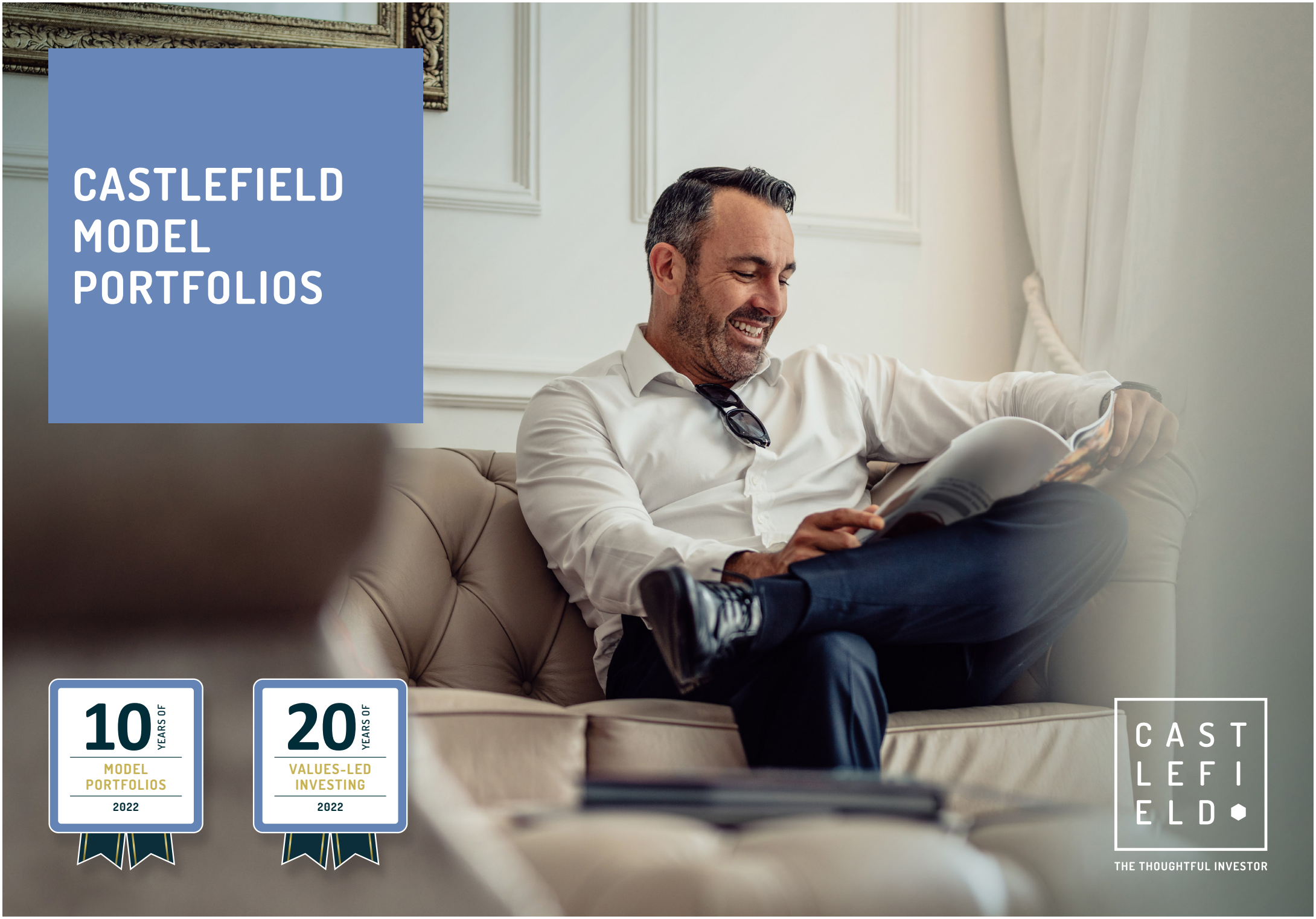
CASTLEFIELD MODEL PORTFOLIOS



10 YEARS OF MODEL PORTFOLIOS 2022

20 YEARS OF VALUES-LED INVESTING 2022

CASTLEFIELD

THE THOUGHTFUL INVESTOR

John Eckersley

Founder & Chair

Whether we recognise it or not, we all bring our personal values to bear when making choices in life.

