

20 years of the Allan Gray Investment Platform

In 2005, we made the decision to launch a platform business – done differently. In so doing, we hoped to be a catalyst for change in the industry. Our aim was to set the bar in terms of service, ease of use and transparency. We strived then – and continue to strive now – for relevance: making sure we meet the needs of independent financial advisers and their clients and, in doing so, deliver on our purpose of long-term wealth creation. Daniel van Andel reflects on the last 20 years and looks to the future.

Where it began

Our Granger Bay offices must have been full of quiet anticipation during the late 1990s and early 2000s. The Allan Gray Equity Fund – our first unit trust readily available to the general public – launched in 1998, with the Balanced and Stable funds following shortly thereafter. We subsequently launched retirement and life wrappers for these funds in September 2001, and made our funds available via existing investment platforms. After underperforming during South Africa's version of the dotcom bubble in 1997 and 1998, the funds enjoyed a strong period of absolute and relative returns. Brand awareness was growing, and our Retail business had started to take shape.

A number of factors prompted our decision to enter the platform arena at that juncture: Platform technology had evolved substantially since the inception of the industry in the early 1990s, and entering when we did allowed for cost and functionality advantages over existing systems, products and distribution models. Being unencumbered by legacy is always an advantage, albeit never a sustainable one. Our growth at the time had also begun to stretch the limits of our outsourced administration model, affecting service levels, and we were exploring ways to bring service delivery fully back under our control. Most importantly, many financial advisers at the time had broken away from larger institutions to start businesses of their own and were looking for new avenues to implement their advice. We were fortunate to be able to spend time with these advisers to truly interrogate and understand their needs. They weren't shy to tell us what they wanted, which is summarised in **Image 1**, based on a slide from our original launch pack.

Forging relationships with advisers has been key to the success of the Retail business, with many of them remaining important business partners today. This ultimately helped inform our decision to launch the Allan Gray Investment Platform in 2005. Our goal was to introduce something different to existing offerings – premised on service quality, ease of use, transparency and value for money.

Two decades and several milestones later, as reflected in **Image 2**, on page 2, the platform now services and safeguards investments totalling R688bn on behalf of 465 581 clients¹. The platform has enabled us to extend access to Allan Gray and Orbis funds, build stronger relationships with financial advisers and clients, and address their needs more coherently.

All that changes is the form; the essence remains

The industry in which we operate has changed over time, and the needs of financial advisers and clients along with it. When shopping, if you are unable to find what you need at your preferred supermarket, it is unlikely to remain your preferred supermarket for long. Similarly, although we don't aim to be all things to all people, our goal is for advisers to be able to implement most of their investment advice on our platform. We have therefore continued to evolve and invest in our offering to cater for the changing environment, regulation, adviser and client needs and – ultimately – to remain relevant. Through all the change, while we may not always have all the latest bells and whistles, we are committed to running a platform which puts the adviser and their client first, remains service orientated, takes compliance and security seriously, and is cost-effective and easy to use.

Fund offering and clients' asset allocation

Looking back at **Image 1**, of all the items on the advisers' 2005 wish list, those related to fund selection and portfolio construction have changed the most. In an article we released at the launch of the platform, Rob Dower and Johan de Lange, who were running the Retail business at the time, noted: "Allan Gray's aim is to support a focused range of less than 50 funds, including the Allan Gray suite of

