DRN-5161658

Financial Ombudsman Service

## The complaint

Mr J's complaint is about the discretionary management of his pension portfolio by LGT Wealth Management UK LLP ('LGT'), including the predecessor firms, which LGT acquired, that previously managed the portfolio. His Financial Adviser ('FA') had an advisory role related to the pension portfolio. LGT held other assets owned by him, but this decision is only about the pension portfolio he has complained about.

He mainly says LGT and its predecessor firms (collectively referred to as *LGT* in this decision) mismanaged the portfolio in conflict with his low risk profile (and the low risk mandate it was given), and that in this respect it – applied, overall, poor decision making to its management; delayed mitigation of losses in the portfolio; displayed bias towards its own funds even when they were underperforming; closed a fund which was actually performing well; and replaced it with one which performed poorly.

Overall, he considers that these key factors (and some sub-factors) led to underperformance in the portfolio and its failure to meet the 4% annual performance target that was agreed, and that he had been told was achievable and would be achieved.

LGT disputes the complaint's merits. It initially raised a concern about our service's jurisdiction to address the complaint. This led to a jurisdiction view issued by one of our investigators, confirming, with reasons, our jurisdiction over the complaint. Thereafter, LGT said it no longer contests our jurisdiction. Both parties (and the investigator) then engaged in addressing the complaint's merits.

## What happened

Mr J has explained the relationship between him, the FA and LGT as follows – he appointed LGT to manage the pension portfolio on a discretionary basis, the FA advised him, and the FA provided information, as required/instructed, to LGT.

His pension (a Qualifying Recognised Overseas Pension Scheme ('QROPS') portfolio began to be managed by LGT in 2016. At the outset, the portfolio's value was around £481,700. Mr J has calculated that the portfolio is now worth somewhere around £482,000, and that had it been properly managed and had it met the target that he was assured was achievable, it would now be worth around £682,000, so he considers he has lost around £200,000. He says, in real terms and in the context of capital growth, the portfolio has mainly been in negative territory (losing capital) over the past eight years, because it has mainly been the reinvestment of income that has compensated for the lost capital and sustained its value.

The QROPS portfolio was initially invested in the Target Return Fund ('TRF'), around March 2016; then, around August 2018, it was invested in the Enhanced Diversification Fund (EDF'); the EDF was closed in 2022, so around April that year the portfolio was moved into the Phoenix Fund ('PF'); then in late 2023 (around October) it was moved into the Money Market Fund ('MMF').

Mr J says LGT applied the TRF on the basis that it matched his low risk profile and that it would likely deliver the target of LIBOR (which was 0.5% in 2016) + 3.5% annual performance, so, in total, a 4% annual performance target.

With regards to the changes in funds within the portfolio, he says, in summary, the 2018 move from the TRF to the EDF happened because the former had failed to meet the target, so it was hoped that the latter would help in recovery and in meeting the target; then the EDF, which had performed well, was forced to close, leading to the move to the PF; the portfolio would have been better off if this did not happen and if it continued to be invested in the EDF; and the PF – which was unsuitable for him, was misrepresented to him as a low risk fund and which mismatched his medium-low risk profile at the time – performed so poorly the need to move to the MMF arose.

Additionally, on the move to the PF, Mr J says it resulted in a notable increase in the portfolio's exposure to risk. He says, as a supposedly lower risk fund, it had been contrasted with LGT's Balanced Bridge Fund ('BBF'), which he knew to be a medium risk fund because he held it in his Individual Savings Account/ISA (which was also with LGT). Mr J has referred to the PF's February 2024 factsheet and says it shows the fund had an equity exposure of around 56%, whereas the EDF's equity exposure had been approximately 45% and just before the move to the PF this exposure had been around 41% (which suited his and the portfolio's profile). The increased exposure to risk, in the PF, was, he says, unwarranted, unjustified and was in conflict with LGT's mandate for the portfolio.

