

MONTH IN PICTURES

**DECEMBER
2018**

MONTHLY SNAPSHOT

NOTABLE EVENTS

- The local equity market had a positive December (+2.6%), but still ended the year nearly 11% down, recording its worst calendar year performance since 2008.
- By contrast, global equities ended the month 3.7% down, but managed to end 2018 in positive territory (+5.6%) due to a sharp depreciation in the rand (16% weaker against the US Dollar) over the same period.
- Similarly, emerging equity markets (+0.8%) outperformed developed markets (-4.3%) in December, but still trail behind over the calendar year (-0.6% vs +6.5%).
- The resources sector (+12.3%) was the standout local equity sector in December, and also the only sector in 2018 (+15.5%) able to yield a positive return, with financials (-8.8%), industrials (-17.5%) and listed property (-25.3%) all sharply down over the year.
- Interest bearing assets were the only major asset classes able to yield decent returns in 2018, with local bonds and cash up 7.7% and 7.2% respectively. Global bonds were basically flat in US Dollars, but the rand's depreciation saw this asset class end the year 15% higher for local investors.
- The US Fed hiked interest rates by another 25 basis points in December (its fourth such hike in 2018 and the ninth in this cycle) and now forecasts two further hikes for 2019, instead of three as previously expected.
- The US and China declare 90-day ceasefire in its ongoing trade war following negotiations at the annual G20 summit held in early December.
- 2018 was an exceptionally tough year for local investors, with most asset classes ending the year lower. In fact, according to Deutsche Bank, 90% of the 70 asset classes they track ended the year down, compared to just 1% last year and 84% at the previous high in 1920... Investors are therefore likely to be disappointed with their short term investment returns as market performance figures indicate that most long-term orientated balanced portfolios would have gone down in value in 2018. As always, members are reminded to keep the long term (historical and prospective) track records of these portfolios in mind.

MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Oct 2018	Nov 2018	Dec 2018	3 months	12 months
Local equities	Capped SWIX	(4.6)	(1.7)	2.6	(3.8)	(10.9)
	Resources	(4.0)	(11.5)	12.3	(4.5)	15.5
	Industrials	(8.0)	(0.7)	2.4	(6.5)	(17.5)
	Financials	(3.2)	0.5	0.6	(2.1)	(8.8)
	Listed Property	(1.7)	(1.3)	(1.1)	(4.0)	(25.3)
Local bonds	ALBI	(1.7)	3.9	0.6	2.7	7.7
Local cash	STeFI Composite	0.6	0.6	0.6	1.8	7.2
Global equities	MSCI All Country	(3.4)	(4.7)	(3.7)	(11.4)	5.6
Global bonds	FTSE WGBI	3.2	(5.7)	6.0	3.2	15.0
Exchange rate	ZAR/USD	4.4	(6.1)	3.5	1.4	16.0
Inflation	CPI	0.5	0.2	0.5	1.1	5.2

1. Total returns (in Rands) for the months and periods ending 31 December 2018

2. Y-o-y CPI for December 2018 assumed to be equal to that of November 2018

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	Capped SWIX	(10.9)	2.9	5.3	12.7	15.1
	Resources	15.5	22.3	(0.4)	3.9	8.0
	Industrials	(17.5)	(1.9)	4.9	15.9	18.1
	Financials	(8.8)	5.1	8.9	15.0	15.4
	Listed Property	(25.3)	(1.2)	5.7	12.1	16.8
Local bonds	ALBI	7.7	11.1	7.7	7.7	8.6
Local cash	STeFI Composite	7.2	7.4	6.9	6.7	7.4
Global equities	MSCI All Country	5.6	4.6	11.9	14.7	12.4
Global bonds	FTSE WGBI	15.0	0.2	7.6	5.8	8.5
Exchange rate	ZAR/USD	16.0	(2.4)	6.8	4.2	5.3
Inflation	CPI	5.2	5.5	5.4	5.4	5.7

1. Total returns (in Rands) for the months and periods ending 31 December 2018

2. Y-o-y CPI for December 2018 assumed to be equal to that of November 2018

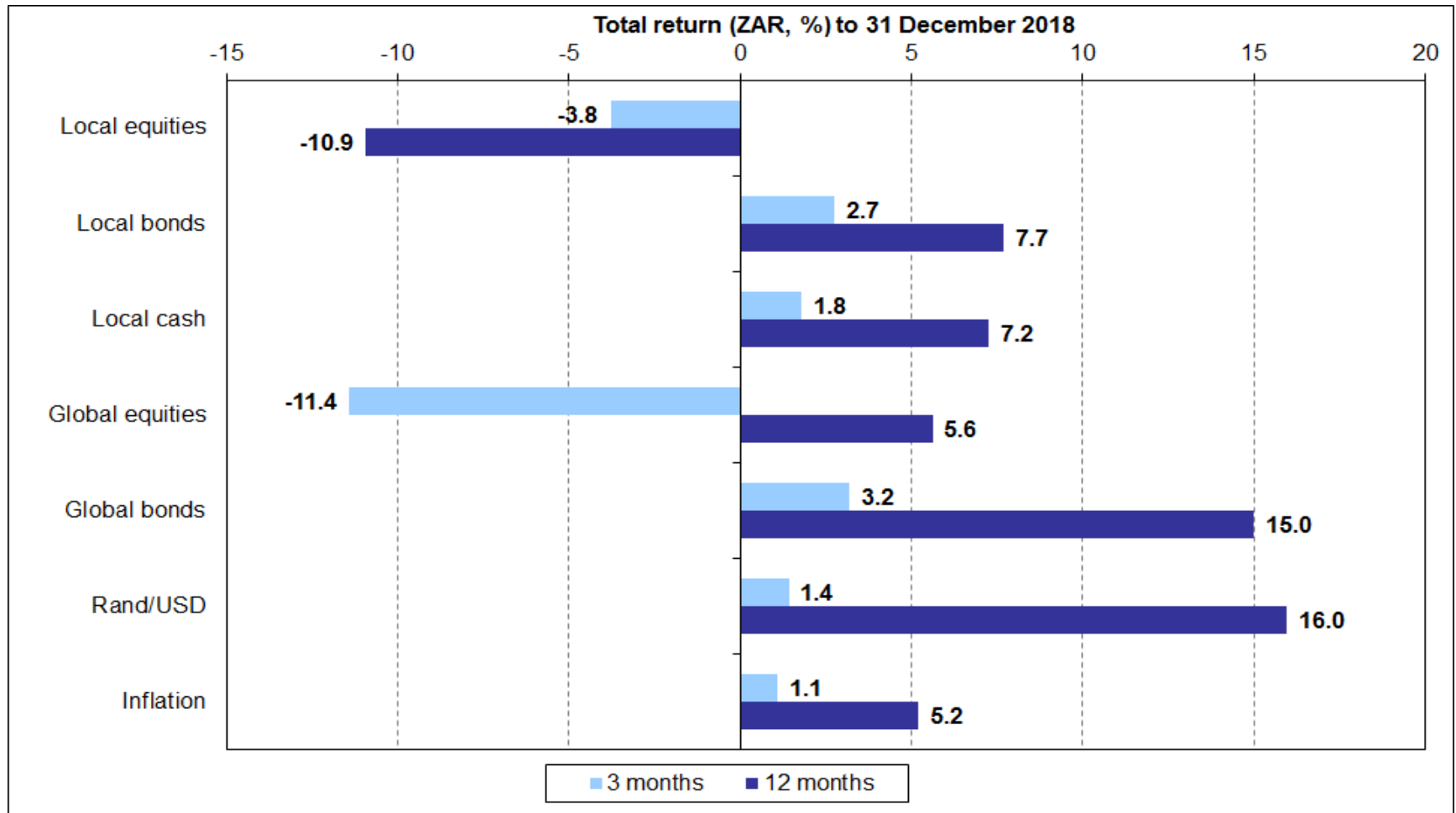
ECONOMIC INDICATORS

Economic indicators ¹	Dec 2016	Dec 2017	Oct 2018	Nov 2018	Dec 2018
Exchange rates:					
ZAR/USD	13.69	12.38	14.77	13.87	14.35
ZAR/GBP	16.70	16.74	18.87	17.67	18.32
ZAR/Euro	14.44	14.86	16.71	15.69	16.47
Commodities:					
Brent Crude Oil (USD/barrel)	56.82	66.52	74.62	59.14	54.44
Platinum (USD/ounce)	903.00	929.62	832.85	811.49	793.31
Gold (USD/ounce)	1,150.60	1,296.65	1,214.86	1,224.37	1,280.92

