

# Levantine & Co Balanced Portfolio (GBP)

As of 30 Apr 2020

## Levantine & Co Balanced - Top Holdings

Portfolio Date: 30 Apr 2020

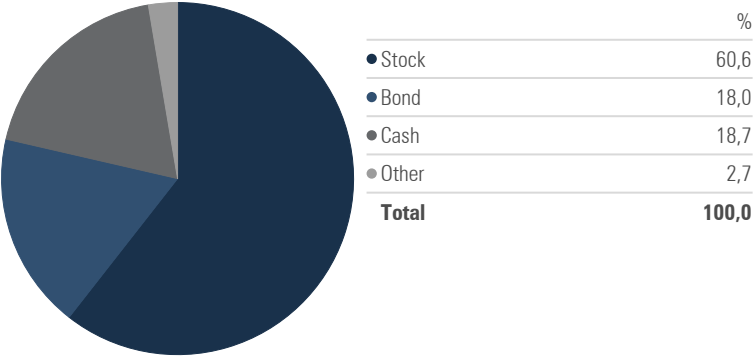
	Portfolio Weighting %
BlackRock Cash D Acc	12,50
LF Lindsell Train UK Equity Acc	9,50
iShares Continen Eurp Eq Idx (UK) D Acc	9,00
L&G Global Inflation Linked Bd Idx I Acc	7,00
First State Greater China Gr B Acc GBP	5,50
Fundsmith Equity T Acc	5,50
L&G EM Govt Bond Lcl Ccy Index I Inc	5,00
Polar Capital Healthcare Opports I Inc	5,00
Fidelity Index Japan P Acc	4,50
Man GLG Jpn CoreAlpha Eq I H GBP	4,50

## Levantine & Co Balanced - Equity Sectors

Basic Materials %	4,26
Consumer Cyclical %	8,79
Financial Services %	16,01
Real Estate %	5,95
Consumer Defensive %	15,13
Healthcare %	17,43
Utilities %	1,68
Communication Services %	7,49
Energy %	3,66
Industrials %	8,31
Technology %	11,28

## ASSET ALLOCATION

Portfolio Date: 30 Apr 2020



## TRAILING RETURNS (annualised)

	YTD	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years
Levantine & Co Balanced	-6,48	6,03	-5,97	-4,84	-2,00	1,18	5,33

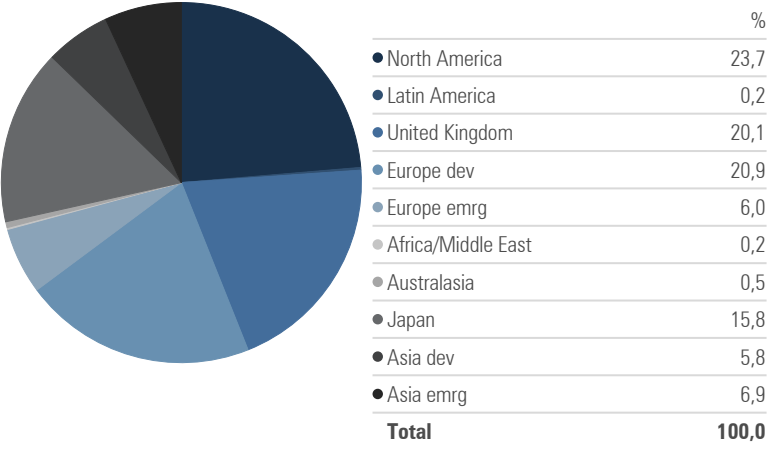
## INVESTMENT GROWTH

Time Period: 01 May 2015 to 30 Apr 2020



## EQUITY GEOGRAPHICAL ALLOCATION

Portfolio Date: 30 Apr 2020



## MONTHLY RETURNS \*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	-0,54	-4,05	-7,57	6,03									<b>0,00</b>
2019	2,34	0,17	1,65	1,64	-0,20	2,69	2,52	-0,89	-0,14	-0,95	0,80	0,95	<b>10,98</b>
2018	-0,06	-0,74	-2,50	1,83	1,43	-0,37	1,31	0,10	0,26	-3,64	0,39	-2,64	<b>-4,68</b>
2017	0,79	2,55	0,42	-0,88	2,07	-0,76	0,99	2,69	-2,77	2,10	-0,82	1,24	<b>7,72</b>
2016	-0,56	2,45	2,48	-0,37	-0,02	6,36	4,94	1,99	0,97	4,23	-2,84	2,61	<b>24,21</b>
2015	2,67	0,57	2,11	-0,48	0,87	-4,47	0,94	-2,85	-1,33	3,40	1,17	0,44	<b>2,80</b>

\*Monies invested into portfolio from October 2015. Performance is net of fees.

