

LOOKING INTO LOOKTHROUGH

An analysis of Aberdeen Standard Investments' MyFolio Lookthrough Tool by the lang cat



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THIS IS AN ANALYSIS PAPER FROM THE LANG CAT.

It examines Aberdeen Standard Investments(ASI)'s MyFolio Lookthrough Tool, so it won't come as a galloping surprise that ASI paid us to do this research.

From time to time we accept commissions of this type for propositions we think are particularly interesting and worthwhile. We don't accept them for stuff we think isn't up to scratch. We are independent and we take our reputation very seriously.

In this case, we've talked publicly for a long time about the parlous state of client reporting, and how more firms need to develop kit which helps advisers put review packs together more efficiently. The MyFolio tool is an example we've held up of that, long before we ever talked with ASI about doing a paper on it.

ASI supplied us with an initial brief and we agreed the scope of the paper. They also supplied screenshots. But that's where the influence ended. What you read here is our opinion – good and bad – just the same as you would read if we weren't commissioned.



INTRODUCTION

Hello and welcome to this short(ish) paper from the lang cat. Today we're taking a hard stare – such as Paddington might give – at Aberdeen Standard Investments' MyFolio Lookthrough Tool, which you will find nestled on ASI's website.

Why are we interested in this tool? Well, it's not because we particularly want to talk about the benefits or drawbacks of the MyFolio range itself. You can make your own minds up about those.

Rather we're interested in the issue that the tool is trying to solve: what Silicon Valley nerds with vinyl record bags would call its 'use case'. And that's all about client reporting, and demonstrating clearly to clients what's going on in terms of the behaviour of the product you've selected, and also in terms of ongoing suitability for their objectives.

Mixed up in all this is another issue – the relative suitability of model portfolios against multi-asset funds for advisers' centralised investment propositions (CIPs). In successive waves of research over the last few years we've found that advisers tend to favour model portfolios – whether constructed in-house or outsourced to a discretionary model portfolio service (MPS) – to multi-asset or multi-manager funds.

This tilt seems strange to us. Are multi-asset funds more expensive than a typical MPS? No, they're not, as long as you compare like with like in terms of low-cost passive content, even allowing for DFM access charges. Do they perform more poorly than MPS? No, they don't so long as you compare risk bands appropriately.

The real difference, and the real reason why we think the MyFolio Lookthrough Tool could be properly important, is that other factors are at play here.

This is sometimes known as the 'single line of stock' problem. As an adviser, you want to demonstrate that you're doing a bang-up job for your client in all respects, from cashflow planning right through to the investment at the end of the chain. But if you use a multi-asset fund, if you're not careful your investment report is just a single line, which isn't particularly engaging.

And so – arguably – investment solutions which show more of what's going on under the hood and give the semblance of more complexity get the nod.

We've met plenty of firms who have this issue – it's not a religious conviction, it's just about how one type of product presents itself to the client via platforms versus another kind of product.

Our thing is: this is daft. It is surely not beyond the wit of humankind to find a solution to how multi-asset funds appear on platforms, and to provide reporting which makes the adviser proud to hand over the review pack.

The MyFolio Lookthrough Tool is the first genuinely interesting adviser-focused offering we've seen of this type. It's been around for a while, but the team at ASI has recently upgraded it and it now does a lot more for you.

In the rest of this paper, then, we'll look at the tool itself, how it might fit into an adviser's process, what we like about it and what we think needs some further development.

Ready? Of course you are. Us too. Let's get on with it.

THE BASICS

We won't spend too much time here – ASI has a perfectly respectable user guide which covers everything you need to know. Let's just pick out some of the things which we think might be of particular interest to LEADING ADVISER FIRMS such as your good selves.

THE BASIC BASICS

Let's start at the beginning. The purpose of this tool – in our view at least – is to give firms a really decent client report on MyFolio: one which goes far beyond that which a platform might produce. To that end the tool is pulling comprehensive data from FE on the whole MyFolio range. This is a step up from the old version, which just had OEICs. On the new tool you can cover insured funds and OEICs, which is handy if you're using any Standard Life insured products in particular.

The starting point is a fund selector tool which straight away gives you access to a range of off-the-shelf fund reports. These include individual annual fund reports as well as quarterly and monthly 'range' reports, which give you a decent breakdown of key information for all the funds in that range. A nice little touch in terms of usability is that the list reduces for you as you type more and narrow the search.

