

Fund suspensions, model portfolios and rebalancing

When a fund suspends trading you will need to take action on your model portfolio construction in order to continue to rebalance accounts that have holdings in suspended funds.

Where a fund has been fully suspended clients will typically not be able to sell existing holdings or buy new holdings in the funds. This means you will not be able to rebalance accounts using this model without some action.

How we manage suspended funds in rebalancing

Model portfolio definition

You will not be able to rebalance your clients' accounts where the model portfolio contains a suspended fund. In order to rebalance your clients' accounts you will need to adjust your model portfolio to remove the target percentage in the suspended fund.

The total % of your model portfolio must still add up to 100%, so the percentage of the portfolio previously assigned to the suspended fund must either be distributed amongst other new or existing funds in the portfolio, replaced with another fund or a combination of these two actions.

Rebalancing accounts

Where an account with holdings in a suspended fund is rebalanced, the holdings in the suspended fund remain unaffected. The remaining assets in the account will be rebalanced according to the target model portfolio.

This affects all methods of rebalancing including:

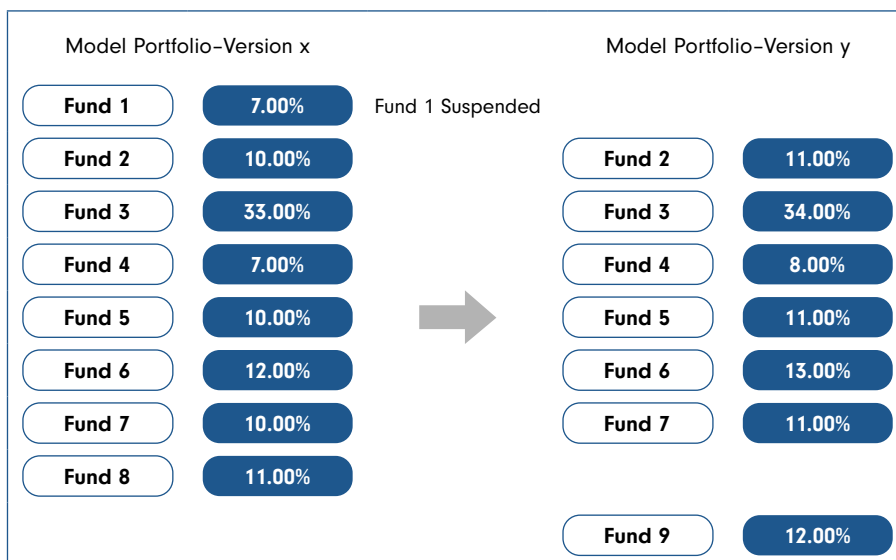
- Quote and apply and Pension Quote and Apply services within Client Management
- Individual rebalancing
- Bulk rebalancing

Please note that soft closed funds (where the fund is available to sell but closed to new business) can optionally be included or excluded from the rebalance. This can be completed from bulk rebalancing and the Quote and Apply process.

Aligning Regular Savings Plans (RSP) can be completed alongside rebalancing, re-directing RSPs to the new valid portfolio. Withdrawal plan changes can also be made to align the withdrawal plan to the new model portfolio.

Processing example

The following example shows how the system will treat suspended funds in model portfolio management and for a rebalance instruction on an account:



The above diagram shows a change in a model portfolio to enable the model portfolio to be used for rebalancing. Fund 1, which is suspended, must be removed and other funds in the new version of the model portfolio must have percentage values adding up to 100%.

Fund	Holding (£)	Target %	Target Value
Fund 1	6,000.00		6,000.00
Fund 2	18,000.00	11.00%	11,770.00
Fund 3	31,500.00	34.00%	36,380.00
Fund 4	9,500.00	8.00%	8,560.00
Fund 5	12,500.00	11.00%	11,770.00
Fund 6	14,500.00	13.00%	13,910.00
Fund 7	10,500.00	11.00%	11,770.00
Fund 8	10,500.00		0.00
Fund 9	0.00	12.00%	12,840.00
Total (Funds not suspended)	107,000.00		107,000.00

The above diagram illustrates the rebalance process for an account. The account has holdings in fund 1 that is suspended, and these holdings will not form part of the rebalance. The remaining unsuspended holdings in the account will be rebalanced. The system will calculate and implement sell and buy trades to rebalance to the target value for the unsuspended holdings.

Lifting the suspension

When the fund suspension is lifted and you wish to revert to using the fund within target portfolios, the target model must be amended to re-include the fund. An instruction to rebalance an account after a fund suspension is lifted, but without the model changes, will liquidate the fund and rebalance to the target model portfolio that excludes the previously suspended fund.

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