

# Wealth Manager Income Wrap



As of 2019/02/28

**Investment Manager:** Jonathan Moodie  
**Investment Consulting:** Glacier Discretionary Fund Management  
**Benchmark:** SA CPI + 2% over a rolling two years  
**Inception Date:** 01 March 2017  
**Wrap Fund Fees:** 50bps per annum (the fee excludes underlying Collective Investment Fees)

## Mandate Description

This portfolio is suitable for individuals seeking to preserve capital over a rolling 1 year period and maximise income. To achieve this, the portfolio will have a maximum exposure of 20% 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

The South African economy has grown 2.2%, emerging from its technical recession and beating market expectations. Growth was largely driven by manufacturing, agriculture and transport. Manufacturing was the biggest driver of growth (7.5%), supported by increased production of basic iron and steel, metal products and machinery; wood and paper; petroleum products; and motor vehicles. Business confidence continued its downward trajectory in Q4. The RMB/BER Business Confidence index fell to 31 points as political and policy issues remain, especially the uncertainty around land expropriation without compensation.

The global equities sell-off spilled over to the South African market. The All Share Index returned -4.9% during Q4. This underperformance was led by small and large cap shares. Small cap shares gave up 7.3% and the Top 40 returned -5.3% for the quarter. In contrast, mid-caps returned 2.7% adding to overall performance. Telecommunications and technology were the best performing sectors returning 4.9% and 3.5%. The worst performing sector was Consumer Goods (-18.6%) followed by Healthcare (-8.2%).

The SARB surprised the market by hiking interest rates in November. The repo rate increased by 25 basis point to reach 6.75% on the back of rising inflation expectations. South Africa's headline inflation edged up slightly to 5.2%, above the desired midpoint level of 4.5%. The rand weakened by 1.4% during the quarter.

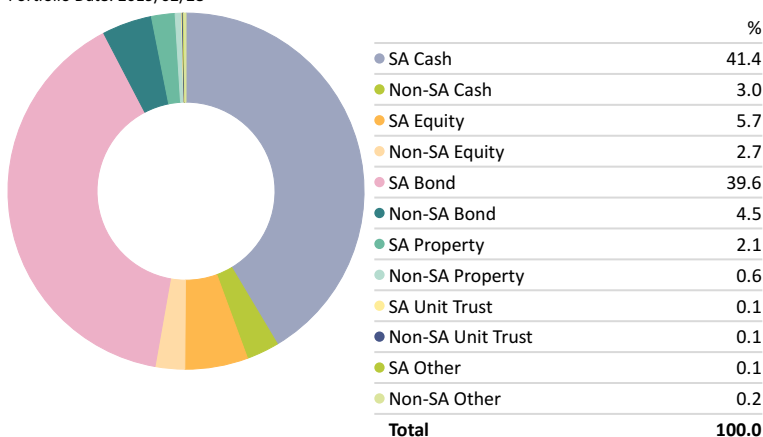
Locally, bond markets outperformed as the ALBI returned 2.7% during Q4. This included inflation-linked instruments which returned 0.2%. The best performing fixed income asset class was in the short end of the yield curve (1 - 3 years) which delivered 4.1%. Cash (STeFI) returned 1.8%, underperforming preference shares which returned 4.1%. Property (SAPY) continued to decline, giving up 4% during the last quarter.

Global markets weakened on concerns over slowing economic growth and global trade. Markets in all regions performed poorly as companies reported slower-than-expected earnings growth.

