

Quarterly Feedback Session

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PORTFOLIOMETRIX
Investment Management **by Design**

A Bumpy Five Years

2018		2019		2020	
GLOBAL BONDS	14.8%	GLOBAL EQUITY	23.7%	GLOBAL EQUITY	22.7%
GLOBAL PROPERTY	9.4%	GLOBAL PROPERTY	19.4%	GLOBAL BONDS	14.7%
SA BONDS	7.7%	SA EQUITY	12.0%	SA BONDS	8.7%
SA CASH	7.3%	SA BONDS	10.3%	SA EQUITY	7.0%
GLOBAL EQUITY	5.7%	SA CASH	7.3%	SA CASH	5.4%
SA EQUITY	-8.5%	GLOBAL BONDS	3.9%	GLOBAL PROPERTY	-4.3%
US \$ / RAND	-13.5%	US \$ / RAND	2.6%	US \$ / RAND	-4.7%
SA PROPERTY	-25.3%	SA PROPERTY	1.9%	SA PROPERTY	-34.5%

Source: ZAR Returns, Bloomberg, PortfolioMetrix. As of March 2023



A Bumpy Five Years

2018		2019		2020		2021		2022	
GLOBAL BONDS	14.8%	GLOBAL EQUITY	23.7%	GLOBAL EQUITY	22.7%	GLOBAL PROPERTY	39.9%	SA CASH	5.2%
GLOBAL PROPERTY	9.4%	GLOBAL PROPERTY	19.4%	GLOBAL BONDS	14.7%	SA PROPERTY	36.9%	SA BONDS	4.3%
SA BONDS	7.7%	SA EQUITY	12.0%	SA BONDS	8.7%	GLOBAL EQUITY	29.2%	SA EQUITY	3.6%
SA CASH	7.3%	SA BONDS	10.3%	SA EQUITY	7.0%	SA EQUITY	29.2%	SA PROPERTY	0.5%
GLOBAL EQUITY	5.7%	SA CASH	7.3%	SA CASH	5.4%	SA BONDS	8.4%	US \$ / RAND	-6.4%
SA EQUITY	-8.5%	GLOBAL BONDS	3.9%	GLOBAL PROPERTY	-4.3%	SA CASH	3.8%	GLOBAL BONDS	-10.7%
US \$ / RAND	-13.5%	US \$ / RAND	2.6%	US \$ / RAND	-4.7%	GLOBAL BONDS	3.5%	GLOBAL EQUITY	-12.3%
SA PROPERTY	-25.3%	SA PROPERTY	1.9%	SA PROPERTY	-34.5%	US \$ / RAND	-7.9%	GLOBAL PROPERTY	-21.4%

Source: ZAR Returns, Bloomberg, PortfolioMetrix. As of March 2023



A Bumpy Five Years

2018		2019		2020		2021		2022		Q1 2023	
GLOBAL BONDS	14.8%	GLOBAL EQUITY	23.7%	GLOBAL EQUITY	22.7%	GLOBAL PROPERTY	39.9%	SA CASH	5.2%	GLOBAL EQUITY	11.8%
GLOBAL PROPERTY	9.4%	GLOBAL PROPERTY	19.4%	GLOBAL BONDS	14.7%	SA PROPERTY	36.9%	SA BONDS	4.3%	GLOBAL BONDS	7.4%
SA BONDS	7.7%	SA EQUITY	12.0%	SA BONDS	8.7%	GLOBAL EQUITY	29.2%	SA EQUITY	3.6%	SA EQUITY	5.2%
SA CASH	7.3%	SA BONDS	10.3%	SA EQUITY	7.0%	SA EQUITY	29.2%	SA PROPERTY	0.5%	GLOBAL PROPERTY	4.9%
GLOBAL EQUITY	5.7%	SA CASH	7.3%	SA CASH	5.4%	SA BONDS	8.4%	US \$ / RAND	-6.4%	SA BONDS	3.4%
SA EQUITY	-8.5%	GLOBAL BONDS	3.9%	GLOBAL PROPERTY	-4.3%	SA CASH	3.8%	GLOBAL BONDS	-10.7%	SA CASH	1.8%
US \$ / RAND	-13.5%	US \$ / RAND	2.6%	US \$ / RAND	-4.7%	GLOBAL BONDS	3.5%	GLOBAL EQUITY	-12.3%	US \$ / RAND	-4.3%
SA PROPERTY	-25.3%	SA PROPERTY	1.9%	SA PROPERTY	-34.5%	US \$ / RAND	-7.9%	GLOBAL PROPERTY	-21.4%	SA PROPERTY	-5.1%

Source: ZAR Returns, Bloomberg, PortfolioMetrix. As of March 2023



Key Themes for the Quarter

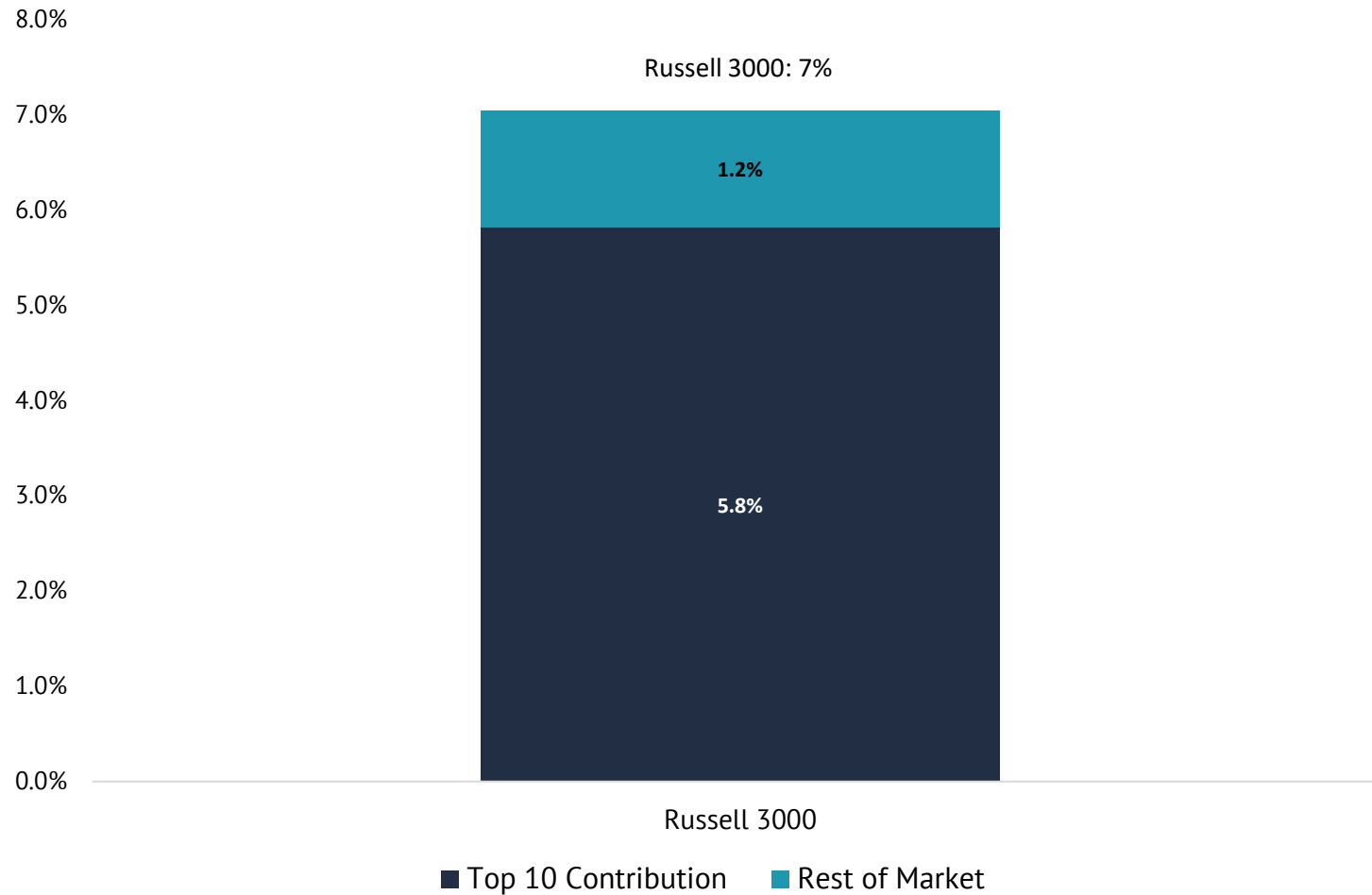


PORTFOLIOM/ETRIX
Investment Management **by Design**



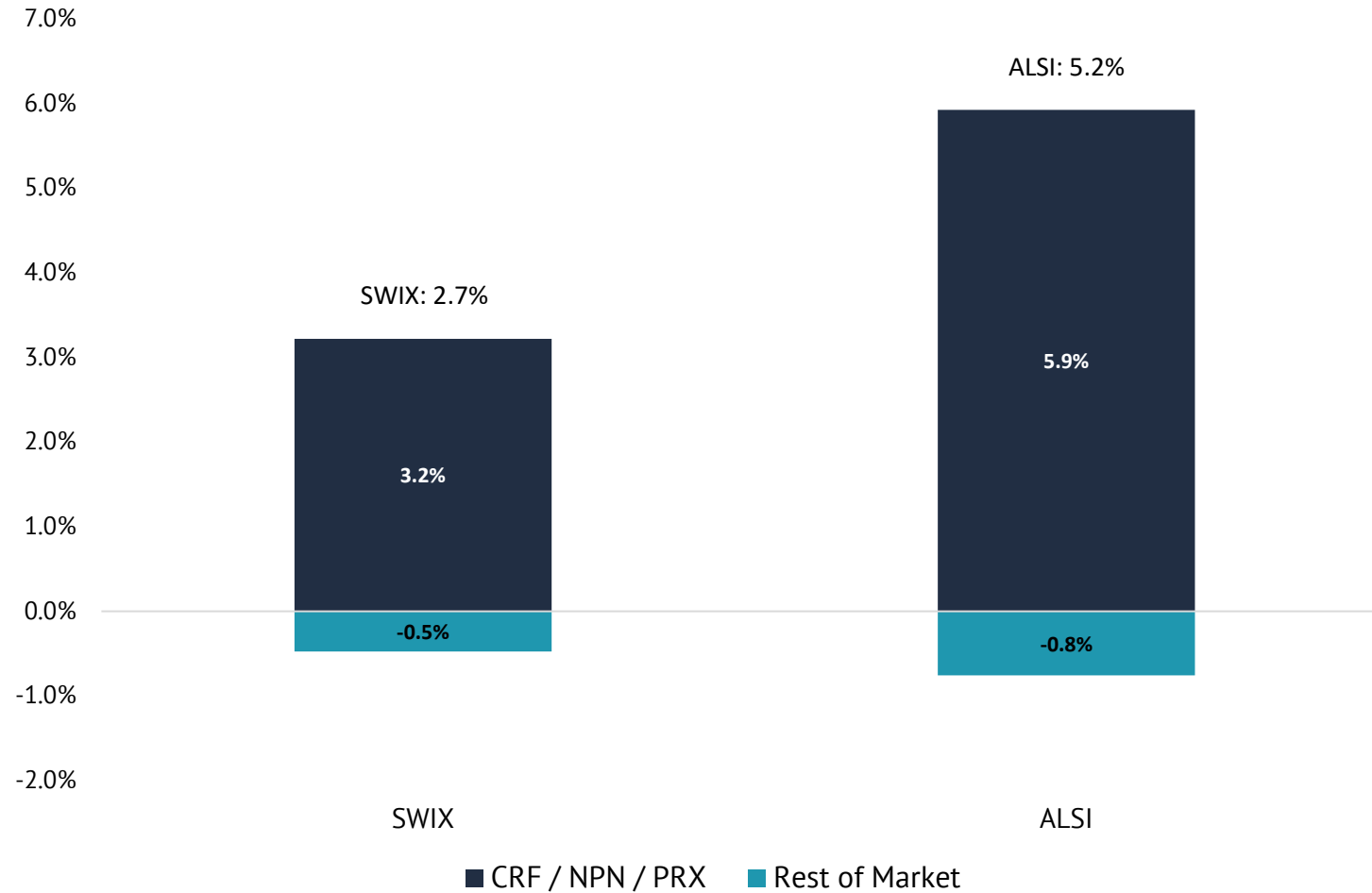
A Good Quarter for the Equity Market?

Russell 3000 Performance Q1 2023



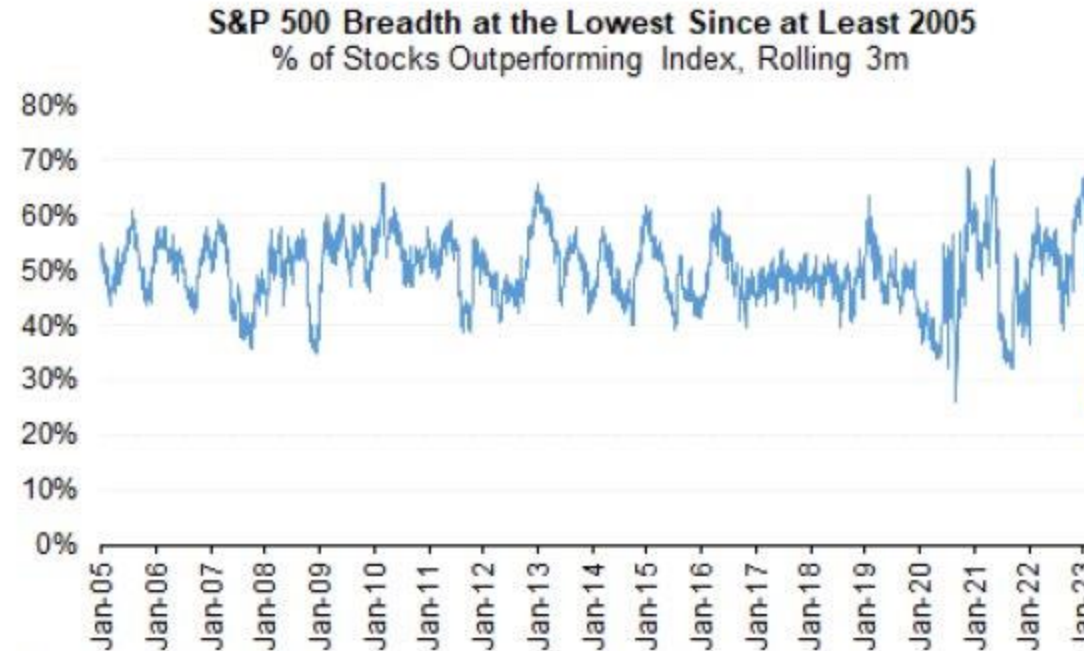
A Good Quarter for the Equity Market?

SWIX and ALSI Performance Q1 2023



A Good Quarter for the Equity Market?

Exhibit 5: Weakest Breadth on Record



Source: Morgan Stanley QDS

Source: Morgan Stanley QDS.





Significant Re-Pricing in Bonds

“The yield on the two-year U.S. Treasury reached a high of 5.05% on March 8, only to plummet to a low of 3.76% on March 24.”

