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Momentum Investments Classic Factor Portfolio Range

quarterly commentary to end December 2020

Assessing investment returns in an outcome-based investment context

The Momentum Investments Classic Factor Portfolio Range is managed in terms of our outcome-based investing philosophy, where we design the portfolios to maximise the probability of achieving the inflation-plus return target of each portfolio over the relevant period, while continuing to meet the portfolios' risk targets. To achieve this, our portfolio management approach conceptually starts at an (multi) asset class level, then progresses to the identification of specific investment strategies within each asset class (if appropriate) and finally ends up in the selection of (potentially more than one) investment mandates awarded to investment managers that will implement the desired investment strategies.

Given this outcome-based investing framework, when assessing the returns of the Momentum Investments Classic Portfolio Range, it is important to start with looking at the returns from the portfolios against their inflation-related targets. This allows us to answer the question: did we achieve our target over the most recent relevant period? We then assess these returns relative to this target in terms of the following:

- The returns provided by the asset classes included in the portfolios
- The returns from the building blocks that provide the asset class exposure for the portfolio against their asset class (or strategic) benchmark. This in turn is explained by:
  - The returns from the investment strategies (or styles) used in the building block (if any)
  - The returns from the investment managers that were awarded the mandates used in each of the building blocks

This quarterly review thus starts with the assessment of the investment returns generated by the portfolios against their targeted investment outcomes over the most recent periods. The next section focuses on the economic environment and the returns generated by the asset classes (beta) for the most recent quarter, measured against our average real return expectations for each asset class. We review the returns from the building blocks and the underlying investment managers against their strategic investment benchmarks.

Momentum Investments Classic Factor Portfolio Range returns

The respective inflation objectives of the portfolios have been difficult to attain, given the low return from growth asset classes for the last five years. However, the portfolios managed to outperform their respective benchmarks for all periods.

Economic overview

The strength of the global economic upturn will be reliant on the success of vaccination campaigns and efficient distribution of vaccines worldwide but the road to recovery remains uneven and uncertain. Diversified economies that are less exposed to contact-intensive activity will likely fare better, while concentrated and services-related economies are likely to require further support. Continued fiscal stimulus and accommodative monetary policy are crucial, in our view, in keeping the world economy afloat and will lessen lasting economic damage from the crisis.

Improved global growth, still ultra-easy policy settings and a positive vaccine outcome should provide general support for more risky assets like global equities. Safe-haven asset classes like global bonds are nevertheless likely to face headwinds in a cyclical recovery phase, with bonds facing the additional challenge of somewhat higher inflation.

Meanwhile in South Africa (SA), muted confidence, a strained fiscus, ongoing electricity shortages and a flare up in infections will contain the anticipated growth recovery in 2021. After contracting at an expected 8,1% in 2020, growth is likely to increase to 2% in 2021, before slowing to 1,6% in 2022. Efforts to arrest the increase in government's debt burden through higher growth will likely be constrained and could lead to further negative rating actions later in 2021. While near term inflation pressures are likely tilted to the downside, we see inflation rising in the medium term from an expected average of 3,2% in 2020 to 3,9% in 2021 and 4,7% in 2022. We are projecting a shift higher in interest rates in the second half of 2021 given the SA Reserve Bank's warning against the constraints of fiscal dominance and the dangers of running negative real interest rates for too long.

It looks like the stars are finally aligning for SA equities, with a strong expected profit recovery in 2021 providing fundamental support on top of an envisaged conducive global risk-on environment, while a more favourable valuation underpin after years of poor performance should enhance potential upside. SA real government bond yields remain compelling, in sharp contrast to zero real cash yields. In the inflation-linked bond space, the expected rise in SA inflation should provide a positive fundamental underpin. SA listed property share prices have been decimated, with valuations at rock-bottom levels relative to history, but it is likely that the weaker fundamental environment has already been discounted by share prices in the sector.

Portfolio management

During the latter half of 2020, we undertook an extensive review of our portfolios in the context of the expected medium-term return environment and implemented several practical and incremental enhancements to them in the last quarter of 2020.

Some of the more poignant changes included a revised strategic asset allocation that took into account the low-return environment investors face. The return target is expressed as a range relative to inflation (the Consumer Price Index or CPI) to clearly indicate that the expected return may vary, depending on prevailing market and economic conditions. This moves away from a point expectation, which sometimes is misunderstood to be a guarantee.

