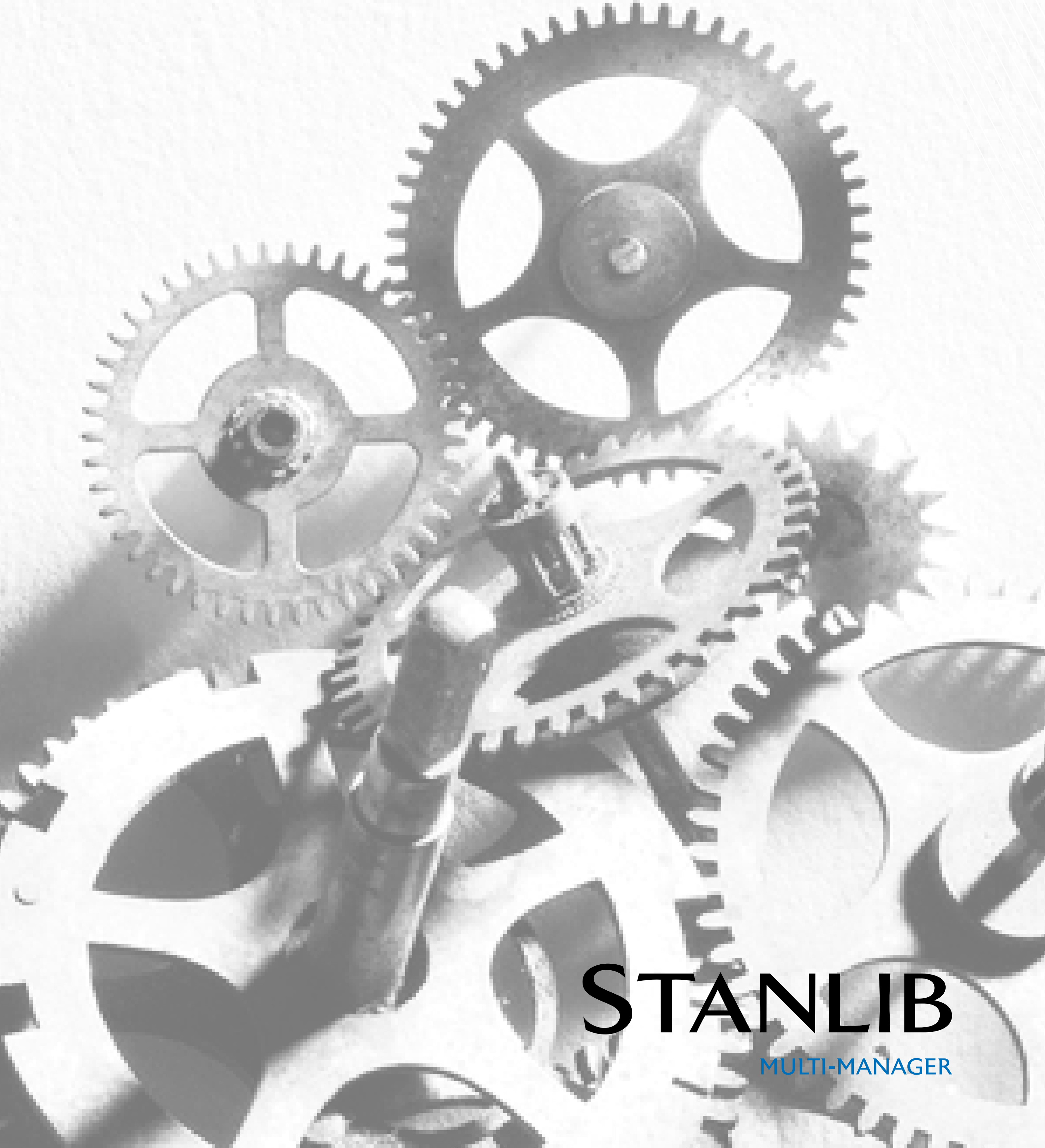
STANLIB Multi-Manager

Model Portfolios



STANLIB

MULTI-MANAGER

STANLIB
Multi-Manager

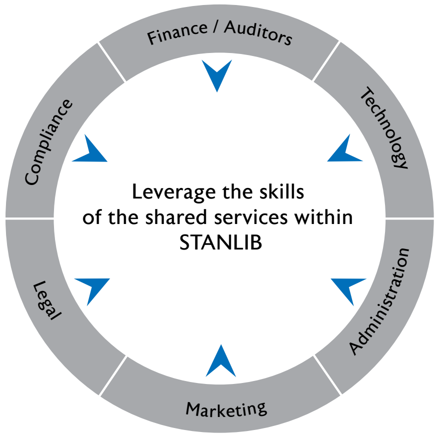
Discretionary pre-designed solutions and/or customised solutions to assist IFAs in meeting the real needs of multiple clients

Contents

About us

STANLIB Multi-Manager has roots going back over 17 years and is the centre of excellence for multi-managed solutions and services within the STANLIB Group.

