



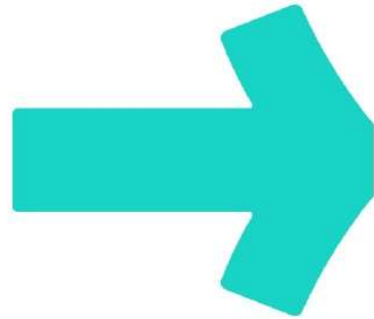
hello



EasyEquities: Using ETFs to Build a Diversified Balanced Portfolio

May 2020

Wehmeyer Ferreira



contents

Balanced Portfolios

Asset Allocation is Key

Using ETF's

Growth Balanced Portfolio

Defensive Balanced Portfolio

Building Blocks: Funds



**balanced
portfolios**

what what?



- **Balanced investment strategies** sit on the risk-reward spectrum. More conservative investors can opt for capital preservation strategies, whereas more aggressive investors can opt for growth strategies.
- **The goal of a Balanced Portfolio is** to create steady, long-term wealth for investors by balancing income generation, capital growth and risk of loss using a mixed selection of assets.
- **Most basic Balanced portfolios consist of** Equities (“plays offense”) and Bonds (“plays defence”)
- **Its important to find the balance** between your investment objective, the risk you are able to take and return profile you need to achieve

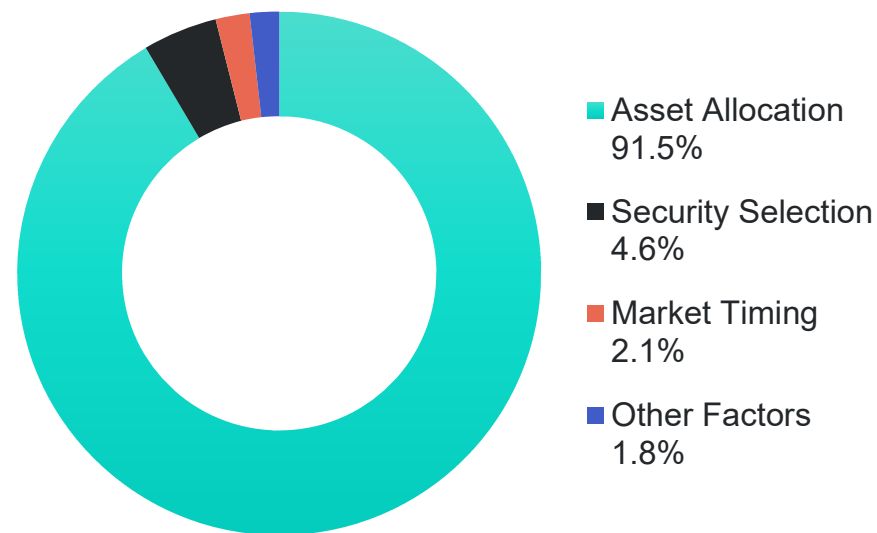


**asset
allocation
is key**

Why focussing on LT asset allocation pays off?

- It is important for investors to get the asset class balance right in their portfolios.
- Research into US pension funds by Gary Brinson, Randolph Hood and Gilbert Beebower – known collectively as BHB – in 1991 confirmed that more than 91,5% of a portfolio's return is attributable to its mix of asset classes.

