momentum

thinking about the future

fund platforms

key enabler in the triangle between the client, the financial advisor, and the investment manager in a post RDR environment, or an unnecessary cost in the value chain?

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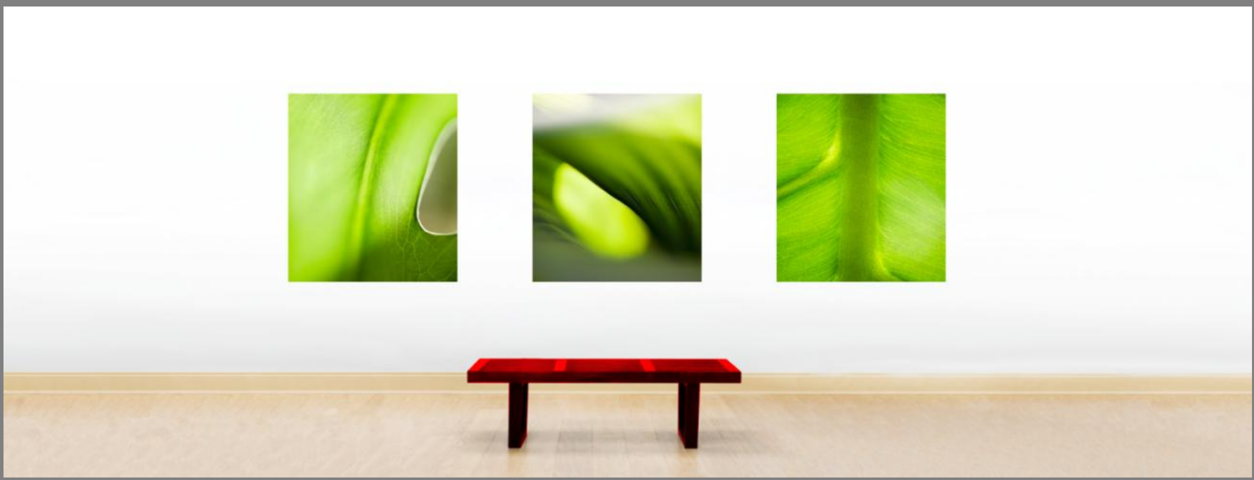
global investment management

Contents



1. Introduction - the use of multiple fund platforms

In a recent survey undertaken by Momentum Global Investment Management and Scorpio Partnership, the use of platforms by retail clients was highlighted as an area of increasing importance, growing activity and innovation.

This white paper analyses this particular topic in more detail in an attempt to stimulate the debate on how platforms may enable advisors and fund management companies to better meet clients' needs and investment goals in a post RDR world.

> *"78% of financial advisors indicated that they currently use multiple fund platforms to carry out their advisory business, but all indicated that they would prefer a single platform to streamline their administration and advisory activities."*
>
> Momentum / Scorpio research 2011

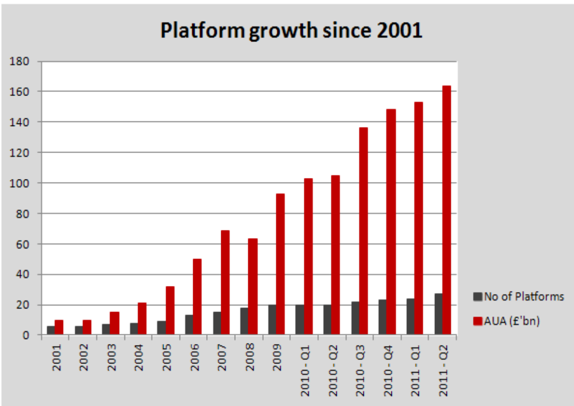
Source: Momentum Global Investment Management, November 2011

2. The rise of the fund platforms

Fund platforms have revolutionised the investment landscape in recent years. If anything, this will continue - most likely at an even stronger pace than before.

Why is this?

Ease of use, transparency and simplicity are key drivers. The fund platforms provide an alternative to the old insurance based structures of the past, and made investments accessible in a much more convenient way.



