

Asset allocation		Top 5 Domestic Holdings	Top 5 Global Holdings
Domestic Equity	43%	Naspers FirstRand Pick n Pay Capitec Anglo American	Blackstone Ulta Beauty ServiceNow MasterCard AutoZone
Global Equity	30%		
Property	9%		
Bonds	11%		
Cash	7%		

Portfolio Manager: Richard Pitt / Walter Jacobs
Commentary for the Quarter ended 30 June 2019

Macro

Global markets had a positive quarter, returning 4.0% in USD. Europe and the US were the strongest-performing regions, returning 4.6% and 4.3% respectively, Asia ex-Japan (-0.6%) and Japan (-1.7%) – all returns in USD. However, it should be noted that earnings expectations have yet to recover meaningfully. Global earnings growth is expected to come in at 12.7% for 2019. The disconnect between global bond and equity markets continues, with bond yields pricing in recession while equity markets are still broadly up. There has been little development in the trade war over the quarter. We see this as something markets will have to get used to for the next few years.

South African markets outperformed the World Index, returning 5.2% in USD. The Rand appreciated over the quarter, gaining 3.0% against the USD. However, relative to other Emerging Market currencies, ZAR strength has been subdued. Bond yields have recovered, ending at 8.8% at end-June (vs. 9.1% at end-March). The SARB has halted rate hikes, given weak consumer data and muted inflation. The market is pricing in at least one 25bps cut in interest rates over the next 12 months.

Asset Allocation

The best performing asset classes over the quarter were Equity & Fixed Income, which both contributed to returns. Specifically, the global equity component was the largest contributor to returns.

Domestic Equity

Specific domestic stock performers were Equites Property Fund (+13.8% QTD) and Clicks (+12.1 QTD). Having no exposure to British American Tobacco also contributed to returns, while having no exposure to MTN, Absa and AngloGold Ashanti detracted from returns. Changes over the quarter included buying Bidvest; and selling Nedbank and Old Mutual.

In anticipation of a South African rebound, we see a plausible solution to Eskom as the largest hurdle. Should we see any resolution on this issue, we would aim to further increase exposure to SA domestic names.

Global Equity

The Global component of the portfolio was the largest contributor to performance over the quarter. Specific stock performers were Blackstone (+28.2% in USD), MasterCard (+12.5% in USD) and ServiceNow (+11.4% in USD).

Changes over the quarter included buying Dominos Pizza; and selling AbbVie and Biogen.