



# GRAYSWAN

INVESTMENTS



IMBASA  
YEGOLIDE  
AWARDS

Responsible Investment Consultant  
of the Year 2016

*Signatory of:*



**PRI** Principles for  
Responsible  
Investment



IMBASA  
YEGOLIDE  
AWARDS

Nominee  
2017

GRAYSWAN INVESTMENT CONSULTING SERVICES

# GRAYSWAN INVESTMENTS

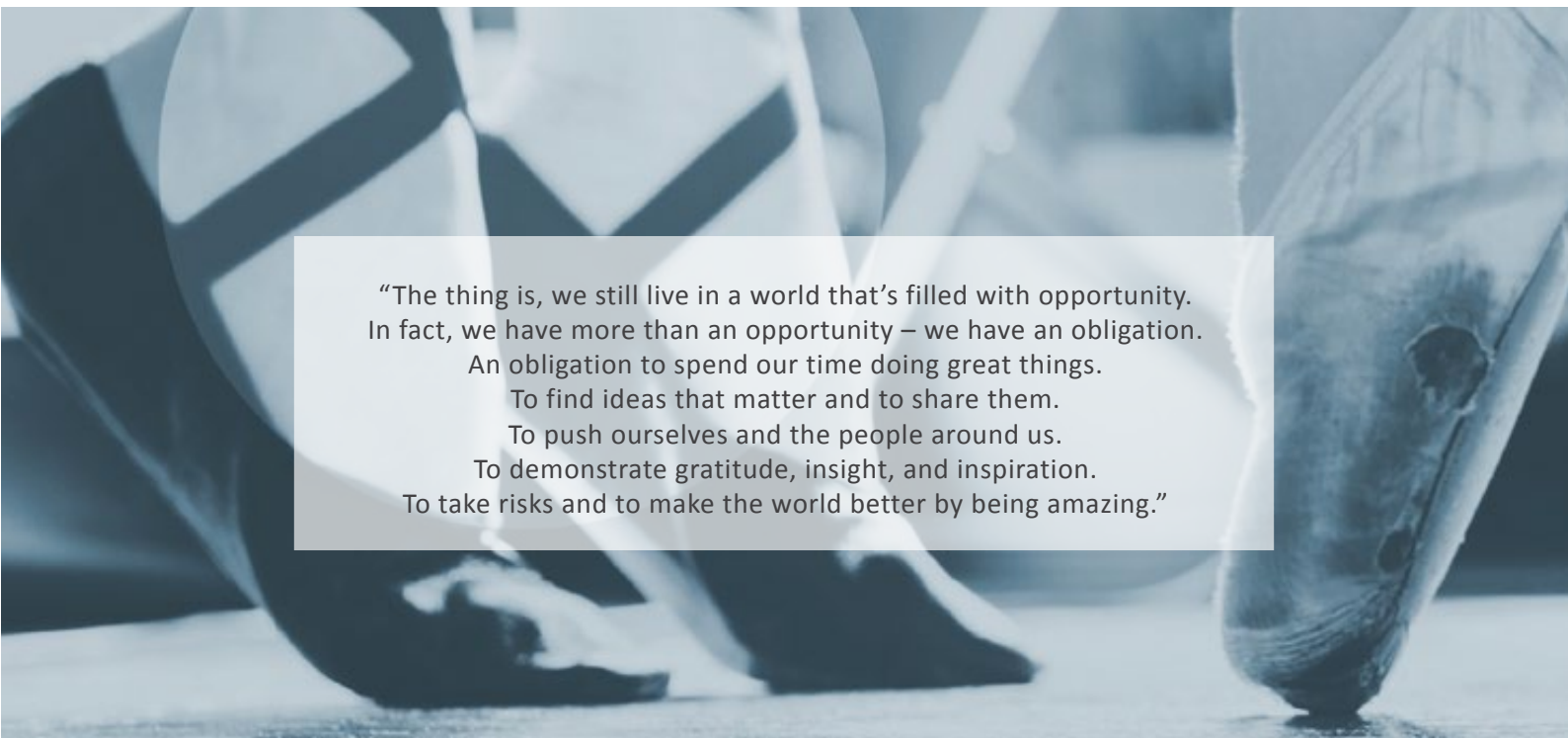


We are an award-winning investment consulting business  
and our clients are top performers

“Black Swan” events are random and unexpected. They are the unpredictable unknowns such as Brexit and Trump. “GraySwans”, as we coined the term and named our business, are those risks that can be identified and which may have unintended adverse consequences for investors and therefore should be managed to ensure adequate compensation thereof or should be avoided.

