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THE LANG CAT

THE CENTRALISED INVESTMENT PROPOSITION: AN OVERHEATING ENGINE?

How CIPs became a victim of their own success and what advisers can do about it

A REPORT BY COPIA CAPITAL
BASED ON RESEARCH
BY THE LANG CAT

CONTENTS

A note on the research

The majority of the data in this paper are based on research conducted by the lang cat, on behalf of Copia Capital, during January and February 2022 with 122 financial advice professionals (advisers, business owners, paraplanners etc) from the lang cat's Adviser Insight panel.

AT A GLANCE:

EXECUTIVE SUMMARY

WHAT'S THIS RESEARCH ABOUT?

At Copia Capital, our goal is to help advice and planning firms become more successful, by de-risking their businesses and providing investment solutions that give the best possible client outcome. Increasingly these investment solutions are delivered as part of a Centralised Investment Proposition (CIP), which research shows are used by 88% of advice firms [1].

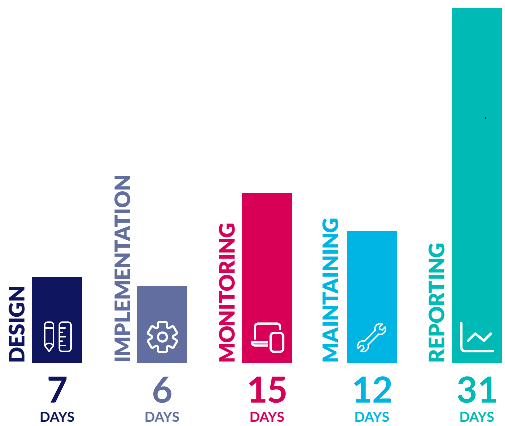
Given their importance to client outcomes, we wanted to better understand how CIPs work in a typical advice firm and to help advisers ensure their CIP is operating effectively, delivering the best possible outcomes for the firm and its clients.

To achieve this, we commissioned insight consultancy the lang cat to conduct in-depth research into how advisers are operating their CIPs. Among other issues, the lang cat talked to more than 100 advice firms about:

- What drove them to build a CIP in the first place?
- What benefits are they seeing?
- Are firms running portfolios in-house, or outsourcing?
- If firms are outsourcing, what drives them towards this decision?
- What are the key areas of overheating risk in the CIP 'engine'?
- Is there a tipping point where a CIP is likely to become unworkable?

88% of advice firms run a CIP [1]

97% think they are at risk of overheating



Average FTE days spent p.a. on operating a CIP

SOME OF THE KEY FINDINGS AND CONCLUSIONS:

1. 97% of respondents think that CIPs are in danger of overheating and will soon reach a tipping point where they become unworkable.
2. Operational difficulties have increased as CIPs have grown in size and complexity, particularly when it comes to the ongoing management of model portfolios.
3. The time and complexity involved in CIP design, implementation, monitoring, maintenance and reporting are the key drivers of operational 'overheating' risk; the average firm spends 71 days per year on operating their CIP.
4. The regulatory burdens of MiFID II have increased the pressure on CIP operation, and Consumer Duty is likely to make the situation worse.
5. Outsourcing the operation of a CIP can make a significant difference but only if done right.

[1] Source : lang cat State of the Adviser Nation research. Q4 2021

INTRODUCTION

At Copia, our goal is to help advice and planning firms become more successful, by de-risking their businesses and providing investment solutions that give the best possible client outcomes. Increasingly these investment solutions are delivered as part of a Centralised Investment Proposition (CIP); research from the lang cat [1] shows that 88% of firms run a CIP, with 61% using Discretionary Model Portfolios for at least some of their clients.

Given their importance to client outcomes, we wanted to better understand how CIPs work in a typical advice firm to ensure that our services and solutions continue to meet the needs of today's advisers. To achieve this, we commissioned the lang cat to conduct in-depth research into how advisers are operating their CIPs: what drove them to build a CIP in the first place? Are firms running portfolios in-house, or outsourcing? Is there a tipping point where firms become so large it makes more sense to outsource? What do firms think makes for a good outsourcing partner?

In short, we wanted to understand how advisers can ensure their CIP is operating effectively and delivering the best possible outcomes for the firm and its clients.

One clear theme from the research is that CIPs are increasingly becoming a victim of their own success. CIPs are working well, but there is a danger they are starting to overheat. The time required to run a CIP is significant – an average of 71 days per year – which has major cost implications for advisers.

The vast majority (97%) of respondents felt there is indeed a point where a combination of too many clients and portfolios would make their existing CIP unworkable.

Outsourcing your CIP to the right kind of external partner can help mitigate these overheating concerns. Our research shows significant benefits when an outsourced investment partner helps run your CIP.

Over the next few pages, we'll delve deeper into the data and share some examples of good practice and lessons learnt through the research. I hope you find this paper both interesting and useful. As always, we'd be delighted to hear any feedback you have, and discuss how Copia can help you solve some of the challenges raised and deliver more successful investment solutions to your clients.

