

KSAM has concluded that its Brighter World model portfolios (“Lower Cost Model Portfolios”) provide fair value to its clients

Background

King & Shaxson Asset Management Limited (“KSAM”) offers a range of managed portfolios to its clients. The Consumer Duty requirements of the FCA require manufacturers of products to undertake an assessment of whether or not a product provides fair value to the customer. The purpose of this summary is to inform potential distributors of our value assessment process and the result.

Product

Brighter World Model Portfolios

Overall Assessment

KSAM has concluded that its Brighter World Model Portfolios provide fair value to its customers

Nature of the product

A range of portfolio models constructed by KSAM and made available [solely] to advised investors on third-party fund platforms. The portfolio models comprise third-party managed green and ESG oriented ETFs/Index Funds, selected for their provision of screening to filter out investments not meeting their stated ESG Screening criteria (negative screen), selection of investments actively meeting their stated Sustainable criteria (positive screen), and diversification of asset allocation across a number of asset classes.

Actively managed in the sense that KSAM will continually review the funds selected and make changes where considered appropriate and in the best interests of investors.

Based on a long-term investment horizon (10 years).

Allows investors to select from a range of portfolio models appropriate to their risk tolerance or appetite;

Allows investors to gain exposure to ESG and Sustainable model portfolio at lower cost than for a fully actively managed model portfolio service or bespoke portfolio (i.e. where KSAM selects all the individual instruments and assets comprising the portfolio in accordance with that portfolio’s investment criteria).

Limitations of the product

While KSAM can control the funds it selects it cannot control selection of the individual securities and instruments making up the fund. This is the responsibility of the relevant fund manager. This will inevitably involve some compromise. A fund containing (or later acquiring) an instrument which some investors may find problematic may nevertheless be considered to be in broad compliance with its ESG and Sustainable criteria and an appropriate model portfolio constituent.

Investors requiring stricter and/or more comprehensive observation of their ESG and Sustainable preferences should consider more bespoke products provided by KSAM or other providers. The costs associated with provision of such services is typically higher given it requires the use of more active funds

Expected Total Price

The price of a product is required to be assessed with respect to the “expected total price” to be paid by a retail customer. We have assessed all the costs of Brighter World Model Portfolios which are detailed below:

Type of charge applied	Definition
Annual Management Charge (“AMC”)	This is our annual management fee for providing the discretionary management service.
Ongoing Charges Figures (“OCF”)	As a portfolio of funds, the portfolio will be invested in a number of funds run by well-established fund houses. OCF is the ongoing management charges levied by the manager of each fund invested in and related to their costs of running the fund.
Transactional costs	Transactional costs are costs incurred by the underlying funds when undertaking transactions.
Platform fee	As the administrator of the model portfolios, the platform will levy a fee for providing custodial and administration services
Adviser fee	As an advised product, our MPS will also attract an adviser fee. This fee is agreed between the underlying client and their adviser.

With respect to each of the above charges, the only one in our control is our AMC, which is 0.20%. Combining our AMC rate with the OCF and transactional cost, the expected total price of the product to the end client will be in the region of 0.20 to 0.45% depending on risk/asset allocation. This will be in addition to the adviser fee and platform fee – fees which are not in our control. Typically, these are in the region of 0.5% ongoing adviser fee and 0.25% platform fee. Expected ongoing totals will therefore be in the region of 0.95% to 1.2% per annum.

We have reviewed various alternative providers for comparable products and our AMC is in line with market rates. This is also reflective of the costs incurred by the firm in manufacturing and maintaining the product, particularly with respect to the portfolio screen and reporting. Our research showed that there were no comparable products that were priced significantly lower than ourselves.

Clients with vulnerable characteristics

These products are designed for clients with a range of risk appetites from “Defensive” to “Adventurous”, which may include some customers with characteristics of vulnerability or who may experience vulnerability in the future. As our distribution strategy requires an investment adviser, we work with the adviser to achieve good outcomes for any vulnerable clients. This may include switching to a lower risk portfolio model which better caters for the client’s needs, providing additional explanatory literature or providing additional assistance to the adviser where possible.

We consider that clients with vulnerable characteristics will receive fair value in the same way as any other Lower Cost ETF/Passive Model Portfolio client.

Company Information

King & Shaxson Asset Management Limited (Reg. No. 3870667) has its registered office at 1st floor, 155 Fenchurch Street, London, EC3M 6AL. The Company is registered in England and Wales and is part of the PhillipCapital Group. King & Shaxson Asset Management Limited (FCA Reg. No. 823315) is authorised and regulated by the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN.

Disclaimer

Please remember that the value of investments and the income arising from them may fall as well as rise and is not guaranteed. You may not get back the amount invested, especially in the early years.

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