

Value Assessment: Bespoke Portfolio Service

31st March 2023

INTRODUCTION.....	2
OUR APPROACH	2
OUR SERVICES.....	3
HOW DO WE ASSESS 'VALUE FOR MONEY'?	3
QUALITY OF SERVICE – DO CLIENTS AND ADVISERS GET HIGH QUALITY SERVICE FOR THE FEES THEY PAY?	4
PERFORMANCE – ARE OUR PORTFOLIOS ACHIEVING THEIR PERFORMANCE OBJECTIVES?	5
COSTS – HOW ARE COSTS CONTROLLED TO IMPROVE VALUE FOR CLIENTS?	6
ECONOMIES OF SCALE – DO OUR SERVICES PROVIDE ECONOMIES OF SCALE?.....	8
COMPARABLE MARKET RATES – HOW DO OUR FEES COMPARE WITH COMPETITORS?	9
COMPARABLE SERVICES – HOW DO CHARGES COMPARE WITH SIMILAR MANDATES?	10
VALUE ASSESSMENT SUMMARY.....	11
APPENDIX – VALUE ASSESSMENT DETAILS	12
DIRECT EQUITY PORTFOLIO SERVICE ('DEP').....	12
AIM SERVICE	14
RISK WARNINGS.....	16

Introduction

Fund Managers in the UK are required by the FCA to undertake an annual assessment of their funds in terms of how they represent ‘value for money’. The new Consumer Duty obliges all firms to look at the ‘value for money’ that firms generate for their clients because of the products and services that they offer.

Our Approach

As part of our approach to Consumer Duty at City Asset Management (‘CAM’) we are interrogating all the services that we provide to ensure that they are both suitable and appropriate for our clients and their advisers (‘IFAs’) and, also, represent ‘value for money’. This is a very subjective area and may be interpreted by clients and IFAs in a number of diverse ways, with varying levels of importance attached to a number of distinct aspects of ‘value’.

Our relationship with IFAs is one where the IFA acts in the capacity of Agent as Client. The IFA is responsible for the client’s suitability and the selection of the appropriate investment service, mandate and risk rating, together with any investment or platform wrappers. CAM is responsible for running the portfolio within its designated risk profile.

This document looks at the objective approaches and review process that we undertake within CAM to demonstrate the value that our services provide. All data such as performance is as at 31st March 2023.

Whilst we commit to conducting this formal review on an annual basis on 31st March, we regularly monitor our services to ensure that performance meets our exacting standards across all areas of the service proposition.

AREAS EXCLUDED

For the purposes of this report, we have not taken into the account the following areas within the distribution chain:

	Description	Rationale
IFA Fees	Fees charged by IFAs for their advice, suitability and portfolio selection	This is determined by the IFA and charged separately to the client for their service
Platform, Wrapper Costs and Services	Wrapper providers for our discretionary service such as SIPPs and Offshore Bonds are determined by the IFA. CAM is an ISA provider so will be responsible for the delivery of this wrapper including costs and service	The IFA will be responsible for selection of the relevant wrapper due diligence and determination that the wrapper is appropriate to the client and their business

Our Services

BESPOKE DISCRETIONARY SERVICE - portfolios across a range of risk profiles.

AIM PORTFOLIO SERVICE ('AIM') - bespoke IHT service investing in small AIM listed companies.

DIRECT EQUITY PORTFOLIO SERVICE ('DEP') - bespoke service investing predominantly in UK and Overseas equities and potential to invest in investment trusts and direct bonds.

How do we assess 'value for money'?

The FCA expects Fund Managers to look at value across seven areas. These criteria are generally applicable to CAM's services, too, so we have followed this approach. We have excluded classes of units as they are irrelevant, given that we do not offer unitised funds.

