WealthSelect Managed Portfolio Service

Due diligence responses

For financial advisers only

Due diligence made easy

We know that choosing an investment service and creating a due diligence report to evidence its suitability can seem like a complex and time-consuming task. To make this as easy as possible for you, we have collated all of the questions we are frequently asked by advisers in their due diligence questionnaires, and listed them with the answers in this document.

This document, which should be read in conjunction with our platform due diligence responses document, covers the key areas to focus on in line with the FCA's high-level thematic review paper for advisers.

What are the FCA's due diligence guidelines?

The FCA has published findings of their own thematic review of research and due diligence carried out by advisers

TR16/1: Assessing suitability: Research and due diligence of products and services

https://www.fca.org.uk/your-fca/documents/thematic-reviews/tr16-1

We have outlined the key areas that we think advisers should take into account when considering the suitability of a third party investment management company. These areas are:

- Organisation details.
- Investment service overview.
- Investment process.
- Functionality.
- Risk management and monitoring.
- Suitability and target market.
- Charges.
- Accessibility.

1. Organisation details

1.1 Background

1.1.1 Quilter

The WealthSelect Managed Portfolio Service is provided by Quilter Investment Platform Limited and Quilter Life & Pensions Limited.

Quilter Investment Platform Limited (CIA, ISA and JISA contracts) is an investment firm subject to MiFID II requirements. Quilter Life & Pensions Limited (CIB and CRA contracts) is an insurance entity subject to Solvency II requirements.

We are part of Quilter plc, a leading UK-focused wealth manager, providing advice-led investment solutions and investment platform services to over 900,000 customers.

Quilter enables financial advisers to deliver the very best service to clients and their families, to help them achieve their financial goals. We offer a comprehensive range of products and investments through our award-winning online investment platform, which is known for its intuitive user experience that makes online processes quick and easy.

Our products and services are designed to support any adviser business model, and we are always evolving them to meet the changing needs of advisers and customers.

For further information on Quilter's technology platform, please see the '***Due diligence made easy'*** document.

1.1.2 Quilter Investors

Quilter Investors Limited is the Authorised Corporate Director (ACD) for all of the funds managed by our Global Partners and is obliged to ensure the managers appointed to run the funds are suitable individuals and capable of being able to deliver to the funds' objectives.

Quilter Investors is responsible for the regulatory oversight of the funds, which involves:

- Monitoring the sub-advised funds to ensure the manager adheres to the guidelines within the mandate and is aligned to the originally intended design.
- Ensuring receipt of annual due diligence questionnaires from each sub-adviser group.
- Measuring fund performance against mandate targets on a quarterly basis.
- Producing an annual Assessment of Value report and taking action where a fund is not providing value.

Quilter Investors specialise in the creation and management of multi-asset investment portfolios. They are trusted to manage £25.6bn (as at 31 December 2021) of assets on behalf of investors.

1.2 Legal details

1.2.1 Full legal name of the contracting entity

For CIA, ISA and JISA contracts, the provider is Quilter Investment Platform Limited (QIPL). For CIB and CRA contracts, the provider is Quilter Life & Pensions Limited (QLPL). They both hold FCA permissions to 'manage investments' and are therefore able to offer the Managed Portfolio Service either as a direct contractual option (CRA/CIB) or as an additional service (CIA/ISA/JISA).

1.3 Personnel and roles

1.3.1 Key investment professionals involved in the management of the Managed Portfolio Service

Portfolio manager

Stuart Clark has been manager of the WealthSelect Managed Portfolio Service since launch in February 2014.

He joined the business in 2013 having spent more than 12 years working in fund research and analysis at organisations including UBS Wealth Management and Julius Baer.

Stuart is a Chartered Financial Analyst (CFA) and has a degree in Accounting and Finance from the University of Kent.

Portfolio management team

The portfolio manager is supported by the Quilter Investors investment team. The investment team at Quilter Investors has extensive experience in managing multi-asset funds, and includes 7 portfolio managers and 28 other investment professionals.

The team's key responsibilities include:

- Qualitative fund manager research.
- Quantitative fund manager analysis.

- Portfolio management including:
  - manager selection.
  - asset allocation.
  - rebalancing.
  - monitoring.

The portfolio manager holds a client dealing function under the FCA's Senior Managers and Certification Regime to enable them to undertake the management of the portfolios.

Responsible investment team

The portfolio management team is supported by a dedicated responsible investment team led by Portfolio Manager, Bethan Dixon. The team of analysts focus on voting, engagement, stewardship, fund analysis, and data.

Meanwhile, the investment fund research team already has a dedicated ESG lead and each team member has the specific responsibility to review and incorporate ESG integration into their fund assessment work. Across Quilter, we also have a number of people whose roles now incorporate significant ESG responsibilities.

