

MONTH IN PICTURES

JUNE 2019

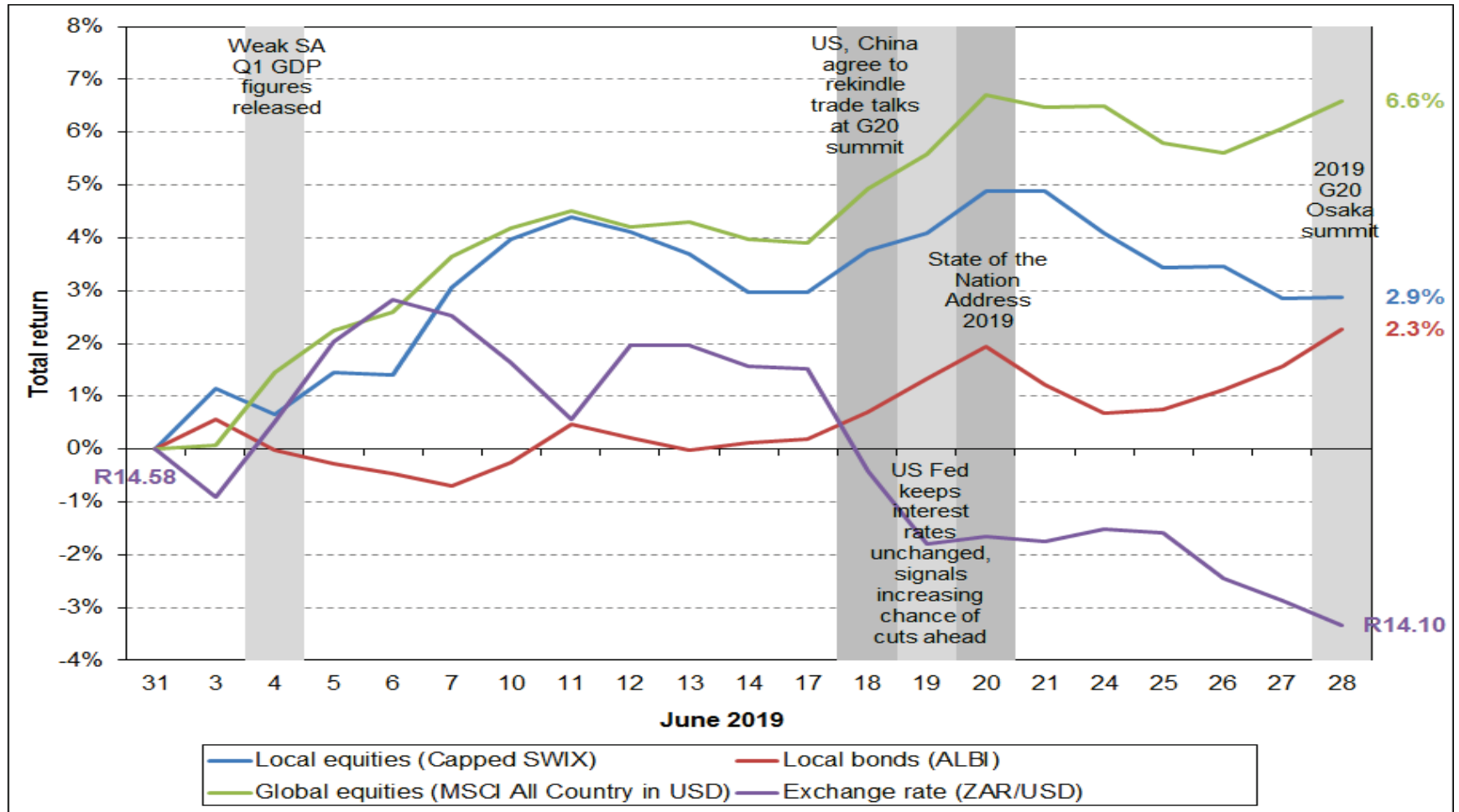
MONTHLY SNAPSHOT

NOTABLE EVENTS

- June provided some respite from May's losses, with the Capped SWIX returning 2.9% following a loss of 4.8% the previous month. Although the year-to-date return for this index stands at a respectable 6.9%, it still looks rather unexciting when compared to the ALSI's gain of 12.2% over the same period (the Capped SWIX's lower resources, higher financials and lower Naspers weighting being mostly responsible for the difference).
- The resources sector (+10.2%) led the charge, aided by gold stocks as the price of gold jumped by 8.0% on safe-haven demand amidst continued trade tensions and a weaker US Dollar. Industrials (+3.8%), Financials (+1.3%) and Listed Property (+2.2%) also made gains during the month.
- At the half-year point Resources (+20.7%) therefore remains the top-performing sector, followed by Industrials (+11.7%), Listed Property (+6.0%) and Financials (+5.0%).
- Local bonds (+3.7%) also had a solid month, buoyed by prospects of interest rate cuts, which ultimately materialised at the Reserve Bank's July meeting when a 25 basis point cut was announced. Surprisingly, when it comes to the major asset classes, SA bonds would have been the best investment for local investors over the last 12 months, yielding a total return of 11.5% compared to local equities (+1.1%, or +4.4% for the ALSI), local cash (+7.3%), global equities (+9.2% in Rands) or global bonds (+8.3%).
- Global equities advanced 6.6% (in US Dollars) in June, but local investors had to be content with a 3.0% gain after the Rand strengthened from R14.58 to R14.10 against the greenback.
- Global markets were supported by rising expectations for lower interest rates (as global economic growth appears to be slowing) as well as hopes for some improvements in US-China trade relations. After last month's tariff hikes and Trump's flip-flop on Huawei, the two countries agreed to rekindle trade talks at the G20 summit held at the end of June.
- President Ramaphosa's state of the nation address received mixed reviews. While announcements in the form of strong support for Eskom, reaffirmation of the Reserve Bank's independence, a ramp-up in infrastructure spending and the long overdue release of broadband spectrum were positively received, concerns around implementation remains.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Apr 2019	May 2019	Jun 2019	3 months	12 months
Local equities	Capped SWIX	5.0	(4.8)	2.9	2.9	1.1
	Resources	(2.0)	(5.1)	10.2	2.4	21.2
	Industrials	6.6	(6.0)	3.8	4.0	(3.7)
	Financials	6.6	(2.3)	1.3	5.4	5.7
	Listed Property	3.2	(0.9)	2.2	4.5	0.8
Local bonds	ALBI	0.7	0.6	2.3	3.7	11.5
Local cash	STeFI Composite	0.6	0.6	0.6	1.8	7.3
Global equities	MSCI All Country	2.1	(4.0)	3.0	1.0	9.2
Global bonds	FTSE WGBI	(1.8)	3.7	(1.1)	0.8	8.3
Exchange rate	ZAR/USD	(1.3)	2.0	(3.3)	(2.7)	2.7
Inflation	CPI	0.6	0.3	0.4	1.3	4.5

1. Total returns (in Rands) for the months and periods ending 30 June 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	2.8	4.3	12.9	15.5
	Resources	21.2	20.6	0.8	5.4	10.4
	Industrials	(3.7)	1.8	5.3	16.8	18.4
	Financials	5.7	6.2	7.1	15.1	15.1
	Listed Property	0.8	(2.3)	5.6	13.0	17.1
Local bonds	ALBI	11.5	9.9	8.6	9.0	9.1
Local cash	STeFI Composite	7.3	7.4	7.1	6.6	7.3
Global equities	MSCI All Country	9.2	10.7	12.9	17.6	13.6
Global bonds	FTSE WGBI	8.3	(0.4)	6.7	8.6	9.3
Exchange rate	ZAR/USD	2.7	(1.4)	5.8	6.2	5.6
Inflation	CPI	4.5	4.7	5.0	5.2	5.7

