



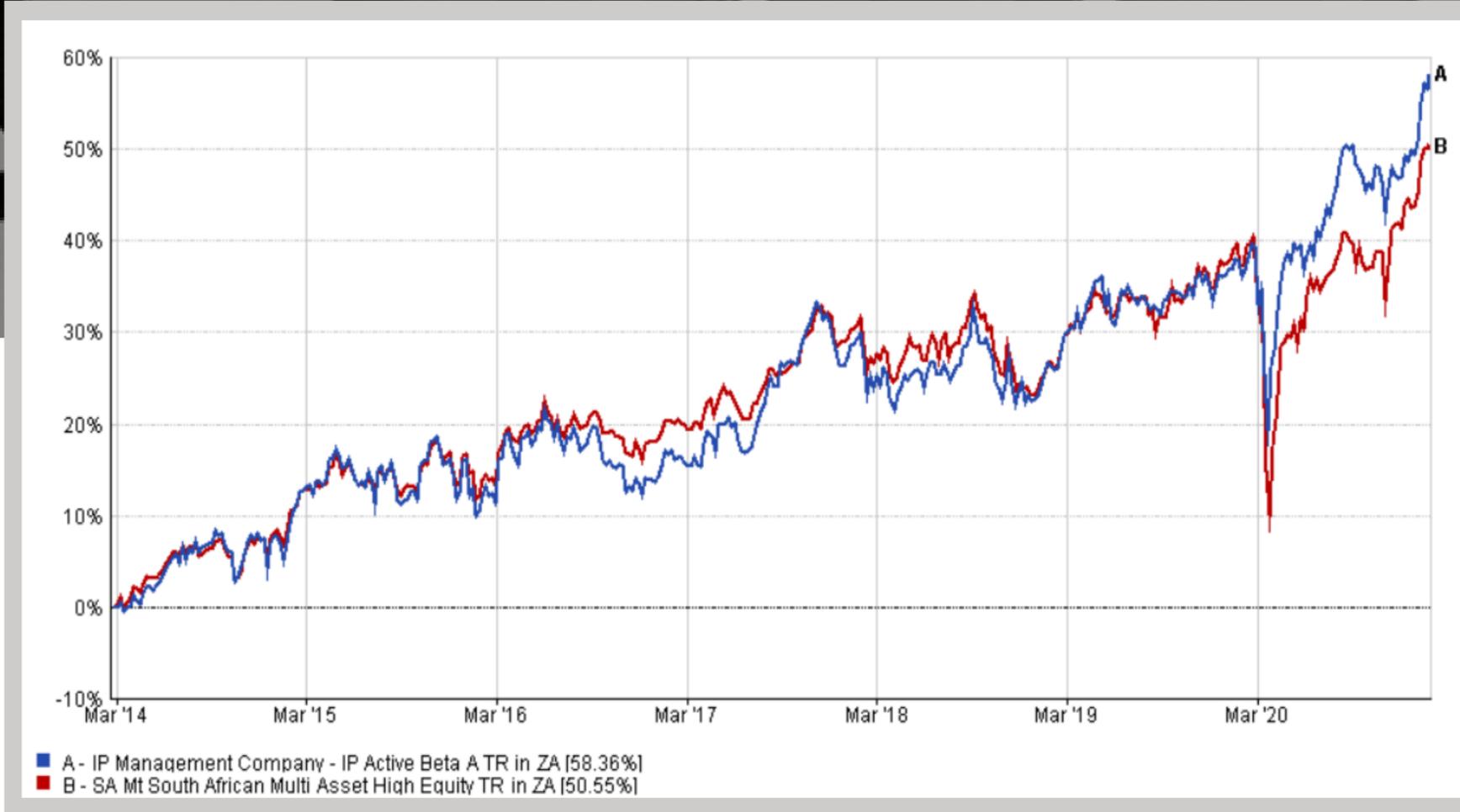
# Q4 2020

## ASSET ALLOCATION VIEWS

We at MitonOptimal take asset allocation (AA) very seriously, taking into consideration both Strategic AA (3-7 years) and Tactical AA within the various assets classes. In that context, this quarterly piece provides insight into our short term tactical calls on a 12-month view (reviewed quarterly) and as such may diverge from our long term strategic AA views. We review our strategic AA annually at the beginning of each year as we believe this is prudent practice, in a world dominated by debt de-leveraging, central bank and political interference.

