

## **Factsheet – The Nucleus Wrap platform**

### **What is a Wrap Platform?**

A wrap platform is an administrative service that combines, or wraps, all of a client's investments into a single manageable account. A wrap platform lets you and Addidi manage all of your investments holistically as one portfolio whether the investments held directly or through a 'tax-advantaged' wrapper such as an ISA, pension or an onshore or offshore bond.

A wrap platform is always available online and all your accounts (ISAs, pensions, bonds) can be viewed at a glance. Beyond valuations, you will be able to see all the transactions within your account within each tax wrapper, including investment deals, prices and the charges taken. All this is provided through your own unique username and password through the Addidi website. You will also receive six monthly statements.

A wrap platform is not a product in which to invest, but rather a service. The wrap platform choice for Addidi is provided by Nucleus Financial Services Ltd.

### **Who is Nucleus Financial?**

Nucleus Financial Group plc (Nucleus) is a wrap provider that was founded in 2006 by a number of IFAs who shared a commitment to creating a market proposition where advisers have the infrastructure and the desire to place the client centre stage.

As at April 2019 the platform has c£14.1bn of assets held on platform with over 90,000 clients.

Nucleus Financial Services Limited (Nucleus) is authorised and regulated by the Financial Conduct Authority (FCA).

### **The Nucleus wrap**

The Nucleus wrap provides access to six accounts:

- Pension Account – Self Invested Personal Pension (SIPP)
- ISA Account
- General Account
- Onshore Bond
- Offshore Bond
- Junior ISA

Within each account, subject to regulations, our clients can invest in unit trusts, OEICS, cash, equities (including investment trusts and exchange traded funds) and other securities such as gilts and corporate bonds.

Across the investment industry, Nucleus offers access to a broad range of fund managers offering over 6,500 individual funds. It seeks to provide a wide choice of funds across all sectors.

### Nucleus Platform Charges

There are three key components to the overall charges you will pay within each account held on the Nucleus Platform. The three components are the:

1. Funds you invest in – these are set by individual fund managers and will depend on who you choose as advised by Addidi.
2. Nucleus platform cost – see below.
3. The cost of the fees levied by Addidi- these are always agreed with you.

The cost of each component is shown explicitly, so you will always know exactly how much you are paying. These can be summarised as follows:

Wrap	Charge on each Tier
Standard wrap charge for ISA, General, General Gross and Pension accounts	£0-£0.5m = 0.35% per annum £0.5m-£1m = 0.175% £1m+ = 0.05%
Offshore Bond	Standard charge plus 0.15% pa
Onshore Bond	Standard charge of 0.1% pa
Transaction cost	
Collective Funds	Nil
ETFs, shares & investment trusts	0.15% subject to a minimum of £13 per trade.
Registration onto Nucleus	Nil although other providers might levy a charge as per their terms and conditions.
Registration off Nucleus	Funds - nil Shares - £15 per holding

Nucleus does not rely on commissions or other remuneration from third parties.

### What safeguards are there in relation to assets on the Nucleus platform?

General & ISA accounts - all investments held in these accounts are treated as client assets, and in line with FCA rules, client monies are ring fenced and cash is held in designated client accounts whilst investments are held under a nominee name. As such, these investments are unaffected by the financial position of Nucleus

Pensions - the beneficial ownership of pension assets lies with the trustees who hold them, in trust, for the pension account holder. As such, these pension investments are also unaffected by the financial position of Nucleus.

Offshore Bond – is provided by Royal London 360° and it is regulated by the Isle of Man Government Insurance and Pensions Authority and is wholly owned by the Royal London Group. As such, the investment would be unaffected by the financial position of Nucleus.

Onshore Bond and APP – these are provided by Sanlam (and Scottish Friendly in the past) who are both regulated and authorised by the FCA. As such, the investments are also unaffected by the financial position of Nucleus.

Directly held shares - any company shares or other 'certificated' client investments are held by a Nucleus stockbroker nominee company. As an FCA authorised firm the nominee stockbroker will hold all client money and client investments separately from the firm's assets in accordance with the FCA's rules.

What protection is there in the event Nucleus or the wrap account providers experience financial difficulties?

Nucleus, Sanlam and Scottish Friendly are covered by the Financial Services Compensation Scheme (FSCS). In the unlikely event that Nucleus, Sanlam or Scottish Friendly cannot meet their obligations then you may be entitled to compensation from the FSCS.

The level of compensation you might receive varies by the type of account held and details are given below.

Account	Cash holding*	Investments in Unit Trusts, OEICs
ISA	Up to £85,000 per client per investment firm	100% of the first £85,000 per person per firm
General / General (gross)	Up to £85,000 per client per investment firm	100% of the first £85,000 per person per firm
SIPP / PR Pension / APP	Up to £85,000 per client per investment firm	100% of the first £85,000 per person per firm
Onshore Bond	n/a	100% of value
Offshore Bond**	n/a	This account will usually be covered by the offshore Compensation scheme in which the provider is based** – Please refer to the providers literature for further information. Bond holders will not be protected by the UK Financial Services Compensation Scheme if the company is unable to meet its liabilities to you.

