

# Fact Sheet: RISE Moderate Passive Fund

31 July 2021

## OBJECTIVES

The RISE Moderate Passive Fund is a moderate multi-asset global balanced portfolio that targets CPI+4% over rolling five years with the primary goal of maximising capital appreciation over the medium-to-long term.

## INVESTMENT HORIZON



## ASSET MANAGERS

| MANAGER                    | PERCENTAGE |
|----------------------------|------------|
| RISE SWIX 40 (T)           | 35.16%     |
| RISE Property Tracker Fund | 11.75%     |
| NFGOVI                     | 13.78%     |
| NFTRACI                    | 14.45%     |
| SATRIX MSCI ETF            | 24.86%     |

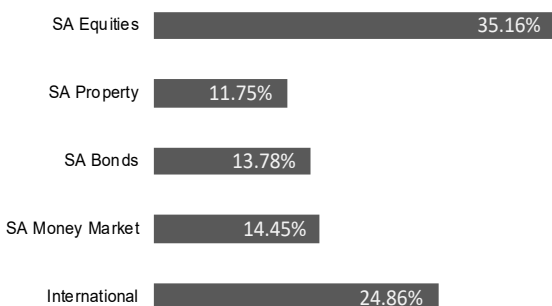
## GENERAL INFORMATION

**Regulation 28 Compliant** Yes  
**Benchmark** Consumer Price Index plus 4% over a rolling five-year period

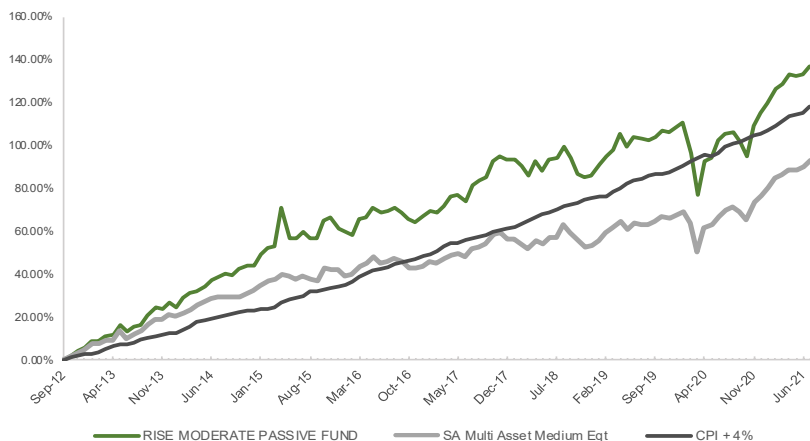
## INVESTMENT FEES (TER)

**Asset Management Fee** Is charged according to a sliding scale based on the size of a client's assets invested

## ASSET ALLOCATION



## CUMULATIVE PERFORMANCE



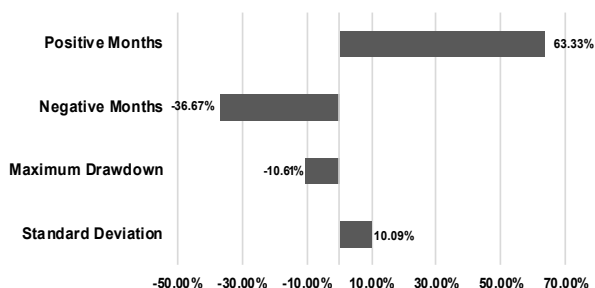
## TOP TEN

|  |       |
|--|-------|
| South Africa, Republic Of (Government) | 8.68% |
| Naspers                                | 7.30% |
| BHP Group PLC                          | 6.33% |
| Compagnie Financiere Richemont SA      | 6.05% |
| Anglo American PLC                     | 5.13% |
| Firststrand Ltd                        | 1.69% |
| Standard Bank Of South Africa Ltd      | 1.54% |
| ABSA Bank Ltd                          | 1.38% |
| Growthpoint Properties Ltd             | 1.33% |
| Impala Platinum Holdings Ltd           | 1.32% |

