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I would like to make a representation to your investigation of the Investment Consultancy industry. My background is in the management of Charitable Endowments and I currently work at and endowed charitable fund and have been immersed in this sector for over thirty years. I organised and chaired the informal group that led to the publication of the 'Governance and Management of Endowed Charitable Foundations' <http://www.acf.org.uk/policy-practice/research-publications/the-governance-and-financial-management-of-endowed-charitable-foundations>. I have been the Treasurer of the Association of Medical Research Charities and separately of the Association of Charitable Foundations. This is a submission by Yoke Financial Advisers and not on behalf of any other organisation. We specialise in providing strategic advice to small and medium sized organisations in the UK. Our website is here <http://www.yokeandco.com/>.

In the world of Investment Consultancy there are some really big investors such as some pension funds, and then some much smaller investors and pretty much all endowments will be in this latter group, along with many pension funds. The CMA Issues Statement has covered this landscape well.

The area in which we were interested was paragraph 60 and 61 of the Issues Statement. It relates to issues of complexity, and my suspicion is that where there are boards that are unwilling or unable to push back against consulting advice (ie boards of smaller sized funds), it may be that they end up with more complex portfolios. Further, it might be that these more complex portfolios go beyond the client's ability to manage and engage with a broad and complex set of heterogeneous asset classes, or multiple managers covering many mandates, even if those mandates are better investment choices in the view of the consultant.

Our concern is that if the investment solutions become too complex for a lay trustee to understand it will obscure the important decisions that they should make within many less important decisions. The remedy proposed by the industry is invariably for more Trustee training but a lay trustee can never have the expertise or the sure footedness of a seasoned professional. In short complexity can undermine good governance if it can't be effectively managed. This in turn can lead to Fiduciary mandates.

In para 62 you discuss the difficulty of measuring complexity, and we would suggest to you analyse the size of the fund against both the number of mandates and the whether there is intermediated advice. The turnover of mandates is a second order issue, often following on from complex asset allocations.

James Brooke-Turner
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