

REZCO WEBINAR : 2021

BRIAN DU PLESSIS : HEAD OF DISTRIBUTION

ROB SPANJAARD : CIO

SIMON SYLVESTER : CO-PM, HEAD OF RESEARCH



TIMING THE MARKET VS RISK CONTROL



WHAT IS THE DIFFERENCE ?

TIMING THE MARKET

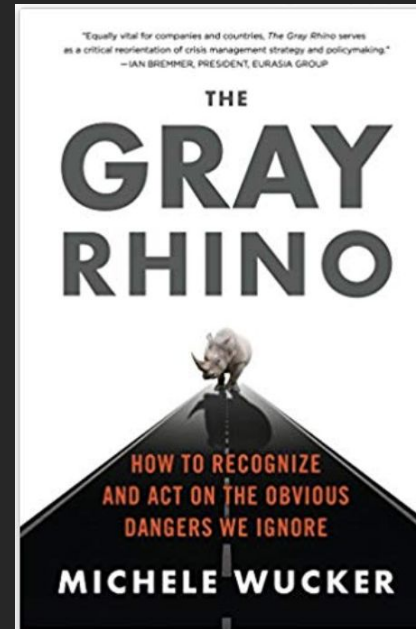
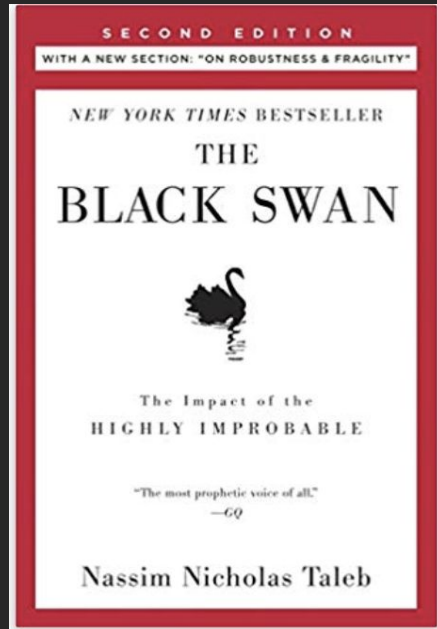
An attempt to buy on every dip and sell at every peak

MANAGING RISK

**Choosing when to reduce risk asset exposure based
on an objective risk management framework**

GREY RHINO OR BLACK SWAN?

MOST BLACK SWANS ARE
ACTUALLY GREY RHINOS

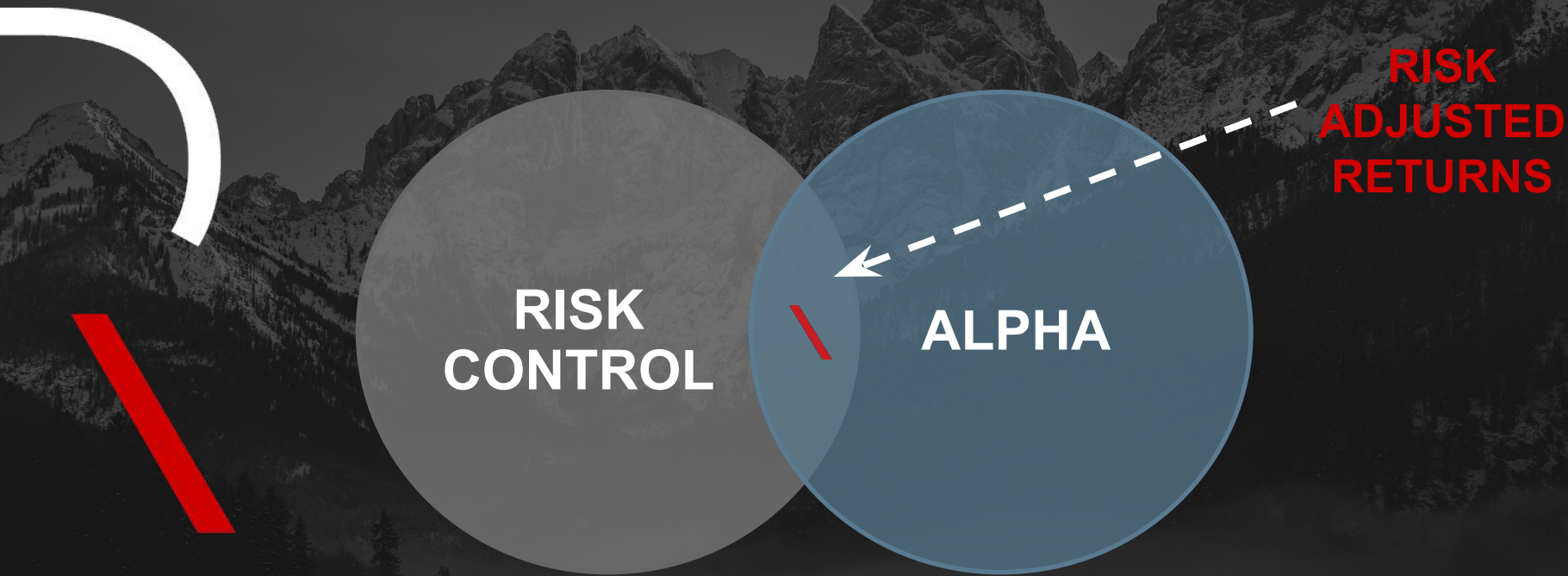




GREY RHINO

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,”

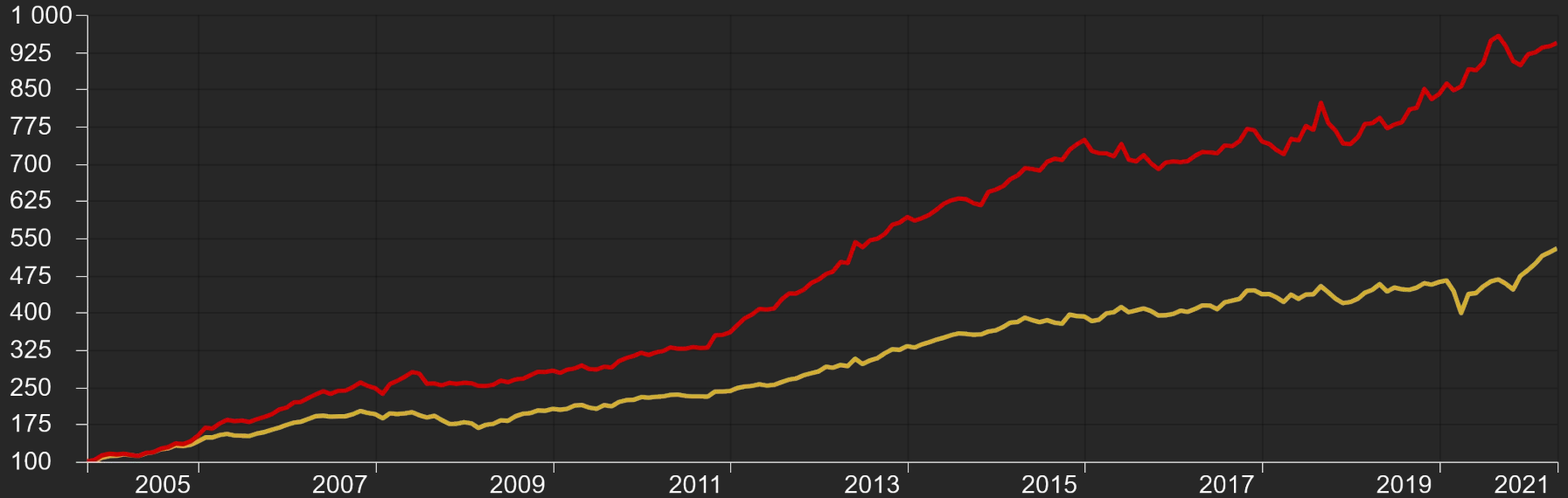
OUR INVESTMENT OBJECTIVE



REZCO VALUE TREND - LONG TERM

Time Period: Since Common Inception (2004/10/01) to 2021/04/30

Currency: South African Rand Source Data: Total Return



Rezco Value Trend A

943.8 ASISA SA MA High Equity

531.2

Source: Morningstar Direct

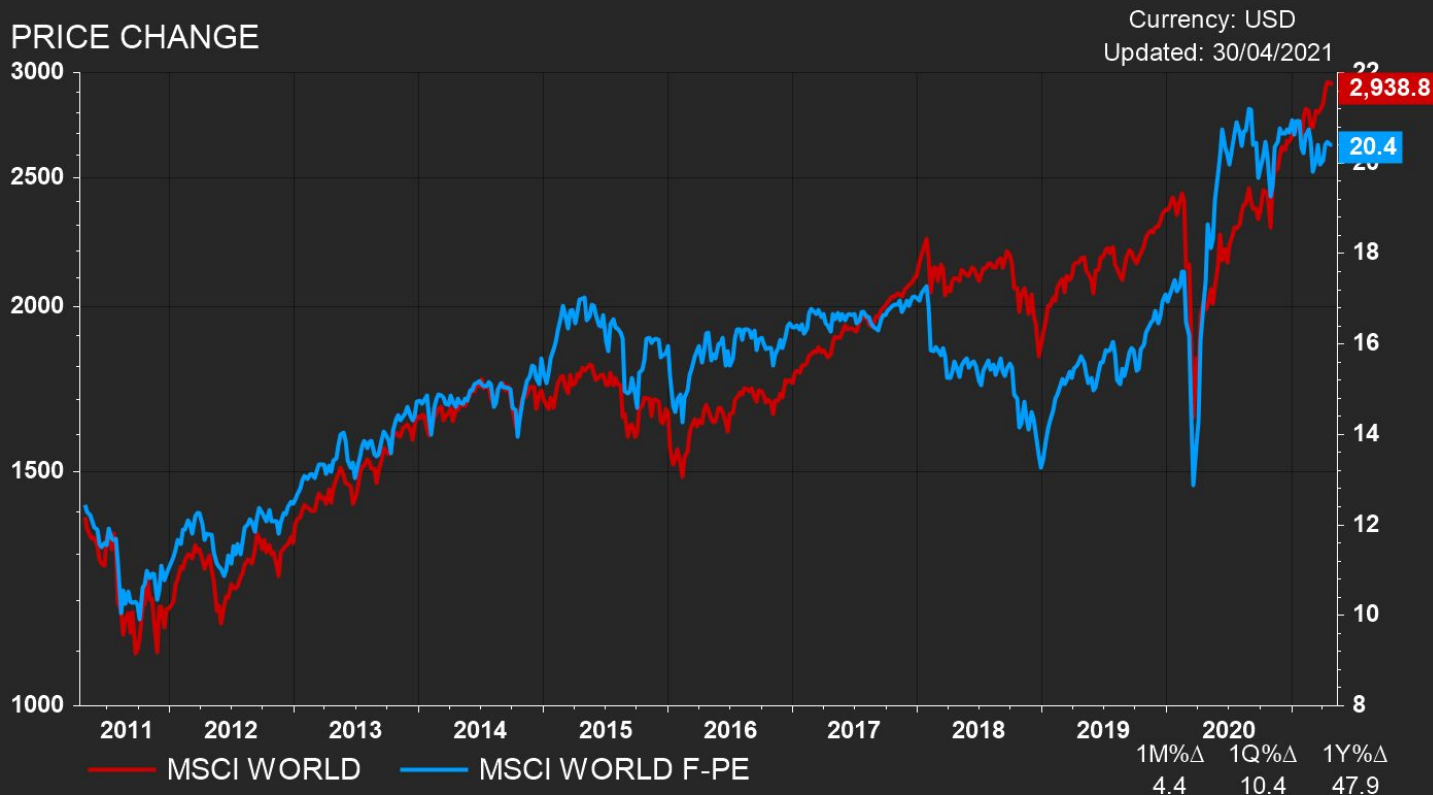


**THESE ARE VERY EXPENSIVE
EQUITY AND BOND MARKETS**

HARD FOR A BULL TO START FROM HERE

MSCI WORLD

PRICE CHANGE



Source: Refinitiv Datastream / Rezco

USA MIDCAPS

Russell 2000 Index

PRICE CHANGE

Currency: USD
Updated: 30/04/2021



Source: Refinitiv Datastream / Rezco

USA EX TECH

EV/EBITDA (includes Debt)

