

Dissecting January 2021

Markets and Economics

2021 got off to a flying start as local assets delivered strong returns, with local equities posting the best start to a year since 2012. As has now become custom the only exception was local property, which took a breather from the relatively strong recovery over the past few months. Global markets were slightly more mixed, with returns being relatively muted compared to those achieved locally. As the Rand depreciated slightly throughout the month, local investors received a currency pick up from their offshore investments, with the average global flexible portfolio returning 3.5%.

Making headlines this month was the uprising of amateur investors against large institutions. A group on Reddit decided to bid up (buy) the shares of, amongst others, failing video game retailer GameStop, knowing full well there are various hedge fund managers shorting this stock, possibly without having covered their position ("naked short"), forcing the managers to buy back the shares to cover their positions at significantly higher prices and thereby driving the prices even higher ("short squeeze"), and incurring major losses. The financial upset resulted in billions of dollars of wealth transfer.

In terms of economics, local interest rates were left unchanged at 3.5% even as inflation eased slightly to 3.1% for December. Manufacturing data disappointed for November, and the country was once again confronted with load shedding. Globally growth indicators were mixed, but policymakers once again reiterated their commitment to further ease monetary conditions if required. The International Monetary Fund (IMF) updated their growth forecasts, lifting their global growth expectations, but unfortunately turning more pessimistic on South Africa. They have cautioned that growth forecasts will largely be dependent on the effectiveness of vaccine roll-outs.

Latest World Economic Outlook Growth Projections

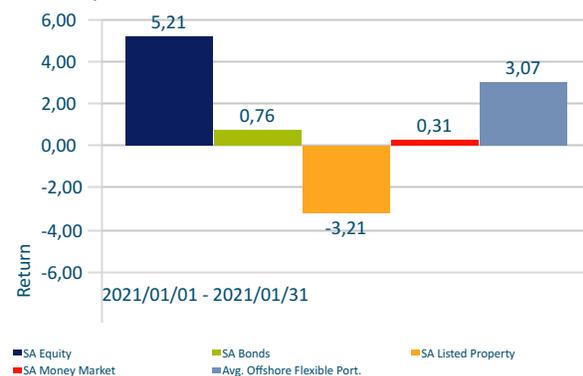
	ESTIMATE PROJECTIONS		
(real GDP, annual percent change)	2020	2021	2022
World Output	-3.3	5.5	4.2
Advanced Economies	-4.9	4.3	3.1
United States	-3.4	5.1	2.5
Euro Area	-7.2	4.2	3.6
Germany	-5.4	3.5	3.1
France	-9.0	5.5	4.1
Italy	-9.2	3.0	3.6
Spain	-11.1	5.9	4.7
Japan	-5.1	3.1	2.4
United Kingdom	-10.0	4.5	5.0
Canada	-5.5	3.6	4.1
Other Advanced Economies	-2.5	3.6	3.1
Emerging Markets and Developing Economies	-2.4	6.3	6.0
Emerging and Developing Asia	-1.1	8.3	5.9
China	2.3	8.1	5.6
India	-8.0	11.5	6.8
ASEAN5	-3.7	5.2	6.0
Emerging and Developing Europe	-2.8	4.0	3.9
Russia	-3.6	3.0	3.9
Latin America and the Caribbean	-7.4	4.1	2.9
Brazil	-4.5	3.6	2.6
Mexico	-8.5	4.3	2.5
Middle East and Central Asia	-3.2	3.0	4.2
Saudi Arabia	-3.9	2.6	4.0
Sub-Saharan Africa	-2.6	3.2	3.9
Nigeria	-3.2	1.5	2.5
South Africa	-7.5	2.8	1.4
Monroandum			
Low-Income Developing Countries	-0.8	5.1	5.5

Source: IMF, World Economic Outlook Update, January 2021
 Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2020/2021 starting in April 2020. India's growth projections are 7.4 percent in 2021 and 11.6 percent in 2022 based on its latest update.

