



# Unicorn Asset Management

Unicorn Investment Funds Consumer Duty Guide

July 2023

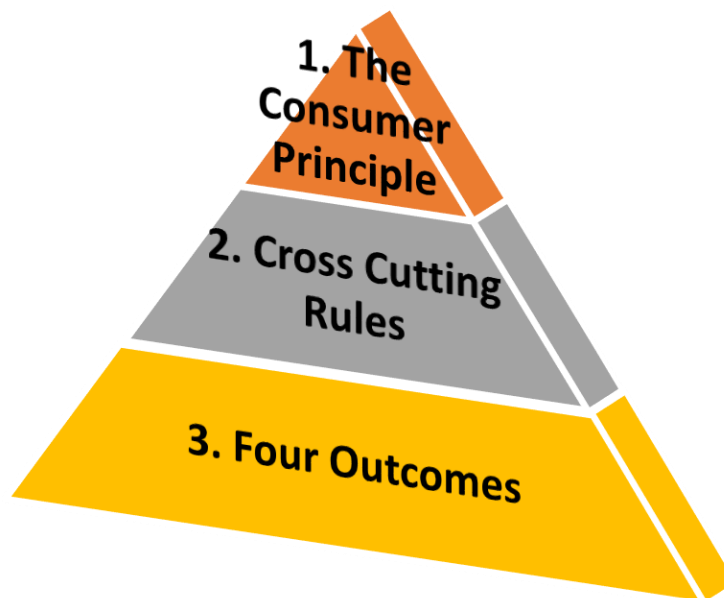
## A Background

The FCA is introducing a Consumer Duty which will come into place for all new and existing products and services that are open to sale on 31<sup>st</sup> July 2023.

It will establish a new standard of care for consumers and is a significant step by the regulator to address existing concerns around how all FCA regulated firms providing retail products and services look after the interests of their consumers. The final rules and guidance were published in July 2022.

In an evolution of existing rules and guidance the Duty requires firms to consider the characteristics, objectives and needs of consumers – especially any that may be considered vulnerable – and assess how they behave whether interacting with consumers or managing products on their behalf. The Duty places significant emphasis on the delivery of good customer outcomes, and firms will need to understand and evidence whether those outcomes are being met.

## The Key Components



1. **The Consumer Principle:** The FCA expects “A firm must act to deliver good outcomes for retail customers”.
2. **Cross Cutting Rules:**
  - Act in good faith towards retail customers.
  - Avoid foreseeable harm.
  - Enable and support retail customers to pursue their financial objectives.

### 3. The Four Outcomes:

The consumer principle is expanded as a set of guidance and rules detailing the expectations on firms in four areas:

- **Products and Services**
- **Price and Value**
- **Consumer Understanding**
- **Consumer Support**

For Asset Management firms the specific areas of focus as set out in the finalised guidance are:

“The firm must develop a fund to meet the needs, characteristics, and objectives of a target market of customers. It must develop an appropriate distribution strategy and set charges to provide fair value to customers. The firm must also communicate in a way that customers can understand and offer appropriate customer support standards. It must review the fund regularly to assess whether it meets the needs of the target market, offers fair value and has been distributed appropriately.”

In this guide we have set out detail surrounding the target market and distribution strategy to provide clarity for consumers of our OEIC fund range. More detail regarding the value assessment can be found in the Unicorn Asset Management Assessment of Value available at [www.unicornam.com](http://www.unicornam.com).

#### **Target Market Assessments, Fund Objectives and Distribution Statements**

Defining the target market for any of our OEIC funds is an important step in the ongoing monitoring of whether a fund continues to deliver outcomes in line with the needs, characteristics, and objectives of our consumers. It helps to ensure the funds are appropriately designed, managed, and distributed.

We have first looked to Identify funds’ objectives, how they benefit investors and its intended use.

Using our conclusions surrounding the funds we have looked to define the target customer and created a profile of the ideal customer for the product.

Defining the target market requires careful analysis and continued monitoring.

