VISTA
WEALTH MANAGEMENT

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Retail Portfolio Management

Leaderex 2019

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Introduction to Portfolio Management

What Is Portfolio Management?

Portfolio management is the science of making decisions about:

- Investment mix and policy,
- Matching investments to objectives,
- Asset allocation,
- Balancing risk against performance

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Portfolio Management Practically - Steps

- **Step 1:** Decide on your asset allocation (based on goals, risk appetite, etc)
  - Typical Basic Asset Allocation is 60% equity and 40% bonds
  - Consider all asset classes: Equity; Property; Bonds; Money Market; Other
- **Step 2:** Diversification
  - Geographies; Currencies; Industries; Individual positions
- **Step 3:** Decide on the investment style
  - Active, or Passive, or Combination (considerations: Costs; diversification)
- **Step 4:** Rebalancing
  - Yes/No → Annually/Quarterly

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Portfolio Management - Ideas

- **How to gain exposure to different asset classes**
- Equity (Local):
  - Index EFTs – JSE Top 40 (Satrix, Stanlib, Sygnia, Newfunds)
  - Sector ETF’s - Industrial, Financial, Resource indexes (Satrix, Stanlib, Newfunds)
  - Individual stocks, same sector weighting as Top 40, but only select best stock in each sector. Selection can be based on valuation (PE, DY, P/B) profitability etc. For instance – if banks had a 15% weighting in the index, and you preferred Capitec instead of the others, buy only Capitec up to a weighting of 15%.
  - Selection of Individual stocks with no resemblance of index weights. This could be used if you preferred a particular sector over another.
  - Combination of the above methods. For instance use Top 40 ETF for 80% of equity allocation, and select stocks (maybe small caps) with the other 20%.

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Portfolio Management - Ideas

- **How to gain exposure to different asset classes**
- Equity (Offshore):
  - Index EFTs – S&P500, MSCI (Emerging vs Developed) or Country specific index (Ashburton, Coreshares, Satrix, Stanlib, Sygnia Itrix)
  - Listed stocks, with bulk of revenue/profit generated offshore – Examples: British American Tobacco, Anhueser Busch Inbev, BHP Billiton, Glencore, Richmont, Bidcorp, Investec Plc, Mondi Plc, MediClinic, Naspers etc.
  - Combination of the above methods. For instance use S&P500 ETF for 60% of equity allocation, and select stocks with the other 40%.

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Portfolio Management - Ideas

- **How to gain exposure to different asset classes**
- Property (Local/foreign)
- Property as an asset class has elements of equity as well as bonds
  - Index EFTs – SA Listed Property Index (Stanlib, Satrix, Coreshares)
  - Foreign Property ETFs - S&P Global Property 40 (Sygnia Itrix), FTSE EPRA/NAREIT Global REIT Index (Stanlib)
  - Listed stocks, with bulk of revenue/profit generated from **SA** – Examples: Resilient, Growthpoint, Hyprop, Fortress, Redefine, etc
  - Listed stocks, with bulk of revenue/profit generated **offshore** – Examples: NEPI, Hammerson Plc, Intu Plc, Investec Property fund Australia, Grit REIT, etc.
  - Combination of the above methods. For instance use SAPY index ETF for 50% of property allocation, and select stocks with the other 50%.

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Portfolio Management -Ideas

- **How to gain exposure to different asset classes**
- Bonds {Local (Nominal, Index lined)/foreign}
  - Index EFTs – SA Government Bond Index or ILBI (Newfunds, Satrix, Ashburton)
  - Foreign Bond ETFs - World Government Bond Index (Stanlib, Ashburton)
  - Listed debt – SA Government; Parastatals, Corporates (Banks etc)
  - Combination of the above methods. For instance use All Bond Index index ETF for 30% of bond allocation, World Government Bond Index 30% and select individual bonds with the other 40%.

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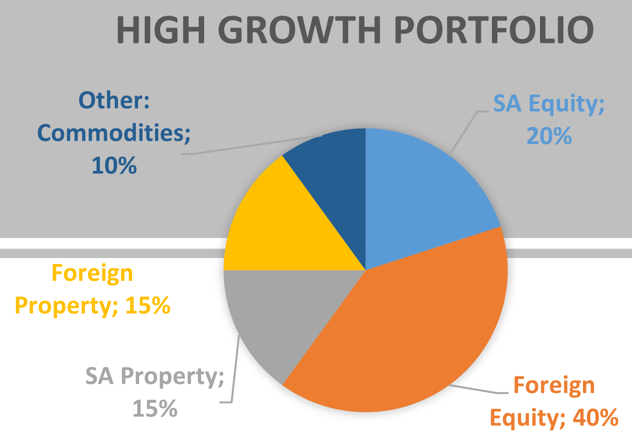
Portfolio Management - Ideas

- **How to gain exposure to different asset classes**
- Other
  - Money Market – ETF's like NewFunds TRACI 3 Month ETF
  - Money Market (foreign) – ETF's like Firstrand US Dollar Custodian Certificates
  - Preference shares – ETF's or individual listed pref shares (Banks, corporates)
  - Commodities ETF's and ETN's – Gold, Silver, Platinum, Oil, Wheat, Maize, etc
  - Hedging: Can be done by either using the Index or individual stocks

Portfolio construction – Portfolio 1



- **High growth portfolio**
- SA Equity: 20% → 10% JSE Top 40 ETF; 10% Selection of Small Cap shares
- Foreign Equity: 40% → 20% S&P Global 1200 ETF; 20% in British American Tobacco, Anhueser Busch Inbev, Glencore, Richemont, Bidcorp, Mondi Plc and Naspers
- SA Property: 15% → Individual shares: Growthpoint; Redefine; Investec Property; Fortress A; Resillient
- Foreign Property: 15% → S&P Global Property 40
- Other – Commodities: 10% → Newgold ETF 5%; NewPalladium 5%

