longer an investment is held, riding out the effects of volatility in the earlier years. This means that portfolio managers can use estimates of long term future returns to construct portfolios and consider asset allocations based on their own capital market assumptions:



APIL's working group agrees that when the age and expected life expectancy requires a long term investment plan, then the financial planning program set out in our response to 2(a) above is followed (budgeting, cash-flow forecasting to ascertain required rate of return) and this is then compared to the expected returns of the recommended portfolios. Additionally, the plan would usually have a large cash contingency (five years' worth of expenditure) which would ensure that the majority of the client's investments can remain untouched in the very early years, riding out the effects of market volatility which are greater in the earlier years of a long term investment.

Where the client is much older, or has a shorter life expectancy, then while the recommendation would still be to hold five years' worth of expenditure in cash, the remaining award is unlikely to be invested in such a diversified portfolio: reducing the ability to produce returns which are consistent with the discount rate. These clients do not have the luxury of time to ride out market volatility and must adopt a far more cautious investment strategy.

(b) As for the size of the lump sum, this will affect investment behaviours, which 80% of our survey respondents confirmed. The collision between the discount rate and the *Roberts v Johnstone* [1989] QB 878 calculation (to ascertain the sums required to secure adequate accommodation) creates particular problems. It causes great difficulty in cases where the claimant's life expectancy is greatly reduced and/or there is difficulty in quantifying the claimant's life expectancy. In these cases, the *Roberts v Johnstone* calculation only produces a small proportion of the capital required to secure appropriate accommodation and the claimant is forced to 'eat into' the funds allocated for the costs of future care future lost earnings, culture costs of equipment, transport needs, costs associated with the Court of Protection and case management, when that duration of that future is limited and/or uncertain.[11]

Generally, the size of the lump sum can affect investment in several ways:

- **Client preference**
  There will be scenarios where the client prefers to spend a proportion of the capital on short term needs, perhaps purchase a property or adapt a property and thereby use a large proportion of the award. The larger the lump sum, the more flexibility the client has to invest funds/spend capital initially to save on future costs and expenditure. For this reason, it cannot be assumed that a larger lump sum will facilitate a larger investment portfolio.

- **Barriers to investment**
  Some investments may have a minimum investment amount stipulation which will affect the types of investment available to the client, dependent on the size of their lump sum. For example, a bespoke portfolio service is constructed specifically for the needs and objectives of the client and can be a great advantage to the client. However, many fund managers require a minimum investment of £250,000.[12] This excludes those with smaller pots who are likely to be restricted to obtaining a managed portfolio instead. This

[11] See also the worked example of a *Roberts v Johnstone* calculation in the appendix to APIL's response, "*The Personal Injury Discount Rate - How it should be set in future, A response by the Association of Personal Injury Lawyers, 10 May 2017*," page 51
[12] See for example, Brooks MacDonald Bespoke Portfolio Service https://www.brooksmacdonald.com/investment-management/bespoke-portfolio-service

model offers portfolios suitable for investors with specific risk tolerances, rather than a personalised plan.

- **Investment charges**
  Investment charges will inevitably affect the nature of the investments recommended to the client. Many investment providers have tiered fee structures which offer reduced fees for larger investment funds.
  See the examples attached at Appendix B, obtained from the Brewin Dolphin website.

Here are three case studies provided by APIL members in their responses to the survey:

Large lump sum:

> "Client awarded a £9 million lump sum. With the vagaries of investment performance, a cautious approach to investment had to be taken. The client could not afford to lose any money [which was vital for future care costs]. In reality, it was difficult to find investments which could keep up with inflation and the effects of taxation"

Medium sized lump sum:

> "£1.6 million was awarded to the claimant. This allowed the client to purchase the [rental] property they lived in despite the *Roberts v Johnstone* issues."

Small lump sum:

> "The lump sum was 'sub-100k.' A larger proportion of it was used for immediate purchases. The rate of return had less effect on the investment of the balance: the importance of retaining the principal sum was greatly increased."

(c) In connection with initial and ongoing funding requirements such as care or accommodation costs, 60% of respondents to APIL's survey indicated that this affected their client's investment behaviour.

As indicated above, capital expenditure may be necessary to purchase / adapt a property, aids and equipment, rehabilitation to reduce future care needs where possible.

For those clients who are disadvantaged on the labour market and may have a limited earning capacity, the lump sum is their main source of funds for expenditure. Additionally, income can be generated from investments, but it is often too little to cover their income requirements. In these circumstances, the client may draw down the capital in sums to cover a number of years of lost income. For those who are able to work and are in receipt of some income, they may only need to make up the shortfall. In those circumstances the portfolio may be structured to include distributing funds which generate income, payable to the client at regular intervals.

Case study:

> "Where a client was unable to obtain periodical payments [from the defendant], the knock on effect of *Roberts v Johnstone* (robbing Peter to pay Paul) and trying to invest the capital sum to keep up with pay increases [for cost of care] proved difficult: especially where the client had to take a very cautious approach to investments, since a cautious approach does not yield the rate of return required. If a client takes a more robust approach they run the risk of losing part of the capital and running out of money to fund their care in the longer term."

(d) **The existence /requirements of financial dependents** affected 20% of our respondents' clients' investment decisions.

Where there are ongoing financial dependency needs, the investment strategy will usually include a larger cash contingency fund. Note that such dependency may not last for the whole of the client's lifetime (such as school-age children, for example, who eventually will be no longer dependent).

(e) The client's **race, ethnicity, gender, disability, sexual orientation or religion/ belief** affected the way in which they invested their lump sum for only one of the APIL members who responded to our survey. The APIL member in question commented that this will occur:

> "Where a client will not accept interest and or has to gift a part of the damages every year to the Iman. This has a huge impact on being able provide for the client's daily needs in the long term [as it affects the size of the remaining lump sum which can be invested]."

Clients who are unable to invest in a conventional manner, either due to religious or other ethical beliefs tend to find that their choice of investments is limited, which will restrict the level of diversification within the portfolio. Additionally, investment charges tend to be higher than those found in a conventional investment portfolio. That said, 'ethical' investment vehicles are more prevalent now than even three years ago.

Investors bought £138m in ethical funds in March 2018 compared to just £32m at the same point last year, according to the most recent data from the Investment Association. Ethical funds still make up a small proportion of the total at 1.3 per cent. But the number is growing, from 1 per cent in 2015.[13]

Under Sharia Law, good Muslims are not permitted to receive interest. This means that even low risk alternatives such as cash accounts, will not be available to them. Investment Week reports that there is little choice of Sharia compliant products in the UK. The Islamic Bank of Britain (IBB), offers a current account, a savings account and a term deposit account, as well as a Treasury deposit account for which the minimum investment is £100,000. Sharia compliant deposit accounts operate by means of a profit-sharing arrangement. "IBB, for example, looks at what it has earned

[13] Ethical Funds reach record high in the UK, Financial Times, 24 May 2018: https://www.ft.com/content/91f79412-5dce-11e8-ad91-e01af256df68

at the end of each month and at what conventional bank accounts are paying in interest and then allots the investors a proportion of the profits made on its investments."[14]

(f) The **availability of PPOs and other sources of income** will affect investment behaviours.

In most cases a claimant will want both a lump sum to meet immediate expenses and a PPO to provide the security of annual payments for life to pay for care and therapies.

Where some of the future heads of loss which would otherwise be the subject of a PPO are needed to augment the lump sum received, (which may have been reduced by a percentage to reflect the litigation risk of contributory negligence), to ensure that the claimant's needs are satisfied, those portions can be used and added to the basic lump sum and the balance can be paid as a PPO.

Claimants look to their solicitors to advise them as to what to do for the best. A PPO (when available and suitable) offers safety and means that they are unlikely to run out of funds, which would leave them reliant on the State for their care at a future date. Solicitors are always going to recommend that a PPO is considered for at least part of the claim, because of this safety aspect.

We surveyed our members for the purposes of APIL's response to the Ministry of Justice consultation, *The Personal Injury Discount Rate, How it should be set in future*[15] who provided illustrative detail. Here are representative examples:

> "An ongoing cerebral palsy case where there is a significant dispute over likely life expectancy. PPOs linked to ASHE for care costs will give security for the family of knowing that the claimant's care needs can be met however long she lives and will keep pace with any increase in hourly care rates. However a lump sum for other heads of loss will give maximum flexibility re providing optimum therapy and equipment needs as and when these needs arise in practice."

> "Child aged 9: life expectancy to age 70. Parents in their 40s. So there is a need for care for rest of the child's life. Parents' priority is (1) to provide accommodation and (2) for their child to be cared for, for rest of the child's life. A PPO offered reassurance for the parents that their child would have income to pay for care after they were dead. The lump sum element meant that a house could be bought/adapted and child would always have somewhere to live."

> "Claimant suffered a spinal cord injury. He was in his early 40s, rendered tetraplegic. He was single and lived alone: was unable to work or care for himself. He has a relatively long life expectancy and it is important that his future care will be paid for -

[14] See Investment Week: https://www.investmentweek.co.uk/investment-week/feature/1380388/more-sharia-compliant-products-uk
[15] May 2017. APIL's response: https://www.apil.org.uk/files/pdf/ConsultationDocuments/3412.pdf

a PPO was perfect for this need. The claimant also needed a new home as his current accommodation was entirely unsuitable. A lump sum has allowed him to move into a more suitable home."

Q7:

7 (a) **What taxation rates typically apply to claimants on their investment returns, and how does the distribution of these vary across ranges of different claimants?**

7 (b) **How is the effect of taxation taken into account in determining what investments to make?**

7 (c) **What might typical average current tax rates be for notional investors with lump sums of around £0.5m, £1.0m and £1.5m respectively (and no other taxable income)?**

7 (a) When considering the net return on the client's investments, a deduction from the gross return for tax will also be required. The tax to be deducted is dependent on the claimant's tax status and other income.

The main taxes applicable on investments would be income tax on any interest/dividends earned and capital gains tax which would occur on the realisation i.e. the sale of assets which have made a gain over the given period.

Income tax rates: 20%, 40% and 45% depending on which tax bracket the client is in. A personal allowance, savings allowance and dividend allowance will also be available.

Capital gains tax: 10% and 20% depending on which tax band the client is in. This tax only applies if the gains are realised, which usually occurs on the sale of assets. Additionally, the client benefits from an annual allowance which is currently £11,700 based on the 2018/19 tax year.

Some form of tax will be paid on dividends, interest or capital growth received by the client: the exact liability can be ascertained according to each individual's financial circumstances.

The amount invested and the level of income and/or withdrawals can affect the client's tax status, in addition to the performance of those investments.

7 (b) The client's financial adviser will wherever possible, use the available allowances to ensure that the claimant pays the least amount of tax. For example, Individual Savings Accounts (ISAs) allow an investor to shelter up to £20,000 per annum in investments which grow virtually tax free. (Note that these investments are not available to those who hold a personal injury trust). By using a professional fund manager in a discretionary portfolio, the claimant can, where possible, use the available tax allowances as much as possible to reduce exposure to tax, which in turn increases the longevity of the lump sum.

7 (c) The Ministry of Justice will have this information, which is available from the Treasury.

Q8: What evidence is available regarding the average long-term rates of inflation which apply to costs typically experienced by claimants in aggregate, and how do these compare to each of RPI, CPI, CPIH and earnings inflation?

The comparisons are tabulated below

Year	RPI (Nov - Nov)	% Increase in RPI	AEI (Whole Economy) (Nov - Nov)	% Increase in AEI	ASHE 6115 (80th percentile)	% Increase in ASHE 6115
2007	209.7		135.4		9.79	
		3.00%		2.29%		3.27%
2008	216		138.5		10.11	
		0.28%		0.94%		2.47%
2009	216.6		139.8		10.36	
		4.71%		2.22%		0.77%
2010	226.8		142.9		10.44	
		5.16%		1.96%		-2.11%
2011	238.5		145.7		10.22	
		2.98%		1.44%		0.29%
2012	245.6		147.8		10.25	
		2.65%		0.68%		0.39%
2013	252.1		148.8		10.29	
		1.98%		1.95%		-0.78%
2014	257.1		151.7		10.21	
		1.05%		2.11%		1.67%
2015	259.8		154.9		10.38	
		2.19%		2.97%		3.56%
2016	265.5		159.5		10.75	
		3.88%		2.38%		2.70%
2017	275.8		163.3		11.04	

Q9:

9 (a) What investment management costs would notional investors with lump sums of around £0.5m, £1.0m and £1.5m respectively pay in practice and how are these costs broken down into different areas?

9 (b) To what extent would a "properly advised" investor need to incur all of these costs, for example in relation to active or passive investment of funds?

9 (a) & (b) Attached to this response at **APPENDIX B** is Brewin Dolphin's brochure outlining its services and charges. This contains worked examples of the fees and charges which would apply to an investment of £0.5m.

On a fund which is actively managed on a bespoke basis, fees amount to 2.4% on an investment of £0.5m (Wealth Management pages 6-7). For a managed fund of the same size where there is less personal intervention, (Discretionary Investment Management, page 8-9) the charges are 2.1 to 2.2 per cent.

Also attached is a schedule of charges made by Hargreaves Lansdown and Charles Stanley on funds which they manage.

Q 10:

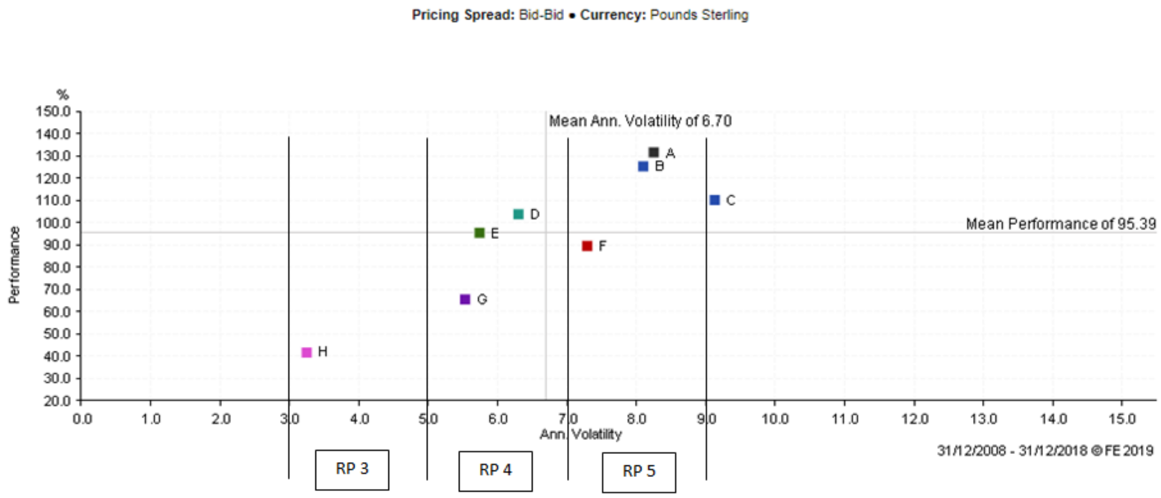
10 (a) Please outline your views on how well each of the notional investment portfolios (i), (ii) and (iii) set out above would match the criteria for the investment approach to be assumed under the Civil Liability Bill (as summarised in paragraph 18 of this call for evidence).

10 (b) Please provide your views on an asset class distribution of a portfolio which would best meet those objectives (which may or may not be aligned with one of the notional portfolios (i), (ii) or (iii) listed above).

10 (a & b) To assess any portfolio it is important to first consider the level of risk being taken within the portfolio to ensure that performance and benchmarks are appropriate to portfolio in question.

