

# Fair Value and Target Market Assessment

July 2025

**This summary document is being provided to you to fulfil our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2).**

### **Summary of our assessment**

Via our annual product governance assessment process, Flying Colours Investment Management has concluded that:

- Our Discretionary Managed Portfolio Service (DMPS) continues to meet the needs, characteristics, and objectives of clients in the identified target market;
- The distribution strategy remains appropriate for the target market;
- The DMPS provides fair value to clients in the target market. This means that we have concluded that the total benefits are proportionate to total costs; and
- The date of the next assessment is to be completed and published by the 31st July 2026.

Whilst this is a formal annual review process, we continually assess and monitor the DMPS, therefore, the next formal review and assessment may take place before this date

At Flying Colours Investment Management Limited (FCIML), we are committed to delivering fair value, transparency and positive outcomes for our clients. In accordance with the Financial Conduct Authority (FCA) requirements, we have completed our annual Fair Value and Target Market Assessment for our DMPS. This review is a key part of our governance framework and reflects our ongoing commitment to Consumer Duty.

### **Details of the DMPS**

The DMPS is designed for investors who wish to have their investment portfolios managed on their behalf by a dedicated investment management firm.

FCIML does not provide financial advice and does not accept Retail client investments directly.

### **Who is the DMPS suitable for?**

The service is designed for UK Retail Clients who have medium to long-term investment goals which are a minimum of five years. It is only available to clients of Flying Colours Advice Limited (FCAL) who are regarded as being UK residents and clients.

The DMPS does not offer any form of capital guarantee, so investors must be able to sustain capital loss. It is only available through FCAL and investors range from those who have a basic level of investment knowledge to individuals with significant investment knowledge and expertise.

The DMPS is designed to work towards the financial goals that have been agreed with the investor's independent financial adviser from FCAL.

## **Target Market Client for the Discretionary Managed Portfolio Service**

Type of client – Primarily the products and services provided by FCIML are targeted at clients who have:

- £50,000 or more to invest (new monies or existing assets)
- Are advice seekers who are seeking growth during the accumulation phase of their financial journey or income in decumulation.
- Looking for a long-term relationship with a business where financial planning and investment management are at the heart of its client offering, and
- Are seeking product and fund solutions that are designed to be lower cost.

**Client’s knowledge and experience** – FCIML offers product and fund solutions that are designed to be lower cost. As such, our products and services are suitable for clients with varying levels of knowledge and experience.

**Client’s financial situation and risk tolerance** – FCIML only offers “plain vanilla” products and services to its Target Market Clients and will not consider any type of product that will expose investors to any risk of total loss. As part of the FCAL “Know your client” process, all clients are assessed for their Risk Profile which takes into account their need to take risk, attitude to risk and capacity for loss.

Risk profiles are rated on a scale of 1 to 10 and we only offer products and services to FCAL clients who fall between risk levels 2 to 9. Each of these risk levels have an assessed range of potential losses, and our products or services are mapped to the Risk Profiles. In addition, Risk Profiles are reassessed annually via the FCAL review process.

## **What about clients who are classified as vulnerable?**

This service is designed for a broad target market and not to meet any inherent characteristics of vulnerability in the target market. Therefore, FCAL’s independent financial advisers are required to consider individual client needs in this regard, and whether an investment solution with the potential for capital losses is acceptable and appropriate for the vulnerable client in question.

- Who is the DMPS not suitable for?
- Investors who do not have an independent financial adviser who has a firm agreement with FCIML
- Investors with investment time horizons of less than five years
- Investors who are unable to bear any capital loss, and
- Investors who are unwilling to use a UK retail investment platform, which can facilitate the use of the Discretionary Managed Portfolio Service.

### What is the distribution strategy for the DMPS?

As part of its business planning process, FCIML has developed a distribution strategy. This distribution strategy ensures that we only market our products and services to suitable Target Market Clients of FCAL and this process is proactively managed and monitored by the Board of FCIML.