Castlefield adopts a progressive approach to looking after money, in turn reflecting the individual objectives and values of all kinds of clients - from investors in the investment funds we manage, to private individuals and their personal pensions, to the not-for-profit organisations they establish and help to run.

What sets us apart is that we work closely with clients to help them to understand and define what careful and ethical investment means to them. We then interpret the results in practical ways, which never ignore the need for real-world financial outcomes. Our dedicated team is committed to achieving dependable, long-term growth through independence and innovation, respect and responsibility.

As an employee-owned business, we make sure that everything we do reflects not only the values we share as co-owners of our own business, but the principles that are important to our clients too. All delivered via a service which is as personalised and accessible as each of our clients wants it to be.

That's why we're known as 'the thoughtful investor' ®

What we're about:

SPREADING RISK, INVESTING ETHICALLY

When faced with the challenge of finding the best home for a lump sum investment, or even regular savings, serious investors have long recognised that a good long-term return can be obtained by spreading the available capital widely, gaining exposure to varied and complementary underlying investment types. This approach is in contrast to simply concentrating on a single investment or a narrow range of similar investments. History has shown that this 'portfolio approach' has been key to reducing risk, whilst still allowing an invested sum to produce a much better return than typically could be obtained by restricting investment to assets offering more guaranteed returns – like fixed interest investments or cash deposits.

Not only that, but investors with the long-term firmly in mind recognise that it's vital to invest to take advantage of the potential for both capital and income to grow at a rate greater than general inflation. Otherwise, what can seem a significant sum today, over time, is likely to lose its purchasing power.

If, like many, you feel that you simply don't have the skill, the time, or the inclination to construct and actively manage your own investment portfolio, then employing an experienced, like-minded, professional team is a sensible option.

Today, more and more investors recognise that managing the risk of investing for the long-term involves far more than simply identifying investments that seem to offer attractive current financial returns. Modern investment provides the investor with greater opportunities to reflect their personal values within their invested portfolio. Our Thoughtful Investor approach takes account of the full range of investment risks and opportunities. We categorise these into three distinct areas: Environmental (E), Social (S), and Transparency and Governance (T). We overlay these considerations with a requirement for exceptional Business and Financial (B) characteristics, which forms the basis of our proprietary B.E.S.T. investment framework, discussed further on page 6. In simple terms, companies which operate with insufficient or no regard to these critical, non-financial, 'E.S.T.' factors are increasingly likely to be required to compensate stakeholders other than their ordinary shareholders for their failings. The potential financial impact of this oversight is easy to acknowledge. Additionally, an awareness of these factors helps us to better understand, position for, and participate in, a world changing for the better. This makes a values-led investment approach the right approach for the sensible investor looking for good, long-term returns.

Beyond this core approach, we believe that investing in businesses whose products and activities are designed in such a way so as to respect the widest group of stakeholders offers the opportunity to invest in the winning investments of the future.

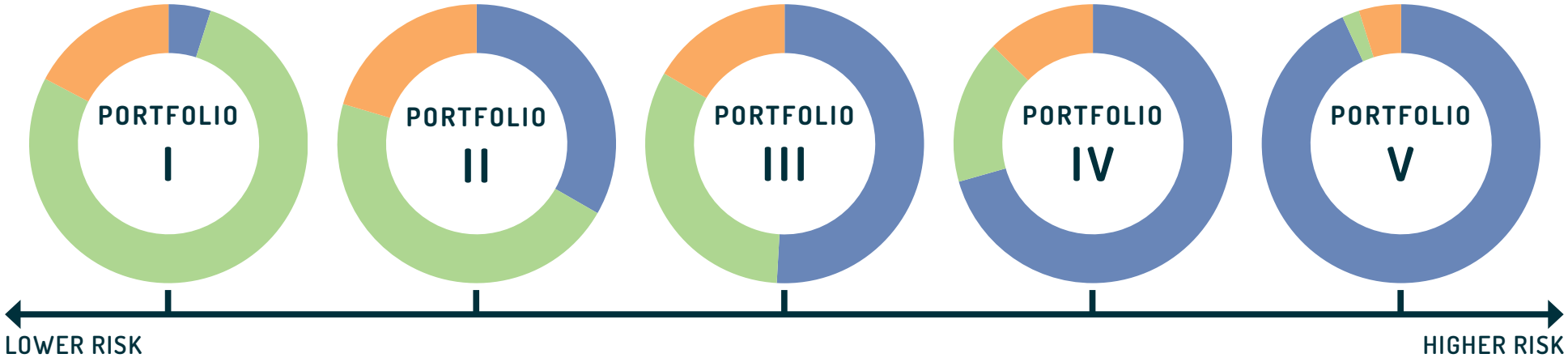
If you wish to invest for the long term, are happy to trust a professional team to look after your money, and recognise the benefits of investing both responsibly and sustainably, then one of the Castlefield Model Portfolios ('the Model Portfolios') could well be right for you. As your financial adviser will explain, the Model Portfolios are a form of discretionary investment management service, available exclusively via the third-party investment platform they will have recommended to you. The Model Portfolios are only available to clients who benefit from an existing and ongoing relationship with a financial adviser.

