



August 2025





# Agenda

- Business
- Investment Philosophy, Process and Outcome
- Performance
- Conclusion





# Background and Investment Team

- Established Jan 2016: Independent, specialist boutique asset manager
- Owned by management and employees
- Offering a broad range of Unit Trust funds across the risk spectrum - Fixed Income, Multi-Asset, Equity, Global and Hedge
- Small, focused team; focused on investment management and outsourcing operations.
- **Methodical BCI Equity Fund** was launched on 1 July 2016, has a 9-year track record.
- Broad Client Base: No Client concentration risk, not product concentration risk
- Total AUM: R11bn



# Methodical BCI Equity Fund

## Investment Philosophy



# South African Systematic Investing Landscape

1 July 2016  
Methodical **BCI** Equity  
Fund Launch



ASSET MANAGEMENT INDUSTRY | 03 JUL, 2023 **CITYWIRE**  
SOUTH AFRICA

### Stanlib's move to systematic investing seen as part of a wider trend

A number of industry players believe the case has been made for systematic investing.





# Investment process

Unleashing the wisdom of the crowds

Sir Francis Galton was at a country fair in 1906. There was a competition where you had to guess the weight of an ox. He took the 787 guesses and calculated the average, which came to **1,197 pounds**. The actual weight of the ox was **1,198 pounds**



The “Ask the Audience” lifeline of Who Wants to be a Millionaire, where the studio audience are polled. The most popular answer is the correct answer **91%** of the time.



**The Challenger Disaster**  
Jan 28, 1986, the space shuttle Challenger broke up seconds after launch. Almost immediately after the disaster the stock prices of the four main contractors started declining. While the prices of Lockheed, Rockwell International, Martin Marietta fell only 3% the price of **Morton Thiokol ended the day 12% lower**. The market felt that they were to blame without any firm evidence at hand.



Six months after the disaster the market was proven right, the O-ring seals on the booster rocket made by Thiokol were the cause of the problem.

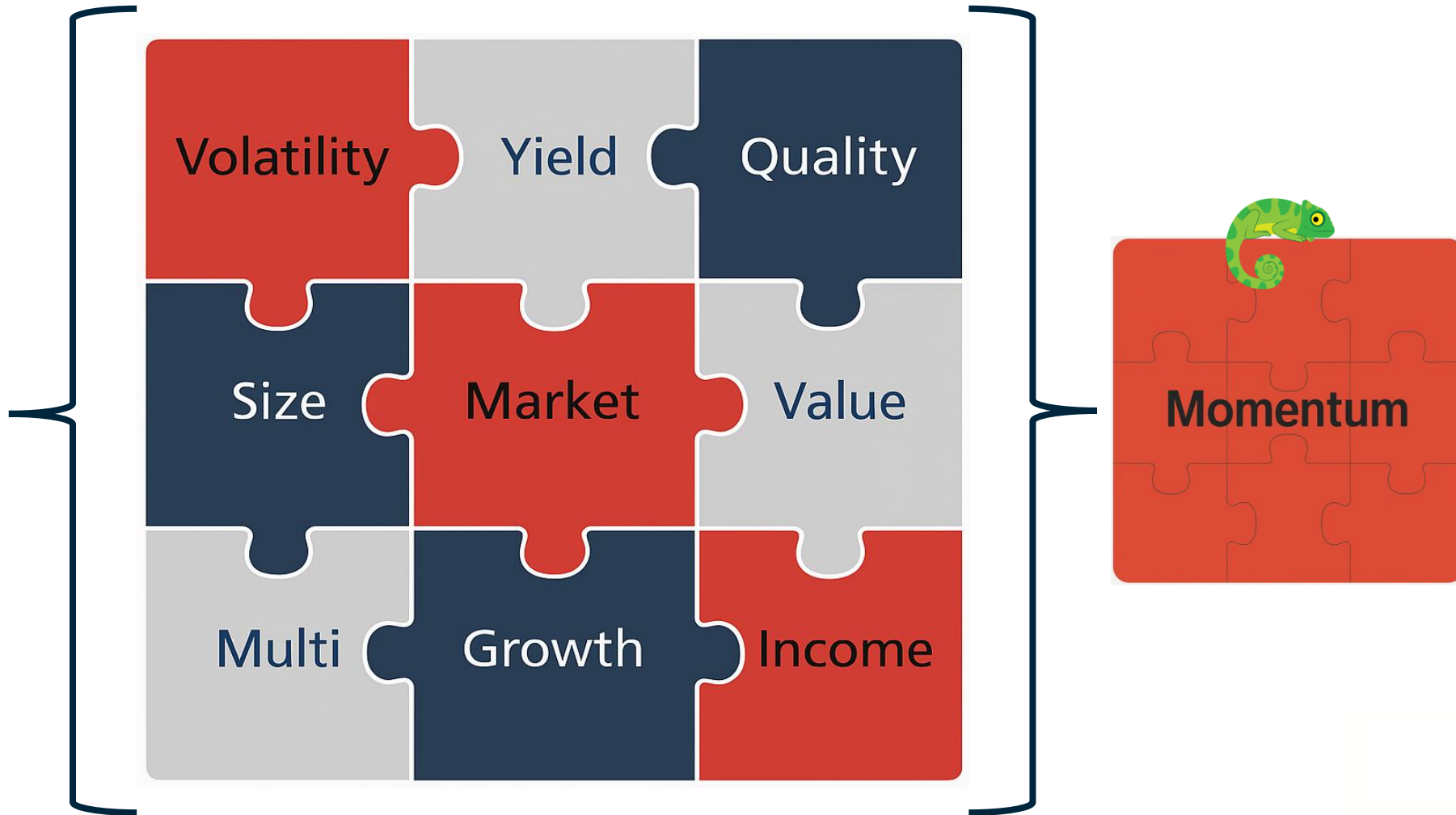
On May 22, 1968, the US navy lost one of its submarines and wanted to find the wreckage, but the intelligence it had was not able to provide an area that was small enough to effectively search. John Craven a naval officer, decided to harness the wisdom of crowds. He asked a wide group of individuals, drawn from diverse backgrounds ranging from mathematicians to salvage experts to guess the submarine's location. The group's average guess was **just 220 yards** from the location where the Scorpion was eventually found.





# Investment Styles

We invest based on the Momentum Factor – The “Chameleon” Factor





# What is Momentum Investing?

## Time Series Momentum (Trend Following):

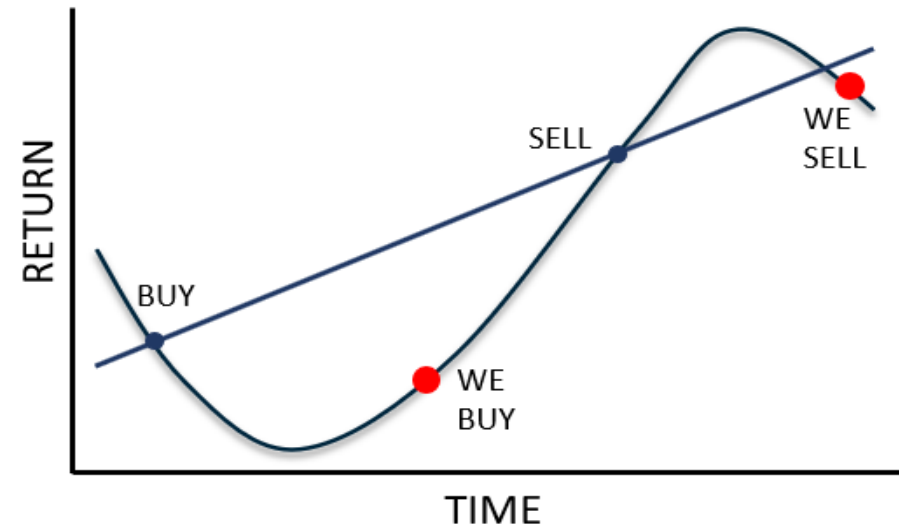
- The tendency of an asset to continue moving in the same direction over time. An asset that is increasing in value is more likely to continue increasing and vice versa

### TREND ANATOMY



## Relative Momentum:

- The tendency of some assets to outperform others. In other words, a comparison between the performance of two assets, rather than the performance of a single asset over time.

