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Kapstream cuts fees on flagship fund

BY **KANIKA SOOD** | WEDNESDAY, 11 SEP 2019 ⌚ 12:31PM

The Kapstream Absolute Return Income Fund is shaving 15bps off its retail fees, as competition in the segment heats up and yields drop.

The fund currently has about \$3.8 billion of retail money and will go from charging 70bps to 55bps in annual management fees, starting October 1.

Kapstream managing director James Bloom said the fee cuts were driven by changes in the macro landscape driven by low rates, increased competition and its impending launch of an ETF vehicle for the strategy.

"The fee cut is a reflection of the evolving landscape. The fund was launched and priced 12 years ago and while our value add has been consistent over that time, the macro environment is very different," Bloom said.

"The defensive absolute return fixed income segment is also far more competitive with a broader range of products and managers."

Kapstream is set to list an [active ETF on the Chi-X](#), which Bloom said is expected in early October, pending the greenlight from the stock exchange.

"We decided early on that we wanted to price the ETF at 55bps and it makes sense for us that our investors in unlisted trusts be treated the same as our investors in the ETFs," he said.

Despite lowering fees for retail investors, Kapstream hasn't had to review its fee arrangements for institutional investors who have about \$2.2 billion invested in the strategy, Bloom said.

Kapstream has been picking up about \$80 million a month in net inflows on an average, taking its annual run rate to \$800 million to \$1 billion, Bloom added.

It now has about \$15 billion in funds under management across its strategies.

Separately, co-founder [Kumar Palghat announced his plans to retire](#) in April next year.

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