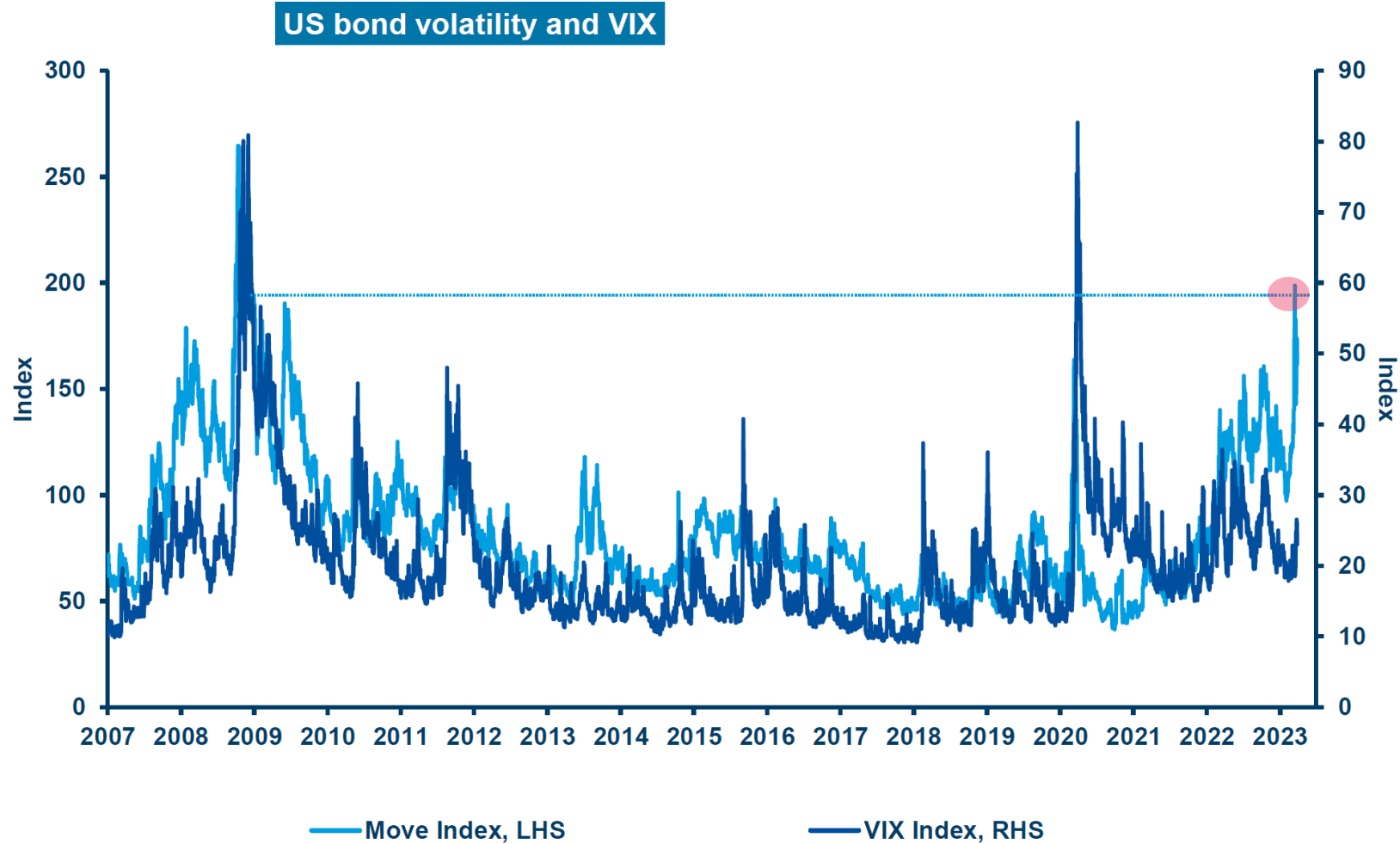


Significant Re-Pricing in Bonds

“The yield on the two-year U.S. Treasury reached a high of 5.05% on March 8, only to plummet to a low of 3.76% on March 24. The days following March 8 brought the steepest three-day decline in the two-year Treasury yield since the stock market crash of 1987.”



Significant Re-Pricing in Bonds

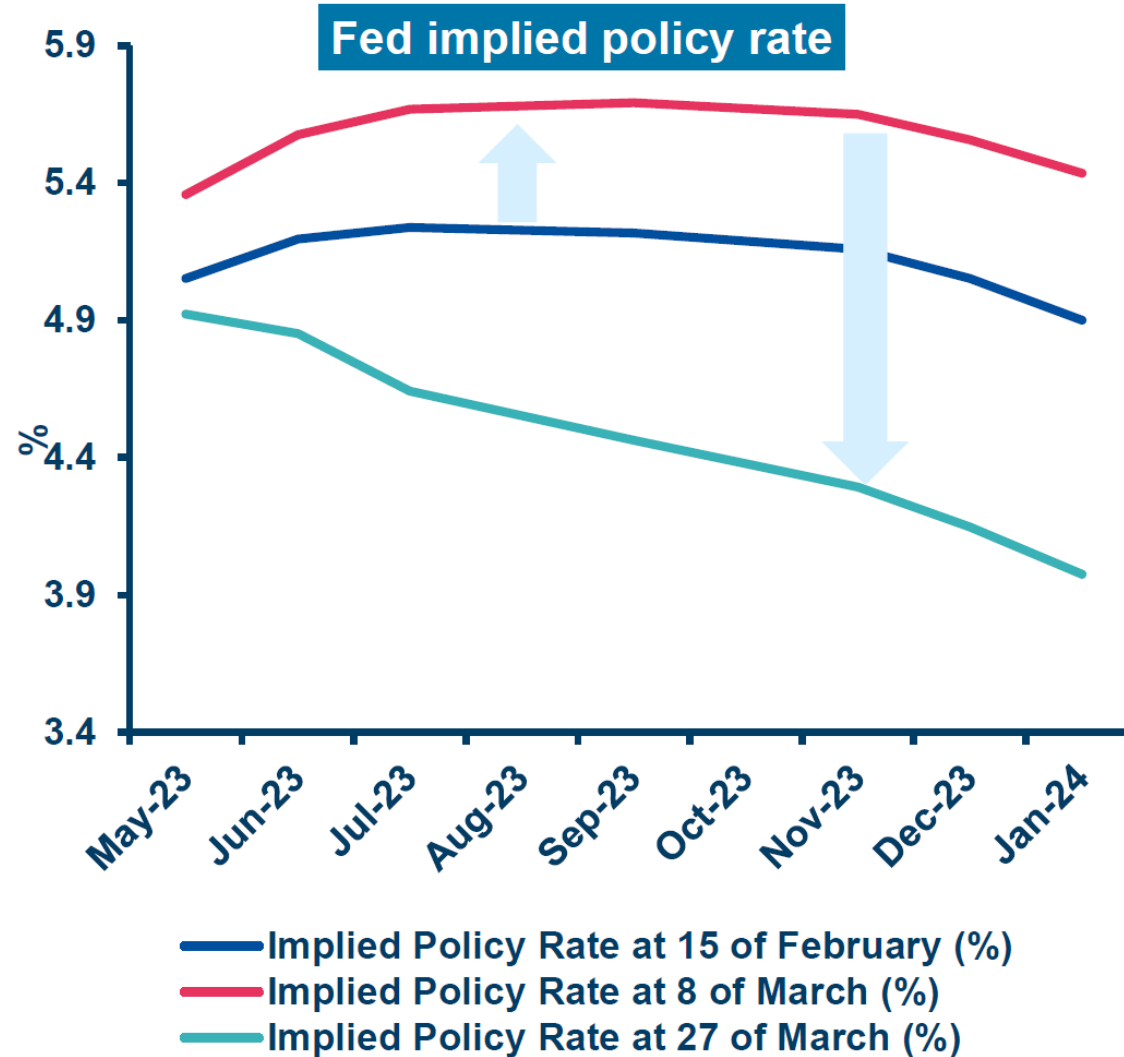


Source: Amundi Institute, Bloomberg. Data is as of 30 March 2023. For illustrative purposes only. Move Index tracks implied volatility on 1-month Treasury options. The VIX Index is a financial benchmark designed to estimate of the expected volatility of the S&P 500.

Source: Amundi Institute, Bloomberg Data is as of 30 March 2023 For illustrative purposes only

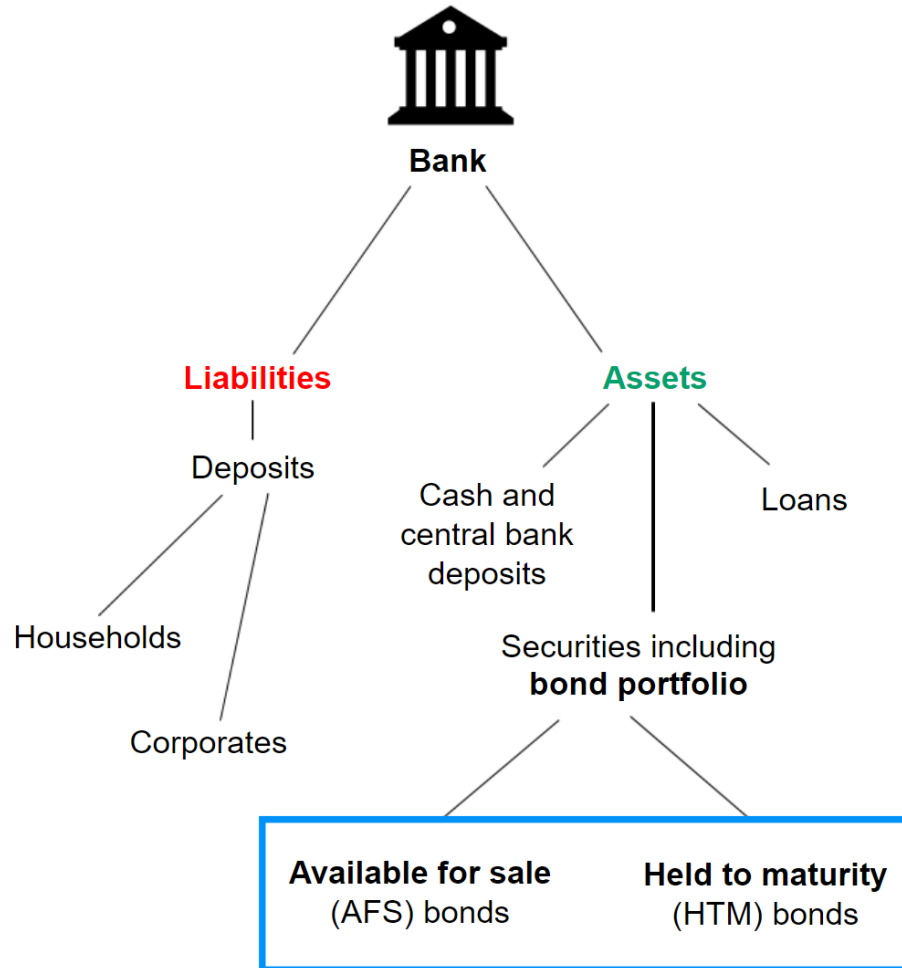


Significant Re-Pricing in Bonds



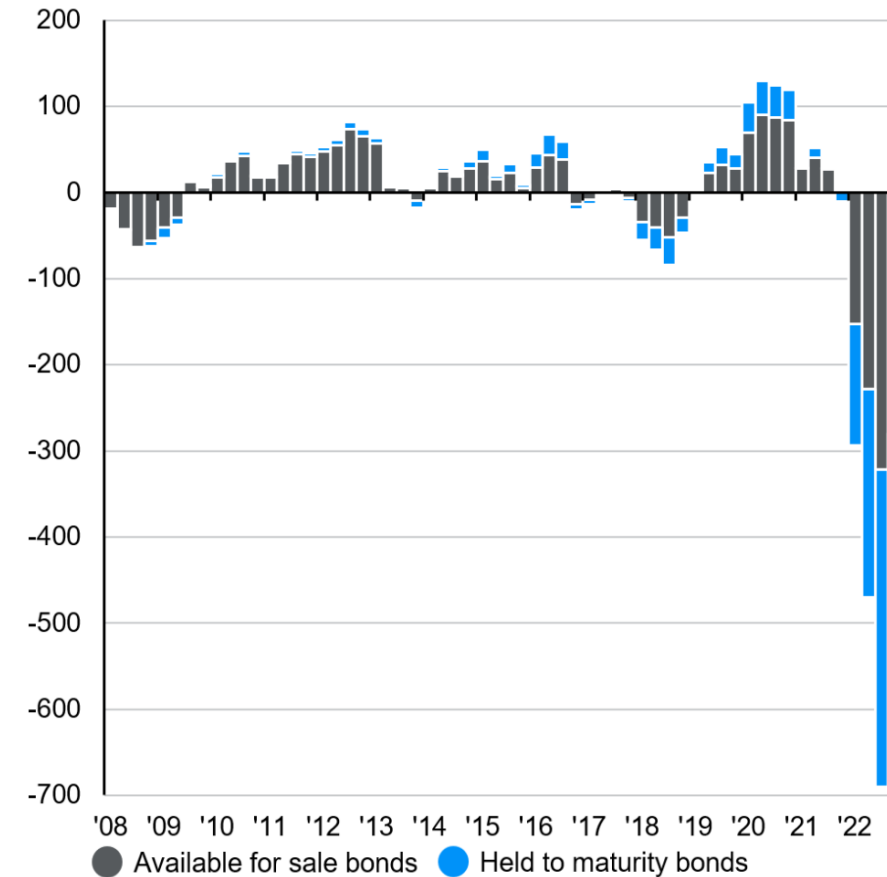
US Bank Failures

What happened at Silicon Valley Bank?



Unrealised gains/losses on US bank bond portfolios

USD billions

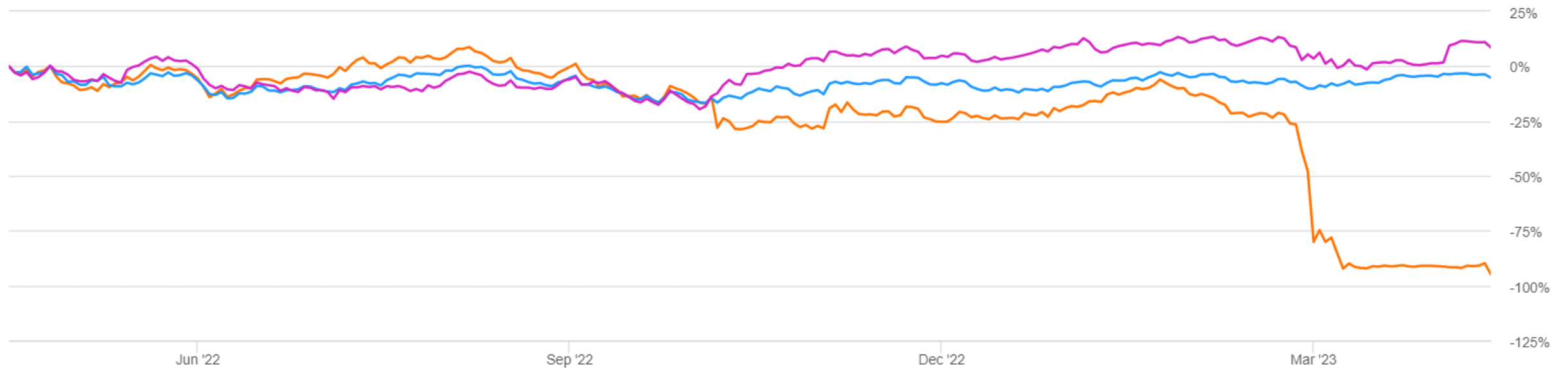


US Bank Failures

Price Return

Seeking Alpha^α

FRC	-94.82%	SP500	-5.23%	JPM	8.60%
Price Return since 04/25/2022 (365 days)		Price Return since 04/25/2022 (365 days)		Price Return since 04/25/2022 (365 days)	



Source: Seeking Alpha



What's Going on with Banks?

How does today compare to 2008?