## ADDITIONAL INFORMATION

Firm Name:	Levantine & Co (Pty) Ltd
Inception Date:	5/1/2012
Currency:	Pound Sterling
AUM:	GBP 50 Million

## RISK STATISTICS

Time Period: 01 May 2015 to 30 Apr 2020

	Return	Std Dev	Sharpe Ratio	Max Drawdown	# of Periods
Levantine & Co Balanced	<b>5,33</b>	<b>8,50</b>	<b>0,39</b>	<b>-12,03</b>	<b>8,00</b>

February 2019 Market Commentary

Overview

Stock prices climbed across regions for the second consecutive month in February, with European equities the strongest performers. Investors were further reassured by positive noises from US-China trade talks, together with promising signs of a stabilisation in global economic data, a considerably more dovish stance from the US Federal Reserve and the implementation of Chinese stimulus measures.

Although there was not a complete resolution on all of the aspects of the US-China trade talks, there was enough progress in the negotiations to avert the increase in tariffs that was scheduled for 1 March. The ‘America First’ trade agenda remains a source of uncertainty for markets, not least because, the US president has 90 days to evaluate whether to introduce higher tariffs on foreign-made cars. Such a decision could have a notable impact on Europe, and Germany in particular.

While the market is buoyed by the promise of Chinese stimulus, current economic data releases remain soft outside of the US. The downturn in capital expenditure (capex) is depressing industrial activity, however, consumer spending is looking more robust thanks to strong labour markets and the recent fall in the oil price.

Equities

The moderation in economic growth in the US remains on firm footing, with the delayed release of fourth quarter GDP showing that growth had moderated from 3.4% quarter on quarter annualised in the third quarter, to a still above-trend 2.6% in the final quarter of 2018. While US retail sales were weaker than expected, general US data continues to show the economy growing at a reasonable pace.

The latest US composite purchasing managers’ index (PMI) improved to 55.8, which points to an ongoing rate of growth in the US economy of around 2%. Inflation remains relatively muted with January core inflation being flat and headline inflation fell to 1.6% year on year. The US earnings season was relatively solid with 70% of S&P 500 companies beating expectations. Fourth-quarter earnings-per-share growth looks to have grown by roughly 13%, however, guidance was more cautious, with a number of companies citing margin pressure from increasing wages and tariffs. Overall for the month, the S&P 500 was up 3.2%.

Challenges for emerging markets persist and activity is still weak in many countries according to the composite PMI reports. However, a more dovish Fed and the resulting prospects for a weaker dollar, combined with the Chinese stimulus measures, is increasing short term investor appetite for the asset class. Outside of China there are still a number of emerging markets that are feeling the effects of currency depreciation, which is lifting inflation, particularly in agricultural products. In India, core inflation remains above 5%, while in Turkey inflation has climbed above 20%. This may constrain the ability of emerging market central banks to cut rates despite a weaker dollar. The new Brazilian President Bolsonaro is having a positive impact on sentiment towards Latin American equities with his ambitious pension reforms, which if completed, could help solve Brazil’s fiscal problems and reduce government debt.

Chinese data was mixed for the month with the Caixin manufacturing PMI, a key gauge of manufacturing activity, improved from January, though it remained slightly in contraction territory. More positively, improving credit growth suggests the economy is now stabilising, and this should be furthered by the government’s accommodative fiscal stance, which is the most supportive since 2016. Overall for the month, the MSCI EM Index was up 1.1%.

