Assessment of Value for our Active Portfolios

This report is the result of the annual value assessment that we have carried out for you.

YOU Asset Management is the Investment Manager of the Model Portfolio Service covered by this report. As the Investment Manager, we are responsible for operating the portfolios in the interests of our investors. Producing this report is an important way in which we help our clients to understand the value provided by the portfolios.

We carry out a value assessment at least yearly for each of our portfolios and funds to ensure that we recognise and act upon any areas where improvements may be required. The value assessments are undertaken by our compliance department which ensures they are independent of the fund managers. The assessments are then presented to the internal Governance Committees to ensure that there is rigorous oversight and challenge.

The purpose of the value assessment is to consider whether the fees paid by our clients are justified in the context of the overall value delivered to investors. After each assessment, we publish this report to provide you with our conclusions and explanations about its key aspects.

When carrying out the value assessment, we have been guided by three key considerations. These are:

- The rules of our regulator, the Financial Conduct Authority (FCA).
- Making the report meaningful for investors.
- The importance of measuring value and not just cost.

Each is now explained in more detail.

I. The rules of the FCA

The FCA requires all Fund Managers to consider certain minimum criteria when reviewing funds such as the IFSL YOU Multi-Asset Fund range. While this assessment relates to our Model Portfolio Service, we have applied similar criteria to ensure we uphold the highest standards for all of our propositions. The FCA sets the following areas for assessment:

FCA Value Assessment Criteria	Summary of FCA Value Assessment Criteria
Quality of Service	Does the range and quality of service offer value?
Comparable Services	Are portfolios priced reasonably compared to other products with similar investment strategies?
Costs	Are fees charged to investors reasonable and appropriate?
Comparable Market Rates	Are the portfolios priced similarly to competitors?
Performance	Are the portfolios performing against their investment objectives?
Economies of Scale	Are economies of scale generated and passed on to investors?
Classes of Units	Are investors in the cheapest available unit class based on their characteristics?

Each is considered under its own heading in the following pages. We are not limited to the seven that are prescribed but to date we have found they are sufficiently broad to allow us to carry out the value assessment. We keep this under review.

II. Making the report meaningful for investors

We aim to provide an assessment that is meaningful for all investors. We recognise individuals will have their own reasons for holding the portfolios and their own specific goals which are agreed with their financial adviser. We have been guided by the following considerations:

- The specific investment objectives as set out in the prospectus.
- The investment policies and strategies.
- Any relevant benchmarks, including any against which performance is measured.
- The fund's target market (the types of investors who could be expected to consider buying it).

We have considered these factors as at 30 April 2023, not merely across a single year but particularly in relation to performance – across timescales which better reflect the periods over which investors could be expected to hold these portfolios.

III. The difference between assessing value and simply measuring cost

We believe that the best value for investors does not necessarily mean simply the lowest costs.

As an example, we have a range of propositions of which some use active managers, some use passive funds and others are blended. "Active" management means the underlying investment manager chooses which companies to invest in, based on their own research and processes. This approach can be expected to result in higher costs than for Passive funds which track certain market sectors. Passive funds are chosen based upon the manager's decision to gain cheaper exposure to an index which they feel may be difficult for an Active manager to outperform.

Nevertheless, we are clear that any value assessment includes an assessment of the controls over costs borne by the portfolios.

In closing, I remind you that the value of your investment can fall or rise and it can do so daily. The portfolios are exposed to stock markets and market conditions can change rapidly resulting in volatile price movements and being affected unpredictably by diverse factors, including political and economic events. In addition, inflation will, over time, reduce the value of your investments in real terms. We carried out our assessment with performance figures as at 30 April 2023. You can always find up to date performance figures on our website or from your adviser or platform.

I hope in turn you find this report of value. All of us at YOU welcome any feedback on how to improve these reports for the future.

The Characteristics of the Portfolios

When we described our approach above, we said we considered the objectives and investment policies. In this section we summarise these characteristics for the Active Model Portfolio Service. Under each portfolio, we set out the objective and the benchmark against which you can assess the performance of the Fund.

