

# REZCO WEBINAR Feb 2021

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CO-PM, Head of Research

Distribution Director

# **PLATFORMS**

#### LISPs and Fund Classes

This view provides information about which platforms Rezco funds are on and what classes are accessible

Lisp	Fund	Fund Cla	ass		Access										
	(All) ▼	(Multiple	e values)	•											
			AIMS	Allan Gra	y Discovery	Glacier	INN8	Momentum	Ninety One	Old Mutual	PPS	PSG	RMB	SCI - Sanlam	Stanlib
Rezco Equity Fund	Rezco Equity Fund Class C														
Rezco Global Flexible Fund	Rezco Global Flexible Fund	Α													
Rezco Global Flexible Feeder	Rezco Global Flexible Feed	er A													
Rezco Managed Plus Fund	Rezco Managed Plus Fund	Class C													
Rezco Stable Fund	Rezco Stable Fund Class C														
Rezco Value Trend Fund	Rezco Value Trend Fund Cl	ass C			. I							÷.			

# **PLATFORMS**

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Lisp ⅓ ▼	The state of the s	Fund Class	Access		
(Multiple values) ▼	(All)	(Multiple values) ▼			
			Allan Gray	Glacier	Ninety One
Rezco Equity Fund	Rezco Equity Fund Class C				
Rezco Global Flexible Fund	Rezco Global Flexible Fund	А			
Rezco Global Flexible Feeder	Rezco Global Flexible Feed	er A			
Rezco Managed Plus Fund	Rezco Managed Plus Fund	Class C			
Rezco Stable Fund	Rezco Stable Fund Class C				
Rezco Value Trend Fund	Rezco Value Trend Fund Cla	ass C			

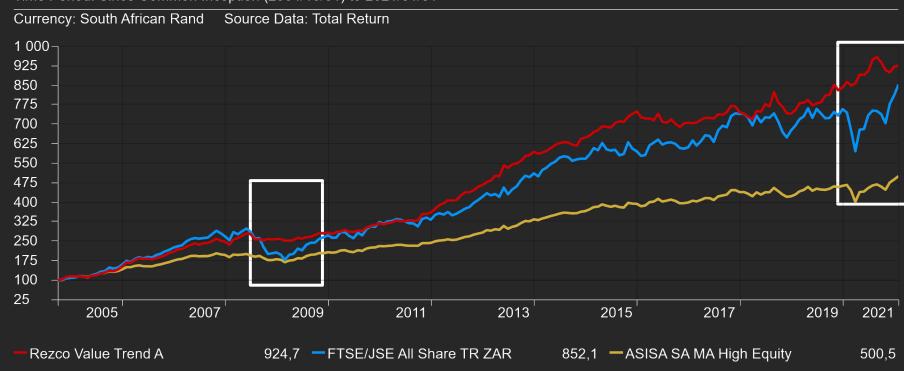
# **OUR INVESTMENT OBJECTIVE**





# **16 YEARS - RISK ADJUSTED RETURNS**

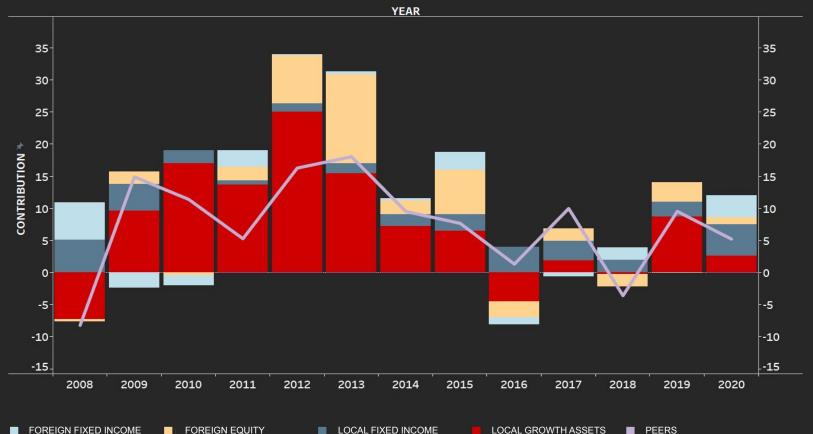
Time Period: Since Common Inception (2004/10/01) to 2021/01/31



