



# THE RISE OF SMARTER STRATEGIES

How AI and data are  
transforming active investing

THE EFFICIENCY GAP

# The World is Evolving



The World is Evolving. Are you keeping up?

# The Rise of Smarter Strategies

How AI and data are transforming active investing

Systematic investing is the next evolution — industrialising decision-making at scale, and the natural launchpad for AI.



**Data-Driven  
Decisions**



**Scaled  
Research**



**AI &  
Machine Learning**

# CONTENTS

---

1. The evolution in active management...
2. Why active discretionary strategies face headwinds
3. The next logical step is Systematic...
4. Why Systematic is the ideal launchpad for AI and Machine Learning
5. Showcase: Prescient Portable Alpha Strategy
6. Showcase: Prescient Fed Speech Analyser
7. Conclusion: The evolution and the claim

AN INEVITABLE

# Evolution



## Early Discretionary

Information set itself was the source of edge...



## Efficient Markets

Raised the evidentiary bar - *“can we show evidence of skill that survives fees, turnover, and adverse selection?”*



## Indexing

The average active dollar underperforms after fees...



## Portable Alpha

Separates alpha & beta...Much skill was in fact the harvesting of a systematic risk premium



## Systematic + ML/AI

With Systematic as a launchpad AI and ML became natural extensions

AN INEVITABLE

# Evolution



## Early Discretionary

Increased use of quantitative tooling means time-to-arbitrage has greatly reduced...



## Efficient Markets

These ideas become even more pronounced... information diffusion ever faster...



## Indexing

Remains mathematically true...



## Portable Alpha

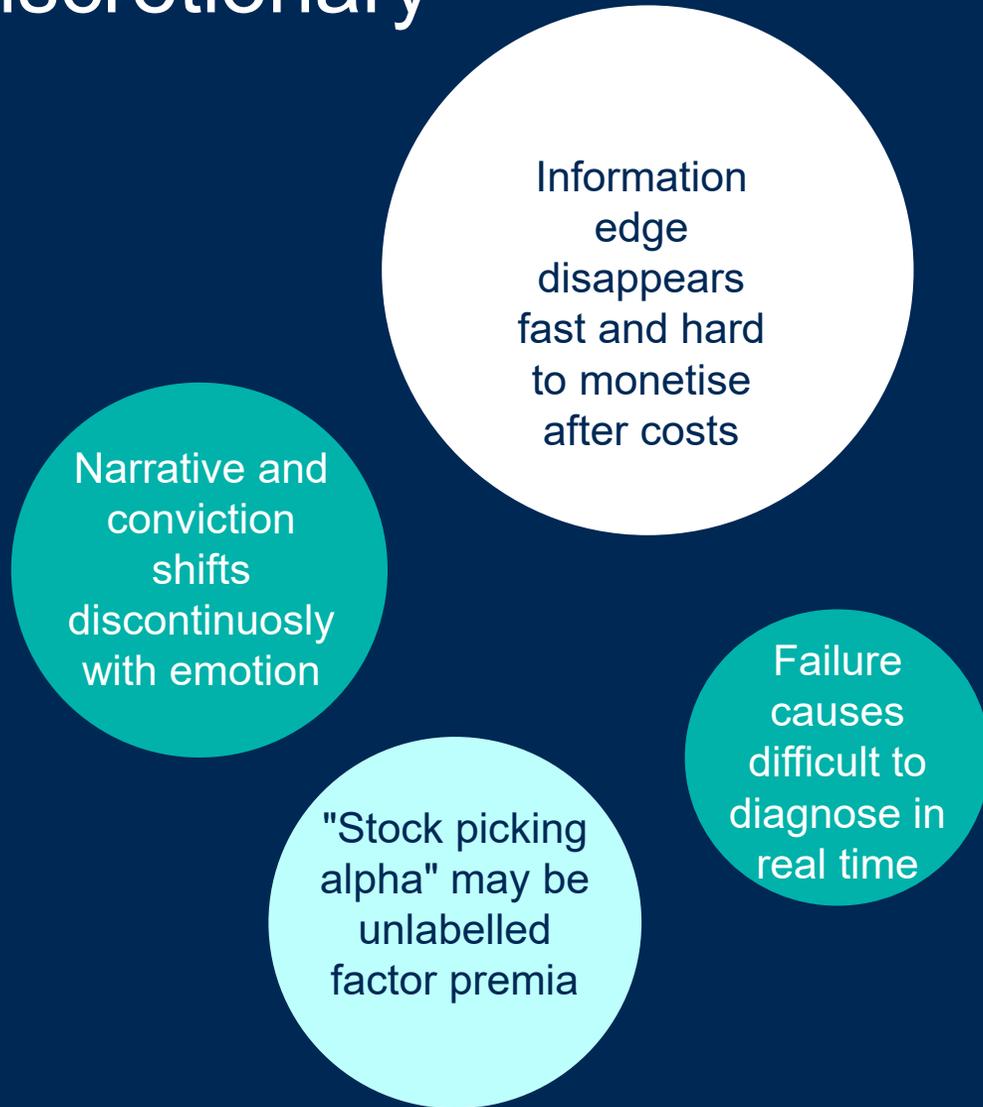
Yes, and much greater “buy in” for premia, e.g. term premia



