

MONTH IN PICTURES

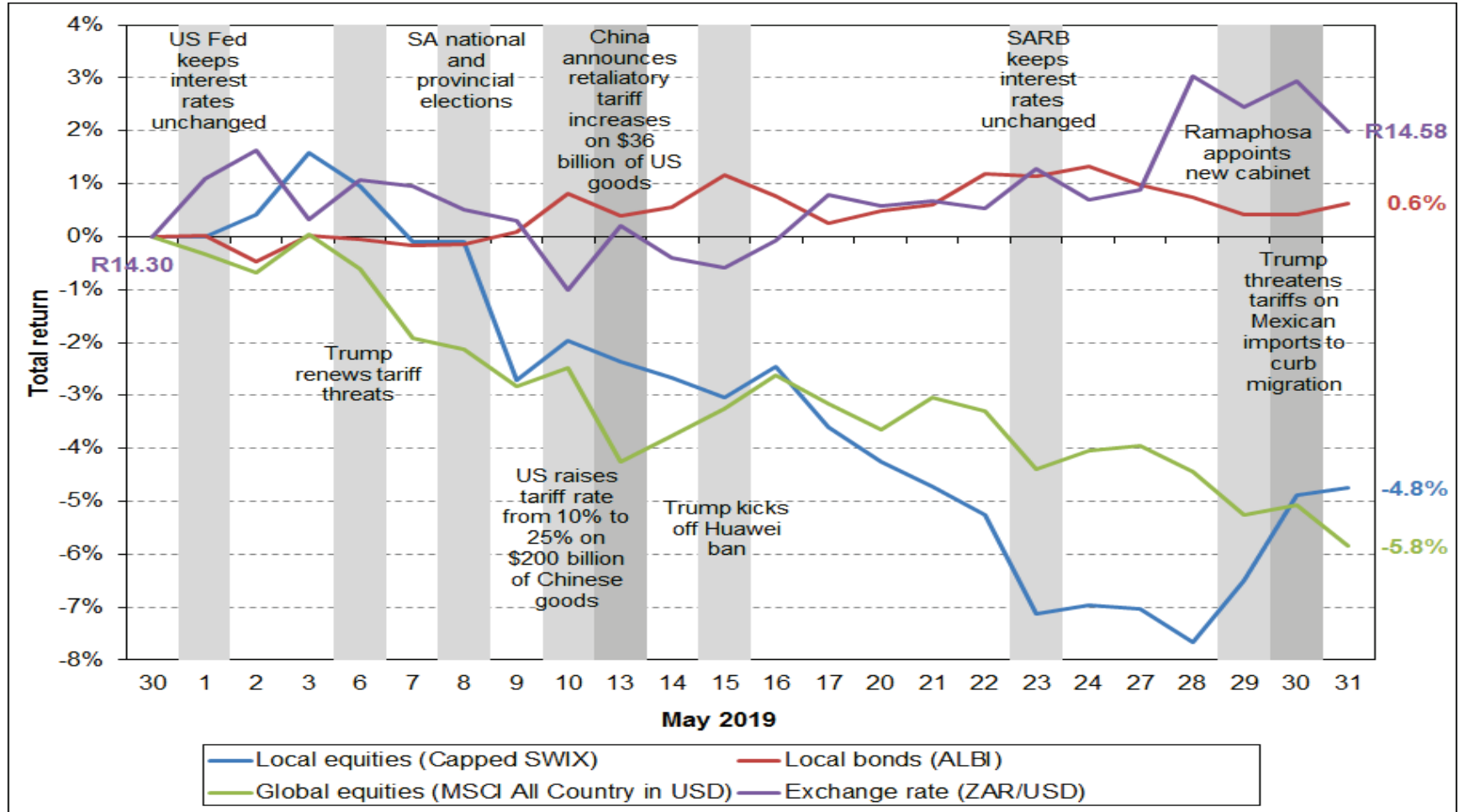
MAY 2019

MONTHLY SNAPSHOT

NOTABLE EVENTS

- US President Donald Trump had a busy May, hiking tariffs on China, banning US companies from doing business with Chinese telecoms giant Huawei and threatening tariffs on Mexico in an effort to curb the flow of migrants. This unexpected deterioration in trade relations wreaked havoc on global equity markets and emerging markets in general, with the MSCI All Country Index losing 5.8% (in US Dollars) over the month.
- Against this backdrop the Rand weakened by 2% against the US Dollar, despite the largely market-friendly outcome of the 2019 SA national and provincial elections and the subsequent appointment of a slightly leaner and less controversial cabinet.
- The local equity market (Capped SWIX) was unsurprisingly also not able to escape unharmed, shedding 4.8% after trading as much as 8% down during the course of the month. All of the major sectors lost value, but Financials (-2.3%) and Listed Property (-0.9%) managed to do better than Resources (-5.1%) and Industrials (-6.0%).
- Year-to-date returns on the local equity market remain in positive territory (+4% to +7% depending on the index), but looks considerably less impressive than they did at the end of April (luckily May's losses have been mostly recovered by mid-June).
- The central banks of both the US and SA kept their policy interest rates unchanged at their May meetings. Statements from both these entities seem to indicate that the odds of interest rate *cuts* later this year have increased.
- First quarter local economic growth came in well below expectations, with the economy contracting by 3.2% on a seasonally adjusted and annualised basis, as load shedding took its toll on especially the mining and manufacturing industries. Following this disappointing news many institutions have downgraded their 2019 growth forecasts to below 1%.
- In other economic news SA's unemployment rate increased from 27.1% to 27.6% (and from 37% to 38% when discouraged job seekers are included), while business confidence (as measured by RMB/BER) remains depressed (staying constant at 28 index points, where the neutral level is 50).
- With very little positive news on the economic front, South African oenophiles would have had ample reason to partake in National Wine Day, which was held on the 25th of May. Slides 24 to 26 contain some interesting statistics on this popular beverage.

MONTHLY TIMELINE IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Mar 2019	Apr 2019	May 2019	3 months	12 months
Local equities	Capped SWIX	(0.2)	5.0	(4.8)	(0.2)	(1.1)
	Resources	4.7	(2.0)	(5.1)	(2.7)	16.6
	Industrials	2.9	6.6	(6.0)	3.1	(3.3)
	Financials	(4.0)	6.6	(2.3)	(0.1)	1.3
	Listed Property	(1.5)	3.2	(0.9)	0.8	(4.8)
Local bonds	ALBI	1.3	0.7	0.6	2.7	7.7
Local cash	STeFI Composite	0.6	0.6	0.6	1.8	7.3
Global equities	MSCI All Country	4.3	2.1	(4.0)	2.2	14.0
Global bonds	FTSE WGBI	4.2	(1.8)	3.7	6.1	18.0
Exchange rate	ZAR/USD	2.9	(1.3)	2.0	3.5	14.8
Inflation	CPI	0.8	0.6	0.3	1.7	4.5

1. Total returns (in Rands) for the months and periods ending 31 May 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	(1.1)	1.4	4.3	12.4	15.2
	Resources	16.6	15.8	(0.4)	3.4	9.2
	Industrials	(3.3)	(0.7)	5.0	16.5	18.1
	Financials	1.3	5.0	7.3	15.4	15.1
	Listed Property	(4.8)	(2.6)	5.9	12.6	17.0
Local bonds	ALBI	7.7	10.5	8.3	8.8	9.0
Local cash	STeFI Composite	7.3	7.4	7.1	6.6	7.3
Global equities	MSCI All Country	14.0	7.0	12.8	16.9	13.2
Global bonds	FTSE WGBI	18.0	(1.0)	7.2	8.4	9.0
Exchange rate	ZAR/USD	14.8	(2.4)	6.6	6.3	5.5
Inflation	CPI	4.5	4.8	5.0	5.2	5.7

