

MONTH IN PICTURES

MARCH 2022

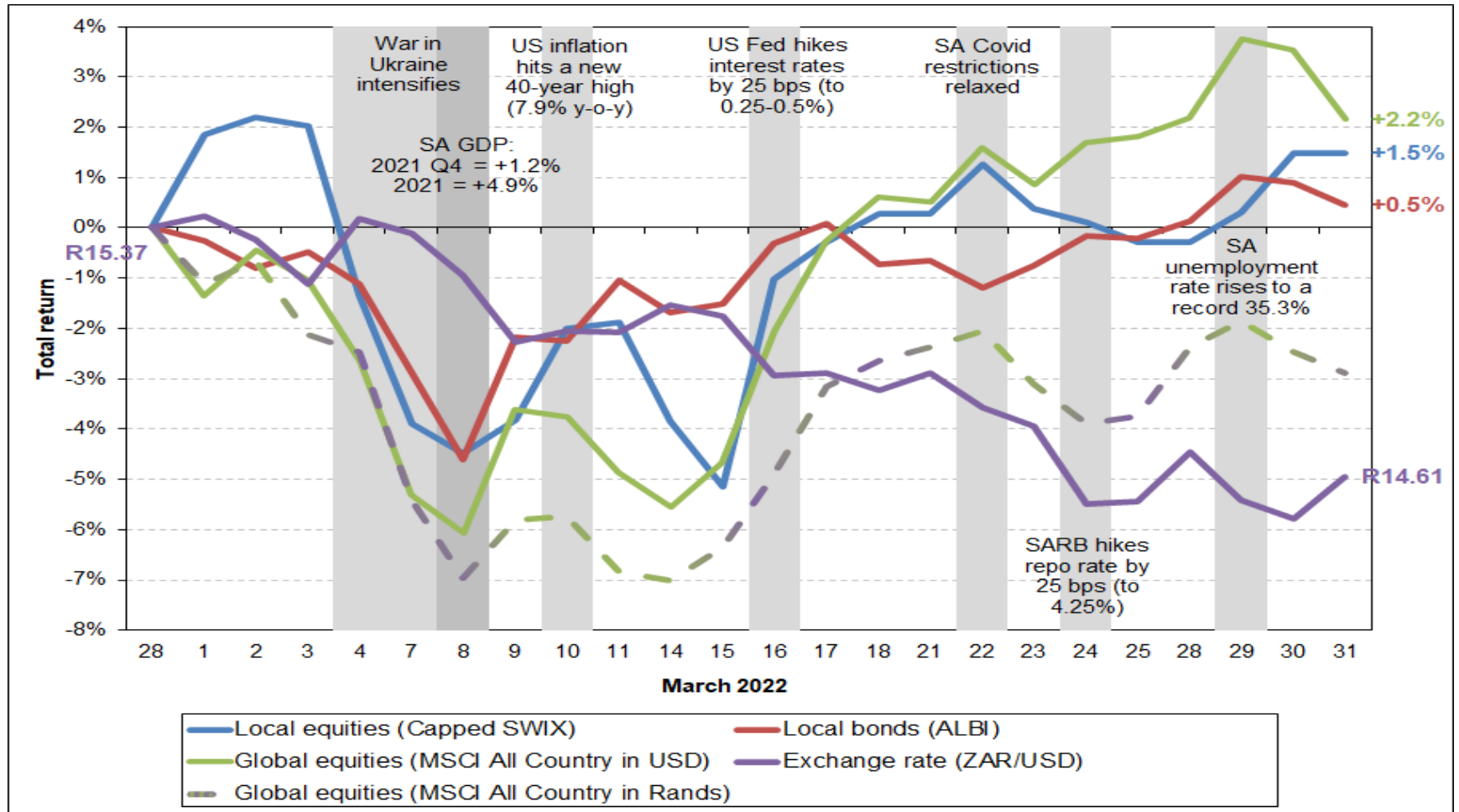
MONTHLY SNAPSHOT

NOTABLE EVENTS

- Global markets remained quite volatile in March as the war in Ukraine raged on and central banks continued their fight against stubbornly high inflation rates.
- After losing ground in January and February global equity markets did however manage to end March in the green (+2.2% in USD), but global bonds continued their downward slide (-3.4% in USD) as interest rates continued to grind higher.
- Due to booming commodity prices the Rand strengthened by a significant margin during the month (by 5-7% against the major currencies), resulting in steep local currency losses from global markets (-2.9% and -8.2% in ZAR for global equities and bonds, respectively).
- The local equity market notched up another positive month (+1.5%), driven mainly by Financials (+12%) and Listed Property (+5%), while Industrials (-4%) and Resources (-1%) suffered losses.
- 2022 Q1 was therefore characterised by an enormous divergence between local and global asset classes, with local equities and bonds returning +6.7% and +1.9% for the quarter, respectively, compared to Rand losses of 13.3% and 14.3% from their global equivalents. The 8.4% appreciation of the Rand against the US Dollar was responsible for a significant part of the latter's losses.
- A similar story has played out over the last year, with local asset classes doing quite well (equities = +20% & bonds = +12%), compared to returns of just +6% from global equities and -9% from global bonds.
- As mentioned above, inflation continues to cause headaches globally, with the latest numbers coming in at multi-decade highs of 8.5% in the US, 7.0% in the UK and 7.5% in the Eurozone. This has prompted no less than 23 central banks to hike interest rates in March, including 0.25% basis point hikes in the US, UK and South Africa. Locally inflation remains under control (5.9%), but this number is likely to breach the 6% upper limit of the Reserve Bank's target range in the months to come.
- Despite the good gains from most of the local asset classes in 2022 Q1, losses on the offshore side were enough to push the *average* retirement fund portfolio marginally into negative territory for the quarter. The average fund did however manage to deliver a decent return (+11%) over the last year, after being supported by double-digit returns from local stocks and bonds.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Jan 2022	Feb 2022	Mar 2022	3 months	12 months
Local equities	ALSI	0.9	2.9	0.0	3.8	18.6
	Capped SWIX	2.4	2.7	1.5	6.7	20.4
	Resources	3.6	16.1	(1.1)	19.0	32.7
	Industrials	(1.9)	(7.4)	(4.3)	(13.1)	(2.7)
	Financials	3.5	3.8	12.0	20.3	50.1
	Listed Property	(2.9)	(3.3)	5.1	(1.3)	27.1
Local bonds	ALBI	0.8	0.5	0.5	1.9	12.4
Local cash	STeFI Composite	0.3	0.3	0.4	1.0	3.9
Global equities	MSCI All Country	(8.2)	(2.7)	(2.9)	(13.3)	6.0
Global bonds	FTSE WGBI	(5.5)	(1.2)	(8.2)	(14.3)	(8.8)
Exchange rate	ZAR/USD	(3.5)	(0.1)	(4.9)	(8.4)	(1.2)
Inflation	CPI	0.2	0.6	1.0	1.7	5.9