INTERNATIONAL MONETARY FUND IMF.org

Asset Class Returns

Currency: South African Rand



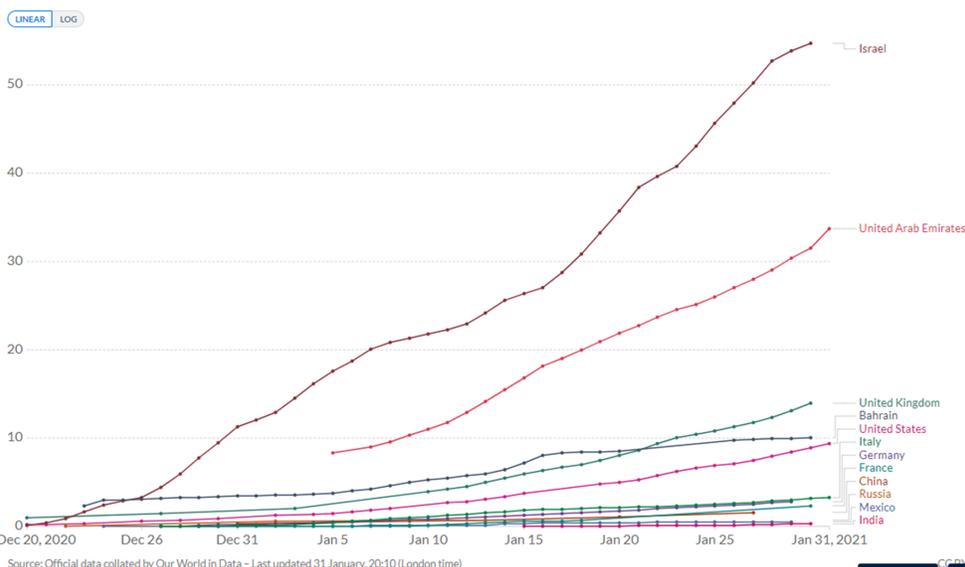
Calendar Year Returns - Annualised (%)

	1 Year	3 Year	5 Year	10 year
SA Equity	14,51	4,85	8,10	10,41
SA Bonds	8,20	8,49	9,61	8,56
SA Property	-34,59	-18,76	-8,46	3,63
STeFI Composite ZAR	5,11	6,54	6,91	6,35
(ASISA) Global MA Flexible	10,13	11,91	7,00	12,65

*Annualised return is the weighted average compound growth rate over the period measured.

Cumulative COVID-19 vaccination doses administered per 100 people

This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).



Source: Our World In Data, Coronavirus (COVID-19) Vaccinations, <https://ourworldindata.org/covid-vaccinations>.

Vaccines

At time of writing, the first batch of COVID-19 vaccinations, the AstraZeneca vaccinations from India, have arrived in South Africa. These vaccinations require two injections, with the second shot being administered four to 12 weeks after the first. The AstraZeneca vaccination, which is a viral vector vaccine (meaning it uses a modified virus to deliver a genetic code of cells that train the immune system, rather than delivering the infectious pathogen itself), has an efficacy rate of approximately 70%, which is slightly lower than those of the Pfizer/BioNTech and Moderna vaccines, but better than the Novavax. The use of the Pfizer/BioNTech and Moderna vaccinations hold significant logistical issues for countries like South Africa, as they need to be stored at extreme temperatures and are significantly more expensive. Nonetheless, South Africa is set to also receive batches from Pfizer, as well as Johnson & Johnson.

This first batch of approximately 1million vaccinations will be used for healthcare workers, with a second batch expected towards the end of February. According to comments from government, they are aiming to vaccinate 40 million people by the end of 2021 (approx. 65% of the population). This will however be highly dependent on efficiency of the roll-out, and whether orders are fulfilled.

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Dissecting January 2021 Continues..

