

1st Fusion Enhanced Income

August 2020

INVESTMENT STRATEGY

The objective of this portfolio is to provide investors with an alternative to cash with a focus on capital protection. The portfolio aims to generate a return of cash + 1% p.a. over any rolling 3 year period. This portfolio maintains a low risk profile and is limited to a maximum of 10% exposure to equities. The portfolio adheres to the guidelines set by Regulation 28.

Risk Weighting:

Low

JAMES TWIDALE

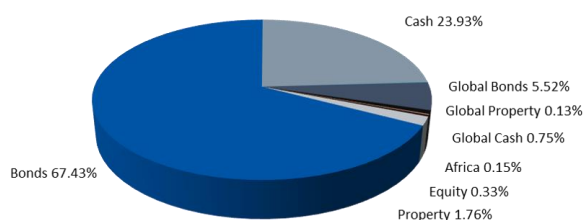


Portfolio Manager

UNDERLYING HOLDINGS

Coronation Strategic Income	30%
Ninety One Diversified Income	30%
Stanlib Income	20%
Prescient Income Provider	10%
Nedgroup Inv Flexible Income	10%

ASSET ALLOCATION



Please note: Asset allocation is one month lagged.

ANNUAL FEES (INCL. VAT)

Weighted average cost of funds**	0.58%
Annual Consulting fee - Analytics	0.23%
Model portfolio management fee (incl. VAT)	0.23%

**The weighted average cost of underlying funds is calculated using the latest available Total Investment Charge (TIC) of the underlying funds and their static weightings at month end on the selected Platform. This will vary daily as the actual weightings of the underlying funds fluctuate. The abovementioned fees include VAT but exclude Investment manager, Financial Advisor, Consulting and Platform fees.

ENHANCED INCOME PORTFOLIO*

Time Period: 01/09/2016 to 31/08/2020

	Enhanced Income	Cash
Return	7.04	7.17
Std Dev	2.51	0.18
Sharpe Ratio	-0.04	
Max Drawdown	-3.65	

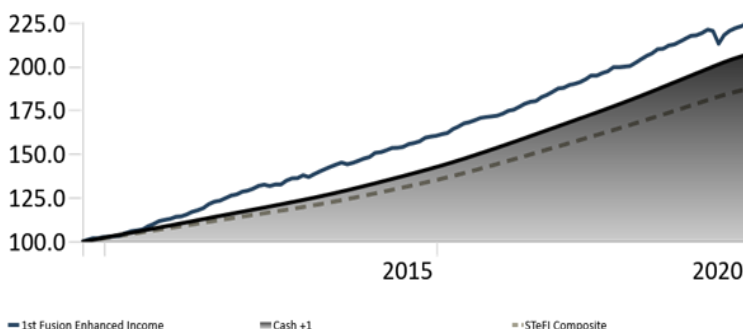
TOP 10 HOLDINGS

1 Growthpoint	6 Tower Property
2 Redefine	7 Resilient
3 Investec Property	8 Sirius Real Estate
4 Stor-Age Property	9 Atlantic Leaf Properties
5 MAS Real Estate	10 Fortress A

Latest available top 10 holdings as disclosed by Morningstar as at 30 Jun 2020

INVESTMENT GROWTH*

Time Period: 01/09/2010 to 31/08/2020



MONTHLY RETURNS*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	0.87	-0.34	-3.32	2.33	1.12	0.66	0.48	0.60					2.33
2019	1.02	0.86	0.73	1.13	0.13	0.86	0.32	0.74	0.77	0.77	0.13	0.61	8.36
2018	0.35	0.50	0.85	1.09	-0.01	0.73	0.53	1.18	-0.02	0.16	0.18	0.94	6.68
2017	0.94	0.32	0.95	0.95	0.63	0.24	1.24	0.71	0.94	1.01	0.21	0.85	9.38
2016	0.60	0.36	1.41	0.87	1.10	0.40	0.70	0.76	0.28	0.21	0.25	0.72	7.92

PORTFOLIO AND UNDERLYING HOLDINGS TRAILING RETURNS (*ANNUALISED)