1. Total returns (in Rands) for the months and periods ending 30 June 2019

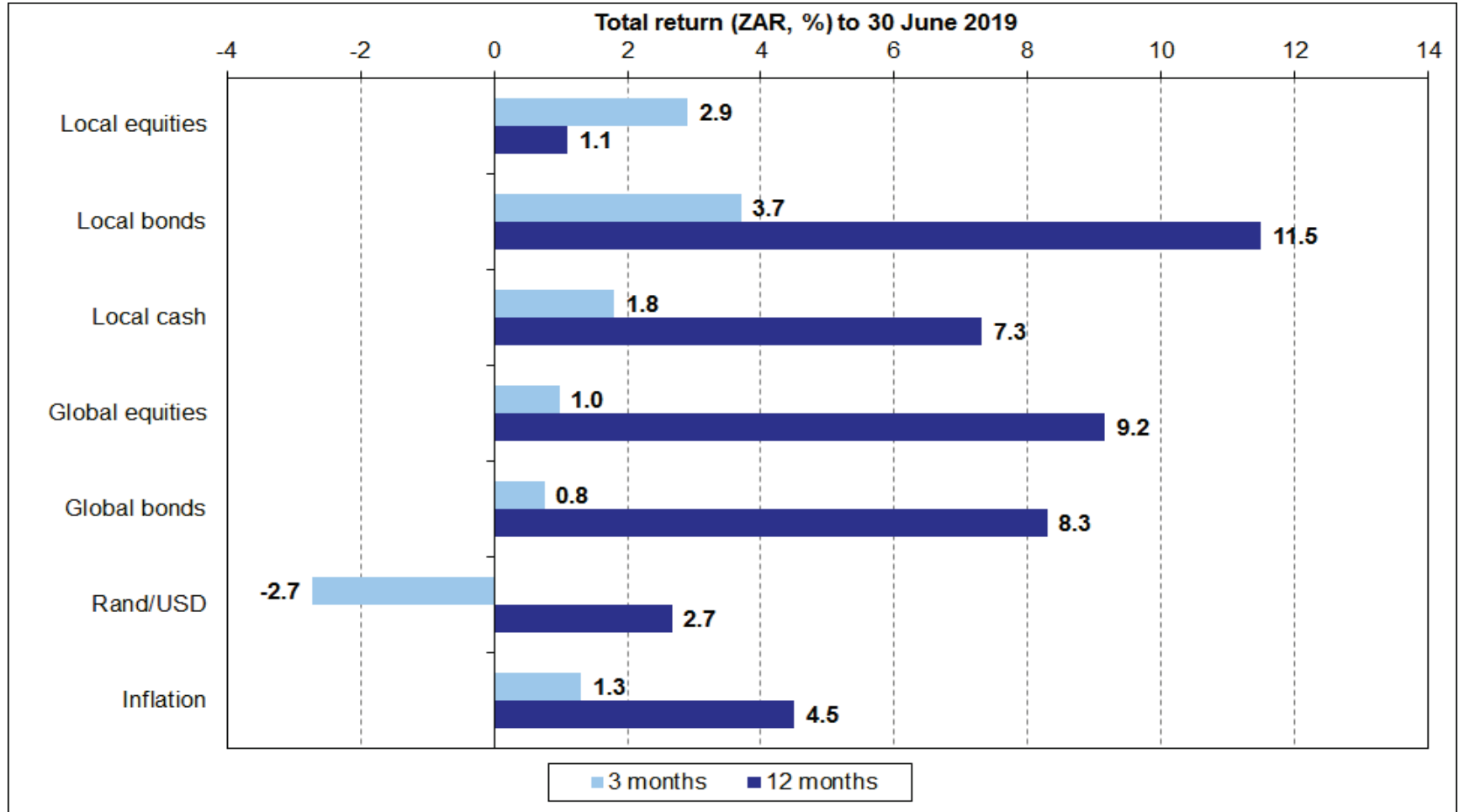
ECONOMIC INDICATORS

Economic indicators ¹	Jun 2017	Jun 2018	Apr 2019	May 2019	Jun 2019
Exchange rates:					
ZAR/USD	13.06	13.73	14.30	14.58	14.10
ZAR/GBP	16.97	18.13	18.64	18.42	17.89
ZAR/Euro	14.92	16.04	16.04	16.29	16.03
Commodities:					
Brent Crude Oil (USD/barrel)	48.77	79.24	71.65	61.63	64.41
Platinum (USD/ounce)	926.50	850.00	897.94	791.50	833.00
Gold (USD/ounce)	1,241.60	1,252.70	1,283.40	1,305.20	1,409.10