2. *Investment service overview*

2.1 WealthSelect Managed Portfolio Service

Our Managed Portfolio Service provides a convenient and complete investment solution that enables you to outsource the asset allocation, manager selection and day-to-day running of your clients' portfolios all for a very competitive cost.

We have designed 56 different portfolios within WealthSelect that enable you, within one investment solution, to select a portfolio which aligns with your clients' preferences today, while having the flexibility to adapt in the future.

You can select a portfolio based on a range of preferences including appetite for risk, investment style, and views on responsible investing:

2.1.1 WealthSelect Managed portfolios

- Eight risk levels that target a specific range of volatility
- Choice of active, blend, or passive investment management.

Investment objective

The WealthSelect Managed portfolios aim to achieve long-term capital growth over a period of 5 years or more through a diversified range of investments in the UK and globally.

The portfolios are matched to a risk profile which targets a specific range of the expected annualised volatility of global equities over the next 10 years and is managed to stay within this range most of the time.

2.1.2 WealthSelect Responsible portfolios

- Eight risk levels that target a specific range of volatility
- Choice of active, blend, or passive investment management
- Aims to manage the environmental, social and governance ("ESG") risk of the portfolio and maintain a smaller carbon footprint than the Reference Index
- Invests in funds that identified as leaders in the integration and management of ESG factors
- At least 50% of the portfolio's assets will be in funds that pursue explicit environmental and/or social targets or characteristics as part of their investment process.

Investment objective

The WealthSelect Responsible portfolios aim to achieve capital growth over a period of 5 years or more, while managing the Environmental, Social and Governance ("ESG") risk of the portfolio and maintaining a smaller carbon footprint than the Reference Index.

The portfolios will have exposure to a diversified range of investments in the UK and globally by investing in funds that we identify as leaders in the integration and management of ESG factors. In addition to meeting these criteria, at least 50% of a portfolio's assets will be in funds that pursue explicit environmental and/or social targets or characteristics as part of their investment process.

The portfolios are matched to a risk profile which targets a specific range of the expected annualised volatility of global equities over the next 10 years and is managed to stay within this range most of the time.

2.1.3 WealthSelect Sustainable portfolios

- Eight risk levels that target a specific range of volatility
- Active investment management
- Aims to manage the environmental, social and governance ("ESG") risk of the portfolio and maintain a smaller carbon footprint than the Reference Index
- Invests in funds that indentified as leaders in the integration and management of ESG factors
- Minimises exposure to unsustainable activities
- Seeks to support sustainable solutions to environmental and social challenges

Investment objective

The WealthSelect Sustainable portfolios aim to achieve capital growth over a period of 5 years or more, whilst seeking to support sustainable solutions to environmental and social challenges that help to achieve the objectives of the UN Sustainable Development Goals. The Environmental, Social and Governance ("ESG") risks of the portfolios will be managed and exposure to unsustainable activities minimised while maintaining a smaller carbon footprint than the Reference Index.

The portfolios will have exposure to a diversified range of investments in the UK and globally and will invest a substantial portion of its assets in funds that target a broad range of sustainable outcomes, and which are leaders in the integration and management of ESG factors, with exceptions where necessary to achieve an appropriately diversified portfolio.

The portfolios are matched to a risk profile which targets a specific range of the expected annualised volatility of global equities over the next 10 years and is managed to stay within this range most of the time.

3. *Investment process*

3.1 Investment philosophy

Multi-asset investing, at its simplest, is blending together investments across geographies, asset classes and sectors into a portfolio.

Having exposure to the right asset classes and geographies is central to how multi-asset portfolios generate wealth for investors.

3.2 Responsible investing

We recognise the wider impact of our activities and take the opportunity to implement our principles as a responsible business to help drive positive outcomes for investors.

Our primary focus is ensuring that the managed portfolios we offer best meet the needs of you and your clients in a rapidly evolving investment landscape. But, increasingly, investors are looking to us to show that we have considered the wider impact of our investments, in addition to delivering the desired investment outcomes.

Responsible investing covers a wide range of factors, the most common of which are Environmental, Social and Governance (ESG). This can include climate related issues and how a company treats its suppliers, workforce and the wider community.

The portfolio manager is supported by a dedicated responsible investment team.

