

# **MONTH IN PICTURES**

**DECEMBER  
2021**

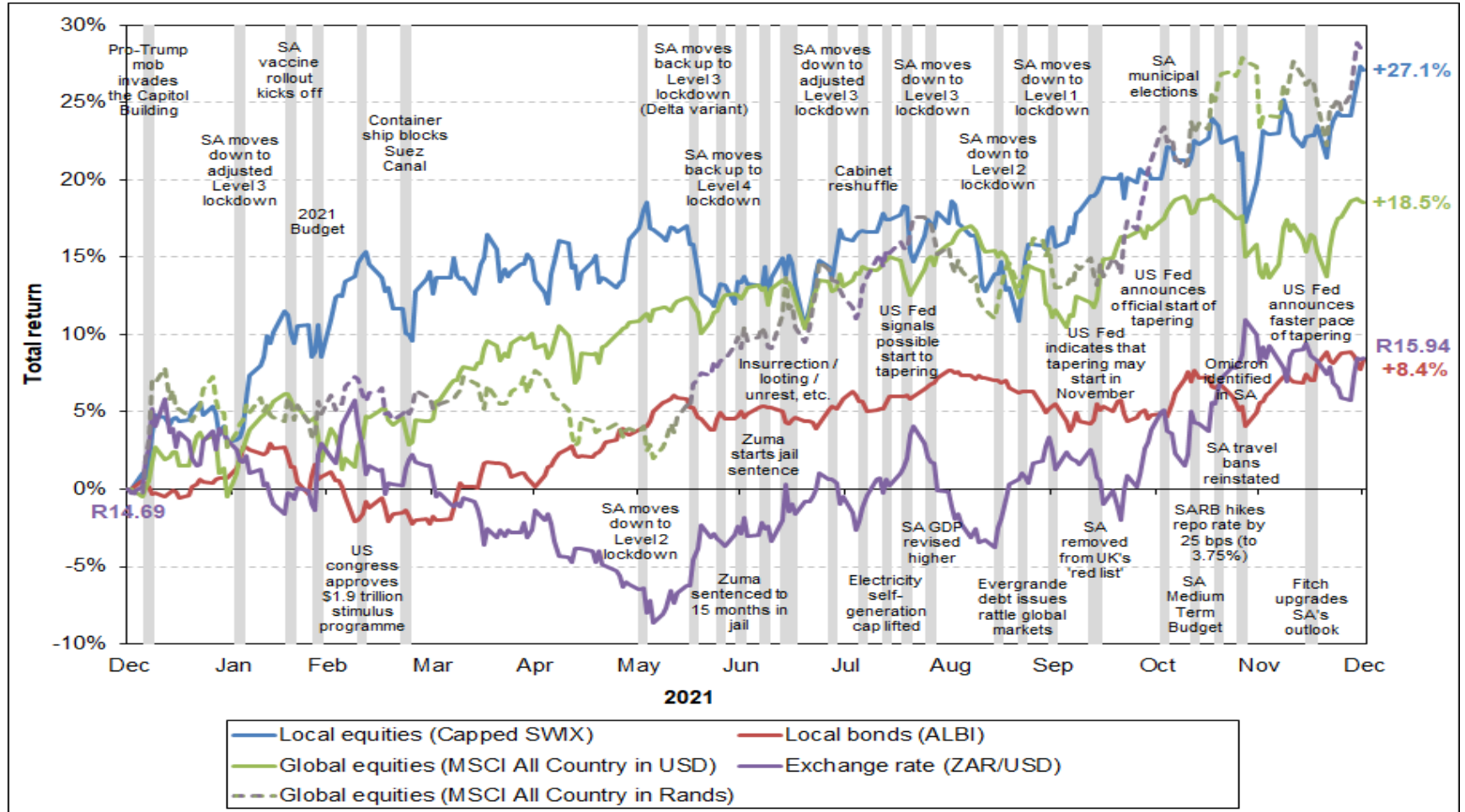
# MONTHLY SNAPSHOT

## NOTABLE EVENTS

- The year ended on a high note with solid positive returns from most of the major asset classes. Equity markets in particular did quite well, shrugging off any concerns around Omicron and rising interest and inflation rates by returning more than 4% in December, thereby producing double-digit returns in the final quarter of the year (ALSI = +15% and MSCI AC World = +13% in 2021 Q4).
- The returns for 2021 therefore leaves very little to complain about, with both local and global equity markets ending the year almost 30% higher (ALSI = +29.2%, Capped SWIX = +27.1% and MSCI AC World (in rands) = +28.6%). Global equity markets were once again propped up by the US (+37%), while China's slump (-15%) resulted in South Africa's emerging market peers delivering just +5.7% for the year.
- At local sector level returns were strong across the board, with Resources leading the charge for the sixth year in a row (with a return of +32.3%), while Industrials returned +26.5% and Financials delivered +29.6%.
- In the local fixed income market, the standout performer for the quarter (+5.1%) and the year (+15.5%) was inflation-linked bonds. Nominal bonds still delivered decent returns of +2.9% in 2021 Q4 and +8.4% for the year though, with the riskier longer duration bonds (12+ years) outperforming (Q4 = +4.1% and 2021 = +12.6%).
- Cash (+3.8%) was one of the few major asset classes unable to give local investors a real return in 2021 (the other was global bonds). Although we've now embarked on the rate hiking cycle (there have been hikes of 0.25% each in November 2021 and January 2022), it might take some time for record low cash returns to beat inflation (+5.9% year-on-year) once again.
- The Rand didn't fare as well, depreciating by 5.8% against the US Dollar over the quarter and by 8.5% for the year as a whole.
- Despite receiving a boost from the weaker rand, global bonds barely managed to break even in 2021 (+0.9% in rands)
- Locally this was the best year for the stock market in nearly a decade, resulting in the average (high equity) balanced fund delivering a return of +20% for the year. Although local bonds (+8%) and cash (+4%) had a far less exciting year, most conservative (i.e., low and medium equity) balanced funds also managed to deliver returns comfortably in excess of 10% in 2021.
- Medium term returns for most retirement funds have also improved markedly over the quarter. Using the average high equity balanced fund as an example, the 3-year return stood at approximately +12% p.a. at the end of the year (up from less than 4% p.a. at the start of the year), which is meaningfully ahead of cash, inflation and typical real return targets, despite last year's crash, an ongoing pandemic and a stagnating local economy (the last time 3-year returns were at these levels was back in 2015/2016).
- 5-year returns are not quite at the same level yet, but with returns of around 8-9% p.a., the average balanced fund has now outperformed most of its money market and/or income fund alternatives over this period. As before, long term returns for most retirement funds remain on target, despite the many intervening periods when short/medium term results may have disappointed.

# ANNUAL TIMELINE

## IMPACT ON MARKETS



# MARKET INDICATORS

## SHORT TERM

Market indicators (% change) <sup>1</sup>		Oct 2021	Nov 2021	Dec 2021	3 months	12 months
Local equities	ALSI	5.2	4.5	4.8	15.1	29.2
	Capped SWIX	2.7	0.9	4.9	8.7	27.1
	Resources	8.4	6.5	5.3	21.6	32.3
	Industrials	6.7	5.7	2.9	16.1	26.5
	Financials	(3.2)	(2.6)	8.7	2.5	29.6
	Listed Property	(1.7)	2.2	7.9	8.3	36.9
Local bonds	ALBI	(0.5)	0.7	2.7	2.9	8.4
Local cash	STeFI Composite	0.3	0.3	0.3	1.0	3.8
Global equities	MSCI All Country	6.3	1.7	4.4	12.8	28.6
Global bonds	FTSE WGBI	0.8	4.1	(0.3)	4.6	0.9
Exchange rate	ZAR/USD	1.2	4.2	0.3	5.8	8.5
Inflation	CPI	0.2	0.5	0.6	1.3	5.9

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

# MARKET INDICATORS

## MEDIUM TO LONG TERM

Market indicators (% change) <sup>1</sup>		1 year	3 years	5 years	10 years	15 years
Local equities	ALSI	29.2	15.7	11.4	12.2	10.8
	Capped SWIX	27.1	10.9	7.2	10.7	10.0
	Resources	32.3	27.3	22.9	7.8	7.1
	Industrials	26.5	15.5	9.3	14.0	13.5
	Financials	29.6	1.6	2.9	10.2	8.1
	Listed Property	36.9	(2.9)	(4.4)	5.9	8.6
Local bonds	ALBI	8.4	9.1	9.1	8.2	8.3
Local cash	STeFI Composite	3.8	5.5	6.2	6.2	7.0
Global equities	MSCI All Country	28.6	24.7	17.9	19.7	13.1
Global bonds	FTSE WGBI	0.9	6.4	6.1	8.1	8.8
Exchange rate	ZAR/USD	8.5	3.6	3.1	7.0	5.7
Inflation	CPI	5.9	4.3	4.4	5.0	5.6