1. Month-end prices

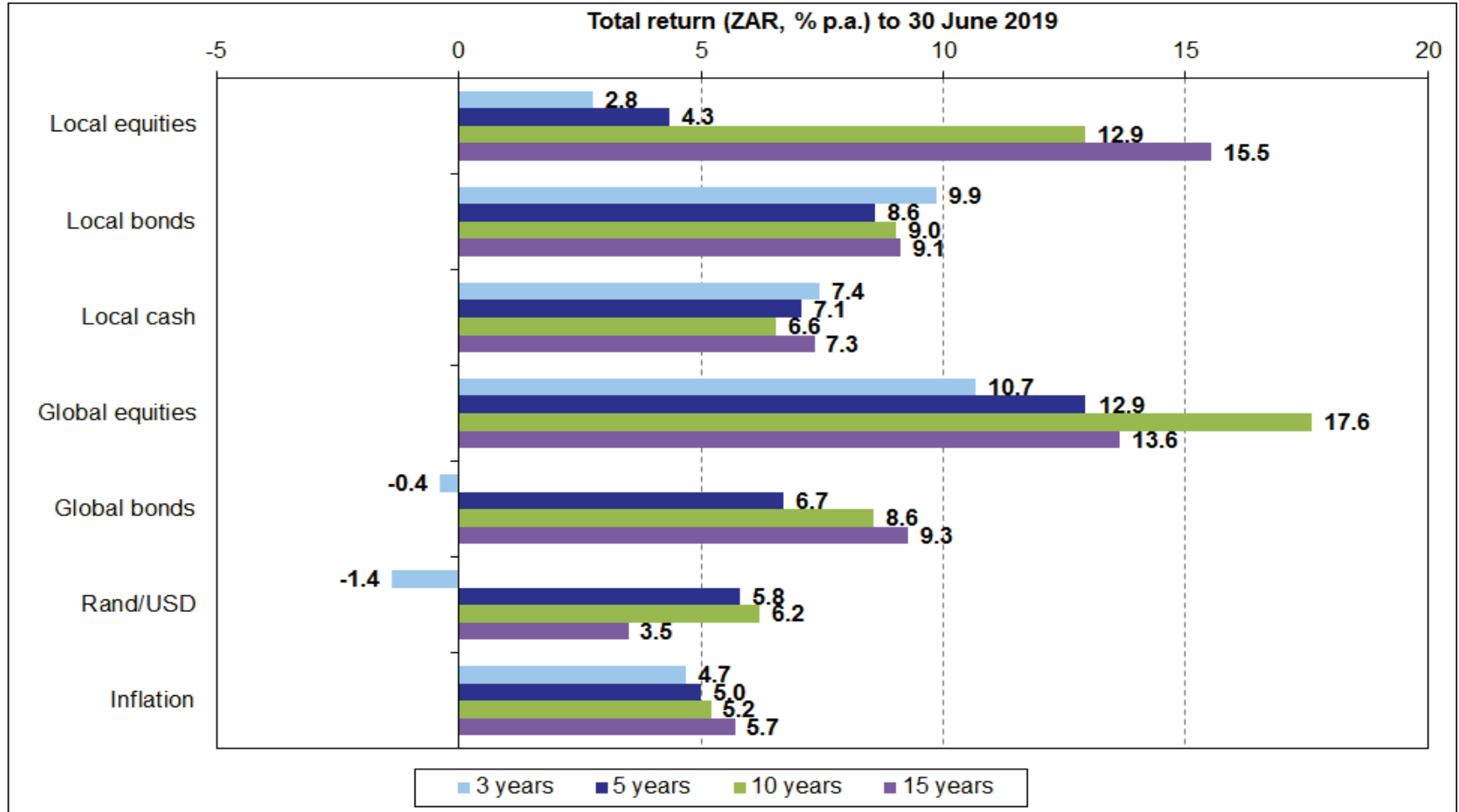
ASSET CLASS PERFORMANCE

SHORT TERM



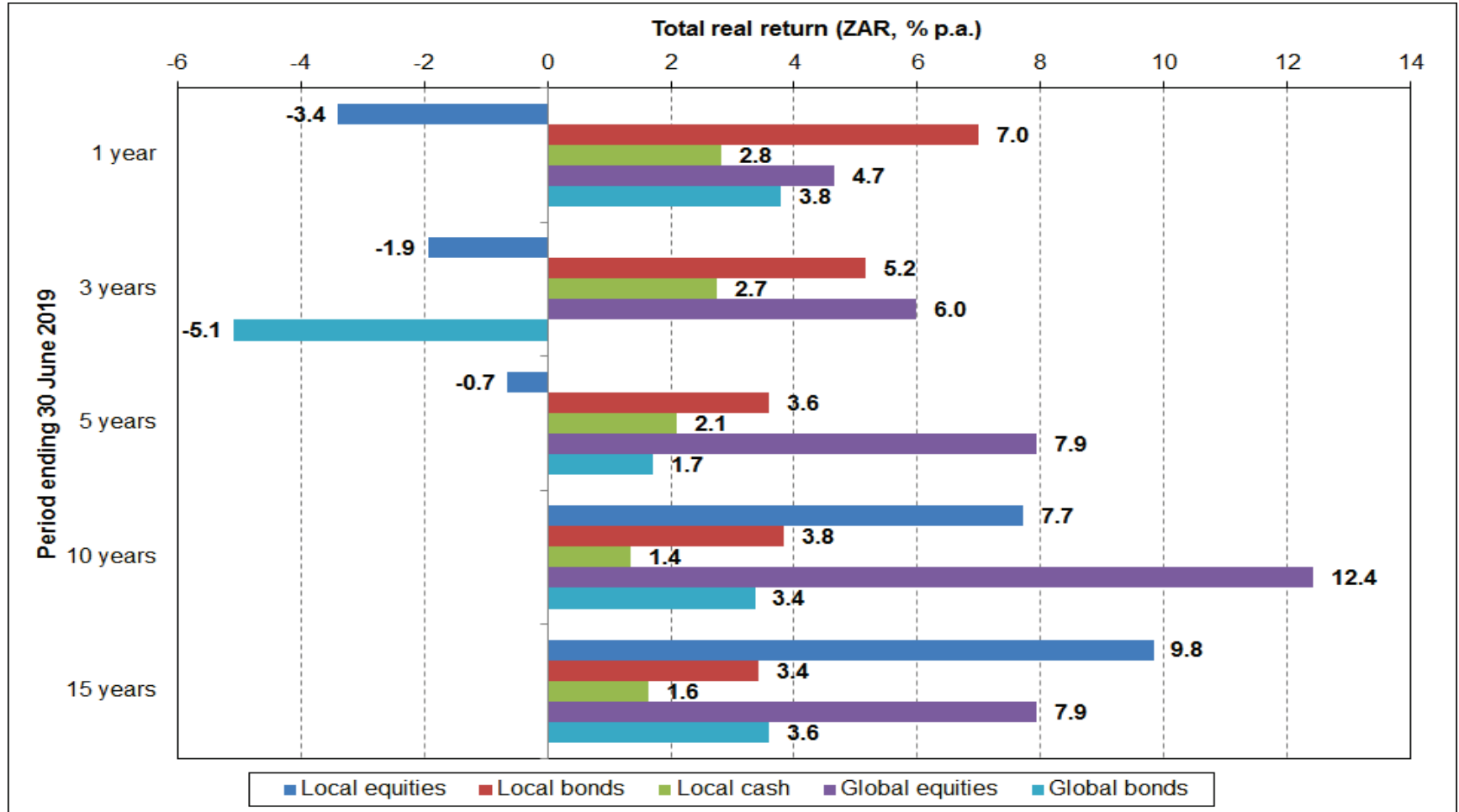
ASSET CLASS PERFORMANCE

MEDIUM TO LONG TERM



ASSET CLASS PERFORMANCE

REAL (EXCESS ABOVE INFLATION) RETURNS



MARKET PERFORMANCE

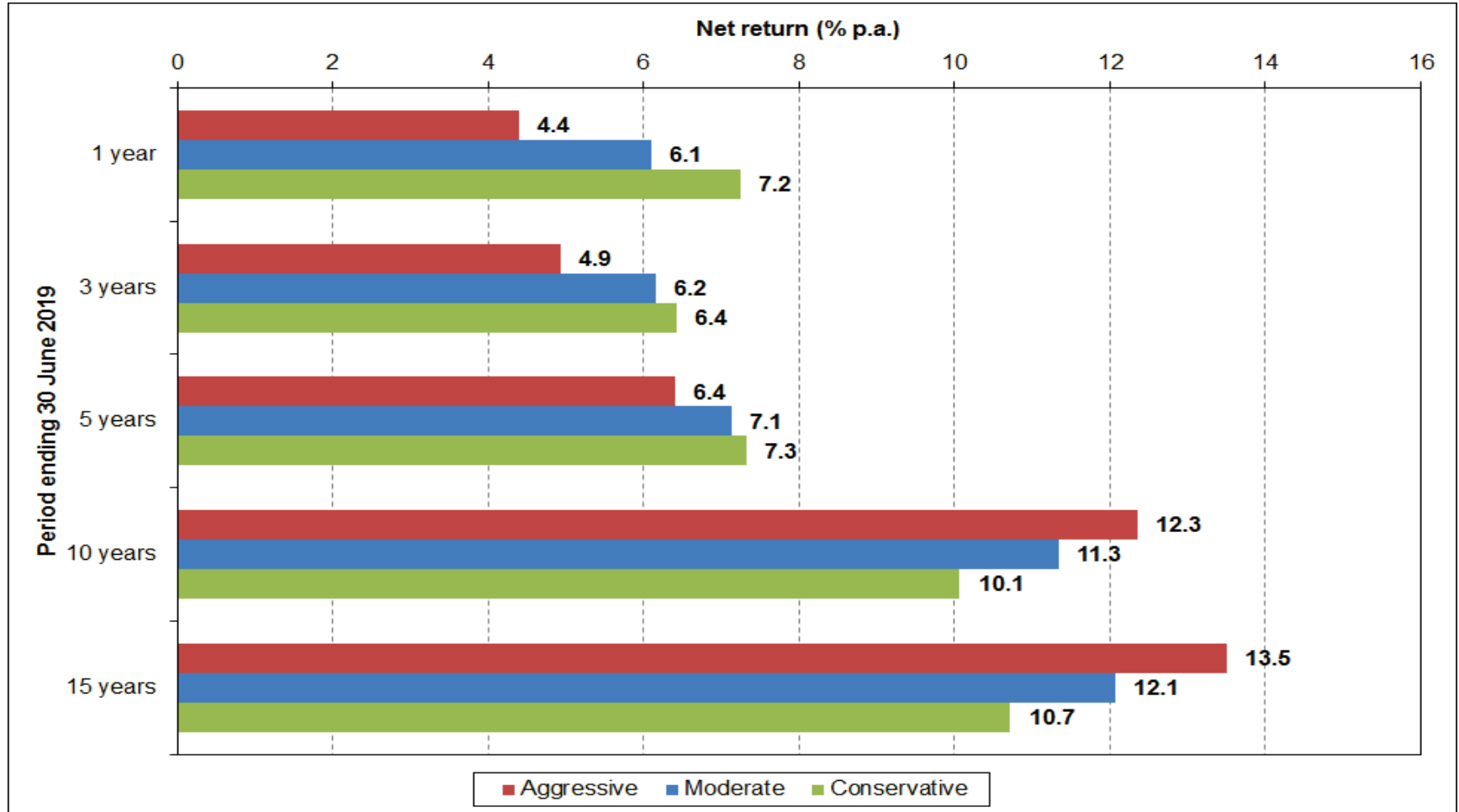
WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