Introducing the...

CASTLEFIELD MODEL PORTFOLIOS

THE ANSWERS TO LONG TERM INVESTMENT NEEDS

Each of the Model Portfolios is aimed at investors who are comfortable with an investment time horizon of at least five years. For further detail about the portfolios, please see pages 11 to 12. You should not invest in a Model Portfolio except on the basis of formal financial advice from your existing financial adviser.



Growth Assets: Investments like company shares aiming to drive long-term portfolio performance. They offer strong potential returns but can fluctuate in value.

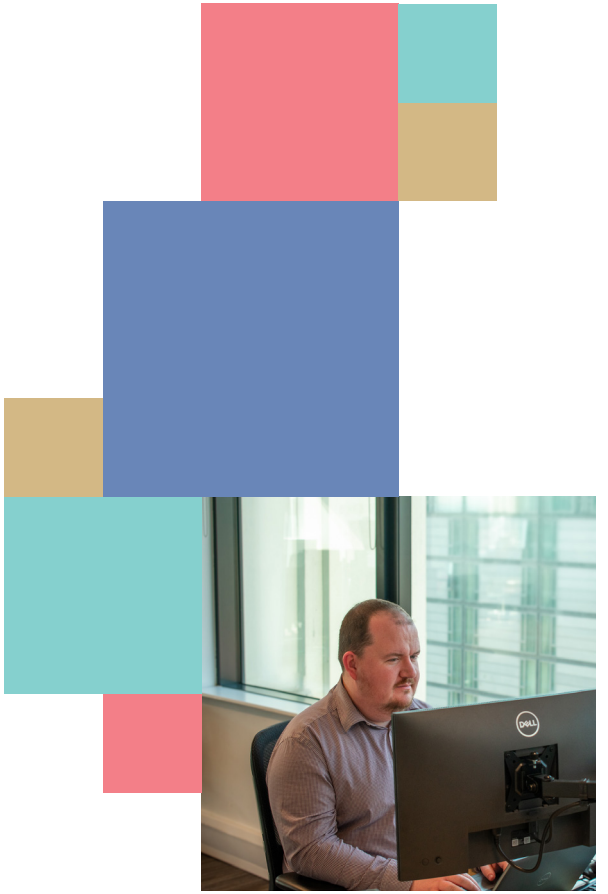
Defensive Assets: Lower-risk investments like bonds or cash. They help protect your portfolio when markets are uncertain.

Diversifying Assets: Investments that behave differently to traditional assets, such as infrastructure, which broaden investment exposure and can reduce overall portfolio risk.

To achieve the Model Portfolios' objectives, our in-house team will invest each portfolio in a range of other collective investment funds – some managed directly by the same in-house team and some representing carefully selected funds managed by other highly regarded investment houses. The range of investments chosen by the team is wide and includes exposure to the likes of globally listed shares, fixed interest securities and other complementary investments, such as listed infrastructure funds and specialist funds; all with the aim of each portfolio individually offering an efficient and effective balance between risk, potential return and total cost. Each in accordance with its own investment objective. From time to time, the proportion allocated to each type of investment or asset class will vary in response to changing market conditions and the resulting active decisions taken on your behalf by our experienced investment team. It is well established that, the biggest factor in achieving good long-term returns is the effective management of a portfolio's exposure to broad categories of investment (like shares on the one hand or fixed interest securities on the other). Therefore, a Model Portfolio offers you an effective means of accessing actively-managed, multi-asset portfolios, leveraging our proprietary B.E.S.T. investment framework, in a single place. In effect, beyond your financial adviser's initial advice to invest in one of the Model Portfolios, all of the subsequent difficult choices are taken care of. Your financial adviser will then help to decide whether the Model Portfolio you've chosen remains suitable for you over time.

