



Ninety One Diversified Income Fund

# Searching for yield... ... in South Africa?

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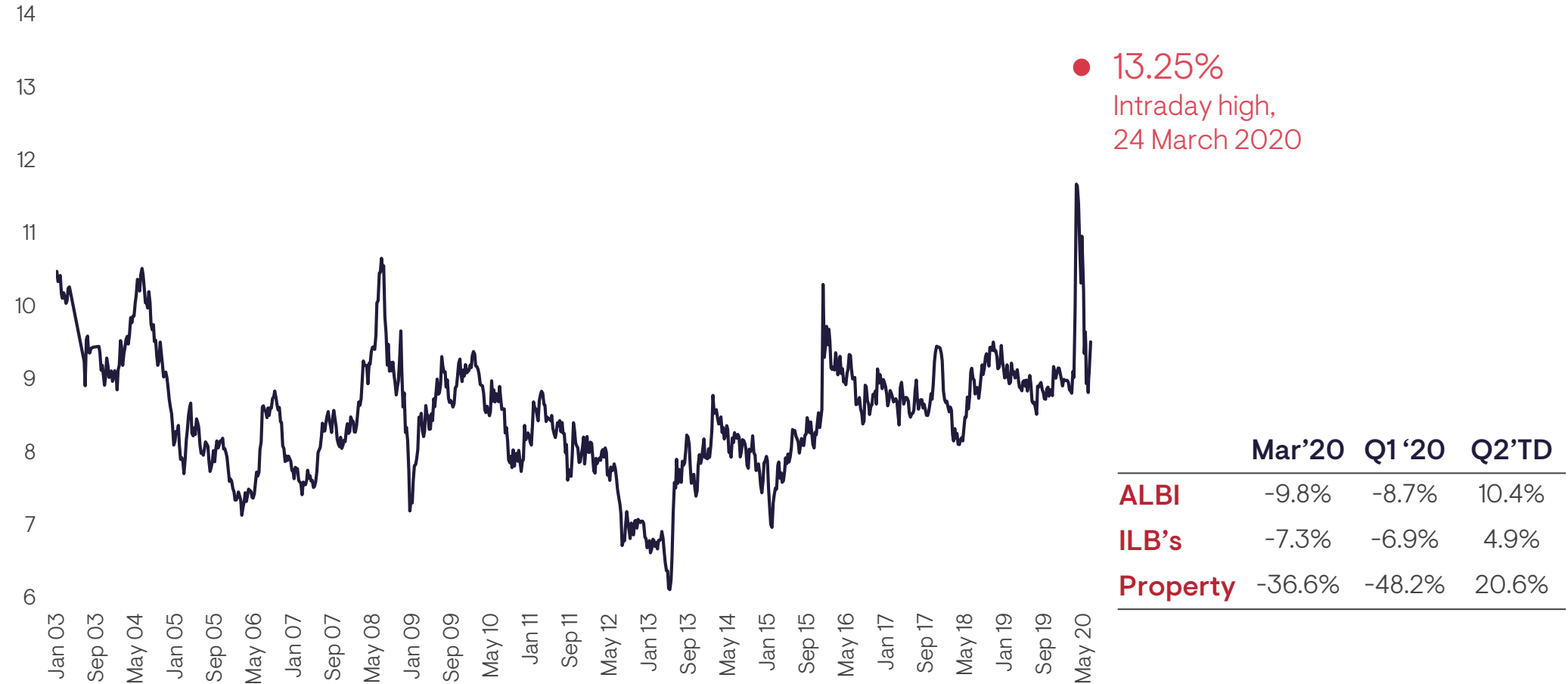
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# What a year it has been...

