

Press release

To outsource or not outsource, that is the question?

6 July, 2012

Momentum Global Investment Management ('Momentum') believes the fundamental changes occurring in the wealth management space will force many wealth managers and advisors to review their business models and make significant structural changes. The Retail Distribution Review has fundamentally changed the landscape and in the coming months, will reshape the players in the market and how they work with their clients. In a paper published today Momentum examines the changing wealth management landscape and the opportunities arising from this ever-evolving environment.

In recognition of these changes, many wealth managers are looking to outsource non-core services. We believe that, in view of the increasing complexity of investments and the need for focused, dedicated resources to be able to compete, the range of specialists required will increasingly encompass the investment process, making use of independent, specialist investment research and portfolio management. Taking advantage of the services of specialist external investment partners, including the formation of strategic alliances, can assist successful WMs to further enhance their proposition.

Momentum's research found that:

- Wealth managers and advisors will need to undertake a full review of their proposition to ensure they provide value-added, cost effective advice.
- The change from trail to a fee-based model has huge ramifications on the client proposition going forward: managing this will be crucial for businesses to be successful.
- Strategic partnerships will become increasingly important to enable wealth managers and advisors to offer a competitive edge while maintaining their focus on clients.
- Mergers and acquisitions will be widespread as firms look to manage costs and increase efficiency.
- Doing nothing and hoping RDR will go away is not an option.

Speaking on the findings of their paper James Klempster, a multi-asset portfolio manager for Momentum said: "there appears to be a huge spread in terms of wealth managers and how they are approaching the RDR conundrum. As with most things in life, change brings opportunity

Momentum Global Investment Management Limited

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and we believe that there will be a large polarisation between firms who embrace the change and set themselves up for the future and those who think life will carry on as normal with minimal change to the status quo.”

In a study conducted as part of their research, Momentum found that certain components of a wealth managers business model added little to their overall proposition but were both time consuming and costly. By focusing on clients and advice and using experts for some of the other essential capabilities, it allowed wealth managers to increase their levels of efficiency and offer a more comprehensive service.

The paper concludes that for the wealth managers who embrace the changes and enhance their business models to make the most of in-house and external resources, opportunities will be extensive, for those who don't, the future may be very different.

Momentum's *business is founded on three core capabilities:*

- investment products and solutions
- exceptional client service
- a true partnership approach

The focus on a partnership approach with their clients to develop and deliver solutions for their clients and their target markets. Momentum provides its expertise, skills, resources and capabilities to tailor specific investment products and solutions that offer a truly competitive advantage.

In addition to client-specific solutions, they manage a range of core products that focus on areas where they believe they can add real value over and above a benchmark, net of fees. Global and multi-asset products, by their nature, offer a larger opportunity set and are areas in which they have been specialising since they established the business in the late '90s. They offer these products in a range of structures and vehicles across multiple jurisdictions.

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Notes to editors

Momentum Global Investment Management Limited provides specialist investment management services – both traditional and alternative strategies to institutional clients, financial intermediaries and their clients in Europe, Middle East, Asia and South Africa.

Momentum Global Investment Management Limited is part of the **MMI/Momentum Group**, one of the largest quoted companies in South Africa, with a market capitalisation circa USD3.5 billion as at 31 December 2011.

Momentum Global Investment Management Limited is based in London and offers:

- bespoke multi-managed portfolios for institutional investors
- alternative investing strategies, comprising funds of hedge funds and segregated portfolios

Momentum Global Investment Management Limited has USD4billion in assets under management (as at 31 December 2011).

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Source: Momentum Global Investment Management, December 2011

Other research findings can be viewed at www.momentumgim.com.



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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).

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