

# Chalford Wealth CPI +6% p.a. Discretionary Growth Portfolio

January 2019



## Who should invest

Suitable for clients who have long term financial objectives and want global value opportunity exposure in their investments. Investors should be in a position to tolerate higher levels of global investment risk and can tolerate volatile markets over the long term. Medium term losses can be expected.

## Market & portfolio commentary

2018 ended dismally for investors as global stocks booked the worst year since the financial crisis and the worst December since 1931. The JSE All Share Index also recorded its worst calendar year return since 2008 despite a surprisingly good December. Fortunately, mainly due to adapted rhetoric on US interest rates by the US Fed, capital markets recovered in January 2019. The diversified asset class philosophy employed in our portfolios assisted to limit the short term 'loss' relative to the equity market corrections.

The main reasons for the behavior of equity markets across the globe can be attributed to a combination of the following factors:

- the fear of continued Global Trade War between the US and China;
- continued interest rate hikes in the US: which have now been tempered by a more 'dovish' Fed being increasingly data dependent, mild inflation and slower US and global growth which have weakened the case for more rate hikes;
- China has announced over \$370bn in tax cuts and infrastructure spending to stimulate their economy;
- the European Central Bank's Mario Draghi said it would be open to resuming quantitative easing if needed.

Because of the extent of the poor returns suffered by nearly all investors, many equity market valuations are now at attractive levels relative to their long-term history. The facts are that corporate earnings in the US are still healthy, global economic growth is expected to grow by 3% p.a., the sentiment toward equity markets can shift quickly if or when the US and China agree to a trade truce and Brexit talks are finalized favourably in Europe. If this happens, Emerging Market (EM) currencies and equities should benefit, but we can expect further pain in EM's if the US resumes rate hikes and continues with trade wars.

In South Africa, the Reserve Bank increased interest rates (prematurely in our view) by 0.25% to manage inflation, while the economy slowed dramatically in 2018. Inflation should be contained as the lower oil price and stable Rand towards the end of 2018 caused a 10% reduction in petrol prices which may help boost household consumption. The SA economy experienced a renewed Eskom shock as power outages surprised in the 2<sup>nd</sup> week of February. The SA Economy is on tenterhooks as we await a new budget in February as well as an election in May. We expect ongoing volatility over this period, as the Ramaphosa government continues to address state capture, corruption and new stimulus for the SA economy. The SA equity market remains cheap (dividend yields of more than 4.3% p.a. and valuations are attractive), which means that any form of improved sentiment (locally and globally) can provide us with double digit returns in 2019 and into the long term. We feel the pain of the disappointing returns in 2018 with our clients, as we remain invested alongside them for the long term.

## Technical overview

<b>Strategy Manager</b>	MitonOptimal SA	<b>Investment strategy</b>
<b>Assets Under Administration</b>	US\$ 1.2billion	This investment strategy includes a diversification of asset classes, managed by some of the most talented fund managers. The High growth strategy aims to outperform SA inflation by 6% p.a. net of fund management fees over a rolling 6 year period. The Strategy aims to provide moderate to aggressive investors with consistent real returns over the medium to long term within acceptable risk parameters. The strategy invests in asset allocation, target return, equity and international unit trust funds and aims to limit volatility to between 5.55 - 11.41% p.a. standard deviation. The Strategy Mandate is expressly flexible to accommodate all approved asset classes. It will actively rotate international and local assets to benefit from any possible rand weakness in the future.
<b>Annual Mandate Fee</b>	0.20% p.a. (excl. VAT)	<b>Suitable products</b>
<i>This excludes Advisor, Administration &amp; Underlying Fund fees which are disclosed in a Record of Advice provided by your Advisor.</i>		Suitable products would include Endowments, and Discretionary investment vehicles.
<b>Benchmark</b>	CPI +6% p.a.	
<b>Valuation</b>	Quarterly reporting	
<b>Risk</b>	High risk	

