

Kagiso Islamic Conference

14 April 2011

Mohammed Sibda



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Agenda

- Corporate Profile
- Importance of Diversification
- Appropriate Asset Allocations
- Conclusion

Corporate Profile



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About our business

- Advantage Asset Managers (Pty) Ltd was established on 1 January 2005
- R46 billion under management and administration
- A team of 90 professionals
- The backing of MMI Holdings (merger between Momentum and Metropolitan). MMI Holdings listed on JSE on 1 December 2010

Business model

Investment administration

Implemented solutions to meet fund / asset consultant / EB consultant specifications

Custom solutions

Specialised solutions tailored to meet specific fund requirements

Best ideas

Full range of “off the shelf products”:
Target
Classic
Enhanced
Flexible

Importance of Diversification



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Diversification

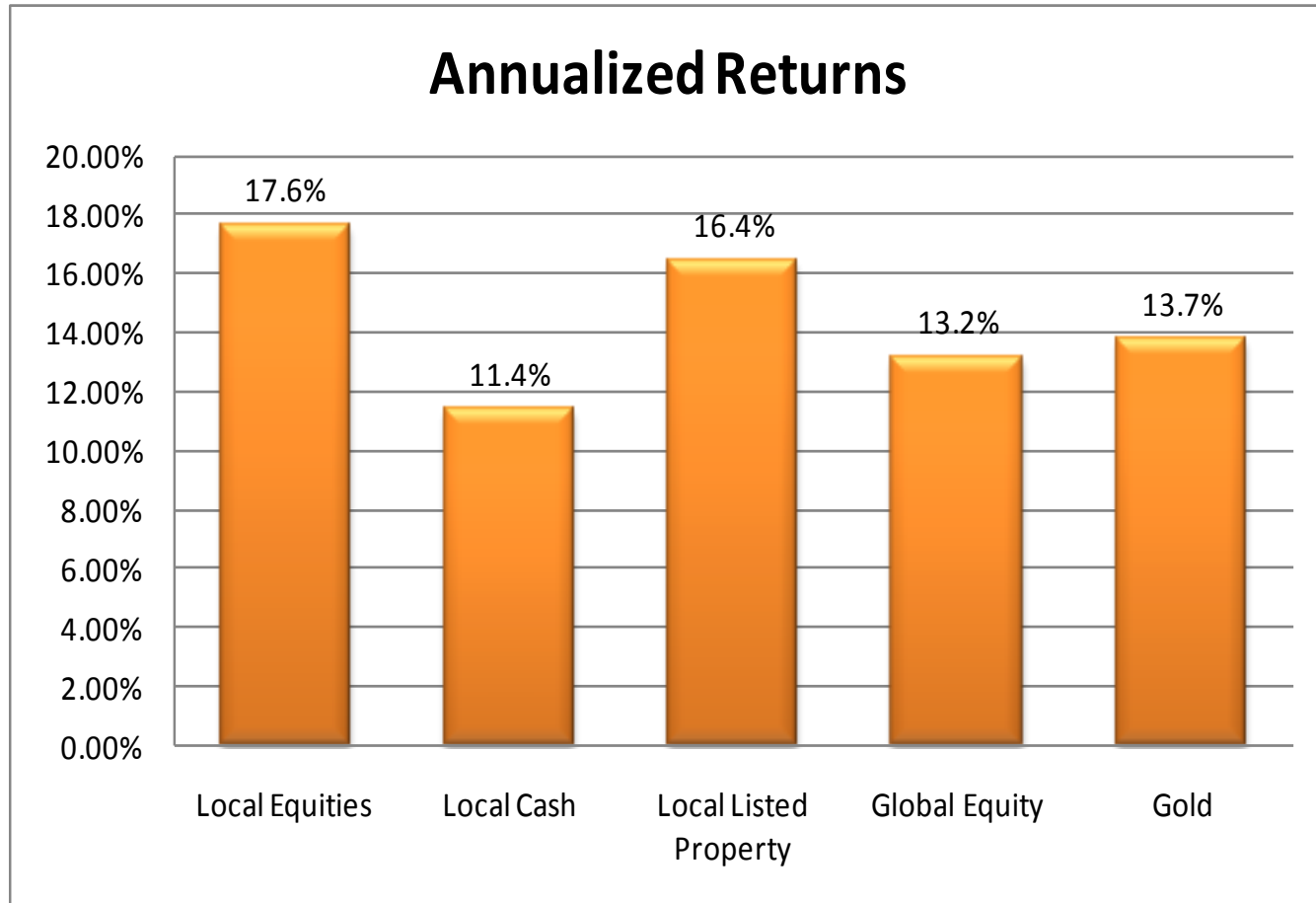
- A portfolio strategy designed to reduce risk (Volatility) by combining different asset classes which are unlikely to move in the same direction (Correlation)
- Trade off between risk and return
- “ Don’t put all your eggs in one basket”

What is Risk

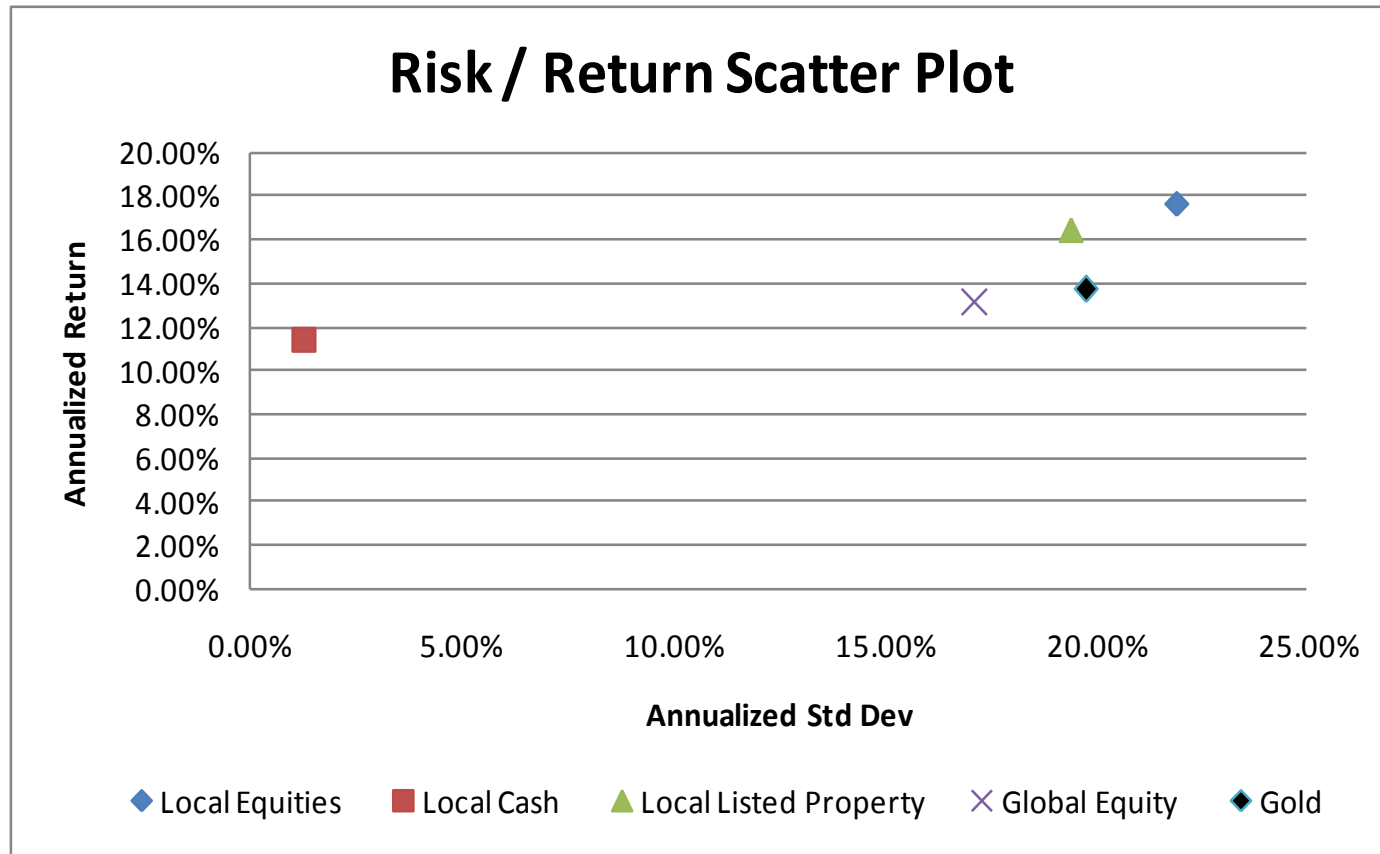
- Systematic and Unsystematic risk
 - Systematic- market risk, natural disasters etc- cannot be diversified away entirely
 - Unsystematic- Unique to a certain security or groups of securities
Can be diversified
- Losing money
- Not beating inflation