1. Total returns (in Rands) for the months and periods ending 31 March 2022.

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	ALSI	18.6	14.2	11.4	11.9	10.3
	Capped SWIX	20.4	11.9	8.1	10.6	9.7
	Resources	32.7	27.7	26.6	10.0	7.3
	Industrials	(2.7)	7.7	4.9	11.3	11.9
	Financials	50.1	8.2	7.0	10.9	8.9
	Listed Property	27.1	(3.8)	(4.9)	5.0	7.5
Local bonds	ALBI	12.4	8.4	8.9	8.1	8.3
Local cash	STeFI Composite	3.9	5.2	6.1	6.1	6.9
Global equities	MSCI All Country	6.0	14.0	13.6	17.3	11.6
Global bonds	FTSE WGBI	(8.8)	0.2	3.0	7.0	7.3
Exchange rate	ZAR/USD	(1.2)	0.3	1.7	6.7	4.8
Inflation	CPI	5.9	4.4	4.3	5.0	5.7

1. Total returns (in Rands) for the months and periods ending 31 March 2022.

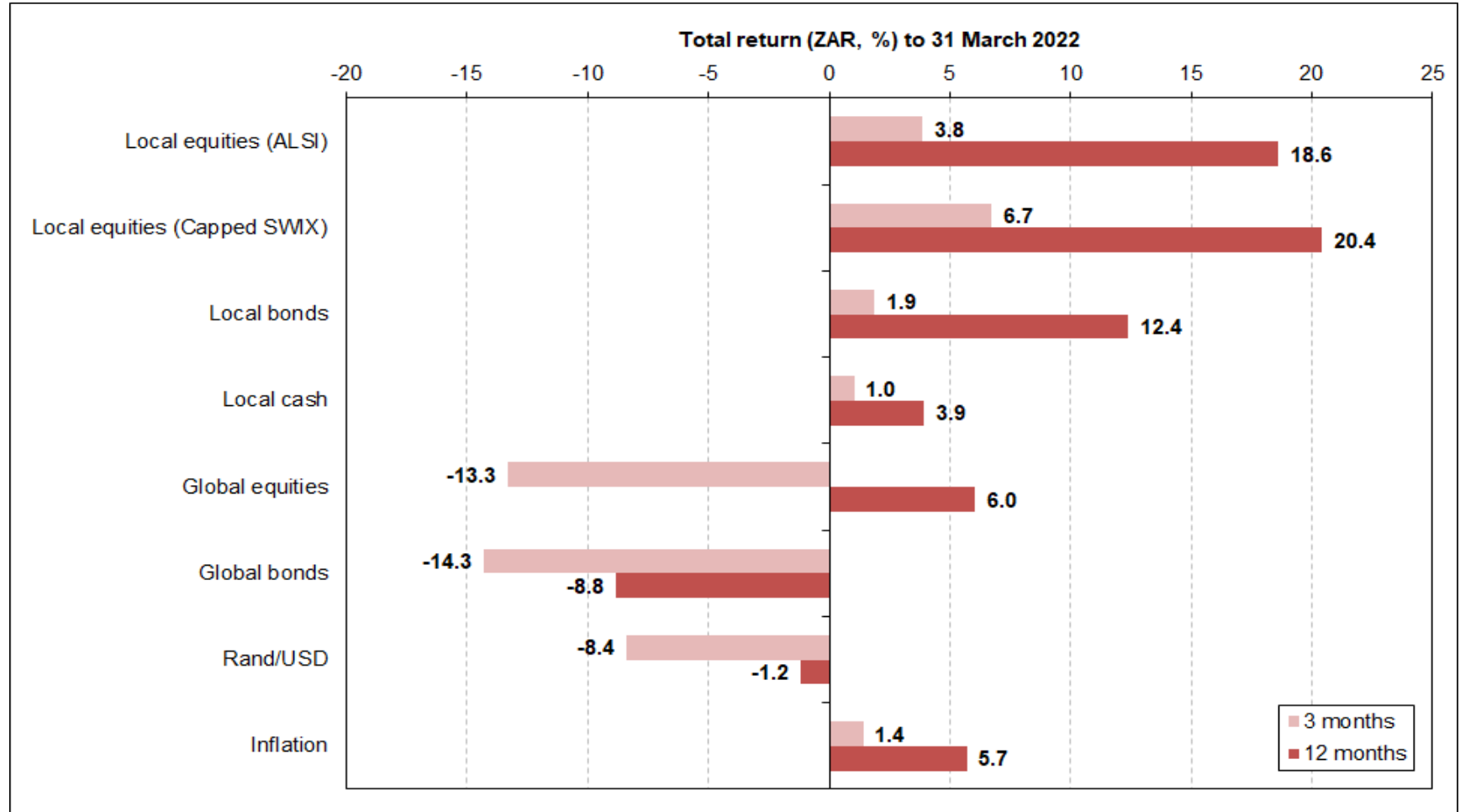
ECONOMIC INDICATORS

Economic indicators ¹	Mar 2020	Mar 2021	Jan 2022	Feb 2022	Mar 2022
Exchange rates:					
ZAR/USD	17.85	14.78	15.39	15.37	14.61
ZAR/GBP	22.15	20.37	20.69	20.62	19.20
ZAR/Euro	19.71	17.33	17.28	17.24	16.16
Commodities:					
Brent Crude Oil (USD/barrel)	26.35	62.74	89.26	97.97	104.71
Platinum (USD/ounce)	725.39	1,157.85	1,018.50	1,057.00	992.51
Gold (USD/ounce)	1,615.31	1,684.99	1,790.62	1,895.70	1,931.73

