

MONTH IN PICTURES

FEBRUARY 2019

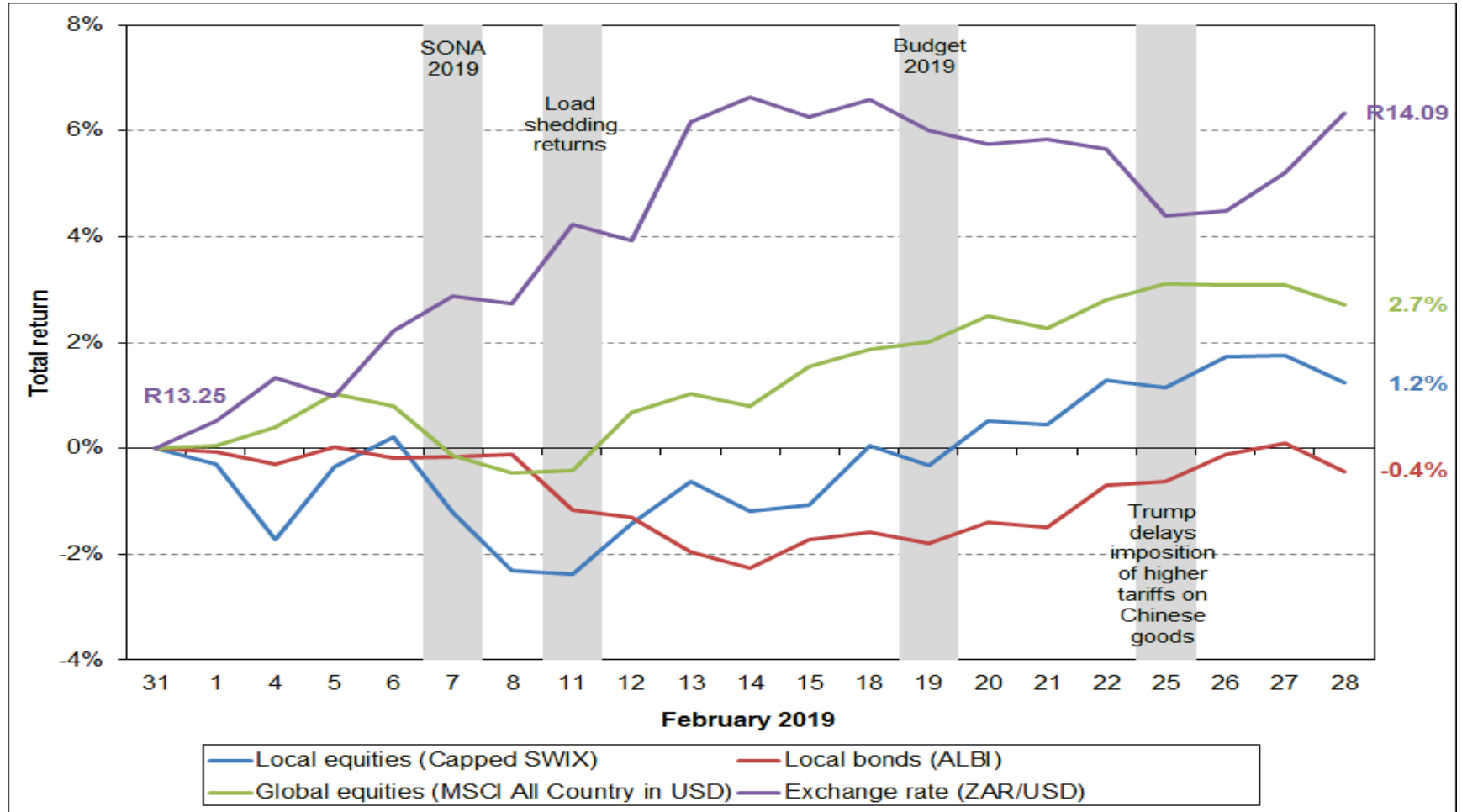
MONTHLY SNAPSHOT

NOTABLE EVENTS

- The local equity market notched up another positive month (+1.2%), bringing its 3-month performance to a credible +6.7%, but its 1-year return remains in negative territory (-6.2%).
- February's equity market returns were driven by Resources (+9.1%) and Industrials (+3.5%), while Financials (-2.1%) and Listed Property (-5.7%) suffered losses.
- After a strong January emerging market currencies came under renewed pressure in February, with the Rand depreciating by 6.3% against the US Dollar (from R13.25 to R14.09). The Rand's year-on-year performance now looks particularly bad (19.4% weaker against the Dollar), as this measurement period starts at the height of Ramaphosa early last year when a Dollar cost only R11.79.
- Global equity markets continued its recovery from 2018's losses on the back of improving US-China trade negotiations and a more dovish US Fed, delivering 2.7% (in US Dollars) over the month for a solid Rand gain of 9.2%. When measured in Dollars, returns over the last 12 months are still negative (-0.3%), but local currency weakness means that South African investors would have enjoyed a return of 19.1% from this asset class. Global bond returns paint a similar picture, losing 1.3% in hard currency but gaining 17.9% in Rands over the last year.
- The 2019 Budget didn't deliver any major surprises, once again showcasing government's dire financial position, with another increase in projected government debt and very little change on the tax front (with the exception of the usual sin and fuel tax hikes). R69 billion has been earmarked for Eskom over the next three years after load shedding returned with a vengeance in February.
- Fourth quarter local economic growth came in higher than expected (1.4% on a seasonally adjusted and annualised basis), which brought 2018's growth to 0.8%. In this regard South Africa continues to lag world growth and this situation is likely to persist if forecasts from various local and international organisations (showing sub-2% expected growth over the medium term) are to be believed.
- Headline inflation inched up slightly in February, reaching a level of 4.1% y-o-y, from 4.0% the previous month.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Dec 2018	Jan 2019	Feb 2019	3 months	12 months
Local equities	Capped SWIX	2.6	2.8	1.2	6.7	(6.2)
	Resources	12.3	3.3	9.1	26.5	32.5
	Industrials	2.4	0.9	3.5	6.9	(11.6)
	Financials	0.6	6.0	(2.1)	4.4	(4.9)
	Listed Property	(1.1)	9.2	(5.7)	1.9	(5.2)
Local bonds	ALBI	0.6	2.9	(0.4)	3.1	4.2
Local cash	STeFI Composite	0.6	0.6	0.5	1.8	7.3
Global equities	MSCI All Country	(3.7)	(0.4)	9.2	4.7	19.1
Global bonds	FTSE WGBI	6.0	(6.4)	5.4	4.5	17.9
Exchange rate	ZAR/USD	3.5	(7.7)	6.3	1.6	19.4
Inflation	CPI	(0.2)	(0.2)	0.8	0.5	4.1

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

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	Capped SWIX	(6.2)	4.8	5.8	14.8	15.1
	Resources	32.5	22.4	(0.0)	6.4	8.5
	Industrials	(11.6)	1.3	5.9	18.3	18.1
	Financials	(4.9)	8.1	9.8	17.6	15.3
	Listed Property	(5.2)	(0.4)	6.9	12.9	17.3
Local bonds	ALBI	4.2	10.6	8.4	8.5	8.8
Local cash	STeFI Composite	7.3	7.4	7.0	6.6	7.4
Global equities	MSCI All Country	19.1	9.1	12.8	17.2	12.7
Global bonds	FTSE WGBI	17.9	(2.5)	5.9	5.8	8.3
Exchange rate	ZAR/USD	19.4	(3.8)	5.5	3.4	5.1
Inflation	CPI	4.1	4.8	5.0	5.2	5.6

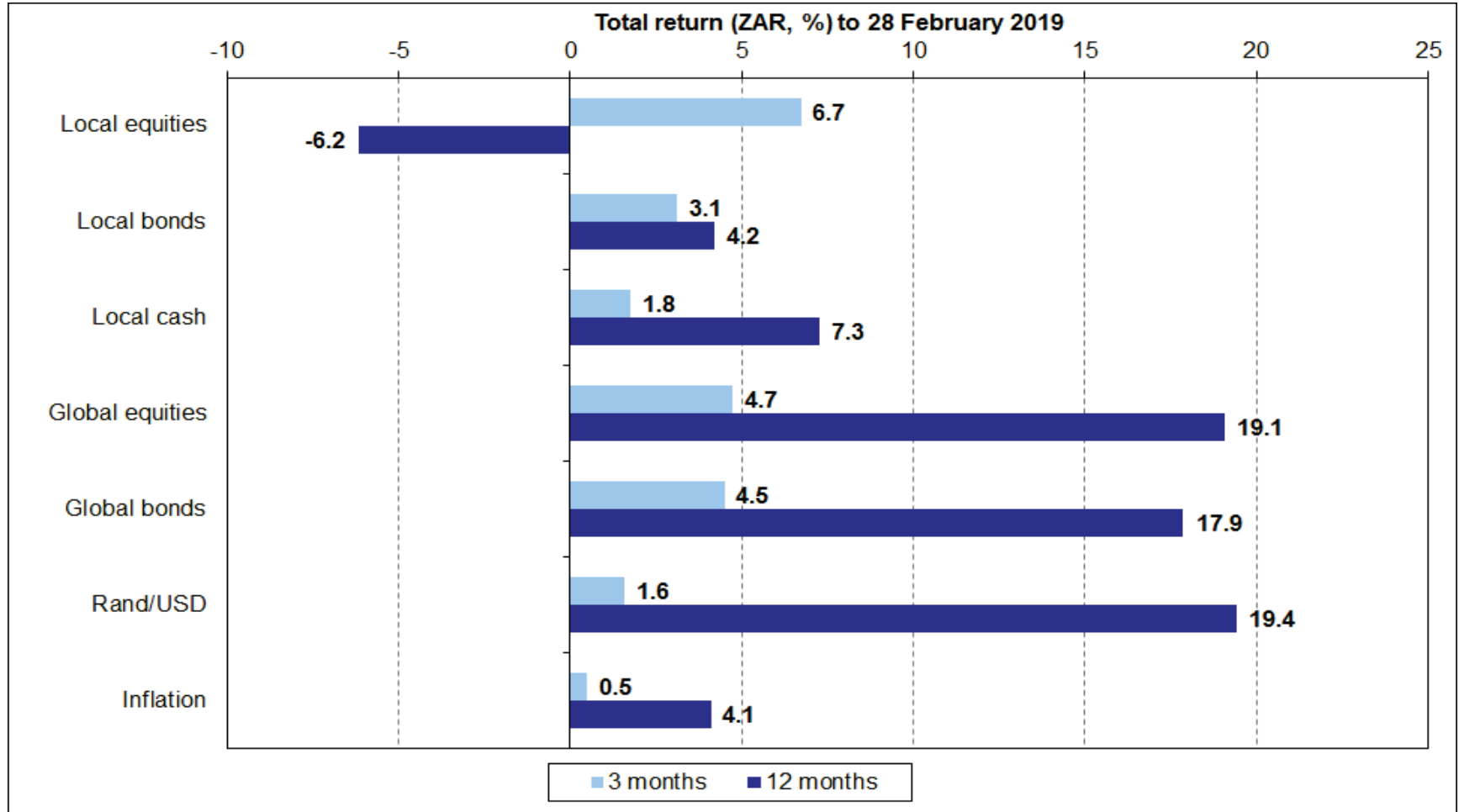
1. Total returns (in Rands) for the months and periods ending 31 January 2019