Given the sensitivity of European growth to China, it is no surprise that the European region has also slowed over the past six months. There has been some recent improvement however, with French, Italian and Spanish industrial production rebounding in January and exceeding the expectations of many economists. There are reasons to be confident of further stabilisation in the eurozone, with one-off issues, such as regulatory disruption in the German car industry, unlikely to reoccur this year. Consumer confidence increased for the second month in a row and there are signs of a significant improvement in car registrations, which suggests the auto industry is beginning to adjust to the new auto emissions regime. Overall for the month, the MSCI Europe ex UK was up 4.2%.

Brexit uncertainty continues to weigh on business sentiment as the 29 March deadline to leave the European Union (EU) draws closer. The UK services PMI fell to 50.1 and many businesses cited Brexit as the key reason for weaker demand. The market is increasingly convinced that there is a higher chance of an extension to the Article 50 negotiation process than no deal, which has served to lift sterling 1.1% against the dollar over the course of February. UK equity markets were up over February, with the FTSE 100 up 2.3%

Japanese real fourth-quarter GDP growth rebounded, up to 1.4% quarter on quarter annualised (up from -2.6% in the third quarter). Growth was supported by a bounce in private consumption and capex, however, the underlying pace of activity remains subdued, with the latest manufacturing PMI falling to 48.5. The Japan Topix index was up 2.6% for the month.

**Fixed Income**

More dovish tones from all the major central banks continue to exert downward pressure on fixed income yields despite the rebound in risk appetite. The minutes of the January Federal Open Market Committee meeting confirmed the dovish shift in thinking at the Federal Reserve (the Fed), with “patience” remaining the operative word. The minutes of the meeting expanded on the Fed’s decision to maintain a larger balance sheet and this move has helped to push down longer-term bond yields. Over the past two months, the 10-year Treasury yield has remained flat.

European Central Bank (ECB) chief economist Peter Praet warned that the slowdown in the eurozone had been “broader and more persistent”, and advised that the ECB will discuss the need for new liquidity instruments to assist the banks through the use of targeted longer-term refinancing obligations (TLTROs), at its March meeting.

The Bank of Japan remains far from meeting its inflation target and is likely to continue pursuing very loose monetary policy for the foreseeable future. In the UK, the Ten year UK Gilt yields were largely unchanged, ending February at 1.3%. While the risk of a no-deal Brexit appears to be receding, UK assets remain sensitive to news flow on talks, especially sterling, which is at its most volatile since November last year.

**Looking ahead**

We continue to be relatively cautious on equities, with global growth slowing down and companies moderately growing earnings. While we believe investors can continue to expect reasonable returns, it is clear that we are no longer experiencing synchronous growth in the global industrial cycle. In this environment, it is important to not chase returns in the technically stretched equity market, and carefully choose exposures, particularly in sectors with more ties to global trade than others.

While Brexit is unlikely to have a major impact internationally, a delay to the process could help to improve sentiment; most obviously for UK assets, but also for certain European markets too.

On both the trade war and Fed policy the market has swung from extreme pessimism in the final months of 2018 to extreme optimism this year. This swing in sentiment has generated considerable changes in risk appetite and stock prices. Reports of Chinese stimulus are further lifting sentiment and this has benefited emerging market assets.

For this rally to continue we need to see a more complete resolution of the US trade disagreement with China and Europe, and evidence that the Fed is willing to tolerate higher inflation and rising asset prices. These factors will in large part dictate the outlook for company earnings and we remain watchful of asset prices that have already “priced in” all of the positive news.

**Portfolio feedback & conclusion**

Over the month of February, the Levantine Global Balanced Portfolio increased by 0.17% in GBP terms.

Positive performers for the month were the active allocations to defensive equity assets in the USA and Europe. The Fundsmith Equity Fund and Polar Capital Healthcare Fund returned 6.37% & 3.44% respectively for the month. The Fundsmith Fund benefited from its allocation to Philip Morris, Intuit and Estée Lauder, while the Polar Healthcare Fund was helped by its allocation to AstraZeneca, Merck & Co and Danaher.

The largest disappointment over the month was the performance of the Marlborough Special Situations Fund, due its exposure to Accesso, which gave a disappointing results update, and got punished by the market.

**Source: Morningstar Direct, JP Morgan Asset Management, Quilter Cheviot, Levantine & Co**

**Richard Minnaar & Laurent Joly, CFA**