

REZCO INVESTMENT WEBINAR JULY 2021

**BRIAN DU PLESSIS : HEAD OF DISTRIBUTION
SIMON SYLVESTER : CO-PM, HEAD OF RESEARCH
ROB SPANJAARD : CIO, CO-PM**



BUSINESS UPDATE

ABOUT REZCO

- Exec Management own 85%
- Rezco Charitable Foundation gets 20% of profits PLUS 14% Dividend
- Target to be BEE level 2 by Dec 2021
- Bonus pool - 30% of profits
- Offices
 - Sandton (Investment Management and Technology)
 - Port Elizabeth (Operations Office)
 - Cape Town
 - Boston (alis_ Tech Office)
- Run own Manco for Unit Trusts
- JTC : pricing and TA function (Rezco run duplicate backup system)
- Global Fund: Own Luxembourg SICAV UCITS structure
- AUM R 10bn

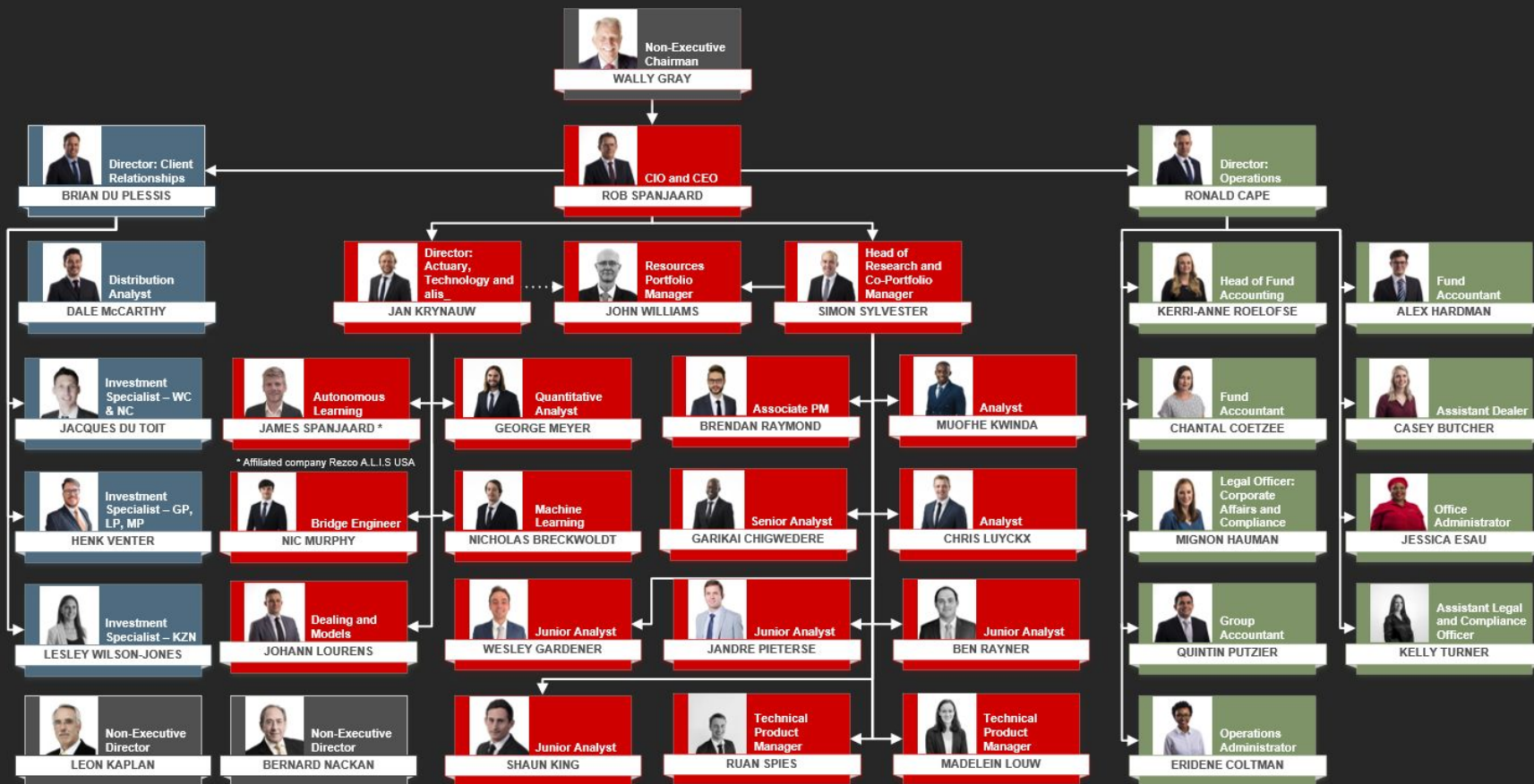
ASSETS UNDER MANAGEMENT

30 June 2021

		Value	% of Total
Rezco Value Trend		6,914.8M	69.9%
Balanced	Rezco Managed Plus	927.2M	9.4%
	Rezco Stable	513.2M	5.2%
Equity	Rezco Equity	1,137.2M	11.5%
Global	Rezco Global Flexible Feeder	397.9M	4.0%
Total		9,890.2M	100.0%

Source: JTC Group/Rezco

REZCO INVESTING IN THE TEAM





REZCO FUND POSITIONING

- **POSITIONED FOR :**
- SURGING US INFLATION
- SHARPLY HIGHER GLOBAL BOND RATES
- MOVE FROM EXPENSIVE GROWTH TO NON-CYCLICAL VALUE
- HIGH RISK MARKET FOR EQUITIES - HEDGES
- **THE WAIT HAS BEEN PAINFUL BUT OUR CONVICTION IS INCREASING**
- **WE WOULD CHANGE POSITIONING IF OPPOSITE UNFOLDED**

