

Financial & markets regulation

City fund manager calls for investigation of performance figures

Alan Miller asks regulator to test if shareholders received 'misleading' information

FTfm



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6 HOURS AGO by: **Madison Marriage**

A prominent City fund manager has called on the UK accounting watchdog to investigate how listed asset management companies present their performance figures amid concerns that shareholders have received “misleading” information.

Alan Miller, a former New Star fund manager, has filed a formal complaint with the Financial Reporting Council one month after Schroders,

the UK's largest listed asset manager, was heavily criticised (<https://www.ft.com/content/06a9d97a-0022-11e7-8d8e-a5e3738f9ae4>) over how it presented its performance figures.

The 52-year-old, whose wife and business partner, Gina Miller (<https://www.ft.com/content/323a8378-19f9-11e7-a266-12672483791a>), last year won a Supreme Court battle over the government's Brexit process, said the London Stock Exchange and the Financial Conduct Authority, the UK's finance watchdog, should also investigate how these figures are presented.

The Millers, who co-founded SCM Private, the investment boutique, in 2009, are longstanding critics of the active investment industry, although their independence has been questioned as their company promotes passive funds.

Mr Miller said: "The fund management industry should show its performance in a manner that is clear, fair and not misleading. In our view, to claim that a substantial percentage of funds are outperforming when such data may be substantially lower after fees, without quantifying the impact of such fees, is shameful and misleading.

"This is the equivalent of allowing companies to show their profits as being their revenues before

costs. It is patently absurd.”

FTfm research (<https://www.ft.com/content/370cb1e6-058b-11e7-aa5b-6bb07f5c8e12>) carried out last month showed wide discrepancies in how listed fund companies specialising in active management present the outperformance of their assets under management.

This metric is used by shareholders, analysts, journalists and investors as an indication of the strength of a fund company. Asset management companies also use these statistics when determining bonuses for senior executives.

While most listed asset managers indicate what percentage of their assets have outperformed their benchmark once fees have been taken into account, several companies, including Schroders, Henderson and Ashmore, provide these figures gross of such charges.

The FCA’s handbook [states \(https://www.handbook.fca.org.uk/handbook/COBS/4/6.html\)](https://www.handbook.fca.org.uk/handbook/COBS/4/6.html) that when companies provide information on their past performance, they should ensure that the “effect of commissions, fees or other charges is disclosed”.

Mr Miller added: “It is our view that any listed fund management company that reports via major corporate announcements its investment performance gross rather than net of fees, and

which then fails to disclose the impact of fees and other charges on such performance numbers, has breached the rules. “

“Both the LSE and the FCA should urgently formally investigate such companies to determine whether or not both shareholders and investors have been misled through such announcements.”

According to Mr Miller’s own research examining mutual fund performance across five UK-listed asset managers, fees have a significant impact on the percentage of assets that outperform.

In the three years to the end of March 2017, 74 per cent of one company’s funds outperformed their benchmark before fees, falling to 30 per cent after fees, according to SCM. The figures were based on a sample of the company’s funds for which there was data available on Bloomberg, and accounted for 40 per cent of its total assets.

A spokesperson for the FRC said it was “considering” the complaint, although a formal review has not yet begun. The accounting watchdog has also shared the complaint with the FCA. The FCA and Schrodgers declined to comment.

Separately, Andy Agathangelou, founding

chairman of the Transparency Task Force, an organisation campaigning to restore trust in the financial services industry, has written to Chris Woolard, director of strategy and competition at the FCA, calling on the regulator to introduce a “mandatory approach to performance reporting”.

Mr Agathangelou said to the FCA: “At best we have an inefficient market, at worst we have the risk of opportunistic obfuscation; perhaps even ‘gaming’ to show unjustifiably flattering results.”

A spokesperson for the Investment Association, the trade body for the UK investment industry, said: “UK-listed companies are required to include a range of [key performance indicators] in their annual reports. Our listed members operate within those guidelines to ensure their shareholders have the information they need to make informed investment decisions.”

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