The key metrics are as follows:

Quality Of Service	Performance	Costs	Economies of Scale	Comparable Market Rates	Comparable Services
<ul style="list-style-type: none"> • What is the range and quality of services we provide 	<ul style="list-style-type: none"> • How have our portfolios performed in line with their objectives and strategies 	<ul style="list-style-type: none"> • How we control costs relating to the service we provide 	<ul style="list-style-type: none"> • Where we are able to reduce costs for the benefits of our investors 	<ul style="list-style-type: none"> • How our charges compare to those of other managers 	<ul style="list-style-type: none"> • How our charges compare with similar CAM services across all client types

When we look and assess the value of our services, we are not just looking at costs but the whole client and adviser experience and the support that we provide along the journey.

We have a recommended minimum investment time horizon of 7 years and many clients and advisers have had their investments with us for much longer.

Providing ongoing support is critical to ensure that we achieve our clients' and advisers' long term financial goals.

EXECUTIVE SUMMARY

The last few years have provided a challenging market. Issues from global geopolitical crises to domestic inflation and interest rate rises have had a severe impact on the wealth of UK investors. Many of our strategies are linked to an inflation benchmark, so this has obviously impacted relative returns in the short term. However, we continue to believe that our approach, expertise, and experience offer clients and advisers a value for money proposition that sets us apart from the

homogenised offerings of many of our peers. We will continue to proactively seek client and IFA feedback to ensure that clients and advisers can benefit from a service offering that develops and improves. In preparation for the key Consumer Duty date, July 31, 2023, we have a clear number of objectives and actions resulting from the Consumer Duty implementation review, and these aim to benefit all our stakeholders in the long term.

Quality of service – do clients and advisers get high quality service for the fees they pay?

OVERVIEW

We have consistently achieved independent 5 star ratings for our Bespoke portfolios from Defaqto and these are reviewed on an annual basis as external validation of our service. Our services are also rated by third parties such as Distribution Technology, FinaMetrica and Defaqto to ensure IFAs have the appropriate risk ratings for the relevant portfolio service. We take pride in the quality of our service to clients and advisers and provide a considerable number of additional services to ensure that they receive the information and communication that they require.

All bespoke portfolio clients and their advisers have a dedicated investment manager, and a client service manager to look after their account.

Financial Advisers also have a dedicated salesperson to deal with any business-related matters.

Clients and advisers are provided with online portals to monitor their investments and will receive quarterly valuations, tax packs, ad-hoc meetings and portfolio reviews as part of our service. We also publish a number of factsheets, articles and information updates for clients and advisers to keep them abreast of what we do and what is happening in the financial markets from investments to tax planning. We have recently appointed a client experience manager who talks to and collates client and introducer feedback to ensure we are meeting the requirements of our clients and introducers. This is supplemented by annual surveys for advisers.

CONCLUSION

We are a staff and family-owned business. We understand how important service and communication are for clients and advisers. Therefore, we will always aim to exceed expectations and deliver a service that is personalised, clear and quickly reactive to clients' and advisers' changing needs. The ability to sustain this high service level throughout a long-term relationship and the changing circumstances of clients, including vulnerabilities, is what attracts and retains clients and advisers.

AREAS OF INCREASED FOCUS

We are committing a significant amount of time and resource to developing our digital footprint. This will enhance our communication to advisers and clients on our service and related activities. Our client experience manager's activities, combined with our direct client and IFA surveys, also highlight areas that we can address and improve upon.

Performance – are our portfolios achieving their performance objectives?

OVERVIEW

We operate a strong governance framework and investment process to ensure that we rigorously assess asset allocation and asset selection. These key topics are discussed on both a qualitative and quantitative basis.

We benefit from multi decades experience across all asset classes of our research and investment team. This allows us to run a centralised investment process that is well controlled and can react to market moves in a timely manner.

We run the majority of our portfolios under 'real return' mandates which means that their benchmarks are linked to inflation. This is a transparent, easily understandable and relatable benchmark for clients and advisers. It does mean that our underlying asset choice and asset allocation can be difficult to compare to firms that run relative return mandates or their own in-house constructed benchmarks.