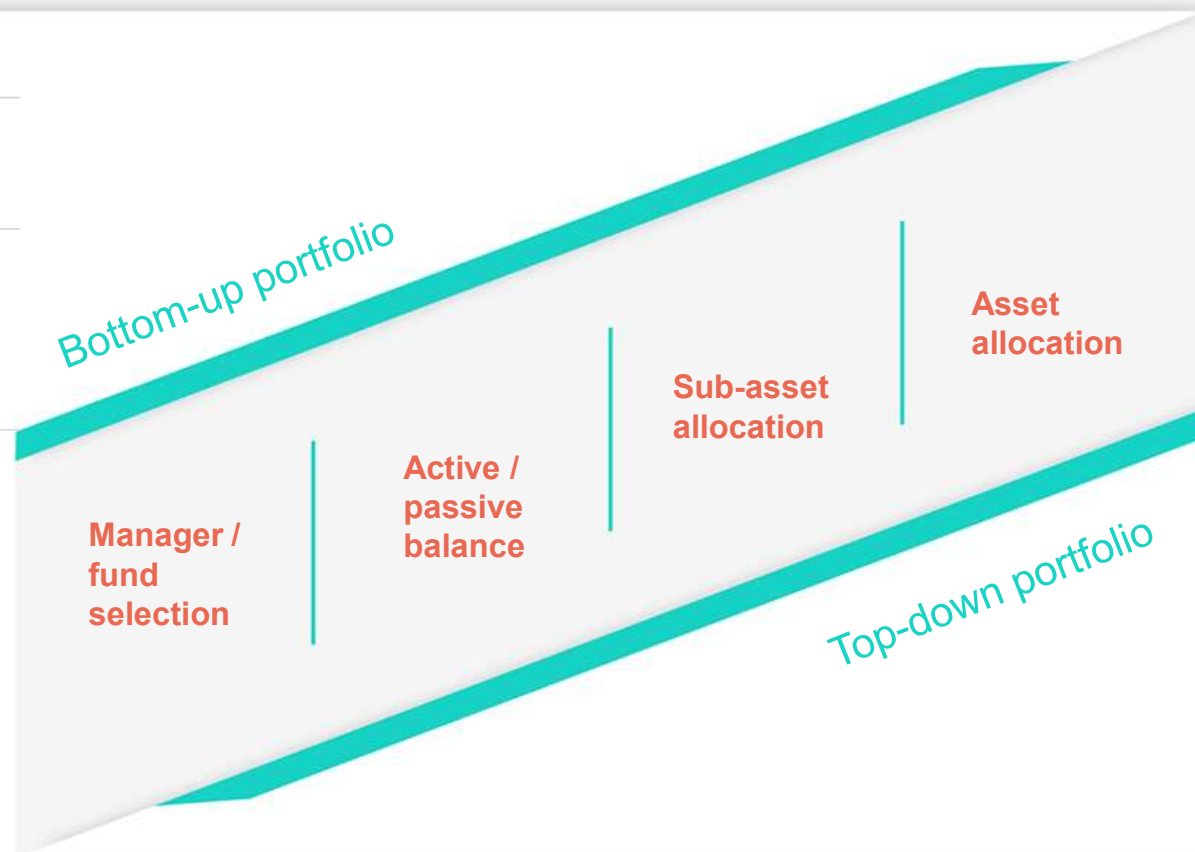
Determinants of Portfolio Performance



Source: Brinson, Singer and Beebower – Financial Analysts Journal, May-June 1991

bottom-up vs top-down

- Bottom-up investing
- Often used by private investors
- Builds portfolio by piecemeal, ad hoc selection of fund manager or product



- Top-down investing
- Often used by private investors
- Starts with investment objectives and structure of overall portfolio before selecting funds or managers

relationship between risk and return



asset class characteristics

Asset class	Key characteristics	Potentially suitable for
Equities	Potential for capital growth and may offer income through the payment of dividends.	Medium-to-long-term investors (five years plus)
Bonds	Can provide a steady and reliable income stream with potential for capital growth and usually offers a higher interest rate, or yield, than cash. Includes government bonds and corporate bonds.	Short, medium or long-term investors
Property	Provides the benefits of diversification through access to properties in different sectors. Some investors include this under Equity.	Medium-to-long-term investors (five years plus)
Cash	Suitable for short-term needs. Usually includes bank and other accounts or term deposits (a cash deposit as a financial institution that has a fixed term).	Short-term investors (up to three years).



**using
ETFs**

how?



- Exchange Traded Funds (ETFs) can be used as building blocks to construct a **full investment portfolio**, create a **core investment portfolio** or to **supplement your existing one**.
- **Full investment portfolio:** We will be going through examples in later slides
- **Keeping the core:** The core of a portfolio is the foundation, which typically consists of a blend of Equity ETFs and Bond ETFs appropriate for the investor's goals and risk appetite.
- **Supplement your existing portfolio:** Once you have your asset class mix right, you can tweak your core portfolio using other specialised ETFs in order to enhance your portfolios risk and return

why?



- **Gain instant exposure** to various underlying assets in one transaction
- Great way to **diversify**
- They are **cost-effective**
- They are **liquid**, trade like a share
- **High transparency**, you know exactly what you own



Before we jump in

Our thoughts and sample portfolios here are meant to be illustrative only: we recommend that investors construct their own or seek advice from their financial advisors on how to build a portfolio that suits their individual needs.

