



Atlantic House Investments Limited

Discretionary investment Management Service

'Albemarle Street Partners'

Fair Price and Value Assessment April 2023

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Executive Summary and Conclusion

Albemarle Street Partners

The review on Albemarle Street Partners, the discretionary fund management service provided by Atlantic House Investments Limited (AHI) was undertaken by Compliance and its Senior Managers and was based on the cross-cutting rules, the four consumer outcomes, and the services it provides together with its charges to assess whether consumers receive fair value.

The review completed below, has determined that the Albemarle service has acted in good faith, avoids causing foreseeable client harm, and enables support for its clients and ultimately the end retail customers to pursue their financial objectives and therefore meets the cross-cutting rules.

AHI has also determined that the four outcomes, (i) the governance of products and services, (ii) price and value, (iii) consumer understanding and (iv) consumer support clearly demonstrates fair price and value for the services it provides.

The next review will be undertaken April 2024.

Atlantic House Overview

Atlantic House Investments is a wholly owned subsidiary of Atlantic House Group Limited, which also operates the discretionary investment management service Albemarle Street Partners. We have an AUM of c.£2.4bn and have originated and traded over £18bn of derivative investments since the Group began in 2008 (as of 30 December 2022).

Atlantic House Group was originally formed as Catley Lakeman May LLP by Russell Catley, Andrew Lakeman and Tom May in 2008. Having successfully built the Citigroup structured investments franchise within the professional asset management markets in the UK, primarily centred on the Symphony preference share platform, it became clear that a wider opportunity existed. Through Atlantic House Group, the team were able to bridge the gap between wholesaler and buyer and, through operational efficiencies, offer institutional style pricing, investment expertise and other management efficiencies to a wider range of investors.

The experience of creating bespoke derivative solutions, primarily for the wealth management audience, has allowed the team to find common challenges faced by investors and recognise derivative strategies that, when wrapped into a UCITS vehicle, can help clients meet sometimes complex investment problems.

In response to a growing number of client requests, Atlantic House Group launched Atlantic House's fund management arm, Atlantic House Fund Management LLP in 2012, with the business transitioning to Atlantic House Investments Limited in 2021.

Atlantic House Investments became one of the first investment houses to offer predictable, defined returns solutions through a UCITS fund wrapper. This made the firm derivatives expertise more accessible to those clients with a long-term perspective and gave many more investors the opportunity to benefit from clearly defined risk and reward parameters. For example, within the fund range, the flagship Atlantic House Defined Returns Fund, launched in 2013, offers a more predictable investment journey than equity strategies, and an attractive annualised return in all but the bleakest market conditions and now has an AUM of more than £1.5bn (as of 30 December 2022).



In a similar vein, the team have been developing derivative solutions to manage volatility for clients for over a decade. As the number of market tail risk events has grown over time and traditional and even some alternative strategies have become increasingly correlated, we began to see demand for a fund that is uncorrelated to traditional and alternative asset classes, delivers positive returns across the market cycle and strong returns when markets fall significantly. Having received regulatory approval the team therefore launched the latest fund, the Atlantic House Uncorrelated Strategies Fund in May 2022 which aims to meet these needs.

Albemarle Street Partners offers discretionary fund management services to professional advisers operating on platforms on an agent as client basis.

Consumer Duty Overview

The Consumer Duty is made up of an overarching consumer principle (Principle 12) that replaces Principles 6 and 7 where the Duty applies, and which requires firms to act to deliver good outcomes (relating to products and services being fit for purpose, price, and value, consumer understanding and consumer support) for retail customers, and the new rules firms will have to follow.

The cross-cutting rules require firms to:

- act in good faith,
- avoid causing foreseeable harm, and
- enable and support retail customers to pursue their financial objectives

The 'four outcomes' which are a suite of rules and guidance setting more detailed expectations for firm conduct in four areas that represent key elements of the firm-consumer relationship:

- the governance of products and services
- price and value
- consumer understanding, and
- consumer support

The Consumer Duty will apply to all firms in the distribution chain (manufacturers and distributors) for products and services sold to customers (retail clients), including certain small and medium enterprises (SMEs), where those firms can influence material aspects of the design, target market or performance of a retail financial services product or service, even where they have no direct relationship with the retail customer.

