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ADVISERS INVESTMENTS OPINION

Alan Beaney: Happy 10th anniversary, MPS?

Alan Beaney
20 February 2025

Apparently we are about to celebrate the 10th anniversary of the MPS and with assets predicted to be around £500bn by 2028, what better time to ask if it has delivered?

While MPSs have seen enormous inflows over recent years and are favoured by many IFAs over their bespoke sibling, some soothsayers predict there'll be a resurgence of more traditional bespoke portfolio services, particularly after recent tax changes.

From an investment perspective, the use of models containing funds/OEICs has been around for as long as those component parts, but the packaging of those and distribution via third-party platforms was the real game changer.

Hello MPS, hello new income streams for DFMs. Well.... yes and no.

Some of their existing IFA introducers and clients suddenly saw an opportunity to get the same intellectual property for a cheaper price than prior models, so some money has been recycled at a lower margin, though in a sense it has brought in additional revenue.

For advisers, it meant that those who didn't want to be 'fund pickers' could still hang on to the client relationship. By choosing a platform, they could now select the investment expertise but remain in control of how it was communicated with the client.

> **"So, all good then, until we ask, how do we compare MPS offerings?"**

For those who had already outsourced to a DFM, they could now engineer an increased margin by switching to a lower priced solution from the same investment house.

For clients, whether they had previously been advisory or already engaged with a DFM, their money would be professionally managed but for a fraction of the cost of a 'bespoke' portfolio, alongside clients with a similar risk tolerance. (There is comfort being in a group.)

So, all good then, until we ask, how do we compare MPS offerings? It's not just the investment manager fees, the platform will also influence the overall cost and then how will the all-important investment performance be reported in a standardised way?

To help solve this problem, ARC Research are launching their Managed Platform Solutions (MPS) indices later this year, which should offer further insight into the facts and figures.

However, there's also the question of how MPS propositions have weathered factors such as market and taxation changes – oh, and what does happen when clients need to spend some of their own money?

The issue here is that the 500 or so models from 70 providers differ greatly. Some rebalance monthly, some quarterly, some back to an original model and some to a revised model.

But the two things they have in common when compared to the bespoke option – are a) the client's CGT allowance can't be utilised, and b) the investment manager doesn't have to look the client straight in the eye to explain what they have been doing for their fee!

Similarly, when it comes to taking an income – whether via a Sipp or not – how this is achieved within the portfolio varies hugely. So, perhaps not so straightforward after all.

Clients, regardless of how big or small their portfolios are, have differing requirements, which may include for example, the dematerialisation of paper stock; the need for an annual tax report; to control their CGT position – or simply to have more personalised investments.

The fact is, there is no single solution. Some clients prefer to own direct equities, while some may have more specific requirements.

Given the attraction of gilts currently, a small portfolio with a single or several short-term gilts will produce a net income in excess of 4% for a higher rate or 45% taxpayer.

> **"One negative for bespoke portfolios has been the ever-rising minimum levels of investment"**

Here at RC Brown we are also proponents of primary opportunities – no room to explain here, but another advantage of the bespoke or tailored option.

There is also the ability to react immediately to market conditions, which is very much the domain of bespoke portfolios.

One negative for bespoke portfolios has been the ever-rising minimum levels of investment – perhaps with the intention of making the service evermore 'exclusive'.

We believe this is rarely in the interest of client or adviser and, incidentally, this is not our approach.

It's horses for courses always so while this is not intended as a criticism of the MPS which does a "good value" job, for some of the reasons above, we are certainly seeing increased interest in more flexible, tailored solutions.

Alan Beaney is CEO of RC Brown Investment Management