Source: Platforum

Both the number of platform providers and the assets under administration (AUA) have shown strong growth, however, this growth comes from less than 25% of IFA new business, as a large proportion of their business still constitutes directly placed Self Invested Personal Pensions (SIPP) and Life Assurance portfolio bond products.

The advent of RDR is expected to add impetus to the growth trend. It is likely that AUA will increase significantly to December 2012 as a result of RDR, although the overall sector may be under pressure in the current depressed market conditions.

Even though AUA should continue to grow, the question remains how many platform providers the market can sustain. Cost of technology, need for scale, and the potential drive towards consolidation of service offerings by IFAs may put downward pressure on the number of platforms in the market.

Source: Momentum Global Investment Management, November 2011

3. Choosing a fund platform

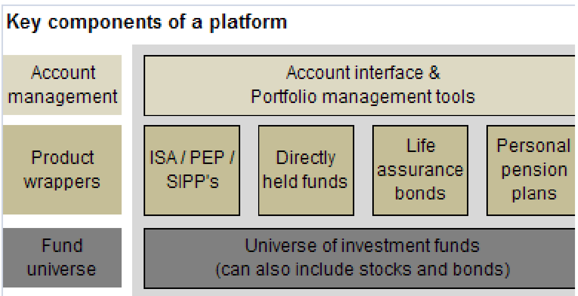
It is important to choose carefully:-

Most platforms have very different charges, fund ranges, product wrappers and service offerings

Platforms are in essence administration outsource businesses. It is important to note that all platform offerings differ, in the form of fee structures, fund range, product wrappers, advisory toolsets and services. Each platform must be assessed on its suitability for the advisor's advice model, and their clients' needs.

All are internet based services (not products) provided by life insurance companies, wealth managers, private banks, fund managers, and some independent (technology driven) providers.

The categorisation of fund platforms is not a straightforward task when looking at the detail.
Fund platforms include an account management capability, most often a range of product or tax wrappers, and access to a range of funds. The range of funds can be very large, or restricted, with focus on risk profiled model portfolios.



Source: recreated from a typical platform

Taking a more holistic view, both onshore and offshore fund platforms can roughly be grouped within the following three categories:

- Fund Supermarkets
- Fund Wraps
- Discretionary Fund Manager Platforms (DFM)

As the name would suggest, the first category is designed to provide the retail market, both directly and via investment advisors, with access to transact a wide range of investment funds, at wholesale prices and under one account. Fund Supermarkets are generally more transactional execution only platforms, and are used for buying funds cheaply – this can be done by a financial advisor (on behalf of a client) or by the client themselves, online.

The second of the categories is designed to go one step further and provide the retail market, with 'off the shelf' tax efficient investment products or 'wrappers'. Also available under a single account, Fund Wraps include Individual Savings Accounts (ISAs), Self Invested Personal Pensions (SIPPs), Personal Equity Plans (PEPs), Insurance Bonds etc, which utilise a wide range of investment funds, and in some cases individual stocks and shares, at wholesale prices.

The third category of fund platforms provides a similar service to Fund Wrap platforms but has a slightly different focus – these services are built around the provision of a discretionary fund management solution.

A Discretionary Fund Management platform will typically support advisors who offer a proprietary discretionary service to customers or provide access to their own discretionary asset management solution, using the administration platform and tax wrapper capabilities as an enabler. These platform providers usually originated from an advisory business, or are discretionary asset management businesses expanding into the distribution space.

Source: Momentum Global Investment Management, November 2011

4. The benefits of platforms to clients

The key reasons why clients choose to use platforms are:

- **Endorsement** by financial advisor
- **Accessibility** online; including customer help lines
- Overall positive **service experience**
- **Lower costs** and mostly **transparency**
- **Wide choice** in product wrappers and investment fund options, sometimes including direct stocks

The biggest influence on client behaviour, and therefore choice of platform, remains that of the financial advisor. Platforms have given the client and his/her advisor the ability to manage their investments from their home or office, much more efficiently and with greater flexibility than ever before.