ECONOMIC INDICATORS

Economic indicators ¹	Feb 2017	Feb 2018	Feb 2018	Jan 2019	Feb 2019
Exchange rates:					
ZAR/USD	13.13	11.79	14.35	13.25	14.09
ZAR/GBP	16.25	16.23	18.32	17.36	18.68
ZAR/Euro	13.88	14.39	16.47	15.17	16.02
Commodities:					
Brent Crude Oil (USD/barrel)	55.81	64.65	54.44	61.10	66.42
Platinum (USD/ounce)	1,023.00	979.83	793.31	817.61	871.96
Gold (USD/ounce)	1,248.73	1,317.59	1,280.92	1,320.20	1,323.60

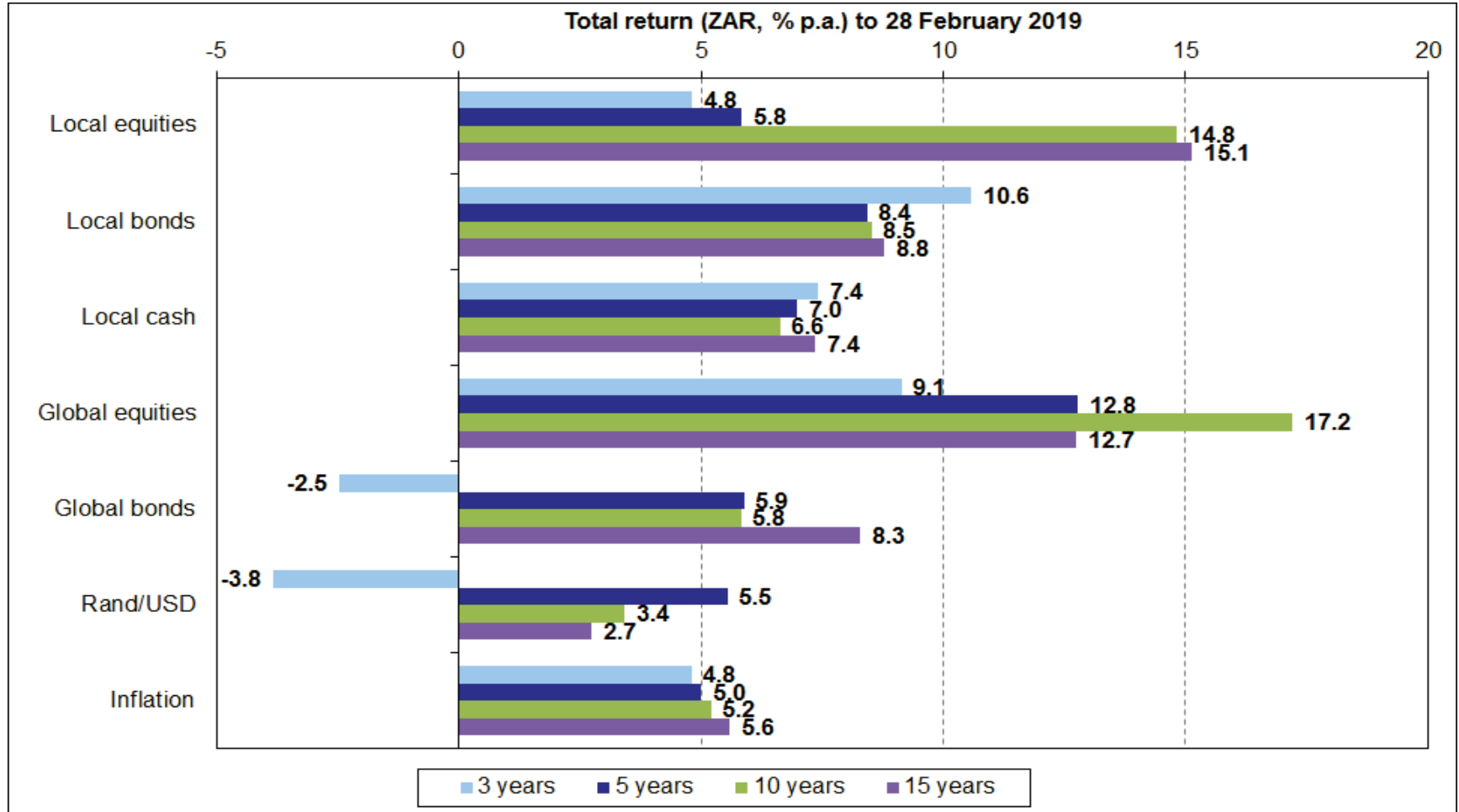
1. Month-end prices

ASSET CLASS PERFORMANCE SHORT TERM



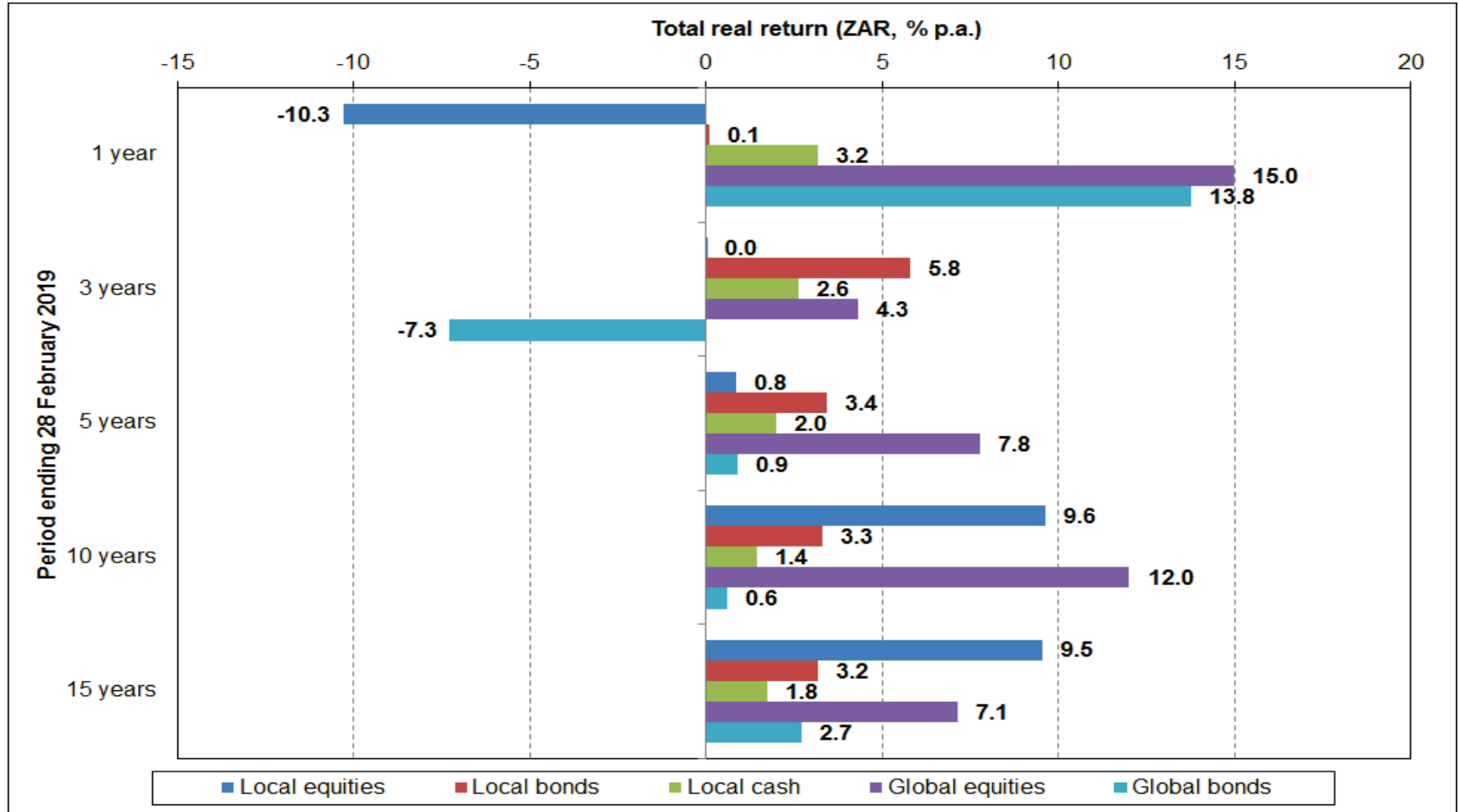
ASSET CLASS PERFORMANCE

MEDIUM TO LONG TERM



ASSET CLASS PERFORMANCE

REAL (EXCESS ABOVE INFLATION) RETURNS



MARKET PERFORMANCE

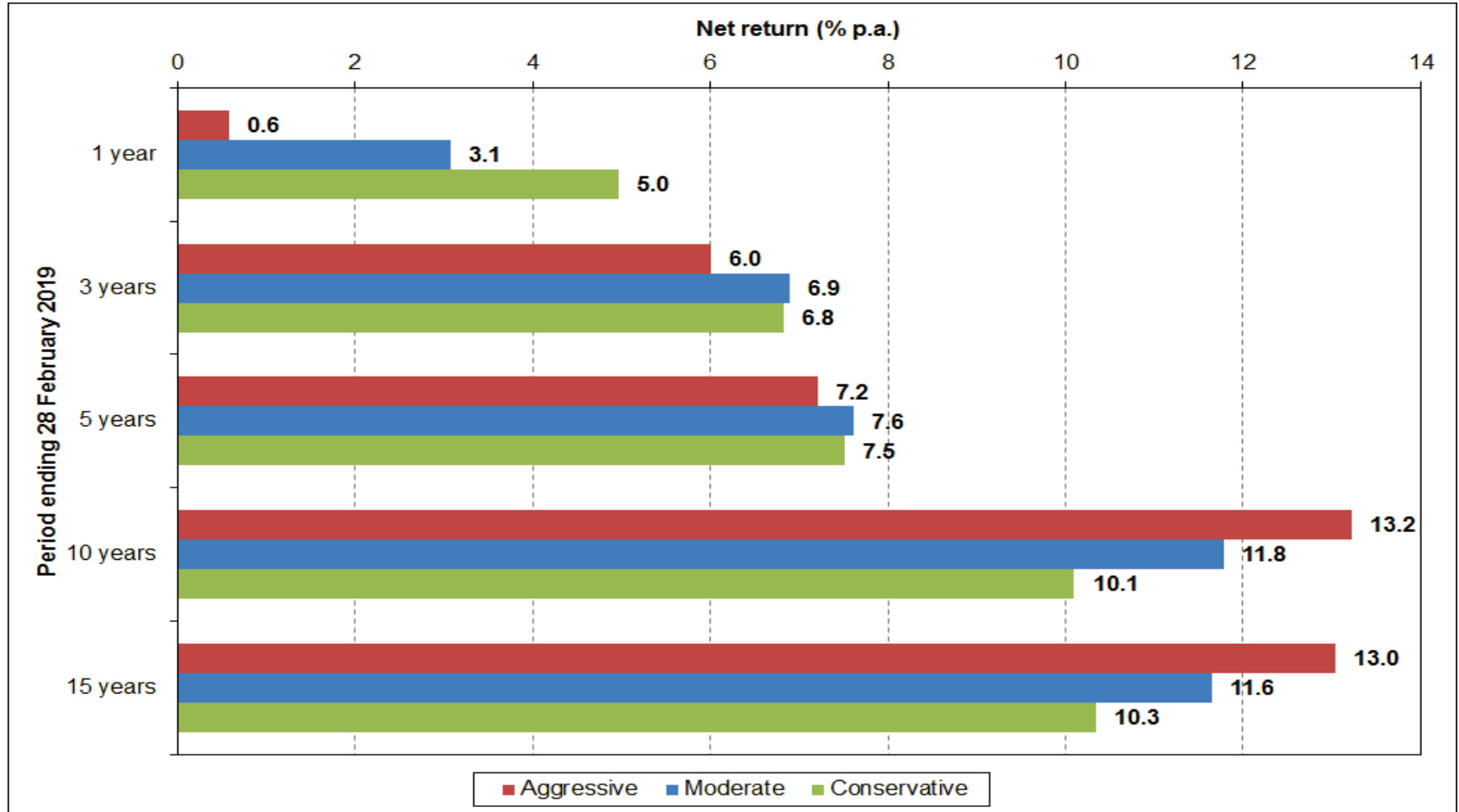
WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

