

Market Overview

April 2020

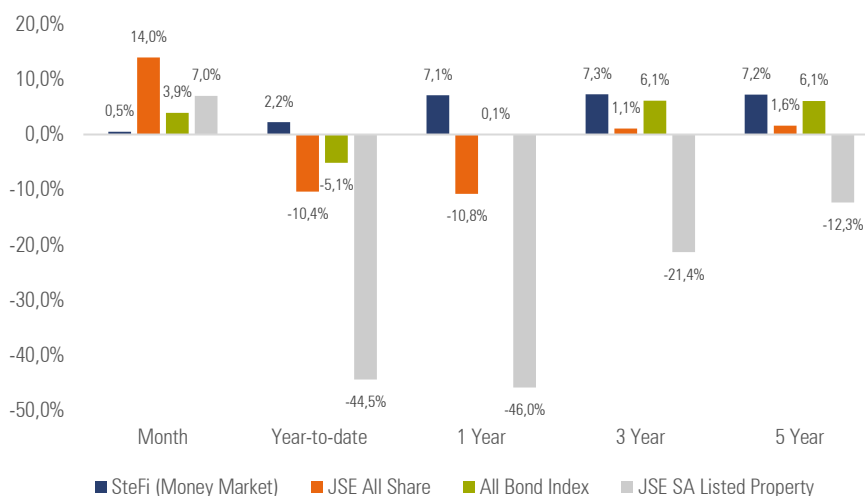
Market and economic summary

Global financial markets recovered some of their lost ground in April, with returns largely driven by record monetary and fiscal stimulus announced by many countries in response to the economic fallout from the Covid-19 pandemic.

US GDP contracted by -4.8% during the first quarter of 2020 (its biggest contraction in 12 years), as the negative effects of measures taken to stem the spread of Covid-19 started to filter through to the world's largest economy.

US unemployment figures continued to climb higher in April, as 20 million workers filed unemployment claims in April (following the 10 million claims filed in March).

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 30/04/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities also moved sharply higher during the month, driven largely by strong performance from the resources sector as well as large index constituents.

Local bonds recovered some ground in April, supported by the interest rate cut from the South African Reserve Bank during the month and lower recorded inflation figures to the end of March 2020.

Local listed property also moved higher during the month, as the asset class recovered some lost ground despite continuing to face headwinds from non-payment of rentals from companies not able to operate under the lockdown.

The rand was weaker against most major developed market currencies during the month, which provided an additional tailwind to strong returns from global equity markets.

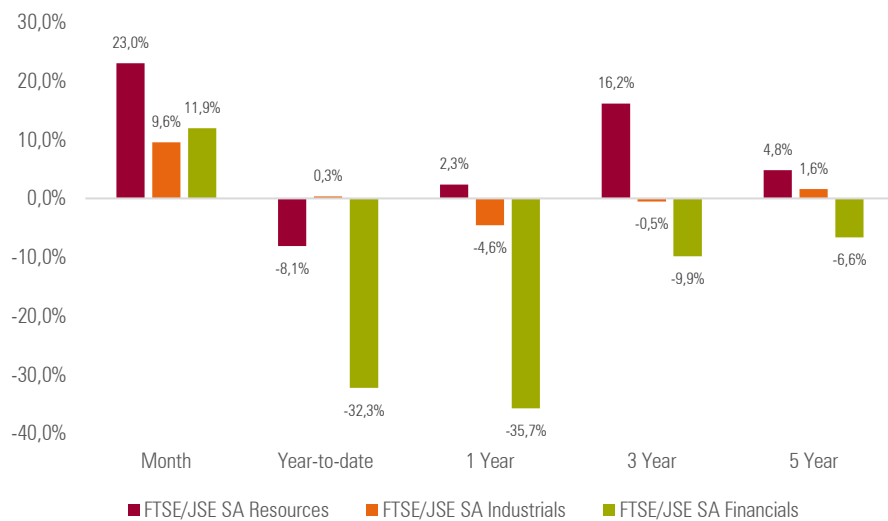
The Governor of the South African Reserve Bank, Lesetja Kganyago, announced a reduction in the repo rate of 100 basis points from 5.25% to 4.25% during April in response to the Covid-19 pandemic, which will provide additional relief to SA consumers and businesses after a similar move in March.

President Cyril Ramaphosa announced a R500 billion economic support package in Phase 2 of government’s response to the Covid-19 pandemic. One of the most notable announcements was a R200 billion loan scheme to assist small and medium size businesses in paying out salaries and other expenses.

Headline inflation remains well contained, with the year-on-year figure to the end of March 2020 slowing to 4.1%. The largest contribution to the lower inflation figure came from the petrol price decrease in March, which contributed more than 50% of the decrease from the headline inflation figure reported at the end of February.

All local equity sectors finished the month higher, with **Resources** (+23.0%), **Financials** (+11.9%) and **Industrials** (+9.6%) all ending the month with strong returns.

