

# OLD MUTUAL SUPERFUND: MEMBER INVESTMENT UPDATE

**Live** Longer,  
**Laugh** at how easy it is to understand investments,  
**Love** how much your retirement savings can grow.

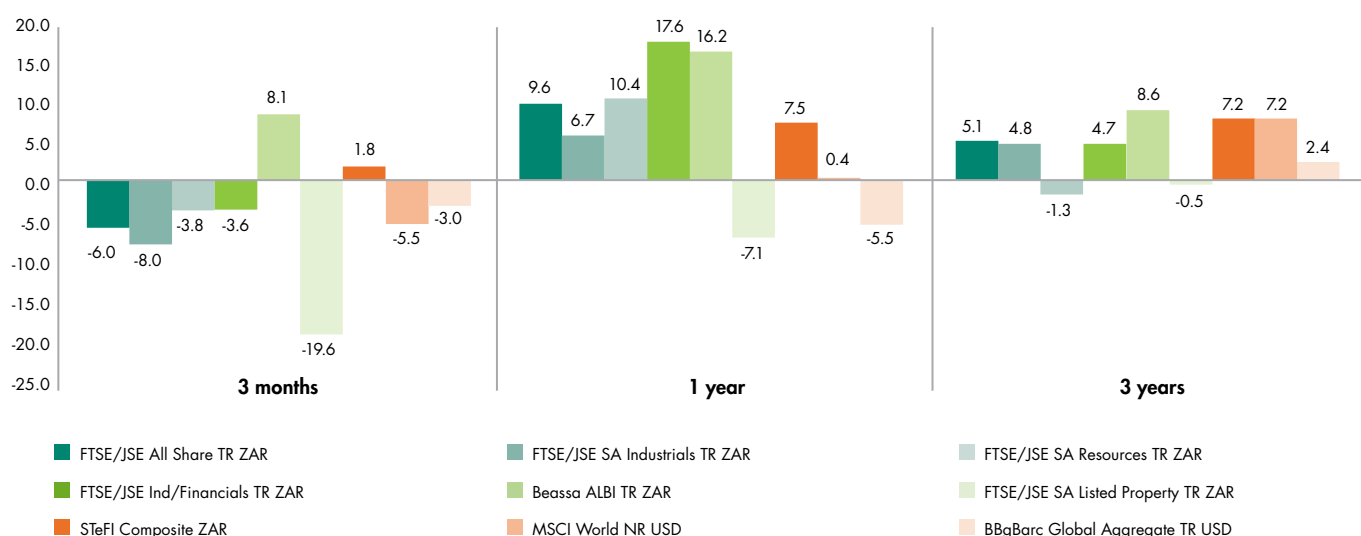
QUARTER 2 • JUNE 2018



## MARKET OVERVIEW

Globally, with the exception of South Africa, equity markets have performed strongly for some years. They have given up a small portion of those gains in the last 3 months when measured in US dollars, but more when measured in Rand because the Rand has strengthened.

### RETURNS



South African equities followed global markets sharply lower, with the FTSE/JSE All Share index declining 6.0% for the quarter. Over one year, the All Share return is still ahead of inflation at 9.6%. Industrials suffered the second biggest loss for the quarter, declining by 8.0%, reducing the one-year return to 5.7%. Media was the biggest contributor to the declines in the quarter as Naspers was impacted by the global tech sell-off.

Resources lost 3.8% in the first three months of 2018. Over one-year, resources have delivered a positive real return despite the dampening effect on rand commodity prices of a stronger local currency over this period. Financials lost 3.6% for the quarter. However, over one year, the financials index has returned 17.6%. With the collapse in the share prices of the Resilient companies due to corporate governance concerns, listed property declined 19.6% in the first quarter as a whole, pushing three-year returns into the red.

DO GREAT THINGS



**OLD MUTUAL**  
CORPORATE

Sustained by falling inflation, an interest rate cut and Moody's rating postponement, local bonds rallied. The All Bond index returned 8.1% for the quarter and 16.2% for the year.