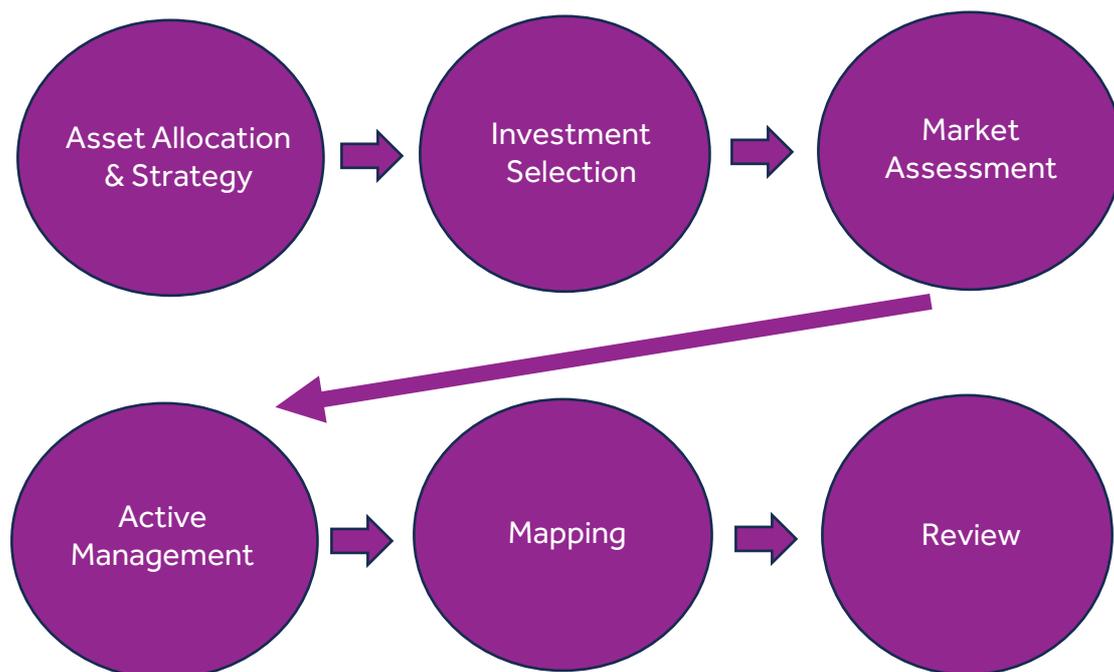
As part of this distribution strategy the FCIML Board utilises the FCIML Investment Committee and the FCAL Advice Committee to ensure that we carefully consider:

- The nature of the products to be offered and how they fit with the client’s needs and risk appetite.
- The impact of charges.
- The financial strength of the manufacturer; (a manufacturer is any financial organisation which creates, develops, issues, and/or designs investments).
- The quality of the manufacturing support and administration, and
- How efficiently and reliably the manufacturer will deal with the clients’ complaint.

### How do we manage the DMPS?

FCIML has adopted an outcome-oriented approach to product design, which we believe assists in delivering good client outcomes. There currently are eight model portfolios across the portfolio range matching the client’s risk profile. A client’s risk profile is determined using a risk assessment tool, along with a detailed discussion with the client’s FCAL financial adviser about their knowledge, experience and investment sophistication.

### Our process



**Asset Allocation & Strategy** - FCIML determines asset allocation and strategies linked to investment goals.

**Investment Selection** - Selection of appropriate investment types based on views and cost factors.

**Market Assessment** - Detailed analysis of market conditions and assessment of potential challenges with quantitative & qualitative viewpoints.

**Active Management** - Aiming for and targeting risk adjusted performance with limited potential drawdown.

**Mapping** - Investment holdings assessed and mapped to DMPS portfolio risk ratings.

**Review** - Portfolio and investment reviews to monitor and ensure expected outcomes are delivered.

## Updating and developing the service

Following a review of our investment approach for the DMPS, we took the decision to transition from a complex structure of multiple mutual funds to a streamlined, dual-fund solution. This change was made to the portfolios in June 2025.

