

A stylized teal smiley face graphic consisting of a small square for the top and a thick, curved line for the bottom, positioned to the left of the word "hello".

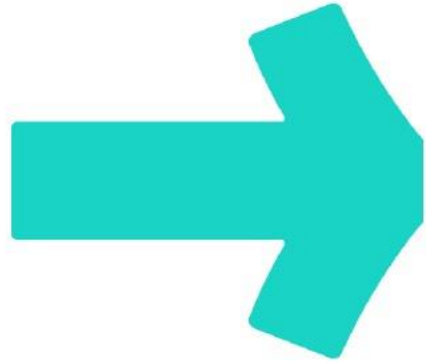
hello



Portfolio Positioning through the Economic Cycle

June 2020

Ryan Basdeo



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The Economic Cycle

Asset Allocation through The Cycle

Using ETFs

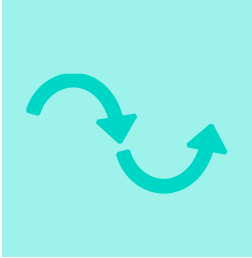
U or V Shaped Recovery

Recap



**the
economic
cycle**

what what?



- **The Economic Cycle** is the fluctuation of the economy between periods of expansion and contraction.
- **It is impacted by** factors such as GDP, business confidence, employment, consumer spending, inflation and interest rates.
- **It is important** to know where the economy is in the cycle to better understand portfolio returns and allocations.

economic cycle

Recovery Phase

- Economic stimulus policies
- Inflation low or falling
- Confidence picks up

Early Growth Phase

- Healthy economic growth
- Inflation remains low
- Increasing confidence

Late Growth Phase

- Economic policy restrictive
- Risk on mentality
- Inflation rises

Start of Recession

- Economy growth slows
- Inflation continues to rise
- Confidence drops
- Inventory levels increase

Recession

- Economy growth & production falling
- Inflation peaks
- Confidence weak

Markets

- Interest rate low or falling
- Bond yields start to find a bottom

- Stock market start to improve
- Commodity prices start to rise
- Property prices find a floor

Markets

- Interest rates low to neutral
- Bonds stable
- Stock market strong
- Commodities strong
- Property prices on the up

Markets

- Interest rates rise
- Bond yields rise
- Stock market peaks
- Commodities sharply rise
- Property sharply rise

