

WEALTH MATTERS

Quarterly Newsletter | January 2017



WARWICK

WEALTH

The Investment Specialists

- 02 | Investment Resolutions for 2017
- 04 | Overview and Outlook for some of Warwick's Rand Hedges
- 10 | Fixed Income Outlook 2017
- 13 | 2017 Political Commentary



INVESTMENT RESOLUTIONS FOR 2017

by **Adrian Meager**

It is that time of the year again - monthly planners and 2017 diaries are being bought and new plans are being made. Time to add value to our life, get rid of bad habits and resolve to improve in all spheres of life. Yes, time to list those New Year resolutions and more importantly commit to execute them. More often than not, the list begins with healthy eating habits, waking up early and exercising, reading often, eating out less and other such resolves to improve our overall health and lifestyle.

Needless to say, our finances play an important part in contributing to a better lifestyle and a prosperous future. So, while we are at it, why not make some financial resolutions as well?

Here are some New Year Resolutions which will aid in achieving your financial goals in the long run.

1. Set clear goals - Setting some well-defined and measurable goals for how you spend, save and invest your money can make a big difference. They will help guide your decision-making and priorities throughout the year and assist with staying on track. Vague goals usually fail and make it hard to know when they are achieved. Set concrete goals and break them down into smaller, more attainable benchmarks, so you can regularly monitor your progress.

2. Make asset allocation a top priority - Research has shown how you invest your money between the different asset classes determines almost 90% of your investment returns. Successful investors spend more time analyzing which asset classes to invest in, and how much, than on which shares or bonds they should buy. A failure to diversify your investments is one of the main causes of underperforming portfolio returns. Spreading your investments across a range of asset classes is one of the best ways we know of to smooth your returns over time, to preserve your assets, and to generate real returns.

3. Diversify – You should diversify across asset classes (equities, bonds, cash, and property), geographies and not be only exposed to the Rand. Your specific mix should be tailored to where you are in your investing life-cycle and your individual risk profile. Having all your assets in one basket – South Africa – is risky. What if things don't go well locally? A well-diversified portfolio should also have room for offshore assets, ideally in the developed world as South Africa is already an emerging market investment.

4. Don't react to short-term market ups and downs - We live in a 24/7 media cycle, so we are constantly bombarded with news about global economic and market developments. While it is good to be aware of what is happening in the world, it is important to put things in perspective and focus on your long-term goals, rather than panicking and reacting to every bit of bad news. Share markets do go up and down from day-to-day and economies go through cycles.

5. Have a risk management plan – as an investor you cannot avoid risk, so it's worth spending some time to understand how it relates to your portfolio and goals. Losing money is one of the biggest risks over shorter periods, which is why shares are more risky in the short term. Over longer timeframes, inflation is the key risk. This is when your investments cannot generate high enough returns to meet your longer-term goals. One of the most effective ways to manage risk is to diversify your portfolio across different asset classes and investments. The right mix will depend on your investment timeframe, risk profile and goals.

6. Rebalance your investments – Large movements in share markets can cause the asset allocation of your portfolio to shift away from your plan. You may need to buy, or sell, investments in specific asset classes to get things back on course. Successful investors regularly check their portfolio and rebalance if they have deviated from their set proportions.

7. Ensure your investments are correctly structured – Using the most appropriate product vehicle can make a big difference to your wealth. Holding assets in the wrong investment vehicle could, for example, result in a larger than necessary tax bill and make shifting assets more difficult. Your Warwick Wealth Specialist can help you decide the best investment vehicle for your needs.

8. Take the emotion out of it - This is more of a long-term goal. But when it comes to saving and investing, getting emotional is the number



one detractor of good financial planning. Panic, fear, greed – all of these can make you abandon a solid, sensible plan in a flash. Overcoming this is very difficult. The first step is recognising that your emotions play a role in your investment decisions and planning for that eventuality. You could, for example, make it a rule that you cannot make a major decision without talking to your Warwick Wealth Specialist first. You could force yourself to wait three hours before making a change to your financial plan and spend that time reviewing your plan and analysing why you want to make the change. There are plenty of techniques you can use to reduce the impact that emotions have on your investment behaviour, provided you take the time to prepare yourself.

9. Give Your Portfolio the 'Once Over' - We recommend reviewing your portfolio with your Warwick Wealth Specialist every six months, or at least once a year. The purpose of this portfolio review is to systematically troubleshoot problem spots and identify changes you may want to make as part of your overall investment strategy.

So, this time around, resolve to manage your investments better, using the New Year Resolution tips. Correctly structured and correctly diversified investments portfolios will provide long-term capital growth and distress your life to a large extent. And, if you can follow the above resolutions, it should be a very prosperous and happy 2017 indeed. ☺