We do look at the returns of competitor Services, ARC, and the IA sector benchmarks to ensure we have a good understanding of our returns versus competitors in relevant risk profiles. We will compare portfolio mandates by 'equity risk' in these cases or independent rating agencies such as Distribution Technology portfolio risk rating scores where available although this is difficult for bespoke portfolios given their nature.

Our AIM service has a clearly identified benchmark and competitor intelligence so is straightforward to provide a meaningful objective external assessment.

Given its benchmark, the assessment of our DEP service is based on general equity index and equity risk comparisons.

The Sustainable services are relatively recent launches and so do not have sufficient track record to conduct competitor comparisons. Given their real return benchmarks, we will monitor their performance against the inflation benchmark to which the portfolios are aligned.

As has occurred in recent times, portfolios can suffer periods of downside performance or under-performance if benchmarked against inflation, which has risen significantly over the last year. Our approach means we will always focus on the long-term performance of the portfolio whilst ensuring that clients and advisers who entrust us with monies understand this approach. This avoids knee-

jerk reactions and irrational actions in times of market stress but aims to achieve positive returns versus the respective benchmark over the longer term whilst not taking excessive risk to chase headline returns.

Our time horizon for achieving investment goals is typically seven or more years.

Where underlying assets within our portfolios underperform versus expectations, we will ensure we understand the reasons and meet fund managers to enable us to be fully informed prior to making any decisions whether to buy more, hold or sell the asset from portfolios.

CONCLUSION

We continue to deliver competitive returns across our portfolio services over the long term. The short-term performance of our bespoke multi-asset portfolios has been impacted by the significant discounting in the Alternative Income market. We believe that this is a cyclical event, and we continue to support investments in the sector. The current high inflation levels will mean relative underperformance for the real return portfolios although this should change once inflation and interest rates settle to more normalised levels. If anything, we believe that our bespoke portfolios and our approach to asset allocation and the underlying securities offer significant opportunities in the current environment for new client portfolios.

Our AIM portfolio service continues to deliver strong relative returns against its competitors.

We monitor client portfolios within our alignment and risk reporting to identify any portfolios deviating from the normalised returns and asset allocation and will ensure any significant deviations are understandable and explainable.

AREAS OF INCREASED FOCUS

We will actively monitor our holdings and asset allocation over the coming year considering economic news flow and will act across all portfolios if necessary.

Costs – how are costs controlled to improve value for clients?

OVERVIEW

CAM provides a number of services to support a bespoke discretionary service that provides value for money and a high service level for clients. We use our Balance Sheet to invest in systems and technology as well as employ third parties to ensure a seamless and high-level of client and adviser experience.

Investment Management	Client Service	Third Party Partners
<ul style="list-style-type: none"> • Research team and information resources • Investment team participate in asset allocation and underlying asset discussion • Dedicated Investment Manager and Client Service Manager • Risk and Compliance • Distribution team covering advisers 	<ul style="list-style-type: none"> • Record Keeping • Adviser enquiries and servicing • Face to face meetings when requested • Portfolio updates and specific information requests • Quarterly valuations, tax packs • Client and adviser portal • Marketing and adviser surveys 	<ul style="list-style-type: none"> • Data providers for investment research • IT and Security • Custodial, reporting and front office systems • CRM systems • External audit and legal advice

The Finance function maintain budgeting and cost controls. Finance report monthly to the Executive Committee who are responsible for day to day running of the business and the Board on a Bi-monthly basis for strategic areas of capital deployment.

We aim to maintain a work and compensation environment to attract and retain staff and encourage all staff to commit to the long term with equity in the business via share option schemes.

Our third-party suppliers are subject to Service Level Agreements. This approach ensures that we maintain a strong service offering for the consideration paid throughout the lifetime of the arrangement.

We have regular meetings with Platform Securities LLP ('PSL') who provide our outsourced custodial and back-office functions. We have reviewed their Consumer Duty plan and documents. We continue to believe they offer value for money for the service that they provide and note the client service areas that they are looking to improve upon.

