

**MONTH IN PICTURES**

**FEBRUARY 2022**

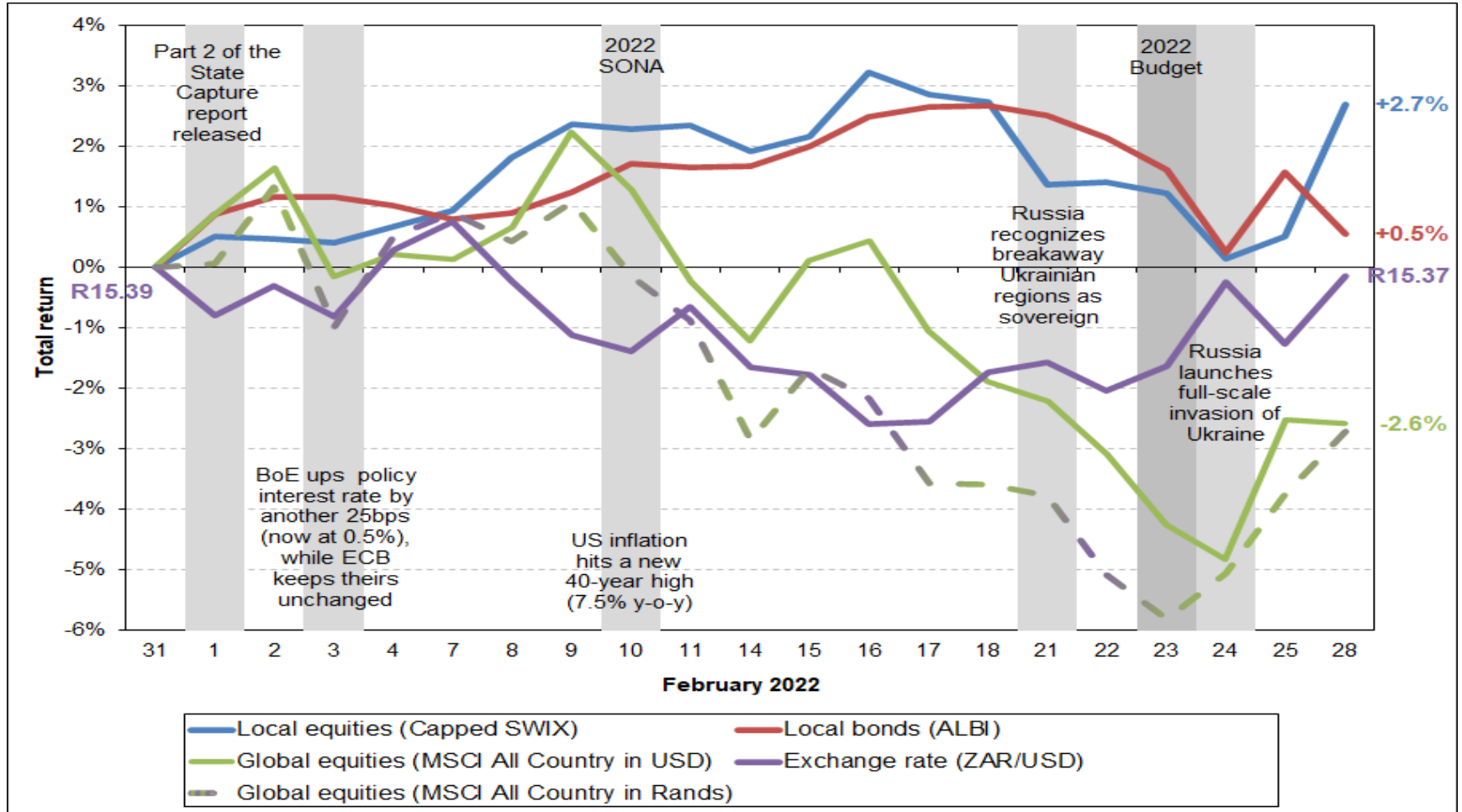
# MONTHLY SNAPSHOT

## NOTABLE EVENTS

- February provided no reprieve for global markets as Russia's invasion of Ukraine added to investors' concerns around rising inflation and interest rates. Global equity markets lost 2.6% for the month, while global bonds ended the month 1.1% lower (both in US Dollars). With the Rand essentially flat (moving from R15.39 to R15.37/USD), the local currency returns from these asset classes were almost identical (-2.7% and -1.2% respectively).
- Local markets defied the odds for a second month in a row, with local equities ending the month almost 3% higher (ALSI = +2.9% & Capped SWIX = +2.7%), while local bonds delivered +0.5%. On the equity market Resources (+16.1%) was the main driver of returns (benefitting from spiking commodity prices), but Financials (+3.8%) also made a positive contribution. Industrials (-7.4%) ended the month lower as the regulatory onslaught on Chinese tech companies continued to batter the share prices of Naspers & Prosus.
- The SA economy grew by 1.2% in 2021 Q4, ending 2021 with a final growth figure of 4.9%. This follows 2020's contraction of 6.4%, which means that the local economy is yet to fully recover its pandemic losses.
- Faced with inflation running at multi-decade highs (7.9% y-o-y), the US Fed hiked interest rates (by 0.25%) for the first time since December 2018.
- The SA Reserve Bank continued on its hiking cycle, announcing the third 0.25% interest rate hike in a row, thereby bringing the repo rate to 4.25% and the prime lending rate to 7.75%. Although local inflation (5.7% y-o-y) remains relatively well contained for now, globally it has been rising (and is currently higher than in SA, even in many developed nations) and the SARB's inflation expectations for 2022 has increased noticeably since the last meeting (from 4.9% to 5.8%).
- As Russia's assault on Ukraine continued into March, local asset classes remained largely shielded from the double-digit losses delivered by many of the global asset classes. Despite the turmoil most local asset classes are still in positive territory year-to-date (with local equities outperforming bonds and cash), compared to local currency losses of around 15% from global markets (equities *and* bonds).

# MONTHLY TIMELINE

## IMPACT ON MARKETS



# MARKET INDICATORS

## SHORT TERM

Market indicators (% change) <sup>1</sup>		Dec 2021	Jan 2022	Feb 2022	3 months	12 months
Local equities	ALSI	4.8	0.9	2.9	8.8	20.5
	Capped SWIX	4.9	2.4	2.7	10.2	23.1
	Resources	5.3	3.6	16.1	26.7	35.7
	Industrials	2.9	(1.9)	(7.4)	(6.6)	3.5
	Financials	8.7	3.5	3.8	16.7	36.4
	Listed Property	7.9	(2.9)	(3.3)	1.4	22.4
Local bonds	ALBI	2.7	0.8	0.5	4.1	9.0
Local cash	STeFI Composite	0.3	0.3	0.3	1.0	3.9
Global equities	MSCI All Country	4.4	(8.2)	(2.7)	(6.8)	9.5
Global bonds	FTSE WGBI	(0.3)	(5.5)	(1.2)	(6.9)	(5.0)
Exchange rate	ZAR/USD	0.3	(3.5)	(0.1)	(3.3)	1.6
Inflation	CPI	0.6	0.2	0.6	1.4	5.7

1. Total returns (in Rands) for the months and periods ending 28 February 2022.

# 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	20.5	14.8	12.0	11.8	10.8
	Capped SWIX	23.1	11.3	8.1	10.4	10.0
	Resources	35.7	30.1	27.6	9.2	8.1
	Industrials	3.5	10.3	6.7	12.1	12.5
	Financials	36.4	2.7	4.4	9.9	8.3
	Listed Property	22.4	(5.8)	(5.8)	4.7	7.4
Local bonds	ALBI	9.0	8.7	8.9	8.1	8.3
Local cash	STeFI Composite	3.9	5.3	6.1	6.1	6.9
Global equities	MSCI All Country	9.5	16.7	15.0	18.0	12.0
Global bonds	FTSE WGBI	(5.0)	4.5	5.3	8.1	8.0
Exchange rate	ZAR/USD	1.6	2.9	3.2	7.5	5.1
Inflation	CPI	5.7	4.4	4.2	5.0	5.7

