

The case for creativity in financial services

 By [Lauren Hartzenberg](#)

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Spun out of the private client division of Cannon Asset Managers, private client share portfolio business BayHill Capital was recently launched. The new boutique investment firm boasts the flexibility to customise the shares it purchases on a client-by-client basis, allowing the creation of bespoke offerings.



We got in touch with Geoff Blount, MD of BayHill Capital, to learn about the importance of customised share portfolios, the role of innovation in the financial services sector, and the future of the investment landscape in South Africa.

Briefly explain BayHill Capital's service offering.

Geoff Blount: BayHill Capital designs personalised share portfolios for private clients. The investment company has the flexibility to customise the shares it purchases on a client-by-client basis, allowing it to build unique and exciting client offerings. Clients can design their portfolios together with BayHill Capital – the Co-Piloted Portfolio – or BayHill is able to build traditional private share portfolios where a pre-agreed strategy is put in place for a client, and BayHill has full discretion to manage the portfolio and implement the strategy.

How does BayHill stand out among competitors?

Blount: Most asset managers offer clients a 'one-size-fits-all' product. This could take the form of a unit trust or a pooled portfolio or even a segregated 'house view' portfolio. These offerings cannot cater to the specific needs of an individual. It's the difference between buying an off-the-peg suit or having one exclusively tailored to fit your body. But, significantly, BayHill is able to do this highly cost effectively, to the benefit of clients.

BayHill offers two different solutions for clients:

1. The bespoke portfolios mentioned above – portfolios which are completely tailored to individual requirements taking a long-term view on shares
2. The Active Equity Portfolio – a trading portfolio which takes advantage of short-term price volatility and the trading opportunities these present in the market. It is an aggressive portfolio with a high turnover and aims to make money in up and down markets.

BayHill prides itself on its customisation abilities and creation of bespoke portfolios. Why this focus and why do you think it's important?

Blount: While most investors are comfortable with a unit trust or house view share portfolio where all clients of the asset manager essentially get the same product, there are many investors who would rather be more involved in their portfolio decision-making, or have the portfolio more customised to their specific desires. They also may have knowledge that they would like to bring to the decision-making process and be involved in constructing their portfolio along with a professional fund manager.

It really is the same concept as buying an item off the shelf in a retail store or having it made specifically to your requirements. It's the difference between buying a pair of 501s or opting for the customised version whereby shoppers can custom make jeans from scratch including the selection of materials, customising the fit and creating signature design

details.

In addition, someone with share options in a particular company may wish to exclude that company or even that sector from their portfolio in order to diversify their risk. Professionals at law firms, accounting firms and consultancies may wish to (or they may have to) avoid investing in client companies, especially if inside information is available to them. Customisation allows for the construction of such portfolios.



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■ *When tailoring portfolios to the needs of the client, what are the most important variables considered?*

Blount: The variables really depend on the client. It's entirely up to them what they want to take into account and what they require from a portfolio. BayHill looks at their needs holistically and takes their views into account. Clients may have an interest in certain shares or a particular sector and this can be taken into account when constructing the portfolio.

BayHill Capital has a client with an interest in the oil industry and we have built a global portfolio of oil industry stocks for him. Another client focuses on the retail sector and, again, we are able to accommodate this.

Many private investors build and manage their own share portfolios, but quite a few of them do not have the time or the skills to do so masterfully. By working together with a team of experienced professionals, potential mistakes – and especially neglect – can be avoided.

■ *What role does creativity and innovation play in the financial services industry?*

Blount: Much of the innovation and creativity in the financial services area is coming from delivery rather than actual products, and the change is primarily technology driven. For example, many financial service providers have a mobile app for accessing their information and undertaking transactions on their accounts. We are also seeing the rise of the 'robo-advisor' – online automated advice services that provide algorithm-based portfolio management or financial planning advice without human intervention.

In the future, cellphones using near field radio communications will be able to be used to make payments – we will see an increasingly cashless society and further customisation will become possible.

Bitcoin can be viewed as a financial service innovation – aiming to replace fiat currency – but this has emerged from outside the financial service industry and owning bitcoins remains highly risky, so caveat emptor.

■ *What are your predictions for the SA investment landscape in 2016 and in coming years?*

Blount: In the past 15 years, we have experienced unprecedented investment returns with equities producing returns of the order of 15% and more on average per annum. Levels like this are a thing of the past. We expect that markets will move sideways for several years with high volatility and it is for this reason that we believe a product such as the Active Equity Portfolio, which aims to earn a return in all environments, will perform well.

In the current and expected investment environment, investors will need to be sophisticated and targeted in their decision making in order to make money.

BayHill Capital is part of the [Peregrine Holdings Group](#).

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