All firms subject to the Consumer Duty must act to deliver good outcomes to customers and comply with the cross-cutting rules. Each has a role to help avoid causing foreseeable harm and ensure that the final product and associated support will help the customer realise their financial objectives. Each firm must act in good faith in its design and operation of the relevant products and services and in any interactions with the customer.

Depending on their role, some or all of the four outcomes will also be relevant for example, the fund/asset manager must develop a fund to meet the needs, characteristics and objectives of a target market of customers. It must develop an appropriate distribution strategy and set charges to provide fair value to customers. The firm must also communicate in a way that customers can understand and offer appropriate customer support standards.

All consumers should receive 'fair value' for the services they receive to ensure all products and services offered are fit for purpose and represent fair value for consumers.



Therefore, AHI will undertake an annual value assessment for its discretionary fund management service which will demonstrate why it considers the relationship between price and benefits are reasonable.

FAIR PRICE AND VALUE ASSESSMENT REVIEW

Cross-cutting Rules

The assessment of these rules applies to the Albemarle Street Partners service.

Act in good faith

The AHI standard of conduct is characterised by honesty, fair and open dealing and acting consistently with the reasonable expectations of its clients.

This is achieved by having strong leadership with a 'practice what we preach' culture from the top down.

Avoid causing foreseeable harm

Atlantic House Investments has a good governance culture supported by several Committees with Non-Executive Directors as members.

The Committees, Executive and Senior Management team are responsible for:

- ensuring that all aspects of the design, terms, marketing, sale of, and support for its products avoid causing foreseeable harm;
- ensuring that no aspect of its business involves unfairly exploiting the customer's behavioural biases or vulnerabilities;
- identifying the potential for harm that might arise if it withdraws a product;
- responding to emerging trends that identify new sources of harm, including FCA supervisory action and/or communications, e.g. Dear CEO letters; and
- taking appropriate action to mitigate the risk of actual or foreseeable harm, e.g. updating or amending the product design or distribution strategy.

Enable and support retail customers to pursue their financial objectives

AHI designed the Albemarle portfolios to meet the needs of Retail, Professional and Institutional clients' financial objectives. This then enables the Professional Advisors via Platforms, to access the funds as part of their wealth planning services to Retail clients.

We provide a user-friendly website and customer support via the 'contact us' telephone number where calls are diverted to the correct department/person or via a dedicated email address to enable continuous client support.

Albemarle Street Partners

Table 1

Product/Service/Activity	ASP
DFM Service	✓
Market commentary	✓
Monthly Newsletter	✓
Webinars	✓
Client Proposal Builder	✓
Ongoing access to our support team	✓
Discretionary	✓
Model Portfolio Service	✓
Branded Investment Service Brochure	✓
Branded factsheets/performance reports	✓
Branded Annual Report	✓
Annual Conferences	✓
Average competitors charge	0.21%*
Charge	0.15%, 0.25% and 0.4%

