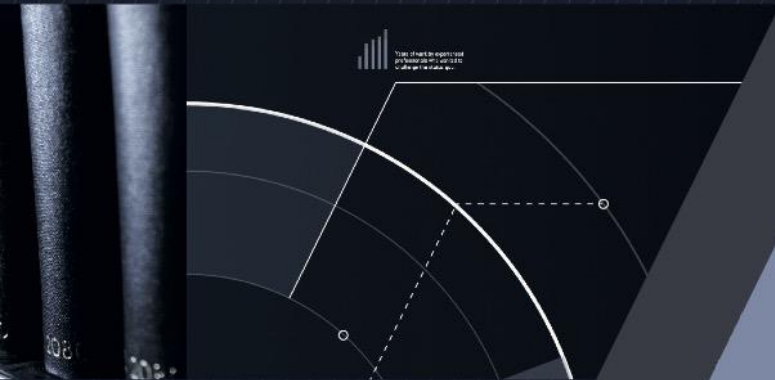


MONTHLY UPDATE

South African Edition

March 2020



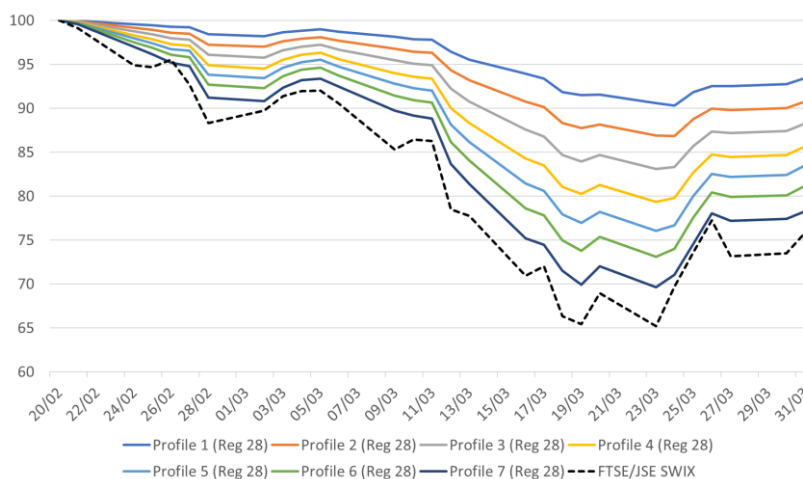
Hi All,

There are few months which manage to attain infamy in the history of financial markets, October 1987 and September 2008 are the two that quickly spring to mind. March 2020 will certainly be another entry. The most jarring aspect of the COVID-19 market crisis has been the unprecedented expediency of the crash. As illustrated below, it has taken approximately 20 trading days for global equities to fall 35%. In comparison the 2008 Global Financial Crisis (GFC) and 2000 Dot-com bubble, took roughly 240 and 380 days respectively to reach these levels.



Source: Fairtree Capital and Bloomberg as at 31/03/2020

As Coronavirus (COVID-19) cases and, unfortunately, deaths began to sharply increase, markets took a dramatic downturn. Monetary and fiscal stimulus proposed by multiple countries only served to give temporary relief during a very volatile month for all asset classes. This sharp market sell-off was compounded by a disagreement between OPEC and Russia around the need for production cuts. South African investors took one extra punch, when Moody's downgraded the country's debt to sub-investment grade. This has been an arduous test of every investor's composure, but it is paramount to stick with a well-crafted financial plan in these trying times. We are extremely pleased with how our soundly engineered portfolios have weathered these turbulent markets.



Source: PortfolioMetrix and Financial Express

Throughout the month we have communicated extensively on our portfolio positioning and current thinking, links to which are provided below:

- 04/03/2020 Recording and slides| PortfolioMetrix Webinar Composure and black swans
- 03/30/2020 Portfolio Update: South African (ZAR) Solution Rebalance

- 03/26/2020 SA Market Update

Stay Safe, Stay Health and please Stay at Home,
Russell

PERFORMANCE FEEDBACK, MARCH 2020

(Compiled by Nic Spicer and Russell Brown)

In a first for democratic South Africa, President Cyril Ramaphosa acted emphatically on the 15th of March and declared a State of Disaster in response to the COVID-19 Pandemic. This initially led to a “soft” countrywide lockdown, with loose restrictions on travel, communal gathering and the economy. These restrictions were escalated a week later and have resulted in a 21-day “hard” lockdown, which stipulates complete bans on non-essential travel, shopping and economic activity. The impact of this on the country will unfortunately be dire.

