



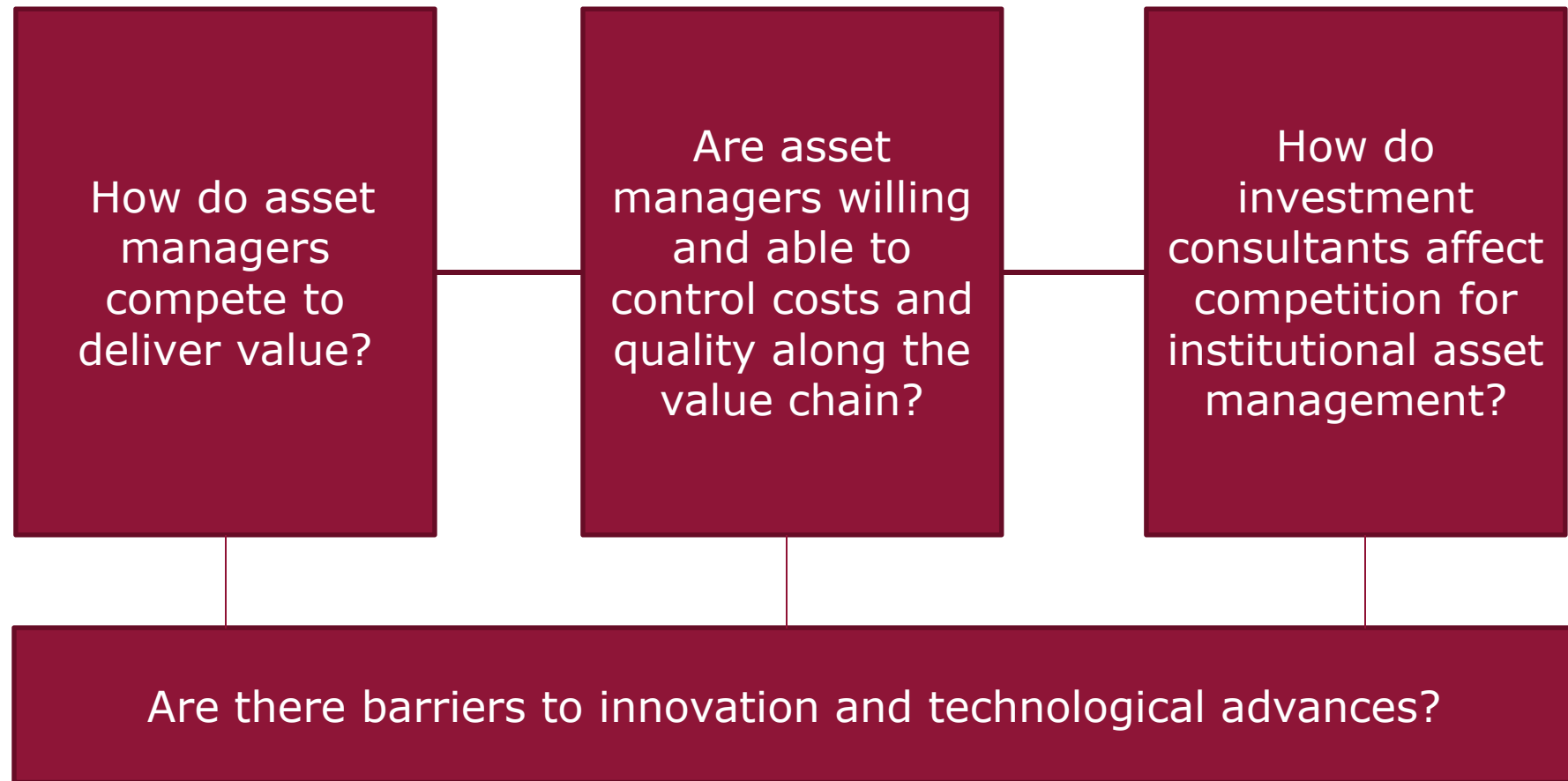
Asset Management Market Study

Interim report findings: investor outcomes and drivers of choice

7 February 2017



Our study looks at how competition is working for asset management products.



Key findings

- Interim report found that there is weak price competition in a number of areas of the asset management industry.
- There is considerable price clustering for funds, and limited evidence of prices falling as fund size increases.
- Asset management firms have consistently earned substantial profits across our six year sample.
- Mainstream actively-managed fund prices have remained broadly constant over the past 10 years. Index-tracker fund prices have fallen over past 5 years.
- Despite improvements, still problems with transparency and clarity of investment objectives and outcomes.

Choice drivers for retail investors

- Key focus of investors is (relative) past performance.
- Other drivers we found for retail investors are:
 - Platform best buy lists
 - Morningstar star rating
 - Mixed evidence on charges.
- Do these choice drivers translate into better outcomes?

Sources: non-advised retail investor survey and econometric evidence

Investor outcomes

- Overall, our evidence suggests that on average actively managed funds underperform their benchmark after costs.
- Investors may choose to invest in active funds with higher charges in the expectation of achieving higher future returns.
- However, the interim report found that there is no clear relationship between price and performance – the most expensive funds do not appear to perform better than other funds before or after costs.
- If there were a negative relationship between price and gross performance it would indicate ineffective competition.

Next steps

Stakeholder engagement including round tables	Dec 2016 -Feb 2017
Consultation closes	20 Feb 2017
Assess feedback, finalise analysis and findings and develop remedies	Q1/Q2 2017
Publish final report and consultation paper on any rule changes	Q2 2017