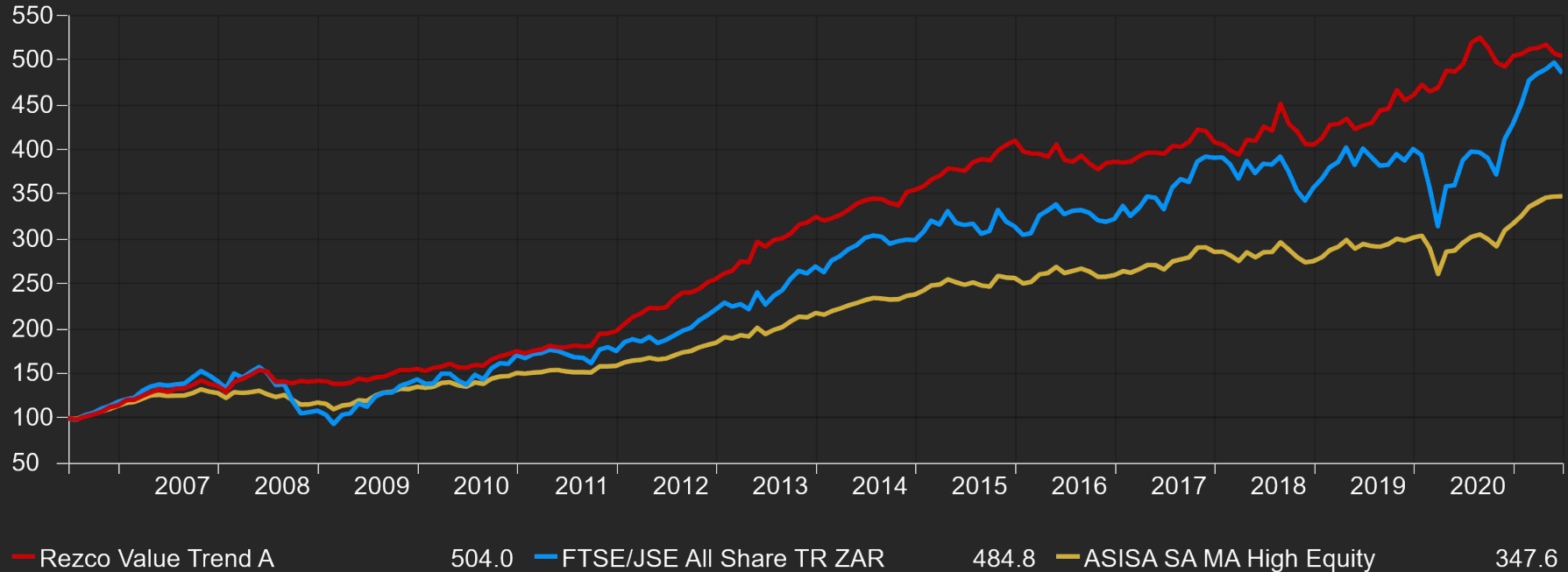


REZCO VALUE TREND FUND

CONSISTENT APPLICATION OF INVESTMENT PROCESS

Time Period: 7/1/2006 to 6/30/2021

Currency: South African Rand Source Data: Total Return

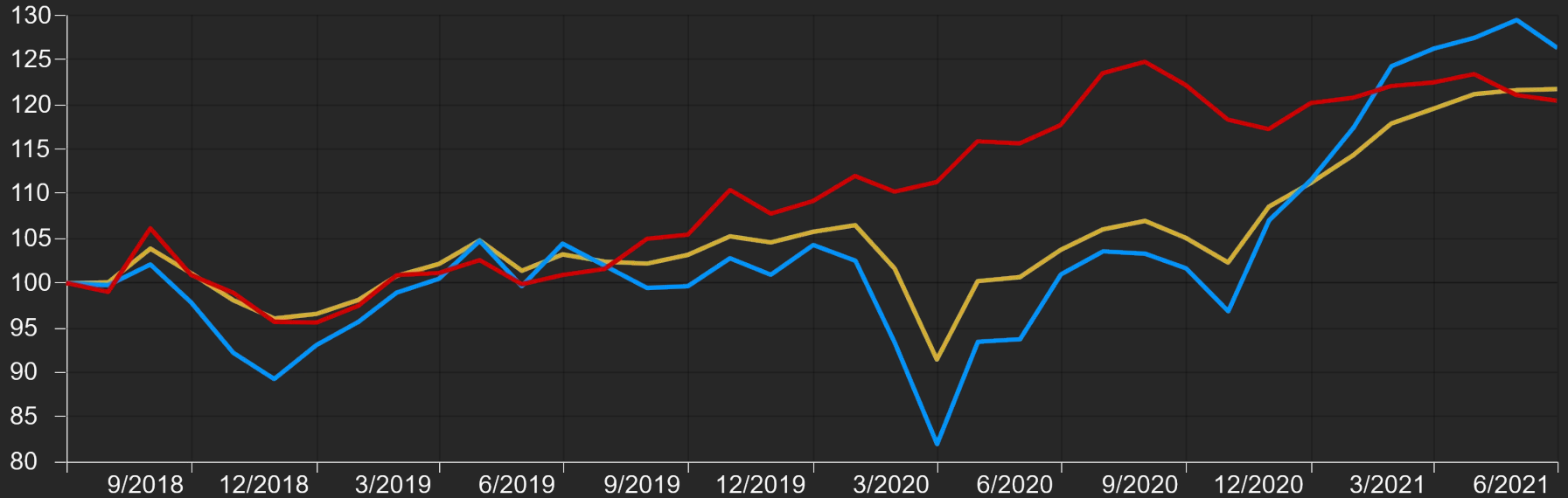


Source: Morningstar Direct

LAST 3 YEARS

Time Period: 7/1/2018 to 6/30/2021

Currency: South African Rand Source Data: Total Return



Rezco Value Trend C

120.4 FTSE/JSE All Share TR ZAR

126.3 ASISA SA MA High Equity

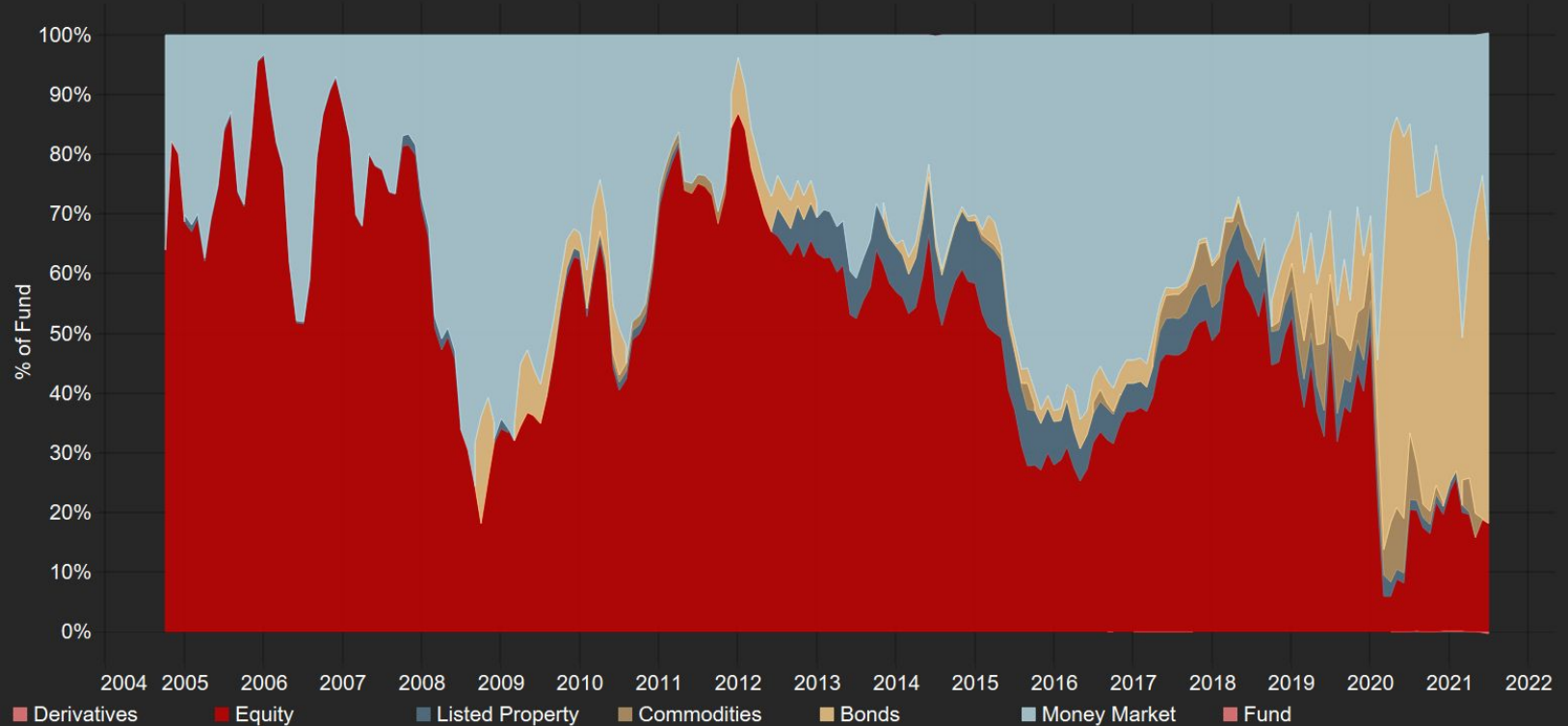
121.7

Source: Morningstar Direct

REZCO VALUE TREND FUND

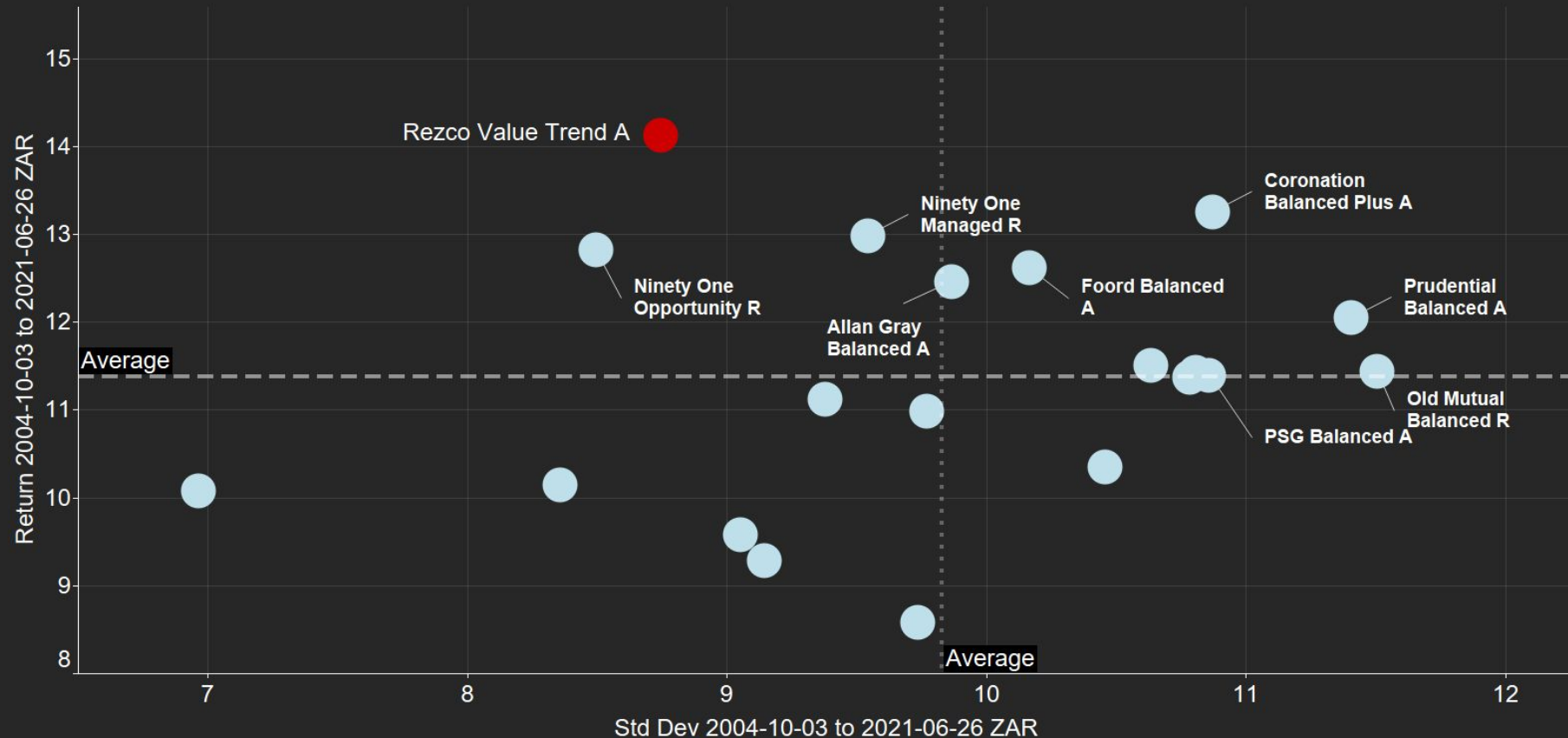
HISTORICAL ASSET ALLOCATION

Portfolio: RVTU

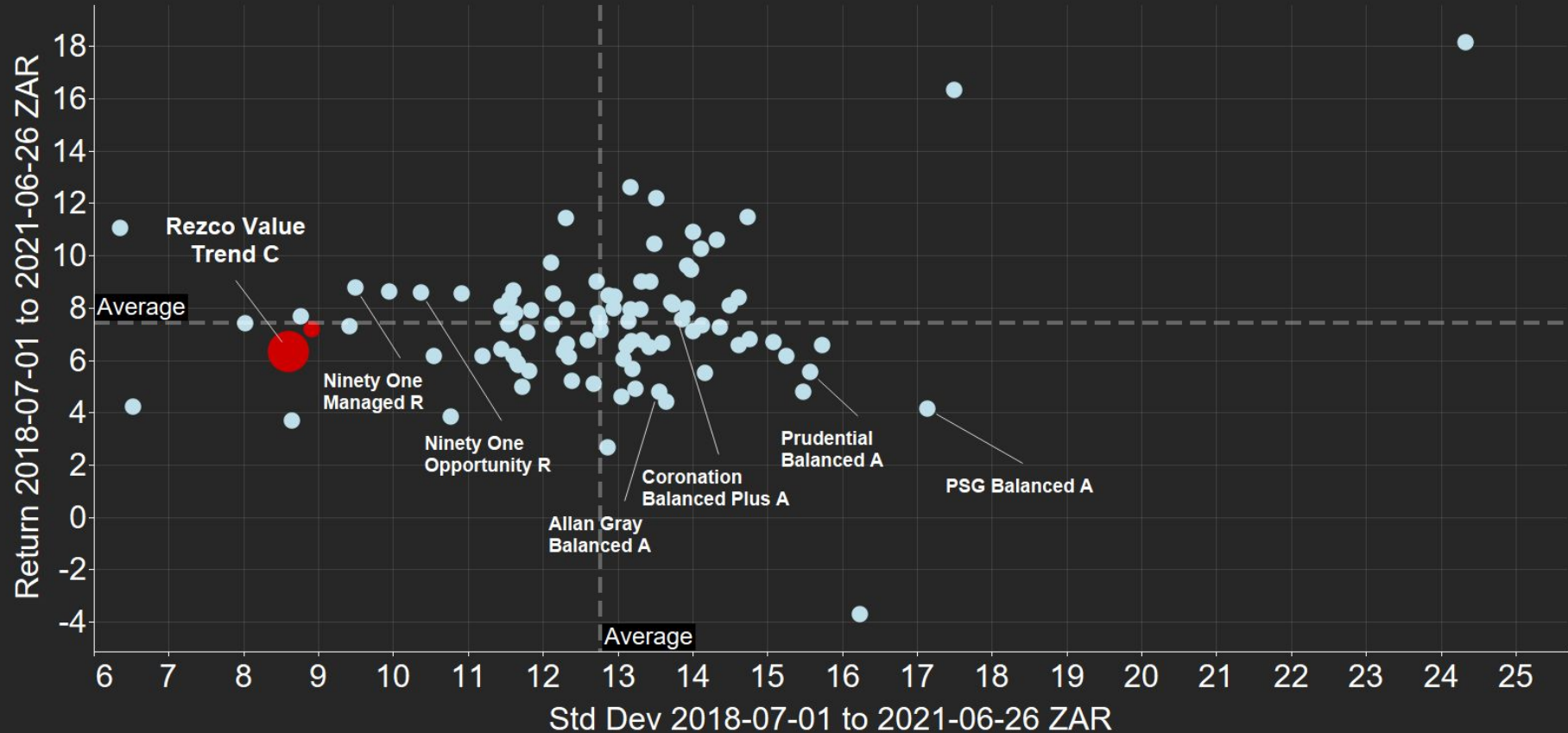


Source: JTC Group/Rezco

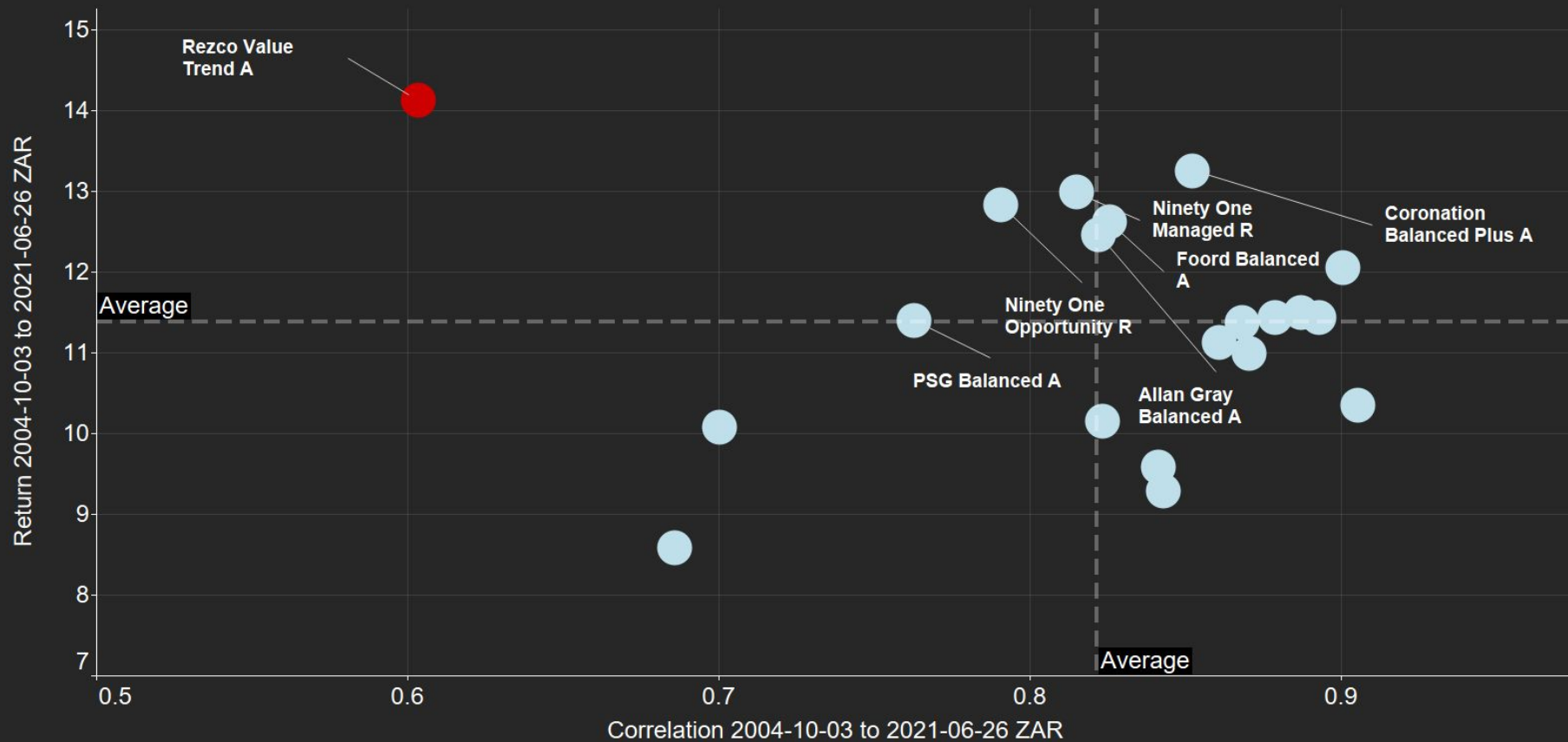
REZCO VALUE TREND : RETURN WITH LOW VOLATILITY



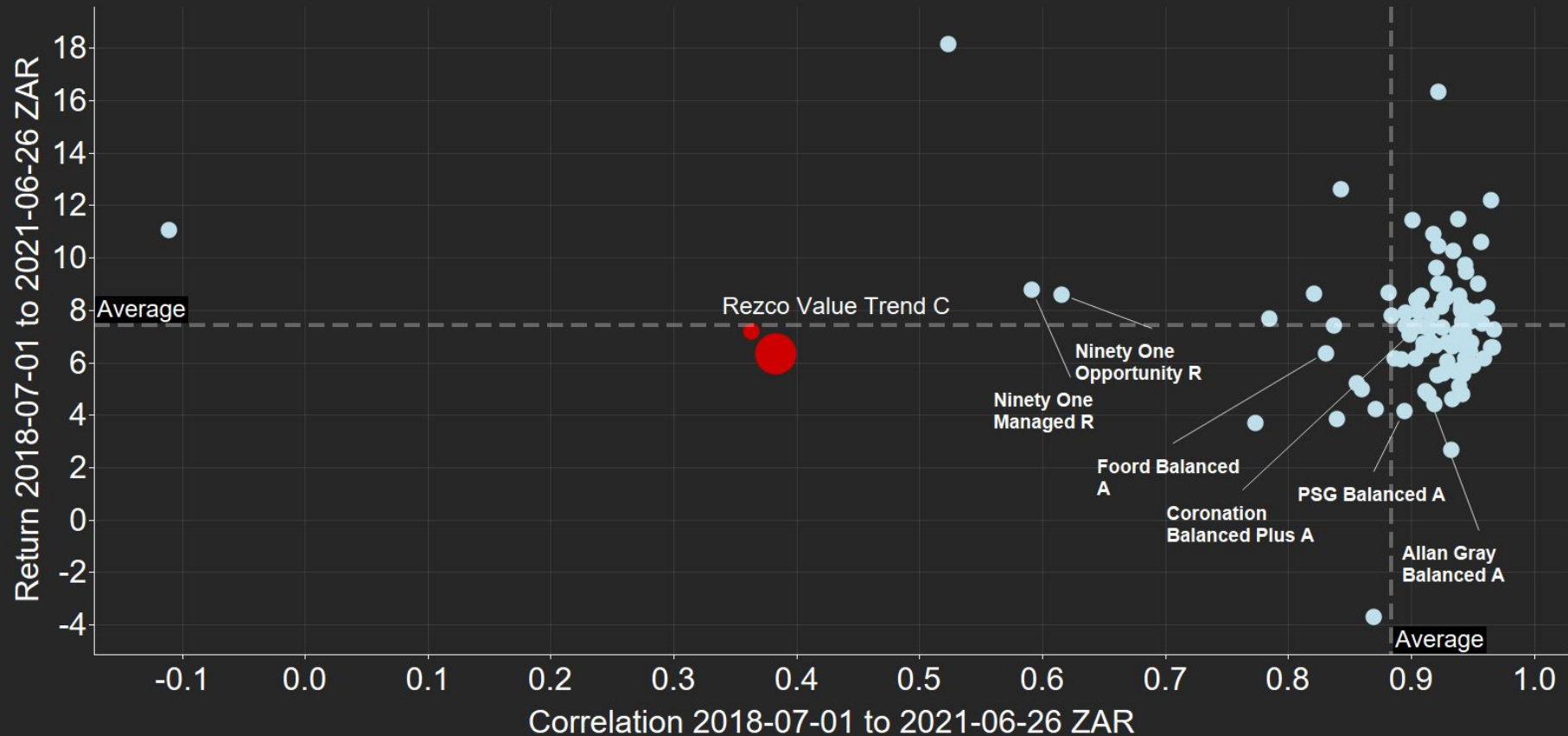
REZCO VALUE TREND : RETURN WITH LOW VOLATILITY



REZCO VALUE TREND : LOW CORRELATION TO PEERS



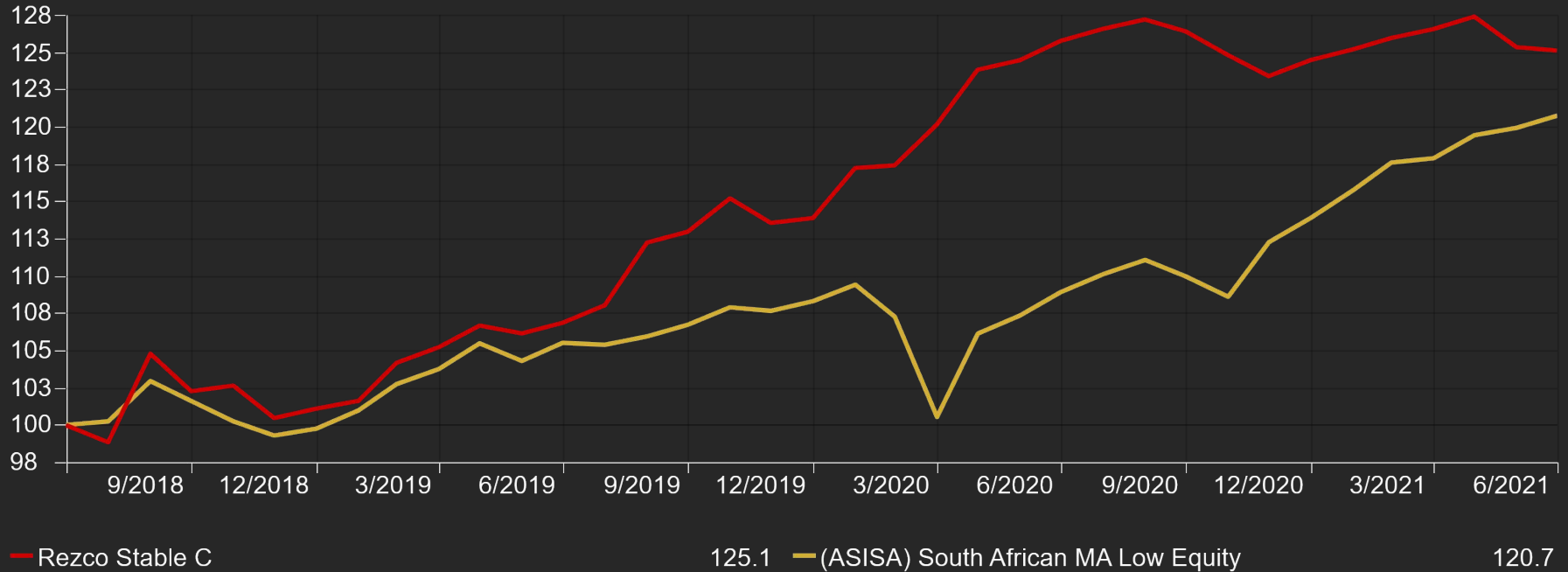
REZCO VALUE TREND : LOW CORRELATION TO PEERS