At **GraySwan** we do not intend to predict the unpredictable. Our unique, refreshing and high conviction investment consulting approach empowers retirement funds as well as other institutional investors to identify risks and then to pro-actively manage such risks in their investment portfolios or to avoid such risks. The essence of investment management is the management of risks, not the management of returns.

We take great pride in our work, our in depth proprietary research and our superior long term record. We provide objective, transparent, high conviction and measurable value add investment consulting services and we believe that makes all the difference. Our clients are all top performers – such speak to an investment consulting process that has been refined over the past two decades that works.



“The thing is, we still live in a world that’s filled with opportunity. In fact, we have more than an opportunity – we have an obligation. An obligation to spend our time doing great things. To find ideas that matter and to share them. To push ourselves and the people around us. To demonstrate gratitude, insight, and inspiration. To take risks and to make the world better by being amazing.”

We conduct business based on the following values:

## BOUTIQUE

We are a boutique company. We provide premium and tailor-made services. We strive to provide an authentic experience that meets each client's unique needs. Boutique does not mean expensive and exclusive, it means focused and tailor-made.

## TRUSTWORTHY

Doing the right things for the right reasons is in our DNA. That is why clients can trust our advice and why they can Sleep Well At Night ("SWAN"). We value total transparency and invest their money with highly reputable investment managers.

## DISCIPLINED

We always count. We conduct thorough and detailed quantitative and qualitative and operational research of the universe of investment managers before we advise our clients to invest.

## PASSIONATE

We believe passion changes everything. Our passion for investments is the reason why we exist. Passion drives us to find new investment opportunities and innovate smarter ways of doing things. We always go the extra mile.

## RESPONSIBLE INVESTING

GraySwan is a signatory to the United Nations Principles of Responsible Investing (UNPRI) and have previously been awarded as the Responsible Investment Consultant of the Year. This award is testimony to our unique and leading edge approach of incorporating best practice Responsible Investing principles into our investment advisory and wealth management approach.

The award aims to recognise and reward service providers who have given extraordinary service to retirement funds in terms of the incorporation of Responsible Investment principles into their investment consulting approach.

We are the only South African investment consultant to be a member of the PRI's Global Reporting and Assessment Committee. We believe the road of being responsible is the road less travelled but it makes all the difference.

UN PRI is an international investor initiative sponsored by the UN and based on six principles for responsible investments. The aim is to help investors actively to incorporate environmental, social and governance issues into their investments.



## PAY IT FORWARD

*“We make a living by what we get,  
but we make a life by what we give.”  
-Winston Churchill*

We're more than just an investment consulting business. We are a business that cares. We make a living by what we get, but we make a life by what we give.

Since inception of our business we have channelled 10% of our company's profits to various organisations via our **GraySwan** Charitable Trust. We care about our direct community. It's in our DNA and part of the adventure at **GraySwan**. We don't just commit finance but also material amounts of our time.

One of the highlights of the many **GraySwan** charitable projects is our School Shoes Project “Walk with a Purpose” which has donated more than 10 000 shoes and more than R3,000,000 to underprivileged schools in our direct community.

Our website is comprehensive and covers our ongoing involvement in our community - [www.walkwithapurpose.co.za](http://www.walkwithapurpose.co.za)



OUR INVESTMENT CONSULTING SERVICES

Our investment consulting offering includes a comprehensive range of services. These services can be acquired as a complete full retainer offering or they could be provided on an ad-hoc basis as and when required. We tailor make our offering according to any clients’ specific needs. We serve our clients on a non-discretionary advisory or a discretionary investment advisory model. Every client is different and we tailor-make our offering to fit their needs.

Investment Audit	Investment Strategy and Asset Liability Modeling	Manager Research and Selection	Risk Management	Performance, Risk and Mandate Monitoring
Transaction Cost Analysis (“TCA”) Reporting	Securities Lending Income Monitoring	Transition Monitoring	Trustee Training	On-Line Technology

Many of our services are unique i.e. our Investment Review services, Transaction Cost Analyses and Policy, Securities Lending Reports and Policy, Responsible Investment Policy, Total Expense Ratio reports and many more.