Core tier 1 ratios

%, core tier 1 capital to risk-weighted assets



● US ● Eurozone big 4 and UK average

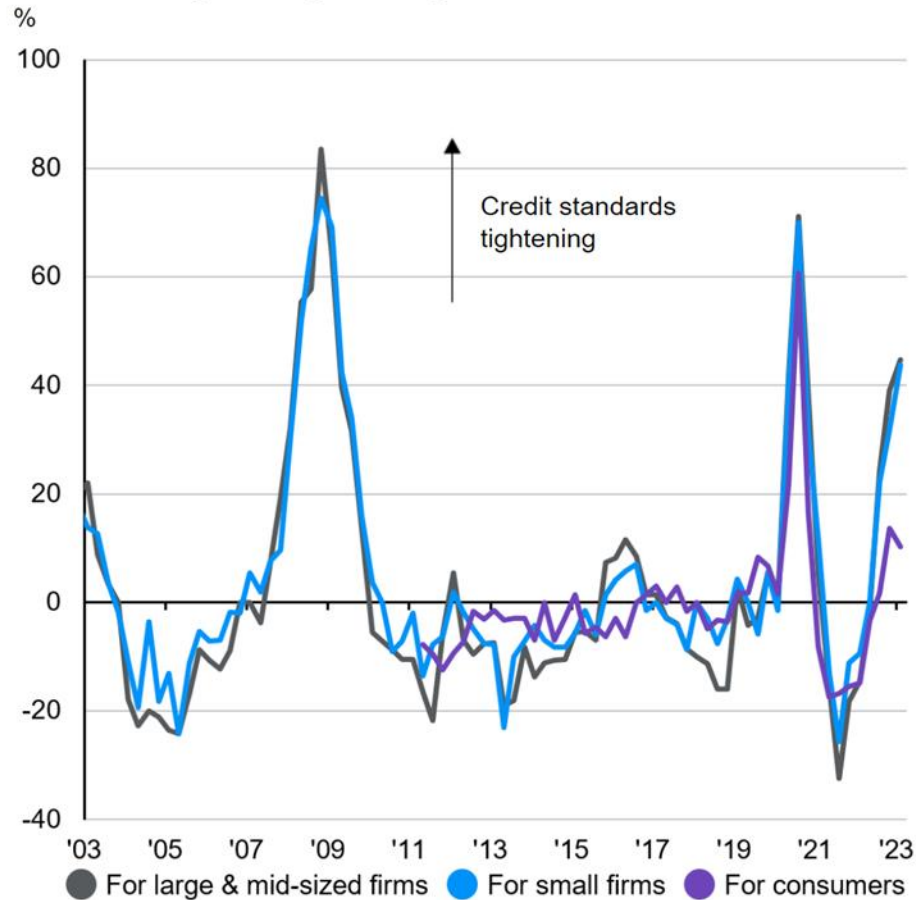
Source: Bloomberg, FDIC, IMF, J.P. Morgan Asset Management. Core tier 1 ratios are a measure of banks' financial strength, comparing core tier 1 capital (equity capital and disclosed reserves) against total risk-weighted assets. Data as of 17 March 2023



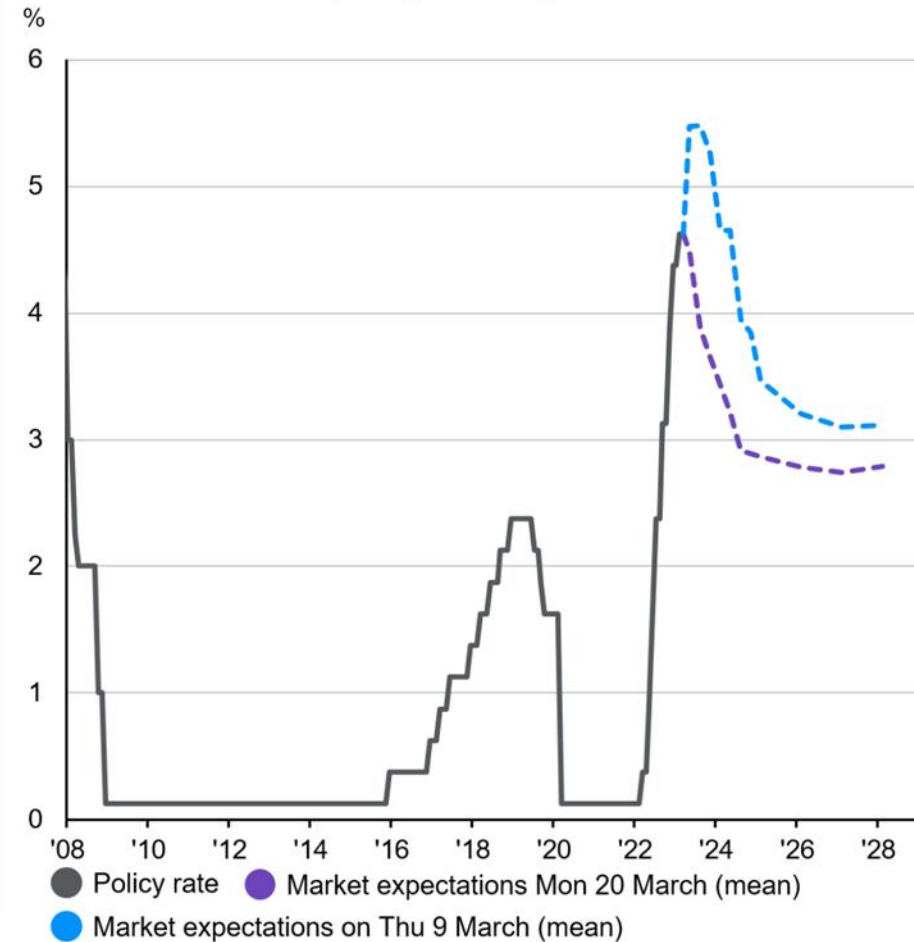
US Bank Failures

The degree to which lending standards tighten will affect Fed policy

US banks tightening lending standards



US Federal Reserve policy rate expectations



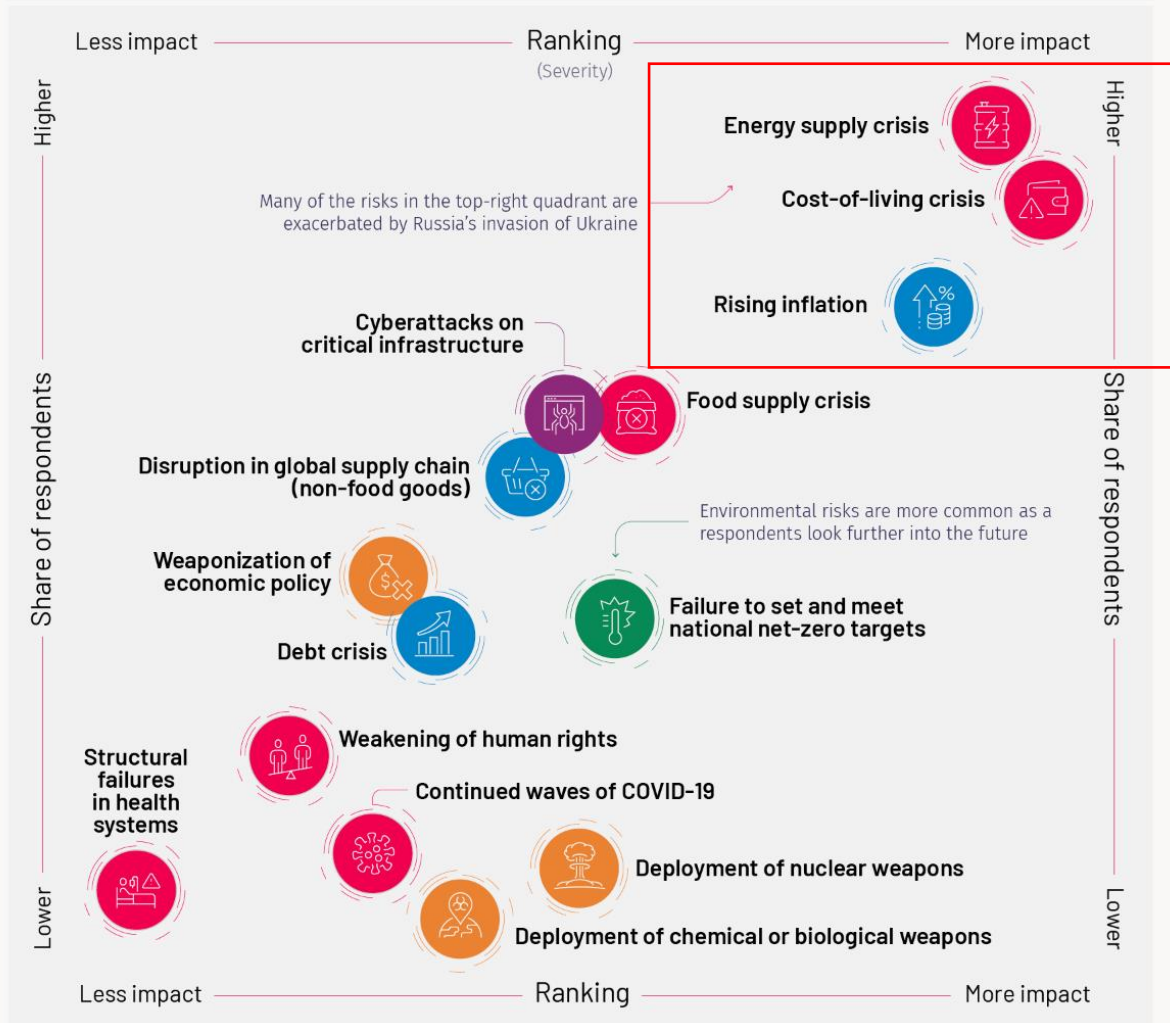
Source: (Left) Federal Reserve, Refinitiv Datastream, J.P. Morgan Asset Management. Data is from the Senior Loan Officer Opinion Survey. Consumer loans exclude autos and credit cards. (Right) Bloomberg, Federal Reserve, J.P. Morgan Asset Management. Market expectations are calculated using OIS forwards. Past performance is not a reliable indicator of current and future results. Data as of 20 March 2023.



THE TOP GLOBAL RISKS IN 2023

Global Risks Perception Survey: **Q** Please rank the top 5 **currently manifesting** risks in order of how severe you believe their impact will be on a global level in 2023.

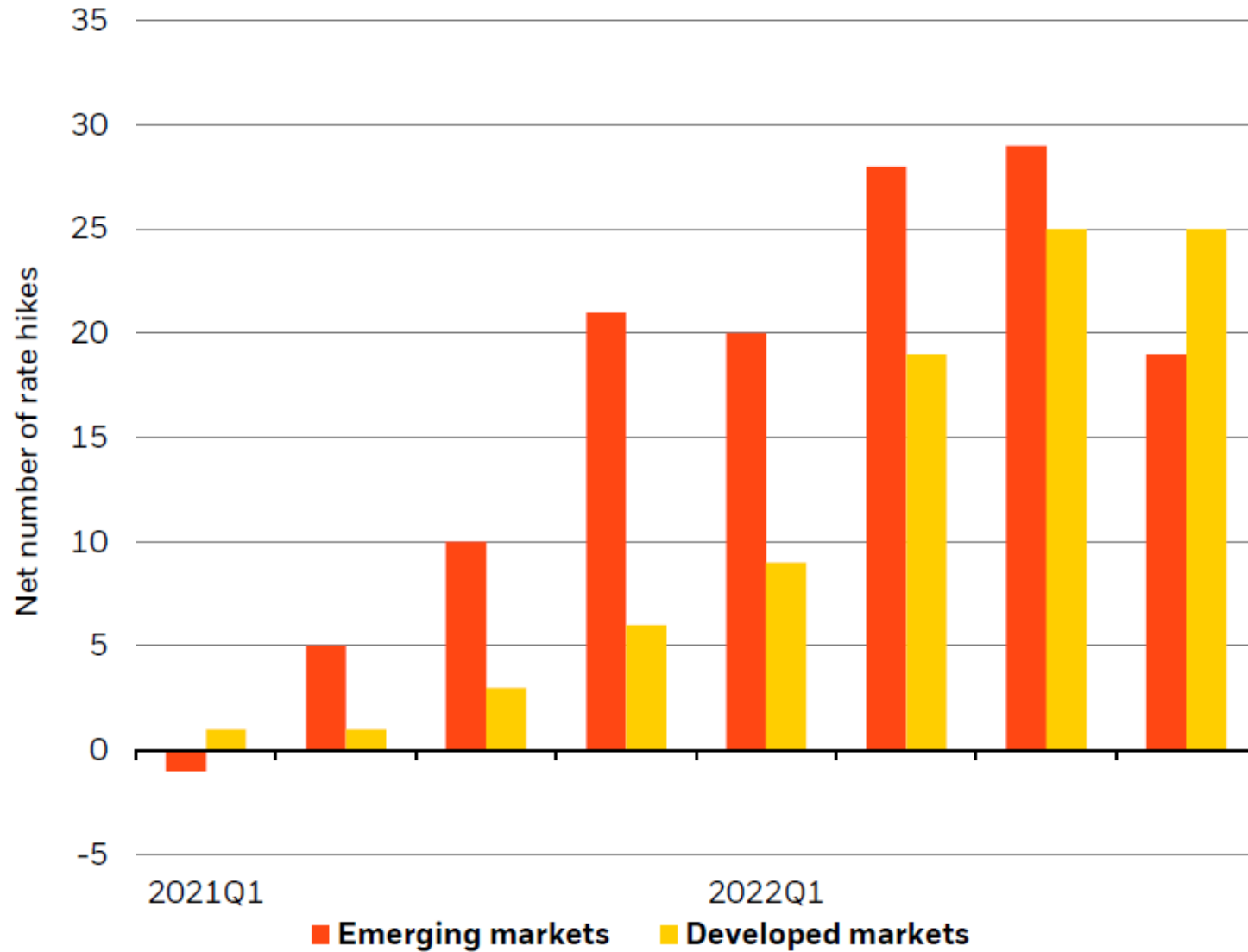
- Economic
- Environmental
- Geopolitical
- Societal
- Technological



Inflation is a Major Driver of Risk



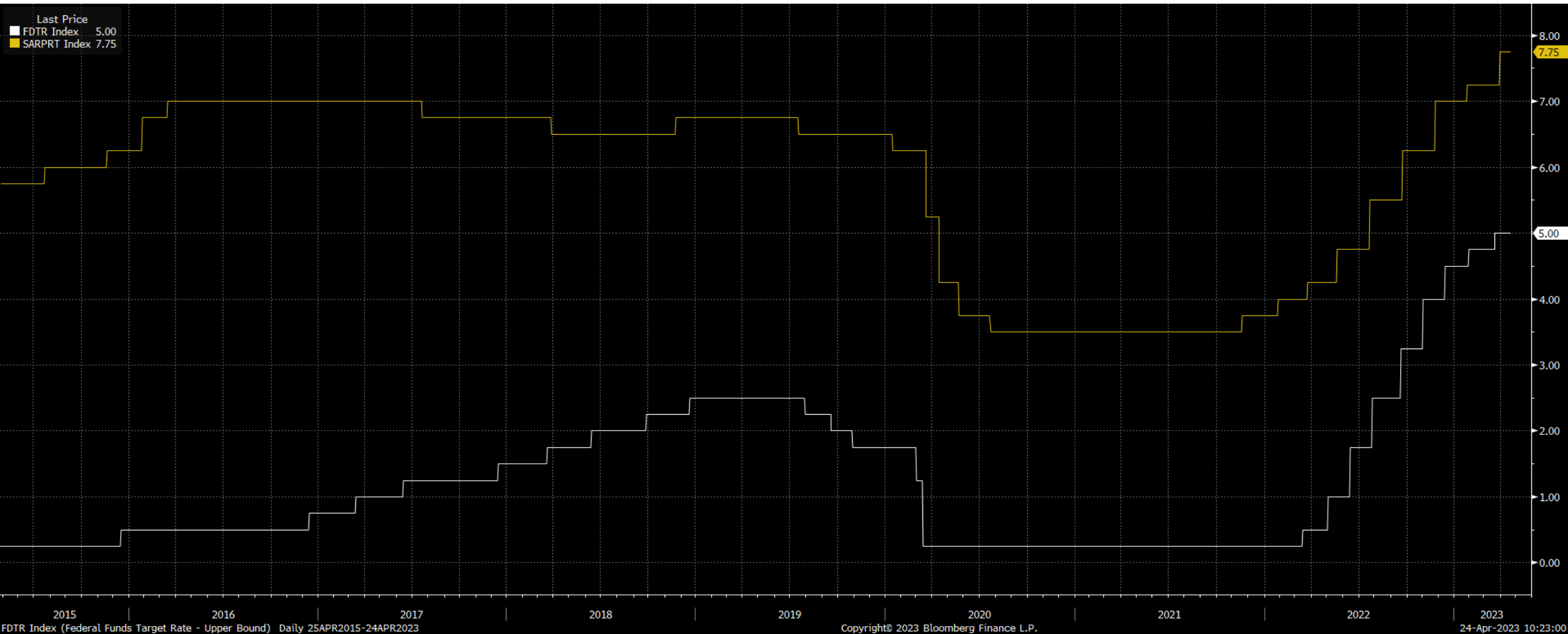
Emerging Markets led the fight against Inflation