REZCO STABLE FUND

Time Period: 7/1/2018 to 6/30/2021

Currency: South African Rand Source Data: Total Return





REZCO EQUITY FUND



**WINNER OF THE BEST SOUTH AFRICA
EQUITY FUND**

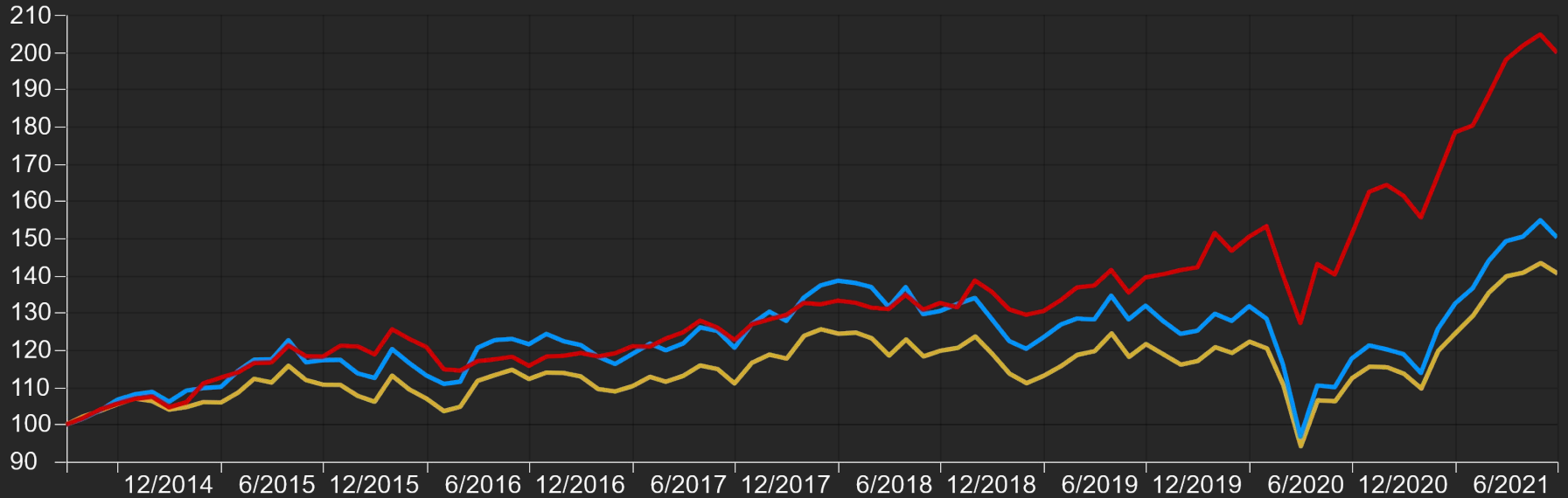
MORNINGSTAR AWARDS 2021



REZCO EQUITY FUND - 7 YEAR TRACK RECORD

Time Period: Since Common Inception (4/1/2014) to 6/30/2021

Currency: South African Rand Source Data: Total Return



Rezco Equity C

199.8 FTSE/JSE Capped SWIX All Share TR ZAR

150.3 (ASISA) South African EQ General

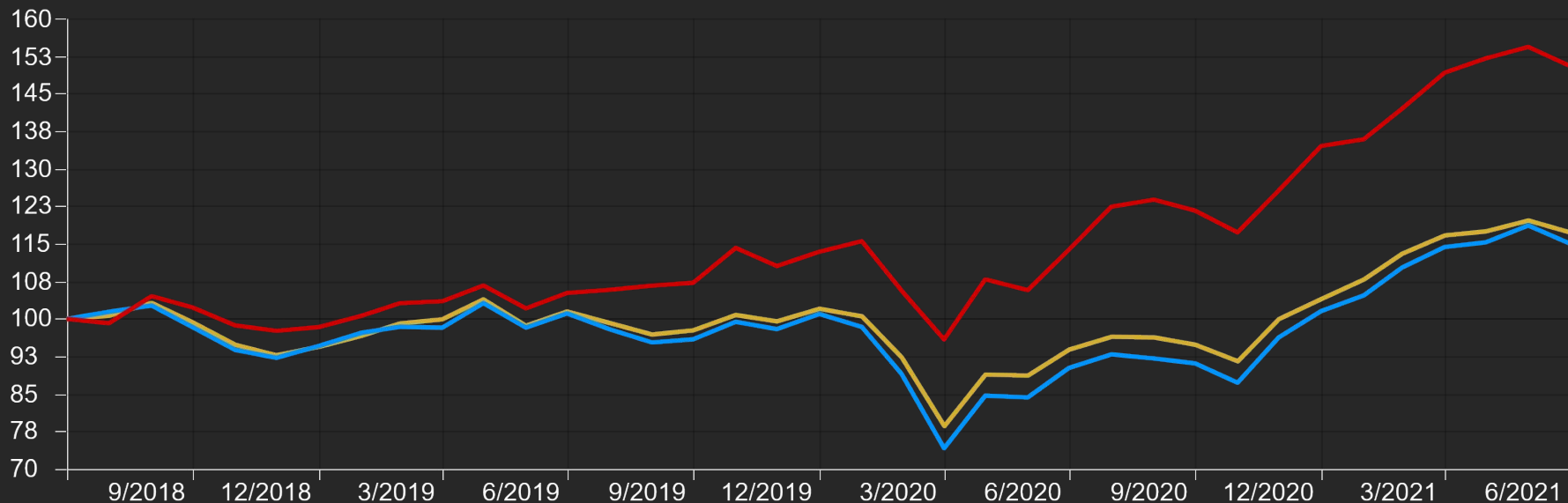
140.6

Source: Morningstar Direct

REZCO EQUITY 3 YEARS

Time Period: 7/1/2018 to 6/30/2021

Currency: South African Rand Source Data: Total Return



Rezco Equity C

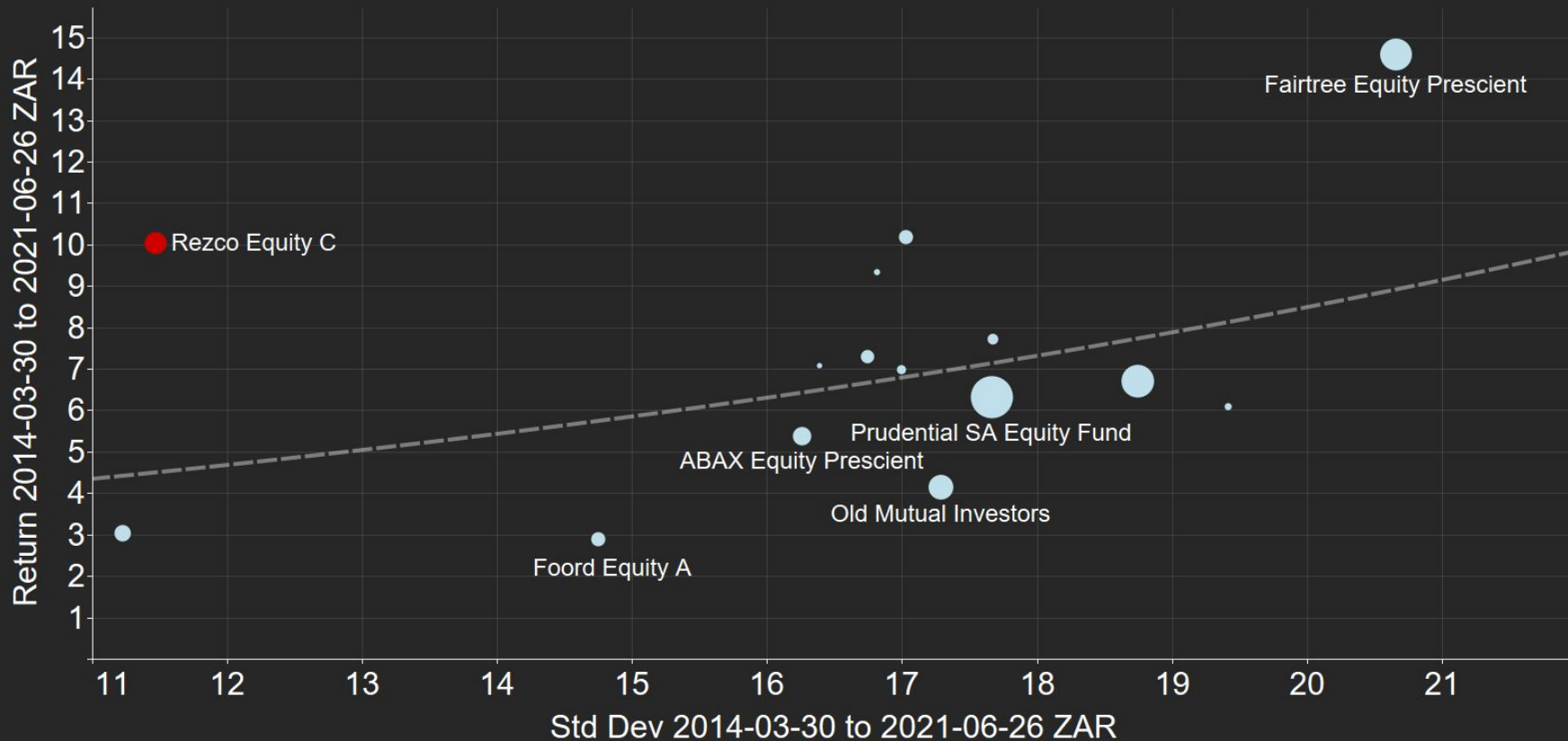
150.6 FTSE/JSE Capped SWIX All Share TR ZAR

115.1 (ASISA) South African EQ General

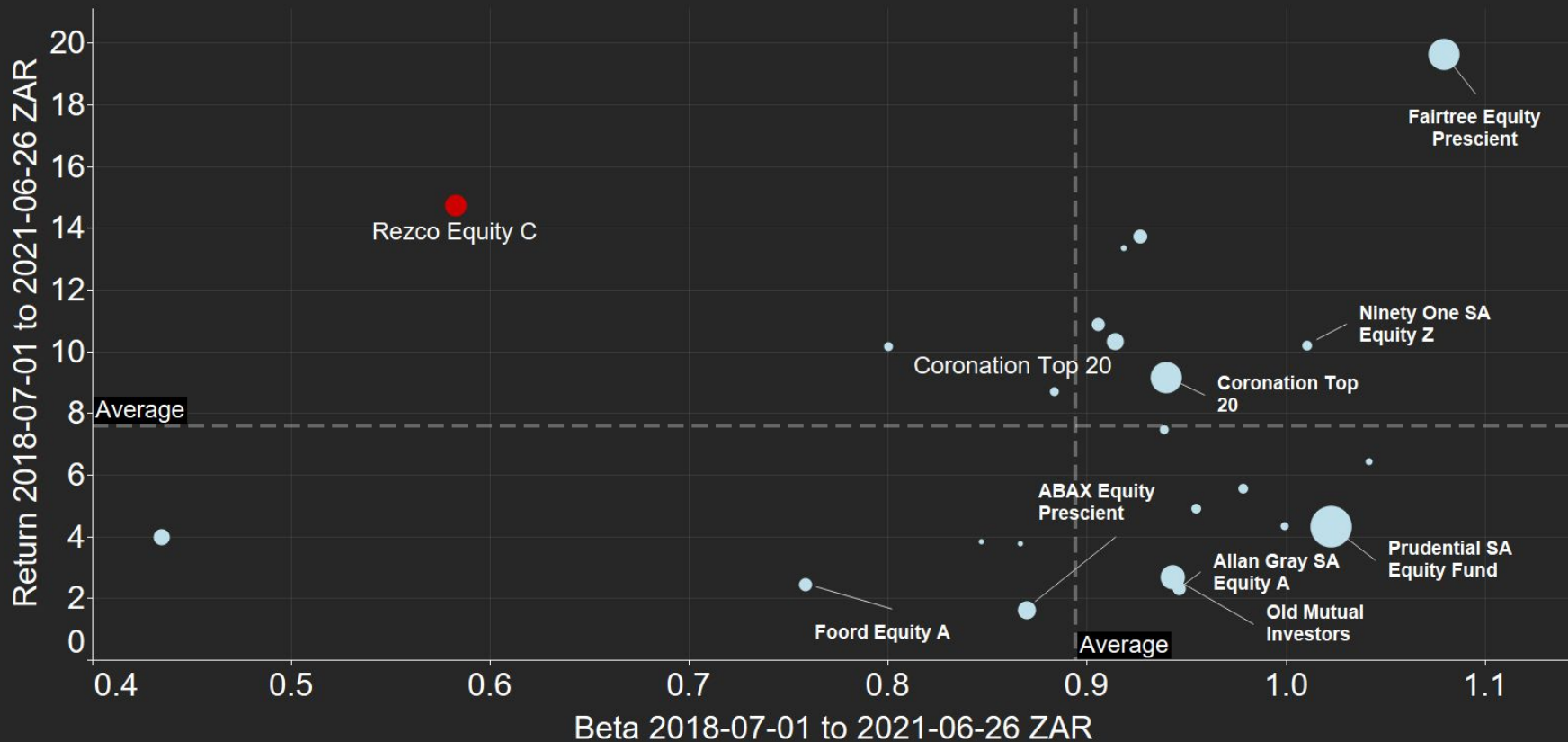
117.3

Source: Morningstar Direct

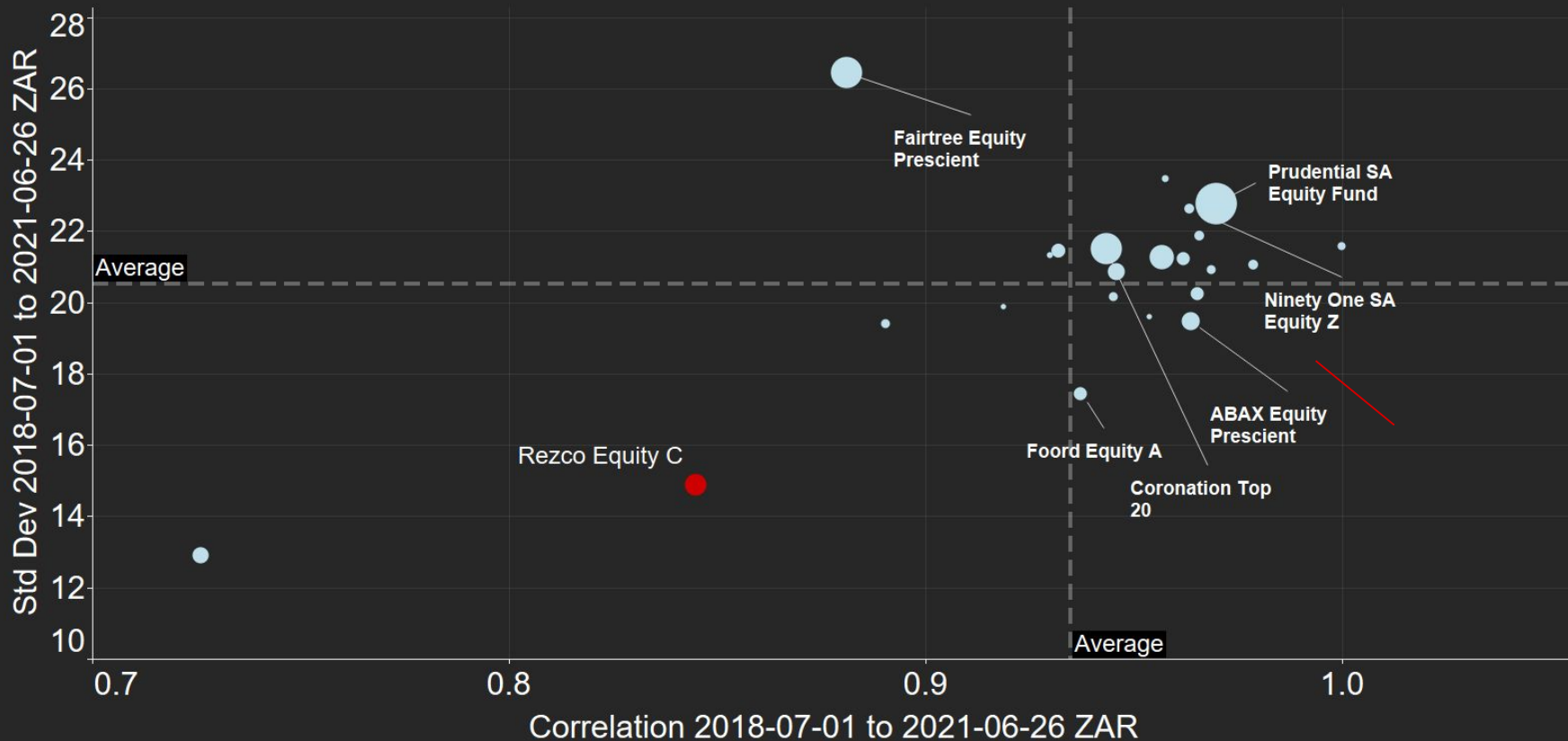
RETURN AND STD DEVIATION (SCI)



REZCO EQUITY FUND : RETURN AND BETA (3yr)



LOW CORRELATION AND LOW VOLATILITY(3 yr)



_alis Bridge

Bridge

alis_

CREATE BRANCH

SELECT BRANCHES

COMMIT SUCCESSFUL

COMMIT TO TARGET

Metrics

Last commit:
2021-07-19 14:55:39

Ex-Ante Beta

0.93
+ 0.21

Ex-Ante Volatility

16.86%
+ 2.38%

Factor Risk

0.3	0.2	0.3	0.1
0.2	-0.1	0.2	0.0
0.2	0.2	-0.2	0.6
0.1	-0.4	0.0	-0.1

Model Score

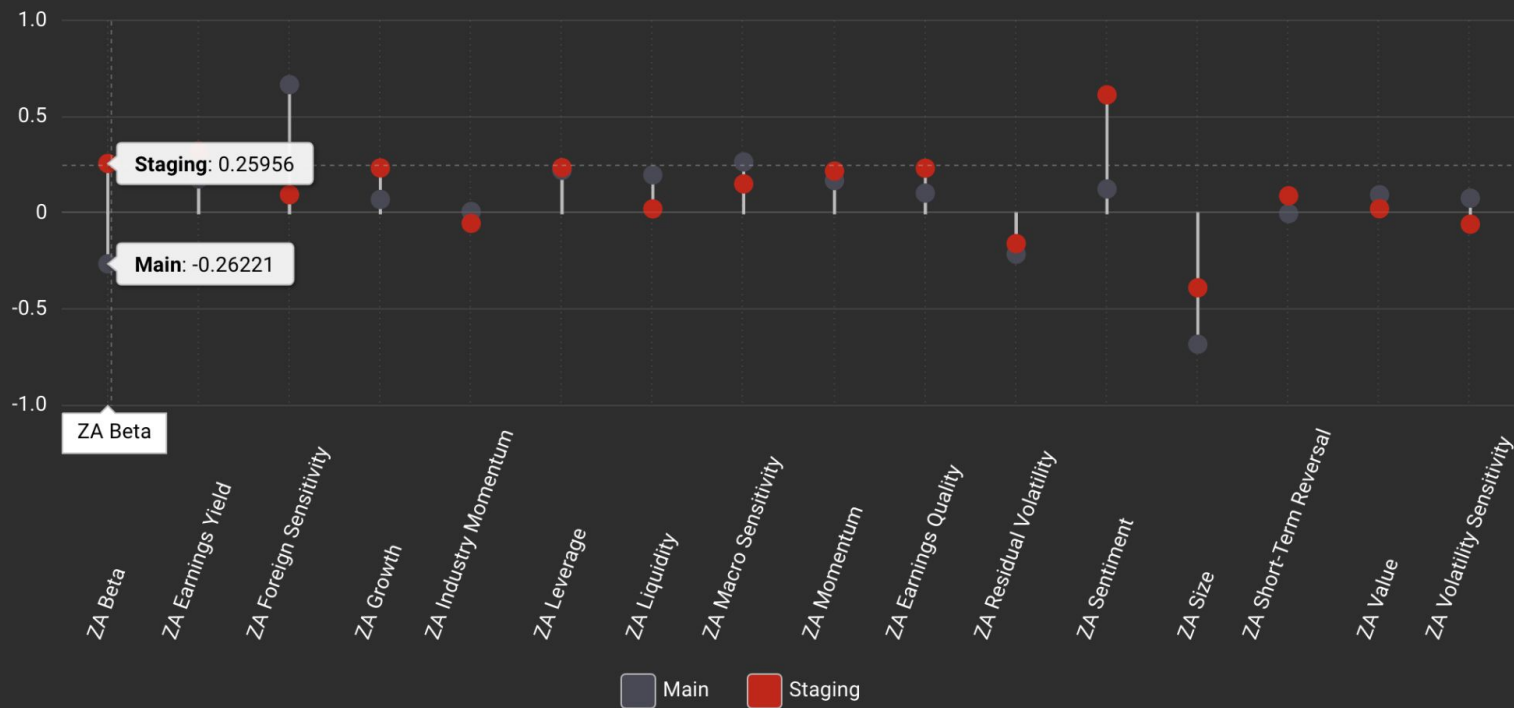
NA
NA
NA

Figl	Display Name	GICS Industry	GICS Sub-Industry	Main - Weights(%)	Staging - Weights(%)	Difference (%)
Q	Q	Q	Q	Q	Q	
Theme: Mining ex PGM (Count: 3)				Sum: 3.3	Sum: 15.0	
BBG000BP6P21	African Rainbow Minerals Ltd	Materials	Diversified Metals & Mining	5.00 ▼ 3.32	5.00	▲
BBG00ZYWDWF3	Thungela Resources Ltd			0.00 ▲ 0.00	0.00	
BBG000BGJCY7	BHP Group PLC	Materials	Diversified Metals & Mining	10.00 ▼ 0.00	10.00	▲ 10.00
Theme: PGM Miners (Count: 3)				Sum: 20.1	Sum: 26.0	
BBG000BTXN42	Anglo American Platinum Ltd	Materials	Precious Metals & Minerals	8.00 ▼ 5.36	8.00	▲ 2.64
BBG000BTZZR8	Northam Platinum Ltd	Materials	Precious Metals & Minerals	10.00 ▼ 8.13	10.00	▲ 1.87
BBG00R3JTQ06	Sibanye Stillwater Ltd	Materials	Precious Metals & Minerals	8.00 ▼ 6.66	8.00	▲ 1.34
Theme: Precious Metal ETF (Count: 4)				Sum: 5.1	Sum: 9.0	
Theme: Rand Hedge (Count: 3)				Sum: 4.3	Sum: 10.5	
Theme: Rand Hedge Industrials (Count: 3)				Sum: 6.3	Sum: 13.5	
BBG000BTZ022	Sasol Ltd	Materials	Diversified Chemicals	10.00 ▼ 2.58	10.00	▲ 7.42
BBG000DX3SW2	KAP Industrial Holdings Ltd	Capital Goods	Industrial Conglomerates	2.45 ▲ 2.65	2.45	▼ 0.20
BBG000FYRCR3	Mondi PLC	Materials	Paper Products	1.08 ▲ 1.11	1.08	▼ 0.04
Theme: SA Inc Banks (Count: 4)				Sum: 15.2	Sum: 0.0	
Theme: SA Inc Other (Count: 13)				Sum: 26.2	Sum: 19.4	
Theme: SA Inc Retailers (Count: 5)				Sum: 11.9	Sum: 5.0	
Theme: ZAR Cash (Count: 1)				Sum: 7.5	Sum: 1.6	

