

MONTH IN PICTURES

APRIL 2021

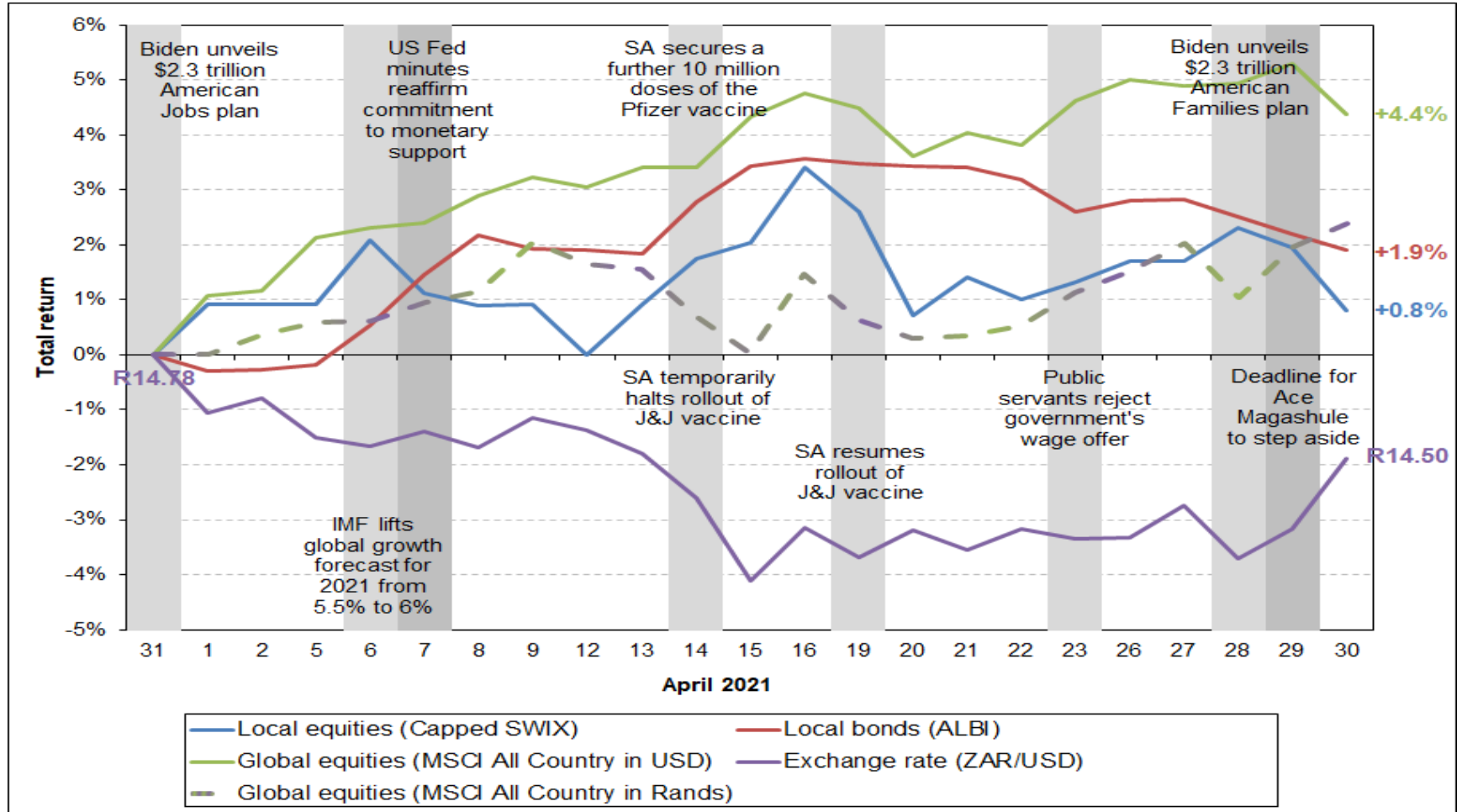
MONTHLY SNAPSHOT

NOTABLE EVENTS

- The local equity market recorded its sixth consecutive monthly gain (ALSI = +1.0% & Capped SWIX = +0.8%), with Listed Property (+11.7%) being the standout performer, while Resources (+2.9%) and Financials (+1.5%) also made positive contributions. Industrials (-1.2%) ended the month lower as the share prices of Naspers (-6.3%) and Prosus (-3.9%) came under pressure.
- Global equity markets enjoyed a strong month (+4.4% in USD) as positive economic data and additional fiscal stimulus proposals from the US bolstered markets. The latter include President Biden's \$2.3 trillion American Jobs Plan (infrastructure-related) and \$1.8 trillion American Families Plan (focused on childcare and education), which comes on top of his \$1.9 trillion American Rescue Plan (Covid-19 relief) that was approved in March.
- Global bonds broke their negative run in April, returning +1.2% (in USD) as yields stabilised. Local bonds also benefitted from this trend, delivering a Rand return of +1.9%.
- The Rand continued to strengthen against a weakening US Dollar, gaining 1.9% in April (and moving from R14.78 to R14.50/USD), resulting in local currency returns of +2.4% and -0.8% from the global equity and bond markets, respectively.
- From its weakest levels last year, the Rand is now more than 20% stronger against the greenback, with the result that local assets have comfortably outperformed their global counterparts over this period. Over the last year the local equity market delivered +36%, compared to +14% from global equities, while local bonds are around 15% higher, compared to a loss of 20% from global bonds.
- Headline inflation kicked up sharply in April (+4.4% y-o-y from +3.2% in March) on the back of the low base set during the height of the lockdown last year, as well as steep increases in fuel and food prices. Core inflation, which excludes food and energy prices, remains quite low at 3.0% y-o-y.
- Despite seeing upside risks to their inflation outlook, the South African Reserve Bank (SARB) kept the repo rate unchanged at 3.5% at their recent meeting, and expects headline inflation to average 4.2%, 4.4% and 4.5% in 2021, 2022 and 2023, respectively. The SARB also revised their 2021 economic growth expectation to 4.2% (from 3.8% previously).
- With the strong returns from April last year being dropped out of the rolling 1-year numbers, average retirement fund returns (for a typical high equity mandate) over this period have dropped noticeably from the 30%+ levels reached in March, but remains quite elevated (20%+). Although medium term returns (i.e., 3 to 5 years) have started to improve, they remain only around 2-3% p.a. above inflation, while long term returns remain reasonably robust at around 4-6% p.a. above inflation.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Feb 2021	Mar 2021	Apr 2021	3 months	12 months
Local equities	ALSI	5.9	1.6	1.0	8.6	36.4
	Capped SWIX	5.3	3.7	0.8	10.1	36.2
	Resources	11.6	1.2	2.9	16.1	61.0
	Industrials	2.3	1.9	(1.2)	3.0	24.6
	Financials	4.8	1.7	1.5	8.2	24.9
	Listed Property	8.6	1.2	11.7	22.8	40.3
Local bonds	ALBI	0.1	(2.5)	1.9	(0.6)	14.7
Local cash	STeFI Composite	0.3	0.3	0.3	0.9	4.3
Global equities	MSCI All Country	2.1	0.3	2.4	4.8	14.0
Global bonds	FTSE WGBI	(2.7)	(4.4)	(0.8)	(7.6)	(20.4)
Exchange rate	ZAR/USD	(0.2)	(2.3)	(1.9)	(4.4)	(21.7)
Inflation	CPI	0.7	0.7	0.7	2.2	4.4

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

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	ALSI	36.4	8.1	8.0	10.7	11.2
	Capped SWIX	36.2	3.2	4.2	9.5	10.4
	Resources	61.0	28.2	21.0	5.9	7.7
	Industrials	24.6	5.1	5.4	13.2	14.1
	Financials	24.9	(7.9)	(1.4)	8.3	7.8
	Listed Property	40.3	(11.8)	(7.4)	5.2	8.0
Local bonds	ALBI	14.7	6.4	8.7	8.2	8.0
Local cash	STeFI Composite	4.3	6.2	6.8	6.3	7.1
Global equities	MSCI All Country	14.0	19.2	14.3	18.2	13.6
Global bonds	FTSE WGBI	(20.4)	8.5	2.5	9.8	9.7
Exchange rate	ZAR/USD	(21.7)	5.2	0.4	8.3	6.0
Inflation	CPI	4.4	3.9	4.3	5.0	5.7

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

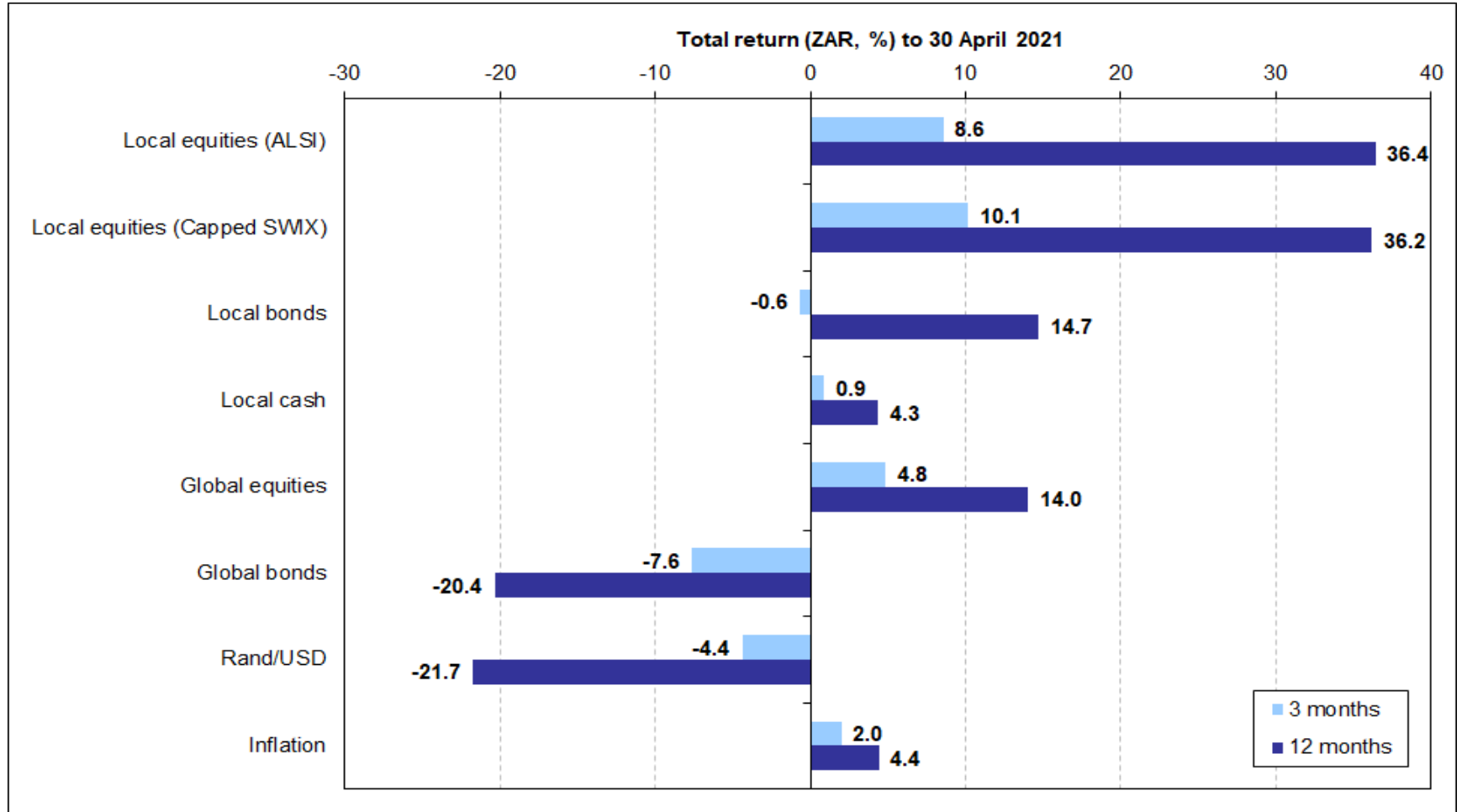
ECONOMIC INDICATORS

Economic indicators ¹	Apr 2019	Apr 2020	Feb 2021	Mar 2021	Apr 2021
Exchange rates:					
ZAR/USD	14.30	18.53	15.13	14.78	14.50
ZAR/GBP	18.64	23.33	21.08	20.37	20.03
ZAR/Euro	16.04	20.29	18.26	17.33	17.42
Commodities:					
Brent Crude Oil (USD/barrel)	71.65	26.48	64.42	62.74	66.76
Platinum (USD/ounce)	897.94	777.47	1,219.21	1,157.85	1,200.98
Gold (USD/ounce)	1,283.40	1,717.01	1,770.16	1,684.99	1,772.10

