

Tipped for success

A tale of transformation and unprecedented achievement

From the dusty streets of Mahikeng to the boardrooms of Johannesburg, Kagisho Mahura, CFP® has made history as co-founder of Gradidge-Mahura, the first black-managed firm to be accredited as an FPI Approved Professional Practice™. Along with fellow co-founder Craig Gradidge, CFP®, Mahura has blazed a trail for black financial professionals and opened up the financial planning space for meaningful transformation. *Blue Chip* spoke to him to find out more about this remarkable journey.

Kagisho Mahura had already been thinking about establishing his own company when he bumped into Craig Gradidge in the corridors of Old Mutual in 2007. Having worked in the financial services sector since 1995 – learning the ropes of risk, life and disability, investment and marketing at Old Mutual, switching to marketing at Coronation, and returning briefly to Old Mutual in 2006 – Mahura already knew a thing or two about financial planning, so when he started looking for financial planners to advise him on his personal portfolio, he realised that the calibre of advice available to him was incommensurate with his needs as a black professional. Then he and Gradidge discussed why the public was not investing in public BEE deals that were happening at the time like MTN Asonge and MultiChoice's Phuthuma Nathi, even though they represented great value.

"I just couldn't understand why only some 85 000 people subscribed for what at the time was quite a deep discount on the MTN share – but we quickly realised that people were not investing not because they didn't want to but because they just didn't understand how the deals actually worked," says Mahura. From the combination of

these two insights, Gradidge Mahura was conceived.

"We were part of the growing black professional market, and we knew that there were not really people who were speaking to the needs of that particular market. We also knew that in order to get there, we had to get into the market and really bring different forms of advice to what was then a growing black professional market," Mahura explains.

Client-centric values

What set Gradidge-Mahura apart from the very beginning was their determination to put the client at the centre of the business.

"Our first value that we wrote down is we are never going to do anything that is not good for the client. One of the first principles that we applied was that we were never going to sell any up-front-commission investment products to our clients – retirement annuities that people are locked into for 27 years and people get great upfront commissions because intrinsically those products are terrible for our clients. People still sell them to this day," says Mahura.

"The second value arose from a major problem that most people had, namely that you see a financial advisor once and you never see them again. We decided to create an environment where our clients get to interact with us – even if it's not on a level where we are talking specifically about their portfolio, we will create avenues where we will see them often."

Beyond inviting clients to attend investment conferences and listen to commentators talk shop, Gradidge-Mahura devises different touch points such as golf days, spa days and family days where they can spend an entire day taking care of clients, partners and children included. Of

course, these events do not replace the critical annual investment portfolio review.

"The third value," Mahura continues, "is that we are never going to sell products – we want to give advice. We are very analysis driven, so very often we see our clients three or four times before they sign anything on the dotted line. We gather information, we analyse, we call back and talk to the client, we change their perspective and then only go on to implement. Those three key areas have been the places where we've done things differently."

In addition to these core values, Gradidge-Mahura has made a point of building its knowledge of BEE shares and related products into its advice process for the black professional market.

"Today, if anybody wanted commentary around public BEE deals, they would normally phone Gradidge-Mahura Investments. Craig Gradidge in particular has really created a niche for himself in terms of knowledge of those products in the market."

Independence and professionalism

Being independent is a great help in putting clients first. "Throughout the last 11 years, the one thing we said we will never compromise on is our independence, no matter what kind of deals we find ourselves in. Because we are not driven by allegiance to any one company, we always go into the market to give our clients the best deal that is available out there for them.

It also allows us to do what we call best of breed, where we combine different products from different companies for the best solution.

Sometimes the investment may be great on one platform but the risk is better on another platform – so we combine all of those elements to give the client the best

solution. Then of course we manage all of that on behalf of the client."

The promise of quality advice is backed up by professional post-graduate qualifications of the highest calibre. "Craig, wealth manager Wynand Gouws and myself are MBA graduates and CFP® professionals, while wealth manager Phala Modise, CFP® and our risk specialist Virath Juggai, CFP® both have an Advanced Diploma in Financial Planning – so the qualifications of our members is much higher than the industry average. That, coupled with the fact that the members have more than 20 years' experience, is a huge advantage to our clients because you are not only getting highly qualified advisors with a great knowledge base, you're getting experienced advisors that have been in the market for a long time."

Unprecedented achievements

This combination of knowledge, professionalism and experience secured for Gradidge-Mahura an accolade of which Mahura is justly proud – being accredited

by the Financial Planning Institute of Southern Africa (FPI) as a FPI Approved Professional Practice™.