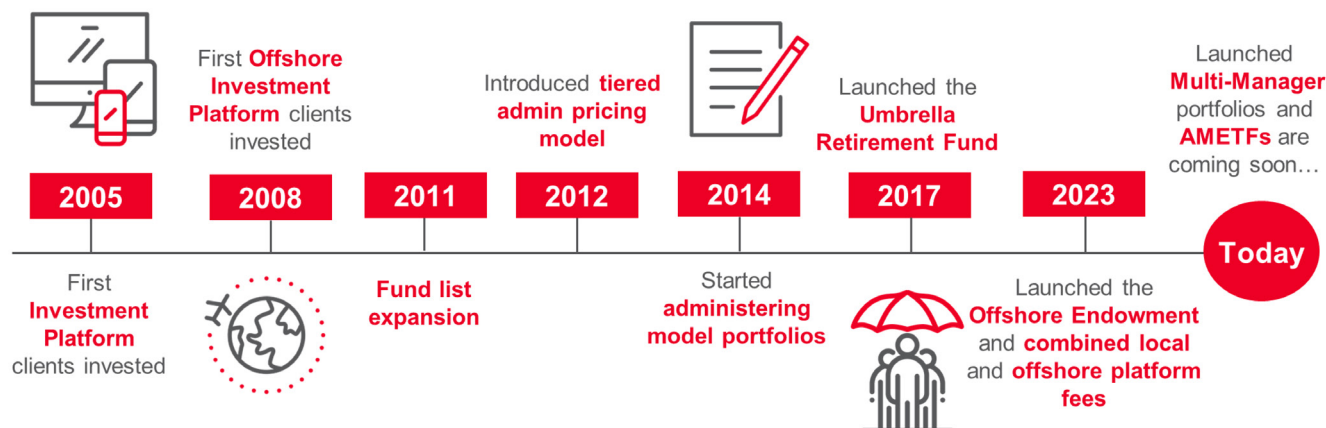
Image 1: What financial advisers requested



Source: Allan Gray

¹ Including Retail investors who invest directly with Allan Gray and not via the platform

Image 2: Timeline



Source: Allan Gray

unit trusts. Our research has shown that while IFAs and their clients want choice, they prefer it to be manageable.”

We have seen an evolution, perhaps even a revolution, in how financial advisers construct portfolios since then, which is why we host 1 281 funds today and have invested extensively into adjacent areas of the platform, like our model portfolio functionality. Looking ahead, the upcoming launch of our actively managed exchange-traded funds (AMETFs) marks the next step in investment vehicle availability which, in the first instance, will give additional access to our rand-denominated offshore unit trusts for discretionary investments.

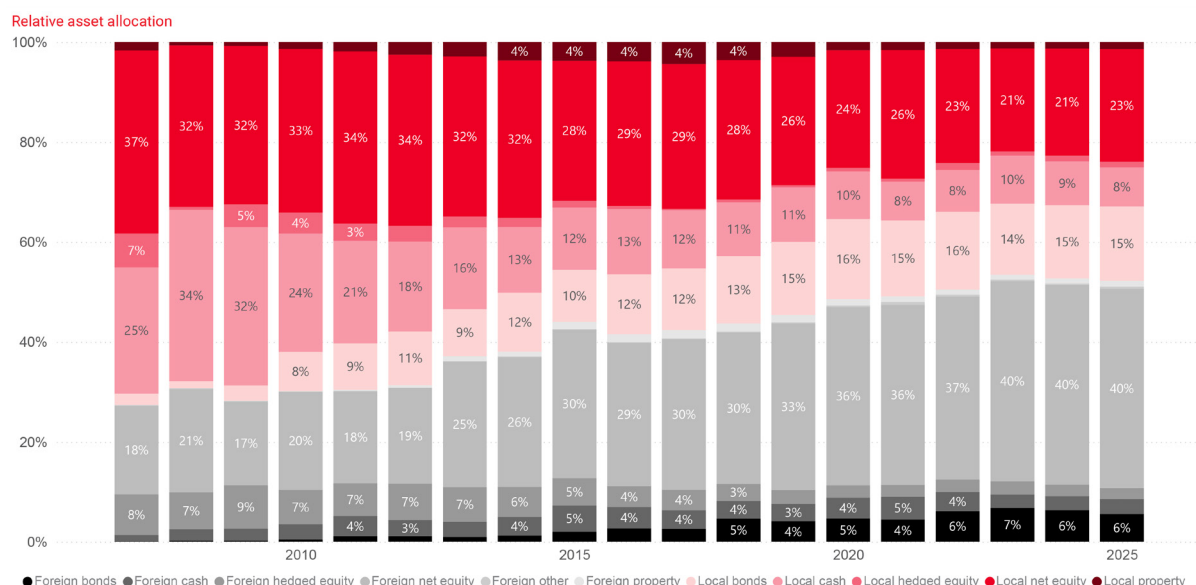
The appetite for different categories of funds has also waxed and waned. In 2005, it was commonplace for clients to be invested in a single fund, multi-asset or otherwise. This gravitated to simple combinations of multi-asset funds – the so-called “split funding” approach. With a seemingly never-ending number of new funds and

