



Total performance and

Exceptional Value

A simple and highly effective
means of investing for private clients,
trustees and professional advisers



Overview

The first thing a potential investor tries to establish when handing over hard-earned savings to an investment manager is the expected return - both income and capital. Nothing else matters until this has been evaluated.

Thereafter an entire range of considerations come into play with the most important being costs, security, access to capital and volatility. However, it is often difficult to get clear-cut answers on any of these points and this is what makes our “Pound a Day Portfolio” retail range so enticing and why the underlying philosophy is now so extensively embedded across our discretionary client base and even in a “Pound a Day Portfolio” composite fund we manage for a third party.

The range of portfolios available can be split into two distinct categories. The first is the “Collective” portfolio where the aim is to introduce investing to first time or risk-averse investors, while for those seeking a growing income return (which we believe will also create capital growth), we point them in the direction of our “Selective” range. These are more focused but easy to understand and are highly cost-effective, given the fixed fee. While they should weather the most turbulent market conditions, it does not mean that they are immune to market corrections, but should still be able to spin-off income when capital values are under pressure, meaning that as soon as sentiment starts to improve (as it always does) the recovery should be swift.



Philosophy

Sometimes one has to take several steps back before moving forwards and this is precisely what we did when it came to developing our philosophy, although oddly the incentive to do so had nothing to do with investing.

When the process was initially undertaken for investment purposes, we took a long-established, capital gains tax-constrained passive portfolio and evaluated it in detail. We looked at what had achieved decent gains and losses, what outperformed and underperformed, what moved sideways or suddenly disappointed. Once this work was complete and we had identified the best stocks to have owned over several decades, we stepped back in time to see what would have drawn us to them and the answer, once we found it, was simple. It was consistent earnings growth. Sure, there were a few outliers but this was the common factor and it did not matter if the company was large or small, it was all about earnings growth. Indeed, if anything, it was the second and third-tier stocks which appeared to be the most rewarding, while others with different attributes had strong spurts before collapsing, highlighting that cyclical stocks did not have a role to play in what we were seeking to achieve, given that accurate market timing on purchases and sales is more luck than judgement.

Earnings are, however, only part of the story and they can swing purely as a result of currency gyrations alone. We wanted a measure of success which would look through the near-term volatility and reflect the underlying strengths of the business and the confidence of management over the longer term. There was only one consistent answer and this was the dividend. If a dividend is cut, a business is clearly challenged and actions like this are much stronger indicators than words, which can brush aside key issues. We repeatedly tested what happens if we sell on a dividend cut and then went one better, selling as soon as payments stop growing, unless there are exceptional circumstances.





Why does this approach work so effectively?

Typically, a business with such attributes will not be cyclical, debt may be quite modest or possibly non-existent and management will look upon itself as custodian of the company rather than being presented with the opportunity to get rich quick or flout egos. The business will tend to be a market-leader, niche player or will have good economies of scale while others may be innovators, which, in certain fields, means high levels of spending on research and development and the prudent management of cash flow, in order to stay well ahead of the competition.

This of course makes investing sound simple and if that is the case, why is this approach not used more broadly across the investment management industry? The reality is that the universe from which shares are selected is not vast, limiting the scope for large investment management companies to take such a rigid approach, even if they wanted to do so. Size does matter, and in this respect the larger the investment management company or indeed the fund, the more limited its scope is to pursue such a policy.

Our research and back testing is one thing but what about independent statistics? Would these support the case for equity investment?

The long term investment case for equity investment relative to other asset classes and cash is well supported by the likes of the annual Barclays Gilt Equity Study. However, the challenge is to find shares which will fall less than the market when conditions become more testing. While there can never be guarantees when it comes to investing, we believe that our approach increases the chance of achieving such objectives, as stocks with the attributes we seek tend to be less volatile and typically have a record of moving independently of the broader market.



