Value and Target Market Assessment on the Fundhouse Model Portfolio Range

Updated 30/09/2025

Information for financial advisers

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THE REGULATORY CONTEXT FOR THIS DOCUMENT

This document is prepared to fulfil Fundhouse's regulatory obligations under the FCA's Consumer Duty and product governance requirements.

WHO THIS DOCUMENT IS FOR

This document is designed for authorised UK financial advisers as distributors of our MPS. Fundhouse does not contract directly with end investors/retail investors.

TARGET MARKET REVIEW

Describing our Model Portfolio Service

Fundhouse Bespoke (referred to for the remainder of this document as "Fundhouse") is an investment company that, via our Model Portfolio Service (MPS), helps 'end investors' (primarily individuals investing through a few types of common investment wrapper – ISAs, SIPPs, general investment accounts, etc) achieve their financial objectives, intermediated by financial advisers on UK investment platforms. The advisers – who are our clients in a legal sense – may recommend our MPS when they deem it suitable for the end investor – who are not our clients. Our MPS acts as an investment blueprint that is applied to an end investor's account on a UK investment platform by the advisers. The account will follow the investment blueprint, investing in funds that Fundhouse has chosen and weighted according to our investment outlook from time to time, with the platform managing purchase and sale of the funds and any cash flows. The platform collects and aggregates ad valorem fees on such accounts and pays them to Fundhouse.

End investors have varying risk appetites – from those who are most risk averse (e.g. a pensioner who needs a fixed income and avoids uncertainty) to those who are comfortable taking more risk (e.g. a young investor with many years to retirement, who can tolerate significant shorter-term capital losses in pursuit of better longer-term gains). Our MPS portfolios are designed to cater for a broad range of investors and therefore you will see that they have varied names like Defensive, Cautious, Balanced, Growth and Equity. These define the levels of risk that we expect the end investor to be willing to take. Although this will not always be the case, there is a reasonable expectation that over long periods (5 years+), the lower risk portfolios would tend to lose less value from their previous peak values but also have lower overall gains than the higher risk portfolios.

We currently offer four product ranges in our MPS:

- Fundhouse Core Range: we offer Defensive (low risk), Cautious (low to moderate risk), Balanced (moderate risk), Growth (moderate to high risk) and Equity (high risk) model portfolios. They all have a mixture of active funds and cheaper passive funds.
- Fundhouse Responsible Range: these portfolios use the same process as our Core Range and perform very similarly but also look to hold investments with better ESG credentials than the Core Range. ESG is discussed further on in this document. We offer three Responsible portfolios, namely Cautious (low to moderate risk), Balanced (moderate risk), and Growth (moderate to high risk). We are shortly launching an Equity (high risk) model portfolio here.
- Fundhouse 'Index +' (pronounced 'Index Plus') Range: These are similar to our Core Range but invest solely in cheaper funds. These are positioned as a lower cost offering vs both the market average for this product type, and vs the market average for all investment products.
- Custom: We offer some clients a set of portfolios that are unique to them, but in each case they will suit a similar variety of risk ranges as to those in our other products, and use similar building blocks. These portfolios tend to be co-manufactured with our clients.

Who Fundhouse MPS is designed for

Access to our MPS is intermediated through professional financial advisers in the UK acting on end investors' behalf; the advisers are our clients, and are classified as Professional Clients under the client classification rules. End investors' individual circumstances are not known by Fundhouse; the advisers are responsible for ensuring that the Fundhouse Model Portfolio that they invest in is suitable for that customer. Advisers may recommend our MPS as part of a wider holistic piece of financial planning that includes a risk profiling exercise. Our MPS are often used alongside other investment products or services. The end investors are identified in the target market as UK residents and have a binding commercial relationship with a financial adviser that is authorised and regulated in the UK. All end investors will need to seek financial advice prior to investing with Fundhouse. Financial advisers should pay specific attention to their individual client needs, including vulnerable clients. Financial advisers should consider individual customer needs in this regard, and whether the potential for capital loss as a pre-requisite remains acceptable and appropriate.

