ISSUE 10 / MAY 2020

GLOBAL PERSPECTIVES

WHAT ELSE IS WAITING AROUND THE CORNER?

ASHBURTON INVESTMENTS

A part of the FirstRand Group

Contents

Forward thinking, informed, unflappable

SIZWE NXEDLANA
CEO
Ashburton Investments

A handful of events in the embryonic days of 2020 highlighted just how unpredictable the world can be. Just days into the new year and the United States (US) and Iran looked on the verge of war. Wildfires ravaged parts of Australia. The Coronavirus (COVID-19) outbreak in China began, spreading rapidly and hurting global markets. Brexit finally happened.

We touch on many of these issues, and more, in your first Global Perspectives of 2020 and my first at the helm of Ashburton Investments.

Over and above the issues currently in play in the global economy, we also explore seminal events with the potential to impact investing over the remainder of the year, notably the US presidential election which culminates with the big vote on 3 November. Arno Lawrenz takes us through the likely scenarios in the race for the White House and how these might swing markets following the vote. Similarly, Nick Skimming offers insights into the United Kingdom's (UK) exit from the European Union (EU) and the uphill battle awaiting both Britain and the EU to iron out a trade deal, as well as the opportunities to watch in this key market.

We focus closely on the South African situation as well as sharing our views on the value of fixed income portfolios at this uncertain time and, for the first time, we put some of the companies and sectors which feature in our Ashburton Global Leaders Equity Fund under the spotlight; outlining our thinking into key industries and opportunities. Kathy Davey starts the ball rolling with the Kerry Group, the global food ingredients company.

Nico Els underlines in his assessment of the South African economy in 2020 and beyond, how diversification remains our focus.

As Heather Jackson points out in her contribution on impact investing, the world is moving towards an emphasis on environment, social and governance (ESG) issues. At Ashburton Investments our investment approach is intrinsically linked to quality

and ensuring that your money is invested into high-quality companies that are socially conscious, are governed appropriately and which take cognisance of environmental factors. Why? Because we think businesses of this ilk will be sustainable into the future.

A lot of work goes into quality screening in our investment process. A process that unearths a universe of local and global companies which fit our strict criteria for quality. While we are constantly fine-tuning our valuation models we also rely on the expertise across the FirstRand group to ensure that we are at all times macro-cognisant.

In summary, our approach is about quality, at a reasonable value, it's about being macro-cognisant and maintaining a long-term view.

The collection are articles in this edition of Global Perspectives highlights these tenets of our investment philosophy, offering you a peek behind the curtain into our thinking, our processes and our views about what is waiting around the corner for investors, for markets and for countries in 2020.

Enjoy.

"At Ashburton Investments our investment approach is intrinsically linked to quality and ensuring that your money is invested into high-quality companies that are socially conscious, are governed appropriately and which take cognisance of environmental factors."

The fix is in

ALBERT BOTHA
Head: Fixed Income Portfolio Management
Ashburton Investments

If ever there was a time for fixed income portfolios then 2020 is it. After racing out of the starting blocks at a frenzied pace and speed, it seems likely that the year to come will be remembered for the sheer range of momentous events that loom on the horizon.

In such an environment, the fixed income benefits of diversification, capital preservation, income generation and higher returns could not look more comforting. But even these portfolios must navigate a challenging global environment.

The lie of the land

First and foremost, the markets will be keeping a keen eye for most of 2020 on political developments in the United States. The race for the presidency is in full swing between the impeached-but-acquitted incumbent Donald Trump and former US vice-president Joe Biden. Regardless of the outcome, history will doubtless be made when Americans go to the polls in November.

In China, the Coronavirus is causing havoc with trade. The high virulence of the COVID-19 virus, combined with uncertainty about the reporting accuracy of both the rate of infection and mortality (given China's preference for saving face), is becoming a notable concern for global health officials. There is a justified apprehension that Africa remains particularly vulnerable to the impact of the virus, given the rate of trade between China and the continent alongside a marked lack of preparedness in most African regions to deal with an outbreak of this nature and extent.

In South Africa, there is an upswing in the dissatisfaction of the local electorate over the perceived lack of progress being made in correcting the consequences of state capture. This sentiment is growing at the same time that the ongoing fightback of a loose coalition opposing President Cyril Ramaphosa is making it remarkably difficult to make further gains. The absence of clear consequences for the offending parties is emboldening the opposition and demoralising those with hopes for a better future.

"In China, the Coronavirus is causing havoc with trade."

Eskom serves as a dark reminder of the failures of the ruling African National Congress, and even though many South Africans may not care for the complexities involved in the debt dynamics and historical contractual irregularities, they certainly understand the severity and impact of sometimes daily blackouts. Ramaphosa's State of the Nation Address in February served up a mix of good news and platitudes, however, the devil will ultimately be in the details and the implementation of the vision.

Asset performance overview

In spite of the political and social challenges, for the two years to the end of 2019 South African investors have seen some solid asset class performances. Global equities and bonds both had returns significantly in excess of inflation, but both South African bonds and preference shares stole the show with similar return numbers at significantly lower levels of volatility – returning 36% and 20% respectively.

There have also been some glimmers of light. Local inflation continues to be low and the last print surprised on the down side. This allowed the South African Reserve Bank (SARB) to cut rates and it is widely expected that the SARB will make at least one more cut over the next 12 months. This means that, looking ahead, cash-plus portfolios are unlikely to give you the CPI+4% that they have for the past few years, but one can still expect returns in the 7.5% to 8% range for 2020.

Some of the other asset classes also seem to offer increasing relative value as their gap to the one-year negotiable certificate of deposit (NCD) yield continues to increase. Bonds offer yields that range from 8.8% to more than 10%, depending on where you are positioned on the curve. Both our certificate of deposit spread, and our high real yield compared to peers seem to indicate that the Moody's downgrade had mostly been priced in. Preference share yields have ticked up to almost 10%, which is especially attractive given the fall in the NCD rates – their current spread is at 2.67% compared to the decade average of less than 1.5%.

"Both our certificate of deposit spread, and our high real yield compared to peers seem to indicate that the Moody's downgrade had mostly been priced in."

Watch the oddities and the opportunities

The outlier at the moment is property. With the recent fall in share prices coming on the heels of two years of poor performance, forward consensus yields have increased significantly. According to Bloomberg, the current forward consensus yield on Growthpoint is almost 11.3%. This is the highest it has been since 2009 and the highest compared to its peer asset classes over the same period. On a historical valuation basis, the company is looking extremely attractive.

The problem with the property sector remains that it currently has significant downside risks and lacks clear upside potential. Property is highly linked to the gross domestic product (GDP) growth rate of a country and the anemic growth anticipated for the South African economy continues to hamper the sector. When you combine that with the uncertainty surrounding the policy implementation of land expropriation without compensation, it is difficult to know what an appropriate yield level would be. Yet, regardless of the risks, as the yield continues to rise it is becoming increasingly difficult to ignore the sector.

Finally, amidst both global and local uncertainty, fixed income continues to be an attractive option for investors. As a result, those who would be happy with CPI+2%-4% for 2020 would do well to increase their allocation to these funds and wait out the risks on the horizon.

Albert Botha, Head of Fixed Income Portfolio Management

Albert Botha is Head of Fixed Income Portfolio Management at Ashburton Investments. He was a Portfolio Manager and Executive Director at Atlantic Asset Management. His responsibilities included the management of all the money market and enhanced cash funds as well as all the bond funds. He was also responsible for quantitative and credit research along with inputs into the asset allocation and administrative areas of the business. Albert started his career at Sanlam, where he was an Analyst in the actuarial pensions department, after which he spent almost three years at Glacier as an Analyst and Senior Analyst doing fund, economic, asset allocation and liability driven investment. Albert studied at the University of Stellenbosch, majoring in Actuarial Science, Economics and Financial Risk Management.