While there is risk to the upside of the process running very smoothly, and the take-up being well received (approximately 70% of South Africans are currently willing to take the vaccination according to surveys), there is also a downside risk that orders get delayed or that emerging countries like South Africa get left behind in global procurement and implementation, as it seems we are already late to the party when compared to the progress of peers.

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Skyblue BCI Solar Flexible Fund of Funds



Global Multi Asset Flexible Allocation - More than 85% offshore

Benchmark: (ASISA) Worldwide Multi-Asset Flexible Sector Average

Fund Commentary

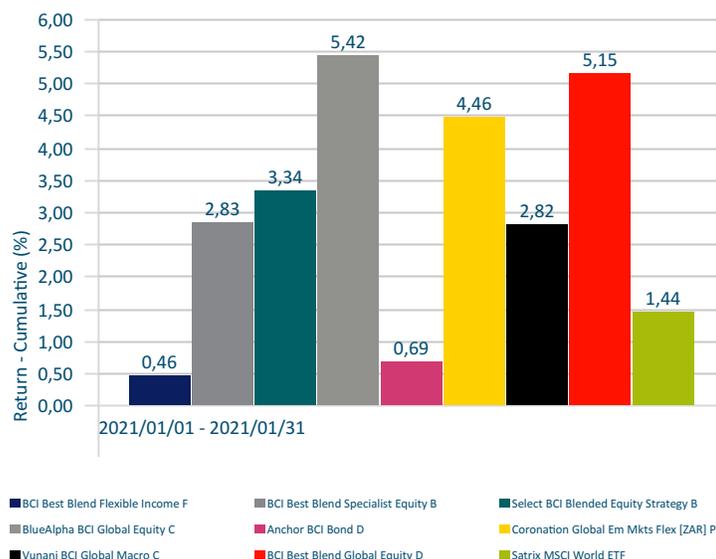
The year began on a sounder footing compared to the end of 2020. Risk assets, in the form of equities, remain in favour driven by vaccine rollouts and stimulus packages across the globe. This theme will likely remain for the foreseeable future. With interest rates at all time lows and central banks as well as governments focussed on getting their economies going after the pandemic, the case for risky assets right now looks promising.

Solar returned 3.66% for the month, driven mainly by our equity managers, with local fixed income managers dampening total returns.

The current environment has led to a renewed focus on value and mid- to small cap equities, driven predominately by valuations and an expectation of some inflation in the short to medium term globally. All in all, asset values are being propped up by very low interest rates globally, and as long as this persists current valuations seems sustainable for now.

Underlying Holdings Return

Currency: South African Rand



Calendar Year Returns - Cumulative (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Solar Flexible FoF	27,26	55,88	47,53	197,91
(ASISA) Global MA Flexible (Sector)	10,13	40,16	40,29	229,12

Calendar Year Returns - Annualised (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Solar Flexible FoF	27,26	15,95	8,08	11,53
(ASISA) Global MA Flexible (Sector)	10,13	11,91	7,00	12,65

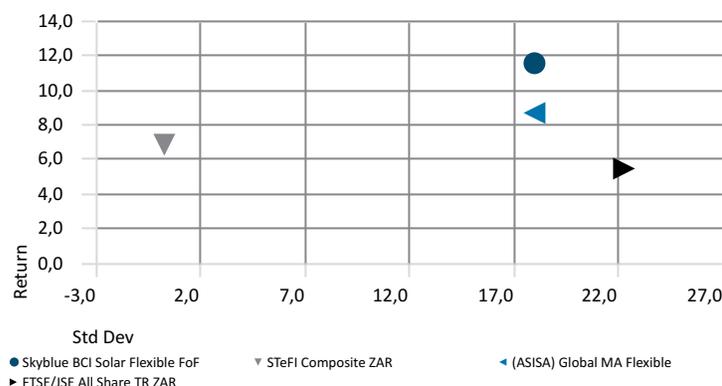
*Annualised return is the weighted average compound growth rate over the period measured.