The IFA on APIL's working group has used his analytics tool to assess the volatility of each of the model portfolios over a ten-year period, with reference to his firm's benchmarks for Risk Levels 3, 4 & 5 (out of 10) according to the historical drawdown based on the Dynamic Planner Factsheets which the firm uses to assess a client's risk profile.

A full copy of the volatility scatter chart **is appended to this response (APPENDIX C)** however the chart is also illustrated below.



	Name	Performance	Annualised Volatility
A	Civil Liability Bill - Portfolio (iii) TR in GB	131.48	8.25
B	FTSE UK Private Investor Balanced TR in GB	125.30	8.10
C	ARC Sterling Equity Risk PCI TR in GB	110.18	9.13
D	Civil Liability Bill - Portfolio (ii) TR in GB	103.79	6.30
E	Civil Liability Bill - Portfolio (i) TR in GB	95.44	5.74
F	ARC Sterling Steady Growth PCI TR in GB	89.56	7.29
G	ARC Sterling Balanced Asset PCI TR in GB	65.60	5.53
H	ARC Sterling Cautious PCI TR in GB	41.76	3.25

This chart indicates the call for evidence's portfolio models (i) and (ii) are in line with what we consider to be a risk profile 4, and model (iii) is more in line with a risk profile 5.

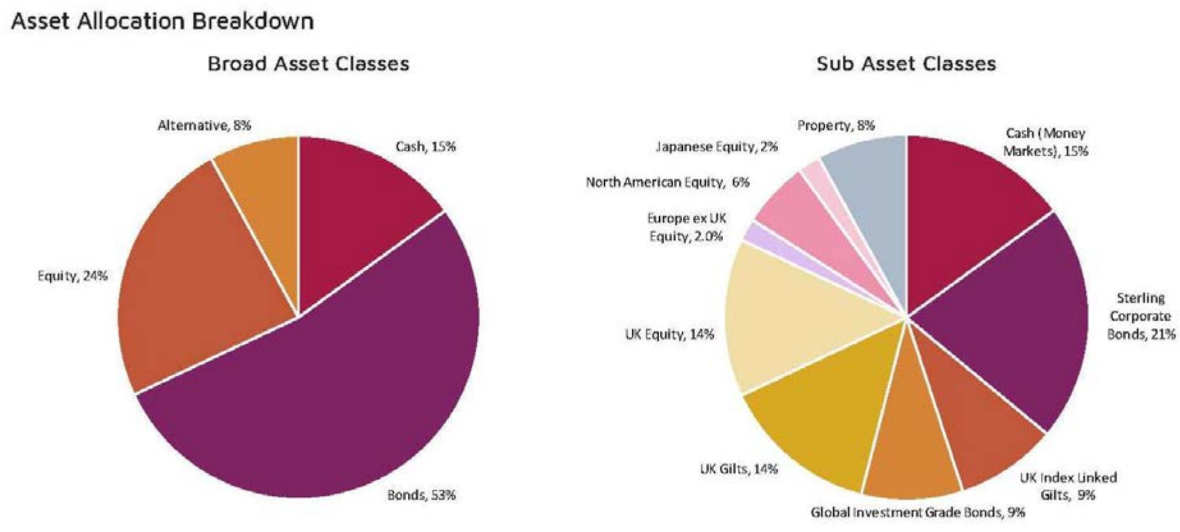
Also attached with this response are the dynamic planner factsheets (Appendix A) which show the potential asset allocation as well as historical statistics for a typical portfolio in line with each risk profile ranging from 2-10 (as risk profile 1 is cash alone). Summaries of risk profiles level 3, 4 & 5 along with the suggested asset allocation according to Dynamic Planner are also detailed below. While we do not agree that the portfolios at paragraph 45 are of sufficient low risk for claimants: our comments below relate to the types of portfolios which either match those suggested in the call for evidence or which should be considered.

Level 3 – Low Risk

This portfolio's risk profile is lower than those described in the call for evidence. It would be preferable to the three set out in the call for evidence's paragraph 45.

Description: A portfolio for this risk profile is most likely to contain mainly low-risk investments, including money market investments and government bonds. It will also be expected to contain some other medium- and high-risk investments, such as property, Sterling corporate bonds, global bonds as well as shares held usually in the UK. As a result, you should always check that you are comfortable with what is included.

Expected Gross Return:	3.10%
Equity (higher risk asset class) content:	< 30%
Historical Maximum Drawdown in last Three Years:	-2.7%

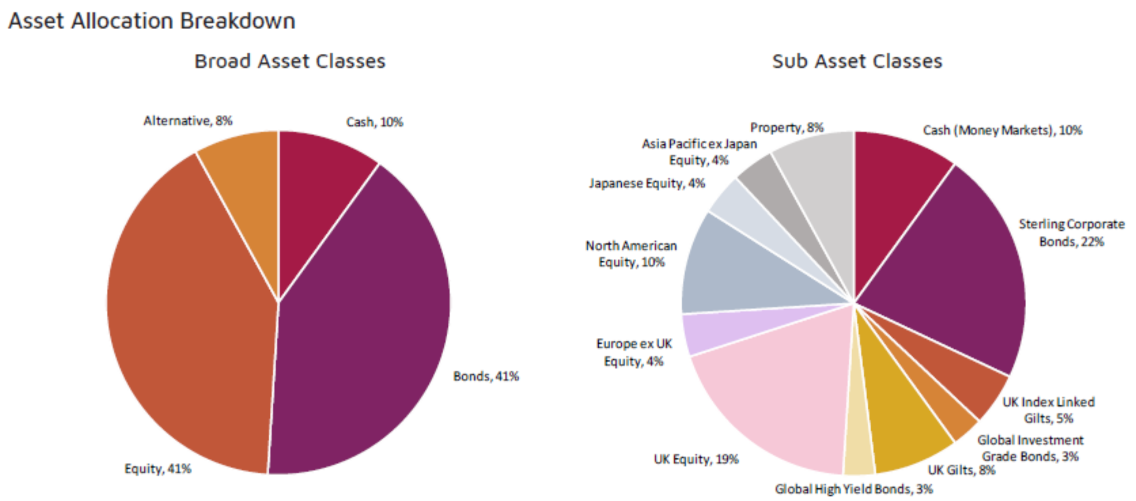


Level 4 – Lowest Medium Risk

The call for evidence's portfolio models (i) and (ii) are in line with what APIL considers to be a risk profile 4.

Description: Your willingness and ability to accept investment risk is just below average. You can therefore only accept a small variation or disruption to the value of the capital. You consider that you are only able to tolerate a small loss without it impacting on your standard of living. With this risk profile, you are likely to encounter both rises and falls in the value of capital, however there is more potential for the returns to match or exceed inflation.

Expected Gross Return:	4.10%
Equity (higher risk asset class) content:	< 50%
Historical Maximum Drawdown in last Three Years:	-2.9%

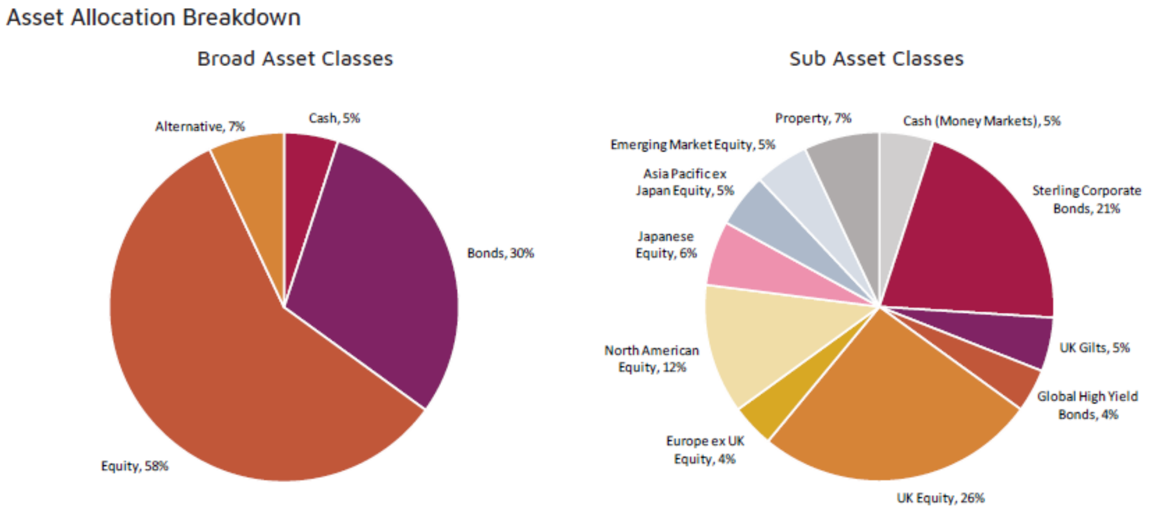


Level 5 – Low Medium Risk

Portfolio model (iii) is more in line with a risk profile 5. In our view it is unsuitable for claimants.

Description: Your willingness and ability to accept investment risk is about average. You can therefore accept moderate variation or disruption to the capital value regardless of market circumstances. You consider that you are able to tolerate small to medium losses without it impacting on your standard of living. With this risk profile, the potential for returns is likely to exceed inflation, however the investment value may well fall, particularly in the short term.

Expected Gross Return:	5.10%
Equity content (higher risk asset class):	< 60%
Historical Maximum Drawdown in last Three Years:	-3.80%



In our view most personal injury investors are broadly in line with a level 3 or 4 risk profile (for the historical and other reasons stated earlier in this response), and so in terms of risk portfolios (i) and (ii) would, of the three set out in the call for evidence, seem to be suitable matches for claimant personal injury portfolios.

Portfolio (iii) is higher in risk and is less likely to be suitable for claimant needs. For claimants who have an element of liability compromise within their claims (which will have reduced the size of the lump sum) they may need to take some additional risk to make up the shortfall between the damages awarded and their claimed needs. As such they may still be required to invest in line with a level 5 risk profile.

Based on the dynamic planner portfolio construction which is constructed based on the current economic climate, we consider the portfolio (i) and (ii) would be in between a level 3 and level 4 risk profile based on the equity content. However on assessment of the overall construction, we believe that Portfolio (ii) is more akin to the types of portfolios which IFAs would consider recommending to those who are in receipt of an award for damages. Portfolio (iii) would be too risky for a personal injury investor.

Please note that the assessment is based on a broad asset allocation, and a properly diversified portfolio would contain a wider range of assets including global bonds, commodities, hedge funds, strategic bonds, investment grade bonds and others as listed in Q1.

Q.11:
Please outline your views on how the appropriateness of the portfolios outlined in Q10 would alter for claimants within a reasonable range of different characteristics under the following criteria (all other things being equal):

(a) Age and expected future lifetime

(b) Size of lump sum

(c) Initial and ongoing care funding requirements

See our answers to the preceding questions.

Q12:
(a) Are there similarities between the ways that lump sums awarded in personal injury cases are invested and how individuals choose to invest other funds, for which data might be more readily available?

(b) For example, would data regarding defined contribution pension investments be of relevance – both in the way that funds are invested prior to initial withdrawal, and how these funds are managed in retirement (for example through income drawdown)?

(c) Would any other financial products be useful to consider, and if so, what data and information is available on investment decisions for such products which could be useful in this exercise to develop a proxy for how personal injury claimants might invest lump sums?

Not so far as we are aware. Injured claimants are not retirees with a pension pot to invest after years of work and saving. They are vulnerable individuals who (usually) have a much longer period for which to provide and their award must meet their disability needs: they are compelled to make investment decisions, rather than have the luxury of investing as they wish.

Q13:
Do you have any other data or evidence to provide that you consider to be relevant to this call for evidence? If so, please provide it and explain its relevance.

No further evidence at this time.

Q14:
Please provide evidence of how the setting of the discount rate under the new law will affect persons with protected characteristics.

It is clear that removing the risk-free assumption as the basis for full compensation will have a detrimental effect on those with protected characteristics: those who benefit from awards which are affected by the discount rate are by their very nature disabled, young, old and infirm. Children and mothers injured as a result of birth negligence are injured by reason of pregnancy and maternity: they are also protected characteristics (S.4 Equality Act 2010).

APPENDIX A

Dynamic Planner Quarterly Asset Allocation Factsheet Q3 2018

Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 2 - Very Low Risk

Expected return
-0.39%
per annum
(Inflation adjusted)

Expected volatility
3.18%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain mainly low-risk investments, including money market investments and government bonds. It will also be expected to contain some other medium- and high-risk investments, such as property, Sterling corporate bonds, global bonds as well as shares held usually in the UK. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

Equities

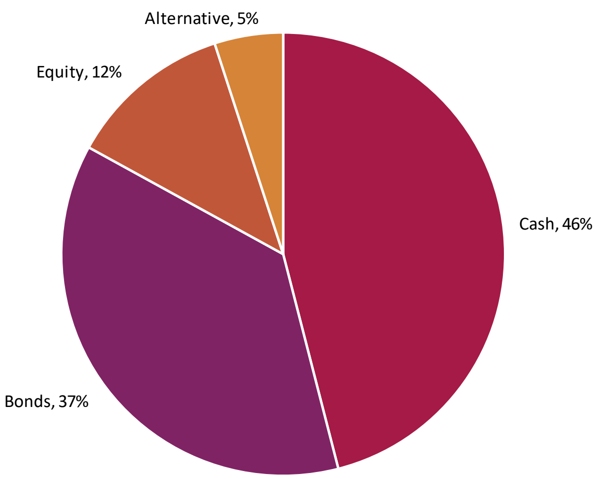
For equities, the stand-out performance was from the US, which recorded the longest bull market in history on 22 August. The escalating US-China trade war was overlooked due to strong US economic growth and company earnings data over the quarter (particularly in the IT and healthcare sectors). Japanese equities also posted strong gains due to yen weakness and greater political certainty following Prime Minister Abe's re-election as his party's leader. Eurozone equity, however, made modest gains while the fallers were the UK due to continuing Brexit uncertainty, Asia Pacific (ex-Japan) and Emerging markets equities in reaction to US dollar strength and the ongoing trade tensions.

