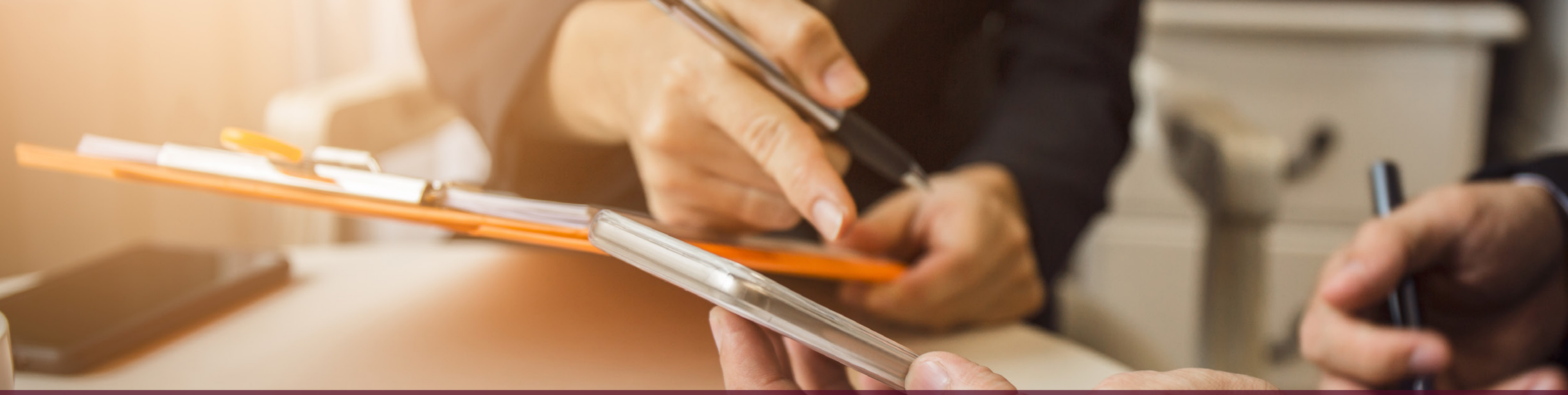


SELECT MANAGER Newsletter

June 2020

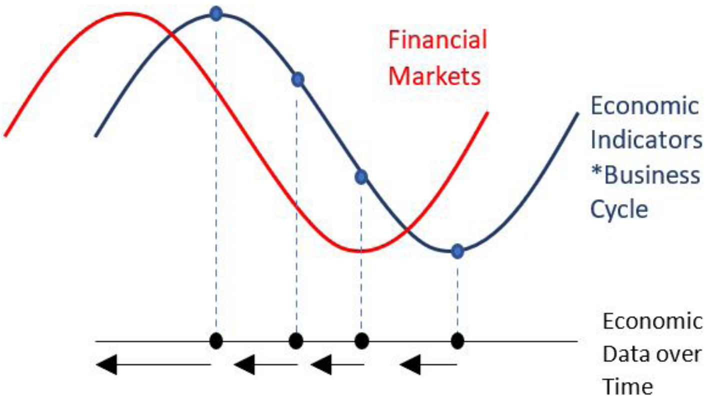
MARKETS

Local assets, with the exception of bonds, posted another positive month in June. Local listed property was the best performer for the month, as the SAPY Index increased more than 13%, followed by equities (All Share Index) with an increase of close to 8%.

The strong performance in June brings to an end a very rewarding quarter for investors, a complete turnaround from the previous quarter. Those individuals that held onto their positions through the turbulent first quarter, or even added additional capital to sold down positions, would have been in a significantly better place at the end of June than those who sold out around the end of March.

Globally, the picture was very much the same, with equity, property, and bond indices posting impressive recoveries from their first quarter drawdowns. Some of the major indices posted record returns, including S&P 500 (best quarter since 1998) and FTSE 100 (best quarter since 2010).

It is important to note that these returns were accomplished despite a wide range of very weak economic performance indicators throughout the quarter, therefore, one should think carefully before running for the hills just because of negative news buzz. This is especially true when confronted with the massive amounts of liquidity being injected into the financial system. The graph below serves as a simple demonstration of the financial (red) and business (blue) cycles. Economic data released, albeit still important to monitor, are mostly backward-looking (for example GDP growth, inflation, sales figures, production etc), and as such they indicate what has already occurred, while Financial markets (stocks, bonds etc.) are forward-looking, as participants try and ascertain where value will be unlocked in the future. It is therefore important to look ahead and not at "old" data to avoid getting left behind.



The recent bounce back from the extreme drawdowns of Q1 2020 could be explained by investors looking past the bad news and focusing on the recovery, while also being supported by unprecedented levels of stimulus. Worthwhile mentioning is that markets also tend to recover quicker from external shocks, such as COVID-19, than they would have otherwise from a financial crisis or recession.

ECONOMIC OVERVIEW

Local:	Global:
+ Consumer Price Index of 2.1%, lowest level in 15 years + Expectation of further interest rate cuts + -2% GDP growth for the 1st quarter + Lower growth expected for the 2nd quarter + Current account surplus, 1st time since 2003 + Business confidence the lowest since 1975 + ABSA PMI improved during June	+ Eurozone Purchasing Managers' Index increased to highest in four months + 4.8 million new jobs created in the US in June, the most on record + United States (US) personal spending increased 8.2% (May) + US Manufacturing PMI jumped to 49.8, beating forecasts + United Kingdom Manufacturing PMI jumped to 50.1, beating forecasts + Brent crude oil recovered by 9%

BUDGET

On Wednesday 24 June, Finance Minister, Tito Mboweni, delivered a special "emergency" budget speech, which covered primarily the impact and framework of response to COVID-19. The following are a few highlights from the budget:

+ South Africa GDP growth forecast revised down to -7.2%, from previous 0.9%.
+ Gross National Debt to approach R4 trillion, or 81.8% of GDP, by end 2020.
+ Debt servicing cost will increase from 4% to 4.9% of GDP in 2020/21, and likely to reach 5.4% of GDP by 2022/23.
+ Tax Revenue expected to see a R300 billion shortfall in 2020.
+ Budget Deficit likely to reach 14.6% of GDP in 2020/21.

Fiscal consolidation remains a focus, but implementation risk seems to be the biggest market concern.

It seems that we are constantly reminding ourselves and clients of the same concept, but as markets continue to perform while economies seem weak, it is an important reminder; be cautious of panicking or taking radical action in haste. Be patient, trust in the process, and in your investment partner.

JSE All Share 7,74% | 54 362,36 ▲	**MSCI World *(USD)*** 2,65% | 2 201,79 ▲	**MSCI EM *(USD)*** 7,35% | 995,00 ▲	**SA Bonds** - 1,18% | 701,01 ▼
SA Property 13,41% | 266,82 ▲	**CPI (y/y)** 3,00% | 115,00 ▲	**Gold** 1,93% | 1 772,86 ▲	**Platinum** - 2,40% | 811,97 ▼
Oil 9,07% | 41,27 ▲	**£/R** - 0,67% | 21,52 ▼	**€/R** 0,08% | 19,50 ▲	**$/R** - 1,06% | 17,35 ▼