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

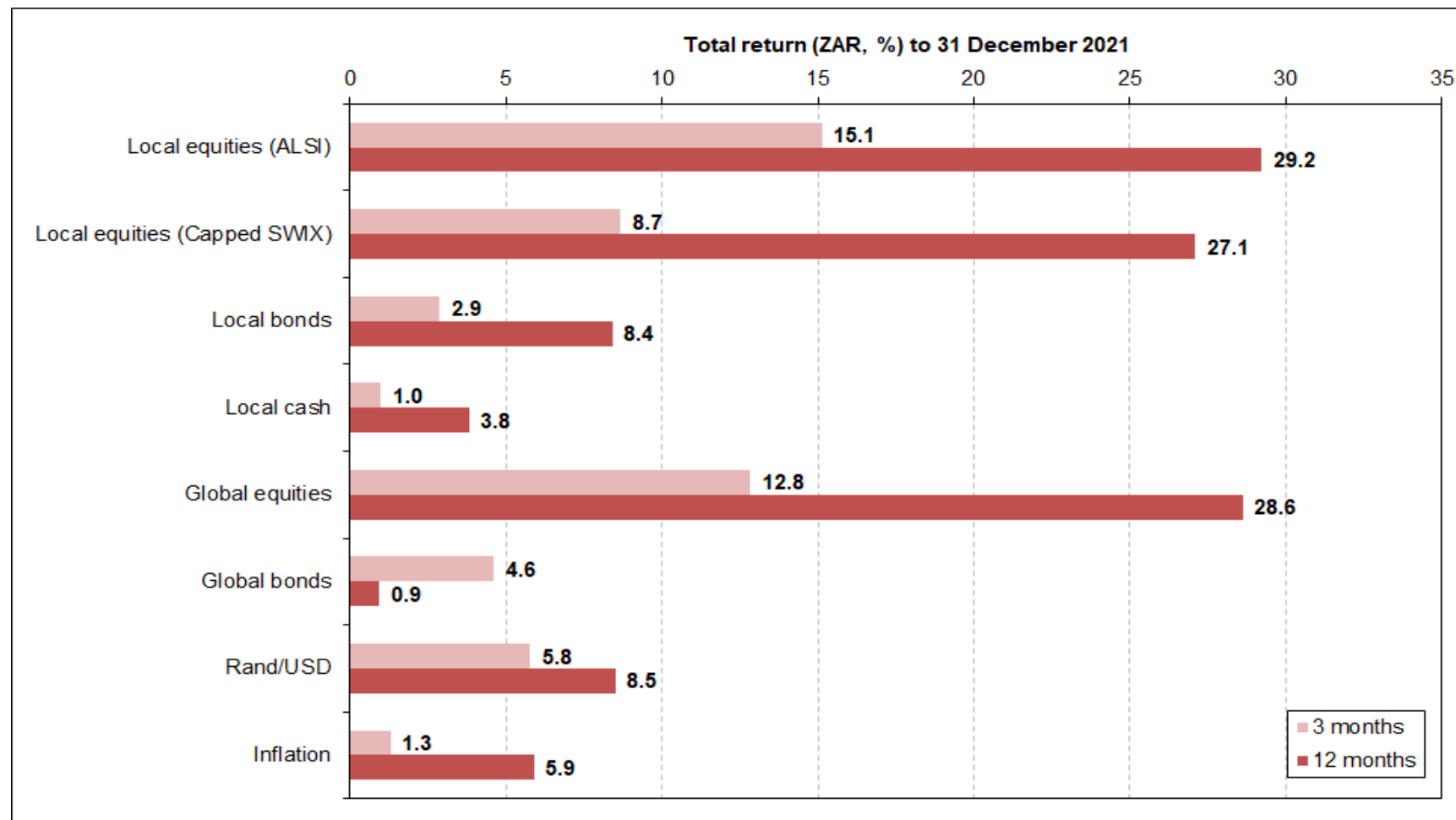
# ECONOMIC INDICATORS

Economic indicators <sup>1</sup>	Dec 2019	Dec 2020	Oct 2021	Nov 2021	Dec 2021
<b>Exchange rates:</b>					
ZAR/USD	14.00	14.69	15.25	15.89	15.94
ZAR/GBP	18.56	20.08	20.86	21.13	21.56
ZAR/Euro	15.69	17.95	17.58	18.01	18.13
<b>Commodities:</b>					
Brent Crude Oil (USD/barrel)	66.15	51.80	83.72	69.23	77.78
Platinum (USD/ounce)	971.38	1,069.93	1,023.00	952.76	969.00
Gold (USD/ounce)	1,524.46	1,894.23	1,783.42	1,793.14	1,829.32