Who Fundhouse MPS is not designed for

- Investors that wish to invest directly, without advice from a financial adviser.
- Investors with an investment time horizon of less than five years.
- Investors that cannot/are not comfortable suffering losses.
- Investors that use a financial adviser, but that adviser does not have an agreement in place with us.
- Investors that do not wish to invest via a UK Retail Platform.
- Investors that have not had their investment in a Fundhouse model portfolio explained to them by their financial adviser.

Our distribution strategy

Our strategy to distribute our model portfolios is to: attract a relatively small number of adviser firms and build excellent relationships with them; maintain high levels of servicing; keep our investment process simple and consistent; offer our MPS at reasonable fees; be available on many platforms to facilitate adviser uptake.

Formal mapping of our products against their Target Markets

With the above context in mind, in Appendix 1 we show a formal categorisation of each Fundhouse MPS portfolio against a number of client suitability categories, which could include:

- Knowledge/experience. Following FCA definitions: retail investor (or 'end investor'); professional investor; eligible counterparty
- Ability to bear losses. No guarantee; no loss; limited loss; large loss.
- Client objectives and needs. Following key financial outcomes that advisers must discuss and agree with end investors: capital preservation; capital growth; regular income; the expected minimum time horizon of the investment; whether the client has ESG needs that must be met.
- Distribution strategy. Are we able to invest for clients on an execution only basis? Can retail clients come to us direct? Must clients take advice to use our products?

FAIR VALUE ASSESSMENT

Overview

Under the FCA's Consumer Duty, firms across the financial advice and asset-management value chain must be able to assess whether the products and services they make available to retail clients deliver fair value. In line with these requirements, we assess the key components of our MPS that are most relevant to clients' experience and outcomes. These are set out below, followed by our overall fair value conclusion.

- Performance
- Price/costs/charges
- Quality of service

Below, we give an analysis of each and explain our working. We then give an overall conclusion.

Note – we refer several times to 'peers' of our MPS portfolios. These are defined in Appendix 4.

A note on peer groups and data

Within this Fair Value Assessment we have used the Morningstar EAA Model GBP peer groups as at the end of September 2025. These are peer groups of sterling-denominated model portfolios available in the UK, grouped by Morningstar's proprietary process according to approximate exposure to equity assets (as a proxy of overall risk). We believe this to be a more relevant dataset compared to the Investment Association multi-asset fund peer groups (which are popularly used), because it compares us against other MPS providers rather than fund managers (which we are not). For fee comparisons, we have further split these Morningstar peer groups into those that have a fully passive approach, and those that do not, as the costs incurred between each group are typically considerably different. These Morningstar peer groups are suitable for use as-is in performance comparisons, however, as managers will have similar performance ambitions regardless of approach.

Performance

In Appendix 2, we show a number of performance tests for our MPS portfolios:

- Does each portfolio hit its performance target (as defined on its sales factsheet) over its five-year recommended investment horizon?
    - For the 8/13 portfolios with a five-year track record, we find that 6 have hit their return objectives. 1 portfolio was 0.37%pa behind objective and 1 was 1.19%pa behind objective in our lower-risk portfolios. However, this is due to market dynamics, and performance is still very good compared to peers in this product category; the underperformance is in considerable part down to overweight allocations to fixed income held for a number of years in these portfolios and which form a larger part of the lower-risk portfolios since these are limited in their equity exposure. In 2022, fixed income saw considerable drawdowns that were not experienced by cash (our objectives are cash+, so will not have been affected). The investments held in the lower-risk portfolios still reflect well-researched investment views that we have maintained for long periods, and we that believe our valuation-conscious process will pay off for clients in the long run. We are reassured that even in these two cases (0.37%pa and 1.19%pa off-target) our returns are excellent vs peers at 91st and 82nd percentiles, respectively – going some way to demonstrate: the unusual market environments we have faced that have affected many active investors; we have not likely been an outlier in our behaviour vs peers, given the outcomes; that even when we have missed our explicit targets we have been well in advance of peer averages and the products deliver fair value.
    - 5/13 portfolios do not have a five-year track record, and it is therefore not reasonable to measure their performance given the product is not designed to deliver annualised

performance ahead of target on a shorter-term horizon, given our long-term investment process.