Source: BlackRock, as of March 2023



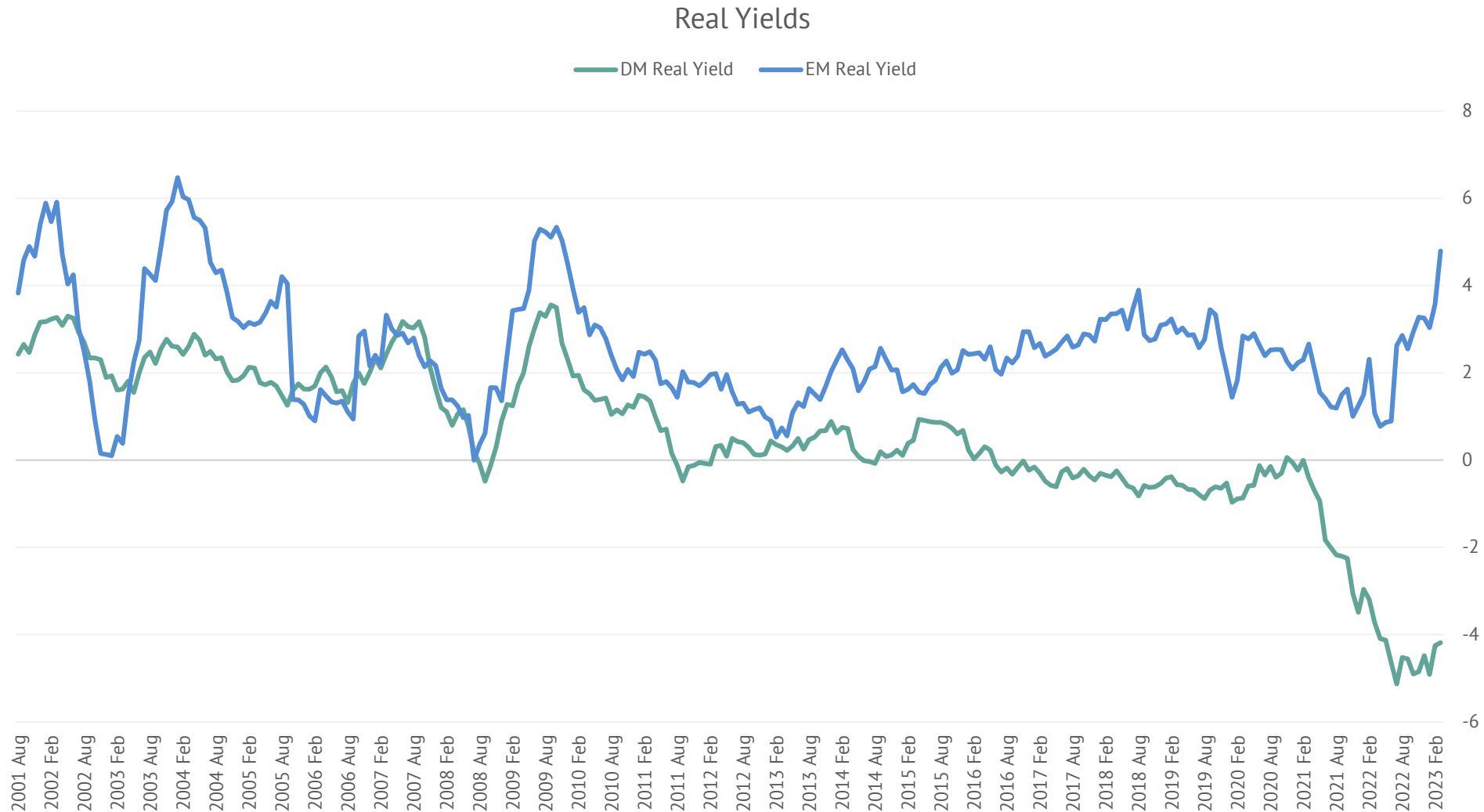
Emerging Markets led the fight against Inflation



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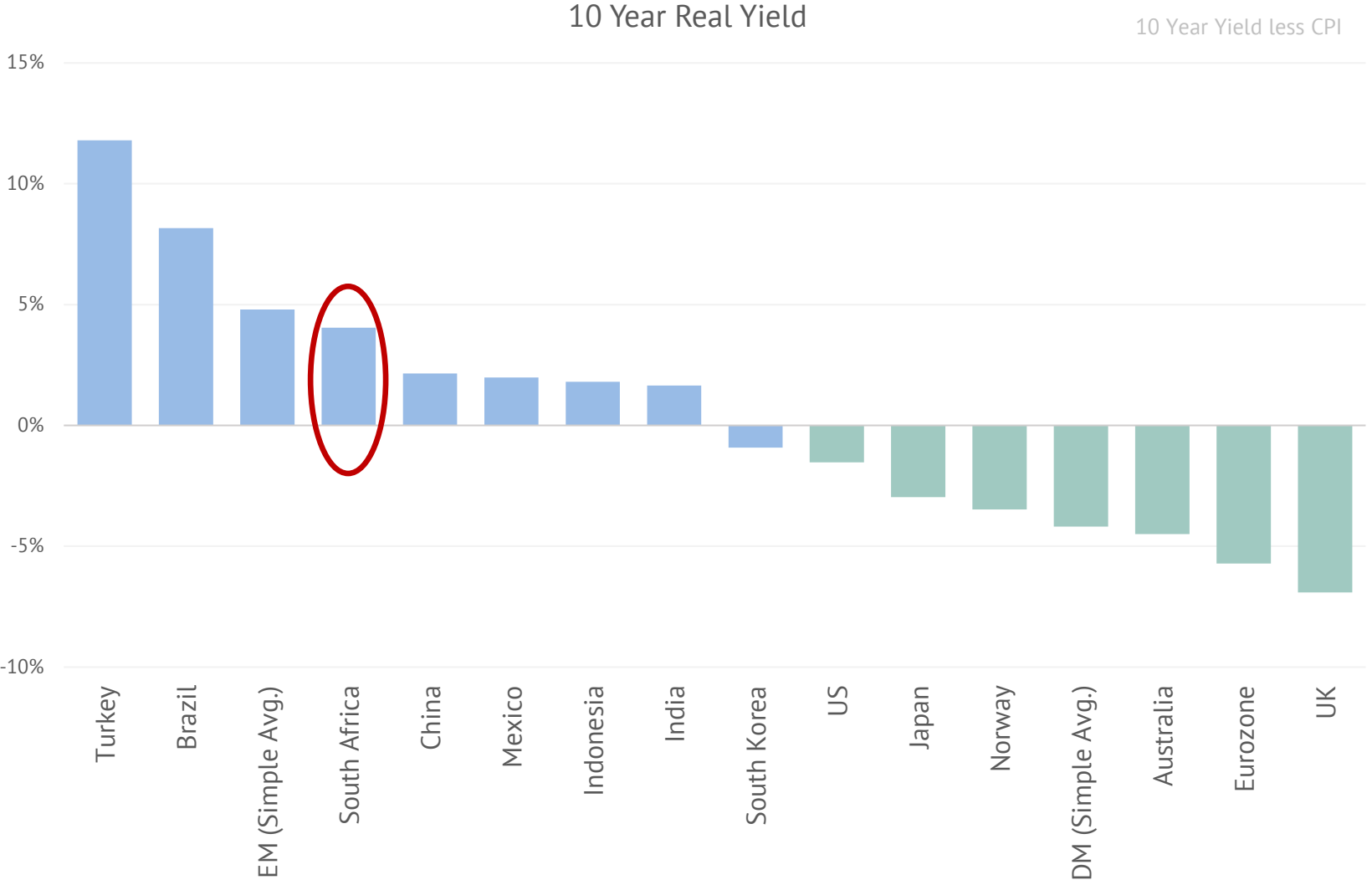
Yet Emerging Markets real yields remain high



Source: Bloomberg, PortfolioMetrix, as of March 2023



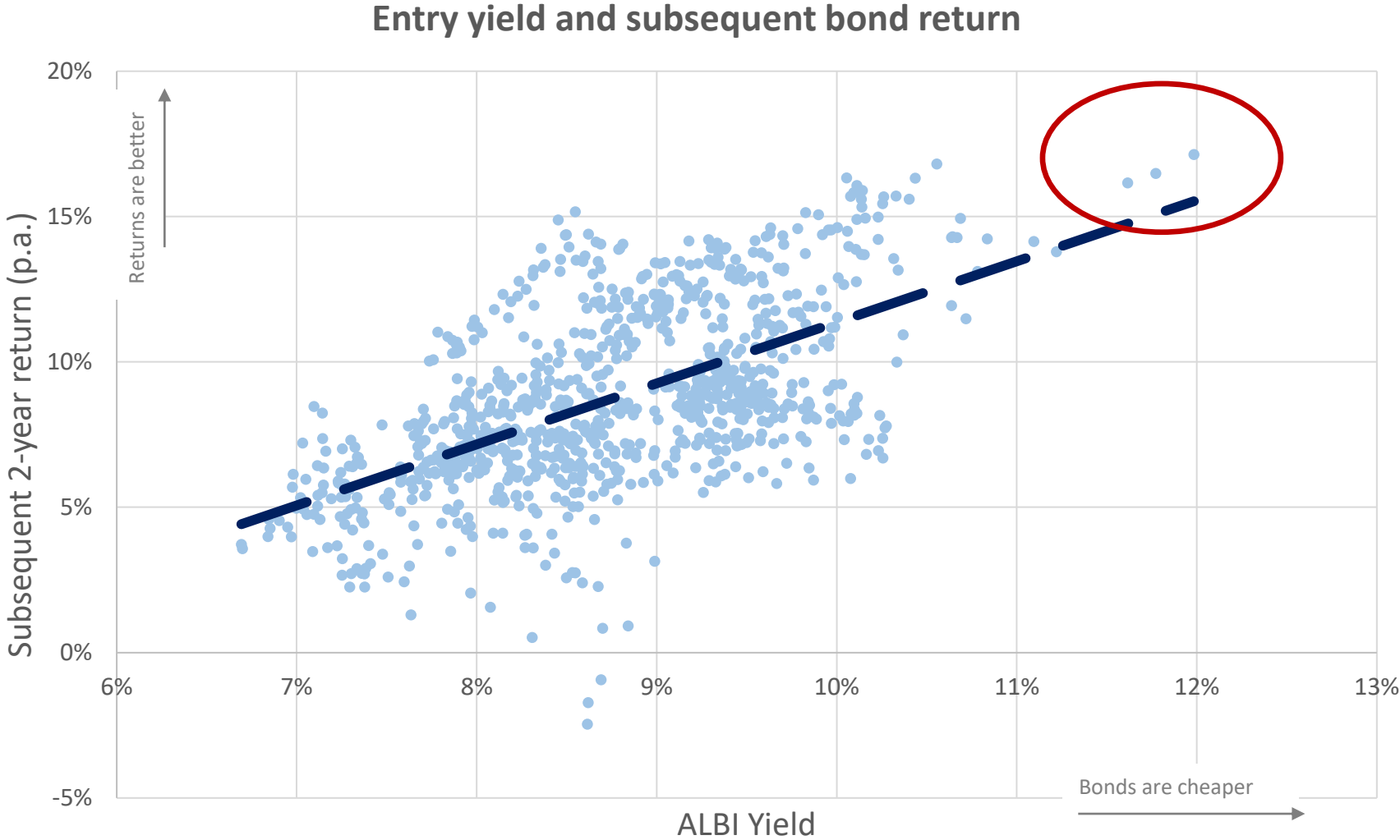
Global 10yr Real Yields



Source: PortfolioMetrix, Bloomberg. As of March 2023



SA Bonds are offering high forward returns



Source: Bloomberg PortfolioMetrix
All data is from 2002/12/31 to 2022/12/30, and calculated on a weekly basis
FTSE/JSE All Bond Index (Total Return)



Key Driver



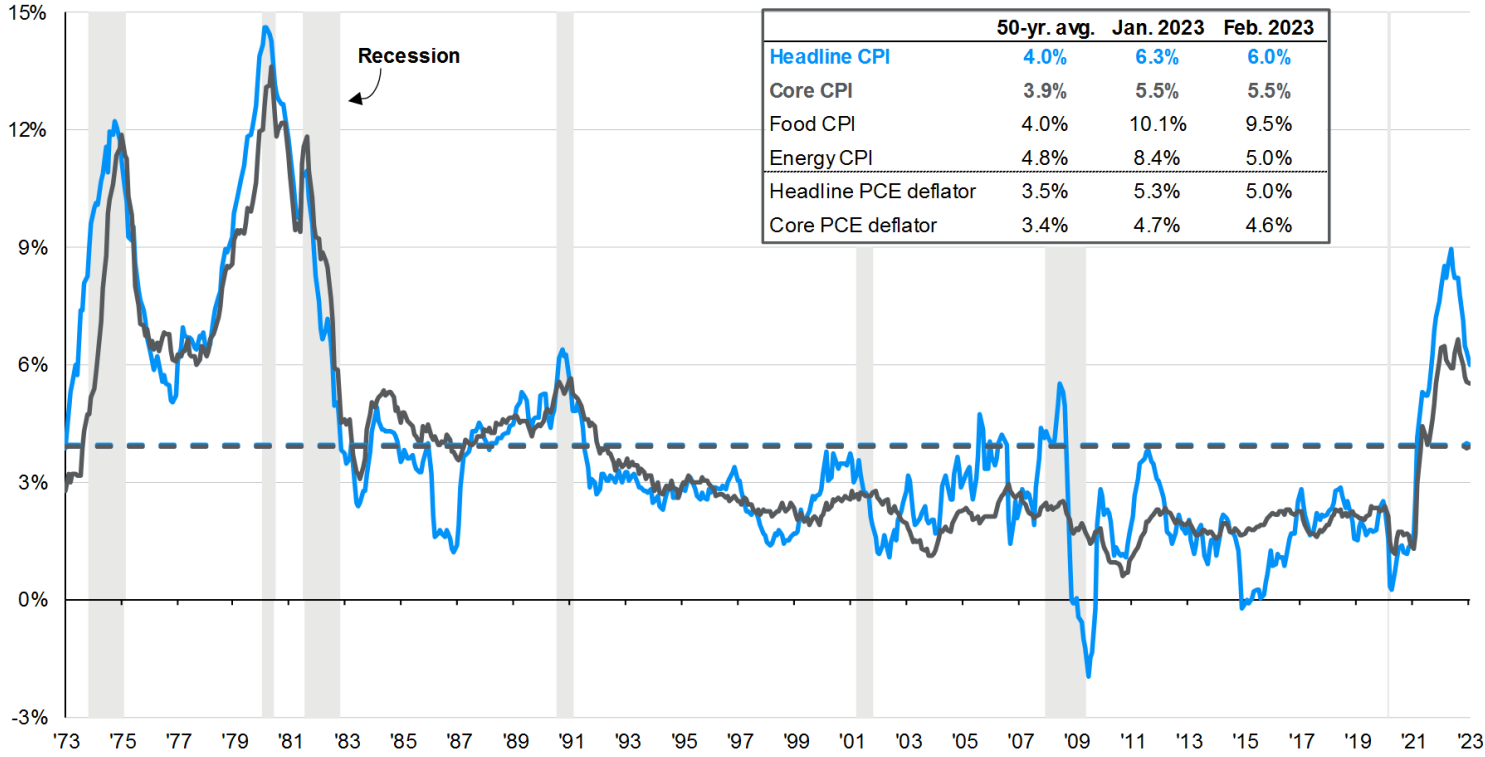
Inflation

GTM U.S. 29

Economy

CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations. Guide to the Markets - U.S. Data are as of March 31, 2023.



