



## ABOUT US

Fortunate Brokers partnered with SA Asset Management who is an independent multi-asset investment solutions provider to Independent Financial Advisors (IFAs) such as Fortunate Brokers. The objective is to provide a range of independently compiled wrap fund investment solutions that are made available to any appropriately licenced Category 1 and Category 2 advisors, by providing access to the solutions via a wide range of the largest and most highly recognised Linked Investment Service Provider platforms in South Africa.

The range of independently compiled wrap fund investment solutions are tailor-made to address a diverse range of investment needs. The range of solutions is constructed by a professional independent investment committee who is tasked with the selection and ongoing review of the specific underlying funds, thus continually ensuring that the correct blend of unit trust funds is combined to achieve the desired risk adjusted returns.

## Fund Selection Process

**Initial  
Screening**



Fund size greater than R1 billion



Three-year minimum track record



Single Managers

## INTRODUCTION

The investment universe for a South African investor can become a confusing, complicated, and daunting prospect as much of the predefined universes are different in aspects most analysts, advisors and manager have little control over. The main so called “problem” is that managers set up a fund that will be managed in accordance with their strengths. This will obviously relate that if there are 1600 funds, there are 1600 different investment styles. Terms such as category averages, benchmarks and composites only confuse investors as these tend to be interchanging cogs in an already sophisticated vehicle.

Simply, as in investor you need a solid plan of action. To be invested in the market is the most important factor for generating, first substantial returns, and more specific above average returns.

## PLAN OF ACTION

Returns can be stripped down in two essential parts while adhering to an investor defined risk-return objective. Thus, before we delve into these two parts, we need to define the risk-return objective framework, as can be seen on the table below:

### Define your Risk Return Category

Risk Return Framework	Category/Benchmark	Return (Net)	Timeframe	Objective
Income	MA Income	CPI + 1%	< 1 year	Income
Medium - High Risk	High Equity	CPI + 6%	5 + Years	Pre-Retirement planning
High Risk	Equity General	CPI + 7%	defined	Subject to investor

Defining the risk-return profile can be the most difficult aspect of an investment. This is of the utmost importance to ensure the investor is invested correctly. While a country's CPI (inflation) provides the most accurate real return objective, investors are increasingly more demanding an equity level of risk. For this reason, the table will sum up which categories are in line with the related CPI objective. The CPI+ benchmark unfortunately also provides no investable investment vehicle and for this reason, it is important to understand that each objective is allocated to different ASISA categories, summarized, as follow;

- ASISA Category should be seen as the **primary goal** with the objective.
- CPI+ should be viewed for possible real returns, as the **secondary goal**. It is the job our analysts and propriety in-house models to ensure the risk – return objective is met depending on ever changing market conditions.

## Strategic Asset Allocation

Strategic asset allocation will outline what the investors parameters are. This will ensure that the investor is always invested in accordance with their risk-return objectives to ensure they participate in category specific market cycles.

The main aim of the strategic asset allocation is to invest the solution in a diversified long-term goal. Strategic asset allocation, in its own, can also be seen as a function to provide above average returns. The reason being is there are a lot of active managers taking big size "contrarian bets". This can be seen as a good idea, but with various investment studies going around, timing which sectors will outperform their peers in the Multi Asset category seems to be an impossible task. While the small number of managers that can effectively do this, relates to an increasing amount of risk.

Simply, investors know they are "responsible" for the selected market risk. Managers are "responsible" for the deviations away from the normal market risk. Strategic asset allocation should in the simplest terms provide the investor with a good, above market average return over the long term.

SA Asset Management in partnership with Fortunate Brokers, has taken on a philosophy which takes on the following Strategic Asset Allocation.

### CAUTIOUS FUND

Income	Strategic Asset Allocation (SAA)
SA Income	65
SA Equity	3
SA Property	0
SA Bonds	10
SA Hy Corp	10
DM Equities	2
EM Equities	5
DM Bonds	5

### BALANCED FUND

High Equity	Strategic Asset Allocation (SAA)
SA Equity	40
SA Property	5
SA Bonds	15
SA Hy Corp	10
DM Equities	16
EM Equities	10
DM Bonds	4

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## OUR RESEARCH SHOWS

- Adhering to this SAA will provide the investor with the most effective long-term asset allocation.
- This SAA will provide the investor with benchmark hugging returns while not taking on too much risk, leading to cleaner rate of returns regarding the respective ASISA category.
- With superior fund selection and small tactical tilts, outperformance can be generated with the optimal risk-adjusted returns.

Various asset classes make out the various Multi-Asset Strategies. As shown in the research, asset class diversification and their respective allocation tilts, play the most important role for an investor to achieve their investment returns.