Alternatives

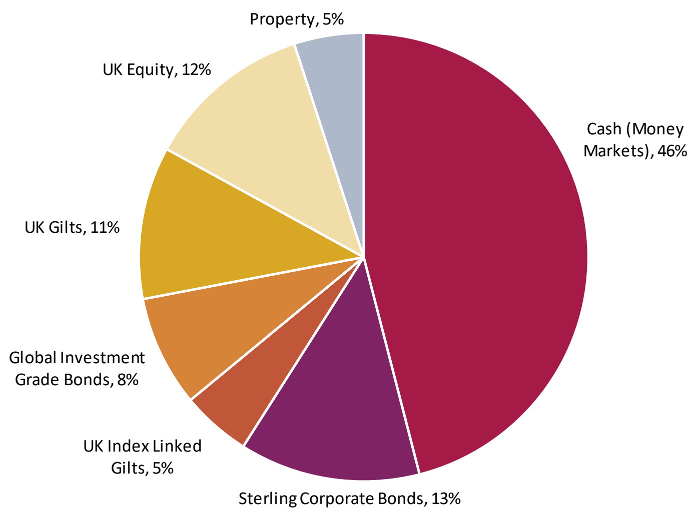
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	-1.5%	1.4%	1.6%	1.1%
Realised Annual Return (nominal)	1.7%	4.5%	4.1%	4.0%
Realised Volatility (annualised)	1.9%	3.1%	3.4%	3.1%
Maximum Drawdown	2.0% [Dec 17 - Sep 18]	4.1% [Aug 16 - Sep 18]	4.1% [Aug 16 - Sep 18]	4.8% [Oct 06 - Oct 08]
Beta	0.1	0.2	0.2	0.1

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

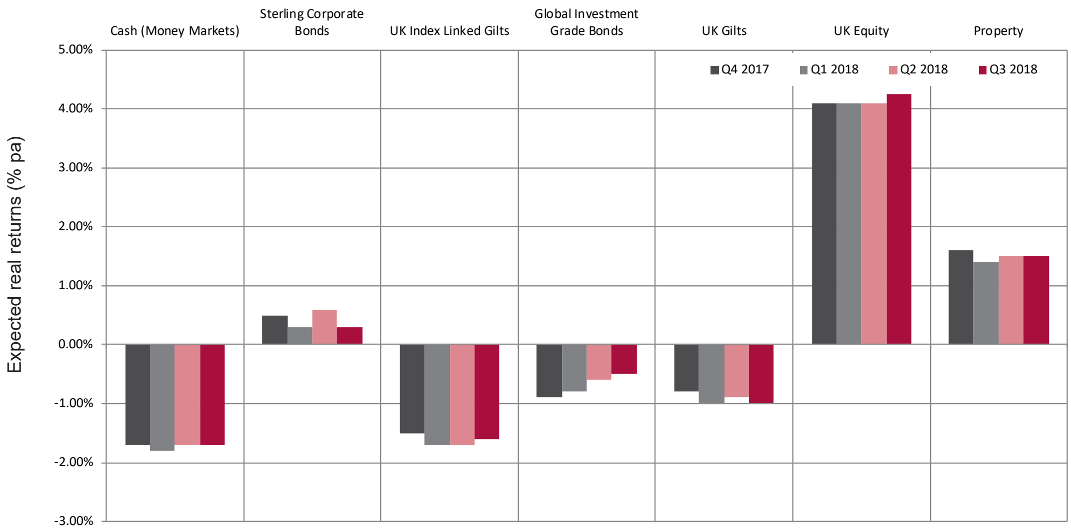
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

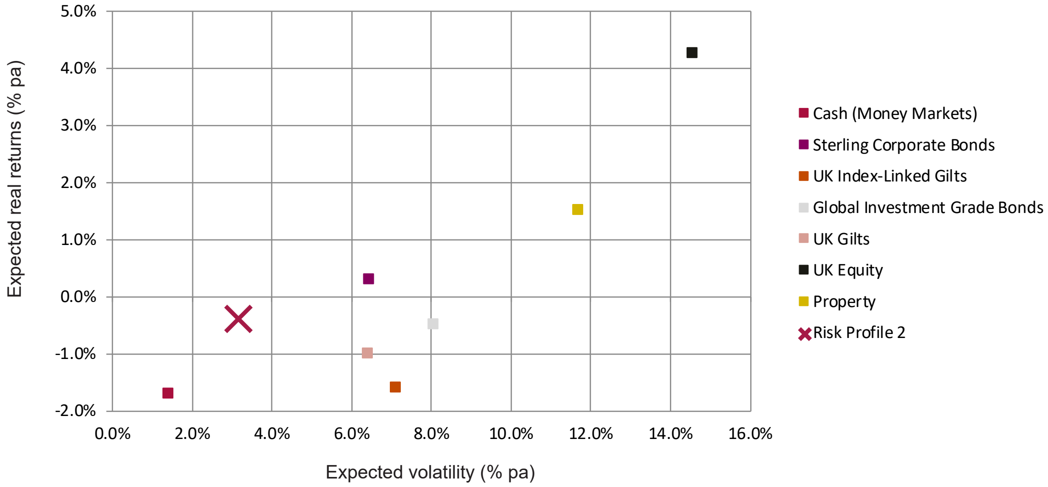
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

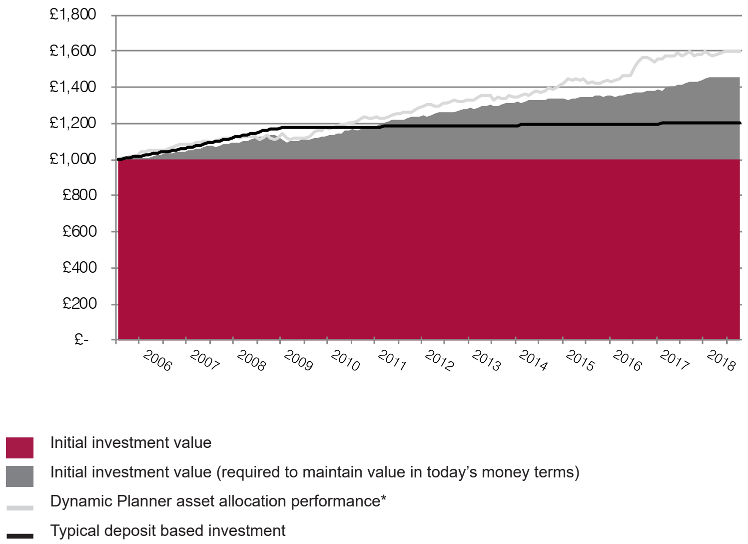
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 2



Performance of Dynamic Planner Asset Allocation 2 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

DYNAMIC PLANNER

Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 3 - Low Risk

Expected return	Expected volatility
0.6% per annum (Inflation adjusted)	**5.1%** per annum

Profile Description:
A target portfolio for this risk profile is most likely to contain mainly low-risk and some medium-risk investments, including money market investments, government bonds, Sterling corporate bonds, global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, held mainly in the UK but with smaller amounts in other developed markets as well as other higher-risk investments. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

Equities

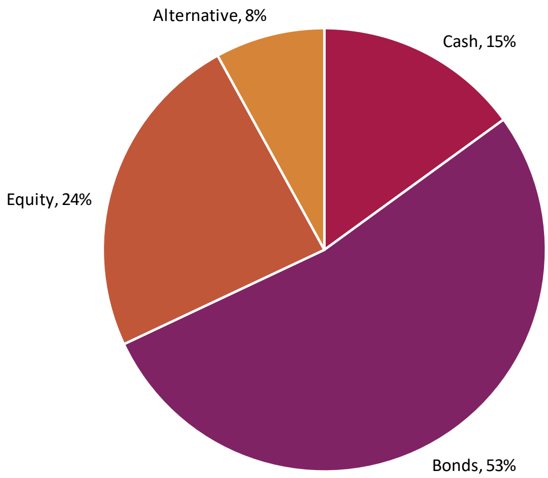
For equities, the stand-out performance was from the US, which recorded the longest bull market in history on 22 August. The escalating US-China trade war was overlooked due to strong US economic growth and company earnings data over the quarter (particularly in the IT and healthcare sectors). Japanese equities also posted strong gains due to yen weakness and greater political certainty following Prime Minister Abe's re-election as his party's leader. Eurozone equity, however, made modest gains while the fallers were the UK due to continuing Brexit uncertainty, Asia Pacific (ex-Japan) and Emerging markets equities in reaction to US dollar strength and the ongoing trade tensions.

Alternatives

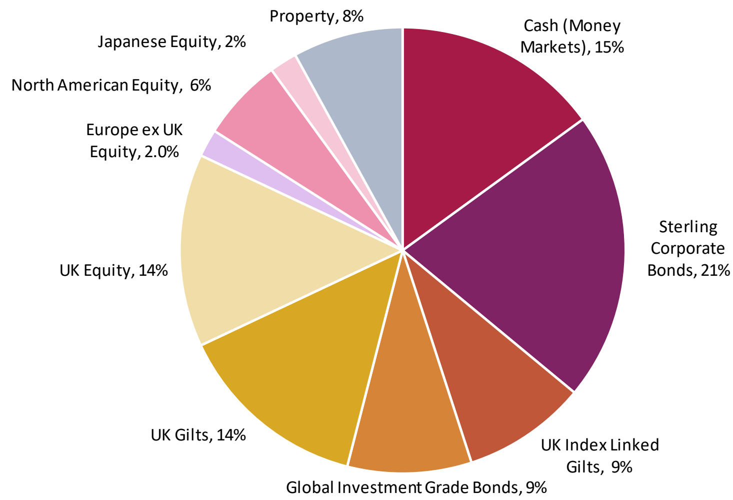
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	0.2%	4.5%	4.4%	3.1%
Realised Annual Return (nominal)	3.4%	7.6%	7.0%	6.0%
Realised Volatility (annualised)	2.7%	4.6%	4.9%	4.7%
Maximum Drawdown	1.9% [Dec 17 - Mar 18]	2.7% [Aug 16 - Nov 16]	4.3% [Jan 15 - Sep 15]	11.4% [Oct 06 - Oct 08]
Beta	0.2	0.3	0.3	0.2

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

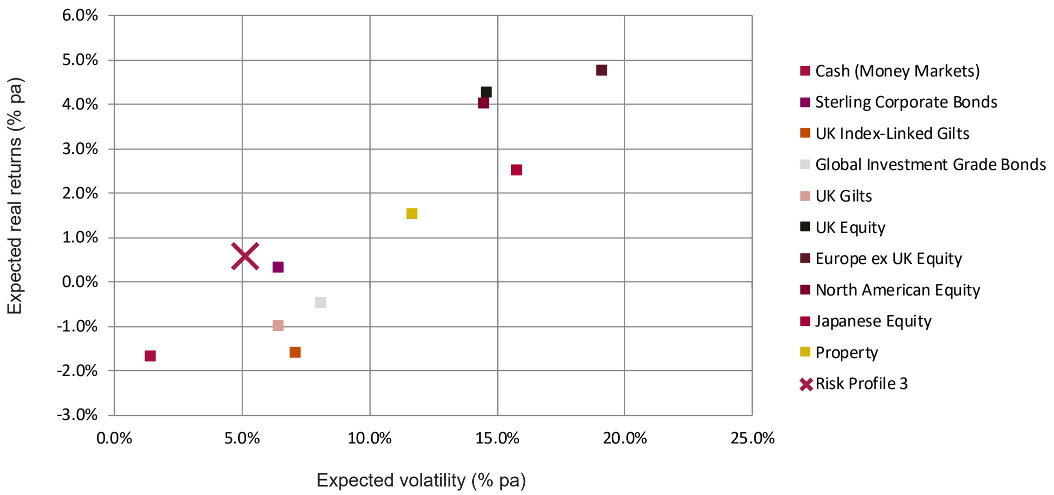
Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

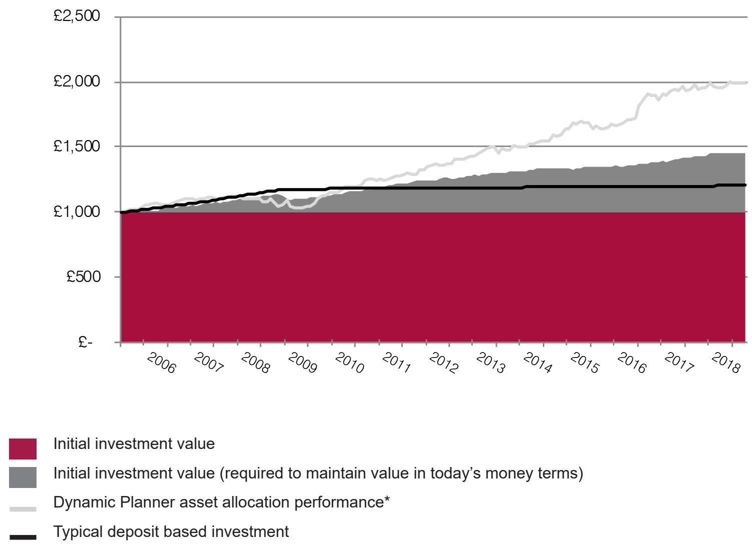
DYNAMIC PLANNER

Asset Classes - Quarterly Changes in Expected Real Returns

Expectations of Asset Classes Used in Dynamic Planner Risk Profile 3



Performance of Dynamic Planner Asset Allocation 3 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 4 - Lowest Medium Risk

Expected return
1.6%
per annum
(Inflation adjusted)

Expected volatility
7.2%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain mainly low- and medium-risk investments, including money market investments, government bonds, Sterling corporate bonds, and a mix of global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, but held mainly in UK and other developed markets. Small amounts in other higher-risk investments may also be included. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

Equities

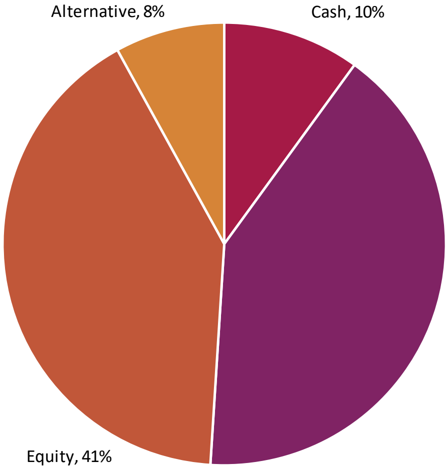
For equities, the stand-out performance was from the US, which recorded the longest bull market in history on 22 August. The escalating US-China trade war was overlooked due to strong US economic growth and company earnings data over the quarter (particularly in the IT and healthcare sectors). Japanese equities also posted strong gains due to yen weakness and greater political certainty following Prime Minister Abe's re-election as his party's leader. Eurozone equity, however, made modest gains while the fallers were the UK due to continuing Brexit uncertainty, Asia Pacific (ex-Japan) and Emerging markets equities in reaction to US dollar strength and the ongoing trade tensions.