1. Month-end prices

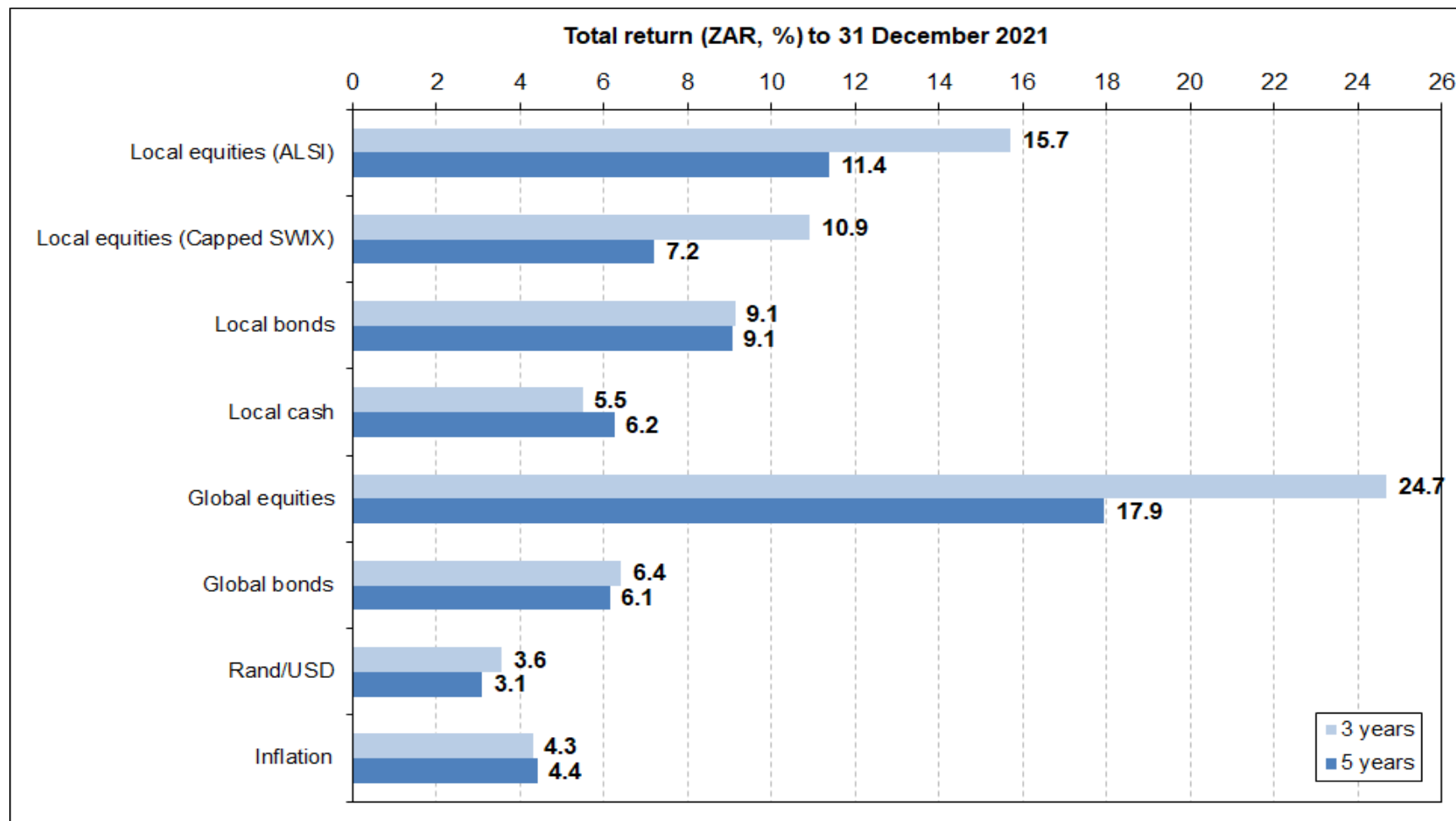
# ASSET CLASS PERFORMANCE

## SHORT TERM



# ASSET CLASS PERFORMANCE

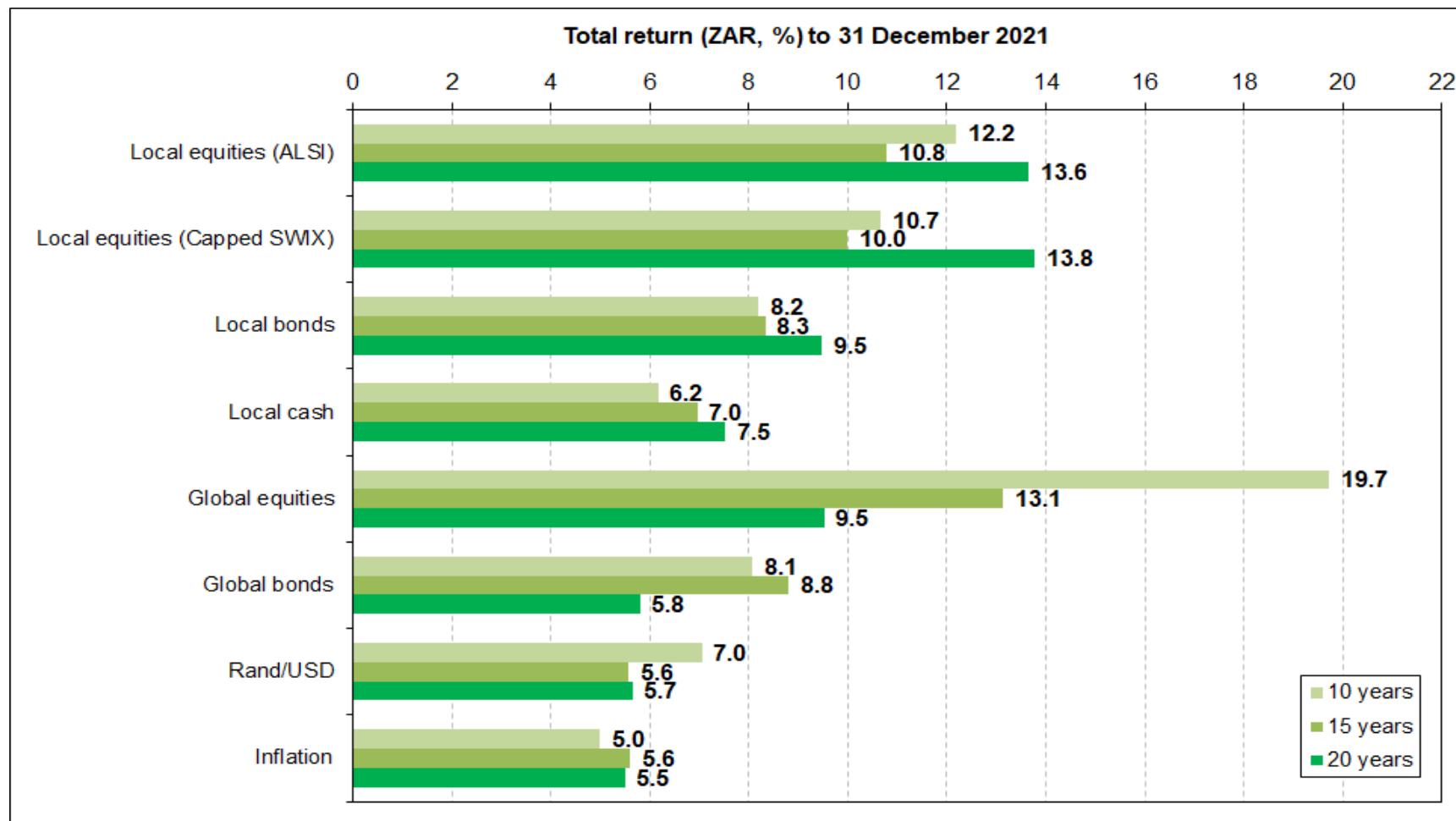
## MEDIUM TERM





# ASSET CLASS PERFORMANCE

## LONG TERM



# 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:

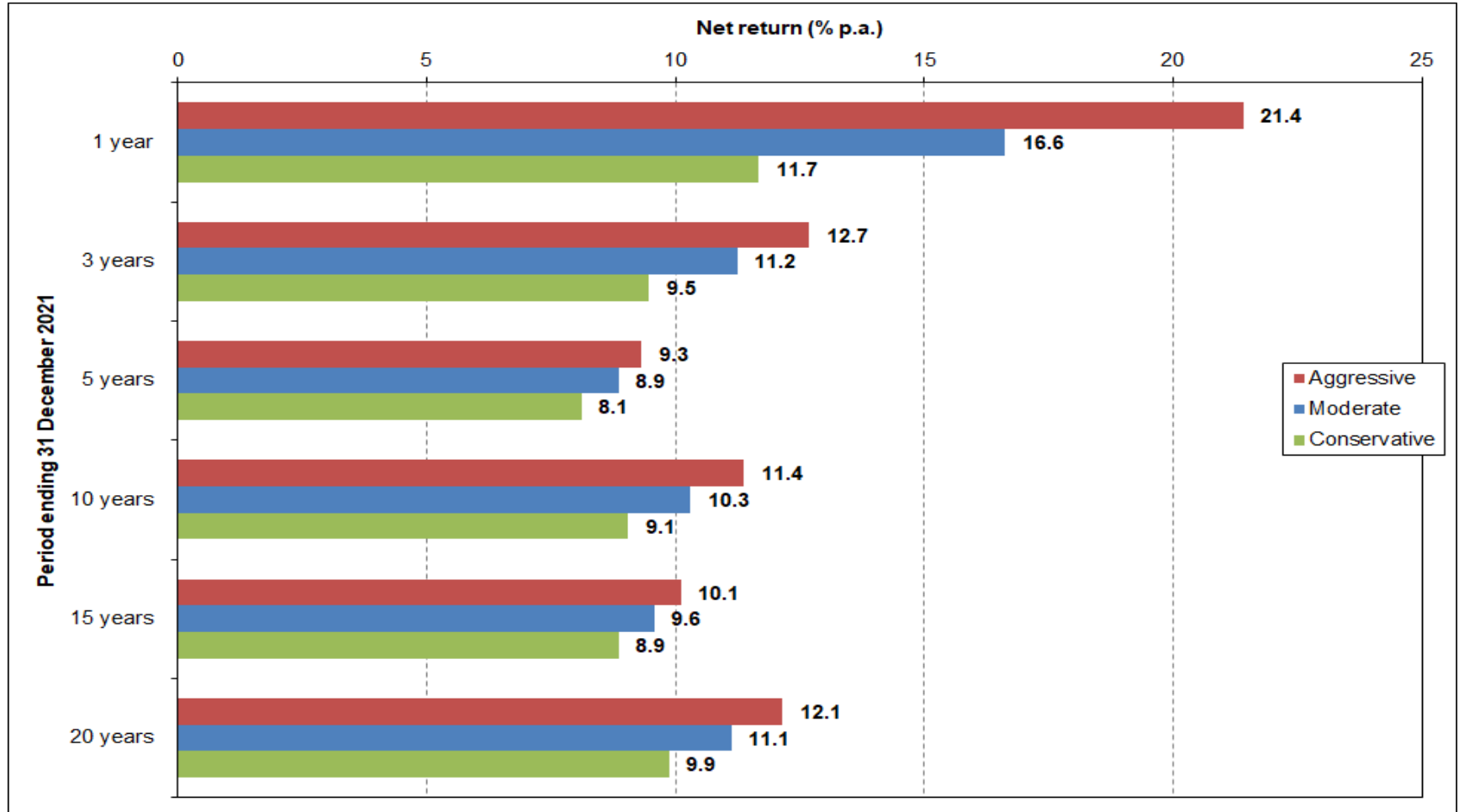
- The offshore allocation is kept at 5% below the prevailing regulatory maximum (15% to 2000, 20% to 2006, 25% to 2018 & currently at 30%).
- The equity allocation varies according to the risk profile, and is set at 75% for Aggressive, 55% for Moderate and 35% for Conservative, which applies to both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

