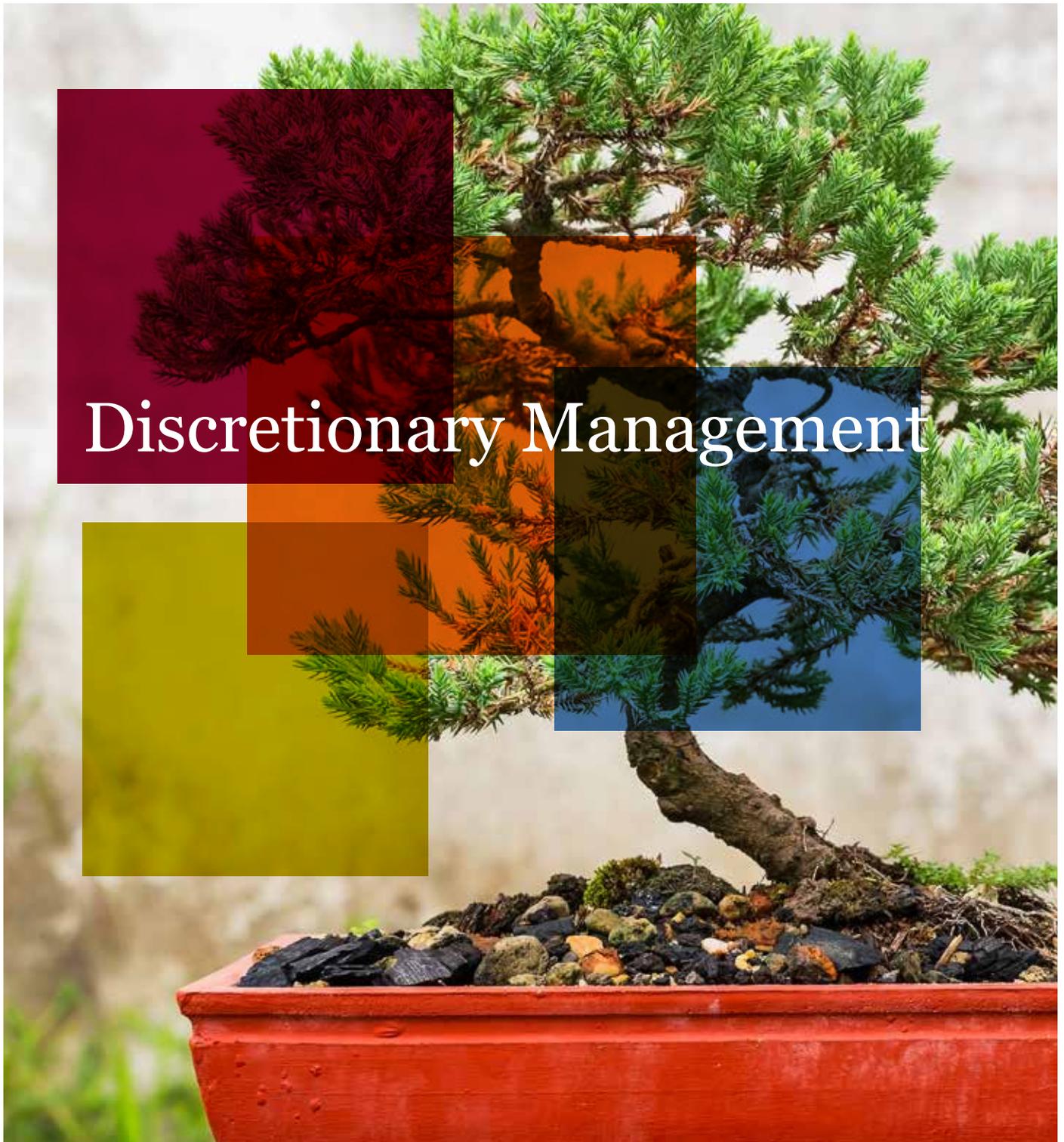




Speirs&Jeffrey



# Discretionary Management

# Contents

- Page 1:      What is discretionary investment management?  
                 Why choose the discretionary service?
- Page 2:      What are the benefits of discretionary management?
- Page 3:      Will the change alter how the portfolio is managed?  
                 Are clients kept informed as to portfolio changes?  
                 What are the regulatory differences?  
                 Does discretionary management cost more?
- Page 4:      Does this mean the client loses control of their money/portfolio?  
                 Can the client's own ideas be included in the portfolio?

*The art of growing Bonsai has been practised for centuries, first in China, then in Japan. Although these small trees can live for centuries, they need specialised care. To ensure they continue to flourish they need regular pruning, trimming and training.*



Please recycle responsibly

*The rules on taxation can change. Speirs & Jeffrey is not a legal or tax adviser and will not provide you with legal or tax advice. Therefore if you have any queries as to the legal or tax implications of any investment you should seek independent advice. In addition, the value of any tax benefits will depend on your tax position. You should consult your tax adviser in order to understand the impact of your investment decisions in respect of your tax position.*

*The text in this document was compiled in JANUARY 2019.*

© 2018 All content is copyright Speirs & Jeffrey.

