

MONTH IN PICTURES

**DECEMBER
2020**

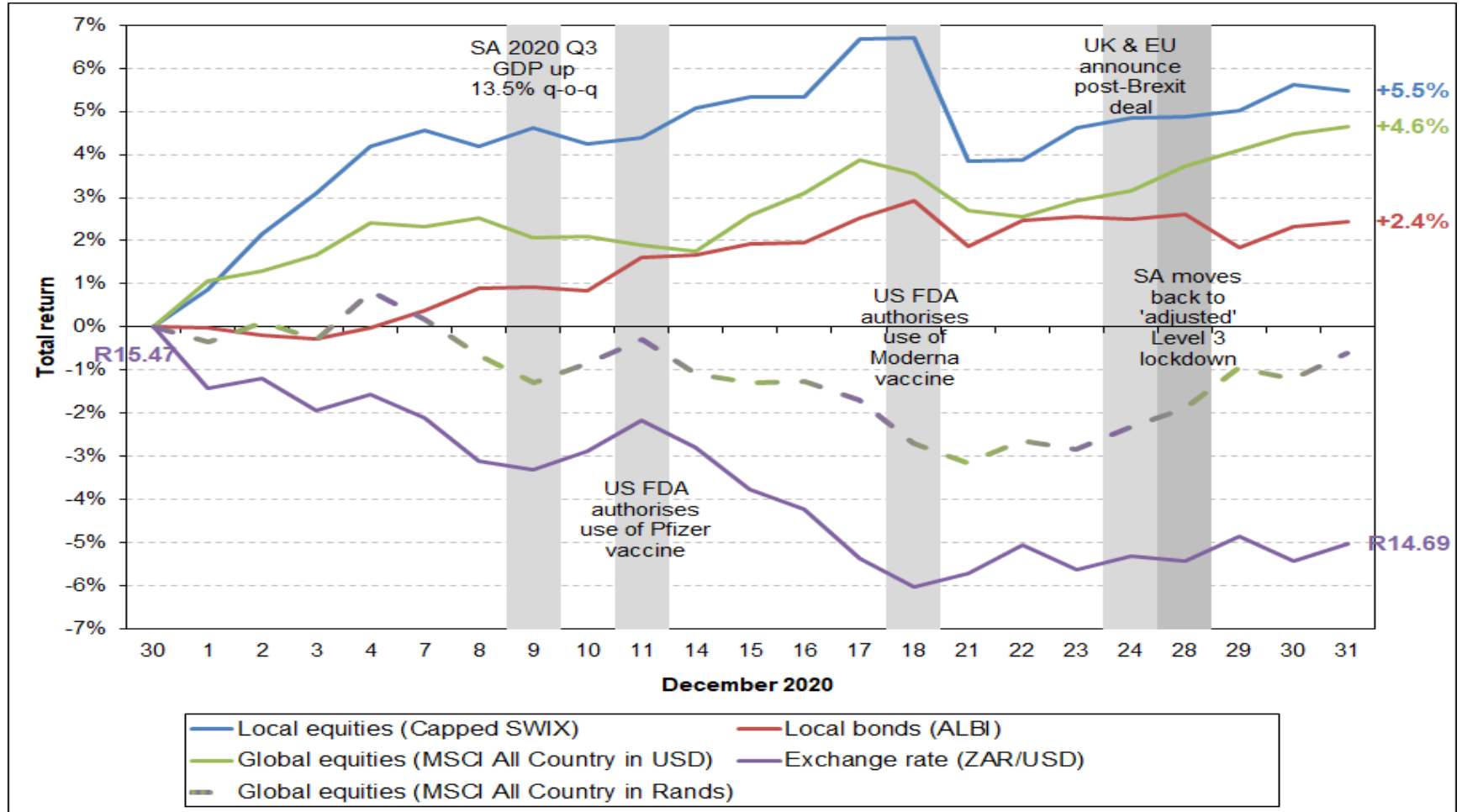
MONTHLY SNAPSHOT

NOTABLE EVENTS

- Another good month (+5.5%) finally managed to push the Capped SWIX into positive territory for the year (+0.6%), albeit by a very narrow margin. The ALSI lagged the SWIX indices in December (+4.2%), but against all odds ended the year 7% higher and ahead of cash (+5.4%).
- Market optimism was boosted by more good vaccine news (the US FDA authorised the use of the Pfizer and Moderna versions) as well as the long-delayed reaching of a post-Brexit agreement between the UK and the EU.
- Industrials (-0.1%) was the only negative sector in December, while we saw another good month for financials (+8.3%), listed property (+13.7%) and resources (+9.5%). Despite the strong year-end rally, financials (-19.7%) and listed property (-34.5%) closed the year still deep in the red, industrials returned a solid +12.0% and resources (+21.2%) recorded yet another strong year of performance. Over the last 5 years this sector (+23.3% p.a.) has really been the only one to show decent levels of growth (industrials, financials and listed property only returned 2.9%, -1.3% and -8.4% p.a. respectively), outperforming even the tech-heavy global equity market (+11.1% p.a.).
- The rand continued to strengthen, appreciating by 5% against the US dollar and thereby dipping below R15/USD for the first time since January last year, and closing the year at R14.69/USD.
- Global markets were also positive in December (bonds = +1.4% and equities = +4.6% in USD), but a rand investor would have suffered small losses in local currency terms (bonds = -3.7% and equities = -0.6% in ZAR).
- Most balanced funds therefore ended the year with some gains to show for it (the average fund returned around 4-5%) which, while not particularly exciting, is above inflation (+3.1%), in line with cash (+5.4%) and probably well above the expectations many had for them earlier last year.
- Despite infections climbing, lockdowns returning and new, more infectious variants emerging, most markets continued their climb in January, as many nations started vaccinating their populations. Unfortunately SA appears to be a laggard in this regard, which won't help our much-needed post-pandemic economic recovery attempts.

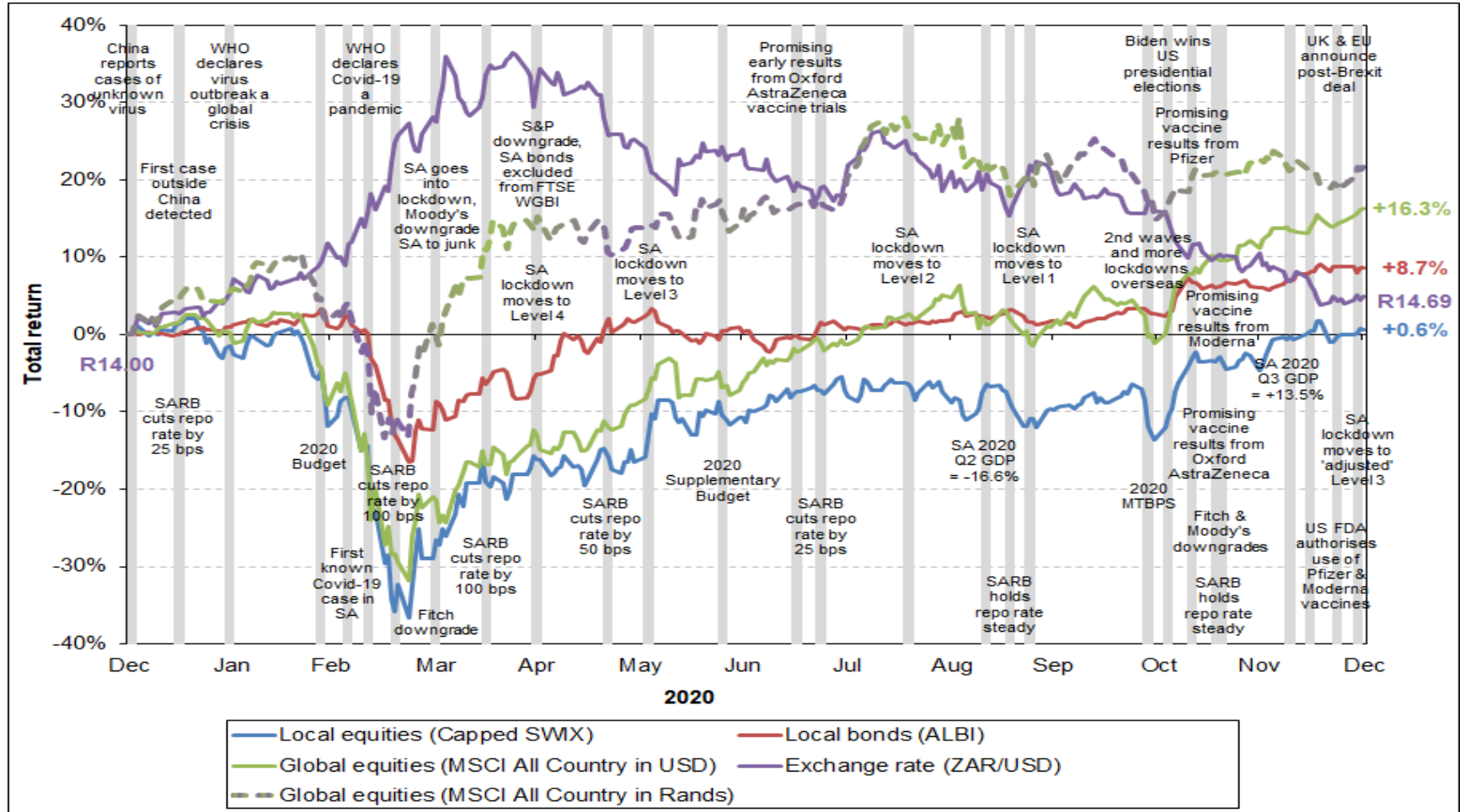
MONTHLY TIMELINE

IMPACT ON MARKETS



ANNUAL TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Oct 2020	Nov 2020	Dec 2020	3 months	12 months
Local equities	ALSI	(4.7)	10.5	4.2	9.8	7.0
	Capped SWIX	(4.2)	10.4	5.5	11.5	0.6
	Resources	(10.8)	10.9	9.5	8.3	21.2
	Industrials	0.4	8.0	(1.0)	7.4	12.0
	Financials	(5.8)	17.1	8.3	19.5	(19.7)
	Listed Property	(8.5)	17.5	13.7	22.2	(34.5)
Local bonds	ALBI	0.9	3.3	2.4	6.7	8.7
Local cash	STeFI Composite	0.3	0.3	0.3	1.0	5.4
Global equities	MSCI All Country	(5.4)	7.0	(0.6)	0.6	22.0
Global bonds	FTSE WGBI	(3.3)	(3.3)	(3.7)	(9.9)	15.6
Exchange rate	ZAR/USD	(3.1)	(4.8)	(5.0)	(12.3)	5.0
Inflation	CPI	0.3	0.0	0.2	0.4	3.1

1. Total returns (in Rands) for the months and periods ending 31 December 2020.

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	ALSI	7.0	3.1	6.4	9.6	11.5
	Capped SWIX	0.6	(1.5)	3.2	8.5	10.7
	Resources	21.2	21.6	23.3	4.1	7.7
	Industrials	12.0	0.2	2.9	12.4	14.4
	Financials	(19.7)	(9.7)	(1.3)	8.2	8.5
	Listed Property	(34.5)	(20.7)	(8.4)	3.5	8.2
Local bonds	ALBI	8.7	8.9	10.4	8.2	8.1
Local cash	STeFI Composite	5.4	6.6	7.0	6.4	7.2
Global equities	MSCI All Country	22.0	16.5	11.1	18.2	13.4
Global bonds	FTSE WGBI	15.6	11.1	3.7	10.8	9.9
Exchange rate	ZAR/USD	5.0	5.9	(1.0)	8.3	5.8
Inflation	CPI	3.1	3.9	4.6	5.1	5.6

1. Total returns (in Rands) for the months and periods ending 31 December 2020.

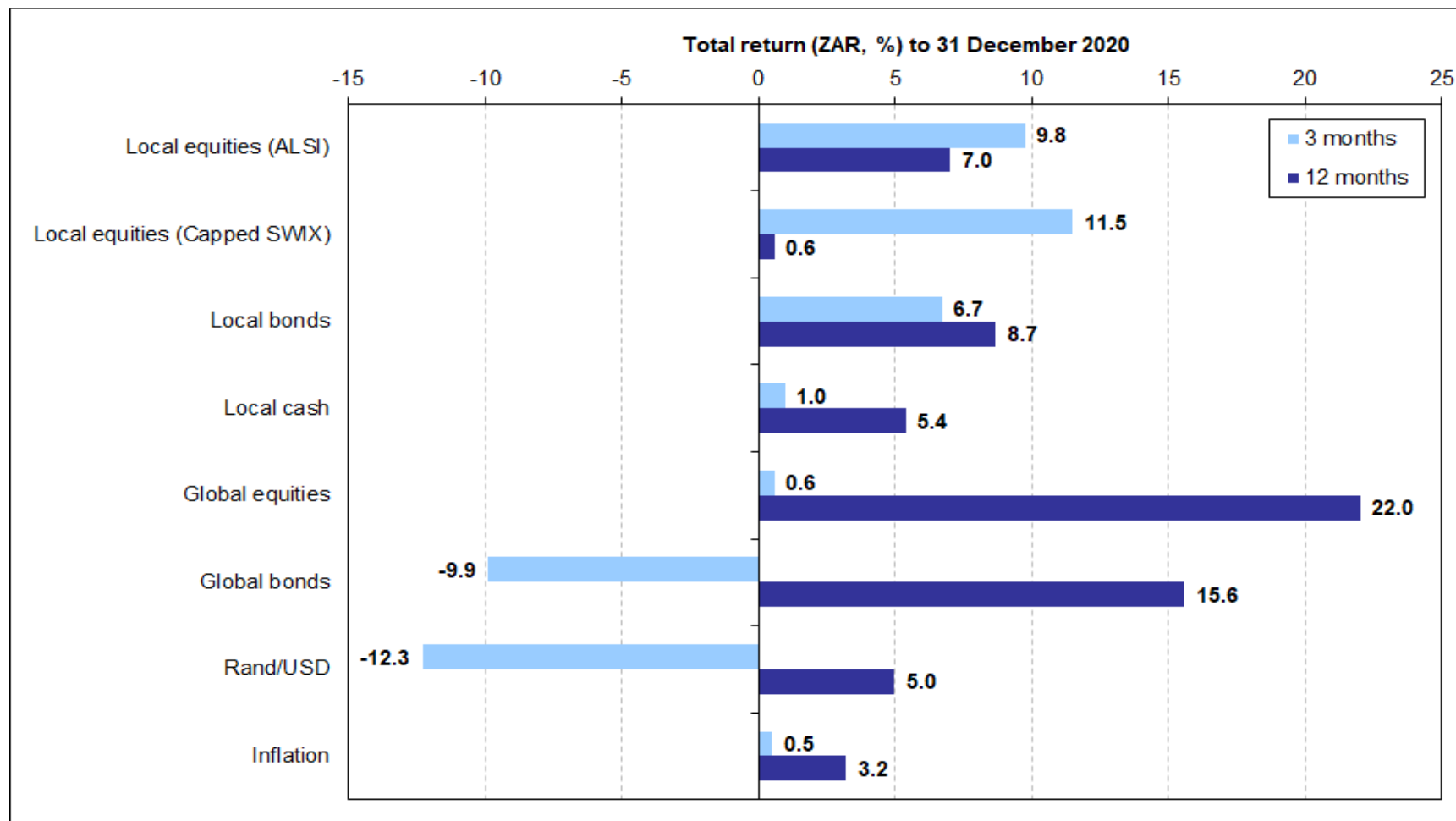
ECONOMIC INDICATORS

Economic indicators ¹	Dec 2018	Dec 2019	Oct 2020	Nov 2020	Dec 2020
Exchange rates:					
ZAR/USD	14.35	14.00	16.24	15.47	14.69
ZAR/GBP	18.32	18.56	21.05	20.60	20.08
ZAR/Euro	16.47	15.69	18.90	18.45	17.95
Commodities:					
Brent Crude Oil (USD/barrel)	54.44	66.15	37.94	47.88	51.80
Platinum (USD/ounce)	793.31	971.38	849.00	959.51	1,069.93
Gold (USD/ounce)	1,280.92	1,524.46	1,877.90	1,776.30	1,894.23

1. Month-end prices

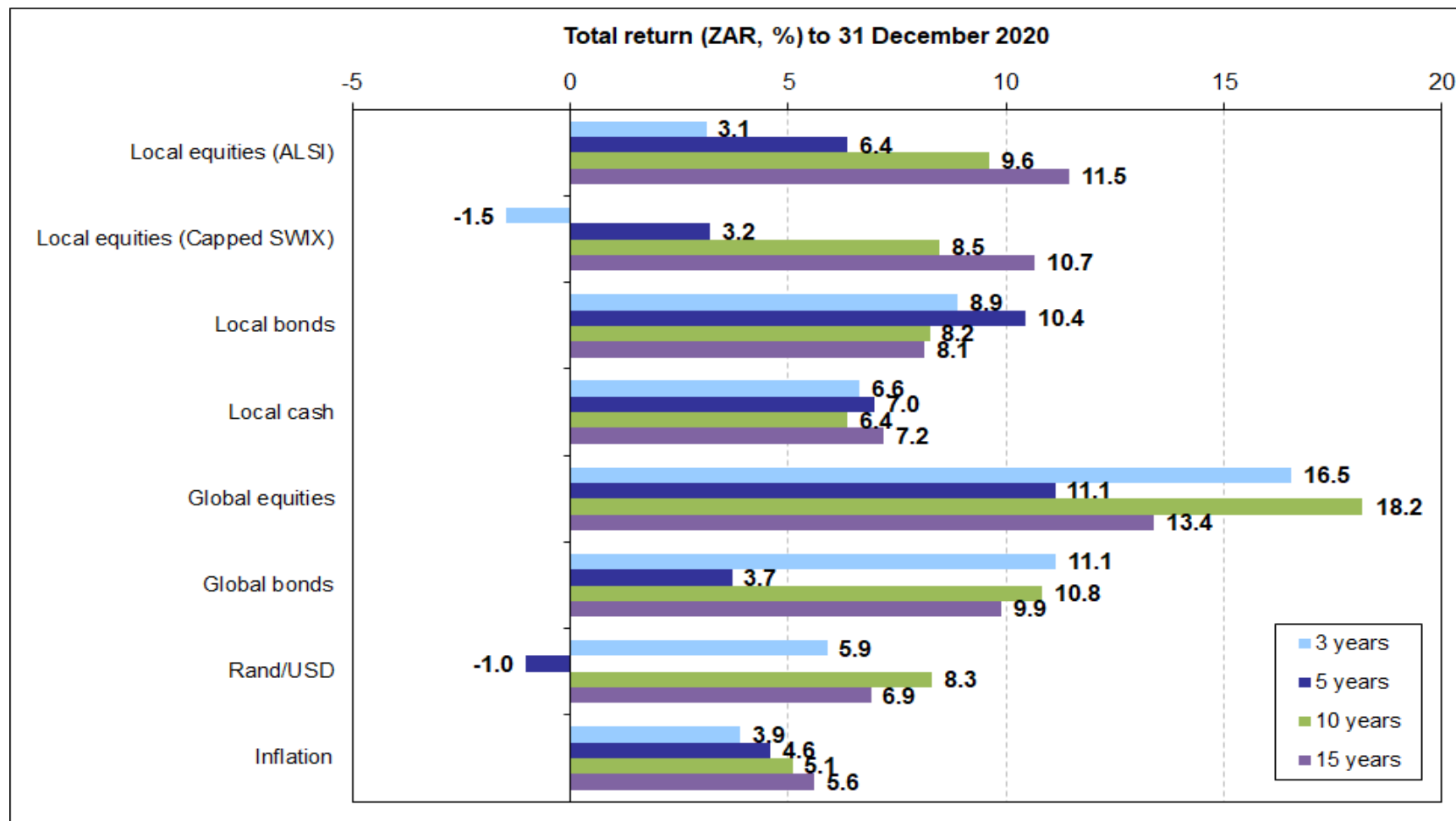
ASSET CLASS PERFORMANCE

SHORT TERM



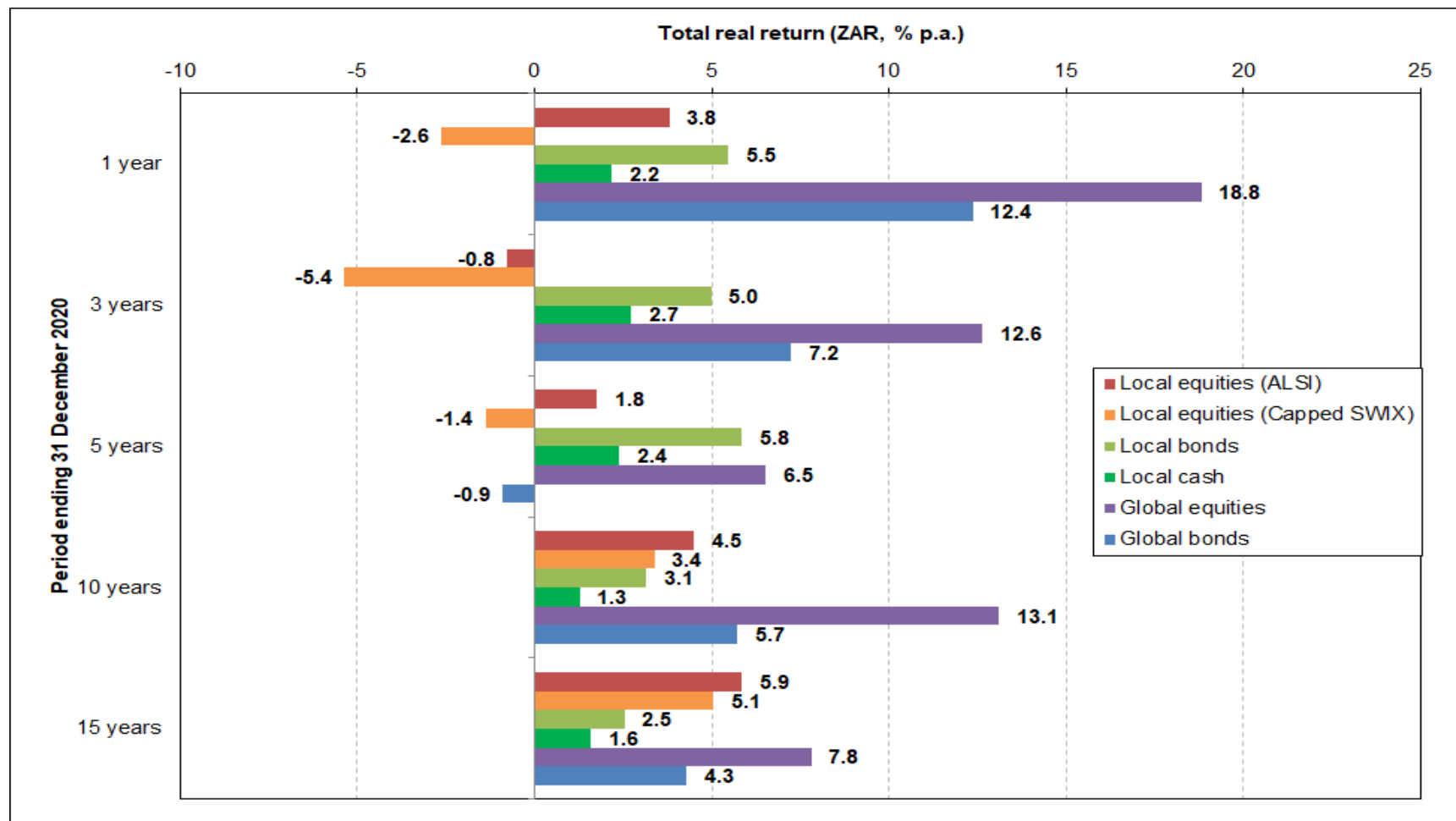
ASSET CLASS PERFORMANCE

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 historical returns (in both nominal and real terms) can investors reasonably have expected from the markets?

