

How to ~~XXXXXX~~ up an investment portfolio (and your business)

PHILIP BRADFORD, CFA
Head of Investments (SA)



PORTFOLIOMETRIX
Investment Management by Design

Independent Global Investment Business since 2010

UNITED KINGDOM

SOUTH AFRICA

EUROPE

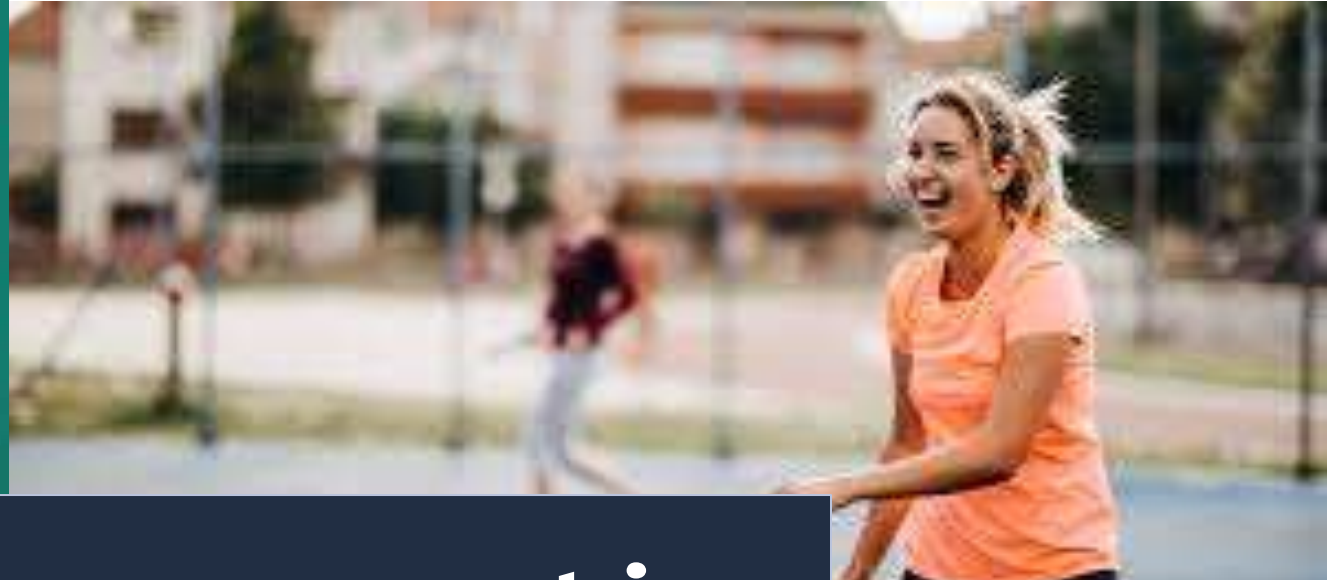
Asset under management +R70bn





Winners hit winners





**Investment management is a
“Loser’s Game”**



**Top 7 Common Tennis Mistakes
And How To Avoid Them**



Is it possible to **lose on purpose**?

If not,

is it possible to win on purpose?



Markets are made up of other professional players, not amateurs

To beat an index you have to either:

- **Be better than the other pros (after fees)**
 - **Take risks & get lucky**

You only ever lose money on good ideas

Nobody ever invests in a bad idea



Incredible outperformance – CGM Focus Fund



THE WALL STREET JOURNAL.

Best Stock Fund of the Decade: CGM Focus

By Eleanor Laise; Dec. 31, 2009



10yrs (2000 – 2009):

CGM Focus: **+419%**

S&P500: **-9%**



The curse of outperformance



Average **investment** return:

+18% /yr

Average **investor** return:

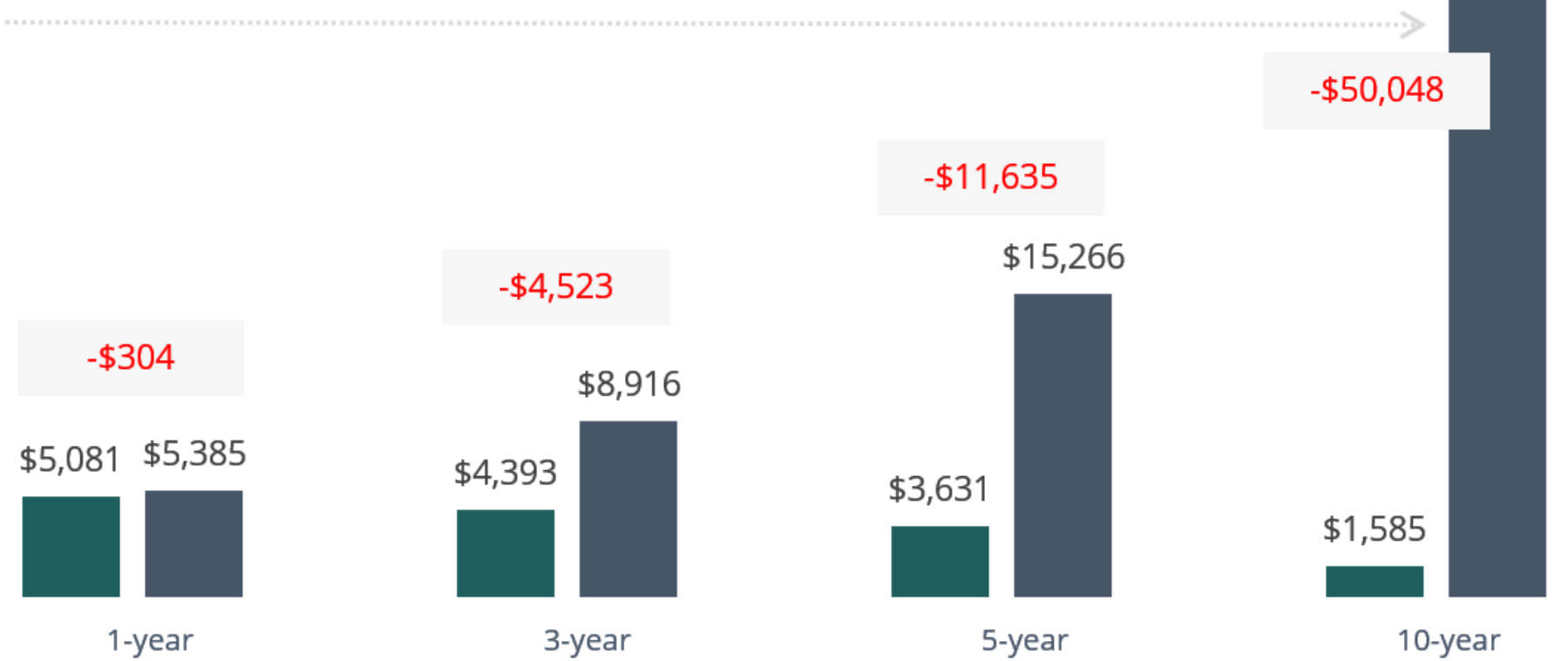
-11% /yr

\$10,000 invested into CGM Fund

across various periods of returns

■ Fund Return ■ Investor Return

The longer the time period, the greater the **DIFFERENCE** between fund return and investor return. It all boils down to investor's repeatedly mistiming their purchases and sales



Source: Finexis Asset Management, Morningstar's article titled "Did You Do as Well as Your Fund?"

The curse of high tracking error



Reuters

<https://www.reuters.com/article/us-funds-natixis...> ▼

Venerable Boston mutual fund shuts doors after 48 years

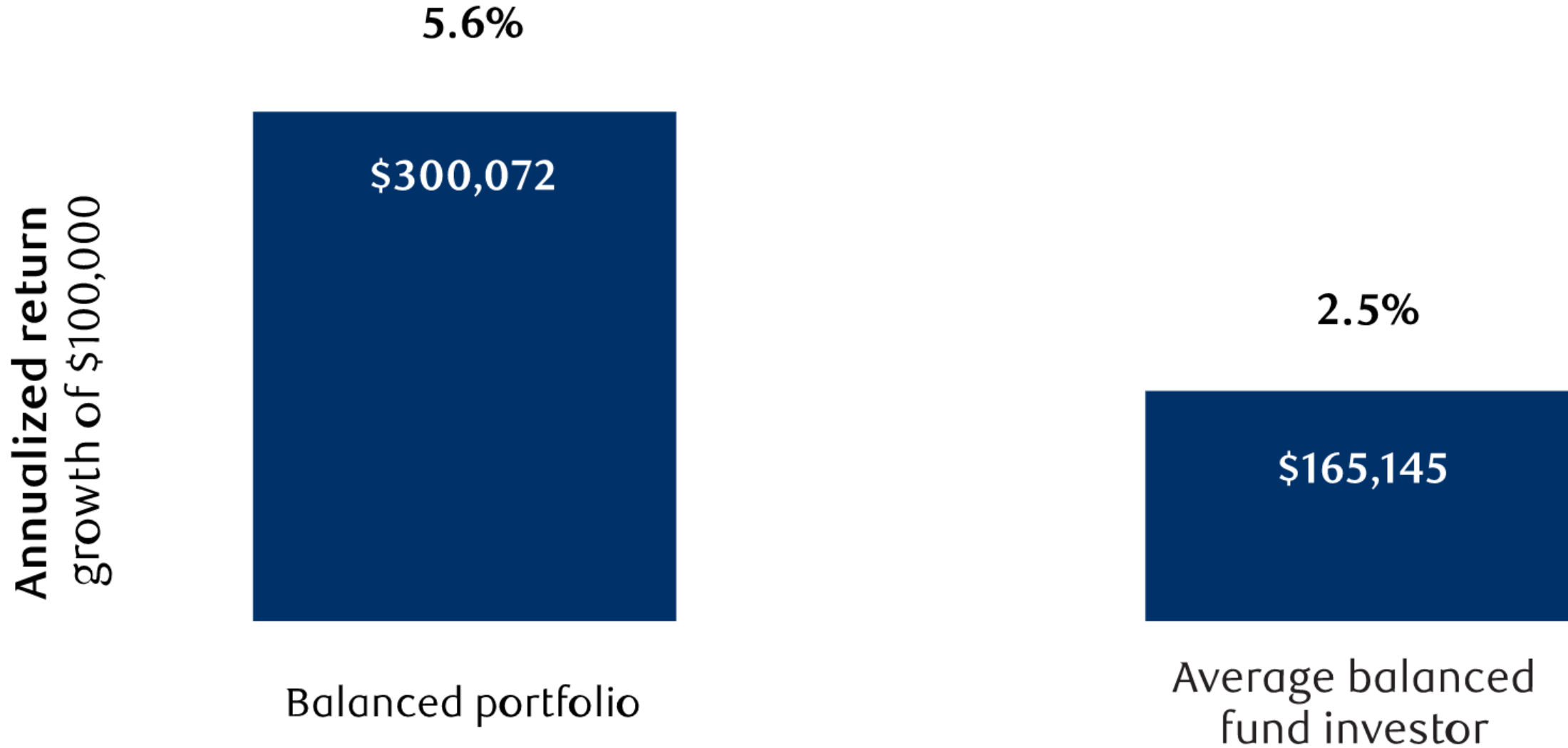
Heebner to Shutter Capital Growth Management After Three Decades



CGM Funds to liquidate

mutualfundobserver.com

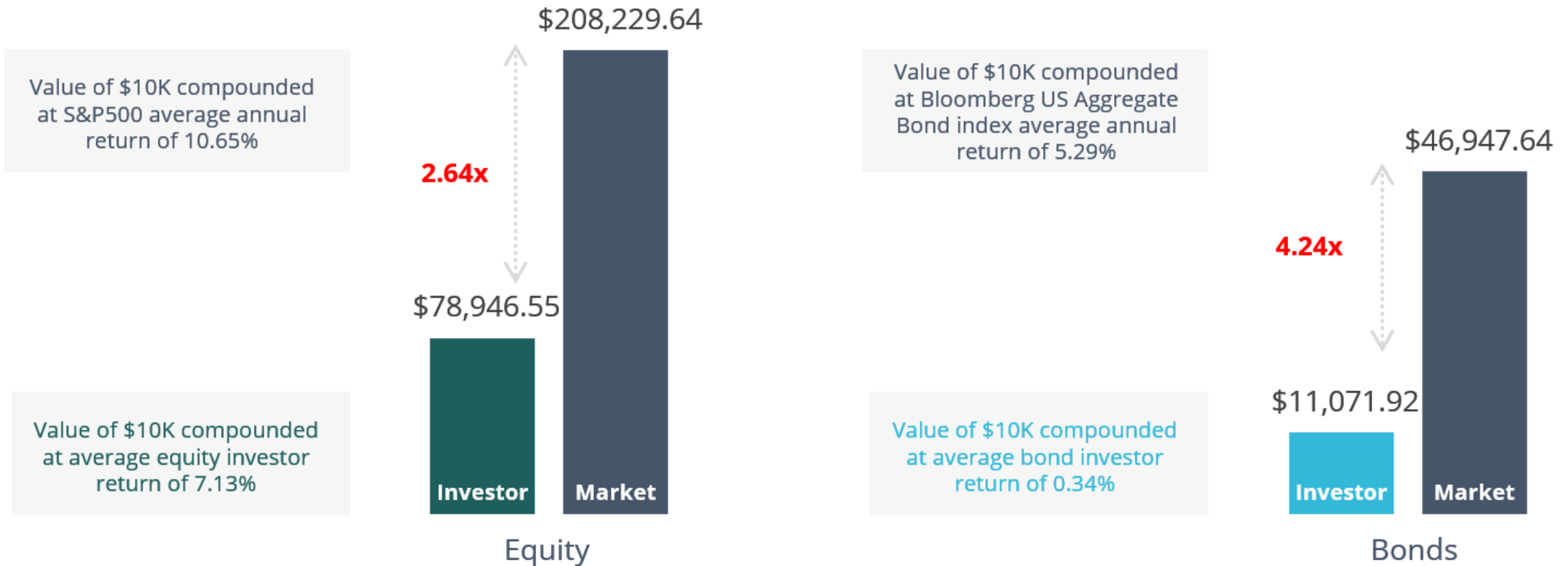
The Behaviour Gap



The Behaviour Gap

What \$10,000 Would Look Like For The Average Investor

Over a period of 30-years



Why did a good performer “fail”?

