

## BUDGET 2018

# Why fund of funds makes sense

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### Magnus Heystek Junior

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A fund of funds (FoF) offering is an investment strategy whereby a different selection of funds are held within a singular fund. This structure is also often referred to as a multi-manager fund and provides a host of investor benefits.

One of the largest benefits is the capital gains tax (CGT) implications, or lack thereof.

Any changes made within the fund don't trigger CGT implications, as the redemptions or sale of assets take place within the fund. It's the same premise as a single unit trust fund redeeming shares within a fund.

This is a massive benefit of the FoF structure, and allows its management teams to make more changes where they see fit, without any tax implications for investors.

Another benefit of the FoF structure is that it allows any change(s) in investment strategy to apply to all investors instantaneously. This means the underlying equity or offshore exposure can be increased or decreased as and when needed, and all investors will benefit from the change at the same time.

In the past, when investors were invested in individual funds, any changes required switch forms to be signed, and due to the admin-intensive nature of the changes, it could result in delays. However, with investors being placed in a FoF structure, switch forms don't need to be signed.

FoF options have gained popularity in the investment universe and many asset and fund managers now have such funds included in their overall offering.

Although FoF investment options have different levels of risk for investors, the nature of how they're compiled offers investors exposure to a much wider range of underlying assets, thus delivering a somewhat smoother experience with fewer dramatic spikes. However – as with all investments – it must be viewed as a long-term commitment.

Investment decisions in FoF investments are typically made by an investment committee. This way information gathering is optimised and an extensive process of due diligence is completed before asset managers or particular themes are selected.

It's strongly advised to consult a qualified professional financial planner before making changes to any investment portfolio, as every investor has unique circumstances and requirements.

Brenthurst Wealth partnered with Boutique Collective Investments (BCI) and its subsidiary, Boutique Investment Partners (BIP), to introduce a FoF offering in 2016.

► *Magnus Heystek Junior is a certified financial planner at Brenthurst Wealth*