Robert Vaudry
Managing Director

At the lang cat we are very aware of the importance of the CIP to the majority of financial planning firms. An effective CIP should benefit the firm and their clients. From the firm's perspective, adopting a CIP ensures consistency of advice and outcomes, and allows a more robust research and due diligence process to be implemented. Clients benefit by virtue of a greater focus on financial planning, supported by specialist investment management resources.

Despite the challenges of recent years, the advice sector has remained impressively resilient, with little change in the demand for quality financial planning. Yet, although they continue to play a crucial role in helping deliver this advice, firms are finding that their own growth and ever-greater regulation is, in many instances, making management of their CIP more challenging.

This research study shows that the vast majority of planning firms are concerned that their CIP might be overheating and becoming more and more difficult to manage. In part this is a reflection of the strength of the advice sector, but as firms have grown and increased their client volumes, their CIPs have grown in size and complexity.

These operational difficulties are most keenly felt when it comes to the ongoing management of model portfolios. For firms running portfolios under advisory permissions, the challenge of collecting individual investor authorisations every time a trade or rebalance is required gets harder and harder the more clients you add to the CIP. Furthermore, the requirements for personalised cost & charges disclosure and suitability assessments, introduced via MiFID II, has increased the time and cost firms are incurring to keep their CIP running effectively.

With additional regulatory changes in the form of Consumer Duty and potential ESG legislation on the horizon, we think advice firms should review their CIP to ensure it is operating as effectively as possible. Is the CIP delivering the best possible outcome for the firm itself, and more importantly, for their clients?

Mike Barrett
Consulting Director, the lang cat

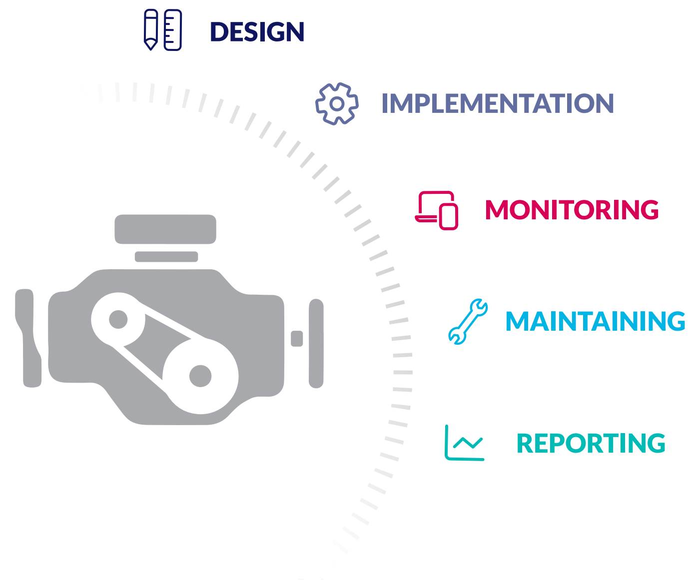
DEFINING THE BLUEPRINT FOR THE CIP ENGINE

The lang cat's research shows that Centralised Investment Propositions (CIPs) have become incredibly popular with advisers: 88% of respondents say that they operate a CIP.

As figure 1 shows, a majority are running them entirely in-house but outsourcing, in various forms, is becoming increasingly popular.

An effective and efficient CIP will, as the name suggests, be central to the outcomes an advice firm generates for its clients. At one level every CIP will be different, with each firm making its own decisions about the chosen investment solutions and platforms and whether to construct in-house or outsource, to meet the needs of its target clients.

However, at a high level, the lang cat's research shows that most CIPs will be built around the same key stages and activities:



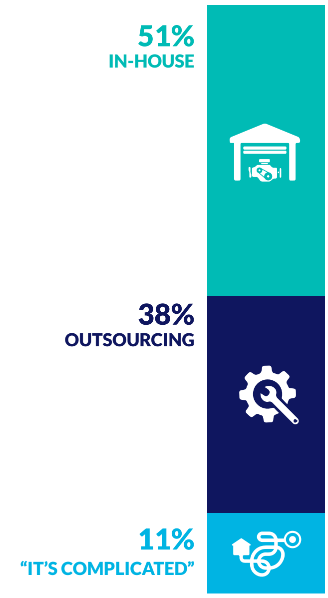


Figure 1 **Does your CIP predominantly use in-house or outsourced investment solutions?**

DESIGN

Given the ubiquity of CIPs, this stage will be behind most firms. However, if you are starting from scratch there will be a lot of up-front work to ensure the CIP reflects the needs of the firm and its clients, as well as meeting regulatory requirements.

Documenting target client segments is key, as is conducting research and due diligence on potential investment solutions. You will need to regularly monitor and review these up-front decisions to ensure they are still valid, but most firms will find that the overall CIP design won't need to be fundamentally changed once complete.

IMPLEMENTATION

Having designed your CIP, documented your target client segments and agreed on the investment solutions you will be using, the next stage is to implement the new proposition. This involves creating the relevant client documentation, as well as ensuring everyone in the advice firm, especially advisers, are trained and competent with the new processes.

As with the design stage, a lot of this work won't need to be repeated, save for ongoing monitoring of client documentation and adviser T&C activities.

MONITORING

The final three stages are required on an ongoing basis and involve a mixture of portfolio/investment solution activities and client-specific reporting.

