

INVESTMENT COMMITTEE MEETING NOTES

NETWORK	DATE	TIME	LOCATION
Cornerstone	14.10.2025	11:00 – 13:00	Cornerstone office

ATTENDEES	
Leonie O'Neil	Cornerstone
Paul Damant	Cornerstone
Jacques de Kock	MitonOptimal
Riaan Maartens	MitonOptimal
George Dell	MitonOptimal

MEETING CONTENT	
Recording	20251014
Presentation	

TOPICS

Investment Strategy and Portfolio Management

The team decided to prioritize absolute returns with low volatility, avoiding cash and bonds given current yields, focusing instead on risk assets with downside protection through structured notes.

- Riaan Maartens highlighted the advantage of structured notes offering 17% per annum coupons with principal protection floors at 60%-80%, providing a safer way to engage equities.
 - This approach addresses client concerns about market timing and risk, allowing participation with a safety net.
 - The choice to avoid cash aligns with market realities where bonds yield just CPI plus 4%, while equities and notes provide higher income.
 - Implementation involves continuing partnerships with managers like Causeway and Nova partners, with plans to explore new local fund managers in Mauritius.
 - This strategy aims to capture market upside while hedging downside, meeting client demand for income and risk management.
- The group agreed to consolidate current portfolio models onto Cornerstone's core models to simplify management and reduce costs while maintaining performance.
 - Core models charge 18 basis points, down from current fees around 0.25%, with comparable or better returns .
 - Switching clients to core models requires confirming risk profiles and managing capital gains tax impacts, with Allan Gray tasked to provide detailed reports.
 - This consolidation aims to reduce complexity, increase profitability, and improve compliance tracking.
 - Riaan emphasized that branding on models is not a priority, focusing instead on delivering consistent client outcomes.



Compliance, Licensing ,and Platform integration

Compliance risk around the Cat 2 license renewal were flagged as urgent, with external compliance requiring an update by May-June next year to avoid penalties .

- Riaan Maartens stressed the need to finalize outstanding operational documentation, particularly Paul's explanation of operations, to secure regulatory approval.
 - Internal and external compliance teams, including Celeste and Ingrid, are involved in managing the renewal process.
 - Delays have caused risk exposure, with the external compliance body noting the absence of updated supervisory reports since June last year.
 - The team agreed to support documentation efforts and accelerate the process to meet deadlines of avoid fines.
- The launch of the Swiss Quote platform is ongoing but delayed due to fund onboarding issues, impacting about 30-50 million rand in assets not yet integrated.
 - Riaan highlighted the need to get more funds live on the platform to enable better client access and portfolio management.
 - Swiss Quotes requires certain legal wrappers and licenses (e.g., 13B License via Life cycle) to onboard corporate funds exceeding a billion rand.
 - The team is working with Life cycle and Old Mutual to resolve integration delays caused by legacy system dependencies.
 - The goal is to have live model portfolios available soon, facilitating bulk switching and fee transparency for IFAs.

Corporate Fund Access and Model Development

- A key strategic goal is to create a gateway for corporate funds (Over a billion rand) into managed models via platforms like Swiss Quote, blending AMC fees and notes.
- Riaan clarified that his aspiration is to access these funds without assuming asset allocation responsibilities, relying on models and notes instead .
 - To enable this, the team plans to build cornerstone EV models and life wrappers that meet cat 2 requirements.
 - This would unlock significant corporate capital currently held by major providers like Liberty, Signia, Mutual, and Sunlight.
 - This strategic move is expected to increase assets under management and revenue through AMC fees while simplifying client access.
- The team agreed to focus on building three key cornerstone models for Swiss Quote, ensuring they align with regulatory and platform requirements.
 - Once live, these models will enable bulk mandate switches and easier onboarding of corporate clients.
 - Riaan is awaiting a transfer from a client of between 500,000 and 1 million euros, indicating growing client interest.
 - This model development is critical to scaling the business and meeting monthly asset growth targets of 60 million rand.