South Africa: The aloe ferox is still alive, but needs urgent attention

NICO ELS
Multi Asset Strategist
Ashburton Investments

The South African (SA) economy has faced many significant challenges in the past. Now 2020 offers a raft of headwinds in need of urgent attention. Back in 1992, when the economy contracted for three consecutive years, South Africa showed its mettle. Can we do this again?

During his 2020 Budget Speech on 26 February, Minister of Finance Tito Mboweni again likened the country's economy to the hardy, handy and healing aloe ferox plant, reminding South Africans that "the aloe ferox survives and thrives when times are tough. It wins even when it seems the odds are against it."

Although Mboweni presented a brave and credible plan to reduce our government expenses without increasing taxes further, the arrival and spread of the COVID-19 pandemic to South African shores has dramatically changed the landscape – and the outlook.

During these challenging and unprecedented times, to forecast South Africa's growth prospects with any degree of accuracy requires a pragmatic understanding of the global backdrop impacting the country and its economy, and a realistic assessment of the local situation.

The COVID-19 virus

Coming completely out of left field, the global outbreak of the Coronavirus will have a devastating impact on global growth, especially in the first half of 2020.

Initial thoughts of a supply shock caused by the Chinese shutdown have quickly changed into a demand shock as many countries (including South Africa) go into a shutdown to prevent the virus from spreading uncontrollably. This sudden halt in activity should cause most economies to go into a severe short-term recession by the second quarter of 2020. Hopefully activity will pick up again once the virus is either contained or a vaccine has been found. At this point it is too early to predict a timeline for either.

At the earliest, economic activity should rebound quite strongly from the third quarter onwards,

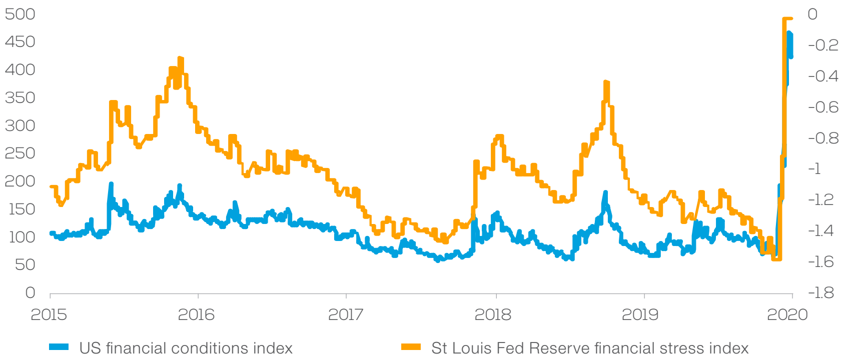
but many countries would end the year with negative growth rates. This view, although subject to timing risks and changes, is based on the expectation of some sort of v-shaped recovery, as seen in previous epidemics. This is our 'base' case assumption.

What seems assured is that strong fiscal as well as monetary stimulus measures should support global economies in the latter part of 2020, going into 2021. Most developed countries have already responded by cutting interest rates aggressively and some developing countries have followed suit. Quantitative easing has also been re-opened by most developed countries. Measures to restore liquidity levels in financial markets have been introduced to prevent a liquidity crisis turning into a solvency crisis.

We are also seeing significant fiscal packages being announced by most countries to combat the severe hit on economic activity. The United States has just signed off on a US$2 trillion package, which represents 10% of their gross domestic product (GDP). The United Kingdom, European Union and other countries have also announced substantial packages, mainly aimed at supporting the healthcare industry, low-income workers, sick workers and small- and medium-sized businesses. Thus far, global fiscal easing amounts to about 3.3% of GDP.

Should these measures fail to work we can expect to see a much more structural decline in economic activity that lasts considerably longer. This would be our 'stress' case scenario.

US FINANCIAL CONDITIONS HAVE TIGHTENED SINCE THE COVID-19 OUTBREAK AND SHOULD BE MONITORED



Source: Bloomberg

We are continuously monitoring the situation to access whether we are still on the 'base' case route or not.

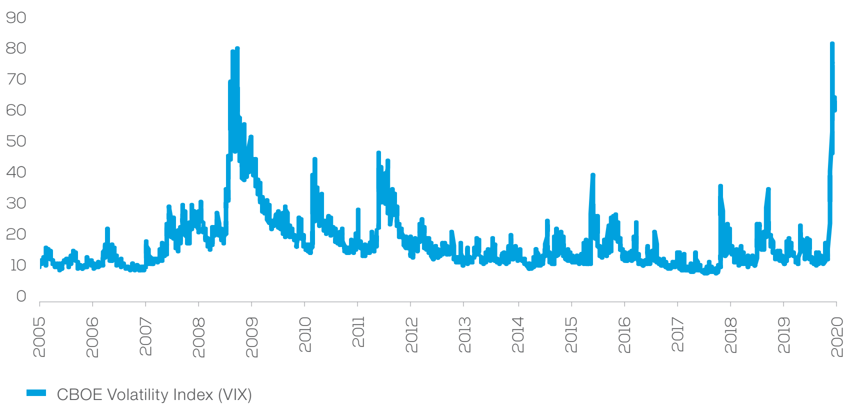
The South African situation

The global backdrop as described above, as well as the lockdown the country went into at midnight on 26 March 2020, will have a devastating impact on the South African economy. The current crisis is made all the more challenging given that the country entered this period on a weak footing from a fiscal deficit perspective. Like the rest of the world, South Africa is expecting a very sharp contraction of economic activity in the first half of the year, followed by a recovery in the second half of 2020 and into 2021. Although it is very difficult to put a specific number on the contraction, it should be quite a bit worse than the recession we experienced during the 2008 global financial crisis. Then, South Africa declined by -1.5%, this time around it could be double that.

The country faces down these economic pressures with the fiscal war chest already relatively empty, so monetary stimulus should do most of the heavy lifting. The South African Reserve Bank (SARB) has already cut interest rates by 100 basis points and we expect the central bank to cut rates by a further 100 to 125 points this year. Fortunately, inflation is expected to remain muted, thus allowing the SARB to respond. The Central Bank has also announced some measures to ease liquidity constraints in the bond market.

It remains to be seen if the COVID-19 crisis strengthens the political will within government to reduce expenditure and implement fiscal reforms, in addition to the governance reforms that have been announced. If these can be coupled with economic growth-enhancing reforms that lift real GDP towards 2.5%, we could begin to see a meaningful recovery.

MARKET VOLATILITY SPIKES AMIDST COVID-19 PANDEMIC



Source: Bloomberg

How are we positioned during this volatile period?

As can be seen from the chart below, market volatility has picked up to global financial crisis levels since the spread of the COVID-19 virus. One can expect this to continue until either contagion numbers start to fall, a vaccine is found, or greater economic certainty returns.

During such times of stress and uncertainty, it is critically important not to panic and to plan for the longer term. Diversification is not only key, it is absolutely essential.

Within our balanced portfolio we are underweight SA equities. We are slowly starting to reduce the underweight in weakness. Within SA equities we are defensively positioned. We are overweight in SA bonds as current real rates are very attractive. We are overweight offshore assets and would only look to reduce once we get more comfort that the pandemic is tapering off. While we are neutral on SA property stocks, we recognise the very attractive valuation levels but need more clarity on the impact the March lockdown has on dividend payouts.

Returning to the finance minister's aloe ferox, while it is true that this plant actually prefers less water, it nonetheless requires some water (sustenance) and attention (action). So too does the South African economy. But first, the country needs to come together to deal with a health crisis that it has never experienced before. Like previous recessions, pandemics and bear markets, we will get through this one, but it requires us all to pull together and support government initiatives around the world to fight the spread of the COVID-19 virus.

Nico Els, Multi Asset Strategist

Nico Els is a Multi-Asset Strategist at Ashburton Investments and is a member of Ashburton Investments' primary and secondary Asset Allocation committee. He has over 25 years' experience in fixed income, starting in 1992 with SMK Securities on the bond floor of the JSE as a Fixed Income Sales Representative. In 2006, Nico joined RMB and helped to establish a FICC proprietary desk, with his main focus on G10 interest rates and currencies. He worked in London for three years and gained valuable knowledge of global macro trading strategies, portfolio construction as well as risk management. Nico holds a BCom (Hons) in Investment Management and completed his JSE Membership Examination.