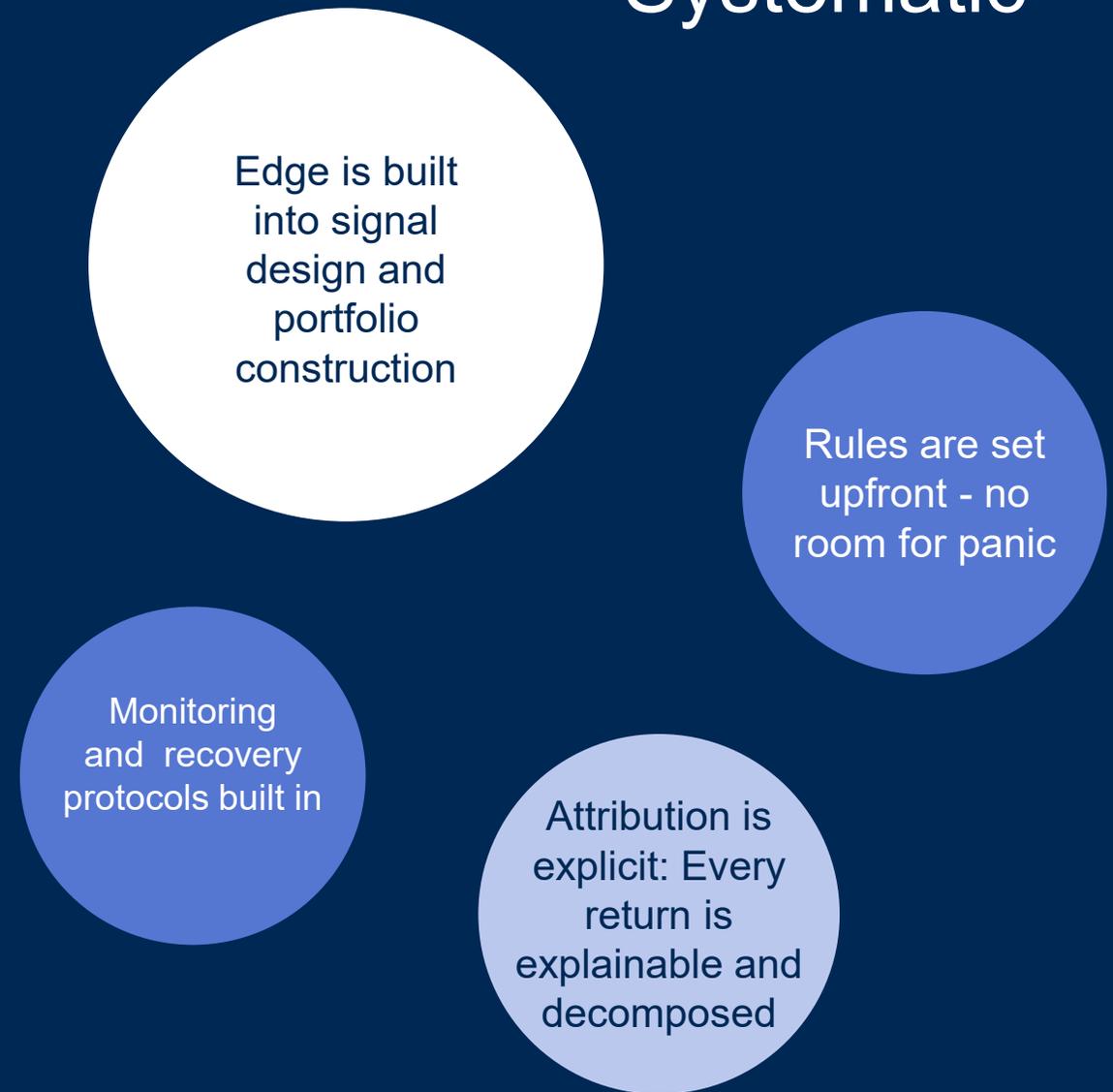
## Systematic + ML/AI

Ideal launchpad for the assimilation of AI and Machine Learning tools...

# Discretionary



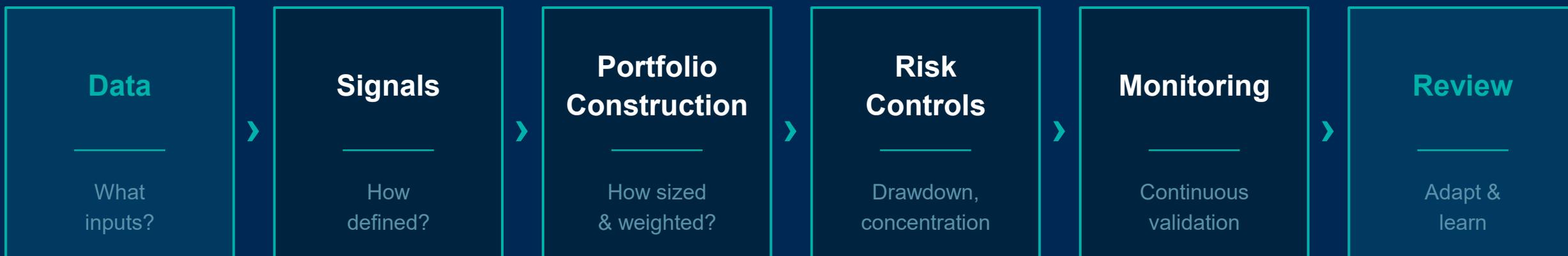
# Systematic



THE NEXT LOGICAL STEP IS

# systematic

*Judgement is front-loaded into process design — not improvised during moments of stress.*



Systematic frameworks are the natural response to the portable-alpha requirement: if alpha must be persistent, diversifying, and scalable, then its production must be repeatable and continuously validated.

# SYSTEMATIC: IDEAL LAUNCHPAD FOR AI AND ML



## ML/AI amplify coherent processes

Less about finding a magic answer, more about **processing vast amounts of information in a rigorous, disciplined way** — and being honest about what you don't know.