# IP Active Beta Performance

CPI +5 Reg 28 Fund Solution

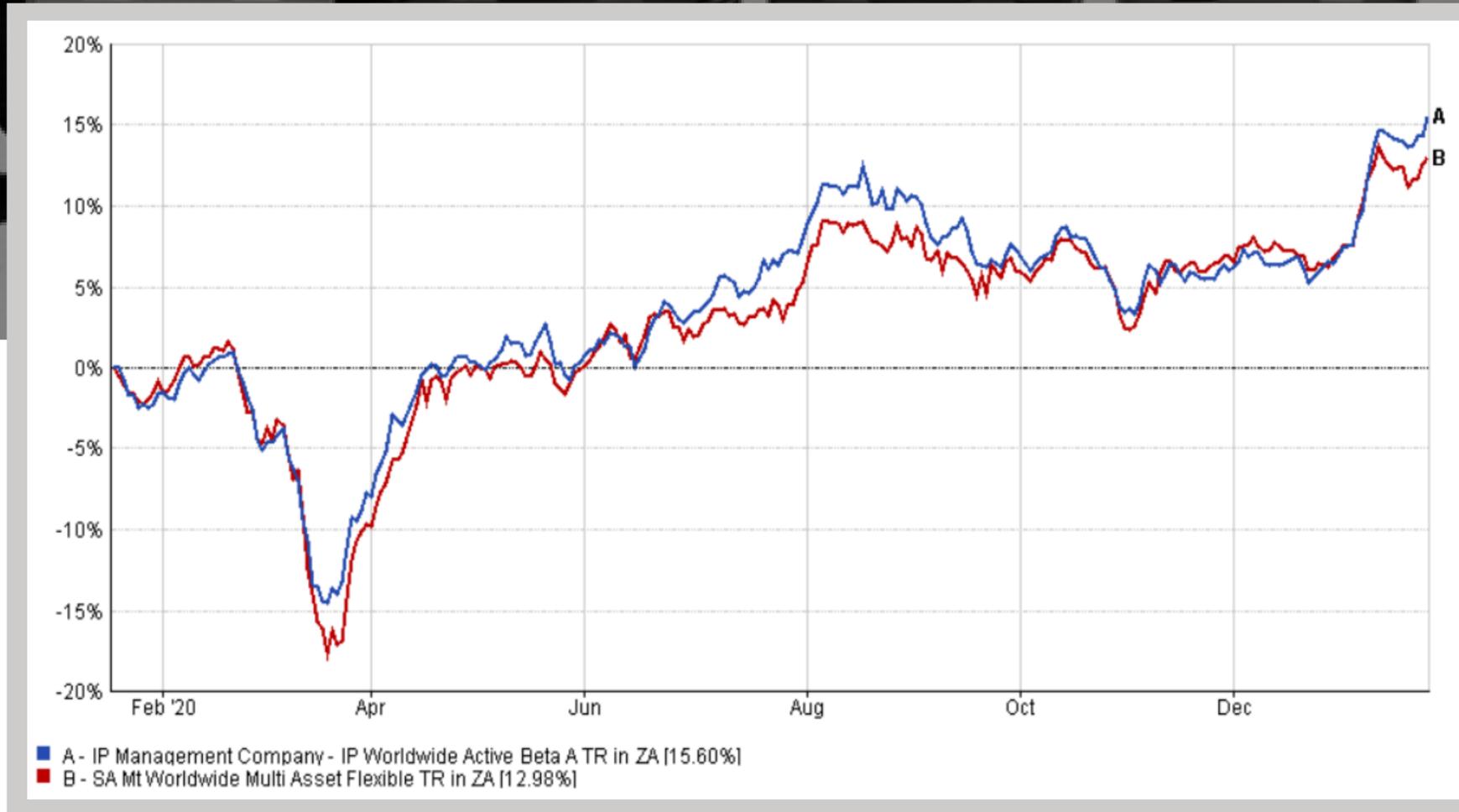


Pricing Spread: Bid-Bid • Period: Latest Date (25 Jan 2021) • Ranking Method: Ranked Within Full Sector • Performance Growth Option: Annualised