This has changed the sentiment of retail clients and their advisors towards their savings and their pension plans. The results are so significant that the value of assets under management invested via fund platforms in the United Kingdom have grown consistently over recent years (sub £20 billion in 2001 to over £160 billion in 2011).

Some platforms have however focused specifically on the direct-to-consumer channel, and this is set to grow as consumers embrace technology. This may force fund managers and financial advisors to review their fees and charges, but may also enable the IFA to focus on the higher income and high net worth segments.

> *"The focus and role of platforms must be to enhance the experience of the client and the independent financial advisor in their advisory relationship"*
>
> Quote from Momentum / Scorpio research 2011

Source: Momentum Global Investment Management, November 2011

5. Why platforms appeal to Independent Financial Advisors (IFAs)

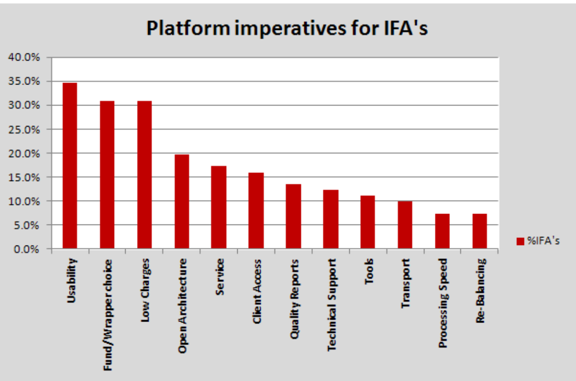
The advantages of using a platform or multiple platforms for an IFA are closely linked to those advantages valued by clients, i.e. ease of administration, cost efficiency, and access to a wide range of investment products and funds.

> *"In platform selection we look for as wide a product range as possible and steer clear of platforms that are populated with a provider's own funds, like some of the life platforms have historically done"*
>
> Quote from Momentum / Scorpio research 2011

From our recent platform research in the UK it is evident that the IFAs' key criteria for choosing and using platforms are as follows:

- **Service experience**
  Including sales support, quality client service, and general ease of doing business
- **Richness in functionality (tools)**
  Including quality of reports and analysis, web functionality and performance, and online tools
- **Product and fund choice**
- **Costs**

This is supported by Platforum's analysis on how IFAs rate the importance of a number of key platform needs, as illustrated in the graph below.



Source: Platforum

Source: Momentum Global Investment Management, November 2011

The overriding factors in platform selection are the functionality (in relation to product and service delivery) and transparency of the charging structures. Whilst service related aspects are currently rated in the middle of the pack, it is evident from our research that these are potential hot spots - IFAs and clients favour fast delivery of solutions when problems arise.

In addition to the advantages listed above, the following are also key platform related benefits in the management of a client funds:

- **Client consolidation**:
  the ability to aggregate multiple clients under a single platform structure provides IFAs with a more efficient investment management capability, and advisory practice.
- **Access to a bigger universe**:
  open architecture offers clients and advisors a much wider investment choice across firms and products, important to be able to demonstrate independence of advice.
- **Convenience of dealing**:
  this should reduce cost and risk to the client.
- **Accessibility of expertise:**
  potential access to the portfolio decision makers (under a DFM arrangement):
  the ability to access the portfolio manager through a platform relationship should provide a much better understanding of the underlying product, its philosophy and processes.
- **On-line data storage**:
  on-line storage of transaction history should reduce costs and increase efficiency.
- **Portfolio breakdown analysis**:
  the ability to analyse investments online provides IFAs with better information and enables them to deliver higher quality client service
- **Cheaper fees / charges**:
  potentially allows for better margins, with margin compression clearly topical and an area of focus for IFAs in light of new market regulations and legislation, platforms could provide a way to protect some of their margins
- **Ease of client charging**:
  through asset divestment and more efficient remuneration administration (dependent on the final outcome of RDR) - highly topical and increasingly important in view of the need for greater transparency in the market.

