investments

our central investment proposition…

introduction

As part of our Client Investment Proposition (CIP) we have chosen to adopt an Independent investment solution that has at its core a centralised investment strategy that is based upon funds that are Multi Managed with Multi Assets and that automatically rebalanced, risk rated and approved by the Investment Committee of our Principle (In Partnership).

Our CIP will make it easier for us to deliver suitable advice to our clients in a way that is clear, fair and not misleading. It will also allow for a very transparent service to all clients with whom we engage and for whom we manage their financial life plans.

client tangible benefits

Our CIP is intended to contain clear and tangible benefits for the client; however it is recognised that some simplification of the systems and controls will have a direct benefit to advisers and the business, but these benefits will not be allowed to overshadow the tangible benefits to the client. The client's best interest must prevail over the business interests.

The identified tangible benefits for any client receiving our CIP are listed below for clarity:

- Scheduled meetings either face-to-face, virtual media or via phone, as required by the client.
- Regular monitoring of progress towards all agreed client goals.
- Scheduled servicing packs including, but not limited to, valuations, fund information, all charges paid by the client, a projection for charges paid by the client in the fourth-coming year and market commentary.
- Ability to leave existing arrangements intact and undisturbed but considered as part of the Plan.
- Review and report on the ongoing suitability of the client portfolio at regular intervals.

business tangible benefits

It is very important to the business and to clients that our CIP ensures that the advice and services offered by all advisers meets with the expectations of the Financial Conduct Authority. The FCA expects that we will have a sustainable business model, for the long term, and that we will achieve good consumer outcomes, avoid any conflicts of interest that might arise and have a client centric culture that allows for the management of clients' best interests over the lifetime of the Plan. See Appendix A for FCA guidelines.

In addition, the CIP will enable us to build a sustainable business for the long term and provide succession planning for all our advisers. We will be able to support the delivery of quality advice and a valued ongoing service that is robust, repeatable and professional. In achieving this we will maximise income to the business to cover all remuneration costs, operational costs, salaries for staff, investment in the business and stakeholder value.

It is important to us that our CIP is attractive to potential new clients and brings a good experience to existing clients, thus helping us build and maintain trust and enhance our reputation, which will in turn develop loyalty and advocacy amongst clients.

the declaration

Our declaration in adopting our CIP is to identify, understand and help our clients accomplish their financial life goals. To achieve this, we will act with due skill, care and diligence, never compromising our integrity, nor fail to execute our fiduciary duties and responsibilities to our clients. We will always put the objectives of the client's Plan ahead of our own interests.

the initial engagement process

All advisers will follow an initial engagement process with potential clients in order to validate that we have satisfied the regulatory requirement on 'status disclosure', establishment of 'know your client' and to identify and agree client goals and aspirations before designing suitable investment and pension solutions. This is to ensure that we have provided the potential client with enough information about what we do and our costs and charges, so they can conduct their own due diligence on us and the services we provide.

This initial engagement process may or may not result in a personal recommendation being made to the potential client to make a specific decision in respect of their financial plans, aims and aspirations. It will always include advice on how we can help facilitate and manage the realisation of these goals. Where no personal recommendation to invest is necessary we will instead invite the potential client to benefit from engaging with us under one of the ongoing service levels of our CIP.

the scope and range of the solutions

The CIP is founded upon helping clients achieve their financial life goals by providing preferred points of delivery (on-platform, off-platform and by way of a back-office system) that meets with the client's:

- Aims and objectives,
- Attitude to investment risk,
- Capacity and tolerance for loss,
- Knowledge and experience.

In January 2018, the FCA's Product Intervention and Product Governance Sourcebook (PROD) rules came into force alongside other MiFID II provisions. Visit https://www.handbook.fca.org.uk/handbook/PROD/3/1.html?date=2018-01-03 for the relevant section in the FCA's handbook.

The purpose of PROD is to ensure that clients are segmented, not just in terms of how much money they have or what service they receive, but in terms of their specific needs and objectives.

Therefore, for our Investment clients, we have segmented them into the following categories:

1. Young accumulators
    - Simple, low cost
    - Low need (and desire) for ongoing service
    - Multi Asset Funds

    Ongoing service proposition would cover:
    - Annual Review

2. Middle age Accumulators
    - Higher need for ongoing service to ensure plans are performing
    - Research required – comparison of existing plans required
    - Cash flow modeller required

    Ongoing service proposition would include:
    - Six month phone review
    - Annual face to face review

3. At retirement
    - Complex needs, holistic planning
    - Probably intergenerational, combining investments, protection, cash, property etc
    - High need and desire for ongoing review

    Ongoing service proposition would include:
    - Six month face to face meeting
    - Annual face to face meeting

4. Trust Fund Investments
    - Very complex needs, including "treasured" assets
    - Tax planning equally, if not more important than investment planning
    - Needs almost constant investment planning (although little desire)

    Ongoing service proposition would include:
    - Six month face to face meeting
    - Annual face to face meeting

investment clients

Our CIP uses funds approved by our Principal (In Partnership) and using that list we have created TMP Model portfolios to align with the Moody's Attitude to Risk Questionnaire (See appendix B).

Each Strategic Asset Allocation (SAA) is targeted to achieve the highest possible return but restricted to not having a capacity for loss value greater than the boundaries specified in the table below:

Asset Allocation Name	Min Gain	Max Gain	Mean Gain
Cautious	-7.58%	11.79%	1.87%
Moderately Cautious	-12.85%	20.4%	4.03%
Balanced	-16.98%	25.55%	5.11%
Moderately Adventurous	-20.64%	31.18%	5.95%
Adventurous	-24.86%	35.21%	6.52%

The capacity for loss figure is based on:

- No minimum allocation to any particular asset class
- A tolerance of 10% so that at any one time the particular allocations may be different from the table above
- The SAA's are created assuming a projection term of 10 years
- They are reviewed on a bi-annual basis
- The SAA's are based on lump sum accumulation and not on regular income

TMP model portfolios

Our model portfolios each have 3 separate funds within them. We do this to diversify the portfolio and therefore reduce risk and also lower costs to our Investors. It has been decided that three funds will be:

1. **An actively multi asset globally managed fund**

- An actively managed investment fund has an individual portfolio manager, co-managers, or a team of managers all making investment decisions for the fund. The success of the fund depends on in-depth research, market forecasting, and the expertise of the management team.
- As the name implies, active portfolio management usually involves more frequent trades than passive management and therefore can have a higher cost.

2. **A passively multi asset globally managed fund**

- Passive portfolio management mimics the investment holdings of a particular index in order to achieve similar results. The purpose of passive portfolio management is to generate a return that is the same as the chosen index.
- Because this investment strategy is not proactive, the management fees assessed on passive portfolios or funds are often far lower than active management strategies.

3. **A fund that has a team of managers actively managing passive index linked funds.**

- The Global Strategy Funds involve active management of passive fulfilment.
- The underlying investments are made using passive vehicles, but the asset allocations shift dynamically through time to reflect our views on the market.

We research the funds using the Capita Synaptics Funds Research tool. We use the following criteria:

1. Sharp Ratio – Financial Strength of the underlying company
2. OCF – value for money
3. Performance over 1 yr, 3yrs and 5yrs*
4. Performance vs Volatility over 1yr, 3yrs and 5yrs*
5. Synaptic Modeler to ensure capacity for loss is within the Risk tolerance of our Network InPartnership governance policy.

*Where fund has run less than 3 or 5 years this will not be discredited as we will look at the entire financial strength of funds.