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%

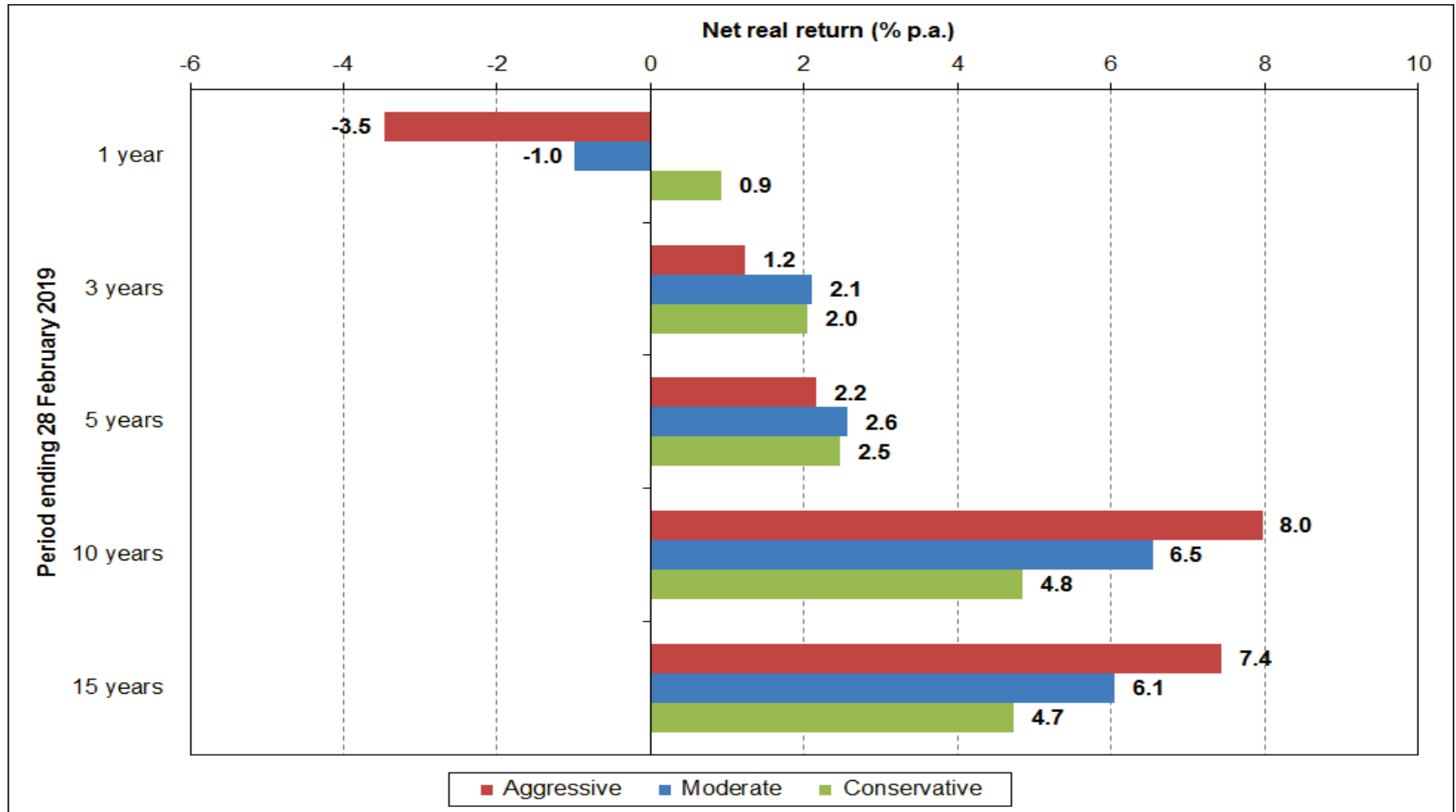
MR MARKET PERFORMANCE

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



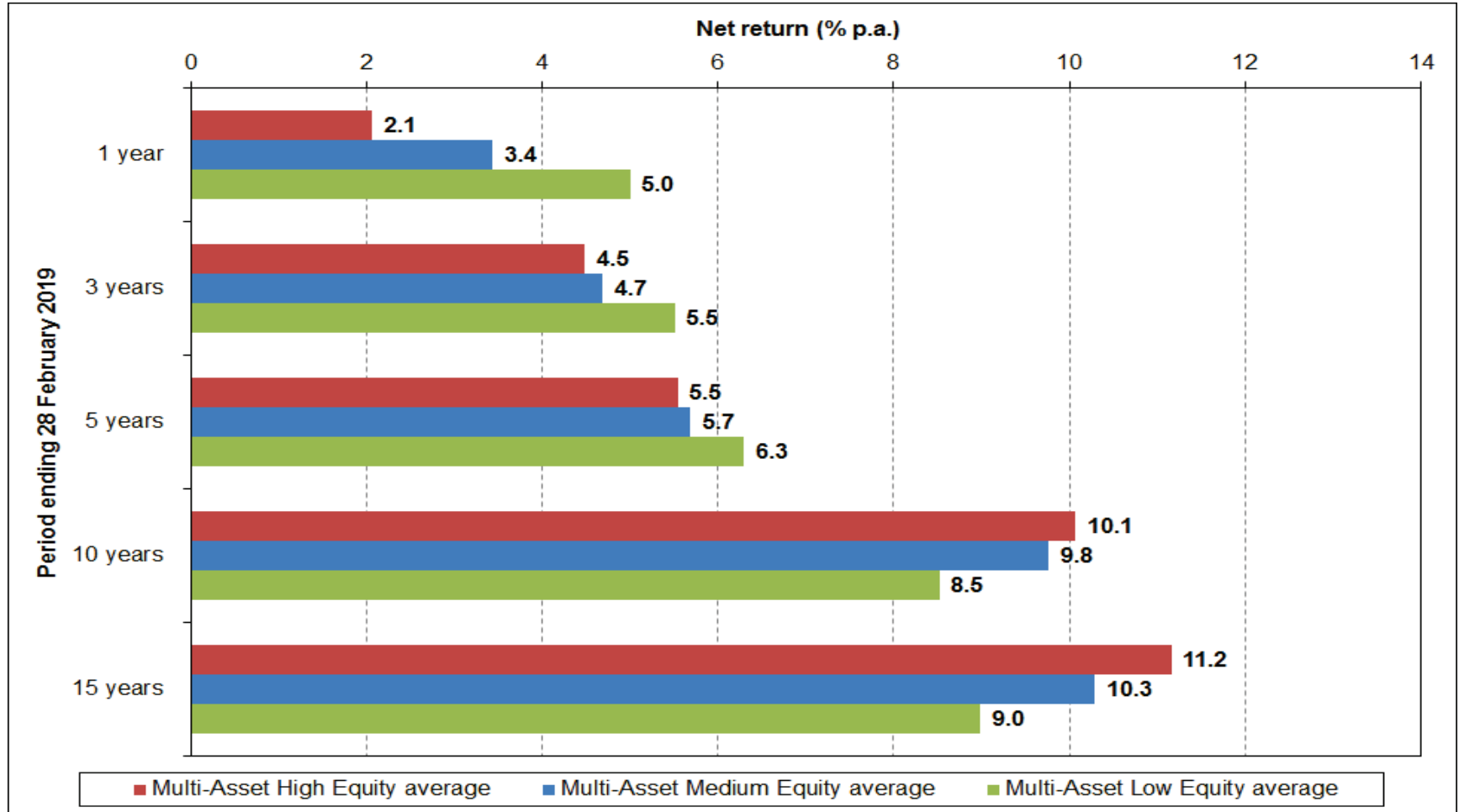
MR MARKET PERFORMANCE

