

Q2 / SEPTEMBER 2021

GLOBAL PERSPECTIVES

OLD
FAVOURITES
MEET NEW
POSSIBILITIES
AS THE WORLD
AWAKES



Vaccines and our changing world

The global economy sheds off
lockdown blues

The psychology of investing

Controversial, compelling
crypto creations

 **ASHBURTON**
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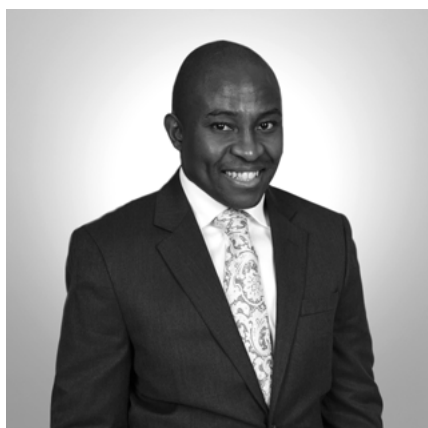
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SIZWE NXEDLANA
CEO, Ashburton Investments

Bouncing back

As the global vaccination roll-out gathers pace, lockdowns will gradually come to an end, business confidence will grow and investors can again find fertile ground for their capital. After a challenging period, green shoots are again emerging.

Vaccination programmes are rolling out around the world and efforts are being made to increase the supply of vaccines, therapeutics and diagnostics in developing countries. Lockdowns are also slowly coming to an end, marking a boost for economies and countries hard hit by the Coronavirus (COVID-19) pandemic.

Of course, as Head of Global Equities, James Cooke outlines in his article there are still a number of 'what ifs' on the horizon. From the different technologies behind vaccines such as non-replicating viral vectors like AstraZeneca or the mRNA options

used by Pfizer-BioNTech, or the emergence of new variants and the dearth of local vaccine production facilities in many regions, humankind's COVID-19 response is still in its infancy. But that doesn't mean that the positive effects of the vaccine roll-out aren't already bearing fruit for investors.

With around 15% of the world's population now fully vaccinated, business optimism has improved to its second-highest level on record, according to June's JPMorgan Global Composite Purchasing Managers' Index (PMI). And, with the system awash with liquidity and stimulus, consumption is likely

to boost economic activity in key markets such as the United States. While this has implications for global inflation, it also presents us with a case for cautious optimism which, in turn, provides renewed impetus for growth stocks.

While the likes of vaccine makers and biotechnology firms are very much on everyone's radar at the moment, there are also green shoots emerging around the broader technology sector as well as sectors which benefit from the so-called 'movement economy', such as travel bookings, entertainment stocks, airlines, cruises and casinos, as well as hotels. All of these sectors stand to benefit when the vaccinated world reopens in some form and demand for these services are again rekindled.

Whether an investor is poised to take advantage of these market shifts is very much dependent on the risk appetite of the individual investor. Investment Manager Kathy Davey, in her article looking at the psychology of investing, talks us through this negative

bias consideration and warns against using the low interest rate environment as an excuse to leap into risky behaviour. This is definitely an article to absorb and reflect on with respect to your own responses at the moment.

This has never been more true than when dipping your toe into the unusual and interesting world of cryptocurrencies and crypto assets. Even if you don't know the difference between a non-fungible token and a dogecoin, our Head of Fixed Income, Albert Botha, will take you by the hand and lead you into a futuristic space that is sure to keep impressing and confusing us all for years to come.

With so many opportunities on the boil in a world emerging from its Coronavirus-induced cocoon, now is definitely the time to be investment savvy and have a clear and strategic plan of action.



"Whether an investor is poised to take advantage of these market shifts is very much dependent on the risk appetite of the individual investor."



JARRED SULLIVAN
Global Multi Asset
Investment Strategist
Ashburton Investments

THE QUICK TAKE

Roughly 15% of the world is now fully vaccinated, according to the latest figures from *Our World in Data*.

Growth stocks have found renewed impetus as the lower cost of borrowing has supported a broader re-rating. This is clearly evident in the technology sector.

Global growth rates are expected to offset the downturn of last year as precautionary savings fully unwind.

Global inflation is likely approaching its peak and is expected to slow in the second half of the year.

The global economy sheds off lockdown blues

With global vaccinations continuing to roll out, and amidst unprecedented monetary and fiscal policy support, the world economy is seeing some green shoots emerging.

The vaccination rollout continues to make significant headway in major economies such as the United States (US) and the United Kingdom, with roughly 49% and 57% of the population being fully

vaccinated respectively at the time of writing. Encouragingly, roughly 15% of the world is now fully vaccinated, according to the latest figures from *Our World in Data*. Against this backdrop, markets enjoyed an exemplary run over the last quarter, with the FTSE All World Index up 7.4%¹ over the three months to June 2021 amid unprecedented monetary and fiscal policy support from global authorities, particularly in the US.

¹ All statistics in USD terms unless stated otherwise.

“Business optimism improved to the second-highest reading on record and is especially evident in the developed market world.”

The reflation trade took centre stage over the quarter with the Refinitiv/Core Commodity CRB Index returning 15.4% while oil, in particular, rose 24.5%. Unsurprisingly, this came amidst elevated inflation statistics on a global level, amid a low 2020 base that exacerbated the rate of change in the data, as well as strong demand-pull inflation and supply-chain disruptions. The persistence of the latter is important to note since, according to the latest JPMorgan Global Composite Purchasing Managers' Index, it continues to exacerbate both input and output prices. Nevertheless, the survey also pointed out that business optimism improved to the second-highest reading on record and is especially evident in the developed market world. This can likely be ascribed to the easing of lockdowns amid a successful global vaccination rollout to date.

