

MONTH IN PICTURES

APRIL 2022

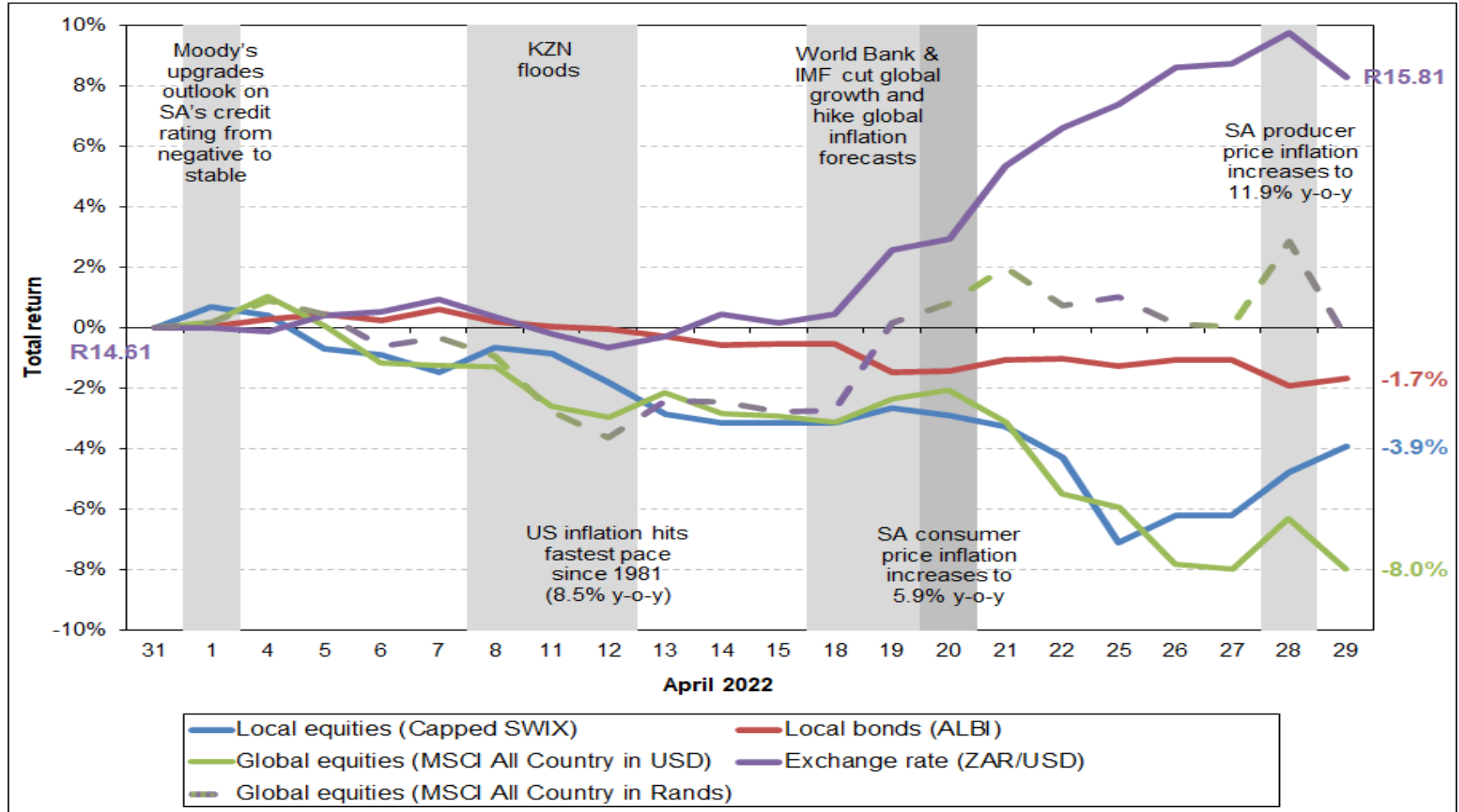
MONTHLY SNAPSHOT

NOTABLE EVENTS

- After weathering the storms of 2022 Q1 remarkably well, local markets buckled under the pressure of global headwinds in April, with both local equities (ALSI = -3.7% & Capped SWIX = -3.9%) and local bonds (ALBI = -1.7%) delivering negative returns for the month.
- These headwinds came mainly in the form of stubbornly high inflation rates (made worse by the Ukrainian war and China's zero-Covid policy), an aggressive response by global central banks (i.e., interest rate hikes and liquidity reduction), and slowing economic growth.
- All of the major local equity sectors suffered losses, with Resources (-4.8%) and Financials (-6.1%) being the worst affected (following a stellar Q1), while Industrials (-1.7%) were to a degree cushioned by positive returns from some of our locally listed Rand hedge stocks such as British American Tobacco (+8.2%) and AB Inbev (+4.3%).
- The Rand also gave away most of its 2022 Q1 gains against a surging US Dollar, depreciating by 8.3% in April (by moving from R14.61 to R15.81/USD). Year-to-date the Rand is however flat against the Dollar, and around 8% stronger against the Pound and Euro.
- Global markets also suffered further steep losses in April (global equities = -8.0% & global bonds = -5.9% in USD), but the weaker Rand protected local investors from most of the sell-off, resulting in ZAR returns of -0.4% and +1.9% from these asset classes.
- Despite a difficult month local markets are still significantly better off than their global counterparts in 2022, however. In this regard local assets have largely protected capital (ALSI = 0.0%, Capped SWIX = +2.5% & ALBI = +0.2%) compared to double-digit local currency losses from global equities (-13.6%) and global bonds (-12.7%). As things stand, most balanced funds are marginally down year-to-date as a result.
- After hiking interest rates for the first time since December 2018 in March (by 0.25%), the US Fed raised rates by another 0.5% in early May (the biggest hike in 22 years) as inflation numbers reached levels not seen since the early 1980s (8.5% in March and 8.3% in April).
- The South Africa Reserve Bank (SARB) followed suit by announcing a 0.5% interest rate increase in May, which follows a total of 0.75% in hikes since November last year. This brings the repo rate to 4.75% and the prime lending rate to 8.25%. SA inflation remains under control for now (5.9% y-o-y), but further fuel price hikes and sharply rising producer price inflation numbers (13.1% y-o-y in March) will likely push local CPI numbers above the SARB's inflation target range of 3-6%.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Feb 2022	Mar 2022	Apr 2022	3 months	12 months
Local equities	ALSI	2.9	0.0	(3.7)	(0.8)	13.2
	Capped SWIX	2.7	1.5	(3.9)	0.1	14.7
	Resources	16.1	(1.1)	(4.8)	9.3	22.8
	Industrials	(7.4)	(4.3)	(1.7)	(12.9)	(3.2)
	Financials	3.8	12.0	(6.1)	9.1	38.9
	Listed Property	(3.3)	5.1	(1.4)	0.2	12.2
Local bonds	ALBI	0.5	0.5	(1.7)	(0.7)	8.4
Local cash	STeFI Composite	0.3	0.4	0.4	1.0	4.0
Global equities	MSCI All Country	(2.7)	(2.9)	(0.4)	(5.9)	3.2
Global bonds	FTSE WGBI	(1.2)	(8.2)	1.9	(7.6)	(6.4)
Exchange rate	ZAR/USD	(0.1)	(4.9)	8.3	2.8	9.1
Inflation	CPI	0.6	1.0	0.6	2.2	5.9

