

## Smart beta

### Investment management capabilities

Our smart beta equity portfolios offer the benefits of active and passive investing. These portfolios aim to achieve benchmark-outperforming returns at lower fees than what is associated with traditional equity portfolios. To achieve this, we follow a rules-based process to identify shares that are likely to outperform due to having trending or value or attributes. Investment decisions are based on objective data and subjectivity is kept to a minimum. Portfolios are assertively positioned and typically include around 30 shares.

#### Rules and regulations

Our portfolios are managed in accordance with the appropriate acts and regulations controlled by the Financial Sector Conduct Authority (FSCA). The FSCA is the regulator for all financial institutions. In addition, our governing body, the Association for Savings and Investment South Africa (Asisa), provides best practice guidelines to make sure the investor is the focal point of everything we do.

#### The role of smart beta in a client's investment portfolio

Smart beta portfolios have similar risk and return profiles compared to traditional equity portfolios. Our smart beta portfolios follow distinct investment styles allowing clients to diversify over a combination of smart beta portfolios. A blended solution should result in portfolios with similar returns over the medium to long term, but at lower risk.

#### Investment horizons for the different smart beta portfolios

Trending Equity Strategy: Three to seven years

Value Equity Strategy: Three to seven years

#### Understanding the risk profile

Smart beta investments are exposed to market risk and share selection risk. Share selection risk may stem from either sectors or investment styles that may underperform or from issues at individual companies.

#### Our investment philosophy and process

Each of our smart beta strategies has its own underlying philosophy that determines what shares are held.

##### Trending strategy

The roots of 'trend' investing, also known as 'momentum' investing, are found in the well-known truisms 'the trend is your friend' and 'cut your losses and let your profits run'. Our trending strategy is based on the phenomenon that investments that have performed well tend to continue to perform well and investments that have performed poorly often continue to perform poorly.

##### Value strategy

The roots of value investing are found in the well-known truism 'buy low and sell high'. Opportunities often arise due to excessive negative (or positive) sentiment that creates opportunities for buying (or selling) shares when prices are out of line with fair values.

	<b>Portfolio outcomes</b> Benchmark-outperforming returns Capital growth
	<b>Investment horizon</b> 3 to 7 years
	<b>Risk</b> Medium to high

**We measure success by performance relative to the FTSE/JSE Capped Shareholder-weighted All-Share Index over three-year rolling periods.**

**Smart beta benchmarks**

We use the FTSE/JSE Capped Shareholder-weighted All-Share Index for all our smart beta portfolios.

**Responsible investing**

Environmental, social, and governance (ESG) investing is integral in our investment process. Our investment process is supported by an experienced and highly rated team of ESG specialists. We see ESG as part of our duty to protect your money. We participate in proxy voting and actively engage with management teams of those companies that we are invested in when ESG issues arise.

**Smart beta team**



**Wayne Dennehy**  
**Head of Systematic Strategies and Structuring**  
 BCom, BSc (Hons), FIA  
 Industry experience: 28 years



**Loftie Botha**  
**Portfolio manager**  
 B Eng Industrial, B Com (Hons)  
 Investment Management, M Com  
 Business Management  
 Industry experience: 26 years



**Imtiaz Mohammed Alli**  
**Assistant portfolio manager**  
 B Compt  
 Industry experience: 16 years



**Rekha Bawa**  
**Index Tracking Specialist**  
 BCom Investment Management  
 Industry experience: 15 years

**Smart beta portfolio range**

Name	Portfolio manager	Benchmark Target	Risk	Term
Trending Equity Strategy	Loftie Botha, Imtiaz Mohammed Alli	FTSE/JSE Capped Shareholder-weighted All-Share Index	Equity market risk	3 to 7 years
Value Equity Strategy	Loftie Botha, Imtiaz Mohammed Alli	FTSE/JSE Capped Shareholder-weighted All-Share Index	Equity market risk	3 to 7 years

# momentum

## investments

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