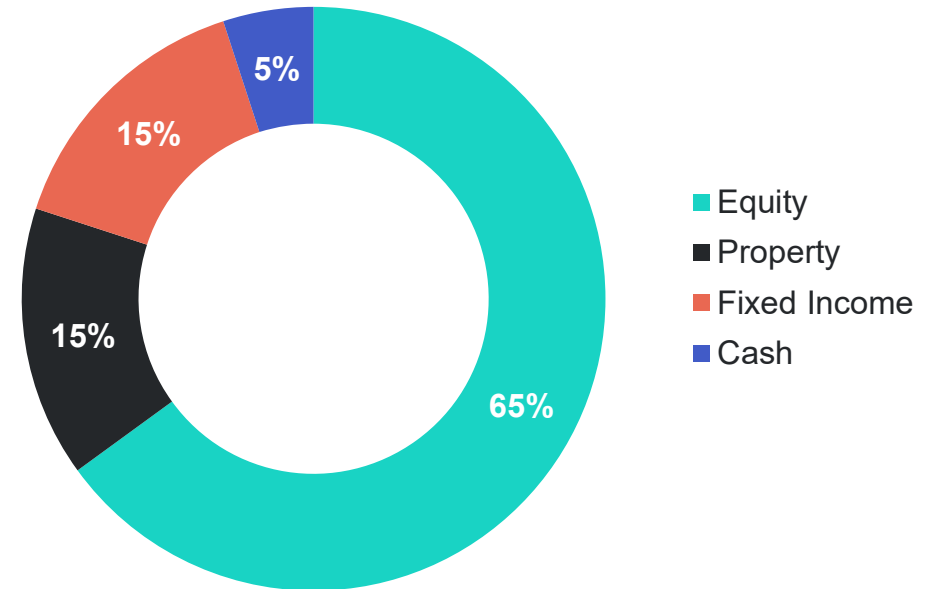


**growth
balanced
portfolio**

Example of Broad Asset Allocation

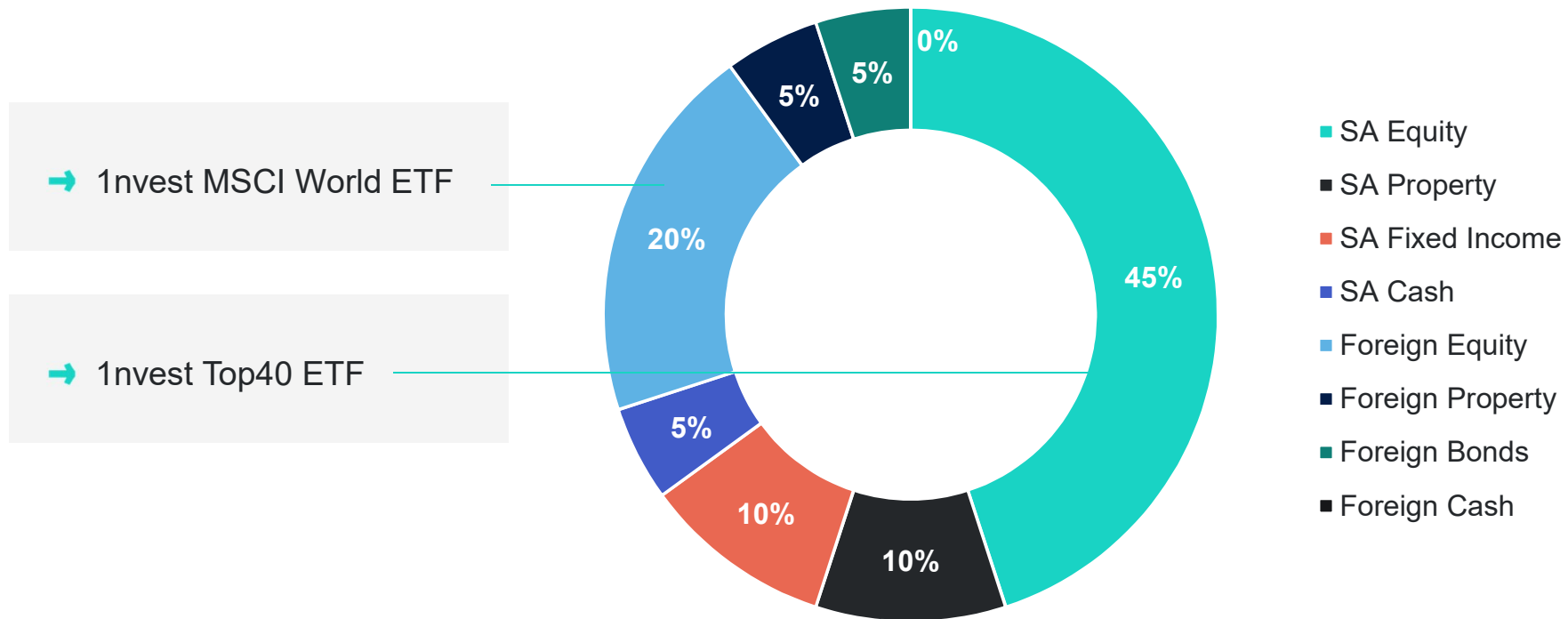
Growth Balanced Portfolio

→ Large allocation to growth assets which would be Equity and Property



Adding Local & Foreign Split

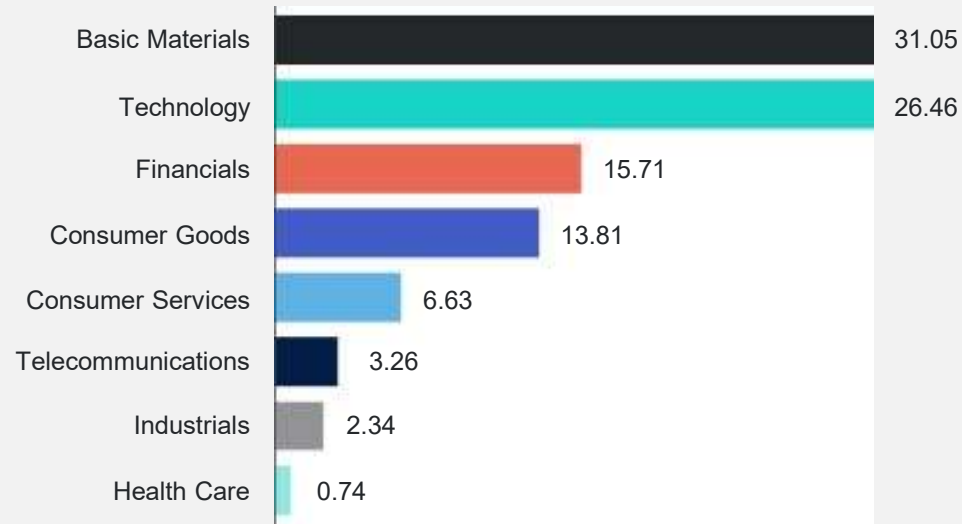
Growth Balanced Portfolio