DEVELOPMENTS IN THE US

Some noteworthy policy and forecast developments by the US Federal Reserve (Fed) have also taken place more recently. While

the Fed opted to keep the federal funds target range unchanged at between 0% and 0.25%, and the monthly asset purchasing programme at US\$120 billion, the Federal Open Market Committee (FOMC) elected to hike the interest on excess reserves and the overnight reverse repo rate by five basis points. This attempts to keep funding market rates from going below 0%. Unsurprisingly, however, the committee also upwardly revised gross domestic product (GDP) growth and personal consumption expenditure inflation forecasts this year to 7% and 3.4% respectively, from projections of 6.5% and 2.4% recorded in March. In fact, GDP growth in the US registered an increase of 12.2% year-on-year in the second quarter – an increase not seen since 1950s. Strong consumption data bolstered economic activity amid sizeable stimulus checks under the Biden administration.

Another significant development from the FOMC meeting is that 13 out of the 18 committee members are now signalling that they expect at least one 25 basis points rate hike in 2023 as indicated in the Fed's dot plot.

Despite a more hawkish tilt and firmer talks of tapering imminent, cross-asset volatility remains well contained for now. While the latest Fed minutes stated that conditions for a reduction in asset purchases have begun to materialise sooner than expected, amid strong economic data releases, the committee did acknowledge that the economic recovery was still incomplete. Specifically, their expectations of a broad-based and inclusive maximum employment goal were weaker-than-anticipated. This likely indicates that the Fed will err on the side of caution and adopt a wait-and-see approach before commencing on a path of tapering asset purchases.

A moderation in liquidity will likely have a negative contagion effect by spilling over to global equity markets and spark risk-off sentiment if the scaling back of asset purchases proves to be sizeable. As we delve deeper into the second half of the year, the investment climate will certainly be more challenging as global growth momentum begins to lose steam.

AN EYE ON FIXED INCOME

The first two quarters of the year have had contrasting returns in the fixed income space. In the first quarter, the Bloomberg Barclays Global-Aggregate Total Return Index fell 4.5% amid synchronised sovereign yield curve steepening from higher growth and inflation prospects being priced into global bond markets. However, in the most recent quarter, the same index rebounded 1.3%. In particular, the US 10-year bond yield commenced on a downward trend amid lower fiscal issuance, a substantial increase in speculative bond positioning and softening data releases, albeit relatively robust by historical standards.

To this end, growth stocks have found renewed impetus as the lower cost of borrowing has supported a broader re-rating. This is clearly evident in the technology sector.


A WORD ON CHINA

It is worth noting that China remains one of the few markets to underperform the global economy and is among one of the worst in the emerging market basket. The emergence of lower growth and rising inflation has quelled support for the Chinese equity market. In addition, haphazard regulatory pronouncements in the technology sector have certainly sparked jitters among market participants. The most perturbing of all, however, is that the Chinese credit impulse has delved even deeper into negative territory. Given its strong leading indicator properties in relation to the global cycle, this is signalling that the second half of the year will almost certainly experience slowing growth momentum. Similarly, the global thrust from fiscal stimulus has been largely front-loaded, predominately in the US; hence the

level of accommodative policy is unlikely to be as supportive in the future.

GROWTH EXPECTATIONS

Despite the above, on a full-year basis, global growth rates are expected to more than offset the downturn last year as precautionary savings fully unwind, and as economic activity recovers off a low base. The vaccine rollout continues to be a positive for the global economy as lockdown restrictions keep being lifted. Global inflation is likely approaching its peak and is expected to slow in the second half of the year.

While there are certainly reasons for cautious optimism, it is important to remain on high alert, particularly if global liquidity is drained from financials markets. 

“The emergence of lower growth and rising inflation has quelled support for the Chinese equity market.”



DR JAMES COOKE
Director of Investments and
Head of Global Equities
Ashburton Investments

Vaccines and our changing world

THE QUICK TAKE

To date, around 3.4 billion doses of vaccines have already been administered.

AstraZeneca's commendable approach has so far delivered more than 500 million vaccines and included a commitment to help with technology transfer while maintaining a focus on ensuring product quality.

Vaccinations will feature, among other adaptations, increased work-from-home and online retail trends, while more time spent at home will alter humanity's impact upon the local environment. All these changes will have implications for future business growth and investment opportunities.

As the World Health Organisation (WHO) puts it: "It is not vaccines that save lives, but vaccinations." This sentiment extends beyond getting jabs into arms and encompasses the types of vaccines being produced, the fair distribution around the world and longer-term thinking designed to create stronger local production efforts.

The world now has five Western-developed vaccines for the Coronavirus (COVID-19), all of

which have been approved for emergency use by the United States pharmaceutical regulator, the Food and Drug Administration (US). To date, around 3.4 billion doses of these vaccines have already been administered.

Until the final quarter of this year, to roughly sometime early next year, it will remain the production of these vaccines that continues to limit vaccination rollout programmes around the world, rather than their delivery. As a result, and in the midst of the global third wave of COVID-19, a task force has been formed by the World

Bank, International Monetary Fund (IMF), WHO and the World Trade Organisation to try increase the supply of vaccines, therapeutics and diagnostics in developing countries. In addition, better tracking is also an area of focus. Financial muscle was lent to this drive at the time of writing, when US\$50 billion in assistance was pledged by the IMF.

