WORD ON WEALTH STREET

Do you think asset managers are ripping you off?

AINSLEY TO
Research analyst, Credo Wealth, London

'Price is what you pay and value is what you get. Unfortunately, in the world of manager selection, value can be opaque and difficult to analyse (often by design). This issue is exacerbated by the lack of accountability: a manager doesn't have to return fees to investors from an unsuccessful fund, he or she can just close it and open another one.

'Since beta is now essentially free, innovation would be welcome in the way fees are structured – perhaps based more on investment objectives, with proportioning between beta, alpha and degree of correlation of that alpha. Similarly, if the market environment is such that expected returns are lower, perhaps it would make sense for fees to be lower (this might be easier for some asset classes than others).

'However, direct regulation may be unnecessary, because investors are already voting with their feet. Perhaps any increased transparency in coming years will only assist in correcting market error.'

INTERVIEWS BY STEVE PLOWMAN •
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BEN WILLIS
Head of research, Whitechurch Securities, Bristol

'Overall, I would generally have to disagree. As an industry, we are increasingly becoming consumed by costs and it concerns me that, for many, the cheapest option is often considered the best.

'In many cases, you get what you pay for. It is up to us, as wealth managers, to evaluate whether we are getting value for money when we research and buy funds. If a fund group is levying an OCF out of kilter with the peer group and a performance fee on top, it will fall at the first hurdle. However, I do believe in cost transparency. We have seen the headlines about stealth fees. I would favour a move towards a standard method of calculating the actual costs of running a fund per annum. This would provide a clear way to compare funds going forwards.'

TOBY RICKETTS
CEO, Margetts Fund Management, Birmingham

'In a word, "no". Within the UK there is a wide and varied choice of investment funds available, which are backed with strong regulation ensuring costs and performance are properly disclosed.

'We have reviewed thousands of funds over the years and while we have encountered the odd example of poor practice in overall terms we believe fund managers are clear about their costs, charges and processes. We select funds which we believe offer the best combination of cost and likely performance. We do not feel that investors can be "ripped off" if they understand the costs and services on offer and choose to proceed on that basis as some investors place a higher value on certain services than others.

'While fund managers are profitable at the current time this is in the context of near-peak values in both bond and equity markets. Fund managers are required to be able to maintain their businesses on the basis of a stress test, which historically may result in revenues falling by 50%. If fund managers were only just profitable at peak market levels this would indicate a potential lack of stability in the event of market falls and this systemic risk needs to be balanced against pricing considerations.'

RICHARD STAMMERS
Investment strategist, European Wealth, London

'We can understand the debate about this, but, in our experience, no, we do not feel we are being ripped off. In fact, we think we are fortunate to work with a number of world-class asset managers who deliver real added value.

'We monitor the performance of our active managers not only against their benchmarks and peer group, but also against passive options. The result of this has clearly shown a significant outperformance benefit from the active managers we use. This is something we are prepared to pay for, since it delivers increased value to our clients. So, it is about choosing value over price.

'If we felt we were being ripped off, we believe it would be because we had selected the wrong fund manager. The answer to that is very simple – make sure we understand what fund and manager we want to buy and why we want to buy it.'