Top40

1invest Top40 ETF

Equity allocation (Industry %)



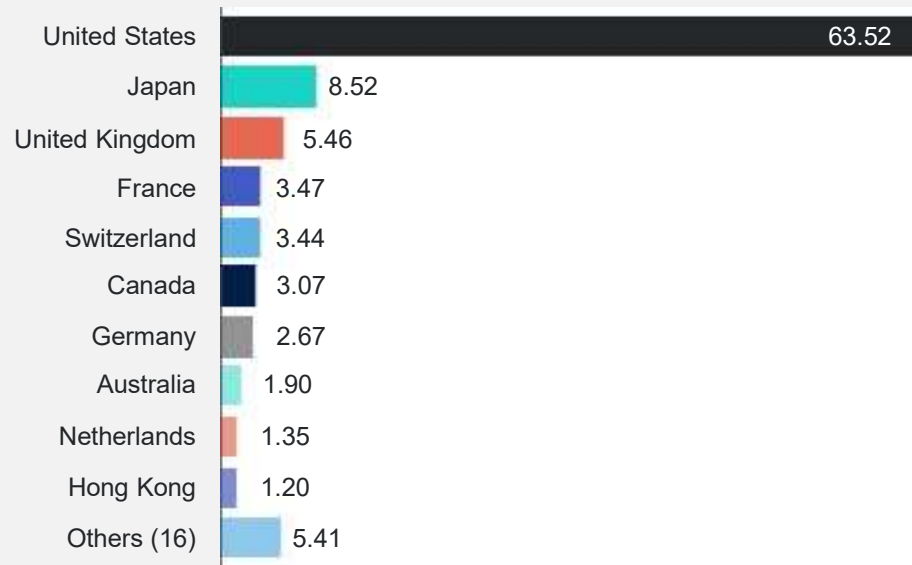
Top equity holdings (%)

Naspers	22.64
BHP Group Plc	11.60
Richemont Securities	10.14
Anglo American Plc	7.75
British American Tobacco Plc	3.48
Prosus NV N (ZAR)	3.45
Mondi Plc	3.02
Anglogold Ltd	2.72
Standard Bank Group Ltd	2.69
FirstRand Ltd	2.63

