



BLACKFINCH
INVESTMENTS

Consumer Duty

Product & Services Review 2024
*Blackfinch NextGen Property Fund &
Blackfinch Next Gen Infrastructure Fund*

Product Details

Description of the product

Blackfinch NextGen Property Fund

The aim of the Fund is to increase the value of an investment over a minimum of 5 years. The Fund will do this through a combination of capital growth, which is profit on investments held, and income received by the Fund, which is money paid out of investments, such as dividends and interest.

The Fund will invest at least 80% in listed property securities, which will allow the Fund to gain access to property indirectly, through a mixture of asset types which invest directly in property. Those asset types include listed investment vehicles such as; real estate investment trusts (REITs), real estate operating companies (REOCs) being publicly-traded companies that invest in property, listed property trusts, shares in property companies, and other compliant overseas investment vehicles.

Blackfinch Next Gen Infrastructure Fund

The aim of the Fund is to increase the value of an investment over a minimum of 5 years. The Fund will do this through a combination of capital growth, which is profit on investments held, and income received by the Fund, which is money paid out of investments, such as dividends and interest.

The Fund will invest at least 80% in listed infrastructure securities, which will allow the Fund to gain access to infrastructure indirectly. That means it invests in companies or investment vehicles that themselves are involved in the direct ownership, operation, development, or maintenance of infrastructure assets. These investment vehicles include shares in infrastructure companies, investment trusts, real estate investment trusts (REITs), and master limited partnerships (MLPs), which are companies organised as publicly traded partnerships typically used in the USA and Canada for investment into infrastructure projects.

Describe the key features and benefits of the product

Blackfinch NextGen Property Fund

When looking for investments to purchase, the Investment Manager will focus on those with exposure to property assets that serve next generation, future growth needs in one of four key areas. These are:

- Digitalisation, such as data centres, e-commerce and cold storage logistics;
- Ageing demographics, such as care homes, GP surgeries, outpatient or in-patient medical facilities, and life science campuses;

- Sustainable urbanisation, such as student housing, self-storage and grocery units, and sustainable residential units; and
- Emerging middle classes, such as high-grade workplaces, accommodation units and other commercial property assets in developing nations.

Blackfinch Next Gen Infrastructure Fund

When looking for investments to purchase, the Investment Manager will focus on those with exposure to infrastructure assets that serve next generation, future growth needs in one of three key areas. These are:

- Energy transition, such as renewable energy, energy storage, and grid transmission networks;
- Digitalisation, such as communication towers, data centres, and fibre networks; and
- Sustainable urbanisation, such as core and social infrastructure assets including sustainable waste disposal and transportation assets.

Describe the limitations of the product

The product is limited to the investable universe stated in the objective. Meaning, the portfolio will only be limited to property or infrastructure assets, rather than a mixture of other securities. Additionally, due to the liquidity requirements of the open-ended funds, the product will opt for tradeable securities in the open market, rather than direct investment in real assets, such as residential property, etc.

Events

Has there been an event which could result in the product posing a risk to customers?

Event = any concerns identified during review about the product or its literature that may be perceived as a consumer harm).

No.

Needs and Objectives

Describe the needs and objectives [including financial objectives] of the target market for the product [include vulnerable customers].

Clients seeking to achieve capital growth over a longer-term investment horizon, aligning with the below objective of both funds:

The aim of the Fund is to increase the value of an investment over a minimum of 5 years. The Fund will do this through a combination of capital growth, which is profit on investments held, and income received by the Fund, which is money paid out of investments, such as dividends and interest.

Suitability is understood by the customers via their chosen financial adviser, including vulnerable customers. This way, the product risks and opportunities are well understood before investment.

Product Risks

Identify the risks posed by the complexity or nature of the product

We have included the below scenarios in which we believe to be risks to an end investor, due to the nature of the funds:

1. The funds will fluctuate in value daily, which may not suit some investors.
2. The funds will be priced in Sterling which may not suit some investors with specific currency requirements.
3. Clients that have insufficient short-term funds to cover potential emergencies. The nature of the investment vehicles creates a level of volatility that could influence valuations over a shorter time horizon.
4. Clients that require full capital protection or full repayment of the amount invested and want a guaranteed return (whether income or capital). Again, due to the above.