1. Total returns (in Rands) for the months and periods ending 28 February 2022.

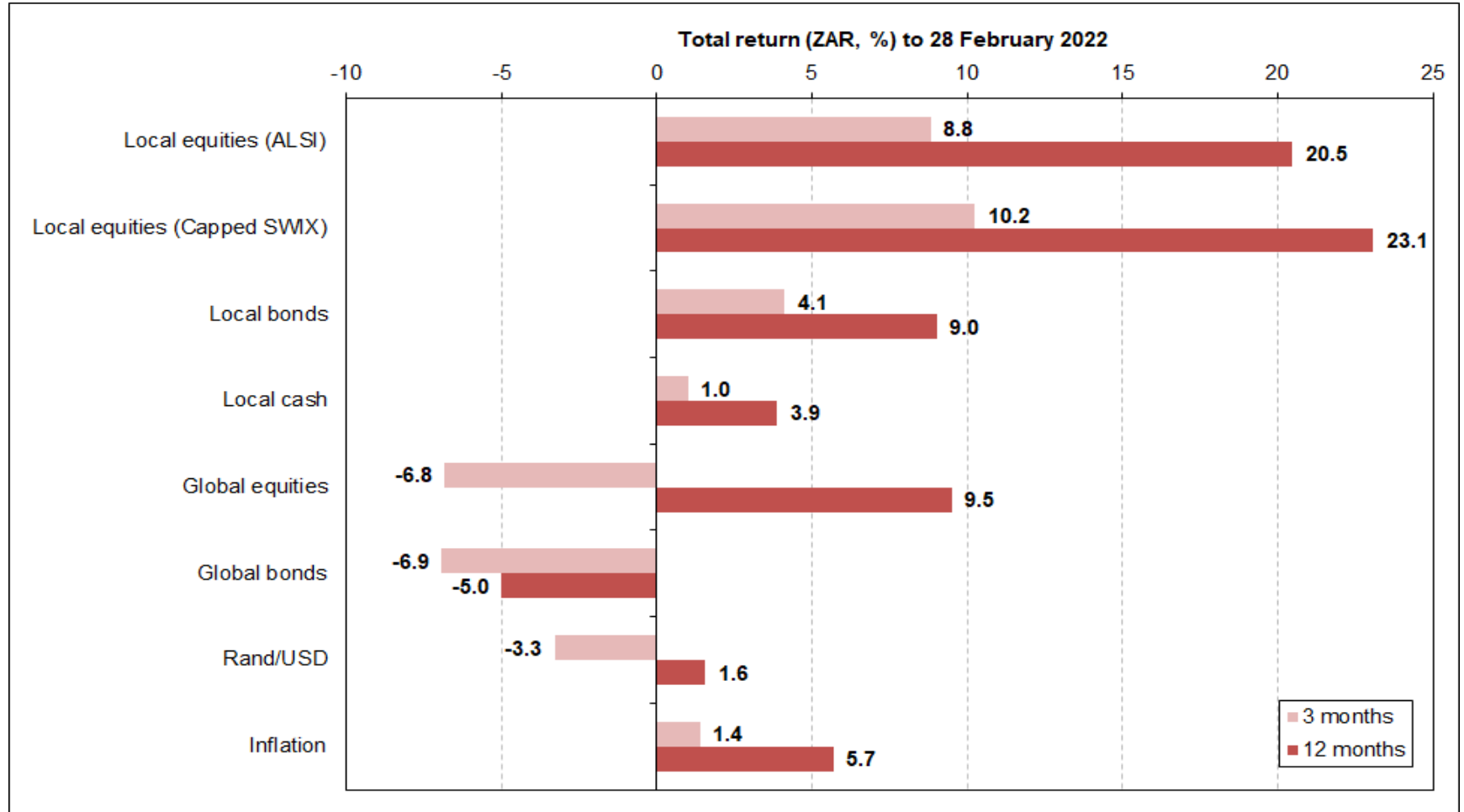
# ECONOMIC INDICATORS

Economic indicators <sup>1</sup>	Feb 2020	Feb 2021	Dec 2021	Jan 2022	Feb 2022
<b>Exchange rates:</b>					
ZAR/USD	15.65	15.13	15.94	15.39	15.37
ZAR/GBP	20.07	21.08	21.56	20.69	20.62
ZAR/Euro	17.27	18.26	18.13	17.28	17.24
<b>Commodities:</b>					
Brent Crude Oil (USD/barrel)	49.67	64.42	77.78	89.26	97.97
Platinum (USD/ounce)	881.61	1,219.21	969.00	1,018.50	1,057.00
Gold (USD/ounce)	1,636.68	1,770.16	1,829.32	1,790.62	1,895.70

