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Solaris performance fee option wins \$1bn from instos

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Solaris Investment Management clocked \$1 billion from institutional investors within seven months under its unusual low fixed fee plus performance-fee based payment structure - proof that Frontier's proposed flat dollar fee model has massive insto appeal.

The Solaris Core Australian Equity fund (Performance Fee Option) has a fee structure whereby investors, apart from the administration fee, pay a 30 per cent performance fee when the fund's performance beats the S&P/ASX 200 Accumulation Index. The performance fee is paid annually.

In addition, the fund manager's report on the option said any underperformance must be made up before a performance fee is payable.

The fund manager has a "capacity" to manage up to \$2 billion in the performance fee option.

With \$1 billion already gained from institutional investors, the wholesale component is full. The remaining figure is set aside for retail or platform investors, which has attracted just over \$60 million in funds so far.

"It was developed from a philosophical view. We thought investors are paying fund managers for performance so we wanted to provide that in an option. Isn't that the purest form of investing?" said Denis Donohue, managing director at Solaris Investment Management.

The fund aims to return 3 per cent above the S&P/ASX 200 Accumulation Index over rolling three year periods with a tracking error target between two and four per cent per annum.

Michael Hobbs