

## FUND PERFORMANCE

All our unit trust funds have continued to perform well through the past quarter. As clients would know, we managed to avoid the carnage in the investment markets that occurred as the coronavirus pandemic swept the globe in the first quarter. We felt that the hit to the world economy would most likely cause a severe recession which typically is bad for company earnings. As fundamental investors we believe there is a relationship between what companies earn, cash flows, and the valuations of those companies. Because of this, we felt that it was prudent to be conservative with our client's money through the quarter; not sitting on our hands, but taking a more cautious approach, seeing the current investment markets as more of a five-day cricket game rather than a T20 game.

## WHAT DO WE MEAN BY THIS?

We feel it's very important to keep the scoreboard ticking over but to avoid high-risk shots. In investing terms; keep the returns ticking over but avoid large drawdowns and thus big hits to client capital. Our multi assets funds, namely, Value Trend, Managed, and Stable Fund all achieved approximately 5% returns for the quarter, leaving them with a strong mid-teen return for the past 12 months. The symmetry of the returns over the past year is quite interesting; the funds achieved approximately 8% in the last six months of last year and have achieved roughly the same in the first six months of this year giving the approximate 16% return.

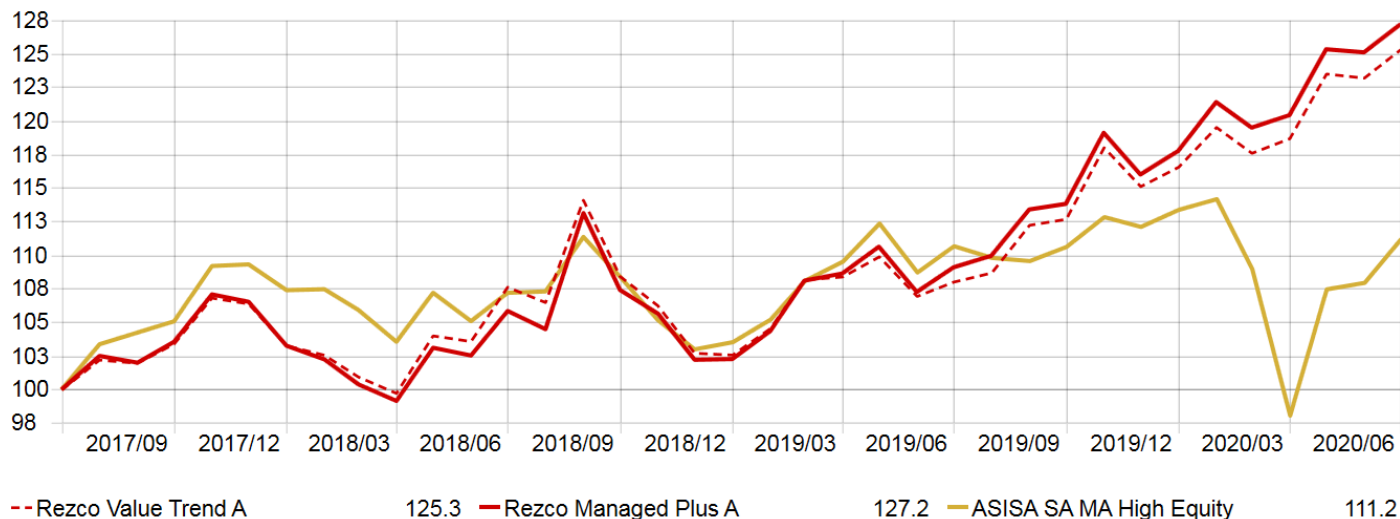
The 3 year graphs below which shows Value Trend Fund and Managed Plus Fund relative to their sector peer group, illustrates this point well.