1. Total returns (in Rands) for the months and periods ending 30 April 2022.

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	ALSI	13.2	11.3	9.8	11.2	9.8
	Capped SWIX	14.7	8.6	6.5	9.8	9.1
	Resources	22.8	26.5	25.4	9.2	7.0
	Industrials	(3.2)	4.8	3.5	10.8	11.3
	Financials	38.9	3.7	4.9	9.9	8.0
	Listed Property	12.2	(5.3)	(5.2)	4.5	6.8
Local bonds	ALBI	8.4	7.6	8.2	7.8	8.1
Local cash	STeFI Composite	4.0	5.2	6.0	6.1	6.9
Global equities	MSCI All Country	3.2	13.1	13.2	17.3	11.5
Global bonds	FTSE WGBI	(6.4)	1.4	3.2	6.9	7.6
Exchange rate	ZAR/USD	9.1	3.4	3.4	7.4	5.6
Inflation	CPI	5.9	4.4	4.4	5.0	5.6

1. Total returns (in Rands) for the months and periods ending 30 April 2022.

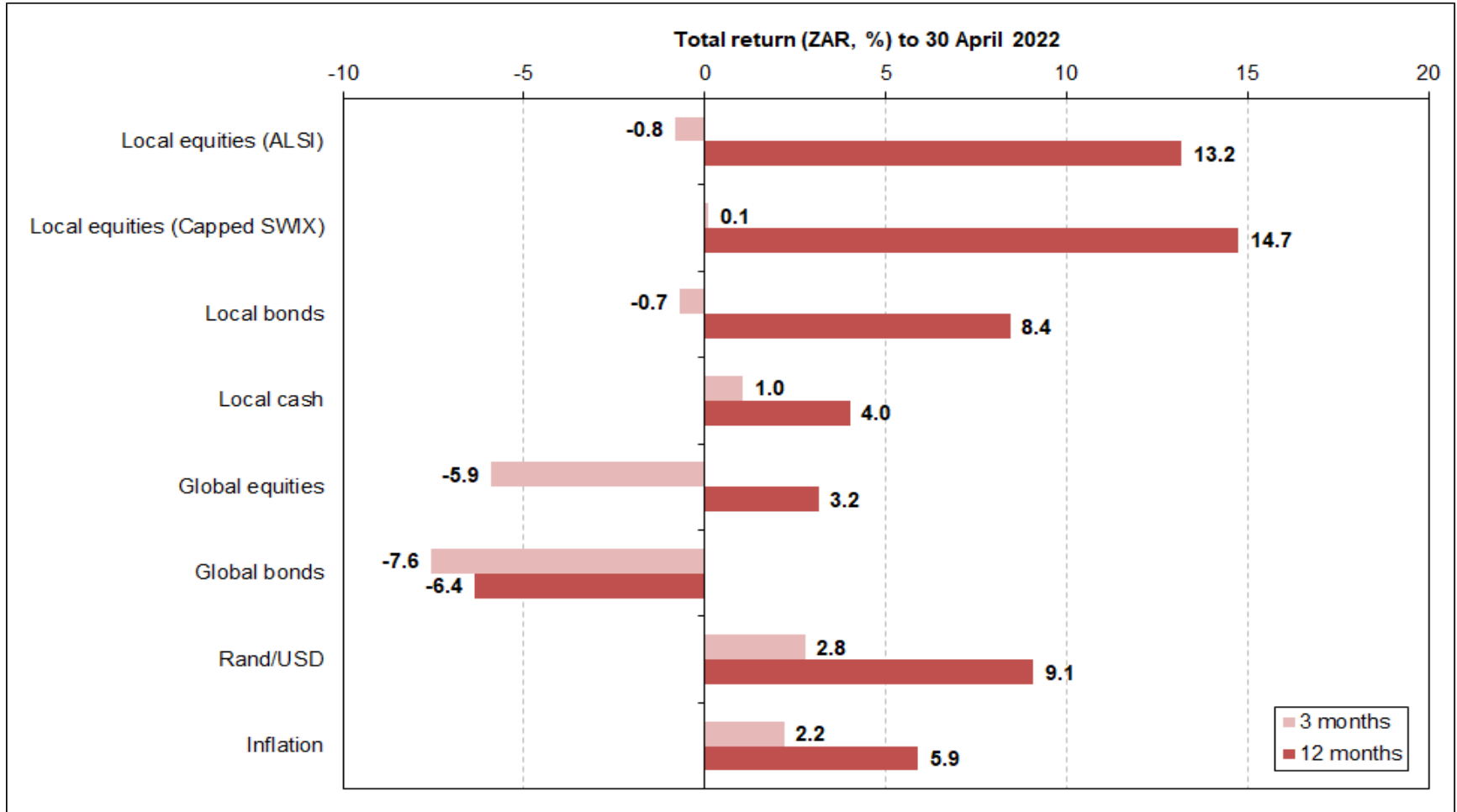
ECONOMIC INDICATORS

Economic indicators ¹	Apr 2020	Apr 2021	Feb 2022	Mar 2022	Apr 2022
Exchange rates:					
ZAR/USD	18.53	14.50	15.37	14.61	15.81
ZAR/GBP	23.33	20.03	20.62	19.20	19.88
ZAR/Euro	20.29	17.42	17.24	16.16	16.67
Commodities:					
Brent Crude Oil (USD/barrel)	26.48	66.76	97.97	104.71	107.14
Platinum (USD/ounce)	777.47	1,200.98	1,057.00	992.51	939.00
Gold (USD/ounce)	1,717.01	1,772.10	1,895.70	1,931.73	1,897.26

