

MONTH IN PICTURES

MARCH 2021

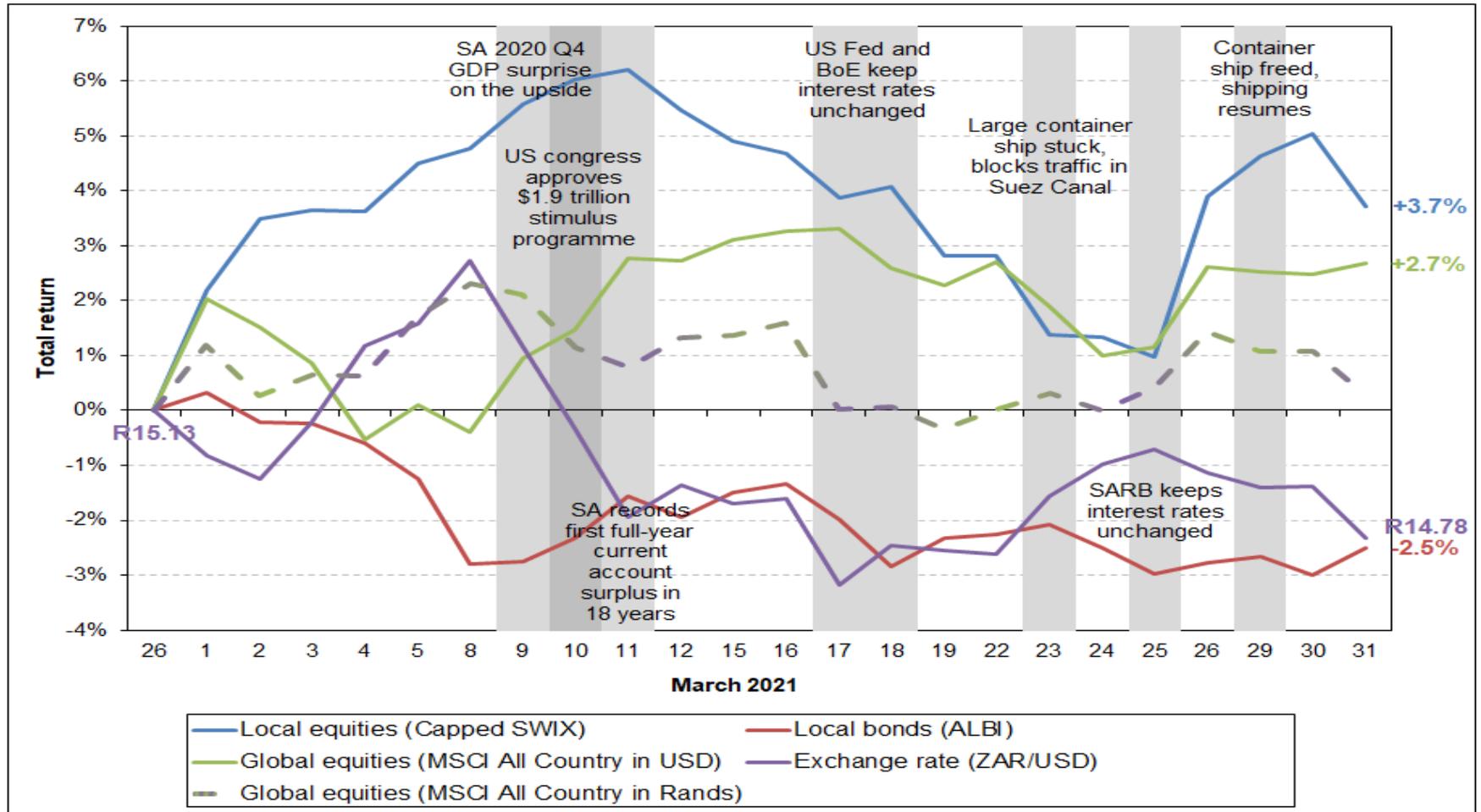
MONTHLY SNAPSHOT

NOTABLE EVENTS

- It was another good month for the local equity market, with the Capped SWIX adding +3.7%, while the ALSI returned +1.6%. Sector contributions were fairly equal, with Resources (+1.2%), Industrials (+1.9%), Financials (+1.7%) and Listed Property (+1.2%) all ending in the green, while mid (+3.3%) and small (+7.7%) caps strongly outperformed the Top 40 (+1.3%).
- With three good months under its belt, the local equity market ended up being one of the best-performing asset classes in the world in 2021 Q1, with a return of +13%, compared to Rand returns of +5.2% from global equity markets, and a slightly lower +2.9% from our emerging market counterparts.
- The Rand managed to stay mostly unchanged against a strong US Dollar, weakening by just 0.6% in 2021 Q1.
- The US Congress approved another massive round of stimulus totalling \$1.9 trillion, which will see direct payments of up to \$1,400 being sent to most Americans.
- Bond yields continued to move higher in March, as economic growth and inflation expectations start increasing. Markets believe inflation will run hotter in the coming years as supply-demand imbalances and the trillions of extra dollars circulating around the global economy are expected to put pressure on prices. In this environment global bonds recorded their worst quarter in three decades (-5.1% in Rands), while local bonds also came under pressure and ended 2021 Q1 1.7% lower.
- Global developed market central banks downplayed the market's inflation fears and kept their policy rates unchanged at record lows. The SARB followed suit with a unanimous decision to keep the repo rate at 3.5%, amidst a low and stable inflationary environment (CPI = +3.2% y-o-y), and a cautious, but improving economic growth outlook (+3.8% GDP growth expected in 2021).
- With the low base set in 2020 Q1, and the exceptionally strong and swift recovery that followed, 1-year returns across most assets classes and investment strategies are particularly high at this point in time. Local equities for example are up 54%, while global equities delivered a much lower, but still solid Rand return of +28%.
- Typical balanced funds did well in this environment, with the average 1-year return at 31 March 2021 exceeding +30%, while medium term performance numbers are also starting to look much better. After at times struggling to outperform inflation and cash over the last couple of years, 3- and 5-year returns have moved into the upper single digits and are edging closer towards once again meeting their real return targets.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Jan 2021	Feb 2021	Mar 2021	3 months	12 months
Local equities	ALSI	5.2	5.9	1.6	13.1	54.0
	Capped SWIX	3.1	5.3	3.7	12.6	54.2
	Resources	5.1	11.6	1.2	18.7	92.5
	Industrials	8.4	2.3	1.9	13.0	38.2
	Financials	(2.6)	4.8	1.7	3.8	37.8
	Listed Property	(3.2)	8.6	1.2	6.4	34.4
Local bonds	ALBI	0.8	0.1	(2.5)	(1.7)	17.0
Local cash	STeFI Composite	0.3	0.3	0.3	0.9	4.6
Global equities	MSCI All Country	2.7	2.1	0.3	5.2	28.0
Global bonds	FTSE WGBI	1.9	(2.7)	(4.4)	(5.1)	(15.7)
Exchange rate	ZAR/USD	3.2	(0.2)	(2.3)	0.6	(17.2)
Inflation	CPI (estimate)	0.3	0.7	0.7	1.7	3.2

1. Total returns (in Rands) for the months and periods ending 31 March 2021.

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	ALSI	54.0	9.7	8.2	10.9	11.4
	Capped SWIX	54.2	4.3	4.4	9.7	10.6
	Resources	92.5	30.5	23.4	5.6	8.0
	Industrials	38.2	7.3	5.5	13.8	14.4
	Financials	37.8	(7.4)	(1.7)	8.5	7.7
	Listed Property	34.4	(12.9)	(9.0)	4.4	7.2
Local bonds	ALBI	17.0	5.5	8.7	8.2	7.9
Local cash	STeFI Composite	4.6	6.3	6.8	6.3	7.1
Global equities	MSCI All Country	28.0	20.7	13.4	18.0	13.5
Global bonds	FTSE WGBI	(15.7)	10.0	2.3	9.9	9.8
Exchange rate	ZAR/USD	(17.2)	7.7	0.2	8.1	6.0
Inflation	CPI (estimate)	3.2	4.0	4.4	5.0	5.7

1. Total returns (in Rands) for the months and periods ending 31 March 2021.

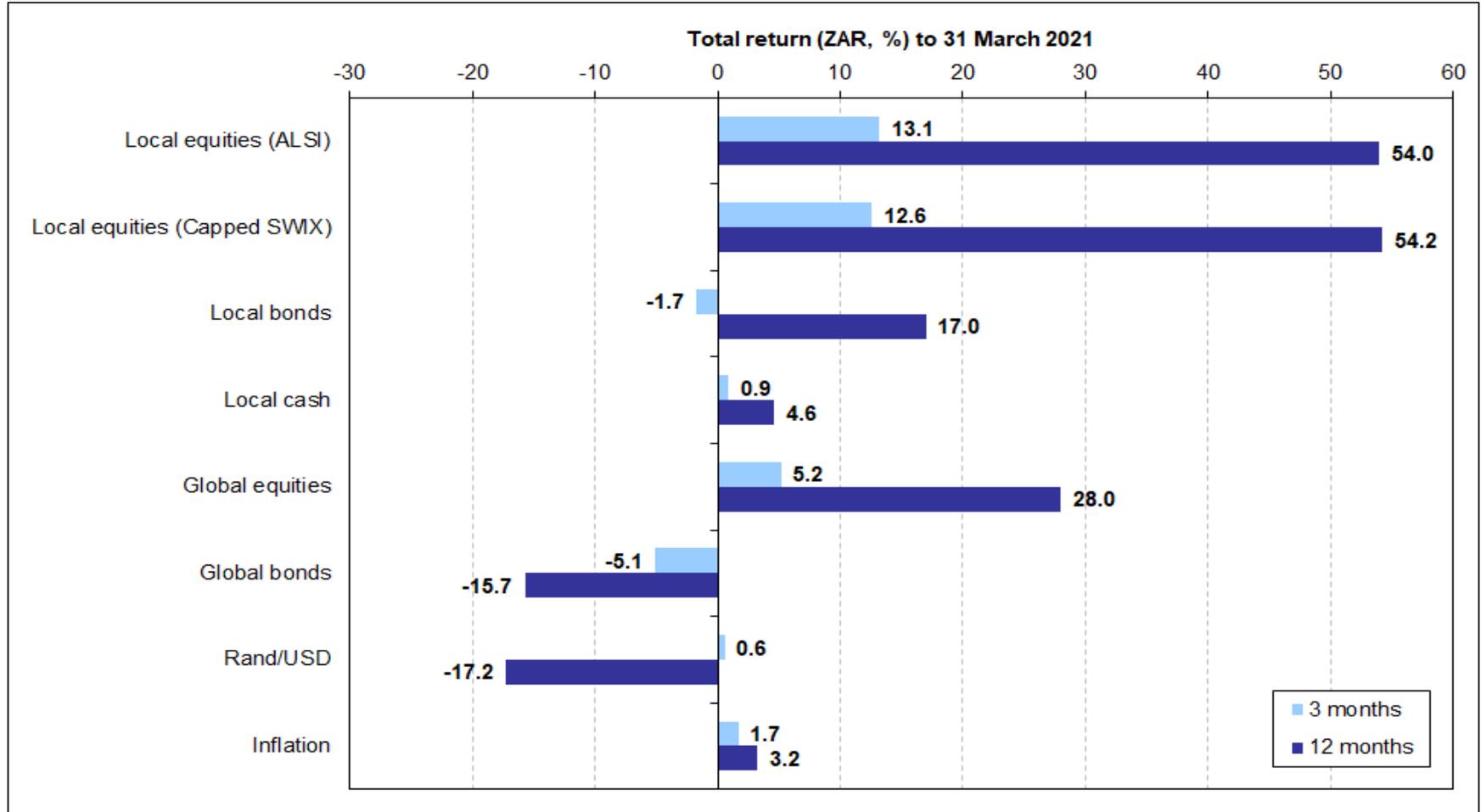
ECONOMIC INDICATORS

Economic indicators ¹	Mar 2019	Mar 2020	Jan 2021	Feb 2021	Mar 2021
Exchange rates:					
ZAR/USD	14.49	17.85	15.16	15.13	14.78
ZAR/GBP	18.90	22.15	20.78	21.08	20.37
ZAR/Euro	16.26	19.71	18.40	18.26	17.33
Commodities:					
Brent Crude Oil (USD/barrel)	67.59	26.35	55.04	64.42	62.74
Platinum (USD/ounce)	845.50	725.39	1,082.95	1,219.21	1,157.85
Gold (USD/ounce)	1,291.91	1,615.31	1,846.97	1,770.16	1,684.99