Alternatives

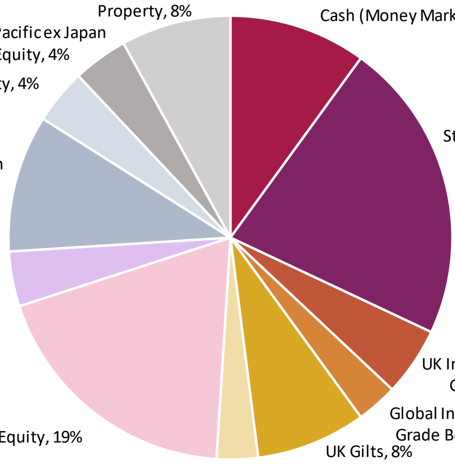
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	1.7%	6.4%	5.6%	3.4%
Realised Annual Return (nominal)	5.0%	9.6%	8.1%	6.2%
Realised Volatility (annualised)	3.8%	4.9%	5.4%	6.9%
Maximum Drawdown	2.9% [Dec 17 - Mar 18]	2.9% [Dec 17 - Mar 18]	5.6% [Mar 15 - Sep 15]	27.9% [May 07 - Feb 09]
Beta	0.3	0.4	0.4	0.5

For more information: 0333 6000 500 | sales@dynamicplanner.com | www.dynamicplanner.com

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

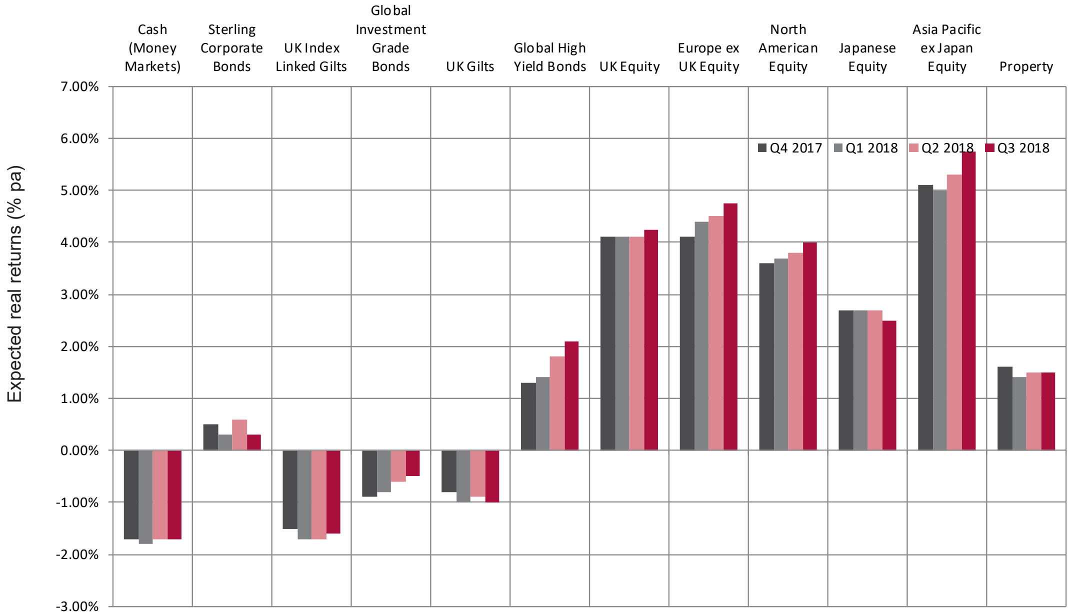
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

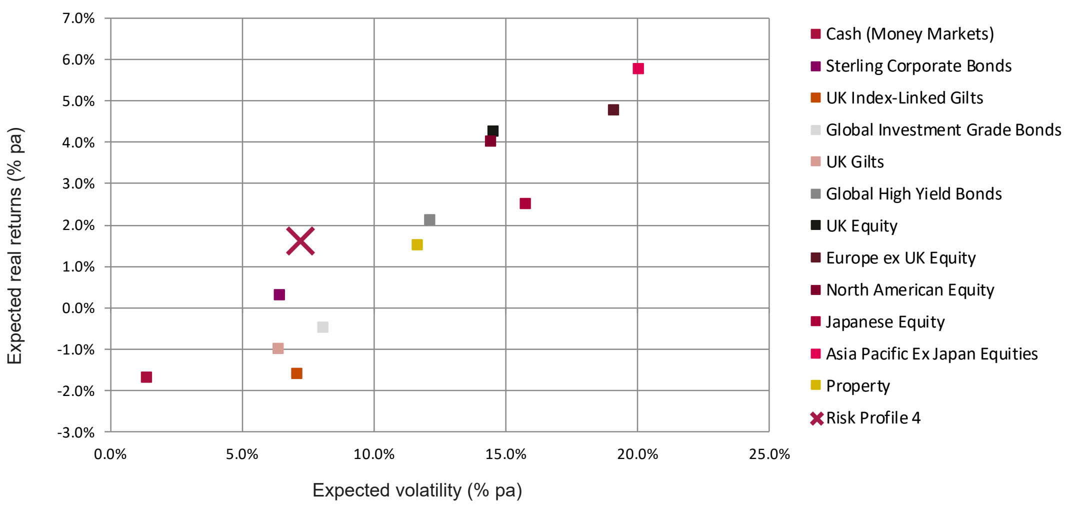
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

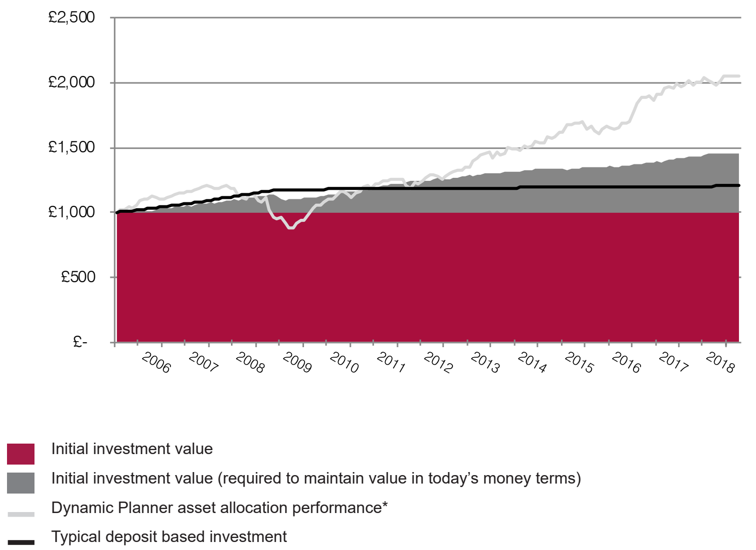
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 4



Performance of Dynamic Planner Asset Allocation 4 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

DYNAMIC PLANNER

Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 5 - Low Medium Risk

Expected return
2.6%
per annum
(Inflation adjusted)

Expected volatility
9.5%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain low-, medium- and high-risk investments, including money market investments, government bonds, Sterling corporate bonds and global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, but held mainly in UK and other developed markets, and also a small amount in other higher-risk investments such as shares in emerging markets. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

Equities

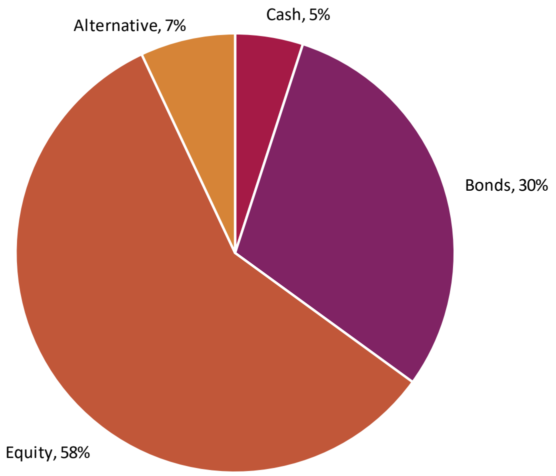
For equities, the stand-out performance was from the US, which recorded the longest bull market in history on 22 August. The escalating US-China trade war was overlooked due to strong US economic growth and company earnings data over the quarter (particularly in the IT and healthcare sectors). Japanese equities also posted strong gains due to yen weakness and greater political certainty following Prime Minister Abe's re-election as his party's leader. Eurozone equity, however, made modest gains while the fallers were the UK due to continuing Brexit uncertainty, Asia Pacific (ex-Japan) and Emerging markets equities in reaction to US dollar strength and the ongoing trade tensions.

Alternatives

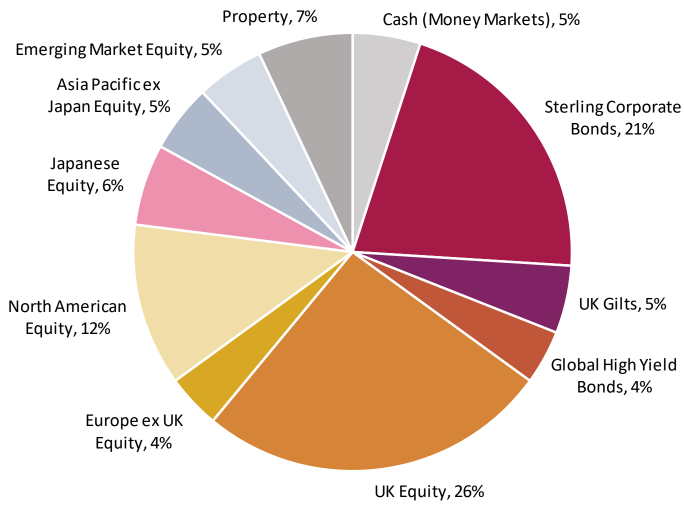
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	2.7%	8.6%	6.2%	4.3%
Realised Annual Return (nominal)	6.1%	11.9%	8.8%	7.0%
Realised Volatility (annualised)	5.1%	5.8%	6.3%	8.8%
Maximum Drawdown	3.8% [Jan 18 - Mar 18]	3.8% [Jan 18 - Mar 18]	7.7% [May 15 - Sep 15]	30.5% [Oct 07 - Feb 09]
Beta	0.4	0.6	0.6	0.6

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

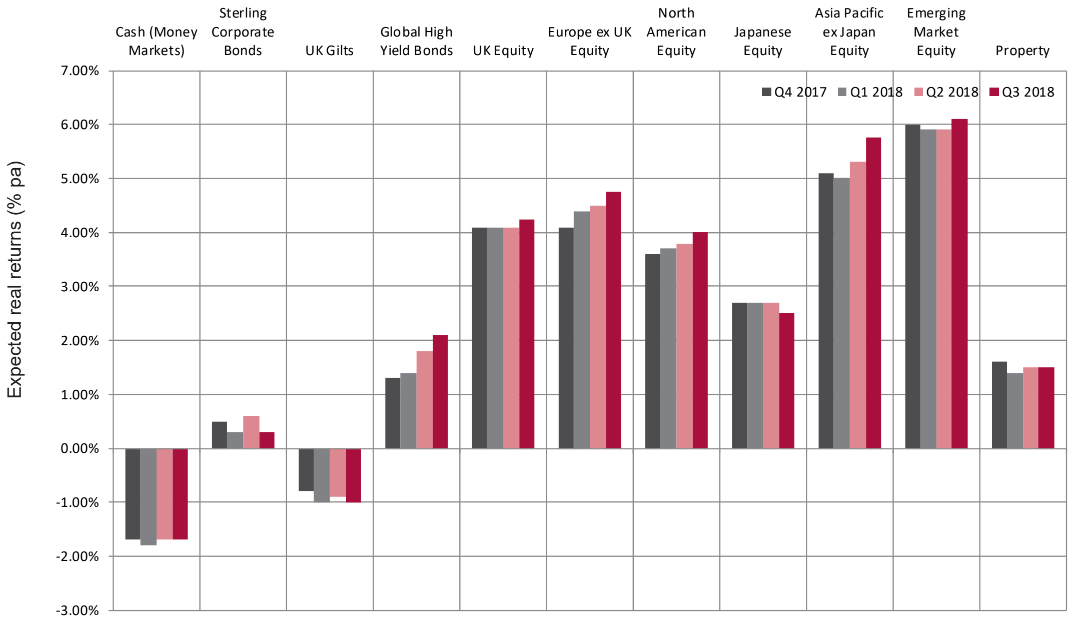
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

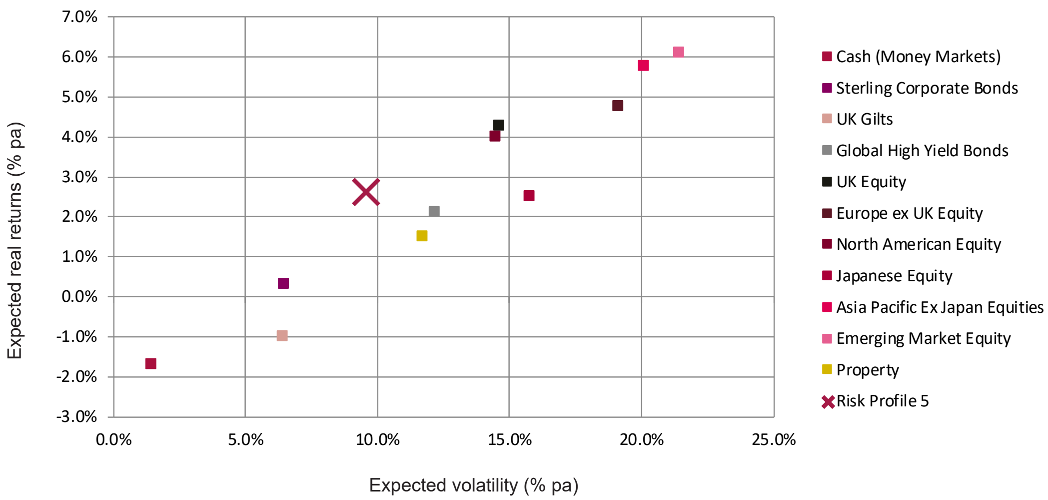
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

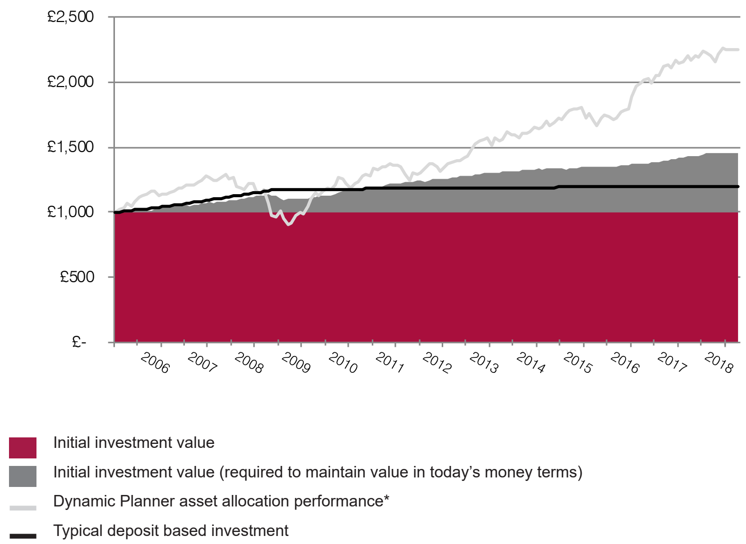
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 5



Performance of Dynamic Planner Asset Allocation 5 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 6 - High Medium Risk

Expected return
3.3%
per annum
(Inflation adjusted)

Expected volatility
11.4%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain mainly medium- and high-risk investments, including Sterling corporate bonds and global bonds including higher income types as well as Property and shares. The shares are expected to be held mainly in the UK and other developed markets, but there is also likely to be some in higher-risk emerging markets. As a result, you should always check that you are comfortable with what's included.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

Equities

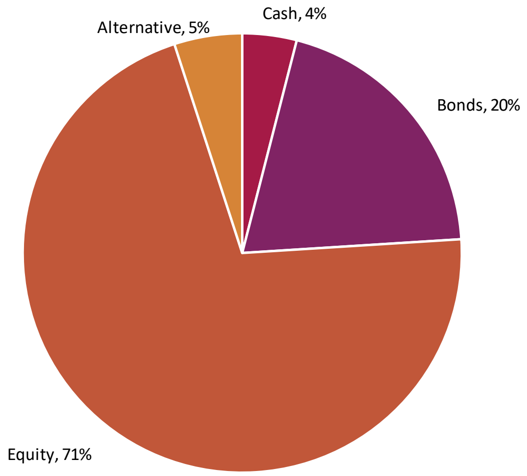
For equities, the stand-out performance was from the US, which recorded the longest bull market in history on 22 August. The escalating US-China trade war was overlooked due to strong US economic growth and company earnings data over the quarter (particularly in the IT and healthcare sectors). Japanese equities also posted strong gains due to yen weakness and greater political certainty following Prime Minister Abe's re-election as his party's leader. Eurozone equity, however, made modest gains while the fallers were the UK due to continuing Brexit uncertainty, Asia Pacific (ex-Japan) and Emerging markets equities in reaction to US dollar strength and the ongoing trade tensions.

