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**ALL COMING OUT  
IN THE WASH:  
UNTANGLING  
TOTAL COST  
OF OWNERSHIP**

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**the lang cat**

# FOREWORD

Hello. Thanks for stopping by. What you're about to read is an examination by the lang cat of the challenges faced by advisers and their clients in nailing Total Cost of Ownership (TCO) in the advised platform market.

We start by having a look at special fund deals and what impact they really have. Now, most of this is just pretty basic arithmetic, but we haven't seen it laid out anywhere else. And we're getting a bit tired of marketeers' implicit assertion that portfolios will be x basis points cheaper as a result of these deals, when in most cases only some elements of the portfolio will be cheaper. So there's that.



TCO is a funny beast; no sooner do you think you've got it by the tail than it twists out of your grasp and skitters off behind the wardrobe. When working out portfolio TCO for our clients we normally use OCF or TER and then add platform costs on top. If we know what trading behaviour, portfolio size and wrapper mix will be for a client, we can get pretty close to something meaningful. But there are still other, hidden charges in platforms – retained interest, for example, or rebate trimming on bundled share classes, where, say, 75bps (on a standard active equity fund) is handed back and the excess above 75bps pocketed.

So we had some fun comparing platforms' actual revenues to their stated charges, creating a Whole. New. Acronym in the process – BPR or Basis Points Revenue. And, you may not be surprised to hear, the headline published charge often bears only a tangential relationship to the actual revenues of the platforms. This is just a short paper, so we're not digging in depth – yet – but for sure there is plenty to dig into. We're self-obsessed enough to hope that our initial findings will encourage advisers to seek real clarity from platforms on their composite revenues and how they're arrived at.

Now, sometimes we do research off our own bat and sell it; sometimes we accept commissions. This piece was commissioned by Nucleus earlier in 2014. We always consider this very carefully, as independence is a cornerstone of our business. On balance, although we know Nucleus has some very strong beliefs of its own in terms of how platforms should generate revenues, we reckoned that a report of this type was worth doing and accepted the commission on two conditions:

1. The report would be based on hard data which we would generate
2. Nucleus would have no editorial input or control

We're satisfied that this report is independent in nature, and we're grateful to Nucleus for a) commissioning it in the first place and b) playing it with a very straight bat throughout the project. We don't say anything here we wouldn't say if we weren't being paid. Believe us or don't; that's entirely up to you.

If any third party is interested in the behind the scenes workings, or has concerns over the validity or presentation of the data, please get in touch. We're happy to share our sources, our workings and – well, anything really.

We hope you find the report useful. Let us know what you think.

## KEY HEADLINES

- Our sums show us that investment in a proportion of discounted funds makes a negligible difference to the overall Total Cost of Ownership faced by clients.
- Therefore, we wouldn't expect to see advisers being influenced by these deals when constructing client portfolios.
- Some platforms show a big variance between advertised headline charges and actual revenue.
- Therefore, if you're an adviser choosing a platform it pays to view platform charges in the context of investor behaviour, asset sizes, wrapper mixes and all the other things that compose your book of business.

# INTRODUCTION

The advised platform market, while still in relative infancy, has gone through a period of seismic regulatory change. The RDR, followed by PS13/1, should be the event horizon we can look back on as having ushered in a new era of transparency for retail investments.

The key development in relation to advised platforms was a clear requirement for explicit charging, where providers could only take a specified charge from the customer, as opposed to a series of behind-the-scenes slices of the annual management charge levied by fund management groups.

But the shift to transparency has not been without its challenges. The following factors in particular continue to make it difficult to pin down the real cost that investors are facing on platforms:

- The sunset clause on legacy assets means the platform world won't be fully unbundled until April 2016. This in turn means that 2017 company reports and accounts will be our first view of a fully unbundled year of platform charging, and those won't be published until 2018 in most cases. That's another 4 years to wait. Unless, of course, the rules and the landscape change again. Gulp.
- Many providers adopt a pricing model with lots of ancillary, event-driven costs. We're not here today for a fixed vs. ad valorem debate but variations across and within charging structures do make it difficult to get past the ticket price and get a bead on the actual charges facing customers.
- Some providers have flexed commercial muscle by launching a range of new pricing strategies based on preferential fund pricing.