Mr J has highlighted his concerns about the level of trading that took place when his portfolio was invested in the TRF, about LGT's bias towards its internal sub-funds even when they were underperforming and its associated, and questionable, decision making. He summarised some examples to support these concerns, and said –

- In just over two years (between April 2016 and August 2018) there were 246 individual buy and sell transactions, using a total of 36 sub-funds and holding an average of 25 sub-funds at a time, with some of them being sold in one month only to be repurchased in the following month at a higher price. This creates a concern "… *that the charges covering these transactions (thinking Stamp/Bank/PTM levy etc) may have been having an unduly high drag on the portfolio's performance*".
- In terms of bias towards internal funds, around 34% of the portfolio was invested in its Strategic Investment Allocation ('SIA') sub-fund, this grew to around 48% with net inflows, it consistently underperformed and had dropped around 20% in value within the first six months of investment, no attempt was made to address this underperformance and loss of value, its charges also seemed quite high, then it was sold at a loss; and similar events happened in the portfolio's investments in its UK Equity Income Z fund and its Active Overlay Fund ('AOF'); these sub-funds have since been closed by LGT, so it begs the question why his portfolio was exposed, with detriments, to them for so long.

In terms of the background, LGT mainly says –

- It was appointed by Mr J and his QROPS Trustee to provide a Discretionary Investment Management ('DIM') service for the portfolio, and a high allocation of internal funds has always been part of its service proposal;
- the mandate at the outset included an agreed medium risk profile for him/the portfolio and the objective of capital growth (targeting LIBOR+3.5%);
- the risk profile was initially determined, and was then subject to ongoing reviews, on the basis of comprehensive risk profiling questionnaires he completed and signed;
- in 2018 the profile changed, with his agreement, to medium-low; this led to the proposal, which he agreed, to move the portfolio into the EDF (which also had a medium-low profile);

- LGT does not provide advice, he was aware of that and he took advice on matters (including proposals) from his FA;
- recorded and monitored review meetings with Mr J (often along with his FA) and follow-up correspondence happened in July 2019, July 2020, October 2021, April 2022, and March 2023, which gave "… *ample opportunity for our Investment Managers to assess the suitability of* [Mr J's*] investments, given his financial circumstances and objectives at the time*";
- "*In addition to these meetings and reviews, a full report and valuation, detailing all the positions, is sent quarterly which also details the investment objective and risk profile, as agreed with the client, assets held and transaction details*";
- "*There were, and are, no exit fees or penalties upon terminating a portfolio to ensure there are no barriers to exit should a client chose to move to alternative investment arrangements*."

On the move from the EDF to the PF, LGT mainly says detailed notice about closure of the EDF range and proposal of the PF range was issued to Mr J (and his FA) on 24 January 2022, long before the EDF's closure in the summer of that year; there is evidence from April 2022 confirming that his FA had conducted an assessment of the PF proposal over a number of months and that he and the FA were happy to proceed with it; this shows the move was not forced as he has described, but instead was properly considered and agreed on his part; the same evidence confirms the PF was presented to him as Medium-Low (not 'low' as he claims) and that it was benchmarked against the ARC PCI Balanced Index (with a 15-20% capacity for loss); therefore, the EDF to PF move was from one medium-low strategy to another medium-low strategy; it was a commercial decision to close the EDF range and it no longer existed thereafter, so Mr J's claim that the portfolio would have been better off if it remained with the EDF is unsupported because there is no data to base that on.

LGT's reply to Mr J's concerns about trading in the TRF is as follows –

"*The Target Return strategy was a multi manager portfolio of funds approach. It required frequent rebalances to ensure that the portfolio remained within tolerances. We used our discretion to undertake the transactions that we felt were necessary. The fees and charges schedule signed by the Trustees and [Mr J], shows that no transaction charges were to be levied (if they were to be levied then they would need to be disclosed) and as the investments were all in funds, there was no stamp duty or PTM levy applicable on each transaction. Therefore there were no charges made when portfolio transactions were undertaken*."