AI without guardrails —  
a fast track to false confidence



With systematic: AI deployed with  
purpose

# SYSTEMATIC: IDEAL LAUNCHPAD FOR AI AND ML



ML/AI amplify coherent processes



**AI without guardrails —  
a fast track to false confidence**

Without the right guardrails, AI just gets very good at explaining history — and fails when markets change.



With systematic: AI deployed with purpose

# SYSTEMATIC: IDEAL LAUNCHPAD FOR AI AND ML



ML/AI amplify coherent processes



AI without guardrails —  
a fast track to false confidence



**With systematic: AI deployed with purpose**

The right signals, combined smartly, adapted to changing markets — with full transparency on how and why every decision is made.

CAPABILITY FLOW:

Rules-based   machine learning   AI

## SYSTEMATIC

---

Clear rules that turn market signals into decisions. Fully transparent and easy to audit, but could be smarter about adapting to different market conditions.

## MACHINE LEARNING

---

Statistical models that learn complex patterns humans and rules would miss. Powerful, but needs better explainability and governance guardrails.

## AI & UNSTRUCTURED DATA

---

Turns news, reports, and audio into usable signals, catching market shifts early, but requires rigorous fact-checking and human oversight to trust the outputs.



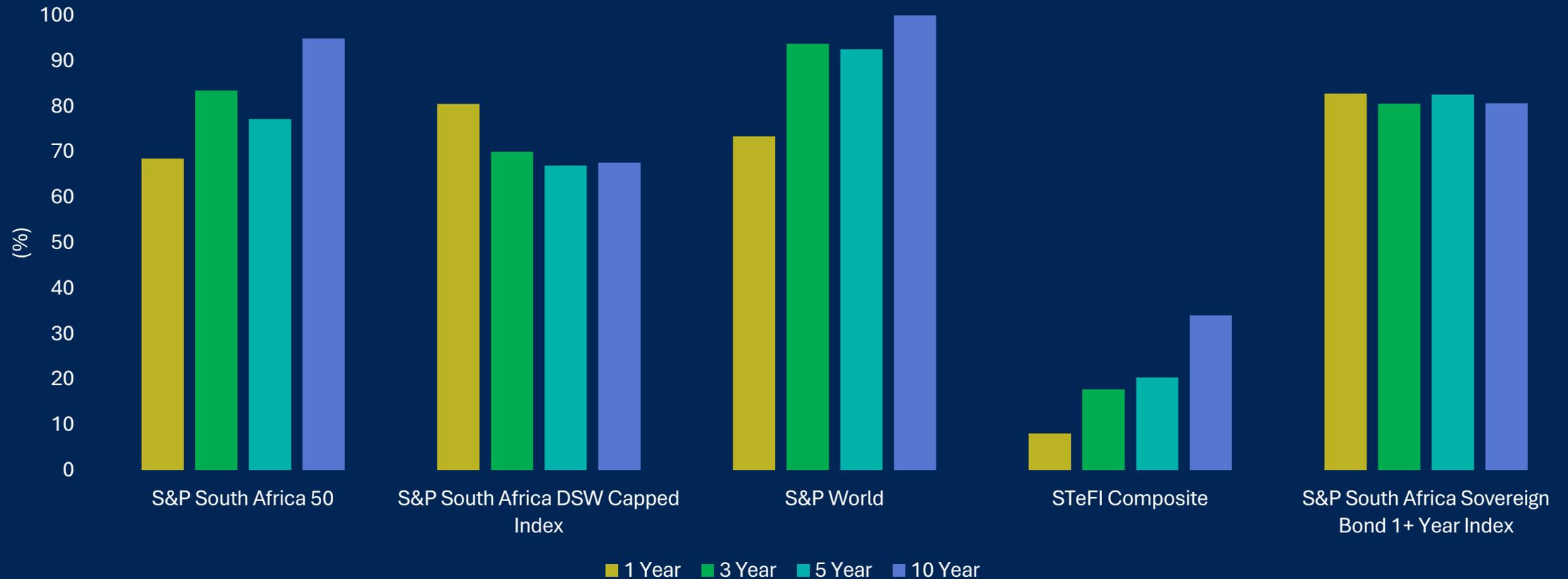
Enter Prescient

Portable Alpha Strategy

# THE ACTIVE UNDERPERFORMANCE PROBLEM

## The numbers

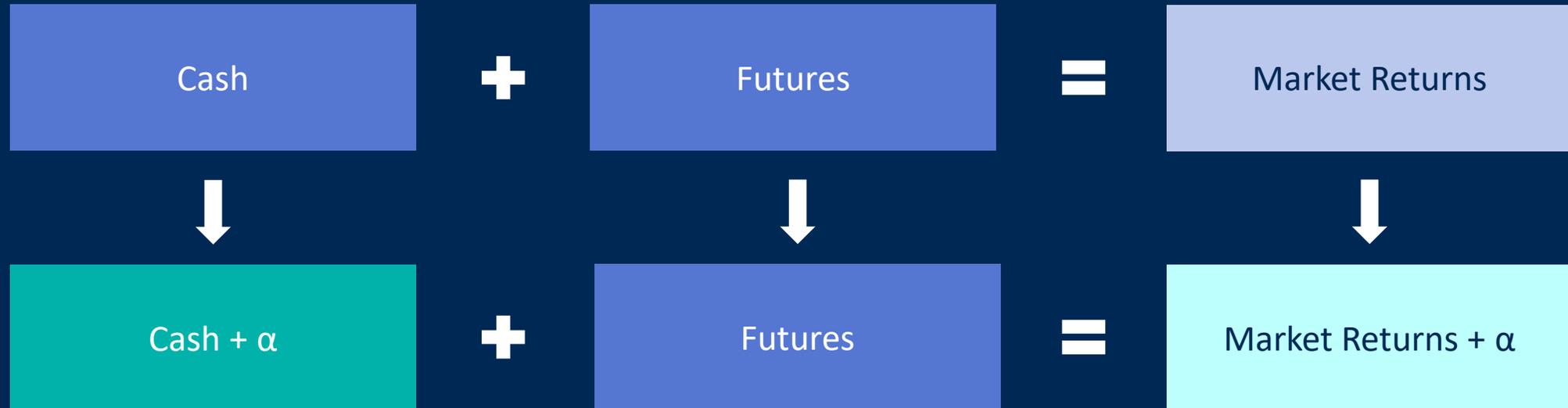
S&P SPIVA Mid-Year Scorecard 2025: South African Funds Underperformance



