MKC Invest

Assessment of Value Report for MKC Invest

Year Ending 2024

www.mkc-invest.com

enquiries@mkc-invest.com

Executive Summary

This Assessment of Value (AoV) for MKC Invest evaluates the performance, costs, service quality, and governance of its seven Model Portfolio Service (MPS) ranges over the year ending 31 December 2024. Conducted in compliance with the FCA's Consumer Duty, this report ensures that MKC Invest delivers good outcomes for retail customers while providing value for money and meeting their investment objectives.

Key Findings

- Performance: All portfolio ranges delivered positive returns, with standout performance in the Tracking Tomorrow portfolio, which capitalised on long-term growth themes. While most portfolios outperformed relevant IA Sector averages, performance against Baseline Benchmarks was more mixed, reflecting the ambitious targets set by MKC Invest.

- Volatility: All portfolios adhered to their volatility targets, maintaining alignment with their respective risk levels and delivering a predictable investment experience for clients.

- Costs and Charges: MKC Invest portfolios offered competitive pricing across most ranges, with Total Cost of Ownership (TCO) consistently below UK industry averages. Areas for cost optimisation were identified in the Classic Active and Fossil Fuel Focus ranges.

- Service Quality: MKC Invest upheld high service standards through regular communication, comprehensive adviser training, client events, and precise mandate execution. All portfolios operated within their stated mandates, with no breaches recorded.

- Governance: The governance framework demonstrated robust oversight, with regular meetings of the Investment Oversight Committee and the Portfolio Management Group ensuring portfolio compliance and alignment with strategic objectives.

MKC Invest Portfolio Ranges: Full Year 2024 Returns at-a-Glance (% figures are net of all investment costs but not of any ancillary costs such as financial advice)

- **Classic Active:** Returns ranged from 4.71% to 13.19%.
- **Contemporary Active:** Returns ranged from 4.69% to 13.32%.
- **Tactical Passive:** Returns ranged from 6.27% to 16.12%.
- **Fossil Fuel Focus:** Returns ranged from 4.80% to 6.05%.
- **Tracking Tomorrow:** Single portfolio delivered 14.53%.
- **Baseline Index:** Returns ranged from 3.92% to 17.98%.
- **Income Focus:** Single portfolio delivered 2.40%. Launched on 1 July 2024.

Purpose and Scope:

The AoV aims to:

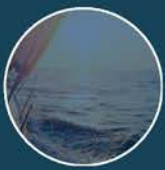
Ensure MKC Invest acts to deliver good outcomes for customers in line with the FCA's Consumer Duty.

Assess whether the Model Portfolio Services provide value for money across key areas such as performance, costs, and service quality.

Highlight any required actions to improve value delivery.


Classic Active
Contemporary Active
Fossil Fuel Focus
Income Focus
Tracking Tomorrow
Tactical Passive
Baseline Index

Scope: The assessment covers seven portfolio ranges offered by MKC Invest:



Classic Active

Contemporary Active

Fossil Fuel Focus

Income Focus

Tracking Tomorrow

Tactical Passive

Baseline Index

Each portfolio range has been evaluated for its performance relative to:

Primary reference points

MKC Invest Baseline Benchmarks. These are the benchmarks referred to in all portfolio mandates and are the 'anchor point' for the MKC Invest proposition. All MKC Invest portfolios exist to do a job for clients in relation to Baseline.

Secondary reference points

Investment Association (IA) Sectors. Although not a part of our mandates, and not considered during portfolio construction, we use these as an "after the fact" reference point so that we can see how we have performed relative to a set of reasonably comparable alternatives.

Methodology

Performance Analysis

Portfolios were assessed against Baseline Benchmarks and IA Sector averages.

Volatility Assessment

Volatility was compared to Baseline volatility, ensuring alignment with expected customer risk profiles.

Cost Analysis

Charges were reviewed for competitiveness and value for money. This includes both portfolio costs in isolation and the Total Cost of Ownership of our portfolios when purchased in conjunction with a platform and an ongoing financial planning service.

Service Quality

Customer support, reporting standards, and communication practices were evaluated.

Governance and Oversight

The internal review process and any corrective actions taken were documented.

Portfolio Overview

Portfolio Construction and Discipline

At MKC Invest, we maintain a rigorous and disciplined approach to portfolio construction, incorporating clear processes for fund selection, asset allocation, and rebalancing. Fund selection is based on a combination of quantitative screening and qualitative judgement, with a strong emphasis on long-term consistency, cost-efficiency, and alignment to each portfolio's stated mandate. Asset allocation decisions are rooted in our macroeconomic outlook and long-term capital market assumptions, but always within defined risk parameters. Portfolios are formally rebalanced at least once per quarter to ensure alignment with strategic weightings. However, our process also allows for out-of-cycle rebalancing in response to material market dislocations or significant changes in risk/return dynamics —ensuring that client portfolios remain appropriately positioned at all times.

Classic Active

Overview
The Classic Active portfolios represent what many consider to be traditional active portfolio management. These portfolios are constructed from actively managed funds sourced from all available investment houses. The portfolio management team combines these funds into an allocation that also expresses active asset allocation views. Classic Active portfolios are labour-intensive both at the portfolio management level and in the selection of the underlying active managers. While this range carries the highest potential for long-term benchmark outperformance, it also carries the greatest potential for underperformance. It is designed for investors who value a traditional approach, with a significant amount of human thought and input in managing their portfolio. The primary objective of the Classic Active range is to outperform the relevant Baseline benchmark over a full market cycle.
Target Market
The Classic Active portfolio range is designed for clients seeking long-term capital growth who are comfortable accepting investment risk and market volatility in pursuit of potential outperformance. Investors should be prepared to hold their portfolio over the medium to long term, including during market downturns, and should value having experienced professionals actively selecting funds and adjusting asset allocation using judgement and research. These portfolios are only available through a financial planner or a suitable financial guidance process and are not suitable for direct purchase. The Classic Active range is not appropriate for clients with short-term financial goals, low risk tolerance, a need for capital guarantees, or specific environmental, social or governance (ESG) investment objectives.

Contemporary Active

Overview
The Contemporary Active portfolios share the same objective as Classic Active—to outperform the relevant Baseline benchmark over a full market cycle. However, they achieve this through a pragmatic blend of both active funds and passive index trackers. This range is designed to provide long-term outperformance at a lower cost, targeting underlying fund costs at half or less of those incurred by the Classic Active range. It is for investors who appreciate the potential to combine active and passive holdings in a cost-effective way while still benefiting from active asset allocation decisions.
Target Market
The Contemporary Active portfolio range is designed for clients seeking long-term capital growth who value professional investment management but are more cost-conscious than those selecting the Classic Active range. These clients are comfortable with a mix of active and passive funds, prefer minimal restrictions on fund selection, and are willing to accept investment risk and market volatility in pursuit of their goals. Portfolios are managed within a defined mandate by experienced professionals and are suitable only when accessed through a financial adviser or suitable guidance process. This range is not appropriate for clients with short-term objectives, low risk tolerance, ESG-specific requirements, or less than £50,000 to invest.

Tactical Passive

Overview
The Tactical Passive portfolios express active asset allocation views through a portfolio of simple index trackers. While the individual holdings replicate market indices, the allocation to specific countries, regions, or asset classes reflects the portfolio manager's active opinions. This range is ideal for investors seeking long-term benchmark outperformance in a cost-effective manner, but who prefer active decision-making only at the asset allocation level.
Target Market
The Tactical Passive portfolio range is intended for clients seeking long-term capital growth who are comfortable with investment risk and market fluctuations, and who value having professional oversight of tactical asset allocation decisions. These portfolios invest primarily through passive funds but apply an active overlay at the asset allocation level, allowing the manager to respond to changing market conditions while maintaining low fund-level costs. They are suitable only when accessed via a financial adviser or guidance process, and are not appropriate for clients with short-term objectives, low risk tolerance, ESG-specific requirements, or a need for capital guarantees.

Baseline Index

Overview
The Baseline Index portfolios offer pure index tracking, aiming to replicate the Baseline benchmarks as efficiently as possible with minimal tracking error. This approach involves no active management, human judgement, or discretionary asset allocation. This range is suitable for investors who prefer the simplest possible risk-based portfolio, and for those who philosophically reject the concept of active management. It is designed to provide low-cost, passive exposure to the market.
Target Market
The Baseline Index portfolio range is designed for clients seeking long-term capital growth through a low-cost, fully passive investment approach. These portfolios contain a small number of globally diversified index tracker funds and involve no active management—future performance will reflect broad global market returns. Suitable only when accessed via financial advice or guidance, they are appropriate for clients comfortable with investment risk and market volatility, and who do not require ESG integration or short-term certainty. Baseline Index portfolios are not suitable for those seeking guarantees, bespoke fund selection, or with less than £50,000 to invest.

Fossil Fuel Focus (Cleaner Future from 1st April 2025)

Overview
The Fossil Fuel Focus portfolios are single-issue ESG portfolios with a focused mandate: to reduce Scope 1 and Scope 2 greenhouse gas emissions relative to the Baseline benchmarks. Fossil Fuel Focus is for environmentally conscious investors who prioritise alignment with their values while maintaining exposure to traditional investment opportunities. It is not for “generalist” ESG investors who seek exposure to a variety of themes.
Target Market
The Cleaner Future portfolio range is designed for clients seeking long-term capital growth who want their investments to reflect a clear and specific environmental stance: the reduction of fossil fuel emissions. These portfolios are actively managed and take a fund’s approach to fossil fuel emissions into account as part of the selection process, while remaining focused on financial outcomes. Suitable only through a financial planning or guidance process, they are appropriate for clients willing to accept investment risk and market volatility in pursuit of both financial and environmental objectives. Cleaner Future is not suitable for clients seeking guarantees, short-term certainty, or broader ESG goals beyond the targeted exclusion of fossil fuels.

Income Focus

Overview
The Income Focus portfolios aim to deliver the maximum achievable portfolio yield, or natural income, while remaining suitable for a risk level 5 investor. These portfolios employ a diversified mix of equities and fixed-income instruments to achieve their income objectives. This range is designed for investors seeking enhanced income. The potential for capital growth also exists in this portfolio, but it forms no part of the portfolio objectives.
Target Market
The Income Focus portfolio range is designed for clients who have a need or preference for a regular and enhanced portfolio yield relative to global market benchmarks, and who are comfortable taking on a level of investment risk to achieve it. These portfolios aim to deliver sustainable income over the medium to long term and are actively managed by professionals making investment decisions on the client's behalf. Suitable only when accessed via a financial planning or guidance process, they are not appropriate for clients seeking capital or income guarantees, those with short-term spending objectives, ESG-specific requirements, or an inability to tolerate fluctuations in capital value.

Tracking Tomorrow

Overview
The Tracking Tomorrow portfolios are designed exclusively for high-risk, long-term investors. These portfolios use a unique, multi-decade model to project how global stock market sizes may evolve over the next thirty years. Based on this projection, the portfolios replicate that future market shape today using index trackers. This range is aimed at investors looking to position their portfolios for long-term growth opportunities driven by anticipated changes in global market dynamics.
Target Market
The Tracking Tomorrow portfolio range is designed for long-term investors—those with a time horizon of at least 15 years—who are comfortable accepting investment risk and short-term volatility in pursuit of growth aligned to long-range projections of future global market structures. These portfolios rely on academic modelling of how capital markets may evolve between 2050 and 2060 and are suited to clients who understand that such projections carry a high degree of uncertainty and may lead to significant divergence from traditional benchmarks. Tracking Tomorrow is only available through a financial planning or guidance process and is not appropriate for clients with shorter investment horizons, capital guarantees, ESG-specific preferences, or less than £50,000 to invest.

Client Demographic (Target Market) Alignment

Each MKC Invest portfolio range continues to meet the needs of its defined target market, with no recorded instances of out-of-target-market sales during 2024. This is monitored on a monthly basis through reporting provided by the Operations Team of MKC Invest, and to date no misalignment issues have been flagged.

Every portfolio range is supported by a detailed and granular target market statement, which outlines suitability based on client needs, objectives, time horizon, and risk tolerance. These individual TM statements are summarised in this report. They ensure clarity of purpose and consistent delivery to the intended client demographic across all portfolio solutions.

Conflicts of Interest

MKC Invest is a fully independent, whole-of-market fund selector. We do not operate any in-house funds and have no commercial relationships or revenue-sharing arrangements with any investment management firms. This means we have no financial or strategic incentive to favour one fund provider over another.

Our fund selection decisions are made solely on the basis of investment merit and suitability for the relevant mandate. In addition, we enforce a strict internal policy—exceeding regulatory requirements—that prohibits the acceptance of any form of hospitality, gift, or inducement from fund houses.

This clear separation ensures that all fund and asset allocation decisions are made in the best interests of our clients, free from bias or external influence.

Portfolio Assessment

Managing Director's Statement - 2024

2024 has been a year of significant milestones and challenges for MKC Invest. As our first full year of operation in our expanded structure, this period has been defined by the introduction of our unique and rigorous Baseline benchmarks and the delivery of our expanded portfolio range, now encompassing seven distinct portfolio styles.

Performance Highlights and Reflections

I am pleased to report that we maintained strong risk discipline throughout the year, ensuring that all portfolios behaved as you, the investors, were led to expect. Additionally, our portfolios delivered consistent outperformance relative to Investment Association (IA) peer groups in most cases, reflecting our commitment to delivering value for clients compared to the broader market consensus.

However, I must acknowledge that, in most mandates this year, we underperformed our primary objective of beating our own 'Baseline' benchmarks. This highlights both the ambitious standards we set for ourselves and the inherent challenges of consistently achieving these objectives. It is important to remember that our performance objective (in portfolios so mandated) of exceeding Baseline is measured "over a market cycle," and a single year does not constitute a full cycle.

Key Investment Decisions

Our decision to remain underweight in large U.S. technology stocks, including NVIDIA, significantly impacted short-term performance relative to Baseline. While these stocks experienced substantial gains driven by AI advancements and investor enthusiasm, we remain steadfast in our belief that their valuations are significantly stretched and vulnerable to a downside correction.

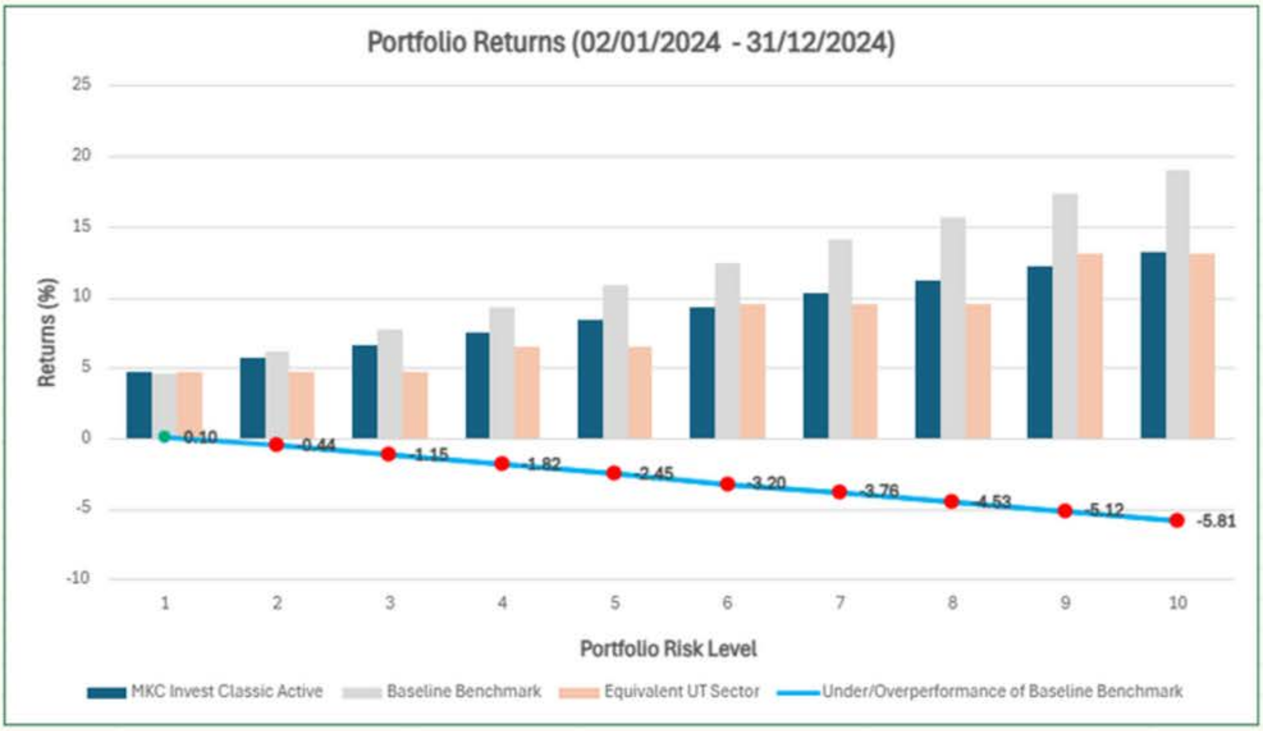
By maintaining discipline and resisting the temptation to chase overvalued stocks, we believe we are positioning our portfolios for sustainable, long-term returns. Should these stocks face the correction we anticipate, our positioning will ultimately prove beneficial relative to our Baseline benchmarks.

Rick Eling, Managing Director | MKC Invest

The following sections will summarise the performance of all seven portfolio ranges relative to Baseline Benchmarks and IA Sectors. Full data for all portfolios is at the appendix.

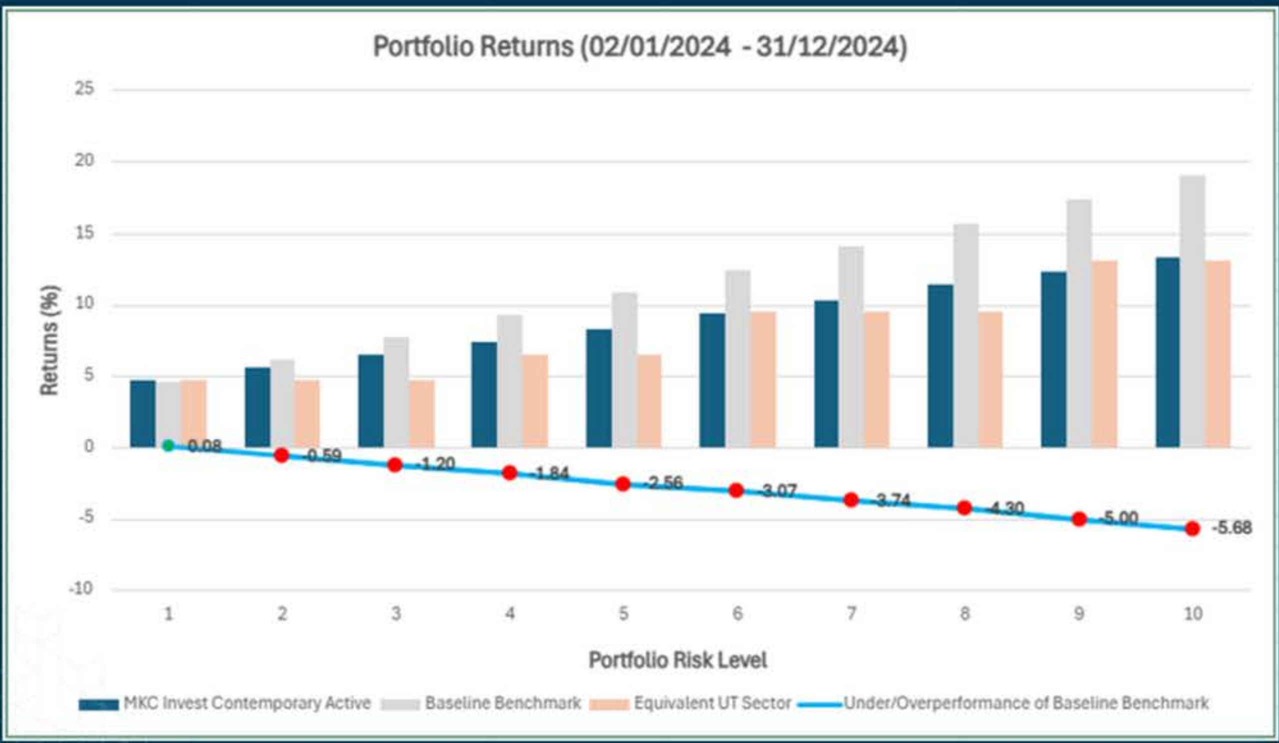
Classic Active Portfolios

- Minimum return: 4.71% (Classic Active 1)
- Maximum return: 13.19% (Classic Active 10)
    - Performance vs. Baseline: Underperformed at all risk levels except Risk Level 1, where slight outperformance was achieved.
    - Performance vs. IA Sectors: Consistently outperformed IA averages, demonstrating value relative to peer groups.



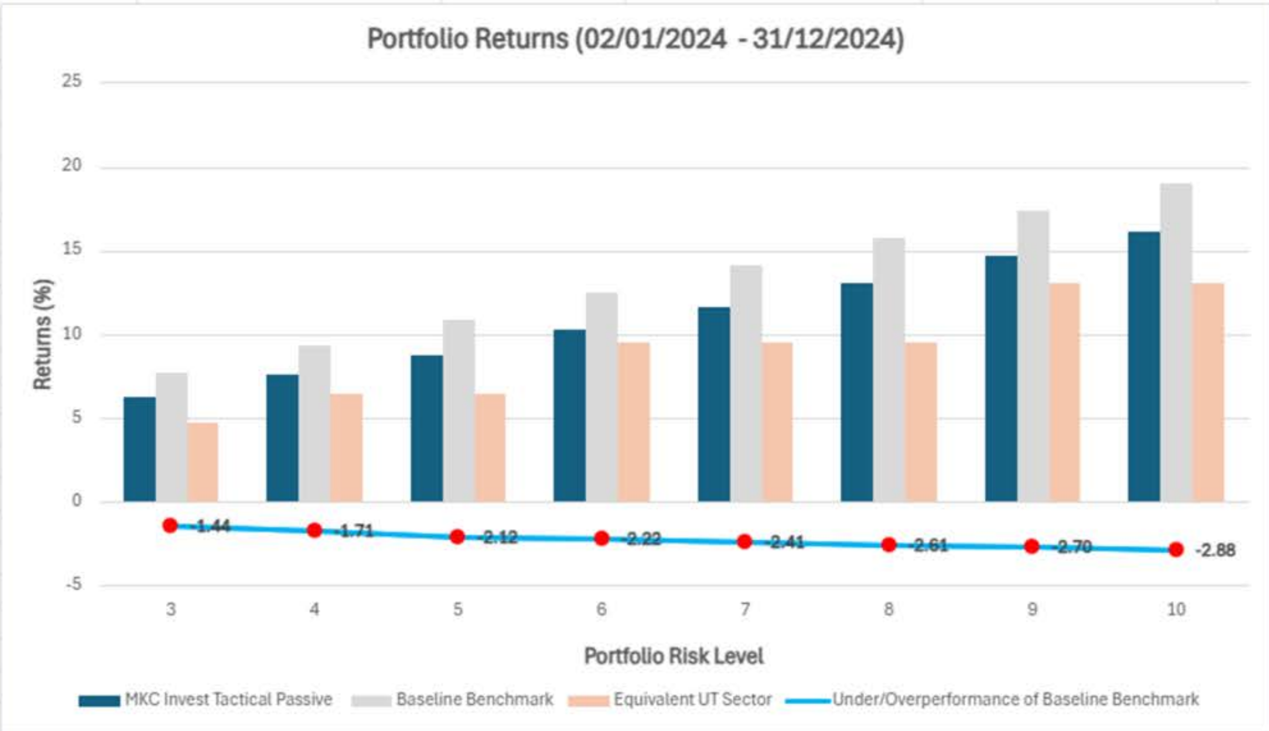
Contemporary Active Portfolios

- Minimum return: 4.69% (Contemporary Active 1)
- Maximum return: 13.32% (Contemporary Active 10)
    - Performance vs. Baseline: Underperformed, though margins were narrower compared to Classic Active.
    - Performance vs. IA Sectors: Delivered consistent outperformance, leveraging a blend of active and passive strategies.



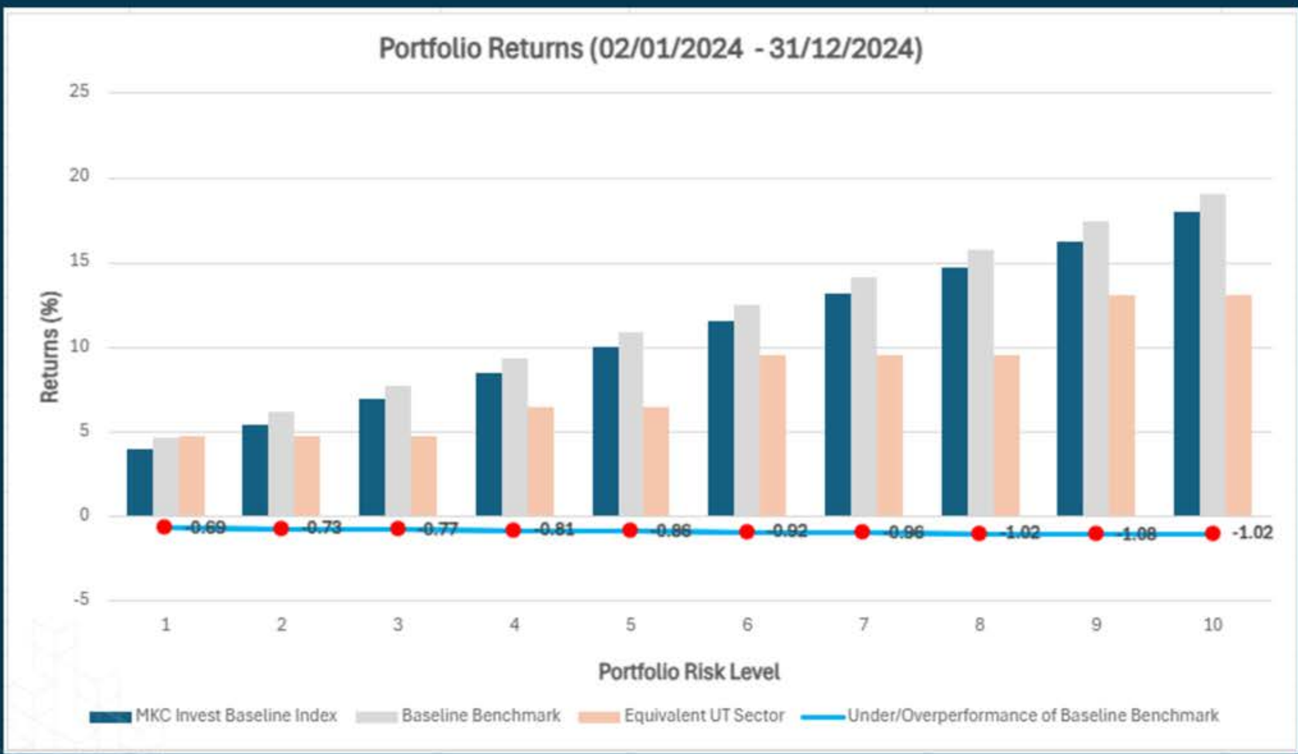
Tactical Passive Portfolios

- Minimum return: 6.27% (Tactical Passive 3)
- Maximum return: 16.12% (Tactical Passive 10)
    - Performance vs. Baseline: Aligned closely with Baseline, particularly in mid-to-high risk levels (5–10).
    - Performance vs. IA Sectors: Achieved notable outperformance at a lower cost than most sector constituents.



Baseline Index Portfolios

- Minimum return: 3.92% (Baseline Index 1)
- Maximum return: 17.98% (Baseline Index 10)
    - Maintained tight tracking errors to the Baseline benchmarks as per their objectives.



Fossil Fuel Focus Portfolios ("Cleaner Future" from 2025)

- Minimum return: 4.80% (Fossil Fuel Focus 4)
- Maximum return: 6.05% (Fossil Fuel Focus 8)
    - Delivered modest positive returns (4.8%–6.05%) but fell short of Baseline due to a structural UK equity overweight driven by the portfolios' emissions objectives.
    - Achieved primary non-performance objectives of substantially reduced Scope 1 and Scope 2 emissions across all portfolios (see section below)

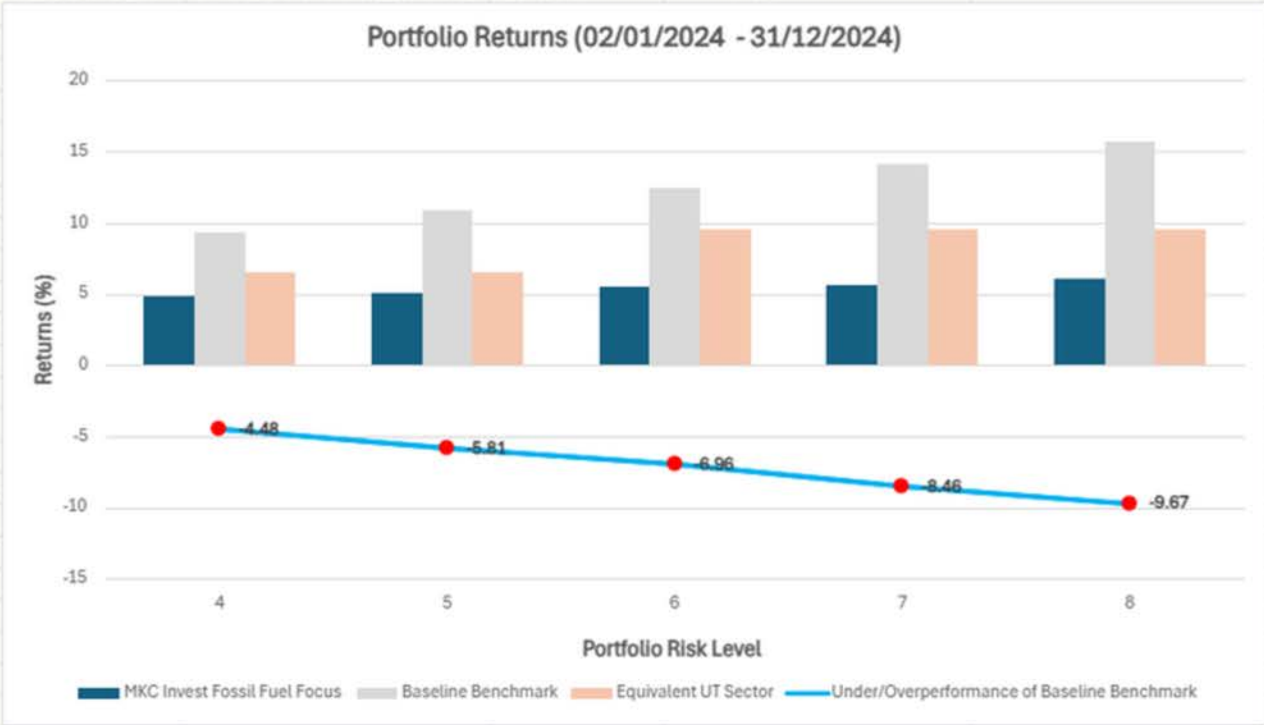
Summary of Emissions Data for Fossil Fuel Focus Portfolios

Fossil Fuel Focus portfolios show significantly lower Scope 1 & 2 emissions per £100 of corporate revenue in the underlying portfolio compared to their Baseline Benchmarks.

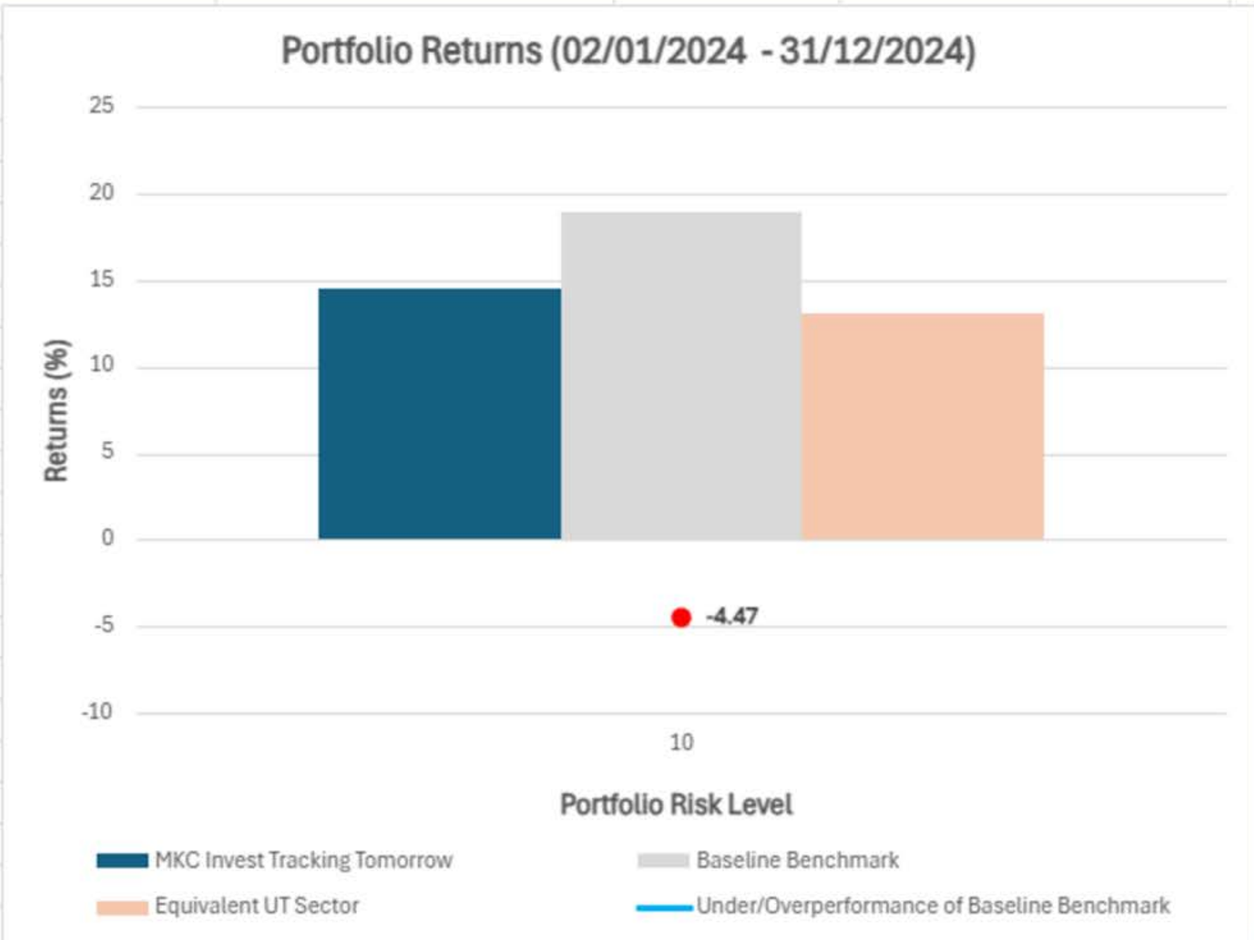
- Fossil Fuel Focus 4: 8,775.09 gCO2e vs. 24,750.16 gCO2e (64.54% reduction)
- Fossil Fuel Focus 5: 8,346.85 gCO2e vs. 22,901.61 gCO2e (63.56% reduction)
- Fossil Fuel Focus 6: 7,913.43 gCO2e vs. 21,053.06 gCO2e (62.42% reduction)
- Fossil Fuel Focus 7: 7,507.25 gCO2e vs. 19,204.50 gCO2e (60.91% reduction)
- Fossil Fuel Focus 8: 7,240.26 gCO2e vs. 17,355.95 gCO2e (58.27% reduction)

The emissions figures reflect Scope 1 and Scope 2 greenhouse gases, measured in grams of CO2 equivalent per £100 revenue. These figures include six greenhouse gases as defined under the Kyoto Protocol:

- Carbon dioxide (CO2)
- Methane (CH4)
- Sulphur hexafluoride (SF6)
- Perfluorocarbons (PFCs)
- Nitrous oxide (N2O)
- Hydrofluorocarbons (HFCs)

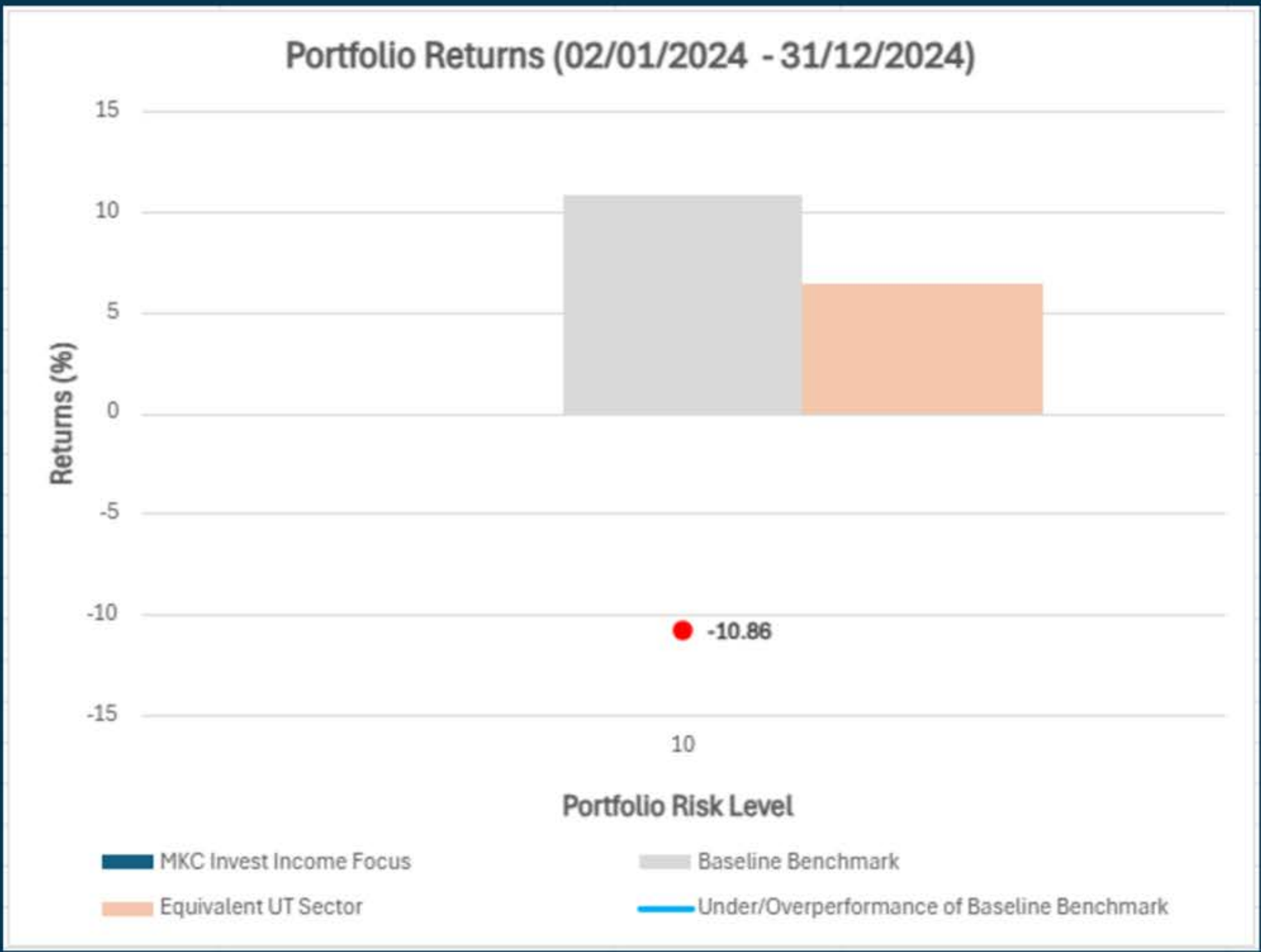


- Tracking Tomorrow (Risk Level 10 only):
  - Achieved 14.53% for the year, showcasing strong growth potential. Performed especially well during two periods of 2024 that saw smaller companies dominate.



Income Focus Portfolio (Risk Level 5 Only)

- Launched mid-year, achieving 2.4% total return for six months, underperforming Baseline and IA averages but delivering a projected yield above 5% p.a., ahead of its primary objective to double the benchmark yield year-on-year

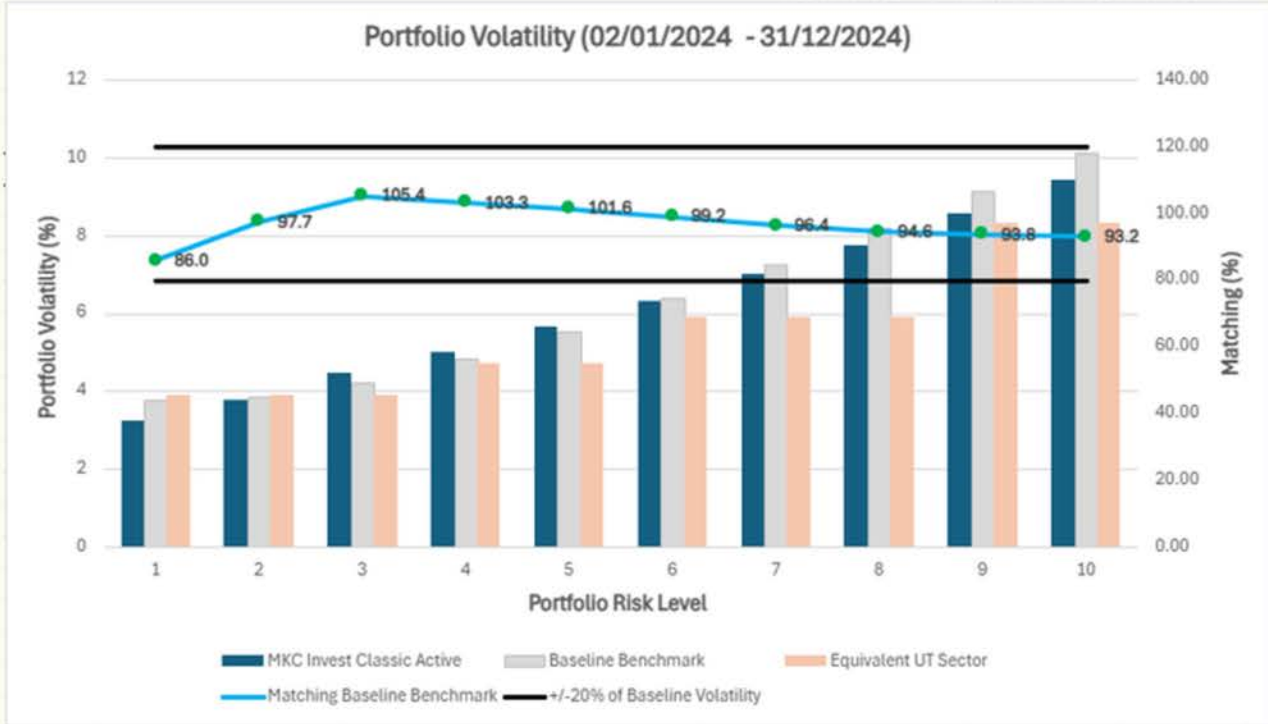


General observations:

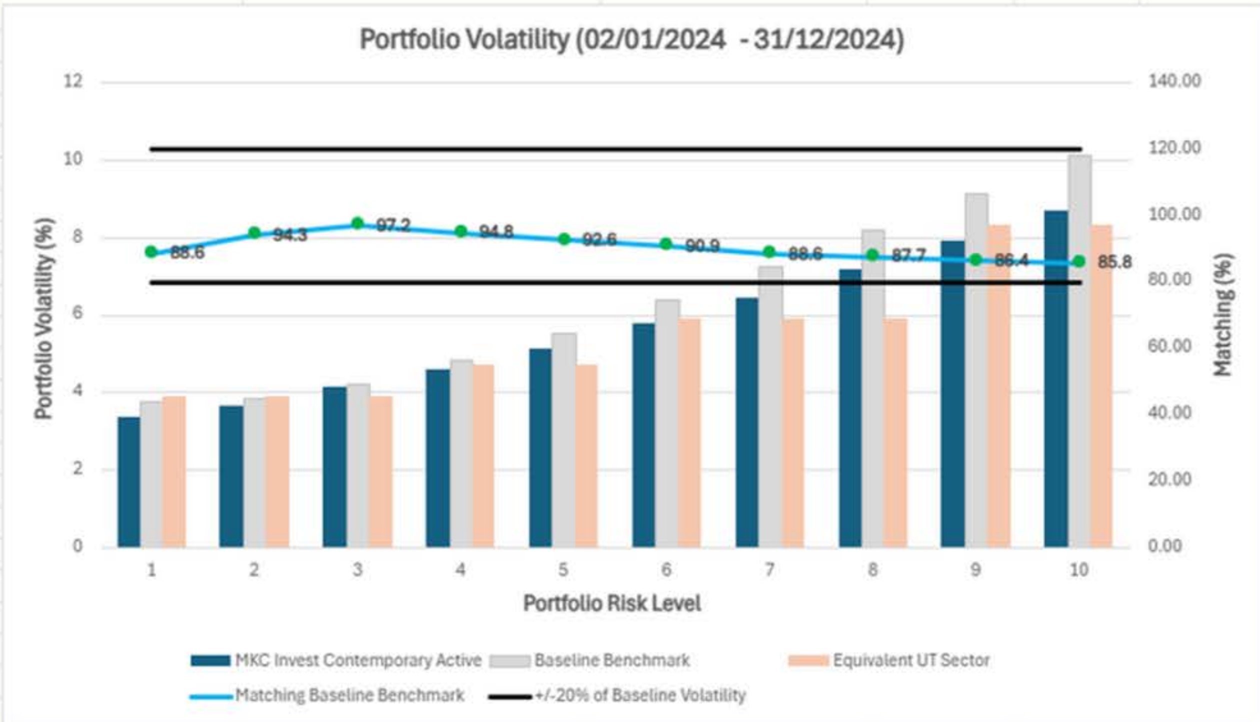
- All portfolios delivered positive returns in absolute terms over 2024.
- All portfolios delivered returns net of investment costs ahead of 2024's average rate of CPI inflation, which was 2.6%. (Source: ONS)
- All portfolios exceeded the return from the Moneyfacts average cash ISA rate during 2024, which was 3.73% (Source: Moneyfacts Group)

Volatility Assessment

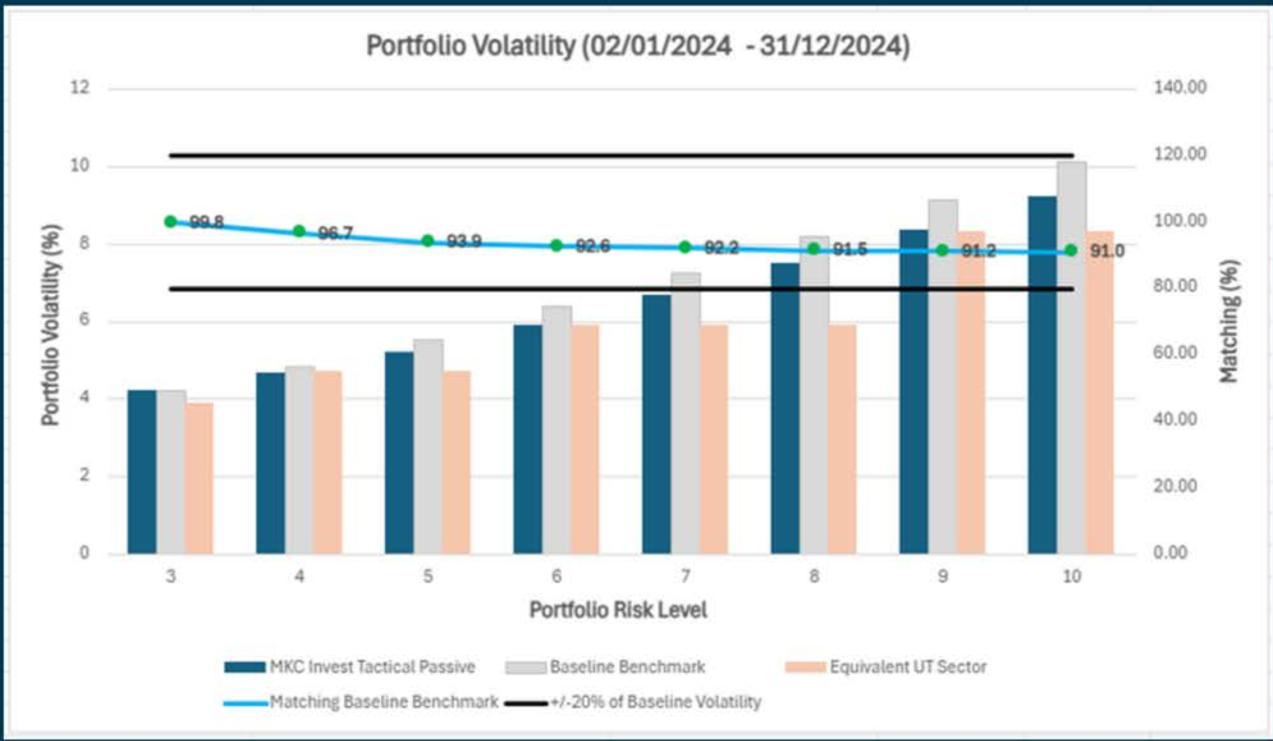
Each portfolio range was assessed against volatility targets relative to the Baseline Benchmarks (±20%). The diagrams below show whether these targets were achieved:



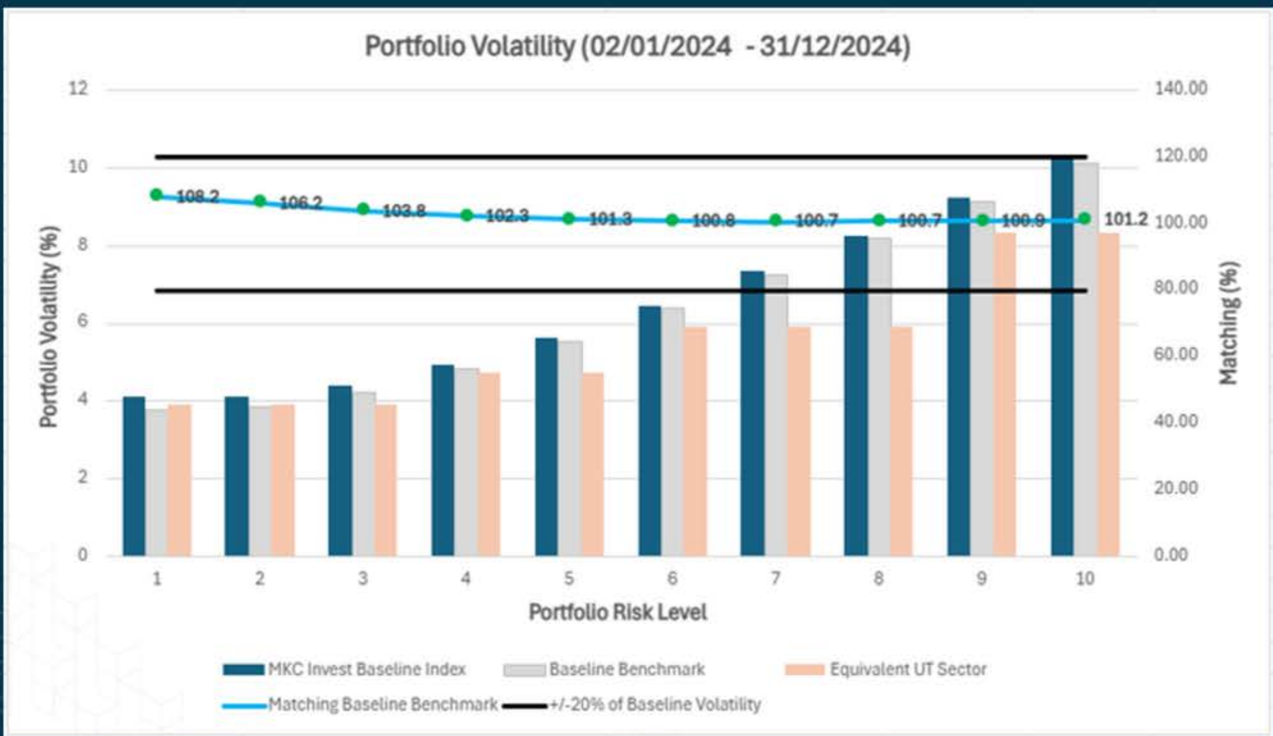
Classic Active: all portfolios behaved in line with the mandated risk levels over the full year.



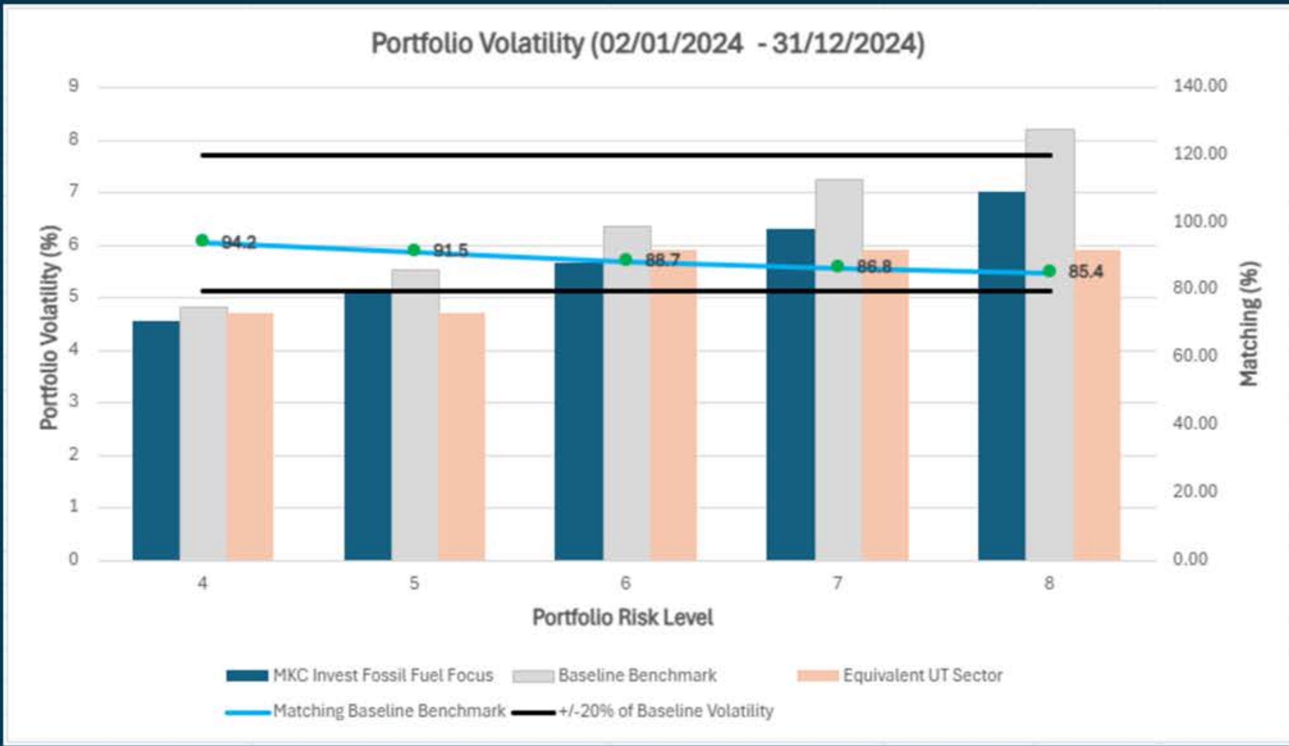
Contemporary Active: all portfolios behaved in line with the mandated risk levels over the full year.



Tactical Passive: all portfolios behaved in line with the mandated risk levels over the full year.



Baseline Index: all portfolios behaved in line with the mandated risk levels over the full year. In this particular range we aim to be exactly in line with benchmark volatility, although some tracking error is inevitable.



Fossil Fuel Focus: all portfolios behaved in line with the mandated risk levels over the full year.

Tracking Tomorrow: the single portfolio behaved in line with its mandated risk levels over the full year.

Income Focus: with only six months of operation a volatility assessment cannot be included in this report.

Key Findings: All portfolios behaved in line with their risk objectives.

Costs and Charges

Summary of Costs and Charges Data (in appendix):

MPS Charges

- Classic Active: Charges range from 0.58% (low risk) to 0.88% (high risk), reflecting the intensive active fund selection and management.
- Contemporary Active: Lower fund charges, ranging from 0.43% to 0.52%, align with its blend of active and passive strategies.
- Fossil Fuel Focus: Higher charges between 0.82% and 0.94%, driven by its ESG-specific mandate and focus on emissions reduction.
- Tracking Tomorrow: Fund charges are relatively low at 0.36%, reflecting its use of index trackers in a future-focused allocation.
- Tactical Passive: Consistent low charges of 0.25% across all risk levels due to reliance on passive index trackers.
- Baseline Index: Charges range from 0.24% to 0.33%, with efficiency-focused index replication strategies.
- Income Focus: 0.69% for risk level 5 portfolio, reflecting the portfolio's income-generating objective.

Total Cost of Ownership (TCO)

- Classic Active: TCO ranges from 1.72% to 2.02%, generally above the UK industry average (1.75%), due to intensive management and active fund selection.
- Contemporary Active: TCO remains competitive, ranging from 1.57% to 1.66%, below the industry average.
- Fossil Fuel Focus: TCO ranges from 1.96% to 2.08%, higher than the sustainable focus industry average of 1.75%, reflecting the higher costs of ESG-specific funds.
- Tracking Tomorrow: TCO is 1.50% at risk level 10, showcasing competitive pricing for its unique, long-term growth focus.
- Tactical Passive: Consistent low TCO of 1.39%, outperforming the industry average for hybrid portfolios (1.75%).
- Baseline Index: TCO ranges from 1.40% to 1.48%.
- Income Focus: TCO peaks at 1.83%, slightly higher than the industry average for active portfolios (1.75%).

Assumed Platform and Advice Costs in the TCO Calculation

- Platform Fees: Assumed at 0.14% based on MKC Wealth's negotiated rate for clients with £250k–£500k on platform. This figure will be lower for larger clients, and vice versa.
- Ongoing Advice Fees: Standardised at 1%, consistent with MKC Wealth's fee structure.

Aggregated Cost Comparisons

MKC Invest Averages vs. UK Model Portfolio Service Industry Averages:

- Underlying Fund Costs: MKC Invest (0.32%) lower than UK average (0.36%).
- DFM Fees: Both MKC Invest and industry average at 0.18%.
- Total Portfolio Costs: MKC Invest (0.50%) lower than UK average (0.54%).
- Total Cost of Ownership: MKC Invest (1.65%) lower than UK average (1.75%).

Style-Based MPS Fee Comparison

- Classic Active: Slightly higher portfolio cost (0.75%) compared to industry average (0.71%).
- Contemporary Active: Lower portfolio cost (0.48%) compared to industry average (0.64%).
- Tactical Passive: Substantially lower portfolio cost (0.25%) compared to industry average (0.64%).
- Baseline Index: Portfolio cost (0.29%) close to the industry average (0.28%).
- Fossil Fuel Focus: Higher portfolio cost (0.88%) compared to the sustainable industry average (0.79%).
- Income Focus: Slightly lower portfolio cost (0.69%) compared to industry average (0.71%).
- Tracking Tomorrow: Significantly lower portfolio cost (0.36%) compared to industry average for hybrids (0.64%).

This data highlights MKC Invest's competitive positioning across most ranges, while identifying opportunities for cost optimisation in Classic Active and Fossil Fuel Focus.

Notes on Cost Comparison Data

Source of Data: The cost comparison figures are derived from the NextWealth MPS Proposition Comparison Report, 2024.

Data Collection Details:

- DFM Interviews: Insights were gathered through interviews with 30 representatives of discretionary fund managers (DFMs) operating MPS on platform.
- Data Submissions: Comprehensive data requests were completed by 52 DFMs, providing detailed cost and charge information.
- Sample Size: The pricing analysis covered 405 portfolios managed by these DFMs.

Timeframe of Data Collection:

- Portfolio cost data reflects information as of 30th September 2024.
- A survey of 340 financial advice professionals was conducted during June and July 2024 to complement the analysis.

These robust data collection methods lend credibility to the cost comparison figures, enabling accurate benchmarking of MKC Invest's costs and charges against industry averages.

Service Quality

MKC Invest's service quality is enhanced by its exclusive distribution partnership with MKC Wealth, a financial planning firm. While much of the direct client service activity is conducted by MKC Wealth staff, MKC Invest maintains a significant role in ensuring high standards of service and support.

Key components of MKC Invest's service strategy include:

Mandate Compliance

All portfolios operated within their stated mandates throughout the year. No breaches or near breaches were identified.

Regular Communication

Quarterly client updates were issued from April 2024 onwards. Due to FCA regulations, these reports did not include performance data as the portfolios lacked a 12-month track record. From Q1 2025 onwards, performance data will be included.

Training and Support

MKC Invest delivered extensive support to MKC Wealth financial planners through face-to-face presentations, small group sessions, and regular ad hoc mentoring, particularly for newer advisers.

Client Events

MKC Wealth hosted live "Meet the Portfolio Manager" events in Chester, Norwich, and London, supported by MKC Invest. Clients attended presentations, a live panel debate, and a Q&A session.

Educational Content

MKC Invest contributed 12 video topics to MKC Wealth newsletters, covering both portfolio-specific and general investment topics.

Accurate Execution

There were no recorded trading errors during the year, reflecting operational accuracy.

Due Diligence

The portfolio management team conducted over 100 meetings with investment managers, ensuring rigorous evaluation of current and potential holdings.

Proactive Engagement

MKC Invest safeguarded clients' interests by maintaining close involvement in all aspects of MKC Wealth's service, including participation in the Proposition Committee and management groups.

Trading of Mandates

In Q4 alone the portfolio management team executed 29 separate trades:

Total Trades (Q4 2024)

- Classic Active: 11
- Contemporary Active: 10
- Tactical Passive: 4
- Fossil Fuel Focus: 0 (all current holdings judged suitable)
- Income Focus: 4

Total Trades Across All Portfolios: 29 trades.

These activities demonstrate MKC Invest's commitment to delivering exceptional service quality, fostering client trust, and supporting MKC Wealth in achieving positive outcomes for clients.

Quarterly Portfolio Reporting

MKC Invest does not hold client assets directly; all portfolios are administered via third-party custody platforms. As such, individual client-level reporting is outsourced to the custodians with whom we partner. The ongoing suitability of these platforms—and the quality and clarity of the reporting they provide—is overseen by the Proposition Committee of MKC Wealth. While we are confident that these reports broadly meet the required standards for consumer understanding, we contribute to structured reviews to ensure they continue to align with evolving expectations under Consumer Duty.

In parallel, MKC Invest provides all clients with a quarterly summary report, including portfolio-level performance, market commentary, and an overview of portfolio changes, helping to reinforce transparency and understanding across our entire client base.

Governance and Oversight

MKC Invest has a robust governance framework to ensure effective oversight, accountability, and alignment with the FCA's Consumer Duty principles. The key components include:

Governance Structure

MKC Invest Board:

Holds ultimate responsibility for strategic direction, oversight, and compliance with FCA principles.

Investment Oversight Committee:

Provides independent oversight of investment activities to ensure alignment with client objectives, regulatory requirements, and Consumer Duty principles.

Key Responsibilities:

- Monitor portfolio performance and adherence to risk parameters.
- Oversee fund selection, ESG screening, and investment costs.
- Review macroeconomic impacts on investment strategies.
- Recommend actions to address any compliance breaches.

Membership and Reporting:

Chaired by a suitably qualified and experienced non-executive director, the Committee meets quarterly and reports findings to the Board.

Portfolio Management Group:

- Oversees portfolio management operations, ensuring alignment with strategic objectives and regulatory requirements.
- The Portfolio Management Group (PMG) met 16 times during the year.
- To account for the expanded MKC Invest portfolio range, the PMG divided into two meetings held fortnightly, enhancing focus and efficiency.

Portfolio Management Team:

Executes investment strategies, ensuring portfolios meet their mandates and objectives.

Conclusion

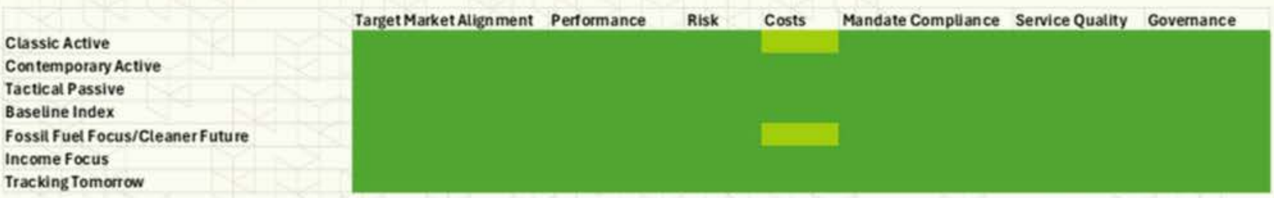
This 2024 AoV demonstrates that MKC Invest's seven portfolio ranges have provided good value for money and align with the FCA's Consumer Duty. Continuous improvement measures will ensure that the portfolios remain competitive and deliver outcomes that meet customer needs and expectations.

Overall Portfolio Range Assessment

The chart below summarises MKC Invest's assessment of each portfolio range across seven key dimensions: Target Market Alignment, Performance, Risk, Costs, Mandate Compliance, Service Quality, and Governance. All ranges are assessed as fully aligned (green) in relation to their stated target markets, investment mandates, governance oversight, service quality, and risk management.

Costs have been identified as an area for continued attention in the Classic Active and Cleaner Future ranges, where charges are naturally higher due to the use of actively managed funds and/or specialist screening. While both remain within acceptable thresholds for their category, we will continue to monitor and, where possible, reduce total costs—particularly in Cleaner Future, where cost reductions are already being implemented via fund replacements and efficiencies.

No areas were rated red, and no concerns were recorded regarding mandate breaches, service delivery failures, or governance effectiveness. Performance across all ranges is being monitored continuously in the context of client objectives and prevailing market conditions.



Appendices

Performance & Volatility Table

Portfolio	Performance (%) 02/01/24 - 31/12/24	Volatility (%) 02/01/24 - 31/12/24	
MKC Invest Baseline Benchmark 1 TR in GB	4.61	3.78	
MKC Invest Baseline Benchmark 2 TR in GB	6.15	3.87	
MKC Invest Baseline Benchmark 3 TR in GB	7.71	4.24	
MKC Invest Baseline Benchmark 4 TR in GB	9.27	4.82	
MKC Invest Baseline Benchmark 5 TR in GB	10.86	5.55	
MKC Invest Baseline Benchmark 6 TR in GB	12.46	6.38	
MKC Invest Baseline Benchmark 7 TR in GB	14.07	7.27	
MKC Invest Baseline Benchmark 8 TR in GB	15.7	8.2	
MKC Invest Baseline Benchmark 9 TR in GB	17.34	9.16	
MKC Invest Baseline Benchmark 10 TR in GB	19	10.13	
MKC Invest Classic Active 1 TR in GB	4.71	3.25	
MKC Invest Classic Active 2 TR in GB	5.71	3.78	
MKC Invest Classic Active 3 TR in GB	6.56	4.47	
MKC Invest Classic Active 4 TR in GB	7.45	4.98	
MKC Invest Classic Active 5 TR in GB	8.41	5.64	
MKC Invest Classic Active 6 TR in GB	9.26	6.33	
MKC Invest Classic Active 7 TR in GB	10.31	7.01	
MKC Invest Classic Active 8 TR in GB	11.17	7.76	
MKC Invest Classic Active 9 TR in GB	12.22	8.59	
MKC Invest Classic Active 10 TR in GB	13.19	9.44	
MKC Invest Contemporary Active 1 TR in GB	4.69	3.35	
MKC Invest Contemporary Active 2 TR in GB	5.56	3.65	
MKC Invest Contemporary Active 3 TR in GB	6.51	4.12	
MKC Invest Contemporary Active 4 TR in GB	7.43	4.57	
MKC Invest Contemporary Active 5 TR in GB	8.3	5.14	
MKC Invest Contemporary Active 6 TR in GB	9.39	5.8	
MKC Invest Contemporary Active 7 TR in GB	10.33	6.44	
MKC Invest Contemporary Active 8 TR in GB	11.4	7.19	
MKC Invest Contemporary Active 9 TR in GB	12.34	7.91	
MKC Invest Contemporary Active 10 TR in GB	13.32	8.69	
MKC Invest Tactical Passive 3 TR in GB	6.27	4.23	
MKC Invest Tactical Passive 4 TR in GB	7.56	4.66	
MKC Invest Tactical Passive 5 TR in GB	8.74	5.21	
MKC Invest Tactical Passive 6 TR in GB	10.24	5.91	
MKC Invest Tactical Passive 7 TR in GB	11.66	6.7	
MKC Invest Tactical Passive 8 TR in GB	13.09	7.5	
MKC Invest Tactical Passive 9 TR in GB	14.64	8.35	
MKC Invest Tactical Passive 10 TR in GB	16.12	9.22	
MKC Invest Fossil Fuel Focus 4 TR in GB	4.8	4.54	
MKC Invest Fossil Fuel Focus 5 TR in GB	5.06	5.08	
MKC Invest Fossil Fuel Focus 6 TR in GB	5.52	5.66	
MKC Invest Fossil Fuel Focus 7 TR in GB	5.63	6.31	
MKC Invest Fossil Fuel Focus 8 TR in GB	6.05	7	
MKC Invest Tracking Tomorrow 10 TR in GB	14.53	11.12	
MKC Invest Baseline Index 1 TR in GB	3.92	4.09	
MKC Invest Baseline Index 2 TR in GB	5.42	4.11	
MKC Invest Baseline Index 3 TR in GB	6.94	4.4	
MKC Invest Baseline Index 4 TR in GB	8.46	4.93	
MKC Invest Baseline Index 5 TR in GB	10	5.62	
MKC Invest Baseline Index 6 TR in GB	11.54	6.43	
MKC Invest Baseline Index 7 TR in GB	13.11	7.32	
MKC Invest Baseline Index 8 TR in GB	14.68	8.26	
MKC Invest Baseline Index 9 TR in GB	16.26	9.24	
MKC Invest Baseline Index 10 TR in GB	17.98	10.25	
MKC Invest Income Focus 5 TR in GB	2.4	4.62	*(01/07/24 - 31/12/24)
Sector: UT Mixed Investment 0-35% Shares TR in GB	4.71	3.88	
Sector: UT Mixed Investment 20-60% Shares TR in GB	6.46	4.71	
Sector: UT Mixed Investment 40-85% Shares TR in GB	9.55	5.92	
Sector: UT Global TR in GB	13.05	8.32	

Detailed Cost Breakdown

Underlying Fund Charges	Classic Active	Contemporary Active	Fossil Fuel Focus	Tracking Tomorrow	Tactical Passive	Baseline Index	Income Focus
1	0.58%	0.43%	-	-	-	0.26%	-
2	0.62%	0.45%	-	-	-	0.27%	-
3	0.68%	0.46%	-	-	0.26%	0.28%	-
4	0.71%	0.47%	0.82%	-	0.25%	0.29%	-
5	0.75%	0.48%	0.85%	-	0.25%	0.30%	0.69%
6	0.79%	0.48%	0.88%	-	0.25%	0.30%	-
7	0.80%	0.49%	0.91%	-	0.25%	0.31%	-
8	0.84%	0.51%	0.94%	-	0.25%	0.32%	-
9	0.86%	0.52%	-	-	0.25%	0.33%	-
10	0.88%	0.52%	-	0.36%	0.25%	0.24%	-

Model Portfolio Service Costs, December 2024. These figures include underlying portfolio costs and the MKC Invest portfolio management charge.

Total Cost of Ownership	Classic Active	Contemporary Active	Fossil Fuel Focus	Tracking Tomorrow	Tactical Passive	Baseline Index	Income Focus
1	1.72%	1.57%	-	-	-	1.40%	-
2	1.76%	1.59%	-	-	-	1.41%	-
3	1.82%	1.60%	-	-	1.40%	1.42%	-
4	1.85%	1.61%	1.96%	-	1.39%	1.43%	-
5	1.89%	1.62%	1.99%	-	1.39%	1.44%	1.83%
6	1.93%	1.62%	2.02%	-	1.39%	1.44%	-
7	1.94%	1.63%	2.05%	-	1.39%	1.45%	-
8	1.98%	1.65%	2.08%	-	1.39%	1.46%	-
9	2.00%	1.66%	-	-	1.39%	1.47%	-
10	2.02%	1.66%	-	1.50%	1.39%	1.48%	-

Total Cost of Ownership for MKC Invest portfolios when held on a platform and offered as part of MKC Wealth's financial planning service.

- Platform cost assumption 0.14% based on MKC Wealth's negotiated rate for a client with £250k-£500k on platform, in line with their average client size. This rate will be lower for larger clients and vice versa.
- Ongoing advice charge assumption is 1%, in line with MKC Wealth's standard fee.

	MKC Invest Averages	UK Industry Averages (Where Known)	
Underlying fund costs	0.32%	0.36%	Source: NextWealth MPS Proposition Comparison Report, 2024)
MKC Invest DFM Fee	0.18%	0.18%	Source: NextWealth MPS Proposition Comparison Report, 2024)
Total Portfolio Cost	0.50%	0.54%	Source: NextWealth MPS Proposition Comparison Report, 2024)
Total Cost of Ownership	1.65%	1.75%	

Aggregated Average Fee Comparisons

	Average Portfolio Cost by Portfolio Style	Style-based Industry Averages	
Classic Active	0.75%	0.71%	"Active, no sustainable focus" from NextWealth, 2024
Contemporary Active	0.48%	0.64%	"Hybrid, no sustainable focus" from NextWealth, 2024
Tactical Passive	0.25%	0.64%	"Hybrid, no sustainable focus" from NextWealth, 2025 (defined as hybrid because asset allocation is active)
Baseline Index	0.29%	0.28%	"Passive, no sustainable focus" from NextWealth, 2024
Fossil Fuel Focus	0.88%	0.79%	"Active, sustainable focus" from NextWealth, 2024
Income Focus	0.69%	0.71%	"Active, no sustainable focus" from NextWealth, 2024
Tracking Tomorrow	0.36%	0.64%	"Hybrid, no sustainable focus" from NextWealth, 2025 (defined as hybrid because asset allocation is active)

Style-based Portfolio Cost Comparisons

Concentration Risk Management Statement

Overview

MKC Invest portfolios have no fixed concentration limits at the portfolio level but are managed with due prudence regarding concentration risk. We monitor exposure across asset management firms, investment styles, geographies, and other relevant factors to avoid the emergence of undue or unexamined risks.

Context Matters in Assessing Concentration Risk

By the nature of our products—all of which are discretionary portfolios of well-diversified unitised funds—MKC Invest portfolios inherently provide a high degree of diversification at the individual stock and bond level.

- Every portfolio is constructed using regulated collective investment schemes (funds or ETFs), which themselves hold broadly diversified baskets of securities.
- Even where a portfolio holds a single fund (such as Baseline Index 10), that fund itself represents an internationally diversified allocation and is of substantial scale.
- Fund-level diversification and scale matter more than arbitrary position limits—a single-fund allocation to a multi-billion-pound index tracker does not present the same concentration risk as a similarly sized allocation to a niche, actively managed fund.

Because of this, fixed and arbitrary concentration limits would not necessarily protect clients. Instead, MKC Invest takes a measured, risk-aware approach, ensuring that concentration is assessed in the proper context.

Managing Concentration Risk at the Firm Level

To further strengthen internal controls, MKC Invest applies soft tolerance levels to individual holdings across its portfolios. If a position approaches or exceeds internal limits, the portfolio management team will take reasonable steps to assess and, if necessary, adjust exposure. However, we do not make reactive decisions based on short-term market movements.

A reduction in exposure may be triggered by one or more of the following considerations:

- Liquidity Risk – If MKC Invest's total holding in a fund becomes large enough to raise concerns about efficient exit, a reduction may be warranted.
- Market Impact and Trading Conditions – Adjustments must be made in a way that minimises trading costs and market disruption.
- Total Exposure Relative to Fund Size – The size of our holding must be considered in proportion to the overall fund size and its ability to absorb inflows and outflows.

- Underlying Fund Diversification – The level of diversification within the fund itself is a key consideration. Holding a highly diversified global fund is different from holding a concentrated thematic or sector-specific strategy.
- Alignment with Portfolio Mandate – Each portfolio has a specific investment objective. Exposure must be appropriate within the context of that portfolio's mandate.
- Regulatory and Governance Considerations – Any developments in regulatory requirements or internal risk assessments that indicate undue concentration risk will be reviewed and acted upon appropriately.

Soft Concentration Limit Definitions

To support our principles-based approach and to ensure consistency in implementation, MKC Invest applies the following internal soft limits when assessing concentration risk. These are not rigid rules but serve as guidelines to inform judgement:

1. Portfolio-Side Concentration (i.e. how much of an MPS can this fund comprise?):

- Mainstream, liquid index tracker (e.g., developed market equity or government bond index): No limit.
- Tracker of a less liquid asset class or using swap-based replication (e.g., certain commodities or synthetic ETFs): 10%.
- Actively managed fund: 15%.
- Funds with the potential to experience low or zero liquidity: 5%, although such funds will generally be avoided altogether.

2. Holding-Side Concentration (i.e. how much of the fund or ETF do we own?):

- Soft limit of 5% of the fund's total assets.
- For example, holding more than £2 million in a £40 million fund would exceed this threshold. This limit has been selected with reference to the level at which OEIC dilution levies are often applied, although application remains case-by-case.

These limits inform our internal review processes and guide our assessment of when a position might warrant reduction, enhanced monitoring, or further scrutiny.

Principles-Based Decision-Making

Decisions regarding concentration risk are made holistically, considering liquidity, diversification, market impact, and portfolio objectives rather than relying on rigid thresholds. Portfolio adjustments will always be made in a controlled, measured manner, ensuring alignment with MKC Invest's long-term investment philosophy.

This approach ensures that concentration risk is managed proactively and pragmatically, safeguarding client outcomes without introducing unnecessary constraints.

MKC Invest

City of London

MKC Wealth
Walsingham House
35 Seething Lane
London
EC3N 4AH

44 (0) 207 702 4488

South West London

MKC Wealth
Grosvenor House
18-20 Ridgway
Wimbledon Village
London
SW19 4QN

+44 (0) 208 946 8186

Stockport

MKC Wealth
4th Floor, Kingsgate House
Wellington Road North
Stockport
SK4 1LW

+44 (0) 161 529 8080

West Yorkshire

MKC Wealth
1st Floor, Pennine House
Pennine Business Park
Bradley, Huddersfield
West Yorkshire
HD2 1GQ

+44 (0) 1484 503071

Cheshire

MKC Wealth
16 Rossmore Business Village
Inward Way, Ellesmere Port
Cheshire
CH65 3EY

+44 (0) 151 541 2038

enquiries@mkc-invest.com
mkc-invest.com

AH. MKC Investment Management Ltd and MKC Wealth Ltd are part of the same group of companies.