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Joanne Ellul investigates whether a price war is looming as some multi-managers have been cutting their fees this year

Multi-managers have been cutting their fees this year, leading some to question whether a price war is on the horizon.

In January, Cazenove Capital Management announced it will offer retail investors a 0.5 per cent annual charge on its multi-manager funds for purchases through a platform.

In September, Aberdeen launched its commission-free share classes on its multi-manager funds, priced at 0.5 per cent for the annual charge.

Around the same time, F&C also cut the annual charge on the £400m lifestyle range, run by Thames River duo Rob Burdett and Gary Potter, from 0.6 per cent to 0.5 per cent on the RDR share class.

The funds are linked closely to a benchmark and the duo cannot deviate from it by more than 5 per cent. Asset allocation is provided by Distribution Technology and there is a volatility target.

Burdett says: "The lifestyle range contains a mix of active and passive and this range is for those investors who are particularly cost-sensitive."

He says there are no plans to reduce the charges on the rest of the boutique's £1.1bn fund range.

He says: "For the rest of our range we want to be able to include boutique fund managers who will not discount their fees as much because they want to limit fund size. We do not want to be restricted in the funds we are using."

MAM Funds says it has no plans to change the annual charge on its multi-asset funds, the £248m Miton Strategic portfolio and the £835m Miton Special Situations portfolio.

The funds currently have a 1.5 per cent charge on the retail share class, with a 0.75 per cent share class launched exclusive of trail and a platform fee.

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Fund manager James Sullivan says some multi-managers have strong performance that justifies higher fees.

But he adds: "There will be pressure on price if they do not perform. Pressure will come if performance does not equal cost."

Sullivan adds that multi-managers need to be mindful of the total expense ratios.

He says: "Although cost does not dictate investment decisions, it does come into it. If you are just buying a market, then you can buy the beta of the market."

Sullivan says there is pricing pressure on smaller multi-manager funds, as larger funds can broker better deals.

He says: "You can negotiate fees when you buy direct. You can have an open dialogue with the manager on the best rate that can be done. You need between £500,000 and £1m to get the institutional rate."

Hasley Investment Management partner Richard Philbin says it is more likely that fees will be cut in the managed outsourced solutions space, such as in the F&C lifestyle range, rather than the multi-manager space where there is more possible added value. He says: "We will not see multi-managers like John Chatfeild-Roberts cutting their fees because they are active managers playing a different game."

However, he suggests some multi-managers may look to cut charges o position themselves competitively in an environment where more investors are likely to use multi-manager propositions.

He says: "If managers reduce their fees, the chance of them increasing assets goes up as there is less drag on the performance of the fund. That could improve their percentile ranking as well."

Jonathan Davis Wealth Management managing director Jonathan Davis says cost is not an overriding concern.

He says: "For me, cost is almost the most minor issue. What is most material to me is methodology and philosophy, as well as track record."

However, Davis thinks more managers will cut their fees. He says: "I believe most fund managers are like birds in formation: where one goes, most others follow. So charges should continue to fall across the board."

Chelsea Financial Services managing director Darius McDermott says the fee cuts are positive.

He says: "Cost is a factor when buying funds.

"However, investors need to remember the annual charge does not cover the total expenses of buying other people's funds."