Now, we all know we can look at marketing collateral (or helpful platform guides, sorry) for headline platform charges. This is important for many reasons. It can help us make a relative assessment of provider strategy and competitiveness. By extension, it also forms a core, but not exclusive, role in adviser due diligence.

However, this only gets us so far. While our assumptions as to fair circumstances and asset sizes are – we like to think – well informed, they are still assumptions. Real customer and adviser behaviour will determine what the actual flow of money from client to provider looks like. So later in the paper we'll take a deep breath, have a rummage around Companies House and try to create a retrospective view of what customers were **actually** being charged in the last year or so.

However, firstly we're going to shine a light on preferential fund pricing to see to what extent this changes the TCO landscape.

# PREFERENTIAL FUND DEALS: SO FRESH, SO CLEAN

In recent times we have seen a new arms race emerge whereby a platform presents a set range of funds at a lower cost than the standard rate (often via a special share class). We've seen this manifest itself in various forms.

The main headline grabbing approach has come from those using commercial clout to negotiate a preferential range of best friends deals with external fund managers – yes, it's **SUPERCLEAN™<sup>1</sup>**.

Other approaches we've seen involve providers presenting discounted versions of their own funds, where the platform has a fund management arm. We've also seen mirror or sub-mandated fund propositions.

We're going to play with one of these scenarios here. Here are our assumptions:

- At the lang cat we produce lots of pricing tables, so we're going to use the same headline platform assumptions that you'll see in our blogs, press work and Platform Guides. We stated at the beginning of this document that Nucleus had no editorial control over our stuff and think the best way to underline this is to use the standard calculations that the lang cat has already published. But there are a couple of new things to consider:
- Average discounts vary from provider to provider; In our sample, currently Standard Life, AXA Elevate, FundsNetwork and Old Mutual Wealth (OMW) offer access to discounted funds. We've had a look at the numbers and settled on 8bps (0.08%) as the most appropriate sample discount level to use.
- We've assumed a portfolio whose standard fund classes have a collective weighted Ongoing Fund Charge (OCF) of 0.75%. Your mileage will clearly vary and be higher or lower than this depending on investment choice. The following principles will hold though.
- We wondered how well used these discounted funds were. Nucleus looked at one of the preferential fund lists and shared its own data with us. It informed us that its average portfolio contained just under 14% of these funds. So, we rounded that up a bit, and assumed 15% investment in those funds for our tables.
- Bias klaxon! Hang on a minute – behaviour will vary from platform to platform so we've also doubled this to 30%, to ensure that there can be no question of any shenanigans going on with conveniently structured marketing-type examples. And just so there can be absolutely no doubt, we've also thrown in a column whereby the client is invested fully in discounted funds (albeit, we'd be surprised to see this – we're just throwing it in as a 'what-if' scenario to investigate the sums).

To start off with, let's look at a simple £20k ISA...

£20k ISA					
PROVIDER	HEADLINE PLATFORM PRICE	WITH 0.75% OCF	15% DISCOUNTED	30% DISCOUNTED	100% DISCOUNTED
Ascentric	1.08%	1.83%			
Aviva	0.25%	1.00%			
Cofunds	0.29%	1.04%			
Elevate	0.40%	1.15%	1.14%	1.13%	1.07%
FundsNetwork	0.48%	1.23%	1.22%	1.21%	1.15%
Novia	0.50%	1.25%			
Nucleus	0.35%	1.10%			
OMW	0.50%	1.25%	1.24%	1.23%	1.17%
Standard Life	0.40%	1.15%	1.14%	1.13%	1.07%
Transact	0.56%	1.31%			

<sup>1</sup> It isn't really trademarked. You all can use it, if you want.

So, how does the picture look?