The Momentum Scorpio research indicated that 78% of financial advisors still use multiple fund platforms to carry out their advisory business. Moreover, many IFA groups pointed out that they still managed their books of business independently as opposed to having a common advisory philosophy and a centrally designed houseview.

Marking a change in trends, more than half of the IFA groups indicated that they were seeking to change their approach to a centrally aligned advice model to ensure future compliance with RDR and to enable scale-able growth. In addition, they would like a more coordinated approach to platforms and the selection of investment solutions. Most IFAs would prefer a single platform to streamline administration and increasingly advisors are using only one platform for new business coming in.

This change has started to take place at a more rapid pace than anticipated, and many advisors have indicated that they are now only using a single platform for their new business.

However, this trend may not be acceptable to regulators in terms of selecting platforms most suitable to the individual client needs, often across various client segments. In the FSA factsheet on platforms, it states that: "if the platforms you are considering are not appropriate for all your customers, you may need to divide them into different groups that you monitor differently".

Notwithstanding this, post RDR we would expect IFA groups to have a more focused approach to platform and fund selection.

Source: Momentum Global Investment Management, November 2011

6. Why platforms are crucial to fund managers

With the consistent increase in assets being channelled through fund platforms, it is imperative that investment managers develop a distribution strategy that encompasses fund platforms either today or in the near future. This will enable investment managers to be successful as they attract enough assets on a per product / solution basis to ensure costs are covered, efficiencies gained and target margins achieved. Whilst getting the strategy right is key, it is equally important that the team responsible for developing potential products / solutions has the necessary structure to take into account the requirements of those fund platforms deemed key to the strategy at the point of development. This will avoid a number of likely product changes post launch, which can mean the difference between securing and growing a new distribution relationship and one that falls at the first hurdle.

Irrespective of whether the investment manager operates a direct to client (D2C) or a business to business (B2B) distribution model, the role of the fund platform is equally important, especially when targeting the retail market place. In the case of the D2C model, fund platforms provide mass market exposure, accessibility, cost efficiency, basic on-line tools and the bulk admin capabilities required to attract thousands of retail clients investing in a fund or fund provider based on a sales pitch from a regional sales manager or a television or billboard advertising campaign.

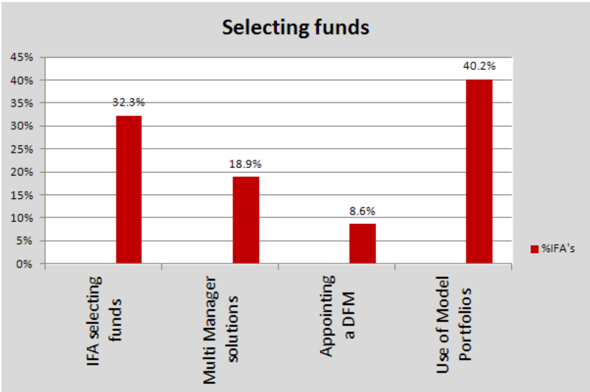
With respect to the B2B model, the relationship between the fund platform and the investment manager is different to that of a D2C model. In the case of B2B, the fund platform is a means of enhancing the proposition of the investment manager rather than being a primary distribution channel. With this in mind, a common theme when discussing a proposition with a potential distribution partner (client), whether an IFA, a broker, a consultant or a Board of Trustees (collectively known as the 'gatekeepers'), is accessibility.

Each gatekeeper will undoubtedly have their preferred method of transacting and increasingly those preferences are one or more fund platforms.

> *"There is a trend away from fund picking by IFAs themselves"*
>
> Quote from Platforum

The trend away from fund picking continues (see chart below) and the results show it is anticipated to fall by around 5% over the next six months. Again, while there is still frequent mention of multi-manager, advisor projections show only a 0.5% expected increase in uptake. Model portfolios will see the biggest gain, although only by a projected 2.9%

If an investment manager can evidence at the outset when pitching a proposal that they have experience with and / or an existing relationship with the preferred platform, this can prove a significant administrative tick in the box.



