

# Wealth Manager Cautious Wrap

## June 2016



Investment Manager: Jonathan Moodie  
 Investment Consulting: Glacier Consulting Services  
 Benchmark: (ASISA) South African Multi-Asset (MA) Low Equity Average  
 Inception Date: 01 March 2011  
 Wrap Fund Fee: 50bp per annum (the fee excludes underlying Collective Investment Fees)

### Mandate Description

The primary objective of this portfolio is to achieve a return in excess of the average fund in the MA Low Equity category. To achieve this, the portfolio will have a maximum exposure of 40% to risky assets (equity and property). The remainder of the portfolio will be invested in cash, bonds and foreign assets (limited to 25%). The portfolio uses fund managers with a proven ability to protect capital in times of market distress, while maintaining sufficient exposure to growth assets to achieve the target return. The portfolio is Regulation 28 compliant.

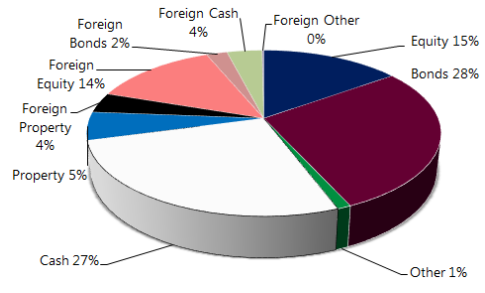
### Quarterly Comment

The South African economy declined by a significant 1.2% y/y in Q1, compared to a 0.4% growth in Q4 2015. This was worse than market expectations and largely due to a sharp decline in mining output (-18.1% y/y) on the back of a global slump in commodity prices. Growth on a yearly basis fell by -0.2% y/y. Overall growth is expected to moderate to 0.1% in 2016, improving modestly to 1.2% in 2017. This compares with the previous forecast of 0.9% and 1.6% for 2016 and 2017. On 19 May 2016 the SARB kept the rate unchanged at 7% citing worsening domestic, uncertain global economic growth prospects and financial market conditions as the key drivers behind the decision. South Africa's headline inflation declined in March, April and May to a 5 month low of 6.1% y/y with food prices increasing at a slower 10.5%. Inflation is still expected to remain outside the target range for an extended period, as upside risks remain averaging 6.7% for 2016 and 6.2% in 2017. Over the quarter, the rand depreciated against the US dollar (+0.3%) and yen (+9.4%), but appreciated against the euro (-2.3%) and British pound (-7.2%).

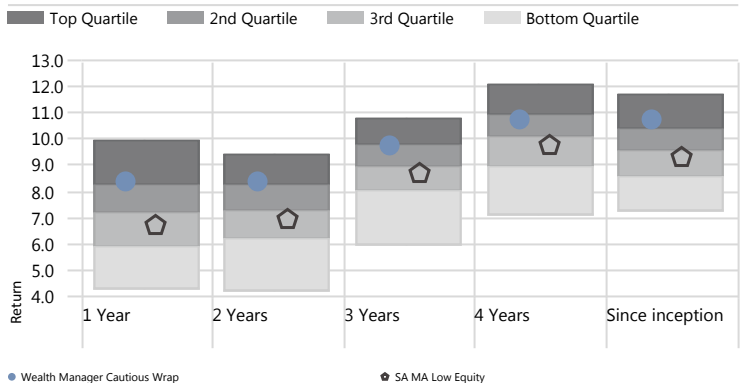
The month of June brought Q2 to a tumultuous end with the UK's decision to exist the EU. Globally risky assets and emerging market currencies fell sharply while gold and the Japanese yen firmed on the Brexit decision. Government yields in developed markets fell to record lows as investors fled to safe-haven assets. However as panic abated stock markets were lifted out of the doldrums on the hopes of more monetary stimulus. In Q2, developed market equities (+0.31% in USD and +0.62% in ZAR) outperformed emerging market equities (-0.32% in USD and -0.01% in ZAR). Developed market bonds (+2.89% in USD and +3.21% in ZAR) outperformed global property (+2.47% in USD and +2.79% in ZAR).

The ALSI performed marginally better than emerging markets gaining 0.4% (+0.12% in USD) in Q2. Returns were however dispersed. Small and mid-caps delivered +2.3% and +1.8% while large-caps delivered a meagre +0.1%. By tradable industries, financials was the worst performer delivering -4.3%. Resources was the best performer (+6.4%) followed by industrials (excluding dual-listed companies) (+5%) and SA listed property (-0.4%). The ALBI returned +4.4% (+4.1% in USD) with the longer end of the yield curve (+12) performing the best (+4.9%) as foreigners were net buyers of R6.3bn worth of bonds in Q2. Cash was the worst performing fixed interest asset class returning +1.78%. Preference shares and ILBs increased +8.9% and +4.7% over the same period. Foreigners were net buyers of R47.6bn worth of equities in Q2.

### Asset Allocation at 31 March 2016



### Quartile Peer Group Ranking



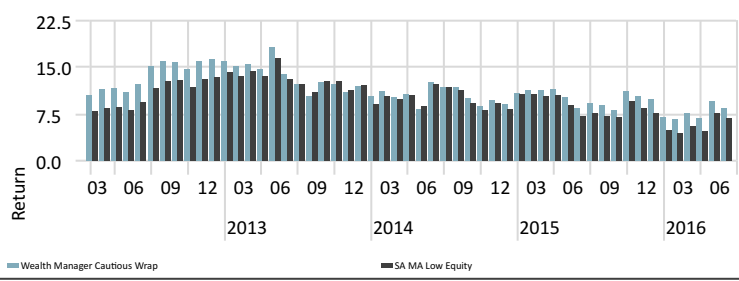
### Performance Summary and Rolling Returns

As of Date: 30/06/2016 Source Data: Monthly Return

	1 month	3 months	6 months	1 Year	2 Years	3 Years	4 Years	Since Inception
Wealth Manager Cautious Wrap	-1.44	1.30	2.98	8.44	8.43	9.78	10.76	10.82
SA MA Low Equity	-1.27	1.35	2.91	6.74	6.95	8.71	9.78	9.36

Performance greater than 1 year has been annualized.

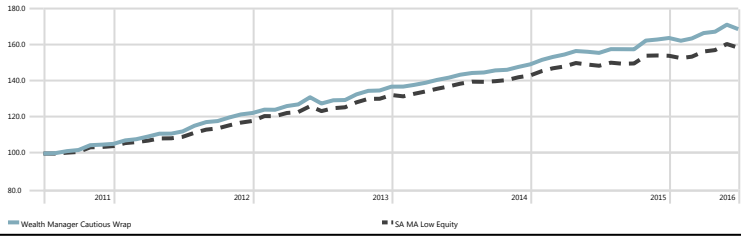
### Rolling Returns - 1 year



### Risk, Manager Allocation and Cumulative Investment Growth

	Wrap	BM	
Alpha	1.09	0.00	PSG Stable E Prudential Inflation Plus B SIM Inflation Plus B4
Sharpe Ratio	1.08	0.76	Coronation Balanced Defensive B4 Nedgroup Inv Stable A2
Std Dev	3.14	3.17	Prescient Income Provider A2 Bateleur Flexible Prescient A2 Prescient Money Market B1 Prudential Enh SA Prop Tracker D Catalyst Gbl Real Estate Prescient FF D

### Time Period: 01/07/2011 to 30/06/2016



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