## REZCO VALUE TREND AND MANAGED PLUS FUNDS

Time Period: 2017/07/01 to 2020/06/30

Currency: South African Rand Source Data: Total Return



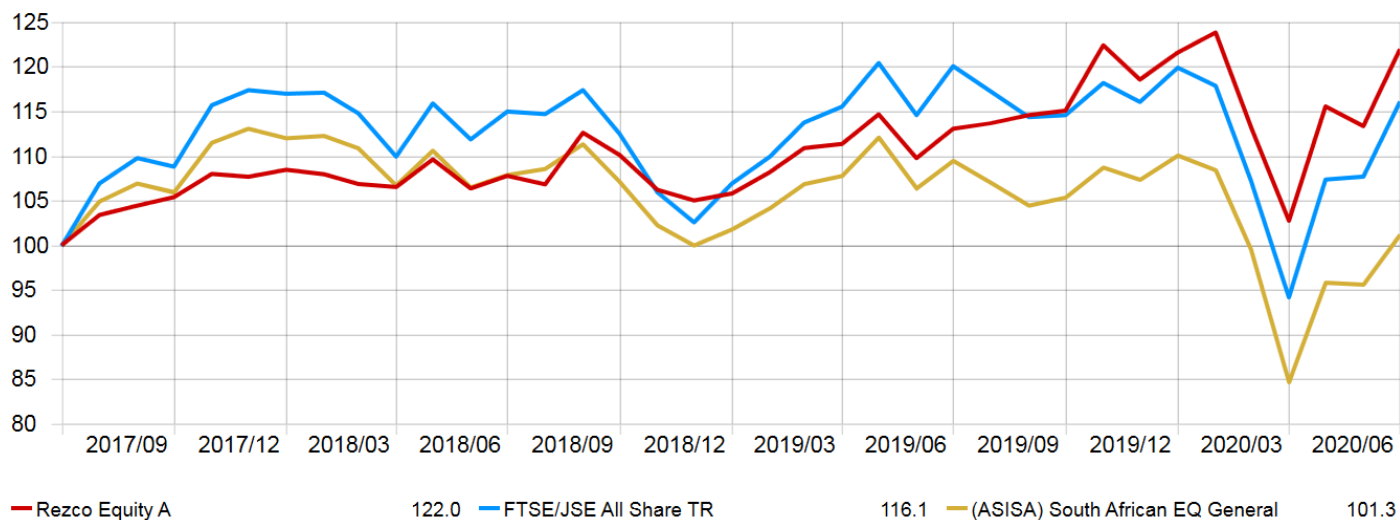
Source: Morningstar

## REZCO EQUITY FUND

Through effective portfolio construction, the Rezco Equity Fund managed the best of both worlds. It fell less in the first quarter when the markets collapsed but managed to rise in the second quarter by a similar amount to the overall market, leaving it well ahead of its peer group.

Time Period: 2017/07/01 to 2020/06/30

Currency: South African Rand Source Data: Total Return

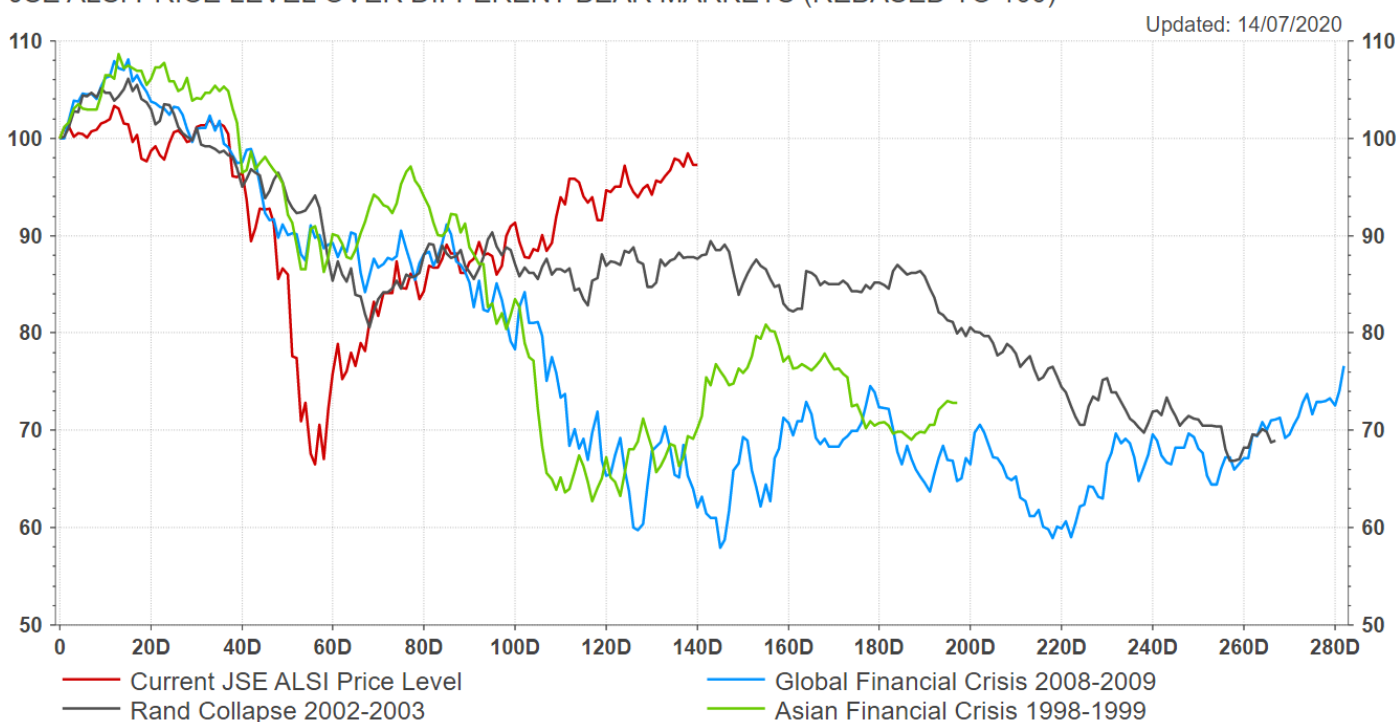


Source: Morningstar

## INVESTMENT OUTLOOK

We feel equity markets both locally and internationally and have got ahead of themselves, rising close to levels seen at the start of the year. The damage from COVID to the world economy is very real and company earnings reports over the next couple of months are likely to cause investors some degree of alarm. Our expectation is that this will drag equity prices lower. The graph below shows the JSE ALSI with the current market overlaid on the three previous bear markets that coincided with a recession. We believe the JSE will catch up with those previous trajectories and there will be much better opportunities to buy equities. International equities paint a very similar picture.

