

Downing Bond Service

Downing LLP has undertaken a Customer Fair Value Assessment as the manufacturer of this product, in accordance with our obligations under PRIN 2A

Date of most recent Customer Fair Value Assessment	July 2023
Date of next Customer Fair Value Assessment to be completed by	Within the next 12 months*

**We continuously monitor our products and apply a risk-based approach to our product governance; the next review and assessment may take place before this date and this document updated accordingly.*

Outcome of the Customer Fair Value Assessment

As a result of the product governance activities undertaken across this product we can confirm:

- 1. The product remains consistent with the needs of the identified target market.**
- 2. The product remains consistent with the fair value assessment.**
- 3. The intended distribution strategy remains appropriate.**

Further information about the Customer Fair Value Assessment

We (Downing LLP) have concluded the assessment of our core manufactured products to determine whether they offer fair value to customers for a reasonably foreseeable period. Our own analysis has been combined with information from our partners' distribution arrangements.

Our Customer Fair Value Assessments consider the performance of our products against pricing, customer experience, complaints & servicing metrics, Target Market alignment and product distribution arrangements, including fees, in order to understand the impact on the overall value of the product to our customers. Our findings for our latest product reviews are summarised below.

Review / Assessment Area	Key indicators and measures to be considered where available	Summary outputs and actions
Product Description	Downing Bond Service	<p>The Downing Bond Service (the "Service") provides advised retail investors with access to opportunities to invest in corporate bonds issued by unquoted companies through a discretionary managed portfolio service. The Service targets fixed returns over a fixed term. The target returns of the Service vary depending on rates and availability of the underlying bonds.</p> <p>The companies issuing the underlying bonds operate in a range of sectors but are typically either trading businesses with asset-backing or lending businesses with security over the assets of their borrowers. Target returns vary for each bond but are typically between 3% and 8% p.a..</p>

Product Performance

- Target Market review
- Complaints frequency
- Complaints acceptance
- Complaints rejections
- Cancellations
- Early withdrawal
- Cultural bias
- Benchmarking

The product provides value when the performance of our product achieves a close match to the target return and performs well in comparison to similar products provided by other managers over a range of time periods.

As at the date of this document (May 2023), all investors that have used the service since launch in 2018 have been satisfied with the returns achieved and no complaints have been made regarding the Service. All the underlying bonds listed on the bond platform that have reached their final maturity have returned all the capital initially invested and all interest due: approximately £157m of capital has been repaid to bond investors. Some bonds have repaid early to the investors, but in doing so have paid all interest due to the redemption date. The term of some bonds has been extended at the bondholders' discretion. Where these affected Bond Service investors, the change in term was communicated to them with options regarding reinvestment or withdrawal.

Capital is at risk and past performance is no guarantee of future performance: i.e. the repayment of historic bonds does not guarantee the future repayment of ongoing or future bond offers.

Target Market: A typical investor is expected to be a UK resident. They will be an advised investor. Some bonds are classed as speculative illiquid securities (SIS), and as a result all investors are required to be categorised as high net worth or sophisticated investors.

An investor should:

- be seeking a fixed return over a fixed period (either through regular interest payments or with interest rolling up to the end of the bond term); and
- have no requirement to withdraw funds during the term of the Service.

Price

- Loss Ratio
- Commission levels
- Customer tenure
- Comparable market rates
- Comparable services

Our assessment of these measures confirmed the ongoing good value of this product.

Downing takes a small management fee on the Service, in addition to the usual charges at the bond level.

The charges taken by Downing at the underlying bond level vary depending on the company issuing the bond and on the bond offer. Where there are separate offers for different terms or for different funds invested, each offer may have different interest rates and the charges may also vary. This gives the investors different returns dependent on the offer, which we deem as appropriate for the risks of the bond.

As required by the assessment of value rules, we compared the charges made by Downing to the product for the services provided, with the actual costs incurred in providing those services.

We are satisfied that the charges to the investor are reasonable in relation to the underlying costs of setting up and running the service.

We adopt a simple approach to charges paid by investors: for example, we do not charge dealing fees, exit charges or third-party brokerage fees. At bond level, Downing receives a monitoring fee, which covers the costs of looking after the investment on behalf of the bond investors, and on running the bond platform. Downing may also take other fees, as set out in the relevant bond document – these could include an arrangement fee, to cover the costs of sourcing the investment and providing it to the bond platform and its investors.

We will continue to monitor our fees regularly to ensure that Downing maintains its position of providing good value to investors.

Vulnerable Customers: All customers are at risk of becoming vulnerable, but this risk is increased by having characteristics of vulnerability. These could be poor health, such as cognitive impairment, life events such as new caring responsibilities, low resilience to cope with financial or emotional shocks and low capability, such as poor literacy or numeracy skills.

