

MODEL PORTFOLIO FEEDBACK NOTES

NETWORK	DATE	TIME	LOCATION
Optimal	06.03.2026	09:00 – 12:00	Langebaan

ATTENDEES

Sean Lumley	Lumely Associates
Roeloff Horne	MitonOptimal
George Dell	MitonOptimal

MEETING CONTENT

Recording	2026.03.06
Presentation	

KEY TAKEAWAYS

- Model Portfolios: No changes recommended. Diversification across managers (Orbis, Coronation, Ninety One) is working, capturing performance dispersion and mitigating risk.
- Worldwide Growth Fund: Strong performance (15% p.a. over 3 yrs) driven by overweighting SA equities and commodities. This strategy provided significant alpha over the sector, which is overweight developed markets
- New Cash Deployment: A ~10% cash inflow will be deployed across existing holdings and new themes like Global Infrastructure, EM Value, and specific stocks (Rolls-Royce, Microsoft, Prosus).
- High-Value Stock Diversification: A structured note strategy was outlined for clients with large, concentrated stock holdings (e.g., R10M+). It provides liquidity at a low cost (prime - 3%) without triggering a sale.

TOPICS

High-Value Stock Diversification Strategy

- Problem: Clients with large, concentrated stock holdings (e.g., R10M+ in Capitec, Naspers) need diversification but want to avoid selling.
- Solution: A structured note provides liquidity and diversification without a sale.
 - Mechanism: The stock is used as collateral for a loan.
 - Cost: Prime -3%, a highly attractive rate arranged by Catalyx.
 - Terms: Typically, a 3-year period with a cap on upside (e.g., 45% over 3 yrs).
 - Trade-off: The client forfeits dividends on the collateralised stock.
- Offshore Shares: Requires a higher minimum value (R40M–R50M) due to increased complexity with custodians and bank approvals.

Model Portfolio Review

- Performance: All models are outperforming their sectors and CPI benchmarks over 1, 3, and 5 years.



- Diversification: The strategy of using multiple managers is effective.
 - Rationale: Captures performance dispersion between managers (e.g., Orbis vs. Coronation) and provides consistent equity-style diversification (value, growth, blended).
- Coronation & Ninety One Funds: Underperforming recently but no sale is recommended.
 - Rationale: The quality growth style is temporarily out of favour; these managers have a proven long-term track record.
- Optimal CPI+6% Portfolio: A recent change was noted and will be formally recorded.
- Risk: The portfolios are in the "right quadrant" (higher return, lower volatility) and are well-diversified across equity styles.

Worldwide Growth Fund Deep Dive

- Asset Allocation:
 - Risk Assets: ~80% (Global Equity 45%, SA Equity 30%, Property 4.5%).
 - Defensive Assets: ~13% (Fixed Interest & Cash).
 - Commodities: 7% (Spot Commodities).
- Sector Allocation: Overweight Basic Materials, Energy, and Industrials; Underweight Technology. This positioning has been a key driver of recent outperformance.
- Performance Attribution:
 - Top Contributors: Standard Bank, Sprott, Valterra, Wheaton, Rolls-Royce, Glencore.
 - New Holdings:
 - Steyn Capital (1%): Added for SA equity diversification; won 3 hedge fund awards.
 - Cartesian Fixed Income (5%): New allocation; returned 5% in two months.
- TER Analysis: The fund's Total Expense Ratio (TER) is 1.8%.
 - Breakdown: 0.75% management fee +0.80% underlying fund costs +0.23% trading costs.
 - Rationale: This is considered a decent cost for an active, diversified fund.

Investments Forum Debrief

- Key Themes:
 - AI: A dominant topic with mixed views.
 - Energy Constraint: Quantum computing's energy demands may outpace supply, creating opportunities in global infrastructure and uranium.
 - Existential Threat: AI combined with sophisticated robotics could lead to widespread job displacement.
 - SA Outlook: A positive view was presented.
 - Political Shift: The ANC's support is declining, creating a potential path for a DA-led coalition or a moderate ANC president (e.g., Patrice Motsepe), which could boost GDP growth to 4%.
 - China: The consensus was to not discount China's long-term potential despite recent underperformance.

Next steps

- Place a limit order to sell Colin's Property at R11.00 to exit an illiquid holding.
- Investigate the "North and South Pacific" emerging market manager for potential fund access.
- Forward fact sheets for the Steyn Capital and Old Mutual Global Alpha funds to Sean.
- Deploy the ~10% cash inflow across existing holdings and new themes (Global Infrastructure, EM Value, Rolls-Royce, Microsoft, Prosus).
- Consider switching from the UBS EM index to a more efficient EM Value index or an active manager.

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