

# NAVIGA



## Newsletter

June 2021

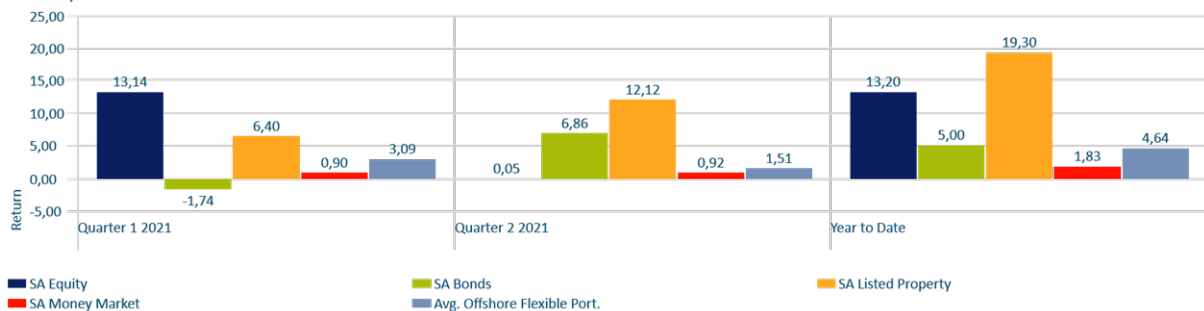
### MARKETS AND ECONOMICS

Market performance was relatively mixed for June, especially among equity markets, while bond yields ended mostly higher. Apart from a few areas of performance, it seems that the positive economic indicators and factors that have been driving markets were partly overshadowed by higher inflation expectations, general talks and discussions around the tapering of stimulus across various major markets and rising COVID-19 infections across many countries. Locally, equities struggled amidst a sharp dive in gold and platinum prices that filtered through to the large mining companies as well as to the general resources sectors. The heavy weighted Naspers and Prosus also sold off on the back of concerns regarding value unlock (despite a general run-in global tech shares during the month).

From a quarter perspective, the second quarter experienced quite a reversal from the first, with bonds and properties being the best-performing asset classes, while local equities ended close to flat. Returns from offshore markets, however, continued to be negatively impacted by the local currency's appreciation. Year-to-date local investors have still been handsomely rewarded, with especially equity and property assets significantly outperforming money market and inflation, but those that betted too much in offshore markets (and against the Rand) have likely lagged in terms of performance.

#### Asset Class Returns

Currency: South African Rand



#### A few general comments and insights into the quarter and year-to-date performances are:

- + Consumer discretionary companies were the top performers for the second quarter, likely on the back of consumers returning to a more normal spending routine and the return of economic activity.
- + Technology shares (IT, software industries, etc.) were the worst performers, although these shares are, generally, smaller contributors to overall index performance.
- + Although the Bond Index (which, generally, has a duration of around 7), delivered 6.86% for the quarter, returns of more than 10% were achieved in the longer duration buckets.
- + Value stocks outperformed growth stocks by more than 6% during the quarter, despite having a pullback in June.
- + Year-to-date, in home currency (base currency), South African equities (All Share Index total return) have outperformed the primary equity indices across the United States (US), Europe and Asia.
- + After another strong performance from local property, the investment is now the best-performing local asset class year-to-date. The index is still, however, around 4% away from pre-COVID levels (pre-March 2020).

Focusing on some of the positive news that emerged throughout the month: on the global front, we had various upgrades to economic growth forecasts, massive infrastructure spending plans out of the US (which is beneficial to commodity-dependent countries, such as South Africa) and a weaker US Dollar (which is beneficial for global trade and growth). Locally, the South African Reserve Bank held rates steady (despite a sudden jump in inflation for May), our gross domestic product (GDP) growth for the first quarter exceeded expectations by growing 1.1% (quarter-on-quarter), further stabilisation progress was made at Eskom, government announced that it will be selling a majority stake in South African Airways and former president Jacob Zuma was sentenced to jail.

Unfortunately, not all of the news was positive: at the end of June, we were forced back into Level 4 lockdown to curb the surge of COVID-19 infections currently being witnessed across the country, with Gauteng being especially hard hit by the new Delta variant. Thankfully, it seems our vaccination program has picked up pace, and will hopefully help prevent future waves.

<b>JSE All Share</b> - 2,43%   66 166,86	<b>MSCI World (USD)</b> 1,49%   3 049,84	<b>MSCI EM (USD)</b> 0,17%   1 354,47
<b>SA Bonds</b> 1,09%   799,07	<b>SA Property</b> 3,37%   320,58	<b>CPI (y/y)</b> 5,20%   120,20
<b>Gold</b> - 7,13%   1 805,67	<b>Platinum</b> - 9,30%   1 115,00	<b>Oil</b> 7,63%   77,15
<b>\$/R</b> 3,89%   14,26	<b>€/R</b> 0,77%   16,92	<b>£/R</b> 1,14%   19,75