Previously Investec
Asset Management

Taking Stock

Winter 2020

Investing for a
world of change

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welcome

Welcome to Taking Stock

I recently read "The Great Influenza" by John M. Barry. While it was published back in 2004, it could not be more relevant today: a century after the flu outbreak of 1918, we are again facing off against a global pandemic likely to change the course of history.
Like today, people went into isolation, industry ground to a halt and health workers put their lives on the line to save others. An estimated third of the global population contracted the dreaded Spanish Flu, and 20 to 50 million people died.

Sangeeth Sewnath
Deputy Managing Director

There are many lessons to be learnt from this book, not least of which is that the world needed to do a better job of preparing for the next pandemic. It was a matter of when, not if. A relatively unknown fact I learnt was that it was not a vaccine that ultimately halted the spread of the Great Influenza, but the fact that the virus mutated into mildness. In short, it became less deadly.

Barry explains how the virus – as with many things – reverted to the mean over time; in other words, from its extreme in 1918, its mutations made it increasingly less lethal. Who would have thought one could draw a parallel between the behaviour of viruses and investing? While a crisis will cause investment returns to vary – sometimes wildly – from the norm, over the longer term they ultimately revert to the mean. If you look at data from the last 120 years, global equities have provided real returns of 6.5% per annum in rands and SA equities have delivered real returns of 7.1% per annum. The theory of mean reversion suggests that a market dip will in due course be followed by a recovery, and those investors who are patient and who have the right asset allocation will benefit in the long term.

> Negative returns are more widely reported and are harder felt by us than positive returns.

I used my time over lockdown to double down on my reading and two other books made an impression on me with insights that are pertinent to how humanity has responded to the crisis. Both Yuval Harari ("21 Lessons for the 21st century") and Hans Rosling ("Factfulness: Ten reasons we're wrong about the world") explore the concept that humans are not built for satisfaction, and that we anchor to things getting worse rather than getting better.

Negative returns are therefore more widely reported and are harder felt by us than positive returns. However, if you look at the last quarter to the end of June, the FTSE/JSE All Share Index delivered 23.2% (incidentally its best quarterly return in almost 20 years). It shrugged off much of the negativity experienced in the first quarter and delivered a year-to-date number to end June of -3.2%. Global equities, as represented by the MSCI All Country World Index, returned 16.5% in rand terms over the six months.

We have built one of the only truly globally integrated investment businesses in South Africa.

Nevertheless, the market shocks have resulted in many advisors considering guaranteed annuities for both existing and new pensioners. Jaco van Tonder, Advisor Services Director, evaluates the different types of guaranteed annuities on how they deal with the various risks pensioners face. Our industry has too many examples of overly complex product designs that often only serve to obscure costs, but the key starting point when considering any guaranteed annuity is to understand which of the options would be appropriate for the situation.

We believe a big contributor to our success in generating meaningful investment outcomes for our clients is that over the last 23 years, we have built one of the only truly globally integrated investment businesses in South Africa. As Duane Cable, Head of SA Quality, explores in more detail in his article, we believe this integration allows us to retain talent across our business and removes home biases. It means our investment decisions can be made holistically, ultimately helping us to build better portfolios.

Our investment performance across our investment offering bears this out. Our Quality range of funds – comprising the Ninety One Opportunity, Global Franchise Feeder and Cautious Managed Funds – have been top quartile performers over all meaningful periods. All three funds have delivered strong absolute returns over the last 12 months (10.4%, 33.5%, 9.6% respectively, net of A class fees, as at the end of June). What is especially encouraging is that the Opportunity Fund has outperformed its sector 96% of the time over rolling three years and by as much as 4.1% per annum. (Who wouldn't like to get 96% in a test!) The Cautious Managed Fund has outperformed its sector 88% of the time and the Global Franchise Fund† has outperformed its benchmark, the MSCI All Country World Index, 87% of the time over rolling three years.*

We continue to be very vigilant in eking out extra returns for your clients.

However, another learning from Barry's book is that one should never claim victory in the midst of a crisis. We continue to be very vigilant in eking out extra returns for your clients. And as Hendrik du Toit, our founder and CEO, said in a recent interview, "Curiosity and humility are important. If you're not humble, the market will humiliate you." Look out for an update from him in which he reflects on the short-term challenges amid the pandemic and the longer-term opportunities after almost 30 years of running our business.

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*Past performance is not a reliable indicator of future results, losses may occur. Source: Morningstar, dates to 30 June 2020, performance figures are based on a lump sum investment, NAV based, inclusive of all annual management fees but excluding any initial charges, gross income reinvested. Cautious Managed inception date A share class: 31.03.06; Opportunity inception date A share class: 28.04.20; and Global Franchise Feeder Fund inception date A share class: 2.07.01. Annualised performance is the average return per year over the period. Highest and lowest returns are those achieved during any rolling 12 months since inception. Cautious Managed A: Feb-10: 23.8% and Feb-09: -6.8%; Opportunity A: Jul-05: 43.8% and Feb-09: -15.7%; Global Franchise Feeder Fund A: Mar-02: 45.0% and Mar-03: -40.0%. †Inception date: 10.04.07. Highest and lowest returns for Global Franchise A Acc are those achieved during any rolling 12 months since inception: Feb-10: 54.4% and Feb-09: -38.7%.

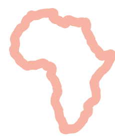
As ever, we are thankful for your support. While it has only been five months since we changed our name, you have really taken up the mantle to help spread the word to your clients. We truly appreciate it.

We're energised by the role we play in making sure the world gets back to work, both as stewards of your capital and responsible corporate citizens. We remain committed to efforts to help restore our economy and communities. On that note, please remember to lace up your running shoes or don your lycra on 5 September and join our virtual running and cycling challenge. We are hoping to raise a further R1 million for five fantastic charities. Ninety One will match all contributions.

Stay safe. Wishing you and your loved ones good health and great investment outcomes.

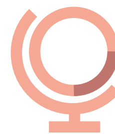
Sangeeth Sewnath
Deputy Managing Director

Helping to restore our economy and communities



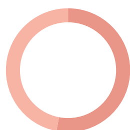
R50m

We contributed R50m to the government-endorsed solidarity efforts in South Africa, Namibia and Botswana.



R11m

We matched our staff members' charitable efforts and have to date jointly contributed more than R11m to charities in our communities.



40

SMMEs employ around 47% of South Africa's workforce. We partnered with 702 and Cape Talk to give 40 winning small businesses each a R20 000 cash boost and business coaching sessions.

100%

We have committed not to cut staff members and to honour all commitments to our service providers and suppliers.

This is not the new normal

The fast view

- South Africa's high COVID-19 infection rate seems to be a function of high density, low income living, and secondly, high tourist and local traveller numbers.
- The combination of denying people their freedoms, and on an unprecedented scale, their livelihoods, means people are angry – and understandably so.
- It's not just South Africans who are cross with their government. Across the world, people are angry with their leaders.
- What is important to remember, however, is that this is not the new normal. This is the "eye of the storm". It was never going to be easy.
- As winter starts to lift and summer returns to our shores, our numbers should start improving. Hopefully then we can lift more of the restrictions and start on our long road to recovery.

Jeremy Gardiner

> We surrendered our freedoms willingly, and waited.

No one ever said it would be easy when our turn came. Remember how we looked on in horror as first China, then Italy were locked down, followed by most of Europe? How we pitied Britain, a country with a population more or less the same as ours, but with rocketing infection numbers and similarly exorbitant deaths? For once, just once, could we possibly come off better? Yes, the experts suggested – emerging markets (and by definition SA as well) are younger, warmer and fortuitously vaccinated against TB.

Then we too were locked down. It made sense and seemed to be "global best practice", although our rules did appear to be stricter than everyone else. But never mind, we told ourselves, we've got a government "following science", so we all behaved...more or less. We were told we'd peak in August/September, but back in March, that was way too far away to worry about. So, we surrendered our freedoms willingly, and waited.

But that was then and this is now. Five months later and we're still locked down. How did this last so long, and how on earth did we wind up with the fifth highest numbers on the planet? Apparently, it's a function of two things: firstly, high density, low income living, which makes it impossible to social distance, and secondly, high tourist and local traveller numbers. Brazil and India have the same problem, but it also explains why our infection rate is so much higher than other African countries – we are more of a tourist hotspot.

With numbers rocketing, tighter restrictions were inevitable, and to an extent understandable. I'm not going to join the chorus against the ban on alcohol and cigarettes, except to say that anecdotally I'm told that most people, like with electricity, have simply gone off the grid. The problem is, the purchasing of contraband is very efficient, and often apparently delivered directly to your house. Therefore, the chances of getting them back on the grid (and paying "sin taxes") one day is going to be hard.

The combination of denying people their freedoms, their addictions and on an unprecedented scale, their livelihoods, means people are angry – and understandably so.