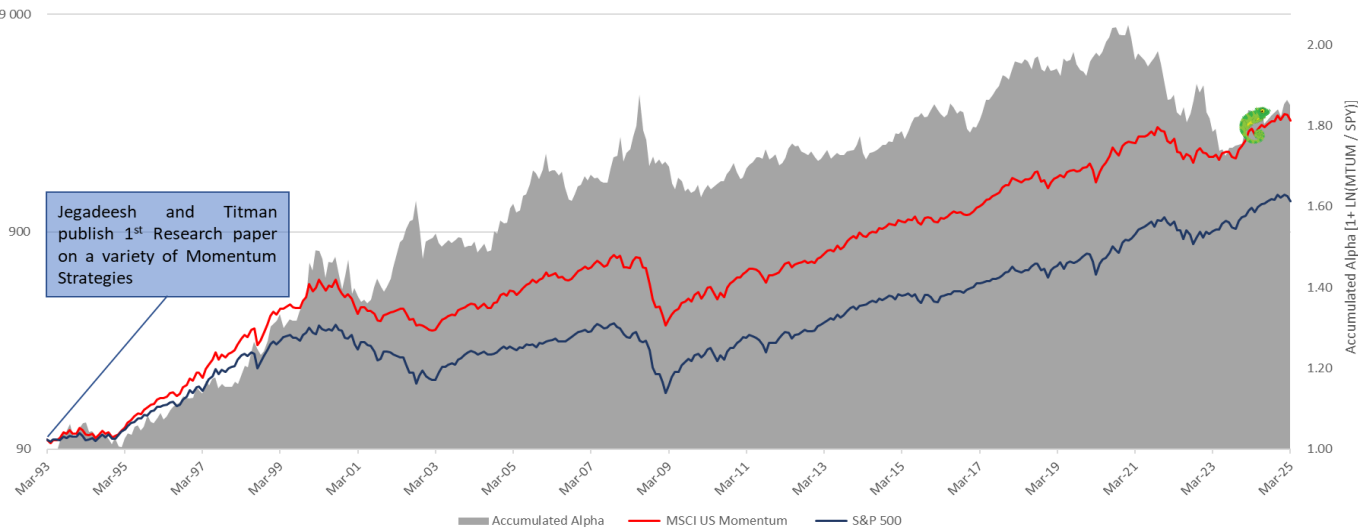




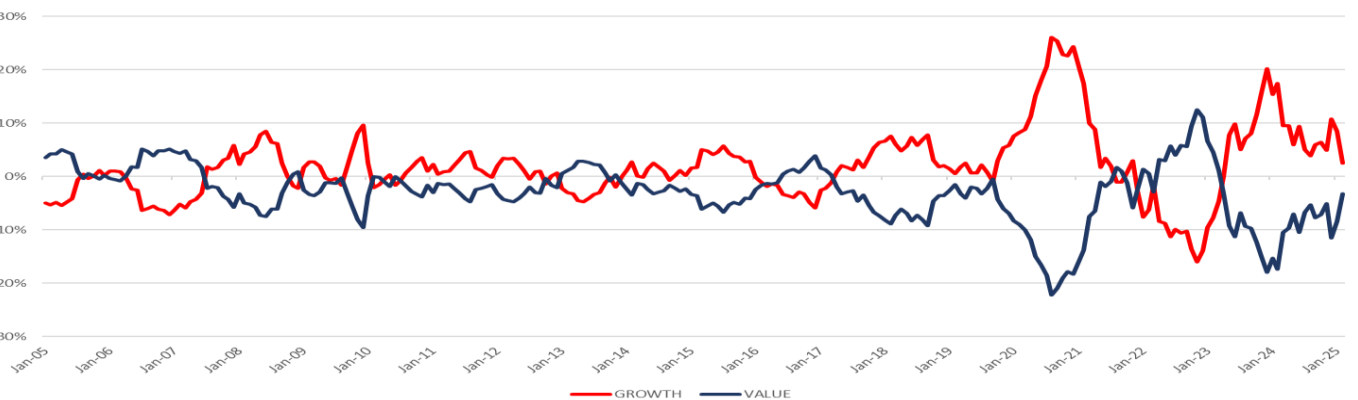
# Momentum Factor

A Chameleon in Bull Markets

S&P 500 vs. MSCI US Momentum (Log Scale)



12-Month Rolling Alpha - US Value vs. Growth



## Momentum Factor (Smart Beta) Calculation:

The Momentum value for each security is calculated by combining recent 12-month and 6-month local price performance of the security.

- 6-month Price Momentum =  $((PT-1 / PT-7)-1) - (\text{Local Risk-free rate})$
- 12-month Price Momentum =  $((PT-1 / PT-13)-1) - (\text{Local Risk-free rate})$

A Momentum value computed above is further adjusted with corresponding volatility of the security.

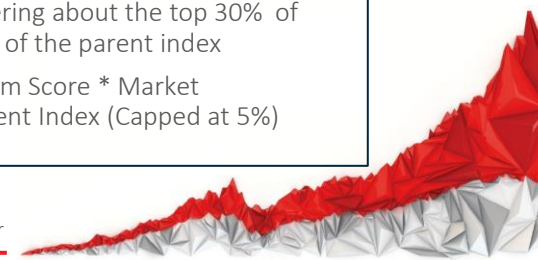
- Risk-adjusted Price Momentum =  $\text{Price Momentum} / \sigma * 3$   
Year Annualised volatility

Calculating a momentum score

- Z-Score =  $0.5 * 6\text{-month risk adjusted momentum value} + 0.5 * 12\text{-month risk adjusted momentum value}$
- Momentum Score =  $\begin{cases} 1 + Z & \text{if } Z > 0 \\ (1 - Z)^{-1} & \text{if } Z < 0 \end{cases}$

Security Selection

- Fixed number of securities, covering about the top 30% of market capped weighted shares of the parent index
- Momentum Weight =  $\text{Momentum Score} * \text{Market Capitalisation Weight in the Parent Index (Capped at 5\%)}$

