Fair Value Assessment for Crossing Point Investment Management MPS

Introduction

Crossing Point Investment Management Limited (company number 08776208) is a private limited company owned by its directors and seven IFA shareholders. It was incorporated in November 2013 and launched the model portfolio service to retail clients in February 2020 on conclusion of extensive academic research into an investment philosophy established upon trend following and tactical trading.

Principle Board Members

Dr Tomiko Evans - Chief Investment Officer and Managing Director

Prof Mike Buckle - Investment Manager' Compliance Oversight and Money Laundering Reporting Officer.

Chris Davies - Director

Andy Jones - Accountant

Alison Wudarski - Compliance Consultant

Registered office: 7 Uplands Crescent, Uplands, Swansea SA2 0PA.

Our MPS service

Crossing Point model portfolio service (MPS) offers a range of six investment solutions each with a number of risk-rated portfolios. Our MPS is available only to retail clients of FCA authorised independent financial advisors (IFA) investing via a platform. All our terms of Business are with IFA firms on an Agent as Client basis.

Guardian Portfolios are suitable as a lifetime strategy for those looking to both accumulate and decumulate wealth i.e., sustained retirement income via drawdown. They are particularly suitable as a **decumulation strategy** due to lower volatility and maximum drawdowns. All funds used within the Guardian portfolios are UCITS funds as they are appropriate for retail clients and provide daily liquidity. The majority of these funds are passive investments as they provide a low-cost option which are managed within the fund structure.

Fusion Portfolios are aimed at those seeking a growth strategy utilizing a mixture of both active and passive funds. Like Guardian, Fusion portfolios are suitable as a **lifetime strategy** for those looking to both accumulate and decumulate wealth. All funds used within the Fusion portfolios are UCITS funds as they are appropriate for retail clients and provide daily liquidity. The funds are a mixture of active and passive investments. Passive funds provide a low-cost option which are managed within the fund structure. The selected active funds provide more specialised and managed investments to allow for more control over where assets are distributed with the aim to providing better performance.

Our Unique Trend informed Tactical Trading Strategy

Crossing Point Guardian and Fusion portfolios utilize a unique trend informed tactical trading overlay which has been developed through academic research. Trend-following has been found to minimize sequence of returns risk, volatility, and maximum drawdowns by smoothing long-term returns. Crossing Point Guardian and Fusion portfolios use a combination of trend and economic data analysis, tactical trading, and a well-diversified asset allocation.

Heritage Portfolios are aimed at those seeking a **growth strategy** through holdings in **investment trusts** which are by nature a relatively high-risk strategy.

Green Path Portfolios are aimed at those seeking an investment whilst being mindful of global environmental and social challenges (**ESG**). All funds used within the Green Path portfolios are UCITS funds or ETFs as they are appropriate for retail clients and provide daily liquidity.

The selection of funds in Green Path portfolios is supported by due diligence from FE Fundinfo, Morningstar Sustainability ratings and MSCI ESG ratings. We only select funds with at least four Morningstar Globes or an MSCI rating of BBB or above.

Passive Portfolios launched in July 2023 hold equity and bond index tracking funds on a buy and hold basis to capture upside capital growth at a low cost to the investor.

Growth portfolios launched in July 2023 bring together low-cost index tracking funds and funds from leading active fund managers into diversified portfolios on a buy and hold basis focused on growth.

Our charge for our actively managed portfolios is 0.30% of FUM per annum and for Passive and Growth buy and hold portfolios our charge is 0.15% of FUM. All fees are payable monthly via the platform chosen by the IFA. We publish full details of the portfolio costs monthly on our website.

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Target Market Assessment

Guardian Portfolios

- Guardian portfolios offer a range of six risk-rated portfolios with an increase in the percentage of equity assets held as risk tolerance increases.
- Positively aimed at those seeking capital growth.
- Whilst the Guardian portfolios do not have an income producing mandate, at times some of the funds held within the portfolios may make dividend distributions and therefore could provide some income. This may not be suitable for those seeking to generate a regular fixed income level.
- Intended for those with a medium to long-term investment horizon but are also suitable as a **lifetime strategy** for those looking to both accumulate and decumulate wealth i.e., sustained retirement income via drawdown.
- The Guardian range of portfolios offer no capital guarantees and have no maturity date.

Guardian Portfolio as a Decumulation Strategy

Large drawdowns during periods of market turmoil can have a lasting impact on income seeking investors.