3.2.1 Responsible investment principles

Each WealthSelect portfolio follows the Quilter Investors responsible investment principles:

- Good corporate governance is central to long-term investing and a well-functioning investment market.
- ESG considerations should be embedded throughout the entire business.
- ESG considerations can impact the whole investment process.
- Climate changes is a particularly important factor to consider in investing.
- ESG integration involves assessment at the overall portfolio level as well as across the underlying funds.
- Assessing how responsible investment is integrated involves looking at a manager's philosophy, process, people, and portfolio.
- Differing approaches to ESG integration may be equally appropriate and can vary depending on the type of investment.
- Being a responsible wealth manager means transparency and collaboration is key.

3.3. Portfolio construction

3.3.1. Asset allocation

The WealthSelect portfolios use a disciplined, long-term asset allocation approach designed to maximise the potential return for an expected level of risk. The portfolios offer diversification across global markets via managers with different styles and approaches.

The Active and Blend portfolios seek to meet their objectives through a combination of strategic asset allocation, tactical asset allocation and manager selection. The Passive portfolios seek to achieve their objective through strategic asset allocation with passive investment vehicle or instrument selection.

The portfolio managers combine inputs from industry-leading providers of asset allocation research with their own in-house research to build the optimal portfolios. The process is structured but also allows the portfolio managers discretion to manage the portfolios as they believe is appropriate to achieve the best outcome for the investors, in line with the objectives of the individual portfolios.

The asset allocation for the Sustainable portfolios is meaningfully different to other WealthSelect approaches with a focus on sustainable outcomes/themes vs a focus on regional asset allocations.

3.3.2. Fund selection

The managed portfolios are constructed using an appropriate combination of funds to ensure compatibility with the client's attitude to risk.

Our approach focuses on gaining a qualitative understanding of a fund manager's capabilities, supported by quantitative evidence gathering. This framework helps ensure our process is both disciplined and consistent.

The process is a continual one in which managers are researched, selected, and monitored on an ongoing basis. Key inputs to this process include face-to-face meetings with managers and in-depth portfolio analysis.

We monitor all positions on a continuous basis, paying close attention to the interaction between managers to ensure the overall portfolio retains the desired characteristics.

The portfolio management team are supported by the fund research team. The team of eleven analysts undertake over 17,000 hours of fund research every year using several analytical applications and proprietary tools and models when validating and assessing current managers and screening for new ones.

Fund selection follows a rigorous investment due diligence process and a robust and consistent governance framework. In particular, we monitor a fund manager's investment selection, best execution, liquidity management, and asset valuation activity.

Our approach also includes formal processes for reviewing and challenging proposals for changes to sub advisers; assessing performance of the sub advisers' relative to expectations; and ensuring the sub advised funds remain appropriate to provide robust investment solutions offering good customer outcomes.

3.3.2.1. Fund universe

The portfolios may invest in Quilter Investors sub-advised funds and funds managed by other fund groups. The portfolio manager has sole discretion over manager selection and allocation to each fund.

The sub-advised funds are specifically designed to provide the portfolios with exposure to high-quality managers and strategies, while enabling greater transparency and oversight of the funds.

The use of funds managed by other fund groups provides the portfolio management team access to a wider investment universe including specialist sustainable strategies and additional passive strategies.

3.3.3. Responsible portfolios

The portfolios will only invest in funds that demonstrate robust and leading ESG integration, except in the case of government bond index funds where the availability of ESG-integrated strategies is currently limited, but exposure is necessary to achieve an appropriately diversified portfolio ('neutral' funds); or any cash held for portfolio trading purposes.

In addition, at least 50% of the portfolio's assets will be allocated to funds that pursue explicit environmental and/or social targets or characteristics and good governance practices, in addition to having robust investment credentials.

Fund selection follows a rigorous investment due diligence process. In addition, funds and managers must fulfil the following ESG criteria, as assessed by the fund due diligence team:

- **Philosophy:** have ESG integration as a core part of the investment philosophy.
- **Process:** ESG considerations systematically integrated throughout the investment process from portfolio construction and sector analysis to stock selection and active ownership. Strong and evidenced active ownership is a key part of this analysis, particularly where we look at passive funds. We would expect managers to provide examples and case studies to demonstrate systematic integration of ESG. Additionally, teams are likely to monitor the ongoing ESG risks and opportunities of the portfolio as part of their risk management process.
- **People:** The team has credibility within Responsible Investment/ESG and is supported by the appropriate technology, data, tools, and resources. There is evidence of ESG expertise and ongoing development in the investment team, and where there is a specialist ESG team, the fund manager(s) and analysts responsible can still demonstrate a sound understanding of ESG principles.

With the exception of 'neutral funds' (i.e. government bond index funds), funds must pass through a two-stage screening and selection process combining quantitative and qualitative analysis.