Skyblue BCI Solar Flexible FoF - Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	3,66%												
2020	5,52%	-0,07%	5,02%	10,88%	1,06%	0,88%	3,99%	3,75%	-2,17%	-3,77%	2,15%	-0,26%	29,55%
2019	-1,90%	7,08%	2,75%	2,13%	-1,80%	-0,32%	1,42%	1,34%	2,01%	1,09%	-2,04%	-1,86%	9,94%
2018	-0,06%	-5,20%	-0,37%	6,68%	1,01%	5,68%	-1,44%	10,03%	-2,60%	-1,49%	-5,27%	-0,41%	5,51%
2017	-0,61%	-0,14%	2,84%	0,78%	-0,60%	0,02%	2,10%	-1,31%	4,82%	5,60%	-2,87%	-7,81%	2,14%
2016	1,52%	0,44%	-6,88%	-2,94%	10,81%	-7,14%	-1,87%	4,04%	-4,78%	-1,20%	3,13%	0,22%	-5,88%
2015	0,61%	2,81%	0,04%	2,33%	1,63%	-0,72%	3,17%	2,98%	3,34%	1,43%	4,18%	7,12%	32,80%
2014	-0,52%	2,77%	1,51%	1,09%	1,17%	1,42%	0,76%	-1,07%	-0,47%	-0,85%	1,71%	0,73%	8,49%
2013	5,14%	-1,61%	1,05%	-1,94%	7,81%	-6,23%	3,45%	1,08%	3,61%	2,88%	-0,78%	2,93%	17,94%
2012	4,95%	1,59%	-0,23%	1,41%	-2,56%	-0,16%	1,81%	2,50%	1,43%	3,34%	1,54%	0,90%	17,61%
2011	-0,32%	-0,94%	0,57%	1,65%	-0,04%	-2,42%	-1,17%	-2,57%	-0,91%	6,07%	0,60%	-1,03%	-0,78%
2010	-1,74%	0,52%	4,67%	0,62%	-3,96%	-0,66%	3,38%	-2,53%	4,90%	2,95%	0,39%	2,04%	10,64%
2009	1,54%	-4,36%	3,58%	2,58%	4,89%	-1,82%	5,79%	3,92%	0,57%	3,42%	0,98%	2,18%	25,39%
2008	-3,03%	2,54%	-0,74%	0,89%	1,76%	-1,44%	-4,34%	1,73%	-5,88%	-7,37%	0,06%	0,47%	-14,82%
2007											-2,01%	-1,22%	

Risk-Reward

Time Period: 2015/05/01 to 2021/01/31



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Skyblue BCI Cumulus Moderate Fund of Funds



South Africa Multi Asset High Equity Allocation - 0% - 75% South African Equities

Benchmark: (ASISA) South Africa Multi-Asset High Equity Sector Average

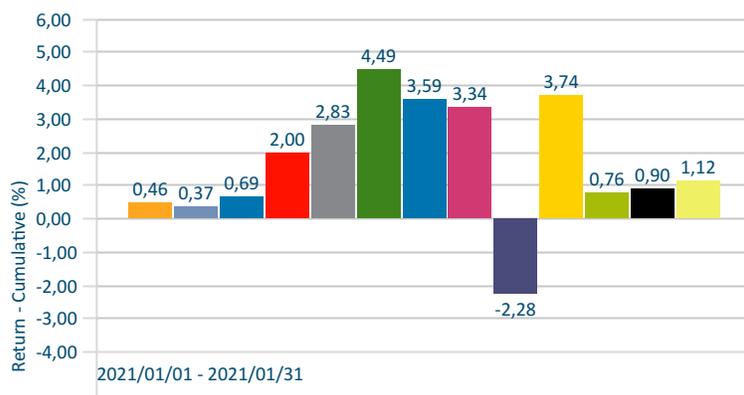
Fund Commentary

Cumulus delivered 2.36% for the month, driven by strong returns from the equity holdings. The best underlying performer in January was Coronation Top 20, followed by our offshore flexible holding Skyblue BCI Solar Flexible FoF. All the funds, except for our property holding, delivered positive returns for the month. We have added an additional holding namely BCI Credo Global Equity FF. This fund is biased towards developed market large cap stocks, following a value-based approach, but also with an emphasis on quality.

