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
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
• **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%.
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%.
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 ETFs – 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%. 
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%.
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; Resilient
  
  • Foreign Property: 15% → S&P Global Property 40
  
  • Other – Commodities: 10% → Newgold ETF 5%; NewPalladium 5%
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
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
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/
End – thank you

Contact information:
010 141 6033  |  henk@vistaweight.co.za

www.vistaweight.co.za