Source: Morningstar Direct

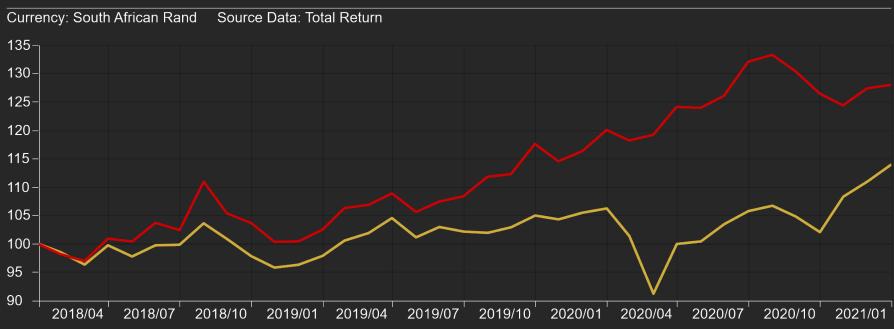
# **ASSET CLASS CONTRIBUTION**

#### **REZCO VALUE TREND FUND**



#### **REZCO MANAGED PLUS**

Time Period: 2018/02/01 to 2021/01/31

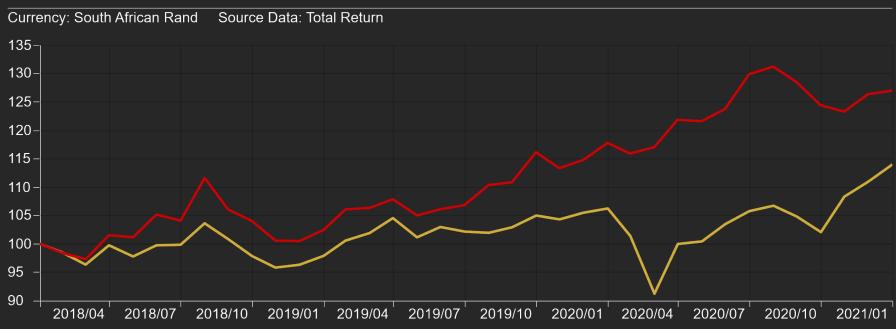


Rezco Managed Plus C

128.0 — ASISA SA MA High Equity

#### **REZCO VALUE TREND**

Time Period: 2018/02/01 to 2021/01/31

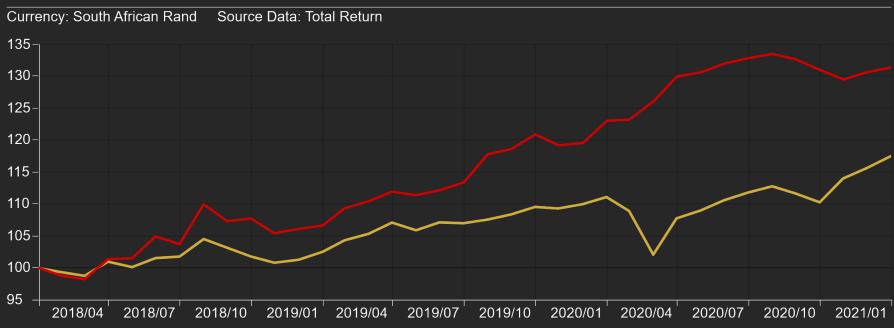


Rezco Value Trend C

127.0 — ASISA SA MA High Equity

#### **REZCO STABLE FUND**

Time Period: 2018/02/01 to 2021/01/31

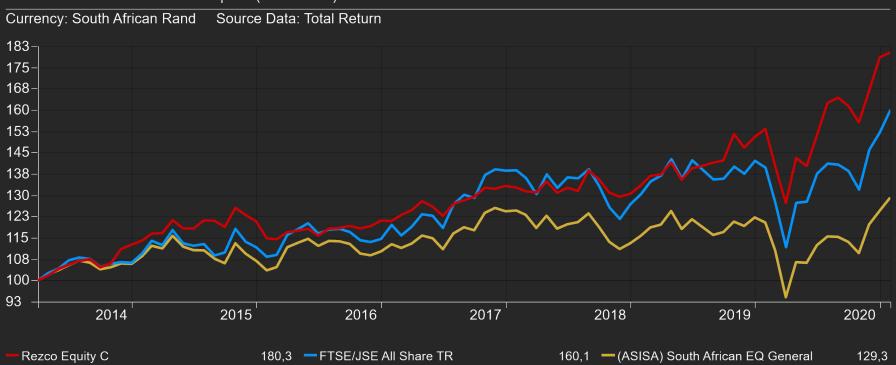


Rezco Stable C

131,3 —(ASISA) South African MA Low Equity

# **REZCO EQUITY FUND**

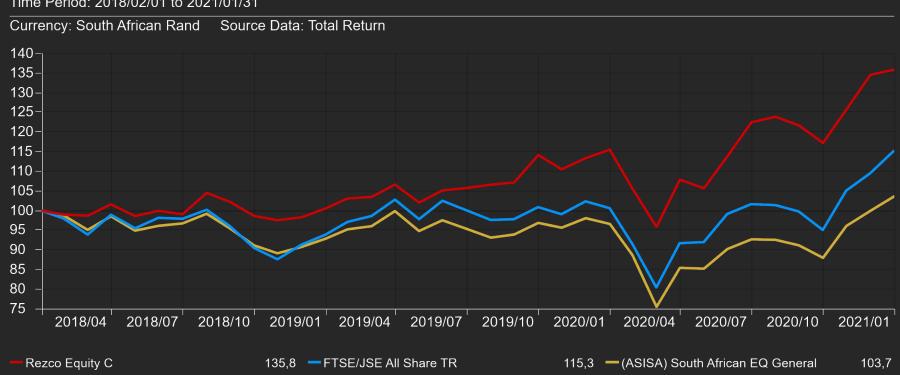
Time Period: Since Common Inception (2014/04/01) to 2021/01/31