> How on earth did we wind up with the fifth highest numbers on the planet?

President Cyril Ramaphosa is shouldering most of the blame. Not a day goes by, I'm sure, that he doesn't regret having not stayed in business. This virus must be every politician's worst nightmare, because nobody knows where on earth it's going. "Crossing the river by feeling the stones," is how he puts it. But it's not just South Africans who are cross with their government. Boris Johnson is being held responsible for the UK's exaggerated death numbers by not locking down earlier, and Donald Trump is probably going to lose the US presidency over it. Across the world, people are angry with their leaders. Remarkably, Ramaphosa's popularity remains relatively high.

Of course, mistakes have been made. Many. We, like the rest of the world, are feeling our way. We really should just follow the science, and global best practice. We're not in this alone – it's clear what works and what doesn't. Every time we deviate from the science and global best practice, things tend to get messy.

What is important to remember, however, is that this is not the new normal. This is the "eye of the storm". It was never going to be easy. In fact, we are lucky in that it looks like our numbers are turning out to be better than even the most optimistic models were predicting. Some provinces, like the Western Cape, appear to have peaked already, and the numbers are starting to decline.

> What is important to remember is that this is not the new normal.

As angry as people are with the president, Peter Bruce put it beautifully in "Business Day" last month when he said that South Africans should pray the president remains safe from COVID-19. And he's right. Who for instance would take over as interim president until the party congress in 2022? His replacement – think DD Mabuza, Nkosazana Zuma or Ace Magashule – might make us dream of a Ramaphosa presidency.

So, hang in there. This too will pass. By the end of September, according to the scientists, we are predicted to be through the worst. As winter starts to lift and summer returns to our shores, our numbers should start improving. Hopefully then we can lift more of the restrictions and start on our long road to recovery.

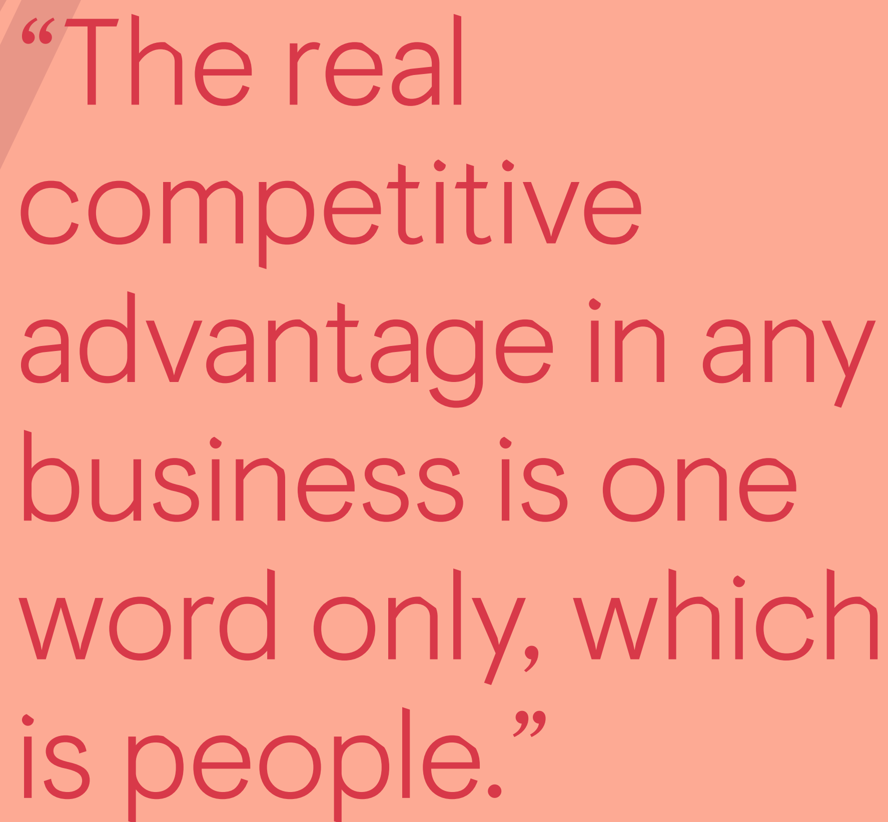
> By the end of September, according to the scientists, we are predicted to be through the worst.

The war for investment talent – a game changer in SA

The fast view

- The war for talent will likely accelerate in the years ahead and the ability to attract and retain talented investment professionals will be a real competitive advantage in South Africa.
- As a globally integrated business, we offer employees global career development opportunities and growth.
- Our ability to continue investing in talent should provide clients with a sense of comfort when it comes to our biggest competitive edge, our people.
- Having a global mindset helps us guard against any home biases and uncover the best investment opportunities, irrespective of their location.
- For both the Ninety One Cautious Managed and Ninety One Opportunity strategies, the best driver of growth in the portfolios remains high-quality global businesses with limited sensitivity to the global economic cycle.

Duane Cable
Head of SA Quality



Kamil Toume, writer and thought leader

The local asset management industry has experienced a growing number of emigrations and retirements recently and clients are understandably concerned about who will be managing their hard-earned savings in future. In my opinion, the war for talent will likely accelerate in the years ahead and thus the ability to attract and retain talented investment professionals will be a real competitive advantage. Ninety One is in a fortunate position, being a globally integrated business, which provides its staff with global career development opportunities without the need to emigrate, where that emigration is based purely on a lack of local career development opportunities. Clyde Rossouw, who co-heads our Quality capability, is resident in Cape Town yet manages a market-leading global equity fund, the Ninety One Global Franchise Fund. This is thanks to extensive and ongoing investment in technology to enable collaboration with his colleagues based in London, New York, Hong Kong and Singapore, and a culture which prizes and facilitates such teamwork, given the extraordinary results it delivers for our clients. Similarly, Charlie Dutton successfully manages Asian equities from Cape Town, having spent much of his life to date in London and Singapore. Their uncommon perspectives and experience are highly valued by their colleagues. A vastly enriched work environment is the result, including those just starting in their careers, who would otherwise wait for years for such exposure. Most importantly, the overall quality of investment debate and decision-making is improved, which ultimately benefits clients.

People are our biggest asset

At Ninety One, we recognise that our people are our biggest asset, and we realise the importance of ensuring we continue to invest in their growth and development. Our purpose is to build a better firm for our people, our clients and our communities. As a leader, it is hence my responsibility to ensure that every member of my team is exposed to the development and mentorship opportunities which will not only lead to their personal growth as investors, but will also result in better outcomes for clients. I am encouraged by the depth and breadth of talent within the organisation and the successes of our internal development programmes, including those that see team members travel to global centres of finance for experience they would otherwise not be afforded. Personally, I spent nine months immersed in our team in London challenging my home bias, as I was evaluating South African shares against their global counterparts in real time and making decisions with a fresh set of eyes. Having returned to South Africa, my experience has proved invaluable as I continue to analyse both local and offshore-listed stocks, deploying and transferring my knowledge within my immediate team.

I am encouraged by the depth and breadth of talent within the organisation.

Recently, I have been encouraged by the increase in résumés hitting my inbox from talented investors looking to join our business, attracted by the globally integrated model at Ninety One. I am confident that we will continue to build a bench of talent for the future. This also means embracing diversity and inclusion; our aim is to ensure that people of different backgrounds, cultures, beliefs and perspectives feel welcome at Ninety One.

Cultivating a global mindset is key

South Africa is small in the context of the global investment universe, representing less than 1% of respective global equity, property and bond indices. Today, more than 50% of earnings from businesses listed on the JSE are generated from outside SA. In the volatile world in which we find ourselves, it has become increasingly apparent that one needs to have a global perspective to navigate the choppy waters of investment markets. The reality is that global trends have a material influence on domestic markets, and one needs to have a more balanced perspective when evaluating the attractiveness of investment opportunities – both locally and abroad. It is no surprise that in an industry which has largely outsourced its global capabilities, investors who are only focusing on the South African market are feeling increasingly frustrated by the lack of local investment opportunities and inability to compete on a global scale. Fortunately, this does not include those who choose to work at and invest with Ninety One.

Regional investment hubs with a global reach

Being part of Ninety One has not only provided me with the opportunity to grow as an investor given my involvement in the global business, but it has also helped me deliver better outcomes for my South African clients. It has been my experience that an increasingly global mindset has allowed me to guard against any home biases and focus on the best investment opportunities, irrespective of their location. For both the Ninety One Cautious Managed and Ninety One Opportunity strategies, the best driver of growth in the portfolios remains high-quality global businesses with limited sensitivity to the global economic cycle. We favour those businesses that generate high and sustainable returns on invested capital which will continue to grow and compound over the long term. In a local market where growth opportunities are scarce, being able to deploy capital in leading global businesses which are trading at reasonable valuations, remains one of our highest conviction views.