F-PE vs FWD EV/EBITDA

Updated: 30/04/2021

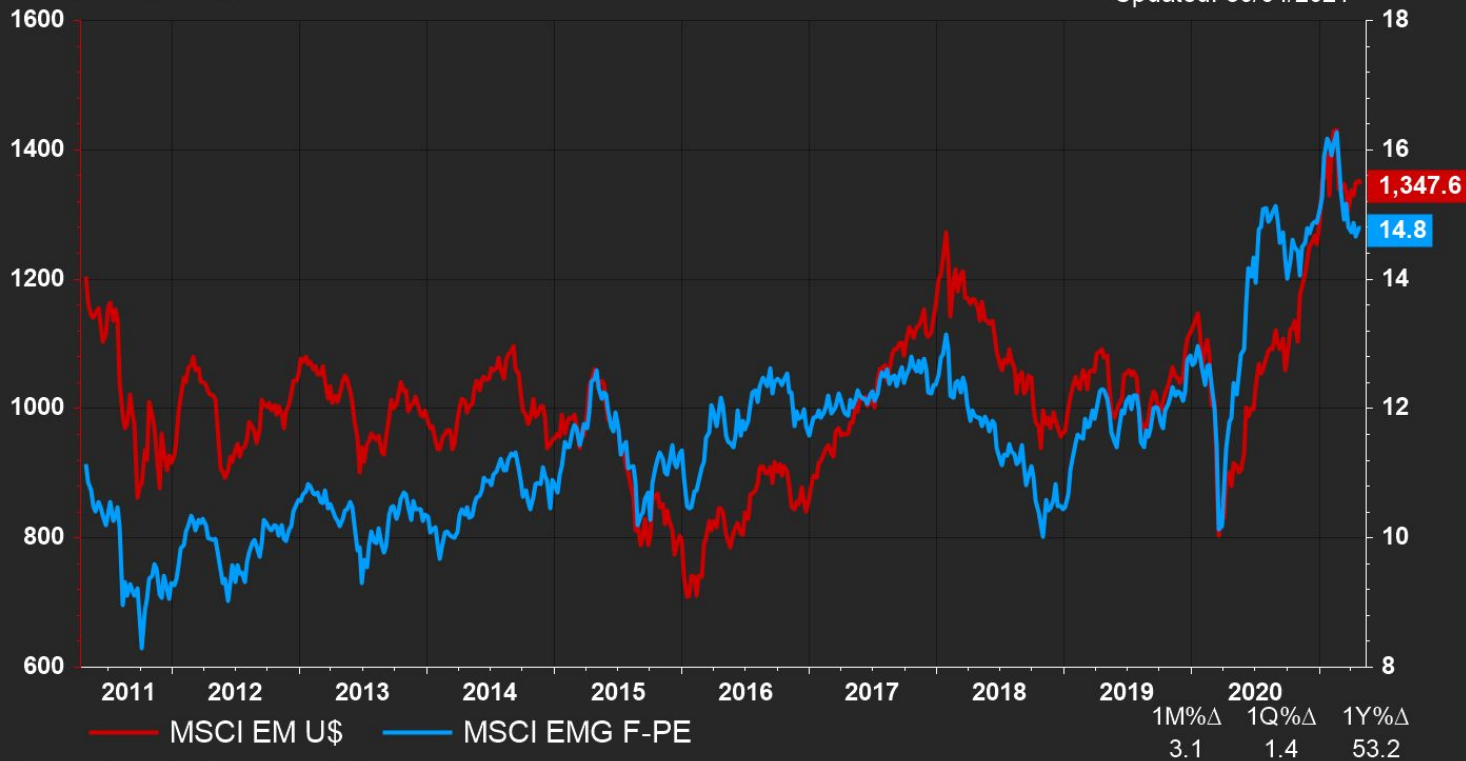


Source: Refinitiv Datastream / Rezco

MSCI EMERGING MARKETS

PRICE CHANGE

Currency: USD
Updated: 30/04/2021



Source: Refinitiv Datastream / Rezco



LONG TERM PICTURE: WHAT CAN GO WRONG?