- Does each portfolio beat its peer group over the last five years (or since-inception, if the portfolio has less than five years of track record)? What peer universe decile does it sit in (10th being best, 1st being worst).
    - All portfolios beat their peer group averages over five years/since inception, enjoying returns between the 7th and 10th deciles vs peers.
- Given our cautious approach to investing, we hope to deliver an 'investment journey' where capital drawdowns (i.e. the worst peak-to-trough percentage loss experienced by an investor) are better than peers. Is this the case over the last five years (or since-inception, if the portfolio has less than five years of track record)?
    - All portfolios beat their peer group averages over five years/since inception in capital drawdown terms.

Conclusion. We believe that all our portfolios offer value for money through the lens of performance. Performance and capital drawdown measurements vs peers are excellent, and in the two cases where we have missed the product return objectives, we have done so on account of consistent investment views that we hope will deliver good returns in future, and which have still led us to strongly outperform peers.

Price/costs/charges

In assessment of Fundhouse's costs and charges, we have not assessed costs external to our MPS portfolios that will need to be incurred for any end investor that uses our portfolios, namely: financial advice fees; investment platform. These costs would almost always be incurred whether or not a financial advisor used our MPS portfolios or another retail investment product at the point of executing an investment strategy with an end investor. We have not captured fund 'transaction costs' in our peer comparisons – implicit costs incurred in underlying fund strategies that are reflected in lower net asset values of the funds and disclosed separately by fund managers – because the peer data is not available.

In Appendix 3, we show the costs and charges associated with our MPS portfolios, and show all relevant peer group averages as defined by Morningstar - see '*A note on peer groups and data'* for more information. We show our Annual Management Charges (AMC – the explicit fee that Fundhouse gets paid by platforms, taken from the end investor accounts), and the weighted average Ongoing Charges Figure (OCF) for the underlying funds used in MPS portfolios (which includes the operating costs and expenses incurred by these funds). We also show a combined total cost.

A note on the variability of costs and charges shown in the table for our MPS portfolios – our AMCs are higher for portfolios that include active funds. Active funds typically have higher fees compared to passive funds as they charge higher management fees. Consequently, the fund OCFs are higher for portfolios that include a greater allocation to active funds, and OCFs also increase as portfolio risk increases – this is a function of the fact that bond funds tend to be cheaper than equity funds, and are held at higher weights in lower risk portfolios than higher risk portfolios.

Looking in the table at the 'difference to peers' green columns, we demonstrate that, relative to peers:

- Our own AMCs are cheaper than peer averages for all portfolios. We are pleased that this reflects our desire to be competitive and offer our clients a relatively inexpensive service vs the marketplace.
- The underlying fund OCFs are no more expensive than peer averages in 5/13 models, are within a modest range of 0.03% of peer averages in a further 6/13 models, and are somewhat more expensive than peer averages (0.07% and 0.17%) in 2/13 models. We are pleased to be close to

or lower than peer averages in most cases. We are somewhat more expensive in those 2 cases due to the following:
  - We tend to hold more weight in active managers the more equity weight is in a portfolio, because we think it is more important to use active management in the equity space; given what we have said above about equity funds being more expensive than bond funds, this naturally will lead to OCFs in our chosen funds tending to be less competitive vs peers at higher portfolio risk levels.
  - We have a relatively contrarian approach to equity market valuation, whilst many of our peers do not – this means that in the present-day mega-cap-led equity environment where passive equity funds have outperformed many active managers, many MPS providers have moved to use these equity passives in their portfolios, reducing their OCFs in turn. We remain invested in active funds representing a more cautious approach and our conviction that skill rather than momentum will provide the better medium-to-long-term investment outcome.
- The combined costs of our portfolios are cheaper than peer averages in 12/13 portfolios. The reason for the difference of 0.11% in the remaining portfolio is covered in the previous bullet.

Whilst these peer-relative comparisons are helpful, we can also consider these costs in the context of an average end investor's total costs of financial advice and investment. Research[1] from 2024 suggests that the average total cost of ongoing financial advice *and* product/portfolio charges for UK end investors is about 1.9% per annum of assets invested (e.g. c.£1,900 on assets of £100,000). If we take the middle of our product range as measured by risk – our 'Balanced' portfolio – as a representative of what the average investor might use, we can see that the combined AMC + OCF costs of our portfolios of 0.25% to 0.61% (depending on the choice of Balanced portfolio) are only a modest proportion (13% to 32%) of the average total cost.

