

### **REZCO WEBINAR MAY 2020**

ROB SPANJAARD | CIO SIMON SYLVESTER | CO-PM BRIAN DU PLESSIS | HEAD OF MARKETING

### **REZCO FUNDS**

### FOCUSED INVESTOR OFFERING

		Rezco Global Flexible Feeder Fund	Rezco Global Flexible Fund
(UCITS)		ZAR	USD
			_
LONG-TERM GROWTH (RSA EQUITY ONLY)			Rezco Equity Fund
MUI TI-ASSET HIGH		Rezco Managed	
MULTI-ASSET HIGH		Plus Fund	
MULTI-ASSET HIGH EQUITY	Rezco Value Trend Fund		
		Plus Fund	
	Trend Fund	Plus Fund	



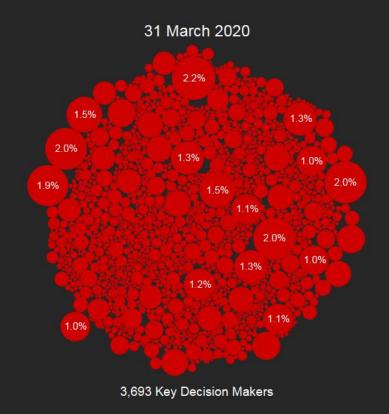
## **QUARTILE RANKING**

FUND	1 YEAR (Ann.)	3 YEAR (Ann.)	5 YEAR (Ann.)	10 YEAR (Ann.)
STABLE	1	1	1	
VALUE TREND	1	1	1	1
MANAGED PLUS	1	1	1	
EQUITY	1	1	1	
GLOBAL FLEXIBLE FEEDER	1			