REZCO RISK SOFTWARE

Factor Risk

1-Risk Indices

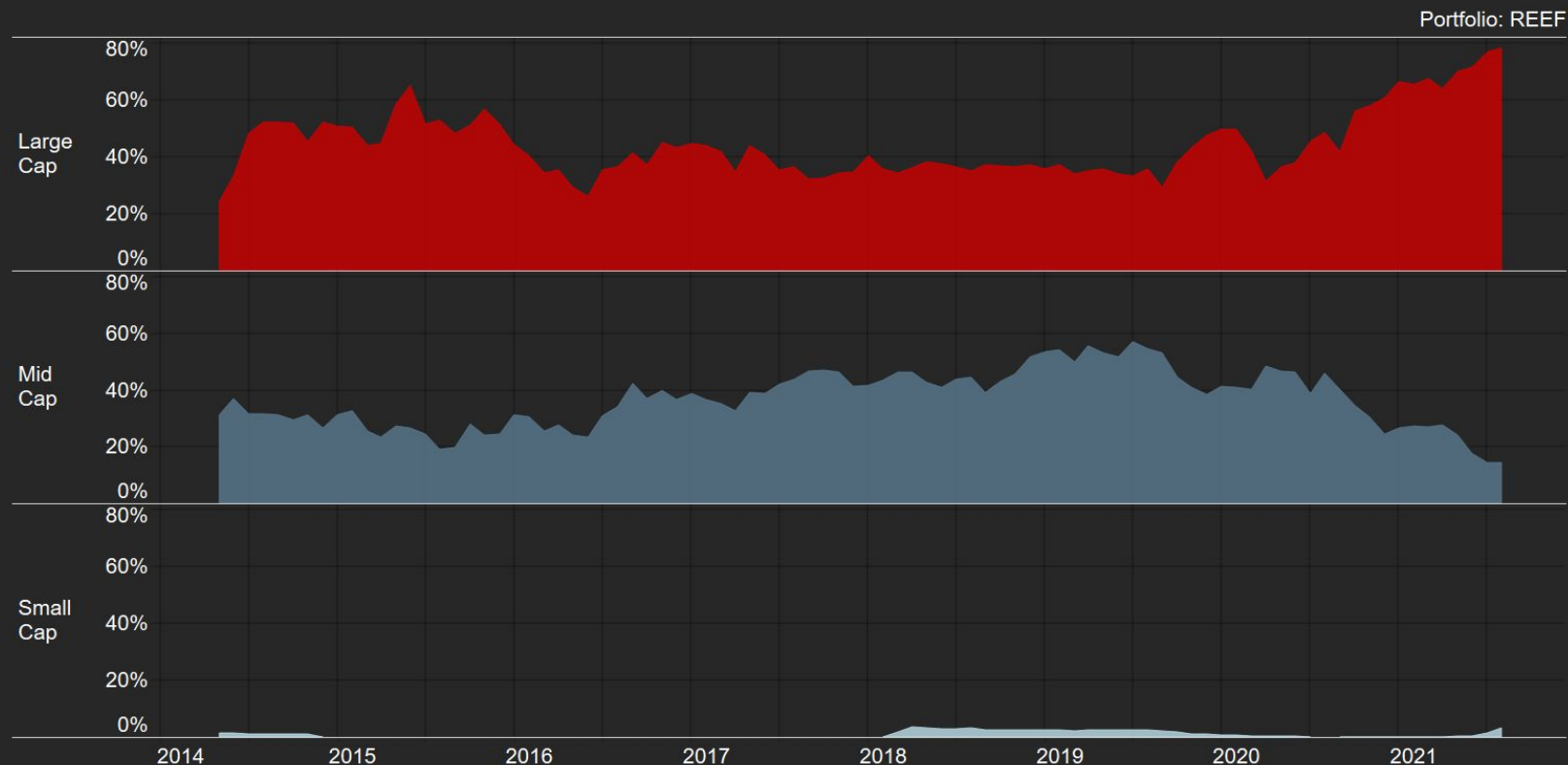




WHERE DO THE RETURNS COME FROM?

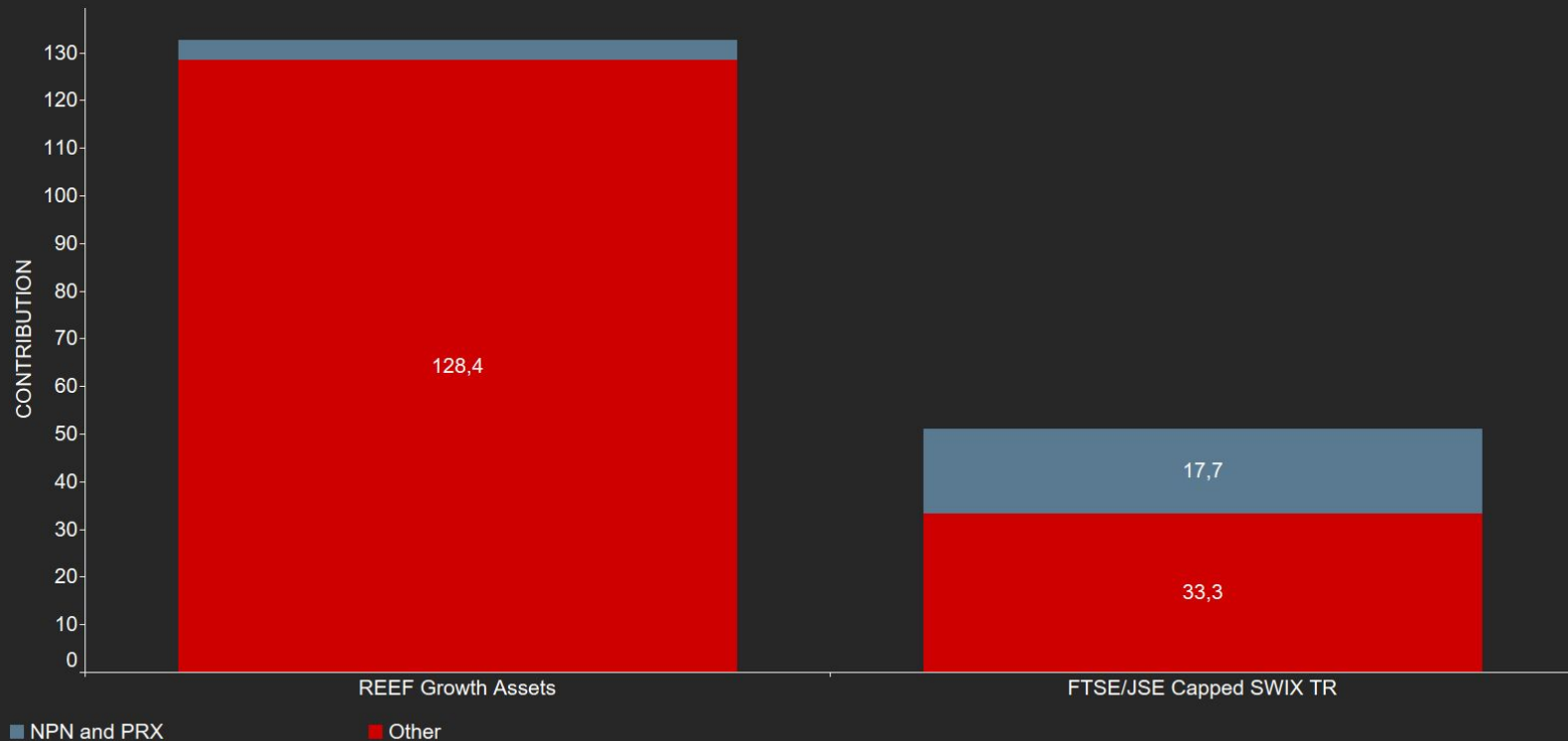
REZCO EQUITY FUND

HISTORICAL MARKET CAP EXPOSURE



Source: JTC Group/Rezco

THE FUND HAS HAD TO WORK HARD TO FIND RETURNS

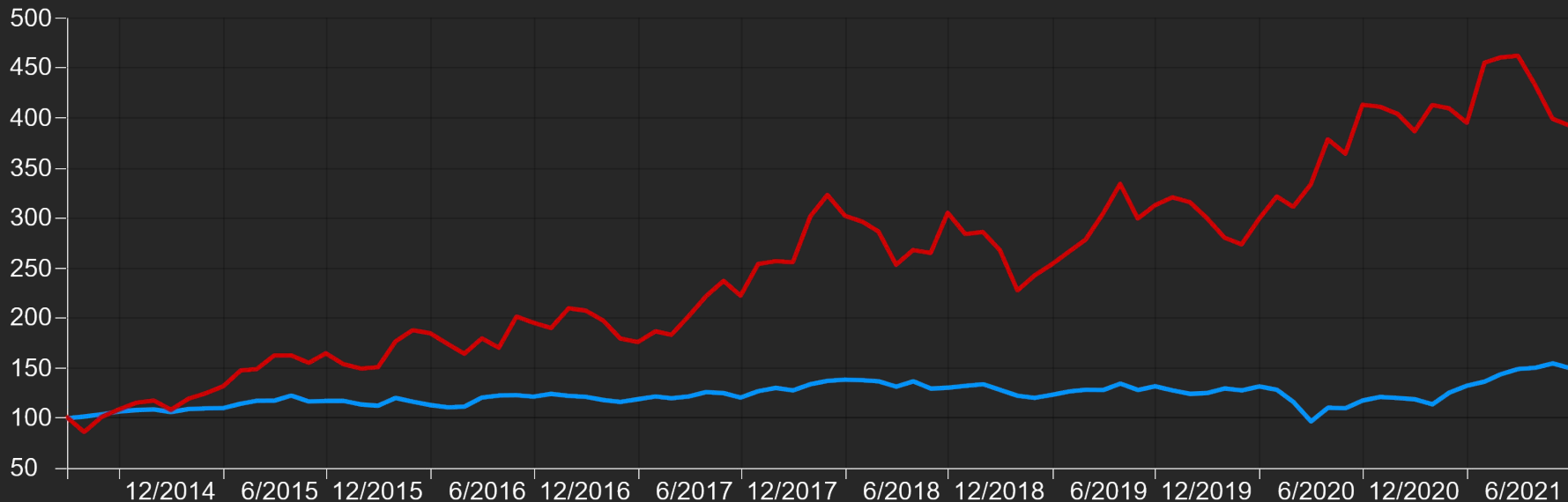


Since Common Inception (31/03/2014)

NPN VS CAPPED SWIX

Time Period: 3/31/2014 to 6/30/2021

Currency: South African Rand Source Data: Total Return



— Naspers Ltd

392.2 — FTSE/JSE Capped SWIX All Share TR ZAR

149.8

Source: Morningstar Direct

REZCO EQUITY FUND

TOP HOLDINGS OVERLAP

	Rezco Equity	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6
1	Standard Bank Group Ltd	Naspers Ltd	Naspers Ltd	Naspers Ltd	Naspers Ltd	Prudential Global Equity Fund	Discovery Ltd
2	FirstRand Ltd	British American Tobacco PLC	Anglo American PLC	BHP Billiton PLC	Anglo American PLC	Naspers Ltd	Remgro Ltd
3	Northam Platinum Ltd	Glencore PLC	Glencore PLC	Aspen Pharmacare Holdings Ltd	Impala Platinum Holdings Ltd	Anglo American PLC	Glencore PLC
4	Shoprite Holdings Ltd	Woolworths Holdings Ltd	Nedbank Group Ltd	FirstRand Ltd	FirstRand Ltd	Standard Bank Group Ltd	Anheuser-Busch INBEV
5	Nedbank Group Ltd	Standard Bank Group Ltd	Standard Bank Group Ltd	Compagnie Financiere Richemont SA	Absa Group Ltd	MTN Group Ltd	AECI Ltd
6	Sibanye Stillwater Ltd	Remgro Ltd	Momentum Metropolitan Holdings	Standard Bank Group Ltd	Sasol Ltd	British American Tobacco PLC	Imperial Holdings Ltd
7	Life Healthcare Group Holdings Ltd	Sibanye Stillwater Ltd	Impala Platinum Holdings Ltd	Anglo American PLC	MTN Group Ltd	Absa Group Ltd	Old Mutual
8	Clicks Group Ltd	FirstRand Ltd	British American Tobacco PLC	Anheuser-Busch INBEV	Capitec Bank Holdings Ltd	Sasol Ltd	JSE Ltd
9	African Rainbow Minerals Ltd	Nedbank Group Ltd	Quilter PLC	Prosus	Foschini Group Ltd	Northam Platinum Ltd	Royal Dutch Shell PLC
10	Pick N Pay Stores Ltd	Old Mutual	Exxaro Resources Ltd	Netcare Ltd	Standard Bank Group Ltd	Textainer Group Holdings Ltd	Northam Platinum Ltd

Holdings Percentage represented by

	Rezco Equity	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6
1	6.3%	9.3%	14.0%	10.5%	8.2%	13.0%	6.8%
5	27.5%	26.9%	47.8%	35.5%	25.4%	39.8%	29.0%
10	46.4%	38.4%	74.4%	53.7%	39.6%	58.7%	46.3%

Source: Rezco Asset Management/JTC Group and Managers' Fund Fact Sheets



REZCO INVESTMENT OUTLOOK

An aerial photograph of a dense forest with a winding road. A small car is visible on the road in the lower right. The image is overlaid with a dark, semi-transparent geometric shape. On the left side, there is a white curved line and a red diagonal line.

INVESTMENT OUTLOOK: SOUTH AFRICA

MSCI EMERGING MARKETS

PRICE CHANGE

Currency: USD
Updated: 26/07/2021

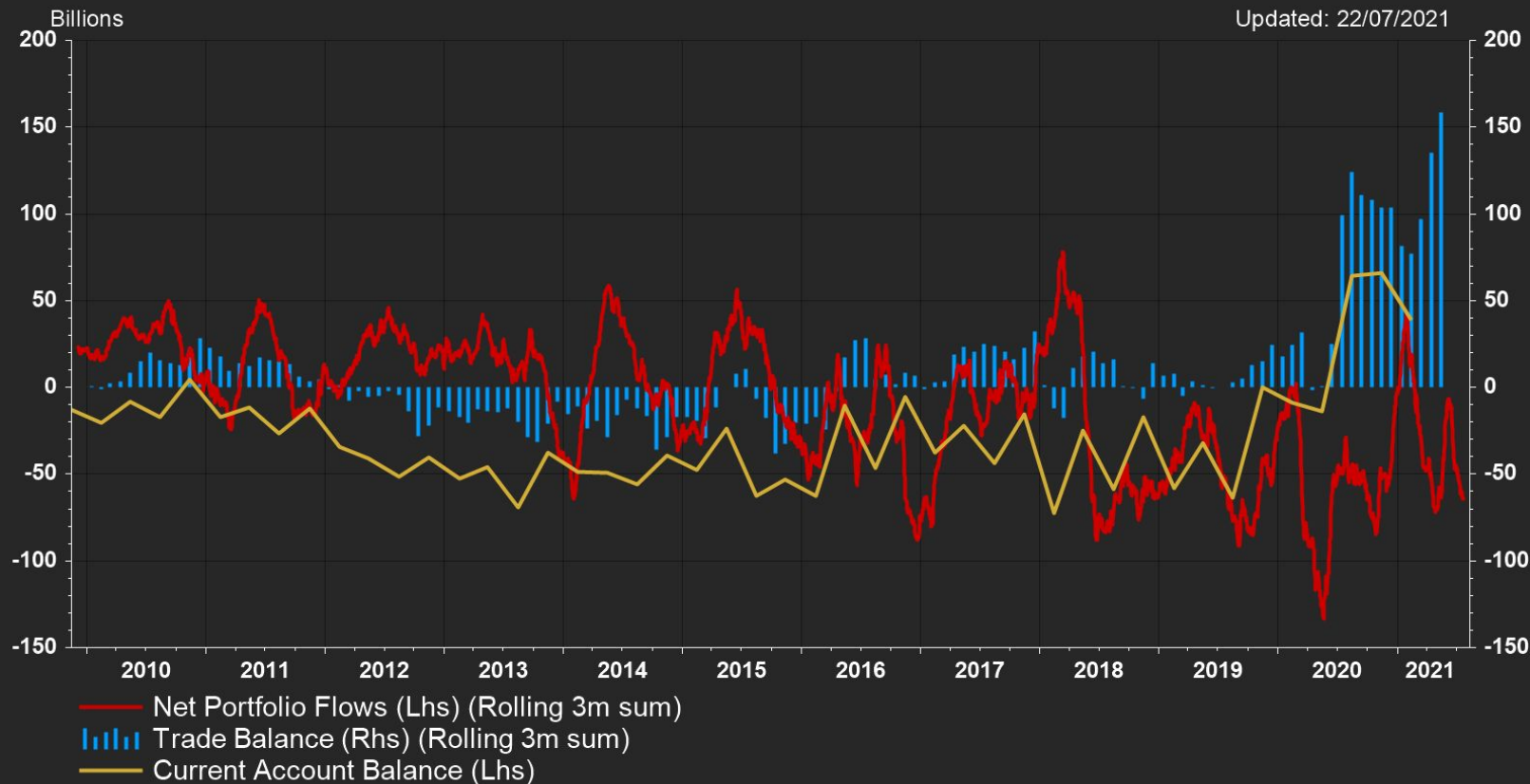


Source: Refinitiv Datastream / Rezco

SOUTH AFRICA : TRADE BALANCE

SA TRADE BALANCE

Updated: 22/07/2021



Source: Refinitiv Datastream / Rezco

NEW INFORMATION - REQUIRES A BIGGER RISK PREMIUM

DAILY MAVERICK

[HOME](#) | [SCORPIO](#) [OPINIONISTA](#) [ZAPIRO](#) [SECTIONS](#) [DECLASSIFIED UK](#) [DONATE](#) [NEWSLETTER](#) 

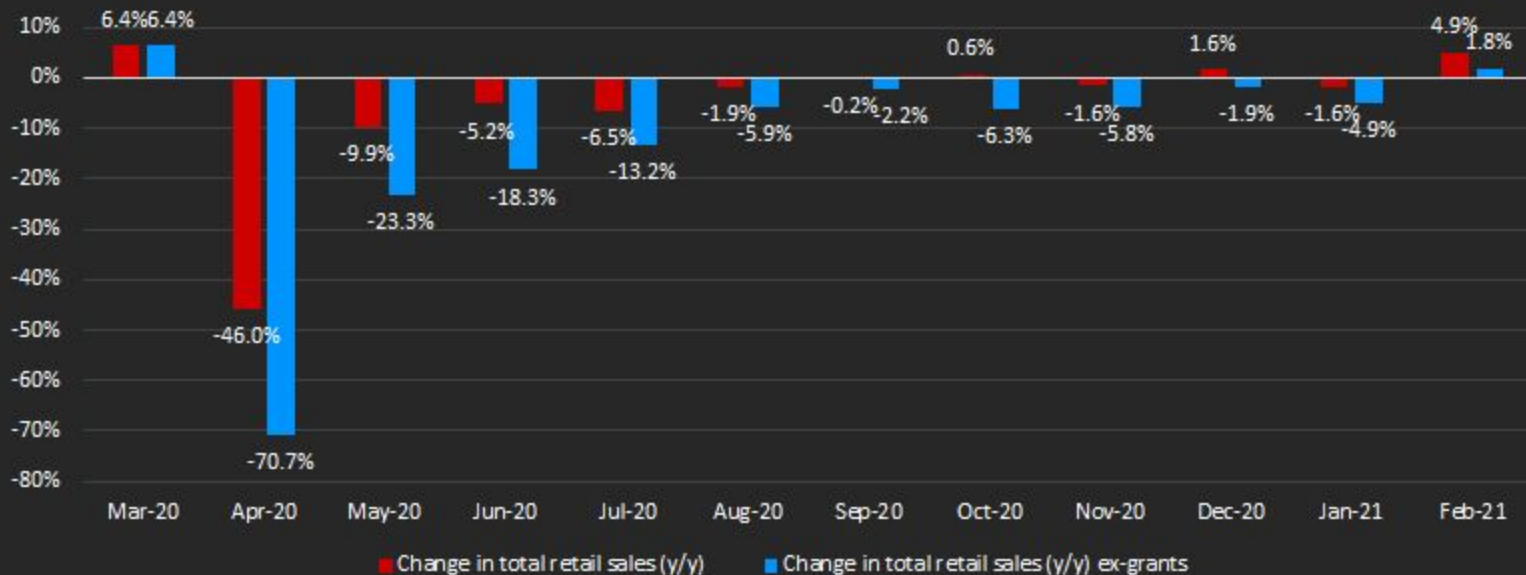
Opinionista • Tshilidzi Marwala • 26 July 2021