1. Month-end prices

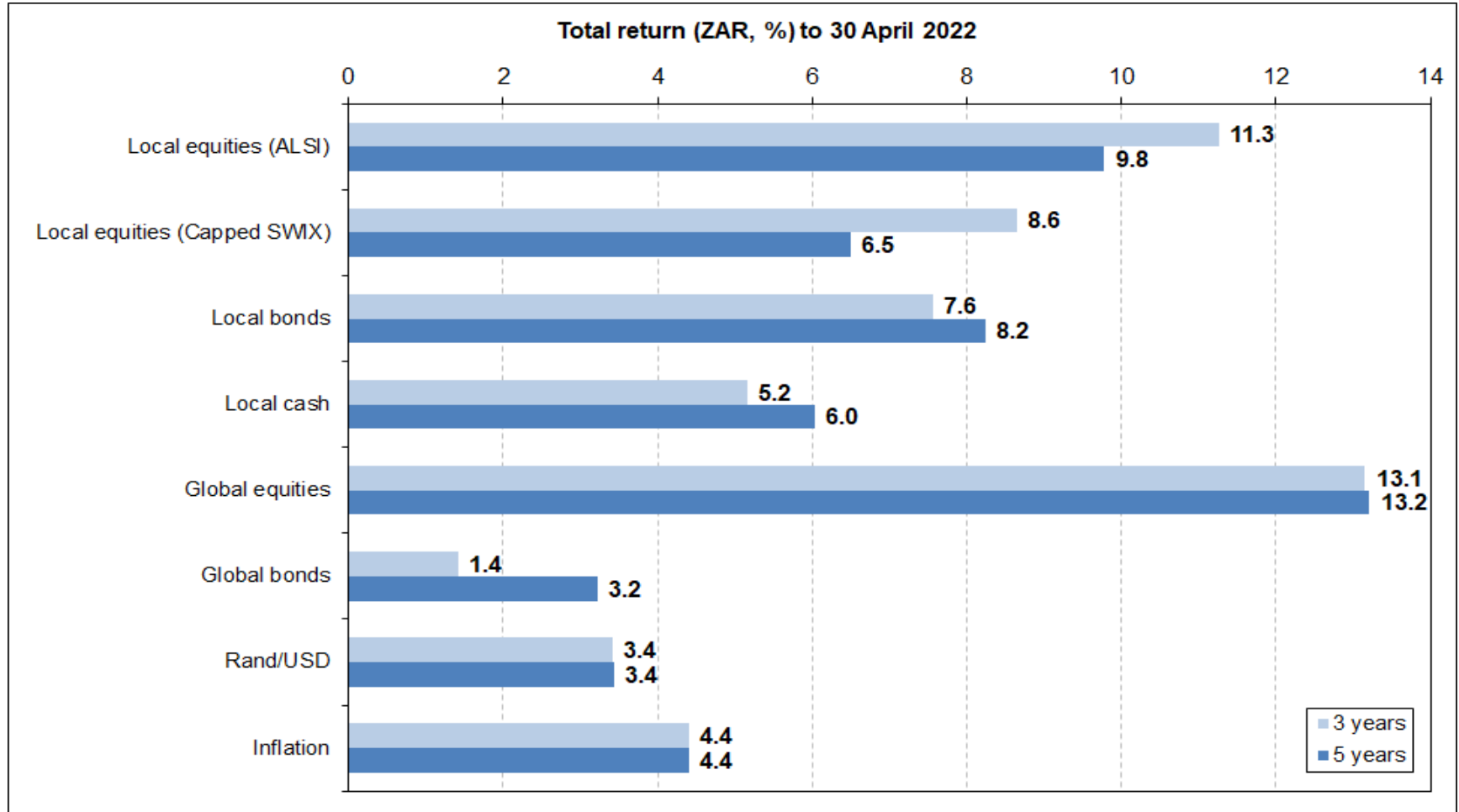
ASSET CLASS PERFORMANCE

SHORT TERM

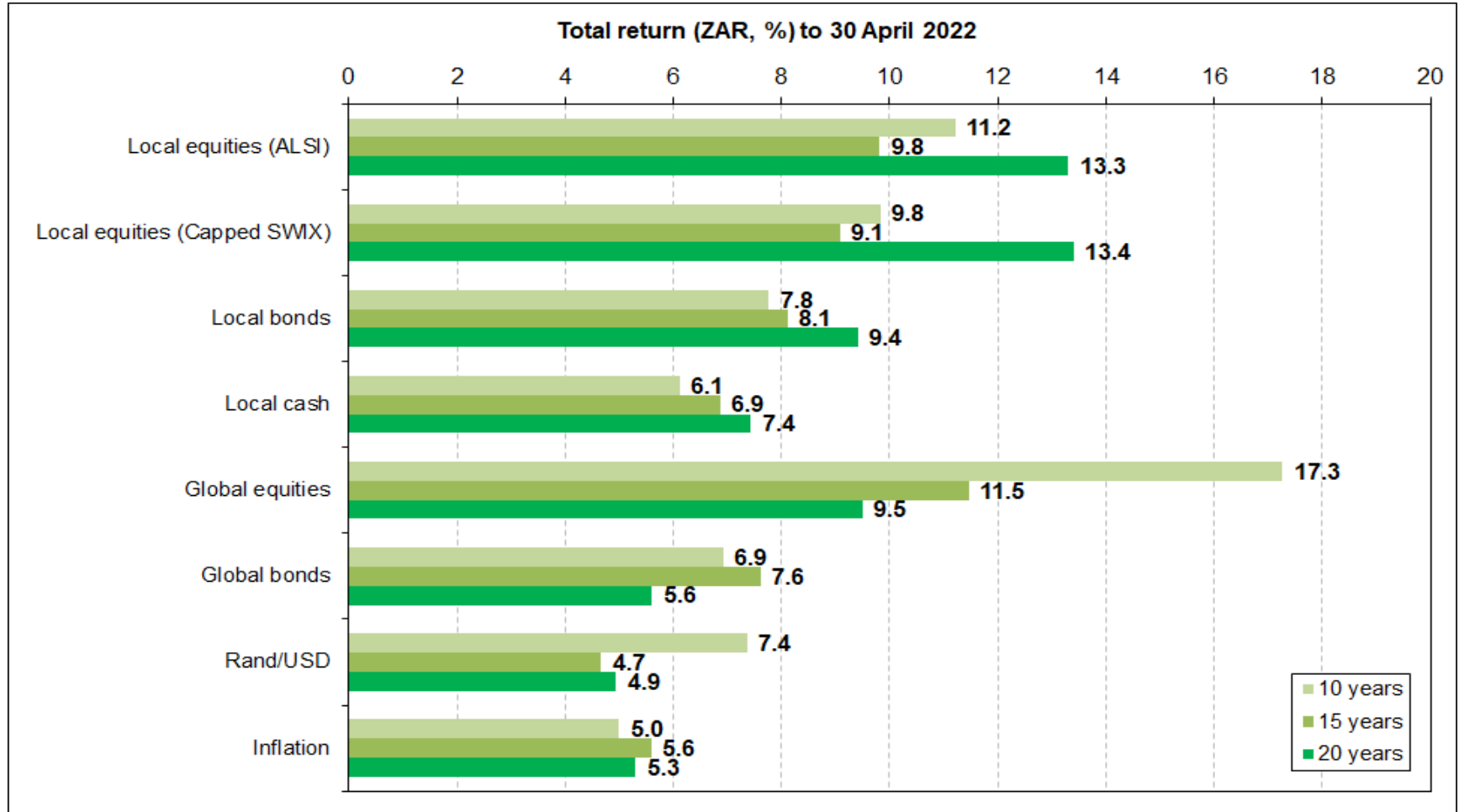


ASSET CLASS PERFORMANCE

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:

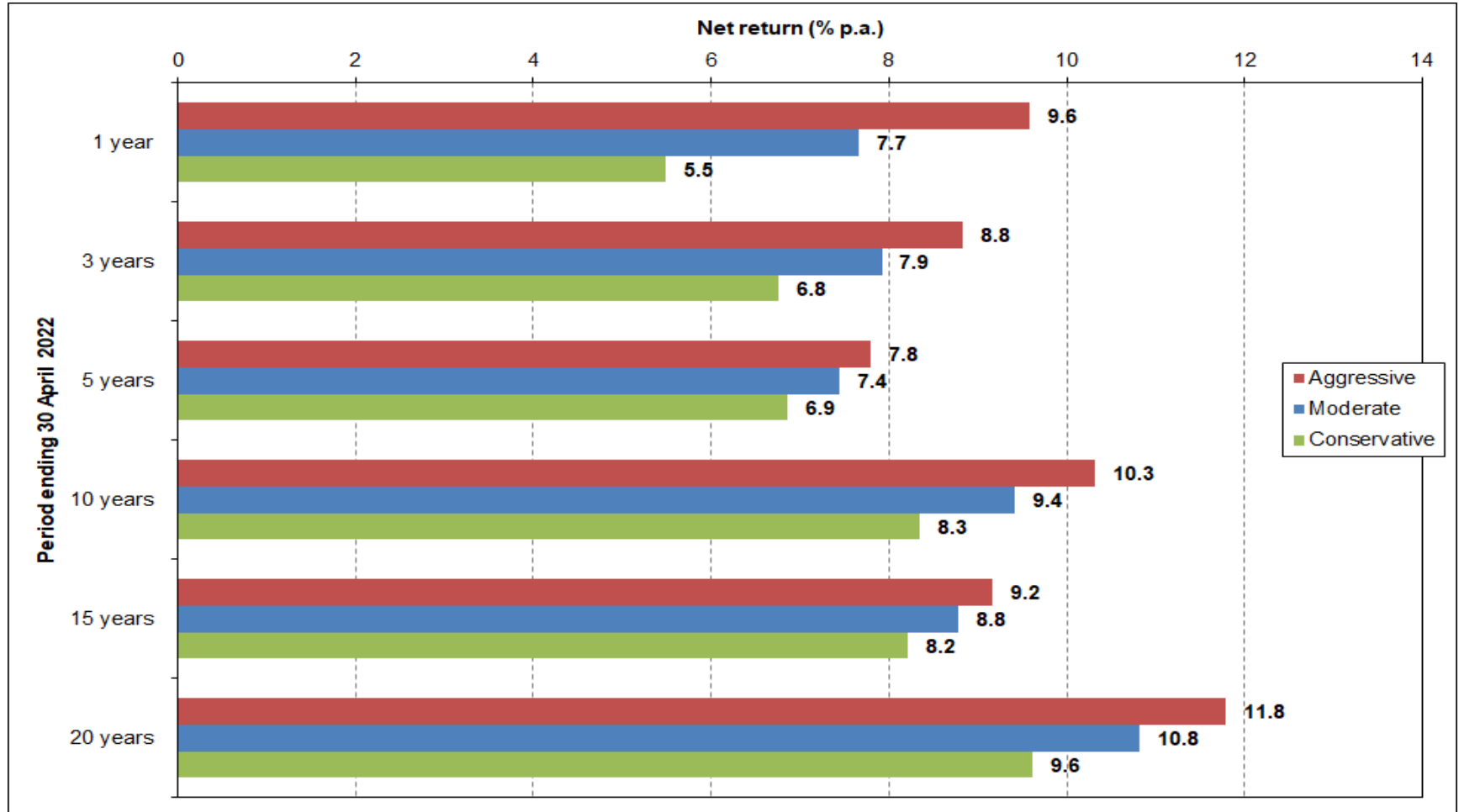
- The offshore allocation is kept at 5% below the prevailing regulatory maximum (15% to 2000, 20% to 2006, 25% to 2018 & currently at 30%).
- The equity allocation varies according to the risk profile, and is set at 75% for Aggressive, 55% for Moderate and 35% for Conservative, which applies to both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