In discussions at the start of January on our investment views for the first quarter, the view on the economic recovery based on fundamental factors found support, with particular emphasis on aggressive policy support (both monetary and fiscal), increasingly positive advancements in COVID vaccinations, and relatively low recession risk from a global view. We thus maintain our optimistic view of a supported and balanced recovery, suggesting a pro-cyclical-growth stance. Our active bets remain relatively cautious however, based on rich valuations, policy-error risk, and the risk of virus-mutations or vaccination headwinds.

Underlying Holdings Return

Currency: South African Rand



Calendar Year Returns - Cumulative (%)

	1 Year	3 Year	5 Year	10 year	1/01/01 - 2021/0:
Skyblue BCI Cum	8,56	8,27	20,88	113,15	2,36
(ASISA) South Afr	7,31	14,00	30,16	117,35	2,73

Calendar Year Returns - Annualised (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Cumulus Moderate FoF	8,55	2,68	3,86	7,86
(ASISA) South African MA High Equity (Benchmark)	7,29	4,46	5,41	8,07

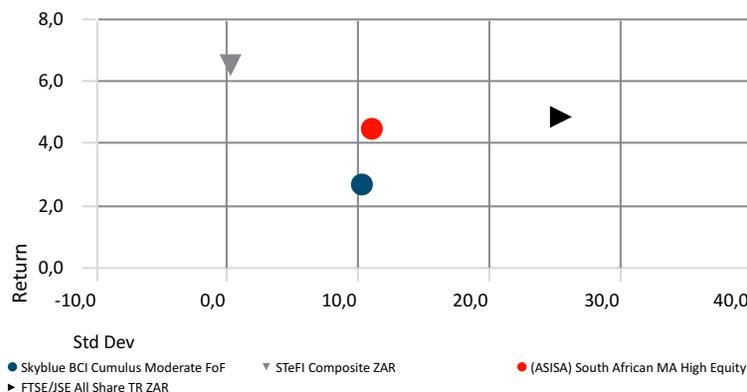
*Annualised return is the weighted average compound growth rate over the period measured.

Skyblue BCI Cumulus Moderate FoF - Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	2,36%												
2020	-0,44%	-2,48%	-11,72%	9,71%	0,70%	3,11%	3,17%	1,61%	-1,82%	-2,75%	4,82%	3,08%	5,60%
2019	1,93%	1,22%	1,14%	2,16%	-2,32%	0,70%	-0,93%	-2,92%	0,62%	1,53%	-0,75%	1,57%	3,86%
2018	0,32%	-0,62%	-1,78%	2,90%	-1,12%	1,27%	0,33%	3,55%	-2,67%	-3,28%	-2,73%	0,78%	-3,25%
2017	1,50%	-0,74%	1,53%	1,05%	0,06%	-2,42%	2,82%	0,64%	0,34%	3,48%	-0,51%	-2,45%	5,24%
2016	-1,36%	0,35%	1,78%	0,84%	2,87%	-2,07%	0,38%	1,41%	-0,69%	-1,55%	1,58%	0,82%	4,31%
2015	1,62%	2,23%	0,44%	1,48%	-0,46%	-0,56%	0,86%	-0,35%	0,22%	2,58%	-0,12%	0,94%	9,19%
2014	-0,26%	1,52%	1,46%	1,40%	0,84%	1,29%	0,47%	-0,99%	0,39%	-0,25%	1,32%	1,12%	8,59%
2013	5,39%	-0,30%	2,00%	-0,36%	6,83%	-3,87%	2,79%	1,47%	3,08%	2,05%	-0,52%	2,36%	22,51%
2012	2,87%	0,71%	0,45%	0,93%	-1,25%	0,65%	1,94%	2,87%	0,64%	2,47%	2,23%	1,01%	16,58%
2011	0,45%	0,19%	-0,22%	0,54%	1,07%	-1,03%	-0,52%	0,19%	0,34%	3,95%	0,79%	0,19%	6,05%
2010	0,28%	1,39%	1,56%	0,83%	-1,44%	-0,12%	1,74%	-0,33%	1,78%	1,26%	0,25%	1,25%	8,75%
2009	1,03%	-1,81%	2,41%	1,20%	1,22%	-0,46%	3,63%	2,00%	0,05%	2,63%	-0,32%	1,26%	13,48%
2008	-1,28%	2,27%	0,01%	0,22%	0,52%	-1,02%	-1,36%	2,04%	-1,54%	-2,51%	1,04%	0,22%	-1,50%
2007													-0,75%
													-0,92%