Explain how these risks are mitigated

1. Clarification with end-clients via their financial adviser to ensure they have the capacity for loss and the right attitude to risk. Regular updates will be completed on the fund to ensure knowledge of our products is maintained throughout the process.
2. Clarification with clients before investment will help alleviate these concerns and confirm that this is the correct solution for them.
3. This is captured in the advice stage for end-clients to ensure whoever invests in the fund has the objective for long-term capital growth over 5+ years.
4. Like the above. Suitability remains paramount throughout the investment journey, and regular reviews will ensure understanding.

Identify the risks posed to the target market by the Product

Understanding of the investment vehicles remains pivotal for our target market. Knowing how these types of assets will perform throughout a market cycle can help understand the rallies and drawdowns as and when they happen. This can help minimise the risk that clients withdraw their capital too early, or late, before markets correct.

Explain how these risks are mitigated

Regular reporting and market/fund updates help address these concerns and ensure investment information flow remains at an acceptable level. We have adequate resources and dedicated team members within the company to address this.

Identify the risks posed to vulnerable customers by the Product

Like the above, we have noted that vulnerable clients, as defined by the FCA, may need additional guidance than your average investor. This is a risk that must be addressed at initial conversation, so that the product and proposed risks are fully understood.

Explain how these risks are mitigated

Enhanced reporting and simplified language can help address this, failing this, we are willing to provide further guidance directly as and when necessary.

Testing

Is the product meeting the needs and objectives of its target market and vulnerable customers?

Yes. As outlined in the previous section and after testing, we believe the greatest barrier for vulnerable clients is understanding the product. With the correct transparency that we seek to offer throughout our solutions, we feel the core product still meets the capital growth objectives of our clients.

Has a value assessment been completed, and does it demonstrate good value?

Yes. Please note, the account year end for the Blackfinch funds are 30th June, therefore the publication date for the AoV will be 31st October and can be provided at this time.

Has the product been distributed in accordance with the value assessment findings?

Yes. Distribution is largely controlled by the financial adviser in conjunction with their selected third-party investment platform of choice. Whilst Blackfinch takes all reasonable steps to ensure the relevant information is provided in a timely manner, we cannot guarantee in all cases the product is distributed in accordance with the value assessment findings.

Are communications being used as detailed within the product approval?

Yes, our communications with customers must be approved by our Compliance department, ensuring we abide by our prospectus and stated requirements. It should be noted that there can be cases where the distributor may not use communications as detailed in the product approval, which is outside the control of Blackfinch.

Does data demonstrate the communications are effective in allowing the target market to understand the key features and benefits of the product and make effective decisions?

Yes. Separately, our Group level approach to customer communication is to ensure financial jargon is not used and our writing is presented in a friendly tone. We have several stages that challenge our writing to ensure this remains the case, whether through our investment, marketing, or copywriting teams.

Does testing demonstrate the communications are clear, fair and not misleading?

Yes, and as above.

Are customers adequately supported after the point of sale?

Yes. We have a dedicated resource, both in terms of sales staff and investment teams that maintain an ongoing relationship. This is so our customers firstly remain invested in the product, but also that they understand any changes or trading activity over an ongoing basis, as well as checking performance so that aligns with expectations. We employ a product specialist with this in mind, who is qualified to address ongoing queries and provide accurate and effective information. He is a resource that is dedicated to this process and we believe adds value above and beyond expectation.

Have testing of the actions of distributors been undertaken?

Yes, we completed extensive due diligence at product launch, with ongoing monitoring as they product is now live. This ranged from various questionnaires, due diligence visits, and more.

Where testing identifies the product is not meeting the needs of some or all of its target market [including through identified issues with communications] has the following action been taken:

- Cease distribution
- Mitigate failures
- Inform distribution chain

N/A

Consumer Support

Has the product been designed to support retail customers such that it meets the needs of retail customers, including those with characteristics of vulnerability?

Yes. As described above, we ensure the product aligns with our stated prospectus and client expectations. As our clients are mainly financial advisers or institutional investors, we relay all information to be disseminated to the final retail client, accounting for vulnerabilities where applicable..

Is there evidence demonstrating that retail customers can use the product as reasonably anticipated?