As part of this decision-making process, we decided to work on a co-manufacturing basis with global fund manager, Fidelity International (Fidelity), to produce two Open-Ended Investment Companies (OEICs). These two funds currently make up the foundation of our DMPS blend, these being:

**ProsperityBuild**, which is a growth-oriented fund offering global equity exposure and focuses on:

- Active stock selection made by Fidelity
- Geographic and sector diversification, where we retain control
- Efficient implementation made by Fidelity
- Alignment with our investment preferences

**ProsperityShield**, which is a defensively oriented fund designed to:

- Mitigate risk during market drawdowns
- Use a flexible toolkit including duration management and alternative assets
- Deliver returns similar to fixed income with lower volatility

The two funds are available in both income and accumulation share classes, and will be used across all client risk profiles, from ultra-defensive to aggressive growth.

These developments are designed to provide better outcomes for clients for:

- Improved Flexibility and Control - The new structure allows for more precise control over asset allocation and style preferences. This enables us to respond more dynamically to market conditions and client needs.
- Enhanced Risk Management - ProsperityShield's design provides a robust defensive layer, using tools like short-duration bonds, inflation-linked securities, and alternatives to protect against volatility and inflation.

- Performance and Value for Money - Early performance data for ProsperityShield shows strong resilience, and both funds meet value-for-money thresholds across risk profiles between Risk Profile 3 (PR3) and Risk Profile 8 (RP8). ProsperityBuild is aligned with RP9, and ProsperityShield is suitable for RP2.
- Cost Efficiency - The new structure is expected to lower fund management fees for clients.

### About Fidelity International (Fidelity)

Fidelity offers investment solutions and services and retirement expertise to almost 2.9 million customers globally. As a privately held, purpose-driven company with a 50-year heritage, they operate in more than 25 locations and have almost £700 billion of assets.

Source: Fidelity International as at 31 March 2025



### Value Assessment

The Value Assessment has covered the following areas:

- 1. Investment performance:** Are our portfolios meeting their stated objectives over appropriate time horizons?
- 2. Price and Value - Costs and charges:** Are fees fair, proportionate, and delivering value at both the fund and portfolio levels? Transparency of costs: Are all charges clearly disclosed and easy for clients to understand?
- 3. Clients' Understanding - Communications:** How we ensure our documentation and reports are understood by the client and meet the needs of vulnerable clients. Are we providing clear, timely, and relevant information that supports informed decision-making?
- 4. Client Service and Support - Evidence of good client outcomes:** An assessment of the service we offer, timely delivery of reporting and provision of data and information for FCAL to be able to provide client contact and suitability assessments.

The FCA's enhanced expectations under Consumer Duty have brought greater scrutiny to how value is assessed and communicated. We have embraced this by improving transparency and ensuring that our communications are clear, fair and not misleading.

We remain committed to continuous improvement and will use the insights from this assessment to guide future developments, ensuring our clients continue to receive fair value and high-quality service.

## Further details on the Value Assessment

### 1. Performance monitoring

FCIML solutions are designed around a series of risk graded outcome-oriented portfolios, with the primary objective of delivering results that align with each portfolio risk profile. The portfolios follow a volatility-targeting approach, aiming to maintain risk levels that are consistent with the expectations and financial goals of the clients who are recommended to invest in them by FCAL.

Each portfolio within the DMPS is managed to the eight risk profiles that are collectively used to assess where the client sits from a risk profile perspective. To assess performance, we evaluate each portfolio against its stated objectives over multiple time horizons.