Asset Class Analysis

19645 to 2010



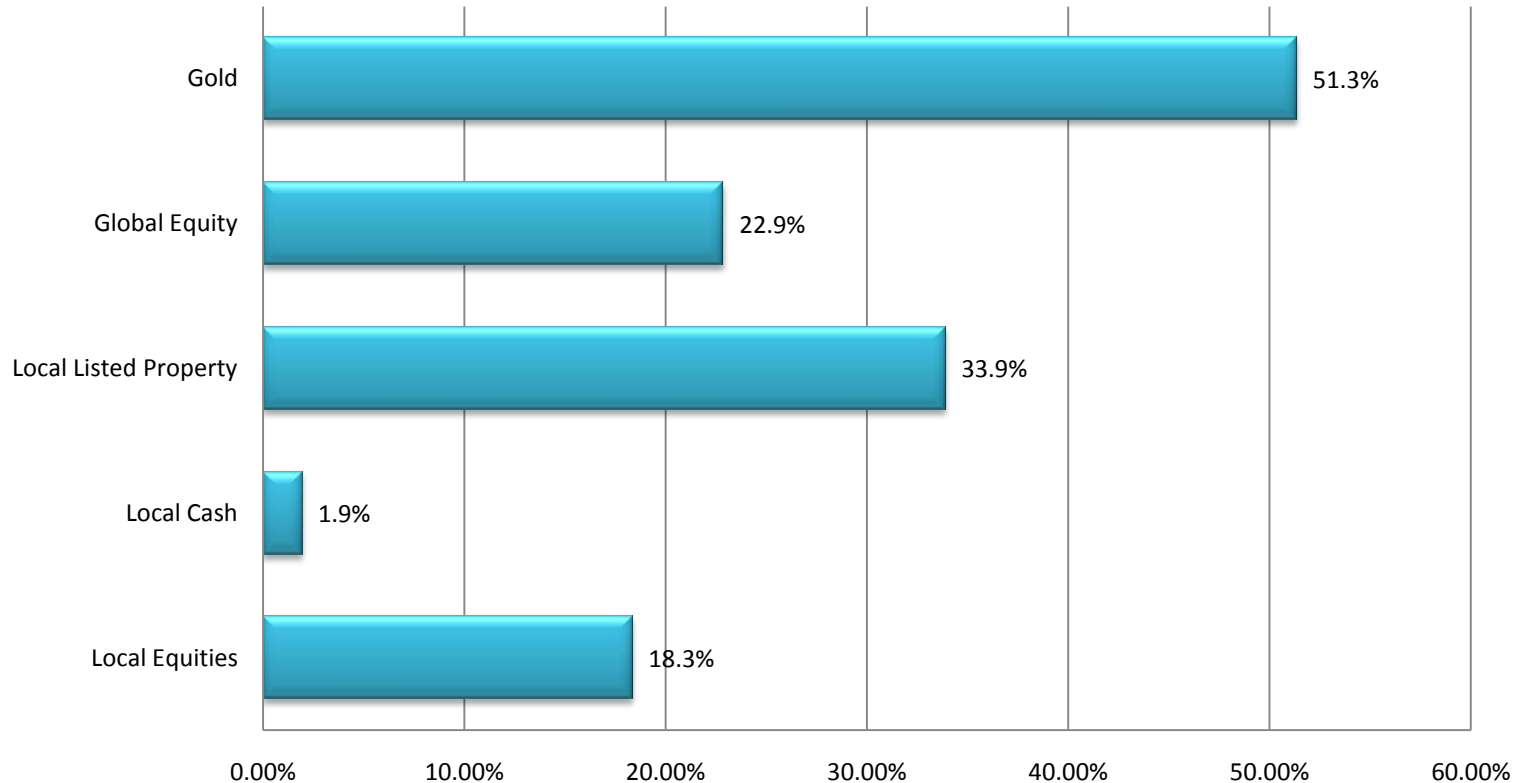
Asset Class Analysis 1965 to 2010



Asset Class Analysis

1965 to 2010

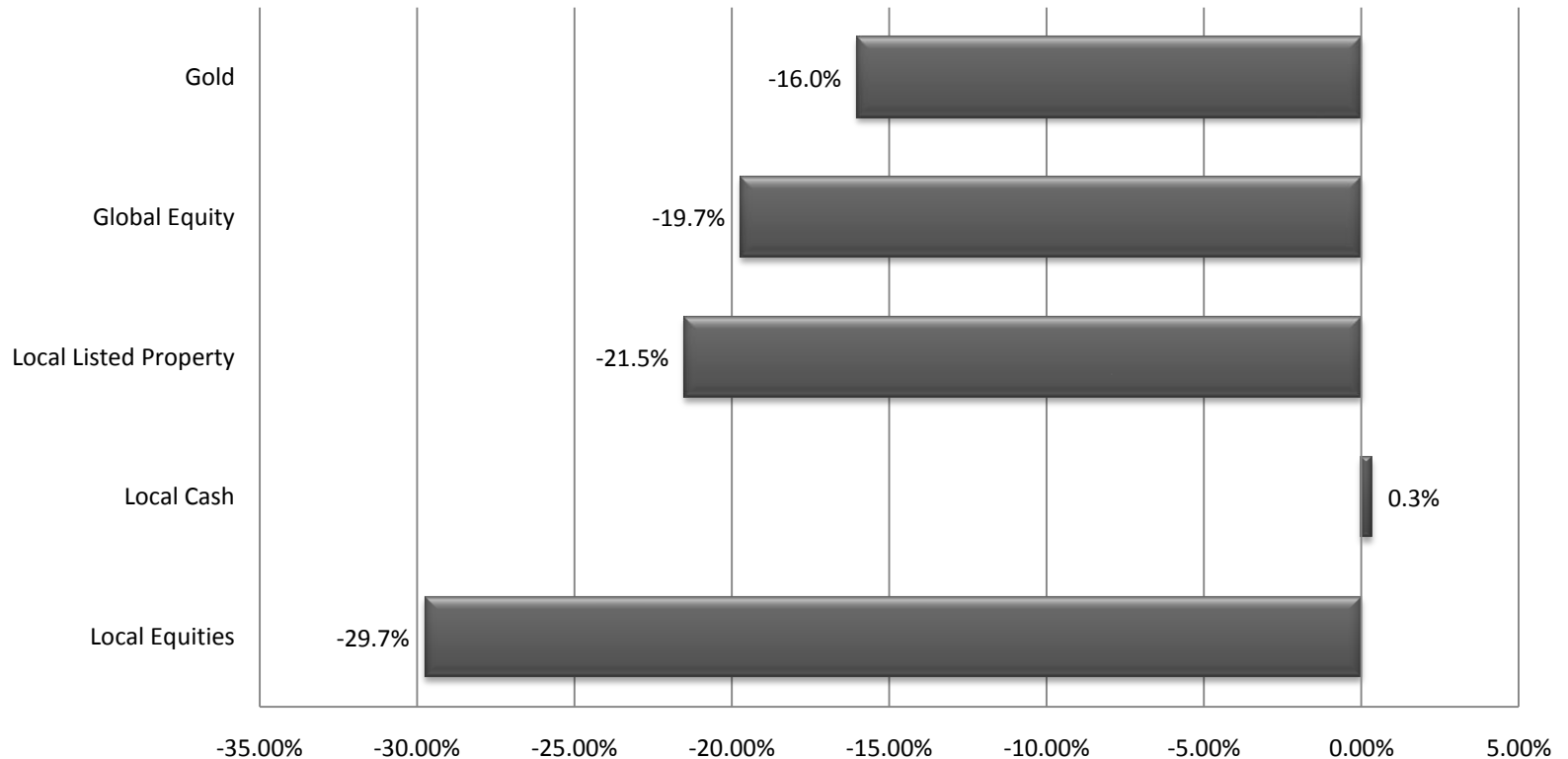
Maximum Monthly Return



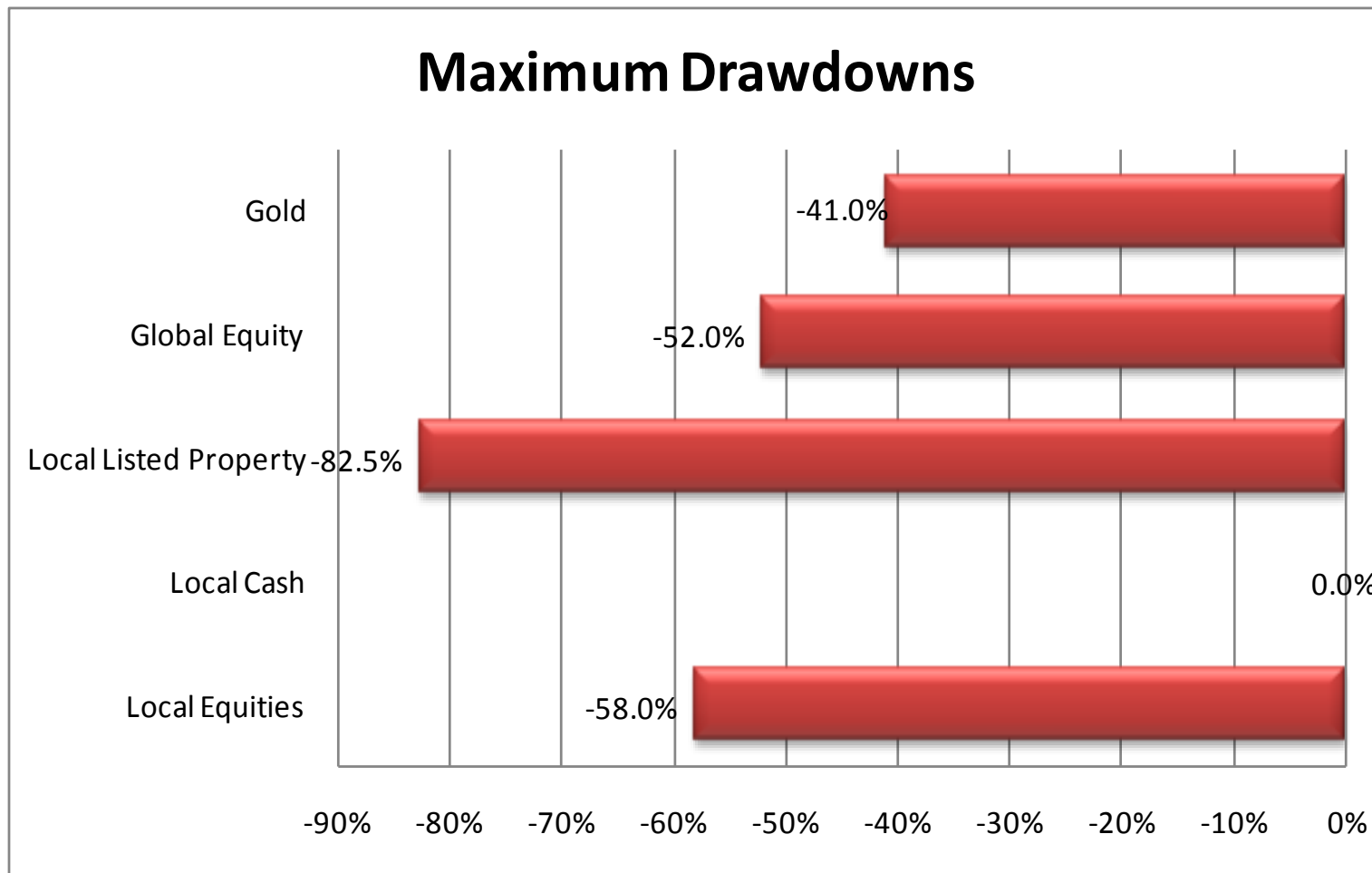
Asset Class Analysis

1965 to 2010

Minimum Monthly Return



Asset Class Analysis 1965 to 2010

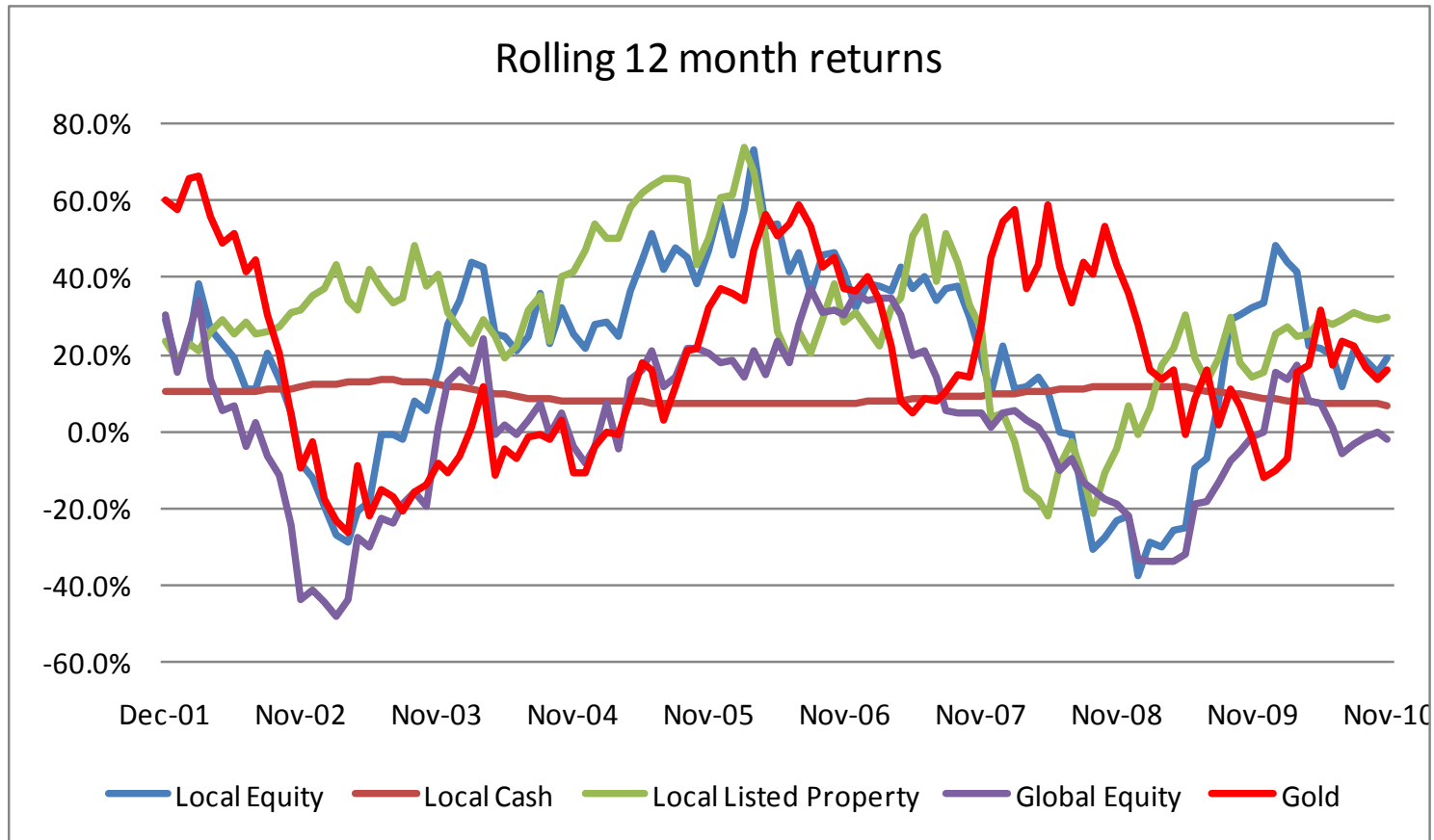


Asset Class Return Dispersion

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
SA Real Estate 27.55%	SA Equity 32.61%	SA Real Estate 21.28%	SA Real Estate 41.02%	SA Real Estate 42.81%	SA Equity 47.25%	SA Equity 41.23%	SA Real Estate 22.68%	SA Bonds 17.02%	SA Equity 32.13%	SA Real Estate 25.50%
SA Bonds 19.36%	Foreign Equity 31.99%	SA Bonds 15.96%	SA Bonds 18.07%	SA Equity 25.44%	SA Real Estate 40.59%	Foreign Equity 33.44%	SA Equity 19.19%	SA Cash 11.70%	Balanced 20.42%	SA Equity 18.98%