Crossing Point Guardian portfolios seek to minimize sequence of returns risk, volatility, and maximum drawdowns by smoothing long-term returns through trend-informed, tactical trading, and a well-diversified asset allocation. The trend-following signals for the underlying funds are reviewed at least monthly. Our trading decisions are driven by technical data and signals that our sophisticated algorithms provide us on market momentum for each individual fund. Guardian portfolios are reviewed monthly. We may trade more frequently in times of market crisis. This has proven to be beneficial in protecting client investments over the long term.

Fusion Portfolios

- Fusion Portfolios offer a range of six risk-rated portfolios with an increase in the percentage of equity assets held as risk tolerance increases.
- Positively aimed at those seeking a growth strategy utilizing a mixture of both active and passive funds. The portfolios can also utilize funds within our ESG range to offer further diversification.
- Whilst the Fusion portfolios do not have an income producing mandate, at times some of the funds held within the portfolios may make dividend distributions and therefore could provide some income. This may not be suitable for those seeking to generate a regular fixed income level.
- Intended for those with a medium to long-term investment horizon but are also suitable as a **lifetime strategy** for those looking to both accumulate and decumulate wealth i.e., sustained retirement income via drawdown.
- The Fusion range of portfolios offer no capital guarantees and have no maturity date.

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Fusion Portfolio as a Decumulation Strategy:

Crossing Point Fusion portfolios seek to minimize sequence of returns risk, volatility, and maximum drawdowns by smoothing long-term returns through trend-informed, tactical trading, and a well-diversified asset allocation. The trend-following signals for the underlying funds are reviewed at least monthly. Our trading decisions are driven by technical data and signals that our sophisticated algorithms provide us on market momentum for each individual fund. Fusion portfolios are reviewed monthly. We may trade more frequently in times of market crisis as we will use a trend-following overlay which has proven to be beneficial in protecting client investments over the long term.

Our Fusion portfolios were launched in May 2022 and we review the underlying individual funds monthly.

Green Path Portfolios

- Green Path Portfolios offer a range of three risk-rated portfolios with an increase in the percentage of equity assets held as risk tolerance increases.
- Positively aimed at those seeking an investment whilst being mindful of global environmental and social challenges.
- Intended for those with a medium to long-term investment horizon seeking an accumulation of wealth.
- Unsuitable for those seeking a decumulation strategy, i.e., sustained retirement income via drawdown.
- The Green Path range of portfolios offer no capital guarantees and have no maturity date.

Heritage Portfolios

- Heritage Portfolios offer a range of four risk-rated portfolios with an increase in the percentage of equity assets held as risk tolerance increases.
- Positively aimed at those seeking a growth strategy in investment trusts which are by nature a relatively high-risk strategy.
- Intended for those with a medium to long-term investment horizon seeking an accumulation of wealth.
- Unsuitable for those seeking a decumulation strategy, i.e., sustained retirement income via drawdown.
- The Heritage portfolios offer no capital guarantees and have no maturity date.
- Whilst Heritage investors may be prepared to accept a relatively high- risk strategy we still seek to provide a well-diversified asset allocation.

Most funds used within the Heritage portfolios are investment trusts as they can provide regular income, can have cheaper fees than their UCITS equivalents, and over long investment horizons can provide superior returns due to gearing. Some of the Heritage funds, especially those investing in fixed income or alternatives, can be UCITS as they are appropriate for retail clients and provide daily liquidity.

Passive Portfolios

- The Passive portfolios offer a range of seven risk-rated portfolios with an increase in the percentage of equity assets held as risk tolerance increases.
- Positively aimed at those seeking capital growth.
- Whilst the Passive portfolios do not have an income producing mandate, at times some of the funds held within the portfolios may make dividend distributions and therefore could provide some income. This may not be suitable for those seeking to generate a regular fixed income level.

Growth MPS

- The Growth MPS offers a range of risk-rated portfolios with an increase in the percentage of equity assets held as risk tolerance increases.
- Positively aimed at those seeking capital growth.
- Whilst the Growth portfolios do not have an income producing mandate, at times some of the funds held within the portfolios may make dividend distributions and therefore could provide some income. This may not be suitable for those seeking to generate a regular fixed income level.
- Intended for those with a medium to long-term investment horizon seeking an accumulation of wealth.
- The Growth portfolios offer no capital guarantees and have no maturity date.

Further information can be found in our Target Market Assessment Documents available on our advisor and investor websites.