- High conviction portfolio: < 25 stocks
- Benchmark agnostic
- Large emphasis on macro themes and opportunities
- High turnover: 3X turnover

= high tracking error

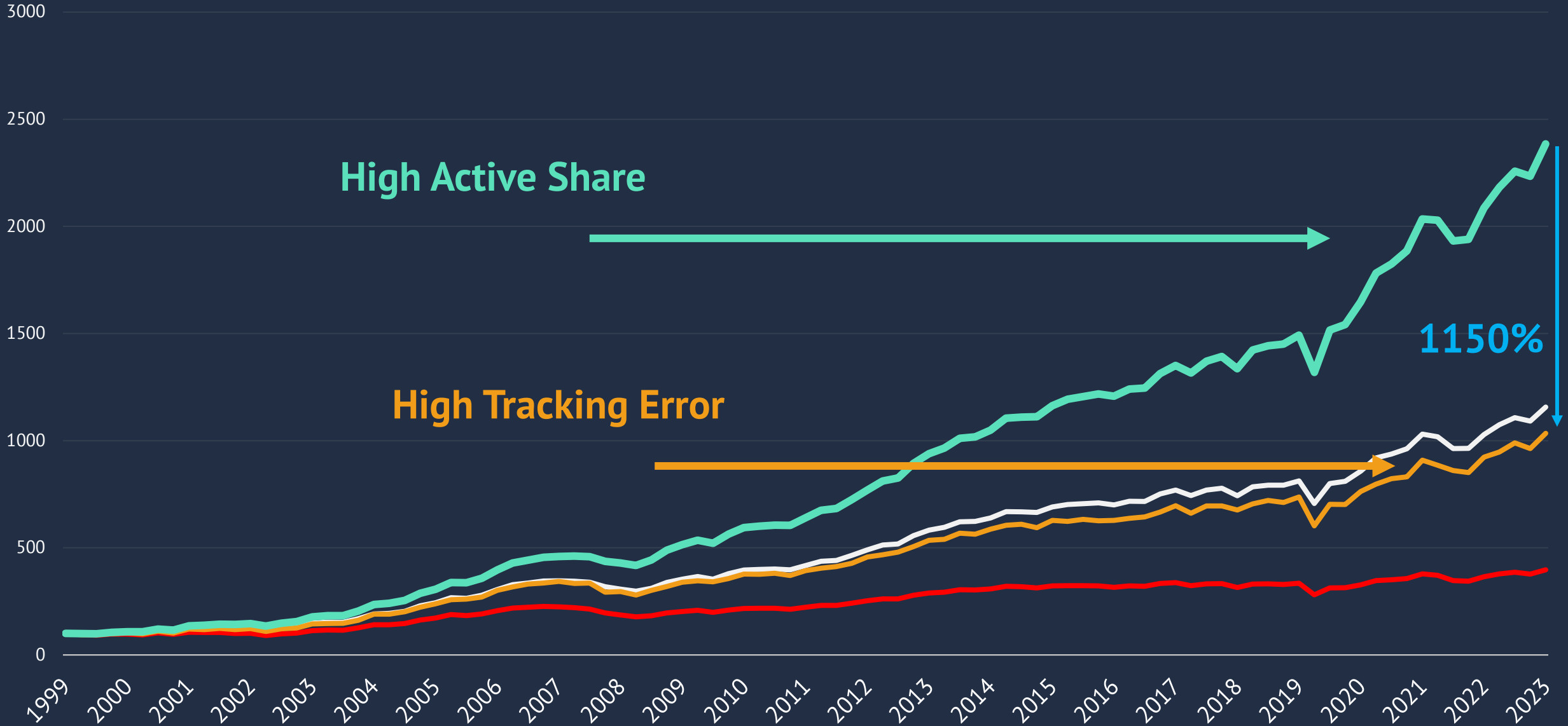
Statistically the probability of failure was eventually **predictable**





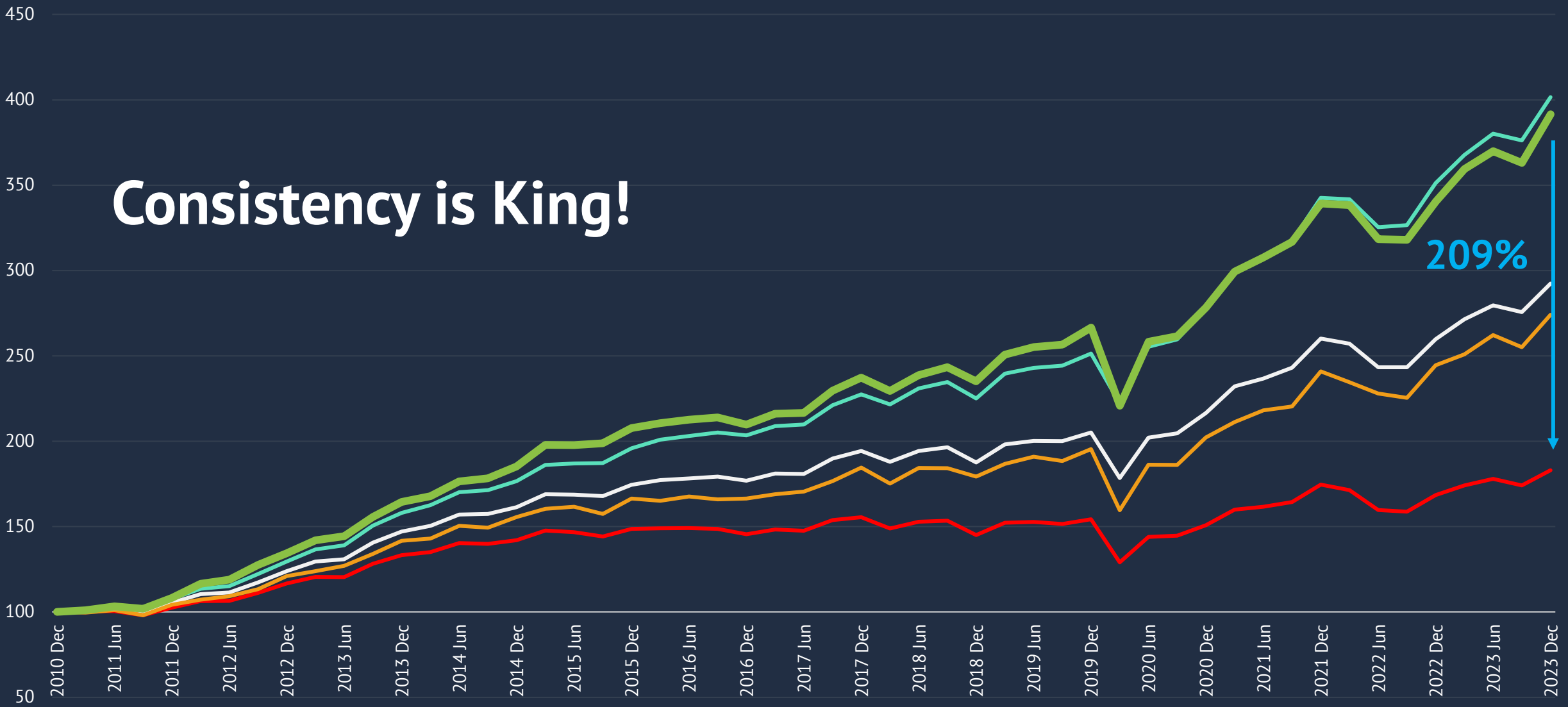


— Average Manager — Top of 4th Quartile — 1st / 4th Alternating — Mid-2nd Quartile



Source: FinXL, PortfolioMetrix
Quarterly data in ZAR using the ASISA SA Multi-Asset High Equity Category from 1999/12/31 to 2023/12/31

— Average Manager — Top of 4th Quartile — 1st / 4th Alternating — Mid-2nd Quartile — PMX Balanced



209%

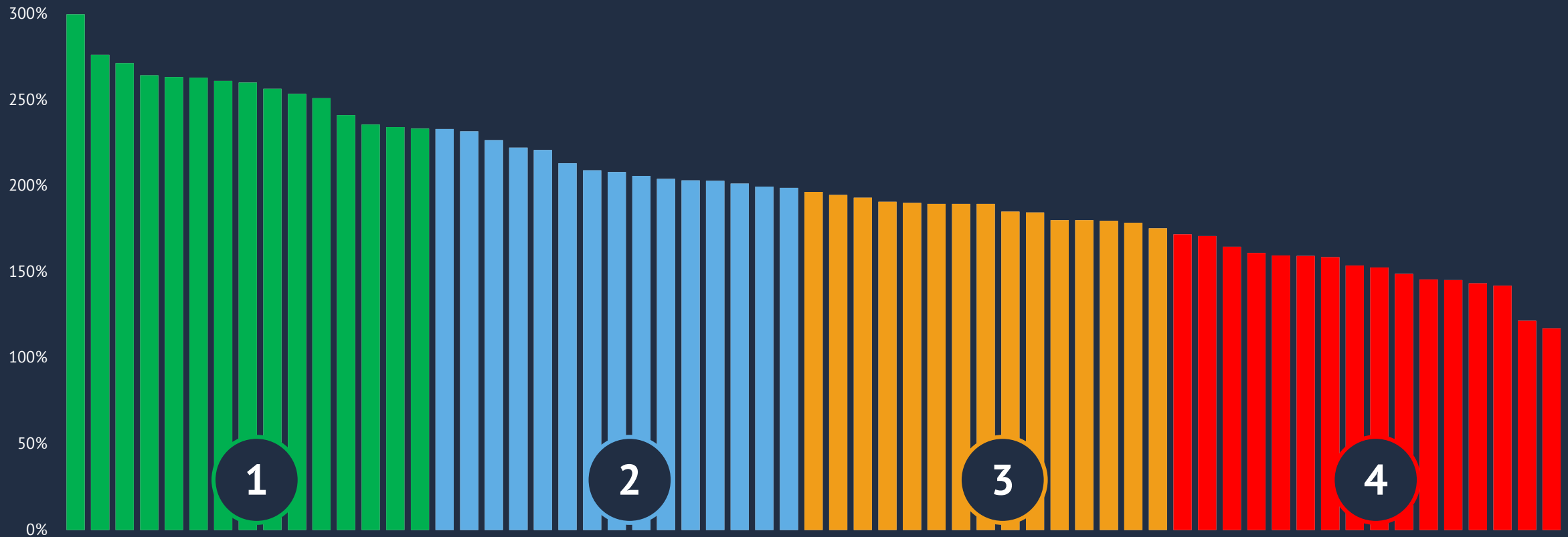


Source: FinXL, PortfolioMetrix
 Quarterly data in ZAR using the ASISA SA Multi-Asset High Equity Category from 2010/12/31 to 2023/12/31. PMX Balanced is a composite of the PortfolioMetrix Balanced model and subsequent unitised fund. All workings available upon request.