SA Cash 10.61%	Balanced 30.70%	SA CPI 12.41%	SA Equity 16.08%	Balanced 18.11%	Balanced 34.62%	Balanced 31.92%	Balanced 14.80%	SA CPI 10.78%	SA Real Estate 18.69%	SA Bonds 14.96%
SA CPI 6.99%	SA Bonds 17.92%	SA Cash 11.57%	Balanced 12.91%	SA Bonds 15.25%	Foreign Equity 23.10%	SA Real Estate 16.24%	SA Cash 9.40%	Balanced -9.51%	SA Cash 9.13%	Balanced 14.43%
Foreign Equity 6.72%	SA Cash 10.23%	Balanced -6.93%	SA Cash 12.29%	SA Cash 7.98%	SA Bonds 10.77%	SA Cash 7.39%	SA CPI 8.98%	SA Real Estate -9.71%	SA CPI 6.40%	SA Cash 6.93%
Balanced 5.66%	SA Real Estate 7.90%	SA Equity -8.31%	Foreign Equity 3.34%	SA CPI 3.39%	SA Cash 7.12%	SA CPI 5.79%	Foreign Equity 5.57%	Foreign Equity -19.73%	Foreign Equity 3.52%	SA CPI 3.93%
SA Equity 0.35%	SA CPI 4.59%	Foreign Equity -42.66%	SA CPI 0.33%	Foreign Equity -3.02%	SA CPI 3.60%	SA Bonds 5.45%	SA Bonds 4.25%	SA Equity -23.23%	SA Bonds -1.03%	Foreign Equity 0.44%

Asset Class Analysis

1965 to 2010



Asset Class Analysis

1965 to 2010

<i>Monthly Correlations - 1965 - 2010</i>	Local Equities	Local Cash	Local Listed Property	Global Equity	Gold (rands)
Local Equities	1.00				
Local Cash	-0.01	1.00			
Local Listed Property	0.49	-0.00	1.00		
Global Equity	0.34	0.13	0.13	1.00	
Gold (rands)	0.23	-0.05	0.03	0.23	1.00

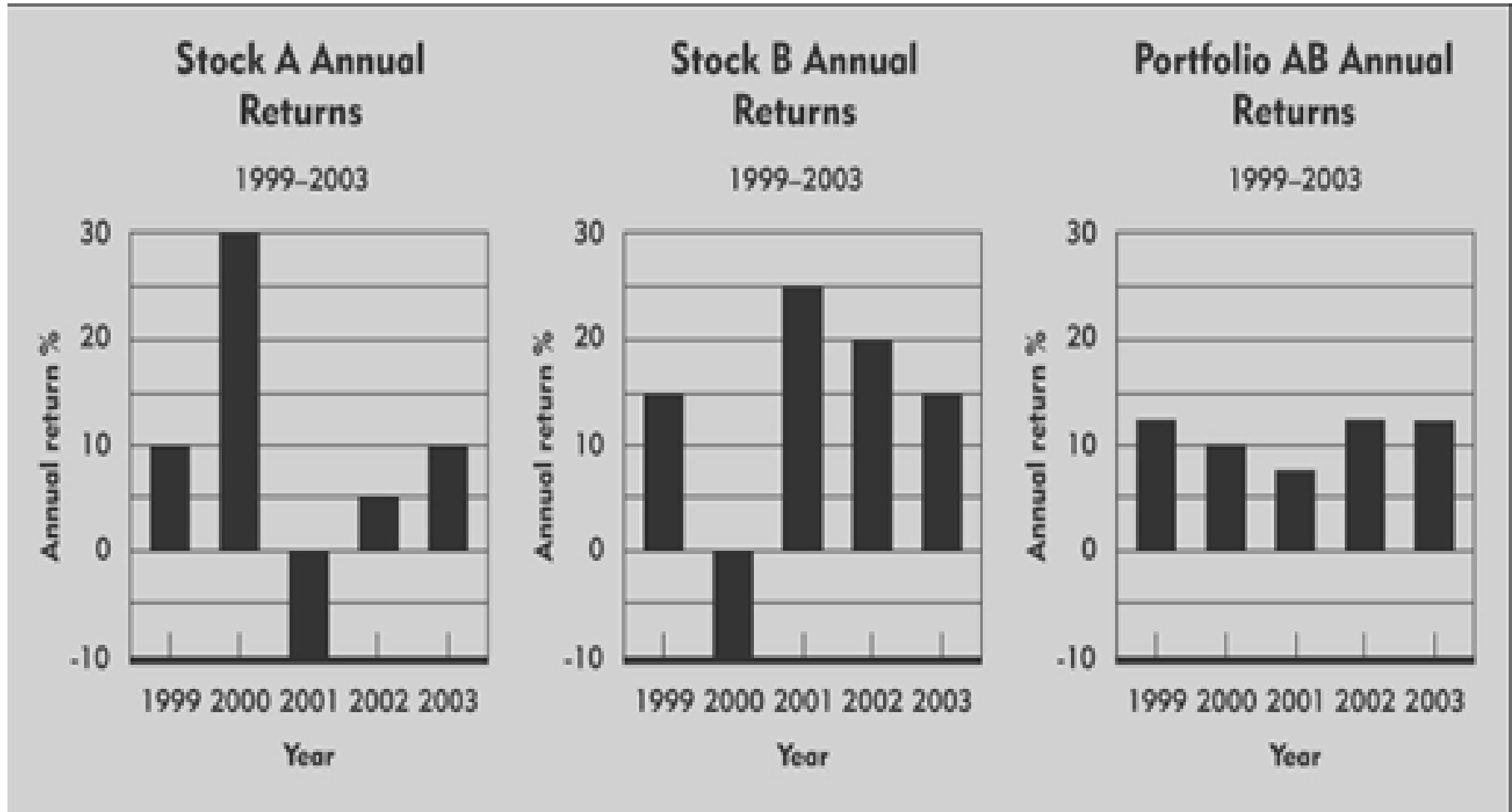
Correlation is a statistical measurement of the relationship between two variables.

From: **-1** (perfect negative correlation)

Through: **0** (uncorrelated)

To: **+1** (perfect positive correlation)

Why Diversification Works?



