momentum investments

moment of portfolio facts & figures

Momentum Investments Flexible Factor Portfolio Range

quarterly commentary to end September 2020

Assessing investment returns in an outcome-based investment context

The Momentum Investments Flexible 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 Flexible 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 Flexible Factor Portfolio Range returns

The respective inflation objectives of the portfolios were 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

High-frequency data releases and sentiment indicators indicate that a strong bounce back in global economic activity in the third quarter of the year may fizzle out prematurely. The recovery has shown signs of being unbalanced. Businesses have become less pessimistic about the outlook for the economy and corporate earnings, whereas consumer behaviour appears to continue to reflect the uncertainty of COVID-19.

Ongoing stimulus is likely necessary to support financial markets and underpin confidence for sustained economic growth. With the blurring of fiscal and monetary policy, it is not clear what will force governments to rein in spending. This raises an additional concern of central banks becoming more vulnerable to political interference. Moreover, inflation expectations are also at risk of becoming unanchored down the line.

Even as further restrictions are lifted on the local economy, electricity shortages, policy uncertainty, lingering unemployment, an anticipated rise in bankruptcies, a slow pace of reform and soaring government debt will continue to restrain spending and investment, thereby limiting South Africa's (SA) recovery to a below-consensus 2.0% in 2021, in our view, from a contraction of around 8.0% in 2020.

Electricity tariffs pose the main upside risk to inflation in the near term. We anticipate an average headline inflation rate of just above 3% for 2020, rising mildly to just below 4% in 2021. Interest rates are expected to remain unchanged until the second half of 2021 when the SA Reserve Bank begins to unwind negative real interest rates to avoid endangering the savings industry and broader financial stability.

Portfolio management

The portfolios recorded positive returns for the quarter on the back of strong global and local equity returns and benefitted from being overweight local and global equity as well as underweight local property. Being underweight inflation-link bonds detracted from returns.

We continue to manage the portfolios with caution, given that we expect market volatility during final quarter of 2020 and, therefore, still have protection strategies on local equity. Towards the end of the quarter, we also reduced the global property and global equity exposures and trimmed the local equity positions across the portfolios. We have also been incrementally increasing the cash exposures, as a risk-mitigation mechanism, given significant global political and key local economic events in the final quarter.

We continue to monitor these exposures and developments daily, with a view to provide the optimal risk-adjusted outcome to you as well as the assurance that your investments are being actively managed in a prudent and responsible manner.

Asset class returns

The returns for the asset class benchmarks for the third 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 (3.11%) 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	Q3 2020 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped Swix)	1.01%	-5.02%	-8.12%	5.75%
Local bonds (Albi)	1.45%	3.58%	0.49%	3.25%
Local property (Sapy)	-14.14%	-46.07%	-49.17%	7.00%
Local ILBs (Ilbi)	1.21%	-1.92%	-5.02%	2.75%
Local cash (Stefi)	1.16%	6.20%	3.11%	1.25%
Global equity (MSCI ACWI)	4.53%	22.88%	19.78%	6.50%
Global bonds (WGBI)	-1.32%	17.47%	14.37%	-0.25%
Global property	-8.50%	-5.38%	-8.47%	4.00%
US dollar/rand**	-3.44%	10.70%		
SA CPI*	**2.01%**	**3.11%**		

*CPI is to end August 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 investing 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 multiple balanced building block

The building block returned 1.2% for the quarter, which was ahead of the benchmark return of negative 0.1%. For the past year, the return was negative 1.8%, while the benchmark return was a negative 6.3%. For the quarter, Abax returned 4.7% compared to a benchmark return of negative 0.1%, Coronation returned 2.1%, Ninety One 0.5%, and Foord and Prescient returned 0.2% and negative 1.8% respectively.

On a look-through basis, the building block was underweight equity cash and property, as well as overweight commodities and bonds.

