

Market Overview

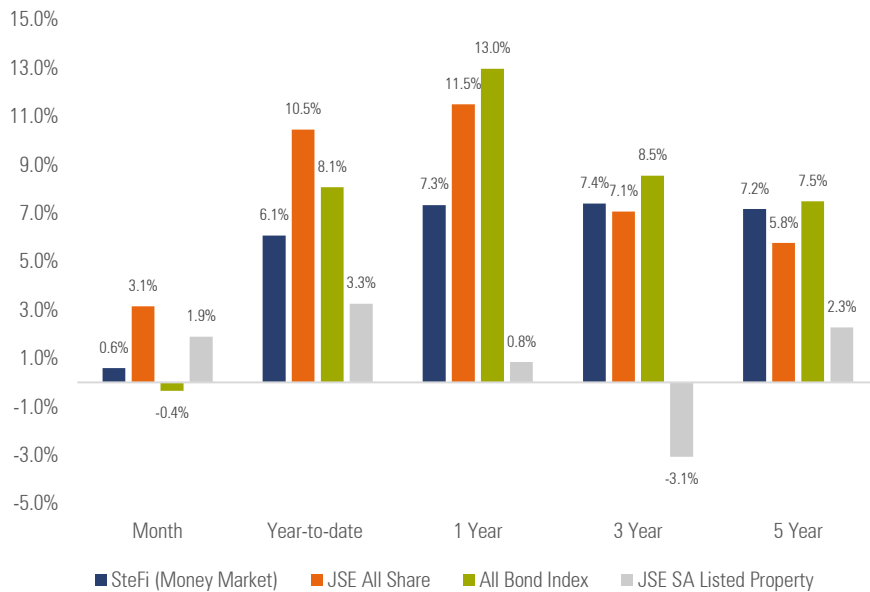
October 2019

Market and Economic Summary

Global equity markets delivered decent returns during October, driven by continued accommodative monetary policy from central banks and concerns around trade issues easing slightly.

As expected, the **US Federal Reserve announced a 0.25% interest rate cut** towards the end of October, however, Fed Chair Jerome Powell indicated that moves to lower interest rates could be nearing a pause.

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 31/10/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities delivered decent returns during October in line with other emerging markets, largely driven by strong returns from gold and platinum counters.

Local bonds and the rand sold off at the end of the month, as markets reacted negatively to concerns around the country's precarious fiscal position as highlighted in the Medium-Term Budget Policy Statement (MTBPS).

Local listed property delivered a strong return in October following a difficult year so far, with 19 of the 21 counters in the SA Listed Property Index (SAPY) delivering a positive return during the month.

Concerns around South Africa's fiscal position were highlighted by Finance Minister Tito Mboweni in the MTBPS.

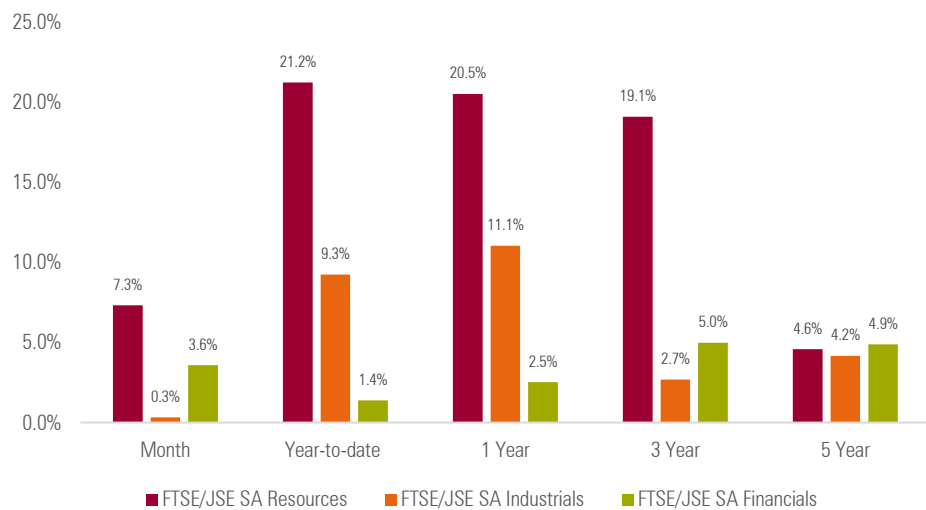
Markets reacted negatively to the news of an expected tax revenue shortfall in 2019/2020 of around R53 billion, continued financial support for SOE's and rising government debt levels, which are expected to reach around 70% of GDP within the next 3 years.

Moody's provided an update on South Africa's sovereign credit rating, maintaining the rating on the lowest level of investment grade, but changing the outlook from stable to negative, following the update on the country's finances provided in the MTBPS.

Headline inflation remains manageable, with the latest figure of 4.1% year-on-year to the end of September below the mid-point of the target range of between 3% and 6%.

Resources (+7.3%) and **Financials** (+3.6%) delivered strong returns during the month, while **Industrials** (+0.3%) were largely flat.