To illustrate this, we calculated the hypothetical returns of various risk profiled 'portfolios' (Aggressive, Moderate and Conservative) using a rules-based asset allocation approach to cater for the change in the regulatory offshore allowance over time:

- The offshore allocation is kept at 5% below the prevailing regulatory maximum (15% to 2000, 20% to 2006, 25% to 2018 & currently at 30%).
- The equity allocation varies according to the risk profile, and is set at 75% for Aggressive, 55% for Moderate and 35% for Conservative, which applies to both the local (ALSI up to December 2001, SWIX up to June 2011, Capped SWIX thereafter) and offshore (MSCI All Country) portions.
- The remainder of the *local* assets is split between local bonds (ALBI) and cash (STeFI composite), with the local bond allocation being the same as the equity allocation in this sub-portion, i.e. 75% for Aggressive, 55% for Moderate and 35% for Conservative. The balance is kept in local cash.
- The remainder of the *offshore* assets is allocated to global bonds (FTSE WGBI).
- Fees are assumed at 0.4% p.a.

A graphical representation of the strategic and current asset allocations of the various risk-profiled 'portfolios' are provided below:

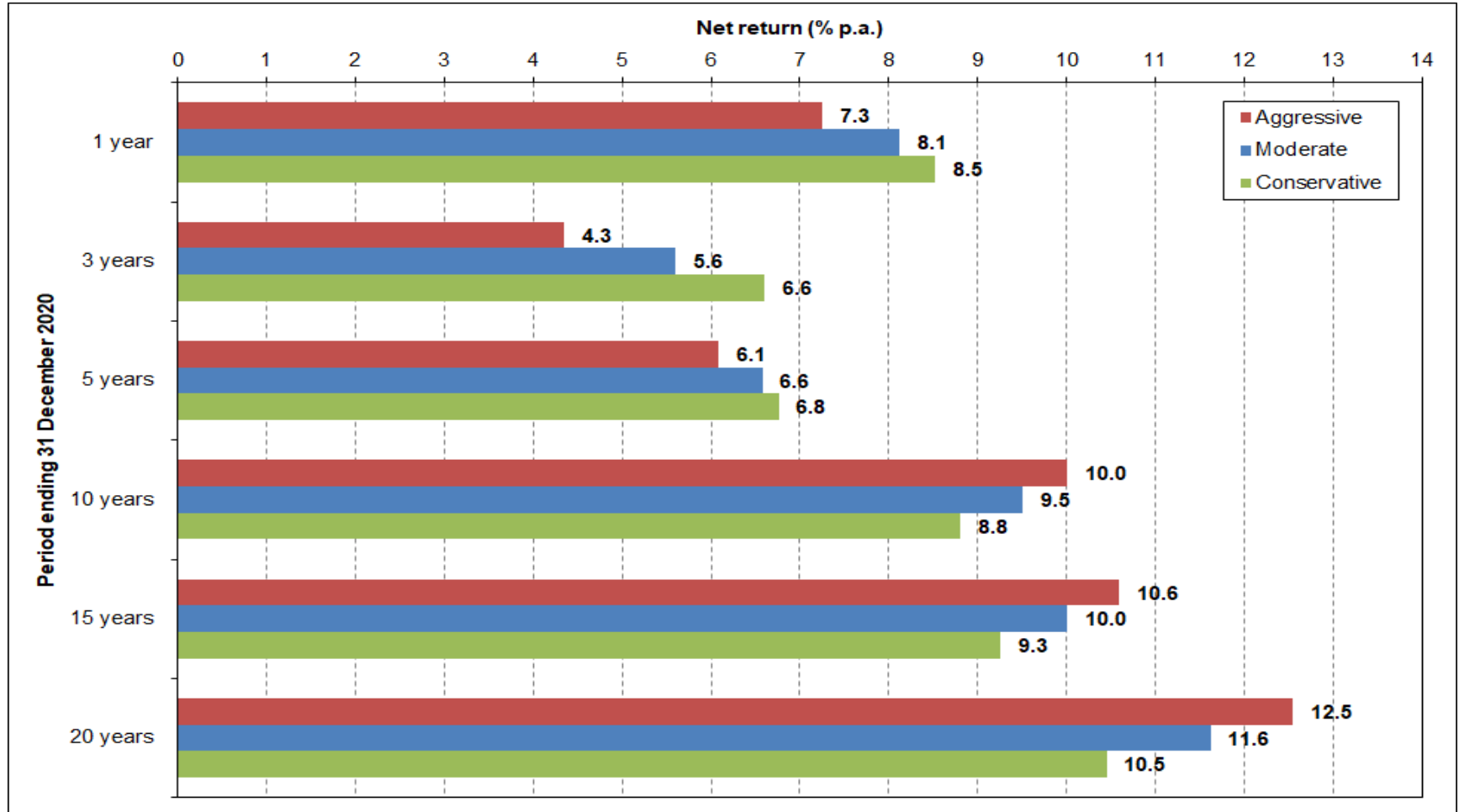
AGGRESSIVE	Strategic allocation	LOCAL VS OFFSHORE	75%			25% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	75%		25%	75%	25%
		EQUITIES VS BONDS VS CASH	100%	75%	25%	100%	100%
	Current allocation		~56%		~14%	~5%	~19%

MODERATE	Strategic allocation	LOCAL VS OFFSHORE	75%			25% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	55%	45%		55%	45%
		EQUITIES VS BONDS VS CASH	100%	55%	45%	100%	100%
	Current allocation		~41%	~19%	~15%	~14%	~11%

CONSERVATIVE	Strategic allocation	LOCAL VS OFFSHORE	75%			25% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	35%	65%		35%	65%
		EQUITIES VS BONDS VS CASH	100%	35%	65%	100%	100%
	Current allocation		~26%	~17%	~32%	~9%	~16%

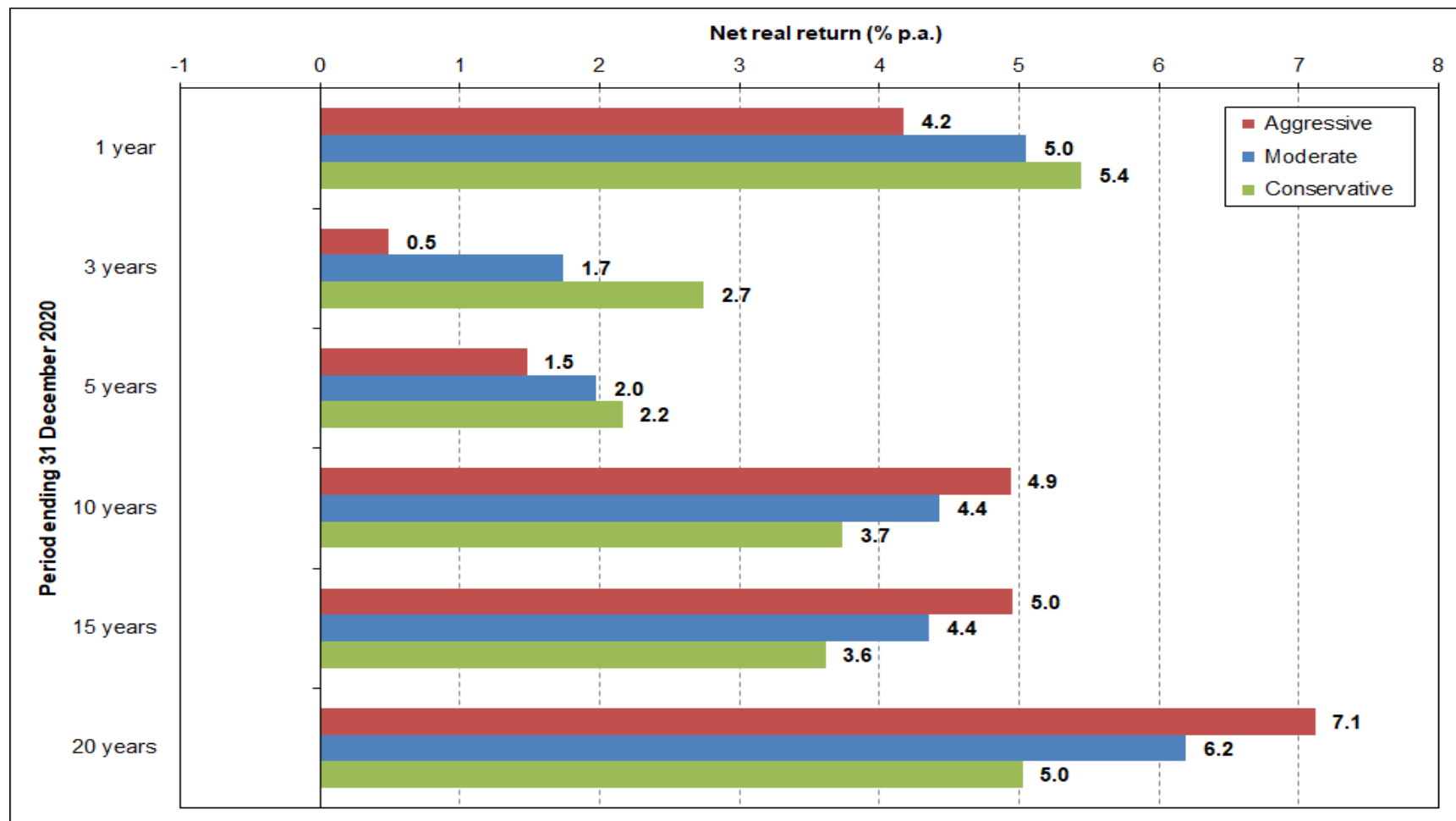
MARKET PERFORMANCE

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



MARKET PERFORMANCE

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



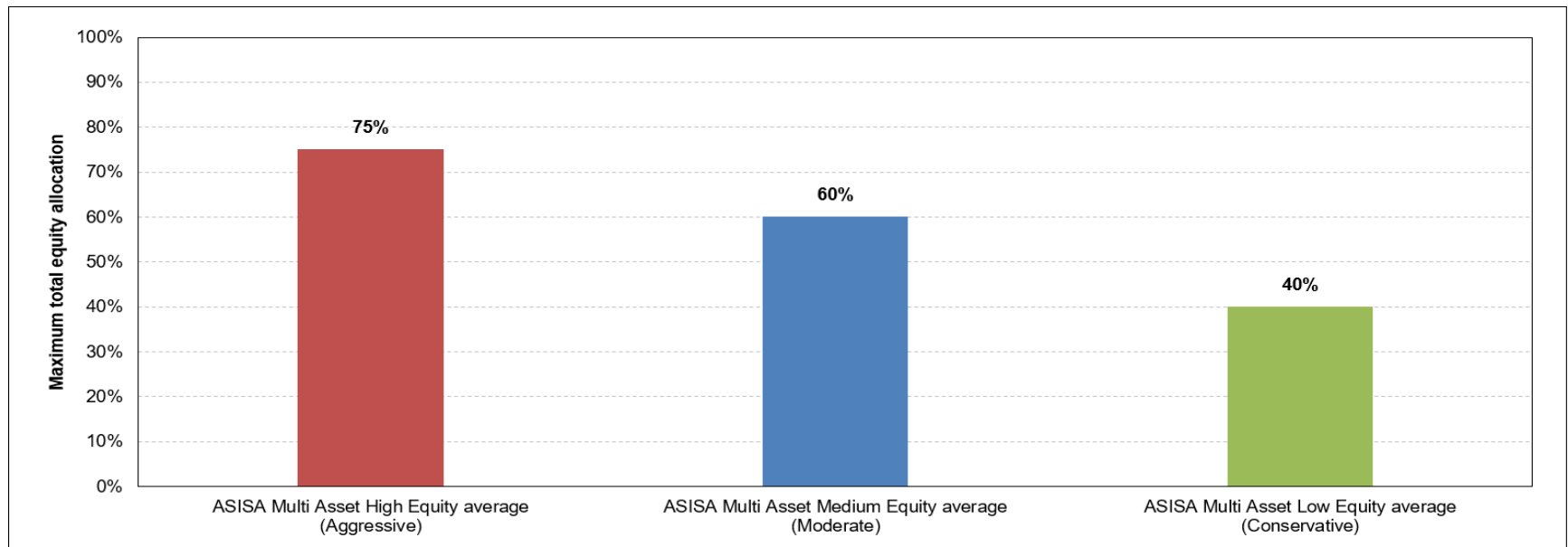
MANAGER PERFORMANCE

WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

Given what markets have delivered (see earlier slides), what level of returns (in both nominal and real terms) has the average *investment manager* delivered in this environment?

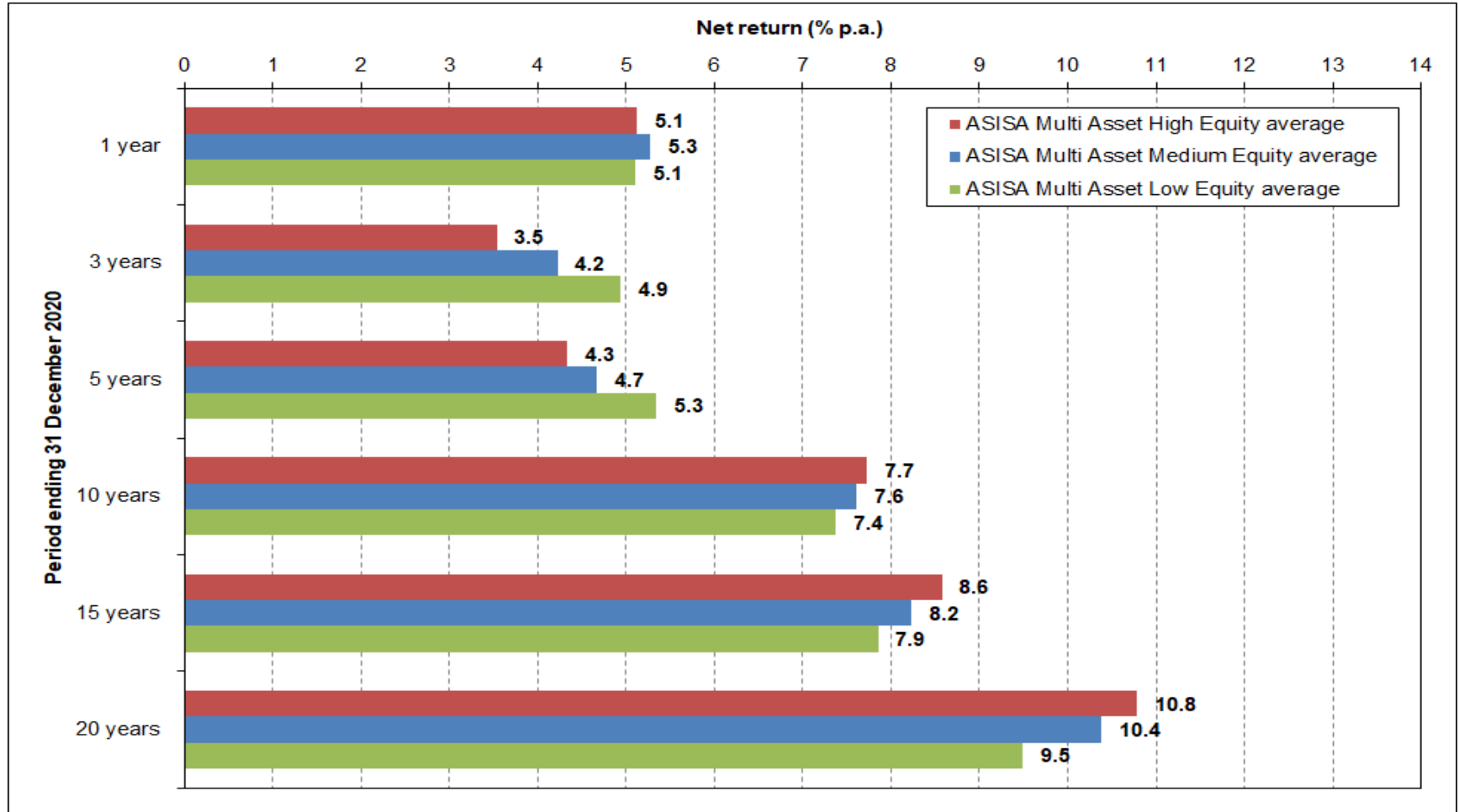
To illustrate this, we show the average returns from regulated collective investment schemes in the ASISA (Association for Savings and Investments South Africa) South Africa Multi Asset High, Medium and Low Equity categories to reflect the returns of typical Aggressive, Moderate and Conservative retirement fund portfolios.

