



Meeting our obligations under the Revised Shareholder Rights Directive II

Fusion Wealth Limited

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Background

Shareholder Rights Directive II

In January 2019 the Financial Conduct Authority (FCA) published a consultation paper on proposals to improve shareholder engagement ([CP19/7](#)). This paper set out how parts of the revised Shareholder Rights Directive II (SRD II) will be implemented in the UK.

SRD II aims to promote effective stewardship and long-term investment decision-making. Primarily, it aims to achieve this by enhancing transparency of engagement policies and investment strategies across the institutional investment community.

On 31 May 2019 the FCA published its policy statement, 'Proposals to Promote Shareholder Engagement: Feedback to CP19/7 and Final Rules' ([PS19/13](#)). PS19/13 implements aspects of SRD II and sets out the practical implications of the new rules for life insurers and asset managers.

Relevance to Fusion Wealth

Firms providing portfolio management services are required by the SRD II to explain whether or not they have an engagement policy in relation to the companies they invest in, where those companies' shares are admitted to trading on a regulated market. These firms would be considered "asset managers".

Fusion Wealth Investment Committee

Fusion Wealth Limited offers investment management services in respect of a limited range of model portfolios, only when acting in its capacity as model portfolio manager, and not in its capacity as a UK registered investment platform.

The Fusion Wealth Investment Committee primarily selects open ended Undertaking Collectives in Transferable Securities (UCITS), Alternative Investment Funds (AIFs), or other UK regulated Mutual Funds to build its portfolios. These are not within the scope of the Directive, however in some cases the Investment Committee may select instruments (company shares/direct equities or exchange traded assets) for its portfolios which are traded on a regulated market, and therefore fall within the scope of the Directive.

Fusion Wealth Statement

Whilst considering Fusion Wealth's position, a statement was uploaded to the [Legal & Regulatory](#) section of the company's website in June 2019 to note that Fusion Wealth was seeking legal and regulatory guidance. Having now obtained the guidance, our position is as follows.

As the proportion of shares the business selects in investee companies is much lower than those held by large institutional investors, we are not able to engage with investee companies to the extent envisaged by the SRD II.

Furthermore, as of 20 January 2020, approximately 5% of clients under management via Fusion Wealth's model portfolio management services are invested into assets that constitute "shares traded on a regulated market", amounting to approximately £72 million (less than 2.5% of the assets under management via Fusion Wealth's model portfolio management services). Due to a planned change in investment strategy and service, this exposure will be potentially reduced by an additional £20 million.

Given this limited exposure, Fusion Wealth does not therefore have a formal engagement policy at this time.