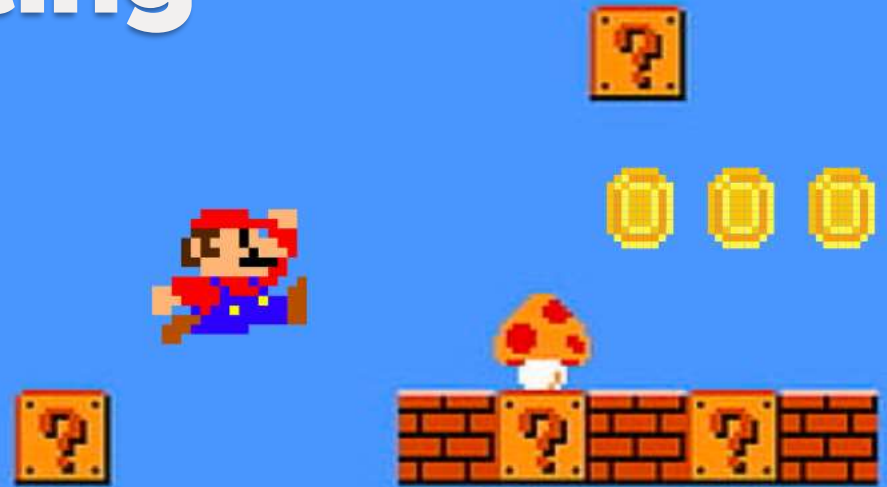


# A Cheat Sheet to Investing

Iain Power – Chief Investment Officer

Raihan Allie – Fixed Income Portfolio Manager





UNCOVER  
OPPORTUNITIES



DELIVER ON CLIENT  
EXPECTATIONS



AVOID RISKS WITH HIGH  
CHANCE OF CAPITAL LOSS



IDENTIFY &  
UNDERSTAND RISKS



DON'T LOSE CAPITAL



**Steps for building a portfolio that delivers real returns**



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OPPORTUNITIES

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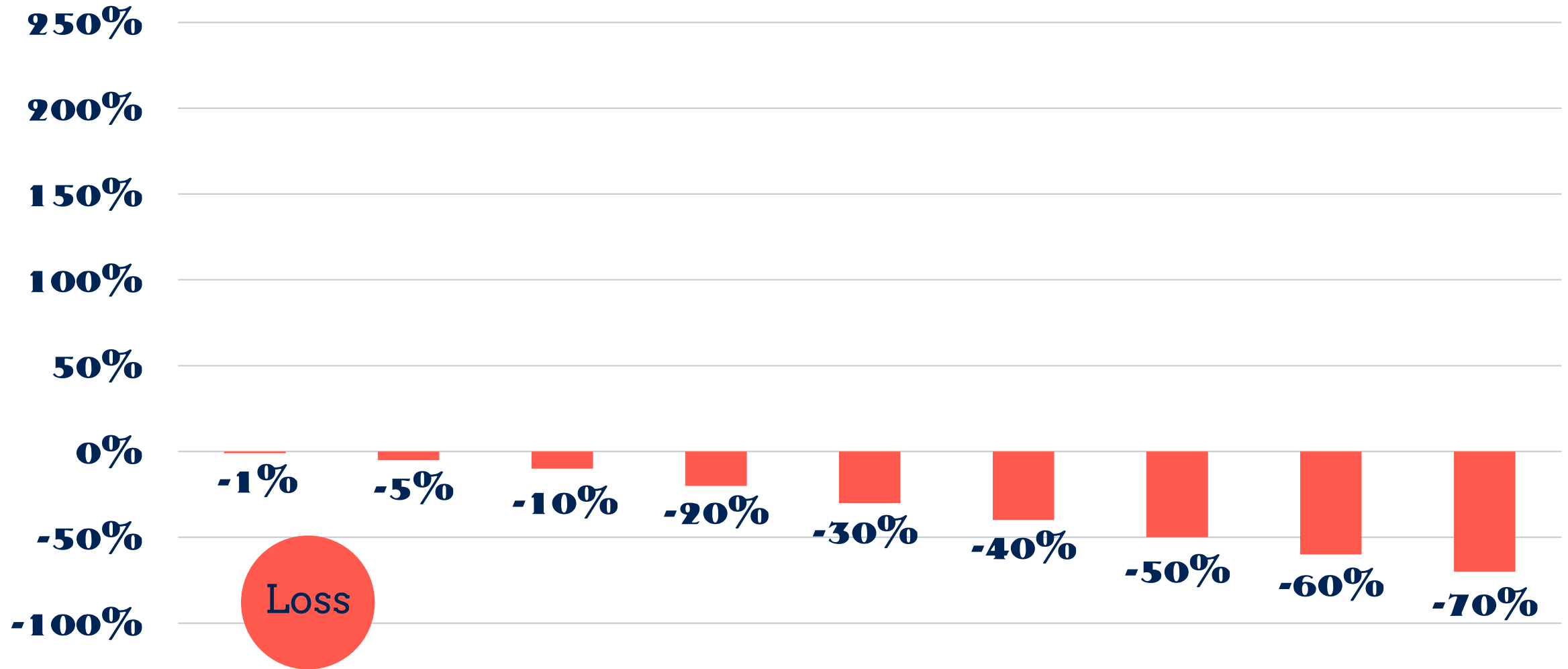
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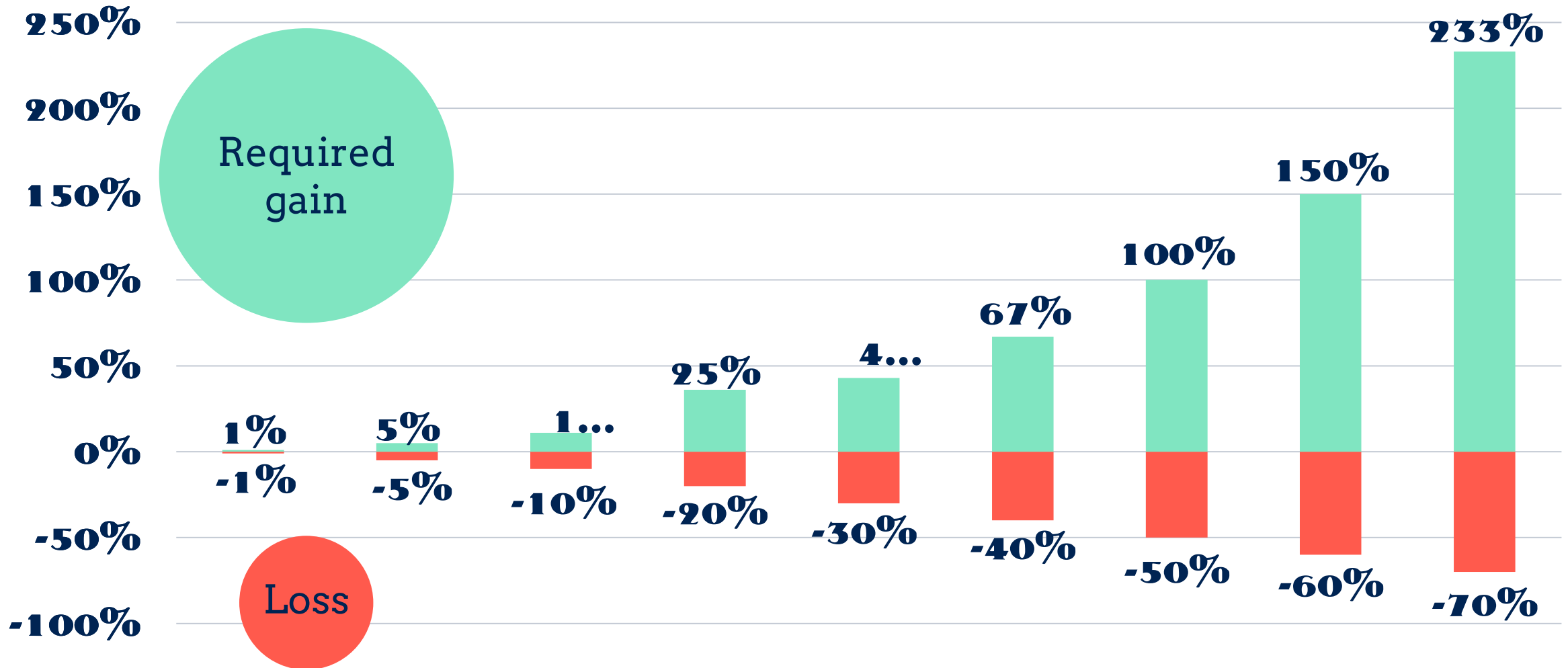
**Steps for building a portfolio that delivers real returns**