1. *Month-end prices*

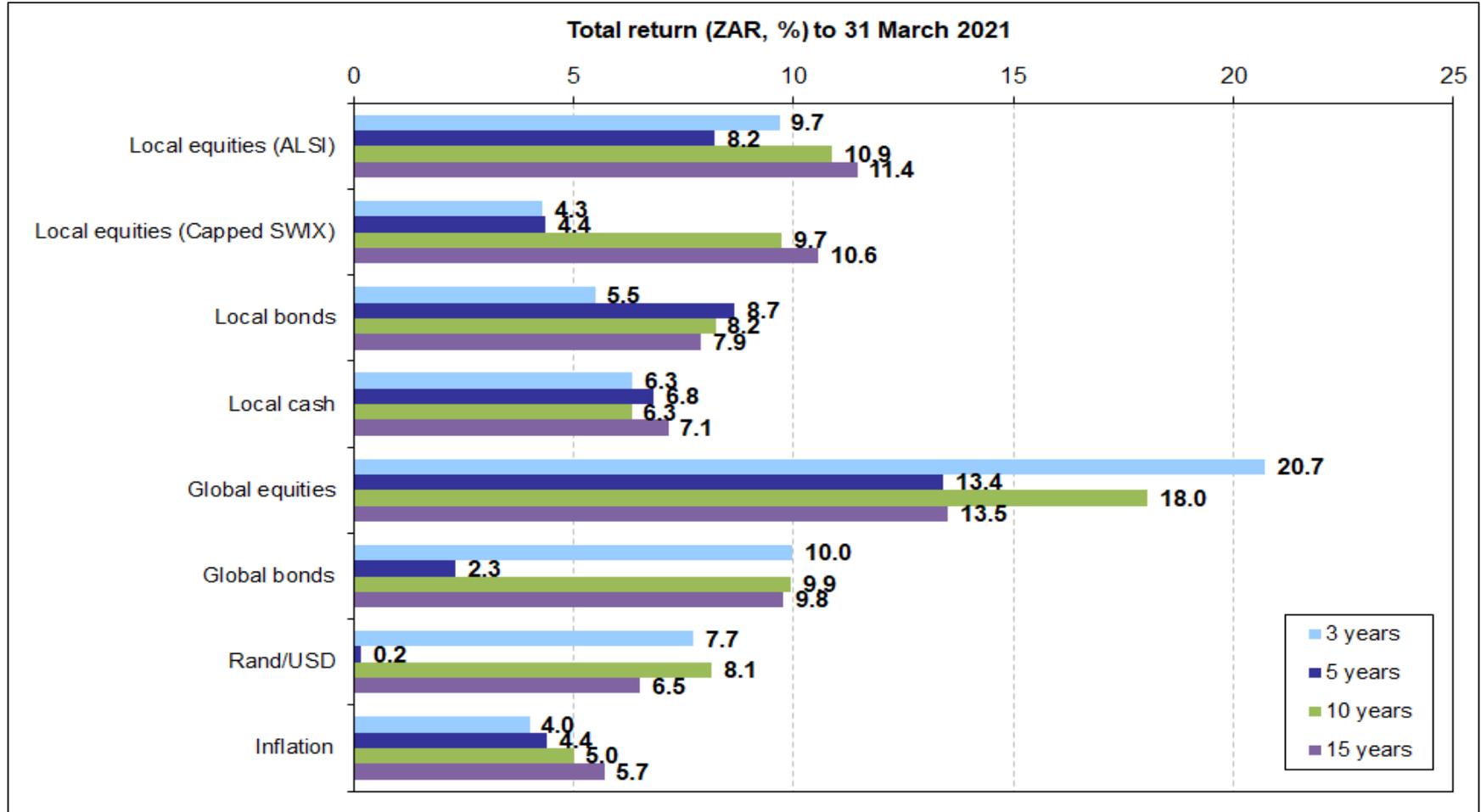
ASSET CLASS PERFORMANCE

SHORT TERM



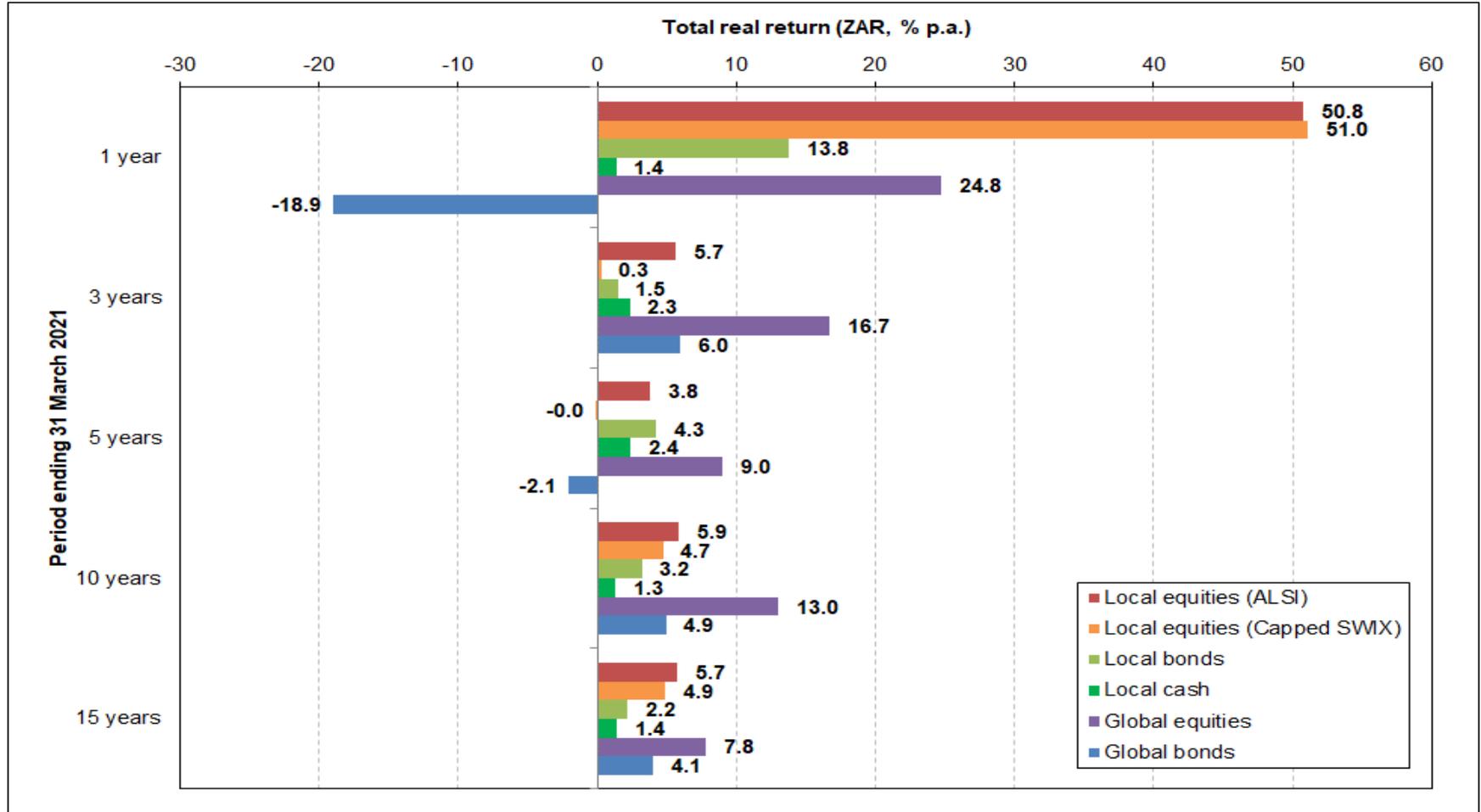
ASSET CLASS PERFORMANCE

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:

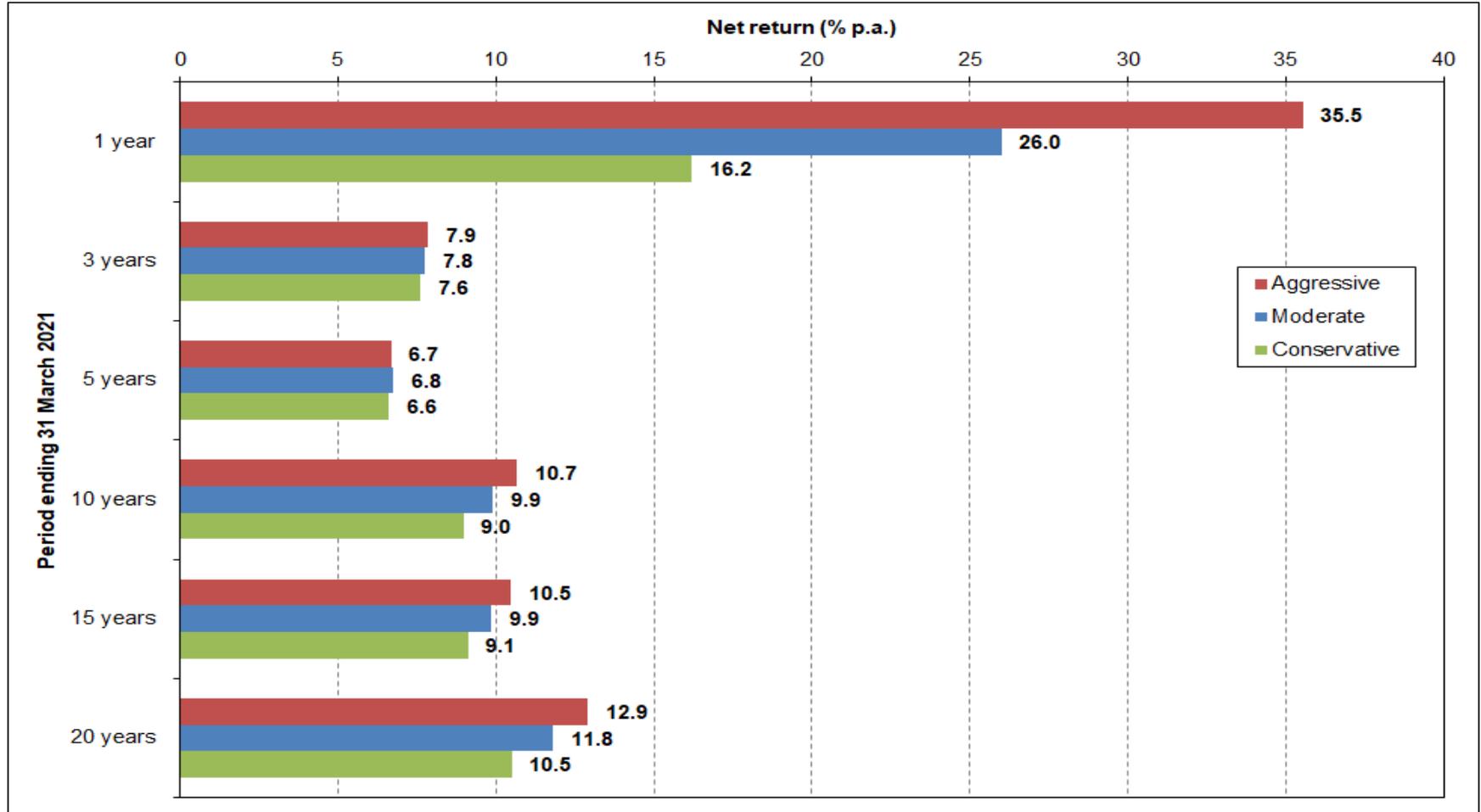
- The offshore allocation is kept at 5% below the prevailing regulatory maximum (15% to 2000, 20% to 2006, 25% to 2018 & currently at 30%).
- The equity allocation varies according to the risk profile, and is set at 75% for Aggressive, 55% for Moderate and 35% for Conservative, which applies to both 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%
	Current allocation	~56%	~14%	~5%	~19%	~6%
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%
	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%
	Current allocation	~26%	~17%	~32%	~9%	~16%