The ISC meet every quarter to assess the performance of the funds. Every January a full market review will be completed to ensure funds still fit within our CIP and company aims.

See Appendix C for the 2020 TMP portfolios. If you require the full research behind our chosen funds this can be sent to you on request.

investment and pension solutions

Funds Scope and Range

Our CIP uses funds approved by our Principal (In Partnership) but further filtered by an internal Investment Strategy Committee (ISC) to create a basket of model portfolios catering to our Clients attitude to Risk, their Investment objectives and their financial circumstances. The ISC will meet Bi-annually to review the included funds and determine their continued inclusion and of other funds that it recommends are included.

On Platform Scope and Range

Our CIP allows us to access a range of product wrappers that fall within the definition of Retail Investment Products (RIPs). Our platform of choice is listed below:

- Aviva UK Wrap Platform

Please refer to Appendix D for additional information on our CIP in relation to scope for On Platform Solution and our rationale for picking Aviva.

Off Platform Scope and Range

For our retirement proposition we are looking at Royal London as our provider of choice for Personal Pensions:

- Royal London

Please refer to Appendix E for additional information on our CIP in relation to the rationale for recommending Royal London.

Client Best Interest Rule

Clients with existing funds held on a platform will be switched to our chosen platforms only when it is in the client's best interest to do so. If the client's holdings cannot be switched into one of our chosen platforms because they are not available on that particular platform, we will recommend a transfer to our chosen fund solution but again only in the client's best interest.

If it is not possible to switch to our chosen platforms and our fund solution are not available on the client's existing platform then a outlier service may be provided using their existing platform so long as the existing platform is an approved platform by In Partnership but no further recommendations should be made to use the existing platform.

initial advisor fees

1. Initial meeting to explain what it is we do and to obtain information about you that will allow us to establish if we can assist you and indeed that you want our assistance. At the end of the meeting we will agree how you wish to proceed.
   Fee: NA
2. Provision of a detailed specific recommendation or recommendations report on how best to address any shortfalls in your financial plans and identify the terms of an appropriate financial product. This includes a full analysis of your current financial, personal and other circumstances and identification of any shortfalls in your financial plans.
   Fee: NA
3. Provision of a detailed report and recommendation in relation to Long Term Care provisions or Home Purchase Plans and identify the terms of an appropriate financial product. This includes a full analysis of your current financial, personal and other circumstances and identification of any shortfalls in your financial plans.
   Fee: NA

4. Provision of a detailed report and recommendation in relation to Occupational Pension Scheme Transfers and identify the terms of an appropriate financial product. This includes a Transfer Value Analysis Report from an external provider, together with a full analysis of your current financial, personal and other circumstances and identification of any shortfalls in your financial plans.
   Fee: We refer all Occupational Pension Transfers to Pension Help. They will determine the costs involved.
5. Implementation of any agreed personal recommendations. For every £100,000 invested we would charge £3,000, subject to the minimum fee. For example: for any investment up to £66,666 we would charge £2,000 (the minimum). For an investment of £150,000 we would charge £4,500.
   Fee: For single premiums, charged at 3% of the total amount invested.

The Ongoing Service Proposition

We will offer and provide (where appropriate) an ongoing service to all clients. These are based initially upon your attitude to risk, your Investment objectives and your financial situation.

ongoing service and fees

Charges

Charges are based on approximate figures as listed:

- Platform 0.25% (Aviva) or (Royal London) 0.35 to 09%
- Fund OCF
- Ongoing adviser fee 1%

The Ongoing Service Benefits

Ongoing Review Service	Young Accumulator	Middle Age Accumulator	At Retirement	Estate Planning/Trust Fund Investors
Annual statements from provider	✓	✓	✓	✓
Consolidated annual investment report and valuations	✓	✓	✓	✓
Ongoing due diligence of funds and products	✓	✓	✓	✓
Six monthly review of products against current client circumstances		✓	✓	✓
Annual suitability review of products against current client circumstances	✓	✓	✓	✓
Newsletter (general) – Quarterly		✓	✓	✓

plan performance review

The Plan Performance Review pack, once issued, will be followed up with a scheduled call to the client to allow the adviser to discuss and explain the main aspects of the plan performance and provide an opportunity for the client to ask for further explanation if required and to arrange for Ad Hoc engagement if required by the client.

In addition to these reviews we will also provide you with the following services:

- Annual Statement of Holdings
- Access to our support team
- Professional and expert governance
- Regular Portfolio rebalances
- 1x Progress report pa
- Review of objectives
- Review of risk profile
- Review of Tax Changes
- Review of Asset allocation
- Review of mortgages
- Align protection

Please visit the next page to see our appendices

appendices

appendix a) FCA (FSA) Guidelines

Finalised guidance

Assessing suitability: Replacement business and centralised investment propositions

July 2012

Contents

1 Executive summary

1.1 In preparation for the Retail Distribution Review, many firms are changing their business model and choosing to offer a centralised investment proposition (CIP). This includes portfolio advice services, discretionary investment management1 and distributor-influenced funds.

1.2 We recently carried out a thematic review to assess how this change has affected consumers. This report outlines our findings and provides examples of our concerns around CIPs which, if not mitigated, could result in poor customer outcomes. Our review of CIPs also identified suitability failings of wider relevance relating to replacement business2 which are also covered in this report. We highlighted many of these failings in previous thematic reports.3 It is unacceptable that many firms are still not demonstrating the suitability of replacement business.

1.3 We expect all firms providing investment advice to act in their clients' best interests. As part of our supervision, we will look to see how firms are acting in this area. We will continue to take tough action where we identify poor practice.

Actions for firms

1.4 All firms providing investment advice should ensure that they have robust processes and controls when recommending replacing an existing investment. In particular that:

• the costs of the investment solution recommended are in the client's best interests and presented in a way that the client is likely to understand (page 9);

• when improved performance prospects are a driving factor for the recommendation, it is clear why the new investment is, in the firm's opinion, likely to out-perform the existing investment (page 10);

• the recommendation is suitable given:

• the tax implications (page 11); and

- the client's specific objectives (page 12);

- the firm collates necessary information on the client's existing investments and demonstrates why these no longer meet the client's needs and objectives (page13).

1 This publication focuses on the advisory process to recommend discretionary investment management as a CIP. It does not focus on the discretionary investment management itself.

2 We describe what we mean by 'replacement business' in Chapter 3 of this report.

3 www.fsa.gov.uk/Pages/Library/Other_publications/pension_switching/index.shtml www.fsa.gov.uk/pages/Library/Other_publications/platform_thematic_review/index.shtml

1.5 In light of this guidance, firms conducting replacement business should consider reviewing the following areas to ensure they are acting in their clients' best interests and treating them fairly.4 A firm should consider:

- its replacement business sales process;

- the controls in place to mitigate the risk of unsuitable replacement business recommendations;

- the quality of the management information on replacement business and whether issues are identified and acted on accordingly; and

- the quality of challenge provided by the file review function.

1.6 A firm either selling or intending to sell CIPs should:

- consider the needs and objectives of its target clients when designing or adopting a CIP (page 16);

- ensure that it is not 'shoe-horning' clients into the CIP (page 20); and

- establish a robust risk identification and control system to mitigate risks which might arise from the specific characteristics of its CIP (page 22).

4 COBS 2.1.1 and Principle 6.

2 Overview

2.1 In our 2012 publication, the Retail Conduct Risk Outlook (RCRO), we highlighted how investment advisory firms are changing their business models in preparation for the Retail Distribution Review (RDR). In many cases firms are choosing to offer a CIP which may be driven by the intention to create additional value for clients and to justify ongoing adviser charging given the ban on commission as part of the RDR.

