

Consumer Duty product value assessment summary: AJ Bell Responsible MPS

June 2024
Version: 2.0

The Financial Conduct Authority (FCA) requires all UK asset managers to conduct a fair value assessment of their products and services as part of Consumer Duty. This covers a variety of areas from benefits and limitations to cost and potential harm. At AJ Bell, we pride ourselves on being transparent with our customers and so we are pleased to present a summary of the assessment for the AJ Bell Responsible MPS.

The assessment has been carried out against four factors, using a ‘traffic light’ system, where green indicates good value, amber indicates room for improvement, and red indicates poor value. The overall results of the assessment are below:

Category	Responsible MPS 1	Responsible MPS 2	Responsible MPS 3	Responsible MPS 4	Responsible MPS 5	Responsible MPS 6
Nature of the product and its benefits						
Limitations in the product and services						
Total cost of ownership						
Mitigating foreseeable harm and potential customer vulnerability						
Overall value						

Key  Good value  Room for improvement  Poor value

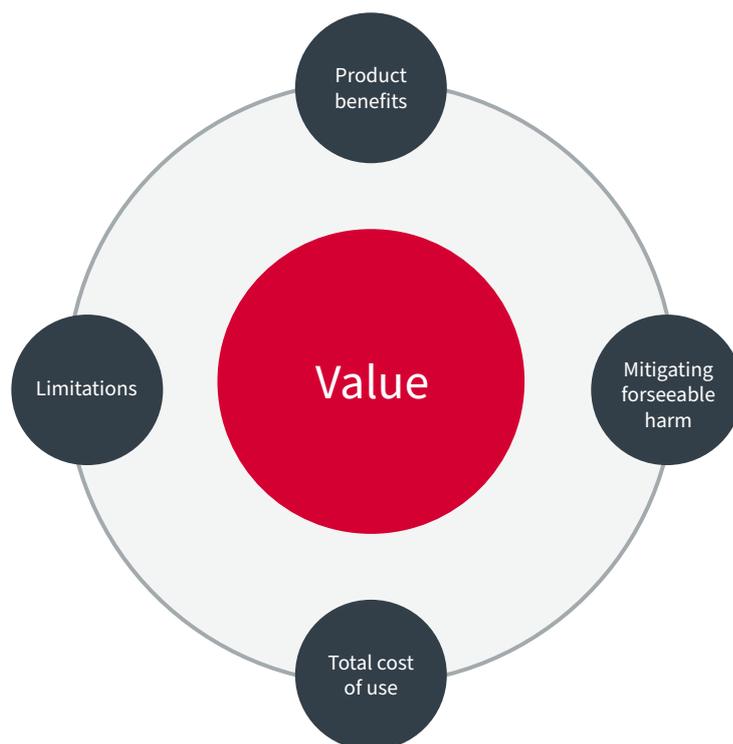
This assessment was completed by the AJ Bell Asset Management Product Team and approved by Investment Proposition Committee on 26 June 2024. Whilst a formal fair value assessment is conducted annually, monitoring of performance and the suitability of product design to its defined target market is ongoing.

Overall, we believe the Responsible MPS offers fair value to customers, and we continue to look for areas to improve. We are confident that the Responsible MPS is well-positioned to continue providing good outcomes and fair value for its customers into the future.

Factors used to assess value and pricing

Based on the Final Guidance issued by the FCA (FG22/5) as well as our own consideration, the following factors have been used to assess the value provided by the Responsible MPS range:

- the nature of the service, expected benefits to customers and their quality;
- any limitations of the service and its features;
- the expected total annual cost, including non-financial cost, paid by customers over the life of the relationship between the customer and the firm;
- costs incurred in the manufacturing process and whether any material changes to the service have impacted the price;
- foreseeable harm and mitigating actions / controls in place; and
- any elements of vulnerability that may affect customers' ability to understand or achieve value from the product.



