

IFSL

— Fund Services —

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Independent ACD and Fund Administration Services

Product Governance and Approval Process

*Industry knowledge,
service quality
and fund expertise*

www.ifslfunds.com

Product Governance and Approval Process

As a co-manufacturer of investment products, Investment Fund Services Limited (IFSL) is committed to ensuring that it has effective governance and oversight for our design, launch and distribution of products and throughout the whole product lifecycle.

This means ensuring that our products are designed to meet investor needs and that they are distributed accordingly, with processes and controls in place to monitor this on an ongoing basis.

Our Product Governance Arrangements

IFSL fulfils the role of **co-manufacturer** for a range of investment products. In addition to the specific regulatory requirements, IFSL must also ensure that its products and distribution methods pay due regard to the **FCA Principles**, the **MiFID II implementing rules** (including but not exclusively those in the **PROD Sourcebook**) and guidance.

Products must be designed to meet investor needs and be distributed accordingly with good processes and controls in place.

Before we approve a new product, we consider the following:

- **Product testing** - how would the product have performed in the past and is it capable of achieving its objectives for investors?
- **Charging structure and value for money** - is the product capable of delivering good value for investors?
- **Distribution model, target market** - who will the fund be targeted at and how will it be distributed?
- **Complexity of assets and investment strategies** - will the fund be complex or simple in nature, will it lead to good investor outcomes and will this be appropriate for the intended target market?
- **Fund suppliers and delegated functions** - will any functions be delegated and will that provider be suitable?

IFSL review on an ongoing basis the products, their target market and the distribution channels that we use.

In summary, the ongoing testing includes the following key considerations:

- Whether the product remains consistent with the needs, characteristics and objectives of the identified target market
- Whether the intended distribution strategy remains appropriate
- Whether the product is being distributed to the target market
- Whether the product is reaching clients for whose needs, characteristics and objectives are not compatible with the product
- Assessing the risk of poor outcomes for end clients
- Assessing whether the product delivers value to investors (the Assessment of Value).

Any changes that we make to our products must also take into account the above key considerations and the regulatory requirements. Product change is made and approved only when we are satisfied that it meets the ongoing needs of our investors following a full review by our teams and our committees.

Monitoring of our products is undertaken across many areas of our business. Each business area reports its analysis and findings to their designated committee. There are three key committees at IFSL who escalate items to the Executive Committee as appropriate. The Executive Committee review product information which includes regular monitoring results when they meet. Our committees also review and approve new products and product changes, making sure they are within the risk appetite and strategy set by the Board.

The information that is considered includes:

- New product review and approval
- Product change review and approval
- Existing product reviews
- Assessing value for money
- Investment objective reviews
- **IA Sector reviews**
- **Investment & Borrowing Powers reviews**
- Portfolio liquidity reviews
- Where applicable, oversight and due diligence of externally appointed Investment Managers and other third party suppliers
- Review of performance and returns
- Review of product outcomes versus peers and any benchmarks
- Information on investors in our products and how our products are distributed by other firms.

Providing Information

Having considered all of the above, when we design and manage our products, we also seek to ensure that we provide suitable information to investors and distributors, in a timely and effective manner so that they know how the product is to be distributed, who it should be distributed to and each product's features and outcomes. We document this in a Target Market and Distribution Document which can be found on our website at www.ifslfunds.com.

Definitions

Co-Manufacturer

A manufacturer is the firm that designs, launches and distributes the product and is ultimately responsible for its' ongoing suitability and monitoring. Where more than one firm manufactures a product, each firm will be referred to as a co-manufacturer. The specific roles and responsibilities of each co-manufacturer will be set out in an agreement between them.

FCA Principles

A set of 11 principles set out by the Financial Conduct Authority as standards of conduct that all firms must follow to meet regulatory obligations.

MiFID II implementing rules

MiFID II is an EU Directive which introduced significant product governance requirements on firms. The rules made, which set out the requirements that product manufacturers must meet, are sometimes referred to as the implementing rules.

PROD Sourcebook

This is a part of the Financial Conduct Authorities rulebook which deals specifically with products and the responsibilities of product manufacturers and distributors.

IA Sector

The IA means the Investment Association. This is an industry organisation that groups products together to make comparison easier for investors. These groups are known as IA sectors.

Investment & Borrowing Powers

These are the limits applied to a product by the FCA rules and the fund's own prospectus. It limits the investments and asset types that a fund can invest in as well as the amount it can hold in each investment, in cash or that it can borrow.