Source: S&P Dow Jones Indices, Morningstar, 30 June 2025

# PORTABLE ALPHA

## The Science of Capital Efficiency



# Long-term performance signatures

Dispersion of returns compresses over time...

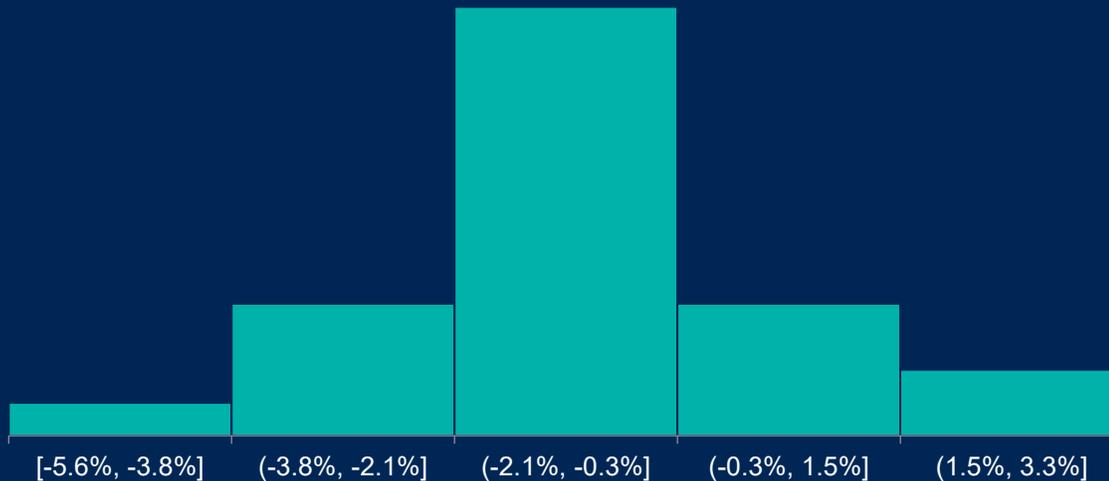
Idiosyncratic credit bets wash out...

Coupon cashflow yield dominates total return...

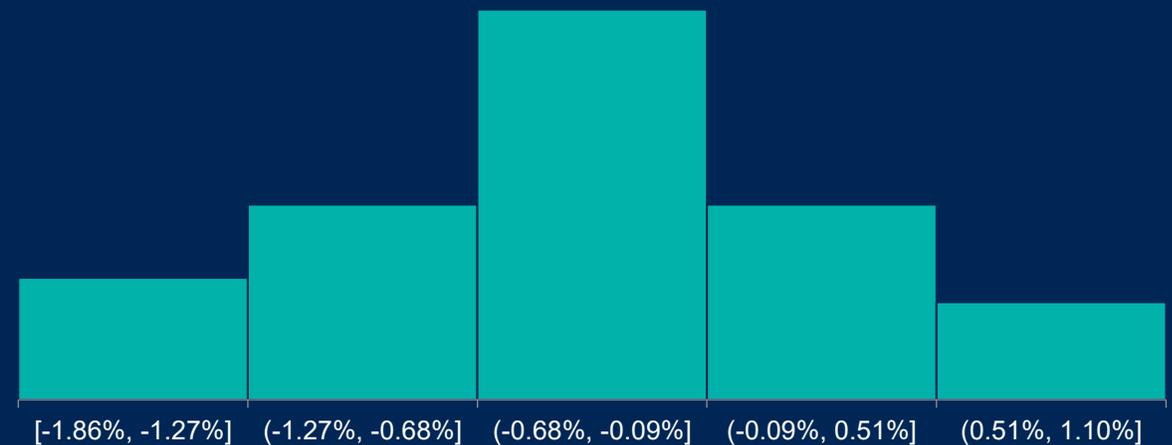
A surprisingly small amount of alpha is enough to "top" the long-term tables...

*If only* alpha was "independently" produced, scalable and replicable...

