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Dear CMA

I am responding on behalf of Punter Southall Investment Consulting Limited. We are a small participant in the investment consultancy market and, as such, we do not have the market presence to be able to support many of the responses below with the evidence that you, rightly, wish to see. Nevertheless, we shall provide our views in the spirit of co-operation, participation, transparency and disclosure.

The Statement of Issues represents a very thorough description of the possible influences on the market. We would highlight the following areas as having a greater or lesser influence on the investigation.

1. Paragraph 19 states that you will consider a range of different sizes and types of schemes. We believe that the size of scheme strongly influences the likelihood of the size of the investment consulting firm to be used. The largest schemes will gravitate towards the three largest consultancies, primarily because of a comfort that they should be with the largest consultancies rather than any difference in investment ideas.
2. Paragraph 22 highlights the potential detrimental effects of the competition concerns. We would add that one concern would be a concentration of the resulting advice leading to concentration of strategies and products used. This could lead to heightened market and manager risk.
3. Paragraph 34 highlights some of the characteristics of the market. We would state that the role of trustees and the relative sizes of pension funds are key factors in the operation of the market. We would also state that pension fund performance is not comparable to other funds because of the different circumstances of each individual scheme, including the relative strength of the employer covenant sponsoring the scheme, which leads to different levels of risk being targeted. Performance in itself cannot be compared without considering the amount of risk being targeted.
4. We note the comments on complexity in paragraph 60. We are of the view that the law of diminishing returns should apply to adding another strategy to a scheme's already complicated investment arrangements. More work should be done by trustees and their consultants on measuring the likely benefits of an additional strategy in terms of improvements to their risk and return profile for the additional consultancy and asset management costs incurred.

5. In respect of the potential remedies highlighted, we would concur with the statement in paragraph 101 that disclosure of the impact on fees of a particular course of action would be beneficial to the market. We would also agree that all investment consultancies and fiduciary managers should be regulated by the FCA. Standardisation of the regulatory oversight of our industry is overdue. Similarly, any business relationships with asset managers should be fully disclosed to trustees.
6. In paragraph 124, the issue of hospitality is raised. We would agree that to avoid any question of influence, hospitality should be limited, if not prohibited outright.

I trust that these comments are helpful and we look forward to playing our part in the CMA's Market Investigation.

Kind regards,

Danny Vassiliades FIA