1. *Month-end prices*

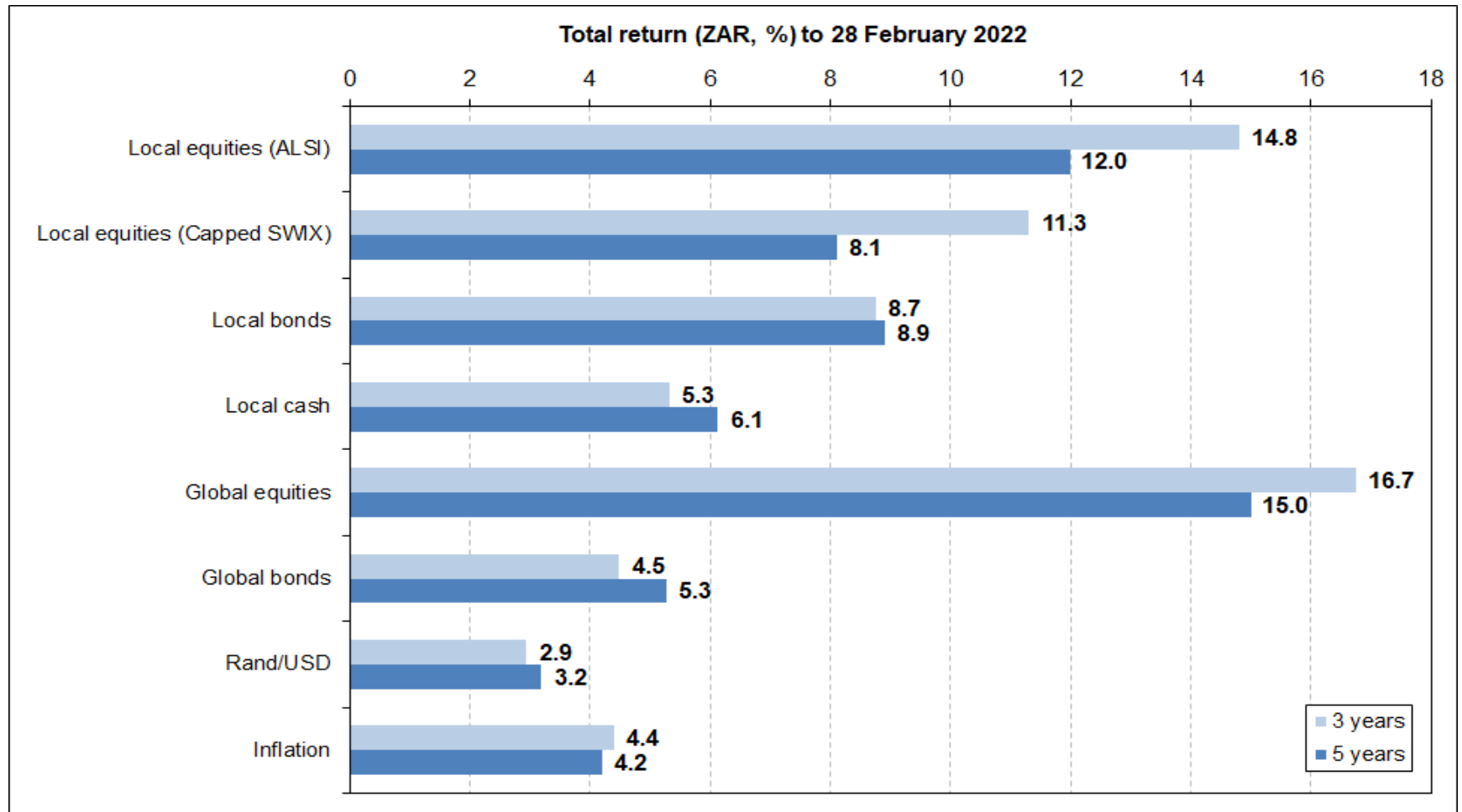
# ASSET CLASS PERFORMANCE

## SHORT TERM



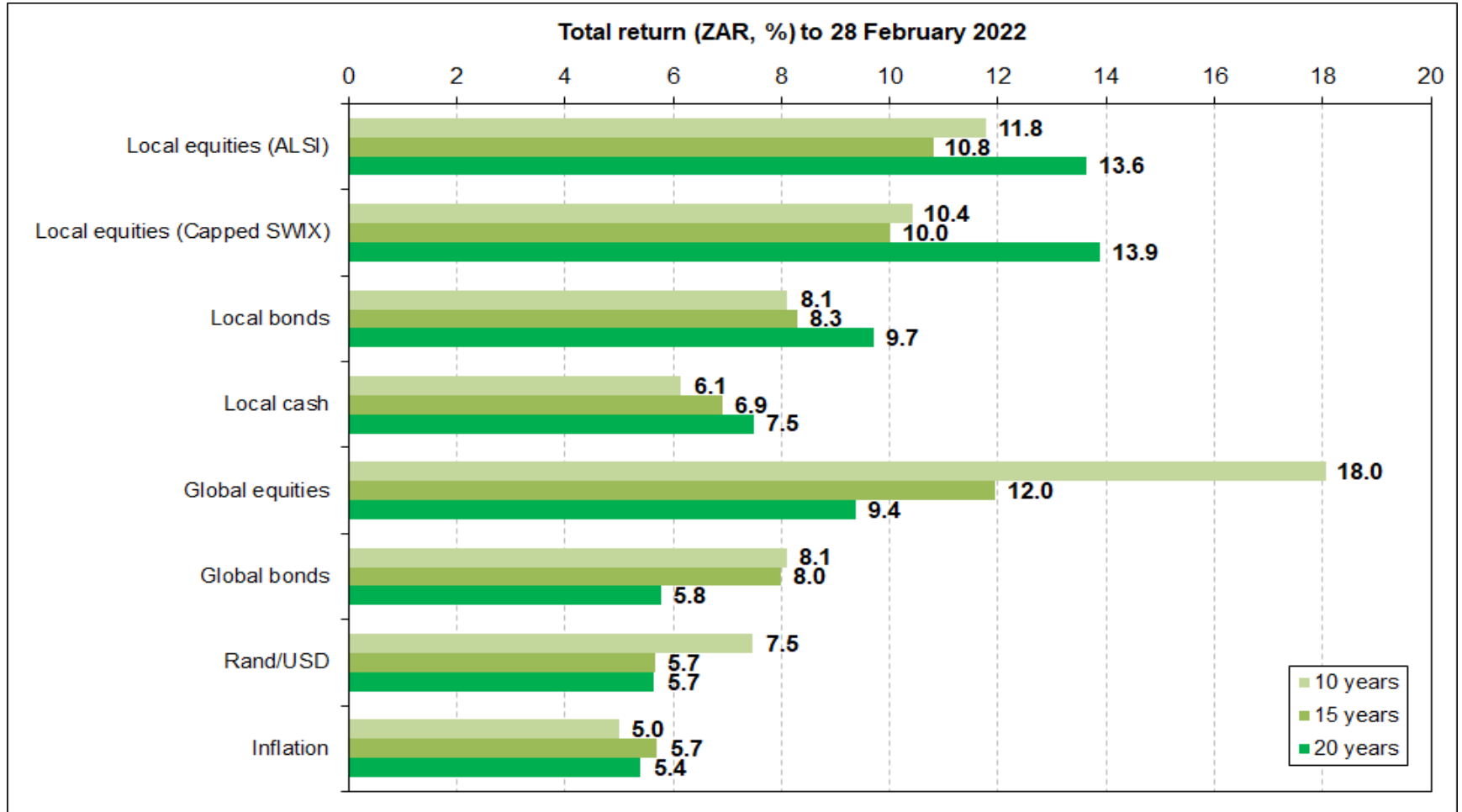
# ASSET CLASS PERFORMANCE

## 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:

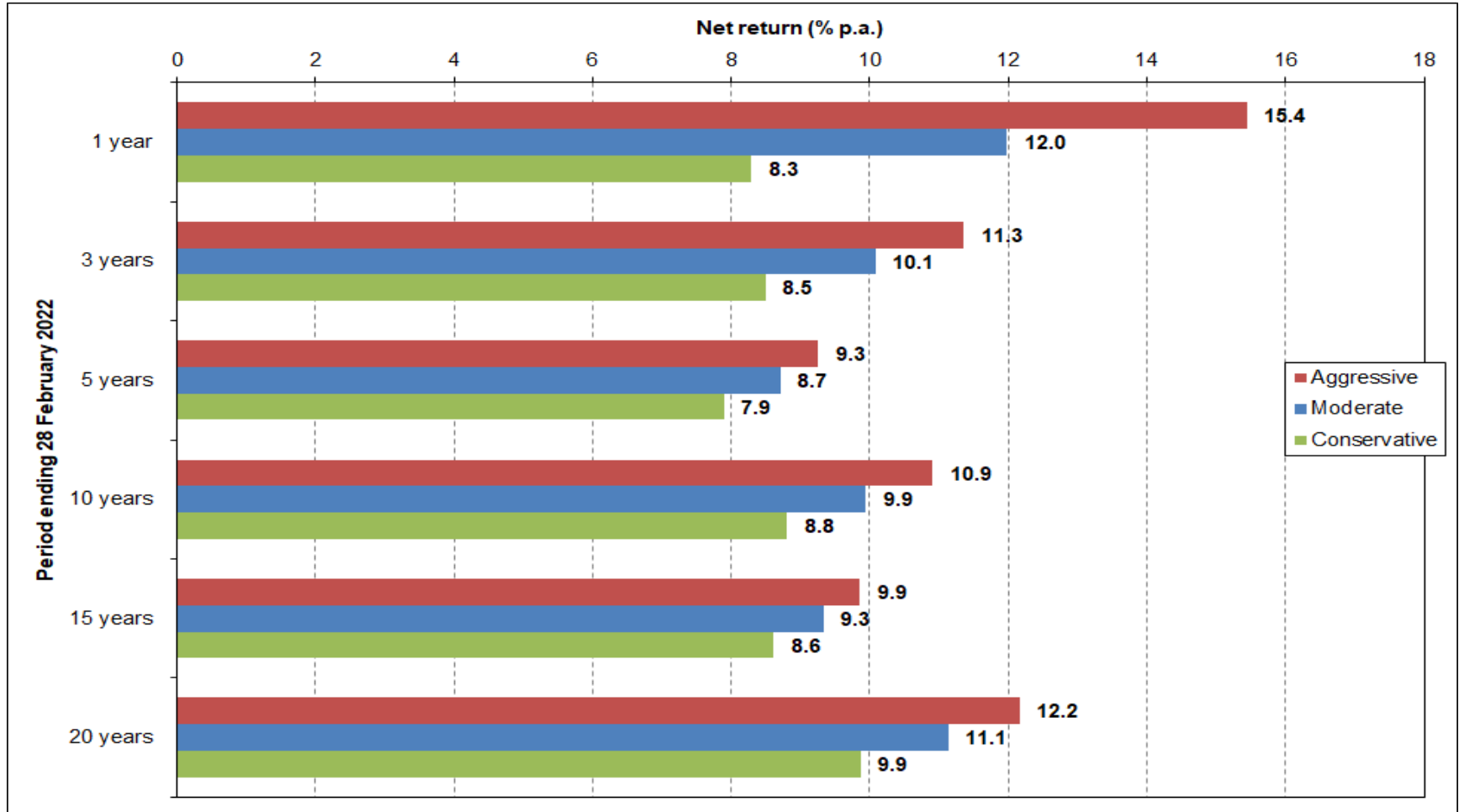
- The offshore allocation is kept at 5% below the prevailing regulatory maximum (15% to 2000, 20% to 2006, 25% to 2018 & currently at 30%).
- The equity allocation varies according to the risk profile, and is set at 75% for Aggressive, 55% for Moderate and 35% for Conservative, which applies to both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