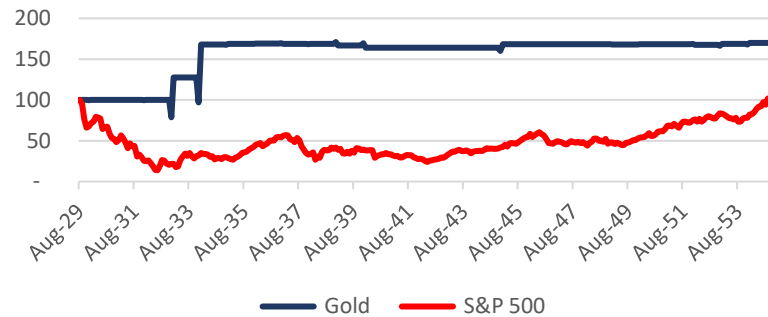




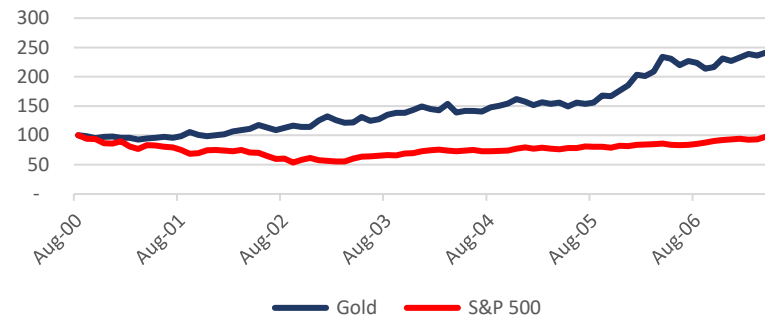
# Momentum Factor

## Defensive in Bear Markets

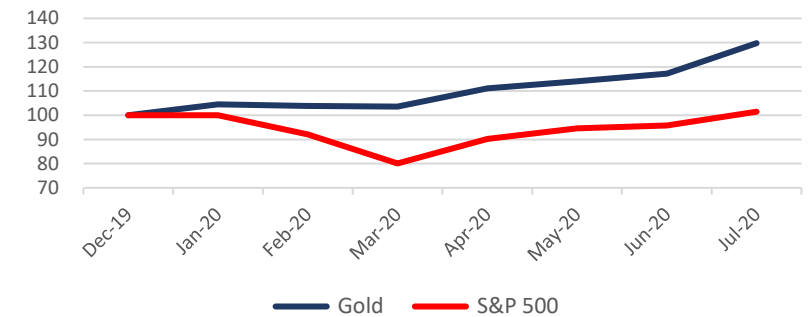
1929 – Great Depression



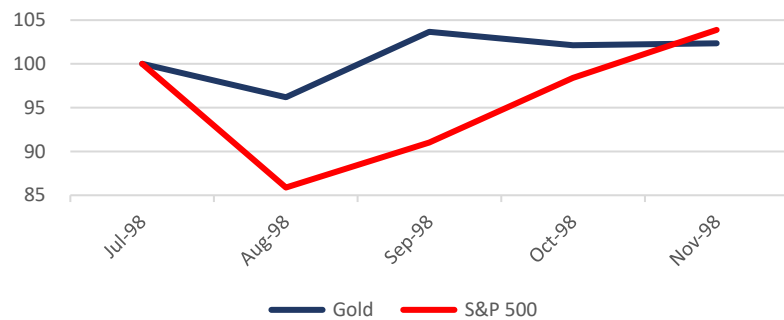
2000 – Tech Bubble



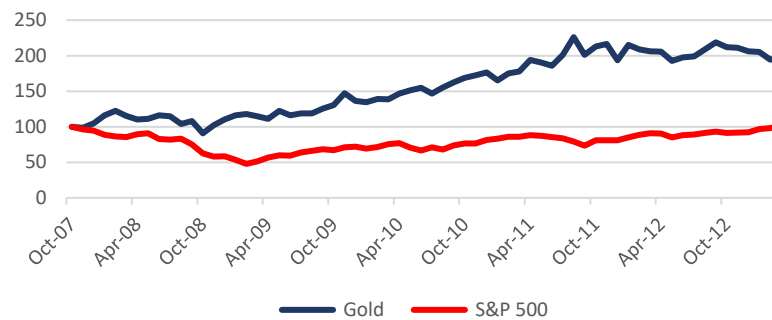
2020 - COVID



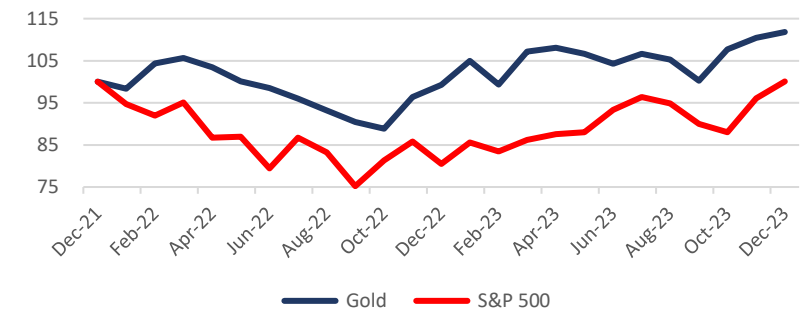
1998 - LTCM



2008 – Sub-Prime Bubble



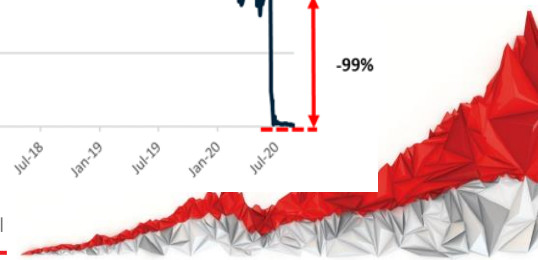
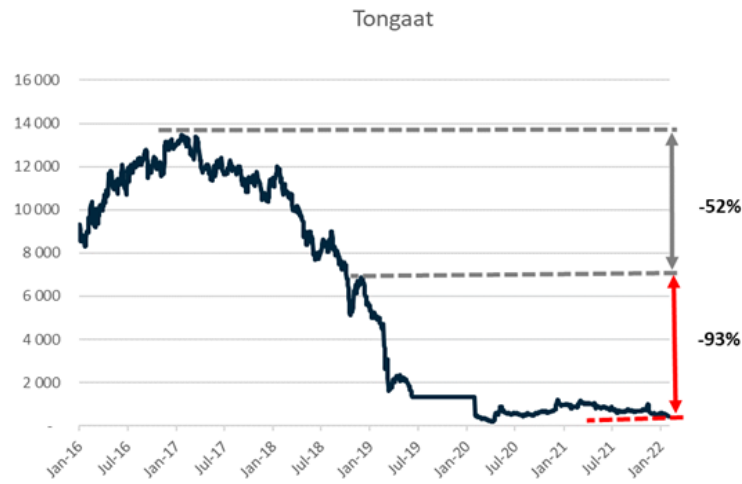
2022 - Fed tightening