Knowing this, plus all the existing headwinds facing the South African economy and fiscus, Moody’s downgraded the country’s debt rating to junk. This decision ended a two-year standoff. As broadly expected, the downgrade only caused some short-term noise in the market. The true impact of the downgrade will however only be felt when the increased cost of borrowing associated with junk status filters through the economy. The South African Reserve Bank (SARB) also acted by cutting interest rates by 1% and starting a bond buyback program as a form of quantitative easing. Sasol Ltd, was another former darling South African large cap stock which fell from grace in March. The company has scored several own goals in the past few years, which had significantly detracted from its share price already. But the dramatic fall in the oil price, from +/- \$ 60 to +/- \$25, due to OPEC tensions, was catastrophic for the company’s earnings expectation and debt covenants. This resulted in the stock falling from +/- R200 to +/- R 25 in March.

It is still VERY early days and there are a lot of unknowns, but one small domestic positive is that the government’s tough stance on flattening the curve appears to be yielding some results. At the time of writing (06/04) we have had 9 consecutive days where new cases of COVID-19 have not exceeded 100 infections/day.

Globally, British Prime Minister Boris Johnson announced a UK shutdown during March with strict guidance as to what people can leave their house for. The Bank of England acted twice, cutting rates from 0.75% to 0.1%, restarted quantitative easing to the tune of an extra £200mn and introduced funding and purchases schemes as well as capital guidance for banks, all aimed at providing credit to businesses (particularly small and medium-sized). Alongside this, the government announced a large fiscal stimulus which included business loans, paying 80% of employee wages to prevent firms having to lay off staff and covering 80% of the incomes of the self-employed. Data points which show economic activity since the shutdown have been fairly sobering, with the flash composite purchasing managers’ indices (PMI) for March slumping to 37.1 (from 53 in February), mostly off the back of a very weak services component as large chunks of the economy ground to a halt (goods can be stockpiled, services can’t). Datapoints printed in March but for periods prior to the increase in UK COVID-19 cases had not been favourable either, with GDP growth confirmed at 0% (quarter-on-quarter) for Q4 2019 and unemployment nudging up to 3.9% in January.

In the US, the Federal Reserve had a bit more ‘dry powder’ to play with but they quickly used this up by cutting rates from the range of 1.5-1.75% to 0-0.25% and effectively committing to unlimited quantitative easing. This included funding to support consumer and business debt and direct lending to large corporations as well as, for the first time, the purchasing of corporate bonds. The US government also pledged to provide \$2trn of fiscal support which will include most taxpayers receiving a cheque for \$1,200 and additional money for those with children. These measures may not be as effective as what the UK has done to ensure staff stay employed and that has probably been reflected in the weekly unemployment claims for 21st March which spiked to a record high of 3.3m (data released in early April for week ending 28th March shows this has doubled to 6.6mn). US services PMI fell dramatically to 39.1 in March, from 49.4 in February, whilst manufacturing edged into contractionary territory (49.2), resulting in a composite PMI of 40.5 for March.

The European Central Bank did not change interest rates in March but committed to €120bn more of quantitative easing, additional liquidity support for banks and incentives for them to lend to businesses (in particular medium- and small-sized companies). They also launched a €750bn temporary programme of government, corporate bond and commercial paper purchases. In addition national governments announced various fiscal packages, with Germany making a similar commitment to the UK by compensating staff who are sent home during this crisis in addition to underwriting corporate debt. Much like in the UK and the US, the

services PMI tumbled in March to 28.4, an all-time low; manufacturing PMI didn't suffer quite as much, 'only' down to 44.8 (from 49.2 the previous month); overall composite PMIs also reached a record low of 31.4 from 51.6 in February.

To date, Japan has been relatively immune to the COVID-19 outbreak, according to official numbers, although this could change. A decision has been made to postpone the Tokyo Olympics to 2021. Japan's GDP for Q4 2019, was revised down in the final reading to -1.8% quarter on quarter. The composite PMI flash reading for March showed a stark drop to 35.8, the weakest ever figure, as with other countries, this was driven by particularly weak services numbers. The Bank of Japan has also been active during this time by doubling the amount of ETFs and Real Estate Investment Trusts it intends to purchase each year to ¥12trn and ¥180bn respectively, increased corporate debt purchases by up to ¥2trn and offering loans against corporate debt.

China is now showing tentative signs of people going back to work and the economy starting to pick-up slightly and, more importantly, with no noticeable increase in reported cases and deaths. Data looking at January and February showed exports slumping 17.2% year-on-year so there will be a focus on the next few readings to look for any signs of improvement. We have already seen improvements in PMIs with manufacturing jumping to 52.0 – the strongest level since September 2017.

Disagreement over oil supply cuts between Russia and OPEC triggered both Saudi Arabia and Russia to increase supply. This hit oil prices hard and has subsequently affected a large number of other oil export reliant countries.