Histogram of 1-year active return



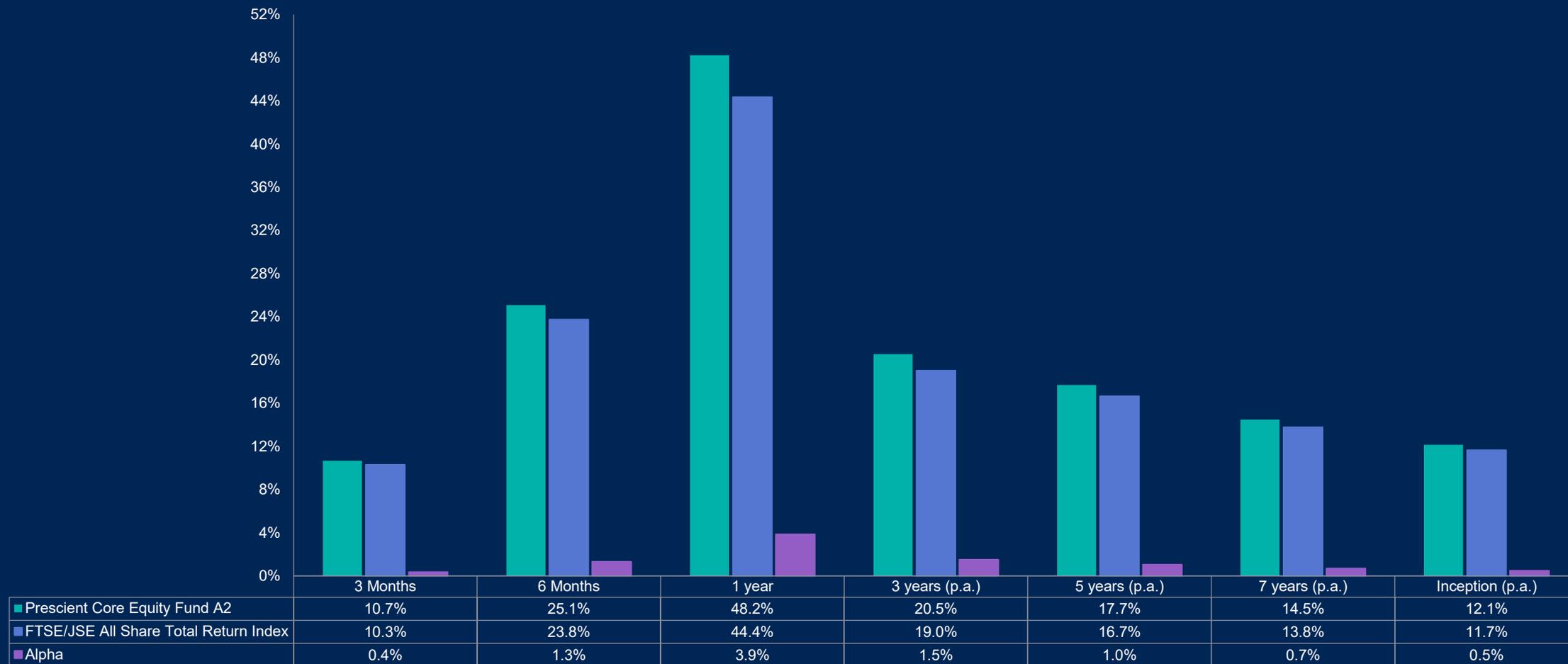
Histogram of 5-year active return



# THE NEW EDGE

## Consistency in a Noisy World

	Fund	Benchmark
Highest rolling 1 year	50.76	51.51
Lowest rolling 1 year	-21.05	-20.88



# Human vs machine

## Human comparative advantage

Defining objectives and constraints

Interpreting structural breaks & regime changes

Bearing fiduciary responsibility

Designing governance and oversight frameworks

## Machine comparative advantage

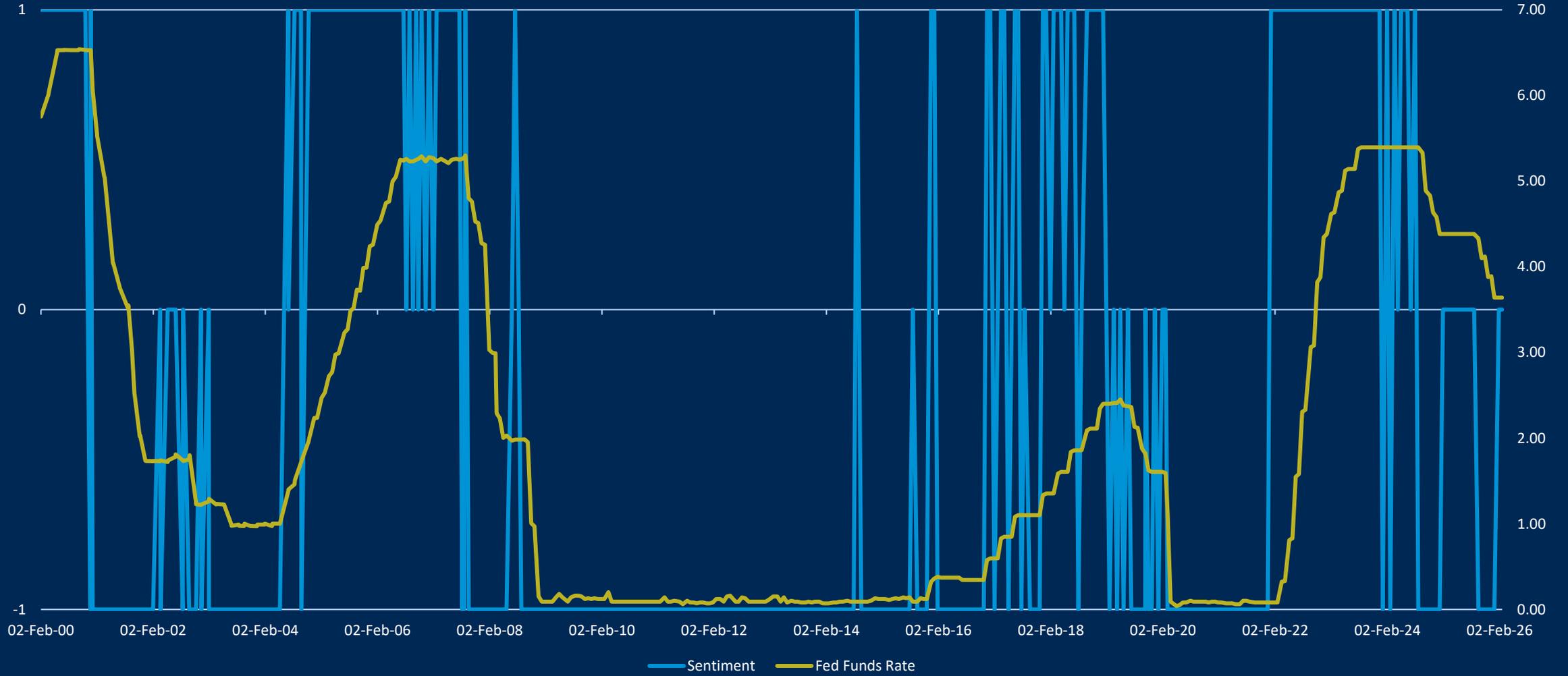
Consistent execution across all market conditions