... as ALBI bounces back from worst month ever

## SA 10 year bond yield



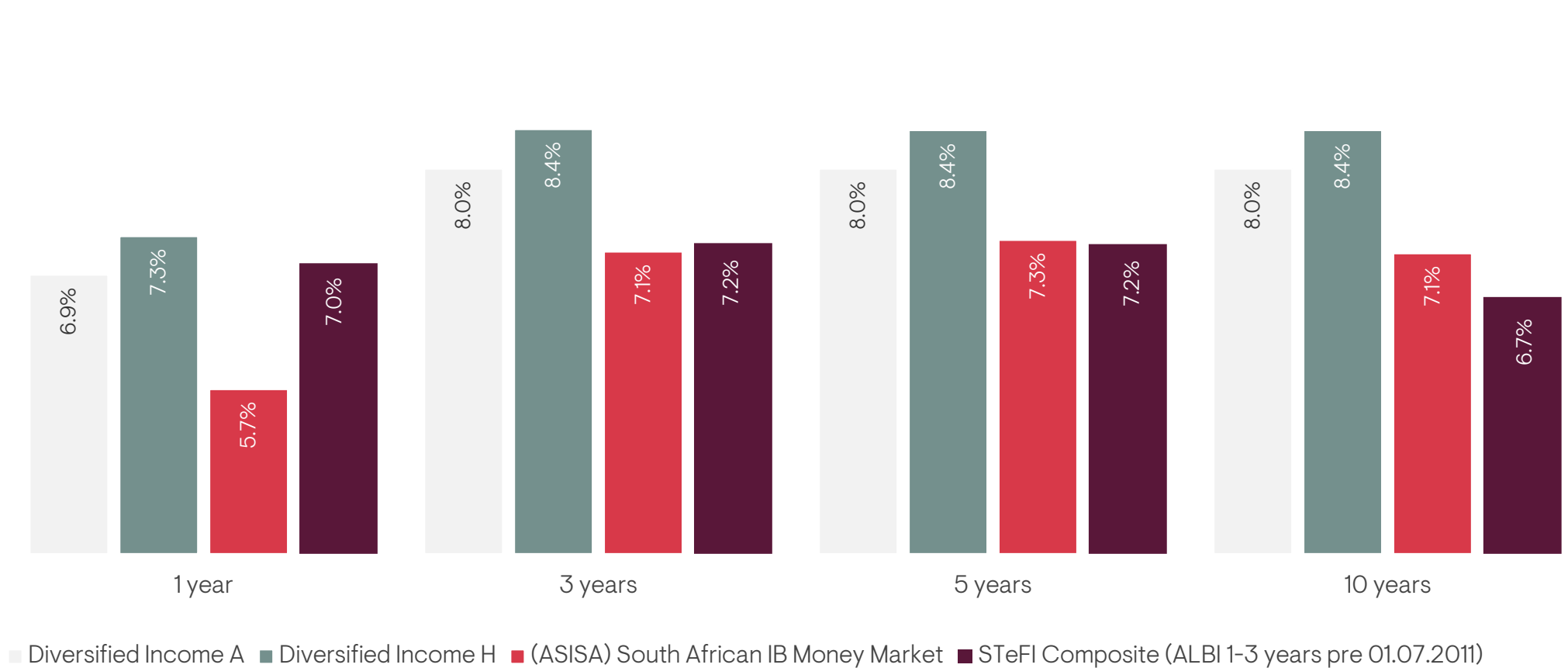
The SARB had to step in



# Ninety One Diversified Income Fund

## Performance

### Annualised performance in ZAR



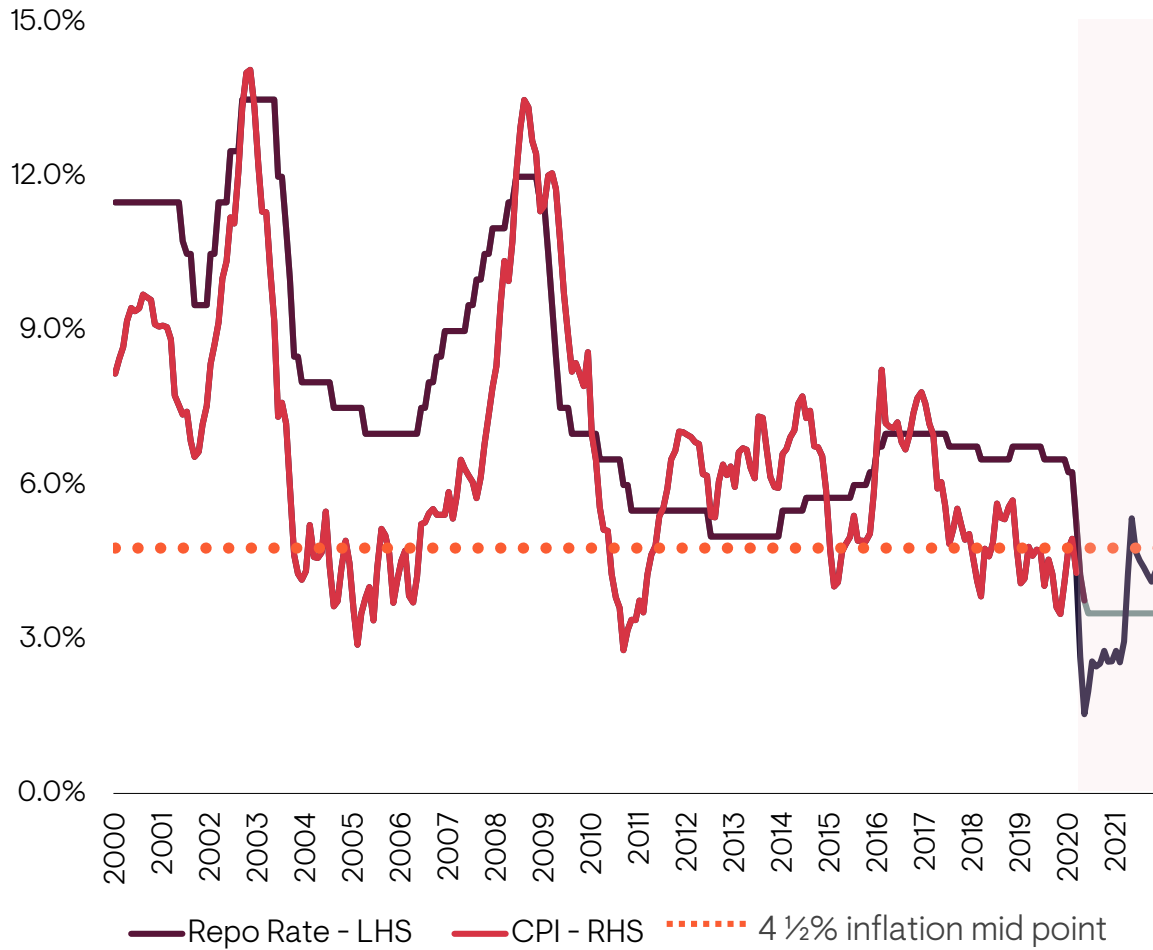
Past performance is not a reliable indicator of future results, losses may be made. Source: Morningstar, dates to 31 May 2020, performance figures above are based on lump sum investment, NAV based, inclusive of all annual management fees but excluding any initial charges, gross income reinvested, fees are not applicable to market indices, where funds have an international allocation this is subject to dividend withholding tax, in South African Rand. The Fund's benchmark is to the end of the previous month end. \* Since Inception simulation date 01.09.08. Annualised performance is the average return per year over the period. Individual investor's performance may vary depending on actual investment dates. 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% for H class and Jul 12: 12.8% and Jan 14: 4.1% for A class.

Macro views