1. Funds are initially screened using a quantitative, proprietary screening tool to narrow down the universe. This enables us to identify funds that have quantitative characteristics that flag them as ESG leaders in their sub-asset class based on their Morningstar Sustainability ranking/rating versus their Morningstar peer group or having strong carbon credentials based on their carbon risk profile.
2. Funds that successfully pass through the initial screen are then subject to detailed due diligence including a full ESG review that interrogates how the manager considers ESG risk, how these factors are integrated into the process, and whether their leader ESG/carbon profile is intentional. The fund's holdings are also screened for controversial product involvement areas, UN Global Compact violations, and controversies. Any such exposures are investigated to understand the issue, the manager's rationale, and their engagement approach.

This process enables us to distinguish between funds where ESG is truly an integral part of the process and therefore meets the criteria for inclusion from those that although having passed the initial quantitative screen due to their ESG/carbon profile, ESG is not core to the investment process and the ESG/carbon profile is not intentional and is instead because of a style bias (for example).

3.3.4. Sustainable portfolios

The fund universe will be screened, and initial ideas primarily sourced from:

- The fund research team's existing ESG-badged/sustainable fund list
- Funds categorised as having intentional sustainable attributes
- Sustainable products run by managers whose investment approach we are already familiar
- Funds carrying formal sustainable designations: e.g. FNG, Febelfin, Luxflag, EU ecolabel, etc.

Fund selection then follows a rigorous investment due diligence process. In addition, funds and managers must fulfil the following ESG criteria, as assessed by the fund due diligence team:

- **Philosophy:** have ESG integration as a core part of the investment philosophy.
- **Process**: ESG considerations systematically integrated throughout the investment process from portfolio construction and sector analysis to stock selection and active ownership. Strong and evidenced active ownership is a key part of this analysis, particularly where we look at passive funds. We would expect managers to provide examples and case studies to demonstrate systematic integration of ESG. Additionally, teams are likely to monitor the ongoing ESG risks and opportunities of the portfolio as part of their risk management process.
- **People:** The team has credibility within Responsible Investment/ESG and is supported by the appropriate technology, data, tools, and resources. There is evidence of ESG expertise and ongoing development in the investment team, and where there is a specialist ESG team, the fund manager(s) and analysts responsible can still demonstrate a sound understanding of ESG principles.

With the exception of 'neutral funds' (i.e. government bond index funds), funds must pass through a two-stage screening and selection process combining quantitative and qualitative analysis.

1. Funds are initially screened using a quantitative, proprietary screening tool to narrow down the universe. This enables us to identify funds that have quantitative characteristics that flag them as ESG leaders in their sub-asset class based on their Morningstar Sustainability ranking/rating versus their Morningstar peer group or having strong carbon credentials based on their carbon risk profile.

   The screening tool also seeks to identify funds that meet specific criteria on thermal coal extraction, unconventional oil and gas extraction (including oil sands extraction and arctic oil and gas extraction), tobacco, controversial weapons, and controversies.

2. Funds that successfully pass through the initial screen are then subject to detailed due diligence including a full sustainable review that includes an ESG assessment:
   - From a Sustainable perspective, the process seeks to identify how the manager is seeking to achieve positive sustainable outcomes, identify what the Sustainable outcomes are, and how these align with the managers intentions. The process also assesses the managers approach to 'do no significant harm' and how they mitigate and manage negative impacts of the portfolio.
   - From an ESG perspective, this process interrogates how the manager considers ESG risk, how these factors are integrated into the process and whether the ESG/carbon profile is intentional and how this profile aligns with the Sustainable outcomes that are seeking to be achieved.
   - The fund's holdings are screened for controversial product involvement areas, UNGC violations and controversies with key focus on the exclusionary and seek to avoid product involvement areas outlined in Sustainable exclusionary criteria.

   Any such exposures are investigated to understand the issue, the manager's rationale, their engagement approach and how the exposure fits within the Sustainable framework.

   This enables us to identify funds that are truly seeking to drive positive Sustainable outcomes while also ensuring there is robust ESG integration.

3.3.4.1. Stewardship and engagement

Stewardship and engagement are key to our investment approach, and the strategy is supported by a robust stewardship and engagement programme. This covers engagement on areas such as ESG risk exposure, integration, transparency, and key thematic areas for example. We see this as critical to ensuring the ability to demonstrate positive sustainable outcomes from investments and ensuring that the managers we allocate to are investing with a keen eye on positive sustainable change.

3.5 Performance measurement

3.5.1 Benchmarks

The portfolios do not have benchmarks. All our portfolios aim to perform with a specific level of risk, measured as volatility, on an ongoing basis. We believe a risk-targeted approach gives clients a much clearer idea of what your client can expect from their investments than the risk-rated approach adopted by many of our competitors, which tends to select funds by assessing their risk based on past performance and so gives investors little certainty that this level of risk is going to remain in the future.

