

CONTRACTS FOR DIFFERENCE

A cost-effective investment tool for sophisticated investors



INTRODUCTION

Rowan Dartington provides clear, effective and thoroughly researched advice to investors looking for intelligent solutions to their financial requirements.

We offer trading solutions to suit every client's requirements.

As independent stockbrokers, we provide access to the widest range of investment options available from across the whole market. This includes access to efficient trading vehicles particularly suitable for sophisticated investors.

WHAT IS A CFD?

A Contract for Difference (CFD) is an agreement to exchange the difference in value of a particular share or market between the time it opens and the time it closes.

CFDs are a leveraged product. This means that you only need to deposit a fraction of the overall value of the trade (typically 10%), allowing you to make a much larger potential investment than if you were buying the shares outright.

For example, £1,000 would be needed to buy a CFD in £10,000 of shares. A £500 profit on the deal would equate to just a 5% return if you bought the shares outright, compared to a return of 50% with a CFD. As such, it can be used as a cost-effective way to hold a short-term position without having to own the underlying asset.

Rowan Dartington offer a comprehensive range of CFDs on individual shares, across share based indices, commodities and currencies. All CFDs are traded through IG Markets under the trading name of IG Markets.

Risk Factors

CFDs are high risk and only suitable for experienced investors. Trading CFDs can result in losses that exceed your initial deposit. They may not be suitable for everyone, so please ensure that you fully understand the risks involved by speaking to your Investment Executive.

WHAT ARE THE BENEFITS?

Trade long or short	You can buy or sell any share or market we quote. This enables you to speculate or hedge an existing portfolio and potentially profit from both rising and falling markets.
No stamp duty	As you don't actually buy the physical share, you don't have to pay stamp duty, so saving 0.5% when compared to a traditional share deal.
Low commission	Commission is charged from as little as 0.5% and is calculated on the total contract size, but in addition you may incur a financing cost of 2.75% over LIBOR on the full value of the CFD.
Risks managed	Our 'Limited Risk' facility (for example using guaranteed and non-guaranteed stop losses) lets you trade CFDs without assuming a potentially open-ended liability. The most you can lose is always known in advance when using our guaranteed stops.

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HOW A CFD WORKS

	On a long trade	On a short trade
Current trading range	Vodafone is currently trading at 149 – 150	BP is currently trading at 500 – 501
Trade placed	Investor A believes that Vodafone is going to rise and places a trade to buy 10,000 shares at 150.	Investor B believes that BP is over valued and is going to fall and so places a trade to sell 10,000 shares as a CFD at 500.
Initial margin	The total value of the contract would be £15,000 but as a CFD the initial margin of 10% is £1,500.	The total value of the contract would be £50,000 but as a CFD the initial margin of 10% is £5,000.
Commission	£75 (£15,000 x 0.5%) No stamp duty is payable.	£250 (£50,000 x 0.5%) No stamp duty is payable.
Closing position	A week later investor A's prediction was correct and Vodafone rise to 155-156 The investor decides to close their position by selling 10,000 Vodafone CFDs at 155. The commission on the trade is £77.50 (£15,500 x 0.5%).	A week later Investors B's prediction was correct and BP falls to 485-486 The investor decides to close their position by buying 10,000 BP CFDs at 486. The commission is £243 (£48,600 x 0.5%).
Profit calculated		
Opening Level	150p	500p
Closing Level	155.00p	486.00p
Difference	5p	14p
Profit on trade	£500 (5p x 10,000)	£1400 (14p x 10,000)
Less Commission	£152.50	£493
Financing	£7.91 ¹	£26.37 ²
Overall profit	£339.59	£933.37

The above are only examples and you should note that losses could be equally multiplied, and that you could lose more than the balance of your account.

CHARGES AND FEES

ADVISORY	0.5% per trade (min £50)
Financing	+/- 2.75% LIBOR**
EXECUTION ONLY	0.35% per trade (min £50)
Financing	+/- 2.75% LIBOR**

¹ Financing on long positions is calculated at 2.75% above LIBOR which is deducted daily. ² With a short sell the financing charge is credited to yourself as the holder. ** LIBOR stands for the London interbank offered rate. It is calculated as an annual % deducted daily.

Trades held over night may incur a financial charge. If you are long, you will have to pay interest; if you are short, you should receive interest.

Where can I find out more?

Your local Rowan Dartington Investment Executive will be happy to speak to you about trading CFDs. Their contact details can be found on the business card attached to the folder in this information pack. For further information, please visit www.rowan-dartington.co.uk.

As individual as you are.

RowanDartington.

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