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Dear CMA

I am responding on behalf of Punter Southall Investment Consulting Limited to the issues raised in the first working paper published on 1 March 2018 as part of the CMA's market investigation into investment consultant and fiduciary management services - Working Paper: Information on fees and quality. I am happy that this letter is published publically in its entirety.

1. Section 1: P18 Ongoing developments.

MiFiD II will raise the profile of fees within the funds chosen by pension funds and will generate valuable discussion as to whether the products used are 'value for money'. Whilst the collection of data was onerous and still not a completed project, we believe MiFiD II is a valuable step forward in ensuring transparency of costs.

2. Section 2: Current Client Performance

Suggesting that trustees are able to request performance data in what format they wish may create a barrier for smaller Advisers who do not have the sophisticated IT systems to be able to efficiently supply this data.

3. Section 3: Prospective Clients: Fees

- a. We would welcome some standardisation on fees requested in tenders, separating between required work from the Trustees and discretionary advice. We believe advisers do clearly present their fees but the complexity comes from the all the differing basis being used We would be very happy to work together towards a common template which could be used by the buyers to ensure consistency across the various models.
- b. An additional concern would be that the template becomes fixed and the value for money or uniqueness of an investment consultant is not conveyed clearly, leading to the trustee buying the cheapest service. Therefore we believe a core template approach would be most appropriate allowing additional service to be disclosed separately.

- c. You suggest options between mandating service providers to work to a specific template or giving the templates to the trustees– we think mandating service providers would be more effective.
4. Section 4: Performance information in tenders (advisory)
- Much of an adviser’s role is to recognise and discuss risk and how to manage it. There is far more value added to a pension scheme in the last 20 years of advising on interest rate hedging than on which manager was chosen to do it. What the client actually implements can be quite different from what we originally advise. So performance would need to be measured using something independent of the client’s actual implementation. This would mean publishing recommended portfolios publicly so the market could trust the integrity of the subsequent claimed performance record. In addition to risk, the primary role of an adviser is to primarily advise schemes on meeting liabilities and investments to match that. It is not investment advice for the core purpose of growth (that would result in a different set of advice). Therefore any performance metric needs to be against an appropriate target.
5. Section 4: Prospective Clients: Performance
- a. We like the idea of **Standardised information** as a minimum standard which can be augmented if the tenderer so wishes rather than a fixed template.
 - b. **Guidance and off the shelf materials** would be helpful for lots of small schemes. However, many schemes use third party ‘governance advisers’ who should be supplying this kind of information anyway. There needs to be enough flexibility to allow for innovation in service delivered as well as innovation in the structure of the service offering i.e. fee structures. Also the templates need to reflect where a scheme is at on their journey as each stage may require different templates and metrics.
6. Section 5: Other information on quality
- The suggestion of using a mandatory standardised client survey format & public register will, we believe, be difficult to implement successfully. It could easily become a box ticking exercise for clients and not be reflective of the true service delivered. If this can be overcome then the information collected could be very powerful.

We would be happy to assist in any development or testing of standards and template which result from this working paper or the investigation.

Kind Regards,

Danny Vassiliades
Managing Director