Alternatives

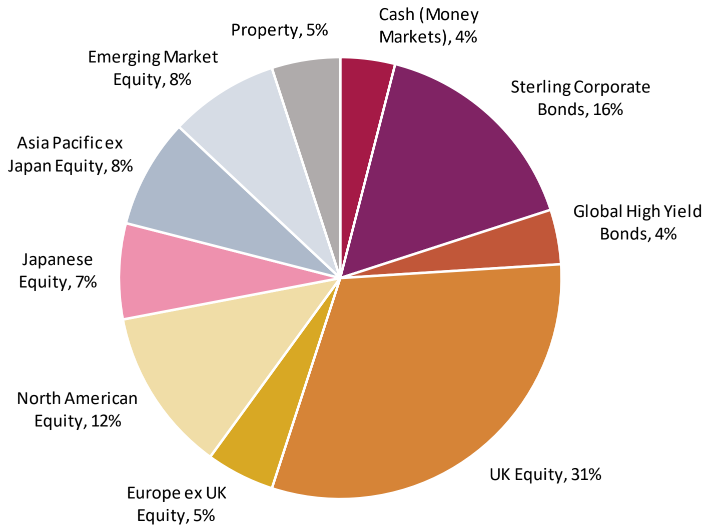
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	3.3%	10.2%	6.7%	4.7%
Realised Annual Return (nominal)	6.7%	13.5%	9.3%	7.4%
Realised Volatility (annualised)	6.2%	6.9%	7.5%	10.5%
Maximum Drawdown	4.5% [Jan 18 - Mar 18]	4.5% [Jan 18 - Mar 18]	10.1% [Apr 15 - Sep 15]	34.6% [Oct 07 - Feb 09]
Beta	0.5	0.7	0.7	0.8

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

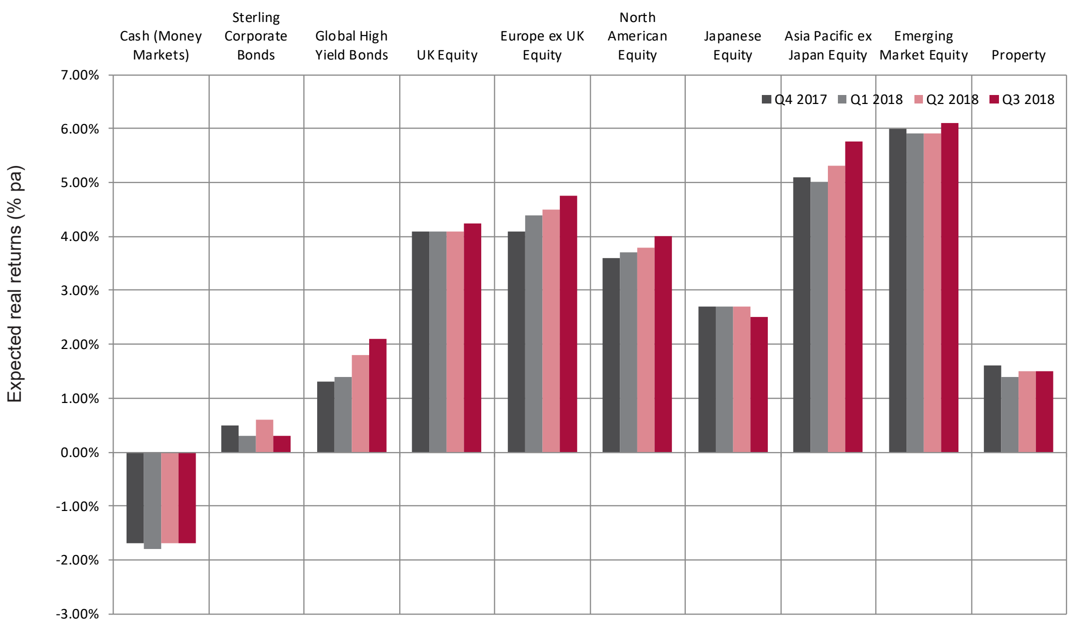
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

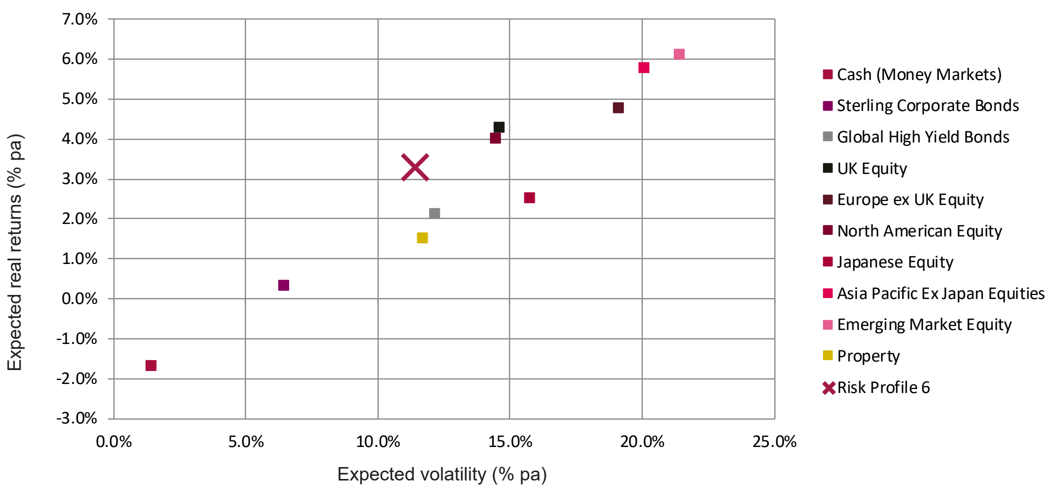
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

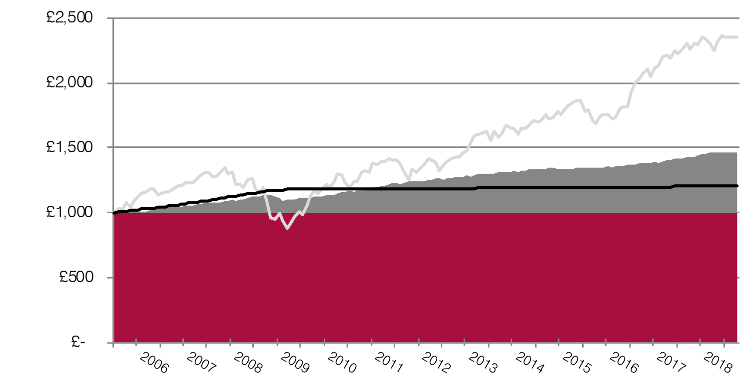
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 6



Performance of Dynamic Planner Asset Allocation 6 Since Launch - for £1000 Investment



Initial investment value
Initial investment value (required to maintain value in today's money terms)
Dynamic Planner asset allocation performance*
Typical deposit based investment

* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 7 - Highest Medium Risk

Expected return
4.1%
per annum
(Inflation adjusted)

Expected volatility
13.7%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain mainly high- and very-high-risk investments, such as UK, overseas developed and emerging market shares. It is also expected to have a small amount of medium-risk investments such as Property as well as Sterling corporate bonds and global bonds including higher income types. Always check that you are comfortable with the investments that are included in your chosen portfolio.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

Equities

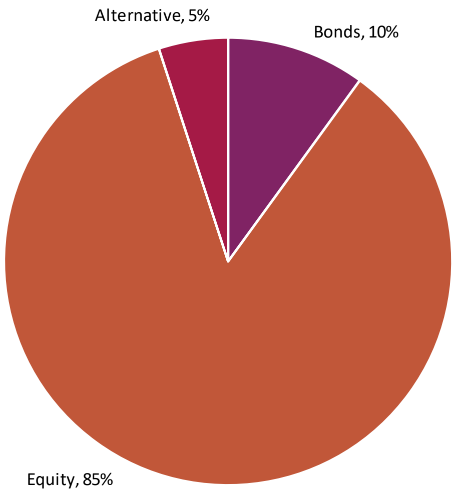
For equities, the stand-out performance was from the US, which recorded the longest bull market in history on 22 August. The escalating US-China trade war was overlooked due to strong US economic growth and company earnings data over the quarter (particularly in the IT and healthcare sectors). Japanese equities also posted strong gains due to yen weakness and greater political certainty following Prime Minister Abe's re-election as his party's leader. Eurozone equity, however, made modest gains while the fallers were the UK due to continuing Brexit uncertainty, Asia Pacific (ex-Japan) and Emerging markets equities in reaction to US dollar strength and the ongoing trade tensions.

Alternatives

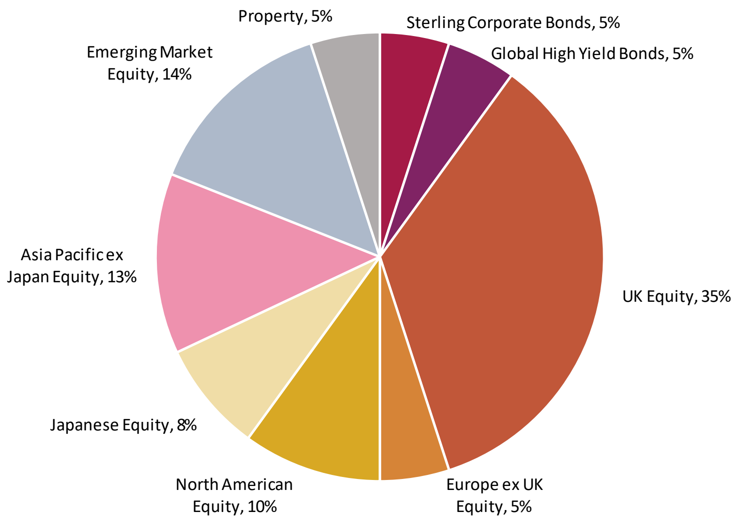
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	3.8%	11.7%	6.7%	5.1%
Realised Annual Return (nominal)	7.2%	15.1%	9.3%	7.7%
Realised Volatility (annualised)	7.3%	8.0%	8.6%	12.2%
Maximum Drawdown	5.2% [Jan 18 - Mar 18]	5.2% [Jan 18 - Mar 18]	12.6% [Apr 15 - Sep 15]	37.3% [Oct 07 - Feb 09]
Beta	0.6	0.8	0.8	0.9

For more information: 0333 6000 500 | sales@dynamicplanner.com | www.dynamicplanner.com

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

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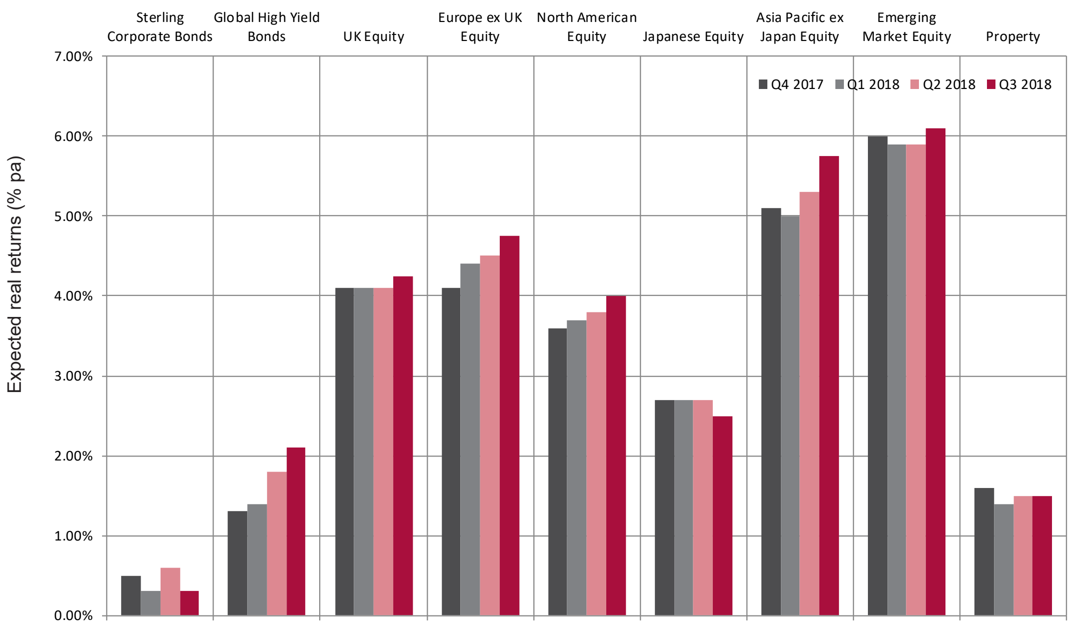
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

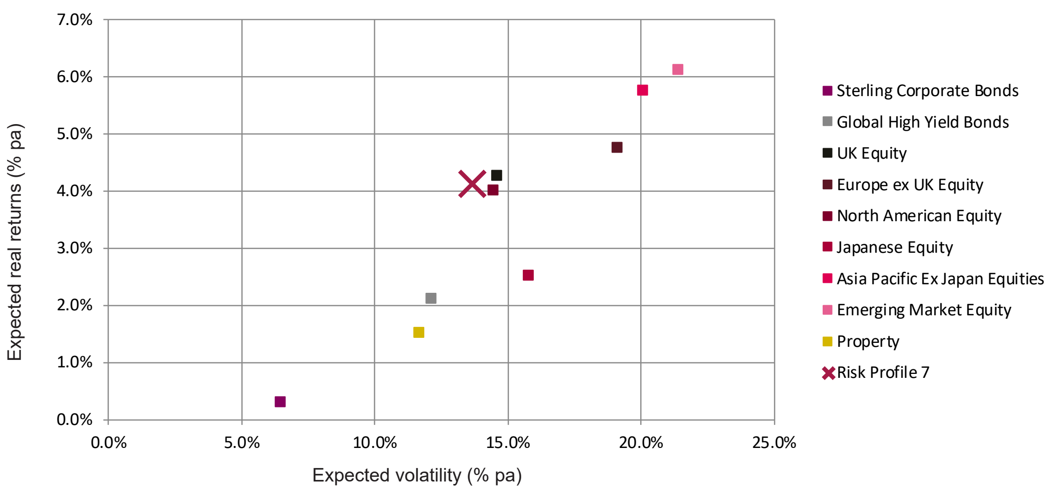
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

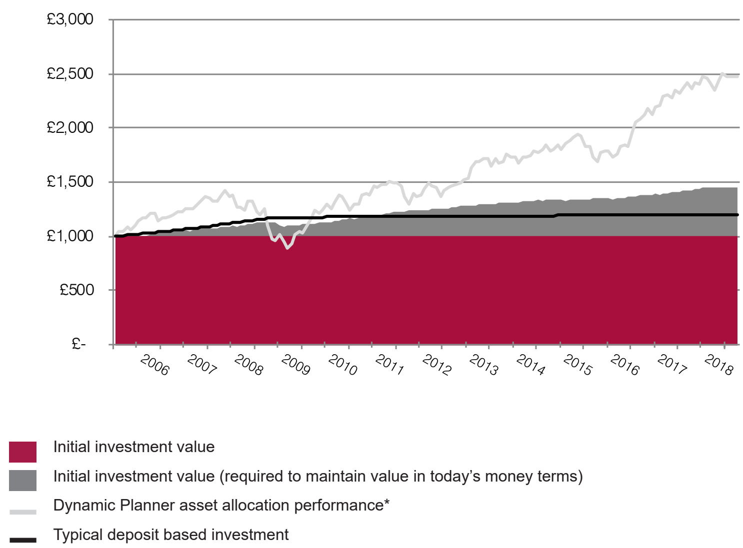
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 7



Performance of Dynamic Planner Asset Allocation 7 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 8 - High Risk

Expected return
4.7%
per annum
(Inflation adjusted)

Expected volatility
15.7%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain high- and very-high-risk investments such as UK, overseas developed and emerging market shares. There is also likely to be a small amount in medium-risk investments such as Property and higher-income types of global bonds. Always check that you are comfortable with the investments that are included in your chosen portfolio.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