Contrary to what less sophisticated investors would have you think, there really is no reason why a portfolio with an ethical objective need provide you with anything other than a respectable return.

There's no reason why you should have to compromise personal values and beliefs to achieve your financial goals - a view we share at Castlefield. Investing in this way is not new to us. Indeed, it's why we're known as 'The Thoughtful Investor', in turn reflecting our status as an investment manager widely recognised for our expertise in ethical, values-led investment.



THE B.E.S.T. SYSTEM

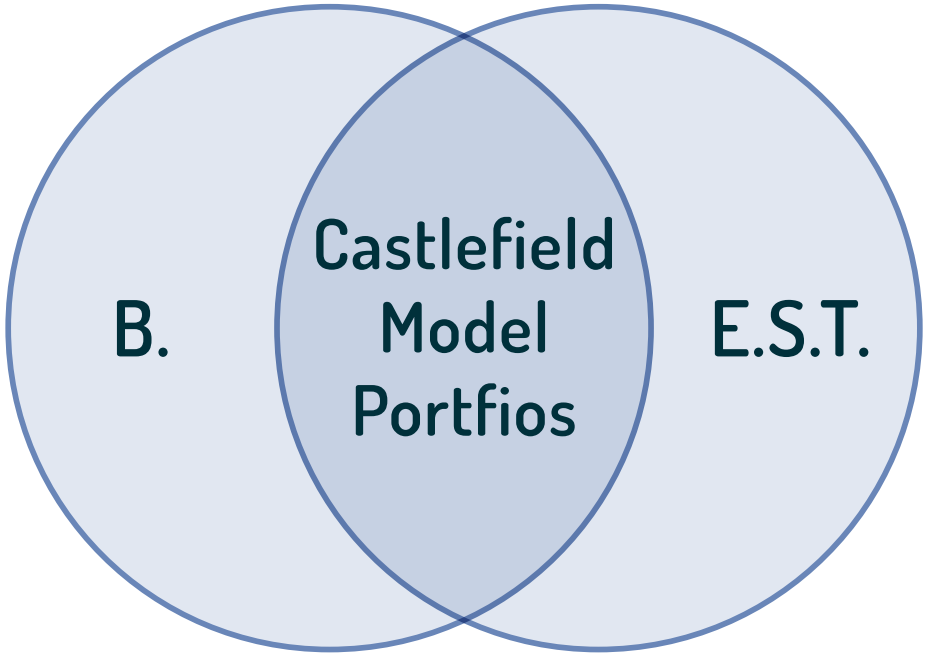
Alongside an assessment of financial credentials ('B'), the investment manager will assess each 'E.S.T.' component of the B.E.S.T. framework and report on the outcome relative to an index of similar investments.

B **Business & Financial:**
Assessment of investment's business and financial credentials.

E **Environmental:**
Company performance compared to peers on carbon, waste and fresh water use. Revenues from products or services that align with environmental United Nations Sustainable Development Goals.

S **Social:**
Company performance compared to peers on ratio of executive pay to average employee pay. Level of tax avoidance/controversies. Revenues from products or services that align with social United Nations Sustainable Development Goals.

T **Transparency & Governance:**
Assessment of board independence. Board diversity. The absence of bribery and corruption.



A breakdown of...

THE THOUGHTFUL INVESTOR® APPROACH

Investments will be selected in accordance with our Thoughtful Investor Approach

Reject investments that do not meet our screening policy.

Select investments with strong financial criteria (B of B.E.S.T.).

Assess the E.S.T. (environmental, social, transparency & governance) credentials of potential investments against our criteria.

Assess the values-led methodology of 3rd party managers and the E.S.T. characteristics of each strategy's underlying portfolio.

Actively engage with investments and vote on behalf of our clients.

Could you be...

THE IDEAL INVESTOR?