1. Month-end prices

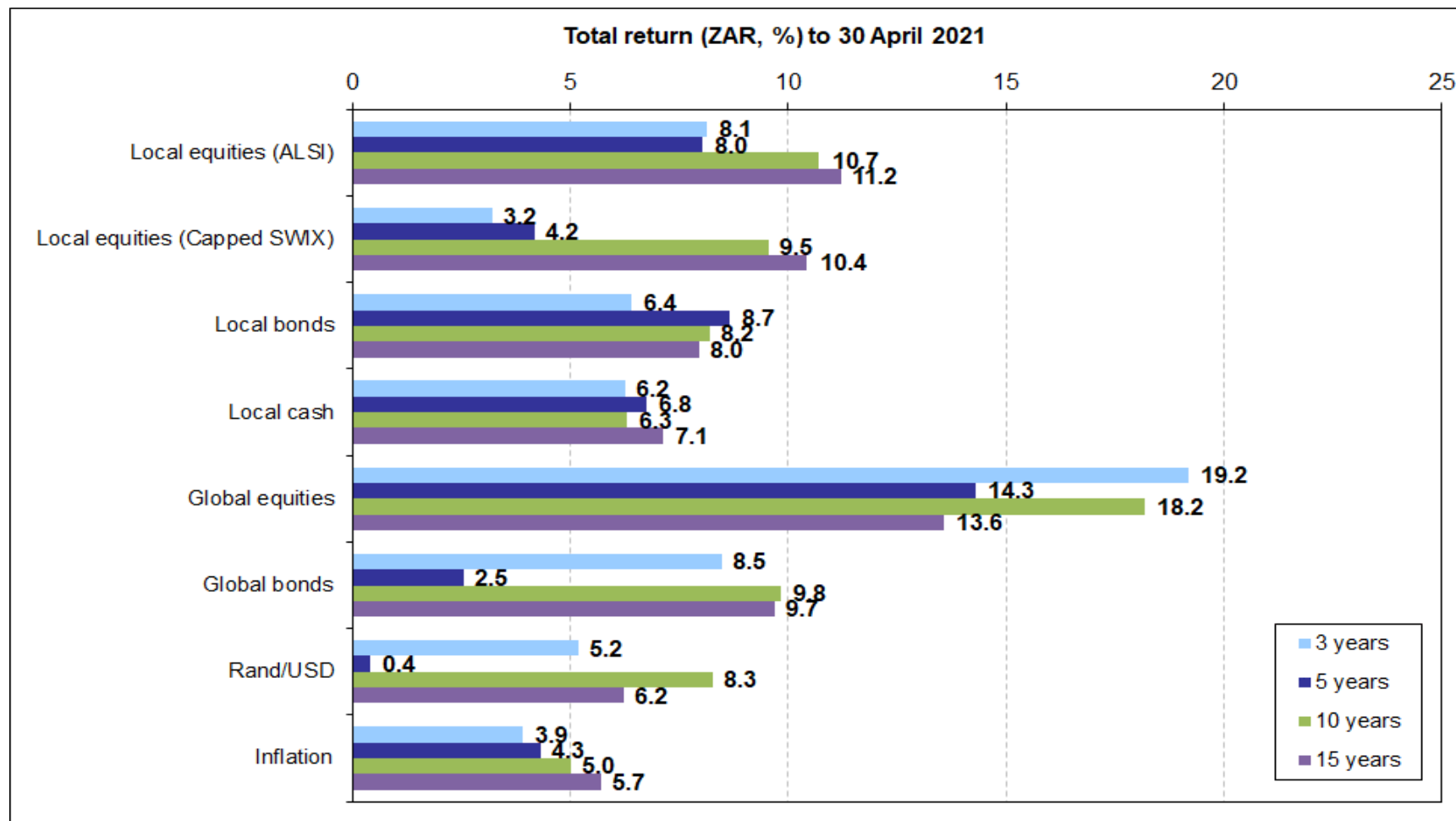
ASSET CLASS PERFORMANCE

SHORT TERM



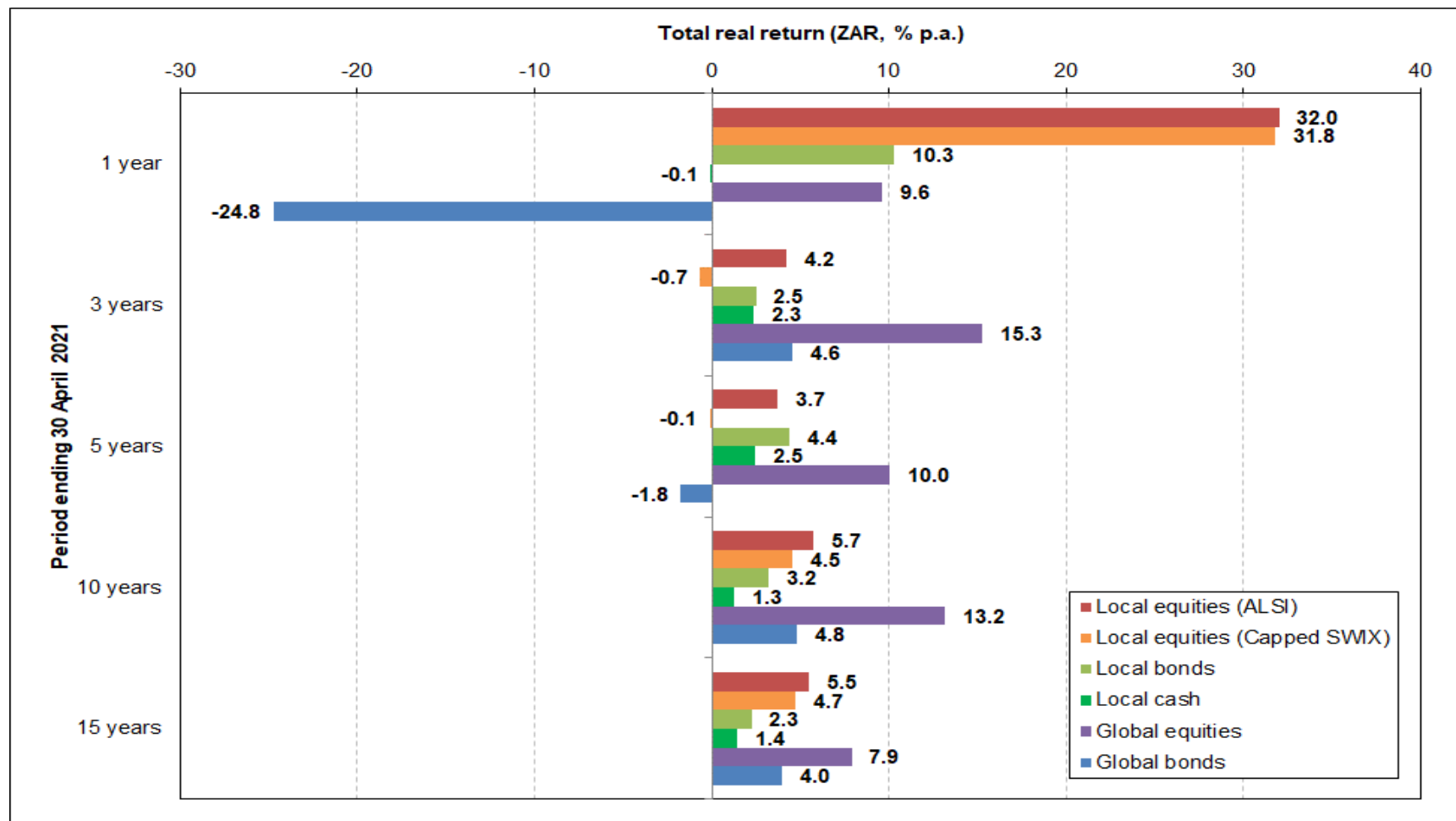
ASSET CLASS PERFORMANCE

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:

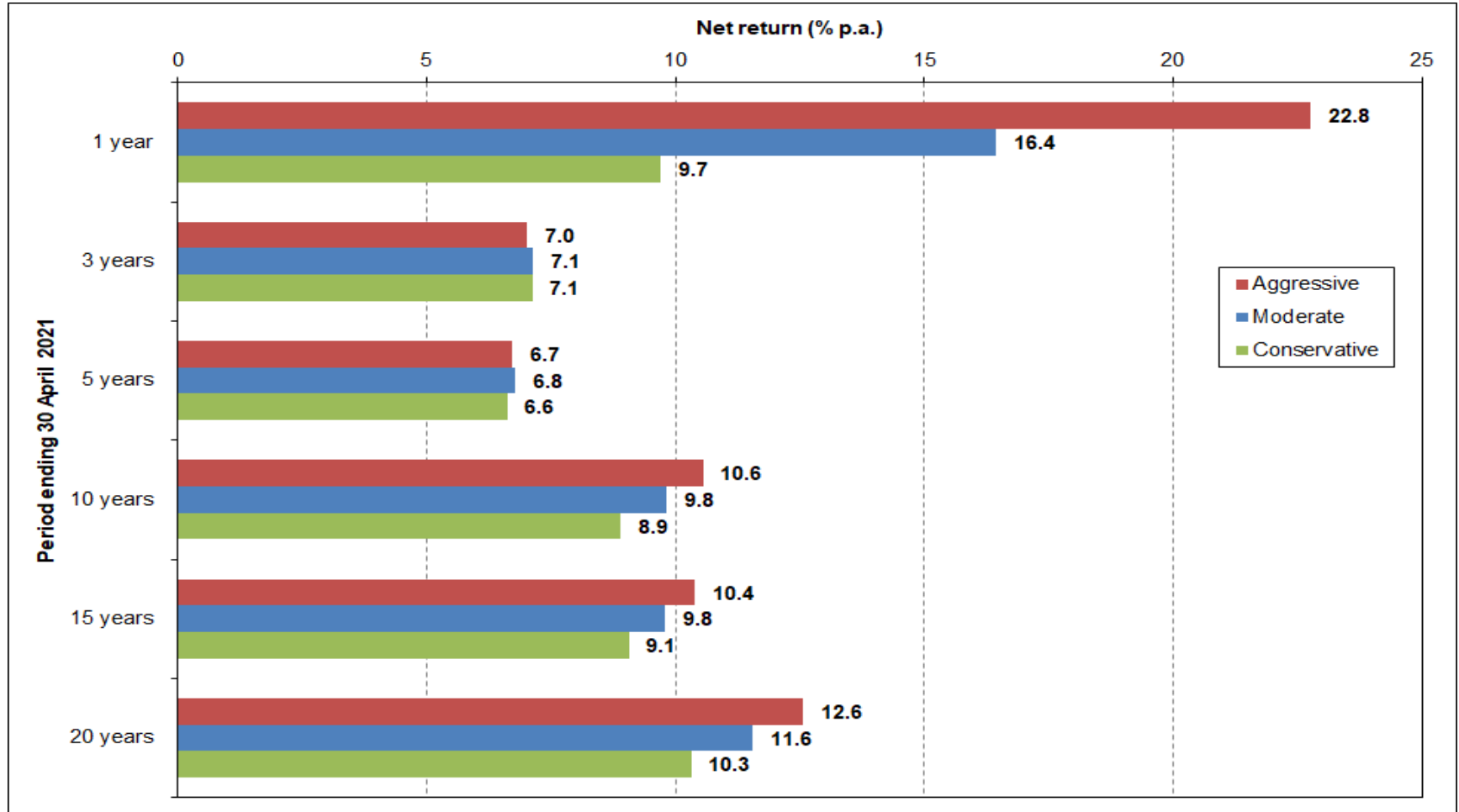
AGGRESSIVE	Strategic allocation	LOCAL VS OFFSHORE	75%			25% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	75%			75%	25%
		EQUITIES VS BONDS VS CASH	100%			100%	100%
	Current allocation		~56%			~19%	~6%