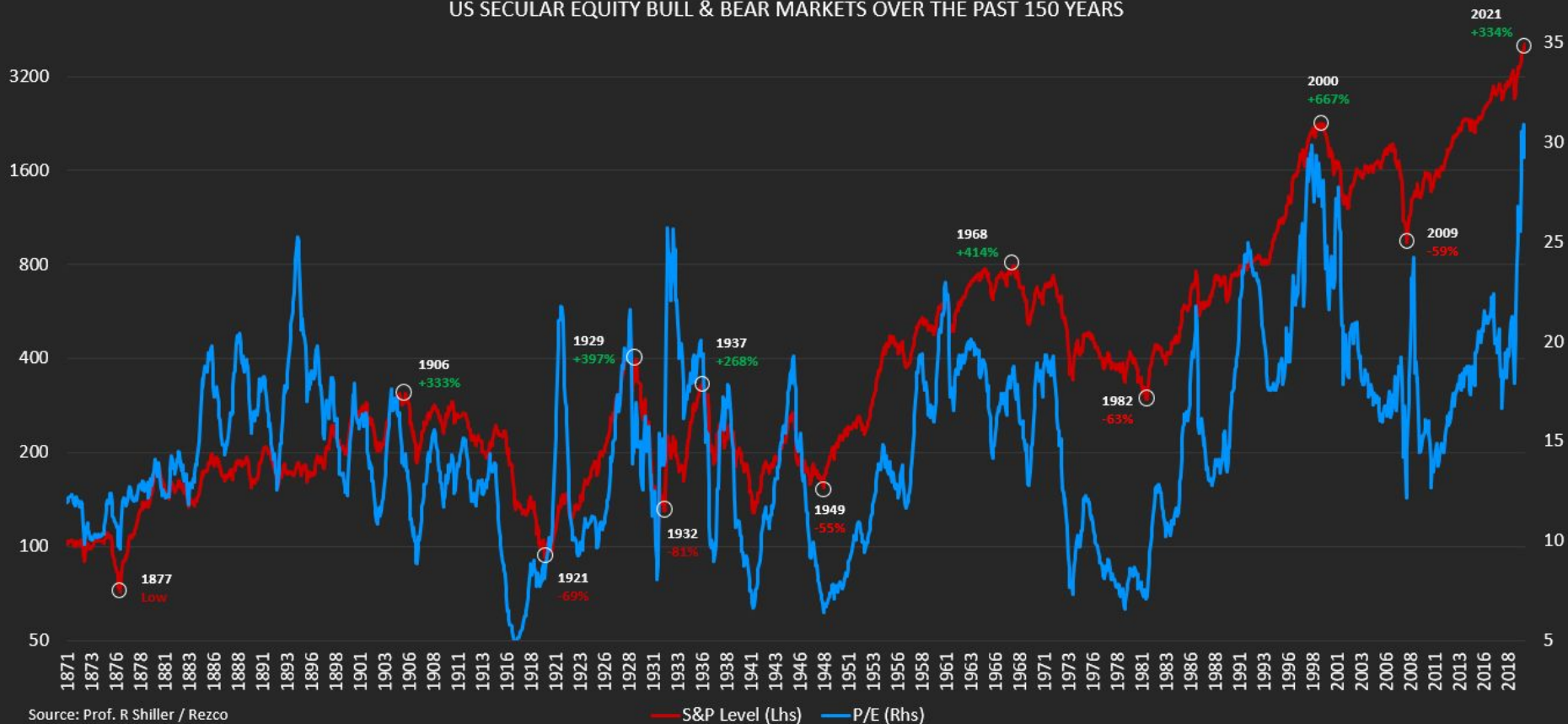
LONG TERM MARKET CYCLES

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



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



SOUTH AFRICA

SOUTH AFRICAN EQUITIES : NOT CHEAP

JSE ALSI (EX-NASPERS) PRICE CHANGE

Currency: ZAR

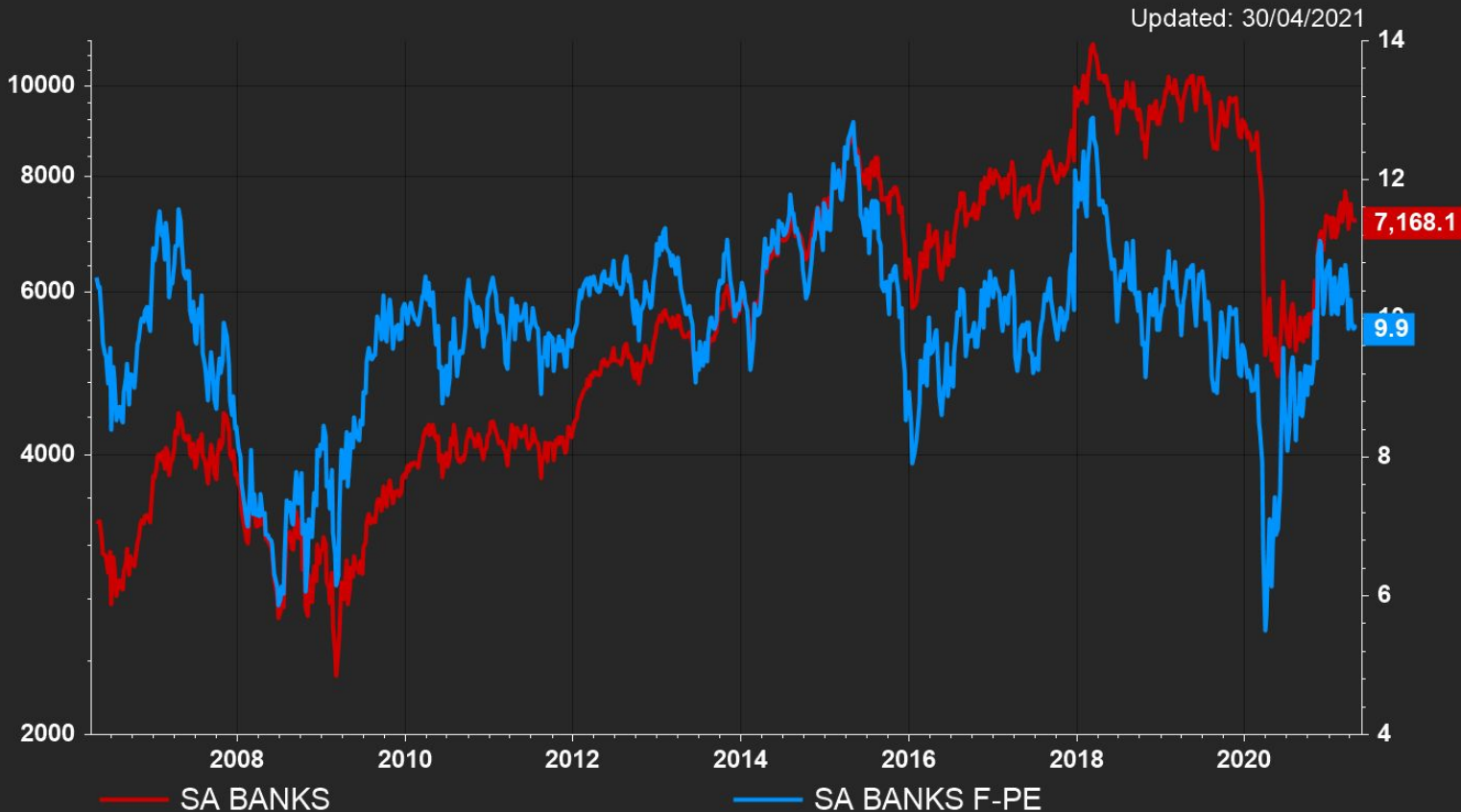
Updated: 30/04/2021



Source: Refinitiv Datastream / Rezco

RSA EQUITIES : BANKS

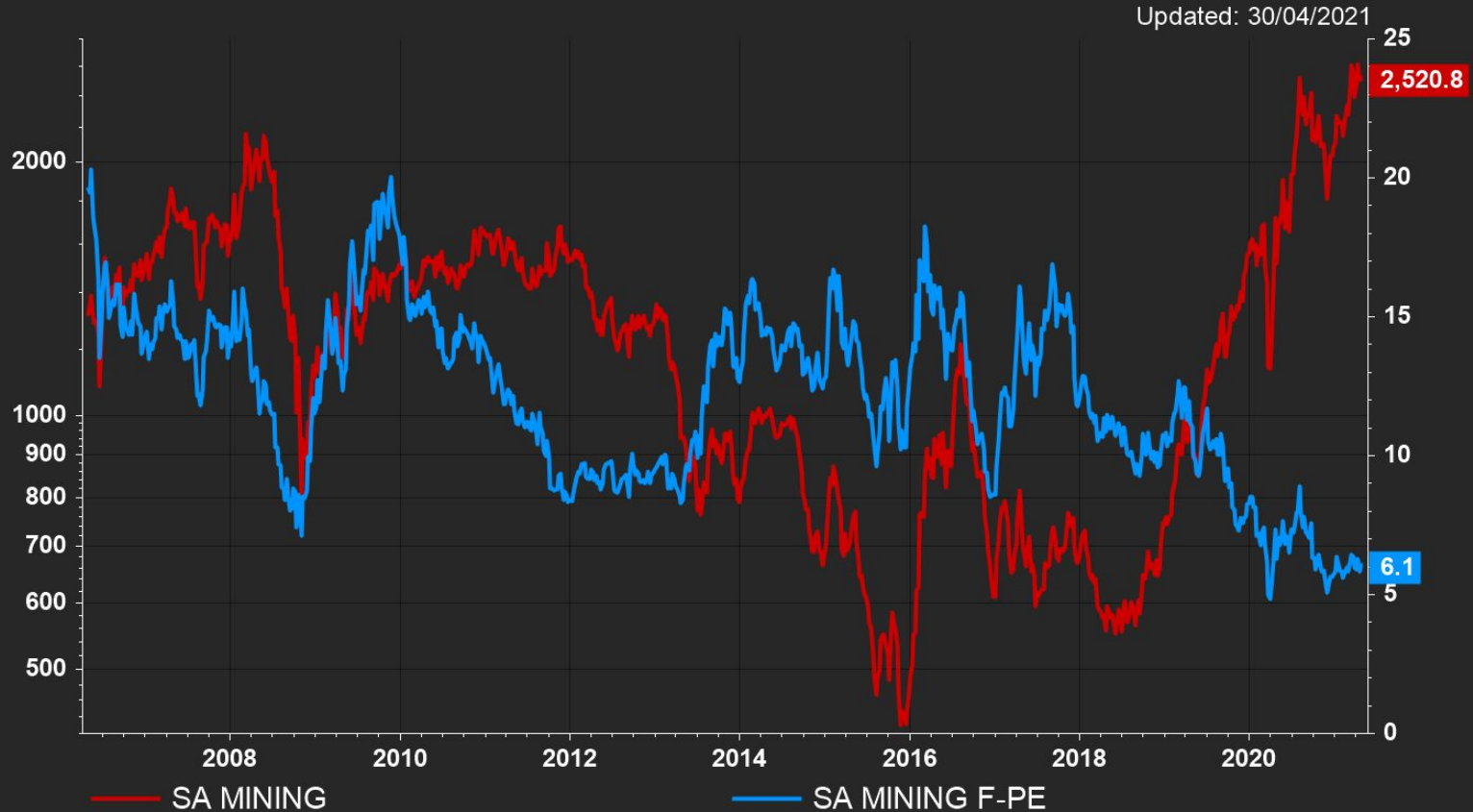
SA BANKS INDEX



Source: Refinitiv Datastream / Rezco

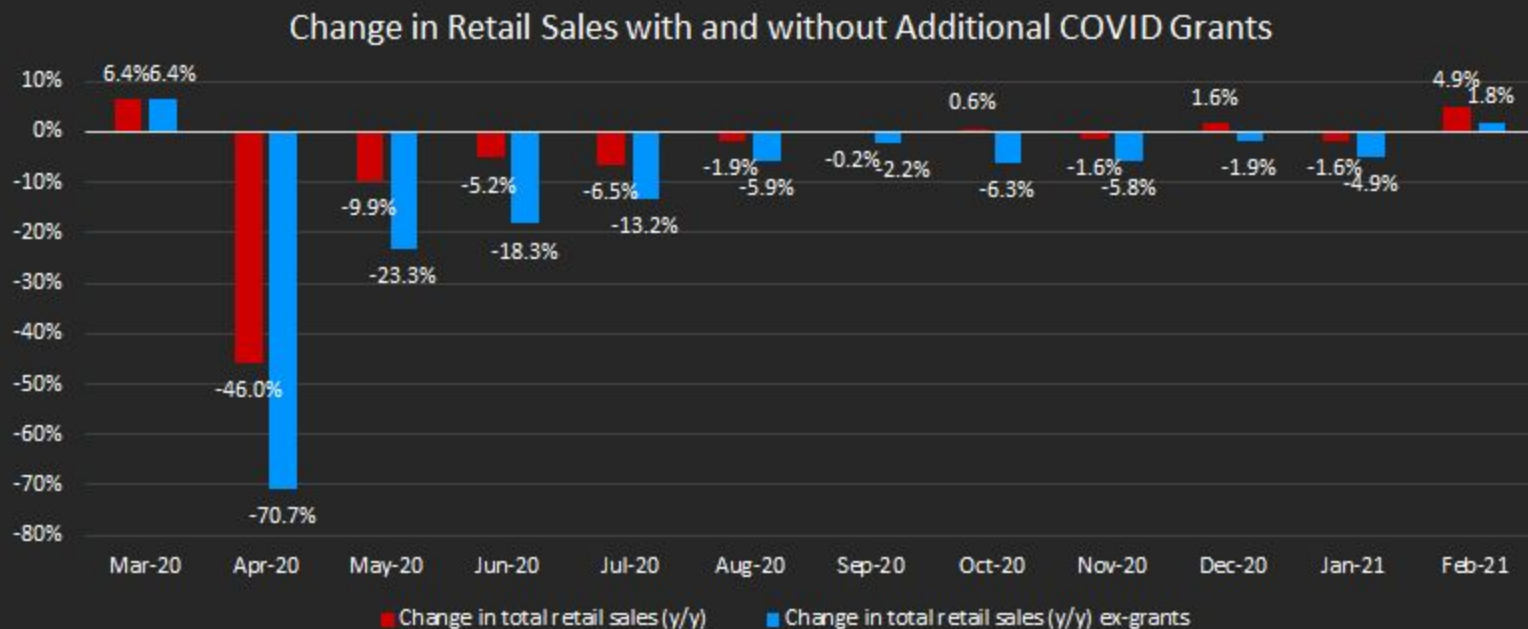
RSA EQUITIES : MINING

SA MINING



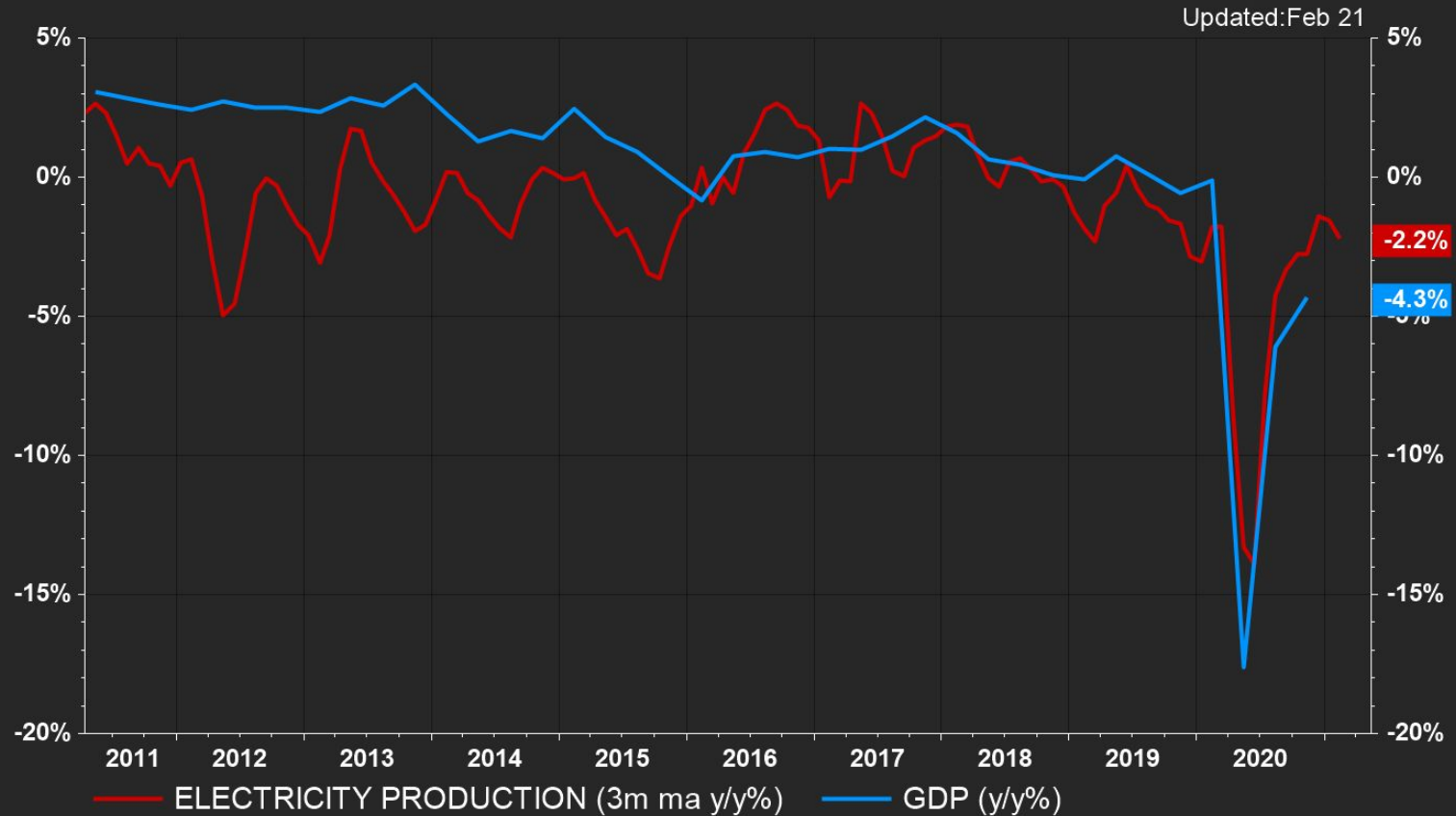
Source: Refinitiv Datastream / Rezco

WITHOUT GRANTS - NOT A GREAT PICTURE



SOUTH AFRICAN ECONOMIC GROWTH

SOUTH AFRICA GDP AND ELECTRICITY

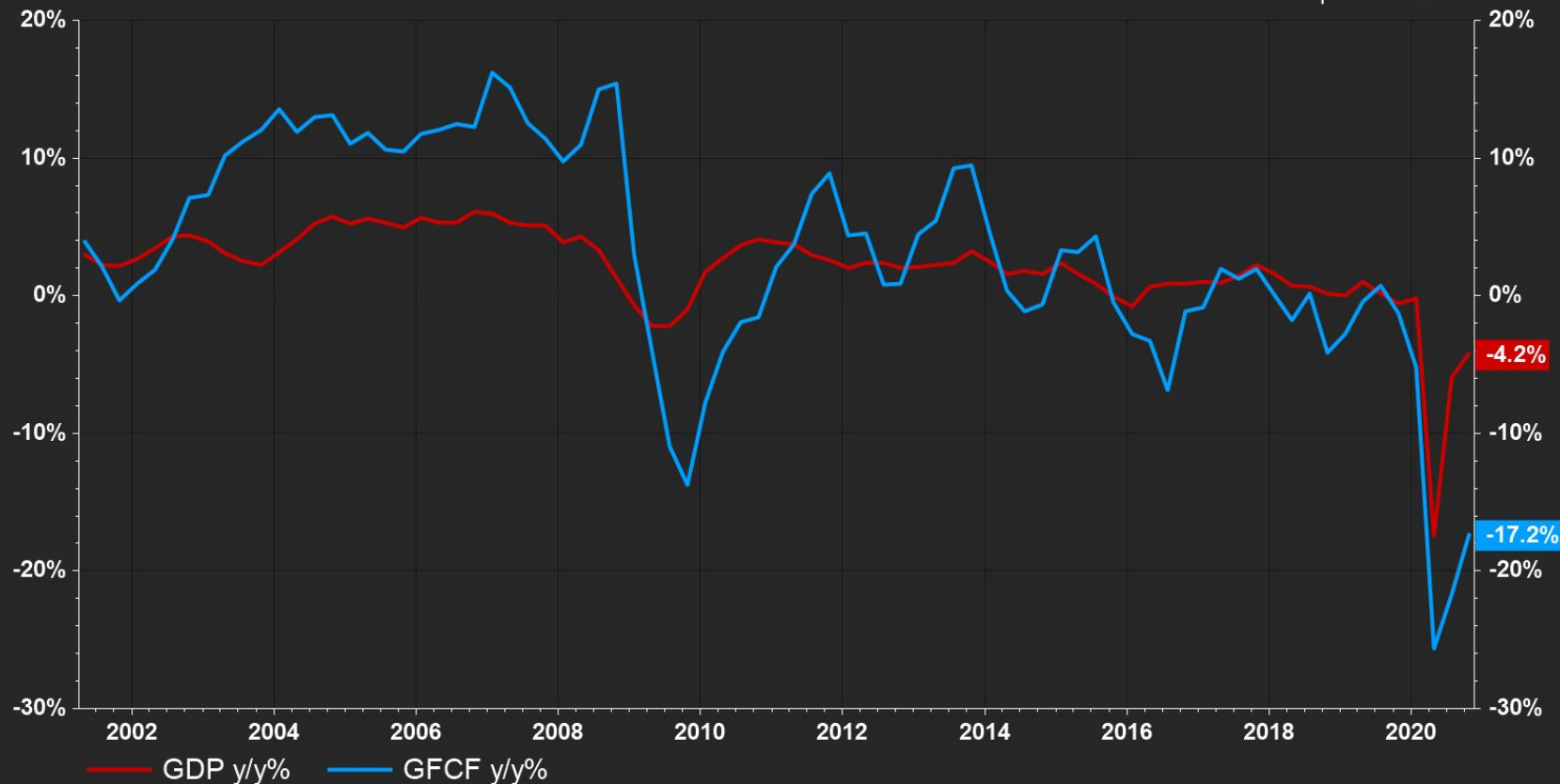


Source: Refinitiv Datastream / Rezco

SOUTH AFRICA : NO INVESTMENT

SOUTH AFRICAN ECONOMY

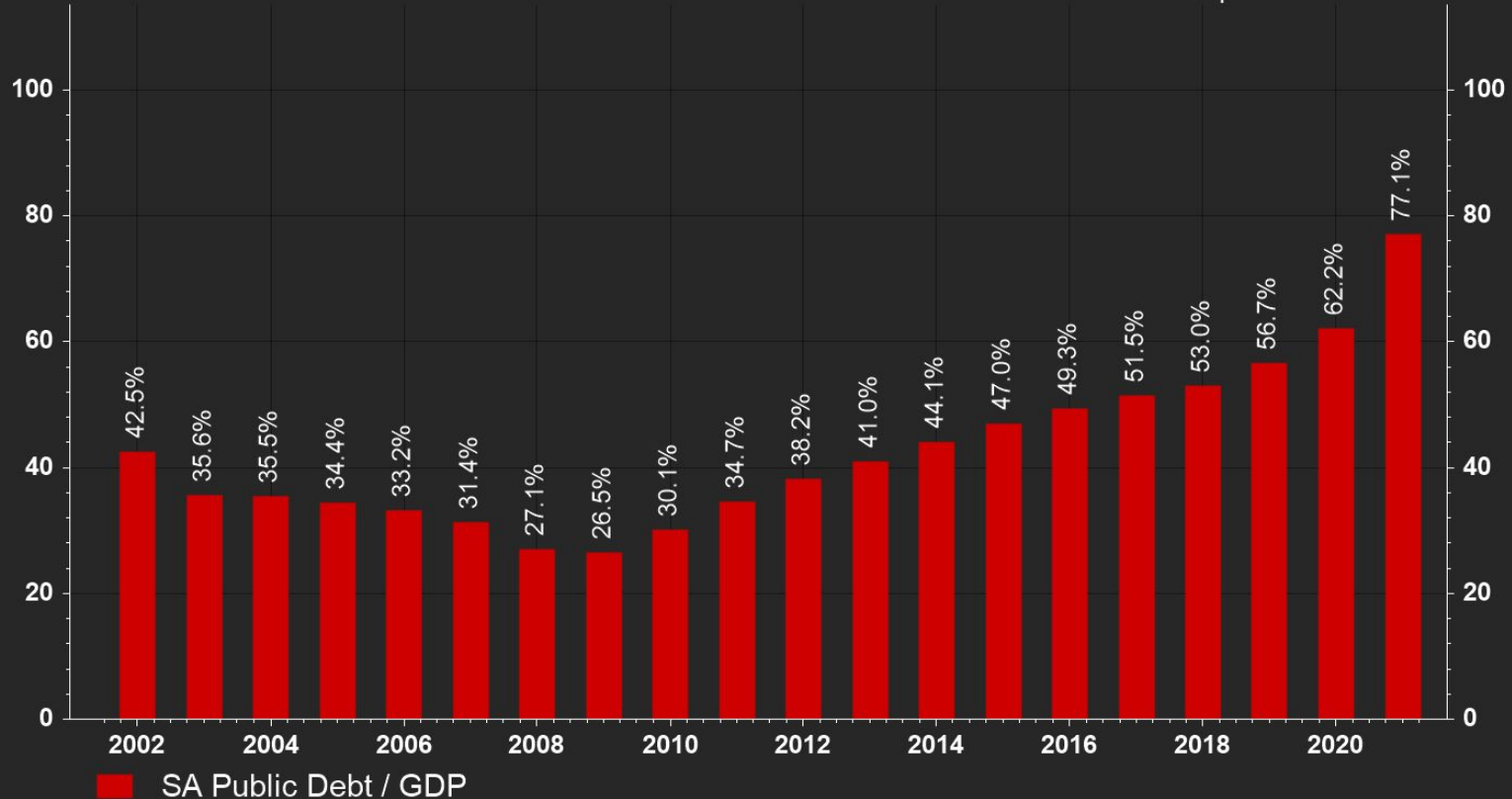
Updated: Q4 20



SOUTH AFRICA : DEBT TO GDP

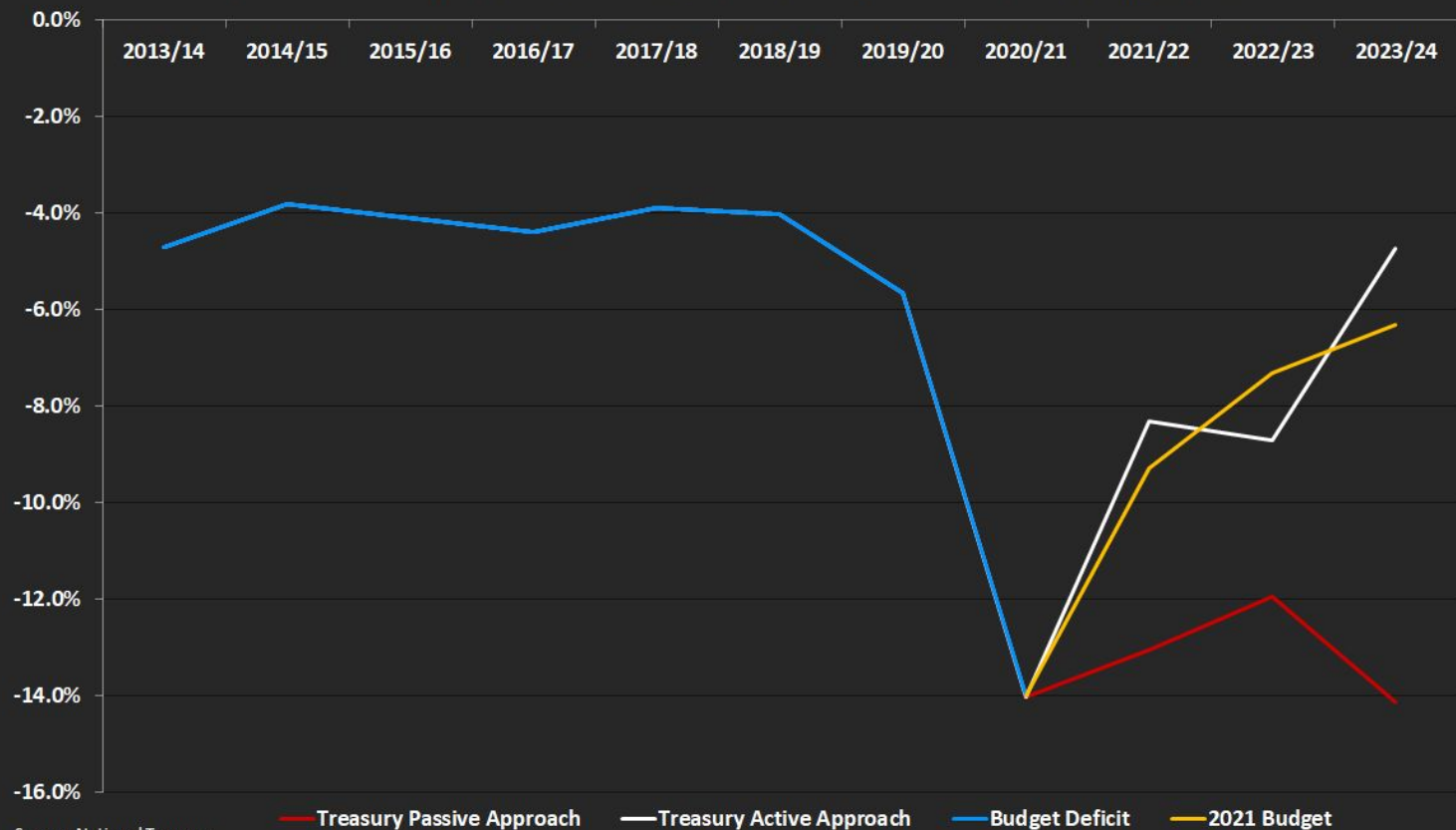
SA PUBLIC DEBT

Updated: 03/05/2021



SOUTH AFRICA : BUDGET DEFICIT

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





Source: National Treasury

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

SOMEWHERE THERE IS A
MAJOR DISLOCATION

LARRY SUMMERS 12 APRIL 2021



FINANCIAL TIMES

myFT

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

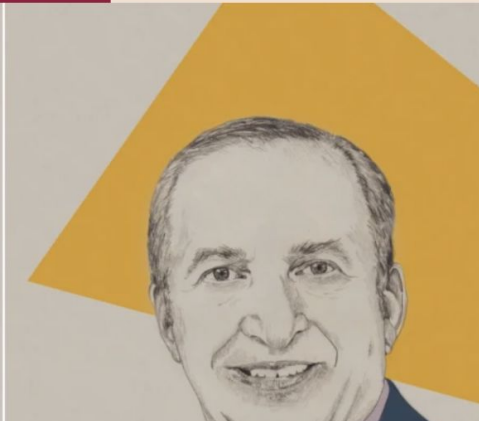

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Larry Summers: 'I'm concerned that what is being done is substantially excessive'



It could manifest itself in a period of euphoric boom and optimism that leads to unsustainable bubbles, or it could all work out well. But, it doesn't seem to me that the preponderant probability is that it will work out well. So I'm concerned that what is being done is substantially excessive.