March Overview

The rand weakened significantly over the course of the month. This was largely due to a general flight from risky Emerging Market to safer Developed Market currencies.

	USD/ZAR	EUR/ZAR	GBP/ZAR	JPY/ZAR
28/02/2020	15.732	17.280	20.094	0.146
31/03/2020	17.860	19.597	22.146	0.165
	13.53%	13.41%	10.21%	13.44%

*Red means weakening

Source: PortfolioMetrix, Financial Express

Asset Classes

Global markets continued to sell-off in March due to the spread of COVID-19 and the geopolitical risk associated with Saudi Arabia/Russia Oil tension. Global bonds in rands performed very well over the month demonstrating their ability to act as a "shock absorber" in local portfolios. Local property continued its rout as the asset class fell another astonishing -36.6% over the month, this is on the back of a -16% fall in February. Local equities also fell sharply with all sectors feeling the effects of the risk off environment.

Below is a summary of performance of the broader asset classes for the month:

Local Equity (ZAR)	Local Bonds (ZAR)	Local Cash (ZAR)	Local Property (ZAR)	Global Equity (ZAR)	Developed Equity (ZAR)	EM Equity (ZAR)	Global Bonds (ZAR)	Global Cash (ZAR)	Global Property (ZAR)
-12.13%	-9.73%	0.59%	-36.57%	-1.80%	-1.49%	-3.96%	12.00%	13.68%	-12.45%
Global Equity (USD)	Developed Equity (USD)	EM Equity (USD)	Global Bonds (USD)	Global Cash (USD)	Global Property (USD)				
-13.50%	-13.23%	-15.40%	-1.96%	0.14%	-22.88%				

Source: PortfolioMetrix, Financial Express

GPS PERFORMANCE FEEDBACK, MARCH 2020

GBP Asset Classes and Currency Performance

All asset classes fell heavily over the month with the exception of global sovereign bonds which were up 2.4%. Global equities were particularly hard hit, although Japanese equities shone in a relative sense with yen strengthening against the pound helping returns. Pacific ex Japan equities (predominantly made up of Australian shares) were the worst performing equity asset class in sterling terms, but real assets and specifically global property and commodities sold off hard.

Whilst sovereign bonds held up well over the month (albeit with a lot of intra-month movement), riskier bonds really suffered, with high yield bonds the worst performer due to liquidity issues and an increased fear of default. High yield bonds of energy companies, a significant part of the index, struggled in particular as a result of the lower oil price.

GBP ASSET CLASS

PERFORMANCE FOR THE MONTH

Global Sovereign Bonds (GBP)	Global Corporate Bonds (GBP)	Global High Yield Bonds (GBP)	Emerging Market Bonds (GBP)	North America Equity (GBP)	Europe ex UK Equity (GBP)	UK Equity (GBP)	Japan Equity (GBP)	Pacific ex Japan Equity (GBP)
2.44%	-4.68%	-11.59%	-8.40%	-10.56%	-11.35%	-15.07%	-4.35%	-17.84%
			EM Equity (GBP)	Global Property (GBP)	Commodities (GBP)			
			-12.85%	-20.07%	-27.30%			

Source: PortfolioMetrix, Financial Express

GBP CURRENCY PERFORMANCE FOR THE MONTH

	GBP/USD	GBP/EUR	GBP/JPY	GBP/ZAR	GBP/AUD	GBP/CHF
29/02/20	1.277	1.163	137.776	20.094	1.981	1.236
31/03/20	1.240	1.130	133.859	22.145	2.026	1.200
	-2.92%	-2.82%	-2.84%	10.21%	2.26%	-2.96%
	Weaker	Weaker	Weaker	Stronger	Stronger	Weaker

Source: PortfolioMetrix, Financial Express

USD Asset Classes and Currency Performance

The US dollar continued to strengthen over the month against all developed currencies. As a result, asset class returns were less attractive when viewed in USD terms. The USD gained significant ground against Emerging Market currencies.

USD ASSET CLASS PERFORMANCE FOR THE MONTH

Global Sovereign Bonds (USD)	Global Corporate Bonds (USD)	Global High Yield Bonds (USD)	Emerging Market Bonds (USD)	North America Equity (USD)	Europe ex UK Equity (USD)	UK Equity (USD)	Japan Equity (USD)	Pacific ex Japan Equity (USD)
-0.45%	-7.37%	-14.09%	-11.07%	-13.18%	-13.94%	-17.55%	-7.15%	-20.24%
			EM Equity (USD)	Global Property (USD)	Commodities (USD)			
			-15.40%	-22.40%	-29.43%			