Customise Columns		1m		1yr		Ann. 3yr		Ann. 5yr	
		Value	Rank	Value	Rank	Value	Rank	Value	Rank
IP Management Company	IP Active Beta A TR in ZA	5.77	23 / 262	14.82	15 / 262	6.69	32 / 233	7.27	32 / 182
Sector	SA Mt South African Multi Asset High Equity TR in ZA	4.37		8.62		4.49		5.98	

# IP Worldwide Active Beta Performance

CPI +5 Discretionary Fund Solution



Pricing Spread: Bid-Bid • Period: Latest Date (25 Jan 2021) • Ranking Method: Ranked Within Full Sector • Performance Growth Option: Annualised

Worldwide Multi Asset Flexible (125) (2)		1m		3m		6m		1yr	
Customise Columns		Value	Rank	Value	Rank	Value	Rank	Value	Rank
IP Management Company									
IP Worldwide Active Beta A TR in ZA		7.91	12 / 122	7.62	44 / 120	7.47	54 / 120	16.36	38 / 120
Sector									
SA Mt Worldwide Multi Asset Flexible TR in ZA		5.46		5.72		8.00		14.10	

# 3–7 years: ZAR

## REAL RETURN FORECAST

Neutral	SA Equity (SWIX)	SA Property	SA Long Dated Bonds	SA Flexible Income	SA Money Market	Intl Dev Mkt Equity	Intl EM Equity	Intl Bond	Intl Cash	Intl Prop
2018	7%	4%	3%	2%	1%	6%	7%	0%	0%	3%
2019	6.5%	3%	3.5%	2%	1%	8%	8%	1%	-0.5%	4%
2020	6.0%	3%	5%	2.5%	1%	7%	7.25%	0%	2%	3%

### Assumptions:

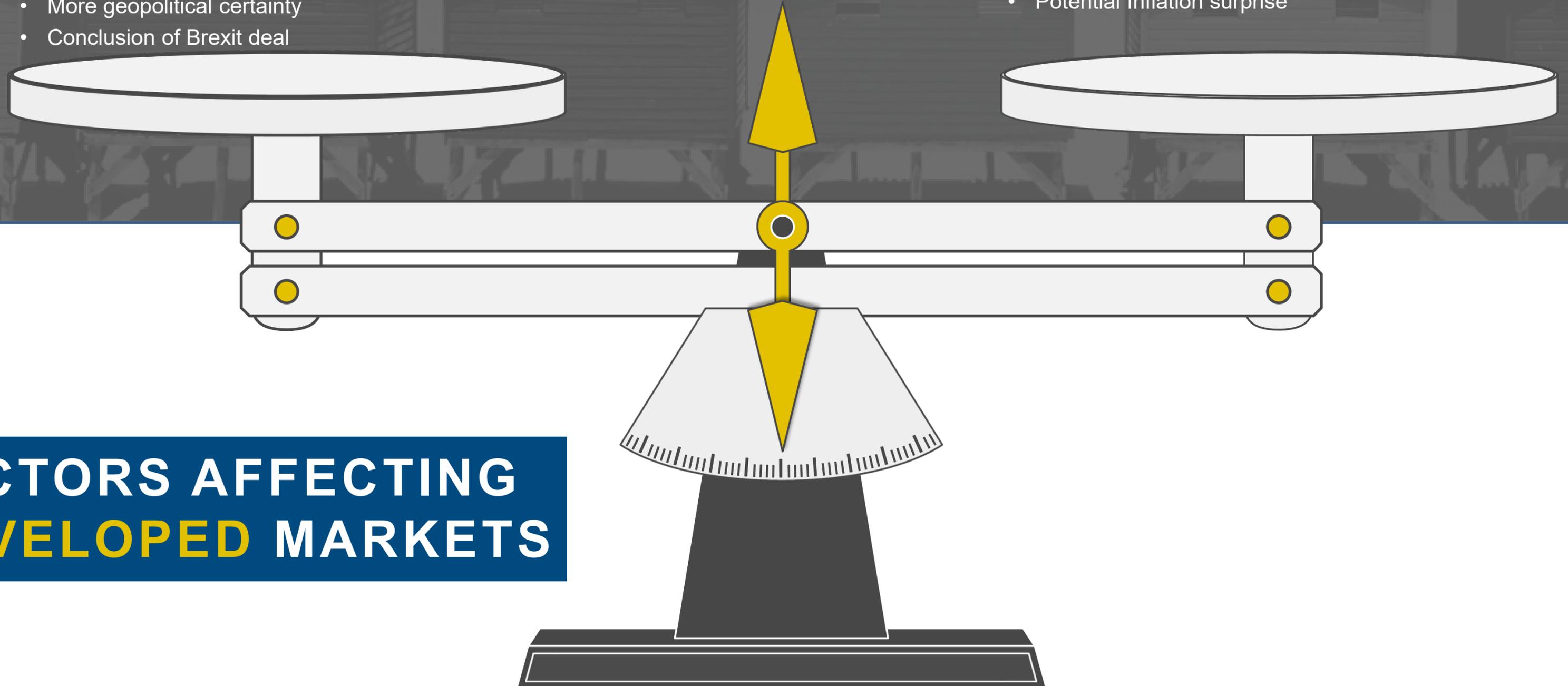
CPI : 4% p.a.