Assessment of value

Below is a high-level, non-exhaustive summary of the features and benefits provided by our Responsible MPS range, upon which value has been assessed:

- outcome-orientated, multi-asset portfolios delivered in accordance with agreed objectives of the defined target market;
- a range of growth portfolios that aim to deliver positive risk-adjusted returns over five+ years to advised customers;
- aims to maximise returns under the constraint of an improved ESG profile compared to the Passive MPS growth portfolios;
- a competitively priced Annual Management Charge (AMC);
- no exit fees, notice periods, or written cancellations, enabling customers to divest without barriers to exit;
- available to be purchased across seven well-respected platforms; and
- a suite of literature produced including factsheets, quarterly reports, and articles; along with FAQs, and guides which are only distributed via the AJ Bell Investcentre website.

The benefits outlined above have been designed to provide simple, transparent, low-cost investment solutions that deliver good customer outcomes, and are appropriate and proportionate to the needs, characteristics, and objectives of the target market. An overview of the target market can be found on the Consumer Duty Hub on the AJ Bell Investcentre website¹.

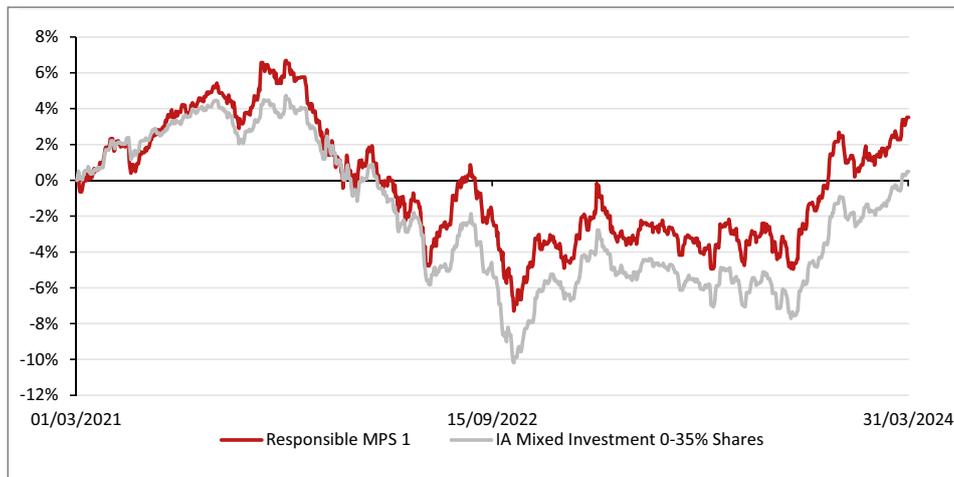
¹ <https://www.investcentre.co.uk/support/consumer-duty>

Financial performance

As a provider of a Responsible MPS range, we aim to deliver a positive return to customers over a period of at least five years, consistent with the levels of risk appetite expressed within each growth portfolio. This return objective is achieved by the creation of multi-asset portfolios, spreading our investments across different asset classes, regions, and sectors.

As the portfolios are multi-asset in nature, there is no single financial instrument or index that represents a fair benchmark. However, to give context of the peer group for the portfolios within the range, we have used the IA Sectors as a comparator. The IA Sectors provide the median performance of funds with similar characteristics (return and / or risk objectives) to the growth portfolios in the Responsible MPS range. The following charts and tables show the cumulative, non-annualised total return (%) of the portfolios and their respective IA Sector comparators where relevant:

Responsible MPS 1



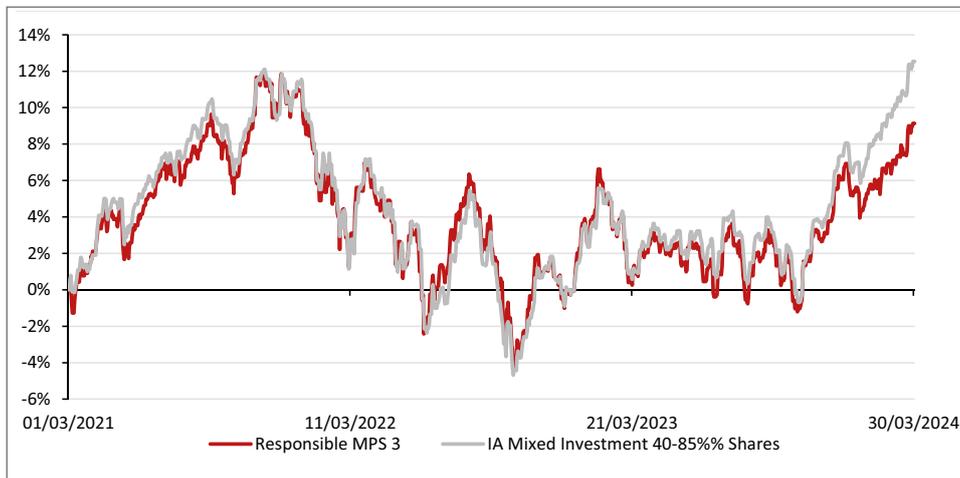
Responsible Growth MPS	1 Year Return (%)	3 Year Return (%)
Responsible Growth MPS 1	6.43	2.77
IA Mixed Investment 0-35% Shares	5.85	-0.12
IA Sector Quartile	2nd	1st

Responsible MPS 2



Responsible Growth MPS	1 Year Return (%)	3 Year Return (%)
Responsible Growth MPS 2	7.09	5.58
IA Mixed Investment 0-35% Shares	7.80	4.25
IA Sector Quartile	3rd	2nd

Responsible MPS 3



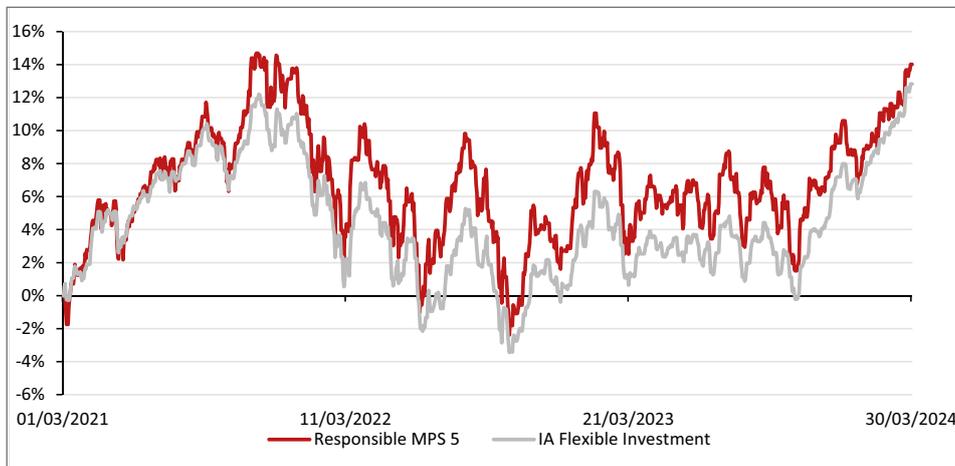
Responsible Growth MPS	1 Year Return (%)	3 Year Return (%)
Responsible Growth MPS 3	6.81	7.34
IA Mixed Investment 40-85% Shares	10.11	10.67
IA Sector Quartile	4th	3rd

