

Q&A - Wayne Sorour, head of Old Mutual International

# FM chats to OMI

Stephen Cranston | Thursday, 23 Feb 2012



Investment platforms such as OMI hold a large share of offshore investments. Why is this?

We have 140 investment options, many of which are not for sale in SA as they are not registered with the Financial Services Board. The largest portion of our clients' money has gone into our five asset class products Growth Plus and Diversified Plus. These include hedge funds, so they would never be approved by the FSB on a

standalone basis.

Shouldn't investors be wary of investing in funds which are not FSB approved?

In order to get onto the platform, a fund has to go through a due diligence process with Skandia International. This process also vets funds for Royal Skandia's suite of funds, which are sold all over the world. (Royal Skandia will be kept by Old Mutual, which recently sold the Swedish Skandia operation.) The OMI platform is sanctioned by the FSB. It operates through Old Mutual Isle of Man, which is a branch of Old Mutual Life Assurance Company (SA) (Omlacsa), a licensed Financial Services Provider.

Will you be expanding your offering, perhaps into direct share portfolios?

Yes, in fact our new investment portfolios will allow investors to consolidate all their offshore assets into a single wrapper. We have selected two authorised custodians, Savoy International Investment Service and Credo Capital, to hold the assets. Both stockbrokers are based in London and already have a client base in SA.

Will you do due diligence before permitting an investment into this wrapper?

As there will be thousands of options it will not be practical for Skandia to do due diligence on all of them. We will confine the direct shareholdings to companies and exchange traded funds on internationally recognised stock exchanges, and we will reserve the right to bar a specific product to protect the integrity of our balance sheet.

Why Old Mutual International in preference to other wrappers?

Momentum and Glacier International are both credible players in the space though neither has the same flexibility as our new investment portfolio. There is no mechanism for overseas domiciled wrappers such as Friends Provident to register with the FSB in the way that individual funds can be registered. It is also illegal for SA intermediaries to sell overseas-based wrappers.

What are the advantages of a life wrapper?

The biggest is the ability to invest overseas tax-free. Because of the relationship between Omlacsa and our reinsurance company, there is no tax in SA on returns earned on behalf of the contract holder. And there is no capital gains tax when there is trading in the portfolio.

Is it completely tax free?

Unfortunately, our clients cannot avoid withholding tax on dividends payable in the home country of the shares they own.

Is OMI still run as a separate silo?

You are right to say that OMI could have worked better at getting business from other Old Mutual businesses focused on the affluent market. We have Private Wealth Management, Investment Frontiers and Galaxy, which provide wrappers for onshore products, as well as Acasis, our financial planning consulting business. All are operating at the top end. Andrew Bradley, who was head of Acasis, was recently appointed as head of the wealth management businesses. I am sure that Andrew, in his own inimitable style, will build a more coherent wealth management offering.

And will you continue working with Nedbank?

Yes, definitely. Its offshore business Fairbairn Private Bank will play a crucial part on the implementation of our investment portfolio. And BoE Private Clients remains a loyal distributor of the OMI range.