We would also like to re-emphasise that our outcome-based investing philosophy is not solely about the return but the interplay of several components, which encompasses three pillars, namely time horizon, risk budget and a resultant return target.

Asset class returns

The returns for the asset class benchmarks for the fourth quarter of 2020 are reported in the first column of the table below. The next column highlights the returns for these asset classes for the previous year. These one-year returns are then converted into real returns by deducting inflation (3,17%) for the year. The final column in the table contains the returns above inflation we expect to get (on average) for these asset classes for a full market cycle.

Asset class	Q4 2020 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped Swix)	11,48%	0,58%	-2,60%	5,75%
Local bonds (Albi)	6,71%	8,65%	5,48%	3,25%
Local property (Sapy)	22,19%	-34,49%	-37,66%	7,00%
Local ILBs (Ilbi)	5,08%	4,15%	0,98%	2,75%
Local cash (Stefi)	0,97%	5,39%	2,22%	1,25%
Global equity (MSCI ACWI)	0,51%	22,42%	19,25%	6,50%
Global bonds (WGBI)	-9,68%	14,47%	11,30%	-0,25%
Offshore property	-0,37%	-4,80%	-7,97%	4,00%
US dollar/rand**	-12,31%	4,95%		
SA CPI*	**0,43%**	**3,17%**		

*CPI is to end November 2020

** A positive/negative value here reflects the effects of a depreciation/appreciation of the rand against the US dollar on global asset class returns in rand terms. As the rand gets weaker/stronger, the returns of global investments get better/worse from a local investor's perspective

Building block return assessment

As explained above, our outcome-based investment philosophy starts at the asset class level and then goes down to an investment strategy (if appropriate) and investment mandate level within each asset class. We thus construct building blocks that reflect our selected investment strategies and managers that were awarded the mandates to implement these to either improve on the returns of the asset class or manage its risk profile.

Local equity building block

The Alsi delivered 7,0% for the year compared to 12,0% in 2019. Much like2018 and 2019, resource shares outperformed in 2020. Given the differences in weightings of key shares in the most widely used SA equity indices, the one-year returns for the Swix and Capped Swix were lower than the Alsi at 2,6% and 0,6% respectively. The FTSE/JSE Resource Index delivered a total return of 21,2%, while the FTSE/JSE Industrials Index returned 12,0% and FTSE/JSE Financials Index lost 19,7% in 2020. Eight of the 10-highest-returning shares in 2020 were resource shares. Following a relatively muted third quarter for the broad equity market, the fourth quarter of 2020 brought moderate relief for investors, as the Alsi delivered 9,8% for the quarter compared to 0,7% for the previous quarter.

The Swix delivered 9,9% and the Capped Swix delivered 11,5%. October was the weakest month of the quarter, during which the Alsi reflected a negative return of 4,7%, while it delivered positive returns of 10,5% and 4,2%, for November and December respectively. In terms of sector contributions, the overall equity return was not equally sourced.

FTSE/JSE Financials had the largest gain for the fourth quarter, delivering 19,5%, strongly supported by the returns from sub-sectors such as Equity Investment (68,3%), Real Estate Development & Services (33,5%) and Banks (25,8%).
FTSE/JSE Resources (the top-performing sector in the second and third quarters of 2020) returned 8,3% in the fourth quarter,

supported by the return from Oil & Gas Producers (120,4%) and Platinum (29,1%), but was dragged down by Gold Mining (negative 24,8%). FTSE/JSE Industrials returned 7,4%, supported by the from Media (38,3%) and Electronic & Electrical (26,4%), but was dragged down by Tobacco (negative 6,0%).

During the quarter, the building block return 11,9%, which was above the return of the Capped Swix.

Prudential delivered a return of 12,6% for the quarter. During the quarter, being overweight Absa Group, Investec and Standard Bank contributed to outperformance and more than offset being underweight FirstRand and Capitec.
Being underweight gold shares also contributed to the return. The holding in Multichoice was a further source of absolute and relative returns during the quarter. Detractors from the return included being underweight Sibanye and overweight British American Tobacco.

Truffle had another strong quarter, posting a return of 14,7%. The exposure to property, platinum group metal and diversified miners contributed to the return, while positions in gold and hospitals detracted. Truffle does, however, believes that both these positions offer upside and has a positive view on them in the medium to long term. During the quarter, the investment manager increased mining exposure and purchased Liberty. It reduced the net banking exposure, and positions in Richemont, MultiChoice and Bidvest, all of which outperformed.