Source: Platforum

Source: Momentum Global Investment Management, November 2011

7. Fund Platforms: the impact of the UK FSA's Retail Distribution Review (RDR)

As a major component of the retail investment industry, the fund platforms will be impacted by the FSA's RDR, even though the extent of this is unknown. The FSA's RDR programme, initially created in June 2006, is targeted for full implementation by 31 December 2012. The main ethos of the RDR is to ensure that retail consumers are provided with clear professional services and are charged fairly and transparently.

Hot topics

Measures that are being taken to ensure the ethos is achieved are the increasing minimum qualifications required by financial advisors and wealth managers, the clear distinction between independent (full market) advice and restricted advice, the outright banning of advisory commission payments by investment managers and the full transparency requirements of all charges whether advice related, service related or product related.

Charging

One clear example of how the fund platforms will be impacted is through their charging structure. At present, Wrap Platforms tend to follow an 'unbundled' approach to fee charging which in essence means that clients are charged specific amounts for specific services. By contrast, fund supermarkets more often use a 'bundled' approach to fees which usually results in the platform retaining the commissions paid to it by the investment managers and using these to offset against some or all client fees. This may sometimes give the impression that the platform is free or very cheap, however in reality the client is simply paying for the platform through the product fees.

In addition to this, some platforms may also use the retained rebates as a means to remunerate the advisor, which again may give the impression that the advice they are receiving is free.

As this approach does not conform to the transparency requirements set out in the RDR, platforms who adopt the bundled approach to charging will be required to change their model prior to 1 January 2013, at what is likely to be a significant cost.

Initially the FSA had taken a view that all commissions paid by investment managers to advisors and **platforms** were to be banned entirely as this was seen as simple solution to a common problem.

Rebate review I

However after a period of lobbying by the UK Platform Group (whose members include Cofunds, Fidelity FundsNetwork and Skandia), the FSA altered their view to allow cash rebates to be paid by investment managers to platforms specifically for the administration services they provide on the proviso that they are explicitly disclosed.

Rebate review II

Subsequent to the first revision by the FSA with regards to investment manager commissions to platforms, the FSA recently performed a full 360 degree turn in Q3 2011 by returning to their original view that all commissions, including rebates, were to be banned.

> *"We think banning provider payments will have three main benefits: charges will be clearer, it will reduce potential of product providers and it will meet the overall spirit of the RDR that product providers should not pay for distribution"*
>
> Sheila Nicholl – FSA Director of Conduct & Policy 2011

Diversification

Another RDR component initially causing the large fund platforms palpitations and the smaller platforms cause for celebration was the issue of true independence of the advisor. It was originally deemed inappropriate for an advisor to be classified as independent under the newly determined guidelines if a single platform was used for an entire book of business. The outcome would have been a natural spreading of assets across multiple platforms by the advisors to retain the independent label, and would have potentially reduced the number of 'strategic alliances' between advisor firms and platforms. The FSA have again softened their view on this stating that the use of a single platform can be considered acceptable providing that leads to suitable advice, however it is anticipated that advisors will not risk the additional scrutiny by the FSA when

Source: Momentum Global Investment Management, November 2011

assessing true independence and will diversify their platform relationships anyway.

Re-registration

A further area of note when assessing the impact of the RDR on the intertwined platform/advisor business model is the process of re-registration. Re-registration is one area of the platform industry that has failed to impress due to inefficiencies of the market. This has resulted in some platforms not offering re-registration as a service which in turn has often been a major turn off for both advisors and D2C clients. However, post RDR implementation in at the end of 2012, all platforms will be required to offer the re-registration services. The result of this will in effect be the 'leveling of the playing field' when it comes to the platform selection process for advisors.

Cost

The final consideration of how the RDR will truly impact the UK retail investment industry is at what cost to the platforms, their clients, the advisors and the investment managers. The cost alone of implementing an RDR compliant business model will be of huge consequence to the platforms that may be required to develop new processes, build new systems, create new products and possibly operate two different models for pre and post RDR assets. This cost will be borne somewhere along the value chain, however as of yet, it isn't clear where.