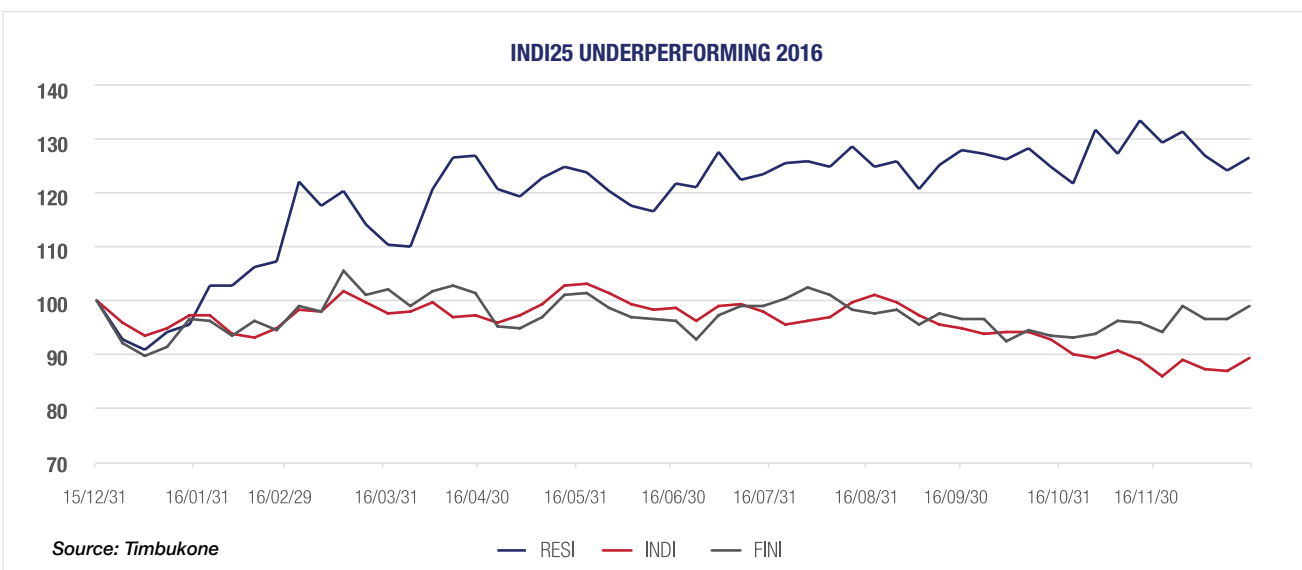
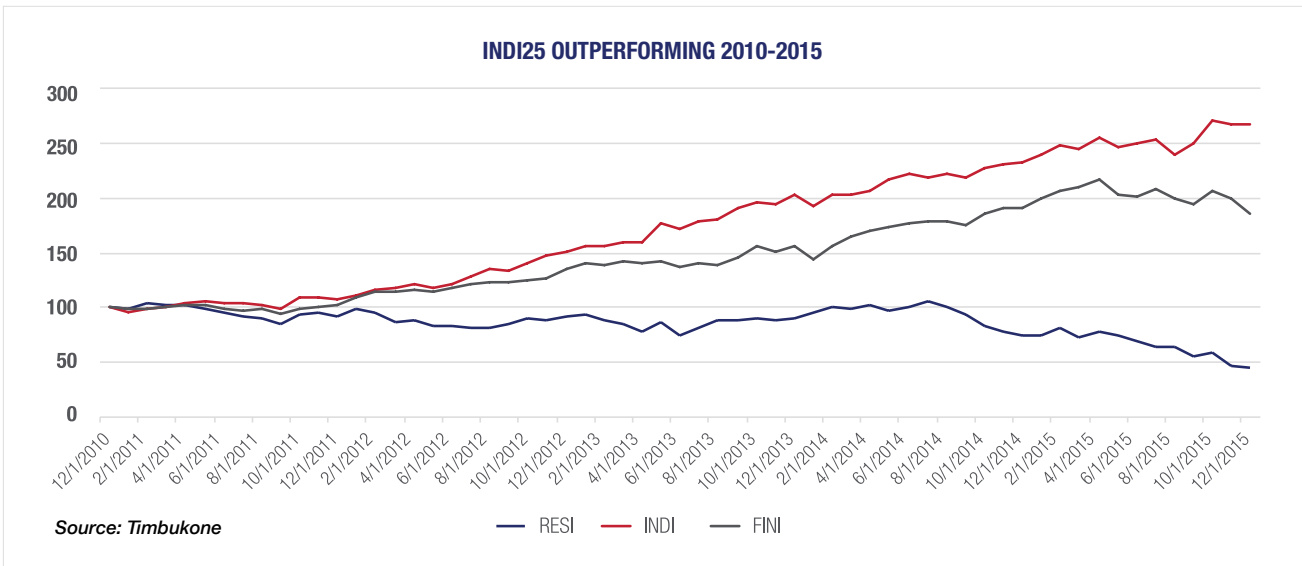
Adrian Meager is the Executive Director of Asset Management.



OVERVIEW AND OUTLOOK FOR SOME OF WARWICK'S RAND HEDGES

by **Thomas Blamey**

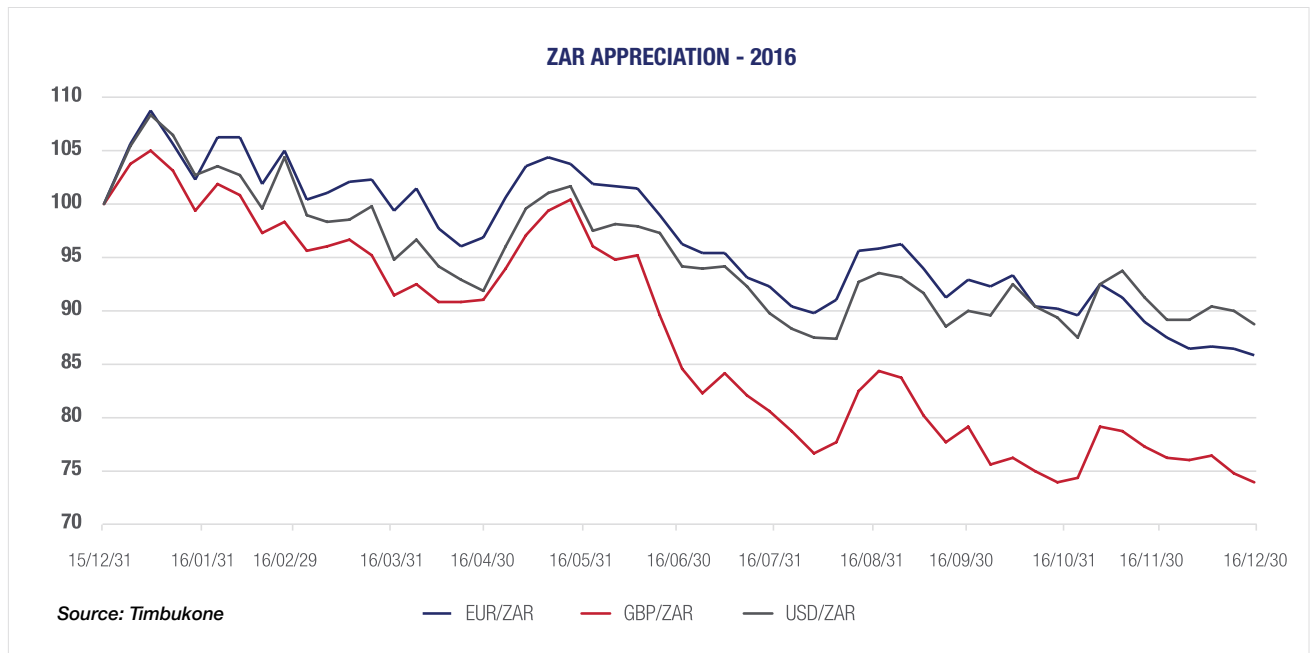
The JSE Industrial 25 Index (INDI25) had a disappointing 2016, after being dominant for the past few years (see chart below). From December 2010 to December 2015, the INDI25 returned an astonishing annualised return of 21.78% compared to the FINI (+13.27%) and RESI (-14.72%). This great run did not continue in 2016 as the stronger Rand, extended valuations and company-specific issues dragged the index lower with the INDI25 ending the year down 10.41% (excluding dividends).





In 2016, many of the “market darlings” of the recent past, came under pressure after strong runs over the last few years. Due to many of these companies’ Rand hedge and/or defensive qualities, the shares have traded at a premium to the rest of the market. The high demand for quality led to their re-rating and trading at lofty multiples coming into and/or during 2016. Many of these stocks had high expectations built

into the share price, and their stretched valuations were unsustainable. The Rand strengthened against the Dollar, Euro and Pound this year and this had a negative effect on the dual-listed and Rand hedge shares that earn a large portion of profits offshore. When earnings came in below expectations, or if there was any doubt about future earnings, the shares were punished by the market.



The INDI25 is a highly concentrated index with the top five shares making up 65% of the index, and the top three shares making up 52% of the index. With the top five shares all recording negative performances in 2016, it’s easy to see why the index performed poorly (Note: SAB was removed from the index during the year).