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%

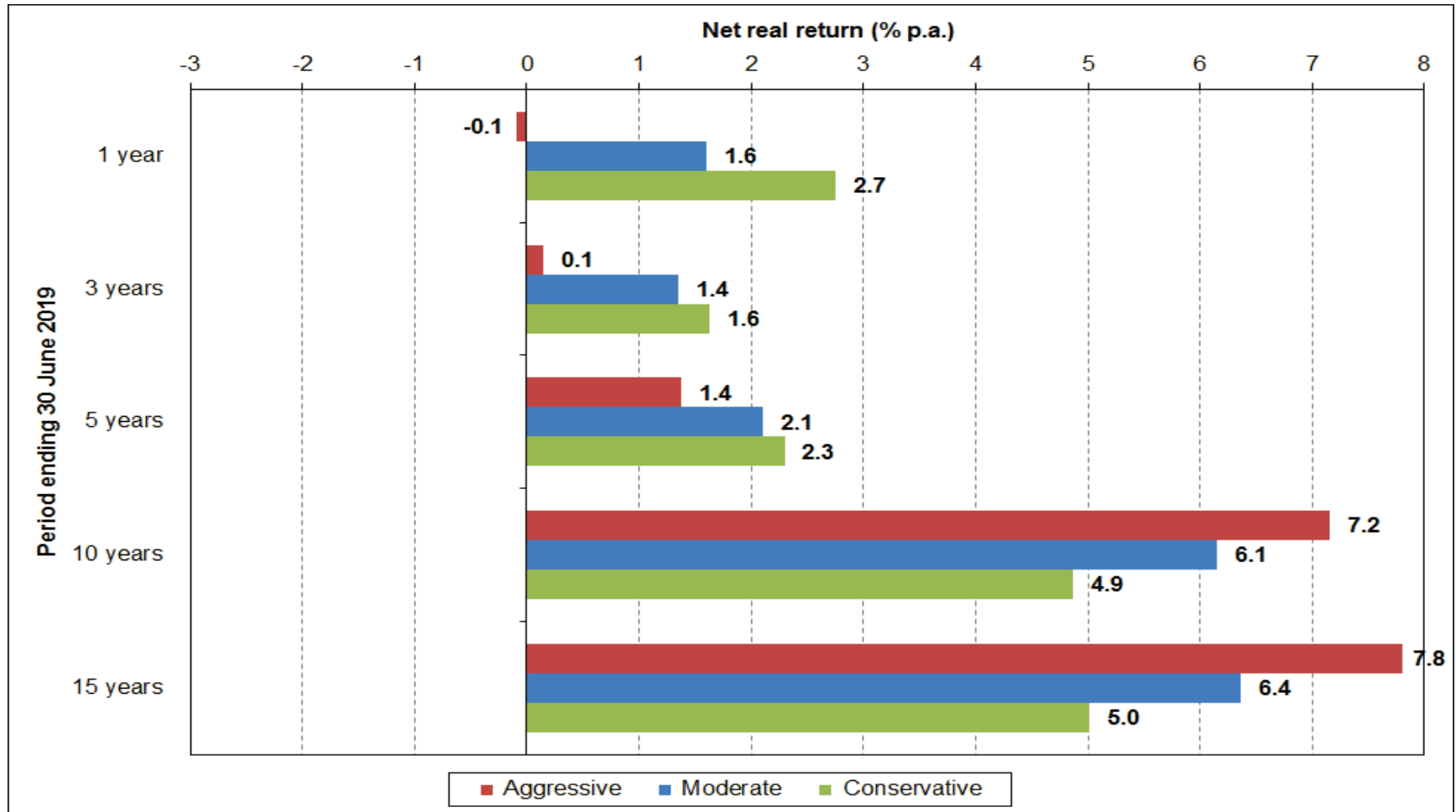
MR MARKET PERFORMANCE

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



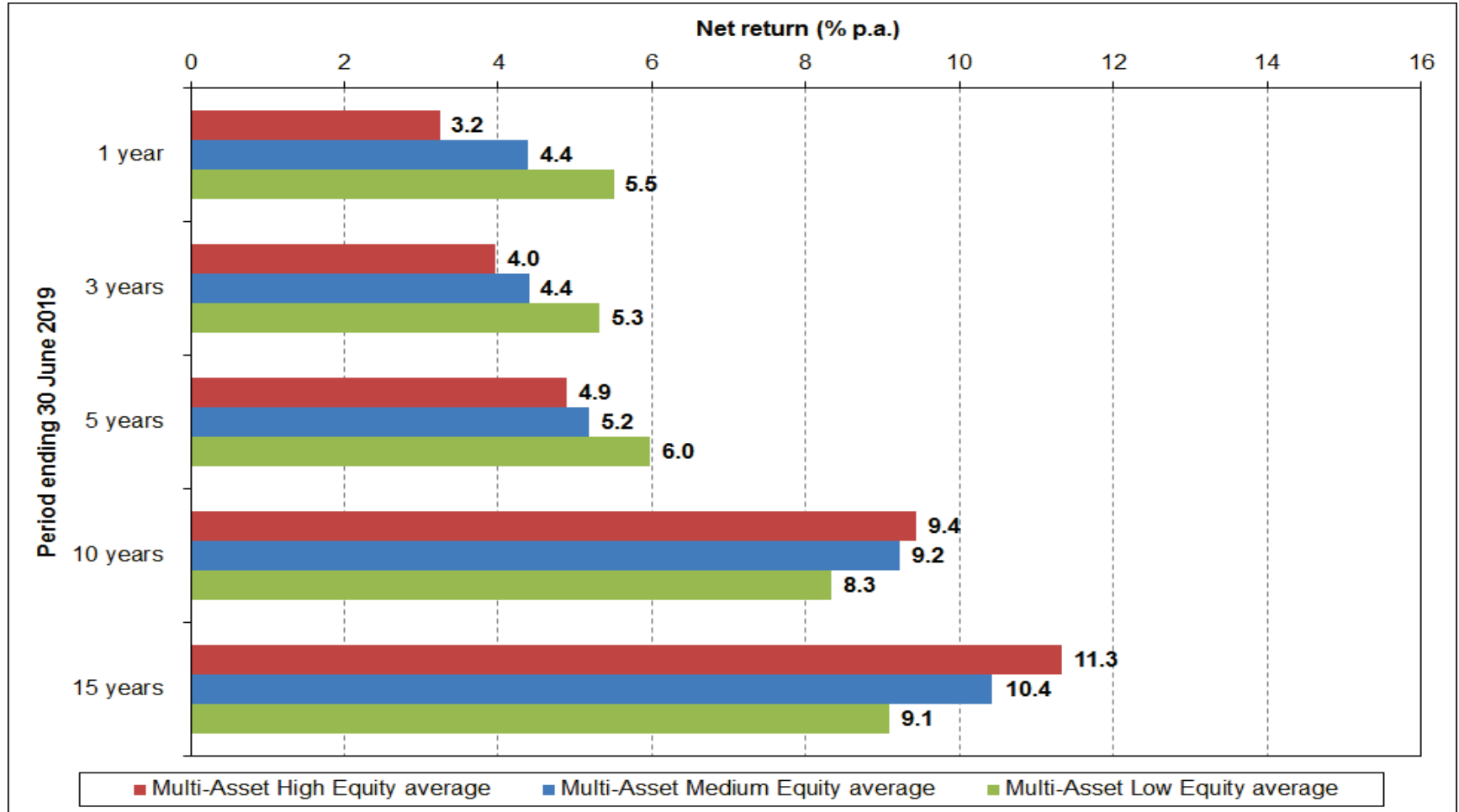
MR MARKET PERFORMANCE

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



