

GOVERNED PORTFOLIOS ASSESSED MAY 2019

We've received independent validation of the governance structure and processes which underpin the ongoing delivery of our Governed Portfolios from AKG.

AKG INDEPENDENT ASSESSMENT

The independent assessment of the Governed Portfolios looks at how governance works in practice and how it responds to, and deals with, change. AKG have also looked at how the Governed Portfolios have evolved in order to continue to be able to address the requirements of advisers and customers.

THE USE OF CENTRALISED INVESTMENT PROPOSITIONS (CIPS)

The trend towards outsourced investment solutions and Centralised Investment Propositions (CIPs) means advisers need to understand what they are signing up to for themselves and their customers. In particular the need for advisers to be able to illustrate how and why the investment solution is suitable for each individual customer.

- By that AKG means due consideration and recognition of some of the following items:
- What are they responsible for? What is the solution responsible for?
- Do they understand how the investment solution works, what methods it employs, approach to SAA, TAA, asset classes, fund/stocks employed?
- How is the investment proposition managed/governed on an ongoing basis? How do they keep track of key items over time?
- How do they report on investment process, performance etc. to their customers?
- Do they understand the costs associated with the solution?
- How does it evidence ongoing governance?
- How does it respond to change and challenge?

Advisers considering their CIP approach should still heed the original guidance issued by the regulator on this theme: **Finalised guidance, Assessing suitability: Replacement business and centralised investment propositions, July 2012**¹.

Advisers need to be able to illustrate how and why the solution is suitable for each individual customer.

The regulator sets out its expectations in this regards -

“Where a firm offers a CIP we expect it to consider the requirements of its target clients. For example:

- Their knowledge and experience
- Their financial situation
- Their investment objectives, and
- The type, level and cost of the service the clients require.”

Also relevant to the assessment is the regulator's guidance on designing or adopting a CIP. The regulator's expectations for adviser businesses adopting a CIP solution provided by a third party such as Royal London are detailed below:

“When adopting a CIP solution provided by a third party, a firm should adopt adequate due diligence to ensure the CIP provided meets the needs and objectives of its target clients. Without completing this necessary step, firms cannot assess themselves that the CIP is likely to be suitable for their clients and therefore should not adopt the CIP. For example, when adopting a CIP, firms may wish to consider the:

Terms and conditions of using the CIP:

- CIP's charges
- CIP provider's reputation and financial standing
- Range of tax wrappers that can invest in the CIP
- Type of underlying assets in which the CIP invests
- CIP's flexibility and whether it can be adapted to meet individual client's needs and objectives
- CIP provider's approach to undertaking due diligence on the underlying investments”

1. www.fca.org.uk/publication/finalised-guidance/fg12-16.pdf

GOVERNED PORTFOLIOS AND CIPS

Our Governed Portfolio investment proposition is a risk-managed CIP with a strong emphasis on investment governance. It forms part of our Governed Range which is available as part of our individual and corporate pension products and is designed for advisers looking for support to deliver quality ongoing investment advice, at a low cost.

Governed Portfolios can help you to fulfil both you and your clients CIP requirements as follows:

- Clients can choose an investment option to suit their particular risk attitude and term to retirement.
- Our Investment Advisory Committee regularly monitors your clients investment options
- Any changes required as a result of our governance process are made automatically
- Governance is at no extra charge
- Our Governed Portfolios offer your clients exposure to a diverse range of assets with a dynamic asset allocation
- Our Risk Profiling Tool helps you to establish how your client feels about risk
- Monthly fund performance is available to both you and your clients on our websites
- Minutes of our quarterly Investment Advisory Committee meetings are also available to both you and your clients on our websites
- Details of any Tactical Asset Allocation or Strategic Asset Allocation changes will be communicated to you

FIND OUT MORE

You can download a copy of the 2019 AKG report at adviser.royallondon.com/our-investment-options to refer to when recommending our Governed range to your clients.

It is important to remember AKG cannot guarantee that any particular comment will remain appropriate at any future date. Future developments in the market could have significant impact upon comments.

To find out more about our Governed Portfolios: visit adviser.royallondon.com/pensioninvestments or get in touch with your usual Royal London contact.

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