3.5.2 Performance comparator

For each portfolio, we provide a performance comparator against which we invite investors to compare the portfolio's performance:

Risk level 3: IA Mixed Investment 0-35% Shares

Risk level 4: IA Mixed Investment 20-60% Shares

Risk level 5: IA Mixed Investment 20-60% Shares

Risk level 6: IA Mixed Investment 40-85% Shares

Risk level 7: IA Mixed Investment 40-85% Shares

Risk level 8: IA Flexible Investment

Risk level 9: IA Flexible Investment

Risk level 10: IA Global

Managed portfolios: The IA sector is representative of funds with exposure to a broad mix of asset types. The portfolio's allocations to these asset types may be different to the average sector allocation and therefore the performance of the portfolio and the comparator may differ.

Responsible portfolios: The IA sector is representative of funds with exposure to a broad mix of asset types. The portfolio's allocations to these asset types are likely to be different to the average sector allocation and therefore the performance of the portfolio and the comparator may differ significantly.

Sustainable portfolios: The IA sector is representative of funds with exposure to a broad mix of asset types. The portfolio's allocations to these asset types will be different to the average sector allocation and therefore the performance of the portfolio and the comparator may differ substantially. This is due to the positive and negative screenings applied to the funds in which the Sustainable portfolios will invest.

3.5.3 Reference index

The reference index, the MSCI All Country World Index, is provided as a reference for portfolio's carbon footprint. The MSCI All Country World Index, is designed to represent performance of large- and mid-cap stocks across 23 developed and 25 emerging markets.

4. *Functionality*

4.1 Rebalancing

4.1.1 Frequency

All the portfolios are rebalanced quarterly.

4.1.2 Portfolio drift

Intra-quarter the portfolios will be allowed to drift from the model portfolio in line with the performance of the underlying holdings. The drift will be closely monitored by the portfolio manager and investment team and if it is prudent to rebalance the portfolios back to target then they will do so if the market conditions are right. In normal market conditions turnover of the portfolio will be low. Following the quarterly asset allocation update, all client portfolios will be brought in line with the updated model portfolio.

4.1.3 Intra-quarter trading

The portfolio manager has full discretion to rebalance whenever he deems necessary. Exceptional events, such as manager departure, may lead to a repositioning.

5. *Risk management and monitoring*

.1 Corporate governance

5.1.1 Quilter Investment Platform Limited (QIPL) and Quilter Life & Pensions Limited (QLPL) Boards

The relevant boards carry ultimate responsibility for the governance of our Managed Portfolio Service. The Boards of Directors meet quarterly, with a number of ad hoc meetings or calls throughout the year.

A joint QIPL and QLPL Investment Committee is responsible for the development, delivery, and ongoing oversight of our Managed Portfolio Service including monitoring performance, risk and alignment to objectives.

5.1.2 Quilter Platform Investment Oversight Council

In addition, our Managed Portfolio Service are overseen by Quilter Platform Investment Oversight Committee (IOC), which comprises at least two independent Non-executive Directors of the QIPL and QLPL Boards as well as independent external advisers.

We have established the IOC with a remit to review and offer guidance/challenge on the management of the portfolios and the range itself, and to manage any conflict of interest.

They oversee and provide independent challenge in respect of the following:

- Investors are provided with a service which performs as they would expect
- Conflicts of interest are managed effectively
- The investment decision-making processes are robust
- Appropriate risk management is in place

The IOC provides the oversight and governance as sub-committee of the Quilter Investment Platform Limited and Quilter Life & Pensions Limited boards. The chart overleaf shows the different levels of governance.

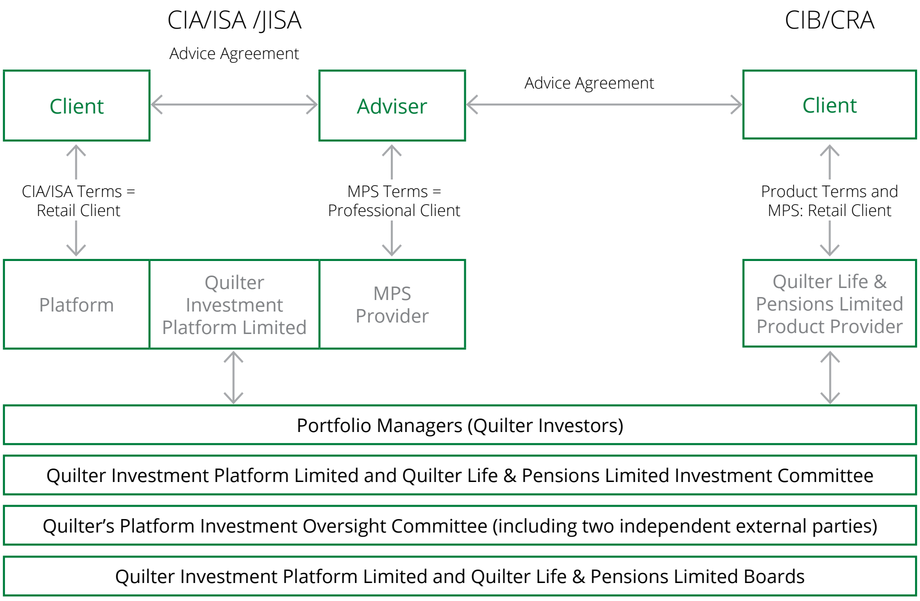
5.1.3 Quilter Investors Sub Advised Fund Forum