The reality though is that, even before the involvement of the task force, a huge increase in vaccine production was already in the pipeline and emerging market nations were at the back of the queue.

THE INS AND OUTS OF VACCINE PRODUCTION

Vaccines are much more complicated to produce than simple small-molecule drugs. While small-molecule drugs are generally produced by a few simple chemical

reaction steps, vaccines generally require biological processes. Rather than a modest number of chemicals, these biological processes tend to produce an alphabet soup of output that then needs careful separation under tightly controlled conditions, along with careful characterisation of output. This means that it takes time to build and validate new manufacturing plants to ensure that the end-product is sufficiently similar to those used in clinical trials.

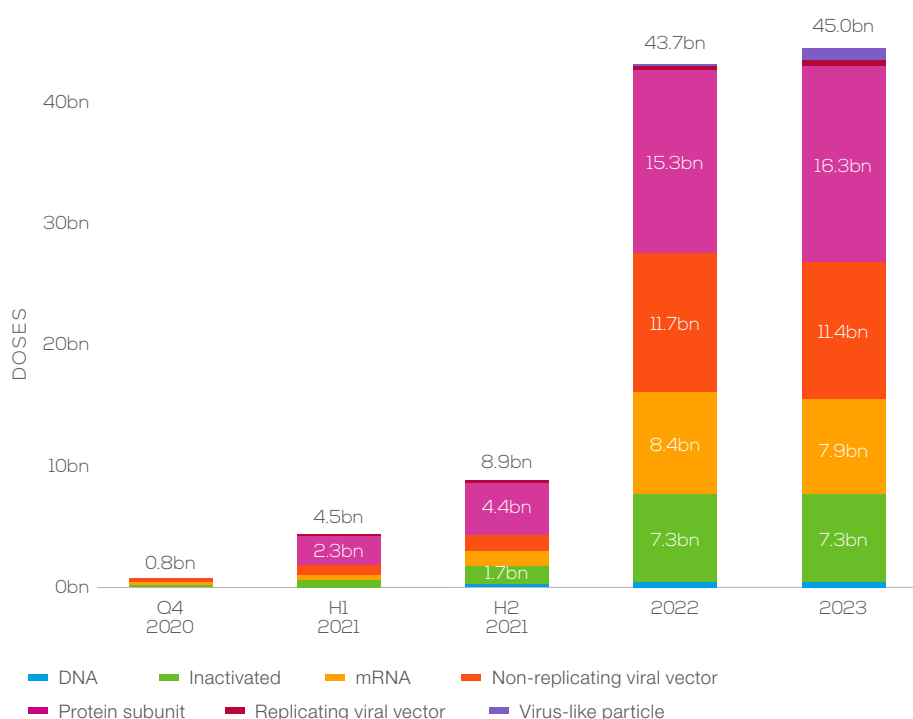
The relatively high cost of manufacturing mRNA vaccines (the yellow bar in the graph below), along with their arduous cold storage requirements, makes this type of COVID-19 vaccine unsuitable for much of the developing world. Non-replicating viral vectors (the orange bar) such as those used in AstraZeneca and Johnson & Johnson products provides a low-cost solution which,

considering that both companies have pledged to supply vaccines on a not-for-profit basis, seems to indicate that this type of vaccine will be most likely to supply the developing world.

The removal of intellectual property rights would make virtually no difference to the growth in manufacturing output of these non-replicating viral vector vaccines but would likely create issues of ensuring quality. AstraZeneca's commendable approach has so far delivered more than 500 million vaccines and included a commitment to help with technology transfer while maintaining a focus on ensuring product quality.

It should also be noted that the Novavax protein subunit (the pink bar on the graph) holds considerable promise as it could be produced inexpensively and on a large scale.

REPORTED COVID-19 VACCINE PRODUCTION CAPACITY (DOSES)



Source: United Nations International Children's Emergency Fund

AN UNEQUAL DISTRIBUTION

While suitable vaccine options are increasingly becoming available to countries in the emerging world, the access and relative inequality of vaccine distribution globally has been apparent to all throughout the global pandemic.

Some nations took a chance and secured access to vaccines in advance of knowing if they would even work against the virus. Other vaccine-producing nations elected to focus on making doses available at home first, before focusing on exports. India, which has long been the centre of world vaccine manufacturing, is a case in point. The Serum Institute of India is, by some distance, the world's largest producer of vaccines. The rise of COVID-19 cases in that country, abetted by a more virulent variant,

led to a reduction in exports due to heightened national interest. This move also raises questions about the potential to increase the localisation of vaccine manufacture, which would be a solid step towards ensuring that nations do not suffer vaccine shortages in the future. Perhaps it would be wise if at least some of the IMF's money was earmarked for this purpose.

