

# BinaryCapital

Portfolio Brochure

## The Core MPS

The art of model portfolio investing.

as of June 2024

[binarycapital.co.uk](https://binarycapital.co.uk)



Available On:



Capital at risk.

# The Core MPS

## A one-stop-shop core investment approach.

The Core MPS Range aims to provide advised retail investors with a one-stop-shop liquid investments portfolio, tailored to the individual's risk profile.

The portfolio range has a keen focus on liquidity and investing with a long-term mindset, seeking to provide transparent, credible investment returns.

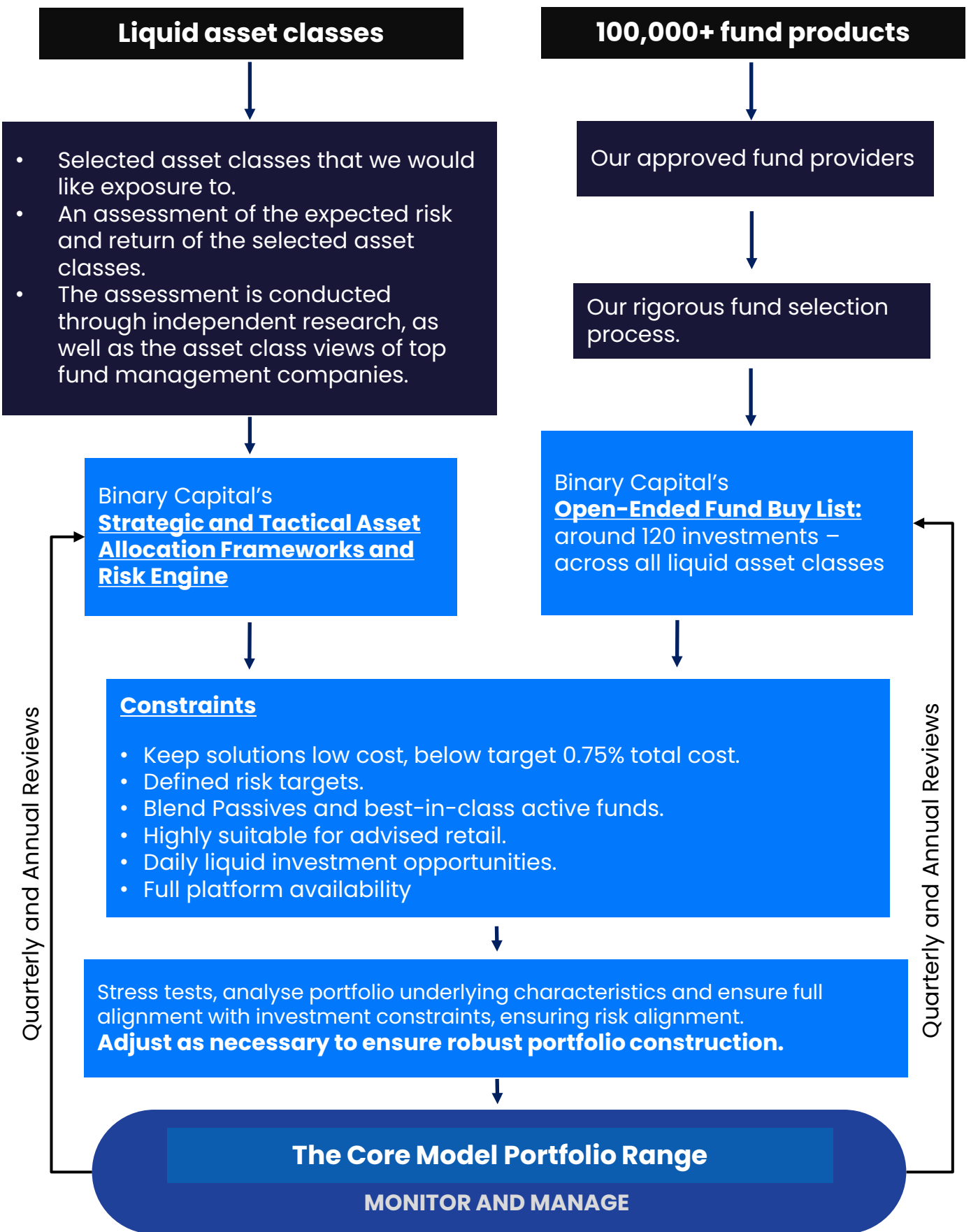
The portfolios can be used for ISAs, GIAs, SIPPs, trusts and other investment wrappers.