Seismic shock: Insurrection or coup d'état, that is the counter-revolutionary question

LIVING ON GRANTS

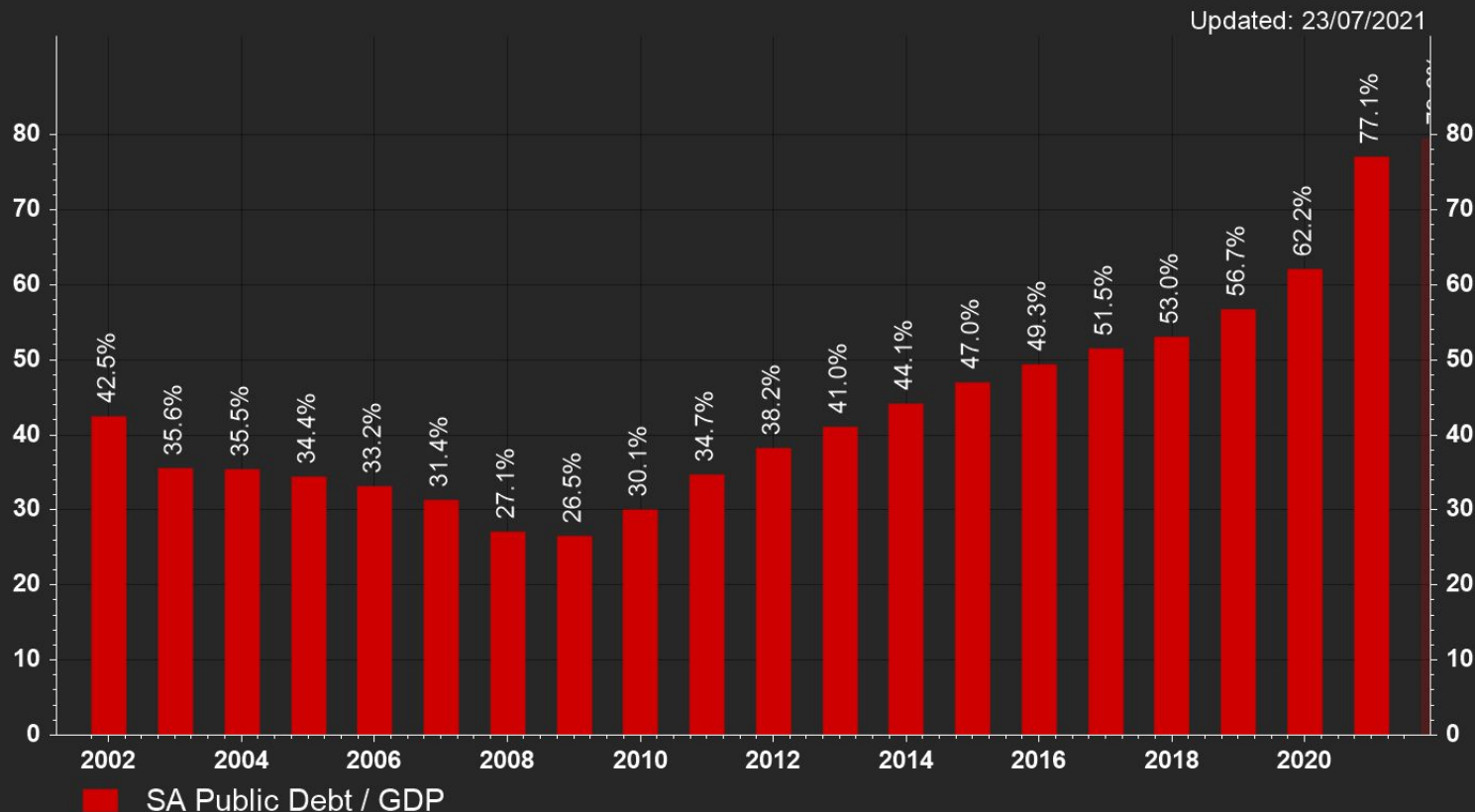
ALL CHANGED NOW

Change in Retail Sales with and without Additional COVID Grants



SOUTH AFRICA : DEBT TO GDP - MORE GRANTS??

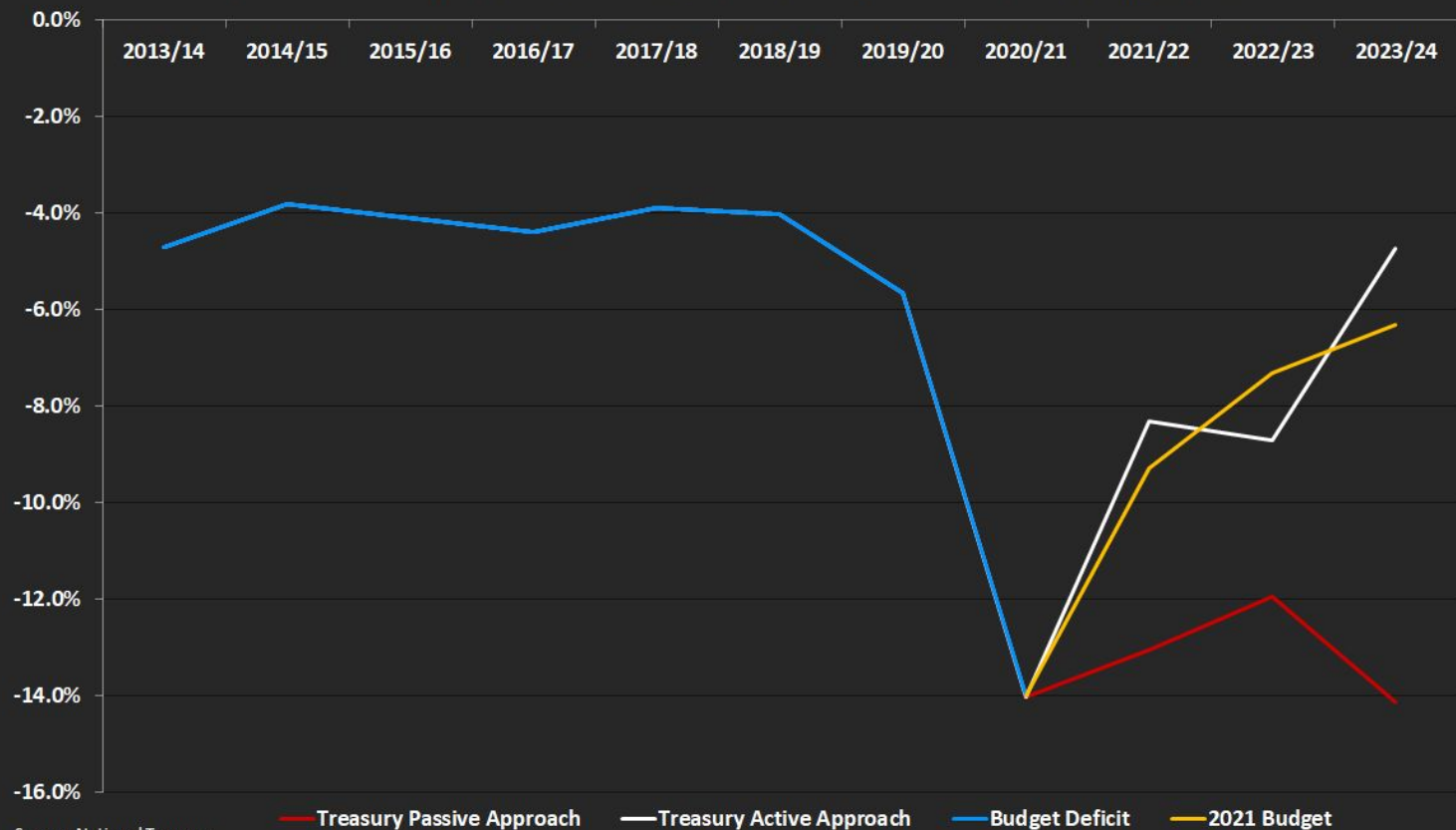
SA PUBLIC DEBT



Source: Refinitiv Datastream / Rezco

SOUTH AFRICA : BUDGET DEFICIT

South Africa Budget Deficit as a % of GDP: Treasury's Active vs Passive Approaches

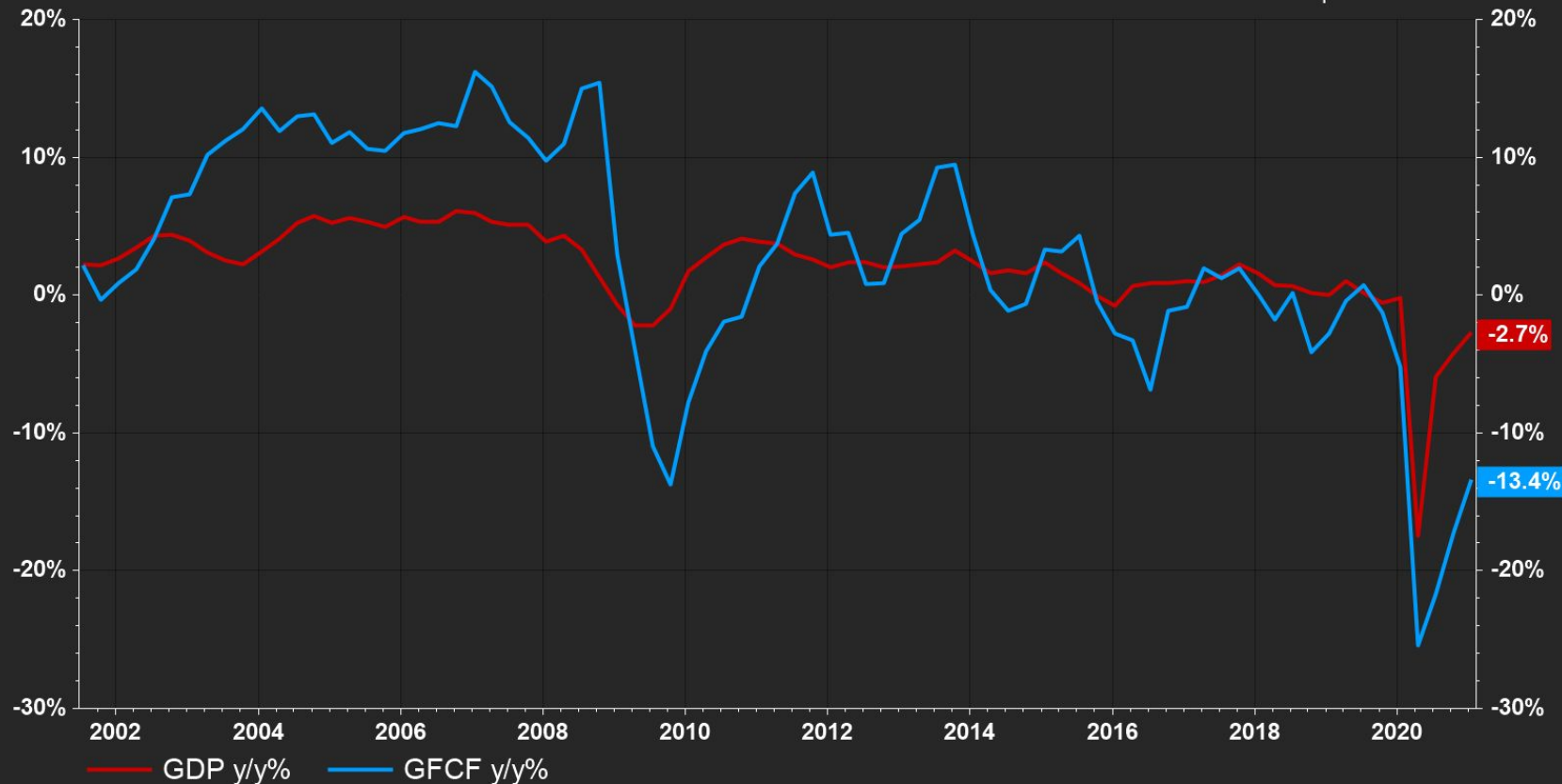


Source: National Treasury

SOUTH AFRICA : NO INVESTMENT

SOUTH AFRICAN ECONOMY

Updated: Q1 21



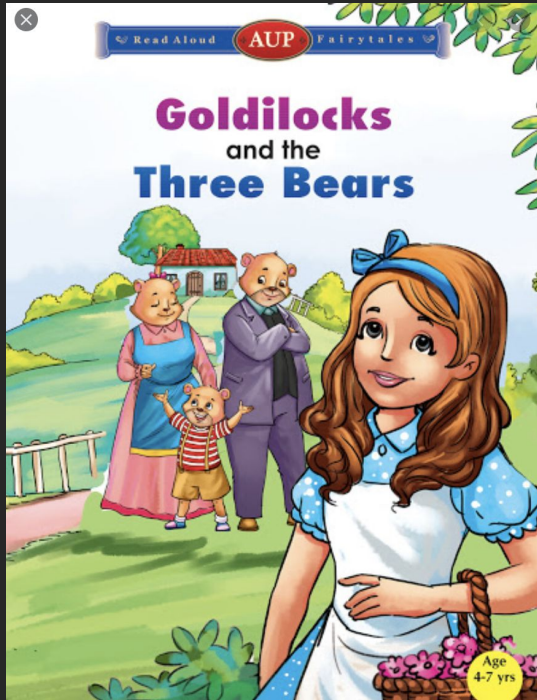


REZCO GLOBAL INVESTMENT OUTLOOK

WHY WOULD SURGING INFLATION BE A PROBLEM?

- SURGING INFLATION MEANS NO QE
- FISCAL TIGHTENING AND HIGHER INTEREST RATES
- MARKET IS POSITIONED COMPLETELY OPPOSITE
- DANGERS OF A BIG EQUITY DRAWDOWN

JAMIE DIMON'S THREE OPTIONS



EL-ERIAN'S TWO OPTIONS



LARRY SUMMERS 17 JULY 2021



Lawrence H. Summers ✓ @LHSummers · Jul 17



Time to worry about inflation? My interview this morning with @CNN
[@smerconish](#)



Former Treasury secretary breaks down rising inflation - CNN Video
Consumer prices are up 5.4% in the past year. Gas is up 45%. Former Treasury Sec. Lawrence Summers says that while the Fed shouldn't ...
[cnn.com](#)



11



17



29





WHAT HAS HAPPENED ON THE INFLATION FRONT?

INFLATION HAS APPEARED

US CORE CONSUMER PRICE INFLATION

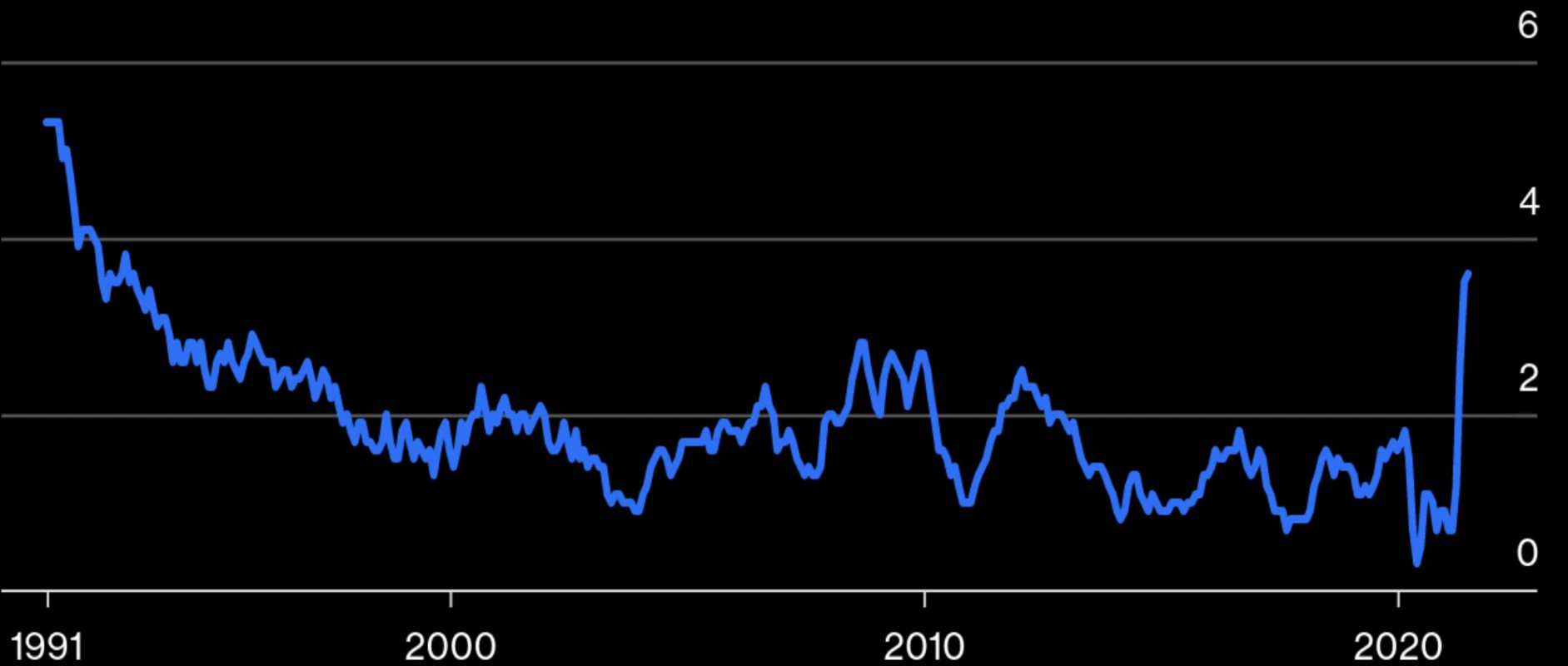
Updated: Jun 21



Source: Refinitiv Datastream / Rezco

US CPI All Items Less Food Shelter Energy & Used Cars & Trucks SA

Even if all "transitory" items are excluded, inflation is the highest since 1993



THE FED HAVE BEEN SURPRISED!