		<p>In terms of vulnerable clients in the context of this service, vulnerable customers could refer to:</p> <ul style="list-style-type: none"> • Investors who lack experience and understanding of high-risk investments and who, as a result, may not fully understand the potential risks of investing in non-transferrable debt securities which may make them more vulnerable to making unsuitable investment decisions. • Investors facing health issues or diminished cognitive abilities may be vulnerable to making investment decisions without fully comprehending the risks involved. • Investors experiencing major life events may be vulnerable to making investment decisions without the appropriate consideration of their new financial circumstances. <p>What controls have we got in place to ensure that vulnerable customers experience outcomes as good as those for other consumers: To ensure the fair treatment of all investors in our products and services we have implemented a vulnerable customer framework which includes:</p> <ul style="list-style-type: none"> • Training for all front-line staff to ensure that they have the appropriate skill to identify and deal with vulnerable customers. • We operate and maintain a vulnerable customer policy. • We operate ongoing monitoring of customer interaction to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability. • We issue customer surveys and review any customer feedback.
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<p>Quality of Service</p>	<ul style="list-style-type: none"> • Operational Service Metrics • Any Fee structure • Complaints root causes 	<p>Our assessment of these measures confirmed the ongoing value of this product.</p> <p>An investor should be clear about what they are buying and what they are paying for. Effective,</p>
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good quality communications and, in particular, the range of documents that accompany financial products are therefore crucial to the service provided.

The quality of the manager's structures and systems are also vital to ensuring a high quality of service, including the processes used to manage the underlying Investment, Customer and the Sales and Bond teams' relationships with investors and their financial advisors.

Good service also depends on the quality of the practical infrastructure of the product, such as the investor portal, the ability to make new bond orders and review an investor's existing portfolio and information provided on the performance of the bond issuers.

We use a variety of external third-parties, who are experts in their relevant fields, to support the operation of the Bond Platform and ensure that a high quality of service is provided to investors in the product. Thompson Taraz are the Custodian for the Bond Platform, providing custodial and nominee services and Goji provide all the necessary infrastructure to support the IFISA product option.

When assessing the quality of service provided by Downing, the following activities were considered:

Communications. Effective and good quality communication with investors, and the documentation that accompanies financial products, are crucial to the service provided. Communications should be timely and internal service levels should be regularly reviewed. We have considered documents created for investors.

Services provided to investors. Our assessment considers the services experienced directly by investors, including both direct services and outsourced services such as custody and accounting. The quality of outsourced services is continually monitored.

Oversight of distributors. This product is distributed only to professional third parties who distribute our products, such as financial advisers and investment platforms. We

		<p>assessed the value of the service that Downing provides to these distributors and also how it oversees this relationship.</p> <p>We noted no complaints or breaches related to the oversight of distributors in the assessment period.</p> <p>Other Services – Support of intermediaries and end investors. Downing continues to offer advisers clear marketing materials to allow them to make an effective assessment of client suitability for the product. The Downing Bond team, sales team and Customer Service team are also on hand to support advisors as required.</p> <p>As a result, we concluded that Downing provides good value in terms of quality of service.</p>
<p>Distribution / Delegation</p>	<ul style="list-style-type: none"> • Review of Distribution Strategy • Broker oversight • Charges/Fees • Add-on/Ancillary Products sold alongside this product • delegation arrangements • Complaints 	<p>The Service is distributed through advisers. Where distribution partners responded to our information request, our assessment of these measures confirmed that the distribution strategy for this product remains appropriate.</p> <p>We believe the product we manufacture offers good value, and it is our requirement that the distributor ensures any costs they pass on to the customer offer value for the service the distributor provides and/or the value of any add-ons.</p> <p>We continue to work with our distribution partners to obtain and assess information, and agree actions as required, to ensure the ongoing value of this product.</p>
<p>Assurance Activity</p>	<ul style="list-style-type: none"> • Results of previous assessments of this product • Review of Significant Adaptations • Review of Risks or Incidents associated with this product • Review of other relevant Monitoring and Oversight activity relating to this product 	<p>Our assessment of these measures confirmed the ongoing good value of this product.</p> <p>Our ongoing assessment of the product will be based on key performance indicators, investor feedback, distributors feedback, breaches, incidents, and complaints. Key performance indicators are reported to our Product Governance & Distribution Committee for consideration and review, and products assessed at least annually.</p>

The Bond Service has been categorised as high risk because of the risks involved and high failure rate of nascent businesses in addition to the illiquidity of the investments. Investors should not invest unless they are prepared to lose all the money they invest. This is high risk investment, and investors are unlikely to be protected if something goes wrong. Please refer to the Bond Service Offer Document and terms and conditions and the individual bond offer documents for further information on the products and the associated risks.

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