

MONTH IN PICTURES

**SEPTEMBER
2021**

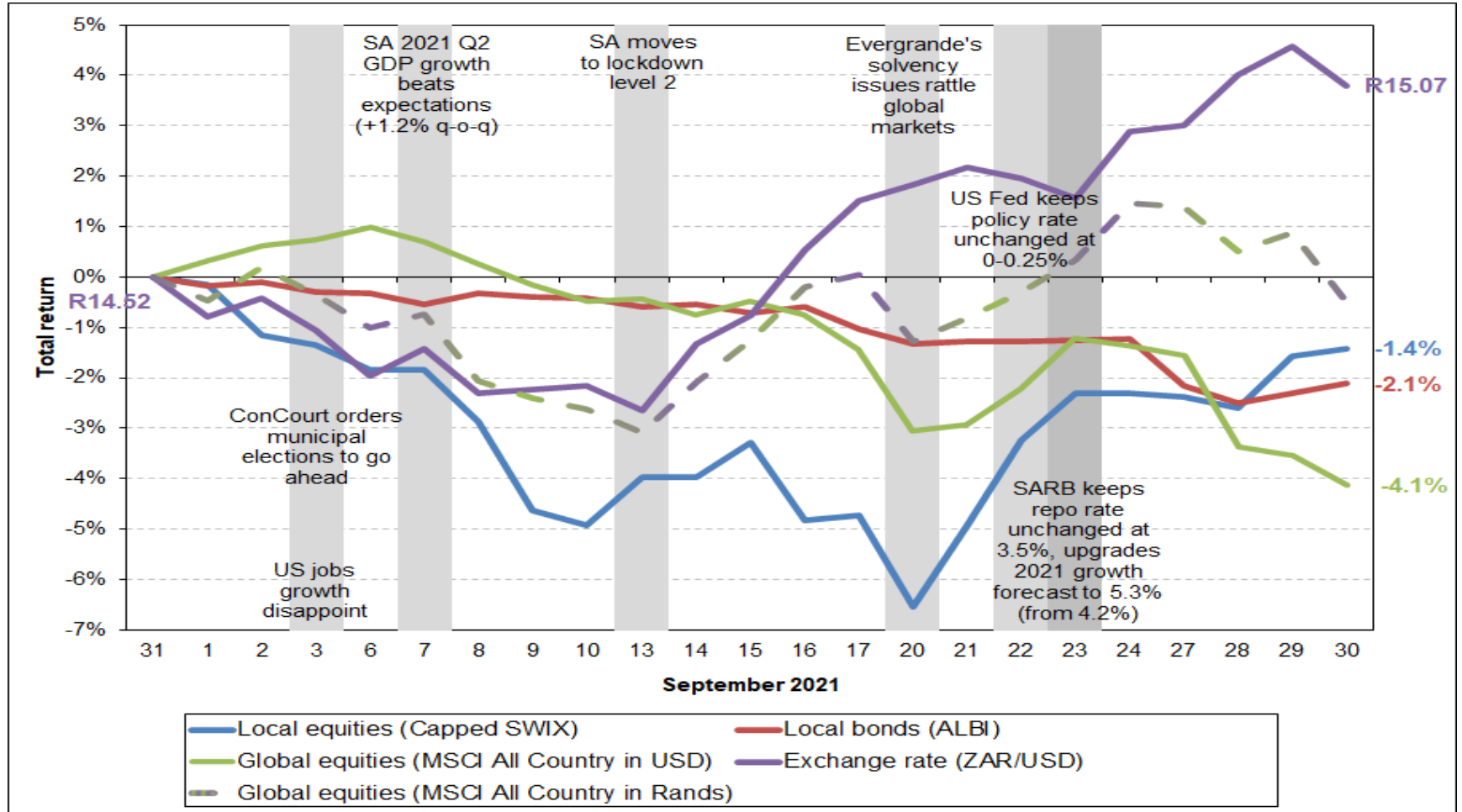
MONTHLY SNAPSHOT

NOTABLE EVENTS

- Markets came under significant selling pressure in September, as developments in China (Evergrande default, more regulations), the possible near-term withdrawal of financial stimulus by central banks, continued supply chain issues, a fall in certain commodity prices, a spike in others, and persistent inflation unnerved investors.
- The ALSI slumped by 3.1% as Resources (-9.3%) suffered another month of losses, with iron ore and PGM miners coming under pressure. The former got hit by a cutback in Chinese steel production, while the latter sold off due to the continued global semiconductor chip shortage curtailing the production of new vehicles. Financials (+2.1%) was the only major sector to make a gain, as local banks released better than expected results. Industrials and Listed Property both ended the month marginally lower (-0.8% each). The Capped SWIX (-1.4%), with its lower resources and higher financials exposure, did slightly better than the ALSI as a result.
- Global markets also sold off during the month, delivering US Dollar losses of 4.1% from global equities and 2.3% from global bonds, with the latter being affected by the Fed's tapering talk and inflation worries. A weaker Rand (by 3.8% against the Dollar) cushioned the blow for local investors, resulting in local currency returns of -0.5% and +1.4%, respectively.
- Local bond yields followed their global counterparts higher, resulting in a 2.1% loss from this asset class.
- Looking back at the quarter, the relatively low returns produced by the major asset classes in 2021 Q3 provided little insight into what was in fact a rather eventful period. While the local equity market delivered mixed results (the ALSI lost 0.8% while the Capped SWIX gained 3.2%), returns varied widely at sector and size level. For the second quarter in a row, the winners of the last five years disappointed, as Resources (-3.6%), Industrials (-4.3%) and Large Caps (-1.6%) underperformed, while the previous losers, Financials (+13%), Listed Property (+6%), Mid Caps (+7%) and Small Caps (+12%), made stellar gains. A weaker rand gifted local investors with positive returns (+4%) from otherwise declining global equity and bond markets (both down 1% in US Dollars). Within global equities the divergence in returns were however no less dramatic, with emerging markets suffering an 8% US Dollar loss as China's regulatory crackdown showed no signs of abating. Despite a difficult environment, most managers ended 2021 Q3 with positive returns, thereby marking their sixth consecutive quarter of gains following 2020 Q1's sharp losses.
- Over the last year local equity market returns are still healthy (ALSI = +23% and Capped SWIX = +30%), with decent contributions from Resources and Industrials (+17% each), while Financials and Listed Property made gains of over 50%. Medium term (3- and 5-year) returns from the local equity market are still slowly improving, but Resources (+17% p.a.) has been the only notable contributor, with mid-single digit returns from Industrials, mid/small caps and value stocks, and negative to flat returns from Financials and Listed Property. 1-year returns from most retirement funds therefore remain elevated, while medium term (3- to 5-year) returns continue to show incremental improvement as the local equity market grinds higher from its pre-2021 lean years.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Jul 2021	Aug 2021	Sep 2021	3 months	12 months
Local equities	ALSI	4.2	(1.7)	(3.1)	(0.8)	23.2
	Capped SWIX	2.6	2.0	(1.4)	3.2	30.3
	Resources	11.7	(4.8)	(9.3)	(3.6)	17.8
	Industrials	0.9	(4.4)	(0.8)	(4.3)	17.0
	Financials	(1.2)	12.3	2.1	13.2	51.1
	Listed Property	(0.6)	7.5	(0.8)	5.9	54.4
Local bonds	ALBI	0.8	1.7	(2.1)	0.4	12.5
Local cash	STeFI Composite	0.3	0.3	0.3	1.0	3.8
Global equities	MSCI All Country	3.1	1.8	(0.5)	4.5	14.6
Global bonds	FTSE WGBI	4.1	(1.2)	1.4	4.3	(13.0)
Exchange rate	ZAR/USD	2.4	(0.6)	3.8	5.6	(10.0)
Inflation	CPI	1.1	0.4	0.2	1.7	5.0

1. Total returns (in Rands) for the months and periods ending 30 September 2021.

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	ALSI	23.2	8.6	7.8	11.5	10.6
	Capped SWIX	30.3	6.5	5.0	10.6	10.4
	Resources	17.8	17.4	17.9	6.4	6.0
	Industrials	17.0	7.5	5.0	13.3	13.7
	Financials	51.1	0.0	3.0	10.9	8.9
	Listed Property	54.4	(6.8)	(5.6)	5.5	9.3
Local bonds	ALBI	12.5	9.1	8.5	8.3	8.5
Local cash	STeFI Composite	3.8	5.8	6.4	6.2	7.0
Global equities	MSCI All Country	14.6	15.0	15.4	19.1	12.1
Global bonds	FTSE WGBI	(13.0)	5.9	3.3	7.5	7.9
Exchange rate	ZAR/USD	(10.0)	2.1	1.9	6.4	4.5
Inflation	CPI	5.0	4.0	4.4	5.0	5.6