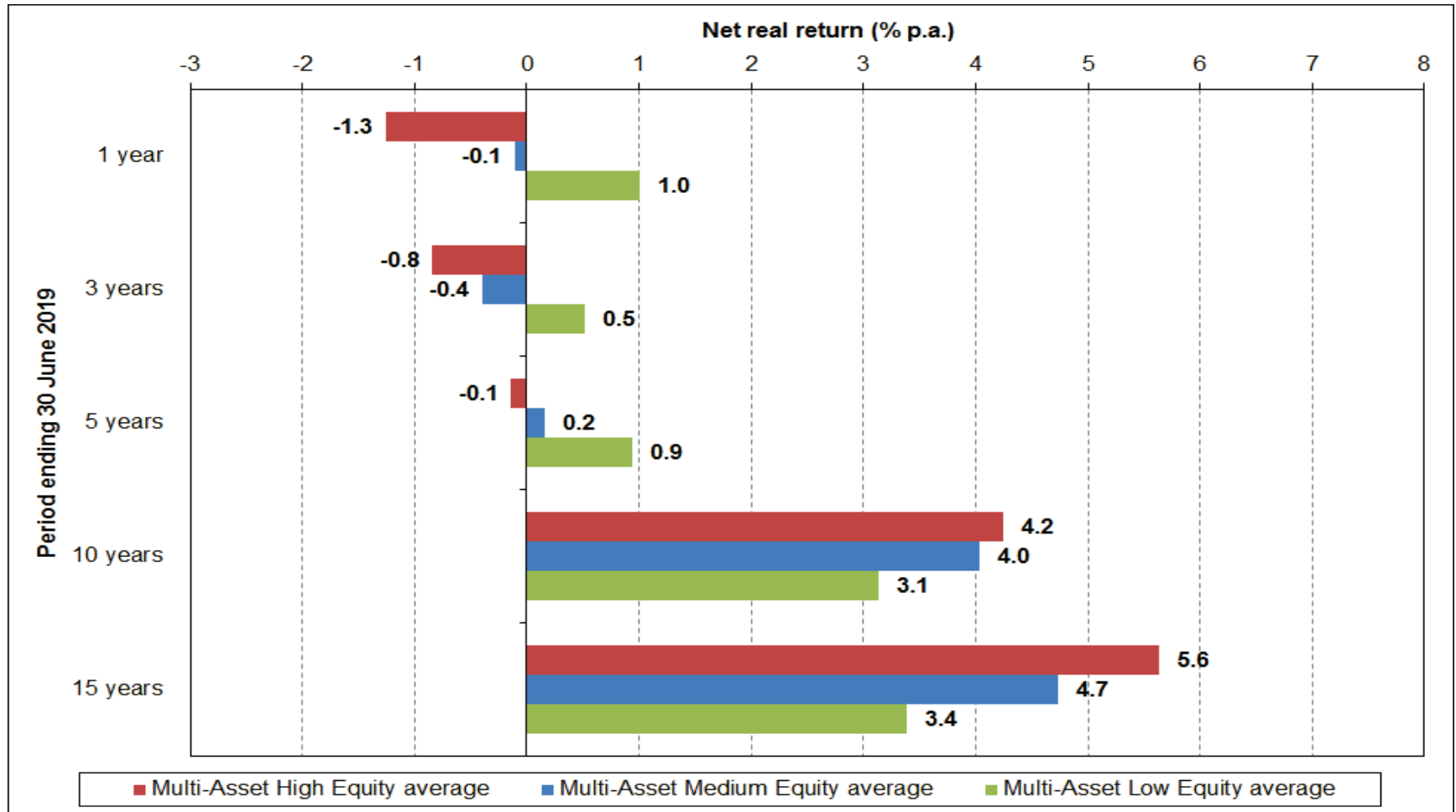
MR MANAGER PERFORMANCE

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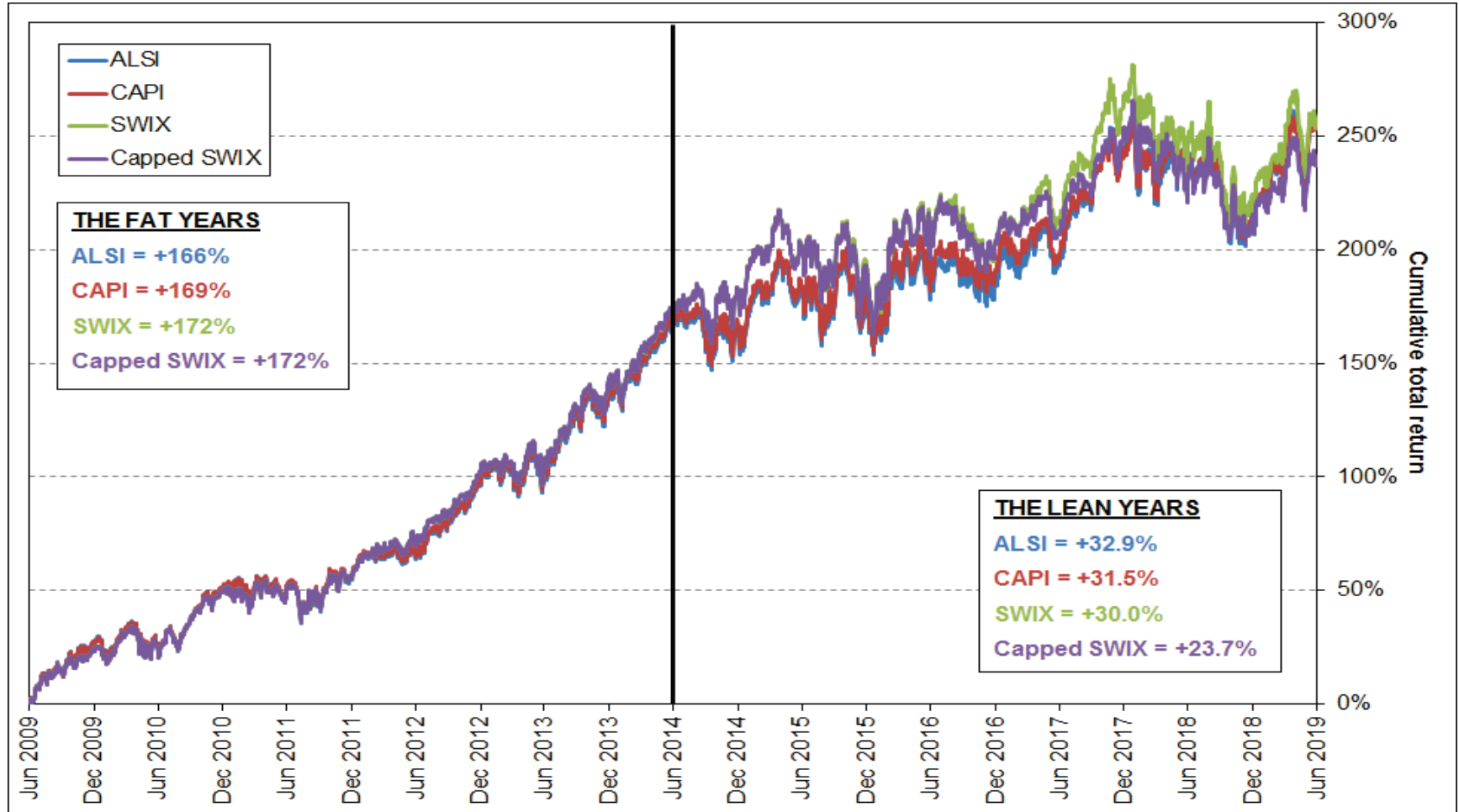
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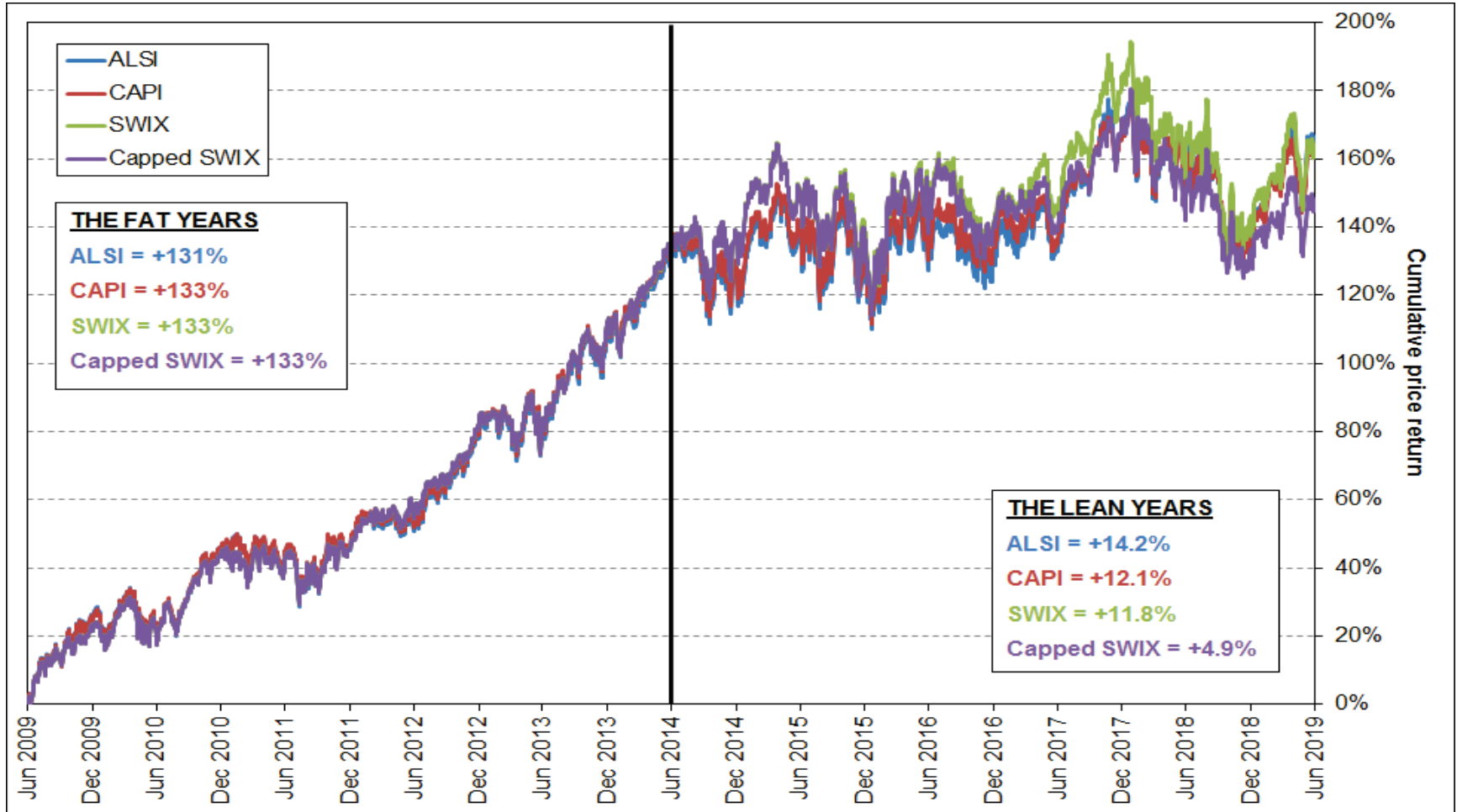
SA EQUITIES

IT'S BEEN A TOUGH 5 YEARS...