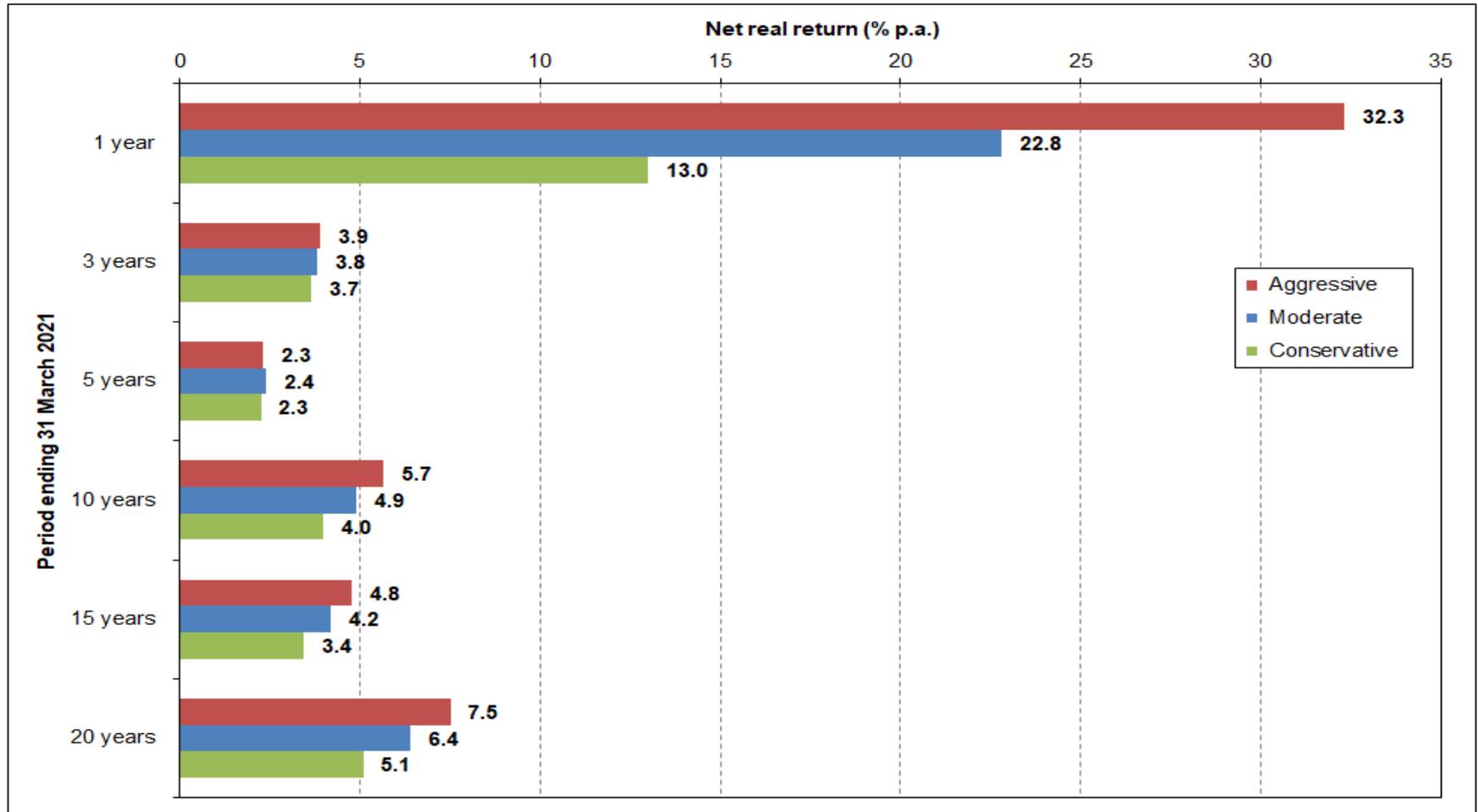
MARKET PERFORMANCE

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



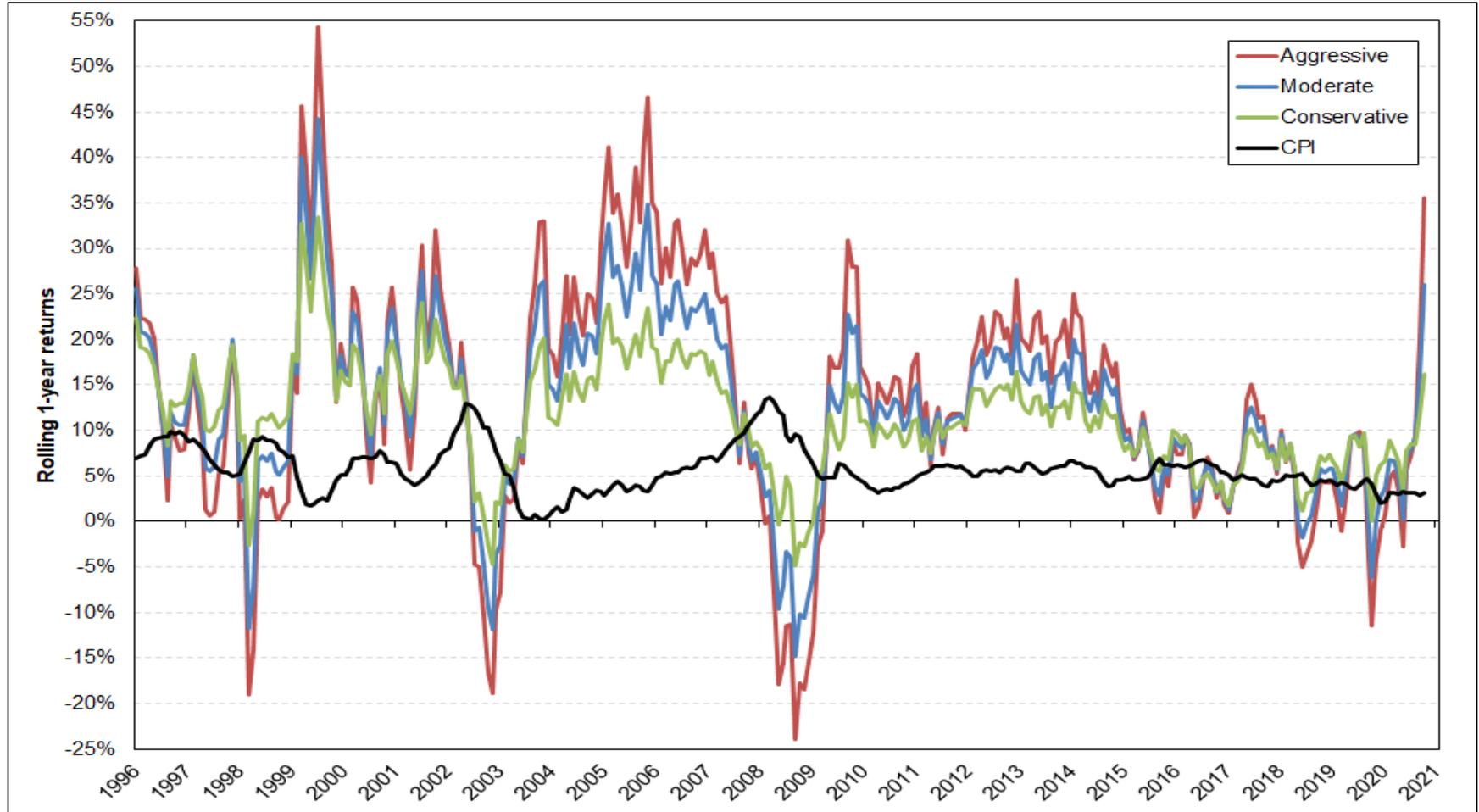
MARKET PERFORMANCE

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



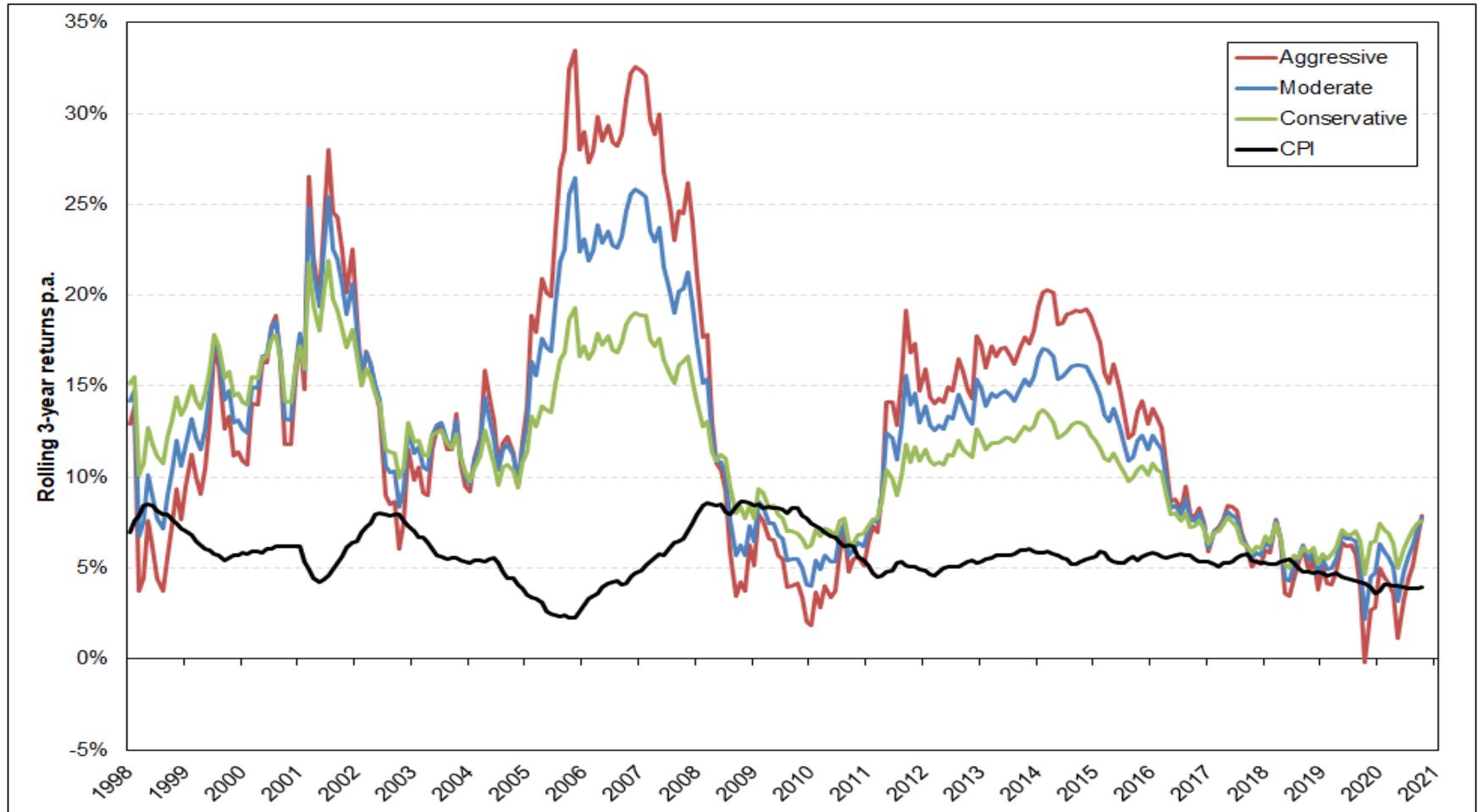
MARKET PERFORMANCE

1-YEAR RETURNS HIGH OFF LOW BASE SET IN 2020 Q1



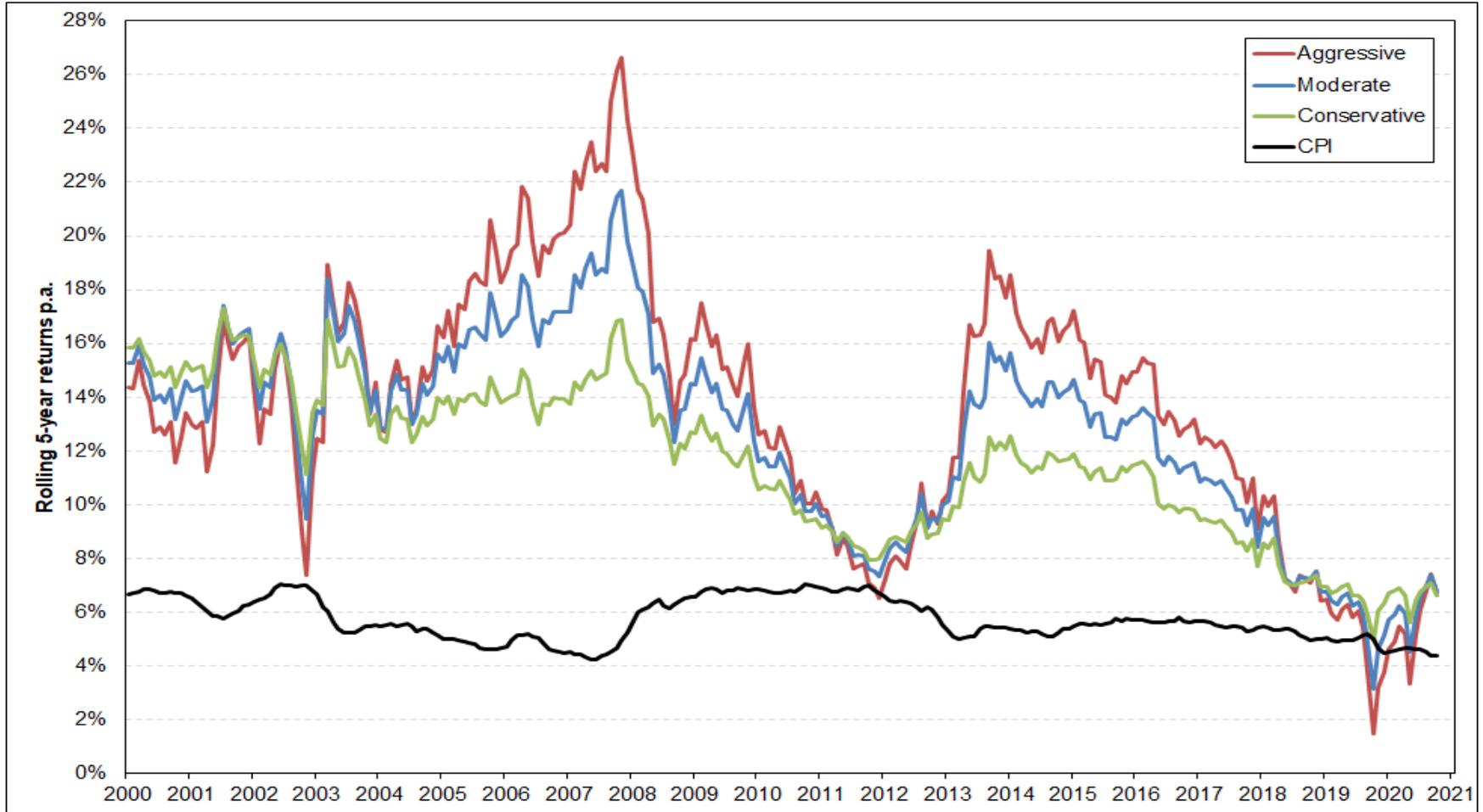
MARKET PERFORMANCE

3-YEAR RETURNS PICKING UP, TRACKING ABOVE INFLATION AND CASH



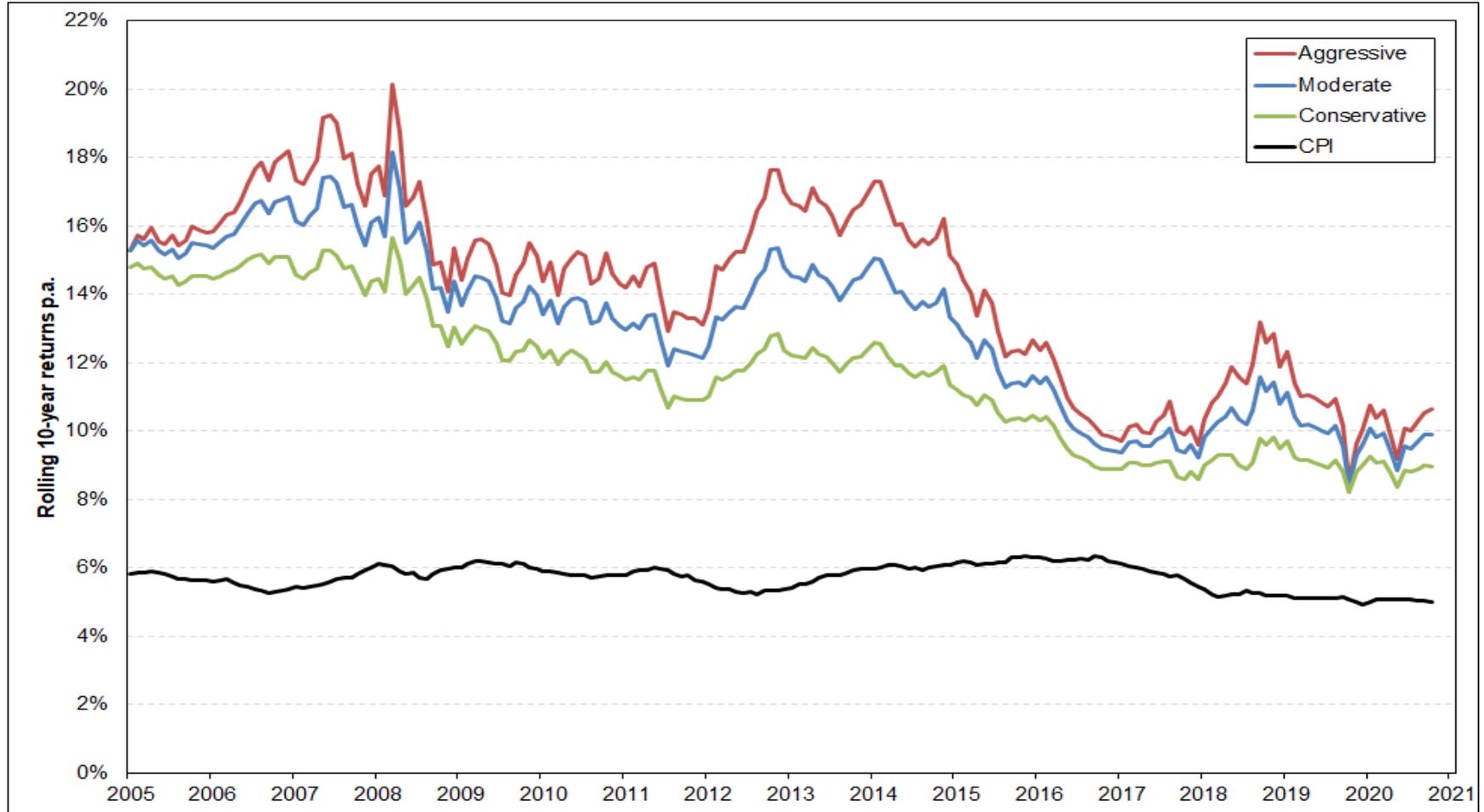
MARKET PERFORMANCE

IT'S BEEN A TOUGH 5 YEARS, BUT PATIENT INVESTORS STILL MANAGED TO GROW THEIR MONEY IN REAL TERMS

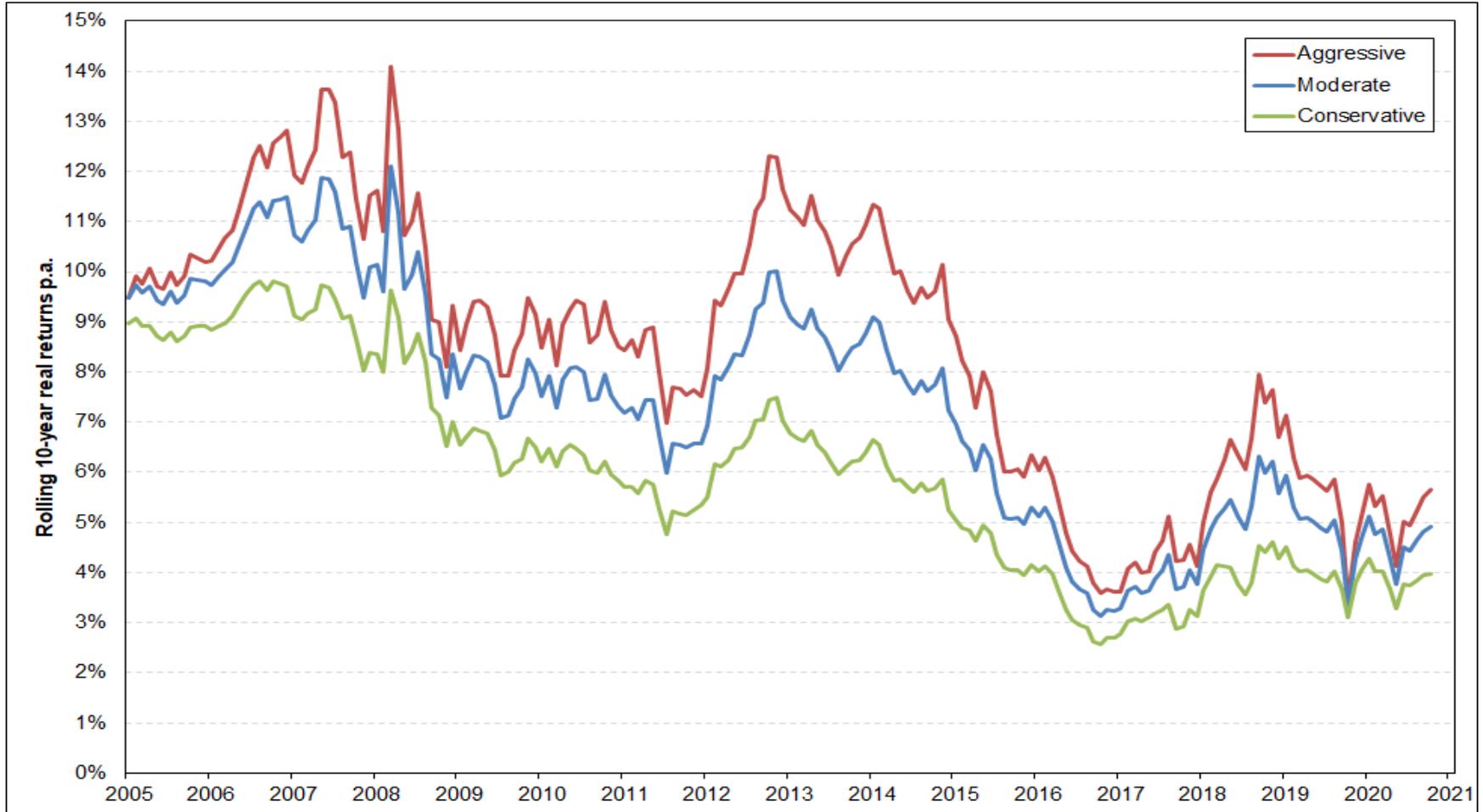