In response to Mr J mentioning the BBF LGT says it applied core fund ranges for each risk profile – the PF for medium-low, the BBF for medium, the Bridge Fund for medium-high and the Falcon Fund for high – so, in the context of his medium-low profile for the QROPS portfolio it was the PF that applied.

Overall, LGT acknowledges that the portfolio's performance has not been what was hoped for, that over a period of time the PF lost money and that Mr J has understandably strong feelings about the matter. In this respect, it also notes that 2022 was a difficult year, but it says from September 2023 (since Mr J instructed the switch from the PF to the MMF) and up to August 2024 the PF has enjoyed a recovery and has returned 9.6% net of fees. As a goodwill gesture, in recognition of his disappointment, it has offered Mr J a 12 months fees-holiday, but it says no performance guarantees were ever given to him, it kept to the mandate it had from him (as advised by his FA), and evidence shows that the portfolio was properly and transparently reviewed and managed, and was not mismanaged.

Our investigator looked into the complaint and broadly agreed with LGT and its key arguments. She considered the complaint should not be upheld and she outlined her reasons in the view she shared with both parties.

Mr J strongly disagrees with the view outcome, and he has asked for an Ombudsman's decision.

He maintains his previous and core submissions. In addition –

- He considers that weight has not been given to his ISA and QROPS portfolios, both under LGT and both essentially given a medium risk profile (the latter wrongly), being invested differently – the former in the BBF and the latter in the TRF which was not medium risk. The idea of a 4% target return also mismatches a medium risk profile. These factors show that the approach he wanted for the QROPS was low risk.
- He wants us to note that LGT wrongly described the PF as 'similar' in risk profile to the EDF, which was not the case, and that its communication to him at the time included – "*we can discuss whether you want to stick with this or move up into medium risk*" – so this reference to moving *up* to medium risk acknowledges that the mandate was for low risk.
- He also wants us to note that LGT's proposal to move from the PF to the MMF could and should have happened earlier, to mitigate the losses in the PF, and there is no explanation for LGT's delay in making that proposal.

Mr J also set out his rebuttals to specific parts of the investigator's view.

The matter was referred to an Ombudsman.

**What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I have reached the same conclusion expressed by the investigator. I do not uphold Mr J's complaint.

For the sake of completeness, I have considered the jurisdiction issues that were previously addressed by the investigator. I have not found cause to revise her conclusion in this respect, and I note that neither party has objected to our jurisdiction since her view.

Overall, I consider that Mr J's complaint is mainly about the QROPS portfolio's performance. I have read and taken on board all his submissions and the evidence he has shared, and I acknowledge his efforts in presenting a case in support of the portfolio mismanagement allegation that he has made. However, on balance and for the reasons I address below, I find that the allegation lacks merit, and that it might be somewhat of an afterthought, with the portfolio's performance, in the main and maybe on its own, being what has really upset him the most.

The above is not at all intended to be a criticism of Mr J and is not intended to be dismissive, in any way, of his mismanagement allegation. I give full treatment to that allegation below.

A pension is a very important asset, particularly for the retirement income purpose that it caters for. The idea behind building a pension fund is precisely what Mr J has displayed, in his evidence, with regards to his journey with the QROPS portfolio and LGT since 2016 – that being the pursuit to maximise growth as much as reasonably possible during the pension's investment years, in order to provide a sizeable and improved retirement capital asset when the pension is eventually cashed in. In this context, I fully understand and empathise with his disappointment in and dissatisfaction with the QROPS portfolio's performance. I can see why he could take the view that the portfolio has lost the opportunity for growth over the past eight years where, as he believes, the opposite should have been the case.

It is also noteworthy, based on correspondence I have seen, that LGT appears to share his disappointment and appears to share my empathy with his position, but, as it says, this does not mean it has mismanaged the portfolio, and, on balance and for the reasons I give below, I do not find that it has.