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How we approached the value assessment 2024

Our senior management team has completed an annual value assessment of the products and services we manufacture. We approached our assessment in stages:

Funds

Since our 2023 Value Assessment we have enhanced our fund selection process adding a scoring system which rates each fund against our developed consumer duty ratio prior to selection. The ratio is derived from the performance of the fund over a given time period in relation to the fund cost, volatility, Sharp and Sortino ratios. The aim is to maintain the core principles of consumer duty at the heart of our portfolio construction process.

We have reviewed all funds currently in our portfolios as well as new funds under consideration. As part of our fund selection process, funds are screened for fund size, performance, cost, volatility, Sharpe and Sortino ratios, and maximum drawdown. Funds were then scored using our developed consumer duty ratio. We used FE Fundinfo, Morningstar Direct, fact sheets, and KIID documents to obtain the latest data.

We also complete a daily review of fund performance and trends for the funds short-listed as part of our fund selection process. This gives us insight into how well a fund is performing and the value it provides to the end client. Any fund which is too expensive or does not provide value due to performance or cost is removed and replaced by a fund which is able to provide better value within its sector.

Throughout the last year, each time we reviewed our portfolios we also reviewed the Assessment of Value reports produced by the fund managers managing funds considered for selection in our portfolios. The fund managers have assessed funds for eight criteria:

- Performance
- General costs of fund
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units
- Quality of service
- Overall fund rating

Most fund managers have adopted a traffic light system to assess their funds for each criterion. Any fund that is assessed not to have provide good value is not selected.

Economies of scale

As an MPS provider on platform, investment decisions and trading costs are similar regardless of the number of IFAs and clients invested within our portfolios. We therefore expect costs per client to fall as new IFAs and clients invest within our portfolios. Due to our smaller size, we operate in a way which has been extremely cost effective. We have been able to keep overhead expenses to a minimum.

Classes of units

Our use of platforms allows clients to have access to cheaper classes of funds as the platforms themselves can take advantage of their economies of scale and negotiate the use of funds in cheaper classes with lower OCFs. We also look to reduce costs by using the best value funds when reviewing our fund selection.

Performance

We reviewed the performance of our Guardian, Fusion, Green Path, and Heritage portfolios since inception to 31 March 2024, comparing their performance with their IA benchmarks. For Guardian and Fusion Speculative portfolios launched in October 2022 we reviewed the performance over 1 year to 31 March 2024.

We have also tested the performance of our Guardian portfolios over periods of market crisis such as 2008 and the coronavirus pandemic as part of our trend-following testing. We have published the results both in our Guardian brochure and in other documentation available to IFAs and investors on our website.

The target market for our Guardian and Fusion portfolios includes investors who are at the decumulation stage of their investment. Research into sequence of returns risk shows that an early fall in an investment can cause long-term reductions in capital values that can affect the long-term viability of income withdrawals. This impact is magnified during decumulation when the process of selling underlying assets for income as the market is falling can have a greater impact on the reduction of the underlying capital. Guardian portfolios seek to minimise sequence of returns risk, volatility, and maximum drawdowns by smoothing long-term returns through trend-following, tactical trading, and a well-diversified asset allocation. The performance of the portfolios as a decumulation strategy against their benchmarks has been monitored and a documented in our Guardian brochure available on the website. We have tested sequence of returns risk and impact of cost and made the results available to our IFAs in the form of documents.

We run monthly reports to review performance and further statistics such as volatility and maximum drawdown to compare our Guardian and Fusion portfolios to their chosen benchmarks for returns and risk reduction.

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Performance cost and comparable services

For Guardian and Fusion portfolios, we also compared the performance, cost and volatility (using our developed consumer duty ratio) with the average performance, cost and volatility of other MPS providers portfolios within the same equity content range as categorised by Morningstar Direct.

For Green Path we also compared the performance, cost and volatility (using our developed consumer duty ratio) with the average performance, cost and volatility of other ESG MPS providers portfolios within the same equity content range as categorised by Morningstar Direct.

For Heritage we compared the performance, cost and volatility (using our developed consumer duty ratio) with the investment trust portfolios of another MPS provider within the same equity content range as categorised by Morningstar Direct.

We are not able to make a performance assessment of the Passive and Growth portfolios as they were launched in July 2023, less than 12 months ago.

The Fair value assessment was completed and signed off by the Senior Managers on 26 June 2024.

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Results

After completing the three steps above our investment managers adopted the traffic light system to rate our portfolios.