# SARB has come to the party...

Inflation is subdued under most scenarios, allowing for significant cuts



## 2020 inflation scenarios

		Rand								
		16.4	17.4	17.9	18.4	18.9	19.4	19.9	20.4	
Oil price	11.0%									
		22.4	2.1%	2.4%	2.5%	2.7%	2.9%	3.0%	3.2%	3.3%
		27.4	2.2%	2.5%	2.7%	2.9%	3.0%	3.2%	3.4%	3.5%
	9.0%	32.4	2.4%	2.7%	2.9%	3.1%	3.2%	3.4%	3.6%	3.7%
		37.4	2.6%	3.0%	3.2%	3.4%	3.5%	3.7%	3.9%	4.1%
		42.4	2.7%	3.1%	3.3%	3.4%	3.6%	3.8%	4.0%	4.2%
		47.4	2.9%	3.2%	3.4%	3.6%	3.8%	4.0%	4.2%	4.4%
	7.0%	52.4	3.0%	3.4%	3.6%	3.8%	4.0%	4.2%	4.4%	4.6%
		57.4	3.2%	3.6%	3.8%	4.0%	4.2%	4.4%	4.6%	4.8%
		62.4	3.4%	3.8%	4.0%	4.2%	4.4%	4.6%	4.8%	5.0%

## 2021 inflation scenarios

		Rand								
		15.5	16.5	17.0	17.5	18.0	19.0	19.5	20.0	
Oil price	3.0%									
		24.2	2.6%	3.0%	3.1%	3.3%	3.5%	3.8%	4.0%	4.2%
		29.2	2.8%	3.2%	3.4%	3.5%	3.7%	4.1%	4.3%	4.4%
		34.2	3.0%	3.4%	3.6%	3.8%	4.0%	4.3%	4.5%	4.7%
		39.2	3.2%	3.6%	3.8%	4.0%	4.2%	4.6%	4.8%	5.0%
		44.2	3.4%	3.8%	4.0%	4.2%	4.4%	4.8%	5.0%	5.2%
		49.2	3.6%	4.1%	4.3%	4.5%	4.7%	5.1%	5.3%	5.5%
		54.2	3.8%	4.3%	4.5%	4.7%	4.9%	5.3%	5.6%	5.8%
		59.2	4.1%	4.5%	4.7%	4.9%	5.2%	5.6%	5.8%	6.0%
		64.2	4.3%	4.7%	4.9%	5.2%	5.4%	5.8%	6.1%	6.3%