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



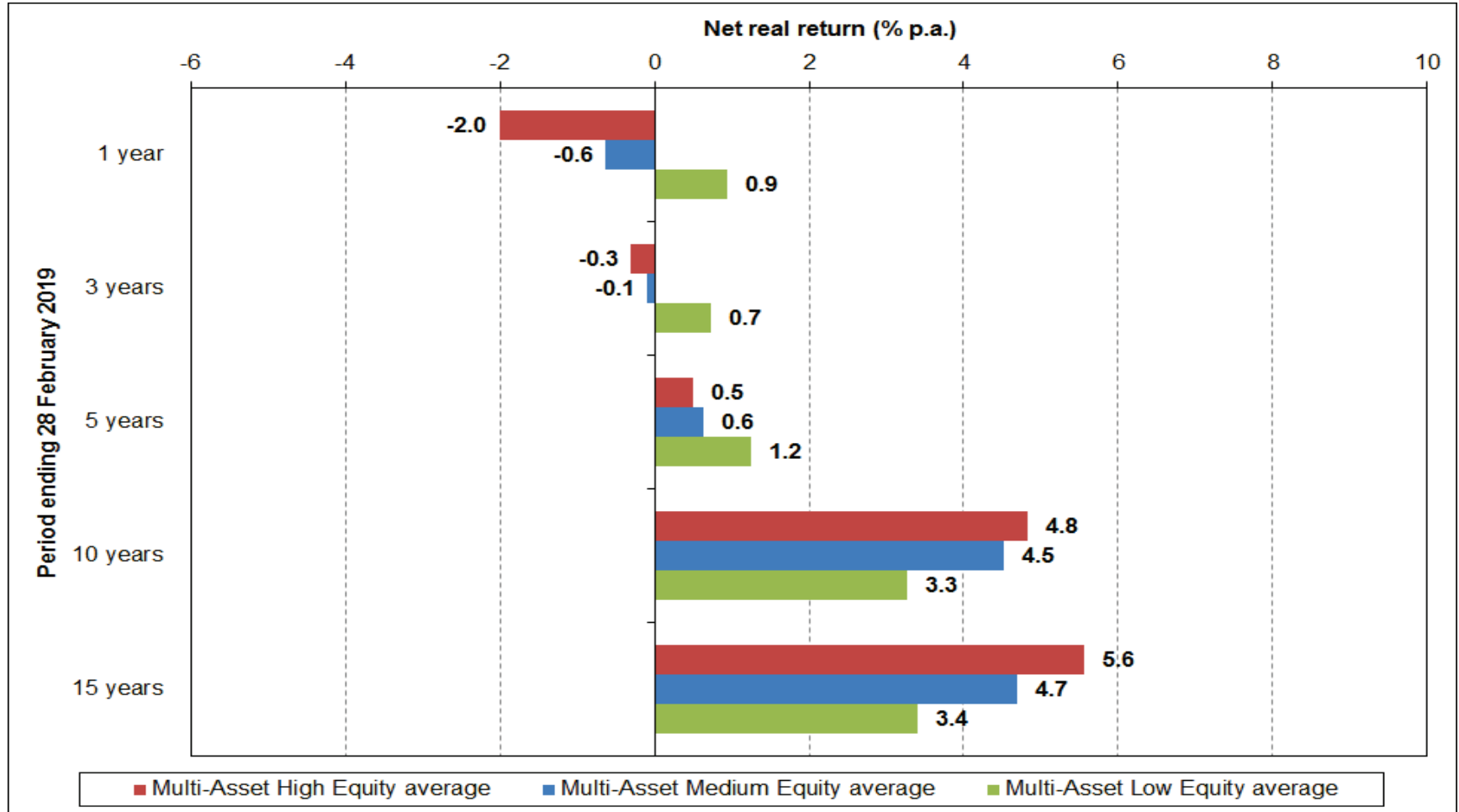
MR MANAGER PERFORMANCE

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



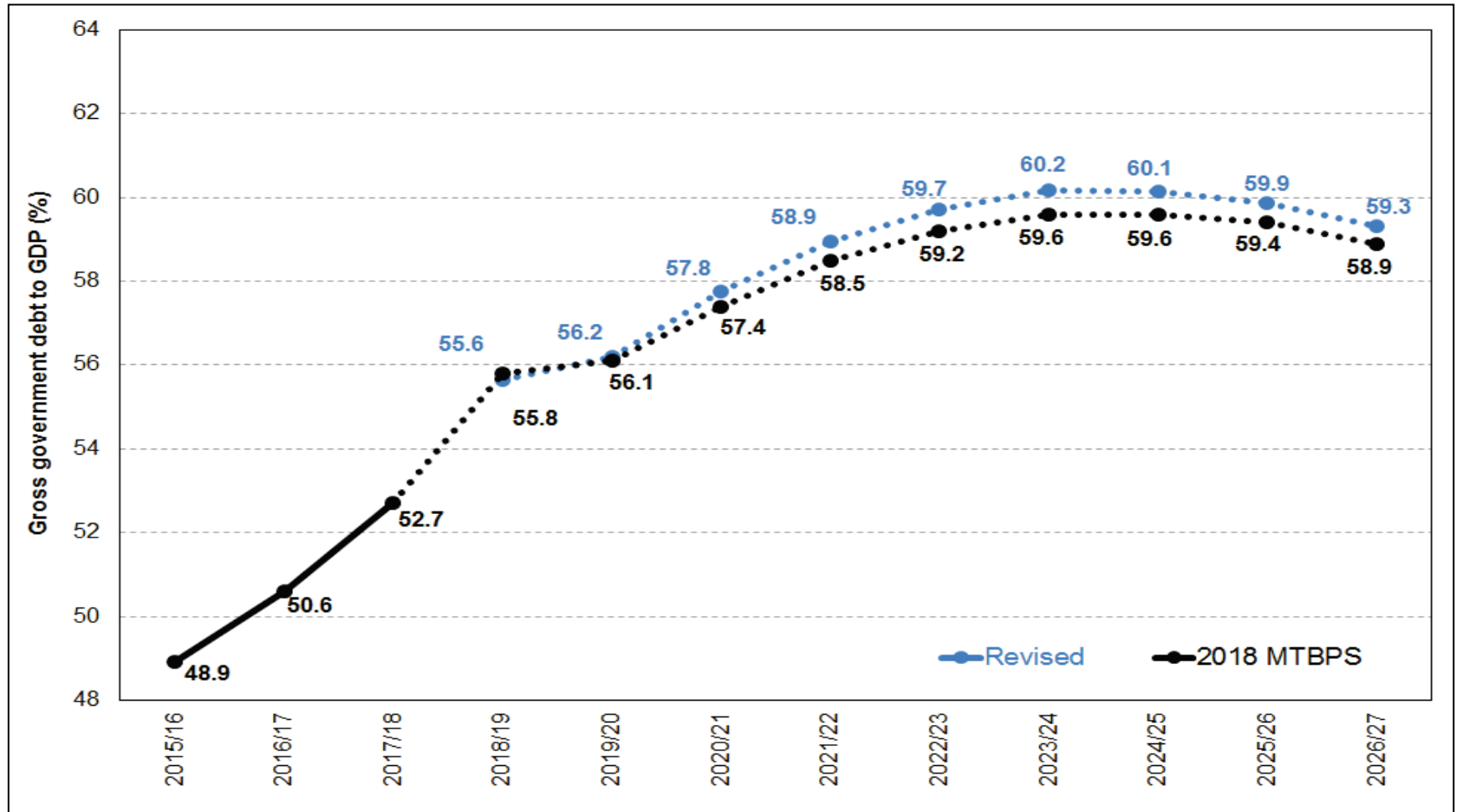
MR MANAGER PERFORMANCE

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



