

Model Portfolio Service (MPS) Due Diligence Report

DUE DILIGENCE QUESTIONNAIRE

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1.0 About the MPS

1.0.1 Background to supplier of the service? E.g. How long have they provided the service?

Square Mile is an independent investment research business established in December 2013 that works in partnership with regulated professional financial services firms. We help advisers to develop informed investment recommendations so that, with their support, their clients can make the decisions that are right for them.

Focusing first and foremost on in-depth, qualitative fund research, we provide tailored support and investment services for financial advisers and institutions.

For us there is only one way to deliver rigorous and insightful qualitative research and that is to invest in professional, qualified and experienced people. For this reason we have built one of the strongest and most respected qualitative investment research teams in the UK. Our analysts focus on investment research and meet regularly with fund managers to understand how those managers work, how they think and how they react to markets. We listen, we observe, we test, we challenge, we discuss, we deliberate and we form opinions. Finally, we publish our research and our views. These are based on clearly articulated outcomes and objectives, from which adviser firms can identify suitable funds to meet the needs of their clients.

The result of this work we hope is evident in our Academy of Funds. The Academy is free to access for adviser firms at: <https://www.squaremileresearch.com/Academy-of-Funds>

1.0.2 Is their criteria for fund selection sufficient to ensure we can meet the definition of independence?

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There are over 3,000 FCA registered funds domiciled in the UK. Only a small proportion of these funds meet our qualitative ratings criteria. Regrettably, performance screens in isolation have little use in differentiating between good and bad funds. Uncovering good funds involves much effort as a result.

Fund ideas come from a range of sources including:

- Our experience and market knowledge
- Our extensive contacts in the industry including clients, fund managers and their peers
- Our analysts who have in depth knowledge of the sectors that they cover
- Attendance at conferences and industry functions
- New fund launches

Quantitative assessment of funds is an important component of fund appraisal. This becomes most pertinent once a full understanding of a fund's approach has been determined and the appropriate metrics can be set.

1.0.3 How does the MPS fit with our risk profiling outcomes?

The managers' best ideas should have prominence in the portfolio. The fund should be operating within a robust risk framework and be appropriately diversified. There is no perfect approach to risk management but we expect managers to have an appreciation of the potential strengths and weaknesses in the approach that they take.

We expect the risk controls to be compatible with the performance objectives of the fund. Some funds will be managed with risk as a primary objective and the return is a secondary objective. Such funds may need to be considered in a different manner to return focused funds.

Appreciating the liquidity characteristics of the portfolio is a vital component of understanding the risks. Liquidity has a nasty habit of evaporating at the moments when it is most needed. We expect the strategy assets under management (AUM) to be compatible with the underlying liquidity in the market and the manager's investment style. We expect firms to assess what is a suitable capacity for the strategy and to take action as AUM approach this level.

1.0.4 Is the asset allocation of each MPS in keeping with our own philosophy about investment risk and asset allocation?

Yes

1.0.5 How often does the supplier review its portfolios?

Daily

1.0.6 At what frequencies do they recommend rebalancing of the portfolio?

Rebalancing is an investment decision so the frequency is indeterminate

1.0.7 How do they benchmark portfolios?

The Centra defined SAA invested across indexes

1.0.8 What is their track record / past performance?

We monitor performance and expect it to be consistent with the fund's objectives. Both significant outperformance and underperformance need to be investigated. We recognise that the variance of returns in markets is wide and that unforeseeable events occur. Luck can have an outsized impact on short term performance, and, both bad and good funds are equally affected.

At times, we acknowledge that the market simply does not reward certain types of strategies. Our understanding of the fund needs to be such that we can recognise this when it happens. Competitor analysis is helpful though we recognise that the fund sectors are often too widely drawn to fully allow performance conclusions to be made.

2.0 Corporate Governance

2.1 CORPORATE GOVERNANCE STRUCTURE AND POLICIES

2.1.1 Please describe your corporate structure including parent companies and subsidiaries

Square Mile Investment Services Limited (SMIS) is a wholly owned subsidiary of Square Mile Investment Consulting and Research Limited. (SMICR) SMICR is independent and privately owned with the majority of the equity held by staff members and non- exec directors. No one individual holds more than 25% of the equity.

There are 1,199,000 ordinary £1.00 shares in Square Mile Investment Consulting and Research Limited in issue. There are 20 shareholders on the register. Two shareholders have (individually) in excess of 10% of the shares in issue but less than 20%. All other shareholders have less than 10%. The staff and chairman own 75% of the shares in issue.

Square Mile Investment Consulting and Research Limited (SMICR) commenced trading in December 2013.

Our Managing Director, Richard Romer-Lee was a founding director of Old Broad Street Research (OBSR) in July 1999. Morningstar acquired OBSR in April 2010, following which Richard acted as Joint managing Director of OBSR and Head of European Investment Consulting.

Square Mile was founded in 2013 By Richard Romer- Lee, Nigel Whittingham, David Pickles, Mark James and Jason Broomer, all of whom are founder investors. We now have thirty staff in total, of which sixteen are investment professionals and we will continue to bring in new staff as the business grows.

All our services are designed to support our clients' businesses and to deliver the right outcome to the end investor. Our independent, qualitative research and analysis can be utilised in numerous ways to provide different solutions that will help our clients achieve their objectives. Our services include the provision of guided architecture, sample portfolios, sub advisory investment management and discretionary investment management. We aim to help our clients to succeed within a rapidly changing investment marketplace, and to add value through the design and management of tailored investment propositions.

