



# EQ Bespoke Service Value Assessment

May 2023

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## Introduction

### Overview

This report is designed to help you see whether EQ Investors (EQ) is delivering value for its clients. We carry out fair value assessments at least annually, in line with our proposition governance process. The fair value assessment statement provides you with the outcomes and conclusions of the value provided to advisers and clients under Consumer Duty.

In completing this assessment, EQ has evaluated the value provided to advisers and clients by the Bespoke Service across several key criteria, including the financial and non-financial benefits received, the performance and quality of the service and the pricing of the proposition.

The Board is focused on the best interest of EQ’s our end-clients, and we believe that Consumer Duty, and the assessment of value more specifically, is an important method of evidencing this.

#### Reasons for assessment:

To assess the value of the EQ Bespoke Service that we manufacture.

#### Name of person(s) completing this assessment:

- Sophie Kennedy (Joint CEO)
- Tertius Bonnin (Assistant Portfolio Manager)

## Summary of findings

This Value Assessment covers the 12 months up to 31 March 2023.

The overall assessment is that the Bespoke Service continues to deliver fair value for advisers and clients in the target market:

- ✓ The product remains consistent with the needs of the identified target market.
- ✓ The product provides fair value to clients within the target market and should provide good outcomes to clients.
- ✓ The intended distribution strategy remains appropriate.

Portfolio	Value Assessment
Bespoke Service	2: Good

### Key:

- 1: Excellent, this service has delivered excellent value to its customers*
- 2: Good, this service has delivered above average value to its customers*
- 3: Satisfactory, this service has delivered value to its customers*
- 4: Needs improvement, this service has not delivered value to its customers*

## Product details

A discretionary Bespoke service, providing tailored portfolios to clients' investment and sustainability preferences as well as specific tax constraints. An end-to-end solution including custody, portfolio management and reporting.

### Portfolio objectives:

1. Maximise risk adjusted financial returns.
2. To deliver an investment solution in line with a client's investment, sustainability, tax, or personal restrictions.
3. This may include maximising alignment to positive impacts on the world's significant environmental and social challenges, supporting the transition to net zero or lower carbon footprint than then benchmark.

### Key features:

The key features of the Bespoke service are:

- A named investment manager, providing a tailored solution which may include active and / or passive investments.
- A diversified portfolio of funds including the use of OEICs, Investment Trusts & other listed vehicles with:
  - Exposure to companies providing products & services to solve social or environmental challenges, creating an intentional, material, and additional impact on the UN Sustainable Development Goals (SDGs)
  - Exposure to companies with strong Environmental, Social & Governance (ESG) credentials across industries
- Negative screens or exclusions of EQ's minimum sustainability exclusions or may naturally avoids most controversial sectors and business activities preventing progress towards the UN SDGs.
- Access to personalised client portal including live performance data and net worth analysis as well as Sustainability reporting including carbon footprinting, carbon calculator, impact reporting, impact calculator, Science Based Targets initiative alignment and quarterly case studies.
- Full tax reporting

### Key benefits:

The financial and non-financial benefits of the Bespoke service include (albeit not an exhaustive list):

- Risk adjusted financial returns dependent on clients' objectives, needs and preferences.
- Aligning investments to sustainability preferences and values, the Bespoke service has investor input over the underlying assets within the portfolio.
- Contributing to changes in real world outcomes through stewardship which includes voting and engagement with fund managers and directly through industry initiatives.
- High liquidity allows clients to access their investments when needed.
- Access to sustainability investment professionals & market commentary from specialist investment team highlighting performance drivers, market update and macroeconomic environment.
- Significant reporting includes carbon footprinting, carbon calculator, UN SDG alignment, impact reporting & calculator, engagement progress reporting and quarterly case studies.
- The Bespoke service is an end-to-end solution including custody and portfolio management,

### Limitations:

- There is a high minimum investment criterion for the Bespoke service given its tailored approach and higher fee structure.
- No non-advised or execution only transactions will be accepted for any option.