One thing which stands out by virtue of being *very small indeed* is the difference between 15% and 30%. It's tiny in the grand scheme of things, which seems like a surprise, but should it be? Let's take a closer look at the – very basic – arithmetic for those that offer discounted funds.

	AVERAGE CHARGE (%)	AVERAGE CHARGE (£)
<b>With 0.75% OCF</b>	1.20%	£240
<b>15% discounted</b>	1.18%	£236
<b>30% discounted</b>	1.17%	£234
<b>100% discounted</b>	1.12%	£224

So, 15% of a portfolio in discounted funds in our example translates to a grand saving of 2bps. That's 20 pence for every thousand invested and, with rounding, a grand total of four quid here for our £20k ISA. Even at a 100% weighting, the saving is only £16 on average in our example. (Or 80p per thousand invested).

There's more to life than £20k ISAs, so let's look at a different, weightier example: a £100k SIPP. Same portfolio assumptions...

<b>£100k SIPP</b>					
PROVIDER	HEADLINE PLATFORM PRICE	WITH 0.75% OCF	15% DISCOUNTED	30% DISCOUNTED	100% DISCOUNTED
<b>Ascentric</b>	0.56%	1.31%			
<b>Aviva</b>	0.36%	1.11%			
<b>Cofunds</b>	0.29%	1.04%			
<b>Elevate</b>	0.37%	1.12%	1.11%	1.10%	1.04%
<b>FundsNetwork</b>	0.30%	1.05%	1.04%	1.03%	0.97%
<b>Novia</b>	0.50%	1.25%			
<b>Nucleus</b>	0.35%	1.10%			
<b>OMW</b>	0.39%	1.14%	1.13%	1.12%	1.06%
<b>Standard Life</b>	0.55%	1.30%	1.29%	1.28%	1.22%
<b>Transact</b>	0.51%	1.26%			

For maths fans out there, it will come as no surprise to see the same pattern forming here. The overall costs are lower, but that's down to the reduced platform charges for larger assets rather than anything to do with the discounted funds.

So the headline here is that the impact of differing platform charges – from 0.29% to 1.08% in the ISA, and 0.30% to 0.56%

in the SIPP) – is far greater than the impact of our example fund saving, even with a portfolio made up entirely of discounted funds.

It's worth keeping in mind that the lang cat platform pricing tables include 10 trades. So, our outlier at the higher end – Ascentric – includes the additional charge for switching funds.

Let's take it a stage further...

# THE NEXT STAGE: TOTAL COST OF OWNERSHIP

We're going to develop the scenarios now. Firstly, we've added in a typical 0.75% adviser charge to both the £20k ISA and the £100k SIPP. Secondly, we've assumed the adviser has a Centralised Investment Proposition (CIP) in the SIPP example, which carries a representative additional charge of 0.3% + VAT per annum. We've picked the 30% weighting into discounted funds, because that is our inalienable right as free human beings.

Let's see how this new, extended picture looks...

£20k ISA				
PROVIDER	HEADLINE PLATFORM PRICE*	ADVISER CHARGE	WITH 0.75% OCF	30% DISCOUNTED
Ascentric	0.85%	0.75%	2.35%	
Aviva	0.25%	0.75%	1.75%	
Cofunds	0.29%	0.75%	1.79%	
Elevate	0.40%	0.75%	1.90%	1.88%
FundsNetwork	0.48%	0.75%	1.98%	1.96%
Novia	0.50%	0.75%	2.00%	
Nucleus	0.35%	0.75%	1.85%	
OMW	0.50%	0.75%	2.00%	1.98%
Standard Life	0.40%	0.75%	1.90%	1.88%
Transact	0.57%	0.75%	2.07%	

And the SIPP...