MODERATE	Strategic allocation	LOCAL VS OFFSHORE	75%			25% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	55%			55%	45%
		EQUITIES VS BONDS VS CASH	100%			100%	100%
	Current allocation		~41%			~14%	~11%

CONSERVATIVE	Strategic allocation	LOCAL VS OFFSHORE	75%			25% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	35%			35%	65%
		EQUITIES VS BONDS VS CASH	100%			100%	100%
	Current allocation		~26%			~9%	~16%

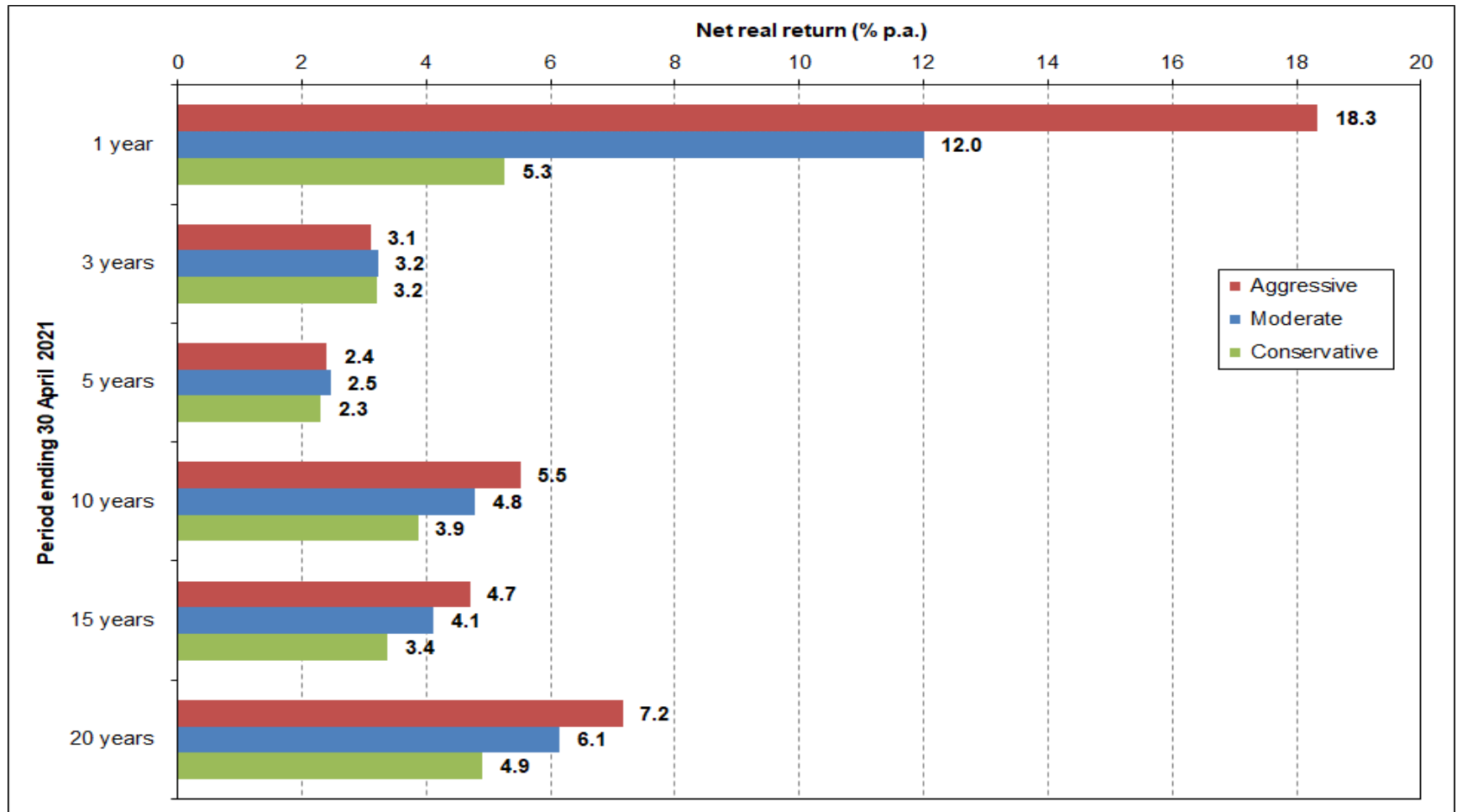
MARKET PERFORMANCE

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



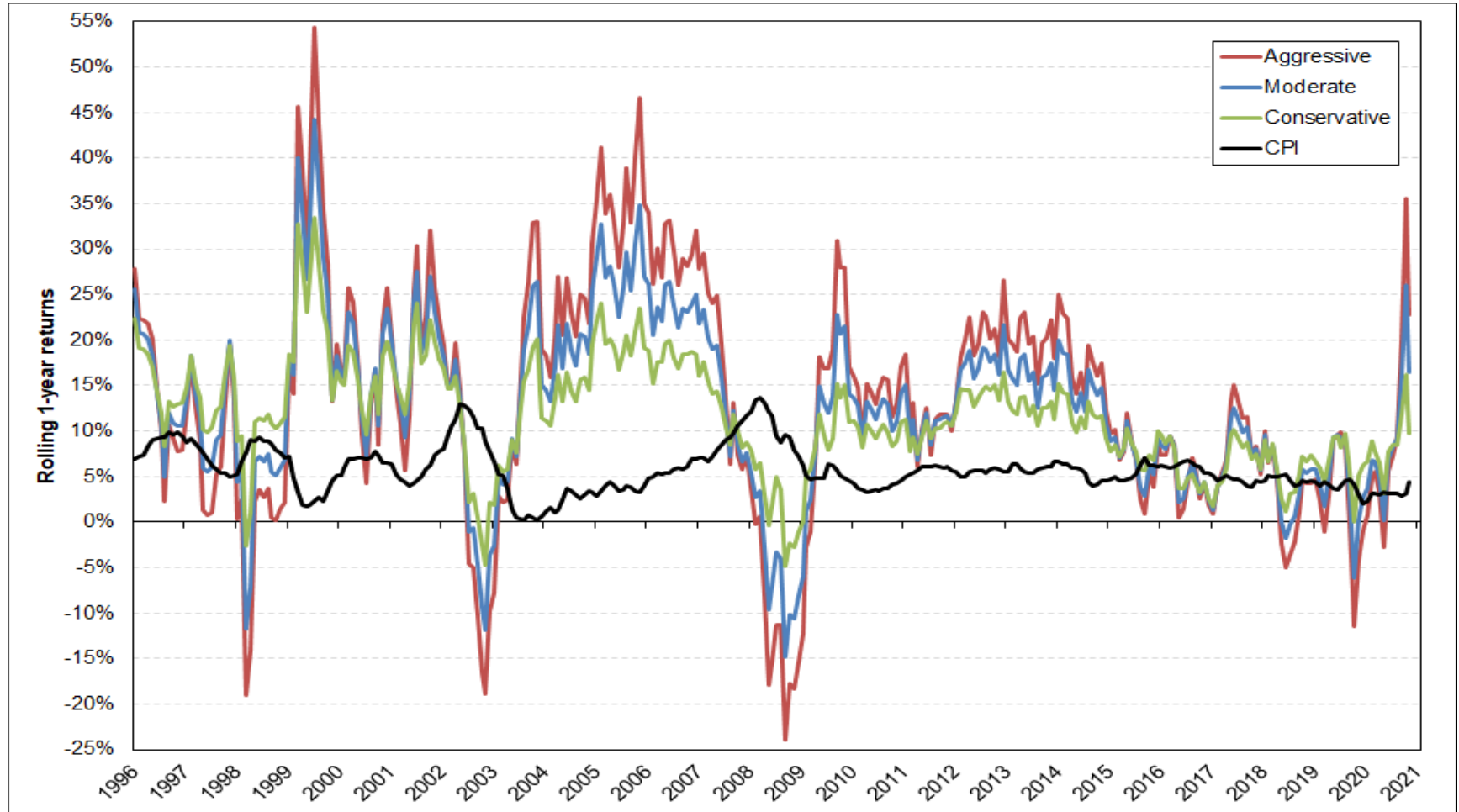
MARKET PERFORMANCE

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



MARKET PERFORMANCE

1-YEAR RETURNS FALLING BACK FROM MARCH'S HIGH, BUT STILL QUITE STRONG



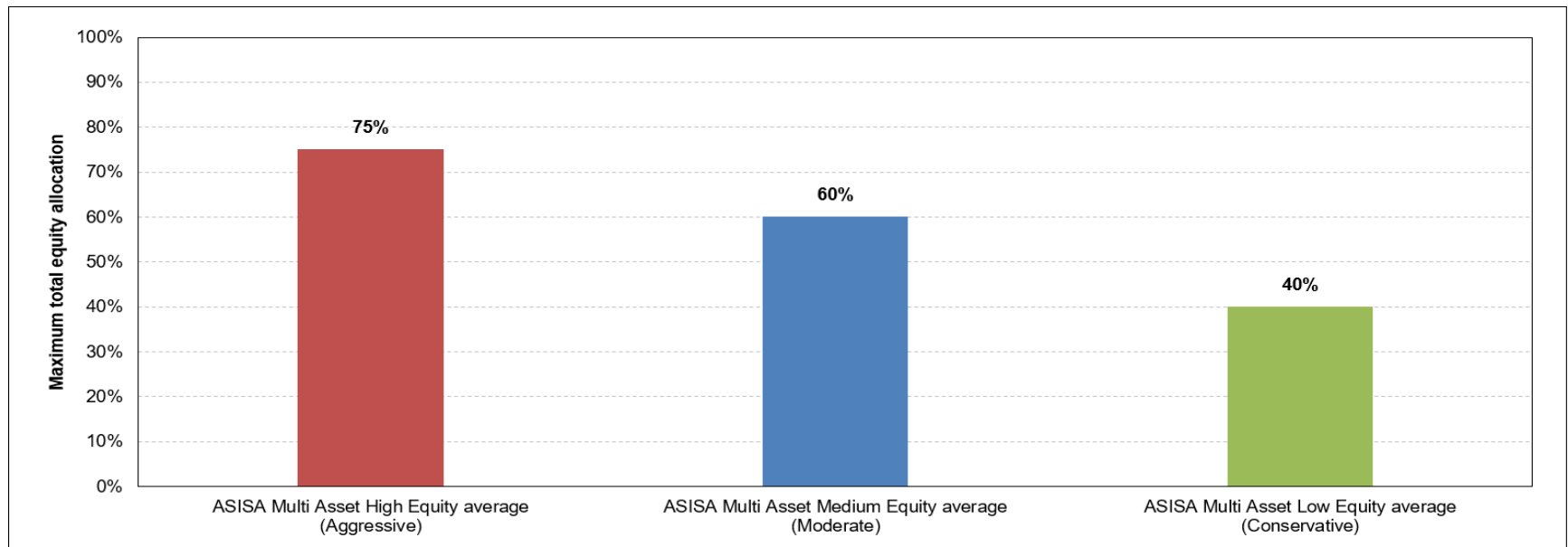
MANAGER PERFORMANCE

WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

Given what markets have delivered (see earlier slides), what level of returns (in both nominal and real terms) has the average *investment manager* delivered in this environment?

