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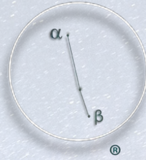
Pyxis
INVESTMENT MANAGEMENT



CHARACTERISTICS OF SEGREGATED, BESPOKE PORTFOLIOS

A comparison with Unit Trusts

A unit trust is a collective investment scheme or fund that is priced, bought, and sold in units that represent a mixture of the securities underlying the fund. For instance, should one invest into the Pyxis BCI Worldwide Flexible Fund, the fund will issue a number of units to the investor. The value of units will be reflective of the investor's share in the "pool" of underlying investments held in the fund.

A segregated, bespoke investment portfolio (sometimes referred to as a personal/ private share portfolio or PSP) is an individualised investment portfolio, that is constructed and managed on behalf of an investor. The individual investments (domestic and offshore shares, bonds and cash instruments) are bought and held in the client's name and not in a "pooled" vehicle like a unit trust.

There are significant differences between segregated portfolios and unit trusts, as well as some misconceptions about the risk associated with segregated portfolios, that need clarification.

As a unit trust is a pooled investment vehicle, it is clear that it represents a "one size fits all" investment product where all investors in the fund are treated the same. In addition, it may also be that, while the fund is appropriate for some or even the majority of investors, it does not represent an appropriate risk and return profile for all investors.

A segregated portfolio on the other hand, is a purpose built investment solution, based on the unique circumstances of each individual client. Everything in the segregated investment portfolio can be customized to fit the client's risk and return profile – from asset allocation to security selection. Segregated portfolios may range from high risk equity only portfolios with growth objectives, to low risk balanced funds with capital preservation and income objectives. These portfolios can be positioned as direct discretionary investments or within "wrappers" like retirement annuities, living annuities or preservation funds.

The table below highlights the major differences between unit trusts and segregated portfolios:

Segregated Bespoke Portfolios	Unit Trusts
Individual, segregated portfolios: securities held in the client's name	Pooled vehicle with multiple investors
Cost efficient: flexible and transparent	Complex and rigid fee structures
Flexible and nimble: ability to adjust investment strategy based on changing environment and investor circumstances, can invest in smaller or less liquid investments	Inflexible: the fund's management strategy is restricted to the investment mandate, cannot take individual investor's changing circumstances into consideration. Large funds do not have agility
Bespoke, tailor made	One size fits all
High touch service model and regular communication with portfolio manager	Irregular group communication
Risk management: investment(s) made can be phased in and out of markets to manage risk of entry and exit	Immediate exposure: as soon as the funds are utilised to buy units, investors have immediate exposure to markets
Tax: capital gains tax has to be managed when liquidating individual securities – wrappers may be used to manage tax, this also presents the opportunity for tax loss "harvesting"	Tax efficient: no capital gains tax within a unit trust when changes are made

A TAILORED SOLUTION TO MEET INVESTOR'S NEEDS

In increasingly volatile financial markets, investors need increased flexibility, agility, transparency, more competitive fees and high service levels to improve the probability of reaching their investment objectives. Hands on investment management is crucial to navigating complexity and volatility.

Segregated, bespoke investment portfolios are sometimes perceived to be riskier than unit trusts. While this may be true under certain circumstances, the risk profile of a segregated portfolio should be no higher than a unit trust that follows a similar investment mandate. Investors must ensure that their investment managers employ a rigorous and well thought through Investment needs analysis.