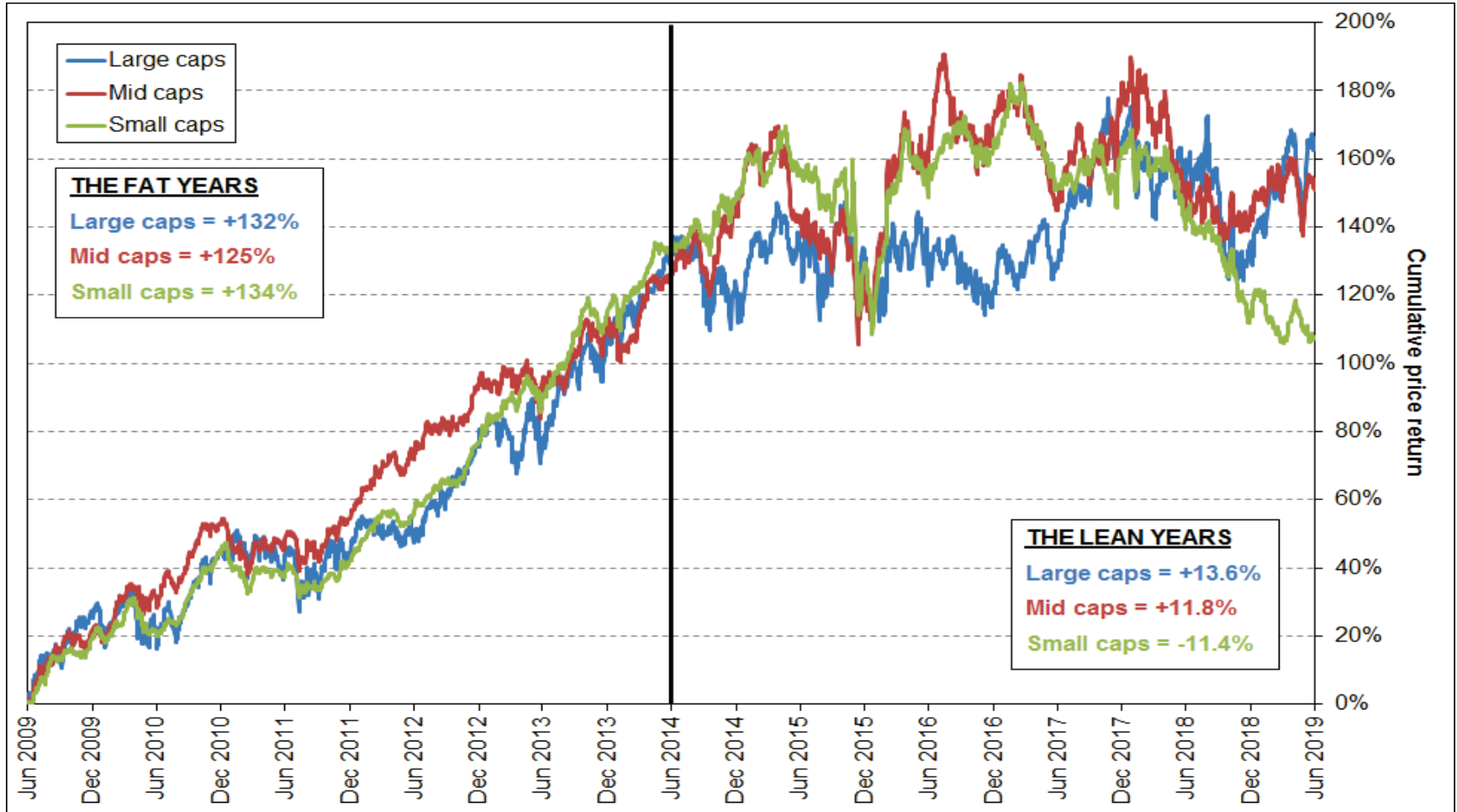
SA EQUITIES

...THAT LOOKS EVEN WORSE WHEN DIVIDENDS ARE EXCLUDED



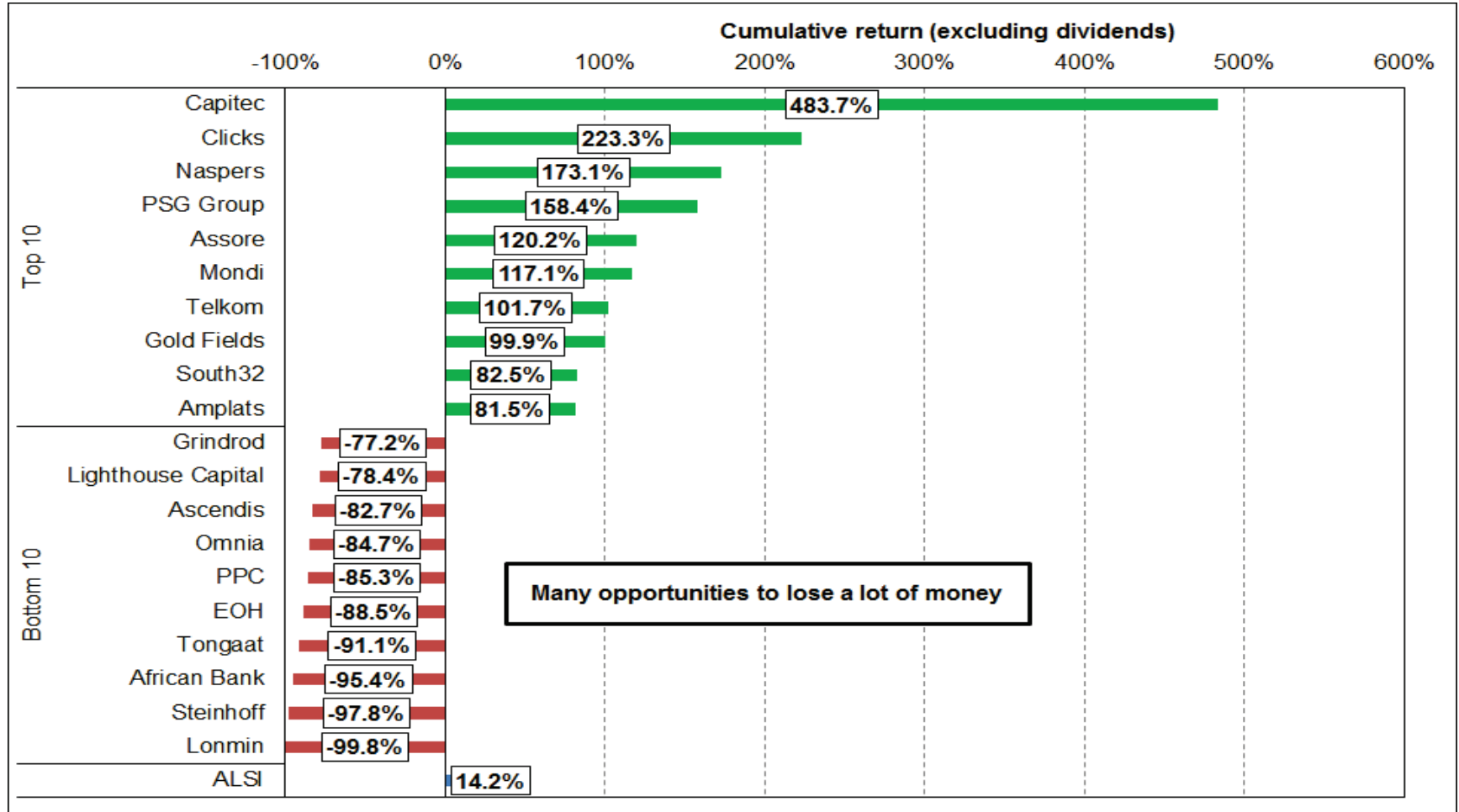
SA EQUITIES

SMALL CAPS IN PARTICULAR HAVE SUFFERED



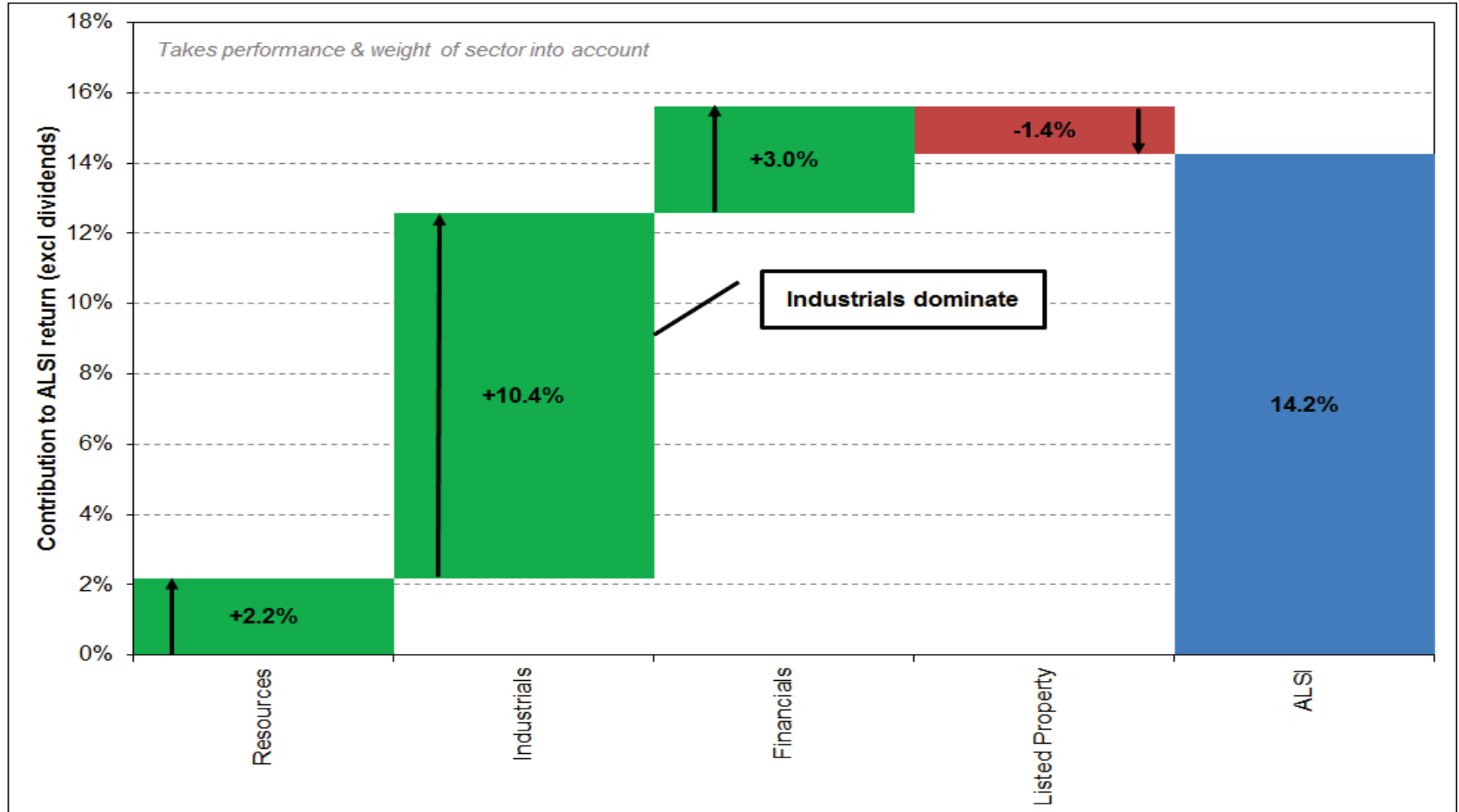
SA EQUITIES

BEST & WORST PERFORMERS – 5 YEARS



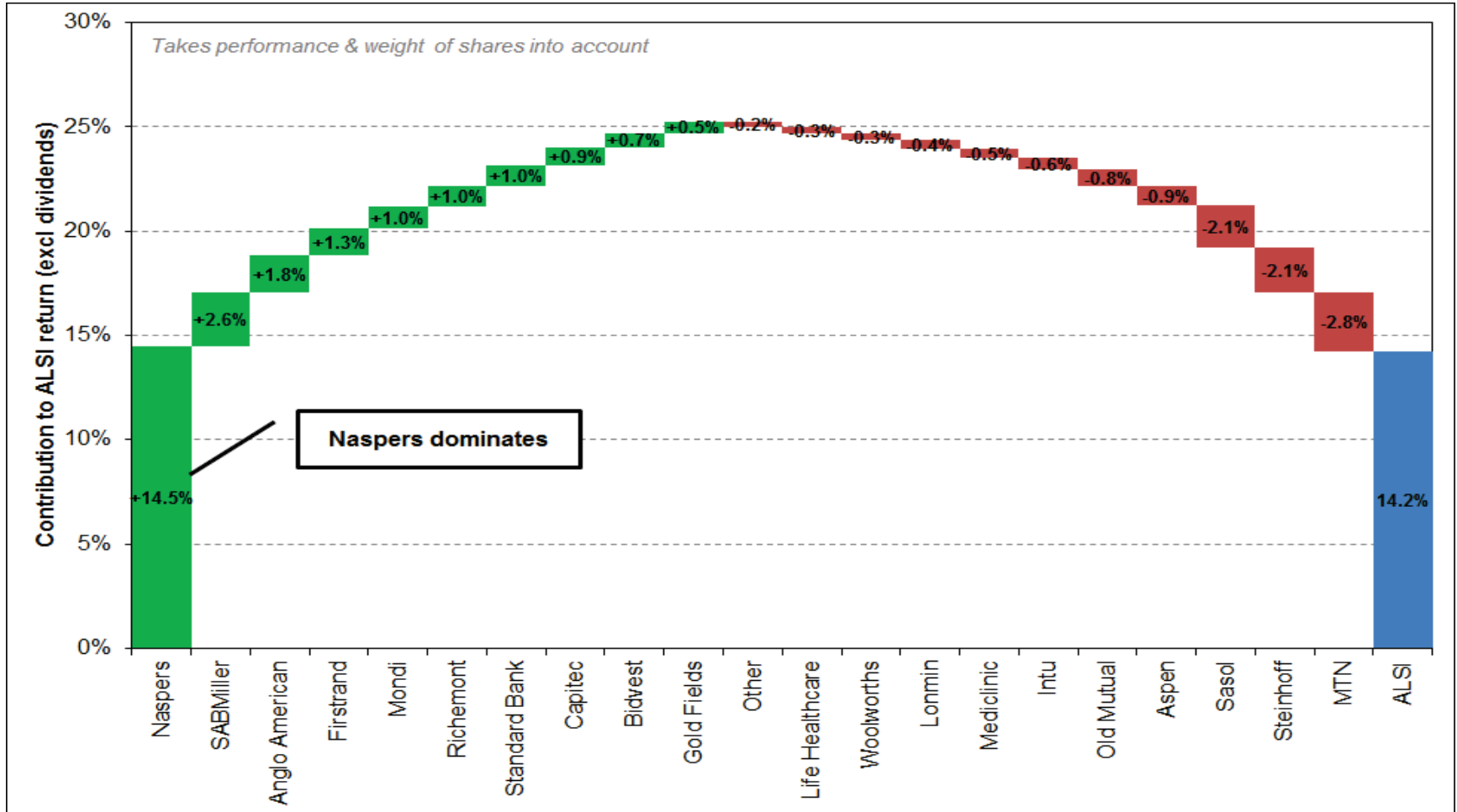