We have one problem here, which investments, funds or instruments must we use to replicate the underlying respective asset classes? At Fortunate Brokers, in partnership with SA Asset Management, we pride ourselves to select the best managers in each underlying asset class.

Our approach is based on a three-stage model which effectively measures all funds **in regard to their peers within their own asset class**. For Example: The SA Bonds category is a weighted average of all funds available in the category. By using our three-stage model, we can effectively analyse the underlying +-80 funds in the category and allocate the management of the category, towards what we believe will be the best managers on an independent basis.

### 1 Quantitative Analysis

In Depth research on the fund investment philosophy and characteristics

- Performance Analysis
- Risk-Return
- Drawdown Analysis

#### SAAM Phase 2 Model Carve Out

Fund	2012/12/31	2013/12/31	2014/12/31	2015/12/31	2016/12/31	2017/12/31	2018/12/31	2019/12/31	2020/12/31	2021/09/30	Average
Fund 1	-	-	47	40	8	12	1	2	6	6	5,40
Fund 2	-	29	56	29	50	7	12	4	1	3	5,40
Fund 3	28	6	35	21	19	3	8	6	7	4	5,60
Fund 4	29	9	7	2	1	11	3	8	14	11	9,40
Fund 5	19	17	15	12	16	9	11	7	8	15	10,00
Fund 6	17	3	13	3	10	5	9	16	11	12	10,60
Fund 7	30	39	19	20	6	10	5	15	16	9	11,00
Fund 8	-	-	-	35	58	15	21	3	12	10	12,20
Fund 9	12	1	1	1	2	2	7	13	27	19	13,60
Fund 10	-	-	-	60	55	24	26	14	3	2	13,80
Fund 11	13	11	11	6	4	8	10	11	17	26	14,40
Fund 12	-	-	34	46	20	18	14	5	22	13	14,40

Research on manager, investment philosophy and organisational culture

**2** Qualitative Analysis



**Investment Philosophy:**  
Well defined and fundamentally "sound" investment philosophy



**Investment Process:**  
Disciplined and repeatable investment process



**Investment Team:**  
Stable, multi-skilled and experienced investment team



**Investment Culture:**  
Long-term & client focused



**Company characteristics:**  
Financially sound and stable



**Incentive Structure:**  
Fair and aligned with investors

**3** Fund Selection

Funds that meet the stringent quantitative and qualitative requirements are further analysed and assessed in relation to one another. A final selection is approved by the investment committee and these funds are then added to the watch list as building blocks for the solutions.

**Asset Class Selection - Equity Allocation**

Equity allocation is one of the biggest performance supporters and detractors. While equity is the key component for achieving returns well above the safe (cash) categories, the category remains a challenging obstacle. Research done by Prescient and SA Asset Management has showcased that only a very small selective few can outperform the South African market in general. While there are funds that has shown incredible skill to outperform the category, the taken-on risk levels need to be taken into consideration. For this, we believe that, taking costs into consideration we will only be implementing passive equity structures as the research shows that this investment case could not only lead to above average returns, but also lower the costs of the solution incrementally.

Table 1: South African managers who outperform the JSE ALSI over a 12-month period

**OUTPERFORMERS ARE A SMALL MINORITY**  
ON AVERAGE ONLY TWO OUT OF TEN EQUITY MANAGERS OUTPERFORM

Percentage of funds that outperformed the equity indices over a rolling 12m period

