

# Momentum Investment Consulting

Discretionary fund management  
(DFM) that helps your clients  
achieve their personal goals



# Financial advice and DFM

Over the years, the investment world has changed drastically. The business of providing financial advice, specifically investment advice, has increasingly shifted from picking funds, to looking after clients and helping them achieve their personal financial goals.

Some of the drivers of this change have been the increasingly complex investment landscape, from the perspective of the amount and complexity of funds to select from as well as the regulatory scrutiny on how client portfolios are constructed when the funds are selected.



As the market prepares itself for the Retail Distribution Review regulatory framework known as RDR, Category I and II financial service providers are increasingly partnering with a DFM to get access to the wide range of services they offer.

**We believe in the value of financial advice.**

You play a key role as financial coaches to your clients. In this role, you help your clients reduce the effect of their own potentially destructive financial decisions or ways and teach them about biases present in decision making.

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We can provide you with the **investment management services and solutions so you can focus on what is important to you and your clients** – providing them with informed and thoughtful advice to keep them on track to achieving their personal financial goals.

# Examples of investment behaviour or biases leading to lower investment returns

## Example 1

### BEHAVIOUR TAX:

When investors make decisions that leave a gap between what they should have earned and what they actually earned, they incur a behaviour tax.

There are many types of behaviours that can adversely affect an investment, such as leaving money in cash for a long period instead of building a diversified portfolio, or switching to funds that appear to be more successful in the moment.

Maintaining focus on a set goal can minimise behaviour tax.

In some cases, behaviour tax can cost an investment 1.11% a year, which amounts to about a 17.5% difference in fund value in 20 years.

### How Momentum can help

By using machine-learning techniques, we have identified client behavioural patterns during market cycles. From the 'avoiders', who don't take enough investment risk over time, to the 'assertives', who take too much risk and can be overconfident, we can give personal insights to you about your clients' financial personalities and likely investment behaviour along their journey.

## Example 2

### RECOMMENDING FUNDS BASED ON PAST INVESTMENT RETURNS:

The industry has been using past returns as a predictor of future success, ignoring the fact that there is no real correlation between the two factors.

We use this cognitive shortcut because, with the overwhelming number of funds available, making a strategic choice can be daunting.

It is impossible to accurately predict which investment manager or style is likely to outperform in the future.

Selecting investment managers or funds based on past returns offers a false sense of confidence that may ultimately prove disastrous for an investor.

### How Momentum can help

A landmark study by Momentum Investments and Oxford Risk in the UK clearly showed that South African investors with the same investment needs were getting very different advice. This is called 'noise' and can be addressed on the outcome side by giving a consistent solution and investment approach to solve for a client's investment problem.

# But this leaves us with one question: who picks the funds?

When you invest your client's money into one of our model portfolios, you are investing into an efficiently constructed investment portfolio. We continually optimise the portfolio's asset allocation and maintain the portfolio, so its construction remains in line with its stated objectives. We also constantly review the investment managers appointed. This removes the need to pick funds, so you focus on your relationship with your clients and on providing valuable and personal financial advice.

This idea of turning to external investment specialists to make the investment decisions has grown exponentially, leading to the rise of the DFM locally and globally.

In South Africa, adviser practices have evolved in recent years and it is estimated that between 15% and 20% of retail investments are being either managed or advised by a DFM.





# What is DFM?

DFM is a form of investment management where investment decisions, such as asset allocation, style diversification per asset class, style optimisation and deciding on the funds that make up the investment portfolio as well as their weightings, are made at the DFM's discretion on behalf of an investor within the limitations of a signed mandate.

This means that, when a DFM is appointed, it is no longer up to you alone to select and switch funds continually. Because of this, you must have the utmost trust in the DFM's capabilities.

We follow an outcome-based investing philosophy. We believe the best way to achieve your clients' investment goals is through this philosophy, as aligning the investment outcomes to your clients' investment needs makes it easier to keep them invested. It's about constructing investment solutions that are capable of meeting your clients' needs and placing their needs at the centre of the investment process.



# What we're about

In today's increasingly uncertain investment landscape, to find robust and compliant fund solutions can be time consuming and a high-risk undertaking.

That's why we're offering you our services and investment solutions capable of meeting your clients' unique needs.