The screenshot shows the 'Explore Funds' interface. At the top, there's a search bar and a 'Quick Fund Search' button. Below the search bar, there are three main filter sections: '1 Fund Type', '2 Range', and '3 Risk Level'. The 'Fund Type' section includes 'OEIC', 'Pension Insured', and 'Life Insured'. The 'Range' section includes 'Managed', 'Managed Income', 'Market', 'Multi-Manager', 'Multi-Manager Income', 'Active Plus', and 'Passive Plus'. The 'Risk Level' section includes 'I', 'II', 'III', 'IV', and 'V'. There are also buttons for 'Refresh' and 'Create customised report'. A note at the bottom states: 'Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.'

You can also create a 'basket' of up to four funds to run comparative performance reports, using the fund type, range and risk level as search criteria.

When you have added funds to your basket, hitting 'chart selected funds' creates a chart of the performance of the selected funds, and tables of performance over cumulative, discrete and calendar year periods. You can amend your fund searches from the charting page as well.

So this is good for research, and is probably easier than hunting through functionality on third-party fund analysis systems if all you need to look at is MyFolio. But we haven't got to the client bit yet.

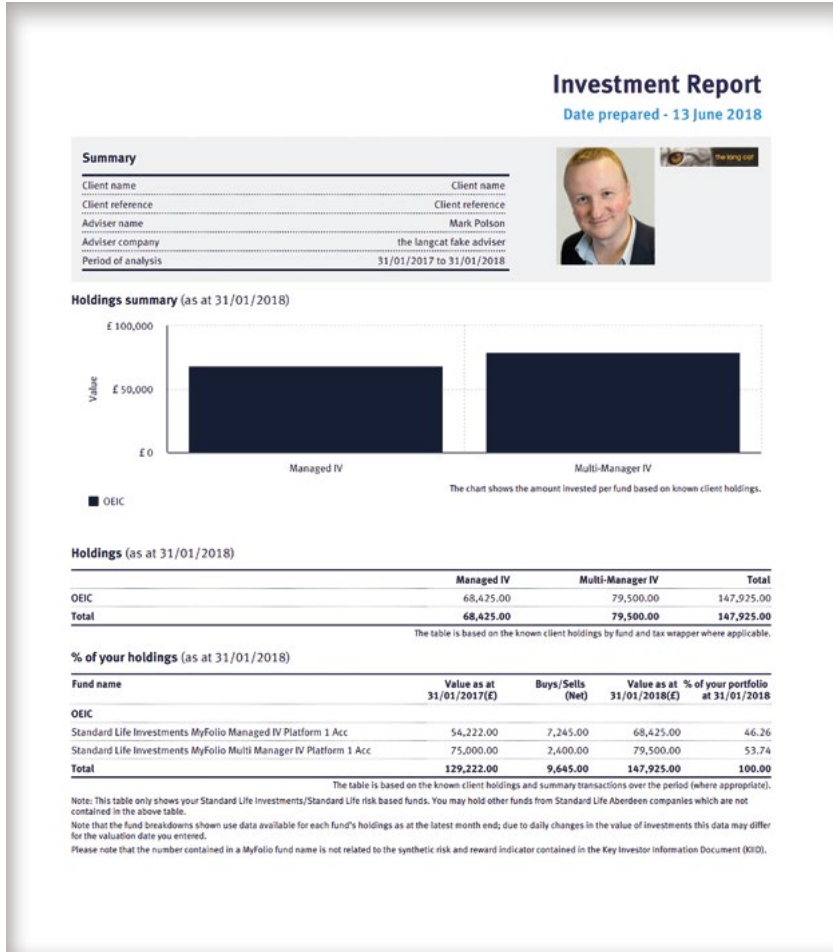
THE CLIENT BIT

Here's where things start to get more interesting. The new tool lets you create a customised report for clients. So you'll have to put some data into the system, and then you'll be running something which is specially designed for you to share with your client.