£100k SIPP					
PROVIDER	HEADLINE PLATFORM PRICE*	ADVISER CHARGE	CIP CHARGE	WITH 0.75% OCF	30% DISCOUNTED
Ascentric	0.51%	0.75%	0.36%	2.24%	
Aviva	0.36%	0.75%	0.36%	2.22%	
Cofunds	0.29%	0.75%	0.36%	2.15%	
Elevate	0.37%	0.75%	0.36%	2.23%	2.21%
FundsNetwork	0.30%	0.75%	0.36%	2.16%	2.14%
Novia	0.50%	0.75%	0.36%	2.36%	
Nucleus	0.35%	0.75%	0.36%	2.21%	
OMW	0.39%	0.75%	0.36%	2.25%	2.23%
Standard Life	0.55%	0.75%	0.36%	2.41%	2.39%
Transact	0.52%	0.75%	0.36%	2.38%	

\*Switching charges apply so we assume 10 deals at the model portfolio rate of £2 for Ascentric and for Transact we assume 10% of the portfolio turns over at the buy rate of 0.1%

As expected, the effect of preferential funds is proportionally even smaller now. The difference in platform charge, or choosing an alternative CIP/DFM will have a far greater impact.

We're not here to exhaustively debate the rights and wrongs of such deals; however we can't fail to acknowledge that opinion is split. On the one hand, it could be argued that discounted funds

are a commercial inevitability and that customers being able to save a few quid here and there should be welcomed. Better in customers' pockets than fund managers', say supporters of the deals, and we can't argue with that.

On the other hand, we have to highlight that **SUPERCLEAN™** deals are not without their issues. Proliferation of share classes causes advisers,

providers and customers (and us) a research and re-registration headache. And while we wouldn't ever expect to see advised clients invested fully in discounted funds (remember, these are just our 'what-if' scenarios to investigate the arithmetic), the potential for 'tilting the deck' is real. Advisers do need to be mindful that platform selection and delivery of individual advice is not unduly influenced by the attraction of these deals.

Those wishing to find out more on the FCA's view on all this should open their COBS hymnals to...

**6.1E.9** "A firm must not use a platform service as part of a personal recommendation to a retail client in relation to a retail investment product unless it has satisfied itself that the platform service provider, and its associates, only receive remuneration for business carried on in the UK which is permitted by the rules in this section."

**6.1F.1** "A firm which: (1) arranges for retail clients to buy retail investment products or makes personal recommendations to retail clients in relation to retail investment products; and (2) uses a platform service for that purpose; must take reasonable steps to ensure that it uses a platform service which presents its retail investment products without bias."

We've published some useful tests advisers can use when checking for biased presentation of retail investment products – contact us via [www.langcatfinancial.com](http://www.langcatfinancial.com) if you want a copy.

# BASIS POINTS REVENUE

Subject to a few exceptions (revenue from fund managers in return for MI, advertising or administration) an advised platform will generate its revenue from its customers. This is collected in many ways from the explicit (core platform charges, fixed wrapper fees, event-driven costs) to the implicit – such as retained rebates, retrocessions on trading fees and slices of cash interest.

We hypothesise for this paper that if a platform mashes all of this together, it could express its total income as a proportion of its asset base. Or, in simpler terms, define how much it would need to

charge its customers on average in order to maintain its level of revenue.

We're going to call this basis points revenue, or BPR, from here. That's another TLA for you to remember. And yes, this will be on the test.

Here is our methodology:

- We looked at the published assets under administration (AUA) for our sample platforms
- Then we dug around in Companies House and associated data sources for published reports and accounts which would give us platform revenues

- Where we had to make a leap of logic, we've noted our assumptions and are happy to debate them
- We divided the small number (keep up) by the big number to get to our basis points revenue figure (or BPR)
- There were a couple of bumps in the road and we couldn't commit a figure to paper (or PDF) for every single platform. We'll talk about that properly in the provider by provider analysis.