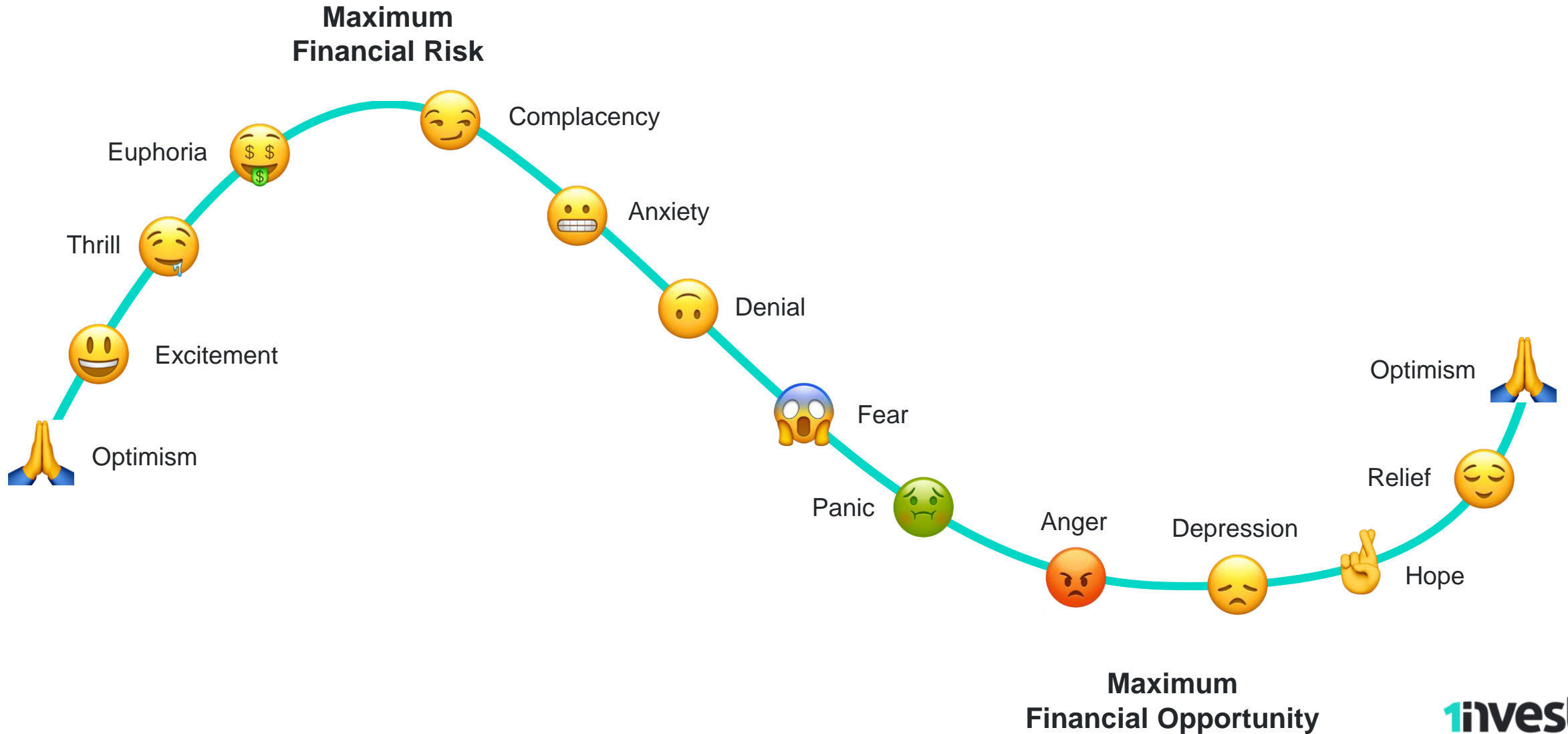
Markets

- Interest rates peak
- Bond yields peak
- Stock market start decline
- Commodities start decline
- Property prices peak

Markets

- Interest rates drop
- Bond yields drop
- Stock market start to bottom
- Commodities remain weak
- Property prices weak

