BLACKFINCH
ASSET MANAGEMENT

Understanding your Managed Portfolio.

From asset classes to industry jargon:
what you're invested in and what it all means.

Signatory of:

PRI Principles for Responsible Investment

Key Terms in Asset Management:

Asset Management

The professional management of your money by experts who invest it on your behalf, aiming to grow it over time or keep it safe depending on your goals.

Asset Allocation

The mix of different types of investments (like shares, bonds, cash, or property) in your portfolio. A bit like a recipe that balances different ingredients to suit your taste and goals.

Benchmark

A standard used to compare how well an investment is performing — like comparing your running time to the national average.

Centralised Investment Proposition (CIP)

A consistent investment approach used by a financial advice firm across its clients. It helps deliver the same level of service and structure to everyone, based on what suits their needs.

Consumer Duty

A rule that says financial firms must act in your best interest, make things clear and fair, and help you achieve good outcomes.

Discretionary Fund Manager (DFM)

A professional or firm you give permission to make day-to-day investment decisions on your behalf, without asking you each time.

Diversification

Spreading your investments across different areas to reduce risk — like not putting all your eggs in one basket.

Fund

A pooled investment — many people's money is collected together and invested in a range of things like companies, property, or bonds, helping spread the risk.

Managed Portfolio Service (MPS)

A ready-made collection of investments, built and managed by professionals, designed to match different levels of risk. Think of it like choosing a pre-packed meal that suits your dietary needs — it's efficient, but you don't get to tweak the recipe.

Model Portfolio

A standard "template" of investments created by a provider to suit a certain risk level (like cautious, balanced, or adventurous). Many investors with similar needs may be placed into the same model.

Ongoing Charges Figure (OCF)

The total yearly cost of managing a fund, shown as a percentage. For example, a 0.50% OCF means you pay £5 per £1,000 invested each year.

Platform

A digital service where your investments are held, protected, and managed. It's like a secure dashboard for your money, where you can see what you own.

Portfolio Rebalancing

Adjusting the investments in your portfolio from time to time to keep the right balance, especially after markets move up or down.

Rebalancing Drift

Over time, your investments might shift from the original mix due to market movements. Rebalancing corrects this "drift" to keep your plan on track to what you originally agreed.

Risk Profile / Risk Tolerance

A way of measuring how comfortable you are with the ups and downs of investing. It helps your adviser or investment manager choose investments that match your comfort level.

Sharpe Ratio

A way of measuring how much return you're getting compared to the amount of risk taken. Higher = better balance between risk and reward.

Strategic Asset Allocation

The long-term plan for how your investments are spread across different types of assets, based on your overall goals.

Suitability / Suitability Review

A check that makes sure your investment strategy is still right for you, based on your goals, needs, and risk tolerance.

Tailored Portfolio Service (TPS)

An adviser own-branded collection of investments, built and managed by Blackfinch, designed to match different levels of risk. Advisers set the requirements and needs of their client base, and Blackfinch provides a suitable investment strategy.

Tactical Asset Allocation (TAA)

Short-term changes made to your investment mix to take advantage of current market opportunities—like adjusting your wardrobe for unexpected weather.

White-Labelled / Branded Service

An investment service that's customised and presented under your adviser's brand, even if it's managed by another firm in the background.

Common Asset Classes in a MPS:

Alternatives

WHAT IT IS:

Investments that don't fall into the usual shares and bonds categories—like commodities (e.g. gold or oil), hedge funds, or private equity.

WHY IT'S USED:

Alternatives can offer new ways to grow or protect your money, especially when traditional markets are volatile. They're often more complex and less liquid (harder to sell quickly).

Equities (Shares or Stocks)

WHAT IT IS:

A slice of ownership in a company. When you buy shares, you become a part-owner of that business.

WHY IT'S USED:

Equities can grow your money over time as the value of the shares may increase, and by receiving dividends (company profits paid to shareholders). They're great for long-term growth but can go up and down a lot in the short term.

Bonds (Fixed Income)

WHAT IT IS:

A loan you make to a government or company. In return, they agree to pay you interest and return your money later.

WHY IT'S USED:

Bonds can offer steady income and are generally less risky than shares. They can help balance out riskier investments in a portfolio.

Infrastructure

WHAT IT IS:

Investment in large-scale public projects like roads, energy, schools, or digital networks.

WHY IT'S USED:

Infrastructure can provide long-term, stable returns often linked to inflation. It's less sensitive to market swings and adds resilience to a portfolio.

Cash and Cash Equivalents

WHAT IT IS:

Very low-risk, short-term savings or investments (like money market instruments that include overnight bank deposits, Treasury bills or savings accounts).

WHY IT'S USED:

These are used to keep some money safe and accessible. They don't earn much, but they protect against market ups and downs.

Property (Real Estate)

WHAT IT IS:

Can come in different forms, such as investment in physical buildings or property funds that hold offices, shops, or housing.

WHY IT'S USED:

Property can offer regular income (rent) and potential for growth over time. It also tends to behave differently from shares or bonds, which helps with diversification.

Investment Approaches in a MPS:

Absolute Return Funds

WHAT IT IS:

These funds aim to deliver positive returns in all market conditions by using a wide range of strategies (not just buying and holding investments).

WHY IT'S USED:

They're designed to reduce the impact of market downturns and may provide smoother returns — but they can be more complex and may not meet their targets.

Multi-Asset Funds

WHAT IT IS:

A fund that holds a mix of different asset classes (like shares, bonds, and property) in one single product.

WHY IT'S USED:

Multi-asset funds are like a ready-made, diversified basket. They offer an easy way to spread risk and adapt to market conditions in one place.

Active Investing

WHAT IT IS:

A hands-on approach where fund managers make decisions about what to buy and sell in an effort to beat the market.

WHY IT'S USED:

Active managers aim to pick investments they believe will do better than average. It can work well in certain markets or conditions, but success depends on the manager's skill—and the fees are usually higher.

Passive Investing

WHAT IT IS:

A low-cost approach that aims to match the performance of a market, not beat it. Passive funds simply copy a market index (like the FTSE 100 or S&P 500).

WHY IT'S USED:

Passive investing is simple, transparent, and often cheaper. It's a popular choice for long-term investing where keeping costs low and staying consistent is more important than trying to outperform.

Curious about how it all fits together?

We're here to guide you through the terminology and explain how it applies to your investments and portfolio.

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IMPORTANT INFORMATION