Blackfinch have no reason to believe retail customers cannot use the product as reasonably expected.

Is there evidence demonstrating appropriate friction in the customer journeys to mitigate the risk of harm and give retail customers sufficient opportunity to understand and assess their options, including any risks

Full risk disclosures are provided to the distributor at the start of the business relationship as well as on an ongoing basis. However, investing a client into the product takes place between the distributor and the selected investment platform which is a process Blackfinch has no control over.

Is there evidence demonstrating retail customers do not face unreasonable barriers (including unreasonable additional costs) during the lifecycle of the product, such as when they want to:

- (a) make general enquiries or requests.*
- (b) amend or switch the product.*
- (c) transfer to a new product provider.*
- (d) access a benefit which the product is intended to provide.*
- (e) submit a claim.*
- (f) make a complaint; or*
- (g) cancel a contract, agreement or arrangement or otherwise terminate their relationship*

The costs involved are clearly set out from the outset and no additional fees are charged. There are no restraints on exiting the product whatsoever, including exit fees which gives the customer complete control of their decisions. There are no barriers to customers contacting Blackfinch directly, however we do urge the customer to contact their financial adviser in the first instance. We have an established complaints process designed to deal with customer complaints in a fair and timely manner.

Findings

Is the product demonstrating a clear set of benefits for its target market [including vulnerable customers]

Yes.

Does the product provide fair value for the target market [including vulnerable customers]

Yes. Understanding the nature of the investment vehicles remains pivotal for our target market understanding fair value. Knowing how these types of assets will perform throughout a market cycle can help understand the rallies and drawdowns as and when they happen. This can help minimise the risk that clients withdraw their capital too early, or late, before markets correct, as well as ensuring they feel they are receiving value from the proposed charges. Regular reporting and market/fund updates help address these concerns and ensure investment information flow remains at an acceptable level. We have adequate resources and dedicated team members within the company to address this.

We have noted that vulnerable clients, as defined by the FCA, may need additional guidance than your average investor. This is a risk that must be addressed at initial conversation, so that the product and proposed risks are fully understood.

Have identified risks of the product been reasonably mitigated and distribution strategies designed to significantly reduce such risks?

The key risk for this style of product are factors that would affect the value of a customer's investment. We have a robust process for identifying idiosyncratic and systematic risks, which is discussed consistently throughout trading hours. In this way, we can significantly reduce or act on an immediate risk if necessary.

Is the product allowing identified groups of customers to pursue their financial objectives?

Yes, we believe the structural growth drivers we have identified in the fund are ones that align with a customer's capital growth or income objectives.

Have customers been able to use the full benefits of the product?

Yes.

Is the product design avoiding foreseeable harm as set out in PRIN 2A.2.10 G?

Yes.



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Price & Value Assessment 2024
*Blackfinch NextGen Property Fund &
Blackfinch Next Gen Infrastructure Fund*

Target Market

Identify the target market

The target market will primarily be professional Discretionary Fund Management firms (DFMs) and large Independent Financial Advice (IFAs) businesses. Although available and suitable for direct retail investors, the primary target will be those investors who have received professional investment advice or whose assets are managed by a discretionary investment manager.

Detail the characteristics of the target market

The target market is one of professional investment managers, who are expected to have the required level of knowledge, experience, and regulatory permissions to assess whether these funds are suitable for inclusion in their underlying clients' investment portfolios.

Explain why the target market has been selected

The DFMs and IFAs would have specified the investment objectives and needs of target clients that a product is designed to meet, including the wider financial goals of target clients or the overall strategy they follow when investing. Therefore, we can remain confident in sticking to our investment mandates and objectives, whilst being confident that we have the right client mix in the funds. We believe this is the most suitable selection process currently.

Identify any characteristics of vulnerability in the target market which may impact the value received by those customers

It is highly possible that certain end investors could be classified vulnerable. Whilst not a specific investor type we intend on marketing to, the use of the funds within conventional multi-asset investment strategies leads us to reasonably assume customers could present various types of vulnerability included in the FCA's definition of a vulnerable customer.

Identify the drivers of vulnerability in the target market

As stated above, exposure to 'vulnerable clients' would be as a result from multi-asset portfolio managers choosing to allocate to our fund, rather than there being a particular driver of vulnerability in the target market.