Risk-Reward

Time Period: 2018/02/01 to 2021/01/31



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Skyblue BCI Kimberlite Cautious Fund of Funds



South Africa Multi Asset Low Equity Allocation - 0% - 40% South African Equities

Benchmark: (ASISA) South Africa Multi-Asset Low Equity Sector Average

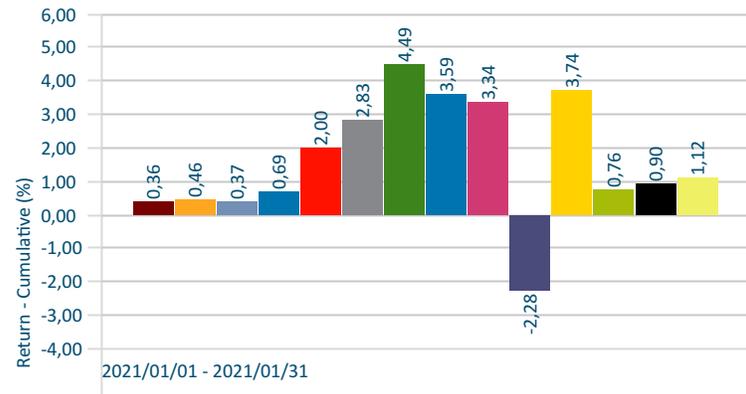
Fund Commentary

Kimberlite delivered 1.19% for the month, driven by strong returns from the equity holdings. The best underlying performer in January was Coronation Top 20, followed by our offshore flexible holding Skyblue BCI Solar Flexible FoF. All the funds, except for our property holding, delivered positive returns for the month. We have added an additional holding namely BCI Credo Global Equity FF. This fund is biased towards developed market large cap stocks, following a value-based approach, but also with an emphasis on quality.

In discussions at the start of January on our investment views for the first quarter, the view on the economic recovery based on fundamental factors found support, with particular emphasis on aggressive policy support (both monetary and fiscal), increasingly positive advancements in COVID vaccinations, and relatively low recession risk from a global view. We thus maintain our optimistic view of a supported and balanced recovery, suggesting a pro-cyclical-growth stance. Our active bets remain relatively cautious however, based on rich valuations, policy-error risk, and the risk of virus-mutations or vaccination headwinds.

Underlying Holdings Return

Currency: South African Rand



Coronation Strategic Income P	BCI Best Blend Flexible Income F	BCI Income Plus H
Anchor BCI Bond D	Methodical BCI Equity B3	BCI Best Blend Specialist Equity B
Coronation Top 20 P	36ONE BCI Equity D	Select BCI Blended Equity Strategy B
Sesfikile BCI Property B2	Skyblue BCI Solar Flexible FoF B	BCI Fundsmith Equity FF B
BCI Lindsell Train Global Equity FF A	BCI Credo Global Equity FF B	

Calendar Year Returns - Cumulative (%)

	1 Year	3 Year	5 Year	10 year	1/01/01 - 2021/0
Skyblue BCI Kiml	6,66	5,54	19,72	83,79	1,19
(ASISA) South Afi	5,79	17,55	33,02	106,84	1,62