Key Driver

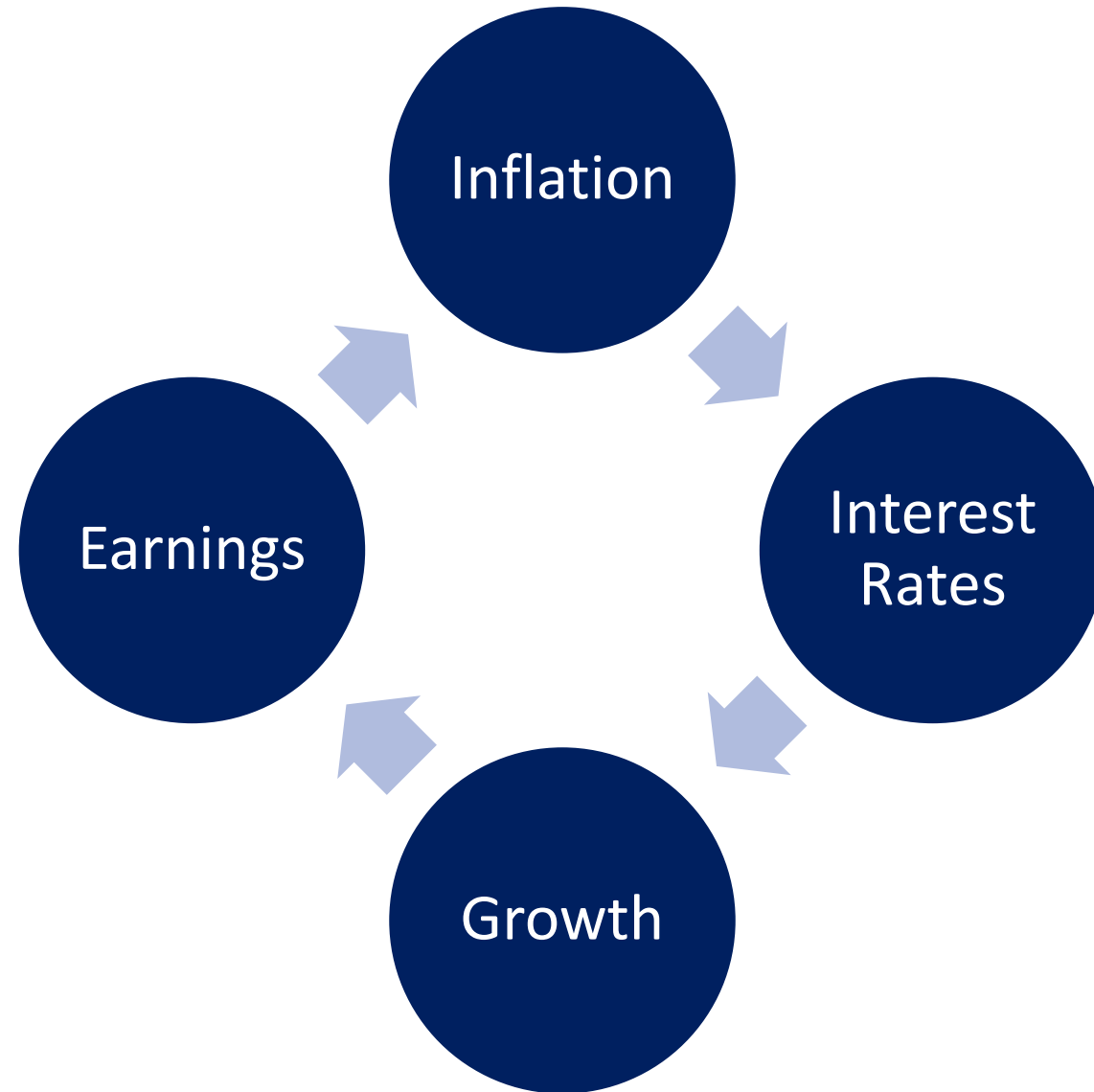
UK inflation is expected to fall quickly in the rest of 2023



Sources: ONS, Capital Economics, Citigroup
© FT



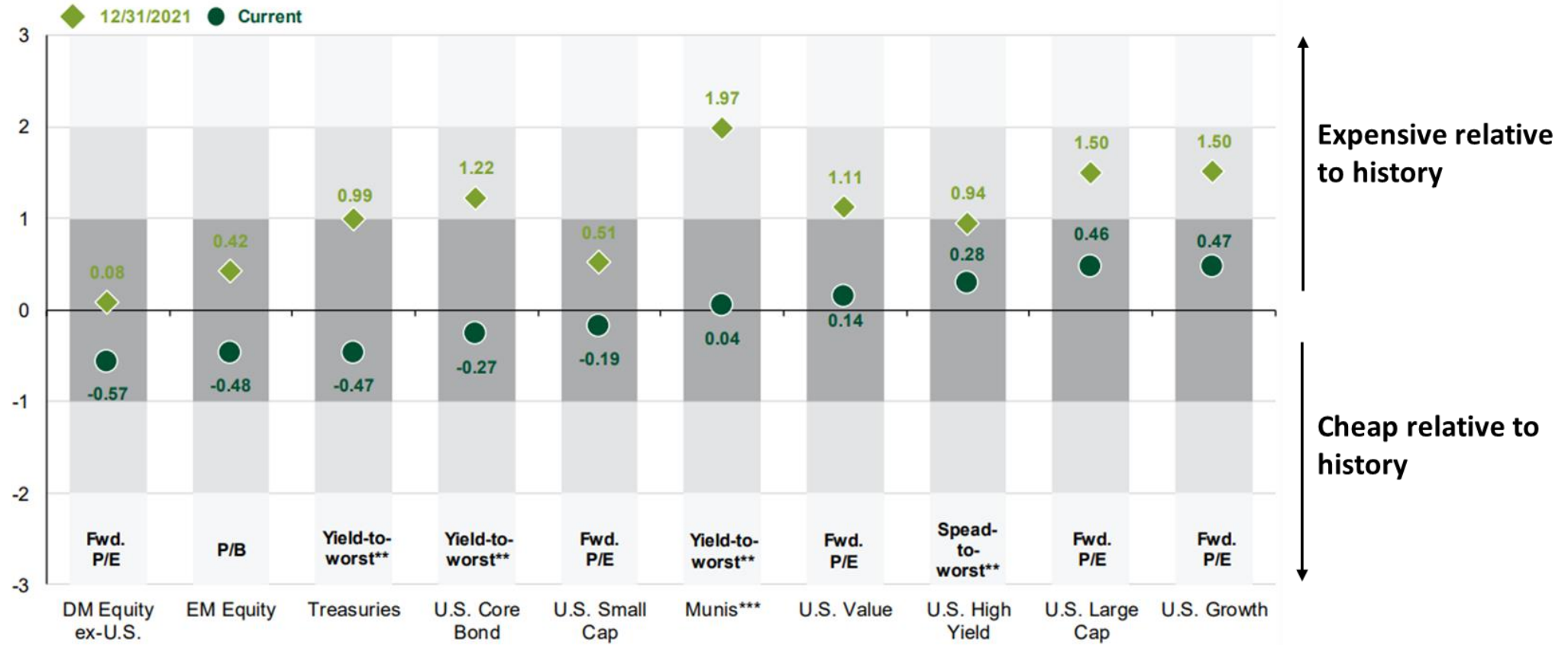
Conclusion



Conclusion

Asset class valuations

Z-scores based on 25-year average valuation measures*

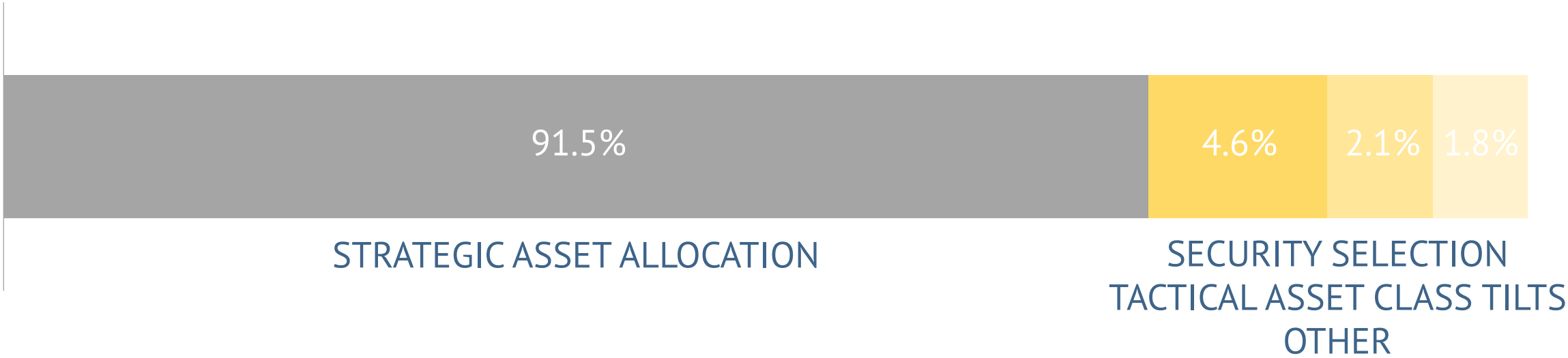




The Anatomy of Outperformance



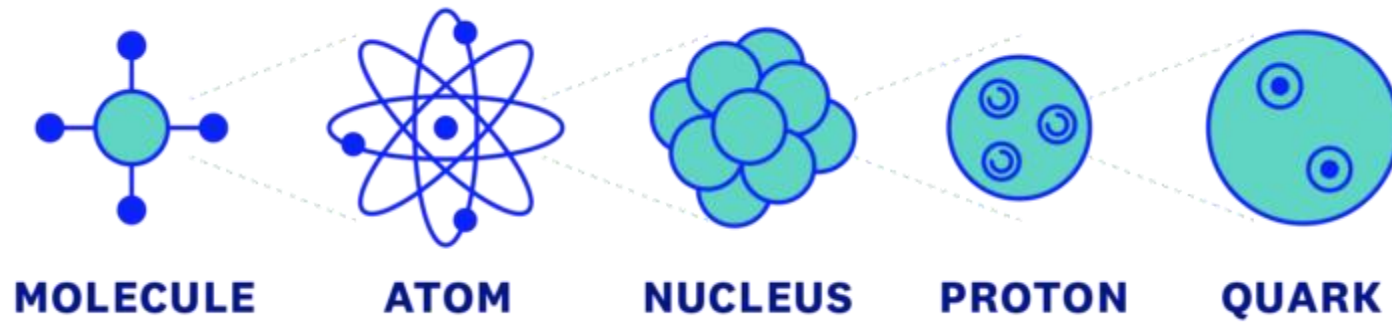
The Anatomy of Outperformance



Source: Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower, "Determinants of Portfolio Performance", Financial Analysts Journal, July-August 1986, pp. 39-44; and Gary P. Brinson, Brian D. Singer and Gilbert L. Beebower, "Revisiting Determinants of Portfolio Performance: An Update", 1990, Working Paper.



First Principles Thinking

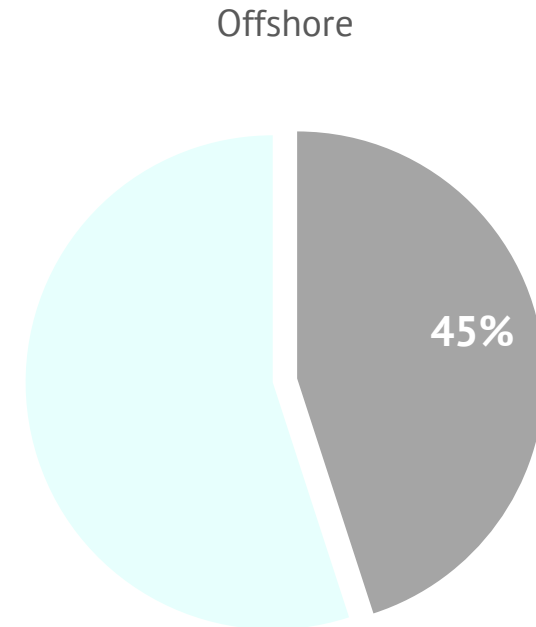
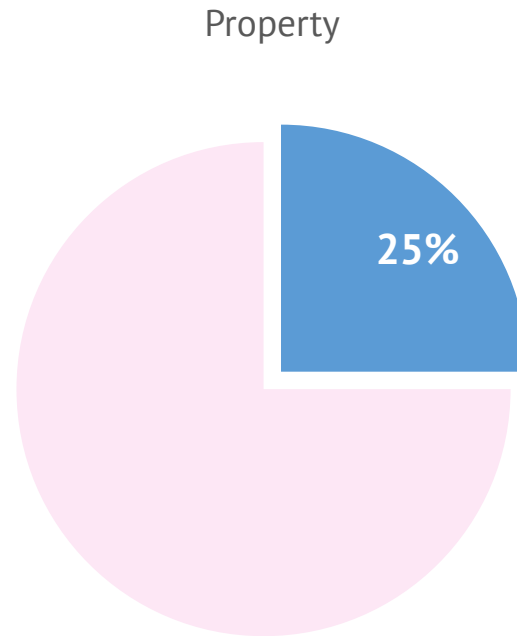
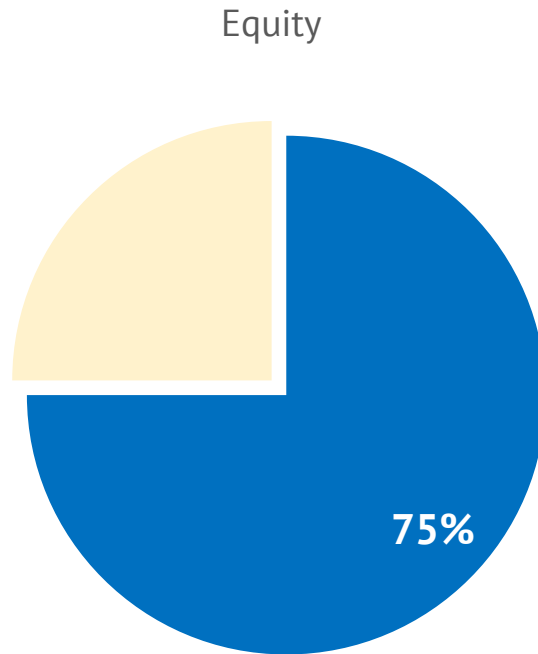


Boiling problems down to their most fundamental truths.