QUESTIONS ABOUT VACCINE EFFICACY

The longevity of protection offered by COVID-19 vaccines, and of recovering naturally from an infection, remains unknown. However, the prospects of the virus and variants thereof becoming endemic are real. What is becoming clear in the face of new variants emerging is that frequent

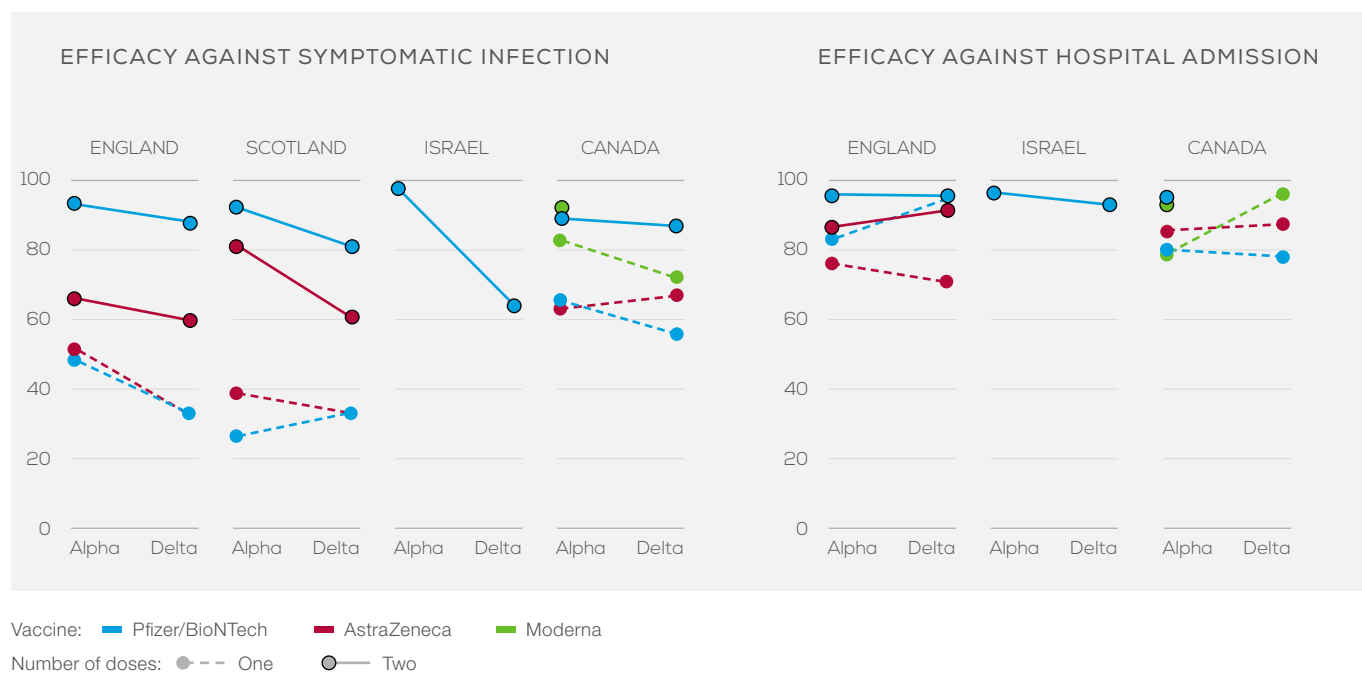
top-up doses of vaccines and the development of modified vaccines to counteract new variants is a likely reality, adding another layer of uncertainty around the vaccine rollout programme.

Given this reality, it is hardly surprising that for 2021 economists have generally acknowledged that the biggest unknown to their forecasts remains COVID-19.

Vaccination is, however, enabling countries to reduce the severity of nationwide lockdowns and buoy levels of economic activity. This is resulting in positive upgrades to economic expectations in certain countries. The pattern of performance from the equity markets of these jurisdictions suggests that these recoveries continue to be underappreciated by the equity market until they materialise.

HOW VACCINE EFFICACY COMPARES AGAINST THE ALPHA AND DELTA VARIANTS

Vaccine efficacy against infection and hospitalisation for each variant, by vaccine manufacturer, number of doses and country of study.



Source: Financial Times

“While suitable vaccine options are increasingly becoming available to countries in the emerging world, the access and relative inequality of vaccine distribution globally has been apparent to all.”

This is the pattern we have seen in the United Kingdom and the US, which are both recording increases in gross domestic product forecasts, earnings estimates and share prices. Mainland Europe appears to be the next area likely to see the level of vaccinations required to materially support a positive economic surprise.

In the face of the economic shock caused by the pandemic, developed market central banks and governments have provided hugely stimulative responses that have cushioned economies, household budgets and had the side effect of boosting asset prices. Money, however, does not provide a quick fix for all things. While the task force should allocate funds to supporting the vaccine alliance, Gavi, in its efforts to help pay for vaccine procurement for emerging market nations, capital should also be injected to help create localised

production facilities which would ensure more equitable vaccine distribution in the future.

Once vaccinated, the world will ultimately return to a new normal. This will feature, among other adaptations, increased work-from-home and online retail trends, while more time spent at home will alter humanity's impact upon the local environment. All these changes will have implications for future business growth and investment opportunities.

Our global equity team remains focused on looking for quality companies that offer growth, and which are still available at reasonable prices. Spotting structural growth themes or, conversely, areas of stagnation or decline, helps us to position our global equity strategies for continued success; no matter how the world looks in the future. ▲

Disclaimer: The Ashburton Global Leaders Equity Fund holds positions in both Johnson & Johnson and AstraZeneca



KATHY DAVEY
Investment Manager
Ashburton Investments

THE QUICK TAKE

The FTSE All World Index is now 25% higher than its prior peak, reflecting the returns investors would have missed out on had they panicked and sold out as the market started to crash and not re-invested soon enough once the recovery got underway.

