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FEATURE FIRM: SELEKANE ASSET CONSULTANTS

Fresh thinking in a crowded field

Lindi Moabi

Jeremy Glyn

There is wide demand for black-owned consulting groups from union funds, parastatals and many medical aid groups. Sometimes the large institutions have tried to exploit this market quite cynically by bringing in black equity partners and giving predominantly white-run consulting businesses names such as Lekana and Simeka.

Selekane Asset Consultants is a very different business from these paper black companies. All the senior staff members at Selekane are black. Old Mutual has a 26% holding but no operational involvement and it has not even referred any business to it. In fact as time goes on, Old Mutual Actuaries & Consultants (OMAC) is competing more and more with Selekane.

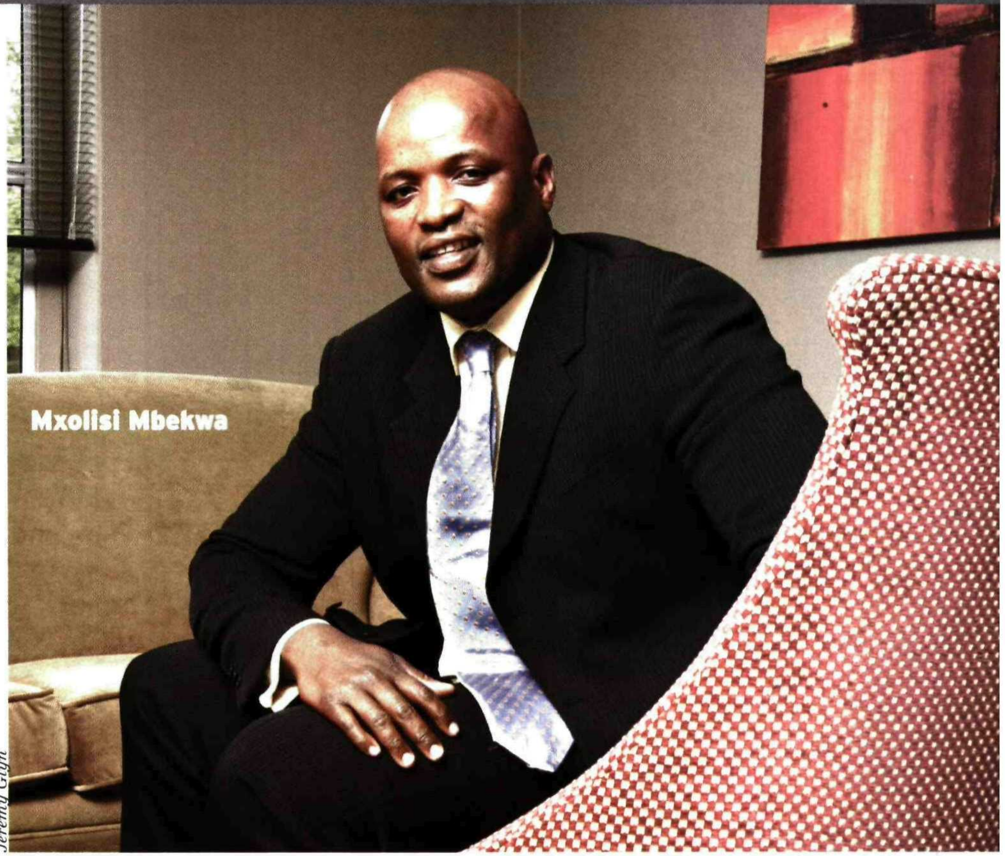
Selekane has had to get business the old-fashioned way — by earning it. When they started the business in 2006, the three executive directors had already been in leading roles in the industry.

Its clients on retainer have a total asset base of R22bn and its project clients have R110bn under management.

The firm had a breakthrough in July when the Mineworkers Provident Fund moved its asset consulting to it from Fifth Quadrant.

To date it has had most success in the medical aid market with schemes such as Bonitas, Hosmed, Moto and Sizwe. But it has corporate clients such as Fairheads and Northam Platinum as well as the health workers' union Nehawu.

CEO Mxolisi Mbekwa, after learning his craft at OMAC, was a founder member of the two asset consultants that were finalists in the Principal Officers' As-


Mxolisi Mbekwa

Jeremy Glyn

sociation awards this year — Fifth Quadrant and Riscura.

Mfisa Masina, after a stint at Alexander Forbes Asset Consultants, became a portfolio manager at the multimanager Symmetry. He is now Selekane's head of research. Lindi Moabi, head of client services, after the classic training at Alexander Forbes, was head of consulting services at both Brockhouse Cooper and NBC.

One of Selekane's strengths is its independence from product providers. Mbekwa says that its target market is funds that are not convinced about the merits of the one-stop shop model and prefer focus and specialisation from each of their service providers. It has a much lower consultant:client ratio than the traditional firms.

