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INVESTMENTS

NEWSLETTER

NO 1 OF 2016

2016 IN A FLASH!

YOUR FUTURE
OUR PASSION

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2016 in a Flash!

2016 - For the majority of South African investors these four numbers represent a year that most are quite happy to see come to a conclusion.

The proverbial punches started in December 2015 with 'Nenagate', and in January global financial markets produced its worst start in decades preceded by a tumbling oil price. Locally a sovereign credit ratings downgrade plagued markets as our economy continued to slow down. On the political front allegations of state capture, the possible prosecution of our finance minister and wide spread corruption in state owned enterprises dominated headlines throughout the year.

Political turmoil was not unique to South Africa though, as around the globe it has been a year of elections surprises followed by increased economic uncertainty. On 23 June Great Britain and Northern Ireland decided "to be great again" by voting (52% for and 48% against) to leave the European Union in due course, and then across the pond Hillary Clinton got trumped by a candidate whose chances to become president were five times lower than her own in January (12% versus nearly 60%).

Europe continued to struggle with an influx of immigrants and resulting refugee crisis, and around the world the political will for continued globalisation has seemingly waned. All of this was of course brought directly to you through myriad forms of electronic media, with the social forms (Facebook, Twitter, Instagram and others) often long on sensation and short on fact.

Against this backdrop of political and economic mayhem financial markets reflected the increased uncertainty that investors are faced with. The asset classes that provide long term growth (equities and properties) delivered returns well below their ten year averages, with cash and bonds being the clear winners over the last year, as the table below illustrates:



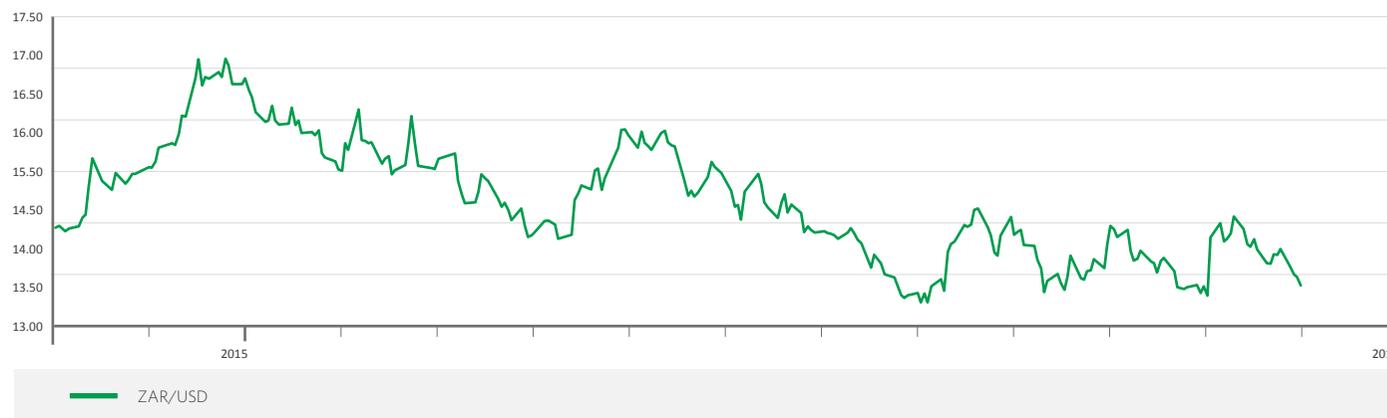
Annualised performance to 30 November 2016

Asset class	1 year	10 years
South African equities	-0.1%	10.9%
South African listed property	-0.8%	15.6%
South African bonds	6.1%	8.0%
South African money market	7.3%	7.3%
Global equities	1.4%	11.7%

During the last two months the Rand strengthened by a little over 2% to the US Dollar, but it was most certainly not a smooth journey with the difference between the weakest (R16.89/USD on 20 January) and the strongest (R13.27/USD on 16 August) representing a more than 25% swing.