INDI25 WEIGHTING AS AT 31 DECEMBER 2016.			
RANKING	TICKER	COMPANY	INDI25 WEIGHTING
1	NPN	Naspers	29.02%
2	CFR	Compagnie Financiere Richemont AG	15.27%
3	MTN	MTN Group	7.44%
4	BTI	British American Tobacco PLC	6.89%
5	SNH	Steinhoff International Holdings N.V.	6.11%
7	APN	Aspen Pharmacare Holdings	3.42%
11	WHL	Woolworths Holdings	2.26%
14	MEI	Mediclinic International plc	1.61%

Source: *JSE, Warwick Wealth*



Delving into the performance of the above stocks in 2016, we see just how bumpy the ride was for investors. **Naspers** was the best performer, declining by 5% over the period. This performance started off negatively as global markets had a poor start to the year (US equity markets recorded their worst start to a year on record!), and locally was no exception. In the second week of February, Naspers had already lost 18% from the start of the year. This would turn out to be Naspers' low for the year, and from there the counter went on to gain 43% to reach its high of R2492/share in September. The stock steadily declined 19% thereafter to finish off a volatile year.

MTN had a disappointing year, as the low oil price continued to put pressure on their Nigerian and Iranian operations, and the devaluation of the Naira, as Nigeria ended its currency peg to the US Dollar, put pressure on earnings. On a positive note, the company managed to reduce the massive fine handed to them by the Nigerian Communications Committee (NCC), saving billions of Dollars. Starting the year with a cloud of uncertainty over the extent of the fine, the MTN share price hit its high for the year at the end of April, climbing 12% on speculation that the fine would be reduced (which it finally was in June), and as the oil price recovered from the lows in the beginning of the year. MTN hit its low for the year in October, down 28% from the 2016 high. This was on the back of disappointing 1H16 results in July, and Nigerian politicians having claimed that the company had illegally repatriated 13.92 billion Dollars over a ten year period. The share price rebounded off the lows and ended the year down 5.06%.

Aspen rebounded strongly off the low reached in February to climb 51% over the next six months when it reached its high for 2016 in July. This gain had much to do with the trading update released at the end of February, (which saw the share price climb 22% in three weeks), as well as the agreement with AstraZeneca in June, whereby Aspen acquired the exclusive rights to commercialise AstraZeneca's global (excluding the USA) anaesthetics portfolio. Trading at around a 37x historical P/E multiple in August, Aspen was priced for perfection. As we have seen, defensive businesses are not always defensive investments, if investors overpay for them. This was the case for Aspen as the trading update and results released in September disappointed investors. The company announced that the deteriorating economic conditions in Venezuela resulted in a decision taken by the company to devalue their entire business in the country (resulting in a once off loss of R870 million). This news, along with a weaker performance from the South African operations, led to the share price ending the year 25% lower than the 2016 high in August. For 2016 as a whole, Aspen ended 8.37% in the red.

Steinhoff ended the year 9.21% lower, in what was a very busy year

in terms of corporate activity for the discount retailer. The Steinhoff share price has climbed steadily over the past three years, and after the little pullback in early January, this trend looked set to continue as the share price rallied to an all-time high at the end of March. The group announced four takeovers in the second half of 2016 (after two failed attempts earlier in the year). In September, the group reported a 3% decrease in diluted headline earnings per share for the 2016 financial year, due to the dilution that took place when Steinhoff bought Pepkor back in 2015. Investors also questioned whether management had bitten off more than it could chew with the four new acquisitions, as well as the concern of overpaying for certain assets. This saw the share price fall 32% in just over three months to the beginning of December. In early December, a quarterly update, which was well received by the market, saw the share price rally over 17% in a week. The rally was short lived, however, as Shoprite and Steinhoff announced in mid-December, that Shoprite would be acquiring Steinhoff's African assets, putting the share under further pressure.

British American Tobacco ended the year in negative territory for the first time since 2009. Going into 2016 the share price was up 240% over the last five years (excluding dividends). The group reported strong growth in its FY15 earnings towards the end of February, with the share rallying 15% over the next three months and hitting an all-time high in May. As the British Pound weakened against the Rand after the Brexit referendum, the British American Tobacco share price followed suit. In Rand terms, the share fell 17% from the beginning of June to the end of the year, while the British Pound fell 23% against the Rand over the same period.

Richemont had a tough 2016 that saw the share price drop 18.7% for the year, after hitting an all-time high towards the end of 2015. The group's results have been affected by a strong Swiss franc, a crackdown on corruption in China, terrorist activities in Europe, as well as sluggish world economic growth. The share price fell 27% from the beginning of 2016 to its low for the year in August. Interim results released in November showed that sales for the six months ended September were down 13% and operating profit had decreased 43%. The tough trading environment had been largely priced in by the time these results were released and the share price managed to finish the year up 12% from the lows in August.

The **Woolworths** share price was hammered in 2016, as competition within the sector, and a constrained consumer, took its toll on retail companies. Like Richemont, Woolworths also hit an all-time high towards the end of 2015. Coming into 2016 on a historical P/E multiple of 27x, the share de-rated in the first half of the year falling 21% over the six month period. The share price began to recover in July until the

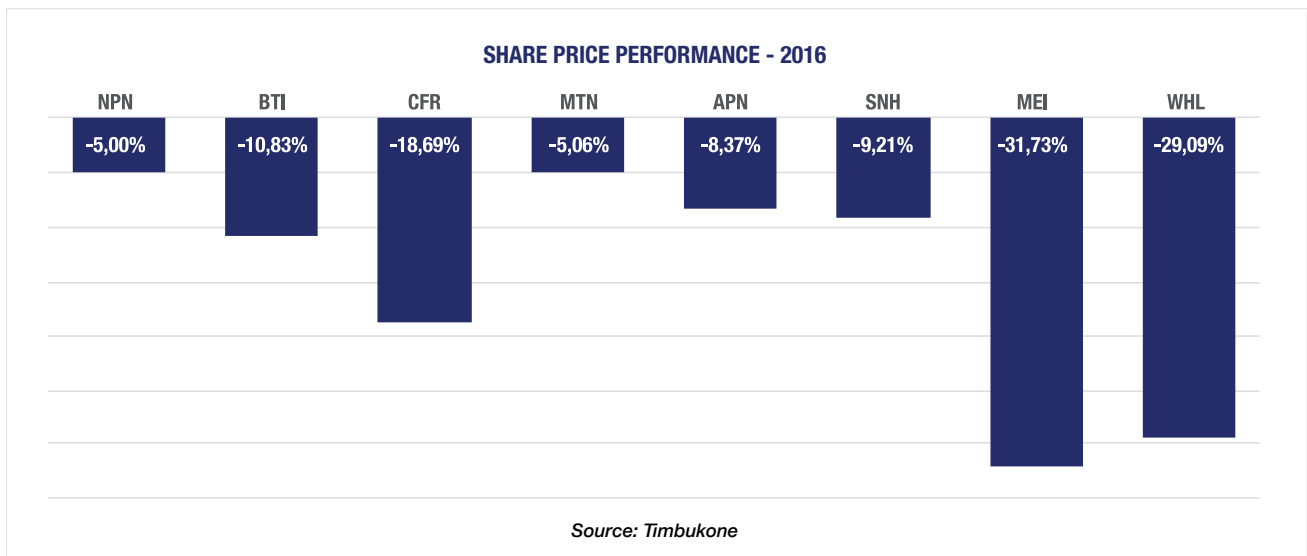


full year results, released in August, revealed that the company endured a tough second half to its financial year, with volumes coming under pressure. Woolworths ended 2016 29% lower than when it started the year.