For example, it is best practice to have an independent investment review conducted on your current investment strategy. We provide objective recommendations as to where enhancements can be made, transparency increased and fees reduced. Our recommendations serve as a “second opinion” to ensure that global best practice is implemented and that you are optimally positioned to reach your performance objectives.

We do not have any arrangements with any product providers to our institutional clients, nor are we affiliated or have any relationship with any life insurer, investment platform, investment manager, stockbroker or custodian and we do not market or sell any investment products to our institutional clients. We do not manage conflicts of interest, we avoid such.

ALWAYS  
HAVE ACCESS  
TO OUR  
BEST VIEWS



## OUR CLIENTS

Currently we provide investment consulting services to in excess of R20 billion of assets. Our investment consulting clients range from as small as a R35 million group retirement annuity and a R250 million medical aid fund to as large as a R4 billion retirement fund and a R5 billion short term insurer.

The investment strategies which we have implemented range from specialist, balanced and liability driven investment (LDI) strategies and we include both actively managed and passively managed strategies within our best advice framework.

Each client is regulated by different legislation and every client has their own fund or scheme rules and own unique liabilities and investment requirements. Our investment process remains exactly the same across all our clients but we simply take cognisance of such unique requirements to tailor-make our advice to suit such needs.

Our clients are the ambassadors of our business and our business has been built primarily on word of mouth. Our clients have yielded superior investment performance than the industry and have experienced service excellence.

“ **Since their appointment in 2010, GraySwan’s advice has resulted in a significant improvement in our investment results. Our Fund now rank under the top performers in the country and such results has been obtained with material hedging strategies in place to ensure that the Fund provides superior risk adjusted results.**

**We have furthermore been impressed by their work ethic and attention to detail when investigating opportunities, conducting due diligences (both local and abroad) and when scrutinising investment manager mandates and their respective performance and risk. We are particularly pleased by GraySwan’s uncompromising attitude towards staying truly independent, since it is important to us that our investment consultant does not have conflicting interests that could impact on the absolute objectivity of their advice.**

”

The reference is from a large multi-billion institutional client. We assisted them to enhance their investment strategy, to reduce the number of mandates from in excess of 25 mandates to 11 mandates, to reduce the costs of the Fund by more than 25%, to materially increase the transparency and liquidity of the underlying investments and have turned around the performance to now being a top performer versus their peers – all within 3 years. We have also now assisted them to implement “In Fund” annuities and a best practice financial advisory model to the underlying members. They are the top performing retirement fund in their industry and their fees are bottom quartile.

OUR INVESTMENT CONSULTING TEAM

**“Consult with wise men, let their wisdom protect thy treasure from unsafe investments.”**

- George S. Clason - The richest man in Babylon

Our depth of our collective experience of more than 100 years of providing investment consulting and investment management services to most of the most prestigious institutional funds in the country perfectly positions us to assist any retirement fund, medical aid fund, corporate investor or even umbrella fund. The core of our investment consulting team has worked together for in excess of 12 years. The average experience of our investment consultants is 13 years which is significant.

Having consulted to 7 of the largest 10 pension funds as well as many other medium and smaller sized funds in South Africa and also having previously managed many of these funds’ offshore assets provides us with a competitive edge versus our competitors. Most investment consultants do not have actual investment management experience. Our previous experience of managing an offshore alternative investment manager provides us with practical rather than theoretical insights.

Our investment consultant to client ratio is the highest in the industry which gives us a strong competitive advantage. Therefore, our clients receive a premium and world class service which leads to superior risk adjusted and sustainable performance.



## OUR INVESTMENT CONSULTING APPROACH

**“Two roads diverged into the woods, we took the road less travelled and that has made all the difference.”**

**- Robert Frost**

A robust and well-defined investment strategy enables investors to achieve their short, medium and long-term investment objectives in any market environment. We act as the investment architects and long term thinking investment partners thereby empowering investors to optimally combine different asset classes, different investment styles and different type of investment manager mandates within a clear and well-defined performance and risk-managed framework.