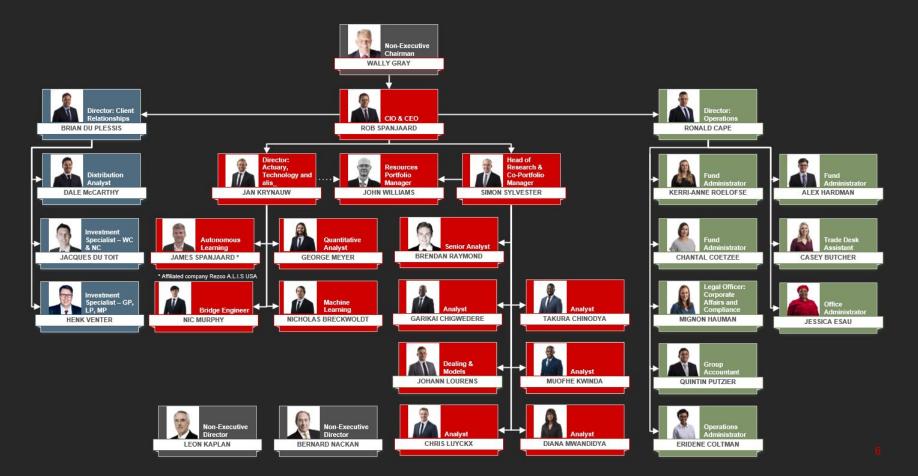
### **INVESTMENT PLATFORMS**



### **CLIENT GROWTH AND SPREAD**



### **REZCO TEAM**





## THE GREAT BALANCING ACT

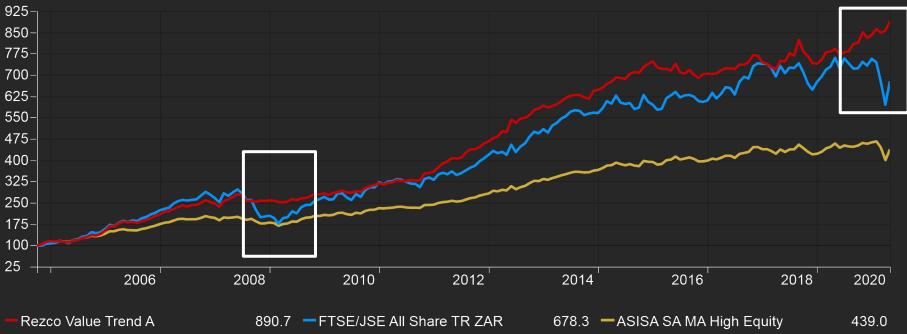




## **AVOIDING GREY RHINOS**

Time Period: Since Common Inception (2004/10/01) to 2020/04/30

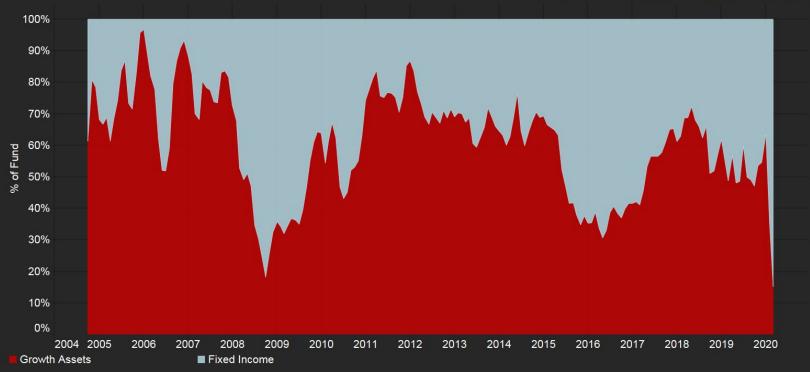