ZAR: 2% p.a. weaker – long term



- Developed Market fiscal stimulus
- Increasing global liquidity
- The promise of vaccinations
- Low interest rates/Bond yields
- Economic recovery in US & China
- More geopolitical certainty
- Conclusion of Brexit deal

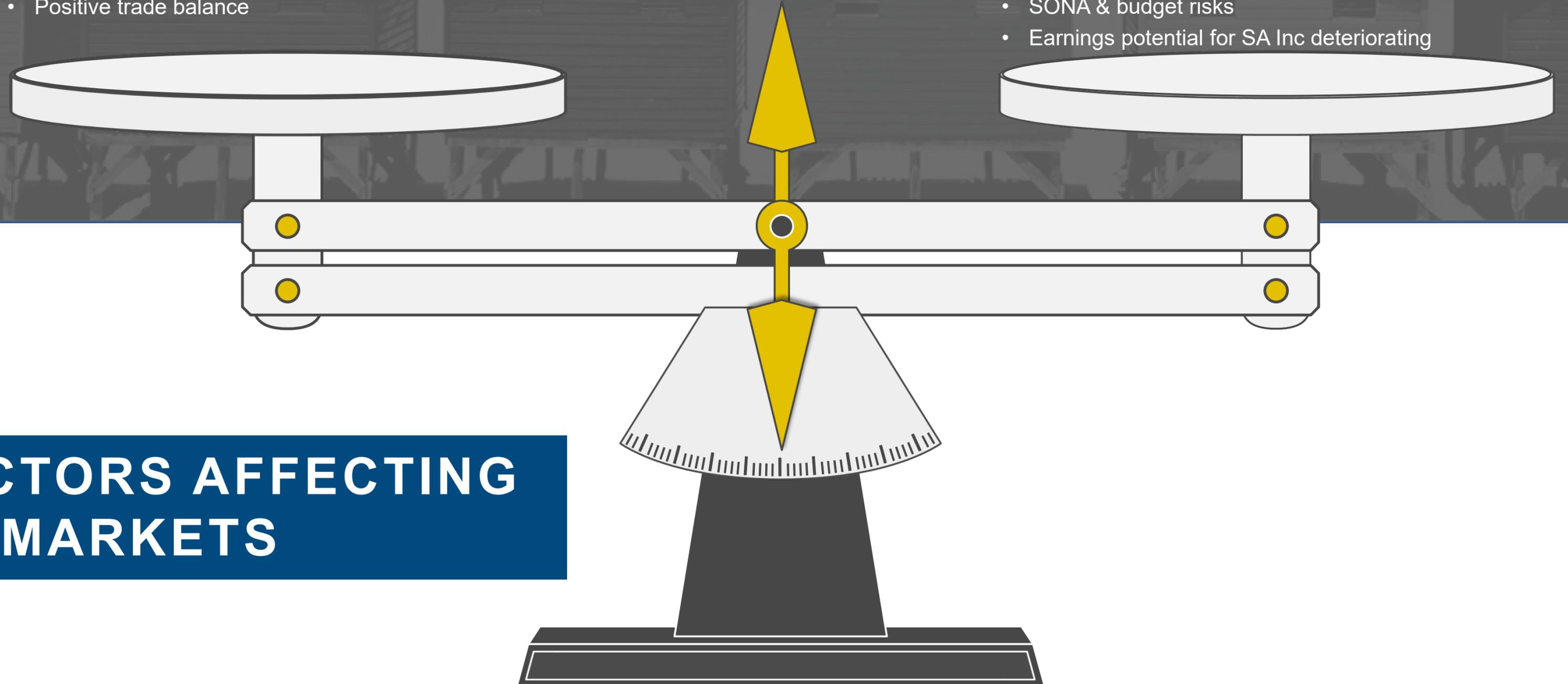
- No end to COVID -19 infections
- No full scale economic recovery due to COVID-19 & restrictions
- Limited fiscal headroom for EM Countries
- Debt Imbalances
- Potential Inflation surprise