2.2 For this report, we use the term CIP to reflect a standardised approach to providing investment advice. Examples of this include:

- Portfolio advice services – recommending a portfolio of investments that is designed to meet a target asset allocation. Firms may operate a number of these 'model portfolios' to meet the needs and objectives of clients with different risk profiles. Reviews of the portfolios are typically carried out periodically.

- Discretionary investment management – either in-house or referred to a third party where the adviser has some say in the investment strategy adopted.

- Distributor-influenced funds (DIFs).5

Further details on all three proposition types are found on page 64 (section 3.5) of the RCRO 2011.6

2.3 We recognise there can be benefits to offering a CIP for both clients and firms. Clients can benefit from more structured and better researched investments and firms can benefit from efficiencies in the management of risks associated with investment selection. However, we have concerns that, in certain circumstances, a CIP may be unsuitable for a retail investor. For example:

- 'Shoe-horning' – firms might recommend a 'one size fits all' solution which is not suitable for the individual needs and objectives of a client;

- Churning – firms might advise clients to switch their existing investments into a CIP without adequate consideration of whether the switch is both suitable and in the client's best interest; and

- Additional costs – the use of a CIP might result in higher (and potentially less transparent) charges than the client's existing investments and with few additional, actual benefits.

5 We have additional concerns in relation to DIFs and have published separate guidance on this matter. www.fsa.gov.uk/library/policy/final_guides/2012/distributorinfluenced-funds

6 www.fsa.gov.uk/library/corporate/rcro

2.4 Due to our concerns, we carried out a thematic review into the use of CIPs. While the original focus of our review7 was on CIPs, we also identified suitability failings of wider relevance, specifically with replacement business.

2.5 While this report focuses on CIPs, we acknowledge developing a CIP often goes hand in hand with a firm reviewing and altering its service proposition. It is encouraging to see evidence of firms considering the services they offer to clients in the run up to the RDR.

2.6 The purpose of this report is to provide guidance8, including examples of good and poor practice, to firms when they:

- undertake replacement business; and

- offer CIPs.

Who should read this report

2.7 Chapter 3 of this report is relevant to all firms that provide investment advice9 to retail customers whether or not they offer a CIP. Chapter 4 is relevant to intermediary firms either currently or considering offering a CIP.

Scope

2.8 Our thematic review focused on whether the:

- firm's CIP is designed to meet the needs and objectives of its target clients;

- firm's sales process is designed to ensure that a CIP is only recommended to clients when it is suitable for those clients;

- firm's advisers are competent to assess whether or not a CIP is suitable;

- CIP is promoted and recommended to clients in a way that is fair, clear and not misleading; and

- firm has adequate oversight arrangements and management information (MI) to mitigate the risk of unsuitable advice.

2.9 We assessed 181 investment files from 17 firms which recommended a CIP. As part of our review we assessed both the quality of advice and the quality of disclosure.

7 Please refer to the annex for the methodology

8 This guidance applies equally to both firms offering an independent model and a restricted model of providing advice, post the implementation of the RDR.

9 This includes recommendations to clients to use discretionary investment management.

2.10 Overall we assessed the quality of advice to be unsuitable in 33 cases and unclear in 103 cases. We assessed the quality of disclosure to be unacceptable in 108 cases. The main drivers for these ratings are summarised in the following key findings section.

Key findings Replacement business

2.11 We continue to identify firms failing to consider the impact and suitability of additional charges when conducting replacement business. Several firms in our review failed to consider the costs and features of the existing investment, and were unable to quantify the additional charges associated with the new investment. In addition, several firms failed to provide a comparison of the costs of the existing investment and the new recommendation in a way the client was likely to understand.

2.12 We saw examples of firms recommending switches based on improved performance prospects10, but providing no supporting evidence to show that these performance prospects were likely to be achieved. While we acknowledge that firms cannot be precise about the potential for higher returns, where improved performance is an objective of the client, firms should clearly demonstrate why they expect improved performance to be more likely in the new investment.

2.13 Firms often failed to collect adequate information on the existing investment or failed to consider the features and funds available within the existing solution. Firms should collect adequate information on the existing investment to demonstrate they have taken reasonable steps to ensure the suitability of their recommendation.11

2.14 In addition, our work indicates that firms' file review functions failed to identify or challenge advisers on the failings we identified as part of our review.

2.15 These factors create a significant risk that clients are receiving unsuitable advice to switch investments. Firms must ensure their risk management systems and controls are fit for purpose and mitigate the risk of unsuitable client outcomes.

2.16 These findings are detailed in Chapter 3.

Centralised investment propositions

2.17 We saw examples of good practice, such as firms conducting detailed research on the typical needs and objectives of their target clients when deciding whether to offer a CIP. Several firms chose to carefully segment their client bank and offer a range of CIP solutions for different client segment. Such an approach may help a firm in improving the consistency of investment advice offered by its different advisers to similar clients.

10 This example is for a switch from one fund to another fund with the same risk profile. The prospect for improved performance in this example was not derived from the client being 'up-risked'.

11 COBS 9.2

2.18 Several firms operated a CIP as the automatic investment solution for all clients. In addition, the firms did not always ensure that their advisers were competent to identify when the CIP was not a suitable investment solution for a client. This resulted in advisers recommending the CIP to clients for whom it was not suitable.

2.19 We expect firms to ensure they have robust systems and controls in place to mitigate the risk of unsuitable advice which might arise from recommending a CIP. Our review found that several firms received additional financial gains when recommending their CIP. This incentivised the firm and its advisers to recommend the CIP rather than an alternative solution. This inherent conflict of interest was not managed and created a clear risk of clients receiving advice that was not in their best interests.

2.20 Whilst we acknowledge that there may be benefits to firms and clients by offering a well thought-out CIP, firms should remember that CIPs are not suitable for all clients.

2.21 These findings are detailed in Chapter 4.

3 Replacement business

3.1 This chapter is relevant to all firms providing investment advice to clients and is not specific to firms that provide CIPs. It focuses on how firms should take reasonable steps to ensure the suitability of recommendations to switch any existing investment into a new investment solution.12

3.2 Our examples of good and poor practice are taken from our work on reviewing the suitability of CIP recommendations. However, the examples are relevant to all replacement business recommendations.

3.3 Continued failings in the suitability of such recommendations are not acceptable.

Factors that influence a recommendation to switch investment

3.4 Our rules (under COBS 9.2.1 and COBS 9.2.2) require firms, when making a personal recommendation or managing a client's investments, to obtain the necessary information about the client's investment objectives.13

3.5 Clients typically wish to make a return on their investment. This may be by generating growth or an income. The main factors that usually dictate a client's investment return include:

(a) the charges of the recommended investment;

(b) the performance of the investment; and

(c) the tax treatment of the investment.

12 This report does not consider recommendations to transfer out of occupational pension schemes.

13 COBS 9.2.1 also places a requirement on firms to obtain necessary information regarding the client's financial situation and their knowledge and experience in the investment field relevant to the specific type of designated investment or service.

