

COST TRANSPARENCY - THE UK EXPERIENCE

Tim Giles, Trustee Director
Independent Governance Group

01 Drive for Transparency

Concerns

- 01 **Abnormal profitability:** In 2016, FCA finds consistently high asset manager profits (36%) compared to average company margin (16%)
- 02 **Lack of transparency:** Fear that asset management was exploiting its complexity
- 03 **Economic Importance:** Second largest asset management industry in the world and over 75% of UK households depend on it
- 03 **Case studies:** Isolated forensic accounting exercises highlight potential benefit of greater understanding

2015

FCA Asset Management Study

“We find weak price competition in a number of areas of the asset management industry. Firms do not typically compete on price...” (Source: FCA)

2016

LGPS Code of Transparency

“The LGPS Code of Transparency helps LGPS clients gather cost information in a consistent format” (Source: LGPS Advisory Board)

2017

FCA launches Institutional Disclosure Working Group

“We also support consistent and standardised disclosure of costs and charges to institutional investors” (Source: FCA)

2018

PLSA - Cost Transparency Initiative

The availability of comprehensive and transparent information on costs and charges is important in helping investors to decide whether investments represent value for money.” (Source: PLSA)

02 The case for transparency

Many schemes are not getting a good deal from asset managers

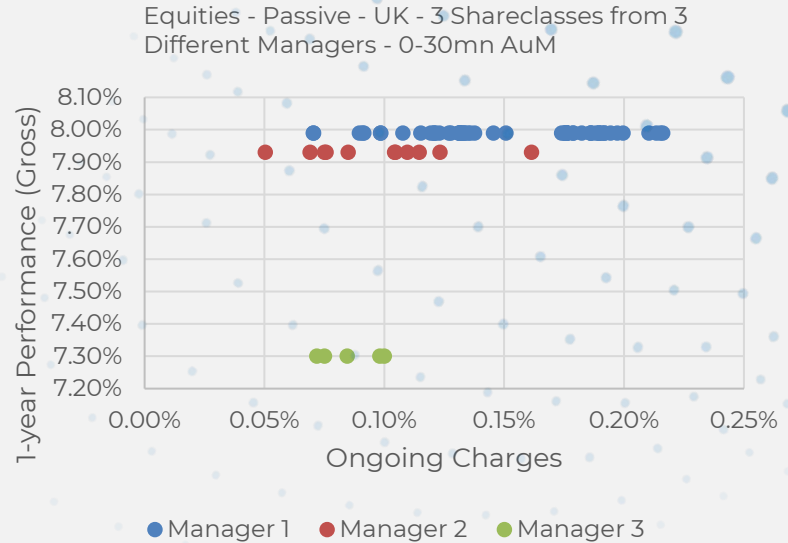
01

Fees for asset management show a huge variation

02

Difference cannot be explained by:

- Size of mandate
- Type of mandate
- Strength or performance



Source: ClearGlass Analytics

03 Barriers to address to transparency?

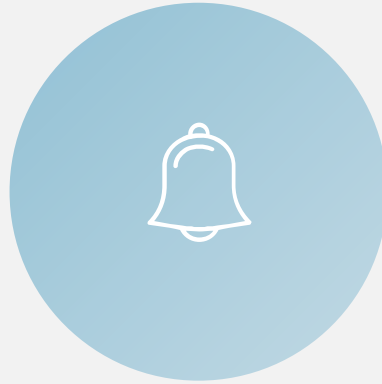


01 Lack of accurate data

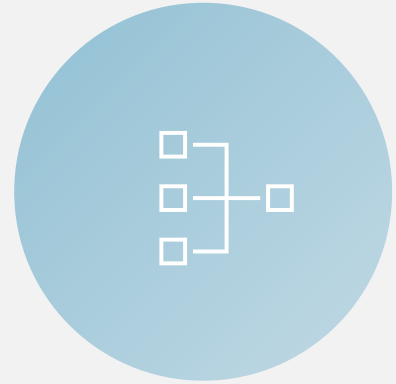


02 Surveys are misleading

- Compare to “showroom price”
- Creates an apparent discount
- ClearGlass research - “97% of mandates pay less than advertised price”



