

## Kagiso Top 40 Tracker Fund December 2019

Global economic growth, though still reasonably buoyant, has decelerated further from the high rates of recent years especially given a continuing moderation in Chinese growth. Growth expectations have however recovered moderately as weak industrial production is being offset by consumption growth, which remains healthy due to sound labour markets.

Emerging market growth has eased in line with slower global growth but remains healthy, particularly in Indonesia and Brazil. South Africa, Russia and Turkey remain the laggards.

In South Africa, growth slowed notably in the third quarter with persistently low business confidence, contracting fixed investment and lackluster consumption activity amidst a steadily deteriorating labour market. A resumption of severe electricity supply disruptions in the fourth quarter will decrease near-term prospects further.

Global markets were higher in the last quarter (up 8.7% in US dollars) with the USA (up 9.1%), Germany (up 9.6%) and the UK (10.8%) outperforming. Within emerging markets (up 11.9%), South Africa (up 13.2%, the dollar return benefiting from an 8% appreciation in the currency over the period), Brazil (up 14.1%) and Russia (up 17.1%) outperformed. 2019 has been a very strong year for global equity markets (up 28.4% overall).

In rand terms, the local equity market was positive this quarter (up 4.6%) with the resources sector (up 13.5%) outperforming - gold and platinum miners strengthened again (up 26.1% and 47.0% respectively). Standout performers included Sibanye Stillwater (up 71.1%), Impala Platinum (up 50.6%) and Northam Platinum (up 48.7%).

Financials were up 2.8% with life insurance (up 5.2%) outperforming and banks generally weaker (Nedbank down 5.5%, Standard Bank down 3.6% and Absa Group down 2.3%).

Industrials were down 0.1%. Among large companies, British American Tobacco (up 6.3%) was again strong, while MTN (down 14.3%) and Richemont (down 1.9%), underperformed. Naspers was flat (down 0.2%), outperforming its underlying exposure to Prosus (down 4.8%). Retailers were mixed, with Woolworths and Truworths underperforming (down 11.8% and 7.2% respectively) and Clicks and Mr. Price outperforming (up 19.3% and 15.3% respectively). Telkom (down 50.7%) was particularly weak.

After fees and trading costs, the fund performed below its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter up 4.5%.