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April 2023  
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 costs 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 Passive Growth 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	Passive Growth MPS 1	Passive Growth MPS 2	Passive Growth MPS 3	Passive Growth MPS 4	Passive Growth MPS 5	Passive Growth 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

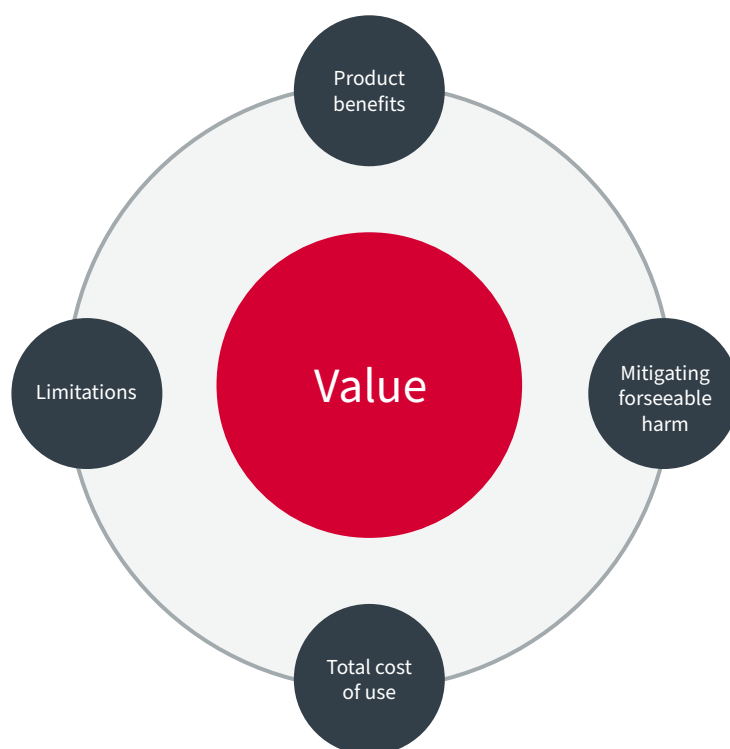
The assessment was completed by the AJ Bell Investments Product Team and approved by the Investment Proposition Committee on 20 April 2023. We review the assessment annually and will make more frequent updates if there are material changes to outcomes.

Overall, we believe the Passive Growth MPS offers fair value to customers, and we continue to look for areas to improve. We are confident that the Passive Growth 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 (as well as our own consideration, the following factors have been used to assess the value provided by the Passive Growth 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 Passive Growth 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 5+ years to advised customers.
- Portfolios are risk target managed.
- 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 six well-respected platforms.
- Suite of literature produced including factsheets, quarterly reports, articles, FAQs, and guides.

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 website<sup>1</sup>.

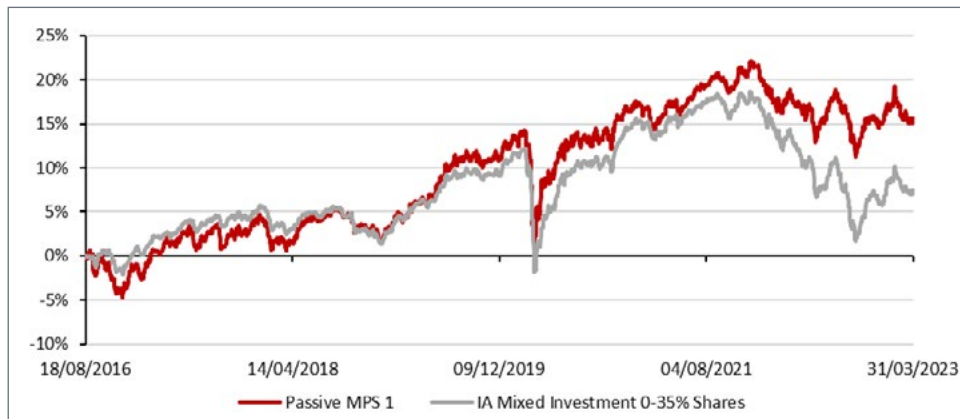
## Financial performance

As a provider of a passive 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 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 and enable an objective assessment of performance, 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 Passive Growth MPS range. The following charts and tables show the cumulative, non-annualised total return (%) of the portfolios and their respective IA Sector comparators:

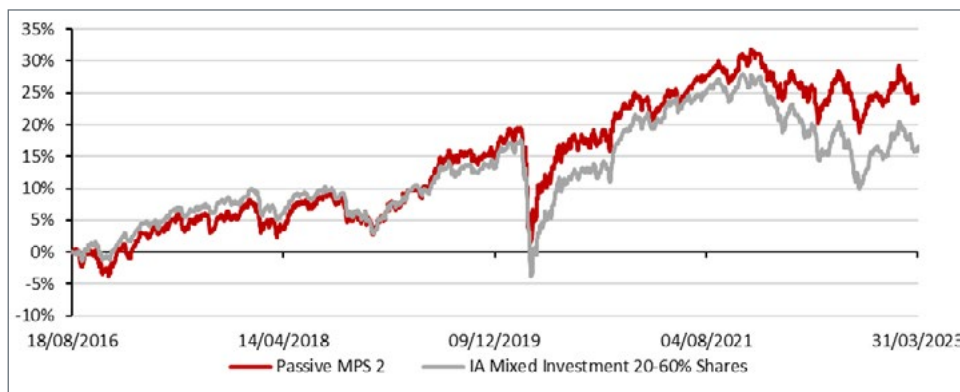
<sup>1</sup> <https://www.investcentre.co.uk/support/consumer-duty>

## Passive MPS 1



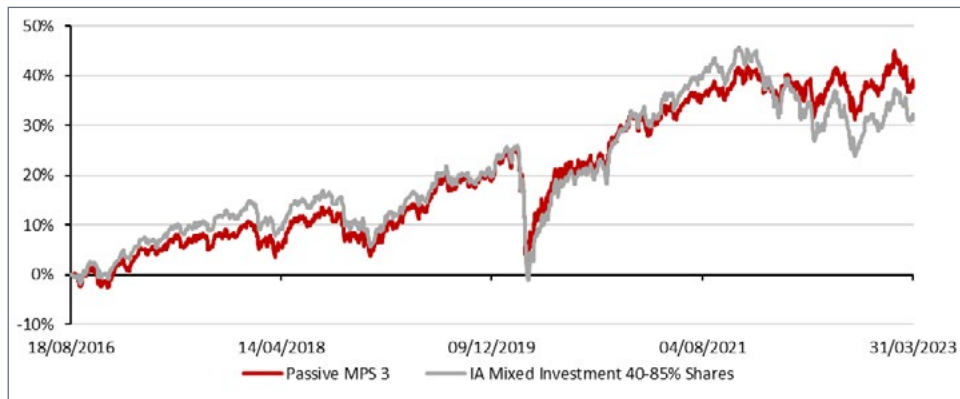
Passive MPS	1 year	3 years	5 years
Passive MPS 1	-2.24	10.05	14.14
IA Mixed Investment 0-35% Shares	-5.84	5.89	4.63
IA Sector Quartile	1st	2nd	1st

## Passive MPS 2



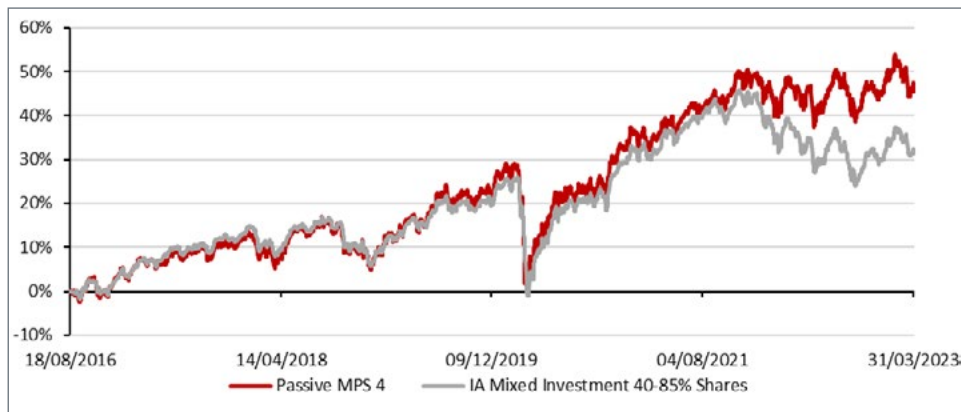
Passive MPS	1 year (%)	3 years	5 years
Passive MPS 2	-2.33	17.66	20.53
IA Mixed Investment 20-60% Shares	-5.00	16.09	10.92
IA Sector Quartile	1st	3rd	1st