1. Month-end prices

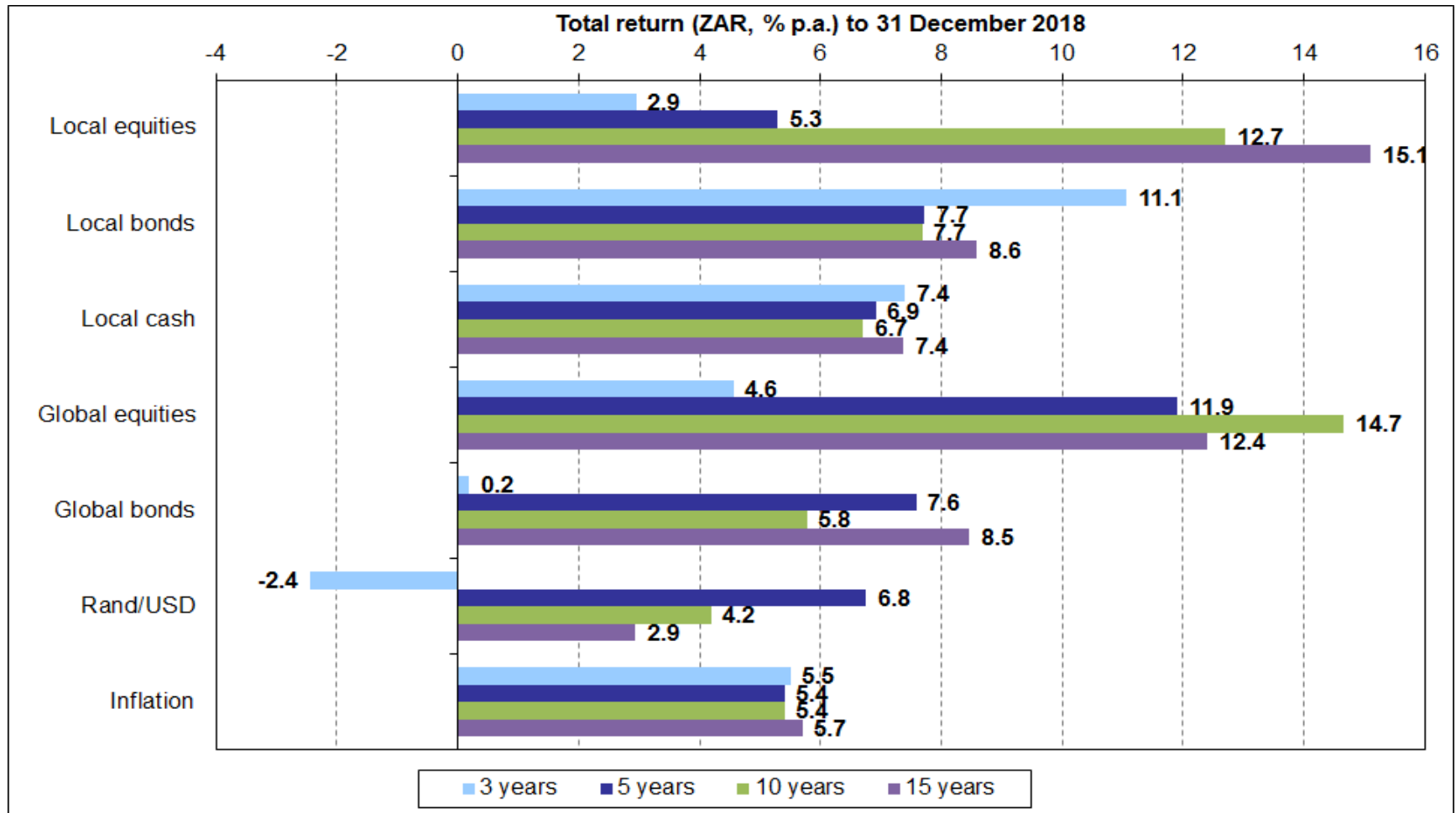
ASSET CLASS PERFORMANCE

SHORT TERM



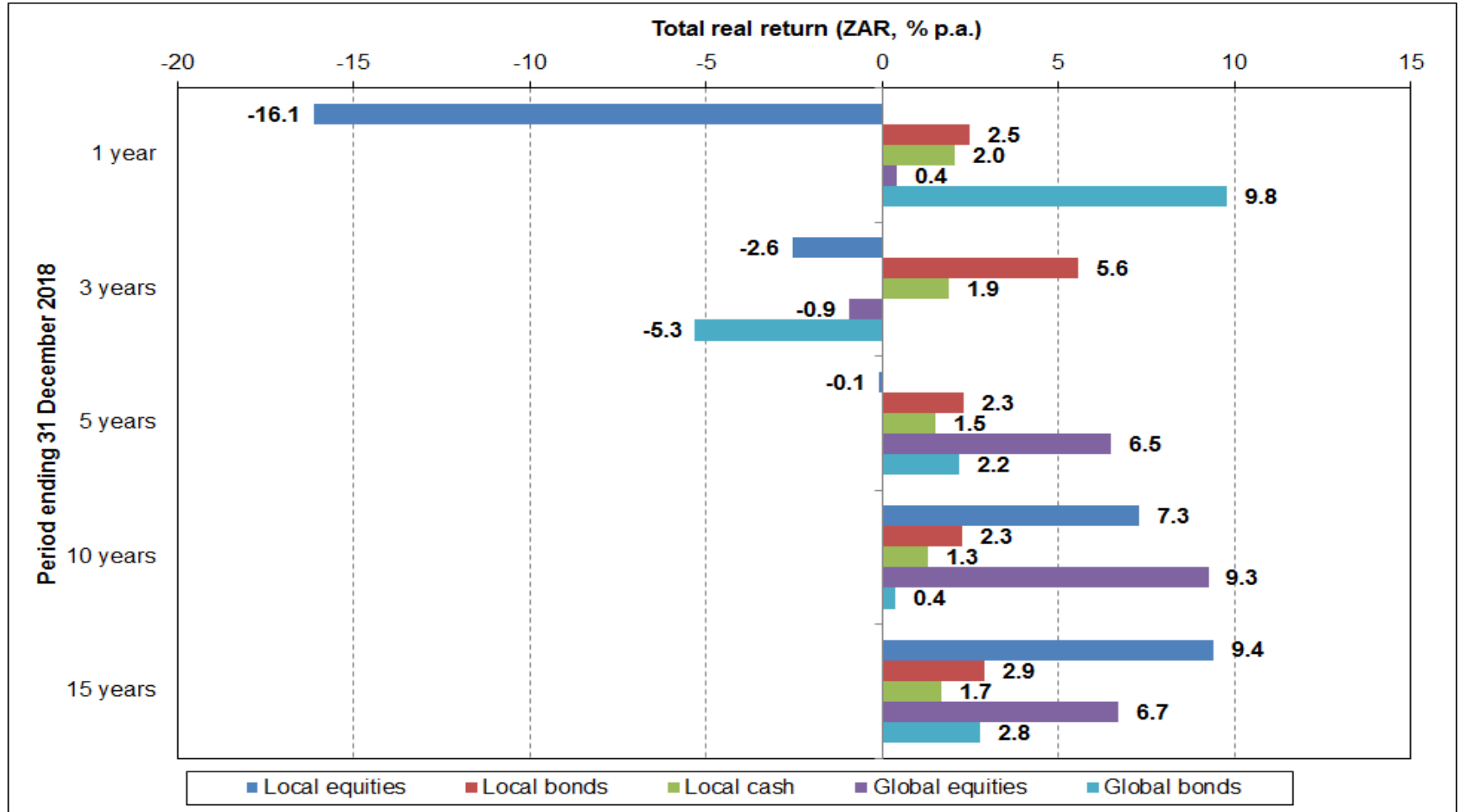
ASSET CLASS PERFORMANCE

MEDIUM TO LONG TERM



ASSET CLASS PERFORMANCE

REAL (EXCESS ABOVE INFLATION) RETURNS



MARKET PERFORMANCE

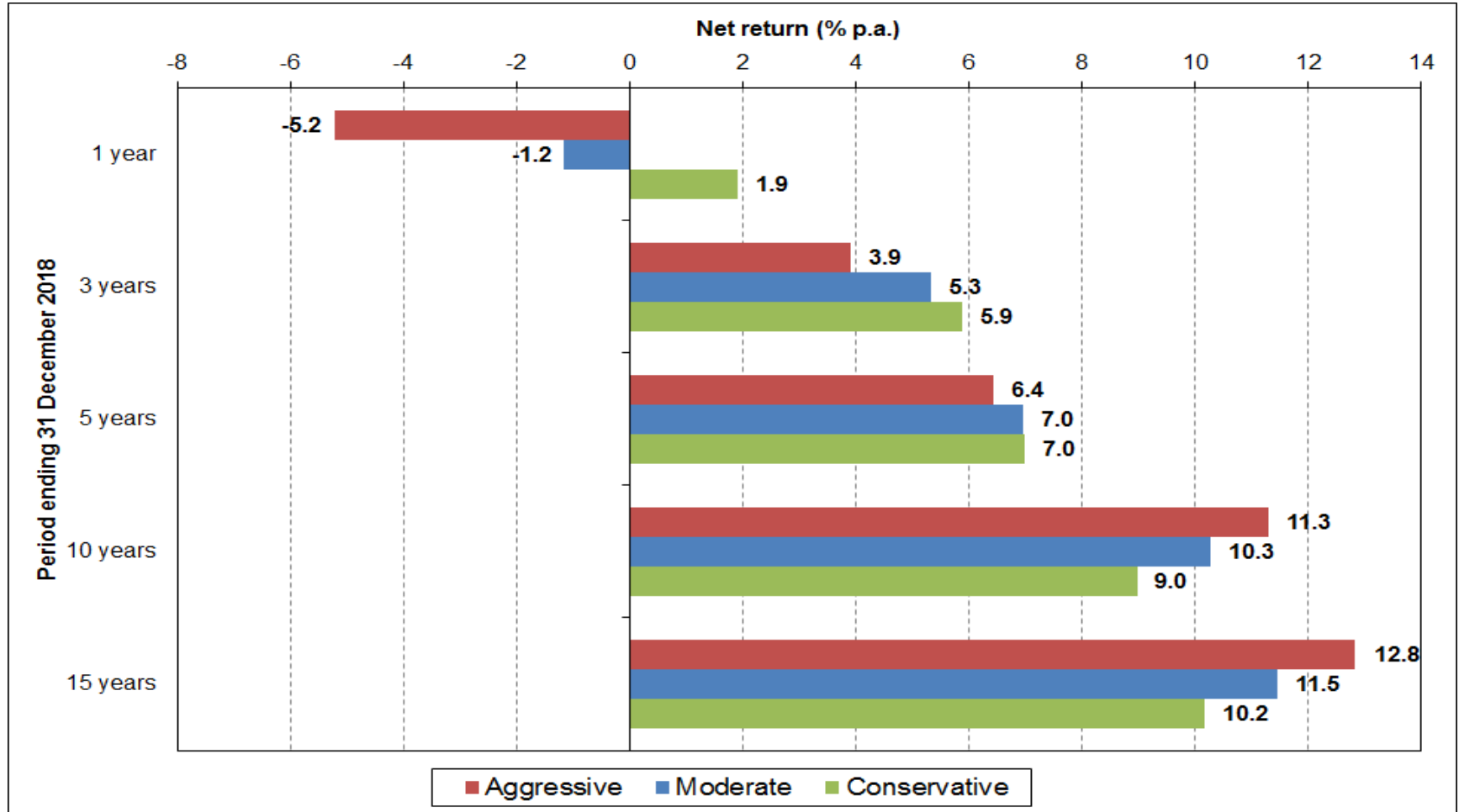
WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

Given the performances of the various asset classes (see earlier slides), what level of returns (in both nominal and real terms) can investors reasonably expect from the market (see next two slides), assuming the following asset class allocations:

Asset class	Asset class allocation per risk profile		
	Aggressive	Moderate	Conservative
Local equities	60%	40%	25%
Global equities	15%	15%	10%
Total growth assets	75%	55%	35%
Local bonds	15%	25%	30%
Local cash	5%	15%	25%
Global bonds	5%	5%	10%
Total income assets	25%	45%	65%
TOTAL	100%	100%	100%

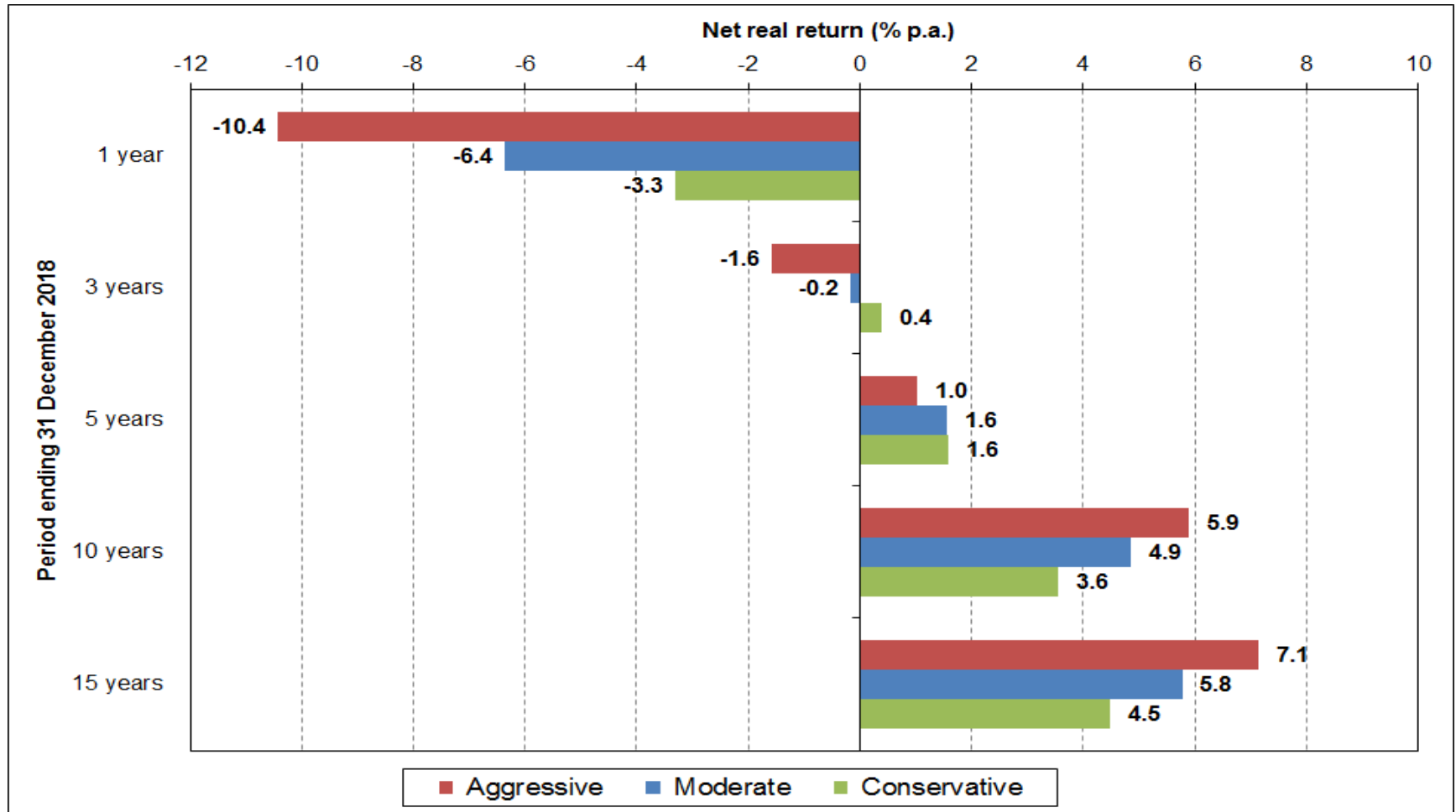
MR MARKET PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST NOMINAL RETURNS WAS REASONABLY ACHIEVABLE?