Source: Morningstar Direct

# **REZCO EQUITY FUND**

Time Period: 2018/02/01 to 2021/01/31

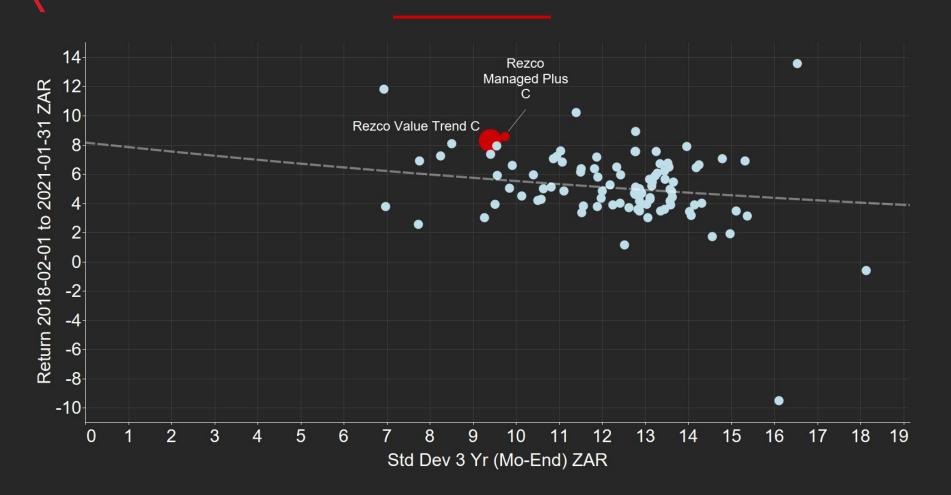


Source: Morningstar Direct



# REZCO VALUE TREND FUND MANAGED PLUS VOLATILITY, CORRELATION, AND RETURN

# **RETURN AND STD DEVIATION**



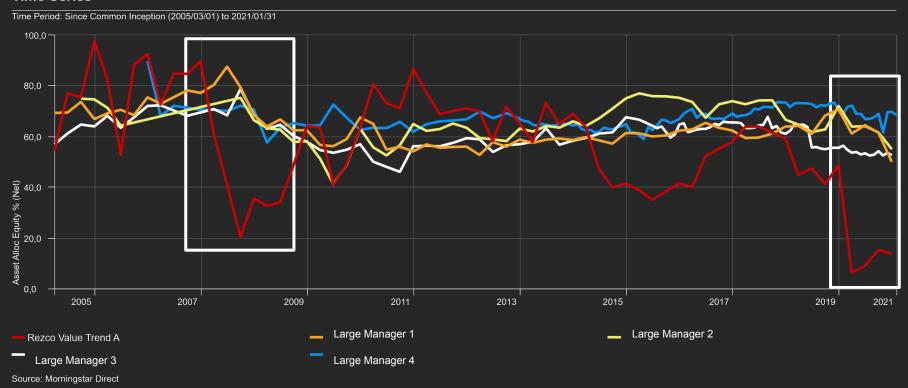
# **RISK AND CORRELATION**



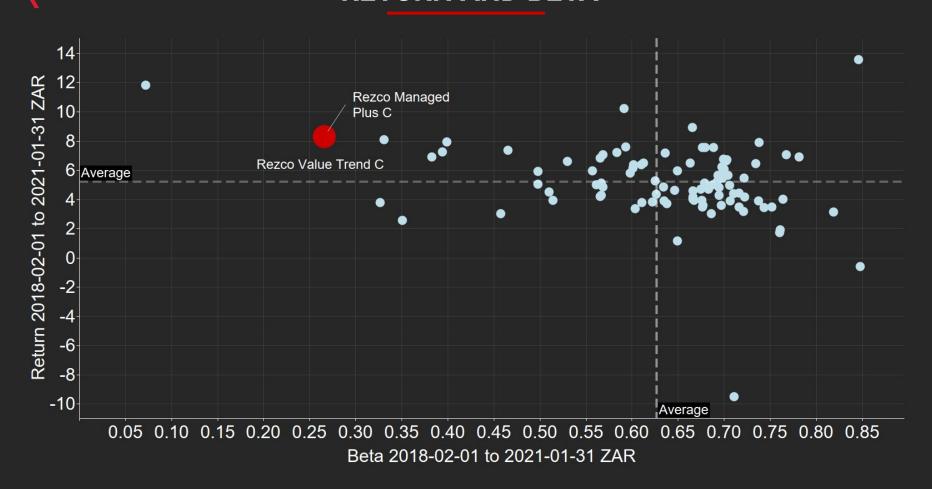
# **REZCO VALUE TREND**

# EQUITY & PROPERTY EXPOSURE

#### **Time Series**



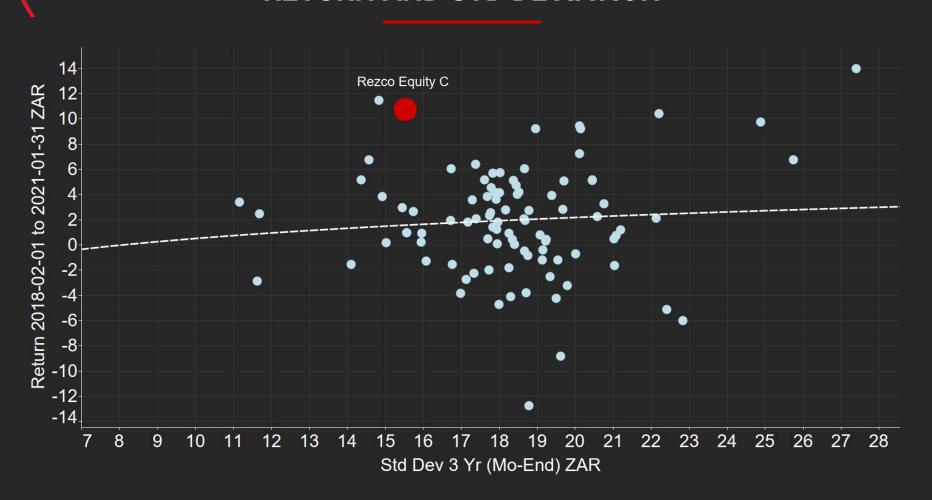
# **RETURN AND BETA**



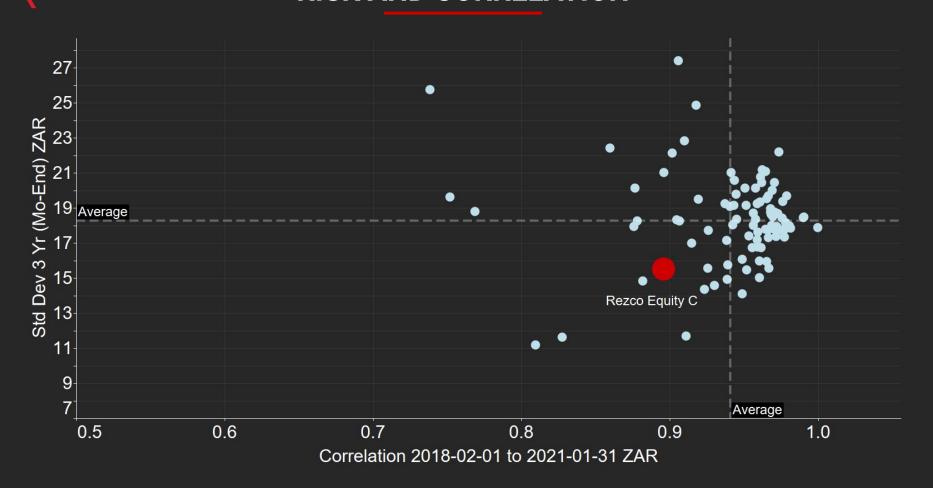


# REZCO EQUITY FUND VOLATILITY, CORRELATION, AND RETURN

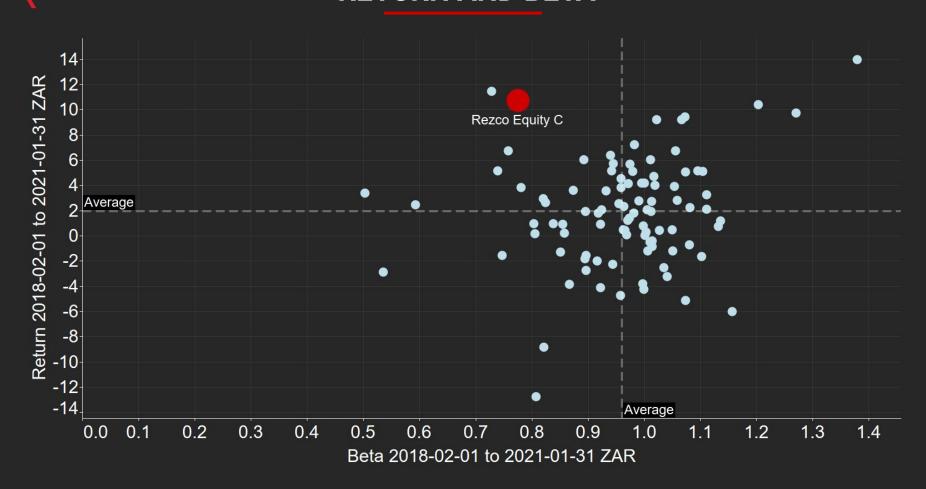
# RETURN AND STD DEVIATION



# **RISK AND CORRELATION**



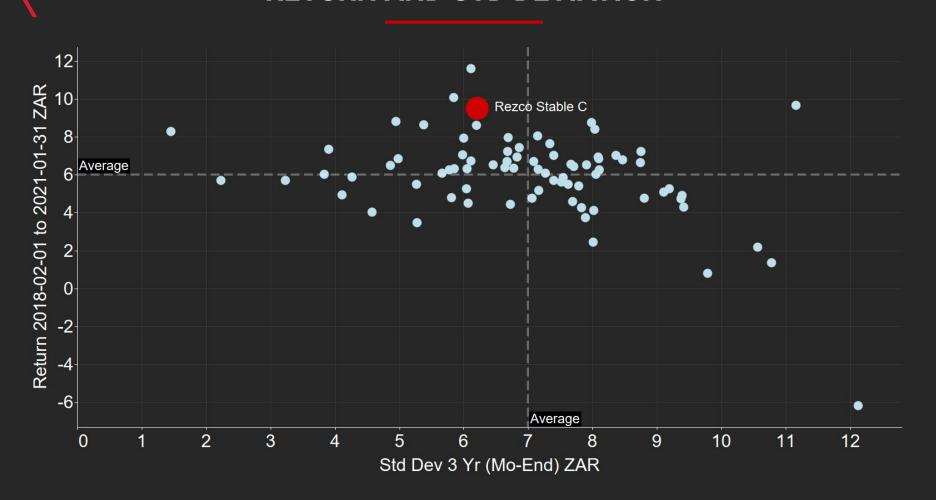