Short-Term Insurance Self-insurance Structure

- The team is developing a self-insurance structure for large commercial clients paying high short-term insurance premiums of around 200,000 to 300,000 rand monthly .
- The new structure transfers premium payments into a tax –deductible captive insurance fund managed internally, allowing clients to invest their own money while retaining insurance benefits.
 - This shifts profits from taxable income to a managed fund, providing tax efficiency and cash flow benefits.
 - The structure includes a layer of traditional insurance for catastrophic events exceeding the captive fund limits.
 - Governance and reporting standards similar to investment models will be applied to ensure regulatory compliance.
 - This innovation is expected to reduce client costs, increase wealth management assets, and differentiate the offering in the market.

- Current challenges include finding providers that allow fund management within the structure, with ongoing talks to identify suitable administrators.
 - The team is exploring partnerships with firms like Fed and Advantage One to implement this.
 - Riaan projects that while it may reduce short-term insurance commissions, it will boost wealth management revenues.
 - The approach leverages actuarial principles, adjusting excess reserves to optimize premiums and risk retention.
 - This initiative aligns with the broader strategy to offer unique, client-focused solutions that combine insurance and investment benefits.

Business Development and Client Diversification

The group plans to diversify client portfolios across multiple platforms and DFMs to enhance risk management and service offerings.

- Riaan emphasized splitting client assets across different platforms like PMX, Swiss Quote, and others for better diversification and risk mitigation.
 - This includes allocating retirement annuities, living annuities, and preservation funds to different managers .
 - The team recognizes the need to break the current PMX-centric advice process and adopt more inclusive models.
 - Efforts will focus on improving advice workflows using tools Wealth Explorer to streamline risk analysis and fund modeling.
 - This diversification aims to expand client offerings and avoid concentration risk while maintaining ease of use.
- Discussions included collaborating with independent DFMs like Tom Blundell, who runs a separate book under their license and could be a succession plan.
 - The team is exploring partnership opportunities to offer clients broader product suites and bulk mandate switches.
 - This approach helps capture clients who prefer independent management while maintaining regulatory oversight.
 - Ongoing efforts are focused on acquiring additional practices and increasing market share in regions like George and Nasa cornerstone Garden.
 - The strategy supports scaling the business by integrating diverse client bases and improving operational efficiency.

Operational and Personal capacity Planning

The team acknowledged personal capacity Constraints impacting business focus, emphasizing a need to resolve ongoing distractions to accelerate growth.

- Riaan Shared that ongoing personal commitments, including buildings projects and family responsibilities, are limiting his availability.
 - He plans to complete these by end of next week to fully focus on business priorities.
 - The team recognizes the importances of backing Riaan with additional support to meet monthly targets of 60 million rand in assets
 - Delegation and process improvements are planned to reduce bottlenecks and improve operational efficiency.
 - This will enable sustained business momentum and timely delivery of strategic initiatives.

Action items

Riaan Maartens

- Coordinate updating compliance documentation and supervise licensing requirements before May/June next year deadline
- Facilitate bulk mandate switches from existing cornerstone models to Allan Gray core models after client risk profiling and CGT impact assessment
- Keep team updated on Life Cycle wrapper progress and Old Mutual spin Switch issues.
- Progress development of short-term insurance self-insurance structure and regulatory approval process
- Consult with Leoni and terms on advice process restructuring to reduce overweight on PMX models.
- Engage with external actuarial and compliance advisors on self-insurance and governance and pricing frameworks

Paul D

- Complete operations explanations and final paperwork to support model onboarding to Swiss Quote platform
- Confirm and provide lists for mandate switching and portfolio consolidation
- Communicate with clients regarding fee adjustments and portfolio switches to core models

Jacques DK

- Assist in preparing client-specific reports comparing cornerstone and core model performances, including tax implications
- Coordinate with Roshana to confirm discretionary mandates and CGT consequences
- Collaborate with Riaan and Leoni on model configuration and streamlined processes

Leonie O

- Lead team discussion on shifting advice process away from PMX-only methodology to include other operational facilitation for model platforms and tools

Martin

- Provide support for cat 2 license applications, compliance documentation updates, and operational facilitation for model implementation

Celeste

- Coordinate compliance reporting and external audit preparation regarding supervision update

Roshana

- Assist with tax residency resolution for cross-border client transfers and discretionary mandate clarifications

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