# OUR FINDINGS

PROVIDER	2011			2012			2013		
	TURNOVER (m)	AVERAGE AUA (bn)	BASIS POINTS REVENUE	TURNOVER (m)	AVERAGE AUA (bn)	BASIS POINTS REVENUE	TURNOVER (m)	AVERAGE AUA (bn)	BASIS POINTS REVENUE
Ascentric	£13.2	£3.3	0.40%	£19.0	£4.6	0.42%	£23.2	£6.5	0.36%
Aviva	£2.4	£0.6	0.40%	£3.1	£1.0	0.32%	£5.4	£2.2	0.25%
Cofunds	£70.0	£33.5		£73.8	£43.2		£79.7	£57.1	
Elevate	£16.5	£3.0	0.55%	£21.9	£4.6	0.48%	£23.0	£6.7	0.34%
FundsNetwork	£328.8	£35.1	0.44%	£287.4	£38.1	0.25%	£309.5	£45.4	0.18%
Novia	£4.0	£0.8	0.50%	£5.3	£1.3	0.40%	£11.8	£2.0	0.59%
Nucleus	£9.7	£3.0	0.32%	£13.6	£4.2	0.33%	£18.8	£5.7	0.33%
OMW	£93.9	£38.7	0.24%	£102.5	£40.4	0.25%	£116.4	£31.9	0.36%
Standard Life	£51.0	£10.0	0.51%	£61.8	£13.4	0.46%	£66.6	£14.7	0.45%
Transact	£49.8	£10.6	0.47%	£49.6	£11.8	0.42%	£55.5	£14.1	0.39%

PROVIDER	2012 BLENDED HEADLINE CHARGE @ 100K	2013 BLENDED HEADLINE CHARGE @ 100K	2011 BASIS POINTS REVENUE	2012 BASIS POINTS REVENUE	2013 BASIS POINTS REVENUE
Ascentric	0.34%	0.34%	0.40%	0.42%	0.36%
Aviva	0.39%	0.32%	0.40%	0.32%	0.25%
Cofunds	0.55%	0.32%			
Elevate	0.42%	0.39%	0.55%	0.48%	0.34%
FundsNetwork	0.47%	0.30%	0.44%	0.25%	0.18%
Novia	0.50%	0.50%	0.50%	0.40%	0.59%
Nucleus	0.35%	0.35%	0.32%	0.33%	0.33%
Skandia	0.39%	0.39%	0.24%	0.25%	0.36%
Standard Life	0.52%	0.52%	0.51%	0.46%	0.45%
Transact	0.53%	0.48%	0.47%	0.42%	0.39%
Average	0.45%	0.39%	0.43%	0.37%	0.36%

- Where we use the term **Blended headline charge** at £100k in the BPR table, we are assuming a 60:40 split in assets between SIPP: ISA/GIA. Now, we don't pretend that what we've done here is an exact science. There are a lot of unknowns and issues around sourcing and interpreting data. But we can be sure of some things, such as headline charge figures which are based on the pricing tables from our 2012 and 2013 Platform Guides – we didn't produce a Guide in 2011, sorry about that. In any case we have two years of published data from which we get an indication of core platform charges. We then weight these as an average, recognising where intricacies occur with multiple wrapper charges i.e. it's not a straight average in some cases.
- We don't look at day one set up fees (many of them are regularly dealt away), preferring to calculate ongoing charges from year 2 onwards
- As some platforms have switching charges, we've assumed a moderate level of tinkering for those enjoy a tinker. Moderate to us is 10 trades per annum.

So, what can we see? Let's do this line by line and share some thoughts on each provider.