The last year has seen cost pressures on all businesses, and we have absorbed, and will continue to absorb, these to ensure that there is no impact to clients.

This financial year (to September 2023), we have changed our auditors to appoint a firm who we believe will provide greater value for money for the services they provide. We have also renewed our lease on our office with favourable terms, enabling us to secure long term budgeting for our office location.

CONCLUSION

Our size and established position enables us to ensure that our costs are controlled and overseen, and we have a strong negotiating position to enable us to provide high-quality services to our clients and advisers.

AREAS OF INCREASED FOCUS

Given inflationary pressures, we will maintain a tight oversight of all our costs and look to reduce costs such as paper printing and postage whilst enhancing our digital processes. CAM will negotiate other third-party costs to ensure increases are manageable and controllable should the need arise.

Economies of scale – do our services provide economies of scale?

OVERVIEW

We offer several different services across our centralised investment process. We benefit from the economies of scale that arise from this approach.

We will continue to review any services that have minimal amount of assets invested to ensure they are offering the appropriate risk/reward characteristics for the relevant target market.

Given our size and reputation, we benefit from institutional pricing and access to new fund launches, together with access to company management of listed securities. These attributes benefit clients and their portfolios.

CONCLUSION

We benefit from competitive (institutional) fees, access to assets and research on underlying assets that a typical retail investor would not be able to obtain, thereby increasing the quality and range of services available.

AREAS OF INCREASED FOCUS

We will continue to review our fees, underlying assets, and costs to ensure clients and advisers benefit from a wide range of services that are suitable for their specific circumstances. This is achieved whilst knowing that the longevity and size of our business enables them to take assurance that they are benefitting from institutional services and costing from a well resourced and run business which has been in existence for over 35 years.

Comparable market rates – how do our fees compare with competitors?

INTRODUCTION

We review our fees against our competitors, although it is not always straightforward to obtain relevant market data. As a result of Consumer Duty, we, like all firms, are reviewing our charges for both existing and future clients to ensure there is consistency in terms of delivering good consumer outcomes.

We believe that our fees are competitive and offers value for money versus our competitors. We also look at the Ongoing Charges Figure ('OCF') for the underlying assets that we hold within our portfolios to ensure that they represent value for money. Given our focus on real returns, we use active funds and investment trusts within our portfolios, and these can have OCFs that raise the overall OCF of the portfolios given their characteristics. However, we are comfortable that the risk and return fully justify the OCF despite recent market turbulence in the sector.

We use a blend of active and passive investments within our multi-asset mandates, but our primary goal is to deliver risk adjusted returns that meet the performance targets of our benchmarks after our fees. We look at the OCF of any underlying asset in line with other important due diligence analysis such as risk and correlation to other assets within the portfolios.

Our AIM service has a directly comparable market and its fees remain competitive against its peers.

CONCLUSION

We are comfortable that our bespoke discretionary service offers good value for money in terms of our costs and the underlying security costs. We do not control the costs or other charges levied by some of the wrappers. Please see our Costs and Charges document for additional information.

AREAS OF INCREASED FOCUS

We will continue to monitor competitors to ensure our pricing remains competitive. We continue to blend active and passive in the multi-asset portfolios but where active managers are not delivering, we will not hesitate to explore the use of passives as a substitute in the portfolios.

Comparable services – How do charges compare with similar mandates?

INTRODUCTION

Our bespoke discretionary service is not directly comparable to our MPS. However, the bespoke service has a greater use of assets within the multi-asset mandates when compared to the MPS. Through our investment process, we run the bespoke portfolios and MPS all portfolios with the same asset allocation framework.

CONCLUSION

We offer services that are consistent in terms of delivery and quality across client ranges for the relevant portfolios. We will not restrict ourselves from considering strategic deals for firms / client banks where it is mutually beneficial for both parties.

AREAS OF INCREASED FOCUS

None at present.