Guardian Portfolio range	Consumer Duty Outcomes Performance	Comparable services	Overall Product outcome
Guardian Speculative *	Good	Good	Provided value for money
Guardian Adventurous **	Good	Good	Provided value for money
Guardian Strategic **	Good	Good	Provided value for money
Guardian Balanced **	Good	Good	Provided value for money
Guardian Cautious **	Good	Good	Provided value for money
Guardian Defensive **	Good	Good	Provided value for money

* Performance, cost and volatility tested over 1 year period to 31 March 2024.
** Performance, cost and volatility tested from inception on 1 February 2020 to 31 March 2024.
All Guardian portfolios had higher consumer duty scores (performance, cost and volatility ratio) than the average for equivalent MPS providers over the time periods tested above.

Conclusion for Guardian Portfolios

Target market

- The target market has been specified at a sufficiently granular level, considering the characteristics, risk profile, complexity, and nature of the product.
- The additional needs, characteristics, and objectives of clients with characteristics of vulnerability have been sufficiently considered by ensuring the IFAs are equipped with the knowledge and understanding to deliver advice to vulnerable clients.

Design of product or service

- The design of the portfolios meets the needs, characteristics and objectives of the target market and existing clients.

- Does not adversely affect groups of retail customers in the target market, nor existing retail customers (where applicable), including those with characteristics of vulnerability.
- Avoids causing foreseeable harm in the target market, and to existing retail customers.

Distribution strategy

- The distribution strategy is appropriate for the target market.
- There are reasonable steps in place to ensure the products are distributed to the identified target market. We have taken the decision to produce monthly rather than quarterly fact sheets from April 2024 and mail them directly to our IFA distributors as well as publishing them on our website. In addition our Chief Investment Officer has started to meet with our IFA distributors to educate them on the construction, management and target market of our portfolios.

General

- All relevant risks to the target market and existing retail customers, including those with characteristics of vulnerability, have been assessed.
- The portfolios are considered to provide fair value.

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Fusion Portfolio range	Consumer Duty Outcomes Performance	Comparable services	Overall Product outcome
Fusion Speculative *	Good	Satisfactory	Provided value for money
Fusion Adventurous **	Satisfactory	Satisfactory	Provided value for money
Fusion Strategic **	Satisfactory	Good	Provided value for money
Fusion Balanced **	Good	Good	Provided value for money
Fusion Cautious **	Good	Good	Provided value for money
Fusion Defensive **	Good	Good	Provided value for money

* Performance, cost and volatility tested over 1 year period to 31 March 2024.

** Performance, cost and volatility tested from inception on 1 February 2020 to 31 March 2024.

All Fusion portfolios except Speculative and Adventurous had higher consumer duty scores (performance, cost and volatility ratio) than the average for equivalent MPS providers over the time periods tested.

Conclusion for Fusion Portfolios

Target market

- The target market has been specified at a sufficiently granular level, considering the characteristics, risk profile, complexity, and nature of the product.
- The additional needs, characteristics, and objectives of clients with characteristics of vulnerability have been sufficiently considered by ensuring the IFAs are equipped with the knowledge and understanding to deliver advice to vulnerable clients.

Design of product or service

- The design of the portfolios meets the needs, characteristics and objectives of the target market and existing clients.
- Does not adversely affect groups of retail customers in the target market, nor existing retail customers (where applicable), including those with characteristics of vulnerability.
- Avoids causing foreseeable harm in the target market, and to existing retail customers.

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Distribution strategy

- The distribution strategy is appropriate for the target market.
- There are reasonable steps in place to ensure the products are distributed to the identified target market. We have taken the decision to produce monthly rather than quarterly fact sheets from April 2024 and mail them directly to our IFA distributors as well as publishing them on our website. In addition our Chief Investment Officer has started to meet with our IFA distributors to educate them on how the construction, management and target market of our portfolios

General

- All relevant risks to the target market and existing retail customers, including those with characteristics of vulnerability, have been assessed.
- The portfolios are considered to provide fair value.

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Green Path Portfolio range	Consumer Duty Outcomes Performance *	Comparable ** services	Overall Product outcome
Green Path Strategic	Good	Good	Provided value for money
Green Path Balanced	Good	Good	Provided value for money
Green Cautious	Good	Good	Provided value for money

* Performance, cost and volatility tested over 1 year period to 31 March 2024. In the 2023 fair value assessment Green Path portfolios were deemed to offer satisfactory value for money. We therefore tested performance since that date. All Green Path portfolios outperformed their benchmark over the year and Green Path Strategic and Cautious had lower volatility.