Conclusion: Every one of our MPS portfolios represent fair value for money with respect to costs and charges. This is because: our AMCs are below peer group averages in every case; our overall combined costs are lower than the peer group average or within 0.03% of it in all but two cases (and we have a good investment reason, articulated above, for keeping higher OCFs in some cases); our costs are not a high proportion of the overall cost of investment and advice for end investors.

Quality of Service

This is a subjective assessment. Although we provide investment services, we also service clients in the background by providing them with literature (brochures, factsheets), commentary on performance and markets and related information like videos and webinars. We also meet them face to face. For clients of a certain size, we also sit on their investment committee. For bespoke clients, we also offer the option of using their fund list to create model portfolios, which requires us to do research on funds that are often unique to them.

We have a few tangible (if not always easily measurable) things that support a strong view of quality of service:

- We maintain a reporting error log and have had almost no reporting errors, and none of a high significance.
- We have received no complaints about our service, which we understand to be a rare outcome in the industry.
- We have a 8-point formal communications framework which staff are trained on and which underpins all our client communication, which emphasises the following: regularity; timeliness; appropriateness; accuracy/compliance; being differentiated; insightfulness; clearly linking our actions to our investment process; being empathetic to our client needs.

[1] https://www.which.co.uk/money/investing/financial-advice/how-much-financial-advice-costs-aODa70J6nYs7

- We have built a dedicated 'support site' using third-party developers with user experience expertise, in order to provide a high-quality automated service to furnish clients with written, video, and audio materials, as well as avenues for feedback.
- We hold a number of live client events each year where advisers can come and talk to us.
- We have a formal goal to reply to over 90% of MPS client queries same-day.
- Senior investment staff are involved in replying to a significant number of client queries.
- Feedback from many MPS clients indicates that our service is very high quality.
- Only senior staff attend client investment committee meetings.
- We have won or been nominated for a number of industry awards, most recently being awarded the competitive 2024 FT Adviser Service Awards 'Five Star' award (the 2025 awards are yet to take place), which means that at least 50 financial advisors have had to independently share feedback with the awards provider, with the average rating being five stars.

Conclusion: Given the qualitative factors and the peer-relative industry awards explained above, we believe that our MPS offers fair value for money. Given that we do not differentiate service based on different portfolios, we will apply this conclusion to all our portfolios equally.

Overall conclusion

Below, we show each portfolio for each of the three categories, and conclude that each portfolio provides sufficient positive contribution across the different metrics to represent fair value for money:

Model	Performance	Price/cost/charges	Quality of service	Fair value overall?
FH Global Defensive	✓	✓	✓	✓
FH Global Cautious	✓	✓	✓	✓
FH Global Balanced	✓	✓	✓	✓
FH Global Growth	✓	✓	✓	✓
FH Global Equity	✓	✓	✓	✓
FH Responsible Cautious	✓	✓	✓	✓
FH Responsible Balanced	✓	✓	✓	✓
FH Responsible Growth	✓	✓	✓	✓
FH Index Plus Defensive	✓	✓	✓	✓
FH Index Plus Cautious	✓	✓	✓	✓
FH Index Plus Balanced	✓	✓	✓	✓
FH Index Plus Growth	✓	✓	✓	✓
FH Index Plus Equity	✓	✓	✓	✓