	1 Month	3 Months	YTD	1 Year	3 Years*	5 Years*
1st Fusion Enhanced Income	0.60	1.75	2.33	4.68	6.82	7.46
STANLIB Income R	0.62	1.72	3.83	6.54	7.82	8.23
Coronation Strategic Income A	0.56	1.64	2.05	4.19	6.85	7.63
Ninety One Diversified Income Z	0.45	1.75	4.80	7.37	8.84	8.90
Prescient Income Provider B3	0.57	1.69	2.88	5.78	8.05	8.64
Nedgroup Inv Flexible Inc A	1.02	2.10	3.41	6.02	7.77	8.08

QUARTERLY COMMENTARY

We are approaching the middle of the year already and the Coronavirus is still not a thing of the past. The Global infections have pushed over 10.1 million since the start of the year with a death toll over 501 000. The spread of the Covid-19 cases and the re-imposition of restrictions by certain states in the US to stop the spread has seen volatility continue.

Back home South Africa's economy contracted by 2.0% in the first quarter of 2020 which extends the technical recession that we found ourselves in the last quarter of 2019. On 24 June 2020, the Finance Minister announced the supplementary budget. Treasury expects SA's GDP to contract by 7.2% in 2020, while tax revenues are projected to fall short by R300 billion. The full impact of Covid-19 on the economy is expected to only show in the second and third quarter of the year. The positive development is that Treasury has become more pragmatic in its funding strategy. To name a few, they have a greater reliance on T-bill issuance to lower funding costs and the government will issue \$2bn in the Eurobond market and draw down the sterilisation deposits with the SARB.

•The JSE All Share Index (up 7.7%) had a large turnaround since last month. Resource stocks (up 8.8%) were the best performing equity sector, followed by Industrials (up 8.3%). Financials were the worst performing (up 4.2%) but managed to deliver positive returns. Small-cap shares (up 11.3%) went from the worst performing to the best performing share in June. Mid-cap shares up 6.1% and Large-cap up 7.8%. The MSCI World Index ended the month up 3.2% in US Dollar terms while Emerging Market equities outperformed their Developed Market peers and ended the month up 7.4%. The South African Listed Property sector (up 13.4%) and the SA REITs sector (up 17.6%) had significant turnarounds since last month. The Rand appreciated 1.4% against the US Dollar, 0.5% against the Euro and 1.5% against the Pound Sterling. In June the Oil price (up 16.5%) outperformed both the Platinum price (down 3.4%) and the Gold price (up 3.2%) in US Dollars.

*Returns are net of Total Investment Charges (TIC) and for periods greater than one year the returns have been annualised. Returns prior to launch of the portfolio are simulated based on the returns of the underlying funds at their initial weightings. Postlaunch returns are simulated based on the current weightings of the initial investment on the selected Platform, where applicable. The information and opinions contained in this document are recorded and expressed in good faith and in reliance on sources believed to be credible. No representation, warranty, undertaking or guarantee of whatever nature is given on the accuracy and/or completeness of such information or the correctness of such opinions. 1st Fusion Asset Management (Pty) Ltd and/or Portfolio Analytics Consulting (Pty) Ltd ("Analytics") will have no liability of whatever nature and however arising in respect of any claim, damages, loss or expenses suffered directly or indirectly by the investor or the investor's financial advisor acting on the information contained in this document. Furthermore, due to the fact that neither 1st Fusion nor Analytics act as the investor's financial advisor, they have not conducted a financial needs analysis and will rely on the needs analysis conducted by the investor's financial advisor. 1st Fusion and Analytics recommend that investors and financial advisors take particular care to consider whether any information contained in this document is appropriate given the investor's objectives, financial situation and particular needs in view of the fact that there may be limitations on the appropriateness of any advice provided. No guarantee of investment performance or capital protection should be inferred from any of the information contained in this document.

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The FSCA has approved the name change of FSP No. 45170 from 1st Fusion Asset Management (Pty) Ltd to Stonewood Asset Management (Pty) Ltd, an authorised Financial Services Provider.

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