1. *Month-end prices*

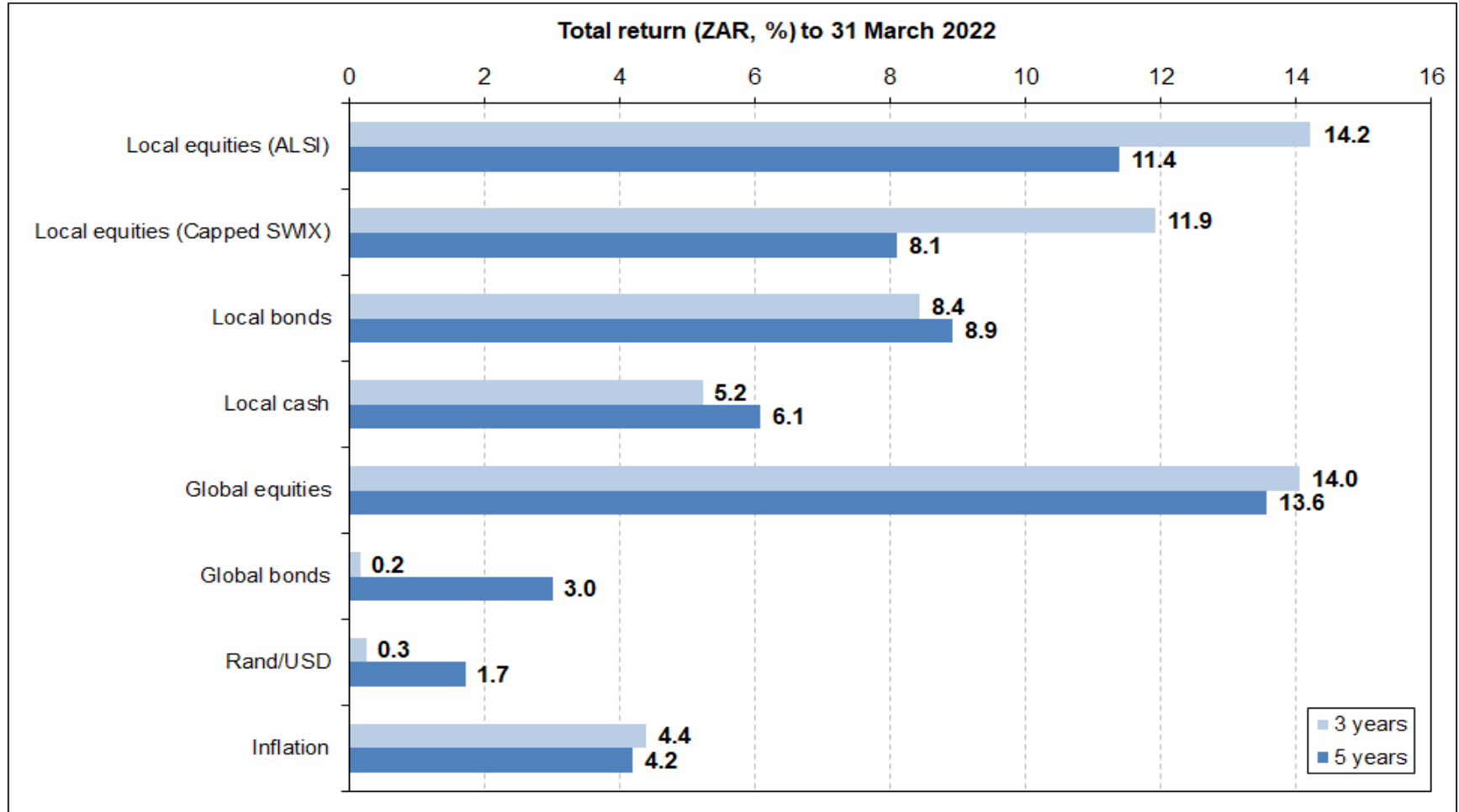
ASSET CLASS PERFORMANCE

SHORT TERM

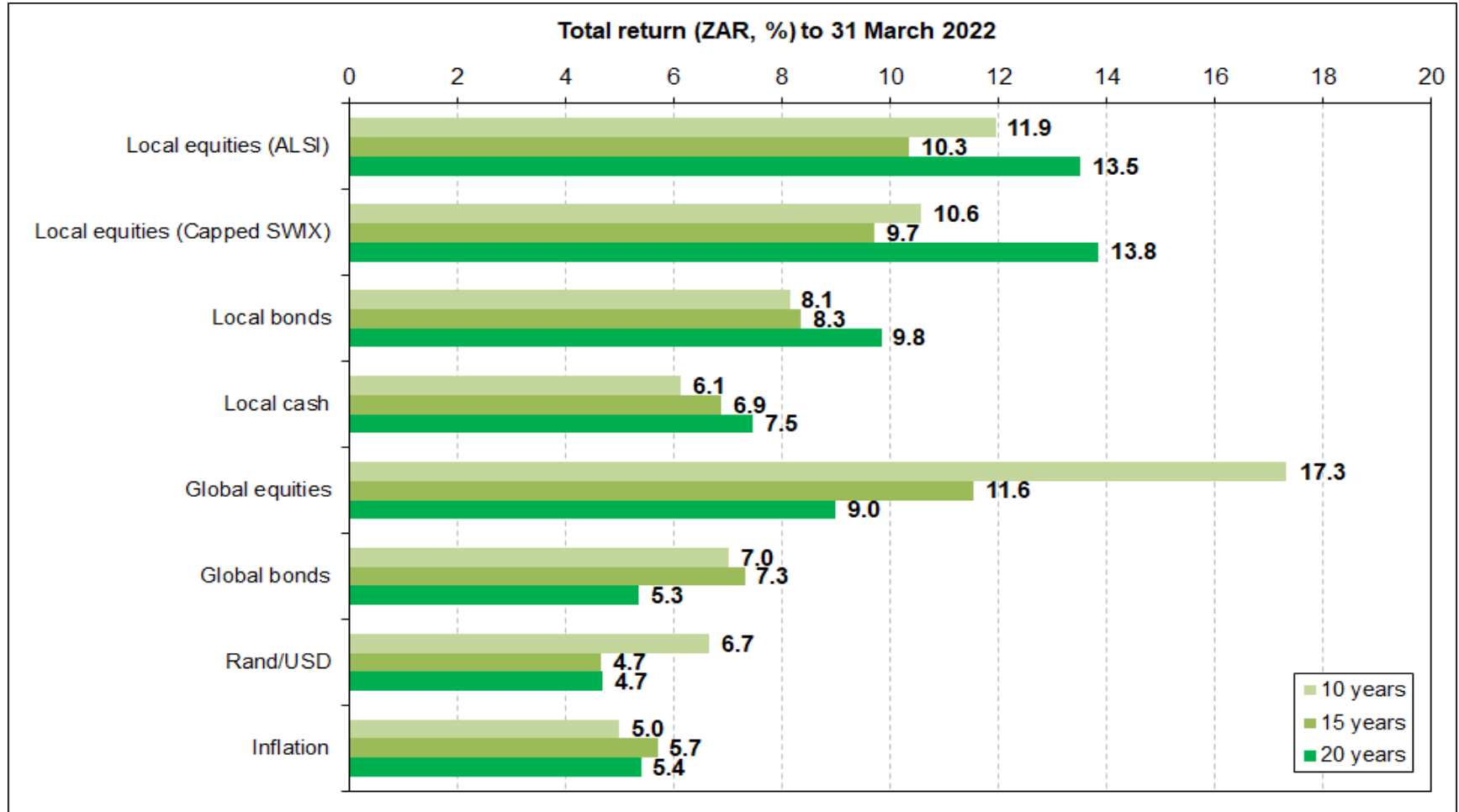


ASSET CLASS PERFORMANCE

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:

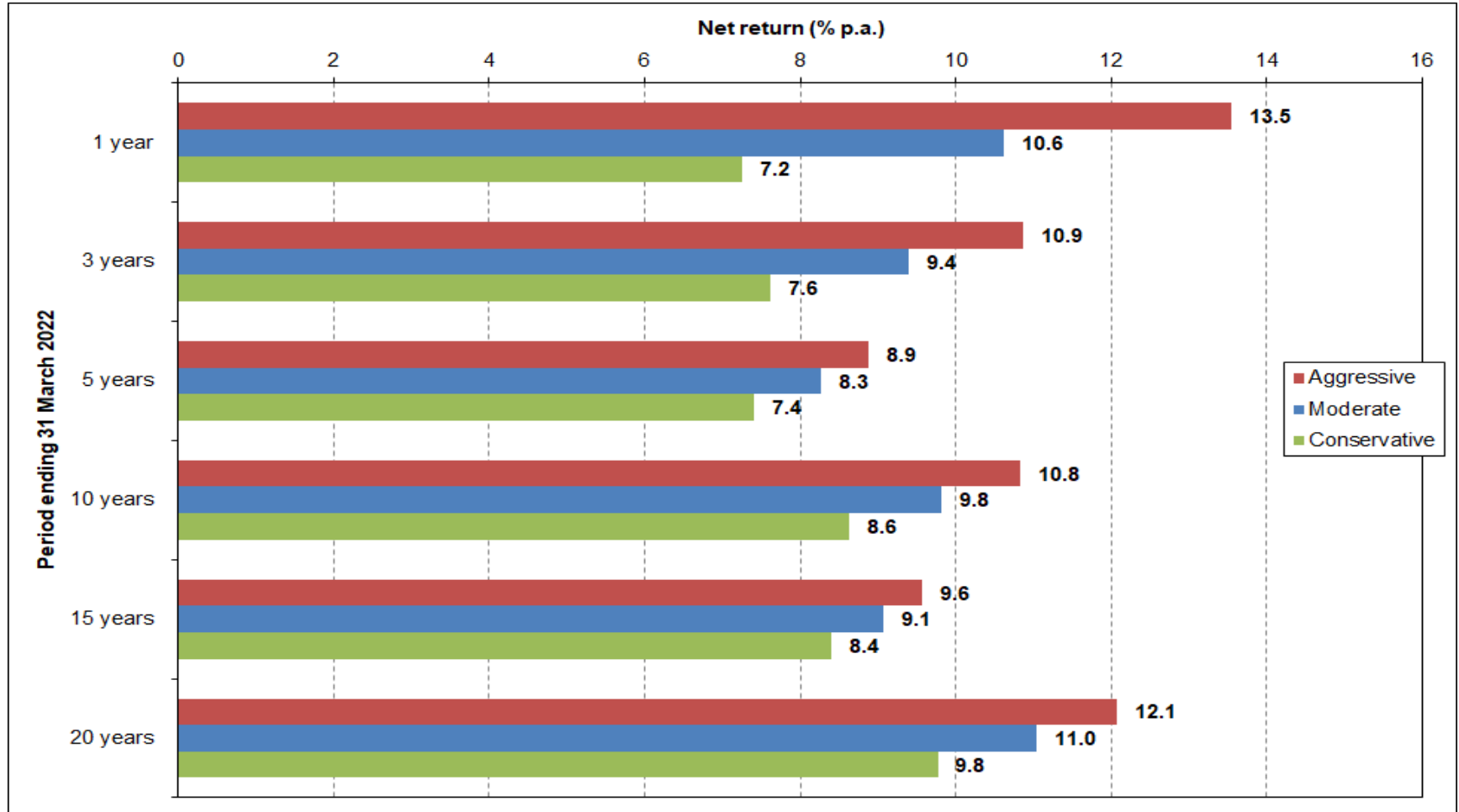
- The offshore allocation is kept at 5% below the prevailing regulatory maximum (15% to 2000, 20% to 2006, 25% to 2018 & currently at 30%).
- The equity allocation varies according to the risk profile, and is set at 75% for Aggressive, 55% for Moderate and 35% for Conservative, which applies to both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