## What is discretionary investment management?

Discretionary management permits investment managers to make changes to a portfolio within agreed parameters set by the client, but without explicit consent being granted before every transaction.

Under a discretionary arrangement, transactions must conform to the parameters agreed with the client, which set out their investment objectives and risk tolerances as well as any specific ethical, simple tax or income requirements.

Speirs & Jeffrey currently has over 6,000 discretionary clients, ranging from novices to experienced investors. The firm has offered this service alongside its advisory management for over 20 years.

## Why do our clients choose the discretionary service?

In recent years we have seen a growing appetite amongst Speirs & Jeffrey's advisory clients to move to our discretionary management service.

Due to the long and positive relationships we have enjoyed with clients, many have become 'quasi' discretionary; accustomed simply to approving our investment suggestions.

For clients who do not have the time, experience or desire to actively manage their portfolio and wish to delegate this responsibility to a professional, discretionary management has proved to be the most appropriate choice.

Where clients retain an interest in stock selection, discretionary management still allows for discussion between investment manager and the client on the investments held within portfolios.

## What are the benefits of discretionary management?

Speirs & Jeffrey believes that this service is the most efficient and effective approach for managing investment portfolios in an increasingly complex and fast paced market. It is our experience that portfolios managed under this service are more closely aligned to our strategic preferences and best ideas at the earliest opportunity.

The service allows our investment managers to implement portfolio changes without delay and increases their time to utilise their core investment skills and to research new investments that will sustain future returns.

Investment managers can focus client correspondence on topics related to that client's personal circumstances. Our managers can concentrate on discussions of key goals for the portfolio and other 'big picture' themes related to the current investment environment.

In short, we believe that a focus on value-adding themes, rather than on satisfying requirements to share the financial and technical minutiae supporting each investment decision, is more conducive to achieving desired long-term outcomes for our clients.

The table below highlights the key differences between discretionary and advisory management.

	Advisory	Discretionary
Do I get value for money?	✓	✓
Does the service consider all of my personal circumstances?	✓	✓
Will the service free up more of my personal time?	✗	✓
Can I still make decisions?	✓	✓
Will this cut down on the amount of correspondence I receive?	✗	✓

## Will the change alter how the portfolio is managed?

No. There is very little difference between the actual management of advisory and discretionary portfolios.

The investment manager will decide which investments are appropriate, according to their knowledge of each client's stated requirements and individual circumstances.

Under the discretionary management service, Speirs & Jeffrey has a greater level of responsibility and portfolios are reviewed more frequently.

## Are clients kept informed as to portfolio changes?

Of course. Through our discretionary management service clients will be informed of any changes made to the portfolio after the transactions are undertaken. The rationale for the changes will be outlined in correspondence and investment managers will be delighted to discuss the changes in more detail should the client wish to do so. Further comments and research literature can be requested and discussed as required.

## What are the regulatory differences?

Since the introduction of MiFiD II at the start of 2018, industry practice has evolved in a number of different ways. When purchasing investment trust shares or unit trust funds for advisory clients, we are required to provide a notice in advance of each transaction. For unit funds we provide Key Investor Information Documents and for investments trusts we provide Key Information Documents.

Guidance has been received from the European Securities and Markets Authority (ESMA) regarding the suitability of advice which we implemented from the start of 2019. Investment advice provided in a telephone call or a meeting must be documented and then summarised in correspondence to the client before transactions are undertaken.

These are examples of additional complexity, which delays and restricts our ability to implement changes quickly and efficiently for advisory clients.

## Does discretionary management cost more?

Our present charging structure for the advisory and discretionary service is identical. Since the foundation of the firm in 1906, our focus has been on long-term investing. Speirs & Jeffrey has put clients' best interests at the very heart of its culture since inception and this includes internal controls to monitor transaction levels.

Due to the increasing regulatory burden and time consuming nature of advisory management, it is likely that fees for advisory managed accounts will be higher than comparable discretionary portfolios in the future.

## Does this mean the client loses control of their money/ portfolio?

No. Although under discretionary management your investment manager will make the day-to-day decisions within your portfolio, the client retains control. Managers will operate within agreed risk classifications and previously agreed investment objectives. We will also take into account the client's wishes with regards to income and capital gains tax.

Restrictions such as ethical concerns surrounding tobacco, armaments etc. will be clearly outlined at the start of the discretionary service as well as bespoke restrictions regarding specific companies or sectors the client does not wish to hold.

The aim of discretionary management is not to restrict a client's access to the portfolio but to make the process of investing more efficient.

## Can the client's own ideas be included in the portfolio?

Yes. A client with a particular company or fund they want to hold can stipulate the retention or inclusion of the investment within the portfolio.



Speirs & Jeffrey

George House  
50 George Square  
Glasgow  
G2 1EH  
0141 248 4311



Speirs & Jeffrey Limited is a wholly owned subsidiary of Rathbone Brothers Plc and is incorporated in Scotland with number SC098335. Its registered office is George House, 50 George Square, Glasgow, G2 1EH. Speirs & Jeffrey Limited is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange.