



TO BE ISSUED TO INVESTMENT ADVICE FIRMS ONLY

FUSION ASSET MANAGEMENT'S APPROACH TO THE CONSUMER DUTY

INTRODUCTION

Fusion Asset Management LLP (“FAM”) is authorised and regulated by the Financial Conduct Authority (“FCA”). It engages in the regulated activity of managing investments and provides a range of model portfolios that authorised investment advisers recommend to their own clients.

FAM AND THE CONSUMER DUTY

FAM is subject to the FCA’s Consumer Duty initiative which took effect on 31 July 2023 for new and existing products and services. Among other things, the FCA is using the Consumer Duty to ensure that firms offer products and services that are fit for purposes and represent fair value for clients, including clients with vulnerable characteristics. The FCA’s requirements are encapsulated in a principle for business, three cross-cutting rules and four specific client outcomes.

FAM does not engage with retail clients directly, however it does have the ability to influence materially the outcomes they receive. The approach taken by FAM to the Consumer Duty reflects this.

GOVERNANCE

FAM has created a Consumer Duty Working group which meets on a monthly basis. It has a formal Terms of Reference and reports to the Compliance and Risk Committee. FAM seeks to support positive consumer outcomes by making the duty central to its strategic and operational plans. Staff are provided with appropriate training; the Consumer Duty is reflected in each senior manager’s statement of responsibilities.

THE CONSUMER PRINCIPLE

The FCA has 12 ‘Principles for Businesses’. Principle 12 states that ‘A Firm must act to deliver good outcomes for retail clients’.

As noted above, FAM does not engage retail clients directly – its clients are authorised investment advice firms working in an agent as client capacity (see FAM’s Agent as Client Guide for further information).

FAM strives to influence the outcomes achieved by retail clients in the following ways:

- FAM’s range of model portfolios have specific aims and objectives together with detailed mandates. These provide a framework within which the model portfolios are operated and managed.
- FAM’s Models are operated and managed in accordance with approved processes and procedures. These are reviewed periodically.
- FAM has created an investment committee which oversees the operation and management of the FAM Models. The minutes of the committee meetings are reviewed by the FAM Board which provides an appropriate level of guidance and challenge.
- FAM manages its model portfolios using a systematic approach to both asset allocation and portfolio construction and then applying its market expertise to position the portfolios for prevailing economic and market conditions. A number of performance criteria are applied with a specific emphasis on protecting investments against significant market downturns and keeping trading costs to a minimum. The investment principles are simple and

transparent allowing FAM to deliver consistent investment performance in ever-changing financial markets.

- The Model Portfolio service is set out to authorised investment advisers in a simple and clear manner, thus providing advisers with the knowledge needed to recommended FAM Models competently and confidently.

CROSS-CUTTING RULES

Act in good faith	<p>Acting in good faith is a standard of conduct characterised by honesty, fair and open dealing and acting consistently with the reasonable expectations of retail customers.</p> <p>FAM seeks to act in good faith in a number of ways, including: -</p> <ul style="list-style-type: none"> • Describing the model portfolios fairly and clearly • Operating and managing the model portfolios within clear parameters. • Offering the same level of engagement and support to all advice firms • Correcting any errors in managing the portfolios in a timely manner and procedures will be altered as appropriate. • Processes and procedures are documented and reviewed periodically.
Avoid foreseeable harm	<p>A firm must avoid causing foreseeable harm to retail customers. Foreseeable harm may be caused by both act and omission, in a firm's direct relationship with a retail customer or through its role in the distribution chain even where another firm in that chain also contributes to the harm.</p> <p>Although FAM does not have a direct relationship with retail clients, it takes a number of steps, including: -</p> <ul style="list-style-type: none"> • Ensuring all aspects of the design, terms, marketing, sale of and support for its products avoid causing foreseeable harm; • Ensuring that no aspect of its business involves unfairly exploiting behavioural biases displayed or characteristics of vulnerability held by retail customers; • Responding to emerging trends that identify new sources of harm, including FCA supervisory action and/or communications.
Enable and support retail customers to pursue their financial objectives	A firm must enable and support retail customers to pursue their financial objectives.

	FAM does not engage retail clients directly. It does work with advice firms and provide them with support such that they can attain knowledge and understanding of the models with a view to making suitable recommendations.
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THE FOUR CONSUMER OUTCOMES

Retail customer outcome – products and services	<p>The rules and guidance under this outcome are aimed at ensuring that products are designed to meet the needs, characteristics and objectives of a target group of customers and are distributed appropriately.</p> <p>FAM works to achieve this outcome by:</p> <ul style="list-style-type: none"> • Monitoring the marketplace to ensure the model portfolios remain competitive • Reviewing feedback from its distribution channels, including the extent to which models are recommended to clients with vulnerable characteristics or clients who are identified as having vulnerable characteristics some time after investing • Liaising with platforms and distribution channels to assess whether its model portfolios are being recommended to the intended target market • Providing information to financial advisers covering the features and characteristics of the models • Actively monitoring the underlying funds in which FAM Model Portfolios are invested to ensure they provide value for money, taking account of the information provided by the fund managers in this area. • Conducting market analysis and liaising with distribution channels to ensure that the fees charged by FAM for managing its model portfolios remain competitive.
Retail customer outcome – price and value	<p>A manufacturer must ensure that its products provide fair value to retail customers in the target market for those products. It must also carry out a value assessment of its products and review that assessment on a regular basis appropriate to the nature and duration of the product.</p> <p>A distributor also has obligations under the price and value outcome. For example, it is responsible for ensuring the fair value obligations in relation to distribution are met in respect of any product it distributes to a retail customer.</p> <p>FAM works to achieve this outcome by:</p> <ul style="list-style-type: none"> • Ensuring that the fees charged for its model portfolios are competitive in the marketplace. The marketplace is monitored regularly and FAM also liaises with its distribution channels via formal feedback requests and ad hoc dialogue.

	<ul style="list-style-type: none"> • Ensuring that the charging structure for its models is clear and simple to understand. • Value assessments are completed at least annually to ensure that the model portfolios continue to offer fair value to the target market. • Value assessments are also conducted when there are material changes to a model portfolio range – or elements within a range.
Retail customer outcome – customer understanding	<p>This outcome is designed to ensure that firms support and enable consumers to make informed decisions about financial products and services. Firms will be required to provide information consumers need, at the right time, and presented in a way they can understand.</p> <p>FAM does not engage with retail clients, therefore it is the financial adviser that is able to drive this outcome more directly. That said, FAM seeks to support financial advisers in delivering this outcome by providing information and literature that is easy to understand and as jargon-free as possible. FAM is keen to liaise with its distribution channels and receive suggestions as to how literature can be improved.</p>
Retail customer outcome - support	<p>This outcome requires firms to provide a level of support that meets a consumer's needs throughout their relationship with a firm. Firms are required to: design and deliver support to retail customers in a way that meets the needs of all retail customers (including those with characteristics of vulnerability); ensure that retail customers can use their product as reasonably anticipated; ensure that they include appropriate information in customer journeys to mitigate the risk of harm; and ensure that retail customers do not face unreasonable barriers during the lifecycle of the product, e.g. to switch or transfer a product, to access a benefit, to make a complaint or cancel a contract.</p> <p>FAM does not engage with retail clients, therefore it is the financial adviser that is able to drive this outcome more directly. FAM seeks to support advisory firms in delivering good customer service by providing clear and comprehensible model portfolios that are supported by literature and other information designed to assist with client communications. FAM's processes and literature are reviewed on a regular basis to ensure they continue to meet the needs of the advisory firms and provide the information and detail that they need.</p>