JAMIE DIMON : JP MORGAN CHAIRMAN

APR 2021

And, of course, being who we are, ***while we are going to hope for the Goldilocks scenario*** – and we think there is a chance for that to happen

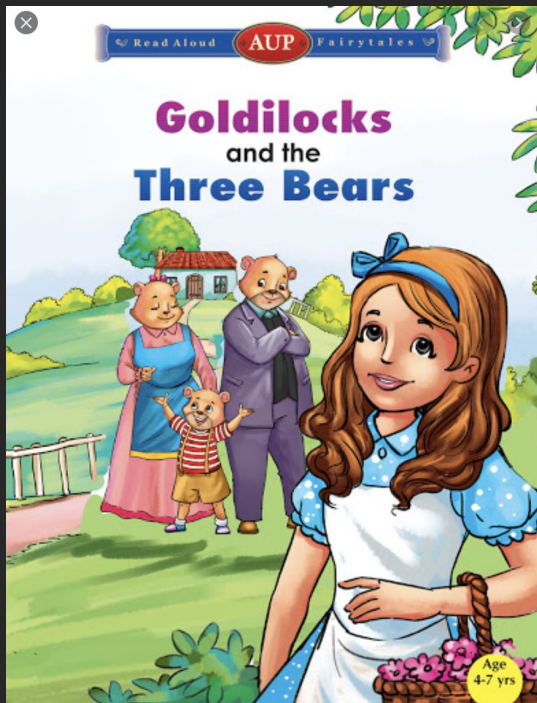
– ***we will anticipate and be prepared for two other negative scenarios:***

1) the new COVID-19 variants may be more virulent and resistant to the vaccine, which could obviously reverse a booming economy, damage the equity markets and reduce interest rates as there is a rush to safety, and

2) ***the increase in inflation may not be temporary and may not be slow, forcing the Fed to raise rates sooner and faster than people expect.***

Jamie Dimon : JP Morgan Chairman's letter Apr 2021

JAMIE DIMON'S THREE OPTIONS



JAMIE DIMON : HOW THE MARKET REPORTED IT

MARKETS

JPMorgan CEO Jamie Dimon Sees ‘Goldilocks Moment’ for U.S. Economy

By Orla McCaffrey April 7, 2021 06:30 am ET

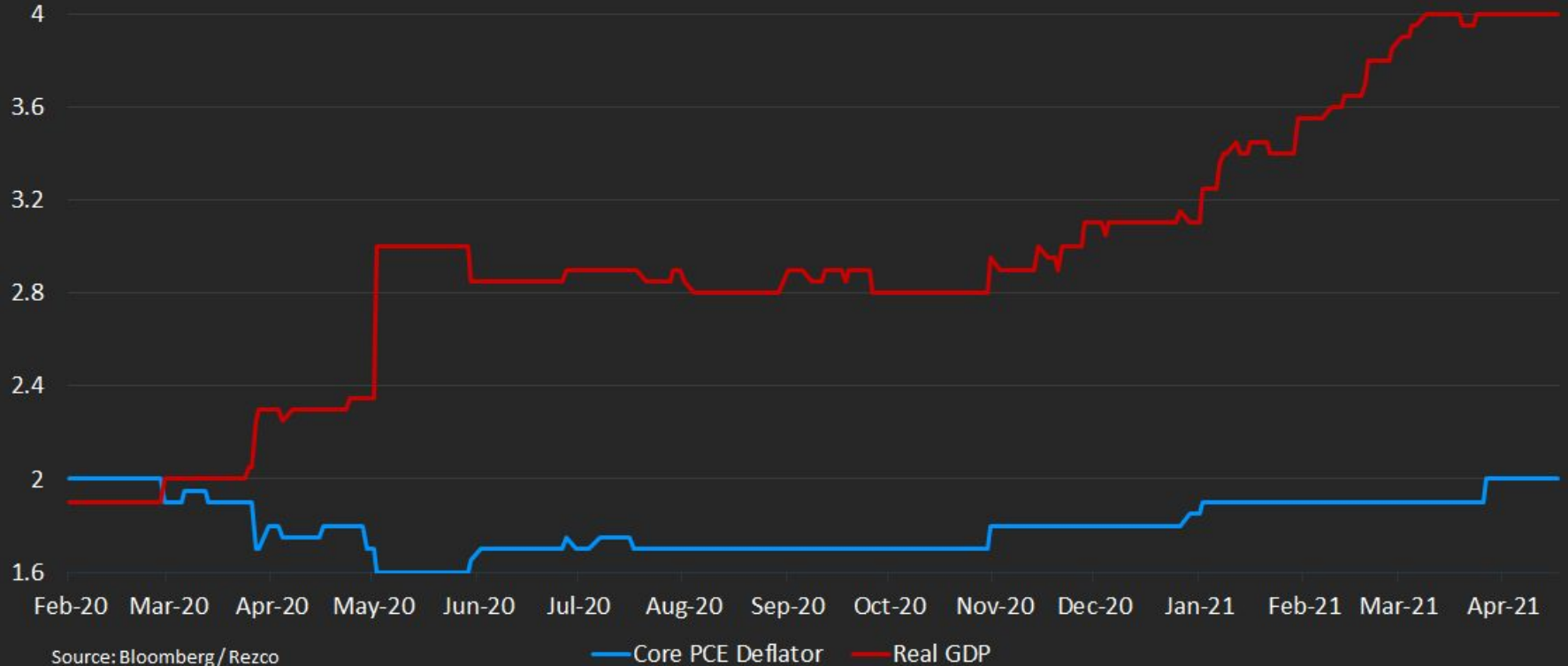


In his annual letter to shareholders, JPMorgan CEO Jamie Dimon said strong consumer savings, expanded vaccine distribution and infrastructure investment could lead to fast, sustained growth.

Appeared in the Apr 8, 2021, print edition as ‘JPMorgan’s Dimon Predicts ‘Goldilocks’ Economic Boom’

CONSENSUS 2022 INFLATION AND GROWTH

US CONSENSUS MEDIAN FORECAST FOR 2022 (%): INFLATION AND GROWTH



MOHAMED EL-ERIAN

The good news is that there is still a window for the Fed to exit in a relatively orderly manner, though it is getting smaller and smaller by the day. Indeed, the longer the Fed delays signaling a moderation of its uber loose monetary policy, the smaller the window and the greater the immediate and longer-term risks to the economy, the markets and the credibility of the Fed.