JEROME POWELL : FED CHAIRMAN - CONGRESSIONAL TESTIMONY JULY 2021

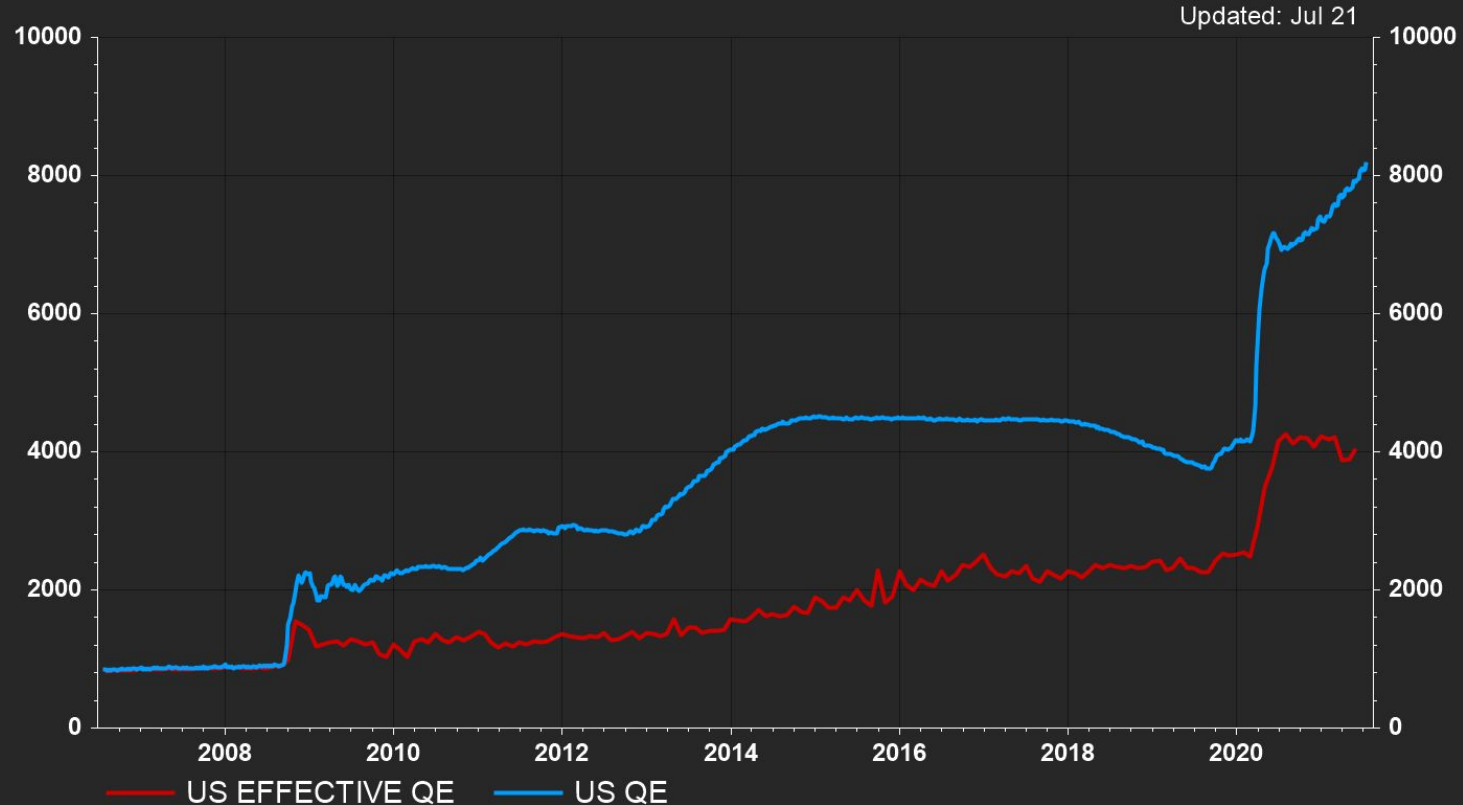
“The challenge we are confronting is how to react to this inflation which is larger than we had expected, or that anyone had expected. And to the extent it is temporary, then it wouldn't be appropriate to react to it, but to the extent it gets longer and longer then we will have to continue to reevaluate the risks that would affect inflation expectations and be of a longer duration and that's what we're monitoring.”



**THE FED HAVE BEEN SURPRISED
BUT HAVE CONTINUED MAXIMUM
MONETARY STIMULUS**

MAXIMUM MONETARY STIMULUS QE AND ZERO % RATES

US QE, EFFECTIVE VS ACTUAL, USDbn



Source: Refinitiv Datastream / Rezco

FISCAL STIMULUS : BIDEN AND THE DEMS WANT TO DO MORE



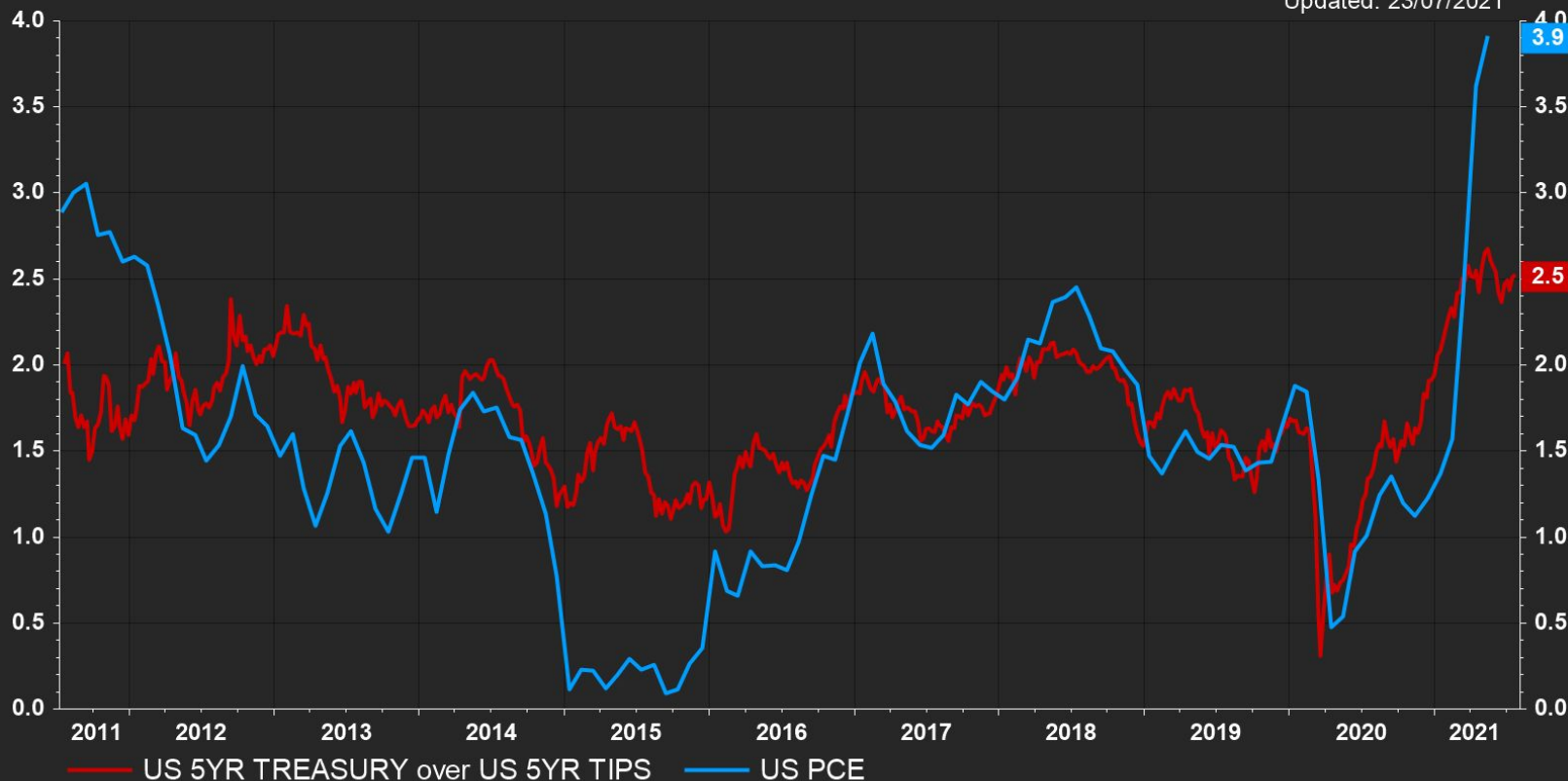


**THE FED ARE NOW BETTING THE HOUSE ON
EXPECTATIONS STAYING ANCHORED**

BREAKEVEN INFLATION RATES

US INFLATION EXPECTATIONS vs PCE INFLATION LONG TERM

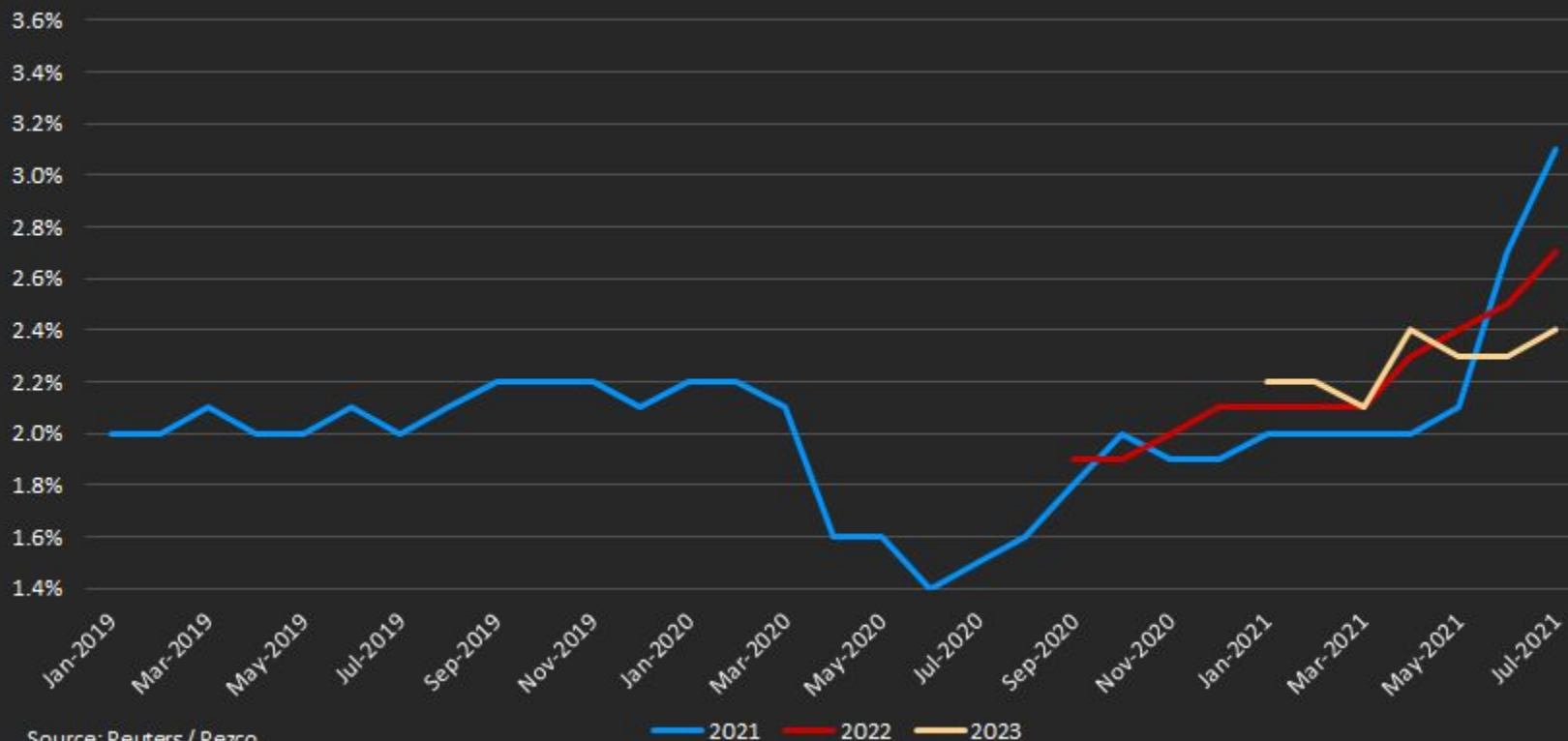
Updated: 23/07/2021



Source: Refinitiv Datastream / Rezco

EXPECTATIONS : PROFESSIONAL FORECASTERS

US CORE CPI - PROFESSIONAL FORECASTS REVISION (REUTERS POLL)



US INFLATION EXPECTATIONS - CONSUMER SURVEY

US INFLATION EXPECTATIONS



Source: Refinitiv Datastream / NY FED Survey

COST PRESSURE

CFO JOURNAL

Whirlpool Considering More Price Increases if Inflation Exceeds Forecasts

The appliance maker in the spring started raising prices by 5% to 12% to offset higher raw material prices

RESTAURANTS

Chipotle hikes prices to cover the cost of raising wages

PUBLISHED TUE, JUN 8 2021 3:26 PM EDT | UPDATED TUE, JUN 8 2021 3:55 PM EDT



Amelia Lucas
@THXAMELIA

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KEY POINTS

- Chipotle Mexican Grill has hiked menu prices by roughly 4% to cover the cost of raising its workers' wages.

ENJOY
A TASTE OF

FOOD & BEVERAGE

Coca-Cola CEO says company will raise prices to offset higher commodity costs

PUBLISHED MON, APR 19 2021 11:15 AM EDT | UPDATED TUE, APR 20 2021 8:11 PM EDT

BUSINESS | EARNINGS

Kimberly-Clark Plans Higher Prices Through Next Year

Company's results fall short of expectations due to higher costs and shrinking demand for toilet paper, other pandemic staples



FINANCIAL TIMES

LD US COMPANIES TECH MARKETS CLIMATE OPINION WORK & CAREERS LIFE & ARTS HOW TO SPEND IT

Unilever PLC

Ben & Jerry's gives Unilever an ice cream headache



Israel warns Unilever over Ben & Jerry's ice cream boycott



Graduate jobs after the pandemic: 'I'm only an email address to my team'

Unilever PLC [+ Add to myFT](#)

Unilever faces biggest cost rises in a decade, warns chief executive

Consumer goods group's margins squeezed by surging commodity, packaging and transport prices

CONSUMERS & BUSINESS WILLING TO PAY MORE

BUSINESS | EARNINGS

General Mills Warns of Inflation, Readies for Shifting Consumer Behavior

Maker of Cheerios raises prices to offset higher costs



THE WALL STREET JOURNAL.

How Much More Will Your Oreos Cost? Companies Test Price Increases

A test will come later this year when buyers will have to choose whether or not to absorb additional increases

HOME > RETAIL

Taco Bell, McDonald's, and Dunkin' are raising prices. Here's how much more you're paying for coffee and food.

Mary Meisenzahl Jul 15, 2021, 7:18 PM



KEY POINTS

- “We are seeing very substantial inflation,” Warren Buffett said at the conglomerate’s annual shareholder meeting Saturday. “We are raising prices. People are raising prices to us and it’s being accepted.”

BOTTLENECKS TO SUPPLY WHILE DEMAND INCREASES

Bloomberg

Business

Out-of-Control Shipping Costs Fire Up Prices From Coffee to Toys

By [Alex Longley](#), [Catherine Bosley](#), and [Deirdre Hipwell](#)

13 June 2021, 01:01 GMT+2

- ▶ Zero slack in shipping system to keep freight prices into 2022
- ▶ Economists weigh inflation risk of long period of costly rates



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Intel CEO Says Chip Shortage Could Stretch Into 2023

It could take one or two years to get back to a reasonable supply-and-demand balance in the semiconductor industry, Pat Gelsinger said in an interview after Intel posted largely flat second-quarter sales and profit.

51 5 min read

Bloomberg

Business

Inflation Being Here to Stay Has PPG Preparing More Price Hikes

By [Craig Trudell](#) and [Kati Pohjanpalo](#)

10 July 2021, 08:00 GMT+2

- ▶ Paint and coatings giant considering third round of increases
- ▶ CEO says remote work means inflation won't be transitory

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Television

RETAILERS ACCEPTING PRICE INCREASES

4 FEB 2020

30 APRIL 2020

BUSINESS

Clorox Punished for Raising Glad Brand Prices

Retailers responded by cutting back on shelf space, reducing sales for household unit



The pushback on Glad price increases was more than Clorox had expected, the company said.

PHOTO: DANIEL ACKER/BLOOMBERG NEWS

By [Sharon Terlep](#)

Updated Feb. 4, 2020 5:22 pm ET

The Company & its Products ▾ | Bloomberg Terminal Demo Request | [Bloomberg Anywhere Login](#) | [Customer Support](#)

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Photographer: Daniel Acker

Checkout

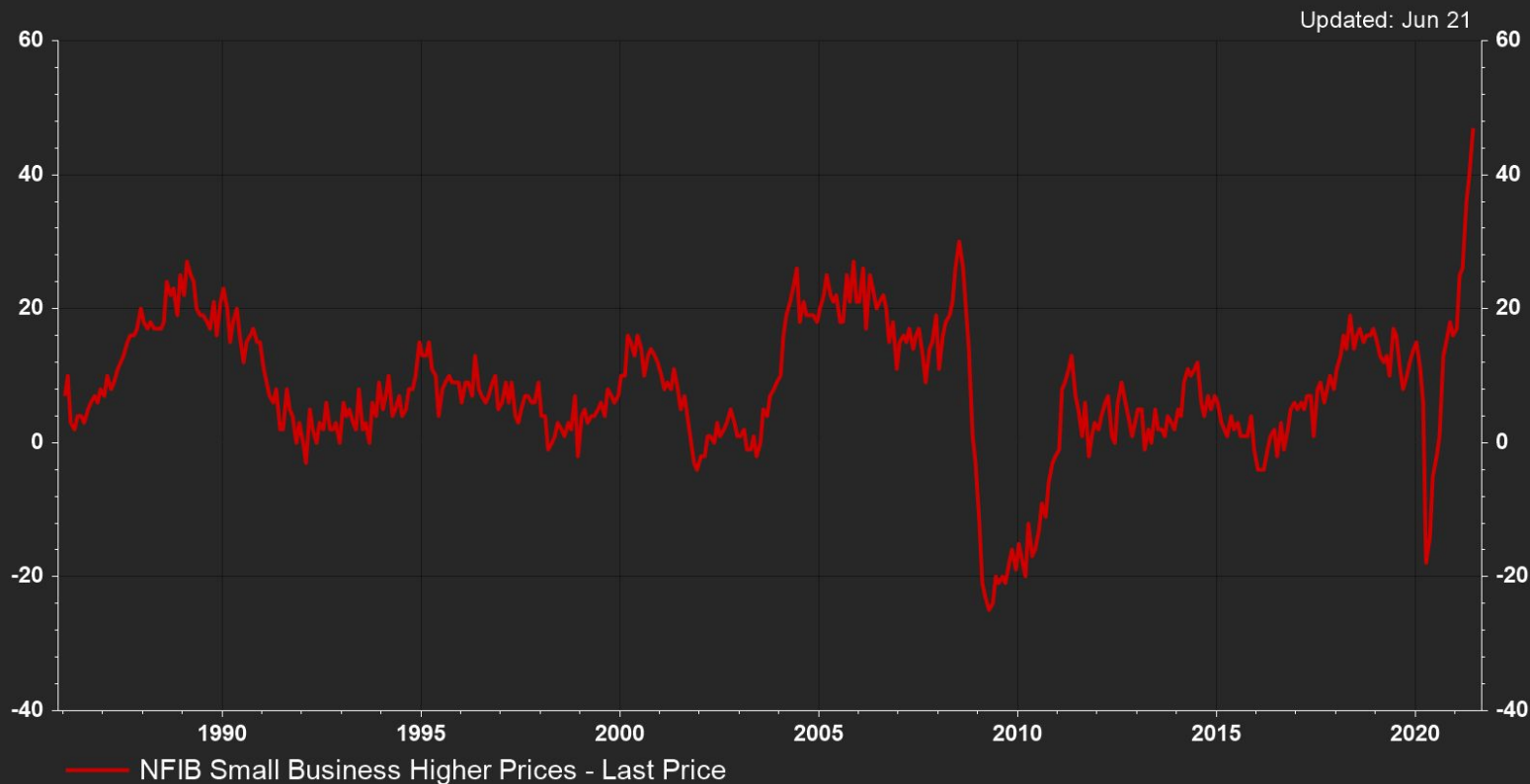
Clorox Plans Price Hike for Glad Products, and More May Follow

By Gerald Porter Jr.