| ... to try and save the economy

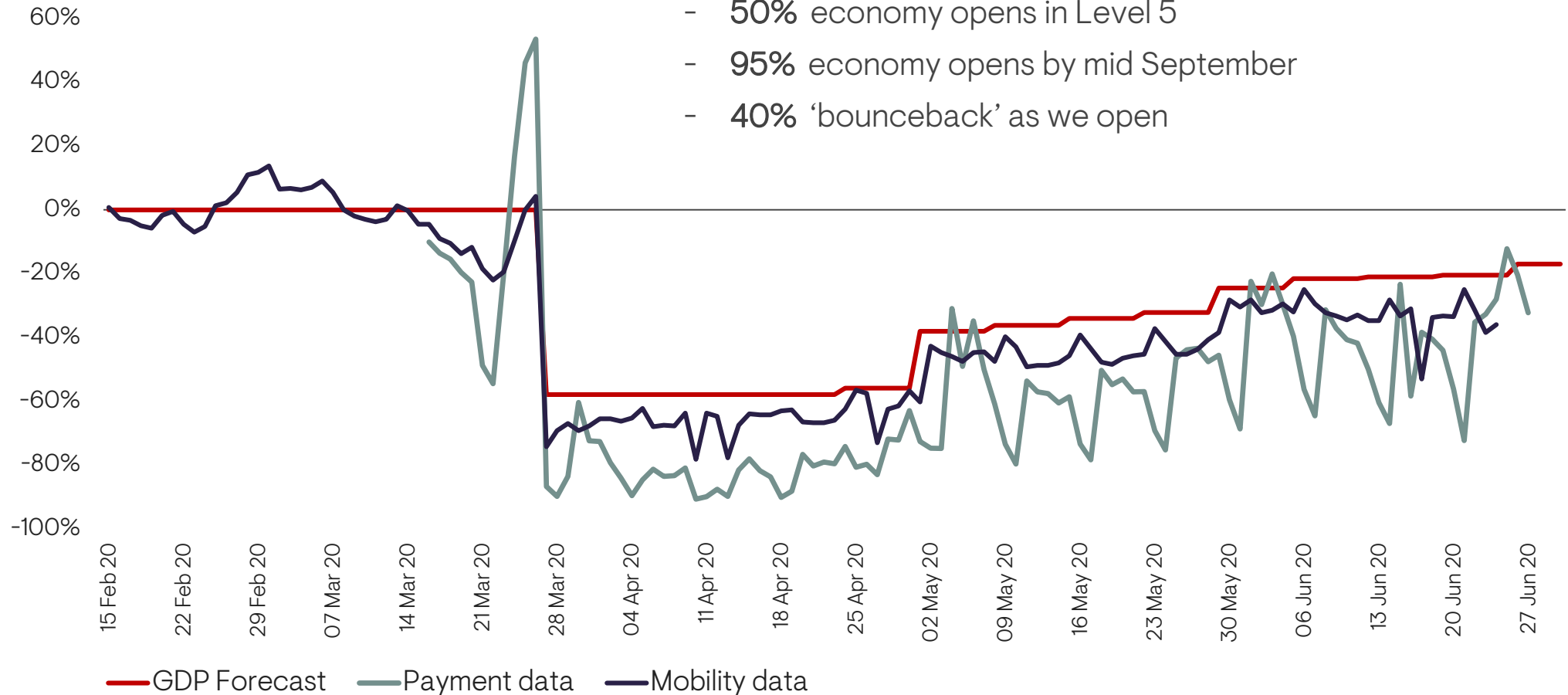


# How do we forecast activity in this environment?

Tracking our assumptions against real time data

## Assumptions underlying our **-8% GDP forecast:**

- 50% economy opens in Level 5
- 95% economy opens by mid September
- 40% 'bounceback' as we open

