

## Kagiso Top 40 Tracker Fund March 2021

Rapid rollout programs of very effective vaccines are underway in the USA, the UK and Israel, with other rich countries accelerating after slow starts. This increases the probability of a faster return to more normal activity in those regions, limiting further scarring in services sectors (particularly tourism and leisure). Unfortunately, several less wealthy nations are enduring another Covid-19 surge, accompanied by very slow vaccine rollout programs.

Due to relatively moderate lockdown restrictions the local South African economic recovery was not meaningfully derailed by the strong second wave of Covid-19 infections. Positively, continued high commodity prices (particularly platinum group metals and iron ore) are significantly supporting economic outcomes and the agricultural sector is very buoyant. The economy is however showing signs of permanent economic damage (scarring) from years of state mismanagement (particularly, a very depressed labour market, unstable electricity supply, weakened and tax-hungry municipalities and chronically low business and investment confidence) and the restrictions of the lockdowns.

Global markets were strong again this quarter (up 5.0% in US dollars), with the USA up 6.2%, France up 5.3% and the UK up 6.1%. Within emerging markets (up 2.3% in dollar terms), South Africa (up 12.3%) and Russia (up 5.0%) outperformed, while Turkey (down 20.2%) and Brazil (down 10.6%) lagged. Over the last twelve months global equity markets have recovered very strongly from the March 2020 lows (up 54.8% overall).

In rand terms, the local equity market was up 13.1% this quarter, with mid-caps (up 9.4% for the quarter versus large-caps up 13.2%) still underperforming since the start of 2020 (down 6.4% versus large-caps up 19.8%). Resources outperformed (up 18.8%), PGM miners (up 29.4%) outperformed again, while gold miners (down 0.9%) lagged. Standout performers included Sasol (up 58.4%) and Anglo American Platinum (up 49.1%).

Industrials were also strong (up 12.4%) - primarily due to Naspers (up 17.0%). Standout positive performers included Motus (up 53.7%) and telecommunication stocks MTN (up 44.3%) and Telkom (up 37.9%). Retailers were generally strong, with Massmart (up 30.9%) and Truworths (up 29.8%) outperforming. Brait (down 30.0%), Clicks (down 4.9%) and Multichoice (down 3.8%) all lagged.

After fees and trading costs, the fund underperformed its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter up 13.2%.

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