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.

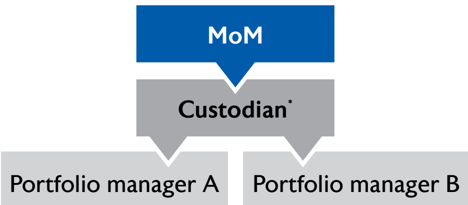
This series is designed to empower you as an adviser, providing insights on the multi-manager industry and ultimately, the increased confidence to select an appropriate investment for clients.

Multi-manager investment vehicles

There are two distinct multi-manager investment vehicles under the Collective Investment Schemes Control Act (CISCA)1, namely Manager of Managers (MoM's) and Fund of Funds (FoF's). Although both vehicles combine / blend underlying managers, they differ in the manner in which they are constructed and implemented.

MoM's – define the underlying segregated mandates

A multi-manager usually invests mainly in segregated portfolios managed by different underlying asset managers but may also invest in collective investment schemes. Segregated mandates allow the multi-manager greater control over the portfolio and the costs associated with it. This vehicle not only enables clients to select a single collective investment portfolio and enjoy the exposure to a range of different asset managers, but also provides the "peace of mind" that the underlying asset managers are actively monitored for mandate compliance.



*Securities held by custodian on behalf of MoM

FoF's – no influence over underlying fund mandates

A fund of funds invests in a range of collective investment funds and may not invest in less than two underlying collective investment funds. This vehicle offers a wide range of diversification within a single fund, as well as access to some of the best investment talent across asset management houses. The multi-manager selects the underlying funds with no influence over the underlying mandates set by the asset management houses for their respective funds.

**Securities held in the fund's name

	MoMs	FoFs
Structure	Mainly use segregated portfolios, but may have limited exposure (20% of CIS)	Collective Investment Schemes (CIS)
Regulation	CISCA	CISCA
Unit holder[3]	Client owns units in the underlying collective investment portfolios	Client owns units in the FoF vehicle
Securities	MoM owns the underlying securities	Securities held in the underlying funds' names - not the FoF's name
Taxation	Changes to underlying portfolios will not trigger a CGT[4] event. Disinvestment will trigger a CGT event	Changes to underlying portfolios will not trigger a CGT[4] event. Disinvestment will trigger a CGT event
Manager/Fund changes - transactional costs	Typically lower than FoF's	Typically higher than MoMs
TER[5]	Typically lower than FoF's	Typically higher than MoMs

Notes

[1] A trust-based scheme that comprises a pool of assets that is managed by a collective investment scheme manager and is governed by the Collective Investment. Schemes Control. With a CIS, the money or funds from a group of investors are pooled or collected together to form a CIS portfolio. Act no 45 of 2002.

[2] MoM owns the securities and gives each underlying manager a mandate to make investment decisions.

[3] Clients buy units of a fund which in turn uses the money to invest in assetsuch as shares, bonds etc.

[4] Capital Gains Tax.

[5] Total Expense Ratio.

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