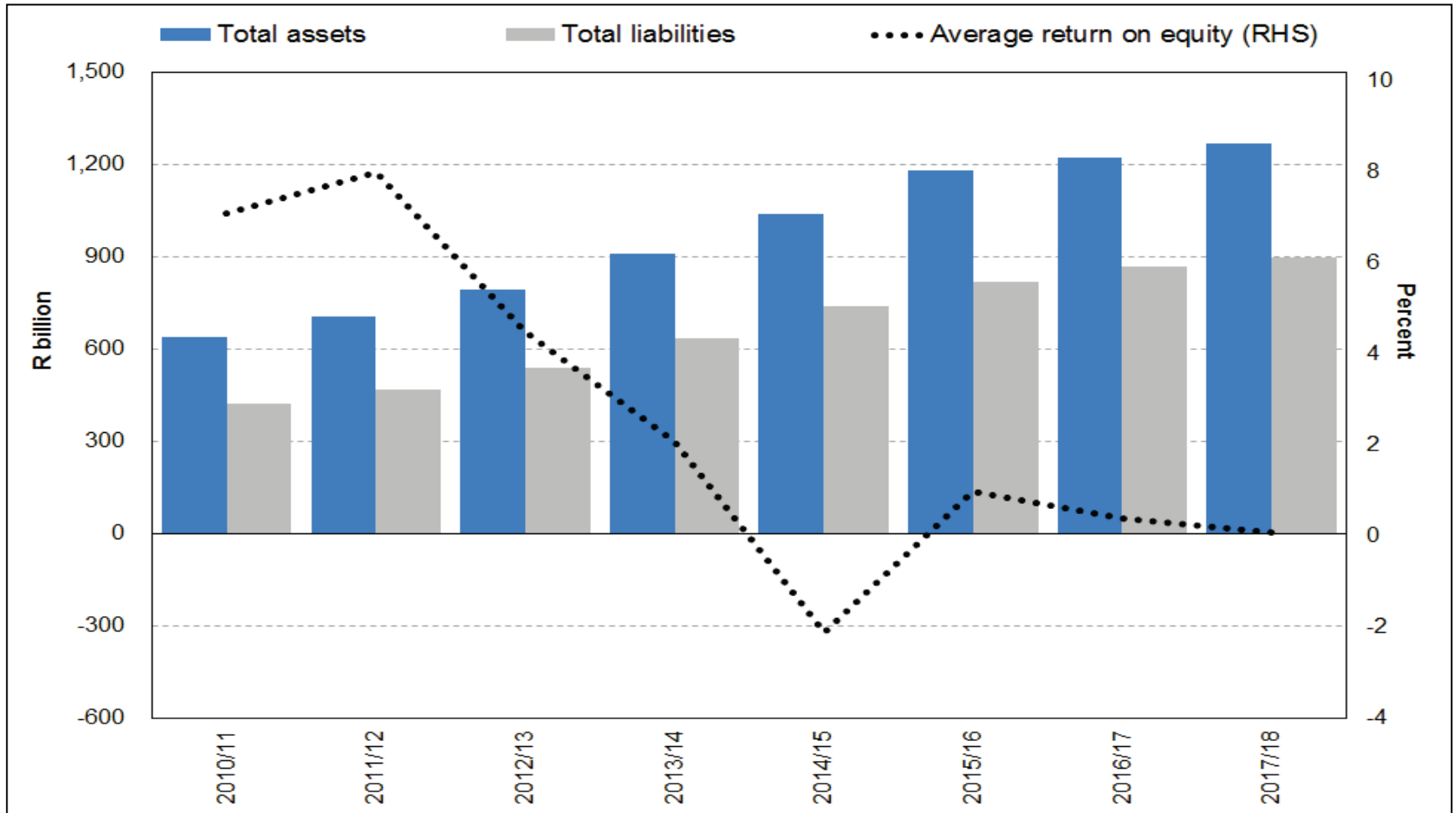
BUDGET 2019 HIGHLIGHTS

PROJECTED GOVERNMENT DEBT REVISED HIGHER, AGAIN...



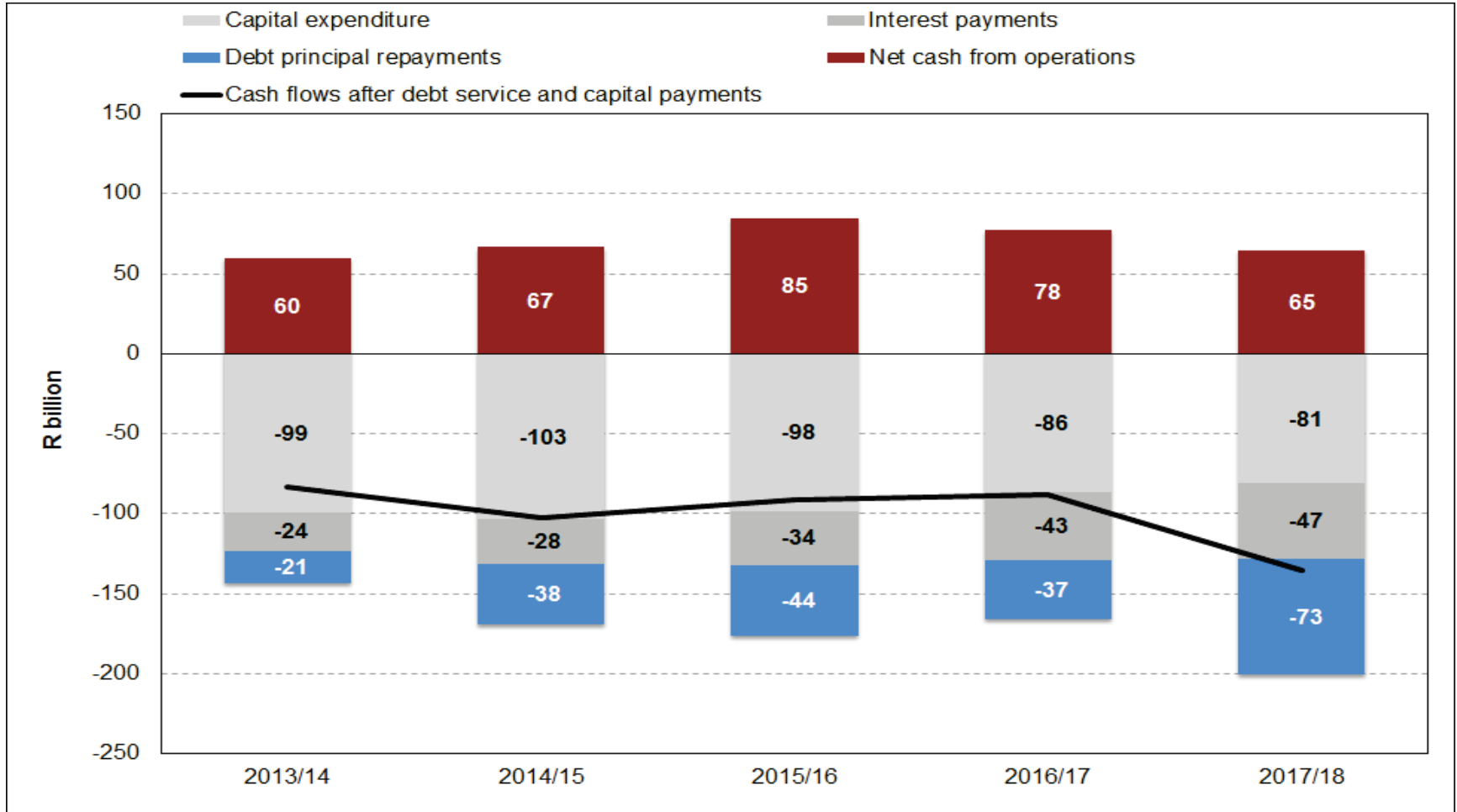
BUDGET 2019 HIGHLIGHTS

PERFORMANCE OF STATE-OWNED COMPANIES – NO RETURN ON EQUITY....



