

MONTH IN PICTURES

JANUARY 2019

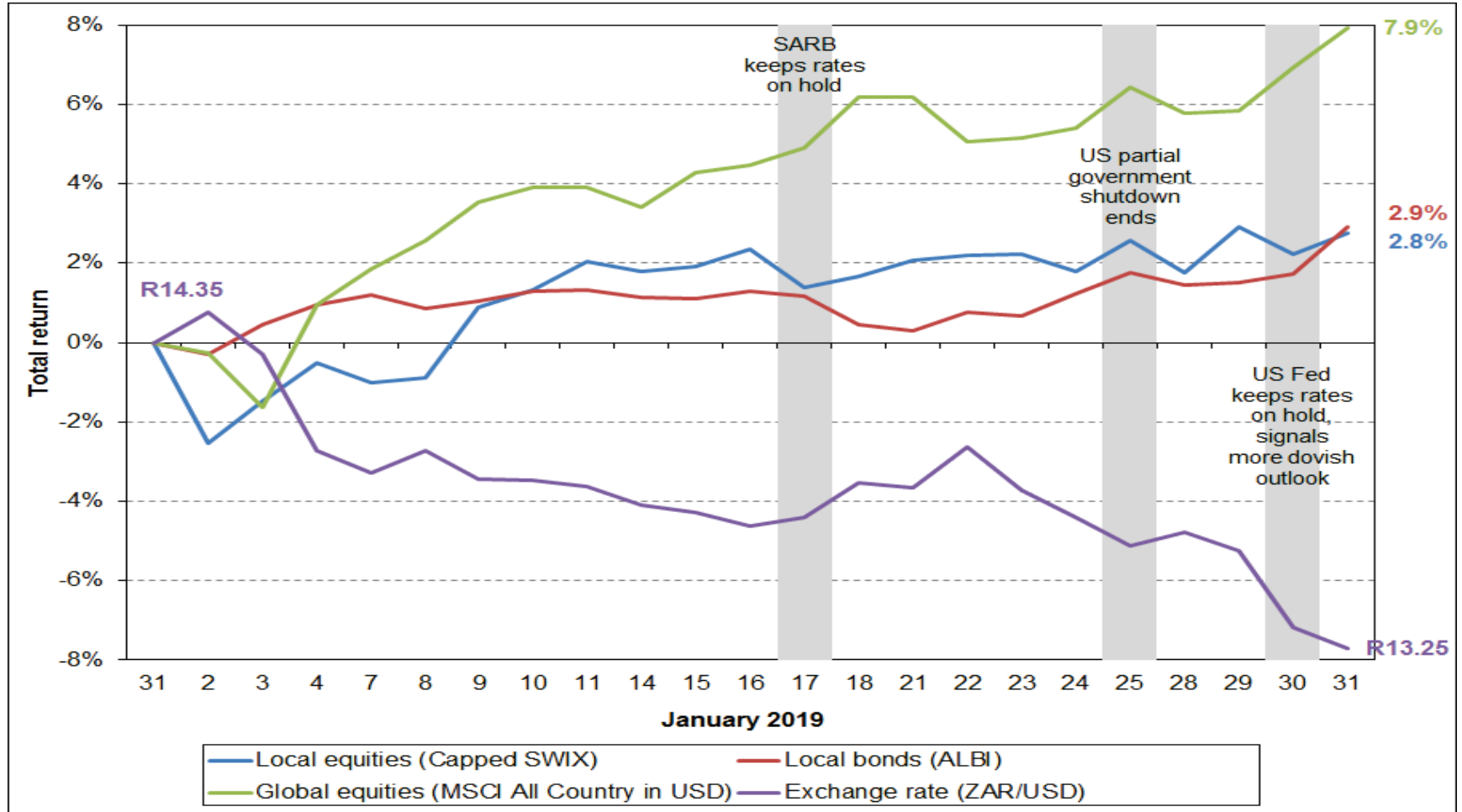
MONTHLY SNAPSHOT

NOTABLE EVENTS

- The local equity market notched up another positive month (+2.8%), bringing its 3-month performance to +3.6%, but its 1-year return remains in negative territory (-8.1%).
- Listed property (+9.2%) was the standout sector after experiencing a horrible 2018 (-25.3%), assisting the broader financial sector to a gain of 6.0%. Resources (+3.3%) and Industrials (+0.9%) also ended the month stronger.
- In US Dollar terms global equity markets bounced back strongly (+7.9%) in January after a forgettable December (-7.0%), with emerging markets (+8.8%) continuing its short term outperformance over developed markets (+7.8%). South Africa was one of the better performers, delivering a dollar return of +12.3% for the month.
- The Rand was the best performing currency in January (appreciating from R14.35 to R13.25 to the US Dollar, or by 7.7%), thereby erasing the dollar gains made by the two major global asset classes (equities and bonds). For local investors global equities therefore ended the month 0.4% lower, while global bonds (2018's best performer, mainly due to currency depreciation) lost 6.4%.
- Local bonds had a solid month, returning +2.9% and thus remaining the best performing major asset classes for local investors over the last three years (+10.5% p.a.), comfortably ahead of local equities (+4.6% p.a.), local cash (+7.4% p.a.), global equities (+5.7% p.a.) and global bonds (-3.3% p.a.)
- Headline inflation moderated significantly in December, reaching a level of 4.5% y-o-y (from 5.2% in November) on the back of a cumulative R3 per litre drop in fuel prices over the previous two months.
- The SA Reserve Bank kept interest rates on hold at their first meeting of the year (repo = 6.75% and prime = 10.25%), while adjusting their inflation forecast for the year to 4.8%, down sharply from November's expectation for 2019 of 5.5%.
- The US Fed kept their interest rates unchanged in January, but surprised markets with a post-meeting statement that was more dovish than anticipated. For the first time since 2015 there were no explicit references to future *hikes*, while it was also mentioned that they would be 'patient' in light of muted inflation pressures and a slowing global economy.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Nov 2018	Dec 2018	Jan 2019	3 months	12 months
Local equities	Capped SWIX	(1.7)	2.6	2.8	3.6	(8.1)
	Resources	(11.5)	12.3	3.3	2.6	15.6
	Industrials	(0.7)	2.4	0.9	2.5	(17.2)
	Financials	0.5	0.6	6.0	7.2	(0.4)
	Listed Property	(1.3)	(1.1)	9.2	6.6	(9.4)
Local bonds	ALBI	3.9	0.6	2.9	7.6	8.8
Local cash	STeFI Composite	0.6	0.6	0.6	1.8	7.3
Global equities	MSCI All Country	(4.7)	(3.7)	(0.4)	(8.7)	3.8
Global bonds	FTSE WGBI	(5.7)	6.0	(6.4)	(6.5)	10.4
Exchange rate	ZAR/USD	(6.1)	3.5	(7.7)	(10.3)	11.6
Inflation	CPI	0.2	(0.2)	0.3	0.3	4.5

1. Total returns (in Rands) for the months and periods ending 31 January 2019

2. Y-o-y CPI for January 2019 assumed to be equal to that of December 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	(8.1)	4.6	6.6	13.5	15.0
	Resources	15.6	24.7	(0.9)	4.5	7.9
	Industrials	(17.2)	(0.6)	6.1	16.6	17.8
	Financials	(0.4)	8.3	11.8	16.5	15.6
	Listed Property	(9.4)	2.8	9.2	13.2	17.9
Local bonds	ALBI	8.8	10.5	9.0	8.3	8.9
Local cash	STeFI Composite	7.3	7.4	6.9	6.7	7.4
Global equities	MSCI All Country	3.8	5.7	11.1	14.9	11.8
Global bonds	FTSE WGBI	10.4	(3.3)	4.4	4.8	7.5
Exchange rate	ZAR/USD	11.6	(5.8)	3.6	2.7	4.3
Inflation	CPI	4.5	5.1	5.2	5.3	5.6

