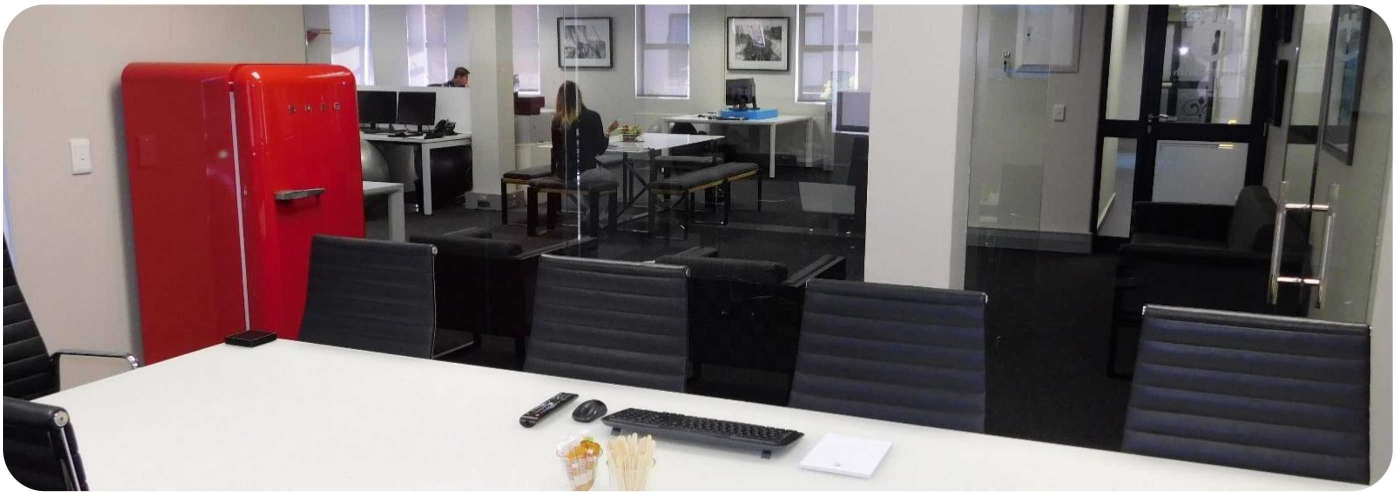


SecureWealth
Lead. Don't Follow.

Quarterly Commentary **June 2019**

"You do not get rewarded for taking risk, you get rewarded for buying cheap assets."
Jeremy Grantham

Below is a link written by an ex-Allan Gray employee, and CEO of PSG Asset Management, Anet Ahern. It sums up our position far better than we could express it:

Moneyweb - Are you cut out for investing in tough times?

AG

Allan Gray

Allan Gray are going through a bad patch. And to exacerbate the situation, they encountered some bad luck.

One of the companies they owned, PG&E Group Corp, was responsible for the 2018 Camp fire, the deadliest wildfire in California's history. And then earlier this year another company in the portfolio, Vale, was accountable for Brumagin dam disaster in Brazil, which killed at least 237 people.

These types of events are completely unforeseeable. To try and switch from one fund manager to the next, who never experiences periods of poor decision making, and whom is constantly the best performer, is simply impossible.

Although extremely frustrating, periods of underperformance are part of successful investing. And the most prudent approach, is to just tough it out. There is nothing more damaging than switching from one manager to the next, only to see the manager you have just fired, start out-performing.

We met with Allan Gray/Orbis at the end of the last quarter, the day after two articles were published by Patrick Cairns of Moneyweb, raising dissatisfaction with the performance fee structures of their funds. We had approached Patrick, to complain about the fee structures with Allan Gray/Orbis. No one minds paying fees for outperformance, but we feel that Allan Gray, and all other investment managers, should be penalized when they go through periods of underperformance. Patrick concurred with our opinion and ran with the story on the 26th and 27th March 2019 on Moneyweb.

We note with interest that Allan Gray/Orbis did publicly announce changes to their fee structures recently. We have no idea whether we had any influence in that decision but our decision to raise awareness in the press could not have done any harm. We have another meeting scheduled with Allan Gray/Orbis on the 26th July 2019.