# Momentum Factor

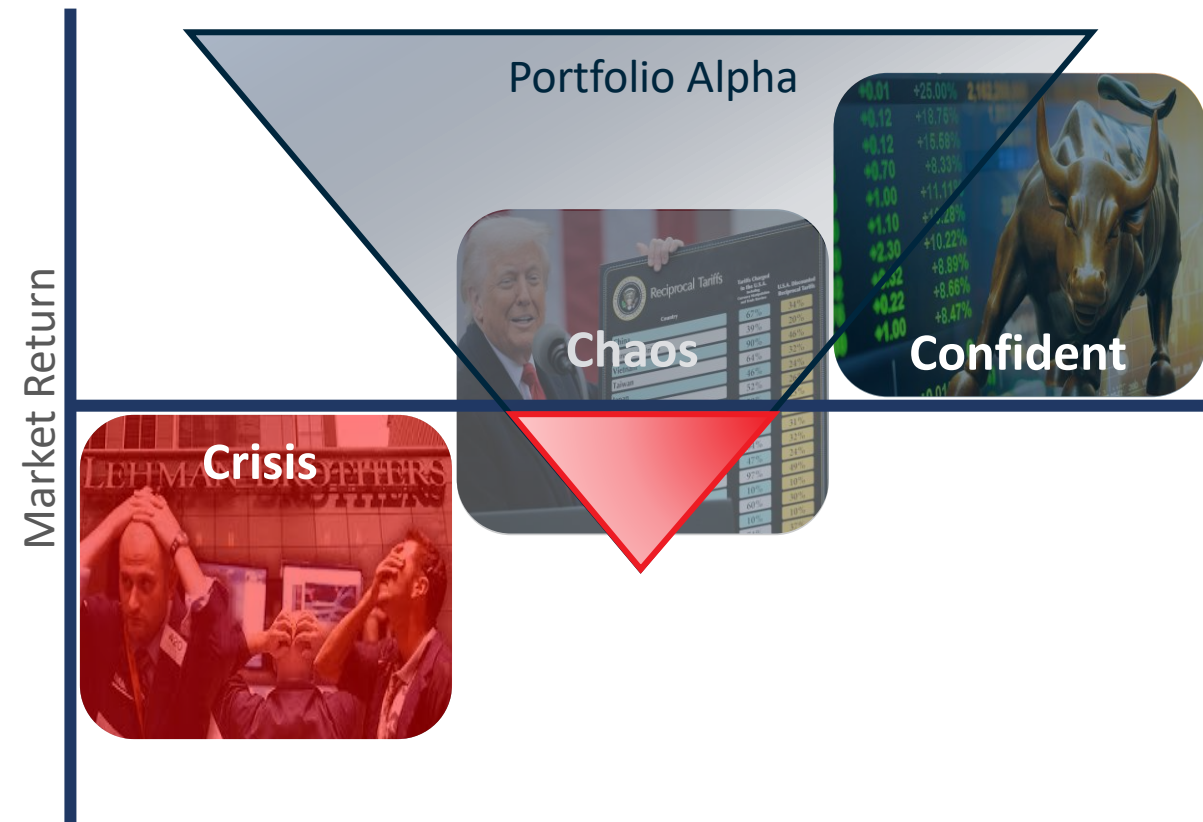
Eliminates the risk of value traps



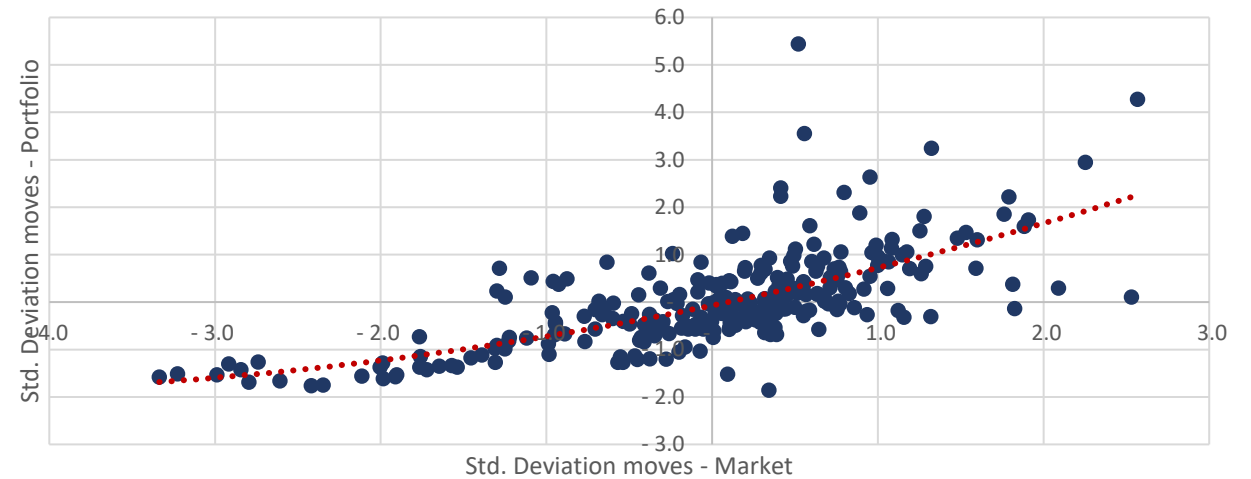


# Portfolio Convexity

Construct a portfolio that aims to deliver Alpha in Bull and Bear markets



12-Month Rolling Returns - Normalised



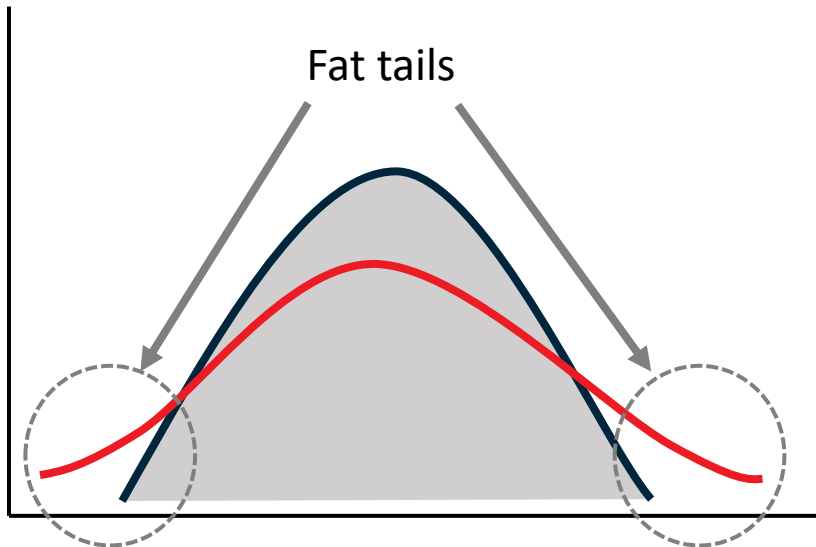
- **Portfolio Convexity**
  - Portfolio downside deviation capped at 2 standard deviations while upside uncapped at nearly 6 standard deviations.