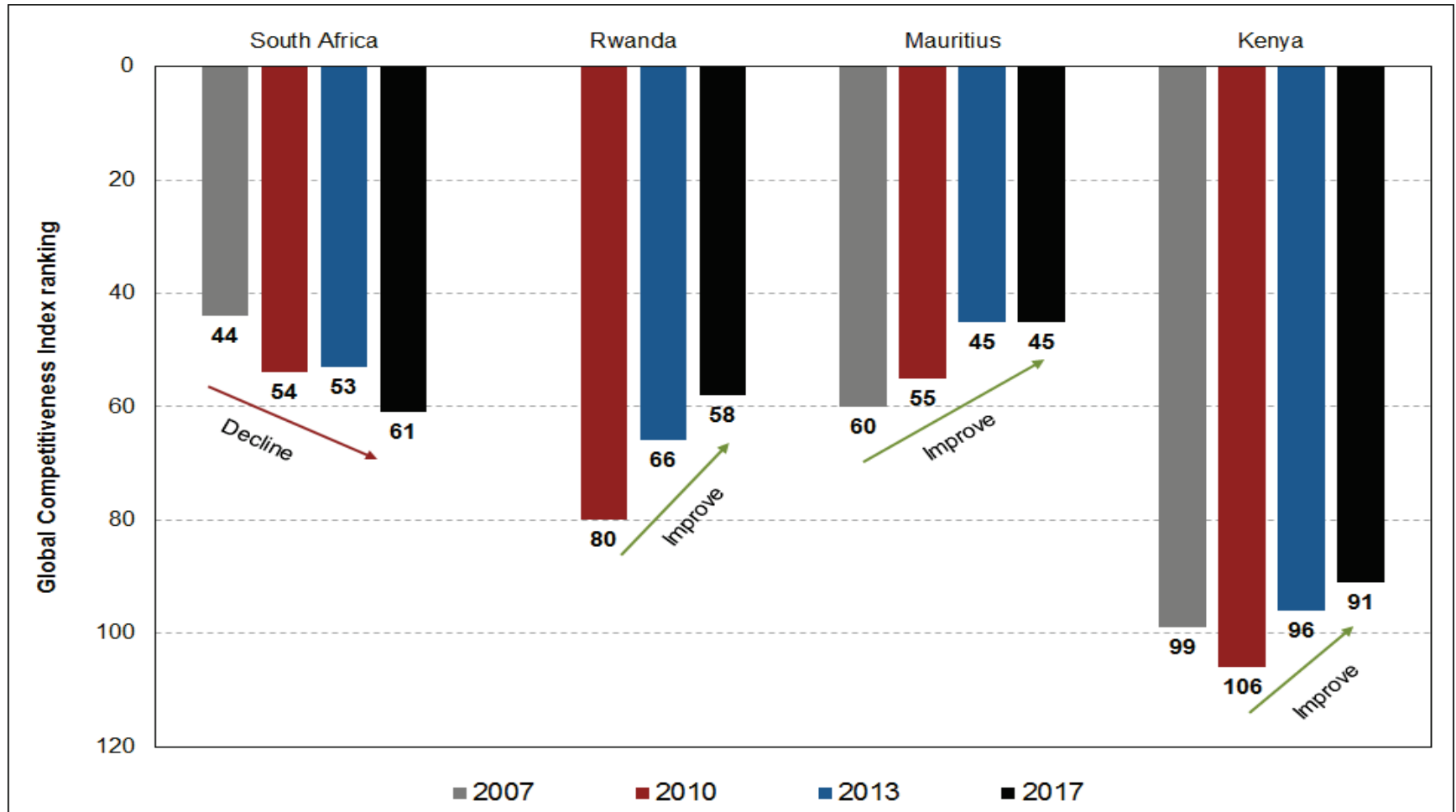
BUDGET 2019 HIGHLIGHTS

...AND BLEEDING CASH

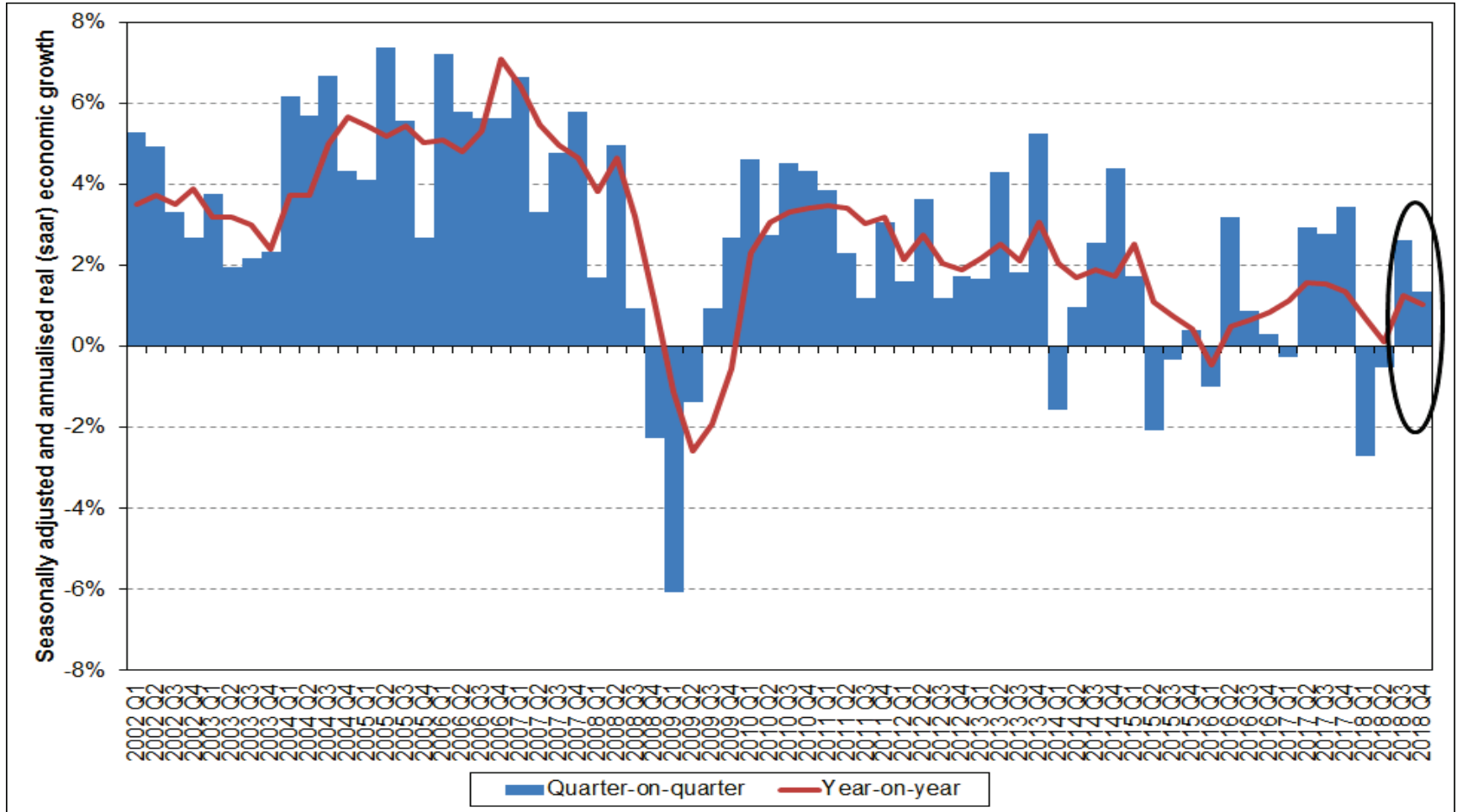


BUDGET 2019 HIGHLIGHTS

GOVERNMENT PLANS TO REVERSE SOUTH AFRICA'S COMPETITIVE SLIDE

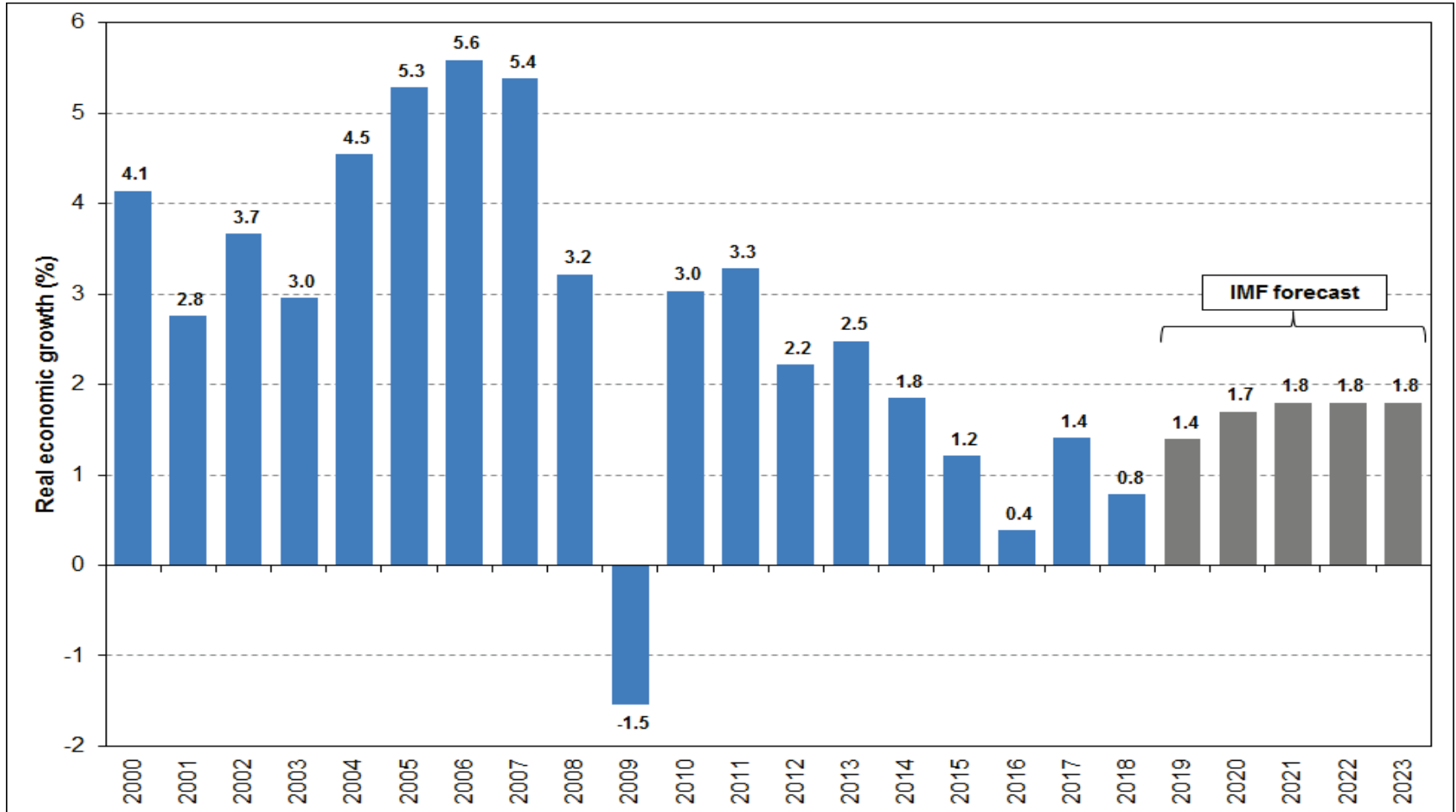


SA ECONOMIC GROWTH ANOTHER LOW GROWTH YEAR