# **RETURN AND BETA**



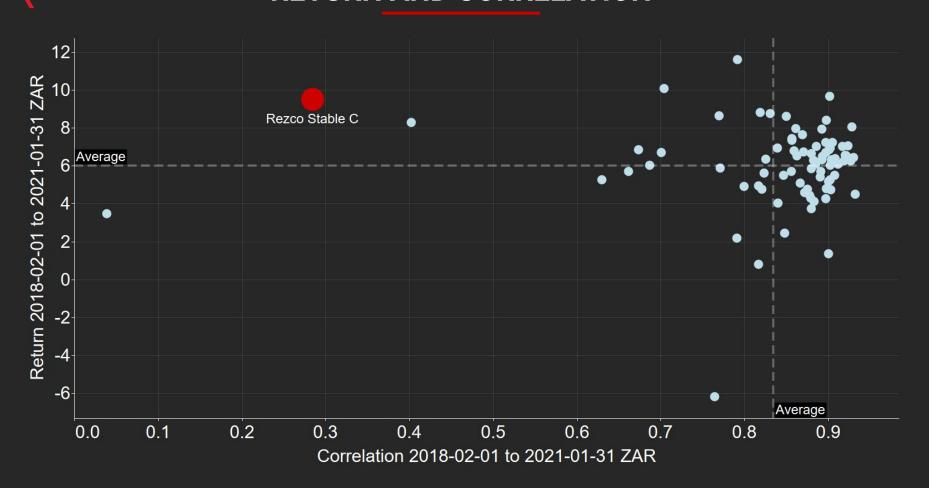


# REZCO STABLE FUND VOLATILITY, CORRELATION, AND RETURN

# **RETURN AND STD DEVIATION**



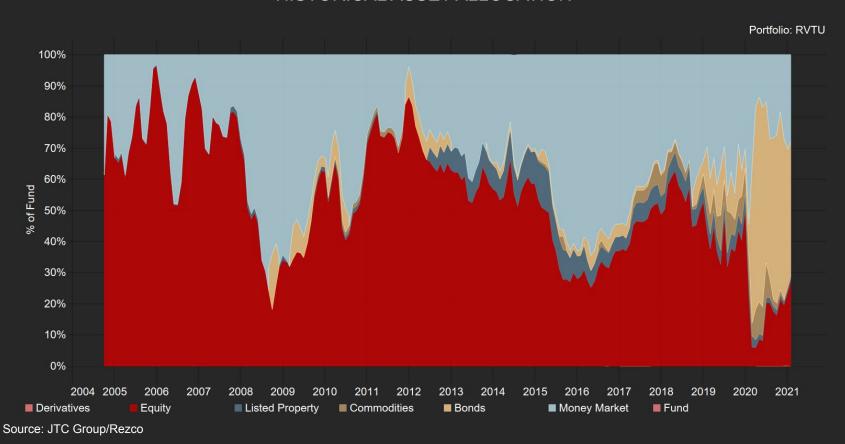
# **RETURN AND CORRELATION**





# **REZCO VALUE TREND FUND**

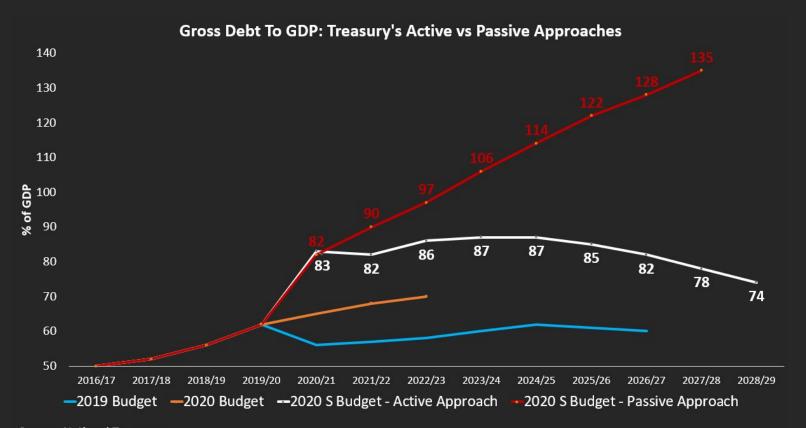
#### HISTORICAL ASSET ALLOCATION





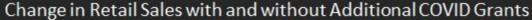


# RSA DEBT/GDP LEVELS



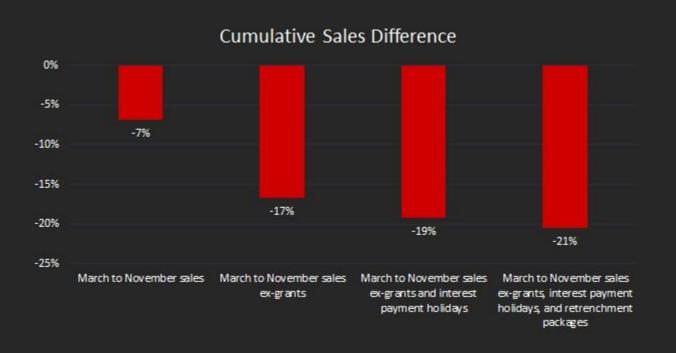


# **Retail sales ex COVID grants (monthly)**

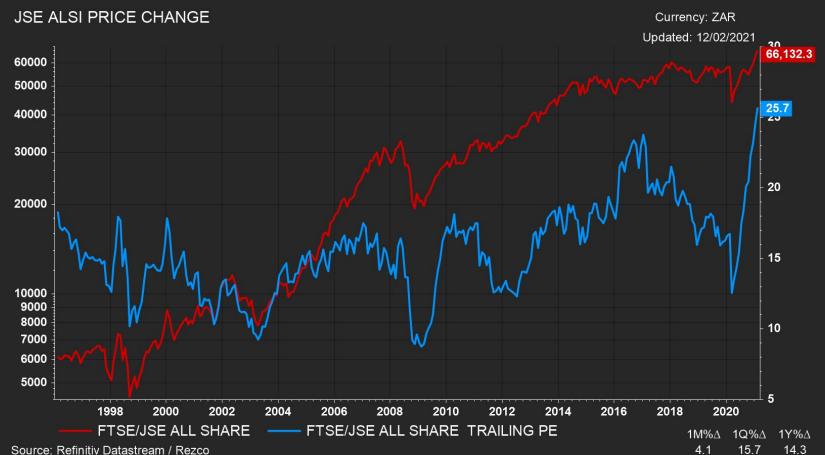




# Retail sales ex COVID grants (cumulative)

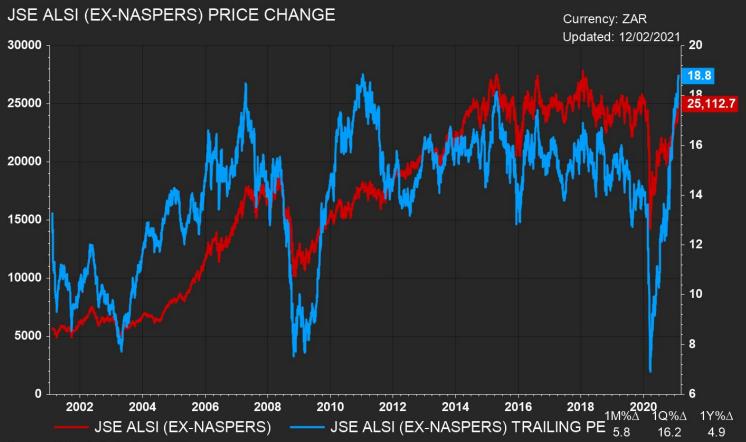


# **SOUTH AFRICAN EQUITIES**



Source: Refinitiv Datastream / Rezco

