



## HGG Balanced Reg 28 PORTFOLIO COMMENTARY

### MARKET COMMENTARY

The JSE ALSI Equity Index really struggled in September, returning -4.2%. SA Listed Property lost -2% while the All Bond Index (ALBI) gained +0.3%. For the quarter ending September, the ALSI returned -2.2% as Naspers fell -11.4%, SA Listed Property -0.6% (total return) while the ALBI gained +0.8%. So far in 2018, the ALBI continues to lead the 3 risk-oriented asset classes with a return of +4.8% followed by the ALSI with -3.8% and SA Listed Property with -22.2%. SA Cash is the leading asset class so far in 2018 with +5.3%.

The poor local stock market returns over the past month, quarter, year-to-date and three years could well be enough to cause many investors to switch out of equities or Balanced Funds into Income and / or Cash Funds.

Would that be the right move?

History shows that stock markets go through weak patches and then, just as investors give up, the markets pick up. It is interesting to note that value manager, Allan Gray, has the highest allocation to SA equities in its Balanced Fund of all the big fund managers, along with Coronation. Both hold 45.3% of their Balanced Funds in SA equities, while Investec is the lowest at 23.5%, almost half of Allan Gray and Coronation.

Allan Gray has a history of buying when others are selling – and they're usually right, with patience of course.

While the JSE has underperformed the US stock market hands down over the past 3 years, there is the possibility that it could play some catch-up in the next 3 to 12 months. So far in 2018, the S&P 500 is up +8.9% in Dollars or +22.7% in Rand terms. The strong US market helped the MSCI World Index return +5.9% in Dollars in the third quarter (+7.8% in Rand terms). Year-to-date, the MSCI World Index is up 5.9% (including dividends) or +21.1% in Rand terms. The Rand has lost -2.2% against the Dollar in the third quarter and year-to-date is down 14.3% to the Dollar, -10.6% the Euro and -10.4% to the Pound.

### BEST / WORST CONTRIBUTORS TO PERFORMANCE OVER THE PAST QUARTER

#### Best Positive Contributions:

- Investec Opportunity +3.57%
- PSG Balanced +3.10%
- Prudential Balanced +1.87%
- Nedgroup Investments Balanced +1.10%

#### Negative Contributions:

- Coronation Global Emerging Markets Flexible -2.52%
- Coronation Balanced Plus -0.71%

### PORTFOLIO ACTIONS OVER THE PAST QUARTER

None.

Discretionary  
Fund  
Management

**ROELOFF HORNE**  
Director & Head of Portfolio Management  
South Africa



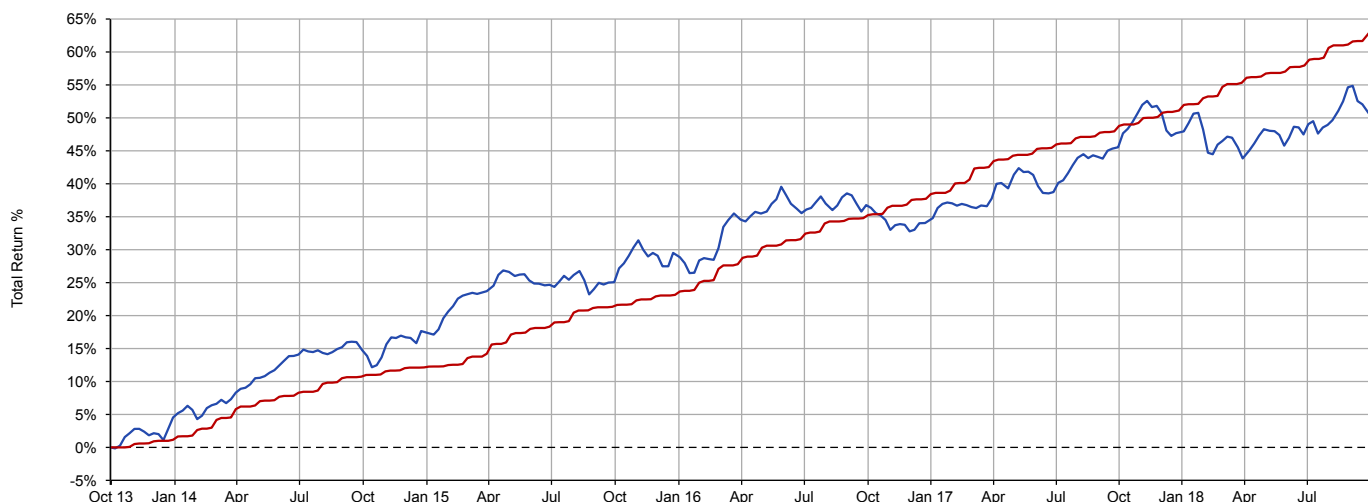
[www.mitonoptimal.com](http://www.mitonoptimal.com)

# HGG Balanced Reg 28 Portfolio Summary



The following tables and charts illustrate the overall performance of the portfolio against its benchmark. The cumulative chart illustrates the overall performance over a maximum of five years dependant on the age of the portfolio and the table shows the overall performance broken down into specified periods. The discrete table and chart illustrates how the portfolio has performed against the benchmark during whole calendar years. All performance is to the latest month end and in ZAR.