With RDR and TCF fundamentally changing the business environment we set up Square Mile to focus on the needs of Investors (although we do not contract with them) and undertake to enable all our Clients, which range from Adviser firms, Life Companies, Platforms and Asset Managers to add real and tangible value within their own proposition to clients.

To deliver this we recognised the need to build a highly qualified investment research and investment management team that was capable of earning respect in the market, both in the adviser and asset management communities. We believe that we are achieving this.

In July 2014 we launched our Academy of Funds. The Academy has since been extended to Risk Managed Funds and in August 2015 we included Passive funds and we now have circa 4,000 registered users of this service.

Our offices are based in Old Bailey, in the heart of the City of London. We appreciate the importance that our clients put on us being close to the majority of fund managers and the insight that this provides.

Square Mile fervently believes that a key differentiating factor is our level of client service. Because our structure, business plan and budgeting is, and always will be, centred around having a small number of high quality clients, we are able to provide a service that is at a senior level within the business.

As a business we have grown quickly, but not at the expense of our service offering. Our clients come from a variety of intermediary firms and wholesalers, including:

1. Regional Advisory firms.
2. Life Companies.
3. Intermediary platforms.
4. Direct to Consumer Platforms.
5. Restricted Advisory firms.
6. Intermediary Networks.
7. Asset Managers.

We value our independence and for that reason we are 75% owned by our staff and chairman. No investor has a controlling stake and no external investor has conflict of interest with our business or the services that we provide.

We believe in strong Governance. Our Board comprises five directors of which three are nonexecutive. Our non-executive Chairman, Andrew Pomfret, retired from the role of CEO of Rathbones.

The Board has appointed a number of committees. The Executive Management team (responsible for the day to day management of the business): Remuneration Committee and the Audit and Risk Committee.

In addition to the Executive Management Team, which meets monthly, we operate a Risk and Compliance Committee (responsible for implementing and managing the Compliance and Risk Management framework established by the Board Committee) and an Investment Oversight Committee, responsible for the oversight of all investment mandates and the monitoring of the investment portfolios.

2.1.2 What corporate identity or identities will the SimplyBiz Group contract with?

Square Mile Investment Services Ltd

2.1.3 Can we see the report and accounts for the appropriate corporate identities listed above? If yes, please include with response.

Attached

2.1.4 What is the country(s) of incorporation and operation?

UK

2.2 CORPORATE STATUS AND ACTIVITIES

2.2.1 Please briefly describe your corporate status

We are a limited company

2.2.2 Are you planning any material changes to your business, products or services?

No

2.3 CORPORATE RELATIONSHIPS WITH REGULATORY BODIES

2.3.1 What authorities regulate your activity?

FCA

2.3.2 What are your authorised and regulated activities?

See under 'permissions' in FCA register. Company number 625562

**2.3.3 Has your company or any of your employees ever been censured by a regulatory body?
If so, what for?**

No

3.0 Organisation

3.1 ORGANISATIONAL AND REPORTING STRUCTURE

3.1.1 Please provide details of your issue escalation process

Policy attached

3.1.2 To what level do issues get escalated and how quickly?

Policy attached

4.0 HR

4.0.1 To the best of your knowledge, are there any issues concerning Key Personnel, which would material effect your relationship with SimplyBiz?

No.

5.0 Technology

5.1 SYSTEM FUNCTIONALITY

5.1.1 Please outline core systems and technology and the functions that support your business

Covered in the business continuity plan - Attached.

5.2 SUPPORT AND STABILITY

5.2.1 How often are your systems subject to an independent audit?

Annually

5.2.2 Have you experienced any IT failures in excess of 6 hours over the previous 6 months, 1-year, 3 years? If yes, can you provide details? How long was it before normal BAU functionality was restored?

No

5.3 SYSTEM SECURITY

5.3.1 What security measures are in place to protect the integrity of your systems and stored data?

Policy attached

5.3.2 How do you comply with the GDPR/Data Protection Act?

Policy attached

5.3.3 How do you ensure personnel do not use data for inappropriate purposes?

Policy attached

5.3.4 What measures are in place to prevent unauthorised access to your system?

Policy attached

6.0 Business Continuity Plan (BCP) / Data Restore (DR)

6.1 BCP/DR ARRANGEMENTS AND POLICY

6.1.1 What is your data back-up process and when was a full data restore tested?

Policy attached

6.1.2 Do you have a defined BCP/DR policy?

Policy attached

6.1.3 Have you had to invoke DR over the previous 6 months, 1-year, 3 years? If yes, what was the recovery time?

No.

6.1.4 What contingency arrangements are in place to alleviate the risk of key-person dependency?

Policy attached

6.2 ALTERNATE SITE

6.2.1 Do you have a dedicated, alternate site from which to continue your business activities?

Yes

6.2.2 Are there any time restrictions over how long DR facilities would be available, once invoked?

No

6.2.3 What percentage of your activities can be realistically maintained from the site and for how long?

Policy attached

7.0 Legal Requirements

7.0.1 Please provide details of any ongoing or threatened litigation, arbitration, mediation or similar proceedings or disputes against the Company or employees that would be subjects of contract with SimplyBiz PLC.

None

IMPORTANT INFORMATION