

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%.

Disclaimer

The Kagiso unit trust fund range is offered by Kagiso Collective Investments Limited (RF) (Kagiso), registration number 2010/009289/06. Kagiso is a subsidiary of Kagiso Asset Management (Pty) Limited [a licensed financial services provider (FSP No. 784)], the investment manager of the unit trust funds. Kagiso is a member of the Association for Savings and Investment SA (ASISA) and is a registered management company in terms of the Collective Investment Schemes Control Act, No 45 of 2002.

Unit trusts are generally medium to long-term investments. The value of units will fluctuate and past performance should not be used as a guide for future performance. Kagiso does not provide any guarantee either with respect to the capital or the return of the portfolio(s). Foreign securities may be included in the portfolio(s) and may result in potential constraints on liquidity and the repatriation of funds. In addition, macroeconomic, political, foreign exchange, tax and settlement risks may apply. However, our robust investment process takes these factors into account. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Exchange rate movements, where applicable, may affect the value of underlying investments. Different classes of units may apply and are subject to different fees and charges. A schedule of the maximum fees, charges and commissions is available upon request. Commission and incentives may be paid, and if so, would be included in the overall costs. Kagiso has the right to close the portfolio to new investors in order to manage it more effectively in accordance with its mandate. Additional information is available free of charge on our website or from Client Service.