Trending

3 of 2020

Market Insights

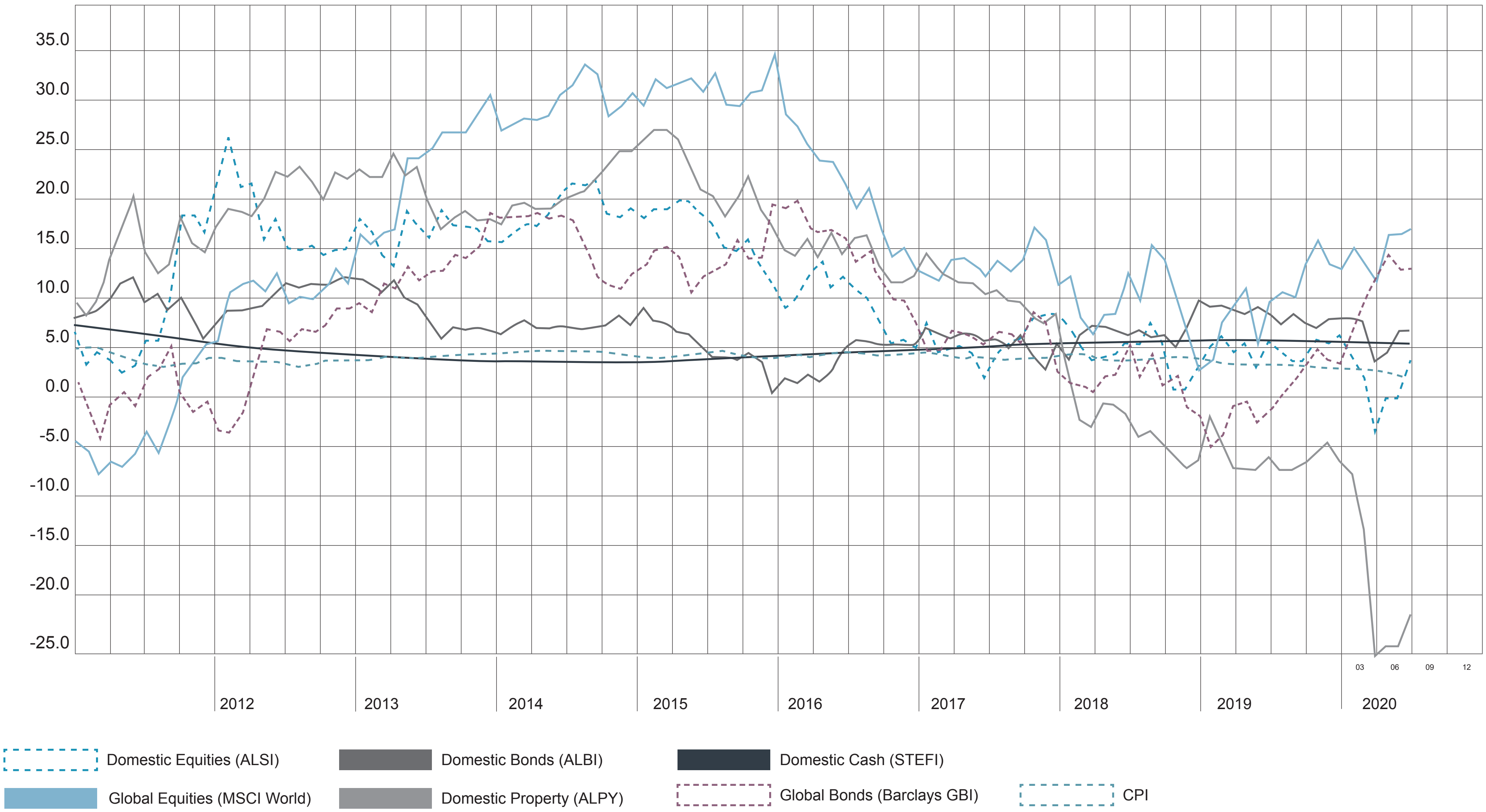
South African Indicators

SA Indicators	2020/06/30	Year on Year
Exchange rate (Rand/US Dollar)	17.35	14.10
Exchange rate (Rand/ Euro)	19.50	16.03
Exchange rate (Rand/ UK Pound)	21.52	17.89
CPI	0.3%	4.0%
REPO rate	3.8%	6.8%
GDP (reported quarterly to end of previous quarter)	-	0.1%
PPI	0.1%	3.3%
Gold spot per oz	1772.86	1409.10
Brent crude per barrel	$41.27	$64.41

The COVID-19 crash and subsequent recovery in the prices of financial assets represent the most vicious crash and fastest recovery in financial markets to date, a crash that was over in a flash (Flash Crash). The most important aspect currently remains the fiscal and monetary stimulation measures taken both globally and domestically. Our domestic fiscal measures are firstly aimed at emergency poverty alleviation and, along with monetary measures, the protection of threatened businesses. In addition, global monetary measures such as the US$3.4 trillion that the Federal Reserve has made available not only stabilised the global financial system, but also assisted in a sharp recovery of the prices of financial assets. With the addition of US$3.4 trillion to the financial system, one expects the US dollar to weaken in the shorter term and other currencies to strengthen. This has been the case to some extent, as the US Dollar Index (against a weighted basket of currencies) weakened by 5.7% from 102.1 to 96.3. Structurally, the US dollar remains in a bull market, meaning that other currencies could weaken as time passes.