Source: Momentum Global Investment Management, November 2011

8. Future pressure on margins of platforms, IFAs and fund managers

Since the general reduction in global asset values in 2008, the consequential reduction of revenues and the increased volatility of returns of investment funds, the world has woken up to true cost management and margin recognition. This is the case from one end of the asset flow (the consumer) all the way through to the investment manager at the other end of the flow. There is now much greater focus on challenging the cost of a product or a service rather than accept it or find an alternative option. The result of this has been a consistent squeeze on the fees across the board.

> *"Average advisor fees are rapidly approaching 100bps (1%) on assets under management, down from the industry norm of 150bps (1.5%) a couple of years ago, and are expected to reach 75 bps (0.75%) in a couple of years"*
> Quote from Momentum / Scorpio research 2011

Greater pressure

While fees have come under increasing pressure over the last few years, they have still maintained a level that has allowed certain advisors and investment managers to work in a way which might not be considered the most efficient, enabling them to accommodate sub-scale clientele (particularly under a bundled fee model). The platforms have been the general exception to this rule as profits have been few and far between. However this is largely through initial development costs accepted as the downward phase of the revenue to cost J-Curve.

With the abolition of initial and ongoing commissions imposed by RDR and the move to unbundled service / advice driven fees, the squeeze is only likely to get tighter.

Advisors call the shots

It is important to remember that the advisor is the gatekeeper of client assets and platforms and investment managers would forget that at their peril. Fee pressure is likely to be applied from the source (i.e. the gatekeepers) and pushed down.

When building a client proposition, an advisor is likely to have a total fee experience in mind, such as 2% per annum. The advisor will then set out to ensure that the cost of the product and the platform (administration) is at a level that maintains a sub 2% experience whilst leaving enough of a fee for themselves for their advisory services and advice.

Pre-RDR, the use of commissions and rebates were available for platforms and advisors to boost their revenue stream (although this may not always been abundantly clear or transparent for the consumer). The change in landscape now means advisors will be looking to investment managers and platforms to reduce fees to allow margins to be maintained.

> *"It will be tough for fund managers. If you take away rebates it (what the fund manager recieves) will come down to 45bps or less, and for passive (fund) 10bps"*
> Nick Dixon, Skandia Managing Director 2011

Platforms need scale

One thing is very clear from the consistently high operating costs and the pressure on margins from the advisors: platforms will need large scalable long-term clients that year on year add a handful of basis points to the bottom line. Without this, good profits are highly unlikely to be sustainable. Key to achieving this is competitive pricing from the outset.

This pre-requisite for survival along with the likely changes to capital adequacy is likely to result in a number of platforms merging or simply exiting the market completely.

Source: Momentum Global Investment Management, November 2011

9. Areas for future consideration and development

In order to remain **relevant** in a post RDR world, all three participants in the value chain, the advisor, the platform and the investment manager will need to give serious consideration to their operating models. The bullets below summarize what we believe to be the key development areas under consideration.

The Advisor

For the Advisor, independence, client charging, client segmentation and risk management will be of great importance.

- **Independence**:
  The ability to demonstrate true independence will enhance advisors' proposition to clients. Moreover, an assessment of currently utilised platform networks' appropriateness will be crucial in achieving this.

- **Client charging:**
  For a long time, advisors have been reliant on receiving commissions from investment managers or platforms to subsidise the client fees. However, as this becomes outlawed, advisors will need to reassess how they charge their clients directly. It is anticipated that if the advisor attempts to replicate the quantum of existing revenue streams directly, many clients may be shocked at the true cost of the advice they have been receiving.