6 Focus on  
your clients.  
**We'll manage  
your investments.**

In conjunction with Momentum Global Investment Management, which is our investment team in London, we provide local and global investment services. Our purpose is to create a sustainable investment proposition for you built with your clients' objectives in mind. We know you and your clients are unique and investing is personal, so therefore we offer purposefully built solutions capable of achieving particular and defined investment outcomes.

Our extensive multi-mandate experience has given us access to focused investment expertise and behind-the-scenes technology.

Whether we're looking at mandate design, asset allocation, risk management, portfolio construction, structuring or reporting, all are aimed at achieving your clients' investment goals and enhancing your offering to your clients.



# Benefits of using MIC



MIC effectively becomes an **extension of your practice**. Therefore, the skills in asset allocation, portfolio construction and optimisation, as well as investment manager selection, are sourced from us. This has a significant **reduction** in the **investment** and **compliance risk** you face.

When you partner with a us as your DFM, you can rest assured knowing that you have a specialist looking after your investments. You do not have to worry about where to invest and when to buy and sell, but rather **focus on your practice** and giving the best advice to your clients.



Our ability to **bulk switch** across all clients enables us to implement decisions efficiently when markets shift, without the need for you to complete additional paperwork or obtain switch forms from your clients. We take care of these decisions, and we implement changes timeously and decisively.

We also offer **enhanced reporting** to give you full transparency and a holistic overview of your investments.

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We make it easy for you to help your clients achieve their goals and stay invested.

**We're here for you to get your clients there with more certainty and less anxiety, keeping your clients on their journey to success.**

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A safe journey with us starts with you and your clients mapping out the destination and planning the best way to get there. You get to choose from a wealth of investment options.

**With us, investment success is simple.**

# Benefits of using MIC

MIC brings many additional **efficiencies** into your practice, including:

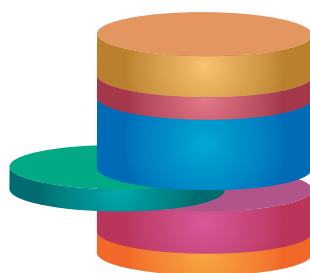
- **Reduced administration**, for example, portfolio switches are implemented without the signed switch form every time an adjustment needs to be implemented
- More time for you to **focus on advice** and your relationships with clients
- More time for you to do **financial planning**

6 **The ability to implement any decisions simultaneously for all clients invested in the portfolios is one of the biggest benefits of using a DFM.**

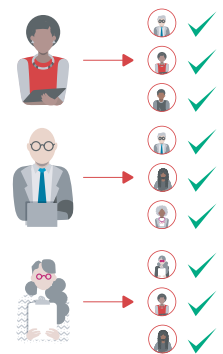
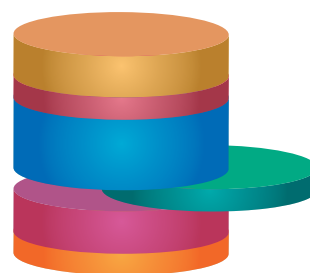
A bulk switch made in a model portfolio



Existing funds in model portfolio



Existing fund removed and replaced by another fund



Change implemented on every client's portfolio

Cash Funds

Bond Funds

Equity Funds

Property Funds

International Bond Funds

International Equity Funds

- **Consistent client experiences** and adherence to the principles of 'Treating Clients Fairly'
- **Cost efficiency** and simplicity
- **Increased efficiency** in your practice, enabling better succession planning and allowing you to better merge practices or achieve higher multiples for your book when the time comes to exit the industry



We believe **our understanding of the financial advice process is one of our key strengths.** We are a client-centric business and our clients often cite **our flexible execution of our investment skill, regular communication and transparent and detailed reporting** as the things they value most.

# Our offering

We can implement solutions either through a model portfolio or a fund-of-funds structure, depending on your licence (Category I or II) and preference.

Our model portfolio range of solutions consists of our standard portfolios (reflecting our best investment view) and highly customised (bespoke) solutions, allowing you to select solutions best suited to your advice process.

Our portfolios are available on the majority of the leading linked investment services provider (Lisp) platforms in South Africa.

## Our range



Standard  
portfolios



Customised  
solutions

In our customised solutions, we rely heavily on the input from you to assist us in defining the three pillars of your client's objective.