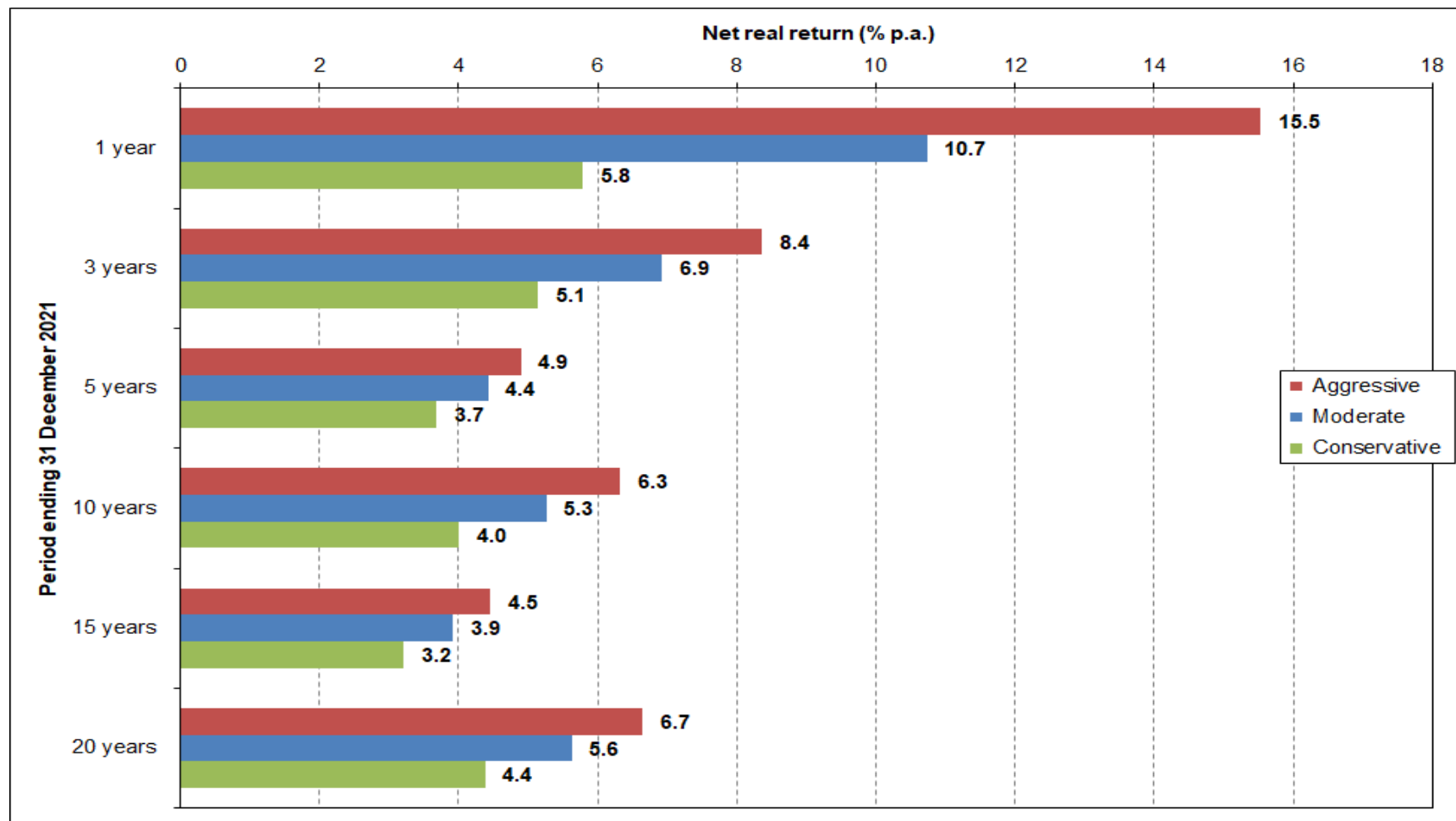
# MARKET PERFORMANCE

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



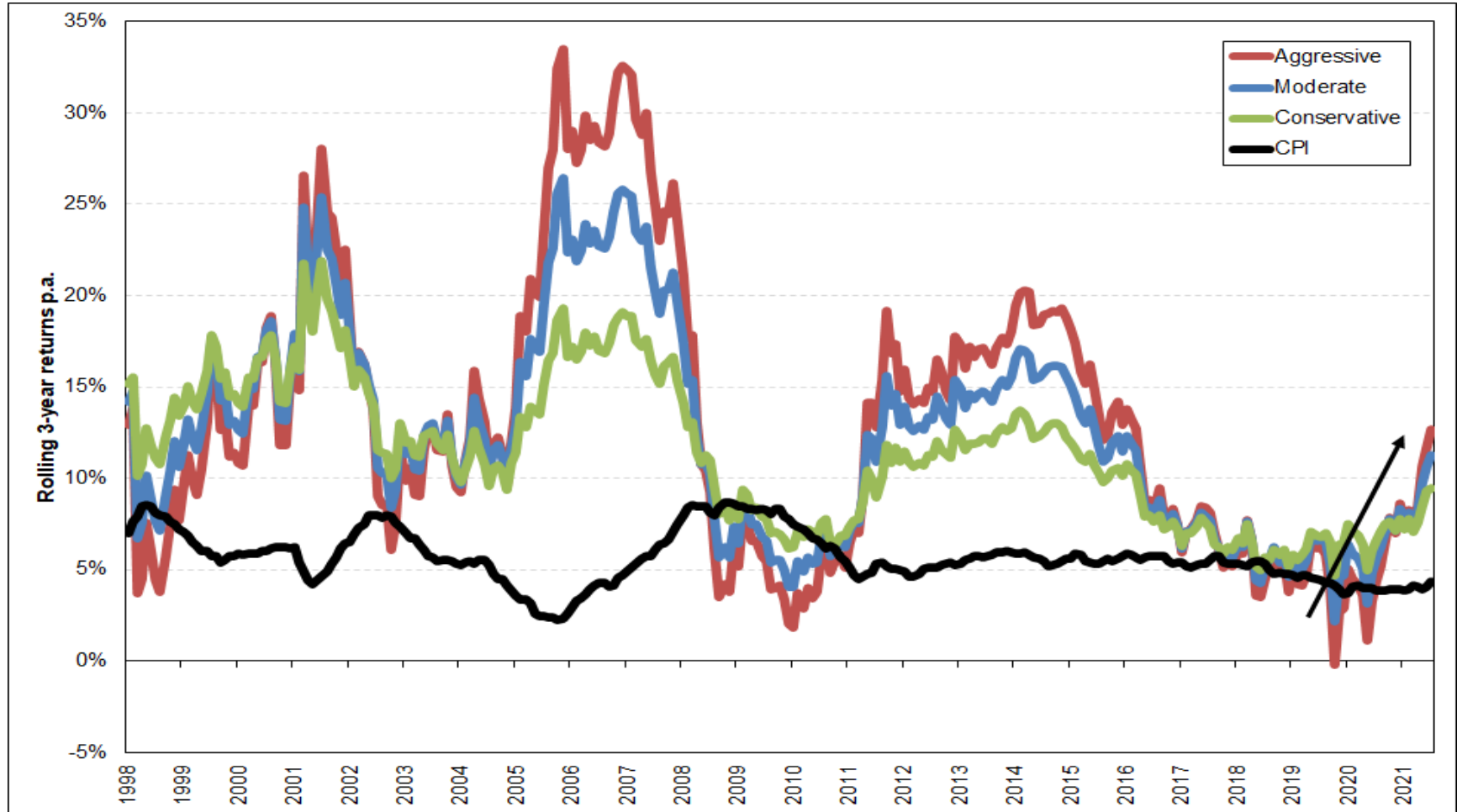
# MARKET PERFORMANCE

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

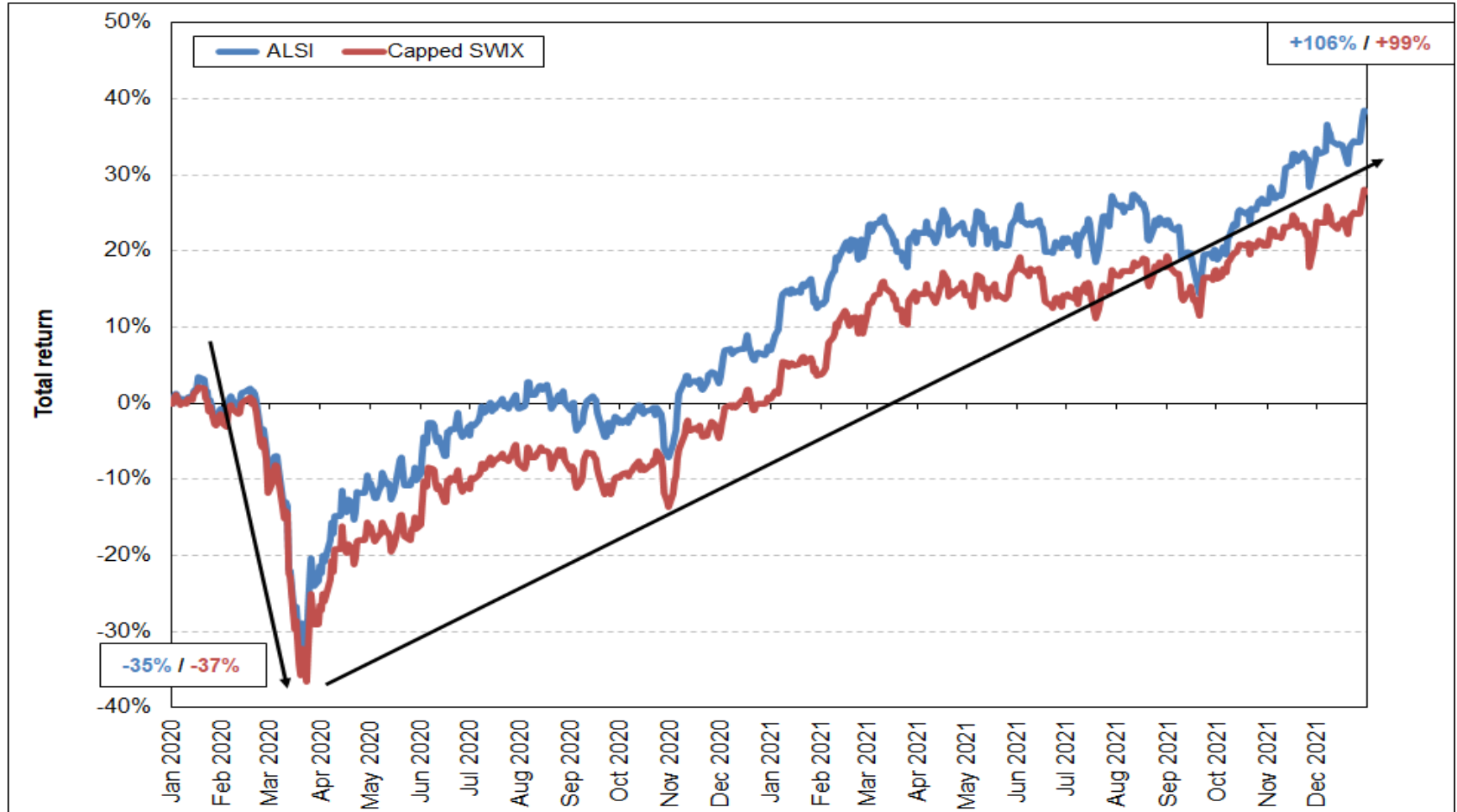


# MARKET PERFORMANCE

## MEDIUM TERM RETURNS SHOWING SOME NOTABLE IMPROVEMENT

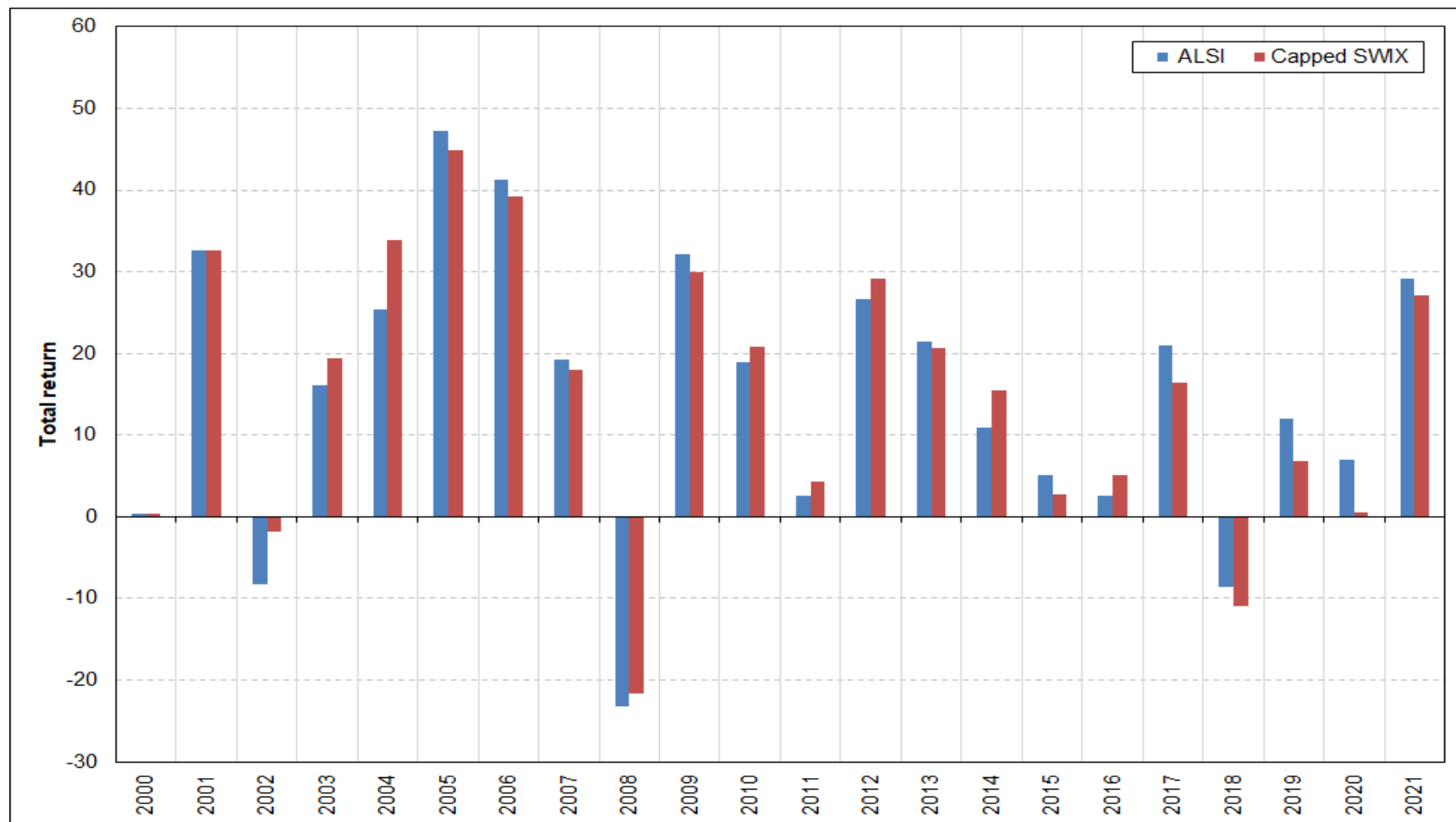


# LOCAL EQUITY MARKET HAS NOW DOUBLED FROM ITS 2020 LOWS



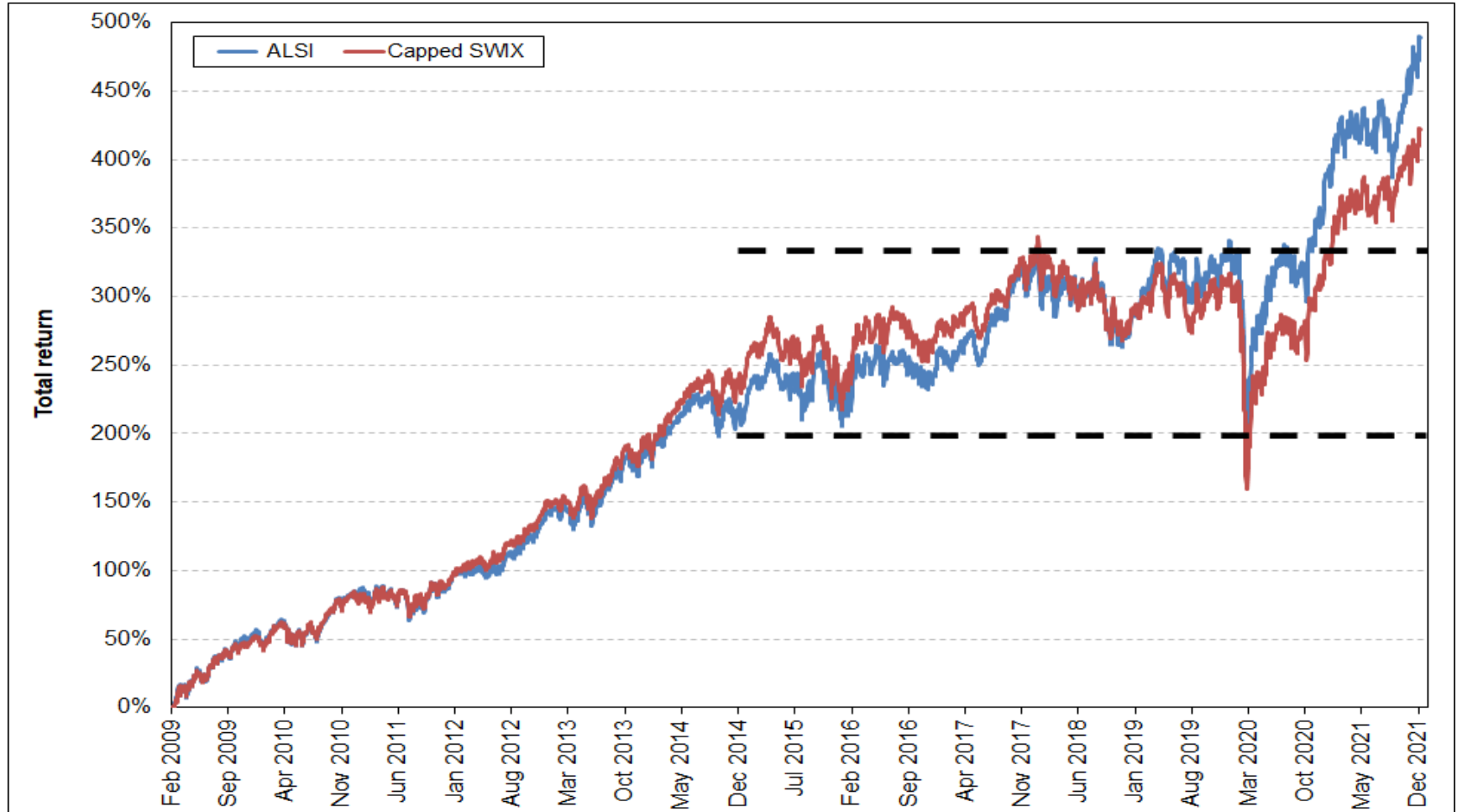
# 2021 IN REVIEW: LOCAL EQUITIES

## BEST CALENDAR YEAR SINCE 2009 (ALSI) / 2012 (CAPPED SWIX)



# LOCAL EQUITY MARKET

## AFTER 7 LEAN YEARS, WILL 7 YEARS OF PLENTY FOLLOW?





# 2021 IN REVIEW: ASSET CLASSES

## STRONG RETURNS ACROSS THE BOARD, 2020 LOSSES RECOVERED BY MOST

Total asset class returns (in %) at 31 December 2021					