# Don't lose capital.





# Don't lose capital.





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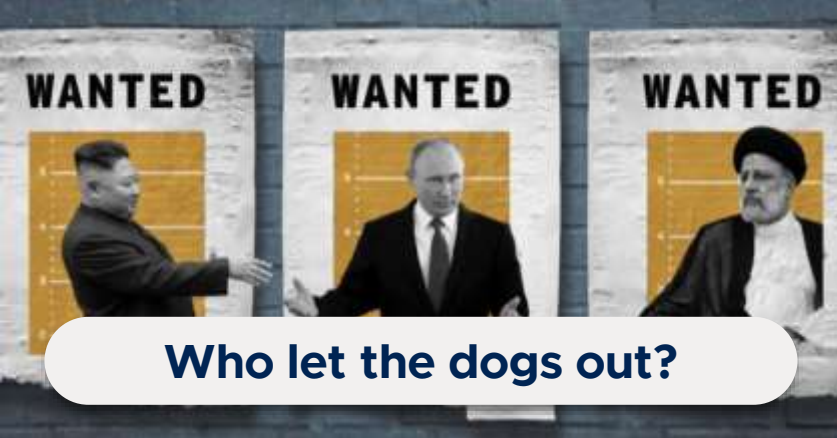
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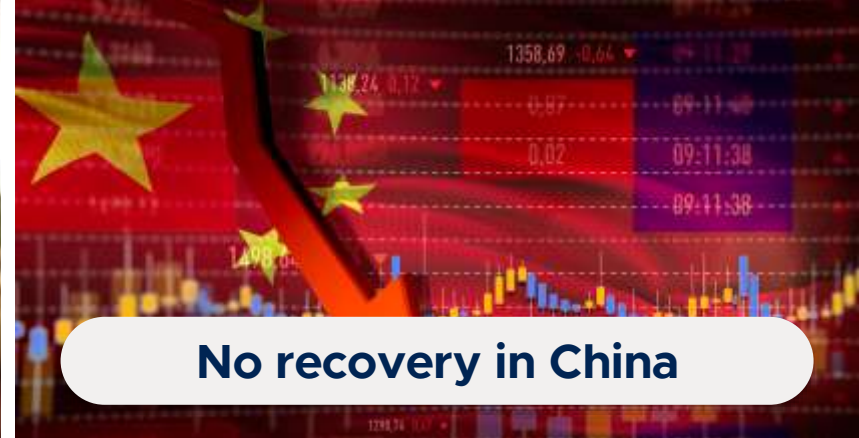
**Steps for building a portfolio that delivers real returns**