## About the Model Portfolio Range

For investors seeking:

- **A core portfolio that is highly diversified in approach.**
  - **Is relatively low-cost** when compared to industry averages.
  - **Is highly transparent** – fully transparent on all costs and charges, underlying funds and holdings, with monthly and quarterly reporting and on demand transparency as and when required.
  - **Follows a whole of market investment approach** investing with a fully independent mindset, in the best portfolio management solutions from reputable investment providers.
  - **A risk-targeted, multi-asset approach** – investing across highly credible fixed income, equities and liquid multi-asset strategies to ensure alignment to client risk profiles.
  - **Includes a significant allocation to low-cost tracker funds**, ensuring costs are kept low.
  - **Is highly liquid** – can be sold to cash effectively, and efficiently on demand (subject to platform trading restrictions).
  - **And is genuinely active**, to ensure optimal returns are achieved for clients over an investment cycle.
- ▶ The Core portfolio range, constructed and managed by Binary Capital is 100% whole of market with best-in-class selection that minimises costs, and optimises risk and return.
  - ▶ A cost-effective solution that blends low-cost index tracking funds *and our best active fund ideas*.
  - ▶ The portfolio utilises our strategic and tactical asset allocation framework.

# Our Investment Process



**THE CORE MPS RANGE**

# Featured Investment Houses

We invest in fund solutions from the very best investment houses in the world. Below are examples of fund houses that we invest alongside in the Binary Capital Core Model Portfolio Service.

**Baillie Gifford™**



**Dodge & Cox®**



**Fundsmith**



# Understanding our risk profiles

We offer model portfolios tailored to five distinct risk profiles ranging from Defensive to Adventurous. These profiles are determined by specific constraints on equity allocation (%) and targeted volatility, as measured by the 5-year standard deviation of returns.

**Lower Risk**



**Higher Risk**

	Defensive	Cautious	Balanced	Growth	Adventurous
<b>Equity risk target (%)</b>	0 - 35%	25 - 55%	45 - 75%	65 - 95%	85% +
<b>Typical Equity Allocation (%)</b>	20%	40%	60%	80%	90-100%
<b>5-year Volatility target</b>	1.0 - 6.0	3.0 - 8.0	5.0 - 11.0	7.0 - 13.0	11.0 - 16.0

# Core-Satellite Portfolios

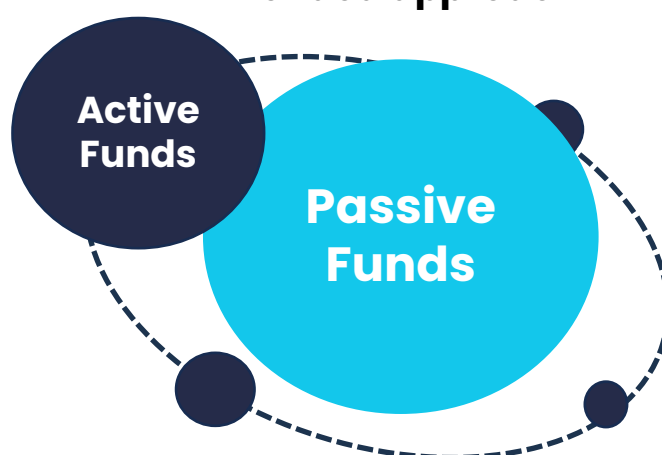
## Passive Core (50%+ Allocation)

- Generate index returns for clients.
- No risk of underperformance, as you are effectively investing in the benchmark.
- There may be lower drawdowns than a high-conviction growth-tilted approach.