Portfolio	Objective	Benchmark*	Equity Content
Active 1	This Portfolio invests mainly in Cash and Fixed Income and suits investors for whom minimising any capital loss is a priority over returns.	Consumer Prices Index	10
Active 2	This Portfolio invests mainly in Cash and Fixed Income and is suitable for investors who wish to protect their capital with a minimal amount of risk.	Consumer Prices Index	20
Active 3	This Portfolio invests mainly in Fixed Income and a small amount of riskier assets and is suitable for investors who wish to protect their capital, if possible, but increase the chances of better long-term returns.	Consumer Prices Index	30
Active 4	This Portfolio invests in a moderate amount of Fixed Income, with some Equity and Property as well. It is suitable for investors who wish to increase the chances of reasonable returns and protect capital, if possible.	IA Mixed Investment 20-60% Equity	40
Active 5	This Portfolio invests in a moderate amount of Fixed Income with a greater proportion in Equities and Property. It is suitable for investors who wish to increase the chances of reasonable returns and still protect capital if possible.	IA Mixed Investment 20-60% Equity	50
Active 6	This Portfolio invests in a variety of assets to obtain diversification. It is suitable for investors for whom returns are more important than capital protection.	IA Mixed Investment 20-60% Equity	60
Active 7	This Portfolio invests in a variety of assets to obtain diversification. It is suitable for investors who are comfortable with some investment risk and where returns are more important than capital protection.	IA Mixed Investment 40-85% Equity	70
Active 8	This Portfolio invests mainly in Equities and some specialist Equities in order to obtain diversification. It is suitable for investors who are prepared to take some investment risk to improve long-term returns, where these are more important than capital protection.	IA Mixed Investment 40-85% Equity	80
Active 9	This Portfolio invests mainly in Equities and some specialist Equities in order to obtain diversification. It is suitable for investors who are happy to take more investment risk to improve long-term returns, where these are more important than capital protection.	IA Mixed Investment 40-85% Equity	90
Active 10	This Portfolio invests wholly in Equities, with a significant proportion in specialist Equities. It is suitable for those investors looking for the highest potential long-term returns, but who must also be prepared to accept the greatest investment risk and significant short-term falls as well.	IA Flexible Investment	100
Active Income	The Income Portfolio has been designed to provide a consistent and steady level of income, with the possibility of some capital appreciation over the long term.	IA Mixed Investment 20-60% Equity	50

The Characteristics of the Portfolios (continued)

The latest version of the above information can always be read by looking at our website, www.you-asset.co.uk. They also set out the investment policy, which explains in more detail how each Fund aims to achieve its objective.

* The benchmarks:

There can be three types of benchmark and these are explained below.

- A 'target' benchmark is used to define the fund's target performance (or to trigger a payment from scheme property such as a performance fee).
- A 'comparator' benchmark is used as a performance comparator for the fund ('performance benchmark').
- A 'constraint' benchmark restricts the composition of a portfolio

The benchmarks for the YOU Model Portfolio Service should be considered comparators, but it should be noted that the Investment Team does not "chase" performance of these benchmarks. The YOU portfolios are very diverse and therefore do not align perfectly to any benchmark but these Investment Association (IA) benchmarks can provide a guide as to the performance of the wider market.

Range and Quality of Services

What have we considered?

In this section we have considered the first area of the value assessment. This covers the quality of service we provide and the quality of service provided by any person to which any aspect of the portfolios' management has been delegated or who provides services to us.

How have we made our assessment?

We have reviewed and given consideration to the services delivered and how they affect investors and the delivery of each Portfolio's objective. We also give consideration to the quality of the service delivered by YOU and any other parties involved in the distribution chain.

We have considered, as we do for all value assessments, whether they have been managed within their investment restrictions and if there have been any operational errors or complaints. There are no material issues which we consider affect our conclusions about quality of service in this assessment period.

We have reported under two subsections:

- In-House Functions - Our own provision of services to the Portfolios
- Other Third Parties - The underlying fund managers, research providers and Platforms

Range and Quality of Services (continued)

In-House Functions

This section refers to the functions and activities undertaken by YOU Asset Management through our internal team.

- **Governance and oversight** - We dedicate senior manager and board level resource to our governance structures, including committees covering Investment & Asset Allocation, Risk & Compliance, Finance, Operations and HR. Combined with our business model of running most services in-house, we believe that this level of governance helps us to safeguard the best interests of investors.

