

FTfm

## Researchers gain from regulations

### Fund research

The RDR is increasing demand for sound research, says **David Ricketts**

UK independent research companies are enjoying quick wins from the Financial Services Authority's impending retail distribution review (RDR), with Old Broad Street Research winning significant business from fund platforms and asset managers.

Alongside OBSR, firms such as S&P and Morningstar are also benefiting.

"Regulatory change is a big driver in us winning business," says Nigel Whittingham, director at OBSR.

"A number of intermediaries are looking at their business models and identifying where they can differentiate or add value. For a lot of firms, that will not involve researching funds as it can be laborious and expensive," he says.

The RDR, to come into force in 2012, will demand higher standards and ban the payment of commission to advisers by product providers, although providers will still be able to administer payments agreed with clients.

It is likely to push advisers into spending more time researching the funds they recommend to appropriately match clients' appetite for risk.

Asset managers have also noticed an upwards trend in the desire for such information, and have made moves to incorporate research into their product offerings.

This comes as Cofunds, the UK's largest independent fund

platform, unveiled a partnership with OBSR in December, which gives advisers access to a researched fund list and model portfolios.

The list of 120 funds, all researched by OBSR, covers key sectors. Jupiter is the most listed manager on the list, with 10 of its funds making an appearance, followed by M&G with nine and Schroders and Invesco Perpetual with eight funds each.

Cofunds says the move is in response to a number of IFAs expressing a need for greater support when selecting funds.

Fidelity FundsNetwork is also making greater use of research. It recently introduced an 'OBSR Zone' on its website to make research available to advisers.

Both platforms provide this information free of charge, having absorbed the cost of research themselves.

"Use of research is growing with RDR coming," says Richard Allum, a paraplanner (an assistant to a financial adviser) from the company ParaPlanPlus.

**Nigel Whittingham:**  
**'Regulators are looking for research that is forward, not backward looking'**

"OBSR have cornered the market on this, particularly with their big launch on Cofunds."

With greater strides by IFAs to move away from past performance as a basis for fund selection, reliance on research to identify the best vehicles for their clients is more commonplace.

The RDR will ban the payment of commission to advisers by product providers

Asset managers will, however, have to demonstrate they have robust procedures in place if they want to make the cut on the Cofunds/OBSR list. The research house meets managers every quarter to keep research up to date, analysing what processes and management style they employ.

Some fund houses have adapted to this desire for greater information, and have incorporated research into

their product offerings. OBSR does not charge fund managers to research their funds, but levies a licence fee to managers wishing to publicise the fund ratings it can assign.

Prudential recently unveiled its range of five risk-rated multi-asset portfolios, each carrying its own risk rating that can be mapped against risk-profiling tools used by IFAs.

Prudential's Portfolio Management Group, which manages more than £100 bn (£114 bn, \$160bn), will be responsible for asset allocation and determine the asset mix of the portfolios, while OBSR will advise the manager on selection and recommendation of funds.

Last week, Schroders announced that nine subfunds of the Schroder International Selection fund had been rated by OBSR. The manager said as the research firm expands its operation overseas, the partnership will help international investors with mutual fund selection and with their ongoing fund monitoring requirements.

Elsewhere, Aegon teamed up with OBSR to produce a guidance range of products, comprised of 'best of breed' funds that advisers can access knowing they have already been researched and rated.

"We are saying to financial advisers that they can choose these funds knowing we've done a certain amount of due diligence," says Mark Pearson, head of investment strategies at Aegon.

*David Ricketts is a reporter on Ignites Europe, a Financial Times publication, where this article first appeared*