1. Total returns (in Rands) for the months and periods ending 31 January 2019

2. Y-o-y CPI for January 2019 assumed to be equal to that of December 2018

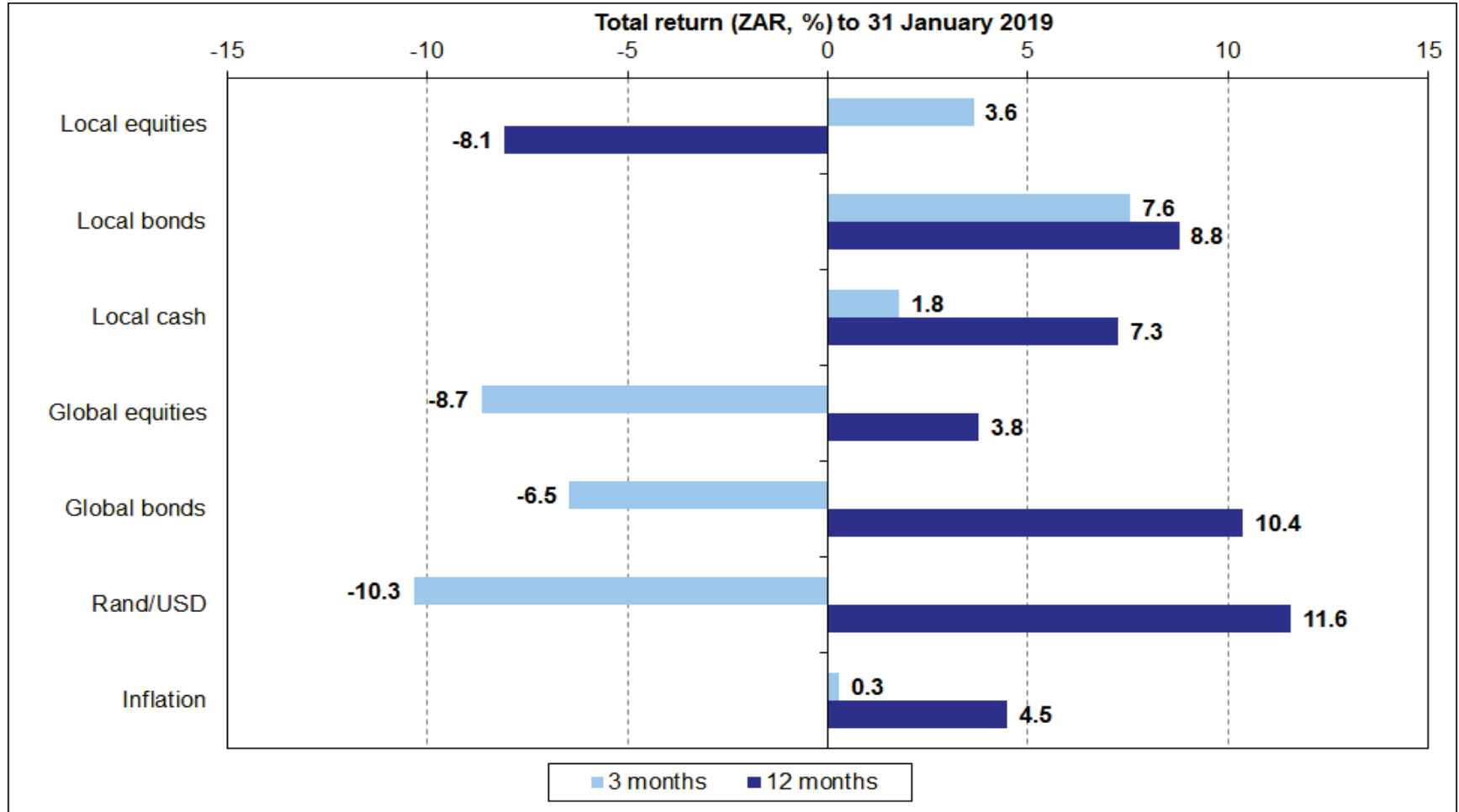
ECONOMIC INDICATORS

Economic indicators ¹	Jan 2017	Jan 2018	Nov 2018	Dec 2018	Jan 2019
Exchange rates:					
ZAR/USD	13.47	11.87	13.87	14.35	13.25
ZAR/GBP	16.95	16.88	17.67	18.32	17.36
ZAR/Euro	14.54	14.79	15.69	16.47	15.17
Commodities:					
Brent Crude Oil (USD/barrel)	56.19	68.86	59.14	54.44	61.10
Platinum (USD/ounce)	995.00	1,002.76	811.49	793.31	817.61
Gold (USD/ounce)	1,210.67	1,342.60	1,224.37	1,280.92	1,320.20