The background of the entire page is a dense, overlapping pile of wooden letter blocks. Each block is a small cube with a single letter carved into its top face. The letters are in a serif font, and the blocks are scattered in various orientations, creating a textured, three-dimensional effect. The overall color palette is a deep, muted purple or indigo, which serves as a backdrop for the white text.

The Name

The name “Pound a Day Portfolio” epitomises everything we believe in when it comes to open and fair charges. It sets the standard for what we do, because the name summarises exactly what we earn from managing your investments. There are some other modest unavoidable charges paid to third parties which will be mentioned later, but the £1 per day* is what we earn to cover all our costs for servicing and managing your portfolio. From January 2022 this service was granted VAT exempt status making the proposition even more compelling.

***Please Note:** Should the portfolio value exceed the maximum investment of £150,000 a fee of 0.25% would apply to the balance in excess of this amount.

The Range

There are four distinct portfolios from which to choose:

Collective Portfolio. A selection of funds covering fixed interest stocks, domestic and overseas equities (both large and small cap) as well as gold. It is therefore the most broadly diversified and least volatile of the four portfolios and is ideal for the first time investor. Unlike the other accounts it does not have an objective of growing the dividend stream each year. The current income yield is approximately 1.45%.

Selective Portfolio. A portfolio of 14 stocks selected for the period of time in which they have typically achieved year-on-year dividend increases and their large size, which means they are some of the UK's largest companies. The objective is to grow the dividend each year. The current income yield is approximately 3.13%.

Selective Growth Portfolio. A portfolio of 15 stocks selected from the FTSE 250 index which have typically, but not exclusively, embarked upon a period of earnings and dividend growth. Some of these stocks could become the blue-chips of tomorrow. This is a more volatile portfolio but also has significant income growth and capital growth potential. The objective is to grow the dividend stream year-on-year and the current income yield is approximately 2.45%.

American Selective Portfolio. A portfolio of 18 stocks selected on the basis of their typical long term dividend growth records from the S&P 500. Everything in this portfolio is dollar denominated but there is normally a 30% tax deduction from the dividends. The objective is to grow the dividend stream year-on-year and the current income yield is approximately 1.92%, before the withholding tax deduction.



COLLECTIVE
PORTFOLIO



SELECTIVE
PORTFOLIO



**SELECTIVE
GROWTH**
PORTFOLIO



**AMERICAN
SELECTIVE**
PORTFOLIO

Performance

In terms of the performance of our model portfolios, details are set out below for 2023 and each year since we launched the various portfolios. These figures exclude the costs and management fees which have a higher impact on smaller portfolios than on larger ones and this is explained in more detail later.

		2023	Annualised Return since inception	Avg. Yield
Collective	(£)	0.98%	7.32%	1.45%
Selective	(£)	15.92%	6.21%	3.13%
Selective Growth	(£)	14.92%	10.47%	2.45%
American Selective	(\$)	18.71%	10.46%	1.92%
American Selective	(£)	12.03%	12.96%	1.92%

Total Return (%) (Excluding Costs), Re-weighted Equally at End of Each Year

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Collective (£)	-14.38	23.54	16.17	14.51	-1.69	13.70	18.25	0.62	6.05	7.22	8.70
Selective (£)	-13.58	16.97	-2.85	19.30	-12.21	14.77	2.20	10.85	2.34	16.99	11.69
Selective Growth (£)	-17.21	12.51	1.82	28.58	-4.94	21.13	21.90	15.07	2.23	29.17	
American Selective (\$)	-8.17	24.03	2.39	28.30	-3.94	22.86	16.54	0.68			
American Selective (£)	3.43	25.11	-0.76	23.47	1.98	12.22	39.07	6.54			

Full details of back testing going back to January 2007 are available separately, should they be required. These provide investors with an idea of how the portfolios would have performed in the depths of the credit crisis and its aftermath, once the recovery started. It should be noted they all fell over in 2008 but the recovery in 2009 was very strong, demonstrating that market weakness presents a great buying opportunity for long term investors and is not a time to sell.