Increased retail activity in equity markets has been further compounded by the COVID-19 pandemic as individuals in many countries have received stimulus cheques and have increased savings due to having fewer activities on which to spend money.

The psychology of investing

Negative bias can be damaging to investors' equity returns, but so too can failing to learn the lessons history shows us by selling out of the market when the going gets tough.

As humans, we are subject to what in psychology is called 'negative bias'. What does this mean in reality? Well, if you took a trip to the magnificent African bush and had a wonderful time with sightings of the Big Five but also had the misfortune to be stung by a scorpion, then you are more likely to remember the scorpion incident than the other positives of the trip. This is negative bias in action.

The reason why we have this psychological tendency is that, as humans, we tend to feel the effects of negative events more strongly than positive ones.

This primal instinct helps to protect us from potential threats. That said, this asymmetric reaction between positive and negative events can be potentially damaging to investment returns when we let the fear of losing money over the shorter term override our longer-term views of equity returns.

If we look at the most recent global market crash brought on by the Coronavirus (COVID-19) pandemic, it took only six months

FTSE ALL WORLD INDEX (JULY 2019-JULY 2021)



Source: Bloomberg

for stock markets to recover to pre-pandemic levels. As the above graph shows, the FTSE All World Index is now 25% higher than its prior peak, reflecting the returns investors would have missed out on had they panicked and sold out as the market started to crash, and not re-invested soon enough once the recovery got underway.

It's a universal truth of investing that not even the best investors can accurately time markets. It's not easy to predict exactly how long market crashes will continue their downward spiral or even when and how quickly markets will return to their pre-crash levels. However, what we do know for sure is that for every equity market crash we have encountered since the start of the FTSE All World Index, there has been a full recovery each time. This means that the average return for investors over the past decade would have been 8% per annum in USD had money remained invested through the ups and downs. After all, equity investing is, by its very nature, a long-term project otherwise it's just speculation.

The best way to avoid the need to jump ship when equity markets

get jittery is to make sure you are invested in quality companies that let you sleep well at night, such as the stocks that form part of the Ashburton Global Leaders Equity Fund. These are companies with low debt levels that operate in industries with high barriers to entry, which may even emerge from adverse economic shocks stronger than before as weaker competitors fall away.

LOWER INTEREST RATES CAN LEAD TO RISKY INVESTOR BEHAVIOUR

Since the start of the COVID-19 pandemic we have seen an unprecedented response from central banks globally, and the use of monetary policy tools to stimulate growth. Although interest rates in developed markets were already very low going into the pandemic, we have seen further cuts and the notion that interest rates will be 'lower-for-longer' is now widely accepted.

These stimulus efforts work in part because they encourage more risk-taking and low interest rates are generally very positive for

equities for a couple of reasons. Firstly, lower interest rates reduce the discount rate used to value the present value of a company's future cash flows, thereby increasing the value of the company. Secondly, a company's future profits are likely to be higher if consumers have more money to spend due to lower interest rates.

However, we need to be aware that investors who are discouraged by the lower returns offered by safer asset classes due to lower interest rates may be taking excessive risks or even fall prey to fraudulent activities as they attempt to achieve higher returns in riskier assets. As indicated below in the accompanying graph, retail traders have been growing their share of United States (US) equity trading volumes continuously since 2019, when the US federal funds rate peaked, and now account for almost as much equity trading volume as the mutual and hedge funds markets combined.

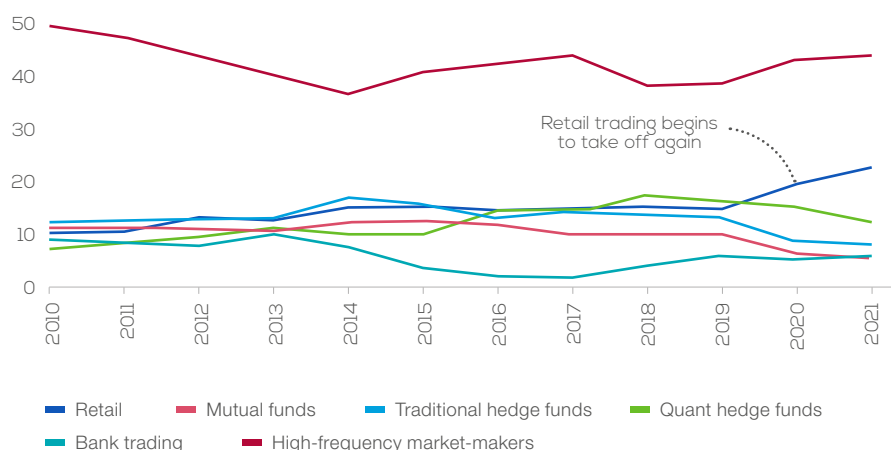
The lure of stronger equity returns against a backdrop of declining interest rates has no doubt been a factor for this. However, increased retail activity in equity markets has

been further compounded by the COVID-19 pandemic as individuals in many countries have received stimulus cheques and have increased savings due to having fewer activities on which to spend money.

Investing in the stock market is clearly not limited to professional investors. There are different levels of sophistication when it comes to retail investors. However, many retail investors may be less inclined to consider the fundamentals of the companies they are investing in and can often trade on speculation gathered on platforms such as social media sites. In addition to this, retail investors tend not to consider the benefits of a diversified portfolio and may make big and leveraged bets (through options as indicated in the chart below) on individual stocks, putting their future savings at risk as the long-term nature of equity investing is less of a consideration.

