

## **The complaint**

Mr C complains that Absolute Return Investment Advisers (ARIA) Limited trading as ARIA Capital Management failed to manage his investments appropriately.

## **What happened**

In 2018, Mr C was advised by his financial adviser to transfer some funds from his pension portfolio to a general investment account with ARIA. Mr C invested around \$106,000 in December 2018 into ARIA's All Terrain Portfolio ("ATP") Cautious Strategy.

Mr C says he was alarmed to see that his end of year statement in 2020 showed an annual loss of 29.5% for the period. Mr C says his investment further depreciated in value and so he complained to ARIA in July 2021 about the performance and overall management of his investment.

ARIA looked into Mr C's concerns but didn't think it had acted unfairly. In summary, it said:

- It was Mr C's financial adviser's responsibility to periodically assess his suitability and advise ARIA, in writing, of any changes. Mr C's adviser assessed his suitability and decided that the ATP Cautious Strategy was suitable.
- ARIA has managed his investment according to the ATP Cautious Strategy.
- The performance of the ATP Cautious Strategy has been heavily impacted by its performance during COVID.
- The ATP Cautious strategy, due to its low-risk nature, has a significant portion of its allocation in global fixed income markets which fell by 16.25% in 2022. This put added pressure on all cautious strategies as central banks raised interest rates to combat inflation.
- Despite this fall in 2022, the ATP Cautious Strategy has continued to make up ground on the broad global fixed income market and the account performance (after all fees) since November 2020 has been +2.06% compared to global fixed income which has fallen by 13.05%.
- As, global asset prices recover, it expected the performance to continue to improve, although this is not guaranteed.
- It advised that statements are being provided by the custodians, and Mr C has access to his online account at any time via the customer portal.

Since bringing the complaint to our service, Mr C surrendered his investments in April 2023 for a loss.

One of our investigators considered Mr C's complaint but didn't uphold it. In summary, they said:

- They agreed that it was Mr C's financial adviser's role to ensure his investment was suitable for his circumstances and investments objectives throughout the term of the investment – not ARIA's.
- The investment strategy Mr C agreed upon has remained in place and ARIA has continued to manage his investment in line with this.

- Mr C agreed to invest for a term of at least five years, so Mr C's decision to withdraw before the recommended term has likely affected his investment return.
- It would be difficult to say how the strategy would've performed had it been left for the term and Mr C's decision was made against the advice given to him by his financial adviser to retain it for the full term.
- Performance isn't something that ARIA can control. This is influenced by several external factors, and this service is unable to consider performance as a single factor complaint point because there are so many influencing factors.
- As with any investment, there is always some element of risk, whether it be minimal or high.
- Whilst Mr C has explained the information provided on his statements is out of date, investments can change rapidly so it would be unreasonable to expect there had been no changes since the statements have been issued. This would be outside of ARIA's control and Mr C is able to access his account online if required.

Mr C didn't accept the investigator's findings. In summary, he said:

- He has no option but to initiate an early withdrawal as he risked losing all of his investment.
- ARIA appears to have had, at most, only one fund manager in the UK and it transpires that there were only two parties that were actively managing the funds, with one being a very new manager with limited experience.
- ARIA additionally started an additional company that was focused on commodities and the fund manager was also the owner of this business. And so the fund manager was clearly focused on developing this newly formed business which meant that the other funds were not adequately supported.

As no agreement could be reached, the complaint has been passed to me to decide.

### **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.

I hope Mr C won't take it as a discourtesy that I won't be responding to each submission or every point he's raised. The purpose of my decision isn't to do that, but rather to explain my findings on the key issues. ARIA didn't provide Mr C with any investment advice, so it wouldn't be appropriate for me to consider whether the investment was suitable for Mr C. So instead, my decision will focus solely on whether ARIA has managed his investment in line with how it said it would.

ARIA has provided the ATP Strategy brochure that would have been provided to Mr C's financial advisor. This explained that:

*"The All Terrain Portfolio Strategy invests into one of six risk profiled portfolio strategies, to provide a cost effective absolute return solution for sums which are for a minimum portfolio account size of £25,000. Each portfolio strategy, invests a range of our 'in house building block funds'. Each underlying fund has a cash plus benchmark, meaning overall the investment portfolio strategies target absolute returns, over a full market cycle, having combined the building blocks in different proportions to match your investment portfolio."*

Mr C decided to invest in the ATP Cautious strategy. Which ARIA described as:

*“Suitable for investors who are cautious by nature or close to retirement and who seek steady growth but are willing to forego possible higher returns for steady performance and less volatility. Returns from this strategy should be slightly better than those available from a high street deposit account, although the value of the investment could fall as well as rise. Investors in this strategy would feel uncomfortable if their investments rose and fell in value rapidly. This strategy will maintain a broad spread of investments, including higher exposure to less volatile asset classes such as money market funds, government bonds and absolute return strategies to help guard against significant falls in equity markets.”*

An example asset allocation was provided which explained that the ATP Cautious strategy would be invested in the following funds (which could vary):

- 35% - Alternative Income
- 30% - Diversified Alternative Assets
- 15% - Global Equity Absolute Return
- 10% - Global Equity Leaders
- 10% - Global Macro

ARIA has provided a snapshot of Mr C’s asset allocation and I’m satisfied his investment has been managed in line with how it said it would. The asset weighting is slightly different to the example given in the brochure; however, the brochure did explain that the allocation could vary and I’m satisfied it hasn’t varied to a degree that would cause concern regarding an increased exposure to risk.

Whilst I appreciate Mr C’s portfolio has underperformed, which ARIA says is due to the significant impact of COVID-19 on the markets he was exposed to, ultimately, the suitability of his investment was the responsibility of Mr C’s appointed financial adviser. And so any changes that were required in light of the impact of COVID-19 ought to have been initiated by Mr C’s financial advisor. ARIA’s terms and conditions explained this:

*“1.2 Your Financial Advisor*

*[...]*

*Your Adviser is responsible for monitoring your investments on an ongoing basis.”*

As such, I’m not persuaded that ARIA ought to have managed Mr C’s investment differently to that which was explained in the investment brochure.

I also appreciate Mr C has concerns regarding the number of fund manager’s ARIA had available and has questioned it’s focus. However, my role is to determine whether ARIA has managed his investment in line with the mandated asset allocation which I’m satisfied it has.

## **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr C to accept or reject my decision before 23 April 2024.

Ben Waites  
**Ombudsman**