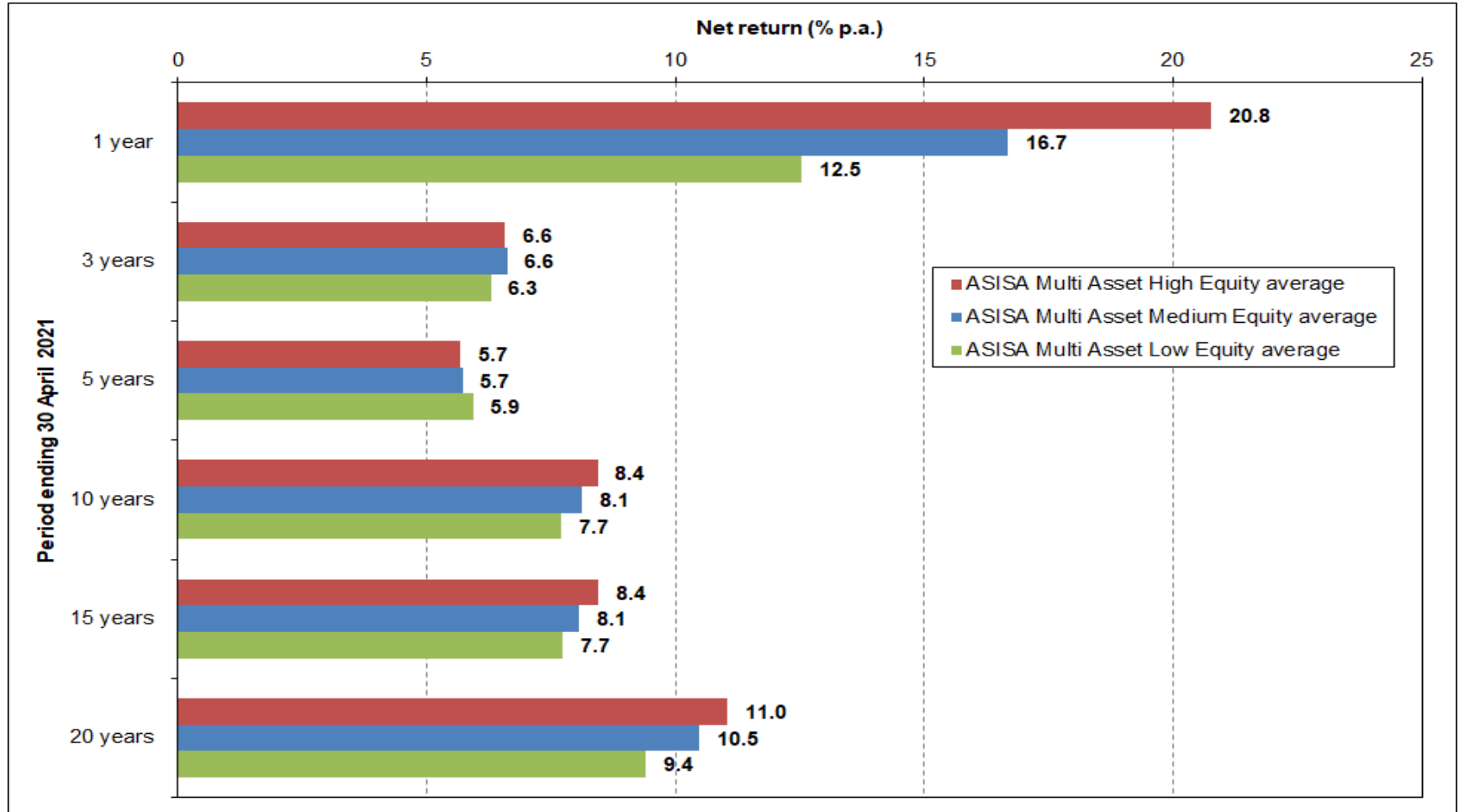
To illustrate this, we show the average returns from regulated collective investment schemes in the ASISA (Association for Savings and Investments South Africa) South Africa Multi Asset High, Medium and Low Equity categories to reflect the returns of typical Aggressive, Moderate and Conservative retirement fund portfolios.

The asset allocations of the portfolios in these categories are regulated by Regulation 28 of the Pension Funds Act, but ASISA also sets limits on the total equity allocations of these portfolios, as shown in the graphic below:



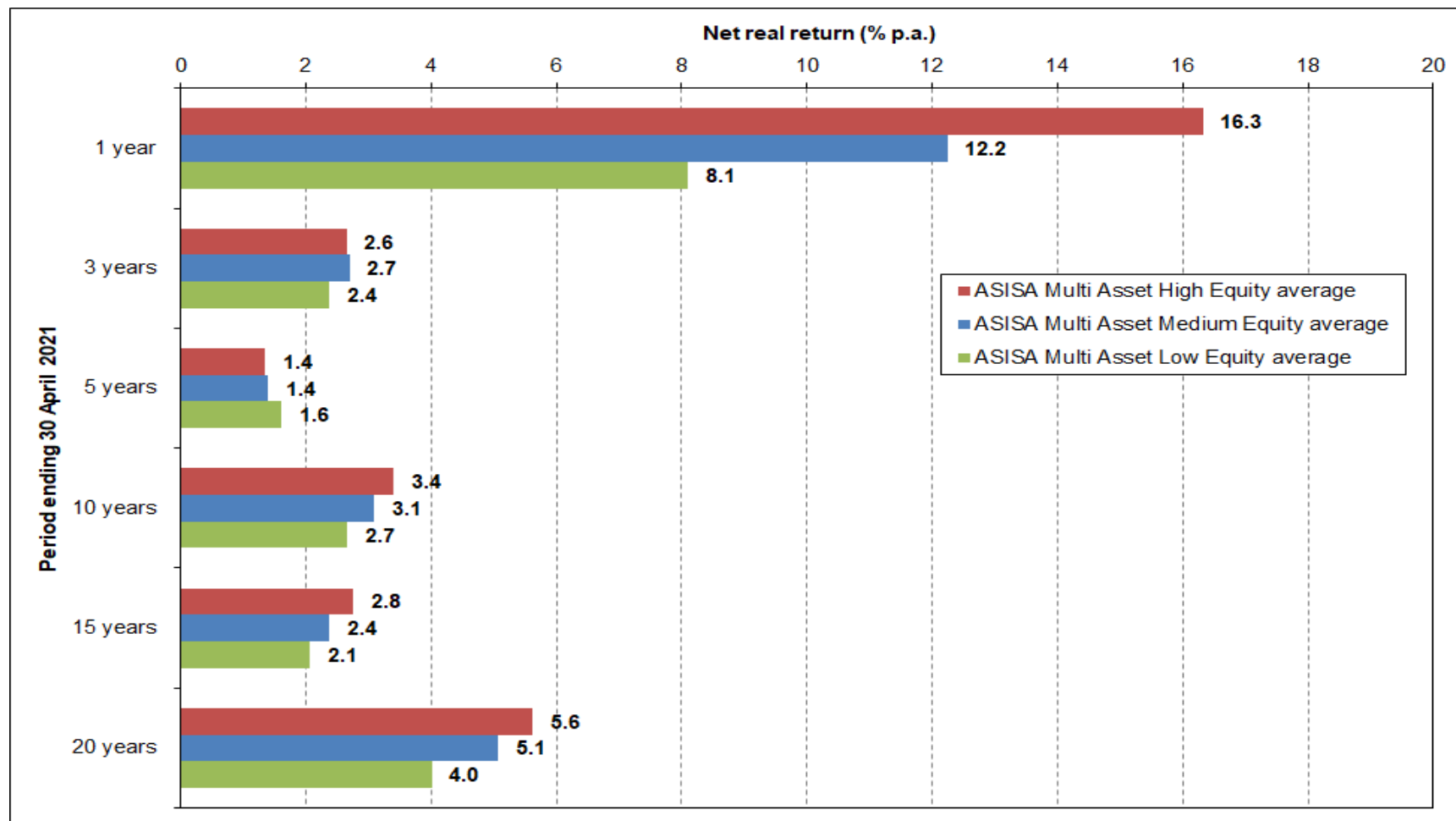
MANAGER PERFORMANCE

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



MANAGER PERFORMANCE

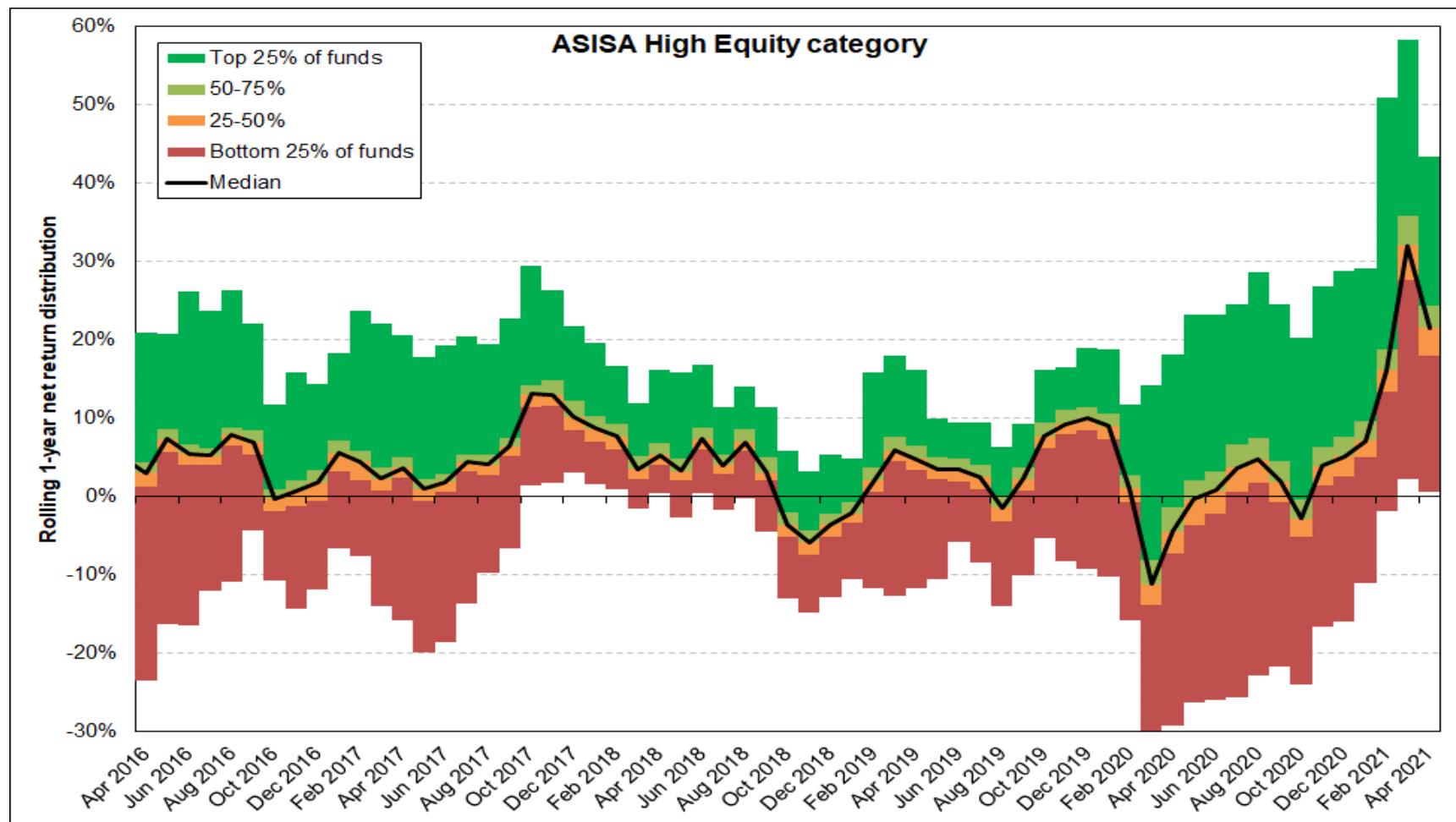
FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST REAL RETURNS WAS REASONABLY ACHIEVABLE?