Main Indices

Time Period: Since Common Inception (01/02/2008) to 30/06/2020
Rolling Window: 3 years 1 month shift



Source: Morningstar Direct

Local Equities

As of Date 30/06/2020 Currency: South African Rand

Best → Worst	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Best	AL SI -3.2	ALSI -3.3	ALSI 5.1	ALSI 4.2	ESG 13.2	ALSI 12.6
	SWIX -6.3	SWIX -6.1	ESG 3.0	ESG 3.0	ALSI 10.9	SWIX 12.5
	ESG -7.1	ESG -9.8	SWIX 2.0	SWIX 2.1	SWIX 10.6	
Worst	Capped Swix -10.7	Capped Swix -10.8	Capped SWIX -0.8	Capped SWIX -0.1		

ALSI SWIX Capped SWIX ESG

Source: Morningstar Direct

Local Equities

As of Date 30/06/2020 Currency: South African Rand

	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Best	Growth 17.4	Growth 22.6	Growth 15.3	Growth 11.7	Growth 17.4	Growth 15.6
	Momentum 4.9	Momentum 9.9	Momentum 9.5	Momentum 3.8	Momentum 13.2	Momentum 14.6
	Quality -7.3	Quality -9.5	Quality -2.8	Quality -0.2	Quality 9.4	Quality 12.5
	Low Volatility -14.7	Low Volatility -14.8	Low Volatility -3.4	Low Volatility -2.4	Low Volatility 8.3	Low Volatility 11.0
Worst	Value -28.1	Value -33.5	Value -11.4	Value -9.0	Value -1.6	Value 7.4

Growth   Low Volatility   Quality   Value   Momentum

Source: Morningstar Direct

Global Equities

As of Date 30/06/2020 Currency: South African Rand

Rank	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Best	NASDAQ 45.2	NASDAQ 64.8	NASDAQ 35.0	NASDAQ 28.5	NASDAQ 31.0	NASDAQ 22.3
	S&P 500 20.4	S&P 500 32.5	S&P 500 21.7	S&P 500 19.0	S&P 500 23.7	S&P 500 16.0
	MSCI World ESG 18.8	MSCI World ESG 29.8	MSCI World ESG 18.7	MSCI World ESG 15.9	MSCI World 20.0	MSCI World 14.2
	MSCI World 17.4	MSCI World 27.4	MSCI World 17.9	MSCI World 15.5	MSCI World ESG 20.0	MSCI ACWI GR USD 14.0
	MSCI ACWI GR USD 16.8	MSCI ACWI GR USD 26.5	MSCI ACWI GR USD 17.2	MSCI ACWI GR USD 15.0	MSCI ACWI GR USD 19.1	MSCI EM 13.7
	MSCI EM ESG 15.4	MSCI EM ESG 24.4	MSCI EM ESG 14.4	MSCI EM ESG 13.2	MSCI EM ESG 16.1	
Worst	MSCI EM 12.2	MSCI EM 19.5	MSCI EM 12.4	MSCI EM 10.9	MSCI EM 12.5	