Asset classes		3 months		1 year	2 years
Local	Equities	ALSI	15.1	29.2	17.6
		CAPI	14.4	31.7	18.4
		SWIX	8.3	21.1	11.5
		Capped SWIX	8.7	27.1	13.1
		Resources	21.6	32.3	26.6
		Industrials	16.1	26.5	19.0
		Financials	2.5	29.6	2.0
		Property	8.3	36.9	-5.3
		Top40	16.3	28.4	18.8
		Mid Cap	3.8	28.9	5.1
		Small Cap	8.8	59.1	25.9
		Value	12.5	39.3	14.5
		Growth	16.3	18.3	18.8
	Interest-bearing	ALBI	2.9	8.4	8.5
		ALBI (1-3 yrs)	1.4	4.2	7.8
		ALBI (3-7 yrs)	1.1	2.5	9.2
		ALBI (7-12 yrs)	2.3	6.9	8.7
		ALBI (12+ yrs)	4.1	12.6	8.5
		Government bonds	2.8	8.3	8.4
		Non-government bonds	3.5	9.6	9.4
		Inflation-linked bonds	5.1	15.5	9.7
		Cash	1.0	3.8	4.6
	ZAR/USD		5.8	8.5	6.7
	Global (ZAR)	Equities (All Country)	12.8	28.6	25.3
		Equities (Developed)	14.0	32.2	26.8
		Equities (Emerging)	4.4	5.7	14.6
		Bonds	4.6	0.9	8.0