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 31/10/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

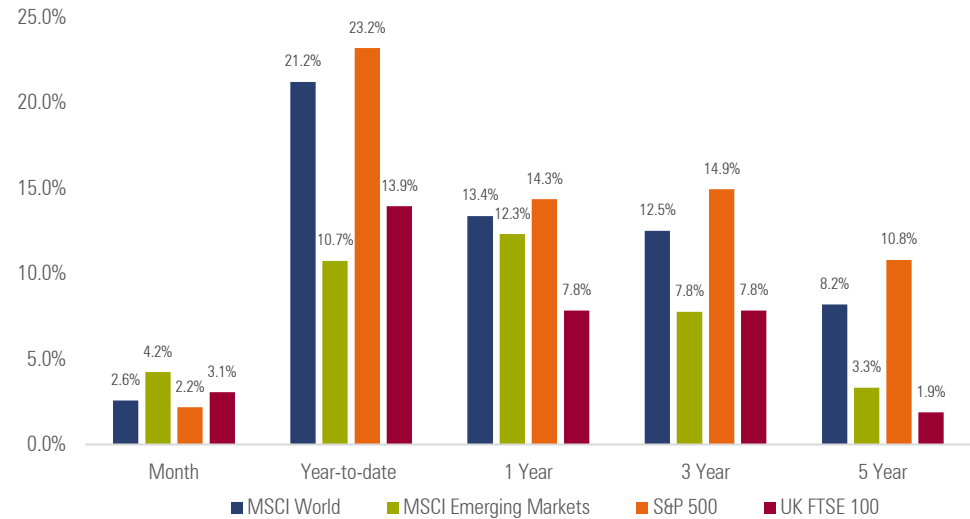
Developed market equities delivered decent returns during the month, following continued accommodative monetary policy from central banks and receding concerns around trade. The **MSCI World Index** delivered a return of +2.6% for the month.

Emerging market equities bucked a recent trend of underperformance against developed markets, delivering strong returns during the month. The **MSCI Emerging Markets Index** delivered a return of +4.2% for the month.

All major equity markets ended the month higher, with Germany's **FSE DAX** (+6.0%), Japan's **Nikkei 225** (+5.4%), the UK's **FTSE 100** (+3.1%) and China's **Shanghai SE Composite** (+2.3%) all ending the month with strong returns.

US equities drove equity indices higher in the month, with both the **NASDAQ 100** (+4.4%) and the **S&P 500** (+2.2%) delivering strong returns.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 31/10/2019. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

Investors will be pleased with returns generated from portfolios during October. Local and global equities delivered strong returns, which drove the performance of portfolios during the month. Portfolios with an income focus managed to deliver a positive return during the month, despite the local bond market coming under pressure towards the end of the month following the MTBPS.

Year-to-date performance from portfolios to the end of October are strong, largely driven by decent performance from local and global equities. Despite giving back some of its gains during October, local bonds have delivered strong performance this year, given the attractive yields on offer from this asset class.

We are pleased that investors have been rewarded for their patience this year following a difficult period for local investors. While the long term returns from local risk assets including equities and listed property remain disappointing, we believe allocations to these asset classes are necessary in order to deliver inflation beating returns in the long-term.

We will continue to follow a valuation driven approach when investing clients' capital. By focusing on the fundamental drivers of asset classes, we believe that we can help investors in achieving their long-term investment objectives.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	3.14	10.45	11.49	7.06	5.76	9.43
JSE SA Listed Property	1.89	3.25	0.84	-3.07	2.27	6.77
All Bond Index	-0.35	8.06	12.96	8.54	7.48	7.21
STeFI (Cash)	0.59	6.07	7.33	7.39	7.16	6.67
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	2.96	10.72	12.39	7.70	5.58	9.36
JSE Mid Cap	7.19	9.73	11.84	2.68	5.87	8.84
JSE Small Cap	1.74	-3.14	-7.11	-4.56	0.34	7.20
FTSE/JSE SA Resources	7.32	21.23	20.52	19.10	4.58	2.89
FTSE/JSE Ind/Financials	3.59	1.38	2.53	4.99	4.89	10.45
FTSE/JSE SA Industrials	0.33	9.25	11.05	2.69	4.17	10.58
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	2.57	21.19	13.35	12.49	8.19	10.79
MSCI Emerging Markets	4.23	10.72	12.29	7.76	3.32	3.48
S&P 500	2.17	23.16	14.33	14.91	10.78	13.91
NASDAQ 100	4.37	28.82	17.34	20.30	15.56	18.74
FTSE 100	3.05	13.92	7.83	7.83	1.87	4.10
SSE Composite	2.30	14.62	11.56	-3.12	1.01	3.30
Nikkei 225	5.36	18.53	11.55	10.73	9.79	11.64
FSE DAX	5.95	18.93	10.67	7.08	4.20	6.22
US T-Bill 3m	0.14	1.88	2.29	1.65	1.05	0.76
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	-0.90	11.95	-20.19	7.64	-6.62	-8.08
Gold	1.73	18.14	24.36	5.91	5.35	-1.83
Platinum	4.00	18.78	12.23	-1.39	-5.27	-7.12
Copper	1.68	-2.36	-4.09	6.46	-3.15	-4.12

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