Peer group analysis

Cumulative Returns of ASISA SA MA High Equity Category

■ ASISA Peers ■ Top Quartile ■ 2nd Quartile ■ 3rd Quartile ■ Bottom Quartile

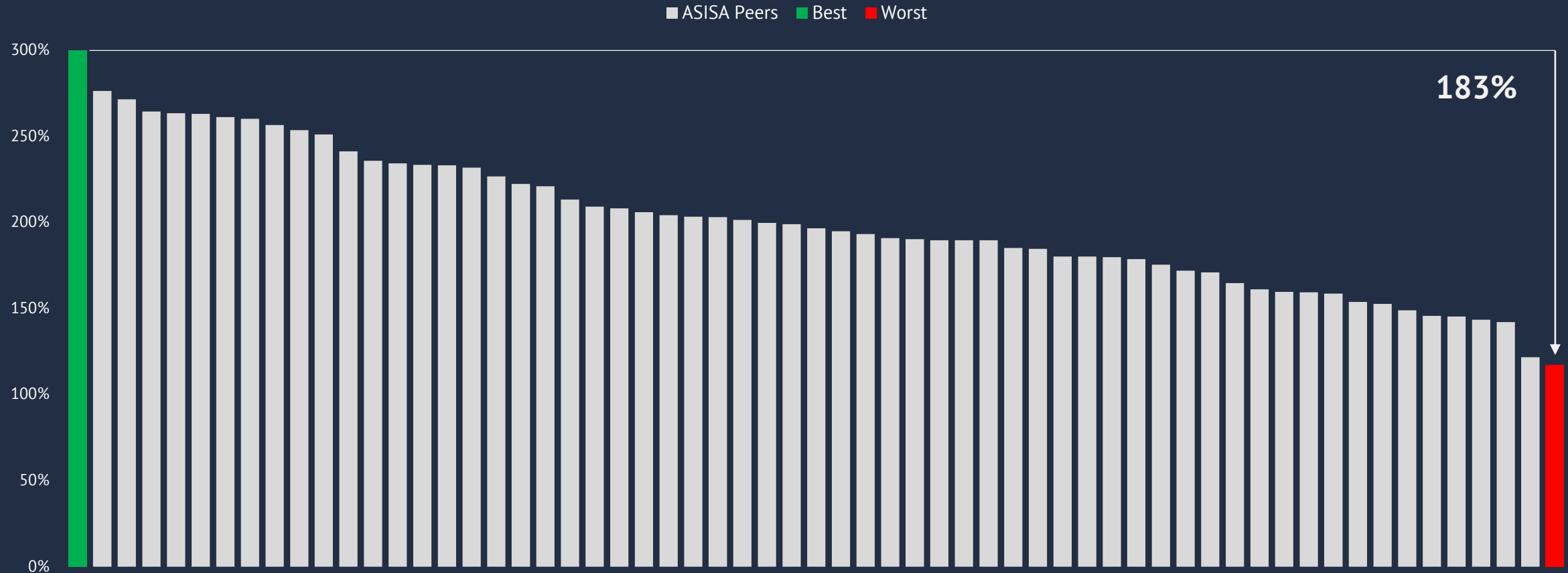


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

Wide dispersion in returns

Cumulative Returns of ASISA SA MA High Equity Category



Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

Quartile performance is unevenly distributed

Dissecting peer group performance

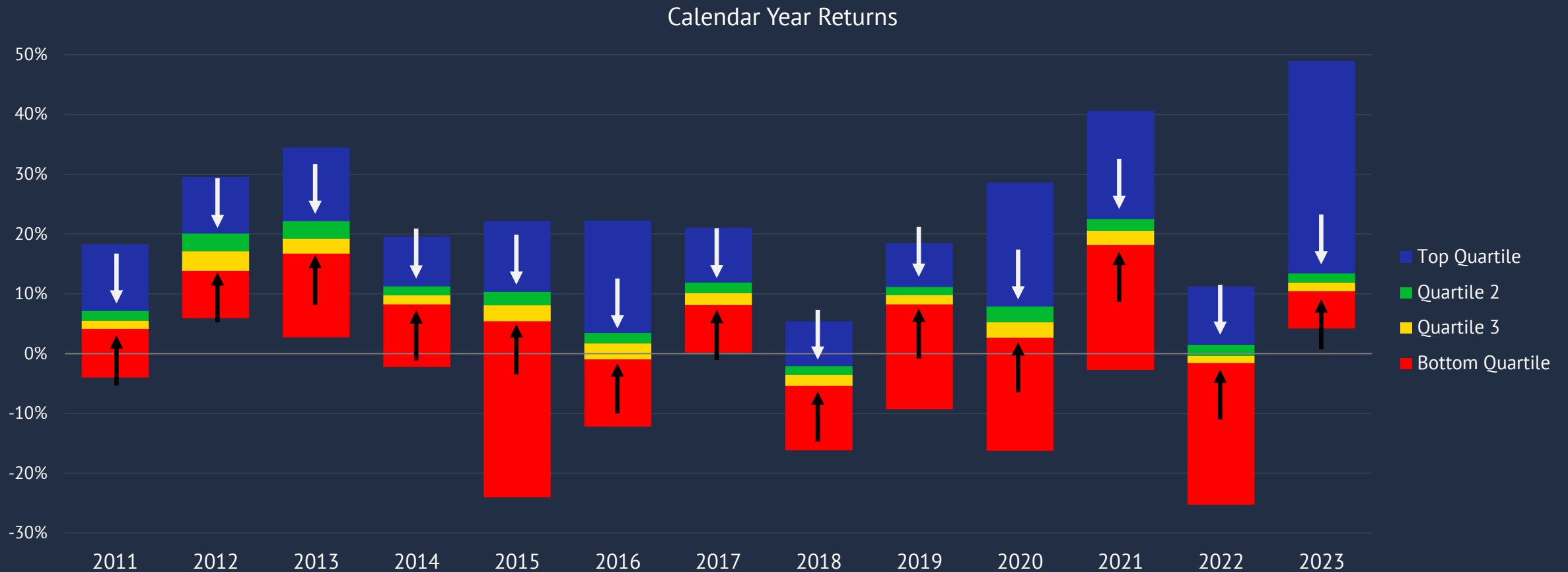


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

Most funds are not “average” performers

Dissecting peer group performance



Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

It's rare to be a 2nd quartile performer

Dissecting peer group performance

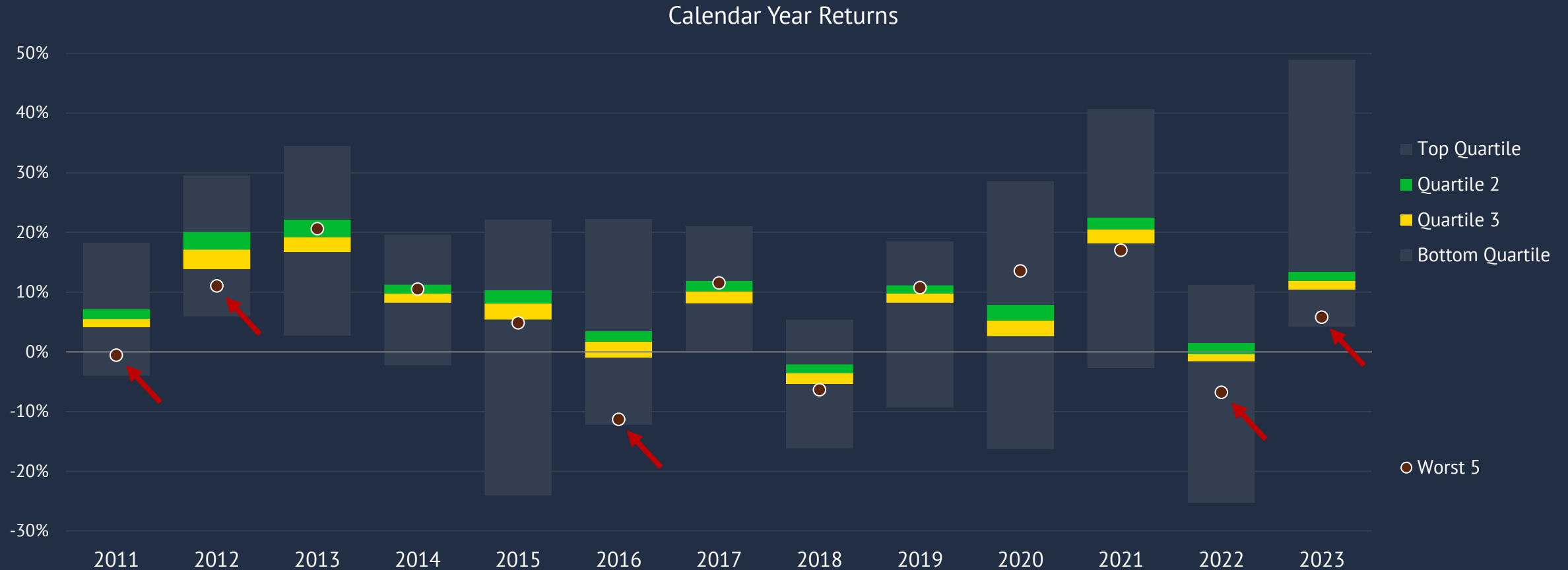


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

Worst performer wasn't always bad