**Who let the dogs out?**



**Anything goes with Trump**



**No recovery in China**



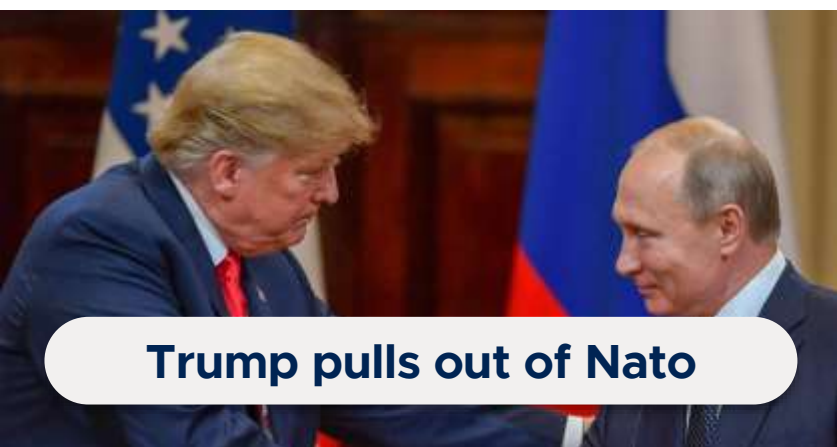
**Middle East crisis gets bigger**



**Inflation doesn't land at 2%**



**Geopolitics drives onshoring**



**Trump pulls out of Nato**



**Magnificent Seven**



**Upcoming SA Elections**





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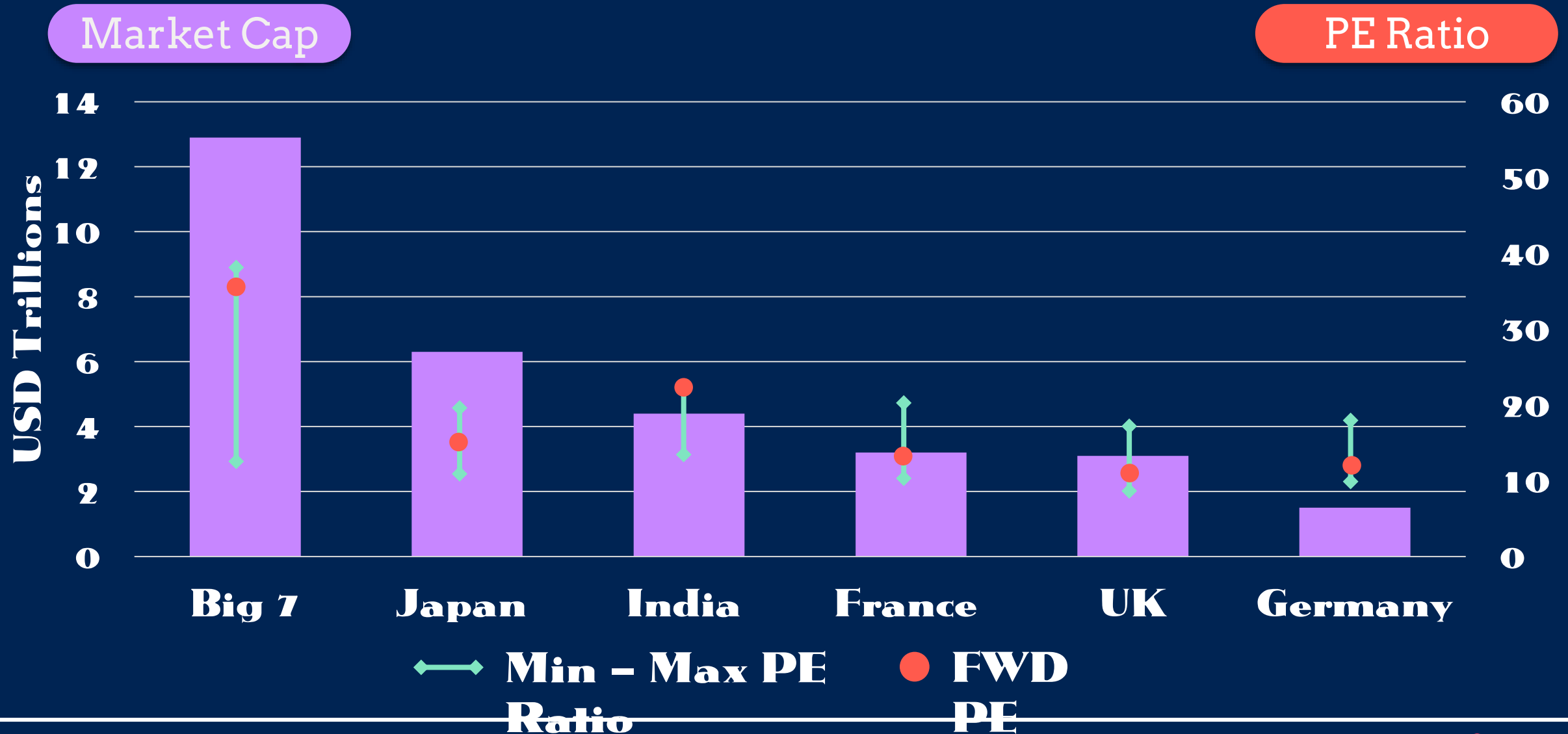
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# Most crowded trade in the world – Valuation matters!



# Where could you lose?

## PEs of Major Markets



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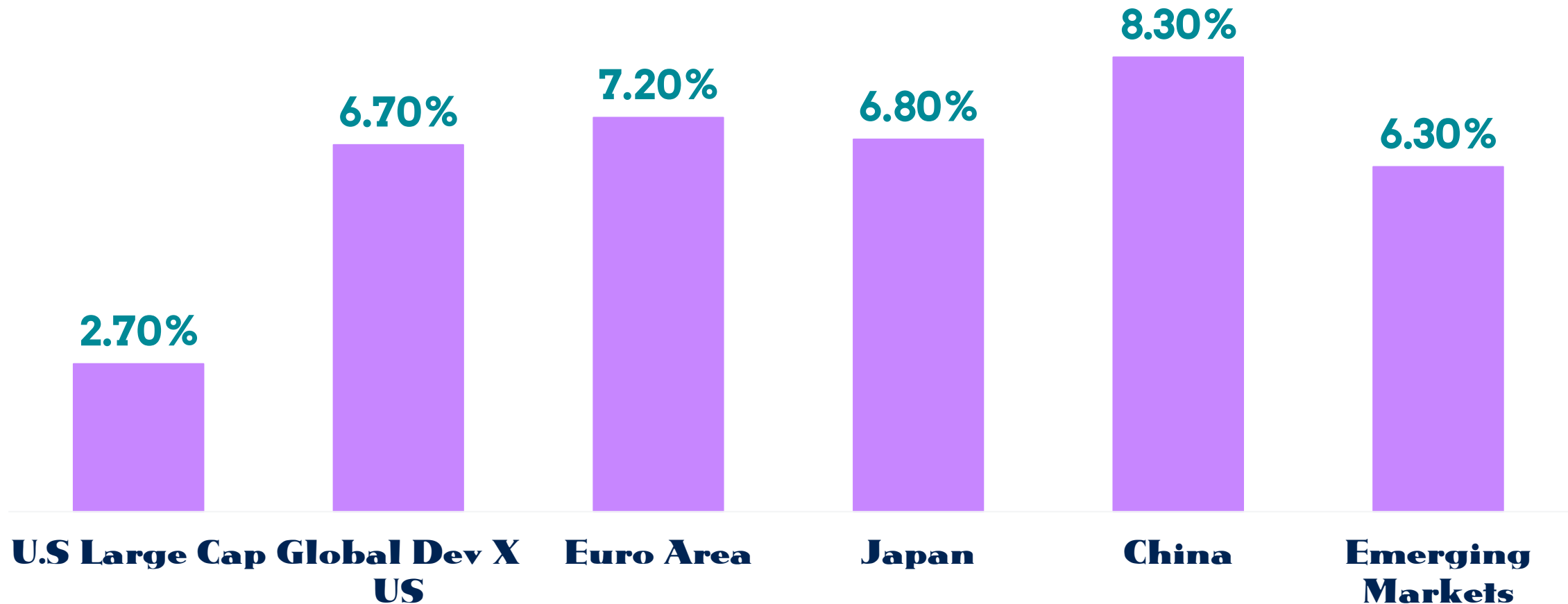