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 30/04/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

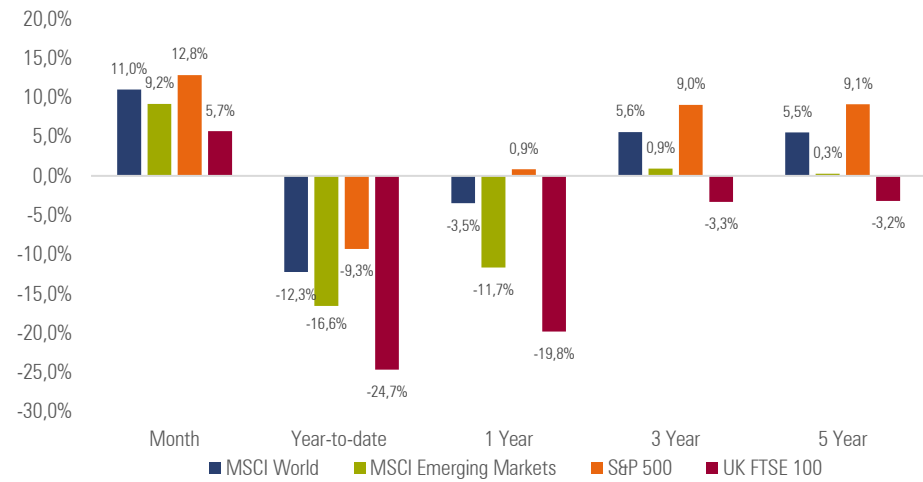
All major developed equity markets ended the month higher, with the largest contribution to the strong returns coming from US equities. The **MSCI World Index** delivered a return of +11.0% for the month.

Emerging market equities also delivered strong returns for the month. The **MSCI Emerging Markets Index** delivered a return of +9.2% for the month.

All major equity markets ended the month in the black, with Germany’s **FSE DAX** (+9.1%), Japan’s **Nikkei 225** (+7.8%), the UK’s **FTSE 100** (+5.7%) and China’s **Shanghai SE Composite** (+4.6%) all delivering strong performance.

US equities ending the month significantly higher, with both the **NASDAQ 100** (+15.2%) and the **S&P 500** (+12.8%) rebounding strongly during the month.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 30/04/2020. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

Most portfolios generated strong returns during April, as markets recovered some of their lost ground following a difficult first quarter of 2020. Performance was particularly strong for those portfolios with significant allocations to equities, as both SA and global equities delivered strong returns during the month. Markets reacted positively to the record monetary and fiscal stimulus announced by the major governments and central banks in response to the economic downturn. Income investors also received decent outcomes in April, as local income generating assets delivered strong returns during the month, assisted by the interest rate cut from the South African Reserve Bank.

Despite the turnaround in performance in April, markets continue to be very sensitive to new information about the economic consequences of the global Covid-19 pandemic. While the economic data may continue to remain weak for quite some time, we would encourage investors to focus on their long-term investment goals rather than making investment decisions based on news headlines. The month of April provided us with a reminder that markets can often turn when we least expect them to, and it is therefore crucial to look through the short-term “noise” when making investment decisions.

| Local Market Indices | 1 Month | YTD | 1 Year | 3 Years | 5 Years | 7 Years |
|------------------------------|----------------|------------|---------------|----------------|----------------|----------------|
| JSE All Share | 13,98 | -10,39 | -10,78 | 1,08 | 1,58 | 7,09 |
| JSE SA Listed Property | 7,00 | -44,52 | -45,98 | -21,38 | -12,33 | -5,16 |
| All Bond Index | 3,92 | -5,14 | 0,06 | 6,13 | 6,09 | 5,49 |
| STeFI (Cash) | 0,52 | 2,22 | 7,14 | 7,28 | 7,22 | 6,80 |
| Local Market Sectors | 1 Month | YTD | 1 Year | 3 Years | 5 Years | 7 Years |
| JSE Top 40 | 14,65 | -7,33 | -8,15 | 2,70 | 2,28 | 7,70 |
| JSE Mid Cap | 8,53 | -30,08 | -23,38 | -7,91 | -3,50 | 2,80 |
| JSE Small Cap | 8,77 | -26,64 | -30,51 | -15,32 | -7,72 | 0,00 |
| FTSE/JSE SA Resources | 22,99 | -8,09 | 2,33 | 16,16 | 4,78 | 4,65 |
| FTSE/JSE Ind/Financials | 11,92 | -32,26 | -35,74 | -9,87 | -6,63 | 2,18 |
| FTSE/JSE SA Industrials | 9,57 | 0,33 | -4,58 | -0,54 | 1,58 | 8,47 |
| Global Market Indices | 1 Month | YTD | 1 Year | 3 Years | 5 Years | 7 Years |
| MSCI World | 10,98 | -12,25 | -3,46 | 5,58 | 5,52 | 7,47 |
| MSCI Emerging Markets | 9,18 | -16,55 | -11,65 | 0,94 | 0,28 | 1,11 |
| S&P 500 | 12,82 | -9,29 | 0,86 | 9,04 | 9,12 | 11,22 |
| NASDAQ 100 | 15,23 | 3,37 | 16,90 | 18,52 | 16,65 | 19,05 |
| FTSE 100 | 5,69 | -24,66 | -19,83 | -3,30 | -3,18 | -0,33 |
| SSE Composite | 4,60 | -7,38 | -11,24 | -3,93 | -10,75 | 1,99 |
| Nikkei 225 | 7,77 | -12,37 | -3,38 | 5,28 | 5,06 | 6,11 |
| FSE DAX | 9,12 | -20,01 | -14,00 | -4,23 | -1,51 | 1,89 |
| US T-Bill 3m | 0,01 | 0,31 | 1,63 | 1,74 | 1,16 | 0,84 |
| Commodities | 1 Month | YTD | 1 Year | 3 Years | 5 Years | 7 Years |
| Oil Price Brent Crude | 11,13 | -61,71 | -65,29 | -21,24 | -17,66 | -18,11 |
| Gold | 5,83 | 12,41 | 32,79 | 10,37 | 7,61 | 2,13 |
| Platinum | 5,50 | -19,43 | -13,72 | -6,75 | -7,56 | -9,20 |
| Copper | 9,05 | -15,02 | -18,79 | -2,75 | -3,48 | -4,22 |

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