Responsible MPS 4



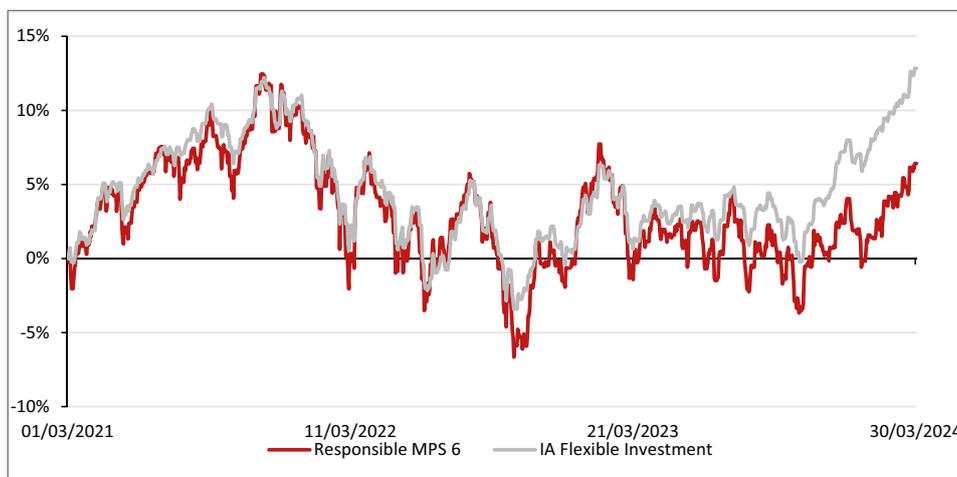
Responsible Growth MPS	1 Year Return (%)	3 Year Return (%)
Responsible Growth MPS 4	7.67	9.37
IA Mixed Investment 40-85% Shares	10.11	10.67
IA Sector Quartile	4th	3rd

Responsible MPS 5



Responsible Growth MPS	1 Year Return (%)	3 Year Return (%)
Responsible Growth MPS 5	7.99	11.50
IA Flexible Investment	10.09	11.01
IA Sector Quartile	3rd	2nd

Responsible Growth MPS 6



Responsible Growth MPS	1 Year Return (%)	3 Year Return (%)
Responsible Growth MPS 6	4.53	4.84
IA Flexible Investment	10.09	11.01
IA Sector Quartile	4th	3rd

Throughout the period, all portfolios have behaved as expected.

Risk managing

We have adopted an outcome-orientated approach to product design that we believe assists in delivering good customer outcomes. There are six model portfolios across the Responsible Growth MPS range, each catering for a different risk profile. The range is designed to stay within pre-determined volatility bands, mapped to the Passive Growth MPS range. Customers can be sure that the solution chosen by their adviser aligns with their needs, providing a dovetailed approach to risk and return to meet their financial objectives.

Platform availability

The Responsible MPS range is distributed via seven platforms – AJ Bell Investcentre, abrdn Wrap, Aviva, Hubwise, Morningstar Wealth Platform, Quilter and Transact. Increasing platform availability is important to us as it provides advisers (and ultimately customers) with greater choice.

Literature and support

We are committed to delivering simple, transparent, jargon-free literature at all points of the investment lifecycle. We believe customers should always know where, why, and how their money is invested. The literature produced for the Responsible MPS range includes monthly factsheets, quarterly reports, and articles, plus guides and FAQs that are only distributed via the AJBIC website. We also publish portfolio changes alongside rationale behind the changes. The provision of this literature is designed to enhance customer understanding, either directly through client guides or via support for their adviser.

Limitations

Considering the target market of our Responsible MPS range is defined as digital advised customers and the resultant product design features, we do not believe there are further legal or non-regulatory limitations embedded within our Responsible MPS range.

Total cost of ownership

Overall cost of ownership consists of three component parts:

AJ Bell Annual Management Charge: 0.15%

The standard AJ Bell MPS charges an AMC of 0.15%. This reflects the fee for the investment management process, covering research, strategic and tactical asset allocation decisions, and the ongoing management of the portfolios. This compares competitively against the average fee of 0.19% in the wider market, as reported by NextWealth².

Synthetic Ongoing Charge Figure: 0.19-0.29%

The synthetic OCF accounts for the cost of the underlying holdings within the portfolios. The AJ Bell Responsible Growth Fund is constructed under the same portfolio implementation constraints as the Responsible MPS range, and therefore may also be used to create a 'core' to each portfolio that is exempt from capital gains tax when rebalancing positioning and allows quick changes to be made to positioning to react to fast-changing markets. This weight will be fixed at a maximum of 25% within the model, however it may be lower to implement the Level 1 asset allocation.

