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ROXBURGH MODEL PORTFOLIOS – ACTIVE MANAGEMENT

With over 1000 unit trust funds available, one of the greatest challenges financial advisors face today is selecting the most appropriate unit trusts to include in a portfolio. Previously, financial institutions provided financial advisory businesses such as Roxburgh Trust, with the necessary information to construct clients' investment portfolios. However, changes to legislation have made it impossible for these financial institutions to continue providing this service, without charging for it explicitly.

A further consideration for Roxburgh Trust is the manner in which changes can be made effectively to our clients' investment portfolios. In the past, our standard practise included asking our clients to sign switch forms whenever changes to their portfolios were necessary. The delays inherent in this administrative process, however, lessened the effectiveness of this as a dynamic tool to manage our clients' portfolios.

As a result, we spent considerable time over the past few years investigating methods of securing access to specialised resources, while also time managing clients' portfolios on a more efficient basis, and as a result three years ago we entered into a joint venture with Analytics Consulting and Morningstar Investment Management SA with a view to addressing the abovementioned issues.

Analytics Consulting and Morningstar Investment Management SA are product development and investment consulting operations with a focus on developing and offering tailored product solutions and independent investment consulting to South Africa's top independent financial advisory businesses. These experienced multi-disciplinary teams originate from the Investec stable and utilize their investment management skills, research and development tools and proprietary quantitative analytical capabilities to identify the most appropriate specialist investment managers when constructing portfolios.

NEW INVESTMENT PROCESS

In consultation with Analytics Consulting and Morningstar Investment Management SA, we established a range of investment portfolios on the Investec Investment Management Services administrative platform. These portfolios facilitate the active management of our clients' investment portfolios.

Our clients' who are invested in our Model Portfolios have been proactively managed by an investment committee comprised of a number of investment specialists with proven track records. Analytics Consulting and Morningstar Investment Management SA act as the investment manager of the investment committee, and Russell Sachs, Pieter Norval and Colin Resnik from Roxburgh Trust have acted as statutory representatives and advisors to the investment committee. The Roxburgh Trust consultants have, in turn, acted under the supervision of Analytics Consulting together with the remaining members of the investment

committee, namely, Clinton van Coller, Glen du Toit and Rob Tippet. Having just completed two years of using the new Investment Process, we are delighted to report that the combination of skills within the investment committee has added a tremendously successful and positive dynamic to our offering.

In offering these model portfolios, we have been able to efficiently and actively manage our clients' investments. The process allows for complete transparency in the way your investment is managed and gives you access to specialised, dedicated asset management expertise and investment research on a cost-effective basis.

The Roxburgh Trust portfolios have been, and continue to be subject to rigorous qualitative and quantitative analysis as well as a robust ongoing due diligence process, which facilitates the selection of quality unit trust funds within the portfolios.

Our investment process is aimed at providing our clients with a scientifically designed suite of risk-profiled investment portfolios that are robust, yet dynamic in terms of adapting to changes in investment market cycles. Roxburgh Trust expanded its offering to include five composite investment portfolios with risk profiles that are matched to the risk and return needs of their clients, ranging from conservative to high equity.

Each fund has a pre-determined strategic asset allocation, which is monitored on an ongoing basis to maintain each portfolio's risk profile. The Investment Committee additionally monitors the macro-economic environment with a view to determining whether tactical asset allocation changes are necessary.

The investment structures created, as listed below, are currently in the form of wrap funds:

- **ROXBURGH Income Portfolio**
This portfolio is classified in the Interest bearing – Short term sector and is aimed at the low risk investor. The benchmark of the fund is CPI over a 12-month period.
- **ROXBURGH Conservative Portfolio**
This portfolio is classified in the Multi Asset – Low Equity sector and is aimed at the low risk investor. The benchmark of the fund is CPI + 2% over rolling 3 year periods.
- **ROXBURGH Balanced Portfolio**
This portfolio is classified in the Multi Asset Medium Equity sector and is aimed at the medium risk investor. The benchmark of the fund is CPI + 3% over rolling 5 year periods.
- **ROXBURGH Balanced Plus Portfolio**
This portfolio is classified in the Multi Asset – High Equity sector and is aimed at the higher risk investor. The benchmark of the fund is CPI + 4% over rolling 5 year periods.
- **ROXBURGH Equity Portfolio**
This portfolio is classified in the SA – General Equity sector and is aimed at the higher risk investor. The benchmark of the fund is the average of the general equity sector over rolling 5 year periods.