"The 2020 Budget presented a decent effort to stabilise our debt profile while, at the same time, minimising the negative hit of an austere budget on growth."

The United States casts its vote: What lies ahead?

ARNO LAWRENZ
Global Investment Strategist
Ashburton Investments

It's a presidential election year in the United States (US), and that means primaries and caucuses, national conventions and heated debates. The markets will be treated to all manner of theatrics in the build-up to the big day on 3 November 2020.

While it is still early in the first quarter of the year, already the noise around the election possibilities and probabilities is steadily on the rise. President Donald Trump is the dead cert Republican nominee and has the advantage of incumbency. While, on the Democratic side, former US vice-president Joe Biden is the presumptive nominee at the time of writing.

Regardless of how things play out, we do know for sure that we will end up either with a newly elected Democrat or a re-elected Republican. What will either choice mean for the markets?

Blue vs Red

Generally, history has shown a Democrat victory means lower market returns in the year leading up to the elections, as worries about the party's anti-business rhetoric drive fears. But the markets soon realise that getting campaign pledges passed through the House and the Senate are not so easy, and the reality of a Democratic president ends up being much better than feared. As a result, in subsequent years market returns tend to improve.

The reverse is true for a Republican presidential win.

So while uncertainty about the electoral outcome remains high, and may even weigh on returns in the short term, that uncertainty will fall regardless of the eventual outcome. Statistics do show, however, that second-term re-elections help markets to perform better, as there is less uncertainty about policy directions and market can expect 'more of the same'.

In the run-up to the selection of a Democratic candidate, levels of uncertainty around a Democrat win were particularly high, with leading contenders

"History has shown a Democrat victory means lower market returns in the year leading up to the elections, as worries about the party's anti-business rhetoric drive fears."

standing for a range of choices from those who want to burn the party down (Sanders) to someone wanting to buy the party (Michael Bloomberg) - and seemingly everything in between. Nonetheless, it is likely that markets will take heart from a known risk, being Trump, versus the reality of an extremist being gridlocked and unable to carry out major campaign promises; a situation not dissimilar to that which Trump has faced.

A challenging backdrop

What is different this year is that the US is battling the impact of the COVID-19 pandemic, both in terms of the loss of human life as well as the significant economic fallout associated with the crisis. What started the year as a distinctly China-centric phenomenon, was - by March - a truly global pandemic, leading to a distinct and dramatic hit on real economic activity.

From a market perspective, however, a global recession triggered by a China slowdown and spreading virus impacts would mean a rush for safe haven assets. This is likely to be a narrow choice of US Treasuries, the US dollar, gold and the Swiss franc. Other opportunities are already presenting themselves, with energy prices (and oil in particular) having already fallen substantially, as have copper and steel prices.

We do know that China has already started implementing a number of measures to support and kick-start their economy, and central banks around the world (including the US Federal Reserve) will inevitably do whatever it takes to create recovery conditions. In areas where policy rates are already low, such as the Eurozone, a global recession would probably tip such countries into undertaking fiscal stimulus. The major beneficiary of this will be on the stocks side, as a paucity of yield and return in fixed income asset classes, combined with an excess of liquidity, will lead to an increase in risk-seeking behaviours.

A Trump triumph

In the longer term, a Trump win means a return of the economic conflict playing out between the US and China, which has as its proxy the so-called trade war. Tangential to this is also the technology war, visible most clearly in efforts by the US to prevent China-based tech company Huawei from gaining a foothold in Western economies. A win for Trump would also

be interpreted as a signal for a more hard-line approach and the so-called phase one trade deal announced towards the end of 2019 will be seen inevitably for what it really is: a temporary respite and a truce of sorts. Political and economic expediencies will most likely lead a Trump administration to continue pushing China harder, until some concessions are gained.

All considerations taken together and 2020 seems to hold the potential for big market moves as a number of unknowns converge simultaneously in the second half of the year. Coming on the back of a 2019 in which equity markets delivered stellar results, this is unlikely to be the case for the remainder of this year. With existing high market valuations and earnings growth possibly significantly lower, the stage is set for a rocky road ahead.

"'Statistics do show, however, that second-term re-elections help markets to perform better, as there is less uncertainty about policy directions."

Arno Lawrenz, Global Investment Strategist

Arno Lawrenz is Global Investment Strategist at Ashburton Investments. He is responsible for day-to-day management of the Ashburton Global Multi-Asset Fund range. Arno joined Ashburton in 2016 and has 28 years in the finance industry. Prior to joining Ashburton, he was founder and Chief Investment Officer of Atlantic Asset Management, a boutique fixed income asset manager. Before that he filled the role of Head of Fixed Income at both Old Mutual and Coronation Fund Managers winning both Morningstar and Raging Bull awards for investment performance. Arno has a B.Sc(Hons) from the University of Cape Town, South Africa. He is also a CFA charterholder.

South Africans find solace in offshore investing

DAVE CHRISTIE
Offshore Product Specialist
Ashburton Investments

Over the past five years South African investors have been heavily focused on externalising liquid assets into the offshore investment arena. Is this still the case? Which routes to diworsification are finding favour? What are the risks and the geopolitical issues at play? And where are the opportunities?

There are two primary reasons for this externalisation of wealth from South Africa and for the offshore investing conversations currently taking place around the country.

First and foremost, the South African market has been underperforming offshore markets, both developed and emerging (see accompanying chart). This underperformance has been significant both in base currency and in rand terms as illustrated. Secondly, political and socioeconomic risks, or the perception thereof, have risen and investors are looking to externalise that risk by investing their capital offshore.

The latest statistics from the Association for Savings and Investment South Africa provide enough evidence of the continual movement of cash into offshore vehicles.

But are these factors still in play? And is the drive to send wealth offshore still seen as an imperative by local investors?

South Africa vs the world in 2020

There is certainly a strong case to be made that both reasons to externalise investments still exist.

South Africa continues to downgrade economic growth and political risks continue to confront potential investors. The issue of land grabs has again resurfaced and the Zondo Commission into state capture is a rather slow work in progress. As a result, the local stock market continues to splutter.

Most developed stock markets do not look stretched when compared with the South African market on a valuation basis. Even if one feels that emerging markets will outperform developed markets through the next cycle, there are certainly several emerging markets that look far more attractive on a valuation basis versus South Africa. This makes the case for investing outside South Africa an attractive one.

The diversification driver

When investing the term diversification always tends to crop up. After all, it makes perfect sense to utilise the entire investable universe in seeking the maximum risk-adjusted return to suit your profile or circumstance. That said, one could suffer from diworsification as there is a vast array of instruments and asset classes available to investors in the market place.

Under the current economic cycle, we believe the two best options for diversification (while not giving up potential alpha or return) would be to invest in an actively-managed balanced service, or a concentrated equity service populated by what we would consider to be quality stocks.

"One could suffer from diversification as there is a vast array of instruments and asset classes available to investors in the market place."

Investment considerations

When investing in a balanced service you are making use of asset allocation to drive return as well as mitigate risk. The approach is twofold in that you need to ensure your balance between bonds, cash and equities that meets your risk tolerance while ensuring that the bond and equity instruments utilised within the service are the correct picks. A top down and a bottom up approach would be prudent.

The challenge for balanced fund managers currently is that bond yields are at multi-decade lows and cash gives you a negative return after inflation. If one looks at the role central banks have begun to play in the world economy interest rates look set to stay lower for longer, this makes it tricky to squeeze return in those two asset classes.

When investing in an equity service you are relying on the equity instrument to drive your return as well as prescribe or predict your risk, hence our approach to what we would consider quality stocks. Quality means different things to different managers. To us the characteristics we would look for in a stock to qualify as quality would be issues such as cash return over the cost of capital, high profitability, strong balance sheet and low earnings cyclicality, while continuing to monitor factors such as dividend yields, cash buy backs, shareholder treatment, price-to-earnings ratios, price-to-book ratio amongst others.