> *"Our experience shows that financial advisors are already moving towards fee based advice models in response to customer demand and the RDR will accelerate this change"*
> Peter Mann CEO of Skandia UK – July 2011

- **Client segmentation**:
  A number of advisors have historically applied a philosophy that any client is a good client irrespective of the size of their assets. This approach could be managed by bulking like-size clients into a single risk profiled solution and holistically managing the bulked asset pool. Going forward, with fees being linked directly to advice and more emphasis by the FSA being placed on ensuring that appropriate advice is given on a client by client basis, this model is likely to become unworkable. Therefore, it is likely that most, if not all, advisors will need to perform a review of their existing relationships in order to assess their profitability and re-define their client acceptance policy. This could result in some unprofitable clients being strategically reviewed and managed accordingly.

- **Risk profiling**
  The FSA have issued a specific guidance note to advisors articulating clearly that advice provided to a client must be appropriate to the clients risk profile and tolerances. Whilst this has always been seen as standard for most advisors, the approach and recording of such client to product risk matching is even more pertinent. The high level thesis is clear but the practical approach will need to be designed and stress tested by advisors in the lead time to 2013.

The Platform

For Platform Providers, strategic positioning, choice of technology and STP, and capital adequacy are key considerations.

- **Strategy & survival**
  For fund platforms the choices are potentially simpler; either make the necessary developments to be relevant in the post RDR world, look to join forces with other such organisations to enhance efficiencies and assets under administration, or close down. The general consensus is that the platform industry is the likely beneficiary of assets post the RDR, however it is no secret that platforms have struggled to turn a profit due to the consistent development costs required to keep up with competition and the increasing demands of clients. With the additional development requirements and removal of commissions from investment managers, the pressure on margins will be greater than ever. With this in mind, those companies whose fund platform is merely a bolt-on to their core life insurance or banking businesses, may decide enough is enough. The view that advisors may veer away from platforms that offer predominantly their own products due to independence needs and the continued operational loss may drive the ultimate decision to close the division or sell it off.

- **Technology & STP**
  The efficient use and continual development of technology is essential for the success of any fund platform. This applies across the front, middle and back office functions. Consumers and advisors alike are expectant of ever-evolving toolsets, such as portfolio modeling and risk profiling to enable them to manage assets efficiently and appropriately, whilst also expecting timely and accurate middle and back office processing from trading through to reporting. Whilst the cost of continual improvement is a key factor in the current financial situation of most platforms, the need to remain technologically relevant is paramount.

- **Capital adequacy**
  The capital requirement of fund platforms is another area that has come under recent scrutiny by the FSA and poses a considerable risk to those without sizeable balance sheets. The initial view is that each platform must be able to evidence that they have sufficient capital to complete a full and orderly wind down of the business at any given time. Taking into account the length of time to complete and the significant costs involved with the returning of assets (or their cash value) or the re-registration of assets to their beneficial owners, this would be an extremely costly process. If the FSA press forward with the capital adequacy requirements based on these terms, it is likely to result in significant amalgamation of the smaller players with the larger ones.

The Investment Manager

For Investment Managers, product design, risk profiling, investment co-management and client service are key.

- **Product design**
  Within the new world order, advisors will be judging funds on performance, philosophy and people alone as the influence of the trail commission or distribution inducer will be eliminated. This has already led a number of investment managers to review how they can make their product both RDR compliant and afford it the best opportunity for strong performance. One clear scenario we see emerging more and more, which achieves both criteria, is the creation of clean fee share classes for existing products. These are being designed to include a lean investment management fee which includes no 'fat' that can be utilised for fund distribution. On average, this is likely to reduce the cost of the product by 0.50% - 0.75% per year.

> *"We are not taking a view , we are responding to demand with a clean-fee class. This will be on all UK domiciled funds, with the exception of a few such as those which are soft closed"*
> James Rainbow – Head of UK Marketing, Schroders, October 2011

Source: Momentum Global Investment Management, November 2011

- **Risk profiling**
  In order for investment managers to make their advisor clients lives that little bit easier, funds will need to be risk profiled. Therefore, between now and 2013 UK domiciled retail funds will need to be given a clear risk rating which will be disclosed on all promotion documents. This sounds like an easy exercise in theory, however for funds that span multiple asset classes with varying tolerances, the riskiest category will need to be applied which may lead advisors to view that fund in an unintended light.