## FACTORS AFFECTING DEVELOPED MARKETS

- US reflationary stance benefit EM exports
- China recovery benefiting commodity producers
- Naspers/Prosus benefit from IT spend in East
- Attractive real yields in SA could attract capital if SA fundamentals change positively
- Positive trade balance

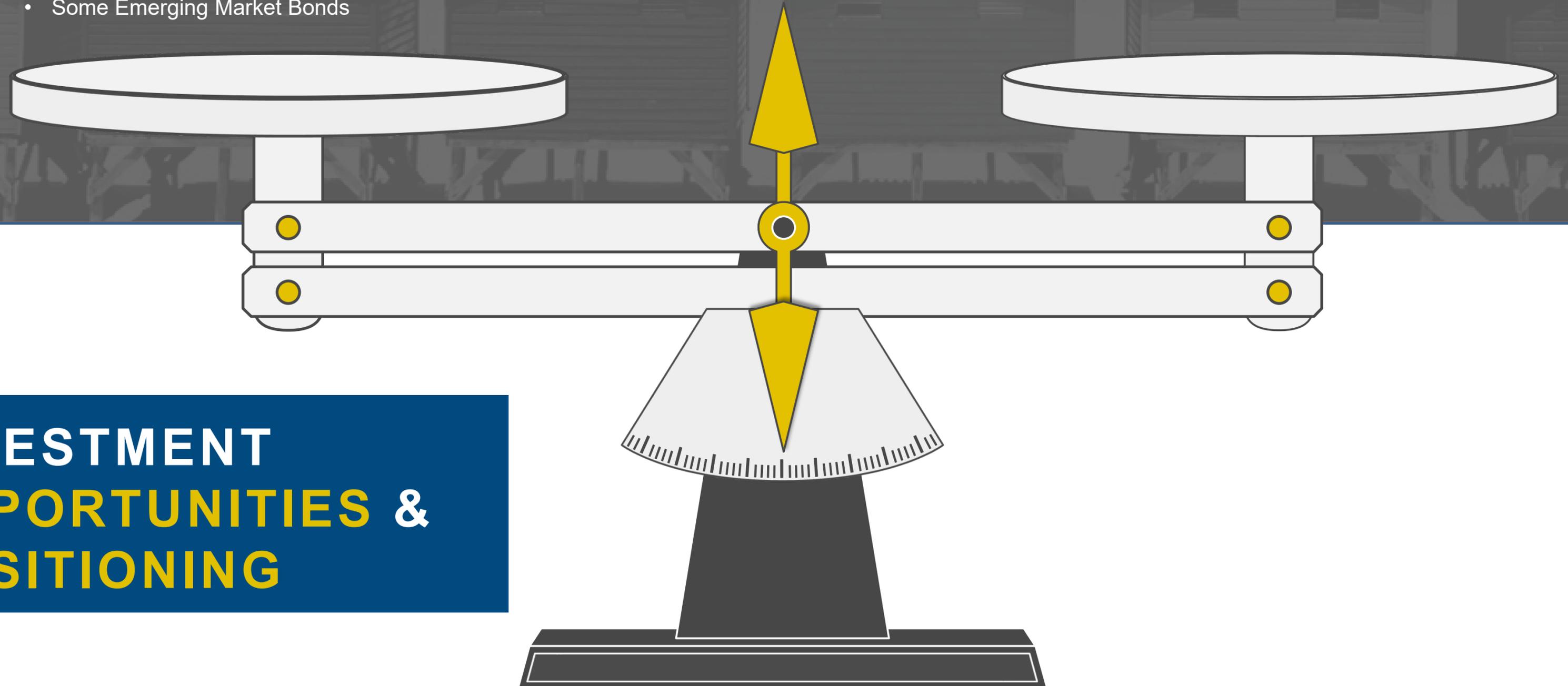
- Vaccination progress slow
- Negative SA political rhetoric
- No action in SA economic reform
- High unemployment
- Government and private debt burden increasing
- SONA & budget risks
- Earnings potential for SA Inc deteriorating



