



Centralised Investment Proposition

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Consequential
PLANNING LTD

Business and Risk Warning

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This document is designed as an introduction to our investment services, further detailed information on individual funds can be found in the specific individual Key Investor Document (KID) and will be provided on request and before any advice is given.

No investment instruction will be taken without written advice being provided along with a Client Service Agreement.

The value of your investments can go down as well as up, so you could get back less than you invested.

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Introduction

This document is updated annually and is a result of the ongoing research and due diligence work carried out by the business.

The aim of this document is to show how our investment proposition has been designed and what work is done to ensure that performance and risk are monitored and managed effectively. The Document provides an overview of the Centralised Investment Proposition (CIP) and sets out how we aim to ensure that we offer the strongest possible investment solution suitable for our client base.

We have designed our research and due diligence process to meet FCA due diligence guidelines (TR16/1: Assessing suitability: Research and due diligence of products and services). The FCA state that due diligence is one of the three critical issues in ensuring the delivery of a good client outcome. We have therefore invested heavily both in terms of time and resources to ensure we are fulfilling our obligations in this area.

In line with the key FCA guidelines we are committed to a whole of market approach to fund research and due diligence.

We continually review our due diligence process in light of new legislation, regulations and guidance. Two areas recently highlighted as being important elements of due diligence are: understanding the fund's target market and understanding the investment strategy of the fund.

This document is only part of our ongoing due diligence work which is made up of the following:



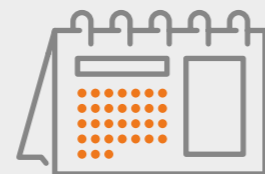
Initial research

completed as a consequence of adding a fund to the CIP



Ongoing risk and performance assessment –

this involves monthly monitoring, risk rating funds and comparing performance to the appropriate IA Sector benchmark



Annual research and due diligence work –

a whole of market review of the risk rated multi asset range of funds and assessment of our CIP fund ranges performance against their peer group

Centralised Investment Proposition (CIP) Overview

It is our belief that in order to provide positive client outcomes it is essential to have a strong investment proposition that can be clearly articulated.

Furthermore, the value of our ongoing advice service is underpinned by the research and due diligence of the Centralised Investment Proposition, so that our clients are provided with a high-quality investment solution that is assessed and risk rated on an ongoing basis.

This supports the individual work that is done during annual reviews such as tax planning, updating goals, needs, attitude to risk and capacity for loss.

Research Resources – SimplyBiz and FE Fund Info Ltd

Since May 2020, when Consequential Planning gained direct authorization from the FCA, SimplyBiz has been used for technical and compliance support.

SimplyBiz is an independent company with an excellent reputation for providing compliance, technical help and training, as well as technology advice and support to top quality intermediary firms.

We also took the decision to partner with FE Fund Info Ltd to add an additional source of support for our fund research and due diligence.

FE Fund Info Ltd is a market leader in providing fund data and research tools to support the financial services industry. According to their marketing, 80% of financial advisers, that complete fund research as part of their advice process, make use of the FE Analytics and FE Fundinfo Ratings tools.

Our whole of market fund analysis for 2025 has been taken from the FE Analytics Research Tool using a select number of filters.

A core commitment of our business is to make sure we are investing in the best research and support facilities available, the FE Analytics System is the main tool used to analyse and research fund information while SimplyBiz provide a technical resource that has been used to help structure our investment proposition. SimplyBiz also provide a team of consultants that can be called on when required.

Why Risk Rated Multi Asset

Our conviction is that a multi asset investment strategy will meet the expectations of the majority of clients. Rather than trying to create a portfolio from a blend of individual single asset funds ourselves we use third party multi asset fund managers researched from the whole of the market.

This bias towards Multi Asset Investing is based on the following assumptions:

- 1. Modern Portfolio Theory** – most people will want to achieve the maximum return without taking excessive risk and a well-structured and diversified portfolio made up of different asset classes should provide better returns with lower volatility or risk.
- 2. By researching the market** to find the best multi asset fund managers and by using their own diversified portfolios we can achieve greater returns and more consistent outcomes than if we try to create individual portfolios for each client ourselves.