1. Total returns (in Rands) for the months and periods ending 30 September 2021.

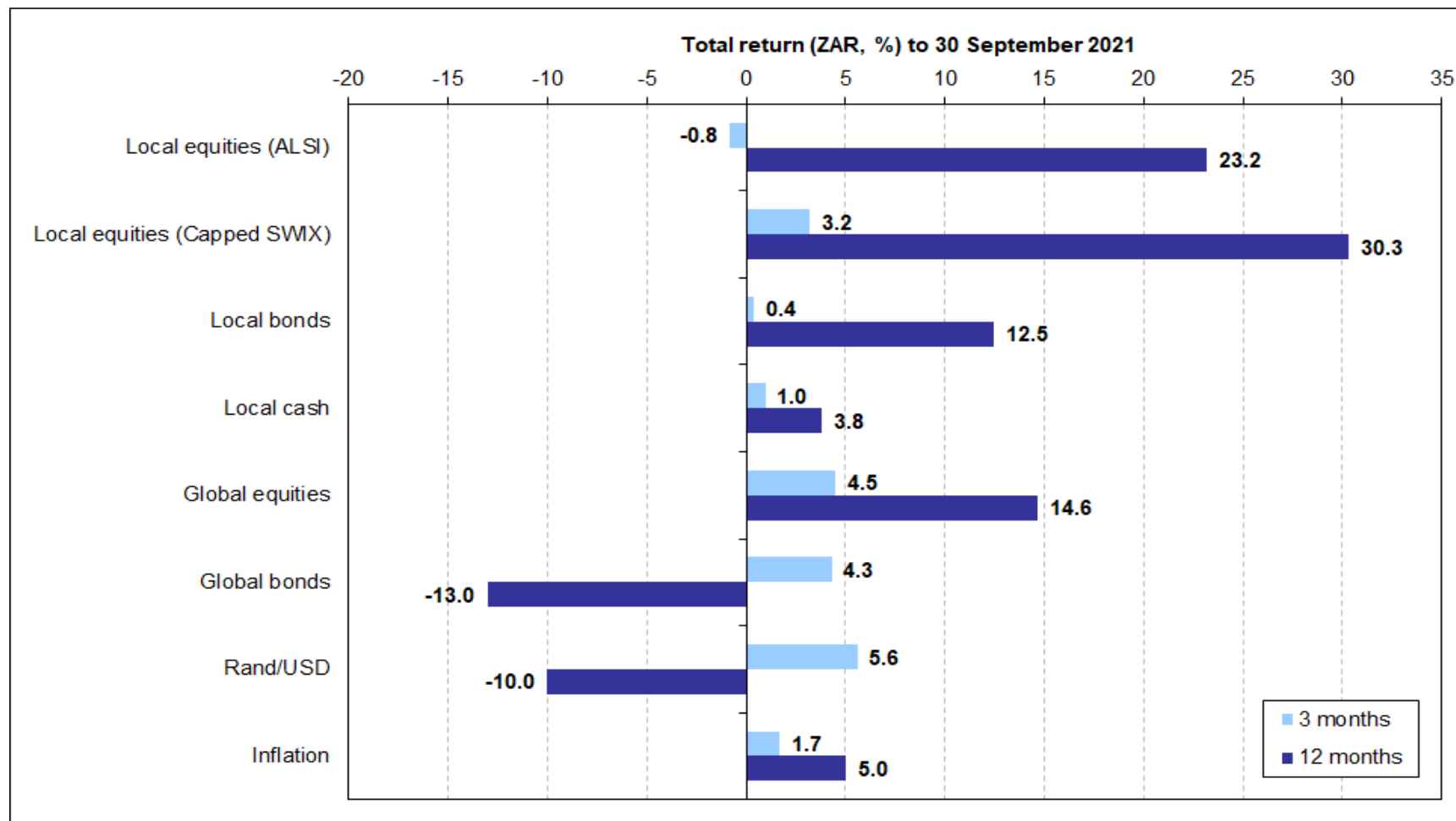
ECONOMIC INDICATORS

Economic indicators ¹	Sep 2019	Sep 2020	Jul 2021	Aug 2021	Sep 2021
Exchange rates:					
ZAR/USD	15.14	16.76	14.62	14.52	15.07
ZAR/GBP	18.61	21.65	20.31	19.98	20.31
ZAR/Euro	16.50	19.64	17.34	17.15	17.45
Commodities:					
Brent Crude Oil (USD/barrel)	60.78	42.30	75.41	71.63	78.31
Platinum (USD/ounce)	930.55	869.88	1,065.10	1,011.00	954.00
Gold (USD/ounce)	1,490.27	1,887.90	1,828.18	1,810.58	1,726.50

