

Centralised Investment Proposition SAMPLE

April 2024



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Background

The purpose of this document is to undertake a review of the investment strategies available and determine which are most suitable for the clients of The Verve Group.

To do this, we will incorporate all available guidance, including:

FCA Finalised Guidance – FG12-16 – Replacement business and centralised investment proposition

FCA Thematic Review TR16/1 – Assessing suitability: Research and due diligence of products and services (February 2016)

FCA Assessing Suitability Review – Results – May 2017.

Clever Adviser Centralised Investment Proposition Guide.

As per the FCA (then FSA) definition, we will use the term CIP (Centralised Investment Proposition) to reflect a standardised approach to providing investment advice, including:

Portfolio advice services

Discretionary Investment Managed

Distributor-influenced funds

Background

We are mindful of the regulators concerns with CIPs, in particular:

Shoehorning

Ensuring we do not adopt a 'one size fits all' solution

Churning

Switching clients into our CIP without it being in their best interests

Additional Costs

Ensuring a client does not unnecessarily incur additional costs by being switched into the CIP without there being a clear benefit

Finally, we will consider our obligations under the Product Intervention and Product Governance (PROD) directive and how any investment strategies selected for clients of The Verve Group take into account both the target market we work with and the segments we choose as a business to place clients within.

This document summarises our main investment approaches, which will be appropriate for the majority of our clients particularly those that meet target market and segment definitions.

There will naturally be clients we work with who do not meet our identified target markets or appropriate segments and in the event of working with these clients, we will consider bespoke solutions based on the whole of market.

Background for Research

Risk Profiling Tool



We use the Dynamic Planner risk profiling tool as a way, alongside discussion and consideration of a clients financial position and objectives, of assessing the level of risk a client can take.

The basis of the Dynamic Planner risk profiling assessment is a score between 1 and 10 and when a risk profile is agreed with a client, the investment strategies are typically directly mapped to the Dynamic Planner output.

If an investment solution is not mapped, we would be happy to build a bespoke strategy for a client using the suggested Dynamic Planner asset allocation for their level of risk.

Background for Research

Platform Selection



Our preferred platforms are Praemium and Transact. The majority of our clients with assets to invest for long-term investing will utilise the Praemium platform, and clients with more advanced needs will utilise the Transact platform. We maintain a proportion of our client bank on the AJ Bell, Aviva Wrap, Nucleus, Standard Life Wrap and Quilter platforms, in accordance with our proposition. The research within this document will look at building suitable investment strategies (on-platform multi-asset only) to use under these platforms.



Aside from the aforementioned alternatives, we would still consider, and research, bespoke solutions for certain clients if this represented the most suitable course of action.

The selection of any platform for any of our client segments is, however, dependant on the use of a platform being suitable for the client initially. When this is not the case, we are happy to research and select a provider option from the options covered in this analysis, or based on bespoke whole of market research.

Investment Approach

Client Segmentation

Client Segmentation will be based not only under prospective assets under management but also the wrappers the client might require. We have four main client segments and, based on our investment philosophy, we would look at the following solutions:



Young Accs

- Multi-Asset Fund

Young Wealth

- Multi-Asset Fund
- Bespoke Portfolio

Retiring

- Multi-Asset Fund
- Bespoke Portfolio
- Insured Pension

Retired

- Multi-Asset Fund
- Bespoke Portfolio
- Insured Pension

On-platform Multi-Asset Funds

For this part of our investment proposition we are generally looking for the following characteristics:

- Mixed-asset (fund-of-funds for full equity)
- Part of a fund 'family' to allow for varying levels of risk
- Low in cost
- Available via our preferred platforms
- Strong track record and strong fund financially

On-Platform Multi-Asset Funds

Fund Filtering

Following our review of the market, we have selected the following providers as suitable fund ranges based on their investment philosophies, reputation and standing, and overall financial strength.

Vanguard LifeStrategy

- 20%
- 40%
- 60%
- 80%
- 100%

HSBC Global Strategy

- Cautious
- Conservative
- Balanced
- Dynamic
- Adventurous

BMO Universal MAP

- Defensive
- Cautious
- Balanced
- Growth
- Adventurous

In the following pages, we will consider their performance and volatility of the ranges relative to their respective Investment Association (IA) Sector benchmarks.

As part of our research process, we analysed the historic performance of the Quilter Cirilium Passive, Fidelity Multi-Asset Allocator and L&G Multi-index ranges as well as those selected above. Quilter's and L&G's ranges both underperformed compared to their peers, with Quilter's strategies particularly chequered. Fidelity show strong returns over 1 and 3 years but still fall behind HSBC and Vanguard over 5 years both in terms of outright returns and volatility. We will, however, monitor their performance over the next 12 months for reconsideration as part of our CIP review.