We understand change

As a business, I believe we are in a strong position to be able to provide long-term solutions and stability to our clients despite the increased levels of uncertainty we face as a country. The opportunity to continue to invest in talent does not only excite me but should provide clients with a sense of comfort when it comes to our biggest competitive edge, our people.

Ninety One, was born during times of great change. So, we understand change. We have learnt how to respond and adapt to it – to be inventive, stay determined and retain our focus. So, whatever is happening now and whatever changes come next, we will do everything possible to manage the outcomes for our clients, our people and for the world in which we live.

When to re-evaluate your investment?

The fast view

- Investors are encouraged to stay the course with an investment unless it was incorrect from the outset or their circumstances have changed.
- However, it is important to re-evaluate an investment if one or more warning signals are triggered.
- These include investment team changes, evidence of investment philosophy drift, asset manager corporate action, significant cash flows and luck rather than skill driving returns.
- Investors also need to consider whether the fund offers value for money, if there is a better alternative to the fund and the offshore capability of the investment manager.
- Any change should take into account an investor's overall investment objectives and potential capital gains tax consequences – a qualified financial advisor could assist in re-evaluating existing investments.

Paul Hutchinson
Sales Manager

Generally, you should not alter your investment strategy or its execution unless it was incorrect at the outset, or your personal or financial circumstances have changed. At crucial points, such as when you get married, have children, get retrenched or retire, we strongly recommend that you consult a qualified financial advisor. Absent such change, the basic rule is: "Do not let shorter-term market fluctuations and negative market commentary sway your commitment to your long-term investment goals." There is much research that supports the view that investor behaviour is a destroyer of investor returns,[1] and that investors should "stay the course".

There is much research that supports the view that investor behaviour is a destroyer of investor returns, and that investors should "stay the course".

Having said that, we believe that you should re-evaluate a fund in which you are invested if one of the following warning signals is triggered:

- **Change in the portfolio manager(s) and/or the supporting analyst team**

  The portfolio manager is the key individual responsible for delivering on the fund's stated investment objective. Prior to making your investment, you (together with your financial advisor) would have evaluated the portfolio manager's ability to deliver on the fund's mandate. A change in portfolio manager necessitates an evaluation of the new portfolio manager's ability to continue to do so.

  In most instances, a portfolio manager is supported by a team of investment analysts. It is likely that these analysts play a significant role in the fund meeting its investment objective over time. Therefore, changes to the analyst team also necessitate the re-evaluation of the fund.

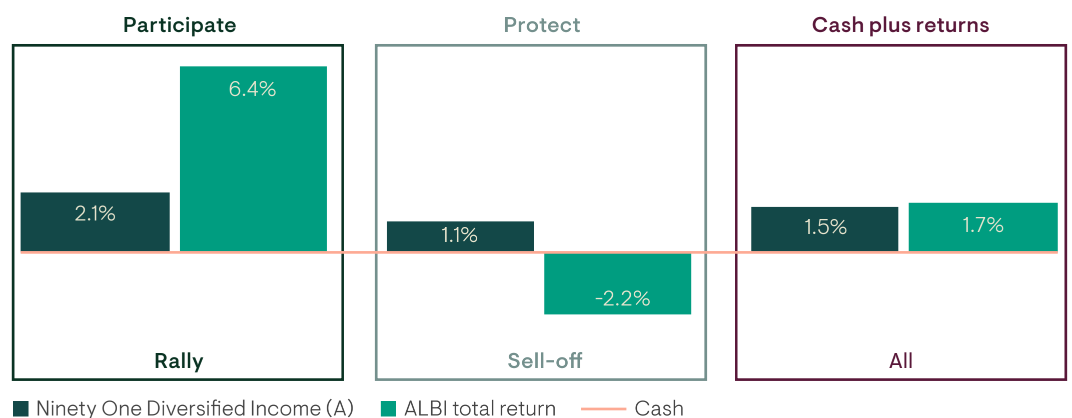
- **Evidence of investment philosophy drift**

  When selecting a fund to assist you in meeting your long-term investment objectives, you may have done so based on the portfolio manager's investment philosophy, for example value, growth or momentum-focused. It may be that after a period of underperformance because the investment style has been out of favour (value underperformance comes to mind over the past eight or so years), the portfolio manager starts to drift away from the stated investment philosophy. This style drift will likely result in the fund neither meeting its investment objective over time nor fulfilling the role for which you selected it. This should therefore trigger the re-evaluation of the fund.

1. Dalbar's Quantitative Analysis of Investor Behaviour Study has been analysing investor returns since 1994 and has consistently found that the average investor earns much less than what market indices would suggest.

A fund such as the Ninety One Diversified Income Fund aims to participate when the bond market outperforms cash and protect when the bond market underperforms cash. As illustrated in Figure 1, the fund has been able to consistently deliver on its cash plus objective over time. It is this sort of consistency through various market regimes that is important when considering which funds to include in your portfolio, as you need to be confident that the fund will continue to behave as you expect into the future.

Figure 1: Ninety One Diversified Income Fund: average rolling 12-month excess returns over cash



Source: Morningstar and Bloomberg. Returns are based on a lump sum investment, NAV based, inclusive of all annual management fees but excluding any initial charges, gross income reinvested; fees are not applicable to market indices. Where funds have an international allocation this is subject to a dividend withholding tax, in South African rand. Data from 30.09.10 to 30.06.20. Highest and lowest returns are those achieved during any rolling 12 months over the period specified. Jul 12: 13.4% and Jan 14: 4.5%.

— **Asset manager corporate action**

Change in the ownership structure, particularly where the asset manager has been acquired by a third party can be very distracting for all staff, including investment professionals, if not managed correctly. Portfolio managers and investment analysts are only human, and a change in ownership could result in an inward focus. Independent, focused asset managers with significant staff ownership are well aligned to delivering on client expectations through time.

— **A better alternative emerges**

While the fund selected may continue to meet its investment objective over time, it may be that a better alternative emerges. It is important then that financial advisors (and their support team/fund selection partner) continue to research the peer group. If an alternative fund consistently delivers better risk-adjusted returns, it may make sense to introduce this fund into your portfolio.

- **Value for money**

  It is important to ensure that you are sufficiently rewarded over the long term for the fee that you pay. A lower fee may not necessarily be an indicator of a better net return outcome. On the other hand, a higher fee needs to be scrutinised to ensure that you get value for money.

- **Luck rather than skill**

  When you made the initial investment, your analysis suggested that the portfolio manager had a demonstrable skill. But over time it now appears that, for whatever reason, this outperformance proved to be because of luck not skill. A re-evaluation is warranted given that luck is not enduring through time.

- **Significant cash flows**

  Significant cash flows in either direction over a short period of time may impact a portfolio manager's ability to implement their investment philosophy. Monitoring cash flows is therefore important. In this regard, it is also important to understand how concentrated the "ownership" of the fund is, as a fund with a few large investors could be materially impacted should one or more decide to exit.

- **Assets under management**

  Certain investment philosophies' ability to deliver outperformance reduces as assets under management grow and portfolios become unwieldy. It is crucial that the asset manager has the discipline to close to new investments and not succumb to greed.

- **Offshore capability**

  With managers now able to invest up to 30% offshore and a further 10% in Africa ex-South Africa (in respect of Regulation 28-compliant funds and funds classified by ASISA as South African portfolios[2]), it is essential that the managers demonstrate excellent, fully integrated investment capabilities, with local and offshore assets managed holistically. While some managers may outsource the offshore holdings in their South African portfolio, we believe it vital they are managed with full oversight by the South African fund's portfolio manager(s), rather than as a bolt-on portfolio of vanilla assets benchmarked to a global index. Bolt-on, at best, does not enhance the risk/return trade-off and at worst leads to unintended positions within the fund.

> Local and offshore assets need to be managed holistically.

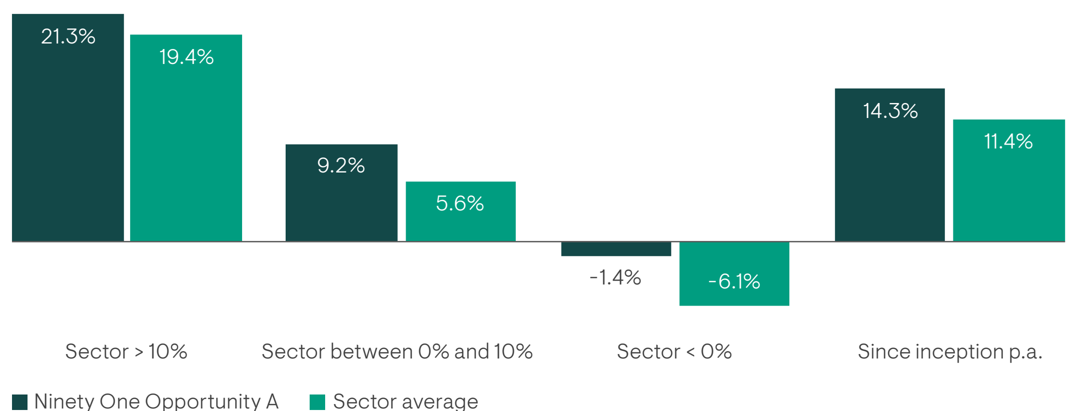
2. ASISA Standard on Fund Classification for South African Regulated Collective Investment Scheme Portfolios, 30.10.18.

