



## **NEWS RELEASE**

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# **CAUTIOUS INVESTORS MISS MULTI-MANAGER BUYING OPPORTUNITY**

Despite the extent of the equity market fall, and subsequent improvement, investors in multi-manager portfolios continued to allocate the majority of their funds to low risk cash-biased portfolios in the first quarter of this year.

According to Melville du Plessis, Risk Manager at Novare Investments: "Investors remained hesitant to allocate money to higher risk mandates with the majority of discretionary flows having gone towards conservative, fixed income and cash portfolios. As a result, they may have missed the boat.

"This is worrying, given the high reinvestment risk in fixed income and cash, and the fact that buying opportunities in equity markets don't often present themselves. By not allocating capital to more risky asset classes, investors may have sacrificed potential long-term performance."

Du Plessis said that, in line with international trends, South African multi-managers have seen strong growth over recent years, enjoying widespread acceptance among investors to become an established part of the fund management industry.

Multi-managers experienced double-digit growth in assets under management between 2003 and 2007, and managed to hold their own in 2008 when international peers saw outflows coupled with severe market losses.

One reason for the growing popularity of multi-manager portfolios is the rapidly expanding investment universe. At the end of March 2009 there were 891 unit trusts in South Africa, more than double the number of stocks listed on the JSE.

“This leads to difficulty when making decisions among available options, with a second level of complexity introduced when considering how to optimally blend a number of selected managers.

“These challenges support the view that investment manager selection should be delegated to specialists whose job it is to identify the best managers of the future. Demand for multi-management solutions has been strong from smaller pension funds and individuals without the resources needed to undertake portfolio management on a daily basis.

“Multi-managers are a cost-effective way of accessing professional portfolio management services including manager due diligence, asset allocation, risk management and administration. In addition, investors benefit from the lower fees multi-managers are able to negotiate with underlying managers.

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**Notes to Editors:**

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- Novare Group comprises Novare Actuaries & Consultants, Novare Investments, Novare Botswana, Novare Actuaries Africa and Novare equity Partners.
- Novare Actuaries and Consultants strives to be the best implemented consulting firm in South Africa. The business is performance driven, with a focus on unique liability based investment solutions for each client.

Novare Investments constructs portfolios by combining asset classes and using the best fund management skills available. When constructing portfolios, Novare looks for managers who make use of those innovative techniques and risk management tools, combining managers with skills in different areas. Novare Investments is a leader in South African hedge fund research.