1. Month-end prices

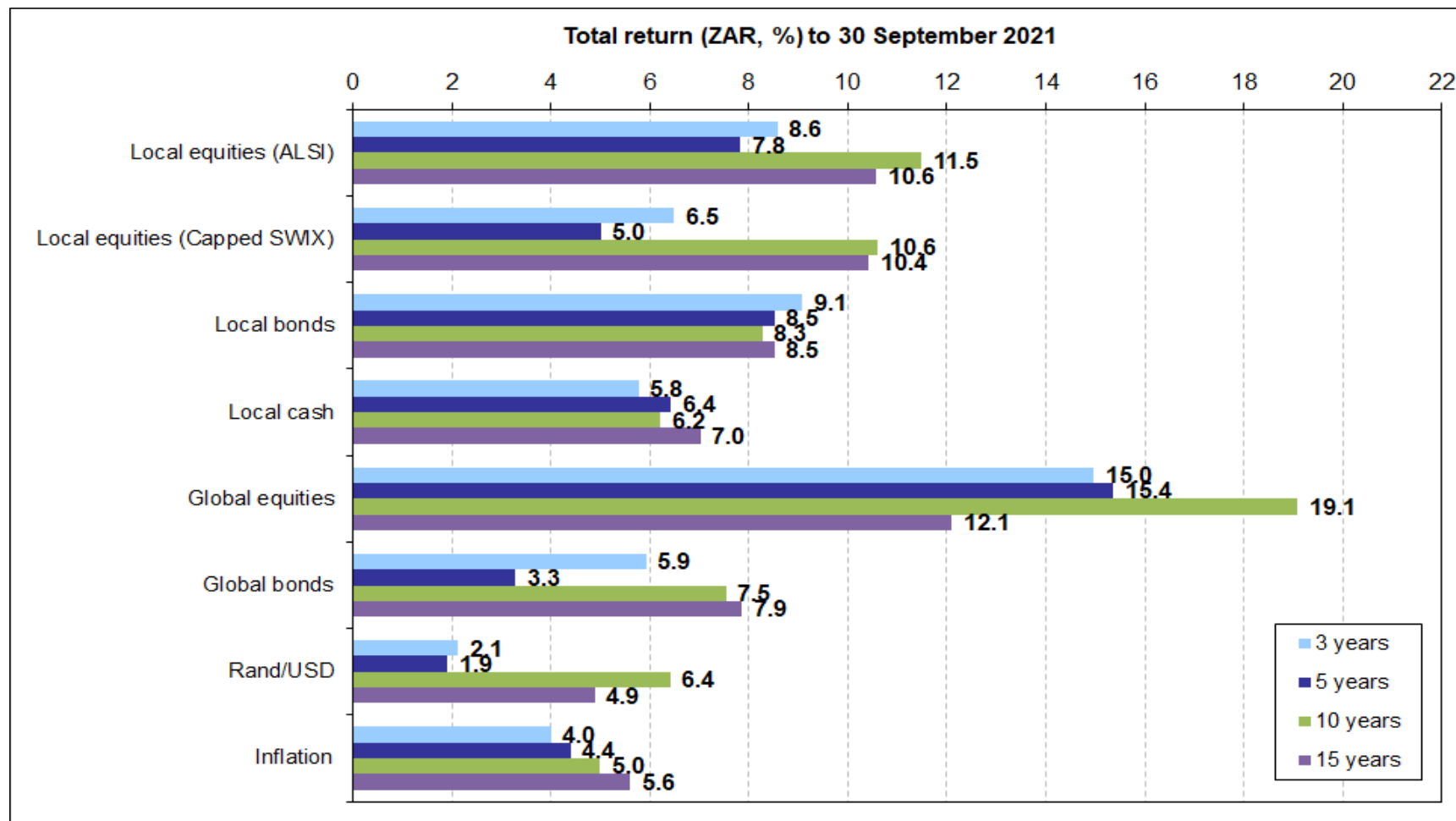
ASSET CLASS PERFORMANCE

SHORT TERM



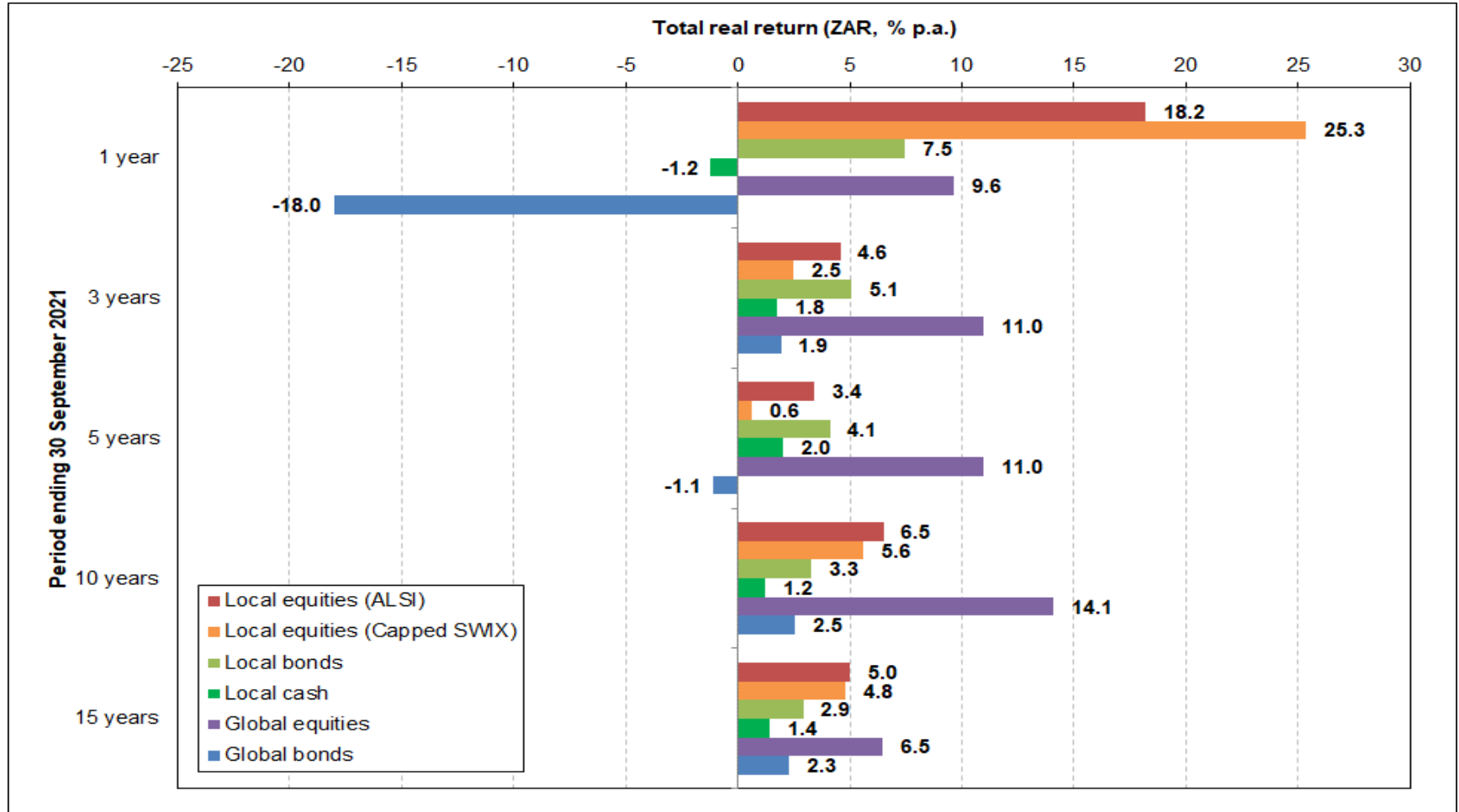
ASSET CLASS PERFORMANCE

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:

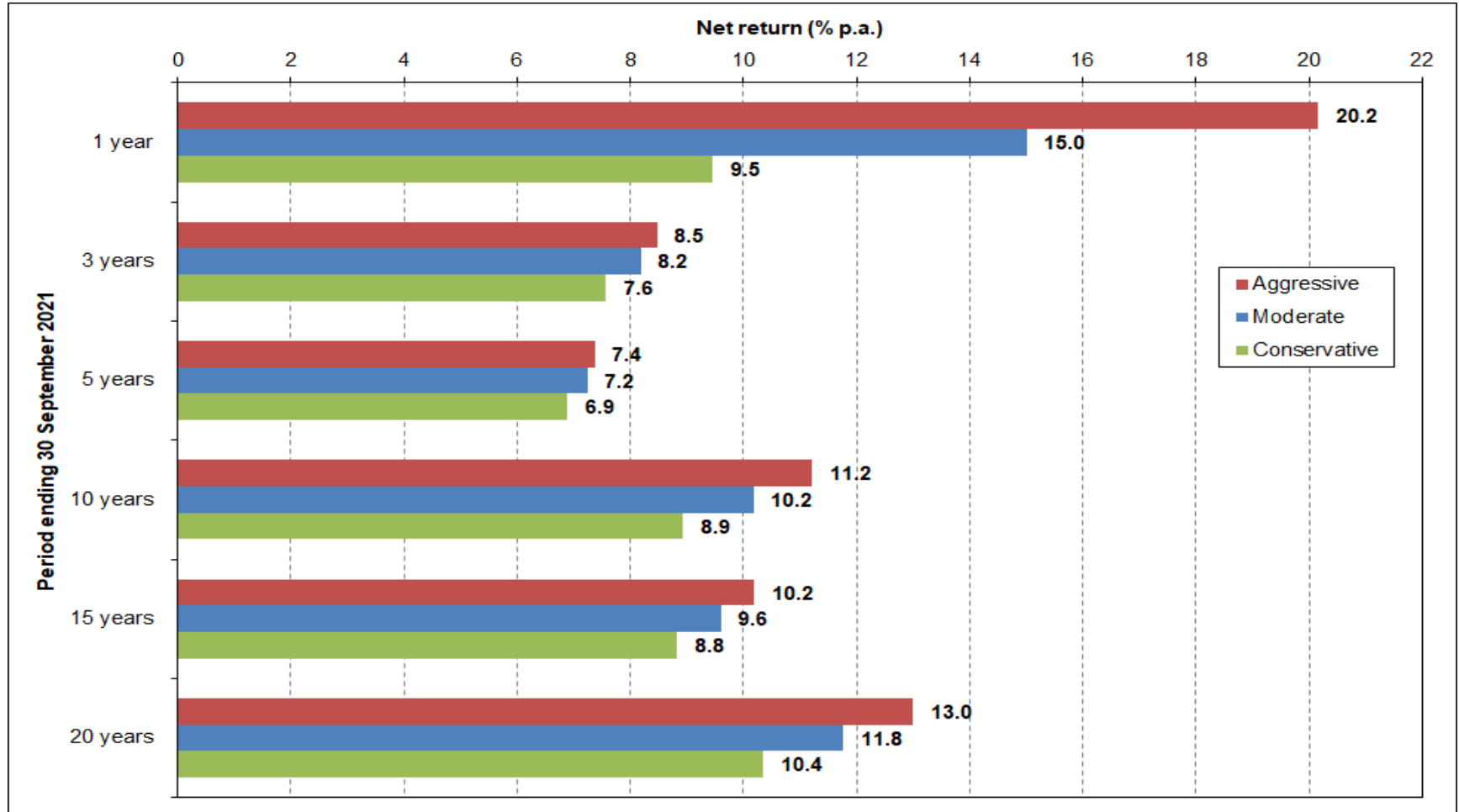
AGGRESSIVE	Strategic allocation	LOCAL VS OFFSHORE	75%			25% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	75%	25%		75%	25%
		EQUITIES VS BONDS VS CASH	100%	75%	25%	100%	100%
	Current allocation		~56%	~14%	~5%	~19%	~6%

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%	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%

