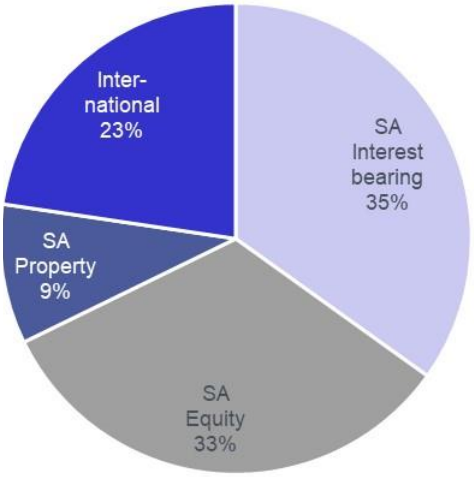
etfSA Wealth **Conservator** Portfolio

CPI+3% target return

February 2019

Benchmark Asset Allocation



Key Information

Structure
27four Life Policy

Composite Benchmark
15% STeFI + 15% ALBI + 30% Capped SWIX + 15% SAPY + 25% MXWR

Return Target
CPI+3% over rolling three years

Risk Profile
Low to Medium (LM)

Portfolio Fees
Total Expense Ratio (TER) incl. portfolio management fee

0.25% p.a. incl. VAT (maximum)

Reg. 28 Compliant?
Yes

Inception date
July 2015

AUM
R8.84m

Contact Us

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Market Commentary

The positive momentum in the market continued for a third month, taking the recovery of the JSE close to 11% since the low point in early December. Resources maintained its lead over Financials and Industrials, fuelled by strength in commodity prices (especially precious metals and oil) and renewed weakness in the rand. This good performance was achieved despite poor domestic fundamentals across economic activity, employment, vehicle sales, the PMI and business confidence – this highlights that the JSE in aggregate is largely detached from domestic economic fundamentals. The market remains skittish in the light of ongoing revelations coming from the different commissions of enquiry, and any whiff of a corporate scandal gets severely punished through marking down the share prices. Offshore investments were the clear winner in February, especially when measured in rand terms, but global geopolitical risk is still the driver of short-term investment trends. The near-term outlook remains full of uncertainty, but diversification remains the best risk management strategy, rather than switching to cash.

Theoretical Model Portfolio Investment Returns vs. Market Performance

(%)	6m	1yr	3yrs (pa)	5yrs (pa)	10yrs (pa)
Cash - ST Fixed Income Index (STeFI)	3.6	7.0	7.3	6.9	6.6
FTSE/JSE All Bond Index (ALBI)	5.6	4.2	10.6	8.4	8.5
FTSE/JSE Capped SWIX Index (Capped SWIX)	-3.8	-6.0	4.7	5.7	14.5
FTSE/JSE SA Listed Property Index (SAPY)	-3.7	-5.2	-0.4	6.9	12.9
MSCI World Index in ZAR (MXWR)	-8.1	18.1	5.3	10.3	14.5
CPI+3%		7.6	8.4	8.4	8.5
etfSA Wealth Conservator LA Fund	**-0.9**	**5.0**	**4.5**		
etfSA Wealth Conservator - Model Portfolio	0.3	3.7	4.8	6.0	9.2

The performance of the Model Portfolio represents the theoretical performance of the optimised strategic asset allocation without the impact of actual investment cash flows. The performance numbers are simulated and not actual, using a back-testing method.