Fairtree returned 14,4% for the quarter, which is 250 basis points above the index. The resource sector remained a key return contributor, and positions in Impala, African Rainbow Minerals, Northam, Capitec and Mr Price contributed to returns, while positions in Goldfields, AngloGold, Harmony and Mediclinic detracted. Fairtree remains positioned for an ongoing global and local recovery, but has positions in the portfolio that will protect it from rising volatility.

Foord returned 9,6% for the quarter. Being underweight platinum shares was the largest detractor from the active return. Being underweight gold shares and the long-term investments in key mid cap industrials also added value, with Invicta, Omnia and Kap all up in the quarter. Being overweight Foschini and Pepkor also contributed to the return. During the quarter, Foord reduced its cash exposure and increased its holdings in hospital share. It added Anglo American to the portfolio to diversify commodity and share-specific risk.

Blue Alpha also underperformed and returned 8,2% for the quarter. Being underweight Platinum (Impala and Sibanye) was the largest detractor, whereas being overweight Multichoice, Foschini and FirstRand contributed to returns. Blue Alpha remains conservatively positioned and the portfolio is skewed towards high quality companies.

The Satrix Momentum Fund returned 9,4% for the quarter. From an attribution perspective, being overweight Northam Platinum and African Rainbow Minerals and underweight AngloGold added value to the strategy. Shares that detracted value from the strategy were being underweight Absa, MultiChoice and Sasol. At the last rebalancing in December, the portfolio was rebalanced based on the evaluation of new factor signals and the risk levels in the portfolio. Based on these signals, Absa and Telkom were added to the portfolio, while positions in Glencore and Sibanye-Stillwater were increased. These exposures were funded by reducing Anglo American Platinum, AngloGold and MomMet from the portfolio and also decreasing positions in Richemont, Sanlam and Santam.

Perpetua delivered a return of 10,5% for the quarter. Being overweight Absa and Omnia as well as the underweight Naspers contributed to the return. Detractors from relative returns include being overweight British American Tobacco as well as underweight Impala and Capitec. At a sector level, being overweight chemicals and banks, and underweight software & computer services all contributed to relative returns.

The systematic strategies component managed by Momentum Asset Management delivered a return of 12,2% for the quarter. The trending smart beta strategy experienced a challenging quarter, due to the rotation from momentum shares to value shares. The strategy returned 7,6% compared to the benchmark return of 11,5%. Despite a disappointing quarter, the component was comfortably ahead of its benchmark for the one-year and three-year periods. At quarter-end, the component's equity exposure was 99,5%. It was materially overweight the resource sector and underweight the financial sector. Within the resource sector, the building block was overweight platinum and general mining shares and, within the industrial sector, it was overweight media shares. Within the financial sector, it was underweight insurance shares. The value smart beta component returned 17,9%, which was well ahead of the benchmark return of 11,5%. The component was overweight the financial sector, underweight the industrial sector and a marginally underweight the resource sector. Within the resource sector, it was mainly overweight general mining companies and underweight gold and platinum shares. Within the industrial sector, it was underweight media and retail companies and overweight telecommunication companies. Within the financial sector, it was overweight insurance companies. The quality strategy component returned 13,4%, outperforming the benchmark. The component was underweight the financial sector. Within the sector, it was overweight insurance companies and underweight banks. Within the resource sector, it was underweight gold mining shares. Within the industrial sector, it was overweight food and beverage as well as retail shares, while it was underweight personal and household goods shares.

Local property building block

The Sapy and the FTSE/JSE All Property Index (Alpi) recorded total returns of 22,19 and 23,62% respectively for the quarter ended December, with the historic yield of the Sapy at 8,95% at 31 December 2020. However, it should be noted that many companies have reduced, deferred or canceled dividend payments in the aftermath of the COVID-19 pandemic.

2020 was a tough year for the local listed property sector. Similar to its global peers, the listed property sector bore the full brunt of the COVID-19-induced lockdowns. New regulations put further pressure on landlords, placing the onus on local real estate investment trusts (Reits) to advance negotiations with tenants. Ultimately, landlords granted rental concessions worth millions, while government provided relief to tenants. Additionally, the listed shares continued paying the required minimum of 75% of their distributable earnings to maintain their Reit status.

Underlying property valuations took a knock in 2020 – pushing loan-to-value ratios up. This culminated in poor returns with Sapy recording total returns of negative 34,5% for the calendar year.