  As the Investment Manager, we are responsible for overseeing any party that provides services to our portfolios and agreeing commercial terms for those services. We continuously review our service providers to ensure they continue to meet the high standards we expect for our investors.

- **Administration** - We maintain our own systems which allow us to transmit instructions to the platforms in accordance with each investors' chosen investment mandate. We do this so that we are able to retain specialist operational expertise and maintain transparency in our processes. This also means we invest in our people and our technology in a cost-effective manner which we feel brings benefits to investors.

- **Investor communications and relations with investors** - We have dedicated teams who respond to investor queries and produce our marketing and reporting materials. With the exception of some printing and website design, all communication with investors is conducted by in-house staff, who provide support and information to end investors and their financial advisers. Working alongside our Investment and Investment Administration team, these colleagues benefit from technical training and specialist knowledge which enables them to provide an efficient and responsive service for our investors.

- **Additional competencies** - In addition to our in-house expertise we maintain close relationships with recognised specialist law firms, accountants, trade bodies and training providers to maintain an up-to-date understanding of legal and regulatory expectations and best practice.

Range and Quality of Services (continued)

Other Third Parties

This section refers to the delegation of certain functions to, or the appointment of, an external entity. Such arrangements are not required by regulation but may be entered into at our discretion.

Underlying Investment Managers

We select a range of underlying fund managers to create our portfolios and these fund managers must create their own assessments of value. We review these publications through our research processes and we undertake meetings with all of these managers at intervals no greater than 6 months to ensure we have oversight of their investment strategies.

The underlying fund managers set their own charges and we are often able to use our scale and purchasing power to negotiate favourable prices for our investors.

Our research processes assess funds based upon a mix of criteria including but not limited to:

- resource and expertise
- investment research, strategy & style
- whether they have been managed within their investment restrictions
- the timeliness with which complete and accurate data is provided to us
- how the Funds are distributed

Having regard to these factors and our oversight and governance more generally, we conclude that the charges taken by the underlying managers are justified based on the overall value delivered to investors. We review these funds on an ongoing basis and would take action immediately if we believe there are any changes which may affect the value being delivered.

Platforms

In the UK investment management industry, it is not uncommon for an investment manager to operate model portfolios through investment platforms. These platforms undertake services including dealing and settling purchases and sales of units within the underlying funds, calculating the dealing prices and maintaining the register of investors in the portfolios.

Our portfolios are available through a number of Investment Platforms including:

- Abrdn (formerly Standard Life)
- Aegon Retirement Choices
- Parmenion
- Quilter
- Seven Investment Management
- Transact
- YOUR Platform

Range and Quality of Services (continued)

These platforms have become increasingly homogenous in recent years with the quality of reporting and service being broadly comparable. We review the platform market periodically to ensure these platforms continue to offer charging structures which are fair to clients relative to the service and functionality they offer.

Research Providers

We undertake the majority of our research in-house and our Investment Team undertakes hundreds of fund manager meetings each year with our Investment & Asset Allocation Committee being the recipient of the outputs. However, we also use Financial Express and Refinitiv as research and reporting tools which are paid for by an annual subscription funded by YOU Asset Management.

When spread between all clients, the cost per client would be marginal so we have chosen to adopt this funding approach and we believe that the accuracy and timeliness of the data provided is market-leading.

Conclusion

Overall, we are satisfied with the quality of services provided to investors in the portfolios by third parties and in-house.

Comparable Services

With regard to the Third-Party services referenced in the Section on “Range & Quality of Service”, YOU receives comparable services to other Portfolio ranges. While the charging structure will vary depending on the size, nature and risks involved with particular managers, the fees paid for these services are similar to those paid by other comparable Model Portfolio Managers.

Conclusion

We are satisfied that the costs of the Portfolios are reasonable and appropriate having regard to the factors above.

Costs

What have we considered?

We have considered each component of the total fee paid in respect of the management of their investments. These are described below and investors can find a detailed breakdown of the actual amounts paid for each in the latest Quarterly Review document.

