

KSAM has concluded that its Model Portfolio Services provides fair value to its clients

Background

King & Shaxson Asset Management Limited (“KSAM”) offers a range of discretionary 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

Model Portfolio Services (“MPS”).

Overall Assessment

KSAM has concluded that its MPS offering provides fair value to its customers

Nature of the product

KSAM’s model portfolio service (“MPS”) provides a portfolio of funds model portfolio which is invested in established funds on behalf of the client. The purpose of the product is to allow customers to select an investment service that caters to their ethical needs while also providing investment returns over the long term (10 years). This is achieved through active management of the portfolios while providing an ethical screen to filter out unethical investments (known as a negative ethical screen). This will exclude industries which have a harmful socio or environmental impact. Additionally, the MPS product will actively seek out impact investments (known as a positive ethical screen) which will align with the ethical preferences of its clients.

The benefit to the client is a ‘dark green’ ethical screen which actively aligns with the ethical preferences of the client whilst achieving investment return.

Limitations of the product

With a ‘dark green’ negative screen, the MPS are unable to invest in some areas of the stock market such as oil and gas or mining. This will mean performance will differ from conventional investments, for example the MSCI global index, which will comprise large amounts of these investments and companies.

Where the product is not held in an efficient tax wrapper, we are unable to actively manage a client’s capital gains tax allowance.

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 MPS 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.

With respect to each of the above charges, the only one in our control is our AMC, which is between 0.24% to 0.48% including VAT depending on the AUM level of the adviser firm. Combining our highest rate with the OCF and transactional cost, the expected total price of the product to the end client will be in the region of 1.1% per annum. 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 2% per annum.

We have reviewed various alternative providers for comparable products and our AMC is in line with market rates. Although this can be on the higher side initially, with an AMC of 0.48%, this reflects our flexibility and willingness to work with financial advisers to set up on additional platforms, something other providers may not be willing to facilitate. This is also reflective of the costs incurred by the firm in manufacturing and maintaining the product, particularly with respect to the dark green ethical screen, as well as obtaining external risk reviews from the likes of Defaqto, EV and Dynamic Planner. 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 would work with the adviser to achieve good outcomes for any vulnerable clients. This may include switching to a lower risk MPS model which better caters for the client's needs, providing additional literature or providing additional assistance to the adviser where possible.

- Subject to the client's investment objectives, provision of growth or income through long-term investment;
- Ability to invest in a socially responsible way;

It is our consideration that any clients with vulnerable characteristics would receive fair value in the same way as any other client of the MPS.

Company Information

King & Shaxson Asset Management Limited (Reg. No. 3870667) has its registered office at 1st floor, Cutlers Court, 115 Houndsditch, London, EC3A 7BR. 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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