

Balanced Portfolio - Quarterly



Investment Objective

This is a balanced investment portfolio focused on capital growth over a minimum investment period of five years. It has less risk when compared to a pure equity portfolio in that it offers diversification into multiple asset classes. The portfolio follows an actively managed multi-asset investment strategy that may incorporate passive investments such as exchange traded funds and index funds exposed to the main asset classes in the local and global markets. The portfolio aims to outperform the median managed South African MA high equity collective investment scheme's return on investment.

Investment Profile

- Investors who have a longer investment term (in excess of 5 years).
- Value-based investors with a high risk tolerance.
- The individual is comfortable with inherent volatility of equities.
- Main objective: Capital growth.

March 2020

Risk profile



Investment information

Inception date
1 January 2016

Investment manager
Momentum Securities

Stockbroker/custodian
Momentum Securities

Management fee
Bespoke Max 1.25% (annual)

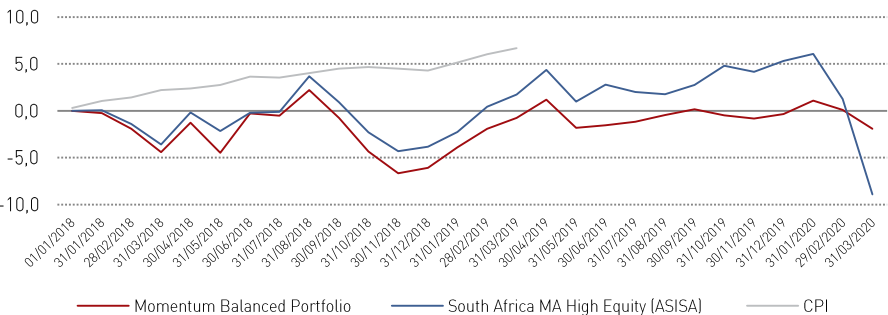
Minimum lump sum
R 250 000

Redemption periods
3 business days

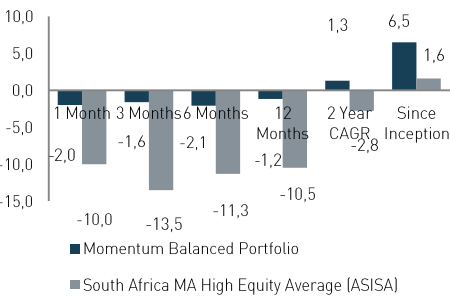
Benchmark
Capped SWIX Top 40 TR Index
Target CPI plus 4%

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Cumulative Performance



Performance



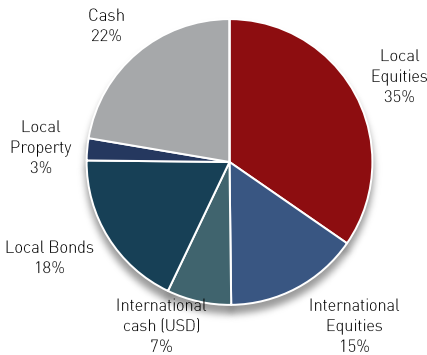
Performance

	Portfolio	Benchmark
1 Month	-2,0%	-10%
3 Months	-1,6%	-13,5%
6 Months	-2,1%	-11,3%
12 Months	-1,2%	-10,5%
2 Year CAGR	1,3%	-2,8%

Top 5 Holdings

NewFunds Govi (NFGGOV)	18,08%
British American Tobacco (BTI)	8,00%
NewUSD (NEWUSD)	7,28%
Satrix MSCI World ETF (STXWDM)	6,33%
Sygnia Itrix US (SYGUS)	5,80%
TOTAL	45,49%

Sector Allocation



Economic Overview

At the end of 2019, after a protracted period of expansion, global economic growth was showing signs that it was slowing. We were concerned that with high levels of debt and slowing economic growth some parts of the global economy would have difficulty in repaying their debts. The current lockdowns that have been necessary as a result of the Covid-19 pandemic, have now shut down many sectors within the global economy. These lockdowns have cut off companies' revenues, cash flows and resulted in retrenchments, which will see a global recession in 2020. This has resulted in a sharp fall in financial markets, commodities and in emerging market currencies.

Central banks and governments have acted aggressively to support financial markets with liquidity (cash added to the banking system). The net result of this added liquidity has been improved investor confidence and a strong bounce in global equity markets.

Companies who have high debt levels and who have been shut down will in many cases face markedly slower growth and possibly bankruptcy. We will also see further downward revisions to economic growth and cuts to companies' earnings forecasts.

Currently, following the Central Banks provision of liquidity, investors have priced in a "V" shaped recovery. Given the lockdowns and their extensions, the problem we now face is that we will have solvency issues in sectors, in companies and with many consumers. These solvency issues are likely to have a greater impact than is currently priced into equity markets. We therefore remain very cautious and expect volatile financial markets in the short-term.

Market Overview

Over the first quarter 2020, developed equity markets returned -21.4% while emerging equity markets returned -23.80%. Trade tensions took the back seat as the outbreak of Covid-19 globally triggered the sharpest sell off in risk assets seen in decades. A spectacular unwind of the global short volatility position exacerbated the increase in global volatility as the VIX Index shot up from a multi-year average of below 15 to a new peak of 82 during March 2020.

On the currency front, we have seen the USD remain extremely strong compared to most other currencies, despite the Federal Reserve Bank's efforts to flood the market with fresh USD liquidity. The resilient USD, despite FED easing, highlights the shortage of USDs in the global financial system.

Over the first quarter, ending 31 March 2020, we saw the following performance in the SA financial markets: the rand depreciated by 27.50% relative to the US dollar, the All Share

Index fell 23.90% while the All Bond Index returned -8.70% and cash returned 1.70%.

From a sector perspective we saw the Resources Index down 25.20%; the Financials Index was down 39.50%; the Industrial Index was down 8.40%; and the Listed Property Index down 50.50%.

The best performing SA equity sub-sectors over the quarter were technology (Naspers and Prosus) and Tobacco, up 11.90% and 2.30% respectively. The chemicals sector (mainly Sasol) was the worst performing sector over the quarter, down 81.70% as a result of the global oil price implosion caused by a global over supply. All interest rate sensitive sectors were obliterated as the Rand weakened and SA Government Bonds sold off; the Banking sub-sector ended the quarter 42.60% lower.

Portfolio Activity

During the first quarter we bought Anglo America, Royal Bafokeng Platinum, Anglo Gold, Firststrand, Satrix World ETF and increased our exposure to local bonds. We sold out of Anheuser-Busch, and decreased our exposure to USD cash. The portfolio decreased by 1.6% for the quarter with the last month of the quarter posting a 2% drop. Positive contributions were attributable US dollar cash, Naspers, Prosus and Satrix world ETF.

Losses were attributable to Anheuser-Busch, local bonds, Old Mutual and Bidcorp. For the past 12 months the portfolio has decreased 1.2%, outperforming the benchmark Asisa MA High Equity Median manager posting a 10.5% loss.