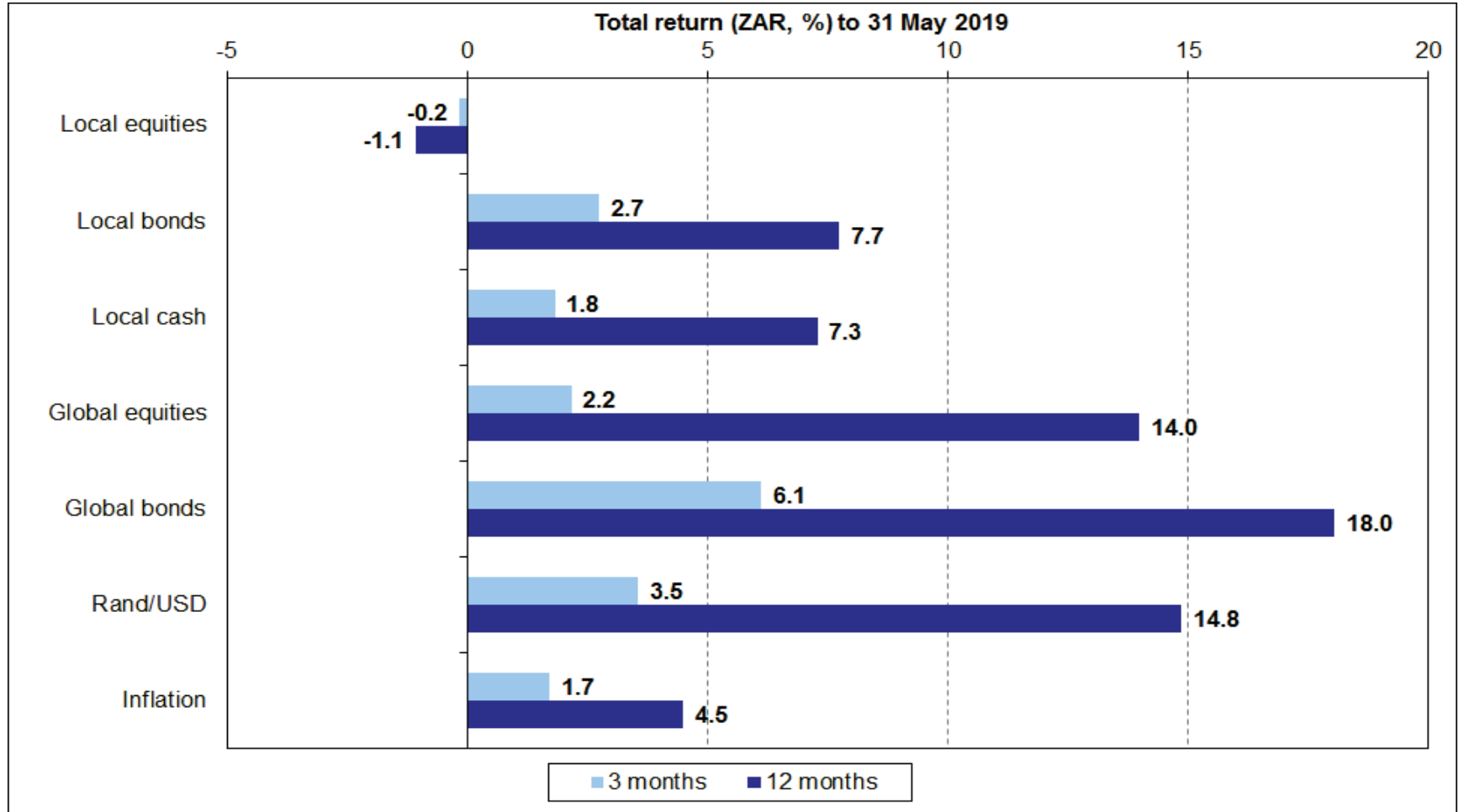
1. Total returns (in Rands) for the months and periods ending 31 May 2019

ECONOMIC INDICATORS

Economic indicators ¹	May 2017	May 2018	Mar 2019	Apr 2019	May 2019
Exchange rates:					
ZAR/USD	13.07	12.70	14.49	14.30	14.58
ZAR/GBP	16.84	16.89	18.90	18.64	18.42
ZAR/Euro	14.70	14.85	16.26	16.04	16.29
Commodities:					
Brent Crude Oil (USD/barrel)	50.91	77.80	67.59	71.65	61.63
Platinum (USD/ounce)	948.50	912.66	845.50	897.94	791.50
Gold (USD/ounce)	1,268.81	1,305.23	1,291.91	1,283.40	1,305.20