Retail trading now accounts for almost as much volume as mutual funds and hedge funds combined

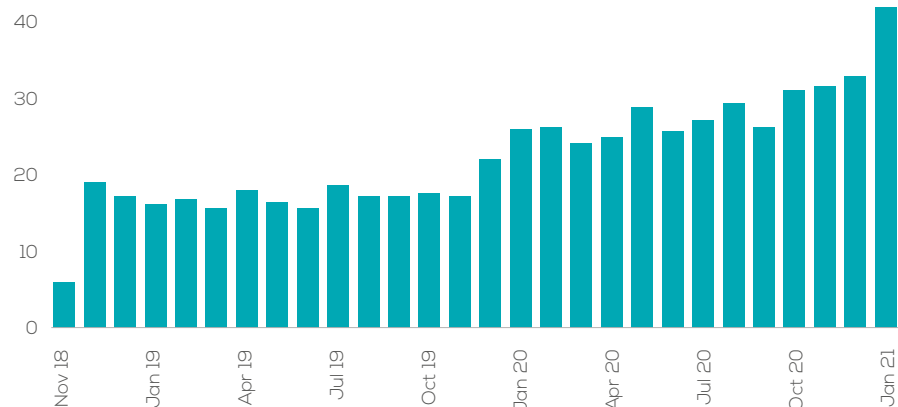
MARKET SHARE OF OVERALL US EQUITY TRADING VOLUMES (%)



Source: Bloomberg Intelligence, Financial Times


Retail trading has also sparked an option trading boom

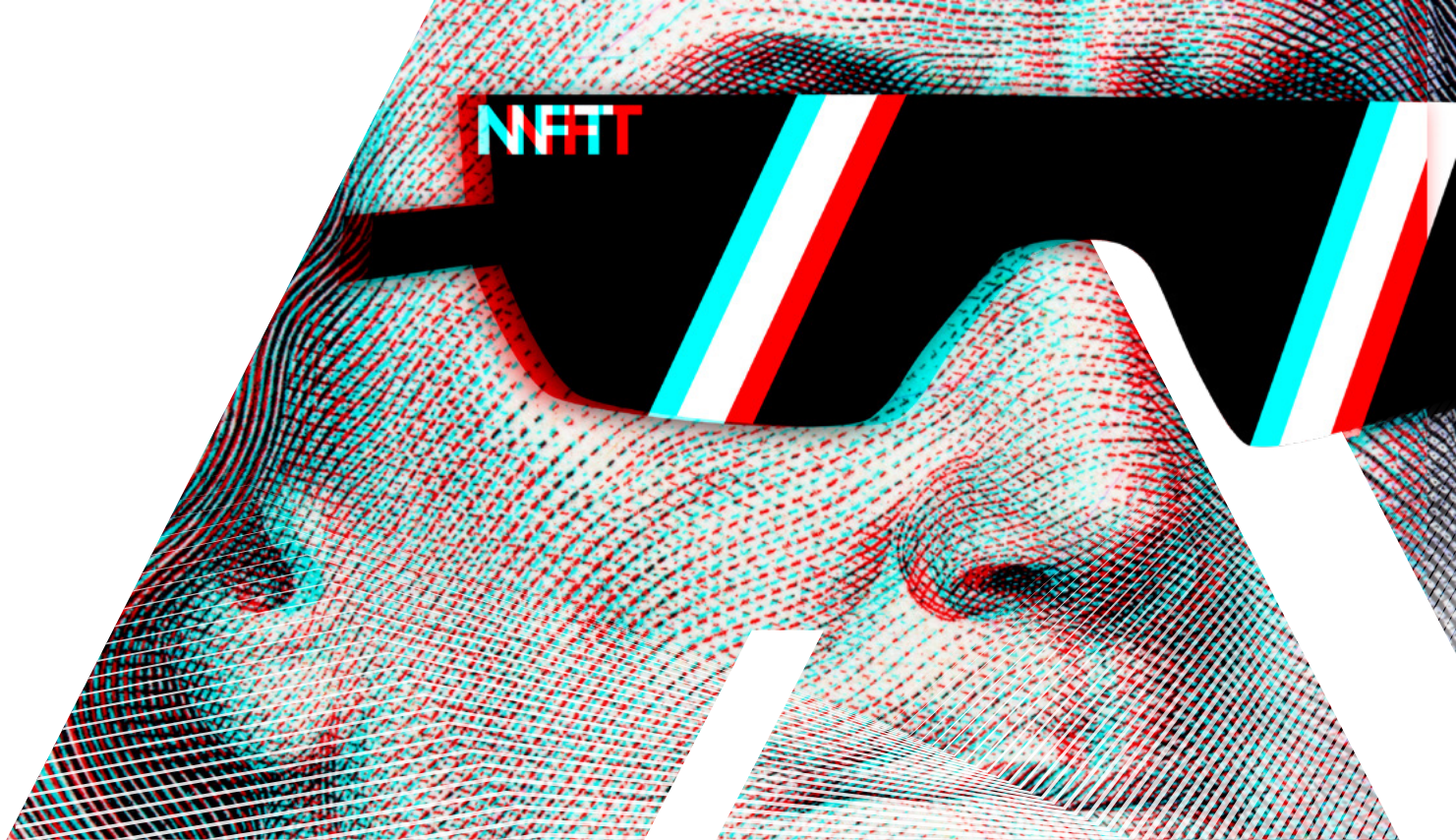
AVERAGE DAILY VOLUME OF US EQUITY OPTIONS TRADED (MILLIONS OF CONTRACTS)



Source: Bloomberg Intelligence, Financial Times

For all these reasons, we encourage investors who are looking to achieve higher returns through investing in riskier asset classes (such as equities) to put their money into diversified portfolios, where each individual stock has been chosen for its ability to generate sustainable, compounding returns over the longer term. This requires leaning away from that innate 'negative bias' and letting logic and the insights of history pave the way forward.