SA EQUITIES

CONTRIBUTIONS BY SECTOR – 5 YEARS



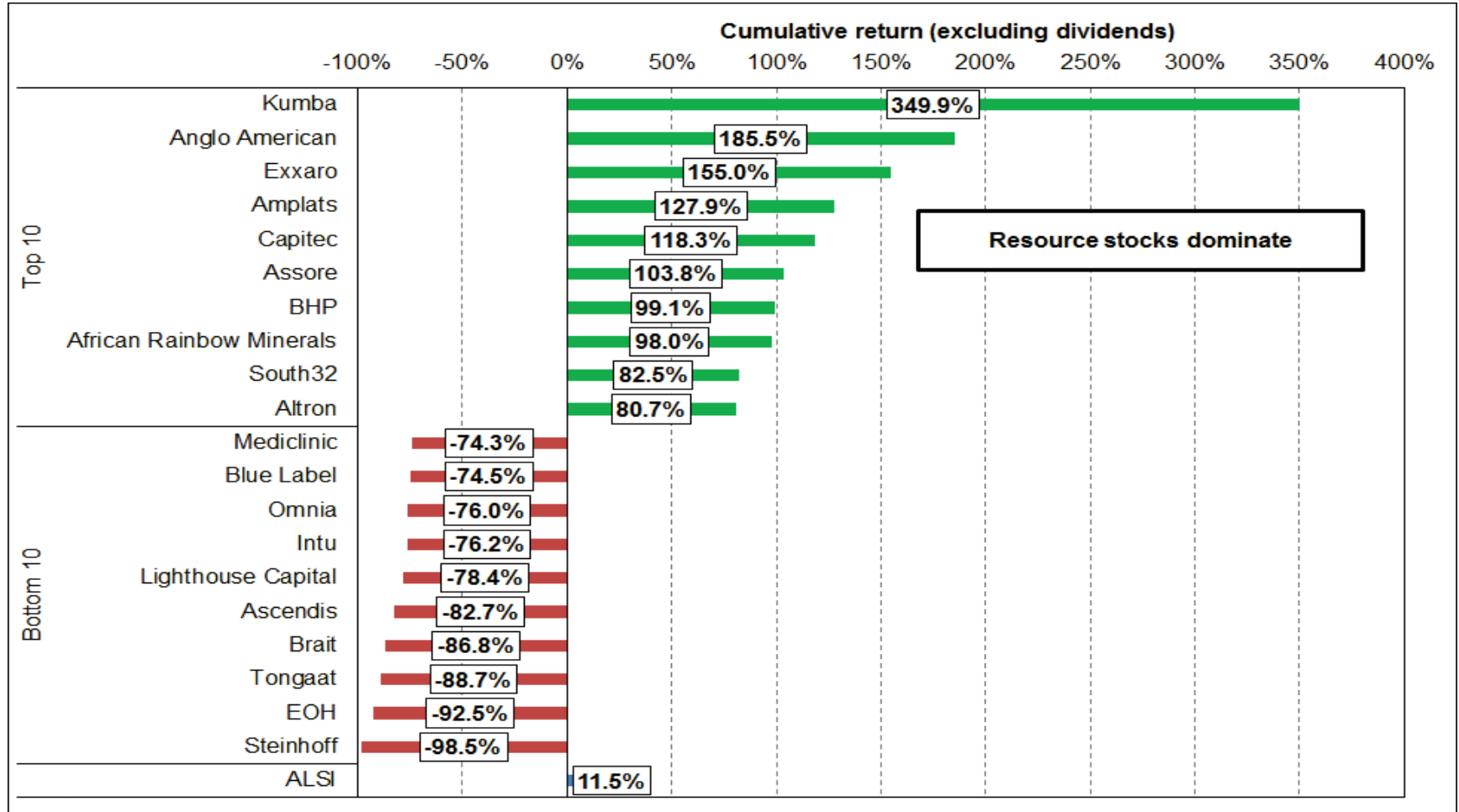
SA EQUITIES

CONTRIBUTIONS BY INDIVIDUAL STOCKS – 5 YEARS

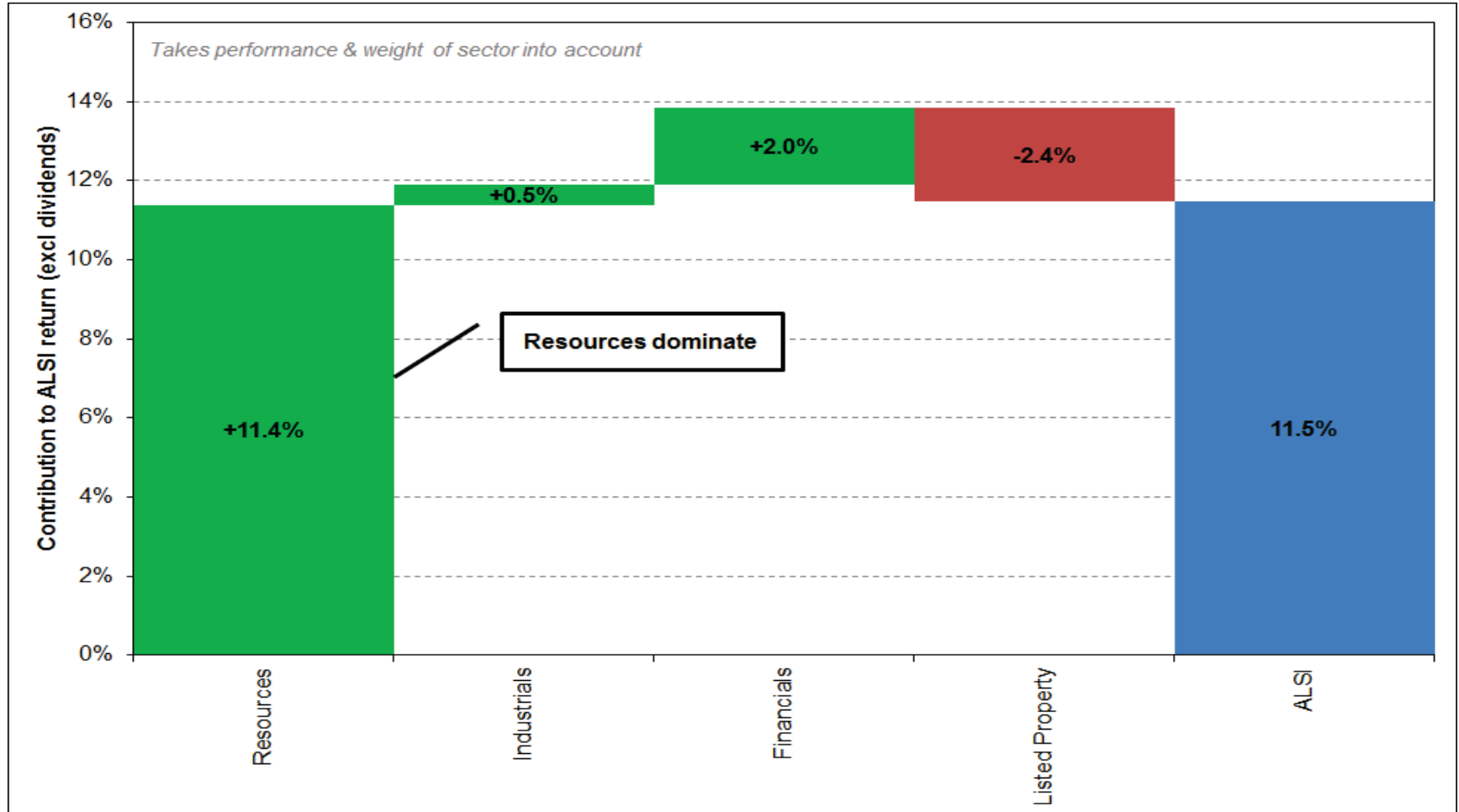


SA EQUITIES

BEST & WORST PERFORMERS – 3 YEARS

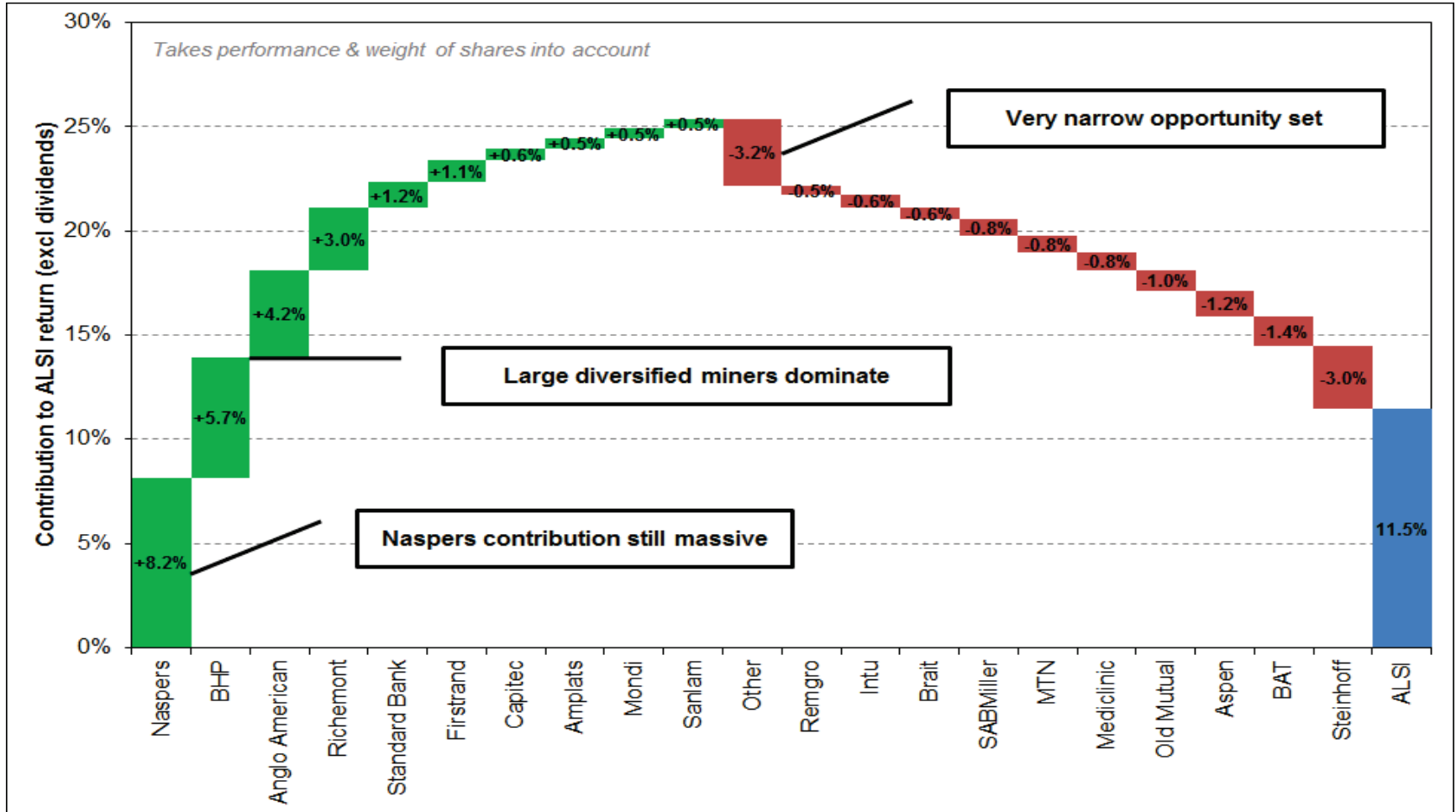


