MitonOptimal
MULTI ASSET MANAGEMENT

WEEKLY COMMENT

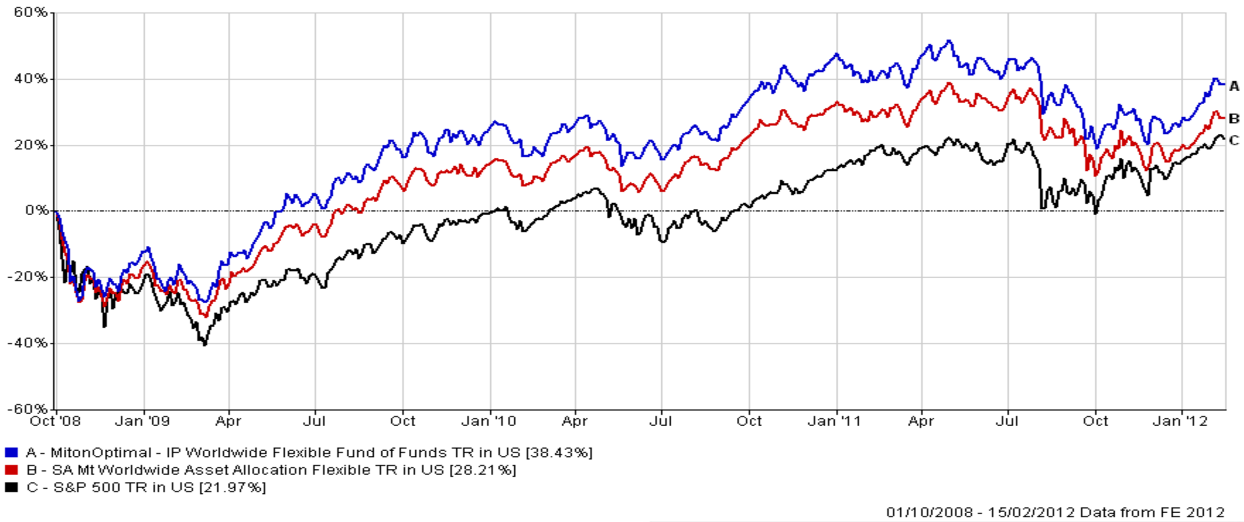
How do you manage the asset mix between SA and Global Asset classes successfully?

SA Financial Advisors are often required to advise global 'perpetual travelers' who only spend 4 to 6 months of every year in South Africa. These investors often demand the 'perfect miracle' with their assets in South Africa: 'invest my money in Rands, but when the Rand weakens, switch it into a hard currency…but do not forget to grow my assets simultaneously!' It's a tough job - many SA Advisors and investors who invested offshore during the past 10 years have experienced rand strength since 2003 and have had poor returns in Rands and US$ terms due to market behavior over this period. This is not an easy mandate to meet!

We have been involved in managing domestic mandates in South Africa over the past 18 months and this miracle mandate for our 'perpetual traveller' clients. We do this through the MitonOptimal Worldwide Flexible Fund of Funds (FoF). The fund was launched on 1 October 2008 during the credit crisis and was the responsibility of yours truly until the global experience of the MitonOptimal team was available. The objective of the fund is to outperform SA CPI plus 6% p.a. over a rolling 5 year period using a flexible mandate to rotate between SA and Global asset classes. Our global exposure can be anywhere between 25% to 80% of the fund composition.

So how do we deal with this local/global split of investments? The answer is we use one common methodology for both local and global investment environments. We use our multi-asset approach and our flexible strategic benchmarks, but we adapt these for different environments. When we look at the Kondratieff cycle we plot the key economies in their relevant places and set our strategic benchmarks accordingly. This allows us to then rotate allocations between domestic and global growth assets as their valuations make them more/less attractive to the specific strategic benchmarks in the shorter terms.

The line graph below reflects the performance of the fund in US$ since inception. It outperformed the S&P 500 while also delivering above average peer group alpha! One will see the same relative performance when comparing the fund in GBP terms vs. the FTSE All Share Index and in Euro terms vs. the DJ Euro Stoxx 50 Index.



I guess my point of this weekly commentary is to remind SA Advisors that we can assist in managing Advisor risk and investor expectations in one unconstrained worldwide growth fund that has the flexibility to invest in SA and Global assets. Our multi-asset multi-manager approach can work in both local and global environments.

Please note that the fund is not Regulatory 28 compliant, but can fit in a Regulatory 28 portfolio as your global proxy for your domestic portfolio i.e. a maximum 25% of a Regulation 28 mandate.

Roeloff Horne
Director and Fund Manager
17 February 2012