### CONSTRUCTING A STRATEGIC AND TACTICAL ASSET ALLOCATION

The most important starting point is to establish the performance objectives and risk tolerances of a Fund and to test whether such can be met and managed within a pre-defined framework. We test such objectives by using our unique proprietary asset modelling optimization program where we model asset classes both testing historically and by making forward looking adjustments based on our expectations. This process enables us to construct a Strategic Asset Allocation (SAA) with Tactical Asset Allocation (TAA) bands based on forward looking beliefs that would meet all the performance objectives and risk parameters identified.

Understanding the nature of the liabilities and then defining the optimal performance objective, time horizon and risk tolerance is the key to building any successful investment strategy. We know that strategic long-term asset allocation counts for approximately 80% to 90% of the variation in portfolio returns whilst tactical asset allocation and dynamic hedging strategies counts for about 10% and investment manager selection for another 10% in the variance of returns. We believe success in the next few years will ultimately depend on our client's ability to implement tactical asset allocations, periodic rebalancings into strength and to buy into the dips when opportunities arise.

### INVESTMENT MANAGER SELECTION

We also know that if we invest with quality and premium investment managers they will assist us to manage our clients' expectations and thereby meet pre-defined performance targets within a well-managed risk budget.

Investing is a world where every investment manager claims to be terrific and they can typically back it up with some or other performance analytics. However, most investment managers actually underperform the market, making active management a losers' game unless the investment consultant have the skill to advise their clients to select superior investment managers and furthermore blend them in an optimal manner to provide superior risk adjusted returns.

The problem is not that investment management is not done well, the problem is it is done well and by many and the active investment management universe thereby becomes the market.

Although there is enough evidence to support a passive investment management approach there is also evidence to indicate that truly exceptional investment managers can beat the market which is an argument in favour of an active investment management strategy. We advise our clients to use a combination of passive and active funds in their portfolios. We believe both these approaches has a place in a well-diversified and cost-effective investment portfolio.



Further, as Charles Ellis highlights in his paper - The Winners Game – “... investment managers may or may not outperform their benchmarks, but if the investment consultant has not understood how best to meet the investor’s requirements, its game over. It’s actually the investment consultant and not the investment manager who has the greatest impact on outcomes and performance.”

Our unique and high conviction investment manager research and selection advisory offering centres around a deep understanding of the investment manager industry of which their expertise were gained over the past two decades. We have gained our competitive edge not only from our wealth of investment consulting experience, but also from our offshore investment management backgrounds where we managed an offshore alternative fund of fund investment management business which at the time was one of the largest 100 alternative fund of fund businesses in the world.

We look for investment managers that have consistent investment philosophies, distinct and replicable investment processes and an ability to meet your performance objectives within a well-defined risk managed framework and within pre-defined time horizons. We focus our investments manager research and selection process on in-depth qualitative, quantitative and operational research and on-site due diligence in order to guide you to select the optimal blend of investment managers that will lead to superior performance.

## PORTFOLIO CONSTRUCTION

We make use of our proprietary optimisation program to ensure the optimal blend of skilled active, passive and smart beta investment managers within each asset class, investment strategy and investment style.

Diversification is managed in a number of ways such as:

- Asset class composition;
- Geographical allocation (i.e. local versus offshore and Africa assets and developed vs emerging markets);
- Portfolio construction (i.e. the optimal combination of asset classes and investment managers, investment styles, investment approaches.);
- Currency and equity hedging strategies as and when suitable.



## INCORPORATION OF OUR VIEWS

After identifying and blending the most optimal investment managers and funds we incorporate our current and forward-looking views within the Tactical Asset Allocation (TAA) bands. Our investment team functions as a cohesive unit which interacts daily and formally meets on a monthly basis to review the current investment portfolios, to discuss the current global market environment and most importantly to identify where opportunities exist and / or any risks which needs to be managed within any one of their client portfolios.

## EXECUTION, MONITORING & IMPLEMENTATION

We implement our investment beliefs with high conviction and at low costs and conduct such timeously. Thereafter we monitor our clients' underlying investments on a continuous basis and report on such to their Investment Committee. We always count. We test, we test and we test again. We provide full and fair and fully transparent and timeous disclosure of any investment results, guaranteeing that all investment managers or products are assessed on a level and objective playing field.