03 Advisers may lack data or be reluctant to highlight an issue



04 Many managers do not have systems to compare price

04 How do Cost Transparency Initiatives address the problem?

Reliable and consistent data drives better decision making



Find out where you stand

- Many schemes getting poor price
- Transparent data shows where you stand
- Data can be used to get better price



Compare use transparent data

- Cost Compare uses data from ClearGlass Analytics
- Large source of accurate data for many pension schemes
- Measures what pension schemes actually pay

ClearGlass data base

36k+

Mandates

Collected across the UK, EMEA and America.

530+

Asset Managers

Trust ClearGlass with their data

850+

Pension Schemes

Measure and manage their investment costs

10+

Pension Advisers & Consultants

Offer greater transparency to their clients

45+

Investment Strategies

Benchmarking analytics for asset owners and asset managers

05 What is are the stakeholder benefits



Works for both DB and DC Schemes



Allows Trustees to demonstrate they are getting Value for Money



Drives better deals

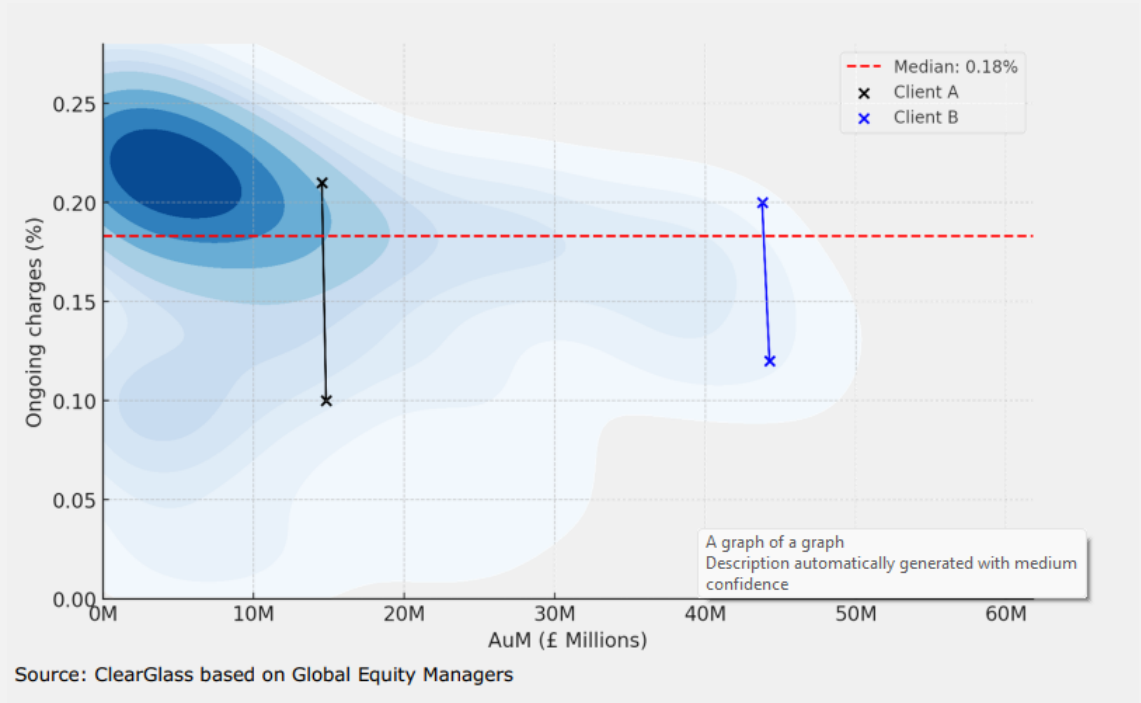


Helps benchmark advisor performance



Focuses on full range of costs

06 Case study



Case study: passive global equity

Two schemes who have passive global equity portfolios. No qualitative difference in service being delivered.

