

market place

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FUND IN FOCUS: QUANTUM BCI WORLDWIDE FLEXIBLE FUND OF FUNDS

By Jaco Visser

Opportunity despite SA's lacklustre economy

The fund aims to invest half its capital in emerging markets and the other half in developed-market assets. The fund invests in underlying unit trusts, and other collective investment schemes, with an exposure to global assets.

FUND INFORMATION

Benchmark:	CPI + 6% per year
Fund manager:	FC Greeff
Total expense ratio (TER):	3.54%
Fund size:	R106.3m
Minimum lump sum / subsequent investment:	R1 000 monthly / R10 000 lump sum
Contact details:	info@quantumwealth.co.za or 012 346 0084

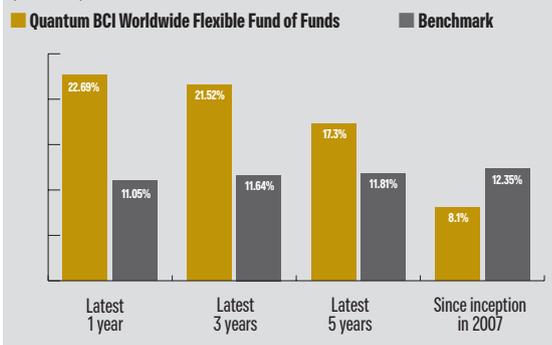
PORTFOLIO COMPOSITION

as at 31 December 2015:

1	BCI Best Blend Global Property Fund	18.2%
2	Quantum BCI Core Income	10.4%
3	Prescient China Balanced Fund of Funds	8.1%
4	Stanlib European Equity FF	7.7%
5	Ashburton India Equity Opportunities Fund	7.6%
6	Coronation Global Emerging Markets Flexible ZAR A	7.5%
7	Nedgroup Investments Global Equity Fund of Funds	7%
8	Rudiarius BCI Africa Equity Fund	7%
9	MI-PLAN IP Sarasin EquiSar Fund of Funds	6.9%
10	DB X-Trackers MSCI Japan	4.7%
TOTAL		85.1%

% RETURNS

(annualised) as at 31 December 2015:



Fund manager insights:

The fund is optimistic about the long-term growth opportunities, resulting from structural reforms to both the Chinese and Indian economies – the two largest markets by population in the world.

"The fund's foreign investment is split 50/50 between emerging- and developed-market assets," says Alicia Pieterse, an investment analyst at Quantum Asset Management, based in Pretoria. "There are more opportunities in these emerging markets and they have larger economic growth potential."

The Chinese government is adjusting its economy away from being the world's largest manufacturer of goods to one that is more focused on domestic consumption. This has led to a marked slowdown in the country's economy, spurring a slump in commodity consumption. This eventually hit South African producers of minerals.

India's economy, which is far less reliant on commodity exports than SA, for example, is benefitting from the lower commodity prices, says Pieterse.

"It's one of the few emerging markets that isn't a commodity exporter," she explains. "The country's central bank cut interest rates by 50 basis points last year and we believe there is scope left for a further decrease."

The Indian central bank cut rates when many emerging-market peers started increasing theirs in a bid to pre-empt the Federal Reserve's monetary tightening cycle, which kicked off in December. Rising interest rates in the US and certain local political factors have hit the rand, which traded at record lows over the past two months.

"In the short term, the rand may pull back a bit," says Pieterse. "It is generally accepted that the currency is oversold."

In addition, finance minister Pravin Gordhan's Budget Speech may restore some of the trust SA lost as a result of the finance minister debacle late last year, she says. "But as the Fed continues to increase interest rates gradually over time, more money will continue to flow out of emerging markets, including SA."

Why finweek would consider adding it:

The weak rand has bolstered local unit trusts invested offshore over the past two years. This has led to a large influx for fund managers operating these funds. The unit trusts have also outperformed other fund classifications over multi-year periods and by wide margins.

It is necessary to heed caution with offshore funds. As Pieterse points out, much of the fund's growth over the past 12 months was as a result of the rand's pithy performance. Nevertheless, an investor should look at their investment pool from a geographic point of view too. SA's lacklustre economic performance is partly due to changes in countries thousands of miles away, China being the biggest culprit. When the very reason for the domestic growth qualms could be an opportunity to make money, why not grab it? ■

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