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DMS CHARTERIS PREMIUM INCOME FUND

REQUEST FOR PROPOSAL RESPONSE
As at February 2020

Fund Manager/ Due Diligence Questionnaire

For questions or more information please contact:

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DMS Charteris Premium Income Fund

Charteris Treasury Portfolio Managers Limited Registered Office: 8/9 Lovat Lane, London, EC3R 8DW –
Registered No. 1830771 (England).

Charteris Treasury Portfolio Managers Limited is Authorised and Regulated by the Financial Conduct Authority

1. **BASIC INFORMATION**

1.1 **When was the Fund launched?**

The fund originally launched on 10 December 2001 as the James Brearley Premium Growth Fund, where WAY Fund Managers were the original ACD, the fund was transferred to Host Capital on 30th December 2016 who have now been taken over by DMS Governance; with Charteris the appointed investment manager since 31st October 2008

1.2 **What is the Fund's investment process?**

The holdings in the portfolio are selected by a combination of "Top down Thematic strategy & Bottom Up stock selection". Technical analysis is used extensively to help time investment decisions including the writing of "covered call options". This is different to other call option funds because options are not written continuously throughout the year.

1.3 **What is the Fund's investment strategy?**

The Fund seeks to outperform UK Blue Chip Equities and the Fund seeks to provide a combination of capital growth and extra income by investing in UK Blue Chip equities and using a covered call option strategy to boost the income of the Fund.

1.4 **Provide details of the types of units available and ISIN codes**

Share class	ISIN	Bloomberg Ticker
A Inc	GB00BYZKJ052	HCCPIAI LN
A Acc	GB00BYZKHT09	HCCPIAA LN
I Inc	GB00BYZKJ383	HCCPIII LN
I Acc	GB00BYZKJ276	HCCPIIA LN

1.5 **What is the current size of the Fund?**

£6.8m (as at 31st December 2019)

1.6 **What percentage of the Fund do top ten unit holders hold?**

Approximately 60%

1.7 **Provide details of the current charges levied on the Fund (initial and AMC) and the total expense ratio. Do you propose to review these within the next 12 months?**

A	Retail:	5% initial charge
		1.5% AMC
		2.32% TER (Total Expense ratio)*

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B Institutional No initial charge
1.0% AMC
1.82% TER (Total Expense ratio)*

*as at 28th February 2019

Currently there are no plans to review these charges in the next 12 months. The total expense ratios quoted above are subject to change as the size of the Fund fluctuates due to market movement and net inflows / outflows.

1.8 Provide details of current yield and distribution dates.

The Fund aims to pay a 4%-6% yield annually. The dividend is semi-annual and paid at the end of February and the end of August.

1.9 What is the legal structure of your Fund? Can it invest in other Funds and to what proportion?

ICVC - No it cannot invest in other funds

1.10 Contact details; e-mail address, direct dial telephone number of primary manager:

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2. FUND MANAGEMENT TEAM

2.1 Name the lead Fund manager. When was he appointed?

Lead Manager was appointed on 31st October 2008

Ian Williams, Chartered FCSI (Chartered Fellow of the Chartered Securities Institute)

Ian has spent the last 35 years as a specialist in Equity and Fixed Income markets, covering sales, research, market making and proprietary trading. He was a member of the LSE (London Stock Exchange) for many years before joining Chase Manhattan Bank (now JP Morgan). He subsequently worked for Dresdner Kleinwort Benson & Guinness Mahon (now Investec) before becoming Chairman & CEO of Charteris Treasury Portfolio Managers (CTPM).

2.2 Name the person who would run the Fund in his absence and comment on the individual's responsibility on an ongoing basis.

Colin Robertson, MA, MCSI, Investment Manager

Colin Robertson has over 32 years investment management and financial experience. He has held important and influential positions at some of the largest names in the financial sector including Aberdeen Asset Management, Cornelian, Gillespie MacAndrew LLP and Brown Shipley. He has managed clients both on a discretionary and advisory basis in that time, across global markets and all sectors. Colin graduated from Aberdeen University with a MA in accountancy and went on to acquire further qualifications including the London Stock Exchange exams as well as the LSE Private client futures and options exams.

Nicholas Taylor, Chartered FCSI, Fund Manager / Head of Research

Nicholas Taylor has 38 years of international investment management experience: at Morgan Grenfell, Samuel Montagu; at INVESCO IMI where he was Head of Institutional Investment Management; at Cigna International Advisors where he was Managing Director; and at Matheson Investment Management. An award-winning manager, Nicholas has run portfolios for a broad range of investors, including institutional pension Funds, private clients and investment trusts. Nicholas is a Fellow of the Securities Institute.