- Established business and part of reputable Group
- 120+ years collective investment experience
- Long-term track record
- Assets under stewardship in excess of R180 billion
- Investment management is our only business

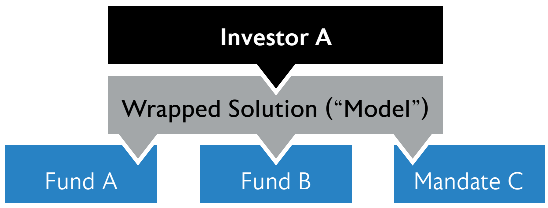


Generic names – discretionary solutions

There are no dictionary definitions and the generic names for discretionary solutions (such as wrap funds, managed accounts etc.) can, and usually do, mean slightly different things to different advisers. We at STANLIB Multi–Manager will reserve the term Model Portfolio (Services) as a more generic term.

Investors invested in Model Portfolios have direct ownership of the underlying investments via a "wrapped solution". These Model Portfolios are not regulated by the Collective Investment Schemes Act and do not have a separate legal status. They are controlled by the same legislation pertaining to Linked Investments Services Providers (LISP's), namely the Stock Exchange Control Act and the Financial Market Control Act.

A Model Portfolio effectively "wraps" a selection of different unit trusts funds/mandates together.



Market insights – impact of regulatory developments

Regulation - demands on advisers as per the FAIS Act are significant

Over the past few years, the Financial Services Board (FSB) has closely followed regulatory developments in other major counties with the introduction of the Financial Advisory and Intermediary (FAIS) Act, Treating Customers Fairly (TCF) and the Retail Distribution Review (RDR).

This has forced many advisers to seriously consider the impact of a more regulated advice environment on their existing business models.

International research among platform users shows that over 50%[*] of financial advisers now outsource at least some of the investment process to a third party, illustrating that outsourcing is becoming an attractive opportunity for service providers to redefine their value proposition as a service to financial advisers. The same trend is being experienced in the South African market.

The FAIS Act and whatever the final outcome from RDR may be, is likely to be a significant cost in terms of time and resources, particularly in the independent advice category. Outsourcing will naturally afford advisers more time to focus on the clients' financial planning needs and may well prove to be in the clients' best interest. Although choosing the correct outsourcing partner still lies with the adviser and good due diligence and ongoing monitoring processes need to be in place, there will be a reduction in resources required overall.

Making use of the Multi-Manager approach allows the IFA to effectively outsource the fund/manager selection decisions to the Multi-Manager. The Multi-Manager is responsible for unbiased fund selection, which includes the ongoing due diligence and construction to meet pre-defined objectives/outcomes over time.

The benefits of Model Portfolios

The Model Portfolio service has a number of key features -

- Running large numbers of individual funds across a large client base is administratively inefficient. A Model Portfolio service allows advisers to consolidate their client books
- Allows IFA's to outsource more investment decisions. The increased number of funds available has made fund research, fund selection, asset allocation and ongoing portfolio monitoring a challenging task for advisers
- The adviser is relieved of the day-to-day decision-making responsibilities associated with managing an investment portfolio, thus allowing them to focus more on investors' financial planning needs
- Customisation – the ability to tailor-make solutions for investors, including white-labeling as determined by the business rules of the respective platforms (LISP's)
- A range of services levels that include risk reporting, manager report-backs and comprehensive performance reporting etc. The level of services is linked to the platform's business rules/service levels
- Investment administration – the platform looks after the administration of the Model Portfolios including monthly statements etc.

Behind the Model Portfolios

Investment mission/objective

STANLIB Multi-Manager's objective is to deliver superior net investment returns more consistently than through a single asset manager or mandate, by exploiting various sources of return, while diversifying multiple sources of risk.

