

nutmeg

THE DIGITAL WEALTH MANAGER

Disclosure Document Financial Advice

September 2019

One-to-one financial advice – Initial Disclosure Document

1. Introducing Nutmeg's one-to-one financial advice service: what is it and what does it cost?

If you're considering receiving personalised one to one Financial Advice from Nutmeg, this document contains lots of important information. It explains what the service you are being offered is and how you will pay for our service. We recommend that you read the document carefully.

2. The service

- Nutmeg's financial advice service provides 'Restricted Advice' on our own range of portfolio services and investment and personal pension products. The service is designed to identify which of these are suitable for you, given your financial circumstances and goals.
- If you choose to use this service, we will provide you with an introduction over the telephone to ensure you understand the service and talk through any initial questions you have. We will then take you through a 'fact-finding' process, so we can better understand your financial situation. We'll gather information we need that is relevant to advising you, including your goals, your timeframe and preferences.
- This information will be included in our fact-find document, which you will review. Once we're sure that you're happy with the fact-find information and would like to go ahead, we'll send you an invoice for the advice fee. Once this is paid by you, our qualified adviser will create a tailored suitability report including our recommendations and how to implement them. This process means we're able to act in your best interest and recommend services or products we believe are suitable for you. You will be able to discuss the contents and findings of the report with your adviser if you need to and we'll be happy to help.
- The financial advice service is provided as a one-off service, with a review of your current position and action plan to target your goals. It is not an ongoing service so doesn't include an annual review of how suitable the

recommended portfolio services, investments or pensions are for you. You can request this kind of review at any time, but it would be treated as a new round of financial advice and would be charged as such.

3. Our financial advice service is likely to be suitable for you if:

- a. you are UK resident
- b. you don't need to reduce your debts;
- c. you keep a reasonable amount in cash deposits set aside from your invested assets for emergencies;
- d. you have financial protections in place (like insurance) to financially support anyone who is financially dependent on you;
- e. you can meet your immediate financial needs;
- f. and after these considerations are made, you have spare income or capital to invest.

4. Which services and products do we offer?

We offer four products:

- a stocks and shares ISA
- a stocks and shares Lifetime ISA
- a personal pension
- a general investment account (GIA)

For these products, we offer three investment styles:

- **Nutmeg fully managed portfolios** – These portfolios are proactively managed by our experienced investment team. This means they will regularly make strategic adjustments to try and protect against losses and boost returns.
- **Nutmeg fixed allocation portfolios** – These portfolios are designed to perform without intervention. By that, we mean we'll keep you invested in assets that match your risk level, and only review those assets once a year to

make sure they're still right for you. Beyond that, we keep our hands off.

- **Nutmeg socially responsible investing portfolios** – These portfolios follow the same actively managed approach as our fully managed portfolios but are built using funds that have an explicit social responsibility focus. Our SRI portfolios comprise of funds that deliver an improvement in strict environmental, social and governance criteria (ESG) as provided by MSCI's industry-leading analysis.

For information on our stocks and shares ISA, Lifetime ISA, personal pension and general investment accounts, please see www.nutmeg.com and also www.nutmeg.com/legal/terms-and-conditions.

5. Paying for the service

- There is a one-off fee of £575 (including VAT) for the financial advice service, paid by debit card, once you've confirmed you're happy with the fact-find.
- A fee is payable each time you use the financial advice service. You'll only receive the advice service when you request it.
- For more on how much our portfolio services cost and how these are charged, take a look at the costs page of our [website](http://www.nutmeg.com).

6. Data security

- This Disclosure Document, our Privacy Policy, and, if you have a Nutmeg Account, our Website Terms and Conditions, form the entire agreement between you and us (the Agreement).
- In order to provide the advice service to you we need to share and store personal financial information about you, including your personal information. We make every effort to protect the privacy of our customers' personal information. Other than as set out below and within our Privacy Policy, your personal information will not be disclosed, transferred or sold to any third party for any purpose.
- You authorise us to use any of your personal information which is relevant to our provision of restricted advice to you for all reasonable purposes in relation to the service. Upon termination of the agreement between you and us we may retain some of your personal data for record retention

purposes and will erase or anonymise the rest. Your personal information may be transferred or disclosed to third parties where necessary. This enables us to provide restricted advice to you and to discharge our obligations to third parties, including relevant stock exchanges, government agencies and regulators. Your personal information may be transferred outside of the European Economic Area.