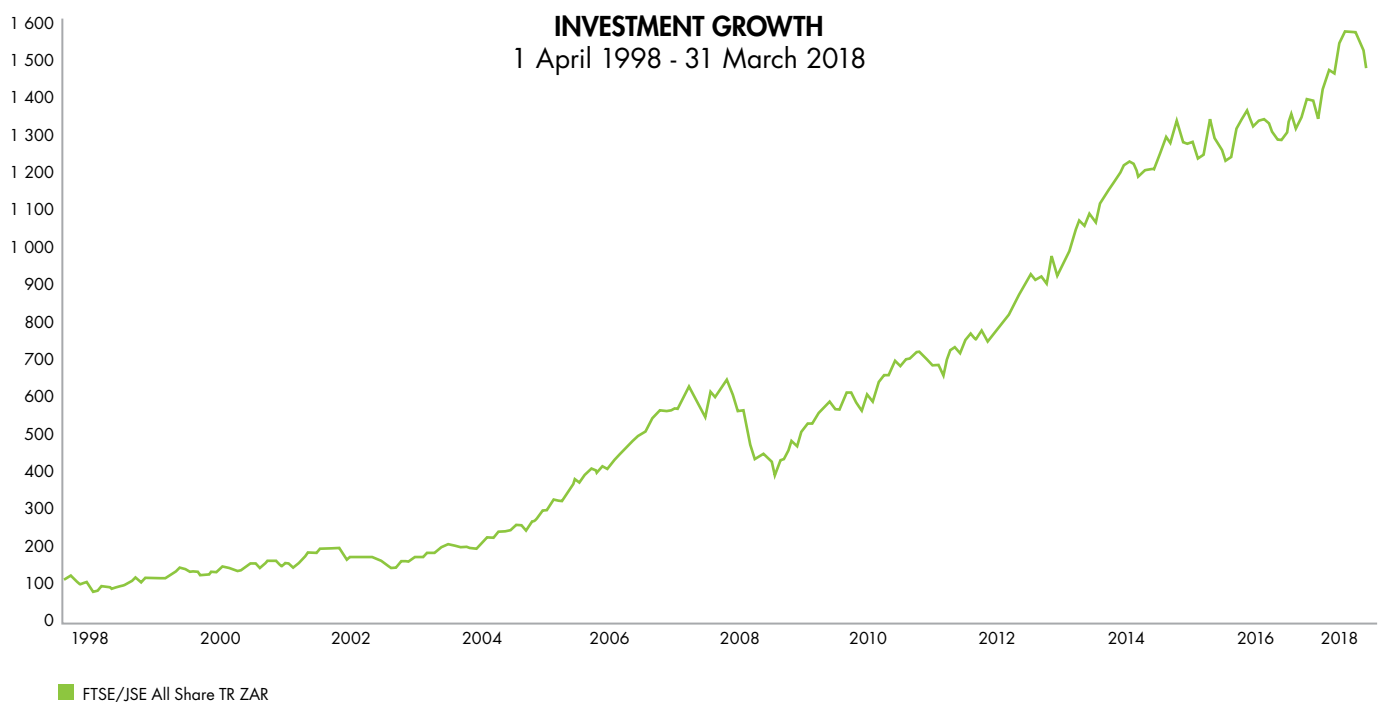
This recent fall does not indicate a looming recession. Globally the fall is a correction in response to higher US interest rates and jitters over a possible US/China trade war. The fall is healthy in that US equities were trading at prices that were higher than long-term perspectives suggest are sustainable. Economic indicators show that there is still growth potential in the developed economies of the world, with more potential for emerging economies.

Here in South Africa, there is a more positive outlook following the appointment of President Ramaphosa, falling inflation, and the retention of investment grade status by Moody's rating agency. South Africa did not participate as strongly in the global equity boom over the last few years as most of the other emerging economies, because of our internal political issues. There is now a real chance of improved economic performance here. This has brought a strengthening of the Rand in the short term but should bring better equity returns in the long term. There is therefore no need to sell out of equities.

Any fall like this shows how it helps to have a portfolio that is diversified across asset classes.

You should always have a long-term perspective when reviewing the investment of your retirement savings. Markets do dip periodically, but these dips tend to smooth out over time as shown in the graph below.

The graph shows a high-level summary of the performance of South African equities (JSE Allshare)



A market fall is only relevant when you need to cash in your investment. For most of us, it is likely to be decades into the future before we start to disinvest because the retirement income that we are drawing exceeds investment growth on our retirement savings.