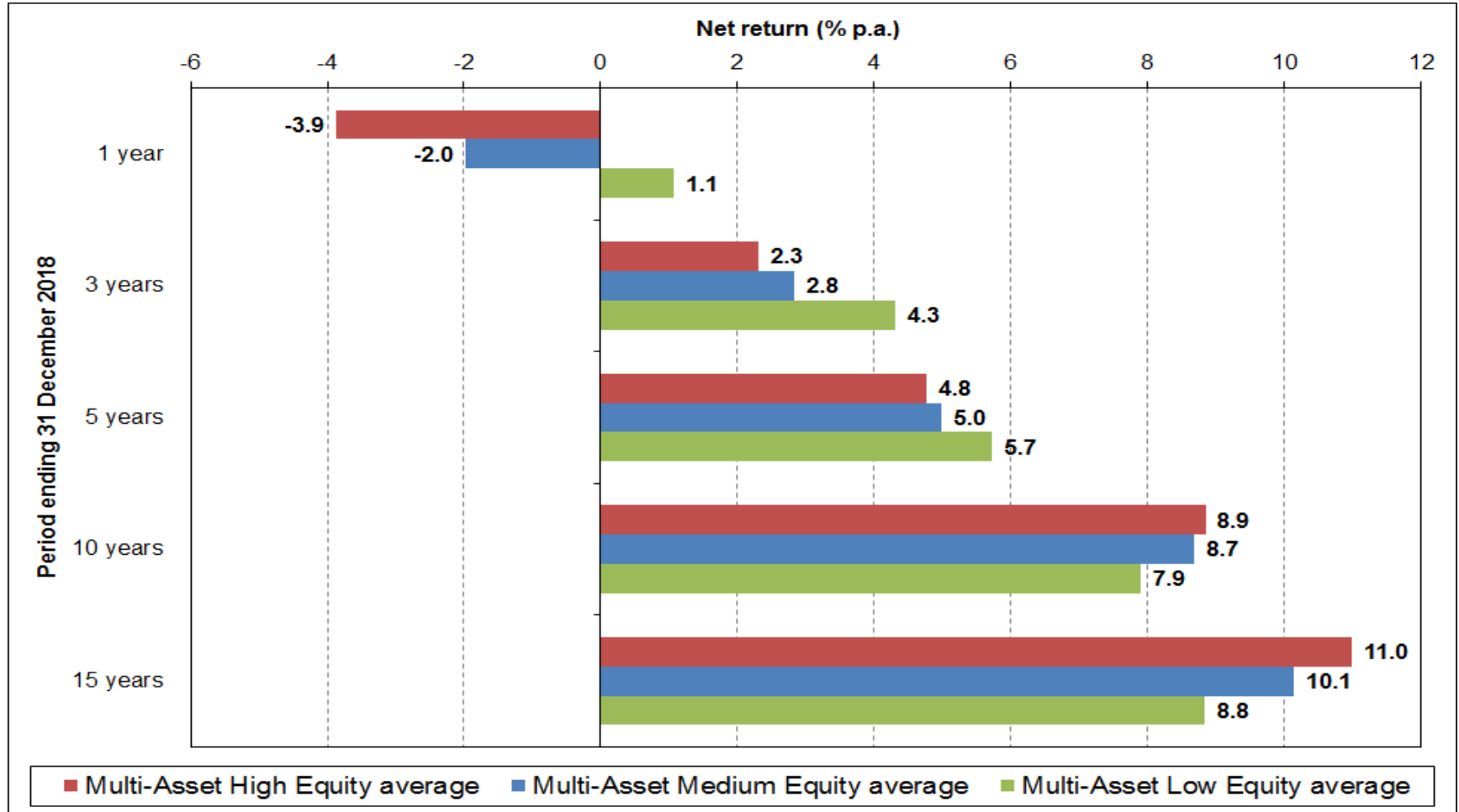
MR MARKET PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST REAL RETURNS WAS REASONABLY ACHIEVABLE?



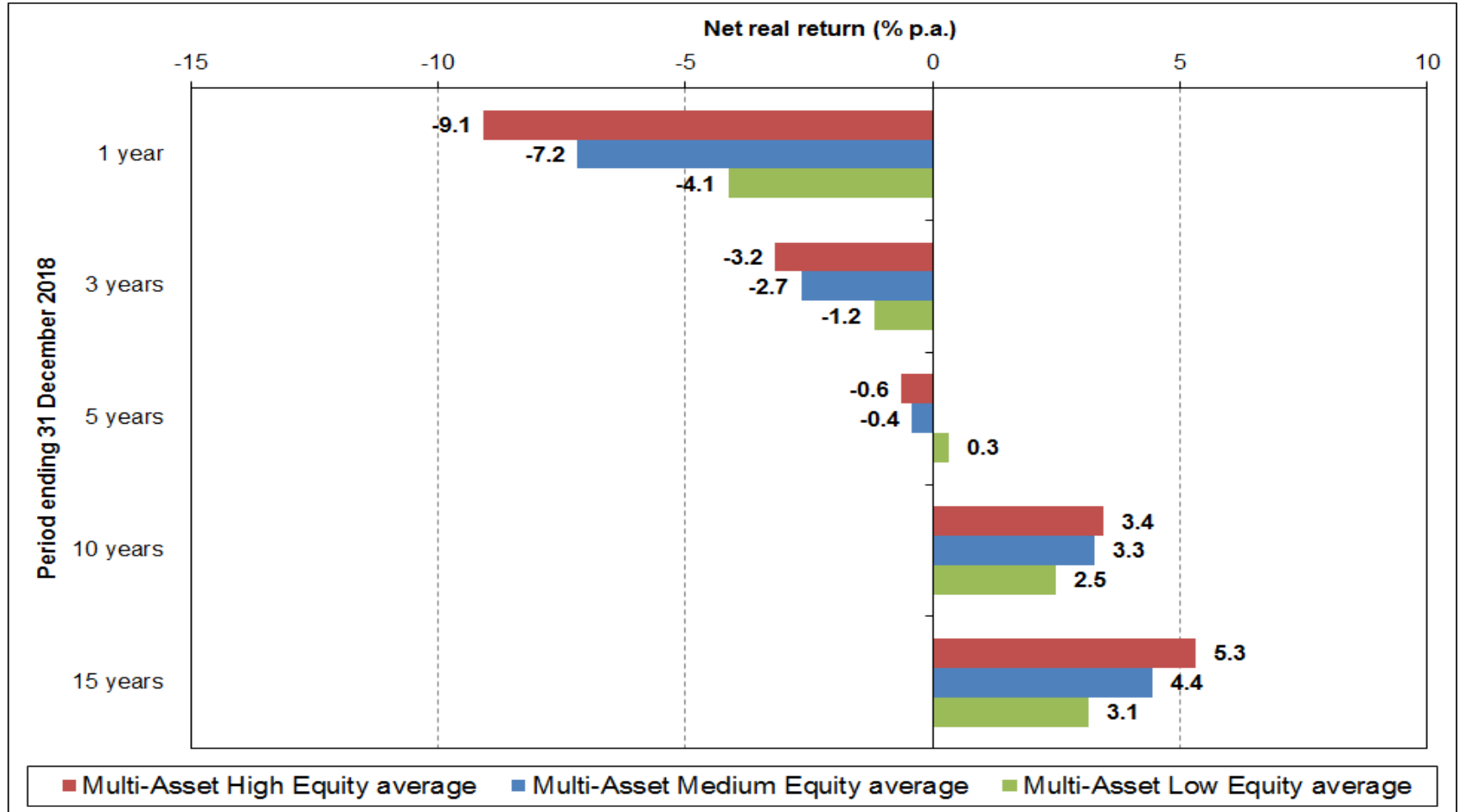
MR MANAGER PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST NOMINAL RETURNS WAS REASONABLY ACHIEVABLE?



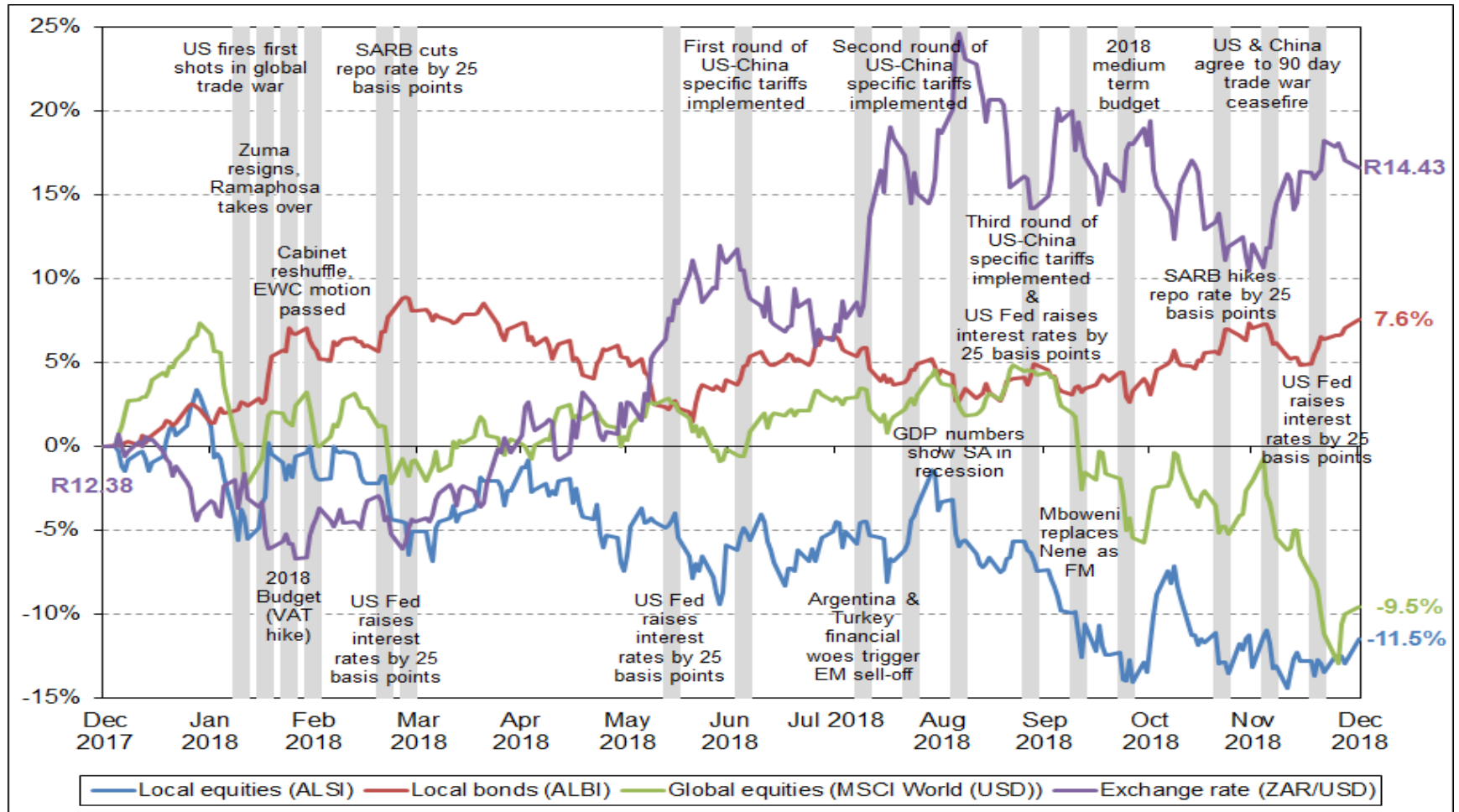
MR MANAGER PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST REAL RETURNS WAS REASONABLY ACHIEVABLE?