MARKET PERFORMANCE

10-YEAR RETURNS HEALTHY IN NOMINAL TERMS...



MARKET PERFORMANCE ...AND COMFORTABLY ABOVE INFLATION



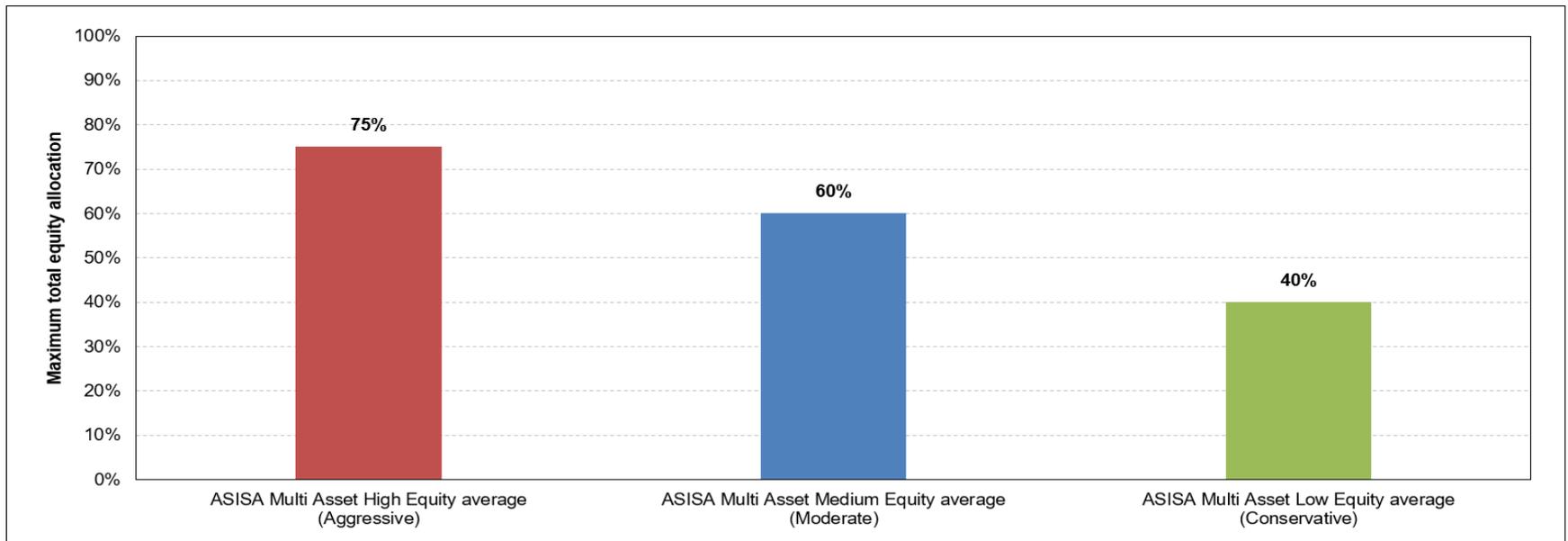
MANAGER PERFORMANCE

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?

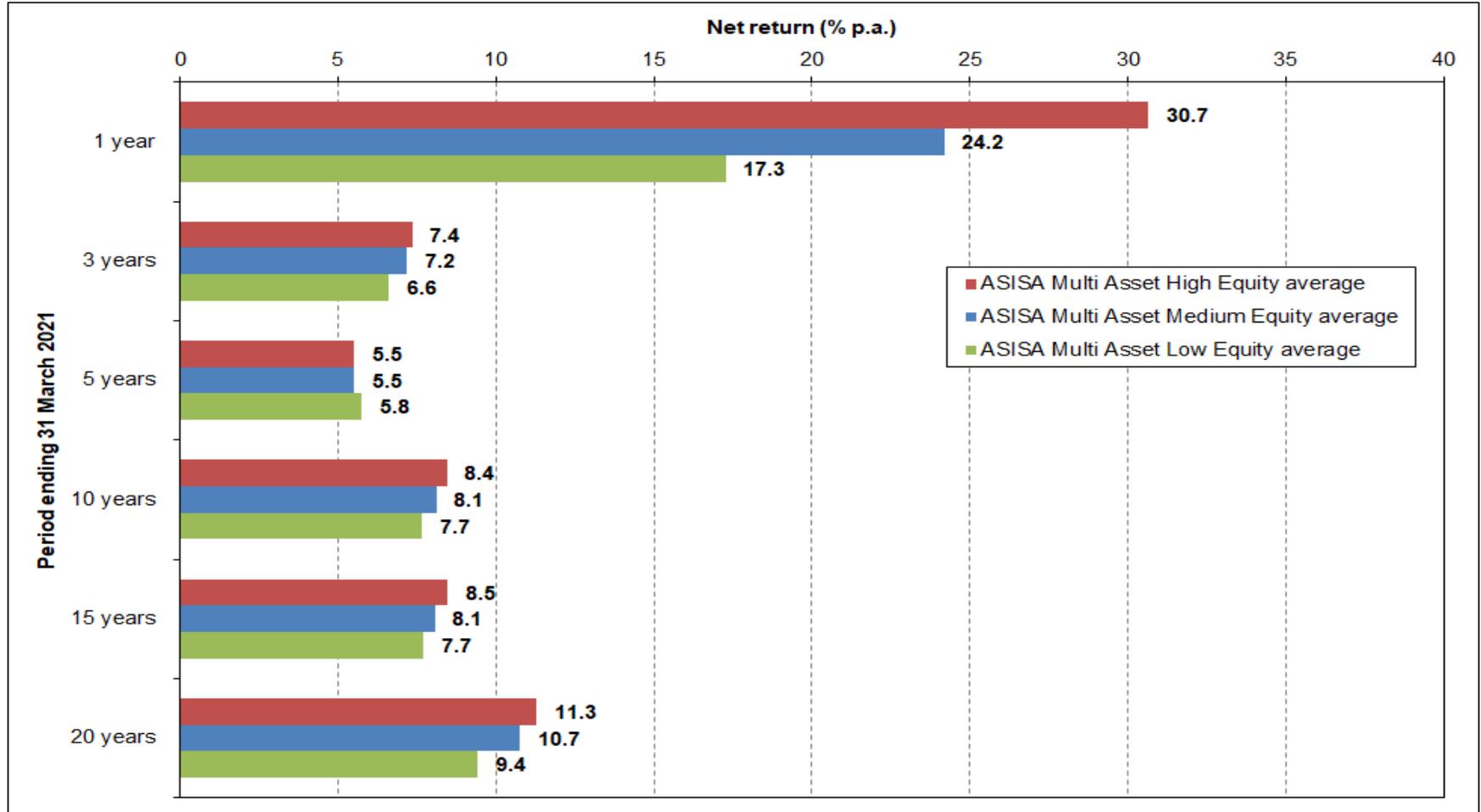
To illustrate this, we show the average returns from regulated collective investment schemes in the ASISA (Association for Savings and Investments South Africa) South Africa Multi Asset High, Medium and Low Equity categories to reflect the returns of typical Aggressive, Moderate and Conservative retirement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