With regards to investment performance, our service does not determine complaints solely on such a basis. Investment performance is dependent on a various factors, including market forces and socio-economic conditions (both of which are beyond any investment manager's control). For this reason, and in the absence of performance guarantees in a case, we do not ordinarily hold firms responsible for underperformance on its own.

Where investments are advised, we can consider suitability, and where they are managed we can consider whether (or not) they have been properly managed in line with the relevant management mandate. No performance guarantee was given to Mr J, so his case cannot reasonably rise or fall on performance of the QROPS portfolio alone.

There is ample evidence on the overall mandate given to LGT, for the portfolio, so this is where I will start. The following available evidence is relevant –

- LGT's email to Mr J (copied to his FA) dated 25 January 2016 attached an Investment Objectives and Restrictions Schedule ('IORS') which the email said was the document that "… *summarises the basis upon which your investments would be managed* …". The email also said that by him signing the account opening documentation he had agreed to the IORS. The email itself confirms selection of the TRF (and LIBOR+3.5% target) for the QROPS. There is no dispute that Mr J opened the DIM account and, in doing so, completed the associated documentation, so I am satisfied that the IORS applied to his QROPS portfolio as described and that he agreed to that.

- The IORS confirmed, amongst other things, – a capital growth objective; a Sterling 6 month LIBOR+3.5% benchmark; a medium risk profile (defined as – "*you are prepared to accept a moderate to significant level of risk over your time horizon so as to achieve your goals. You accept that, in the longer term, a higher level of risk may result in higher returns*."); no investment restrictions or constraints, other than the exclusion of leveraged investing; a 10 year investment horizon; and the following notice – "*We have agreed with you subject to any investment restrictions and constraints that we have complete discretion in managing your portfolio. We will always take your risk profile into account when managing your portfolio. We cannot guarantee that the performance or profitability of your portfolio or that your investment objectives will be met*". The IORS was essentially LGT's DIM mandate from the outset.

- The IORS was updated in 2018. The 20 August 2018 version retained the growth objective, but the risk profile was changed to 'medium-low' (defined as – "*you are prepared to accept a moderate amount of risk over your time horizon. You want to protect the value of your investments but you want them to grow as well. Under normal circumstances, you would not expect your investments to fall and rise sharply in value. You accept that, in the longer term, a higher level of risk may result in higher returns.*"). It confirmed the switch to the EDF, the exclusion of leveraged investing, the 10 year investment horizon, the same notice as quoted above, and a benchmark switch to the "*ARC Balanced Asset (£) & various market indices*".

- A 31 July 2018 proposal document preceded this IORS. Before that, also in July, were a review meeting and a 6 July 2018 email from LGT to Mr J (copying his FA) following up on the review meeting. Mr J's response (of 9 July 2018) to the email expressed dissatisfaction with the TRF's performance. This led to the 31 July 2018 proposal which sought to address his concerns by proposing the switch to the EDF – which was done on the basis of the updated profile for the portfolio (as reflected in the 2018 proposal document and in the updated IORS).

- There is evidence of notices to Mr J in January and April 2022, confirming the impending closure of the EDF range. As LGT says, the latter confirms that he and his FA used the time between January and April to assess the proposal of the PF, as the alternative to move the portfolio into, and that they concluded they were happy with that proposal. The notice also refers to them having considered a move to the BBF, before they decided against it and chose to maintain a medium-low profile for the portfolio. It ends with an invitation to him to correct any errors in its summary of events. There appears to be no evidence of such a correction. The document also recapped on the mandate, which remained essentially the same as it was in 2018. The 4 April 2022 proposal made to Mr J presented broadly the same thing, in terms of the overall mandate and proposal, but with much more details.

- There is also evidence of the fact-finding, profiling and questionnaires that led to the initial and then updated IORSs and proposals for the portfolio. The proposal documents were consistent with the IORSs, they reflected the same key terms, but they added more details.