2018 IN REVIEW

TIMELINE



2018 IN REVIEW

ASSET CLASS RETURNS: LOCAL EQUITIES AND LISTED PROPERTY GO FROM BEST TO WORST

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
41.3%	50.0%	39.3%	26.5%	55.1%	29.9%	29.6%	29.6%	35.9%	52.1%	26.6%	35.0%	15.5%	17.2%	16.0%
33.8%	44.9%	34.1%	18.1%	39.8%	14.1%	20.9%	21.9%	29.1%	23.2%	15.8%	32.5%	10.2%	16.5%	15.0%
15.2%	24.9%	28.4%	9.6%	17.0%	9.1%	15.0%	13.5%	21.6%	20.7%	15.4%	30.2%	7.4%	12.7%	7.7%
8.0%	12.1%	17.1%	9.3%	11.7%	6.3%	6.9%	8.9%	16.0%	18.3%	10.6%	8.0%	6.7%	10.2%	7.2%
3.5%	10.8%	10.4%	8.8%	9.6%	5.2%	3.5%	8.8%	5.8%	8.4%	10.1%	6.5%	5.2%	7.5%	5.6%
-1.5%	7.1%	7.4%	8.4%	-4.5%	-1.0%	1.3%	6.2%	5.7%	5.4%	10.1%	5.3%	-3.9%	4.7%	5.2%
-6.1%	4.4%	5.8%	4.2%	-18.7%	-20.3%	-5.9%	5.7%	5.5%	5.2%	5.9%	2.8%	-10.0%	-2.8%	-10.9%
-14.9%	3.6%	5.5%	-2.3%	-21.7%	-22.3%	-10.6%	4.3%	4.1%	0.6%	5.3%	-3.9%	-11.5%	-9.6%	-25.3%

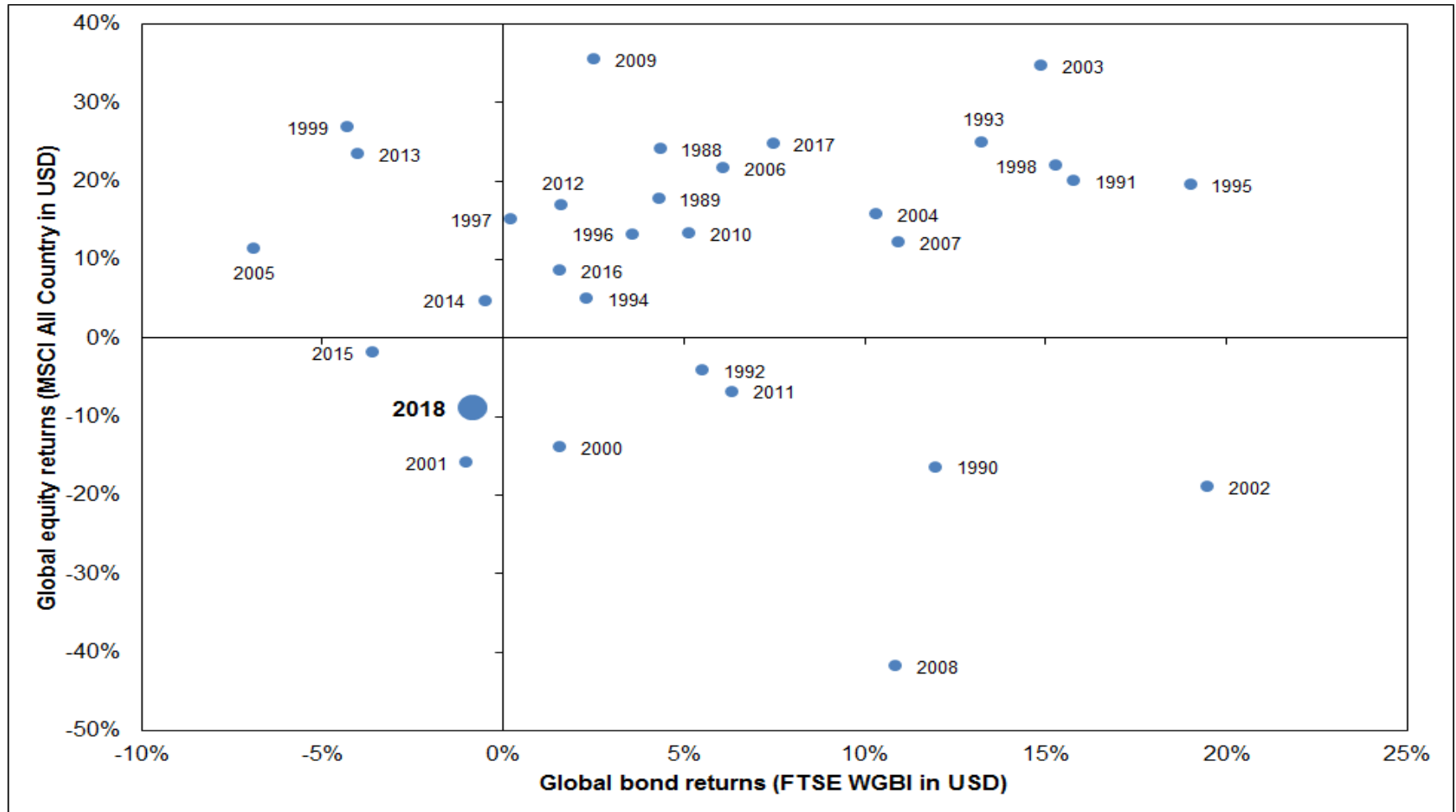
Years (to end 2018)			
3	5	10	15
11.1%	11.9%	14.7%	16.8%
7.4%	7.7%	12.7%	15.1%
5.5%	7.6%	12.1%	12.4%
4.6%	6.9%	7.7%	8.6%
2.9%	6.8%	6.7%	8.5%
0.2%	5.7%	5.8%	7.4%
-1.2%	5.4%	5.4%	5.7%
-2.4%	5.3%	4.2%	5.3%

Local equities	Local property	Local bonds	Local cash	Foreign equities	Foreign bonds	ZAR/USD	Inflation
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Total returns, annualised