Dissecting peer group performance

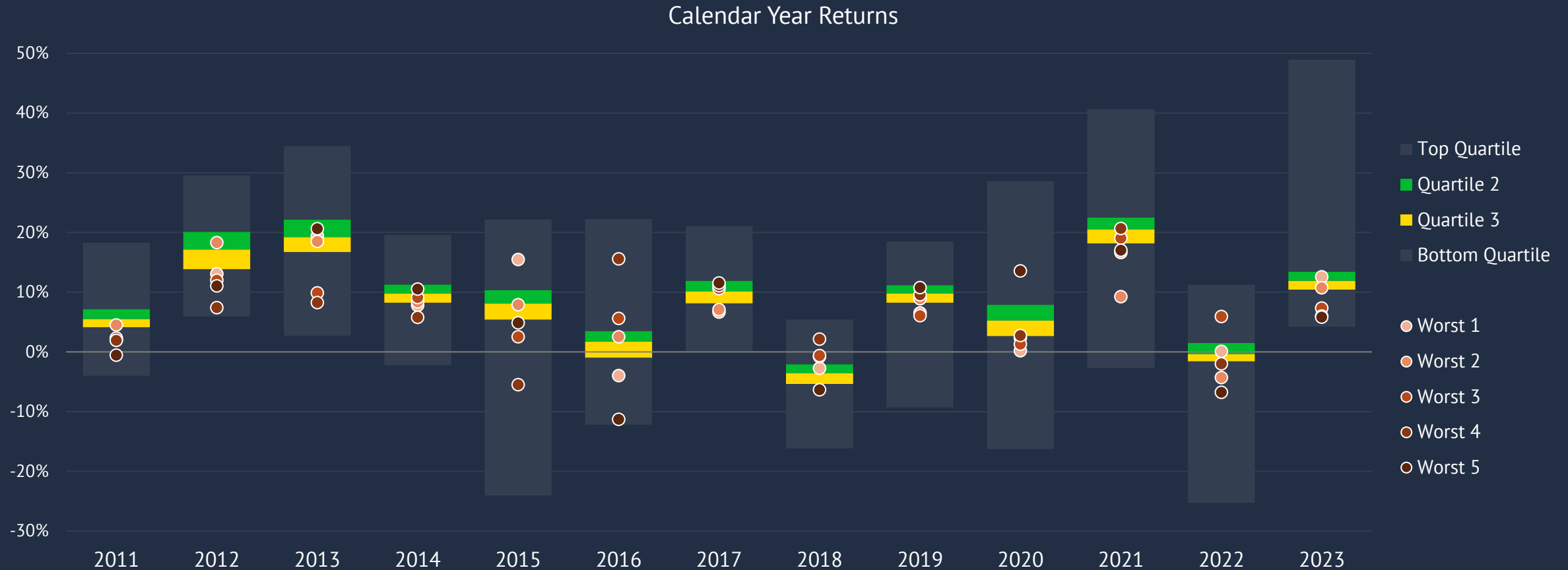


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

Worst performer wasn't always bad

Dissecting peer group performance

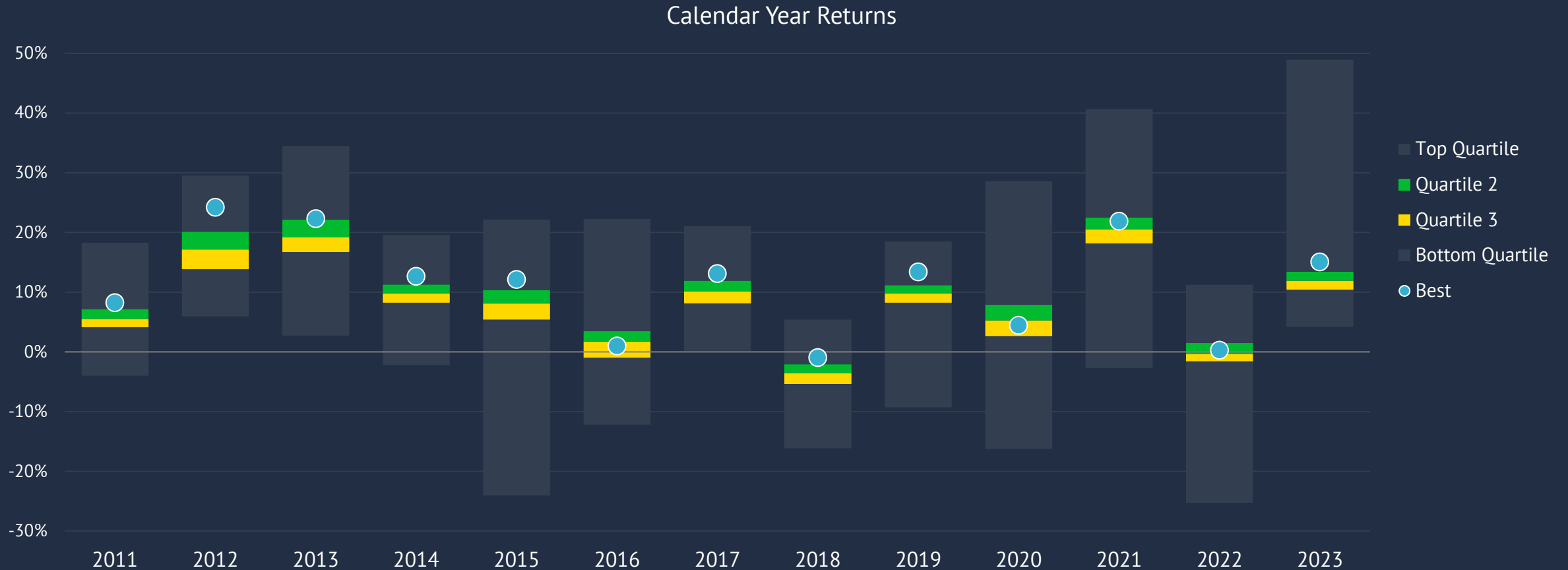


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

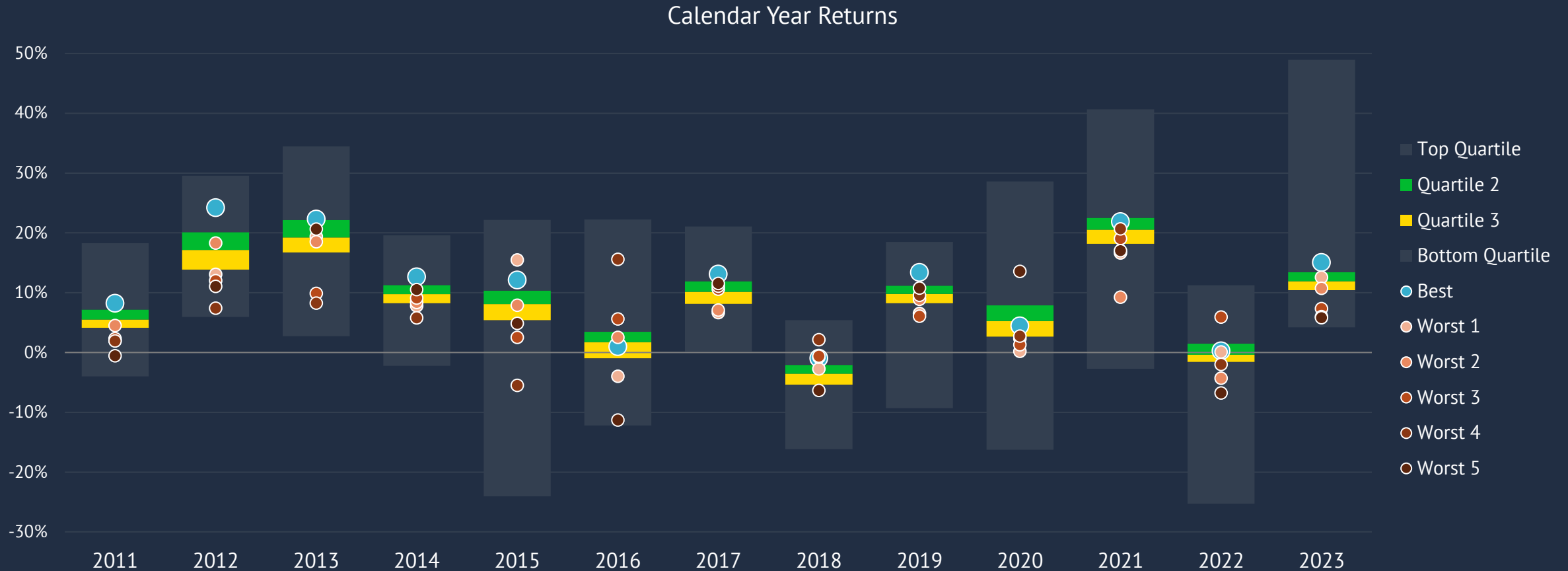
How did the winner do it?

Dissecting peer group performance



How did the winner do it?

Dissecting peer group performance

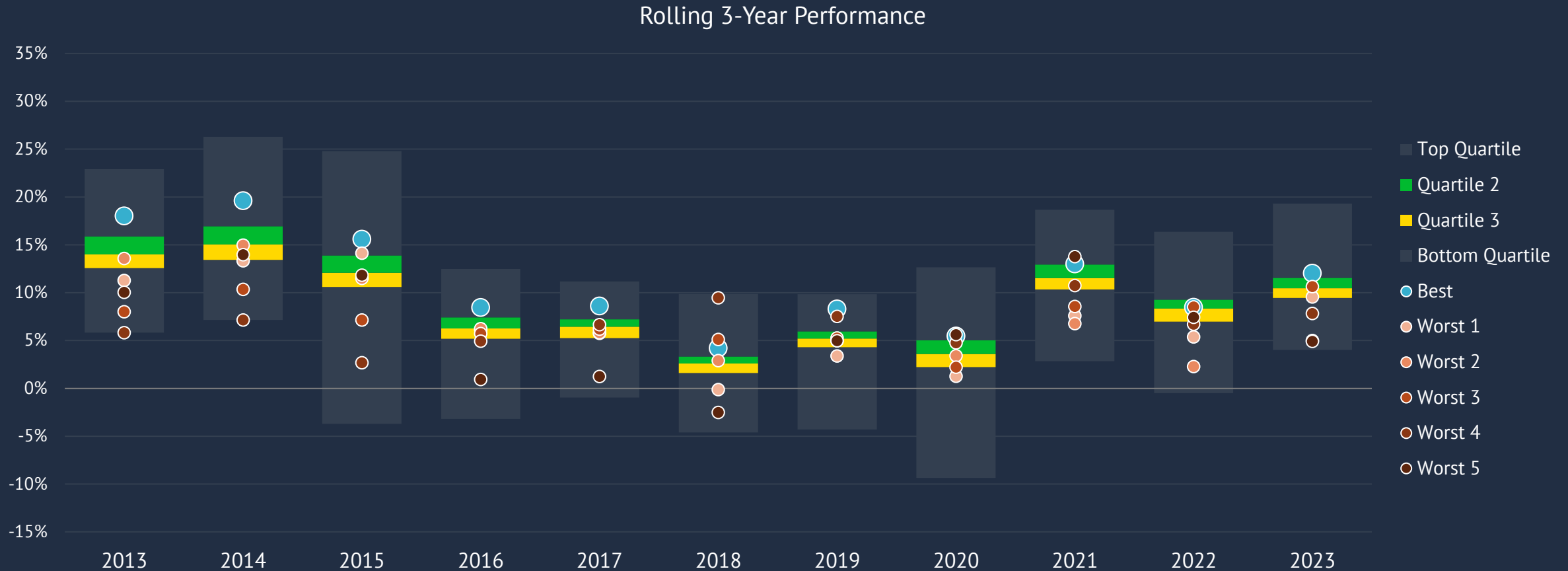


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

How did the winner do it?

Dissecting peer group performance

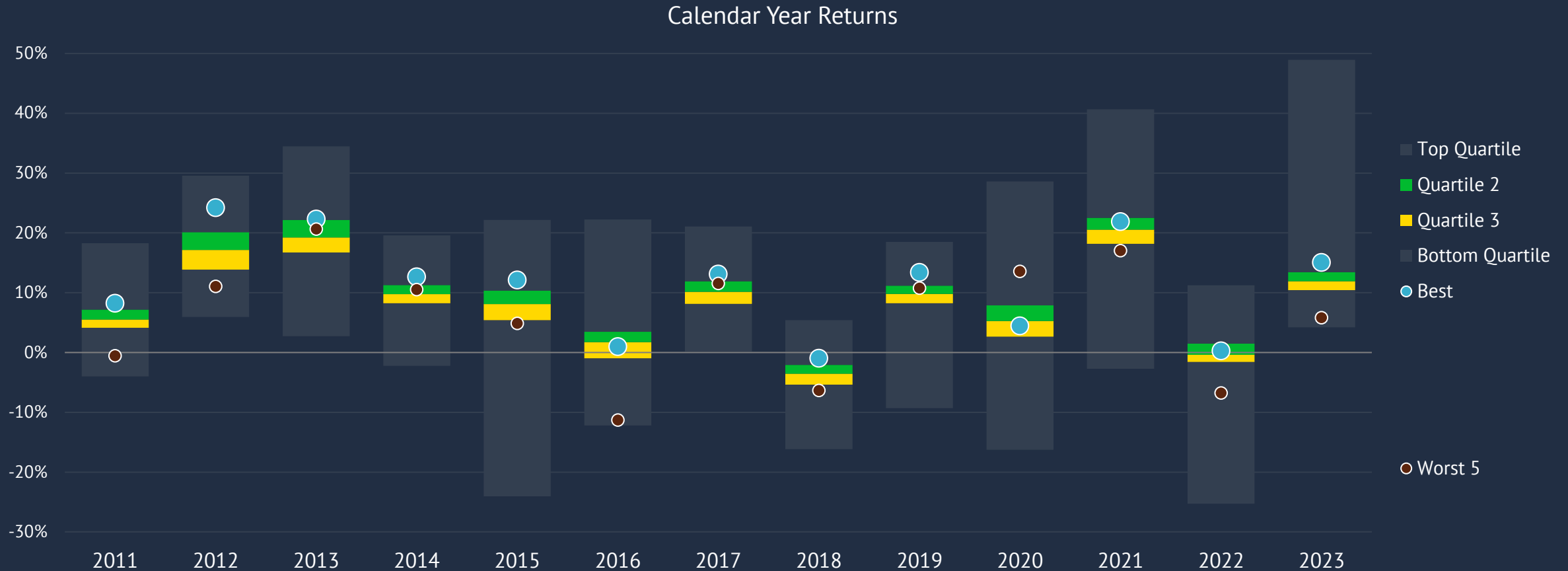


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

How did the winner do it?

Dissecting peer group performance

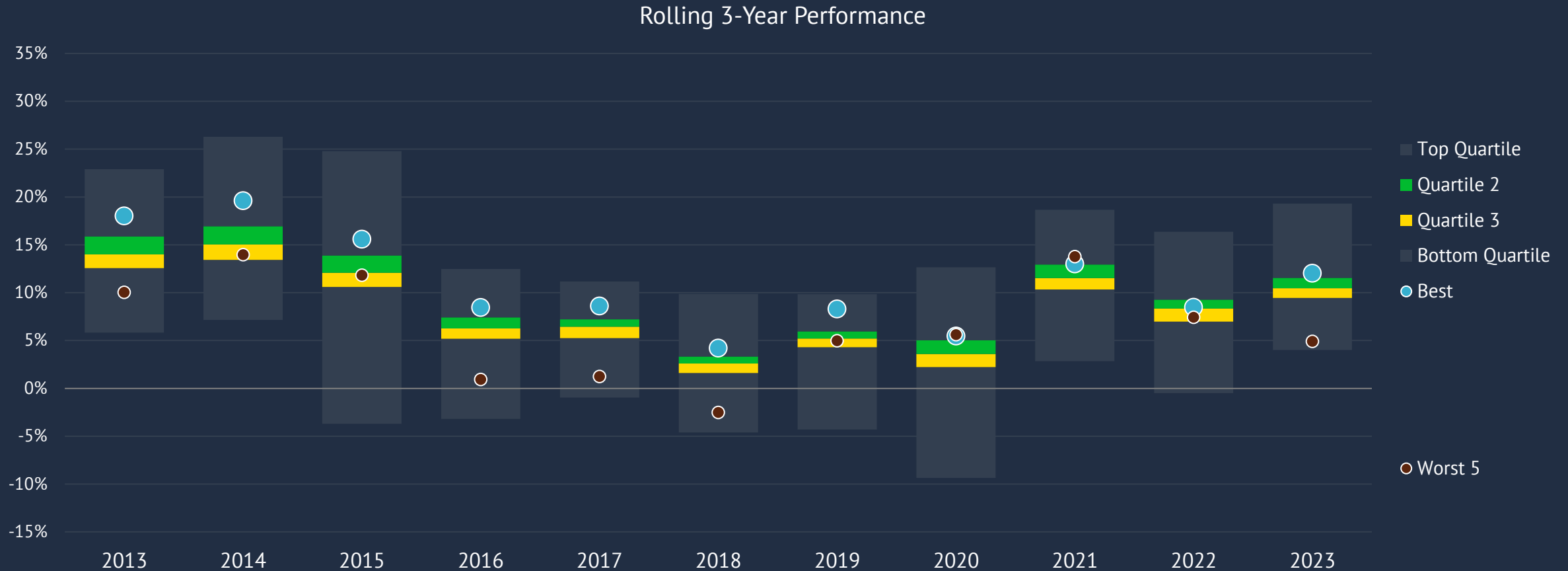


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

How did the winner do it?

