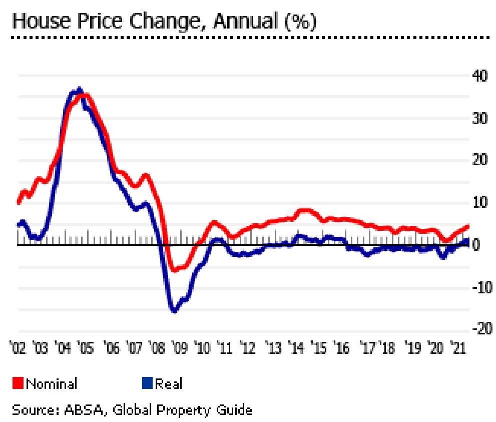
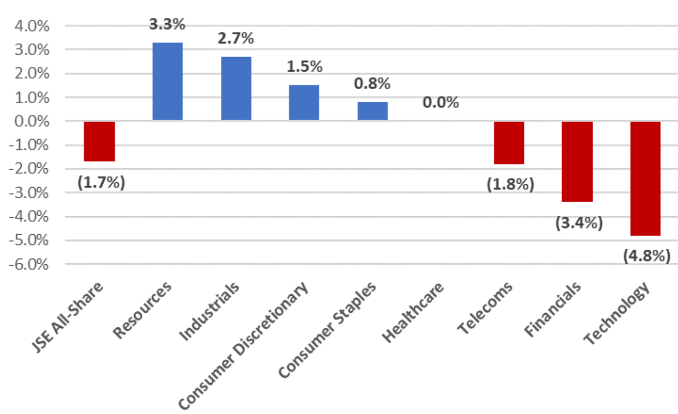
SA Markets

The South African property market enjoyed a notable uptick over August, with the Listed Property Index returning 7.5% over the period. Industrial property markets have seen a rebound after years of depressed prices, mainly spurred on by a general economic reopening narrative as the vaccination rate against covid-19 continues to increase as vaccine supply is consolidated and demand increased through vaccination of younger residents. Office rental space has seen large scale declines as more people seem to prefer working from home and the large-scale development in this sector of the past decade has led to an oversupply. Nominal office rentals have fallen by 10% in Cape Town and 7% in Johannesburg over the last year.

Another notable trend has been the sudden increase in freestanding home prices, these have seen price increases of 6% over the past 12 months compared to a milder 3% for sectional title homes. The housing market has been characterized by motivated sellers and a lack of buyers in recent years, but demand for higher quality living has been increasing due to a high prevalence of people working from home after the nationwide lockdowns. The Graph on the right shows the year-on-year change in house prices in South Africa in both real (inflation adjusted) and nominal terms. An online version of the graph can be found by clicking here.





South African equities experienced mixed performances in August, with four of the eight major JSE sectors recording positive performances over the period, namely: resources, industrials, consumer staples, and consumer discretionary. The healthcare sector was flat over the month and the telecoms, financials, and technology sectors recorded negative month-on-month performances. The JSE All share index returned (1.7%) for the month. The Graph on the left shows the calendar month performance for August of the All share index as well as the eight main sub-sectors.

Investors showed little reaction to President Ramaphosa's cabinet reshuffle, which notably saw Finance minister Tito Mboweni resign and his position being filled by Enoch Godongwana. Notable strides were made in vaccination efforts in South Africa, highlighted by the fact that an additional 2 million people have been vaccinated since the 18–35-year-old age group was allowed to receive vaccinations since 20 August. This amounts to roughly 3.3% of the population. Equity markets reacted negatively to news that a new variant of covid-19 was discovered in South Africa.

The month had no shortage of newsworthy events, a few of the more interesting of which are summarized below:

- TRANSNET, one of the better run state owned agencies, is seeking private sector partners in two container terminal projects, signaling that more SOE's are open to some form of privatization or long term public private partnerships.
- StatsSA has applied a new methodology in calculating South Africa's GDP, which has resulted in the South African GDP for 2020 being revised upward by 11%. This is positive for the countries balance sheet.
- A 1 for 2.274 share swap between Naspers and Prosus investors resulted in most major South African equity indices requiring large rebalances. The daily volume of shares traded on the JSE was double that of the previous record daily volume and resulted in the exchange opening several hours late on the rebalancing date.
- South African headline unemployment hit a record high of 34.4% in the second quarter of 2021, the highest number since StatsSA started recording quarterly unemployment in 2008. This new high unemployment rate caused South Africa to become the country with the highest unemployment rate of all countries covered by Bloomberg markets. Solving this problem should be the highest priority for government, business and the labour unions.