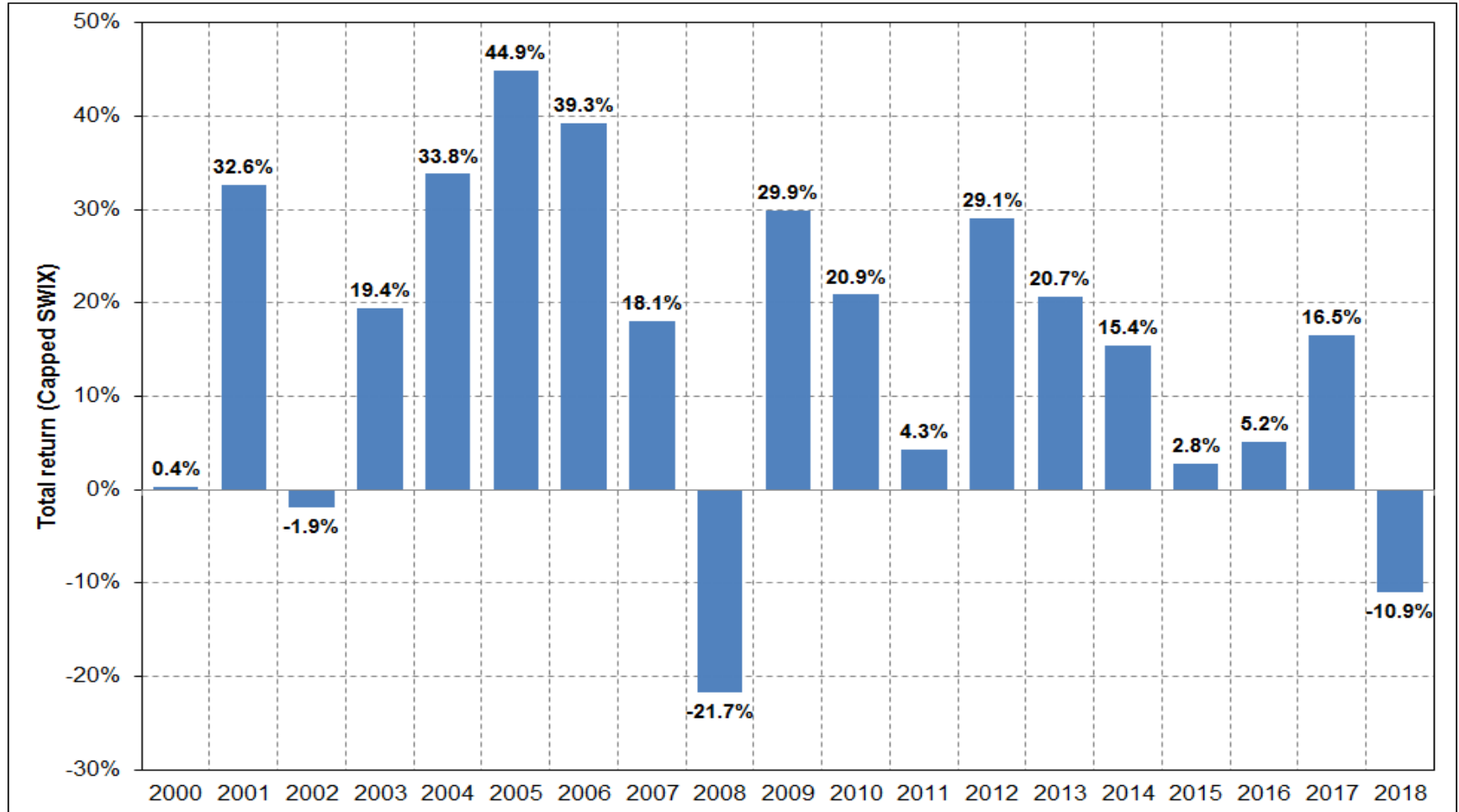
2018 IN REVIEW

ONE OF THOSE RARE YEARS WITH VERY FEW PLACES TO HIDE FOR GLOBAL INVESTORS



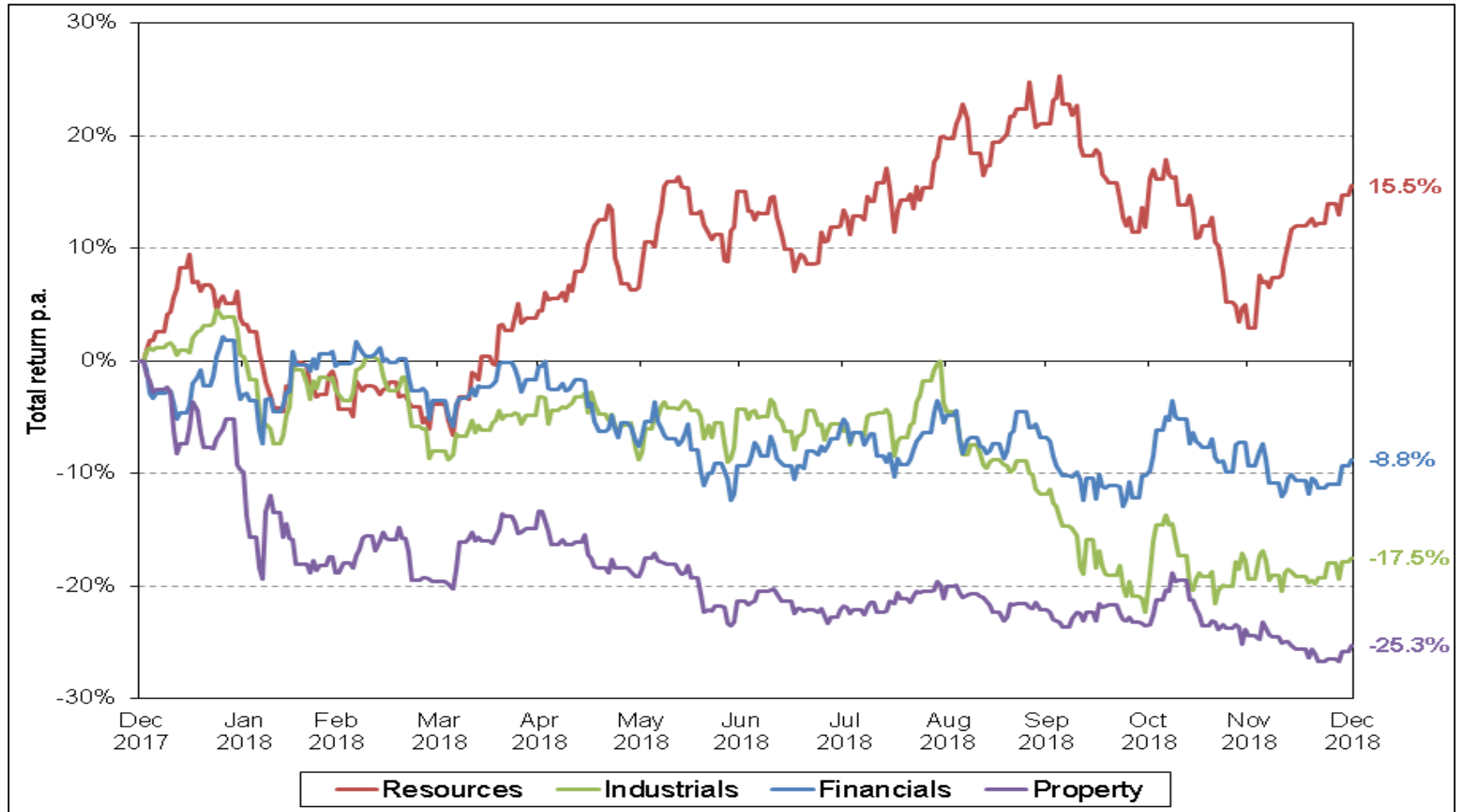
2018 IN REVIEW

LOCAL EQUITY MARKET RECORDS ITS WORST CALENDAR YEAR SINCE 2008



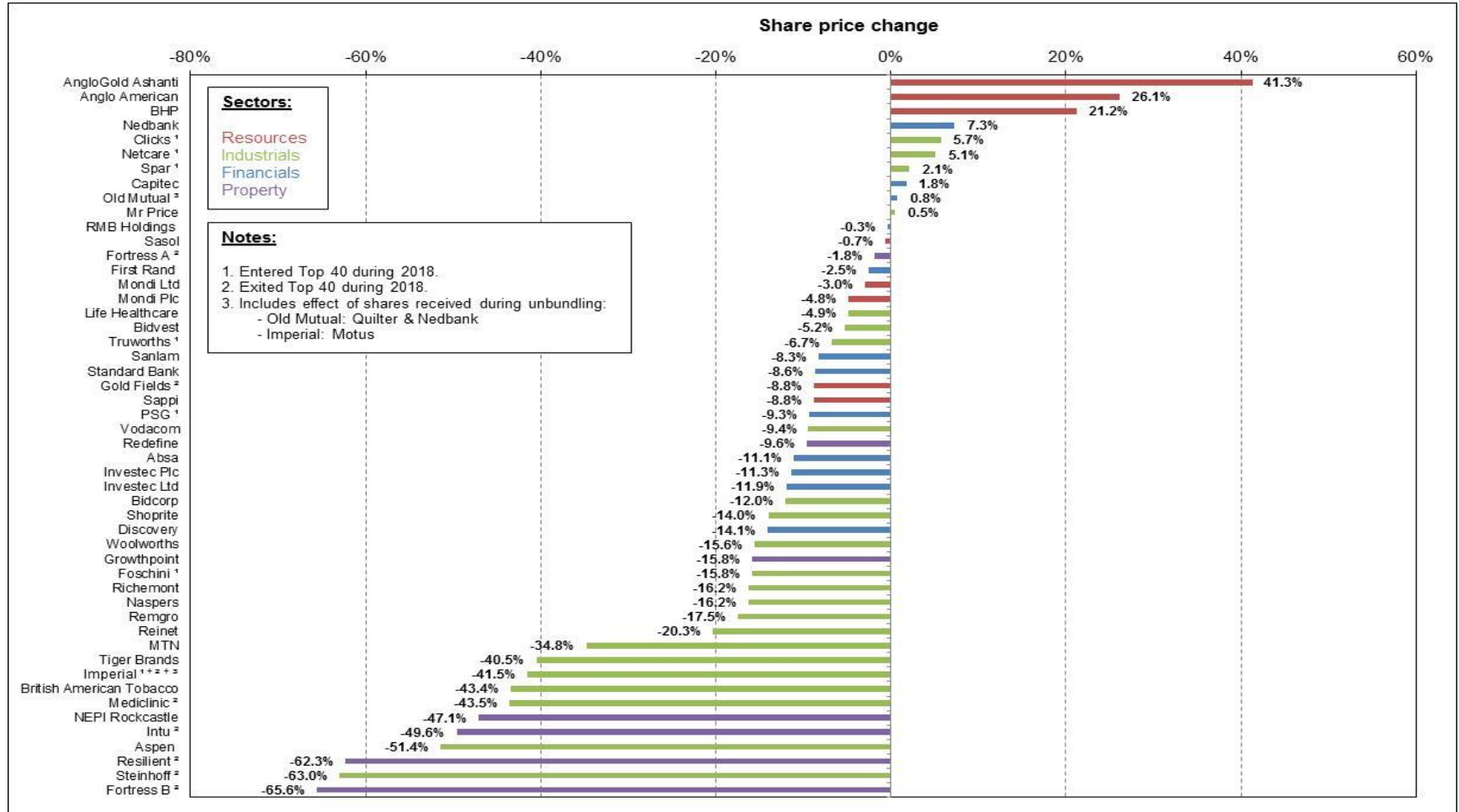
2018 IN REVIEW

JSE EQUITY SECTORS: ONLY RESOURCES ENDED THE YEAR WITH A POSITIVE RETURN



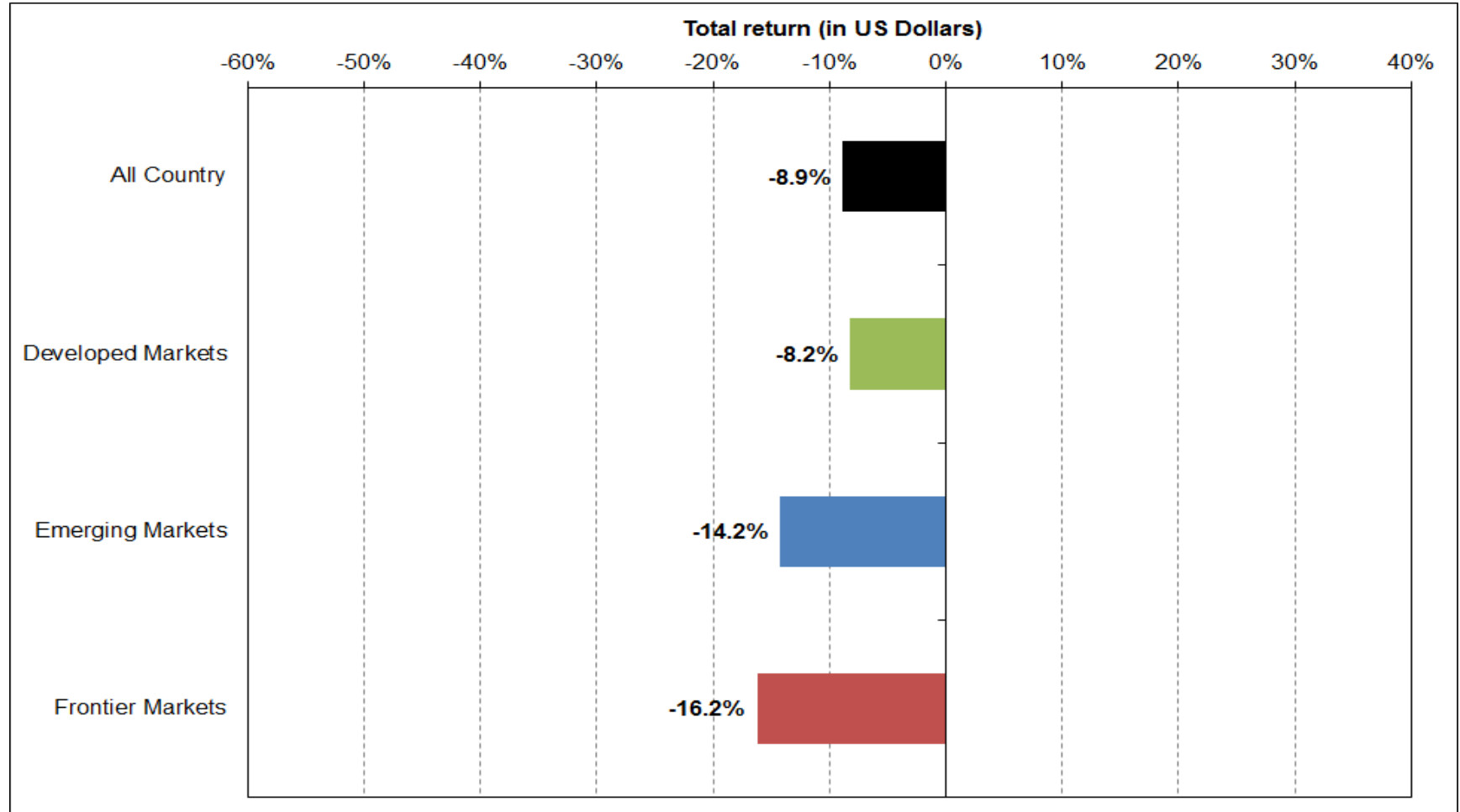
2018 IN REVIEW

JSE TOP 40 SHARES: NOT A PRETTY PICTURE...