*Collective Investments are generally medium to long-term investments. The value of participating interests may go down as well as up and past performance is not necessarily a guide to the future. Commission and incentives may be paid and, if so, are included in the overall cost. Performance figures are sourced from Profile Data for lump sum investments including income distribution, at NAV to NAV basis. The performance figures do not include annual LISP Administration fees. A Fund of Funds collective investment may invest in other collective investments, which levy their own charges. Collective Investment prices are calculated on a Net Asset Value basis and auditor's fees, bank charges, trustee and RSC levies are levied against the portfolio. Chalford Wealth (Pty) Ltd, Registration number 2013/106760/07 is an authorised financial service provider FSP number 15207. Should you have any further queries or complaints please contact Chalford Wealth (Pty) Ltd. For your information, the FAIS ombudsman provides an independent and objective advisory service. Should you not be satisfied with the outcome of a complaint handled by Chalford Wealth (Pty) Ltd, please write to: The Ombudsman, PO Box 74571, Lynnwoodridge, 0040. Telephone (012) 470 9080/99. Fax (012) 348 3447. Email: [info@faisombud.co.za](mailto:info@faisombud.co.za)*

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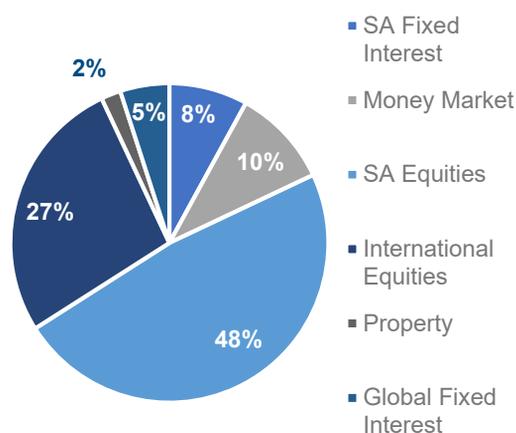
January 2019



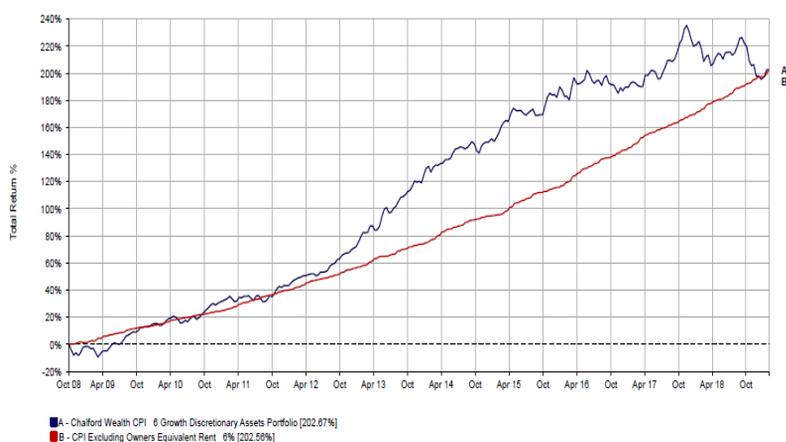
## Performance & volatility

		3 mths %	6 mths %	1 yr %	3 yrs %	5 yrs %	Since launch %
Performance	Portfolio	-1.77	-3.76	-5.13	7.05	31.85	202.67
	Benchmark	2.38	4.69	10.49	37.62	70.69	202.56
Volatility	Portfolio	8.60	11.33	9.79	8.96	8.17	8.57

## Latest asset weightings



## Performance v benchmark



01/10/2008 - 31/01/2019 Powered by data from FE

## Neutral asset allocation

SA Cash	SA Fixed Interest	SA Property	SA Equity	Global Assets
2%	10%	3%	44%	41%

## Composition

Portfolio holdings	Weight %	AMC %	TER %
Laurium Flexible Prescient A1	16.00	1.15	1.18
IP Worldwide Flexible FoF B2	14.00	0.87	2.01
Allan Gray Balanced C	13.00	0.92	1.55
Investec Managed H	10.00	0.64	1.73
PSG Flexible E	10.00	0.86	1.50
IP High Conviction Equity A	8.00	0.86	1.21
Old Mutual Global Equity R	8.00	1.15	1.23
Coronation Balanced Plus P	7.00	0.97	1.15
Coronation Global Emerging Markets Flexible A	5.00	1.32	1.58
Prudential Balanced B	5.00	0.68	0.93
Nedgroup Investments Entrepreneur R	4.00	1.15	1.17
<b>Total Portfolio</b>	<b>100</b>		<b>1.44</b>

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