— **Material changes to the economic and investment environment**

Over time, economies are expansionary and investment markets deliver positive returns, but both may become over-heated. At this point it may make sense to de-risk your portfolio by reducing exposure to high beta funds (funds that follow a momentum investment philosophy, for example) and introducing more defensively-positioned funds (for example, funds that follow a quality investment philosophy). Unfortunately, timing such a move is extremely difficult and therefore it makes sense to include a defensively managed fund to which you maintain exposure through the cycle.

While funds such as the Ninety One Cautious Managed, Opportunity or Global Franchise Funds meaningfully participate in strongly positive markets, they demonstrate the true strength of the Quality team's approach in sideways-moving and negative markets. The result is that they outperform through the market cycle, as illustrated in Figure 2 of the Ninety One Opportunity Fund. This enduring performance signature has benefited long-term investors.

Figure 2: Ninety One Opportunity Fund – relative strength in sideways to down markets Average rolling 12-month performance



Past performance is not a reliable indicator of future results, losses may be made.
Source: Morningstar, dates to 30 June 2020, NAV based, inclusive of all annual management fees but excluding any initial charges, gross income reinvested; fees are not applicable to market indices. Where funds have an international allocation this is subject to a dividend withholding tax, in South African rand. Data since May 2000. Highest and lowest returns are those achieved during any rolling 12 months over the period specified. Jul 05: 43.8% and Feb 09: 15.7%.

Conclusion

While this list is not exhaustive, it provides some warning signals that should trigger the re-evaluation of your current fund holdings. Importantly, any change should be carefully considered in the context of your overall investment objectives and any potential capital gains tax consequences. Again, we would recommend that you consult with a qualified financial advisor.

Watch our When to re-evaluate your investment FastView video.

Any change should be carefully considered in the context of your overall investment objectives and any potential capital gains tax consequences

Will the weaker dollar give SA fixed income a reprieve?

The fast view

- Inflation and interest rates have retreated in South Africa, which is very supportive for our bond market.
- We expect another rate cut this year of 25 basis points.
- While foreign capital outflows have been a concern, the weaker dollar may give National Treasury some breathing room to address public finances.
- The outlook for the rand is more balanced – we have lowered our offshore allocation and have diversified away from the dollar.
- If the government manages to contain its wage bill and we see some concrete progress on the path to structural reforms, SA bonds could enjoy a capital uplift.

Peter Kent
Co-Head of SA & Africa
Fixed Income

Malcolm Charles
Portfolio Manager
Fixed Income

What a tumultuous year 2020 has been so far! Bond investors experienced a harrowing first quarter, where SA bonds lost nearly 10% in March – the worst month ever. Not only have investors had to contend with the market fall-out from the COVID-19 pandemic, but also the credit downgrade to junk from Moody's.

The South African Reserve Bank (SARB) has been cutting rates aggressively this year in response to the economic devastation caused by measures to contain the spread of the virus. Falling inflation and poor demand have given the SARB room to cut rates by a staggering 300 basis points this year. This brings the repo rate to 3.5%, the lowest rate since the system was introduced in 1998. These rate cuts, coupled with the benign inflation outlook and local and global stimulus measures, have helped to bolster SA bonds. We've seen a strong rebound over the second quarter, with the SA market returning almost 10%.

Stimulus-induced debt will need to be repaid

There's no doubt that on the global front there is going to be stiff competition for capital over the next few years. The borrowing needs of governments across the world are increasing at unprecedented rates due to fiscal stimulus measures to bolster their economies. Developed markets have the luxury of not really having to queue for capital, given their central banks' ability to monetise those borrowings in a non-inflationary way. But as this approach poses a significant currency risk for emerging markets (EMs) such as South Africa,[1] we will have to join the long emerging market capital queue – with the relative attractiveness of our bonds and currency moving us up and down it.

Over the first half of the year, the rand took a huge knock, losing close to a quarter of its value against the dollar. A risk-off global environment, substantial foreign outflows from our bond market, SA's fiscal deterioration, and aggressive domestic rate cuts, have all contributed to rand weakness. High real rates had previously helped to anchor the rand and protect the capital account as they enticed yield-seeking foreign investors to invest in our bond market. The SA government has relied heavily on foreign bond investors to help fund its ballooning budget deficit. While foreign capital outflows have been a concern, the weaker dollar environment may give National Treasury some breathing room to address public finances.

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1. "Why quantitative easing isn't appropriate for South Africa", Nazmeera Moola, July 2020.

Why the US dollar may remain weak for some time

The unprecedented policy action from governments globally to cushion the virus impact has led to significant extra debt being added to already high levels. Global stimulus amounts to more than US$15 trillion,[2] which far exceeds support measures following the Global Financial Crisis. The US Federal Reserve (the Fed) is keeping the liquidity taps open, ensuring that dollar funding will remain readily available to foreign central banks until March 2021. Its emergency lending programmes will also run until the end of this year. Besides the Fed expanding its balance sheet aggressively, it's also deeply committed to keeping interest rates rock bottom for the foreseeable future. While the Fed is pulling out all stops to save the global economy and keep financial markets going, the dollar has come under pressure.

With nominal interest rates pinned at zero and inflation pressures allowed to build, the Fed is hoping to engineer negative real interest rates for the next few years at least. As a consequence, the US could see capital outflows as investors seek positive real yields elsewhere. Such a move could see capital flow to Europe, Japan and China, and high-yielding emerging markets. Ironically, places like Japan and Europe that have traditional low carry currencies with negative nominal rates, could be considered "higher carry" than the dollar, given higher realised inflation in the US and the Fed's ability to therefore engineer more negative real rates.

With fiscal and monetary policy measures in overdrive, US consumer spending could pick up and add fuel to the potential oversupply of dollars. Ultimately, very loose monetary policy in the US could put pressure on the country's current and capital accounts, which in turn would keep the dollar on a downward path.

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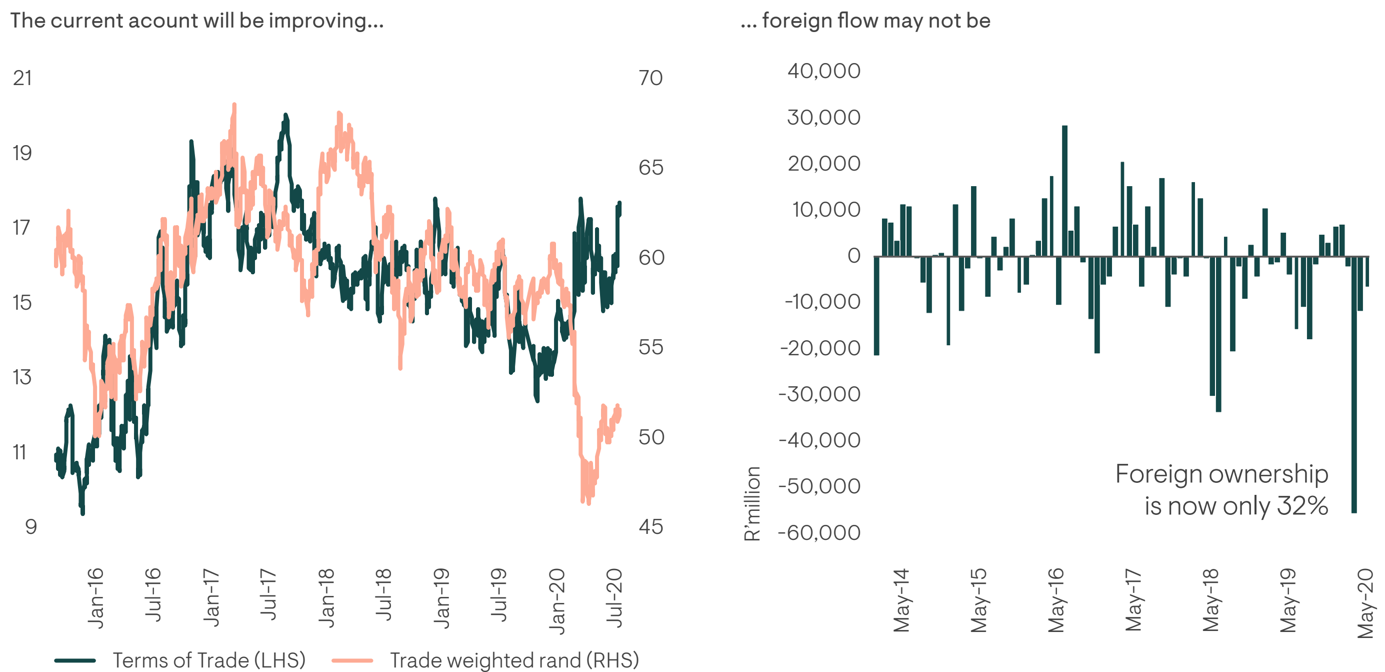
2. Source: Reuters,"$15 trillion and counting: global stimulus so far", 11 May 2020.