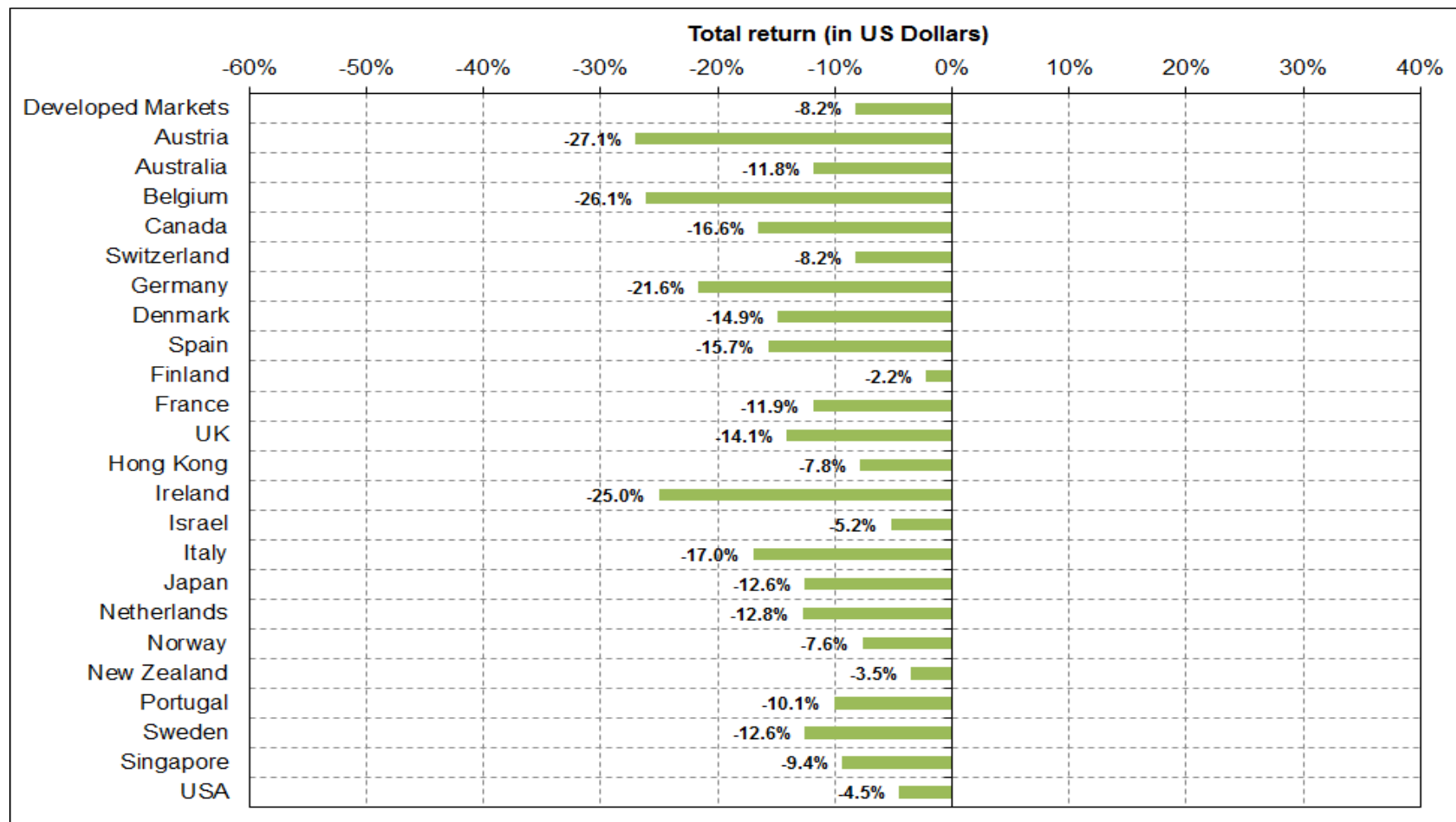
2018 IN REVIEW

GLOBAL EQUITY MARKETS (IN US DOLLARS)



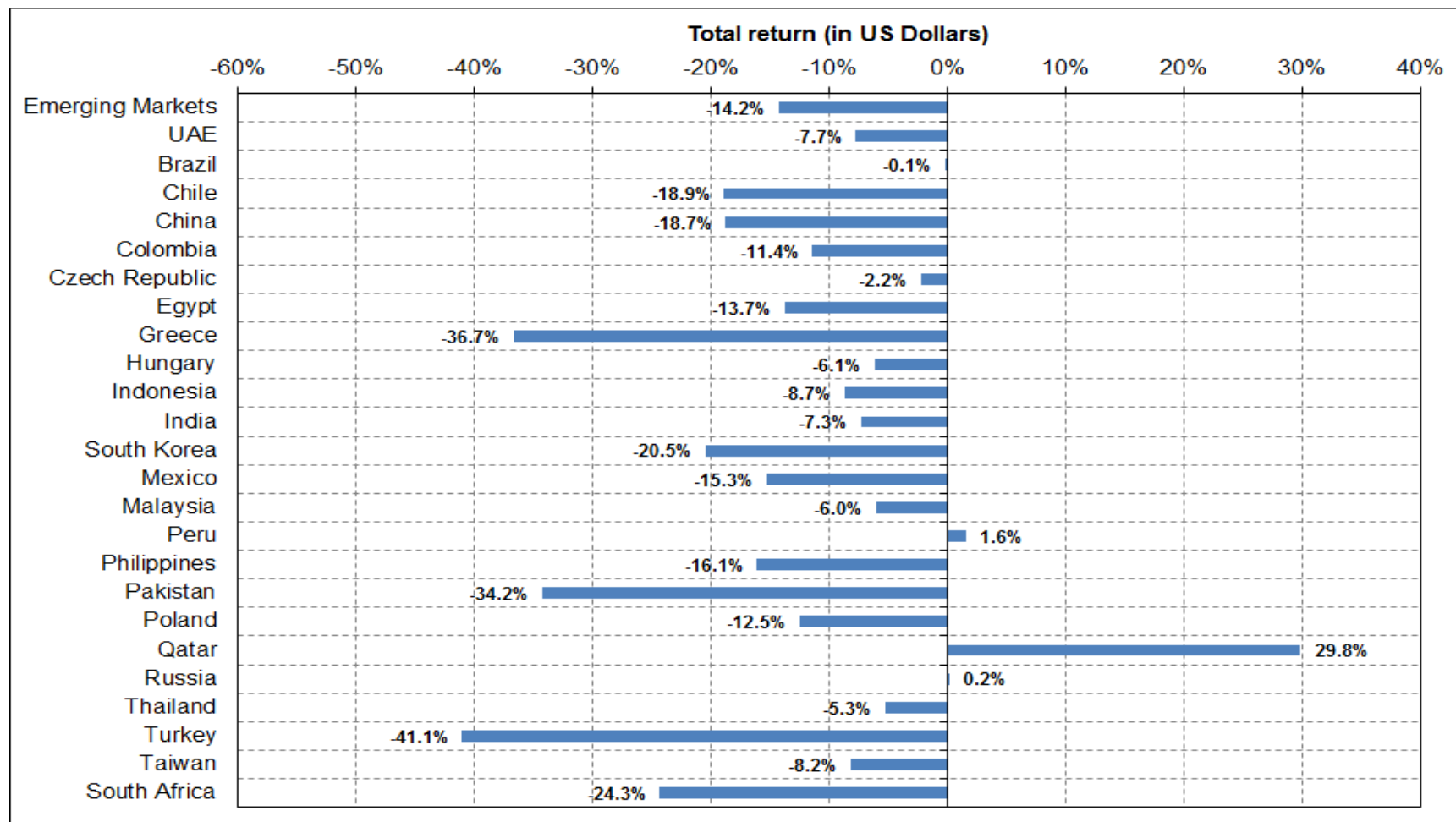
2018 IN REVIEW

GLOBAL DEVELOPED EQUITY MARKETS (IN US DOLLARS)



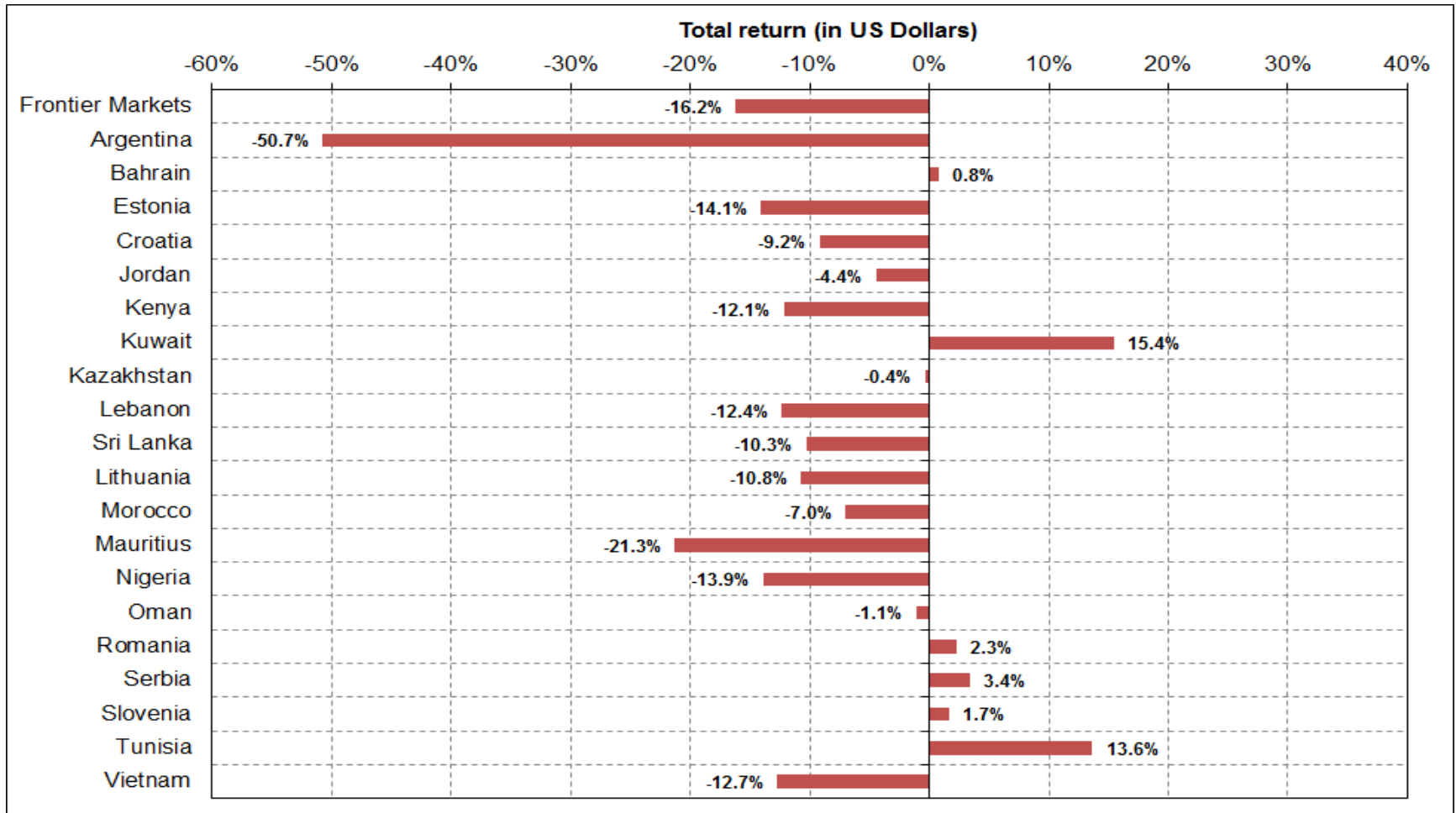
2018 IN REVIEW

GLOBAL EMERGING EQUITY MARKETS (IN US DOLLARS)