## Active Satellite (Up to 30% Allocation)

- The potential to generate enhanced returns over and above index solutions over a five-to-seven-year time horizon.
- This is a long-term *growth* allocation for the client.
- There may be higher short-term volatility and larger drawdowns during the investment period.

### A Blended approach



## More About Active and Passive Investment Management

### Passive Investment Management

- Passive investing is an investment strategy that aims to replicate the performance of a market index. Examples of indexes include S&P 500, FTSE 100. Passive investing has grown in popularity over the past 30 years and is a very common product and investment strategy.
- Passive investing allows investors to achieve very broad market exposure at very efficient costs.

### Active Investment Management

- Active investing typically seeks to outperform a specific market or benchmark index. It seeks to outperform passive investment management or offer better risk/return characteristics.
- We consider 'genuine active investment management' as long-term, research-led, high-conviction, long-only investing strategies.
- We are also mindful of the following: one of the most interesting facts of stock markets is that upside returns can be extraordinary. Only a very small number of companies generate very high returns, which in turn drives overall stock markets. This is not captured by the risk models in financial economics.

### Why blend portfolios?

- The potential to generate enhanced returns over and above index solutions over a five-to-seven-year time horizon through active portfolio management.
- The *best* of the active and passive world – get the best of the strategies in the marketplace.
- One could also produce a solution that is lower risk than indexation solutions.



# More about the strategy

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**The Core MPS Range aims to provide investors with a universal liquid investments portfolio tailored to the individuals risk profile.**

**The portfolio range has a keen focus on liquidity and investing with a long-term mindset.**

## Clear and credible investment strategy

- Binary Capital creates clear, understandable, and credible investment strategies.
- They do not invest in any unregulated products, neither any less understood assets or products.
- The strategies invest in predominantly long-only mutual funds from reputable, well established investment houses.
- The Core MPS is a focused investment strategy that invests in a patient manner for the long-term.

## Dedicated portfolio management

- The Binary Capital MPS is monitored daily, monthly and quarterly by a dedicated team of investment professionals.
- The model portfolios are monitored to ensure that they stay in line with your risk profile and investment objectives.
- The portfolios are rebalanced minimum semi-annually to maintain alignment with the selected risk profile.
- With investment in any Binary Capital investment solution, investors have direct access to the Binary Capital investment team in conjunction with their financial adviser as and when required.

## Independent research

- Binary Capital conducts all research in-house, independently. All investment work is undertaken internally: asset allocation, fund selection, portfolio construction and review.
- Internal investment processes and frameworks that are clear, transparent and repeatable. We pay little attention to outside 'noise' investment influences.
- The investment research is overseen by a very experienced investment professional with over 25 years in the industry.

## 100% whole of market

- Binary Capital have no conflicts of interests in their investment process.
- Binary Capital is fully independent from the investment products included in their investment strategies and invests only in the best performing funds with impressive long-term track records and full risk controls.
- Binary Capital is not tied to any particular investment house. They are free to choose suitable funds subject to strict fund selection parameters.
- It is common practice for larger investment houses that offer solutions to include their own in-house funds – even underperforming products.

# About the portfolios

## Understanding Our Selected Asset Classes

### Equities

Equities, also known as stocks or shares, represent ownership in a company.

We have a focus on blue-chip, large-cap and mega-cap equities. There is a focus on high-quality businesses. The portfolio has a quality-growth bias. We have a global equities focus. We do not have a bias to the UK stock market.

### Fixed Income

Fixed income, also known as bonds or debt securities, represents loans made by investors to governments, corporations, or other entities in exchange for regular interest payments and the return of the principal amount at the end of the bond's maturity period.

Our focus is on Western investment grade bonds. For example, Sterling or US denominated Government and Corporate Bonds. We typically do not invest in other Fixed Income categories.

### Mixed Asset

The mixed asset funds, are funds that seek to generate returns, regardless of the economic background, or if markets are trending downwards.