"The accreditation was a huge feather in our cap. The FPI is the custodian of financial planning in the country and does incredible due diligence to give you that accreditation. They have only accredited 15 companies out of over 5 000 financial planning institutions across the country, and we are the only black-managed business out of those 15," says Mahura.

"For a body like the FPI to come into our business, scrutinise us to the level that they did and decide that we deliver the goods is a huge boost of confidence for us, for our staff and for people looking to work in the business – and we have been able to maintain the accreditation since 2016. It has a huge impact on our marketing side to be able to give confidence to our clients. On the staff side, it was a huge positive, considering the amount of work that they do to give the service and quality of advice that they are actually giving to our clients. Now more importantly it puts pressure on

us to continue to deliver, which means we have to keep up the levels of excellence that we have been giving."

Capping this achievement, Gradidge-Mahura celebrated its 10th birthday on 25 June 2018 with four major awards at the annual Top Private Banks & Wealth Managers Survey: the overall Top Wealth Manager award, the People's Choice award (for the second year running) and the overall award in the Passive Lump Sum Investor and Young Professional categories.

"We were competing against the top private wealth managers and top private banks in the country.

This was the first time in the history of the awards that a small wealth management boutique won the overall award of Top Wealth Manager," Mahura says. A third achievement of note is that Gradidge-Mahura has been awarded the FAIS Seal of Compliance by Masthead, the national supplier of risk management and compliance services to financial advisors and other licensed financial services providers.





Kagisho Mahura

This significant accolade is awarded for consistent compliance audit scores of 85% or more.

Triple diversification

The investment philosophy at Gradidge-Mahura is strongly based on the principle of diversification. “We are not asset managers, we are wealth managers – we advise our clients at a global level. Our principle is always that the client’s money must be diversified in three ways. First, it must be diversified across currencies onshore and offshore, so all of our clients’ portfolios have a standard component of money in the country and money outside the country. Second, it is going to be diversified across asset classes, so you will find a little bit of cash, bonds, property and equities. “Third, it will be diversified across managers. You are never going to find any of your money or a lot of it sitting with one particular asset manager – we will combine different asset managers to manage our clients’ portfolios.

For really high net-worth clients, we will add a lot of alternatives into their space, so we will put a little bit of private equity, a little bit of hedge funds, a little bit of Section 12J into their portfolios. At the end of the day, our clients’ portfolios are diversified across different areas, markets and currencies but also still paying allegiance to the nature of their risk profile. If you’re a conservative investor, we will tweak the asset allocation to be a little less risk averse, whereas the higher-risk investors will get the same diversification but different proportions skewed towards the riskier assets. The second pillar of the company’s philosophy is capital preservation. “We don’t take risks with our clients’ money for the sake of taking risks; we want to make sure that our clients don’t lose money unnecessarily.

“We would rather tweak a client’s portfolio to make sure that there’s a level of conservatism in it to protect them on the downside than chase the upside at all cost,” says Mahura.

Managing the managers

Because asset allocation is done at a manager level, due diligence on the asset managers is critically important.

“We try to pick asset managers that are the least correlated as possible in terms of strategy. We look at how managers achieve their returns and we try to piece together in our portfolios those that get the same results without necessarily following the same process,” says Mahura.

“We have created our own model portfolios with discretionary mandates that we are able to change without the client having to sign a piece of paper any more. We have a monthly portfolio committee meeting where we analyse those managers quite deeply. We look at their deviations from their benchmarks and carry out attribution analysis on where they are making their returns from. We do interviews with asset managers whenever it is necessary.

“We work with a company called Analytics Consulting which helps us with the analysis for our model portfolios.”

TIP at the top

A new and exciting role that Mahura finds himself in is that of director of Transformation Investment Portfolio (TIP) One, which listed on the ZAR X stock exchange in November with the stated aim of enabling investors “to easily access the transformation investments asset class through a listed empowerment investment holding company that invests in B-BBEE schemes that own stakes in listed companies”.

“The idea behind TIP One is really to get an aggregation of all these BEE shares and create a little bit of liquidity. One of the issues that investors have had with BEE shares in the past is that because you are locked in for a certain period of time, you end up with no liquidity. Because of that liquidity constraint, the price is often pushed down quite a bit. TIP One is going to change the public BEE space because the underlying portfolio that investors are buying into will be diversified,” Mahura concludes.