## Passive MPS 3



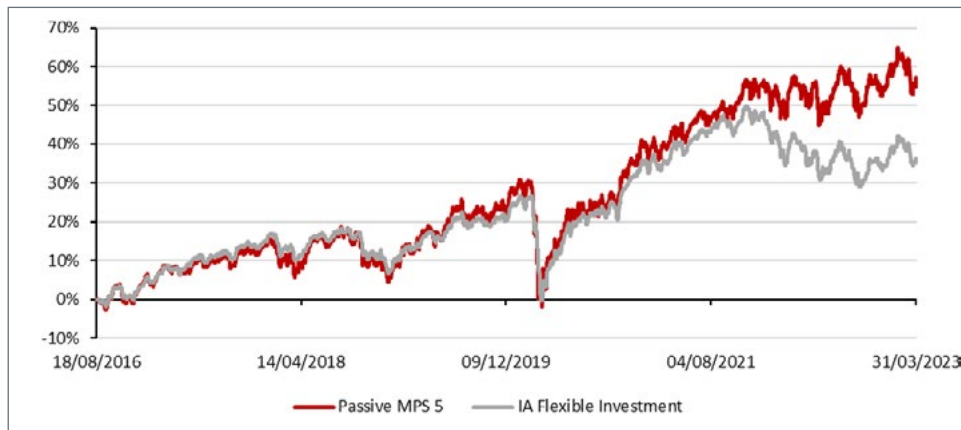
Passive MPS	1 year	3 years	5 years
Passive MPS 3	-0.09	29.45	32.32
IA Mixed Investment 40-85% Shares	-4.62	27.12	22.42
IA Sector Quartile	1st	3rd	1st

## Passive MPS 4



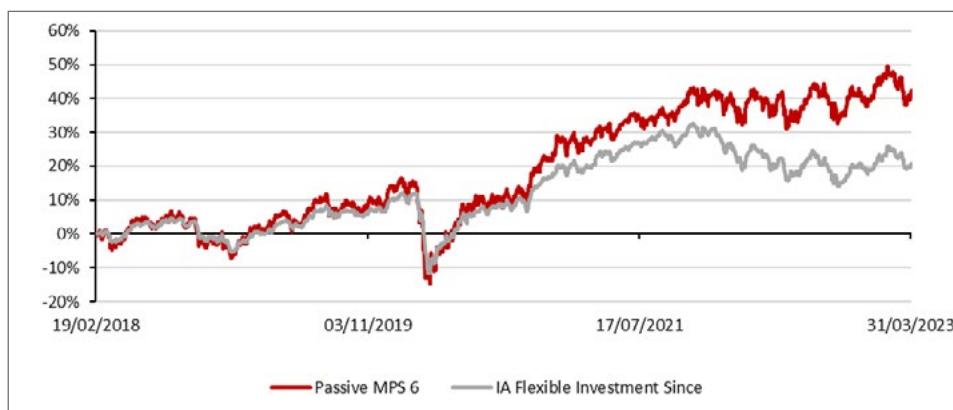
Passive MPS	1 year	3 years	5 years
Passive MPS 4	-0.14	38.47	37.87
IA Mixed Investment 40-85% Shares	-4.62	27.12	22.42
IA Sector Quartile	1st	1st	1st

## Passive MPS 5



Passive MPS	1 year	3 years	5 years
Passive MPS 5	0.88	48.69	46.20
IA Flexible Investment	-3.98	30.42	23.93
IA Sector Quartile	1st	1st	1st

## Passive MPS 6



Passive MPS	1 year	3 years	5 years
Passive MPS 6	0.76	54.68	46.62
IA Flexible Investment	-3.98	30.42	23.93
IA Sector Quartile	1st	1st	1st

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 Passive Growth MPS range, each catering for a different risk profile. The range is designed to align with risk profiles identified by Dynamic Planner to attain their 'Gold badge'. This is achieved through 'risk targeting' and means the portfolios must stay within assigned volatility bands. 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. As part of our commitment to choice, we partner with other major providers of risk profiling tools, including Defaqto, Finametrica, Synaptic and Oxford Risk, allowing advisers to use the risk rating of their preferred profiler.

## Platform availability

The Passive Growth MPS range is distributed via six platforms – AJ Bell Investcentre, abrdn Wrap, Aviva, Morningstar Wealth Platform, Quilter and Transact. Increasing platform availability is important to us as it provides advisers (and ultimately customers) with greater choice. We have recently onboarded Transact.