## FACTORS AFFECTING SA MARKETS

- Watching the rotation from Growth to Value/Cyclical stocks
- Resource stocks remain favourite SA sector
- Gold Bullion , Platinum & Silver
- IT sector, although expensive
- ZAR Bonds remain attractive
- Some Emerging Market Bonds

- Stock/sector selection becomes important
- Remain underweight SA Incorporated Stocks
- Underweight SA Property
- Underweight Global Property



# INVESTMENT OPPORTUNITIES & POSITIONING

# Q4 2020 Asset Allocation Views

## SA & GLOBAL PORTFOLIO POSITIONING

	Asset class	Q4 position	Q3 position
<b>SOUTH AFRICA</b> 	SA Equities	Neutral	Neutral to underweight
	SA Fixed Interest	Neutral to overweight	Overweight
	SA Cash	Neutral to overweight	Neutral to overweight
	SA Property	Underweight	Underweight
<b>GLOBAL</b> 	Global Equities	Neutral to overweight	Neutral to overweight
	Global Fixed Interest	Underweight	Underweight
	Global Cash	Neutral	Neutral
	Global Property	Underweight	Neutral to underweight

# Q4 2020 Asset Allocation Justification

## SOUTH AFRICAN EXPOSURE



### SA EQUITIES

NEUTRAL

The miners, Naspers and other shares exposed to foreign earnings have done well to the extent that investors are starting to look carefully both lower down the market capitalisation scale and away from growth to value.

The banks and selected high-quality industrial shares are offering dividend yields well in excess of cash and sometimes above the long-bond yield. Judicious selection amongst these shares by canny managers will reap rewards.

### SA FIXED INTEREST

NEUTRAL → OVERWEIGHT

The reduction by the South African Reserve Bank has made the short end of the yield curve much less attractive. The long end is still offering compelling returns.

The risk though is the growth of government debt and the ability to pay off that debt – the so-called “fiscal cliff”. Long bonds still enjoy a place in the portfolio with a weather eye on events such as SARB meetings and the budget in a couple of months.

### SA CASH

NEUTRAL → OVERWEIGHT

We need a float to benefit from opportunities and will tend to keep some liquid assets in reserve.

### SA PROPERTY

UNDERWEIGHT

Even the SA property companies with offshore exposure look cheap for a reason.

High levels of debt and extreme uncertainty about the reliability of one’s tenants either to pay the current rent or renew the lease make the asset class uncertain.

# Q4 2020 Asset Allocation Justification



## GLOBAL EXPOSURE

### GLOBAL EQUITIES

NEUTRAL → OVERWEIGHT

In general, we prefer global equity to SA equity. “Global equity” is not a single asset class and requires careful share selection and choice of fund managers.

Outside of the handful of large US and Chinese tech companies which have rallied strongly as users have ramped up their use of tech in lockdown, there are bargains in the next few tiers of equities.

The arguments in favour of value as opposed to growth are becoming louder as shares that have been cheap for a long time are looking attractive.