Investment philosophy

- Asset managers with skill may exist within certain markets or specific market segments / asset classes i.e. they have the ability to deliver returns in excess of their benchmarks or passive alternatives
- We can identify these managers through a rigorous and integrated approach of quantitative and qualitative manager research
- Combining these managers (using advanced modeling and statistical techniques) with passive alternatives where appropriate, will produce superior net investment returns, with a greater consistency than single mandates, through the diversification of idiosyncratic manager risks
- Strategic (long-term) and tactical (short-term) asset allocation will ensure that the portfolio is appropriately designed and maintained to maximise the probability of meeting the investment objectives
- A systematic and ongoing portfolio management process that includes inputs from manager and market research, asset allocation and portfolio construction will add additional value by ensuring that portfolios are efficiently managed and positioned
- Portfolio risk is managed at each and every step of the process to ensure that portfolios are designed, constructed and maintained so as to maximise the chances of achieving the investment objectives within any specified constraints

Investment process

The STANLIB Multi-Manager investment process comprises six steps, each of which has a fully integrated risk management framework -

1. Portfolio specification

In order to ensure that there is a clear understanding of how portfolios are expected to perform, a portfolio's objectives and constraints are defined, documented and communicated, using Portfolio Management Guidelines as a tool. Portfolios are then designed, constructed, managed and monitored against these.

2. Asset allocation

Asset allocation provides the framework for portfolio construction and ongoing portfolio management, creating inputs for strategic (long-term) and tactical (short-term) decision-making.

3. Manager research

In order to obtain an understanding of portfolio behavior and expectations of performance, we conduct thorough quantitative and qualitative analyses, culminating in an extensive investment due diligence. This results in the production of high conviction buy/hold/sell lists, as well as mandate performance expectations under different environments, defining events and sell triggers/disciplines. These then feed into the portfolio construction and ongoing management processes.

4. Portfolio construction

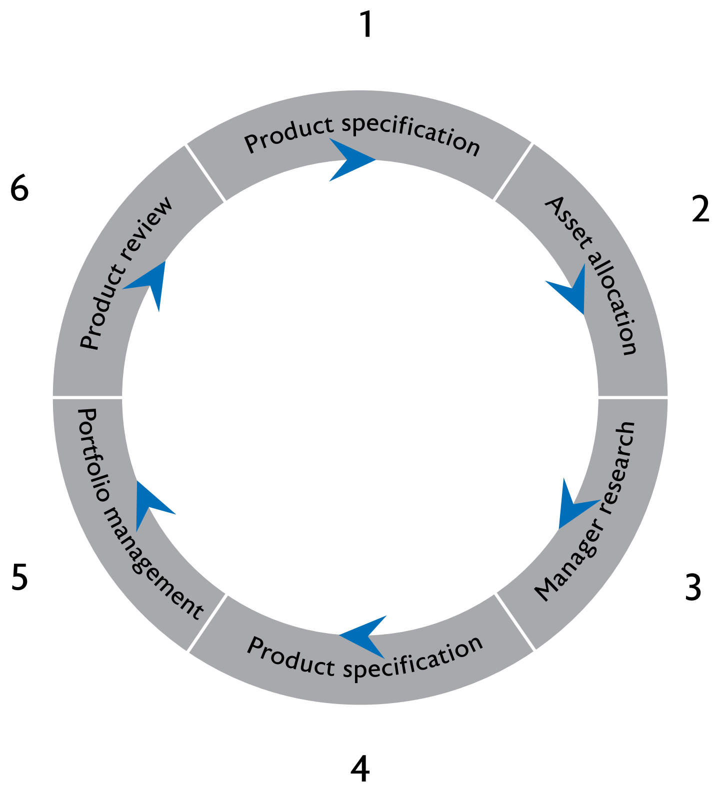
Portfolios are designed to meet the investment objectives specified and communicated upfront. They are designed to maximize the chances of meeting competing investment objectives in a robust way, while taking the appropriate and acceptable level of risk inherent in all investment processes. There are many different manager-blending frameworks and we identify the most appropriate framework for the given portfolio.

5. Ongoing portfolio management

As an additional source of value-add and risk management, we perform an ongoing evaluation of underlying managers and strategy. This includes implementing strategic and tactical decisions at asset allocation and manager selection levels; managing liquidity and cash flows into and out of portfolios; performance evaluation of portfolios and all the underlying contributors to performance; maintaining manager relationships; compliance management; and client reporting and communication.

