

Market Overview

May 2020

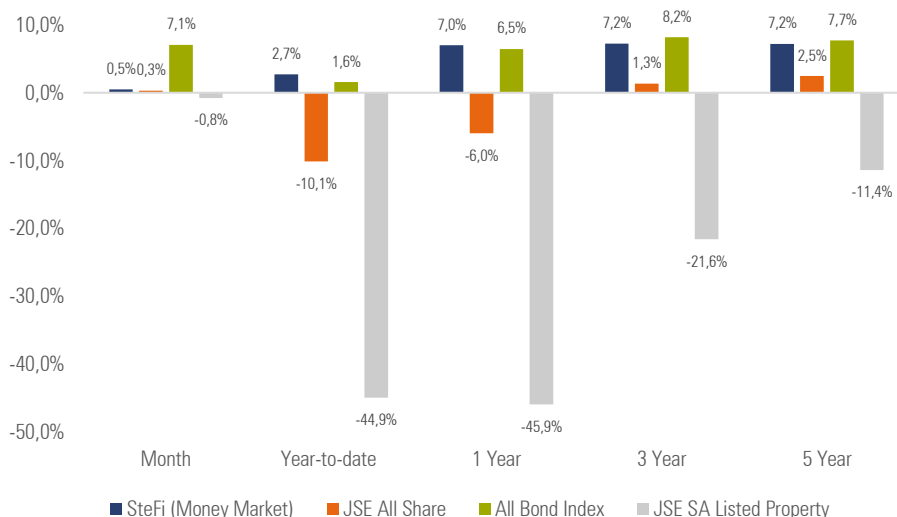
Market and economic summary

Global markets continued to climb higher in May following a strong rebound in April, as investors reacted positively to the news of many economies reopening following the Covid-19 induced lockdowns.

The positive performance generated by most global equity markets came despite concerns around a possible second wave of infections and political tensions between the US and China, initially around Covid-19 and later around Beijing's treatment of Hong Kong.

Economic data continues to show signs of the damage caused by the Covid-19 pandemic, with forecasts indicating that the US economy lost another 8.3 million jobs in May, following the 20.5 million lost in April. This would push the US unemployment rate to close to 20%, after it ended April at a level of 14.7%.

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 31/05/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities ended the month largely flat, however, there was significant dispersion among the index constituents during the month. Platinum group metals counters (PGM's) and diversified miners delivered strong performance during the month, however, this was offset by continued weakness in banking and financial counters.

Local bonds were the standout performer during the month in terms of local asset classes. Yields continued to fall dramatically during May (moving prices higher), as the asset class delivered its best monthly performance since July 2008.

Local listed property continued to struggle during the month as the benefit of lower interest rates appeared to be offset by tenants struggling to deliver on contractual rental obligations.

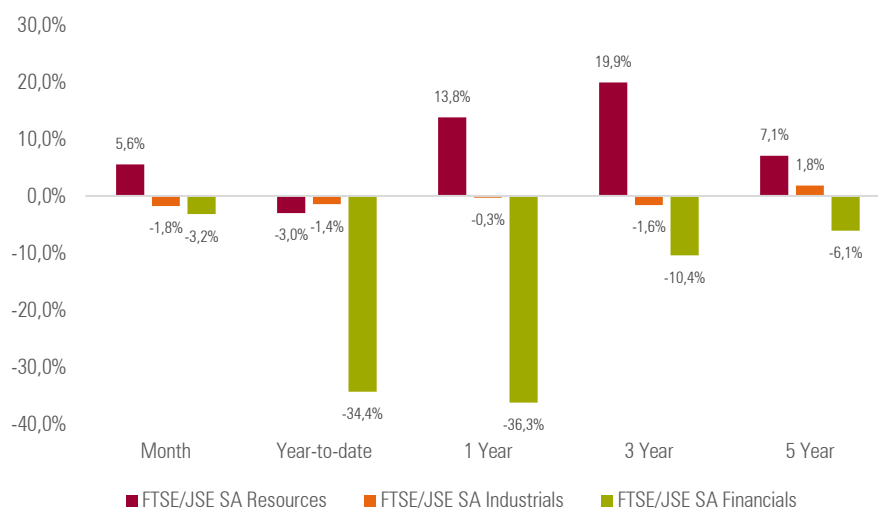
The rand was significantly stronger against most major developed market currencies during the month, recovering some lost ground following significant depreciation since the start of the year.

The Governor of the South African Reserve Bank (SARB), Lesetja Kganyago, announced another reduction in the repo rate of 50 basis points during May, bringing the rate to a record low of 3.75%.

President Cyril Ramaphosa announced the re-opening of some sectors of the economy under Level 4 lockdown restrictions and also announced that the country will move to Level 3 from the 1st of June, which will allow many businesses to return to full operation.

Local equity sector performance was mixed, with **Resources** (+5.6%) delivering strong performance, while **Industrials** (-1.8%) and **Financials** (-3.2%) fared slightly worse.

