

Downing Bond Platform

Downing LLP has undertaken a Customer Fair Value Assessment as the manufacturer of this product/platform, 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/platform remains consistent with the needs of the identified target market.**
- 2. The product/platform 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 Platform	The Downing Bond Platform provides retail investors with access to opportunities to invest in corporate bonds issued by unquoted companies. The bonds usually provide fixed returns over a fixed term, although some bonds have early repayment clauses for either or both of the borrower or lender, and historically some have also had equity offers attached to the bonds. The companies issuing the 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..

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 (April 2023), all 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. 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 are likely to be a direct investor. Some bonds are classed as speculative illiquid securities (SIS) and for these bonds all investors are required to be categorised as high net worth or sophisticated investors. For those bonds that are non-readily realisable securities (NRRS), restricted investors can also invest.

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 bond, unless it is a regular access bond and then withdrawals are subject to liquidity and a suitable notice period. Liquidity is not guaranteed.

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, life events, low resilience to cope with financial or emotional shocks and low capability.

In the context of this service, vulnerable customers could refer to:

		<ul style="list-style-type: none"> • Customers who lack experience and understanding of high-risk investments and who, as a result, may not fully understand the potential risks of investing in these products or services which may make them more susceptible to make unsuitable investment decisions. • Customers facing health issues or diminished cognitive abilities may be susceptible to making investment decisions without fully comprehending the risks involved. • Customers experiencing major life events may be more susceptible to making unsuitable investment decisions without the appropriate consideration of their circumstances. <p>To ensure the fair treatment of all customers 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. • Operating and maintaining Vulnerable Customer Policy. • Ongoing monitoring of customer interaction to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability. • Issuance of customer surveys and reviewing any customer feedback, making changes to our processes where relevant.
<p style="text-align: center;">Price</p>	<ul style="list-style-type: none"> • Loss Ratio • Commission levels • Customer tenure • Comparable market rates • Comparable services 	<p>Our assessment of these measures confirmed the ongoing good value of this product.</p> <p>The charges taken by Downing 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</p>

		<p>risks of the bond.</p> <p>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.</p> <p>We are satisfied that the charges to the investor are reasonable in relation to the underlying costs.</p> <p>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. 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.</p> <p>We will continue to monitor our fees regularly to ensure that Downing maintains its position of providing good value to investors.</p>
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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, good quality communications and, in particular, the range of documents that accompany financial products are therefore crucial to the service provided.</p> <p>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.</p> <p>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.</p>
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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. Downing distributes its products directly to investors as well as to professional third parties who distribute our products, such as financial advisers and investment platforms. We assessed the value of the service that Downing provides to these clients and also how it oversees the relationship with third parties who distribute its products. We noted no complaints or breaches related to the oversight of distributors in the assessment period.

Other Services – Support of intermediaries and end investors. Downing continues to offer end investors clear marketing materials to allow them to make an effective assessment of suitability for the product. The Downing Bond team and Customer Service team are also on hand to support investors as required. Where end investors are advised or introduced, advisers have access to the same marketing materials, and additional support from the

		<p>Downing sales team 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 majority of the bonds are purchased by direct investors, although we operate a discretionary managed portfolio service that is distributed through advisers.</p> <p>We believe the products we manufacture and distribute through the Bond Platform offer good value, and where there is a distributor, 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 direct investors and 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 Platform 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 Platform terms and conditions and individual bond offer documents for further information on the products and the associated risks.

Issued by Downing LLP. Authorised and regulated by Financial Conduct Authority (545025).

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