The asset allocations of the portfolios in these categories are regulated by Regulation 28 of the Pension Funds Act, but ASISA also sets limits on the total equity allocations of these portfolios, as shown in the graphic below:



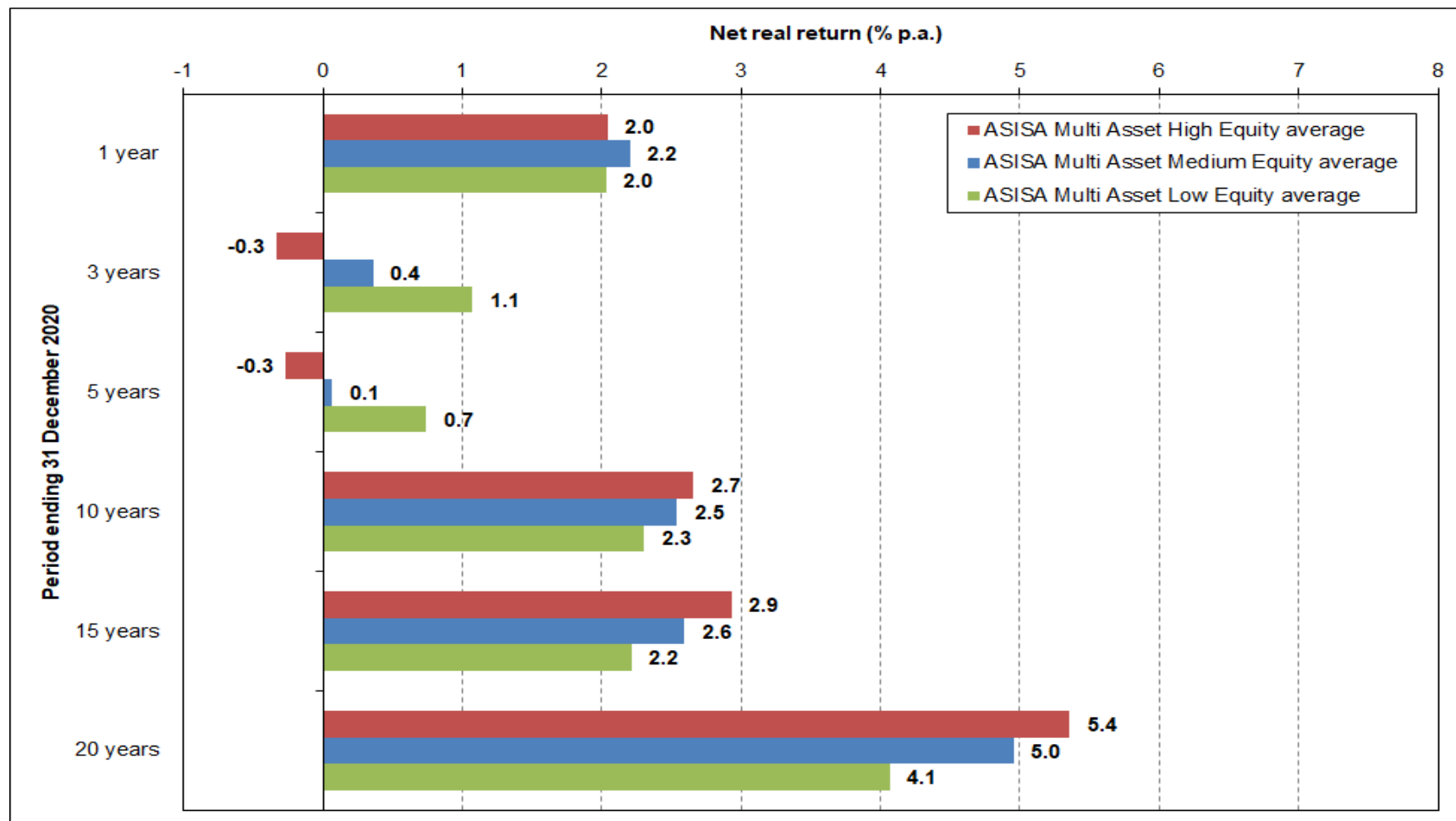
MANAGER PERFORMANCE

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



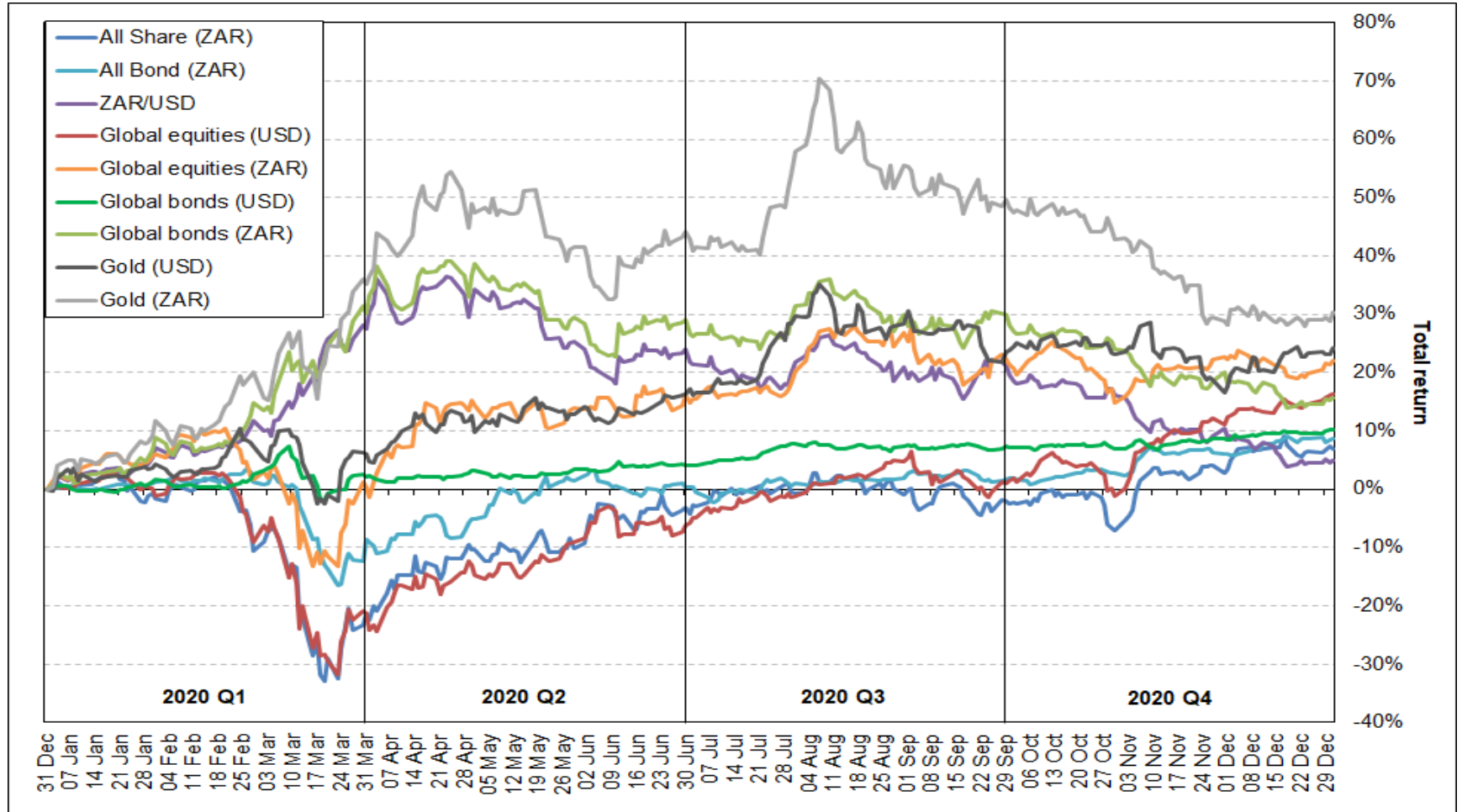
MANAGER PERFORMANCE

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



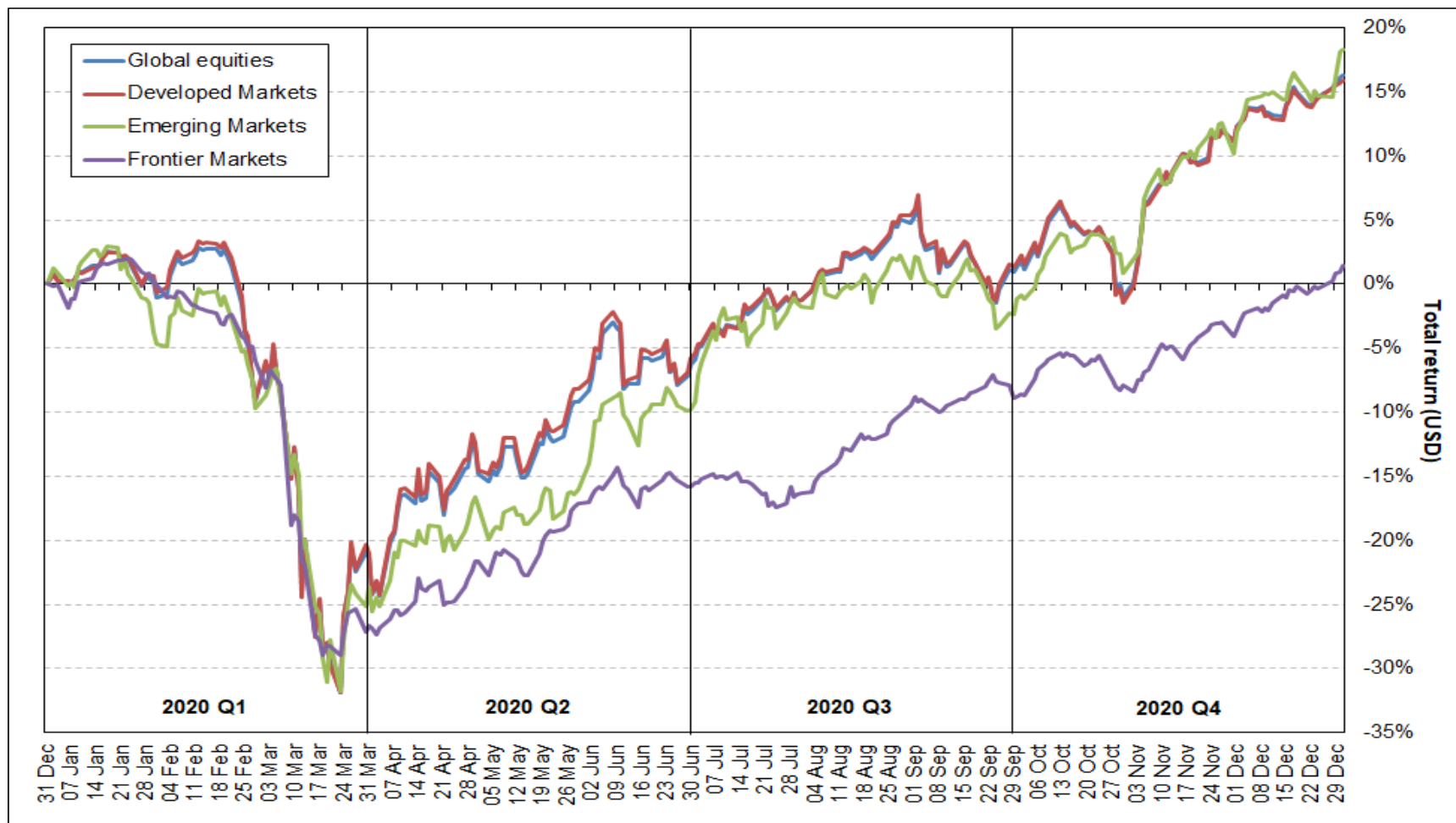
2020 IN REVIEW

MAJOR ASSET CLASSES



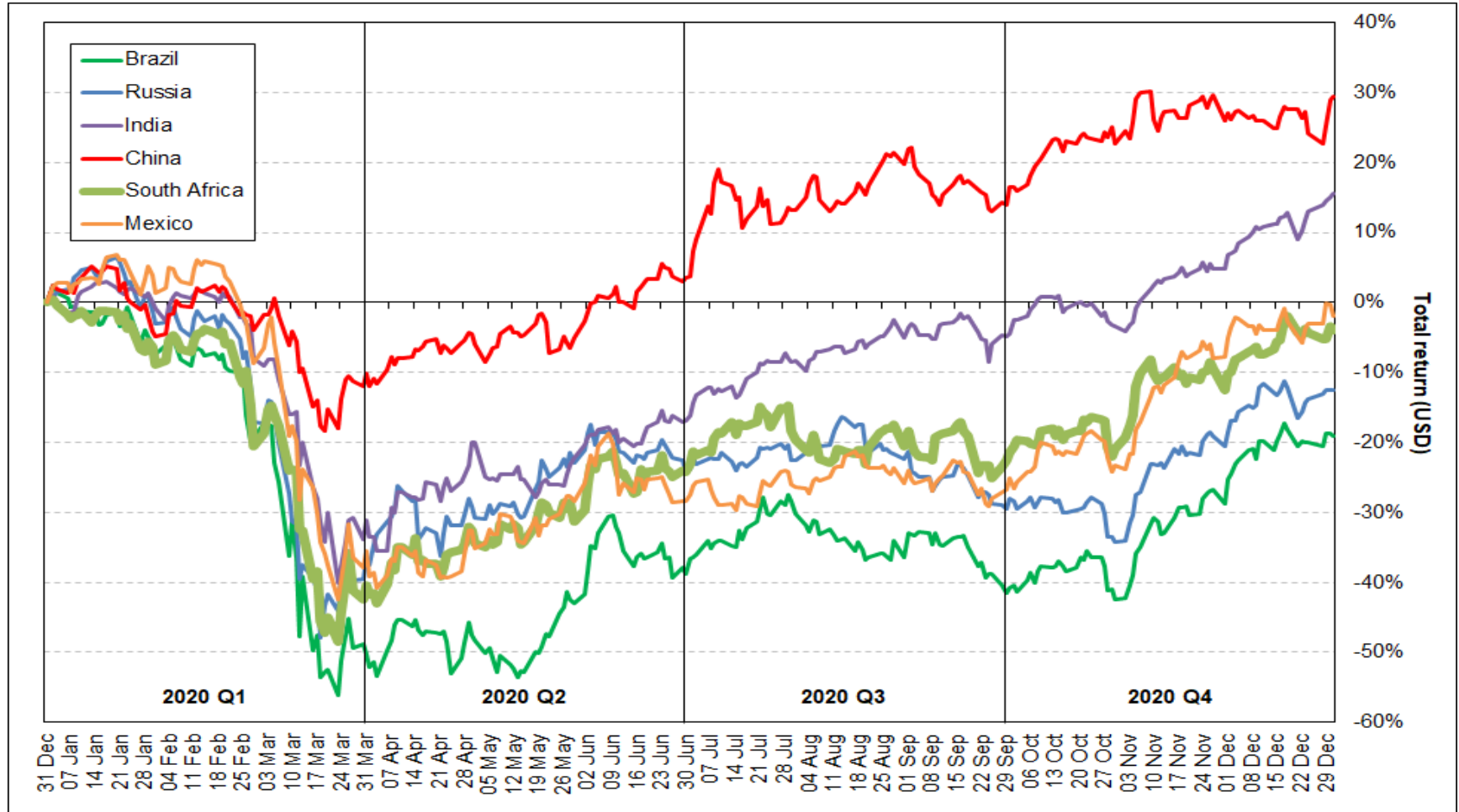
2020 IN REVIEW

GLOBAL EQUITY MARKETS (USD)



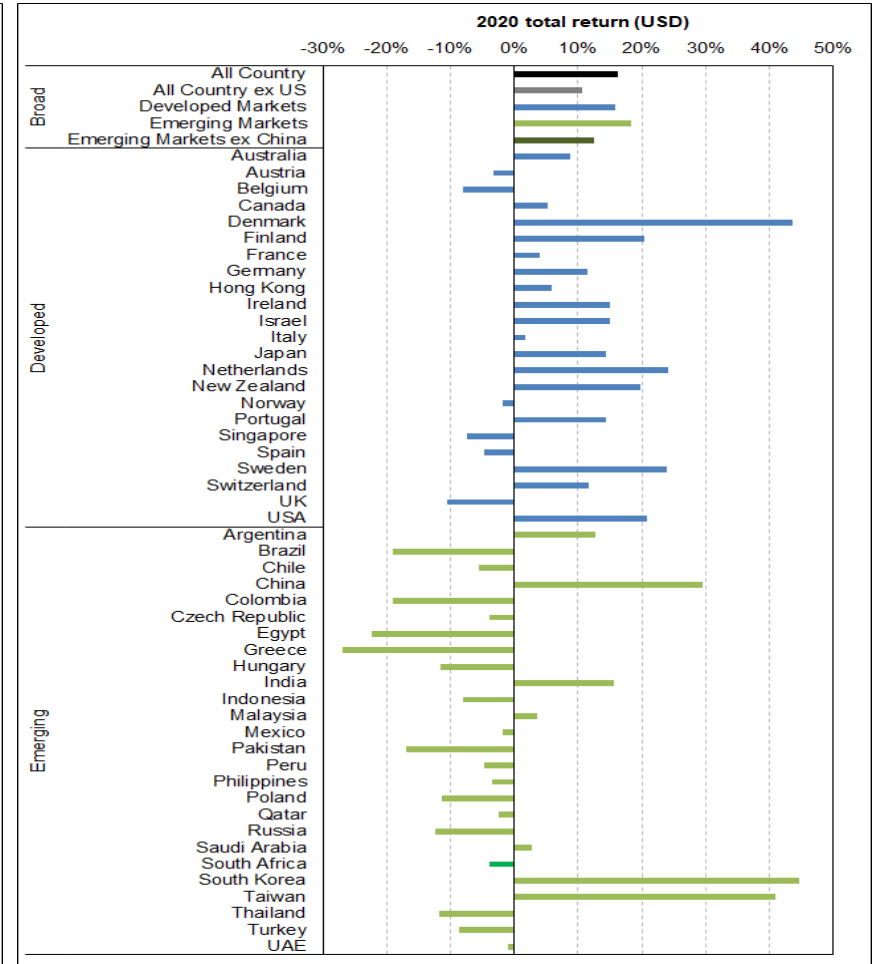
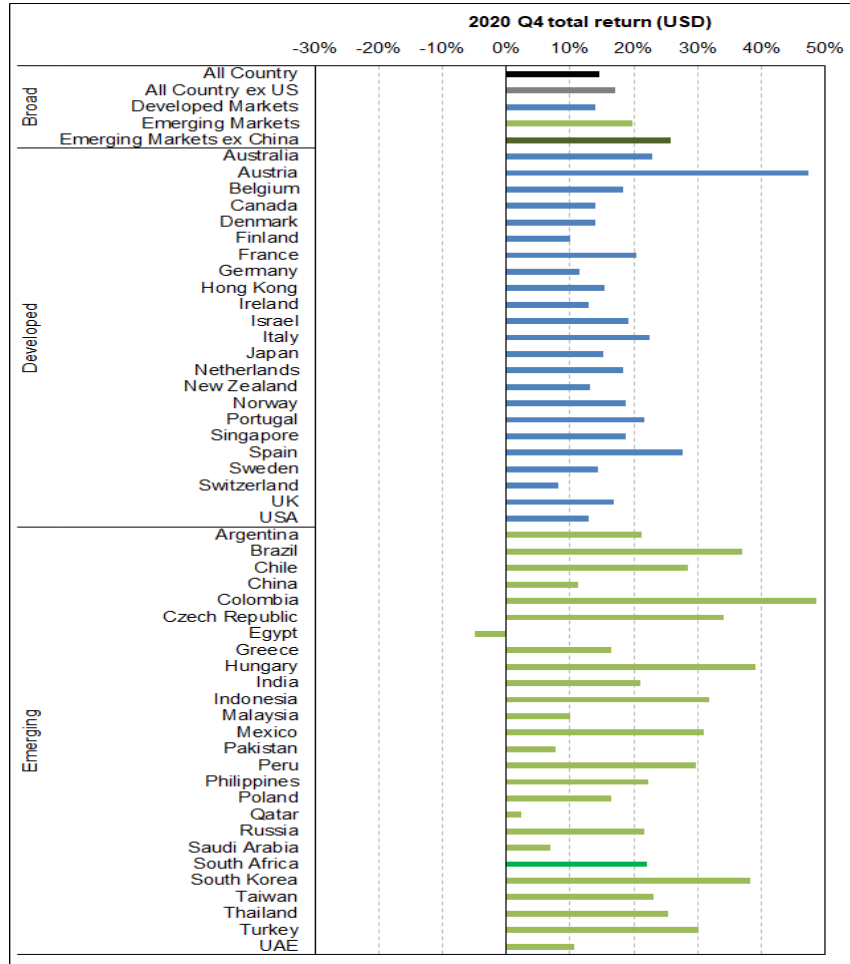
2020 IN REVIEW

GLOBAL EMERGING EQUITY MARKETS (USD)