The monitoring activities are typically conducted at the portfolio/solution level, perhaps by a formal Investment Committee, and are designed to confirm that the investment solutions are delivering the required outcomes.

MAINTAINING

Making changes to your portfolios, either switching funds or rebalancing them, can create significant work depending on your permissions.

For firms operating under advisory permissions, administering client permissions alongside all the disclosure and suitability requirements introduced as a result of MiFID II will be an intensive exercise.

REPORTING

MiFID II also mandates regular reporting and disclosure to all clients, covering both cost and charges, and performance measures. Whereas the monitoring stage can often be conducted en masse at the portfolio level, every client is different and will require personalised disclosure. For most advice firms, this stage requires considerable effort.

GOOD PRACTICE TIP

Given the CIP's importance to the firm and its clients, consider involving as many of your employees as possible in these activities. For example, senior management/directors can provide the oversight and advisers and paraplanners can be involved in the research and due-diligence exercises, reporting back to a formal Investment Committee. This can help avoid status quo bias and create a culture of challenge within the firm, all of which should lead to improved outcomes.

WHERE IS THE ENGINE OVERHEATING?

Whilst most CIPs will follow this 5-stage process at a high level, we know that when we dive into the detail of exactly how the CIP operates, every advice firm is different. For instance, whether the CIP is predominantly constructed using in-house or outsourced investment solutions will have a big impact, especially on the monitoring and reporting stages.

The first point to stand out from our research was that the average firm is spending 71 FTE (Full Time Equivalent) days p.a. on running their CIP, which has considerable cost implications for their business. Figure 2 below shows how this breaks down across all our respondent firms, and consequently where the biggest risks of overheating lie.

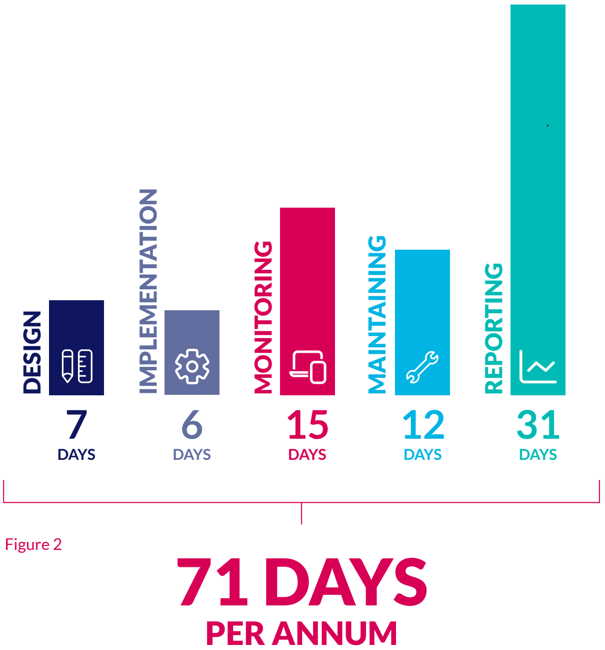


Figure 2

Let's break down each section in detail, looking at the key activities involved, the regulatory requirements, and where the risks are most likely to be found in terms of an overheating CIP.

We'll also share our views on good practice and top tips from the research respondents.

DESIGN

Many advice firms will have been running their CIP for several years, so the initial phase of designing the proposition from scratch will be complete, and so there's not too much operational pressure.

It is, however, good practice to review the overall design to ensure the CIP is delivering the best outcomes for the firm and their clients, and the regulator requires this activity to be embedded into the firm's monitoring and control activities.

At this stage, the key regulation to follow will be the FCA's PROD handbook, and in particular the rules for Distributors (advisers) regarding distribution of products and investment services. These rules require firms to "identify the target market and distribution strategy" by using a combination of information supplied by manufacturers and information on their own clients.

GOOD PRACTICE TIP

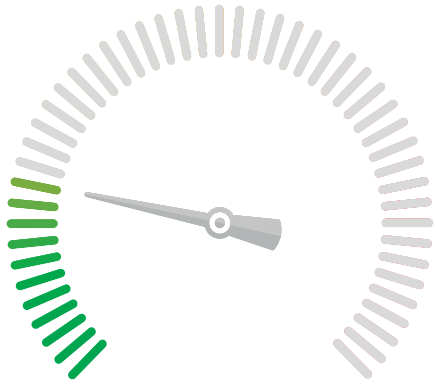
PROD 3.3.12 states that firms should ensure their target market definition is at a "sufficiently granular level", so make sure you've documented the wants and needs of your typical clients.

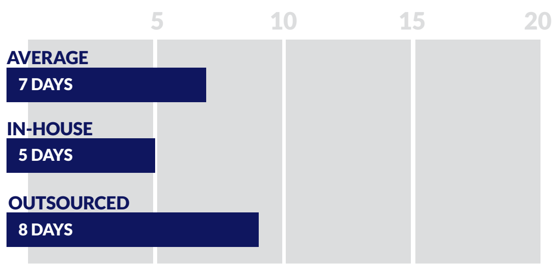
When designing their CIP, advice firms will focus on the needs of their clients, and then look to match investment solutions that are likely to meet the client needs. Most firms serve a range of clients at different life stages, and with different needs, so their CIP is likely to contain a number of different client segments. Some advice firms might also want to offer a range of service options, for example, silver/gold/platinum services, allowing the client to choose the service that best meets their needs. All of these variables will combine to form the overall CIP.

