SIX MONTH UPDATE – SEPTEMBER 2012



TRUE&FAIR

TRUE and FAIR CAMPAIGN

MANIFESTO

ACT NOW!

www.trueandfaircampaign.com



TRUE&FAIR

Introduction

The British public faces a minefield of hidden charges with regard to their investments and savings. It is extremely difficult for investors to make fully informed decisions on what they are investing in or the total costs and fees incurred.

Millions of ordinary savers and pensioners are being left seriously out of pocket through poor investment practices and services - the people who need greatest encouragement to build up adequate savings pots are being seriously let down. They deserve to be told the truth and be treated with respect.

The UK investment management industry has been ripping off consumers for far too long. It is a tragedy and a ticking time bomb.

The time to act is now!

September 2012

The Manifesto

We are calling on the Government, Parliament and regulators to require that the UK investment management industry provide every prospective customer with:

a) a guarantee of 100% transparency in respect of where their money is invested

b) a guarantee of 100% transparency as to the full underlying costs of investments

c) a code and labelling scheme, which ensures consumers are provided with product information in a consistent, simple and understandable format

Why is there an issue?

A lack of transparency throughout the investment management industry, together with layering of costs, product complexity and use of convoluted language has led to a loss of consumer trust and confidence.

This has resulted in fewer people saving and investing adequately for their future. With the elderly running down their savings and a smaller working-age population not saving enough, the economic and social impact of this lack of provision will have a dire effect on the UK economy and people's individual wellbeing.

This is not an issue that only affects a small number of wealthy investors, but includes many millions of ordinary British savers and pensioners.

Initiated by
scm PRIVATE
The Investment Family

What is needed to put this right?

SCM Private believes the best way forward is the introduction of an industry-wide best practice **'True and Fair Code'**, which would ensure that the industry:

a) guarantees 100% transparency in respect of where money is invested, available on-line
b) provide 100% transparency as to the full underlying total costs of investments

The campaigners ideally sought to have a voluntary approach throughout the industry. This would have resulted in the introduction of a self-regulatory industry code, which enshrines the principles of **True and Fair**.

However, after six months of campaigning, they have come to the conclusion that only regulatory measures will displace the self-interest and cartel-like behaviour of the investment industry and its industry bodies.

It is time for a sensible discussion with the investment management industry, government and senior stakeholders about how to affect change.

There is resistance from the industry as there is little regulatory or commercial incentive to force them to behave differently. These issues require action from the regulators and, if necessary, new statutory controls to bring about consumer protection.

What would this look like?

The Proposed Solution: An industry-wide 'True and Fair Code' and labelling system for fees

SCM was hopeful that the Code would attract industry and consumer 'champions'. These champions would have adopted the code creating a momentum that could persuade investment managers and consumers alike to prioritise full investment and cost transparency, better product description and accuracy, and an industry consistent format.

Signatories would commit to providing consumers with a product label that amounts to a Full Schedule of Fees. Different investment products can then be compared - ISAs, pensions, unit trusts, exchange traded funds, hedge funds, investment trusts, or any other investment product. For the first time in the UK investors will be able to see one simple all in cost.

Full transparency should ultimately lead to a more competitive investment management industry as companies are forced to focus on reducing the total cost of investing.

But there has been a myriad of intellectually and morally bankrupt objections and statements as to why the proven workable **True and Fair Code** is not in consumers' interests. These fall into three categories:

1. If investors knew the real cost, they would stop investing
A: Everyone has the right to know the full cost **before** purchase. If the final decision is to not invest, then that is the correct decision for that individual

2. It is too difficult to calculate and would be too costly
A: All the information to fulfil the code and label are available to investment managers

3. If there is to be change, it should be a voluntary code
A: It has to be a level playing field, and most people agree voluntary codes do not work

Schedule of Fees and Holdings

True and Fair System vs The Current System

Proposed True and Fair Code and Label Scheme	Current Misleading Fee System
Full and transparent fund management and ALL related costs and fees	Annual Management Charge (AMC) What many investors think they are paying
Total Provider Cost (TPC)	Some of the extra costs eg. custody charges, administration costs, other fund costs etc. are added to produce
End distributor and ALL related charges added	Total Expense Ratio (TER) but often not featured in fund manager advertisements
Total Cost of Investment (TCI)	Still significant hidden costs eg. performance fees, dealing costs, platform charges, initial charges, exit charges etc.
INVESTORS CAN SEE THE REAL TOTAL COST AND CAN COMPARE VIA DIFFERENT SALES CHANNELS	IMPOSSIBLE FOR CONSUMERS TO KNOW THE REAL TOTAL COSTS OF THEIR INVESTMENT

Whilst performance fees are officially included in the FSA definition of the TER, they are often excluded in reported TERs

What can be achieved?

We believe that the **True and Fair Code and Labelling Scheme** can:

- make companies accountable by forcing full disclosure of all holdings within any investment fund, on-line, on at least a quarterly basis
- enable consumers to compare products and providers on like-for-like terms without hidden costs or fees
- create a truly competitive investment management market
- reduce future mis-selling or financial scandals through greater transparency of fees and investments
- restore confidence to this sector of financial services

How you can help make this happen

If you agree with the principles of the **True and Fair Code** and would like to support our campaign, act now by:

- signing up to the **True and Fair** website at **www.trueandfaircampaign.com**
- writing to your local MP
- writing to the Government:

Greg Clark MP
Financial Secretary to the Treasury
HM Treasury, 1 Horse Guards Road
London SW1A 2HQ

We believe the only way change will happen is for people to stand up and demand it. Investors and savers deserve to have their hard earned money looked after in an honest way.

We therefore urge you to join our
True and Fair Campaign

www.trueandfaircampaign.com

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About SCM Private

SCM Private was established in 2009 and is an embodiment of the True and Fair Campaign. As a modern, innovative investment company it aims to challenge the existing norms of the industry by operating efficiently, confronting malpractices and putting clients' best interests at the heart of the business; especially stripping away layers of costs and self-interest.

For the last three years SCM has been fighting to raise awareness about the lack of transparency within the investment management industry. There has been much resistance along the way, but there is a gradual growing tide of support from a wide group of stakeholders, including others from within the investment industry itself.

The founders, Alan Miller and Gina Miller, have over 44 years' experience in the retail financial services industry and possess expert knowledge about the sector. Together we are in a position to launch this campaign because:

a) we know the industry inside out
b) we are determined to radically improve things and we are committed to changing the status quo
c) we are completely independent and free to fight for what we believe is right

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