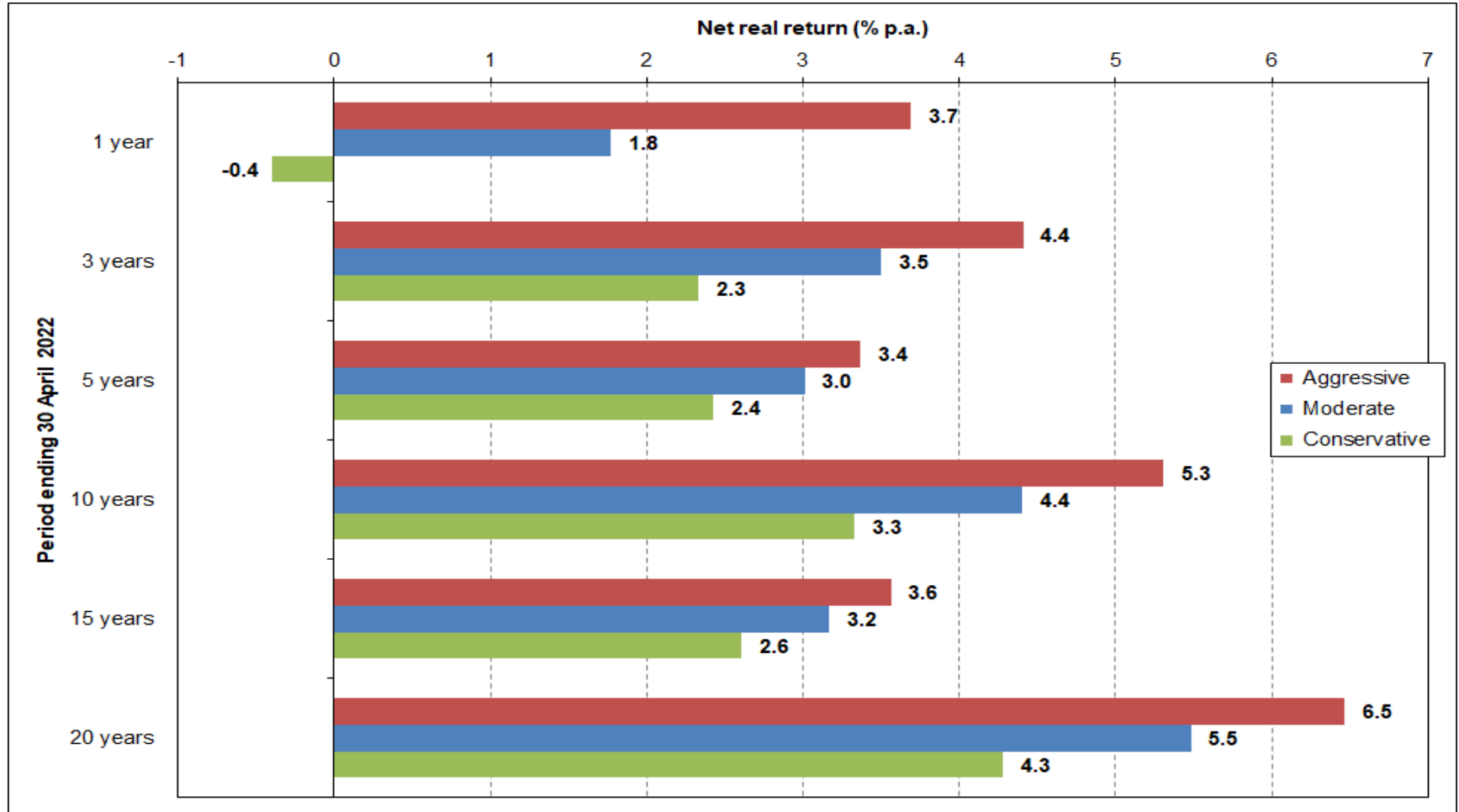
MARKET PERFORMANCE

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



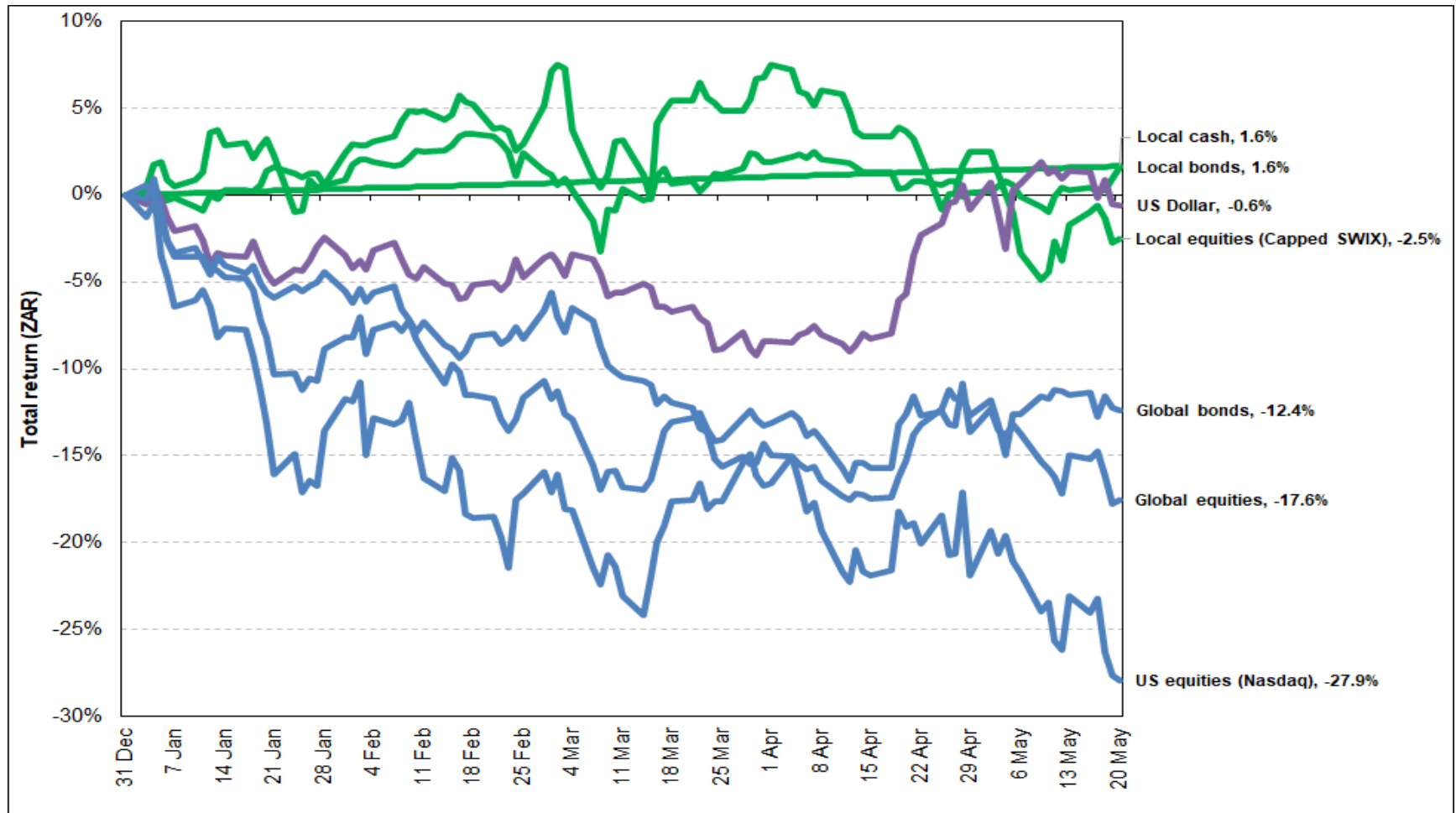
MARKET PERFORMANCE

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



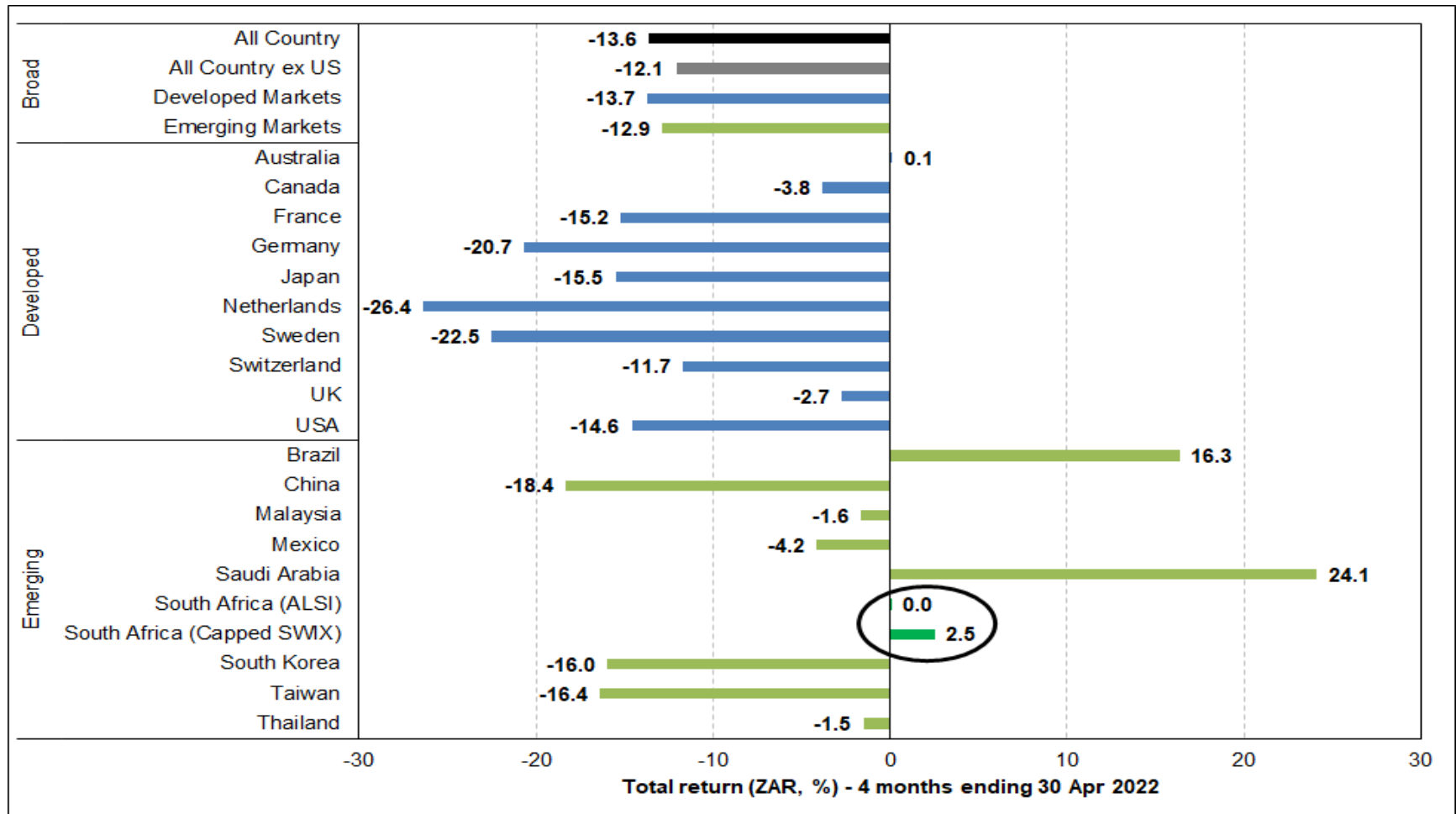