approaches in the market, it is a timely reminder of the important role that multi-asset offerings have played and will – we believe – continue to play in client portfolios.

Another marked change on our platform over time has been the makeup of clients’ assets, as shown in **Graph 1**, from a foreign asset allocation of 20% on a look-through basis in 2005 to almost 50% today. This is the result of several changes, including the introduction of Regulation 28 of the Pension Funds Act (which directs how retirement funds invest across asset classes), the loosening of exchange control regulations to allow South Africans to invest more offshore, foreign managers entering our market, and the launch of our offshore investment platform in 2008.

Through our offshore platform, we have aimed to make offshore investing simpler and more accessible in various ways, including by offering a curated list of funds, allowing clients to have a consolidated view of their local and offshore investments through

Graph 1: Changes to asset allocation over time



Source: Allan Gray

one online account, and by facilitating the foreign currency conversion process at competitive rates. Continuing to develop our offshore platform offering remains a key business imperative, with the launch of the Allan Gray Offshore Endowment in 2023 being the most recent leap forward.

Changes to our product offering

We have, at times, seen opportunities to grow by applying the Retail platform “blueprint” in other areas. In 2017, we entered the umbrella fund space, aiming to offer a product that makes things simpler for employers and puts member needs at the centre by offering portfolios from a limited range of high-quality managers, along with fair and transparent pricing. More recently, we have extended the availability of our multi-manager offering, which was previously only accessible via the Allan Gray Umbrella Retirement Fund. The Allan Gray Multi-Manager Moderate and Cautious portfolios are now available to advised clients for pre- and post-retirement investing. In this initiative, as in everything that we do, we apply the same principles of simplicity and value.

Platform fees

Ensuring that the fees paid by clients represent value for money and are understood have always been important components of our platform. In fact, part of our motivation for launching the platform was to improve how platforms were managing and disclosing rebates received from asset managers. Our approach to fee disclosure and the decision to pass discounts received on to the client were unique at the time. In simple terms, for the first time, the total fees paid and who they are paid to were visible to investors. In 2012, we took a further step by introducing administration fee tiers, which we have further sharpened over the years to the benefit of clients with larger investment balances. More recently, in 2023, we combined clients’ local and offshore platform investments for administration fee calculation purposes, in acknowledgement of the growing number of clients diversifying their investments globally, resulting in their investments spanning both platforms.

The overall client benefit over time is evident from the example shown in **Graph 2**, outlining the fee experience for a client with R10m invested initially, adjusted for inflation thereafter, who has seen their effective fee rate more than halve over the past 20 years.