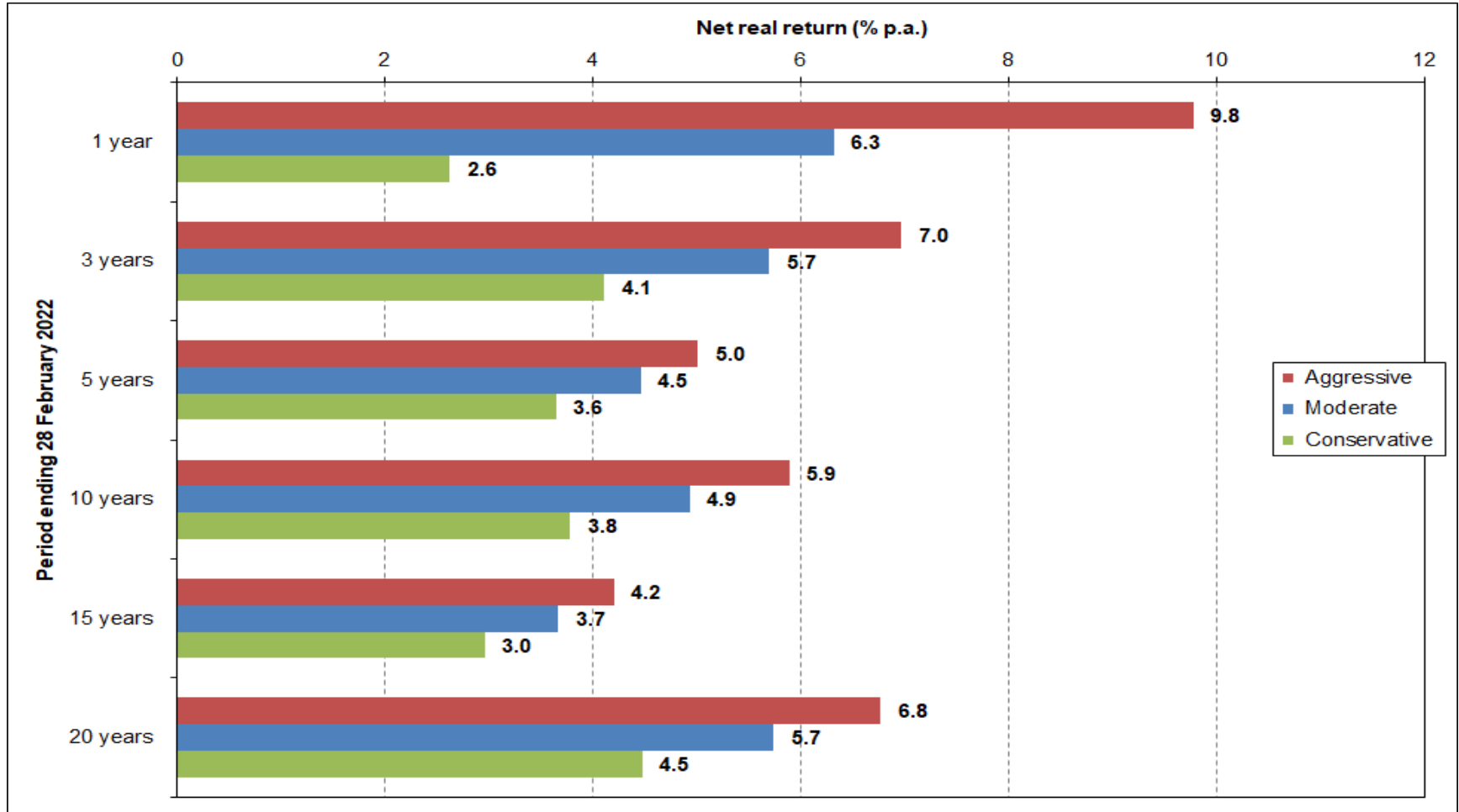
# MARKET PERFORMANCE

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



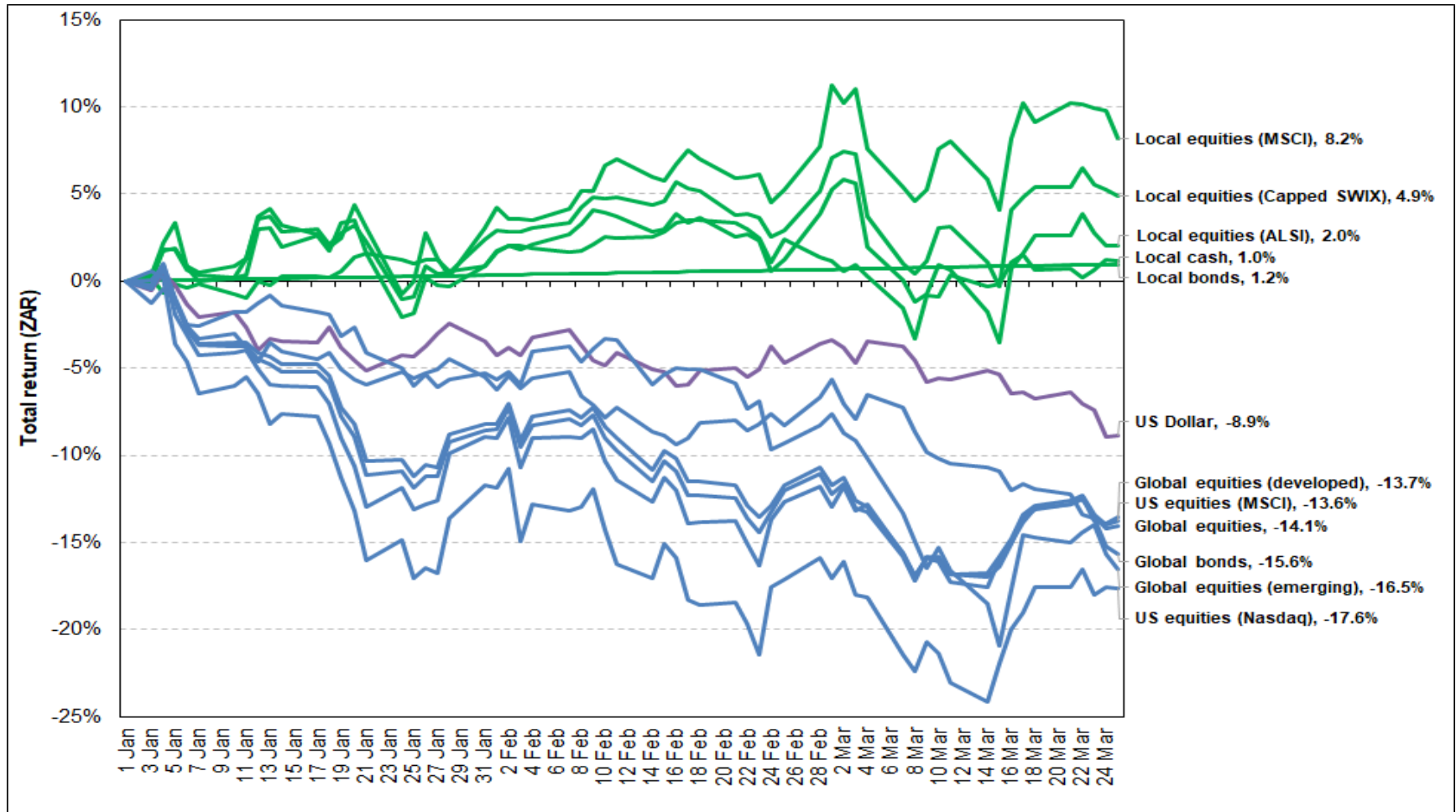
# MARKET PERFORMANCE

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



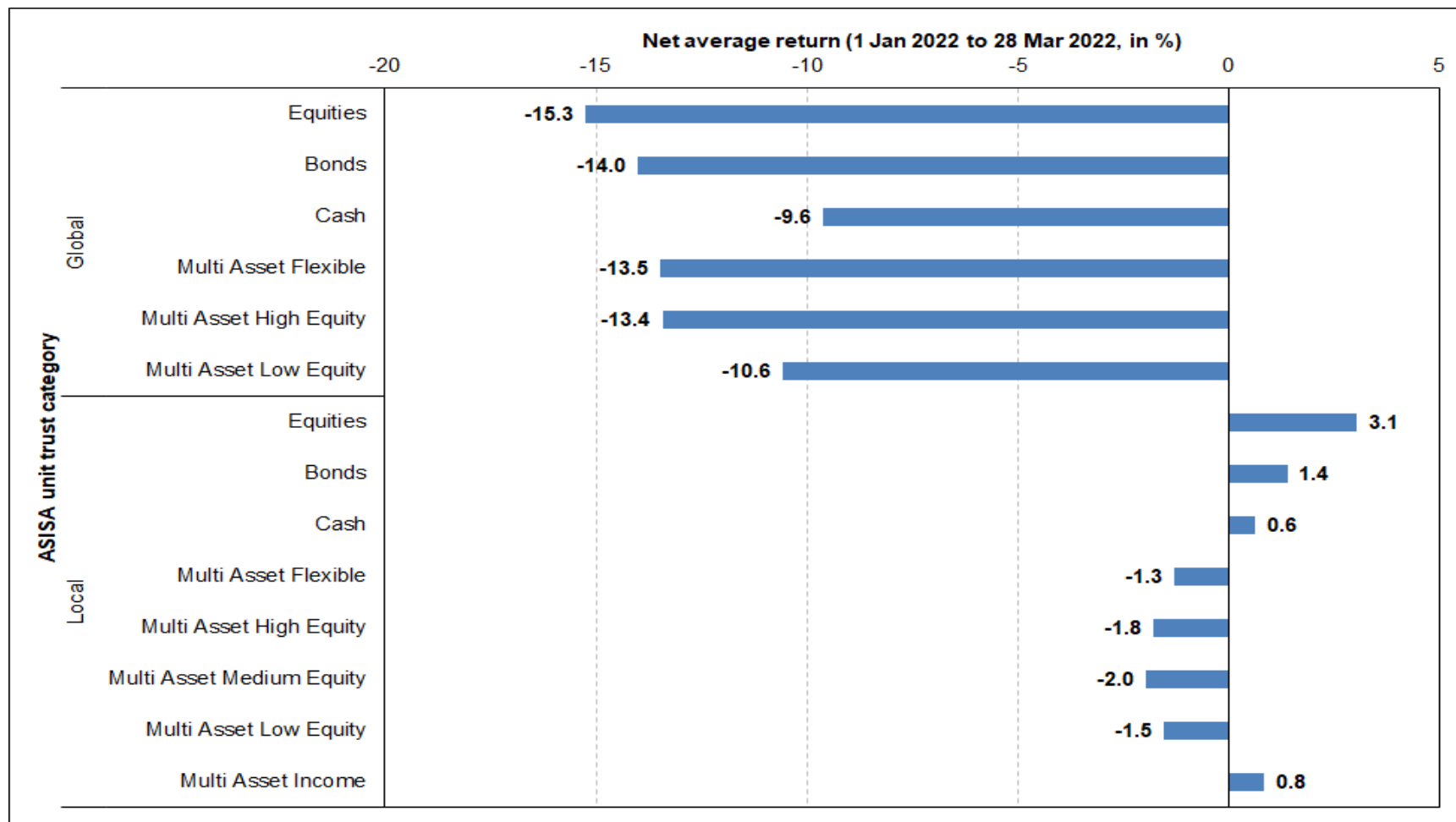
