

MULTI- MANAGER TIDE COMES IN AS MARKET AND REGULATORY FORCES ALIGN

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Globally, and locally, multi-managers have enjoyed consistent growth in assets under management over the past five years. Indeed, statistics show that the multi-management market is one of the fastest growing in the world - particularly in South Africa.

Raymond Berelowitz head of SYmmETRY Multi-Manager, says: "While strong market performance has contributed to this, flows to multi-managers have also been influenced by tougher regulation and consumer protection. With a compelling mix of benefits, multi-managers look well placed to take advantage of the new regulatory environment that places onerous duties of care on financial advisers and fund trustees."

This comes at a time when jittery investment markets are also battling to deal with political uncertainty and changing economic fundamentals, notably rising interest rates.

Multi-management allows financial planners to outsource investment advice to the professionals. This is particularly so with smaller funds, for whom initial and on-going advice is difficult to justify from a cost perspective.

In the South African context, this is important given the growing burden of compliance with new legislation, particularly the Financial Advisory and Intermediary Services (FAIS) Act. In addition, investment choice and complexity now require advisers to deliver a higher standard of financial advice, service and protection.

"These factors are likely to accelerate the move towards multi-manager as a core investment choice, because it defends financial advisers and retirement fund trustees from the risk of regulatory sanction. It is a defensible process in which decisions are made with the skill and care of someone familiar with the issues concerned," says Berelowitz.

For trustees who lack the required level of investment skill, the law demands they take steps to acquire those skills - or delegate responsibility.

"When weighing up their options in this regard trustees are increasingly finding multi-managers appropriate recipients of that responsibility - they provide an easy investment solution to match the client liability.

"In addition, multi-managers offer easy performance monitoring and a number of attractions that help allay investor fear regarding market risk. Foremost amongst these is diversification."

But it is not just small and medium sized firms opting for the multi-manager route - increasingly large firms are seeing the benefit of multi-managers too.

Multi-managers have unconstrained access to the entire market. SYmmETRY for instance monitors 175 different capabilities, through its dedicated team.

"Many of these are boutique managers, and multi-managers will increasingly become the gate-keepers to these smaller managers, many of whom do not want to deal with smaller accounts. Many smaller managers propose to close their accounts once they reach a certain threshold, and indeed some have already done so. They don't want huge assets, because they operate on a performance fee basis, and excessive assets under management can detract from that performance," says Berelowitz.

Traditionally, the concept of multi-management promised a return equal to the market average, plus a little more. Berelowitz says this is the 'lazy approach', and SYmmETRY aims to compete with single managers.

"It was originally about bulking up and economies of scale, but we say we can offer similar diversification without giving up any of the return. We're aiming to compete with the 11 biggest fund managers.

"The risk associated with any one manager or fund underperformance is spread across a number of managers, funds and strategies - translating into lower volatility ratings for multi-managers without any loss of potential out-performance," says Berelowitz.

Manager selection is key for multi-managers who research managers with as much rigour as single managers do stocks. The same depth of resource is brought to bear on the fund managers themselves.

This means that investors have access to a range of leading fund managers in a vehicle where an independent expert in manager research monitors manager selection, portfolio construction and fund performance.

In terms of manager selection, there has been an explosion in the number of niche managers - adding significantly to the universe and making the case for multi-management even more pertinent.

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