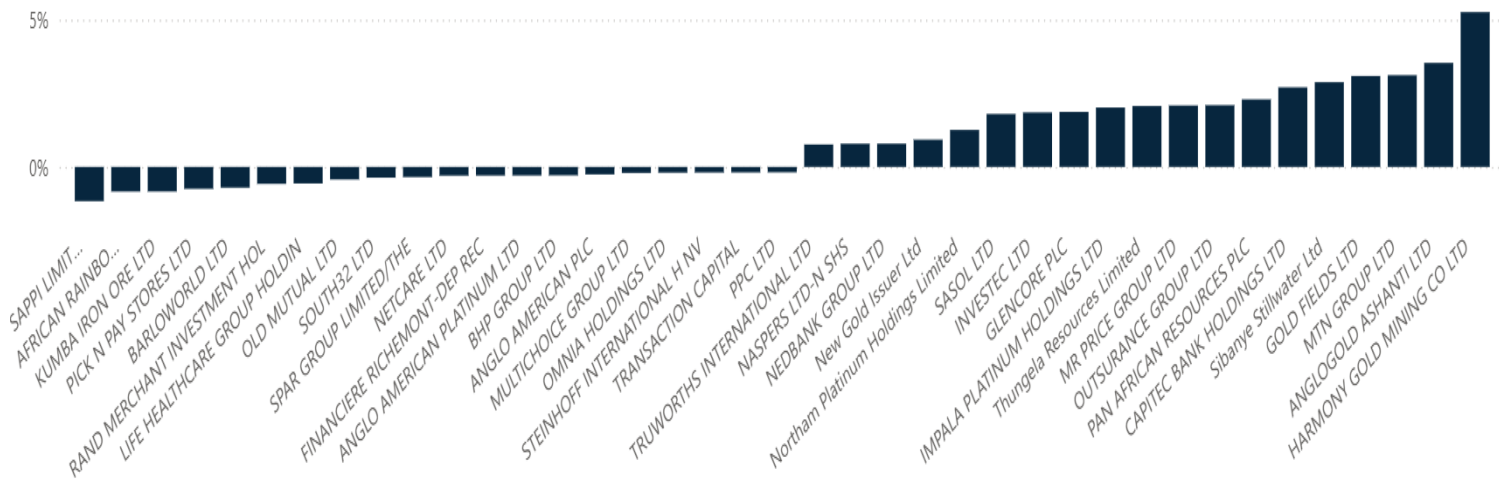


# Portfolio Convexity

Avoid left tails while participating in the right tails



### Attribution per share – past 5 years

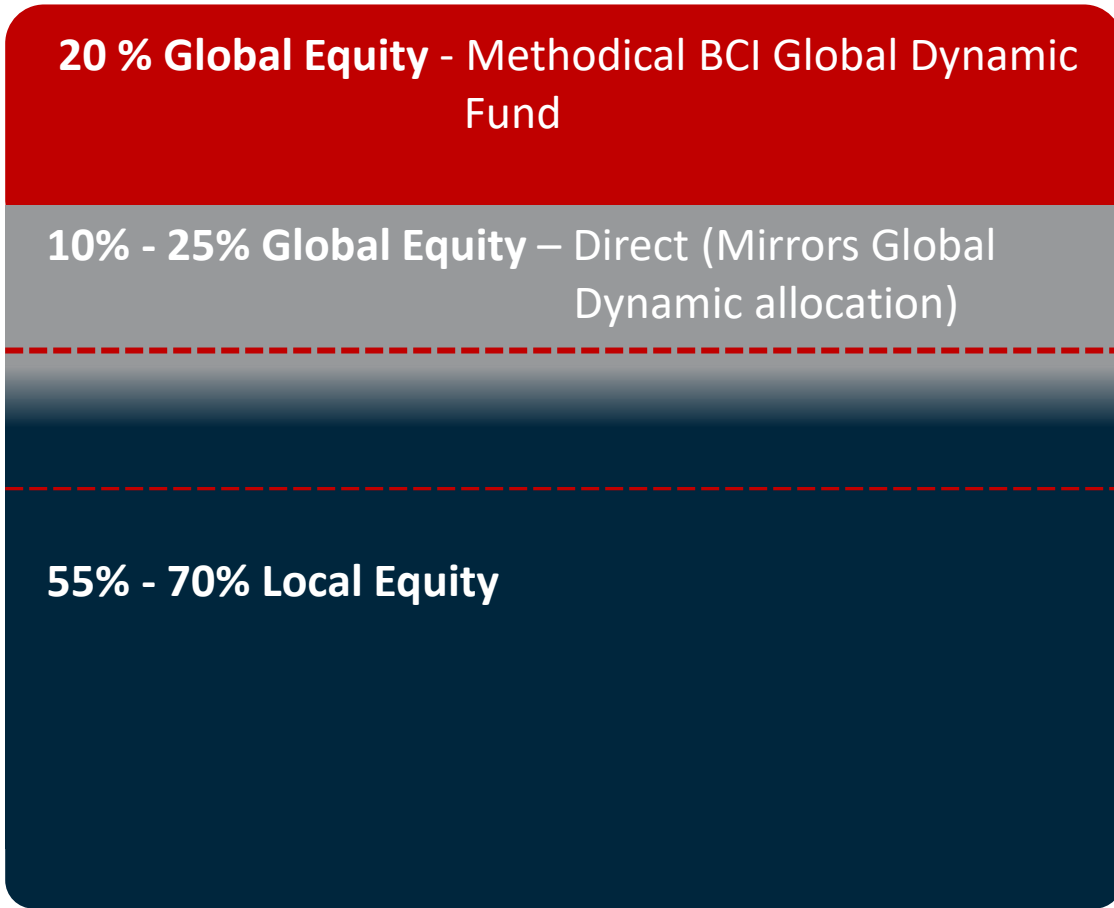


# Methodical **BCI Equity** Fund Strategy and Implementation



# Portfolio Construction Process

Portfolio composition





# Portfolio Construction Process

## Regime Detection

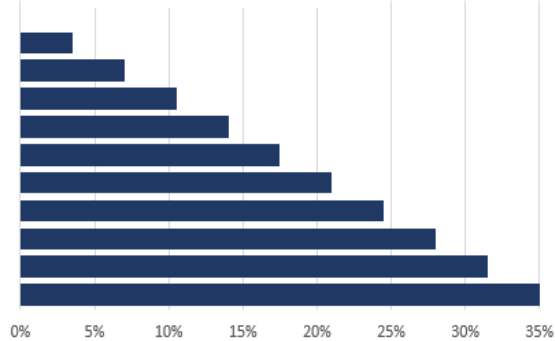
Equity Index Returns (J200)

VS.

Interest Rates (STEFI)



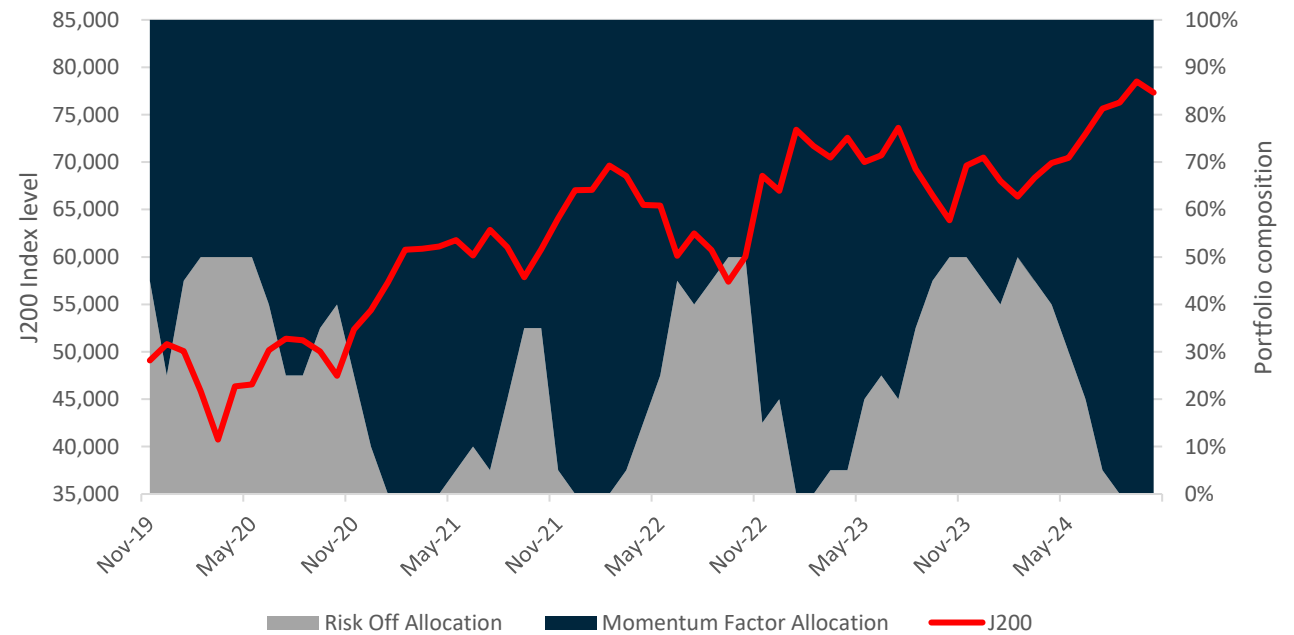
Risk Off Allocation



Market Regime	Market Allocation (Through ALSI Futures)	Active Share	Hedges (Gold and Gold Miners)
Risk On	Low	High	Low
Risk Off	High	Low	High