Property, however, ended the year with a strong rally in the last quarter (22% for Sapy and 24% for Alpi). However, this late flourish was not enough to offset the sell off experienced earlier in the year. What was apparent in the fourth quarter was that the equity market rally was marked by a rotation out of 'pandemic winners', being shares in growth and quality companies into small cap and value shares, whose returns had lagged throughout the year. This theme was evident in the real estate sector as well. The rotation drove share prices of Reits that had significantly underperformed throughout the year higher. For the quarter ended December 2020, Fortress B's share price rose by 100,67%; EPP N.V., 89,56%; Hyprop, 80,11%; Arrowhead, 78,46%; Attacq, 65,67%; and Vukile Property Fund, 63,93%.

The key focus in the medium term will be the strengthening of balance sheets, while achieving consistent earnings growth (and retaining Reit status).

The building block returned 23,6%, which was above the benchmark return.

Meago returned 21,5% for the quarter. Being overweight Attacq and Redefine as well as underweight Growthpoint and Fortress A were the largest contributors to returns. Being underweight Hyprop, Fortress B and Vukile was the largest detractor.

The Momentum Listed Property Portfolio returned 19,6%. Being underweight Hyprop, EPP N.V., SA Corporate and Fortress B drove the underperformance of the building block relative to the benchmark. Being overweight NEPI Rockcastle Plc, Sirius real estate, Attacq and Resilient contributed to the return.

Catalyst was the stand-out performer for the quarter, returning 25,7%. Being underweight Investec Australia, which underperformed the benchmark, and overweight Hyprop and Arrowhead-B, which outperformed the benchmark, contributed to the return relative to the benchmark. Being underweight EPP, Redefine and Attacq, which outperformed the benchmark, detracted from returns relative to the benchmark.

Local flexible bond building block

The fourth quarter of 2020 was a strong quarter for local fixed income asset classes, as markets recouped some of the losses incurred in the first half of 2020. Risk and uncertainty remained elevated, but this was largely set aside in the quarter. Listed property led the way off its very depressed base, delivering 22,19%. Nominal bonds (Albi) performed well, returning 6,71%, closely followed by inflation-linked bonds (Igov) at 5,47%. An ever-declining cash return (Stefi) of 0,97% was a distant laggard.

For the quarter, the portfolio yielded 8,4% compared to the Albi's 6,7%. Active asset allocation and duration decisions by the investment managers as well as revised positioning on the yield curve resulted in an outperformance of 1,7% of the Albi. The outperformance against the benchmark thus meant that there was a marked recoupment of the underperformance experienced in the first half of the year. Measured over an appropriate investment term of three years, the portfolio yielded 6,1% compared to the Albi's 8,9% and, for the five-year period, it yielded 9,0% compared to 10,4% generated by the Albi.

Prescient had a large exposure to the 12-plus-years sector of the yield curve at the end of the quarter, with a 62,9% exposure, compared to the Albi at 46,3%. Coronation, on the other hand, ended the quarter being overweight the 7-12-years sector (31,6% against the Albi's 24,6% and the exposure to the 12-plus-years sector was at 58,2%. This sector of the Albi was the strongest-performing area on the yield curve (8,7%, while the Albi returned 6,7%), thus illustrating the significant effect correct positioning on the yield curve could have on the portfolio's overall returns. The allocation to listed property (3,1%) also boosted returns. The allocation to inflation-linked bonds (12,8%), also aided the absolute returns of the portfolio, as this asset class delivered 5,5% for the quarter.

At the end of the quarter, the portfolio had a duration position of 7,8 years compared to the Albi of 6,4 years. Duration was increased by Prescient during the quarter. On aggregate, the portfolio was overweight the 12-plus-years sector and underweight all the other sectors.

Local flexible income building block

For the quarter, the flexible income building block yielded 2,7%, outperforming the benchmark by 1,4%. It underperformed the benchmark (11,5%) for the year, as it returned 7,49%. For the three-year period, it did not manage to outperform the benchmark either (8,5% compared to the Albi (1 to 3 years) at 9,4%). The building block had a very high exposure of 76,2% in shorter-dated instruments, with a maturity less than one year (mainly floating-rate notes).

For the quarter, cash, as measured by the Stefi, delivered 1,0% and the Albi returned 6,7%. The bulk of the Albi return was generated by the 12+ years sector (8,7%). However, the building block only had a 6,4% allocation to this sector.