3.6 We expect firms to consider all of these factors and clearly demonstrate the benefits of a new investment proposition before recommending a switch out of a client's existing investment.14 Even in the unusual case where making a return is not the client's primary objective (for example, where they are an ethical investor), we still expect a firm to consider all of the factors mentioned above so that any disadvantages of the switch can be clearly explained to the client.15

Considering cost

Our expectations

3.7 We expect firms to consider the issue of cost for all recommendations to replace a client's existing investment.

3.8 Our publication on investment advice and platforms stated that where a more expensive solution is recommended, there needs to be a good reason and this reason needs to be justified to the client. The most common reason for unsuitable advice identified in the platform review, and the earlier pension switching review, was unnecessary additional costs.

3.9 Where the advice is to switch or transfer an existing investment to a new investment, we expect to see firms conduct a cost comparison between the two solutions. Firms should consider all the costs associated with the existing investment and the recommended product or portfolio. For example, firms should consider the impact of any trading charges levied on the portfolio.16 Firms should also consider the impact of initial costs.

3.10 Where additional costs apply, firms must judge whether they are suitable in light of the needs and objectives of the client. Additional costs may be justifiable where they are associated with a specific benefit that is valued by the client. Firms should disclose any difference in the cost in a way that is fair, clear and not misleading.

3.11 Where firms do not have adequate controls in this area, they risk providing unsuitable advice and potentially breaching:

- Principle 6 – A firm must pay due regard to the interests of its customers and treat them fairly;

- Principle 9 – A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement;

- COBS 2.1.1 – A firm must act honestly, fairly and professionally in accordance with the best interests of its clients; and

14 We do not consider the ability to facilitate adviser charging to be adequate justification on its own for switching to a new, higher cost solution.

15 Where suitability reports are required, a firm must explain any possible disadvantages of the transaction for the client as outlined by COBS 9.4.7.

16 Where costs are variable such as trading costs, reasonable assumptions should be made about the extent of these

charges.

- COBS 9 – 'Suitability'.17

Our findings

Considering performance

Our expectations

3.12 Firms must not automatically assume that the CIP will provide better performance prospects than the client's existing investment. Where a firm recommends replacing an existing investment on the basis of improved performance prospects, we expect to see the firm justify specifically why the new investment is, in the firm's opinion, likely to out-perform the existing investment.

17 fsahandbook.info/FSA/html/handbook/COBS/9

3.13 Where a firm recommends a switch to a more expensive investment because of the prospect of improved performance, we expect it to take into account the additional cost when quantifying the potential for improved investment returns. There are a number of factors that firms could consider in taking a view on the potential for additional performance and these may vary depending on the circumstances. For example, a low risk fund is less likely to offset additional costs through improved fund performance.

Our findings

Considering the tax position

Our expectations

3.14 Before a firm recommends replacing an existing investment, it should have due regard to the potential tax implications. Tax acts as an additional cost by reducing the client's return on their investment. Firms recommending a replacement investment should consider whether that investment is the most tax efficient option in light of the client's financial situation, needs and objectives, and also must consider any tax implications of switching.

Our findings

Considering the client's specific needs and objectives

3.15 COBS 9.2.1 and COBS 9.2.2 set out a wide range of information a firm must collect, where relevant, about the client's circumstances and objectives depending on the nature and extent of the service provided. Where a client has existing investments, firms should collect necessary information to assess whether recommending a replacement investment is suitable and meets the client's needs and objectives.

Collecting and assessing appropriate know your client information

Our expectations

3.16 We expect firms to collect information regarding the client's specific objectives rather than relying on generic objectives for the client. For example, if income is an objective, we expect a firm to identify the specific reason why the client has this requirement. Additional detail around the income requirement, including the amount required and the duration, will help determine the suitability of specific investments.

3.17 Once advisers have established a client's objectives and financial priorities, they should typically help the client understand and prioritise these objectives. Where they do this, advisers should approach this matter in a fair and balanced way, in accordance with the client's best interests.18 Advisers should never approach a fact-finding exercise with a preconceived agenda to switch the client's existing investments into a new solution as this may not be the most suitable option for the client.

3.18 When presenting a recommendation to a client we expect firms to personalise the suitability report so that it reflects the specific client needs identified in the fact finding exercise and why the recommendation to replace the existing investment meets those needs.[19] We do not expect to see firms using generic objectives across all suitability reports.[20]

Our findings

18 COBS 2.1.1

19 COBS 9.4.7

20 See the small firms factsheet on suitability reports for further guidance: www.fsa.gov.uk/smallfirms/resources/factsheets/pdfs/factsheet_suitability.pdf

Considering the client's risk profile

Our expectations

3.19 We published guidance in March 2011 outlining our expectations of firms when assessing the risk a client is willing and able to take and making suitable investment selections.[21] If a firm recommends a client switch their existing investments to a new solution and the reason for that recommendation is that it allows the client's assets to be managed in line with their risk profile, we expect firms to consider whether such a recommendation is suitable in light of the client's objectives and their existing investments. For example, firms should consider whether it is possible to recommend the client's existing investments are adjusted to meet their risk profile in a more cost effective manner. Where such a recommendation results in an additional cost for the client, either initial or ongoing, we expect firms to exercise their judgement on whether the level of the additional cost is suitable and in the client's best interest.

Collating and assessing information on existing investments

Our expectations

3.20 Firms should collate necessary information on a client's existing investments to enable them to assess whether any recommendation to switch to a new investment meets the client's needs and objectives.

3.21 Firms should consider several factors22 when reviewing the client's existing investments, including:

- Investment flexibility. Where an existing investment solution is flexible enough to meet the needs and objectives of the client, firms should consider whether it is in the client's best interest to switch to a new solution. For example, where a firm recommends a higher cost solution using funds that are available in the existing investment solution, we would deem this to be an unsuitable outcome for the client if there are no other justifications to demonstrate the suitability of the recommendation. We would also question whether the need for a 'wider investment choice' is adequate justification to incur additional costs if the existing product already has a wide enough investment choice to meet geographic and asset allocation needs.23

- Guarantees. Firms should consider any guarantees that are available under the client's existing investment. If these guarantees are no longer suitable for the client, a switch to a new solution may be appropriate. However, if the guarantees have value for the client, the firm should consider whether the switch is suitable in light of the loss of these guarantees. In some cases, it may be in the client's best interest to keep the existing investment and, for example, restructure the existing investment or adapt other investments to complement the one with valuable guarantees.

21 www.fsa.gov.uk/static/pubs/guidance/fg11_05.pdf

22 Three of these factors are the cost and performance of the investment and the tax position, all of which are discussed earlier in this chapter.

23 This point is also relevant for non replacement business in that we would question whether a 'wide investment choice'

would be justification for a high cost solution if the client was unlikely to make use of the wide choice of funds.

Our findings

Controls and oversight

Our expectations

3.22 Firms are responsible for deciding how they approach risk management and for ensuring systems and controls are fit for purpose and effective in mitigating the risk of unsuitable client outcomes.

3.23 We have seen firms employing various controls to mitigate the risk of unsuitable advice in relation to replacement business. Examples include:

- using replacement business forms to record specific information around the existing and recommended solution and the rationale for the transfer;

- rating replacement business as ‘high risk’ from a file checking perspective, thus resulting in a higher number of checks;

- requiring pre-approval of replacement business recommendations before presenting them to the client; and

- using MI to monitor advisers’ business levels and advice types, and taking appropriate actions on any identified anomalies.

3.24 These are not the only controls that may be appropriate, nor are they necessarily the right ones for all firms. We find generally that the effectiveness of any control is down to its robust operation rather than the nature of the control itself. Different controls are likely to be effective for different firms – depending on their size, structure, their advisers and the services they provide.