- You can request copies of your personal information held by us or any service provider we appoint to provide you with restricted advice under the agreement by notifying us by Nutmail or by contacting us at support@nutmeg.com. While the information will be provided free of charge, we reserve the right to charge a fee if the request is complex or manifestly excessive. You should notify us if any of the information held is incorrect.

7. How to contact us

We will communicate with clients in English and by secure email. We call it Nutmail and these messages are typically answered by Nutmeg's dedicated support team. You will need to sign in to your account to read any Nutmail messages we send you. You can also contact the team by web chat, telephone and post:

Website: www.nutmeg.com

Address: Nutmeg Saving and Investment Limited, 2nd floor - Vox Studios, 1-45 Durham Street, London, SE11 5JH.

If you have any questions about the financial advice service, please contact:

Email: financial-advice@nutmeg.com

Telephone: 020 3598 1515

8. Who regulates us?

Nutmeg Saving and Investment Limited is authorised and regulated by the Financial Conduct Authority, no. 552016, 12 Endeavour Square, London, E20 1JN.

9. Are we covered by the Financial Services Compensation Scheme (FSCS)?

While exchange-traded funds (ETFs) are not individually covered, the overall management of your investments by Nutmeg is protected by the Financial Services Compensation Scheme

(FSCS) to a limit of £85,000. More information about the FSCS can be found on the FSCS website. Please keep in mind that while you are protected under the FSCS scheme as above, your investment might fall as well as rise due to market performance and any such fall would not be covered by the FSCS.

10. Safe custody

We ensure the safe custody of your investments and cash. We have appointed State Street Bank and Trust as our sub-custodian, and all client assets are passed to the sub-custodian. In addition, any client money is held in a designated client bank account by Barclays Bank Plc to keep them separate from our own funds. For more information please see our [terms and conditions](#).

11. Conflicts of interest

We have a Conflict of Interest Policy, which is reviewed at least once a year. We are committed to taking measures to recognise, supervise, examine and resolve conflicts of interest. We recognise that it's not possible to eliminate all sources of conflict of interest; however, safeguarding clients' welfare remains our primary objective. This policy encompasses the relationships with clients and third-party contacts. For more information please see our legal [terms and conditions](#).

12. What to do if you have a complaint

We always try to do everything we can to make sure you receive the best possible service. If you're not completely happy, we would like to hear about it right away so we can try to put it right for you and improve our service.

For complaints contact:

Email: complaints@nutmeg.com

Telephone: 0203 598 1515

Next steps:

The Financial Ombudsman Service (FOS) is an independent organisation that exists to resolve disputes between customers and financial firms that have been unable to resolve issues between themselves. If we have been unable to resolve your complaint within eight weeks, or you are not satisfied with the resolution you may refer your complaint to the FOS.

<http://www.financial-ombudsman.org.uk/publications/consumer-leaflet.htm>

Address: The Financial Ombudsman Service, Exchange Tower, London, E14 9SR

Telephone: 0800 023 4567

Email: complaint.info@financial-ombudsman.org.uk

www.financial-ombudsman.org.uk

Portfolio Management Service - A summary of key information

1. Points of contact

Day-to-day account management should be undertaken through your account or through the Nutmeg customer support desk.

2. Method and frequency of valuation of financial instruments in your portfolio

- Portfolio values are updated on a daily basis using closing prices from the London Stock Exchange.
- Portfolio values are available 24/7, when logged in to your Nutmeg account.

3. Delegation of the discretionary management of all or part of the financial instruments in your portfolio

- Nutmeg is a discretionary manager of the financial instruments in your portfolio. We are responsible for asset allocation, fund selection, trade execution, settlement and custody of your assets. All aspects of the management service are undertaken in-house.
- Within Nutmeg's fully managed portfolio service, Nutmeg's investment team are responsible for the day-to-day management of the asset mix within your portfolio.
- Within Nutmeg's fixed allocation portfolio service, where active decisions are not taken by the investment team, the investment team is responsible for portfolio design, periodic review and portfolio balancing.
- The financial instruments in your portfolio are administered by some of the world's leading fund providers. For more information on the investments in your portfolio: <https://www.nutmeg.com/how-we-invest/our-investments>

4. Types of financial instrument that may be included in your portfolio and types of transaction that may be carried out

- The building blocks which make up your portfolio will be, but not limited to, UK and

non-UK exchange traded funds (or ETFs), fixed interest securities, e.g. bonds and gilts, collective investment schemes, and UK and Non-UK equities.