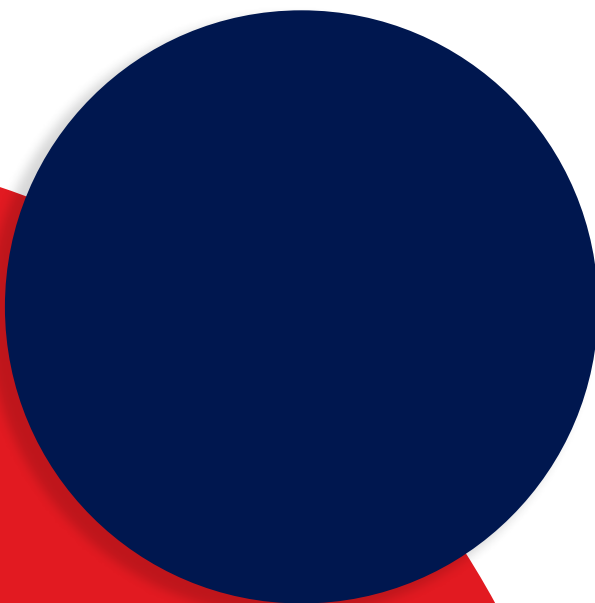
# Our offering

We also offer our **investment consulting capability** even if you have your own Category II licence.

In these instances, we are often appointed in a sub-advisory role, where we offer our skillset, which includes a range of services, from investment manager research, portfolio construction and attribution, to monitoring of returns, portfolio optimisation, asset allocation as well as reporting and execution.

This allows other Category II license holders to apply our services to their own investment philosophy, which may differ from our outcome-based investing approach.

Most importantly, you also have access to our portfolio managers to make sure there is ongoing portfolio monitoring, which will timeously warn against potential risks and opportunities.





