

FINANCIAL NEWS

Fiduciary management / implemented consulting firm of the year

Cardano sees growth of its one-stop-shop management model

Fiduciary management/ implemented consulting firm of the year

Score (out of five)

Cardano	3.37
APG Asset Management	3.28
BlackRock	3.04

Financial News introduced the award for fiduciary management last year at a time when pension fund trustees were increasingly looking to consultants to help them with the day-to-day management of their schemes.

Cardano, a Netherlands-based pensions manager which opened a UK arm in 2007, retained the award it first won last year, albeit by a narrow margin of votes over peers APG Asset Management and BlackRock.

With pension scheme mandate wins from retailer Asda, publisher Express Newspapers and security group G4S last year, Cardano added £1bn in funds under fiduciary management this year in the UK alone.

Kerrin Rosenberg, chief executive of Cardano UK, said: "Fiduciary management is certainly growing in the UK. An increased number of pension funds are seriously considering it and also a number of larger funds."

Rosenberg pointed out that not all pension funds wanted the same services from their fiduciary manager, with some delegating the management of certain assets classes and others needing help with part or all of their asset and liability management.

However, he said: "Most trustees are keen to remain in control of the high-level objectives, but want to delegate implementation to a full-time team who can be more dynamic and control risks better. Usually the aim is improving the funding ratio in a more stable way."

Fiduciary management originated in the Netherlands, where it accounts for more than three quarters of pension fund assets under management, and UK schemes are increasingly showing appetite for such services.

At the beginning of this month, the £3bn Merchant Navy Officers Pension Fund gave an expanded

role to Towers Watson, a move that Roger Urwin, Tower's global head of investment content and now "delegated chief investment officer" for the Merchant Navy fund, called "a defining moment" in the growth of fiduciary management in the UK.

BlackRock also this month announced its appointment as fiduciary manager to FTSE 250 company the Cookson Group, a materials technology company. Michael Marks, chief operating officer of BlackRock's fiduciary management business, said: "There's now a substantial flow of pensions funds starting to make the move."

Other countries, including Germany, Ireland, Austria and Switzerland, have also shown an interest in fiduciary management, and earlier this year Polaris Investment, fund manager for the €7bn portfolio of the Cariplo charitable foundation, became the first firm to offer fiduciary management in Italy. However, most countries, apart from the Netherlands, have been slow to adopt the process.

For BlackRock, Cookson was just its third fiduciary win in the UK. At Towers Watson, while many clients are under its "advanced investment solutions" umbrella, the merchant navy fund was effectively its first fully delegated, true fiduciary management client.

Even at P-Solve, which has been offering the service for much longer, funds under fiduciary management amount to about 10% of the total it oversees.

The model's effectiveness in the Netherlands has been questioned recently, partly because of performance issues. In the UK last month Cardano and P-Solve published figures showing their approaches had delivered higher returns and lower risk than traditional investment approaches during the crisis, but in Holland some clients have been disappointed.

According to Cardano's client manager, Phil Page, the poor performance of some managers has strengthened the case for fuller uptake of fiduciary management in the Netherlands.

He said: "If you look at the decline in solvency ratios for the Dutch pension funds collectively it is clear that in many there was not a single party accountable for that."

De Nederlandsche Bank, the Dutch central bank, has also questioned the use of fiduciary management by pensions funds, suggesting that some trustees had ceded control of their investments and become too



Fiduciary's finest: Elizabeth Corley presents the award to Ralph Frank of Cardano

distant from the running of the fund. However, DNB's own pension fund is also with a fiduciary manager (BlackRock).

Olaf Sleijpen, director of institutional clients at APG Asset Management, said: "The central bank isn't against fiduciary management. It just wants pensions funds to know what they are doing and how the risks are being managed."

Anton van Nunen, founder of Dutch consultancy Van Nunen and Co, believes that the switch to fiduciary management does not mean pension schemes lose control. He said: "In fact, exactly the opposite: you gain control by having greater insight; by looking at more alternatives; by assessing more managers than you could ever imagine; and by having more time to consider the big decisions rather than the day to day running of the fund."

Ultimately, the move to fiduciary management is not about performance and control; it's about governance.

Patrick McCoy, head of investment advisory at KPMG, which advised the merchant navy pension fund in its search for a fiduciary, said it was unrealistic to expect consistently great performance. He said: "If you are making decisions on the strategic side, providing the tactical advice, the fund manager selection and implementation you're not going to get it all right. You just can't."

Daniel Melley, head of business development for implemented investment consulting at Mercer, said: "Trustees and other groups are looking at themselves and asking whether there is a better way of doing things. At the end of the day they are saying 'we need help'."

While Melley admits that fiduciary management isn't the only answer to this problem, he said: "It's a pretty good one."

Peter Davy