



Best in the UK

Dawnay Day Quantum



Mark Mathias, Dawnay Day Quantum

> It's always been a story of firsts with Dawnay Day Quantum (DDQ), the London-based structured investment company. Not only did it release the UK's first retail credit-linked structured product in October 2003, it also provided retail investors with access to the FTSE Xinhua China 25 Index in April 2004. More recently, DDQ has been tempting investors with another first in the shape of its Commodities Accelerator range, allowing the UK retail market to finally have access to commodity-linked structured products.

And it doesn't look as though the company is about to sit on its laurels; it has also just become the first to launch an absolute-return fund for retail investors which solely uses derivatives under the new European Undertakings for the Collective Investment of Transferable Securities (Ucits) III rules to protect downside risk.

DDQ's commodities offerings have really made the company stand out from the crowd, however. Its first Accelerator, launched in November 2004, was a four-year product with 100% capital protection, offering 160% of the growth in a portfolio of eight equally weighted underlying commodities (copper, aluminium, nickel, lead, platinum, crude oil, natural gas and heating oil) and AA capital protection. Minimum investment was £15,000.

Last month, DDQ launched its fifth commodities product. This time, however, investors will be offered either 150% participation in the basket growth with full capital protection or they can opt for the commodities turbo, which offers 180% participation with 90% capital protection. For the turbo option, if the basket has fallen by maturity then capital is reduced by 1% for each 10% the basket is below its initial level.

In response to strong demand from investors, in March this year DDQ also made its Accelerator range available to ISA customers – the only ISA

currently capable of giving investors direct exposure to physical commodity prices. So far DDQ has launched five Protected Commodities Accelerators and the underlying commodity portfolios are up between 13% and 22% since launch, according to Mark Mathias, DDQ's chief executive.

When DDQ launched its commodities retail offerings it also launched an institutional version with no commission and no retail administration. "This offered 200% of the increase in the same portfolio over a four-year period. The institutional offering had a very liquid secondary market with daily real time two-way secondary market," Mathias says. "We have seen considerable secondary market activity after the issue closed. The issue was structured as a medium-term note, which enhanced the liquidity."

Such innovations accompany sound advice and guidance, according to Mathias. "Risk and return are faces of the same coin. Investors need to understand the risk profile of their investment as well as the potential return. We therefore seek to spell out the nature of the capital protection, and often to include the back testing, so that people understand how it would have performed," he says.

Unlike many UK distributors DDQ prefers to develop "high value relationships with a smaller number of clients," Mathias says. The company's minimum investments are higher than most of its competitors in the retail market, at £15,000, and its institutional minimums are usually £250,000. The company's client base is comprised of top-end investment IFAs and discretionary private client managers. "They have the sort of client base who are investment literate, and appreciate or demand investment-focused offerings, Mathias adds. "They are happy dealing with the higher minimums, and expect the level of service that we offer."

And although DDQ could be classified as a UK distributor its reach spans much further. DDQ works with a group of third party marketers to reach advisers in the Far East and other offshore locations and Mathias says the company has also received significant unsolicited interest from overseas advisors in Spain, Singapore, Japan, Hong Kong and other jurisdictions.

Why Dawnay Day Quantum won

Dawnay Day Quantum has been successful in bringing the commodities asset class to the retail investor. Its minimum investments may be high, but this means the level of service the company can provide is almost unrivalled.