When you do this you'll start by entering your own details. There is space for you to pop photos in – one of your happy smiling face and one of your logo. This is lovely, but the file size is restricted to 512KB, which is enough to play Jet Set Willy, but not enough for most modern headshots you may have done. More annoyingly, the dimensions for each are set at a maximum of 585x359 pixels. You will need to either get your designer to resize your logo, or find an image shrinking site on the internet. First world problems, and the ASI guys are aware of the limitation, but still.

Once done, it's onto adding clients. See the boxout on page seven for some stuff on data security. You can upload files into the tool via CSV (the tool gives you a template and the ASI guys are pretty good at helping you work out what you need). Broadly it's the start and end valuation of the period you're looking at for each fund, along with any purchases or repurchases during those dates. If you don't fancy the CSV route you can add details one at a time, using a similar fund picker to the one at the start. But if you can make it work it's much quicker to go the CSV route.

The tool lets you do 20 clients at a time for up to four MyFolio funds per client. That's pretty handy; it should certainly do most small to medium size firms for, say, client reviews for a week. With a bit of judicious diary management you can see how it could all fit together.



Once done, you can choose what you want to see in the report. ASI warns you that the more stuff you choose, the longer the report will take to run. We timed a simple report for one client with two holdings and all boxes ticked, and it completed in eight seconds. You can make your own judgements on that, but it wasn't enough time for us to finish yawning and stretching, so that's good enough. ASI tells us that a big report will take about a minute to run.

The report itself is very good. Yes, it's reasonably technical – you need to know what 'asset allocation' means and so on. But this is no different from any report, and the idea here is that you're working through it with your client anyway. What you will notice is lots of detail on holdings, volatility, performance and so on. You get that for the range as well as the funds selected, which may not go down quite as well. The report we ran was 13 pages long; if you have four funds it will obviously be more than that. We're guessing nearly twice as long.

And that's it. Save, rinse, repeat.

This isn't one of those tools with tonnes of hidden features – it does what it does. Let's move on now and have a think about how what it does might fit into your daily life as an adviser.

THE SECURITY BIT

Your client details are stored on your side, not the ASI tool's side. That means that if you delete the report and haven't saved a CSV of your clients' details, you'll need to regenerate everything. On the plus side, this saves you having to log into the tool. On the minus side, you have to not just delete stuff without thinking.

In terms of your details, the system does remember these through cookies (if you don't know what a cookie is then ask Dr Google). This means that you won't have to re-enter your firm details (including pics) every time – but it also means you have to have cookies enabled, which may be an issue if you're a privacy hound or if your own information security procedures don't let you do this.

WHERE IT ALL FITS IN

We've seen too many companies develop tools which have all the smarts, but which fail to find their place in advisers' lives. This is usually because they're not very good, but sometimes a decent one will slip through the cracks because the lovely people who developed it have never run a business and have no appreciation for how their New! Shiny! Thing! will actually fit in with the processes that make an adviser firm tick.

We're happy to say that we don't think the ASI MyFolio Lookthrough Tool is guilty of this. In part that's because it's actually very (deceptively) simple. But it's also because ASI isn't pushing anything except its funds (and it's allowed to do that). That means there's nothing to tilt the decks about *where* you hold MyFolio; the tool doesn't care if it's on Standard Life Wrap, Ascentric, Nucleus or via an insured link somewhere else. As a result there's a sort of pleasing restraint about it; it does what it does and nothing more.

We said at the start that we were going to think about 'use cases' for the tool. By our count we're about 2,000 words further on and we haven't done that yet. But fear not! We've got this.

