

# Wealth Manager Moderate Wrap



As of 2018/08/31

**Investment Manager:** Jonathan Moodie  
**Investment Consulting:** Glacier Discretionary Fund Management  
**Benchmark:** (ASISA) SA MA Medium Equity Average  
**Inception Date:** 01 March 2011  
**Wrap Fund Fees:** 50bps 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 30%. 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

Contrary to Q4 2017, the South African economy pulled back in Q1 2018. SA GDP declined by -2.2%, on an annualised basis, largely underperforming market expectations of -0.5%. This is the most severe contraction since Q1 2009 (-6.1%). The reversal was primarily driven by poor performance in agriculture (-24.2%), manufacturing (-9.9%) and mining (-6.4%). Business Confidence worsened noticeably during Q2 with the RMB/BER Business Confidence index falling by 6 points (-13.3%). The current index rating, now 39, is measured on a scale of 1 – 100 with 1 indicating an extreme lack of confidence and 100 signalling extreme confidence.

The South African equity market rebounded during Q2 as the ALSI delivered a positive 4.5% return. This performance was led by large cap shares. The Top 40 delivered 6.2% for the quarter. Mid-cap (-7.2%) and small-cap (-4.5%) shares continued to decline detracting from overall performance. Resources was the best performing sector returning 19.6% followed by SA Industrials (+4.0%) (which includes dual-listed companies). The worst performing sectors were Financials (-6.0%) and Industrials (-9.4%).

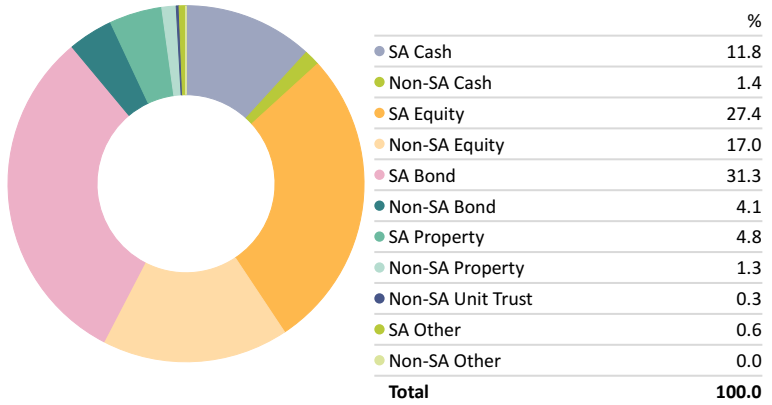
As expected, the SARB left the repo rate unchanged at 6.5% in May, continuing their diligent attempt to keep inflation within the target band of 3% - 6%. During Q2 the rand weakened significantly. It declined 16.1% against the dollar, 9.1% against the pound and 10.0% against the euro. The weak currency, alongside higher oil prices, led to a sharp increase in fuel prices in June.

Locally, bond markets underperformed as the ALBI returned -3.8%. This included inflation-linked instruments which returned -5.0% for Q2. The only positive performing bonds were in the short end of the yield curve (1 - 3 years). They delivered a paltry 0.3%. Cash (STeFI) returned 1.7%, while preference shares returned a stand-out 4.7%. Property (SAPY) continued to decline. This asset class gave up -2.2% during Q2.

