# ONLY ONE PROVIDER IS SELLING TLP FUNDS VIA FSA-REGULATED PROMOTER, ROUNDTABLE DEBATE IS TOLD

*** Direct regulation of marketing material would raise standards**

LONDON, 30.09.2010 – Only one of the six product providers selling traded life policy funds in the UK is doing so via a subsidiary promoter that is authorised by the Financial Services Authority, participants in a roundtable debate were told. Yet more direct regulation of product providers' would be highly advantageous and would help raise the quality of their marketing material, the debate concluded.

Participants in the debate, sponsored by boutique fund manager Managing Partners Limited, agreed that a 'good' TLP fund should be sold via a UK-regulated promoter, have an investment process that uses the right actuarial analysis of the underlying policies, that invests in a diverse range of policies to control risk and maintains a diligent control on liquidity and currency risk.

Research carried out by MPL earlier this month found that five of the six product providers selling TLP funds into the UK were not using UK-regulated subsidiaries to do so. These five providers were selling a total of 15 offshore funds. MPL sells its Traded Policies Fund via its UK subsidiary, Managing Partners Capital, which is authorised by the FSA*.

The marketing material used by TLP fund providers was severely criticised in February this year by Peter Smith, Head of Investment Policy, Conduct Policy Division at the FSA. He told a conference staged by the European Life Settlement Association that the material had "major flaws" and provided inadequate explanations of risks.

**Jeremy Leach, Managing Director of MPL,** told the debate: "IFAs need to understand a great deal about a lot of different products. The product provider should share that accountability with the IFA. We should be accountable for the information we give advisers, who should then assess suitability and pass it on to clients. It must be a positive for the provider to be authorised by the IFA. There is an enormous accountability for the information we provide IFAs, much more than if we weren't accountable to the FSA."

**Russell Golledge, an IFA with Essex-based Crystal Financial Management,** told the debate: "Recommending TLP funds is a minefield as they're classed as unregulated. Working with a provider who is working with the FSA gives us comfort in that they are digging through the legislation like we are.

"Clients demand that we do due diligence. Investors like to see that we're not just picking up any fund, especially an unregulated fund. We look for good names behind the fund, a good accountant, actuary, auditor, etc to ensure due diligence is being done."

**Professor Merlin Stone, of Oxford Brookes University and author of The Market for traded life policies,** published in August this year, said the relationship of trust between the IFA and fund provider was key. He said: "Broadly speaking it takes 20 years for a market to understand a new asset class. We are at the early stages of this market. Due diligence, transparency, portfolio management principles and guarantors are important. The market needs to learn."

He added: "Financial services regulation has to be ethical and good for customers. You can't make compliance more difficult for a new product and try to de-risk a new product unreasonably. You can't regulate away the risk. All you can do is make sure the distribution channel is competently astute and can rectify a situation when things go wrong."

MPL's Traded Policies Fund's GBP Growth share class, which is suitable for UK retail investors, returned **8.93%** over the 12 months to 15 August and **35.04**% since it was launched on the 15th of March 2007, net of all charges. Its performance makes the Fund one of the outstanding performers over a period that has seen many investment funds suffer substantial losses as a result of the global financial crisis, which impacted all of the main asset classes.

The Fund, which also offers institutional and retail share classes denominated in Sterling, Euro, USD, Yen and Swedish krona, invests in traded life policies (TLPs), which are US-issued whole of life sold before their maturity date to allow the original owners to enjoy some of the benefits during their own lifetimes. TLPs can be used to deliver steady, incremental returns that are uncorrelated to other asset classes.

The Traded Policies Fund is a fully-regulated Cayman Islands mutual fund that can be included in personal portfolio bonds, wraps and SIPPs. The minimum direct investment in the fund is £35,000 (or currency equivalent) but the fund can also be accessed via insurance bonds or SIPPs for £2,500.

For further information on Managing Partners Limited range of funds, call +44 (0)203 397 0525 or visit (www.managing-partners.com). A free copy of the Merlin Stone Report 2010 can be downloaded from this website.

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