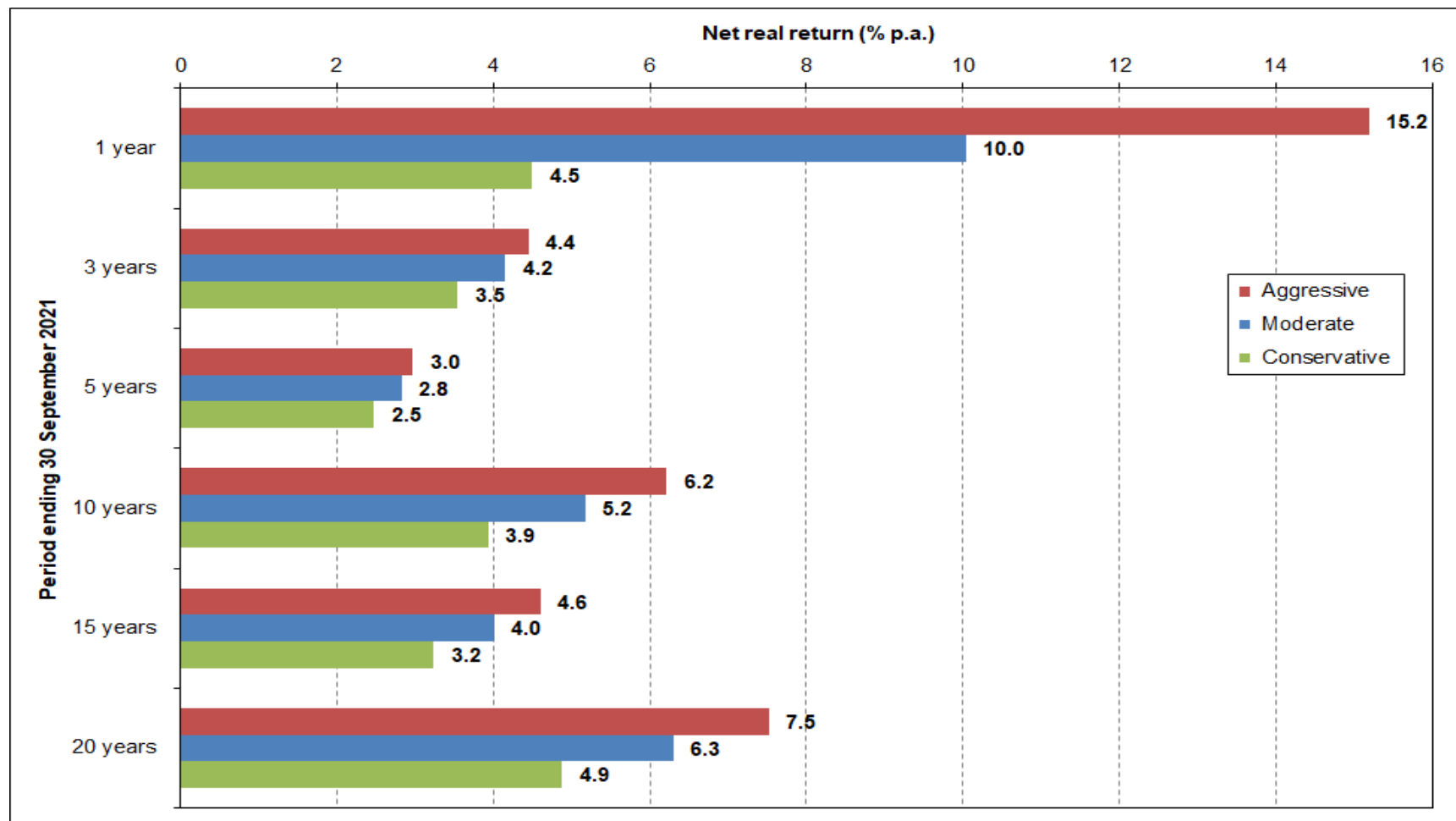
MARKET PERFORMANCE

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



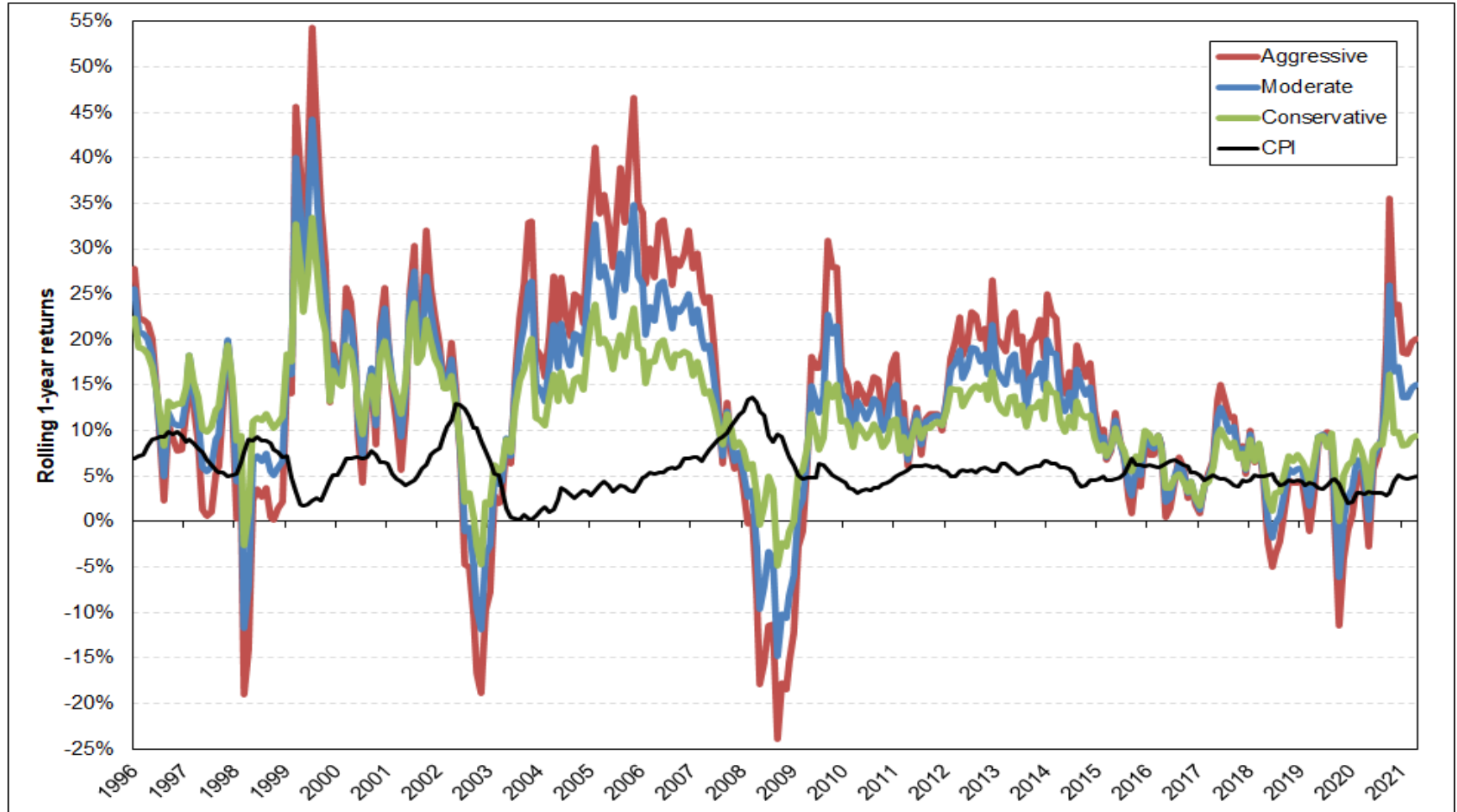
MARKET PERFORMANCE

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



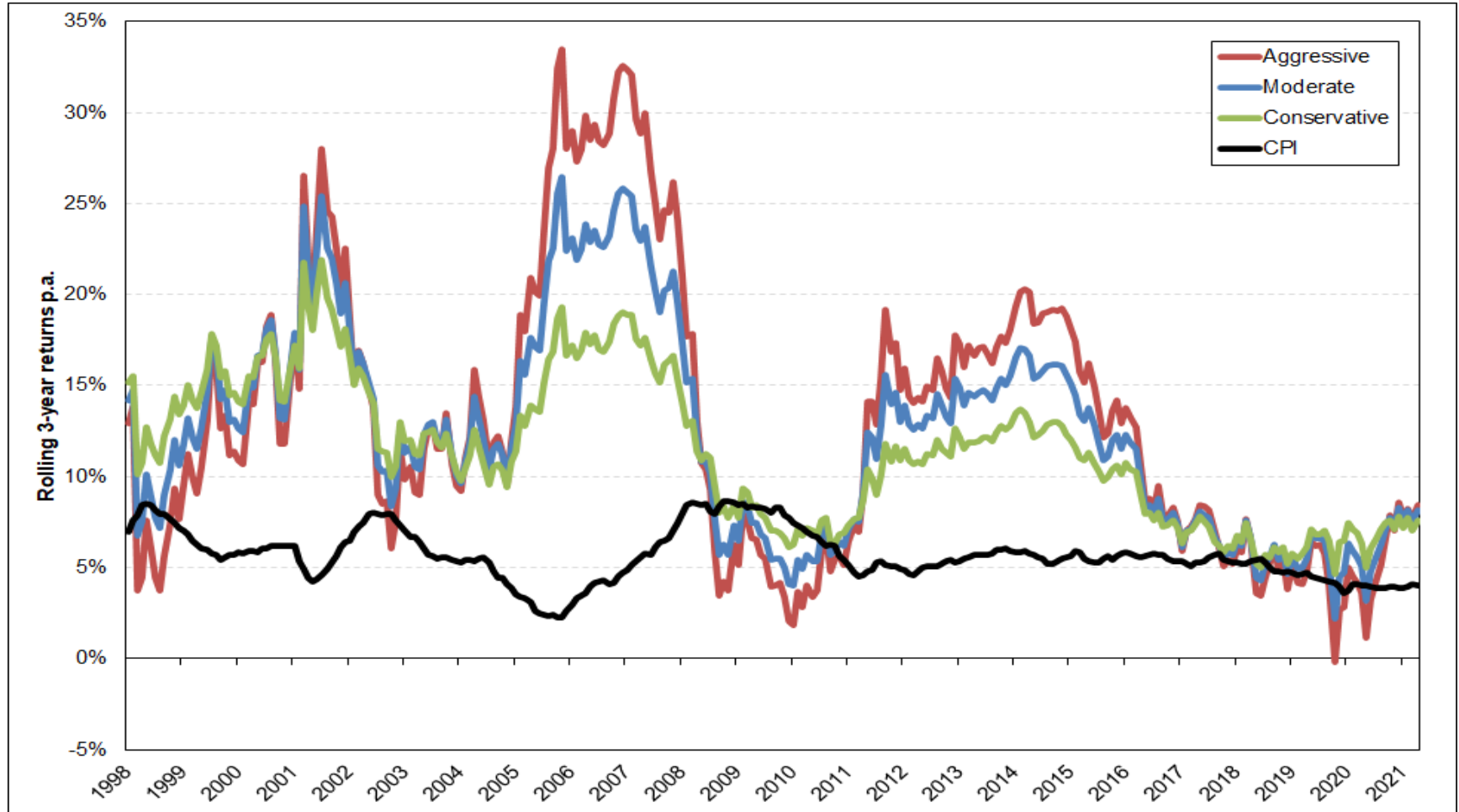