FCA state firms "must take proactive and reactive steps to avoid causing harm to customers through their conduct, products, or services...their design, terms and conditions, marketing, [sales] and support" (PS22/9)

Our understanding is that a robust risk rated process will avoid causing foreseeable harm. Short term market volatility is not foreseeable, so falls of 10-20% for example and underperformance (compared to cash savings rates) or negative returns for 1-5 year periods must be accepted for longer term inflation plus returns.

Centralised Investment Proposition Design – Consistent Client Outcome

The CIP has been designed to reflect a broad selection of the types of multi asset investment strategies available. This gives our clients a wide choice of investment solutions but still maintains a consistent client outcome, which is a risk rated multi asset investment portfolio. We believe that different multi asset strategies will work better in different market conditions and will appeal to different types of clients, advisers can then add value by recommending the appropriate investment solution from our CIP range.

The fee structure and fund selection are based on a close attention to charges, our aim is to try to provide a positive return in excess of inflation. We felt it was important to model this using financial planning software provided by CashCalc and EValue to demonstrate client value for money.

The following is an example of the effect of charges on an investment of £100,000 using our standard charging structure.

Investment Details			Adviser Charges		Other Charges*		Final Value
Amount	Term	Rate %	Initial %	ongoing %	Platform %	Fund %	
£100,000	15	5	1.5	0.5	0.3	0.77	£137,452

The table below compares the return if no charges were taken. This is to highlight the effect of charges in cash terms over the whole period and to show the importance of keeping a tight control of charges.

Investment Details			Adviser Charges		Other Charges*		Final Value
Amount	Term	Rate %	Initial %	ongoing %	Platform %	Fund %	
£100,000	15	5	0	0	0	0	£162,889

* Fund charge is an average CIP fund ongoing charge figure and taking a typical standard platform charge of 0.3%.

The minimum case fee is set at £750 for new clients. The minimum case size for new business has been set at £30,000, as the costs at this point would have too great an effect on returns.

The figures below are based on some conservative assumptions. Firstly, that the FCA mid-range guidance rate of 5% growth per annum, used to illustrate investment returns, is achieved by most of our selected CIP funds. Secondly that investments are held for an extended period of at least 15 years so that short term volatility can be factored out (this is our definition of medium to long term).

This fee structure has also been stress tested using a stochastic modelling tool provided by EValue to illustrate performance in different market conditions.

The figures below are for illustrative purposes and you should appreciate the annual returns may vary for a number of reasons, and may even be negative at times.

It does not represent the performance of any fund/ portfolio both in the past or in the future. This example is to demonstrate the effect of charges.

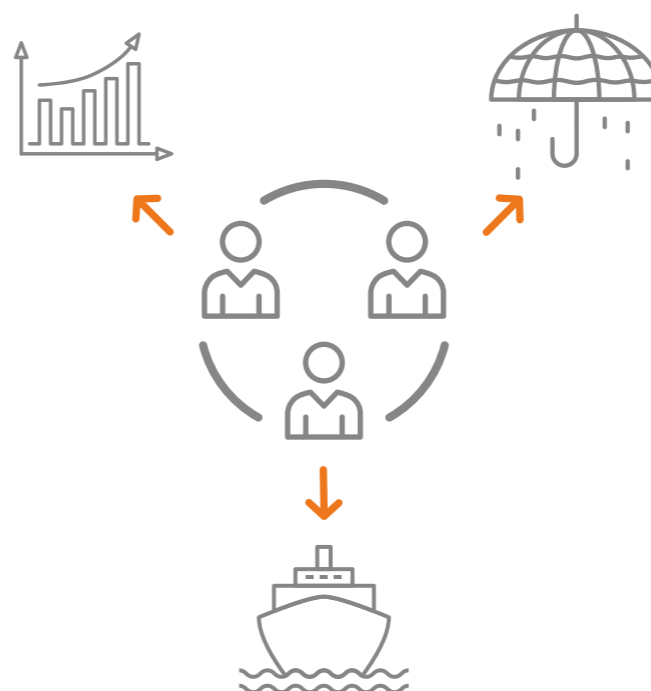
Client Segmentation

We use Intelligent Office to manage our client base and support our advice service, this software enables us to better understand our client demographic and needs as well as helping manage the business on an accounting and operational level.