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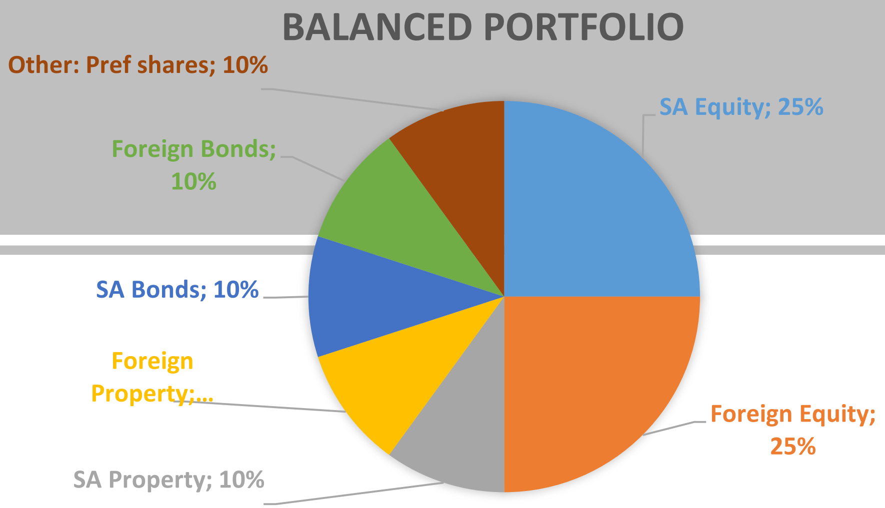
Portfolio construction – Portfolio 2



- **[Balanced portfolio]**
- SA Equity: 25% → 25% JSE Top 40 ETF;
- Foreign Equity: 25% → 10% S&P Global 1200 ETF; 15% in British American Tobacco, Anhueser Busch Inbev, Glencore, Richemont, Bidcorp, Mondi Plc and Naspers
- SA Property: 10% → Individual shares: Growthpoint; Redefine; Investec Property; Fortress A; Resillient
- Foreign Property: 10% → S&P Global Property 40
- SA Bonds: 10% → NewFunds GOVI ETF
- Foreign Bonds: 10% → Ashburton World Government Bond ETF
- Other: 10% preference shares → Grindrod prefs; Firstrand prefs

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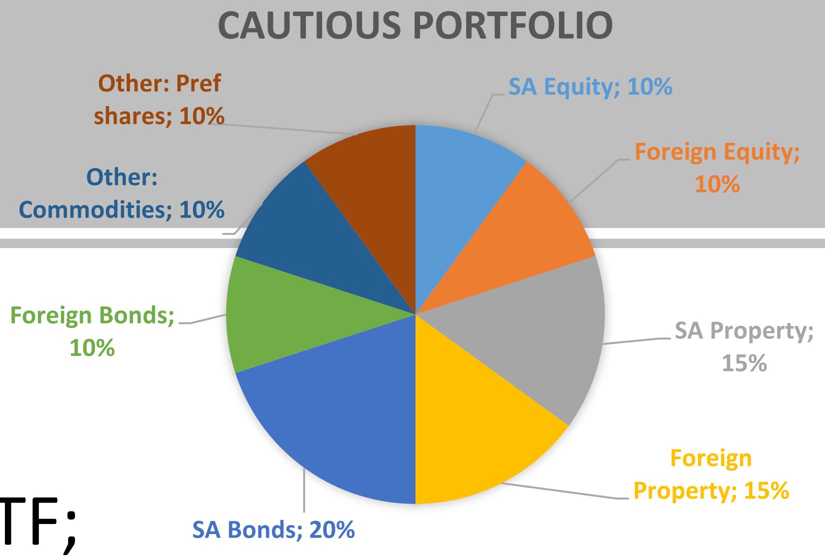
Portfolio construction – Portfolio 3



- **Cautious portfolio**
- SA Equity: 10% → 10% JSE Top 40 ETF;
- Foreign Equity: 10% → 10% S&P Global 1200 ETF;
- SA Property: 15% → Individual shares: Growthpoint; Redefine; Investec Property; Fortress A; Resillient
- Foreign Property: 15% → S&P Global Property 40
- SA Bonds: 20% → 10% NewFunds GOVI ETF; 10% Ashburton Government Inflation ETF
- Foreign Bonds: 10% → Ashburton World Government Bond ETF
- Other: 10% preference shares → CoreShares PrefTrax
- Other: 10% NewGold

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Portfolio construction – Sources of Info

- Sources of info:
- https://www.jse.co.za/current-companies/companies-and-financial-instruments
- https://www.etfsa.co.za/
- https://www.fin24.com/
- https://www.fpi.co.za/documents/BusinessSolutionCentre/PracticeManagement/Folder1/Investment_Policy_Statement_Guideline.pdf

End – thank you

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Unit Trust Investing

- **Retirement**
  - Umbrella Funds
  - RAs
  - Preservation
  - Living Annuity
- **Discretionary**
  - Local
  - Offshore
  - Endowments
  - Tax Free

Stockbroking

- Local
- Offshore
- Share-based Loans

Offshore

- Bank accounts
- FX Conversion
- Treasury
- Investing
- Emigration

Insurance

- **Personal/Business**
  - Life/Keyman
  - Income protection
  - Disability
  - Dreaded disease
  - Buy/Sell

ALLANGRAY Investec glacier by Sanlam Mercantile Bank Member of CGD Group momentum LIBERTY