



M&G Wealth Investments LLP

Passive Model Portfolio Service
Value Assessment

Overview from the Board of M&G Wealth Investments LLP

This report is designed to help you to see whether M&G Wealth is delivering value for its customers. It is the first annual assessment of the value provided to advisers and customers by the Passive Model Portfolio Service. We, the Board of M&G Wealth Investments LLP (MGWI), have evaluated the value provided to you by M&G Wealth Model Portfolio Services according to a range of criteria, including the quality of service you receive, whether services are competitively priced and, of course, long-term investment performance. You can read about these criteria, as well as the Board and our role in the Value Assessment, over the coming pages.

The Board is focused on the best interests of our end-customers, and we believe the value assessment process is an important way of demonstrating that commitment. We believe the Value Assessment Report has an important role in highlighting the value that advisers and end-customers receive from M&G Wealth. We hope this report provides advisers and end-customers with clarity, transparency and confidence in the value they receive. Please feel free to contact us with any feedback on this report at mpsinfo@mandg.com

Introducing the Board

It is our responsibility, as the Board of M&G Wealth Investments LLP, to think and act on your behalf, and to ensure your interests are being well served.

After each Value Assessment has been carried out, the Board monitors closely the progress being made to address the issues that we have identified. In conducting our assessment this year, we have reviewed and debated the outcomes of our analysis. Before reaching our conclusions, we sought clarifications or more detailed information from the business to ensure that we were able to make a fair and accurate review of the value our customers receive. The Value Assessment may only be published once a year, but it reflects work undertaken in our oversight of the investment management business all year round and our focus on improving outcomes for customers.

David Montgomery, Managing Director, M&G Wealth

David joined M&G plc in January 2020 and was instrumental in the creation of M&G Wealth in September of that year, bringing together existing businesses Prudential Financial Planning and M&G Direct with the newly-acquired wealth platform business Ascentric (now M&G Wealth Platform). Over the past three years David has geared M&G Wealth to help address the growing 'advice gap' in the UK market where there are simply not enough financial advisers, or customers are unable to access advice services due mainly to perception and costs constraints. Before joining M&G, David was the Chief Operation Officer (COO) of Transamerica (USA) where he led Operations, Technology, Customer Service and Supplier Management for the Individual Solutions (Insurance, Annuity and Mutual Fund) business. Prior to this David was Transformation Director of AEGON UK, leading large scale change programmes. This followed on from a 10-year period at Scottish Power in the Utilities sector covering a variety of roles across IT and Operations.

Shanti Kelemen, Chief Investment Officer, M&G Wealth

Shanti joined M&G Wealth in November 2021 as Chief Investment Officer. She is responsible for the development and ongoing management of discretionary investment solutions offered by M&G Wealth. Prior to joining M&G, she worked in private banking for 10 years. She held the role of Investment Director at Brown Shipley, with responsibilities for communicating investment views, improving investment processes and integrating acquired businesses. Whilst working at Coutts, she was a director on the portfolio management team, and managed multi-asset advisory and discretionary portfolios. She is a regular guest on BBC's Radio 4 Today and Wake Up to Money programmes. She holds a PCIAM qualification and a Masters in Management from the London School of Economics.

Summary of Findings

This Value Assessment covers the 12 months up to 31 March 2023. After careful consideration, we find that M&G Wealth's Passive model portfolio service has delivered value to investors in the period. The service is regarded as offering value where the overall rating is either 'satisfactory', 'good' or 'outstanding'.

The overall ratings are:

Portfolio	Overall
Passive MPS 1	2 Good
Passive MPS 2	2 Good
Passive MPS 3	2 Good
Passive MPS 4	2 Good
Passive MPS 5	2 Good

We understand that customers consider investment performance to be a key determinant of value from the service. It is for this reason that we place more emphasis on the performance criterion in our assessment, although it is not the only consideration when deciding if a service has delivered value.