Our client base has evolved and diversified over the last 15 years.

Many of our clients have come from commercial links and were typically skewed between high net worth business owners and employees who had built up modest capital in workplace pension schemes. Since then we have widened our client base to include more personal high net worth individuals with different needs and goals.

We also recognise that changing regulation, especially ‘Pension Freedoms’ has created an increased need for different types of investment strategies, and we have adapted our CIP accordingly.



We have identified the following broad segments within our client base:

- Clients in the accumulation phase of their retirement planning with 15+ years to retirement** – a lower cost, passive style multi asset investment strategy may be more suited to these clients, with a lighter touch adviser service level. This type of investment strategy usually involves tracking a stock market index rather than actively choosing individual stocks and shares to invest in.
- Clients who are approaching retirement typically with higher investment capital** – these clients may prefer more active investment management and will probably value regular in-depth annual reviews to help them plan and prepare for their retirement income strategy.
- Clients at retirement or with large accumulated or inherited wealth, capacity for loss may be more sensitive because they are not able to replace their capital from earned income, or they may have specific goals or timescales.** These may be more demanding clients who need more frequent reviews and who may be more suited to specific types of investment solutions. This may involve natural income funds, investment solutions that offer some level of guarantees or discretionary fund management where there is a closer relationship between the client and the fund manager, this allows greater communication and may involve a more bespoke investment approach.

The Centralised Investment Proposition is designed to be flexible and adaptable to ensure that our advisers have the tools to meet our client’s needs.



Multi Asset Investing

The main multi asset investment strategies that have been identified and selected for the CIP by the Investment Committee are as follows:

- **Unitised Discretionary Fund Management** – a strategy of direct investment into individual actively selected assets.
- **Whole of Market - Fund of Funds** – holding a portfolio of funds rather than investing directly into shares.
- **Fettered Fund of Funds** – similar to the above but the manager will limit investment to those funds owned directly by the provider.
- **Passive Multi Asset** – a portfolio that is built on a collection of investments that track individual indices for example the FTSE 100 in the UK, the Dow Jones in the US or the Nikkei 225 in Japan.

Using these categories to research the market provides us with a selected list investment of funds that advisers can use to match a client’s needs and circumstances.

Platform Based Proposition

The CIP funds will be provided through our preferred platform providers Aviva, Aegon, and Transact.

Due diligence has been carried out separately for the platforms. The idea of using platform technology is that it offers real benefits both to the customer and our business, allowing a consistent investment strategy across tax wrappers as well as flexibility, choice and ease of administration. These three providers each have particular aspects that will naturally appeal to different sections of our client base, this provides extra flexibility and adds to the strength of the CIP proposition:

- **Aviva** – a medium cost, platform proposition that offers excellent pension facilities.
- **Aegon Retirement Choices** – lower cost platform that is especially competitive for high value clients and provides a workplace pension link which has been very useful for our commercial clients.
- **Transact** – a medium cost platform that is good value for clients with assets over £100,000. It offers all possible tax wrappers including offshore bonds and it is unique among the main platform providers in that it offers fixed term cash deposits within most of those tax wrappers.

ATR Questionnaire and Fund Risk Rating

Having a consistent and thorough risk rating process is essential to the structure of our Investment Proposition.

The EValue Fund Risk Assessment Tool and Attitude to Risk Questionnaire were selected after a review of the most popular tools used by adviser firms.

EValue is an independent company providing statistical based modelling solutions to the financial services industry. It also provides integrated risk profiling and in-depth fund research along with portfolio review and construction tools. It is a market leader in this area, over 80% of UK product providers and banks use EValue and over half of the adviser market have access to EValue’s tools.