# MAJOR ASSET CLASSES IN 2022

## LOCAL ASSETS HOLDING UP WELL AMIDST THE TURMOIL

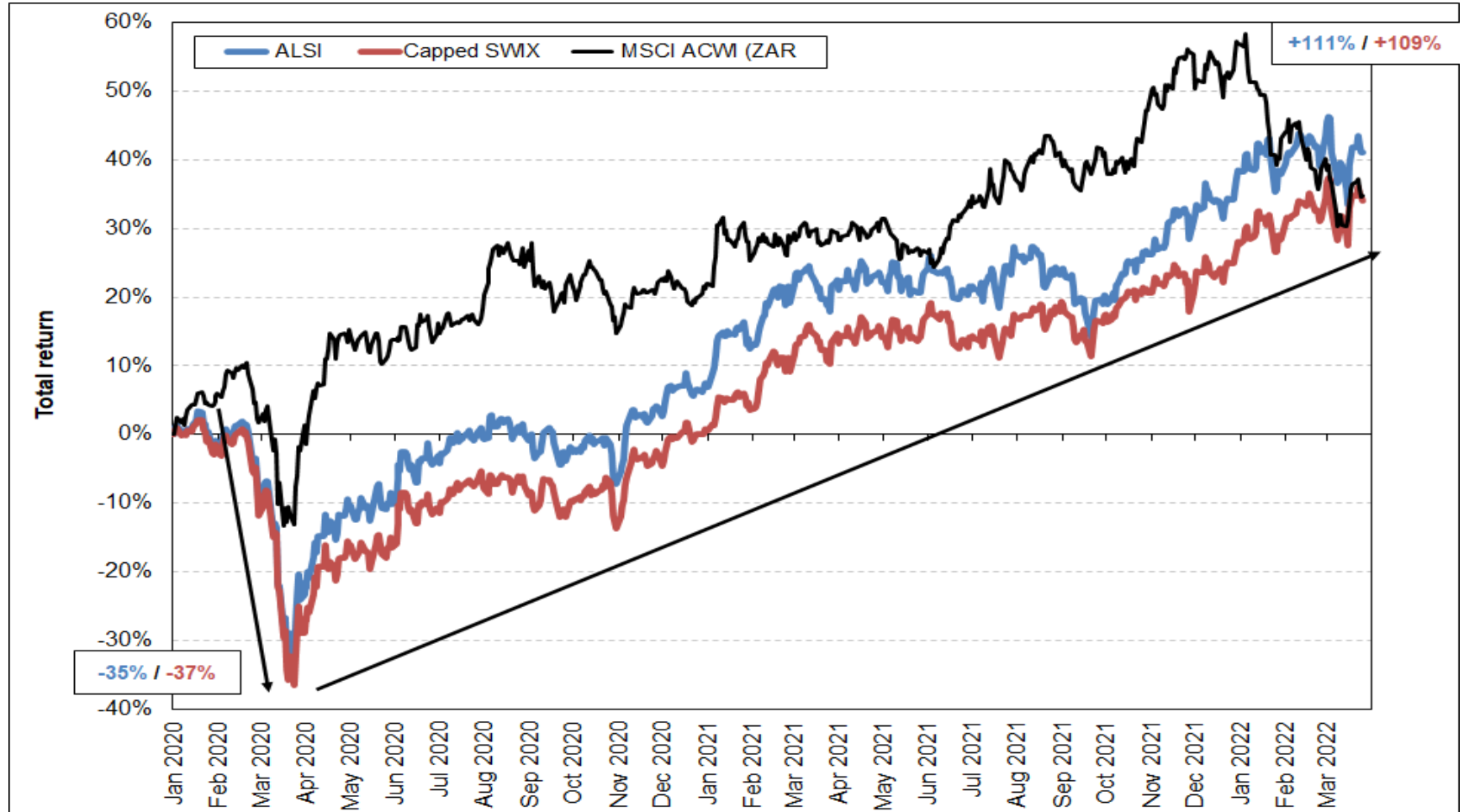


# UNIT TRUSTS IN 2022

## LOCAL FUNDS ALSO FARING MUCH BETTER THAN THEIR GLOBAL COUNTERPARTS

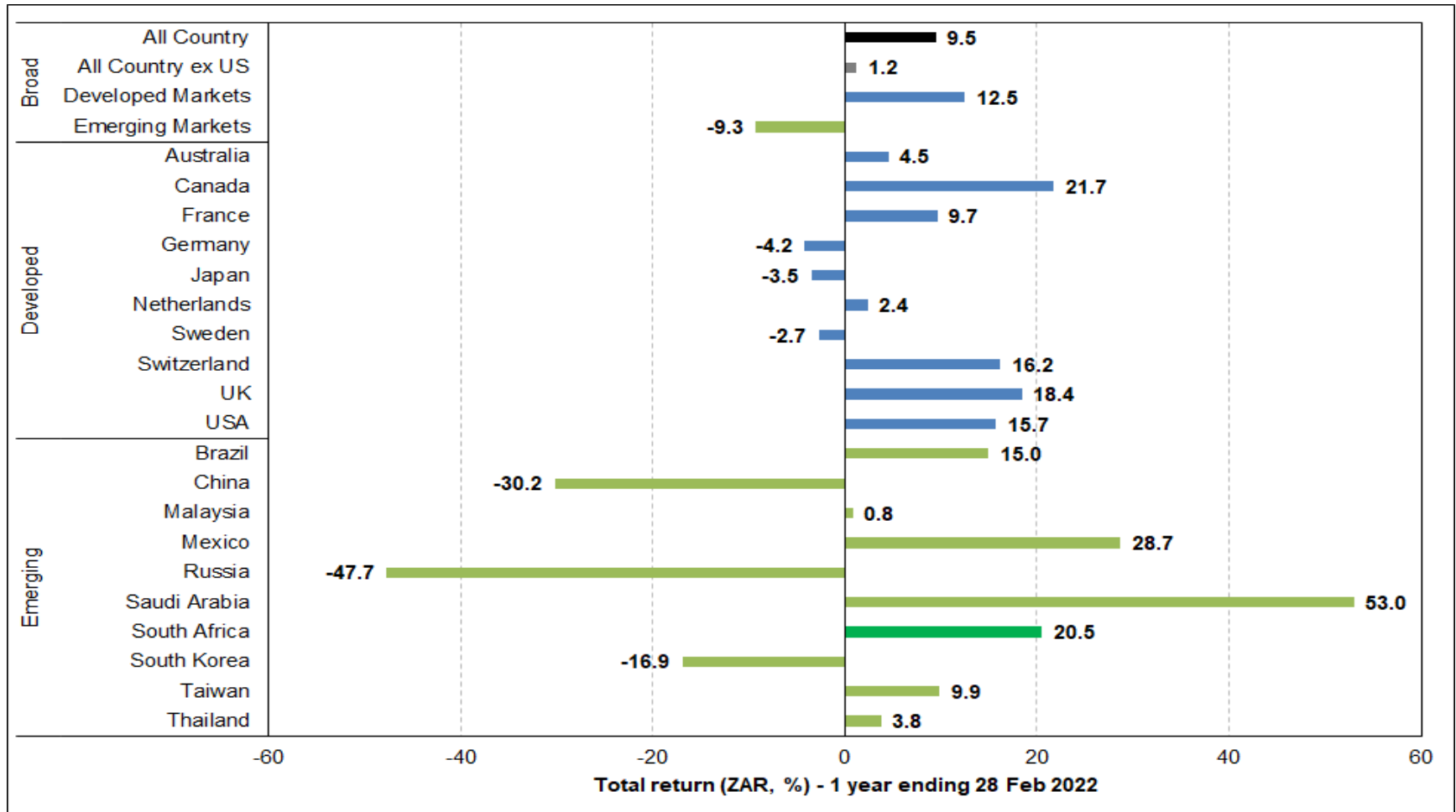