Could the customers vulnerabilities impact full/value use of the product?

No, ensuring the appropriate measures are in place to help address customers' vulnerabilities and the product is fully explained. Once this has been achieved, there are no barriers for customers accessing and fully utilising the product to its full potential.

Do cognitive or behavioral biases of customers impact on the value of the product to the customer?

It is understandable that certain behavioural biases, such as loss aversion, could impact the customers' outlook on an investment if it falls in value. We believe many of these biases can be unavoidable in some forms, which is why we encourage the ongoing relationship between customer and adviser, to alleviate these concerns. Each customer that seeks to purchase the product must have a long-term investment horizon for our investment thesis to bear fruit.

Providing communication is clear and concise to our customers, we believe these biases will not impact on the value of the product.

Nature and costs of the Product

Does the design of the product [i.e. the key features] enable use by the target market ensuring they are able to pursue their financial objectives?

Yes, we have constructed the funds with our target market in mind, factoring in cost as well as correct security selection to drive returns.

We believe that our NextGen themes fully align with structural changes over the longer-term, allowing for the potential of share price growth as the economy evolves. For example, the growth in data usage fully aligns with the increasing demand for data centres, accessing this trend can boost underlying margins for our investee companies, in turn providing shareholder value.

With this in mind, the Fund aims to achieve a target return of 8-10% per annum, net of fees. Which helps achieve our target market's financial objectives.

Do any aspects/limitations of the product prevent the average target customer from fully enjoying the product?

No, we are clear in our investment objectives and customers must understand this from the initial point of investment. The limitation of our investable universe means it is a suitable complement for a diversified multi-asset portfolio.

Does the product allow for comparison to other products in the market?

Yes, we are clear in our reporting requirements and are listed appropriately. Allowing for easy comparison using third-party systems.

Does the product allow for easy switching to another provider or product?

Yes, we place no restrictions on the sale or switch of our product.

Total maximum cost, including all fees / commission payments

IFSL Blackfinch NextGen Infrastructure Fund (B Acc GBP) – 0.77% OCF
IFSL Blackfinch NextGen Property Securities (B Acc GBP) – 0.79% OCF
Data as at 10/05/2024

Maximum possible cost of contingent charges [i.e. late payment fees]

No contingent costs apply.

Non-financial costs [i.e. data use by the firm]

Data Blackfinch receives on the individual underlying clients is extremely limited.

Will the product have a finite lifespan? If yes, explain the relationship between the lifespan and the price to the customer. Explain why the overall price is good value.

No. The product was designed to allow our NextGen themes to developed over a considerably long period of time, offering good value to customers that can access this.

Is it likely the customer will renew at the end of the contract period? If so, explain why the overall price is good value [must factor in any price increases at renewal].

A retail customer could typically invest in this product with a long-time horizon, typically 5+ years. They have the opportunity to remain invested, should their financial position not deteriorate. But the product is open-ended to allow for these eventualities. In terms of institutional investors, flows can deviate depending on asset allocation views, meaning there wouldn't be specific renewal points like a contract. Instead, we remain cost conscious on the construction of the product.

Taking all of the above into account, explain why the product offers fair value to the target customer

We believe the product is attractively priced for an investor to access these structural themes. Costs could be reduced as the product grows in scale, allowing the opportunity for further added value to the target customer.

We have also taken an average of each respective Investment Association (IA) sectors – a well-known industry grouping of similar competitor funds – to compare this cost. Please note, all passive funds and founder share classes have been removed from the sample due to a difference in investment approach and lack of client access to share class. This way, we can offer a fair comparison. This is shown below:

- *IA Property Other – 1.18%*
- *BF Next Gen Property – 0.79%*

- *IA Infrastructure – 0.88%*
- *BF NextGen Infrastructure – 0.77%*

Data as of 10/05/2024

Taking all of the above into account, explain why the product offers fair value to vulnerable customers

It is highly possible that certain end investors could be classified vulnerable. Whilst not a specific investor type we intend on marketing to, the use of the funds within conventional multi-asset investment strategies leads us to reasonably assume customers could present various types of vulnerability included in the FCA's definition of a vulnerable customer.

