INVESTMENT REPORT

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BRENTHURST
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Glyn Owen

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BRENTHURST RANKED TOP BOUTIQUE WEALTH MANAGER IN SA 2020 INTELLIDEX PRIVATE BANK AND WEALTH MANAGER AWARD

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BRENTHURST GLOBAL BALANCED FUND CELEBRATES 10 YEARS

TEN years ago Brenthurst Wealth took the bold and brave step of setting up its own globally managed fund for exclusive use of its clients. Not only has the fund survived and grown the investments of its clients handsomely, it also beat the performance of some of the better known brand names on the investment landscape.

In 2011 global markets were still recovering from the 2007/2008 financial crisis and investor confidence, although starting to improve, were not at the levels of happier bull market times. In addition, markets were running headlong into the eurozone debt crisis, a globally systemic threat to the financial system. This was averted a year later only by the commitment of Mario Draghi, then head of the European Central Bank, to 'do whatever it takes' to save the euro.

"It took great foresight and conviction at that time, in the face of such deep uncertainty, for Brenthurst to launch their Global Balanced Fund to encourage South Africans to shift assets overseas, and to facilitate this with a highly regulated and liquid vehicle, blending the growth potential of global equities with the capital protection of cash and bonds, all in a US dollar denominated fund.

History judges this vision to have been timely and exceptionally well rewarded, helping investors not simply in preserving wealth and reducing the risks of exclusively South African focused portfolios, but in creating substantial returns," says Glyn Owen, Investment Director at Momentum Global Investment Management, manager of the fund.

Magnus Heystek, co-founder, director, and investment strategist of Brenthurst Wealth says setting up this fund was an important component of the company's strategy to increasingly focus investments on offshore markets. "As global markets started to recover from the so-called 'great depression' of 2007/2008 the risks to the South African economy and the long term outlook of muted to poor returns became evident, it was the perfect time to launch our own global fund."

To put it in perspective, 10 years ago the Dow Jones Industrial Average, the most widely recognised barometer of the US stock market, was 12,400, and it cost R6.72 to buy $1. Today, (effective 16 April 2021) the DJIA is 33,000 and it takes R14.40 to buy $1. Adding in dividend income received over those 10 years provided South African investors with a total return of 652% in rand terms, an annualised rate of an extraordinary 22.5%. The US stock market has been the best performing major market over the period, but even taking the much more broadly based MSCI World index of global stock markets would have delivered a total return in rand terms of 467%, 19% annualised.

While global equities have delivered strong returns, they also come with high levels of volatility. The Global Balanced Fund seeks to reduce the volatility and smooth the journey by diversifying into assets which have capital preservation characteristics, and which typically perform well when equities are doing badly. These include global government bonds, the safe havens of global markets where income and capital are guaranteed by governments and are essentially risk-free, and gold, a proven long-term store of value. These two asset classes form important parts of the Fund and have succeeded in dampening volatility.

Coincidentally, both have returned 21% in USD terms over the decade, or 167% in rand terms. The combination of growth assets, equities, with non-correlated diversifiers, bonds, and gold, underlies the Global Balanced Fund return of 61% in USD, or 258% in rand terms, 13.7% annualised. For comparison, the JSE All-share index returned 180% or 10.9% annualised, with much higher levels of volatility and risk.

FUND PERFORMANCE COMPARED TO PEERS:

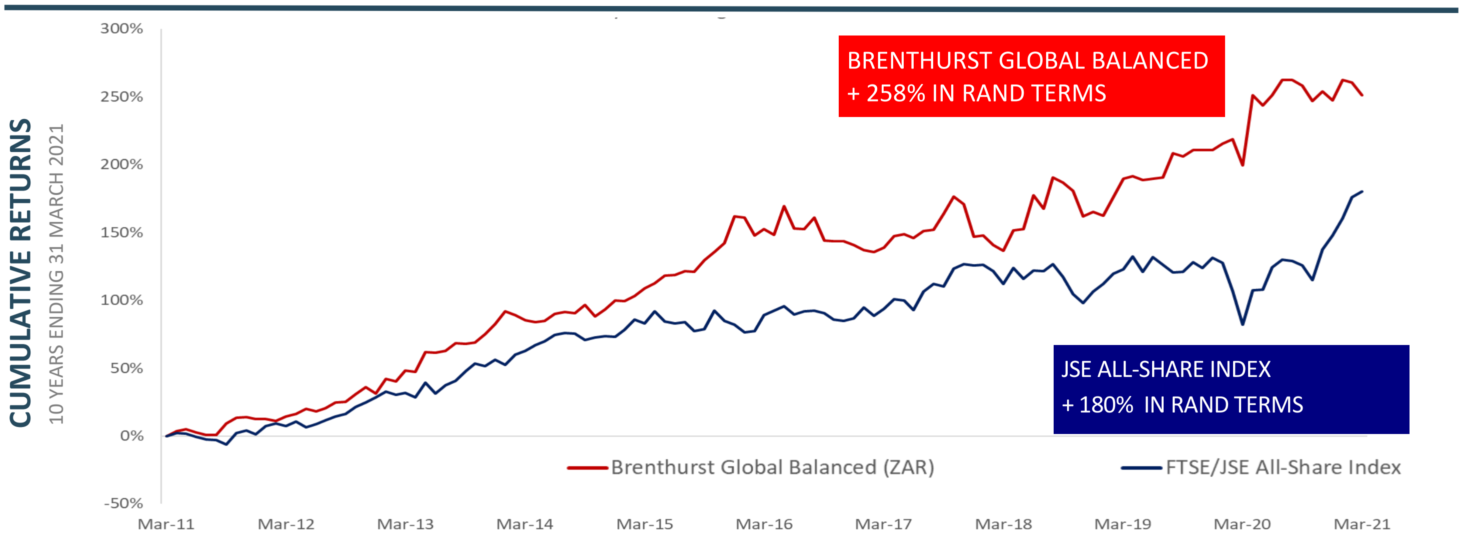
	3M	6M	1Yr	3Yr Ann.	5Yr Ann.	YTD
Orbis Sicav Global Bal Inv Ref Rev Fee	10.21	16.64	23.26	1.71	8.10	3.68
Brenthurst Global Balanced A USD	3.66	8.75	13.79	5.20	8.43	0.37
Coronation Global Managed P USD Acc	4.42	9.59	18.86	6.54	9.75	1.08
Ninety One GSF Glb StratMgd I Acc USD	5.57	9.74	26.35	7.47	10.55	0.95
Ninety One GSF Glb MA Inc i Acc USD	2.10	4.38	7.46	4.46	5.34	0.40
Sanlam Global Balanced A	2.93	6.76	17.02	5.43	7.24	-0.31

Source: Brenthurst Investment Committee

The Fund also proved its worth over the past year, one of the most traumatic for investors and wider humanity in decades. The global economy suffered its deepest recession in 100 years, stock markets plunged into the steepest bear market in history, with all asset classes suffering as liquidity dried up.

The Fund could not avoid its own worst drawdown under these circumstances, but the falls were much smaller than in equities and within a matter of weeks it had recovered the ground lost. Participating fully in the recovery over recent months, the fund is now up by close to 50% from the lows of last March.