# LOCAL EQUITY MARKET EDGES ABOVE GLOBAL EQUITIES DESPITE COVID SELL-OFF



# GLOBAL EQUITIES

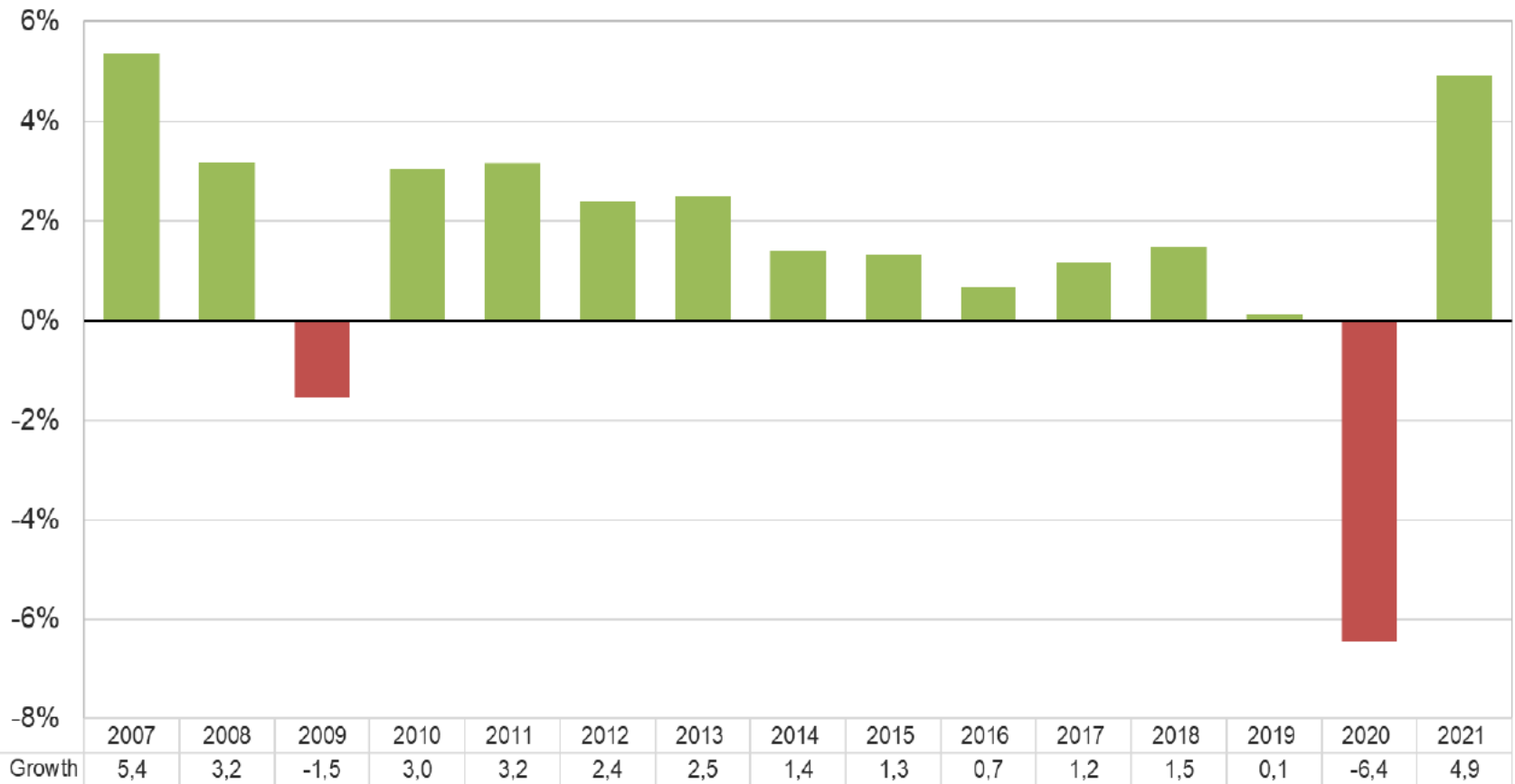
## SOUTH AFRICA'S OUTPERFORMANCE OVER THE LAST YEAR WIDENS



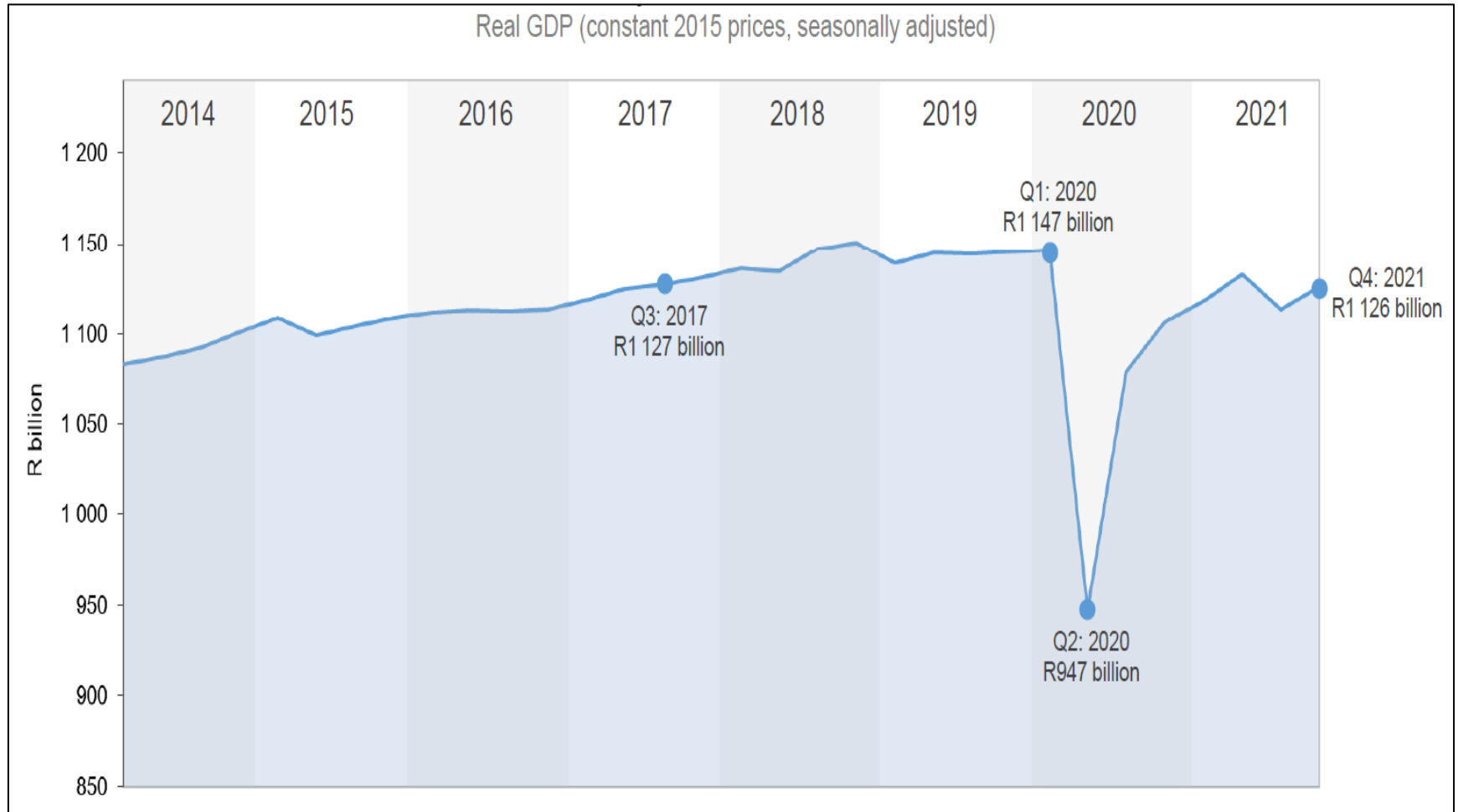


# SA ECONOMY GROWS BY 4.9% IN 2021...

Annual GDP growth rate (constant 2015 prices)