Dissecting peer group performance

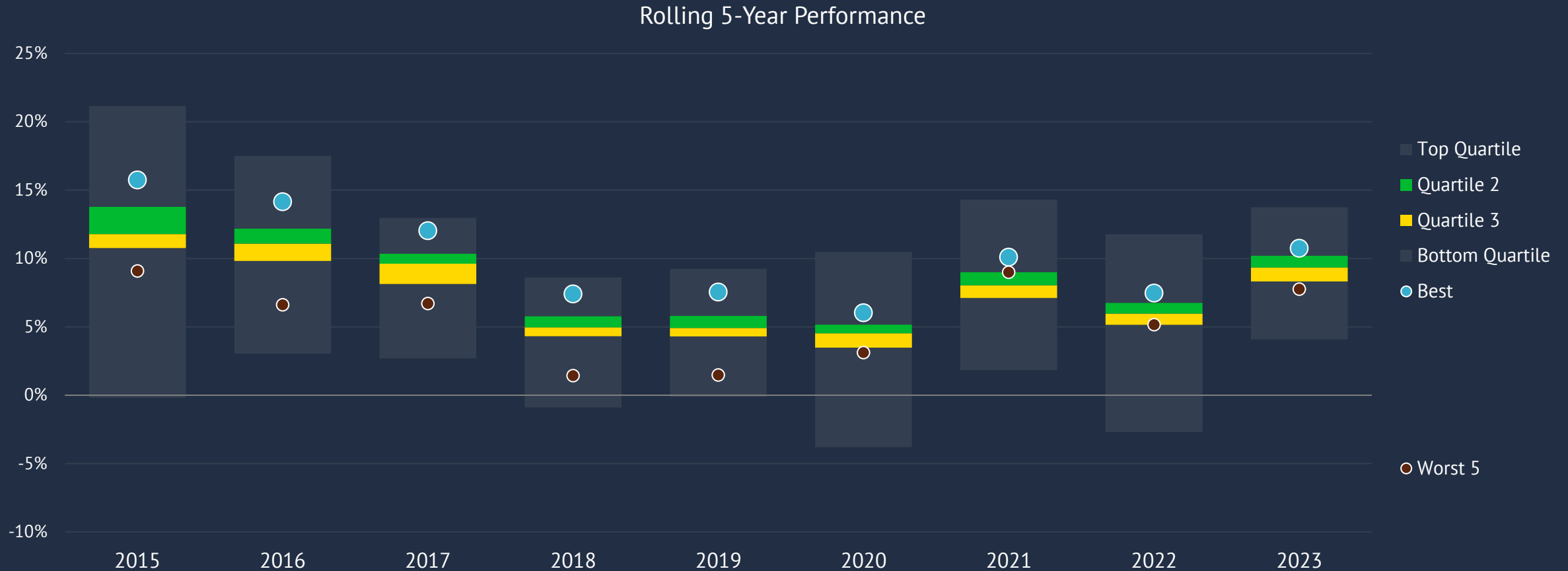


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

How did the winner do it?

Dissecting peer group performance

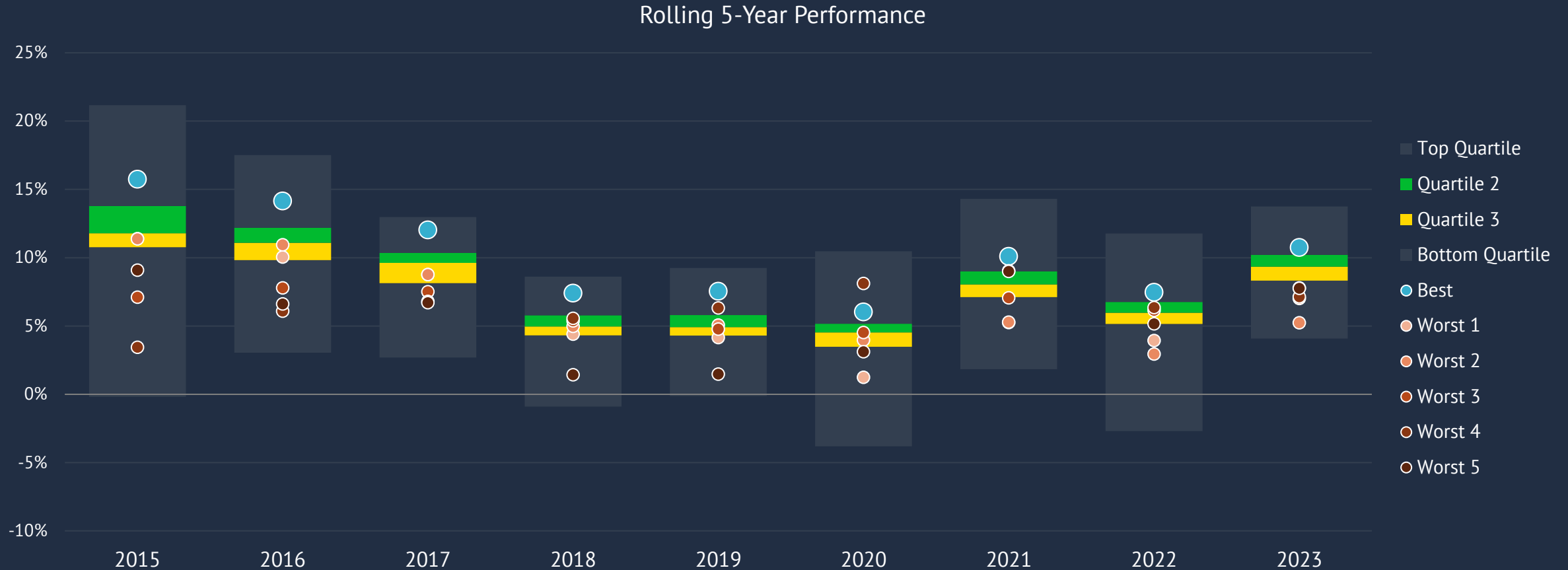


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

How did the winner do it?

Dissecting peer group performance

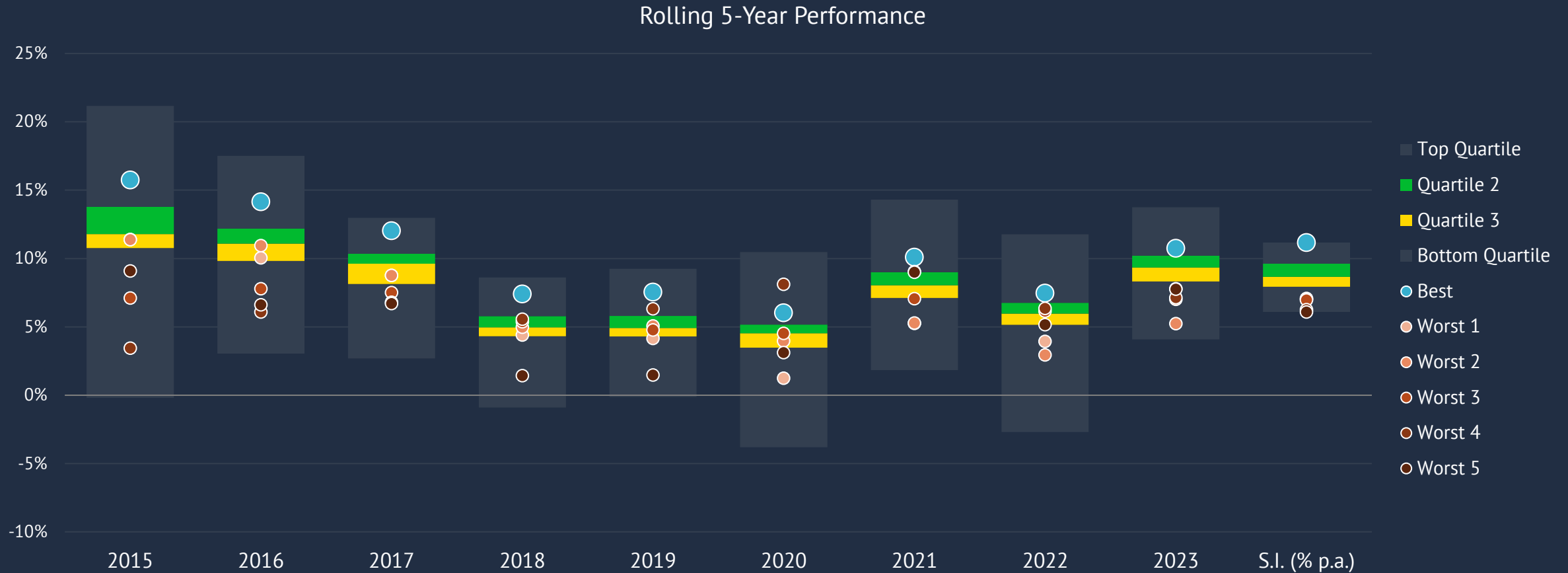


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

How did the winner do it?

Dissecting peer group performance

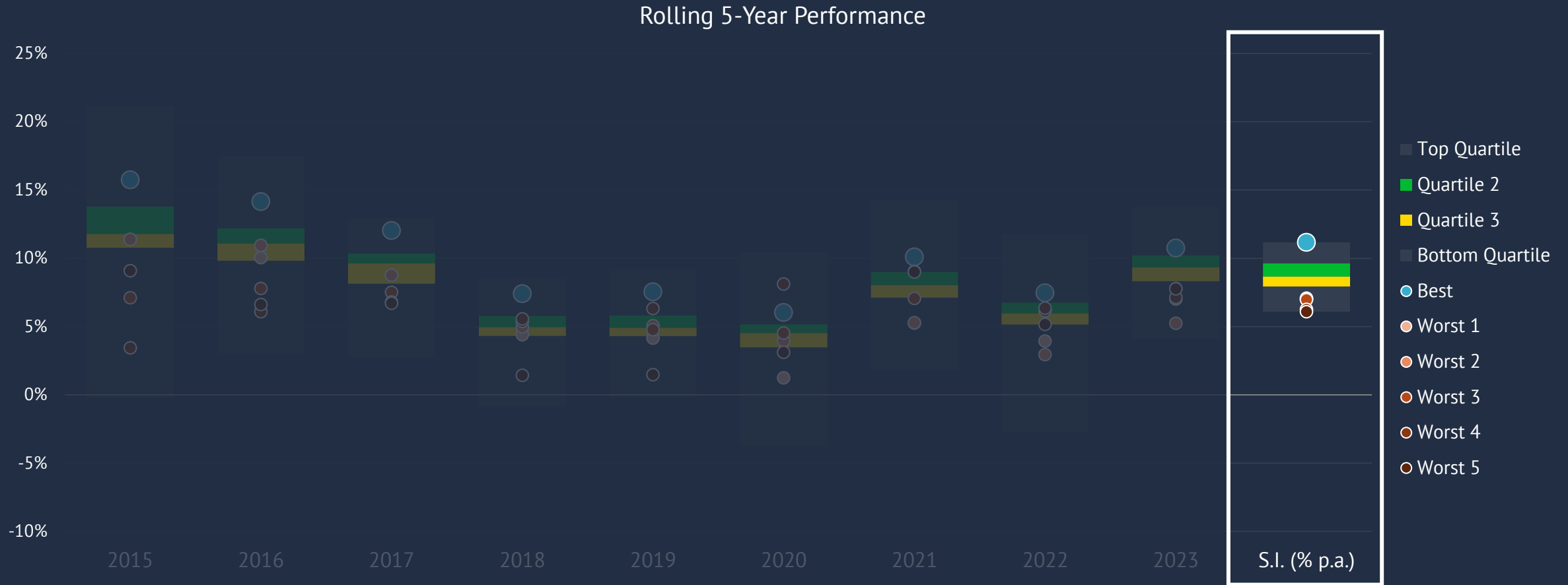


Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

How did the winner do it?