SA EQUITIES CONTRIBUTIONS BY SECTOR – 3 YEARS



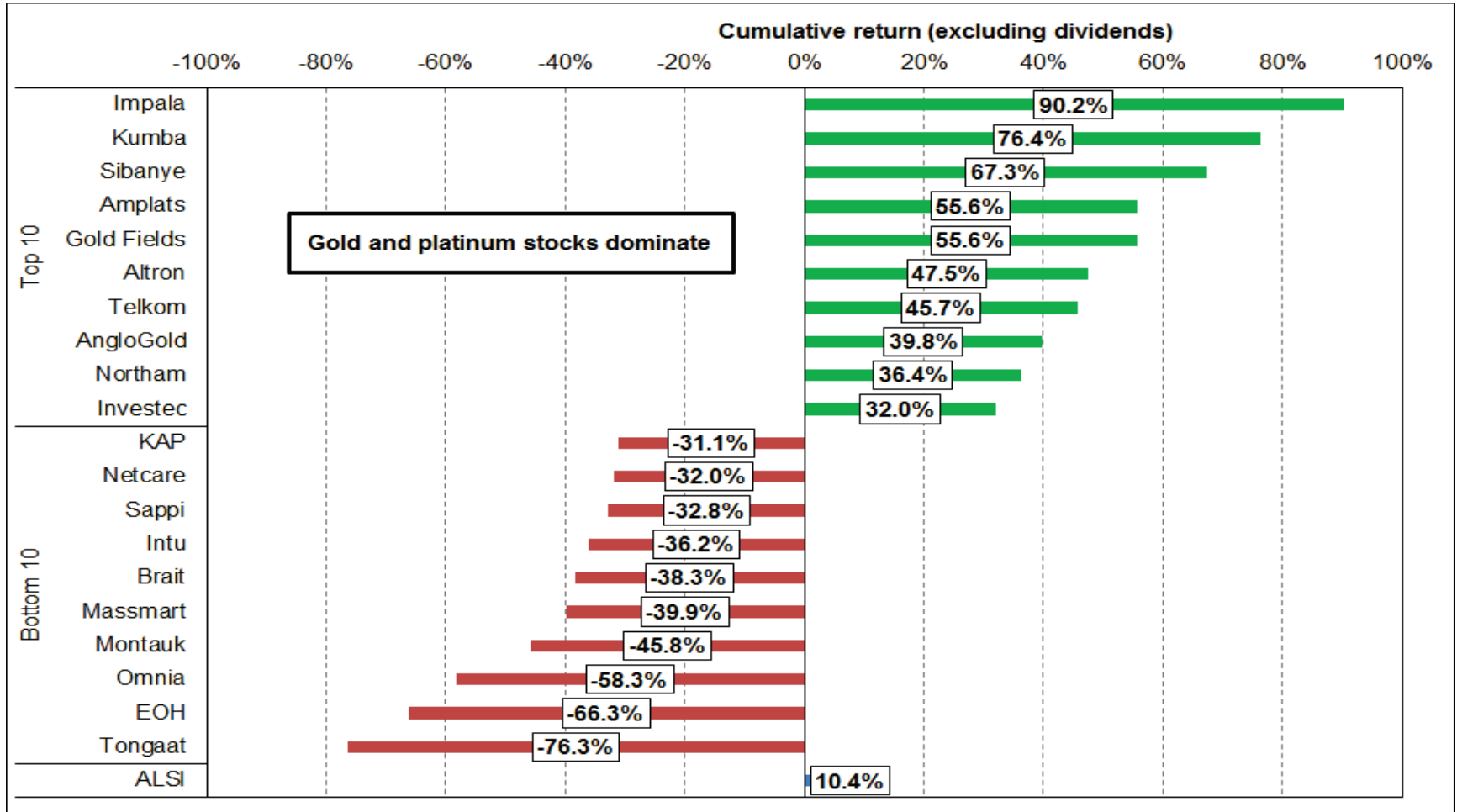
SA EQUITIES

CONTRIBUTIONS BY INDIVIDUAL STOCKS – 3 YEARS



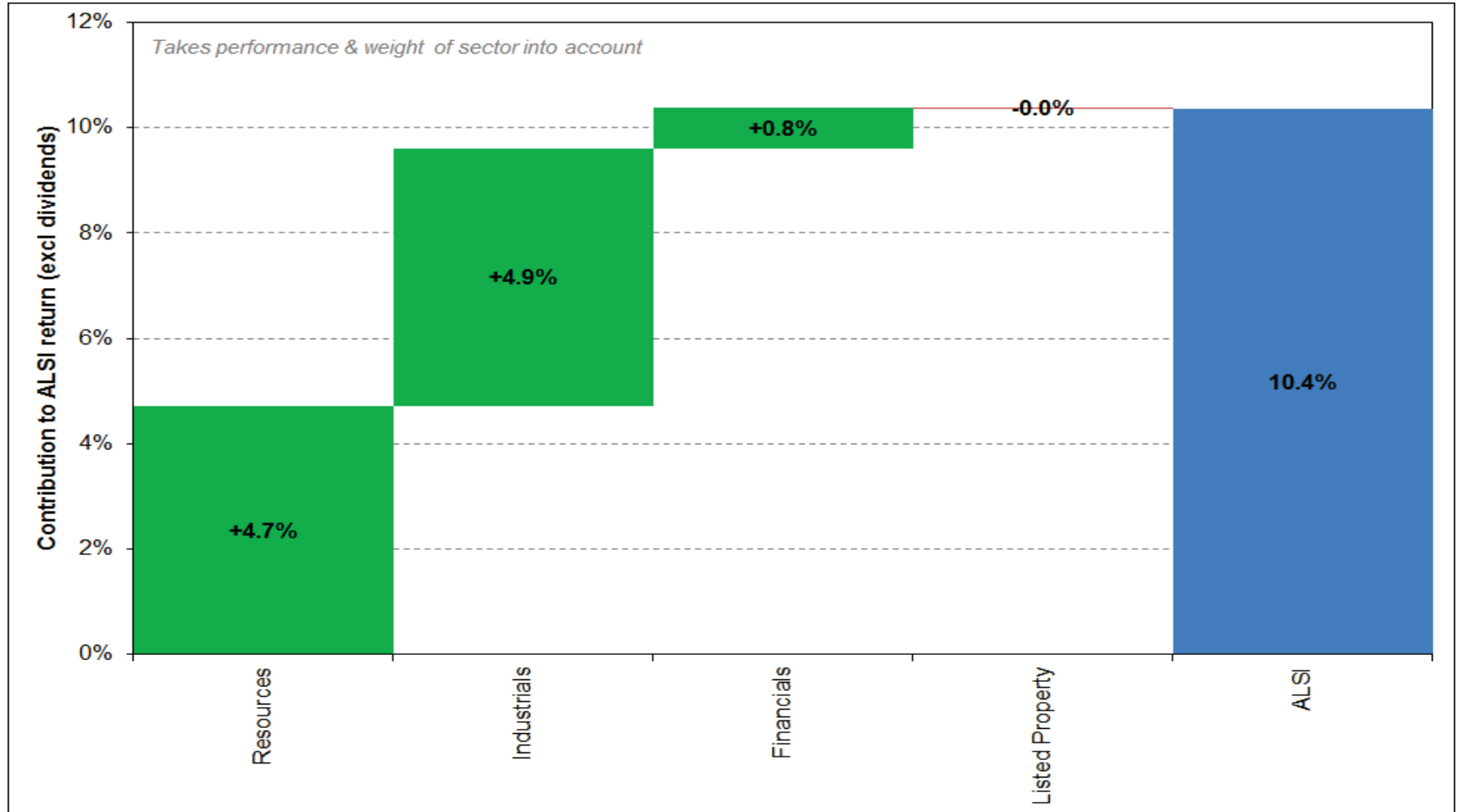
SA EQUITIES

BEST & WORST PERFORMERS – 2019



SA EQUITIES

CONTRIBUTIONS BY SECTOR – 2019



SA EQUITIES

CONTRIBUTIONS BY INDIVIDUAL STOCKS – 2019

