

By Craig Gradidge



REZCO VALUE TREND FUND

A fund for all seasons

In lieu of recent and upcoming economic events, it's important to focus on choosing a good manager with a solid track record, and give them the time and space to deliver the returns.

Recent conversations with clients and prospective clients have been dominated by the issue of the prospective credit downgrade. Now that the June announcement is behind us, and the downgrade has not happened as expected, the attention has turned to the possibility of a Brexit. After that I expect the local elections to feature in conversations before the possibility of a downgrade in December is back on the agenda.

The issue is not that we have these events dominating conversations from time to time, but rather that clients expect us to make changes to the investment strategy based on what they think the outcome will be. Many betted on the currency weakening sharply post a June downgrade, and expected that the offshore exposure in their portfolio would be increased before that. Instead the downgrade was avoided and the currency has been strengthening ever since.

A more prudent approach to investing requires a longer term perspective, and suitable diversification of the portfolio. It is for this reason that we continue to shine the light on multi-asset funds such as stable, balanced and flexible funds. These funds are able to allocate money across a number of asset classes (equities, cash, bonds, property, offshore, etc.) within certain restrictions and risk parameters. The important decision for investors is choosing a manager with an established track record of managing multi-asset mandates, at a fair price, and with the right attitudes towards risk. A fund that we have recently added to our shopping list that meets these criteria is the Rezco Value Trend fund (RVT).

The RVT fund is a balanced fund, meaning that it

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complies with Regulation 28 of the Pension Funds Act and is suitable for retirement investments. The fund is also suited to investors wanting to grow their capital over time but at moderate levels of risk. **The fund ticks the boxes in terms of performance, price and risk attitudes.**

From a performance perspective, it has outperformed the JSE since its inception in October 2004, a rare feat for a balanced fund. It has also won multiple industry awards for performance. From a pricing perspective, we do like the performance fee structure whereby the fund has to deliver positive returns, and above-market returns in order for performance fees to kick in. The fee is also capped at 0.75% p.a. and has a reasonable base fee of 0.65%, meaning that the total fee should be 1.4%. Finally, from an attitude to risk perspective, the Rezco investment philosophy starts as follows "it is fundamental to our approach that capital must be protected..." The fund currently has around 60% invested in cash, which shows a clear commitment to the philosophy. The graph shows performance since inception compared to peers and the JSE.

While the fund has done well in terms of performance since inception, it has struggled of late. Our only concern at this stage would be around the manager's ability to handle all the cash that is coming their way in the form of new investments. It took them nine years to reach R1bn assets under management, they were at R4bn a few months ago, and currently sit with around R7.1bn today. There is anecdotal evidence of local funds delivering poor performance after receiving a flood of funds from the market. Fortunately, many of those are single-asset class funds.

While it can be fun to ponder how issues such as a credit downgrade, a Brexit, local elections or any other market event may impact on one's portfolio, the best thing for many investors is to choose a good manager with a solid track record, and give them the time and space to deliver the returns. On this score we think that the Rezco Value Trend would excel, and live up to the billing of a fund for all seasons. ■

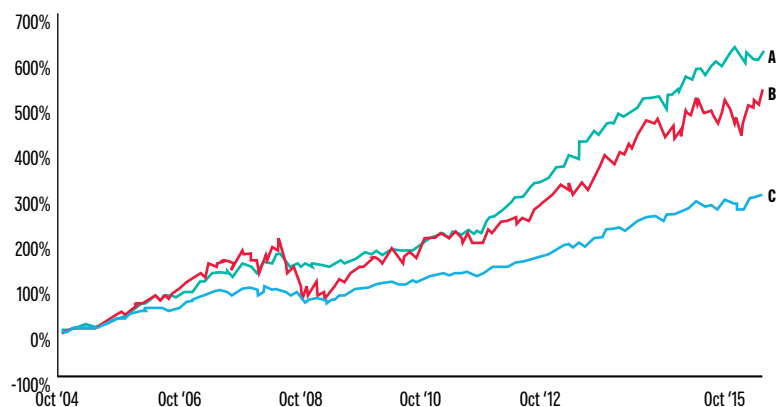
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RVT ANNUALISED TOTAL RETURNS VS PEERS AND JSE ALSI



■ A - Rezco - Value Trend ATR in ZA [625.03%]
 ■ B - FTSE/JSE All Share TR in ZA [544.25%]
 ■ C - SA Mt South African Multi-Asset High-Equity TR in ZA [313.26%]

SOURCE: Gradidge-Mahura Investments