Overall and on balance, I am satisfied that the above sums up the mandate(s) given by Mr J to LGT between 2016 and 2022. By September 2023 he had expressed dissatisfaction about the PF and moved the portfolio away from it – after which it was moved to the MMF. I have not featured information about this last move because his complaint does not extend to the MMF. Therefore, the TRF, EDF and PF are the funds relevant to his complaint, and the mandate(s) between 2016 and 2022 are the ones relevant to those funds.

It is clear from the evidence cited above that Mr J never presented himself or the QROPS portfolio with a low risk profile. In fact, he began with a medium risk profile and then reduced that slightly to medium-low. Contrary to what he has said, there is no inference to be drawn from the 'move up to medium' quote he cited in support of his argument about a low risk profile. The portfolio's profile at the time was medium-low and the next stage up was medium, so the statement referred to moving from medium-low *up* to medium. In any case, there is no documentation of Mr J or the portfolio ever having a low risk profile.

The above finding means a notable amount of Mr J's arguments and submissions, which are wholly or mainly based on his low-risk profile assertion, fall away. Therefore, I do not need to address them further. The same applies to his claims about the PF being misrepresented to him as a low-risk fund. I have not seen evidence that any of the portfolio's funds was presented as a low-risk fund.

I now consider if the TRF, EDF and PF matched the relevant mandates – excluding performance, for the reasons already given (that is, there were no performance guarantees and performance in the markets was beyond LGT's control). I do not say or suggest that an investment manager should not be judged on performance outcomes. Investors are entitled to do that. If they are unhappy with such outcomes they can move their portfolios elsewhere.

Mr J alleges mismanagement. Performance issues do not automatically mean there has been mismanagement, so my focus is on how the DIM service was conducted, and LGT's compliance with the mandates is key to this.

All three funds were subject to the mandates' capital growth objective, and the information I have seen about their characteristics confirms they were all geared towards this objective.

The TRF was subject to the 2016 mandate's medium risk profile. Available evidence shows that its asset allocation at the time was (approximately) 47% in equities, 34% in Volatility Management Funds ('VMFs'), 18% in fixed income securities, and under 1% in cash. Overall, this did not mismatch the medium risk profile.

Without going to the extent of risk rating the TRF myself, it is enough to note that, overall, the equities component level complemented by the VMFs (which is known for its potential, in a portfolio, to help regulate and reduce risk, through positions on volatility) and balanced with around 20% exposure to the lower levels of risk commonly found in fixed income securities and cash, was within and did not go beyond a medium risk profile. I do not have cause to find that the components of the TRF mismatched the QROPS portfolio's medium risk profile (as defined in the 2016 mandate).

The EDF was applied when the portfolio's risk profile was lowered slightly to medium-low (as defined in the 2018 mandate). It seems somewhat clear from Mr J's submissions that he does not have a problem with the EDF, that he does not allege it was unsuitable and that, to the contrary, he would have preferred to continue with it. I deal with its closure separately below. At present, despite the appearance that it is not in dispute, but for the sake of completeness, I will consider if it matched the 2018 mandate.

A quick note on the medium-low risk profile.

I share the investigator's observation on this profile, as expressed in her view. It could be said that the definition of this 'medium-low' profile in the mandate for the QROPS portfolio might not be significantly different, or different at all, to the definition another firm would give a 'medium' risk profile. As she said, the distinction, in LGT's case, can quite clearly be seen in the fact that its medium risk profile provided a wider allowance for 'moderate to significant' risk, whereas its medium-low profile was limited to 'moderate' risk. It would be wrong to apply a generic approach (based on what other firms might do or on what is generally viewed to be medium risk) to the present case because the risk levels were clearly defined in the mandate. Therefore, the implication is that Mr J knew and agreed to the LGT definitions of the medium and medium-low profiles when he selected them.

The EDF had around 41% exposure to equities. The rest of it was exposed to VMFs (around 31%), fixed income securities (around 15%), around 10% exposure to alternatives, and around 3% in cash. A particular view might be that it was different but not significantly changed, in terms of overall risk exposure, in comparison to the TRF, but the reduction in equities is certainly notable. However, there was a new exposure to alternatives, which some might say involves risk exposure comparable to that in equities. Having said this, it is not my aim to risk rate the EDF, instead I will focus on whether (or not) it matched the medium-low profile (as defined in the mandate) that it was required to match.