**Steps for building a portfolio that delivers real returns**



# Identifying long term value: **Equity**

Expected Real Return in USD

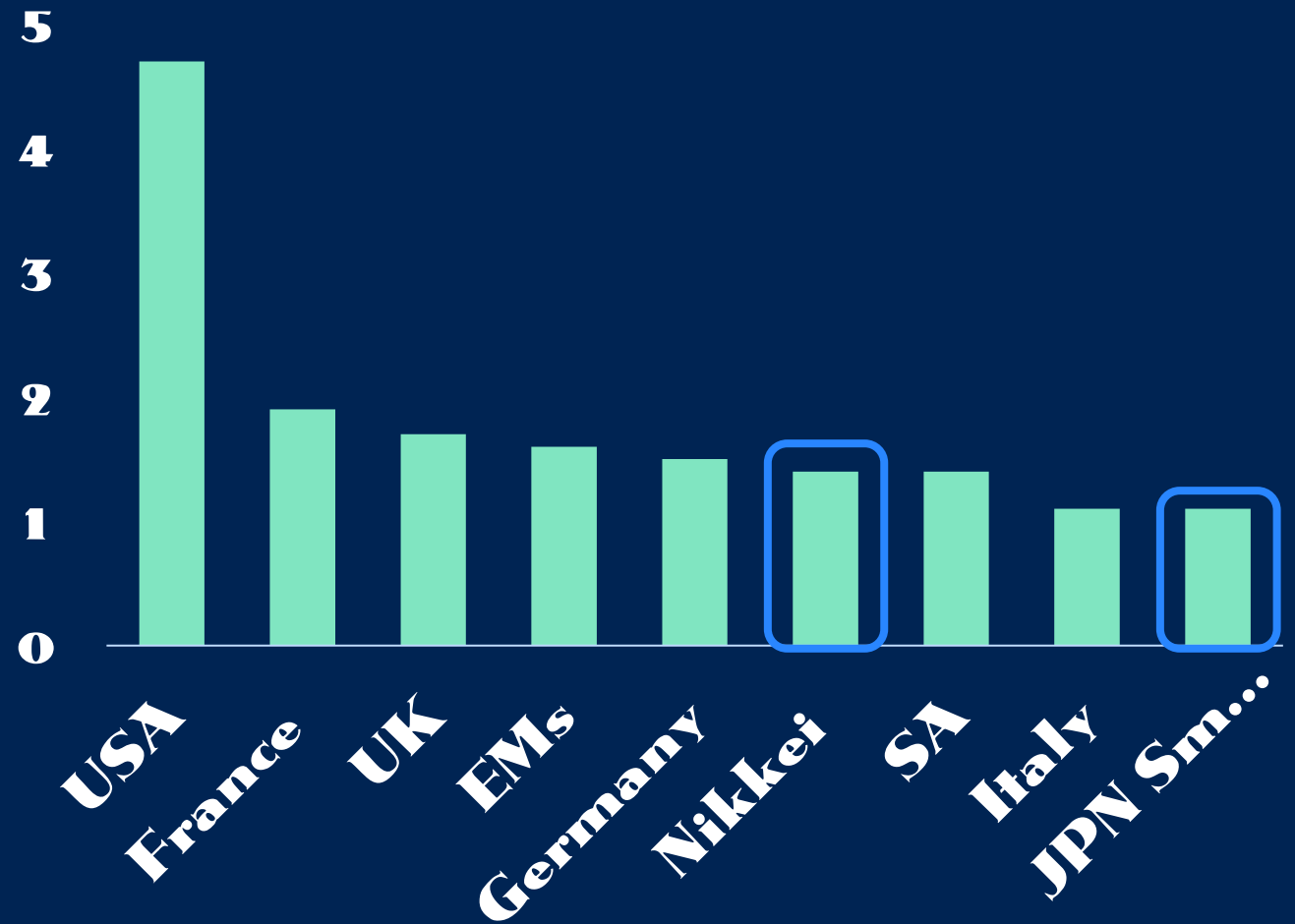


Source: JP Morgan & Truffle Asset Management



**Japanese stocks  
are cheap in a  
global context  
especially small  
caps.**

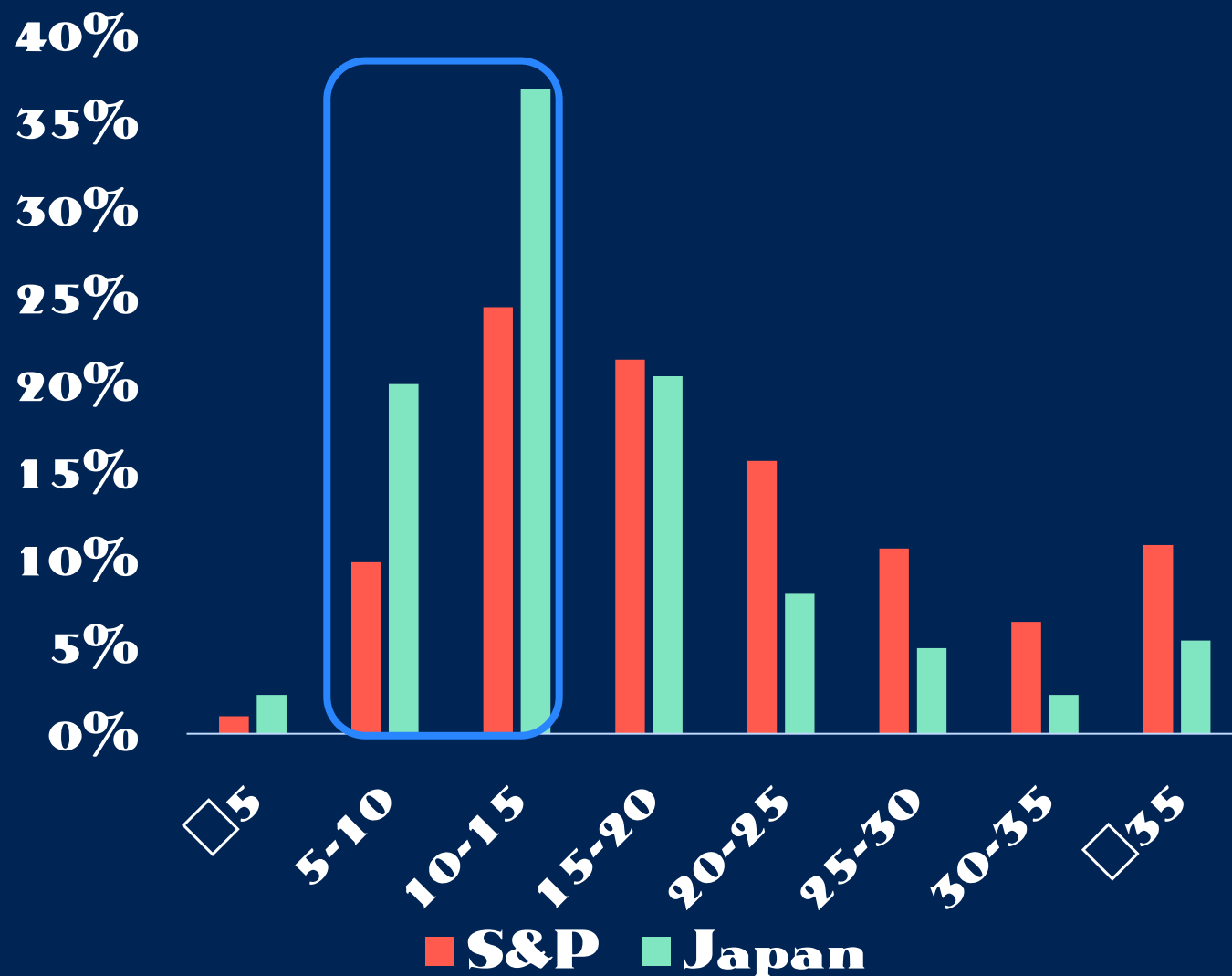
## Price to Book





**Japanese stocks  
are cheap in a  
global context  
especially small  
