

The battle for funds distribution

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Competition hots up for funds distribution

How is the advent of distribution platforms affecting the funds landscape?

Who will prove to have the most appealing proposition for funds investors: platforms, independent advisors or banks? This was the question addressed by panelists in Wednesday morning's session on 'The battle for funds distribution'.

One of the elements clouding the issue is the fact that the funds ecosystem looks different across markets. All panelists were, for example, quick to note the regional differences in the way fund distribution is handled. "In the UK, fund distribution is dominated by IFAs – who handle about 65% of the business - and has been for some time," said Gavin Ralston, head of continental Europe and Middle East for UK-based asset management firm, Schroders. "But in Europe, especially southern Europe, distribution is dominated by the banks, who have over 80% of the market."

Ralston also noted, however, that large IFAs are beginning to become more active in a number of jurisdictions around Europe as a result of the rise of platforms. IFAs are able to outsource administration services for a small cost and, by relieving them of this burden, are then more able to compete on a level playing field.

Panelists agreed that an increase in the use of platforms is important in ensuring the efficiency of IFAs, although session moderator Adam Lessing, head of European business development at Morley Fund Management, argued that the emergence of platforms was not in itself a sufficient impetus for change in industry models of operation.

The future role of IFAs was itself a subject for discussion, with some present suggesting that their days were numbered. Age and unreliability were cited as drawbacks by some attendees, while one audience member even questioned the need to pay for advice before buying a product, something that doesn't exist in any other consumer-based industry. Another delegate questioned the role of advisors in asset allocation decisions, who he referred to as "completely unqualified" for this role.

However, Robert Brown, CEO of fund administration service provider Ausmaq, pointed out that advice can be much more valuable if it focuses on structured elements in a holistic process, "rather than determining what is the hot fund of the day."



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Web access

The internet now also provides end-clients with the option of choosing their own method of fund selection, further eroding the need for an advisor.

There is now an enormous amount of information available on the web along with the tools to exploit it, said Ralston. This was previously the preserve of sales people, said Ralston. Not everyone agreed, however, that retail investors would be dispensing with the services of hu-

man intermediaries. Thomas Marsh, a director at research firm Cerulli Associates, suggested that investors need somebody to hold accountable for investment decisions – something that the internet cannot provide.

Summing up, Lessing identified the big balance sheets of insurers and banks as providing reassurance to customers in this regard. "You want someone that can provide you with that safety and someone that you know is going to be around," agreed Marsh. <<