Mediclinic started the year on a positive note when it was announced in February that the merger with Al Noor Hospitals was completed and the company listed on the London Stock Exchange. Mediclinic initially benefited from Brexit in June, as foreign earnings were now converted into more British Pounds (its new presentation currency), and investors

pushed the stock higher. The share reached its peak in July, gaining 11% for the year. Trading on an exorbitant P/E multiple, the market was anticipating excellent results. In a trading update in September, management communicated it believed revenue growth from the newly acquired operations in Abu Dhabi (AL Noor deal) would be lower than expected due to operational and regulatory difficulties. With the share trading at an excessive P/E multiple, the disappointing results led to a de-rating in the share price, and the stock ended the year down 31.7%.

Please note: Performances do not include dividends



LOOKING FORWARD TO 2017

Although we expect another tough year for our local market, we do see pockets of value in specific stocks. Certain shares have come off significantly in 2016 and are now looking attractive from a valuation perspective. Currency movements may negatively impact share prices again in 2017, however, but trying to predict the currency in the short-term is futile. We prefer to own quality companies that generate high levels of free cash flow, have excellent management teams with a proven track record, and can grow earnings at a rate greater than the market and inflation. Our view on the above mentioned stocks, going into 2017 is as follows:

Naspers – Naspers is a global internet and entertainment group that operates in more than 130 countries around the world. Naspers is one of the largest technology investors in the world with sizable investments in technology companies such as Tencent, Mail.ru and Flipkart. Naspers is looking very attractive on a sum-of-the-parts (SOTP) valuation and is trading at a large discount to its NAV. Naspers’ 34% stake in Tencent is valued at just over R1 trillion, while Naspers only has a market cap

of R920 billion. This means that the whole of Naspers is trading at less than what its stake in Tencent is worth, and you are getting the rest of the assets for free! The e-commerce portfolio is gradually beginning to mature and the number of e-commerce assets that are starting to generate profits is growing as monetisation starts to accelerate. The group is also starting to reduce development spend in online classifieds which will increase free cash flow down the line. In their latest results, management has identified new pockets of growth that it believes will add value over the longer term, and the company has invested in three early-stage educational technology companies. The sell-off in the stock towards the end of 2016 offers a good entry point for investors and Naspers continues to be one of our top holdings.

MTN – Management has certainly not covered themselves in glory over the last year or two and with a large presence in Iran and Nigeria, the lower oil price has added to the share coming under pressure. With over 230 million customers in 22 countries across Africa and the Middle East, we believe there is still great potential, as many of these emerging



markets MTN operates in, are under penetrated, creating an opportunity to gain new clients and market share. Excellent network coverage and capacity is a key competitive differentiator in the telecom industry and MTN has positioned itself as the number one operator in 15 countries, providing the group with a competitive advantage in those markets. MTN's earnings are expected to take a dip for the 2016 financial year, and should recover into 2017 with the company trading on an estimated 14.7x FY17 P/E multiple and an attractive DY of around 6%. Although there may be some short-term pressure on the share price, as there is still some downside risk to earnings due to further Naira devaluation, we do believe that most of the negative news is currently reflected in the share price. With a number of senior management changes (including a new CEO), the longer-term investment case is still very attractive and an MTN turnaround offers exciting upside potential.

Aspen – Aspen is a high-quality company with excellent manufacturing assets and an exceptional management team. Management expects growth to accelerate in FY17 as synergies are realised from past acquisitions, in addition to the deals done with AstraZeneca and GlaxoSmithKline in the past few months. Management has indicated that R500 million-one billion worth of synergies is to be delivered in FY17, with a cost saving target of R2.5bn by 2019. The group's commercialisation agreement with AstraZeneca for its anaesthetics portfolio may potentially add 20% to earnings for a full year and help the company push into Asia-Pacific, where the group plans to build critical mass in China and Japan. The company has de-rated substantially from its highs and currently trades on an estimated twelve month forward P/E multiple of 15.8, levels last seen in 2012. With a solid track record of integrating and realising synergies from acquired businesses, together with continued organic growth, we rate Aspen as an attractive buy at current valuation levels.

Steinhoff – Steinhoff International is an integrated discount retailer that manufactures, sources and retails furniture, household goods and clothing. This integrated business model of sourcing and manufacturing products in low-cost locations and retailing them in developed markets has underpinned the company's growth and provides the group with a competitive advantage. Steinhoff has been on an acquisition spree over the past year, and we believe the recent acquisitions of Mattress Firm and Poundland should provide further long-term growth opportunities as these underperforming businesses are turned around. On a 12 month forward P/E, Steinhoff trades at a discount to retailers with slower growth outlooks, allowing for a potential re-rating. Although there is the risk that the acquisitions may take longer to bed down than anticipated, we feel much of this concern has already been priced in. Steinhoff has a superb management team that has proven in the past it has what it takes to successfully integrate acquired businesses, and

we are confident that it will do this again. The recently announced Shoprite deal could see Steinhoff acquire a majority stake in Shoprite in exchange for Steinhoff's African assets. We believe this deal is positive for both companies over the longer term, but short-term volatility could prevail as we await more information on the deal.

British American Tobacco – British American Tobacco is a global company with a quality portfolio of over 200 brands sold in more than 200 markets. It operates in a defensive industry and the company has extremely good pricing power that allows it to pass costs onto consumers. Although the industry is perhaps seen to be in decline, the group has enhanced its position in high-growth markets organically and through strategic investments and continues to look for bolt-on acquisitions in emerging markets (particularly Asia and North Africa). The group offers investors a combination of strong brands, good management and resilient EPS and DPS. It is for these reasons that the share deserves a premium rating to the market. The share is currently trading at a P/E multiple that is one standard deviation below its five-year mean. The recent sell-off has more to do with the weakening Pound against the Rand, rather than any fundamental or operational reasons. Even though this currency volatility may continue in the short-term, we feel the solid fundamentals are still firmly intact and the recent sell off provides an opportunity to buy more.