### GLOBAL FIXED INTEREST

UNDERWEIGHT

With both long- and short-term rates anchored to zero the asset class is to be avoided. Long rates can only rise from these levels ultimately (but maybe not for a long while) and only the emergence of inflation will tempt Central Banks to raise at the short end.

### GLOBAL CASH

NEUTRAL

We will hold it for liquidity to enable us to buy in the dips and capitalise on corrections.

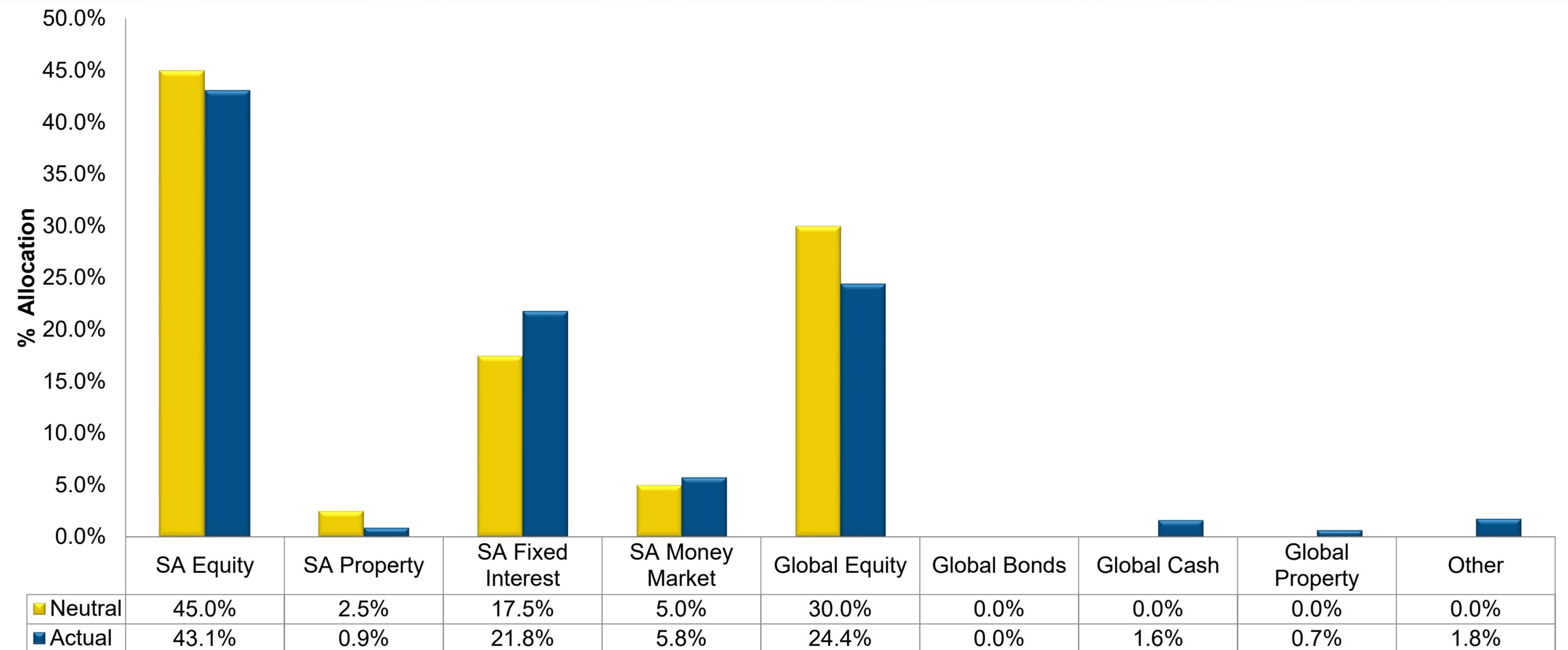
### GLOBAL PROPERTY

UNDERWEIGHT

Here, too, we are finding this is not a single asset class. Real estate exposed to bricks-and-mortar retail, office space and even some industrial space are battling while personal storage, cloud and physical data storage, and both general and last-mile logistics have a more assured future.

# Q4 2020 Current Positioning

CPI +5 Reg 28 Solution





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