\* Risk-off Allocation = Market (ALSI Futures), Gold and Gold Miner Allocation

Portfolio Construction - Past 5 Years





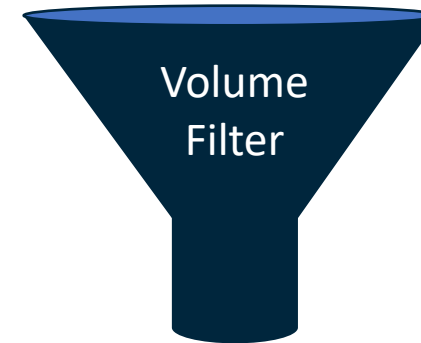
# Portfolio Construction Process

Investable Universe

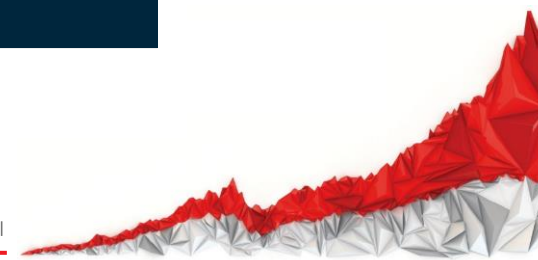
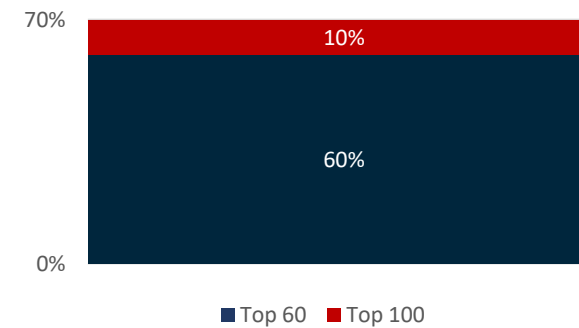
- Minimize market impact with trading
- Keep rebalance size < 5% of ADV
- Rebalancing Frequency determined by trade size. e.g. monthly, weekly, daily
- The Fund currently rebalances on a weekly basis
- More frequent trading does not hamper performance or increase turnover, it only reduces trade size and entry-point risk

Trading Frequency	W1	W2	W3	W4	W1	W2	W3	W4
Sub-Portfolio 1 (25%)								
Sub-Portfolio 2 (25%)								
Sub-Portfolio 3 (25%)								
Sub-Portfolio 4 (25%)								

J203 Constituents



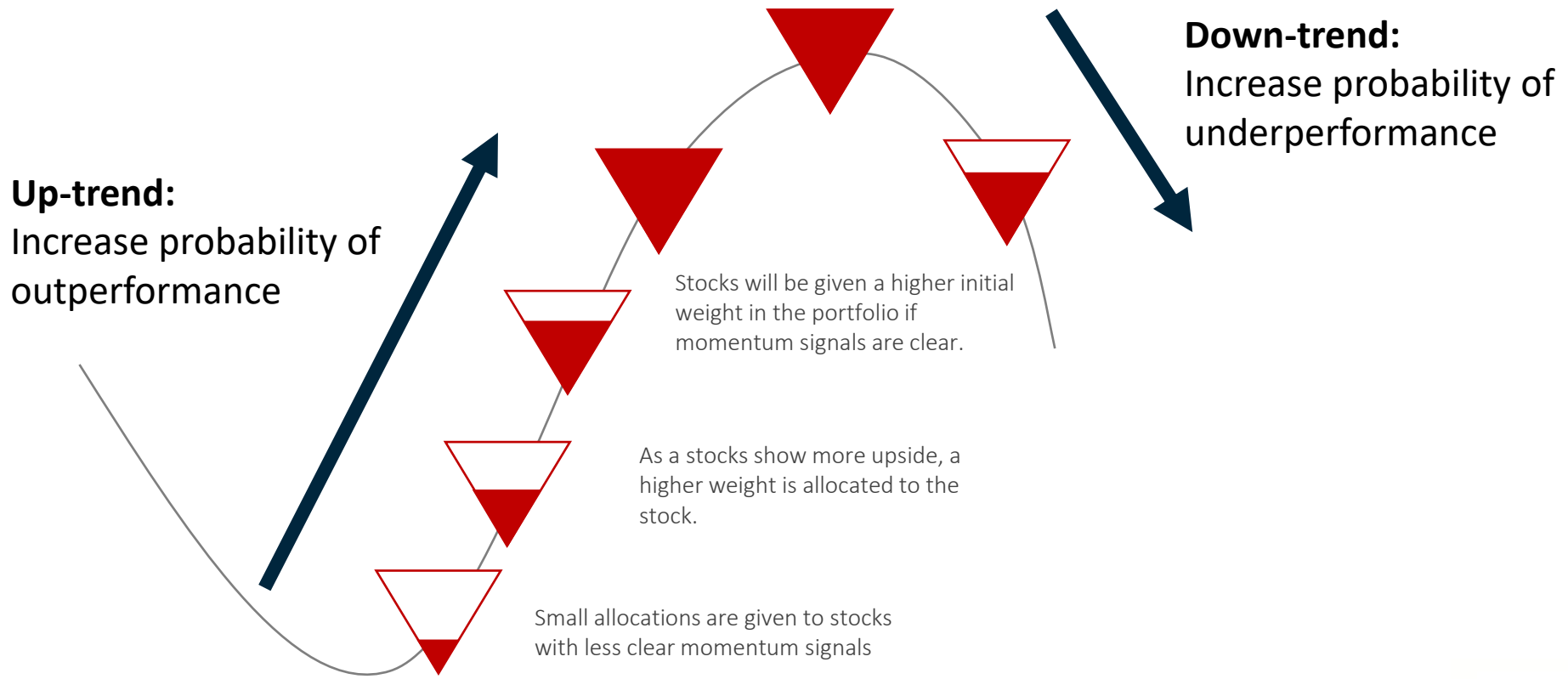
Local Allocation





# Portfolio Construction Process

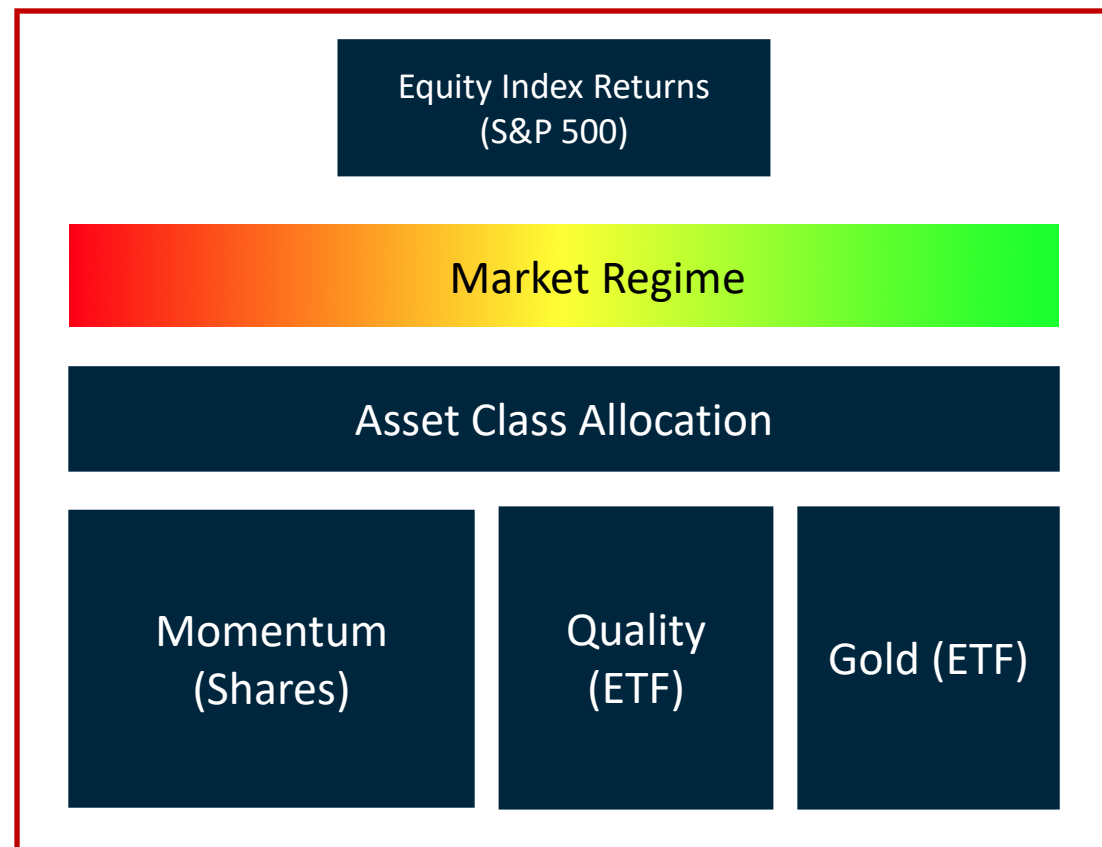
Incorporating Probability in a Momentum driven process