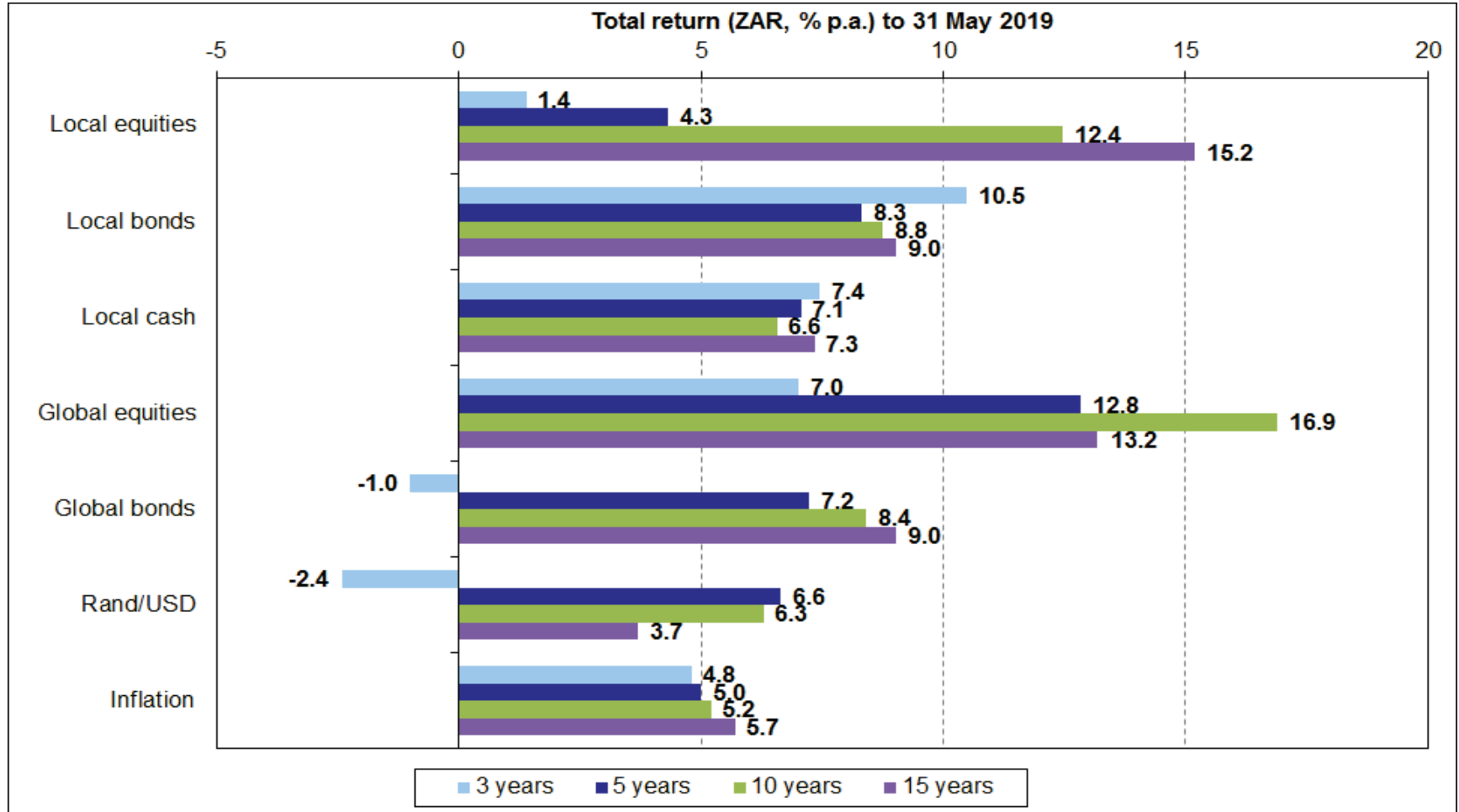
1. Month-end prices

ASSET CLASS PERFORMANCE SHORT TERM



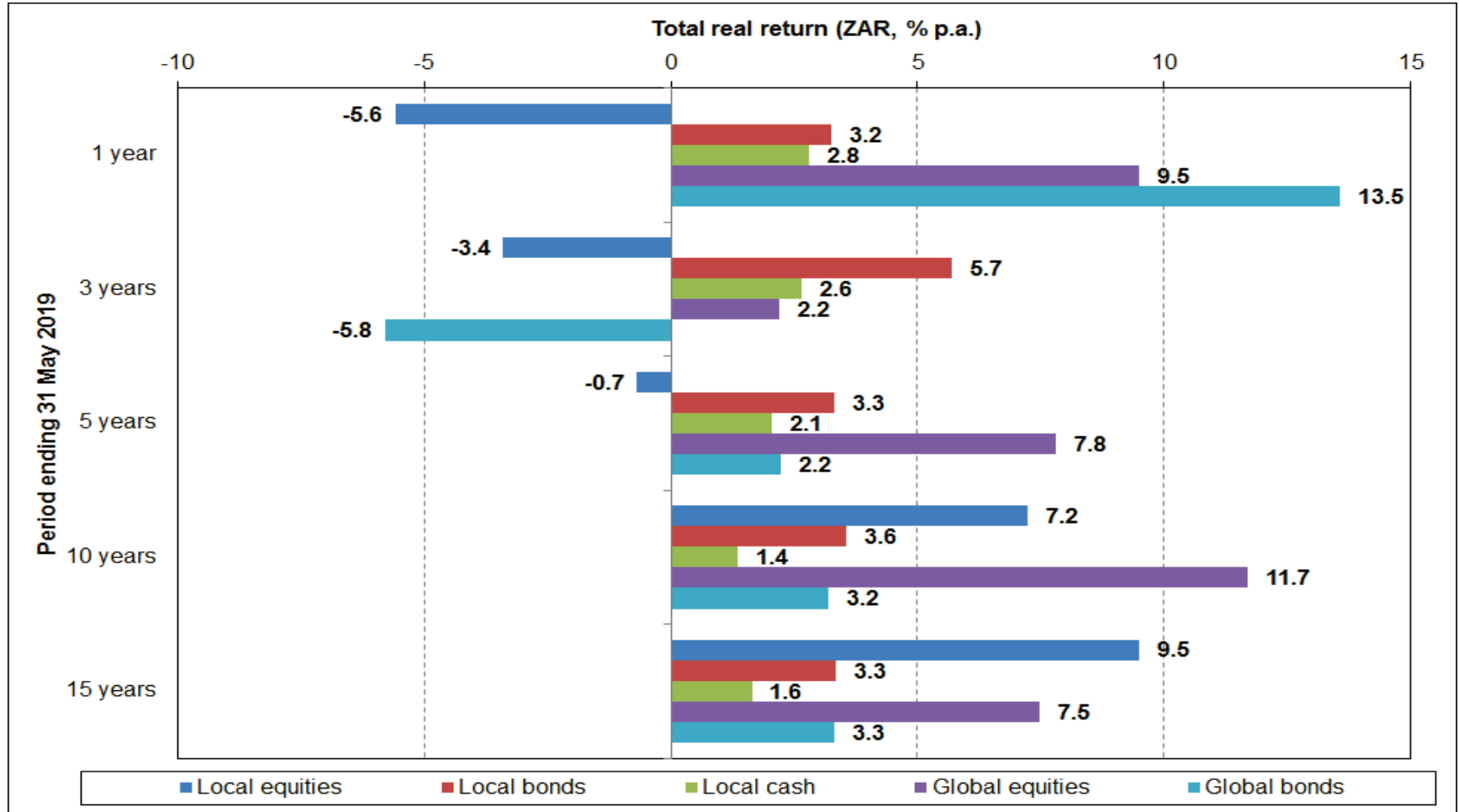
ASSET CLASS PERFORMANCE

MEDIUM TO LONG TERM



ASSET CLASS PERFORMANCE

REAL (EXCESS ABOVE INFLATION) RETURNS



MARKET PERFORMANCE

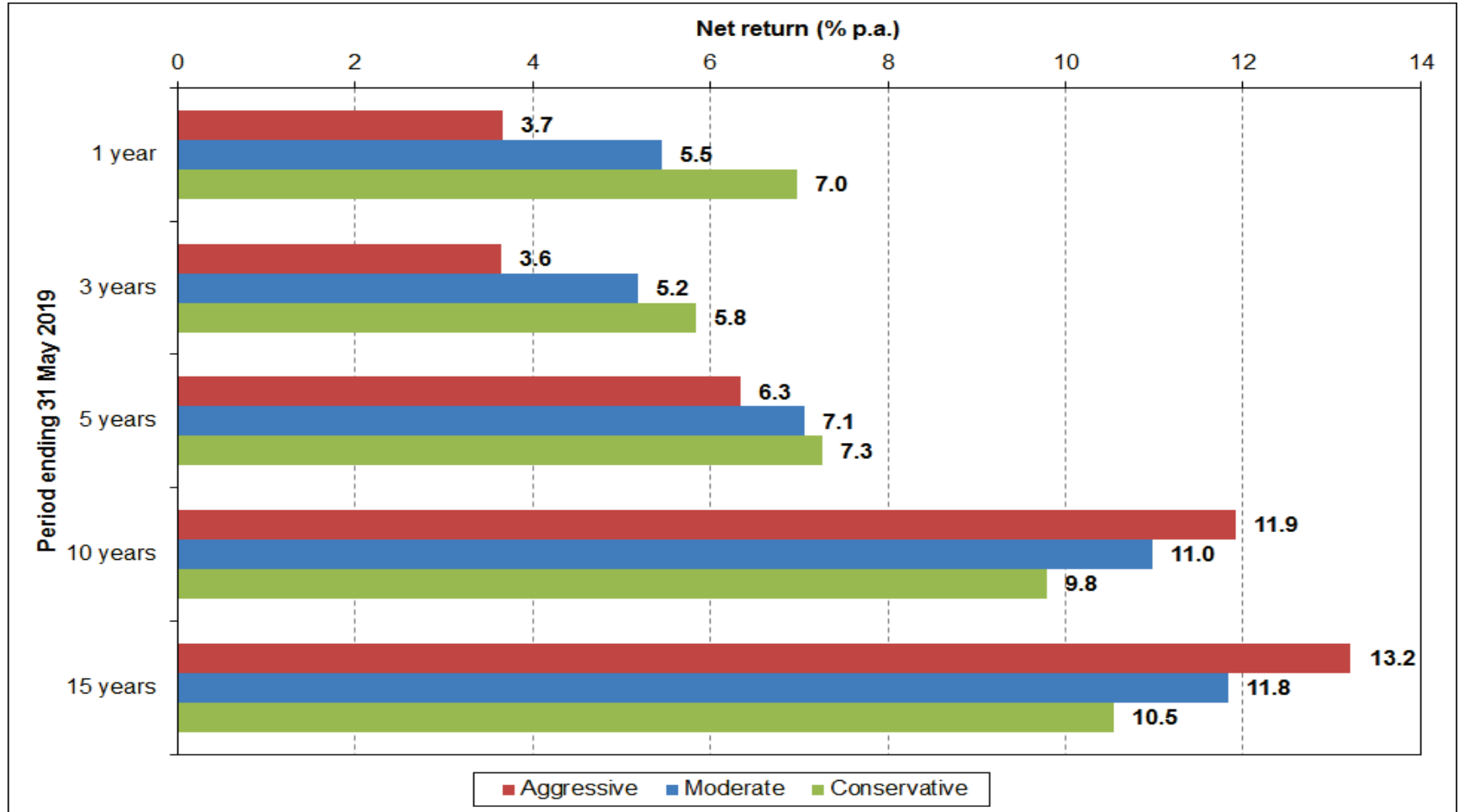
WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