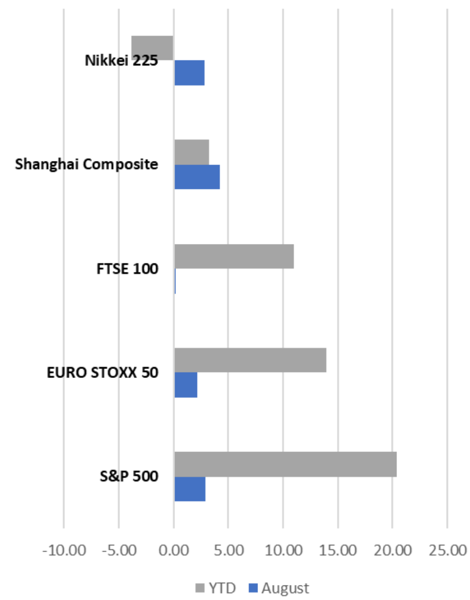
Asset Class Performances in ZAR

As of 31st August 2021	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	1.36	14.64	11.68	14.03	14.33	20.25
Global Property - FTSE EPRA Nareit DR	0.39	21.82	16.34	8.72	6.21	17.22
Global Bond - JPM GBI Global Traded	(1.63)	(5.11)	(15.98)	3.72	1.51	8.86
Global Cash - ICE LIBOR 1 Month	(1.11)	(1.45)	(14.51)	0.79	0.91	8.33
SA Equity - FTSE/JSE All Share	(1.74)	15.88	25.16	8.19	8.31	11.44
SA Property - FTSE/JSE SA Listed Prop	7.46	27.38	51.02	(7.34)	(5.28)	5.32
SA Bond - Beassa ALBI	1.70	7.66	14.84	9.97	9.62	8.27
SA Cash - STeFI Call Deposit	0.29	2.32	3.50	5.22	5.85	5.66

ZAR/USD	1.13	1.55	17.12	0.43	0.34	(7.00)
Gold	(1.07)	(6.20)	(22.38)	11.42	3.98	5.87
Brent Crude Oil	(5.45)	38.76	37.64	(2.36)	8.81	2.76

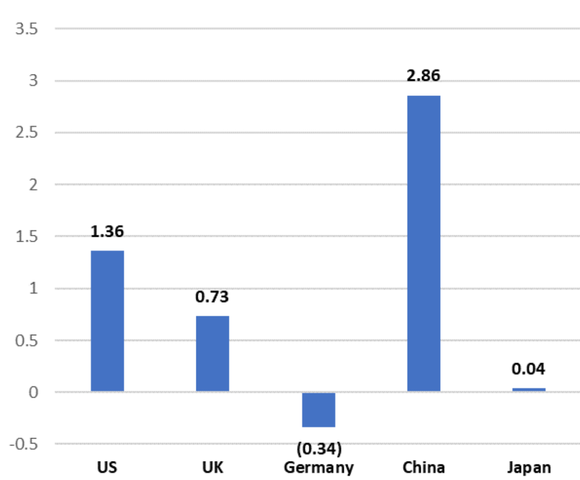
Global Markets

Global equities outperformed other major asset classes in August, with US equities leading the pack. Both the S&P-500 and the Nasdaq composite reached new record highs during the month driven by optimism around a reopening economy. The real estate sector within the S&P was the highest performing sub-sector, with financials lagging behind towards the month-end. Nearing month-end US employment data soured risk sentiment slightly as ADP payroll data came in well below expectations. The federal payroll report supported this data release, showing a slowdown in employment gains and a sharp increase in hourly wages. This had the effect of suggesting a slower economic recovery as well as pointing to wages having a further effect on inflation which is still seen to be transitory.



European equities were little changed over the month as economic momentum seems to be slowing and inflation rearing its head. Japanese equities outperformed on news of Prime Minister Yoshihide Suga's resignation, which is widely seen as an indicator of increased economic stimulus. Chinese equities rose in August with the Shanghai composite returning 4.3%, the resources and semiconductor sectors saw the largest increases while the telecom sector lagged. This outperformance seems to be based on increased earnings, with overall corporate earnings growing 36% year-on-year. The graph on the right shows the August and YTD returns in USD of some of the abovementioned regional indices.

Global fixed income indices lagged other major asset classes in August as inflation fears and general concerns about stimulus tapering reduced the appeal of fixed rate income producing assets. The increase in US hourly wages is expected to filter through to higher inflation over the coming months, which would place further pressure on US policymakers to take a more hawkish stance, this caused a jump in US treasury yields near the month-end (bond yields and prices move in opposite directions).



Major European sovereign bond yields increased over the month as Eurozone inflation came in higher than expected. The month also saw more hawkish commentary from major policymakers, many of whom are calling for a reduction in the pace of bond purchasing through the Pandemic Emergency Purchase Program. Japanese bond yields rose slightly, disregarding the overall narrative of improving stimulus. Chinese bonds were the standout among major fixed income markets, with the 10-year Chinese bond yield falling by 4 bps, the accommodative environment for these bonds were helped by the government increasing funding to banks that provide financing for small/medium enterprises. The Graph on the left shows the 10-year sovereign bond yield for some major geographic regions.