MAJOR ASSET CLASSES IN 2022

LOCAL ASSETS STILL HOLDING UP WELL AMIDST THE TURMOIL



GLOBAL EQUITY MARKETS IN 2022

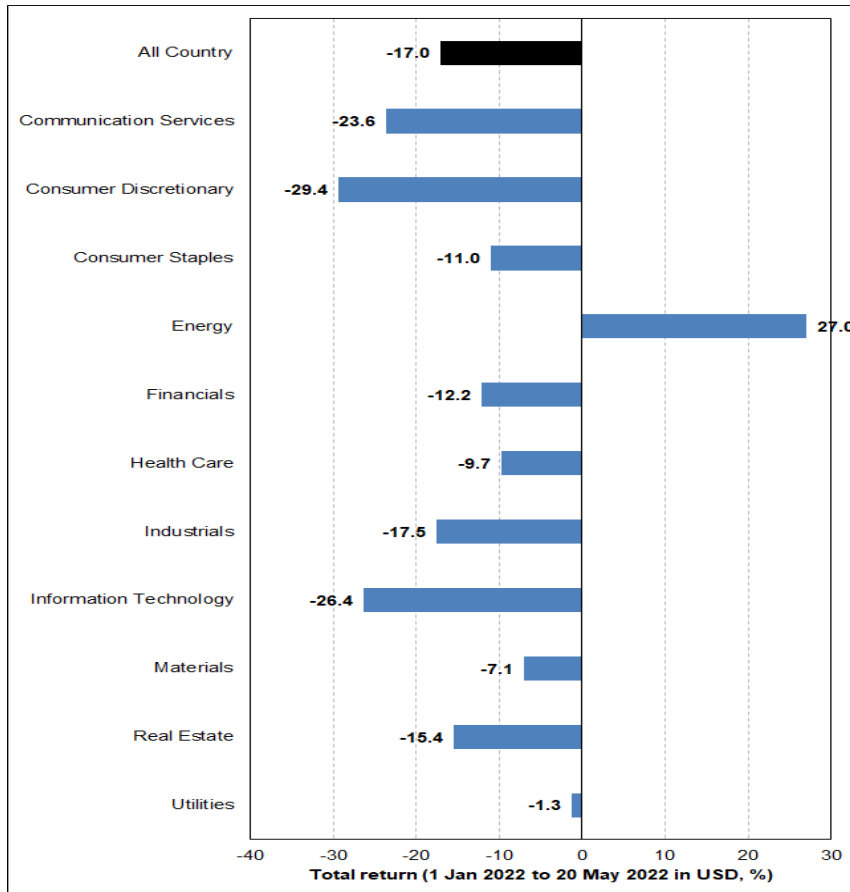
LOCAL IS LEKKER



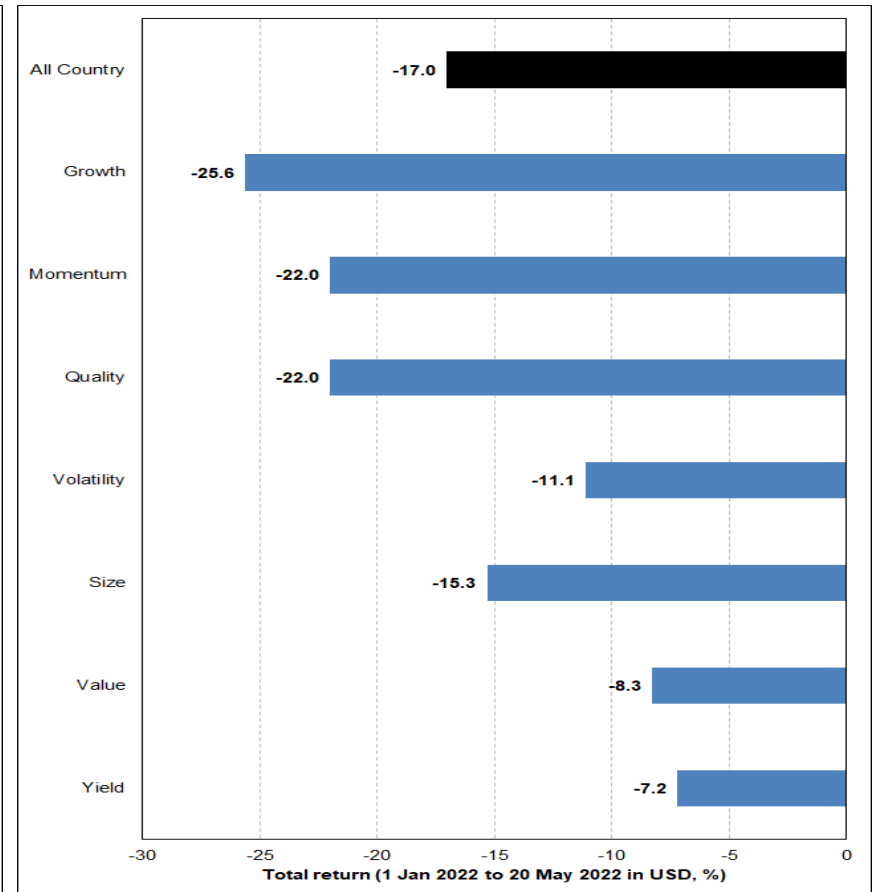
GLOBAL EQUITY MARKETS (in USD)