## Literature and support

AJBAM is 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 Passive Growth MPS range includes monthly factsheets, quarterly reports, guides, FAQs and articles. 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 Passive Growth 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 Passive Growth MPS range.

## Total cost of ownership

Overall cost of ownership consists of three component parts:

### AJ Bell Annual Management Fee: 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 0.21% in the wider market, as reported by NextWealth<sup>2</sup>.

### Synthetic Ongoing Charge Figure: 0.13-0.14%

The Synthetic OCF accounts for the cost of the underlying holdings within the portfolios. The portfolios can implement the asset allocation in a variety of ways, including but not limited to ETFs and Index Funds. Selection of index-tracking funds is undertaken by AJBAM from the investment universe of vehicles with UK reporting status and who have completed the AJ Bell Asset Management Due Diligence Questionnaire.

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 0.15% 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, AJBAM uses its scale to try and access the best share class, including institutional share classes which are not widely available elsewhere.

<sup>2</sup> NextWealth MPS Proposition Comparison Report 2022

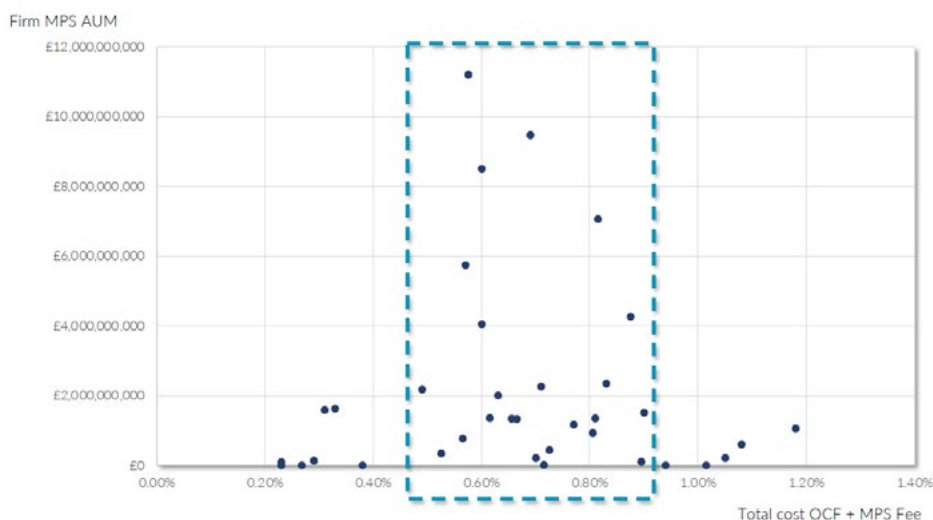
### Transaction Costs: 0.02-0.05%

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.

### Passive Growth MPS Range Costs

	Passive Growth MPS 1	Passive Growth MPS 2	Passive Growth MPS 3	Passive Growth MPS 4	Passive Growth MPS 5	Passive Growth MPS 6
AMC	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Synthetic OCF	0.13%	0.13%	0.14%	0.13%	0.13%	0.14%
Transaction costs	0.02%	0.02%	0.04%	0.05%	0.05%	0.05%
<b>Total cost</b>	<b>0.30%</b>	<b>0.30%</b>	<b>0.33%</b>	<b>0.33%</b>	<b>0.33%</b>	<b>0.34%</b>

AJBAM does not engage in discriminatory pricing and all Passive Growth MPS customers pay the same charges. These charges rank competitively in the market. The chart below, taken from NextWealth, shows the majority of AUM is concentrated within a total cost range of 0.50% to 0.90%. The cost of the Passive Growth MPS range is lower than this average.



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. 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 Passive Growth 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 Target Market and Vulnerable Customer policies can be found on the AJ Bell Consumer Duty Hub<sup>3</sup>.

## Conclusion

This document provides a summary of the fair value assessment for the AJ Bell Passive Growth MPS range. In carrying out the assessment, we are satisfied that we have considered all relevant factors and available information relating to the range’s value. Following this analysis, we believe the Passive Growth 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 the fair value assessment process, along with how this is managed, is carried out in the relevant committees. AJ Bell’s quarterly committee cycle actively monitors consumer outcomes through Key Risk Indicators, performance analysis and product features. We take action to mitigate risk where necessary and make improvements where possible.

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

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