The funds we like are managed by investment houses that have over decades of proven track record in delivering credible returns. We like strategies that do not use derivatives but achieve absolute returns through genuine exceptional macro driven thinking and investing.

### Cash

A small cash balance is included in the portfolios to allow for the adviser fee, platform fee and investment manager fee to be efficiently charged to accounts without disturbing the portfolio.

## Capital Preservation Portfolios

- ▶ Our capital preservation portfolios (Defensive and Cautious risk profiles) are constructed with capital preservation as the core investment outcome.
- ▶ Low volatility targeted portfolios utilising a multi-asset absolute return mindset.
- ▶ **Minimum Recommended Time Horizon: 5 Years**

### Core Defensive

- The Core Defensive portfolio is our lowest risk Core portfolio. It is for highly risk-averse investors that would like around 20% equities allocation in their investment portfolio.
- The portfolio comprises predominantly of fixed income instruments as well as fixed-income like alternatives where appropriate.

#### Risk Targets

Volatility Target  
**1.0 – 6.0**

Equity Risk Range  
**0 – 35%**

### Core Cautious

- The Core Cautious portfolio is our portfolio for risk-averse investors that would like around 40% equities allocation in their investment portfolio.
- The portfolio comprises predominantly of fixed income instruments as well as fixed-income like alternatives where appropriate.

#### Risk Targets

Volatility Target  
**3.0 – 8.0**

Equity Risk Range  
**25 – 55%**

## Capital Growth Portfolios

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- ▶ Capital growth is the key investment objective of the portfolios.
- ▶ The portfolios have a high emphasis on equity exposure for return generation.
- ▶ The portfolios have a significant risk of wide fluctuations in portfolio valuations, and clients should ensure that they have the appropriate risk appetite and risk tolerance for the portfolios
- ▶ **Minimum Recommended Time Horizon:** 5-10 Years.

## Core Balanced

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- The Core Balanced portfolio takes a balanced multi-asset approach to investing.
- It is suitable for investors seeking long-term returns through around 60% exposure to equity markets together with the security that fixed income and fixed-income like investments can provide a portfolio.

### Risk Targets

Volatility Target  
**5.0 – 11.0**

Equity Risk Range  
**45 – 75%**

## Core Growth

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- The Core Growth portfolio is for investors with a high-appetite and tolerance to risk. The portfolio is for investors that can tolerate wide fluctuations in portfolio values.
- The investor is looking to maximise long-term returns through around 80% exposure to equity markets.

### Risk Targets

Volatility Target  
**7.0 – 13.0**

Equity Risk Range  
**65 – 95%**

## Core Adventurous

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- The Core Adventurous portfolio is our highest risk Core portfolio.
- The portfolio is for clients with the ability to accept, very large fluctuations in portfolio values, has a high-risk appetite.
- It is for investors who are looking to maximise long term returns through very high exposure to equity markets, typically 90-100% of the investment portfolio.

### Risk Targets

















Volatility Target  
**11.0 – 16.0**

Equity Risk Range  
**85% +**



Data as of June 2024

# Portfolio Fund Selection

Product Provider	Core Selected Funds List
<b>Corporate Bonds</b>	
	iShares Corporate Bond Index (UK)
	Vanguard U.S. Investment Grade Credit Index (Hedged)
<b>Short-Dated Corporate Bonds</b>	
	L&G Short Dated Sterling Corporate Bond Index
	Fidelity Short Dated Corporate Bond
<b>Global Equities</b>	
	HSBC FTSE All-World Index Fund
	GQG Partners Global Equity
	Fundsmith Equity
	Dodge & Cox Global Stock
	Baillie Gifford Positive Change
<b>US Equities</b>	
	Fidelity Index US
<b>EU Equities</b>	
	Fidelity Index Europe ex UK
<b>UK Equities</b>	
	Vanguard FTSE 100 Index Unit Trust
<b>Emerging Markets Equities</b>	
	Vanguard Emerging Markets Stock Index
<b>Asia Ex Japan Equity</b>	
	iShares Pacific ex Japan Equity Index (UK)
<b>Mixed-Asset</b>	
	Troy Trojan X
	CG Absolute Return

Our best ideas.