Firms were asked to think back and estimate how much time they spent on this initial design phase. On average, seven days' full-time equivalent (FTE) was spent, however, there was some variance depending on whether the firm is constructing portfolios in-house, or outsourcing. The former spent on average six days FTE, while the outsourced camp spent ten days FTE.

There was also a small difference when comparing firms by size. Smaller firms with less than £100m AUA spent two days less on average than their larger peers.

Low risk of overheating for now





VOX POPS

"Pre-Design we would suggest an investment philosophy stage...but of course, we would say that because we believe in Evidence-Based Investing. Only then can you start work on identifying solutions that meet the underlying philosophy."

"Three directors took about a month of meetings, perhaps two weeks FTE for two people if you were to condense it down?"

"Our range of CIPs has grown and we have built and modified the process as we have gone. it is very hard to estimate time spent."

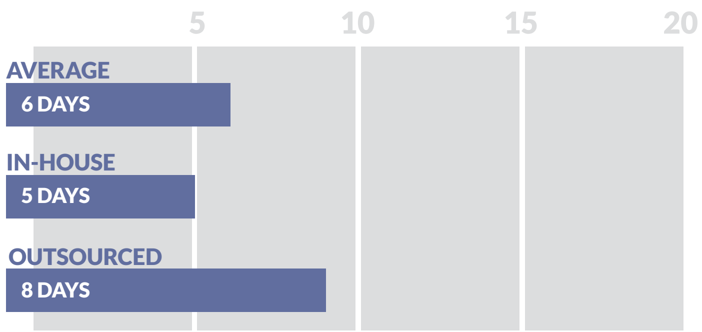
"I appreciate the importance of having a CIP so that we can use it or rule it out on a client by client basis. But the amount of work that has gone into building a proposition that is then ruled out for most clients is phenomenal! We also now have almost as many client segments as we do clients and the CIP has snowballed."

IMPLEMENTATION

As with the design stage, a large part of the implementation stage will be about creating new processes and documentation which will then normally only need to be reviewed and tweaked on an ongoing basis. Having said that, there are a couple of important activities for firms to pick up at this stage.

Firstly, having decided on the structure and composition of the CIP, the firm must ensure all employees, and especially those who are advising on the CIP, are fully trained and competent on it and the products being used. Unsurprisingly, the research shows that smaller firms tend to spend less time on this activity, especially for one-person firms. Firms with over £250m AUA spend, on average, two more days a year FTE on implementation activities than smaller firms.

Secondly, in addition to adviser training, it is important to ensure that all your client documentation covers the CIP as required. Although it's probably not necessary to communicate all the detail of the CIP, any service options and underpinning investment beliefs are likely to be of interest to clients. According to the research, firms that outsource tend to spend more time on these activities. This is possibly due to the work involved in ensuring client agreements are clearly documented and explaining who will be responsible for the advice and investment management parts of the overall service.



Low risk of overheating for now

VOX POPS

"Quite a bit of time spent on training."

"Not much - just making sure staff know how to use the templates."

"Key part of initial adviser training - a few hours initially and constant refresher."

"About a week initially, then maybe a day or two a year."

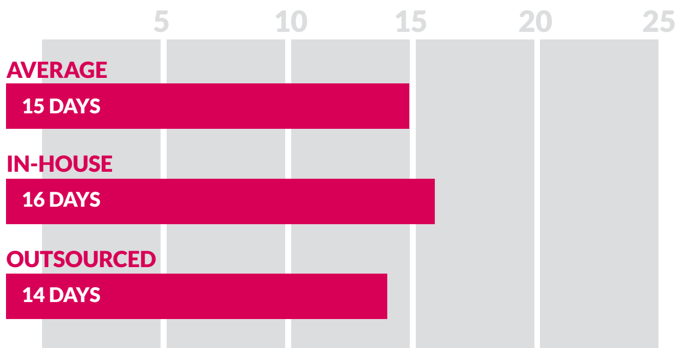
MONITORING

One of the main benefits of a CIP is the ability for advice firms to focus on monitoring a relatively small number of portfolios, rather than attempting to ensure every client's individual investments remain on track. By focussing on the portfolio level, the advice firm can allocate its resources more effectively, which should lead to an improved outcome for all clients.

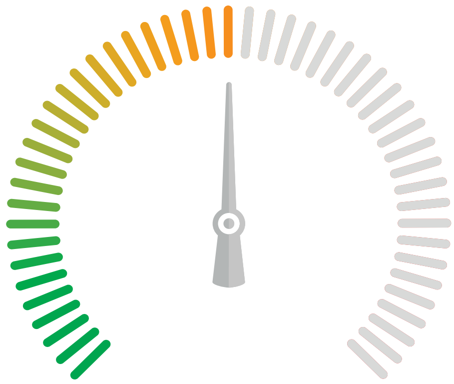
Whether the advice firm is running their portfolios in-house, or outsourcing, monitoring activities are required and they can create considerable demands on the organisation.