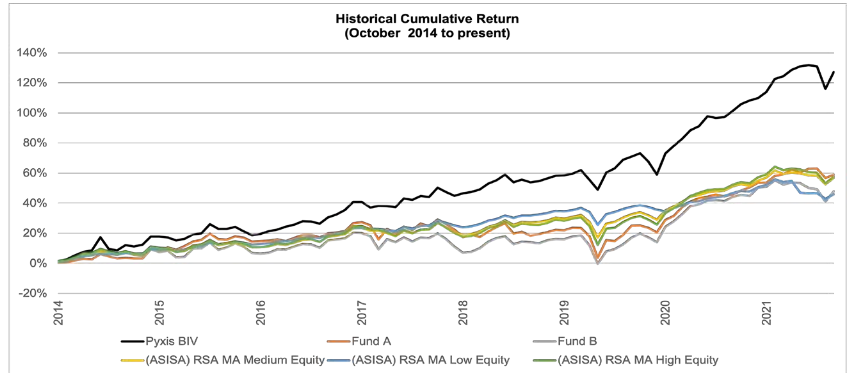
- Investment needs analysis
- Investor risk profiling
- Portfolio construction
- Risk management
- Investment strategy determination
- Security selection
- Thorough research

COMPARISON OF RISK AND RETURN

The charts and tables below demonstrate the risk associated with the **Pyxis Best Investment View Portfolio** (Pyxis BIV)*, compared with well-established balanced unit trusts, as well as the average High, Medium and Low Equity unit trusts, since 1 October 2014.

The major conclusion to draw from the information is that the returns generated by the Pyxis BIV were not at the cost of higher risk levels than the average unit trust.

A Regulation 28 compliant, balanced **segregated model portfolio*



It could be argued that the higher returns generated by the Pyxis portfolio are due to greater risk. The table below demonstrates that this is not the case.

	(ASISA) South African MA High Equity	(ASISA) South African MA Medium Equity	(ASISA) South African MA Low Equity	Fund A	Fund B	Pyxis BIV
# Positive months	59	61	62	59	55	64
# Negative months	34	32	31	34	38	29
% Positive months	63.4%	65.6%	66.7%	63.4%	59.1%	68.8%
Largest 1 month loss	-10,0%	-8,2%	-6,3%	-12,0%	-11,0%	-6,7%

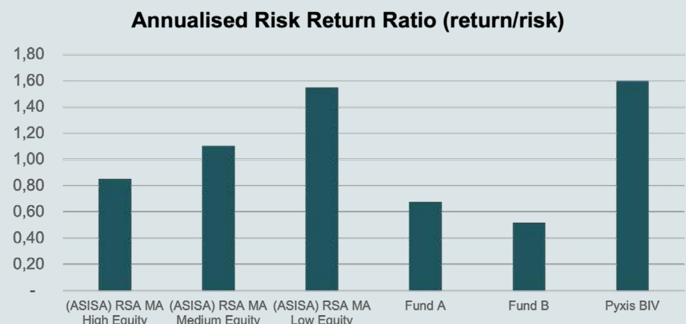
From a risk and return perspective, it is clear that the Pyxis BIV portfolio did not exhibit higher risk (volatility of returns) over the period.

	(ASISA) South African MA High Equity	(ASISA) South African MA Medium Equity	(ASISA) South African MA Low Equity	Fund A	Fund B	Pyxis BIV
Return/Risk*	0,9	1,1	1,5	0,7	0,5	1,6

**12 month standard deviation*

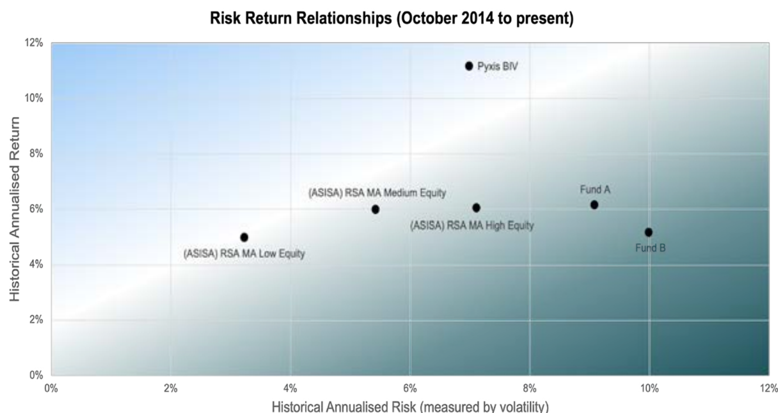
RISK ADJUSTED RETURN COMPARISON

This graph demonstrates that the Pyxis BIV generated more return per unit of risk when compared to the other managers, confirming that the higher return was not simply a result of higher risk.