2.3 Are there any plans to enhance or restructure the team within the next 12 months?

No

2.4 How is the team remunerated and when do any packages fall due to re-negotiation.

No performance bonus

3. INVESTMENT PROCESS

3.1 Detail the investment process and sell disciplines employed by the team, paying particular attention to macro-economic input, quantitative screening and qualitative factors considered. For example, in respect of quant's, what measures do you pay particular attention to and why?

The investment style is to take advantage of relative valuation opportunities in UK equity markets judiciously adjusting the composition of the portfolio while maintaining a view on the benchmark.

First, the portfolio management team updates its view of the global economic situation by analysing a number of Fundamental, cyclical, and technical factors:

Fundamental

- Underlying Global economic, current & forecast, economic data
- Movements in other global markets

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- Global Central Bank policy
- Inflation/growth expectations
- Valuations and yields in other asset classes (e.g.: equities and bonds)

Cyclical

- Three-to-six month futures or option expiry behaviour in Blue Chip equity futures
- Seasonal patterns in the market
- Major and intermediate time cycles in the Equity market

Technical

- Primary market trend analysis and interpretation
- Analysis of ‘oversold’ & “overbought” conditions

After the management team has identified where it believes the most value lies in the market, it has at its disposal a set of investment management techniques that in the proper combination can help to enhance Fund performance.

3.2 To what extent is any Fundamental research undertaken proprietary? How much use do you make of broker contacts?

Both in-house proprietary research and research provided by specialist stockbrokers used to assist in informing the Fund manager’s view of the market.

A select group of brokers and analysts are used and consulted on a continual basis;

3.3 How is the overall structure of the portfolio determined and who makes the decisions?

1. Analysis of the equity market using Fundamental, cyclical and technical factors.
2. Stocks are selected through on an analysis of the market and how they relate to the overall investment objective of the Fund.
3. The named Fund manager, Ian Williams, along with Gerald Lowes & Nicholas Taylor, are responsible for investment decisions.

4. RISK MANAGEMENT

4.1 Detail any restrictions applied at stock and sector levels.

Cash

Treated as an asset class when appropriate

Holding sizes

No limits other than those prescribed by UCITS III rules

Number of holdings

35-50

Small capitalisation companies

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All Leading UK Blue Chip companies so no small companies

Industry exposure

UK Blue Chip Equities solely

Country exposure

UK

Unapproved securities

No

Warrants

None

Derivatives

Covered-call options can be written

Collective investment schemes

None

Uncalled commitments

None

Underwriting

None

4.2 How many stocks will the Fund normally hold, and is this a function of risk management?

Between 35 and 50. Yes this is a function of risk management.

4.3 Is the portfolio monitored by individuals who are not directly associated with its construction?

Yes, DMS Investment Management services (UK) Limited (“DMS”) as ACD of the fund has the responsibility of compliance, oversight, apportionment, and investment management of the company. DMS delegates the investment management of the fund through its agreement with Charteris Treasury Portfolio Managers. It is the portfolio management team that manages the investments of the fund within the constraints outlined by the Fund’s prospectus, its mandate, and UCITS

4.4 Provide details of how the team and the group aim to control risk within the portfolio.

Diversified exposure to UK Blue Chip equity sector with limits on individual holdings and observance of sector weightings but not in a tracker format.

4.5 Detail who values the Fund? Is a third party involved in this process? Who are the administrators? Who are the Funds auditors? How frequently is the Fund audited?

Yes, a number of third parties are involved in this process:

ACD – DMS

Admin – Credit Agricole

Custodian – Credit Agricole

Auditors – Grant Thornton UK LLP

Transfer Agent – Investor Administration Solutions LTD

5. PERFORMANCE AND OUTLOOK

5.1 Does the Fund have a specific performance objective?

The Fund manager does aim to offer a superior risk adjusted return over that of a passive holding of UK Blue Chip equities whilst providing a superior yield.

5.2 What factors have contributed most to the performance of the Fund over the past six months?

Stock selection and the timing of when to enter the option writing process. The fund does not write options all year round and this strategy leaves the underlying securities unrestricted to move up when the market moves up.

5.3 How well do you think that the Fund is currently placed given your outlook?

We are happy with the fund's placement of securities as the fund seeks to provide an income to shareholders. It could be argued that the mining/growth sector of the global indices is the only sector that investors could buy at post-crash levels offering potential buying opportunities that may not be seen again. We are therefore focusing on value rather than what is deemed to be fashionable

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Past performance is not a guide to future performance and investors may not get back the full amount invested.

Investors should note that management fees will be charged to the income of the Fund. Thus, on redemption of holdings, investors may not receive back the full amount invested.

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