For the year, cash delivered 5,4% and the Albi returned 8,7%. The allocation to inflation-linked bonds (4,9%) and listed property (0,6%) detracted from the return, as these asset classes delivered 3,9% and negative 34,5% respectively. The building block had a modified duration of 1,4 years, which was shorter than the Albi (1 to 3 years) at 2,0 years.

Local inflation-linked bond building block

Inflation-linked bonds were caught up in the euphoria this quarter, as global risk-on sentiment, triggered by COVID-19 vaccine announcements and a Democrat win in the US elections caused inflows into emerging market fixed income investments and substantial yield compression ensued. This was a welcome reprieve for this asset class, which has endured a prolonged period of underperformance.

The total return from inflation-linked bonds could be divided into two components – the monthly accrual and the mark-to-market of the capital value, due to the move in the real yields. The first component of return was the monthly accrual from the yield on the bonds and the inflation uplift. This component of the total return was a substantial 2,6% this quarter, with a 1,7% from inflation uplift and around 0,9% from yield accrual. The second component of the return was determined by the move in real yields of the bonds. Real yields moved substantially lower across the curve by around 25 basis points on average. The short end led the way but was closely followed by the long end of the yield curve. This move yielded capital gains of 2,9%. These components combined thus explained the index (Igov) total return of 5,5%.

For the quarter, the building block yielded 5,2% against the benchmark Igov (5,5%). For the year, the building block yielded a return of 2,4%, compared to the benchmark of 3,9%. It had a modified duration of 9,7 years, compared with the Igov of 9,4 years. The investment manager was slightly overweight the 7-12-year and the 12-plus-years sectors and substantially underweight the 3-7-years sectors.

Local cash building block

For the quarter, the building block returned 1,3% compared to 0.97% for the Stefi benchmark.

The repo rate is anchored at historical lows of 3,50%. Cash as an asset class is thus not a very attractive alternative in the fixed income environment relative to nominal bonds and inflation-linked bonds. The local credit market performed relatively well for the period and continues to show signs of returning to normal after the unprecedented shock it experienced in the first half of 2020. Primary issuance ticked up substantially, albeit across a narrower diversity of borrowers, as investors continue to be selective across sectors and issuers. High-quality borrowers are well sought after with some of their credit spreads back to tighter levels than in the pre-COVID-19 environment.

For the year, the building block returned 6,9% against the Stefi benchmark of 5,4%. It consistently met its objective of capital preservation, by maintaining positive returns on a one-year rolling basis. Both investment managers had a high exposure to floating-rate notes, which provided a fair degree of liquidity, while also providing above benchmark yields.

Local absolute strategies building block

The absolute strategies building block benefited from the rally in local asset classes and returned a respectable 8% for the quarter. During the quarter, we reduced the allocation further to the more conservative strategies within the building block.

The Sentio Absolute Return Fund showed a solid return of 9,4% during the quarter, with all asset classes contributing. Top contributions came from the portfolio's exposure to Impala, Sibanye Stillwater, NEPI Rockcastle, Firstrand, Anglo America and Naspers. However, positions in gold shares and BTI detracted. In Fixed Income, the portfolio was overweight duration at the beginning of the quarter (especially at the long end of the curve, due to attractive valuations) and benefitted from bull flattening during the period. The portfolio remains focused on analysing any potential investment proposition not only for its return potential but also weighing it against the risk it is bringing to the overall portfolio.

Prudential also had a solid quarter and significantly outperformed the objective. The portfolio returned an impressive 10,3% in the final quarter as all SA asset classes contributed towards returns, with South African equities contributing the most. In terms of specific equity exposure, among the strongest equity contributors to absolute returns for the quarter were the portfolio's holdings in resources shares like Implats and Anglo American, as well as SA banks including Absa, Standard Bank, FirstRand and Investec, plus Multichoice. The main detractors from absolute returns were holdings in Gold Fields and British American Tobacco. Prudential is maintaining its overweight positions to equity and bonds and underweight positions to local property and cash.

Tantalum recorded a return of 7,7% for the quarter. The positions in Naspers and Prosus, and resources companies such as BHP Group, Northam Platinum, Anglo American and Anglo Gold contributed to returns, while positions in Sasol, Tsogo Sun Gaming, Barloworld, Liberty and Remgro detracted. Tantalum has increased its positions to South African-focused companies (SA Inc.), predominantly taken through banks and insurers, where it feels that too much pessimism is priced in. Within fixed income, Tantalum continues to prefer nominal bonds over cash, given the attractive real yields being offered by nominal bonds.