Abax's balanced fund's recovery continued in the third quarter, mainly driven by the Royal Bafokeng Convertible Bond. Royal Bafokeng Convertibles made up 6% of the portfolio's holdings and was the largest contributor to returns, on the back of a very strong run in the rand PGM basket price. Naspers, Capitec and FirstRand were also large contributors. The investment manager believes that, in the longer term, with global interest rates likely to remain at extremely low levels, it is appropriate to have a high allocation to real asset classes, such as equity and property, which are priced very favourably. The portfolio consists of high quality, well capitalised business franchises that the investment manager is confident will survive the current turmoil.

Coronation increased the portfolio's equity exposure during the quarter. While exposure remained skewed to rand-hedge shares, which were attractive for share-specific reasons, the investment manager has also been increasing SA Inc. shares, many of which it believes are very attractively priced. One area of focus is the life insurance sector, driven mainly by having a 'sticky' product in retirement savings and life insurance, and COVID-19 has heightened consumer awareness of the need for life cover.

Ninety One's investments in precious metals, including the 1nvest Palladium, 1nvest Rhodium and NewPlat exchange-traded funds (ETF), GoldFields, Harmony Gold Mining Company, Impala Platinum and Sibanye-Stillwater, added to absolute returns. Additionally, the holdings in Capitec Bank, FirstRand, The Foschini Group and MTN Group enhanced gains, while the allocation to local bonds also benefited the portfolio. The small allocation to listed property detracted from absolute returns as well as stakes in AngloGold Ashanti, Bid Corp, British American Tobacco, Mr Price Group, Naspers, Prosus, Sanlam and Truworths. The investment outlook is neutral for local equities, positive for government bonds, while negative for credit and inflation-linked bonds.

Foord's largest contributor was SA fixed interest, with a core holding in the medium term. The R186 meaningfully outperformed the Albi. SA equities contributed, driven mostly by a continued rally in the resource sector. BHP Group, FirstRand and Anheuser-Busch InBev outperformed, partially offset by declining Aspen, Naspers and being underweight mining companies. Property detracted on an absolute basis, but being underweight the sector mitigated capital loss. Capital & Counties detracted, while niche property share, Stor-Age, held up. The diversifying physical gold position in NewGold ETF contributed, as the dollar price of the metal rose more than the rand strengthened.

The Prescient balanced portfolio's lag in returns is attributable to a broad-based sell-off in risky asset classes. Local equities, property, bonds and preference shares all detracted from returns in September. This was the resultant effect of global markets positioning for heightened uncertainty, with much focus on the US elections, fears of further lockdowns and general political instability.

Local property building block

The third quarter of the year was abuzz with activity, as it coincides with the period during which some of the real estate investment trusts (Reits) report their June financial results. This reporting period provided valuable insights into the operating conditions tenants faced during various levels of the lockdown, and how Reits navigated the environment. As expected, the key takeaway from the results was that the outbreak of COVID-19 had a significant effect on tenant operations. Owing to the lockdowns, many tenants could not operate at the same level of capacity they did before the outbreak of the pandemic. These trading conditions have negatively affected tenant cash flows and their ability to service operating commitments such as rental expenses. To alleviate the cash flow pressures faced by tenants during the period, Reits provided some rental relief to tenants which came in the form of rental discounts or deferrals. Most of the relief packages were directed towards retail tenants (including SMME retail operators, gyms and sit-down restaurants) as their businesses were directly affected by lockdowns.

Office and industrial sector tenants received minimal rental relief, as many continued to trade throughout the lockdown, albeit at interrupted levels. A marked improvement in operating activity was noted in the third quarter relative to where operating activity was in the second quarter of the year. This improvement follows the relaxation of lockdown regulations, as the country moved from alert level 3 regulations from beginning June, to alert level 2 regulations in August and, recently, alert level 1 regulations, which took effect from 21 September 2020. Rental collection metrics are also off the lows from the second quarter, and the picture today is very pleasing across all sectors, although rental collections are not at the 95% to 100% range we are accustomed to.

Notwithstanding these improved conditions, the SA listed property sector index (Sapy) ended the quarter near similar levels to those seen at the height of the lockdowns in March and April. During the quarter ended September 2020, the Sapy declined by 14.1%.