# **SOUTH AFRICAN EQUITIES (EX NPN)**



### **SA CORRELATES TO GLOBAL MARKETS**

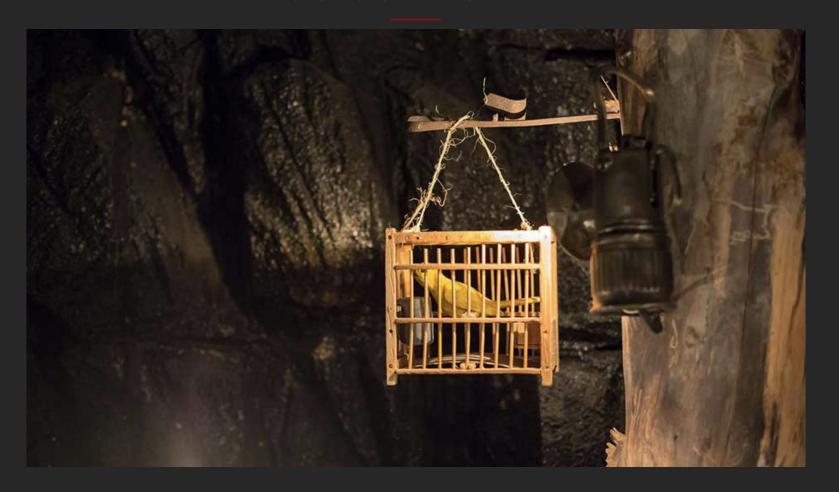


Source: Refinitiv Datastream / Rezco



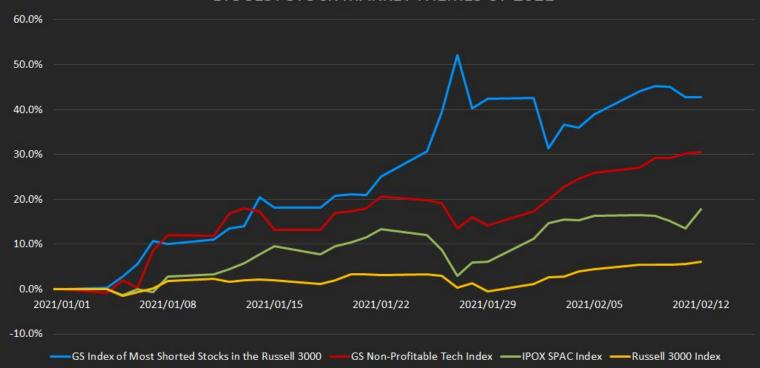


# SIGNS OF A BUBBLE



# "BUBBLE BEHAVIOR" CANARIES

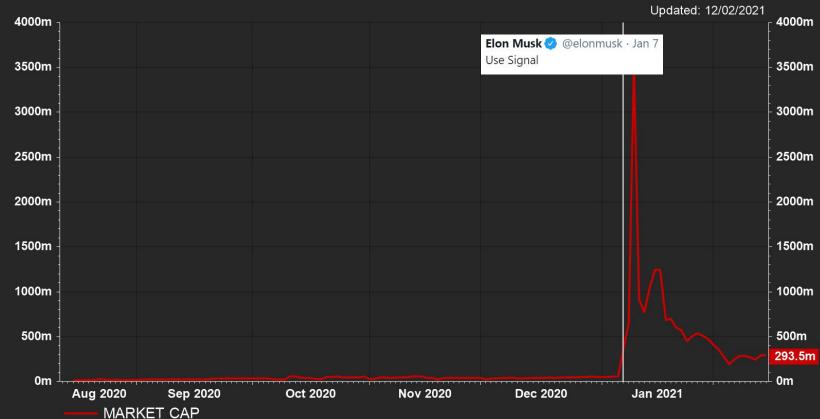




Source: JTC Group/Rezco

#### **MISTAKEN IDENTITY**

#### ELON MUSK TWEET SENDS SIGNAL ADVANCE SHARE PRICE SOARING

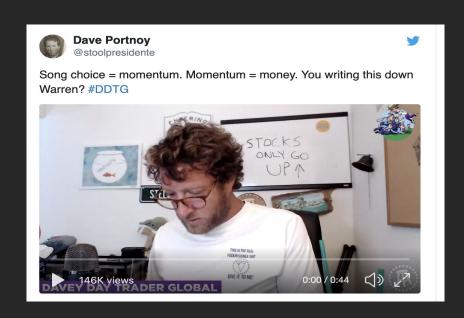


# **DAY TRADERS ARE WINNING**

DAVIE DAY TRADER'S 2 RULES OF INVESTING:

**RULE 1: STOCKS ALWAYS GO UP** 

**RULE 2: READ RULE #1** 

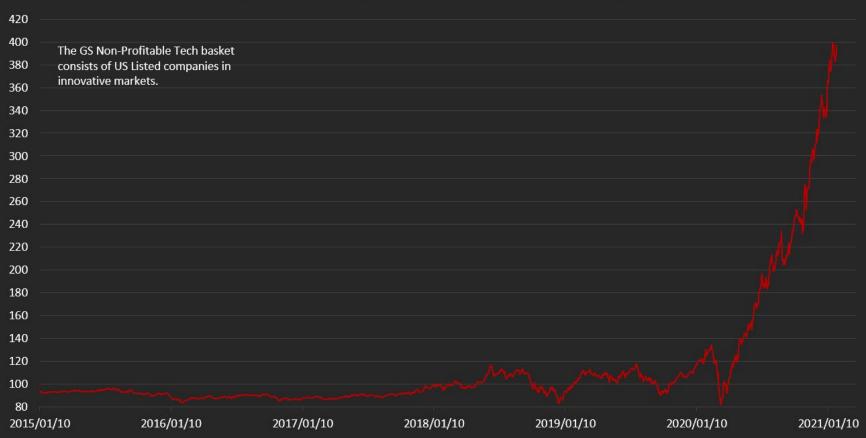


## **RETAIL INVESTORS ARE BEATING THE INDEX**

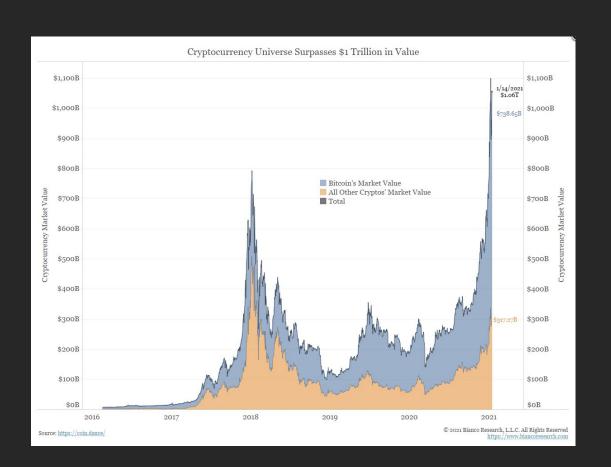
#### RETAIL INVESTORS BEAT THE S&P 500 INDEX



