

Market Overview

March 2020

Impact on client portfolios

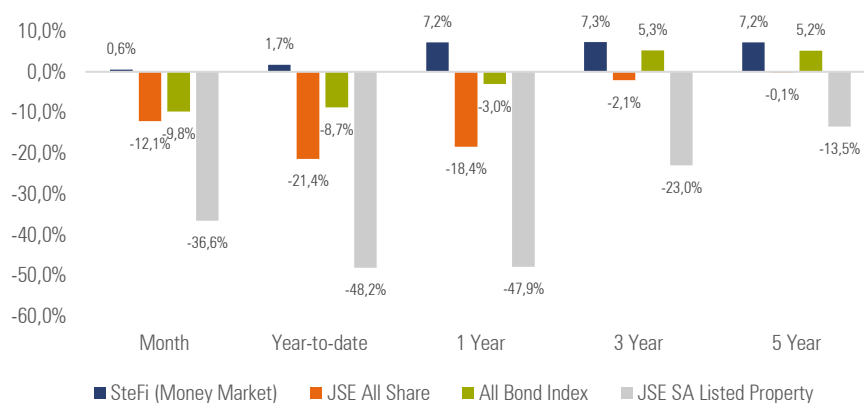
Investors and market participants should be aware of the coronavirus (Covid-19) and the equity market declines that have occurred during February and March on the back of concerns around its likely effect on future economic performance and company profits. During market drawdowns such as these, we believe that it is important to remain calm and not be forced into making rash short-term decisions which impede the ability of investors to achieve their financial goals. While market sell offs are never comfortable, we believe that it is important to focus on whether the moves are driven by sentiment or long-term fundamentals. In our view, many of the movements have been based on panic and emotions, as investors are not able to stomach the volatility that comes with investing in equity markets. We will continue to monitor proceedings closely, as we unpack whether rebalancing or restructuring of portfolios is prudent given the market movements.

Market and economic summary

March 2020 will go down as one of the more eventful months in global market history, as significant equity market volatility and declines across the globe dominated news headlines.

Concerns around the spread of the coronavirus (COVID-19) were exacerbated by an oil price war which flared up at the beginning of March as OPEC (led by Saudi Arabia) and Russia failed to come to a consensus around OPEC's demand to cut oil production by 1.5 million barrels a day.

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 31/03/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities did not escape the global selloff, with the JSE All Share Index finishing the month sharply lower, weighed down by poor performance from financials exposures.

Local bonds had a severe reaction to the global risk off environment, with yields spiking and relatively liquid areas of the bond market including SA government bonds selling off significantly.

Local listed property had its worst month on record, with investors becoming concerned about ever increasing loan to value ratios in the sector as well as some local retailers seeking rent free periods during the SA lockdown.

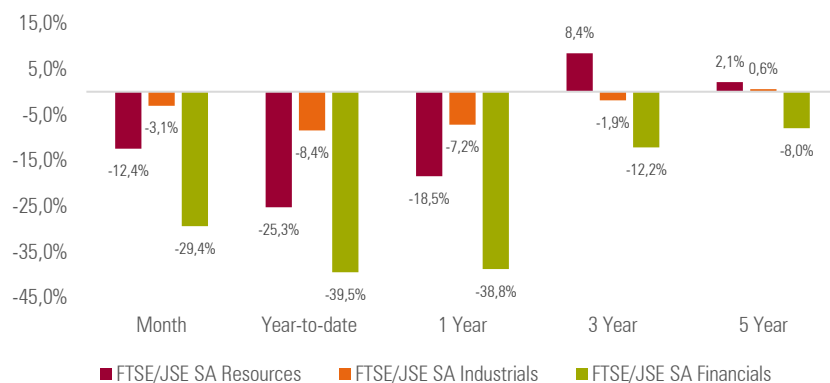
The rand was materially weaker against developed market currencies during the month, which did slightly dampen the negative contribution from moves in global equity markets.

Governor of the South African Reserve Bank, Lesetja Kganyago, announced a reduction in the repo rate of 100 basis points from 6.25% to 5.25% during March in response to the COVID-19 pandemic, which will provide much needed relief to SA consumers and businesses.

On 26 March ratings agency Moody's cut SA's sovereign credit rating to sub-investment grade with a negative outlook, which will lead to the country losing its place in the FTSE World Government Bond Index (WGBI) at the end of April.

All local equity sectors finished the month lower, with **Industrials** (-3.1%) faring slightly better than both **Resources** (-12.4%) and **Financials** (-29.4%).