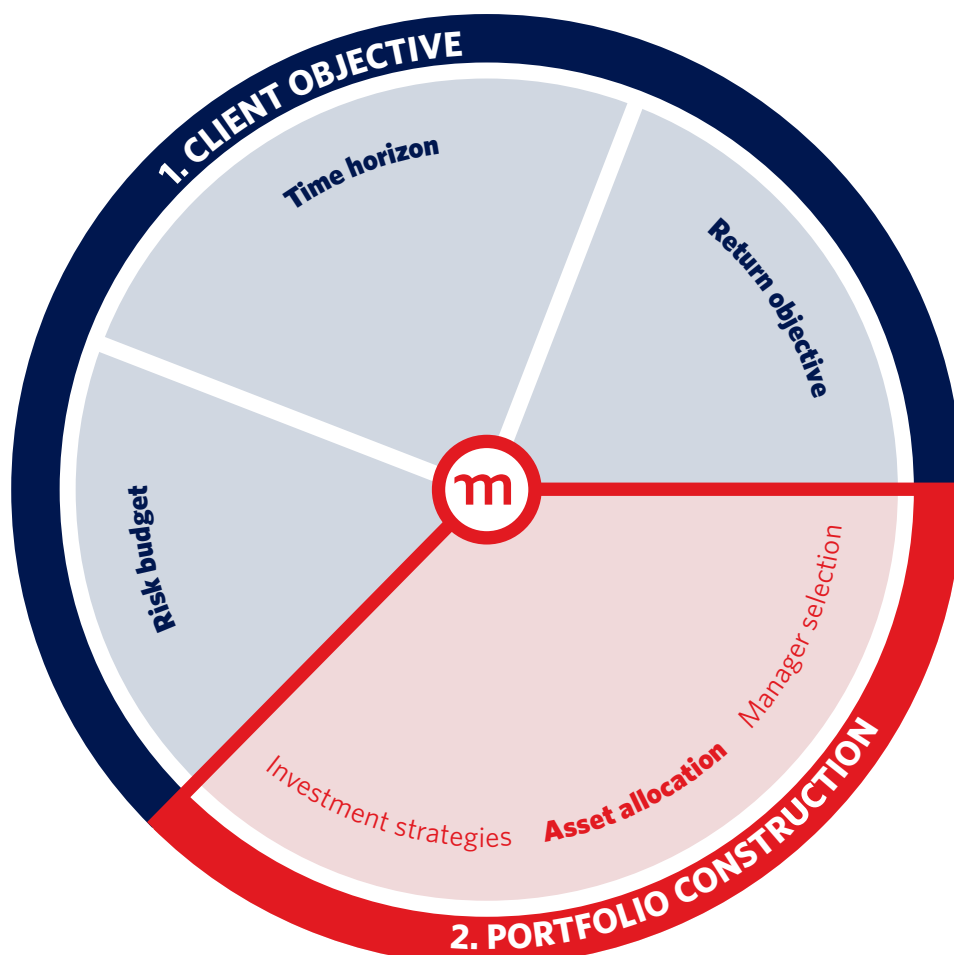
# Our investment philosophy

We believe there is a disjoint in the market between funds available to clients and their financial needs. We bridge this gap by tailoring solutions that are more closely aligned with your clients' financial needs than arbitrary portfolio benchmarks.

For this reason, we follow an outcome-based investing philosophy.

This means, our portfolios are constructed and managed based on the **client objective**, which has the following pillars:

- Time horizon: We define a time horizon
- Risk budget: We determine an acceptable level of risk (this indicates how much a portfolio may fall in adverse market conditions)
- Return objective: We use a reasonable return target

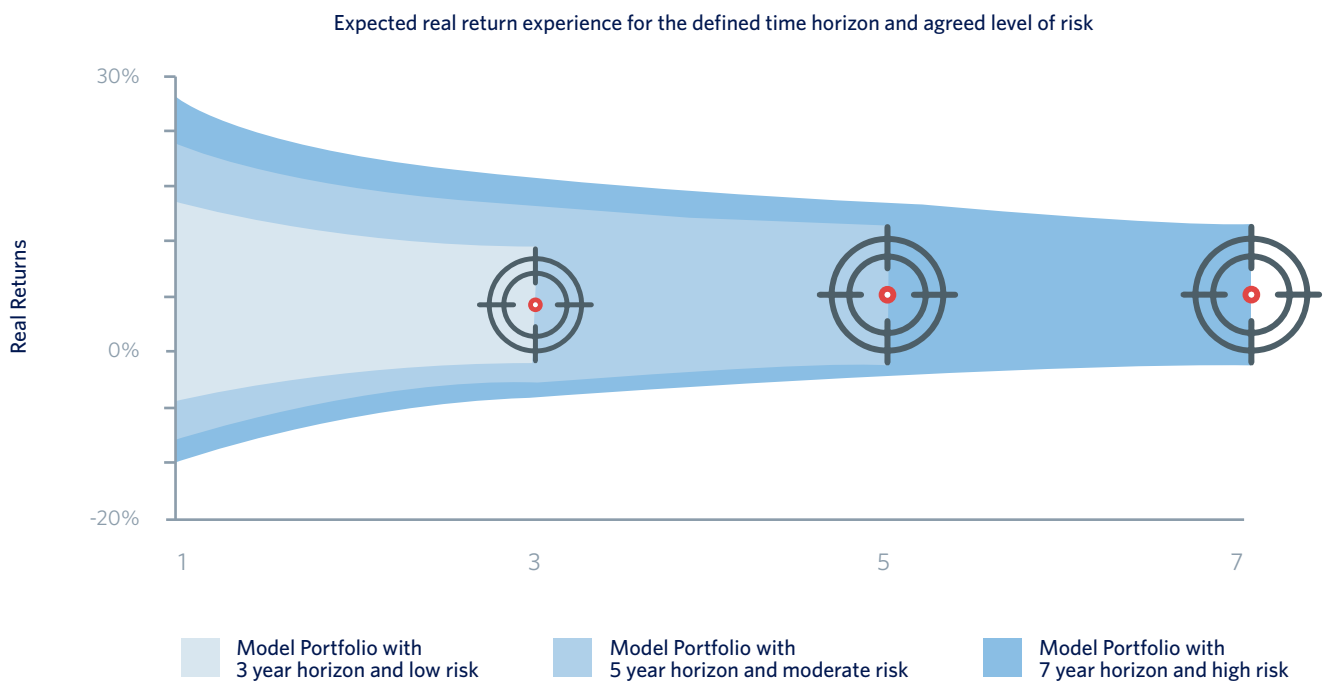


# Our investment philosophy

Once we have defined the client objective, we apply our three-step **portfolio construction** process, which consists of:

- Selecting the optimal strategic asset allocation.