As to what ultimately may happen if the Fed misses the window, I suspect it is somewhere between a May 2013 taper tantrum and a 2008 Lehman moment. Specifically, we would have significant market volatility and a risk of market malfunction, as we experienced during the taper tantrum. Together these could act as a headwind to the economic recovery. But I don't think we would repeat the sudden stop for the financial system, for banks and for the payments and settlement system (all of which followed the Lehman moment).

Dr Mohamed Aly El-Erian Bloomberg Opinion, 20 Apr 2021

EL-ERIAN'S TWO OPTIONS

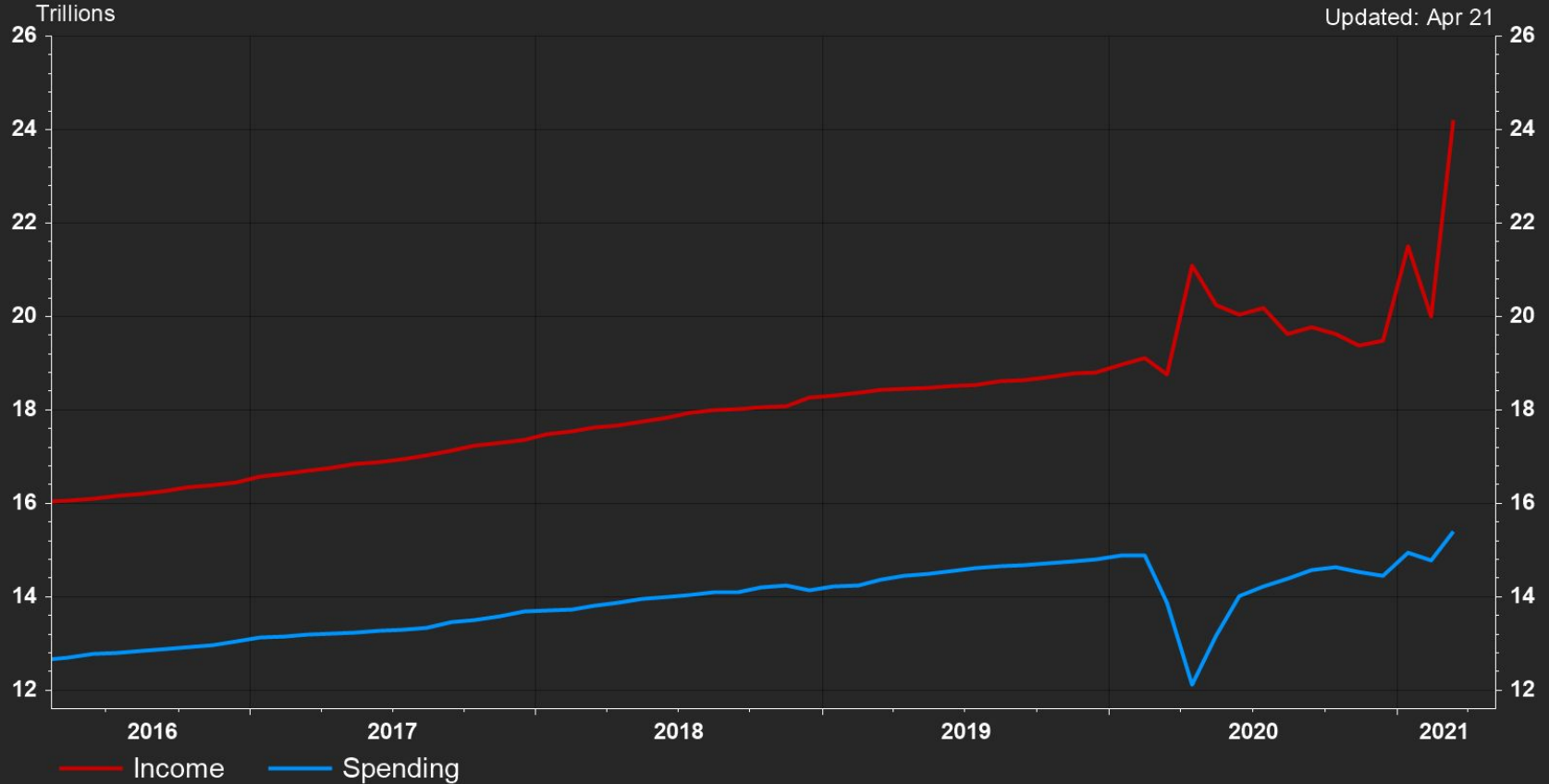




WHY ARE THEY SO CONCERNED?

USA PERSONAL INCOME

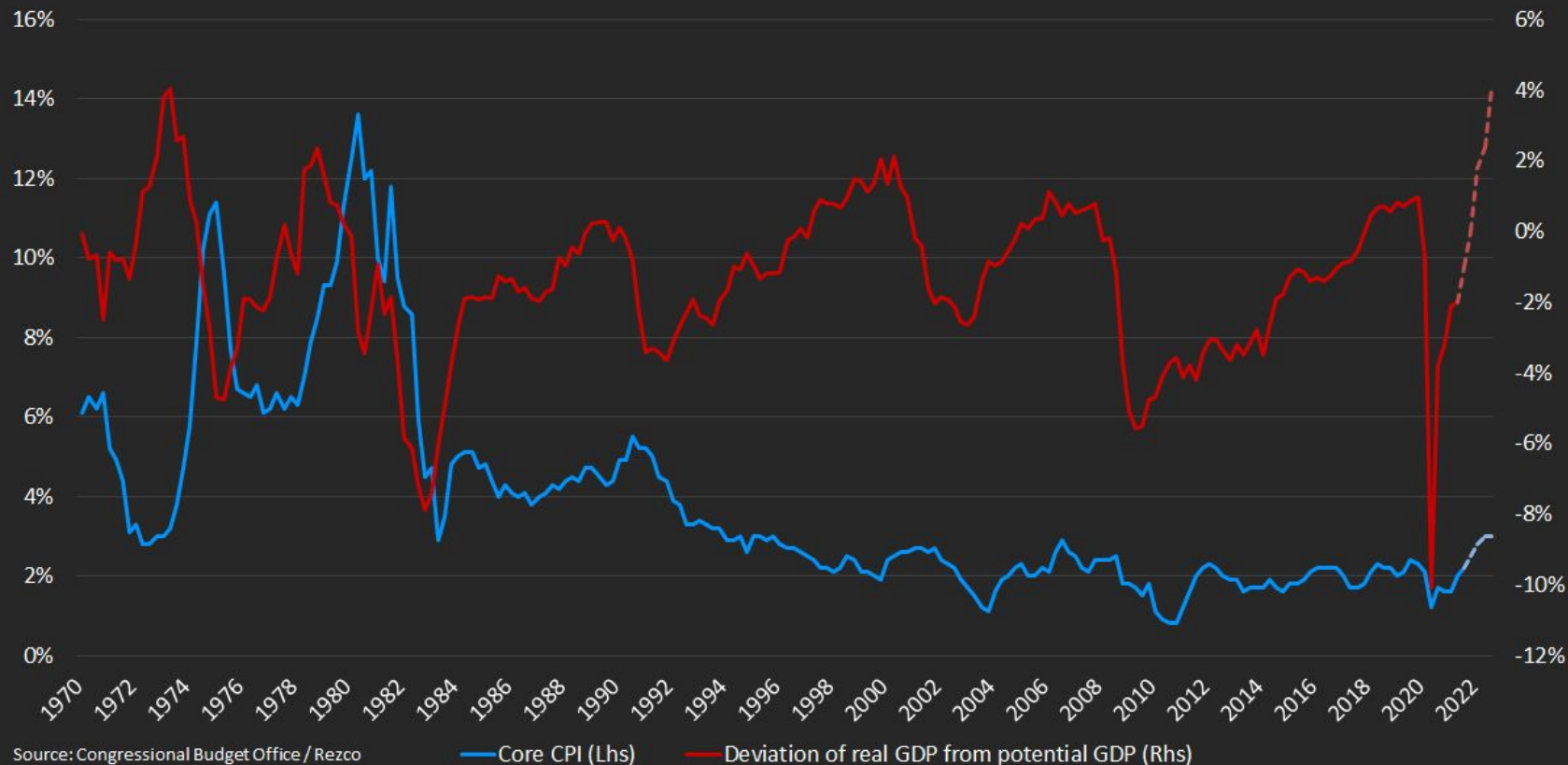
PERSONAL INCOME VS SPENDING



Source: Refinitiv Datastream / Rezco

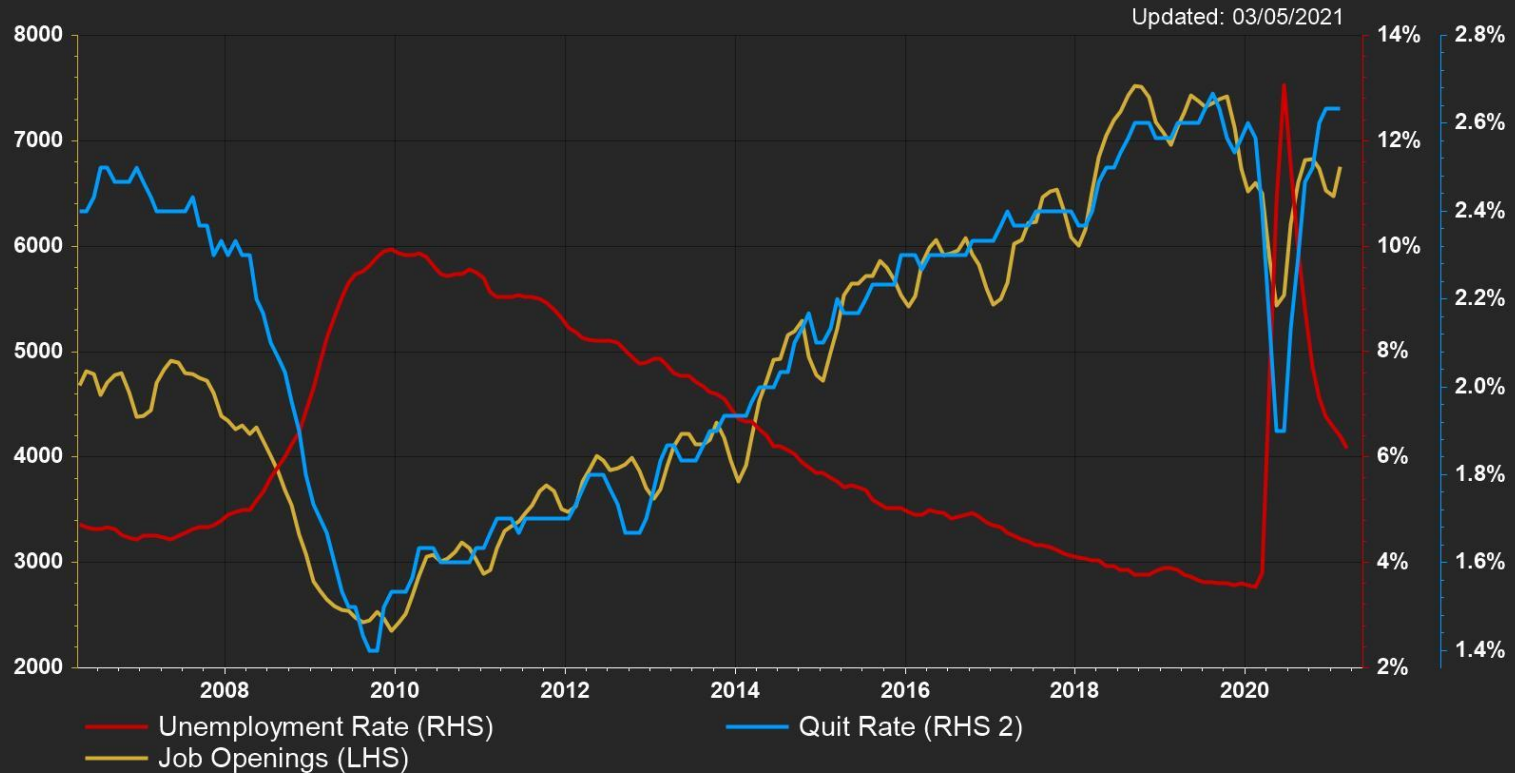
USA OUTPUT GAP VS CPI (FEELS LIKE THE 1970'S)