30 April 2021, 21:03 GMT+2

SMALL BUSINESS IS SEEING INFLATION

NFIB SURVEY: SMALL BUSINESS HIGHER PRICES - LAST PRICE



Source: Refinitiv Datastream / Rezco

Fed's Powell uses lumber prices to explain inflation path

Lumber prices have plunged 40% since May 7

“Our expectation is that these high-inflation readings that we are seeing now will start to abate. And it’ll be like the lumber experience,” Powell told reporters on Wednesday. “Prices that have moved up really quickly because of the shortages and bottlenecks and the like, they should stop going up. And at some point, they, in some cases, should actually go down. And we did see that in the case of lumber.”

[MARKETS](#) | [COMMODITIES](#)

Lumber Prices Are Way Down—but Don't Expect New Houses to Cost Less

Futures prices have dropped by about two-thirds since May, helping builders and do-it-yourselfers

SHARE



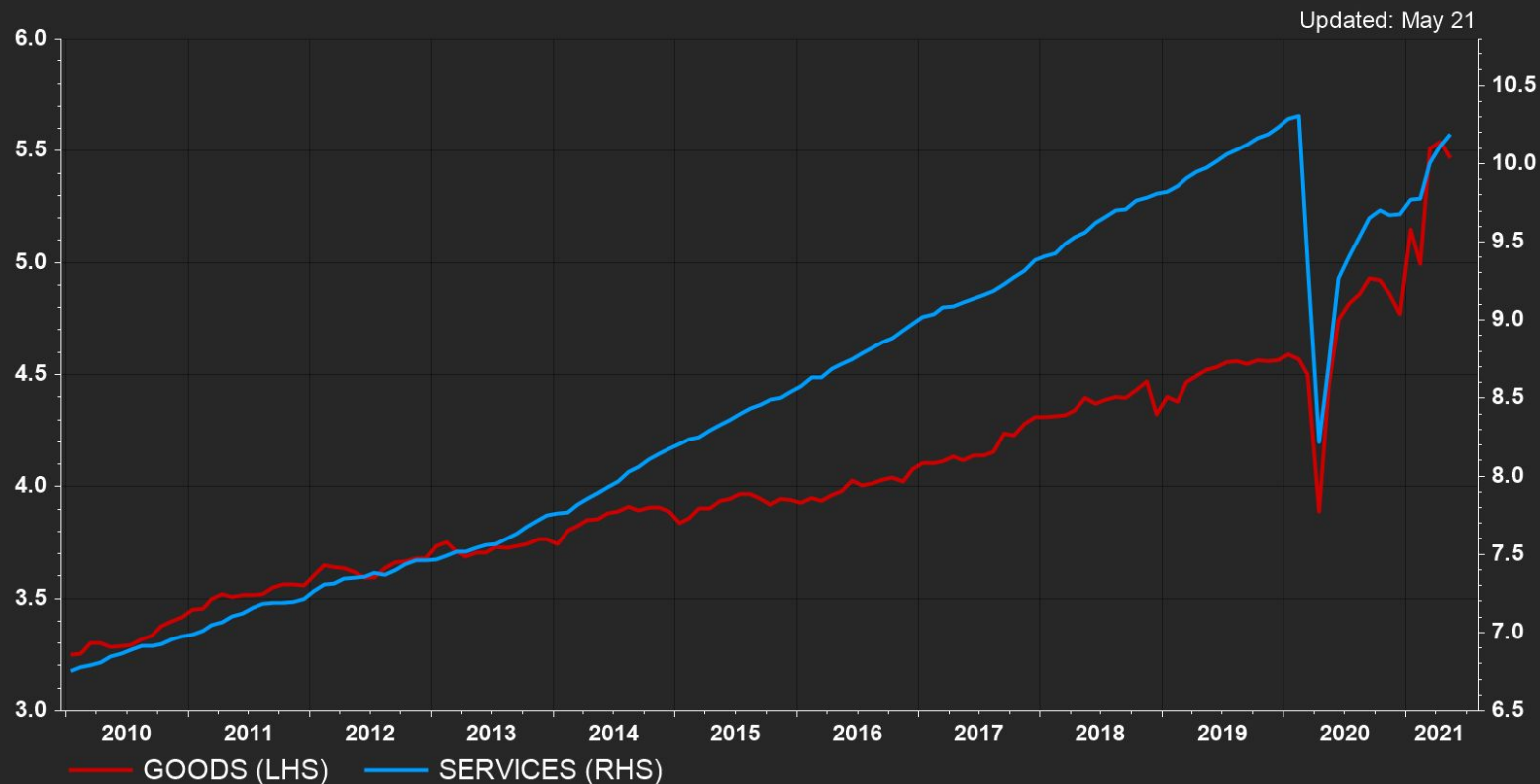
Wood prices have returned to levels resembling those before lockdowns cut supplies and boosted demand. A contractor works on a home in South Carolina in early July.



**DEMAND > SUPPLY
DRIVING INFLATION!**

EXTRA \$ 1 TRILLION OF SPENDING ON GOODS

PERSONAL SPENDING: GOODS VS SERVICES USDT_{trn}

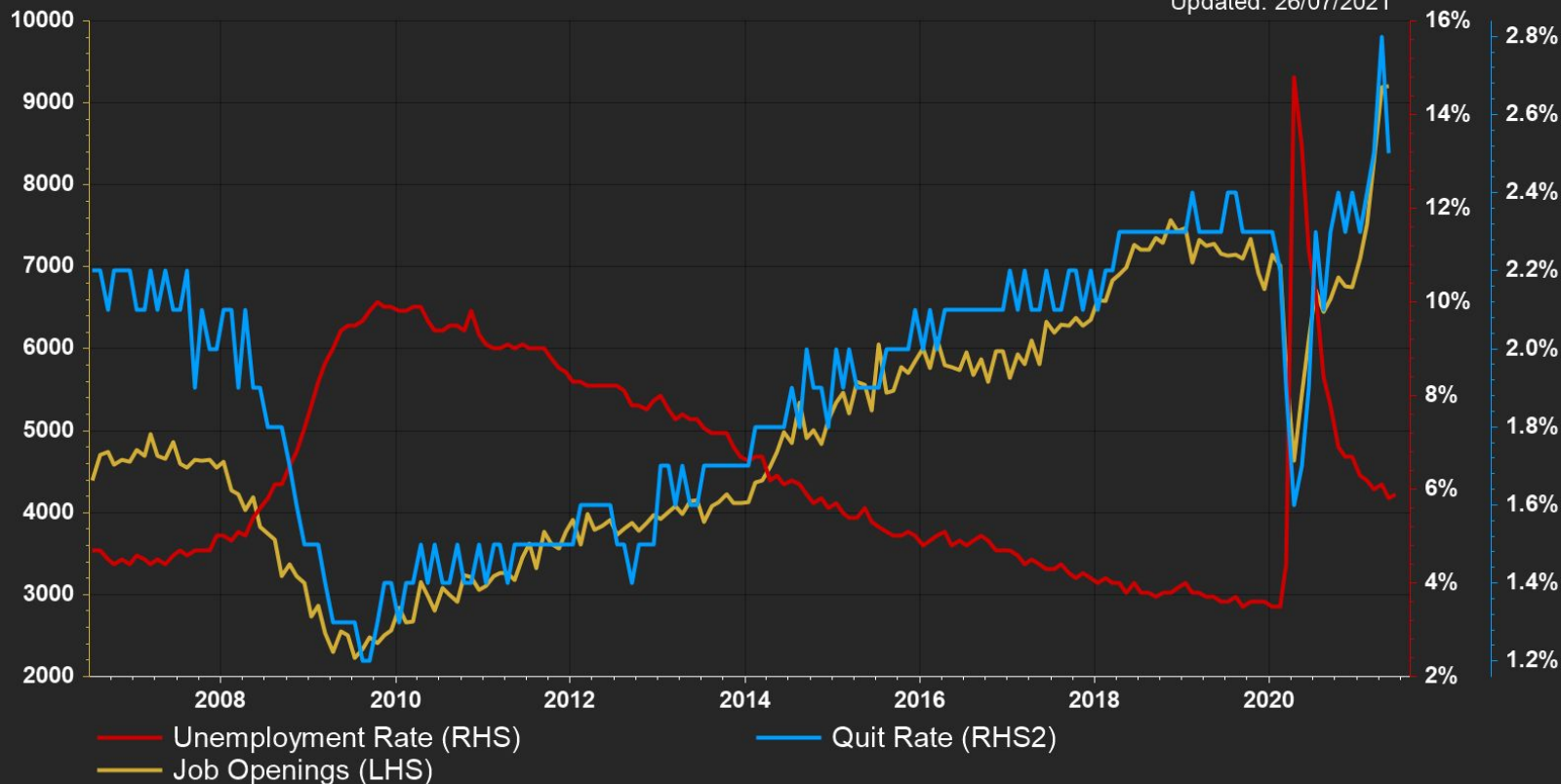


Source: Refinitiv Datastream / Rezco

DEMAND FOR LABOUR > THAN SUPPLY

US Job Market

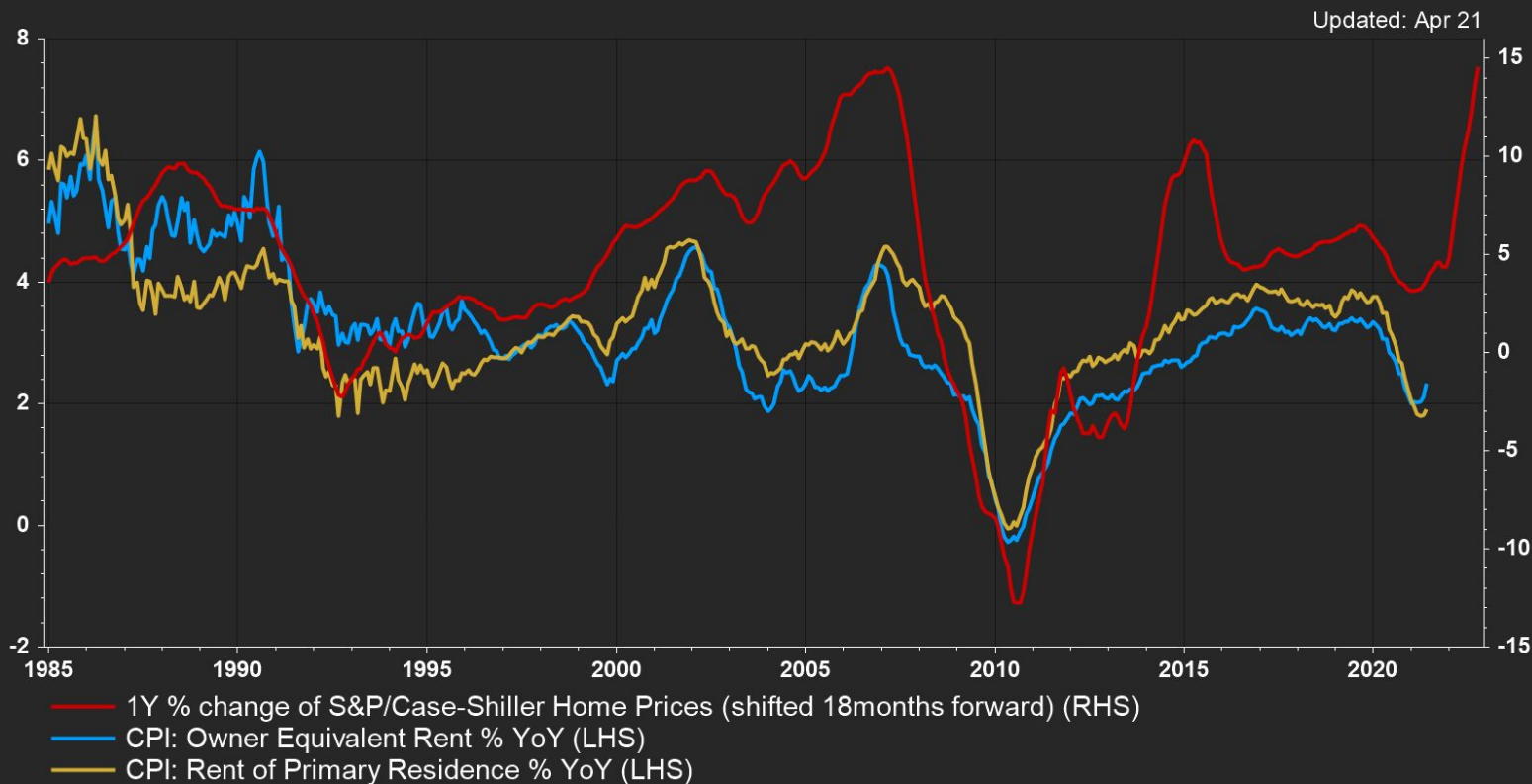
Updated: 26/07/2021



Source: Refinitiv Datastream / Rezco

THERE HAVE BEEN TRANSITORY ITEMS BUT SHELTER IS 40% OF CORE CPI AND IS STILL TO COME

US HOUSE PRICES vs RENT INFLATION

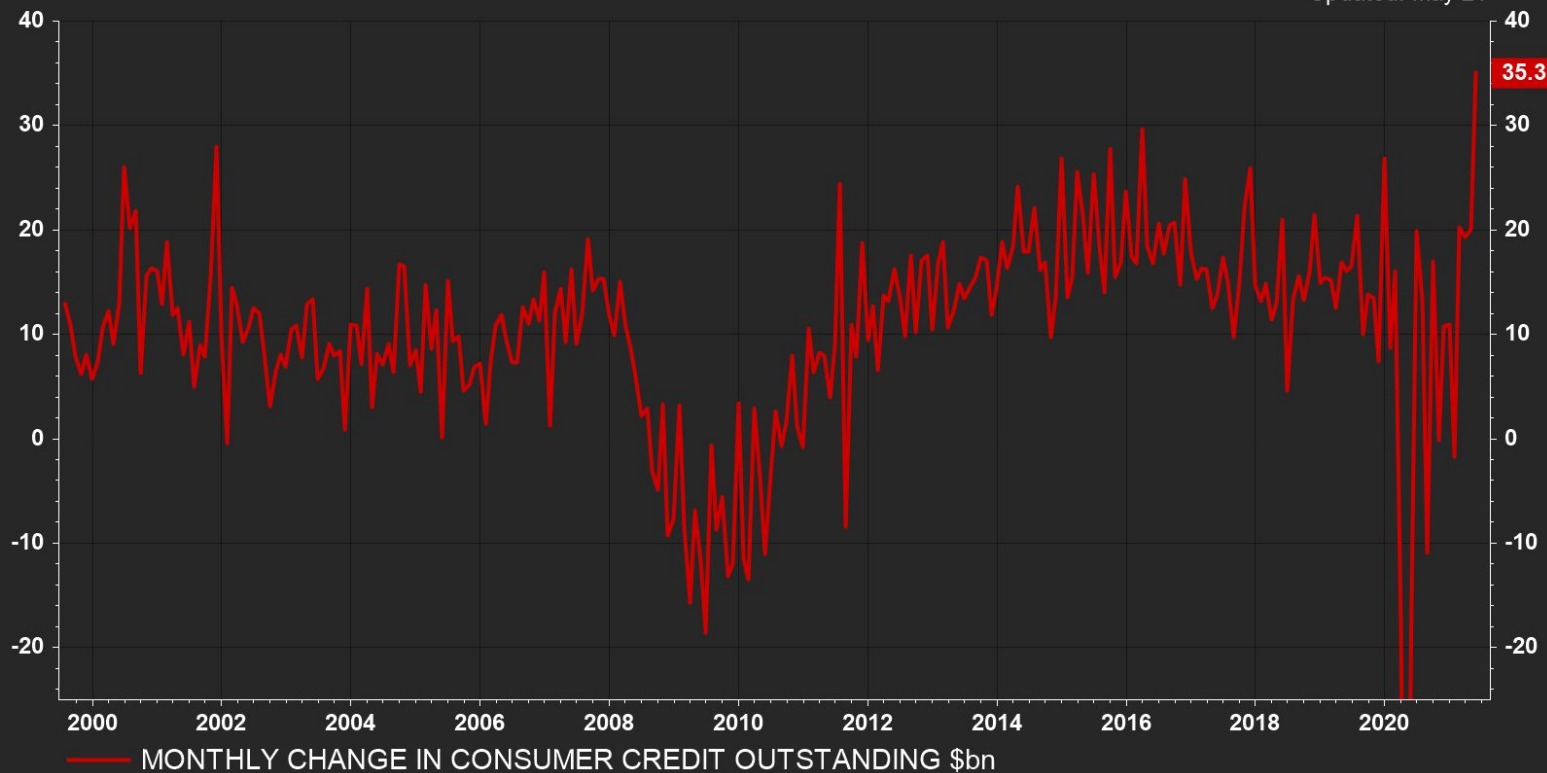


Source: Refinitiv Datastream / Rezco

VELOCITY OF MONEY IS NOW PICKING UP

US CONSUMER CREDIT

Updated: May 21

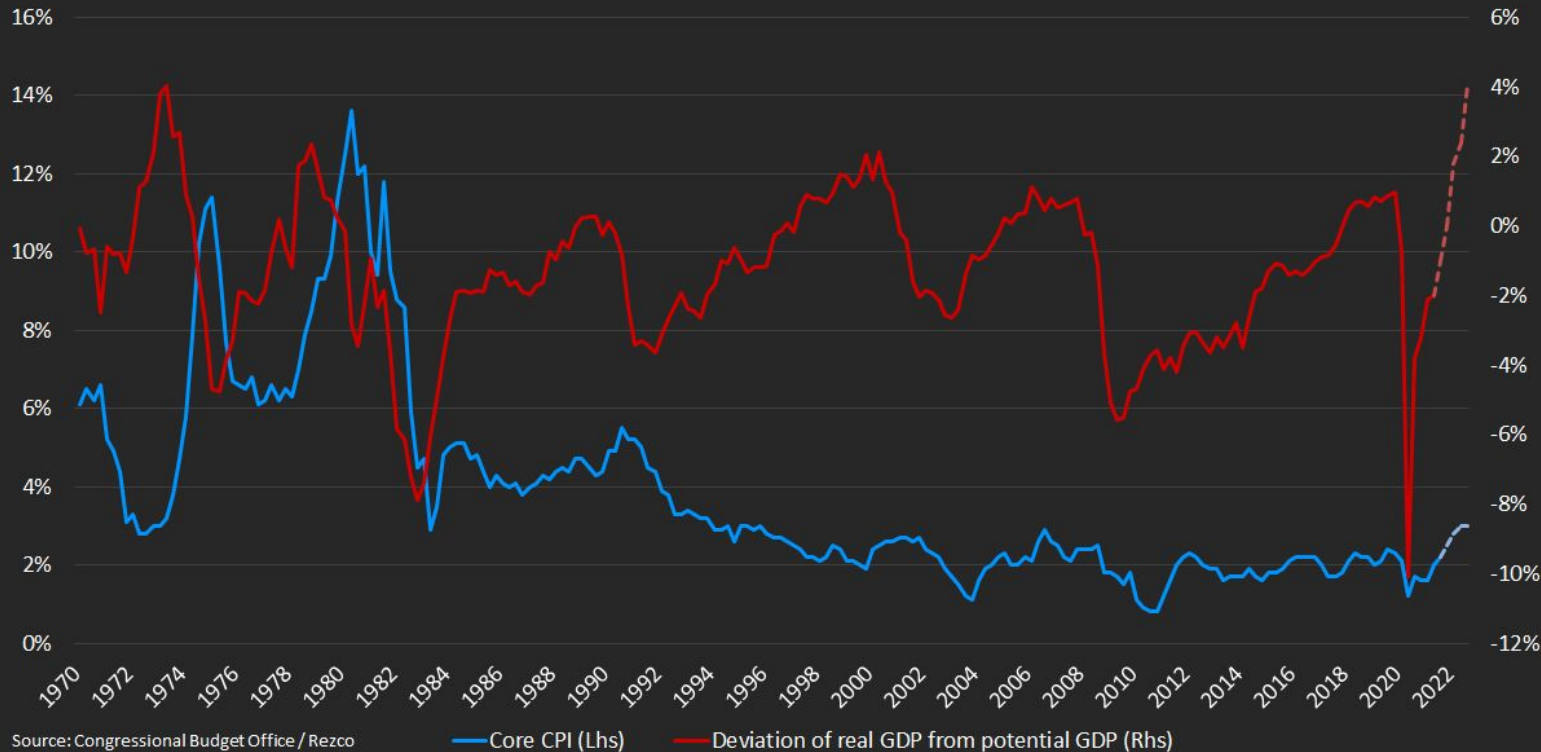


Source: Refinitiv Datastream / Rezco

US OUTPUT GAP VS CPI

(FEELS LIKE THE 1970's)