Currency: South African Rand Source Data: Total Return



## **REZCO VALUE TREND**

HISTORICAL ASSET ALLOCATION

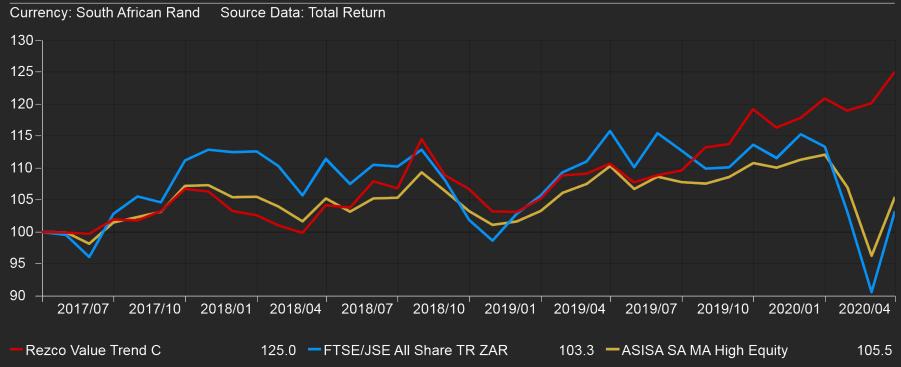
Portfolio: RVTU Growth Assets = Equity, Listed Property & Commodities





### **REZCO VALUE TREND**

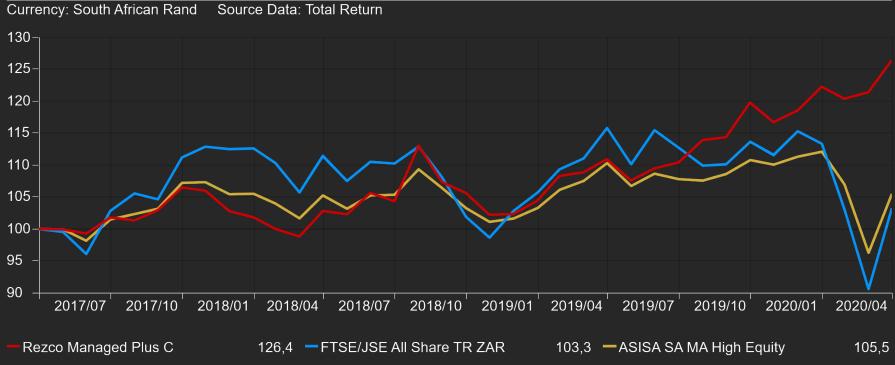
#### Time Period: 2017/05/01 to 2020/04/30