caps.**

## US vs Japan PE distribution







**Positively sloped yield curve**

**Structural reform driving increased shareholder return**

**Don't want deflation**

**High quality companies**

**Cheap Yen underpin**





**In South Africa...**

**State infrastructure turnaround**

**ANC to lose majority**

**SA Inc. earnings bases are low**

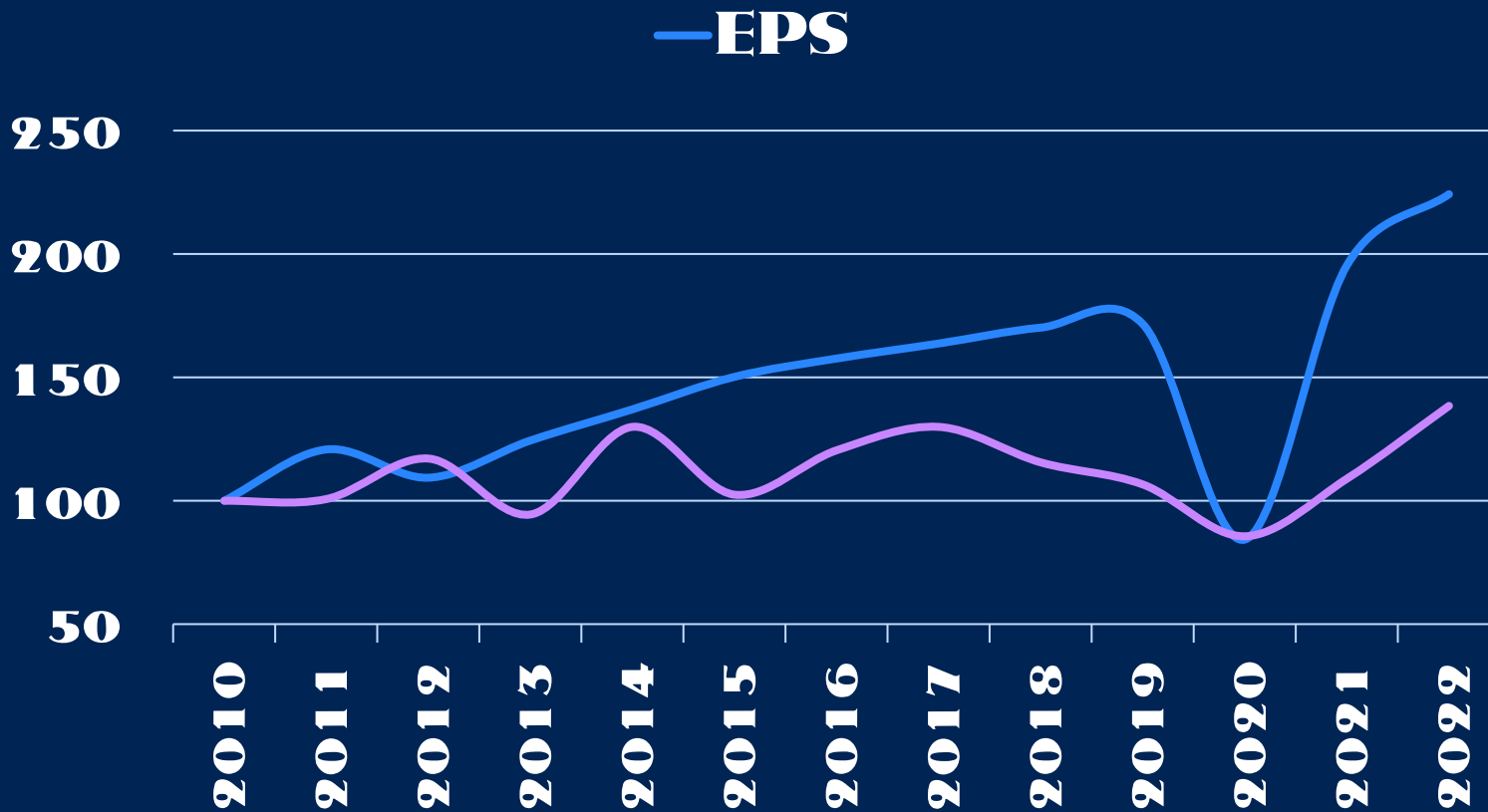
**Dividend yields already return CPI +2%**