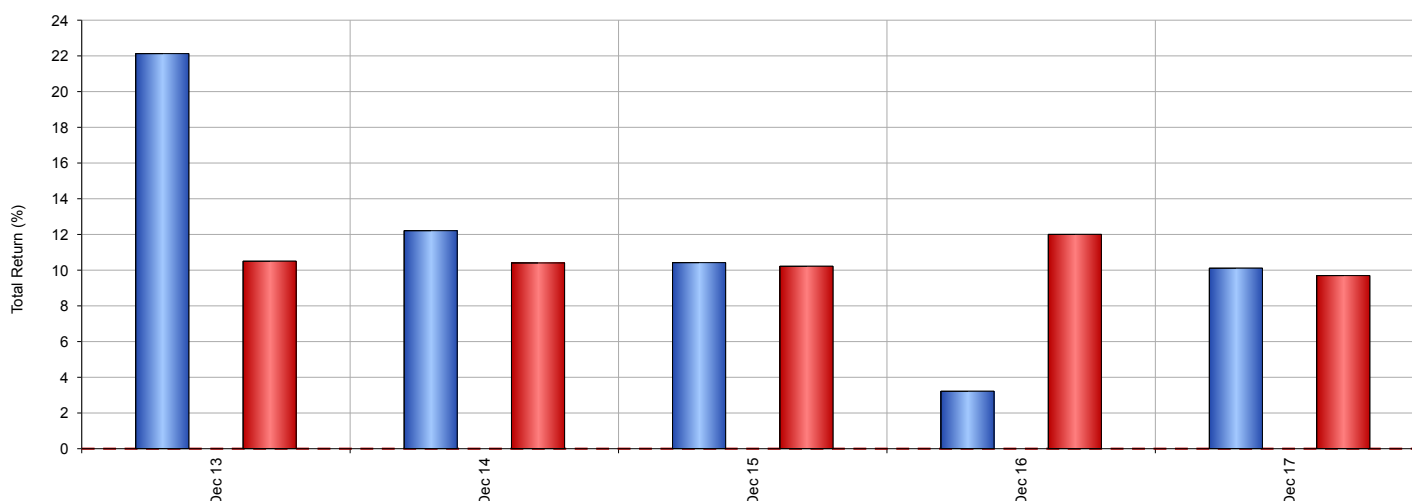
## Cumulative Performance



30/09/2013 - 28/09/2018 Powered by data from FE

Name	3 mths	6 mths	1 yr	3 yrs	5 yrs
■ HGG Balanced Reg 28 Portfolio	0.96	4.80	3.70	20.97	50.60
■ Benchmark - CPI Excluding Owners Equivalent Rent + 5% - Jan 97	2.50	4.31	9.34	33.92	62.92

## Discrete Calendar Year Performance



Powered by data from FE

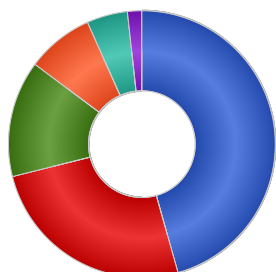
Name	2013	2014	2015	2016	2017
■ HGG Balanced Reg 28 Portfolio	22.14	12.22	10.43	3.23	10.12
■ Benchmark - CPI Excluding Owners Equivalent Rent + 5% - Jan 97	10.51	10.41	10.23	12.01	9.70

# HGG Balanced Reg 28 Portfolio Asset Allocation by Holding



This report illustrates the contribution of the individual portfolio holdings to the overall portfolio asset allocation.