MARKET PERFORMANCE

1-YEAR RETURNS REMAIN ELEVATED



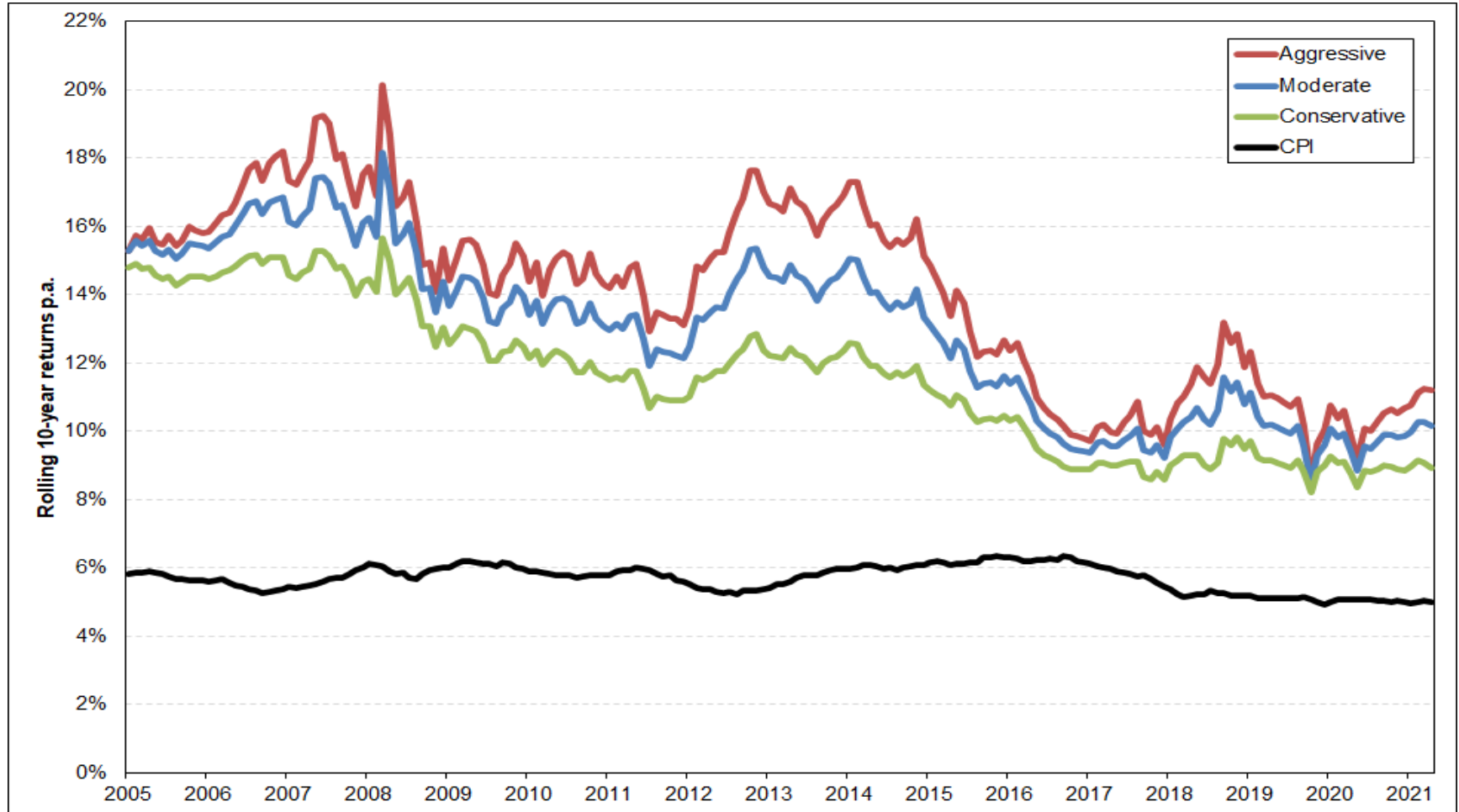
MARKET PERFORMANCE

MEDIUM TERM RETURNS STILL SLOWLY IMPROVING



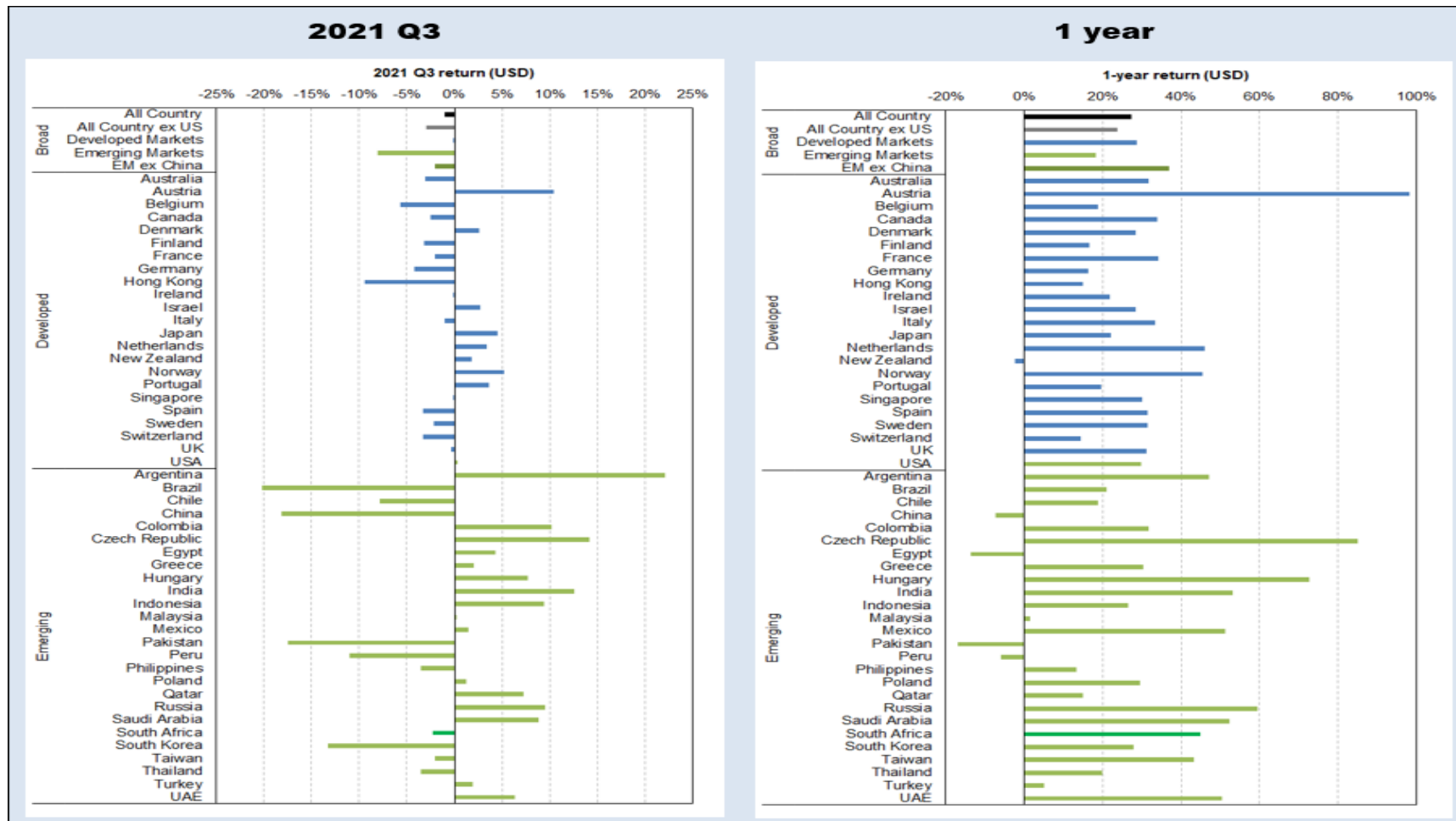
MARKET PERFORMANCE

LONG TERM RETURNS HIDE THE SHORT TERM DRAMA



