The Investment Company PLC

Fair Value Assessment

Introduction

The Investment Company plc (the "Company") is a closed-ended investment company with Ordinary Shares admitted to the Premium Segment of the Main Market of the London Stock Exchange. The Company seeks to generate long-term capital growth and the preservation of real wealth for shareholders through a disciplined three-pillar investment strategy: (i) foundational reserves, comprising monetary metals and bitcoin; (ii) strategic equity participations in scarce, capital-light businesses with durable competitive advantages; and (iii) inflation-protected instruments. The Company is managed by Dowgate Wealth Limited as discretionary investment manager.

The Company has undertaken an assessment of whether the charges associated with the product represent fair value for investors within the identified target market, taking into account the nature of the product, the quality of the services provided, the benefits reasonably expected to be received by investors, the total costs borne by investors, and the characteristics and objectives of the intended investor base.

The proposed annual management charge is 0.75% per annum on assets under management up to £500 million and 0.50% per annum on assets under management above £500 million. This tiered pricing structure is relevant to the fair value assessment because it indicates that, as scale increases, a proportion of the benefit of increased assets is intended to be shared through a lower marginal fee rate on assets above the £500 million threshold.

Benefits and Services

The principal investor benefits are expected to include access to a differentiated investment strategy focused on long-term capital growth and preservation of real wealth, professional portfolio construction and monitoring, exposure to a specialist opportunity set not typically captured in conventional balanced portfolios, and governance through an authorised investment manager operating within a defined target market and distribution framework.
In assessing fair value, regard should be had not only to the investment objective but also to the quality of the associated service proposition, including portfolio management, investment research, risk management, oversight of alternative asset exposure, ongoing target market monitoring and distributor oversight where applicable. The charge should therefore be considered against the full service delivered to investors rather than on a price-only basis.

Costs and Price Considerations

A fee structure of 0.75% up to £500 million of assets under management, reducing to 0.50% on assets above that level, does not appear on its face to be inconsistent with fair value for a specialist actively managed strategy, particularly where the investment approach is differentiated, operationally more complex than a mainstream single-asset strategy, and targeted at a defined investor base capable of understanding the associated risks. The reduced fee rate above £500 million is a positive feature in the assessment because it demonstrates recognition of potential economies of scale and reduces the marginal cost borne by investors as assets grow.

However, the existence of a specialist strategy and a tiered fee structure does not, by itself, establish fair value; the firm should still be able to evidence why the overall level of charges is reasonable relative to the nature of the proposition and the outcomes likely to be achieved for the target market. The assessment should also take account of any additional direct or indirect costs borne by investors, including platform charges, dealing costs, transaction costs, performance-related fees if any, and any other expenses that may affect net investor outcomes.

Target Market and Outcome Alignment

The identified target market comprises investors seeking long-term capital growth and preservation of real wealth over a recommended minimum holding period of five years, and who understand and accept the volatility, complexity and potential losses associated with a listed investment company investing in alternative assets and public equities. For this target market, the product may represent fair value where the charge is matched by a credible expectation of differentiated portfolio construction, appropriate governance, clear disclosures and distribution through channels capable of supporting good investor outcomes.

The product would be less likely to represent fair value if distributed to investors outside the intended target market, including investors seeking low volatility, short-term liquidity, capital protection or guaranteed returns. Distribution discipline and target market controls are therefore relevant to the fair value conclusion, because a product that may deliver fair value for one category of investor may not do so for another.

Economies of Scale and Ongoing Review

The inclusion of a reduced annual management charge of 0.50% on assets above £500 million is consistent with the principle that economies of scale should be considered as the product grows. The firm should nevertheless continue to assess periodically whether further economies of scale arise and whether additional investor benefits, fee reductions or enhanced services are appropriate as assets under management increase.

The fair value assessment should be reviewed periodically, and at least annually, taking into account product performance, service quality, investor outcomes, complaints, comparable market pricing and any change in the product's scale or complexity.

Conclusion

Based on the information currently available, an annual management charge of 0.75% on assets under management up to £500 million, reducing to 0.50% on assets above that threshold, is capable of representing fair value for the identified target market, provided that the Company can evidence the specialist nature of the strategy, the quality of the services provided, the appropriateness of the distribution strategy, and the reasonableness of the total charges borne by investors. The tiered fee structure strengthens the fair value case by recognising economies of scale, but the conclusion should remain subject to periodic review, including consideration of investor outcomes, comparable products and the total cost of ownership.