

New Rathbones benchmarks as from 1 January 2021

What does it mean for you and your clients?

Rathbones is launching a range of new benchmarks to help clients make a clear value judgement on the level of service they receive from us.

These benchmarks are:

- compliant with regulatory guidelines
- designed to reflect our unique LED (Liquidity, Equity-type risk, Diversifiers) approach to asset classification
- composed of a composite of recognised industry indices
- aligned to risk rating agency ratings

What is happening?

In line with best practice and in compliance with MiFID I regulation, all our client portfolios must be assigned a fixed primary benchmark against which performance will be reported to the client.

We have researched the topic extensively and concluded that our one-to-six investment strategies are best served by introducing our own set of composite benchmarks.

The Rathbones benchmarks are constructed from mainstream market indices, from regulated benchmark administrators, which represent the type and mix of assets held in client portfolios.

Why are we taking this approach?

As a firm providing portfolio management for your clients, it is important to establish an appropriate method of evaluating and comparing portfolio performance.

The Rathbones benchmarks are designed to be a better representation of the investible universe available to our clients compared to existing industry benchmarks.

Whilst consideration was given to adopting the PIMFA (The Personal Investment Management and Financial Advice Association) indices they were ruled out for a number of reasons: they change every three months; they are backward looking and merely reflect the current asset allocation weightings of member firms; they

are 'objective' based rather 'risk' based; and they do not reflect our 'LED' risk framework.

The Rathbones benchmarks are designed to be more credible than PIMFA because they align with our investment process (LED) and the long-term return objectives and risk tolerances of our six core strategies. They are also designed to be better aligned with the risk profiling tools produced by the risk rating agencies.

Will the Rathbones benchmarks change in the future?

They will be reviewed annually by a benchmark governance committee made up of experts from compliance, investment management and risk management. This is to ensure the benchmarks continue to reflect how we manage our clients' money.

The benchmarks are forward looking. Our Strategic Asset Allocation Committee can make recommendations for a change if they believe a significant structural change will impact future returns, e.g. the European Union referendum result in 2016.

Finally index providers can change their products or can be impacted by corporate changes. The committee would be tasked with providing alternatives.

What about client outcomes?

We believe our benchmarks will outperform the industry recognised benchmarks due to the forward-looking nature of the construction and their adherence to the LED risk framework. One of the considerations when constructing our own benchmarks was to attempt to design a suite that would outperform existing informal benchmarks over the medium to long term which would lead to better client outcomes.

What does it mean for clients?

1. They will have a stable and well constructed measure from which to make an informed value judgement
2. If we match our expectations then it should lead to better outcomes than can be achieved elsewhere
3. The comfort that the benchmark reflects their risk profile as identified during the onboarding process


What does it mean for you?

1. Our reporting meets the latest regulatory guidelines so ensures your compliance
2. Your clients will be able to make an informed value judgement of your recommendation. This will help you evidence that you are providing value for money, an area we know the regulator is beginning to focus on as we have seen in the asset management industry
3. You can monitor our performance in a very clear and transparent way. No excuses, we have designed the benchmark
4. It ensures we retain our differentiation from others and demonstrates you have provided your clients with choice. If all wealth managers use PIMFA then where are the options?

For further information, financial advisers can contact our intermediary services desk on: **020 7399 0399** or email: **ifaservices@rathbones.com**

Rathbones
Look forward

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