S&P 500 | MSCI World | MSCI ACWI GR USD | MSCI EM | MSCI World ESG | MSCI EM ESG | NASDAQ

Source: Morningstar Direct

Global Equities

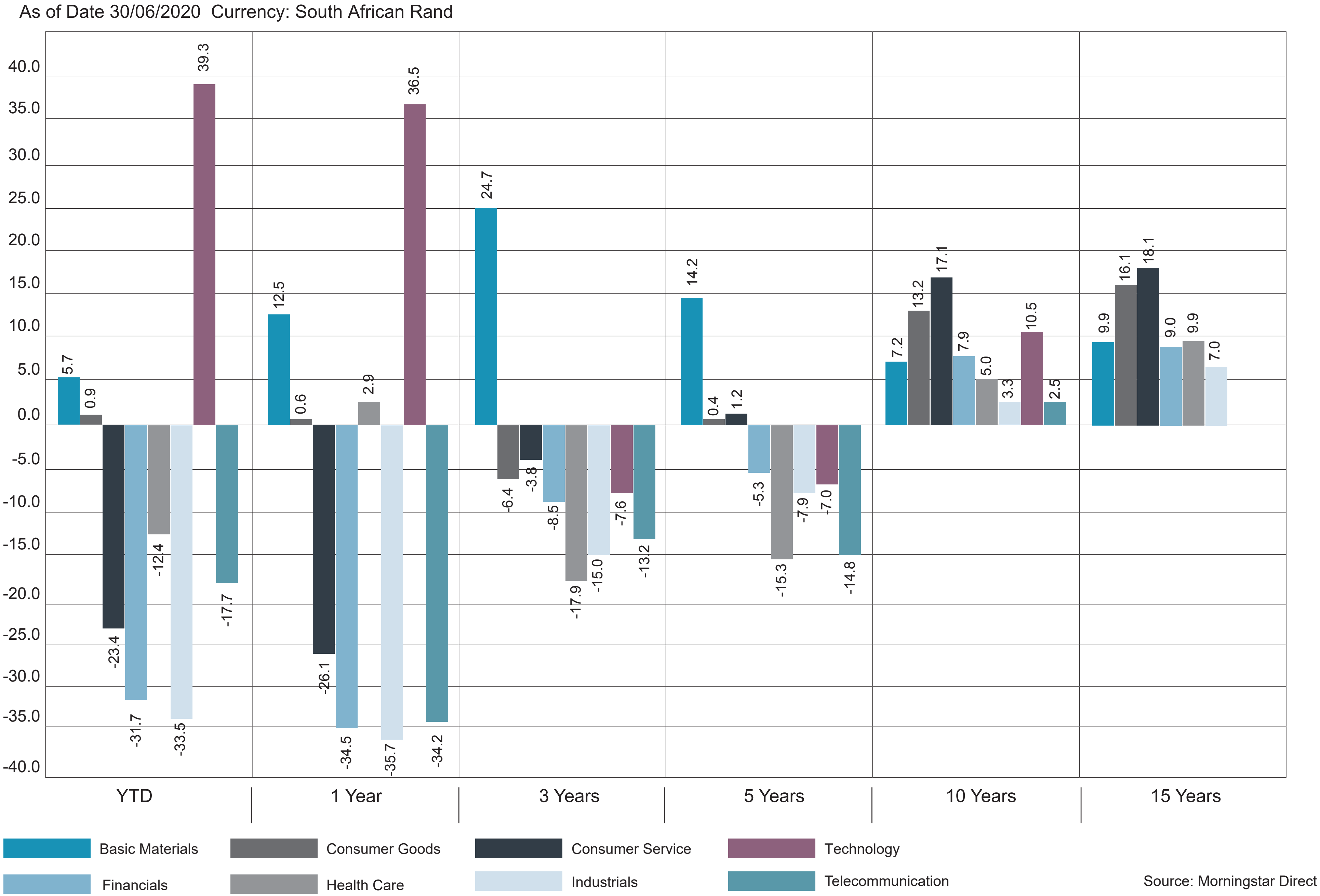
As of Date 30/06/2020 Currency: South African Rand

	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Best	Growth 32.5	Growth 45.2	Momentum 25.8	Momentum 21.0	Momentum 24.9	Momentum 17.6
	Momentum 29.9	Quality 41.8	Growth 25.8	Quality 20.7	Quality 23.7	Quality 17.4
	Quality 26.2	Momentum 37.7	Quality 25.2	Growth 20.1	Growth 23.0	Growth 16.3
	Low Volatility 15.7	Low Volatility 22.3	Low Volatility 17.6	Low Volatility 16.5	Low Volatility 20.4	Low Volatility 14.9
	High Dividend Yield 8.5	High Dividend Yield 16.9	High Dividend Yield 13.4	High Dividend Yield 13.3	High Dividend Yield 18.4	High Dividend Yield 13.0
Worst	Value 2.6	Value 10.0	Value 9.8	Value 10.7	Value 16.9	Value 12.0

Quality Momentum Low Volatility Growth High Dividend Yield Value

Source: Morningstar Direct

Local Sectors



Source: Morningstar Direct

Market Insights

In his Supplementary Budget presented to Parliament, South Africa's Minister of Finance indicated that the global GDP (income produced by the world economy) is expected to contract by 5.7% in 2020. We believe that two very large economies, China and India, will prop up the global economy in 2020. The inference to be drawn is that the GDP numbers from other economies, including South Africa, are expected to be worse than the global aggregate. If some analysts are to be believed, global GDP growth for 2021 is expected to be much better, projecting a healthy post-COVID-19 recovery. The analysts continue that one should look past the weaker economies of 2020, to the improved conditions from 2021 onwards. Presently, China's rumoured higher imports of commodities and increased manufacturing of motor vehicles support this thesis.

The fall in the prices of financial assets spread through financial markets rapidly in March 2020. The prices of shares, bonds and listed property were all negatively affected at the same time, reducing the benefits of diversification of risk. We believe this creates an opportunity to consider the use of uncorrelated assets (including private equity and unlisted securities) to increase long-term investment returns and reduce risk in times of severe financial market stress. One such avenue of investment is infrastructure investment projects, which are being introduced at present. In terms of this initiative, Government identifies and screens suitable infrastructure development projects to be funded by the private sector and from which a market-related investment return could be earned.

The JSE's -21% first quarter investment return was followed by a record 23.2% bounce-back in the second quarter, leaving many investors at levels similar to the start of the year. The extraordinarily sharp recovery has resulted from fiscal and monetary interventions from around the world.

We continue to expect severe economic contractions in 2020 and it will be some time before economies return to what we previously considered normal. There is the possibility that after the sharp recovery, financial markets may drift sideways for some years as economies recover to drive long-term growth expectations in financial markets.

Finally, we have experienced exogenous shocks to markets and economies before, and from experience, we know that focusing on the basics produces the best results.

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