#### **GOLDMAN SACHS NON PROFITABLE TECH INDEX**



# **BUBBLE: MARKET CAP OF CRYPTO**





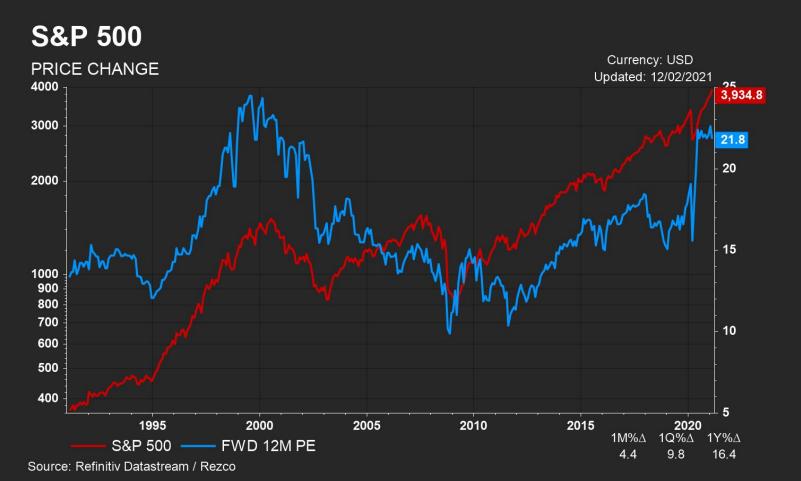
# THE GREAT BATTLE

# Maximum stimulus

VS

Very expensive markets (bubble?)
Potential consequences of MMT

# **VERY EXPENSIVE EQUITY MARKETS**



# **USA MIDCAPS: HARD FOR A BULL TO START FROM HERE**

## Russell 2000 Index



# **MSCI EMERGING MARKETS**



# **MSCI WORLD**



## **BUFFETT MARKET MEASURE**







# IT'S ALL ABOUT T.I.N.A.

THERE

Is

No

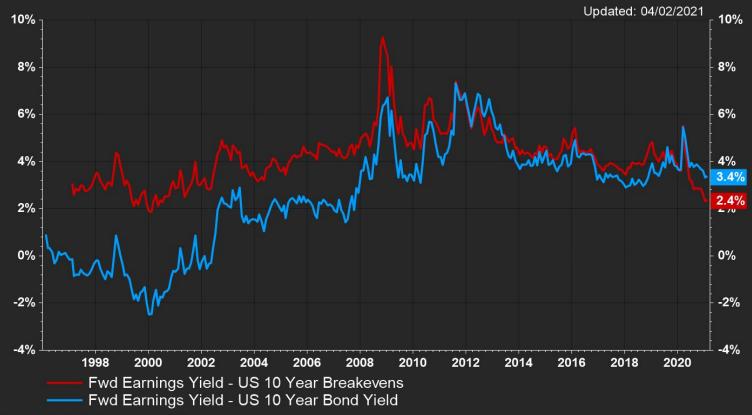
ALTERNATIVE

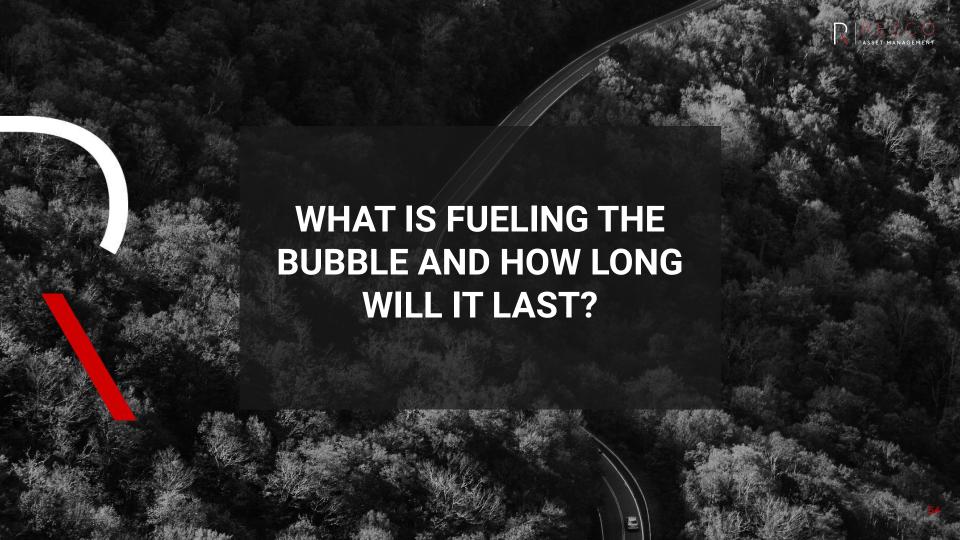
To equities

US 10 Year Breakeven Inflation vs 10 Year Bond Yield vs Forward Earnings Yield

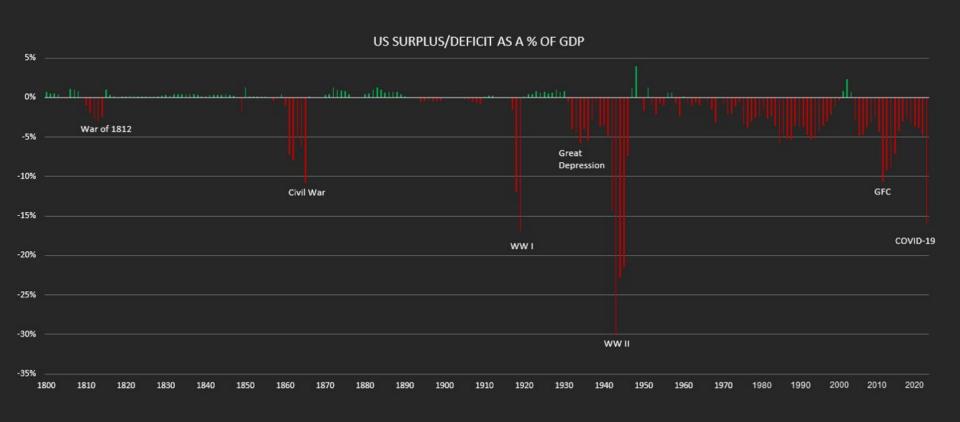


US 10 Year Breakeven Inflation vs 10 Year Bond Yield vs Forward Earnings Yield

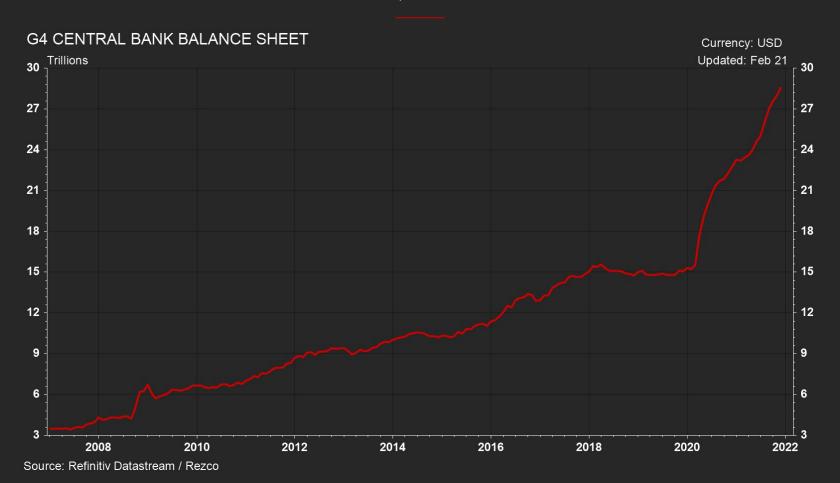




#### FISCAL STIMULUS FUNDED BY BORROWING

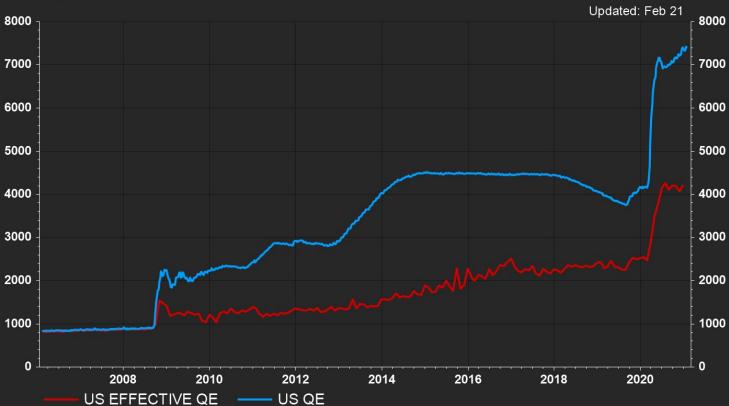


# **WORLD QE STIMULUS**



# **USA QE: THIS TIME IS DIFFERENT**





# USA: MONEY SUPPLY INCREASE: VERY HIGH RISK



# VELOCITY OF MONEY: THIS TIME REALLY IS DIFFERENT

VELOCITY OF M2 MONEY STOCK IN THE US



# **INFLATION IS LURKING**

US INFLATION EXPECTATIONS vs ACTUAL INFLATION

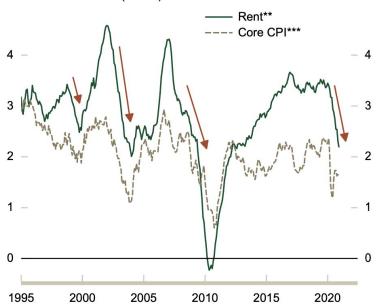




#### 2021: SERVICES WILL LIMIT INFLATION

Chart 5 Falling Rents Will Weigh
On Core Inflation

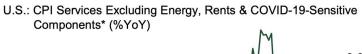
U.S. CPI Inflation\* (%YoY):

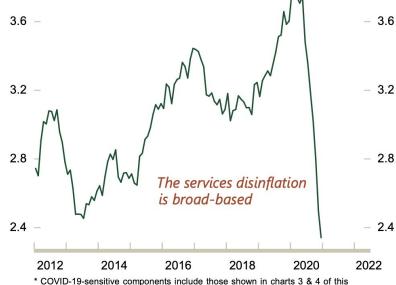


<sup>\*</sup> Source: U.S. Bureau of Labor Statistics

MRB Partners Inc © 01/2021

# Chart 6 Services Disinflation Extends Beyond Rents





<sup>\*</sup> COVID-19-sensitive components include those shown in charts 3 & 4 of this report; source: U.S. Bureau of Labor Statistics MRB Partners Inc © 01/2021