APPENDIX 1. TARGET MARKET MATRIX

		Knowledge/experience			Ability to bear loss				Objectives					Distribution strategy		
Model	Owner	Retail	Prof.	Elig. Count.	No guarantee	No loss	Limited Loss	Large Loss	Preservation	Growth	Income	Time horizon	ESG	Execution only	Direct client	Advice
FH Defensive	We manufacture	X	✓	✓	✓	X	✓	X	X	✓	X	5yrs+	X	X	X	✓
FH Cautious	We manufacture	X	✓	✓	✓	X	✓	X	X	✓	X	5yrs+	X	X	X	✓
FH Balanced	We manufacture	X	✓	✓	✓	X	X	✓	X	✓	X	5yrs+	X	X	X	✓
FH Growth	We manufacture	X	✓	✓	✓	X	X	✓	X	✓	X	5yrs+	X	X	X	✓
FH Equity	We manufacture	X	✓	✓	✓	X	X	✓	X	✓	X	5yrs+	X	X	X	✓
FH Responsible Cautious	We manufacture	X	✓	✓	✓	X	✓	X	X	✓	X	5yrs+	✓	X	X	✓
FH Responsible Balanced	We manufacture	X	✓	✓	✓	X	X	✓	X	✓	X	5yrs+	✓	X	X	✓
FH Responsible Growth	We manufacture	X	✓	✓	✓	X	X	✓	X	✓	X	5yrs+	✓	X	X	✓
FH Index Plus Defensive	We manufacture	X	✓	✓	✓	X	✓	X	X	✓	X	5yrs+	X	X	X	✓
FH Index Plus Cautious	We manufacture	X	✓	✓	✓	X	✓	X	X	✓	X	5yrs+	X	X	X	✓
FH Index Plus Balanced	We manufacture	X	✓	✓	✓	X	X	✓	X	✓	X	5yrs+	X	X	X	✓
FH Index Plus Growth	We manufacture	X	✓	✓	✓	X	X	✓	X	✓	X	5yrs+	X	X	X	✓
FH Index Plus Equity	We manufacture	X	✓	✓	✓	X	X	✓	X	✓	X	5yrs+	X	X	X	✓

We appreciate that the text may appear small to the reader, so we would welcome the chance to send you the original version if needed.

APPENDIX 2. PERFORMANCE

Model	Objective	Have returns met objective?	Have returns beaten peer averages over 5 years (or since inception if <5 years old?)	Have drawdowns beaten peer averages over 5 years (or since inception if <5 years old?)
Fundhouse Global Defensive	Beat cash + 1%pa over 5 years	No; 1.19%pa behind	Yes - 9th decile	Yes
Fundhouse Global Cautious	Beat cash + 2%pa over 5 years	Yes	Yes - 10th decile	Yes
Fundhouse Global Balanced	Beat cash + 3%pa over 5 years	Yes	Yes - 10th decile	Yes
Fundhouse Global Growth	Beat cash + 4%pa over 5 years	Yes	Yes - 10th decile	Yes
Fundhouse Global Equity	Beat cash + 5%pa over 5 years	Yes	Yes - 9th decile	Yes
Fundhouse Index Plus Defensive	Beat cash + 1%pa over 5 years	Track record is too short	Yes - 7th decile	Yes
Fundhouse Index Plus Cautious	Beat cash + 2%pa over 5 years	Track record is too short	Yes - 9th decile	Yes
Fundhouse Index Plus Balanced	Beat cash + 3%pa over 5 years	Track record is too short	Yes - 9th decile	Yes
Fundhouse Index Plus Growth	Beat cash + 4%pa over 5 years	Track record is too short	Yes - 9th decile	Yes
Fundhouse Index Plus Equity	Beat cash + 5%pa over 5 years	Track record is too short	Yes - 10th decile	Yes
Fundhouse Responsible Global Cautious	Beat cash + 2%pa over 5 years	No; 0.37%pa behind	Yes - 10th decile	Yes
Fundhouse Responsible Global Balanced	Beat cash + 3%pa over 5 years	Yes	Yes - 9th decile	Yes
Fundhouse Responsible Global Growth	Beat cash + 4%pa over 5 years	Yes	Yes - 9th decile	Yes

Data as at 31/08/2025. Source: Morningstar, Fundhouse. Index Plus track records began in April 2023, with all other models having 5+ years of track record to measure. Performance is shown net of Fundhouse fees.

