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**GraySwan Never Touches the Money**  
Best practice segregation of duties.



# GraySwan Never Touches the Money



When you invest with GraySwan, where does your money actually go? Who holds it, who can access it, and what stops an adviser or investment manager from simply moving a client's money somewhere else?

These are fair questions, and investors ask them less often than they should. Many investors spend far more time deciding what to invest in than understanding where their assets are held and who is responsible for safeguarding them. We think clients should understand both.

The starting point is the simplest fact of all:

## GRAYSWAN NEVER TOUCHES CLIENT MONEY

Your investment is never paid into a GraySwan bank account. We do not receive your money, hold it on your behalf or own the assets in your portfolio.

Client assets are held and administered by independent financial institutions: investment platforms, custodians, trustees and other regulated service providers. Our role is to advise, to manage portfolios where clients have appointed us to do so, to monitor what we have built, and to give investment instructions within the authority granted to us. Holding the money is never part of it.

## SO, WHERE DOES YOUR MONEY ACTUALLY GO?

The answer depends on the type of investment, product and mandate you have. A mandate, wherever it appears in this article, means the written agreement that sets out exactly what a service provider may and may not do with your investments.

Many private clients invest through an independent investment platform, known in South Africa as a Linked Investment Service Provider or LISP. In practice a LISP is an administration business. It gives you access to a wide range of funds and products through a single account, records and administers what you own, processes transactions, and provides statements and tax reporting. GraySwan clients may, for example, invest through established platforms such as Allan Gray, Glacier by Sanlam, Momentum Wealth and Ninety One. Which platform suits a particular client depends on their circumstances, structure, objectives and the services they need.

The step that matters happens right at the start. You transfer your money directly to the platform or financial institution concerned, and it does not pass through GraySwan. Depending on the product, the underlying assets are then held in custody arrangements designed to separate the ownership and safekeeping of client assets from the adviser or investment manager making the decisions about them.

GraySwan sits alongside this structure, providing advice and, where appointed, portfolio management and investment instructions.



## WHAT HAPPENS WHEN YOU INVEST?

Take a simple example. A client decides to invest R1 million. Once the advice process is complete and an appropriate strategy and structure have been agreed, the client transfers the R1 million directly from their own bank account to the investment platform.

The platform receives the money and allocates it to the agreed funds and portfolios. Depending on the structure, the client may end up owning units in collective investment schemes, better known as unit trusts, which are pooled funds in which each investor owns a proportional share, or securities held within a portfolio, or other permitted assets. The relevant platform, administrator, custodian or trustee keeps the necessary records and performs the safekeeping its role requires.

GraySwan provides the advice. Where we have also been appointed to manage the portfolio, we make the investment decisions under the agreed mandate, monitor the portfolio, assess the underlying managers and investments, manage risk and report to the client. At no point does the R1 million enter a GraySwan bank account.

## WHO DOES WHAT?

Investment structures deliberately spread responsibility, so that no single organisation advises the client, manages the investments, holds the assets and administers the records all at once. Not every investment involves every role, and some roles are combined in some products, but the institutions below are the ones you will most often find between your money and the people advising on it.

### THE INVESTMENT PLATFORM

The platform, as described above, is the administrative hub. It processes contributions and withdrawals, carries out transactions, maintains client records, and provides statements, tax documentation and access to a range of investment products. It is independent of GraySwan, and on many investments it is also the administrator of record.

### THE CUSTODIAN

A custodian is responsible for the safekeeping of investment assets. In practice this means holding assets and maintaining the official record of ownership, independently of the investment manager who decides what to buy and sell. The separation between managing assets and holding them is an important safeguard within the financial system: a manager may take decisions within its mandate, but it does not own the assets it manages.

### THE TRUSTEE

Collective investment schemes operate within a regulated structure that includes independent oversight. The trustee oversees the operation of the scheme and safeguards investors' interests under the applicable regulatory framework. The trustee is independent of the investment manager, and for unit trusts it usually performs the custody function as well.



## THE INVESTMENT MANAGER

The investment manager runs portfolios according to an agreed mandate. Its work can include deciding asset allocation, selecting investments, appointing specialist managers to run portions of a portfolio within the same mandate limits, monitoring the whole and managing risk. Its authority to make investment decisions is real, but it stops well short of ownership.

## THE FINANCIAL ADVISER

The financial adviser works with the client directly, getting to know their circumstances, objectives, risk tolerance and long-term needs, recommending appropriate structures and strategies, and adjusting that advice as life changes.

Clients may engage GraySwan as their financial adviser, as their investment manager, or as both. Which roles we hold, and with what authority, is recorded in the agreements and mandates in place; your own mandate or engagement letter sets out exactly which apply to you, and your adviser can take you through it. Whatever the combination, the custody and administration of your assets remain with independent institutions.

## CAN GRAYSWAN WITHDRAW YOUR MONEY?

Managing an investment portfolio does not give a manager unrestricted access to a client's money, and it is worth being precise about the difference.

Where GraySwan manages a portfolio, we may instruct that an investment be bought or sold, that exposure to a particular asset class be increased or reduced, or that a portfolio be rebalanced, meaning brought back in line with its intended mix. Those instructions operate within the client's mandate and the operational processes of the institution administering the investment.