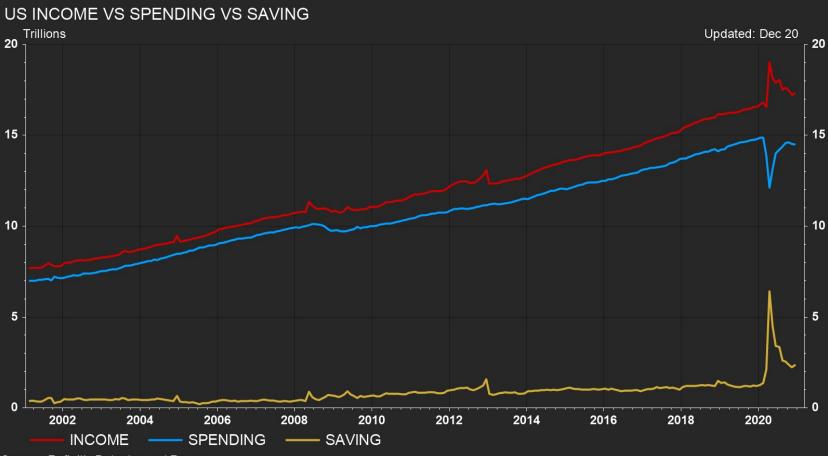
Chart 7 The Labor Market's

<sup>\*\*</sup> Includes owners' equivalent rent and rent of primary residence

<sup>\*\*\*</sup> Excludes food and energy

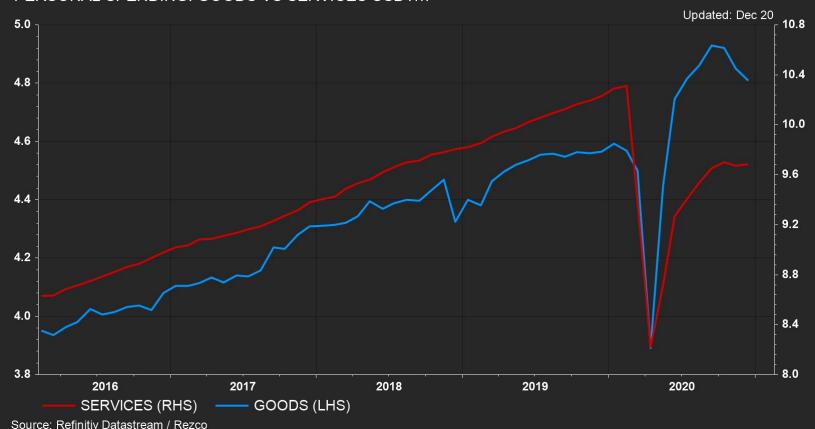


# SAVINGS BUILD-UP ARE ACTUALLY PENT UP SPENDING POWER

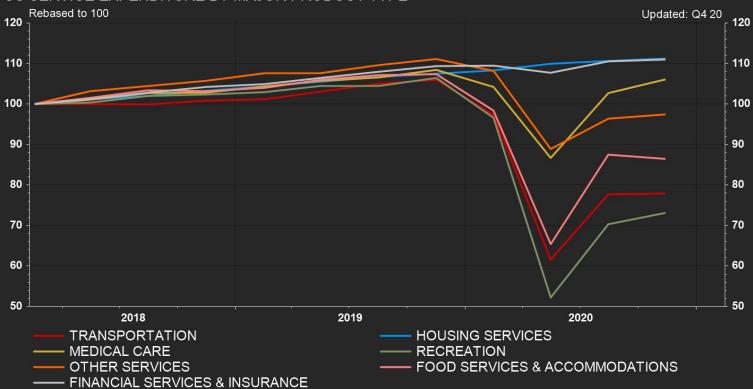


## **USA: GOODS INFLATION IS A RISK**

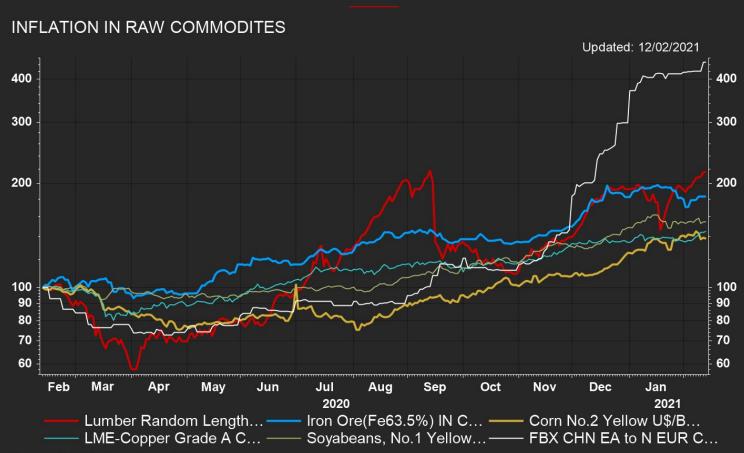








#### **INFLATION IS NOT DEAD**

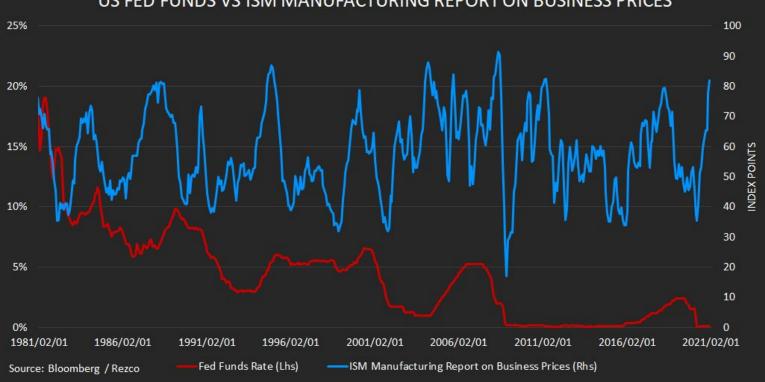


## **HOUSING STARTING TO LOOK FROTHY**

#### US HOUSE PRICES IN THE MIDWEST REGION



#### US FED FUNDS VS ISM MANUFACTURING REPORT ON BUSINESS PRICES





# THE CURRENT RALLY NEEDS ALL OF:

**HIGH GDP GROWTH IN 2021** 

AND HIGH CORPORATE PROFITS

\$ 1.9 TN EXTRA USA STIMULUS

INFLATION IS DEAD FOREVER

THE FED HOLDING TO "NO RATES INCREASE BEFORE 2024"

FED "TOO SOON TO EVEN TALK ABOUT SLOWING QE"

EMPLOYMENT COMING BACK SLOWLY (LIKE GFC)

# **INFLATION EXPECTATIONS**

US INFLATION EXPECTATIONS vs ACTUAL INFLATION



#### THE MARKET IS BUILT ON THE DANGEROUS ASSUMPTION:

Inflation is dead.

Deficits don't matter (funded by QE)

QE - "Helicopter money" has no consequences

Interest rate can be held down forever with QE.

Handouts to everyone are great.





## Larry Summers (Washington Post)

First, while there are enormous uncertainties, there is a chance that macroeconomic stimulus on a scale closer to World War II levels than normal recession levels will set off inflationary pressures of a kind we have not seen in a generation, with

LARRY SUMMERS



## **JEREMY GRANTHAM**

Viewpoints | January 05, 2021

## WAITING FOR THE LAST DANCE

The Hazards of Asset Allocation in a Late-stage Major Bubble