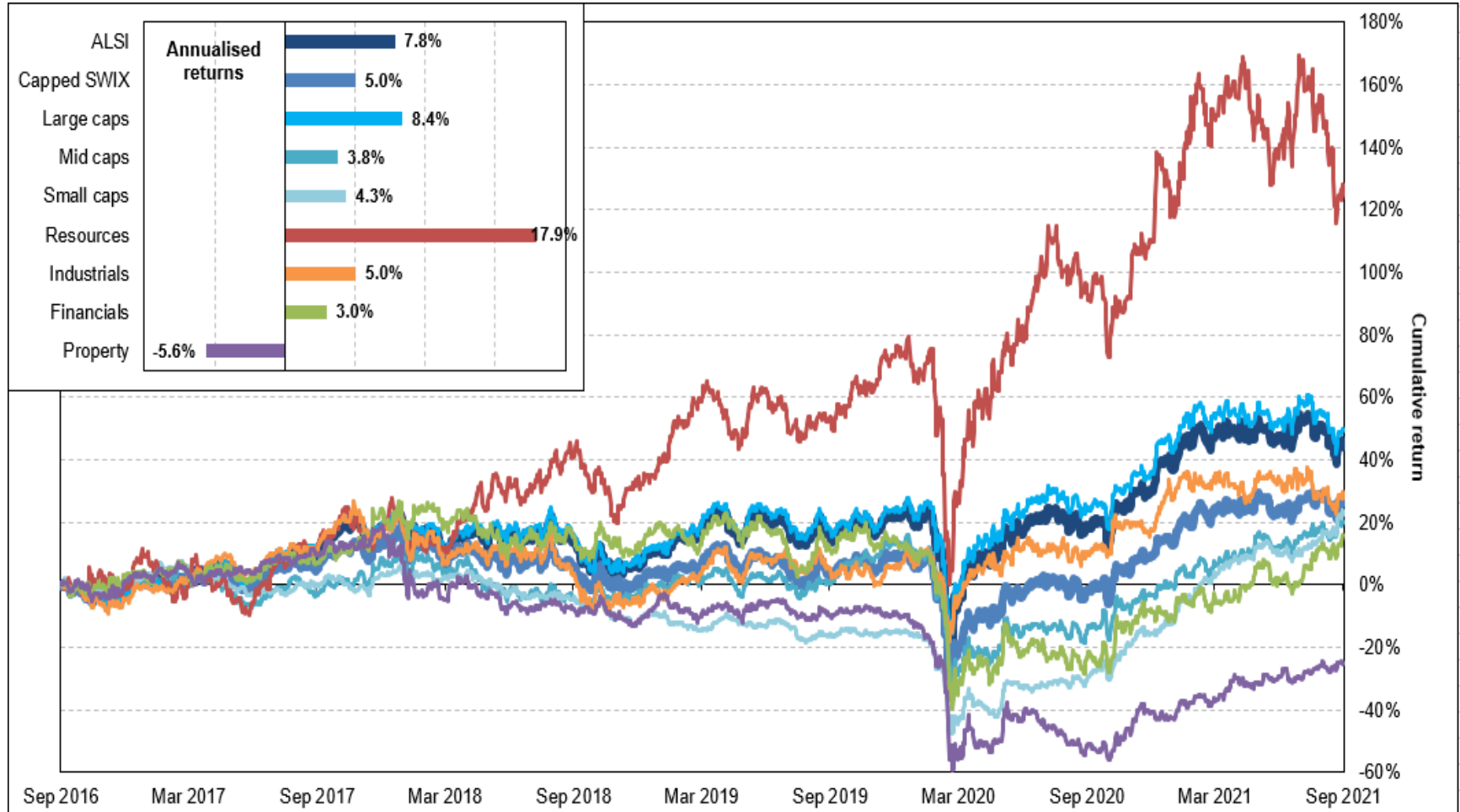
GLOBAL EQUITY MARKETS (USD)

MIXED QUARTER, BUT 1-YEAR RETURNS REMAIN ELEVATED



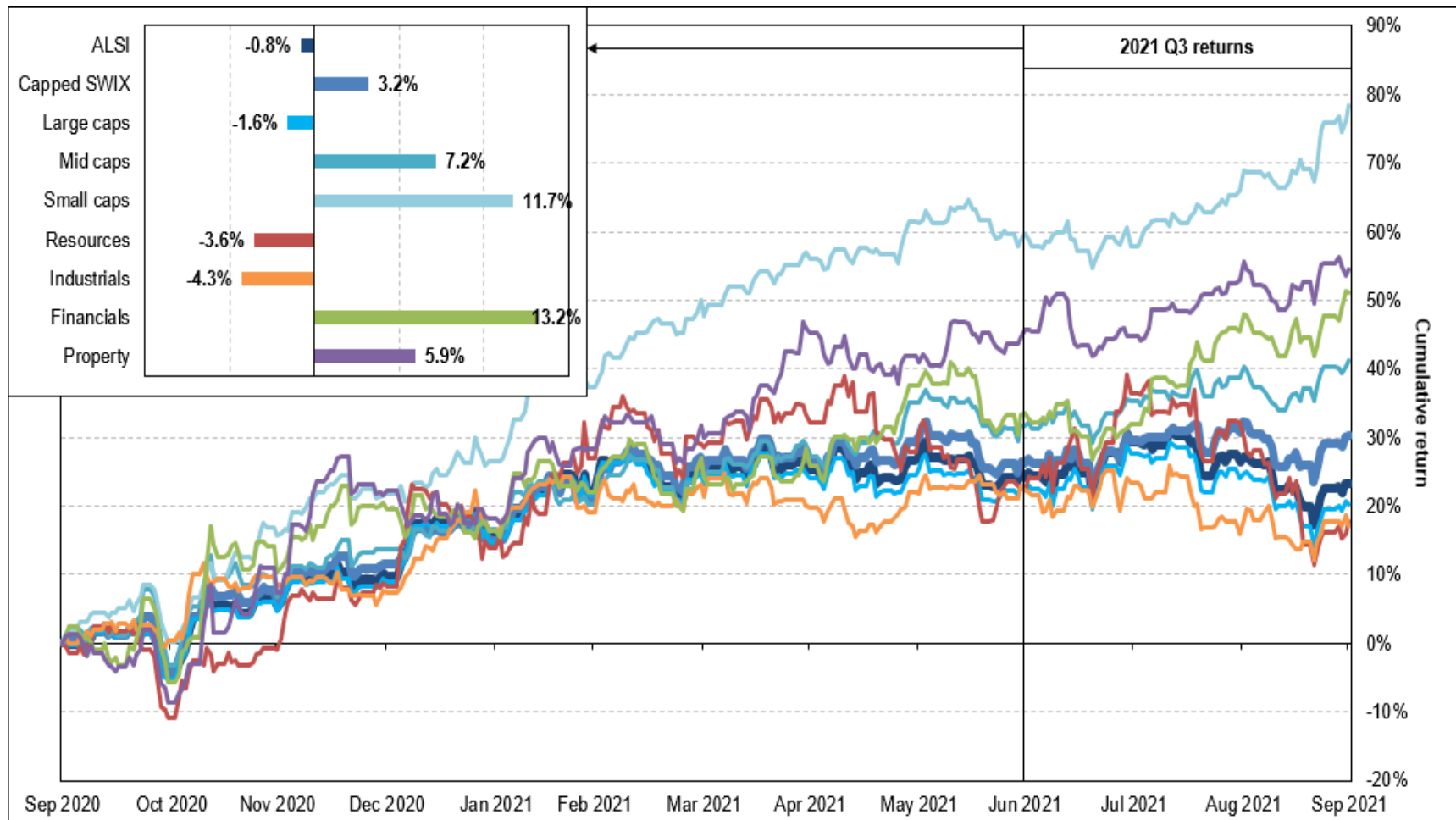
LOCAL EQUITY MARKET

RESOURCES RESPONSIBLE FOR MOST OF THE MARKET'S GAINS OVER THE MEDIUM TERM...