1. Month-end prices

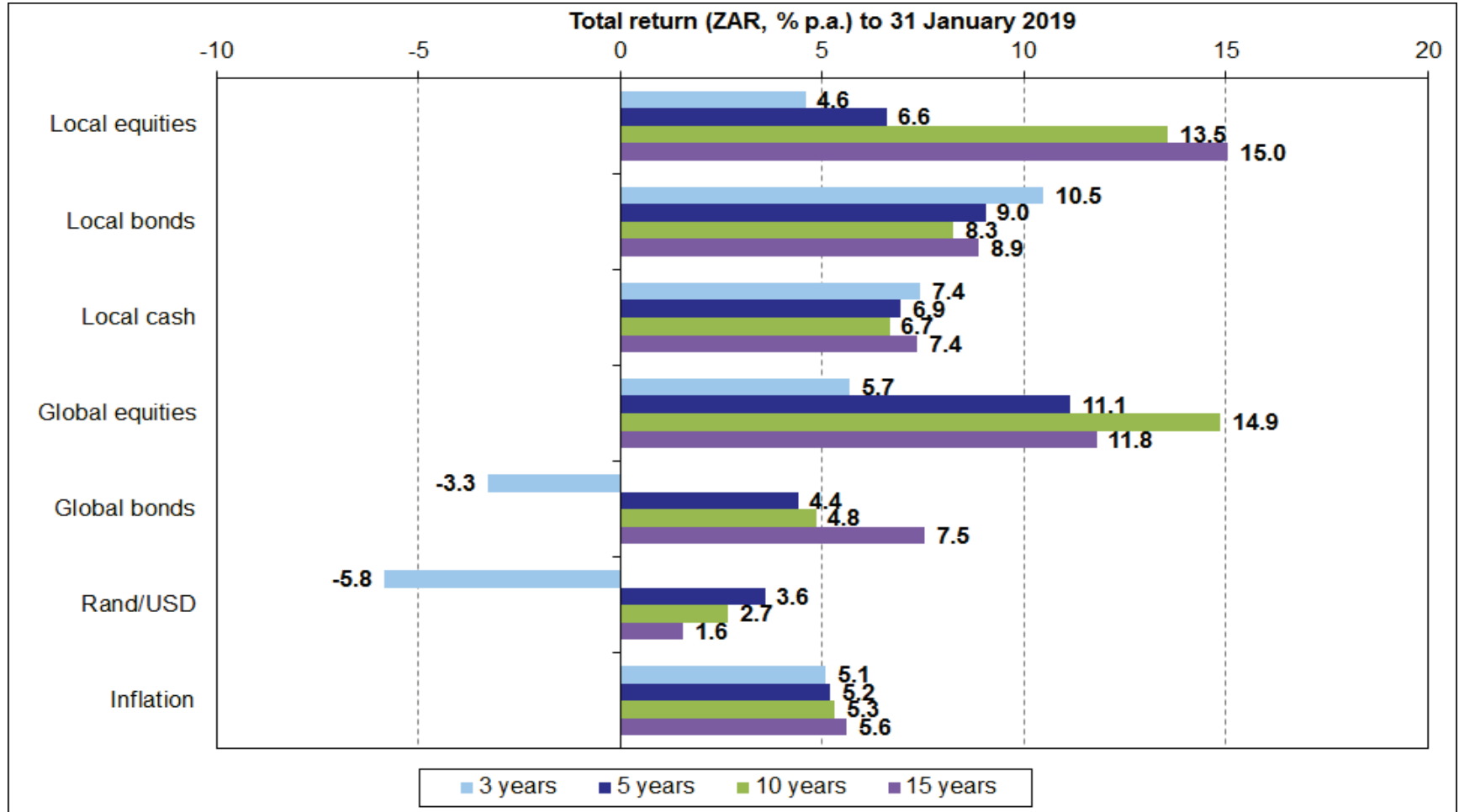
ASSET CLASS PERFORMANCE

SHORT TERM



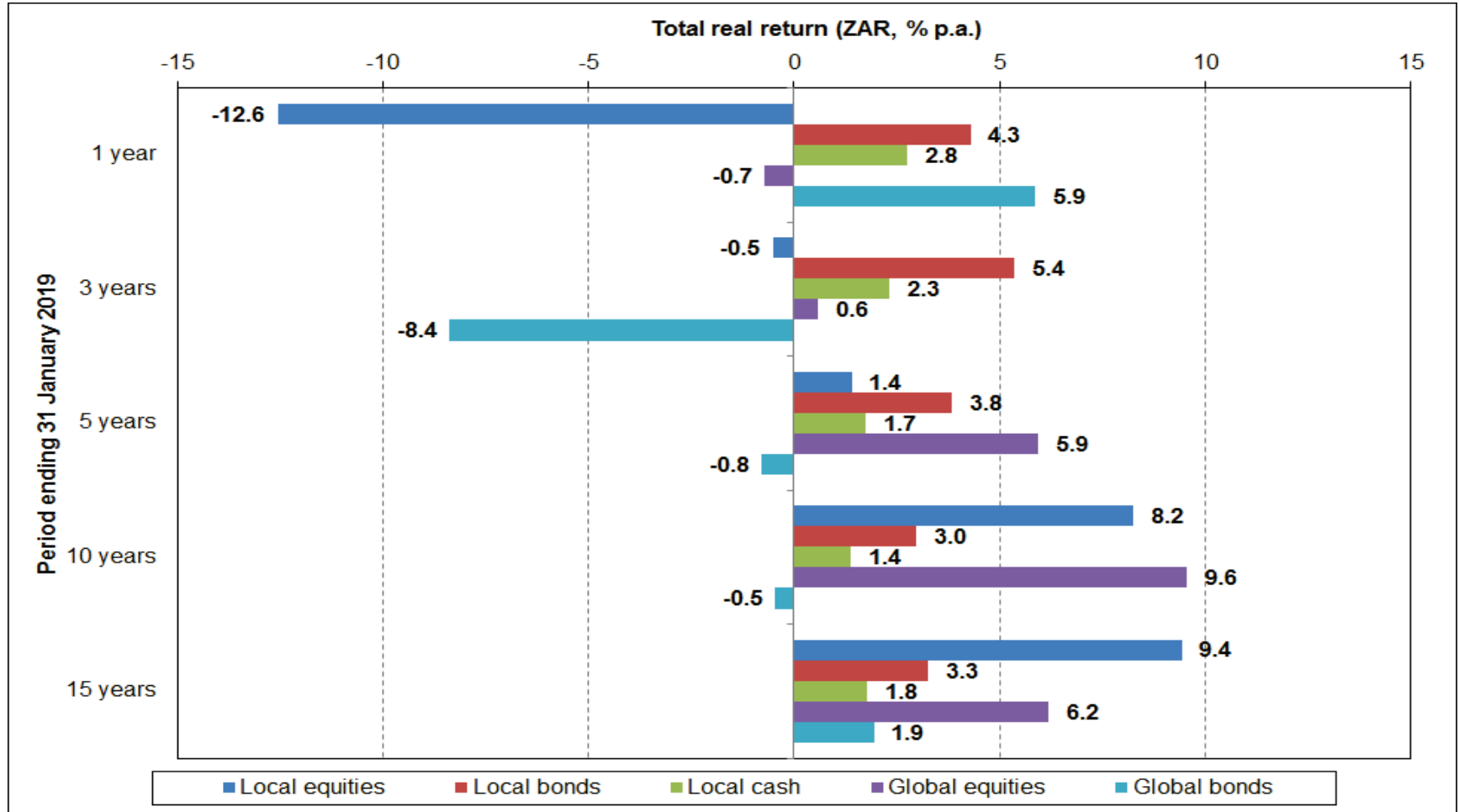
ASSET CLASS PERFORMANCE

MEDIUM TO LONG TERM



ASSET CLASS PERFORMANCE

REAL (EXCESS ABOVE INFLATION) RETURNS



MARKET PERFORMANCE

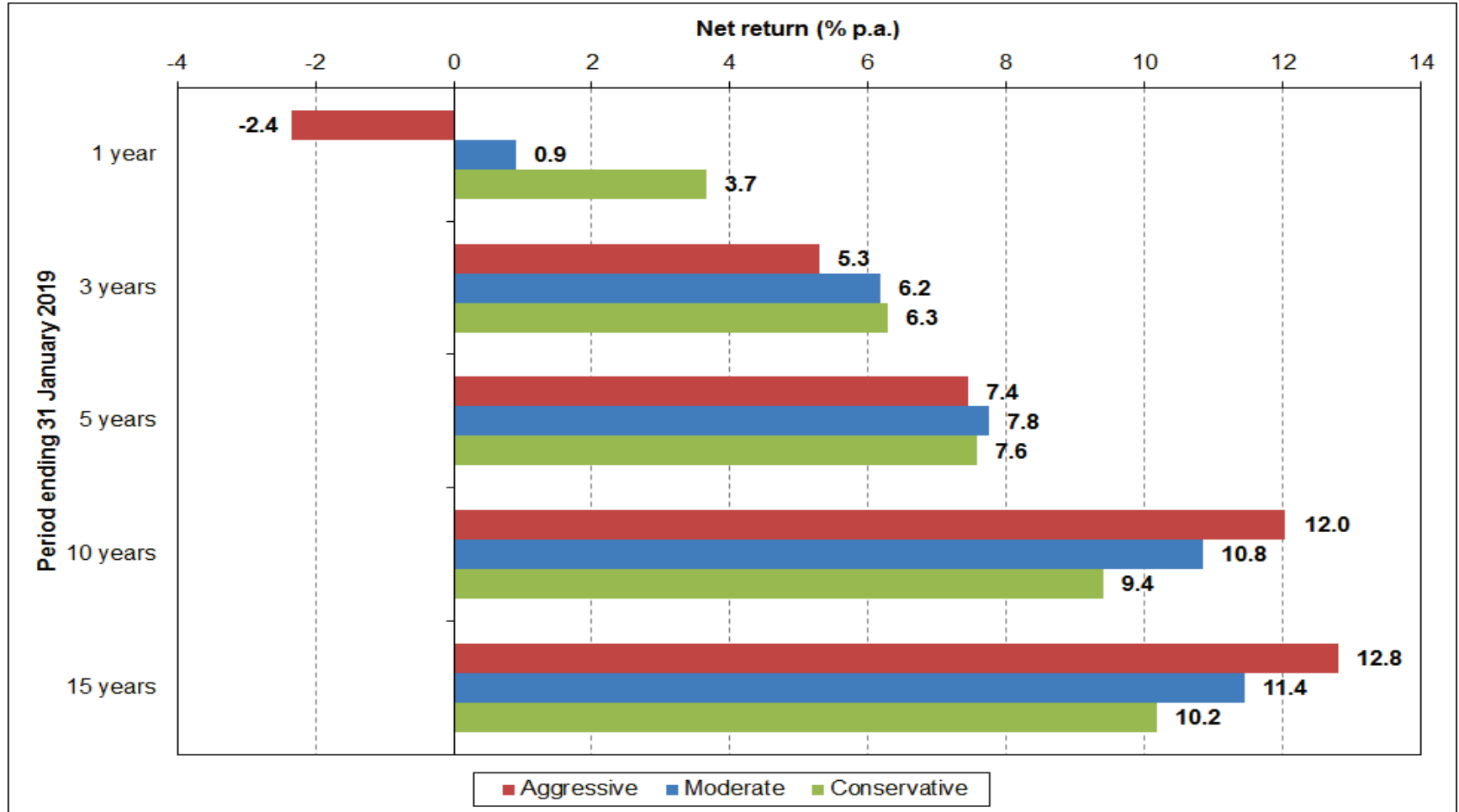
WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