Time period: 01/11/2015 to 30/11/2016



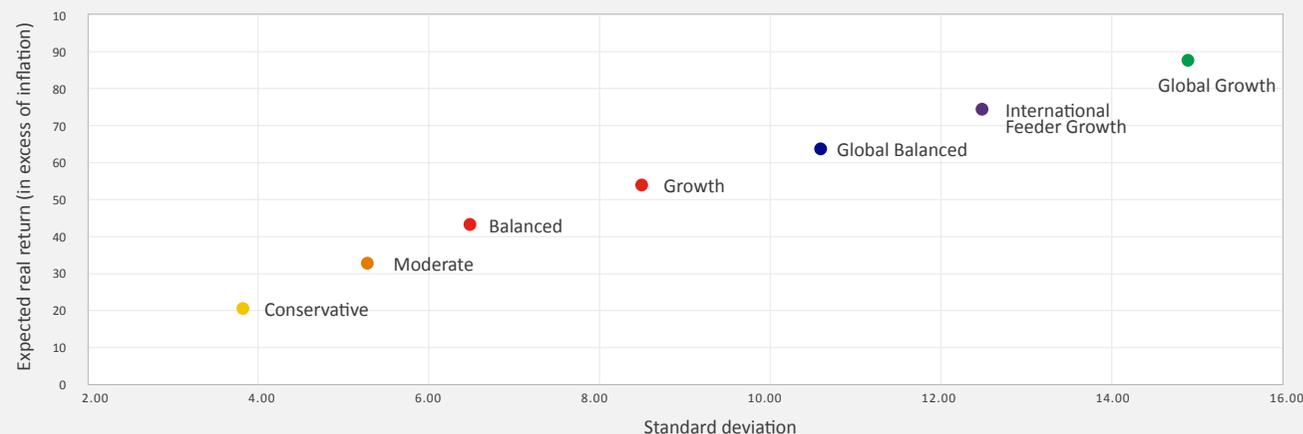
This was by far not the worst performance of the Rand or other asset classes over any one year period even when it feels like it. It illustrates the need for rational investment manager to be the sensible custodian of clients' hard earned fortunes. This prompted the birth of Celerity Investments.

Celerity believes in simplifying investment solutions for BDO Financial Advisors, so that they can provide financial peace of mind to their investors - especially during trying times like these.

Celerity works in partnership with independent investment consultants in order to construct portfolios that deliver reliable outcomes for specific investment objectives linked to each individual investor's appetite for risk and investment horizon.

A range of investment portfolios were designed to suit the specific needs of the clients of BDO Wealth Advisers, and they have the potential to deliver additional long-term return for as their exposure to risky assets increases:

CELERITY PORTFOLIO RANGE



THESE PORTFOLIOS ARE CONSTRUCTED BY TAKING THE FOLLOWING KEY PRINCIPLES INTO ACCOUNT:
1 MINIMISE THE CHANCE OF LOSING MONEY OVER THE SHORT TERM

This principle is vital for the portfolios with shorter time horizons (like Conservative and Moderate). The aim is still to deliver inflation beating returns, but with much less risk than the Growth and Global portfolios for instance. The Conservative portfolio in particular has a large exposure to fixed income and enhanced cash strategies in order to reduce its volatility, with a smaller portion of the assets invested in equities, property and offshore securities.

2 MAXIMISE THE LIKELIHOOD OF REACHING THE INVESTMENT GOAL

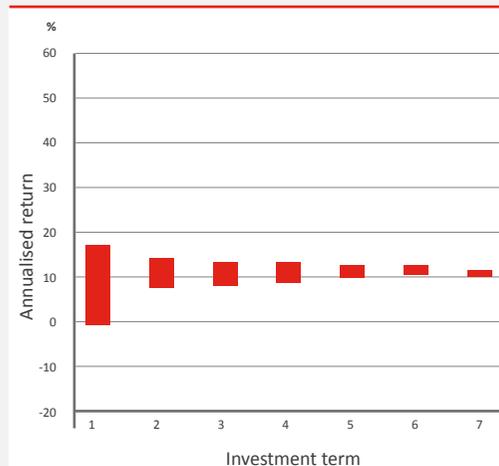
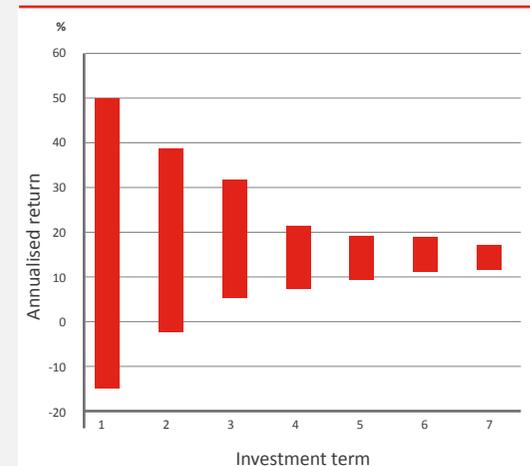
Each of the portfolios have a real return (or inflation linked) investment goal that increases with investment horizon. The second principle is to construct portfolios that have a high likelihood of reaching this goal at the end of the investment period. For the longer term portfolios it implies an increased exposure to risky assets (equities and property) with reduced protection against short-term volatility in the form of bonds and cash. The risk in longer term portfolios is not so much daily volatility, but the loss of purchasing power over longer time periods