How we assess value

We have developed our own methodology for each of the criteria, based on objective analysis of what we consider to be the most relevant metrics of value. We have used a combination of external and internal information in the process. The scores awarded for each category determine an overall rating for the service. The criteria do not carry equal importance. More weight has been attached to investment performance, based on what end-customers have told our parent company, M&G plc, in customer testing and surveys.

Please note that the views expressed in this report should not be taken as a recommendation or advice on how the service or any holding mentioned in the report is likely to perform. Please note that the latest information on model portfolio performance is available in the factsheets on the M&G Wealth MPS website, [here](#).

Investment Performance

- We measure investment performance against its benchmark, to evaluate whether value has been delivered over an appropriate time period.

Quality of Services

- We evaluate the quality of each service delivered to our customers by M&G Wealth, including the different sub-services that are delivered. These are broadly grouped into the following:
 - **Investment services:** These include designing the Strategic Asset Allocation of the portfolios, fund manager oversight, monitoring portfolio exposures, rebalancing portfolios and platform availability.
 - **Assistance with adviser suitability processes and customer understanding:** This includes providing risk ratings from third party firms for suitability processes, support materials to aid customer understanding and monthly factsheets.
 - **Information on financial markets to help advisers stay informed.** This includes market commentary and insights, as well a relationship support provided to advisers

Costs

- We evaluate:
 - **Discretionary management fees**
 - **Controls on the costs of the underlying funds** used in the service
 - **The FCA COLL Value Assessments of the UK listed funds** used in the service

To reflect the different characteristics of each of the criteria, and the different metrics of value, we have developed an in-house set of rules that allows us to translate our assessment into a relative rating on a five-point scale.

Our value rating scale

Throughout this Report, we have summarised our conclusions according to the following five-point scale. This reflects an underlying score that has been awarded to the service for each of the criteria. These are combined to create an overall rating for the service.

1. **Outstanding** Where the service has delivered exceptional value to its customers.
2. **Good** Where the service has delivered above-average value to its customers.
3. **Satisfactory** Where the service has delivered value to its customers overall, with only minor exceptions if any.
4. **Must improve** Where the service has not delivered value to all of its customers, falling short of expectations in certain areas, and where the Board is paying close scrutiny.
5. **Unsatisfactory** Where the service has not delivered value to all of its customers, and where the Board has determined that steps must be taken by M&G Wealth to improve value.

We may also conclude that it is not possible to assign a rating, due to not having sufficient data available. For example, there could be insufficient data to evaluate the performance of a model portfolio.

Performance

The objective of the portfolios is to grow the capital value of the portfolios. The portfolios invest in different asset classes, such as bonds, equities, alternatives and cash to achieve the objective. This approach is designed to help customers with their long-term financial goals, such as saving for retirement, education or a property purchase. The customer owns the individual funds that make up the portfolio.

The model portfolios used a strategic asset allocation developed by M&G Wealth. The strategic asset allocation is designed to grow the capital value of the portfolio, net of all fees, over a time horizon of 5 years or more. The asset allocation is built using expectations of the future returns and volatility of different asset classes. As part of the process to review and agree the asset allocation, M&G Wealth considers whether model portfolios are likely to deliver the investment objective, after all fees are paid by an end customer.

The performance of the portfolios is evaluated by looking at the total return over a 5-year time horizon relative to the comparator benchmark.

Performance to 31 March 2023			Portfolio Performance			Performance Relative to Comparator Benchmark		
Portfolio	Comparator Benchmark	Rating	1 Year	3 Year	5 Year	1 Year	3 Year	5 Year
Passive MPS 1	IA Mixed Investment 0-35% Shares Sector	2	-5.02	6.42	8.31	0.92	1.20	4.32
Passive MPS 2	IA Mixed Investment 20-60% Shares Sector	2	-4.44	16.15	16.43	0.36	-1.05	4.54
Passive MPS 3	IA Mixed Investment 20-60% Shares Sector	2	-3.51	25.97	23.90	1.29	8.77	12.01
Passive MPS 4	IA Mixed Investment 40-85% Shares Sector	2	-1.66	33.78	28.75	2.88	6.77	6.87
Passive MPS 5	IA Mixed Investment 40-85% Shares Sector	2	-1.18	39.78	30.19	3.36	12.77	8.31