Value Assessment Summary

Service	Page	Quality of Service	Performance – 3 yrs	Performance – 7yrs	Service Costs	Economies of scale	Comparable Market Rates	Comparable Services	Overall Assessment
Bespoke Discretionary Service									
Real 2									Good value
Real 3									Good value, however, we are monitoring short term performance
Real 4									Good value, however, we are monitoring short term performance
Growth									Good value, however, we are monitoring short term performance
Sustainable Real 2			N/A	N/A					Good value, although insufficient time period for performance metrics
Sustainable Real 3			N/A	N/A					Good value, although insufficient time period for performance metrics
Sustainable Real 4			N/A	N/A					Good value, although insufficient time period for performance metrics
Direct Equity ('DEP')	12								Good value
AIM	14								Good value

WE HAVE PREPARED SPECIFIC VALUE ASSESSMENT REPORTS FOR DEP AND AIM. PLEASE REFER TO THE MPS VALUE ASSESSMENT REPORT FOR ALL OTHER PORTFOLIOS.

Appendix – Value Assessment Details

Direct Equity Portfolio Service ('DEP')

OVERALL ASSESSMENT

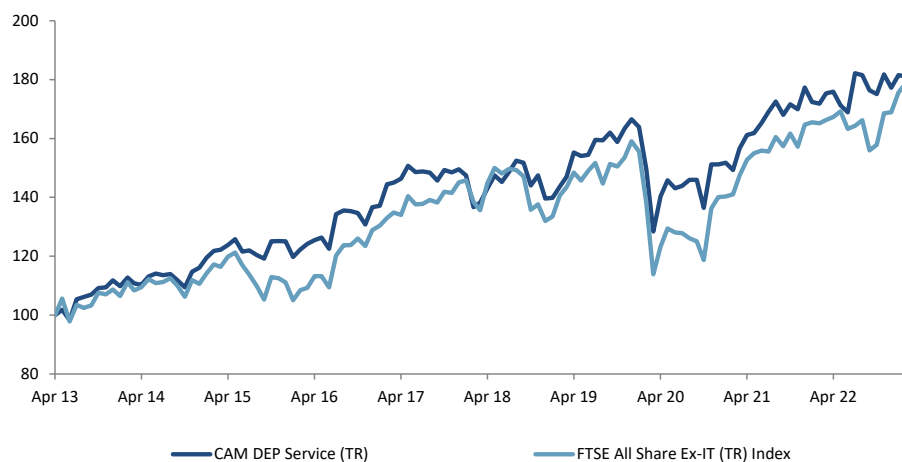
The portfolio represents good value for money and risk adjusted returns.

● QUALITY OF SERVICES

The sales support, access to the investment team running the service together with monthly factsheets, quarterly valuation summaries and reporting and in-depth commentary provides advisers with all the necessary information and support that derives from a well-structured service offering.

● PERFORMANCE

	1-year	3-year	5-year	7-year	Since Inception
DEP	1.55%	38.67%	28.87%	43.41%	78.07%
FTSE All Share Ex IT Index	0.60%	49.18%	25.28%	55.55%	69.92%
ARC Sterling Equity Risk 80 – 110	-4.60%	30.40%	24.90%	26.90%	
IA Equity 40 – 85%	-4.57%	27.08%	22.38%	46.10%	



Source: Financial Express and CAM

We have looked at the performance of the portfolio against other competitors, as well as against the benchmark. We have attributed a short term and long-term green assessment to DEP based on its performance and volatility against its benchmark.

● **SERVICE COSTS**

See summary.

● **ECONOMIES OF SCALE**

The Managed Portfolio Service benefits from the same centralised investment process as the bespoke portfolio service so benefits from the due diligence and frameworks already in place.

● **COMPARABLE MARKET RATES**

We have compared the cost of our service to the headline cost of other competitors as this is a relative return mandate. The portfolio overall fees including OCF for the service remains sub 1% and has a lower OCF than the real return mandates given that it is a relative return mandate.