We blend the right asset classes for optimum risk management. This step is the cornerstone of our investment philosophy, as it informs a large part of variation in the returns we expect your clients to experience over time.



# Our investment philosophy

- Blending a variety of investment strategies in an efficient manner.

In this step we choose the most appropriate investment strategies within each asset class to enable consistent returns in dynamic market conditions.

- Manager selection and the optimal combination of these together with investment mandates.

This is done to achieve the desired outcomes and increase the probability of delivering the portfolio's objective. This step involves choosing the best-of-class investment managers as well as mandate design and the optimal allocation to each.

We use a variety of subscription and proprietary tools and systems in the modelling as well as portfolio construction process. Our solutions can incorporate passive, active and smart-beta strategies across multiple investment strategies. These can be combinations of local and global asset classes as well as incorporate local and global currencies. The end result is the delivery of a holistic value proposition.



# Our team

Our core investment consulting team consists of a combination of experts in investment management and financial planning markets, allowing us to design portfolios closely aligned to your advice process.

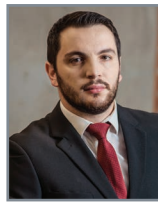
You get access to our portfolio managers, business development manager and operations team members, allowing for a seamless take on as well as effective ongoing management and detailed reporting.



**Florbela Yates**  
Head: Investment Consulting



**Bennie Crous**  
Senior Portfolio Manager



**Dean De Sousa**  
Portfolio Manager



**Mersey Booysen**  
Operations Manager



**Nontobeko Mabaso**  
Investment Administrator



**Rupert Giessing**  
Investment Business Development Manager



**Tebogo Dingaan**  
Personal Assistant



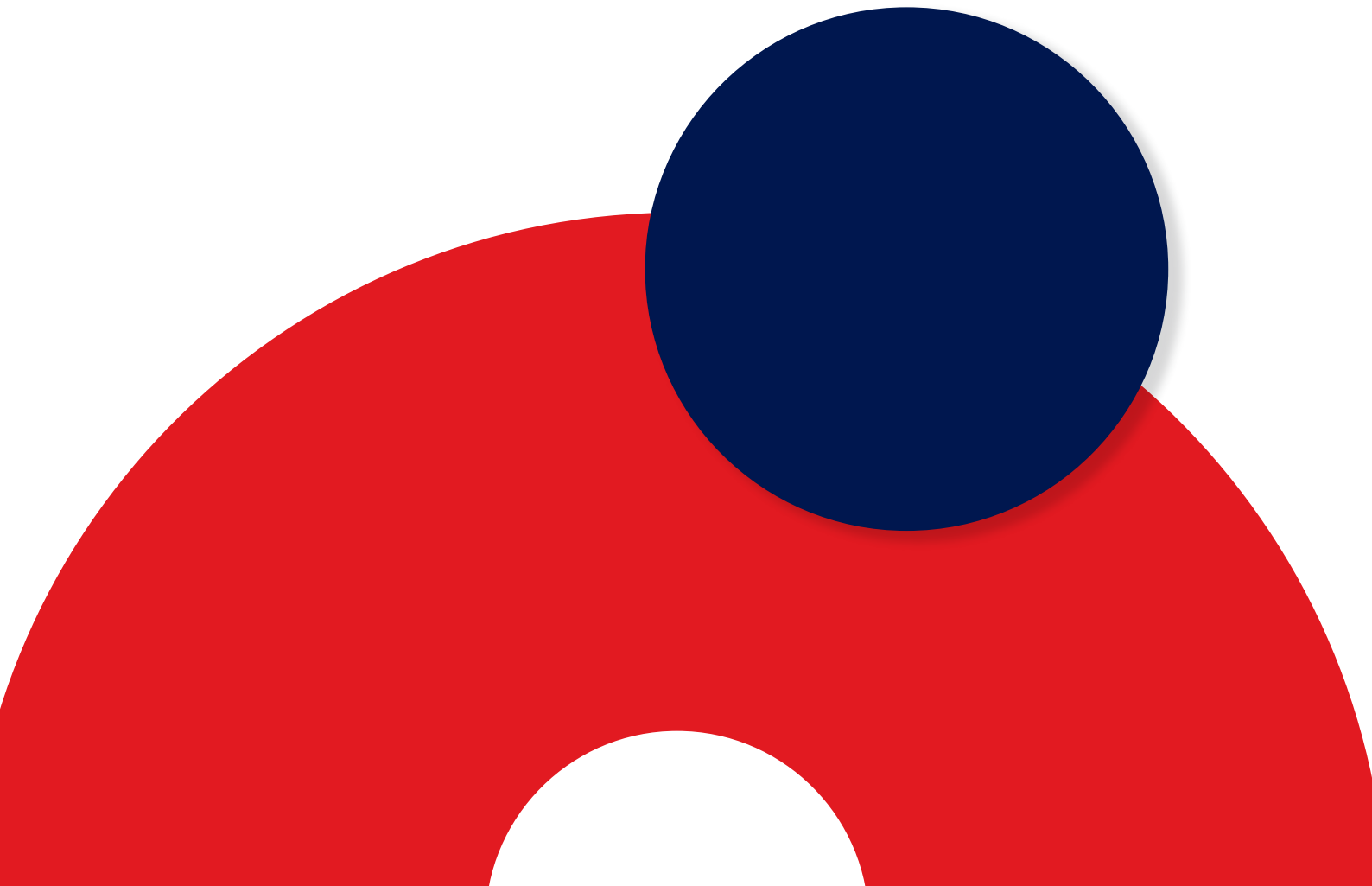
**Jean Badenhurst**  
Head: Manager Research