What those authorities do not allow is moving client money into a GraySwan account. Withdrawals, and any change to a client's banking details, are controlled by the platform or financial institution itself. The exact procedures differ from provider to provider, but as a general rule a platform will pay a withdrawal only into a bank account verified in the client's own name, and will independently confirm any request to change those banking details before acting on it. Together with the mandate limits and the custody separation described above, those controls are what stand between any adviser and a client's money.

## WITHDRAWING YOUR MONEY

Suppose the same client later decides to withdraw R200,000. The withdrawal instruction is submitted to the investment platform, which processes it under its own requirements and verification procedures. If investments need to be sold to fund the withdrawal, those sales take place within the investment structure.

Once the withdrawal has been processed, the proceeds are paid by the financial institution directly to the client, through the same kind of verified banking processes that governed the money on the way in.



## WHAT ABOUT THE GRAYSWAN UNIT TRUST FUNDS?

GraySwan also manages its own unit trust funds: the GraySwan SCI Cautious Fund, GraySwan SCI Moderate Fund, GraySwan SCI Aggressive Fund and GraySwan SCI Worldwide Flexible Fund. The structure is different from a platform investment, but the principle is identical.

Money invested in the GraySwan unit trust funds is not paid into a GraySwan bank account for GraySwan to hold. The unit trust funds operate within a regulated collective investment scheme structure, in which different parties perform different functions: portfolio management, fund administration, custody of the assets and independent trustee oversight. The SCI in each fund's name stands for Sanlam Collective Investments, the registered manager legally responsible for operating the scheme, distinct from GraySwan, which manages the portfolios within it, and from the trustee, which provides the independent oversight. GraySwan's responsibility is managing the portfolios of the unit trust funds within their respective mandates. In practice we decide how the portfolios are invested, select the investments, manage the asset allocation and monitor the risk, while the assets themselves are held within the scheme's independent custody and trustee structure.

## WHAT HAPPENS IF GRAYSWAN FAILS?

This question should be asked of every firm an investor deals with, and it deserves a straight answer.

Client assets are not held in GraySwan's bank accounts and do not form part of GraySwan's own balance sheet, so they are structurally separate from the operating finances of our business. If GraySwan could no longer provide its services, your investments would remain exactly where they already are: on the platform, in whichever funds you hold, within the custody structures described above. Another authorised adviser or investment manager could then be appointed, subject to the relevant agreements and processes, to advise on or manage them. The precise consequences of any financial services provider failing depend on the product, the contracts and the applicable legislation, but the assets themselves do not disappear with the firm that advised on them.

## IF A PLATFORM, CUSTODIAN OR ANOTHER SERVICE PROVIDER FAILS

The same question belongs to every institution in the chain. Financial institutions operate within regulatory frameworks designed to set requirements for governance, capital, administration, custody, oversight and the treatment of client assets.

One reason client assets are separated from a service provider's own business is precisely so that the provider's financial difficulties do not become its clients' problem. In custody and collective investment scheme structures, assets held for clients are by design not part of the provider's own estate, meaning the pool of assets its creditors could claim against if it failed. The precise protections differ according to the product and legal structure, which is why the selection and ongoing assessment of platforms, custodians, administrators and investment managers matter.

At GraySwan, that assessment is part of our responsibility, because investors should understand the entire structure through which their wealth is managed, from who manages and administers the assets to who holds them, who provides the independent oversight and what would happen if any one of those institutions failed.



## WHY THIS SEPARATION MATTERS

The separation of advice, investment management, administration, custody and oversight is intentional. It creates independent layers of responsibility with checks between them, it improves transparency, and it prevents any one organisation from having unrestricted control over every part of the investment process, including the part that moves money.

GraySwan believes strongly in that separation. Our role is to apply investment expertise on our clients' behalf, helping them make informed decisions, constructing and monitoring their investment strategies, and managing portfolios and risk with discipline. We remain accountable for the advice we give and the investment decisions entrusted to us, while the custody and safekeeping of client assets remain with independent institutions established and regulated to do exactly that.

## THE QUESTION EVERY INVESTOR SHOULD BE ABLE TO ANSWER

Investors usually ask about returns, fees, funds and risk, and rightly so. Fewer can answer a more basic question: where is my money actually held?

You should know which institution administers your investment and which holds the underlying assets. You should know who may give investment instructions, who can authorise a withdrawal and where withdrawn money may be paid. And you should know what would happen to your investments if your adviser, your investment manager or any other provider in the chain could no longer operate.

A sound investment strategy is not only about selecting the right investments. The structures around those investments should be just as transparent, as well governed and as well understood.

## YOUR MONEY. INDEPENDENTLY HELD. PROFESSIONALLY MANAGED.

At GraySwan, we believe informed investors make better long-term decisions. That means understanding not only how your money is invested, but where it is held, who manages it, who safeguards it and what protections surround it.

Our clients entrust us with a serious responsibility. We provide independent advice, manage investments, monitor risk, and challenge the investment managers and service providers we work with, and above all we aim to be long-term thinking partners to the people whose wealth we help manage and protect.

But there is one thing we do not do, and never will.

We never touch the money.



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# Sleep Well At Night



GRAYSWAN

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