The real return component, which is the conservative strategy and more focused on capital protection, returned 5,9% for the quarter. Despite underperforming the other strategies, we believe this is a respectable return, given the strong emphasis on capital protection in the short to medium term.

Absa Asset Management returned 5,8% for the quarter, but remains very conservatively positioned, given its concerns around equity valuations. The investment manager has equity protection in place given its nervousness around global equity valuations. The portfolio has a healthy allocation to fixed income instruments, specifically floating-rate notes.

Prescient delivered a return of 7,2% for the quarter. Prescient is concerned that local equity valuations are becoming stretched, while preference shares, listed property, nominal bonds and ILBs still offer value. The investment manager therefore has only 10% of equity, which is protected with the bulk of the portfolio invested across fixed income.

Commodities building block

The broad Bloomberg Commodities Index (in US dollar terms) rallied 30% from 30-year lows, in sync with the global equity bounce. After a 20% rally and brief consolidation at the end of the third quarter of 2020, the index rose another 10% in the fourth quarter.

However, the strength of the US dollar weighed heavily on commodity prices in the quarter, as in rand terms, the Bloomberg Commodity Index fell 3,13%.The economically sensitive commodity sectors of energy and industrial metals, proxied by crude oil and copper, have seemingly risen faster than current supply/demand fundamentals would suggest. The interpretation of this commodity price behaviour is that investors are looking through the global COVID-19 vaccine and US fiscal policy rollouts and are allocating capital to commodities.

The building block returned 2,46% for the quarter, outperforming the Stefi's 0,97%.

Global equity building block

Markets continued to rally in the final quarter of what was an extraordinary year, spurred on by optimism around the vaccine rollout, a last-minute Brexit trade deal and the US Presidential election. However, COVID-19 cases rose sharply in much of the world, especially Europe, triggering renewed restrictions and fuelling fears of further economic damage to come in the short term.

Stock markets again delivered strong gains, with the key US equity market rising to all-time highs. The MSCI World Index returned 14% in the quarter, led by Asia Pacific ex-Japan with gains of 19%. The UK and US returned 11% and 12% respectively. Emerging markets returned 20%, led by Emerging Latin America with 35%. China underperformed, gaining 11%, but remained one of the best performers for the year, up 30%, having recovered successfully from the virus.

The news of several successful vaccine trials and the subsequent roll out of mass vaccination campaigns across the world contributed to the strong quarter. The other big uncertainty hanging over markets in recent months, namely the US election, fear of a contested result and a period of chaos in the world's dominant economy, was also lifted. With the substantial reduction in uncertainty delivered by the vaccine news and Brexit deal, the prospects for 2021, in terms of a strong economic recovery and further progress in equity markets, have improved significantly.

Against this backdrop, the global equity building block returned 2,7% for the quarter, outperforming its MSCI AC World Index benchmark, which returned 0,5% for the same period. For the six months, the building block returned 6,8%, outperforming the benchmark return of 6,3%.

Value stocks continued to drive markets during the quarter, which was reflected in underlying investment manager returns. Robeco Value and Contrarius were the largest contributors to returns. Contrarius' stock selection added value within the Consumer Products and Consumer Services sectors, both of which form a significant part of its overall book.

The main detractors from returns were the quality style investment managers. Robeco's Conservative strategy was the biggest relative detractor, coming from stock selection within the Consumer Staples and Consumer Products sectors.

Global property building block

The global property building block returned negative 2,6% for the quarter, which was below the benchmark return of negative 1,8%. Rand strength and tighter restriction measures across the developed world were the major reasons for the negative returns.

Global fixed income building block

The global bond building block returned negative 9,1% for the quarter, which was ahead of the benchmark return of negative 9,4%. Global bond yields rose during the quarter, as news flow relating to the US elections, Brexit trade deal and positive news around a vaccine all contributed to further support of an economic recovery and provided an underpin for global equity.

Conclusion

We are confident that the portfolios are appropriately positioned for the current economic and market conditions. We are cautiously optimistic that economic conditions across the globe will improve through the year, which could provide an underpin for growth asset classes. We are, however, mindful that certain asset classes and sectors had significant returns since April 2020, and could possibly be reaching fair value. We are therefore actively managing the portfolios and will take the necessary actions when warranted. We will make sure the portfolios are sufficiently diversified across asset classes, mandates and strategies.