Blackfinch recognise the need to potentially illustrate or explain relevant information and risks in a different way in the event a vulnerable customer is investing and will work with the distributor to do so where such cases are identified. In this way, we can ensure the product is understood and fair value is offered to vulnerable customers also.

Costs

Identify the market rate for the product

We have used the IA sectors, as described in the previous responses, as a benchmark for the market rate of this style of product. As such, both infrastructure and property are listed below:

- *IA Property Other – 1.18%*
- *IA Infrastructure – 0.88%*

Data as of 10/05/2024

Is the final price paid by the customer significantly higher than either the total cost for manufacturing and distribution or above the market rate? If so, is there an added benefit to the service which means the customer

No, we believe the cost is fairly priced relative to the peer group. In fact, reviewing each of the funds' respective sectors, as defined by the Investment Association (IA), actually shows the final price is more attractively valued in terms of OCF.

There are no initial / entry fees into the products that would cause additional and unnecessary costs to the customer. Equally, we do not impose a fee upon exit of the product, ensuring fair value.

Pricing

Is differential pricing used by the firm and if so explain the objective and justifiable reasons for doing so?

The reasoning behind the cheaper institutional share class is that it's more efficient from an operations perspective to deal with one client, rather than many more clients with smaller investments.

Additionally, as with all listed open-ended investment vehicles in unitised form, the product will have a variety of share classes in which an investor can access. An institutional investor may be able to access a cheaper share class if a sizeable capital deposit can be made but is dependent upon discussions with the client and management. As mentioned earlier, if the product can reach sizeable scale, this can create operational efficiencies that have the potential to reduce costs, so this approach is beneficial to all clients investing in the product.

This is listed below:

Minimum investment thresholds and charges

- *IFSL Blackfinch Next Gen Property Securities Fund*
- *IFSL Blackfinch Next Gen Infrastructure Fund*

| Share Class | Minimum Initial Investment | Minimum Holding | Minimum Subsequent Investment | Minimum Redemption | Initial Charge | Annual Management Charge |
|-------------------------|----------------------------|-----------------|-------------------------------|--------------------|----------------|--------------------------|
| A - Accumulation Shares | £1,000 | £1,000 | £100 | N/A | N/A | 0.75% |
| A - Income Shares | £1,000 | £1,000 | £100 | N/A | N/A | 0.75% |
| B - Accumulation Shares | £5,000,000 | £5,000,000 | £100 | N/A | N/A | 0.65% |
| B - Income Shares | £5,000,000 | £5,000,000 | £100 | N/A | N/A | 0.65% |

List each group where the pricing is different and explain why the value is fair, factoring in cost and market rate for that group of customers.

- *IFSL Blackfinch NextGen Infrastructure B Acc GBP – 0.77% OCF*
- *IFSL Blackfinch NextGen Infrastructure A Acc GBP – 0.88% OCF*
- *IFSL Blackfinch NextGen Infrastructure A Dis GBP – 0.87% OCF*
- *IFSL Blackfinch NextGen Infrastructure B Dis GBP – 0.77% OCF*

- *IFSL Blackfinch NextGen Property Securities B Acc GBP – 0.79% OCF*
- *IFSL Blackfinch NextGen Property Securities A Acc GBP – 0.89% OCF*
- *IFSL Blackfinch NextGen Property Securities A Dis GBP – 0.89% OCF*
- *IFSL Blackfinch NextGen Property Securities B Dis GBP – 0.79% OCF*

As can be seen by the 10-basis point differential, there is an additional cost reduction for institutional investors that can place a larger investment within the fund. We believe this is a marginal differential to a typical retail client and is good value in comparison to many peers within the previously described IA sectors.

Is there another product offered by the firm which offers similar benefits for a lower cost?

No.

Explain the reasons for the difference [i.e. enhanced customer service]

Distribution Arrangements

Does the distributor have access to all appropriate information from the manufacturer to be able to understand the value that the product is intended to provide for the customer?

Yes.

