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## ELITE CHARTERIS PREMIUM INCOME FUND

REQUEST FOR PROPOSAL RESPONSE  
As at 30<sup>th</sup> March 2012

Fund Manager/ Due Diligence Questionnaire

For questions or more information please contact:

Ian Williams

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Elite 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 Services Authority*

## 1. **BASIC INFORMATION**

### 1.1 **When was the Fund launched?**

2001 – CTPM took the fund over from James Brearley on 31<sup>st</sup> 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 the FTSE 100 Index and the Fund seeks to provide a combination of capital growth and extra income by investing in FTSE 100 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 SEDOL codes**

Share class Ticker	SEDOL	ISIN	Bloomberg
Elite R Inc	3116238	GB0031162380	MFMBJBI LN
Elite R Acc	B40YYS5	GB00B40YYS55	ELCHPRA LN
Elite I Inc	B3R5HZ2	GB00B3R5HZ24	ELCHPII LN
Elite I Acc	B3XFCL7	GB00B3XFCL77	ELCHPIA LN

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

£25.5m (as at end March 2012)

### 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:	Up to 5% initial charge 1.5% AMC 1.58% TER (Total Expense ratio)*
B	Institutional	No initial charge 1.0% AMC 1.08% TER (Total Expense ratio)*

\*as at 30/06/2011

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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 has paid a 6.8% dividend yield for calendar year 2011. 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?**

UK Unit Trust – No it cannot invest in other funds

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

Ian Williams  
Tel – +44 (0)207 220 9780  
[iw@charteris.co.uk](mailto:iw@charteris.co.uk)

**2. FUND MANAGEMENT TEAM**

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

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).

Ian is currently the Fund manager of the *Elite Charteris Premium Income Fund* and the manager of the *City Financial Strategic Gilt* Fund. In addition, Ian is now also the manager of the *WAY Charteris Gold Portfolio Fund*.

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

Nicholas Taylor, Chartered FCSI, Fund Manager / Director, Head of Private client wealth Management

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.**

The team receives an annual salary; pay is appraised annually.

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

*Cyclical*

- Three-month futures or option expiry behaviour in FTSE 100 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 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*

40-50

#### *Small capitalisation companies*

All FTSE 100 companies so no small companies

#### *Industry exposure*

FTSE 100

#### *Country exposure*

UK

#### *Unapproved securities*

No

#### *Warrants*

None

#### *Derivatives*

Covered-call options can be written

#### *Collective investment schemes*

None

#### *Uncalled commitments*

None

#### *Underwriting*

None

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

Between 40 and 50

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

Yes, in WAY's role as ACD, compliance, oversight, apportionment, and investment Management responsibilities reside with the company. Through its investment management sub-advisory agreement with Charteris Treasury Portfolio Managers, the portfolio management team manages the investments within the constraints of the Fund's prospectus, its mandate, and UCITS III.

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

Diversified exposure to FTSE 100 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 – WAY Fund Managers Ltd

Admin – Share Funds Ltd

Custodian – State Street Bank & Trust

Auditors – Grant Thornton UK 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 FTSE 100 equities whilst providing a superior yield.

### **5.2 What factors have contributed most to the performance of the Fund over the past 3 months?**

Stock selection and timing of option writing

### **5.3 How well do you think that the Fund is currently placed given your outlook for the market over the next 6 months?**

The Fund is well placed to benefit from our stock picking strategy (as in the past).

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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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