

Allan Gray launches a retail investment platform

We are delighted to announce the launch of a platform to offer a range of unit trusts to investors. Such platforms are commonly known as LISPs (linked investment services providers) in South Africa. The platform, Allan Gray Investor Services, will provide Independent Financial Advisers (IFAs) and their clients with access to Allan Gray's funds as well as to a focused range of funds from other, select fund providers. The platform offers consolidated reporting on total portfolios and the ability to buy, sell and switch between the funds offered.

The decision to launch the venture is the result of extensive research into the retail investment market. We have taken a strategic, long-term decision to entrench and expand our position in the retail market and believe that by implication, this requires us to launch a platform. Our view is that platforms will increasingly dominate distribution as investors want choice and flexibility and need the means with which to implement this.

In line with Allan Gray's approach to the retail market to date, Allan Gray Investor Services will set new standards in terms of transparency, service and fees. The platform:

- Charges no initial fees,
- Standardises annual administration fees at 0.5% (50 basis points) of assets,
- Doesn't levy any switching fees or additional product wrapper fees,
- Will not charge redemption or surrender penalties or fixed monthly or annual subscriptions.

Similarly, Allan Gray will not charge any initial fee on investments in any of its own funds. Most other asset managers will continue to charge 0.25% on initial investments into their funds available through Allan Gray Investor Services.

Notwithstanding this, the most impressive aspect of the fee structure is that there is total transparency of all fees paid by the investor as well as the fact that any discount received by the platform from fund providers will be passed directly onto investors. The disclosure of rebates or discounts paid by fund providers to LISPs has long been a point of contention to investors and IFAs and our approach is to be completely transparent. Whatever saving a participating asset management house agrees to, will be passed onto the client and the entire fee structure will be clearly visible to IFAs and their clients. This structure is unique and will substantially reduce investment costs and increase investor comfort. In simple terms, for the first time the total fees paid and who they are paid to will be visible to investors.

In terms of fund range, Allan Gray's aim is to support a focused range of less than 50 funds, including the Allan Gray suite of unit trusts. Our research has shown that while IFA's and their clients want choice, they prefer it to be limited. Allan Gray will not endorse the funds on its platform either from a qualitative or a quantitative perspective. Fund providers will be able to link a limited number of funds to the platform, selected according to the demands of IFAs and investors. For reasons of liquidity, funds must have a minimum size to qualify for the platform. More equity-oriented than fixed interest funds will be offered due to the greater degrees of difference in returns and therefore the need for more choice in equity-oriented funds.

A number of factors favour Allan Gray's entry into the platform arena at this juncture. Firstly, platform technology has evolved substantially since the inception of the industry in the early 1990's. Being a late entrant has given us both cost and functionality advantages over those with legacy systems, products and distribution models. Furthermore, we have built up strong relationships with IFA's and currently manage in excess of R15 billion in retail client assets under advice from IFA's. We see the platform as a further evolution in our service to investors and IFAs.

The launch of Allan Gray Investor Services is part of a strategy of exerting greater control over the way in which we interact with our clients and their advisers. To this end, we in-sourced the administration of our local unit trusts in April, will do the same with the administration of offshore funds (managed by our global asset management partner Orbis Investment Management Limited) towards the middle of the year and the retail retirement products thereafter.

Commentary by Johan de Lange, Director, Allan Gray Investor Services