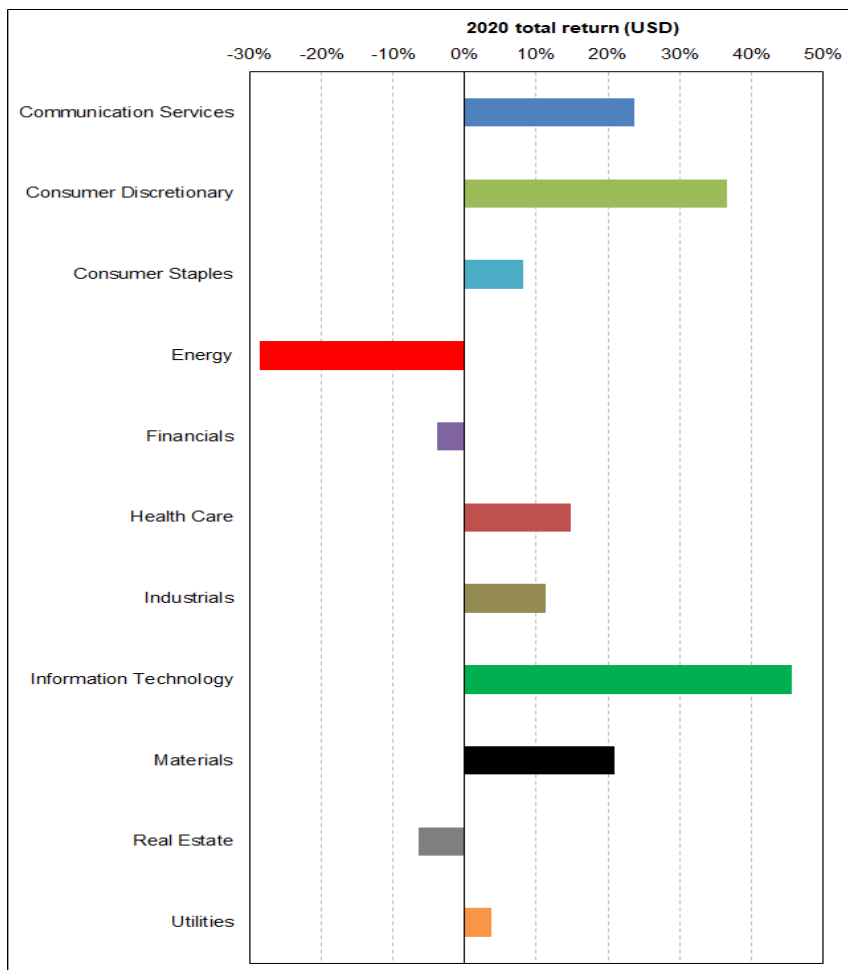
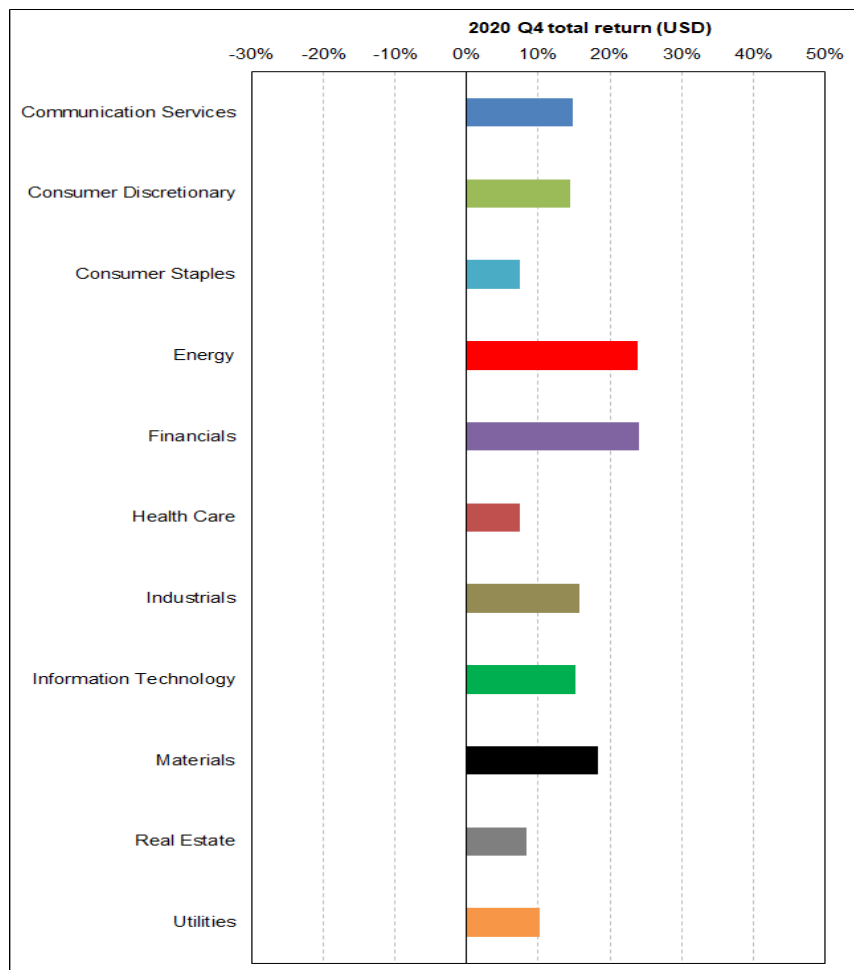
2020 IN REVIEW

US, CHINA, SOUTH KOREA & TAIWAN PROP UP GLOBAL EQUITY MARKETS



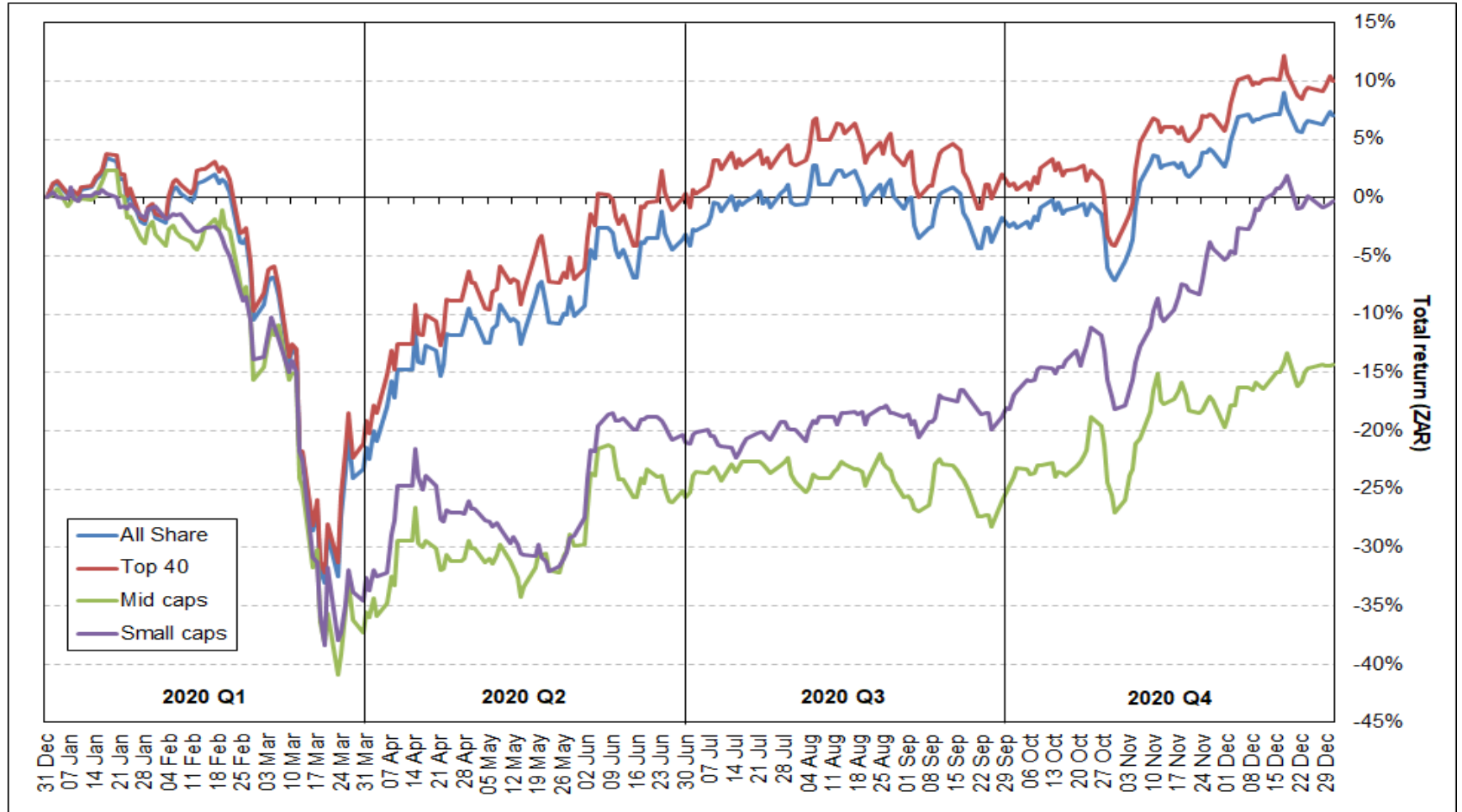
2020 IN REVIEW

ENERGY & FINANCIALS STAGE VALIANT RECOVERY, BUT STILL END 2020 IN THE RED



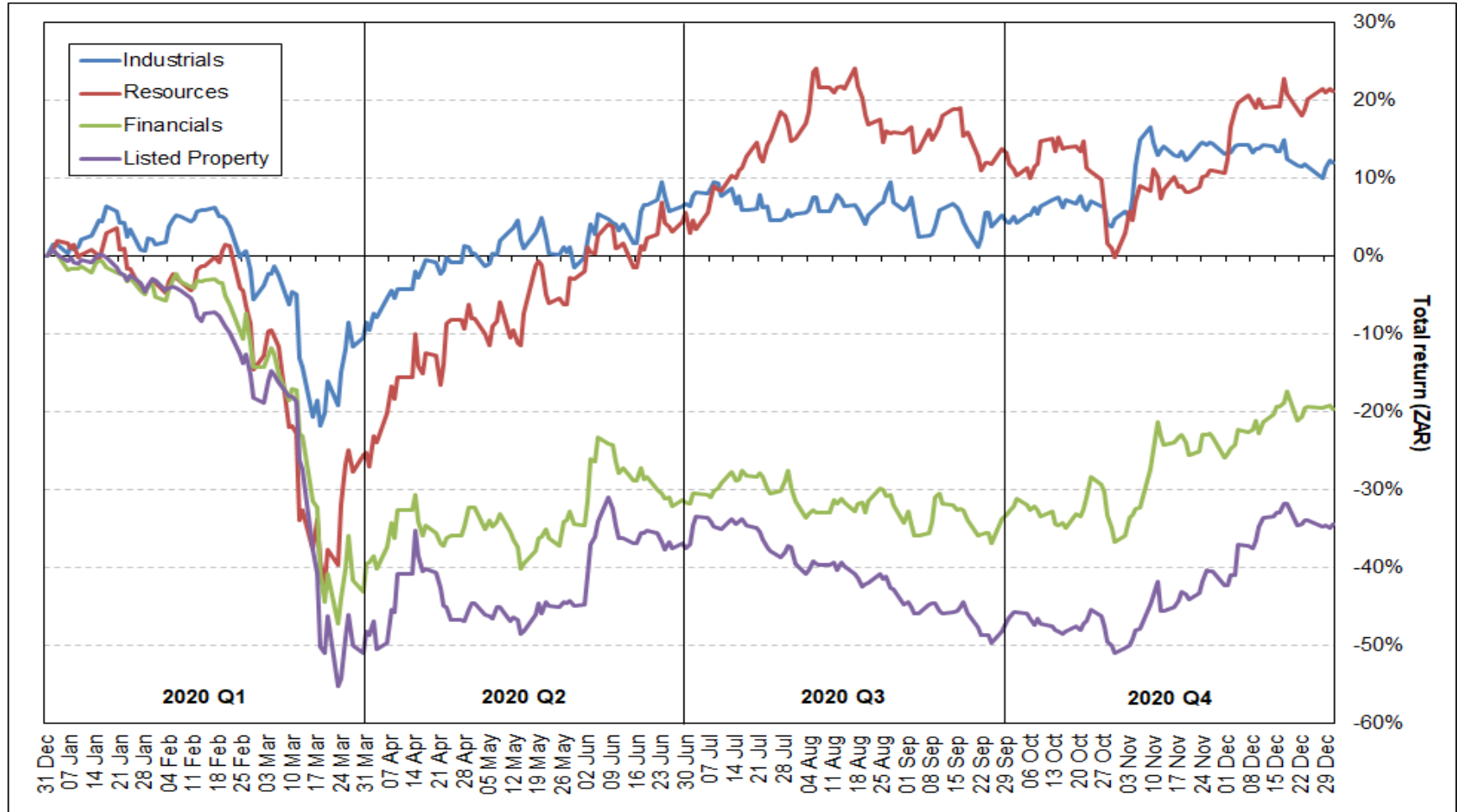
2020 IN REVIEW

LOCAL EQUITY MARKET



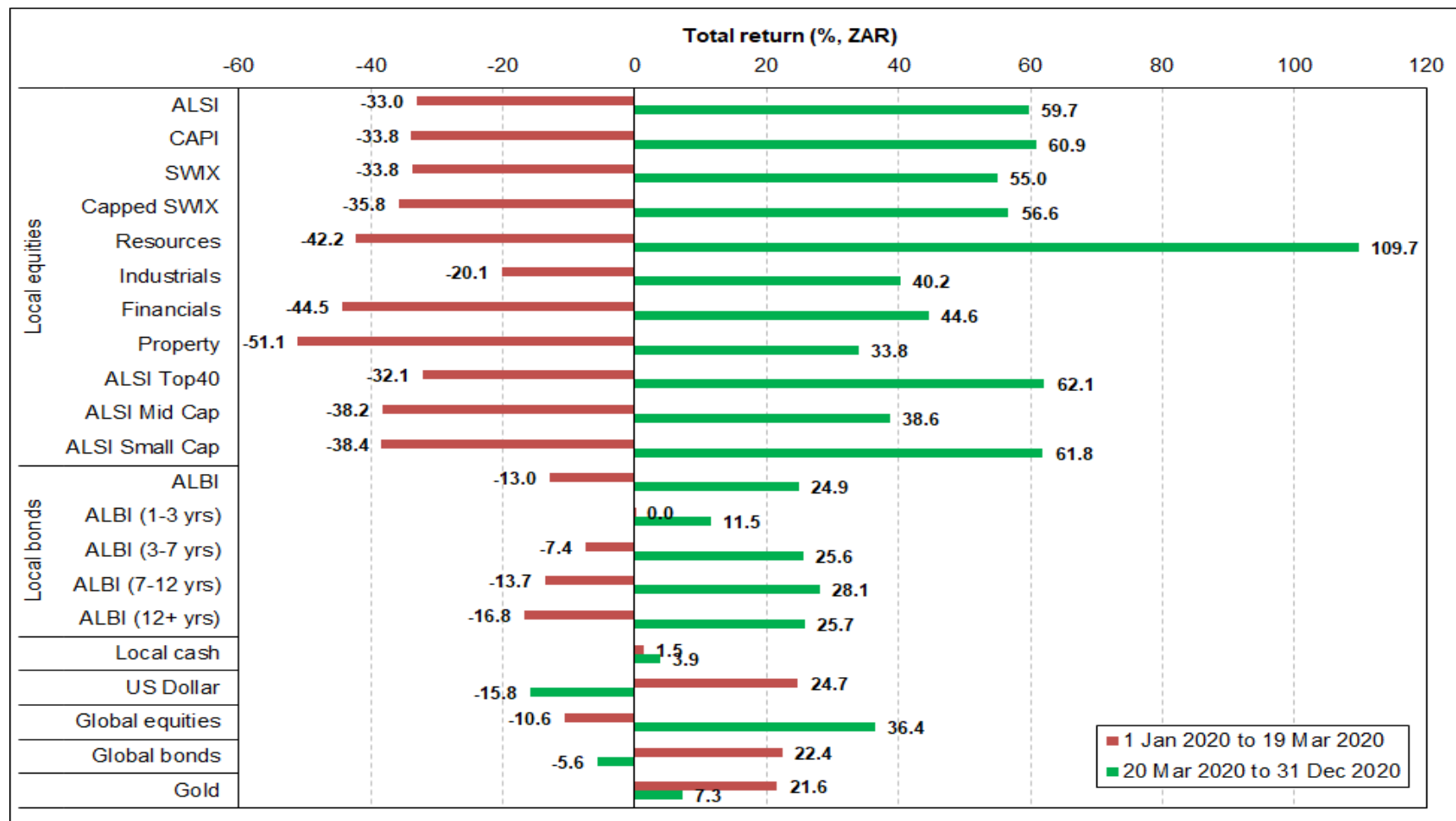
2020 IN REVIEW

LOCAL EQUITY MARKET



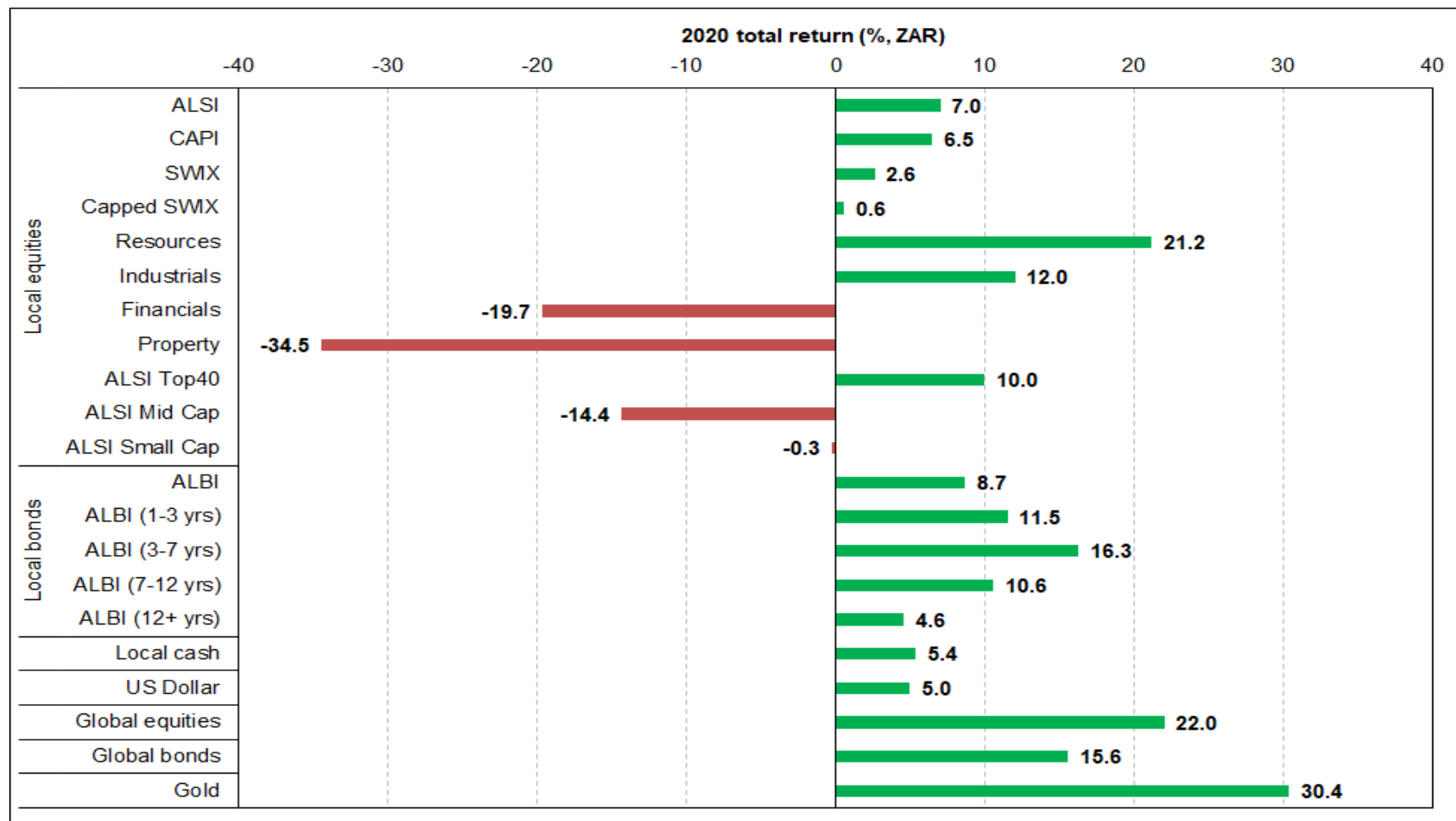
2020 IN REVIEW

STEEP FALLS AND SHARP RECOVERIES...