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



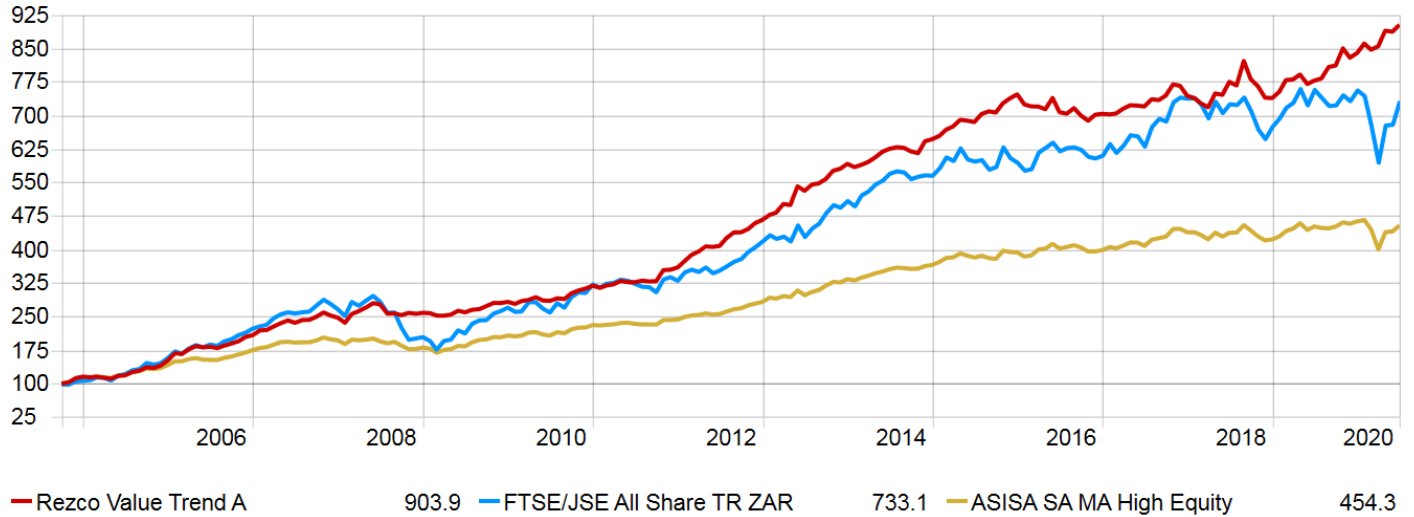
## REZCO FUNDS IN BULL MARKETS

We don't want to give investors the impression that we are overly cautious doomsday investors who only do well during times of market difficulty. It is just that one of our core investment beliefs is that superior long-term returns are heavily influenced by the purchase price that one pays for the investment. The Value Trend Fund has been in existence over two bull markets, namely, 2004 to 2008, and the bull market from 2010 to 2015. Over both these periods, the fund significantly outperformed its peer group.

## REZCO VALUE TREND FUND – LONG TERM

Time Period: Since Common Inception (2004/10/01) to 2020/06/30

Currency: South African Rand Source Data: Total Return



Source: Morningstar



**ROB SPANJAARD**  
Chief Investment Officer



**SIMON SYLVESTER**  
Co-Portfolio Manager

Rezco Collective Investments Ltd is an FSCA approved Manager of Collective Investment Schemes. Disclaimer: Unit trusts are medium to long term investments. The value of units may go down as well as up, and past performance is not necessarily indicative of future returns. Unit trusts are traded at ruling prices and may engage in borrowing. Unit trusts are not normally taxed as traders but this cannot be guaranteed. General information about the company and its products and services is provided by Rezco Collective Investments Ltd. No guarantees about the suitability or potential value of any information or particular investment source are given by Rezco Collective Investments Ltd. Any information in this newsletter is not intended to constitute financial, tax, legal, investment, or any other advice. It is in an investor's best interests to consult with a qualified financial advisor before making any decision or taking any action regarding their finances. Nothing contained in this newsletter constitutes a solicitation, recommendation, endorsement or offer by Rezco, but shall merely be deemed to be an invitation to do business. For more specific fund information, please refer to the fund fact sheets of each fund.