**Global DM rates to decrease**

**But our fiscal position continues to deteriorate**

# SA Inc is pricing in a lot of bad news

## Absa Bank EPS vs Share Price



Current FWD PE **5.8x**

FWD Div. Yield **9%**

3 CAGR EPS Growth **10%**

Total Return Ex re-rating **19%**

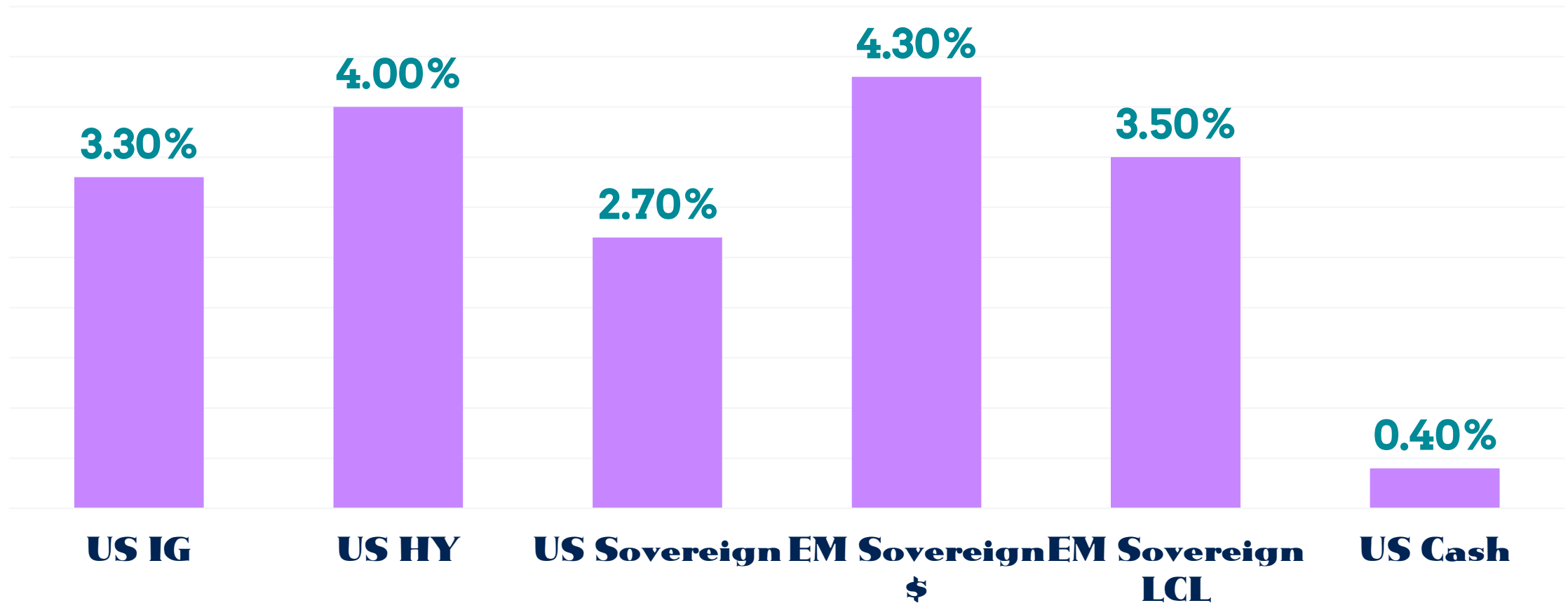
Re-Rating to Median PE **7.5x**

Potential Total Return **43%**



# Identifying long term value: Fixed Income

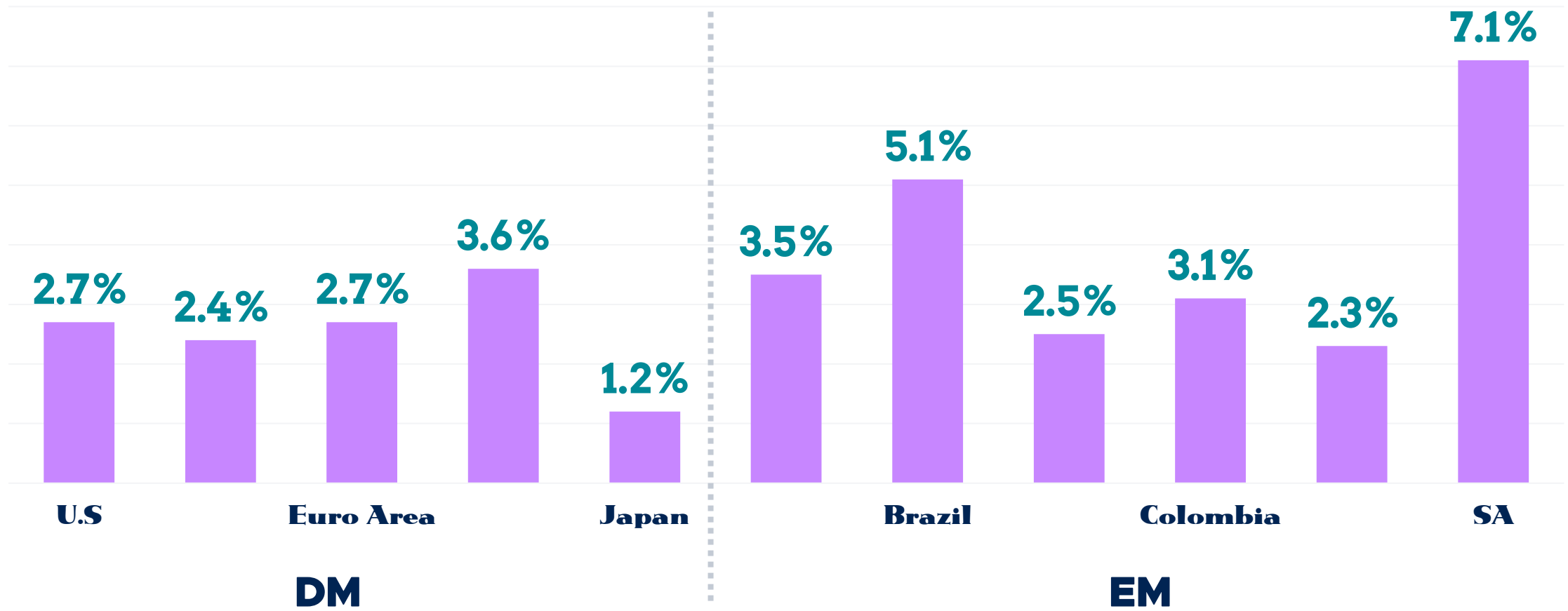
Expected Real Return in USD



Source: JP Morgan & Truffle Asset Management

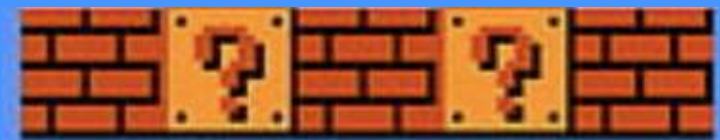
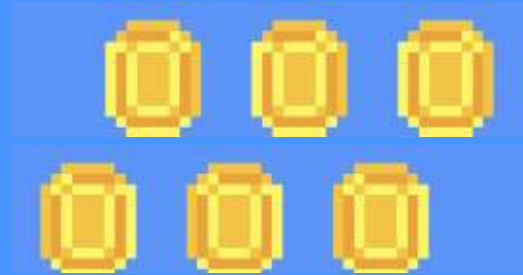
# Identifying long term value: **Fixed Income**

Expected Real Return in USD



Source: JP Morgan & Truffle Asset Management