## PERFORMANCE SUMMARY

| PERIODIC PERFORMANCE | FUND   | CPI+4 |
|----------------------|--------|-------|
| 1 Month              | 1.67%  | 1.43% |
| 3 Months             | 1.63%  | 2.42% |
| 6 Months             | 7.75%  | 5.62% |
| 1 Year               | 15.46% | 9.38% |
| 3 Years              | 6.90%  | 8.75% |
| 5 Years              | 6.91%  | 8.78% |

## RISK STATISTICS



## Monthly Returns (%)

| Year | JAN  | FEB  | MAR  | APR | MAY  | JUN  | JUL  | AUG  | SEP  | OCT  | NOV  | DEC  | YTD  |
|------|------|------|------|-----|------|------|------|------|------|------|------|------|------|
| 2020 | 2.1  | 2.9  | 1.0  | 2.0 | -0.3 | 0.2  | 1.7  |      |      |      |      |      | 10.0 |
| 2020 | 1.0  | -6.6 | -9.9 | 8.9 | 0.4  | 4.5  | 1.2  | 0.4  | -2.0 | -3.4 | 7.3  | 2.9  | 3.3  |
| 2019 | 2.6  | 2.0  | 1.7  | 3.8 | -3.2 | 2.5  | -0.6 | -0.2 | 0.7  | 1.6  | -0.4 | 1.1  | 12.0 |
| 2018 | -0.3 | -1.6 | -2.3 | 3.8 | -2.3 | 2.9  | 0.1  | 3.0  | -2.8 | -3.9 | -0.8 | 0.6  | -3.9 |
| 2017 | 1.6  | -0.7 | 1.7  | 2.8 | 0.5  | -1.7 | 4.1  | 1.1  | 1.0  | 3.9  | 1.2  | -0.5 | 16.0 |

## Latest Market Commentary

### GLOBAL MARKETS

Developed market equities climbed the proverbial "wall of worry" to new record highs in July, driven by yet another strong quarter of US corporate earnings. According to Factset, of the 91% of the companies in the S&P 500 that have reported earnings for Q2 2021 thus far, 87% have beat expectations, with earnings coming in at 4.9% above consensus estimates on average. The exuberance from these record-breaking figures was tempered by lower growth forecasts (after previous stellar performance at the start of Covid) for the remainder of 2021 from some of the large-cap tech stocks including Apple, Microsoft, Facebook and Amazon, but they are still seeing relatively significant growth.

The MSCI World Index ended the month up 1.8% in USD, with the S&P 500 Index up 2.4% in USD and the MSCI Europe Index up 1.9% in EUR.

Global equity markets were constrained by the rise of the Delta Variant as investors' fears of the economies closing again, increased. July saw the rise in Delta variant Covid-19 cases, which threatened to reverse the easing of global lockdown restrictions that have driven the market recovery in 2021. The Delta variant is particularly problematic because of how contagious it is, and how likely it is to lead to severe outcomes in unvaccinated individuals. The Delta variant currently accounts for approximately 99% of new cases across the UK and 80% of new cases across the US. The Centers for Disease Control and Prevention (CDC) describes the Delta variant as more than twice as contagious as previous variants and more transmissible than the common cold. Unlike with previous variants, vaccinated people are just as infectious as unvaccinated people, albeit for a shorter time. However, the existing vaccine programme roll-out is showing lower death rates in countries with high vaccination rates.

Moving onto emerging markets, we see that The MSCI Emerging Markets Index ended the month down 6.7% in USD. While softer commodity prices (some commodities) and risk-off sentiment certainly contributed, the key driver was Chinese Equities with the MSCI China Index down a whopping 13.8% in July (28% from its peak in February) as markets reacted negatively to the Chinese Communist Party's (CCP's) crackdown on publicly traded companies across a range of internet-related sectors, including e-commerce, fintech, and private education.

The crackdown began in October 2020 after Jack Ma (Founder of Alibaba) publicly criticised Chinese banking regulation, particularly their lack of willingness to lend to entrepreneurs. The CCP's response was swift and brutal. Not only did they scrap the list of Ant Group- an affiliate company of Alibaba- transforming it into a financial holding company overseen by China's state-controlled central bank, but they accused many of China's dual-listed tech companies of becoming monopolies and promoting income inequality, calling their executives into account for their actions. Jack Ma himself went missing for 3 months before resurfacing. At the time we saw this as nothing more than the CCP trying to strengthen their position by reigning in their powerful tech billionaires, similar to the way Vladimir Putin had to reign in Russia's oligarchs when he came into power in 2000.