US CORE CPI AND ACTUAL GDP DEVIATION VS POTENTIAL GDP

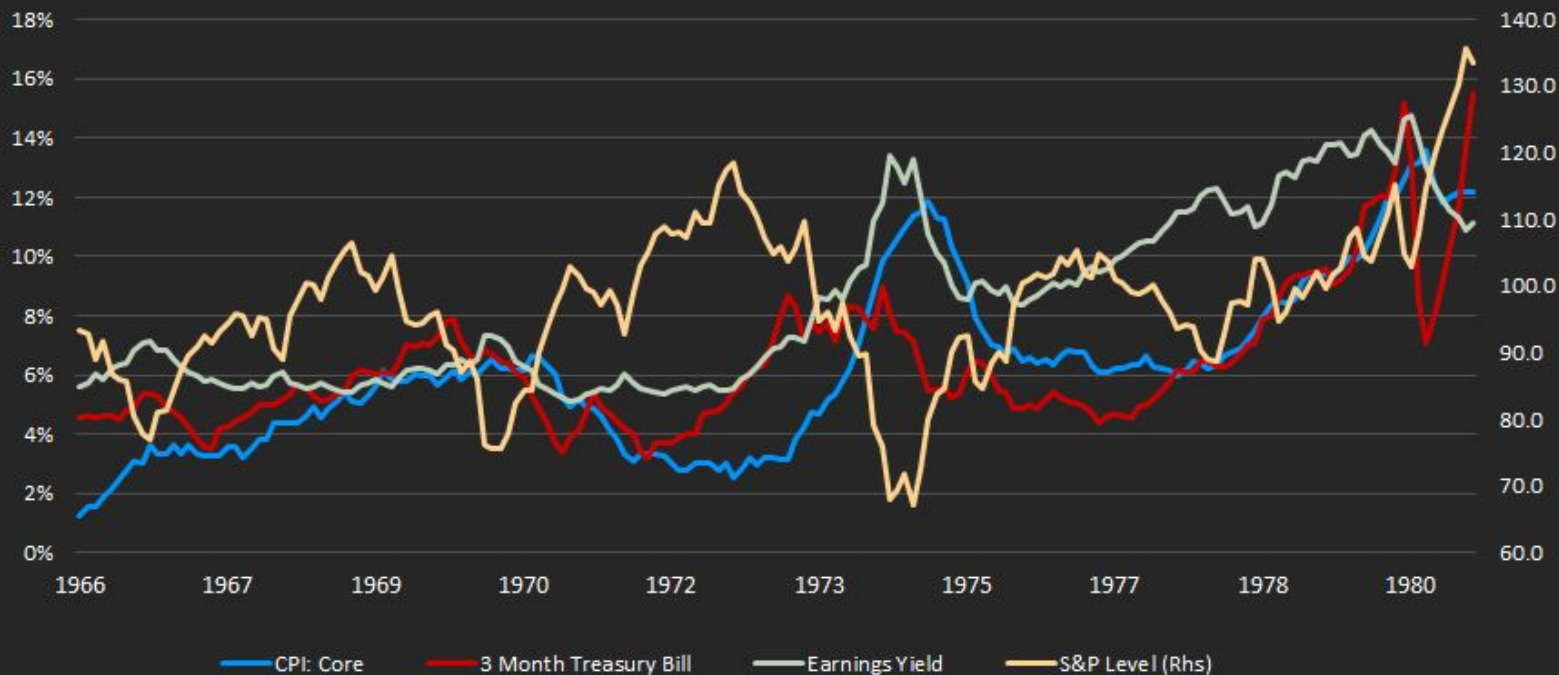




**WHAT HAPPENED LAST TIME
THERE WAS INFLATION**

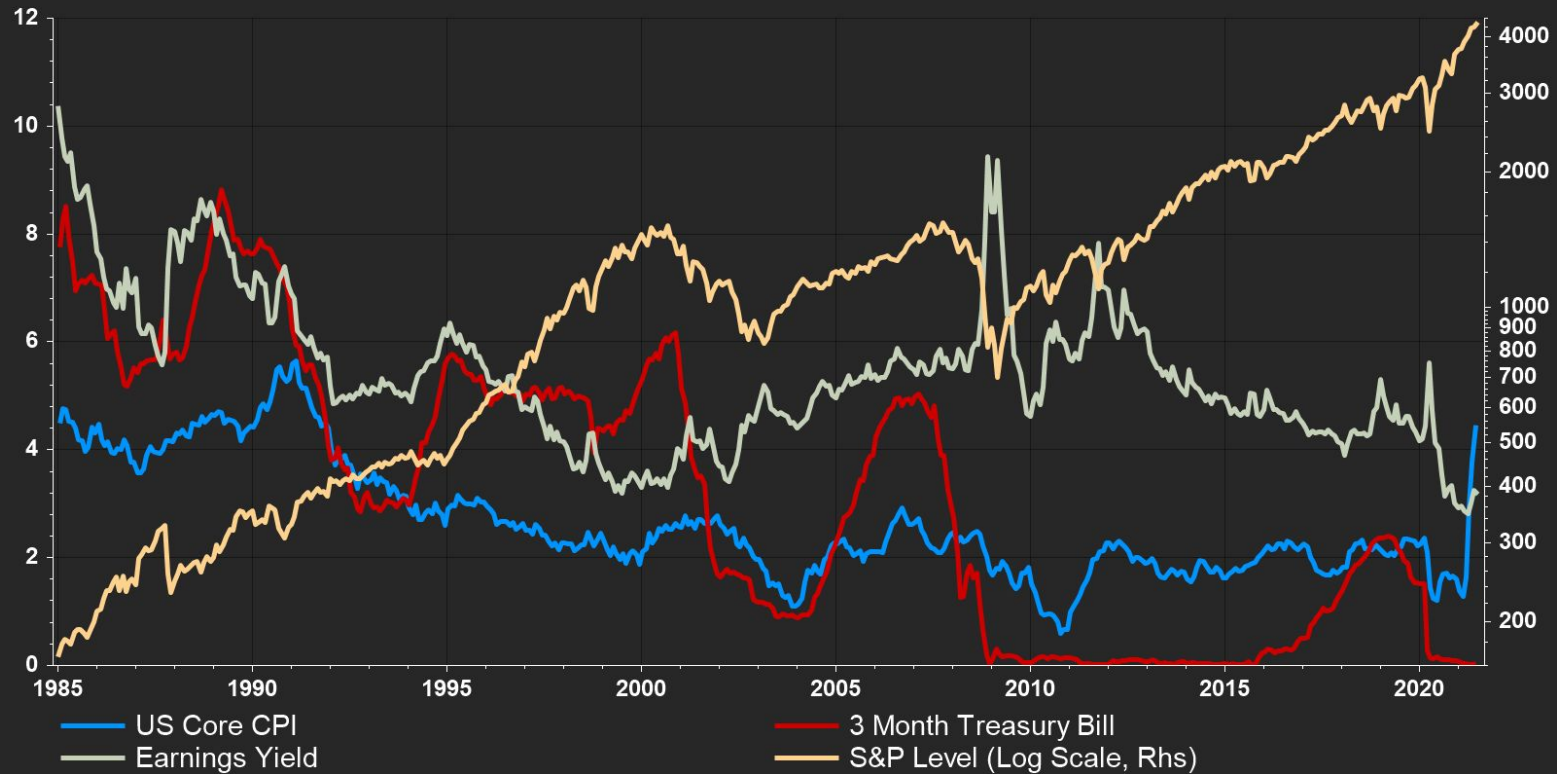
INFLATION LAST TIME AROUND : NOT MUCH FUN FOR EQUITIES

Inflation, T-Bill, Earnings Yield & Market: 1966-1980



Source: Prof. R. Shiller / Rezco

Inflation, T-Bill, EY & Market: 1985-Present



Source: Refinitiv Datastream / Rezco

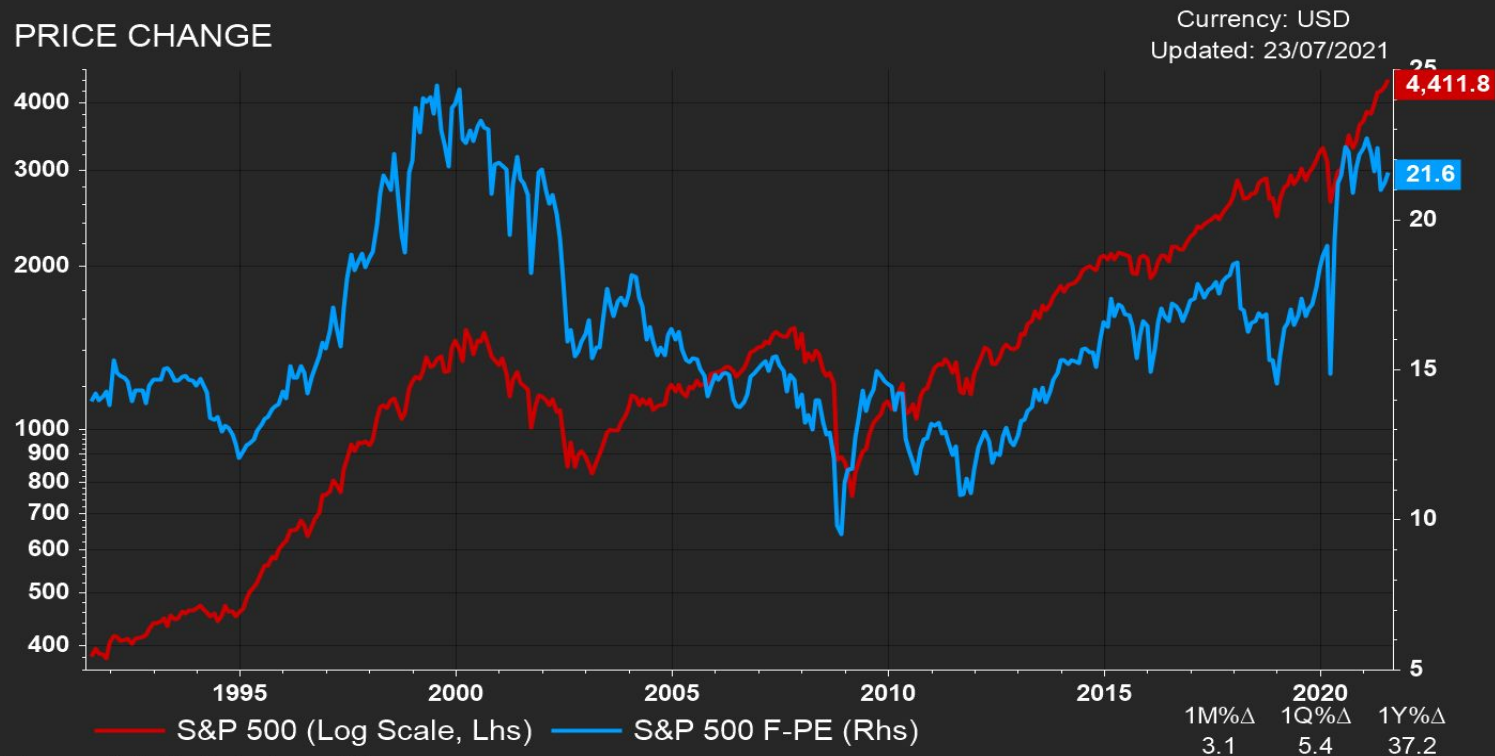


LONG TERM PICTURE: WHAT CAN GO WRONG?

EXPENSIVE MARKETS - A LOT CAN GO WRONG

S&P 500

PRICE CHANGE



Source: Refinitiv Datastream / Rezco

USA EX TECH

EV/EBITDA (Includes Debt)

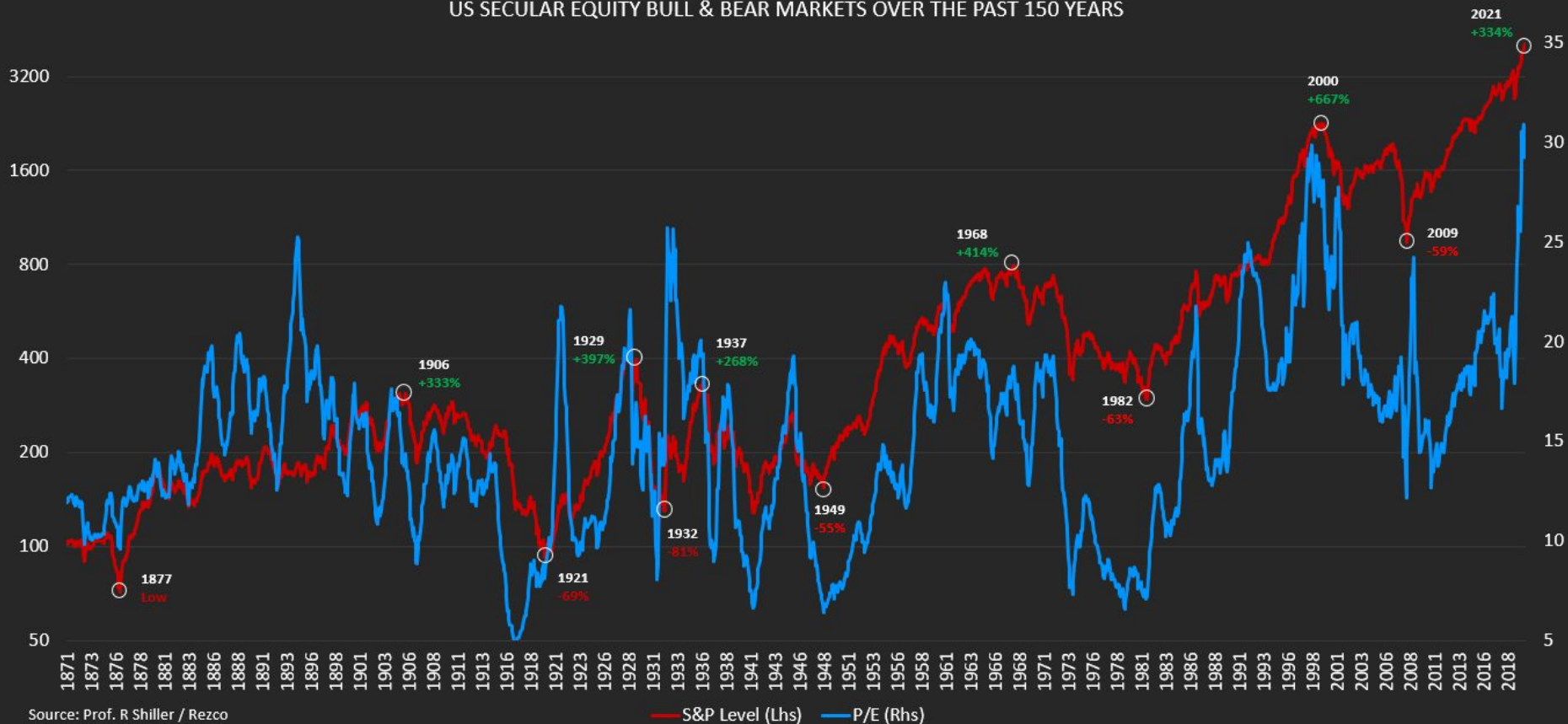
F-PE vs FWD EV/EBITDA



Source: Refinitiv Datastream / Rezco

LONG TERM MARKET LEVELS RELATIVE TO EARNINGS

US SECULAR EQUITY BULL & BEAR MARKETS OVER THE PAST 150 YEARS



TIMING THE MARKET VS MANAGING RISK

Year of market peak	P/E at market peak	25 year moving average P/E at market peak	P/E vs 25 year MA P/E	Drawdown to trough	Years taken to reach prior market peak	Year at which prior market peak was reached
1906	14.3x	16.1x	0.89x	-69%	22	1928
1929	21.6x	12.3x	1.75x	-81%	29	1958
1937	19.4x	13.4x	1.45x	-55%	17	1954
1968	18.8x	14.4x	1.31x	-63%	24	1992
2000	28.1x	15.6x	1.80x	-59%	15	2015
2007	17.5x	18.5x	0.95x	-52%	6	2013
2021	31.1x	19.9x	1.56x			

Source: Prof. R Shiller / Rezco



DON'T IGNORE THE RISK

**SOME LEADING THINKERS ARE SEEING INCREASED RISKS
OF A MARKET DISLOCATION.**

**IF INVESTORS FEEL THAT THERE IS A NON-NEGLIGIBLE
PROBABILITY OF THIS HAPPENING:**

Take some risk off the table

Find the opportunities that are there

Choose funds with a low correlation to each other

THANK YOU