Source: PortfolioMetrix, Financial Express

USD CURRENCY PERFORMANCE FOR THE MONTH

	USD/GBP	USD/EUR	USD/JPY	USD/ZAR	USD/AUD	USD/CHF
29/02/20	0.783	0.910	107.865	15.732	1.551	0.968
31/03/20	0.806	0.911	107.955	17.860	1.634	0.968
	3.01%	0.11%	0.08%	13.53%	5.34%	-0.04%
	Stronger	Stronger	Stronger	Stronger	Stronger	Weaker

Source: PortfolioMetrix, Financial Express

PROFILE PERFORMANCE

Local Profile Performance

Period performance for the profiles as at the end of the month are shown below (all periods greater than a year are annualised):

REGULATION 28 PROFILE PERFORMANCE

	Profile 1 (Reg 28)	Profile 2 (Reg 28)	Profile 3 (Reg 28)	Profile 4 (Reg 28)	Profile 5 (Reg 28)	Profile 6 (Reg 28)	Profile 7 (Reg 28)
1 Month	-5.09%	-6.69%	-8.15%	-9.73%	-11.04%	-12.49%	-14.23%
3 Month	-5.10%	-7.68%	-9.90%	-12.28%	-14.19%	-16.51%	-19.35%
6 Month	-3.44%	-5.75%	-7.78%	-9.82%	-11.50%	-13.40%	-15.76%
1 Year	0.63%	-2.13%	-4.49%	-6.94%	-8.92%	-11.29%	-14.17%
2 Years	5.04%	3.54%	2.35%	0.95%	-0.14%	-1.55%	-3.12%
3 Years	5.98%	4.78%	3.86%	2.89%	2.12%	1.03%	-0.32%
5 Years	6.83%	5.84%	5.01%	4.15%	3.45%	2.51%	1.25%
Since Inception	7.90%	7.82%	8.21%	8.58%	8.90%	9.06%	9.08%

DISCRETIONARY PROFILE PERFORMANCE

	Profile 1 (Disc)	Profile 2 (Disc)	Profile 3 (Disc)	Profile 4 (Disc)	Profile 5 (Disc)	Profile 6 (Disc)	Profile 7 (Disc)
1 Month	-5.59%	-7.18%	-8.74%	-10.45%	-12.01%	-13.49%	-15.07%
3 Month	-5.96%	-8.48%	-10.85%	-13.41%	-15.81%	-18.34%	-21.07%
6 Month	-4.22%	-6.52%	-8.60%	-10.84%	-12.89%	-14.91%	-17.09%
1 Year	-0.30%	-2.99%	-5.44%	-8.07%	-10.50%	-13.03%	-15.72%
2 Years	4.49%	3.09%	1.88%	0.54%	-0.73%	-2.16%	-3.57%
3 Years	5.49%	4.33%	3.40%	2.38%	1.42%	0.14%	-1.14%
5 Years	6.45%	5.47%	4.61%	3.69%	2.81%	1.65%	0.50%
Since Inception	7.92%	7.93%	8.47%	8.85%	9.19%	9.28%	9.24%

GPS Profile Performance

Period performance for the profiles as at the end of the month are shown below (all periods greater than a year are annualised):

PMX UCITS – GPS (GBP) PERFORMANCE

	Profile 3 - Model	Profile 4 - UCITS	Profile 5 - UCITS	Profile 6 - UCITS	Profile 7 - UCITS
1 Month	-8.09%	-9.42%	-10.62%	-11.72%	-12.75%
3 Month	-10.02%	-11.82%	-14.36%	-16.61%	-18.66%
6 Month	-12.05%	-13.69%	-15.57%	-17.26%	-18.82%
1 Year	-4.23%	-6.43%	-8.72%	-10.77%	-12.65%
2 Year	1.15%	-0.10%	-1.28%	-2.36%	-3.34%
3 Year	0.23%	-0.20%	-0.53%	-0.90%	-1.21%
5 Year	2.87%	3.06%	3.37%	3.59%	4.48%
Since Inception	4.10%	4.59%	5.11%	5.43%	6.31%

PMX UCITS – GPS (USD) PERFORMANCE

	Profile 3 - Model	Profile 4 - UCITS	Profile 5 - UCITS	Profile 6 - UCITS	Profile 7 - UCITS
1 Month	-10.77%	-12.08%	-13.25%	-14.31%	-15.31%
3 Month	-15.35%	-17.38%	-19.76%	-21.86%	-23.78%
6 Month	-11.35%	-13.17%	-15.06%	-16.75%	-18.32%
1 Year	-9.07%	-10.91%	-13.09%	-15.04%	-16.83%
2 Year	-4.95%	-6.34%	-7.60%	-8.71%	-9.72%
3 Year	-0.22%	-0.87%	-1.38%	-1.88%	-2.30%
5 Year					
Since Inception	1.08%	0.84%	0.74%	0.50%	0.59%