Key

1 Outstanding 2 Good 3 Satisfactory 4 Must improve 5 Unsatisfactory ☐ N/A

Performance

Source: FE Analytics, as at 31 March 2023. The performance figures are calculated based on a standard model and may not reflect the performance of individual customer portfolios. The calculation includes the investment management fee and all underlying fund charges. The platform, wrapper and advice fees are excluded.

Past performance is not a guide to future performance. The value of investments will fluctuate, which will cause values to fall as well as rise and customers may not get back the original amount invested. The figures refer to the past and past performance is not a reliable indicator of future results.

The benchmark is a comparator against which the service's financial performance can be measured. The sector has been chosen as the benchmark as it reflects the financial aspects of the service's investment approach. The benchmark does not constrain the service's portfolio construction. The service is actively managed. The investment manager has complete freedom in choosing which investments to buy, hold and sell within the constraints set by the service's objective and investment approach. The benchmark is shown in Sterling.

Service

Based on internal reviews and adviser feedback, the quality of the service met expectations, so the rating is:

2 Good

The key areas of noted in our internal review and from adviser feedback were:

Investments	M&G Wealth took responsibility for designing the strategic asset allocation and completing fund research during the review period. Most advisers were supportive of changes, as they felt it would deliver better outcomes for their customers. Advisers gave positive feedback about the forward-looking nature of the asset allocation. In September and October, the models experienced less volatility than other model portfolio services due to not having UK government bonds in the models.
Support for suitability processes and customer understanding	Advisers wanted to understand how third-party risk scores and portfolio objectives would change, following the changes to the strategic asset allocation. Advisers said providing ratings from third parties was helpful and confirmed that the ratings are used in their advice processes. This helps advisers ensure that customers have the right portfolios for their risk tolerance. Some advisers gave feedback that they had hoped the ratings would be more evenly spread. Prior to 2022, the factsheets had been published quarterly. Advisers said that moving to monthly publication was an improvement. M&G Wealth's internal review noted that factsheets were not published as of end March 2022, due to an operational error.
Sharing knowledge and expertise	Advisers said they appreciated getting information quickly when markets were volatile – for example, when Russia invaded Ukraine or when Silicon Valley Bank collapsed. This helped them communicate with their end-customers. Advisers gave feedback that the weekly market commentary is thorough and helps them understand what is happening in markets. Advisers also appreciated that the Investment team was available for meetings to share insights. No issues were flagged with the relationship support provided by Business Development Managers.

Costs

The cost rating is:

2 Good

The service's discretionary management fee was 0.15% pa at the end of the review period. The fees were reduced in 2022. For a customer invested throughout the review period, the overall investment management fee paid was 0.18%. This takes account of the periods when the fee was higher than 0.15% pa. The average charge for competitors' services was 0.28% pa.

The competitor peer group and average charge was determined and calculated using data from Defaqto Matrix and M&G Wealth, as at 6 March 2023. The calculations do not consider whether VAT is charged.

As part of the investment framework, MGWI considers the OCFs of underlying funds and FCA COLL Value Assessments (where available) in its research and portfolio construction processes.

Overall

Conclusions from the Value Assessment

We conclude that the service has delivered value to end customers over the review period. We find that value has been achieved across all criteria.

Portfolio	Overall	Performance	Service	Costs
Passive MPS 1	2	2	2	2
Passive MPS 2	2	2	2	2
Passive MPS 3	2	2	2	2
Passive MPS 4	2	2	2	2
Passive MPS 5	2	2	2	2

Key

1 Outstanding **2** Good **3** Satisfactory **4** Must improve **5** Unsatisfactory ☐ N/A

Where can we improve?

There were no issues identified as part of the Service Value Assessment.

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