



## Consequence Private Wealth Investment Process

### RESTRUCTURING OF THE CONSEQUENCE BALANCED PORTFOLIO (EFFECTIVE JUNE 2021)

As part of the active management of the Consequence Portfolios, we continually review our underlying managers in conjunction with the allocations given to each of them. Due to changes at both portfolio and asset allocation level, certain changes are necessary from time to time to ensure that clients' risk/return objectives are met. Below is a summary of the above-mentioned changes with more details around managers and reasons further down in the document. The following changes will be implemented during June 2021:

- Replacing Allan Gray Equity with Fairtree Equity Prescient
- Introducing a direct allocation to local listed property via Catalyst SCI SA Property Equity
- Introducing an allocation to emerging market equities via Coronation Global Emerging Markets Flexible

### REASONS FOR THE CHANGES

Allan Gray has seen material manager changes over the past year within the Equity team, including the departure of Portfolio Manager Ruan Stander at the end of February 2021, as well as the departure of the Chief Investment Officer, Andrew Lapping in 2020. Along with manager concerns, we are of the view that Allan Gray Equity has a structural bias towards large cap stocks (JSE Top 40) due to their size limitations. To enable us to access smaller and more nimble parts of the market, we have decided to replace Allan Gray Equity with Fairtree Equity Prescient.

Over the past two years, the local property sector has experienced negative price momentum as concerns around company and sector fundamentals were raised (low GDP growth, vacancies, leverage, and quality of income distributions). We do believe that the market has overreacted and is anchoring its future expectations to the prevailing (Covid) conditions. It is clear that fundamental risks have escalated within the sector, but we do think that current market pricing is more than reflective of a worst-case scenario. Property is a late-cycle asset class, and therefore only a small allocation will be introduced to the Portfolio via Catalyst SCI SA Property Equity.

We are introducing a new allocation to Emerging Market Equities via Coronation Global Emerging Markets Flexible. Emerging Markets screen as an attractive asset class from our Capital Markets research and the allocation will bring the Portfolio in line with Morningstar's golden copy asset allocation.

#### Fairtree Equity Prescient

Fairtree Equity Prescient is a pure equity offering that aims to provide exposure exclusively to locally listed shares that have both value and growth characteristics. The fund aims to be fully invested in equities at any given time. The fund is co-managed by the experienced pairing of Stephen Brown and Cor Booysen. Booysen leads the research effort, working with the analyst team and guiding the research process, while lead manager Brown focuses on research and portfolio management. The fund has a well thought out approach, which incorporates bottom-up and top-down views and is style agnostic. It is the managers' belief that being able to shift between value and growth styles provides an opportunity to provide above average investment returns in all market environments.

#### Catalyst SCI Property Equity

Catalyst is a specialist property manager with a focussed lineup of funds. The business was founded in 2001 and over the past 20 years they have established themselves as a respected investment team and property fund manager. The fund is run by experienced Portfolio Manager Zayd Sulaiman. He has approximately 20 years of experience in listed property and has been managing the fund with Paul Duncan since June 2011. Catalyst's investment process follows a well-defined and structured process that is fundamentally driven. The approach is benchmark aware and the macro environment is considered, which can be a key driver of short and medium-term movements in property stocks. This fund will provide broad-spectrum property exposure with a focus on quality stock selection to the Consequence Portfolios.

#### Coronation Global Emerging Markets Flexible

Coronation launched their emerging markets fund in 2008, leveraging off the investment team capability that focuses on both SA and global equities. This fund provides investors with a dedicated equity exposure to emerging markets using Coronation's valuation-driven investment framework. The fund is managed by seasoned money manager, Gavin Joubert, who has delivered solid returns for investors



since the inception of this fund. Joubert is supported by co-portfolio manager, Suhail Suleman. Based on the work done by the team at Morningstar, we are confident both in the resources supporting this strategy and the investment process applied to both stock selection and risk management.

### IMPACT OF THE CHANGES ON THE PORTFOLIO

Detailed asset allocation changes are shown in the below chart.