3.25 To ensure that costs of replacement business are considered appropriately and the risk of unsuitable advice is mitigated, it is likely that a firm will need to adopt a consistent approach across the different parts of the business, including the senior management team, compliance, the file checkers, the advisers and any other individual involved in the advisory process (for example, paraplanners and support staff).

3.26 Firms should consider when the additional costs of replacement business are likely to make such a recommendation unsuitable. This should include considering the magnitude of additional costs and the potential benefits associated with that cost.

Our findings

4 Centralised investment propositions

4.1 This chapter is relevant to advisory firms that offer, or are considering offering, a CIP, as described in Chapter 2 of this report. It considers:

- steps that firms should take when designing or adopting a CIP;
- our expectations of firms to ensure that individual recommendations into a CIP are suitable for each specific client; and
- our expectations of firms to act honestly, fairly and professionally, in the best interests of individual clients.

CIP design and due diligence

4.2 The needs and objectives of a firm's target clients should be at the heart of the decision to offer a CIP. A firm should give due consideration to whether a CIP is appropriate in light of these needs and objectives and if so, the type of CIP that should be offered.

Considering the needs and objectives of your target clients

Our expectations

4.3 Where a firm offers a CIP we expect it to consider the requirements of its target clients. For example:

- their knowledge and experience;
- their financial situation;
- their investment objectives; and

- the type, level and cost of the service the clients require.

Our findings

Client segmentation

Our expectations

4.4 Where a firm has a diverse client bank, it may wish to consider segmenting its clients. This involves offering a range of CIP solutions to meet the needs and objectives of different client segments. This is in firms' interests, as well as clients, as it is likely to increase the number of clients for whom a CIP solution is suitable.

4.5 Where a firm segments its client bank, it may offer different service levels and features to suit clients with different requirements. Where service levels differ, firms should inform clients of the services and their costs in a way that is fair, clear and not misleading.

Our findings

Designing or adopting a CIP

Our expectations

4.6 Firms wishing to offer a CIP must decide whether to design a CIP themselves or adopt a CIP created by a third party. Whichever option a firm chooses, it must still ensure the CIP is likely to be suitable for its target clients and meets their needs and objectives.24

4.7 When adopting a CIP solution provided by a third party, a firm should conduct adequate due diligence to ensure the CIP provided meets the needs and objectives of its target clients. Without completing this necessary step, firms cannot assure themselves that the CIP is likely to be suitable for their clients and therefore should not adopt the CIP. For example25, when adopting a CIP, firms may wish to consider the:

- terms and conditions of using the CIP;
- CIP's charges;
- CIP provider's reputation and financial standing;
- range of tax wrappers that can invest in the CIP;
- type of underlying assets in which the CIP invests;
- CIP's flexibility and whether it can be adapted to meet individual client's needs and objectives; and
- CIP provider's approach to undertaking due diligence on the underlying investments.

4.8 A firm may also decide to refer investment selection to a third party. Where a firm refers investment selections to a discretionary manager, both the introducing firm and the discretionary management firm have obligations to ensure that a personal recommendation or a decision to trade is suitable for the client. The obligations on each party will depend upon the nature and extent of the respective service provided. Both parties should be clear on their respective service, and ensure they meet the corresponding suitability obligations. If either or both parties are not clear, there is a risk that clients may receive unsuitable advice and/or have their portfolios managed inappropriately.

24 For example, where a firm typically advises clients with modest assets and limited financial knowledge and experience, we do not expect to see the adoption of a CIP using non-traditional assets.

25 This provides examples of issues firms may wish to consider. It is not exhaustive.

4.9 We are aware of three broad structures firms use when working with a third party discretionary investment manager to provide a CIP. The advisory firm:

i. arranges for the client to have a direct contractual relationship with the discretionary manager;

ii. holds the relevant permissions for managing investments and delegates the investment management to the discretionary manager; or

iii. arranges for the investment management to be carried out by the discretionary manager but on the basis that the client does not have a direct contractual relationship with the discretionary manager. Instead the discretionary manager treats the advisory firm as its client, which is acting as the agent of the end investor. In this case we expect the advisory firm to explain the position clearly to its clients. In particular it should emphasise that it is not carrying out the investment management itself and that the discretionary manager in not treating the end investor as its client.

Our findings

Constructing portfolios that are suitable for the risk profile of distinct client segments

Our expectations

4.10 Our expectations for investment selection are set out in detail in Chapter 4 of our guidance 'Assessing suitability: Establishing the risk a customer is willing and able to take and making a suitable investment selection', published in March 2011. Here, we are considering investment selection specific to CIPs.

4.11 When designing a CIP, firms may create different portfolios of assets to cater for different client risk profiles. Where a firm creates or uses risk-rated portfolios as part of its CIP, it must ensure the portfolios align accurately with the risk descriptions and outputs from any risk profiling tool it employs. It is the responsibility of the firm to ensure this alignment. Where there is a mis-alignment, there is a risk of systemic mis-selling.

4.12 Where a firm uses an asset-allocation approach in constructing portfolios[26], it should ensure that it has a robust process to review each portfolio to mitigate the risk of portfolio 'drift'.[27] Where portfolio drift occurs, there is a danger the risk profile of the client and the risk profile of the portfolio will move out of alignment. Firms should clearly explain to clients the importance of, and the reason for, ongoing reviews of their investment portfolios. Firms may decide to address this matter by amending their service proposition and providing periodic reviews for their clients.

Our findings

Individual suitability

4.13 A CIP will not be suitable for all clients. Even when a firm conducts adequate due diligence and designs its CIP to meet the needs and objectives of its target clients, a firm must take reasonable steps to ensure a personal recommendation is suitable for each client.29

26 and the recommendation does not have an in-built mechanism to rebalance the asset allocation

27 Over time, the balance of assets in a portfolio is likely to move away from the asset allocation recommended due to different assets providing a different return. This risk can be mitigated by periodically rebalancing a portfolio.

28 'Non-traditional' investments is a broad expression for investments where the investor cannot readily understand what

will drive the returns or where the returns are not easily deduced, for example, by reference to a benchmark. This may include, for example, traded life policy investments, hedge funds and other funds where shorting is involved to a significant extent.

29 See COBS 9.2.1 and COBS 9.2.2

4.14 A firm must have a reasonable basis for believing that its clients have the necessary knowledge and experience to understand the nature of the risks of the underlying investments held in the CIP.30 The firm should explain these risks to its clients in a way that they are likely to understand. This is particularly important where the CIP uses non-traditional investments.

4.15 When the CIP solution is not suitable for an individual client, a firm must either recommend an alternative suitable solution or make no recommendation to the client. It is not acceptable to shoe-horn clients into the CIP solution.

Ensuring a recommendation to switch existing investments into the CIP is suitable

Our expectations

4.16 Where a firm offers a CIP, it should not systematically transfer all its clients' existing investments into the CIP without considering the individual needs and objectives of each client. Firms should consider whether a recommendation to a client to sell their existing investments is suitable.

4.17 Chapter 3 of this report outlines our expectations for replacement business.

Our findings

Ensuring advisers are competent and can identify when a CIP is and is not suitable

Our expectations

4.18 A firm must ensure that its advisers are competent and understand the CIP. Advisers need to demonstrate competence in all areas of advice relevant to their role. For example, where a portfolio advice service is offered, advisers must demonstrate they have the technical knowledge, skills and expertise to provide advice on this proposition.

4.19 Firms should ensure that advisers receive balanced training, which highlights not only the potential benefits and features of the CIP, but also any associated cost, risks or drawbacks. Advisers should be able to identify when a recommendation for a CIP is not suitable for a client and, in such cases, advisers should recommend an alternative solution or make no recommendation to the client.

