

Progeny

PAM Client Interest Policy



August 2023

This policy sets out how we deal with interest on money held by Progeny Asset Management for a client. It is our policy to account to our clients for interest on a fair and reasonable basis for both the client and the firm.

We believe that there are better low risk options for customers than holding large amounts of cash with Progeny Asset Management as we are a DFM and fund management investment business, not a banking institution. As such, we proactively review individual cash balances and will take action where appropriate. This might include portfolio reinvestment or suggesting a more suitable banking facility. However, to meet the associated costs of running a discretionary portfolio there is a need to hold some cash for clients at any given time. This requires active management.

Actively managing cash held in portfolios can be time-consuming and involves client accounting, audit, regulatory oversight, reporting, control, custodian analysis as well as client facing support teams to assist with client enquiries.

We have reviewed our associated costs with this activity and rather than charge clients an explicit fee, Progeny Asset Management's policy is to retain a proportion of the interest paid by our Custodian on client money held in cash. This is a better outcome for our clients as it is more tax efficient (an explicit charge would be paid from taxed interest income) and the return clients receive is more clearly comparable with that they may receive from other firms or from bank accounts (which also apply their charges in a similar way).

Clients are unlikely to receive as much interest as might have been obtained had they held the funds and invested the money by themselves.

Rate Applied to Cash Balances

The Interest rate we pay on cash balances is determined by our Custodian, Pershing Securities Limited. They credit us with a 'Pershing Interest Rate' (PIR) on client cash balances. When calculating the PIR, Pershing take into account the Bank of England's (BoE) base rate, rates offered by their network of deposit taking banks and rates available for similar services across the marketplace.

By way of example, as at the 14th August 2023, the BoE base rate was 5.25% and the PIR was 3.95%

The prevailing rate we will pay clients Interest is 2% below the PIR subject to a minimum payment of £10 of Interest per 6 month period.

If applicable, interest will be paid twice a year. Interest is paid gross and it is the client's responsibility to declare gross interest received to HMRC.

We will prepare the interest calculation based upon information received from our Custodian. Interest is paid to us by our Custodian on the aggregate of all client money held in our portfolios. If the Custodian which holds funds should fail, we reserve the right to disclose to the FSCS the names and other details for clients whose money is held, for the client to claim compensation, the limit of which is currently £85,000.

This policy is reviewed on at least an annual basis, and we reserve the right to change as deemed appropriate by the board.

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