Actual Portfolio Holdings

Asset class	Description	Weight (%)
SA Interest bearing	Cash	21.0
	Ashburton Inflation-linked GOVI ETF	4.4
	NewFunds GOVI ETF	4.9
	PrefTrax ETF	4.6
SA Equity	Coreshares SA Top50 ETF	16.8
	Ashburton Mid Cap ETF	4.1
	Satrix Quality ETF	4.6
	Coreshares Dividend Aristocrats ETF	3.7
	Satrix Divi+ ETF	3.7
SA Property	Stanlib Property ETF	5.8
	Proptrax Ten ETF	3.8
Offshore	Satrix MSCI World ETF	12.8
	CoreShares Global Dividend Aristocarts ETF	3.6
	Satrix MSCI Emerging Market ETF	2.7
	CoreShares Global Property ETF	3.6

Illustrative Performance

Note: This illustrative historic performance is based on the strategic asset allocation and reference index performance of the ETPs selected for this Portfolio

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Portfolio description

The etfSA Wealth Conservator Portfolio aims to preserve the purchasing power of assets over time be achieving targeted returns of 3% in excess of the level of inflation (as measured by the Consumer Price Index, or CPI) over rolling three year periods, while reducing the volatility associated with market-linked investments. The Portfolio is constructed through strategic allocations into a range of exchange traded products, exposed to different asset classes, which optimises the cost efficiency and transparency of the Portfolio.

The Portfolio is ideal for investors who want a low cost, transparent investment-linked living annuity. The portfolio is suitable for an investor with a relatively short term investment horizon – investors who wish to preserve the value of their near-term retirement savings and require maximum income from their investment. The portfolio is well-suited for conservative investors with real return objectives, seeking long term wealth creation, who in terms of their liabilities, have to earn investment returns in excess of inflation. The portfolio does not pay out dividends – any distributions received from underlying investments are automatically reinvested into the portfolio to allow for additional compounded growth.

Portfolio Construction Strategy

The portfolio construction follows a transparent and rules-based passive portfolio management style. Investment objectives are achieved by adhering to strict risk control measures, including appropriate diversification and tolerance-based rebalancing of optimal asset class weights. The portfolio employs a strategic asset allocation strategy into a diversified range of asset classes. These include domestic and international equities, domestic interest-bearing assets, listed property, investments into physical commodities and cash. Although the portfolio aims to add an element of protection to invested capital, it does not offer capital or performance guarantees, therefore and portfolio value fluctuations may occur in the short term. Intra-period (between rebalancing) the effective asset class weights are allowed to drift around the optimised strategic asset allocation levels, within pre-defined tolerance limits. Asset class specific tolerance limits around the strategic asset allocation levels are defined to allow for some momentum drift within individual asset classes. Rebalancing methodologies are continuously evaluated and optimised for cost efficiency. Underlying Portfolio components are held in Exchange Traded Products (ETFs and ETNs) to allow for maximum cost benefit to the investor. Distributions received from underlying investments are re-invested into the portfolio immediately when received to maximise total returns and optimise tax efficiency.

About etfSA

etfSA is the "Home of Exchange Traded Funds" and is an internet based information and transaction website that provides simple and efficient solutions for investors wishing to discover, understand, manage and profit from the world of Exchange Traded Funds (ETFs).

The **etfSA** range of **Wealth** management portfolios provide investors with investment portfolios that exclusively utilise Exchange Traded Products (ETPs) as the underlying investments.

For more information on etfSA, its transaction platform for ETPs and its tax free, retirement and living annuity investment options, visit the website **www.etfsa.co.za** or call (010) 446-0371

About the Portfolio Manager

Nerina Visser, CFA
for the **etfSA Portfolio Management Company** (Pty) Ltd
a division of
etfSA Investment Services (Pty) Ltd
a Category II Financial Service Provider
(license number 40107)

Notes:

1. The performance of the **Model Portfolio** represents the theoretical performance of the optimised strategic asset allocation without the impact of actual investment cash flows. The performance numbers are simulated and not actual, using a back-testing method.
2. All returns quoted are net of fees – that is, after deduction of all expenses as quoted in the Portfolio Management TER. Returns for periods exceeding one year are annualised. All returns are in Rands.
3. The benchmark is a composite benchmark as per the weights and indices as indicated on the first page. The return is an estimate and is displayed as a general guide which is subject to change without notice to investors.
4. All holdings information is based on latest available data. There may be differences in totals due to rounding.

Disclaimer

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