Assessing Peer Group Performance

Categorise similar funds

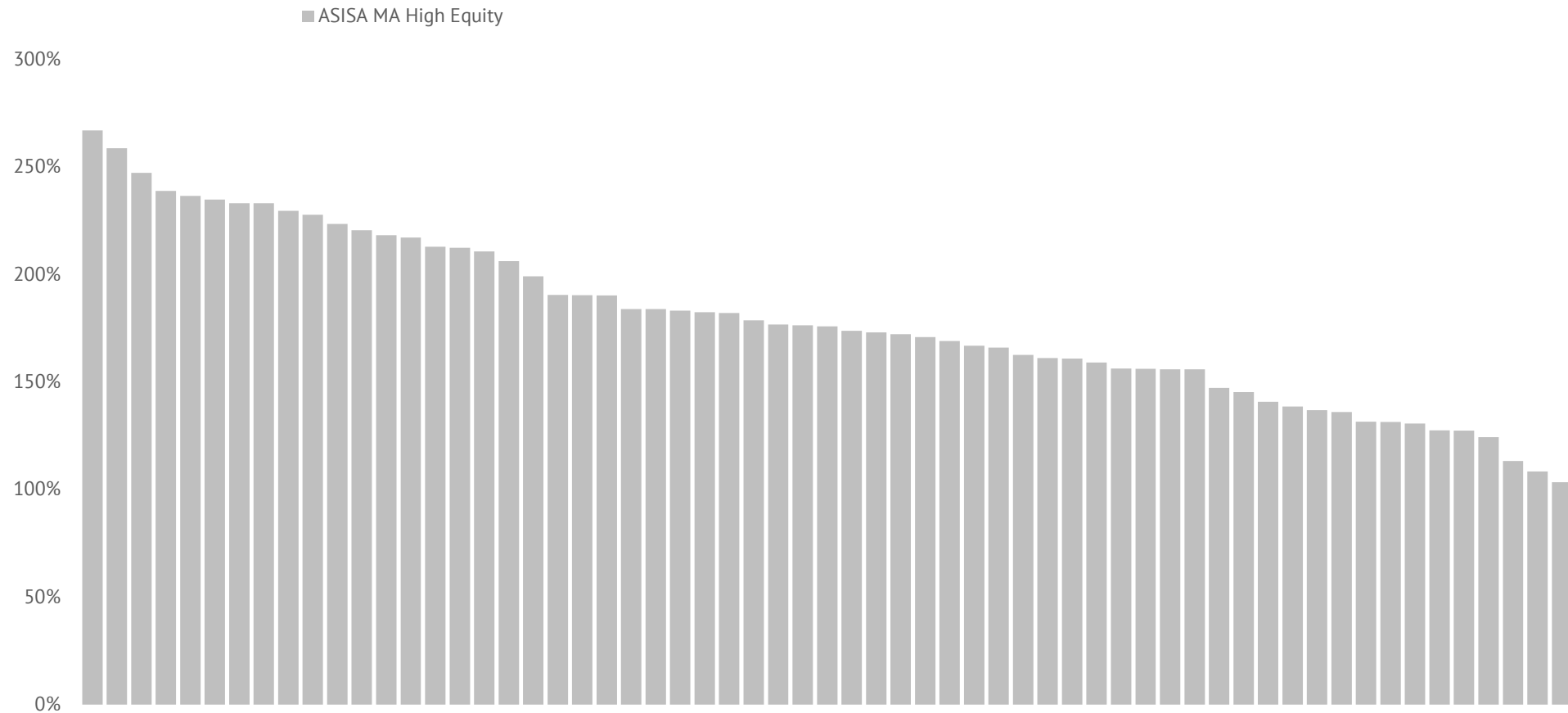
ASISA South African Multi-Asset High Equity



Assessing Peer Group Performance

Categorise similar funds

Cumulative Returns of ASISA SA MA High Equity Category

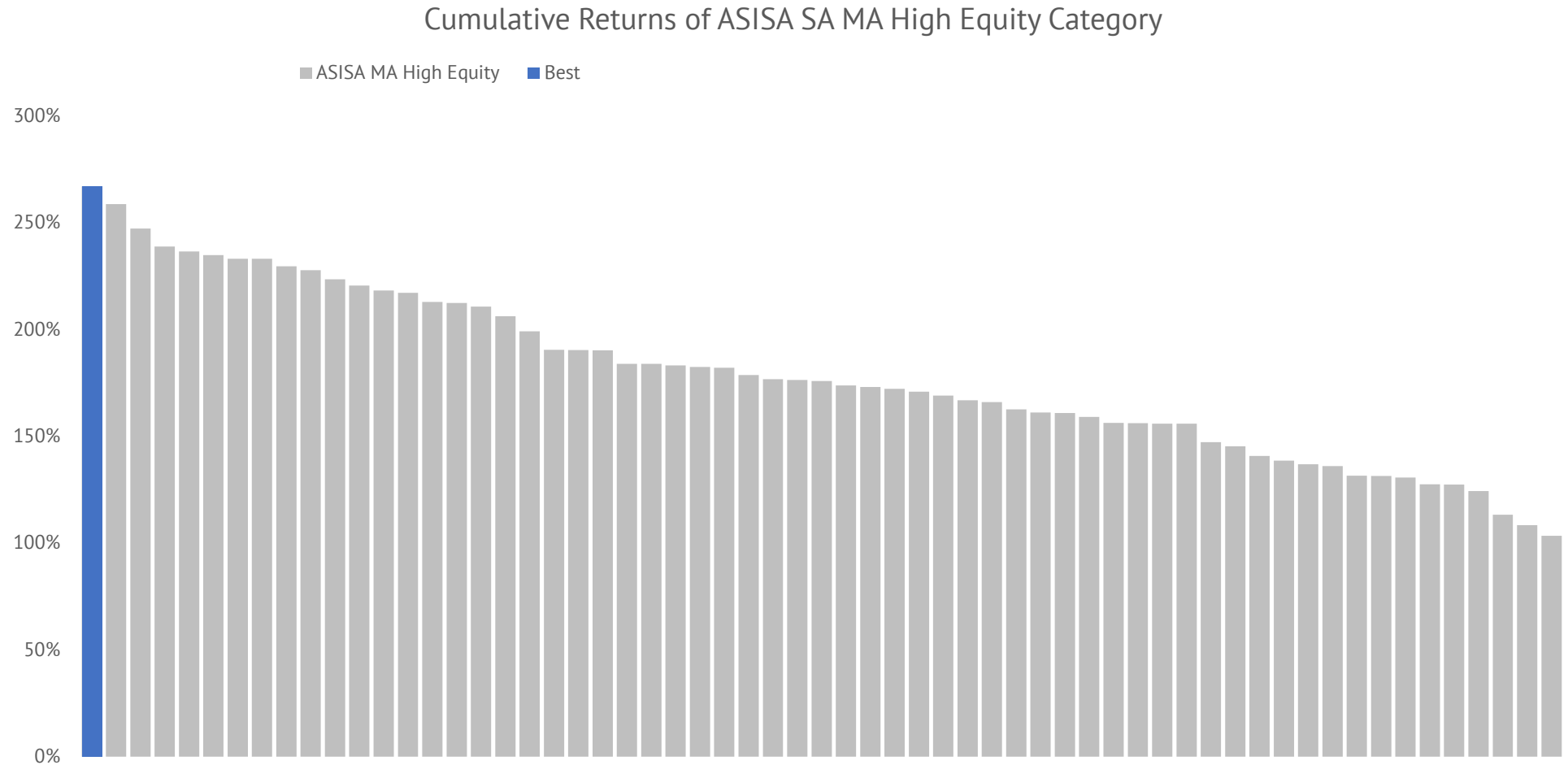


As of 2023/03/31, since 2010/11/30, in ZAR using monthly data

Source: PortfolioMetrix, FinXL

Assessing Peer Group Performance

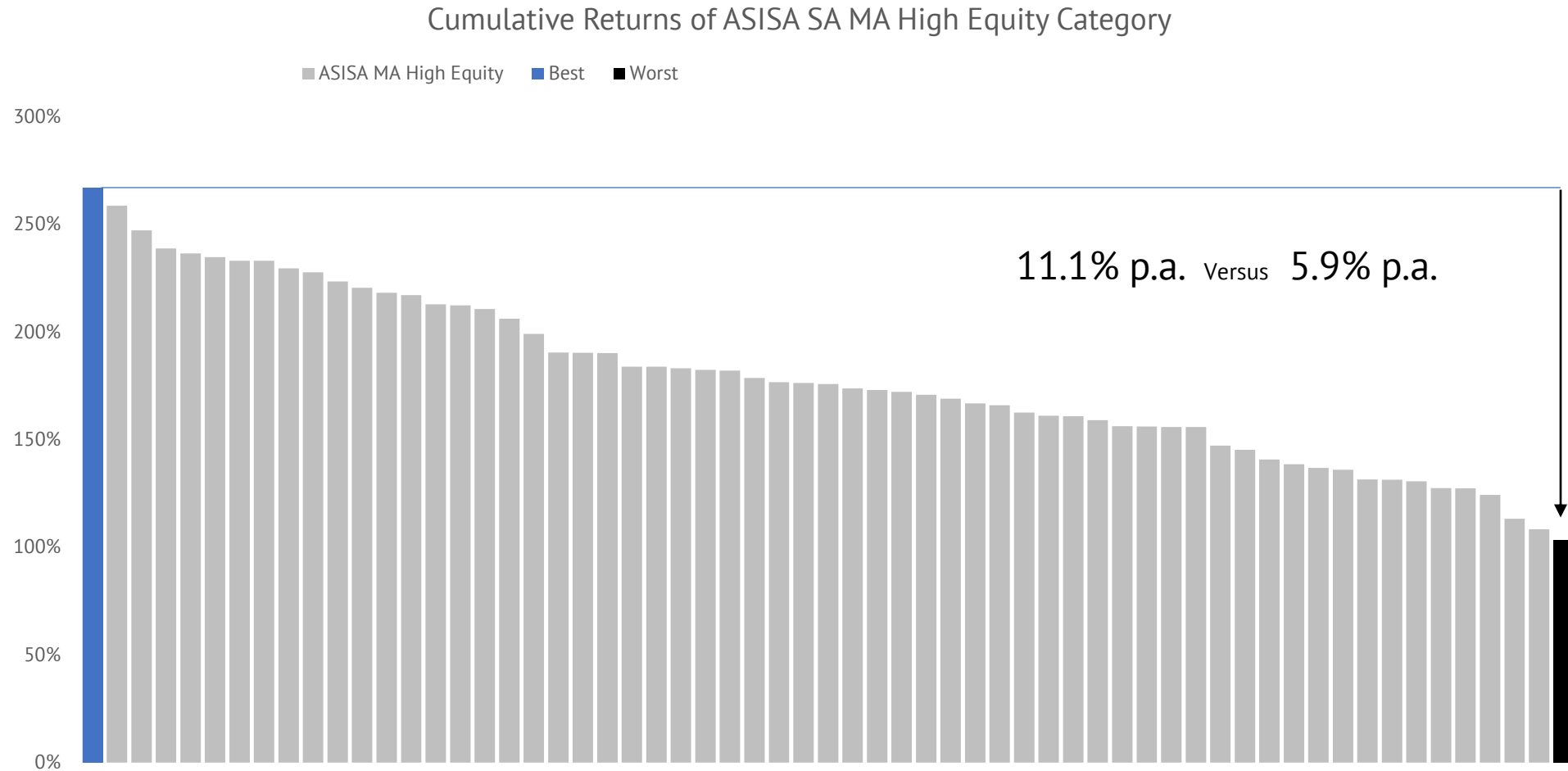
Categorise similar funds



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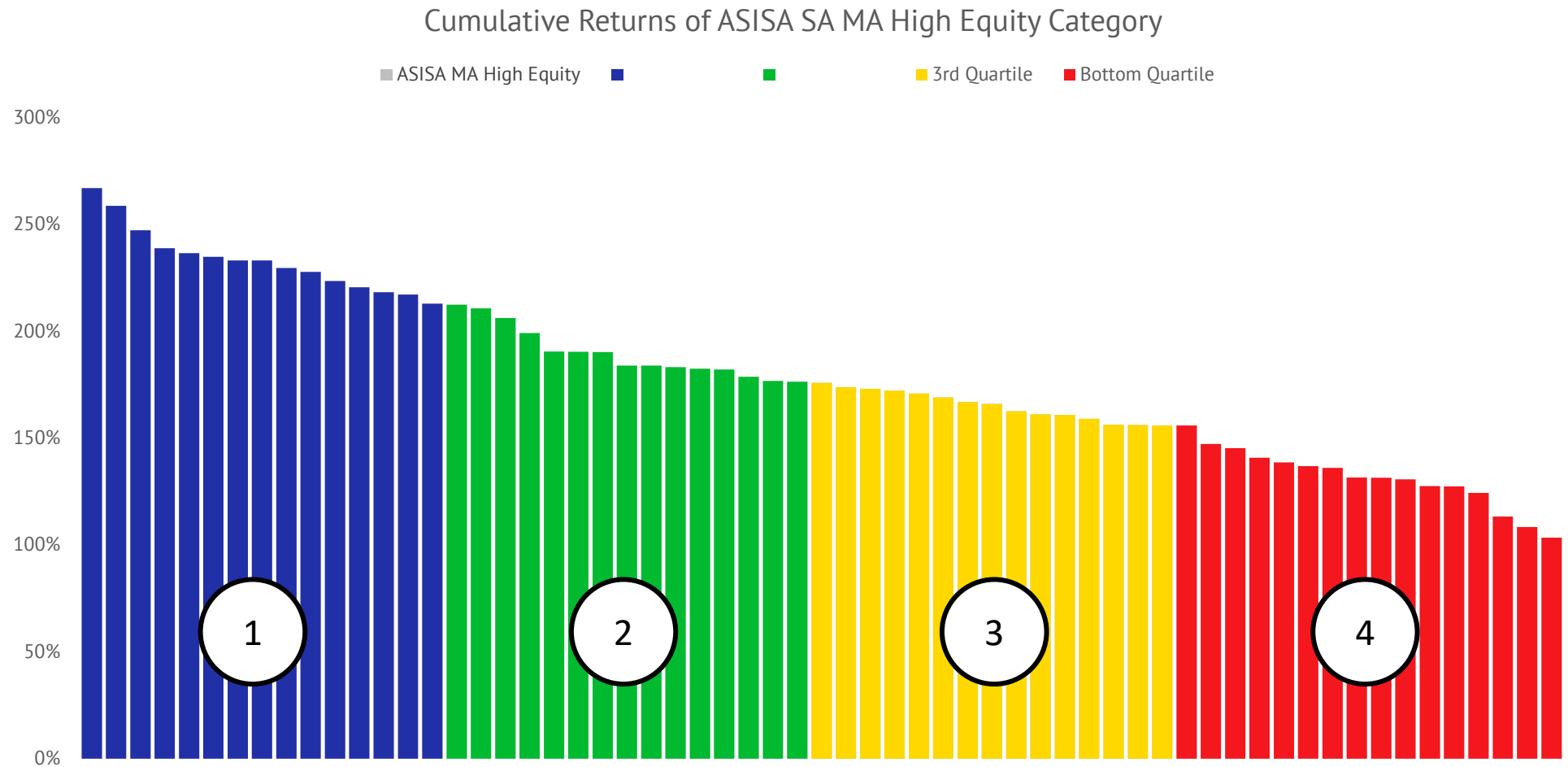
Assessing Peer Group Performance