## **REZCO MANAGED PLUS**

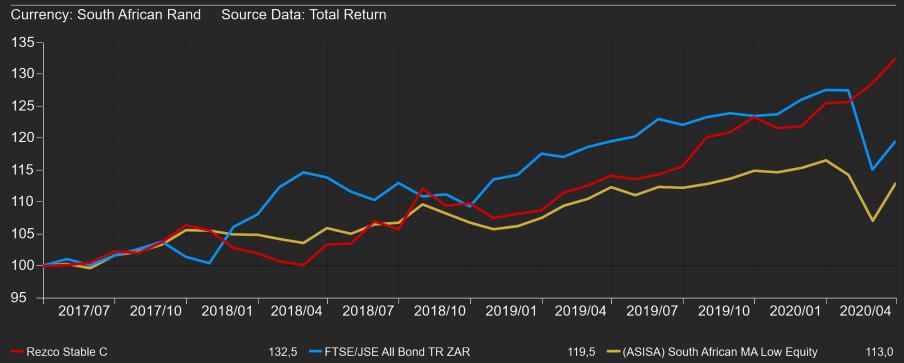
#### Time Period: 2017/05/01 to 2020/04/30





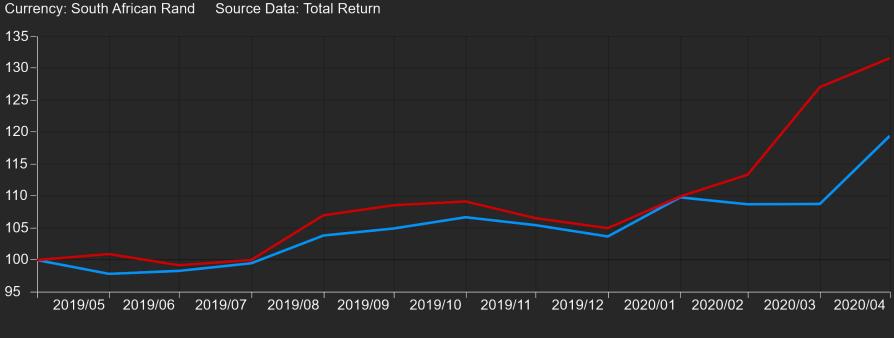
## **REZCO STABLE FUND**

#### Time Period: 2017/05/01 to 2020/04/30



### REZCO GLOBAL FLEXIBLE FEEDER

Time Period: 2019/05/01 to 2020/04/30



- Rezco Global Flexible FF A

131,5 - (ASISA) Global MA Flexible

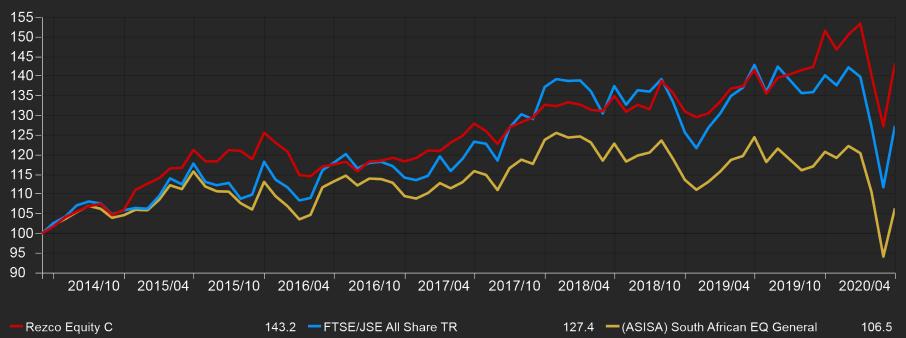
Source: Morningstar Direct



## **REZCO EQUITY FUND**

Time Period: Since Common Inception (2014/04/01) to 2020/04/30

Currency: South African Rand Source Data: Total Return



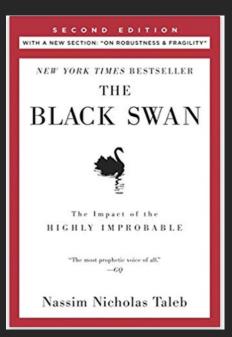


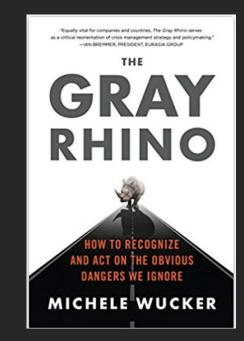
## **GREY RHINOS**

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

### **MOST BLACK SWANS ARE**

### **ACTUALLY GREY RHINOS**





### **GREY RHINO**

## A grey rhino is a "highly probable, high

## impact yet neglected threat ... grey rhinos

are not random surprises, but occur after a

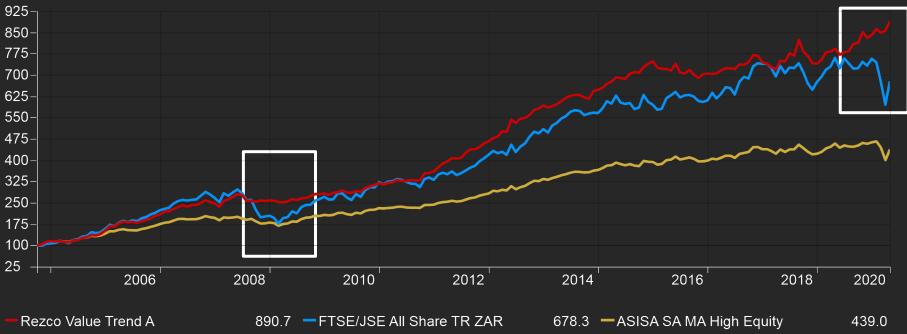
series of warnings and visible evidence,"