It would also be remiss not to touch on the impact of technology when considering investment opportunities, particularly since it is the tech sector that has led the returns charge over the last cycle. We believe the earnings generated in this space are certainly healthy enough to underpin further gains in equity prices for the oligopolistic tech companies.

Geopolitical risks and opportunities

There are various risks at play around the globe currently, which must also be considered from an investing perspective – particularly one with an offshore focus.

Geopolitics continue to interfere with the free market, trade negotiations in the United Kingdom have begun post Brexit, trade discussions and tariff threats continue between the United States and China, and the Coronavirus has begun to show its teeth economically around the globe. In mid-February, HSBC (the largest bank in the East) reported a 33% decline in profits and is set to layoff some 35 000 employees globally.

These risks do, however, present opportunities for investment in well-positioned quality stocks. From technology to biochemistry and financial services, it goes without saying that environmental, social and governance considerations will remain front of mind when investing in the new decade.

Currencies too are always a popular discussion point. Of course, one must try not to get caught up in currency speculation, since currencies very rarely trade at fair value for longer than a few seconds, giving truth to the saying that currencies are like a broken watch; they are only right twice a day.

Ultimately, there are no free lunches and each investment vehicle comes with its own inherent risks. However, there is no need to take on undue risk to achieve superior returns; that in essence is the job of the fund manager to strike the right balance.

For those South African investors looking to the rest of the world amidst challenges at home, it's critical to ensure that you are invested in the correct mandate for your risk tolerance and understand how that mandate operates. In this new decade, knowledge will continue to set successful investors apart on the world stage, while having the right expert in your corner has never been more essential.

Dave Christie, Offshore Product Specialist

Dave Christie is an Offshore Product Specialist representing Ashburton Investments in South Africa. He is responsible for the offshore single manager products as well as the segregated range of portfolios. David joined Ashburton in South Africa in 1999 and has over 20 years' experience in the financial industry. Prior to Ashburton Investments, David worked for Franklin Templeton and RMB International.

DAILY PRICING SPREAD (ZAR)

MSCI World ex EMU All Cap | MSCI EMU TR | MSCI South Africa TR

DAILY PRICING SPREAD (US)

MSCI World ex EMU All Cap | MSCI EMU TR | MSCI South Africa TR

Source: Ashburton Investments

"The latest statistics from the Association for Savings and Investment South Africa provide enough evidence of the continual movement of cash into offshore vehicles."

Trends, trade talks and transitions

NICK SKIMING
Portfolio Manager
Ashburton Investments

Big Ben chimed - virtually at least - on 31 January 2020 to mark the United Kingdom's (UK) exit from the European Union. But negotiations about a future relationship are still ongoing, leading many investors to ponder whether offshore investing is still a good bet in 2020. Which regions and sectors look positive for the offshore investor? Which geopolitical risks should be taken into account? And are inflows expected back into Britain?

With the chains of European Union (EU) membership now broken there is a somewhat rose tinted view that Britain will be able to venture out into the world and forge trade alliances with other nations; trade agreements which (if they previously existed) were based on the EU's terms of engagement, rather than Britain's. This, of course, brings new fears and new uncertainties, but also greater opportunities to pursue the UK's own domestic agenda.

From an investment standpoint this does make the current British economy quite an interesting proposition.

As investors we are always on the lookout for potential opportunities. Consider the following: Would you be interested in a business that has been in the doldrums for three years, is under new management, is experiencing pent up demand from delays in investment, and where the business - and the currency in which it trades – appears to be trading at a discount to other markets?

Let's delve a little further into this investment case.

The new and ambitious management team seems determined to turn around a once great business, and opportunities are beckoning to meet, to do business with new partners, and to follow new growth avenues on their own terms. There will undoubtedly be speed bumps along the way, but the probability is that you would consider this to be an attractive prospect. And, chances are, you'd give it a second glance.

However, right now UK Plc - despite a much more benign political backdrop – does not appear to be all plain sailing. The coming year will see stiff negotiations with Europe, and the news flow around the success of these deliberations will make headlines throughout. It is hoped that by the end of 2020 a full trade agreement with the EU will have been negotiated, but if Britain deviates too far from existing arrangements then the UK will still be at risk of a no-deal exit. This means that, in the lead up to the official end to the transition period on 1 January 2021, the known unknowns remain firmly in place.

Opportunities to watch

There will, undoubtedly, be some sectors that will be prime beneficiaries of the UK's new world order. Infrastructure stands out in this regard.

The new UK government has stated its intent to end fiscal austerity and, as such, we have already seen a ramp up in rhetoric around spending on infrastructure. At the time of writing, an agreement had just been made to proceed with HS2, the high speed railway project. While this may be a populist move by Prime Minister Boris Johnson, as a thank you to previously traditional Labour-voting supporters for trusting the Tories this one time, this is a £100 billion plus infrastructure project to link up London with a high-speed rail link to the north of Britain and key towns like Birmingham, Manchester, Crewe and Leeds. The aim is also to improve rail infrastructure to connect the former great northern industrial heartland of the UK – an area which has not benefited from the same levels of prosperity and employment opportunities as London - and the South East of the country. It is said that the project will connect some 30 million people across the UK.

"There will, undoubtedly, be some sectors that will be prime beneficiaries of the UK's new world order."

Spending plans on construction and hospitals, not to mention additional forms of public transport, are also set to receive grants. This in turn will provide a major boost to the consumer, through employment growth and spending. It also bodes well for manufacturing as businesses will be able to relocate to cheaper regions, making them more competitive. In time these businesses may also enjoy swifter access to their end markets, whether these are in the UK or (if all goes well) Europe.

Perhaps these projects, given their sheer scale, will keep the plates spinning, so to speak, and distract from the cracks that may appear as the tough trade negotiations get underway.

Corporate lustre?

At this early stage, it is less well defined as to how the previously unassailable financial services sector will fare. Many banks have already begun relocating offices to Ireland and Europe.

As international investors we do examine world markets through a lens, and while on the surface the UK now looks much more interesting to us, the size of the market relative to the world is small, at some 5% of the MSCI AC World Index. The UK, however, has high levels of corporate governance and shareholder rights, and most of the large listed UK companies have truly global exposure. Such world-class businesses, which are undoubtedly successful at home in Britain, may well be viewed as acquisition targets by fast-moving global giants based in the United States and Asia, especially as sterling fundamentally looks cheap relative to overseas currencies.

Many global investors have been avoiding UK equities these past few years, due to the uncertain geopolitical backdrop. We now envisage that a capitalist government which is supportive of business growth will likely result in many global investors re-assessing their underweight positions, resulting in inflows of capital back to UK equities.

Global, future-focused prospects

The UK, of course, will continue to operate in a global, connected world making trends such as the growing digitalisation of businesses, and the now rapid adoption of cloud-based services, of prime importance. At a time when traditional industries may not be growing faster due to a lack of demand, the growth in companies stripping out the costs of doing business – be it in manufacturing processes or through financial efficiencies - means that the inexorable rise of technology seems unstoppable, and profit margins have remained supported while supply chains are improved.

Secular trends in automation through infrastructural software, or enterprises adopting cloud technology are also notable, be these technologies used for data storage, to create factory efficiencies where robots connect to robots via artificial intelligence to eliminate workflow holdups, or even in the elimination of hardware in telephony abound. Keeping an eye out for businesses that will benefit from the roll out of the next generation of telephony – namely 5G – also holds potential for the future-focused investor.

Other areas of interest are increased regulatory factors driving end markets, such as vehicle safety and cleaner air initiatives, all of which bode well for the adoption of hybrid and electric vehicles.

Emerging markets may well be key beneficiaries of these global secular trends as a lack of legacy infrastructure means that early adoption is very likely to be key, as the middle classes grow wealthier and demand the latest modern products for this increasingly modern world.

