

Cutting through the clutter

We will sweat the big stuff, so you can focus on what matters

**Morningstar Investment Management
South Africa**

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Time is precious, especially in the busy world we find ourselves in today. We are constantly inundated with information from numerous sources, from emails, instant messages, social media, and mainstream media to online media. Cutting through the clutter, making sense of everything and separating fact from fiction can sometimes be a daunting task – especially when it comes to views on investing and the markets.

Furthermore, advisers have additional layers of complexity to deal with, such as –

- the legislative environment, with Retail Distribution Review (RDR) becoming front of mind
- an investment industry that is complex and ever-evolving
- the fact that there are more than 1500 registered unit trusts to choose from in South Africa
- complicated pricing models
- ever-changing markets, that are influenced by a myriad of factors
- ongoing compliance and legal updates

All these factors translate into a challenging portfolio construction process and even more so, focusing on running a client-centric business while also staying on top of the more technical and administratively cumbersome parts of managing an investment capability.

We aim to help our advisors focus on their business and their clients, and fuel growth

The benefits of a Discretionary Fund Manager (DFM) have been widely disputed in South Africa to date. Numerous articles argue in favour of partnering with a DFM and likewise many against partnering with a DFM. The reason for this article is not to dispute any of these arguments but instead to give you, as a financial adviser, practical examples of where and how Morningstar has added value to our clients' lives.

For Financial Advisors and their Clients

1. Keeping advisers in the loop of compliance updates and changes

When it comes to compliance, Morningstar is all about the belts and braces. We pride ourselves in being a voice advocating for the industry and providing our clients with useful insights and updates from a regulatory perspective as well as guidance on how to tackle some thorny issues.

See below the link to our latest Quarterly Regulatory Update:

[Quarterly Regulatory Update | Quarter 4 2022](#)

2. Excellent investment capability – a true investment partner

At Morningstar we apply our expertise in asset allocation, manager selection and portfolio construction to create investment strategies that are further strengthened by access to independent investment research, data and analytics of the broader group.

Financial markets are increasingly complex and the range of investment opportunities continues to grow. It's a massive challenge to evaluate all of the options available and assess their suitability for clients. When returns from many asset classes are lower and volatility is higher, the responsibilities of managing and monitoring client portfolios become even more taxing.

Morningstar greatly reduces this burden. Portfolios are actively managed and subjected to rigorous qualitative and quantitative analysis when selecting underlying unit trust funds. Morningstar's portfolios provide advisers with many benefits in terms of flexibility, liquidity and transparency.

And you make ask how this translated into performance. Below is a snapshot of our Multi-Asset Low Equity, Multi-Asset Medium Equity and Multi-Asset High Equity portfolios' performance until the end of December 2022. You will notice consistent outperformance in the respective categories over meaningful periods:

Exhibit 1 | Morningstar portfolio performance as at 31 December 2022

	1 Year	Q Rank	3 Years	Q Rank	5 Years	Q Rank	7 Years	Q Rank
Morningstar Cautious Portfolio	2,2%	2	7,8%	1	6,8%	2	6,4%	2
South African MA Low Equity	1,4%		6,6%		5,9%		5,9%	
Morningstar Balanced Portfolio	2,5%	1	10,9%	1	8,4%	1	7,7%	1
South African MA Medium Equity	0,3%		7,4%		5,9%		5,8%	
Morningstar Adventurous Portfolio	2,6%	1	11,7%	1	8,4%	1	7,6%	1
South African MA High Equity	-0,2%		8,1%		5,9%		5,8%	

Source: Morningstar Direct. Data as at 31 December 2022. Past performance is not a reliable guide to future performance. For illustrative purposes only and not indicative of any investment.

3. Tools, technology, and other resources

Another benefit of partnering with Morningstar is access to great content and tools to assist you in your financial planning journey. Advisers are invited to attend feedback sessions on our portfolios, markets and relevant industry-related content.

Morningstar hosts monthly market updates, shares thought-leadership articles, client-friendly videos, and regular updates on our Managed Portfolio range. We truly aim to equip our advisers with the resources they need to have quality conversations with their clients and to empower investor success.

In closing

At Morningstar, we aim to empower our advisers, to allow you to free up your time to –

- focus on your clients - making sure your client's financial affairs are in order and providing holistic financial advice
- build on existing client relationships as well as attract new clients
- manage, evolve and grow your practice
- offer cost-effective solutions for both you and your clients
- create a better distinction between financial planning and managing assets
- overcome capacity constraints
- provide a more-holistic, total-financial-health approach to investors
- engage with your clients on goals-based planning and improving investor behaviour



Risk Warnings

This commentary does not constitute investment, legal, tax or other advice and is supplied for information purposes only. Past performance is not a guide to future returns. The value of investments may go down as well as up and an investor may not get back the amount invested. Reference to any specific security is not a recommendation to buy or sell that security. The information, data, analyses, and opinions presented herein are provided as of the date written and are subject to change without notice. Every effort has been made to ensure the accuracy of the information provided, but Morningstar Investment Management South Africa (Pty) Ltd makes no warranty, express or implied regarding such information. The information presented herein will be deemed to be superseded by any subsequent versions of this commentary. Except as otherwise required by law, Morningstar Investment Management South Africa (Pty) Ltd shall not be responsible for any trading decisions, damages or losses resulting from, or related to, the information, data, analyses or opinions or their use.

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