MSCI World

1invest MSCI World ETF

Country allocation (look through) (%)



Top equity holdings (look through) (%)

Microsoft Corp	3.24
Apple Inc	3.20
Amazon.com Inc	2.33
Facebook Inc A	1.14
Alphabet Inc C	1.02
Alphabet Inc A	0.99
Johnson & Johnson	0.98
Nestlé SA	0.87
JP Morgan Chase & Co	0.80
Visa Inc A	0.78

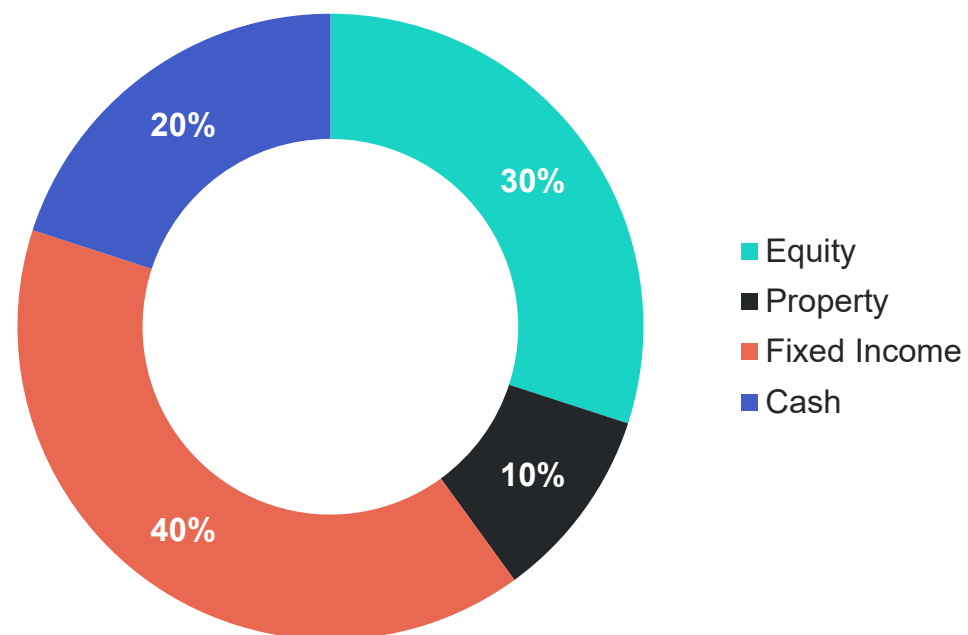


**defensive
balanced
portfolio**

Example of Broad Asset Allocation

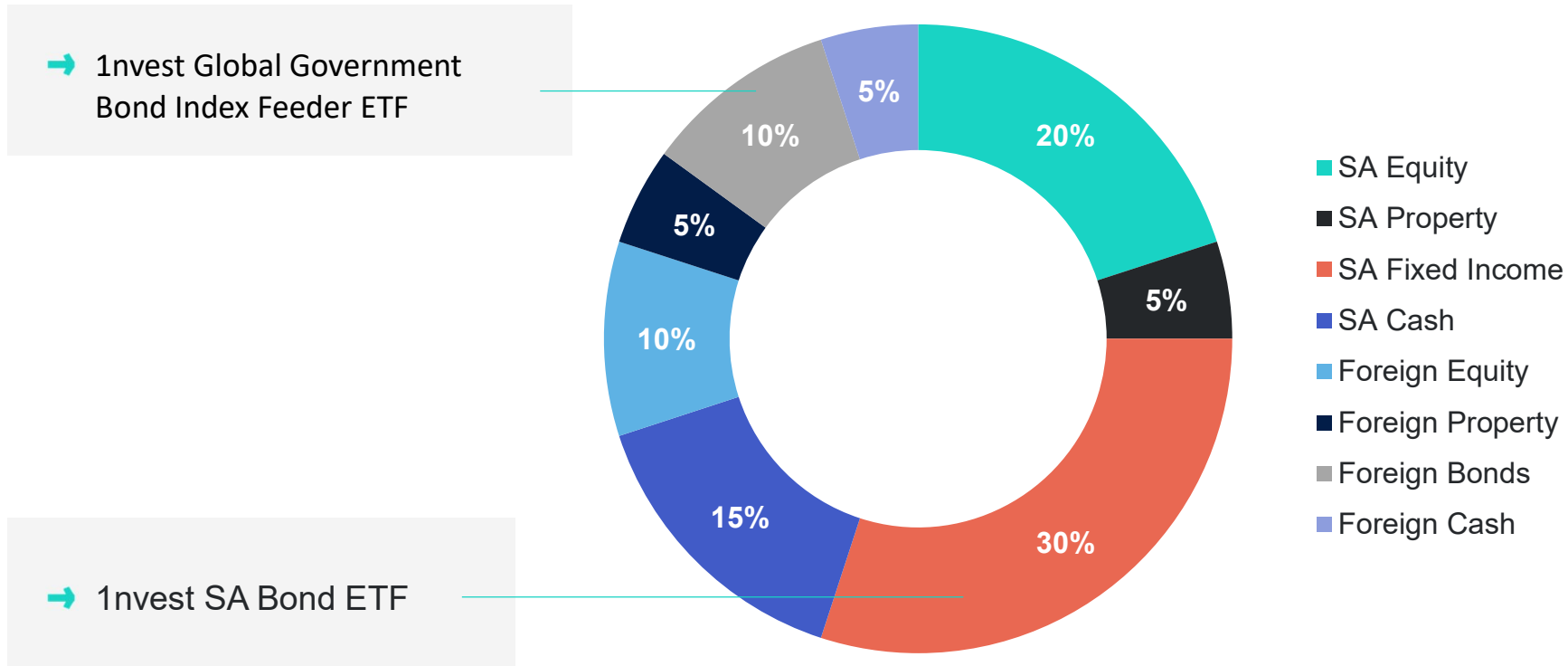
Defensive Balanced Portfolio

→ Higher allocation to defensive or conservative assets which would be Fixed Income and Cash



Adding Local & Foreign Split

Defensive Balanced Portfolio





**building
blocks:
funds**

ETES

Exchange Traded Funds

	Equity	Property	Bonds
The Simple Range	1invest Top40 ETF	1invest SA Property ETF	1invest SA Bond ETF
	1invest SWIX40 ETF		
The Global Range	1invest MSCI World Index Feeder ETF	1invest Global REIT Index Feeder ETF	1invest Global Government Bond Index Feeder ETF
	1invest S&P500 Info Tech Index Feeder ETF		
	1invest S&P500 Index Feeder ETF		
Commodities			
The Commodities Range		1invest Palladium ETF	
		1invest Platinum ETF	
		1invest Gold ETF	
		1invest Rhodium ETF	



recap

recap

things to consider

→ **Goals, risk tolerance and the current state of an investor's portfolio all matter.** From a long-term perspective, investors should continue to monitor their asset allocation not only in turmoil, but always

→ **When investing for the long term, selecting the right investment vehicle is critical.** ETFs have shown to be effective building blocks for investors' portfolios, providing transparency, efficiency and quality.



thank you

disclaimer

Information and Content