## Target market

### Identified target market:

A retail client with sustainability preferences:

- ✓ Basic knowledge of relevant financial instruments, no financial industry experience so suited to a first-time investor.
- ✓ an Informed Investor with some knowledge of relevant financial instruments or financial industry experience.
- ✓ An Advanced Investor with good knowledge of financial instruments of financial industry experience.

### Detail the needs, characteristics & objectives of the target market:

This proposition is designed for retail clients with the following characteristics, needs & objectives:

- ✓ Capital growth
- ✓ Sustainability preferences
- ✓ Longer time horizon
- ✓ This product caters for clients with different risk appetites.

This proposition is not appropriate for:

- ✗ Clients wishing to invest directly in individual company shares or corporate bonds or in esoteric investments such as derivatives, crypto, unregulated, or non-traditional investments.
- ✗ Clients who cannot bear any loss of capital or limited losses.
- ✗ Potential CGT / Income Tax / IHT issues.

## Vulnerability

Identify any characteristics of vulnerability in the target market which may impact the value received by those customers.

The characteristics of vulnerability in the target market have been identified and may include (this is not an exhaustive list):

- Lack of understanding or experience.
- Low resilience to loss due to lower level of savings.
- Inability to work through poor health.
- Loneliness.
- Older clients being more susceptible to deteriorating physical or mental health issues.

### Could the customers vulnerabilities or cognitive / behavioural biases impact the full value of the product?

All clients will come to EQ via an authorised financial adviser, who should manage the customers vulnerability or cognitive / behavioural biases accordingly to ensure that this will not impact the value of the product.

EQ has a Vulnerable Client policy which is adhered too and implemented when acting under a Reliance on Others basis where EQ has oversight of the end client.

## Nature of the product

Does the design of the product (the key features) enable use by the target market ensuring they are able to pursue their financial objectives?

The design of the product enables use by the target market, ensuring they can pursue their financial objectives.

We have completed a Manufacturer Assessment of our Service Proposition. This involved identifying our target market, documenting our service proposition, and assessing how our proposition meets the needs of our target markets.

This is a Bespoke service which can include a combination of the following design elements:

- Maximising alignment to businesses with intentional, material, additional and measurable positive impacts on the UN Sustainable Development Goals and / or maximising climate action through financing solutions and supporting low carbon leaders and transitioning businesses and / or maximising alignment to businesses with leading ESG characteristics and sustainable themes. Assessed through proprietary "best practice" impact fund selection criteria by a well-resourced investment and research team.
- Analysis of data includes UN SDG contribution, absolute impact metrics, ESG metrics, climate metrics, negative product involvement.
- SAA input
- Engagement activity at fund and direct holding level to drive change in real world sustainability outcomes.
- Measurement, monitoring, and reporting on sustainability characteristics
- Continued innovation of product and service to remain market leading.

Do any aspects/ limitations of the product prevent the average target market customer from fully enjoying the product?

None of the identified limitations of the product prevent the average target market customer from fully enjoying the product.

Does the product allow for comparison to other products in the market?

Yes, this product has been compared to other Bespoke Services in the market, including the MIFID II costs and charges and the Investment Management Fee.

Please see below for more information on the comparison.

Does the product allow for easy switching to another provider or product?

Yes, this product is available on platform and therefore allows for easy switching to another provider or product.

# Assessment of Value

The Assessment of Value is based on:

- ✓ Performance; Financial & Non-financial
- ✓ Cost: Ongoing Charges Fee (OCF) of the underlying funds held in the model portfolios, Bespoke service discretionary management fee
- ✓ Quality of the support

## Performance: Financial

Are the distributions of the actual financial returns of the product in line with the distribution of benchmark returns over 1, 3 & 5 years?

The performance of the portfolios over 1, 3 and 5 years has been compared to that of a comparator benchmark, the appropriate IA benchmark.

Portfolio	Performance: Value Assessment
Bespoke Service	2: Good

## Performance: Non-financial

Review the performance and quality of the support provided, including in relation to customer feedback and complaints.