US CORE CPI AND ACTUAL GDP DEVIATION VS POTENTIAL GDP



USA : PAYING PEOPLE NOT TO WORK

US JOB MARKET



Source: Refinitiv Datastream / Rezco

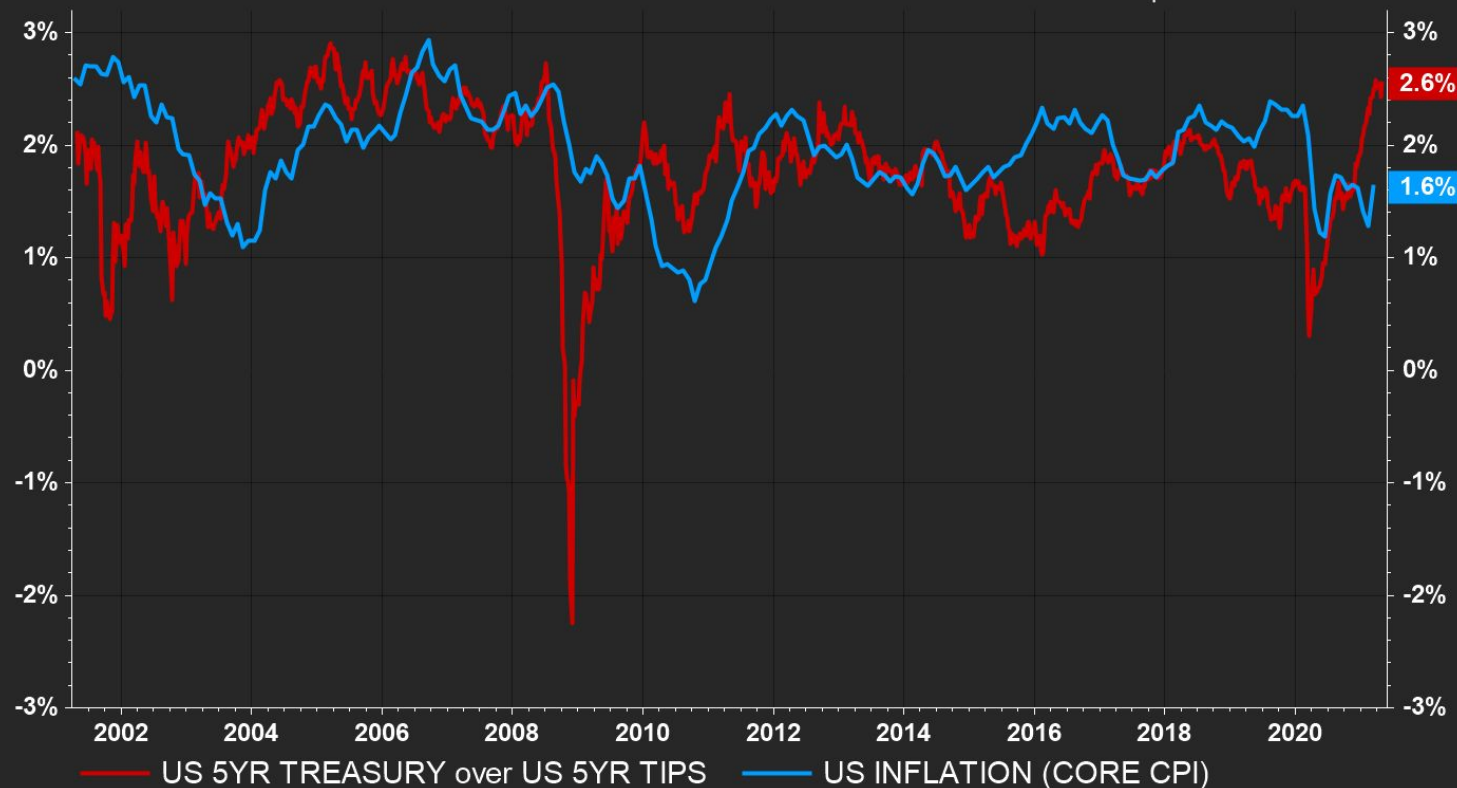
WHY WOULD SURGING INFLATION BE A PROBLEM?

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

INFLATION EXPECTATIONS

US INFLATION EXPECTATIONS vs ACTUAL INFLATION

Updated: 30/04/2021



Source: Refinitiv Datastream / Rezco



SOLUTIONS :