The information and content (collectively 'information') provided herein are provided by STANLIB Asset Management ("STANLIBAM") as general information for information purposes only. STANLIB does not guarantee the suitability or potential value of any information or particular investment source. Any information herein is not intended nor does it constitute financial, tax, legal, investment, or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified Financial Adviser. Nothing contained herein constitutes a solicitation, recommendation, endorsement or offer by STANLIBAM.

Copyright

The information provided herein are the possession of STANLIBAM and are protected by copyright and intellectual property laws. The information may not be reproduced or distributed without the explicit consent of STANLIBAM.

Disclaimer

STANLIB has taken care to ensure that all information provided herein is true and accurate. STANLIB will therefore not be held responsible for any inaccuracies in the information herein. STANLIBAM shall not be responsible and disclaims all loss, liability or expense of any nature whatsoever which may be attributable (directly, indirectly or consequentially) to the use of the information provided.

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up. Past performance not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request the Manager. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio.

Exchange Traded Funds (ETFs) are registered Collective Investment Schemes, listed on an exchange and may therefore incur additional costs. Participatory interests in a CIS-ETF cannot be purchased directly from the Manager. A CIS-ETF is subject to exchange listing requirements and settlement cycles for equities and all trading in a CIS-ETF is through an exchange. It may take a few days longer to receive the proceeds of a sale of a CIS-ETF than would be the case for a CIS.

STANLIB Collective Investments (RF) (PTY) Ltd is an authorised Manager in terms of the Collective Investment Schemes Control Act, No. 45 of 2002.

STANLIB Asset Management Limited

Registration No: 1969/002753/06. A Financial Services Provider licensed under the Financial Advisory and Intermediary Services Act, 37 of 2002. FSP license No: 719.