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%

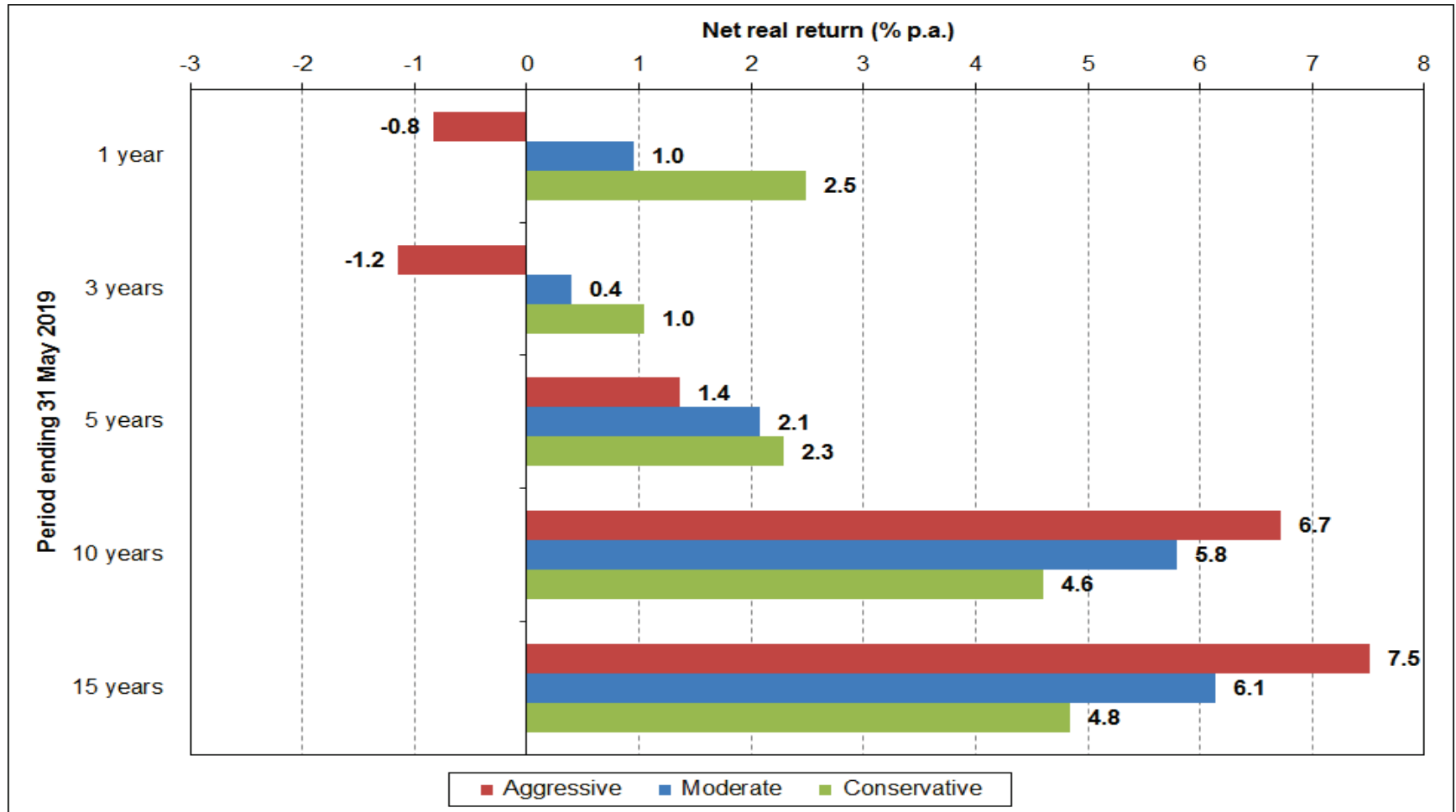
MR MARKET PERFORMANCE

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



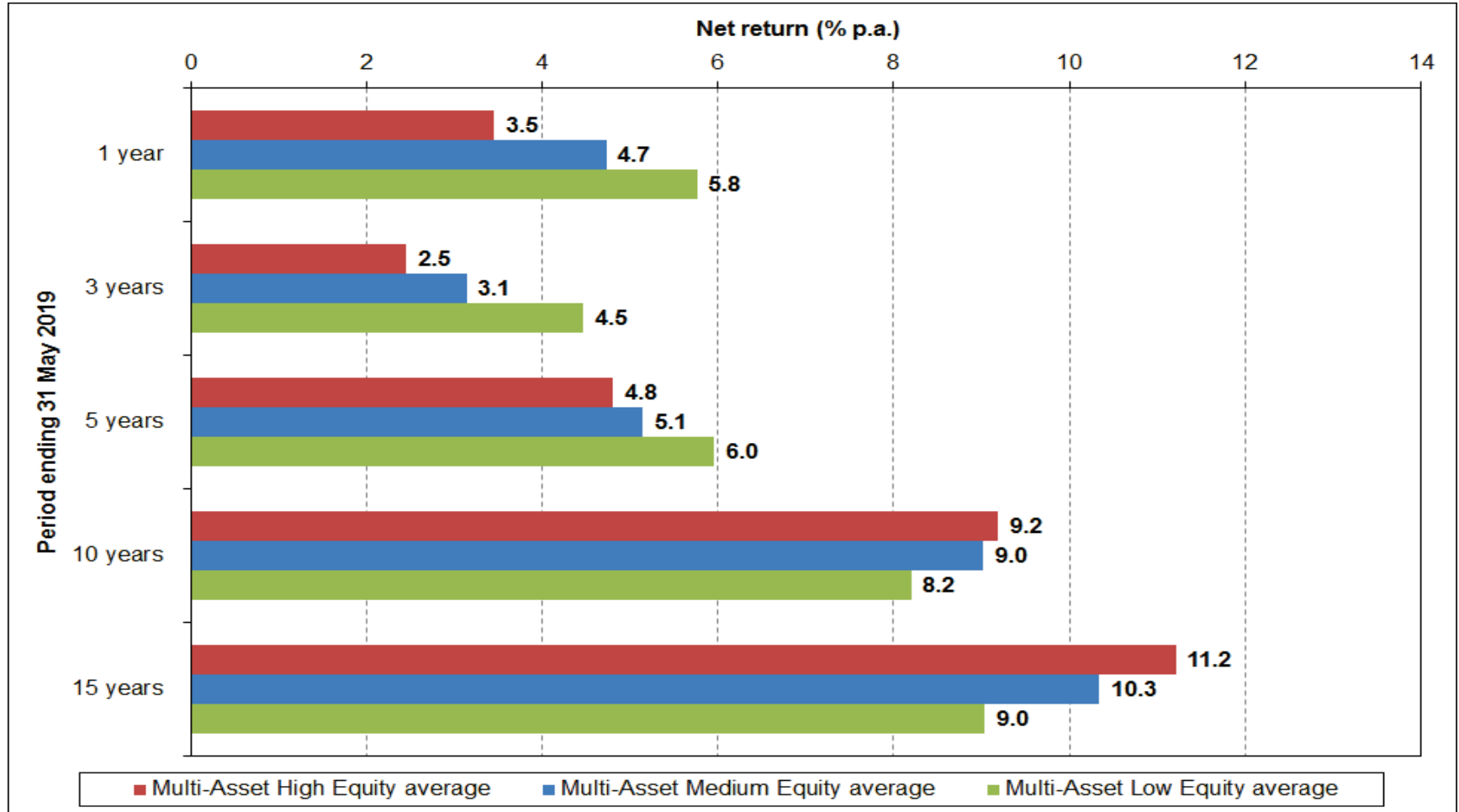
MR MARKET PERFORMANCE

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



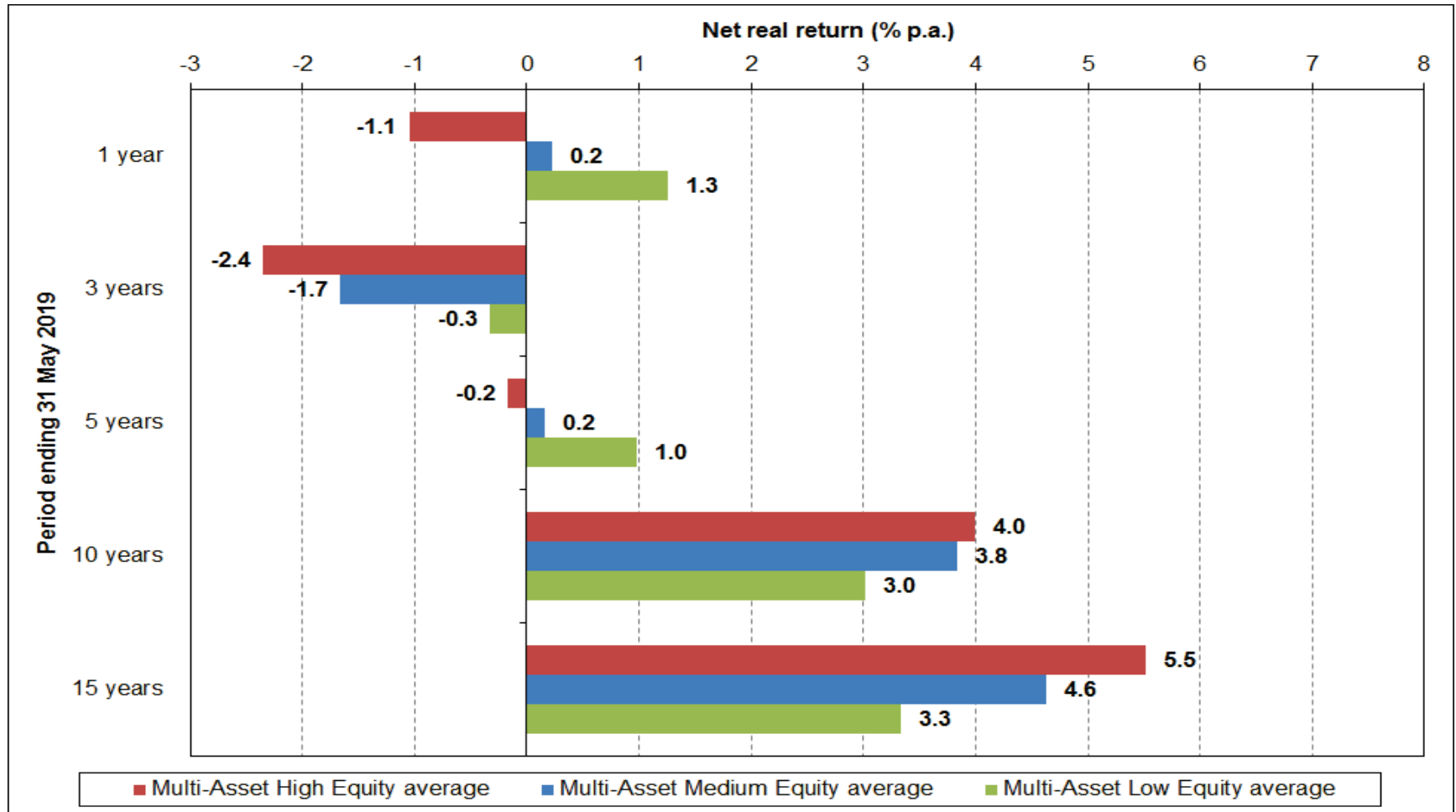