Does the distributor understand:

- Intended benefit of the product*
- Value to be provided to customer by the product*
- Characteristics, financial goals and needs of the target market*
- The level of pricing set*
- Quality of service required to represent good value*
- Potential impact of distribution arrangements*

- We regularly review the intended benefit of the product, ensuring its ongoing monitoring allows it to achieve the stated capital growth objective. Should this deviate, we have processes in place to implement changes where applicable.*
- Similar to the above, a value assessment was completed at launch of the product and is regularly monitored, ensuring ongoing value creation.*
- Yes, this was included within our initial research. In terms of understanding of characteristics, each member of the distribution team undergoes extensive training and continued development to maintain their competency on the selected product. Wherever there is a knowledge gap present, we look to address this immediately. We also have a product specialist on hand that can liaise with clients where necessary, and portfolio management as a final step.*
- As confirmed in the above price exploration, our product remains attractively priced and is an ongoing consideration for the investment team.*

- *Quality of service has remained an important pillar to our core beliefs, and we have a multi-layered process to deliver an effective service. In terms of the product itself, we have a dedicated Product Specialist to ensure investment information flow remains accurate and relevant to the target market. Where this isn't applicable, we strive to improve the knowledge of our distribution teams through examinations or training.*
- *We have recruited members of staff across the country with varying skills and experience. These members have an in-depth knowledge of the target market and understand needs through their in-depth relationships. Many of our clients will be multi-asset portfolio management or IFAs, with in-built processes to help with potentially more vulnerable clients. Where this is identified, our distribution team will work with all involved to find an optimal solution.*

Are there any remuneration arrangements with the distributor which may impact the value customers receive?

No, we believe we have been transparent in our reporting and all costs remain appropriate for ongoing management of the fund, which doesn't impact the value customers receive.

Are proposed distribution arrangements consistent with the value of the product?

Yes.

Explain how the distribution arrangements support the value of the product

The funds distribution approach leverages the wider Blackfinch Group network, allowing existing resource to support, thereby minimizing costs where able. This supports the fair value OCF charged by the product.

Findings

Does the product in its current form offer fair value?

Yes.

Explain why the product provides value for the target market

After completing extensive due diligence in the listed real assets universe, we identified a unique opportunity to launch the funds that we believe offer diversification from the wider peer group. Our funds are centered around the below 'Next Generation' themes that we will shape the globe over the coming decades, providing attractive capital growth, should customers stay invested. We have summarized these below:

Blackfinch NextGen Property Fund

When looking for investments to purchase, the Investment Manager will focus on those with exposure to property assets that serve the next generation, future growth needs in one of four key areas. These are:

- *Digitalisation, such as data centres, e-commerce and cold storage logistics;*
- *Ageing demographics, such as care homes, GP surgeries, outpatient or in-patient medical facilities, and life science campuses;*
- *Sustainable urbanisation, such as student housing, self-storage and grocery units, and sustainable residential units; and*
- *Emerging middle classes, such as high-grade workplaces, accommodation units and other commercial property assets in developing nations.*

Blackfinch Next Gen Infrastructure Fund

When looking for investments to purchase, the Investment Manager will focus on those with exposure to infrastructure assets that serve the next generation, future growth needs in one of three key areas. These are:

- *Energy transition, such as renewable energy, energy storage, and grid transmission networks;*
- *Digitalisation, such as communication towers, data centres, and fibre networks; and*

- *Sustainable urbanisation, such as core and social infrastructure assets including sustainable waste disposal and transportation assets.*

We have been able to launch these funds in a cost-effective manner, relative to each funds respective IA sector. We believe this offers true value to our target market.

Explain why the product provides value for the vulnerable customers in the target market

It is highly possible that certain end investors could be classified vulnerable. Whilst this is not a specific investor type we intend on marketing to, the use of the funds within conventional multi-asset investment strategies leads us to reasonably assume customers could present various types of vulnerability included in the FCA's definition of a vulnerable customer.

Blackfinch recognise the need to potentially illustrate or explain relevant information and risks in a different way in the event a vulnerable customer is investing and will work with the distributor to do so where such cases are identified. Providing this is factored into the decision-making process and everything is fully understood, the product offers the same fair value to a typical retail customer. As they will have similar objectives, being capital growth, and we believe we manage a product that offers fair value against peers within our respective sectors.

If the product is sold as part of a package, does the overall package offer fair value?

No, these are separate products.

Are there any adverse findings in this assessment?

No.

Set out mitigating actions to occur prior to distribution or remedial action to prevent foreseeable harms to current customers

No.

IMPORTANT INFORMATION

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