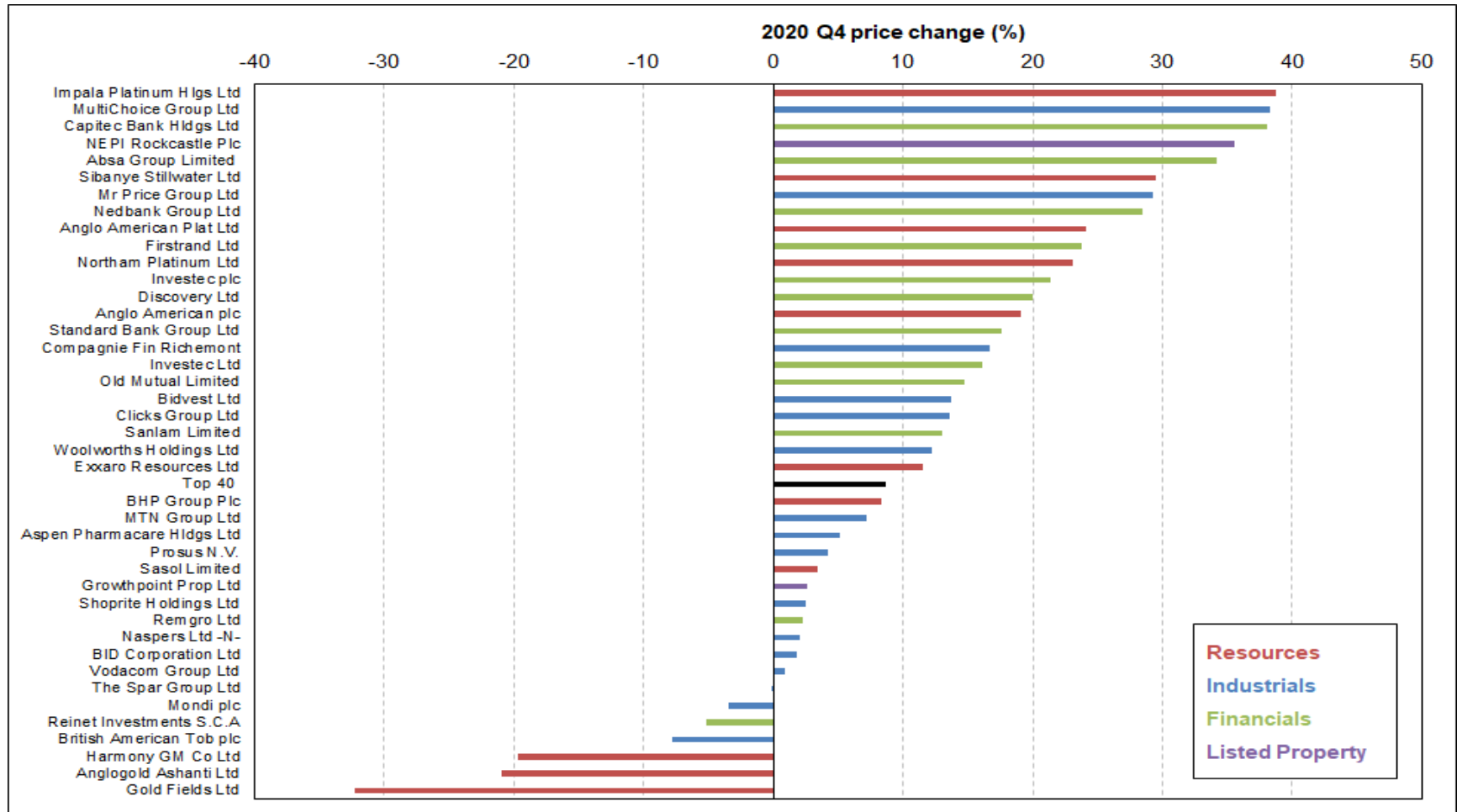
2020 IN REVIEW

...BUT NOT ENOUGH FOR SOME



LOCAL EQUITY MARKET

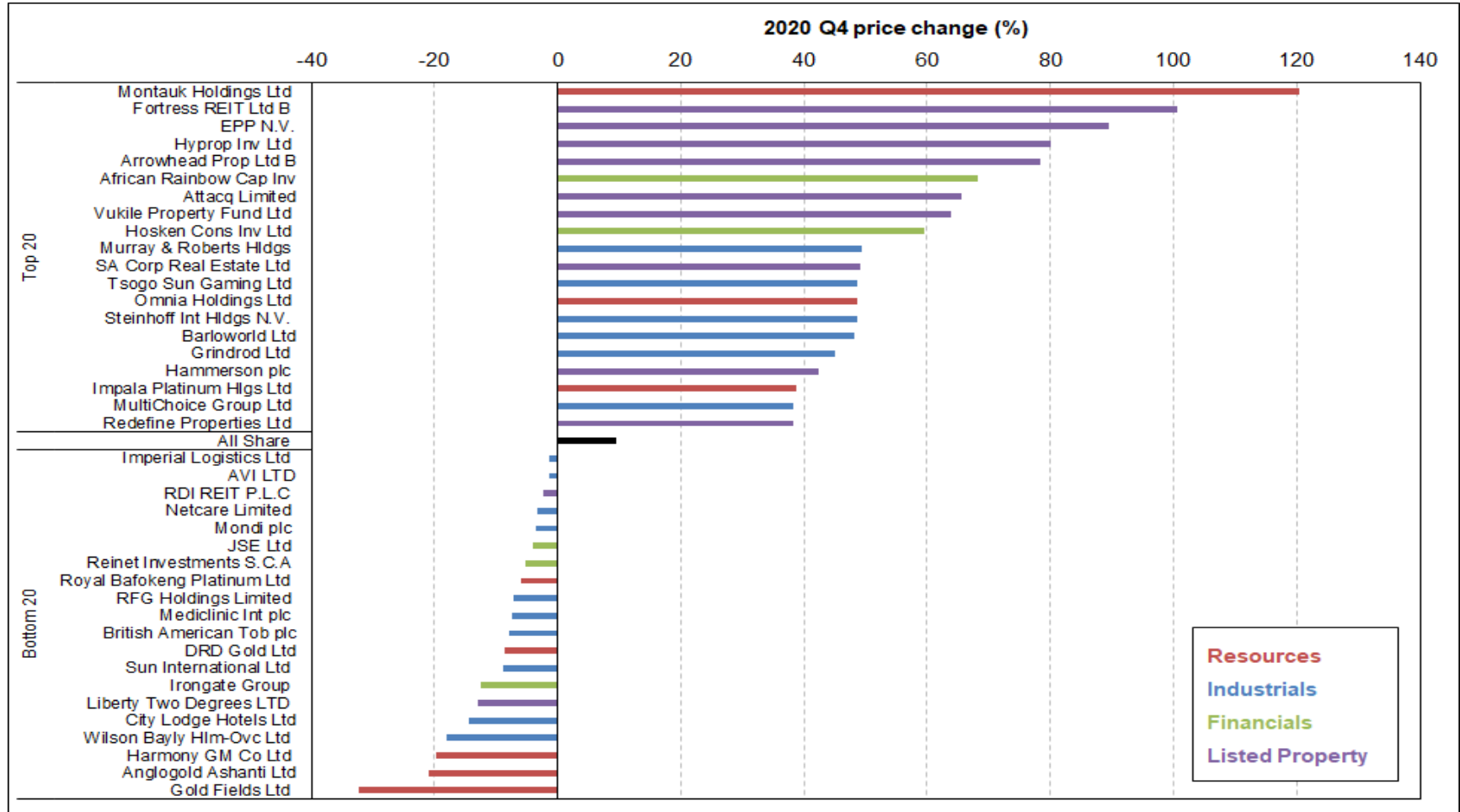
TOP 40 (LARGE CAP) STOCKS IN 2020 Q4: FINANCIALS STAGE A COMEBACK, PLATINUM CONTINUES TO SHINE



LOCAL EQUITY MARKET

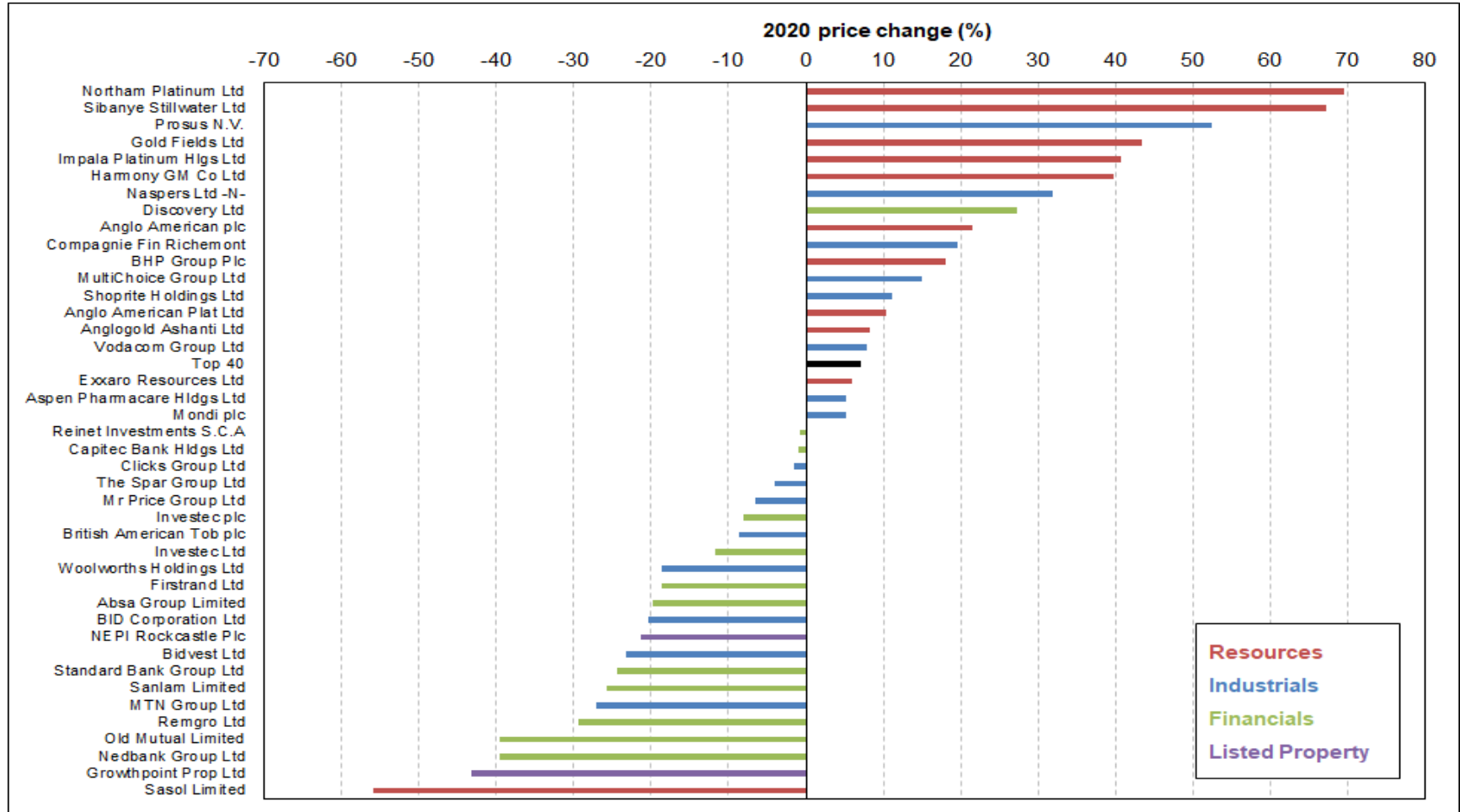
BEST & WORST PERFORMERS IN 2020 Q4:

LISTED PROPERTY RALLIES OFF VERY LOW BASE, GOLD FALLS



LOCAL EQUITY MARKET

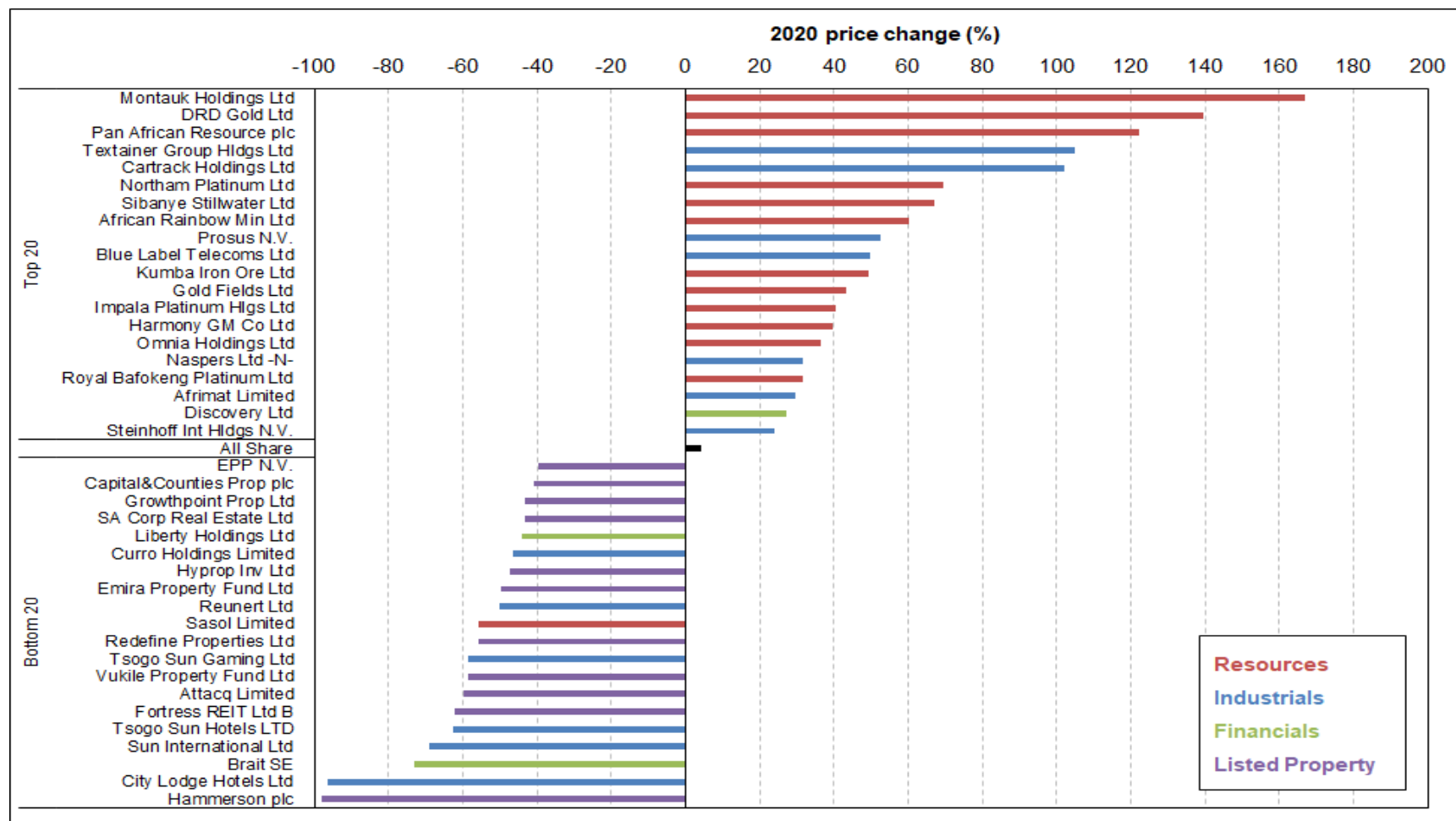
TOP 40 (LARGE CAP) STOCKS IN 2020: PRECIOUS METAL MINERS & TECH THE WINNERS



LOCAL EQUITY MARKET

BEST & WORST PERFORMERS IN 2020:

Q4 RALLY NOT ENOUGH TO ERASE LISTED PROPERTY LOSSES



LARGE MANAGER 'SMARTIE BOX'

ANOTHER GOOD YEAR FOR CORONATION, DOMINATES LONGER TERM RESULTS ALONG WITH NINETY ONE

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	3 years	5 years	7 years	10 years
Gross return p.a.	13.1%	25.6%	28.9%	13.3%	15.8%	7.0%	14.6%	-0.6%	14.5%	11.9%	7.2%	7.5%	8.7%	11.5%
	11.4%	24.6%	25.3%	12.9%	12.8%	6.9%	14.2%	-0.9%	13.7%	10.8%	6.8%	6.5%	8.4%	11.2%
	9.5%	22.7%	24.8%	12.1%	10.5%	6.6%	14.1%	-1.0%	12.5%	10.5%	6.4%	6.5%	7.5%	10.8%
	8.9%	21.7%	24.1%	12.1%	9.0%	4.4%	13.5%	-1.0%	12.2%	7.9%	6.0%	6.1%	7.5%	10.7%
	8.5%	21.5%	24.0%	11.7%	8.9%	3.8%	12.4%	-1.2%	11.2%	5.4%	4.6%	6.0%	7.2%	10.5%
	8.4%	20.6%	23.1%	11.6%	8.8%	3.4%	12.1%	-1.7%	10.9%	5.2%	4.2%	5.9%	7.0%	10.3%
	8.4%	20.2%	23.1%	11.6%	8.8%	3.4%	11.5%	-2.0%	10.5%	5.2%	3.8%	5.8%	7.0%	9.9%
	8.2%	20.0%	22.3%	11.3%	8.2%	3.2%	11.3%	-2.4%	9.8%	3.8%	3.6%	5.7%	6.9%	9.8%
	7.8%	20.0%	21.6%	11.0%	6.5%	1.2%	8.6%	-3.1%	9.4%	3.4%	3.5%	5.5%	6.7%	9.5%
	7.7%	19.9%	20.8%	10.3%	5.7%	0.5%	7.8%	-3.9%	8.2%	2.1%	3.4%	5.0%	5.7%	9.1%
	7.6%	15.4%	16.7%	9.7%	1.7%	0.4%	6.6%	-4.9%	6.6%	1.2%	3.4%	4.3%	5.4%	8.2%
	Absa	Allan Gray	Coronation	Foord	Ninety One	Oasis	Old Mutual	Prudential	Sanlam	Stanlib	AF LMW median			

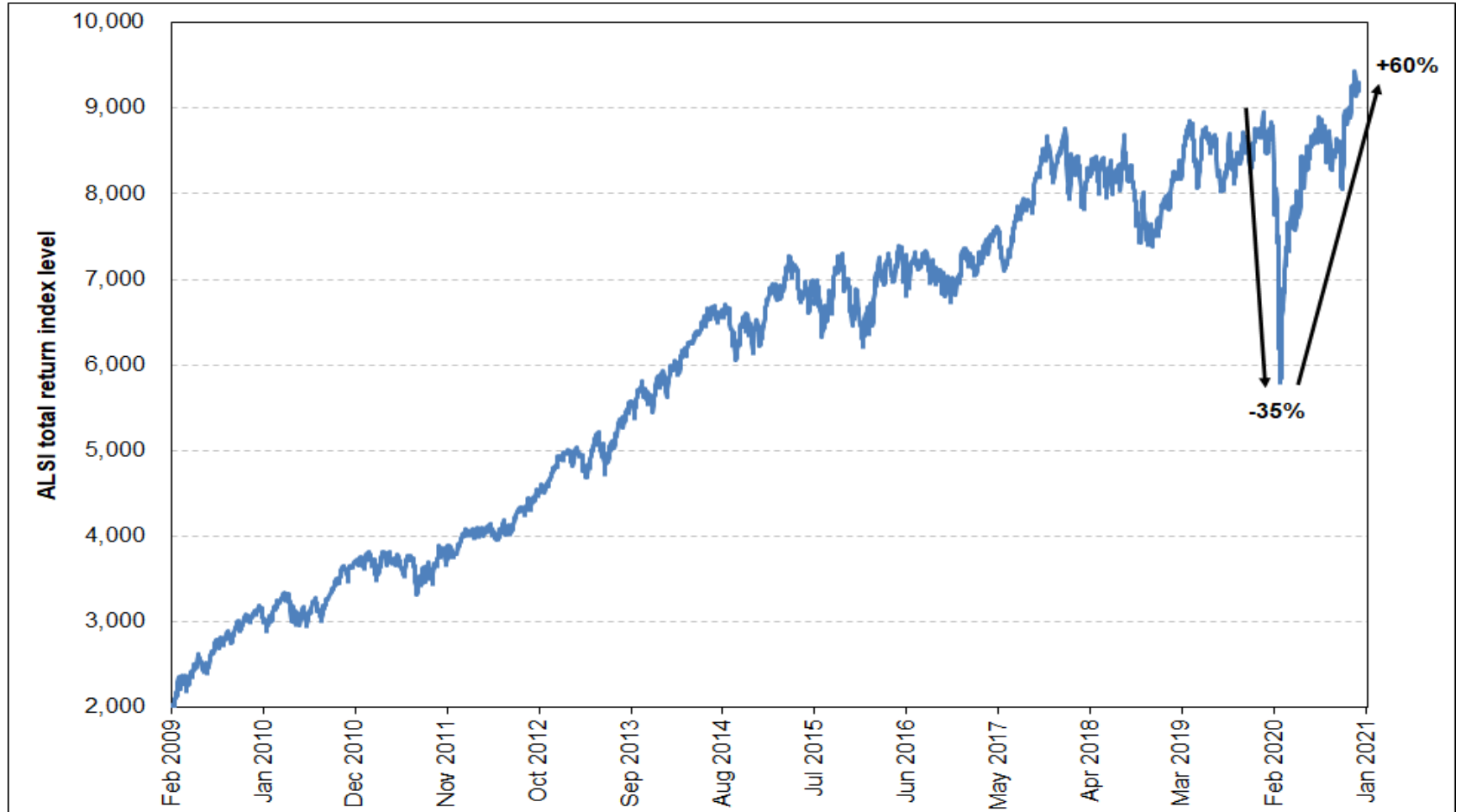
ASSET CLASS 'SMARTIE BOX'

GOLD AND GLOBAL EQUITIES REMAIN IN THE LEAD

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	3 years	5 years	10 years
Nominal ZAR total return p.a.	34.2%	35.9%	51.3%	26.6%	35.0%	15.5%	21.0%	16.0%	23.5%	30.4%	20.1%	11.2%	18.2%
	29.6%	26.7%	23.2%	15.2%	31.8%	10.2%	17.2%	15.0%	16.1%	22.0%	16.5%	11.1%	11.5%
	21.9%	20.9%	21.4%	10.9%	30.2%	7.4%	12.1%	14.6%	12.0%	15.6%	11.1%	10.4%	10.8%
	12.9%	16.0%	18.3%	10.6%	21.1%	6.7%	10.2%	7.7%	10.3%	8.7%	8.9%	7.0%	9.6%
	8.9%	11.4%	8.4%	10.1%	8.0%	2.6%	7.5%	7.2%	7.3%	7.0%	6.6%	6.4%	8.3%
	8.8%	5.8%	5.4%	10.1%	6.5%	-4.0%	4.7%	5.1%	4.0%	5.4%	5.9%	4.6%	8.2%
	6.2%	5.7%	5.2%	8.6%	5.3%	-4.5%	1.9%	4.5%	3.3%	5.0%	3.9%	3.7%	6.4%
	5.7%	5.5%	0.6%	5.9%	5.1%	-10.0%	-2.8%	-8.5%	1.9%	3.1%	3.1%	-1.0%	5.1%
	2.6%	4.1%	-11.2%	5.3%	-3.9%	-11.5%	-9.6%	-25.3%	-2.5%	-34.5%	-20.7%	-8.4%	3.5%
	Local equities	Local property	Local bonds	Local cash	US Dollar	Global equities	Global bonds	Gold	Inflation				