The primary responsibility of the Sub Advised Fund Forum is to provide independent oversight of the sub advisers used in the managed portfolios through a robust and consistent governance framework. In particular, the Forum has oversight of, but not limited to, the sub advisers' investment selection, best execution, liquidity management, and asset valuation activity.

The Sub Advised Fund Forum will consider proposals and approve changes to sub advisers.

The Sub Advised Fund Forum consists of representatives from across Quilter Investors including the Head of Strategic Partners, Head of Operational Due Diligence, Product and Change Director, Head of Responsible Investment, Head of Investment Fund Research, Head of Investment Risk and Performance, Managing Director, Portfolio Manager, and Head of Investment Directors.

5.1.4 Governance overview



6. *Suitability and target market*

6.1 Suitability

The FCA Thematic Review TR 15/12 (Wealth management firms and private banks: Suitability of investment portfolios) confirms that firms providing discretionary and advisory portfolio management services to retail customers must ensure that they can demonstrate that their customer portfolios are suitable.

The WealthSelect Managed Portfolio Service is designed with client suitability at its core. This is evidenced through:

- **Clear and unambiguous objectives:** we offer risk-targeted solutions that can be closely matched to individuals' risk profiles on an ongoing basis. A risk-targeted approach gives investors much greater clarity from the outset about the kind of investment journey they can expect, as compared to a risk-rated approach, which uses past performance to assess fund risk, giving the investor little certainty that this level of risk is going to remain the same in the future.
- **Value for money:** we offer a fully outsourced, actively managed solution at a very competitive rate. Our size and scale gives us significant buying power in the market and by working with a limited number of leading fund groups, we have been able to drive costs down even further for our clients without compromising quality. Our ability to access managers through sub-advised mandates enables us to deliver high quality solutions that offer outstanding value for money.
- **Compatibility with advisers' risk profiling process:** the portfolios have been mapped to major risk profiling tools including Defaqto, Dynamic Planner, Synaptic Risk, Finametrica, eValue, and Oxford Risk.

6.2 Target market

Under the MiFID II regulations, new product governance requirements apply to both manufacturers (fund managers and platforms) and distributers (advisers and execution-only platforms).

Manufacturers are now required to ensure that each product or fund they offer is designed to meet the needs of a clearly identified target market. They must specify the type or types of client whose needs, characteristics and objectives the products is compatible for and, importantly, identify any groups of clients for whom the product is not compatible.

They must ensure that distributers receive and understand the target market and monitor (through regular product reviews) whether they are reaching their intended target market. They must also make available appropriate information about the product approval process.

6.2.1 Managed portfolios

The portfolio could be suitable for advised customers who:

- are seeking a long-term return in the form of capital growth
- are looking for cost-effective ways to invest
- have the ability to bear potential losses consistent with the risk profile of the portfolio, as assessed by their adviser
- do not have specific Environmental, Social and Governance (ESG) requirements and simply want to maximise returns for an agreed level of risk
- prefer to have investment decisions made by portfolio managers, rather than have personal day-to-day involvement
- want the reassurance that their investments are being managed by professionals with proven track records and that their adviser is ensuring the choice of portfolio continues to meet their needs
- expect ongoing service from their adviser who is responsible for assessing suitability and can help them understand the risk / reward profile and features of the portfolio
- want clear, regular updates on portfolio performance

The portfolio is not intended for customers who:

- want access to specific funds, or involvement in day-to-day investment decisions
- do not have an ongoing relationship with their adviser and expect to carry out execution-only business in future
- require a capital guarantee and cannot bear a capital loss of some or all of the amount invested

- are looking to minimise exposure to unsustainable or controversial areas such as fossil fuels
- desire specific ESG targets and/or want their investments to explicitly contribute to sustainable outcomes alongside generating financial returns