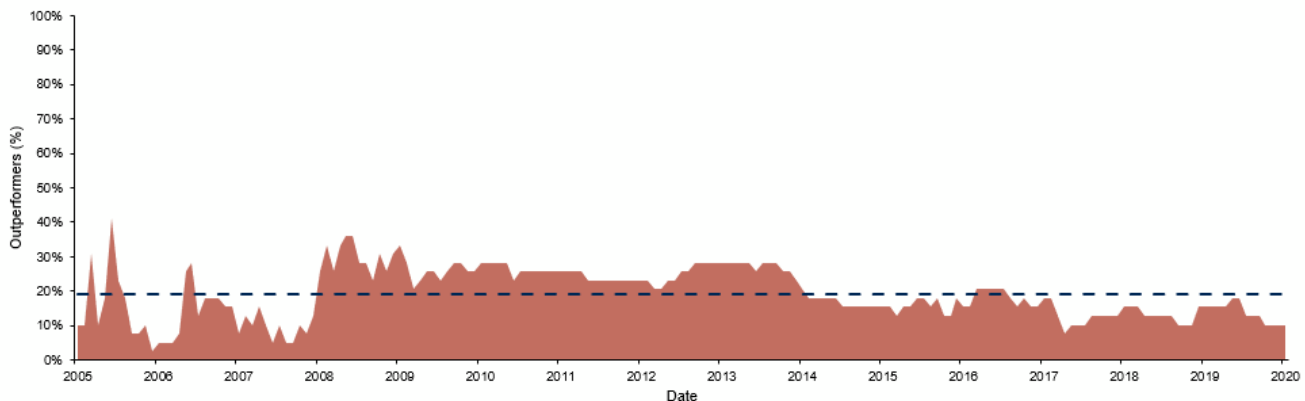
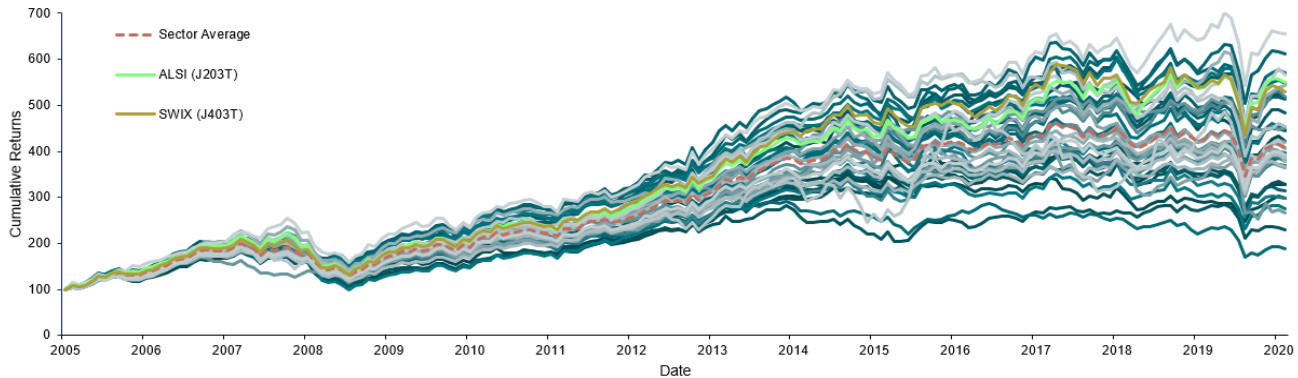




Table 2: South African sector average vs JSE All Share returns

## LOCAL EQUITY INDEX BENCHMARKS HAVE BEEN STELLAR

ASISA General Equity Category performance for funds with track records since 2005



When we have analysed all the available funds for a specific asset class, we have an optimally structured solution which is structured to deliver the necessary risk-adjusted returns required.

## FORTUNATE FINAL ASSET ALLOCATION AND FUND SELECTION FRAMEWORK

### FORTUNATE CAUTIOUS FUND

Income	Strategic Asset Allocation	% Of Fund	Fund
SA Income	65	25% - 100%	Fund
SA Equity	3	100% Passive	Satrix Top 40
SA Property	0	100 % Passive	Satrix SA Prop
SA Bonds	10	50% - 100%	Fund
SA Hy Corp	10	50% - 100%	Fund
DM Equities	4	100 % Passive	Satrix World
EM Equities	3	70 % Passive	Satrix Emerging Mkts
DM Bonds	5	50% - 100%	1invest Global Agg

### FORTUNATE BALANCED FUND

High Equity	Strategic Asset Allocation	% Of Fund	Fund
SA Equity	40	100% Passive	Satrix Top 40
SA Property	5	100 % Passive	Satrix SA Prop
SA Bonds	15	50% - 100%	Fund
SA Hy Corp	10	50% - 100%	Fund
DM Equities	16	100 % Passive	Satrix World
EM Equities	10	100 % Passive	Satrix Emerging Mkts
DM Bonds	4	50% - 100%	1invest Global Agg

## Investment Committee

### Fourie Kritzinger CFP

Working in the Financial Planning industry since 1997. Fourie Kritzinger, the key Individual obtained his CFP (Certified Financial Planner) and also his Advanced CFP qualifications via the UOVS. We can assist you in your total/holistic financial planning journey and are totally independent.

### Steph le Roux CFA, CFP, CIPM

Chief Investment Officer, Director for SA Asset Management

Steph is a portfolio manager and director of SA Asset Management and holds a B.Sc. in Financial and Actuarial Mathematics. After earning a B.Sc. degree, he completed his postgraduate diploma in financial planning and is a Certified Financial Planner. He is also a proud Chartered Financial Analyst and has seven years of experience in the financial sector. He joined the SA Asset Management Team in 2019 in the Pretoria office.

Member Certificate –  
Financial Planning Institute of SA

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