Categorise similar funds



Assessing Peer Group Performance

Categorise similar funds



Dissecting Peer Group Performance

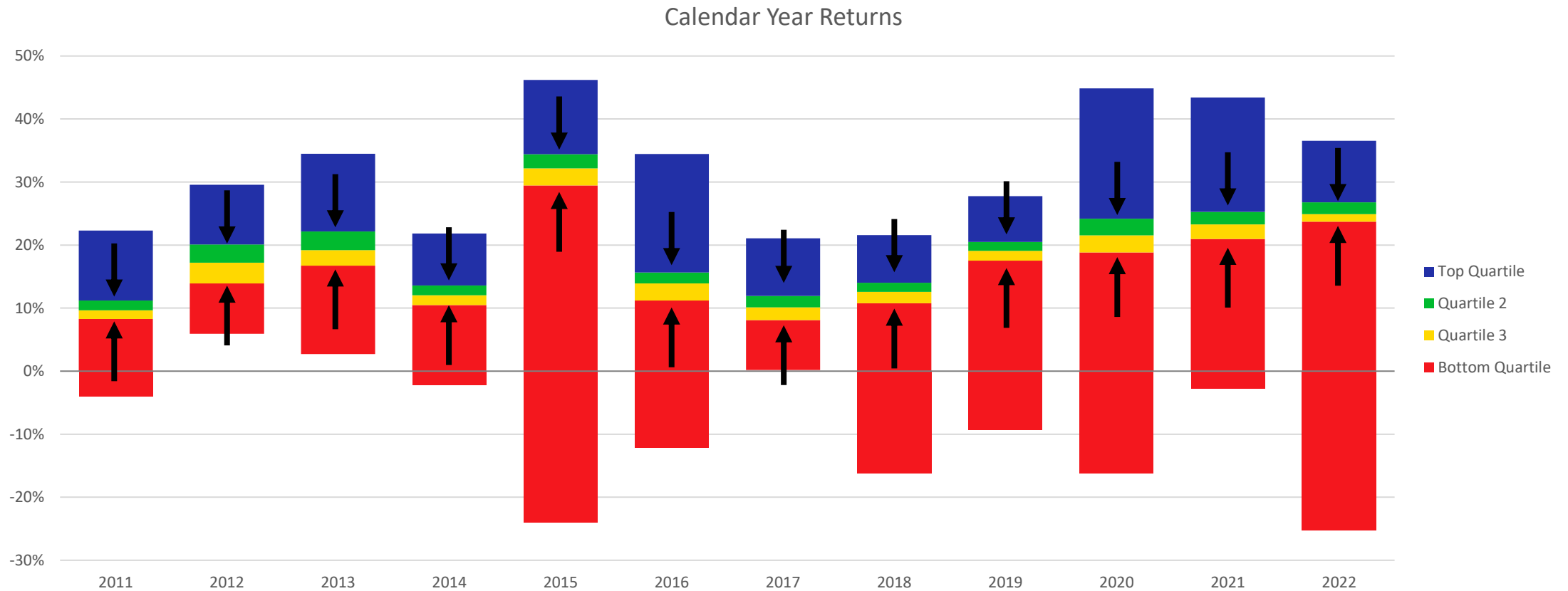
Features of Peer Group returns



As of 2023/03/31, since 2010/11/30, in ZAR using monthly data
Source: PortfolioMetrix, FinXL

Dissecting Peer Group Performance

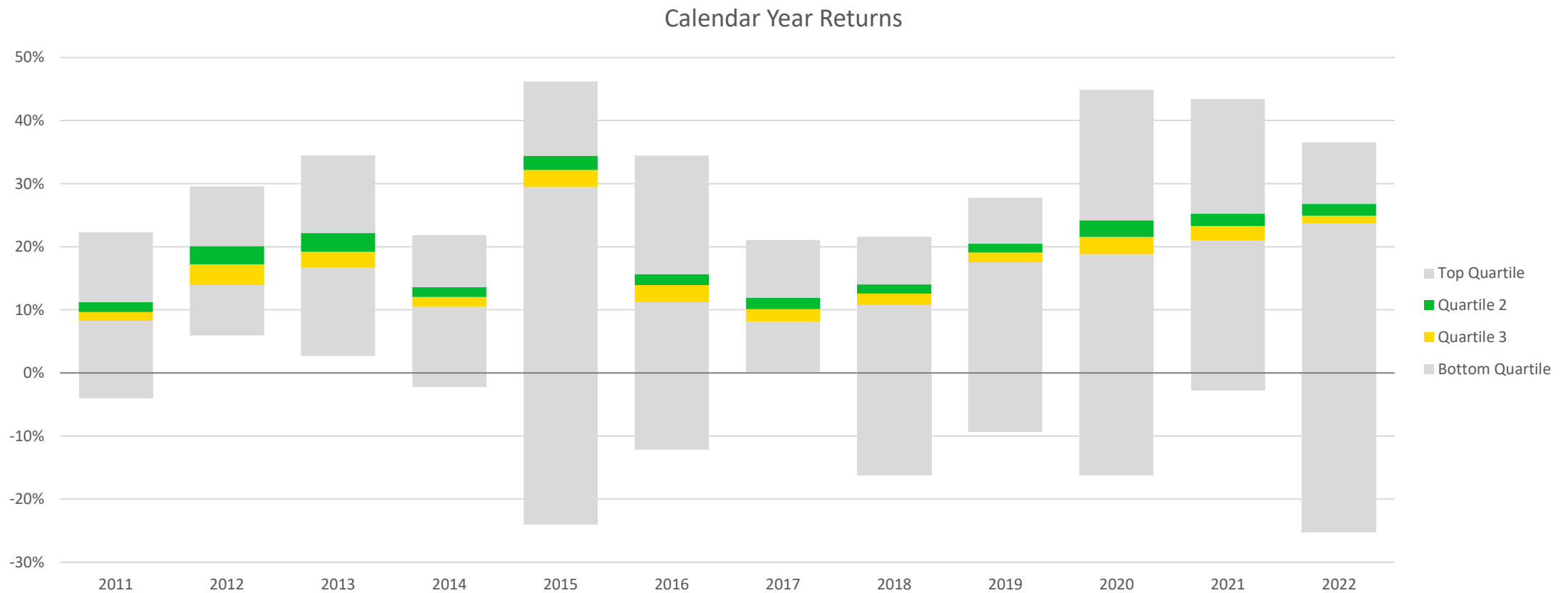
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Dissecting Peer Group Performance

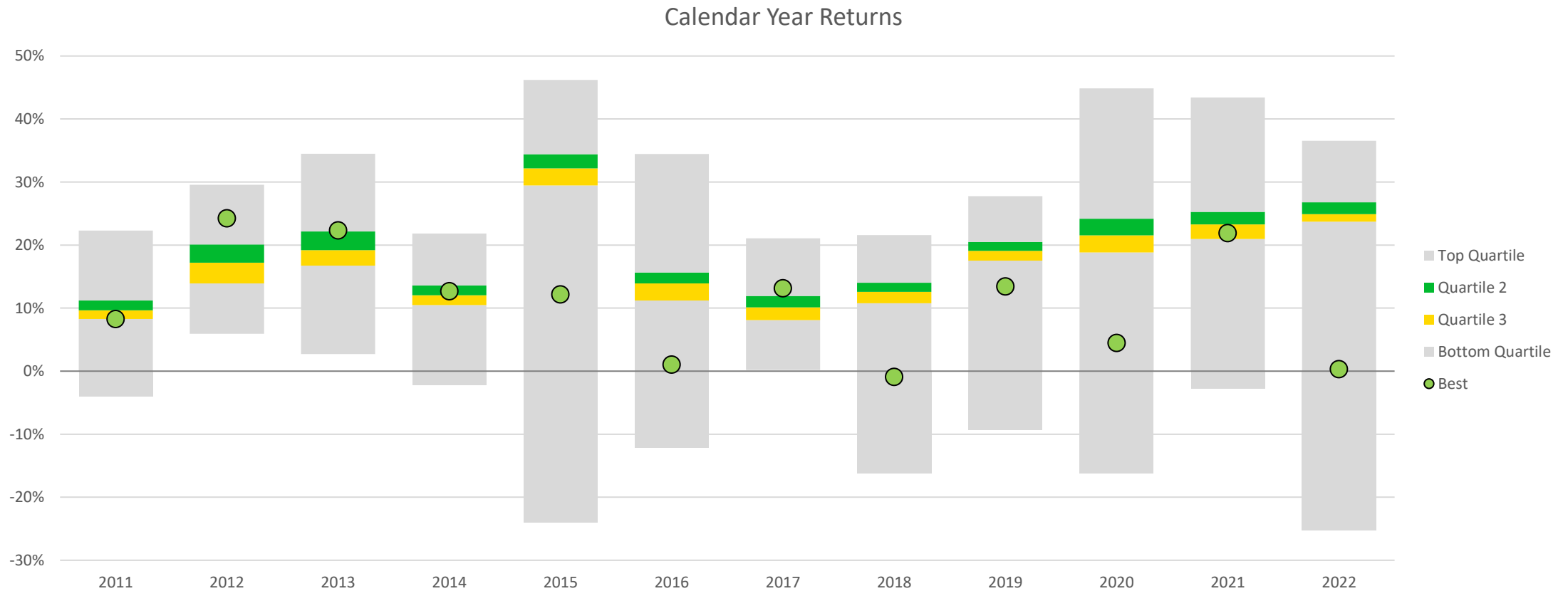
Features of Peer Group returns



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Source: PortfolioMetrix, FinXL

Dissecting Peer Group Performance

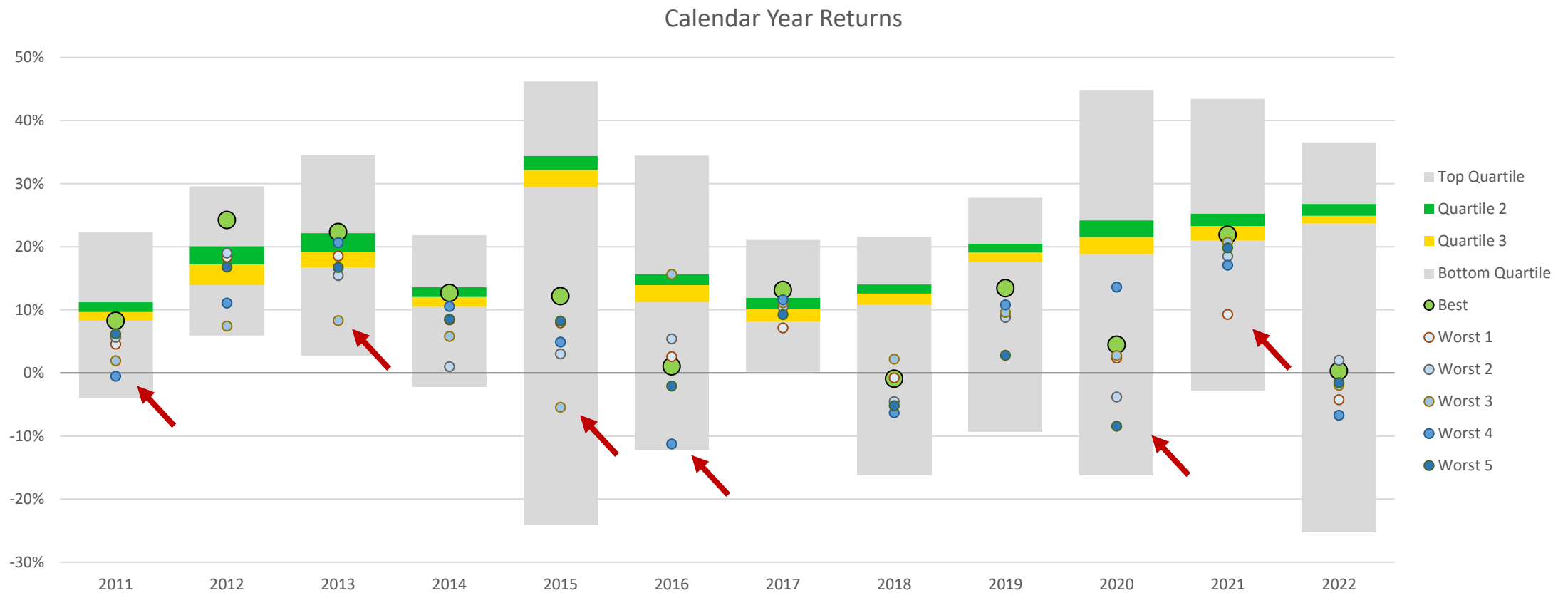
Features of Peer Group returns



As of 2023/03/31, since 2010/11/30, in ZAR using monthly data
Source: PortfolioMetrix, FinXL