## Unicorn OEIC Fund Summaries

### 1. Unicorn Mastertrust Fund

#### What is the Unicorn Mastertrust fund?

The Fund is a daily dealing sub fund of the Unicorn Investment Funds Open Ended Investment Company. The Fund aims to achieve long term capital growth by primarily investing in a range of listed investment companies. The investment companies themselves invest around the world. Investment companies are companies that can invest in a portfolio of assets. Their shares are listed on a stock exchange, in the same way as a normal company. The Fund will choose investment companies which the Manager believes have good potential to grow and which are attractively priced.

#### Target Market

The Fund is suitable for investors who see funds as a convenient way of participating in capital market developments. It is also suitable for more experienced investors wishing to attain defined investment objectives. A listed investment company's shares may trade at a discount or premium to their underlying net asset value and the investor must have experience with volatile products. The investor must be able to accept significant temporary losses, thus the Fund is suitable for investors who can afford to put aside the capital for 5 years. It is designed for the objective of building up capital. For investors holding a portfolio of securities, it can play the role of a core position.

#### Negative Target Market

The Fund is potentially incompatible with investors:

- i. Who are looking to invest for less than five years.
- ii. Who are looking to avoid putting their money at risk.
- iii. Who require capital protection or guarantees underpinning their investment.
- iv. Who have specific ESG or ethical preferences that the fund cannot accommodate.
- v. Who require guaranteed returns.

#### Clients with vulnerability characteristics

The fund is compatible with clients who have vulnerability characteristics. Whilst the fund has not been designed specifically to meet the needs of vulnerable customers, the fair treatment of all consumers is embedded in the product design. Unicorn Asset Management makes our OEIC funds accessible to people of all genders and gender identities, all sexualities, abilities, economic backgrounds, racial backgrounds, and ethnic origins. We want to provide a tool to help all consumers achieve their financial goals.

Unicorn Asset Management is committed to ensuring consumers have appropriate protection, especially vulnerable consumers. The values of the firm are to ensure any customers with vulnerabilities can experience outcomes as good as those for other consumers.

We recognise that characteristics of vulnerability may result in consumers having additional or different needs and may limit their ability or willingness to make decisions and choices or to represent their own interests. These consumers may be at greater risk of harm, particularly if things go wrong.

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### **Distribution Channel**

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### **Fair Value**

In accordance with the Consumer Duty, Unicorn Asset Management has undertaken a detailed value assessment of the funds as of February 2023 and has determined that it represents fair value. This will be reviewed on an ongoing basis as part of our internal governance procedures. Further details of the fair value assessment can be found in the Unicorn Investment Funds, Assessment of Value.

## 2. Unicorn Outstanding British Companies Fund

### What is the Unicorn Outstanding British Companies fund?

The Fund is a daily dealing sub fund of the Unicorn Investment Funds Open Ended Investment Company.

The Fund aims to achieve long term capital growth by investing in a portfolio of outstanding British companies by taking a long-term view of not less than five years. British companies are defined as those which are incorporated or domiciled in the UK or have a significant part of their operations in the UK. At least 80% of the companies that the Fund invests into will be British companies. The Fund can also invest into companies that are not otherwise British companies but are listed on stock exchanges in the UK. Outstanding companies are defined as those whose economics and risks are well understood, whose revenues, earnings and cash flows are predictable to a reasonable degree of certainty, which sell products and services into growing markets, which have market leadership positions and lasting competitive strength, which generate high average and incremental returns on invested capital, which convert a high proportion of their earnings into free, distributable cash, which can show a consistent track record of operating performance, which are run by decent, experienced individuals, who manage their businesses with the goal of maximising owner-value, which operate with low core debt, which are not predominantly acquisition-led, and which produce clean, intelligible financial statements. The Fund may also invest in smaller companies, including companies quoted on AIM. AIM is the London Stock Exchange's international market for smaller, growing companies.