The research found that firms that outsource spend two days less per year on monitoring activities but, even for those who are hands-off in terms of the actual investment management, abdicating all responsibility isn't an option. They still need to monitor the outsourced investment partner to ensure it is performing as expected and remain responsible for the advice and overall client relationship. Consequently, having a strong working relationship with your outsourced investment partner, with regular dialogue at all levels as and when required is crucial.

The research also revealed that monitoring is where scale starts to bite: firms with over £250m AUA spent on average seven days more FTE than smaller firms on these activities.



This is where the temperature starts to mount



VOX POPS

"Quarterly committee meetings - two-hour meetings but c. two days prep."

"Every day, at least an hour."

"Mostly outsourced, Investment Committee two hours per quarter."

"MPS are still notoriously painful to monitor. We use FE so that helps, but even comparison is a pain."

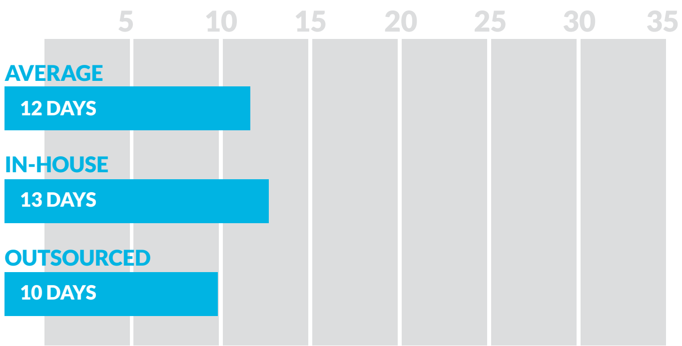
MAINTAINING

The maintenance activities are where, as you would expect, the difference in time spent between firms running portfolios in-house, and those outsourcing becomes apparent.

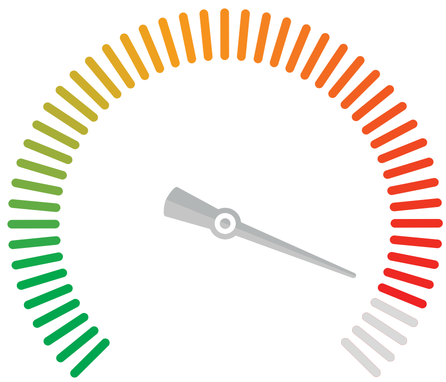
For the in-house firms, any change to the portfolios (rebalancing or fund changes) requires authorisation from every client invested in the portfolio, unless the firm holds its own discretionary permissions. This in turn creates an operational challenge to obtain the investor authorisations in advance of any trades and to act on them as and when they are received. Failure to do so could see the firm acting outside of its regulatory permission.

MiFID II has made this process much harder. Now, not only do firms have to obtain investor authorisations but they must also make a personalised suitability assessment and issue pre/post-trade cost and charges disclosures. For many firms, especially larger ones, the requirements of MiFID II have made their CIP almost unmanageable.

Outsourcing to a discretionary investment manager such as Copia removes some of this pain. Changes to the portfolios are carried out under the terms of the client and investment manager agreement, utilising the DFM's discretionary permissions. This allows investment managers to react more quickly to market events and opportunities, as well as creating a more consistent outcome across the advice firm's client bank.



Uncomfortable for most, especially firms with in-house CIP



VOX POPS

"We mostly rebalance at review, so I won't count that - but when we make component changes it takes about 20 hour to collate and instruct."

"Not me personally, but we are an advisory practice so this is the biggie."

"Probably about three full days per month."

"Running central advised portfolios is problematic when you want to implement changes (such as new asset allocation) that require client approval - DFM is much more straightforward..."

"Platform functionality to be able to facilitate CIP – very inconsistent and tricky to navigate."

Rebalancing is one of the biggest issues advisers have in running their own CIP

Returns can be materially different quarterly and annually in a volatile environment. Rebalancing annually means there will be a drift compared to the model, but rebalancing quarterly for firms operating on an advisory basis and needing to obtain investor authorisations can create a huge operational burden.

Clients who respond to requests for rebalancing approval will move to the latest model holdings, while those who don't are left in an older version of the model. Every time this exercise takes place, some clients won't provide authorisation and before long, the adviser is running multiple versions of the same strategy. This creates complications in managing the CIP effectively:

1. Advisers are on the hook to continue monitoring and reviewing the older versions of the models or keep chasing that set of clients to move to the latest model. In extreme cases where the clients don't respond, the advice firm might have to stop charging ongoing clients fees.

2. Leaving clients in older models requires manual intervention on a portfolio and client level, exponentially increasing operational risk (selecting the wrong fund/model etc)

3. All clients in the same risk level portfolio strategy will not have consistent outcomes, losing one of the key benefits of running a CIP. It is hard to justify (both to the client and the Regulator) why Client A did better/worse than Client B when they are both investors in the same risk level portfolio.

4. Using different models for the same risk level portfolio strategy may also require different narratives about levels of performance, adding to workloads and the risk of error.