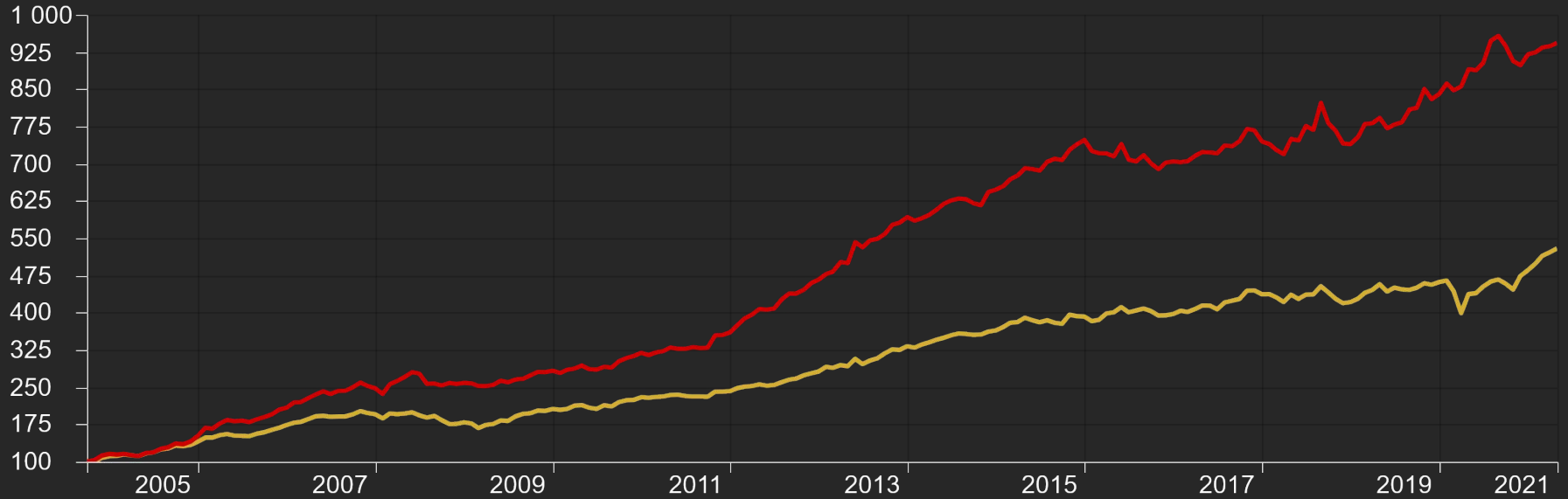


REZCO VALUE TREND

REZCO VALUE TREND - LONG TERM

Time Period: Since Common Inception (2004/10/01) to 2021/04/30

Currency: South African Rand Source Data: Total Return



Rezco Value Trend A

943.8 ASISA SA MA High Equity

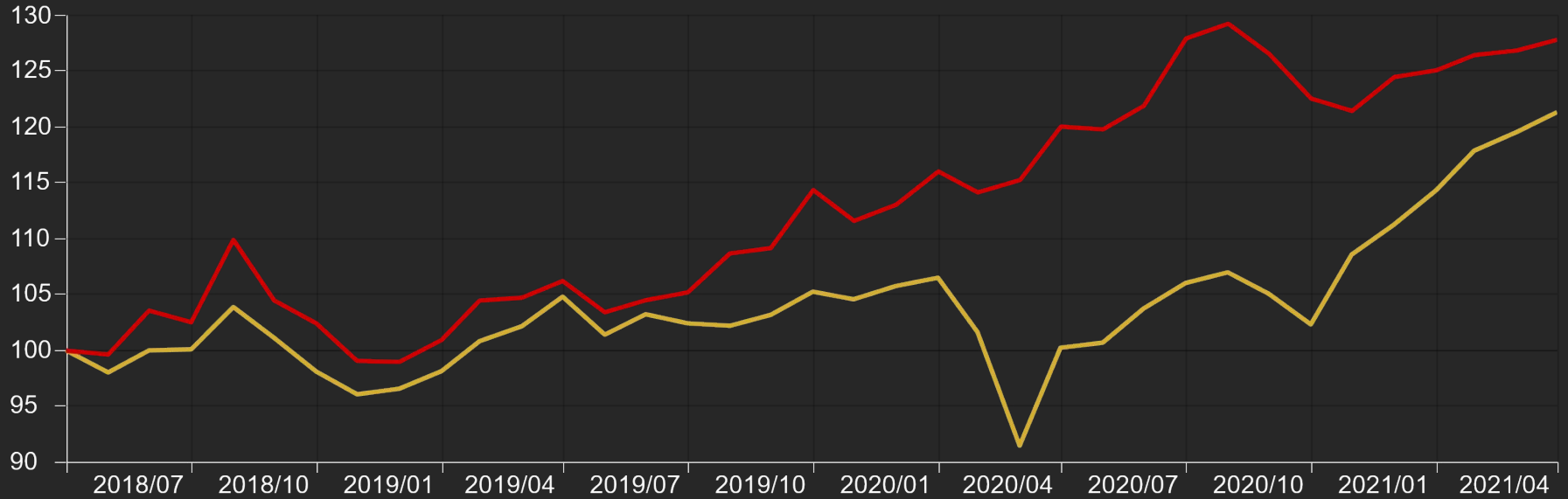
531.2

Source: Morningstar Direct

REZCO VALUE TREND - 3 YEARS

Time Period: 2018/05/01 to 2021/04/30

Currency: South African Rand Source Data: Total Return



Rezco Value Trend C

127.8 ASISA SA MA High Equity

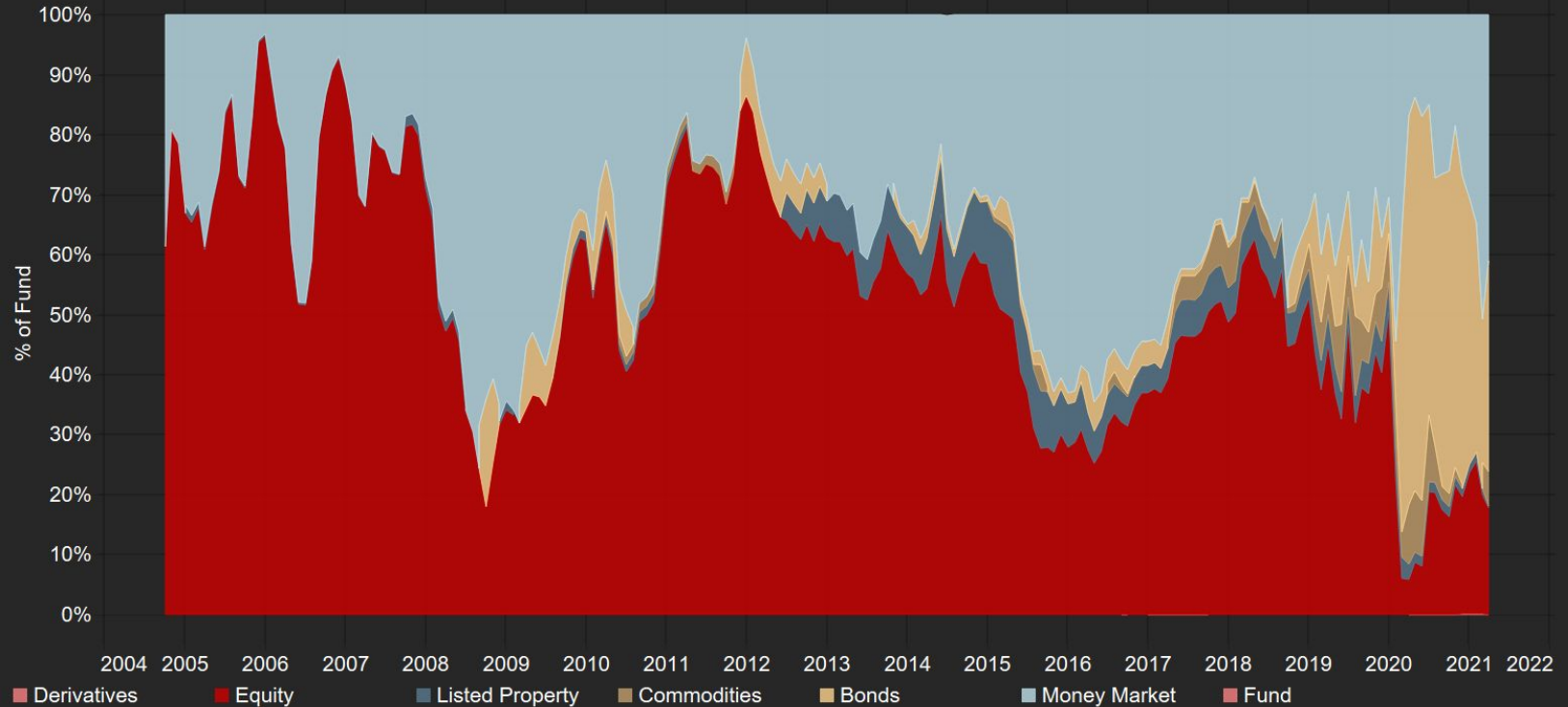
121.3

Source: Morningstar Direct

REZCO VALUE TREND FUND

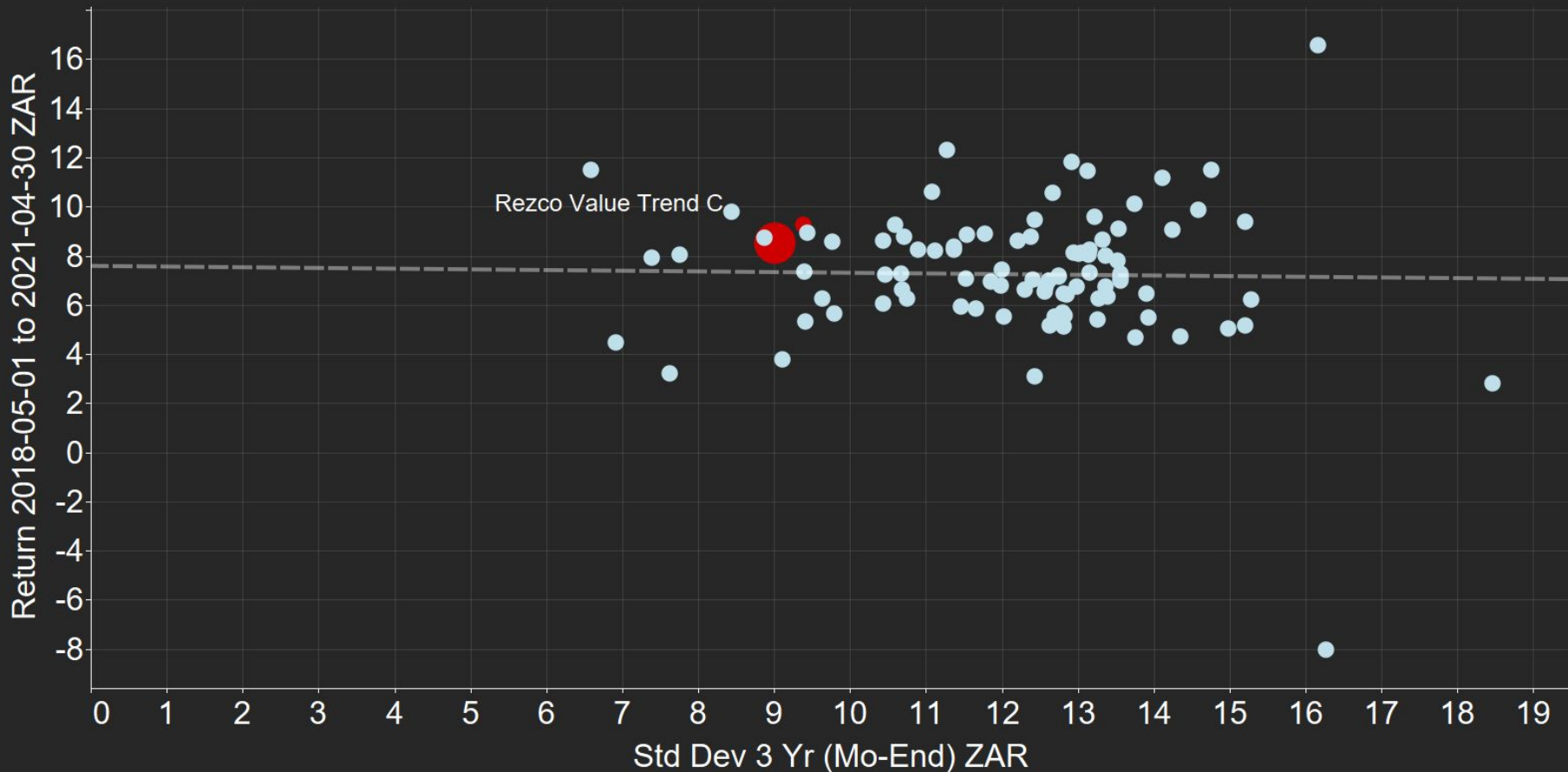
HISTORICAL ASSET ALLOCATION

Portfolio: RVTU

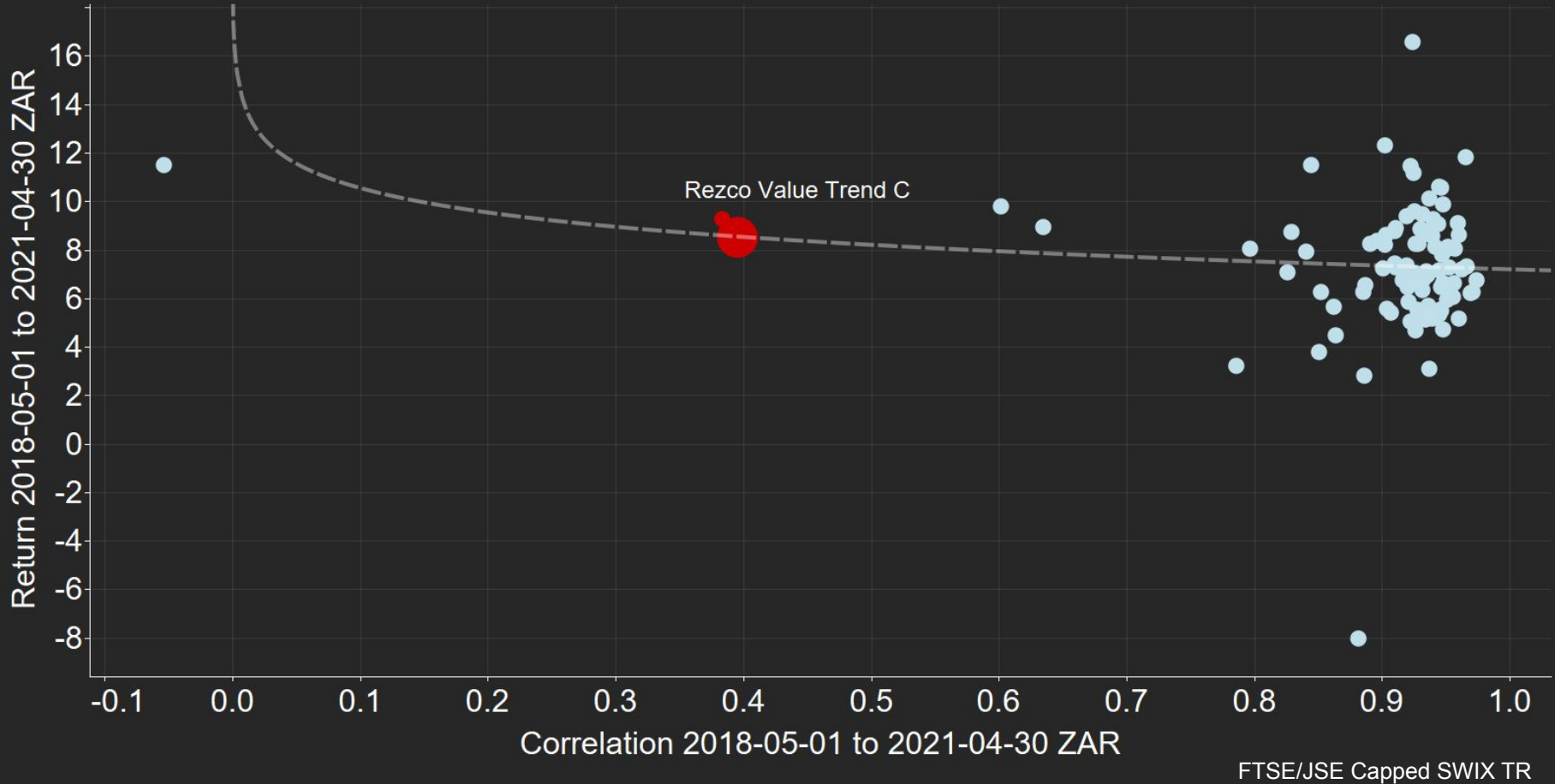


Source: JTC Group/Rezco

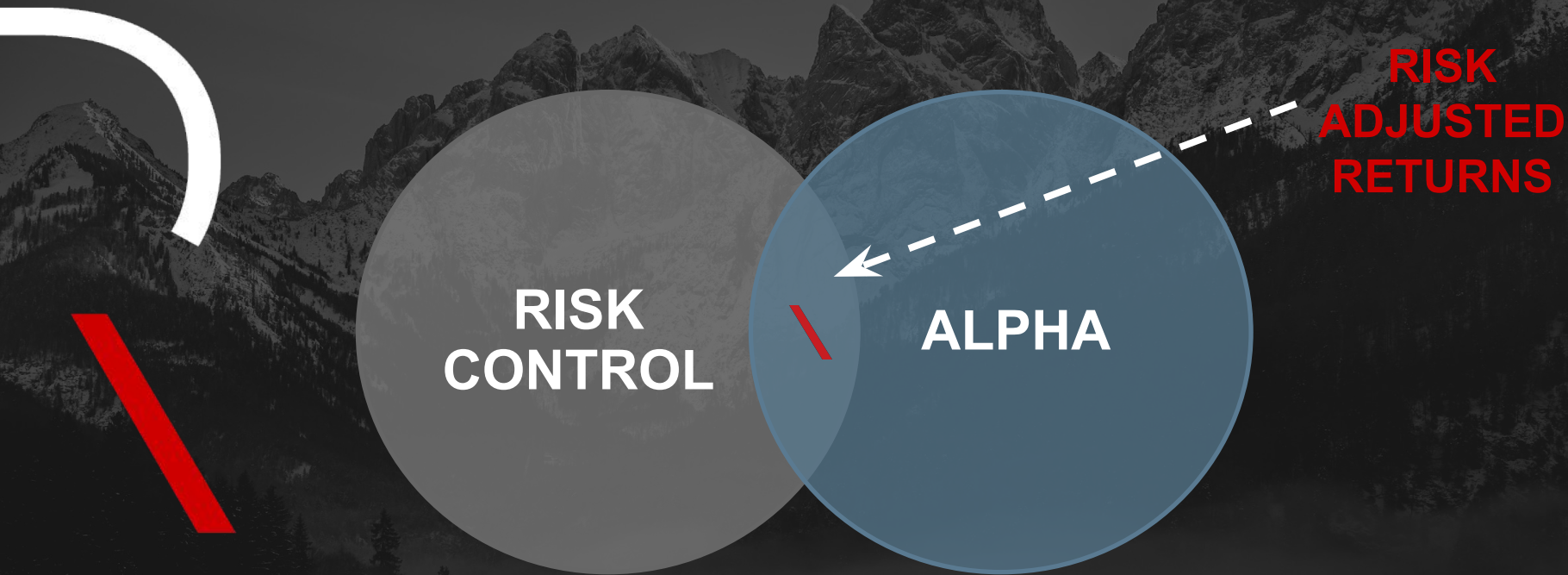
REZCO VALUE TREND : RETURN WITH LOW VOLATILITY



REZCO VALUE TREND : LOW CORRELATION TO PEERS



OUR INVESTMENT OBJECTIVE



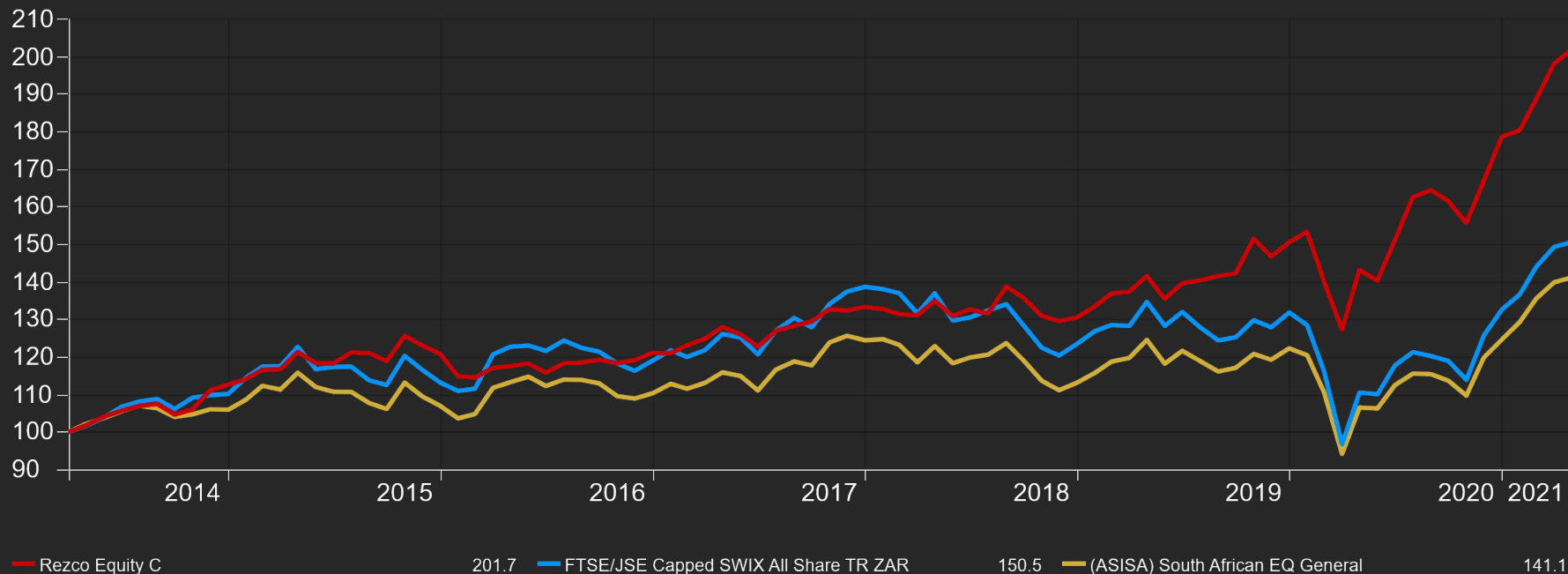


REZCO EQUITY FUND

REZCO EQUITY FUND - LONG TERM

Time Period: Since Common Inception (2014/04/01) to 2021/04/30

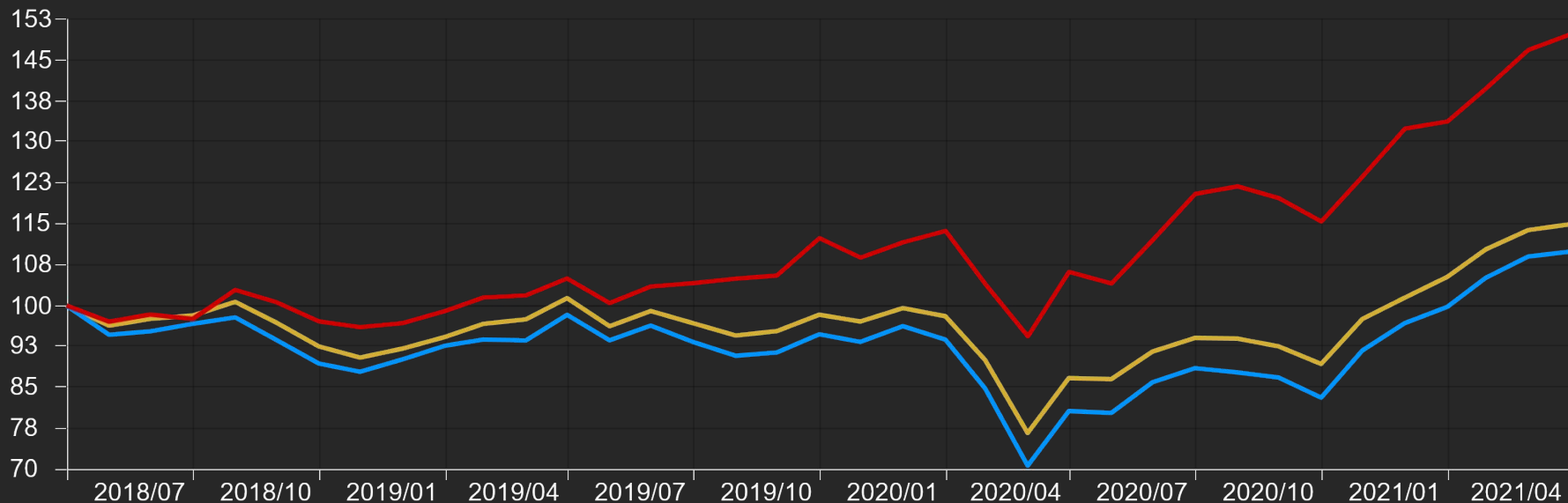
Currency: South African Rand Source Data: Total Return



