Chalford Wealth CPI +2% p.a. Cautious

Chalford Wealth.
FROM ONE GENERATION TO THE NEXT

April 2022

Who should invest

Suitable for clients who are risk averse and prefer a low volatility investment experience. Clients seeking a tax efficient income solution.

Market & portfolio commentary

The month was another one of risk-off behaviour, with policy makers and reserve banks finding it hard to find the balance between stimulating economic growth and curbing the inflation monster knocking at the door. It was another month of the dreaded “stagflation” word being thrown around, but luckily it remained only a probability…for now.

The Ukrainian war is still causing major problems for anyone trying to predict the direction of market indexes. Although there were many mentions of peace talks underway, there was not much seen to prove the point. Our view is that the incentive for Putin to withdraw out of the Ukraine becomes less by the day and that this war will probably continue for a while still. And even if the war does come to an end, the impacts of sanctions, supply shortages and political tensions will be extremely difficult to undo.

In China, they are struggling to contain a new wave of infections with their “Zero Covid” policy. This entailed strict lockdowns and import / export bans, putting even more strain on an already fragile supply chain structure. This caused a sell-off in most risk assets not only in China, but in emerging markets in general. Many market participants have such strong views on the restrictions and lockdowns imposed, that they aren’t invested in China at all. Our view is less strict, but we are aware of the risks involved and the possible impact on risk assets, with our portfolios reflecting such.

All of the volatility and uncertainty made for a US Dollar becoming a relative “safe haven” compared to other currencies, despite the US seeing inflation rates on 30-year highs. This is putting the FED in a difficult predicament – how long can they stay “behind the curve” before inflation becomes an unstoppable force? The answer came in early April with the FED turning more hawkish with a 50bps interest rate hike and indicating that there is more to follow.

In South Africa, we finally saw the national state of disaster being lifted, right on the back of a favourable review from Moody’s, moving our credit rating to “stable”. Unfortunately, this was all the good news that came our way and was overshadowed by the devastation caused by the KZN floods the following week.

Although our market started the month where it ended in March, it unfortunately did not last long. As the negative impacts of global events compounded our own unique set of problems, with the ZAR eventually taking a punch with the bond market following in quick succession. The sell-off continued through our equity market as well with no sector spared. Even our strong commodity sector felt the heat of supply chain issues and the failing infrastructure systems in our country. We still believe that our resources sector should continue to boost our trade surplus and we, as a country, should continue to benefit from it.

Given all the risks involved at the moment, we continue to have a more cautious risk-asset exposure in our portfolios. This has two benefits; firstly, it protects our clients’ capital against major drawdowns and, secondly, it provides the flexibility to jump onto opportunities to buy cheap assets. This is becoming increasingly important. Our technical analysis is showing risk assets getting closer to oversold territory and at very attractive prices. This is true for almost all countries and almost all asset classes, bar the US Dollar. As stated, we remain cautious, but will start getting back into riskier positions as and when our process gives us the opportunity to do so.

Technical Overview

Strategy Manager	MitonOptimal SA
Assets Under Administration	USD$ 1.2 billion
Annual Mandate Fee	0.20% p.a. (excl. VAT)

This excludes Advisor, Administration & Underlying Fund fees which are disclosed in a Record of Advice provided by your Advisor

Benchmark	SA Multi Asset Low Equity
Valuation	Quarterly Reporting
Risk	Low risk

Investment objective

This investment strategy includes a diversification of asset classes, managed by some of the most talented fund managers. The strategy aims to outperform SA inflation by 2% p.a. net of fund management fees over a rolling 2-year period. The Strategy aims to provide retired investors with a regular income while it aims to provide consistent real returns over the medium to long term within acceptable risk parameters. The Strategy only invests in asset allocation, target return and money market unit trust funds and aims to limit volatility to between 0.90 - 6.56% p.a. standard deviation. The strategy is diversified and managed by asset class in accordance with Regulation 28 of the Pension Fund Act.

Suitable products

This portfolio can be utilised as an income option via a Living Annuity or as a Discretionary draw-down plan. Other suitable products would include low volatility Preservation Pension/Provident Fund savings, i.e. close to retirement risk averse investors.

Chalford Wealth CPI +2% p.a. Cautious

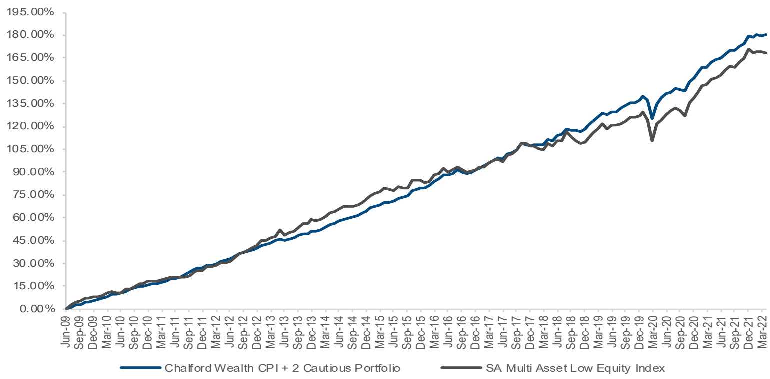
Chalford Wealth.
FROM ONE GENERATION TO THE NEXT

April 2022

Performance & volatility (%)

		3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs	Since Launch
Performance	Portfolio	0.57	2.83	6.83	22.40	41.54	180.33
	Benchmark	-0.05	2.32	7.00	21.06	35.81	168.35
Volatility	Portfolio	1.18	2.75	2.09	4.61	3.92	2.74

Cumulative performance



Current Asset Allocation

SA Bonds	56.70%
SA Cash	16.93%
SA Equity	12.43%
Global Equity	6.60%
Global Bonds	4.14%
SA Property	2.89%
Global Property	0.31%

Discrete Performance (%)

	2018	2019	2020	2021	2022
Portfolio	6.91	8.17	2.69	11.57	6.83
Benchmark	5.53	6.30	0.14	12.99	7.00

Neutral asset allocation (%)

SA Cash	SA Fixed Interest	SA Property	SA Equity	Global Assets	Commodities
5	67	4	9	13.5	1.5

Composition (%)

Portfolio holdings	Weight	AMC	TER
Nedgroup - Investments Flexible Income B1	17.00	0.70	0.62
Coronation - Strategic Income P	15.00	0.51	0.49
Prescient - Income Provider A2	13.00	0.57	0.60
Coronation - Balanced Defensive P	10.00	1.44	1.07
IP Management Company - IP Active Beta A	10.00	0.46	0.85
BCI - Sasfin BCI Flexible Income A	10.00	0.69	0.79
Sanlam - Amplify SCI Defensive Balanced A1	8.00	0.92	0.94
Allan Gray - Stable C	7.00	0.92	0.82
BCI - Visio BCI Unconstrained Fixed Interest B	5.00	0.75	0.77
Ninety One - Cautious Managed H	5.00	0.98	1.03
Total Portfolio	**100**		**0.75**

Roeloff Horne
Director and Head of Portfolio Management South Africa
MitonOptimal