30 See COBS 9.2.2

Our findings

Controls and oversight

4.20 We expect firms to maintain robust systems and controls to mitigate the risk of providing unsuitable advice. A firm's proposition and business mix are likely to affect how it approaches risk management. Firms are responsible for ensuring that systems and controls are fit for purpose and effectively mitigate the risk of unsuitable client outcomes.

4.21 Where firms operate a higher risk business model, they need to ensure systems and controls are effective in mitigating any additional risks.

4.22 Chapter 3 of this report highlights systems and controls in the context of replacement business.

Identifying and managing conflicts of interest

Our expectations

4.23 Offering a CIP may create a conflict of interest.31 Two examples of potential conflicts of interest are:

- a firm, or its employees, making an additional financial gain by recommending a CIP32; or

- a firm adopting a CIP provided by a third party that retains a financial interest in the sales volumes of the CIP and provides additional, non related services to the advisory firm.33

31 For further details on conflicts of interest see SYSC 10.1

32 One example of this could be where the firm receives additional income for investment management services provided by a third party.

33 For example, a firm that also provides compliance services risks not being impartial when making judgements on the

suitability of the CIP.

4.24 A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.34 Senior management within a firm should be able to identify any potential conflicts of interest arising from offering a CIP.

4.25 Where a potential conflict of interest arises, firms should take appropriate steps to mitigate the risk of this conflict resulting in unsuitable outcomes for clients.

Senior management should place emphasis on managing any conflict of interest rather than relying purely on disclosing the conflict to their clients.

Our findings

File checking

Our expectations

4.26 Firms should have a robust file review process in place which is effective in mitigating the risk of delivering unsuitable advice to clients. The file review function should provide challenge to advisers on suitability matters as well as disclosure and other failings. Firms should train file checkers on the CIP and ensure they are competent in identifying when a CIP recommendation is and is not suitable for a client.

34 Principle 8

Our findings

Management information

Our expectations

4.27 Firms should have appropriate management information (MI) to monitor the risks that could lead to poor client outcomes.

4.28 The scope and nature of the MI will depend upon several factors, including the size of the firm and its business model. Examples35 of the MI that firms may use includes:

- details on the volume of CIP recommendations versus the volume of non-CIP recommendations;

- the ongoing competence of advisers; and

- the results of file reviews.

4.29 Where a firm identifies a risk or failing, we expect it to take appropriate action to put in place adequate risk management systems in relation to the identified risk.

Our findings

35 This provides examples firms may wish to consider. It is not exhaustive.

5 Annex – methodology

5.1 The objective of the project was to investigate practices associated with the design, adoption and use of CIPs.

5.2 The assessment phase of the project was split into two stages:

Stage 1

5.3 We identified a population of 34 firms that were operating a CIP, and we requested information relating to a number of aspects of their business, but focused upon their decision to offer and the use of their CIP.

5.4 All 34 firms were subject to a desk-based review to assess whether the business model and CIP they operated fell within the scope of the project.

Stage 2

5.5 From the original 34 firms, we selected 17 firms that operated a CIP which fell within the scope of the project and that offered an appropriate spread of:

- firm sizes (from small to large firms); and

- firms operating a diverse selection of CIPs (either portfolio advice services, discretionary investment management or distributor influenced funds).

5.6 For each of the 17 firms, our detailed assessment included:

- file reviews – we completed between 9 and 15 file reviews for each firm, assessing both the quality of advice and the quality of disclosure; and

- systems and controls – this expanded on the information provided by the firm and included interviews with relevant staff involved in the establishment of the CIP as well as its distribution.

appendix b) The Moody's attitude to risk questionnaire

client 1 name: **client 2 name:**

Question Number	Risk Questions	Strongly Disagree	Disagree	No Strong Opinion	Agree	Strongly Agree
1	People who know me would describe me as a cautious person.					
2	I feel comfortable about investing in the stock market.					
3	I generally look for safer investments, even if that means lower returns.					
4	Usually it takes me a long time to make up my mind on investment decisions.					
5	I associate the word "risk" with the idea of "opportunity".					
6	I generally prefer bank deposits to riskier investments.					
7	I find investment matters easy to understand.					
8	I am willing to take substantial investment risk to earn substantial returns.					
9	I've little experience of investing in stocks, shares, or investment funds.					
10	I tend to be anxious about the investment decisions I've made.					
11	I'd rather take my chances with higher risk investments than have to save more.					
12	I'm not comfortable with the ups and downs of Stock market investments.					

Capacity for loss questions

I am flexible about my investment horizon – I could wait before using my investment	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
I don't have any significant outstanding debts and don't expect to incur any during the period of my investment (e.g., mortgage or credit cards)	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
It would be relatively easy for me to cut my spending in retirement if circumstances require	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
I will need to start spending my investment at the following point in the future: My investment horizon is:	Less than 3 years	3 – 9 Years	10 – 14 Years	15 Years +	
My spouse or partner (or another family member) is likely to be able and willing to support me financially if circumstances require	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree

Capacity for loss boundaries

Each Strategic Asset Allocation (SAA) is targeted to achieve the highest possible return but restricted to not having a capacity for loss value greater than the boundaries specified in the table below:

Asset Collection Name	Min Gain	Max Gain	Mean Gain
Cautious	-7.58%	11.79%	1.87%
Moderately Cautious	-12.85%	20.4%	4.03%
Balanced	-16.98%	25.55%	5.11%
Moderately Adventurous	-20.64%	31.18%	5.95%
Adventurous	-24.86%	35.21%	6.52%

The capacity for loss figure is based on:

- No minimum allocation to any particular asset class
- The capacity for loss figures have a tolerance of 10% so that at any one time the particular allocations may be different from the table above
- The SAA's are created assuming a projection term of 10 years
- They are reviewed on a bi-annual basis
- The SAA's are based on lump sum accumulation and not on regular income

ATR Descriptions

Attitude To Risk	Description
Cautious	Cautious Investors tend to regard themselves as cautious people and view risk negatively rather than as a source of opportunity. They typically have little or no experience of investment and do not find investment matters easy to understand. They can take a long time to make investment decisions and tend to be anxious about any investment decisions they have made. They typically look for safer investments rather than seeking higher returns. They are not comfortable about investing in the Stock market and typically prefer bank deposits to riskier investments.
Moderately Cautious	Moderately Cautious Investors tend to regard themselves as quite cautious people and are inclined to view risk negatively rather than as a source of opportunity. They typically have limited experience of investment and do not find investment matters particularly easy to understand. They can take a fairly long time to make investment decisions and can be somewhat anxious about investment decisions they have made. They are inclined to look for safer investments rather than seeking higher returns. They are not particularly comfortable about investing in the Stock market and tend to prefer bank deposits to riskier investments. They may be willing to take some risk, once the relationship between risk and higher returns has been explained to them.
Balanced	Balanced Investors do not particularly regard themselves as cautious people and have no strong positive or negative associations with the notion of taking risk. They will typically have some experience of investment and a degree of understanding of investment matters. They will usually make investment decisions reasonably quickly and don't tend to be particularly anxious about investment decisions they have made. They can be inclined to look for safer investments rather than higher returns, but understand that investment risk may be required to meet their investment goals. While they will take investment risk, they are still not particularly comfortable with investing in the Stock market and get more comfort from bank deposits than riskier investments.
Moderately Adventurous	Moderately Adventurous Investors do not typically regard themselves as cautious people and are inclined to view risk as a source of opportunity rather than as a threat. They generally have significant experience of investment and find investment matters fairly easy to understand. They tend to make investment decisions relatively quickly and are not usually particularly anxious about the investment decisions they have made. They typically look for higher returns rather than safer investments. They are reasonably comfortable about investing in the Stock market and typically prefer riskier, but higher returning, investments to keeping money in bank deposits.
Adventurous	Adventurous Investors do not typically regard themselves as cautious people and usually view risk as a source of opportunity rather than as a threat. They generally have substantial experience of investment and find investment matters easy to understand. They tend to make investment decisions quite quickly and are not generally anxious about the investment decisions they have made. They typically look for higher returns rather than safer investments. They are comfortable investing in the Stock market and prefer riskier, but higher returning, investments to keeping money in bank deposits.

