

Asset allocation		Top Domestic Holdings	Top Global Holdings
Domestic Equity	46%	NewGold Issuer PSG Prosus Anglo American Coronation	B2Gold Broadcom ServiceNow Home Depot Facebook
Global Equity	32%		
Cash	22%		

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average	JSE SWIX
1 Year	18.9%	8.7%	0.1%	-2.2%
3 Years (annualised)	9.1%	9.3%	0.7%	-0.4%
5 Years (annualised)	7.8%	9.5%	3.2%	2.9%
10 Years (annualised)	12.8%	9.9%	8.1%	9.2%
Since Inception (annualised)	13.6%	10.6%	9.5%	11.3%

Performance is reported for the A Class, net of fees
Sector Average: SA - Multi Asset – Flex
Inception date: November 2005

Portfolio Manager: Richard Pitt
Commentary for the Quarter ended September 2020

Performance

For the quarter, the fund returned 4.6% vs. the JSE Capped Swix 1.0%. Over 12 months, the fund has outperformed, returning 18.9% vs. the JSE Capped Swix's -5.0%.

Macro

Global markets had a positive quarter, returning 7.9% in USD, lifting YTD performance out of negative territory (+1.7% in USD). Global earnings expectations, which at the end of April were down 30% from their peak, have recovered ground – leaving them down 15%. Liquidity is at historical levels, given global responses by central banks and governments alike, in response to the continuing effects of COVID-19. In the US, attention has been split between the pandemic and the upcoming Presidential elections in November.

In South Africa, the initial rebound over the second quarter has gone sideways, with the market down -0.3% in ZAR mainly because of Rand strength. The Rand gained 4.2% against the USD. South African Bond yields are trading at 9.4% at end-September (vs. 9.2% at end-June). However the yield curve is very steep because of historically low short rates. The SARB has reduced interest rates by another 25bps given weak consumer sentiment and benign inflation prints, with expectations that rates will remain at these levels for the next 12 months. Government's spending in response to the pandemic, as well as renewed commitment to SAA in the form of a restructure has put further pressure on the fiscus. This trend has exacerbated concerns surrounding government debt in general. We aren't sure that the government has a credible plan to address this. Unemployment has also been exacerbated by the lockdown, seeing 2.2m jobs lost over the period. Recovery efforts will depend on finding growth.

On the whole, we should see a global recovery start to take shape in the first quarter of 2021. However, we expect South Africa will only show signs of recovery some nine months later.

Domestic Equity

Our largest sectoral position is an overweight in Global Cyclical. The portfolio has no exposure to Banks or Property.

Changes over the quarter included buying PSG and Selling Atlantic Leaf Properties.

Global Equity

The Global component of the portfolio was the largest contributor to performance over the quarter. Specific stock performers were B2Gold (+15.2% in USD) and Alibaba (+31.8% in USD). The holding in the BlueAlpha BCI Global Equity fund also contributed to performance (+9.0% in USD)

The global allocation is at the maximum level allowed.