

Kagiso Top 40 Tracker Fund September 2020



Efforts to reopen global economies are cautiously underway and it appears that the most severe scenarios concerning global health and economic outcomes have been averted. However, a considerable amount of uncertainty remains around the resurgence of Covid-19 in many regions, necessitating the resumption of restrictions.

Governments in developed countries responded to the healthcare crisis and the resultant pausing of large parts of their economies, with aggressive fiscal stimulus packages. Together with a dramatic easing of monetary policy (rate cuts, increased quantitative easing and other unconventional measures) this has tempered the economic damage from the crisis and provided a powerful buffer to financial markets.

Against this backdrop, global markets were strong again this quarter (up 8.0% in US dollars), with Germany up 8.1% and the USA up 8.9%, but with the UK and Hong Kong lagging (flat and down 2.6% respectively). Within emerging markets (up 9.7% in dollar terms), South Korea (up 13.5%) and India (up 15.1%) outperformed.

In rand terms, the local equity market was up 0.7% this quarter, with mid-caps (up 1.3% for the quarter versus large-caps up 0.7%) continuing to underperform considerably this year (down 24.5% year to date versus large-caps up 1.1%). Again, resources outperformed (up 5.7%), with standout performers being the PGM miners (up 21.7%).

Industrials (down 2.4%) underperformed primarily due to Naspers (down 6.4%). The telecommunications sector was mixed, with MTN (up 6.3%) outperforming, while Telkom (down 9.8%) underperformed. Retailers were also mixed, with Shoprite (up 30.3%) and Spar (up 10.5%) outperforming, while Pick n Pay (down 7.9%), Mr Price (down 7.7%) and Truworths (down 7.4%) underperformed.

Financials were marginally higher (up 0.5%), with listed property (down 14.1%) and life insurance (down 6.5%) underperforming banks (up 6.2%). Fortress B (down 49.2%), Redefine (down 27.2%), Capco (down 23.4%) and Liberty (down 14.1%) underperformed, while PSG Group (up 26.5%), Discovery (up 22.4%) and FirstRand (up 8.3%) outperformed.

After fees and trading costs, the fund outperformed its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter up 0.63%.