Notes on discussion for agreed risk strategy with client:

Tolerance for Loss: Amount client willing to lose in any 1 year = ………………………………

Capacity for Loss: Amount client can afford/is able to lose in any 1 year = ……………….

Agreed risk profile to proceed with - ……………………………………………………………………..

Client signature……………………………………………………………………….. Date……………………..

Question Number	Strongly Disagree	Disagree	No Strong Opinion	Agree	Strongly Agree	Total
1	4	3	2	1	0	
2	0	1	2	3	4	
3	4	3	2	1	0	
4	4	3	2	1	0	
5	0	1	2	3	4	
6	4	3	2	1	0	
7	0	1	2	3	4	
8	0	1	2	3	4	
9	4	3	2	1	0	
10	4	3	2	1	0	
11	0	1	2	3	4	
12	4	3	2	1	0	

Client signature……………………………………………………………………….. Date……………………..

ATR Level	Score Range
Cautious	0 – 10
Moderately Cautious	11 – 16
Balanced	17 – 25
Moderately Adventurous	26 – 34
Adventurous	35 – 48

appendix c) TMP model portfolio accumulation

TMP 1 Cautious Portfolio			
Provider	Sedol or ISIN	OCF %	Synaptics capacity for loss
Architas MA Act Res S Acc	B84QFC6	0.84	
Aviva Investors Multi-asset Fundl 2 Acc	GB00B70FJQ29	0.6	
HSBC Gbl Strat Caut Pfl C Acc	B84DV18	0.16	
Average		**0.53**	**8.48%**

TMP 2 Moderately Cautious			
Provider	Sedol	OCF %	Synaptics capacity for loss
HSBC Global Strategy Cautious Portfolio C Acc	B84DV18	0.16	
Vanguard LifeStrategy 40% Equity A Acc	B3ZHN96	0.22	
BMO Universal MAP Cautious C Acc	GB00BF99VY38	0.29	
Average		**0.22**	**12.12%**

TMP 3 Balanced Portfolio			
Provider	Sedol	OCF %	Synaptics capacity for loss
HSBC Global Strategy Balanced Portfolio C Acc	B76WP69	0.18	
Vanguard LifeStrategy 60% Equity A Acc	B3TYHH9	0.22	
BMO Universal MAP Balanced C Acc	GB00BF99W060	0.29	
Average		**0.23**	**16.85%**

TMP 4 Moderately Adventurous			
Provider	Sedol	OCF %	Synaptics capacity for loss
Vanguard LifeStrategy 80% Equity A	B4PQW15	0.22	
HSBC Global Strategy Balanced Portfolio C Acc	B76WP69	0.18	
BMO Universal MAP Growth C Acc	GB00BF99W284	0.29	
Average		**0.23**	**18.26%**

TMP 5 Adventurous			
Provider	Sedol	OCF %	Synaptics capacity for loss
Vanguard LifeStrategy 100% Equity A Acc	B41XG30	0.22%	
HSBC Global Strategy Dynamic Portfolio C Acc	B849DT8	0.19%	
BMO Universal MAP Growth C Acc	GB00BF99W284	0.29%	
Average		**0.23%**	**21.30%**

appendix d – on platforms solutions

Aviva is our platform of choice:

1. **Financial Strength (The Platform)**
- Aviva Platform is rated by AKG as B+ (very strong)
- Aviva Life and Pensions has an A+ rating from Standard & Poor's, an Aa3 rating from Moody's and an AA rating from Fitch

2. **Terms and Conditions**
- These can be found on their Communications Page of their Aviva Platform website

3. **Charges**
- Aviva are fully transparent with their fees and charges. They don't charge for transactions such as switching, rebalancing, withdrawals or drawdown
- They don't charge for re-registration on and off the Platform
- Adviser charges can be set easily
- Aviva collect and pay discretionary investment charges automatically and cover charges by disinvesting proportionally across the portfolio
- All fund and asset charges are available on the platform

4. **Range of tax wrappers, ISA's, OEIC, Pensions**
- A wide range of Assets
- Significantly lower charges
- Real time trading quote and deal and limit orders
- Full integration into platform processes and functionality
- Bespoke fund Panels – this allows us to maintain control over the fund and asset range ensuring it is in line with our centralized Investment proposition
- Model Portfolios – This allows functionality to auto rebalance a model portfolio based on tolerance and/or frequency. This ensure the portfolio stays within asset allocation and risk boundaries in a way that is efficient, robust and repeatable
- All cash accounts are help in accordance with the FCA's client money rules They calculate interest monthly on the blended rate across the panel

5. **Range of Asset Classes**
- The Aviva Platform gives us access to a wide range of asset classes to allow us to meet the needs of both our individual clients and our centralized investment proposition
- Aviva supports all the key asset classes across a range of asset types including funds, exchange funds (ETFs) and equities
- Aviva always use clean share classes without rebates
- Aviva complete a robust governance process before adding assets to the platform to make sure all investments are relevant and appropriate

6. **Functionality**

Aviva have enhanced their platform functionality in several areas so that:

- You can set your model portfolio to auto-rebalance based on tolerance, frequency or a combination of these.
- The new client report shows the discrete performance of model portfolios and individual assets, helping us to demonstrate the performance of different holdings
- Re-registration process meets industry good practice guidelines for being efficient and timely in order to meet our clients' needs

7. **Accessibility**
- Quick and easy for Advisers to sign on to the platform through Aviva for Advisers, they support both Single Sign On and UNIPASS digital certificates.

- Strong security - using secure email (encrypting the mail itself and any attachments) and document rights management software to ensure data protection
- They use mobile security standards and procedures (such as device checking and mobile specific firewalls)

8. Support services

- Accessible adviser service and support
- Excellent Integration with back office providers
- Access to Discretionary Investment Managers
- TCF – Assistance with guidelines
- They have a customer led proposition

9. Additional tool

- The Aviva Platform offers services via a dashboard gives us access to a wide range of platform marketing information and reports, helping advises to manage their platform customers and assets.
- Client reports have the flexibility to choose three different sizes of reports, this will help us to review investment performance in a way that meets the individual needs of our clients.

As a result, the Aviva Wrap UK ltd remains our platform of choice to provide better outcomes for clients.

Having reviewed the current adviser platform market, the Aviva UK Wrapper Platform is likely to be suitable for most of our clients. However, any on-platform recommendation will be judged on individual client basis as well as needs. This may result in a few recommendations being placed off-platform (or an alternative provider) where the Aviva UK Wrapper Platform is not suitable.