The portfolios can implement the asset allocation in a variety of ways, including but not limited to ETFs and index funds ETFs, index funds, active funds, bonds and equities, however ETFs and index funds will be used where possible. We select funds from the investment universe of vehicles with UK reporting status which have completed the AJ Bell Asset Management Due Diligence Questionnaire. In addition, the provider must manage at least £1 billion in European-domiciled investment tracking funds. This is to ensure long-term commercial viability. Given the ESG objective of the portfolios, only products run by approved managers can be used.

The portfolios are designed to offer a simple, transparent, low-cost investment solution to retail investors. As such, an overall synthetic OCF budget is placed on the portfolio implementation. This is limited to 0.30% per portfolio on a weighted average basis and does not include transaction fees and stock lending fees. In instances where this is unachievable, approval from the Portfolio Implementation Forum is required. Once a fund is selected, we use our scale to try and access the best share class, including institutional share classes which are not widely available elsewhere.

Transaction costs: 0.02-0.14%

Transaction costs account for the aggregated cost of trading taking place in the underlying holdings. In general, passive funds have lower transaction costs as they aim to track an index and do not tend to trade frequently.

Responsible MPS Range Costs

Fund	Responsible Growth MPS 1	Responsible Growth MPS 2	Responsible Growth MPS 3	Responsible Growth MPS 4	Responsible Growth MPS 5	Responsible Growth MPS 6
AMC	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Synthetic OCF	0.19%	0.22%	0.24%	0.26%	0.29%	0.29%
Transaction costs	0.02%	0.04%	0.07%	0.09%	0.12%	0.14%
Total cost	0.36%	0.41%	0.46%	0.49%	0.55%	0.58%

²NextWealth MPS Proposition Comparison Report 2023

We do not engage in discriminatory pricing and all Responsible MPS customers pay the same charges. However, the table below, taken from NextWealth, shows average asset-weighted AMC and OCF. The AMC (0.15%) and average synthetic OCF (0.47%) for Responsible MPS range fall below or are broadly in line with these averages.

Figure 5: Average asset-weighted MPS fee and OCF, 2021-2023

	Average MPS fee	Average OCF
Q3 2021	0.25%	0.75%
Q3 2022	0.21%	0.46%
Q3 2023	0.19%	0.40%

NextWealth MPS Proposition Comparison Report 2023

We see high charges as a barrier to investors. That’s why we aim to be one of the lowest-cost providers in the asset management industry, providing real value and – by extension – better customer outcomes. We consistently monitor the marketplace, actively seeking opportunities to reduce costs such as negotiating access to cheaper institutional share classes, reducing the underlying OCF and passing on savings to customers.

Mitigating foreseeable harm

The target market for the Responsible MPS range is defined as “UK retail advised digital investors”. We also define a negative target market as customers who are uncomfortable taking any risk, and potentially vulnerable customers who have low financial resilience or capability.

Further detail on our target market and vulnerable customer policies can be found on the AJ Bell Consumer Duty Hub³.

Conclusion

This document provides a summary of the fair value assessment for the AJ Bell Responsible MPS range. In carrying out the fair value assessment of our Responsible MPS range, we are satisfied that we have considered all relevant factors and available information relating to the portfolio’s value and the impact this has on customers. Following this analysis, we believe the Responsible MPS range has successfully delivered fair value to customers and have rated the portfolios ‘green’ across all four categories.

We monitor all products on an ongoing basis to ensure they are delivering good value, and we always look for opportunities to improve. The governance and oversight of our fair value assessment process, along with how this is managed, is carried out in our committees. AJ Bell’s quarterly committee cycle monitors Key Risk Indicators, performance analysis, and product features. We proactively monitor customer outcomes flagged by KRIs and take action to mitigate risk where necessary and possible.

We are confident that the AJ Bell Responsible MPS range is well-positioned to continue providing good outcomes and fair value for its customers in the future.

³ <https://www.investcentre.co.uk/support/consumer-duty>