The Ashburton Global Leaders Equity Fund invests in quality, mega-cap companies which offer exposure to attractive thematic themes of the future such as electrification, technology and healthcare. 



ALBERT BOTHA
Head of Fixed Income
Ashburton Investments

THE QUICK TAKE

At the time of writing there were more than 6 000 different cryptos in existence, excluding the range of related assets known as non-fungible tokens (NFTs).

The entire crypto space seems to be a mixture of programmers attempting to create new tools and protocols and investors seeing it as a strange blend between art and an alternative to gold, or even a get-rich-quick scheme.

It is advisable to treat crypto like a new asset. Watch it carefully, learn what you can, but don't be overconfident.

Controversial, compelling crypto creations

In 2019 a piece of art by Italian artist Maurizio Cattelan was sold for US\$120 000 (that's about R1.74 million). Normally this would not be a particularly notable occurrence, but in this case the work consisted only of a banana duct-taped to a wall. The absurdity of this was on a par with the 2014 auction of

a white paint on white canvas creation by Robert Rauschenberg, which sold for US\$15 million (R217 million).

While you may well shake your head in disbelief, the modern art world has long been opaque, confusing and occasionally absurd when it comes to the price tags attached to certain controversial works. In this respect it has a lot in common with the current crypto craze.

The cryptocurrency craze of the last five years is a strange mixture of new technologies which present potential uses, the creation of complex and unique assets, and a flurry of add-ons that range from legitimate options to meme stock or even fraud. At the time of writing there were more than 6 000 different cryptos in existence, excluding the range of related assets known as non-fungible tokens (NFTs).

Non-fungible tokens (NFTs) are the art of the crypto world. They are part of the Ethereum blockchain and can be almost anything digital – drawings, pictures, songs, you name it. As Reuters explains it: “An NFT is a crypto asset which records ownership of a digital item, such as an image, video or text, on blockchain. While anyone can view or download it, only the buyer can claim ownership.”

In some ways NFTs represent an evolution of the collection of fine art, sports memorabilia or the mementos of the rich and famous. Jack Dorsey, the founder of Twitter, for instance, created and sold an autographed tweet, while an NFT representing Scottish tennis player Andy Murray’s 2013 Wimbledon win sold for US\$177 000 in July this year via the WENUE platform. There are also 10 000 tiny and unique pixelated images (called CryptoPunks) available for sale on the ethereum blockchain, which can sell for anything up to US\$7 million. One of the first NFTs, CryptoPunks,

have become increasingly sought-after collectables with the likes of celebrity musician Jay-Z among the holders.

For the average investor, however, NFTs just add to the confusion around what exactly bitcoin, ethereum and the blockchain are making it increasingly difficult to navigate the broader crypto environment.

WHY DO THESE ASSETS HAVE VALUE?

In 2008 *Bitcoin: A Peer-to-Peer Electronic Cash System*, a white paper was written by an unknown author/s under the pseudonym Satoshi Nakamoto. This paper detailed the underlying mechanics that ultimately led to the creation of the crypto asset class. Bitcoin was first introduced in 2009 at a price of US\$0. At the start of 2013, bitcoin was trading at US\$13.30 and since then has risen in price to peak at more than US\$63 000.

There are several theoretical underpinnings for why these virtual assets should have value. The original argument is that the people and institutions mining bitcoin are providing the processing power for the maintenance of the decentralised network, which allows the blockchain to exist. They encrypt and store the information without the use of a centralised party. This network is potentially enormously powerful as it could

disintermediate centralised parties in transactions and reduce the institutional power of governments and banks all over the world.

Others argue that the combination of its capped nature (there can never be more than 21 million bitcoin), its freedom from government control and the ability to easily move money around with limited oversight, makes it a hedge against the loss of value in government-issued currencies (which are all essentially unbacked by anything apart from governments anyway).

Then there are those who are completely unconcerned for the true value or use of Bitcoin, and who just see it as another asset and way to make money.

As such, the entire crypto space seems to be a mixture of programmers attempting to create new tools and protocols, investors seeing it as a strange blend between art and an alternative to gold, or even a get-rich-quick scheme. Regardless, it is certainly an area that bears watching while still requiring a healthy dose of caution since every new gold rush has winners, losers and scammers.

WHAT ARE MEME COINS?

When people first heard about bitcoin around 2010, the almost universal reaction was incredulity. “This could never work,” was an oft-heard response, alongside:

“Those who bought bitcoin in 2013 are up 150% per year, every year, even after the recent fall. In other words, every R1 000 invested in 2013 is now worth R2.4 million.”

“Just like the history of the web is littered with failures, the burgeoning crypto space will see its fair share of losers.”

“Why would this have value?” Yet, just eight years later, those who bought bitcoin in 2013 are up 150% per year, every year, even after the recent fall. In other words, every R1 000 invested in 2013 is now worth R2.4 million.