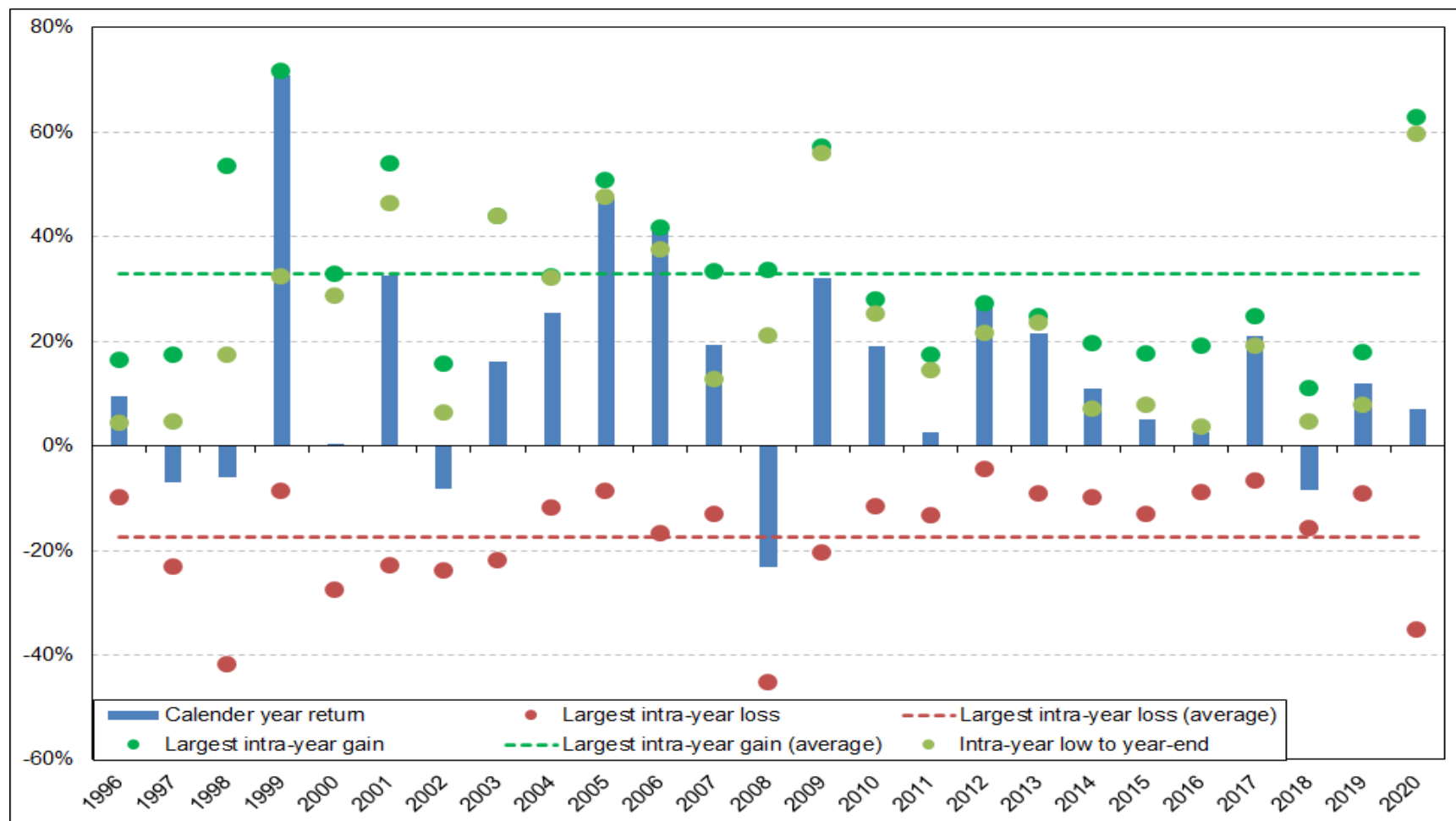
LOCAL EQUITY MARKET

MASSIVE RALLY ERASES 2020 LOSSES



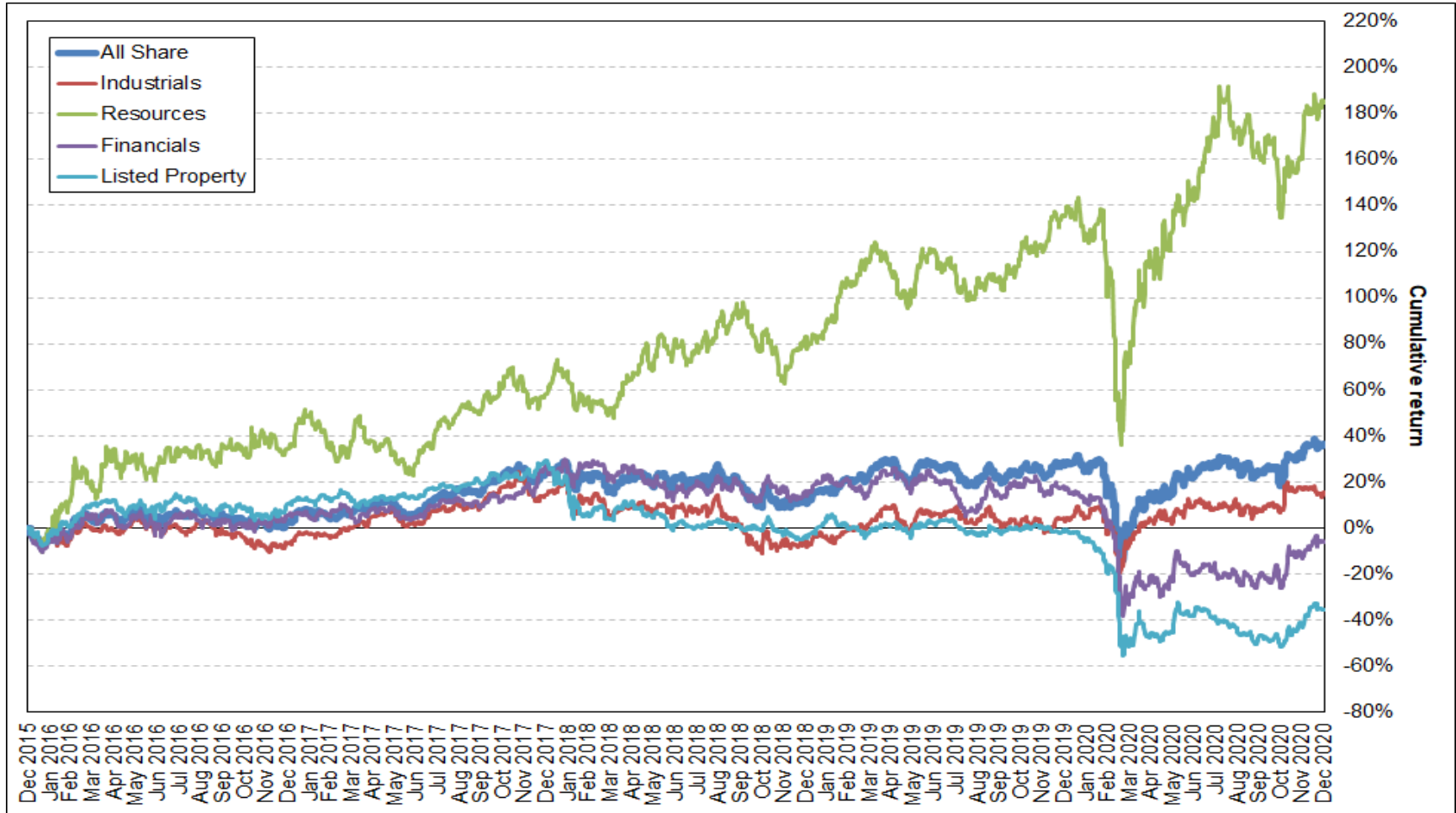
LOCAL EQUITY MARKET

LARGE INTRA-YEAR LOSSES COMMON, BUT MOST CALENDER YEARS STILL END POSITIVE



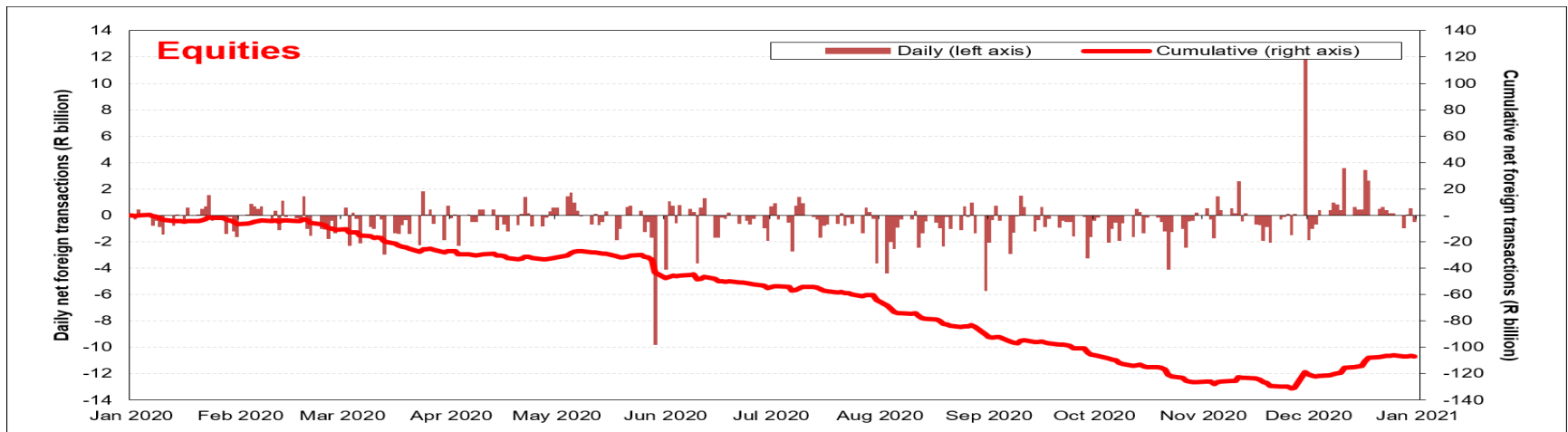
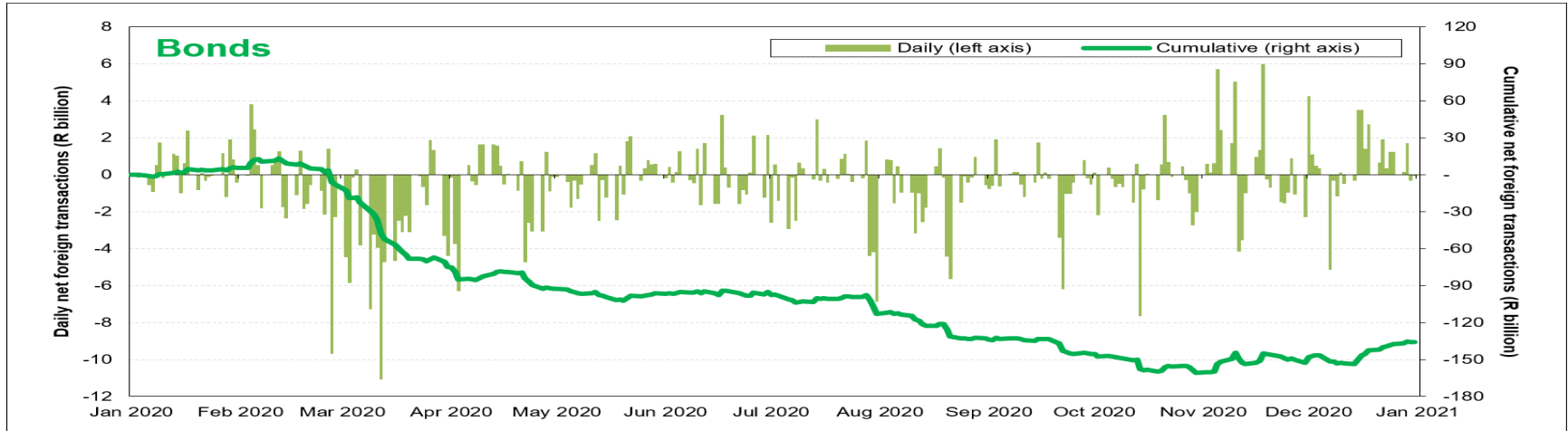
LOCAL EQUITY MARKET

RESOURCES THE ONLY REAL WINNER



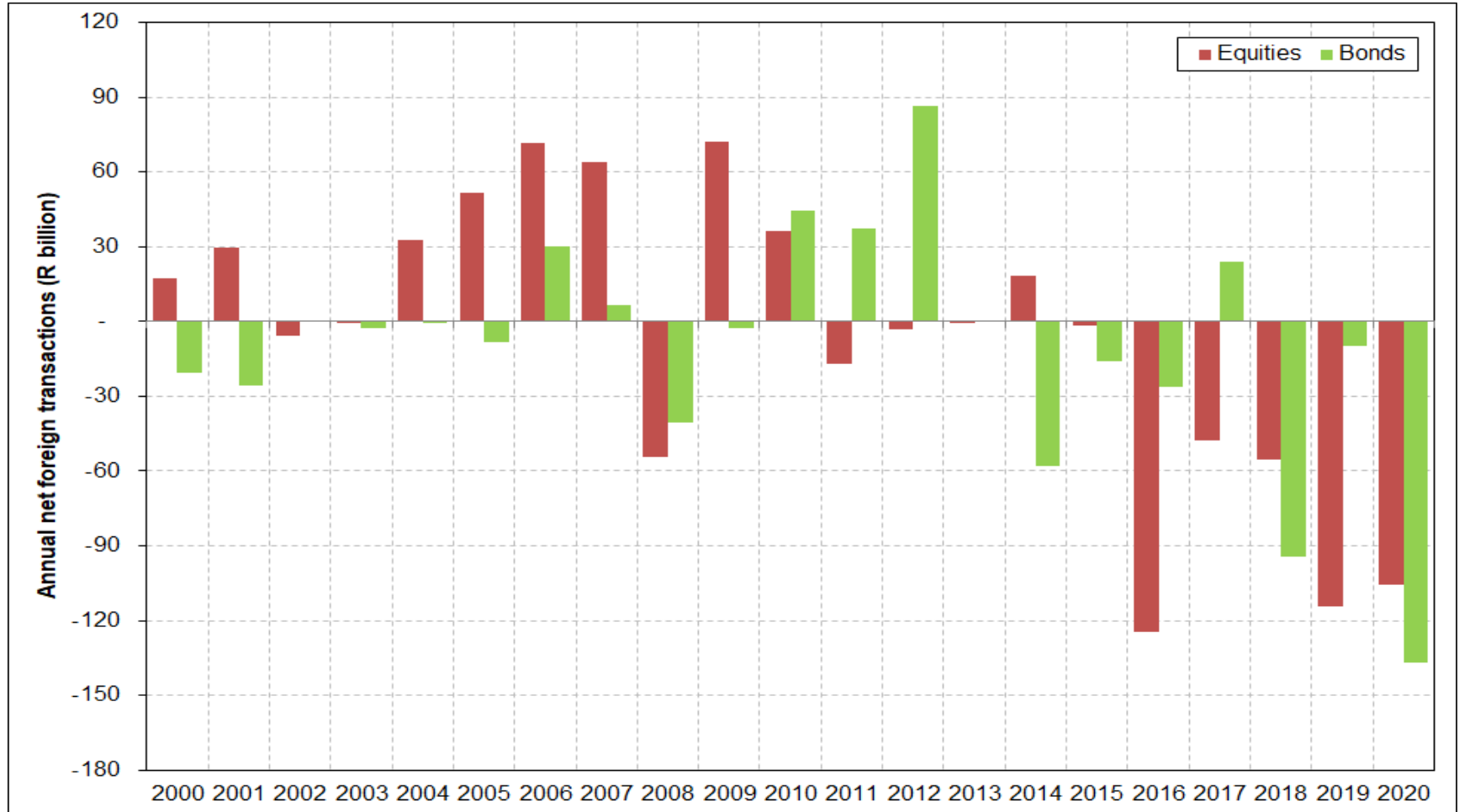
FOREIGN TRANSACTIONS

ANOTHER GOOD MONTH...