REZCO EQUITY 3 YEARS

Time Period: 2018/05/01 to 2021/04/30

Currency: South African Rand Source Data: Total Return



Rezco Equity C

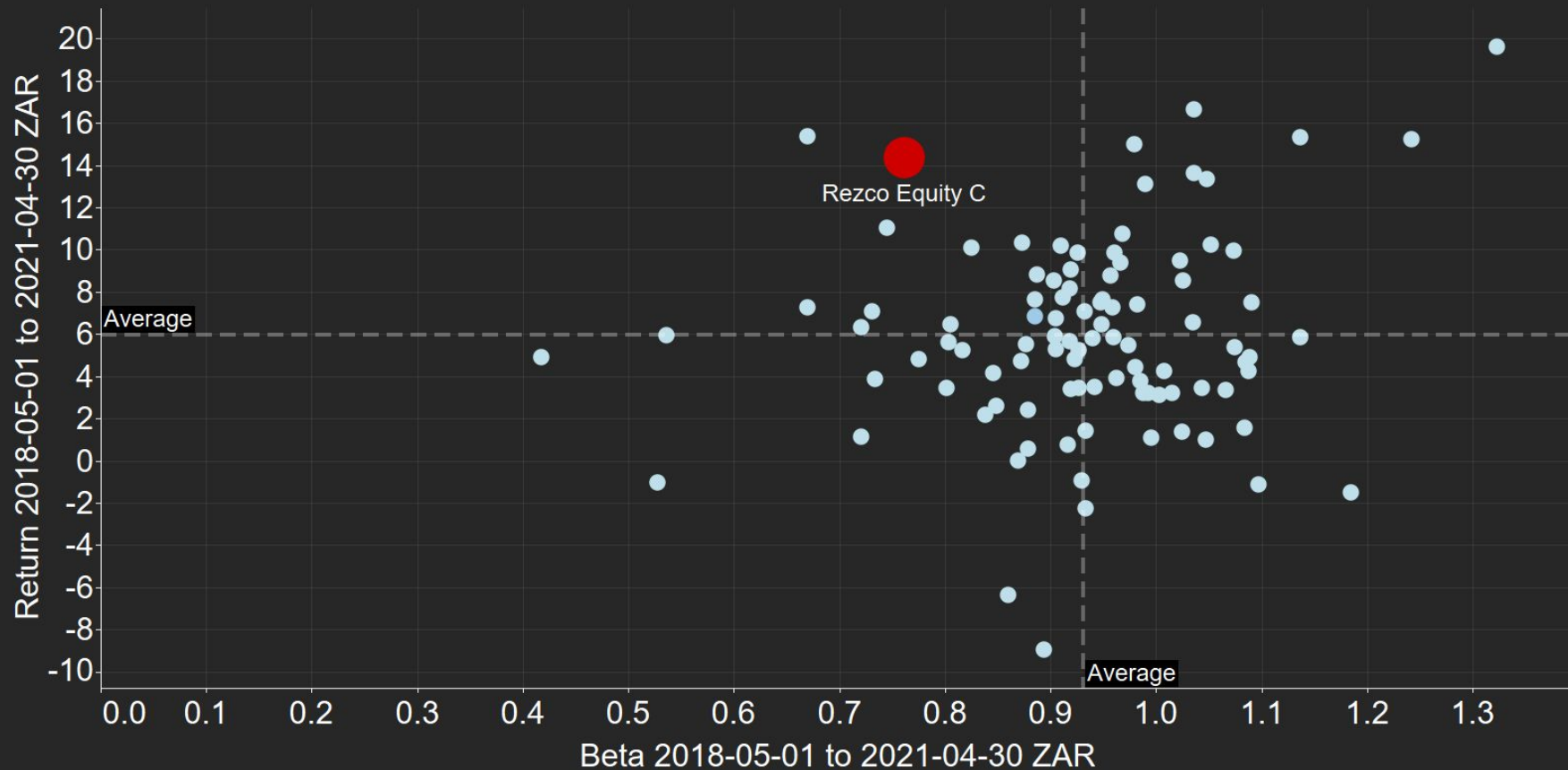
149.6 FTSE/JSE Capped SWIX All Share TR ZAR

109.9 (ASISA) South African EQ General

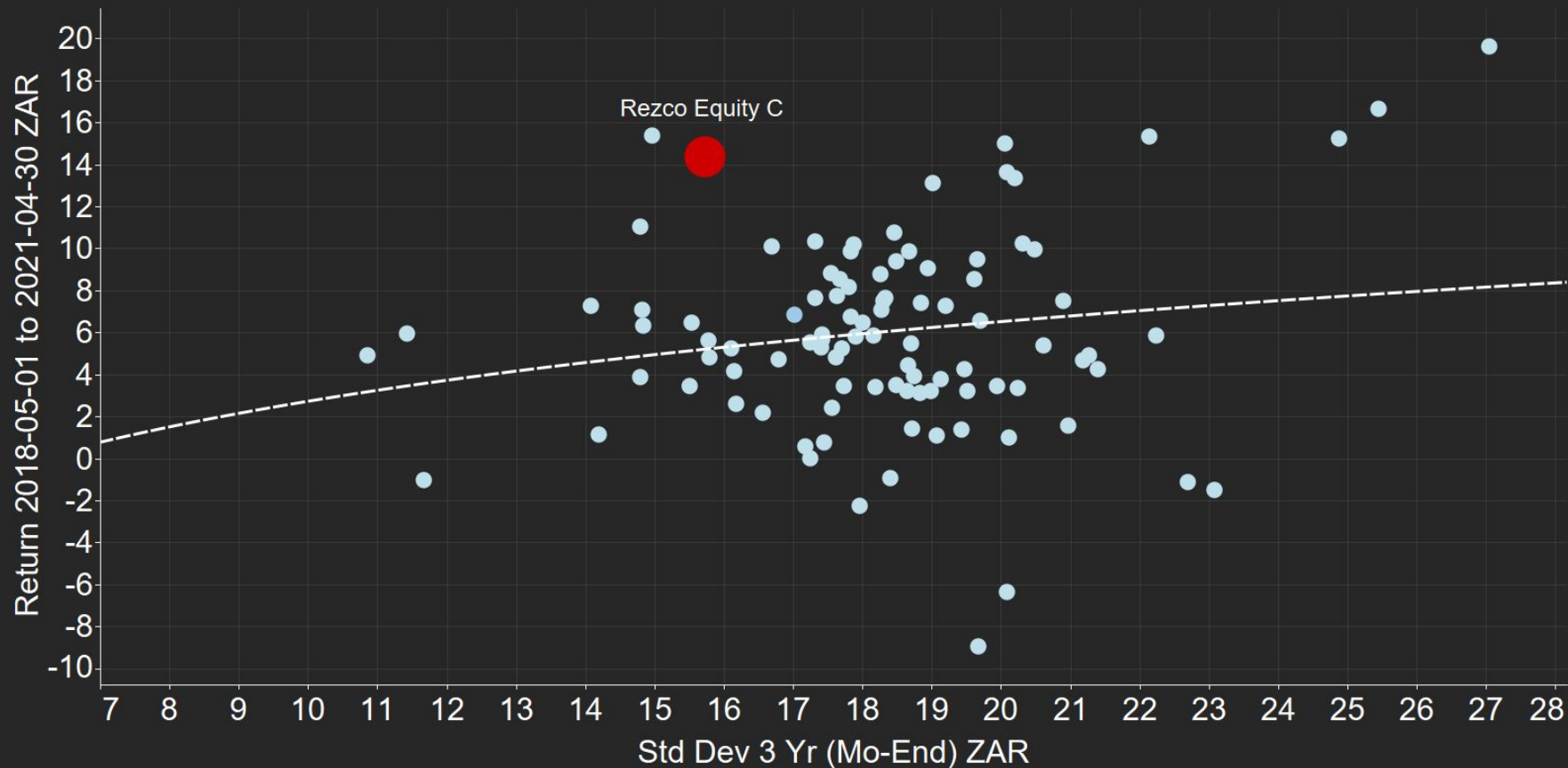
114.9

Source: Morningstar Direct

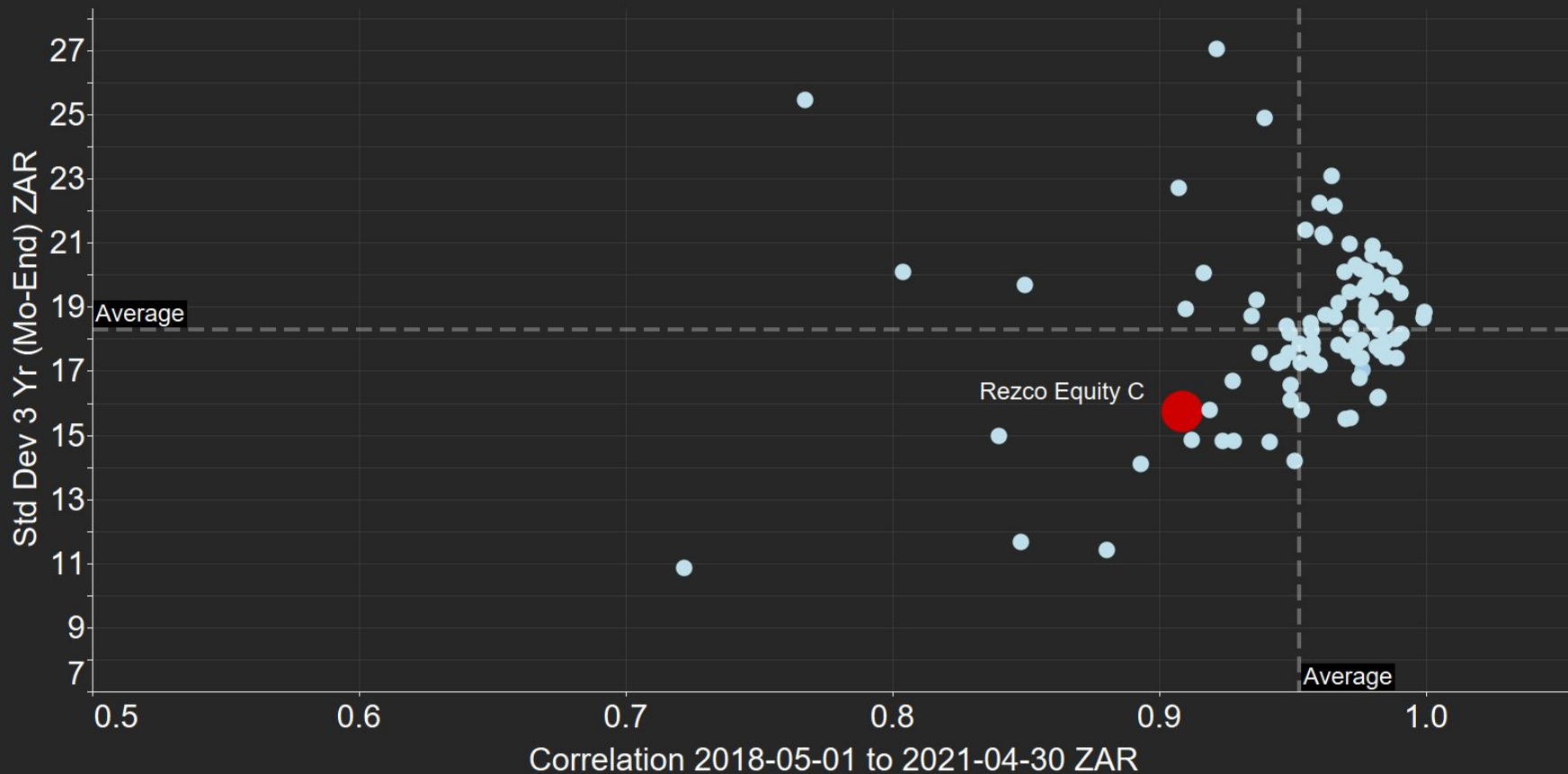
REZCO EQUITY FUND : RETURN AND BETA



RETURN AND STD DEVIATION



LOW CORRELATION AND LOW VOLATILITY





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

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