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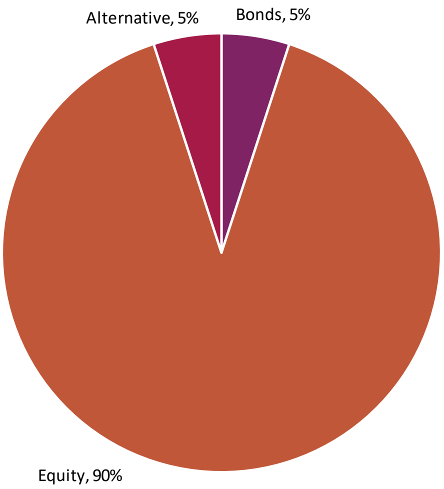
Alternatives

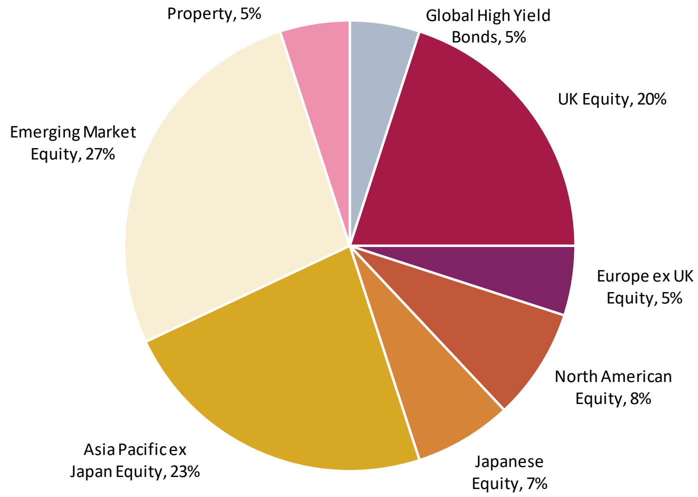
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	3.4%	13.1%	6.7%	5.2%
Realised Annual Return (nominal)	6.8%	16.5%	9.3%	7.8%
Realised Volatility (annualised)	7.7%	9.3%	9.9%	13.6%
Maximum Drawdown	5.5% [Jan 18 - Mar 18]	5.5% [Jan 18 - Mar 18]	15.2% [Apr 15 - Sep 15]	39.9% [Oct 07 - Feb 09]
Beta	0.6	0.8	0.8	1.0

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

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http://www.distribution-technology.com/privacy/terms-and-conditions/

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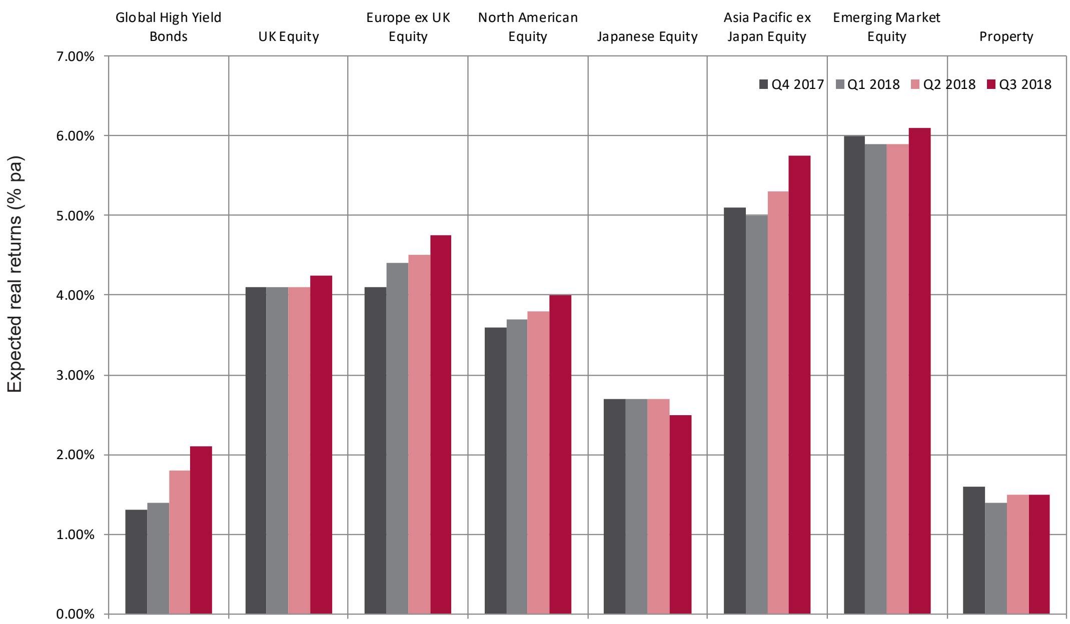
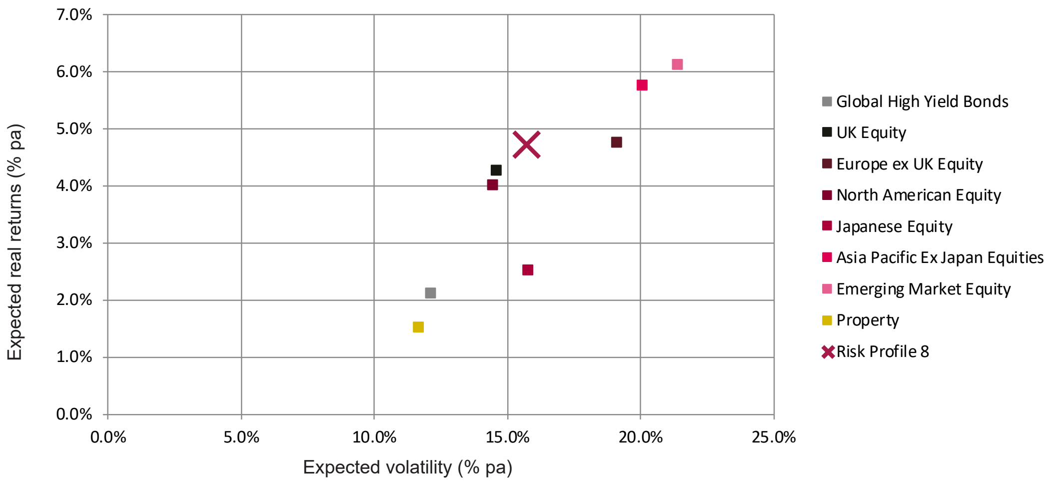
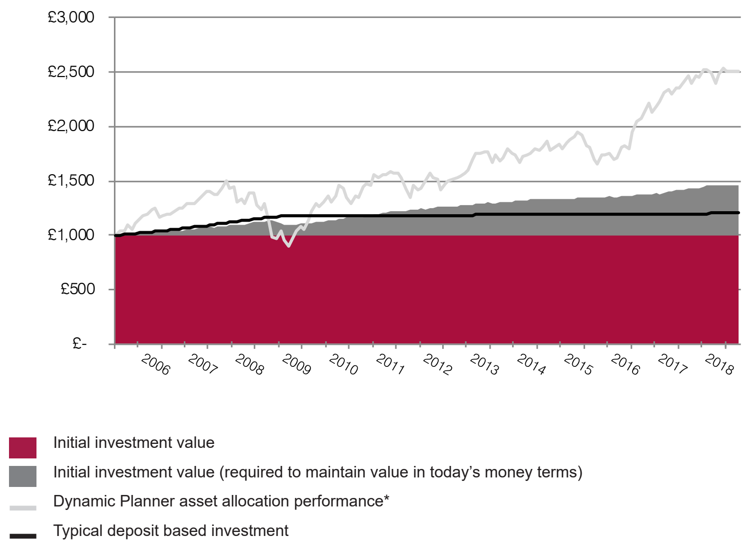
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 8



Performance of Dynamic Planner Asset Allocation 8 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 9 - Very High Risk

Expected return
5.3%
per annum
(Inflation adjusted)

Expected volatility
17.7%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain high- and very-high-risk investments, such as UK, overseas developed and emerging market shares. Always check that you are comfortable with the investments that are included in your chosen portfolio.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

Equities

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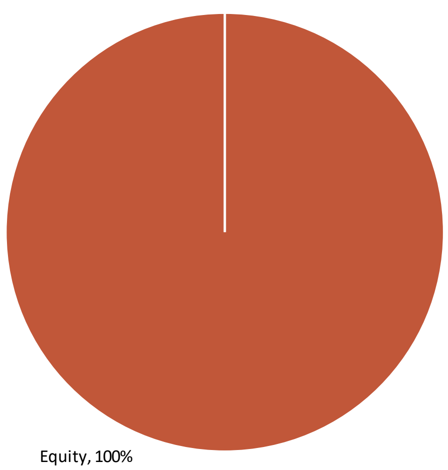
Alternatives

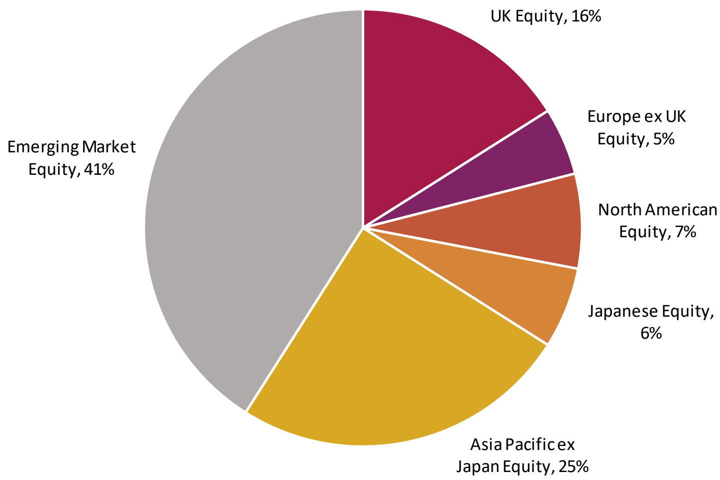
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	2.8%	14.3%	6.8%	6.3%
Realised Annual Return (nominal)	6.1%	17.8%	9.4%	8.7%
Realised Volatility (annualised)	8.4%	10.7%	11.4%	15.7%
Maximum Drawdown	6.1% [Jan 18 - Mar 18]	6.1% [Jan 18 - Mar 18]	18.0% [Apr 15 - Sep 15]	42.1% [Oct 07 - Feb 09]
Beta	0.6	0.8	0.8	1.1

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

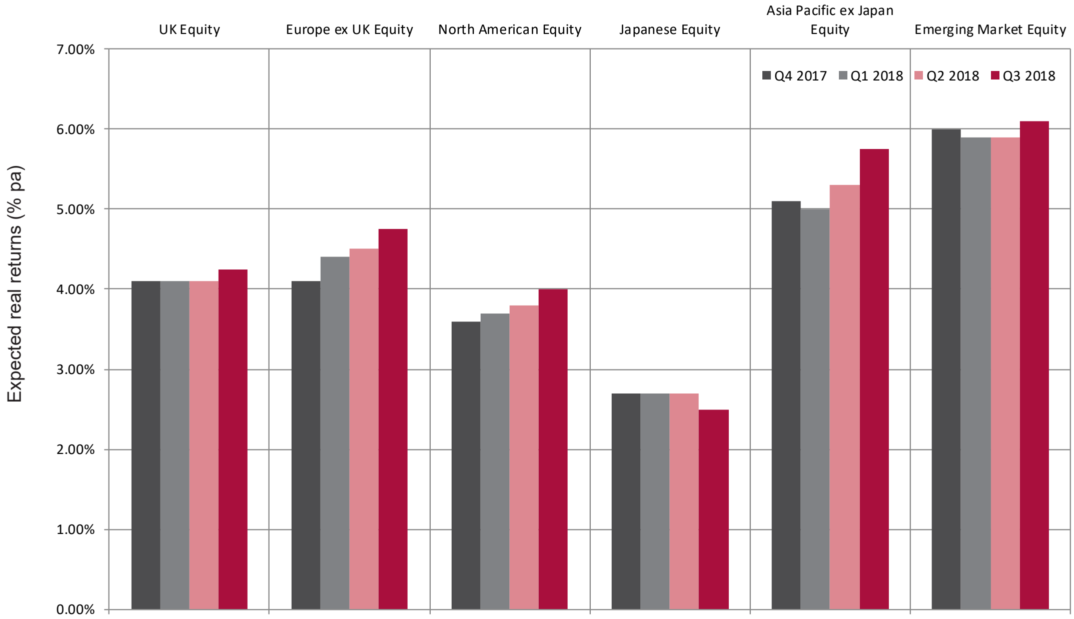
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

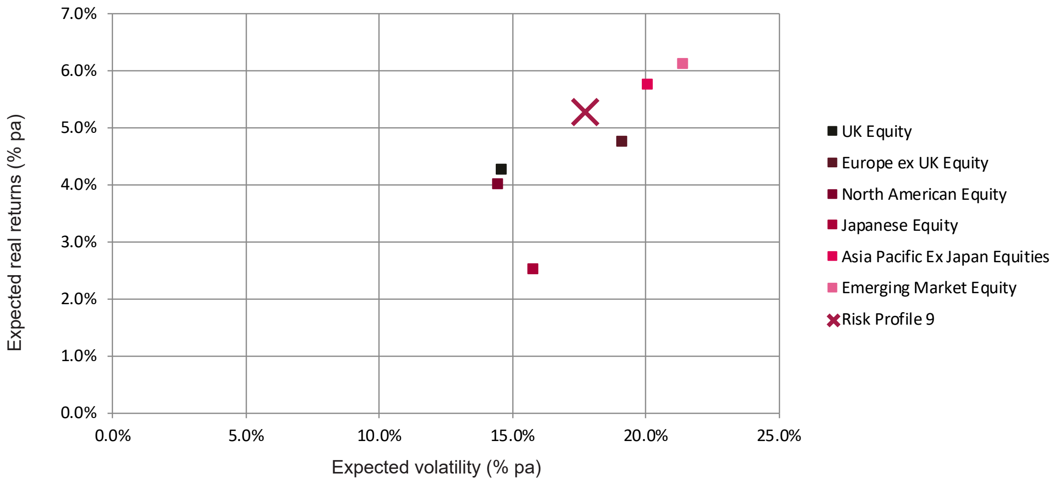
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

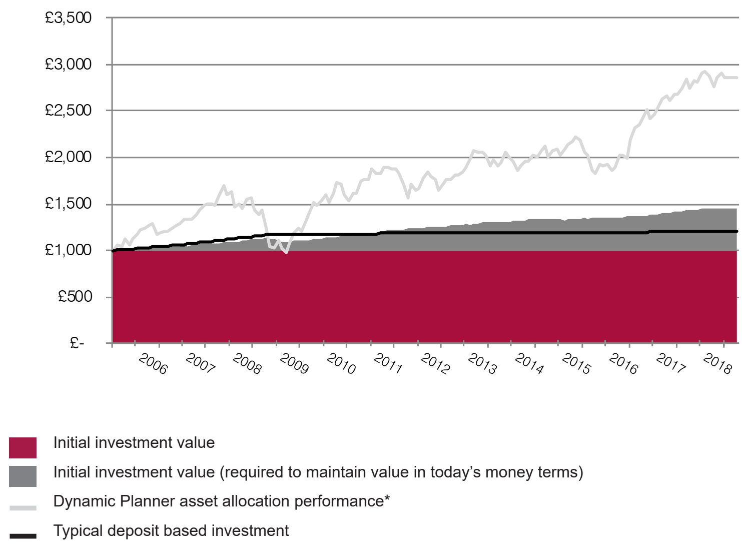
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 9



Performance of Dynamic Planner Asset Allocation 9 Since Launch - for £1000 Investment



* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

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Quarterly Asset Allocation Factsheet Q3 2018

Risk Profile 10 - Highest Risk

Expected return
5.8%
per annum
(Inflation adjusted)

Expected volatility
19.7%
per annum

Profile Description:
A portfolio for this risk profile is most likely to contain very-high-risk investments such as emerging market shares and a small amount in high-risk investments such as shares in UK and overseas developed markets. Always check that you are comfortable with the investments that are included in your chosen portfolio.