Nick Skiming, Portfolio Manager

Nick is a Senior Portfolio Manager with responsibility for multi asset portfolio construction and management at Ashburton Investments. He has direct investment and also extensive fund of funds, and ETF management experience. Nick is a member of the Joint Investment Committee, and Macro Forum and has over 36 years' experience in the investment industry, providing investment management services to high net worth private clients and institutions in both a discretionary and advisory capacity, on behalf of Barclays, Quilter Investment Management and Collins Stewart Asset Management. Nick joined Ashburton in 2002 as head of American equities and Fund Manager to the Ashburton Americas Fund, which became S&P ranked and received recognition from Plexcrown. Nick is a Chartered Fellow of the Chartered Institute for Securities and Investment (FCSI), he also holds Chartered Wealth Manager designation, the Securities Institute Diploma and Investment Management Certificate (IMC).

Back in time with Brexit: How did the UK get to this point?

Many investors could be forgiven for breathing a sigh of relief following the outcome to the December 2019 general election in the United Kingdom (UK). Finally, the British public effectively had their last say on the result of the 2016 Brexit referendum, and it was a resounding NO to remaining in the European Union (EU).

Just to recap: The rationale behind the 2016 Brexit vote was to take back control of Britain's borders, and enable laws applicable to UK sovereignty to be made by democratically elected representatives, rather than appointed officials doing the EU's bidding and regarded as putting the EU above British interests. In addition there had been a strong view that hefty payments into EU funding were not reciprocated to benefit the UK.

But not everyone saw it this way and after month upon tortuous month of misdirection and misinformation by politicians and media pundits across all spectrums of British society, the public had clearly had enough, had made up their minds, and were not going to dilly dally any longer over the decision. On 12 December 2019 they voted for the Conservative Party, and Boris Johnson, in droves in order to "get Brexit done".

The final nail in the coffin for EU support was perhaps the undemocratic policy manifesto of the Liberal Democrats, who stood to reverse the original pro-Brexit vote on a 'remain' platform. If voted for this would have meant that a minority election vote could have overturned the original 52% vote in favour of Brexit. Labour's Jeremy Corbyn stood on an old-fashioned left-wing socialist mandate, offering to reverse the trade union reforms of the 1980s and re-nationalising industries. Labour also adopted a wait-and-see policy on Brexit to decide on their view once the final election vote was known. This was clearly not going to wash. This stance led to the biggest defeat by a Labour Party in a British election since the 1930s.

The end result was a degree of certainty not seen in the UK for over three years.

Global Leaders spotlight: The food ingredients and flavours market

KATHY DAVEY
Investment Manager
Ashburton Investments

There is a reason the companies Ashburton Investments invests into as part of the Ashburton Global Leaders Equity Fund are renowned names, after all they offer exposure to key sectors such as information technology, healthcare, consumer staples, consumer discretionary and financials. The fund invests in no more than 25 hand-picked stocks including the likes of Microsoft, BlackRock, Home Depot and Novartis. But it is the lesser-known names and sectors which make for fascinating reading.

A key advantage for South Africans choosing to invest offshore is gaining access to attractive sectors which are not accessible on the Johannesburg Stock Exchange (JSE). One such sector is the US$75 billion global food ingredients and flavours market. Companies operating in this industry offer a wide variety of services such as formulating recipes, improving current product ingredients and taste, adding nutrition to products, developing products, localising food products, manufacturing products and fully integrated food solutions.

The ingredients sector has become increasingly more important to food producers and food service companies, this is driven by a need for constant innovation in order to keep up with rapidly-changing consumer preferences which, in turn, are shortening the lifecycle of food products. Nutrition, natural food ingredients, healthy convenience, plant-based, better-for-you, functional, local and ‘clean labels’ are key themes driving this sector.

Consumer drivers

‘Clean label’ is a term that refers to making food products that have fewer ingredients or more ingredients which are recognisable to the customer. Consumers want to know what goes into their food products and how much processing their food has undergone. In addition, lifestyle, wellness and nutrition have become increasingly more important for today’s consumers.

In a similar vein, ‘made for me’ products are becoming increasingly popular, from sugar-free, gluten-free and plant-based, to dairy-free, colourant-free and allergen-free.

Convenience is also extremely important as consumers demand the ability to access healthy food on the run. Plus, for global food companies seeking to enter new

markets, it is critical to localise food offerings to suit local tastes and idiosyncrasies.

Industry trends

The technology, research and development involved in this sector come at a high cost, an industry-wide trend that has created a high barrier to entry as more and more food producers and food service companies outsource this function to specialists. In addition, the food ingredients sector is highly fragmented with a tremendous amount of consolidation potential.

Pick of the crop

Our preferred pick in this sector is Kerry Group which we own in the Global Leaders Equity Fund. The company was, until recently, the largest player in the food ingredients market with around 8% market share (see accompanying chart). However, in November 2019 two of Kerry Group's competitors, namely International Flavours & Fragrance and DuPont's nutrition business, merged to create a combined entity with an estimated market share of 16%. There is still, however, much scope for further consolidation in the sector, especially for Kerry Group which has a strong acquisition pipeline and balance sheet.

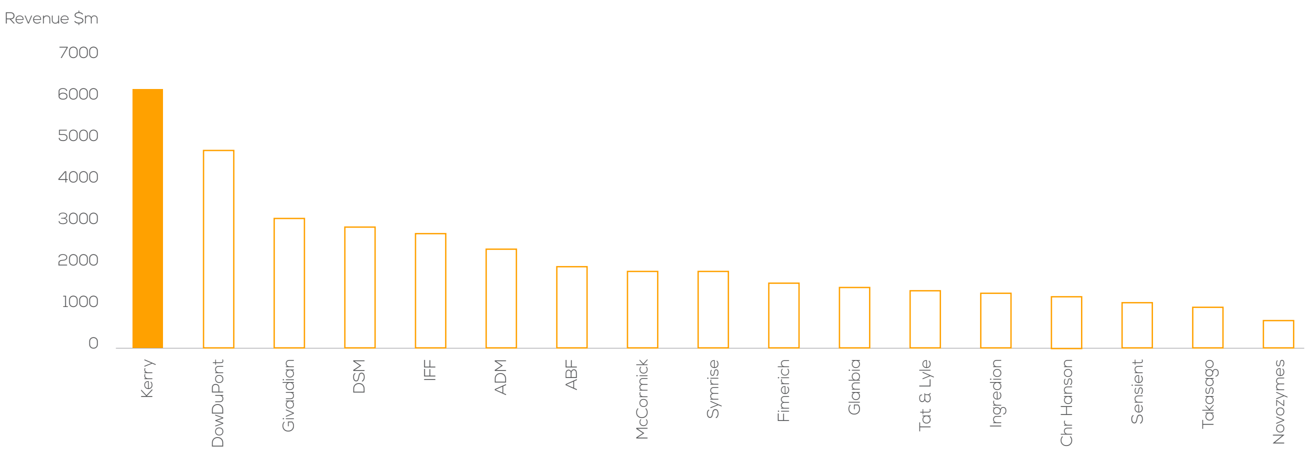
Kerry Group, which is headquartered in Ireland, operates in more than 30 countries worldwide and on six continents. It generates 28% of its revenue from developing markets, which represents the company's fastest-growing area. Kerry Group's end user market is well diversified as illustrated in the following chart, with three different service channels: food service, retail and manufacturing.

Kerry Group offers its clients assistance through all stages of product development from idea creation to development and testing, recipe fine tuning, scale up and manufacturing. The categories that have really been driving sales are meat, snacks and beverages. In addition, the company is seeing notable opportunities within the food service industry, which now accounts for around 27% of sales. Kerry Group's client base is one third local, one third regional and one third global food companies and its top 12 clients comprise around 26% of sales volumes in its taste and nutrition business.

Due to the fragmented nature of the ingredients market, Kerry Group has been acquiring smaller players in both developed and developing markets. When making acquisitions the company has been focused on four strategic initiatives: taste, nutrition, developing markets and food service. When Kerry Group acquires these companies, it leverages the new technology across its portfolio in order to improve its offering to global clients. It also currently has the widest breadth of technologies across its peer group and is the market leader with respect to integrated solutions.