MR MANAGER PERFORMANCE

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



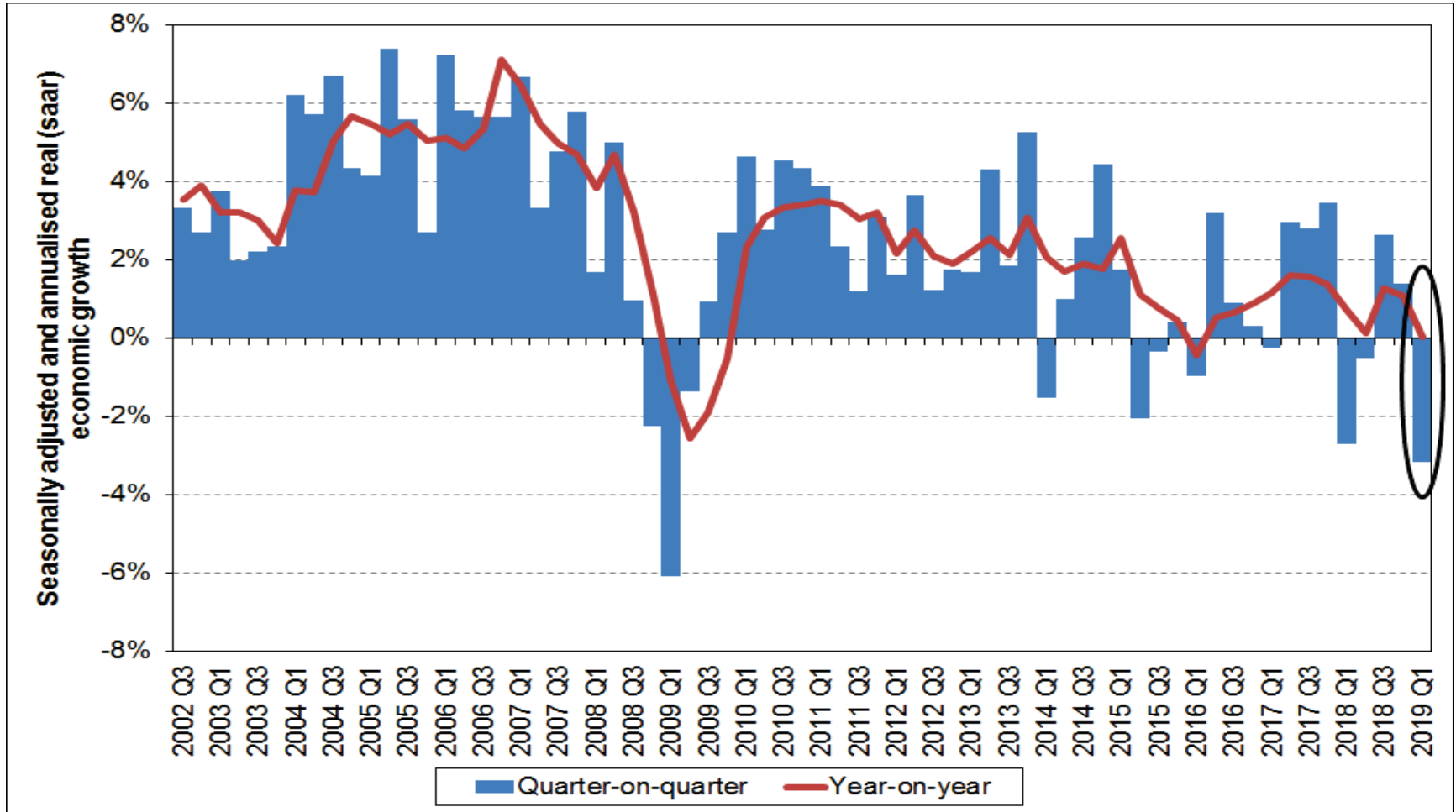
MR MANAGER PERFORMANCE

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



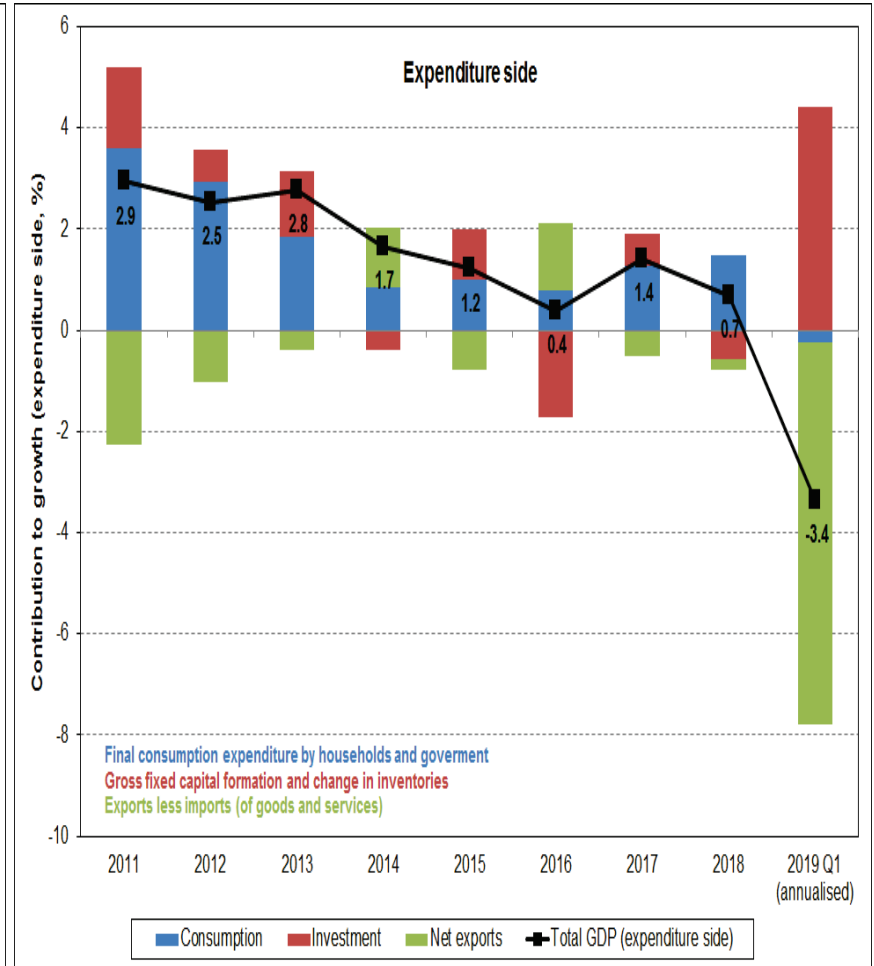
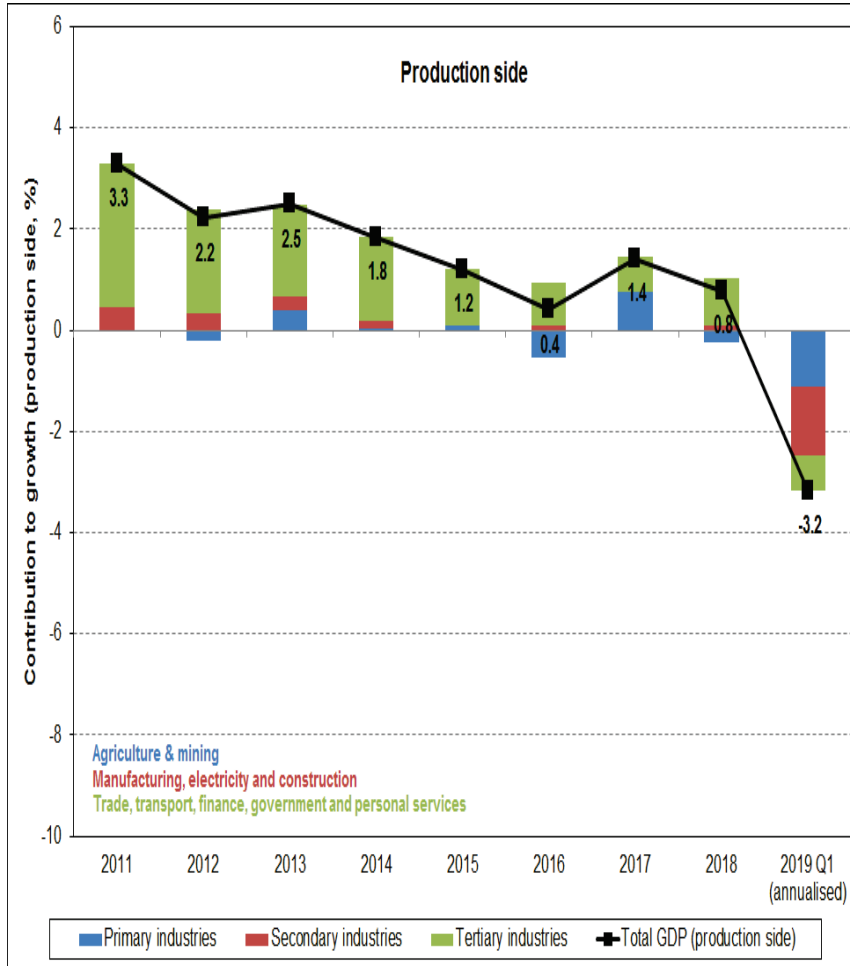
SA ECONOMIC GROWTH