In our defence, not many advisers are physically meeting with the actual manager to track and understand the reasons for the performance in a fund, good or bad as is the case at the moment.

Perversely, despite the underperformance of Allan Gray/Orbis, we fully support their current investment approach. We know and understand why they are underperforming, and we feel they are on the right track. They are overweight cheap shares and emerging markets, and underweight expensive regions (United States) which have been incessantly driven higher by passive investors.

We believe with the American market trading at all-time highs, and with the average PE of the broader American market trading in the mid-twenties, it is a matter of time before the market comes to its senses. We have seen this often before, investors jump on the band wagon, without any regard to the price they are paying for a security or share, and then lose their shirts when the tide eventually goes out.

Japan in ‘89, Technology in ‘00, Commodities in ’07, and Sub-prime Mortgages in ‘08 are all examples of herd behaviour which have proven catastrophic to investors.

Passive funds have attracted $39 billion of inflows so far this year, whereas active funds have lost $90 billion under management in 2019. This is not sustainable.

Passive/index funds must purchase the most popular and expensive stocks - that is how they are structured - and hence the reason why we have chosen the quote by Jeremy Grantham at the top of the commentary.

Long-standing clients and ourselves have been through these periods before. On every occasion, we have eventually been proven right.

FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton

Most of our Franklin Templeton portfolios are trading at or close all-time highs in USD terms.

Earlier this year we added to the FT Gold and Precious Metals fund and to the Natural Resources fund which houses many of the world’s largest oil companies.

Gold recently broke through USD1350.00 per ounce which has acted as a 5-year price ceiling.

Many investors will argue that gold is a relic that does not pay a dividend. We do not disagree with that philosophy, however, when you have USD 13 trillion of global debt trading at a negative yield, which in our language simply means you have to pay the French and German governments to lend them your hard earned money, and the Austrian government will only pay you a measly 1.2% per annum over the next 100 years to buy their debt, we believe gold is becoming a very attractive alternative.

Global oil shares, trading close to 10-year lows have also rebounded recently in light of the tension in the Middle East between America and Iran.

Lastly, we are overweight Emerging Markets, which have not given a return in USD terms for 12 years. Emerging Market companies, trade at a 30-50% discount to their American peers. Depending on the sector. The graph below illustrates that since 2007 the Templeton Emerging Market Fund, in USD terms, has given only 6% (over 15 years)

Templeton Emerging Markets (since 2004)

Source: Infront (2019)

Once again, as Jeremy Grantham says in his quote – “You do not get rewarded for taking risk, you get rewarded for buying cheap assets.”

Investec

Investec Private Share Portfolios

We are treading water in both our local and offshore share portfolios and have been for some time. Once again, as I allude to above, if you do not own American shares. which are hitting all-time highs, you are basically in a holding pattern.

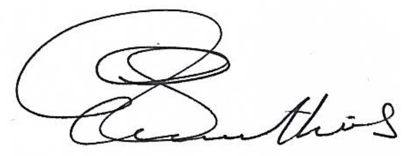
We continue to believe that:

1. South African shares offer very good value - but much depends on reform in South Africa over the next couple of years.
2. Emerging Markets, and in particular Asian and Chinese technology companies offer the best opportunities over the next 5 years, in our opinion.
3. Gold shares have broken above multiyear resistance levels and could very well outperform as investors get concerned about MMT (Modern Monetary Theory).
4. Global oil stocks (BP and Royal Dutch Shell to name but a few) offer excellent annual dividends and should be part of every portfolio.

In conclusion, we are asking all clients for patience in very difficult markets. American shares are overvalued, and at some stage, will revert to the mean. Historically, when America sneezes the rest of the world catches a cold. Presently, unlike ten to fifteen years ago, many Emerging Markets are exceptionally well positioned to withstand any future market discomfort.

We'd like to thank you for your ongoing support. We can assure you every effort is being made to realise you an acceptable return.

Kind Regards



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