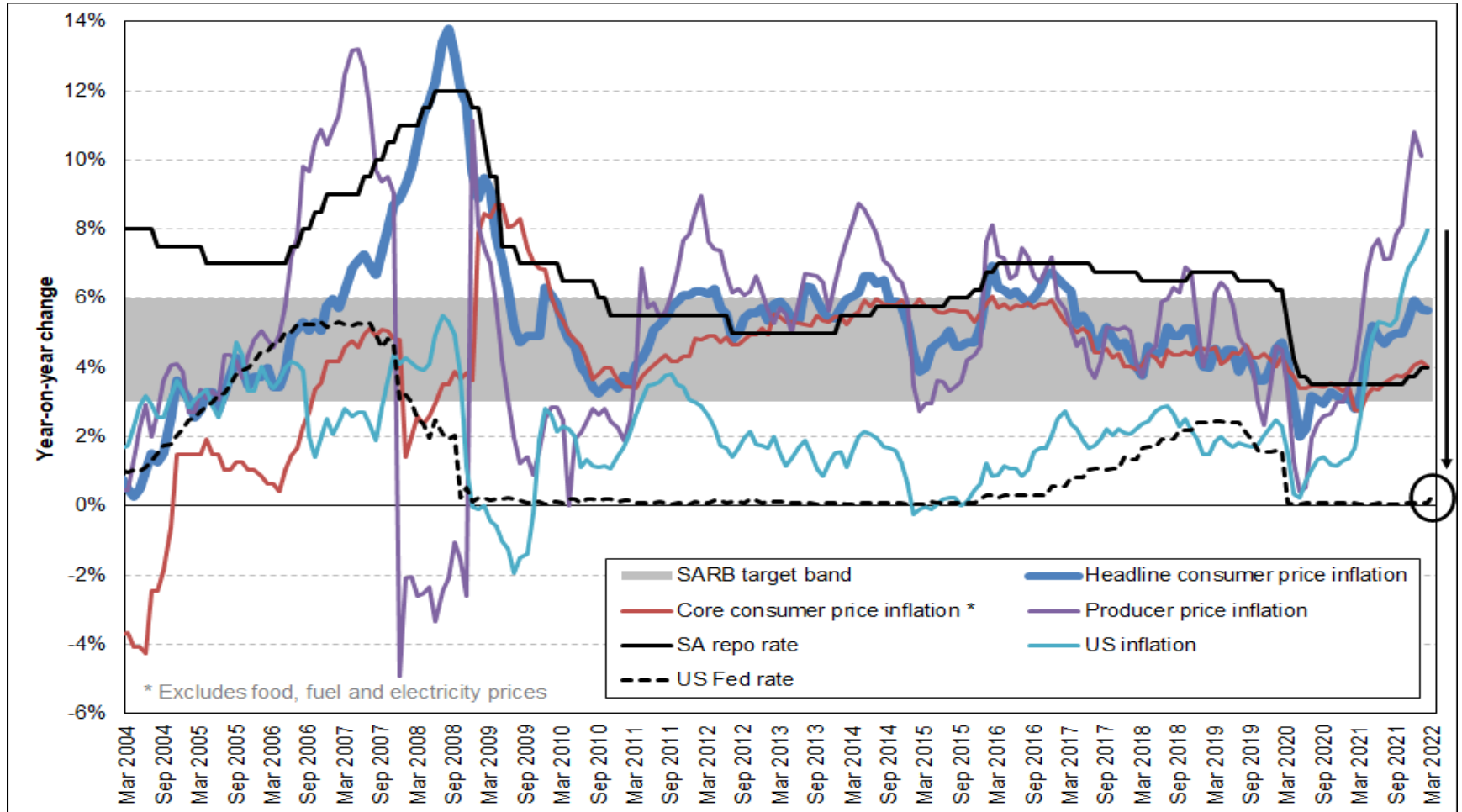


# SA ECONOMY ...BUT STILL SOME WORK TO DO



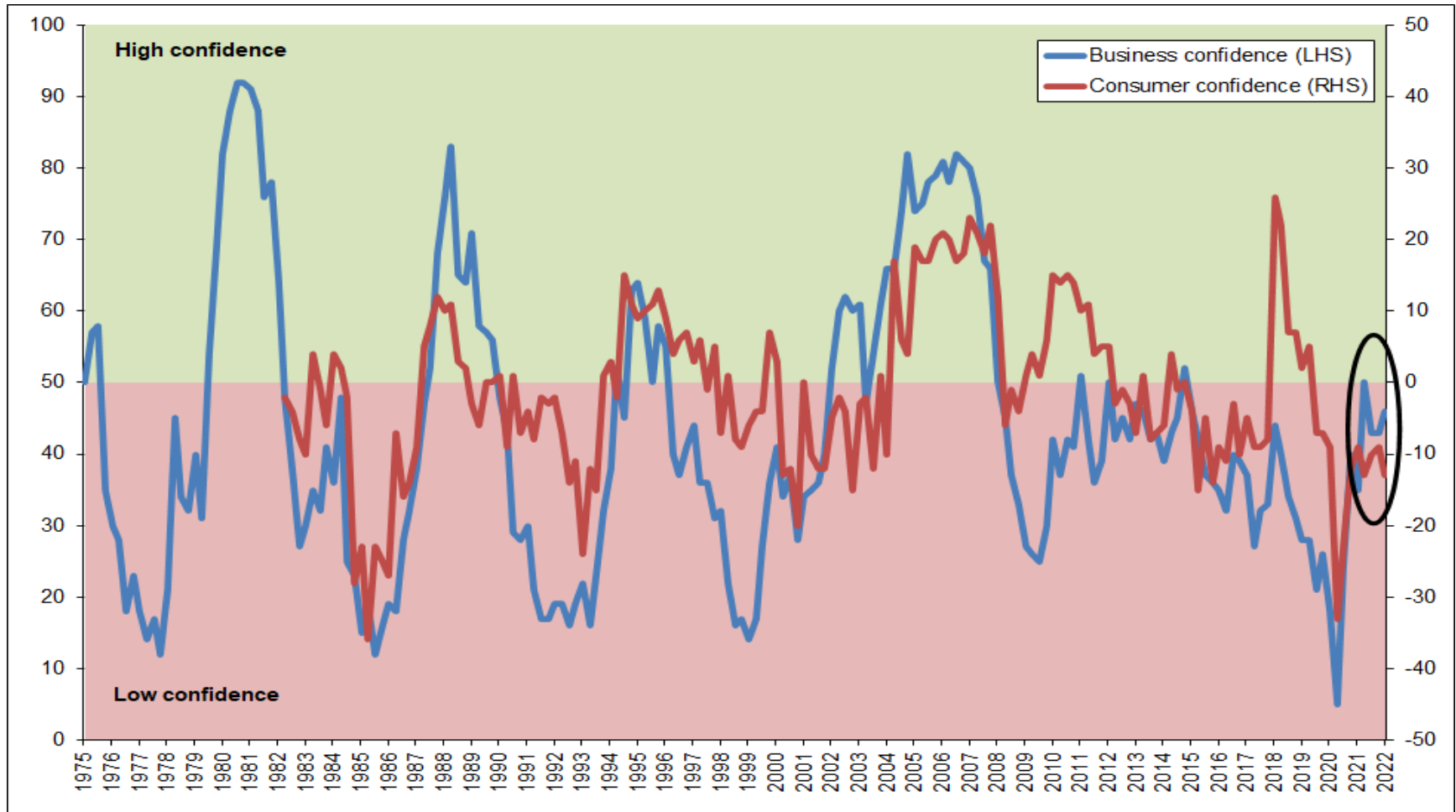
# INTEREST RATES & INFLATION

## US INTEREST RATES START RISING, BUT STILL WELL BELOW INFLATION



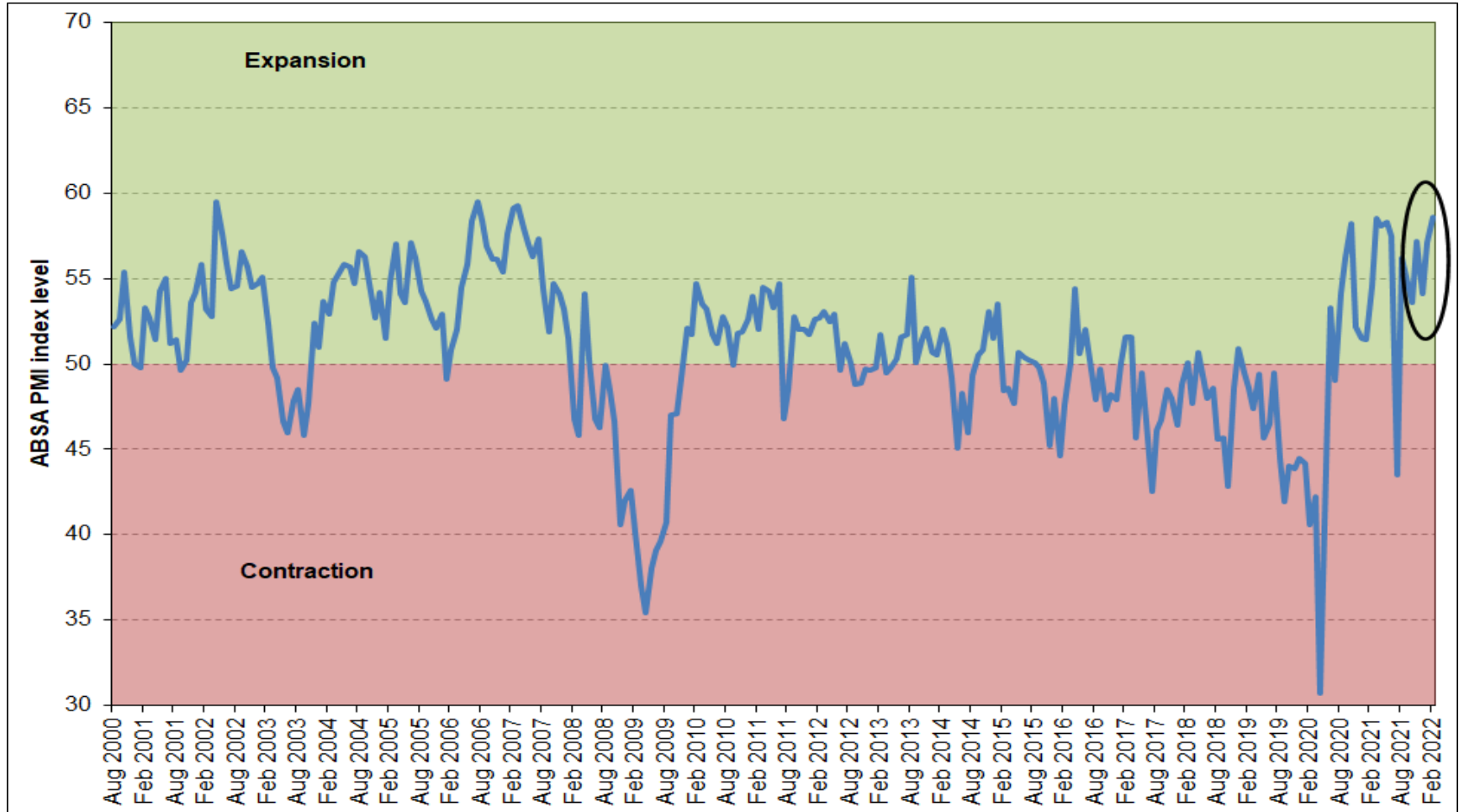
# SA ECONOMY

## BUSINESSES AND CONSUMERS REMAIN SOMEWHAT DEPRESSED ON AGGREGATE ...



# SA ECONOMY

## ...BUT MANUFACTURING SECTOR STILL SHOWING SIGNS OF LIFE...



# SA ECONOMY

## ...ALTHOUGH UNEMPLOYMENT REMAINS A MAJOR CONCERN