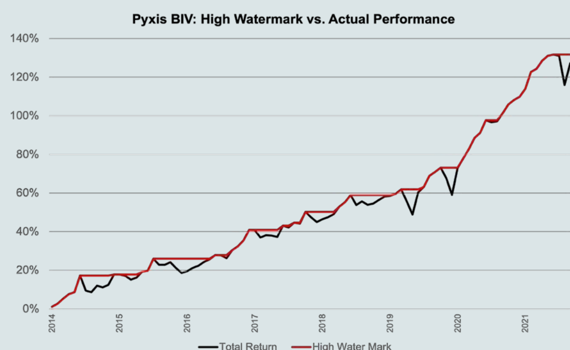
Next, the respective funds are plotted on a graph showing the relative positioning against each other, with respect to risk and return. The preferred zone is up and to the left (high return: low risk - green zone) and the less preferred zone is down and to the right (low return: high risk - red zone).

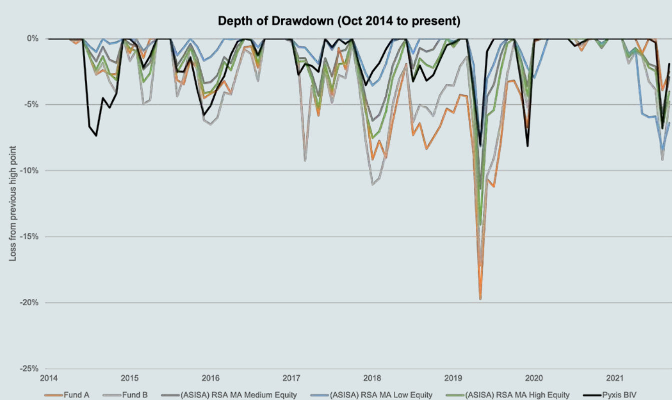
> The relative positioning of the Pyxis BIV portfolio again confirms that the risk is not excessive when compared to the rest of the group.

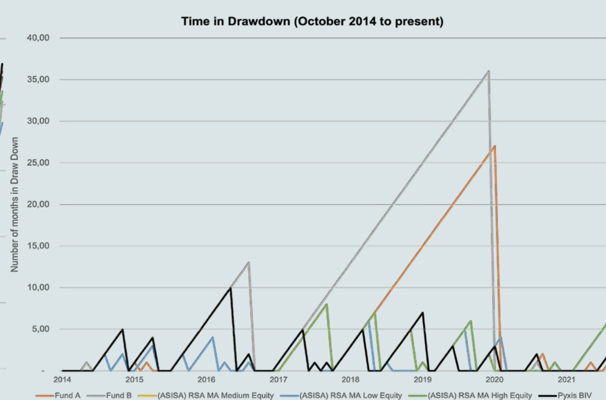


HIGH WATER MARK, TIME IN DRAW DOWN, NUMBER OF NEW HIGH POINTS AND DEPTH OF DRAW DOWN

High Watermark vs. Actual Performance: A new high is achieved each time the red line goes up. The black line represents the actual return. The number of months taken to reach a new high is defined as "Time in Drawdown". The difference between the previous high and current actual is defined as "Depth of Drawdown".







	Pyxis BIV	Fund A	Fund B	AVG: SA - Multi Asset Med Equity	AVG: SA - Multi Asset Low Equity	AVG: SA - Multi Asset High Equity
Maximum time in drawdown	10	27	36	10	7	10
Number of new highs	42	32	25	37	47	35
Deepest drawdown	-8.1%	-19.7%	-17.2%	-11.4%	-8.4%	-14.1%

> The time in drawdown, number of new high points and depth of drawdown are approximately in the middle of the group, again confirming that the Pyxis BIV did not take on more risk than the rest of the group.