



## Amplify SCI\* Wealth Protector Fund

Fund Commentary  
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Saul Miller  
Senior Portfolio Manager  
Truffle Asset Management

“ ... result in a reasonable performance from domestically exposed shares and bonds ... ”

\*Sanlam Collective Investments  
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### Overview

Global GDP growth of 5.5% expected

The MSCI World Index declined by 1% after a strong last quarter of 2020. The MSCI Emerging Market (EM) Index rose by 3% as the global economy continued its recovery. The IMF increased its expected global GDP growth to 5.5%. Further stimulus from a Democrat led senate and commitment by the Fed to maintain accommodative monetary policy have also pushed US Treasury yields up by 0.15% to 1.07%. The ALSI was up by 5.2% led by industrials (+8.4%) and resources (+5.1%). Financial shares declined by 2.6% and the property sector declined by 3.2%.

Commodities remain buoyant

Commodities continued their buoyant performance over the month. As global growth continues to forge ahead, we expect most commodity prices to remain elevated. The cost of production which is also reliant on commodity prices like energy is likely to raise expected long-term prices. However, we do have some concerns. Iron ore is a significant profit contributor to the ALSI listed mining sector. Iron ore prices are now substantially above the mining costs of marginal producers. Although credit growth in China is likely to remain buoyant, the credit impulse is close to a peak, which often results in downward pressure on the commodities that China heavily consumes. It remains to be seen whether an increase in infrastructure demand in the rest of the world will be sufficient to offset this impact. We think this will be the case for some commodities like copper.

Higher commodity prices should help SA

We continually bang the drum on structural concerns facing the domestic economy regarding political and economic issues, but there are some short-term positives. The increase in commodity prices should help the domestic economy in terms of GDP growth, the budget deficit via higher tax receipts, and the current account surplus. On the vaccine front, things have taken a positive turn with vaccine orders totalling over 40 million and an expectation of half of these being administered by mid-year. The wide gap that has opened between SA and other emerging markets, coupled with improved prospects for the domestic economy, will likely result in a reasonable performance from domestically exposed shares and bonds over the near term.

### Portfolio performance

Contributors and detractors

Our exposure to the Emerging Markets Value ETF performed well, in line with an improved performance from emerging markets and companies geared to improved economic prospects. Higher commodity prices resulted in our basic-materials based companies delivering good performances.

British American Tobacco, Alibaba Group, Vukile Property Fund and Cigna Corp detracted from performance.

### Portfolio positioning

Looking ahead

We purchased shares trading on compelling valuations, including British American Tobacco, Alibaba Group and Cigna Corp. We reduced our exposure to Naspers due to Tencent's high valuation. However, we did purchase notes in which we own Naspers and short Tencent where we can benefit from a potential closing of the significant discount in Naspers to its underlying investments. We reduced our exposure to basic materials shares and the Emerging Markets Value ETF that performed strongly over the month.