On-Platform Multi-Asset Funds

Vanguard LifeStrategy

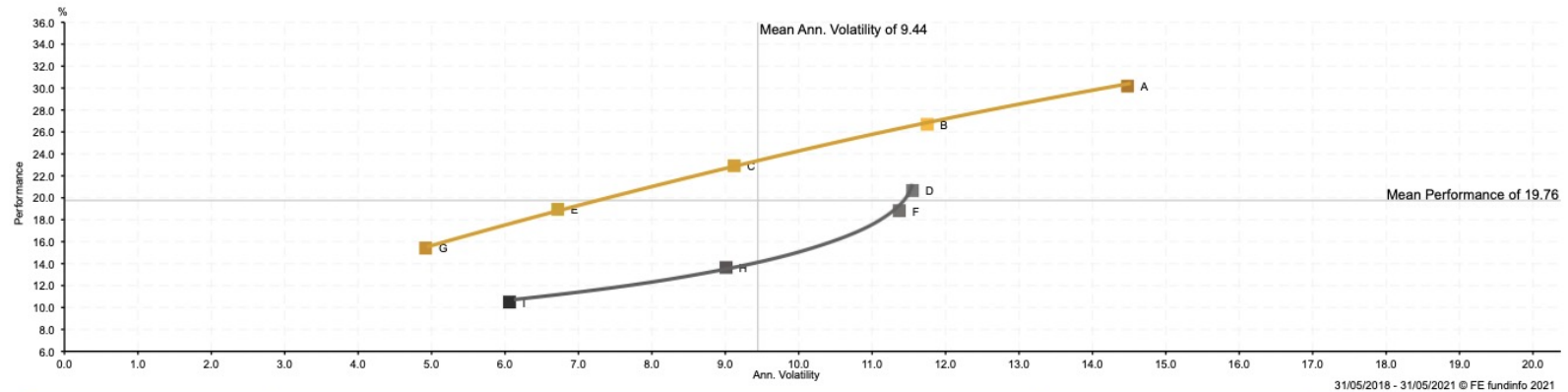
The following table contains information on the Vanguard LifeStrategy range as sourced from FE Fundinfo.

Fund	Sector	FE Crown Rating	ISIN Code	OCF (%)	Transactional (%)
Vanguard LifeStrategy 100% Equity	IA Global	2	GB00B41XG308	0.22	0.02
Vanguard LifeStrategy 20% Equity	IA Mixed Investment 0-35% Shares	5	GB00B4NXY349	0.22	0.06
Vanguard LifeStrategy 40% Equity	IA Mixed Investment 20-60% Shares	5	GB00B3ZHN960	0.22	0.05
Vanguard LifeStrategy 60% Equity	IA Mixed Investment 40-85% Shares	4	GB00B3TYHH97	0.22	0.05
Vanguard LifeStrategy 80% Equity	IA Mixed Investment 40-85% Shares	3	GB00B4PQW151	0.22	0.04

The 100% and 80% Equity funds have fallen short in terms of our preferred FE Crown rating of 4+. The ongoing costs of the funds are well within our preferred upper limit of 0.80%, even factoring in the estimated transactional costs.

On-Platform Multi-Asset Funds

Vanguard LifeStrategy - Performance



Key	Name	Performance	Volatility
A	Vanguard - LifeStrategy 100% Equity A Acc in GB	30.19	14.48
B	Vanguard - LifeStrategy 80% Equity A in GB	26.69	11.75
C	Vanguard - LifeStrategy 60% Equity A Acc in GB	22.93	9.12
D	IA Flexible Investment TR in GB	20.66	11.55
E	Vanguard - LifeStrategy 40% Equity A Acc in GB	18.96	6.72
F	IA Mixed Investment 40-85% Shares TR in GB	18.82	11.37
G	Vanguard - LifeStrategy 20% Equity A Gross Acc GBP in GB	15.42	4.92
H	IA Mixed Investment 20-60% Shares TR in GB	13.65	9.01
I	IA Mixed Investment 0-35% Shares TR in GB	10.49	6.06

All funds offer superior returns than their given IA benchmark as outlined in the table previous. Only the 80% Equity and 100% Equity funds show higher volatility than their respective 40-85% Shares and Flexible Investment benchmarks, although this is to be expected given the relative levels of return.

On-Platform Multi-Asset Funds

Target Market Information – Vanguard LifeStrategy

As sourced from Morningstar, the Vanguard LifeStrategy funds consider the following target market:

Classification		Knowledge		Capacity for Loss		Return Profile		Method	
Retail Investor	✓	Basic	✓	None	×	Preservation	×	Execution only	✓
Professional	✓	Informed	✓	Limited	-	Growth	✓	Non-advised	✓
Eligible Counterparty	✓	Advanced	✓	No capital guarantee	✓	Income	×	Advised	✓
				Loss beyond capital	✓	Hedging	-		
						Leveraged	-		

We are satisfied that the target market information above is matched to the funds managed by Vanguard. We are also satisfied that the target market information above aligns with the features of clients in the respective segments.

Conclusion

We have researched and selected investment strategies that align with the needs of the client segments we currently work with and expect to attract going forward.

These strategies are provided either through a platform or through an insured pension product. We will keep all selections under review and provide a formal update on an annual basis.

As an Independent Financial Adviser (IFA) firm, we will always use our independent status to ensure the client accesses both an investment strategy and a platform (if applicable) appropriate to their needs. We will consider bespoke whole of market solutions if options outlined in this document are not suitable.

Our next formal CIP review will be undertaken in October 2022.