The outlook for the rand is a lot more balanced

Over the last few weeks, the rand's fortunes have been buoyed by the relatively weak dollar environment. Looking forward, the value of our currency can be thought of as a battle between the capital and current account, with the dollar environment and global sentiment being key considerations in attracting capital and foreign flows.

Figure 1: The rand – a battle between current and capital accounts



Source: Bloomberg, data as at 27 July 2020.

One of the key factors in the health of our current account is our terms of trade – it serves as a proxy for our ability to generate foreign income through trading with the rest of the world. South Africa's terms of trade have been improving because our exports have been bolstered by rising commodity prices, such as iron ore and gold. At the same time, the value of our imports has fallen, largely because of the sharp decline in the oil price but also weak overall demand due to the lockdown and the severe economic contraction.

> The value of our currency can be thought of as a battle between the capital and current account.

As can be seen in the chart on the left, the trade weighted rand (pink line) tracks our terms of trade (green line) reasonably well through time. It follows, therefore, that the recent improvement in our terms of trade should have supported the value of the rand. This has not happened because of the chart on the right – capital has been leaving the country in the form of bond outflows, a function of sentiment and the global competition for capital. Somewhat fortuitously, for the first time in 17 years, South Africa recorded a surplus on its current account in the first quarter of 2020. This has made the currency risks more balanced, helping to mitigate the impact from foreign portfolio outflows.

So, while dollar weakness has been good for the rand, better global risk sentiment, foreign investors searching for yield and our improving terms of trade have also underpinned it. This confusing mix of currency forces means, in our view, that the risks to the rand are a bit more balanced than what you may read in the papers. It is clear, however, that the currency does not have a strong fundamental anchor either way and is therefore likely to be buffeted by global events – rand volatility is about the only thing of which you can be assured.

This confusing mix of currency forces means, in our view, that the risks to the rand are a bit more balanced than what you may read in the papers.

Where to from here?

It seems that the SARB is coming close to the end of its rate-cutting cycle – we expect another rate cut this year of 25 basis points. Lower interest rates should provide some relief to battered consumers and businesses. We expect GDP growth for the year to decline by more than 8%, but we should see some green shoots in 2021.

> While the plan is good, the risks, as always, lie in implementation.

The sharp economic contraction will materially impact the government's coffers. National Treasury is budgeting for a R305 billion plunge in tax revenues this year due to the fall in VAT and personal income taxes. The shortfall will be funded by a re-allocation in the budget, a drawdown on cash balances at the SARB, foreign loans (e.g. the New Development Bank, the IMF and the World Bank), and additional bond issuance. So, while government finances are dire, these financing measures mean government does not necessarily have a cash-flow problem. Through the "active path" in the June Supplementary Budget, there is a clear attempt to stabilise the debt profile at 87.4% of GDP by 2023/24, by significantly reducing expenditure and stimulating growth through regulatory reform. While the plan is good, the risks, as always, lie in implementation – and the bond market knows it. The market has shifted the burden of proof to National Treasury – the Medium-Term Budget Policy Statement scheduled for release in late October, will be key (along with the progress of wage bill negotiations and funding for state-owned enterprises).

The attractive yields in our bond market reflect these fiscal risks and the doubts the market has. With cash rates so low, SA investors needing a decent income from their investments, are finding attractive real yields in our bond market. If the government manages to contain its wage bill and we see some concrete progress on the path to structural reforms, South African bonds could enjoy a capital uplift.

How are we positioned?

Inflation and interest rates are the two key factors that drive bond markets. Both have retreated in South Africa, which is very supportive. On valuation grounds, South African government bonds remain attractive versus inflation, cash and EM peers. But they are by no means riskless.

The Ninety One Diversified Income Fund aims to "participate and protect". While the harrowing first quarter for bond markets was all about protecting the downside of the fund, the second quarter gave us the opportunity to participate in the upside, with bonds giving us an attractive capital return.

We also managed to mitigate rand weakness in the first half of the year, thanks to our offshore allocation, which was higher than at any other period over the last four years. Our offshore allocation acts as a buffer against local interest rate-sensitive risks and helps to offset any inflation risks from rand weakness. While we still need to manage potential rand weakness, we think the outlook for the currency is more balanced, as outlined above. We therefore have a lower offshore allocation than we had in the first half of the year, and our foreign exchange exposure is diversified away from the dollar.

We have maintained an underweight position in listed property for some time and remain very cautious. We have gradually started to increase our allocation, focusing on the valuations of quality companies with stronger balance sheets. The portfolio has maintained a defensive investment-grade credit positioning in light of the weak local growth outlook in recent years. Security selection remains paramount and we continue to monitor the sector for opportunities to enhance yield, based on attractive risk-return dynamics.

We have built up a decent liquidity buffer to take advantage of the opportunities that will arise over the near term. With cash rates already at the 3.5%-level and potentially heading lower, our combination of bond duration and asset allocation maintains yields substantially above that. We have a balance of exposures to provide some protection against the multitude of risks locally and globally. This investment strategy has worked well for us during periods where we have experienced bond market volatility or rand weakness.

Rethinking annuity options for pensioners

The fast view

- Amid COVID-19 market shocks, many financial advisors are now considering including guaranteed annuities in their solutions for both existing and new pensioners.
- There are many different types of guaranteed annuities and it is useful to evaluate them on how they deal with the various risks that pensioners face.
- These risks include investment risk, longevity risk, sequence of return risk, inflation risk and balance sheet risk.
- In some instances, a living annuity-only solution becomes risky; for example, if a pensioner's initial income draw is 5% or more of their capital and the annuity is expected to last 25 years.
- In such a case, an advisor needs to consider purchasing some type of guaranteed annuity in addition to a living annuity to insure the pensioner's longevity risk.
- Finally, protection/insurance is only useful if you are receiving value for money and you understand the challenges, which are often not obvious. We cover these in the next article in the series.

Jaco van Tonder
Advisor Services Director

Depressed SA investment markets over the last few years have prompted many financial advisors to re-evaluate their annuity strategies for pensioner clients. The first round of this review focused on making sure that living annuities, which are estimated to represent over 90% of pensioner annuities sold in the past 15 years, were set up and managed appropriately, and that the key risks inherent in living annuities were properly handled and explained to pensioners. In this regard, Ninety One published several papers outlining the key criteria for successful living annuities.[1]

The second part of this advisor review has now become necessary, largely because of the COVID-19 lockdown shocks to the economy and markets. Many financial advisors are now looking at options to include some type of guaranteed annuity in their solutions for both existing and new pensioners.

The challenge facing advisors is that we have experienced a generation of mostly synchronised bond and equity bull markets, with the odd market correction along the way. For virtually all of this time (since the mid-1990s), living annuities have produced very attractive risk/return trade-offs for South African pensioners, relative to perceived poor value for money from traditional guaranteed annuities.

Suddenly, however, it appears that perceptions have shifted, and that many advisors believe that guaranteed annuities offer solutions to some financial planning problems. Do they really, or was this just a passing blip caused by spiking bond yields and investor emotion in response to COVID-19 fears? When should one consider such annuities? And which types of guaranteed annuities are suitable for which clients?

This piece is the first in a series of articles looking at broader annuity options in the South African context and aims to help advisors with a framework to evaluate options for their pensioner clients.

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1. https://ninetyone.com/en/south-africa/how-we-think/insights/living-annuity-an-active-solution

1 Understanding annuities in terms of the risks they hedge against

A useful way to understand different annuity options is to look at how they deal with the key risks that pensioners face:

- Investment risk – who carries the consequences of poor investment outcomes or inappropriate investment choices?
- Longevity risk – the risk that the pensioner lives longer than the retirement plan expected.
- Sequence of return risk – the risk that the pensioner retires in a bear market, which has been proven to have a materially negative impact on a retirement.
- Inflation risk – the risk that annual pension income increases fall significantly behind inflation over time.
- Balance sheet risk – the strength of the balance sheet underpinning any guarantees provided.

When considering pension annuity options, it is useful to evaluate them based on how they manage each of these major risks. It is important to understand if a specific annuity protects against any of these major risk areas, and if they do, whether the price of the protection is worth it.