Dissecting peer group performance



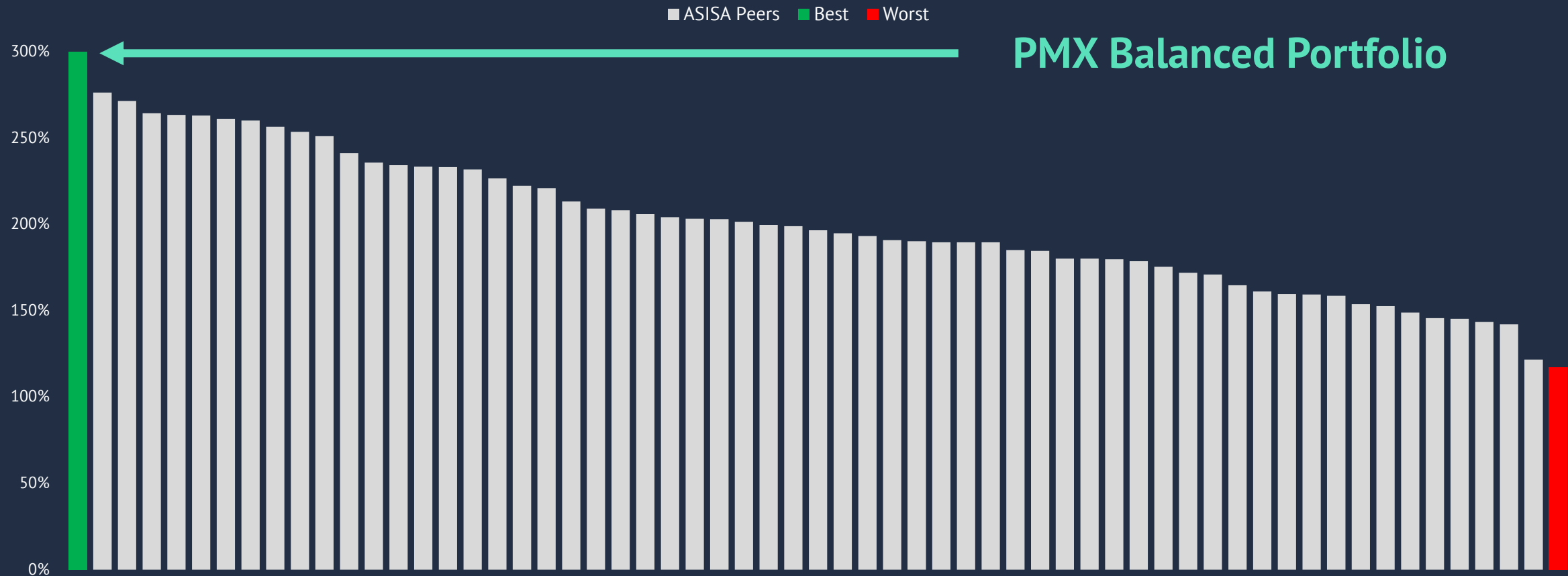
Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

Cumulative performance

Consistency leads to peer beating returns

Cumulative Returns of ASISA SA MA High Equity Category



Source: FinXL, PortfolioMetrix. Between 2010/11/30 to 2023/12/31

The Peer group is represented by all funds in the ASISA SA MA High Equity category on both the inception (2010/11/30) and reporting (2023/12/31) dates. All workings are available upon request.

Anatomy of outperformance

How to compound consistency

- Win by not losing
- Intentional risk tilts and sizing
- Diversify away single factor risks
- Focus on what matters – risk.

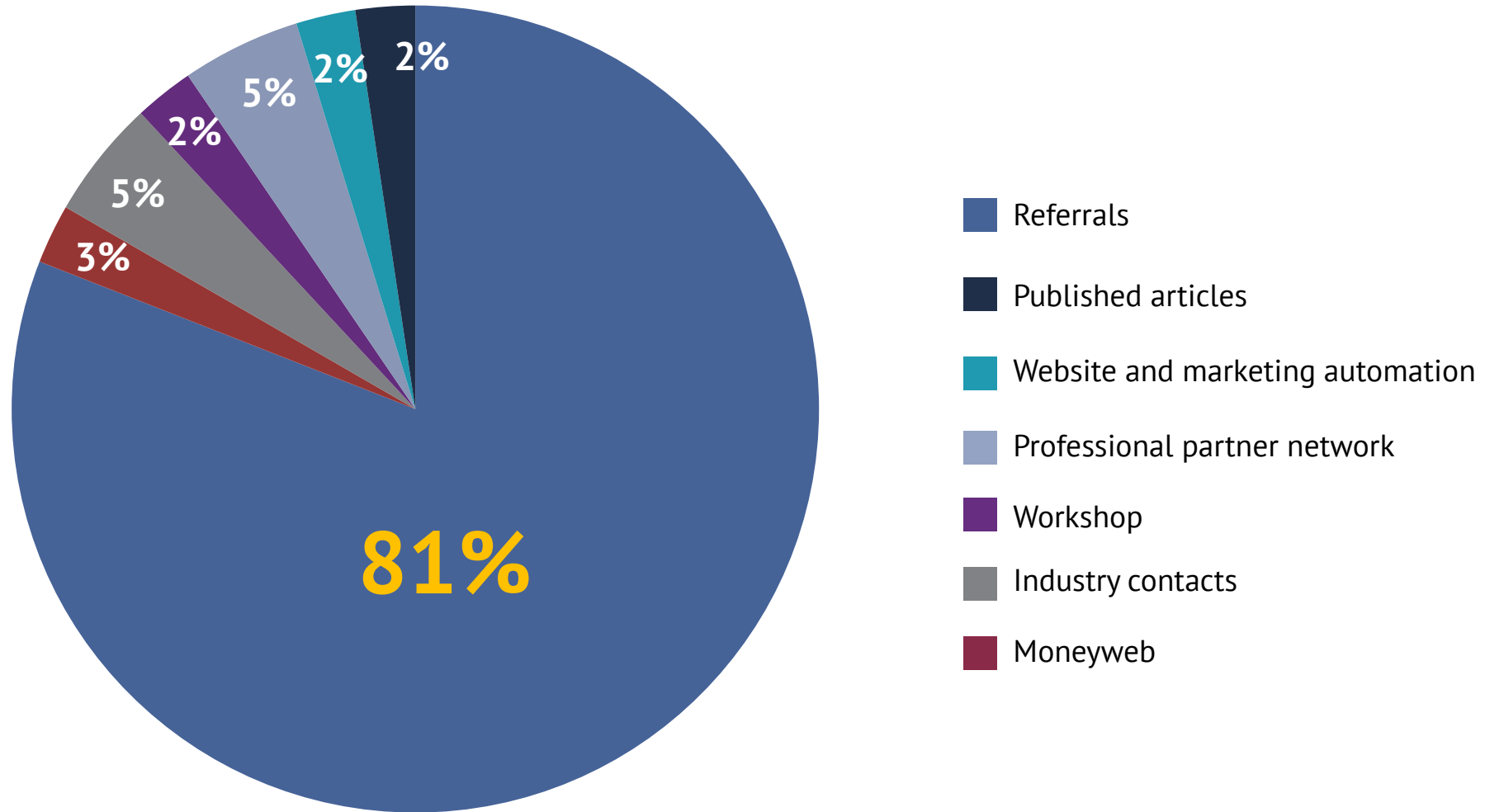


Relative Returns and Investor Utility (Happiness)

Do relative returns matter?

Referrals are a result of happy clients

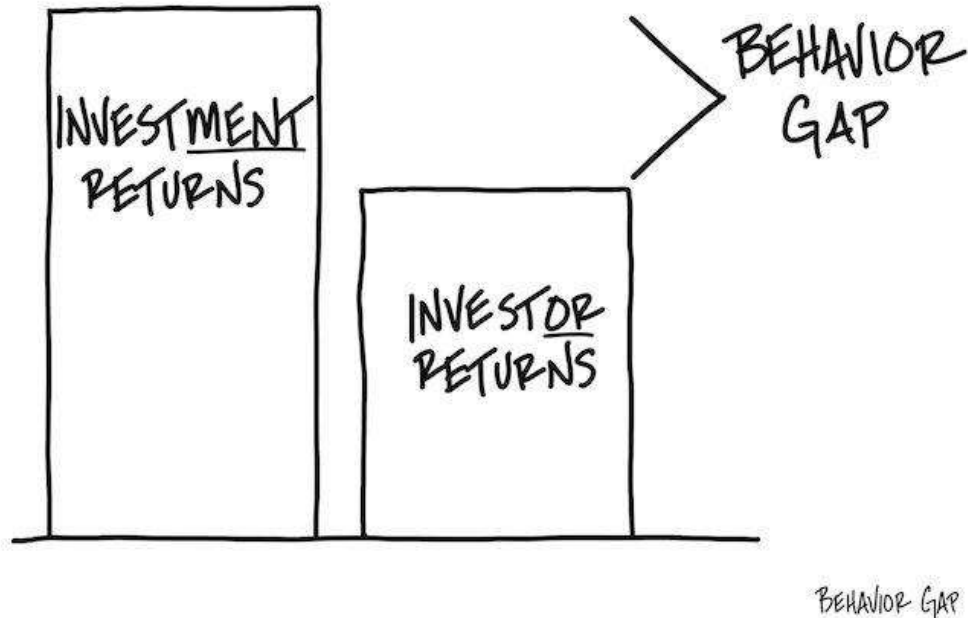
Large majority of advisers' new clients from referrals



Source: PortfolioMetrix

Performance and Investor Utility

The link between performance and investor happiness



Source: Carl Richards, <https://medium.com/@behaviorgap/the-behavior-gap-61baece56cf6>

The Asymmetric Experience of Gains and Losses



BRANDTRUST®

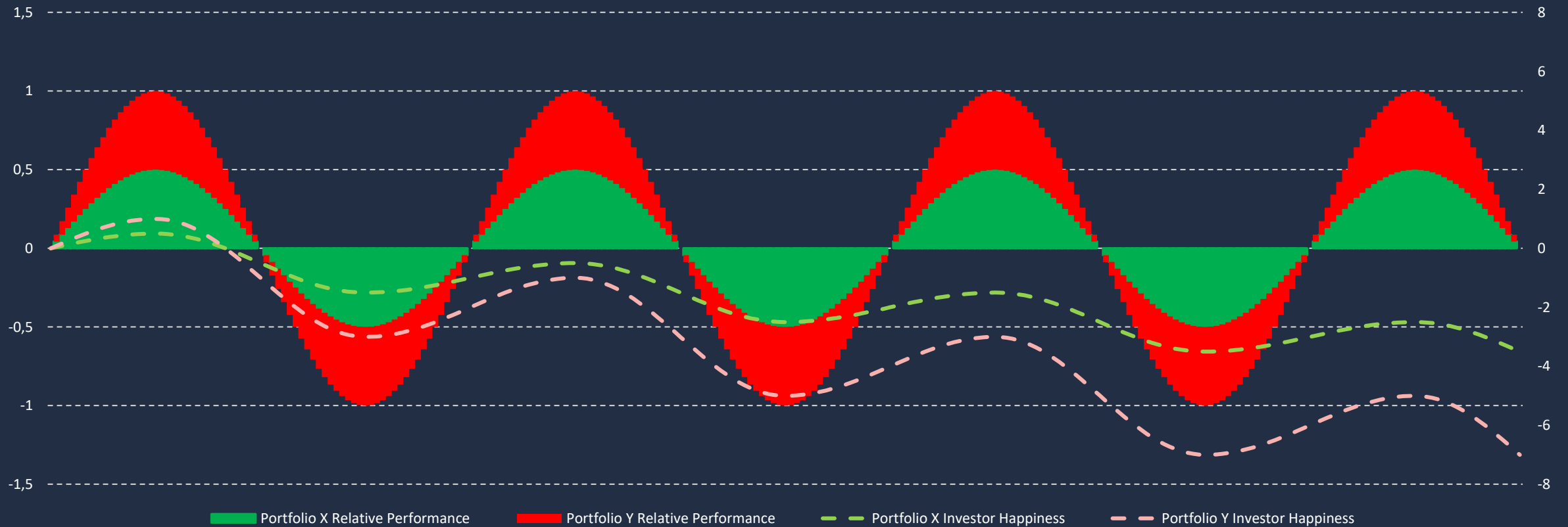
Source: <https://brandtrust.com/blog/prospect-theory/>