The breakdown of the underlying funds selected within each of the abovementioned portfolios is available on the Roxburgh Trust monthly fund factsheets, as well as on the Investec investment statements.

The Investment Committee has successfully achieved an appropriate degree of diversification while combining investment expertise of quality investment managers. The portfolios may have exposure to equities, property, bonds, cash and offshore investment instruments.

IMPORTANT FACTS RELATING TO THE PORTFOLIO STRUCTURES

The Roxburgh Trust portfolios are model portfolios (otherwise known in the industry as wrap funds) that invest in unit trust funds and/or call accounts.

Flexibility

Our structure has access to all the top funds and fund managers in South Africa. Roxburgh Trust boasts access to investment portfolio solutions that are not readily available on standard retail platforms. Additionally, once our clients have signed the FSB-approved Analytics Consulting investment mandate, they will have the authority to manage their clients' investments on a discretionary basis on their behalf, subject to the portfolios predetermined investment mandate and the decisions made by the investment committee.

Liquidity

Our clients' investments will be subject to similar liquidity terms and transaction times as those of other unit trust funds.

Capital Gains Tax

As you may be aware Capital Gains Tax (CGT) is incurred whenever switches are applied to your investment, unless you are invested in the portfolio through a pre- or post-retirement fund product. Therefore, it is important to note that CGT events will be incurred by certain investors whenever Analytics Consulting makes changes to your investment portfolios. However, we stand by the principle that it is unwise to delay making necessary changes to your portfolios merely to avoid CGT.

As in the past and on an annual basis, Investec will notify all relevant investors of the CGT that has been incurred on their portfolios.

Costs

Through the investment process and consolidation that takes place within the Roxburgh Trust model portfolios, we are often able to negotiate lower asset management fees in certain instances. The benefits of lower fees will be passed on directly to our clients. These processes allow us to deliver an active portfolio management service to our clients at a very competitive fee.

In addition to the standard annual fees agreed upon (please see initial investment application), the investment committee will charge a further 0.40% (excluding VAT) to manage your investment portfolio(s) on a discretionary basis. Analytics Consulting and Morningstar Investment Management SA will be entitled to earn 0.20% (excluding VAT) of this amount for services rendered in respect of your investment portfolio. Roxburgh Trust will earn 0.20% (excluding VAT) of this amount as payment for providing representatives to act under the supervision of Analytics Consulting, in respect of your investment portfolio(s), and for their ongoing activities in this regard.

For any queries relating to the total costs applicable to the investment portfolio(s), please feel free to contact me.

Transparency

At any point in time, our clients will be able to determine the performance of their portfolios and the actual composition of their investment portfolio.

Switching between funds and asset classes

As mentioned, Analytics Consulting will be mandated to manage our client’s investments on a proactive basis. This will be subject to each client’s specific investment mandate and the decisions of the investment committee, and will not require our clients to sign switch forms prior to necessary changes being implemented.

Administration

After careful consideration, Investec Investment Management Services were appointed to provide the legal framework for the Roxburgh Trust investment portfolios and to act as administrator of the funds. Roxburgh Trust has a long and well established relationship with Investec.

Investec has many years of experience and technical expertise, and a strong administrative capability. They currently administer in excess of R50 billion in linked investments.

Disclaimers

The information and opinions contained in this document are recorded and expressed in good faith and in reliance on sources believed to be credible. No representation, warranty, undertaking or guarantee of whatever nature is given on the accuracy and/or completeness of such information or the correctness of such opinions. Analytics Consulting and Morningstar Investment Management SA will have no liability of whatever nature and however arising in respect of any claim, damages, loss or expenses suffered directly or indirectly by the investor acting on the information contained in this document. Furthermore, due to the fact that Analytics Consulting and Morningstar Investment Management SA do not act as your financial advisor, we have not conducted a financial needs analysis and will rely on the needs analysis conducted by your financial advisor. We recommend that you take particular care to consider whether any advice contained in this document is appropriate given your objectives, financial situation and particular needs in view of the fact that there may be limitations on the appropriateness of the advice provided. No guarantee of investment performance or capital protection should be inferred from any of the information contained in this document. Analytics Consulting and Morningstar Investment Management SA are authorised financial services providers.

Investors’ signature