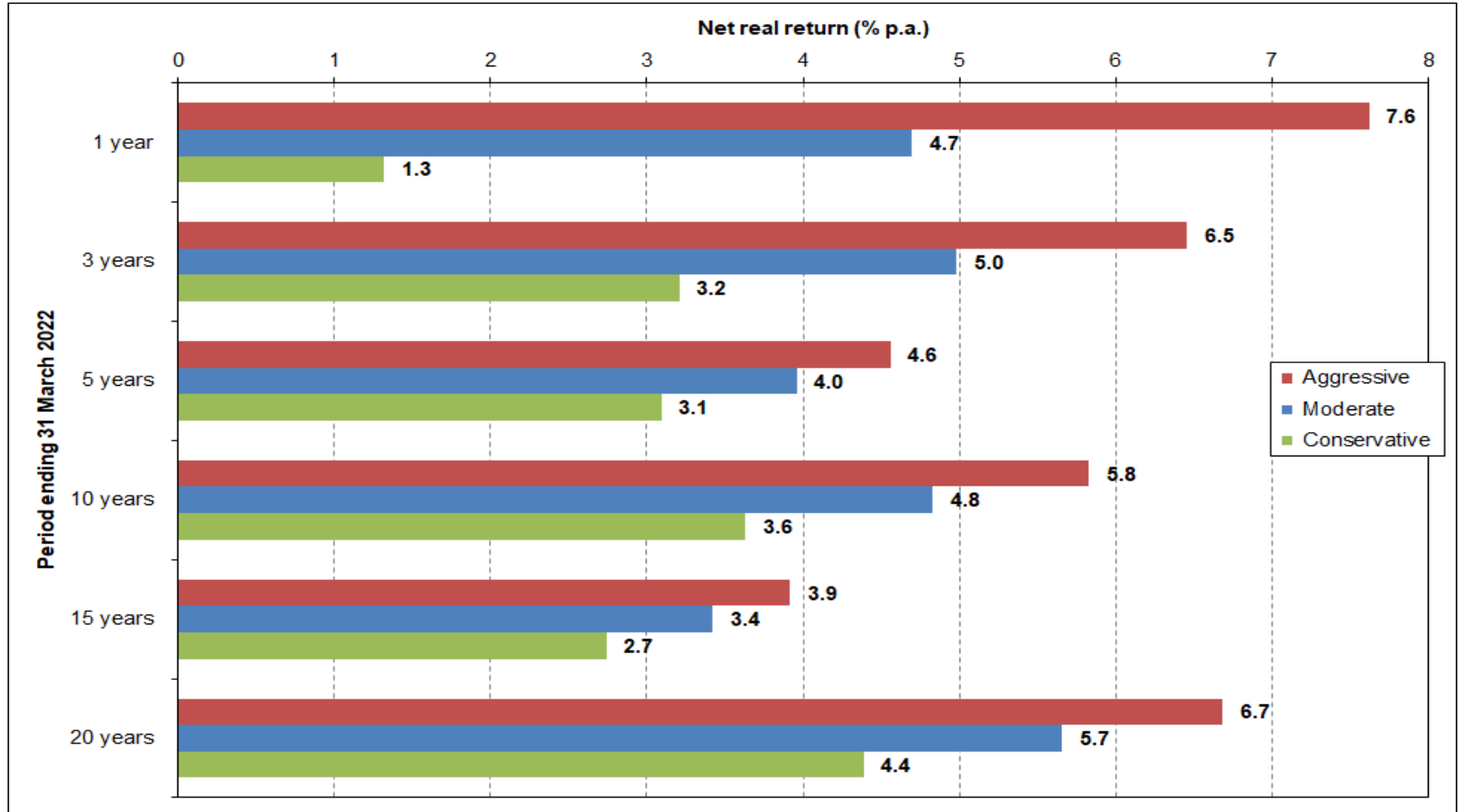
MARKET PERFORMANCE

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



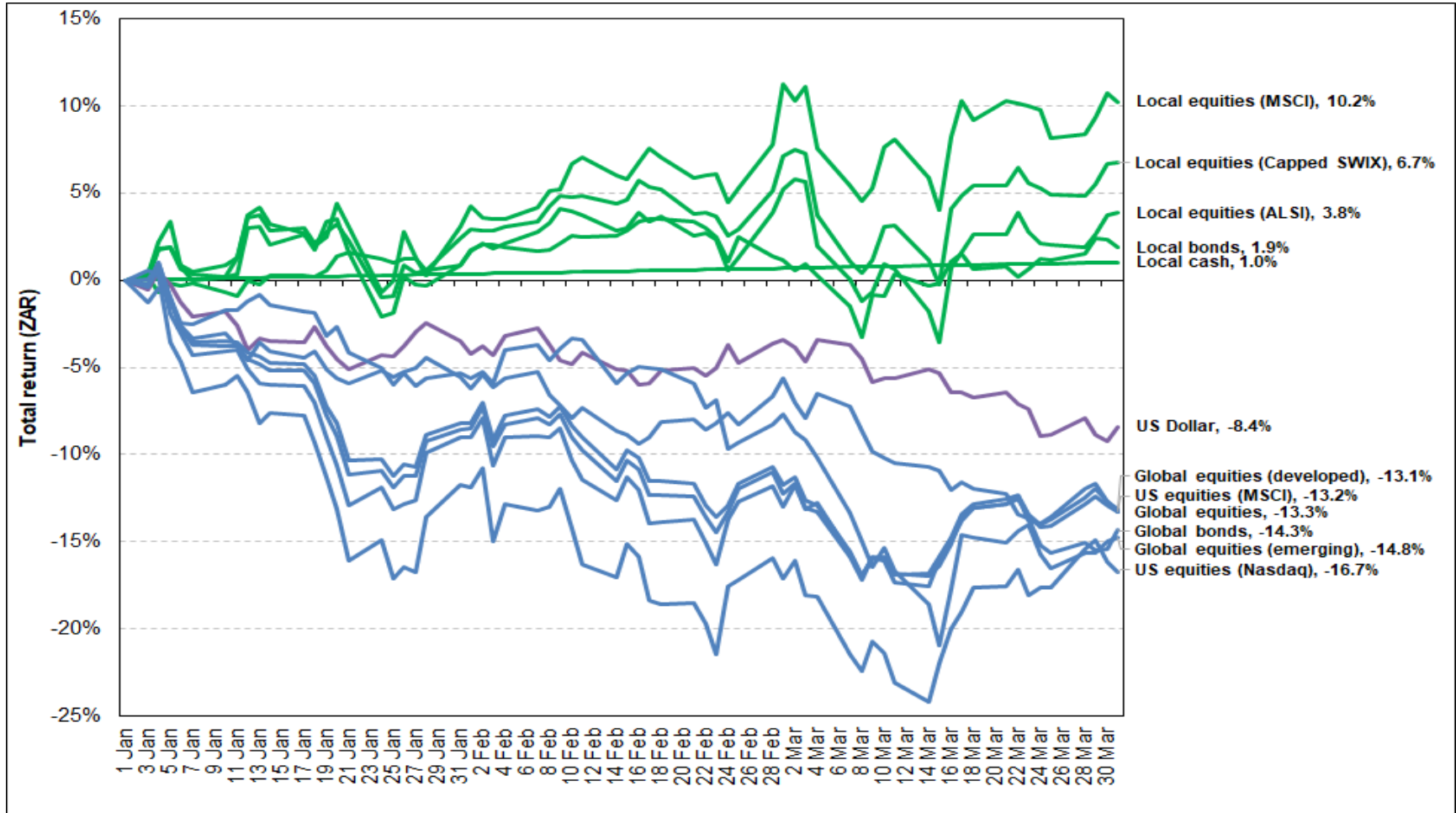
MARKET PERFORMANCE

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



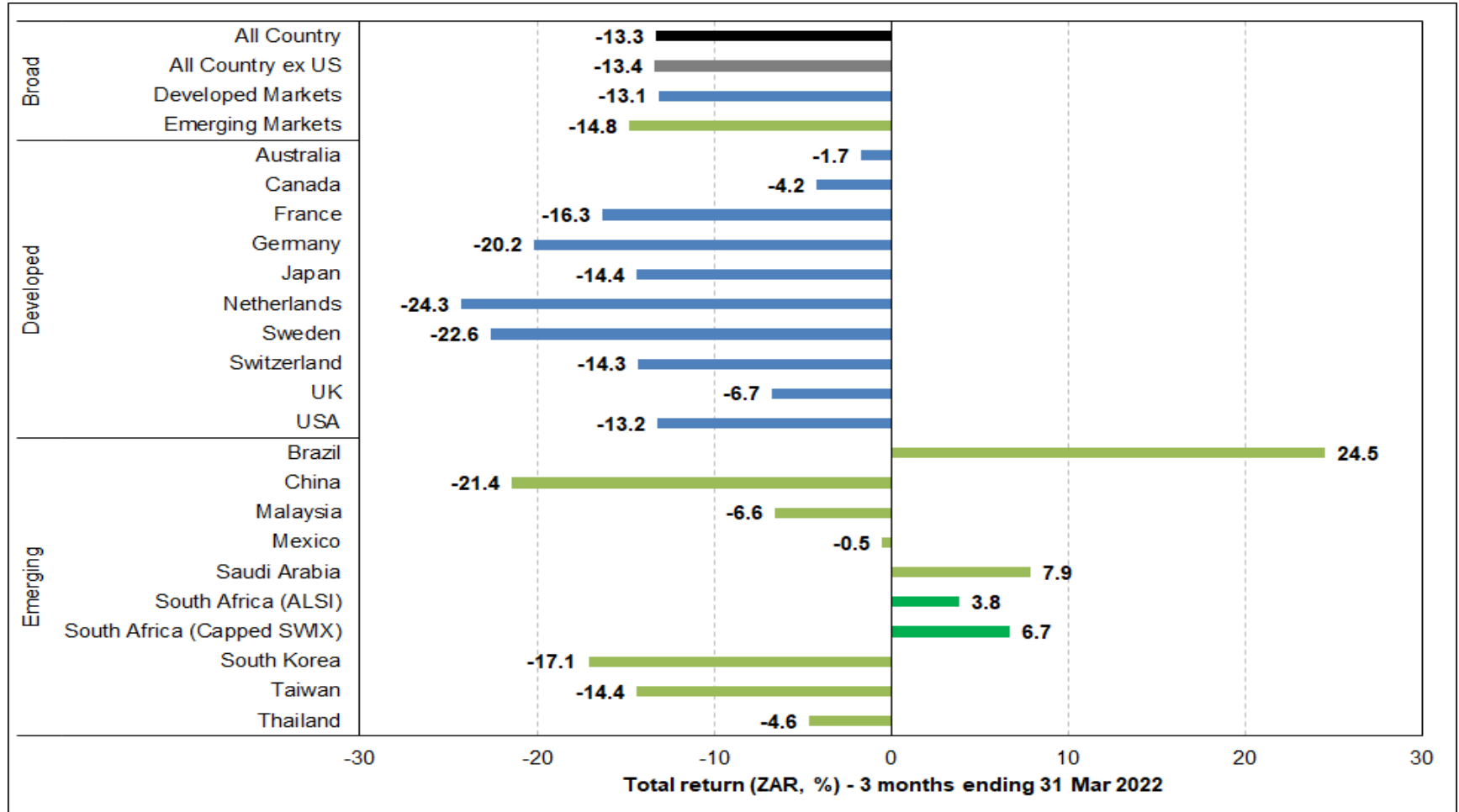
MAJOR ASSET CLASSES IN 2022

LOCAL ASSETS HOLDING UP WELL AMIDST THE TURMOIL



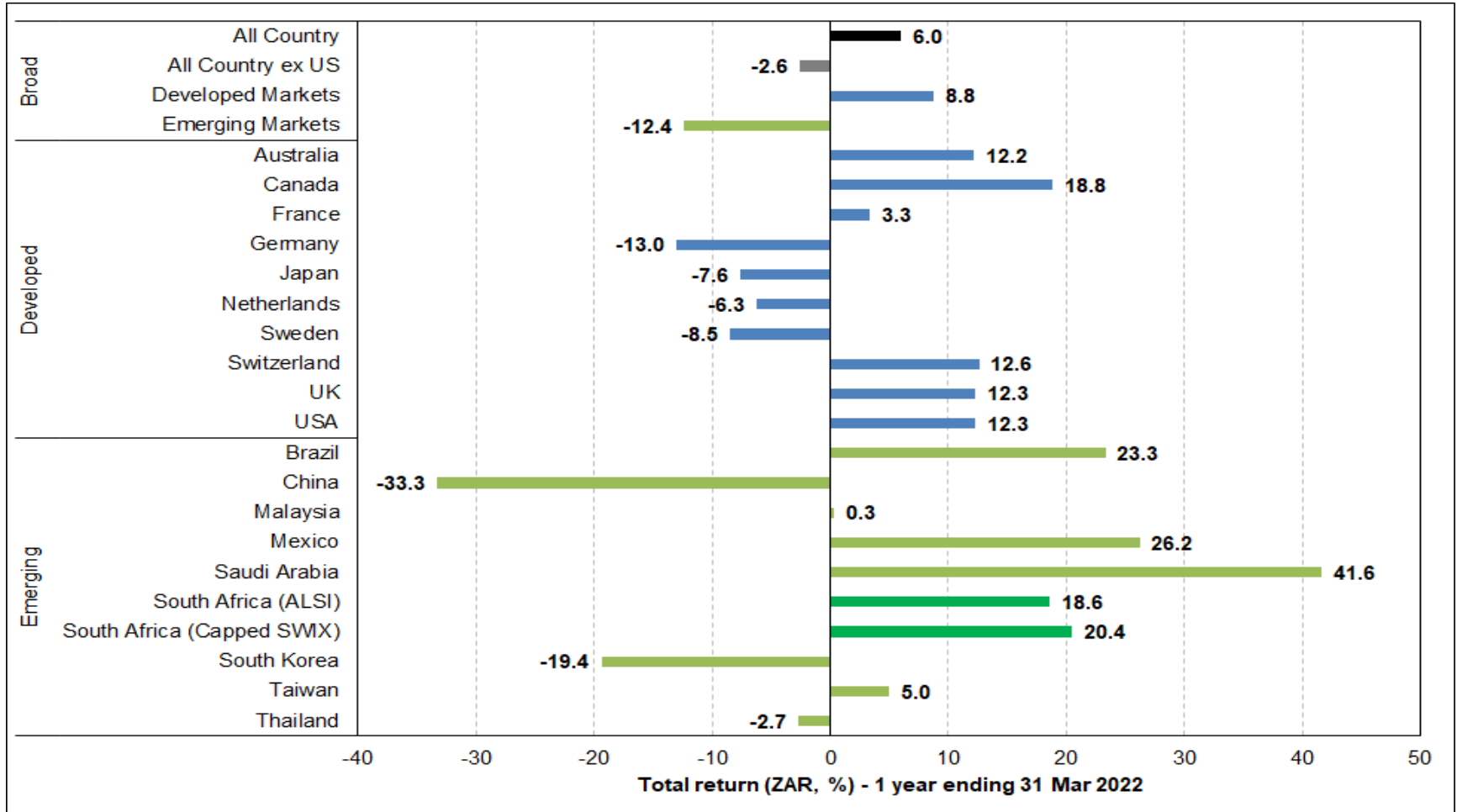
GLOBAL EQUITIES IN 2022 Q1

SA ONE OF THE TOP PERFORMERS



GLOBAL EQUITIES – 1 YEAR

SA OUTPERFORMS GLOBAL MARKETS



WORLD MARKETS

SHORT TERM PERFORMANCE

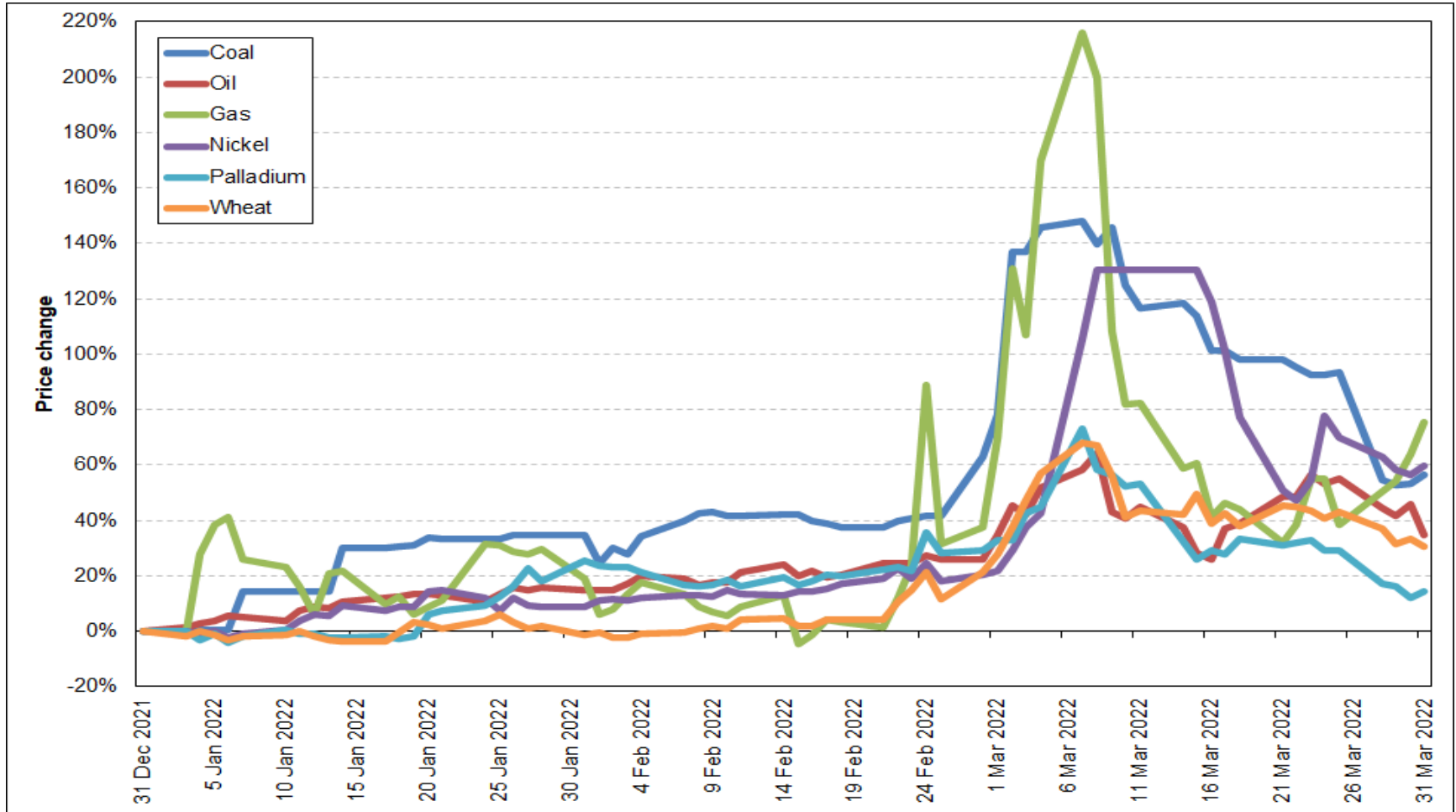
		Total asset class returns (in %) at 31 March 2022							
