

Market Overview

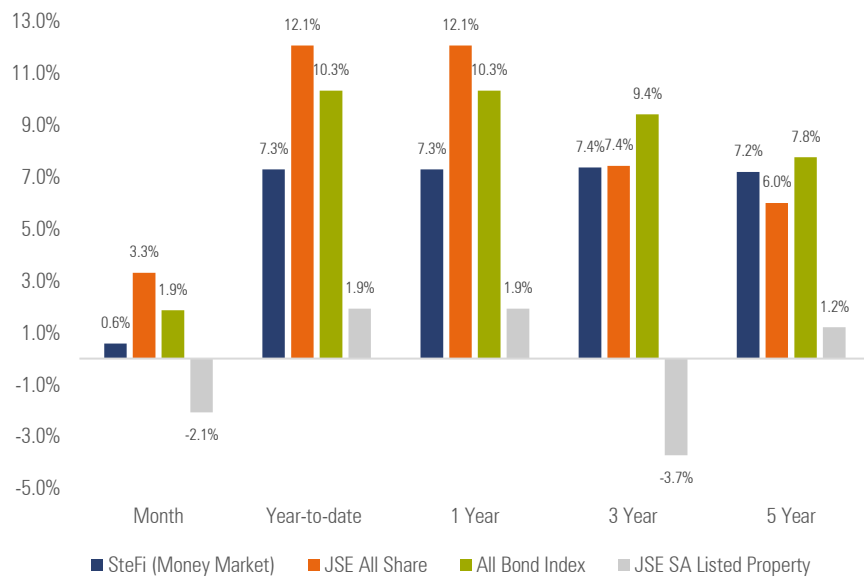
December 2019

Market and Economic Summary

Global equity markets ended the year on a strong footing, driven higher by easing trade tensions and better than expected economic data.

Most global asset classes delivered strong returns in 2019, assisted by supportive monetary policy from major central banks, despite concerns around slowing global GDP growth.

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 31/12/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities ended the year strongly, assisted by strong performance from gold and platinum counters – a recurrent theme in 2019.

Local bonds also had a decent month, as investors took advantage of the attractive yields on offer relative to suppressed yields in most major developed markets.

Local listed property had a poor month, as the market continues to come under pressure from the challenging local economic environment and over supply, particularly in major retail and office nodes.

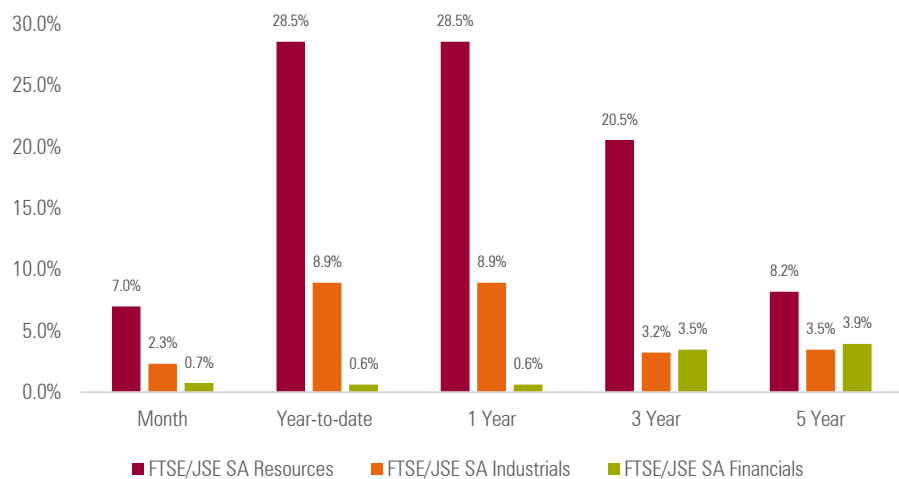
The rand was significantly stronger against most major currencies during the month, supported by the risk on environment in global markets.

Headline CPI slowed further in November to a year-on-year figure of 3.6%, increasing market expectations for interest rate cuts from the South African Reserve Bank (SARB) in 2020.

The market is looking forward to the presentation of the budget next month by Finance Minister Tito Mboweni, with concrete plans needed from government in order to contain rising government debt levels.

The strong performance from the local equity index was largely driven by the **Resources** sector (+7.0%), while **Industrials** (+2.3%) and **Financials** (+0.7%) also ended the month higher.