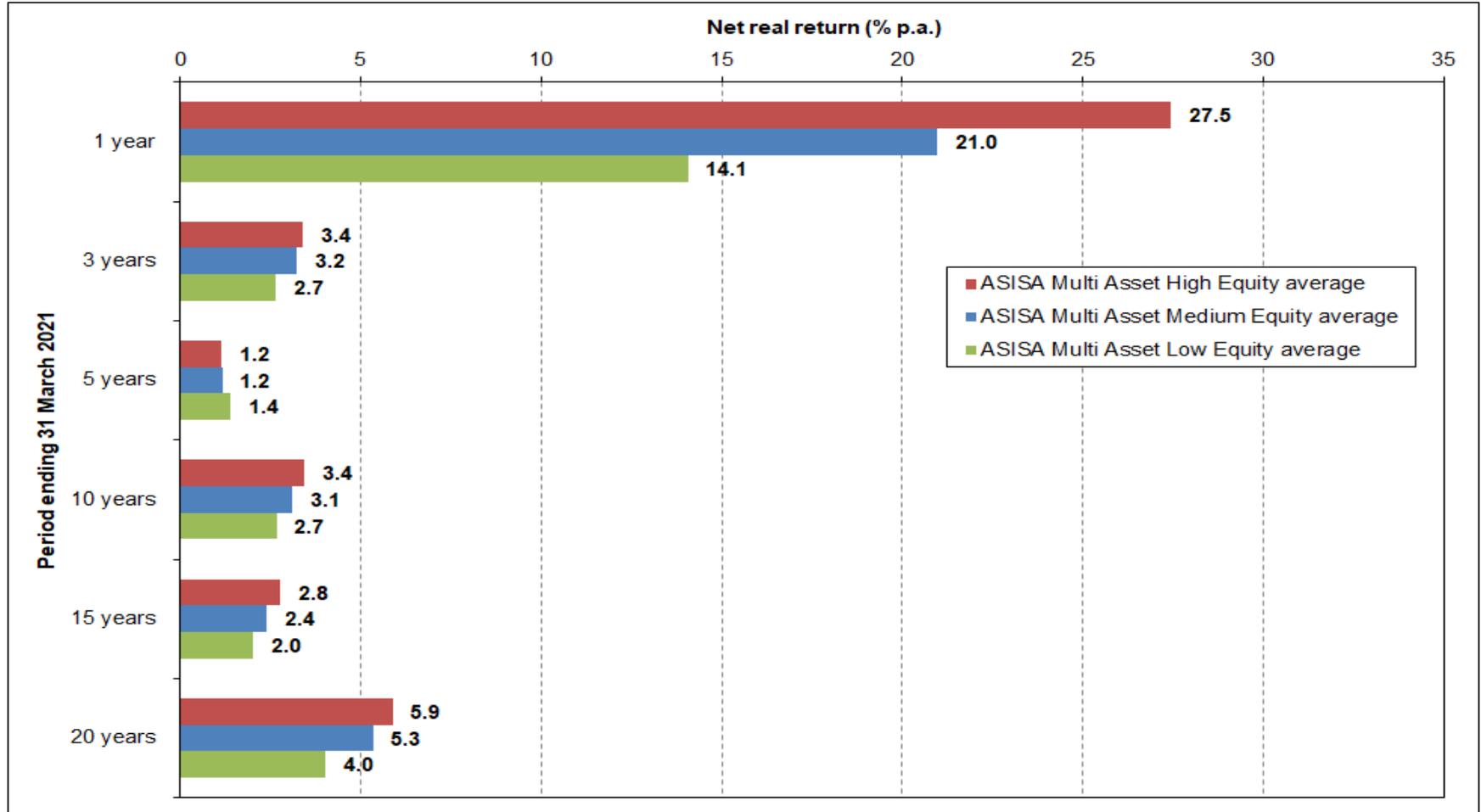
MANAGER PERFORMANCE

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

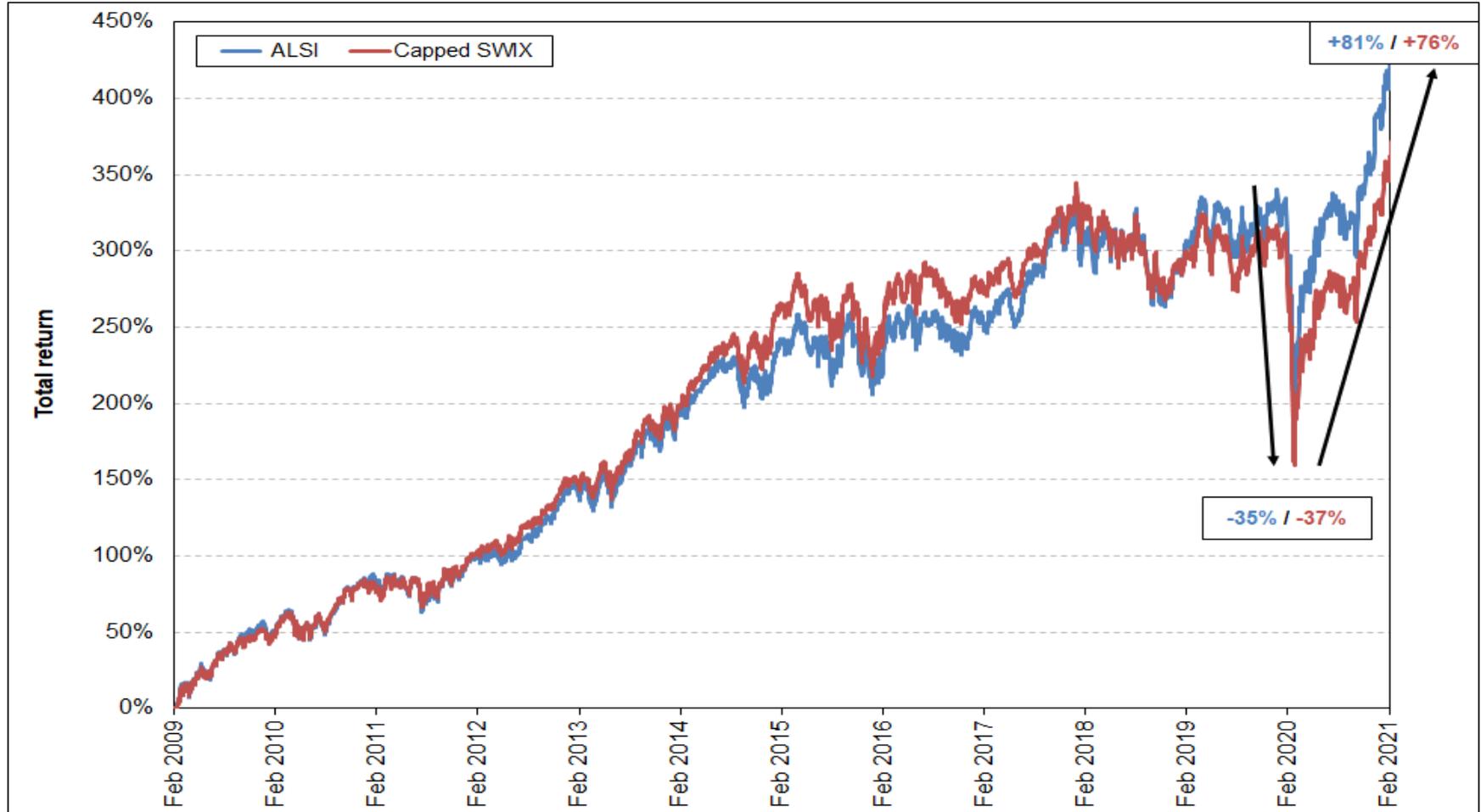


MANAGER PERFORMANCE

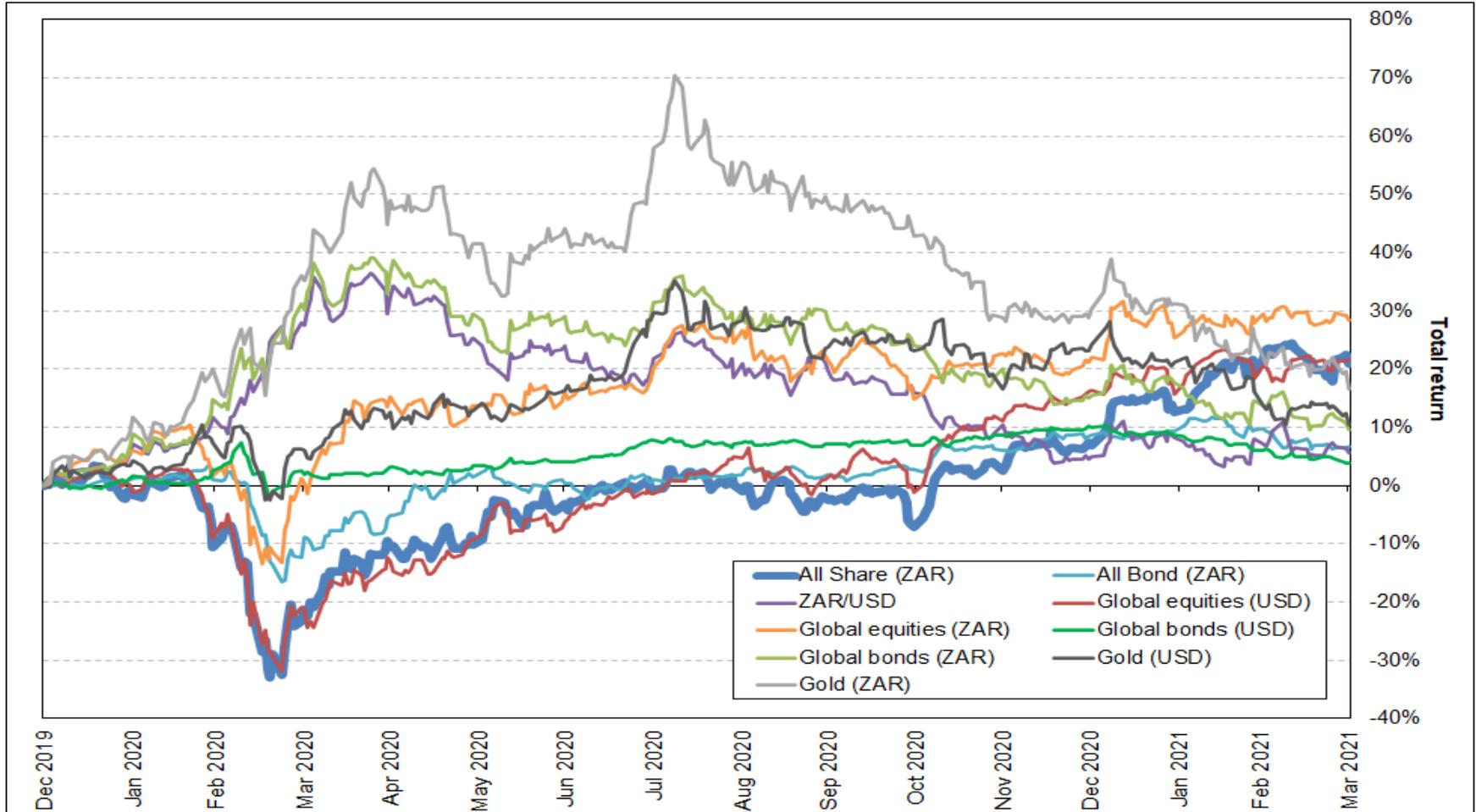
FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST REAL RETURNS WAS REASONABLY ACHIEVABLE?