3 REMAIN INVESTED

There are many studies that have shown that investment markets often outperform the investors in that market, and that it can be attributed to investors making frequent changes to their portfolios. The third principle that we follow is to design portfolios that increases the chance of clients remaining invested to the end of the term, as this is one of the most important contributors to financial peace of mind. The Celerity team is mindful of what happens in competing investment portfolios, but will not hesitate to follow a course of action against the mainstream if it is likely to deliver a better outcome for investors.

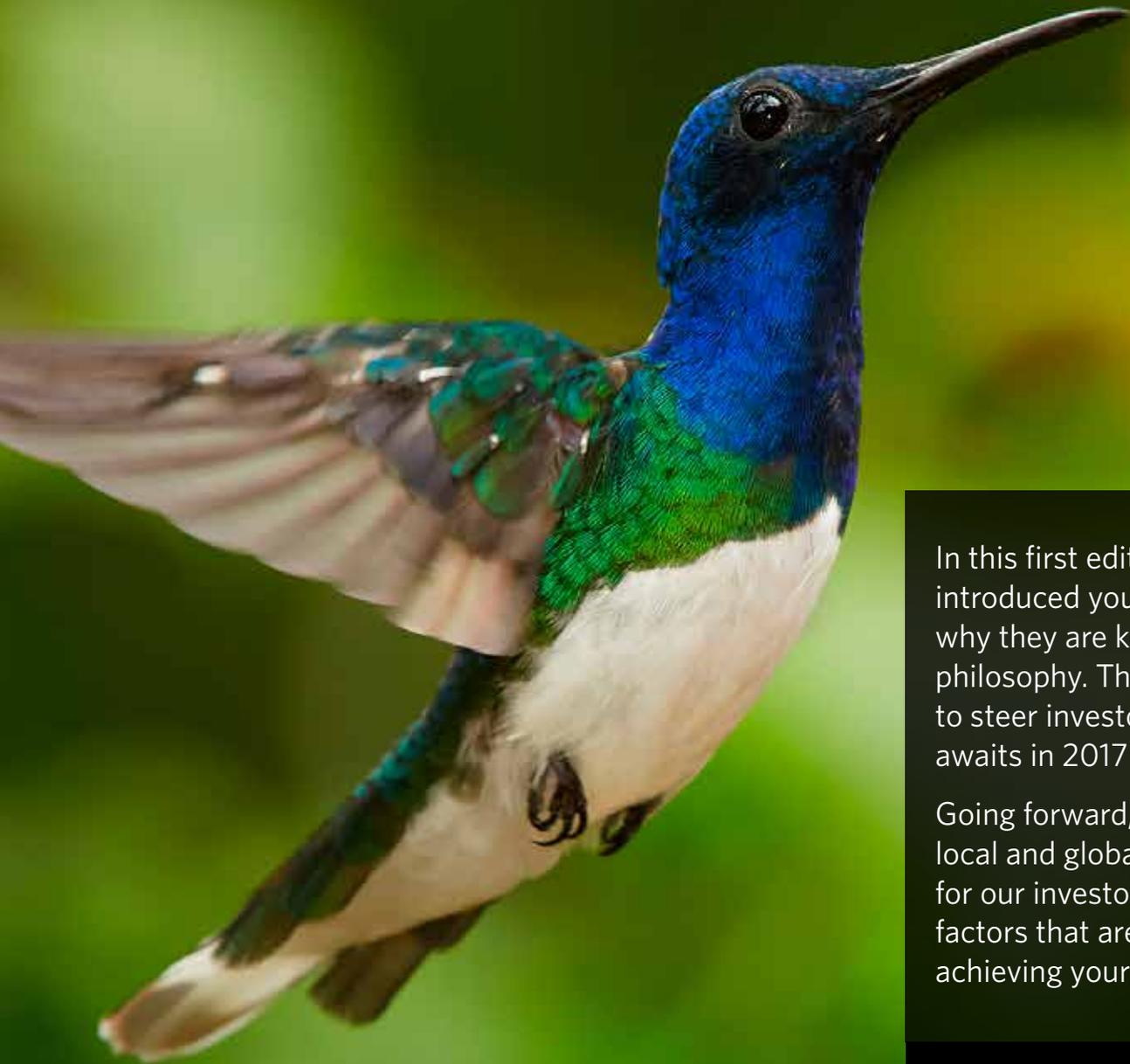
These two graphs show the minimum and maximum returns that the Celerity Conservative and Celerity Balanced funds would have achieved if they were in existence up to ten years ago:

The trade-off between risk and return is clear. The Conservative portfolio had a minimum 12 month return of -2%, with its rolling three year return between 8% and 13% per annum. The Balanced portfolio on the other hand has had a drawdown as big as 15% over a rolling one year period, but its rolling five year returns have returned between 9% and 19% per annum to investors. A seven year investment in the balanced strategy brings even more certainty - between 11.5% and 17% per annum, whereas seven years in the Conservative portfolio would have yielded between 10% and 11.5% per annum.

RANGE OF RETURNS - CELERITY CONSERVATIVE

RANGE OF RETURNS - CELERITY BALANCED



MARKET INDICATORS

Indices	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	YTD
ALSI	-0.55%	-3.93%	-5.51%	-0.10%	6.86%	12.20%	10.85%	1.64%
Resources	6.11%	7.07%	8.02%	33.87%	-8.72%	-5.88%	0.28%	39.26%
Financials	0.28%	0.84%	-1.80%	-4.56%	11.36%	17.70%	11.08%	1.92%
Industrials	-3.65%	-9.71%	11.55%	-8.47%	8.65%	18.19%	16.34%	-8.24%
Large Cap	-0.55%	-4.72%	-7.63%	-3.20%	5.89%	11.48%	10.26%	-2.12%
Mid Cap	-2.15%	-1.99%	4.06%	16.87%	10.95%	14.86%	13.88%	21.98%
Small Cap	0.48%	0.57%	4.57%	8.39%	11.55%	18.44%	13.48%	19.01%
Property	-3.34%	-1.80%	-2.43%	-0.76%	13.45%	16.81%	15.61%	5.72%
ALBI	-1.83%	1.75%	6.30%	6.08%	6.74%	7.18%	7.96%	13.67%
Cash (STeFI)	0.61%	1.85%	3.73%	7.31%	6.52%	6.06%	7.32%	6.72%
Rand/Dollar	4.66%	-4.08%	-10.22%	-2.34%	11.55%	11.66%	7.00%	-8.86%
MSCI EMERGING (\$)	-4.60%	-3.10%	8.67%	8.86%	-2.75%	1.34%	2.59%	11.28%
MSCI AC WORLD (\$)	0.81%	-0.23%	3.93%	4.28%	3.55%	9.45%	4.13%	6.15%
RAND/STERLING	6.95%	-8.73%	-22.54%	-18.83%	1.95%	6.69%	2.26%	-21.84%
RAND/EURO	0.95%	-9.01%	14.68%	-1.92%	2.58%	6.45%	4.66%	1.17%
Dollar/Rand	-4.45%	4.26%	11.38%	2.40%	10.36%	10.44%	-6.54%	9.72%



In this first edition of Celerity Investments newsletters we introduced you to the range of Celerity portfolios, and explained why they are key to BDO Wealth Advisors' financial planning philosophy. The Celerity range of investment portfolios are designed to steer investors through the choppy waters of 2016, and whatever awaits in 2017 and beyond.

Going forward, we will continue to share our views on the complex local and global investment landscape that we aim to demystify for our investors, through commentary on economic and political factors that are largely beyond anyone's control yet which matter in achieving your investment objectives.

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