

Global economic activity remains firm, but somewhat uneven. The US economy is growing solidly, with strong consumption underpinned by a robust labour market, healthy immigration and high aggregate household wealth.

China's economic growth has been weak in nominal terms given ongoing deflation. The prolonged weakness in the property market has dampened consumer confidence, contributing to disappointing consumption growth. Policymakers have now responded with more aggressive monetary and fiscal stimulus plans that are likely to improve near-term economic activity.

Europe's economy has been stagnating given its export link to China's weak economic recovery, scarring from the energy crisis and the eroding competitiveness of its automotive sector. Japan is maintaining solid economic activity, with improving business investment and increasing private consumption, amid high wage growth.

Near-term South African economic activity should be somewhat boosted by a mild cyclical recovery in real consumption as consumers benefit from declining inflation and interest rates, along with cash withdrawals from the two-pot retirement dispensation. Nevertheless, economic activity is constrained by acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities, inadequate (albeit improved) electricity supply and low business confidence.

Global markets (up 6.5% in US dollars) and Emerging markets (up 8.9%) were positive in the third quarter.

In rand terms, the local equity market was up 9.6% in the period. Financials (up 13.9%) outperformed the other sectors, with listed property up 18.7%, life insurers up 15.6% and banks up 13.4%. Momentum (up 28.7%), Discovery (up 27.6%) and Outsurance (up 25.0%) all outperformed, while Investec (up 2.4%) underperformed.

Industrials were also positive (up 11.5%), with particularly robust performances from Mr Price (up 33.8%) and Pepkor (up 28.6%). Aspen (down 14.9%) and Mondi (down 5.8%).

Resources (down 1.1%) underperformed the other sectors. Implats (up 6.6%) and Harmony (up 6.0%) outperformed, while African Rainbow Minerals (down 16.6%), Sasol (down 16.0%) and Northam Platinum (down 13.8%) underperformed.

Despite trading and rebalance costs, the fund performed in line with its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter up 8.6%

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