MANAGER PERFORMANCE

ROLLING 1-YEAR RETURNS:

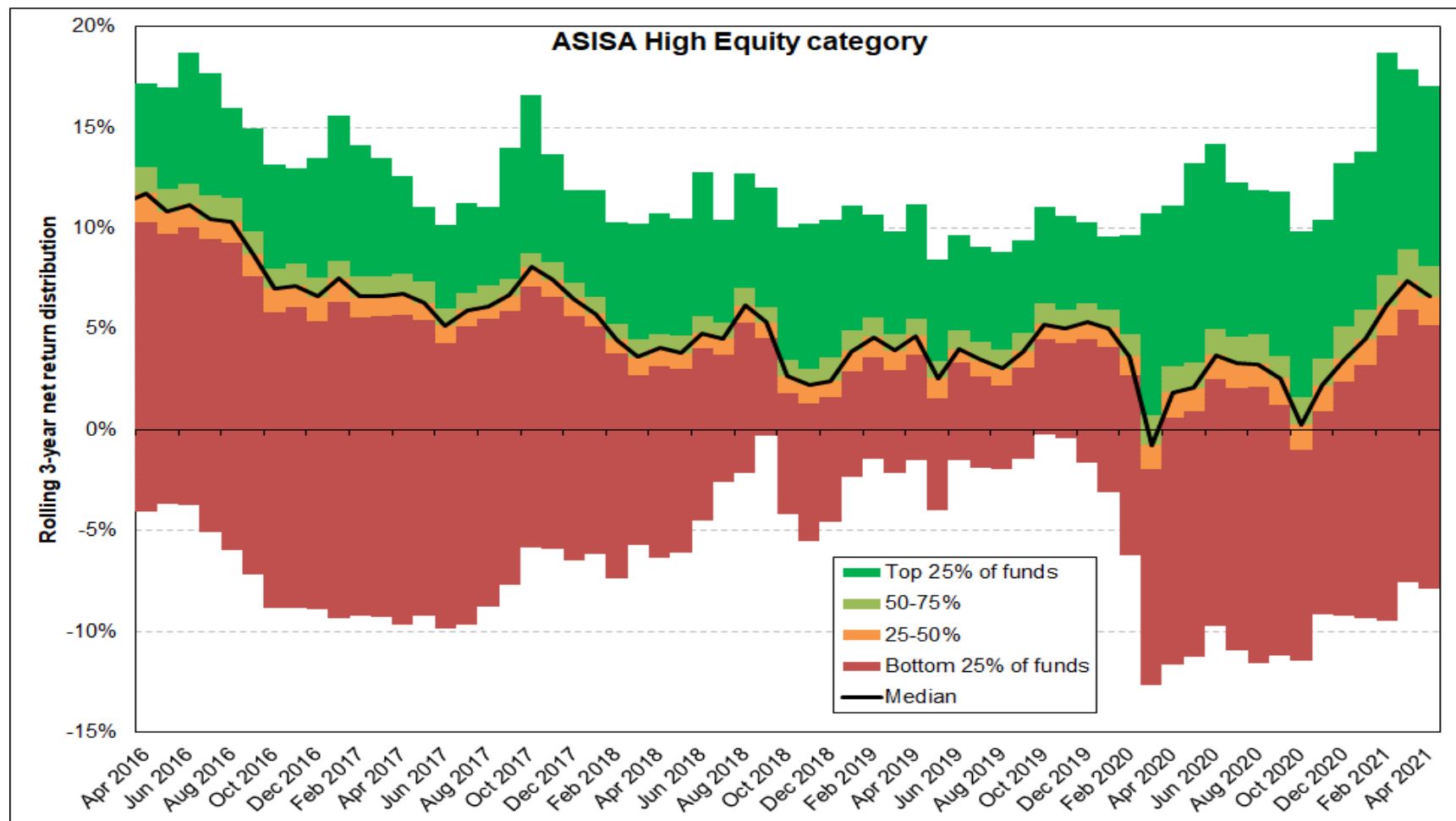
LOOKING MUCH BETTER, BUT OUTCOMES DIFFER WIDELY



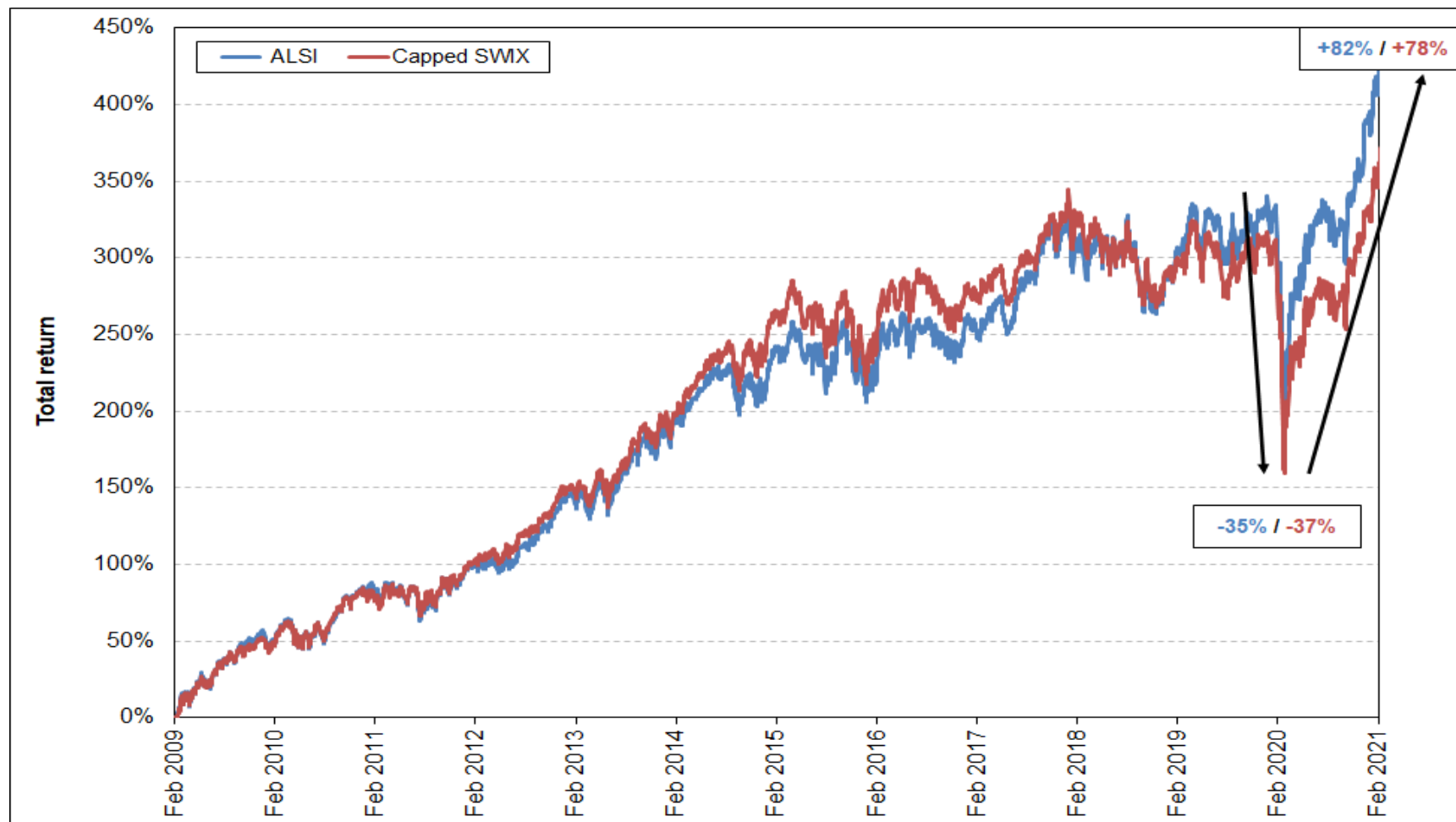
MANAGER PERFORMANCE

ROLLING 3-YEAR RETURNS:

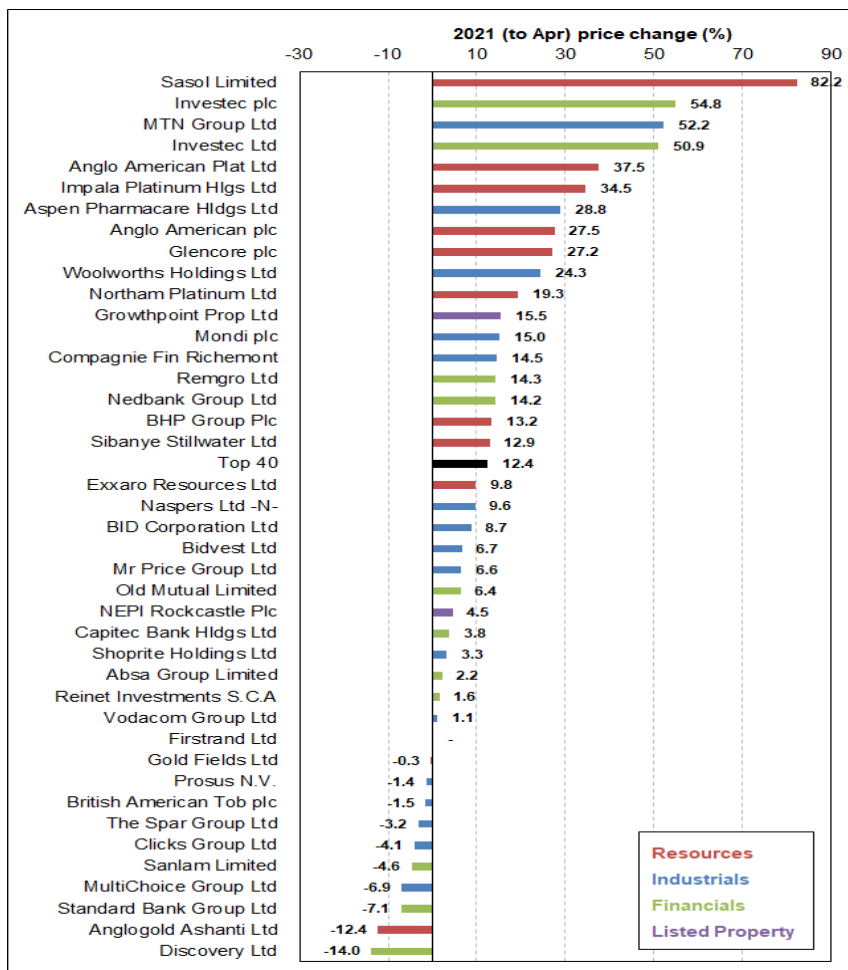
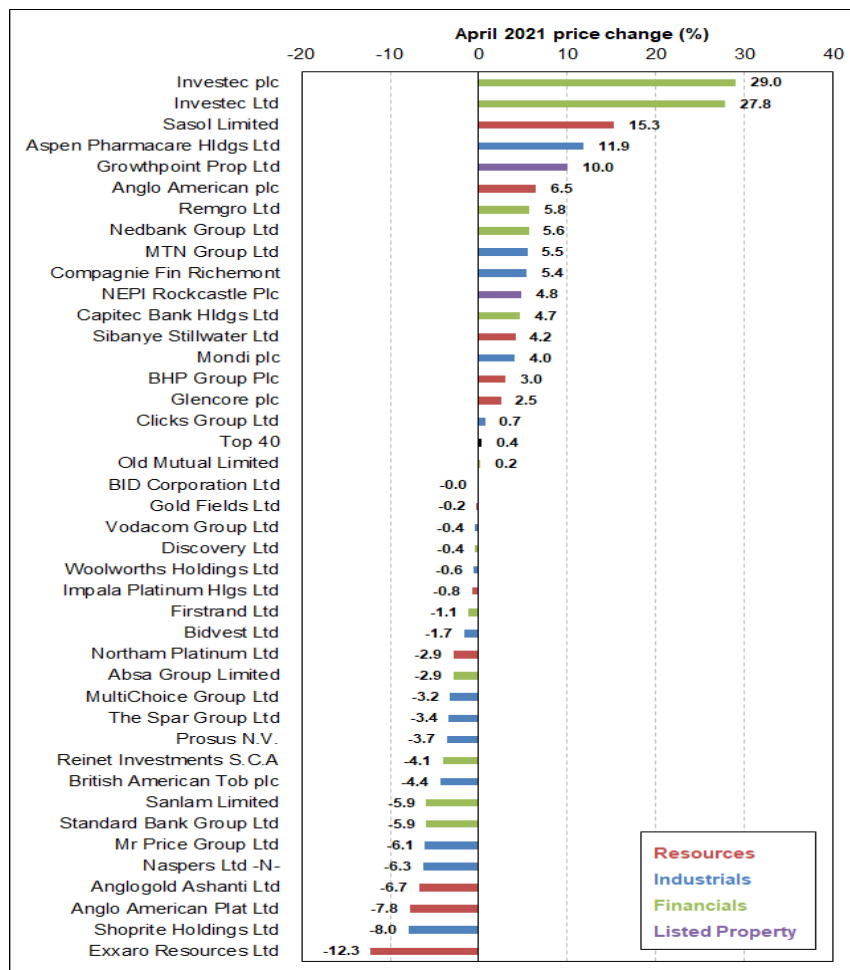
ALSO PICKING UP, BUT DIVERSIFICATION REMAINS IMPORTANT



