



**NEDBANK**  
**PRIVATE WEALTH**  
SINCE 1834

# PRIVATE WEALTH CAUTIOUS FUND

Q2 2019

see money differently

## MARKET REVIEW

The markets ignored data that suggests less optimism for global manufacturing activity and consumer sentiment and latched on to the possibility that the US Fed will cut interest rates before the year is out. Add to this a pause in the escalating trade tensions and you have the S&P 500 delivering one of the best June advances since the 1950s. US equities stormed ahead, with the S&P 500 delivering +7.1% in June, bringing the 12 months return to +10.4%.

The MSCI World index gained +6.6% over the month, restoring the year to date return to +17.4% after the losses experienced in May. Emerging markets also recovered lost ground with the MSCI Emerging Markets returning +6.3% and China's Hang Seng Index up +7.1%. Global bond yields continue to trend lower as markets price the potential for rate cuts and a more accommodative stance from the Fed and the ECB.

A lack of confidence, fixed investment, pressure on household incomes and poor business conditions can be cited as reasons for the disappointing state of the economy in Q1. The load shedding experienced across the country, however, dealt the most decisive blow, permeating across sectors as clearly seen in the extent of the downturn in activity across the board. The South African economy delivered growth of -3.2% (q/q, annualised) over the first quarter, contracting beyond the most conservative analysts' expectations. This brings growth over the last year to a paltry 0%, which set the scene for a difficult start to President Ramaphosa's new term.

The much-anticipated State of the Nation focused on growth enhancing initiatives, although many considered it light on detail on the most critical issues, in particular, the Eskom restructure. The rand benefited less from SONA and more from improved sentiment towards emerging market currencies as a truce of sorts between the US and China was struck during the G20. Despite a poor GDP print and continued unease about Eskom, the currency appreciated by circa 3.4% against the US dollar by month end.

SA nominal bonds priced benign inflation and the likelihood of more accommodative monetary policy, ending the month up +2.2%. The local bond yield curve remains steep as bond investors price for rate cuts on short/medium maturities, while longer dated bonds reflect concerns about the impact of Eskom support on the fiscus and the potential for a downgrade from credit ratings agency Moody's. The preference share index edged higher by +2.0% over the month, bringing the returns over the last 12 months to +19.7%. The property sector rebounded alongside other interest rate sensitive sectors, delivering +2.2% in June. This brings the 12-month performance into positive territory at +0.8%.

SA equities recovered some of the previous months losses alongside international trends, with the FTSE/JSE All Share up +4.8% in June. Resource counters had another strong month, with the Resource 10 Index surging +10.3% with support from platinum and gold miners. Gold mining companies benefitted from a resurgence in the gold price, as the allure of the metal increases in the face of declining interest rates and heightened geopolitical risk. SA mid-cap stocks benefitted from the momentum, delivering +2.5% in June, while small caps (-0.2%) remained out of favour.

## FUND DEVELOPMENTS AND POSITIONING

It was a fairly quiet quarter in terms of portfolio changes. Early in June, SA bond valuations at the long end looked to us to be pricing in most of the risks on the table (Eskom refinancing, fiscal slippage and credit rating concerns) with starting yields close to 10%, well above anticipated inflation. The Fund took this opportunity to move overweight SA bonds and increase exposure to longer dated SA government bonds. In the short term this positioning has proved beneficial to investment results. On the SA equity front, the Fund continued to trim positions in Anglo American, BHP and Richemont on valuation grounds.

## FUND PERFORMANCE

Over the quarter the Fund delivered a total return of 0.76%, below that of the Multi-Asset Low Equity peer group average (+1.48%) and its benchmark (+2.37%). Year-to-date the Fund delivered a return of 7.01% versus 5.55% for the peer group and 7.03% for its benchmark.



## RISK RATING



## RISK REWARD PROFILE

Equity and property investments are volatile by nature and subject to potential capital loss. For credit and income instruments, while unlikely, capital loss may also occur due to an event like the default of an issuer. The portfolio may be subject to currency fluctuations due to its international exposure.