Richemont - Richemont is one of the world's leading luxury goods groups, with particular strengths in jewellery, luxury watches and premium accessories. The Group's luxury goods interests encompass some of the most prestigious names in the industry, including Cartier, Van Cleef & Arpels, Piaget, and Montblanc. Sales in the luxury goods market have come under pressure in the last year or two, as sluggish global growth takes its toll on consumers. Watch sales, which make up about 40% of group sales, continue to struggle as the Chinese government's crackdown on gifting and the launch of new smartwatches have affected sales. Sales in Europe, which account for 31% of group sales, have also been under pressure since the terrorist attacks have negatively affected tourism. It is not all doom and gloom however, as the company currently sits on large war chest of €4.6 billion to take advantage of any opportunities that management deems attractive. The company is a strong generator of cash flow and with a very strong balance sheet (a conservative Debt/Equity ratio of 18%), it has room to take on additional borrowing if needed. The recent overhaul of management, and the appointment of some key individuals in key brands is also an indication that the group is working hard to turn things around. We are happy to hold the stock at these levels and will continue to monitor the trading environment in which Richemont operates. The Company may have come through the worst and will benefit from any uptick in global growth.



Woolworths- Woolworths is a high-quality retailer with strong free cash flow generation and an excellent management team with a proven track record. Although the integration with David Jones has not gone as well as expected, we think management is up to the task of getting things back on track. David Jones still offers great growth opportunity in Australia, especially if Woolworths starts rolling out food stores, which it is planning to do. The share has come under enormous pressure over this past year, as the South African consumer has taken strain and the group continues to integrate the Australian business. We do, however, believe that this negative sentiment is overdone. With inflation expected to have peaked and a possible rate cut in the second half of the year, this will take some pressure off consumers and boost disposable income. Woolworths is currently trading on a 12 month forward consensus P/E of 14x, well below its five-year average of 17.5x, and offers significant value at these levels. Even if Woolworth's earnings were to come in slightly below expectations for the FY17, the share would still offer decent value. We are happy to be buying more of such a quality company at these levels.

Mediclinic - Mediclinic is an international private healthcare group which operates at the top end of the market, with operations in South Africa, Namibia, Switzerland and the United Arab Emirates. After the recent Al Noor takeover, Mediclinic is one of the largest private healthcare providers in the UAE, and is the largest healthcare provider in Switzerland, through its ownership of Hirslanden. The recent Al Noor

deal has, however, not gone as well as management and investors had hoped, due to a number of regulatory and operational factors. The group has had to deal with the introduction of a 20% co-payment that could see less patients going to private hospitals in favour of state-owned hospitals, which require no co-payment. Added to this, there has been a large number of doctor vacancies and a delay in the opening of a hospital and other facilities. The new Al Jowara hospital has now been completed, however, and this will lead to increased patient volumes. The group remains well-managed, with high quality assets and operates in a defensive sector where demand is relatively unaffected by economic cycles. Structural demand in the industry is fundamentally accelerating as population's age and private health care providers remain far more efficient than state alternatives. However, the regulatory issues in the UAE, and potentially Zurich and South Africa, have increased the risk of forecasting earnings and may see the share remain under pressure in the short-term. Regulatory implications do, however, create buying opportunities as patient volumes tend to recover over time, costs are stripped out and inflation supports pricing levels leading to margin uplift. The recent 31% drop in the share price, may be such an opportunity. We are currently cautious about the stock due to regulatory risks, but still see significant potential upside should these risks not materialise, and are therefore happy to hold at these levels. ☺

Thomas Blamey is an Equity Analyst.



FIXED INCOME OUTLOOK 2017

by **Sidney McKinnon**

There is no one single factor that drives financial markets or, for that matter, the directional movement of interest rates. If I knew such a factor, I would be trading from my yacht in the Bahamas and getting my investment decisions right each and every time. The reality is that we live in a world that is complex and affected by all sorts of events that drive the direction of financial markets.

Fixed Income markets are not immune to this phenomenon and some may argue that Fixed Income markets are even more sensitive as they generally have the ability to absorb and reflect event-driven risk and news much quicker than other investment classes.

The past year has had no shortage of events that drove interest rate sensitive markets. Globally we saw the United Kingdom vote in a referendum to leave the European Union, bombings in Belgium, Istanbul and Nigeria and the US Presidential election towards the latter part of the period.

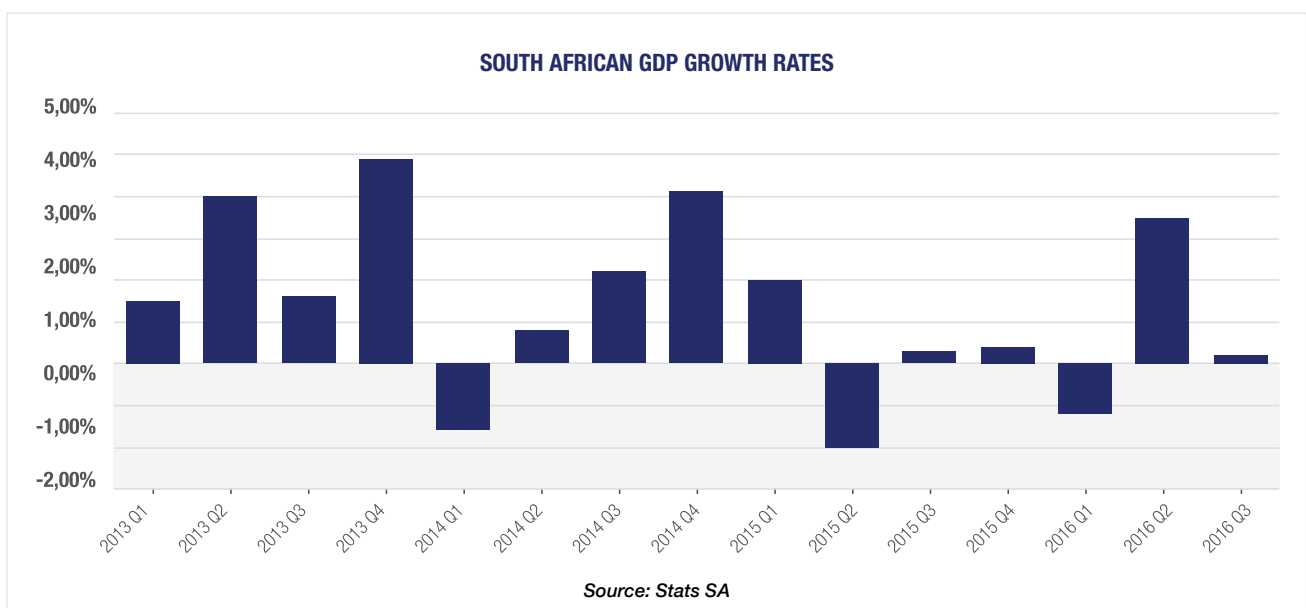
Locally, we had to deal with student protests, political uncertainty, local government elections, and the effects of a lasting drought and more recently, the potential downgrade of our sovereign status.