I repeat, the definition for the medium-low profile allowed scope for a *moderate* exposure to risk – distinguished from the medium profile's wider allowance for *moderate to significant* exposure. Overall, I do not consider that the EDF took the portfolio outside the medium-low remit, or that it created a level of *significant* exposure to risk, so I do not find that the portfolio faced anything other than a moderate exposure to risk whilst it was invested in this fund.

Overall and on balance, I consider that the PF was also a reasonable match for the portfolio's medium-low profile/mandate.

Evidence of its composition, for the portfolio, in April 2022 shows that it held (approximately) 39% in equities, 27% in fixed income securities, the same in alternatives and just under 8% in cash. In terms of the portfolio's overall exposure to risk in this fund, this hardly amounted to a difference compared to the EDF. The specific components in the fund were different but, on balance, the effect on risk exposure in the QROPS portfolio was broadly the same. Compared to the EDF, the level of equities in the PF was only 2% apart, the increase in alternatives (at one end of the spectrum) was balanced by an increase in fixed income securities (at the other), and any net benefits lost in the absence of VMFs appears to have been broadly addressed by these increases and an increase in the level of cash. For the same reasons as stated above, I do not consider that the PF took the portfolio outside its medium-low profile.

Overall, on balance and for the above reasons, I do not find that the QROPS portfolio was invested in funds that mismatched its risk profile and mandate.

Closure of the EDF appears to have been a commercial decision. It would not be reasonable for me to interfere with that by determining its merits. The merits of that decision were subject to the reasonable commercial discretion of those operating and responsible for the fund. I can consider – and have considered – whether (or not) its closure was mismanaged to the detriment of Mr J's portfolio. However, evidence shows quite clearly that this was not the case. He received notice of the closure months before it happened. He and his FA were given time to consider the PF alternative. There is evidence that they conducted their own assessment of it and had ample time to do so, and that around three months after the initial notice they confirmed they were happy with the move to the PF. None of this depicts a mishandling of the EDF closure process to the portfolio's detriment, and I have not seen anything else that does.

In terms of LGT's overall DIM service to the portfolio and to Mr J, I have verified the many review meetings, review meeting follow-up correspondence, proposal documents (including the fact finding, profiling and questionnaires leading to them), and the periodical reports on the portfolio and on its performance. These go back to 2016, they run through the years thereafter and they broadly reflect the profile/mandate/approach that was applicable in each year. The quarterly reports were particularly very detailed and very informative documents. I do not consider it necessary to set out details on this because Mr J is aware that all these service components were delivered and he has referred to a number of them in his submissions, so I do not consider that LGT's overall service delivery is a matter in dispute.

On balance, I am satisfied that LGT provided a notably transparent and engaging service, to the extent that Mr J and, for many parts, his FA appear to have had, essentially, front row seats to observe and monitor how the DIM service was being applied to the QROPS portfolio.

I acknowledge the part of his complaint that seems to suggest concerns about *churning* within the TRF. However, as he is probably aware, such conduct usually has the generation of transaction fees (benefiting the firm) as its incentive. In his case, there was no such incentive. As LGT has confirmed, no transaction fees applied or were applicable. I also have not seen evidence of such fees being charged for switches in the TRF's sub-funds. Furthermore, as LGT has also confirmed – "… *as the investments were all in funds, there was no stamp duty or PTM levy applicable on each transaction*" – and I have not seen evidence to conflict with this. I deal with the investment/trading decisions below. In terms of trading volume, on its own, I am satisfied that available evidence does not support the notion that Mr J's portfolio was churned.