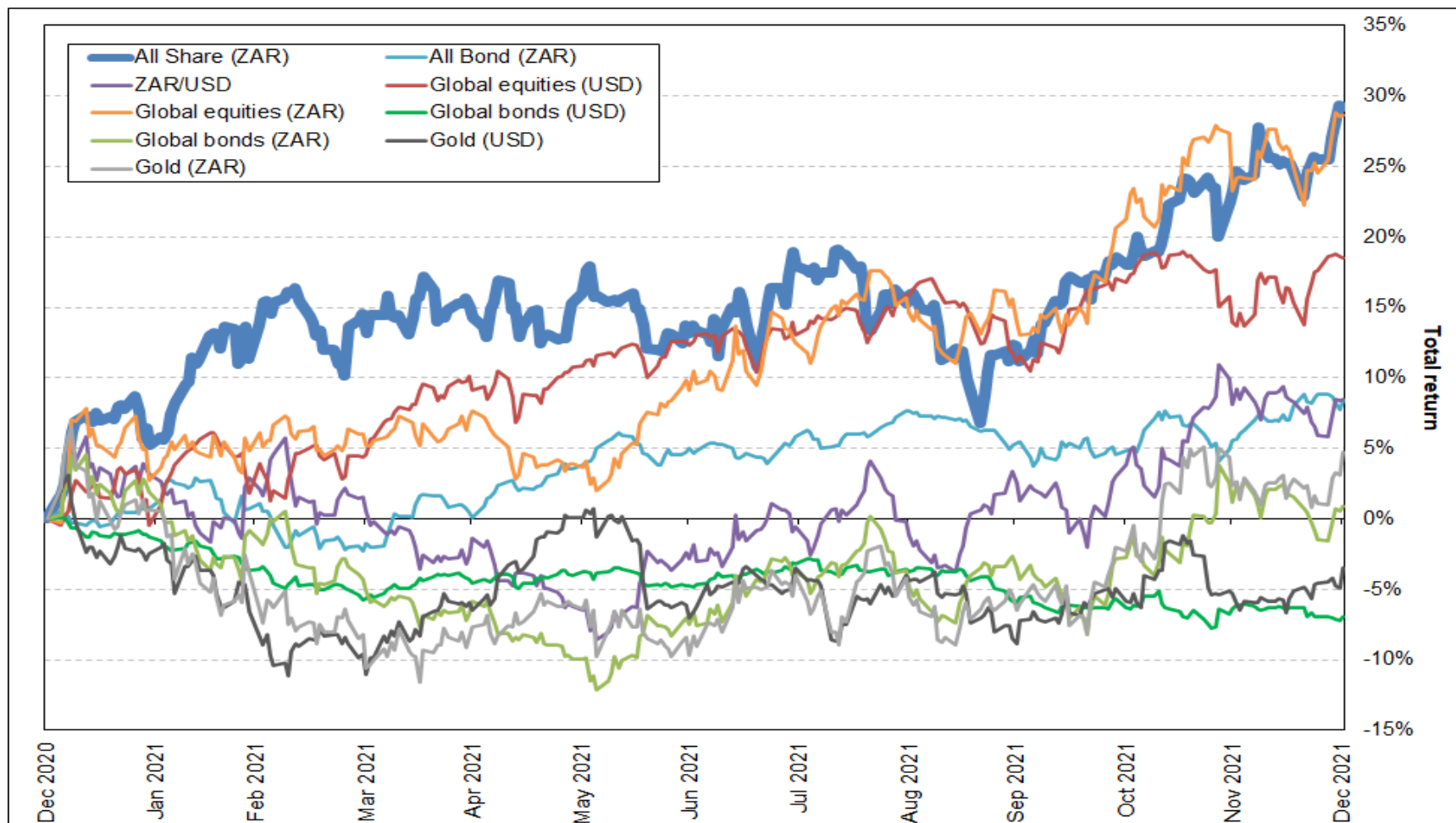
# 2021 IN REVIEW: UNIT TRUSTS

## STRONG RETURNS ACROSS THE BOARD , 2020 LOSSES RECOVERED BY MOST

Average unit trust returns (in %) at 31 December 2021							
ASISA category		3 months		1 year		2 years	
South Africa	Equities	General	<div><div></div></div> 9.5	<div><div></div></div> 26.7	<div><div></div></div> 13.7		
		Resources	<div><div></div></div> 22.9	<div><div></div></div> 36.1	<div><div></div></div> 30.9		
		Industrial	<div><div></div></div> 8.6	<div><div></div></div> 19.8	<div><div></div></div> 17.6		
		Financial	<div><div></div></div> 3.2	<div><div></div></div> 28.6	<div><div></div></div> 2.8		
		Property	<div><div></div></div> 8.6	<div><div></div></div> 37.9	<div><div></div></div> -3.7		
		Large Cap	<div><div></div></div> 11.3	<div><div></div></div> 23.0	<div><div></div></div> 14.0		
		Mid/Small Cap	<div><div></div></div> 8.0	<div><div></div></div> 38.9	<div><div></div></div> 14.3		
	Interest-bearing	Variable Term	<div><div></div></div> 3.2	<div><div></div></div> 9.4	<div><div></div></div> 8.5		
		Short Term	<div><div></div></div> 1.2	<div><div></div></div> 4.7	<div><div></div></div> 5.5		
		Money Market	<div><div></div></div> 0.9	<div><div></div></div> 3.7	<div><div></div></div> 4.6		
	Multi Asset	Flexible	<div><div></div></div> 6.8	<div><div></div></div> 22.1	<div><div></div></div> 14.1		
		High Equity	<div><div></div></div> 7.3	<div><div></div></div> 20.3	<div><div></div></div> 12.5		
		Medium Equity	<div><div></div></div> 6.7	<div><div></div></div> 17.3	<div><div></div></div> 11.2		
		Low Equity	<div><div></div></div> 5.0	<div><div></div></div> 13.5	<div><div></div></div> 9.3		
		Income	<div><div></div></div> 1.9	<div><div></div></div> 6.7	<div><div></div></div> 6.3		
Global	Equities	General	<div><div></div></div> 9.4	<div><div></div></div> 22.9	<div><div></div></div> 21.6		
		Property	<div><div></div></div> 16.8	<div><div></div></div> 38.7	<div><div></div></div> 16.0		
	Interest-bearing	Variable Term	<div><div></div></div> 4.7	<div><div></div></div> 1.9	<div><div></div></div> 8.2		
		Short Term	<div><div></div></div> 4.3	<div><div></div></div> 4.7	<div><div></div></div> 6.2		
	Multi Asset	Flexible	<div><div></div></div> 8.6	<div><div></div></div> 17.9	<div><div></div></div> 15.5		
		High Equity	<div><div></div></div> 8.5	<div><div></div></div> 17.4	<div><div></div></div> 16.5		
		Medium Equity	<div><div></div></div> 9.6	<div><div></div></div> 14.7			
Low Equity		<div><div></div></div> 6.5	<div><div></div></div> 11.0	<div><div></div></div> 10.3			