<b>Provider by Provider</b>	
Ascentric	<p>One of only two providers to increase its BPR in the first 2 years we looked at, albeit marginally from 0.40% to 0.42%. This is 20% or so higher than the sample ticket price. 2013 figures are much more in line – 0.36% BPR compared to 0.34% headline charge.</p> <p>Ascentric does have a lengthier than average ancillary fee sheet – £60pa for model portfolios, trading charges, explicit wrapper charges and it also retains interest on cash, which we suspect explains the variance.</p>
Aviva	<p>It's a clearer story for the Yorkshire boys, showing a BPR of 0.40% for 2011 followed by a dip to 0.32% and then again to 0.25%, both lower than headline price. We are aware that lots of special deals were kicking around in a drive to increase AUA so we're not too surprised by this. Aviva has dropped its charges a fair bit since 2012, so some of this variance will be a lead indicator.</p>
Cofunds	<p>A tricky one this. Companies House pointed to BPRs of 0.21%, 0.17% and 0.14% for 2011, 2012 and 2013 respectively. However, while this is a valid assessment of the business as a whole, we're trying to compare like for like and undoubtedly, the lower margin institutional business is skewing things here.</p> <p>We think unpicking this, coupled with measuring what has happened during the transition from bundled to unbundled is beyond the scope of this paper so you'll excuse us for stepping aside here.</p>
Elevate	<p>Another to show a drop in our timeframe from 0.55% to 0.48% and then again to 0.34% – compared to blended ticket prices of 0.42% and 0.39% in 2012 and 2013 respectively. Plc revenue accounting is always tricky; we may be looking at cross-business unit revenue recognition, or ancillary revenues might represent a greater amount than we thought. Either way, the offers Elevate had in the market during this time didn't serve to depress total revenues too far below headline prices.</p>
FundsNetwork	<p>Two things we should mention off the bat with regards to FundsNetwork. Firstly, we're using report and accounts to 30th June so our timelines are a bit skew whiff compared to the rest and secondly, we've stripped out 0.5% from the BPR calculations to allow for trail commission. Similar to Cofunds, the BPR figure is some way off the headline price but we suspect the move from bundled to unbundled makes this just too tricky to get a handle on. FNW gets a pass for now.</p>
Novia	<p>With Novia, we get our first bulls-eye with the 2011 BPR of 0.50% matching our headline prices. We suspect this is down to the Ad Valorem price structure with the majority of clients being swept up by the first tier. 2012 and 2013 are different beasts, however. Other than a high book price, we don't see much devil/detail in Novia's charging other than retaining a margin on cash, so we think the variance – 10bps or so either way – is probably down to deal-making in a hardening market, some large case discounts and turnover and AUA moving at different rates. (Note, for the 2013 calcs, we discounted £7m intra-group revenue related to the much publicised Aegon deal)</p>
Nucleus	<p>*sponsored content* Nucleus is COMPLETELY EXONERATED OF ANYTHING UNTOWARD. *end of sponsored content* OK, we'll take it seriously. Much like Novia, Nucleus has a pretty simple model; some slight adverse variance is most likely from tiering for larger portfolios and this will be compensated for by the fancier third party tax wrapper charges (some of these will pop up in Nucleus' revenue line before being paid away). Cash is charged explicitly as part of a portfolio.</p>
Old Mutual Wealth	<p>Another one to change model, and another one which is hard to get a bead on. We have third party analyst sources who suggest a composite BPR figure in the old world of 52bps. OMW's own figures are quite different at 0.26%, 0.23% and 0.36%, so while we can get a handle on some of this (the uplift in 2013 for example is mostly down to OMW no longer reporting legacy as AUA) we are clearly not comparing like with like. Much like Cofunds and FNW, OMW has to get a pass for now.</p>
Standard Life	<p>Our penultimate provider is Standard Life, and it's another tricky one. Our figures are for the platform business, Standard Life Savings Limited (SLSL). SLSL does more than Wrap; it also includes FundZone (not meaningful) and Sigma (much more meaningful). Both FZ and Sigma were bundled until they couldn't be any more. The BPR figures are broadly in line with our Wrap expectations, but slightly lower than the headline charges which contradicts our expectations given that Standard's SIPP, for example, has a large menu of ancillary costs. So we suspect the simpler propositions are probably counterbalancing these revenues, as are deals which SL made for larger books of business ('large adviser discounts').</p>
Transact	<p>Transact, via the relentless tyranny of the alphabet, is last up and again shows a downward trend in line with the majority of players here. BPR of 0.47% in 2011, reducing to 0.42% in 2012 and 0.39% in 2013. This is lower than our blended charge; likely due to Transact having a high average client balance.</p>

So, where does all that leave us? Well, what we're not saying here is that having a low BPR (or lower than advertised) is the be all and end all. Platforms need to be sustainable and aim for profitability, a goal that has proved challenging in the face of significant regulatory change.