\* Nucleus currently offers a range of cash deposit accounts'. Were any of the banks providing these deposit facilities are unable to meet their obligations, the FSCS scheme would protect money held up to a maximum of £85,000 per client per bank. Please note that this maximum may be reduced by any personal holdings you may hold with these banks outside of the Nucleus platform.

\*\* The Isle of Man Compensation Scheme provides protection for assets held should anything happen to Royal London 360°. For the underlying investments, including cash deposits, the protection available depends on the jurisdiction of where each investment is held. The deposit or investment may not be covered under any depositor compensation scheme should the account provider become insolvent.

What protection is there in relation to other assets held in the Nucleus wrap?

UK funds regulated by the FCA are typically ring-fenced and managed under strict rules which prevent the investment manager accessing these funds for reasons other than the deduction of their disclosed management charges. Should a fund experience financial difficulties as a result of mismanagement, for assets held under the General, General (gross), ISA, Protected Rights Pension and Pension accounts protection is provided under the FSCS scheme for most UK FCA-regulated funds.

The FSCS protection is 100 per cent of the first £85,000 per person per firm.

For offshore funds, your investments may enjoy some protection from the FSCS, please refer to [www.fscs.org.uk](http://www.fscs.org.uk) for further detail or be covered by the relevant jurisdiction.

What protection is there in the event of a financial adviser experiencing financial difficulties?

As all investments are held directly with fund managers, banking institutions or stockbrokers no adverse effects will be felt by a client should their financial adviser experience financial difficulties.

Does the FSCS scheme cover wrap accounts held by corporate investors?

The FSCS scheme does offer protection for some corporate investors, but the rules are complex and specific advice should be obtained before advising such clients.

**Why Nucleus is the preferred choice of platform for Addidi**

We chose Nucleus as our preferred choice back in 2007 before wrap platforms became the norm. There were 3 key reasons behind our decisions – these remain as valid today as they were in 2007. These are:

- Investment freedom for us and our clients
- A transparent and competitive charging structure
- Control and convenience

Investment Freedom

It is central to Addidi's client proposition that we as your advisers have the freedom to select the investments and tax wrappers most appropriate to your needs. This allows us to construct tax efficient portfolios and investments best suited to your needs.

We chose Nucleus as it is committed to retaining an arms length relationship with the fund managers and providers. It charges no fee for inclusion of a fund on its platform. As an advisory firm, we can request that a particular fund be included on the platform.

So with Nucleus, we have the freedom to:

1. Access most investment funds and assets, provided these can be legally held within the respective account and there are no concerns regarding the management of the asset.
2. Access all the mainstream tax wrappers.

The only restrictions are that clients cannot hold:

1. Non-sterling funds which is not a problem as majority of our clients invest in sterling.
2. If a fund or asset cannot physically be held on the platform for some technical reason – in many cases, Nucleus would allow these to be held as Memo assets within the relevant account but they would not provide automatically updated valuations.
3. Physical property within the Nucleus pension account.

#### The charging structure

We like the Nucleus charging structure because it is:

1. Fee based - Nucleus charges a fee for the service it provides and do not rely on commissions or other remuneration from third parties.
2. A flat fee – Nucleus charge a flat fee and minimal transaction costs which means that fund switches and portfolios can be rebalanced as required without the decision being influenced by the potential costs.
3. Competitive – Nucleus charging structure remains competitive in the marketplace.
4. Transparent - costs for the funds you invest in and the tax wrappers are totally transparent so you know exactly what you are paying for each component.
5. It is one of the very few providers which provides access to a range of cash deposit account paying decent rates of interest.

In addition, as Nucleus hold assets in a nominee name it can deliver economies from buying and selling funds in significant volume. This has enabled Nucleus to negotiate and secure discounts off the initial and annual management charges levied by fund managers.

Any discount negotiated by Nucleus fully benefits you not Nucleus or Addidi. To date, Nucleus has negotiated discounts with over 6,500 funds – at the beginning of 2006, it was 900 funds. Already the list of discounted funds is one of the most comprehensive in the marketplace and over time, it will grow further allowing you access to really cost efficient funds.

The key is that you can determine whether you want a portfolio which is cheap, cheerful with mostly passive, tracker funds or more specialists managed funds which cost more but might out perform the markets. The decision can be made by you and us, not a provider who has its own agenda which we are not privy to.

Addidi fees are set out in our Key Facts about our Services and costs.

#### Control and Convenience

The Nucleus wrap provides control and convenience for Addidi and you. Convenience because:

- You and we can view your portfolio 24/7 online and it provides a consolidated portfolio report of all your assets held across all products, available online at all times
- beyond valuations, you will be able to see all the transactions within your account within each tax wrapper, including investment deals, prices and the charges taken
- it provides a single point of contact for you, rather than having to deal with multiple financial product providers
- It provides access a large range of investment groups and over 6,000 funds from over 225 asset managers through one platform.

Control as it allows us to:

- Hold cash as an investment within your portfolio – as the cash earns decent interest, we can hold it as a strategic position to manage risk in volatile times.
- Online dealing means we can make more timely investment decisions and implement these decisions quickly.
- Flexibility and no tie-ins so you can re-register existing holdings (as long as this is allowed by the existing company). You can also move out of Nucleus (transfer or re-register) at any time.