APPENDIX 3. COSTS AND CHARGES

		AMC			Underlying fund OCFs			Combined		
Peer sector	**Group/Investment**	**Fundhouse**	**Peers**	**Difference**	**Fundhouse**	**Peers**	**Difference**	**Fundhouse**	**Peers**	**Difference**
EAA Model GBP Allocation 0-20% Equity - Active	Fundhouse Global Defensive	0.15%	0.24%	-0.09%	0.24%	0.34%	-0.10%	0.39%	0.59%	-0.19%
EAA Model GBP Allocation 20-40% Equity - Active	Fundhouse Global Cautious	0.15%	0.22%	-0.07%	0.34%	0.38%	-0.05%	0.49%	0.61%	-0.12%
EAA Model GBP Allocation 40-60% Equity - Active	Fundhouse Global Balanced	0.15%	0.23%	-0.08%	0.46%	0.45%	0.00%	0.61%	0.68%	-0.07%
EAA Model GBP Allocation 60-80% Equity - Active	Fundhouse Global Growth	0.15%	0.23%	-0.08%	0.55%	0.49%	0.07%	0.70%	0.72%	-0.01%
EAA Model Global Large-Cap Blend Equity - Active	Fundhouse Global Equity	0.15%	0.22%	-0.07%	0.63%	0.46%	0.17%	0.78%	0.67%	0.11%
EAA Model GBP Allocation 0-20% Equity - Passive	Fundhouse Index Plus Defensive	0.09%	0.12%	-0.03%	0.15%	0.13%	0.01%	0.24%	0.25%	-0.02%
EAA Model GBP Allocation 20-40% Equity - Passive	Fundhouse Index Plus Cautious	0.09%	0.14%	-0.05%	0.15%	0.13%	0.02%	0.24%	0.27%	-0.03%
EAA Model GBP Allocation 40-60% Equity - Passive	Fundhouse Index Plus Balanced	0.09%	0.14%	-0.05%	0.16%	0.15%	0.02%	0.25%	0.28%	-0.03%
EAA Model GBP Allocation 60-80% Equity - Passive	Fundhouse Index Plus Growth	0.09%	0.14%	-0.05%	0.17%	0.15%	0.02%	0.26%	0.28%	-0.02%
EAA Model GBP Allocation 80%+ Equity - Passive	Fundhouse Index Plus Equity	0.09%	0.14%	-0.05%	0.18%	0.15%	0.03%	0.27%	0.29%	-0.02%
EAA Model GBP Allocation 20-40% Equity - Active	Fundhouse Responsible Global Cautious	0.15%	0.22%	-0.07%	0.36%	0.38%	-0.03%	0.51%	0.61%	-0.10%
EAA Model GBP Allocation 40-60% Equity - Active	Fundhouse Responsible Global Balanced	0.15%	0.23%	-0.08%	0.45%	0.45%	-0.01%	0.60%	0.68%	-0.08%
EAA Model GBP Allocation 60-80% Equity - Active	Fundhouse Responsible Global Growth	0.15%	0.23%	-0.08%	0.52%	0.49%	0.03%	0.67%	0.72%	-0.05%

Data as at 31/08/2025. Source: Morningstar, Fundhouse.

Transaction costs were not available for peer comparison and were excluded from this assessment – although we will only select funds for use in our MPS that we deem to have appropriate transaction cost levels and this is part of our fund selection process.

APPENDIX 4. PEER GROUPS

Below we show peer group definitions as well as the sample sizes available for each:

Model	Peer group	# peers
Fundhouse Global Defensive	EAA Model GBP Allocation 0-20% Equity	71
Fundhouse Global Cautious	EAA Model GBP Allocation 20-40% Equity	184
Fundhouse Global Balanced	EAA Model GBP Allocation 40-60% Equity	256
Fundhouse Global Growth	EAA Model GBP Allocation 60-80% Equity	234
Fundhouse Global Equity	EAA Model Global Large-Cap Blend Equity	49
Fundhouse Index Plus Defensive	EAA Model GBP Allocation 0-20% Equity	71
Fundhouse Index Plus Cautious	EAA Model GBP Allocation 20-40% Equity	184
Fundhouse Index Plus Balanced	EAA Model GBP Allocation 40-60% Equity	256
Fundhouse Index Plus Growth	EAA Model GBP Allocation 60-80% Equity	234
Fundhouse Index Plus Equity	EAA Model GBP Allocation 80%+ Equity	169
Fundhouse Responsible Global Cautious	EAA Model GBP Allocation 20-40% Equity	184
Fundhouse Responsible Global Balanced	EAA Model GBP Allocation 40-60% Equity	256
Fundhouse Responsible Global Growth	EAA Model GBP Allocation 60-80% Equity	234

Data as at 31/08/2025. Source: Morningstar

[end]