** All Green Path portfolios had higher consumer duty scores (performance, cost and volatility ratio) than the average for other ESG MPS providers over one year.

Green Path Portfolios

The Green Path portfolios are aimed at those seeking an investment whilst contributing positively to global environmental and social challenges. With this target market in mind, the ESG fund selection criteria follow the core principles:

1. Maintaining integrity of the environment and the use of natural resources.
2. Recognising the civil, economic, and social rights of every human being.
3. Promoting sustainable development today without compromising the future.

The selection of ESG funds is supported by due diligence from FE FundInfo, Morningstar Sustainability ratings, and MSCI ESG fund ratings. We constantly monitor the ratings of our funds and remove funds from our portfolios if the ratings fall below the minimum ratings, we have set of 4 Morningstar Globes or MSCI BBB or above. ESG Ratings are available on our Green Path fund selection document on the website.

We have our Green Path MPS portfolios reviewed on Morningstar versus our competitors and by JPMorgan for Morningstar and MSCI analysis for the ESG criteria of the overall portfolios and their underlying funds.

Since the 2023 assessment of value review, it was decided that the Green Path portfolios would not be tactically traded but reviewed quarterly. This was implemented in the summer of 2023. We aim to rebalance bi-annually.

Conclusion for Green Path Portfolios

Target market

- The target market (after the implementation of any recommended changes) has been specified at a sufficiently granular level, considering the characteristics, risk profile, complexity, and nature of the product.
- The additional needs, characteristics, and objectives of clients with characteristics of vulnerability have been sufficiently considered by ensuring the IFAs are equipped with the knowledge and understanding to deliver advice to vulnerable clients.

Design of product or service

- The design of the portfolios meets the needs, characteristics and objectives of the target market and existing clients.
- Does not adversely affect groups of retail customers in the target market, nor existing retail customers (where applicable), including those with characteristics of vulnerability.
- Avoid causing foreseeable harm in the target market, and to existing retail customers.

Distribution strategy

- The distribution strategy is appropriate for the target market.
- There are reasonable steps in place to ensure the products are distributed to the identified target market.

General

- All relevant risks to the target market and existing retail customers, including those with characteristics of vulnerability, have been assessed.
- The portfolios are considered to provide fair value.

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Heritage Portfolio range	Consumer Duty Outcomes Performance *	Comparable ** services	Overall Product outcome ***
Heritage Adventurous	Underperformed	Good	Satisfactory
Heritage Strategic	Underperformed		Satisfactory
Heritage Balanced	Underperformed	Good	Satisfactory
Heritage Cautious	Underperformed	Good	Satisfactory

*	Performance, cost and volatility tested from inception on 1 February 2020 to 31 March 2024.
**	When compared with the competitor portfolios over the last three years Heritage Adventurous, Balanced and Cautious portfolios had higher returns and lower volatility than the equivalent competitor portfolios. All three portfolios had better consumer duty ratio scores (using our developed consumer duty ratio). There is no equivalent competitor portfolio for Heritage Strategic.
***	The Heritage portfolios are long term investments (over 10 years) and testing over the short term may not be reflective. of value for money in the longer term.

Improvements identified in 2023 and implemented.

Although Heritage target market investors are high risk/high reward investors, we decided to look into how we can undertake testing to see how our MPS investments might perform in different market conditions to ensure the potential risk/reward are properly understood.

It was later decided that the Heritage portfolios would not be tactically traded but reviewed quarterly. This was implemented in the summer of 2023. We aim to rebalance bi-annually.

Conclusion for Heritage Portfolios

Target market

- The target market (after the implementation of any recommended changes) has been specified at a sufficiently granular level, considering the characteristics, risk profile, complexity, and nature of the product.

- The additional needs, characteristics, and objectives of clients with characteristics of vulnerability have been sufficiently considered by ensuring the IFAs are equipped with the knowledge and understanding to deliver advice to vulnerable clients.

Design of product or service

- The design of the portfolios meets the needs, characteristics and objectives of the target market and existing clients.
- Does not adversely affect groups of retail customers in the target market, nor existing retail customers (where applicable), including those with characteristics of vulnerability.
- Avoid causing foreseeable harm in the target market, and to existing retail customers.

Distribution strategy

- The distribution strategy is appropriate for the target market.
- There are reasonable steps in place to ensure the products are distributed to the identified target market.

General

- All relevant risks to the target market and existing retail customers, including those with characteristics of vulnerability, have been assessed.
- The portfolios are considered to offer satisfactory value.