## **AVOIDING GREY RHINOS**

Time Period: Since Common Inception (2004/10/01) to 2020/04/30

Currency: South African Rand Source Data: Total Return

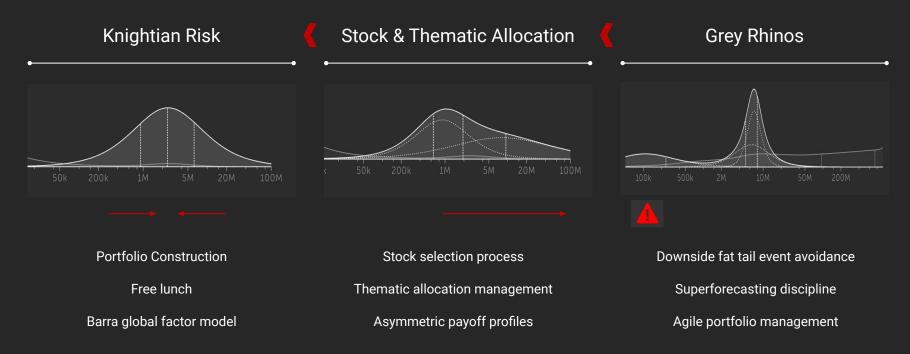


## **RISK FRAMEWORK**

MANAGEMENT

### RISK MANAGEMENT MORE THAN MINIMIZING VOLATILITY

Rezco Risk Management Framework ™





### **REZCO RISK CONTROL TOOLS**



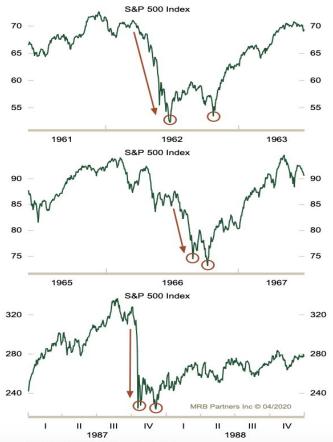
### **REZCO RISK CONTROL TOOLS**

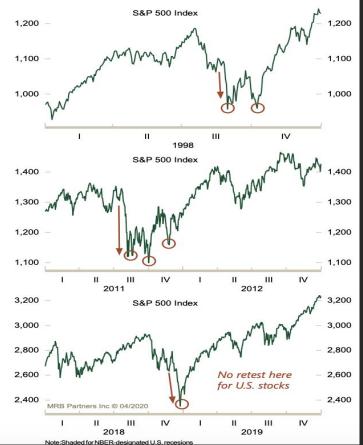


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## HOW DOES THE BEAR MARKET PLAY OUT?

### BEAR MARKETS WITHOUT RECESSIONS



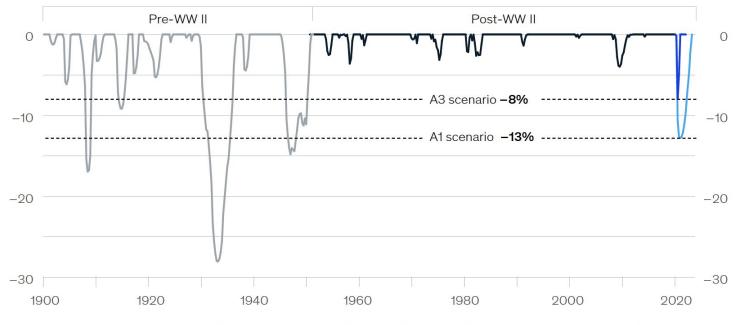


Source: MRB Partners

## **IS THIS A RECESSION ?**

### COVID-19 US impact could exceed anything since the end of WWII

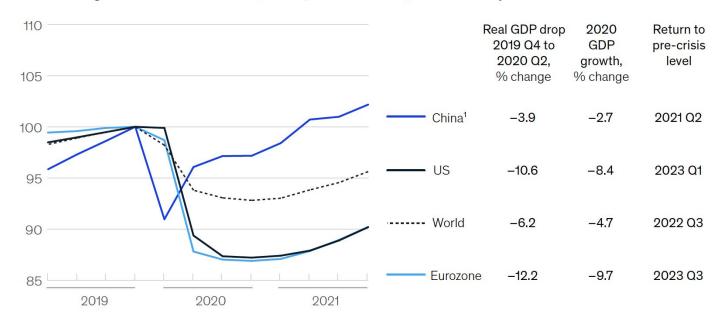
US real GDP, %, total drawdown from previous peak



Source: Historical Statistics of the United States Vol 3, Bureau of Economic Analysis; McKinsey analysis, in partnership with Oxford Economics

## **IS THIS A RECESSION ?**

Real GDP growth: COVID-19 crisis, index (2019 Q4 = 100), local currency units



<sup>1</sup>Seasonally adjusted.