Notably, bitcoin are not the only assets that have made some people multi-millionaires seemingly overnight. There are thousands of success stories out there. Of course, since it was inevitable that people would try to profit from crypto assets in any way that they could, some of the success stories are more worthwhile and legal than others.

One of the best-known examples of this is dogecoin. Created as a joke (to poke fun at bitcoin) in 2013, dogecoin took both its name and logo from a popular meme at the time.

Since then, dogecoin has gained both in popularity and assets, although it lacks a concrete use case like bitcoin or ethereum. Early in 2021, there was a massive spike

in prices after the coin benefitted for some tweet-boosting by Tesla and SpaceX founder Elon Musk, who wrote that his son was “holding his doge like a champ”.

Not all coins out there are lucky enough to have a billionaire in their corner, however, as there are thousands of coins in existence today with no practical use, and which exist either as a joke or to make money for insiders.

There are also scams ranging from frauds in hedge funds, to founders disappearing with the money. Therefore, it is important to always remember that this space is complicated, sparsely regulated and littered with the unscrupulous. As medieval mapmakers might have put it when attempting to understand the lie of the land: Here be Dragons.

THE FUTURE OF CRYPTO

While for many outside the crypto market, or those looking for an

orderly ‘map’ of the universe, everything may seem a bit disorganised. To the untrained eye, there appears to be a lack of clear purpose or use case. Yet, if you look long enough, some of the parallels to the internet boom of the mid-1990s to the early 2010s becomes clearer. In those early days of the internet, people were still trying to figure out what it could be used for. Some of those ideas were certainly derided at the time, “why would you sell books on the internet?” being just one which has gone on to be hugely successful.

This is what technology looks like in its infancy. While the potential is certainly there, it’s just not quite clear where the impacts will be most keenly felt.

Given this, it is advisable to treat crypto like a new asset. Watch it carefully, learn what you can, but don’t be overconfident. Just like the history of the web is littered with failures, the burgeoning crypto space will see its fair share of losers. For those who want to be involved, choose a recognised exchange and keep your position sizes reasonable. Unless you are an expert in this space, treat it as you would art or gold – and reduce those holdings proportionately.

Whatever direction things take, rest assured that it will be extremely interesting to watch the evolution of the crypto space over the next decade. ▲



Fund focus

Navigating investors through uncertain times with the Ashburton SICAV - Global Growth Fund

The Coronavirus (COVID-19) pandemic has not only been unprecedented from a humanitarian perspective, but the volatility it has brought to global financial markets has been extraordinary. Lockdowns in early 2020 saw expectations for economic growth plunge to levels not seen for almost a century. Unsurprisingly, this was met with a 33% plunge in the FTSE All World TR USD Index in March 2020. The response from global fiscal and monetary authorities was equally as unprecedented, resulting in global equity markets displaying a “V-shaped” recovery to all-time highs.

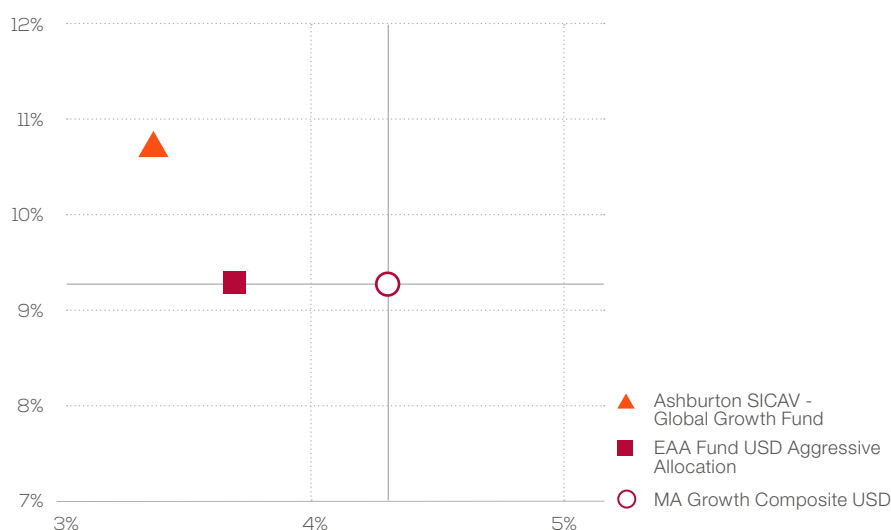
The top-down, macro-economic and tactical nature of the Ashburton SICAV - Global Growth Fund has helped investors allocate their capital through these stormy market conditions by maximising returns and preserving their capital by limiting drawdowns relative to the peer group*.

The fund has continued to outperform** its peer group, returning 10.8% versus its peer group of 9.3% as at 31 July 2021. Over a longer time period of three years, which includes

the aforementioned drawdowns of 2020, the fund registered an annualised return of 8.8% versus its peer group of 8.6%. Importantly, this was achieved with a notably lower level of risk as displayed by the lower maximum drawdown (-22.4%) relative to the peer group (-25.5%).

The Ashburton SICAV - Global Growth Fund is a moderate to high-risk fund that aims to maximise total return over the long-term through a flexible asset allocation across a diversified range of global asset classes, regions, and currencies, without exceeding a maximum equity exposure of 75%. ▲

RISK RETURN CHART OF THE ASHBURTON SICAV - GLOBAL GROWTH FUND



31 July 2021
Source: Morningstar

*Peer group: EAA Fund USD Aggressive Allocation.

** Performance is for the Global Growth USD Institutional share class.

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