

# Wealth Manager Moderate Wrap



As of 30/09/2016

**Investment Manager:** Jonathan Moodie  
**Investment Consulting:** Glacier Consulting Services  
**Benchmark:** (ASISA) SA MA Medium 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 Medium Equity category. To achieve this, the portfolio will have a maximum exposure of 60% 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

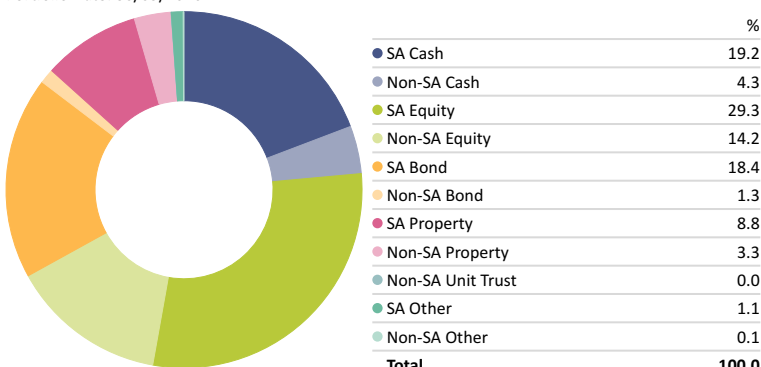
The South African economy rose by a significant 3.3% y/y in Q2 after contracting 1.2% in Q1 2016. This was well above market expectations and largely due to the mining and manufacturing sectors which together contributed 1.8% to the quarterly growth. Growth on a yearly basis has risen by a modest 0.6%/y. Overall growth is expected to moderate to 0.3% in 2016, improving modestly to 1.2% in 2017. This compares with the previous forecast of 0.1% for 2016 as the recent boost from mining and manufacturing is not expected to be repeated. On 22 September 2016 the SARB kept the rate unchanged at 7% citing a weak domestic outlook, uncertain global economic growth prospects and modest improvements in South Africa's inflation forecasts as the key drivers behind the decision. South Africa's headline inflation declined to an 8 month low of 5.9% y/y in August decreasing from 6% in July 2016. Despite this inflation is still expected to remain outside the target range this year averaging 6.4% in 2016 and 5.8% in 2017. Over the quarter, the rand appreciated against the US dollar (-6.7%), the euro (-5.44%), the British pound (-10.08%) and the yen (-5.12%).

Global risky assets posted marginal gains in the month of September in USD terms as key central banks decisions disappointed investors in their hopes for more monetary stimulus. This followed the risk-on appetite in July (especially in emerging markets) as markets rebounded from the financial wreckage caused by the Brexit decision. US GDP exceeded market expectations in Q2 growing 1.4% q/q opposed to the 1.1% in the previous quarter. Markets are now expecting a 60-70% probability that the Fed may raise rates in December by 25bp to 0.50%-0.75%. US inflation was 1.1% through the 12 months ending August 2016. Further rate increases are anticipated in 2017. In Q2, developed market equities (+4.38% in USD and -2.61% in ZAR) underperformed emerging market equities (+8.32% in USD and +1.06% in ZAR). Developed market bonds (+0.82% in USD and -5.94% in ZAR) outperformed developed market property (+0.64% in USD and -6.1% in ZAR).

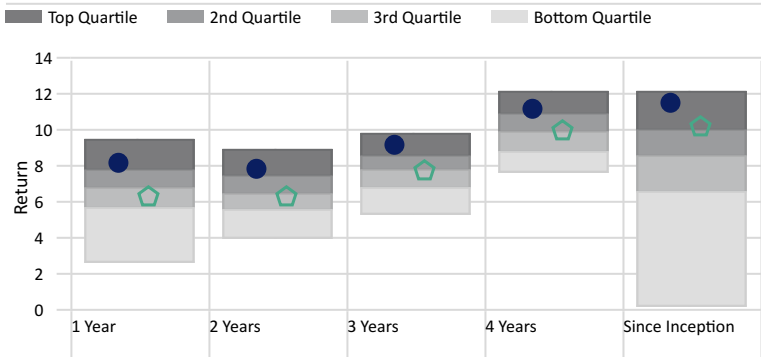
The ALSI underperformed emerging markets gaining a meagre 0.48% (+7.69% in USD) in Q3. Returns remained dispersed with small and mid-caps delivering +5.52% and +3.79% while large-caps delivered a negative 0.16%. By tradable industries, SA Industrials (including dual-listed companies) was the worst performer delivering -2.05 followed by SA listed property -0.73%. Resources and industrials were again the best performers delivering +8.7% and 2.22%. The ALBI returned +3.42% (+10.84% in USD) with the longer end of the yield curve (+12) performing the best (+3.98%) as foreigners were net buyers of R3.8bn worth of bonds in Q3 (+R25.3bn YTD). Inflation linked bonds was the worst performing fixed interest asset class returning +0.42%. Preference shares and cash increased +2.23% and +1.86% over the same period. Foreigners were net sellers of R19.5bn worth of equities in Q3 (-R96.5bn YTD).