6.2.2 Responsible portfolios

The portfolio could be suitable for advised customers who:

- are seeking a long-term return in the form of capital growth
- are looking for cost-effective ways to invest
- have the ability to bear potential losses consistent with the risk profile of the portfolio, as assessed by their adviser
- are seeking a portfolio that actively manages its exposure to Environmental, Social and Governance (ESG) risks alongside delivering a financial return, whilst maintaining a smaller carbon footprint than a broad market index
- prefer to have investment decisions made by portfolio managers, rather than have personal day-to-day involvement
- want the reassurance that their investments are being managed by professionals with proven track records and that their adviser is ensuring the choice of portfolio continues to meet their needs
- expect ongoing service from their adviser who is responsible for assessing suitability and can help them understand the risk/reward profile and features of the portfolio
- want clear, regular updates on portfolio performance

The portfolio is not intended for customers who:

- want access to specific funds, or involvement in day-to-day investment decisions
- do not have an ongoing relationship with their adviser and expect to carry out execution-only business in future
- require a capital guarantee and cannot bear a capital loss of some or all of the amount invested
- do not desire specific ESG targets to be delivered alongside financial returns
- have zero tolerance for exposure to unsustainable or controversial areas such as fossil fuels, as the portfolio may have small exposures
- want their investments to explicitly contribute to sustainable outcomes alongside generating financial returns

6.2.3 Sustainable portfolios

The portfolio could be suitable for advised customers who:

- are seeking a long-term return in the form of capital growth
- are looking for cost-effective ways to invest
- have the ability to bear potential losses consistent with the risk profile of the portfolio, as assessed by their adviser
- are seeking financial returns through a portfolio which targets a broad range of sustainable outcomes while minimising exposure to unsustainable or controversial activities
- prefer to have investment decisions made by portfolio managers, rather than have personal day-to-day involvement
- want the reassurance that their investments are being managed by professionals with proven track records and that their adviser is ensuring the choice of portfolio continues to meet their needs
- expect ongoing service from their adviser who is responsible for assessing suitability and can help them understand the risk/ reward profile and features of the portfolio
- want clear, regular updates on portfolio performance

The portfolio is not intended for customers who:

– want access to specific funds, or involvement in day-to-day investment decisions
– do not have an ongoing relationship with their adviser and expect to carry out execution-only business in future
– require a capital guarantee and cannot bear a capital loss of some or all of the amount invested
– do not want a portfolio that is restricted to investing substantially in funds targeting sustainable outcomes

7. *Charges*

7.1 Fees and other costs

7.1.1 Managed Portfolio Service charge

The WealthSelect Managed Portfolio Service charge is the amount charged annually by Quilter for running the portfolios. We will deduct the charge on a monthly basis from your account. The charge is expressed as a percentage of the investment held within the Managed Portfolio Service.

The WealthSelect Managed portfolios have a charge of 0.15%.

The WealthSelect Responsible portfolios and the WealthSelect Sustainable portfolios have a charge of 0.20%.

7.1.2 Weighted ongoing fund charge

For the latest WealthSelect portfolio information including costs and charges, please visit ***platform.quilter.com/investments-and-funds/adviser-models/strategic-asset-allocations/standard-asset-allocations/wealthselect-portfolio-information/***

7.1.3 Transaction fees

We do not levy a transaction charge for buying and selling funds. Customers may incur transaction costs, which are applied within the funds, when we buy or sell funds within the portfolios. The exact costs will vary by fund.

Purchase trades will be placed once all prices are received for the sell trades when rebalancing or changing funds in the portfolios. Usually this will be a one-day difference during which investors will be out of the market for the value of trades being placed and prices could rise or fall. However, depending on the exact portfolio and which funds are being sold, this could sometimes result in a two-day difference.

8. *Accessibility*

8.1 Minimum investment amount

There is no minimum investment amount stipulated, please see the 'Platform Due Diligence' document for the minimum requirements for the platform and for the ISA, JISA, CIA, CIB and CRA. Please note that WealthSelect is only available on Charge Basis 3.

8.2 Accessing WealthSelect

Setting up a client with a managed portfolio is simple. You can do this online through our platform as you would otherwise select a list of funds or personalised portfolio. The Managed Portfolio Service is only available to clients on Charge Basis 3. For clients with a Collective Retirement Account, you will need to convert them to Charge Basis 3 first if appropriate. You cannot convert a Collective Investment Bond to Charge Basis 3. For clients already on Charge Basis 3, you will need to select the Managed Portfolio Service using the option on our platform.