The performance and quality of support is deemed to be Good. This analysis is based on:

- Adherence to the non-financial objectives
- Annual consumer testing of intermediaries (through annual surveys)
- Customer experience and satisfaction including website usage, online portal support, quality of adviser and client education and support, award wins.
- Management information including operational and technology performance indicators including trade and administration errors, complaints data, ad hoc feedback and testimonials.

## Pricing

### Identify and compare the market rate for the product?

The market rate for the product has been identified based on a relevant competitor peer group. This analysis has been conducted on the underlying fund fees within the product (OCF) & the DFM Investment Management Charge.

#### Quartile analysis on underlying fund fees (OCF)

Portfolio	OCF analysis: Value Assessment
Bespoke Service	2: Good

#### Quartile analysis on Bespoke discretionary management fee

Portfolio	Discretionary analysis: Value Assessment
Bespoke Service	1: Excellent

Differential pricing is used by the firm based on the Assets under Management of the underlying client. This allows EQ to share the benefits economies of scale with clients, taking into the fixed costs of the business. This creates a transparent fee structure for all advisers and clients with no preferential rates for certain firms or advisers.

For all pricing information, including the Bespoke discretionary management fee, underlying fund OCFs, transaction and incidental fees, please visit: <https://eqinvestors.co.uk/advisers/resources/>.

#### Analysis on COLL underlying fund AOV

For all funds where appropriate, 1: Charges are justified based on assessment and any action taken or, where the first assessment is not yet due, based on initial product design.



## Distribution strategy

### What is the distribution strategy?

Our distribution strategy is to clients of UK authorised financial advisers, through a Reliance of Others basis.

### Does the distributor have access to all appropriate information from the manufacturer to be able to understand the value that the product is intended to provide for the customer?

Yes, the distributor has access to all the necessary information. Please see the EQ website for more information: <https://eqinvestors.co.uk/advisers/resources/>

### Does the distributor understand the following?

*1) the intended benefit of the product, 2) value to be provided to customer by the product? 3) characteristics, financial goals and the needs of the target market? 4) the level of pricing set? 5) quality of support required to represent good value, 6) potential impact of distribution arrangements?*

Yes, EQ provides adequate documentation, resources, education, and support to the distributor. This includes both within this document and the other resources available which supply information on the key features and intended benefits of the product, examples of the objectives, characteristics and needs of the clients as well as a clear outline of the target market.

The document summarises the outcomes of our analysis on the quality of the support through annual client surveys and MI on complaints & retention rates.

### Are there any remuneration arrangements with the distributor which may impact the value customers receive?

There are no remuneration arrangements with the distributor which may impact the value clients receive.

### Are proposed distribution arrangements consistent with the value of the product?

Our distribution strategy is to clients of UK authorised financial advisers. The distribution arrangements in place with those advisers is consistent with the value of the product.

## Conclusion

### Does the product in its current form offer fair value?

The product provides fair value based on an analysis of the cost of manufacturing, market rate for the product benchmarked against firms providing similar services as well as profitability, including revenue and profit margins.

Portfolio	Performance	Service	Cost
Bespoke Service	2: Good	2: Good	1: Excellent

### Explain why the product provides value for the vulnerable customers in the target market.

All clients will come to EQ via an authorised Financial Adviser. Thus, the customers vulnerability should be managed accordingly to ensure that this will not impact the value of the product. EQ has a Vulnerable Client policy which is adhered too and implemented when acting under a Reliance on Others basis where EQ has oversight of the end client.

### Are there any adverse findings in this assessment?

There are no adverse findings in this assessment.

### Set out mitigating actions to occur prior to distribution or remedial action to prevent foreseeable harms to current customers.

Not applicable.

### Is the offering, including the portfolio management service meeting adviser and customer needs, consistent with good customer outcomes.

Yes, the service is consistent with good customer outcomes and the product remains consistent with the needs of the identified target market. We have conducted analysis of the financial and non-financial performance of the Bespoke Service and conclude that it is meeting the investment needs and performing as expected.

## Legal

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