## Asset Allocation

Portfolio Date: 30/09/2016



## Quartile Peer Group Ranking



## Risk Statistics

Time Period: 01/10/2013 to 30/09/2016

|                      | Wrap | BM   |
|----------------------|------|------|
| Alpha                | 1.36 | 0.00 |
| Sharpe Ratio (arith) | 0.64 | 0.32 |
| Std Dev              | 4.54 | 4.50 |

## Manager Allocation

Portfolio Date: 30/09/2016

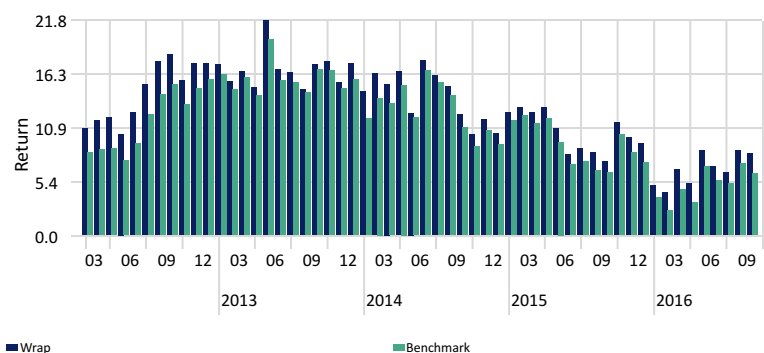
- Bateleur Flexible Prescient A2
- Foord Balanced B2
- PSG Balanced E
- Coronation Balanced Plus P
- SIM Inflation Plus B4
- Prescient Income Provider A2
- Prudential Inflation Plus B
- Prudential Enh SA Prop Tracker D
- Prescient Money Market B1
- Catalyst Gbl Real Estate Prescient FF B

## Performance Summary

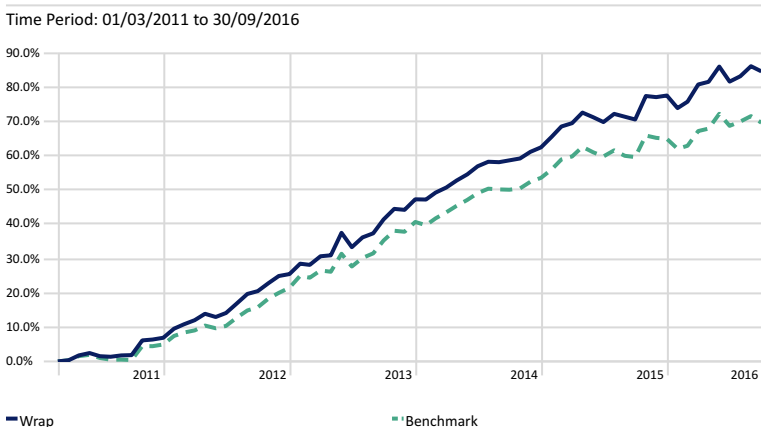
As of Date: 30/09/2016

|           | 1M    | 3M   | 6M   | 1Y   | 2Y   | 3Y   | Since Inc. |
|-----------|-------|------|------|------|------|------|------------|
| Wrap      | -0.80 | 1.65 | 2.12 | 8.24 | 7.87 | 9.30 | 11.61      |
| Benchmark | -1.11 | 0.55 | 1.46 | 6.29 | 6.32 | 7.85 | 9.93       |

## Rolling Returns - 1 year



## Cumulative Investment Growth



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Source: Morningstar Direct