We have seen an interesting month in less market related news flow, some of the key news items are summarized below:

- After 20 years of military involvement, the US armed forces have fully withdrawn from Afghanistan with the last soldiers leaving the country on 31 August. The formerly US backed government has fallen and the country is now largely under the control of the Taliban.
- The Biden administration has approved its first arms sale to Taiwan for $750 million, indicating a hard stance to Chinese officials. This continues the previous administration's theme of rising tensions with China.
- The Biden administration is pushing legislation to ensure that half of US auto sales will be electric vehicles by 2030.
- Chinese lawmakers have announced a ban on gaming for children during the school week, allowing children only an hour of gaming on Fridays and over weekends.

Asset Class Performances in USD

As of 31st August 2021	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	2.50	16.42	30.80	14.52	14.72	11.83
Global Property - FTSE EPRA Nareit DR	1.53	23.70	36.25	9.18	6.57	9.01
Global Bond - JPM GBI Global Traded	(0.52)	(3.65)	(1.59)	4.16	1.85	1.23
Global Cash - ICE LIBOR 1 Month	0.01	0.07	0.12	1.22	1.25	0.75
SA Equity - FTSE/JSE All Share	(0.63)	17.67	46.59	8.65	8.69	3.64
SA Property - FTSE/JSE SA Listed Prop	8.67	29.35	76.88	(6.95)	(4.96)	(2.06)
SA Bond - Beassa ALBI	2.85	9.33	34.50	10.44	9.99	0.69
SA Cash - STeFI Call Deposit	1.43	3.90	21.22	5.66	6.21	(1.74)

USD/ZAR	(1.12)	(1.52)	(14.62)	(0.43)	(0.34)	7.53
Gold	0.05	(4.75)	(9.10)	11.90	4.33	(1.54)
Brent Crude Oil	(4.38)	40.91	61.20	(1.94)	9.18	(4.43)

STAR INVESTMENT PARTNERS

Historic Asset Class Performance Matrix

The below performance matrix shows returns (color coded) for the 4 main indicative sources of return per asset class and separated for SA and Global. All performance figures here shown in ZAR. The performances show the one-year performance of each asset class up to the displayed date (X-axis) except for the column showing YTD returns up to 31 August 2021

	YTD	2021/08	2020/08	2019/08	2018/08	2017/08	2016/08	2015/08	2014/08	2013/08	2012/08	2011/08	2010/08
Best	SA Prop-erty 27.4	SA Prop-erty 51.0	Global Equity 29.4	Global Property 13.6	Global Equity 26.6	SA Fixed Income 10.2	Global Property 35.1	SA Prop-erty 27.5	Global Property 28.8	Global Equity 42.0	SA Prop-erty 38.8	SA Equity 16.9	SA Prop-erty 28.9
	Global Property 21.8	SA Equity 25.2	Global Fixed Income 17.6	Global Fixed Income 12.9	Global Property 20.8	SA Equity 10.2	Global Fixed Income 21.9	Global Cash 24.9	Global Equity 26.3	Global Property 24.1	Global Property 37.7	SA Prop-erty 14.6	Global Property 14.8
	SA Equity 15.9	Global Property 16.3	Global Cash 12.8	SA Fixed Income 11.2	Global Cash 14.7	SA Prop-erty 9.4	Global Equity 19.8	Global Property 21.8	SA Equity 24.5	SA Equity 22.8	Global Equity 28.1	Global Property 14.1	SA Fixed Income 14.6
	Global Equity 14.6	SA Fixed Income 14.8	SA Cash 5.5	SA Cash 6.6	Global Fixed Income 10.8	SA Cash 7.0	Global Cash 11.4	Global Equity 17.7	SA Prop-erty 20.2	Global Cash 21.8	Global Fixed Income 21.4	Global Equity 9.1	SA Equity 11.7
	SA Fixed Income 7.7	Global Equity 11.7	SA Fixed Income 4.2	Global Cash 6.2	SA Fixed Income 8.0	Global Equity 4.0	SA Equity 8.6	Global Fixed Income 17.0	SA Fixed Income 11.7	Global Fixed Income 14.5	Global Cash 20.7	SA Fixed Income 9.0	SA Cash 6.6
	SA Cash 2.3	SA Cash 3.5	SA Equity 3.9	Global Equity 2.6	SA Equity 6.9	Global Cash -10.9	SA Cash 6.5	SA Cash 5.7	Global Fixed Income 9.4	SA Cash 4.8	SA Equity 18.0	SA Cash 5.5	Global Fixed Income 0.7
	Global Cash -1.5	Global Cash -14.5	Global Property -2.8	SA Equity -2.6	SA Cash 6.6	Global Fixed Income -12.9	SA Fixed Income 4.5	SA Fixed Income 5.4	SA Cash 5.1	SA Fixed Income 0.1	SA Fixed Income 13.5	Global Fixed Income 3.5	Global Equity -0.8
Worst	Global Fixed Income -5.1	Global Fixed Income -16.0	SA Prop-erty -44.3	SA Prop-erty -5.5	SA Prop-erty -12.4	Global Property -12.9	SA Prop-erty 3.5	SA Equity 1.1	Global Cash 4.0	SA Prop-erty 0.0	SA Cash 5.3	Global Cash -4.9	Global Cash -5.0

Source: Morningstar Direct