Appropriate Asset Allocation



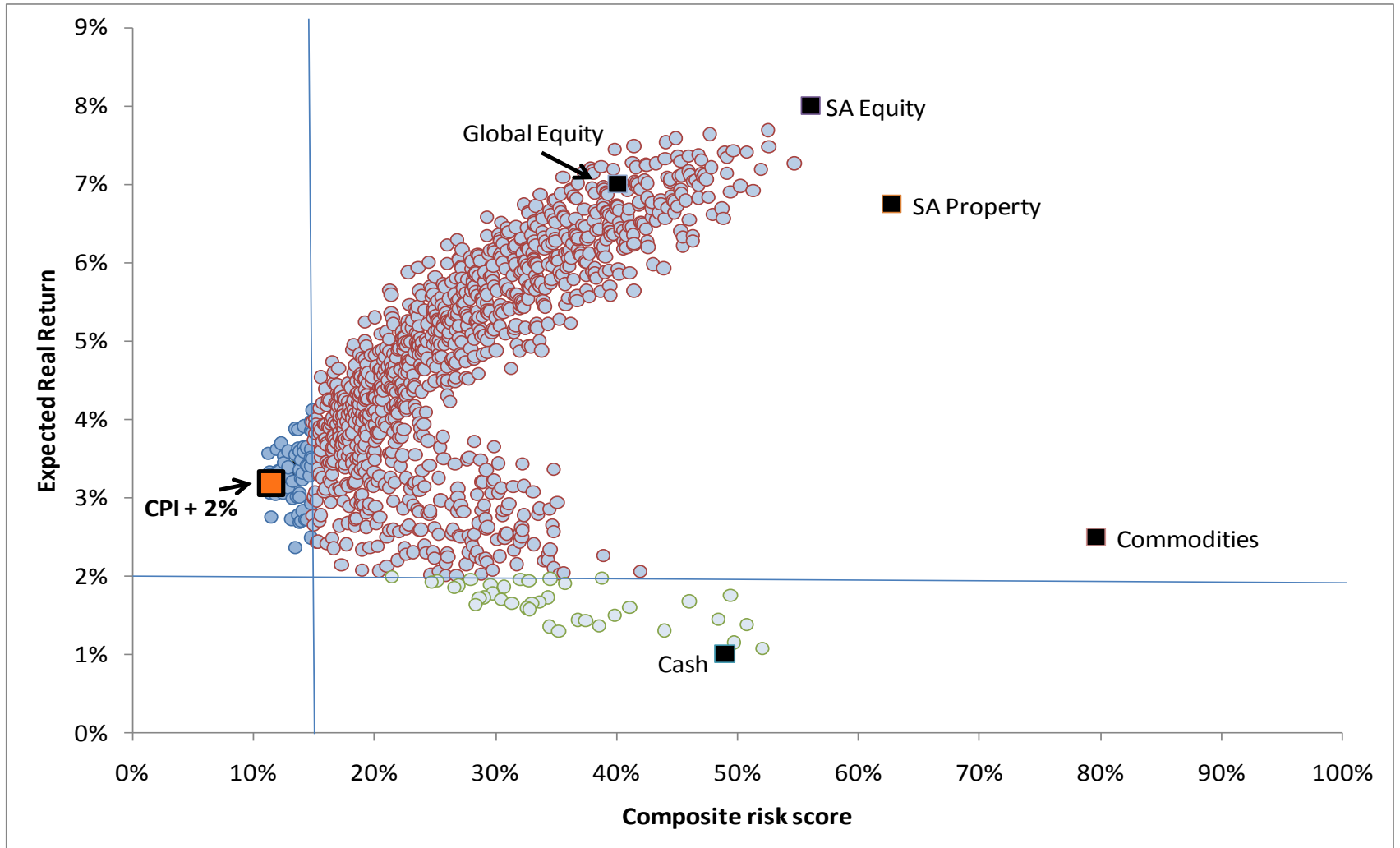
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CPI+2% asset allocation

Asset Class	Minimum weight	Benchmark weight	Maximum weight
SA Equity	5%	20%	35%
SA Cash	45%	60%	75%
SA Property	0%	10%	25%
Global Equity	0%	5%	15%
Commodities	0%	5%	10%

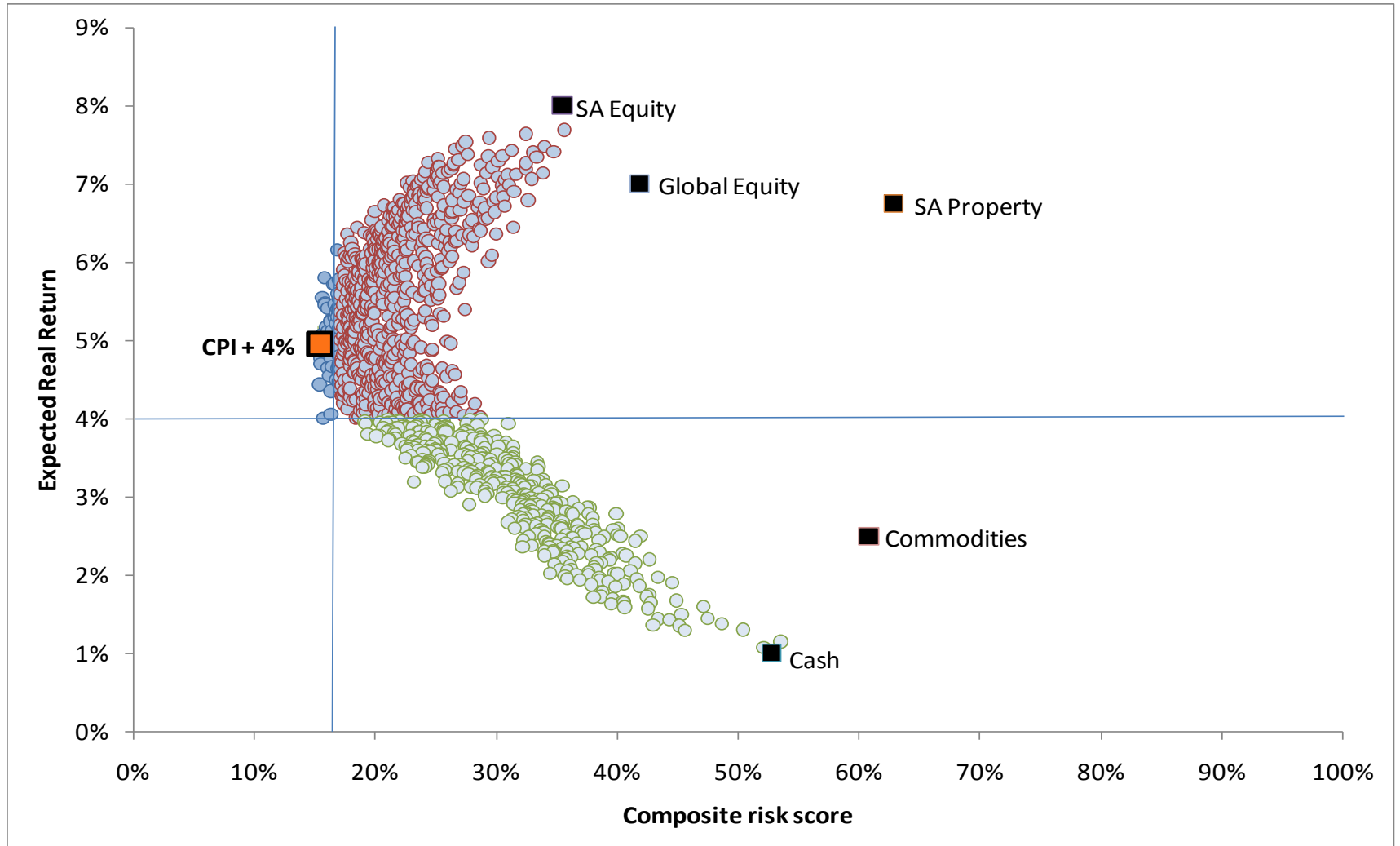
CPI+2% asset allocation



CPI+4% asset allocation

Asset Class	Minimum weight	Benchmark weight	Maximum weight
SA Equity	25%	40%	55%
SA Cash	15%	35%	55%
SA Property	0%	5%	15%
Global Equity	5%	15%	25%
Commodities	0%	5%	10%