2019 Q1 DISAPPOINTS



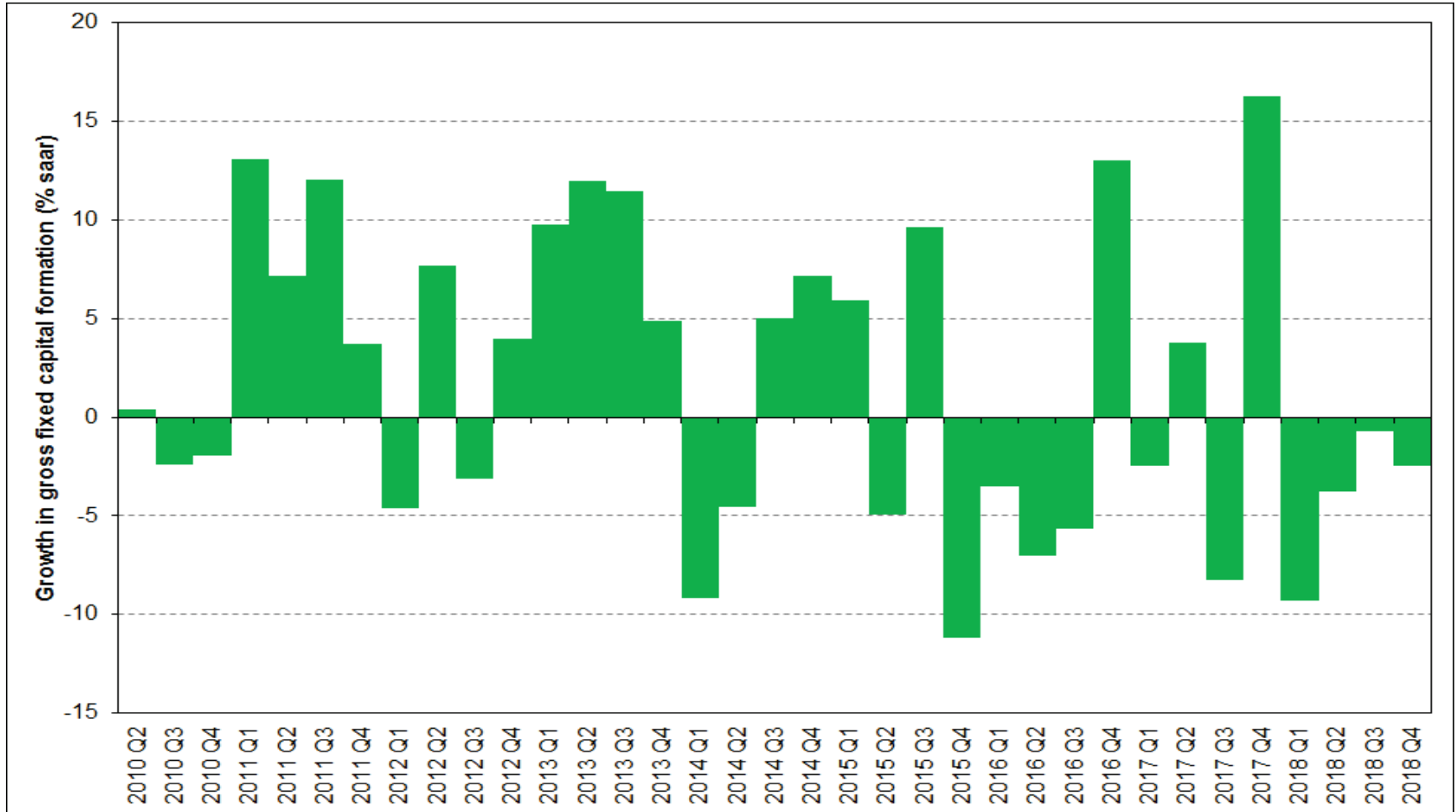
SA ECONOMIC GROWTH

BROAD-BASED WEAKNESS IN 2019 Q1



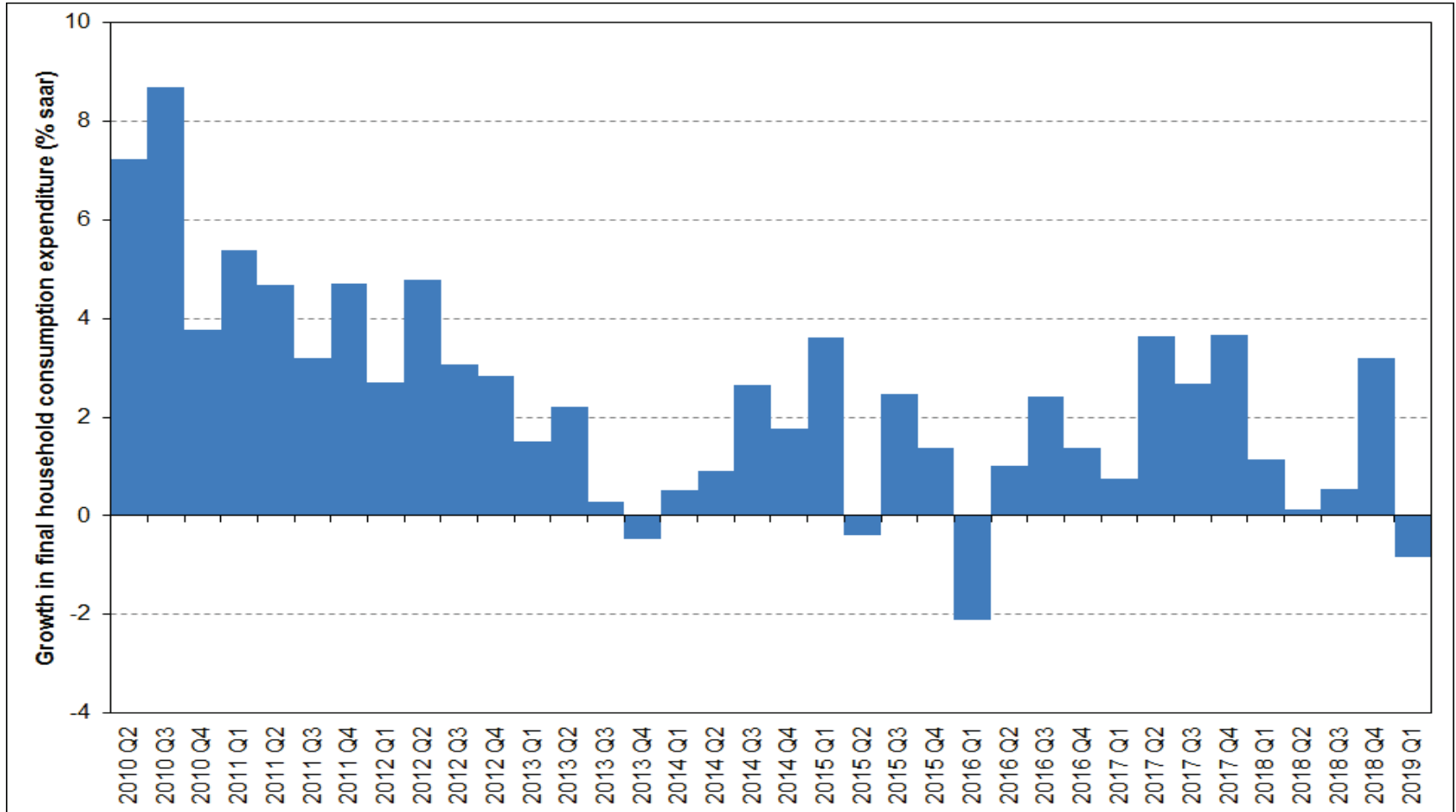
SA ECONOMY

FIXED INVESTMENT STILL CONTRACTING...