This last point is key – protection/insurance is only useful if you are paying a market-related price for it and receiving value for money. Transparency of pricing has historically been lacking in respect of many guaranteed products. This has often been due to the difficulty in calculating costs upfront (e.g. how to determine the full cost of protection, including the forfeiting of dividends or manager alpha, as is often the case with derivative instruments). However, this does not mean one should ignore these costs and just look at the benefits promised.

2 When should an advisor consider a guaranteed annuity as part of a pension plan?

Financial advisors today find themselves increasingly facing a key question when meeting a new prospective pension client: Should this pensioner have a guaranteed life annuity as part of their pension plan?

It is easy to get lost here given there are many aspects that should be considered. The following are but a few of the key considerations:

- What proportion of a pensioner's income will be generated by the annuity?
- What other sources of income can be tapped into if needed?
- The income trajectory that the pensioner requires over their retired lifetime.
- The need to provide income for the surviving spouse.
- The need for beneficiary benefits.

The simplest way to approach the challenge, however, is to regard guaranteed life annuities as longevity insurance. They are best used as insurance for a pensioner with a smaller pension pot for whom the risk of living longer than their retirement plan is catastrophic.

In our earlier work on sustainable living annuities, we suggested the use of the gross (of tax) income rate at retirement as an indicator of longevity risk. You can calculate the gross (of tax) total income rate as follows:

$$\frac{\text{Total gross (of tax) initial annual income required for pensioner household}}{\text{Total income producing assets of pensioner (retirement + voluntary assets)}}$$

From our previous living annuity work we identified that the risk for living annuities to fail over a 30-year period goes up substantially as the initial income draw goes over 5% of the capital.

This boundary is the critical indicator – if the initial gross income required is less than 5% per annum, the pensioner probably does not require longevity insurance, and a living annuity could be used for the entire pension plan.

However, if the initial gross income rate as calculated above is 5% per annum or more, and the annuity is expected to run for 25 years or more, a living annuity-only solution becomes risky. In this case, an advisor needs to consider purchasing some type of guaranteed annuity in addition to a living annuity to insure the pensioner's longevity risk.

3 Common guaranteed options offered on life annuities

Now that we have an idea of whether a particular pensioner should have a portion of their pension in some type of guaranteed annuity, the second question is: What type of guaranteed annuity?

For advisors who have not worked with guaranteed annuities for a while, the bewildering range of product types that have been developed over the years does not make it easy. Many advisors, quite rightfully so, are immediately suspicious of any product where the brochure reads like a SpaceX rocket piloting guide. Our industry has too many examples of overly complex product designs that often only serve to obscure costs.

Below we classify the major guaranteed options available for life annuities – we will investigate these in more detail in parts 2 and 3 of our series:

1. **Fully guaranteed life annuities** (also known as non-profit annuities). The initial income, annual increases and beneficiary benefits are fully guaranteed at the outset and for the lifetime of the insured life/lives by a life insurance company.
2. **With-profit guaranteed life annuities.** The initial level of income and beneficiary benefits are guaranteed for the lifetime of the insured life/lives by a life insurance company. However, the annual income increases are not guaranteed but are linked to the performance of a referenced investment portfolio.
3. **Living annuities with guaranteed investment options embedded.** In effect, these are structured investment products held inside a living annuity that offer capital guarantees or smoothed investment returns, or a combination of both.
4. **Hybrid annuities.** These offer combinations of the first three options listed above.

The key starting point when considering any guaranteed annuity is to understand which of these four options would be appropriate for the situation. Understanding the type of annuity suitable for the problem you are trying to solve, simplifies the process of evaluating and picking an annuity provider.

The key starting point when considering any guaranteed annuity is to understand which of these four options would be appropriate for the situation.

4 Conclusion

Since guaranteed life annuities can appear to offer attractive rates at times in the market cycle, they are important options to assess as part of an advisor's advice process. In this and future articles, we provide a framework for analysing these products, as well as some of our own thoughts on various product options.

In our next article, we take a closer look at the first two annuity types listed above: non-profit and with-profit guaranteed annuities.

Will growth assets continue to grind higher?

The fast view

- Growth assets have continued to hold up well in the face of some potentially serious risk factors.
- Our central scenario remains constructive, but many risks remain. We should see a broadening of the recovery in equity markets with stock markets outside the US and China doing better.
- US rates are going to be kept low well into an eventual recovery.
- The dollar should continue its decline, improving risk appetite internationally.
- The current bull market in gold may eventually be properly tested, but not until 2021.

Philip Saunders
Co-Head of Global
Multi-Asset Growth

The market environment in 2020 has been truly extraordinary. Coming into the year, markets were responding positively to a global turn up in manufacturing, following over two years of weakness. This was aborted by the spread of COVID-19 – a "black swan" event – which unlike its predecessor, SARS, rapidly evolved into a global pandemic. We saw markets plunge into bear market territory in record time and briefly become illiquid. Thereafter, equity and other "growth" assets staged a V-shaped recovery that few market participants believed could be possible.

Figure 1: Equity markets have recovered most of their losses
MSCI ACWI last 12 months daily close

Source: Bloomberg, 6 July 2020.

The US equity market briefly became cheap, but multiples rebounded from a low of 12.9x on the S&P 500 to a current 22.0x. This has been a P/E-led melt up. The S&P 500 forward price-to-sales ratio rose to a record 2.32 in mid-July, well above the previous two cyclical peaks. In reality, the equity market recovery has been narrow, heavily favouring large-cap growth stocks. This has propelled the tech-heavy Nasdaq Index to new highs. High-yield credit spreads blew out to 730 basis points but now trade closer to 500 basis points.

The equity market recovery has been narrow, heavily favouring large-cap growth stocks.

In the circumstances, a material recovery in traded asset prices can be justified. Markets had become illiquid in March and consequently experienced sharp losses. The US Federal Reserve (the Fed) stepped in rapidly and, having learnt the lessons of 2008, assumed the role of "market maker of last resort". It acted aggressively to prevent a liquidity shock turning into a far more dangerous credit crisis. Substantial dollar credit lines were extended internationally to mitigate the dollar "margin call" that was wreaking havoc, particularly in emerging markets.
The rally began as investors and traders – newly minted bears who had scrambled to cut risk as prices had plummeted – were squeezed.
But the initial rally still seemed to conform to the pattern of a typical bear market rally, leaving many on the sidelines. The rally, however, kept on going, with very modest setbacks. In our view, this can be attributed to the success of China's lockdown policy, which enabled production to resume relatively quickly, coupled with the extent of monetary and fiscal responses around the world. Global stimulus measures were much more rapid and bolder than generally expected.

The inflection point in global industrial production occurred as early as April which, although admittedly from depressed levels, has subsequently provided a positive undertow. It signalled that a relatively rapid return to normal was possible, even at a time when COVID-19 hospitalisations were spiking around the world (ex Asia). Underwritten by governments and central banks, markets were prepared to look through shorter-term negatives, to normal levels of economic activity towards the end of 2021. After all, equity valuations, in particular, are about discounting long-term cash flows.

Figure 2: Markets are looking through near-term data and pricing in an economic recovery S&P 500 12-month forward PE multiple

Source: Bloomberg, Ninety One as at 1 July 2020.

Where to from here?

Given current index-level valuations for US equities, we believe further material progress will require more tangible signs of a return to normal social interaction in 2021. This would allow for a faster and fuller economic recovery than the consensus currently expects. Despite the recent negative narrative surrounding COVID-19 spikes, the actual data seems to be encouraging, as does news about treatment and vaccines. Although hospitalisations have increased in a number of areas, particularly those that have lagged the earlier outbreaks in the United States, mortality rates seem to have improved. This, in part, is the result of "learning by doing" and the consequent improvement in treatment. However, the fact that the mortality rates seem to be remarkably consistent internationally, despite very different national policy responses, suggests that susceptibility is a lot lower than previously feared (and modelled).

> We have the prospect of herd immunity levels being lower than previously assumed.

There is also extraordinary momentum around the development of vaccines – a testament to the dramatic advance of biotechnology in recent years. Initially, it appeared that an effective and tested vaccine would not be available for at least 12 months and possibly not at all. Now, at least four contenders are in the final stages of testing and pre-production. This means that there is a real possibility of vaccines being used for emergency cases by October 2020 and, more generally, in the first half of 2021. Should this be so, we have the prospect of herd immunity levels being lower than previously assumed. Apart from its impact on consumer behaviour, it would reduce the risk of excessive policy caution on the part of governments, which seems to be one of the key risks to social and economic normalisation.

> The combined fiscal and monetary response, designed to shore up economies and markets, will remain very supportive of asset prices.