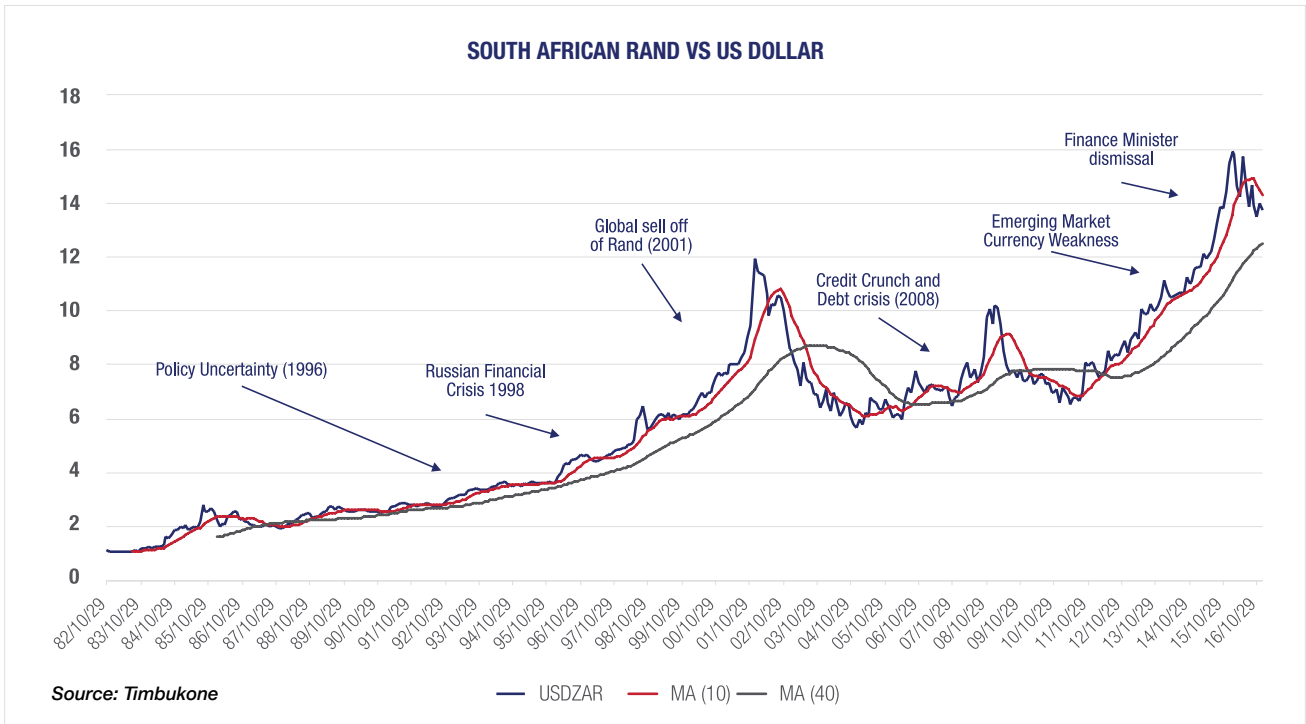
Having said all of this, what are the driving forces that will determine the direction of interest rates over the coming year

To start, we examine some of our local economic fundamentals which inevitably play the largest role in directing interest rates:

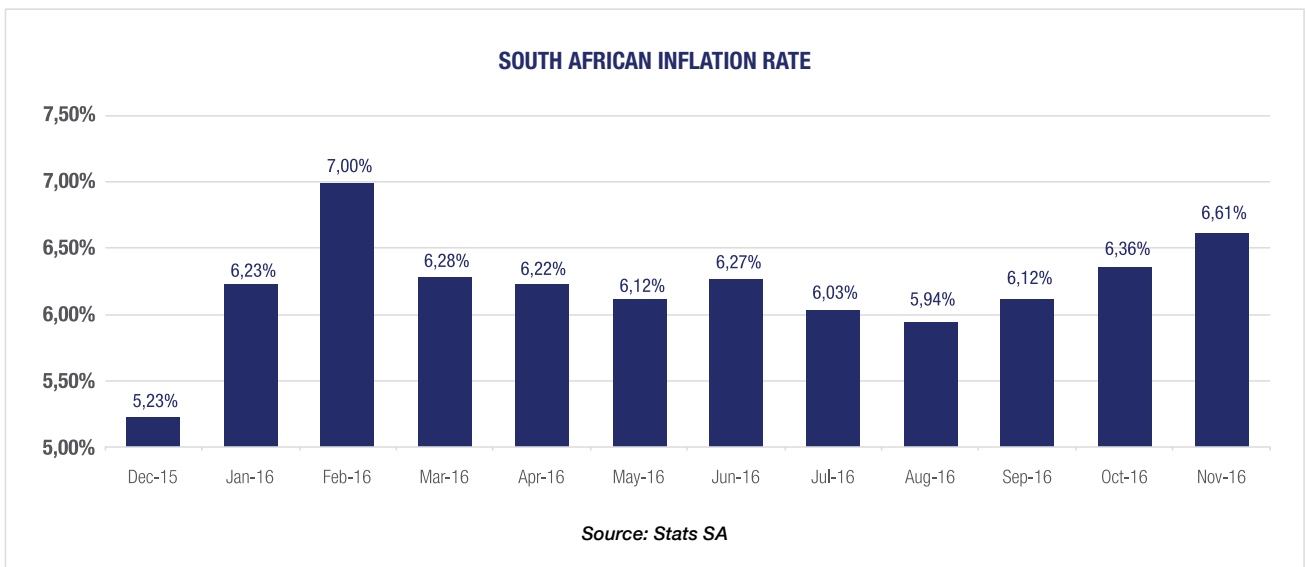
As can be seen from the graph below, growth remains problematic, as we battle with infrastructure development, joblessness and good governance. We do, however, expect a mild acceleration in growth over the coming year which will temper the upward move in interest rates and will also remove some of the strain placed on economic activity. This should help contain a rise in bond and short-term yields.

The local currency remains susceptible to global uncertainty in emerging markets and local political volatility. A weaker bias for the currency is expected over the coming year, which will put upward pressure on our yields. Event-driven risk remains a big driver as can be seen in the historical chart below.