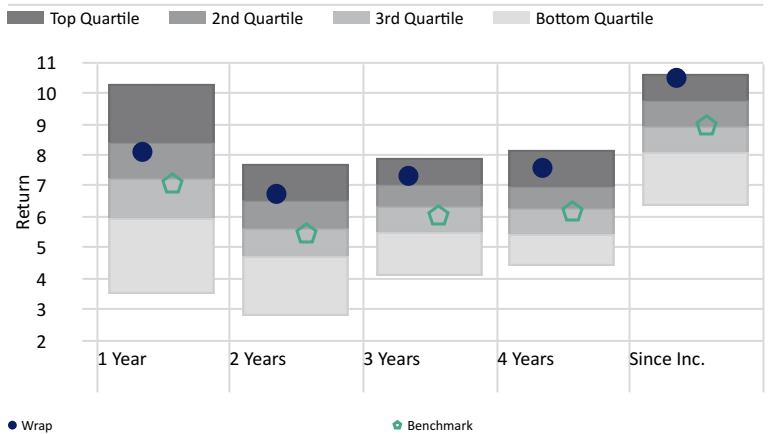
Global markets experienced high levels of volatility in Q2, primarily due to ongoing concerns surrounding a US - China trade war. While trade tensions seemed to ease early in Q2, US President Donald Trump's implementation of tariffs on US\$50bn imported Chinese goods as well the possibility of additional US\$200bn tariffs, sparked major uncertainty. Developed market equities ended Q2 up 1.1% in USD (17.4% in rand) while emerging market equities suffered and returned -8.66% in USD (6.1% in rand). The Fed raised interest rates for the second time this year, in June, by 0.25% to a range of 1.75% to 2.00%. While previously three rate hikes were expected during 2018, consensus forecasts show there is a strong possibility of an additional two rate increases this year. Despite continuing negative sentiment towards UK markets the FTSE 100 enjoyed strong performance relative to global markets (+8.22% in GBP).

## Asset Allocation

Portfolio Date: 2018/08/31



## Quarterly Peer Group Ranking



## Risk Statistics

Time Period: 2015/09/01 to 2018/08/31

	Wrap	BM
Alpha	1.11	0.00
Sharpe Ratio (arith)	0.01	-0.22
Std Dev	5.26	5.74

## Manager Allocation

Portfolio Date: 2018/08/31

- Coronation Balanced Plus P
- Foord Balanced B2
- PSG Balanced E
- STANLIB Absolute Plus B1
- SIM Inflation Plus B4
- Prescient Income Provider A2
- Prudential Inflation Plus B
- Laurium Flexible Prescient B4

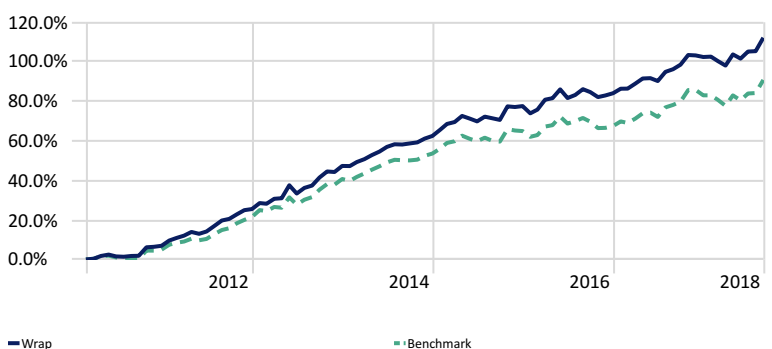
## Performance Summary

As of Date: 2018/08/31

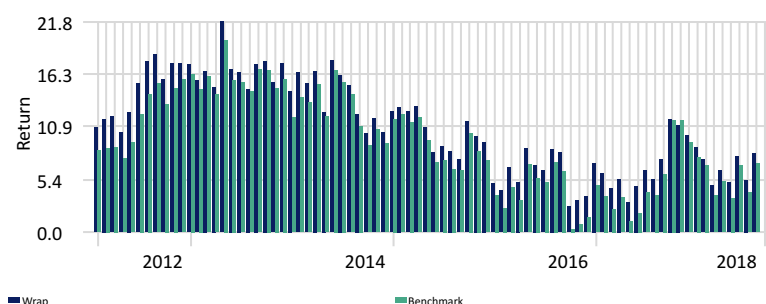
	1M	3M	6M	1Y	2Y	3Y	Since Inc.
Wrap	3.31	5.24	5.89	8.11	6.76	7.37	10.55
Benchmark	3.59	5.72	5.56	7.08	5.46	6.04	9.00

## Cumulative Investment Growth

Time Period: Since Common Inception (2011/03/01) to 2018/08/31



## Rolling Returns - 1 year



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Source: Morningstar Direct