The Model Portfolios are ideally suited to an investor who:

- Has a lump sum they wish to invest over the long-term and has the benefit of ongoing advice from a trusted financial adviser
- Understands that the value of their portfolio may go down as well as up and that they may not get back the amount they originally invested
- Is looking for a diversified portfolio which, depending on the Model Portfolio chosen, will offer a combination of current and future income plus the prospect of long-term capital growth
- Wants their investment to be managed carefully by an experienced team of investment managers with the support of a larger team
- Wants their investment team to embed their personal values into their invested portfolio

Taking seriously our role as...

STEWARDS OF YOUR MONEY

As your appointed investment manager, we take our stewardship responsibilities very seriously. We understand that effective engagement with companies goes hand in hand with delivering better risk-adjusted returns for our investors. We're signatories to several codes of conduct, including the Financial Reporting Council (FRC) Stewardship Code, as well as being a founding signatory of the Workplace Disclosure Project, an investor initiative to encourage companies to publish more detailed information about the working conditions of their employees and the treatment of workers in their supply chains. We're also a member of Business Benchmark on Farm Animal Welfare (BBFAW), a coalition established to drive up animal welfare standards in global supply chains. We play our part in the growing network of values-led investment firms, seeking to collaborate with other like-minded investors wherever they share our own concerns. Our voting guidelines are published on our website, which are in turn reviewed and refreshed annually, alongside a comprehensive analysis of how we have voted at the annual general meeting of each company of which our investors are a shareholder.

We've also established an independent External Advisory Committee to provide impartial oversight of how we incorporate E.S.T. factors into our investment decision-making and how we engage with the companies and third-party funds we invest in on your behalf. The committee is made up of external members and meets regularly to review current and prospective holdings in the Model Portfolios. Not with the purpose of second guessing our investment decisions but with a view to ensuring that we remain true to our stated aims and the way in which they're implemented in real-world conditions.

Working with...

LIKE-MINDED INVESTMENT MANAGERS

Whilst we recognise that money under our own direct control (via funds which our own team manage) offers the best opportunity to bring both our investment and stewardship skills to bear, we do take advantage of investing in collective funds managed by other, third-party investment houses. As you would imagine, careful due diligence is essential when selecting these funds to ensure that their approach is consistent with our B.E.S.T. process, whilst providing the financial returns we seek. We select and monitor third-party-managed investment funds, each of which offers a complementary type of exposure or area of expertise to our own direct contribution. This is in recognition of the fact that no one investment house can consistently be the best at managing all types of assets over all time periods. Prospective and current fund managers selected by us are asked to submit themselves to detailed questioning about how their fund is managed. Apart from the effort required to select and manage other funds, our skills are concentrated on the overarching role of taking active decisions about the precise mix of assets and types of investment in the Model Portfolios. The result is a methodology which hopes to produce an overall return which is acceptable to you as an investor, whilst minimising the risk of this return not being achieved. As such, we're always looking to balance expected return with the risk taken.

"Careful due diligence is essential when selecting these funds to ensure their approach is consistent with our B.E.S.T. process."

QUESTIONS AND ANSWERS

How much can I invest?

Any minimum investment will depend on the amount permitted by the investment platform your financial adviser has recommended you use in order to access your chosen Model Portfolio. Whilst there is no maximum per se, your financial adviser will talk to you about any possible tax consequences of investing a very large sum via a Model Portfolio. (See below under 'What about tax?') Also, whilst the Model Portfolios are designed for lump sum investment, the investment platform you use may permit monthly contributions. Please speak to your financial adviser to find out precisely what is possible in your own case.

How much should I invest?

This depends entirely on you as an individual investor. You should work closely with your usual financial adviser to establish how much you should invest into one of the range of five possible Model Portfolios.

How will you take my personal values and concerns into account?

We'll use our B.E.S.T. methodology so as to invest only where we see clear environmental, social and transparency & governance benefits. Where we have direct control over the shares of our investors, we'll engage with companies and vote on resolutions at each investee company's annual general meeting. We'll also work closely with the managers of any third-party collective investments we select, to make sure that their activities are aligned with our own views, as far as practically possible.

What are the charges?

Our portfolio management charge, covering the active management of the Model Portfolio you choose, is 0.10% pa (plus any VAT which may be due). In addition, the funds held within each Model Portfolio carry their own charges. The investment platform your financial adviser recommends you use to access a Model Portfolio will also charge you for holding and administering the investments represented by the Model Portfolio you choose. Your financial adviser will give you a full breakdown of all these costs as well as explaining their own fees separately.