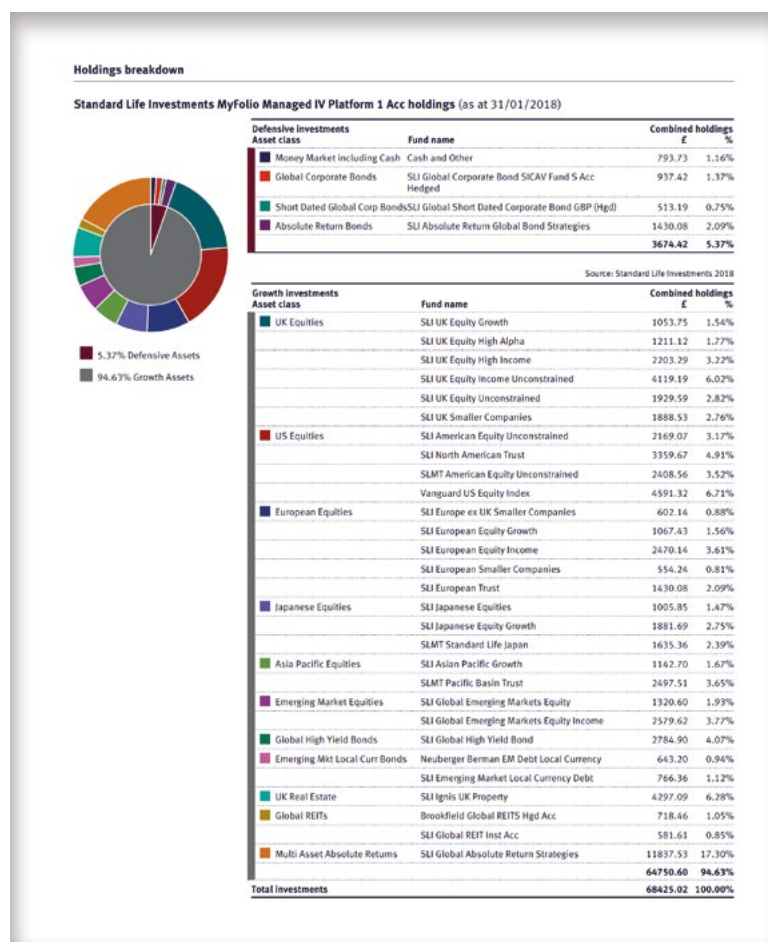
We'll think about it in two sections. Firstly, we'll be all practical and think of the administrative life of the firm. We'll draw out some points where we think the tool fits in quite nicely. Secondly, we'll consider the more fundamental question – does this tool help us get past the 'single line of stock' problem? And could it help bring multi-asset funds back into the mainstream a little more?

ADMIN IS AS ADMIN DOES

THE TOOL...	THE ADVISER FIRM...
Gives an interactive way of x-raying the entire MyFolio range across life, pension and non-insured vehicles.	Can use it as part of CIP research, especially when it comes to documenting selection of the MyFolio range at a strategic level.
Gives access to timely reports, bulletins and factsheets, some updated monthly.	Can use the content as input to investment committee meetings in the knowledge that it's never more than a month or so out of date. Can also use the monthly range report to stimulate discussion topics with clients who are into that sort of thing, and it's handy to know where you can go for an up-to-date annual fund report.
Doesn't require logins.	Can create or recreate standardised reports across the team without worrying about whether anyone knows Simon's login if Simon is off work again with that dental problem that happens on Fridays.
Lets administrators create up to 20 reports at a time, with four funds per report.	Can look at which review meetings are coming up in the next week or so, take an extract from the platform or product or back office and run all the reports for those meetings in (most likely) one or two goes. Saving the reports back up into the relevant client files is probably the most time-consuming bit. Multiple funds per report helps with those clients who have insured and non-insured holdings.
Lets firms add their own branding.	Can create something which has at least a tangential relationship to their own materials, which will form the most important part of the client report.
Gives a customisable report that can include considerable detail.	Can make a decision on how much information is reasonable to burden a client with, ideally striking a balance between helping clients understand that there is plenty going on and blinding them with science.

So let's think about that more fundamental question once more. Can a tool such as this help with that 'single line of stock' problem that arguably throttles multi-asset usage?

That all comes down to the client report and how you use it. If the MyFolio tool report takes centre stage after the valuation summary in the report pack, then the client will immediately have a good level of detail on what's going on inside the 'portfolio'. See this breakdown of the MyFolio Managed IV OEIC as an example.



If the adviser conducting the meeting also has the monthly range bulletin to hand, she is well positioned to talk about how the 'portfolio manager' has responded to changing circumstances. The split between defensive and growth investments is also interesting: this can fit well with some risk profilers that kick out asset allocations which use similar definitions (for the record, we're not saying the definitions of what's defensive and what's growth are the same between systems, but we're painting broad strokes for clients most of the time).

Would this satisfy a client who wants to know that her money is being professionally managed? Without talking about the merits or demerits of MyFolio, it seems to us that it should do. For sure we have all known clients who are amateur money managers themselves and for whom the cachet of having what looks like an individually managed portfolio (even though it rarely is) will trump any attempt to give a same-but-different experience from any multi-asset or multi-manager proposition. But not every client is like that (thank goodness).

