

Consumer Duty product value assessment summary: AJ Bell Gilt MPS

March 2025
Version: 1.0

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 we have carried out during the design process of the new AJ Bell Gilt 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	Gilt MPS 1	Gilt MPS 2	Gilt MPS 3
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



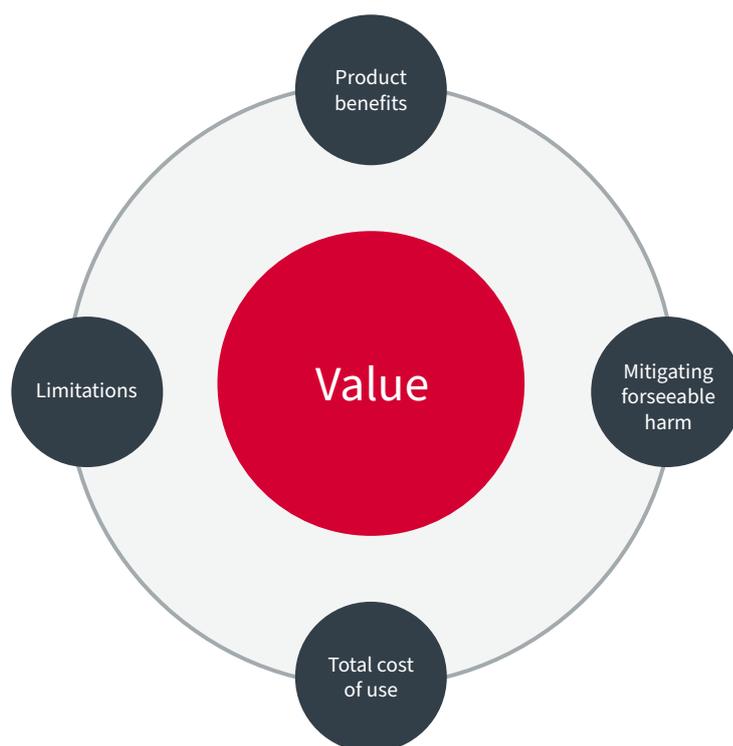
Poor value

Overall, we believe the Gilt MPS range has been designed to deliver good value to customers across all four factors once launched.

Factors used to assess value and pricing

Based on the Final Guidance issued by the FCA as well as our own consideration, the following factors have been used to assess the value provided by the Gilt 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.
- Any elements of vulnerability that may affect customers' ability to understand or achieve value from the product.



Assessment of value

The below is a high level, non-exhaustive summary of the features and benefits provided by our Gilt MPS range, as well as gilts in general, upon which value has been assessed.

- Outcome-orientated portfolio delivered in accordance with agreed objectives of the defined target market.
- A competitively priced Annual Management Charge (AMC).
- Allows investors to access the benefits of direct gilts, which can be complex for advisers to access outside an MPS wrapper due to additional permission requirements.
- An attractive tax-efficient return profile.
- No minimum investment (although a minimum of £10,000 is recommended, which is significantly smaller compared with the requirements of other market products).
- No exit fees, notice periods or written cancellations, enabling customers to divest without barriers to exit.
- Available to be purchased on AJ Bell Investcentre.
- Suite of literature produced including quarterly reports, articles, and its own standalone guide.

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

Benefits of gilts:

- Stability and security, with the UK government having never defaulted on its bonds.
- Predictable income through bi-annual coupon payments.
- Capital preservation for investors seeking to protect their wealth.
- Tax benefits, outlined further below.

The AJ Bell Gilt MPS range has been designed to provide clients with a tax-efficient investment solution through direct investments in a portfolio of UK gilts. Any gains made from selling gilts at a higher price than they were purchased for are not subject to capital gains tax (CGT) like other investments (such as corporate bonds) are. Instead, only the interest payments (coupon) are liable for taxation, in the form of the investor's marginal rate of income tax. The Gilt MPS portfolios aim to invest in relatively short-term, low-coupon gilts that are trading on discounts to par, a beneficial solution for higher and additional rate taxpayers looking to take advantage of any capital gains being exempt from tax. However, it is important to note that individual tax circumstances vary, and benefits will therefore vary per individual investor.

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 AJBIC website¹.

Performance

Investing in gilts can provide a range of benefits to customers, both within and outside of a tax wrapper. As a provider of a Gilt MPS, we aim to provide returns for investors looking for a low-risk way to generate higher returns than they'd get from cash, or who wish to access the tax benefits that gilts provide. Gilts are issued by the UK Government (who have never defaulted on bonds) and provide investors with a predictable level of income through their bi-annual coupon payments which can, for example, be used for cash-flow planning purposes.