LOCAL EQUITY MARKET

...BUT PREVIOUSLY UNPOPULAR AREAS OF THE MARKET IN THE LEAD OVER THE SHORT TERM



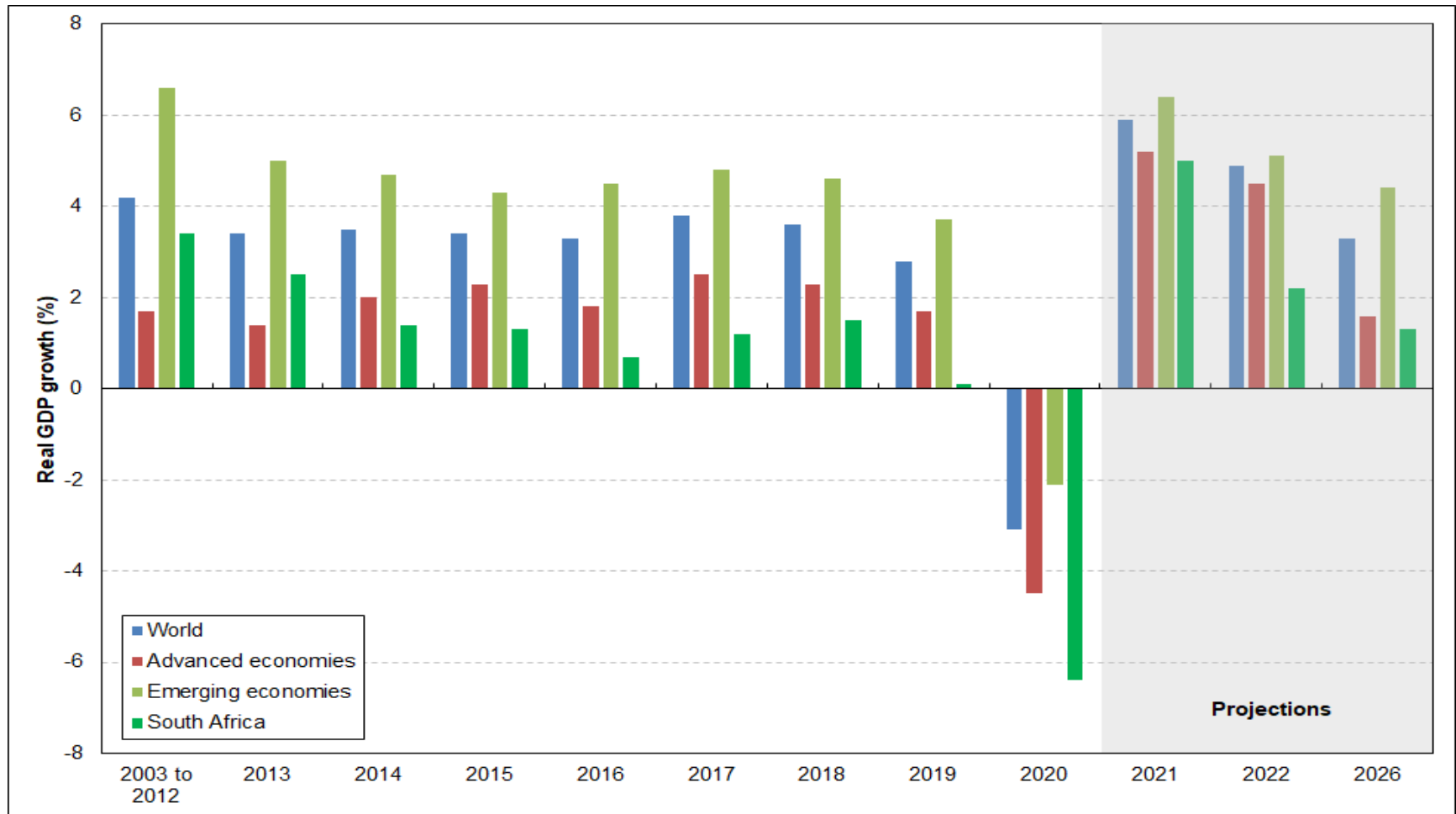
ASSET CLASSES

MIXED QUARTER, BUT 2021 IS SHAPING UP TO BE A GOOD YEAR

Returns at 30 September 2021					
Asset classes		Quarter (%)		Year-to-date (%)	
Local	Equities				1 year (%)
		ALSI	-0.8	12.2	23.2
		CAP1	0.5	15.2	27.4
		SWIX	0.5	11.8	22.9
		Capped SWIX	3.2	16.9	30.3
		Resources	-3.6	8.8	17.8
		Industrials	-4.3	8.9	17.0
		Financials	13.2	26.4	51.1
		Property	5.9	26.4	54.4
		Top40	-1.6	10.5	20.3
		Mid Cap	7.2	24.1	41.1
		Small Cap	11.7	46.3	78.3
		Value	5.4	23.9	38.3
		Growth	-6.9	1.7	10.0
Global	Interest-bearing	ALBI	0.4	5.4	12.5
		ALBI (1-3 yrs)	1.5	2.8	4.0
		ALBI (3-7 yrs)	1.2	1.4	5.8
		ALBI (7-12 yrs)	0.2	4.5	12.0
		ALBI (12+ yrs)	-0.0	8.1	17.6
		Government bonds	0.4	5.3	12.4
		Non-government bonds	0.3	5.9	12.9
		Inflation-linked bonds	2.0	9.9	15.8
		Cash	1.0	2.8	3.8
		Equities (All Country)	4.5	14.0	14.6
		Equities (Developed)	5.6	16.0	15.9
		Equities (Emerging)	-2.9	1.3	6.3
		Bonds	4.3	-3.5	-13.0

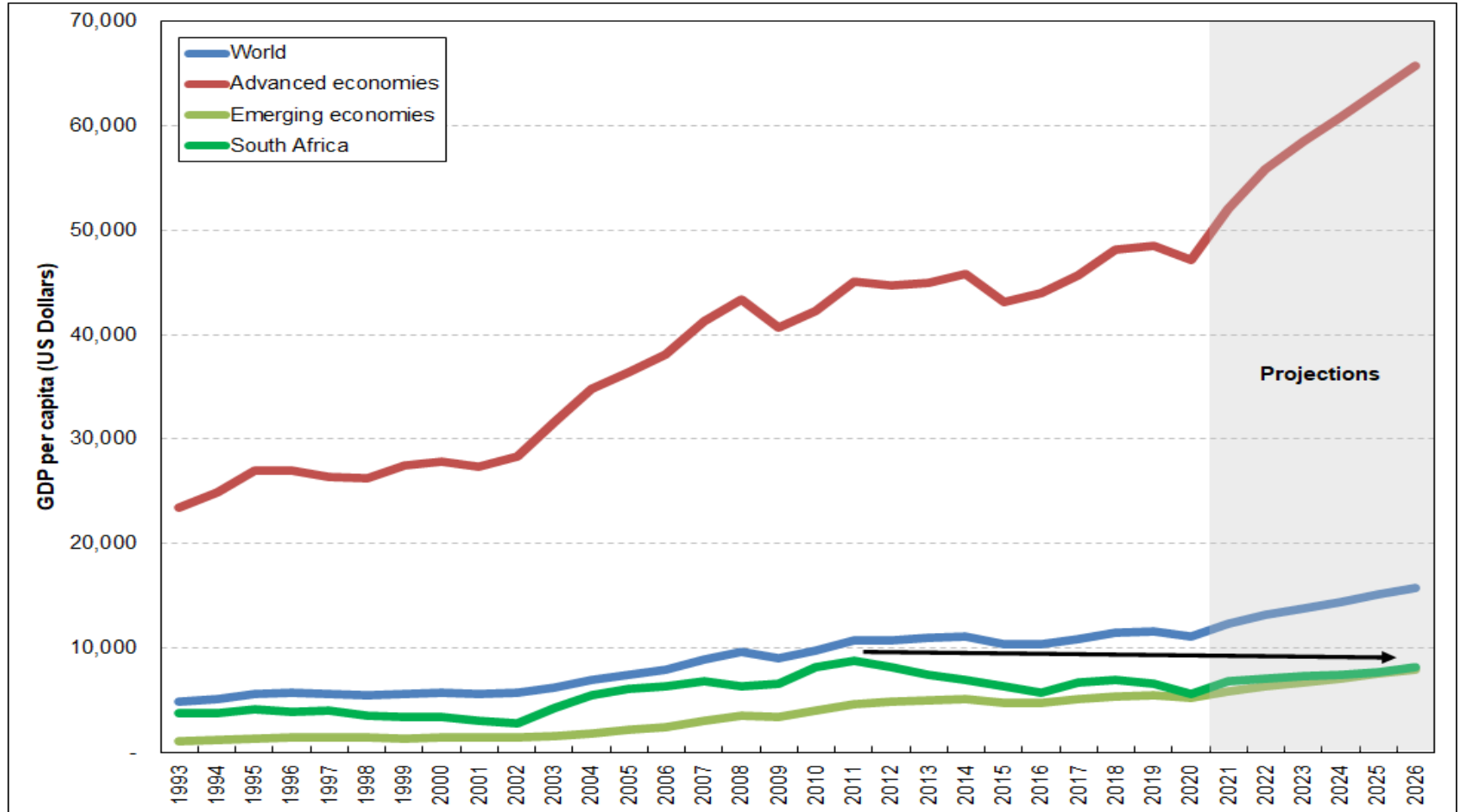
ECONOMIC GROWTH

STRONG ALL-ROUND REBOUND EXPECTED THIS YEAR, BEFORE SA REVERTS TO SUB-PAR TREND...