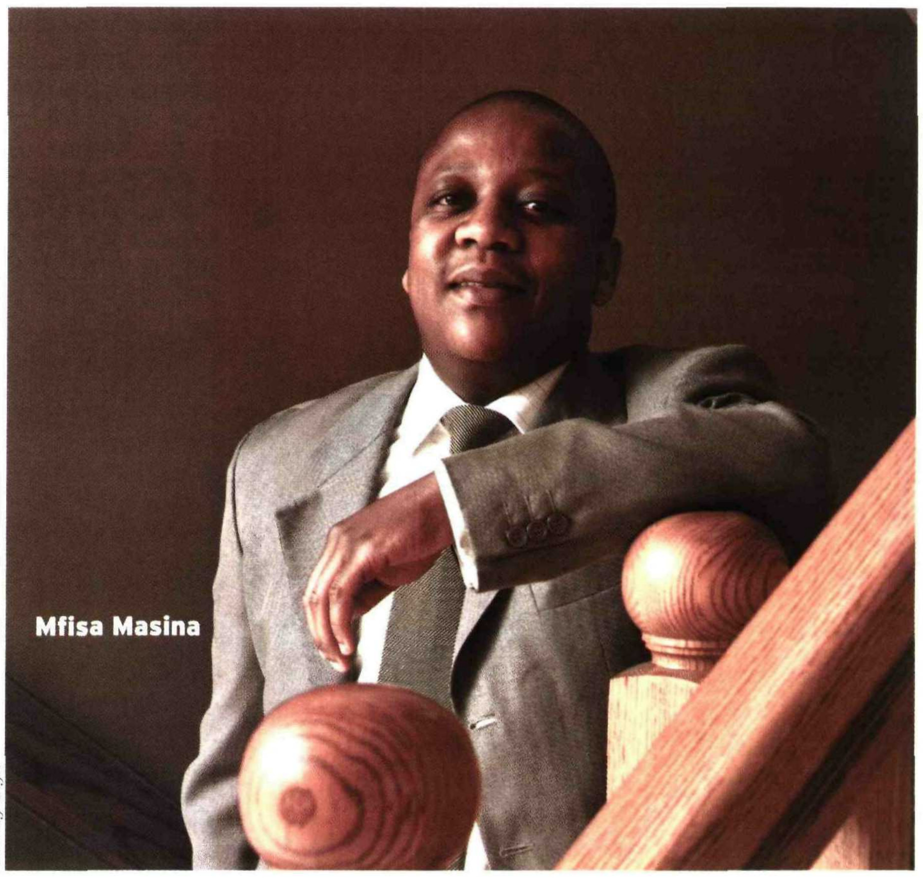
Selekane operates a clean business model with an all-inclusive fee structure. It does not receive trading commissions or participate in soft dollar arrangements. Moabi says it would change the nature of the business if it started to charge performance fees. Selekane's goal is to provide advice that will position a fund correctly for the next 20 years. Performance fees lead to much shorter time horizons.

There are no model portfolios at Selekane, which provides tailor-made solutions for clients. There are seven different types of service that Selekane offers. Some of its larger clients, such as the Transnet and Eskom pension funds, have selected one or two items from the menu and others all seven.

Selekane helps to develop investment policy and a strategy that makes achieving these objectives most likely. The investment policy statement is kept flexible and it encourages trustees to make changes when necessary.

The second key service is investment strategy formulation and portfolio construction. It is critical that funds follow a strategy that is appropriate to their liability profile.

Selekane partners Stochastic Solutions for its asset liability modelling. This firm was founded by James Maitland and it has been advising actuaries and major pension funds since 1996. It analyses the asset mix and the liabilities across a range of economic scenarios and helps clients choose the appropriate strategic asset allocation.


Mfisa Masina

Jeremy Glyn

Asset manager selection might not be as important a source of returns as asset allocation, but it is nonetheless a core activity of Selekane.

It has a comprehensive database of investment managers for a wide range of mandates and products. It uses several layers of quantitative and qualitative screens to identify the managers most likely to perform well.

Says Masina: "Too often trustees make decisions based on last year's pain."

For global mandates, it partners SEI, the US-based multimanager. It does not invest in SEI's packaged products, but uses the SEI platform to tailor international strategies to SA clients. It also uses SEI's global coverage and expertise to help it come up with distinctive advice.

Selekane offers risk, performance and compliance monitoring with more focus on actual risk than past performance. It drills down to the assets that have been brought into the portfolio rather than aggregate returns.

To ensure that the trustees are trained enough to carry out their tasks, Selekane offers trustee training. This takes in such key topics as the principles of investing, risk management, investment strategy formulation and monitoring as well as asset management and product selection.

It can also provide member education, for funds offering individual member choice. This helps members understand the implications of their fund selections and the risks of the asset classes concerned.

Selekane also has a transition monitoring service to ensure that when an investment manager is replaced, the transfer to a new manager is carried out in a cost-effective and timely manner.

The firm is growing and recently recruited a senior consultant, Logan Moodley, to join the team. Since winning the MWP business, the next phase of growth has got well under way. ■

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