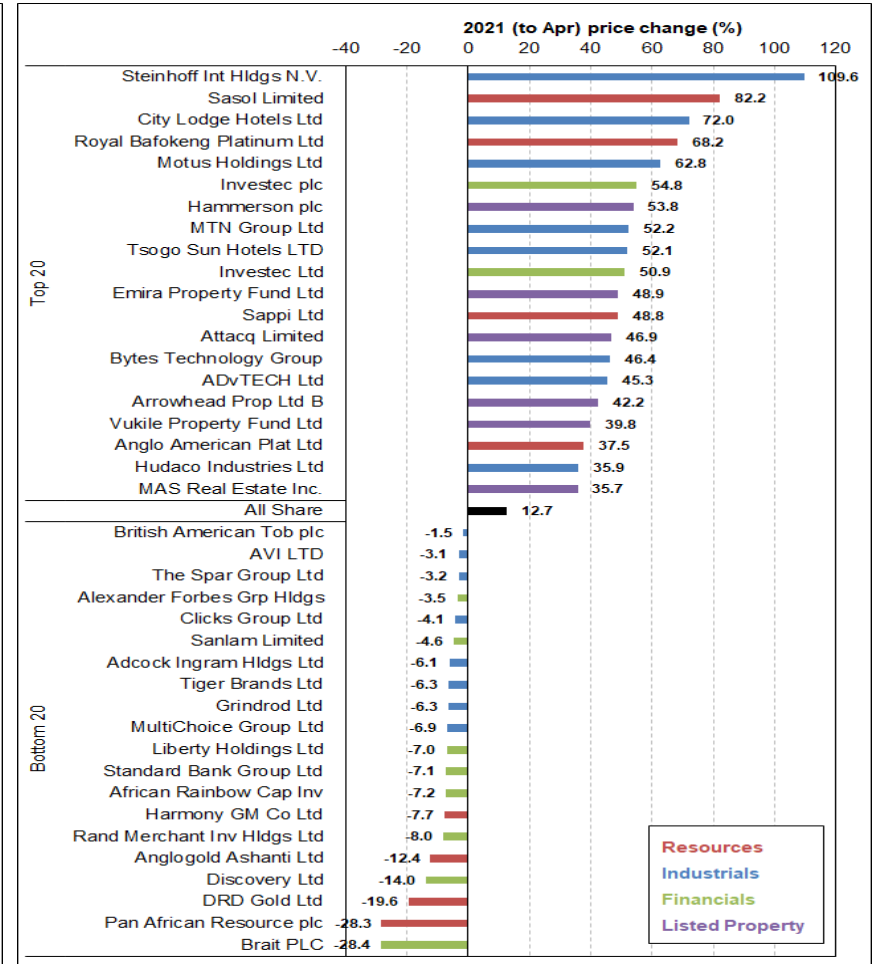
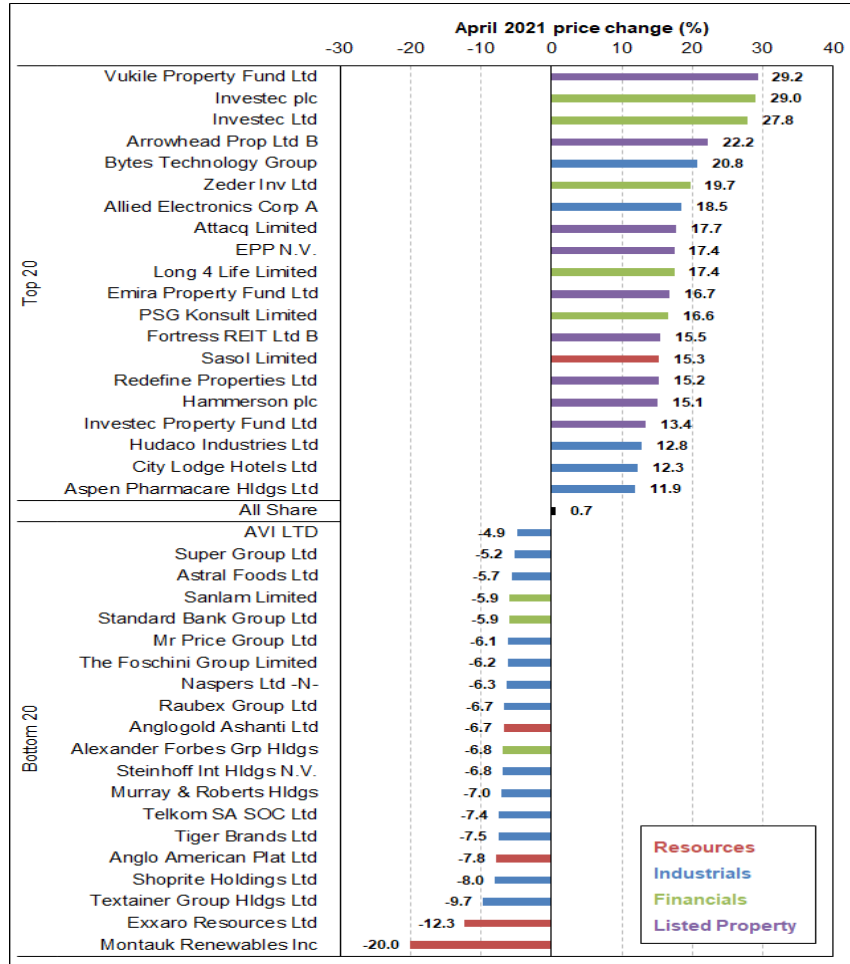
LOCAL EQUITY MARKET STILL GOING STRONG...