the cycle of market emojis

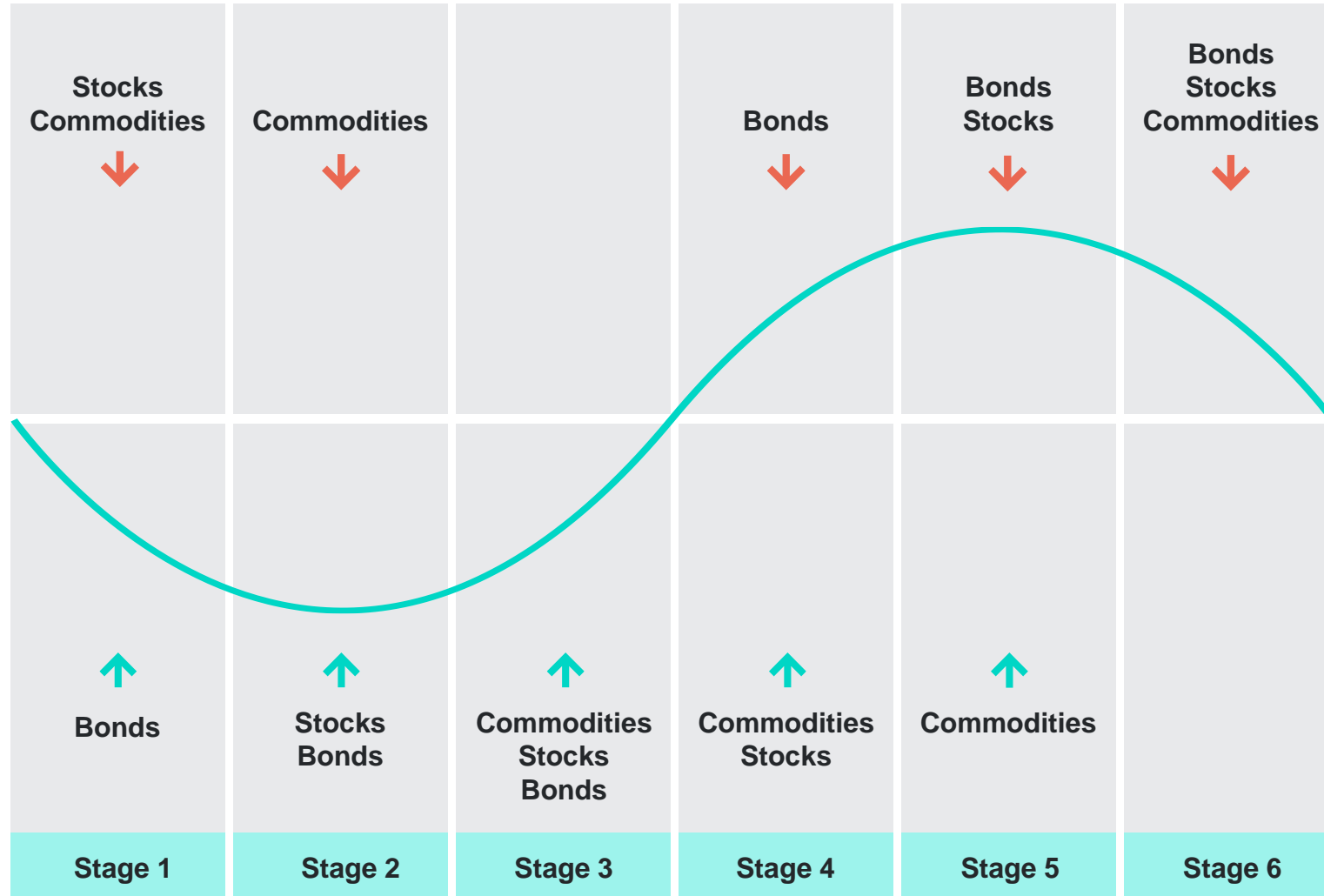




**asset
allocation
through
the cycle**

allocation

cycle allocation

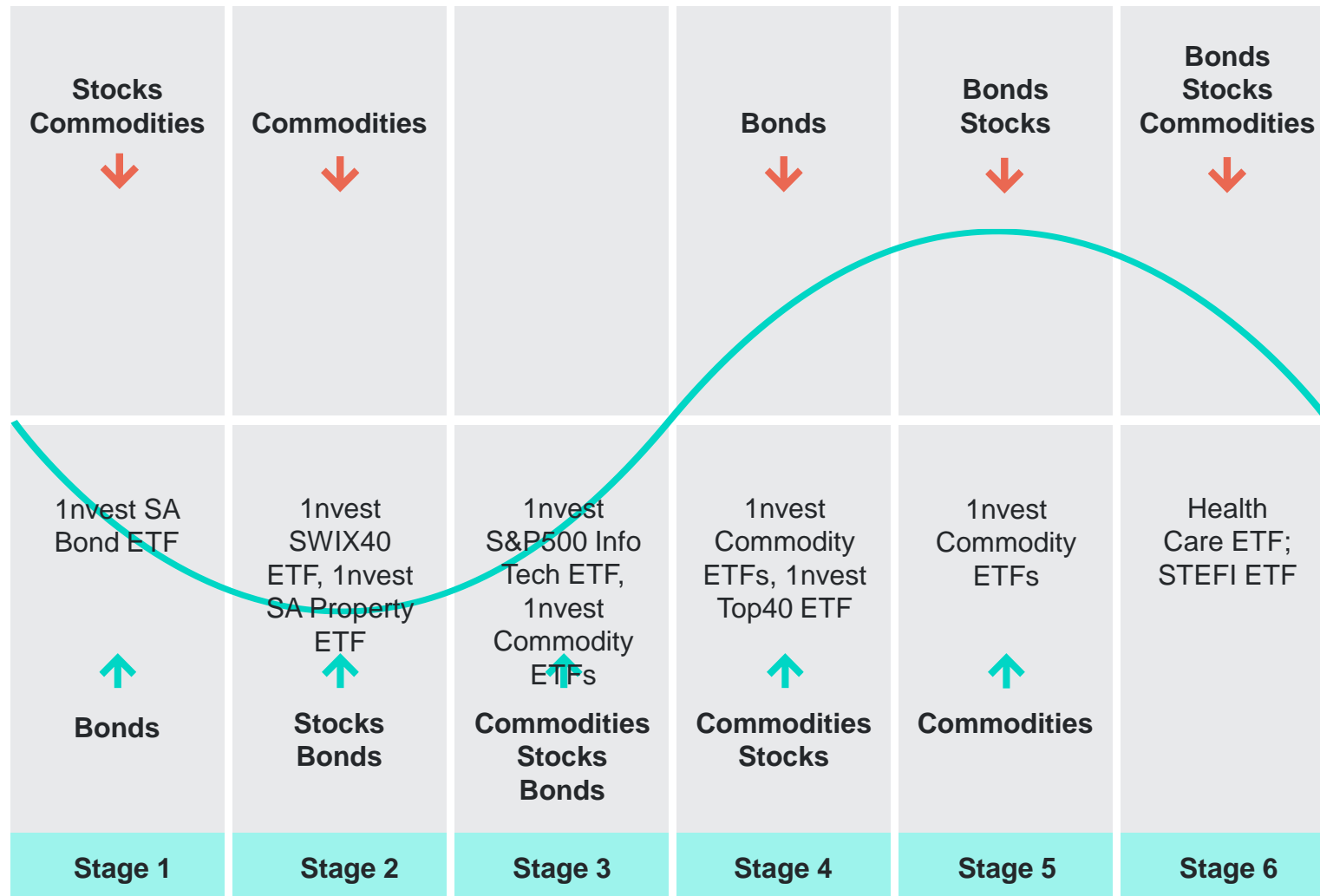




**using
ETFs**

allocation

ETF allocation





**U or V
shaped
recovery**

possible scenarios



what what?



→ **V shaped** is a short, sharp decline followed by a quick rebound → is the best-case scenario. Lockdowns lift soon and spending surges, driven by pent-up demand and government stimulus.



→ **U shaped** is a sharp decline followed by delayed and sluggish upturn. No severe second wave of infections and production is able to find as footing. Government stimulus is not quick enough or lacks scale.



→ **W shaped** is a 'double-dip recession' is the worst-case scenario that could happen if the easing of restrictions leads to another wave of infections and lockdowns, or the economic damage causes a second downturn.



→ **L shaped** is the 'black swan' scenario, significant permanent damage. Struggle to recovery if lockdowns continues through the year. Insufficient public health response, widespread unemployment, insolvencies, credit defaults and instability in the financial sector.



recap

recap

things to consider

→ **Know the stage of the economic cycle we are in.** Investors should question and understand the factors that drive cycles and allocate their investments accordingly. ETFs serve as an efficient vehicle for asset class exposure. Health crisis driving the cycle.

→ **Many recovery states exist and can be projected in various shapes.** South Africa does not have the 'fire power' as other developed nations, recovery expected to be prolonged. U-shaped is best outcome. Focus long term investment goals + opportunities enhance returns.

Exchange Traded Funds

	Equity	Property	Bonds
The Simple Range	1invest Top40 ETF	1invest SA Property ETF	1invest SA Bond ETF
	1invest SWIX40 ETF		
The Global Range	1invest MSCI World Index Feeder ETF	1invest Global REIT Index Feeder ETF	1invest Global Government Bond Index Feeder ETF
	1invest S&P500 Info Tech Index Feeder ETF		
	1invest S&P500 Index Feeder ETF		
Commodities			
The Commodities Range		1invest Palladium ETF	
		1invest Platinum ETF	
		1invest Gold ETF	
		1invest Rhodium ETF	



thank you

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