

Tailored funds for you and your spare million

By ROB STOCK - Sunday Star Times | Sunday, 27 May 2007

Home-grown fund manager Lontamer has branched out into making customised funds for financial planners and the super-rich.

The Christchurch firm has a unique place in the market with its capital-protected products that let people invest in stock markets and commodities without risking their capital, and often give "accelerated" returns of more than the market.



But until recently, the funds it made were all mass-market funds sold through financial planners. Now, said Lontamer's Janine Starks, it was increasingly making customised funds for individuals, or small groups of private investors with \$1 million or more to invest, or upper echelon financial planners who could raise at least that from clients.

Customers were asking for new funds investing in gold, uranium and Australian and global equities. All had done well in the past couple of years, and planners were getting nervous, said Starks. "They want to lock in clients' gains, but still want to keep exposure in those markets. Until now, the only choice they had was to withdraw their clients' funds from the market."

Because Lontamer funds use financial engineering, akin to buying insurance contracts, from giant global financial firms like Barclays or Deutsche Bank, the group is able to provide capital guarantees up to 100%, though funds are locked in for several years as a result.

The costs of premiums were based on current market volatility, said Starks, and as that was low, premiums were very good indeed. So much so that for its latest mass-market fund investing in global equities, the Global Series 3 fund, it was able to offer 90% capital protection for a four-year investment and twice the growth in the basket of shares it invests in.

Oil and energy were also much in demand for customised funds, Starks said, as was "blue gold", or water investments, which are seen by many as one of the growth stories of the future as a rising population and global warming put intense pressure on water resources. While some of the ideas brought to it for customised funds agreed with Lontamer's own world view - for example, Lontamer is considering a mass-market blue-gold fund - Starks said: "As a fund manager we don't have to believe in the story itself. We are helping to customise somebody else's research."

Customised funds could be made for any liquid asset, she said, and it took as little as three weeks to get a fund launched for a client with ready cash, said Starks. They are typically passive investments, with returns based on the price of a basket of commodities, or a stock market index like the ASX200. For that reason, said Starks, they were not a straight swap for an active Australian share fund, for example.