LOCAL EQUITIES – TOP 40

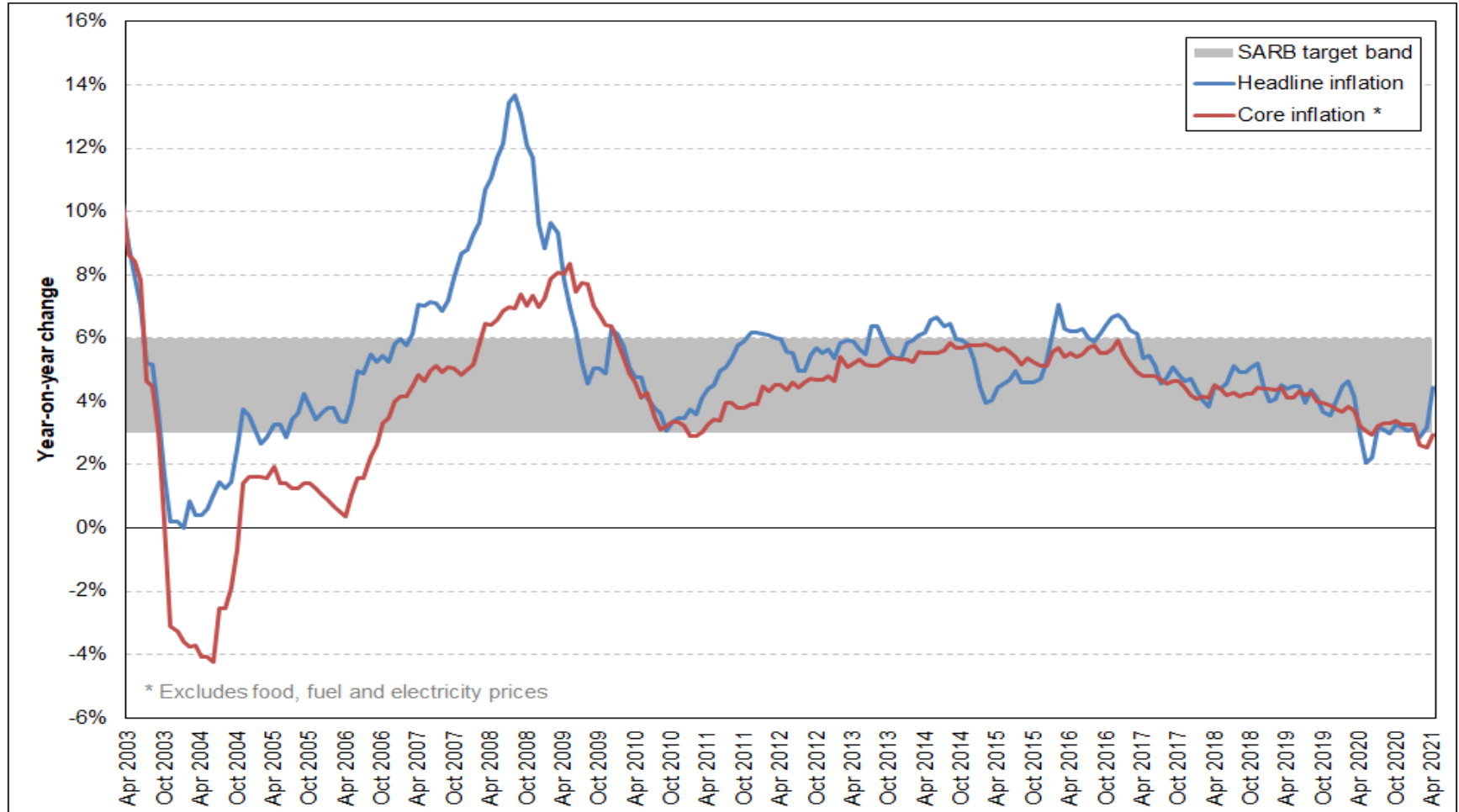


LOCAL EQUITIES – ALL SHARE



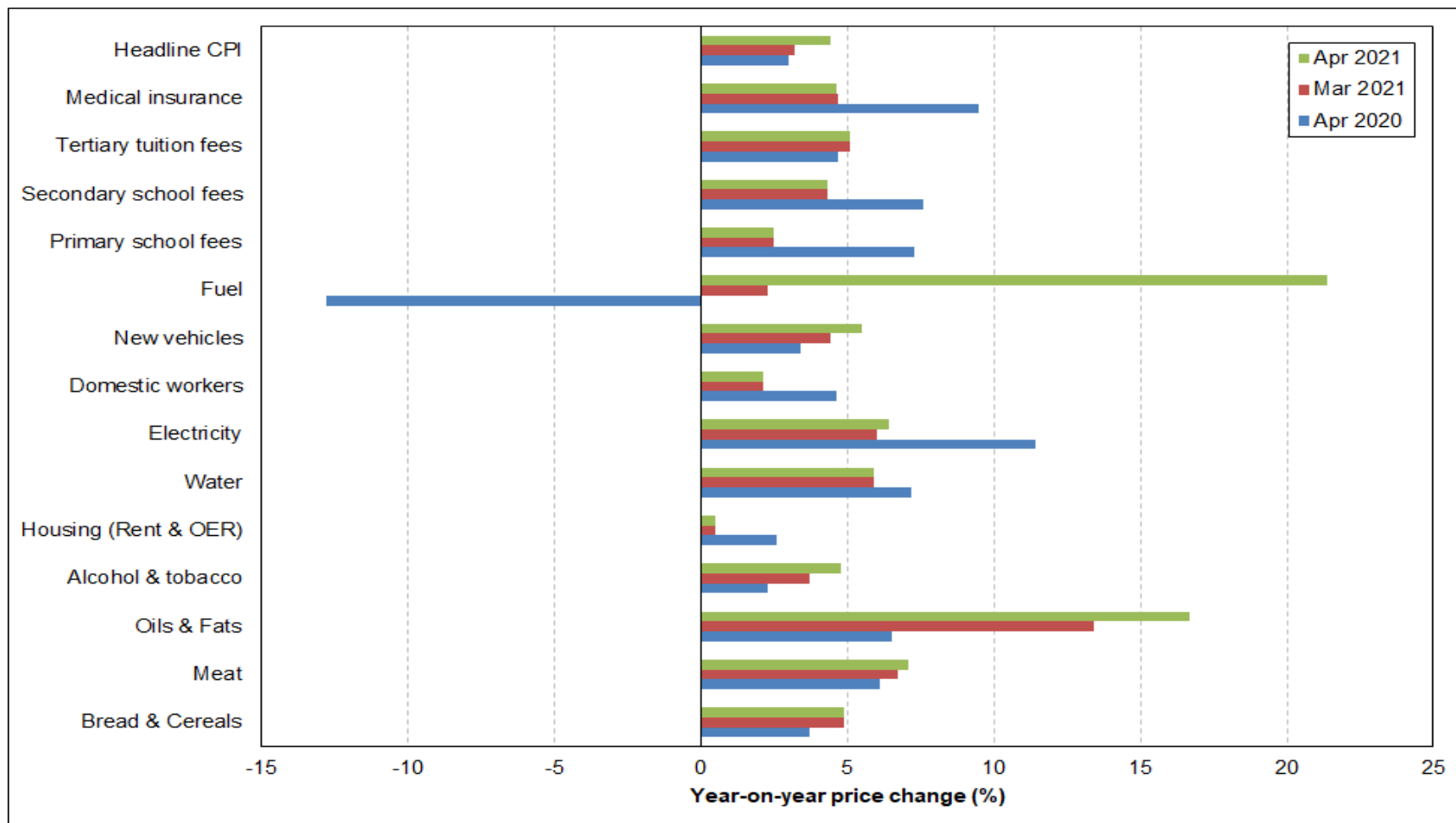
SA INFLATION

CREEPING HIGHER AS LOW BASE KICKS IN, ESPECIALLY FROM FUEL



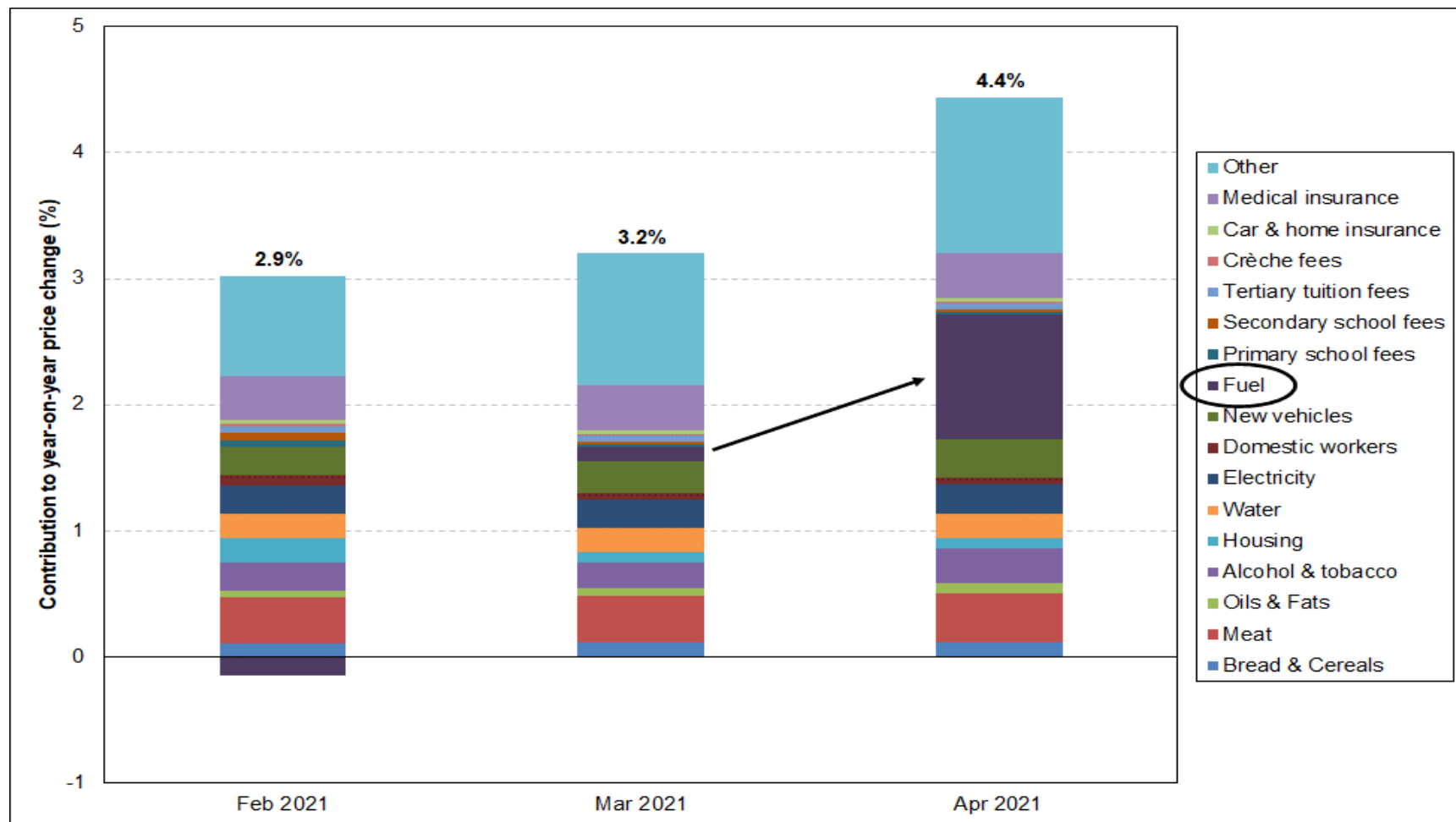
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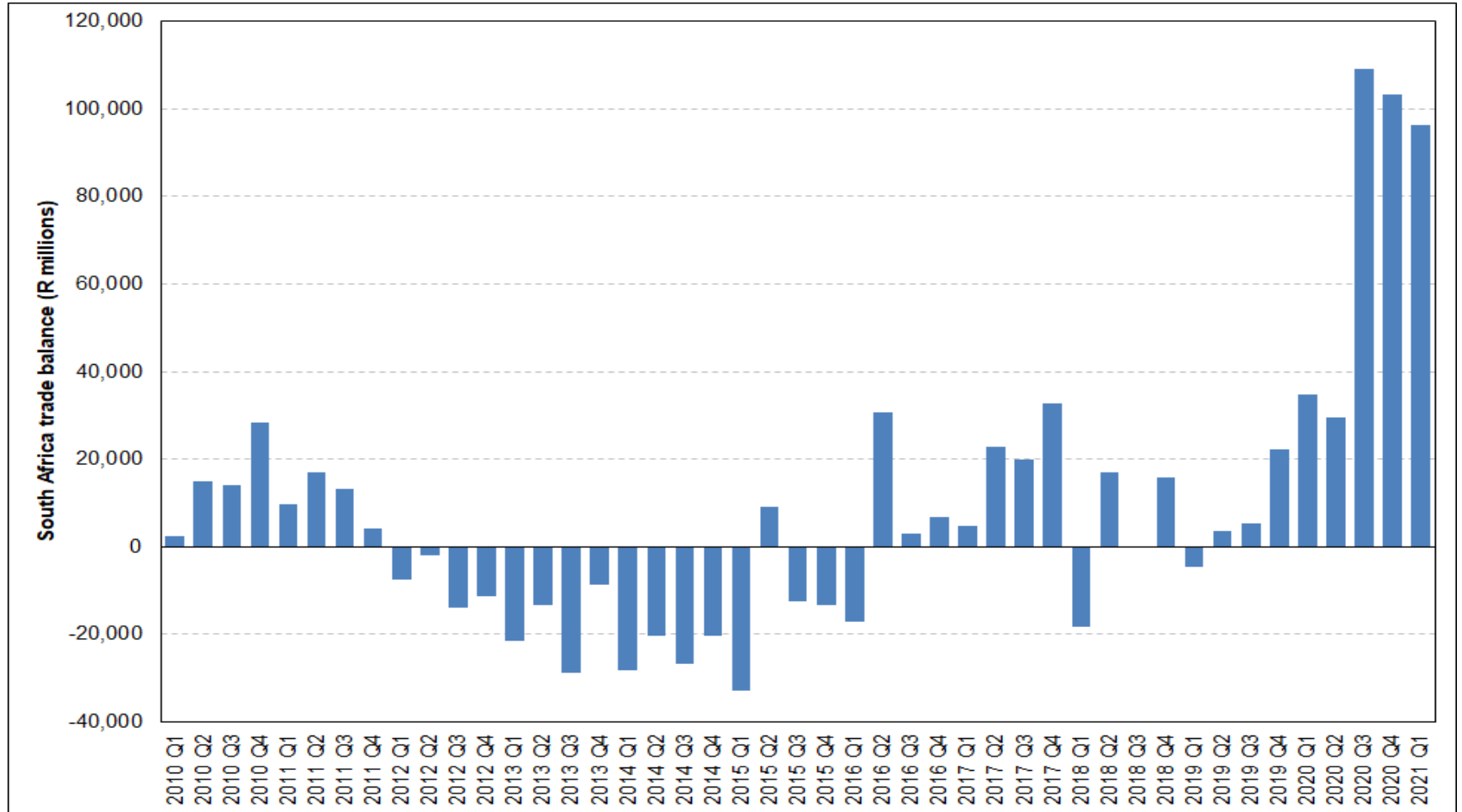
SA INFLATION