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 31/12/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

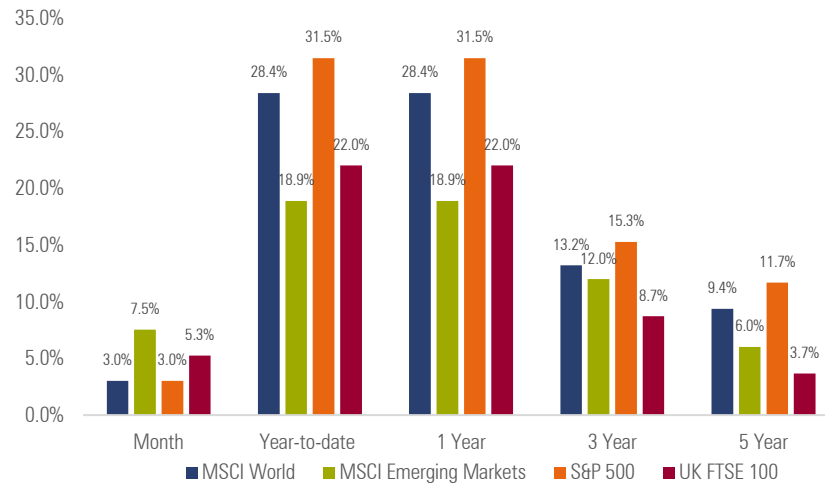
Developed market equities brought the year to a close with another month of strong returns. The **MSCI World Index** delivered a return of +3.0% for the month, bringing the calendar year return for the index to +28.4%.

Emerging market equities also delivered strong performance in the month, largely driven by a strong rebound in the performance of Chinese equities. The **MSCI Emerging Markets Index** delivered a return of +7.5% for the month, bringing the calendar year performance of the index to +18.9%.

All major equity markets ended the month with decent performance, with China's **Shanghai SE Composite** (+7.1%), the UK's **FTSE 100** (+5.3%), Japan's **Nikkei 225** (+2.5%) and Germany's **FSE DAX** (+1.9%) all ending the month higher.

US equities continued to climb higher in the month, with both the **NASDAQ 100** (+4.0%) and the **S&P 500** (+3.0%) delivering strong returns.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 31/12/2019. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

Most client portfolios ended the year strongly, driven higher by decent performance from local equity allocations. Offshore equity allocations delivered strong performance in hard currencies during the month; however, these exposures faced a headwind from a significantly stronger rand against major developed currencies during December. Income focussed portfolios managed to eke out decent performance during the month, largely driven by strong returns from the local bond market. This was despite small allocations to local listed property detracting from performance slightly.

We are pleased that investors received decent returns from portfolios during 2019, despite the plethora of negative news headlines that have plagued South African citizens during the year. This provides a stark reminder that as a small open emerging economy, South African is often at the mercy of sentiment in global markets, rather than local specific issues. The stock market is not the economy, and 2019 provided a perfect example of how returns can often come when we least expect them to.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	3.30	12.05	12.05	7.42	5.99	8.77
JSE SA Listed Property	-2.07	1.92	1.92	-3.72	1.21	5.53
All Bond Index	1.86	10.32	10.32	9.41	7.75	7.04
STeFI (Cash)	0.58	7.29	7.29	7.36	7.19	6.72
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	3.64	12.41	12.41	8.25	6.06	8.75
JSE Mid Cap	4.70	15.58	15.58	3.86	5.62	8.55
JSE Small Cap	0.21	-4.10	-4.10	-5.52	-0.41	5.88
FTSE/JSE SA Resources	6.97	28.53	28.53	20.53	8.17	3.59
FTSE/JSE Ind/Financials	0.74	0.63	0.63	3.46	3.94	9.09
FTSE/JSE SA Industrials	2.32	8.90	8.90	3.22	3.46	9.34
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	3.03	28.40	28.40	13.20	9.36	11.19
MSCI Emerging Markets	7.53	18.90	18.90	11.99	6.01	3.64
S&P 500	3.02	31.49	31.49	15.27	11.70	14.73
NASDAQ 100	3.99	39.46	39.46	22.88	16.91	19.94
FTSE 100	5.26	22.03	22.03	8.72	3.66	4.62
SSE Composite	7.13	20.55	20.55	-0.66	-3.43	2.67
Nikkei 225	2.51	21.88	21.88	12.14	10.50	10.90
FSE DAX	1.90	23.21	23.21	7.09	4.62	5.78
US T-Bill 3m	0.13	2.15	2.15	1.71	1.10	0.80
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	5.72	22.68	22.68	5.12	2.86	-7.10
Gold	3.74	18.43	18.43	9.75	4.66	-1.28
Platinum	6.49	20.81	20.81	1.97	-4.62	-6.53
Copper	5.16	3.21	3.21	3.82	-0.65	-3.53

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