Performance and Investor Utility

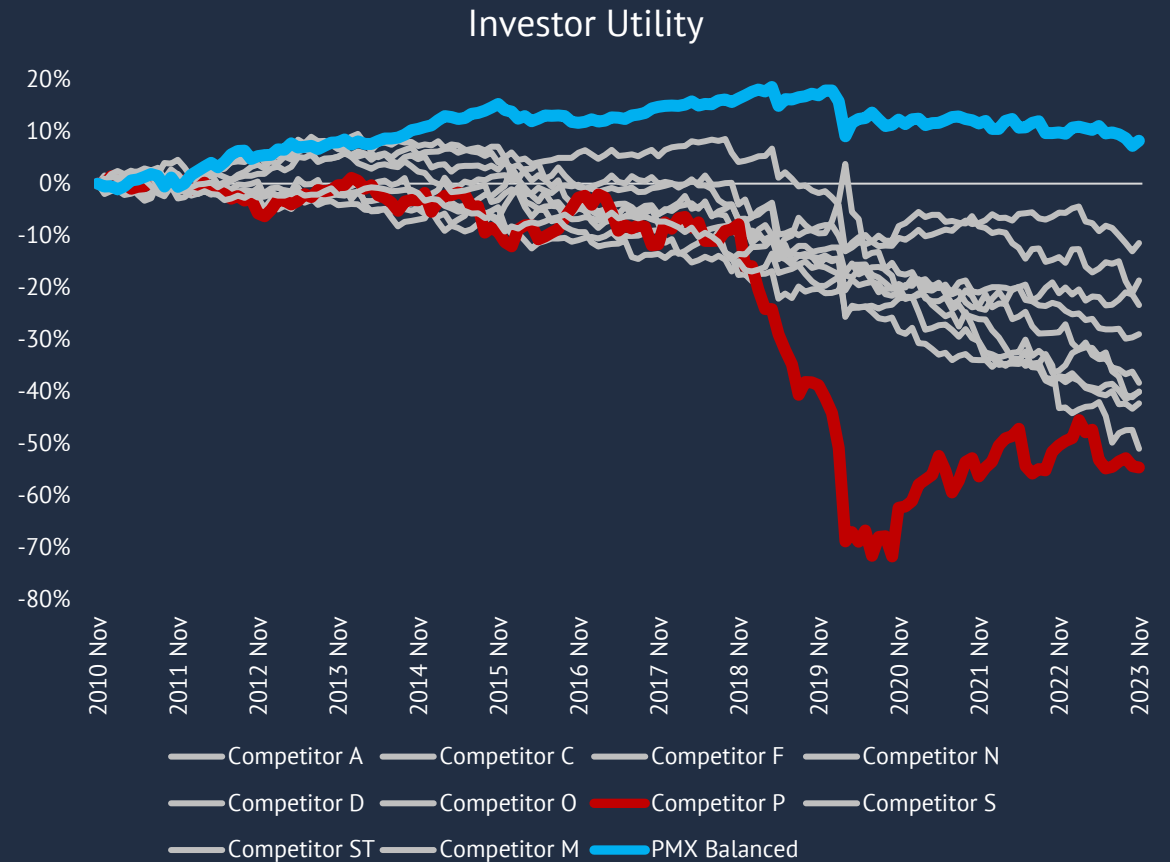
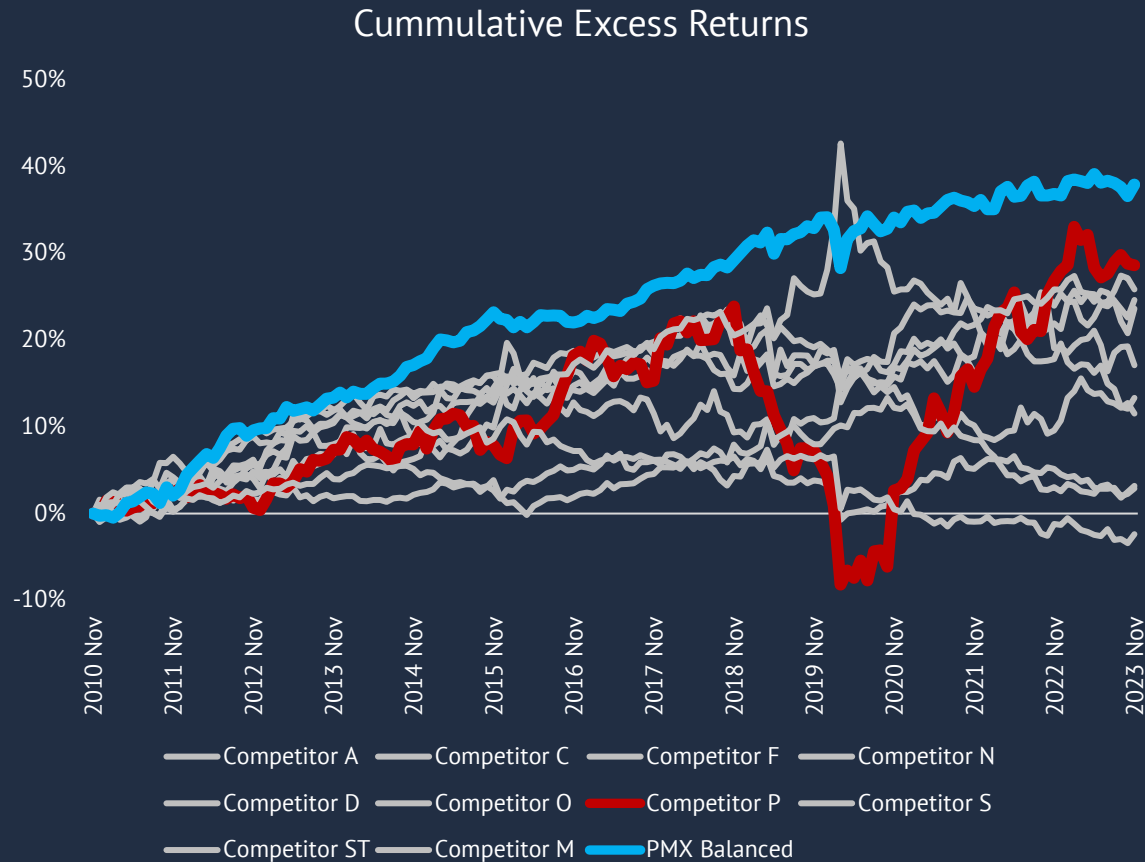
The link between performance and investor happiness

Relative Returns and Investor Happiness



Performance and Investor Utility

The link between performance and investor happiness



Source: Financial Express and PortfolioMetrix

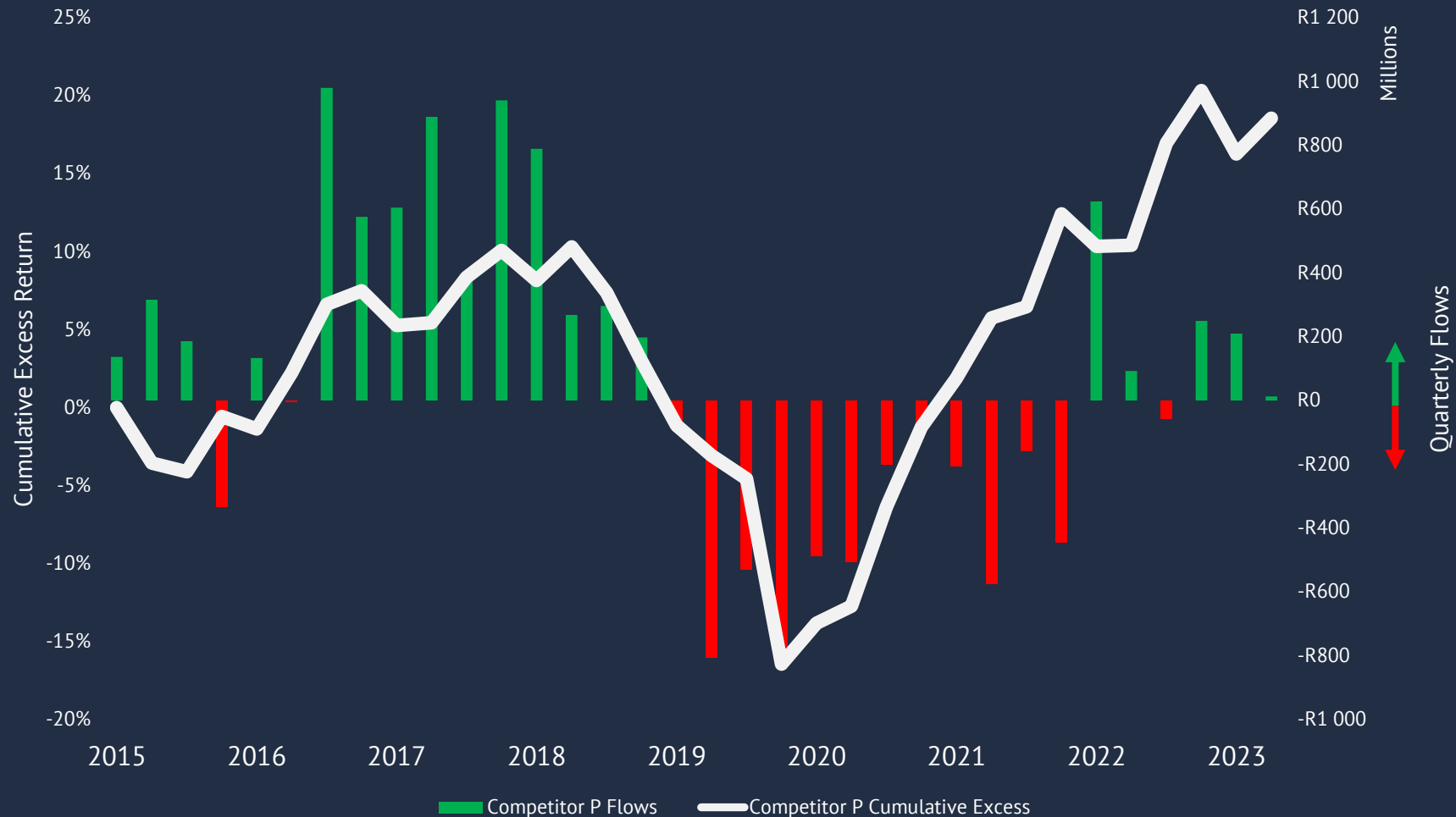
PMX Balanced Track Record Methodology: Model portfolio returns for a risk equivalent model portfolio was used from 30/11/2010 (beginning of PMX track record) up to 07/12/2020. Data for the PortfolioMetrix BCI Balanced FoF is used post this date. For further information of methodology and underlying data please contact us.



Performance and Investor Utility

The link between performance and investor happiness

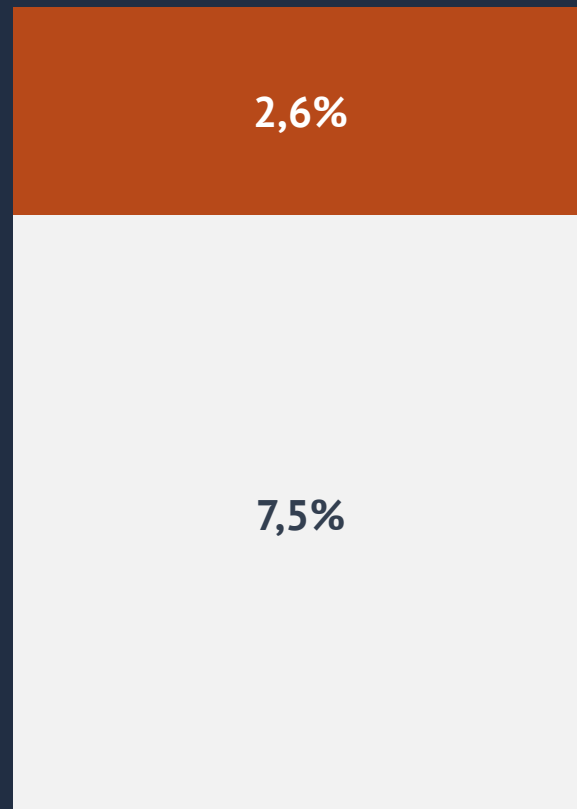
The Inextricable Link Between Performance and Flows



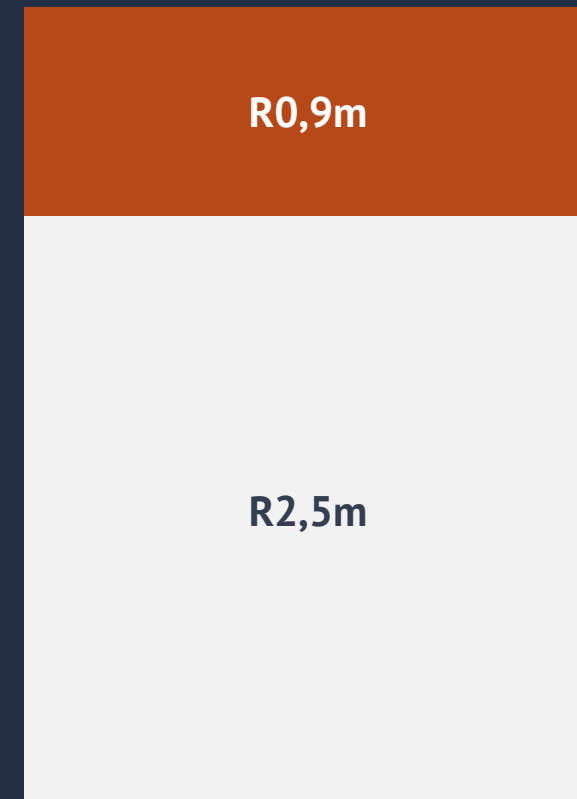
Performance and Investor Utility

The link between performance and investor happiness

Annualised Return



The rands and cents (R1m)