While the news relating to the pandemic overall is constructive, the actions of governments and central banks have also been supportive. The combined fiscal and monetary response, designed to shore up economies and markets, has been completely unprecedented, eclipsing in both speed and scale the measures taken in the aftermath of the Global Financial Crisis. This has been, and will remain, very supportive of asset prices for the time being. In particular, Fed policy has decisively changed. The attempt to normalise rates was understandable but to do so pre-emptively before inflation had decisively moved back up to its target, is now seen as a mistake. In a recent press conference, Fed Chairman Jerome Powell stated: "… [I]f we were to hold back … because we think asset prices are too high … what would happen to those people [who are unemployed] … the people that we are actually legally supposed to be serving? We are supposed to be pursuing maximum employment and stable prices and that is what we are pursuing." Hence, US rates are going to be kept low well into an eventual recovery.

Change is also evident in the eurozone. Initially, Europe's response to the pandemic was fragmented along national lines, but Chancellor Merkel, to paraphrase Winston Churchill, didn't "waste a good crisis", securing German support for a new budget and a massive reflationary programme that importantly set a new level for financial burden-sharing. The eurozone still faces many challenges, but for now the risk of a break-up has been dramatically reduced. Central to the recovery plan is a green industrial policy aimed at speeding up the energy programme and putting Europe at the forefront of environmental innovation.

Our central scenario is constructive, but many risks remain

In short, our central scenario remains constructive. We should see a broadening of the recovery in equity markets with stock markets outside the US and China doing better, and "value" closing some of its extreme disparity with "growth". The dollar should continue its decline, improving risk appetite internationally. The current bull market in gold may eventually be properly tested, but not until 2021.

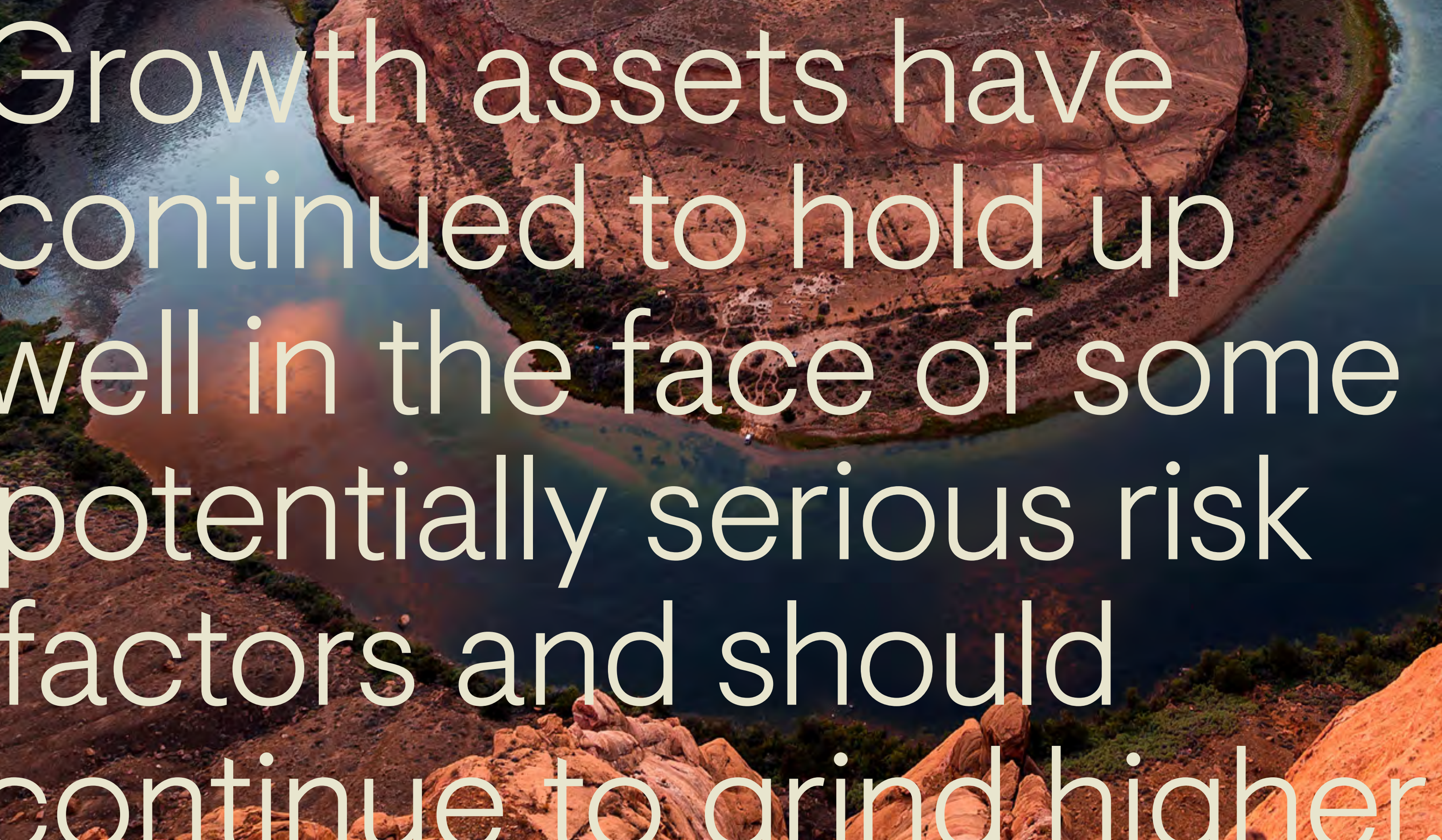
As ever, many risks to this central scenario remain. For the current bull market to be sustained, we need to see more evidence that normal social interaction is on track to be fully re-established over the course of 2021, and that the inevitable economic scarring does not worsen. The "false" equilibrium that has prevailed over the last two market cycles has been restored, but at the price of yet more state intervention in markets and financial repression. This will have challenging consequences but those are likely to be manifest beyond the immediate investment horizon.

> The "false" equilibrium that has prevailed over the last two market cycles has been restored, but at the price of yet more state intervention in markets and financial repression.

Markets have so far shrugged off the escalating strategic tensions between the Unites States and China, which have continued along tit-for-tat lines. Neither side have an interest in allowing these to get out of hand and compromising their respective economic recoveries. However, we are closely monitoring US-China developments, as both countries' actions could have unintended consequences that materially affect producers and consumers across the globe.

In conclusion

Growth assets have continued to hold up well in the face of some potentially serious risk factors and should continue to grind higher. The Fed is now focused on driving real interest rates lower, even at the expense of asset price inflation. If this is successful, a weaker dollar should benefit non-US (especially Asian) assets, other currencies and gold.



Growth assets have continued to hold up well in the face of some potentially serious risk factors and should continue to grind higher

Sealing a momentous year and looking to a better future

A note from Hendrik du Toit,
Founder and CEO of Ninety One

On 1 April, Ninety One entered its thirtieth year. During the momentous last month of our 29th financial year, we successfully demerged from Investec, listed on the London and Johannesburg stock exchanges, and rebranded as Ninety One, an independent investment manager with 21% staff ownership.

We ended the year with record earnings, a high-quality client base from around the world and a highly motivated and experienced leadership team. None of this would have been possible without the ongoing support of our clients. What could have been a celebration of our accomplishments in building a business from start-up stage to a firm with a £2 billion market capitalisation, was instead replaced by an intense focus on navigating the COVID-19 world. Life has a way of ensuring that we all stay humble.

Ninety One navigated the early challenge from the COVID-19 pandemic well. We managed to remain one coherent firm, in spite of working from more than 1000 workplaces; we kept our nerve and captured the market rebound as one would have expected from experienced investors; and we continue to actively engage our clients and the broader society during this difficult period. As stewards of your capital, we carry a huge responsibility to add value to your portfolios and engage you in thoughtful ways, no matter how challenging the market conditions may be.