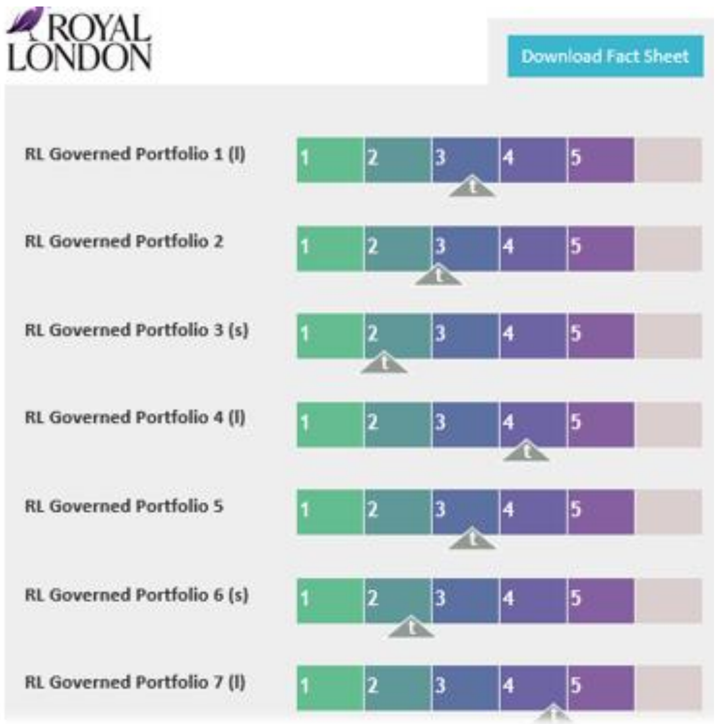
appendix e) off platform solutions

Royal London Governed Portfolio Accumulation Performance

	Details	Percentage Change					Compound Annual Growth Rate (%)		Launch
Portfolio Name	Management Charge / TER[1]	31.01.19 31.01.20 % Chg	31.01.18 31.01.19 % Chg	31.01.17 31.01.18 % Chg	31.01.16 31.01.17 % Chg	31.01.15 31.01.16 % Chg	3 years	5 years	12.01.09 31.01.20 % Chg
Governed Portfolio 1	1.00%	9.61	-0.47	7.45	17.58	-2.03	5.44	6.19	147.00
Composite Benchmark		8.14	-0.31	7.37	16.70	-1.84	5.00	5.80	142.91
Difference		1.47	-0.16	0.08	0.88	-0.19	0.44	0.39	4.09
Governed Portfolio 2	1.00%	8.57	-0.37	6.07	15.02	-1.55	4.69	5.37	131.20
Composite Benchmark		7.21	-0.18	5.77	13.85	-1.51	4.22	4.88	125.05
Difference		1.36	-0.19	0.30	1.17	-0.04	0.47	0.49	6.15
Governed Portfolio 3	1.00%	4.92	0.28	2.70	8.66	-0.05	2.62	3.25	79.12
Composite Benchmark		4.10	0.22	2.11	7.44	-0.76	2.13	2.58	70.80
Difference		0.82	0.06	0.59	1.22	0.71	0.49	0.67	8.32
Governed Portfolio 4	1.00%	10.04	-1.24	8.85	19.84	-2.05	5.76	6.78	157.96
Composite Benchmark		8.53	-0.93	8.74	18.69	-1.58	5.35	6.43	155.15
Difference		1.51	-0.31	0.11	1.15	-0.47	0.41	0.35	2.81
Governed Portfolio 5	1.00%	9.30	-0.80	7.52	17.56	-1.89	5.25	6.10	146.51
Composite Benchmark		7.77	-0.59	7.28	16.25	-1.59	4.75	5.62	139.99
Difference		1.53	-0.21	0.24	1.31	-0.30	0.50	0.48	6.52
Governed Portfolio 6	1.00%	6.17	-0.02	4.74	11.94	-0.63	3.59	4.34	100.58
Composite Benchmark		5.04	-0.01	4.29	10.45	-1.02	3.08	3.67	91.13
Difference		1.13	-0.01	0.45	1.49	0.39	0.51	0.67	9.45
Governed Portfolio 7	1.00%	10.80	-2.04	9.43	21.76	-2.10	5.90	7.20	169.16
Composite Benchmark		9.49	-1.48	9.89	20.62	-1.39	5.83	7.11	169.35
Difference		1.31	-0.56	-0.46	1.14	-0.71	0.07	0.09	-0.19
Governed Portfolio 8	1.00%	10.16	-1.50	8.95	20.34	-2.27	5.74	6.81	159.82

Composite Benchmark		8.63	-1.13	8.75	18.79	-1.56	5.31	6.43	155.27
Difference		1.53	-0.37	0.20	1.55	-0.71	0.43	0.38	4.55
Governed Portfolio 9	1.00%	7.57	-0.65	5.90	14.76	-1.26	4.21	5.10	115.86
Composite Benchmark		6.38	-0.47	5.50	13.23	-1.24	3.76	4.54	108.70
Difference		1.19	-0.18	0.40	1.53	-0.02	0.45	0.56	7.16

Royal London - Governed Portfolio Accumulation as rated by Synaptics 1-5 Risk Profile



Why royal London?

As pensions experts, Royal London has designed their proposition around their clients.

They're a different kind of financial services company because unlike their main competitors, they're a mutual. This means they don't have shareholders. Instead, they're owned by their members. As the UK's largest mutual life, pensions and investment company, they can offer firm foundations of financial security and as of the 30 June 2018, their total group funds under management was £117 billion.

Share Royal London's success

- Having no shareholders means Royal London don't have dividends to pay. Instead, they use their profits to help provide you with better products and services.
- They believe their members should share in their success. And they really want their members to feel the benefit of being part of Royal London.

- When they do well, they'll aim to boost your retirement savings by adding a share of their profits to your plan each year. They've called this ProfitShare. There's no guarantee that Royal London will be able to award ProfitShare every year so this shouldn't be relied upon but if they do, this could be a valuable benefit for you.

Service & accolades

Royal London understands the importance of providing a first-class service.

Their dedicated business consultants provide an award-winning level of service. They'll provide confirmation once they receive the new business application form and they'll provide daily updates along the way.

- Once the application form has been processed and the plan is live, their dedicated servicing team will take over the relationship and will be on hand to assist with any queries that may occur.
- Their online service provides a great central place to review existing plans online and can provide real time fund valuations, carry out fund switching and prepare projection illustrations.
- As pension experts, they're good at what they do and they've won many of the top industry awards.
- Royal London has a fair charging structure and only apply charges to the plan for the services you use. They'll also reduce the management charge which they'll apply to the plan the more you contribute into your plan. Below are the tiered management charge discounts they'll apply;

Fund Value	Amc Discount Applied
£32,800 or less	0.10%
£32,800 - £65,600	0.50%
£65,600 - £197,000	0.55%
£197,000 - £656,000	0.60%
£656,000 or more	0.65%

- At the centre of their investment range is their governance. They'll use the experience and knowledge of their Investment Advisory Committee, including influential expert risk consultancy Moody's Analytics and Morningstar. As part of the service, Royal London will take on the responsibility of reviewing and monitoring all investment options to ensure they are meeting their objectives. Remember that investment returns are never guaranteed, so you could get back less than you put in.
- Royal London will rebalance their investment funds to ensure your investment choice remains in line with your suggested attitude to risk. And they've also built life styling into their investment funds, so the level of risk on your investment funds will reduce the closer you get to your retirement age.
- To ensure the portfolio or lifestyle strategy remains within their parameters they'll frequently review their investments which will be available for us both to keep up to date and review on their online service.