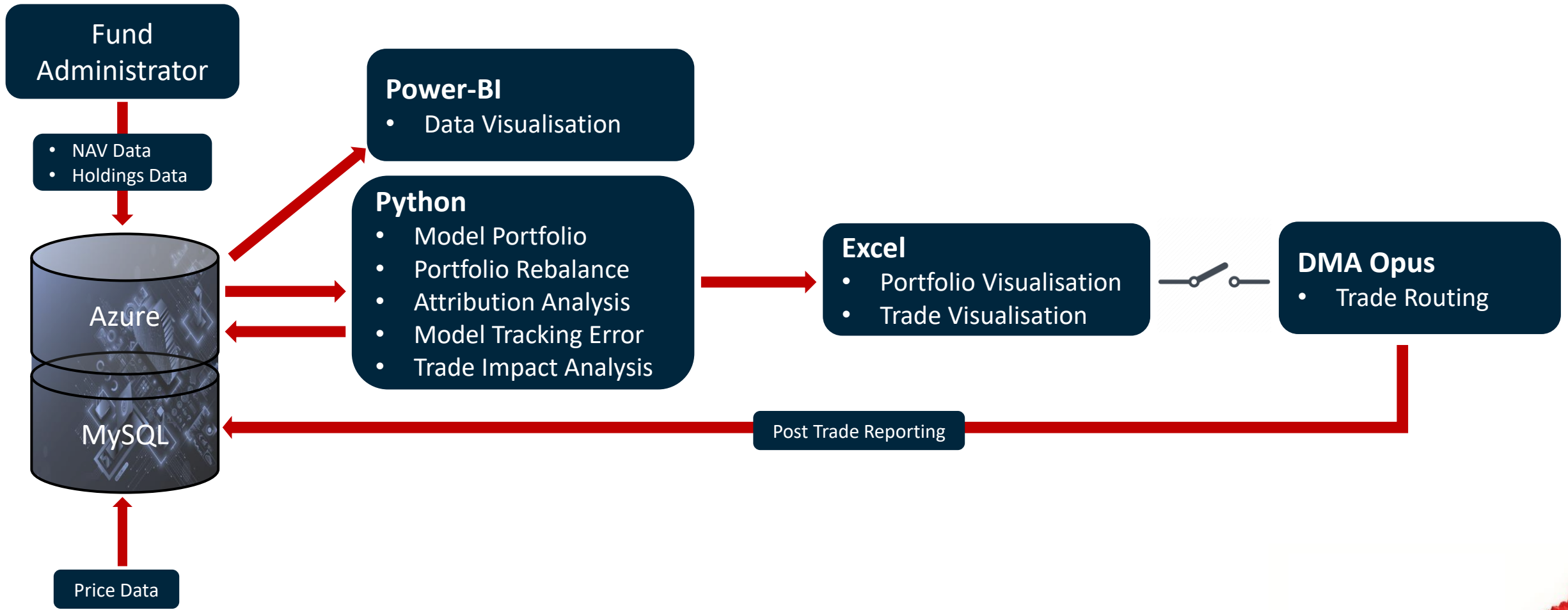
# Global Equity

Methodical BCI Global Dynamic Fund





# Process Flow and Data management





# Performance monitoring

Model vs Actual



# Methodical BCI Equity Fund Performance

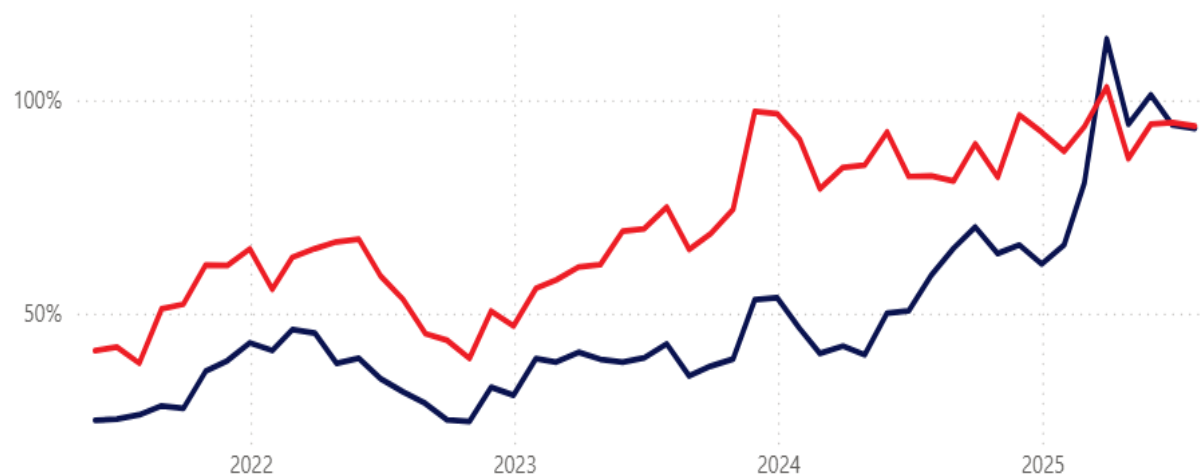




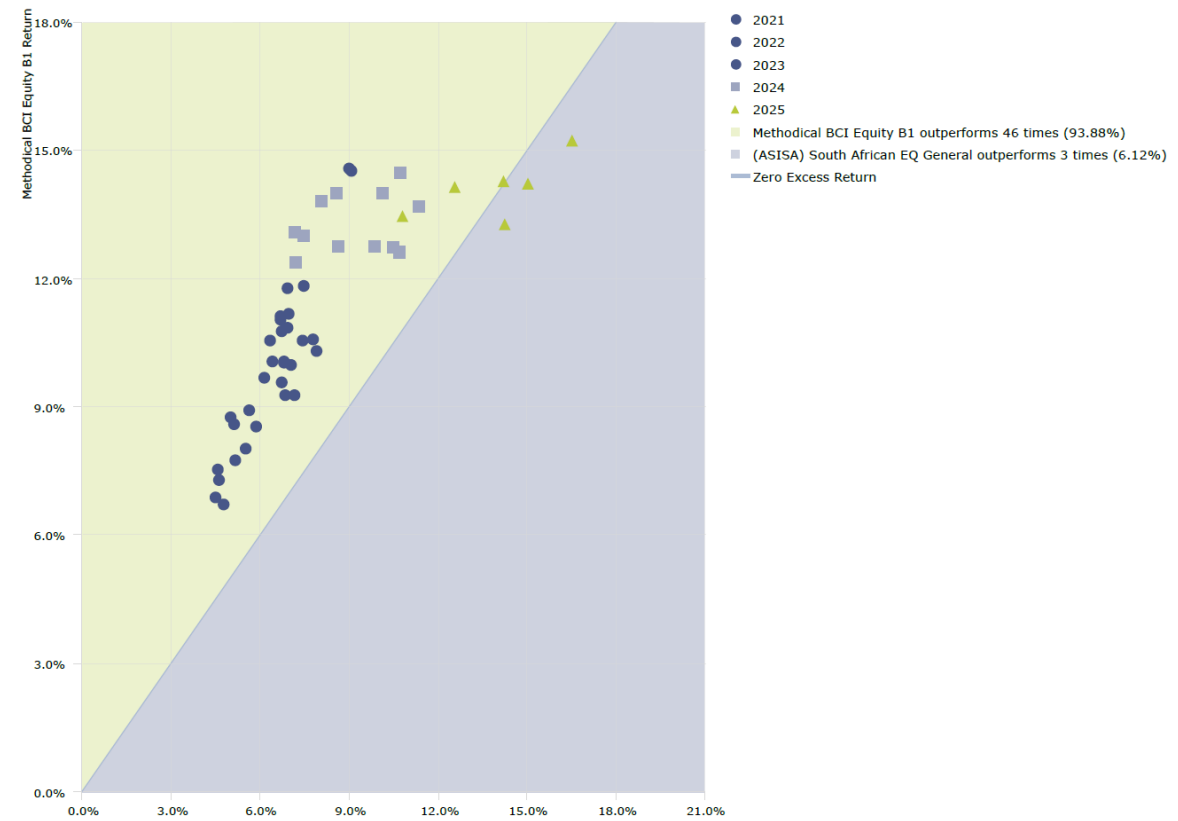
# Performance snapshot as at 31 July 2025