## Asset Allocation



Name	% Weight
South African Equities	45.64
Other International Equities	25.46
South African Fixed Interest	14.12
Money Market	8.08
Property	4.97
Global Fixed Interest	1.73

## Portfolio Asset Breakdown by Individual Holdings

Portfolio Holdings	South African Equities (%)	Other International Equities (%)	South African Fixed Interest (%)	Money Market (%)	Property (%)	Global Fixed Interest (%)
Allan Gray - Balanced A	9.66	5.51	1.90	2.02	0.31	0.60
Laurium - Flexible Prescient A1	8.62	1.71	0.82	1.19	0.63	0.02
Coronation - Balanced Plus A	5.51	2.74	1.96	0.29	1.48	0.04
Investec - Opportunity E	3.32	3.03	2.24	0.90	0.50	-
Prudential - Balanced B	4.24	2.78	1.92	0.58	0.47	-
PSG - Balanced A	3.95	2.34	2.43	0.93	0.35	-
Satrix - Balanced Index A2	5.16	1.69	1.40	0.62	0.60	0.55
Coronation - Global Emerging Markets Flexible A	0.65	4.32	-	0.03	-	-
Nedgroup - Investments Balanced A	2.05	0.58	0.46	1.33	0.36	0.23
Nedgroup - Investments Opportunity A	2.49	0.76	1.00	0.19	0.27	0.30
<b>Total Portfolio</b>	<b>45.64</b>	<b>25.46</b>	<b>14.12</b>	<b>8.08</b>	<b>4.97</b>	<b>1.73</b>

## Yield

The return on an investment by means of interest or dividends received from the holdings. Yield is supplied by the Fund Manager who is under no obligation to define the type of yield supplied i.e. Gross/Net or Running/Redemption. Funds comprising mainly of bonds normally quote a gross redemption yield after all charges but before tax has been deducted whereas funds mainly made up of equities normally quote a yield representing the estimated annual payout net of tax of basic rate tax payer.

## Calendar Year Performance

The aggregate amount that the investment has gained or lost during a calendar year i.e. 1st January to 31st December.

## Cumulative Performance

The aggregate amount that the investment has gained or lost over specified time periods and assumes any interest is reinvested.

## Discrete Performance

The aggregate amount that the investment has gained or lost between two specified time periods.

## Total Expense Ratio (TER)

The TER is a measure of the total costs associated with managing and operating an investment fund such as a mutual fund. These costs consist primarily of management fees and additional expenses such as trading fees and legal fees as well as any other operational expenses.

## Alpha

A measure of a fund's over- or under-performance by comparison to its benchmark. It represents the return of the fund when the benchmark is assumed to have a return of zero, and thus indicates the extra value that the manager's activities have contributed.

## Beta

Beta is a statistical estimate of a fund's volatility by comparison to that of its benchmark, i.e. how sensitive the fund is to movements in the section of the market that comprises the benchmark. Beta close to 1 means a fund is likely to move in line with its benchmark, greater than 1 and the fund is more volatile than the benchmark.

## $r^2$

The  $r$ -squared measure is an indication of how closely correlated a fund is to an index or a benchmark. A range is defined between 0 and 1, with 0 indicating no correlation at all, and 1 showing a perfect match. Values upwards of 0.7 suggest that the fund's behaviour is increasingly closely linked to its benchmark, whereas the relevance begins to diminish below that.

## Sharpe

Sharpe calculates the level of a fund's return against the return of a notional risk-free investment, such as cash or Government bonds. The difference in returns is then divided by the fund's standard deviation - its volatility, or risk measurement. The resulting ratio is an indication of the amount of excess return generated per unit of risk. Therefore, a negative Sharpe usually suggests investments would have been better off in risk-free government securities. When analysing similar investments, the one with the highest Sharpe has achieved more return while taking on no more risk than its fellows - or, conversely, has achieved a similar return with less risk.

## Volatility

Volatility is calculated using standard deviation, a statistical measurement which, when applied to an investment fund, expresses its risk. Volatility shows how widely a range of returns varied from the fund's average return over a particular period.

- Lower volatility means that the holding's value changes at a steady pace over time.
- Higher volatility means that the holding's value fluctuates over short time periods.

## Capital Return

The return of an instrument assuming all dividend income, interest and tax is paid out.

## Gross Return

The return of an instrument over a specified period with all income reinvested on a gross basis i.e. without any allowance for taxation, interest, dividends and distributions.

## Total Return

Total Return shows the total return of the instrument with all income\* reinvested and assuming income is taxed at basic rates of income tax.

\*interest, dividends and distributions.

## FE Crown Fund Rating

An FE rating system which uses three years of evenly weighted Fund history, using the alpha, relative volatility and performance consistency, which is compared to a pre-defined, relevant benchmark. The resulting score is then compared against Funds that fit into the same (one of ten) sub-asset class groupings. Broadly speaking, the top 10% of funds will get a five FE Crown Rating, the next 15% four FE Crowns, and each of the remaining 25% tiers will get three, two, and one FE Crown respectively.

## FE Disclaimer

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