# Where does Truffle see **value**?





# Where is Truffle positioned

	Position	Valuation	Earnings Base
<b>USA</b>	<b>Underweight</b>	<b>Expensive</b>	<b>High</b>
<b>Europe</b>	<b>Overweight</b>	<b>Cheap</b>	<b>Fair</b>
<b>EM</b>	<b>Overweight</b>	<b>Cheap</b>	<b>Low</b>
<b>Japan</b>	<b>Overweight</b>	<b>Cheap</b>	<b>At trend</b>
<b>South Africa</b>	<b>Overweight</b>	<b>Cheap</b>	<b>Low</b>
<b>Global Bonds</b>	<b>Overweight</b>	<b>Real Yields Attractive</b>	

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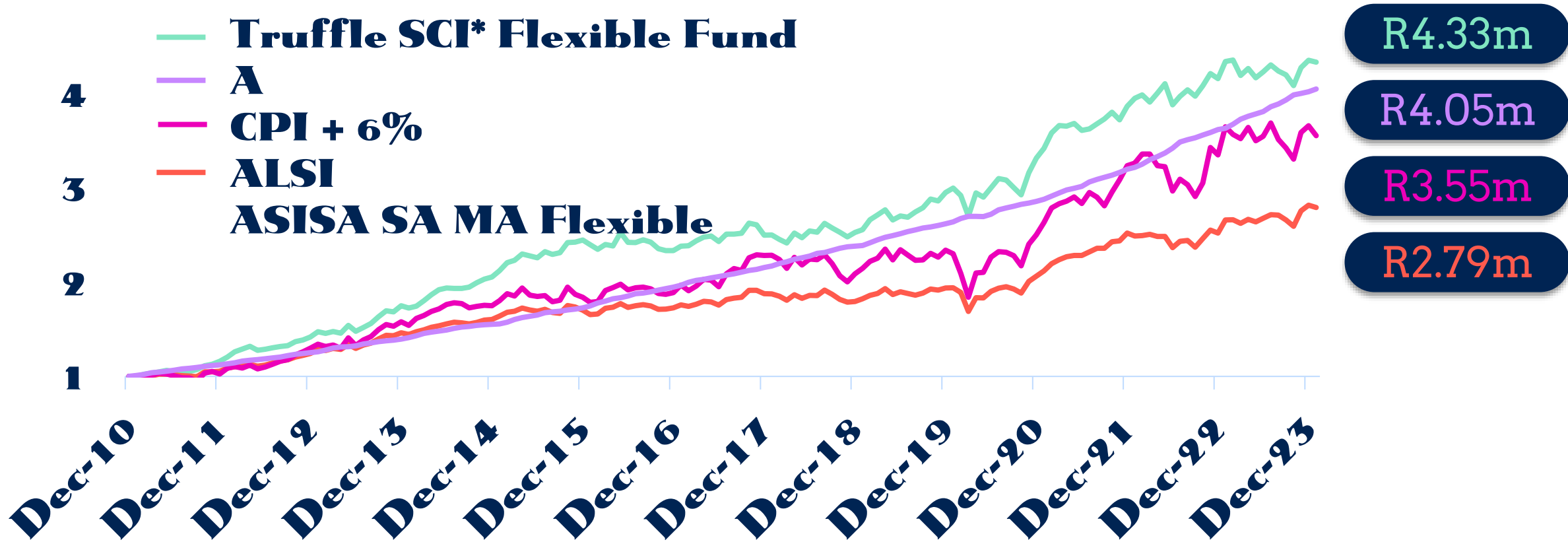
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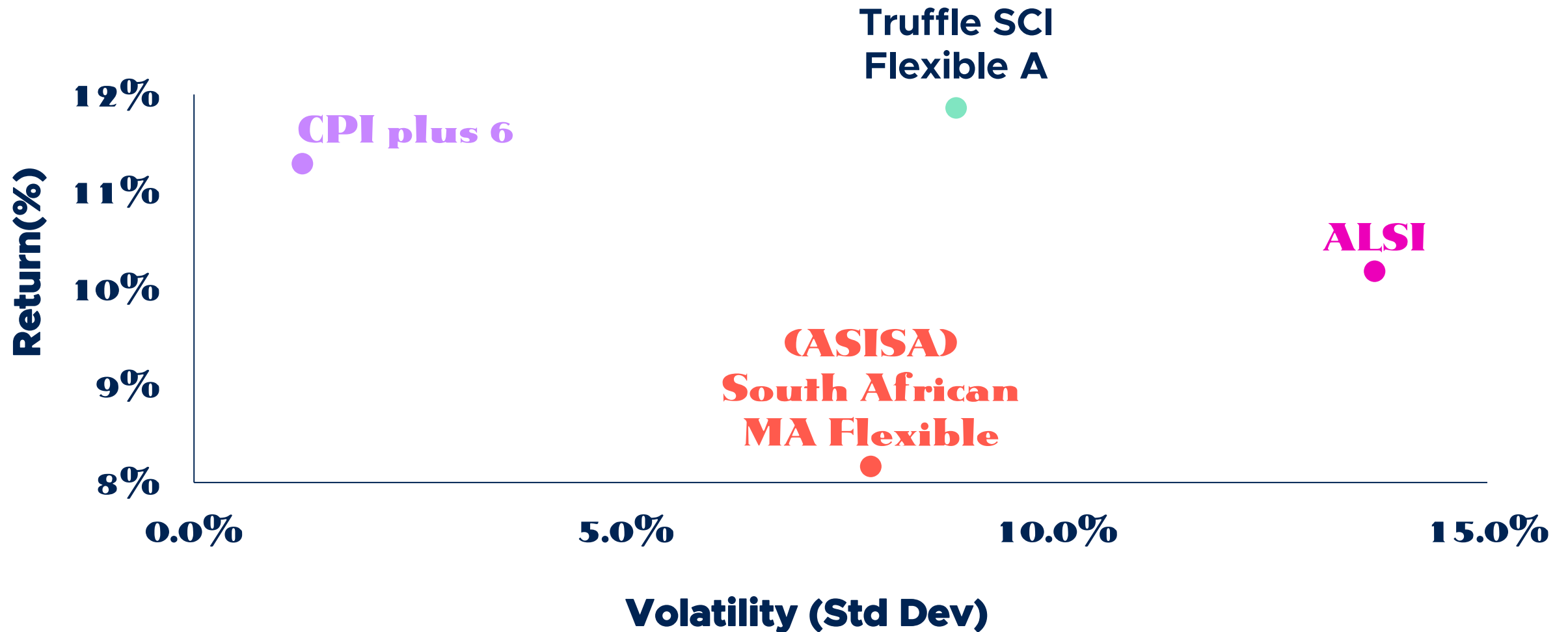
**Steps for building a portfolio that delivers real returns**