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%

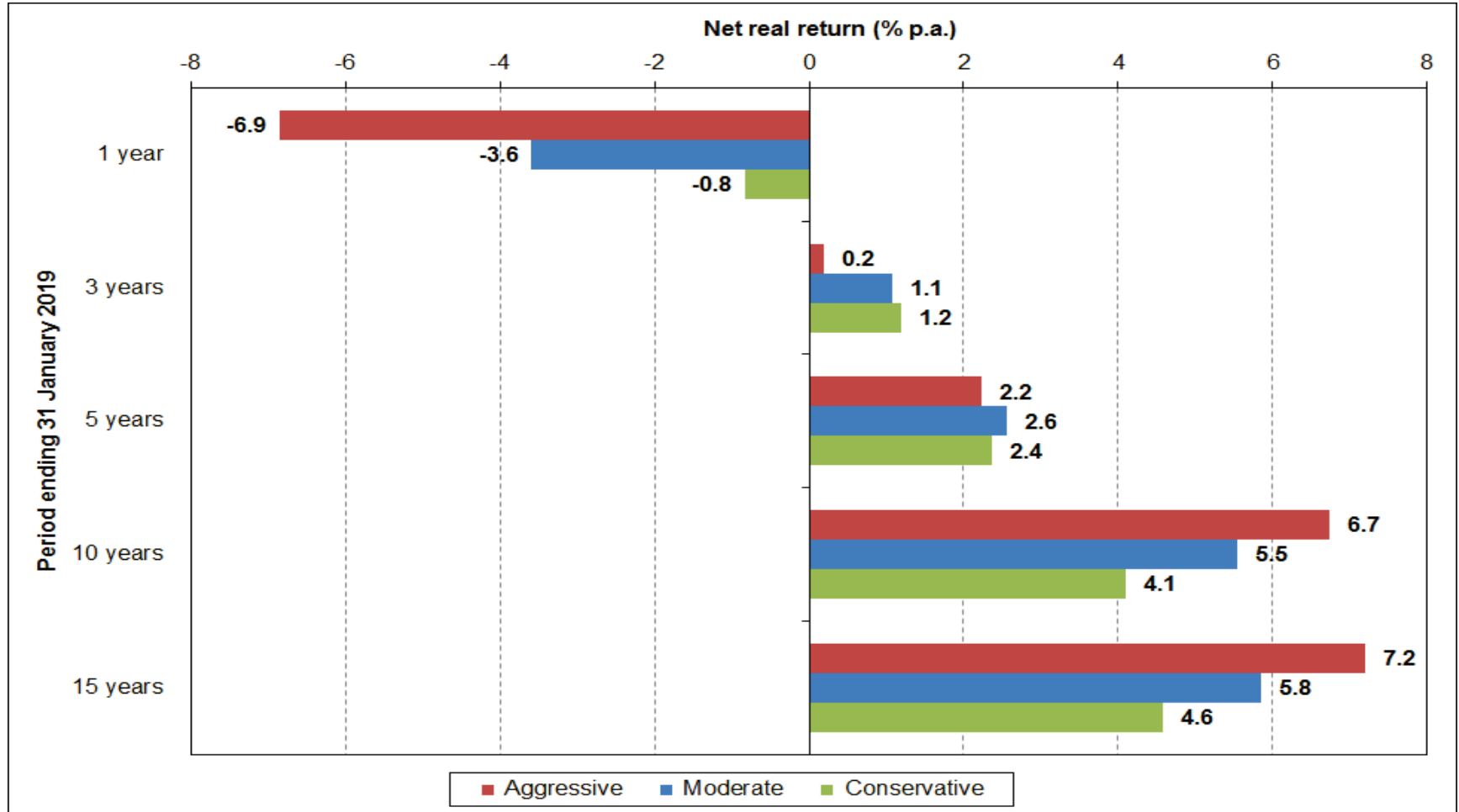
MR MARKET PERFORMANCE

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



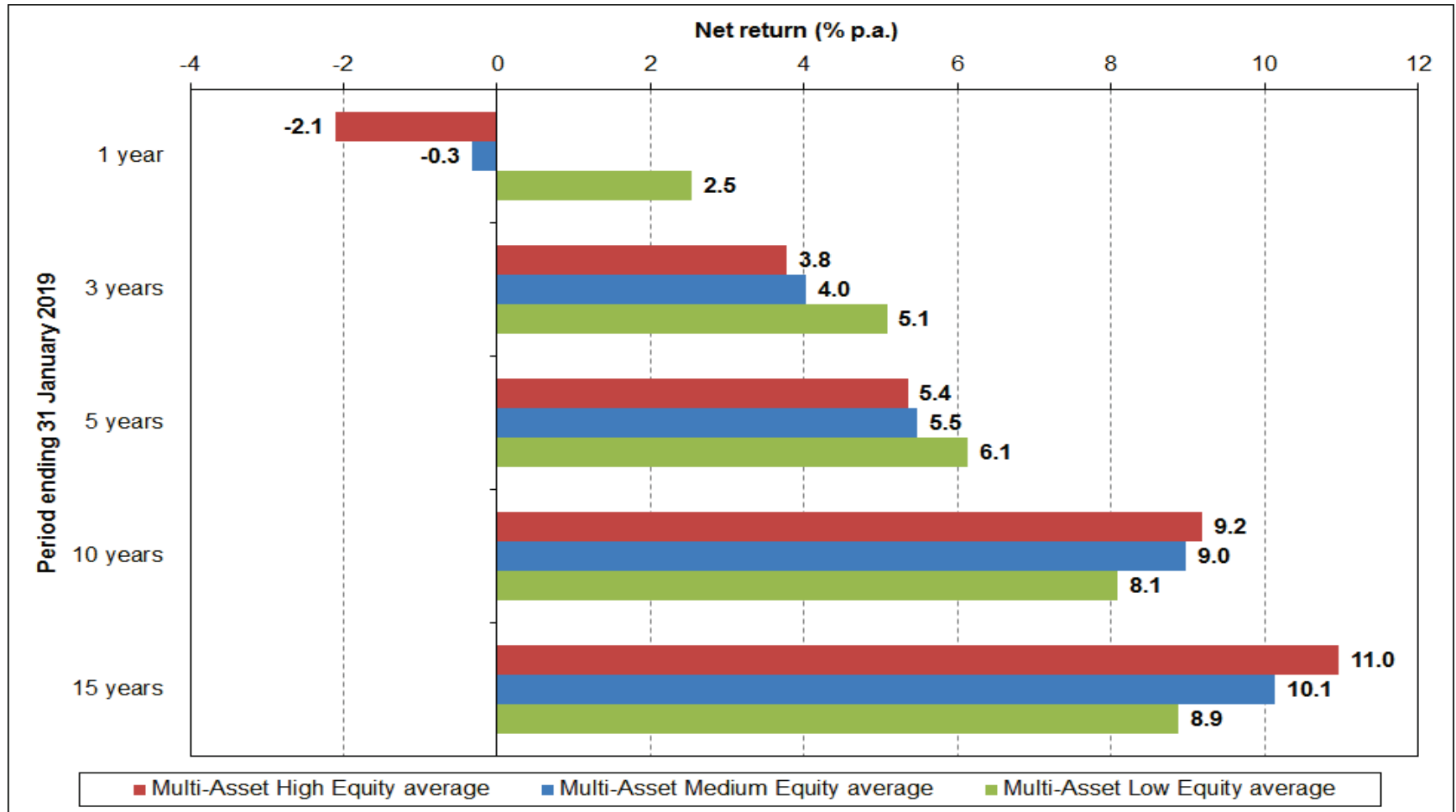
MR MARKET PERFORMANCE

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



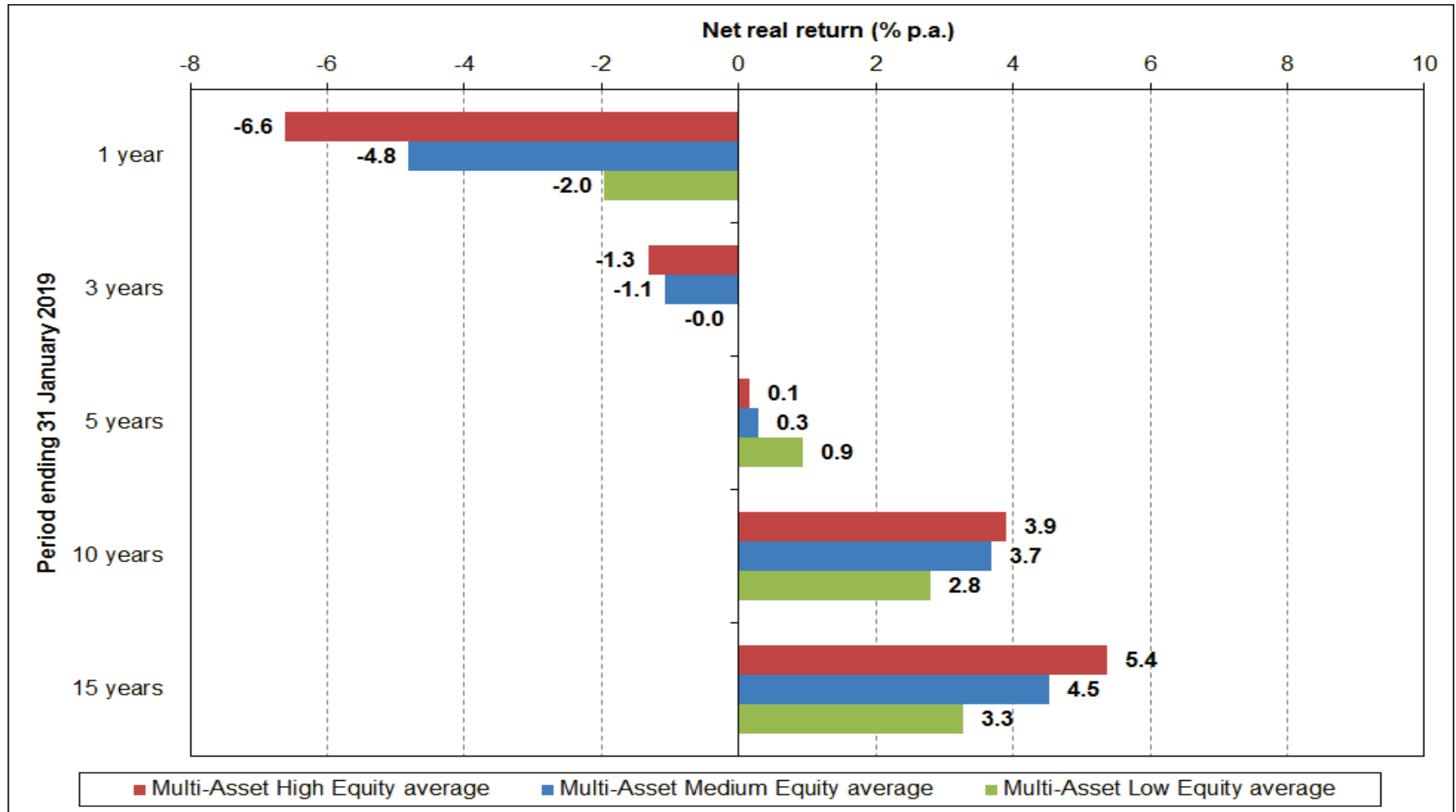
MR MANAGER PERFORMANCE

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?



ASSET MANAGER “SMARTIE BOX”

LARGE MANAGERS: INVESTEC IS 2018’s TOP PERFORMER

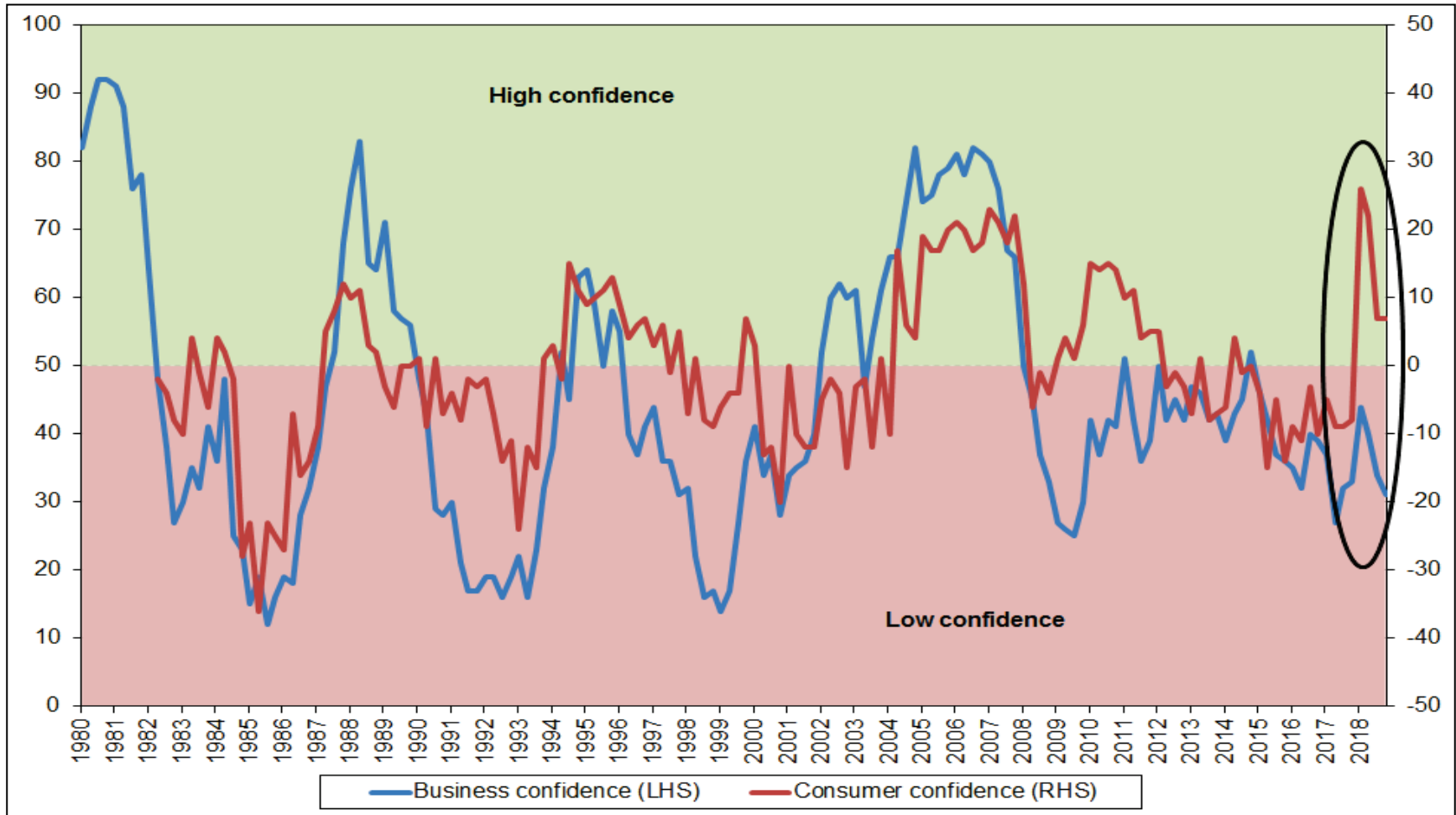
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	To 31 December 2018			
										3 years	5 years	7 years	10 years
Investec 26.2%	Stanlib 18.0%	Allan Gray 12.6%	Foord 25.6%	Coronation 28.9%	Investec 13.3%	Investec 15.4%	Allan Gray 7.5%	Prudential 14.6%	Investec -0.9%	Prudential 6.1%	Investec 8.4%	Investec 12.2%	Investec 13.3%
Coronation 25.1%	Coronation 17.8%	Foord 11.4%	Stanlib 24.6%	Allan Gray 25.1%	Oasis 12.9%	Allan Gray 12.8%	Sanlam 6.9%	Old Mutual 14.3%	Oasis -0.9%	Allan Gray 5.9%	Allan Gray 8.1%	Prudential 12.1%	Coronation 13.1%
MMI 22.5%	Foord 17.2%	RECM 10.0%	Prudential 22.7%	Prudential 24.8%	Old Mutual 12.1%	MMI 12.1%	Prudential 6.6%	Coronation 14.1%	Stanlib -1.0%	Old Mutual 5.2%	Prudential 7.7%	Coronation 11.6%	Prudential 12.9%