- Behavioural Cost
- What Investors Achieved

The Value of Advice



■ No advice ■ Advice

Source: RBC; CIRANO institute 2016; value of advice over 15yrs

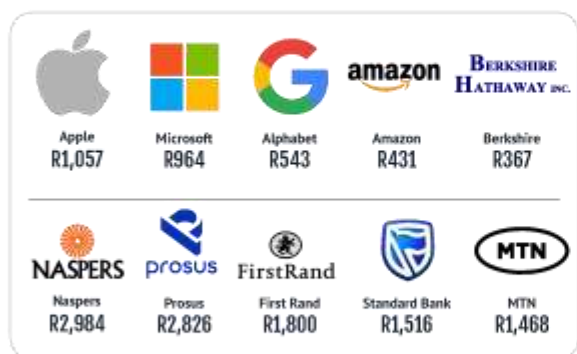








A R100 000 INVESTMENT IN THE PORTFOLIOMETRIX BCI BALANCED FOF

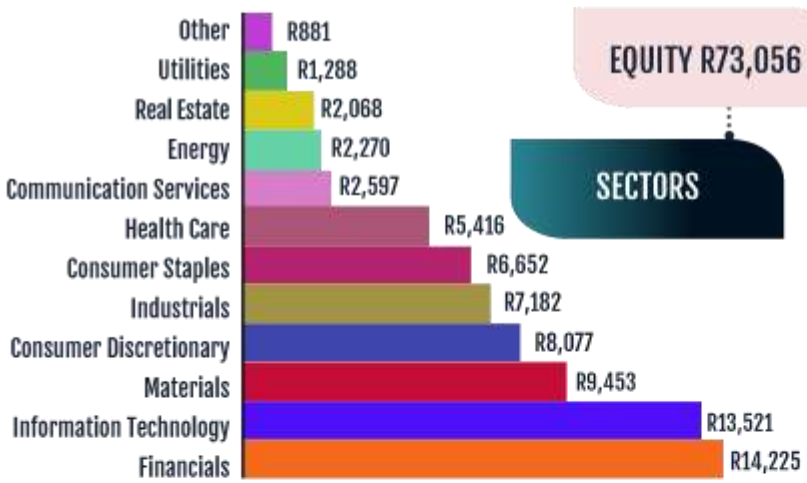


TOP 5 GLOBAL EQUITIES
R3,361

TOP 5 LOCAL EQUITIES
R10,594

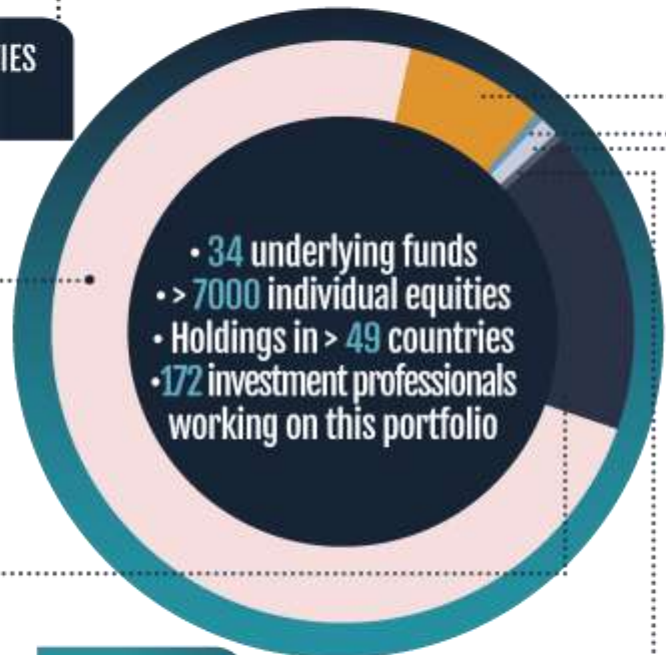
EQUITY R73,056

SECTORS

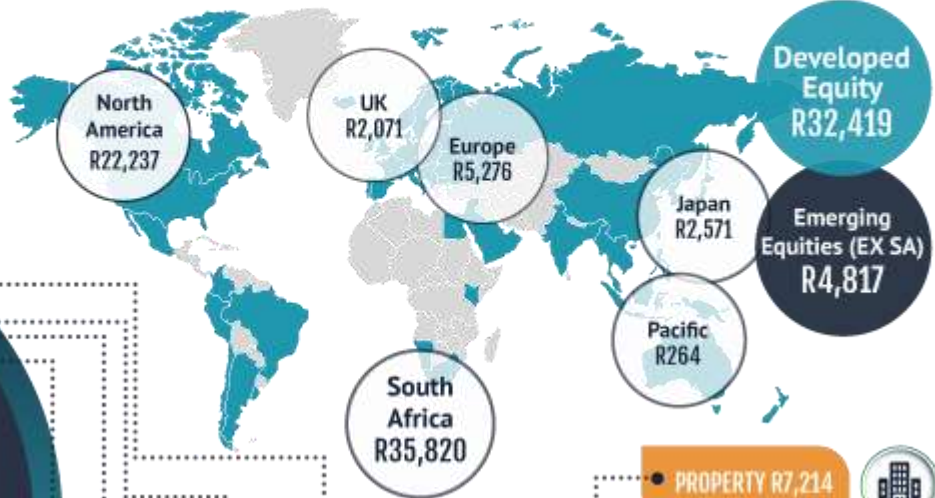


SA BONDS AND INCOME
R17,164

SOUTH AFRICA
R17,164



REGIONS



LISTED REAL ASSETS R7,788

PROPERTY R7,214

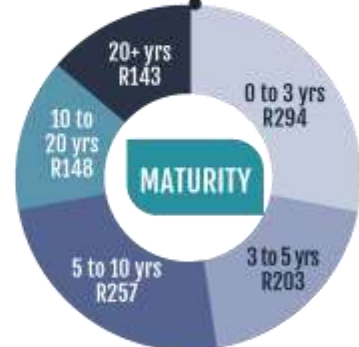
INFRASTRUCTURE R574

CASH R500

GLOBAL GOVERNMENT BONDS R1,045

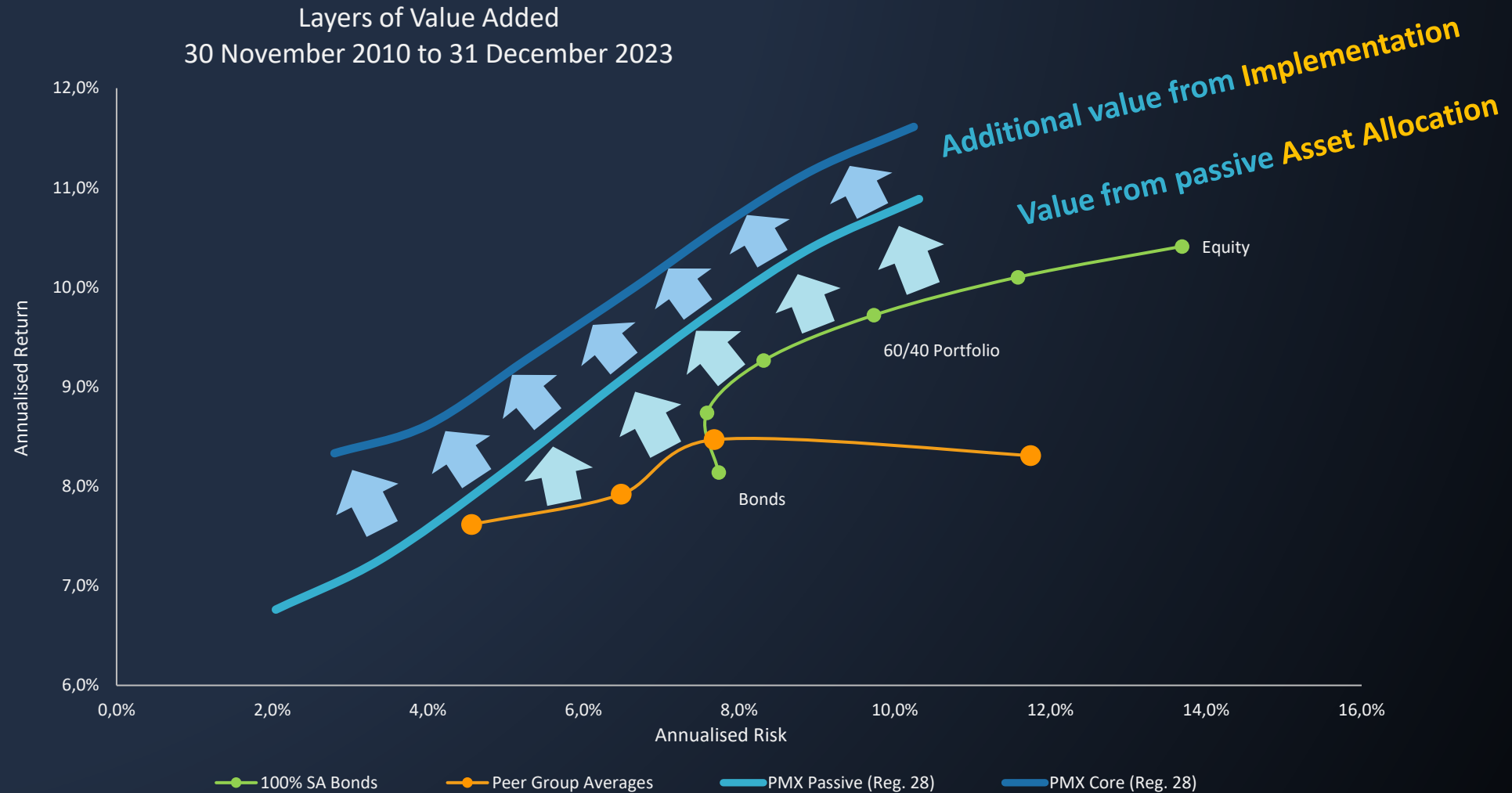
CREDIT QUALITY

GLOBAL CORPORATE BONDS R448



The information given here is for information purposes only and is not intended to constitute financial, legal, tax, investment or other professional advice. It should not be relied upon as such and PortfolioMetrix cannot accept any liability for loss for doing so. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Portfolio holdings and asset allocation are as at June 2023 and can change at any time without notice. PortfolioMetrix Asset Management Ltd is authorised and regulated by the Financial Sector Conduct Authority.

Layers of added investment value



Disclaimer

This document is exclusively intended for professional financial advisers, their clients, and prospective clients. The information provided here is for informational purposes only and should not be considered as financial, legal, tax, investment, or other professional advice. It should not be relied upon as such, and PortfolioMetrix cannot accept any liability for losses resulting from such reliance. If you are a retail investor, your financial adviser can assist in interpreting the information. Forecasts, expected future returns, or volatilities are not guaranteed and should not be relied upon. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Past performance is not a reliable indicator of future performance.

PortfolioMetrix Asset Management SA (Pty) Ltd is an Authorised Financial Services Provider in South Africa, regulated under the Financial Advisory and Intermediary Services Act 37 of 2002 (FSP No: 42383). It is a limited liability company registered in South Africa under company number 2006/026054/07, located at Corner Main Office Park, 2 Payne Road, Bryanston, 2191, South Africa.

Boutique Collective Investments (RF) (Pty) Ltd is a registered Manager of the Boutique Collective Investments Scheme ("BCI"/"the Manager"), approved under the Collective Investments Schemes Control Act, No 45 of 2002 ("the Act"), and is a full member of the Association for Savings and Investment SA.

Collective Investment Schemes in securities are generally medium to long-term investments. The value of participatory interests may go up or down, and past performance does not guarantee future performance. The Manager does not guarantee the capital or the return of a portfolio. Collective Investments are traded at ruling prices and may engage in borrowing and scrip lending. BCI reserves the right to close portfolios to new investors and reopen certain portfolios as needed for efficient management.

Performance figures quoted for the portfolio are from Morningstar, as of the document date, for a lump sum investment, using NAV-NAV with income reinvested and do not consider any upfront manager's charge. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment, and dividend withholding tax.

Investments in foreign securities may entail additional risks, including potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk, as well as potential limitations on the availability of market information.

Boutique Collective Investments (RF) Pty Ltd retains full legal responsibility for the third-party named portfolio. Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, BCI does not accept any responsibility for any claim, damages, loss, or expense, however, it arises, out of or in connection with the information in this document, whether by a client, investor, or intermediary.

This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of BCI/the Manager's products.

Access the BCI Privacy Policy and the BCI Terms and Conditions on the BCI website (www.bcis.co.za). Income funds derive their income from interest-bearing instruments in accordance with Section 100(2) of the Act. The yield is a current yield and is calculated daily.



