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expert view

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The quest to be all things to all people

Multi-managers may lose business to IFAs eager to offer this service to clients

Multi-managers are facing fresh competition from an unlikely source: IFAs are increasingly considering poaching their business and offering clients their own multi-manager services.

It's a bit like going to see a GP who, instead of referring you to a consultant for an operation, offers to have a go himself.

Not surprisingly, many consultants would start to panic. And unsurprisingly, many multi-managers are not so keen to see this competition crop up from the very source of their business.

Investment Adviser revealed last week that a growing number of advisers were developing discretionary wealth management capabilities with a view to launching multi-manager funds.

BNP Paribas, which helps advisers set up and run their own investment portfolios, said demand from IFAs was on the up.

Steven Richards, manager of the fund of funds range at Thesis Asset Management, said a slew of IFAs had approached the firm looking for help and advice on running a multi-manager fund.

"But I'm not a huge fan of IFAs proceeding along this route," he said. "IFAs providing multi-manager are trying to be all things to all men and will box clients into amorphous funds."

Gary Potter, co-head of multi-manager at Thames River Capital, was also downbeat about IFAs moving into the multi-manager arena.

Mr Potter acknowledged IFAs would make capital gains tax and administrative cost savings from offering inhouse multi-manager funds, rather than outsourcing to a dedicated manager.

"But there's a credibility issue here for IFAs," he said. "IFAs have taken wealth management solutions to clients with mixed results.

"I'm not convinced the benefits of IFAs doing it outweigh the cost savings."

Bestinvest is one of the IFAs that has already launched a discretionary management service, offering clients access to a multi-asset portfolio through its Oeic.

Adrian Locock said Bestinvest used its investment and research expertise to drive its asset allocation and investment decisions.

He said its advice service did not recommend its own funds and was more independent than multi-managers that invest in their firms' own funds.

"We're in a unique position, as we've always had a strong investment capability," he added.

"There are going to be some IFAs where a [multi-manager service] would suit and others where it will not, and they should concentrate on their key resources."

David Abbis, principal consultant for wealth management at Defaqto, joined Mr Richards and Mr Potter in questioning the value of IFAs making a move into the multi-manager arena.

He said there was a growing trend of IFAs considering a move into discretionary management, but he favoured established multi-managers.

"It seems to be an increasing trend for IFAs to look at setting up multi-manager funds, but it is not something I would recommend.

"In the current climate, you need to look at history, success and ability and not look for an unknown manager. The average IFA's knowledge is with products rather than with funds."

However, Darius McDermott, managing director at Chelsea Financial Services, said most IFAs providing a multi-manager business were outsourcing the fund management to multi-managers.

He said it was also possible for IFAs to provide the multi-manager offering if they were large enough to have their own investment division inhouse.

"I'm in favour of IFAs getting a bigger slice of the pie in terms of fees as long as it is not at the expense of the customer," he added. "IFAs can be as experienced investment professionals as some multi-managers."

Daniel McAllister is a freelance journalist