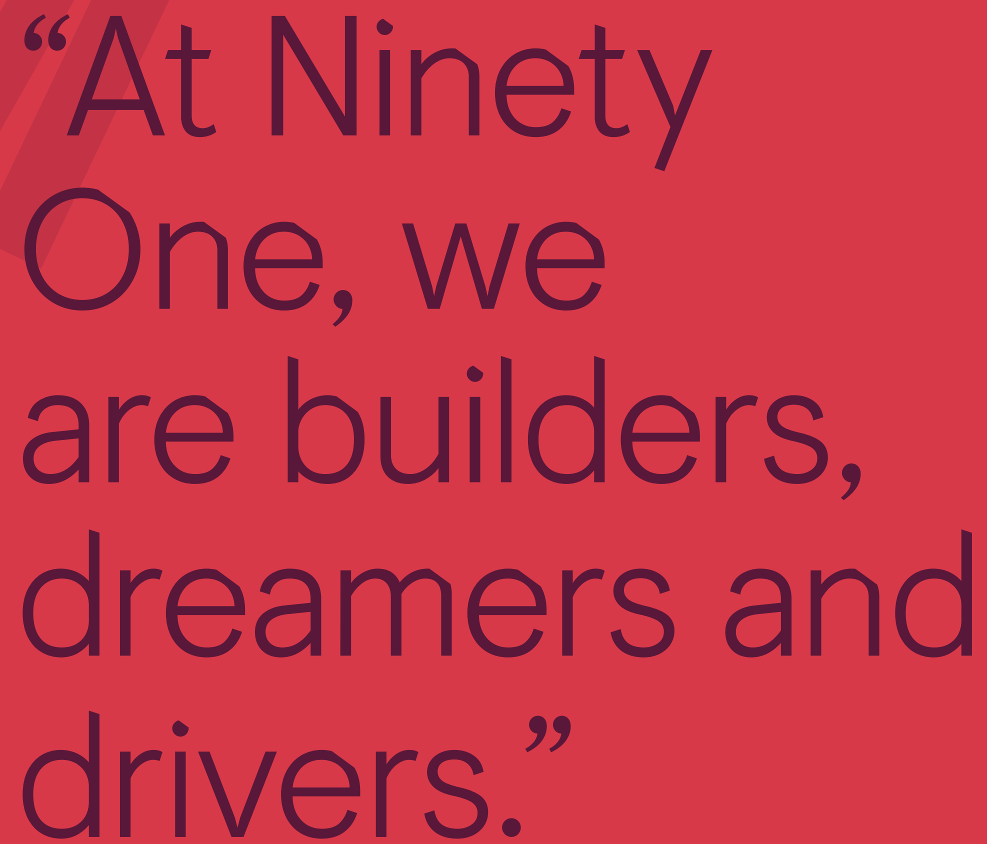
> We are well differentiated from our competitor universe by our blend of global and emerging market investment expertise, and our origins in South Africa.

The consequences of the COVID-19 pandemic will be with us for many years to come. We now inhabit a more divided, poorer, more stressed world than before. We operate in financial markets that are still driven by debt-fuelled stimulus and remain accommodated by ultra-low interest rates. It is therefore vital that we engage this challenging world with maximum strategic clarity.

Notwithstanding the events of recent months, our strategy remains consistent. Ninety One continues to provide a range of specialist, active strategies to our global client base. We are well differentiated from our competitor universe by our blend of global and emerging market investment expertise, and our origins in South Africa.

We believe that the growing weight of emerging markets in the world economy is a structural trend, leading to increased representation in major indices, over time. This underlines the relevance of emerging markets to asset owners. Our investment approach combines this perspective with a global approach to investing, free from “home bias”.

The near-term challenges facing emerging markets have not changed our long-term view. To the contrary, we expect the next few years to provide our investors with compelling long-term opportunities in both developed and emerging markets, and risk assets in general.



"At Ninety One, we are builders, dreamers and drivers."

Hendrik du Toit,
Founder and CEO
of Ninety One

We have to grow the business by delivering on the expectations of our clients in terms of performance and service and ensure that we remain relevant to your needs. It is as simple as that.

However, when you have an organisation of smart, independent-minded people it takes more than the formal logic of strategy to marshal the full capacity of that organisation. Culture is the "unspoken language". Culture is the glue that binds people into an effective team, based on shared assumptions, mindsets and social patterns.

In any organisation, especially an intellectual capital business with a capital-light, organic growth model, "culture eats strategy for breakfast".* Although our people are for now physically distanced, they are all custodians of the special Ninety One culture.

This culture of ours is unique, has developed organically over three decades and has become key to our success. It has been built on a foundation of entrepreneurship and our "founder-owner" mindset. At Ninety One, we are builders, dreamers and drivers. Here we have "freedom to create" within clear parameters of values, team and strategy. We encourage direct, honest and open discussion, benefiting from our diversity of background, lived experience, thought and perspective. Our people have the freedom to be themselves, which facilitates the combination of individual expression with collective ambition and team discipline.

We are committed to doing our best for all stakeholders in the ongoing battle against the COVID-19 pandemic and its devastating economic consequences.

At Ninety One, we have reconciled individuality with teamwork. We have no place for outsized egos or "I-specialists". It is about the "we", but in the context of respecting the "me". We insist on results but not at the expense of the human spirit. Relationships matter. We care about one another and treat people fairly. We are, after all, a people-centred business. We balance relentless drive with decency. A cornerstone of our culture is to "do the right thing".

We are committed to doing our best for all stakeholders in the ongoing battle against the COVID-19 pandemic and its devastating economic consequences. We will do this by remaining focused on our clients and the investments we make on your behalf. Furthermore, we will engage and support the companies we invest in, care for our people and contribute to the societies we serve.

We believe our staff stability, strategic clarity and culture position us well for the long term. We intend to use this period of market and economic dislocation to inspire ourselves to build a better firm, develop better ways of investing and renew our commitment to building a better world. The people of Ninety One fully intend to pursue our purpose of investing for a better tomorrow.

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*This is often attributed to Peter Drucker, but the origin is not clear.

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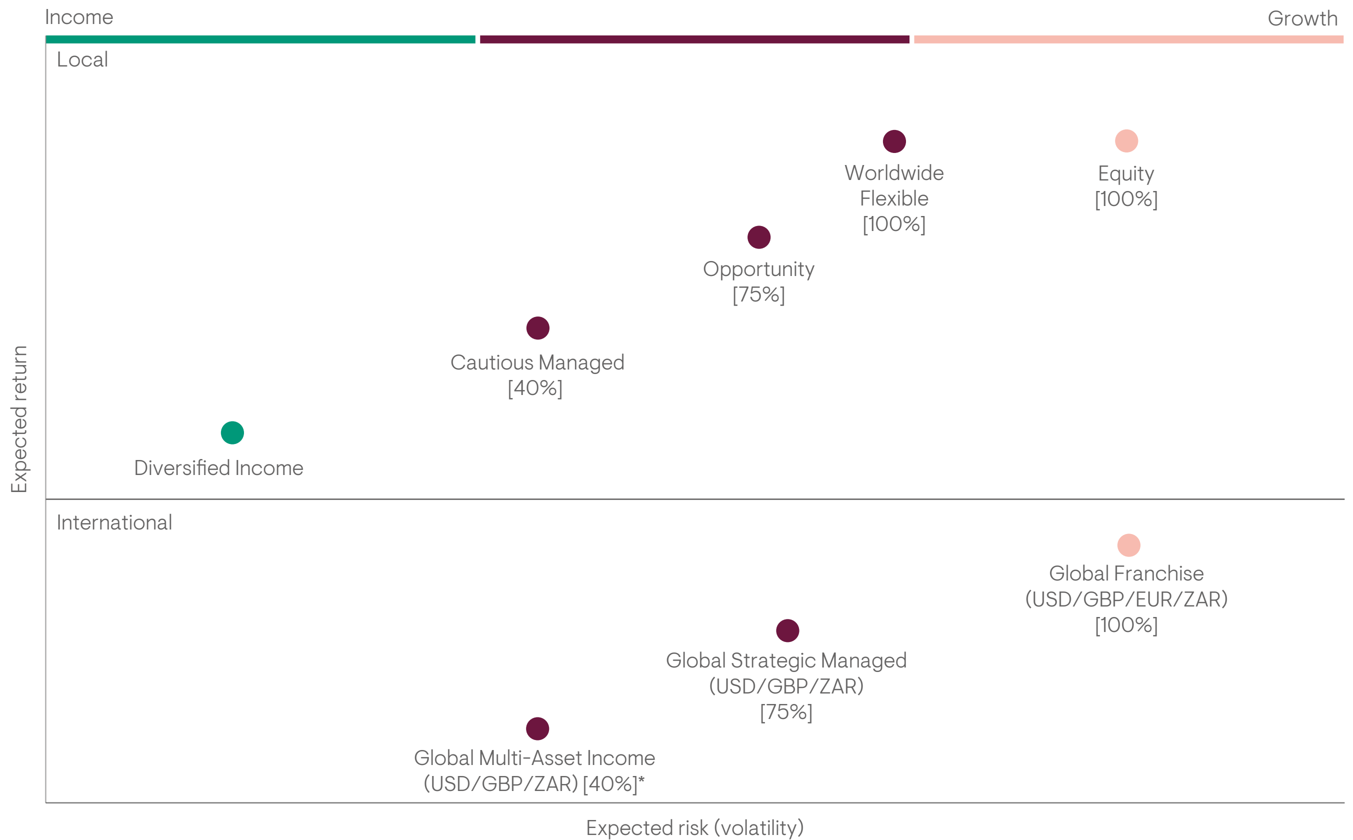
Ninety One core fund range



Note: [ ] indicates maximum in equities. *As an internal limit, the Fund will normally invest no more than 40% of its value in the shares of companies. The Global Multi-Asset Income, Global Strategic Managed and Global Franchise Funds are available as ZAR feeders. The Global Strategic Managed and Global Franchise Funds are available in hedged GBP classes.

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