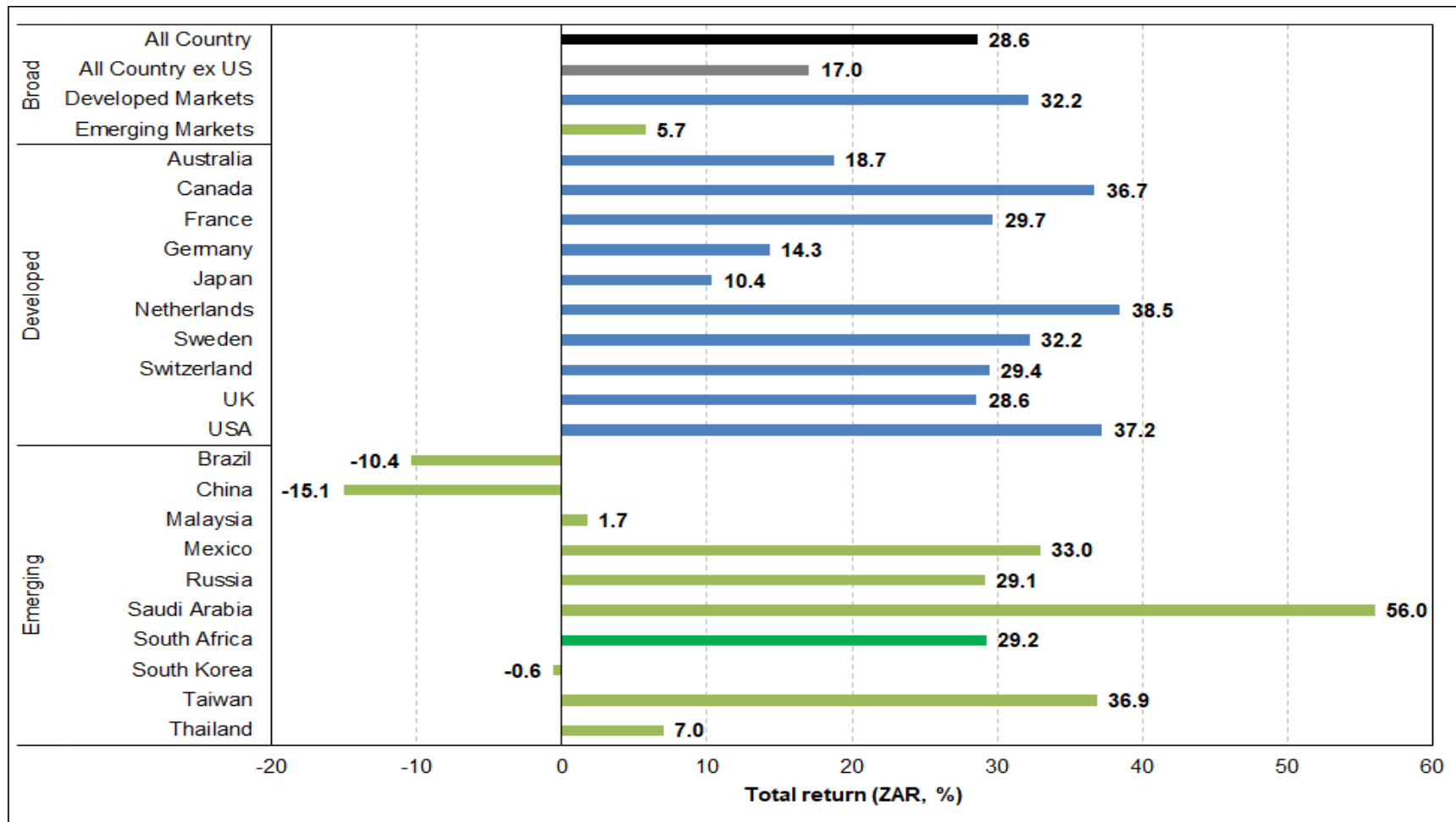
# 2021 IN REVIEW: ASSET CLASSES

## EQUITY MARKETS THE PLACE TO BE



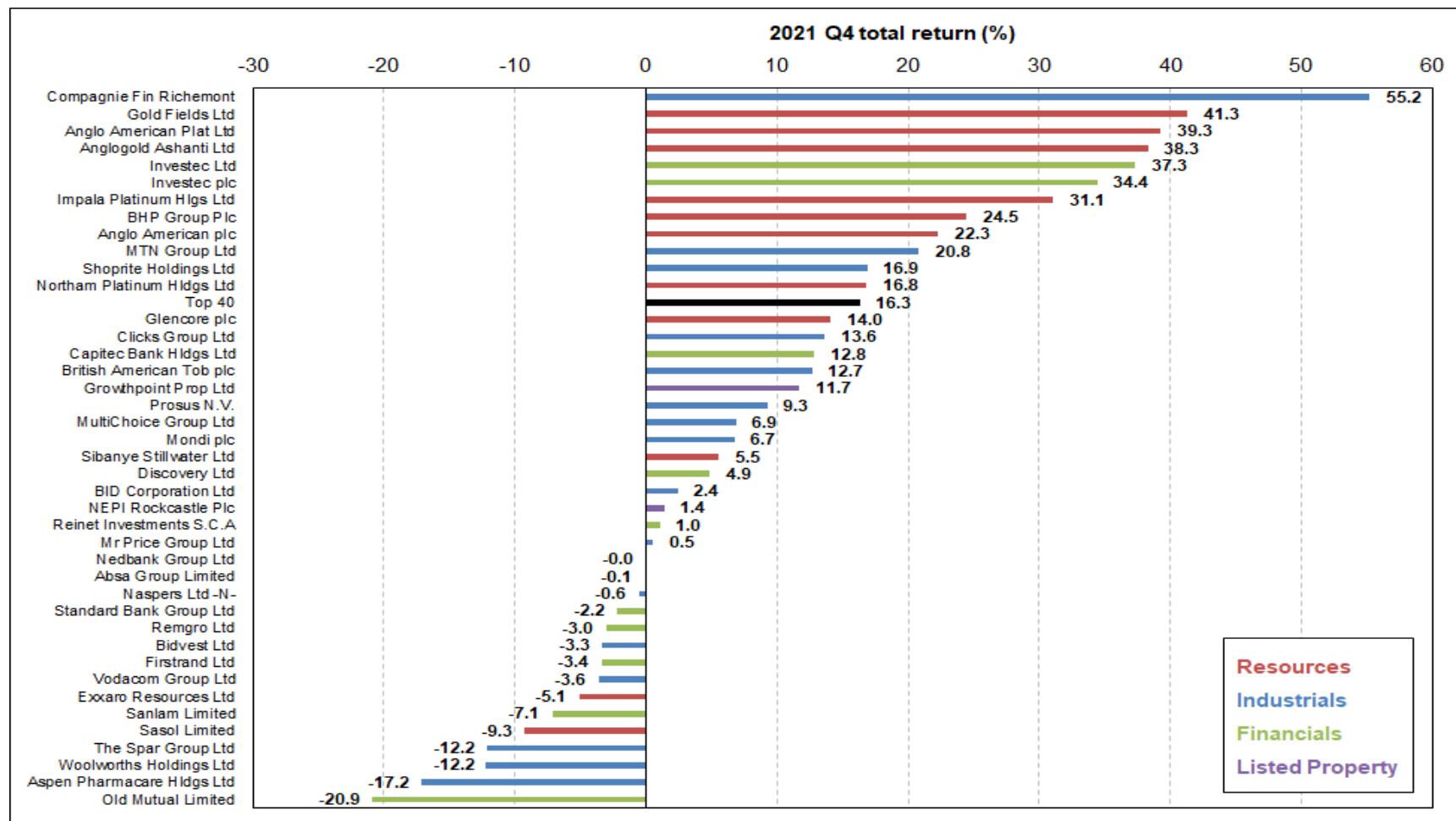
# 2021 IN REVIEW: GLOBAL EQUITIES

## GOOD SHOWING BY SOUTH AFRICA, ESPECIALLY COMPARED TO OUR EMERGING MARKET PEERS



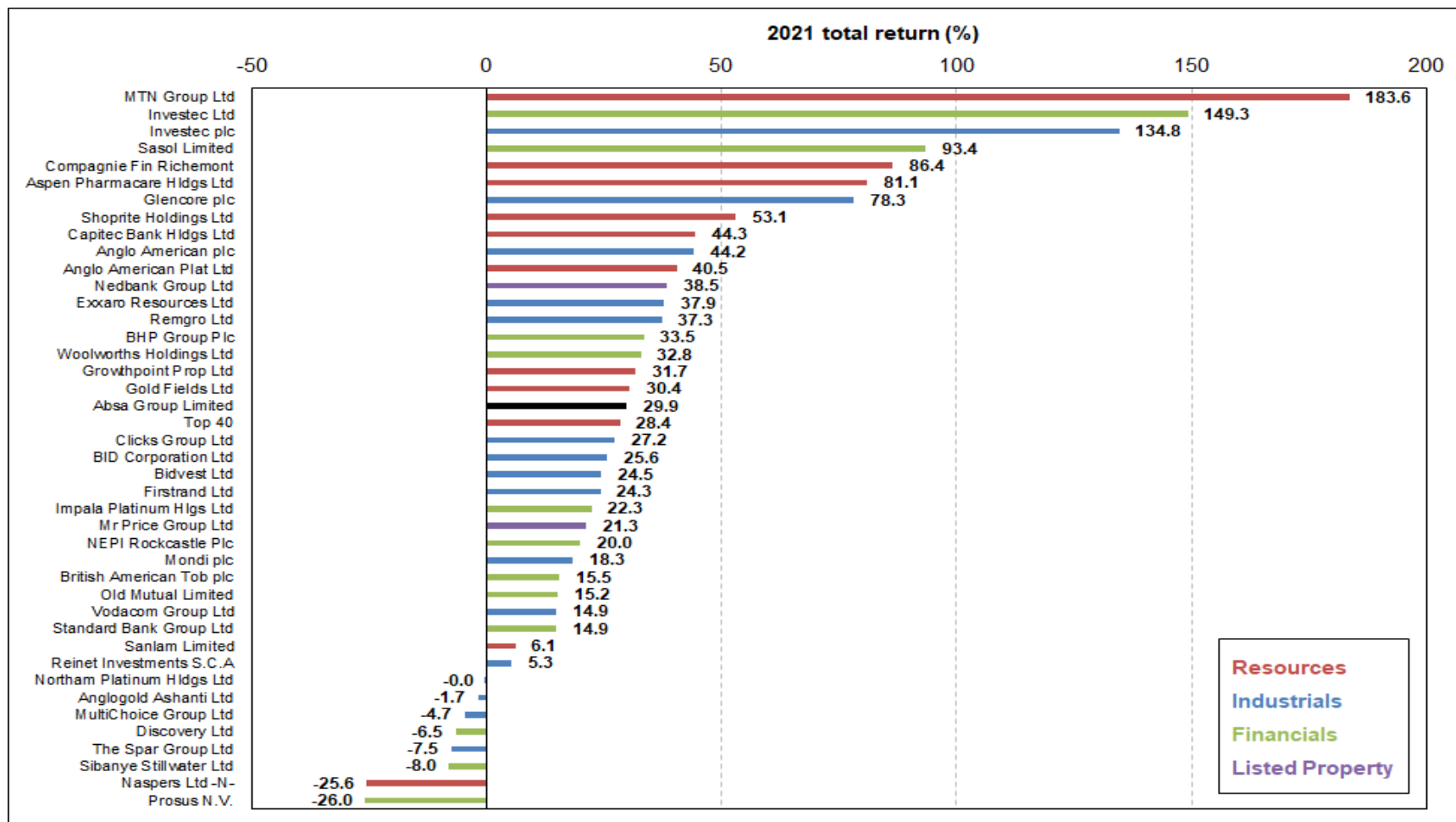
# 2021 IN REVIEW: LOCAL EQUITIES

## RICHEMONT AND PRECIOUS METAL MINERS RULE THE ROOST IN Q4



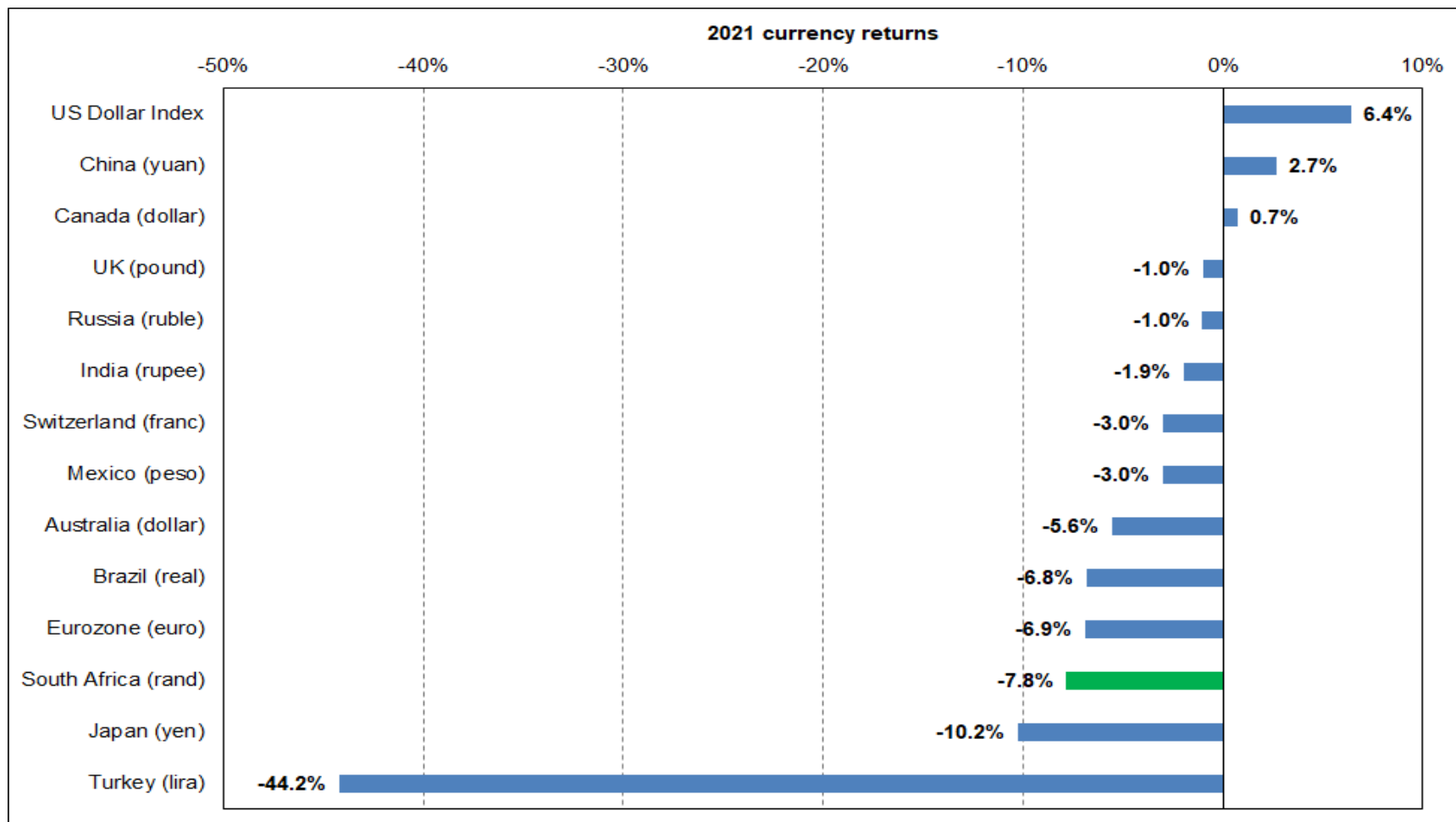
# 2021 IN REVIEW: LOCAL EQUITIES

## MTN, INVESTEC & SASOL PROVIDE TRIPLE DIGIT GAINS, WHILE NASPERS/PROSUS SUFFER DOUBLE DIGIT LOSSES



# 2021 IN REVIEW: CURRENCIES

## US DOLLAR STRENGTHENS AGAINST MOST CURRENCIES



# ASSET CLASS 'SMARTIE BOX'

## LOCAL GROWTH ASSETS MAKE A COMEBACK IN 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	3 years	5 years	10 years
Nominal ZAR total return p.a.	35.9%	51.3%	26.6%	35.0%	15.5%	21.0%	16.0%	23.5%	30.4%	36.9%	24.7%	17.9%	19.7%
	26.7%	23.2%	15.2%	31.8%	10.2%	17.2%	15.0%	16.1%	22.0%	29.2%	16.6%	13.1%	12.2%
	20.9%	21.4%	10.9%	30.2%	7.4%	12.1%	14.6%	12.0%	15.6%	28.6%	15.7%	11.4%	8.7%
	16.0%	18.3%	10.6%	21.1%	6.7%	10.2%	7.7%	10.3%	8.7%	8.5%	9.1%	9.1%	8.2%
	11.4%	8.4%	10.1%	8.0%	2.6%	7.5%	7.2%	7.3%	7.0%	8.4%	6.4%	6.2%	8.1%
	5.8%	5.4%	10.1%	6.5%	-4.0%	4.7%	5.1%	4.0%	5.4%	5.9%	5.5%	6.1%	7.0%
	5.7%	5.2%	8.6%	5.3%	-4.5%	1.9%	4.5%	3.3%	5.0%	4.8%	4.3%	4.4%	6.2%
	5.5%	0.6%	5.9%	5.1%	-10.0%	-2.8%	-8.5%	1.9%	3.1%	3.8%	3.6%	3.1%	5.9%
	4.1%	-11.2%	5.3%	-3.9%	-11.5%	-9.6%	-25.3%	-2.5%	-34.5%	0.9%	-2.9%	-4.4%	5.0%
	Local equities	Local property	Local bonds	Local cash	US Dollar	Global equities	Global bonds	Gold	Inflation				