- For more information on why we prefer ETFs: <https://www.nutmeg.com/how-we-invest/etf-guide>
- Before our dedicated trading team execute trades, they analyse which clients are buying and which are selling the same stock. In an internal procedure facilitated by Nutmeg's proprietary trading technologies, we match buyers with sellers which saves trading in the open market, thus saving on market maker spread costs.
- The remaining client "market" trades are grouped together and Nutmeg executes directly with market makers (to avoid intermediary commissions), trading either on-exchange or OTC ("over-the-counter") and settling securities in a delivery-vs-payment procedure.

5. Specification of any benchmark against which the performance of your portfolio will be compared

- **Nutmeg managed portfolios** are designed to track similar levels of global equity risk to a peer group of private client investment managers, over the long term.
- An independent performance reporting and investment consultancy firm, Asset Risk Consultants (ARC) has constructed a peer group of discretionary investment managers through their Private Client Index (PCI) for more information register with the ARC PCI website: <https://www.suggestus.com/accounts/register>
- Nutmeg is a full contributing member of ARC's PCI with a 6 year track record. We compare Nutmeg monthly client performance against the average monthly returns generated by ARC, based on risk profile, after fees.
- The ARC PCI includes results from firms such as Barclays Wealth & Investment Management, Coutts & Co, JP Morgan Private Bank, UBS, Rathbones, Rothschild Wealth Management plus others.

- For Nutmeg risk levels 3-4, the Sterling Cautious index (0-40% Equity Risk) is used for comparison, for 5-6 the Sterling Balanced Asset index (40%-60% Equity Risk), for 7-8 the Sterling Steady Growth index (60%-80% Equity Risk), and for 9-10 the Sterling Equity Risk Index (80%-120% Equity Risk).
- ARC do not provide data for portfolios equivalent to Nutmeg risk levels 1-2.
- **Nutmeg fixed allocation portfolios** are designed to perform without human intervention. With five levels of portfolio risk, these portfolios have been designed for UK domiciled, Sterling retail investors. Nutmeg back-tested 26 years of data and optimised the outcomes to minimise tail risk. For more information: <https://www.nutmeg.com/fixed-allocation-portfolios>

6. Performance and tax reports

- If you invest in a Nutmeg product, we will send an automated statement on a quarterly basis, which will detail your portfolio valuations, fees and costs incurred and any gains/ losses.
- For clients who have investments in a general investment account (a standard investment account which is neither an ISA, LISA or a pension account), you will receive a tax report after the tax year end which comprises of a consolidated tax certificate detailing any dividends, income and capital gain/loss for the period in question.

7. Management objectives, level of risk within the manager's discretion and constraints

Portfolio rebalancing by investment style:

- **Fully managed portfolios:** Investment Committee meets at least monthly, portfolio asset mix changed when the committee agree a change.
- **Fixed allocation portfolios:**
 - Portfolios tested weekly to pre-defined thresholds. Market movements mean that the weight in each ETF will drift from its original allocation;
 - Each ETF % holding is tested versus its original % holding weight, to give the % deviation;
 - If the absolute sum of each of these deviations exceeds 6%, the portfolio will be rebalanced.

Portfolio asset class thresholds for fully managed portfolios listed in below table

(source: Nutmeg)

- The investment team may move beyond the below bounds subject to formal board approval.

Fully Managed Portfolio: Expected Asset Class Range		1	2	3	4	5	6	7	8	9	10
Equity-type risk: Equities, Commodities, Property	Minimum	0%	0%	0%	10%	15%	25%	35%	50%	50%	50%
	Neutral	0%	18%	27%	36%	46%	57%	68%	79%	90%	100%
	Maximum	0%	30%	40%	50%	65%	75%	90%	100%	100%	100%
Fixed Income-type risk: Bonds, Money, Market, Cash	Minimum	100%	70%	60%	50%	35%	25%	10%	0%	0%	0%
	Neutral	100%	82%	73%	64%	54%	43%	32%	21%	10%	0%
	Maximum	100%	100%	100%	90%	85%	75%	65%	50%	50%	50%
Expected volatility compared to Global Equities*		20%	30%	35%	45%	50%	60%	70%	80%	90%	100%

*Global equities as defined by MSCI World equity, priced in Sterling