5. Changing or recommending portfolios on review means clients are rebalanced on different dates, potentially creating pronounced inconsistencies in performance across the entire book of clients at a particular risk level. This leaves the adviser responsible for monitoring a very large set of portfolios for the same risk profile.

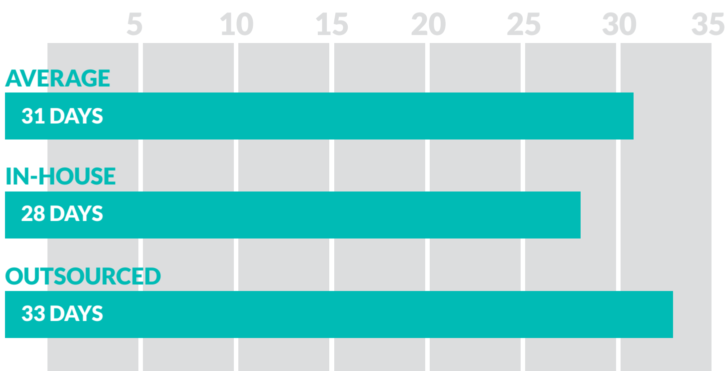
REPORTING

For most firms, ongoing reporting represents the most labour-intensive activity within their CIP. In part, this will be a reflection of the service models on offer, with clients paying ongoing fees for regular review and reporting, however many regulatory requirements also have to be met. As well as producing valuation and performance reviews for individual clients, MiFID II mandates an annual cost and charges disclosure for all the instruments held within the portfolio

As with the maintenance section, this is an activity that can rapidly scale up and become increasingly hard to manage if clients start to drift from the core portfolio. Even if this isn't the case, the personalised nature of client review packs and valuations will often mean these tasks need to be performed on a client-by-client basis.

The research confirms that reporting is where the most time is spent and here again, scale brings its own issues, with larger firms spending over 43 FTE days spent p.a. on this on average, which equates to just under one full day a week, compared to 18 days for smaller firms.

Even when outsourcing, reporting can be an onerous task, due to the personalised disclosure requirements and volume of information mandated by the MiFID II rules. Your outsourced investment provider should help with this, but in most cases advisers will want to retain the responsibility for the client relationship.



Getting too hot to handle?

VOX POPS

"Constant, technical team produce review packs for every client."

"Several hours per week."

"Support staff, every day"

"Between two hours and half a day per client."

"Endless..."

GOOD PRACTICE TIP

Consider how your client reporting requirements can be fulfilled using a combination of generic portfolio level information from your outsourced investment provider, and personalised disclosure generated by the adviser. Platforms play a crucial role here, and the quality of reporting via a platform can vary dramatically, so choose wisely!

COOLING THE ENGINE: HOW TO FUTURE-PROOF YOUR CIP

Having looked closely at how CIPs are currently operating, what might the future hold and how can advice firms turn down the heat on their operations?

A key starting point for the vast majority of firms is to consider the scalability of your CIP, and when you will hit the point where it becomes unmanageable. With the regulatory bar set to rise further as a result of Consumer Duty and potential ESG requirements, many firms will need to consider whether their CIP is operating as effectively as possible and, if not, what changes might be needed.

Locate your potential tipping point

A CIP's 'raison d'être' is to deliver a standardised advice-led investment proposition to multiple clients. It aims to ensure not only consistent outcomes for similar clients but also improved outcomes by dedicating more time to research the chosen investment solutions and their ongoing management.

As we have seen throughout this report, a well-designed and maintained CIP can achieve this. However, for the vast majority of firms, there is a concern that the CIP can't scale up indefinitely.

In terms of the number of portfolios being managed within the CIP, 97% of respondents believe there is a ceiling where it becomes unmanageable. While many were unable to put a figure on it, of those who did, on average 21 portfolios is seen as the tipping point, but some firms felt this could be as much as 50 portfolios. As figure 3 shows, most respondent firms haven't yet reached that size but the precise breaking point number is unlikely to be black and white, where one day the CIP is operating effectively, but one additional portfolio later it falls over. Scalability issues are more likely to be "death by 1000 cuts" as the CIP becomes more and more difficult to manage.

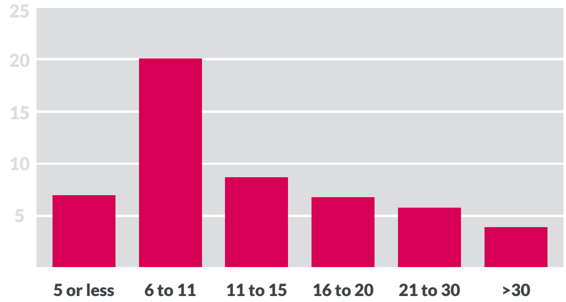


Figure 3 **Number of portfolios held**

These scalability issues are not only felt at the portfolio level. As more and more clients are invested in model portfolios, the effort required for reporting will increase incrementally. This is especially a problem for firms who are running portfolios under advisory permissions: with the need to obtain client approval for any portfolio changes or rebalancing. MiFID II made this even harder, introducing the requirement for pre-trade personalised disclosure and suitability assessments.

