

# Focused Core Equity Portfolio - Quarterly

## Investment Objective

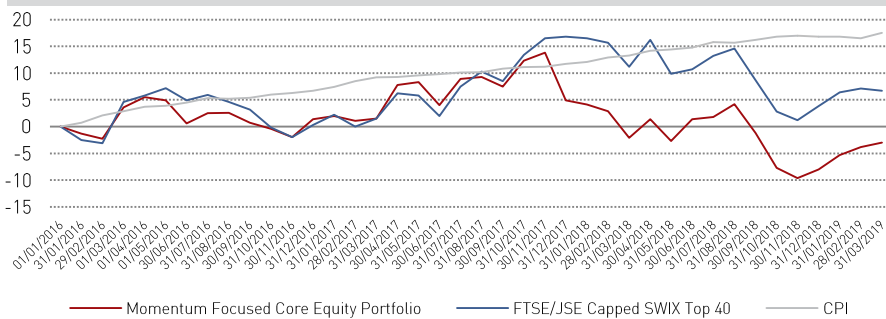
This is a sub-set of the core equity portfolio aimed at smaller value accounts. Therefore, this is a high conviction portfolio focused on maximising risk adjusted returns to the investors over the medium to long-term by investing in JSE listed shares. The returns of this portfolio are based on the ability of the JSE All Share Index to deliver returns in excess of inflation and the ability of the portfolio manager to identify undervalued securities within this asset class. The portfolio offers the same capital growth as the Core Equity Portfolio, with a narrower selection of instruments.

## Investment Profile

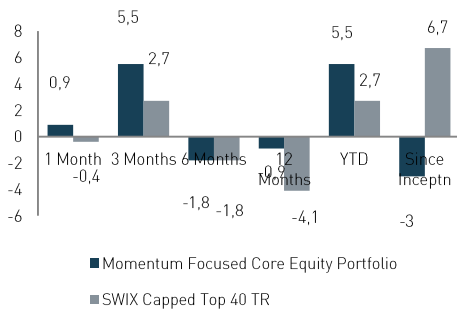
- Investors who have a longer investment term and want the highest possible risk adjusted return on their invested capital.
- Value-based investors with a high risk tolerance.
- Investors who understand that there are investment cycles that cause share prices to fluctuate.



### Cumulative Performance



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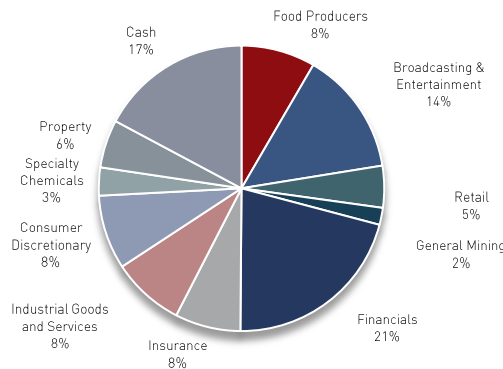
### Cumulative Performance

	Portfolio	Benchmark
1 Month	0,9%	-0,4%
3 Months	5,5%	2,7%
6 Months	-1,8%	-1,8%
12 Months	-0,9%	-4,1%
YTD	5,5%	2,7%
Since Inception	-3,0%	6,7%

### Top 5 Holdings

Reinet (RNI)	14,11%
Naspers (NPN)	13,11%
Anheuser Busch (ANH)	8,41%
Old Mutual (OMU)	5,16%
Dischem (DCP)	4,74%
<b>TOTAL</b>	<b>45,53%</b>

### Sector Allocation



March 2019

Risk profile



Investment information

**Inception date**

1 January 2016

**Investment manager**

Momentum Securities

**Stockbroker/custodian**

Momentum Securities

**Management fee**

Max 1.25% (annual)

**Minimum lump sum**

R 250 000

**Redemption periods**

3 business days

**Benchmark**

Capped SWIX Top 40 TR Index

Target CPI Plus 4%

Disclaimer: Shares are generally medium- to long-term investments. The value of shares may go down as well as up and past performance is not necessarily a guide to the future.

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## Economic Overview

Following the late 2018 pullback in US and global equity markets we have seen the US FED reverse its interest rate view, indicating that they are now on hold with respect to US short term interest rates. This year we have also seen downward revisions in global growth and a sharp slowdown in the forward looking economic survey data. While monetary conditions tightened marginally over 2018, these tighter monetary conditions were enough to impact a more heavily geared global economy. We are now in the late-cycle growth period in the US economy, and growth has shifted down a gear in both Europe and China.

China has responded to this slower growth with further monetary stimulus, but it remains to be seen whether this stimulus will be sufficient to underpin growth at 6% plus in their economy. Political uncertainty in Europe and the overhang of trade negotiations between China and the US still remain headwinds to investment and global growth. Global equity markets were oversold at the end of last year

and have rebounded strongly in the first quarter of 2019. We now feel that global equity markets have priced in the benefits of the FED interest rate cuts and China stimulus. A lack of follow through from the FED may put equity markets under pressure. Commodity prices are also expected to remain under some pressure as global growth slows. The oil price seems to be the exception, with geopolitical issues and oil supply cuts from OPEC underpinning the USD oil price.

The South Africa rand has been reasonably resilient in spite of some political uncertainty in the run-up to the election in May. While SA economic growth was forecast to improve in 2019 we have seen downward revisions to previous growth forecasts in line with slowing global growth. The completion of the election in May should see an improvement in political sentiment, which could provide a short-term underpin to SA and see some improvement in SA stocks' performance.

## Market Overview

Over the last quarter, ended 31 March 2019, we saw the following performance in the SA financial markets: the rand was 0.98% weaker relative to the US dollar, the Top 40 index's total return was up 8.50%, the All Bond index returned 3.80% and cash returned 1.70%.

The best performing stocks over the quarter were the PGM (Platinum Group Metal) producers, up 49.70%. Over this period we saw the price of precious metal palladium move up from \$1256 to \$1381, while the platinum price moved up from

\$792 to \$835. The rally in the price of palladium is premised on a global shortage of the metal.

Over the quarter the Resources index was up 16%; the Financials sector was down -0.40% and the Industrial sector was down -3.90%.

The SA equity market is starting to look attractive on a valuation basis.

## Portfolio Activity

During the first quarter we introduced Fortress B and Dischem to the portfolio, sold our holdings in Remgro and Mas Real Estate and reduced our positions in Sasol, Discovery and Naspers. The portfolio increased by 5.5% for the quarter with the last month of the quarter posting a 0.9% gain. Losses were attributable to our positions in Fortress B, Kap, Discovery, and Absa. Positive contributions were attributable

to Naspers, Anheuser Busch, Reinet, Glencore and Bidcorp. For the past 12 months the portfolio decreased 0.9%, well above the benchmark JSE SWIX Capped Top 40 Total Return index posted a return of negative 4.1%.