High-dimensional signal processing without fatigue

Continuous monitoring and anomaly detection

Extraction of structure from unstructured data

# Federal Reserve Sentiment vs Fed Funds Rate



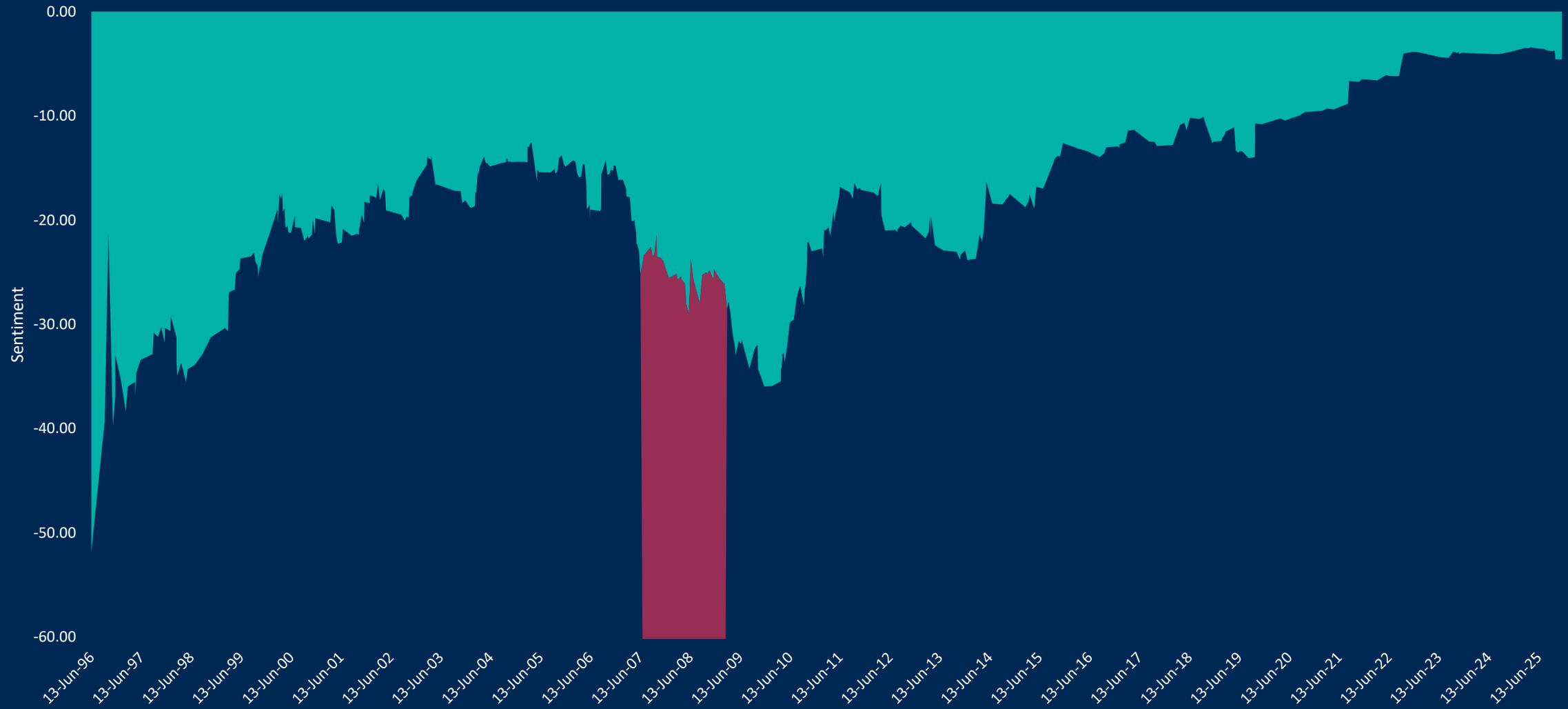
# Decoding the Fed: A history of hawkish and dovish signals

Speaker	Sentence	Sentiment	Economic Agent
M. H. Moskow	On a very practical level we reestablished our competitiveness in financial services.	1	Financial Sector
R. P. Forrestal	Continued success on the economic front depends largely on political reform namely constitutional reforms that will help restrain fiscal spending.	0	Government
R. W. Fisher	Our homeowners are thus less burdened with their housing predicament and better positioned as consumers.	1	Households
P. A. Volcker	Business investment has surged higher and productivity trends have shown sane signs of improvement from the poor record of the 1970s.	1	Firms
A. M. Santomero	In fact, payments processing is the largest component of Fed operations.	N/A	Central Bank