8.3 Contractual arrangement

In line with FCA regulations on investment permissions, the contractual agreement for the Managed Portfolio Service is between you and your client in the case of the ISA, JISA and Collective Investment Account (CIA) and between Quilter Life & Pensions Limited and your client in the case of Collective Retirement Account (CRA) and Collective Retirement Bond (CIB) (see 1.2.1.)

8.3.1 ISA, JISA and CIA – Agent as client

For Collective Investment Account (CIA) , ISA and JISA contracts, the provider is Quilter Investment Platform Limited. The Managed Portfolio Service is set up on an 'agent as client' basis under 'COBS 2.4 – Agent as client and reliance on others'. This allows us to treat you as the client for the purpose of the Managed Portfolio Service. It works very well in a platform environment where we can run the specific model to the required mandate and do not need to have a direct relationship with your client. You manage the client relationship, the advice to use the Managed Portfolio Service, and the initial and ongoing suitability. It also enables you to offer the Managed Portfolio Service to your client without needing to hold discretionary permissions in line with FCA requirements.

It is our view that this is the most appropriate model to run the service as it protects the relationship with your client:

- We issue communications to you and you can use your discretion to select which of these are appropriate to forward to your client.
- You are required to ensure ongoing suitability of the service for your client (compared to some direct to client discretionary investment management services), which continues to demonstrate the value of your advice.

8.3.2 CRA and CIB – Client contract

Quilter Life & Pensions Limited is an insurance firm and the Managed Portfolio Service is provided as an option within the Terms and Conditions of your client's insurance policy (CRA/CIB). This is their contract with us. One of the conditions of choosing this option is the client must have an adviser appointed while the service is in use.

This is because you must complete the suitability assessment, select the appropriate managed portfolio on behalf of your client, and also ensure the ongoing suitability for your client.

Please note that although this is different to the 'agent as client' basis operated by Quilter Investment Platform Limited, in practice the Managed Portfolio Service is managed in exactly the same way by Quilter Investment Platform Limited and Quilter Life & Pensions Limited with both models requiring ongoing advice and the assessment of suitability to be provided by you.

8.4 Declarations

All we require from you is a declaration, as part of the application process, that your client understands the roles and responsibilities of each party to the service and has given their authority for you to invest using the Managed Portfolio Service on their behalf. We will provide you with quarterly reports that enable you to keep your clients updated about the performance of their investments in line with FCA rules, whilst also helping you monitor the investment decisions being made within the Managed Portfolio Service.

8.5 Retail/professional clients

We treat all Quilter platform customers as retail clients and for the purpose of the Managed Portfolio Service for CIA and ISA, we treat the adviser as a professional client. This is covered in our terms and conditions and Managed Portfolio Service terms of business. The reason we treat the adviser as a professional client is because we may otherwise be accountable for more extensive suitability assessments, e.g. in relation to their knowledge and experience. That said, the funds the platform offers are suitable for retail clients and we will always build the portfolios with funds suitable for retail clients.

8.6 Regulatory protection

Your clients benefit from full regulatory protection in relation to the service and to their underlying fund holdings on the platform. However, there are some nuances of which you, and your clients, should be aware:

- Complaints about the suitability of the advice received would be handled as normal between your client and you, with the Financial Ombudsman Service available as normal.
- Complaints about the platform, products, or the way that instructions were processed would be handled in the normal way by the platform.
- Complaints about the Managed Portfolio Service and whether it has been appropriately run in line with its mandate, would be handled slightly differently depending on the products:
  - CRA/CIB – Complaints would be considered by Quilter Life & Pensions Limited, as the product provider, directly with the client.
  - CIA/ISA/JISA – Complaints would need to be handled by you, who in turn could complain to Quilter Investment Platform Limited, as the product provider.

Important information

Further information on the WealthSelect Managed Portfolio Service can be found at platform.quilter.com/wealthselect

Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rates may cause the value of overseas investments to rise or fall.

platform.quilter.com

Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

The WealthSelect Managed Portfolio Service is provided by Quilter Investment Platform Limited and Quilter Life & Pensions Limited. "Quilter" is the trading name of Quilter Investment Platform Limited (which also provides an Individual Savings Account (ISA), Junior ISA (JISA) and Collective Investment Account (CIA)) and Quilter Life & Pensions Limited (which also provides a Collective Retirement Account (CRA) and Collective Investment Bonds (CIB)).

Quilter Investment Platform Limited and Quilter Life & Pensions Limited are registered in England and Wales under numbers 1680071 and 4163431 respectively. Registered Office at Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB. Quilter Investment Platform Limited is authorised and regulated by the Financial Conduct Authority. Quilter Life & Pensions Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Their Financial Services register numbers are 165359 and 207977 respectively. VAT number 386 1301 59.

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