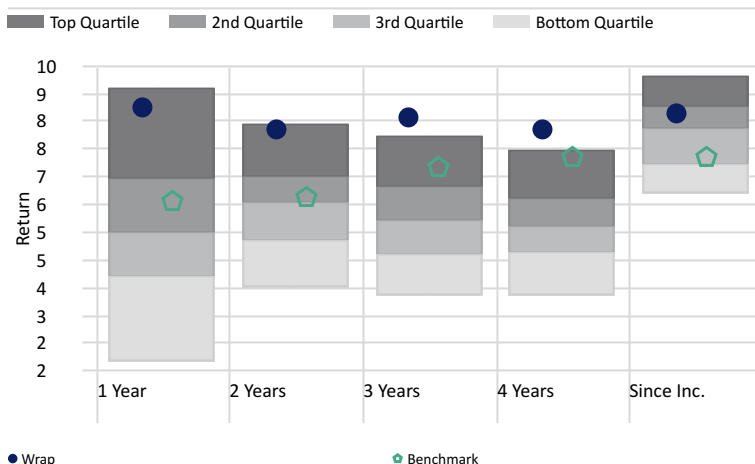
Developed market equities took strain in Q4 returning -13.7% in US dollar terms (-12.5% in rand) while emerging market equities delivered -7.9% in USD (-6.6% in rand). The Fed raised interest rates by 0.25% on the back of its strong labour market and economic growth. This was the fourth hike this year and takes the target range to 2.25% - 2.5%. The FOMC expects three rate hikes in 2019. The Bank of England held interest rates as uncertainty around Brexit intensified. The ECB also kept interest rates unchanged at 0%. This is in line with expectations. The market expects one or two rate hikes in 2019.

## Asset Allocation

Portfolio Date: 2019/02/28



## Quartile Peer Group Ranking



## Risk Statistics

Time Period: 2016/03/01 to 2019/02/28

|                      | Wrap | BM    |
|----------------------|------|-------|
| Alpha                | 1.01 | 0.00  |
| Sharpe Ratio (arith) | 0.96 | -0.36 |
| Std Dev              | 1.00 | 1.18  |

## Manager Allocation

Portfolio Date: 2019/02/28

Nedgroup Inv Flexible Inc B1  
 Prescient Money Market B1  
 Prescient Income Provider A2  
 SIM Inflation Plus B4  
 Investec Diversified Income H  
 SIM Active Income B4  
 Prudential Inflation Plus B  
 Allan Gray Stable C

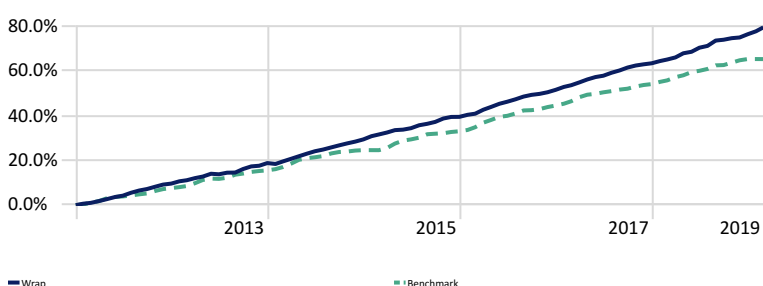
## Performance Summary

As of Date: 2019/02/28

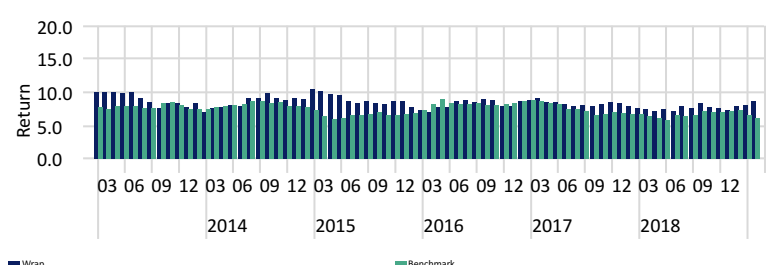
|           | 1M    | 3M   | 6M   | 1Y   | 2Y   | 3Y   | Since Inc. |
|-----------|-------|------|------|------|------|------|------------|
| Wrap      | 0.98  | 2.57 | 3.39 | 8.67 | 8.07 | 8.38 | 8.48       |
| Benchmark | -0.01 | 0.32 | 1.72 | 6.09 | 6.23 | 7.01 | 7.28       |

## Cumulative Investment Growth

Time Period: Since Common Inception (2012/01/04) to 2019/02/28



## Rolling Returns - 1 year



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