## GENERAL INFORMATION

### BENCHMARK / TARGET RETURN

20% FTSE/JSE SWIX40, 12.5% ALBI, 10% SAPY, 37.5% STEFI, 20% International Composite

### INVESTMENT MANAGER ASSET CLASS

Nedgroup Investment Advisors (Pty) Ltd is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No. 1652).

### ASISA CATEGORY

South African Multi Asset Low Equity

### REGULATION 28 COMPLIANT

Yes

### INCEPTION DATE

01 May 2004

### FUND SIZE

R 39 Million

### NET ASSET VALUE <sup>1</sup>

1863.63 cpu

### MINIMUM INVESTMENT

Lump sum: R50,000

### INCOME DISTRIBUTION

Frequency: Quarterly

June 2019: 15.43 cpu

Previous 12 months: 67.16 cpu

### FEES

Annual management fee (excluding VAT): 0.95%

Total expense ratio 1.74%

Transaction costs 0.08%

**Total investment charges <sup>3</sup> 1.82%**

## INVESTMENT APPROACH

We utilise our depth of investment expertise and apply an active, valuation-driven process to construct diversified multi-asset class strategies. Our portfolios contain a foundation of quality assets. These are complemented by satellite investments that together aim to achieve defined, risk-managed investment outcomes for our clients.

## PORTFOLIO PROFILE

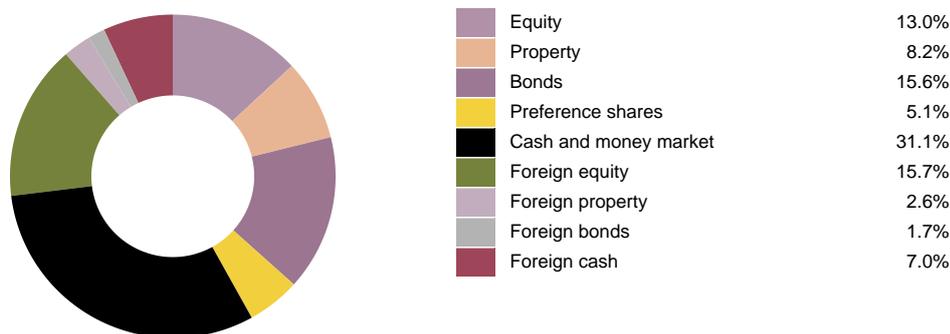
This portfolio will seek a high degree of income while maintaining its capital value by assuming very low levels of risk and volatility. This is achieved through a blended allocation to risk assets and income yielding assets.

## PERFORMANCE <sup>2</sup>

Period	Portfolio	Benchmark
1 year pa	5.5%	6.2%
3 Years pa	5.8%	6.6%
5 Years pa	6.7%	7.0%
7 Years pa	7.6%	7.4%
10 Years pa	8.3%	7.9%
Lowest 1 year return	0.4%	
Highest 1 year return	13.8%	

The annualized total return is the average earned by an investment each year over a given period of time.