Calendar Year Returns - Annualised (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Kimberlite Cautious FoF	6,65	1,81	3,66	6,27
(ASISA) South African MA Low Equity (Benchmark)	5,78	5,54	5,87	7,54

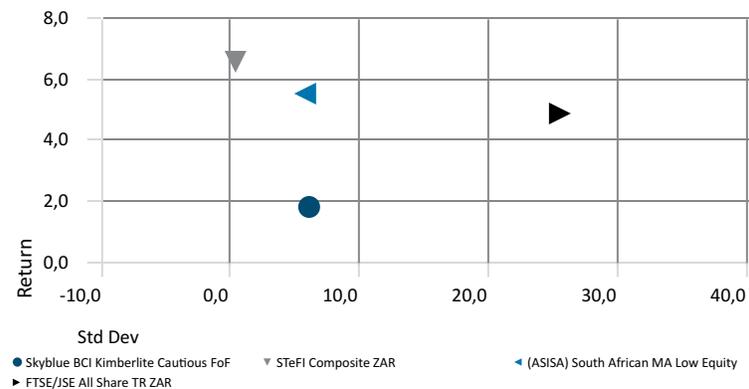
*Annualised return is the weighted average compound growth rate over the period measured.

Skyblue BCI Kimberlite Cautious FoF - Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	1,19%												
2020	0,42%	-1,87%	-4,55%	4,08%	0,90%	1,41%	1,63%	1,35%	-0,93%	-1,04%	2,71%	1,88%	5,85%
2019	1,50%	-0,10%	0,38%	1,49%	-1,42%	-0,20%	-0,31%	-2,53%	0,36%	0,92%	-0,36%	0,34%	0,00%
2018	0,63%	0,01%	-1,03%	2,04%	-0,72%	0,82%	0,46%	2,98%	-1,82%	-1,47%	-2,78%	0,17%	-0,85%
2017	0,93%	-0,20%	1,15%	0,46%	-0,27%	-1,30%	1,96%	0,45%	0,99%	2,37%	-0,57%	-1,12%	4,86%
2016	-0,61%	0,49%	1,74%	0,99%	1,84%	-0,99%	0,61%	1,10%	-0,14%	-0,94%	1,73%	0,89%	6,85%
2015	0,78%	1,26%	0,01%	1,10%	-0,27%	-0,68%	0,71%	-0,64%	-0,07%	2,08%	-0,24%	0,98%	5,11%
2014	0,34%	0,15%	1,18%	1,33%	0,48%	1,12%	0,43%	-0,80%	-0,23%	-0,64%	1,02%	1,42%	5,94%
2013	3,70%	0,64%	1,96%	1,05%	1,89%	-1,47%	1,06%	-0,05%	2,03%	1,09%	-0,13%	1,74%	14,28%
2012	1,51%	0,55%	0,87%	0,66%	-0,14%	0,72%	1,76%	2,42%	0,04%	1,28%	1,81%	1,10%	13,31%
2011	0,33%	0,09%	0,01%	1,13%	0,95%	-0,56%	-0,21%	0,62%	1,34%	2,24%	1,14%	0,18%	7,49%
2010	1,10%	1,26%	1,15%	0,77%	-1,55%	0,28%	2,00%	-0,29%	1,91%	0,88%	0,21%	1,11%	9,15%
2009	0,91%	-1,30%	2,50%	1,33%	0,83%	-0,68%	2,99%	0,93%	-0,41%	2,34%	-0,75%	1,08%	10,11%
2008	0,22%	1,81%	0,72%	-0,47%	0,32%	-0,31%	0,57%	2,02%	-0,38%	-1,50%	1,82%	0,18%	5,05%
2007											-0,21%	-0,26%	

Risk-Reward

Time Period: 2018/02/01 to 2021/01/31



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THE ART OF INVESTING

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Source: Morningstar Direct