With regards to the investment management decisions (including trading decisions) that Mr J has questioned, I fully accept that he is entitled to question them. I find it necessary to defer to the fact that this was his pension and his pension portfolio, a very important asset in his life, so he had and has every right to scrutinise decisions made in that portfolio by a third-party that he either disagrees with or considers to be unclear (or poor). However, I also find it necessary to give weight to the fact that it was his wilful decision to delegate investment management decisions in the portfolio, and the full discretion to make those decisions, to LGT.

His concerns about LGT's decision making do not automatically mean LGT's decisions were negligent, reckless or that they were so wrong no reasonably minded investment manager would have made them – which are the type of factors he needs to establish to show, on balance, that the decisions amounted to mismanagement. Even if he can prove that better decisions could have been made, that too does not automatically establish mismanagement.

In some cases that I have seen, some clients with concerns similar to those expressed by Mr J, and witnessing a DIM approach that they disagree with, have felt compelled to override the DIM arrangement and to expressly instruct a particular course of action. I have not seen evidence that Mr J did that. I do not say or suggest that he should have. He was paying for the DIM service and was entitled to have that service delivered, without any expectation upon him to intervene. However, the implication is that, in his case, full discretion remained, uninterrupted, with LGT and there appears to be no aspect in which it failed to execute a specific instruction(s).

I understand Mr J's points about holding poorly performing investments, trading at high frequencies and re-entering investments at higher prices. LGT's decisions in the instances he has cited would have been reasoned, and I have already considered its evidence in this respect, which I have not found to be unreasonable. I quote some of that evidence below. Had its decisions led to good outcomes – for example, if after re-entering an investment at a higher price its value increased significantly further and created a welcomed gain– there would not be an issue. These decisions carried risks, which the portfolio's risk profile and mandate allowed for. The upside outcomes would have been welcomed and the downside outcomes would perhaps be questioned, but the latter does not always mean the decisions were wrong at the time they were taken. There were no guarantees in the matter. In the absence of evidence showing negligent, reckless or unreasoned decisions by LGT or other decisions of this nature – which go towards establishing mismanagement and which I have not seen – I am not persuaded to find that the examples Mr J has presented show mismanagement.

The same finding applies to his concern that LGT was biased towards its own funds/sub-funds. In this respect, I consider it helpful to quote LGT's response on the specific funds he cited. It said –

"*The Strategic Investment Allocation (SIA) Fund was a core and integral component of the Target Return and strategy with the specific purpose to serve as an overlay for the rest of the portfolio, with the aim of providing the strategy with an absolute return profile. The SIA Fund had the ability to be long and short markets across a broad range of asset classes, with the purpose to be return seeking irrespective of the direction of traditional markets, as well as mitigating overall portfolio risk through hedging and diversification. For this reason, the SIA Fund is not to be viewed on a standalone basis as a single fund, given it was constructed to work specifically in conjunction with the rest of the portfolio.*

*The Active Overlay Fund (AOF) was intended to broaden the sources of return for investors in the Enhanced Diversification strategy. The AOF had the ability to invest in a range of* *asset classes and instruments, whilst mitigating overall portfolio risk. There was no income or dividend requirement for this fund. The SIA Fund and Active Overlay Fund were core constructs and purpose-built for Standard Life Wealth's strategies, fundamental to their respective overall investment objectives. As such, the SIA Fund and the Active Overlay Fund should not be compared to standalone traditional long-only mutual funds*."

These sub-fund selections have clearly been reasoned, regardless of them belonging to LGT, so they were neither recklessly nor negligently applied. Furthermore, there is available evidence showing that LGT always had discretion to use its own funds, alongside third-party funds, in the core funds for the portfolio and that this was an agreed part of the overall DIM arrangement. For examples, the proposal documents presented indicative illustrations of the core funds, showing the inclusion of sub-funds belonging to LGT.

In conclusion, on balance, and for all the reasons given above, I am not persuaded that LGT mismanaged Mr J's QROPS portfolio.

## My final decision

For the above reasons, I do not uphold Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 28 January 2025.

Roy Kuku
**Ombudsman**