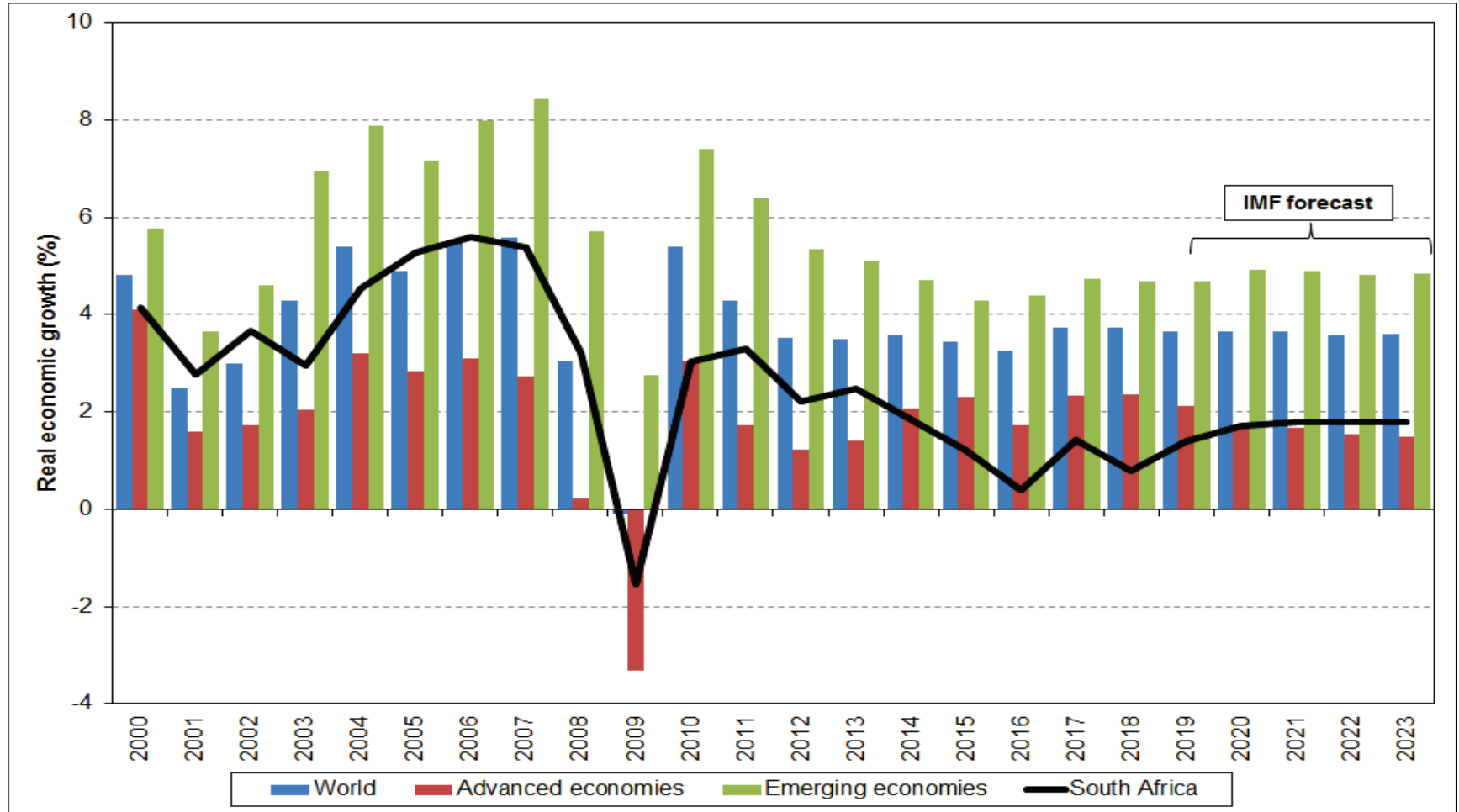


SA ECONOMIC GROWTH

SLOW DECLINE, WITH NOT MUCH IMPROVEMENT IN SIGHT

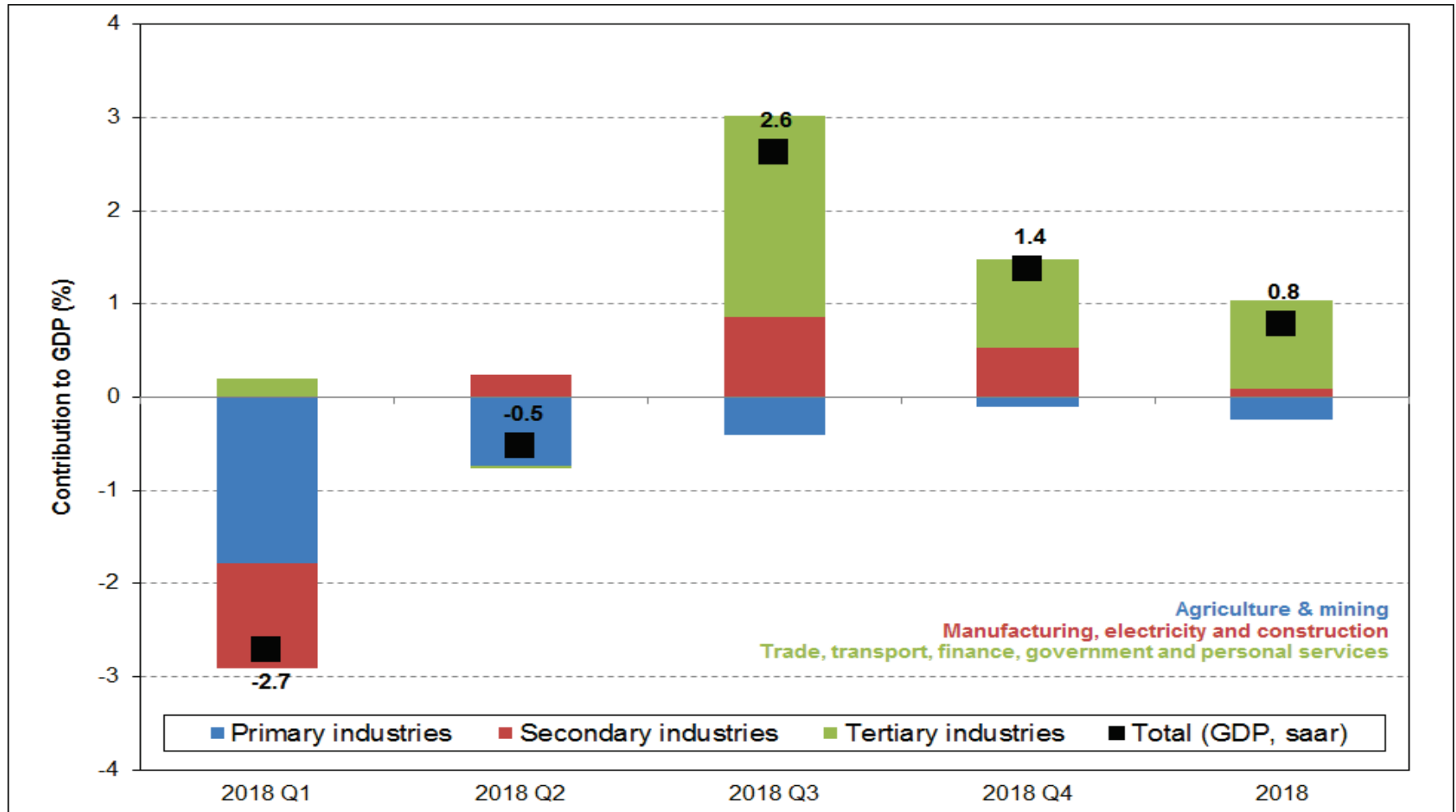


SA ECONOMIC GROWTH LAGGING THE REST OF THE WORLD



SA ECONOMIC GROWTH

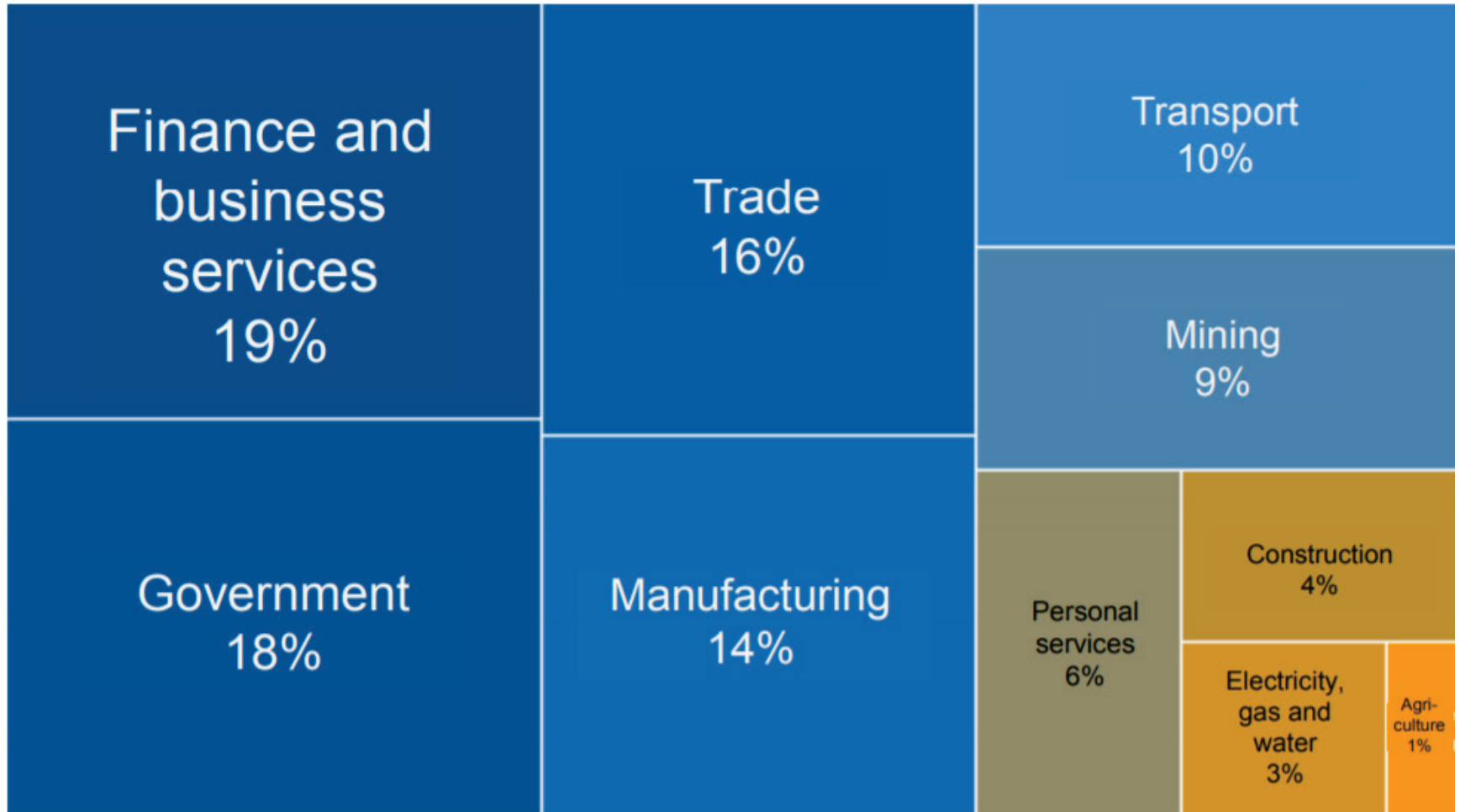
PRIMARY AND SECONDARY INDUSTRIES STRUGGLE IN 2018