The components are as follows:

- **Investment Management Fee** - This is the charge to pay for the investment management and reporting services provided by YOU Asset Management. It is levied as a percentage of the assets which each investor places with YOU so will increase as the value of the portfolio increases.
- **Underlying Fund Charges** - This is a percentage fee paid from the underlying funds in order to manage their funds.

Costs (Continued)

- **Regulatory fees** - There are fixed annual fees paid to our regulator in respect of the costs required to maintain the FCA, the Financial Services Compensation Scheme and the Financial Ombudsman Service. These bodies provide investors with the protections they deserve from regulated businesses, they are proportional to the size of our business and are unnegotiable.

Charges Table

The charges applying to the Active Portfolios at the end of February 2023 are shown in the table below. It should be noted that the underlying fund charges can vary slightly between platforms as there can be differences between the share class held on each platform:

Portfolio	Investment Management Fee	Underlying Fund Charges
Active 1	0.31%	0.53%
Active 2	0.31%	0.59%
Active 3	0.31%	0.63%
Active 4	0.31%	0.68%
Active 5	0.31%	0.73%
Active 6	0.31%	0.74%
Active 7	0.31%	0.76%
Active 8	0.31%	0.76%
Active 9	0.31%	0.76%
Active 10	0.31%	0.77%
Active Inc	0.31%	0.80%

The Portfolios invest in other collective investment schemes, or funds. Their selection and suitability are part of our assessment of the quality of service provided by the Investment Manager and of the performance of the Portfolios. The performance of the Portfolios in the "Performance" section takes account of the underlying costs of these investments (i.e. performance is reviewed net of all charges).

The Portfolios do not have any initial charges, exit charges or performance fees.

Conclusion

We are satisfied that the costs of the services provided represent reasonable value for investors.

Comparable market rates

Periodically we review the fees we and our clients pay to third parties. The comparable market rates for underlying fund managers and platforms are subject to a degree of commercial confidentiality. Nevertheless experience of past fees, the tender or review processes we use and our own awareness of the market mean that we believe our approach secures the best value for money when these contracts are reviewed or re-tendered; and that we review and re tender with a reasonable frequency given the nature of the relationships and different costs of moving suppliers.

Comparable market rates (Continued)

We are able to obtain the standard market rates for various platforms and the industry averages:

Provider	£20,000	£50,000	£100,000	£200,000	£500,000	£1m	£2.5m
Abrdn Wrap	0.35%	0.35%	0.35%	0.35%	0.30%	0.25%	0.16%
Aegon (ARC)	0.60%	0.58%	0.54%	0.49%	0.24%	0.12%	0.05%
Parmenion	0.30%	0.30%	0.30%	0.30%	0.25%	0.20%	0.15%
Quilter	0.50%	0.40%	0.35%	0.33%	0.28%	0.24%	0.19%
YOUR	0.35%	0.25%	0.2%	0.18%	0.16%	0.13%	0.05%
Seven IM	0.30%	0.30%	0.30%	0.30%	0.25%	0.21%	0.19%
Transact	0.27%	0.27%	0.27%	0.27%	0.27%	0.23%	0.142%
Industry Average*	**0.45%**	**0.42%**	**0.35%**	**0.31%**	**0.28%**	**0.22%**	**0.16%**

* Data provided by Due Diligence Solutions.

These charges can be negotiated and YOU has used its scale to obtain reduced fees on a number of these platforms.

The market rates for other Investment Management Fees are also subject to a degree of commercial confidentiality and will vary depending on the size and type of investor. Our research across a range of comparable services shows our 0.31% charges is within the typical range of 0.25-0.35% where Active Management is employed. There are cheaper services available, including the YOU Enhanced Passive Portfolios, where the investment style used Passive Management.

Conclusion

Having regard to the factors above, we conclude that we are satisfied that the costs of the portfolios are reasonable and appropriate.

Performance

When assessing the value represented by the performance achieved by this Model Portfolio Service over the past twelve months, we have considered an in-depth range of information. This allows us to consider the performance having regard to the investment objective (and policy) of each portfolio. Our portfolios generally aim to grow your investment over a 5-year period and we bear such timescales in mind in forming our assessments of performance.