Scheme A:

AMC: 0.21%

AUM: £14,531,529

Fee reduction: £15k pa

Scheme B:

AMC: 0.20%

AUM: £43,783,054

Fee reduction: £38k pa

07 Potential barriers to navigate



Training the managers



Fears of what might come to light



Understanding the information

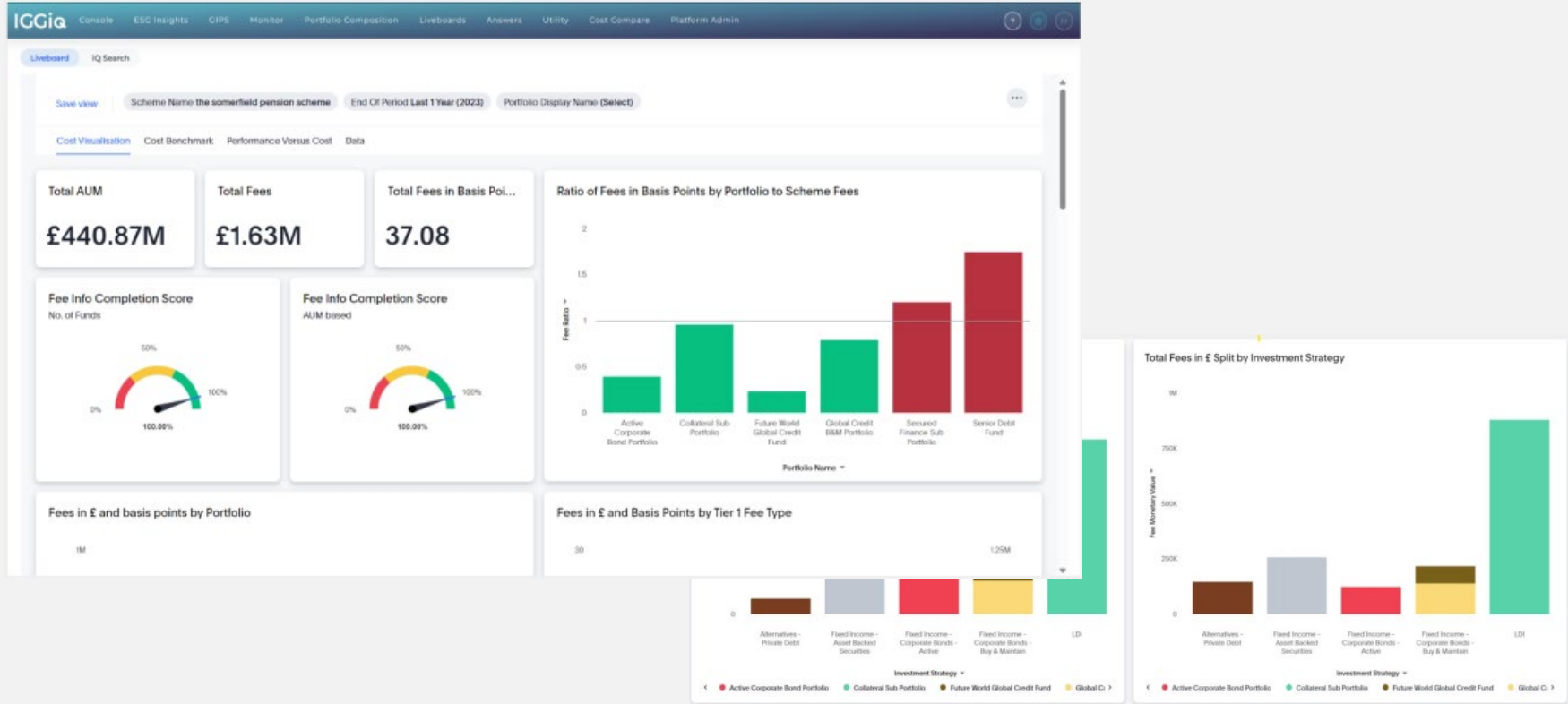


Blaming the messenger



Navigating the platforms

08 Developing the experience



THANK YOU

Tim Giles, Trustee Director
E tim.giles@weaeigg.com
T 07918 608 322