

Global economic activity should remain firm, benefiting from easing financial conditions and strong developed market real household income growth. The US economy is demonstrating particular strength, with a relatively strong consumer underpinned by a very robust labour market.

Europe's economy should benefit meaningfully from a rebound in global manufacturing activity and the ongoing normalisation lower of gas prices. In Japan, continued export growth, improving business investment and growing private consumption is leading to sustained solid economic activity. The Chinese economy has fallen short of expectations, but a recovery in exports, manufacturing and infrastructure spending, along with more decisive government stimulus measures should result in stronger near-term growth.

Economic activity in South Africa is severely constrained by an inadequate electricity supply, acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities and chronically low business confidence. Coupled with the sizable government debt burden and a large, unskilled population with high unemployment - we remain pessimistic regarding the structural growth rate for the local economy.

Global markets were strongly positive in the final quarter (up 11.5% in US dollars), with Germany (up 13.9%) and the US (up 11.7%) outperforming. Emerging markets were also positive in the period (up 7.9%), with outperformance from Brazil (up 19.1%), South Korea (up 15.5%) and South Africa (up 12.7%), while China (down 4.2%) and Turkey (down 12.1%) underperformed. Global equity markets increased 24.4% for the year.

In rand terms, the local equity market was up 6.9% in the quarter. Financials outperformed (up 12.3%), with listed property up 16.4%, banks up 12.8% and life insurers up 9.8%. Quilter (up 22.3%), NEPI Rockcastle (up 21.4%) and Capitec (up 19.0%) outperformed, while Absa (down 6.4%), OUTsurance (up 0.7%) and Santam (up 1.0%) underperformed. Industrials were also positive (up 5.9%) driven by robust performances from Tiger Brands (up 31.2%) and Dischem (up 30.4%).

Resources underperformed the other sectors (flat in the period), with outperformance from Harmony (up 69.4%), Amplats (up 36.6%) and Gold Fields (up 35.3%). Sasol (down 29.0%), Sibanye (down 14.8%) and Thungela (down 11.4%) underperformed.

The local market was positive for the year (up 9.3%). Financials were up 21.8%, industrials were up 17.3% and resources were down 15.1%.

Rebalancing activity, trading costs and fees resulted in the fund underperforming its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter and year up 6.6% and 9.0% respectively.

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