

Working to lead and shape the investments industry

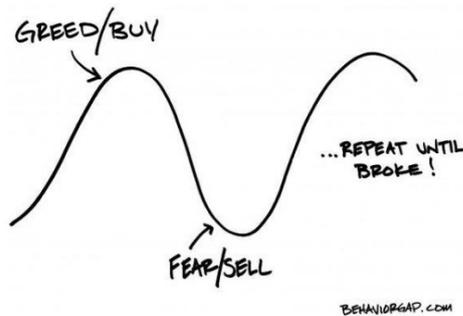
By Leon Greyling, Managing Director of Alexander Forbes Investments

Working South Africans cannot retire comfortably – this is the reality our industry and our country is dealing with. The 2016 Alexander Forbes Member Watch™ Survey shows that only 6% of retirement fund members can retire at their current standard of living. This is a statistic we're on a mission to change at Alexander Forbes Investments.

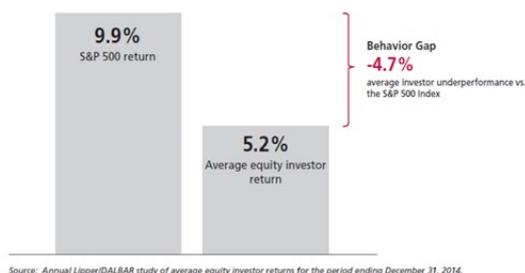
On 1 July 2017, Investment Solutions officially became Alexander Forbes Investments. The strong and respected Alexander Forbes brand will allow us to further improve our service offering to clients. As Alexander Forbes Investments we will now integrate our advice and investment excellence capabilities throughout the group to work towards securing our clients' financial wellbeing.

Investor psychology should be managed to achieve better outcomes

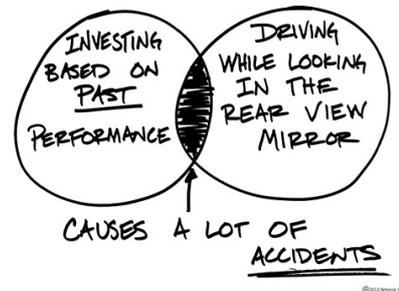
Investors' own natural instincts often let them down and the emotions of fear and greed are the primary drivers of the biggest behavioural mistakes we make. The pain of loss is felt twice as much as the pleasure from gains, and it is this fear of loss that often results in investors selling after markets have dropped - causing them to capitalise the losses already incurred, instead of holding out until the cycle works in their favour. In Carl Richard's book, *The Behavior Gap*, he uses some quirky illustrations to prove this.



The Dalbar study, conducted in the US, compares the investment returns of an index against the actual returns an investor achieves. Investors, on average, underperform the index by 4.7% because of their propensity to buy high and sell low.



Basing investment decisions on past performance is another common mistake. The search for the best portfolio or investment manager consumes much time, as investors anxiously compare their investment against what their peers are doing. Investors not with the best performing investment managers experience regret and anxiety when comparing their portfolio against the top ones. Instead of focusing on the long-term game plan they use their most recent painful experience to inform long-term decisions. They switch to the next best thing driven by the fear of suffering more pain. The old disclaimer "past investment performance is no guarantee of future investment performance" is there for a reason.