How are the underlying investments selected?

Please refer to 'The B.E.S.T. System' section, on pages 6-7 of this brochure, where a summary is provided covering how we select investments.

Can a Model Portfolio be held within a Stocks & Shares ISA?

Yes, the investment platform you choose will invariably offer an ISA option. However, to be sure, please speak to your financial adviser to confirm this direct to you.

How will I know the value of my investment?

Your financial adviser will explain how to access a valuation provided by the investment platform they have recommended to you and through which the Model Portfolio will be held.

When can I access my investment?

You should have access to your investment at all times, but this will depend on the terms and conditions applied by the investment platform you use. Your financial adviser will be able to provide full details of how to access your Model Portfolio. So, if your circumstances change, you should be able to cash in your investment completely, make additional contributions to it, or withdraw part of your Model Portfolio investment as you wish. Be aware, however, that the Model Portfolios are intended as a long-term investments, as the cost associated with your initial investment could well outweigh the benefits if you try and realise your investment in the short-term. Also, the value of the capital returned to you at any time will depend on the value of the underlying investments held by the Model Portfolio you're invested in, on the day they're actually sold. This value could be less than or more than your original investment.

How often will I receive my income?

Investment platforms tend to offer flexibility in terms of whether any income generated by your Model Portfolio is paid out regularly to you or reinvested in order to enhance the value of the investment. Your financial adviser will explain what's possible and advisable in your own particular circumstances.

What about tax?

Your financial adviser will explain the possible impact of the likes of Income Tax and Capital gains Tax (CGT) on you. As the day-to-day management of a Model Portfolio involves the selling of investments from time to time, this may result in us generating a realised capital gain on your behalf. Depending on the size of this gain, if any and the amount of any unused annual personal CGT Allowance you're entitled to, this could result in a charge to CGT, which you'll have to pay directly to HMRC after the end of the tax year concerned. As a very simple rule of thumb, the likelihood of becoming liable to CGT in this way increases with the size of the initial investment you make in a Model Portfolio. The precise outcome is impossible to predict, but your financial adviser will be able to talk to you about the factors which influence the possible outcome. If you and your financial adviser feel that this risk is unacceptable then for larger sums a more bespoke discretionary investment management service is an option. Please speak to you adviser about the best option in your own circumstances.

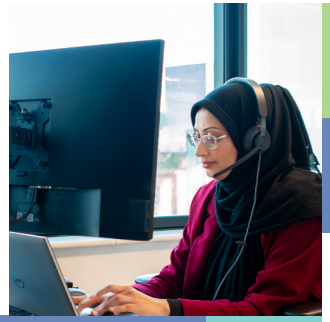
THE PORTFOLIOS IN MORE DETAIL

SELECTING YOUR INVESTMENT PORTFOLIO

Choosing an investment portfolio that aligns with your financial goals and personal circumstances is a critical step towards a successful investment journey. At Castlefield, we have developed five clearly defined investment portfolios designed to align with our clients' diverse risk appetites. The level of risk and potential for return increases incrementally from one Portfolio to the next. Each Portfolio is constructed from a diversified portfolio of assets. Portfolio I represents our lowest risk approach, while Portfolio V represents our highest.

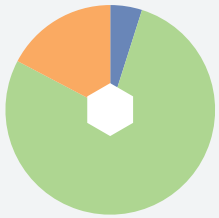
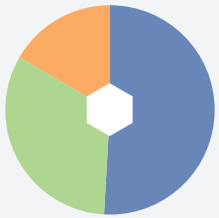
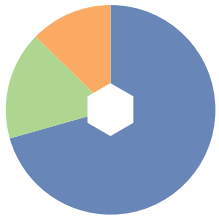
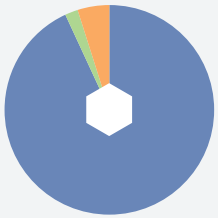
Our lowest risk Portfolio prioritises defensive assets, such as fixed interest securities, allocating a smaller portion to growth assets, such as company shares (equities). As we move through the strategies, the allocation gradually shifts, with the proportion of growth assets increasing. Consequently, our highest risk Portfolio primarily invests in growth assets. This reflects our expectation that the potential for long-term returns will increase in tandem with the level of risk undertaken.

