



## **Fiduciary managers back launch of performance disclosure standard Breakthrough follows three years of talks**

**London, 16 April 2018** – Advisory firm IC Select has launched a performance-measurement standard to help pension schemes compare the skills of fiduciary managers hired by trustees to make investment decisions on their behalf.

The IC Select Fiduciary Management Standard has been published amid unprecedented regulatory scrutiny of investment consultants. It has been backed by 14 providers including the world's largest consulting firms Aon Hewitt, Mercer and Willis Towers Watson. The others comprise BlackRock, Cardano, Charles Stanley, Goldman Sachs Asset Management, JLT Investment Solutions, Kempen Capital Management, Legal & General, P-Solve, Russell Investments, Schroders and SEI.

Providers believe the standard will answer accusations that existing fiduciary manager selection procedures have lacked transparency and produced performance disappointments.

IC Select has appointed Donny Hay, former head of fiduciary management client relations at Kempen as a director to help develop its business.

Donny Hay said: "I have spent seven years working as a professional trustee at Law Debenture and PTL Governance, as well as Kempen. The experience showed me that trustees need better guidance in deciding which fiduciary managers to pick and in judging their performance afterwards."

The Standard, developed by Edinburgh-based IC Select is led by Roger Brown, founder director and Peter Dorward, managing director. It incorporates data relating to the fiduciary arrangements of 520 pension schemes worth a total of £84 billion. The fiduciary management industry has grown in size by 25% per annum over the last five years.

The initiative is now supervised by the Fiduciary Management Performance Standard Steering Group, comprising eleven independent members (for full list see below).

Trustees have struggled to compare fiduciary managers because they ask each of them to take different approaches to hedging and allocating assets.

Peter Dorward said: "This has led to the risk that managers would cherry pick performance data to look as attractive as possible to their potential clients, during a tender process."

In its 2016 review of asset management, the Financial Conduct Authority said: "Trustees find it difficult to assess the quality of advice provided by investment consultants and the services of fiduciary managers."

It asked the Competition and Markets Authority to see whether consultants, and their fiduciary arms, were abusing a monopolistic position. In March, the CMA said: "The evidence reviewed so far indicates that competitive processes are not providing customers with the necessary information to judge the value for money of investment consultants and fiduciary managers."

Fiduciary managers have responded to the challenge by agreeing to support the new Standard by supplying it with data on composite portfolios as if they retained full discretion to manage, and hedge, scheme assets.

The composite portfolios can be directly compared to enable trustees to assess the skill of fiduciary managers during tender processes.

It will be up to managers to compile their own composite data, whilst being asked to comply with IC Select's guidelines. IC Select opposes the production of performance league tables, given the wide swings of valuation which can result from rises or fall in interest rates and the limited value of such tables in forecasting future performance. Managers will continue to look after portfolios in line with trustee requirements, although schemes can request composite data for comparison purposes.

Dorward compares IC Select's liability benchmark to the Global Investment Performance Standards (or GIPS) where standards are laid down through the CFA Institute for strategies put together by asset managers, to prevent the abuse of performance records.

Peter Dorward said: "The new standard enables trustees for the first time to obtain consistent performance information when selecting a fiduciary manager. This will significantly enhance their ability to understand the differences between them."

He said a rise in bond yields and fall in markets would prove to be testing for fiduciary managers, making it important for their skills to be effectively assessed, noting that falling, and stable, interest rates have provided fiduciary managers with a following wind for many years relative to many advisory funds.

**ENDS**

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**Notes to Editors:**

**IC Select Fiduciary Performance Standard Steering Group**

Peter Dorward (Chair)	Managing director	IC Select
Roger Brown	Founder	IC Select
David Clare	Partner	Barnett Waddingham
David Felder	Director	Law Debenture

Mark Latimour	Partner	Eversheds
Kevin LeGrand	Past President	PMI
Iain McAra	GPS Director	CFA Institute
Neil McPherson	Managing Director	Capital Cranfield
Giles Payne	Director	Capital Cranfield
Colin Richardson	Client Director	PTL Governance
James Trask	Partner	LCP
Graham Wardle	Managing Director	BESTrustees
Anthony Webb	Head of FM Advisory	KPMG

## **IC Select**

IC Select, the oversight and selection specialist, specialises in helping pension funds select, monitor and review investment consultants and fiduciary managers. The firm's assessment capabilities leverage on its unique positioning:

- Wholly independent
- Free of conflicts
- Research led
- Focused on assessment from an investors' and investment perspective

IC Select is a wholly independent organisation and is placed in a unique position amongst third party evaluator firms, as the only organisation that is able to conduct in depth research of both the advisory and delegated investment services of the major investment consultants, as well as other fiduciary management providers. By not competing with these firms, IC Select has unparalleled access to detailed information not available to other third party evaluators.

As a result, trustees can be more confident in the quality of their investment decisions and are able to enhance their scheme governance.