

# Asset allocation positioning:

The metrics below show our asset allocation positioning for global, domestic and by theme.

⚡	UNDERWEIGHT
⚡	MODERATELY UNDERWEIGHT
N	NEUTRAL
⬆	MODERATELY OVERWEIGHT
⬆	OVERWEIGHT

GLOBAL ASSET ALLOCATION	Q1 2018	Q2 2018	COMMENTS
Offshore Equity	⚡	⚡	Maintain underweight global equities. Given where we are in the cycle we would like to "move closer to the door".
Offshore Fixed Income	⚡	⚡	Low expected total returns from these starting yield levels. Risk spreads across fixed income asset classes are expensive.
Offshore Cash	⬆	⬆	Provides optionality to increase risk should we see an opportunity.
Offshore Property	N	N	Valuations reasonable relative to long term averages.
Offshore Alternatives	⬆	⬆	Offers attractive risk-adjusted returns relative to traditional long only assets classes. Variations include return enhanced, capital protected and low correlation products.

SA ASSET CLASSES	Q1 2018	Q2 2018	COMMENTS
SA Equity	N	⬆	More optimistic on outlook for SA assets but cognisant that we are reducing risk globally. Valuations looking more attractive. The Rand less of a headwind.
SA Fixed Income	N	N	Concentrated in "belly" of the yield curve. Has been a very strong performance, likely to be more muted from here.
SA Cash	N	⚡	Using cash to increase equity and property. Still relatively attractive on a real return basis.
SA Listed Property	N	⬆	Moving slightly overweight. SA focussed property counters look attractive on a valuation basis, especially outside of the large caps.
Preference Shares	⬆	⬆	Attractive yield advantage over taxable yields assets with possible repurchase underpin. Focus on the bank preference shares.
\$/R (+ for ZAR strength)	N	N	The Rand is currently at fair value - expect to be rangebound and driven by EM sentiment and political newsflow in the near term.

SECTORAL/THEMATIC POSITIONING	Q1 2018	Q2 2018	COMMENTS
Global Plays	⬆	⬆	We have reduced our exposure to global plays.
Commodities	⬆	⬆	Overweight commodity plays although upweight in quality and lower beta. Prefer diversified miners versus single commodity producers.
Gold Plays	⚡	⚡	Currently do not own any gold producers given poor fundamentals. Continue to own physical gold in balanced portfolios as a geopolitical hedge.
Interest Rate Plays	⬆	⬆	Adding to our interest rate play exposure on the back of the positive SA fundamental outlook.
SA Industrials	⚡	N	Valuations at interesting levels, especially in mid and small cap area of the market.