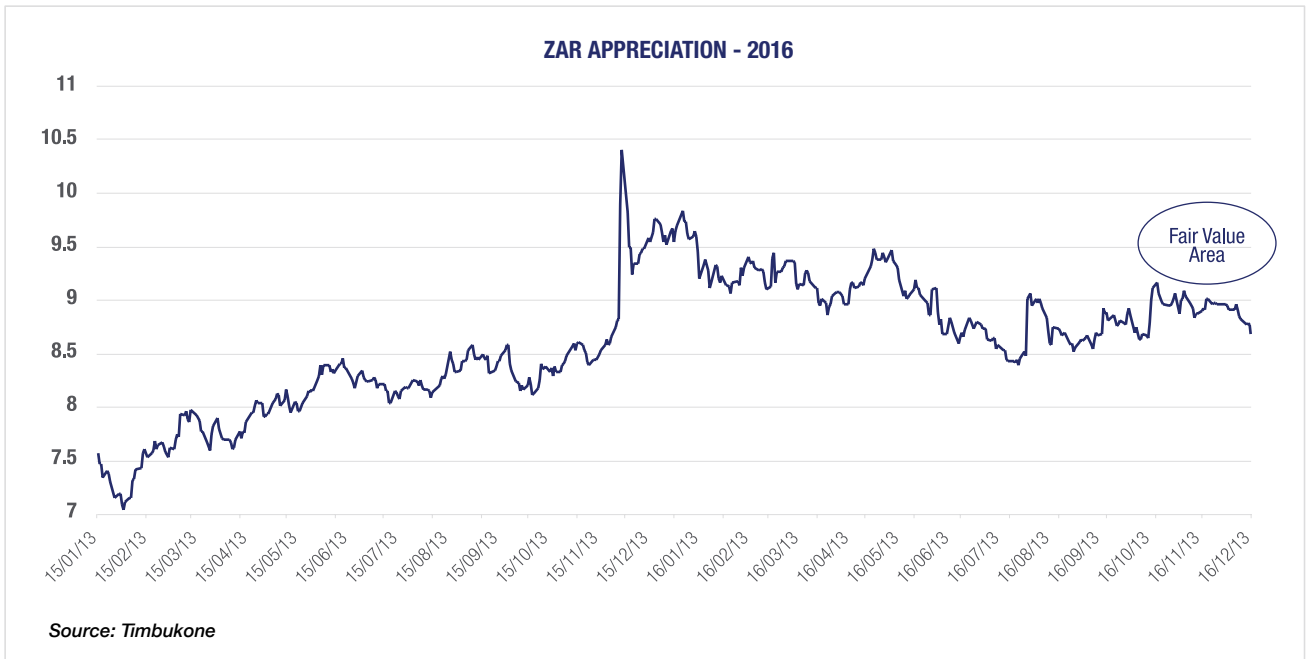


Signs that the drought is nearing its end will help contain inflationary pressures in the local system. We do, however, expect that lower inflation in certain parts of the inflation basket will help put an end to the upward trend in the interest rate cycle towards the middle of the coming year. Inflation is expected to return to the target range in the second quarter of 2017.



South Africa will not be immune to the pressures experienced by emerging markets as a result of events, politics and policies of developed markets that threaten further volatility over the coming year. In particular, the adverse implications of protectionist US policies under a Trump administration will weigh negatively on longer-term economic prospects. Consequently, this may contain further upward pressure on our yields.

Technical trends have turned positive in the short-term, but we do not believe that it is sustainable over the entire year. Fair value for the ten-year bond yield is estimated above 9.0%, which will constrain returns from this asset class over the next year. We, therefore, do not expect the local bond market to deliver much more than 6.5% for the period.



Cautious sentiment prevails and we approach 2017 with some trepidation as our local interest rate market remains susceptible to global developments. Even though we are potentially reaching the end of our interest rate hiking cycle and inflation trends are pointing downward, watch out for event-driven risks such as a sovereign downgrade, political and socio-economic turmoil and world politics that may affect our yields adversely. ☹

Sidney McKinnon is Head of Fixed Income.



2017 POLITICAL COMMENTARY

by **Tim Hughes**

The year 2017 will be politically divisive and decisive. In December of this year, the African National Congress (ANC) will elect its new President. Given the electoral support for and dominance of the party, whoever is elected ANC President is likely to become South Africa's State President in 2019.

What is at stake for our country is far more than a mere power play between personalities and factions of the deeply divided ruling party, but rather the future trajectory of our country for a generation. The choices are stark.

Having endured the consequences of years of lamentable leadership, policy uncertainty, chronic and corrosive corruption and our investment status teetering on the brink of junk status, the party and South Africa more broadly is at a cross-roads. If the ANC chooses to look inward and protect vested interests, then it can expect to haemorrhage support as was witnessed in the August local government elections. The alarming drop in support has galvanised the elders, veterans, pragmatists and 'anything but Zuma' factions to force change from within the party, before this is enforced from without by the electorate. While the NEC attempts to ease President Zuma out of office prematurely failed, precedents were set and the mould and façade of unity was shattered. The question that faces the party is whether to elect leadership that will reverse the erosion of support and place the country on a path of recovery and confidence, or whether populist, ethnic and dominant factionalism will succeed. The former route holds hope for our country, the latter, disaster.

If this is the stark choice faced by the ANC, who are the candidates championing these causes there are three. In pole position is Deputy President Cyril Ramaphosa, who, while never having served in government before his appointment, enjoyed considerable success in brokering our country's democratic transition and the crafting of its constitution. This was followed by leading Black Economic Empowerment initiatives, eventually translating into his current billionaire status. Ramaphosa has the support of regions such as Gauteng and the Eastern Cape and notably COSATU.

His major opponent is the redoubtable figure of Dr Nkosazana Dlamini-Zuma, a former Minister of Health, Home Affairs, Foreign Affairs and

African Unions Chairperson. Known as irascible, difficult, tough and relatively competent, Dlamini-Zuma's strength is her weakness. As President Zuma's ex-spouse and Mother of his children, it is widely believed that Zuma favours her as his successor. This implicit endorsement by President Zuma rings alarms bells for those in the party and country more broadly who wish to see a clean break with the Zuma era, rather than the forging of a dynasty. Dlamini-Zuma has the support of the ANC Women's League and is a formidable political player.

Given the acute divisions between the support bases of the two front-runners, the compromise third way candidate, Dr Zweli Mkhize, a former KwaZulu-Natal Premier and current ANC Treasurer General may emerge as an acceptable choice for the majority. Whatever the outcome, the process will be tough, tense, divisive and one that Warwick will watch closely. ☹

Tim Hughes is a Non-Executive Director.