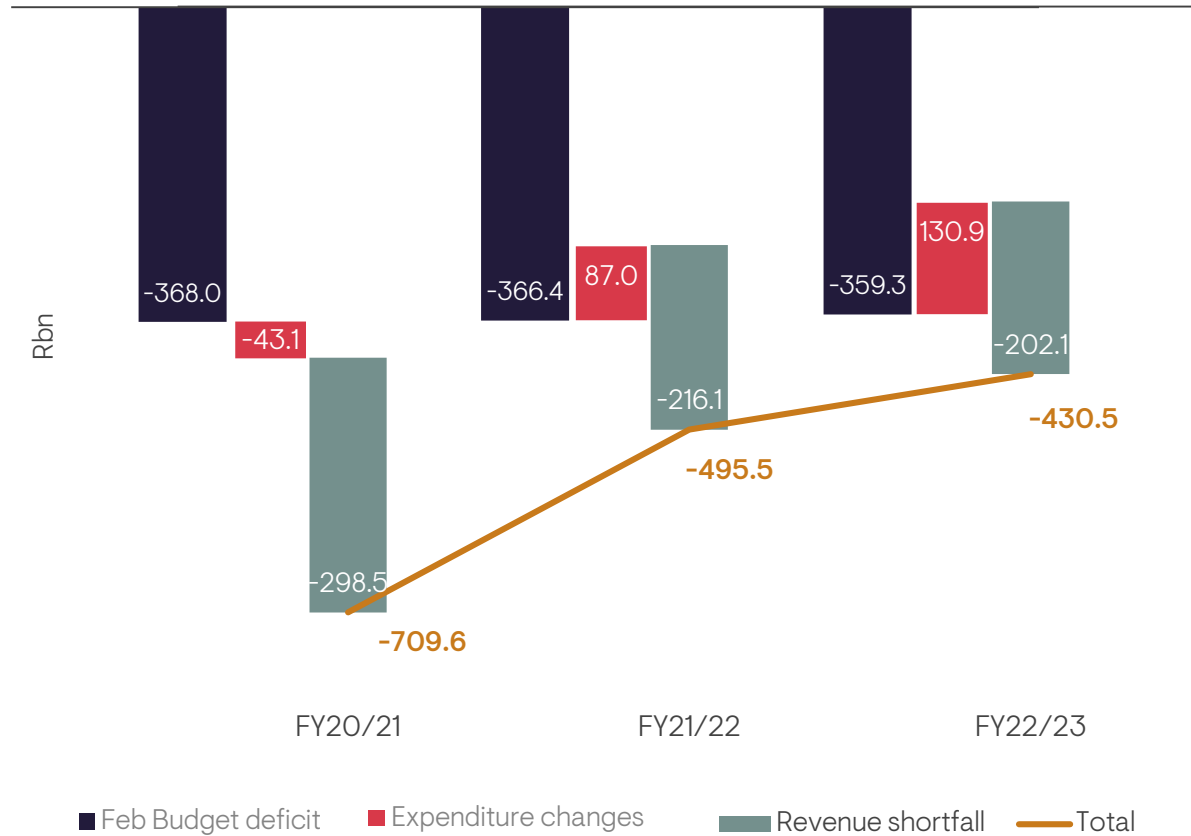


| The good news is we're recovering, the bad news is not fast enough...



# Special budget not good...

... but better than feared



	Feb budget	Jun budget	
Main budget balance	-368	-710	
Maturities	-65	-67	
<b>2020 Financing need</b>	<b>-433</b>	<b>-777</b>	
			<b>Increase</b>
Tbills	48	146	98
Local Bonds	338	463	125
Foreign Loans	29	125	96
Cash Withdrawals	18	43	26
<b>Financing source</b>	<b>433</b>	<b>777</b>	<b>344</b>