The building block returned negative 13.8% and outperformed the benchmark return.

The Momentum Listed Property Portfolio delivered a negative 12.4% return, as holdings in Sirius, Investec Property fund, Equites and Investec Australia minimised the downside. The investment managers retained a preference for companies they believed would be able to withstand the weakness in the South African market, or offshore real estate companies listed on the local market, but operated in regions with macroeconomic conditions supportive of property fundamentals.

Meago delivered a negative 13.3% return for the quarter. The largest contributors to returns were being overweight Investec Property Fund and underweight Fortress B, Vukile and Hyprop. The largest detractors to returns were being overweight Attacq and Redefine.

Catalyst returned negative 14.2%, as being underweight Attacq, Fortress B and Redefine, which underperformed the benchmark, contributed to returns relative to benchmark.

Being overweight Hyprop and Vukile, which underperformed the benchmark, and underweight Investec Australia, Sirius and Investec Property Fund, which outperformed the benchmark, detracted from returns relative to benchmark.

Local flexible income building block

For the quarter, the flexible income building block yielded 1.7%, underperforming the benchmark by 0.7%. It also underperformed the benchmark (11.9%) for the year, as it returned 6.7%. For the three-year period, it did not manage to outperform the benchmark either (8.3% compared to the Albi (1 to 3 years) at 9.7%). The building block had a very high exposure of 76.3% 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 1.2% and the Albi returned 1.6%. The bulk of the Albi return was generated by the 3-7-year sector (4.2%). However, the building block only had a 6.0% allocation to this sector.

Local inflation-linked bond building block

Inflation-linked bonds continue to experience high volatility and low liquidity, weighing on their prospects. However, real yields were a lot more stable this quarter, as inflation seems to have bottomed and is moving up slightly.

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 mere 0.35% this quarter, with a 0.60% from inflation uplift and around 0.95% 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 in the short-end maturities, but marginally higher in the long end of the yield curve, thereby generating capital gains close to 0.65%. These components combined thus explain the index (Igov) total return of 1.00%.

For the quarter, the portfolio yielded 1.9% against the benchmark Igov (1.0%).

For the year, the portfolio yielded a return of negative 1.23%, compared to the benchmark of negative 2.4%. It had a modified duration of 8.64 years, compared with the Igov of 8.50 years. The investment manager was slightly overweight the 12-plus-years sector and underweight all the other sectors.

Local cash building block

For the quarter, the portfolio delivered a return of 1.5% compared to 1.2% for the Stefi benchmark.

There was further easing in the repo rate, but only a 0.25% cut at the July meeting, which was followed by a pause at the September meeting. The repo rate was anchored at historical lows of 3.50%. The Jibar rate is at 3.35%. The forward rate agreements curve indicates that the market does not expect any further interest rate moves from current levels in 2020. Credit spreads have started to compress strongly during the latter part of the quarter and the exposure to non-government issuers has been decreased somewhat.

For the year, the portfolio delivered a return of 7.8% against the Stefi benchmark of 6.2%. The portfolio 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 excellent yields.

Local absolute strategies building block

For the quarter, the absolute strategies building block returned 1.1%, which was 0.7% above its internal strategic benchmark, which returned 0.4%. The real return component (60% Absa, 40% Prescient), which is the most defensively positioned, returned 1.7%. Tantalum, a high equity investment manager returned 1.6%, while Sentio and Prudential were up 0.6%. For the year and for four years, which is the relevant measurement period, the building block outperformed the strategic benchmark, returning negative 0.7% and 3.6% relative to the benchmark returns of negative 1.7% and 3.1%, respectively. The inflation plus 4% target, however, was up 5.7% for the year and 8.1% per year for the last four years.

On a look-through basis, the building block was overweight equities and bonds, while underweight ILBs, property and cash.