FUTURE PROOFING TIP

Review the complexity of your portfolios and the impact of expansion.

Think about your platforms and systems

The growing pains that many firms are experiencing with their CIP are not constrained to the CIP itself. Many respondents highlighted challenges with adviser technology. One respondent emphasised the role of platforms, and how the process can become "unwieldy if we operate across different platforms as slightly different flavours exist". Ideally, most CIPs will integrate with the full range of technology being used within the advice firm.

However, this will often mean multiple systems are involved, ranging from cashflow modelling software, risk profiling, adviser back-office systems, fund research tools, platforms and client portals. In practice this integration is often inconsistent, and also creates a training and oversight challenge for advice firms to ensure they are using their systems to their full potential.

FUTURE PROOFING TIP

Review your platforms and systems and find ways to streamline them

Prepare for increased regulation

For firms who are running a CIP, ensuring individual client suitability will always be the most important regulatory consideration. From our experience working with advice firms, we know that a combination of relevant and accurate client segments, a flexible approach from your investment partner, and careful monitoring to quickly identify clients who don't fit any segment will go a long way to making sure this aim is achieved. However, the regulatory requirements introduced as part of MiFID II for more personal client-specific reporting and disclosures are causing many firms an operational headache, especially those who are running portfolios on an advisory basis.

Whilst at the time of writing the final rules for the Consumer Duty have not been published, the direction of travel is clear. All of the four specific outcomes will have an impact on how advisers manage their CIPs, with more explicit (and enforceable) rules for value for money reporting, target client assessments, quality of services and clarity of customer communications. Potential rules requiring ESG factors to be considered as part of a client's suitability assessment are also on the horizon, so advisers will need to decide whether their existing CIP is fit for purpose. If not, they will need to decide how to adapt it, not only to match any new regulation but also to ensure it continues to deliver the required outcomes for the firm and their clients.

FUTURE PROOFING TIP

Be prepared for new regulation and whether your CIP is fit for purpose.

VOX POPS

"I think the more you have, the harder it is for advisers to select one portfolio over the other, especially if lots of overlap."

"I wouldn't want more than 15 portfolios."

"If the range is simple then it should be manageable. Different risk-rated portfolios make the number seem bigger than it is."

"Not with our new system but unwieldy if we operate across different platforms as slightly different flavours exist."

"Developing an ESG strategy is proving difficult."

THE BENEFITS OF OUTSOURCING

This research report shows that there are benefits to be achieved from outsourcing your CIP but they are not always as substantial as may be expected. The comments from the respondents suggest that the choice of outsourcing partner is key, and that many 'traditional' DFM solutions still require high levels of operational input from the adviser.

At Copia our daily conversations with advice firms gives us a great insight into what firms are looking to achieve when outsourcing their investment proposition. Every firm will be different, especially in terms of the challenges they currently face and ambitions for the future, but broadly speaking firms are looking to achieve a variety of things when they outsource.

Firstly, there is the question of expertise and specialism. As advice firms become more confident in their own proposition, we are seeing an increased trend for a clear delineation of roles, designed to give clients an improved overall outcome. The financial adviser remains in overall control, with responsibility for the client relationship and suitability, adding value through financial and tax planning activities. The investment manager focuses on managing the client's money in line with the agreed mandate from the adviser, drawing on their greater access to specialist research and resources.

Secondly, but of equal importance, come the operational issues. The concerns many firms are starting to address as their CIP overheats creates an opportunity for external partners to add value to the advice business, and our research shows exactly where improvements will be made.

When we look at firms with more than £50m AUA, we can see a clear reduction in time spent managing their CIP for the firms who have outsourced their investment proposition.

Furthermore, these savings come in the areas where advice firms are experiencing the most pain, not only in terms of time spent but also operational and business risk.

- 25% reduction in time spent monitoring your CIP
- 72% reduction in maintenance activities
- 30% reduction in reporting

Whether you run your CIP in-house, or outsource to an external investment manager, some things remain the same. The advice firm will still be responsible for designing the CIP, implementing it across the business, and the overall advice given to the clients. However, outsourcing introduces an extra set of resources to the business, with clear cost savings to the advice firm as a result.

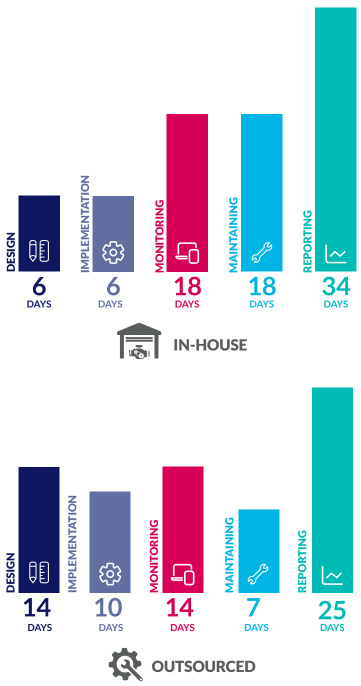


Figure 4 **Average FTE days spent p.a. split by in-house / outsourced (for firms with <£50m AUA)**