Source: McKinsey analysis in partnership with Oxford Economics

## **IS THIS A RECESSION ?**

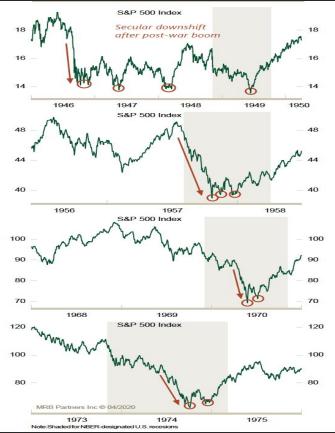
**Global economic growth** 

+ Add to myFT

# Global economy to suffer worst blow since the 1930s, warns IMF

Most countries' economies set to be at least 5% smaller, even after recovery

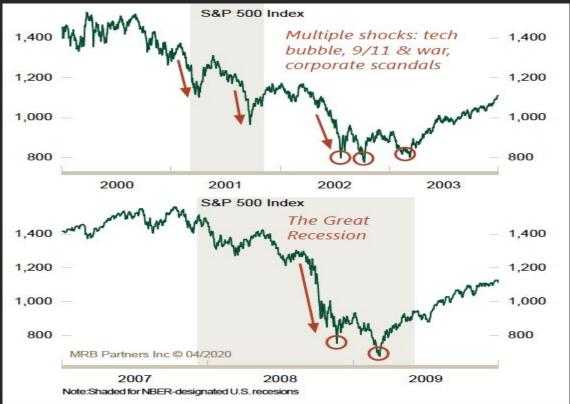
### BEAR MARKETS WITH RECESSIONS





Source: MRB Partners

### BEAR MARKETS WITH RECESSIONS



### BEAR MARKETS WITH RECESSIONS: USA

S&P 500 PRICE LEVEL OVER DIFFERENT BEAR MARKETS (REBASED TO 100)



Source: Refinitiv Datastream / Rezco

### **JSE: WHERE ARE WE?**

JSE ALSI PRICE LEVEL OVER DIFFERENT BEAR MARKETS (REBASED TO 100)



### BEAR MARKETS WITH RECESSIONS: RSA

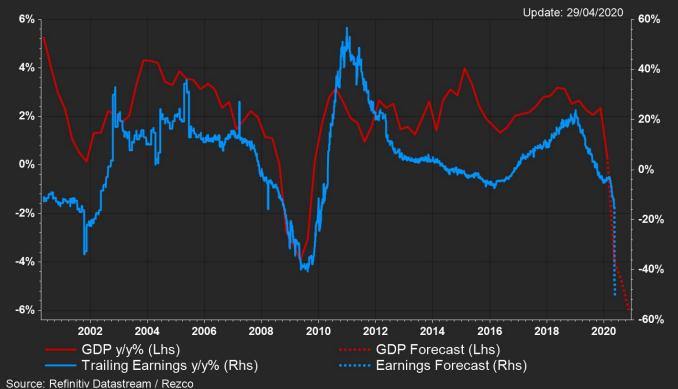
JSE ALSI PRICE LEVEL OVER DIFFERENT BEAR MARKETS (REBASED TO 100)