| We have a solvency problem and less of a cash flow problem

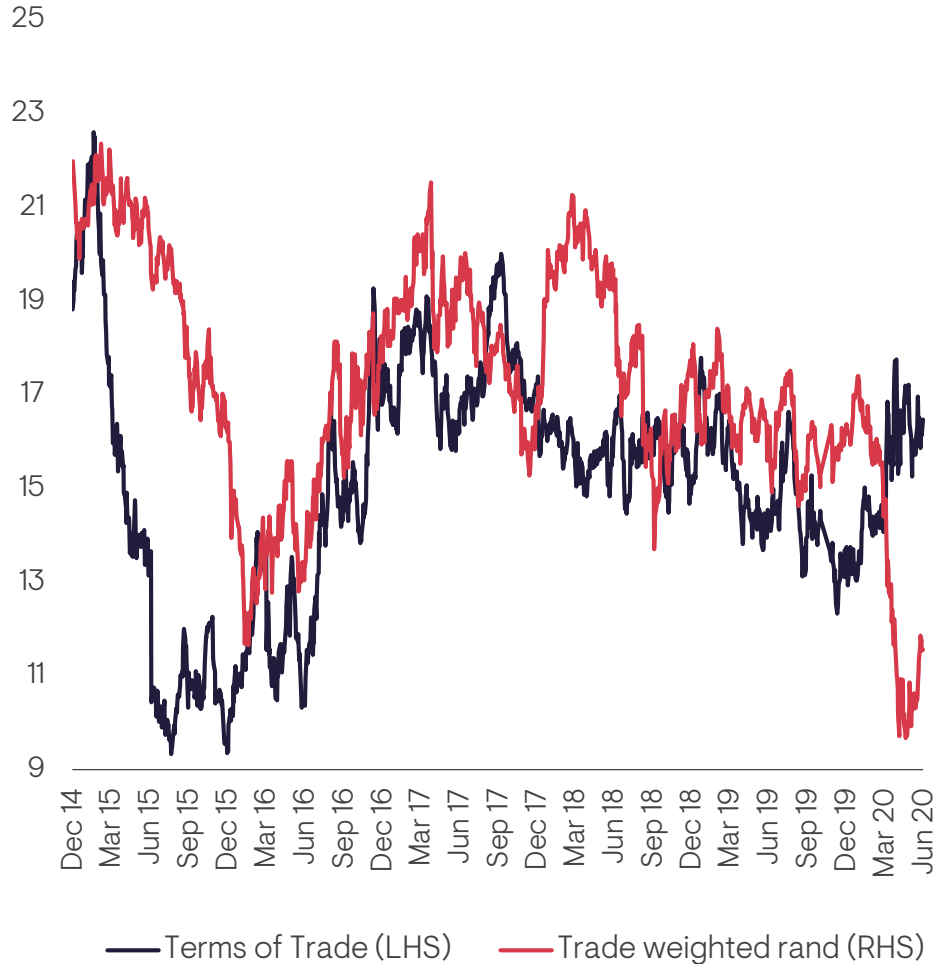




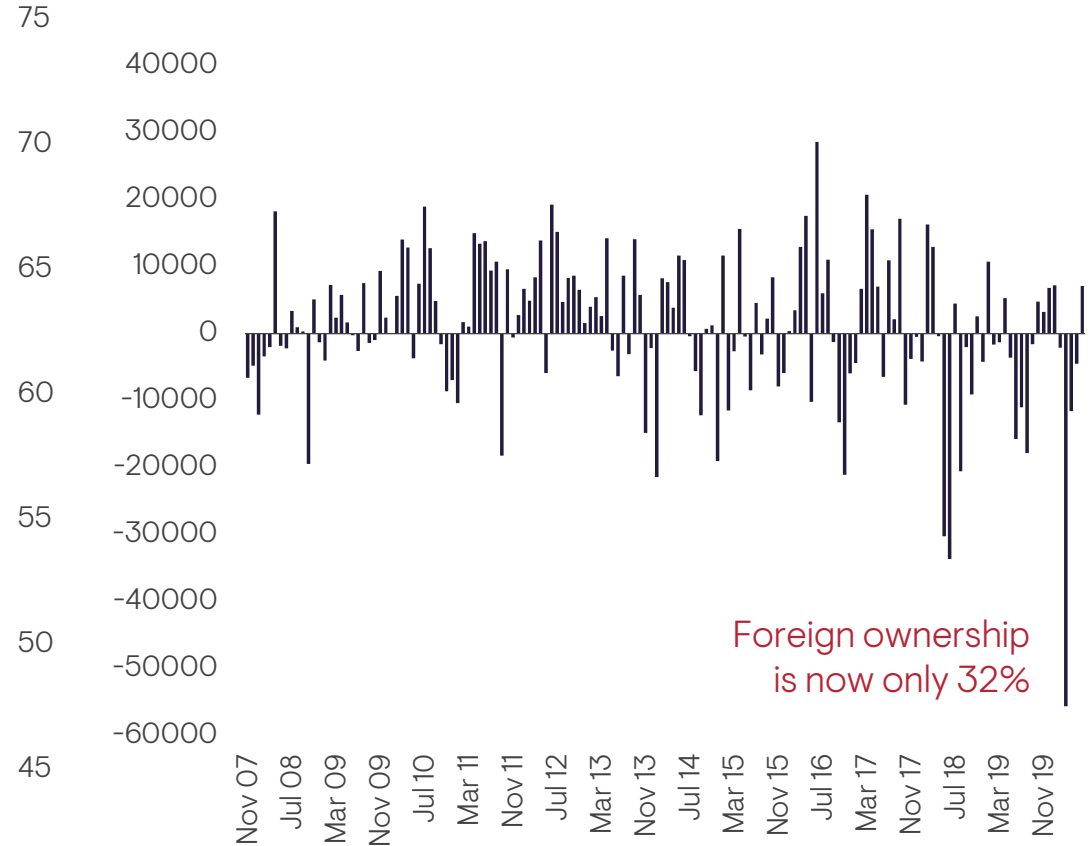
# The outlook for the rand

It's a battle between current and capital accounts

## Current account will be improving...