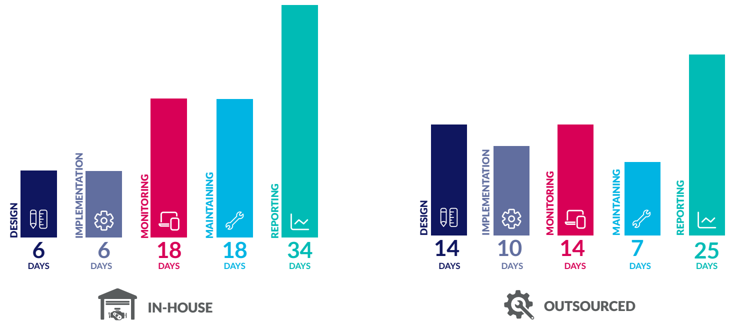
The hybrid approach – a modern partnership

Qualitative evidence from this research study, combined with feedback from Copia's own clients, tells us that a customised, hybrid solution to outsourcing can deliver even more substantial benefits, taking a great deal more of the heat out of running your CIP.

Copia's own data (rather than the lang cat's) suggests that a hybrid outsourced solution could save an adviser firm 66% of the time requirement of working with a 'traditional' DFM outsourcing provider, requiring 24 FTE days p.a., instead of the average of 70 FTE days p.a. for a firm with more than £50m AUA.

Choosing the right outsourced provider

The chart below shows some of the questions to ask when you are considering outsourcing your CIP. By ticking as many of these boxes as possible, you should be best placed to take the heat out of running your CIP, freeing your firm up to focus on client relationships.



Source: lang cat research for this report for firms with more than £50m AUA

Source: Copia's in-house research for similar sized firms

BEST PRACTICE FOR WORKING WITH AN OUTSOURCING PARTNER
THE CHECKLIST EVERY MODERN PARTNERSHIP SHOULD HAVE

- ✓ Are they whole of market (not putting in their own funds)?
- ✓ What's the business risk (B2B or B2C)?
- ✓ Do they operate a 'reliance on others or an agent as client' model?
- ✓ Do they help you manage key people risk?
- ✓ Do they have strong fund manager knowledge?
- ✓ What risk management tools do they have?
- ✓ How does their pricing compare with DIY?
- ✓ Is your custom provider platform-agnostic? (but can they advise on the platform landscape?)
- ✓ What support do they provide for the continuity of your business?
- ✓ Do they offer scale advantage, in terms of institutional level pricing and access?

HOW WE CAN HELP

I hope you have found this report useful, and food for thought. We know from our day-to-day conversations with advisers the important role their CIP plays within their business, and the enormous trust they place in us to manage money on behalf of their clients. This is a privilege we never lose sight of, and we firmly believe our modern partnership approach can improve outcomes for all parties. We focus on managing money, leaving the adviser to focus on financial planning.

Naturally at this point we would close by reminding you of how we can help your business, and your clients. Rather than hearing this in our words, we thought it might be better to get it "from the horse's mouth", and to hear from a financial planner how we have helped their business.

We started off running our own model portfolios, and this was ok to start with. As things progressed we took on more clients and more advisers, our CIP became an absolute beast to manage. And then MiFID II made things even harder.

As a firm we want to focus on financial planning. We add value to our clients through tax planning etc, and we leave the investment management to someone else. But that someone else has to be someone we trust and someone who runs money the way we want it to be run.

Like any relationship, communication is key. Copia keep us informed as to what is going on in the markets, and we are then able to tailor our own communications to our clients accordingly. So far, this partnership is working really well – it has given us as a firm peace of mind and reassurance that we are doing the right thing for our clients.

It is my firm belief that the advice sector is in an increasingly strong position. The demand for advice remains resolutely robust, and most advisers have little to worry about when looking for new clients. CIPs have been embedded in many firms for almost a decade and have paid a huge part in enabling this success, but times have moved on and CIPs are beginning to become a victim of their own success.

Our research shows that many firms are starting to feel the same way as our case study above – their CIP is becoming "an absolute beast". As firms continue to grow, this pressure is only ever going to increase, and that's before you consider the impacts of Consumer Duty. We think we can help relieve this pressure, whilst at the same time improving the outcomes for your clients. Please do get in contact if you'd like to find out more.

Robert Vaudry
Managing Director

KEY REASONS ADVISERS CHOOSE COPIA MPS CUSTOM

- Customised portfolios specific to adviser firm's preferred strategic asset allocation and target client market
- Ticks all the boxes in terms of MiFID II regulations
- No switching admin once clients are investedin the models
- All fund switches in the managed models are applied simultaneously and consistently across all clients in the model
- Enhanced governance on your portfolios by insourcing our expertise
- *Agent of Client* structure: Copia is responsible and liable for the Investment Mandate
- Reduced proposition risk and increased business value
- Similar or lower total cost to clients
- Considerable time saving
- All documents in adviser firm's own brand
- We are 100% B2B, are whole of market and unfettered (no in-house funds) and will never work directly with retail investors

Understanding the risks

- Investment model portfolios may not be suitable for everyone
- The value of funds can increase and decrease, past performance and historical data cannot guarantee future success
- Investors may get back less than they originally invested

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