The EValue questionnaire is used by our adviser team to establish a client’s attitude to risk which enables the adviser to find an appropriate investment solution.

The questionnaire is based on a series of questions designed by experts to comply with the FCA’s best practice guidelines and has been tested on the expected target client base.

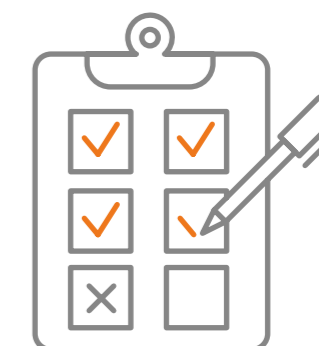
The EValue fund risk rating tool works by using back tested statistical and forward looking modelling to predict the range of likely outcomes that would be acceptable for a given level of risk. It involves extensive analysis and is updated quarterly.

We use the EValue tool to risk rate the funds over a 15+ year timescale, this is intended to reflect a medium to long term investment strategy and provides advisers with a consistent measurable risk rating that should align with client expectations based on their attitude to risk.

Of course, any risk rating tool or process has limitations and the risk rating questionnaire is intended only as a starting point for the discussion of risk. The EValue questionnaire has some obvious limitations such as:

- **Capacity for loss** – this is related to risk but is more objective, it is a measure of the ability of a client to absorb a fall in the value of an investment or income and should be detailed in the factfind, it will show what safety margin is needed.
- **Specific client needs, circumstances, objectives, expectations and timescale constraints**

Given these limitations it may be that the output will have to be adjusted manually by the adviser, but any adjustment should be thoroughly discussed with the client and documented as part of the advice process.



Additional Fund Options

Because of the constraints inherent in most multi asset funds due to concerns over liquidity and income most funds will avoid or limit exposure to certain alternative asset classes such as property and gold.

Where there are market opportunities for these asset classes and there is a gap in the investment strategy offered by the selected multi asset funds we will select from an approved list of funds but with exposure limited to 10% of the portfolio and the overall asset allocation will be based on the EValue model relevant to the clients attitude to risk.

In addition where a drawdown investment strategy is recommended a natural income fund can be selected from our CIP range, alternatively withdrawals can be taken either from the platform cash account/money market fund or from a selected fund offering more potential return than cash but very low volatility. Our research has highlighted alternative funds offering very low volatility but with a consistent track record of inflation plus returns. At least 3 years income will be allocated to this fund with rebalancing done at annual client reviews.

The aim here is to avoid the effects of sharp market falls when making regular withdrawals from an investment and to make sure the client takes full benefit from a multi asset investment strategy.

Annual reviews will address issues of rebalancing and the management of charges.

Additional Investment Options

As an addition to the CIP fund range, we have selected a list of Discretionary Fund Managers (taken from SimplyBiz and Centra research) this should ensure that we do not 'shoehorn' clients into the main CIP Funds when not appropriate. We also offer cash management solutions through the Insignis Cash platform for clients who want to avoid any capital risk.

To clarify, our investment proposition would not be suitable for clients that cannot tolerate capital risk, those who have only a small amount to invest (under £30,000) or those that are classed as vulnerable. It would also not be suitable for clients that want a discretionary or broker service where advice is given on individual stocks and shares.

Fund Research Results using FE Analytics

The use of risk, performance and fund ratings as filters has enabled an analysis of over 4,000 funds from the Investment Association universe.

Risk cannot be ignored when measuring performance to ensure that returns haven't been achieved by taking excessive bets on market movements. Therefore a key criteria in the market filter is the Sharpe Ratio, because it shows the return adjusted by risk. In plain English, if this figure is not positive then you would probably have been better off leaving your money in cash.

In addition, in 2021 we added a fund quality filter using FE Crown Ratings. FE Crown Ratings are aimed at identifying funds that have not only performed strongly against their benchmark but also those that have demonstrated consistent performance with relatively low risk.

New clients will benefit from the updated fund selection as a result of this year's due diligence and existing clients' portfolios will be reviewed and rebalanced as part of their annual ongoing advice service.



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