## ... foreign flows won't



| In a world in need of capital, we are towards the back of the queue

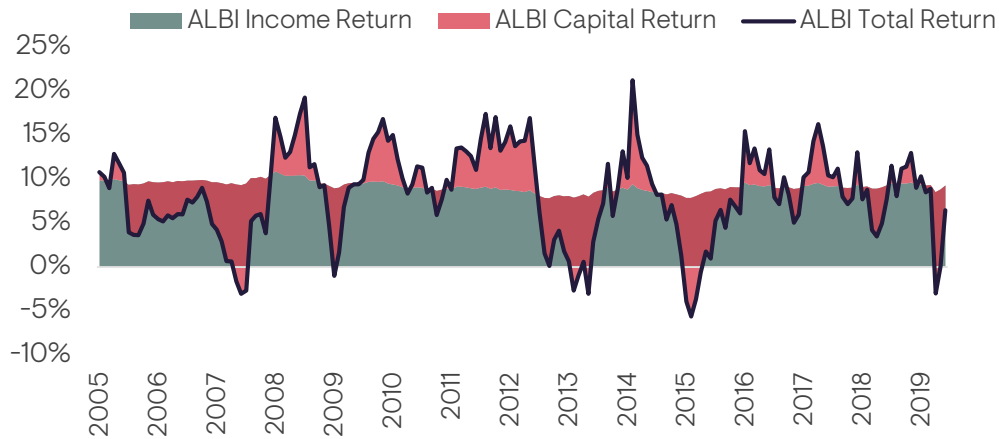
How to position for income



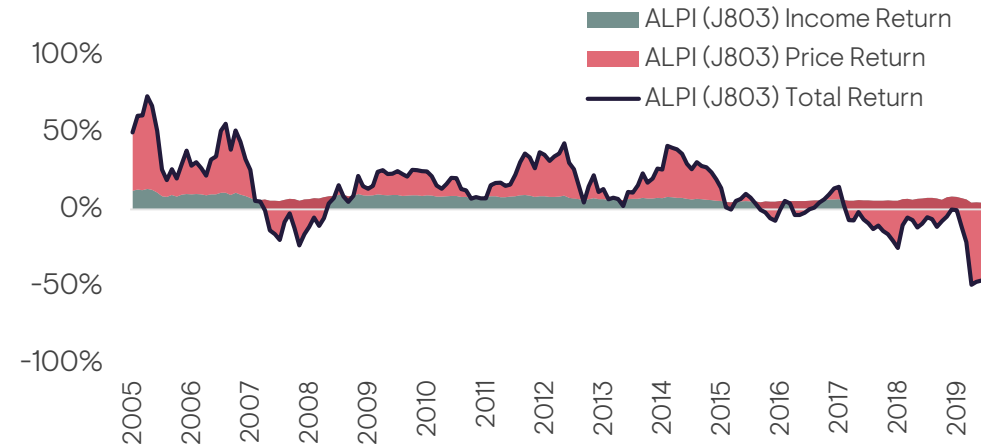
# Searching for yield in South Africa

Have our reliable sources of income succumb to risk?