Dissecting Peer Group Performance

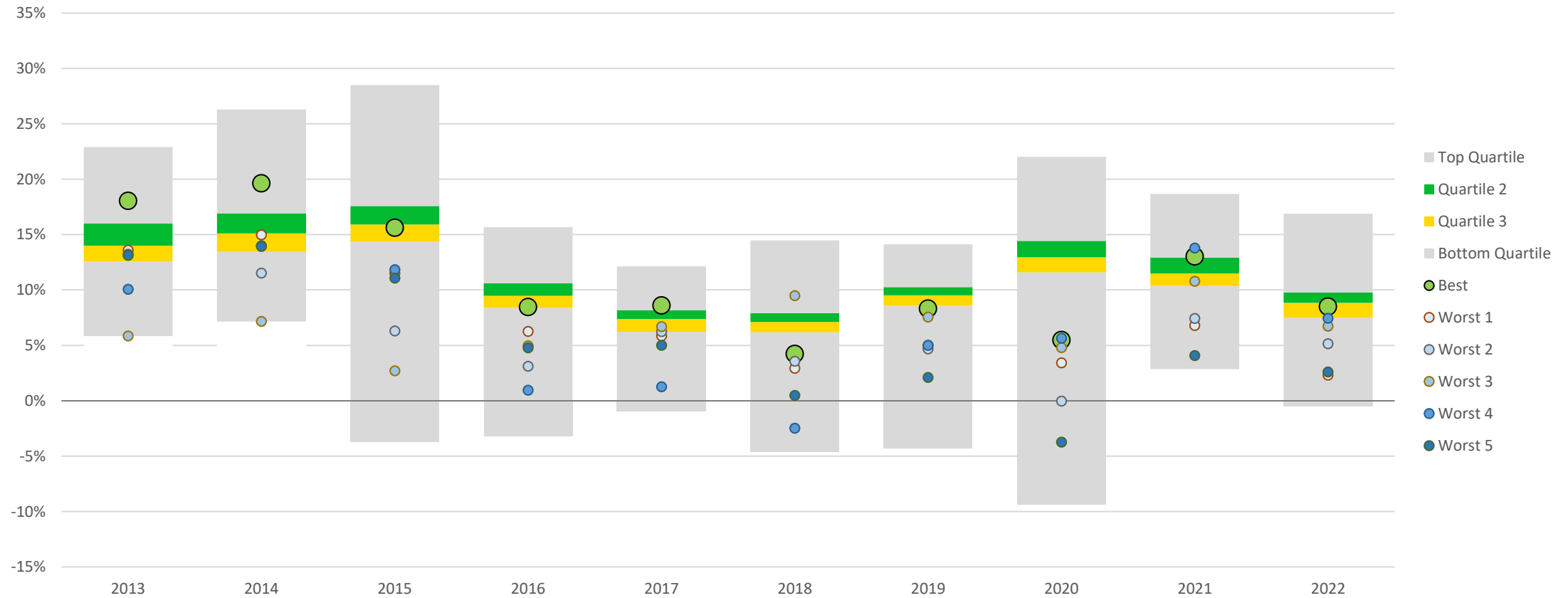
Features of Peer Group returns



Dissecting Peer Group Performance

Features of Peer Group returns

3 Year Look back

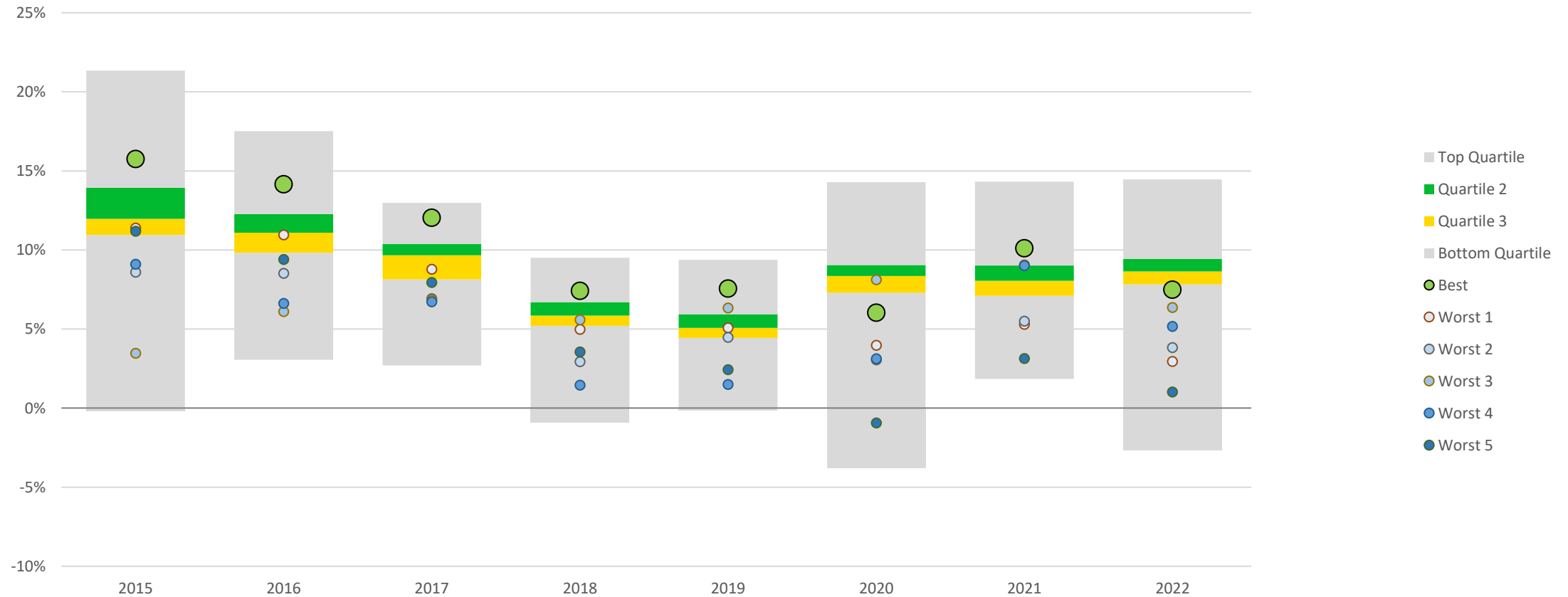


As of 2023/03/31, since 2010/11/30, in ZAR using monthly data
Source: PortfolioMetrix, FinXL

Dissecting Peer Group Performance

Features of Peer Group returns

5 Year Look back

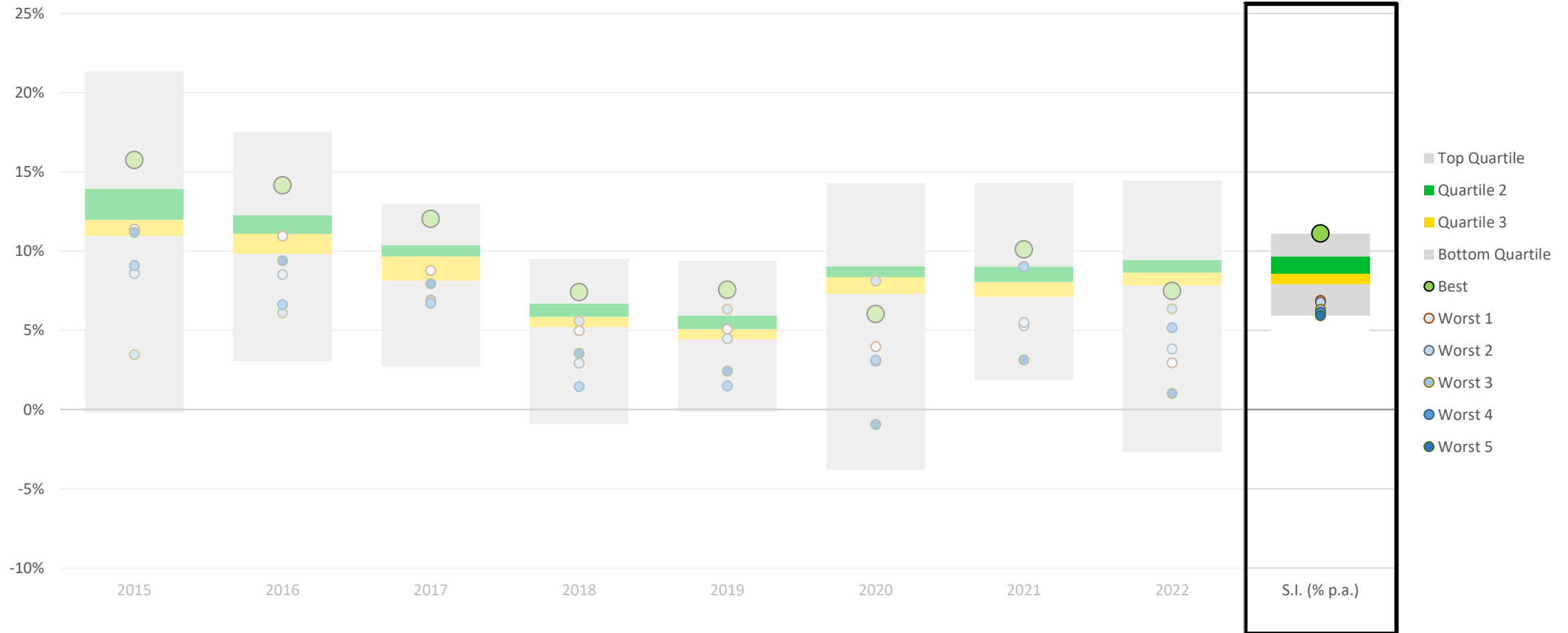


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Source: PortfolioMetrix, FinXL

Dissecting Peer Group Performance

Features of Peer Group returns

5 Year Look back

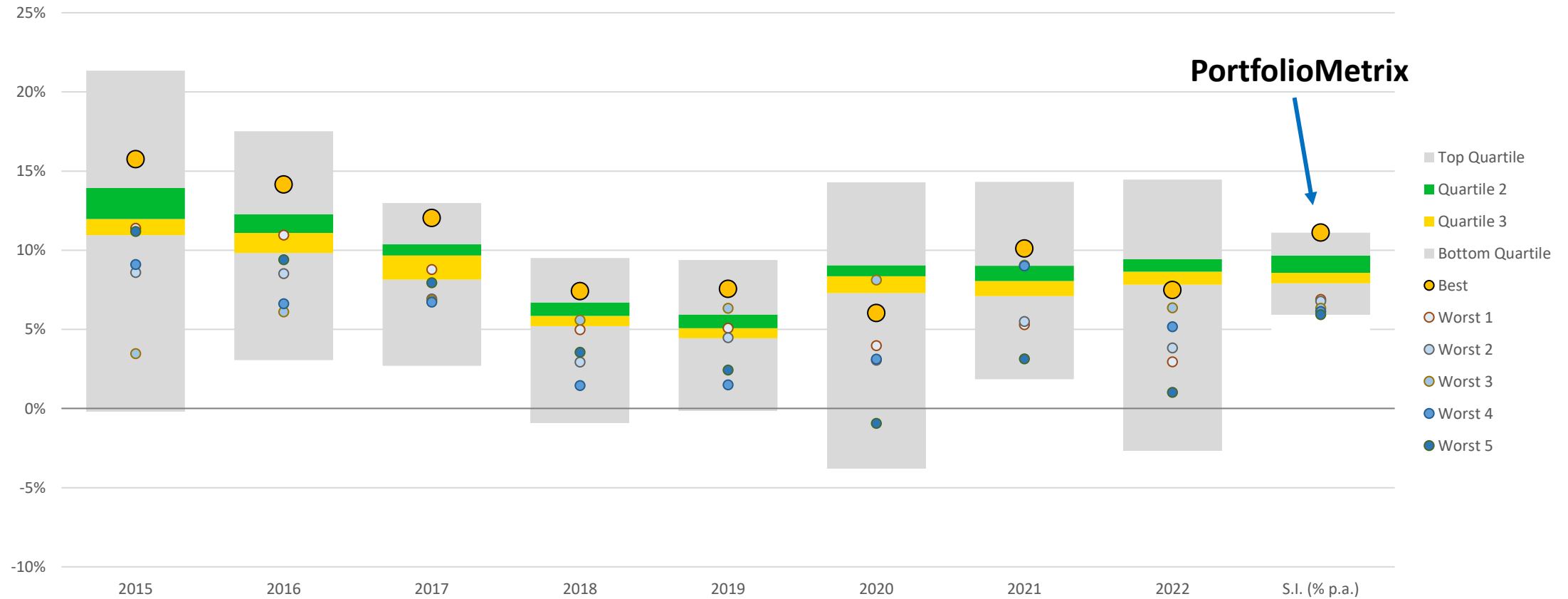


As of 2023/03/31, since 2010/11/30, in ZAR using monthly data
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Dissecting Peer Group Performance

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5 Year Look back

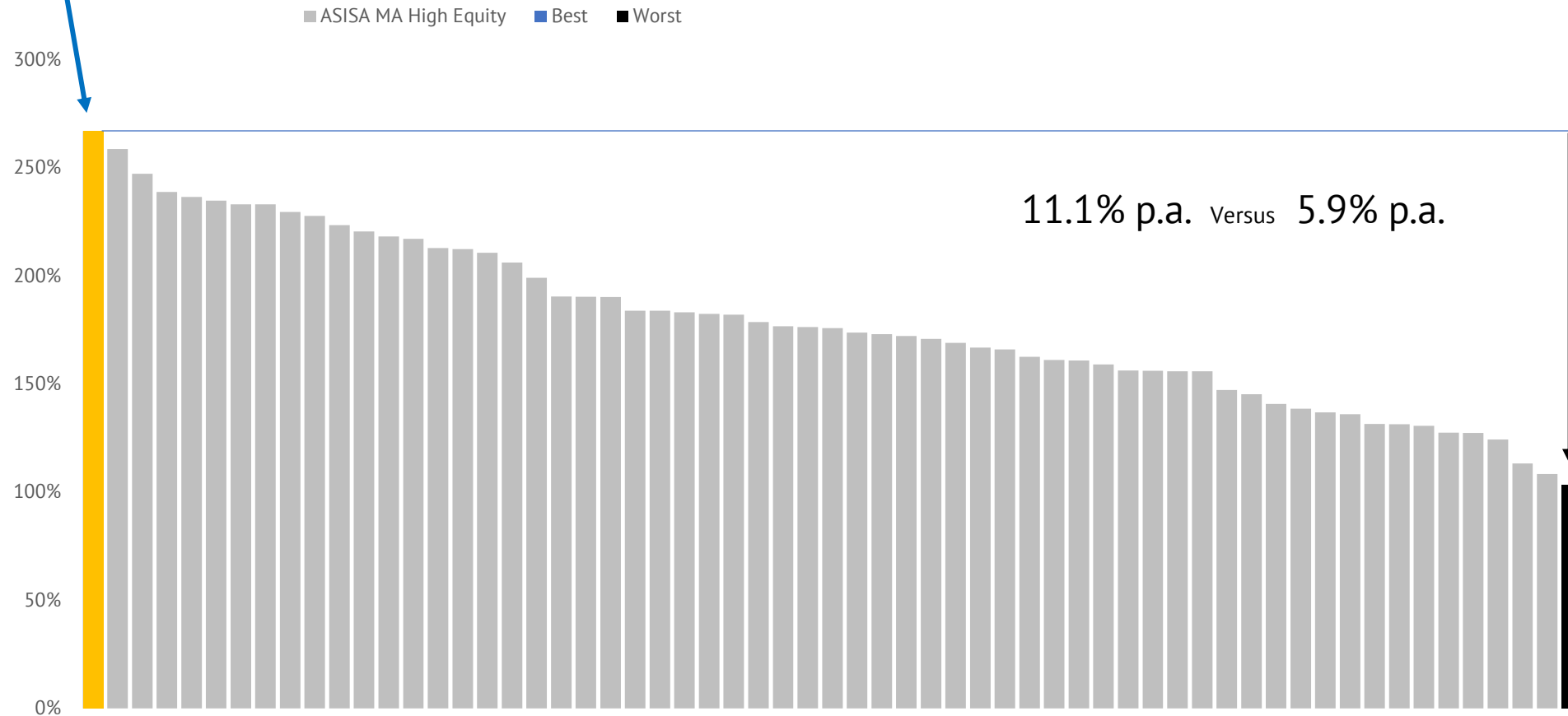


Assessing Peer Group Performance

Categorise similar funds

PortfolioMetrix

Cumulative Returns of ASISA SA MA High Equity Category



As of 2023/03/31, since 2010/11/30, in ZAR using monthly data

Source: PortfolioMetrix, FinXL

The Anatomy of Outperformance



The Anatomy of Outperformance

How?

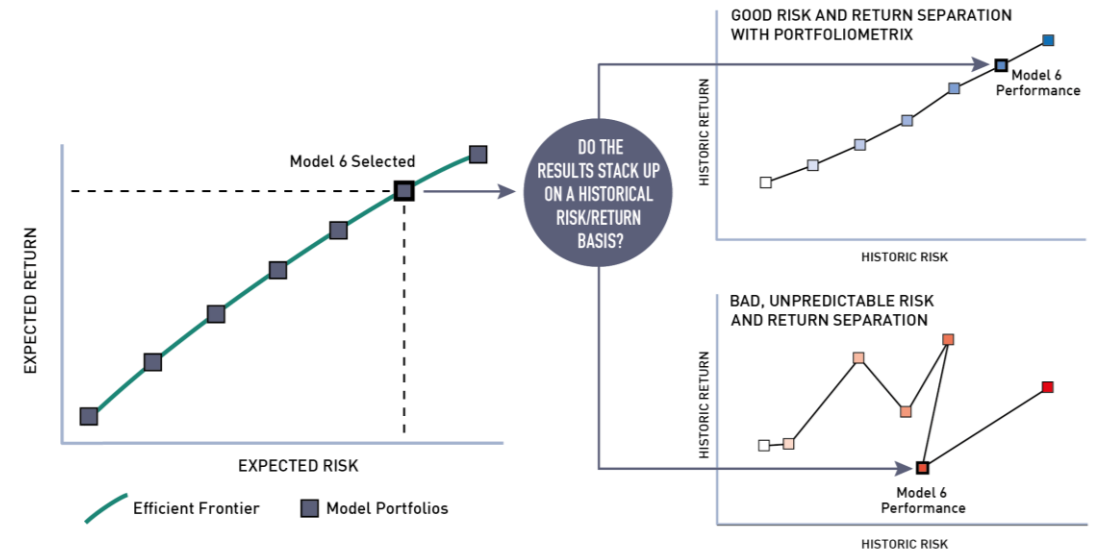
- ✓ Win by not losing
- ✓ Measure and reduce single-factor bets
- ✓ Diversify broader risk exposure
- ✓ Compound consistency year-in and year-out



The Anatomy of Outperformance

Why?

- Navigate uncertain markets
- Financial plan and portfolio interaction
- Predictable risk experience
 - Most efficient portfolio
 - Highest possible return for an investors personality



Limit uncomfortable client conversations