## About our fund selection

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### Core: Passive Equities and Fixed Income

The key difference in our passive construction relative to our peers is that we invest across best-in-class providers. We select each product based on individual merits – we seek low costs with a low tracking error to the respective benchmark index.

#### What else do we look for?

- Typically, we use index-tracking *funds*, as they are daily liquid, familiar and have no additional platform trading costs.
- We only use physically replicated products in this solution. We aim to minimize structural risks.
- Quality indexation solutions based on world-class infrastructure.
- Broad platform availability.
- Transparency on underlying index, holdings, fees and pricing.



### Satellite Allocation: Active Equities and Alternatives

The 'active satellite' comprises of our best ideas in the fund space, with a focus on core characteristics, and generating consistent returns.

For this proposition we have a focus on 'core equities', to construct a universal portfolio solution.

There are many products out there, running into the 1,000s. We only want the very best, so we take our time around research, analysis and investment into funds and strategies. Only selecting the best, less than 10 ideas, then investing into these ideas.



# Costs



	Risk Profile	AMC	Underlying OCF	Transactional costs	Incidental Costs	Total Cost
Capital Preservation	Defensive	<b>0.25%</b>	0.28%	0.05%	0.00%	0.58%
	Cautious		0.29%	0.05%	0.00%	0.59%
Capital Growth	Balanced		0.31%	0.06%	0.00%	0.63%
	Growth		0.32%	0.08%	0.00%	0.65%
	Adventurous		0.32%	0.08%	0.00%	0.65%
			0.32%	0.08%	0.00%	0.65%

Costs calculated as of June 2024

## Understanding Costs

### ▶ Binary Capital Annual Management Charge (AMC)

This is the charge taken by Binary Capital Investment Management for investment management services.

### ▶ Underlying OCF

These are the charges associated with the management of the funds the portfolio invests in. These costs may include transaction fees, legal and regulatory expenses, audit fees, and other administrative costs that are necessary for the fund's operation and are passed on to the fund's shareholders.

### ▶ Transactional Costs

Transaction costs are the costs associated with buying and selling the securities within the fund. There are two types of transaction costs: explicit costs and implicit costs.

### ▶ Incidental Costs

Fund incidental costs refer to the additional expenses incurred by mutual funds or exchange-traded funds (ETFs) in addition to their expense ratio.

### ▶ Total Costs

This is the total of the Underlying Ongoing Charges Figure (OCF), the Binary Capital Annual Management Charge (AMC) and includes the estimated transactional and incidental costs. The total cost does not include other costs that may be incurred such as an adviser fee and platform charges.

# Suitability Lines

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## **About the Binary Capital Core Portfolio Range:**

The strategy is highly competitive compared to industry cost averages, targeting a total cost below 0.75%. Includes a significant allocation to low-cost tracker funds, blending them alongside the best actively managed global equity fund ideas. Investing across high-quality fixed income, equities, and liquid multi-asset strategies; ensuring alignment to client risk profiles. Aiming to achieve optimal returns for clients over an investment cycle. Can be effectively and efficiently converted to cash on demand (subject to platform trading restrictions).

### **Low cost**

- The costs of the Binary Capital Core MPS is low, on an absolute basis and when compared relatively to other similar solutions. Binary Capital charge only 0.25% p.a. for investment management services which puts the proposition as one of the lowest cost in the UK wealth solutions market.

### **Whole of market product selection**

- Binary Capital Investment Management is a fully independent investment firm. The Core portfolios are 'whole of market', meaning that your investment managers look across investment product providers such as Fidelity, iShares, Vanguard and HSBC amongst other credible providers when selecting investment products and are not tied to providers.

### **Long-term strategic asset allocation, with semi-annual rebalancing**

- The Core portfolio invests for the long-term, with semi-annual rebalancing to ensure that your portfolio remains aligned to your risk profile.