As part of our assessment, we consider:

- **Volatility alignment:** We review the time each portfolio has spent within its target volatility range over the assessment period. This includes analysing average volatility over a rolling three-year basis, ensuring consistency with the intended risk band.
- **Risk and return management:** We aim to deliver better risk-adjusted returns for our clients while meeting their objectives. We believe that the financial industry is incentivised to maximize every available risk lever; however, we consider the pursuit of returns without proper risk context to be unsuitable for our clients.
- **Equity exposure:** We regularly verify that equity allocations remain aligned with those of comparable portfolios within the same risk category.
- **Long-term relative return horizon:** Our portfolios are suitable for clients who intend to be invested for the very long term. Therefore, we recognise that our investment strategies may not always mirror peer group performance. This can lead to periods of underperformance, particularly when risk profiles are not perfectly aligned. Performance is often a function of how well the strategy matches the client's risk tolerance and objectives. As such, our focus remains firmly on delivering strong long-term outcomes, consistent with our clients' profiles and expectations.
- **Long-term absolute return horizon:** We operate on the assumption that clients will be invested for the very long term, and aim to align our investment strategies with the broader financial advice provided. However, matching expectations to a reasonable level is incredibly difficult; predictions are inherently uncertain, and actual outcomes often diverge significantly from initial forecasts. Despite this challenge, it is essential that we deliver on our long-term return objectives; the firm's financial planning is built around these expectations.

In summary, the portfolios continue to demonstrate value for money from a performance perspective. Over time we have delivered on our stated objective which is to be aligned with each portfolio composition and risk objectives.

Our analysis has demonstrated that the level of risk taken across our portfolios remains well calibrated to the stated investment objectives, ensuring that each strategy operates within its defined risk parameters. This alignment reflects our ongoing commitment to robust risk management, where portfolio construction and asset allocation are carefully tailored to deliver outcomes consistent with the intended risk profile of each portfolio.

Portfolio returns are aligned with the risk profile of each strategy, demonstrating our focus on achieving efficient outcomes through thoughtful asset allocation and risk-adjusted decision-making. Part of our objective is to deliver returns without taking undue risk and that is something that we believe we have delivered over time for our clients.

Over the 5-year period, the Defensive and Conservative strategies have faced challenges in keeping pace with their benchmarks. This divergence is largely attributable to our emphasis on capital preservation and downside risk management, leading to some relative underperformance. However, this is a deliberate and measured aspect of our strategy and is designed to protect client portfolios through varying market conditions.

All portfolios have delivered strong long-term results, outperforming their respective benchmarks over the 10-year horizon. This reflects the effectiveness of our disciplined investment approach and our focus on generating sustainable, risk-adjusted returns.

By prioritising long-term value creation over short-term benchmark alignment, we remain firmly committed to delivering resilient outcomes that reflect our clients' investment objectives across the full market cycle. Our strategies are designed not only to navigate changing market conditions, but also to maintain consistency with the risk profiles agreed upon at inception. Over the long term, our absolute returns have met the expectations set by our clients, validating the strength of our disciplined approach and our focus on delivering meaningful, risk-adjusted performance.

## **2. Cost and charges**

As part of the annual Value Assessment, we have conducted a detailed review of the costs associated with the portfolios, comparing them to similar solutions available in the market. We focused on the Ongoing Charges Figure (OCF) for each underlying fund within our portfolios. The OCF, disclosed in each fund's Key Investor Information Document (KIID) or Key Information Document (KID), represents the total annual cost of investing. We also compare our discretionary management fees against other Discretionary Managed Portfolio Solutions.

In summary, the portfolios consistently rank within the lowest cost quartile (bottom 25%) of comparable solutions in terms of cost, both for ongoing fees and management fees relative to other DMP solutions. With the recent structural changes and the introduction of alternative investment components, our solutions continue to demonstrate strong value-for-money characteristics, offering clients access to well-diversified, competitively priced portfolios.

## **3. Transparency of costs**

Transparency of costs is a core component of the FCA's Value Assessment and Consumer Duty framework. Firms must clearly disclose all costs and charges associated with their products, ensuring clients understand what they are paying for and why. This includes the Ongoing Charges Figure (OCF), transaction costs, and any additional fees. The FCA expects firms to present this information in a way that is clear, fair, and not misleading, enabling clients to make informed decisions. Transparent cost disclosure also supports fair value assessments by allowing meaningful comparisons across similar products and identifying potential areas of poor value.