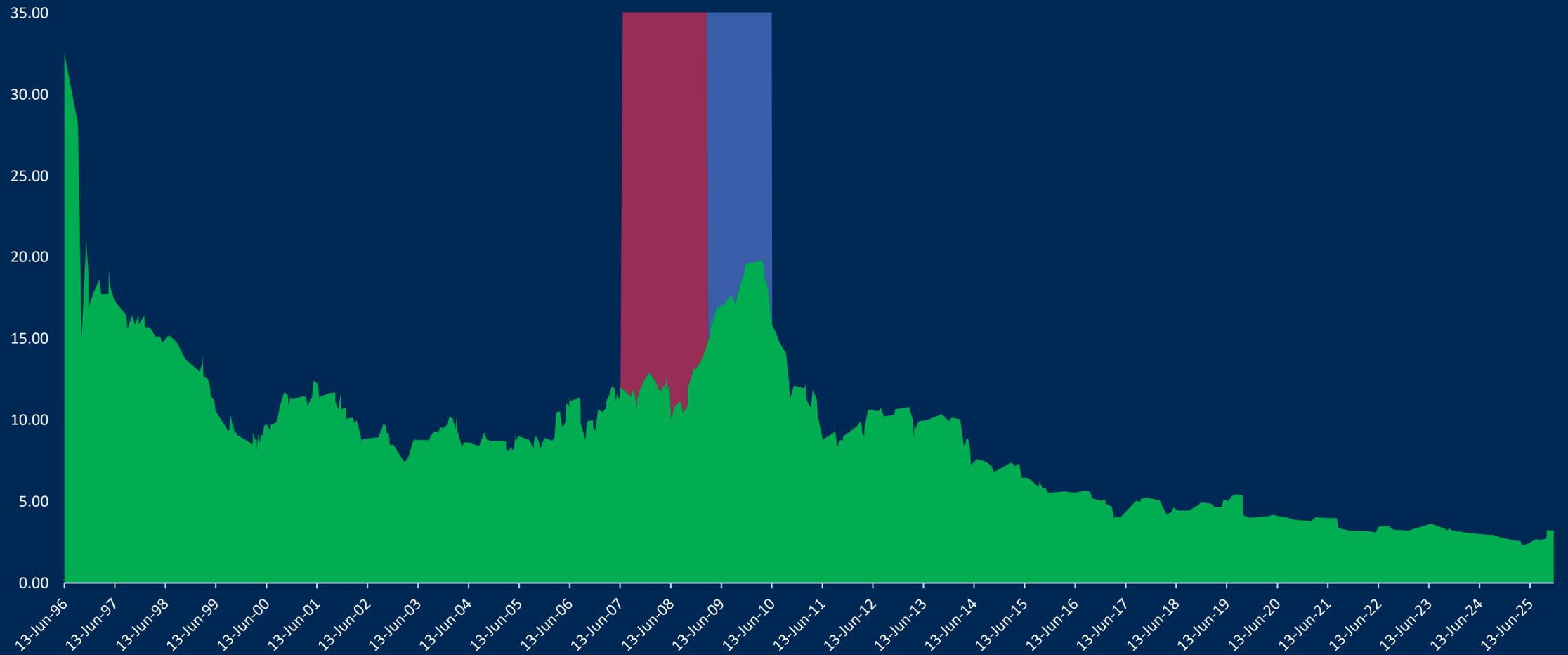
# What the Fed is signalling right now

Date	Headline	Stance
Feb 24, 2026	If the good labor market news of January is revised away or evaporates in February, a cut should be made	Dovish
Feb 24, 2026	My view of appropriate monetary policy may tilt toward a pause at our upcoming meeting	Neutral
Feb 24, 2026	PCE inflation has crept up in the past few months	Hawkish
Feb 04, 2026	At this time, I see risks as tilted toward higher inflation.	Hawkish
Jan 16, 2026	On the employment side, I continue to see downside risks	Dovish
Jan 16, 2026	Wage growth has slowed to a pace consistent with 2 percent inflation	Dovish

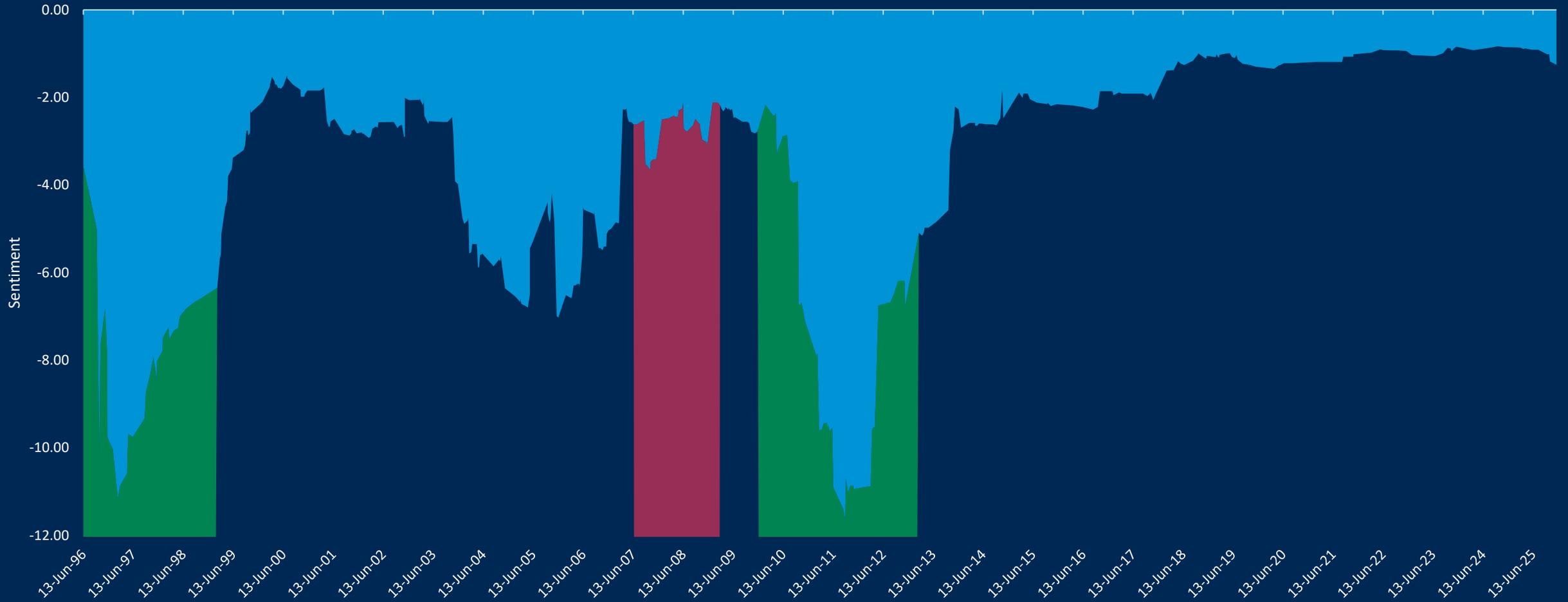
## Audience Sentiment - Financial Sector Mentions Negative