### Target Market

The Fund is suitable for investors who see funds as a convenient way of participating in capital market developments. It is suitable for more experienced investors wishing to achieve long term capital growth who are willing to accept significant temporary losses, thus the Fund is suitable for investors who can afford to put aside the capital for 5 years. It is designed for the objective of building up capital. For investors holding a portfolio of securities, it can play the role of a core position.

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### **3. Unicorn UK Growth Fund**

#### **What is the Unicorn UK Growth fund?**

The Fund is a daily dealing sub fund of the Unicorn Investment Funds Open Ended Investment Company.

The Fund aims to achieve long term capital growth through investment in a portfolio of UK Companies. UK Companies are defined as those which are incorporated or domiciled in the UK or have a significant part of their operations in the UK. The Fund may also invest in smaller companies including companies quoted on the AIM stock exchange. AIM is the London Stock Exchange's international market for smaller, growing companies.

#### **Target Market**

The Fund is suitable for investors who are interested in participating in developments within the broad spectrum of United Kingdom listed companies. The investor must have experience with volatile products. The investor must be able to accept significant temporary losses, thus the Fund is suitable for investors who can afford to put aside the capital for 5 years. It is designed for the objective of building up capital within a widely diversified investor's portfolio.

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## 4. Unicorn UK Ethical Income Fund

### What is the Unicorn UK Ethical Income fund?

The Fund is a daily dealing sub fund of the Unicorn Investment Funds Open Ended Investment Company.

The Fund aims to provide an income by investing in UK companies which meet the ACD's ethical guidelines. For this purpose, UK companies are defined as those which are incorporated or domiciled in the UK, or have a significant part of their operations in the UK. Selection of such ethical equities will be undertaken on the basis of thorough company analysis, with ethical and socially responsible criteria reviewed at the point of investment and quarterly thereafter. The Fund may also invest, at its discretion, in other transferable securities, deposits and cash. The Fund may also enter into certain derivative and forward transactions for hedging purposes. The Fund invests at least 80% in UK quoted companies with a bias towards small and medium sized companies (those with a market value of less than £4 billion). Some of the companies may be quoted on AIM. AIM is the London Stock Exchange's international market for smaller, growing companies.

### Target Market

The Fund is suitable for investors who are interested in participating in the wider UK equity market following ethical guidelines while receiving an income. Equity investments selected for their income may have a higher risk of capital loss. The annual management charge is deducted from capital which will result in the income paid being higher than would otherwise be the case. The investor must have experience with volatile products. The investor must be able to accept significant temporary losses, thus the Fund is suitable for investors who can afford to put aside the capital for 5 years.

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### Target Market

The Fund is suitable for investors who are interested in participating in developments within the broad spectrum of United Kingdom listed companies. The investor must have experience with volatile products. The investor must be able to accept significant temporary losses, thus the Fund is suitable for investors who can afford to put aside the capital for 5 years. It is designed for the objective of building up capital within a widely diversified investor's portfolio.

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## 6. Unicorn UK Smaller Companies Fund

### What is the Unicorn UK Smaller Companies fund?

The Fund is a daily dealing sub fund of the Unicorn Investment Funds Open Ended Investment Company.

The Fund aims to achieve long term capital growth by investing primarily in UK companies included within the UK Numis Smaller Companies plus AIM Index. For this purpose, UK companies are defined as those which are incorporated or domiciled in the UK, or have a significant part of their operations in the UK. The Index covers the bottom tenth by value of the main UK equity market plus AIM stocks that meet the same size limit. The Fund invests for the long term and there is no guarantee that any particular return will be achieved, over any period, and investors should note that their capital is always at risk. The investment approach is to identify individual companies for investment and therefore the portfolio may not be representative of the index. AIM is the London Stock Exchange's International Market for smaller growing companies..

### Target Market

The Fund is suitable for investors who are interested in participating in developments in smaller United Kingdom listed companies. The investor must have experience with volatile products. The investor must be able to accept significant temporary losses, thus the Fund is suitable for investors who can afford to put aside the capital for 5 years within a widely diversified investor's portfolio.

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