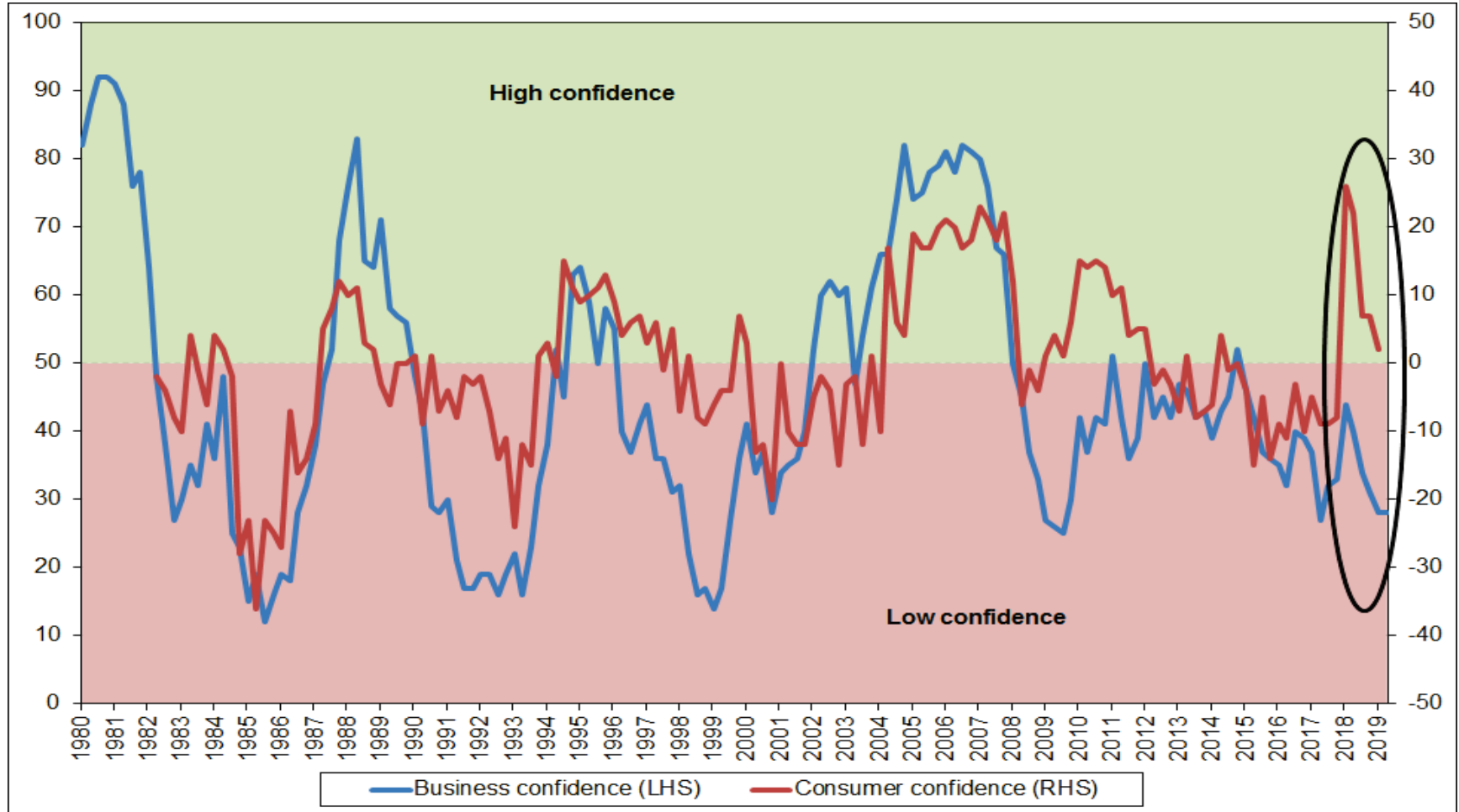
SA ECONOMY

...AND HOUSEHOLD SPENDING NOW ALSO SHRINKING...