Our monthly factsheets and supporting documentation clearly distinguish between different cost components, explicitly separating the Ongoing Charges Figure (OCF) from transaction costs, in line with industry best practice. We are committed to maintaining a transparent and straightforward fee structure. Our portfolios are deliberately designed to avoid opaque or complex charging models. Importantly, we do

not accept commissions or rebates from third parties, ensuring that our pricing remains clean, client-focused, and free from conflicts of interest.

#### **4. Service quality**

For a DMPS, service quality encompasses the consistency, timeliness and clarity of client communications and operational delivery. At FCIML, this includes the prompt distribution of factsheets, regular market commentary and clear portfolio updates, all delivered in a timely and predictable manner. High service quality also means being accessible, responsive to queries and proactive in addressing client needs—key differentiators in a competitive DMPS landscape.

We therefore produce monthly factsheets that are consistently updated, ensuring clients have access to accurate and timely portfolio information. Alongside this, we provide regular market commentary to keep clients informed of key developments. We take a proactive approach to communication, keeping clients updated on important changes and incorporating their feedback into our ongoing service improvements.

We are committed to continuously improving the way we communicate with clients and advisers. As part of this, we are updating our factsheets to better reflect the alignment between our investment solutions and each client's risk profile.

The revised factsheets will feature:

- Clearer fund objectives that explicitly state how each solution corresponds to specific risk profiles.
- More insightful content to help clients better understand the rationale behind our investment decisions.
- Dedicated quarterly updates for advisers, offering tailored insights to support client conversations and portfolio reviews.

These changes are designed to enhance transparency, improve engagement, and ensure our communications remain relevant and valuable.

#### **5. Evidence of good client outcomes**

We assess client outcomes by evaluating whether our portfolios are delivering results aligned with their stated objectives and risk expectations.

We strive to ensure that the portfolios are designed with the needs of clients in mind and demonstrate how we design our solutions to meet their needs.

This includes analysing client retention and satisfaction metrics. We also actively incorporate client feedback into our investment and service processes, using it to refine our offering and address areas for improvement. Our commitment to continuous improvement ensures that we are not only meeting regulatory expectations under Consumer Duty but also delivering tangible value and positive outcomes for our clients over time.

The Discretionary Managed Portfolio Service solution was designed to deliver a comprehensive investment solution for FCAL's clients and is therefore managed to consistently match FCAL's client objectives and risk classifications.

### Summary of the Value Assessment

Our annual assessment has concluded that all our portfolios offer fair value, however, there have been minor performance-related reservations within the defensive and conservative portfolios, as stated above. The table below summarises the overall results of this Value Assessment:

Portfolio	Performance	Transparency	Cost	Communications	Client service & support	Offer fair value
<b>Defensive</b>	●	●	●	●	●	●
<b>Conservative</b>	●	●	●	●	●	●
<b>Balanced</b>	●	●	●	●	●	●
<b>Growth</b>	●	●	●	●	●	●
<b>Growth Plus</b>	●	●	●	●	●	●
<b>Aggressive</b>	●	●	●	●	●	●

**Key:** ● - Meets expectations ● - Meets expectations with reservations  
 ● - Fails to meet expectations

#### Glossary

**DMPS:** Discretionary Managed Portfolio Service

**FCIML:** Flying Colours Investment Management Limited

**FCAL:** Flying Colours Advice Limited



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Past performance is not a guide to future performance and may not be repeated and future actual returns will differ from any quoted past performance data. Investment involves risk and the value of investments and the income from them may go down as well as up. Investors may not get back the amount originally invested.

Calls to and from our landlines are recorded to meet regulatory requirements.

Flying Colours Investment Management Limited is authorised and regulated by the Financial Conduct Authority under number 922882.

We are registered in England and Wales under company number 12433663 at 2nd Floor, Greenwood House, London Road, Bracknell RG12 2AA, UK.