Sanlam 21.0%	Prudential 16.0%	Stanlib 9.3%	Coronation 21.7%	Foord 24.0%	Coronation 12.1%	Foord 10.5%	Oasis 4.4%	Investec 13.8%	Absa -1.2%	Sanlam 4.9%	Old Mutual 7.2%	Allan Gray 11.4%	Allan Gray 11.9%
Cadiz 20.3%	Sanlam 15.3%	Prudential 8.9%	Oasis 21.5%	Investec 23.7%	Prudential 11.7%	Coronation 8.9%	Absa 3.7%	Sanlam 12.4%	Allan Gray -1.4%	Investec 4.7%	Absa 6.6%	Old Mutual 10.8%	Foord 11.9%
Prudential 20.0%	MMI 14.5%	Oasis 8.6%	Investec 20.7%	RECM 23.5%	Absa 11.6%	Prudential 8.8%	Coronation 3.4%	Allan Gray 11.9%	Old Mutual -1.5%	Absa 4.5%	Coronation 6.5%	Foord 10.5%	Sanlam 11.6%
RMB 19.8%	Investec 14.5%	Coronation 8.2%	Sanlam 20.2%	Oasis 23.1%	Sanlam 11.3%	Old Mutual 8.5%	Old Mutual 3.4%	Absa 11.3%	Prudential -2.4%	Coronation 3.9%	Sanlam 6.5%	Sanlam 10.4%	Old Mutual 11.6%
Old Mutual 19.0%	Old Mutual 14.0%	Sanlam 7.6%	Old Mutual 20.0%	Stanlib 22.3%	Foord 11.0%	Absa 8.3%	MMI 2.3%	Stanlib 8.6%	Foord -3.1%	Oasis 3.3%	Oasis 5.7%	Oasis 10.2%	Stanlib 11.5%
Stanlib 17.8%	RECM 12.9%	Investec 7.6%	MMI 19.7%	Sanlam 21.6%	MMI 10.5%	Stanlib 8.2%	Investec 1.7%	Foord 7.7%	Sanlam -3.9%	Stanlib 2.6%	Foord 5.2%	Stanlib 10.0%	Oasis 10.7%
Allan Gray 15.6%	Oasis 12.0%	Old Mutual 7.6%	Allan Gray 15.1%	MMI 21.2%	Allan Gray 10.3%	Sanlam 6.5%	Foord 0.5%	Oasis 6.6%	Coronation -4.9%	Foord 1.6%	Stanlib 5.1%	Absa 9.9%	
Oasis 15.6%	Allan Gray 11.7%	MMI 7.5%	RECM 8.3%	Old Mutual 20.9%	Stanlib 9.7%	Oasis 5.7%	Stanlib 0.4%						
	RMB 11.0%			Absa 16.7%	RECM -2.4%	RECM -19.3%							