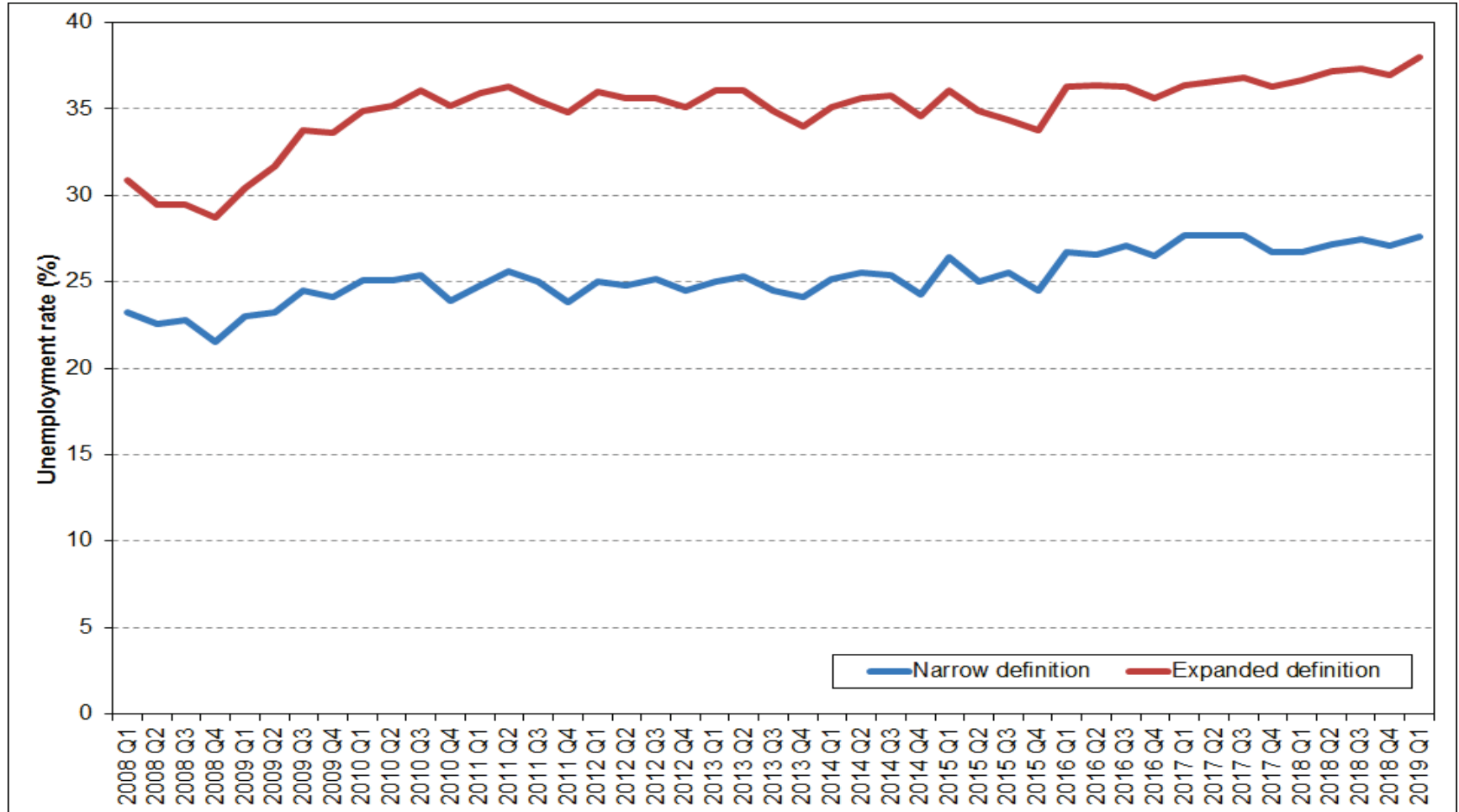


BUSINESS & CONSUMER CONFIDENCE

...AS BUSINESS AND CONSUMER CONFIDENCE REMAIN DEPRESSED

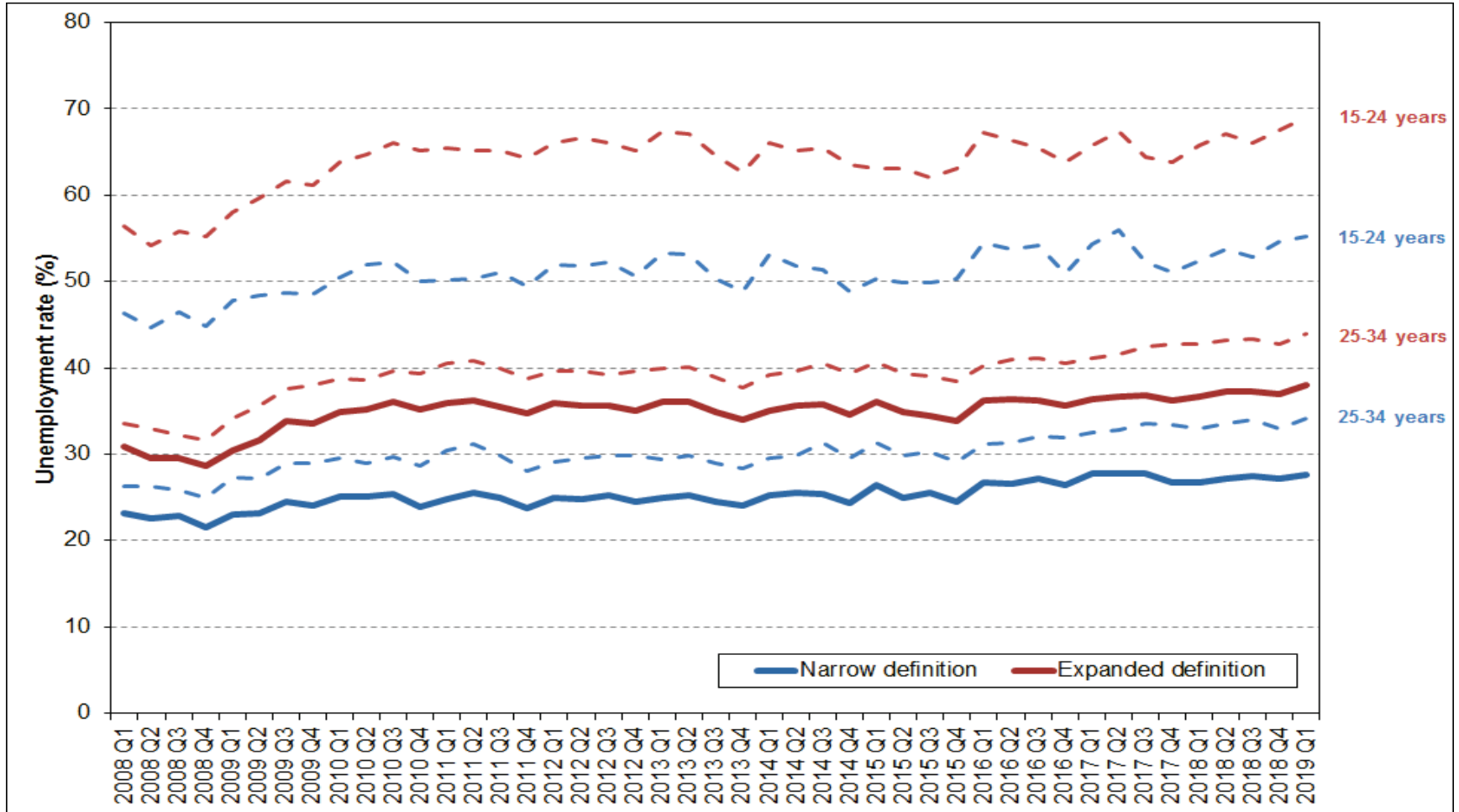


SA ECONOMY UNEMPLOYMENT TICKS HIGHER...



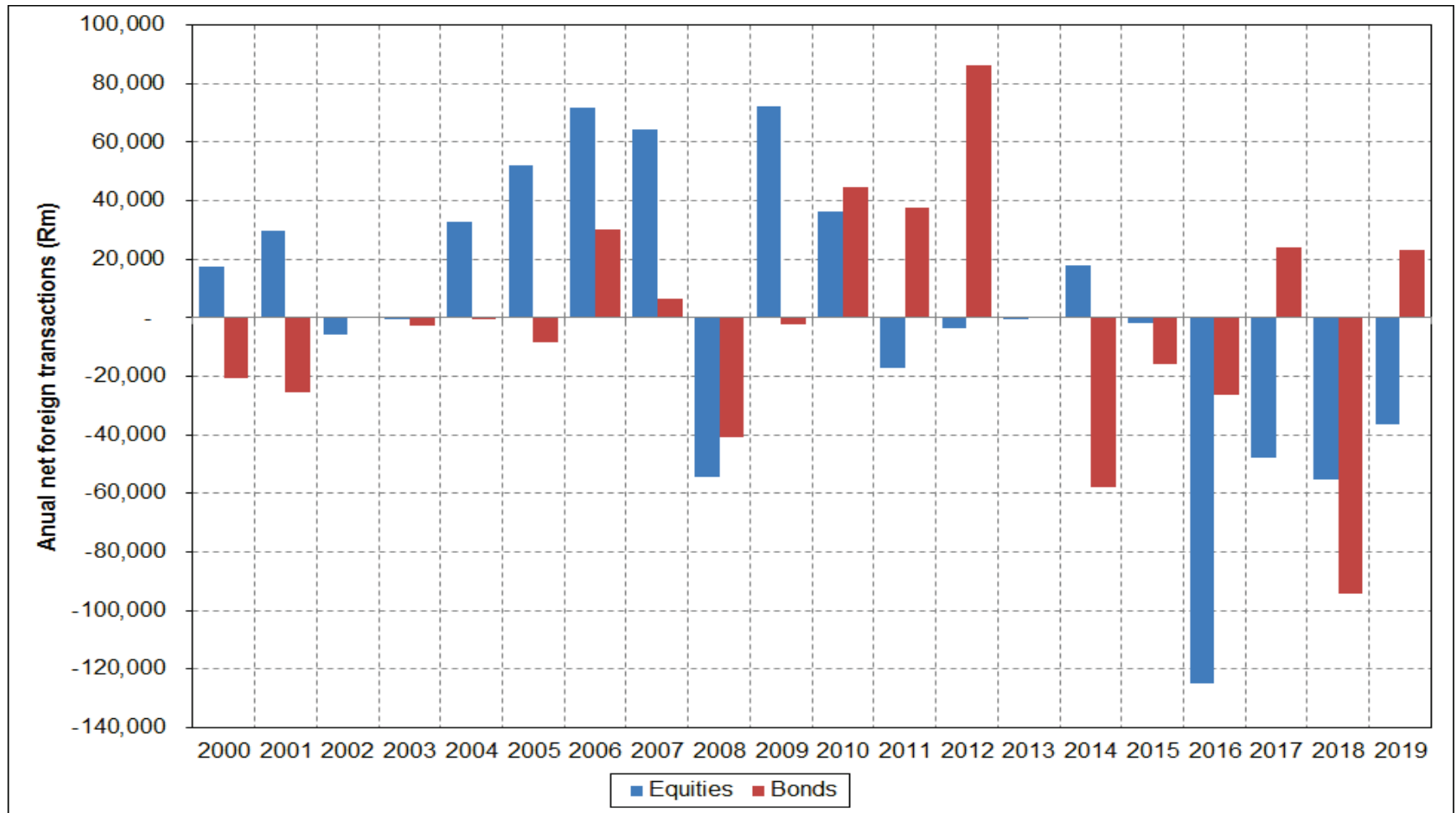
SA ECONOMY

...WITH THE YOUTH BEING MOST AFFECTED



NET FOREIGN TRANSACTIONS

EQUITY OUTFLOWS CONTINUE AS SA'S WEIGHT IN MSCI EMERGING MARKETS INDEX DROPS BY 0.3% TO 6.1%



NATIONAL WINE DAY

WHICH DRINKS DO SOUTH AFRICANS PREFER

Percentage breakdown of total household expenditure on beverages (alcoholic and non-alcoholic)



NATIONAL WINE DAY

SURPRISINGLY WINE IS MORE EXPENSIVE IN THE WESTERN CAPE...

The average price of a 750 ml bottle, April 2019



NATIONAL WINE DAY

...AND 9% MORE EXPENSIVE THAN THIS TIME LAST YEAR...

Percentage change in prices, April 2019 compared with April 2018