**OUR TAILOR-MADE PERFORMANCE AND RISK REPORTS AS WELL AS OUR COMPREHENSIVE RANGE OF PEERGROUP SCORECARDS EMPOWER OUR CLIENTS TO FOCUS ON THOSE RISKS THAT ARE TRULY MATERIAL. THIS ENABLES THEM TO FULFIL THEIR FIDUCIARY ROLES THROUGH MAKING INFORMED, PROCESS DRIVEN AND TIMELY INVESTMENT DECISIONS.**

Our reporting tools empower our clients to audit the success of their long-term investment strategy as well as to monitor the selected investment managers, mandates or products to customised and clearly defined benchmarks, performance targets and risk guidelines.

## RISK MANAGEMENT

We believe that our strong risk culture - driven by our collective analytical and qualitative insight, intellectual discovery, experienced judgement and active collaboration between our clients and their selected investment managers - plays a critical role in the establishment of an effective risk management process.

Our approach is influenced by our strong risk management backgrounds, which we have gained not only in our wealth of investment consulting experience but also from our offshore investment management backgrounds. We empower our clients via quantitative and qualitative risk monitoring to understand the trade-offs between performance, risk and liquidity and to have better control of their investments. We empower our clients to develop a risk culture to thereby ensure risk efficient portfolios. We help our clients to be risk aware - not risk averse.

### TRUSTEE TRAINING

We host ongoing training workshops for investors. Such workshops are interactive and developed to suit our clients specific needs. Investments and education is our passion. We provide training on relevant topics in a simplistic yet informative manner. The better our clients understand investments, the more successful their decisions-making will be.



**WE PROVIDE PREMIUM AND TAILOR-MADE  
INVESTMENT ADVISORY SERVICES.**

### SUMMARY

We are not just our clients' investment consultants. We always go the extra mile. We help our clients to be great, to be remarkable, and to be the best in their industry. We are our client's strategic long-term investment thinking partner and we care.

We believe that our independence, our wealth of investment consulting experience, our previous investment management experience, our stable team and our superior service ethos and excellent long term track record differentiates us from our peers.

**WE INVITE YOU TO CONSIDER TAKING THE ROAD LESS TRAVELLED -  
AS THAT WILL MAKE ALL THE DIFFERENCE.**

# OUR SENIOR TEAM



The core of our investment team has been working together for more than a decade. Our collective investment experience exceeds a 100 years of advising to and managing institutional client's and private client's assets in South Africa.



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Executive Investment Consultant  
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**KOBUS FOUCHE**  
Head of Reporting  
Senior Investment Consultant  
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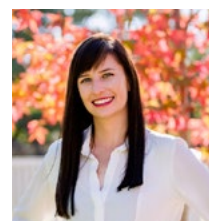
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## LOCATION

# WHERE TO FIND US



### SOMERSET WEST OFFICE



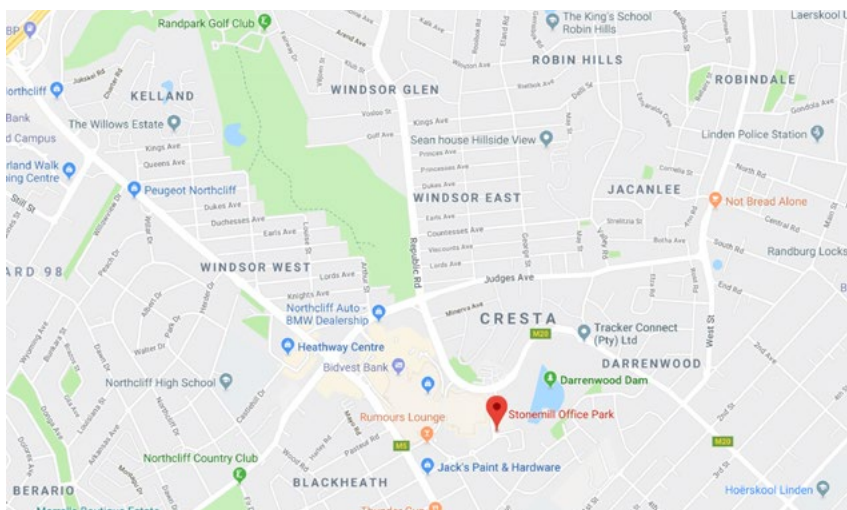
#### PHYSICAL ADDRESS:

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Somerset West  
7130

#### CONTACT DETAILS:

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### JOHANNESBURG OFFICE



#### PHYSICAL ADDRESS:

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