

# Wealth Manager Cautious Wrap



As of 31/01/2017

**Investment Manager:** Jonathan Moodie  
**Investment Consulting:** Glacier Consulting Services  
**Benchmark:** (ASISA) SA MA Low Equity Average  
**Inception Date:** 01 March 2011  
**Wrap Fund Fees:** 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 Comments

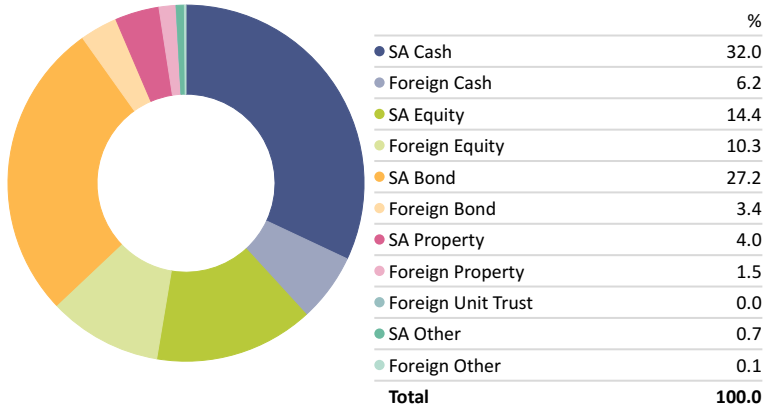
The South African economy rose by a disappointing 0.2%q/q in Q3 well below market expectations (0.6% q/q) due to a sharp decline in manufacturing activity (-3.2% q/q). Growth over the year to end September 2016 rose by a modest 0.7%. Overall growth is expected to moderate to 0.3% in 2016, improving to 1.2% in 2017 due to an anticipated increase in agricultural activity, lower inflation and some recovery in commodity prices. However business and consumer confidence remains weak and the economy has struggled to gain momentum since the financial market crisis. Unless SA is able to lift economic activity it continues to face the risk of further credit rating downgrades. The SARB kept the repo rate unchanged at 7% in November due to muted economic growth and upside inflation risk. South Africa's headline inflation rose to 6.6% y/y in November after increasing 6.4% y/y in October. While the SARB remains concerned about upside inflation risk it could move back into the target range in 2017 should agricultural activity recover and the rand remain range-bound. The rand appreciated against the US dollar (-0.19%), the euro (-6.36%), the pound (-4.6%) and the yen (-13.18%) in Q4.

2016 will be remembered by events such as Brexit, Trump and Renzi. Despite this developed market equities increased in November and December delivering 1.48% in USD (1.29% in ZAR) in Q4, outperforming emerging market equities (-4.56% in USD and -4.74% in ZAR). In hope of stronger growth, rising inflation and higher interest rates the US dollar strengthened in Q4 and capital flowed out of emerging markets. US GDP exceeded market expectations in Q3 growing 3.5% q/q (1.4% in Q2) - the highest in 2 years. US inflation increased 1.7% y/y in November (1.6% in October), in line with market expectations. This is attributed to higher energy costs. As expected, the Fed raised interest rates by 0.25% in December. What did surprise investors is the anticipated increase in the number of rate hikes in 2017 from 2 to 3. Developed market bonds (-7.07% in USD and -7.25% in ZAR) underperformed developed market property (-6.22% in USD and -6.40% in ZAR).