### Audience Sentiment - Financial Sector Mentions Positive



### Audience Sentiment: Government Mentions Negative



CLOSING

# The evolution and the claim

1

## Early Discretionary

Information set itself was the source of edge...

2

## Efficient Markets

Raised the evidentiary bar - *“can we show evidence of skill that survives fees, turnover, and adverse selection?”*

3

## Indexing

The average active dollar underperforms after fees...

4

## Portable Alpha

Separates alpha & beta...Much skill was in fact the harvesting of a systematic risk premium

5

## Systematic + ML/AI

With Systematic as a launchpad AI and ML became natural extensions



**Active management evolves by industrialising what works**

Stock picking → EMH raises the bar → indexing industrialises beta → portable alpha demands persistent, diversifying alpha.



**Systematic investing is the next coherent iteration**

It turns investment insight into repeatable decisions with explicit constraints, realistic evaluation, and continuous monitoring.



**ML and AI are powerful — only inside a disciplined operating system**

Governed properly: expand the information set, improve combination, strengthen monitoring. Unguided: accelerate overfitting and narrative error.



**The right question for allocators**

Don't ask whether a manager 'uses AI.' Ask: is their decision machinery coherent, testable, governed, and aligned with your objectives?



Prescient  
INVESTMENT MANAGEMENT

# THANK YOU

## BUSINESS ADDRESS

Block B, Silverwood, Silverwood Lane, Steenberg Office Park, Tokai, 7945

Tel: +27 21 700 3600

Web: [www.prescient.co.za](http://www.prescient.co.za)

Prescient Investment Management (Pty) Ltd is an authorised financial services provider [FSP 612]. Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CISs are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. There is no guarantee in respect of capital or returns in a portfolio. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request. Annualised performance shows longer term performance rescaled to a 1-year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request. Highest and lowest returns for any 1 year over the period since inception have been shown. NAV is the net asset value represents the assets of a Fund less its liabilities. Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). For any additional information such as fund prices, fees, brochures, minimum disclosure documents and application forms please go to [www.prescient.co.za](http://www.prescient.co.za).

# FAIS DISCLOSURE

Prescient Investment Management (Pty) Ltd is authorised to render advisory, intermediary and discretionary financial services in respect of the following categories and financial products:

	ADVICE	INTERMEDIARY	
	CATEGORY I	CATEGORY I	CATEGORY II
Long-Term Insurance: Category B1	X	X	X
Long-Term Insurance: Category B2	X	X	X
Long-Term Insurance: Category B2 - A	X	X	X
Long-Term Insurance: Category B1 - A	X	X	X
Long-Term Insurance: Category C	X	X	X
Retail Pension Benefits	X	X	X
Pension Funds Benefits	X	X	X
Shares	X	X	X
Money market instruments	X	X	X
Debentures and securitised debt	X	X	X
Warrants, certificates and other instruments	X	X	X
Structured deposits	X	X	X
Participatory interest in a hedge fund	X	X	X
Bonds	X	X	X
Derivative instruments	X	X	X
Participatory interests in Collective Investment Schemes	X	X	X
Forex Investment	X	X	X
Long – term Deposits	X	X	X
Short – term Deposits	X	X	X

- Prescient Investment Management (Pty) Ltd is an authorised financial services provider (FSP number 612) in terms of Section 8 of FAIS. A copy of our license certificate is available on request.
- Key individuals: Cheree Dyers, Herman Steyn, Guy Toms and Bastian Teichgreeber
- Prescient Investment Management (Pty) Ltd has adopted and implemented a conflict of interest management policy that complies with the provisions of FAIS. The conflict of interest management policy can be obtained from [compliance@prescient.co.za](mailto:compliance@prescient.co.za).
- Prescient Investment Management (Pty) Ltd holds Professional Indemnity and Fidelity cover.
- In terms of FICA, Prescient Investment Management (Pty) Ltd is an accountable institution. We are required to identify our prospective clients, verify the given information and keep records of the verifying documents. We are also obliged to report suspicious and unusual transactions that may facilitate money laundering to the authorities.
- Should you wish to pursue a complaint against a key individual and/or representative of Prescient Investment Management (Pty) Ltd, you should address the complaint in writing by email to [complaints@prescient.co.za](mailto:complaints@prescient.co.za) or post for attention of the Compliance Officer at the registered address.
- Nazley Herandien is the appointed compliance officer.
- You should note that there are risks involved in buying or selling any financial product, and past performance of a financial product is not necessarily indicative of the future performance. The value of financial products can increase as well as decrease over time, depending on the value of the underlying securities and market conditions.
- Full disclosures available at [www.prescient.co.za](http://www.prescient.co.za)