STANLIB Multi-Manager

The Educator

A guide to multi-manager investing

Financial advisers continue to view multi-manager investing as an attractive approach to investing client's money. In the series of articles to follow, we address a number of topics with the ultimate goal of providing a better understanding of multi-manager investing.

This series is designed to empower you as an adviser, providing insights on the multi-manager industry and ultimately, the increased confidence to select an appropriate investment for clients.

The benefits of using a multi-manager in an increasingly regulated environment

Financial advisors are required to show, if necessary, that:

- They have undertaken a proper due diligence on a product
- The due diligence is demonstrable, in other words, that they have not just read the glossy brochures and spoken to the product provider
- They thoroughly understand the advantages and disadvantages of a product

– Bruce Cameron: Personal Finance, 15 April 2012

The Financial Advisory and Intermediary Services (FAIS) act places a general duty on financial planners and advisers to "at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interest of clients and the integrity of the financial services industry.

The multi-manager approach to investing is well positioned to assist advisors in fulfilling their obligations under the FAIS Act. Advisers will still however, need to consider -

- **Whether they are best placed to select funds**

  The allocation of client monies to a multi-manager means that the adviser is no longer burdened with the onerous task of selecting funds from an ever increasing universe of single funds (currently in excess of 1 000 unit trusts).

  Multi-managers have sophisticated screening tools at their disposal to enable them to quantitatively and qualitatively screen funds

- **If they are in a position to demonstrate proper due diligence**

  A multi-manager offering provides advisors with a team of full-time investment experts, continuously researching, selecting and monitoring underlying funds/managers.

  By utilising multi-manager products, advisors are able to demonstrate to clients that a rigorous and robust due diligence process has been followed on the underlying funds

- **If a fund "fact sheet" is sufficient in order to highlight the advantages and disadvantages of a particular fund**

  The factsheets produced by service providers may present meaningful information but are typically focused on performance, thus providing little information on how the fund is managed; who is responsible for the track record; whether any outperformance is due to skill or luck; and how the fund is expected to perform under different market conditions.

  Multi-managers are in a position to provide advisers with a more balanced assessment on the underlying funds, and importantly, to assist advisors in better managing a clients outcome (returns) expectations

The decision to consider outsourcing some of the investment advisory / decisions to a multi-manager will naturally afford advisors more time to focus on their clients' financial planning needs. Important to note however, is that outsourcing these decisions to a multi-manager, does not abdicate an adviser's responsibility to choose an appropriate multi-manager/funds.

It is imperative for an adviser to have a good understanding of a multi-manager's investment approach and processes. Good due diligence and ongoing monitoring of the multi-manager/funds still need to be performed.

- Multi-managers are well positioned to assist advisers in an increasingly regulated environment
- By appointing a multi-manager, advisers effectively mitigate some of the advisory risk
- Multi-manager investing alleviates an adviser's overall due diligence burden

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