By Jeremy Grantham

## **Bill Dudley (ex NY Fed President)**

**Bloomberg Opinion** 

#### **Economics**

# Four More Reasons to Worry About U.S. Inflation

This recovery will be very different than the last one.

By <u>Bill Dudley</u> 10 February 2021, 13:30 GMT+2









Deliveries are open!

Source: JTO Group 110200

## Jeremy Siegel Wharton Finance Professor

Opinion Markets Insight + Add to myFT

# Higher inflation is coming and it will hit bondholders

Historic increase in monetary supply to fight Covid crisis will lead to higher consumer prices

JEREMY SIEGEL + Add to myFT



**Bloomberg Opinion** 

#### **Economics**

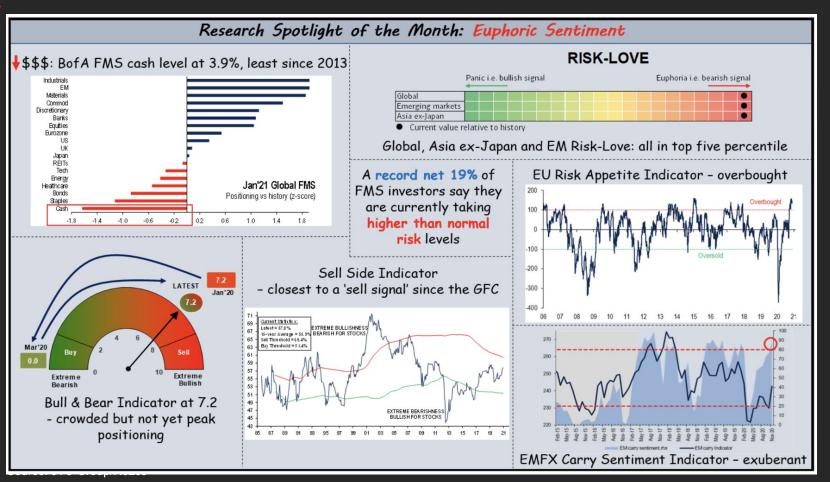
## **Inflation Fears Are Overblown**

There's a lot of talk about the quickening pace of price increases and the wreckage it can leave. I don't buy it.

By Daniel Moss

15 February 2021, 00:00 GMT+2

## **MARKET EUPHORIA**



# PERSPECTIVE : WE ARE 12 YEARS INTO A BULL MARKET

Chart 1 U.S. Secular Equity Bull & Bear Markets Over The Past 150 Years

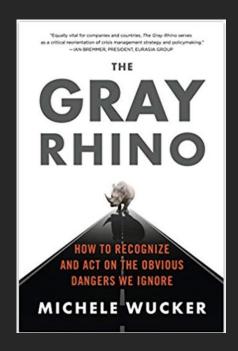


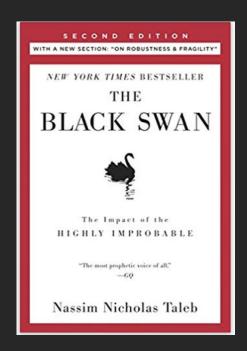
#### **OUTLOOK**

- Extreme sentiment
- Very expensive markets
- Based on TINA and financial gearing
- With massive stimulus
- FED at 3 X Dovish
- The Fed will blink and tap the brakes,
- Later stages of a bubble

### **GREY RHINO OR BLACK SWAN**

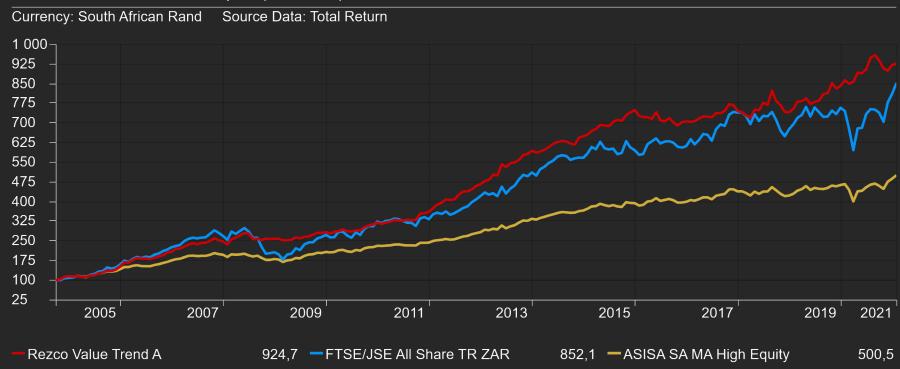
#### MOST BLACK SWANS ARE ACTUALLY GREY RHINOS





## 16 YEARS OF MANAGING RISK & CREATING WEALTH

Time Period: Since Common Inception (2004/10/01) to 2021/01/31



Source: Morningstar Direct



## THANK YOU

INSTITUTIONAL.REZCO.NET