Absa remains conservatively positioned, with 14% of the portfolio invested in growth asset classes and 86% in defensive asset classes, returning 1.9% for the quarter. The investment manager’s expectation was that third-quarter GDP growth throughout most of the world was positive. The key risks, however, are that fourth-quarter growth could slow and overall growth for 2020 could disappoint to the downside. The investment manager is keenly watching growth markets, poised to take up any investment opportunities as they develop, for longer-term superior returns.

Prescient is predominantly invested in fixed interest asset classes given the attractive yields available in this space, with longer-term bonds trading above 11%, longer-dated real yields for ILBs approaching 5%, and preference shares yielding in the region of 10%. The portfolio favours fixed interest exposure over equity to limit downside risk in the portfolio. The portfolio returned 0.6% for the quarter.

Tantalum benefitted from holdings in British American Tobacco, FirstRand, Absa, Omnia and Motus. Detractors from returns were Anglogold Naspers Prosus Reinet and Sasol. Overall sectoral positioning remains well diversified with equity derivative overlays remaining in place. With higher yields on offer across the government bond curve, the portfolio was marginally overweight bonds, taking into account South Africa’s current fiscal and economic outlook.

Sentio’s portfolio had contributions from positions in Harmony, Sibanye Stillwater, Impala and FirstRand and Northam Platinum. Top detractors from returns included positions in Naspers, Nepi RockCastle, BTI, Sanlam, BidCorp and Vukile. Many of the detractors have a strong fundamental valuation underpin and the investment manager is comfortable holding these shares as the value is expected to unlock. In fixed income, the portfolio was overweight duration at the beginning of the quarter with some profit taking before the September Sarb meeting taking place, as the investment manager did not believe the central bank would ease rates further. The portfolio remains slightly overweight duration with expected upside in bonds from current levels but optionality is being maintained due to short-term volatility, which would protect the portfolio during a sell off, while participating in further bond rallies.

Prudential's largest asset-class contributors for the period were the portfolio's exposure to ILBs and bonds. Listed property holdings were the only significant detractors from the portfolio's absolute returns. In terms of specific equity exposure, the portfolio's holdings in Implats, Gold Fields and Northam were among the strongest contributors to absolute returns for the quarter. The larger detractors from absolute returns for the period were holdings in Nepi Rockcastle, Naspers and British American Tobacco. Being underweight Sanlam, Anglogold, and Aspen added relative value, while being underweight Shoprite, Sibanye Stillwater and Capitec detracted from value. The investment manager increased being overweight equities, maintained being substantially underweight listed property, maintained being overweight nominal bonds, favouring longer-dated maturities and increased ILB exposure.

Moderate hedge solution building block

The moderate hedge solution returned 2.74% for the quarter, bringing the one-year return to 2.26% after the deduction of all fees. This solution is diversified across strategies and within strategies. The directional equity exposure was reduced in favour of fixed income arbitrage after the selloff in March. The changes in short-term interest rate expectations and movement in the longer end of the yield curve offered good opportunities for these investment managers. A big concern pointed out in previous quarterly commentaries is the lack of liquidity in the fixed income derivative market, although this is not back to pre-March levels, it is improving. The fixed income arbitrage component continued to contribute meaningfully to returns.

Aggressive hedge solution building block

The aggressive hedge solution returned 0.84% for the third quarter, bringing the one-year number to negative 3.19%. The 50%/50% Capped Swix/Stefi returned 1.1% for the quarter and 1.33% for the last year. The active hedge fund strategies within the building block returned 0.92% for the quarter. The resource bias in the building block drove returns during the quarter.

Portable alpha solution building block

The portable alpha solution returned 3% for the quarter, bringing the one-year number to negative 10.19% after the deduction of fees. This compared to the Capped Swix, which returned 1.01% for the quarter and negative 5.03% for the last year. Beta exposure across the solution was reduced in the middle of March in an effort to reduce market exposure across investor portfolios. As such, it was more conservatively positioned for the rally, which started in the middle of March 2020. The beta exposure level was at 100% at the end of the second quarter and will remain at 100%.