Performance analysis is not easy, given the impact of fixed costs on different sized portfolios. In addition, as we do not take profits and equalise weightings, the starting point for each portfolio and its cash flow is quite unique, making measurement difficult.



The background of the slide features a close-up, slightly blurred image of a hand holding a playing card, the Ace of Hearts. The card is white with a large red heart in the center and 'A' and heart symbols in the corners. Below the held card, a fan of other playing cards is visible, showing various suits and numbers. The entire image is overlaid with a semi-transparent dark blue filter.

Dealing

We complete a purchase transaction in each stock once a month. This is a highly structured process which begins at the end of the previous month when all the cash balances and portfolios are reviewed. Once the new month begins we buy all stocks trading at a lower level than the previous month's transactions. Once these are cleared we try to pick off others which are hovering around the previous month's levels. Over the last week, we tidy up and complete any outstanding purchases.

Other Costs, Security & Access to Capital

There are some external costs to which investors are exposed. All funds are held in our nominee name to protect client assets in the unlikely event that something adverse happens to the investment management company. Our custodians, BNP Paribas Securities Services in Jersey, hold the direct equities in our clients' account and the fee to cover this is 0.1% per annum across the value of the portfolio. There is no VAT on this service.

When we buy shares there is external brokerage which is typically around 0.1% with no minimum charges, while in the UK there is 0.5% Stamp Duty on all purchases which goes to the UK Government.

When we distribute income we charge £1 and if we sell a position we will charge £10 which, in practice, covers part of the cost of delivering stock from the custodian to the market. If we execute a foreign exchange transaction this will be done at an institutional rate without any mark-up. With the exception of the unit trusts, accounts can be liquidated at prevailing market prices and monies returned within five working days. The unit trusts, which represent a small element in the Collective portfolio, can take a little longer.

Costs (excluding dealing)

Portfolio Size	Management Fee	VAT*	Custody	Total	% Costs
£25,000	£365	N/A	£25	£390	1.56
£50,000	£365	N/A	£50	£415	0.83
£100,000	£365	N/A	£100	£465	0.47
£150,000	£365	N/A	£150	£515	0.34

*From 1st January 2022 this service was classified as exempt from VAT.

Given that the largest cost element is fixed, we have had to restrict the maximum investment to £150,000 of initial capital. The minimum investment is £25,000.

***Please Note:** Should the portfolio value exceed £150,000 a fee of 0.25% would apply to the balance in excess of £150,000.

Reporting & Further Reading

All clients will have online access to their accounts which they can view 24/7. In addition, we prepare detailed semi-annual updates on each of the portfolios and these include a brief commentary, as well as portfolio and stock statistics.

Lastly, we prepare biographies for all the stocks, detailing company histories going right back to the time they were founded. We believe that if investors get to know their stocks well, which they can do when we are typically long term holders, then they can see that market volatility is their friend and not fear losing all their capital. One of the Pound a Day Portfolio constituents has, in fact, the longest listing of any company in the world, dating back to 1824. If it has survived this long, through two World Wars and the Cold War, it would be extremely unfortunate for its demise to occur just as a new wave of investors buys its shares.





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It should be noted that investment involves risk. The price (or value) of investments can go down as well as up (and the investor may not necessarily receive back the original amount invested). When investments are made in overseas securities, movements in exchange rates may have an effect that is unfavourable as well as favourable. Past performance is not necessarily a guide to future performance. Rates of tax are those prevailing at the current time. These are subject to change without prior notice. Any tax reliefs referred to are those currently available and their value depends on the individual circumstances of the investor. Clients should always seek appropriate tax advice from their financial adviser before committing funds for management. The opinions expressed are based on information that we believe to be accurate and reliable. However, these opinions may change without notice. FIM Capital Limited do not guarantee the timelines, accuracy, or suitability of such information in any way and anyone who acts on this information does so entirely at their own risk. FIM Capital Limited is licensed by the Financial Services Authority of the Isle of Man and Regulated and Authorised by the UK Financial Conduct Authority. Company registered in the Isle of Man No: 012651V