Since then, the regulatory clampdown has escalated on several fronts, most notably Didi came under investigation for compromising State security the day after listing in the US, private tutoring for profit was completely banned and limits were placed on gaming for children. With the benefit of hindsight, we see that all of this is the start of something far bigger – a move to address the inequality that has resulted from China's rapid economic expansion and the lack of children. In March, Chinese leadership approved China's 14th Five-Year Plan (FYP). The major themes include the following (Source: HK Strategies)

- Prioritizing the quality of growth rather than the quantity of growth
- Building China into a self-reliant technological and manufacturing powerhouse
- Accelerating the drive towards a low-carbon economy to help achieve the 2030/2060 climate goals
- Achieving "common prosperity" through new rural revitalization and urbanization strategies
- Moving ahead with gradual liberalization of the business environment
- Elevating 'China's leadership role in regional and global economic governance
- Managing great-power rivalry with the United States

In this context, the crackdown on China's large internet companies begins to make more sense. These companies have been following the examples set by the likes of Google, Facebook, Netflix, Amazon, Uber etc. who are classified as tech companies but are focused on monetising their users rather than actually innovating and creating new technologies. This shift in focus will cement China's leadership in technology. What is becoming increasingly clear is that the Western rules for investing do not apply to China, and if you want to invest in China, you need to learn the rules set by the CCP. The regulatory clampdown is far from over. Companies who profit from expensive housing and healthcare or cheap labour are likely to come under pressure in the near future. However, we are confident that China's large tech players will adapt and emerge even stronger in the fullness of time, making these tech companies still an attractive proposition for long term investors.

### SOUTH AFRICA

The FTSE/JSE SWIX Index ended the month up 1.6%, driven by resources with the Resource 10 Index up 11.8%. The Industrial 25 Index ended the month up 1.0% and the Financial 15 Index ended the month down 1.5%. Naspers and Prosus had a poor month (down 6.2% and 6.1% respectively) as the Chinese regulatory crackdown targeted Tencent's music and gaming business.

Local equities had a good month in July (up 1.6%) despite the unrest in the country and the impact of level 4 lockdown restrictions.

Intuitively it is hard to understand why the rioting had such a small impact on listed equities.

If you look at the numbers, you will see that the total damage done by the rioting is R50 billion (not all of it to listed counters) compared to the JSE market cap of roughly R8.5 trillion. For context, quantum is larger and more concentrated when compared to riots associated with the Black Lives Matter movement in the US.

In addition, JSE listed counters are all insured by the South African Special Risk Insurance Association (SASRIA) and expect to fully reclaim property damage, inventory loss and lost income.

While it is promising that equities withstood the unrest, there is no doubt that the damage to property and housing was personally felt. The real victims are those who have lost their lives or their loved ones, those who have lost their businesses or their jobs, and those who have lost their homes or their property.

The JSE All Bond Composite ended the month up 0.8% with gains concentrated in the long end of the curve.


Bonds have delivered a strong performance over the past 12 months on the back of the commodity cycle which has led to increasing tax revenue, and reduced bond issuance, while the treasury has shown some discipline in managing spending.

It remains to be seen whether incumbent Finance Minister Enoch Godongwana will maintain this spending discipline. Given Minister Godongwana's resistance to populist policies during his tenure at the ANC, where he was responsible for economic policy and planning, it bodes well for responsible fiscal discipline. In general, the expectation is that Minister Godongwana will continue the good work of Tito Mboweni, with an added sensibility of diplomacy and broader engagement.

Inflation-linked bonds underperformed nominals, with the Composite Inflation Linked Bond Index (CILBI) gaining just 0.2%. The Rand lost 2.5% to the dollar and 2.4% to the Euro.

## CONTACT INFORMATION

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## DISCLAIMER

\*Performance history prior to 31 May 2019 is based on back dated data and returns achieved in managing assets on behalf of our clients. Please note that past performance is not an indication of future performance.