## PORTFOLIO STRUCTURE



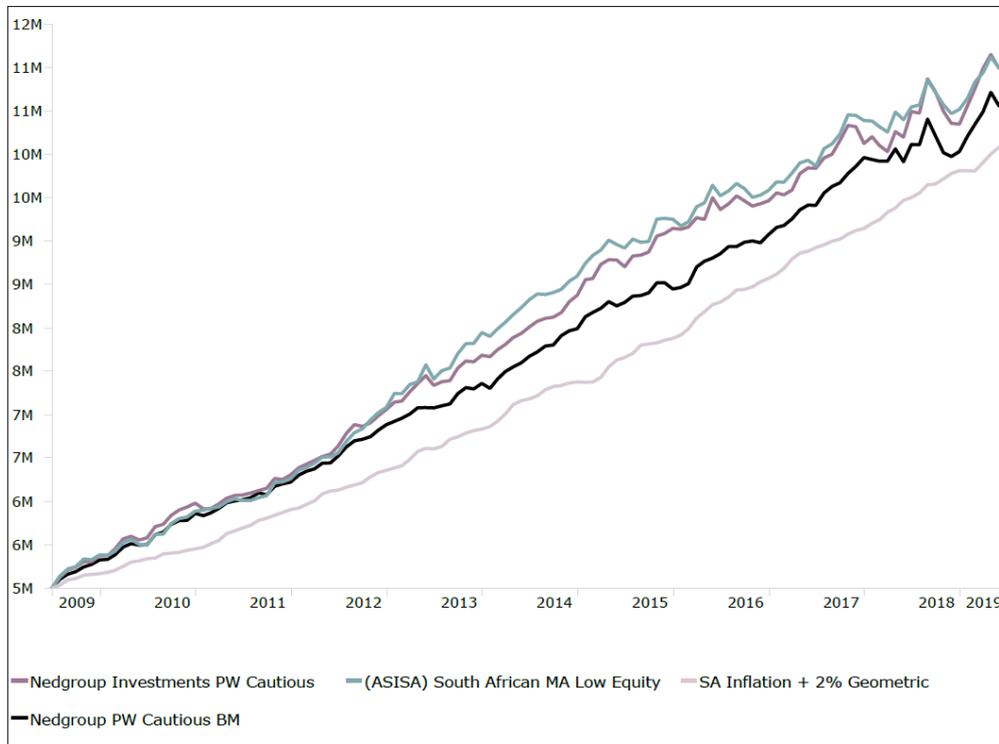
## TOP 10 HOLDINGS

Share	Percentage
R2048 8.75% 280248	4.8
FirstRand 9.5% 011026	4.0
R186 10.5% 211226	2.9
R213 7% 280231	2.3
R214 6.5% 280241	1.9
Naspers Ltd	1.6
Stor-Age Property REIT Ltd	1.4
Fortress Income Fund Ltd - A	1.3
Zambezi Platinum RF Ltd Pref Share	1.2
Resilient Property Income Fund	1.1
<b>Total</b>	<b>22.6</b>



## SINCE INCEPTION CUMULATIVE PORTFOLIO PERFORMANCE

The graph shows growth of R5 000 000 invested in the portfolio plotted against the Fund's composite benchmark, as well as the average of the ASISA South African Multi-Asset Low Equity category.



Source: Morningstar Direct

### Mandatory disclosures:

1. Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Daily prices are available on request from your relationship manager.
2. Performance is calculated for the portfolio and individual investment performance may differ as a result of initial fees, the actual investment, the actual investment date, the date of reinvestment and dividend withholding tax. Data source: © 2015 Morningstar.
3. Total Expense Ratio (TER), expressed as a percentage of the Fund, relates to expenses incurred in the administration of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs (TC), expressed as a percentage of the Fund, relates to the costs incurred in buying and selling the underlying assets of the Fund. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charges expressed as a percentage of the Fund, relates to all investments costs of the Fund. Both the TER and TC of the Fund is calculated on an annualised basis, beginning April 2016 and ending March 2019.

Whilst Nedbank Private Wealth offers you a choice of investment services, the underlying funds forming part of Nedbank Private Wealth strategy solution, are managed by Nedgroup Investments. More specifically, Nedgroup Collective Investments (RF) Proprietary Limited, is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investment Private Wealth unit trust portfolios. It is a member of the Association of Savings & Investment South Africa (ASISA). Contact: Nedgroup Investments, P O Box 1510, Cape Town 8000, info@nedgroupinvestments.co.za, Tel 0860 123 263 (RSA only). The Standard Bank of South Africa Limited is the registered trustee. Contact: Standard Bank, P O Box 54, Cape Town 8000, Trustee-compliance@standardbank.co.za, 021 401 2002.

Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A fund of funds may only invest in other unit trust funds, that levy their own charges, which could result in a higher fee structure. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments. For further additional information on the fund, including but not limited to, brochures, application forms and the annual report please contact your relationship manager.

### Contact

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