Special opportunities building block

There was a continual relaxation of the South African lockdown restrictions and a return to work for an increasing number of South Africans during third quarter 2020. Unfortunately, the rebound in growth is unlikely to fully recover the economic losses suffered during the second quarter and many of those retrenched are unlikely to find employment in the short term.

The return for the third quarter was calculated at 2.55% and the last year produced a 5.97% return. The significant reduction in the repo rate by the SARB, since the onset of the pandemic, resulted in falling nominal returns for the credit portfolio, as the majority of the credit instruments are floating rate. August marked the four-year anniversary of the portfolio, which registered annualised returns after the deduction of fees for the 50 months of history of 9.20%. Returns since inception were marginally below the CPI plus 6% objective of the fund.

Global active building block

The building block returned 1% for the quarter, which was ahead of the benchmark return of 2.9%. For the past year, the return was 17.2%, while the benchmark return was 20.8%. For the quarter, Ninety One returned 2.6%, compared to a benchmark return of 2.9%, Allan Gray returned 2.2% and Foord returned negative 4.5%.

The Ninety One global balanced portfolio outperformed the benchmark despite the stronger rand. The continued rebound in global equities led to the offshore component of the portfolio contributing to absolute returns, with the regional allocation to Asia, particularly China, a key driver of absolute gains. Investments in precious metals, including the 1nvest Palladium, 1nvest Rhodium and NewPlat exchange-traded funds (ETF), Gold Fields, Harmony Gold Mining Company, Impala Platinum and Sibanye-Stillwater, added to absolute returns. Additionally, the holdings in Capitec Bank, FirstRand, The Foschini Group and MTN Group enhanced gains, while the allocation to local bonds also benefited the portfolio. On the other hand, the small allocation to listed property detracted from absolute returns, as the asset class came under pressure in the period. Stakes in AngloGold Ashanti, Bid Corp, British American Tobacco, Mr Price Group, Naspers, Prosus, Sanlam and Truworths International also dragged on absolute returns.

Allan Gray outperformed the benchmark by investing in businesses like the US tech giants, with fast growth and higher quality attributes, but trading at more attractive valuations. One such example is the Taiwan Semiconductor Manufacturing Company (TSMC), which is a dominant business with a deep moat, high returns on capital, cash plush, and appealing long-term growth potential. Unlike the US goliaths, it trades slightly above 20 times forward earnings, with a healthy dividend yield. Another large holding in the portfolio, Samsung, generated double-digit earnings growth and a 17% return on equity in the long term, but traded in the value share realm – 11 times earnings and 1.5 times book value without adjusting for the US$80 billion of net cash on its balance sheet. While TSMC and Samsung have risks to the downside, the investment manager believes they can invest in the future, without having to overpay for the privilege.

Foord’s asset allocation aided returns during the quarter, as the portfolio’s largest-held asset class, equities, outperformed credit and cash. Its commodity holdings contributed, the gold ETF, leading copper producer, Freeport-McMoran, and prominent precious metals streamer, Wheaton Precious Metals, all gained. Within equities, US-based agricultural chemicals company and the portfolio’s largest holding, FMC Corp, contributed the most to returns, while the portfolio’s position in another agricultural chemicals company, Bayer, detracted. Its equity hedges, S&P 500 put options and short futures positions, in aggregate detracted from returns in a sharply rising market as well as the stronger rand.

Global equity building block

Despite a sharp setback during September, risky asset classes made further gains in the third quarter, building on the recovery, which began in late March. Wall Street, particularly tech stocks and other clear beneficiaries of the pandemic, again led the way, with the S&P500 returning 8.8%. Chinese markets also performed strongly, with the CSI 300Index up 10% and, this, with a weak dollar, helped push emerging markets to a return of 9.6%, outpacing the MSCI Developed Market Index, up 7.9%.
European markets were weighed down by increasing concerns about a damaging second wave of COVID-19 and rising anxiety about the Brexit discussions ahead of key deadlines in October.; Europe ex UK returned only 1.4% in euro terms, while the UK market fell 4.3% in pound terms. The underperformance of the UK, which was also held back by the dominance in the index of energy and financials, sectors which were severely damaged by the effect of the pandemic, were stark: so far this year the market is down 21% compared with a rise in the US of 5%.