	Portfolio Fees	Dealing Commission	OCF	3-year volatility	3-year maximum drawdown
DEP	0.65% + VAT	1% on all trades up to £10,000, 0.5% thereafter	N/A assuming all equities	11.64%	-22.90%

● **COMPARABLE SERVICES**

There are no comparable services aside from the bespoke discretionary service which has a significantly different service proposition.

AIM Service

OVERALL ASSESSMENT:

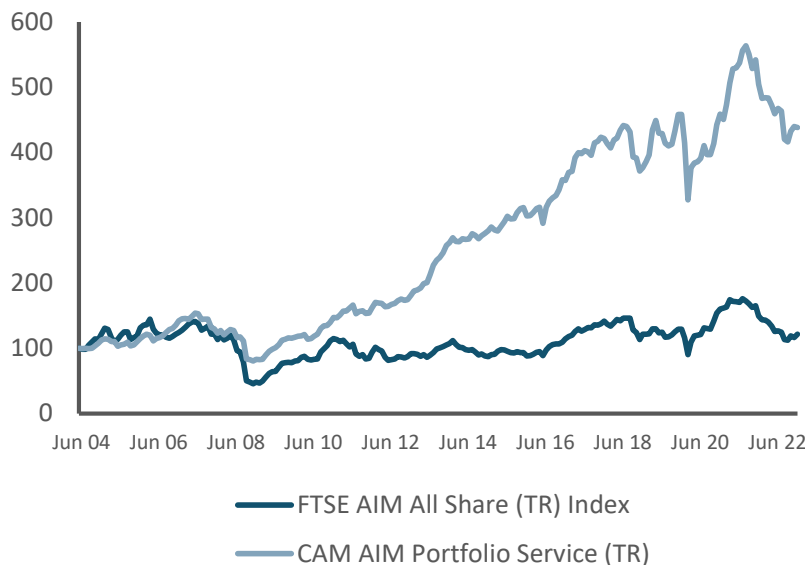
The portfolio represents good value for money and risk adjusted returns.

● QUALITY OF SERVICES

The sales support, access to the investment team running the service together with monthly factsheets, quarterly valuation summaries and reporting and in-depth commentary provides advisers with all the necessary information and support that derives from a well-structured service offering.

● PERFORMANCE

	1-year	3-year	5-year	7-year	10-year
AIM	-15.94%	24.24%	0.07%	32.10%	114.79%
FTSE AIM All Share Index	-22.45%	23.21%	-17.03%	22.15%	22.56%



Source: Financial Express and CAM

We have looked at the performance of the portfolio against other competitors as well as against the benchmark. We have attributed a short term and long term green assessment to AIM based on its performance against its benchmark.

● SERVICE COSTS

See summary.

● ECONOMIES OF SCALE

The AIM Portfolio Service benefits from the same centralised investment process as the bespoke portfolio service so benefits from the due diligence and frameworks already in place.

● COMPARABLE MARKET RATES

We have compared the cost of our service to the headline cost of other competitors as this is a relative return mandate. Our fee levels remain significantly below that of many of our competitors.

	Portfolio Fees	Dealing Commission	OCF	3-year volatility	3-year maximum drawdown
AIM	0.75%+VAT	1% on all trades up to £10,000, 0.5% thereafter	N/A	14.46%	-47.90%

● COMPARABLE SERVICES

There are no comparable services to this bespoke discretionary service.

Risk Warnings

The information contained in the document is provided for financial advisers for information purposes only and should not be communicated to any other party. Past performance is not a guide for future performance. The value of your client's investment can fall, and they may not get back the amount invested. Different investments have varying levels of and exposure to risk. This notice cannot disclose all the risks associated with investments and investment services. Please see our website for more information and more detailed risk warnings. Your client should not invest in or deal in any financial product unless through you, they understand its nature and the extent of their exposure and risks associated with it. The investment services discussed or offered by us may not be suitable for all investors. If you have any doubts as to the merits or suitability of an investment for your client, you should raise them before proceeding with arrangements for investing on your client's behalf.

Whilst we believe the information within the document to be correct, we cannot assume liability for any errors or omissions, except insofar as liability cannot be excluded.