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 31/03/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

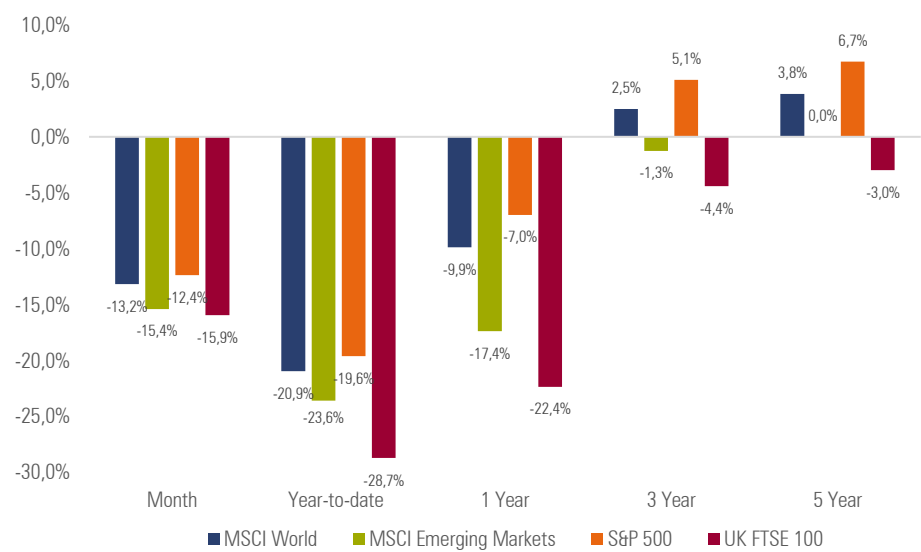
All major developed equity markets ended the month lower, as concerns around the spread of the coronavirus and the plunge in oil prices spooked investors. The **MSCI World Index** delivered a return of -13.2% for the month.

Emerging market equities fared slightly worse than developed market equities over the month, with all major emerging equity markets ending in the red. The **MSCI Emerging Markets Index** delivered a return of -15.4% for the month.

All major equity markets ended the month lower, with China's **Shanghai SE Composite** (-5.9%), Japan's **Nikkei 225** (-9.8%), the UK's **FTSE 100** (-15.9%) and Germany's **FSE DAX** (-16.5%) all delivering poor performance.

US equities also ended the month lower, with both the **NASDAQ 100** (-7.6%) and the **S&P 500** (-12.4%) ending the month in negative territory.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 31/03/2020. Returns are in US dollars and have been annualised for periods longer than 1 year.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	-12,13	-21,38	-18,42	-2,07	-0,13	4,72
JSE SA Listed Property	-36,57	-48,15	-47,91	-23,00	-13,50	-5,11
All Bond Index	-9,75	-8,72	-2,99	5,27	5,18	5,51
STeFI (Cash)	0,57	1,69	7,21	7,31	7,22	6,78
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	-10,44	-19,17	-16,22	-0,44	0,53	5,16
JSE Mid Cap	-23,66	-35,57	-27,54	-10,64	-4,68	1,55
JSE Small Cap	-21,67	-32,55	-33,03	-18,36	-8,52	-1,02
FTSE/JSE SA Resources	-12,43	-25,27	-18,50	8,42	2,08	0,24
FTSE/JSE Ind/Financials	-29,43	-39,48	-38,82	-12,17	-7,96	0,72
FTSE/JSE SA Industrials	-3,06	-8,44	-7,18	-1,89	0,55	7,03
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	-13,17	-20,93	-9,87	2,49	3,83	6,37
MSCI Emerging Markets	-15,38	-23,57	-17,36	-1,25	0,01	-0,04
S&P 500	-12,35	-19,60	-6,98	5,10	6,73	9,62
NASDAQ 100	-7,57	-10,29	7,03	14,08	13,81	17,08
FTSE 100	-15,94	-28,71	-22,35	-4,41	-2,98	-0,68
SSE Composite	-5,90	-11,45	-15,69	-6,05	-8,50	1,07
Nikkei 225	-9,77	-18,69	-6,47	3,20	3,88	6,13
FSE DAX	-16,53	-26,69	-15,76	-6,10	-3,24	1,23
US T-Bill 3m	0,03	0,30	1,82	1,76	1,16	0,84
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	-54,99	-65,55	-66,75	-24,50	-16,23	-20,10
Gold	-0,06	6,22	24,20	8,93	6,27	0,10
Platinum	-16,53	-23,63	-14,47	-8,21	-8,43	-10,46
Copper	-13,91	-22,07	-26,02	-6,39	-4,54	-6,33

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Morningstar South Africa

5th Floor
20 Vineyard Road
Claremont
7708
+27 21 201 4645