Kerry Group's taste and nutrition division has reported strong organic volume growth over recent years which we expect to continue, supported by

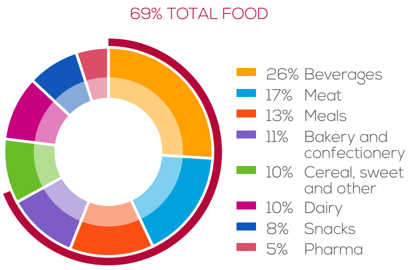
GLOBAL INGREDIENTS AND FLAVOURS MARKET 2019



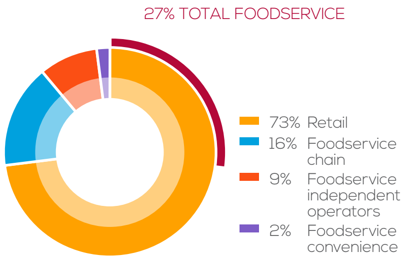
Source: Kerry Group presentation 2019

KERRY GROUP'S TASTE AND NUTRITION DIVISION (REVENUE %)

End use market



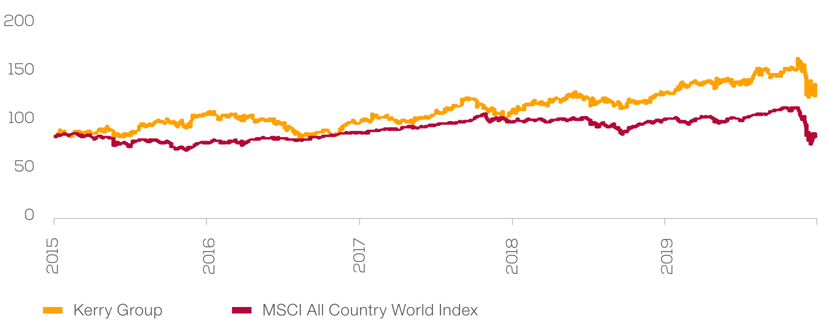
Channel



Source: Kerry Group presentation 2019

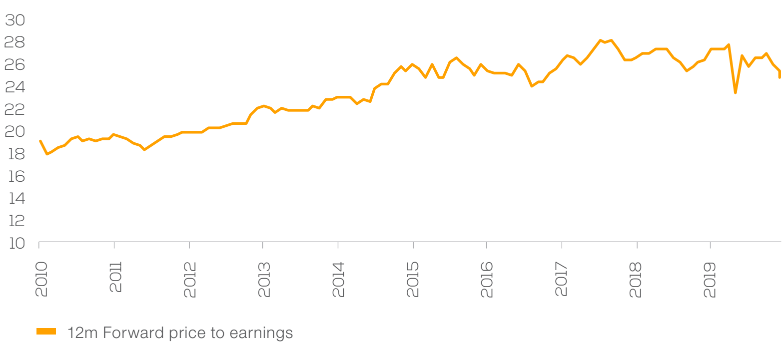
sales from acquiring small to medium-sized business. We also expect margin expansion through operating leverage, a further category shift towards its higher margin taste and nutrition offering and a better product mix due to the extensive use of sophisticated technologies. Combined with incremental growth from a strong acquisition pipeline, the Kerry Group offers investors good earnings growth in a structurally attractive sector.

KERRY GROUP VS MSCI ALL COUNTRY WORLD INDEX



Source: Bloomberg (rebased)

EUROPE FLAVOURS, FRAGRANCES & INGREDIENTS COMPETITIVE PEERS 12M FORWARD PRICE TO EARNINGS



Source: Bloomberg (equal weighted)

From a valuation perspective, in recent years there has been a significant re-rating of the European flavours, fragrances and ingredients sector (as indicated in the accompanying chart). The sector now trades at a premium to the food sector due to the expectation of superior organic growth and further consolidation opportunities.

We believe the re-rating better reflects the positive dynamics of the sector which, as explained above, are best accessed through Kerry Group.

Kathy Davey, Investment Manager

Kathy Davey is an investment manager covering global equities for Ashburton's International team. Kathy joined Ashburton Investments in South Africa in February 2013 as an Equity Research Analyst for the African Equity Opportunities Fund. She began her career as an equity research analyst covering listed Pan-European Retail stocks at Bear Stearns International in the UK in 2007. She subsequently moved with her team to Cenkos Securities, where she continued to cover the Retail sector from London. In 2010, Kathy moved back to South Africa, where she joined Absa Capital/Barclays to cover the South African listed retail sector. She has a Bachelor of Commerce (IT and Accounting) degree from The University of the Witwatersrand, a Masters of Professional Accounting degree from the University of Southern Queensland, and is a CFA charter holder.

Challenges, inequality offer fertile ground for impact investing

HEATHER JACKSON
Head: Impact Investing
Ashburton Investments

As impact investors we look for opportunities to marry financial return with a measurable positive social and economic impact. We seek out ways to make a contribution to grow our economy in a sustainable and more inclusive manner and ask ourselves this guiding question: What kind of society do we want to live in and retire to, and what role can we play in determining this?

For the past 20 years the GlobeScan-SustainAbility Leaders Survey has monitored and shared insights about how society can tackle the world's most pressing sustainability challenges. In 2018 the survey covered 729 entities across the corporate and non-governmental sectors in 70 countries. The focus of the research is very much on what business can contribute and, in the South African context, this would also encompass cultivating a more inclusive economy that creates jobs.

South Africa has more than its fair share of challenges, perhaps most acutely captured for the 40% of people between the ages of 15 and 64 who are not employed, or in education or training.

Internationally many corporates have come to realise that they are part of a stakeholder network

across employees, customers, shareholders and the broader operating environment, and are being held to account to integrate sustainability into business models. It is disappointing then, to see that Africa accounts for just 6% of respondents in this survey. And there is no mention of any South African corporate leaders. Instead, the leaders identified encompass the likes of Unilever, IKEA, Patagonia, Greenpeace and the World Wildlife Fund (WWF).

However, as Dutch businessman and global climate leader Feike Sijbesma observed in 2012: “You cannot be successful, nor even call yourself successful, in a society that fails.” So, addressing the contribution we can make as investors is a critical aspect of both the sustainability conversation and a future-focused approach to investing.

Investing for impact

The first question we need to be asking ourselves is how much investment is currently being allocated towards impact investing.

We know that investment portfolios are typically skewed heavily toward listed equity, with listed bonds, property and cash making up the balance. Despite Regulation 28 enabling at least 35% of allocations toward private markets (such as private debt and equity), our research shows that South African investors allocate only about 2% of their assets to alternatives. This is well below international norms of 10-20%. Add to this a further two largely overlooked factors, and South African portfolios are relatively underexposed to our real economy.

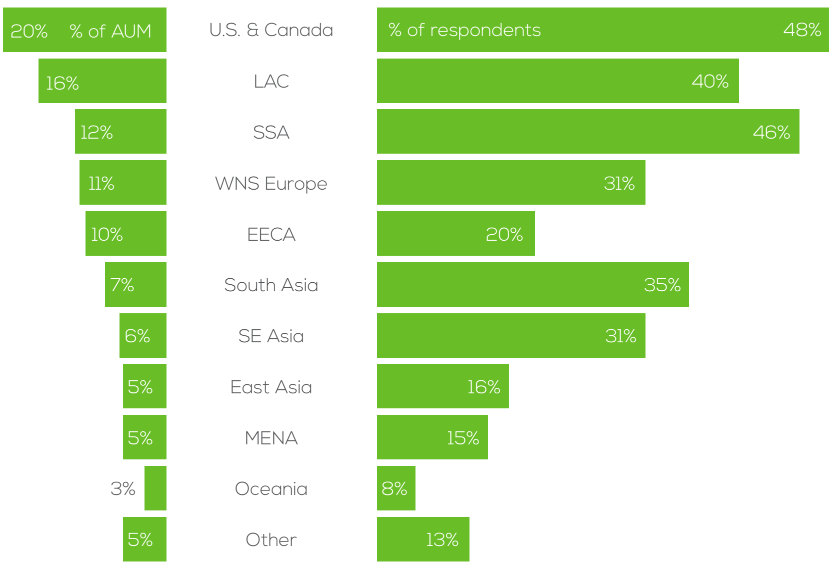
First, according to several studies, more than 60% of the JSE’s Top 40 derives its revenue offshore. Secondly, in the debt market, more than 80% of companies fund themselves through the banking system (private markets). This means that pension and other funds that only access the listed bond market for credit exposure are limiting diversification benefits to just 20% of SA Inc’s debt needs. It is evident that our collective savings exposure to the real economy is highly constrained. Some of this is no doubt due to legacy legislation, but Regulation 28 now allows up to 35% exposure to real assets.