ASSET MANAGER “SMARTIE BOX” MOST DISAPPOINTING RETURNS SINCE 2008



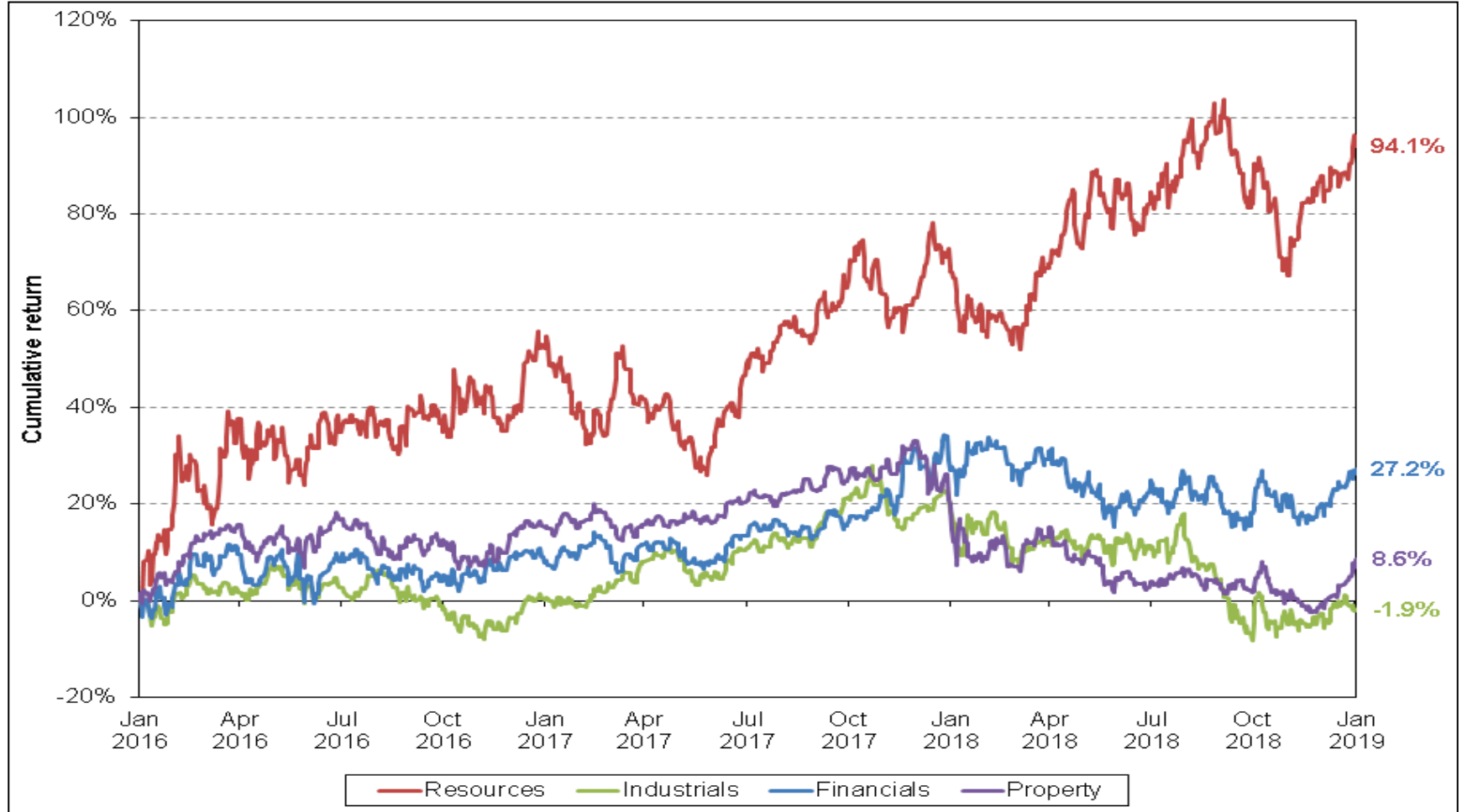
BUSINESS AND CONSUMER CONFIDENCE

CONSUMERS REMAIN FAIRLY OPTIMISTIC; BUSINESSES, NOT SO MUCH...



JSE EQUITY SECTORS (3 YEARS)

RESOURCE SECTOR REMAINS IN THE LEAD



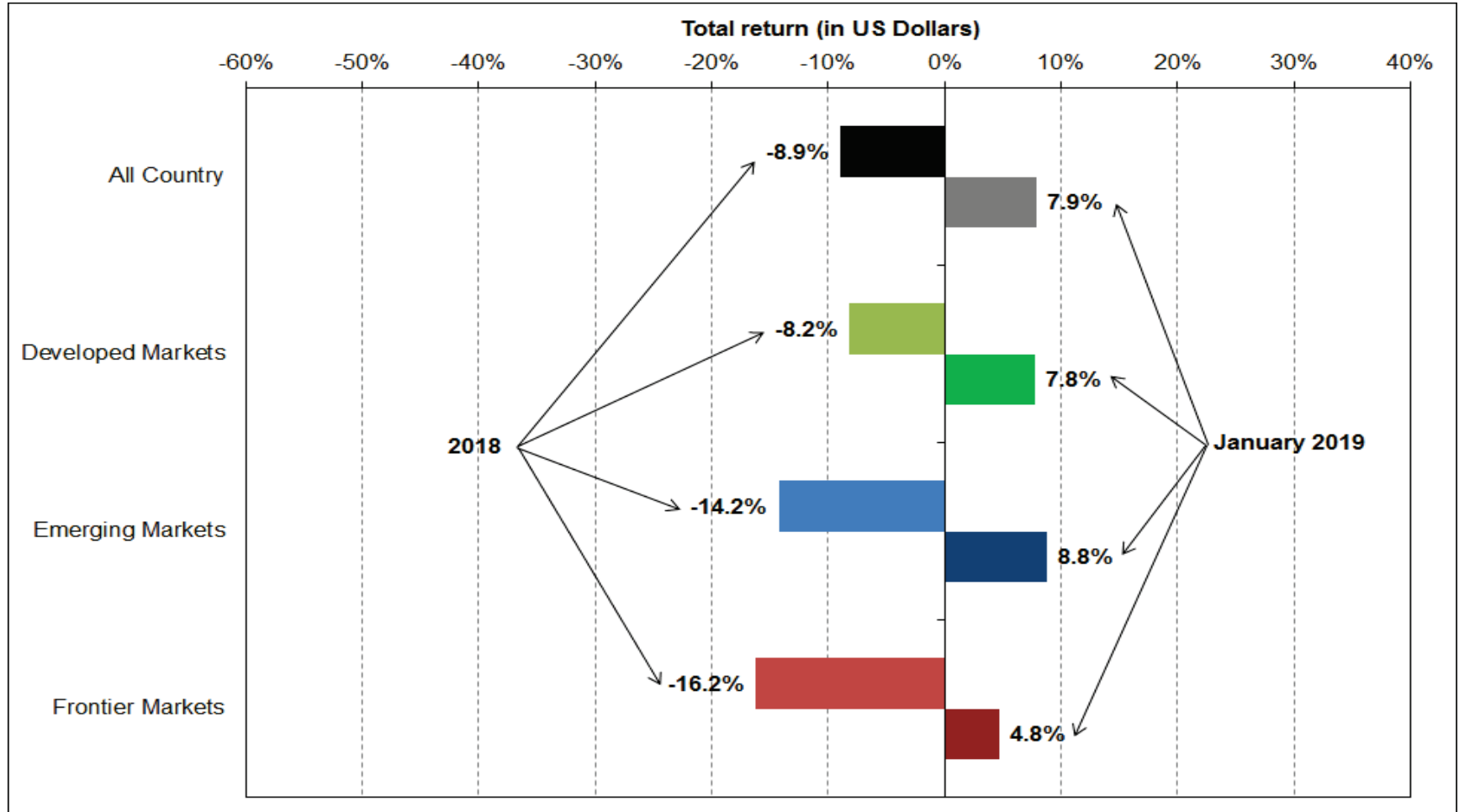
MAJOR ASSET CLASSES (3 YEARS)