- **Investment co-management**
  Traditionally, investment committees at investment management firms have been focused purely on internal discussions and output. However, with 65% of advisors increasingly looking to appoint discretionary investment managers to develop their investment proposition, there is likely to be both a need and a drive by advisors to be more involved with the investment process and the client solution.

- **Client servicing**
  Going forward, the FSA demands responsibility and accountability from advisors in respect to providing the consumer with good, appropriate and well-founded advice. In order for this to happen, advisors are likely to look to their chosen investment managers for a far greater level of support than previously experienced. Therefore, it is imperative that investment managers ensure that they have a well defined, well trained and appropriately staffed client service team to deal with advisors. If they don't, there will be someone else who will.

Source: Momentum Global Investment Management, November 2011

10. Momentum's future with fund platforms

Momentum has a long history of strategic partnerships with Wealth Managers and Advisors in the UK and other specific target markets including the Channel Islands, Asia and South Africa. Bespoke solutions are designed using an open architecture structure and leverage off the internal capabilities of the firm to meet the ultimate needs of the clients.

As these partnerships emerge and develop over the coming months and years, it is likely that fund platforms will continue to act as a significant conduit between the client, the advisor and our solutions. We see fund platforms as a key component of our solutions and a key relationship for our proposition.

Source: Momentum Global Investment Management, November 2011

11. About Momentum Global Investment Management

Momentum Global Investment Management is a specialist global investment manager:

- Focused on delivering bespoke investment solutions to institutions and wealth managers;
- Investment solutions are managed on a multi asset, best of (manager) breed basis, using active and passive instruments;
- Asset allocation and portfolio construction / modelling is a key focus as the key element in value creation;
- Global assets managed by Momentum Global Investment Management exceed GBP 2.6 billion

Momentum Global Investment Management has been incorporated in the UK and FSA regulated for more than 12 years.

The parent company of Momentum Global Investment Management is the Momentum Group / MMI Holdings. The parent company is:

- A leading life insurance and investment group, employing more than 15,500 people;
- Well known for its product innovation, outstanding service delivery, and commitment to independent financial advise;
- Listed on the Johannesburg Stock Exchange, with a market capitalisation of circa GBP 2.3 billion;
- Recipient of many awards, including: Excellence in Client Service (UK), Top Performing Hedge Fund of Funds (Europe), Financial Intermediaries Association of Southern Africa ("FIA") Investment Product Supplier of the year (three years n a row), World Finance Insurance Company of the Year (South Africa), and a number of Raging Bull awards in South Africa for top investment performance Clients and Assets under Management:
- Within MMI, Momentum GIM is responsible for managing the offshore assets of the Group and its clients;
- Clients domiciled in the UK, Europe, the Channel Islands, Africa and the Middle and Far East.

Source: Momentum Global Investment Management, November 2011

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We caution that the value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an client may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Clients whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Our investment mandates in alternative strategies and hedge funds permit us to invest in unregulated funds that may be highly volatile. Although alternative strategies funds will seek to follow a wide diversification policy, these funds may be subject to sudden and/or large falls in value. The illiquid nature of the underlying funds is such that alternative strategies funds deal infrequently and require longer notice periods for redemptions. These Investments are therefore not readily realisable. If an alternative strategies fund fails to perform, it may not be possible to realise the investment without further loss in value. These unregulated funds may engage in the short selling of securities or may use a greater degree of gearing than is permitted for regulated funds (including the ability to borrow for a leverage strategy). A relatively small price movement may result in a disproportionately large movement in the investment value. The purpose of gearing is to achieve higher returns associated with larger investment exposures, but has concomitant exposure to loss if positive performance is not achieved. Reliable information about the value of an investment in an alternative strategies fund may not be available (other than at the fund's infrequent valuation points).

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

Momentum Global Investment Management Limited (Company Registration No. 3733094) registered office at 20 Gracechurch Street, London EC3V 0BG.

Momentum Global Investment Management is authorised and regulated by the Financial Services Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.