

# DIVERSIFICATION : THE INVESTMENT MANTRA FOR SAFETY

Investment diversification is an important risk management tool in growing your wealth. Fundamentally, diversification refers to the adequate spread of your funds, thereby reducing risk.

The most common tools for diversification revolve around

- **Asset Class Diversification**  
(Spread across equities, bonds, property, absolute returns)
- **Fund Manager Diversification**  
(Allocating to various fund managers with differing skills)

## THE PWM APPROACH

PWM uses a multi-manager investment approach in the construction of investment portfolios (fund manager diversification).

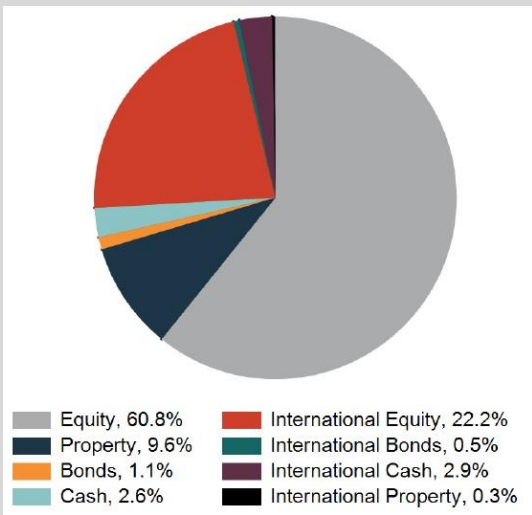
Our investment committee meets quarterly to discuss the following factors:

- Macroeconomic conditions
- Fund manager research and performance
- Asset allocation analysis
- Local and international market research

Our blended fund allocation approach helps construct portfolios which are both cost-effective and value-driven in generating the best risk-adjusted returns for our clients.

## DIVERSIFICATION EXAMPLE: PWM EQUITY CENTRIC PORTFOLIO

The PWM Equity Centric Portfolio is one of the many models that we use in Investment Portfolio Construction.



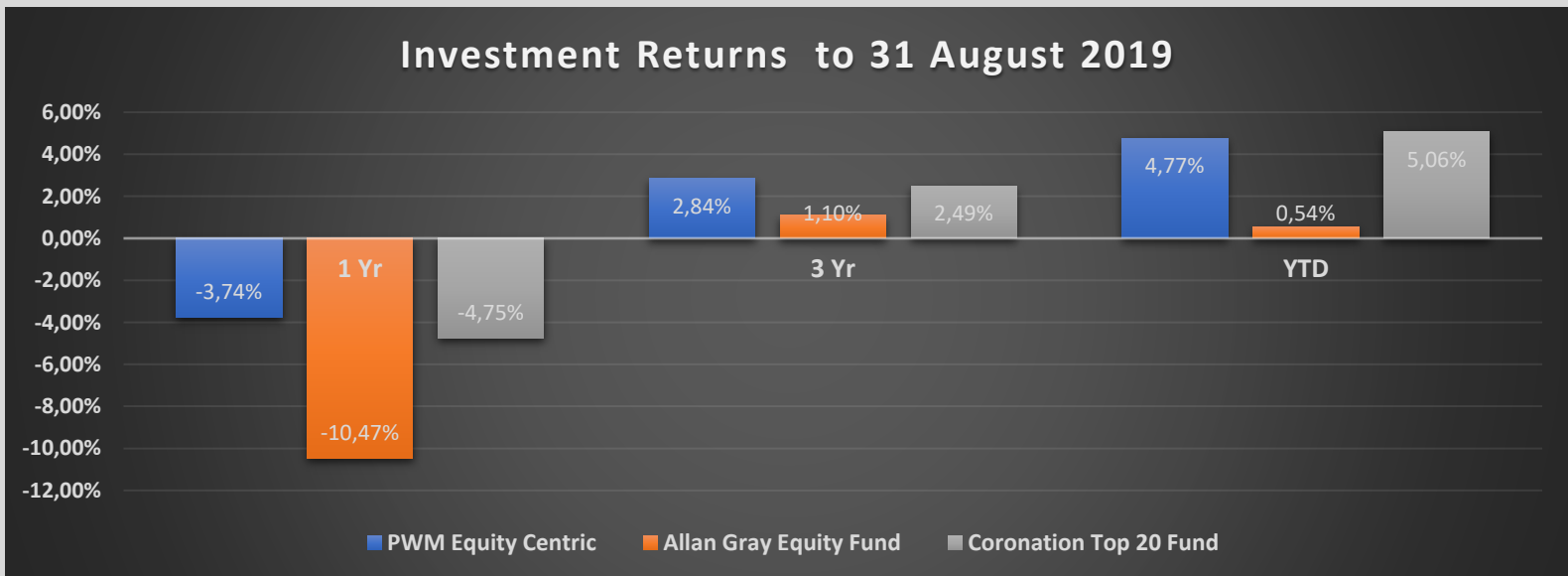
Manager Selection (%)	
Aylett Equity Prescient	9.50
Coronation Top 20	14.00
Fairtree Equity Prescient	13.00
Marriott Dividend Growth	11.00
Nedgroup Global Equity Feeder	9.00
Old Mutual Global Equity	8.00
PSG Equity	9.50
Satrix ALSI Index	14.00
SMM Property	7.00
Truffle SCI Flexible	5.00

**The Model demonstrates Asset Class Diversification and Fund Manager Diversification**

This illustrates that the PWM Equity Centric portfolio is well diversified across

- Local and international markets
- Asset classes
- Fund Managers (10 funds comprise this model)

## BENEFITS OF MULTI – MANAGER APPROACH



A comparison to well-known and revered fund managers in the above graphic clearly depicts the benefits of a multi-manager investing style using the PWM Equity Centric model portfolio as an example. Our analysis supports the investment diversification theory of using a blended fund allocation and multi – manager investment style compared to using a single fund manager (i.e. Allan Gray, Coronation).

# CONCLUDING REMARKS



Whilst the market conditions for the last 5 years have been tough, especially in the SA environment, the diversified approach adopted by PWM in its models does provide some element of safety and comfort.

The beauty of a diversified portfolio is that it reduces the need for absolute timing. Thus, the elements that will react to a favourable change in market conditions are already in the portfolio.

We reiterate our commitment to the investment philosophy of diversification, allowing our clients to invest with confidence.

**VIREN BHAGWANDAS GARACH**

**Director CA (SA) • CIMA (London) • CFP®**

A handwritten signature in black ink, consisting of a stylized initial 'V' followed by a long, sweeping horizontal line.