Driving markets were two key factors. First was the continuing economic recovery from the pandemic-induced collapse in the early months of the year. This was sharper than many predicted and in turn resulted in corporate profits generally coming in ahead of expectations, although clearly not across all sectors. Second was the extraordinary support provided by the major central banks, which continued to purchase assets on a substantial scale, while keeping interest rates close to or below zero, and provide guidance, which points to a long period ahead of ultra-loose policy.

Against this backdrop, the building block underperformed its MSCI AC World Index benchmark for the past quarter, returning 4.0% relative to 5.8% for the benchmark.

Growth stocks continued to drive markets during the quarter, which was reflected in our underlying manager returns. Jennison was the largest contributor to returns, mainly due to stock selection within the IT Hardware and Consumer Products sectors, which form a significant part of the investment manager's overall book.

The main detractor from returns for the quarter was our value and quality style investment managers. Robeco's value strategy was the biggest relative detractor, coming from stock selection within the IT Hardware and Consumer Products sectors.

On a sector basis, all sectors delivered positive returns through the quarter except Energy, which remains a small part of the portfolio and a relative underweight. Consumer Discretionary and Information Technology were the biggest contributors to returns, while Financials and Utilities lagged the broader market gains.

Our largest individual stock contributor was Tesla, which almost doubled in price for the quarter, after a five-for-one stock split designed to make stock ownership more accessible, particularly helping retail buyers. Other winners within the Consumer Discretionary sector included Chinese ecommerce company Meituan Dianping, which sells vouchers for local services such as entertainment and dining, and Bed Bath and Beyond. US retailer Bed Bath and Beyond returned 41%, as its remarkable recovery from the pandemic continues. The business has experienced a boom in online sales since the pandemic hit and has been successfully controlling costs, as it moves towards an omni-channel model.

Within Technology, Apple was a notable contributor in absolute terms, although the portfolio remained underweight relative to the benchmark. The company became the first US public company to reach $2trn market cap, after announcing positive results for the last quarter and a planned stock split. Gains also came from lesser-known names such as LivePerson, as the company raised revenue guidance for 2020, due to strong demand for its conversational artificial intelligent business.

On the negative side, large integrated energy companies such as Chevron, Total and Royal Dutch Shell, detracted during the period. Royal Dutch Shell announced an 82% slump in profits, as the oil price recovery seen last quarter appeared to stall. Elsewhere, there were some mixed returns from Financials, as large cap names such as AIG and Citigroup underperformed. AIG announced disappointing results due to underwriting losses and reduced private equity returns, while Citigroup results outperformed expectations, as it announced the appointment of a new CEO to start next year.

Global property building block

The global property building block returned negative 3.4% for the quarter, which was below the benchmark return of negative 1.8%. Rand strength and tighter restriction measures, specifically in the UK and Europe, were the major reasons for the negative returns.

Global fixed income building block

The global bond building block returned negative 1.8% for the quarter, which was below the benchmark return of negative 1.5%.

Despite the continued COVID-19 uncertainty and expectations that the virus's economic effect will be longer lasting than initially envisioned, markets remained beholden to central banks and government stimulus packages. The US Federal Reserve now foresees ultra-low policy rates remaining in place until 2023, which has anchored US Treasury yields to date (US ten year at 0.65%), dampened volatility and encouraged investors to seek out higher yields within corporate credit (US credit outperformed government bonds by 1,7% in the third quarter and high yield outperformed by 4.5%) or other riskier asset classes.

Conclusion

It's only natural to be concerned when investment markets experience sharp drawdowns. The key during uncertain and volatile times like these is to remain invested and not to succumb to emotional reactions and to look beyond short-term fears.
The portfolio managers are continually assessing how best to manage your well-diversified portfolios during this period.