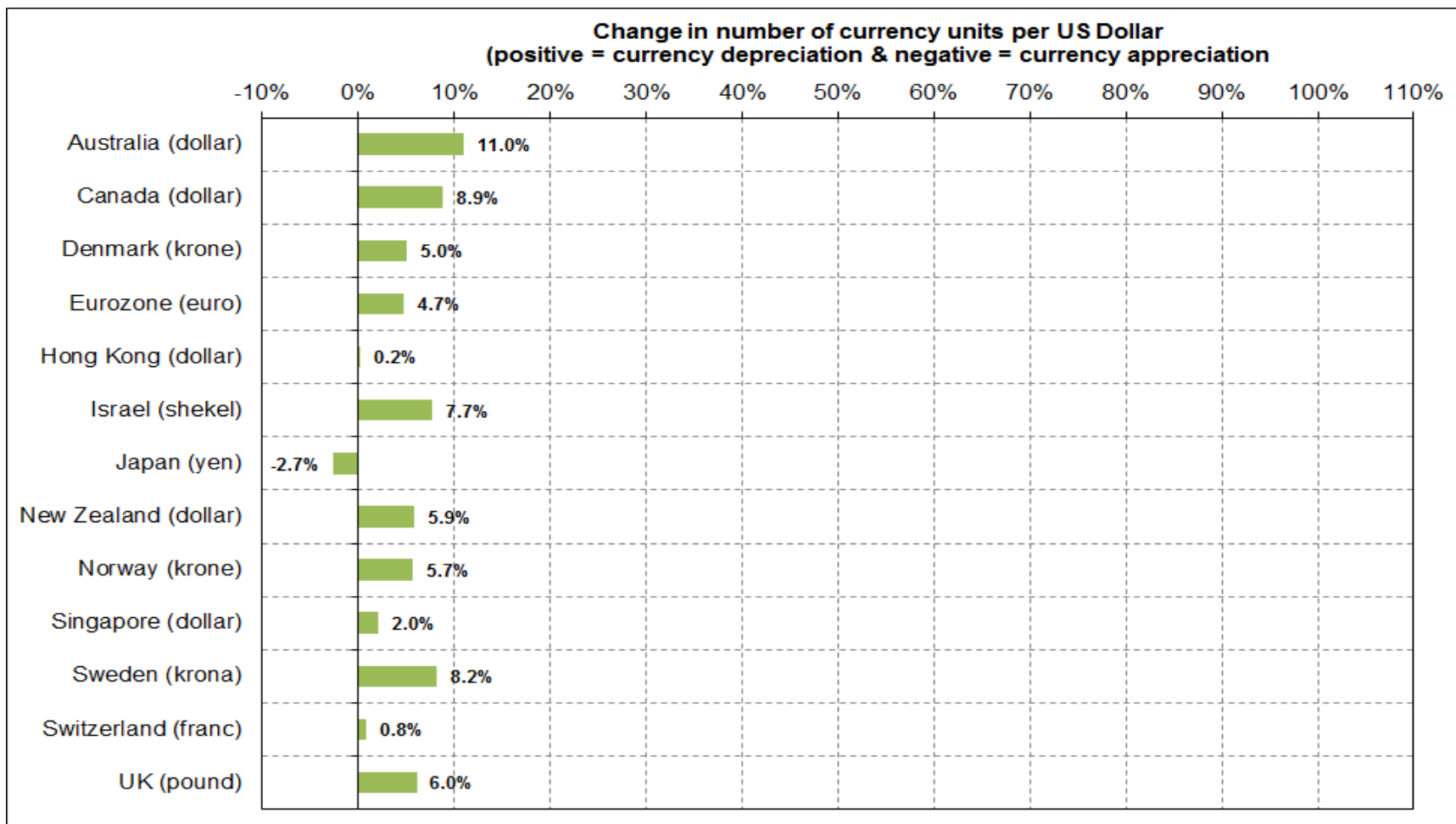
2018 IN REVIEW

GLOBAL FRONTIER EQUITY MARKETS (IN US DOLLARS)



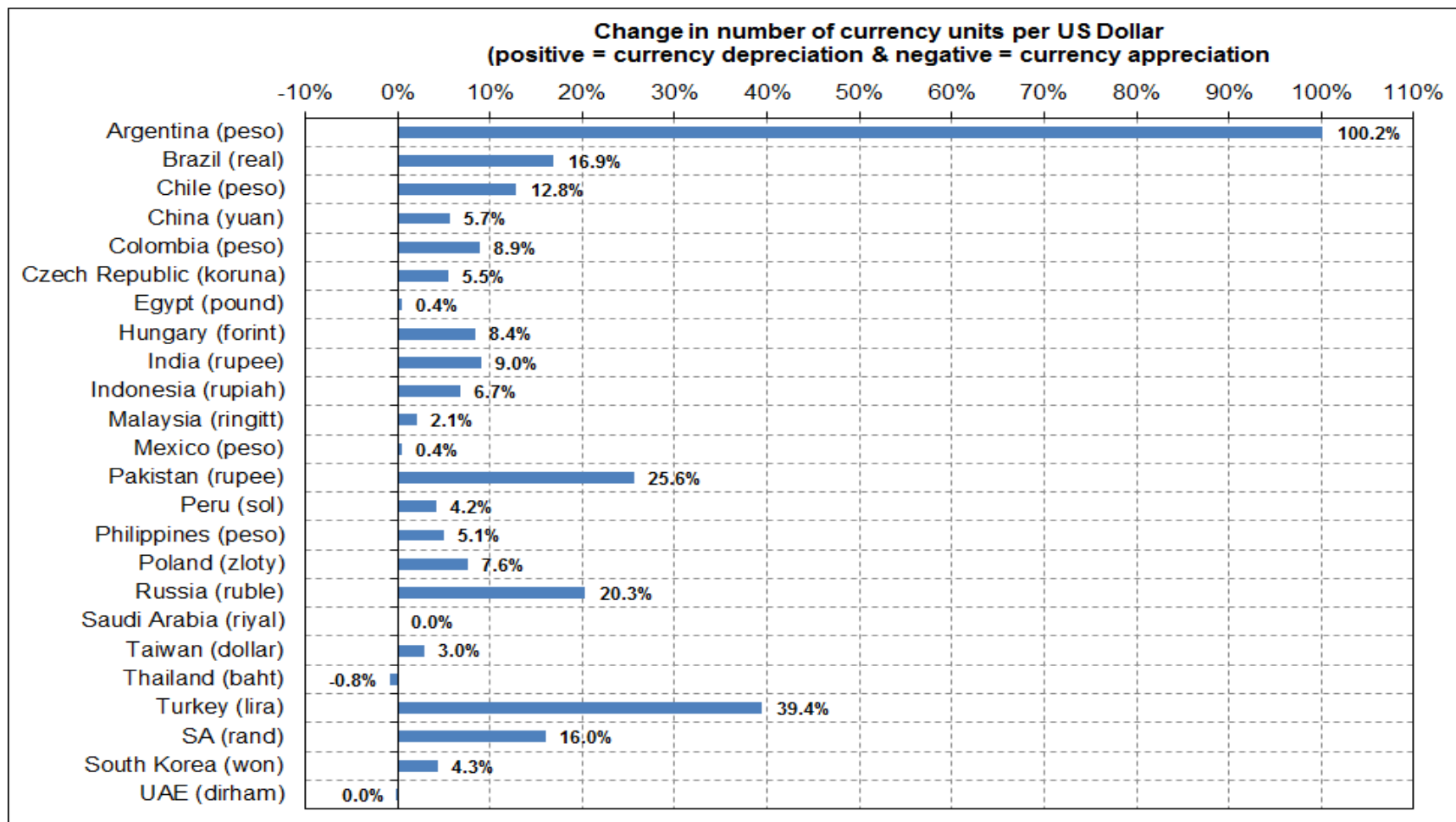
2018 IN REVIEW

DEVELOPED MARKET CURRENCIES (VS US DOLLAR)



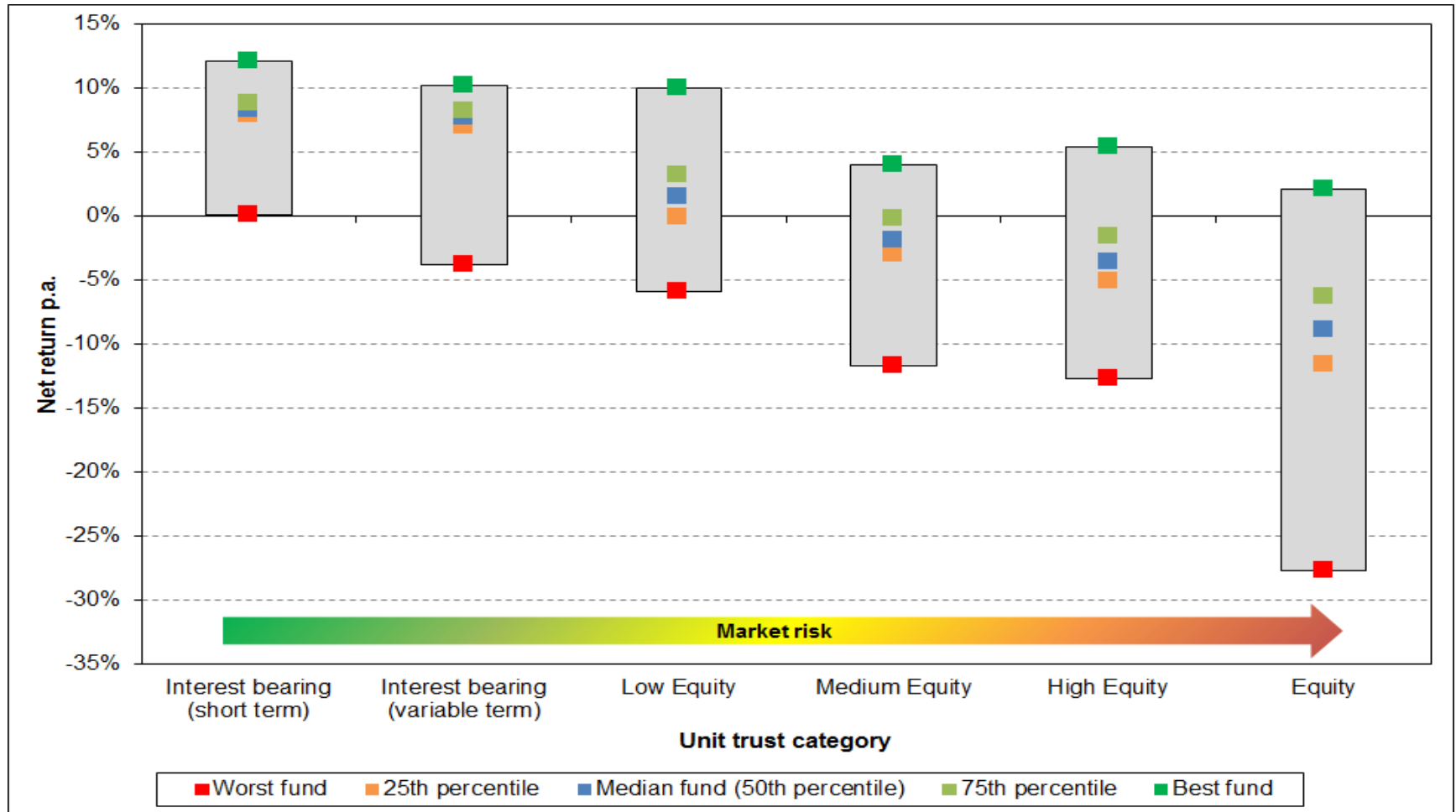
2018 IN REVIEW

EMERGING MARKET CURRENCIES (VS US DOLLAR)