*Source Nextwealth MPS Proposition Comparison Report 2022

Albemarle Street Partners Competitor Gap Analysis

Table 2

	White-labelled Portfolios	White-labelled marketing support	Branded Factsheets	Investment committees	Adviser Portal	In house Risk Profiling tools	Cashflow Modelling	Portfolio Proposal Tool	Client Valuations / reports	Back office integration	OEIC Range	Income solutions
7IM					✓				✓		✓	✓
AJ Bell					✓				✓		✓	✓
ASPIM	✓	✓	✓	✓	✓	No	✓	✓		Target	Target	✓
Brewin Dolphin	✓				✓				✓		✓	✓
Brooks Mac					✓			✓	✓		✓	✓
Canaccord Genuity					✓		✓		✓		✓	✓
Cazenove					✓				✓		✓	✓
Copia Capital	✓	✓	✓	✓	✓				✓		✓	✓
EBI		✓	✓		✓	✓	✓				✓	✓
Elston	✓		✓	✓							✓	✓
EQ Investors					✓			✓		✓		✓
Evelyn Partners					✓				✓		✓	✓
FE					✓	✓	✓	✓	✓	✓		✓
IBOSS		✓			✓				✓		✓	✓
LGT Vestra	✓				✓				✓		✓	✓
Parmenion	✓	✓	✓	✓	✓		✓		✓	✓		✓
Portfolio Metrix				✓	✓	✓	✓		✓		✓	✓
Quilter					✓				✓		✓	✓
Quilter Cheviot					✓				✓		✓	✓
Rathbones					✓				✓		✓	✓
SQM	✓			✓	✓				✓		✓	✓
Tatton				✓	✓				✓		✓	✓
Timeline	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓
Waverton	✓				✓				✓		✓	✓

This gap analysis strongly shows that the Albemarle products and services are on par or better than most of its competitors which supports the claim that Albemarle offer fair price and value for their charges.



Albemarle Street Partners

Summary of Outcomes

Products and services

Governance is in place from the inception of a new portfolio idea through to its launch and distribution to clients.

New portfolio ideas are driven by a client need raised directly by the Professional Advisor. The client need is then used as a basis to consider how a portfolio and the investments within it can be designed to achieve the objectives of that client and others with a similar need.

Given the fact that many of our clients could be deemed to be in a co-manufacturing arrangement with Albemarle we ensure that there is a shared understanding of the parameters for each portfolio with a signed request for proposal by both parties. We meet quarterly with each professional advisory firm through joint investment committees which review the performance, price and value of the portfolios. In this context the target market information is also formally reviewed to ensure consistency. We believe this is a key action to mitigate potential client harm.

As part of our regular governance, we examine whether the ESG objectives of relevant portfolios have been met through a process of requesting information from underlying funds that form a part of these portfolio annually. This information is then cross-referenced against the agreed ESG policy which is actively shared with the professional advisers.

Our review of value for money includes looking through to the underlying costs of third-party funds used within portfolios to examine the persistency with which they have beaten cheaper index-based alternatives. We also communicate clearly with professional advisers about the relative advantages and disadvantages of platforms on which they operate, with key consideration given to the aspects of value on these platforms that are most directly related to the investment management function. For example, this includes the way fees are charged and the time out of the market during portfolio re-balances and changes.

Albemarle identifies the target market at a sufficiently granular level, considering the characteristics, risk profile, complexity and nature of the product or service. All the fund factsheets under 'Key Facts' carry a target market and distribution strategy disclaimer to identify who this product maybe suitable for example "The portfolio is aimed at advised investors over the long term who have the capacity to tolerate a loss of the entire capital invested or the initial amount." And therefore, any client not meeting this requirement the product may not be suitable for the product.

Whilst the team do not have contact with the end user, consideration has been given to vulnerable clients within the target market. This is achieved through the target market information shared with professional advisers. Albemarle takes some comfort that the Professional Advisor will identify vulnerable clients and deal with them appropriately. It considers it important to assess whether there is a foreseeable harm for vulnerable clients within any of our portfolios and disclose this to the professional adviser.

Price and value

Investors in the portfolio receive institutional-level investment management and service from the Albemarle team. The fact that we have retained assets within the portfolio over their life demonstrates that the quality of service is high. We consider that we add value in a number of ways. Firstly, by driving down the cost of portfolios whilst still achieving the outcomes that our clients



seek. This is achieved through the active selection of the best-value investment funds, a forensic focus on the additional costs that might be inherent in some investments and ensuring that our own charges remain competitive. However, we also believe we can drive value through ensuring that investors better understand the portfolios in which they invest and are equipped to understand changing market conditions. Our efforts to create clear communications in conjunction with the professional advisers enables them to communicate more clearly with the end client, increasing the likelihood that expectations are aligned with outcomes. We review these communications annually with professional advisers and in particular question whether the adviser has appropriate information to communicate our service to the end client and those with any particular vulnerability. We actively engage with our professional advisers through training sessions and in 2023 are placing a particular focus on educating clients about a wholistic approach to understanding client vulnerability at our annual conference.