To illustrate this further, we compare the long-term performance of the Portfolios to a comparator referencing inflation, defining 'long-term' as a period exceeding five years. It's important to note that longer investment time horizons increase the probability of achieving the desired returns. The table on page 12 presents this alongside a typical asset allocation for each Portfolio.



For a fuller understanding of the trade-off between potential investment returns and associated risks, please read our separate guide called 'Risk & Reward: An Explanation.'

PORTFOLIO RISK SCALE

	PORTFOLIO I	PORTFOLIO II	PORTFOLIO III	PORTFOLIO IV	PORTFOLIO V
TYPICAL ASSET CLASS EXPOSURE					
	Growth 5% Defensive 78% Diversifying 17%	Growth 33% Defensive 46% Diversifying 20%	Growth 51% Defensive 33% Diversifying 17%	Growth 71% Defensive 17% Diversifying 13%	Growth 93% Defensive 2% Diversifying 5%
INFLATION COMPARATOR	CPI +1%	CPI +2%	CPI +3%	CPI +4%	CPI +5%
RISK PROFILE	LOWEST RISK				HIGHEST RISK

*The inflation comparator provides a long-term expectation based on typical asset allocations. It's important to understand this is not a target that the strategies aim to achieve, and we wouldn't expect each strategy to meet its respective inflation comparator every year.

Make sure you know the...

RISKS

Please refer to the Castlefield Terms and Conditions for full details. These are available on **www.castlefield.com**.

Don't forget that past performance is not a reliable indicator of future results and that the value of shares and the income from them can go down as well as up.

In addition, where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment and the income from it to go up or down, irrespective of the change in value of the investment in local currency terms.

An investment in one of the Model Portfolios should be considered as long term, due to the underlying exposure to listed company shares and similar assets.

You should not invest in a Model Portfolio except on the basis of formal financial advice from your existing financial adviser. They will assess your personal financial circumstances and decide whether an investment is suitable for you.

Taking the...

NEXT STEPS

To understand fully how one of the Model Portfolios will help you to achieve your goals we suggest that you discuss its features and benefits with your financial adviser. If you jointly decide that you would benefit from making an investment, we look forward to being of service to you.

GET IN TOUCH

Telephone:
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Email:
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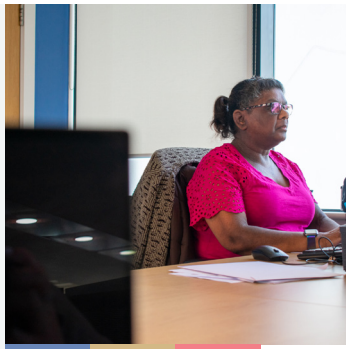

CASTLEFIELD

THE THOUGHTFUL INVESTOR

The Hive,
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Manchester M1 1FN

This document and the services referred to in it are provided by Castlefield Investment Partners LLP (CIP).

It important that you have already reached a decision as to the basic suitability of this service before committing to it. This decision should be reached with reference to your overall financial affairs. An IFA or other financial adviser will be able to assist you with this decision. Please note that the Model Portfolios may only be accessed via a third-party investment platform of which you will also need to be a client and such platforms require you to be an existing client of an IFA or similar financial adviser.

This document contains references to tax. Please note that the FCA does not regulate some forms of tax planning.

Castlefield is a trading name of Castlefield Investment Partners LLP (CIP) and a registered trade mark and the property of Castlefield Partners Limited. CIP is authorised and regulated by the Financial Conduct Authority. Registered in England & Wales No. OC302833. Registered Office The Hive, 51 Lever Street, Manchester, M1 1FN. Part of the Castlefield employee-owned group. Member of the Employee Ownership Association.

Please remember that the value of investments and the income derived from them can go down as well as up and you may not recover the amount of your original investment. Past performance is not necessarily a guide to future performance. Therefore, any decision to make an investment should not solely be based on an assessment of past performance figures.

Please also bear in mind that the information in this document is not intended as an offer or solicitation to buy or sell securities or any other investment or banking product, nor does it constitute a personal investment recommendation.

Finally, to avoid this small print section becoming longer than the preceding body of the brochure, please refer to our website for other important information before reaching any final decision to engage our services: www.castlefield.com

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