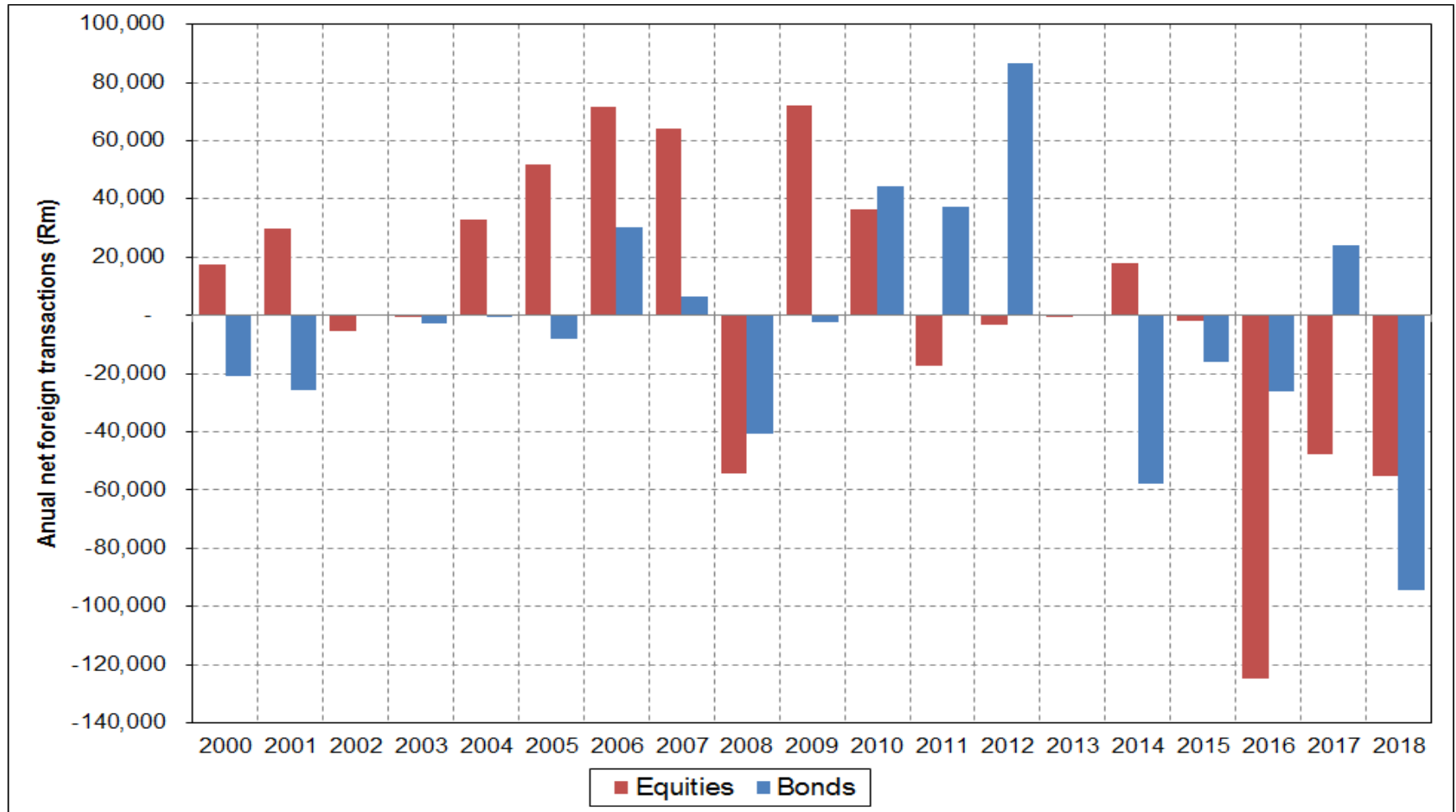
2018 IN REVIEW

UNIT TRUST PERFORMANCES: A DIFFICULT YEAR FOR LONG-TERM FOCUSED INVESTORS

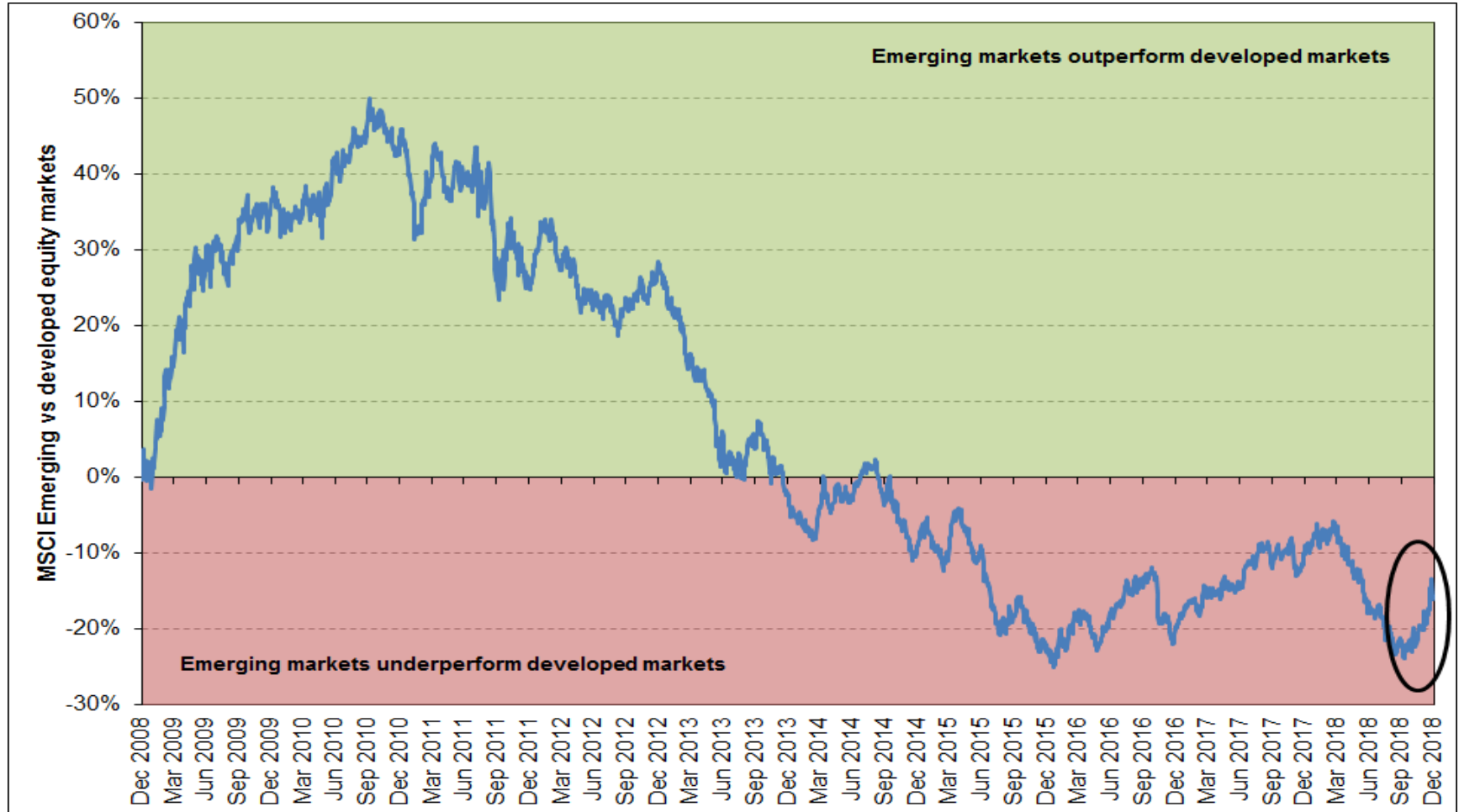


2018 IN REVIEW

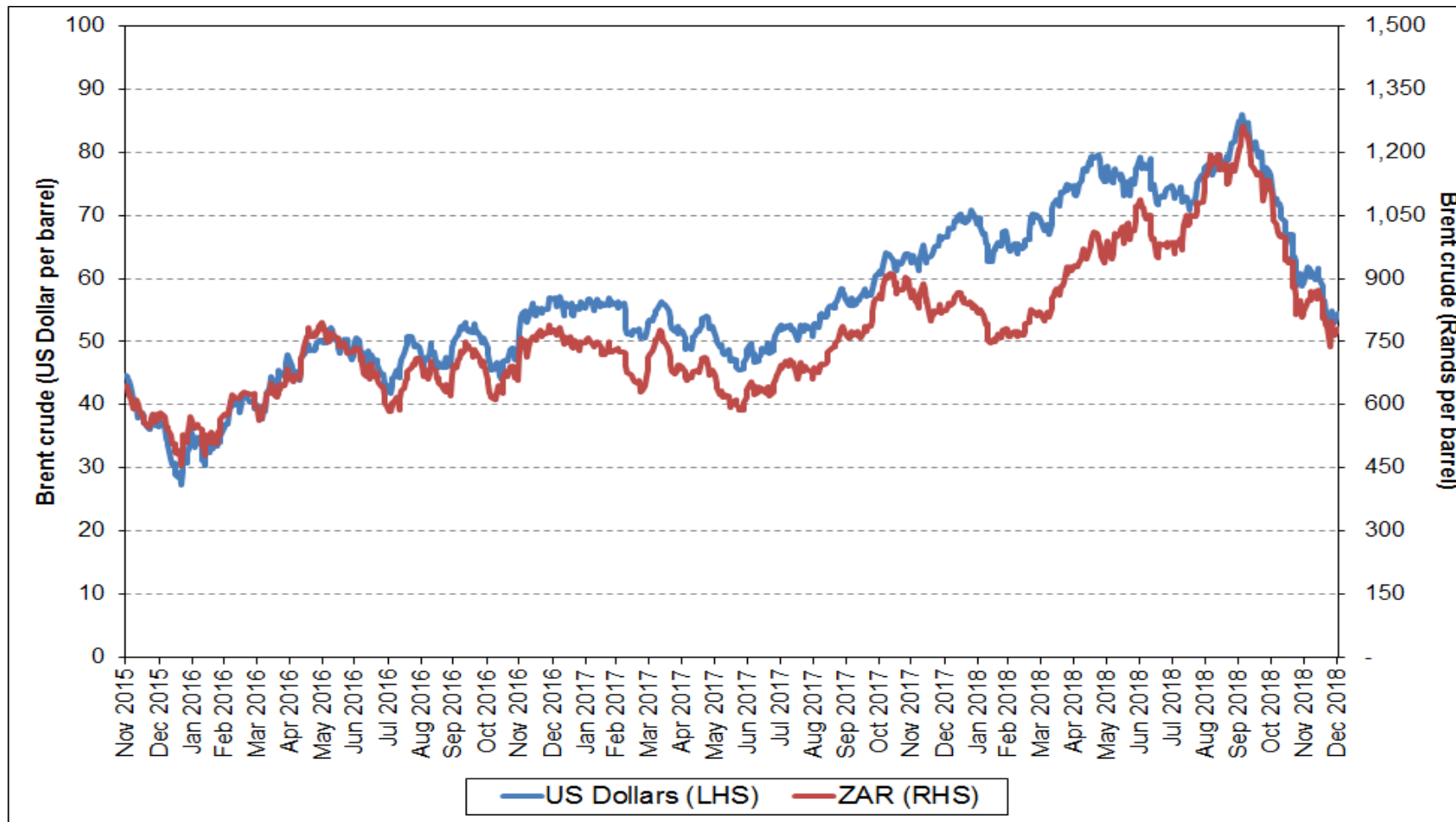
FOREIGN TRANSACTIONS: ANOTHER YEAR OF VERY LITTLE FOREIGN INTEREST IN SA CAPITAL MARKETS



EMERGING MARKETS GAIN FURTHER GROUND IN DECEMBER



OIL PRICES PLUNGE FURTHER...



...LEADING TO SOME MORE RELIEF AT THE PUMPS