Given the challenging environment investors face, we are well versed in factors such as a constrained economic outlook, sluggish stock market performance, political uncertainty and lack of business confidence that put a lid on our investment expectations. However, this would seem an opportune time to explore alternative sources of return, such as those found in the real economy in infrastructure and private equity and debt. This offers potentially positive inflation-linked opportunities for diversification benefits in asset classes that are relatively uncorrelated and still provide attractive valuations compared with traditional (and dominant) asset classes.

"You cannot be successful, nor even call yourself successful, in a society that fails."

GEOGRAPHIC ALLOCATIONS BY ASSETS UNDER MANAGEMENT AND % OF RESPONDENTS

Left side: Percent of AUM: n=226; total AUM=USD228.1 billion
Right side: Percent of respondents with any allocation to each geography: n=229; respondents may allocate to multiple geographies



Source: GIIN
Note: 'Other' includes investments with a global focus.

Behind the curve

South Africa is unfortunately also a laggard in the swiftly-growing world of impact investing. The latest 2018 Global Impact Investing Network survey of 229 impact funds reported on US$228 billion under management. The accompanying graph shows that Sub-Saharan Africa receives a relatively large share of this (12%) from mostly international impact investors. They found that the market is diverse with the top sectors of investment including financial services (19%), energy (14%), microfinance (9%) and housing (8%). Overwhelmingly, impact investors also reported performance in line with both financial and impact expectations.

In South Africa, given the regulatory requirement to consider more sustainable investing and development prerogatives we as investors face, we urgently need to develop our impact investing capabilities and fund offerings to help convert many of our challenges into opportunities for investment – in much the way that Capitec and Transaction Capital, in the financial and transport industries respectively, have done.

The country's first job creation fund – the Jobs Fund – was underpinned by a guarantee from National Treasury and has now created more than 10 000 permanent and decent jobs while generating consistent benchmark beating returns. In 2019 South Africa created a second, larger fund, the SME Fund. But we need many more such impact funds to be both demanded and created by our financial industry.

The role of business

As South Africans we commonly acknowledge that we face political, social and environmental challenges. But we could also take a closer look at business challenges. We could ask where the vision is - then and now - that recognises the role that business could have in believing and building towards inclusive growth?

Instead of collectively hedging business against South African risk – which some would argue is quite rational, albeit self-fulfilling – how different could it be if more businesses genuinely committed to working in partnership to deliver the sustainable growth of which we are capable? The small to medium-sized enterprises (SME) Fund in collaboration with the Jobs Fund are hopefully good examples of how this could be done. But this needs to become a more systemic and planned force that business drives in the interests of generating scale and broad stakeholder value.

A win-win opportunity

Regulation 28 for pension funds also encourages funds to invest for long-term sustainable outcomes, which if embraced positively could extinguish the prescribed asset menace.

According to Roger Urwin, one of the leading voices on sustainable investing, the central tenet for any investment fund policy requires an evaluation of investment values and investment beliefs. "Values distinguish the investment mission and goals of a fund; beliefs distinguish the investment strategy," he noted in a 2011 Tower Watson paper entitled *Perspectives: Sustainable Investing Principles and Practice.*

Articulating these values and beliefs within a sound governance framework gives agency to pension fund owners to expressly determine how their investments are made. Current pension fund laws make it a requirement to address and incorporate the principle of sustainable investing and explicitly require the consideration of environmental, social and governance factors. The real question then is: Are fund contributors receiving appropriate advice and product to direct their money towards creating a better future in which to retire?

South Africa has many positives; not least of which includes a strong financial and banking sector, an independent central bank, and a healthy regulatory and legal environment in which business can operate. But, perhaps most importantly, we are a relatively sophisticated emerging market with the unique combination of having highly-developed world-class infrastructure within an opportunity set of emerging market challenges to solve. Our fiscal constraints preclude government solutions at scale, which means that we need institutional investors and we need to create a broader offering of real economy assets such as infrastructure in which to invest.

Our aim should be to invest for the long term, based on a vision of the future we hope to see come true. And then we can work on how to get there with all stakeholders.

Heather Jackson, Head of Impact Investing

Heather Jackson is Head of Impact Investing at Ashburton Investments and has over 26 years' of capital market experience. She is a member of the executive committee of Ashburton Investments that also coordinates and drives the overall impact investing strategy for the FirstRand Group. She is deeply involved in advocacy and remains the founding chair since 2008 of the Responsible Investing subcommittee at the Association for Savings and Investment in South Africa (ASISA) as well as a member of ASISA Savings and Infrastructure Committee and was a founding member of CRISA. She is currently chair of the ANDE SA Chapter (Aspen Network for Development Entrepreneurs) which promotes SGB's, and contributes to many initiatives such as the South African National Advisory Board initiative. In addition, she participates regularly in National Treasury's Sustainable Finance Working Group (an IFC program) as well as their Working Group on Municipal Finance.

"South African portfolios are relatively underexposed to our real economy."

PERFORMANCE SUMMARY AS AT 31 MARCH 2020

Fund na	1 year	2 years	3 years	5 years	10 years
SA Multi Asset – High Equity					
Ashburton Balanced Fund	-11.22	-3.41	-0.84	0.88	N/A
Ashburton Multi Manager Prudential Flexible Fund	-10.46	-2.24	-0.59	1.48	7.77
Benchmark: Peer group average (201 funds)	-10.44	-2.68	-0.68	0.92	6.46
Benchmark: MV weighted average return MA High Equity	-12.54	-3.90	-1.17	1.49	N/A
SA Multi Asset – Low Equity					
Ashburton Targeted Return Fund	-13.55	-4.67	-2.16	0.62	N/A
Benchmark: CPI + 3.5	8.13	7.85	7.74	8.70	8.65
SA Multi Asset – Income					
Ashburton Multi Manager Income Fund	2.36	5.46	5.93	6.67	7.50
Benchmark: 110 of STEFI 3 month deposit	7.50	7.57	7.65	7.56	6.84
Ashburton Stable Fund	4.05	5.90	6.75	6.85	N/A
Benchmark: CPI (1 month lag)	8.13	7.85	7.74	8.70	8.65
Ashburton Diversified Income Fund	-0.06	4.30	N/A	N/A	N/A
Benchmark: 110% of Stefi Composite ZAR	7.91	7.97	N/A	N/A	N/A
SA Multi Asset – Flexible					
Ashburton Defensive Fund	-15.71	-7.33	-3.50	-0.42	N/A
Benchmark: CPI + 2	6.63	6.35	6.24	7.20	7.14
Ashburton Growth Fund	-21.33	-10.96	-6.47	-2.83	N/A
Benchmark: CPI + 4	8.63	8.35	8.24	9.20	9.15
Global Multi Asset - Flexible					
Ashburton Global Flexible Fund (ZAR)	10.17	15.12	7.81	6.62	N/A
Benchmark: 60 MSCI AC Index. 40 Citi World Bond Index	19.33	21.34	13.72	11.84	N/A
International Multi Asset Fund					
Dollar Asset Management Fund	-4.26	-2.10	-0.24	-0.53	1.69
Benchmark: US CPI +4 (1 mth lag)	6.34	5.93	6.03	6.03	5.86
Euro Asset Management Fund	-6.57	-3.55	-3.09	-2.64	1.32
Benchmark: Eurostat CPI + 3% (1 month lag)	4.79	4.60	4.50	4.09	4.38
Sterling Asset Management Fund	-5.10	-2.62	-1.73	-1.09	1.77
Benchmark: UK CPI + 3% (1 month lag)	4.71	4.79	5.10	4.77	5.11
Global Growth Fund (GBP hedged)	-10.47	-5.46	-2.39	-1.25	N/A
Benchmark: EAA Fund GBP Moderately Adventurous Allocation	-8.04	-2.22	-1.03	2.01	4.69