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 31/05/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

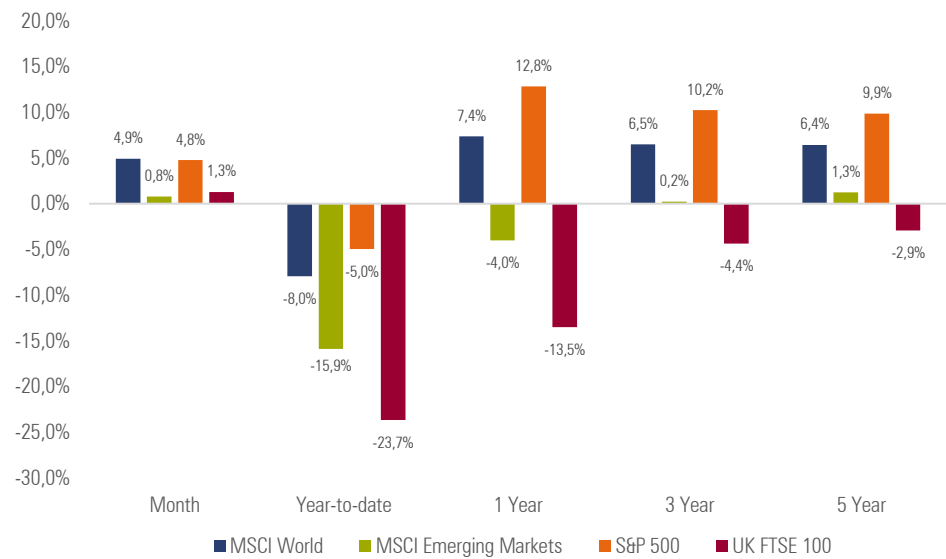
Most major developed equity markets ended the month higher, as investors welcomed the reopening of many global economies post the lockdowns in countries around the world. The **MSCI World Index** delivered a return of +4.9% for the month.

Emerging market equities managed to deliver positive performance for the month, however, returns were slightly more muted than those in developed equity markets. The **MSCI Emerging Markets Index** delivered a return of +0.8% for the month.

Most major equity markets ended the month with strong returns, with Germany's **FSE DAX** (+8.3%), Japan's **Nikkei 225** (+7.5%) and the UK's **FTSE 100** (+1.3%) ending the month higher. China's **Shanghai SE Composite** (-1.6%) bucked the global trend, ending the month lower.

US equities also ended the month higher, with both the **NASDAQ 100** (+6.3%) and the **S&P 500** (+4.8%) both delivering strong returns.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 31/05/2020. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

Most portfolios ended May with positive returns, largely driven by strong performance from the SA bond market as well as continued strength in global equity markets. Rand strength during the month against major developed market currencies did detract slightly from the positive contribution from global exposures. Income focused investors received decent returns from portfolios during the month, as local bond allocations drove positive performance during May.

What is apparent is that despite global economic data showing strain from the impact of the global lockdowns, markets appear to be reacting positively to the gradual opening of industries across the world. The significant amount of monetary and fiscal stimulus announced by governments and central banks has also provided significant support to global markets. We will continue to follow a disciplined valuation driven approach in managing client portfolios, with risk management currently more important than ever given the noisy market environment.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	0,31	-10,12	-5,96	1,33	2,46	5,89
JSE SA Listed Property	-0,76	-44,94	-45,92	-21,61	-11,38	-3,66
All Bond Index	7,06	1,56	6,45	8,20	7,72	7,25
STeFI (Cash)	0,50	2,73	7,02	7,23	7,22	6,81
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	0,42	-6,94	-2,81	2,77	3,20	6,26
JSE Mid Cap	0,23	-29,92	-20,39	-6,51	-2,53	2,83
JSE Small Cap	-3,20	-28,99	-30,88	-15,49	-8,19	-0,51
FTSE/JSE SA Resources	5,55	-2,99	13,81	19,94	7,05	3,75
FTSE/JSE Ind/Financials	-3,18	-34,42	-36,31	-10,43	-6,12	1,75
FTSE/JSE SA Industrials	-1,76	-1,44	-0,33	-1,59	1,83	6,71
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	4,90	-7,95	7,37	6,50	6,44	8,19
MSCI Emerging Markets	0,79	-15,90	-4,02	0,22	1,25	1,59
S&P 500	4,76	-4,97	12,84	10,23	9,86	11,60
NASDAQ 100	6,31	9,89	35,45	19,44	17,54	19,51
FTSE 100	1,28	-23,69	-13,53	-4,36	-2,93	-0,17
SSE Composite	-1,58	-8,84	-4,94	-4,41	-11,71	0,90
Nikkei 225	7,54	-5,77	9,44	6,74	6,26	7,87
FSE DAX	8,34	-13,34	-1,37	-3,15	0,59	2,53
US T-Bill 3m	0,01	0,32	1,43	1,72	1,17	0,84
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	39,81	-46,47	-45,22	-11,11	-11,63	-13,95
Gold	1,52	14,12	33,43	10,94	7,73	3,12
Platinum	7,56	-13,34	4,30	-4,49	-5,85	-7,82
Copper	1,94	-13,37	-7,75	-1,71	-2,62	-4,28

Disclaimer

©2020 Morningstar. All Rights Reserved. The Morningstar name and logo are registered trademarks of Morningstar, Inc. The information, data and analyses contained herein (1) includes the confidential and proprietary information of Morningstar, (2) may not be copied or redistributed, (3) does not constitute investment advice (4) is provided solely for informational purposes and therefore is not an offer to buy or sell a security, and (5) is not warranted to be correct, complete or accurate. Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data or analyses or their use. All data sourced from Morningstar Direct. Past performance is not a guide to future returns. Morningstar Investment Management South Africa (Pty) Ltd is an authorised financial services provider (FSP 45679).

Morningstar South Africa

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