TO OUTSOURCE OR NOT TO OUTSOURCE?
Before we jump into the outsourcing process, let’s wind back a bit. Why outsource in the first place? You may have made up your mind already. But if you are still unsure of the benefits, here’s why we think it makes sense to outsource investment management to a dedicated business like ours.

Any decision to outsource a service for your business is a big deal. So if you’re looking at MPS as a possibility for a Centralised Investment Proposition (CIP) we know you’ll want to complete a robust due diligence process.

In this document we take a brief look at some of the practical issues around outsourcing a CIP, with a focus on meeting the FCA’s standards in this area. As we go we’ll highlight the support we can give for MPS.

MANAGED PORTFOLIO SERVICE: OUTSOURCING TO US

Investment management takes time away from building client relationships and your business. Time outsourcing gets you back.

Research is the key to adding value. And skilled research teams don’t come cheap. Outsource to one, rather than employing one.

An expert outsource partner can support you in meeting TCF Outcome 5 (products that perform as clients are lead to expect).

Let someone else take the strain when the markets serve a surprise curveball. And help you keep your clients informed.

CLIENT NEEDS, YOUR NEEDS.
You’ll be well aware that doing the right thing by your clients is as relevant to developing Centralised Investment Propositions as it is to making individual suitability assessments. The challenge is achieving this in a way that brings benefits to you too. In terms of repeatable, scalable processes that can help you run your business more efficiently and manage risks more effectively.

The FCA has set out its view of what good looks like for the process of adopting a CIP at the business level. We’ll run through this on the following pages and overlay the support we can give through MPS.

FIND OUT MORE
Read the FCA’s paper FG12/16 Assessing suitability: Replacement business and centralised investment propositions and watch its webinar on the Financial Adviser page at fca.org.uk.
The starting point. Segmenting your clients into groups based on their likely investment needs. There is no right or wrong way to do this. Some of the methods the FCA thought you might consider were:

- By wealth (level of assets under management)
- By levels of service your clients want
- By levels of service you can commercially offer different client groups
- By life stage – saving for retirement as opposed to drawing retirement income is an obvious one for example

**SUPPORT FOR YOU**
If your thinking is still at an early stage, your Business Development Manager will be happy to talk through your proposed client segmentation strategy, give their view based on market experience and make an initial assessment with you on whether MPS (or our individual Discretionary Management Service) may ultimately be a potential fit for any of the segments you are considering.

With segmentation in place, you can move on to working out the type of CIP you might match to each segment.

- What does your proposition need to achieve for each segment?
- What can you realistically deliver yourself, and what might you be better to outsource? Permissions can have a bearing here. Do you have discretionary permission for example?
- What is a reasonable cost for a typical client in each segment to bear for delivering your CIP(s)?

**SUPPORT FOR YOU**
At this stage your Business Development Manager can provide more specific information about MPS (or our Individual Discretionary Management Service) and what each portfolio is designed to deliver. We can give you an idea of the typical costs and explore the pros and cons of outsourcing in the particular circumstances of your practice.

Now it’s time to review the market to short list options that might be a good match for any segment CIP you want to outsource. Depending on the outcomes you need to achieve.

- fund providers
- model portfolio service providers (like us)
- discretionary fund managers (like us)

may all be under consideration. The key thing is that short listing takes place after segmentation. It shouldn’t drive your segmentation.

**SUPPORT FOR YOU**
So far our focus has been on helping you to develop your own thinking with MPS (or our individual Discretionary Management Service) in mind. If you believe that we’ll be a good candidate for your shortlist we can help with a specific mapping of our proposition(s) to your objectives. We are happy to present to your team if you would find that helpful.
At this stage you’re narrowing down your short list with thorough due diligence and making demonstrably impartial outsource service provider selections. Some of the key things the FCA highlights at this stage are:

- Is your provider of good reputation and financial standing?
- Is their investment approach clear and robust, with a performance record to match? Can you explain it to a client?
- What are their charges and other terms and conditions? Is it clear who owns the client between you for example?
- Is their proposition flexible to meet individual client needs, backed by the support you need (rebalancing for example)?

By now we expect to be providing detailed information about our business and investment approach to demonstrate our credentials. For example we can provide an impartial assessment of our proposition by a leading compliance services provider, a comprehensive due diligence document, detail on how our proposition meets the FCA’s highlighted issues and evidence to back the risk mapping of each MPS portfolio.

Once decisions are made, it’s time to integrate your CIP into your business. What this means for you depends on the size and complexity of your practice, but some areas to consider include:

- Training and competence – making sure everyone understands the CIP and how they will work with it in their particular role
- Systems, controls and processes – updating these for the CIP including any technology integrations that may be needed
- Communicating the CIP to your clients in a way they can understand and updating relevant disclosure materials

If we’re still in – thank you. Our Business Development Managers will provide practical, hands on support for you at this stage, including training for your team on MPS as required. We will also work closely with your platform partner, advocating on your behalf wherever necessary to make sure you get the advice and support you need from them as well as from us.

Even with a CIP in place individual suitability assessments clearly still have to be made. The FCA will be on the look-out for any signs of shoe-horning individuals into CIPs, churning of existing clients into a new CIP without proper assessments being made and any CIP related additional costs that can’t be justified. Advisers who don’t have their clients’ best interests at heart are a very rare thing. But – as always - you have to be able to prove your intentions to the FCA in your client files.

MPS offers 5 risk mapped portfolios to meet different client needs. They come pre-mapped to Distribution Technology and Finametrica risk ratings, but we can discuss mapping to others if you prefer. Your choice of platform partner drives flexibility to move between tax-wrappers with MPS. Ask your Business Development Manager for the details.
**DUE DILIGENCE CONSIDERATIONS.**

**A CLOSER LOOK**

Here’s a closer look at how MPS addresses some of the more specific points the FCA has raised as being relevant to the selection of a CIP outsource partner. Your Business Development Manager will be happy to explore these through with you.

<table>
<thead>
<tr>
<th>Clarity over who owns the client?</th>
<th>YOU own the client</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial soundness of partner?</td>
<td>We’re financially sound. We’ve been in business for 250 YEARS!</td>
</tr>
<tr>
<td>Tax wrappers to meet client needs?</td>
<td>Accessible through GIA, ISA and pension as standard on all platforms.</td>
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<tr>
<td>Understanding of portfolio content?</td>
<td>Detailed factsheets. Regular updates.</td>
</tr>
<tr>
<td>Robust, repeatable investment processes?</td>
<td>YES. THIS IS WHAT WE DO.</td>
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<tr>
<td>Is the investment process transparent?</td>
<td>YES. We won’t work with any fund manager that isn’t fully transparent.</td>
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<tr>
<td>Smart rebalancing?</td>
<td>YES. Monthly.</td>
</tr>
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**SOME OTHER DOCUMENTS TO READ**

We expect your due diligence process to be tailored for your firm and your Business Development Manager will work with you on that basis. We do also have some off-the-shelf documents that may answer some of your questions. These are available in the financial adviser section at brewin.co.uk or through your Business Development Manager.

- Impartial assessment of our outsourcing proposition by leading compliance service provider ThreeSixty.
- A comprehensive due diligence brochure, including details of our experience and financial standing.
- Details of the Risk Mappings for each portfolio to Distribution Technology and Finametrica ratings.

**KEEPING THINGS UNDER REVIEW**

The FCA is clear that they expect CIPs to be reviewed once a year. We plan for that – expecting you to review the value our service adds for your clients at least once a year. If we are lucky enough to become an outsourced service provider for you we never take your commitment to us for granted.

You own your client. We own the performance of the MPS portfolios.