ENERGY & VALUE TRUMPS TECH AND GROWTH IN 2022

SECTORS

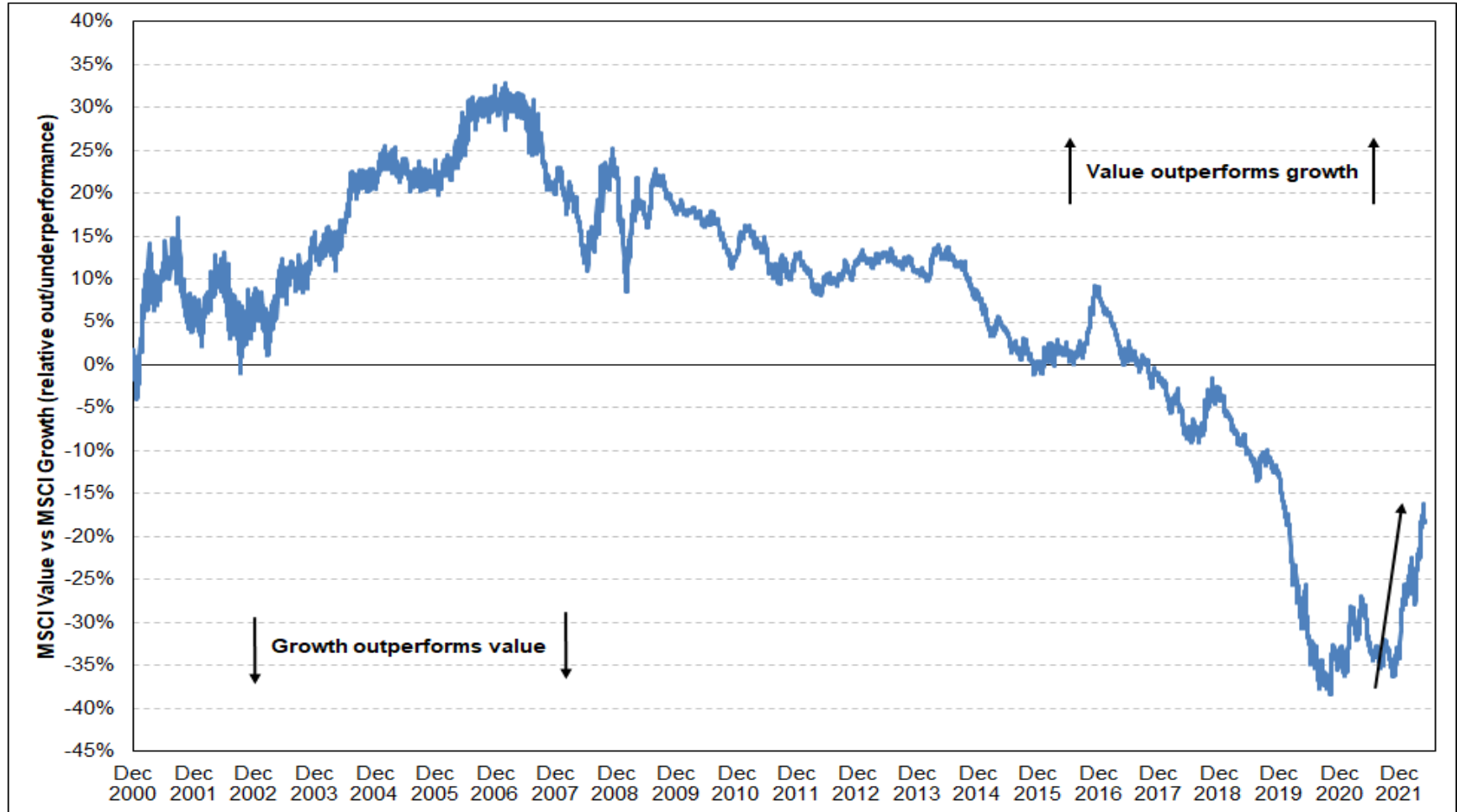


STYLES



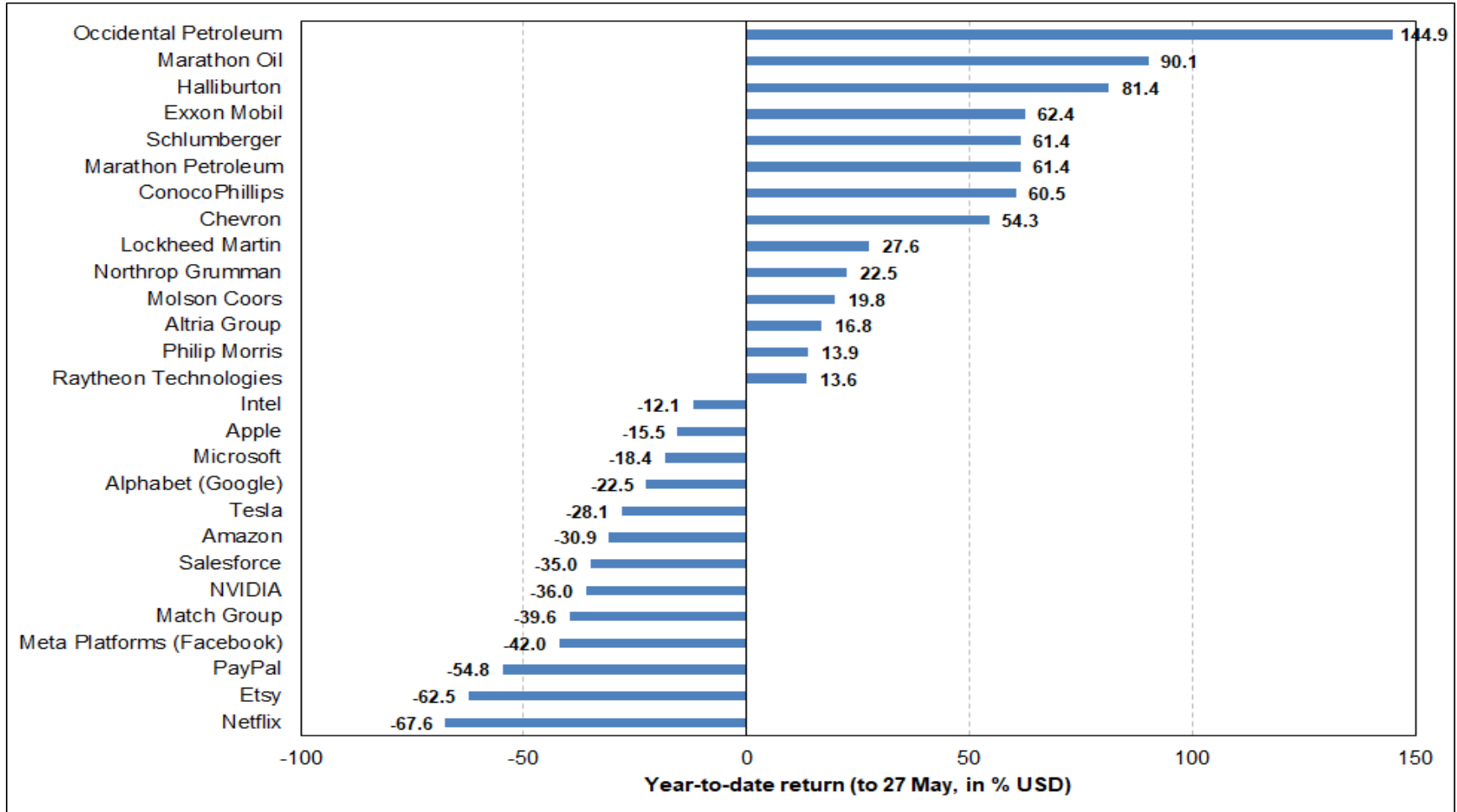
GLOBAL EQUITY MARKETS

VALUE MAKES A STRONG COMEBACK AFTER DECADE OF UNDERPERFORMANCE

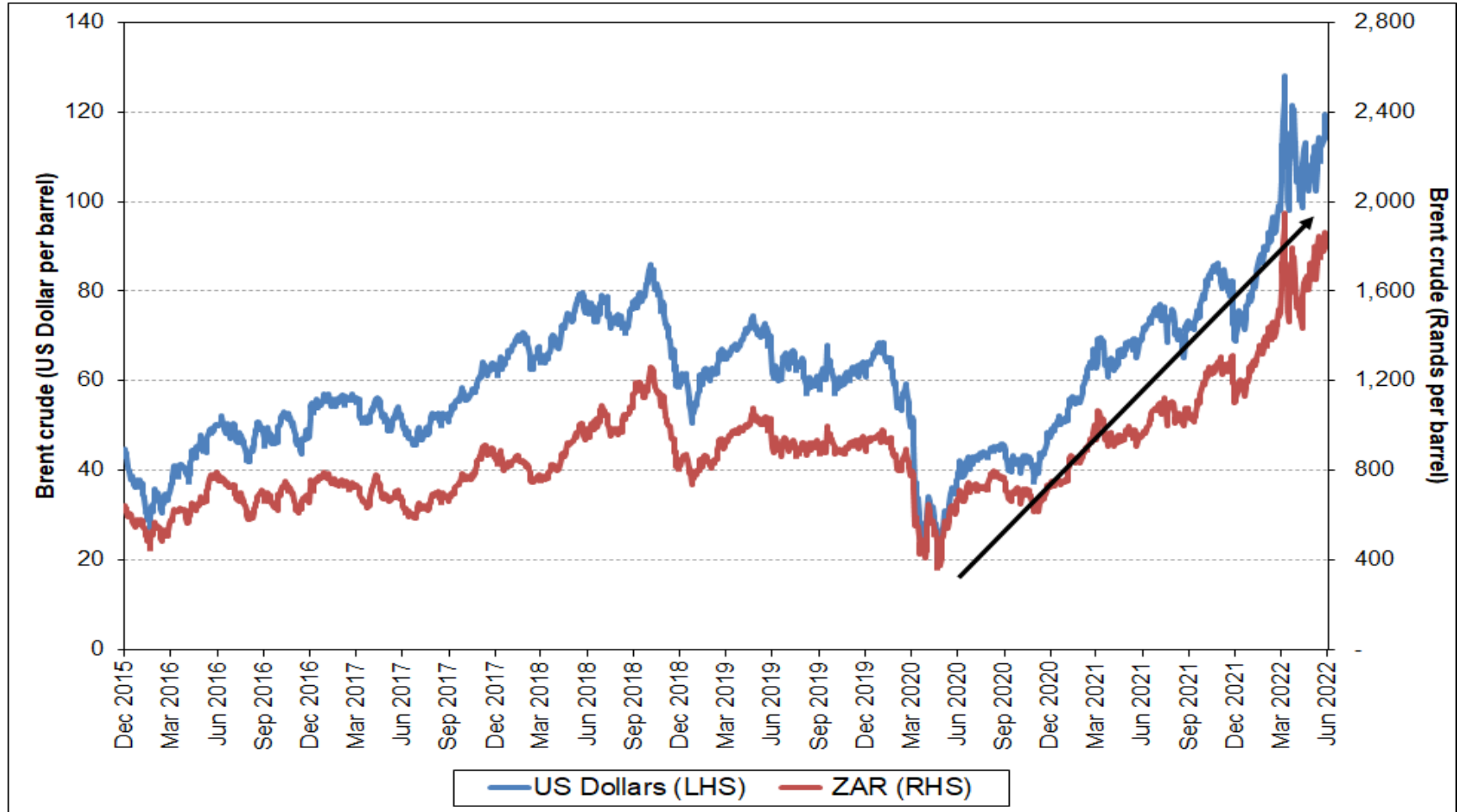


S&P 500 NOTABLE MOVERS (in USD)