Asset classes		3 months		1 year		3 years			
Local	Equities	ALSI	3.8	18.6	14.2				
		CAPI	4.9	22.5	15.0				
		SWIX	5.7	12.9	10.6				
		Capped SWIX	6.7	20.4	11.9				
		Resources	19.0	32.7	27.7				
		Industrials	-13.1	-2.7	7.7				
		Financials	20.3	50.1	8.2				
		Property	-1.3	27.1	-3.8				
		Top40	3.6	17.6	14.9				
		Mid Cap	6.9	26.0	9.9				
		Small Cap	4.0	36.5	17.9				
		Value	14.8	40.4	14.2				
		Growth	-1.8	3.4	14.5				
		Local	Interest-bearing	ALBI	1.9	12.4	8.4		
				ALBI (1-3 yrs)	1.3	5.7	7.5		
ALBI (3-7 yrs)	0.9			5.2	9.1				
ALBI (7-12 yrs)	1.2			10.6	8.9				
ALBI (12+ yrs)	2.8			17.8	8.3				
Government bonds	1.8			12.1	8.3				
Non-government bonds	2.4			14.4	9.4				
Inflation-linked bonds	0.3			10.8	7.2				
Cash	1.0			3.9	5.2				
ZAR/USD		-8.4	-1.2	0.3					
Global (ZAR)	Equities (All Country)	-13.3	6.0	14.0					
	Equities (Developed)	-13.1	8.8	15.3					
	Equities (Emerging)	-14.8	-12.4	5.2					
	Bonds	-14.3	-8.8	0.2					

UNIT TRUST AVERAGES

SHORT TERM PERFORMANCE

		Average unit trust returns (in %) at 31 March 2022					
ASISA category		3 months		1 year		3 years	
South Africa	Equities	General	4.2	17.6	11.2		
		Resources	19.3	34.8	29.3		
		Industrial	-12.3	-6.6	7.0		
		Financial	16.1	43.0	6.9		
		Property	-2.1	25.8	-3.4		
		Large Cap	4.4	14.5	11.9		
		Mid/Small Cap	5.0	26.0	12.6		
	Interest-bearing	Variable Term	1.6	12.0	8.1		
		Short Term	1.2	5.0	6.2		
		Money Market	0.7	3.4	5.1		
	Multi Asset	Flexible	-0.5	12.1	10.1		
		High Equity	-0.9	11.0	9.1		
Medium Equity		-1.2	9.9	8.3			
Low Equity		-0.9	8.7	7.3			
Income		1.0	6.7	6.5			
Global	Equities	General	-14.0	-0.1	11.1		
		Property	-11.9	14.8	6.8		
	Interest-bearing	Variable Term	-13.2	-7.2	0.8		
		Short Term	-9.4	-4.2	0.0		
	Multi Asset	Flexible	-12.4	0.2	7.2		
		High Equity	-12.1	0.4	7.8		
		Medium Equity	-12.5	-0.5			
	Low Equity	-10.2	-1.3	3.6			

COMMODITIES PRICES SPIKE AS UKRAINE WAR RAGES ON



INFLATION REACHES MULTI-DECADE HIGHS