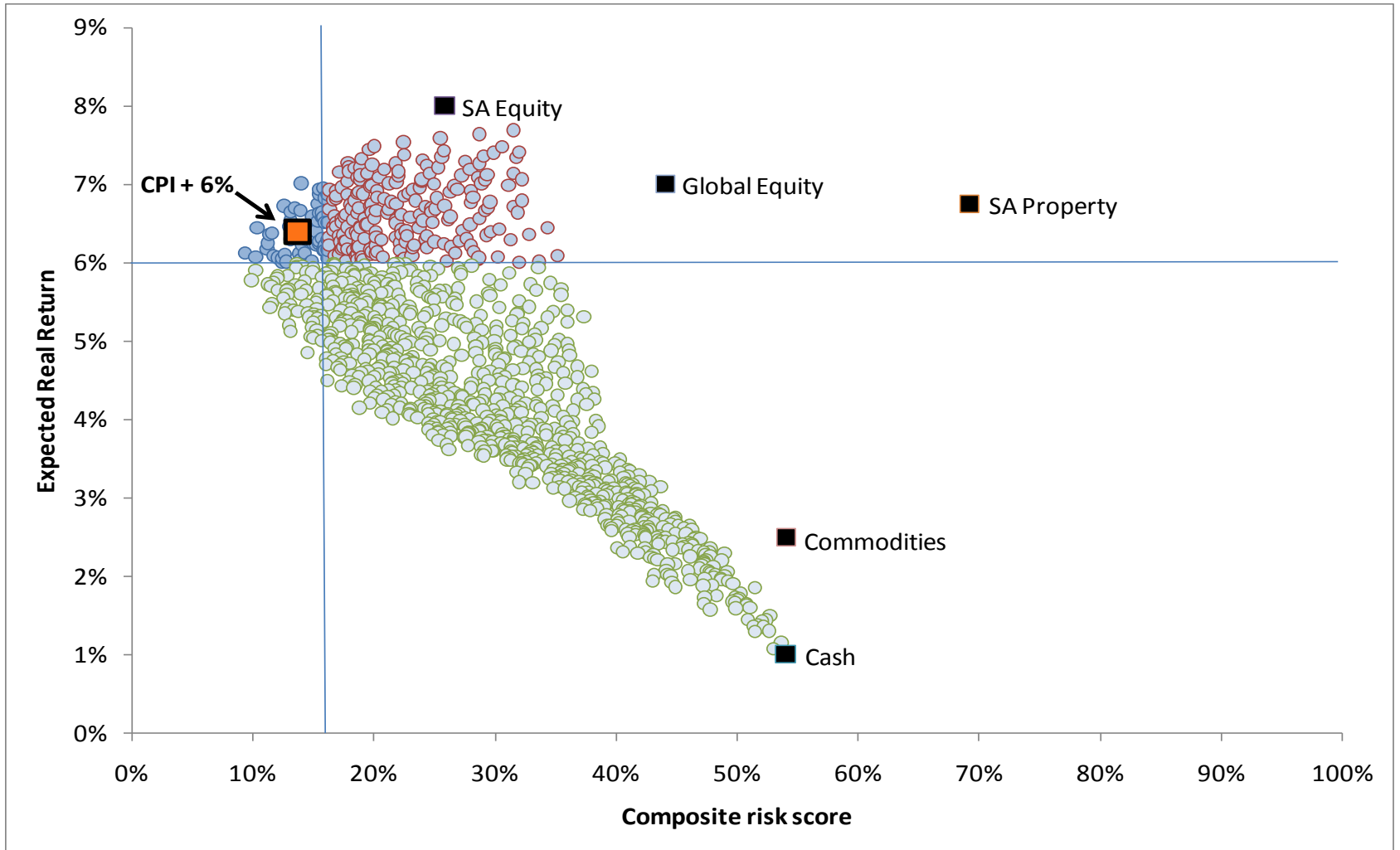
CPI+4% asset allocation



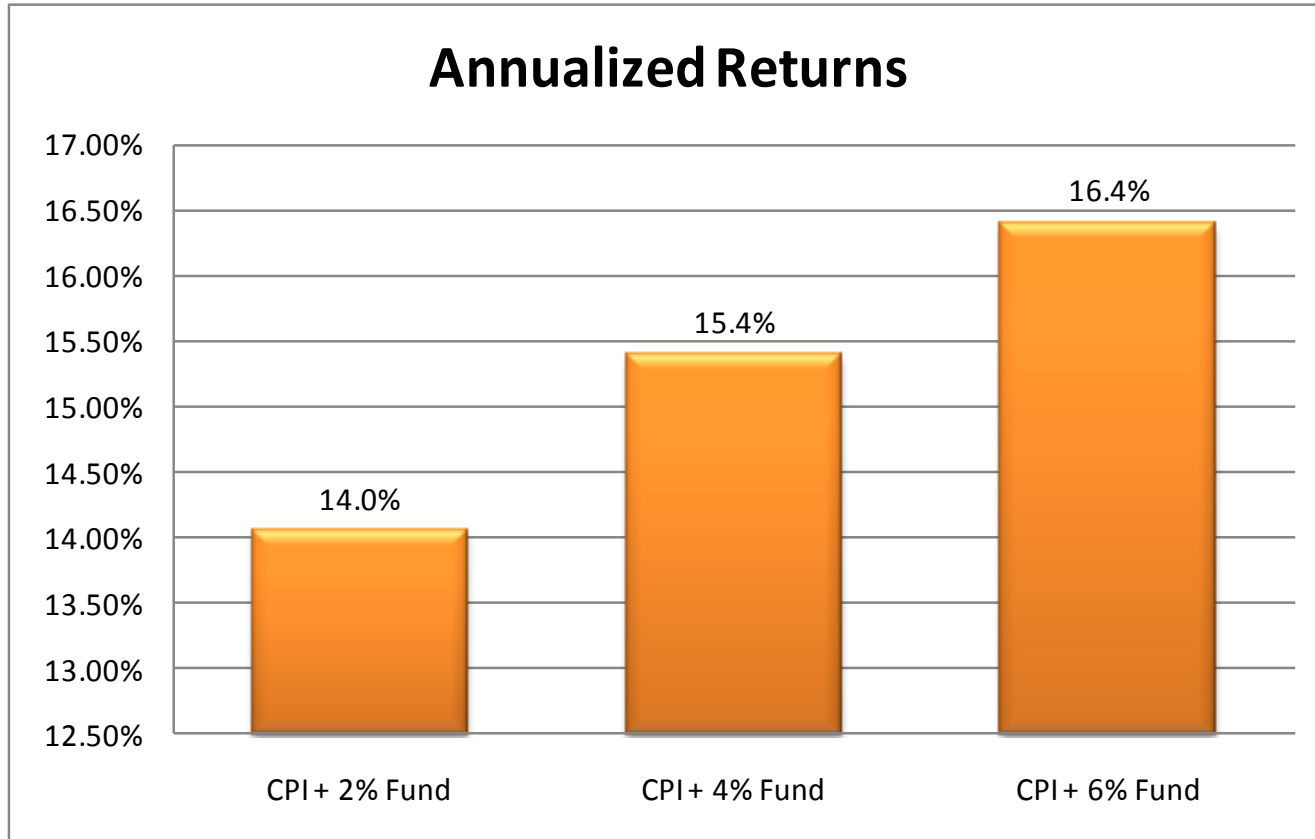
CPI+6% asset allocation

Asset Class	Minimum weight	Benchmark weight	Maximum weight
SA Equity	40%	50%	65%
SA Cash	0%	15%	25%
SA Property	0%	10%	20%
Global Equity	10%	20%	25%
Commodities	0%	5%	10%