Finally, if you're a firm that locates its service and ethos in life planning and cashflow modelling rather than investment, then it feels like this would be more than enough. But in our experience, those firms are generally pretty happy with (usually passive) multi-asset ranges anyway.

THINGS TO MAKE AND DO

We're nearly at the end of our journey together now, and it's been lovely. But as we said at the start, we treasure our independence. Which means that, when we write papers like this, we insist the provider allows us to talk about the things that we don't like so much, or which need further development. Otherwise it's little more than a sales aid, and we don't do those.

So here – in handy tabular format once again – is a list of things we think the ASI guys could reasonably focus on in future.

THE ISSUE	WHAT TO DO ABOUT IT
No integration	The tool stands proudly alone on the ASI website. The next big step – v3.0 if you will – needs to be to embed it in various different places. It will be tempting to concentrate on platforms, especially ones which may or may not be owned by certain Edinburgh institutions, but actually just as important is embedding it with key back office providers. If the data from the back office or platform can populate the tool automatically as part of a client review report and remove the need for the CSV step or rekeying, as well as automatically storing the report against the client, that would be huge. ASI tells us it is absolutely open to doing this, which is great.
Limits on reports	Four funds per client is probably ok (surely there can't be many of you who are using more than one MyFolio fund per wrapper?). But 20 clients per bulk run could be a bit limiting for larger firms, although for most it probably keeps it pretty manageable.
Branding	It's good that basic branding is there. But the font is still very obviously Standard Life, and the restrictions on pixel count and file size make it hard to use – although it's obviously there for a reason. The ASI guys tell us they're aware of this system constraint and will look into future improvements.
Performance	Performance is generally fine, especially given that there's a lot of maths going on behind the scenes, but big bulk reports do take a minute or so to do. The hamster may need steroids at some point.
Report content	You get details of the whole MyFolio range whether or not you asked for them in the performance and risk/return sections of the client report. That's fine for adviser research, but not ideal for clients who really don't need to know. Missing out those sections resolves this, of course.

And that's really it. Other objections we've heard from firms who've looked at the tool all have more to do with MyFolio as a product rather than the tool itself. For example, if you're allergic to multi-asset funds having more than a smattering of the 'house' underlying funds, then you're probably looking elsewhere anyway (or you'll go for the multi-manager MyFolio range). That's not our subject today.

CONCLUSIONS

So what have we learned?

Well, the first thing to say is that we like this tool, a lot. We liked it in its first iteration, and we like it better now. We are simple felines at the lang cat, and we like anything which helps the adviser give a better experience to her client. We think this tool does that.

As we noted earlier, the MyFolio Lookthrough Tool doesn't make wild claims for anything. It doesn't come with a cheesy 'build your business with MyFolio!' marketing push (if it ever does, please refer ASI to us and we'll re-educate them forcibly). It's not going to change your world. But it is going to help you do a couple of things if you are a MyFolio user or are considering becoming one:

1. It's a handy research tool and kicks out enough quality content to form a useful part of CIP due diligence. It's also ideally suited to creating input for investment committee meetings in your firm.
2. The client report it creates is, with a couple of caveats, well structured and thought through. With equal thought on your side, and a bit of process re-engineering, it's easy to see how the tool's output could become part of a client's review pack.
3. The detail on offer with the client report and the monthly range bulletins in particular should help facilitate a good quality investment discussion with clients, which reassures them that the investment leg of the stool is being properly monitored by the adviser.

Will the tool be enough to convince you to jump to multi-asset if you're currently a DFM MPS user, or if you're running your own advisory models (and given what's needed to do that now after MiFID II you must like admin)? At the very least we think you should class this as an interesting development. We should all challenge our thinking regularly, and this might be a spur for that.

Ultimately, the wonderful thing about the industry we all work in is that you, the adviser, decide on what's suitable for your client. Not us, not the provider. Every step that we take as a sector towards really demonstrating that suitability on an ongoing basis is a good one.

And that's it. We hope you've enjoyed this paper and that it might be of at least a little use. We have no doubt you'll let us know either way.

Slaínte mhath

the lang cat

Edinburgh, June 2018

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