## Methodical BCI Equity Fund

### Rolling 5-year Return



Correlation Matrix	1	2	3	4	5	6	7	8
1 Methodical BCI Equity B1	1.00							
2 Manager A	0.76	1.00						
3 Manager B	0.86	0.93	1.00					
4 Manager C	0.75	0.90	0.92	1.00				
5 Manager D	0.82	0.86	0.91	0.86	1.00			
6 Manager E	0.77	0.92	0.95	0.96	0.85	1.00		
7 (ASISA) South African EQ General	0.80	0.91	0.96	0.96	0.86	0.97	1.00	
8 FTSE/JSE All Share TR ZAR	0.79	0.91	0.95	0.89	0.85	0.93	0.97	1.00





# Performance snapshot as at 31 July 2025

## Methodical BCI Equity

Period	Methodical BCI Equity Fund	(ASISA) South African EQ General	% Peer Group Beaten
YTD	16.82%	12.63%	77%
1 Year	31.80%	17.51%	99%
2 Years	21.11%	13.88%	97%
3 Years	19.25%	13.56%	98%
4 Years	14.64%	11.67%	92%
5 Years	14.16%	14.20%	49%
6 Years	15.73%	11.63%	93%
7 Years	14.41%	9.78%	98%
8 Years	12.69%	8.91%	99%
9 Years	10.16%	8.27%	85%

## Methodical BCI Global Dynamic

Period	Methodical BCI Global Dynamic Fund	(ASISA) Global Multi Asset Flex	% Peer Group Beaten
1 Year	35.5%	11.7%	100%
2 Years	22.5%	11.1%	100%
3 Years	21.5%	12.7%	100%
4 Years	15.8%	9.0%	100%





# Philosophy, Process, People and Performance

## Philosophy

- **Price momentum** is a permanent feature of equity markets.
- Changes in economic cycles, technology, and risk environments, and investor's response to those changes create trends in markets.

## Process

- A **quantitative, systematic** approach removes all behavioural biases.
- A systematic process is repeatable and scalable to accommodate any market and can be tested on any time-period

## People

- Portfolio managers are seen as **risk-managers**.
- Same portfolio managers since fund inception.

## Performance

- A Momentum based investment approach delivers **portfolio convexity** and **alpha** through economic cycles.





# Conclusion

Why Invest with us?

- Small, focused team; focused on effective investment management
- Stable Business; Owned by management and employees with no client concentration risk
- Proven Systematic process; Repeatable and scalable to accommodate any market or Regime
- Excellent Long-term Performance

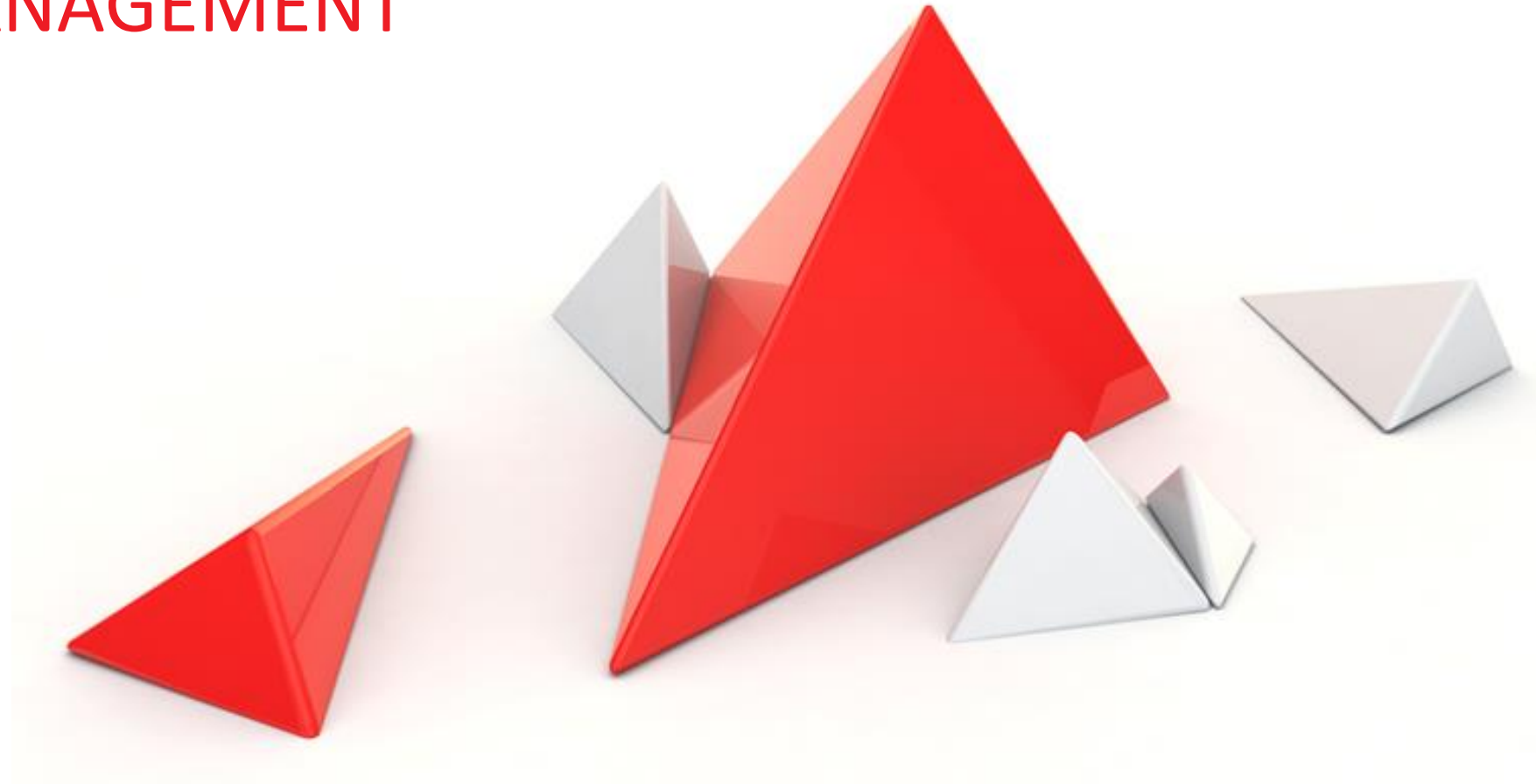


# METHODICAL INVESTMENT MANAGEMENT

## THANK YOU

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