LOCAL BONDS OVERTAKE GLOBAL EQUITIES



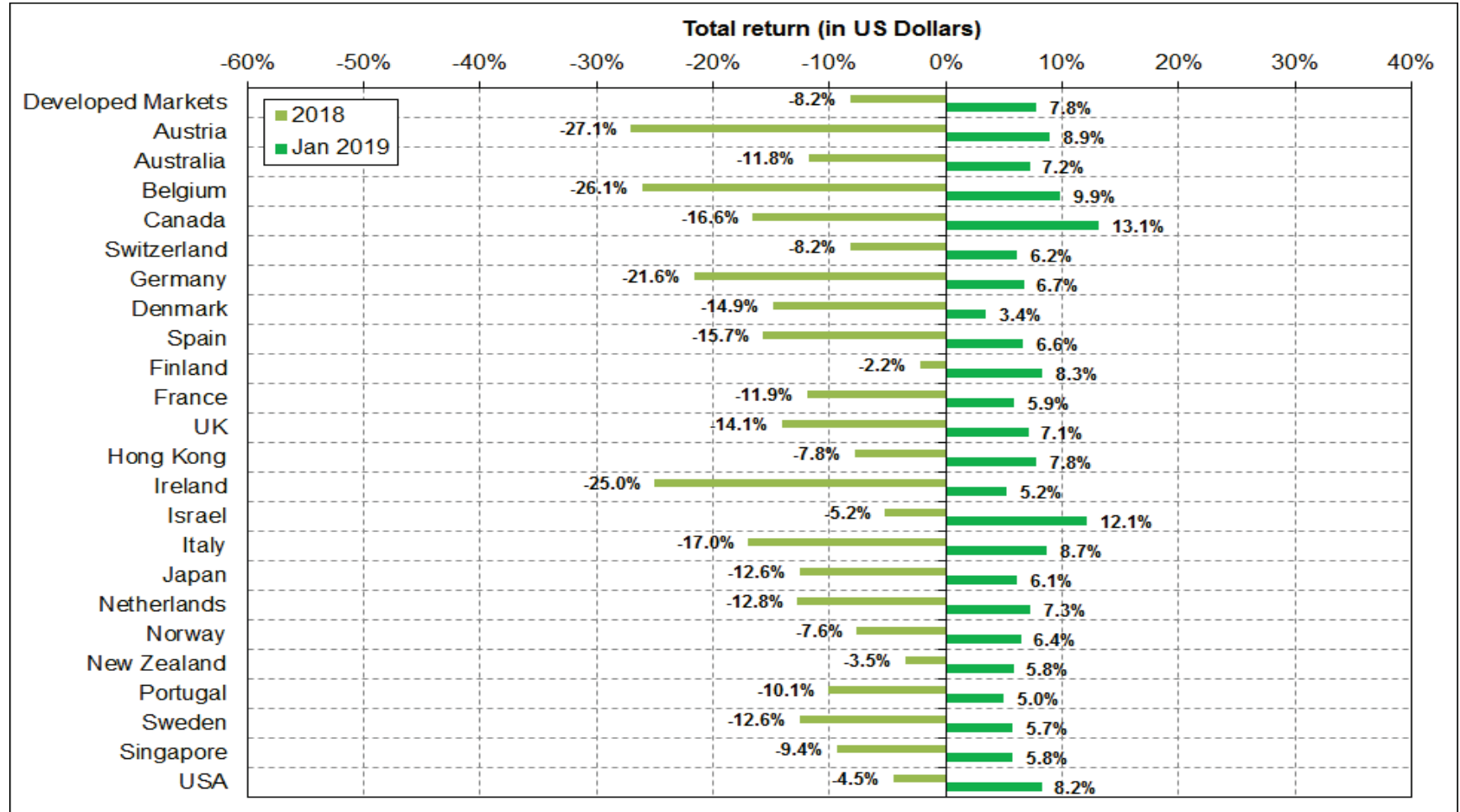
WORLD EQUITY MARKETS (IN USD)

GOOD START TO THE YEAR AFTER POOR 2018



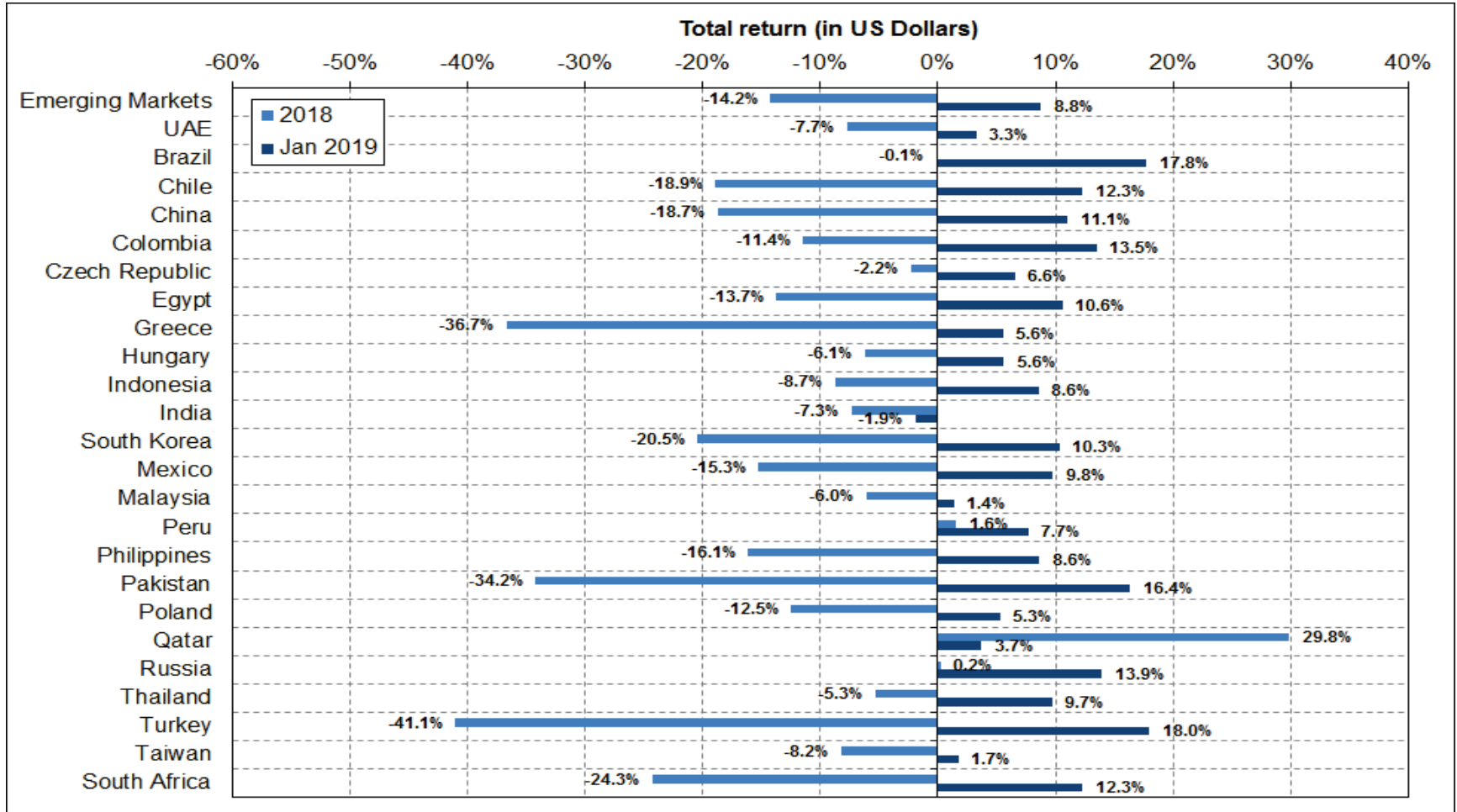
DEVELOPED EQUITY MARKETS (IN USD)