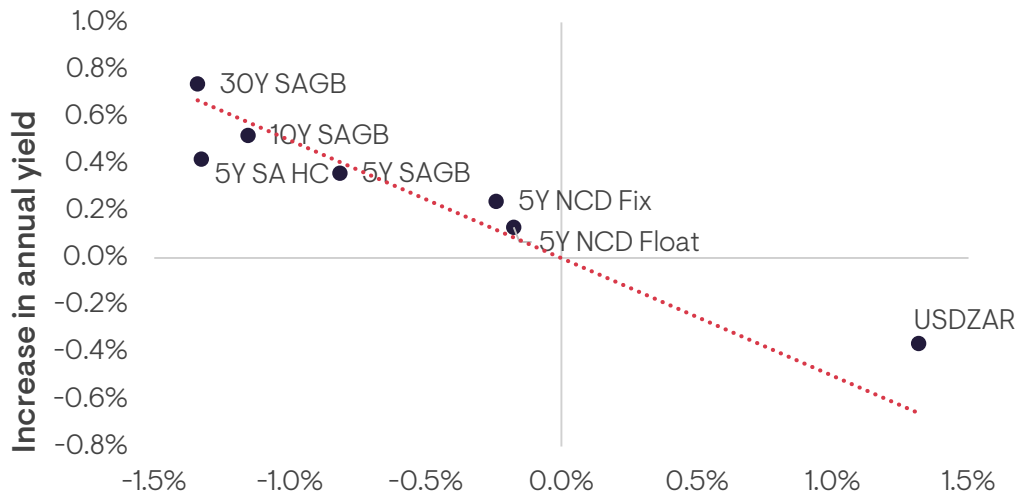
## SA Bonds: Income vs Capital



## SA Listed Property: Income vs Capital



## The fund income and capital effect of a 10% holding and a March rerun:

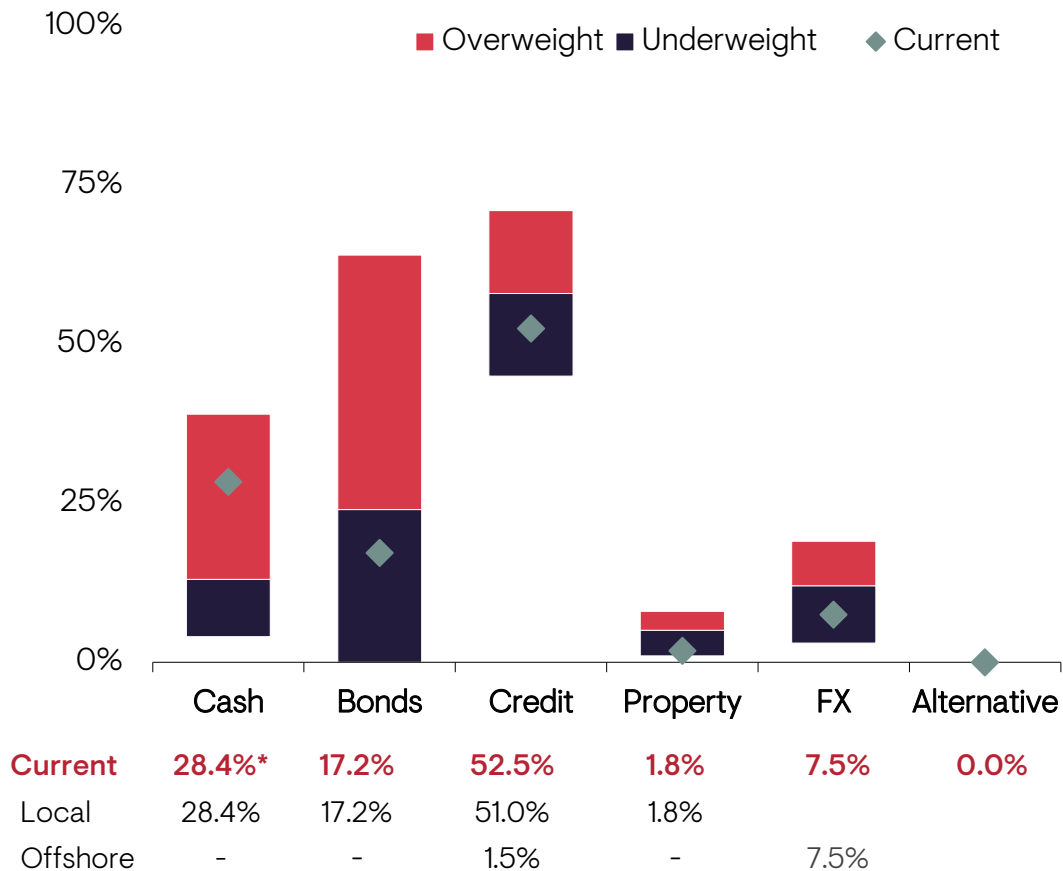


Portfolio impact of a March rerun

The answer: A diversified portfolio with offshore

# Ninety One Diversified Income Fund

Current positioning: Still defensive, measured duration and property increases



\*Includes 18.5% NCDs

| Positioned to participate and protect

- No growth, no inflation: SARB will continue to do what is necessary
- Special June budget better than feared: priorities (and funding) have changed
- Reforms, execution risk, same story...
- Global central banks are slashing rates and supporting fiscal stimulation
- **VOLATILITY** is the game in town

Duration	Exposure	Yield
Nominal	0.87 USD	4.4%
ILBs	0.25 EUR	1.5%
	EM	1.6%
Years	1.12 FX	7.5%



Thank you

[www.ninetyone.com](http://www.ninetyone.com)