Market Round Up - Q3 2018

Bonds

Prices of core government bonds fell over the quarter, due to signs of strengthening global economic data and interest rate hikes by the US Federal Reserve and the Bank of England. Fiscal deficit target concerns also troubled the Italian bond market. Elsewhere, corporate bonds and hard currency Emerging Market bonds made positive returns.

Equities

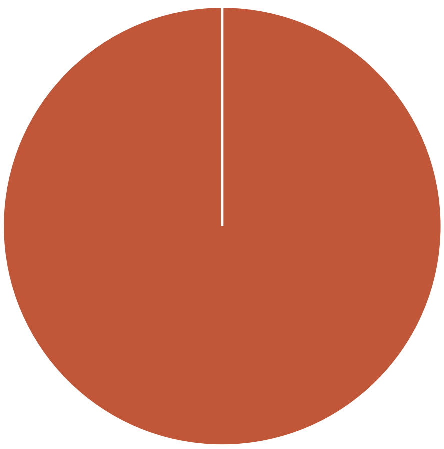
For equities, the stand-out performance was from the US, which recorded the longest bull market in history on 22 August. The escalating US-China trade war was overlooked due to strong US economic growth and company earnings data over the quarter (particularly in the IT and healthcare sectors). Japanese equities also posted strong gains due to yen weakness and greater political certainty following Prime Minister Abe's re-election as his party's leader. Eurozone equity, however, made modest gains while the fallers were the UK due to continuing Brexit uncertainty, Asia Pacific (ex-Japan) and Emerging markets equities in reaction to US dollar strength and the ongoing trade tensions.

Alternatives

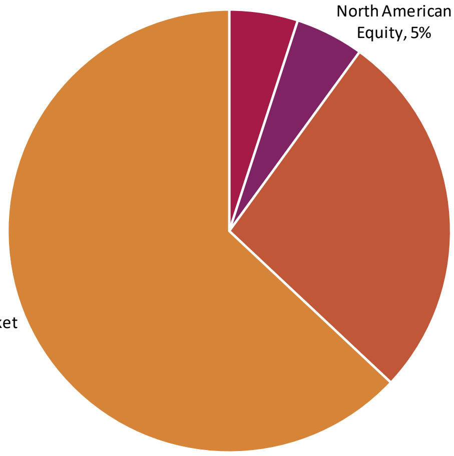
Worries over slowing China growth and a strong US dollar resulted in a weak quarter for commodities, while UK commercial property sentiment continued to remain subdued.

Asset Allocation Breakdown

Broad Asset Classes



Sub Asset Classes



Realised Cumulative Performance (Inflation Adjusted) to 30th September 2018

	One Year	Three Year	Five Year	Since Inception (June 2005)
Realised Annual Return	1.5%	15.0%	6.5%	7.1%
Realised Annual Return (nominal)	4.8%	18.5%	9.1%	9.3%
Realised Volatility (annualised)	9.0%	12.1%	12.7%	17.7%
Maximum Drawdown	6.2% [Jan 18 - Mar 18]	6.2% [Jan 18 - Mar 18]	20.5% [Apr 15 - Sep 15]	44.7% [Oct 07 - Nov 08]
Beta	0.6	0.8	0.8	1.1

Key Terms

Expected Real Return:
The portfolio's inflation adjusted expected return is based on the current asset allocation and the expected gross returns per asset class.

Expected Volatility:
The portfolio's potential inflation adjusted volatility based on the current asset allocation and the risk and correlation per asset class. This is known as ex-ante volatility.

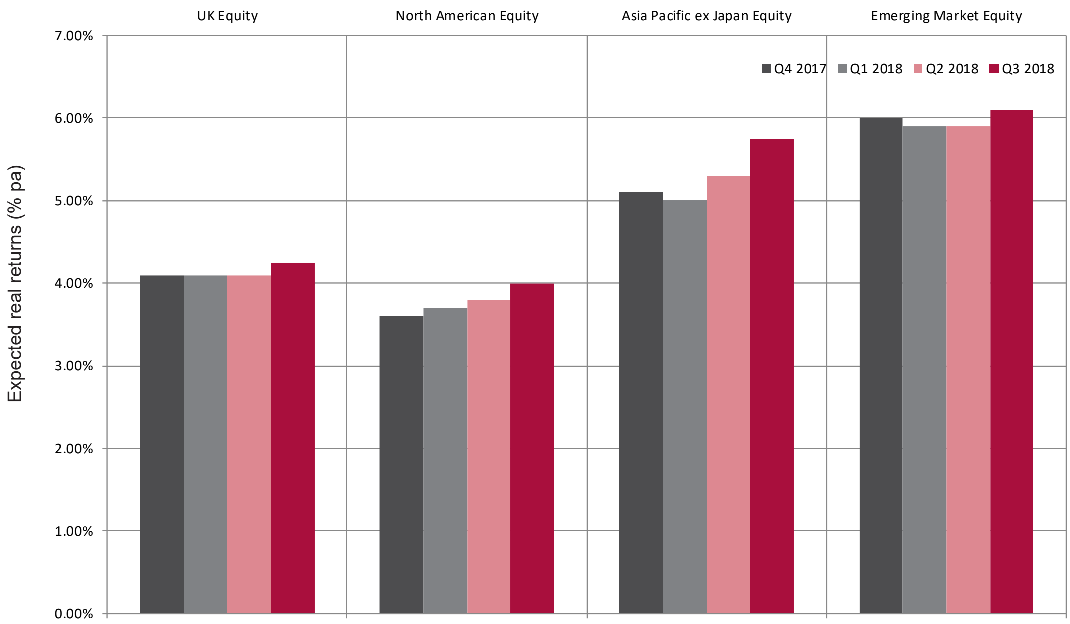
Realised Volatility:
The dispersion of the portfolio's experienced inflation adjusted returns as measured by standard deviation. This is known as ex-post volatility.

Maximum Drawdown:
The largest continuous decline in the value of a portfolio for the given period.

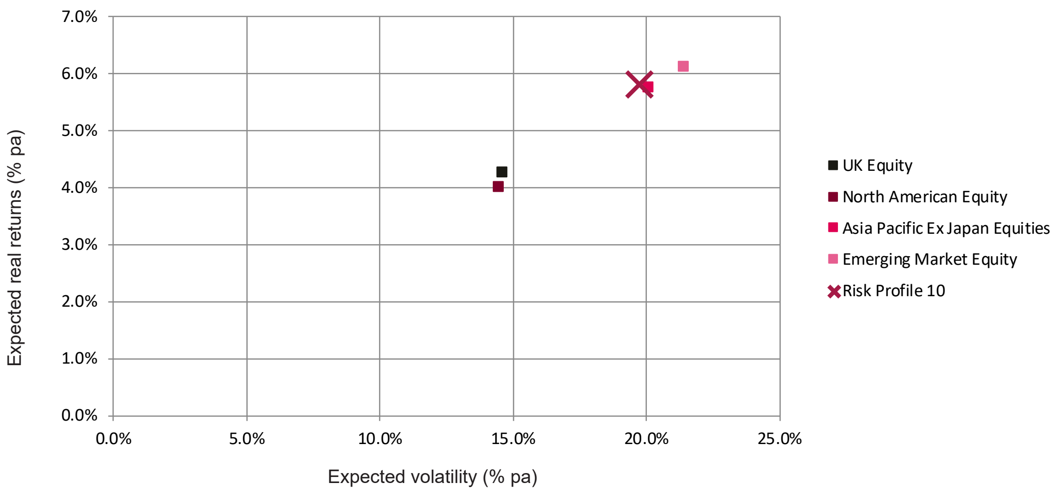
Beta:
A relative measure of portfolio 'risk' that compares the realised volatility of the portfolio to a common UK equity index.

DYNAMIC PLANNER

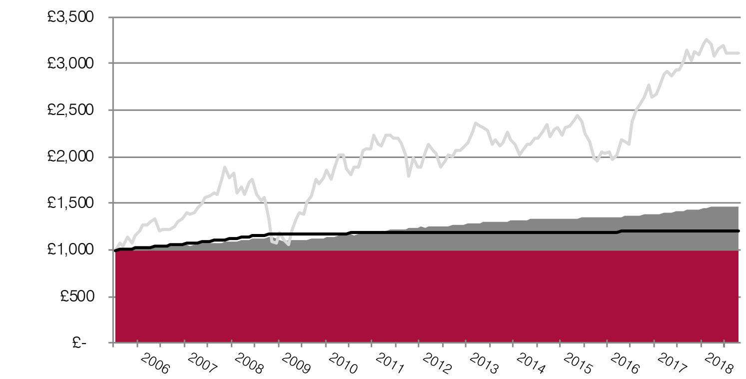
Asset Classes - Quarterly Changes in Expected Real Returns



Expectations of Asset Classes Used in Dynamic Planner Risk Profile 10



Performance of Dynamic Planner Asset Allocation 10 Since Launch - for £1000 Investment



Initial investment value
Initial investment value (required to maintain value in today's money terms)
Dynamic Planner asset allocation performance*
Typical deposit based investment

* Adjusted to include typical ongoing fund charge estimates. Performance is in nominal terms

Important Information:
All asset allocations, assumptions, forecasts and past performance is calculated based on data live in Dynamic Planner as at the calendar quarter end date.

APPENDIX B

Brewin Dolphin Services and Charges Brochure

BREWIN DOLPHIN

Our services & charges

Purpose of this document

The aim of this document is to provide you with a guide to the services that we offer and an outline of the associated costs. We will be able to explain this to you in more detail. Your Financial Planner or Investment Manager can help you decide whether the Fee Only or Fee & Commission charging structure would best meet your requirements. We have a separate hourly rate card that is available on request. This document should be read in conjunction with our detailed service brochures.

The Financial Conduct Authority (FCA)

Brewin Dolphin Limited is a member of the London Stock Exchange, and is authorised and regulated by the Financial Conduct Authority (Financial Services Register reference number: 124444). Registered office: 12 Smithfield Street, London, EC1A 9BD. Registered in England and Wales – company number: 2135876. VAT number: GB 690 8994 69

Contact us

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Facebook: www.facebook.com/brewindolphin
Twitter: twitter.com/brewindolphin
LinkedIn: www.linkedin.com/company/brewin-dolphin

Contents

Features of our ongoing services

Services	Wealth Management	Investment Management only	Financial Planning only
Meetings and contact			
• A minimum of an 18 month review of your financial goals and objectives to ensure your solution remains suitable	✓	✓	✓
• Ad hoc meetings as and when required	✓	✓	✓
• Ad hoc ability to ask questions regarding your existing plan or investments	✓	✓	✓
• Access to a dedicated investment manager	✓	✓	✗
• Access to a dedicated financial planner	✓	✗	✓
Managing your money			
• Continuous monitoring and rebalancing of your investment portfolio	✓	✓	✗
• A minimum of a 18 month review and recommendation for your investments	✗	✗	✓
• Take advantage of your annual allowances such as Capital Gains Tax (if appropriate)	✓	✓	✗
• Utilise your ISA allowance (if appropriate)	✓	✓	✓
• Advice on assets across multiple wrappers (e.g. pension money)	✓	✗	✓
• A facility to hold cash	✓	✓	✗
Reporting			
• Valuation Report including market update (quarterly)	✓	✓	✗
• Online access to portfolio valuations	✓	✓	✓*
• Year end Capital Gains Tax report	✓	✓	✗
• Consolidated Tax Voucher	✓	✓	✗
• Access to a range of industry relevant articles	✓	✓	✓

✓ = Included in Fee ✗ = Not available

*dependent on provider

Guide to which fees are applicable to which clients

	Wealth Management (Ongoing)	Investment Management only (Ongoing)	Financial Planning only (Ongoing)	Financial Planning (Initial)
1. Wealth Management	Page 6			Page 11*
2. Investment Management Only		Page 8		
3. Financial Planning Only			Page 10	Page 11

- **Wealth Management** – in this service our clients value personalised financial planning advice on structuring their wealth tax-efficiently, planning for retirement, estate and trust planning together with advice on protecting their wealth. Combined with this our clients' investment needs are serviced by a dedicated specialist who will advise, implement and manage their investment strategy.
- **Investment Management only** – in this service our clients are focussed on their investment needs, which are serviced by a dedicated specialist who will advise, implement and manage their investment strategy.
- **Financial Planning only** – in this service, clients value our personalised financial planning advice on structuring their wealth tax-efficiently, planning for retirement, estate and trust planning together with advice on protecting their wealth.

Clients are able to have a combination of these services to suit their specific needs. Please speak to your Brewin Dolphin contact who will advise you on what combination of services are most suited to your requirements.

* Initial charges may apply to our Wealth Management and Financial Planning services where there is a plan involved

Wealth Management charges

Charging structure

	Charging options	
	Fee Only	Fee & Commission
Annual fee on plans advised by the Financial Planner		
All plans	0.5%	0.5%
Annual fee on funds managed by the Investment Manager		
Portfolio/account tiers:		
First £1 million	1.0%	0.5%
Next £1 million	0.8%	0.4%
Next £3 million	0.5%	0.25%
Balance	Fees available on request	
Commission per investment transaction		
First £15,000	N/A	1.25%
Next £15,000	N/A	1%
Balance	N/A	0.5%
Transaction Charge (£20 per trade)	£20	£20

Introductory meeting is free of charge.

Percentage based charges are linked to the value of your investments and therefore as your assets grow so will the amount you pay.

A minimum commission of £50 per transaction is payable, excluding other transaction charges.

If there are no transaction commissions relating to your portfolio, some charges to activity on your portfolio will still apply, such as the £20 transaction charge.

The minimum quarterly fee of £250 will apply.

UK VAT and Stamp Duty will be applied on fees and charges in line with applicable legislation.

Example of annual charges

Illustrative charges for an individual client's portfolio of £500,000 receiving our Wealth Management service, with 77% invested in collective funds with an average Ongoing Charges Figure (OCF)*** of 0.68%. This assumes 20 transactions of £11,000 are executed per annum, of which 6 are in direct UK equities and 3 of these are purchases. Transaction size and value are based on the average for the service provided, and therefore may vary according to individual circumstances.

Annual fee & commission for Wealth Management service	Fee Only	Fee & Commission
Financial Planning @ 0.5%	£2,500	£2,500
Investment Management @ 1% (fee only) / 0.5% (fee & commission)	£5,000	£2,500
VAT @ 20%*	£1,500	£1,000
Commission, based on first £15,000 @ 1.25% (£11,000 x 1.25%) = £137.50 (£137.50 x 20)	£NIL	£2,750
Total annual charge	**£9,000**	**£8,750**
Other integrated transaction charges		
Transaction charge (£20 per transaction with 20 transactions)	£400	£400
Stamp Duty on purchases of UK equities @ 0.5%** (£11,000 x 0.5%) = £55 (£55 x 3)	£165	£165
Panel on Takeovers and Mergers Levy on UK equity trades (£1 x 6)	£6	£6
Total other transaction charges	**£571**	**£571**
External fund charges		
Underlying fund charges (77% of £500,000 using estimated OCF*** of 0.68% for RC6)	£2,618	£2,618
Total external fund charges	**£2,618**	**£2,618**
Total illustrative charges inc. VAT	**£12,189**	**£11,939**
Total illustrative charges as a % of client portfolio	**2.4%**	**2.4%**

Based on this annual cost figure, the overall performance of your portfolio will be impacted to the value of £12,189 or 2.4% on a Fee Only charge, or £11,939 or 2.4% on a Fee & Commission charge inc. VAT.