Within the above context, for each portfolio, we consider the:

- comparative outcome relative to their benchmark
- volatility (a measure that considers how often, and by how much, the value of an investment goes up and down relative to its average or to a benchmark)
- performance relative to a range of industry standard risk-adjusted measures of performance

The investment management activities and strategies undertaken by the Investment Manager.

Performance (continued)

The objectives for these portfolios were set out in the section "Characteristics of the Portfolios". Full information on the portfolio's objectives and investment policies can be found on our website or through your financial adviser.

The below table shows the performance of the Active Portfolios over 5 years relative to their benchmarks:

Portfolio	Performance	Benchmark	Relative Performance
Active 1	+3.5%	+21.8%	-18.3%
Active 2	+7.9%	+21.8%	-14.0%
Active 3	+12.0%	+21.8%	-9.8%
Active 4	+16.8%	+11.9%	+5.0%
Active 5	+21.4%	+11.9%	+9.5%
Active 6	+25.2%	+11.9%	+13.3%
Active 7	+31.0%	+21.9%	+9.1%
Active 8	+33.5%	+21.9%	+11.6%
Active 9	+37.3%	+21.9%	+15.5%
Active 10	+40.7%	+23.4%	+17.3%
Active Inc	+11.7%	+11.9%	-0.2%

Cumulative returns at 31.03.2023 net of Investment Management Fees and Underlying Fund Charges . Source: Financial Express

Conclusion

Over the period since its inception and over 5 years, the portfolios have met their primary objective of delivering positive returns to investors over the long-term. It should be noted that the lower risk portfolios are benchmarked against inflation which has raced ahead of the Bank of England target in 2022/23. This has resulted in negative relative performance but the portfolios continue to meet their long-term objectives.

Overall, the portfolios have delivered strong performance which we believe has been good value for money.

Important Information

Capital is at risk. Past performance is not a guide to future performance. Investments can go down as well as up and investors may not get back the amount originally invested. This can be as a result of market movements and exchange rates between currencies.

The portfolios will be exposed to stock markets and market conditions can change rapidly. Prices can move irrationally and be affected unpredictably by diverse factors, including political and economic events.

The portfolios have exposure to bonds, the prices of which will be impacted by factors including changes in interest rates, inflation expectations and perceived credit quality.

Performance (Continued)

When interest rates rise, bond values generally fall. This risk is generally greater for longer term bonds and for bonds with perceived lower credit quality. Inflation will, over time, reduce the value of your investments in real terms. This is especially true at times of high inflation. You should consider the impact of inflation when reviewing your investments.

In certain market conditions some assets may be less predictable than usual. This may make it harder to sell at a desired price and/or in a timely manner. In extreme market conditions redemptions in the underlying funds may be deferred or suspended.

The portfolios may invest a large part of their assets in other funds for which investment decisions are made independently of YOU. If these Investment Managers perform poorly, the value of your investment is likely to be adversely affected. Investment in other funds may also lead to duplication of fees and commissions.

Dividends paid by companies are not guaranteed and can be cancelled, which may impact the Fund's ability to deliver an income to investors.

Investment Range

What have we considered?

We have considered two different types of economies of scale relating to:

The size and scale of the portfolios

It is possible that certain costs are fixed and therefore reduce in percentage terms as the portfolios grow, for example, if staff costs are constant but the size of the portfolio grows.

Other costs are proportional to, or may increase beyond, the growth of the portfolios. For example, as our Portfolios grow, our insurance and regulatory fees increase proportionally. Other costs may increase beyond the scale of the portfolios as financial services businesses are required to comply with an increasingly broad rule book as they become more significant to the financial system.

We seek to ensure that each Portfolio offers value to investors, while remaining commercially viable, by taking in to account the impact of any fixed costs.

The size and scale of YOU Asset Management

The second area of economies of scale is where we can negotiate terms for the different underlying funds or platforms. We use our scale to negotiate fees wherever we are able as it is in the interests of all investors. We discuss with our suppliers the need to ensure that fees are fairly and transparently spread across all clients.

Conclusion

We are satisfied that economies of scale are being passed onto investors in the portfolios where these are being achieved.

Conclusion

We are satisfied that the charges taken from portfolios are justified in the context of the overall value delivered to investors.

This information is for Professional use only and is not meant for re-distribution to investors.
All information is based upon our understanding as of 30th April 2023.