

Allan Gray reduces investment platform fees

Allan Gray has reduced the annual administration fee on its local platform for investments over R5 million, and on its offshore platform for investments over US\$400 000 (or foreign currency equivalent), making its pricing very competitive for investors who wish to enjoy Allan Gray's service and administration when they invest in Allan Gray unit trusts and unit trusts from other investment managers.

"Our platform has grown over the last few years making it possible for us to reduce our administration fees to give clients better value for money," says Richard Carter, head of product development at Allan Gray.

Effective immediately, for all investments on its local platform, Allan Gray has added a third tier to its pricing structure. It will now charge an annual administration fee (excluding VAT) of a maximum of 0.5% on the first R1.5m invested in non-Allan Gray unit trusts, 0.2% on the next R3.5m and 0.1% on the balance over R5m. The fee will be calculated on the market value of all local platform investments linked to an investor's investor number. Administration fees for Allan Gray unit trusts are built into the unit price at a fixed rate of 0.2% (excl. VAT). No additional administration fees are deducted.

Carter explains how the new structure will work in practice: "As an illustrative example, an investor with R6m invested on the local platform, whether in one or multiple products or accounts, will be charged an annual administration fee of 0.26% (excluding VAT) on any investments in non-Allan Gray unit trusts. This is calculated by applying 0.5% to the first R1.5m, 0.2% to the next R3.5m and 0.1% to the remaining R1m."

For investments via its offshore platform, Allan Gray will charge an annual administration fee (excluding VAT) of a maximum of 0.5% on the first US\$400 000 (or foreign currency equivalent) invested and 0.2% on the balance over US\$400 000 (or foreign currency equivalent). Again, the fee will be calculated on the market value of all offshore platform investments linked to an investor's investor number.

"So, for an investor with US\$600 000 (or foreign currency equivalent) invested on the offshore platform, whether in one or multiple accounts, the administration fee will be 0.4% (excluding VAT). This is calculated by applying 0.5% to the first US\$400 000 and 0.2% to the remaining US\$200 000."

Carter goes on to explain that Allan Gray is in the process of replacing rebate classes with clean classes on its platform, but this process will take some time to complete. However, because Allan Gray passes any fund manager rebate to the investor, the total cost (fund management plus administration) of the rebate class will be the same as the total cost of the clean class.

"For non-Allan Gray unit trusts, where a portion of the investment management fee charged within the unit trust is passed on to us for the administration we perform, we reduce the fee we charge. We only deduct the outstanding portion from the client's account. If the portion we receive for administration is larger than our administration fee, the client will receive the excess as additional units in their account," Carter notes.

At the end of the day, costs chip away at an investors' overall return and investors must make sure they understand what they are paying for.

"It's important to understand the total cost that you are paying for administration and the value you are getting in return. The other thing that really matters is transparency – if you can't see and easily work out what you are paying for administration, it is probably higher than you think. A transparent platform, with clear disclosure, should be preferable to an opaque one every time," he concludes.