GAINS ACROSS THE BOARD IN 2019 SO FAR



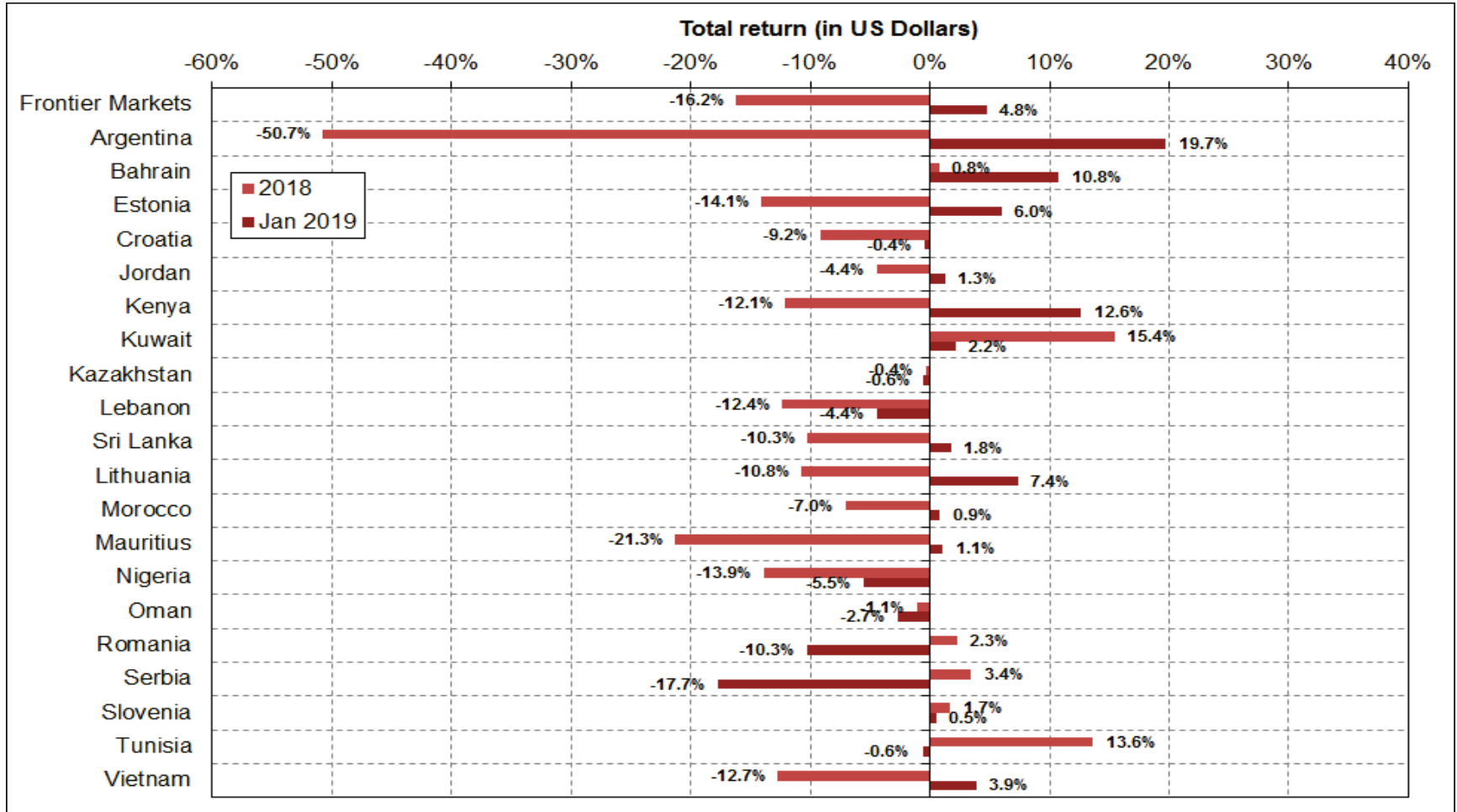
EMERGING EQUITY MARKETS (IN USD)

SOUTH AFRICA ONE OF THE BETTER PERFORMERS

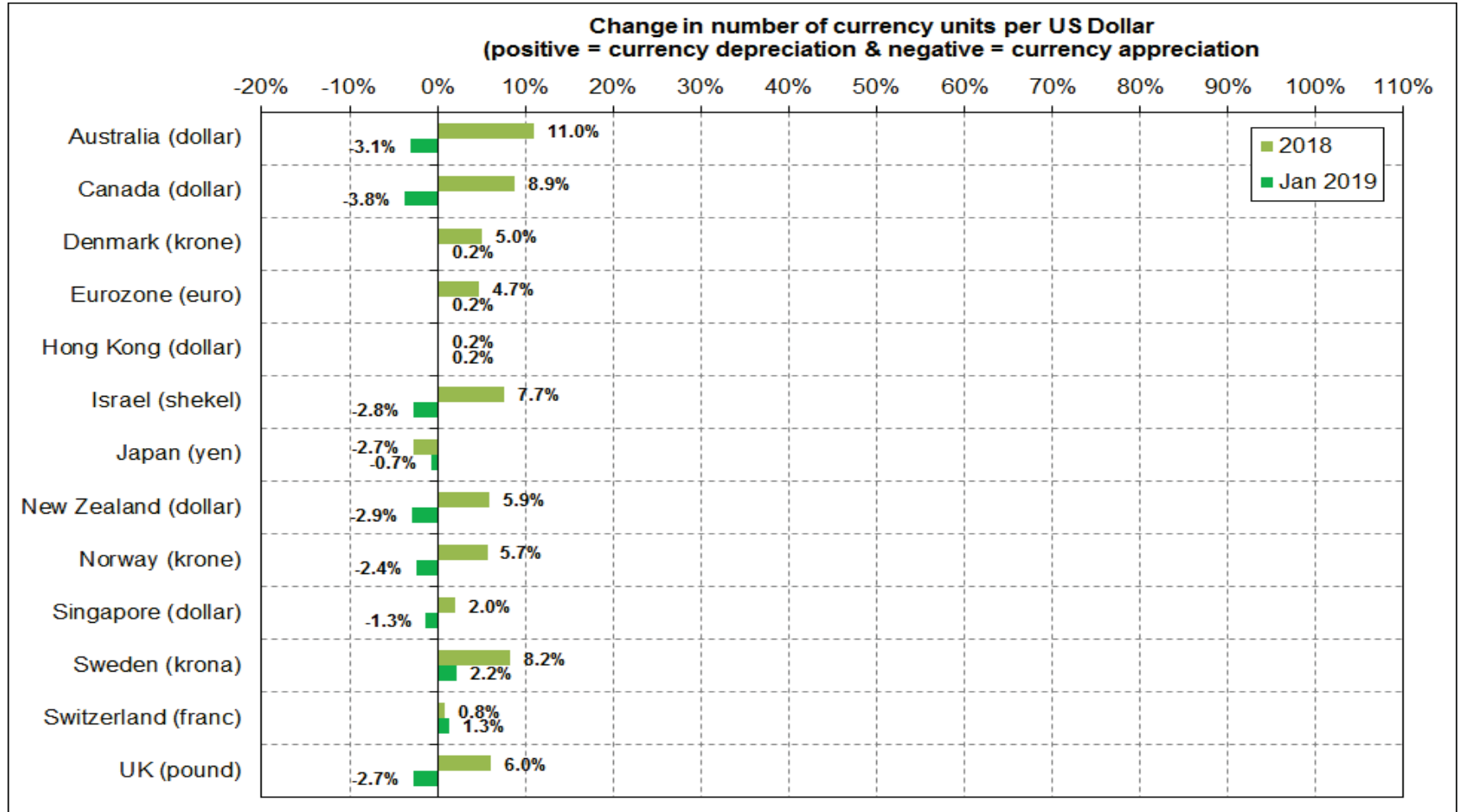


FRONTIER EQUITY MARKETS (IN USD)

MIXED START TO THE YEAR



DEVELOPED MARKET CURRENCIES (VS USD) DOLLAR STARTS THE YEAR ON THE BACK FOOT



EMERGING MARKET CURRENCIES (VS USD) ALSO CLAWING BACK SOME OF THEIR 2018 LOSSES, SOUTH AFRICAN RAND SHOWING THE LARGEST GAIN