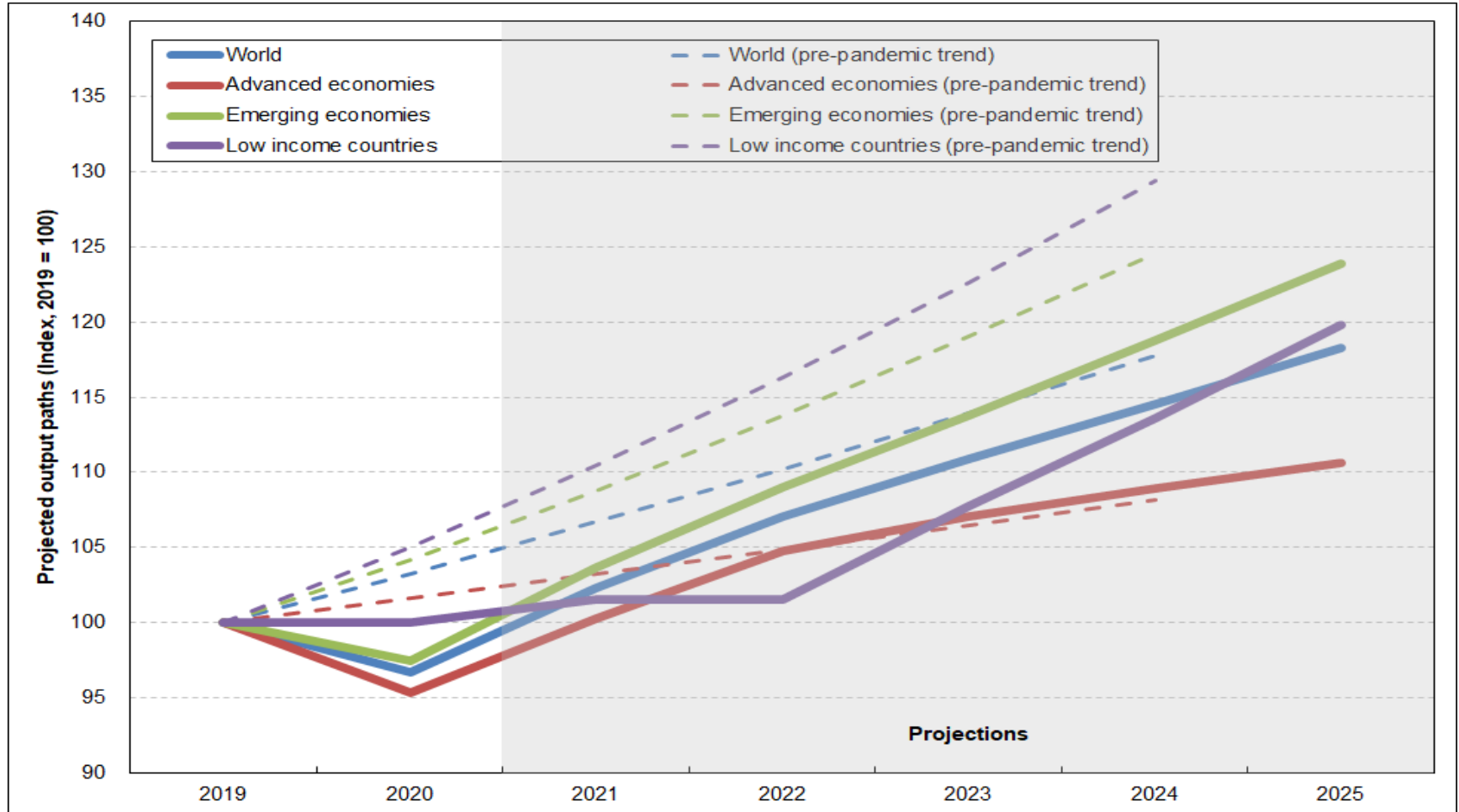
ECONOMIC GROWTH

...AND SA GDP PER CAPITA LOOKS SET TO REMAIN BELOW 2011 LEVELS FOR THE FORESEEABLE FUTURE



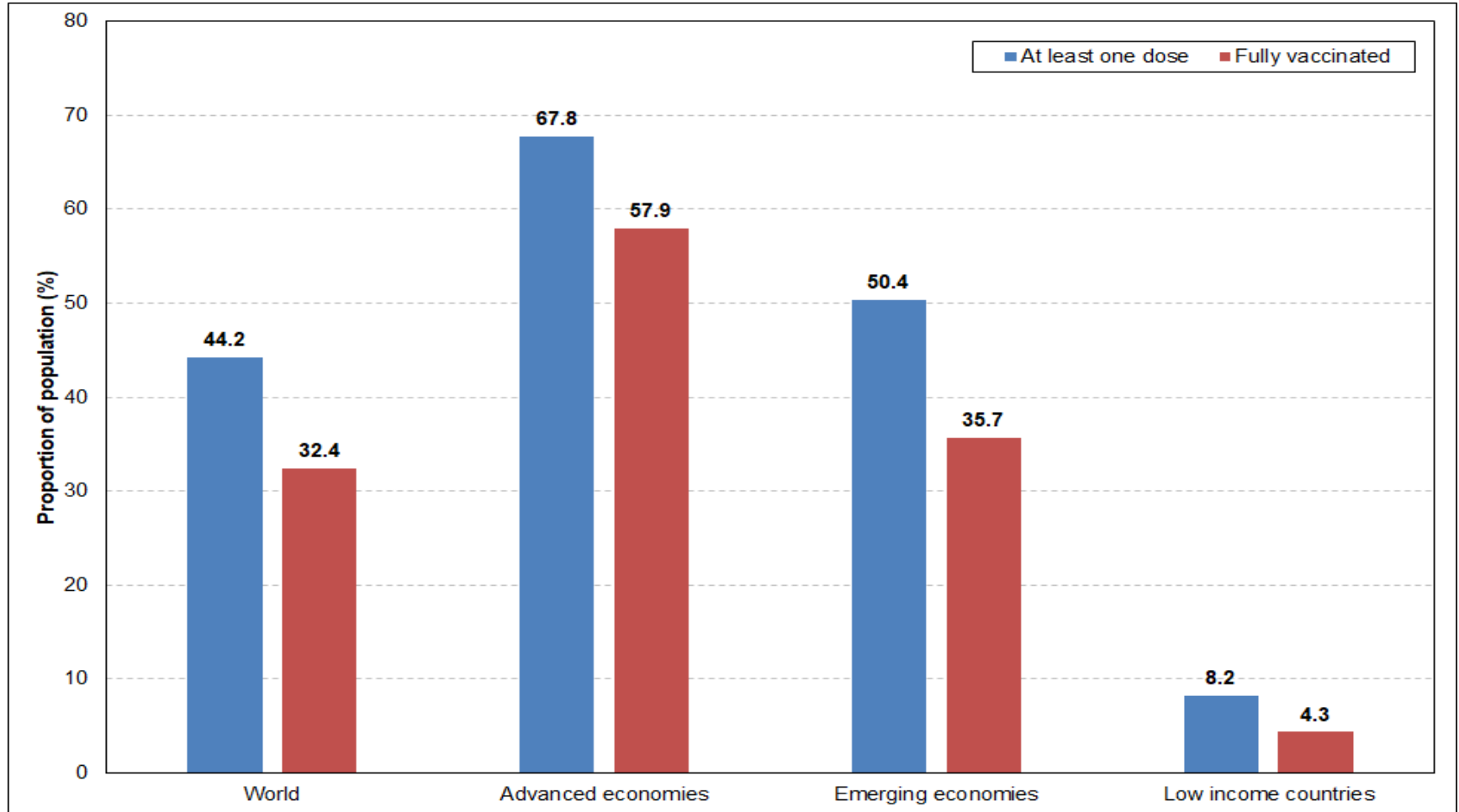
ECONOMIC GROWTH

STIMULUS-FUELED ADVANCED ECONOMIES TO SURPASS PRE-PANDEMIC OUTPUT LEVELS NEXT YEAR



COVID-19

THE GREAT VACCINE DIVIDE



COVID-19

THE GREAT VACCINE DIVIDE