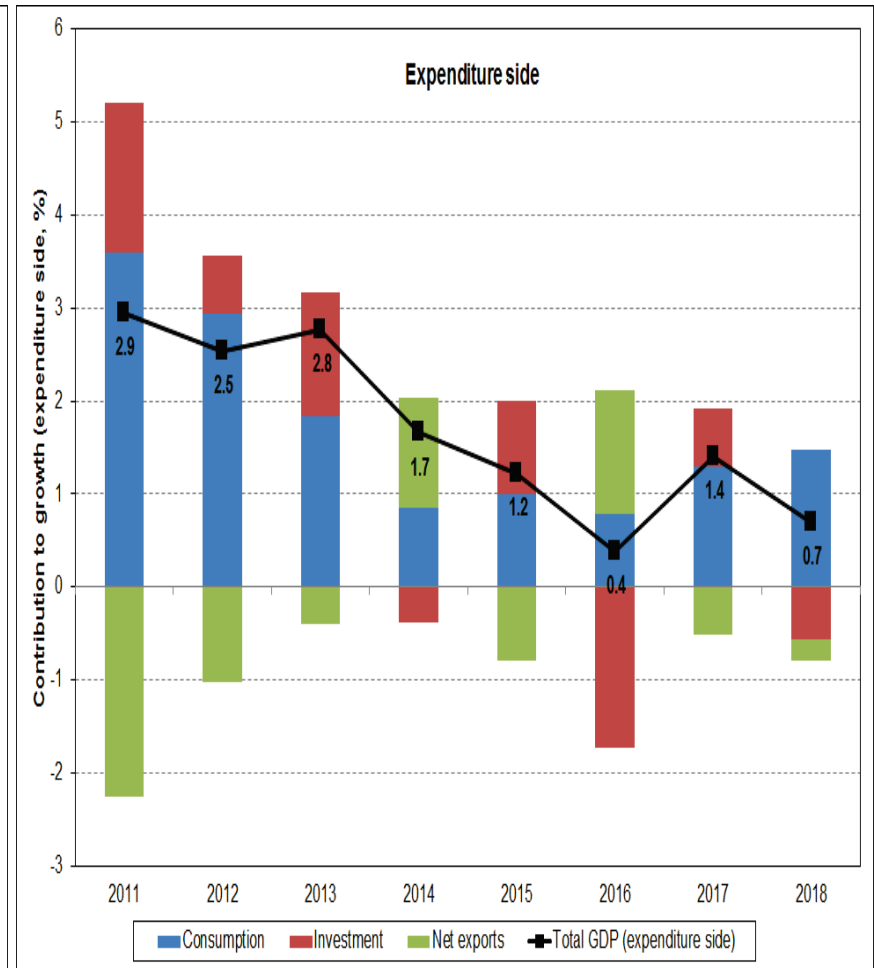
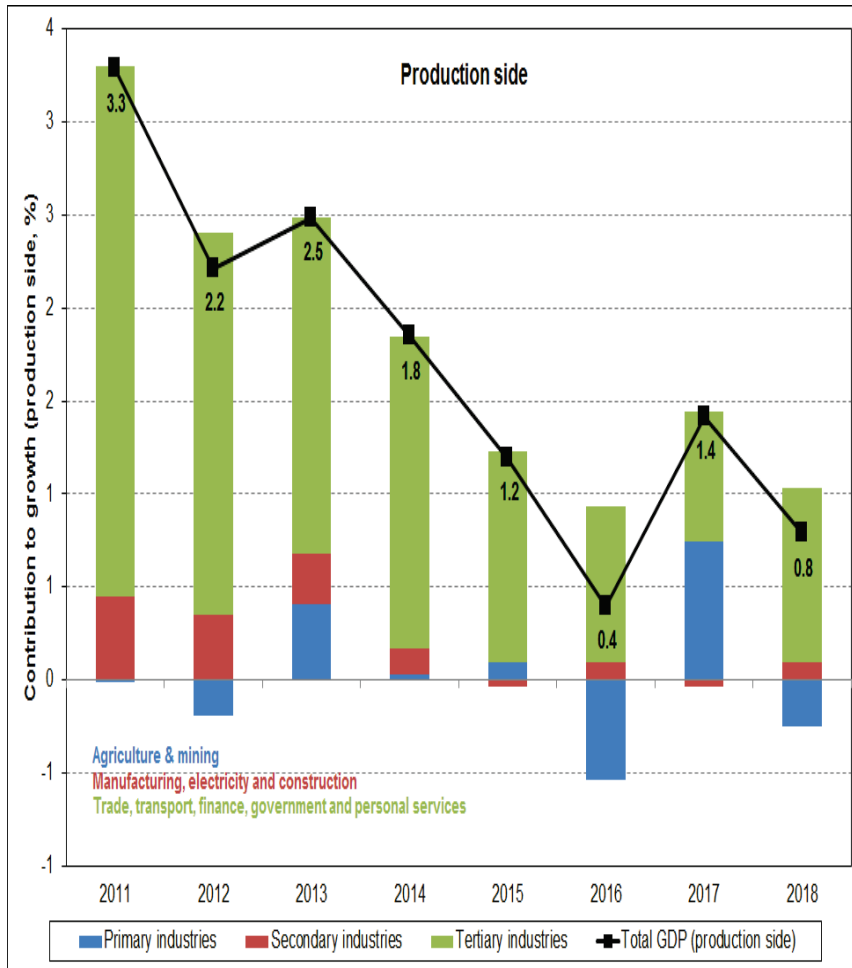
SA ECONOMY

SIZE OF INDUSTRIES

(CONTRIBUTION TO NOMINAL GDP IN 2018 Q4)

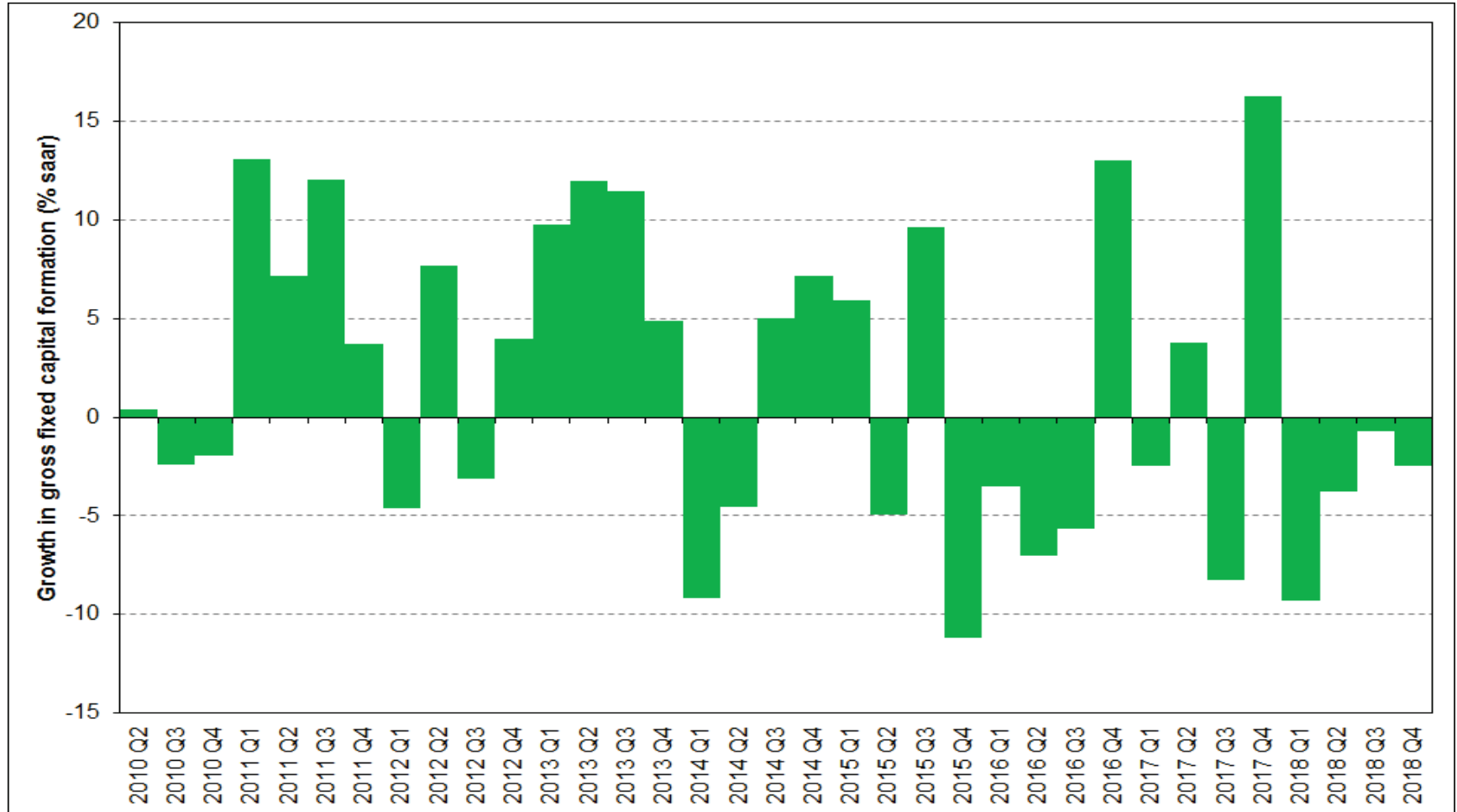


SA ECONOMIC GROWTH MOSTLY DRIVEN BY TERTIARY INDUSTRIES AND CONSUMPTION



SA ECONOMY

FIXED INVESTMENT STILL CONTRACTING



AS BUSINESS CONFIDENCE REMAINS DEPRESSED