Top performing asset managers from December 2008 to December 2016

The graph below shows how the best performing managers change each year. Even good asset managers go through periods of underperformance. However, investors' behavioural biases often result in switching to yesterday's top performers, in the hope they will be tomorrow's top performers.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1.Foord	1.A.Gray	1.Investec	1.A.Gray	1.Investec	1.Stanlib	1.A.Gray	1.Foord	1.Coro	1.Moment	1.Investec	1.A.Gray
2.A.Gray	2.Foord	2.Stanlib	2.Foord	2.Coro	2.Coro	2.Foord	2.Stanlib	2.Moment	2.Investec	2.A.Gray	2.Sanlam
3.Coro	3.Oasis	3.IS	3.Coro	3.IS	3.Foord	3.IS	3.Moment	3.IS	3.Oasis	3.Momentum	3.Prudential
4.Prudential	4.Sanlam	4.Oasis	4.IS	4.Sanlam	4.Moment	4.Stanlib	4.Prudential	4.A.Gray	4.OMIGSA	4.IS	4.Oasis
5.Moment	5.OMIGSA	5.OMIGSA	5.Prudential	5.Cadiz	5.Prudential	5.Prudential	5.Coro	5.Prudential	5.Coro	5.Foord	5.IS
6.IS	6.Moment	6.A.Gray	6.Investec	6.Moment	6.IS	6.Oasis	6.Cadiz	6.Foord	6.Prudential	6.Coro	6.Absa
7.Cadiz	7.Coro	7.Prudential	7.Moment	7.Prudential	7.Cadiz	7.Coro	7.Oasis	7.Investec	7.IS	7.Prudential	7.Coronation
8.OMIGSA	8.Prudential	8.Coro	8.OMIGSA	8.OMIGSA	8.Sanlam	8.Moment	8.IS	8.Oasis	8.Sanlam	8.OMIGSA	8.OMIGSA
9.Investec	9.IS	9.Moment	9.Cadiz	9.Foord	9.Investec	9.OMIGSA	9.Investec	9.Stanlib	9.Foord	9.ABSA	9.Momentum
10.Sanlam	10.Cadiz	10.Cadiz	10.Oasis	10.Stanlib	10.OMIGSA	10.Sanlam	10.Sanlam	10.Sanlam	10.A.Gray	10.Stanlib	10.Investec
11.Stanlib	11.Investec	11.Foord	11.Sanlam	11.A.Gray	11.Oasis	11.Investec	11.OMIGSA	11.OMIGSA	11.Stanlib	11.SIM	11.Foord
12.Oasis	12.Stanlib	12.Sanlam	12.Stanlib	12.Oasis	12.A.Gray	12.Cadiz	12.A.Gray	12.Cadiz	12.Cadiz	12.Oasis	12.Stanlib

GLMW Annual Performance, sourced from Alexander Forbes Global Large Manager Watch™ and Alexander Forbes Investments

An approach to address these issues

There are many exceptional asset managers in the country who focus on delivering investment excellence. The gap, however, lies in the fact that no one, until now, is focusing their efforts on a complete solution to deliver investor excellence.

As the world changes so too should our approach to ensure investors are able to achieve the outcomes they need - without the nasty surprises. Alexander Forbes Investments is evolving our multimanager approach to one that is more adaptive and actionable. We call this Living*Investing. This approach aims to achieve investor excellence by integrating a clients' goals with investment excellence - while also focusing on the client experience. We believe this is the only way to achieve holistic financial well-being, ending the cycle of disappointing investment outcomes as well as the associated fear and anxiety. We do this in pursuit of the holy grail of investing: certainty. Certainty for our clients, helping them achieve their ambitions. Our new mantra is "In Pursuit of Certainty".

Making investing matter for clients

To make Living*Investing a reality we are strengthening our capability by elevating people from within our business and bringing in new skills to reinforce our expertise.

Gyongyi King has been appointed Chief Investment Officer. Gyongyi was previously Chief Investment Officer for Caveo Fund Solutions, one of the largest fund-of-hedge fund business in South Africa. She has a BSc Honours and is a CFA charter holder. She has over 18 years' experience in financial markets.

Lesiba Mothata has been promoted to Executive Chief Economist. Lesiba holds a BCom (Economics and Finance), BCom Hons (Economics), MCom (Financial Economics) and currently heads our Market and Economics team.

Mark Lindhiem, our current Chief Investment Officer, will step into a new role in my office as Head of Strategy for Alexander Forbes Investments. In this role he will concentrate on strategic growth opportunities for the business and executive client oversight.

In addition to these executive appointments other experienced professionals join us: Given Phaladi joins our Advisory Team as Head of Special Projects and Dr Lynn van Coller joins us as Head of Analytics and Risk.

Our approach balances the tension between investment excellence and investor behavior

Alexander Forbes Investments is boldly stepping forward to lead and shape the industry. We will challenge perspectives to focus on the most important aspect of investing, which is the outcome for our clients. The industry needs a holistic solution – one that integrates the investment journey, investment excellence as well as client comfort levels – to meet investors' goals.