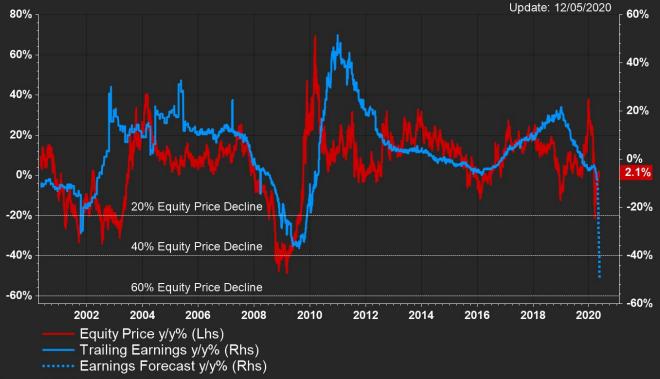
### GDP AND CORPORATE PROFIT: USA

#### US GDP AND EARNINGS



### CORPORATE PROFIT AND EQUITY PRICES: USA

#### **US EQUITY PRICES AND EARNINGS**



Source: Refinitiv Datastream / Rezco

### LAST TIME: IT TOOK 5 YEARS TO GET BACK

### US EQUITY PRICES AND EARNINGS (LOG SCALE)



# "LAST TIME" GFC TOOK LONGER THAN WE REMEMBER





**US PMI AND EARNINGS** 

Source: Refinitiv Datastream / Rezco

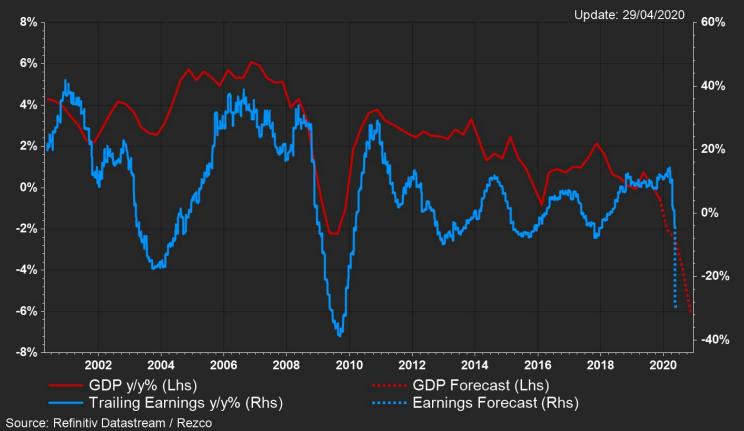


US PMI AND S&P 500

Source: Refinitiv Datastream / Rezco

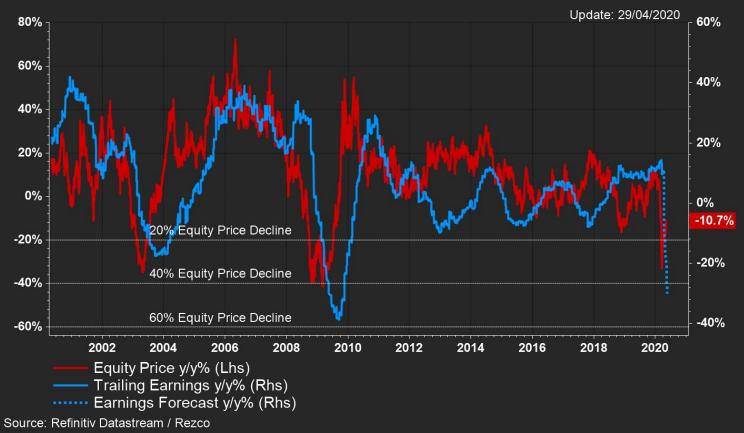
# GDP AND CORPORATE PROFIT: SA

#### SA GDP AND EARNINGS



## CORPORATE PROFIT AND EQUITY PRICES: RSA

#### SA EQUITY PRICES AND EARNINGS



# CORPORATE PROFIT AND EQUITY PRICES: RSA

SA EQUITY PRICES AND EARNINGS (LOG SCALE)





# HOW TO NAVIGATE THIS

### EIGHT WEEKS AGO

Too cheap to sell, not cheap enough to buy

### NOW

Another chance to avoid a possible crushing bear market by being more defensive

# SUMMARY

Worst economic hit since the Great Depression The recovery will be more volatile and protracted than expected We are 2 months into a bear market This is a bear market rally Getting an opportunity to de-risk without much damage

# SOLUTION

Switch to a fund that currently has low equity but is an active asset allocator Utilise the 30% offshore allowance There will be great opportunities, just not now Be careful of too much RSA bond duration exposure Avoid corporate credit - not getting paid for the risk

# CHARLIE MUNGER (Wall Street Journal 17th April 2020)

"Well, I would say basically we're like the captain of a ship when the worst typhoon that's ever happened comes.

We just want to get through the typhoon, and we'd rather come out of it with a whole lot of liquidity."



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While the portfolio manager will attempt to minimise risk, the value of investments in discretionary accounts and the income derived from those investments may fluctuate and it is possible that the investor could incur losses, including the loss of principal invested. Past performance is not necessarily indicative as to future performance. An investor whose reference currency differs from that in which the fund or segregated account is denominated may be subject to exchange rate movements, which may cause fluctuations in the value of their investments. In addition, investments involving exposure to a currency other than that in which the segregated account or fund is denominated may also cause values to fluctuate.



# **THANK YOU**

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