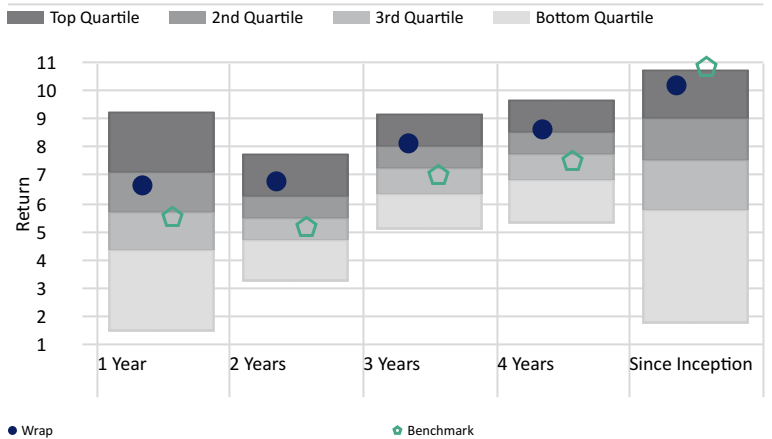
The ALSI outperformed emerging markets but lost ground (-2.09% in ZAR and -1.9% in USD) in Q4. Mid and small-caps delivered +1.02% and +0.58%. Large-caps delivered -3%. SA Industrials (including dual-listed companies) was the worst performer (-4.69%) followed by Resources -1.20%. Industrials and Financials performed the best (+5.26% and 2.89%). The ALBI returned +0.35% (+0.54% in USD) with the shorter end of the yield curve (1-3 Yr) performing the best (+1.42%). Foreigners were net sellers of R52bn of bonds in Q4 (-R26.1bn in 2016). Inflation linkers was the worst performing fixed interest asset class (-1.07%). Preference shares and cash increased +1.98% and +1.86% in Q4. Foreigners were net sellers of R28.4bn worth of equities in Q4 (-R124.8bn in 2016).

## Asset Allocation

Portfolio Date: 31/01/2017



## Quartile Peer Group Ranking



## Risk Statistics

Time Period: 01/02/2014 to 31/01/2017

	Wrap	BM
Alpha	1.07	0.00
Sharpe Ratio (arith)	0.48	0.11
Std Dev	3.06	3.08

## Manager Allocation

Portfolio Date: 06/02/2017

- Prescient Income Provider A2
- Prescient Money Market B1
- Coronation Balanced Defensive P
- Prudential Inflation Plus B
- Nedgroup Inv Stable A2
- PSG Stable E

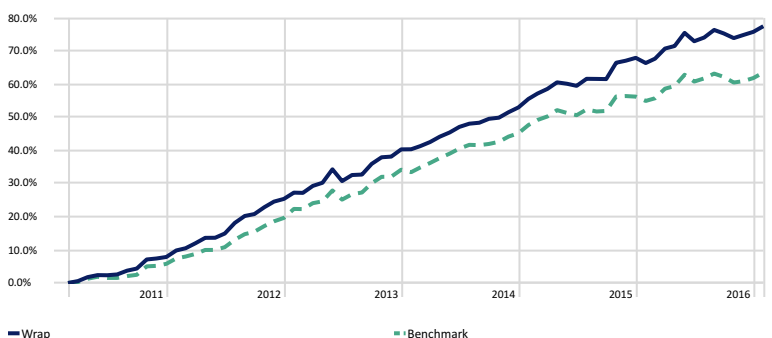
## Performance Summary

As of Date: 31/01/2017

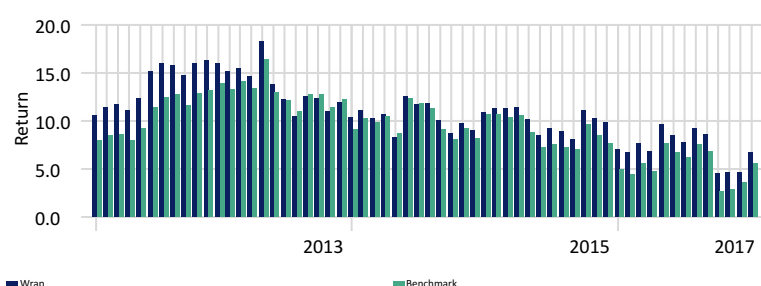
	1M	3M	6M	1Y	2Y	3Y	Since Inc.
Wrap	0.97	2.06	1.95	6.68	6.82	8.14	10.18
Benchmark	1.02	1.88	1.09	5.52	5.22	7.00	8.67

## Cumulative Investment Growth

Time Period: 01/03/2011 to 31/01/2017



## Rolling Returns - 1 year



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