LONG TERM CAPITAL GROWTH			
PORTFOLIO	Warwick MET Balanced Fund	Warwick MET Balanced Fund of Funds	Warwick MET Equity Fund
PRODUCT PROFILE	The Fund is a balanced portfolio aiming to achieve long-term capital growth and moderate income generation by investing across a variety of asset classes and instruments. The portfolio will cover the full spectrum of domestic and global securities, and will include equities, participatory interests in collective investment schemes in property, loan stock listed on exchanges, non-equity securities, preference shares, bonds, money market instruments, derivatives and assets in liquid form. The portfolio is suited to investors with a moderate risk profile and a three to five year or longer investment horizon.	The Fund is a balanced Fund of Funds portfolio with the primary investment objective of providing the investor with a moderate level of income and long term capital growth. Apart from assets in liquid form, the portfolio consist solely of participatory interests and other forms of participation of local and global collective investment schemes which is consistent with the portfolio's primary objective, investing in amongst others equity securities, property securities, non-equity securities, financial instruments, money market instruments, preference shares and bonds. The portfolio is suited to investors with a moderate risk profile and a three to five year or longer investment horizon.	The Warwick MET Equity Fund is an actively managed portfolio with a primary objective of providing consistent long-term capital growth for its investors. The fund focuses on companies with above average growth potential.
ASISA CATEGORY	SA - Multi asset - High equity	SA - Multi asset - High equity	South African - Equity - General
RISK	Moderate - high	Moderate - high	Moderate - high
BENCHMARK	CPI + 4% p.a. over a 2 year rolling period.	CPI + 4% p.a. over a 2 year rolling period.	FTSE/JSE All Share index calculated over a rolling 12m period
INCOME DISTRIBUTIONS	Bi - annually	Bi - annually	Bi - annually
ANNUAL MANAGEMENT FEE	1.71% (including VAT)	1.43% (including VAT)	1.71% (including VAT)
ANNUAL PERFORMANCE FEE	<p>Performance fee levied: (0 - 2.28%) including VAT Performance fees are calculated and applied on the following basis. Benchmark and Fee hurdle: CPI + 4% Sharing ratio: 10% Minimum possible performance fee: 0% excluding VAT Maximum possible performance fee: 2.00% + VAT. High water mark principle applies.</p> <p>The performance fee is calculated and accrued daily, based on performance over a rolling two year period with payments to the manager being paid monthly in arrears out of accruals.</p> <p>Fee example: A performance fee of 0.50% + VAT will be charged to the portfolio if the portfolio returns 5% p.a. in excess of the benchmark return.</p>	<p>Performance fee levied: (0 - 2.28%) including VAT Performance fees are calculated and applied on the following basis. Benchmark and Fee hurdle: CPI + 4% Sharing ratio: 10% Minimum possible performance fee: 0% excluding VAT Maximum possible performance fee: 2.00% + VAT</p> <p>The performance fee is calculated and accrued daily, based on performance over a rolling two year period with payments to the manager being paid monthly in arrears out of accruals.</p> <p>Fee example: A performance fee of 0.50% + VAT will be charged to the portfolio if the portfolio returns 5% p.a. in excess of the benchmark return.</p>	<p>Performance fee levied: (0 - 2.28%) including VAT Performance fees are calculated and applied on the following basis. Benchmark and Fee hurdle: FTSE/JSE All Share index calculated over a rolling 12m period Sharing ratio: 20% Minimum possible performance fee: 0% excluding VAT</p> <p>Fee example: A performance fee of 1.00% + VAT will be charged to the portfolio if the portfolio returns 5% p.a. in excess of the benchmark return.</p>



	LONG TERM CAPITAL GROWTH	INCOME ONLY	INCOME AND CAPITAL GROWTH
PORTFOLIO	Warwick MET International Fund of Funds	Warwick MET Enhanced Income Fund	Warwick MET Property Fund
PRODUCT PROFILE	The Warwick MET International Fund of Funds provides investors with Rand denominated investment access to a diversified mix of underlying portfolios comprising global asset classes and exposure to various currencies. The Warwick MET International Fund of Funds aims to provide investors with a moderate total return, over the long-term.	The Fund is an enhanced income portfolio with an objective to achieve a high level of sustainable income and stability of capital invested. Investments to be included in the portfolio may comprise a combination of domestic and global assets in liquid form, money market instruments, bonds, debentures, convertible securities, cash deposits, corporate debt, listed property, preference shares, non-equity securities, collective investments equity securities and any other securities which are considered to be consistent with the portfolio's primary objective including equity linked notes, derivatives and financial instruments. The portfolio is suited to investors with a moderate to low risk profile and a one to three year or longer investment horizon.	The primary objective of the Fund is to provide investors with a combination of high income and long term capital appreciation. The investable universe of the portfolio includes property securities, property collective investment schemes, property loan stock, real estate equity, property debentures, property linked units, property participatory units, REITS (real estate investment trusts), money market instruments, bonds, fixed deposits and other interest bearing securities, derivatives and assets in liquid form. The portfolio is suited to investors with a moderate to high risk profile and a three to five year or longer investment horizon.
ASISA CATEGORY	Global - Multi Asset – Flexible	SA - Multi Asset - Income	SA - Real estate - General
RISK	Moderate – high	Low - moderate	Moderate - high
BENCHMARK	Mean of Global – Multi Asset – Flexible category	STeFI (Call Deposit Index) plus 1% p.a. over a 1 year rolling period	FTSE/JSE SA Listed Property Index (J253T)
INCOME DISTRIBUTIONS	BI-Annually	Quarterly	Quarterly
ANNUAL MANAGEMENT FEE	1.14% (including VAT)	1.14% (including VAT)	1.43% (including VAT)
ANNUAL PERFORMANCE FEE	N/A	N/A	N/A

CIS disclosures

Collective investment schemes in securities are generally medium- to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. The manager does not provide any guarantee, either with respect to the capital or the return of a portfolio. The manager has the right to close this portfolio to new investors, in order to manage it more efficiently, in accordance with its mandate. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity.

Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of fees, charges and maximum commissions is available on request from the manager, or is available on the website at www.metci.co.za. Forward pricing is used. The portfolio valuation time is 08h00 for fund of funds and 15h00 for all other portfolios and the transaction cut-off time is 14h00. The transaction cut-off time should be 14h00, for portfolios except fund of funds, but execution is not always guaranteed. If execution could not take place on the same day, it will take place the next business day, or at the earliest possible opportunity. For fund of funds, the cut-off time for the execution of trades is 14h00 on the day preceding the pricing date.

Foreign securities within portfolios may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk. The terms and conditions as well as the minimum disclosure document (MDD) for each portfolio are available on MET Collective Investments' website at www.metci.co.za. Associates of the manager may be invested within certain portfolios and the details thereof are available from the manager. The manager retains full legal responsibility for the third-party-named portfolio.

The investment manager of the portfolios pertaining to this application form is Warwick Funds (Pty) Ltd, registration number 2013/118580/07 and FSP number 45442. The investment manager is an authorised financial services provider under the Financial Advisory and Intermediary Services Act (No. 37 of 2002), to act in the capacity as investment manager. The address is the same as the Manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No. 37 of 2002). Please be advised that there may be representatives acting under supervision.



The Investment Specialists



WARWICK
WEALTH

0800 50 50 50 | warwickwealth.com

An Owner of Authorised Financial Services and Credit Providers

The Investment Specialists

PLEASE TAKE NOTE

This document is for information purposes only and does not constitute or form part of any issue to offer or sell, or any solicitation or any offer to subscribe for or purchase any particular investment. It is recommended that investors obtain professional financial advice from a licensed financial advisor prior to investing. Warwick Wealth, or any of its subsidiary companies directors, employees or officers shall not be responsible and disclaim any liability for any loss, expense and or damages (direct, indirect, consequential and or special) which may be suffered due to or be attributable, directly or indirectly, to the reliance of, or use of any information contained in this document.

Warwick Invest (Pty) Ltd is an Authorised Financial Services Provider FSP no. 1218
Warwick Funds (Pty) Ltd is an Authorised Financial Services Provider FSP no. 45442
Warwick Private Clients (Pty) Ltd is an Authorised Financial Services Provider FSP no. 44731