### **Clear and credible strategy**

- The Core MPS is a credible investment solution based on academic and evidence-based research. The model portfolios do not invest in any unregulated products, neither any less understood assets or products. The strategies invest in low-cost index tracking products from reputable investment houses such as Fidelity, iShares, Vanguard and HSBC. They are clear and consistent in this approach.

### **Independent research**

- Binary Capital conducts all research in-house, independently. Binary Capital is not tied to any particular investment house. They are free to choose suitable funds subject to strict fund selection parameters. The research is overseen by an experienced investment professional with around 25 years investment experience.

### **A truly global investment framework**

- Binary Capital invests with a global view and does not focus on the UK for equity exposure. Global exposure in the form of US, Asia and Emerging Markets exposure.

### **Dedicated portfolio management**

- The Binary Capital Core MPS is monitored daily, monthly and quarterly by a dedicated team of investment professionals. The model portfolios are monitored to ensure that they stay in line with your risk profile and investment objectives. With investment in any Binary Capital investment solution, investors have direct access to the Binary Capital investment team in conjunction with their financial adviser as and when required.
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# Consumer Duty

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## Target Market:

The Core MPS Range is aimed at investors seeking a risk aware, performance focused portfolio, with a preference for tracker funds.

You are seeking a relatively low-cost diversified, risk-controlled investment portfolio that is actively managed. The portfolio has an allocation to best-in-class active funds as an active component to enhance long-term compounded returns.

Our Model Portfolios are suitable for retail clients and are intended for distribution via FCA authorised financial advisers that have conducted the relevant work to determine their clients' circumstances, objectives, risk tolerance and appetite and responsible investment objectives.

- Client type: retail and professional investor.
- Knowledge and experience: basic investor, informed investor, advanced investor.
- Capacity for loss: no capital guarantee.
- Risk profile: our model portfolios are offered in five defined risk profiles.
- Recommended time horizon: minimum five-year investment time horizon.
- Distribution strategy: investment advice.

## Negative Target Market:

- Not suitable for clients unable to bear potential losses.
- Not suitable for clients with an investment time horizon of less than five years.
- Not suitable for clients seeking a portfolio with an ethical or sustainability focus.
- Not suitable for clients seeking an income generating investment solution.

**Seeking to deliver  
highly credible investment outcomes.**



# Disclaimer

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The Information in this document is not intended to influence you in making any investment decisions and should not be considered as advice or a recommendation to invest. Any Information may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors and relevant offering material. Any investment decisions must be based upon an investor's specific financial situation and investment objectives and should be based solely on the information in the relevant offering memorandum. Income from an investment may fluctuate and the price or value of any financial instruments referenced in this document may rise or fall. Past performance is not necessarily indicative of future results.

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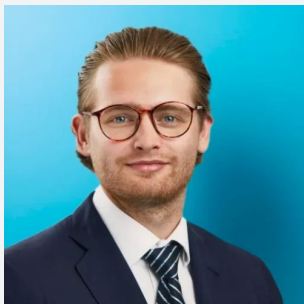
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# Contact Us

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## Discuss your investment needs with us.

If you are a financial advisor seeking to find out more about our services, please contact the team using any of the methods below or visit our website: [binarycapital.co.uk](http://binarycapital.co.uk)

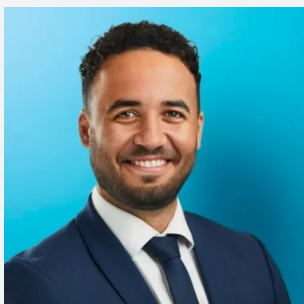


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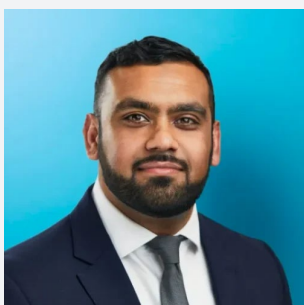


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