ENERGY, DEFENCE, TOBACCO & BOOZE HAVING A PARTY AT TECH'S EXPENSE

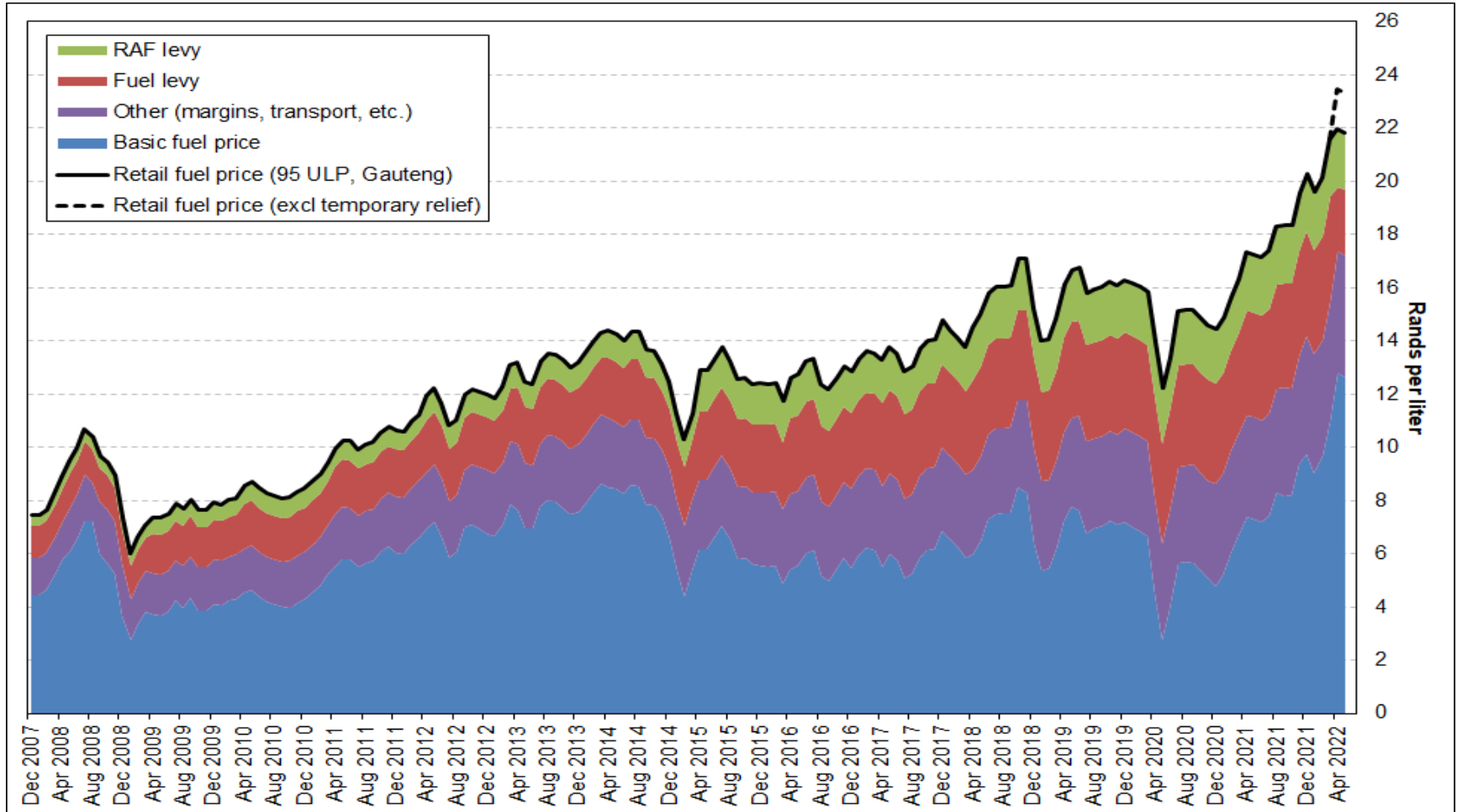


OIL PRICE UP NEARLY FIVEFOLD SINCE COVID LOWS



PAIN AT THE PUMPS

FOR HOW LONG WILL THE FUEL LEVY RELIEF CONTINUE?



INFLATION AND INTEREST RATES

RATE HIKES TO COMBAT RISING INFLATIONARY PRESSURES