That said, we can't help but notice that the trend in our timeframe is downwards, a point backed up by our published pricing guides. (Using the blended £100k figure, prices in the 2013 lang cat tables are broadly 6bps lower than their 2012 equivalents.) Published charges continue to move only one way - the widespread lowering/removal of fixed SIPP fees being the stand out in 2013. Once we get our paws on 2014 reports and accounts, this'll be the first trend we look out for.

With regards to the research process, it's actually pretty hard to get a handle on the

correct figures and we've had to make more than a few assumptions along the way. While we acknowledge that we're testing the water here with methodology that is not commonplace, we do feel strongly that it should be easier to get to platform revenue numbers.

Should platforms be more open about publishing average case sizes and typical customer / adviser investing behaviour? We'd like to see some more transparency around this. Advisers are encouraged by both the regulator and those platforms who are profitable to consider financial strength and sustainability as key aspects of due diligence. Leaving aside the fact that simply getting meaningful P&L figures can be challenging, understanding the real world revenue position of a platform versus its headline charge is a good way of understanding more about platforms'

centre of gravity; their strengths and weaknesses. A platform with strong equity trading capability will make lots of trading revenue over and above headline custody fees. A funds only buy-and-hold shop won't. Cash margins can be assessed this way. And so on.

Even if platforms don't want to publish all this stuff (and we would understand why not), it should probably be available to potential adviser clients who are willing to sign and abide by non-disclosure agreements. Some will do that just now; many would struggle, and point to other industries where this doesn't have to happen. Fair point, say we, but other industries don't have the weight of regulation on the intermediary that exists in retail financial services.

# CONCLUSIONS AND THE FUTURE

So, what have we proved? On the discounted fund side, on the face of it, really all we have done is shine a light on some pretty basic arithmetic. But by shining that light on those sums we can achieve some clarity over what fund deals might actually mean to investors. It is often the case that the real end-customer impact of headline grabbing stuff (such as **SUPERCLEAN™**) ends up being disproportionate to the surrounding industry noise and this seems like one of those cases.

This is **not** the lang cat saying that discounted fund ranges are bad, just that they come with the health warning of assessing the true impact, weighed against the regulatory and administrative implications of using and recommending them. We know few if any advisers who would be swayed by a few cheaper funds; for anyone including them in the decision process, that's quite right and

proper – but do the hard yards of getting to a portfolio-level TCO for your model portfolios before placing business.

On the basis points revenue side, one of our findings has to be that carrying out our (simple) methodology was actually (very) hard. This was due to a number of factors:

- It's tricky to get to the correct revenue and AUA figures. Reporting simply isn't standardised across platforms.
- It's difficult to compare realised revenue with headline cost. A ticket price will always be based on an honest assumption of typical behaviour and come with the compromises associated with trying to compare like for like.
- Legacy assets and changes in charging structures muddy the water and hinder like for like comparisons – at least for now.

So, the overall call to arms here is not that we have concluded X, Y and Z about the figures as such – more that we'd like to use this exercise to kick off a debate on whether this is a valid methodology and whether platforms could do more to disclose actual vs published charges. If you run a platform and an advisory firm contacts you with a due diligence survey asking what your current BPR figure is, would you be happy to disclose?

A principal aim of the RDR was customer transparency and the findings of this study demonstrate that we're still a way off this – albeit on the BPR front we acknowledge we're taking a retrospective look under the bonnet. We're looking forward to getting our hands on 2014 accounts and beyond to see if things become clearer. In the meantime, we'd love to hear your views.



## About the lang cat

We're a small but noisy consultancy based in Edinburgh, specialising in platforms, pensions and investments. We work with providers and advisers on proposition development and competitive positioning analysis. We also help with PR, strategic communications and marketing communications. And we publish interesting things from time to time, including an annual Guide to Advised Platforms. To find out more just visit [www.langcatfinancial.com](http://www.langcatfinancial.com)