6. Portfolio review

A separate high level governance and risk management overview ensures that portfolios are meeting their competing investment objectives, that individual decisions throughout the investment process are adding value and that possible areas of concern are identified and resolved quickly.



Wealth Range

STANLIB Multi-Manager offers a comprehensive range of Model Portfolios. Advisers' have the choice to white-label the solutions, pending the preferred platform's business rules.

	Wealth Cash/Income	Wealth Preserver	Wealth Enhancer	Wealth Accumulator
Investment objective	• To outperform cash + 1% over rolling 12 month periods • Capital preservation over a 12 month period	• To outperform CPI + 3% over rolling 3-year periods • Capital preservation over a 3-year rolling period	• To outperform CPI + 5% over rolling 5-year periods • Minimise the probablility of negative real returns over a 5-year period	• To outperform CPI + 7% over rolling 7-year periods • Minimise the probablility of negative real returns over a 7-year period

*Bespoke solutions are available for book sizes above R500 million.

Rationale behind construction

These portfolios are designed to target real returns (i.e. returns in excess of inflation) of 1%, 3%, 5% and 7%. The portfolios have differing levels of risk, recognising that risk and return are inextricably linked – "you cannot have one without the other".

In designing the Model Portfolios, we focused on two broad disciplines:

1. The first principle was a clear understanding of the objectives, which includes an appreciation for many different performance metrics, which may be competing (with risk and return being great examples)
2. The second principle was the choice of the underlying structure and construction thereof, which includes the selection of everything from asset classes, to mandate/strategy types, to the underlying asset management houses and even the individual portfolio managers (but continued all the way down to the mandate negotiated, which focuses on benchmarks, targets and any constraints)

Design of objectives

The objectives of the Model Portfolios designed are varied but include targets of real returns (which allow savings to be quantified against monetary objectives over the long term); peer relative benchmarks (to ensure that clients remain comfortable with their solutions over shorter time periods); and multiple risk considerations (to ensure meaningful integrated risk management).

Construction

We elected to use multi-asset class portfolios with limited constraints and maximum flexibility (within regulations and reasonable concentration limits), to allow managers the maximum freedom to add value through asset allocation (strategic and tactical); security selection (across asset classes); the interaction of the two; and any other tools (such as options and futures). By selecting portfolio managers with demonstrable skill in these areas, we maximise the potential to outperform the average manager and passive alternative, whilst providing more consistent outperformance in the process.

This process should yield superior results over the long-term, although you should recognise that the uncertainty inherent in capital markets and in portfolio managers' views may result in underperformance over shorter time periods. It is important for this to be clearly communicated and understood before any investment is made in order to ensure that investors remain invested over the long-term with little regard for disappointing short-term results that are within the bounds of expectation.

Due diligence – advisers cannot abdicate responsibilities

If an adviser is considering outsourcing to a third party, such as STANLIB Multi-Manager, it is essential that the adviser is fully supportive of that manager's investment process and philosophy. Believing in the process being adopted assists in articulating the reasons for recommending a solution to a client as well as monitoring progress successfully. A few logical steps need to be taken to ensure that Model Portfolios (i.e. pre-designed and/or customised portfolios) are first and foremost appropriate for clients' objectives, as well as being compatible with the adviser's own business model.

A thorough due diligence is essential to avoid errors in selecting an outsourcing partner.

- An adviser's responsibility is to ensure that the discretionary manager delivers what they have promised
- The decision-making process should be documented at every step of the process
- Regulators regard decision-making to be as important as justifying the decision-making to clients

Why partner with us?

A core belief of STANLIB Multi-Manager is to simplify an increasingly complex investment universe:

- We add value through a compelling Model Portfolio offering, mitigating against single manager risk
- Our investment process provides improved levels of diversification aimed at better long-term outcomes
- As a business we have access to large volumes of information which we continuously convert into investment knowledge for the benefit of the adviser and their clients
- Over time we have built up strong relationships within the asset management industry. We extend this partnership model to advisers and investors alike, as it undoubtedly supports the execution of excellence in client experiences
- As manager of underlying managers, we are in a unique position to successfully and timeously adapt to ever-changing investment environments

Contact us

Should you have any questions about the detail provided in this document, please contact me:

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STANLIB Multi-Manager

It's not just what goes
INTO your portfolio
but also what's
BEHIND your portfolio

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