

Fair Value and Target Market Assessment

October 2026



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 2027.

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.

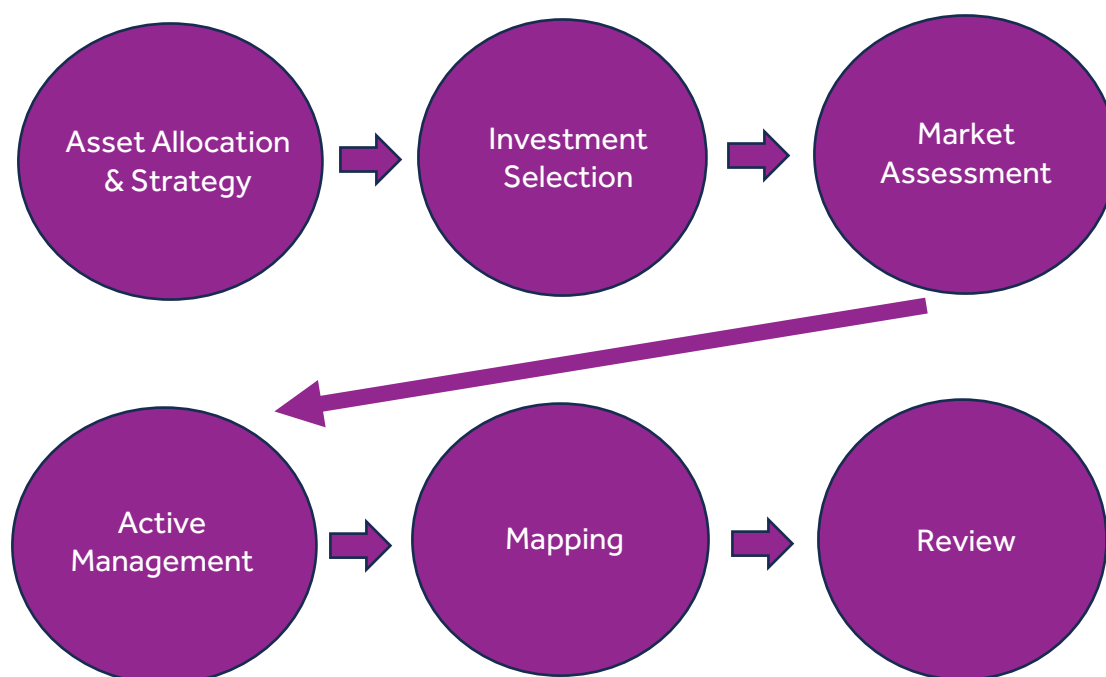
As part of this distribution strategy the FCIML Board utilises the FCIML Investment Committee and the FCAL Advice Committee to ensure that we carefully consider:

- 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.

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.

Portfolio returns are aligned with the risk profile of each strategy. Over the 5-year period, the Defensive and Conservative strategies have faced challenges in keeping pace with their benchmarks, largely attributable to our emphasis on capital preservation and downside risk management. All portfolios have delivered strong long-term results, outperforming their respective benchmarks over the 10-year horizon.

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. 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.

As at 30 June 2026, the DMPS's investment management charge across its c.£350m and 2,654 clients was 0.48% (covering discretionary management and Fidelity's co-manufacturing fee only). Combined with FCAL's separate ongoing advice fee (up to 1% of advised assets), the maximum combined ongoing cost to a DMPS client is up to 1.48%, which is broadly in line with the 2026 industry average total ongoing charge of 1.42% reported by the threesixty Fair Value Benchmarking Survey 2026 (241 firms) - a survey figure that itself spans the full distribution chain (platform, product, fund, advice and discretionary management fees combined), not advice alone.

This confirms the DMPS's investment management pricing is competitive and, combined with FCAL's advice charges, represents fair value in line with the wider market.

3. Transparency of costs

Transparency of costs is a core component of the FCA's Value Assessment and Consumer Duty framework. 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. 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.



Following the FCA's June 2026 confirmation that any margin retained on client cash balances must be compatible with Principle 12 and PRIN 2A of the Consumer Duty and not solely reliant on client notification, this is factored into the annual DMPS fair value assessment where portfolios hold cash balances on the underlying custody platform.

4. Service quality

For a DMPS, service quality encompasses the consistency, timeliness and clarity of client communications and operational delivery. We therefore produce monthly factsheets that are consistently updated, ensuring clients have access to accurate and timely portfolio information.

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. This includes analysing client retention and satisfaction metrics. 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
Defensive	●	●	●	●	●	●
Conservative	●	●	●	●	●	●
Balanced	●	●	●	●	●	●
Growth	●	●	●	●	●	●
Growth Plus	●	●	●	●	●	●
Aggressive	●	●	●	●	●	●

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.