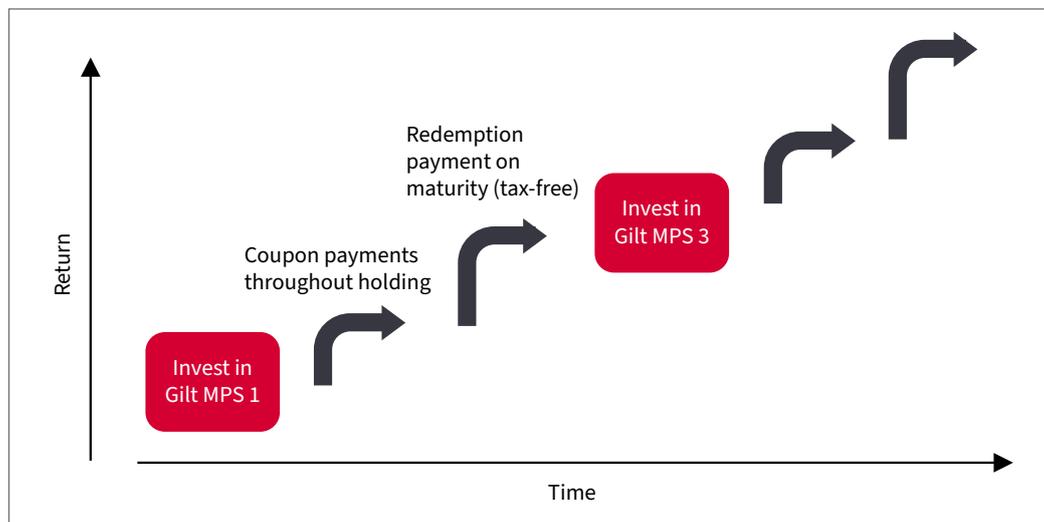
We have designed a range of portfolios that enable investors to re-invest the proceeds from maturing gilts into another portfolio of issues that still offer reasonable levels of return and remain exempt from capital gains tax. Each portfolio provides access to gilt issues that have been selected for their relatively short-term time horizon to maturity, that have low coupon rates, and that are still priced at a 'discount' to par.

The range of portfolios has been designed to provide investors sufficient choice across multiple issues within a 'ladder' of maturities, and allow them to select a portfolio that best suits their investment time horizon. Please see the details below of the three portfolios that will be launched initially:

	Gilt MPS 1	Gilt MPS 2	Gilt MPS 3
Cash	1%	1%	1%
0.125% Treasury Gilt January 2026	49%	33%	24%
0.375% Treasury Gilt October 2026	50%	33%	25%
1.25% Treasury Gilt July 2027		33%	25%
0.125% Treasury Gilt January 2028			25%
Final maturity date	22 October 2026	22 July 2027	31 January 2028

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

When a gilt matures, investment in it will be redeemed and the money credited to the investor's account. Investors can then either withdraw, re-invest into another investment solution, or instruct us to reinvest into a portfolio that meets their time horizon. This approach should allow investors to maximise their returns from capital gains and take advantage of the tax exemption and the discounts to par value of each issue that exists due to their low coupon rates relative to the current interest level. Details of our ladder approach below:



Whilst there is no minimum recommended time horizon for this product, the longer somebody is invested, the greater the opportunity to take advantage of capital gains, where the opportunity to do so still exists and are gilts continuing to trade below their par.

Risk profiling

The Gilt MPS range is not aligned with a specific risk profiler, however it is designed to provide clients with a tax-efficient investment solution through direct investments in a portfolio of UK gilts. Gilts provide stable returns and can be considered ultra-low risk investments. The UK government has never defaulted on its bonds, making gilts a particularly safe investment.

However, the portfolios do carry reinvestment risk. This can be defined as the risk that money earned from an investment can't be reinvested at a comparable rate to the current rate of return. For example, coupon payments from bonds may not be able to be reinvested in another security with a comparable yield.

Literature and support

We are committed to delivering simple, transparent, jargon-free literature at all points of the investment lifecycle. Literature is reviewed to ensure it is in plain English and a sample of it will be externally tested annually via an independent agency.

Total cost of ownership

AJ Bell Annual Management Fee: 0.10%

The Gilt MPS range carries an investment management charge of 0.10%p.a., which is lower than many of our competitors.

We aim to be one of the lowest cost providers in the asset management industry as we see costs as key to delivering good customer outcomes. AJBAM does not engage in discriminatory pricing and all Gilt MPS customers pay the same charges. Based upon this assessment we can conclude that the Gilt MPS range is priced competitively against the wider market.

Mitigating foreseeable harm

The target market for the Gilt MPS is defined as “UK retail advised digital investors”.

Further detail on Target Market and Vulnerable Customer Policies can be found on the AJ Bell Consumer Duty Hub².

Conclusion

In carrying out the prospective fair value assessment of our Gilt MPS range, we are satisfied that we have considered all relevant factors and available information relating to the portfolios’ value, and the impact this will have on customers, and have therefore rated the portfolios ‘green’ across all four categories.

² <https://www.investcentre.co.uk/support/consumer-duty>