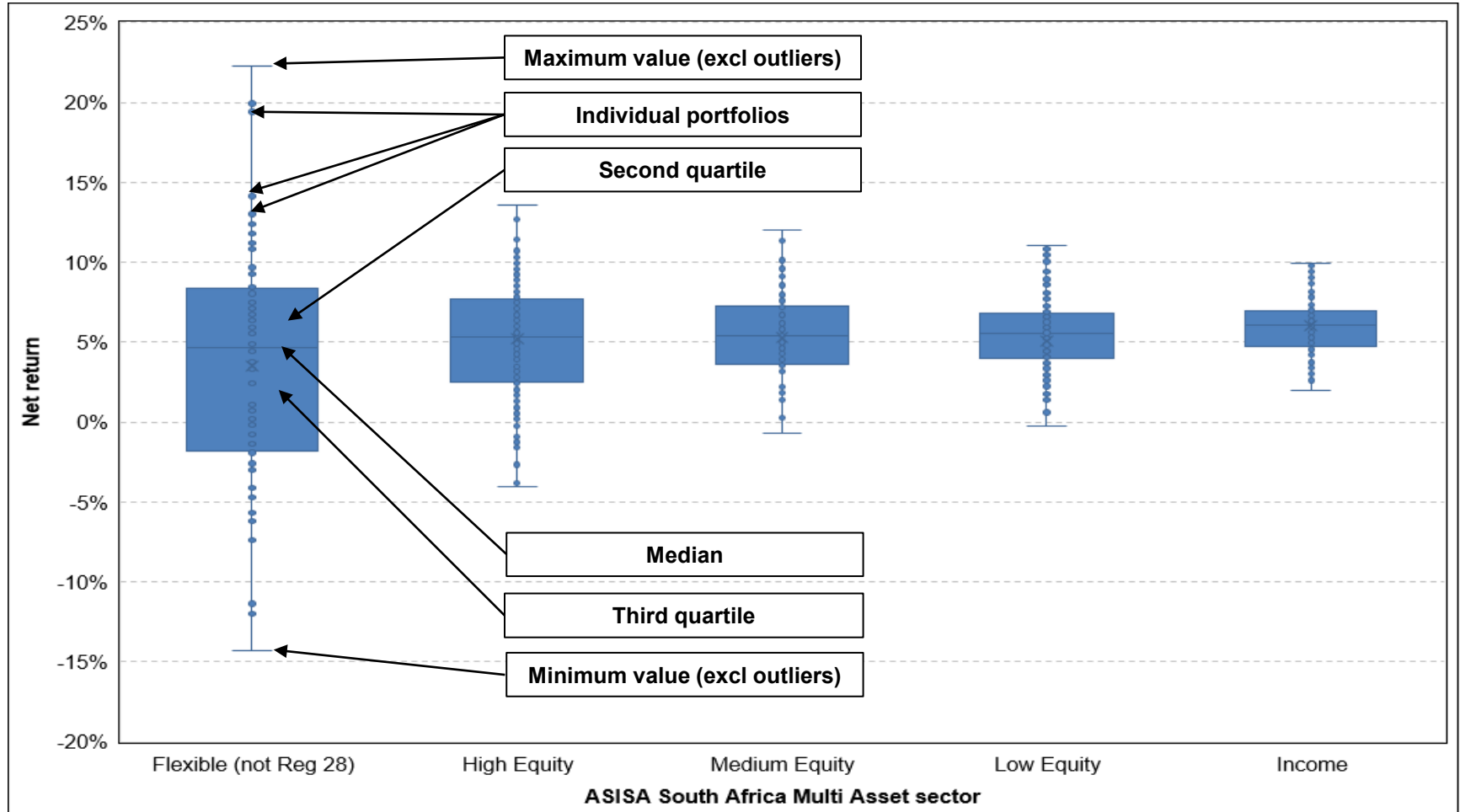
FOREIGN TRANSACTIONS

...BUT 2020 CONTINUED TREND OF LARGE-SCALE SELLING



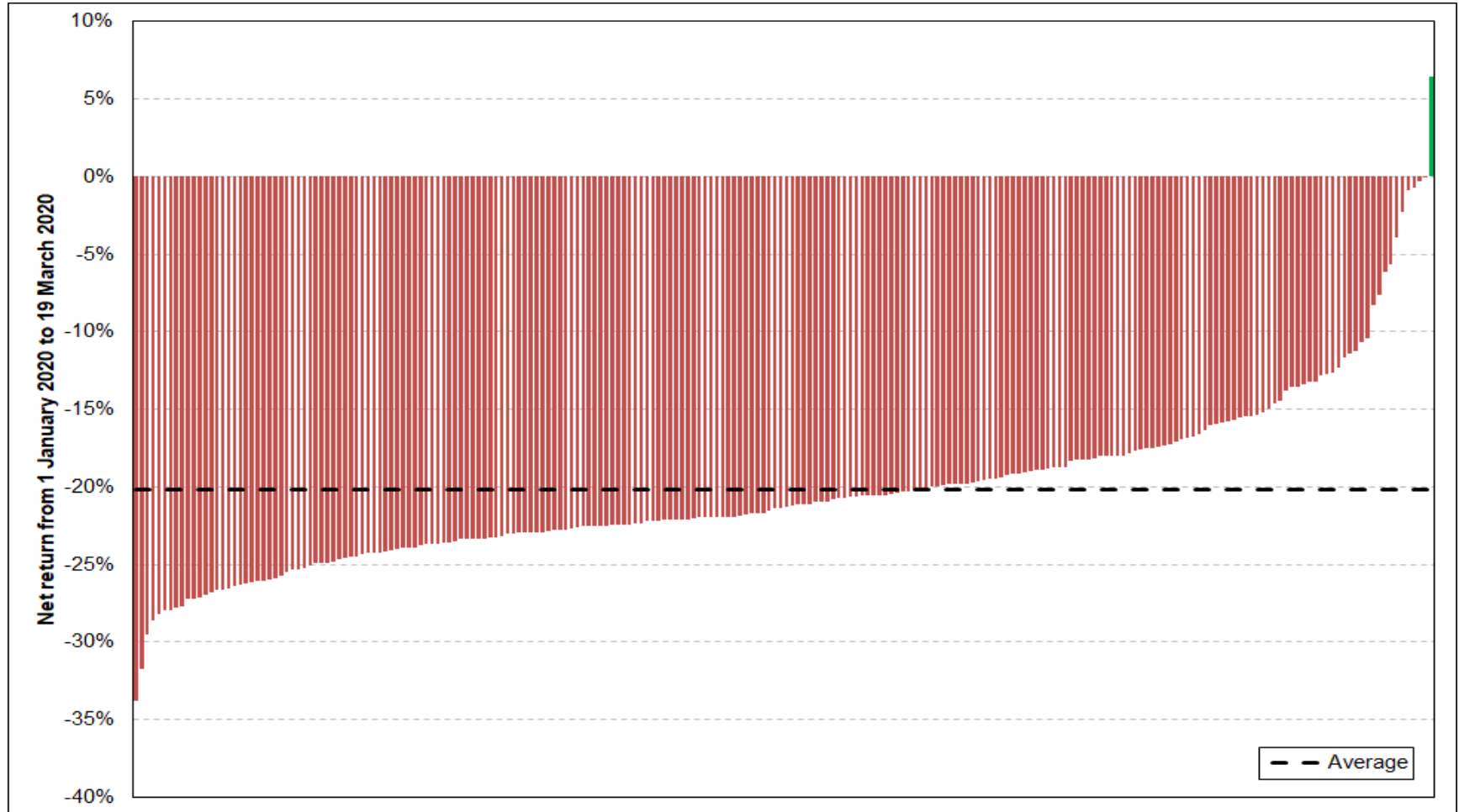
ASISA MULTI ASSET SECTOR IN 2020

WIDELY DIVERGENT OUTCOMES



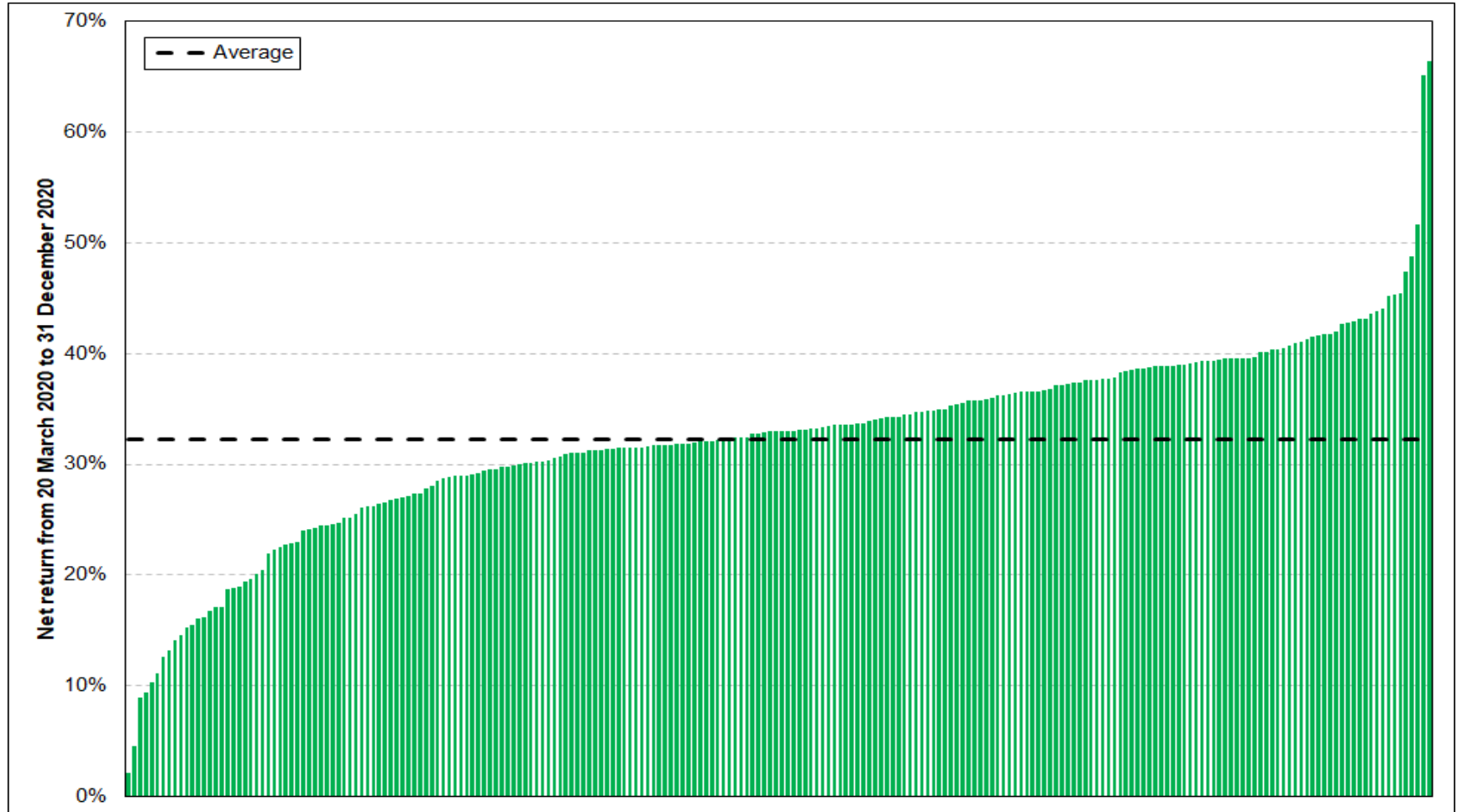
ASISA HIGH EQUITY SECTOR IN 2020

INDIVIDUAL PORTFOLIO LOSSES DURING DOWNTURN



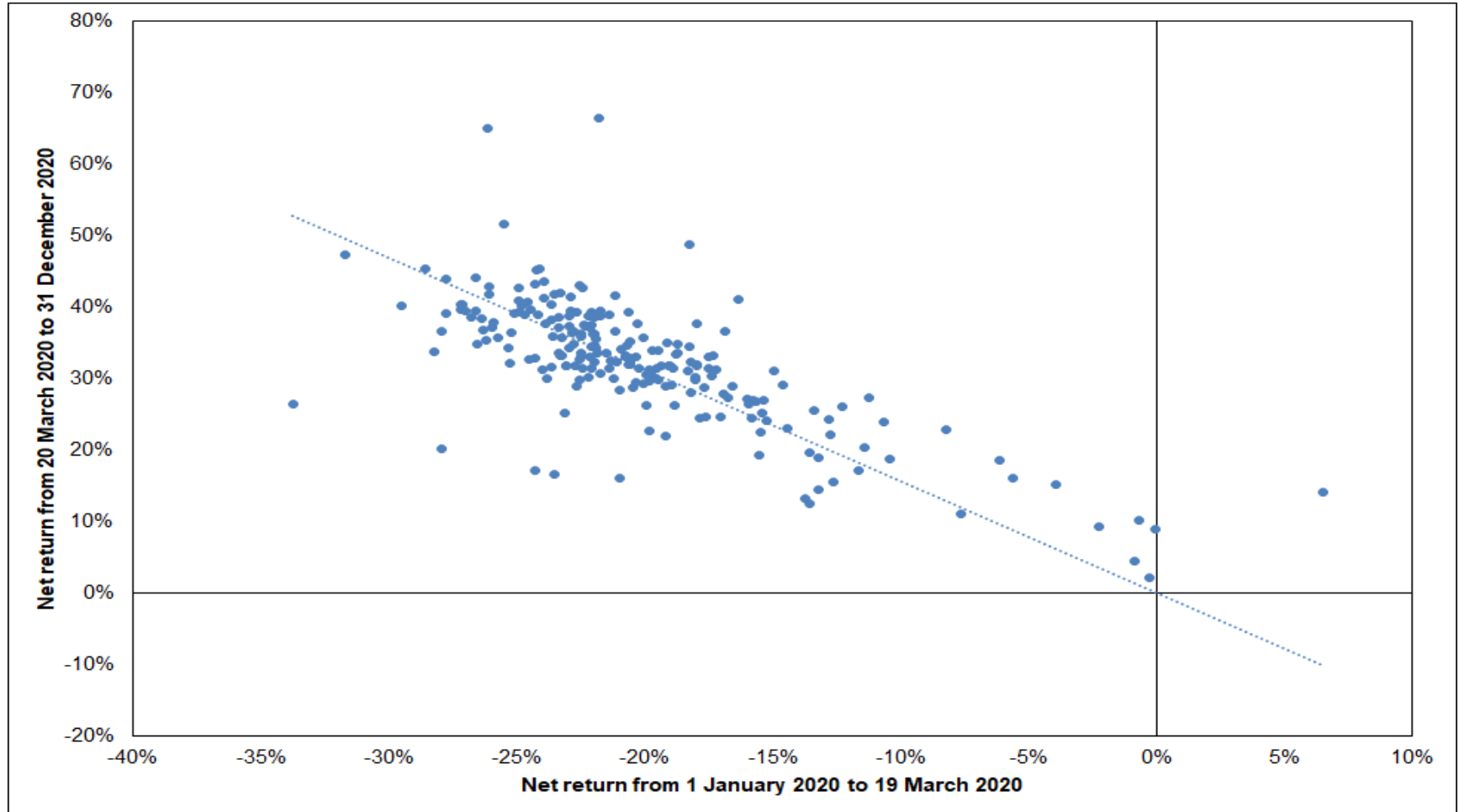
ASISA HIGH EQUITY SECTOR IN 2020

INDIVIDUAL PORTFOLIO GAINS DURING RECOVERY



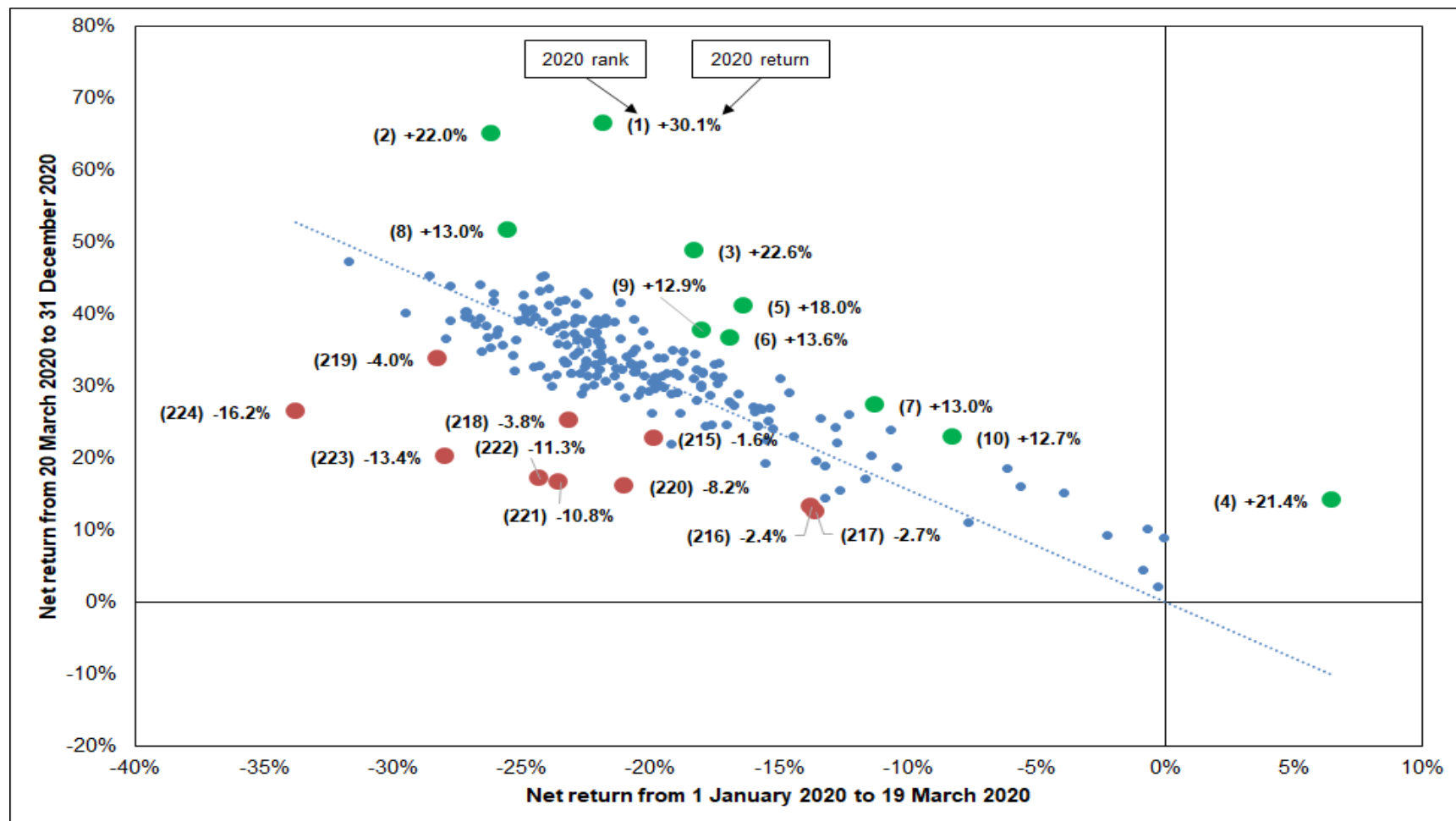
ASISA HIGH EQUITY SECTOR IN 2020

PORTFOLIOS THAT WEATHERED SELL-OFF WELL NOT PARTICIPATING AS STRONGLY IN THE RECOVERY



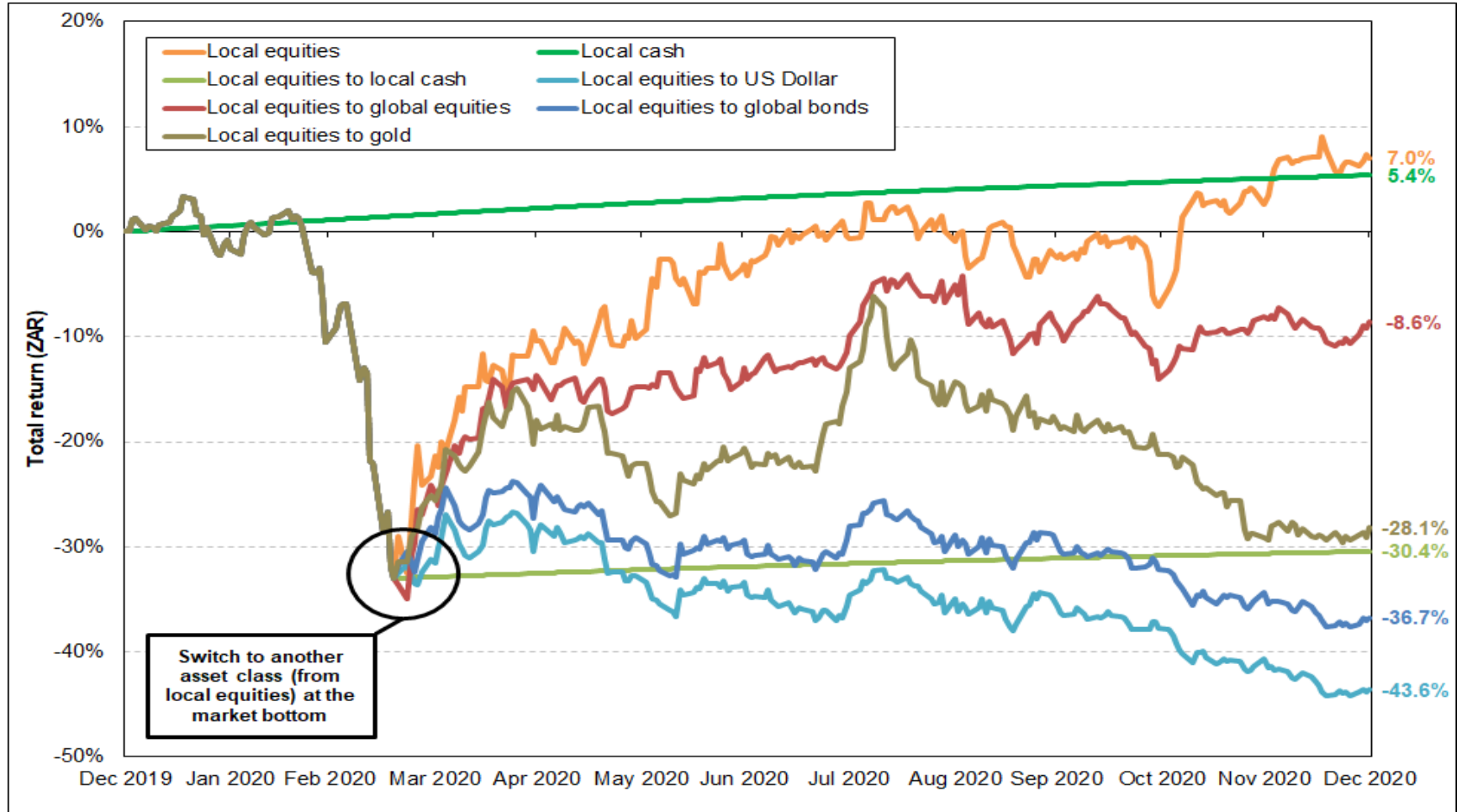
ASISA HIGH EQUITY SECTOR IN 2020

BEST PERFORMERS NOT NECESSARILY THOSE THAT LOST THE LEAST



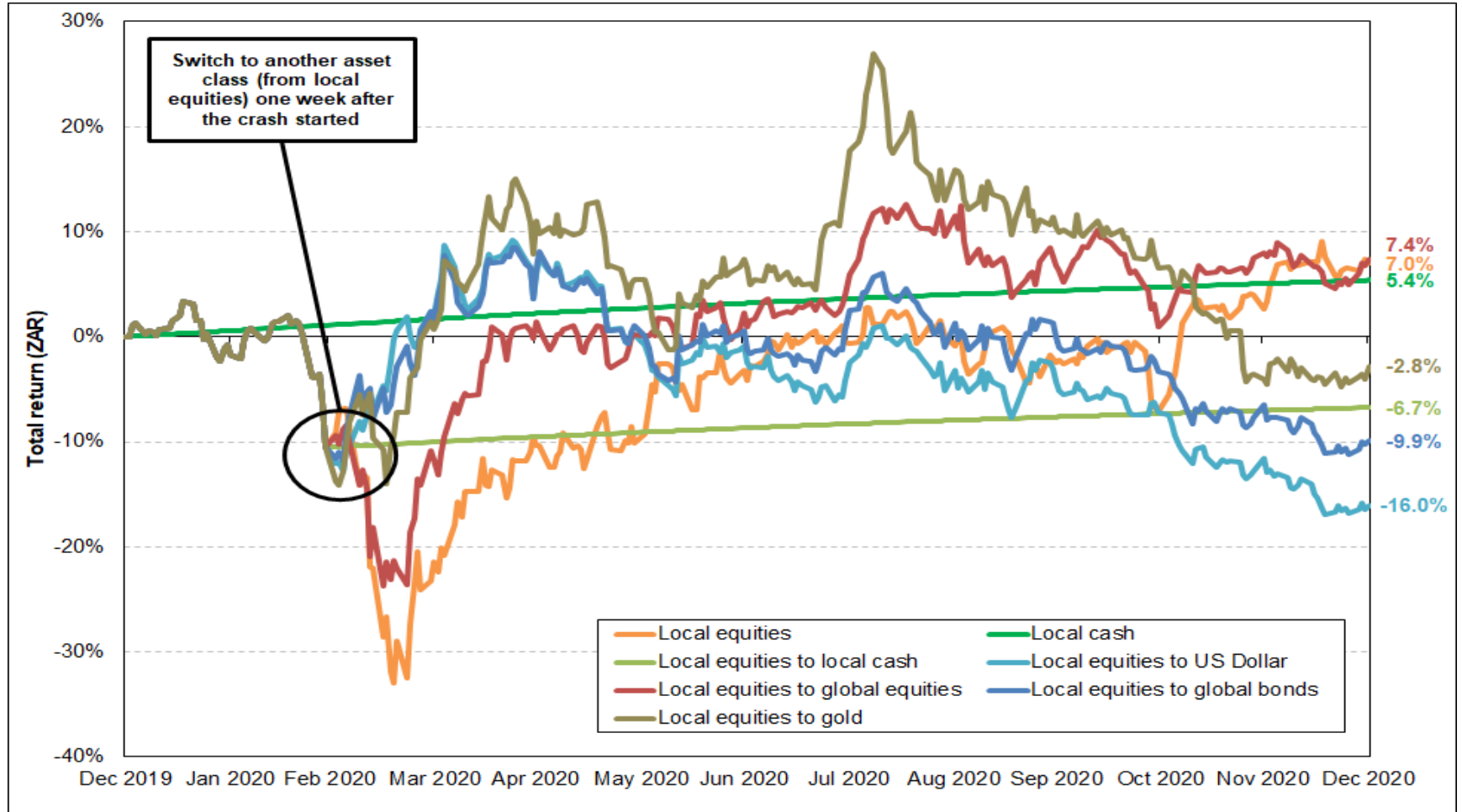
