

Asset managers vs investment platforms: what do they mean for your investments?

An investment platform serves as a mid-office between an investor, a financial intermediary and an asset manager. While the asset manager manages investors' money, they each have very specific functions.

Many investors have heard the terms 'asset manager' and 'investment platform', but few know that these are completely separate entities, and may get confused about how they work.

Put simply, an investment platform serves as a mid-office between an investor, financial adviser and an asset manager. It's a service that houses the investment funds and vehicles into which these funds are invested, for example a retirement annuity or an endowment. An asset manager, on the other hand, is responsible for managing the underlying investments (unit trusts or investment funds) and how they perform. Still confused? Read on.

What is an investment platform?

An investment platform can be likened to an online supermarket. "An investment platform offers choice on multiple different levels. The obvious one is that it offers access to a variety of different asset managers and financial advisers can build customised, bespoke portfolios for their clients by combining different funds from different asset managers," according to the Glacier Research team at Glacier by Sanlam. "And what makes it so easy, is that all these funds are housed in the same place. So it's not necessary to go to several different asset managers to get the funds you want."

It's important to choose a platform that offers lots of choice; not all of them do. "The more choice you have, the better the risk-adjusted returns should be over time. An investment platform also offers investment 'wrappers' such as a retirement annuity (RA), living annuity, endowments and tax-free savings accounts (TFSA's)."

With Glacier's investment platform, your financial adviser has a portal to the widest range of investments, in one place. This gives them the option to mix and match your fund selection for ultimate personalisation, putting your unique needs at the core of your portfolio.

What is an asset manager?

Asset managers, meanwhile, manage your money within the ambit of their risk-and-return strategy. The team explains: "If, for example, [the strategy is] to manage South African equities, your performance will be aligned to what the underlying equities (shares) are doing."

While an asset manager's aim is to beat their benchmark, it's unrealistic to expect them to completely outperform when markets are down. "If the markets are 15% down, the asset manager will most likely also be down – hopefully down by less, but you can't remove the asset manager's performance entirely from the underlying asset class(s) industry the fund invests in, or the conditions in the broader macro environment. Hopefully, though, the asset manager can add his or her expertise to exceed the performance of the market," they explain.

The key difference

Many wrongly believe that an investment platform is linked to an asset manager, but this isn't true. "The Glacier investment platform, for instance, doesn't manage the money even if you, or your adviser, choose your asset managers through it. It's the asset managers that are responsible for the performance that is tied to them and the underlying asset class. A platform is not responsible for an asset manager's performance. What the investment platform does do, is to conduct due diligence on the asset managers on its platform to ensure they meet certain standards."

The benefit of using an investment platform as opposed to choosing just one fund manager from one investment management house is that you get a variety of options. “You can diversify your exposure among multiple investment managers with different styles and aspects,” says the Research team.

Investment platforms also make an investor’s life easier in that they take care of all the administration, such as tax certificates and statements. “Using a good investment platform is all about efficiency, easy monitoring and superior solutions with better returns for investors,” concludes the team.

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