LOCAL EQUITY MARKET CONTINUING ITS SPECTACULAR RECOVERY...

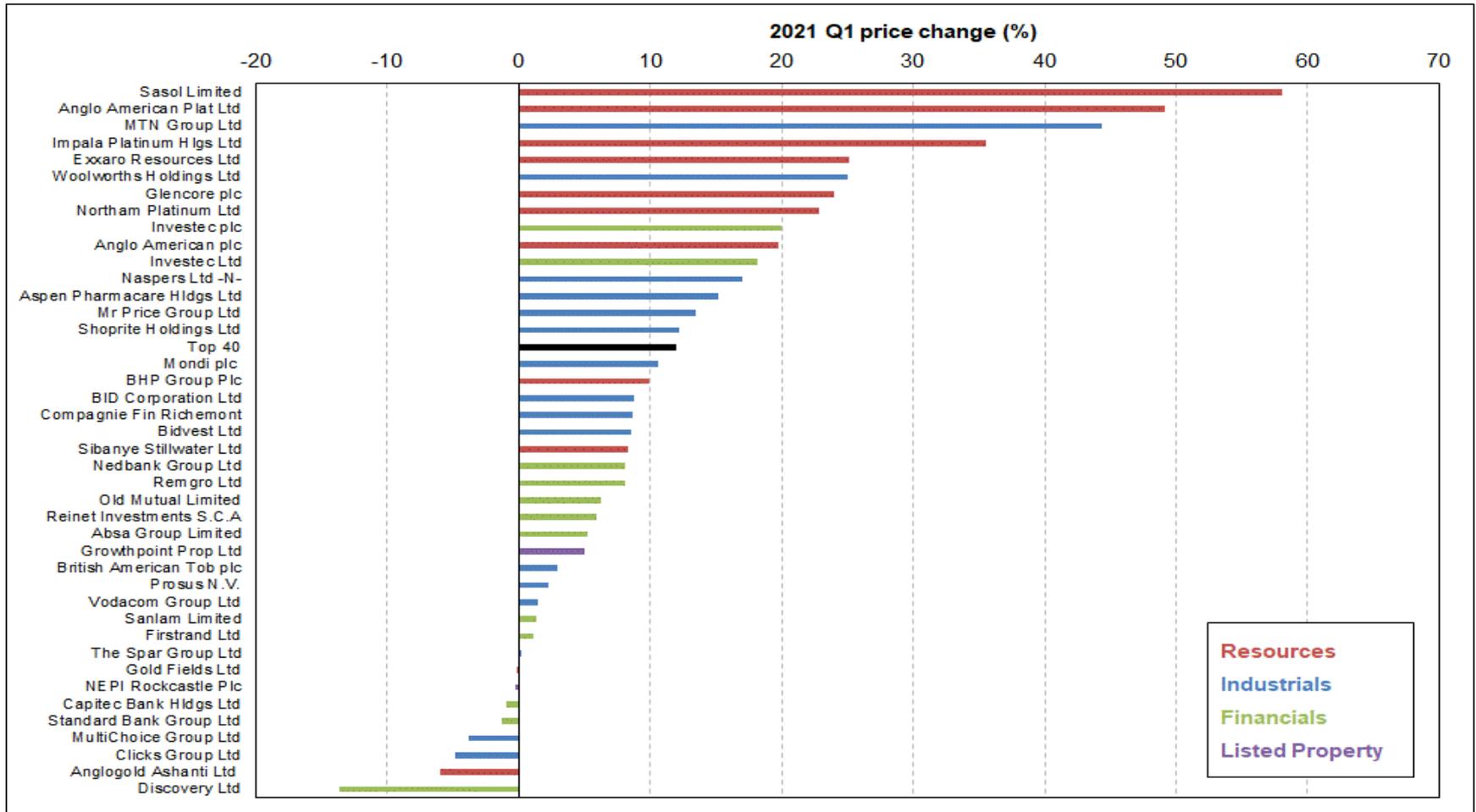


MAJOR ASSET CLASSES ...AND FAST BECOMING ONE OF THE BEST PERFORMERS, DESPITE COVID CRASH



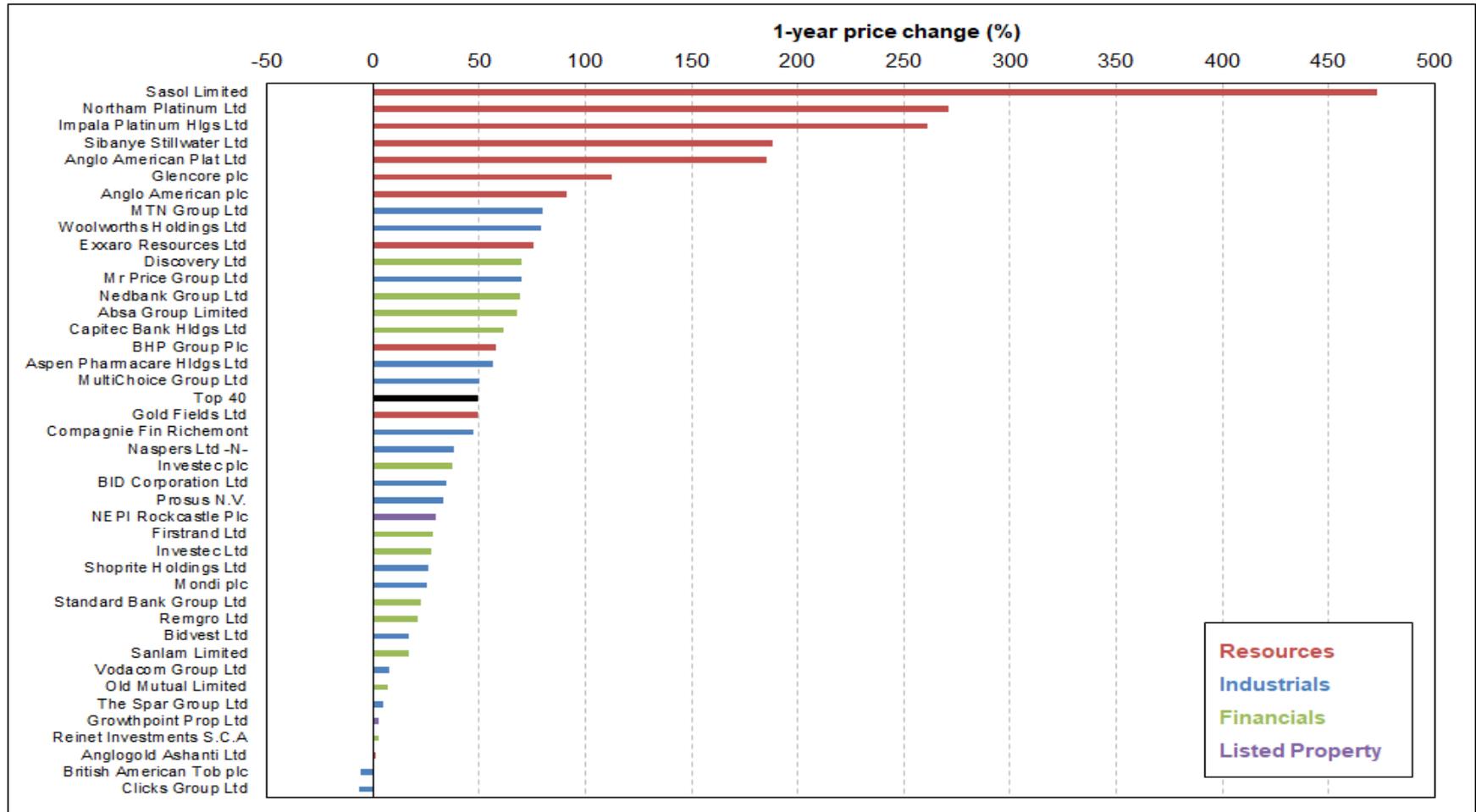
LOCAL EQUITIES – TOP 40 IN 2021 Q1

ANOTHER GOOD QUARTER, ESPECIALLY FOR PGM MINERS

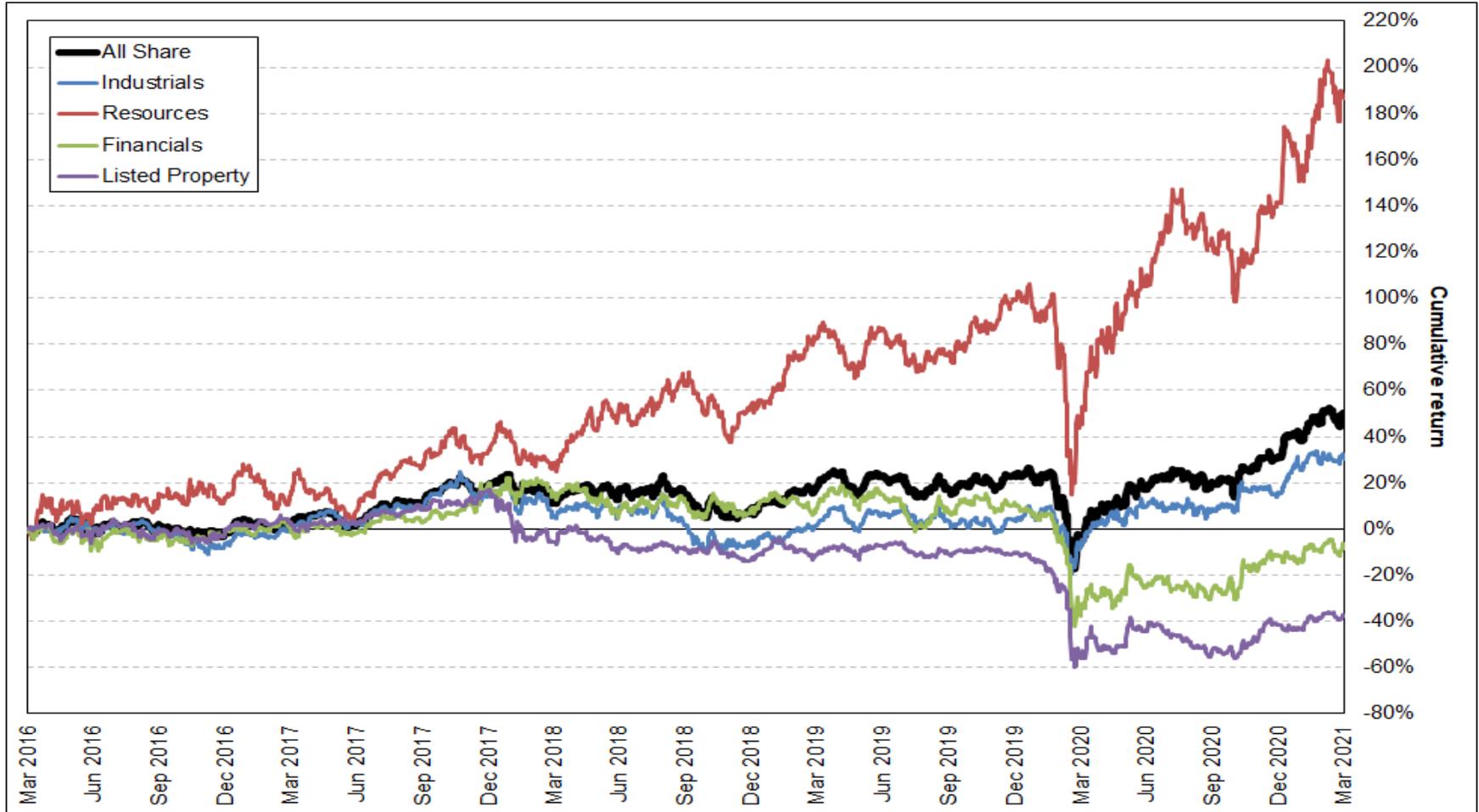


LOCAL EQUITIES – TOP 40 OVER 1 YEAR

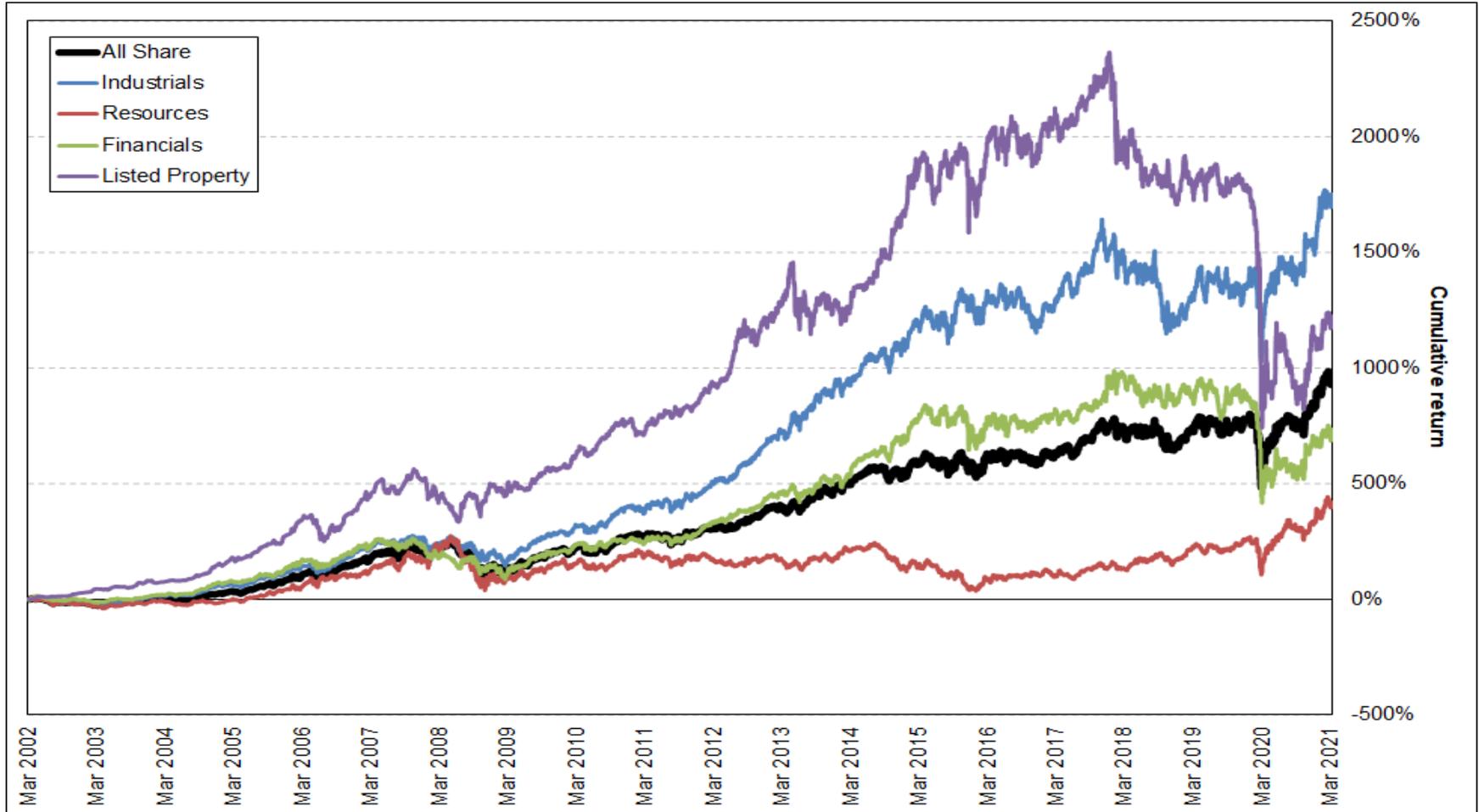
