# Due Diligence – Platform Selection

## Overview:

We have researched the market place for a provider that best meets the requirements for us to provide our Portfolio Service and the needs of our clients.

Our use of platforms is predicated on clients’ best interests. In certain circumstances there may be no need for a client to use a platform, and in those cases, none is used. This report therefore relates to circumstances where it is appropriate for clients to use a platform. Typically, but not exclusively that is when clients have multiple tax wrappers and where our investment strategies are closely aligned to their financial needs and objectives.

## Research tools underpinning this due diligence:

We have utilised Adviser Asset (we have applied separate due diligence to assess their ability to deliver our requirements) to assist in our provider features due diligence and their Platform Evaluation Report dated xx/yy/zz presents our findings and this complies with the FCA requirements.

We also used The Lang Cat to assess charges at the point we were down to a short list of providers (Sift 3 below). We have done this because Adviser Asset does not look at costs effectively.

## The main criteria:

* Access to funds across all asset classes (e.g. bonds, equities, property)
* Access to funds across all fund types (e.g. OEICs, Unit Trusts, ETFs, Investment Trusts, Offshore Recognised Funds)
* Ability to replicate Portfolios across multiple tax wrappers.
* Market Reputation
* Financial Strength and Profitability
* Links to our back-office system
* Links to client website portal (for example Moneyweb)
* Ongoing support.

**Our core client cohort:**

Our client cohort is largely represented by

* Private clients
* Client family groups
* Aged between 55 and 75
* Tax wrappers comprising ISAs, OEICs, pensions

From time to time and depending on client needs we will need other asset shapes and asset classes to be placed on our platform(s) of choice. Typically these could include

* Absolute return funds
* Investment trusts
* Directs (equities)

We may also use off and onshore bonds with assets residing on our platform(s) if appropriate.

## Sift 1 – access to our required funds

Given our independent status its important to have a provider that has access to a wide range of fund types so that we have the ability to include any fund within our Portfolios without the need to switch providers.

We examined the market (through Adviser Asset) to ensure our chosen funds would be available on the final platform of choice. We did this because we believe fund choice is a key driver in client investment outcomes. As a result of this test we identified that platforms 1 and 2 would not be able to accommodate us.

## Sift 2 – profitability, default risk, back office, client portal links

Following sift 1 the list of platforms we could potentially use is set out below.

The evaluation report provides data on the profitability and financial strength of the provider but doesn’t allow us to add these as criteria for selection and we have therefore produced the table below. In addition we have included our additional criteria for links to both our back office and a client portal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **1** | **2** | **3** | **4** |
| **Platform** | **Trading Profitable** | **AKG Rating B>** | **Links to back office** | **Links to a money hub** |
| 3 | Yes | B+ | Yes | Yes |
| 4 | Yes | B | Yes | Yes |
| 5 | Yes | B | Yes | Yes |
| 6 | Yes | B+ | Yes | Yes |
| 7 | Yes | B | Yes | No |
| 8 | Yes | B | No | No |
| 9 | Yes | B | No | No |
| 10 | Yes | B- | No | Yes |
| 11 | Yes | Not Rated | Yes | No |
| 12 | No | B+ | Yes | No |

We only consider column 4 a must have criteria because of the relative importance of that facilitation to our long-term client access experience. This initially we did not exclude platform 7.

In addition, we did not consider profitability essential if accompanied by a strong AKG rating, as the latter implies a strong balance sheet.

Nevertheless, given that platforms 3 through 6 fulfilled all our criteria, we felt we were able to exclude platforms 7 through 12.

When above data is added to the statement of requirements as outlined in section 4 of the Platform Evaluation (pages 8 – 11) it produced a shortlist of two providers, 3 & 4.

## Sift 3 – Client Segmentation:

Our clients have investable assets ranging from less than £100,000 to £1million +. We have therefore considered whether there is any cost benefit to utilise more than one provider for our Portfolio Service.

Current spread of clients by portfolio size:

|  |  |
| --- | --- |
| **Funds Under Management** | **Number of Clients** |
| <£100K | 28 |
| £100k - £200K | 75 |
| £200K - £300K | 51 |
| £300K - £500K | 47 |
| £500K - £1m | 24 |
| £1m > | 9 |

We used this data to conduct our final sift.

## Sift 4 - Platform Charges:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **£100,000** | **£200,000** | **£300,000** | **£500,000** | **£1,000,000** |
| Platform 3 Fee | 0.429% | 0.377% | 0.359% | 0.324% | 0.274% |
| Platform 4 Fee | 0.35% | 0.35% | 0.35% | 0.35% | 0.30% |

Extracted from The Lang Cat

In addition to the platform fee Platform 3 do apply a wrapper fee for both ISA and Pensions. Platform 3 also currently apply a dealing fee for all switches and new money invested onto the platform which is currently 0.1% on funds below £1million and this is being reduced to 0.05% from date. Platform 4 does not apply any additional fees above the platform fee.

## Conclusion

Based on all 4 sifts we will utilise both providers. As a guide we believe that Platform 3 would be utilised for clients with assets below £500,000 and Platform 5 for clients above this.

**Compiler:**

**Date:**

**Date for next review:**