# Winning the long game

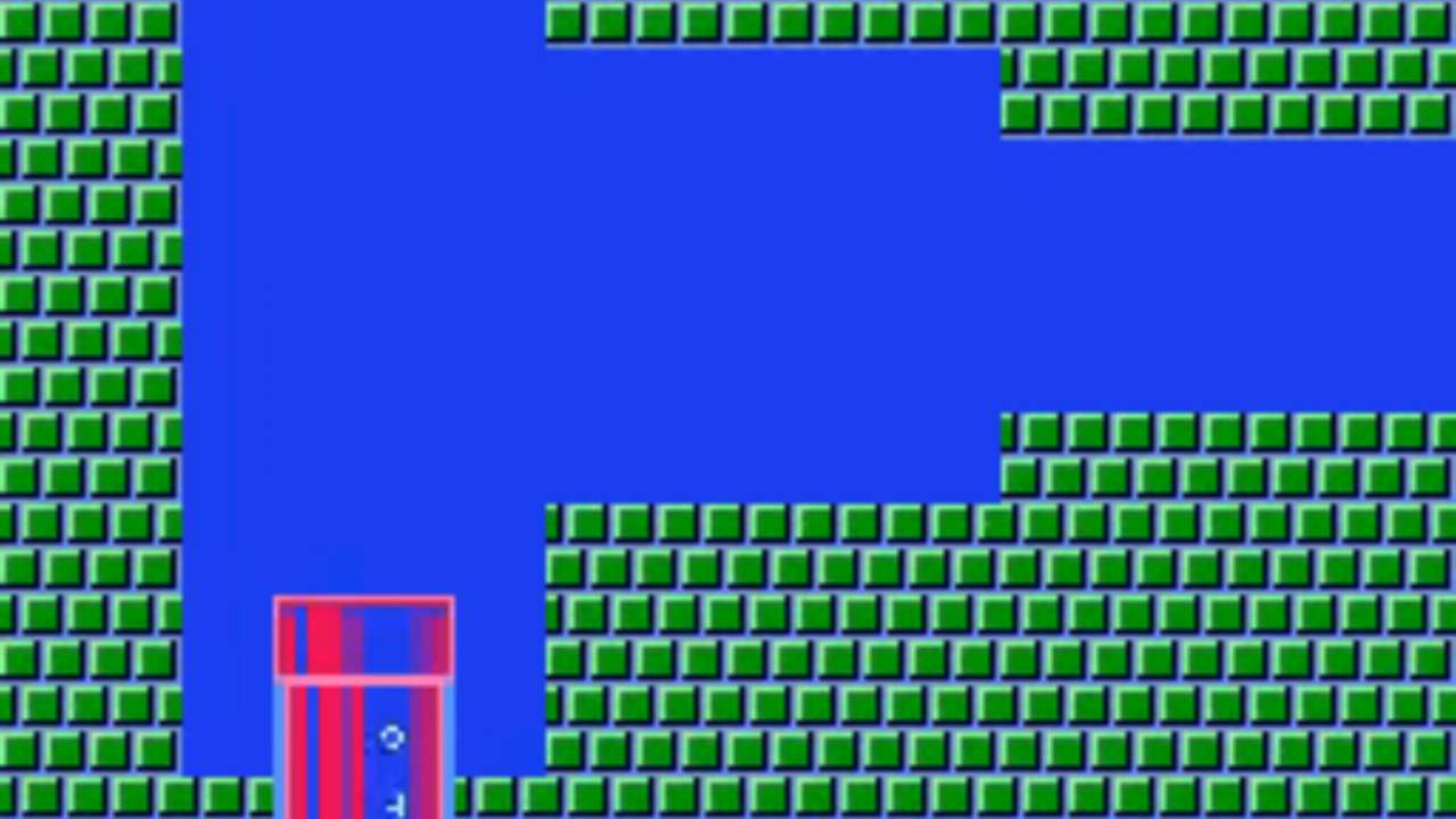
11.9% annualised net return since inception



# Higher return at lower risk







## Invest in the value of experience.

✉ [info@truffle.co.za](mailto:info@truffle.co.za) ☎ +27 11 325 0030 🌐 [www.truffle.co.za](http://www.truffle.co.za)

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