You sleep on a win, and you’ll wake up with a loss

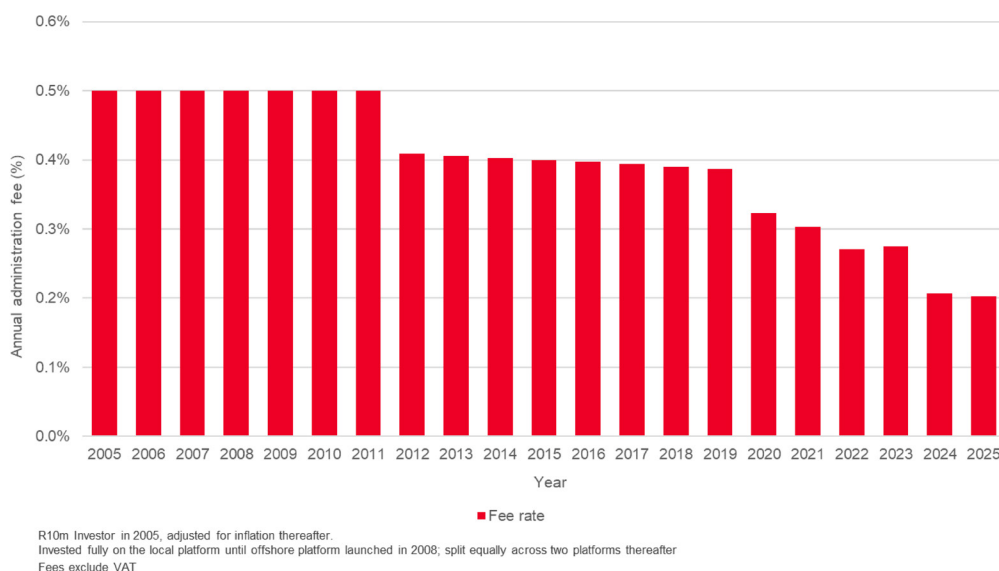
While we appreciate the progress we have made and are so grateful for the support from financial advisers and clients over the years, we know how quickly things can change. As Mr Allan W B Gray said: “We recognise that we must earn our clients’ trust and confidence, for without that our firm cannot – and should not – survive.”

Continuing to earn trust and confidence requires ongoing investment into our people and our software. One can easily forget just how much the technological landscape has evolved. Gone are the days of faxes, cashing cheques, physical filing cabinets and having to travel to client presentations with a projector in the boot of your car. The line between being an investment platform and a technology business has blurred, with much of our offering now grounded in software. Allan Gray Online, the secure section of our website, has been an area of ongoing investment, with the aim of helping advisers and their staff manage clients’ investments effectively. Tech has also been key to platform scalability, with roughly 80% of instructions now submitted via Allan Gray Online and over half of instructions processed without human involvement.

Our decision to invest in a combination of internal and market-leading international software has enabled us to operate more securely, efficiently and accurately – and this must remain the case. That said, we aim to use technology thoughtfully to strengthen, not dilute, the service clients expect, with human judgement, care and accountability remaining at the centre, and AI and other tech innovations leveraged for efficiency.

Across the industry, we expect platform sustainability to become a greater theme. Platforms in our market have borne the brunt of fee

Graph 2: Platform fees paid by clients have reduced meaningfully



compression, more so than providers elsewhere in the value chain, while having to spend more on aspects like regulatory compliance, technology and security. While we all hope for extraordinary AI-related efficiency gains, and commensurately lower fees, I am often reminded that hope is not a strategy.

Future platform revenue models may well have to evolve for incumbents to keep doing a good job for clients, and our main focus remains to ensure that the platform is able to invest in solving adviser and client needs for many years to come.

Looking forward

So, what will the next 20 years hold? If they are anything like the last 20, there will be reams of new regulations to respond to; risks to identify and stay on top of; products and investment vehicles to launch and technologies to implement. Needs will change as advice businesses evolve and the composition of client bases shifts.

The Allan Gray Investment Platform provides a means to address investment needs centrally and coherently, as well as optionality to make available new offerings which add value to clients, financial advisers and our business. Regardless of its future form, the essence of our platform should remain the same: A continued focus on providing high-quality service, products which are relevant, an offering which is simple and easy to use, and fees which represent value for money.

This is an opportune time to thank financial advisers and clients for their support of the Allan Gray Investment Platform to this point, and to look forward with optimism to at least another two decades of working closely together to build wealth for our current and future clients.

Commentary contributed by Daniel van Andel, Head: Platform and Adviser Proposition

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