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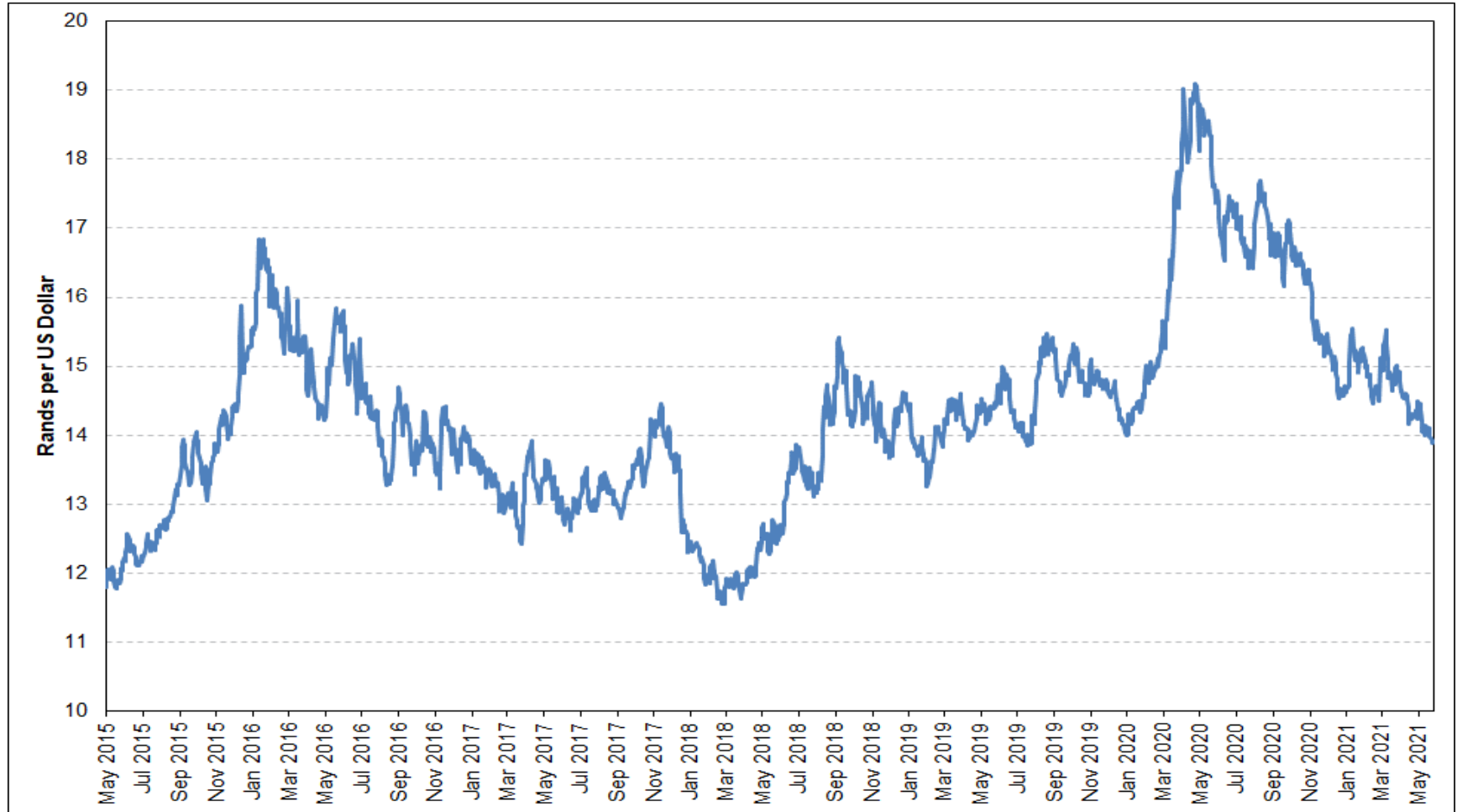
SA TRADE BALANCE

STRONG EXPORT GROWTH SUPPORTING THE RAND



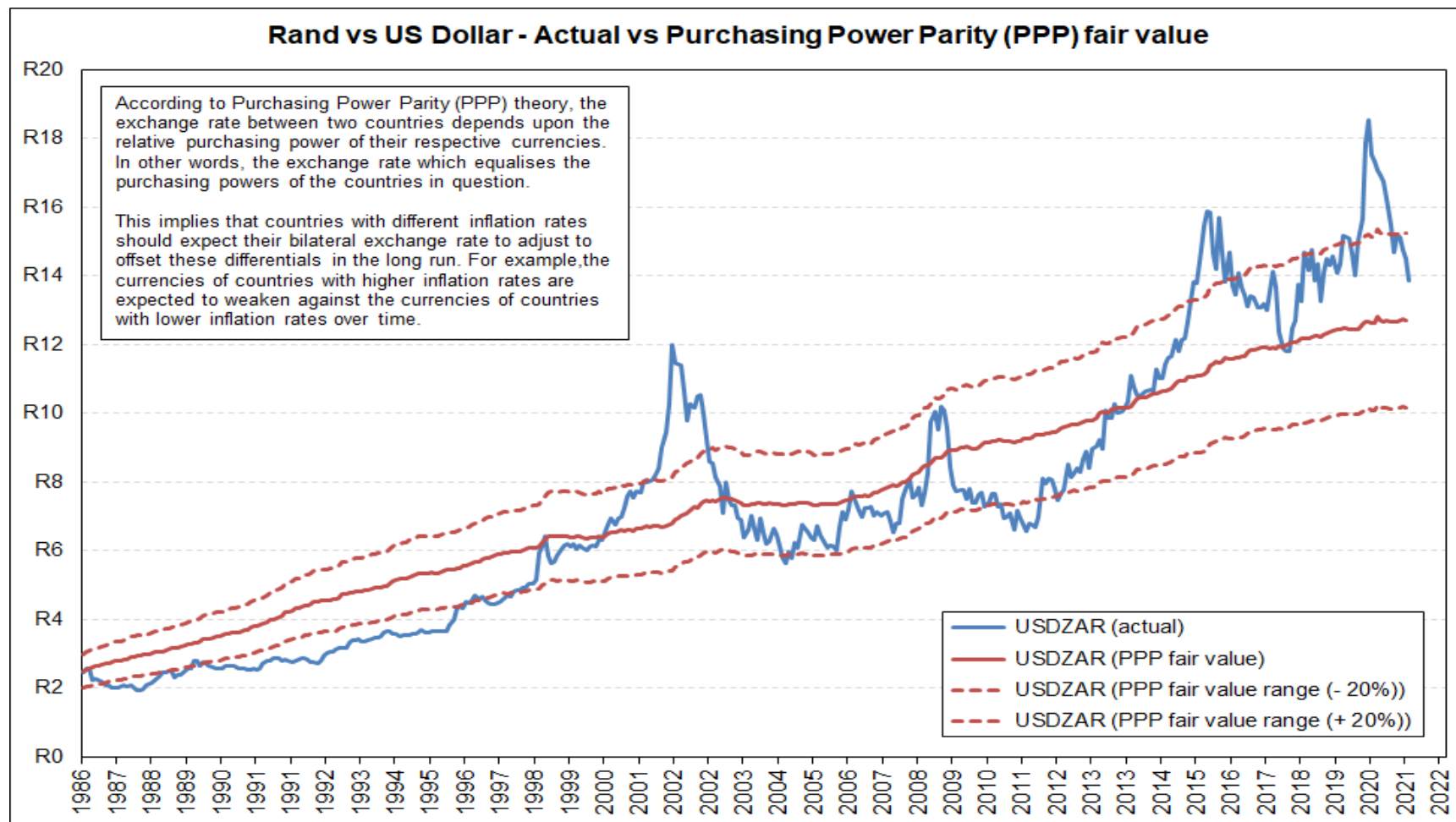
SA RAND

BASICALLY FLAT, BUT EXTREMELY VOLATILE OVER THE LAST COUPLE OF YEARS



SA RAND

CLOSE TO PPP FAIR VALUE, BUT TEND TO DEVIATE BY LARGE MARGINS & FOR LONG PERIODS OF TIME



VACCINE ROLL-OUT

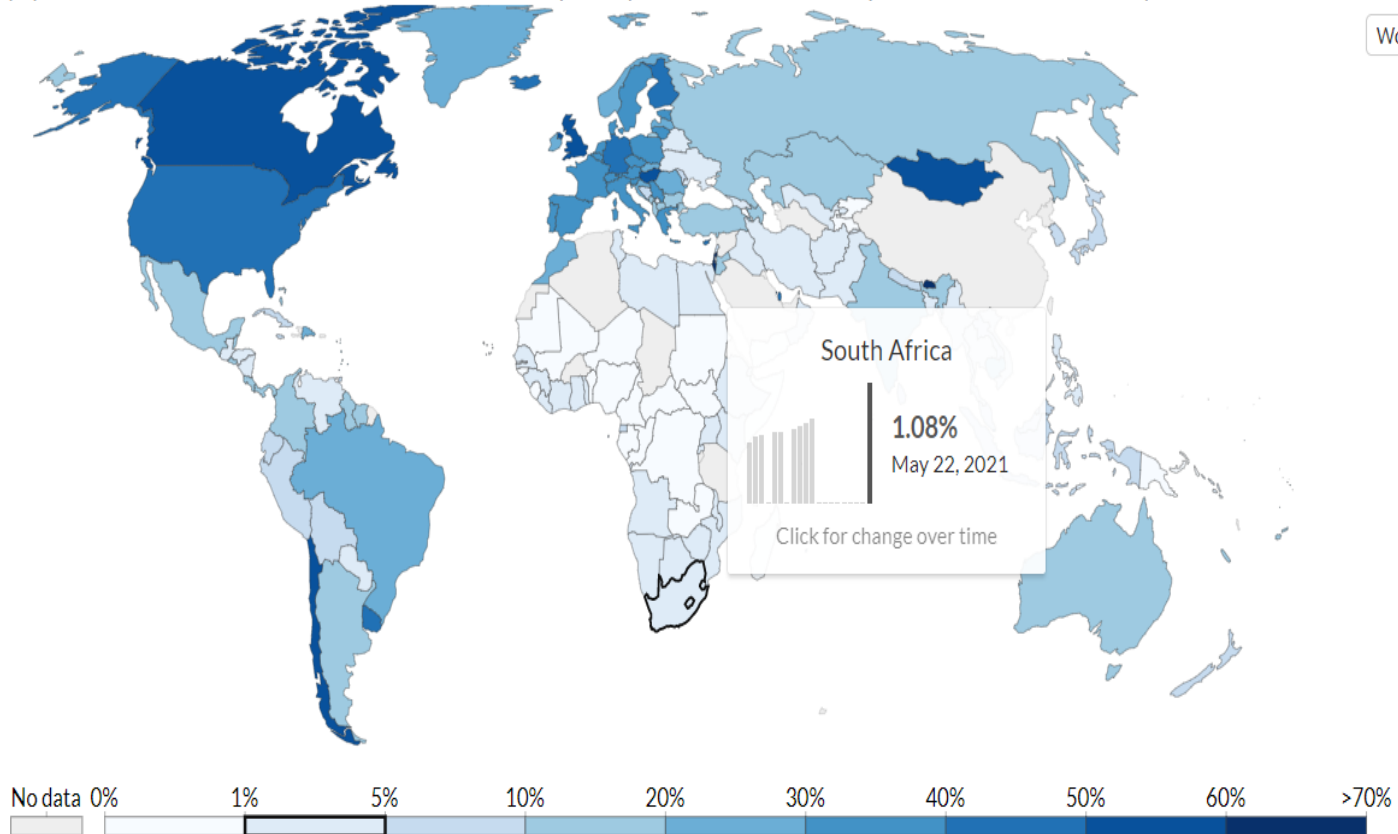
SOUTH AFRICA REMAINS A LAGGARD

Share of people who received at least one dose of COVID-19 vaccine, May 25, 2021

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.

Our World
in Data

World



VACCINE ROLL-OUT

SOUTH AFRICA REMAINS A LAGGARD

Share of people who received at least one dose of COVID-19 vaccine

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Our World
in Data