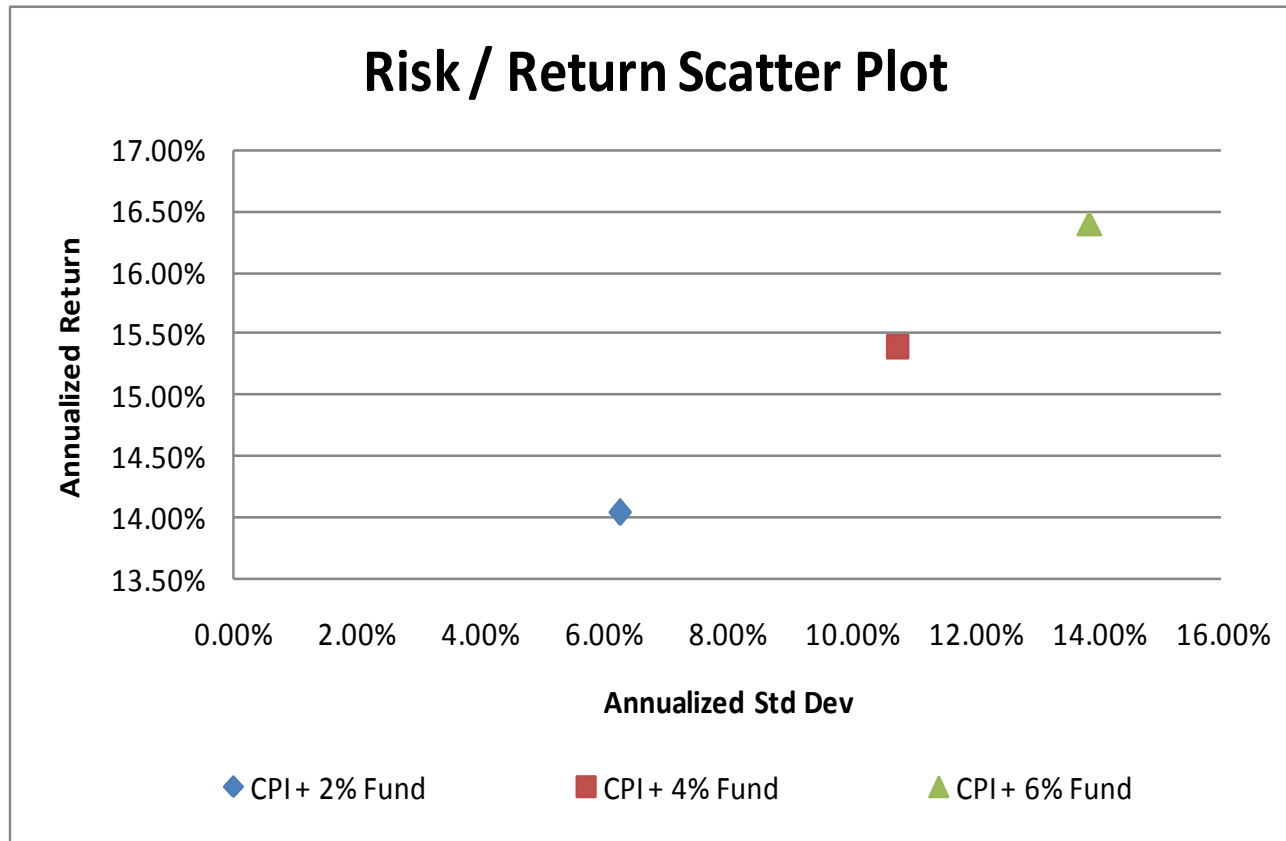
CPI+6% asset allocation



Portfolio Analysis 1965 to 2010

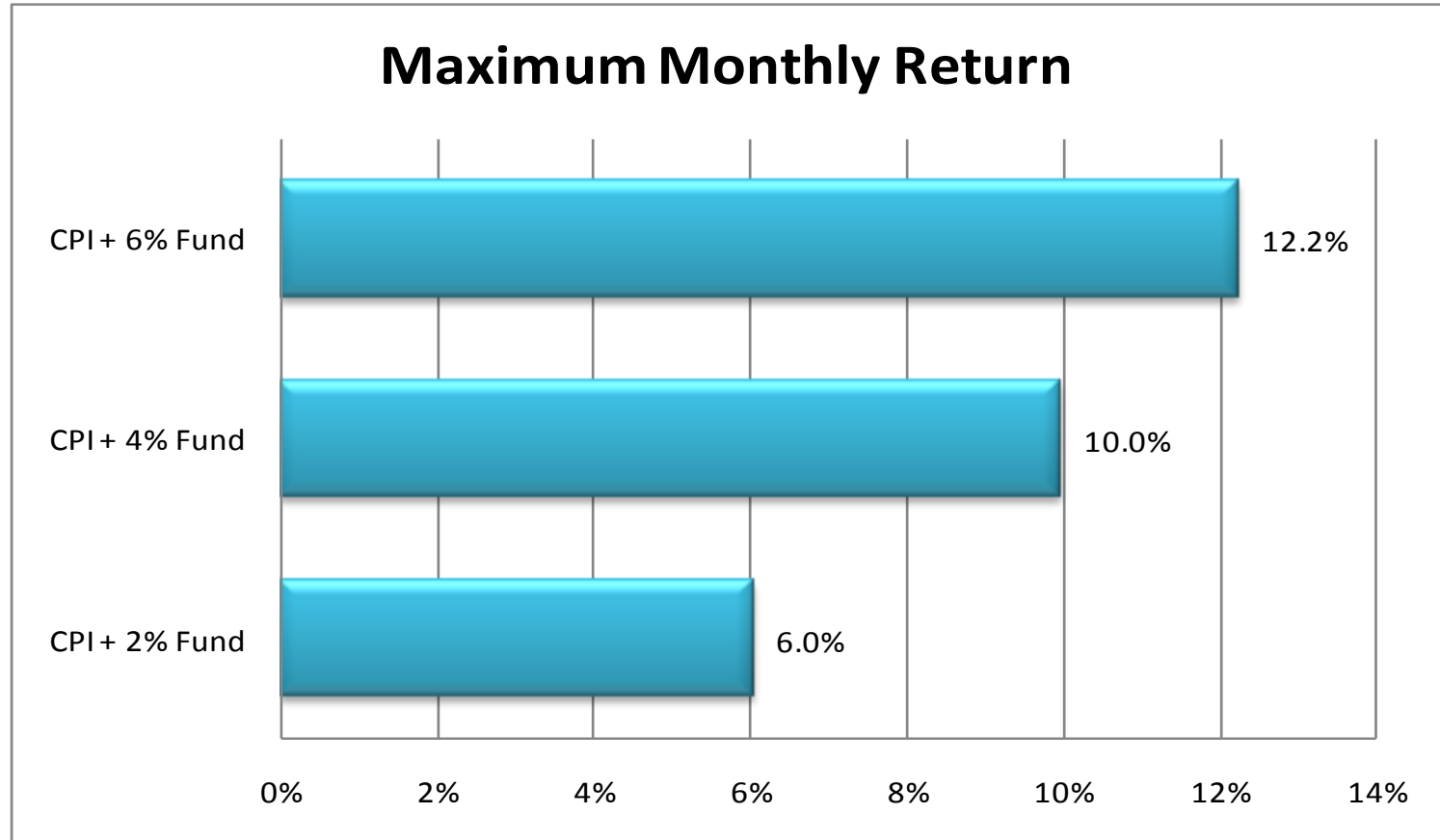


Portfolio Analysis 1965 to 2010

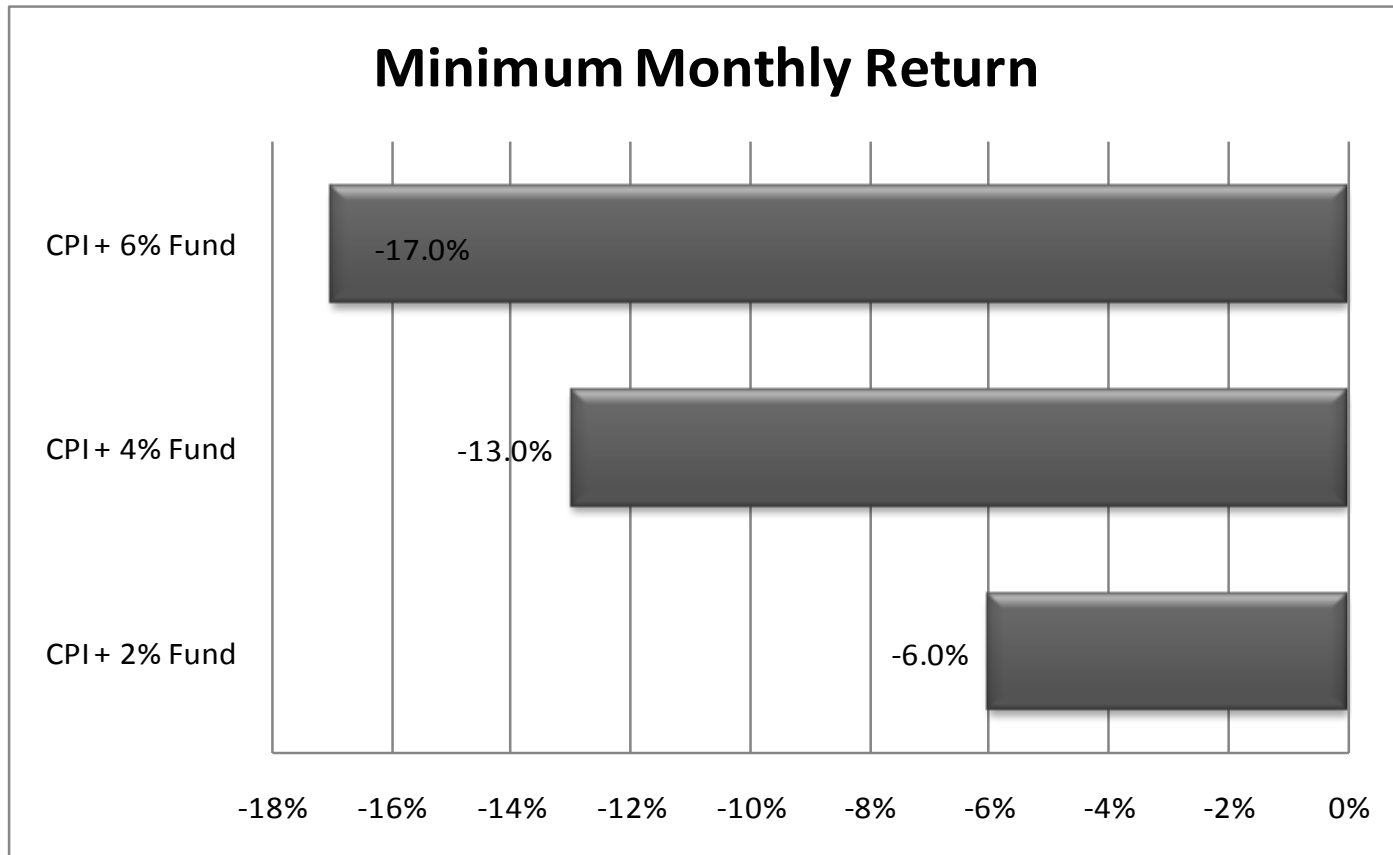


Portfolio Analysis

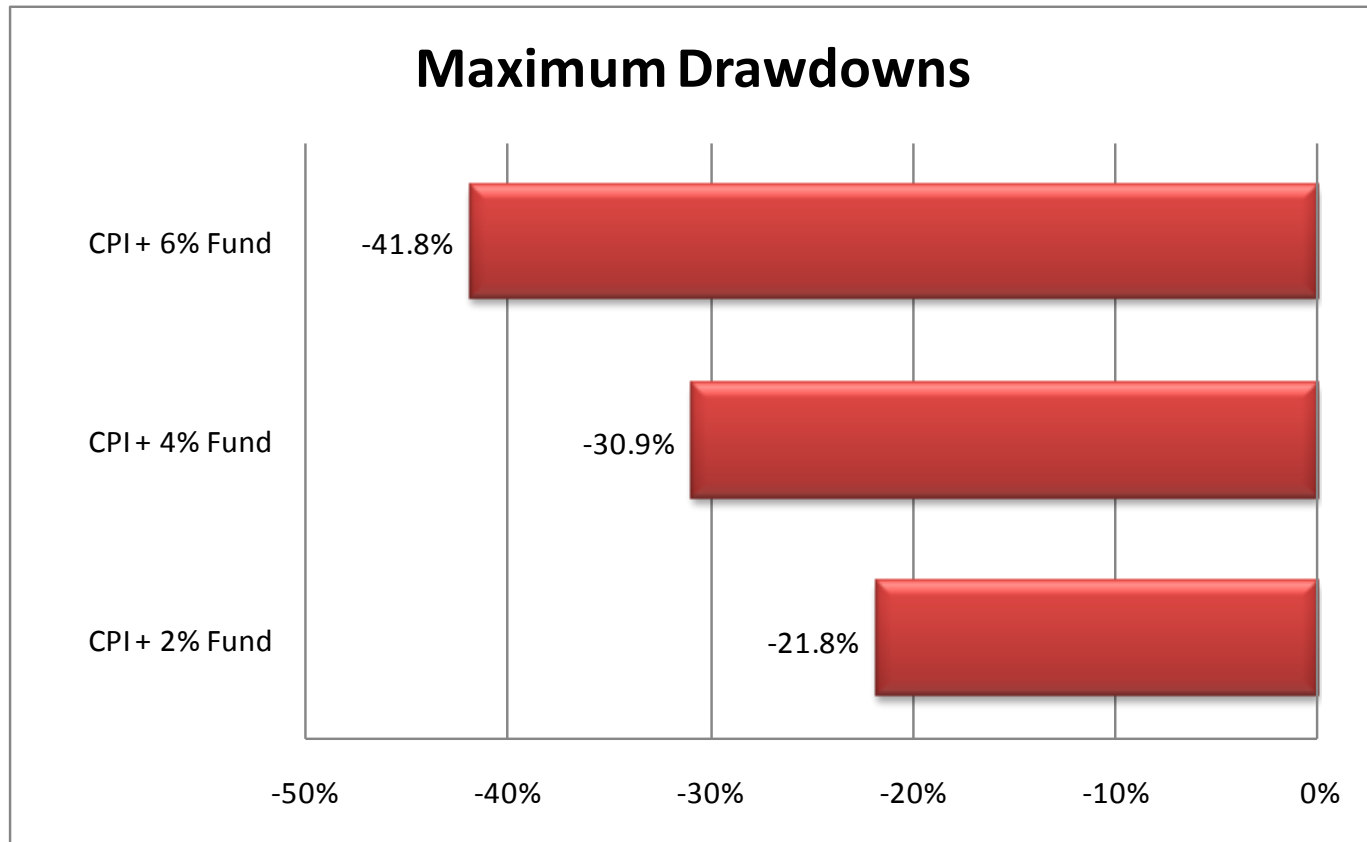
1965 to 2010



Portfolio Analysis 1965 to 2010



Portfolio Analysis 1964 to 2010



Conclusion



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Summary

- Asset classes tend to behave differently
- Diversification is crucial
- Asset mix is dependent on objective
- Regular review is important

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