BRENTHURST GLOBAL BALANCED (IN ZAR TERMS) VS. FTSE/JSE ALL-SHARE INDEX



Source: Bloomberg

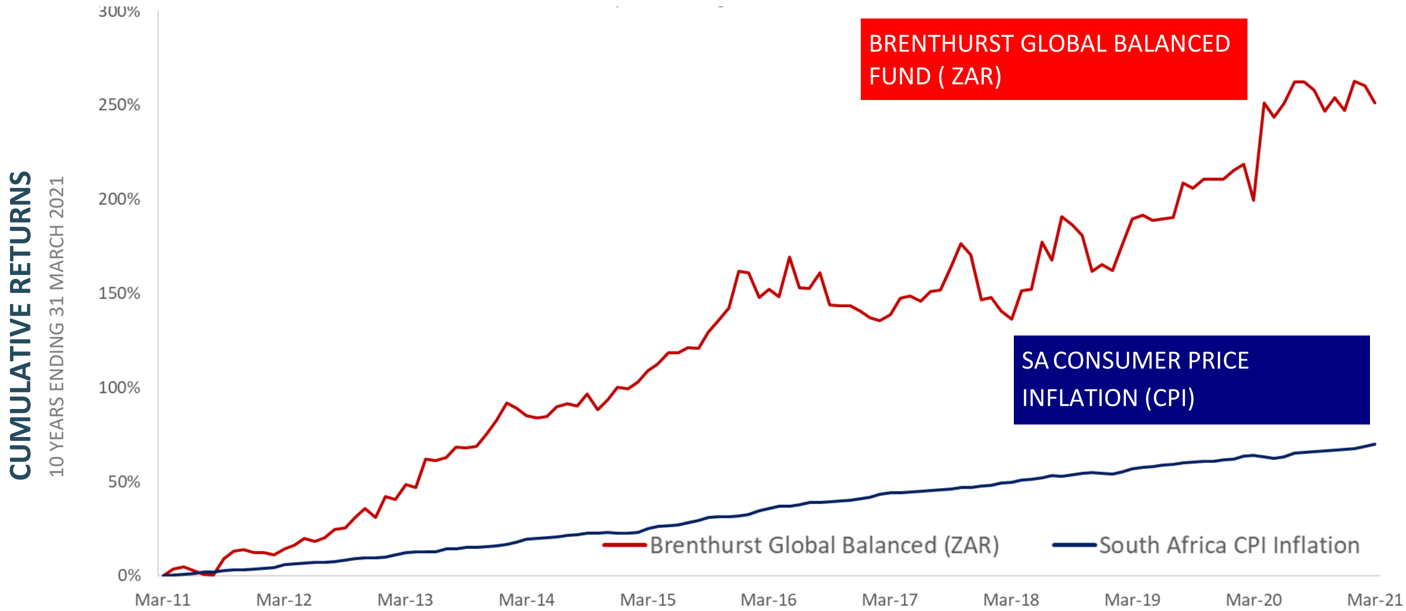
WEBINAR INVITATION: INVESTING IN A POST COVID-19 WORLD

Markets have recovered from the worst fall-out after the lockdowns introduced globally in March 2020 drove stock prices down. Some economies have started to recover but in South Africa the economic climate remains depressed. What are the threats and opportunities investors should be aware of?

MAGNUS HEYSTEK, Brenthurst investment strategist, **MIKE SCHÜSSLER,** Brenthurst consulting economist and **TONY BELL,** Raging Bull Award winner Mi-Plan Fund Manager will review the current climate and share their insights about investing in a post COVID-19 world.

Reserve your spot now: **BRENTHURST WEBINAR REGISTRATION**

BRENTHURST GLOBAL BALANCED (IN ZAR TERMS) VS. SA CONSUMER PRICE INFLATION



Source: Bloomberg

Brian Butchart, Managing Director of Brenthurst Wealth, notes that the fund size now stands at $52 million (R780 million) and says it adds great value and diversifier in Brenthurst's suite of funds used for client portfolios. "The Brenthurst investment committee consults regularly with Glyn and his team at Momentum Global Investment Management to mitigate risk and achieve optimal results within the mandate of the fund for clients" Butchart says.

Owen adds that the tried and tested approach of managing the portfolio, on a multi-asset, multi-currency basis, investing globally and diversifying by asset class, employing best-of-breed managers across a range of styles such as growth, value, and quality, has been key in producing consistent returns through the cycle.

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