2020 IN REVIEW

PANICKING LATE



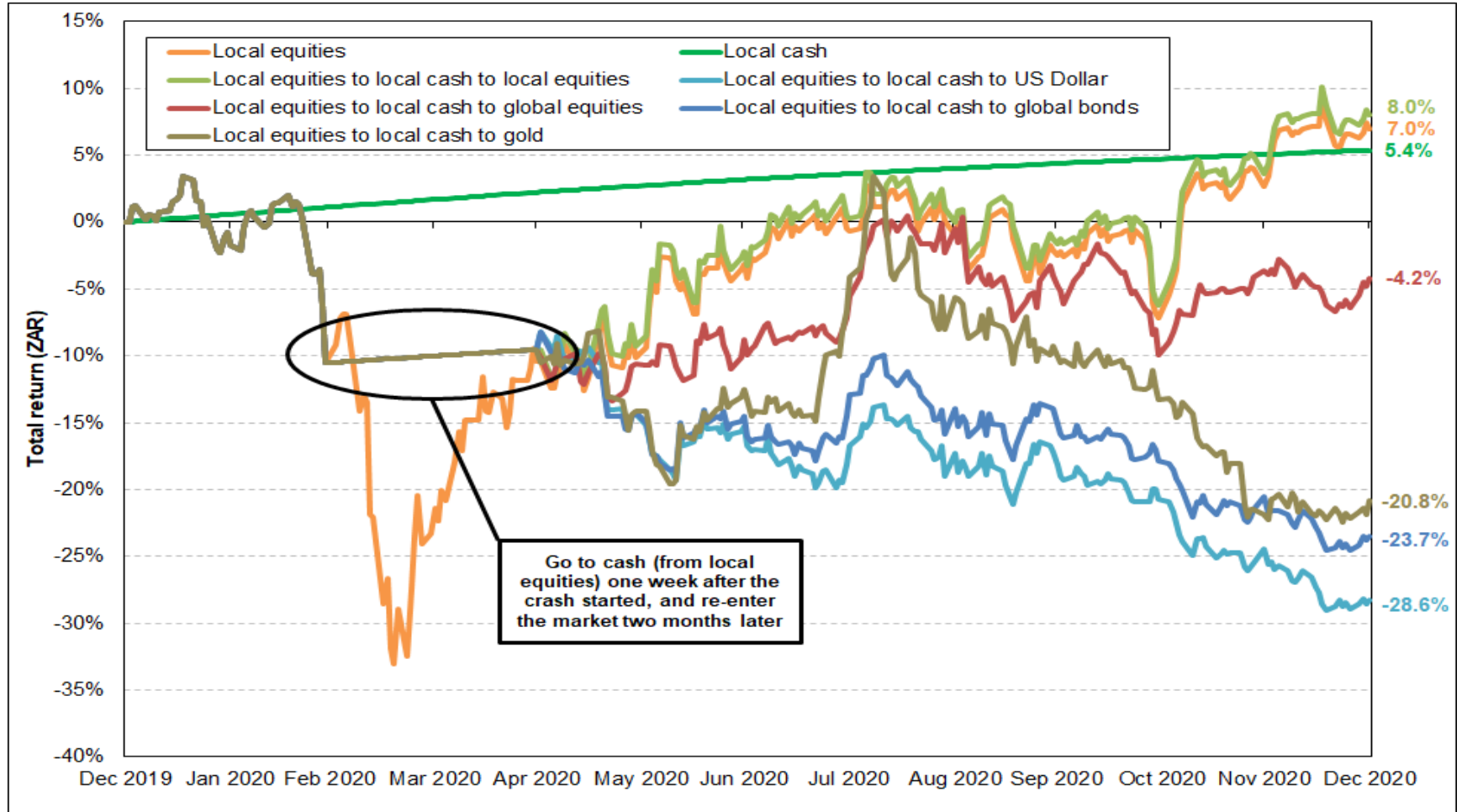
2020 IN REVIEW

PANICKING EARLY



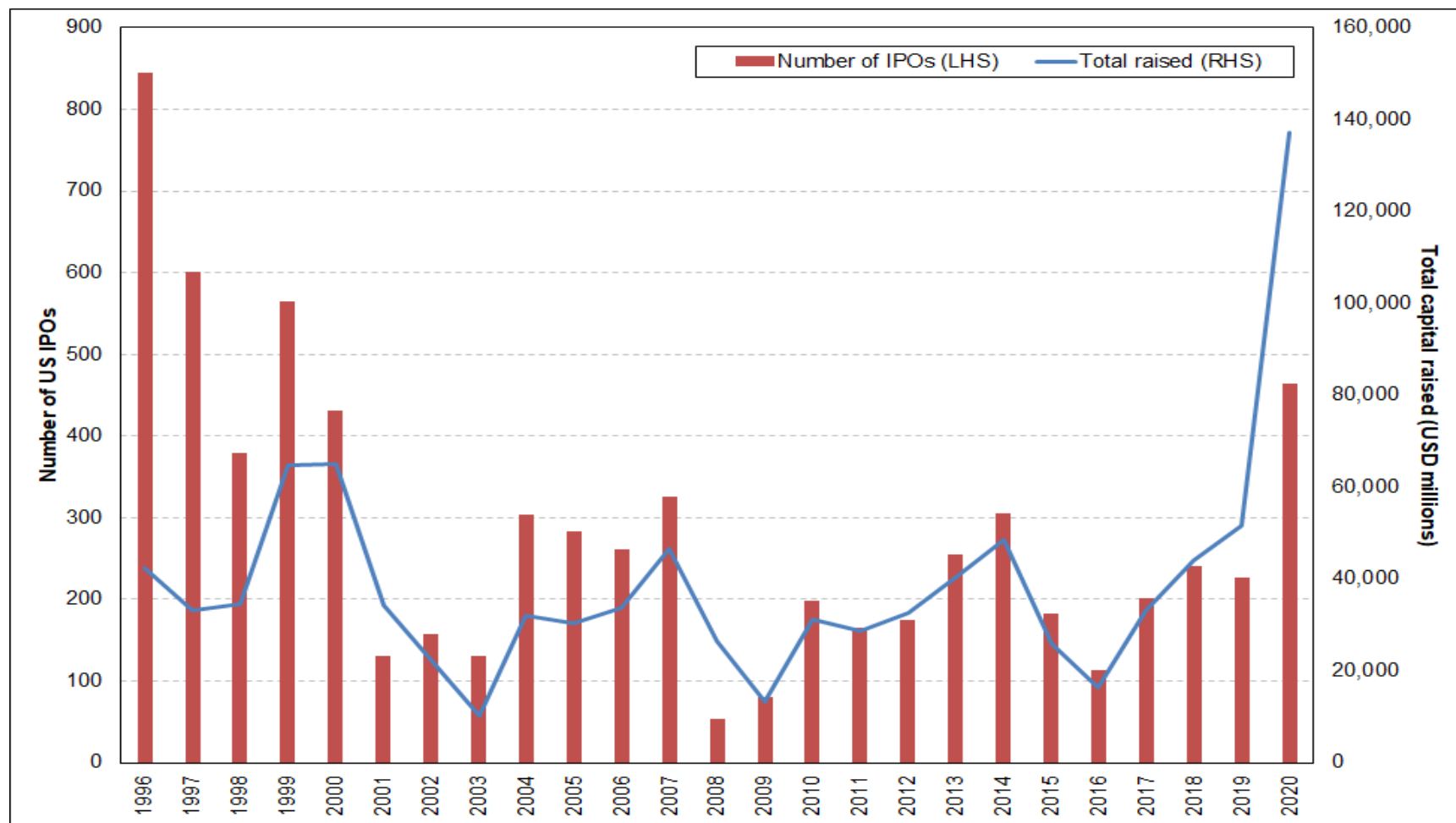
2020 IN REVIEW

PANICKING EARLY AND THEN FOMO HITS



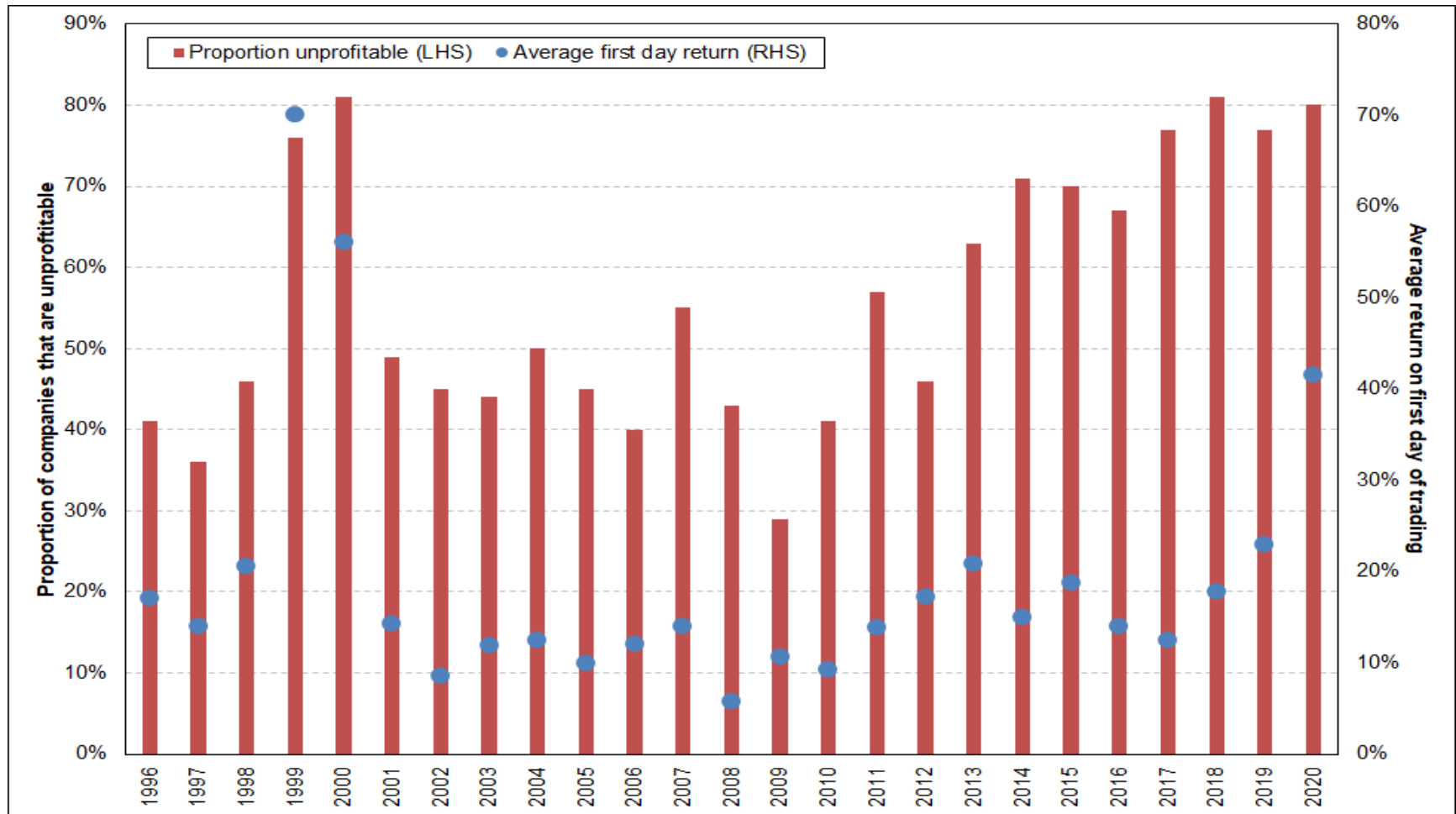
2020 IN REVIEW (US IPOs*)

ACTIVITY APPROACHING DOT-COM BOOM LEVELS



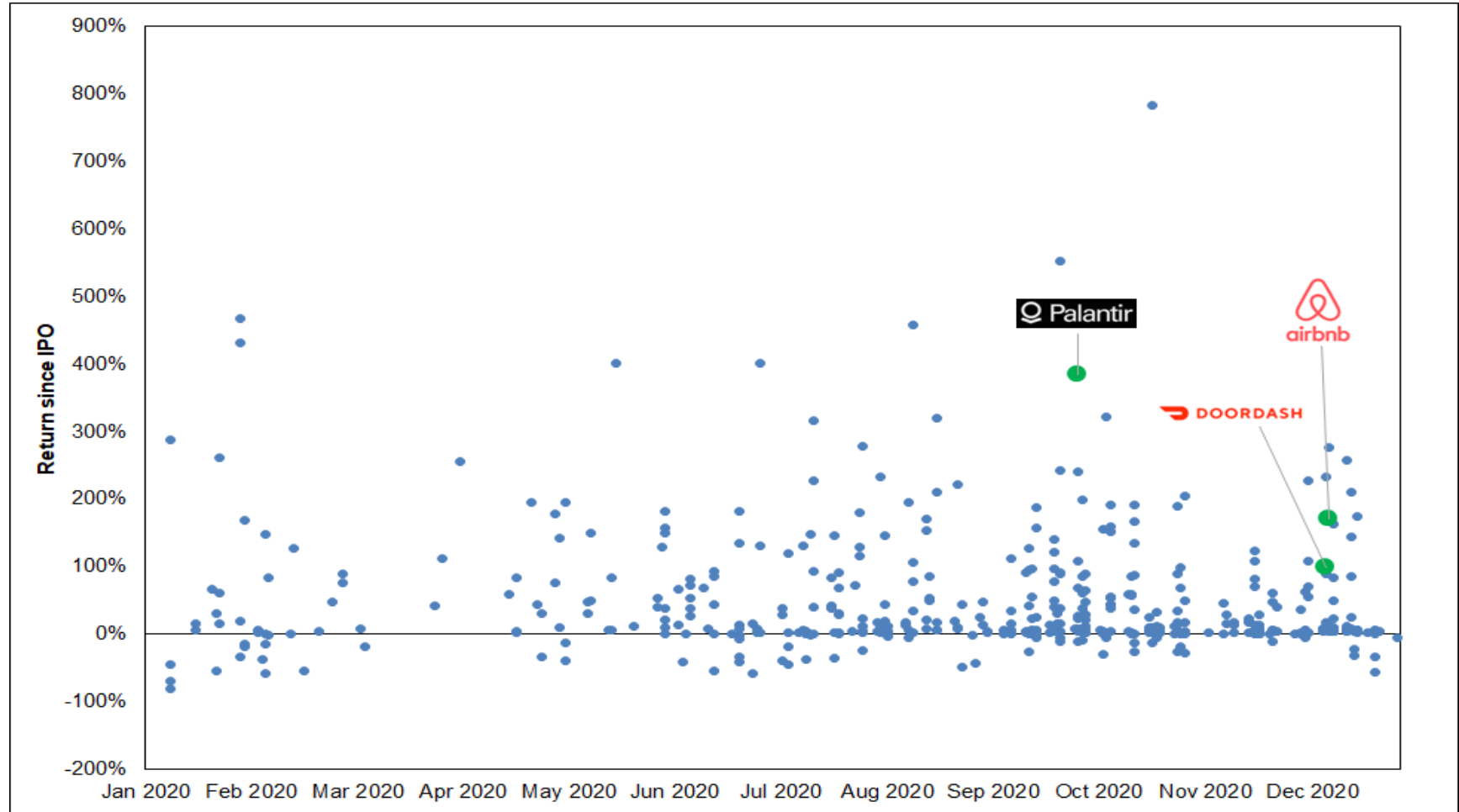
2020 IN REVIEW (US IPOs*)

RETURNS SPIKE DESPITE HIGH UNPROFITABILITY



2020 IN REVIEW (US IPOs*)

RETURNS SPIKE DESPITE HIGH UNPROFITABILITY

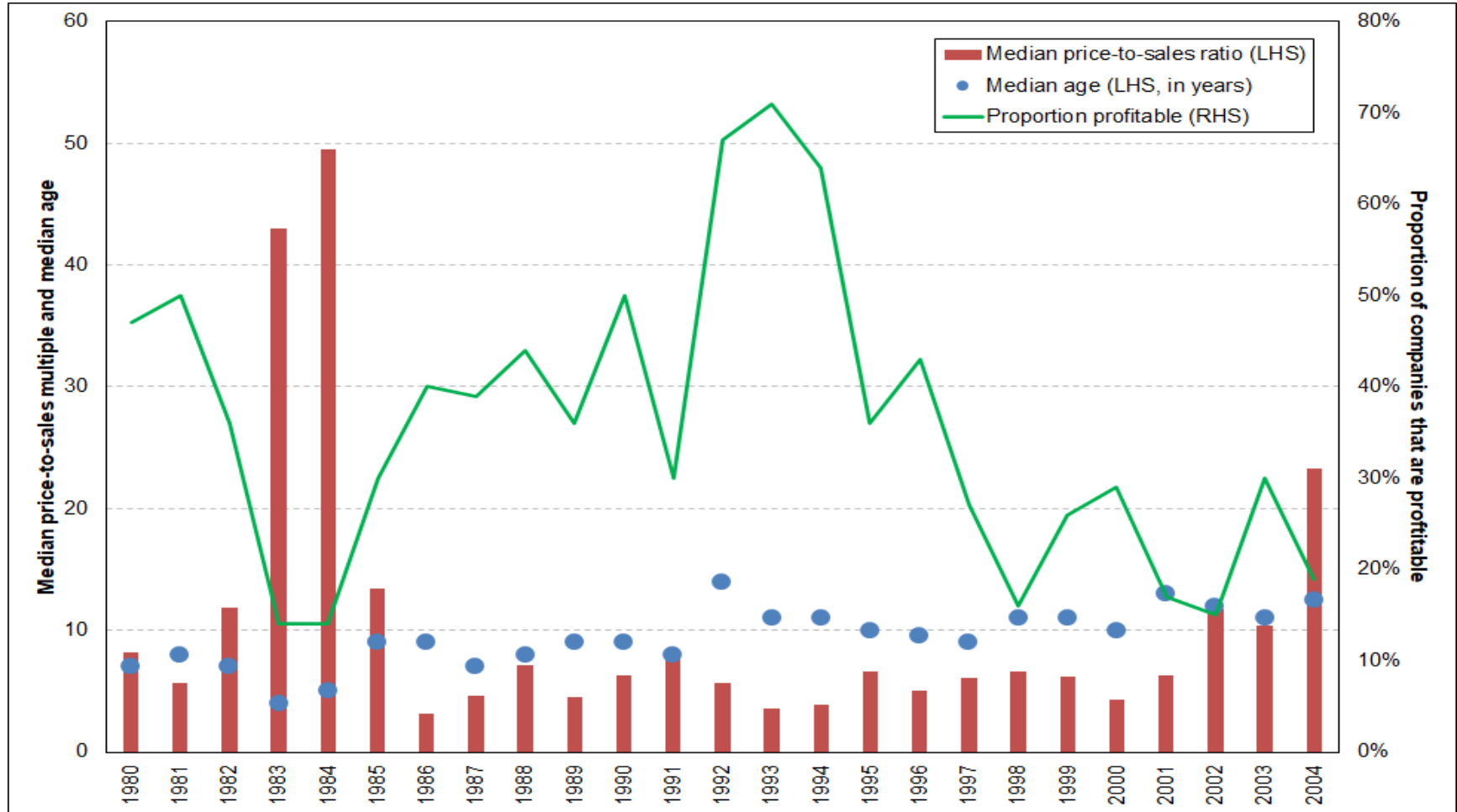


Source: <https://stockanalysis.com/ipos/statistics/>

* Initial Public Offerings

2020 IN REVIEW (US IPOs*)

TECH SECTOR: NOT QUITE AT DOT-COM BOOM LEVELS, BUT GETTING THERE...



2020 IN REVIEW

A FROTHY MARKET OR SOLID FUNDAMENTALS?

