



Consequence Private Wealth Investment Process

RESTRUCTURING OF THE CONSEQUENCE AGGRESSIVE PORTFOLIO (EFFECTIVE JUNE 2020)

Over the past few weeks, we have witnessed significant market movements - both locally and globally. This is largely due to concerns around a pending economic slowdown, declines in company profitability and the dramatic fall in oil prices. The sell-off has been quite indiscriminate and has caused dislocation in the markets. This new market environment has also presented us with new investment opportunities. Given the available opportunities, we will be making some changes to the Consequence Aggressive Portfolio to be aligned with our conviction levels as detailed below.

POSITIVE CONVICTION:

- **Local and global equities** – we were underweight equities going into 2020. This has provided somewhat of a buffer for investor returns year to date. Given the significant movement in equity markets, we are increasing our exposure to have a largely neutral allocation.
- **SA Bonds** – SA government bonds are offering a nominal yield of between 9 and 10% - which translates to a real yield (yield after inflation) of above 5%. Globally, all emerging market bonds sold off going into the current market turmoil. We are increasing our exposure to SA government bonds.

LOW CONVICTION:

- **Local credit** – we are concerned about liquidity and whether all of the risks have been priced into credit, particularly given the contraction in credit spreads over the past few years. We prefer SA government bonds which have greater liquidity and price more efficiently.
- **Local listed property** – we see more fundamental headwinds for the sector and distributions are uncertain. In portfolios where this asset class was used as a source of yield; we have opted to remove the allocation. In portfolios with a longer investment horizon, we have reduced our position size, however, we have maintained a small position as the sector is trading at a significant discount to net asset value.
- **Global government bonds** – as investors have retreated into safe-haven investments over the month, we have seen yields on global government bonds continue to trend downwards and prices of bonds increase.

We remain committed to building portfolios that are aligned with our asset class convictions. We will continue to monitor the ever-changing landscape and we will act on opportunities as they arise.

CHANGES TO FUND SELECTION

- We are removing Sesfikile BCI Property from the portfolio.
- Within our fixed income core, we are introducing Ninety One Diversified Income, as well as increasing our allocation to SA Government Bonds with the introduction of Allan Gray Bond.
- Within our local equity core, we are replacing Ninety One Value with Ninety One Equity. We are also reducing manager specific risk and further diversifying the equity managers in the portfolio with the introduction of Allan Gray Equity.
- Within our global equity core, we are replacing Allan Gray – Orbis Global Equity FF with Ninety One Global Franchise FF.
- These changes will be implemented between 7 – 10 June 2020.