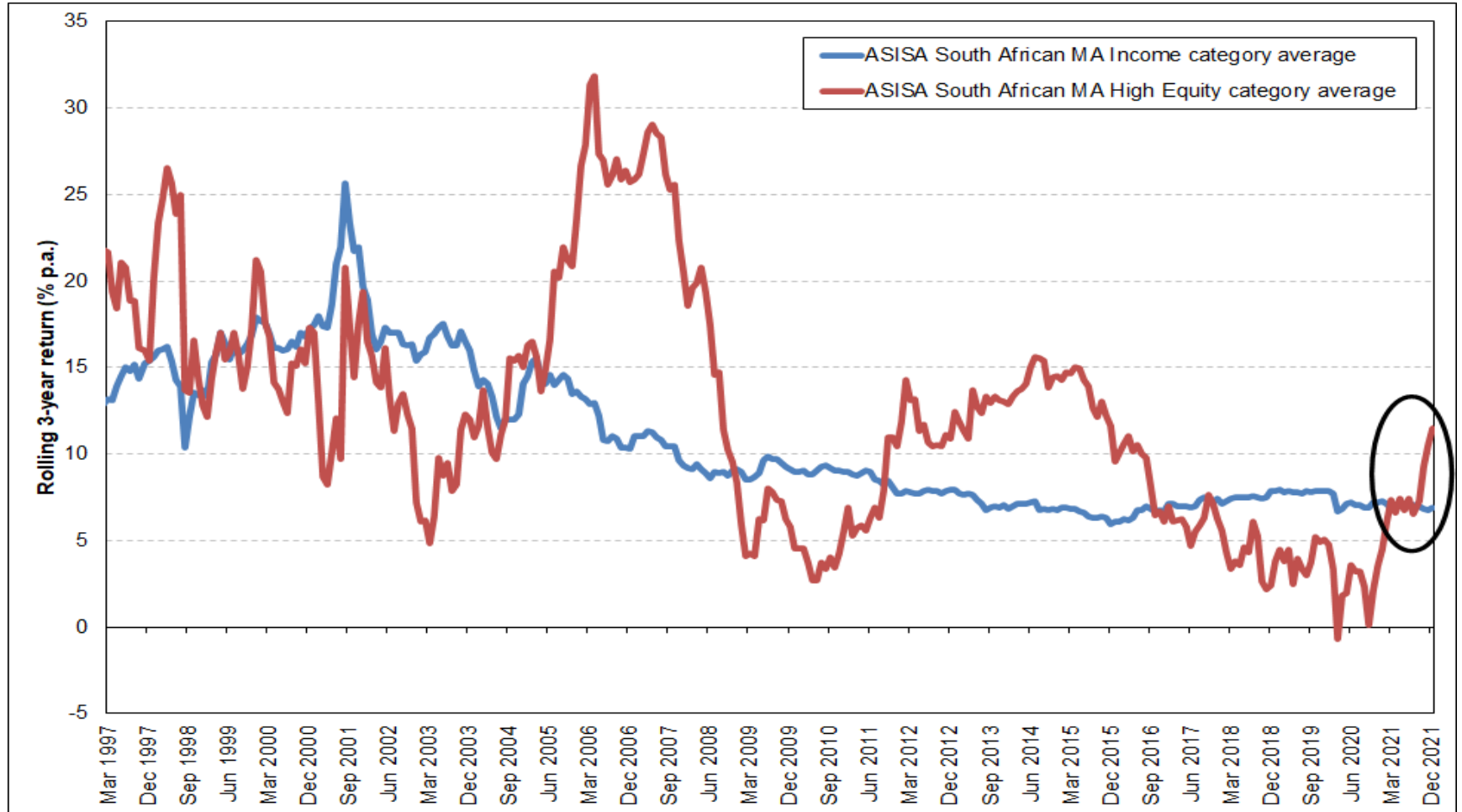


# LARGE MANAGER 'SMARTIE BOX'

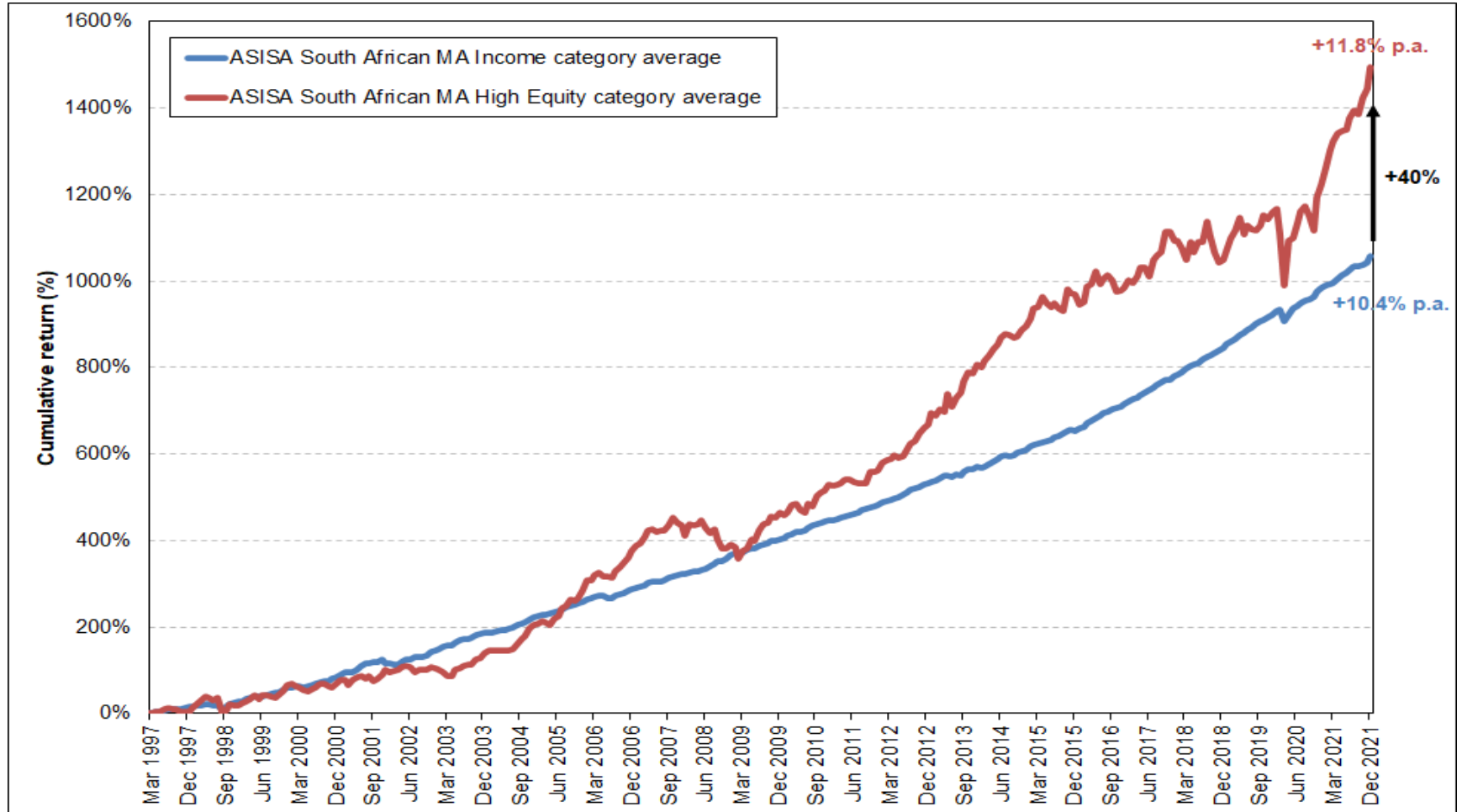
## A VERY GOOD YEAR ALL ROUND, BUT CORONATION, NINETY ONE AND M&G DOMINATE LONG TERM RESULTS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	3 years	5 years	7 years	10 years
	25.6%	28.9%	13.3%	15.4%	7.0%	14.6%	-0.9%	14.5%	11.9%	26.8%	16.7%	11.5%	10.0%	13.1%
	24.6%	25.3%	12.9%	12.8%	6.9%	14.2%	-0.9%	13.7%	10.8%	25.8%	13.9%	10.7%	10.0%	12.7%
	22.7%	24.8%	12.1%	10.5%	6.6%	14.1%	-1.0%	12.5%	10.5%	24.7%	13.4%	10.2%	9.5%	12.4%
	21.7%	24.0%	12.1%	9.0%	4.4%	13.8%	-1.0%	12.2%	8.1%	24.0%	13.3%	10.0%	8.9%	11.4%
	21.5%	23.7%	11.7%	8.9%	3.8%	12.4%	-1.2%	11.6%	5.4%	22.5%	13.0%	9.4%	8.8%	11.2%
	20.7%	23.1%	11.6%	8.8%	3.4%	12.1%	-1.7%	10.9%	5.2%	22.0%	12.8%	9.3%	8.4%	11.2%
	20.2%	23.1%	11.6%	8.8%	3.4%	11.5%	-2.0%	10.5%	5.2%	21.9%	12.6%	8.6%	7.9%	11.2%
	20.0%	22.3%	11.3%	8.4%	3.2%	11.3%	-2.4%	9.8%	3.8%	20.3%	12.2%	8.4%	7.8%	11.0%
	20.0%	21.6%	11.0%	8.2%	1.7%	8.6%	-3.1%	9.4%	3.4%	19.6%	11.2%	8.4%	7.8%	10.8%
	19.9%	20.8%	10.3%	6.5%	0.5%	7.8%	-3.9%	8.2%	2.1%	17.4%	10.9%	8.3%	7.6%	10.7%
	15.4%	16.7%	9.7%	5.7%	0.4%	6.6%	-4.9%	6.6%	1.2%	16.1%	10.5%	8.2%	7.4%	10.2%
	Absa	Allan Gray	Coronation	Foord	M&G	Ninety One	Oasis	Old Mutual	Sanlam	Stanlib	AF LMW median			

# 'AGGRESSIVE' VS CONSERVATIVE 'RISK'-TAKING PAYING OFF ONCE AGAIN...



# 'AGGRESSIVE' VS CONSERVATIVE ...BUT YOU HAVE TO BE IN IT TO WIN IT...



# 'AGGRESSIVE' VS CONSERVATIVE

## ...WHICH SEEMS EASIER IN THEORY, THAN IN PRACTICE, JUDGING BY INDUSTRY ASSET FLOWS...