Fund na	1 year	2 years	3 years	5 years	10 years
Global Growth Fund (USD)	-8.52	-3.55	-0.64	-0.12	N/A
Benchmark: EAA Fund USD Aggressive Allocation	-9.48	-4.55	-0.35	0.30	2.63
SA Fixed Income – Variable Term					
Ashburton Multi Manager Bond Fund	-7.53	-1.84	3.52	4.05	6.64
Benchmark: FTSE/JSE ALB GOV TR ZAR	-3.23	-0.15	4.96	5.09	7.22
SA Fixed Income – Short Term					
Ashburton SA Income Fund	6.31	7.04	7.96	7.92	N/A
Ashburton Stable Income Fund	7.87	8.23	8.40	8.23	7.31
Benchmark: STEFI Composite Index	7.21	7.24	7.31	7.22	6.51
SA Fixed Income – Money Market					
Ashburton Money Market Fund	7.54	7.59	7.65	7.50	6.60
Benchmark: STEFI 3 month deposit	6.83	6.88	6.95	6.86	6.21
Emerging Market - Fixed Income					
India Fixed Income Opportunities Fund	-7.83	-5.04	-2.41	0.59	N/A
SA Real Estate – General					
Ashburton Multi Manager Property Fund	-43.40	-27.09	-20.83	-11.69	3.65
Benchmark: FTSE/JSE Listed Property Index	-47.91	-29.91	-23.00	-13.50	2.82
SA Equity – General					
Ashburton Equity Fund	-20.91	-11.15	-6.02	-3.17	N/A
Ashburton Multi Manager Equity Fund	-20.13	-10.16	-5.79	-2.63	6.25
Benchmark: FTSE/JSE All Share Index (TR)	-18.42	-7.43	-2.07	-0.13	7.68
Global Equity – General					
Global Leaders Equity Fund	-5.34	1.01	3.03	3.74	N/A
Benchmark: MSCI ACWI GR USD	-10.76	-4.05	2.05	3.41	6.45
Emerging Market Equity – General					
Chindia Equity Fund	-21.30	-19.36	-8.23	-3.80	0.39
Chindia Fund Benchmark	-19.13	-9.91	-0.07	0.05	1.97
Benchmark: MSCI EM GR USD	-30.86	-14.09	-6.64	-3.50	-0.42
Exchange Traded Funds					
Ashburton Inflation ETF	-15.04	-9.67	-4.41	-1.15	4.45
Benchmark: GILBx Total Return Index	-5.10	-4.34	-0.55	1.41	6.05
Ashburton Top40 ETF	-16.28	-5.76	-0.55	0.35	7.55
Benchmark: FTSE/JSE Top 40 TR ZAR	-16.22	-5.70	-0.44	0.53	7.78
Ashburton MidCap ETF	-27.99	-17.00	-11.22	-5.26	N/A

PERFORMANCE SUMMARY AS AT 31 MARCH 2020

Fund na	1 year	2 years	3 years	5 years	10 years
Benchmark: FTSE/JSE Mid Cap TR ZAR	-27.54	-16.48	-10.64	-4.68	6.40
Ashburton GOVI Tracker B1	-2.92	-0.14	4.73	N/A	N/A
Benchmark: FTSE/JSE ALB GOV TR ZAR	-3.23	-0.15	4.96	5.09	7.22
Ashburton World Government Bond ETF	30.57	24.73	N/A	N/A	N/A
Benchmark: FTSE WGBI ZAR	31.48	25.51	N/A	N/A	N/A
Ashburton Global 1200 Equity ETF	10.75	17.12	N/A	N/A	N/A
Benchmark: S&P Global 1200 (WM) (NTR) ZAR	11.27	18.41	N/A	N/A	N/A
(ASISA) Worldwide Equity – General					
Ashburton Global Leaders ZAR Equity Feeder Fund	N/A	N/A	N/A	N/A	N/A
EAA Fund Global Large-Cap Blend Equity	6.30	N/A	N/A	N/A	N/A
Horizon Series					
FNB Growth Fund of Funds	-10.50	-3.63	-1.55	N/A	N/A
Benchmark: CPI + 5% (1 month lag)	9.63	9.35	9.24	10.20	10.15
FNB Moderate Fund of Funds	-7.54	-2.71	0.59	N/A	N/A
Benchmark: CPI + 3.5% (1 month lag)	8.13	7.85	7.74	8.70	8.65
FNB Stable Fund of Funds	-2.54	1.38	3.56	N/A	N/A
Benchmark: CPI + 2% (1 month lag)	6.63	6.35	6.24	7.20	7.14
FNB Growth Plus Fund of Funds	-13.80	-4.02	-2.67	N/A	N/A
Benchmark 1: FTSE/JSE All Share TR ZAR	-18.42	-7.43	-2.07	-0.13	7.68
FNB Income Fund of Funds	2.53	5.00	5.95	N/A	N/A
Benchmark: CPI + 1% (1 month lag)	5.63	5.35	5.24	6.20	6.14
FNB Namibia					
Ashburton Namibia Equity Fund	-19.29	-10.45	-4.86	-1.72	6.59
Benchmark: 65% Alsi and 35% NSX Index	-22.07	-10.25	-1.74	-0.31	6.74
FNB Namibia Money Market Fund	7.46	7.66	7.81	7.69	6.84
Benchmark: 65% STeFI 35% IJG Namibia Money Market Index	7.25	7.34	7.47	7.35	6.60
Benchmark: Balanced Fund Composite BMk	-7.98	0.06	3.79	4.14	8.66
Benchmark: Namibia CPI + 3.5% (2 month lag)	5.55	6.85	6.92	8.18	N/A
FNB Namibia Corporate	6.73	6.94	7.12	6.94	N/A
Benchmark: 65% STeFI 35% IJG Namibia Money Market Index	7.25	7.34	7.47	7.35	6.60

Source: Ashburton Investments
* Performance Returns are based on the Net of Fees (unless stated otherwise).

The above is purely for illustrative purposes. The above portfolio performance is calculated on a NAV to NAV basis and does not take any initial fees into account. For reinvesting funds, income is reinvested on reinvestment date. Actual investment performance will differ based on the initial fees applicable, the actual investment date, the date of reinvestment of income and dividend withholding tax. Past performance is not necessarily an indication of future performance.

Contact information

SOUTH AFRICA

Johannesburg (Head Office)
3rd floor, 4 Merchant Place,
1 Fredman Drive, Sandton, 2196
Tel: +27 (0) 11 282 8800

Cape Town
8th Floor, Portside Tower
5 Buitengracht Street,
Cape Town, 8001
Tel: +27 (0) 11 282 8800

Durban
2nd Floor, Acacia House,
2 Kikembe Drive, Umhlanga Ridge,
Umhlanga, 4320
Tel: +27 (0) 87 335 0925

Email: enquiries@ashburton.com
www.ashburtoninvestments.com

CHANNEL ISLANDS

Ashburton (Jersey) Limited
IFC1, The Esplanade
St Helier, Jersey
JE4 8SJ, Channel Islands
Tel: +44 (0) 1534 512000

UNITED KINGDOM

Austin Friars House,
2-6 Austin Friars,
London, EC2N 2HD
United Kingdom
Tel: +44 (0) 207 939 1700