We actively work with third-party ratings agencies that assess our service, risk profiling and overall proposition. We provide the outcomes of this engagement and the ratings provided by firms such as Defaqto and EV to our professional advisers.

In 2023 our clients voted us the 'best value for money' discretionary investment manager at the Citywire Advisers' Choice Awards.

We ensure that portfolios remain in line with agreed parameters through a number of systems. Firstly, we review performance, portfolio volatility and cost during quarterly meetings with professional advisers. Secondly, we meet monthly in our internal investment committee where we review amongst other things how consistently outcomes are being achieved for given levels of risk across our business and when compared to competitors. Thirdly, whenever creating a new portfolio we clearly establish the parameters of the portfolio through a request for proposal document. This is then translated onto a monthly factsheet for each portfolio which is shared with the professional adviser.

The two tables above detail the services provided and a gap analysis compared to our competitors. These services benefit our direct clients, the professional advisors and adds value to our overall proposition.

The average charge for an MPS service in the UK was 0.21% according to Nextwealth data at the end of 2022. The prices charged for ASPIM services range from 0.15% for index-based solutions up to 0.4% from solutions that are directly investing in individual securities on selected platforms. We believe these charges are in line with industry averages. More importantly though we are confident that the high level of communication and service delivered through co-manufacturing agreements with firms of professional advisers significantly aids the value for money we deliver for our clients to a level well above industry norms.

Consumer understanding

In advance of a professional adviser investing in a portfolio they are provided with a factsheet and clear target market information. They are generally also provided with presentations setting out the investment approach of the portfolio.

Albemarle makes available monthly Fact Sheets through a digital portal which each professional adviser is enrolled into at the point that agency is established with the professional adviser on a platform. The Fact Sheets explain the product, risks and associated costs and performance.



Albemarle also monitors complaints, any complaints received relating to the clarity of the communication is fed back to the Marketing team.

All Albemarle communications are reviewed and approved by Compliance and is aimed at the Professional Advisor who should explain the Fact Sheets to retail clients including any identified vulnerable clients and deal with them appropriately.

Consumer support

Whilst we don't have direct contact with the end user, we do provide specialised support to the professional advisers who buy the portfolios for the use of their underlying client. We have considered sources of foreseeable harm when creating and monitoring our portfolios.

There is a complaints process in place to raise any expressions of dissatisfaction and to ensure appropriate redress. Furthermore, any complaints raised looks at the root cause and is fed back to management for any learnings e.g., changes needed to the product design, communication or charging structure.

In addition, there is a dedicated distribution team who are equipped to deal with most queries.

Overall, there's a good level of support provided to professional advisors.

Target Market

Client: Retail, Professional, Counterparty

Suitable for: Investors who tolerate a loss of the entire investment or initial amount

Clients Objectives and Needs:

Investment Term – Long

Investment Objective – Appreciation and drawdown investing objectives apply to different portfolios

Liquidity – Requires the possibility to exit the investment early

Additional Criteria – Investment and portfolio diversification

Negative Target Market:

Investors with no tolerance for loss in their investment or initial amount

Investors who tolerate a moderate loss in their investment or initial amount

Short term investors

Monitoring

Albemarle will monitor the outcomes on a regular basis by requesting information using a template, from the Professional Advisors in relation to products and services to ascertain they have met the identified needs, characteristics and objectives of the target market, including any identified for customers with characteristics of vulnerability, distribution strategy remains appropriate for the target market and products or services have been distributed to customers in the target market.