* This example assumes VAT @ 20% (the rate applicable at the date of publication) applies on management fees charged. The application of VAT, as well as the VAT rate, may vary in line with changes to UK law. This example illustrates charges for an individual client with a discretionary managed portfolio with Brewin Dolphin. Fee structures for other products managed by Brewin Dolphin may vary, including the applicability of VAT.

** The rate of Stamp Duty may vary in line with changes to UK law.

*** Ongoing Charges Figure - an estimate of the cost associated with investing in external collective funds. The nature of collective funds means that charges incurred in the running of the fund, such as management fees, transaction costs and administrative charges, are included in the total fund valuation. Such costs are not charged directly to Brewin Dolphin portfolios, but impact indirectly through the corresponding reduction in the value of the collective fund. Fund managers quote such costs as a percentage of the overall fund value. This is referred to as an Ongoing Charges Figure (OCF).

In order to estimate the impact of the OCF on Brewin Dolphin portfolios, it has been assumed that the split between collectives and direct equities, and the average OCF for collective funds, are the same as the Brewin Dolphin risk category six portfolio (RC6), the most common risk category for Brewin Dolphin clients.

Discretionary Investment Management charges

Charging structure

	Charging options	
	Fee Only	Fee & Commission
Annual fee on funds managed by Investment Manager		
Portfolio/account tiers:		
First £1 million	1.3%	0.75%
Next £1 million	0.9%	0.60%
Next £3 million	0.6%	0.375%
Balance		Fees available on request
Commission per investment transaction		
First £15,000	N/A	1.25%
Next £15,000	N/A	1%
Balance	N/A	0.5%
Transaction Charge (£20 per trade)	£20	£20

Percentage based charges are linked to the value of your investments and therefore as your assets grow so will the amount you pay.

A minimum commission of £50 per transaction is payable, excluding other transaction charges.

If there are no transaction commissions relating to your portfolio, some charges to activity on your portfolio will still apply, such as the £20 transaction charge.

The minimum quarterly fee of £250 will apply.

UK VAT and Stamp Duty will apply on fees and charges in line with applicable legislation.

Example of annual charges

Illustrative charges for an individual client's portfolio of £500,000 receiving our Discretionary Investment Management service, with 77% invested in collective funds with an average Ongoing Charges Figure (OCF)*** of 0.68%. This assumes 20 transactions of £11,000 are executed per annum, of which 6 are in direct UK equities and 3 of these are purchases. Transaction size and value are based on the average for the service provided, and therefore may vary according to individual circumstances.

Annual fee & commission for Discretionary Investment Management service	Fee Only	Fee & Commission
Investment Management @ 1.3% (fee only) / 0.75% (fee & commission)	£6,500	£3,750
VAT @ 20%*	£1,300	£750
Commission, based on first £15,000 @1.25% (£11,000 x 1.25%) = £137.50 (£137.50 x 20)	£NIL	£2,750
Total annual charges	**£7,800**	**£7,250**
Other transaction charges		
Transaction charge (£20 per transaction with 20 transactions)	£400	£400
Stamp Duty on purchases of UK equities @ 0.5%** (£11,000 x 0.5%) = £55 (£55 x 3)	£165	£165
Panel on Takeovers and Mergers Levy on UK equity trades (£1 x 6)	£6	£6
Total other transaction charges	**£571**	**£571**
External fund charges		
Underlying fund charges (77% of £500,000 using estimated OCF*** of 0.68% for RC6)	£2,618	£2,618
Total external fund charges	**£2,618**	**£2,618**
Total illustrative charges inc. VAT	**£10,989**	**£10,439**
Total illustrative charges as a % of client portfolio	**2.2%**	**2.1%**

Based on this annual cost figure, the overall performance of your portfolio will be impacted to the value of £10,989 or 2.2% on a Fee Only charge, or £10,439 or 2.1% on a Fee & Commission charge inc. VAT.

* This example assumes VAT @ 20% (the rate applicable at the date of publication) applies on management fees charged. The application of VAT, as well as the VAT rate, may vary in line with changes to UK law. This example illustrates charges for an individual client with a discretionary managed portfolio with Brewin Dolphin. Fee structures for other products managed by Brewin Dolphin may vary, including the applicability of VAT.

** The rate of Stamp Duty may vary in line with changes to UK law.

*** Ongoing Charges Figure - an estimate of the cost associated with investing in external collective funds. The nature of collective funds means that charges incurred in the running of the fund, such as management fees, transaction costs and administrative charges, are included in the total fund valuation. Such costs are not charged directly to Brewin Dolphin portfolios, but impact indirectly through the corresponding reduction in the value of the collective fund. Fund managers quote such costs as a percentage of the overall fund value. This is referred to as an Ongoing Charges Figure (OCF).

In order to estimate the impact of the OCF on Brewin Dolphin portfolios, it has been assumed that the split between collectives and direct equities, and the average OCF for collective funds, are the same as the Brewin Dolphin risk category six portfolio (RC6), the most common risk category for Brewin Dolphin clients.

Financial Planning charges - Ongoing annual fees

Ongoing Financial Planning annual fees for policies/plans held outside Brewin Dolphin

Total annual Financial Planning fees

All policies/plans advised by the Financial Planner	0.5%
Investment selection by the Financial Planner	0.5%
Total annual Financial Planning fees	**1.0%**

Example charges for Financial Planning – Advisory managed

Illustrative charges on policies/plans of £500,000

Ongoing annual charges @ 1%	£5,000
Total excl. VAT	**£5,000**
Total illustrative charges excl. VAT	**£5,000**

For illustrative purposes only.

UK VAT will be applied on fees and charges in line with applicable legislation.

Please refer to our Terms & Conditions as we may receive trail commissions for some packaged products.

Financial Planning charges - Initial advice fees

The services provided during our initial advice:

- Identifying your financial goals through a comprehensive understanding of your current personal circumstances
- Reviewing your existing financial situation, to identify any potential shortfall in achieving your financial goals
- Providing a personalised report detailing any suggested actions required to achieve your financial goals
- Performing objective in-depth research to identify solutions that will help you achieve your financial goals
- Implementing any solution through liaison with necessary parties.

Financial Planning initial charges

The first meeting is always at our expense and we will not charge you until we have agreed what work you wish us to carry out.

Initial advice

Portfolio/policy tiers:

First £500,000	2.0%
Next £500,000	1.0%
Next £1 million	0.5%
Next £3 million	0.25%
Balance	Fees available on request

Example initial charges for Financial Planning – Advisory managed

Illustrative charges on an example new policy/plan of £500,000

Initial advice @ 2%	£10,000
Total excl. VAT	**£10,000**

For illustrative purposes only.

UK VAT will be applied on fees and charges in line with applicable legislation.

We do have an alternative hourly rate card available on request.

Other charges

The table below outlines a number of other charges that may apply if you are using our Wealth Management or Discretionary Investment Management services (charges apply to both Fee Only and Fee & Commission options).

Transaction charges

Transaction charge (per trade)	£20
Stamp Duty on purchases of UK equities / Investment Trusts*	0.5%
Panel on Takeovers and Mergers Levy (transactions over £10,000 only in securities of companies incorporated in the UK)	£1
CHAPS	£15

Transfer in

Transaction charge (per trade)	No charge
Dematerialisation of stock inwards	No charge

Transfer out

UK holding per line of stock	£15
Overseas holdings per line of stock	£25
Administration of transfers (per instruction or group of instructions)	£15

ISA charges

Void ISA as a breach of regulations	£80
Termination/transfer of ISA with cash proceeds	No charge
Termination/transfer of ISA in specie (per line of stock)	£15
Termination of ISA within 12 months of start of the account	£80

* The rate of Stamp Duty may vary in line with changes to UK law.

UK VAT will be applied on fees and charges in line with applicable legislation.

Payment

Payment for our services will be on the basis of a charge agreed between us. We will discuss your payment options with you and answer any questions you have. We will not charge you until we have agreed with you how we are to be paid.

Charges for our advice and services, will become payable on completion of the work.

Wealth Management (combined Financial Planning and Investment Management services)	• Fees will be charged in arrears and deducted from your portfolio quarterly. Fees will usually be deducted from your portfolio in January/April/July/October but this may differ in certain circumstances, please ask your Investment Manager/Financial Planner for details. • Commissions will be deducted with each transaction where applicable.
Discretionary Investment Management service	• Fees will be charged in arrears and deducted from your portfolio quarterly in January/April/July/October. • Commissions will be deducted with each transaction.
Financial Planning services (advisory and transactional)	• Charges for initial and ongoing advice and services will become payable on completion of our work as per our agreement with you. On invoice payment will be required within 28 days. • We accept cheque or bank transfer payments. We do not accept payment by cash. • Some providers, however, may be able to facilitate payment of our adviser charge by deducting it from the investment.

Ongoing service and keeping you informed

We will send you valuation reports quarterly which will show how your portfolio has performed, what it is worth and details of how it is currently invested.

But this is only the start. Given that markets, the economy, and your personal circumstances can all change, your investments need to be reviewed on a regular basis to ensure they are doing the job you need them to. If some adjustments are necessary, we will move your money into the appropriate new investments or asset classes to ensure we're making your money work hard to achieve all of your goals. You can meet us when you need to, but you will also have direct access to your investment manager or financial planner over the phone who can keep you informed of how things are progressing. Information about your portfolio and its performance is also available online.

Document type	Content	Frequency
Online valuations	You can access your account online through our secure server via www.brewin.co.uk and check the status of your investments at any time and from anywhere. The website is also a link to a wide range of useful investment information and a good way to stay up-to-date with the latest developments in the financial markets. In particular, our award-winning research team produces regular topical articles covering key market issues and events.	Daily.
Valuation Report	This will include a list of holdings, a valuation and a deposit and income statement.	Quarterly.
Year end tax pack	This will include a list of holdings, a deposit and income statement and a Consolidated Tax Voucher (CTV).	Annually as at 5th April.
Asset confirmation report	This is a list of holdings in our custody which includes a response sheet which should be completed if you do not agree with any holdings.	Quarterly, as part of the Valuation Report.
Contract note	A contract note is a formal confirmation of the execution of an order for your account. The contract note will contain all relevant details of the transaction and will act as an invoice which should be retained for future reference and tax purposes.	By default, these will not be issued for our Discretionary Investment Management and Wealth Management services. However, if requested, they are issued no later than the first business day after the transaction, or if relevant after we receive confirmation of a transaction from a third party.

What to do if you have a complaint

If you wish to register a complaint in the first instance please contact your investment manager or financial planner. Alternatively, please contact us:

In writing: The Head of Client Services, Brewin Dolphin Ltd, 12 Smithfield Street, London, EC1A 9BD.

By telephone: 020 7246 1000

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service.

www.financial-ombudsman.org.uk

Your right to cancel

Should you wish to cancel our Investment Management or Financial Planning services you have 14 days from the date we confirm acceptance of your account. Full details are included in our Terms and Conditions.

The Financial Service Compensation Scheme (FSCS)

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations or if our deposit bank fails. This depends on the type of business and the circumstances of the claim you make against us.

Investment Limits – The maximum level of compensation for claims against firms declared in default is £50,000 per person per firm.

Deposit Limits – The deposit compensation limit is £85,000 per person per firm.

Long-term insurance (e.g. pensions and life assurance) – The maximum level of compensation for claims against firms declared in default is 90% of the claim with no upper limit.

Further information about compensation scheme arrangements (including for claims against firms declared in default before the limits explained above) is available from the FSCS website:

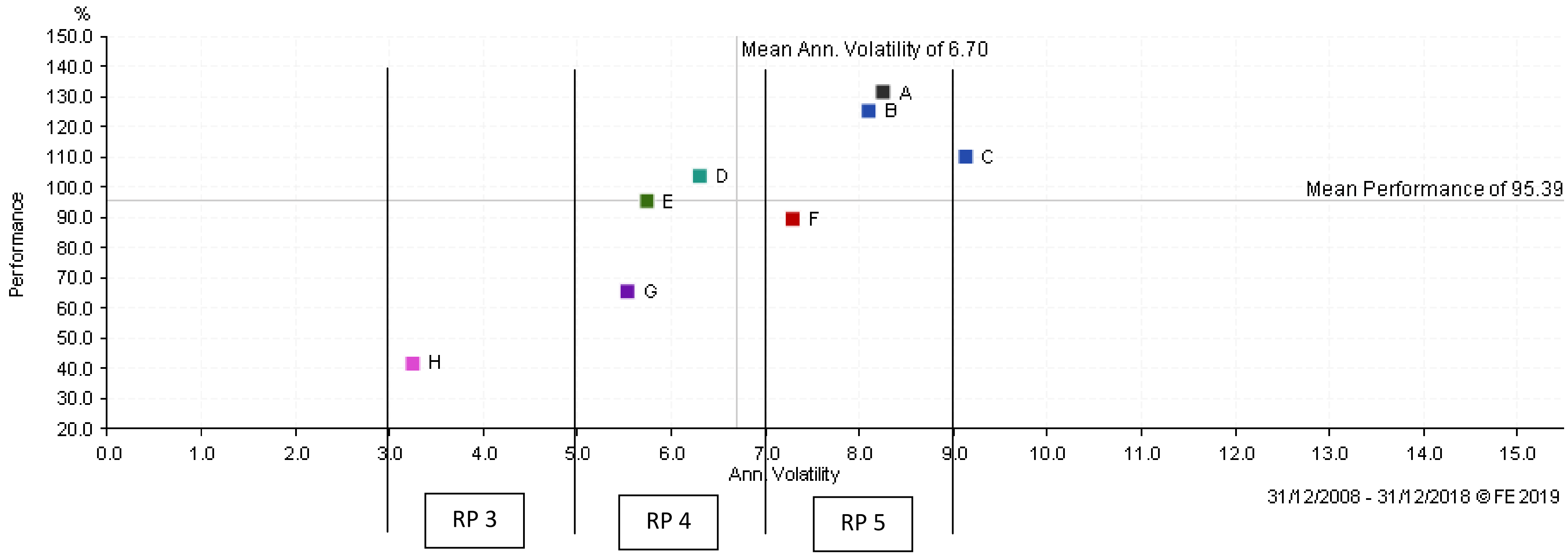
www.fscs.org.uk/consumer

BD1559_1807_6
Issue Date: September 2018

APPENDIX C

Civil Liability Bill Model Portfolio Risk Mapping

Pricing Spread: Bid-Bid • **Currency:** Pounds Sterling



	Name	Performance	Annualised Volatility
A	Civil Liability Bill - Portfolio (iii) TR in GB	131.48	8.25
B	FTSE UK Private Investor Balanced TR in GB	125.30	8.10
C	ARC Sterling Equity Risk PCI TR in GB	110.18	9.13
D	Civil Liability Bill - Portfolio (ii) TR in GB	103.79	6.30
E	Civil Liability Bill - Portfolio (i) TR in GB	95.44	5.74
F	ARC Sterling Steady Growth PCI TR in GB	89.56	7.29
G	ARC Sterling Balanced Asset PCI TR in GB	65.60	5.53
H	ARC Sterling Cautious PCI TR in GB	41.76	3.25