**Tatjana Raunich**  
Manager Research

**The MIC team has a combined investment industry experience of more than 80 years. In addition to the core team above, being part of a greater group gives us access to an additional 77 investment professionals locally and globally.**

This allows us to leverage off the skills and solutions available within our individual and business investment teams, resulting in increased innovation and better outcomes for our clients.





Why  
choose  
us?





6 **Tailormade investment solutions** to meet your clients' goals

# Why choose us?

Some of your clients have unique needs and require customised solutions. That is why we use a personal approach to offer tailor-made solutions, aligned to specific investment objectives.

This is achieved by the following:

- Constructing world-class solutions to **increase the likelihood** that investment goals will be achieved
  - Over the relevant time periods
  - Taking into account your clients' tolerance for risk
- Solutions designed for **your clients' specific needs**, whether this is capital protection, liquidity or capital growth, over their specified time horizon.  
We can use either:
  - Building blocks or balanced solutions
  - Model portfolios or fund of funds
- A holistic solution through expertise in **local and global** markets
  - Local only, global only or a combination of local and global solutions



- We are **platform agnostic** – we create solutions on a variety of Lisp platforms, to cater for our preferences
- Active, passive or smart-beta solutions, or a combination of all three, allowing for further **customisation**
- We offer **flexible portfolio selection** that includes:
  - Cost-effective solutions by accessing preferential fees
  - Specialist building blocks and single asset class mandates
  - An optimal blend of investment strategies
  - Access to best-of-class and boutique investment managers per asset class
  - Diversification across asset classes
  - Overall portfolios that are competitively priced compared to most traditional multi-asset-class portfolios

6 LET US MAP OUT  
**THE SAFEST JOURNEY**  
TO INVESTMENT SUCCESS

# Contact us

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**Email: [MIC.emailus@momentum.co.za](mailto:MIC.emailus@momentum.co.za)**

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Returns are after the deduction of the portfolio management fee and either before or after the deduction of any platform administration fees on the tracker or index portfolio (depending on the platform on which the portfolio is invested) and before financial adviser fees. Returns may be based on a combination of calculation methodologies, which include simulated returns before the inception date of the portfolio based on the portfolio's holdings at inception (which would not reflect MIC's historic asset allocation views, or any changes, which would have been made to the portfolio holdings over time), money-weighted returns calculated on the total value of the portfolio, after the deduction of underlying investment management fees with the size and timing of cash flows taken into account, and returns based on an investment in a tracker or index portfolio, which is a time-weighted return and the effect of cash flows is not taken into account. For the simulated return calculations, the retail share classes with the longest return histories have been used.

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