

MEDIA ALERT – MEDIA ALERT – MEDIA ALERT

FOR IMMEDIATE RELEASE

RDR WEIGHS ON DISTRIBUTION IN Q113

With stock markets soaring and the ISA season in full swing, there were reasons to expect a bullish start to the year. However, austerity measures and advisers getting used to life under RDR put a brake on flows. According to the quarterly Distribution Report, gross sales across the fund distribution universe were £28.2bn in the first quarter of the year, down 2% on the previous quarter. But net sales dropped even more markedly to £3bn, a 34% fall on the previous quarter. ISA sales were particularly disappointing.

The quarterly Distribution Report monitors actual sales through the three main wholesale aggregation channels as well as the underlying distribution channels. Bella Caridade-Ferreira, Director of Fundscape, commented “Legislation always takes time to bed down so it’s too early to draw any conclusions from one quarter of sales. But the industry was in a state of flux; only three primary distribution channels increased their gross sales in the quarter at a time when the ISA season usually gives them a boost.”

Financial advisers recorded a modest rise in flows (1.4%) but wealth managers remained risk averse with a 6% drop in flows. However, the main beneficiary was the direct-to-consumer (D2C) channel, which saw its flows jump by 32%. Caridade-Ferreira said “some investors have been orphaned by their advisers and others simply don’t want to pay for advice so it’s inevitable that D2C flows have jumped. The disappearance of retail bank advice is also a factor driving investors towards D2C options. Sales through banks and building societies were down 19% compared to the fourth quarter of 2012.”

There was a slow start to the ISA season in 2013, but activity began to pick up in the closing stages. With RDR now more firmly established, the second quarter of 2013 should be home to stronger gross and net flows as late and early-bird ISA investors boost flows.

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Notes to Editors:

About Matrix Solutions: With over 25 years' experience in the financial services industry, Matrix is established as one of the UK's leading Customer Intelligence companies delivering proven information solutions across a number of industries. The company focuses on improving its clients' understanding and management of customers and sales channels, delivering operational cost savings and driving top-line revenue growth.

About Financial-Clarity: Financial-Clarity is a suite of revenue-driving business intelligence tools for the UK financial services industry. It features three component parts:

- 1) A secure data hub containing aggregate market sales data from financial product providers and platforms in the UK;
- 2) The Matrix Financial Intermediary Database (MFID) — the UK's most comprehensive intermediary database with up-to-the-minute market intelligence on outlets;
- 3) A web-based interface providing easy access to the analysis of own sales and aggregated market intelligence that can be seamlessly integrated with your systems and CRM software. For further details on Financial-Clarity, please visit: www.financial-clarity.com.

About Fundscape: Fundscape provides informed analysis, comment and insight into the UK fund industry and other fund markets globally. Its activities include the publication of several regular reports including the Pridham Report, which is unique in monitoring actual fund flows in the UK, and the Platform Report, which provides in-depth coverage of the burgeoning platform and wrap market. For more information on Fundscape, please visit: www.fundscape.co.uk.

About the Distribution Report: The Distribution Report is a quarterly subscription-based publication. It is a closed user-group publication with restricted circulation, meaning that prospective subscribers must subscribe to or provide data to Financial-Clarity.

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