BIG GAINS FROM A LOW BASE, RESOURCES RULE THE ROOST...



LOCAL EQUITY SECTORS ...AS THEY HAVE FOR THE LAST 5 YEARS...

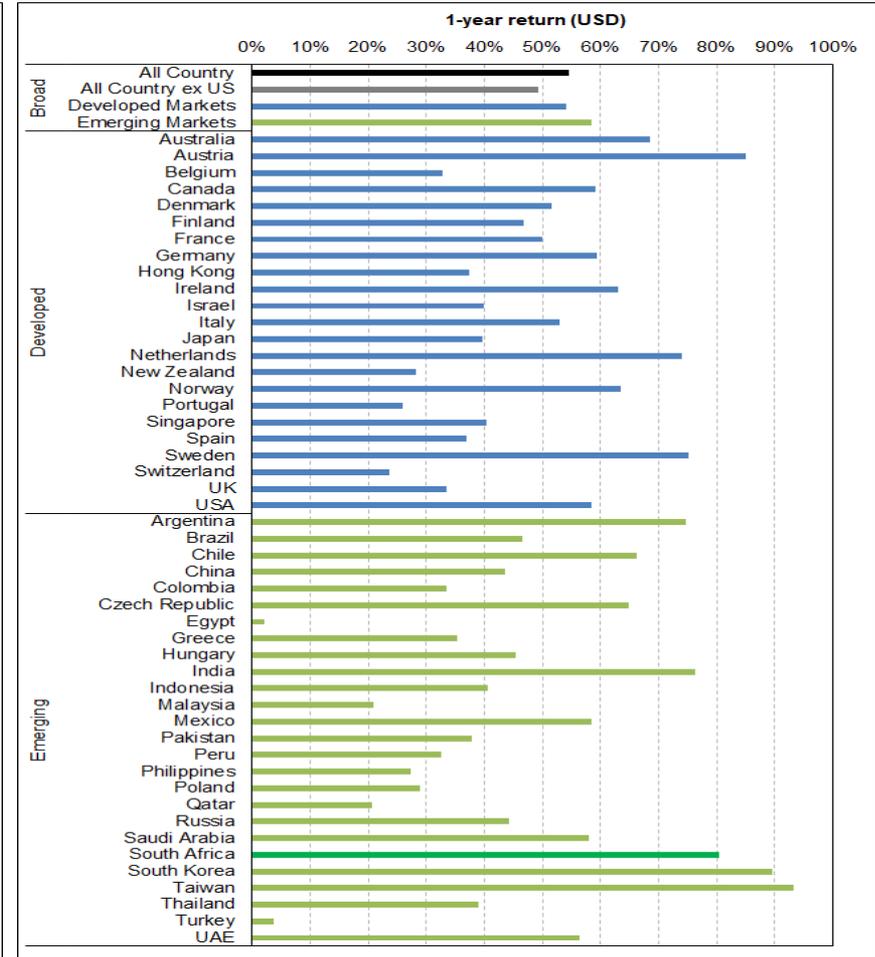
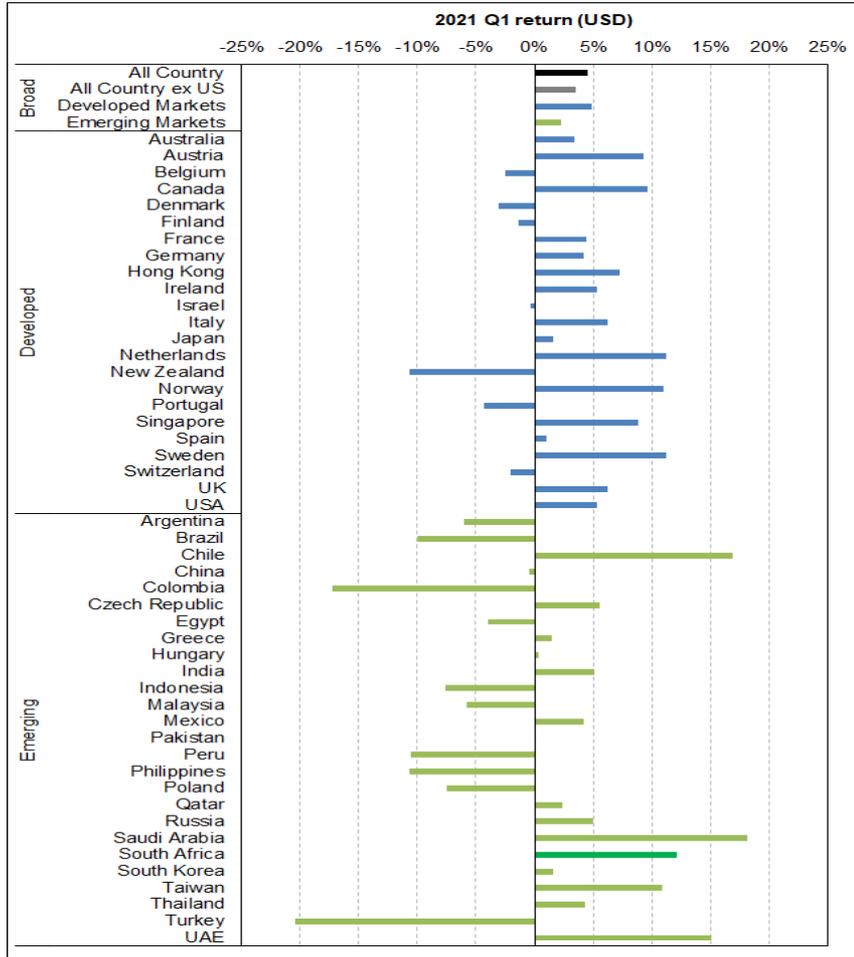


LOCAL EQUITY SECTORS ...BUT ONLY RECENTLY SURPASSED THEIR 2008 PEAK



GLOBAL EQUITIES (in USD)

STRONG RETURNS, SOUTH AFRICA ONE OF THE TOP PERFORMERS



GLOBAL EQUITIES (in USD)

CYCLICAL SECTORS CATCHING UP TO COVID WINNERS, SHOWING BIG GAINS SINCE 2020 Q4

