

EPPF INVESTMENT PERFORMANCE UPDATE (Q3, 2020)

FUND PERFORMANCE

The fund’s assets in the third quarter of 2020 saw a lot more volatility but ultimately a small positive performance. The fund’s quarter opening asset value was R144.4 billion and quarter closing asset value at R144.9 billion. In this quarter, growing fears of a second wave of COVID-19 infections, as Europe and the US go into winter, dominated markets. Negative economic releases, among other factors, weighed heavily in this quarter and made for a muted third quarter.

ECONOMIC GROWTH

The South African economy closed the calendar year of 2019 in a technical recession after two consecutive negative GDP growth quarters. The country’s trading partners, China and Europe in particular, were in the height of the COVID-19 outbreak and thus were locked down, hence the negative South African GDP growth print for the first and second quarter of 2020, related to this non-economic activity.

Table 1: South African GDP growth rate (%)



SOURCE: TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

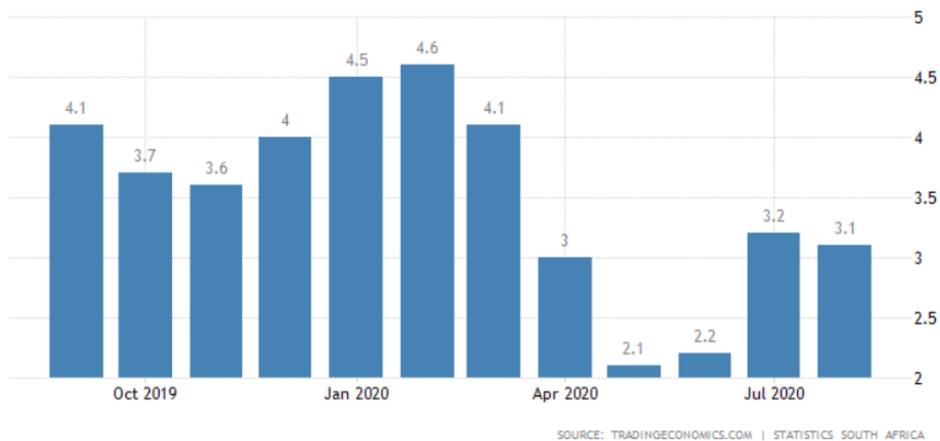
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INFLATION AND INTEREST RATES

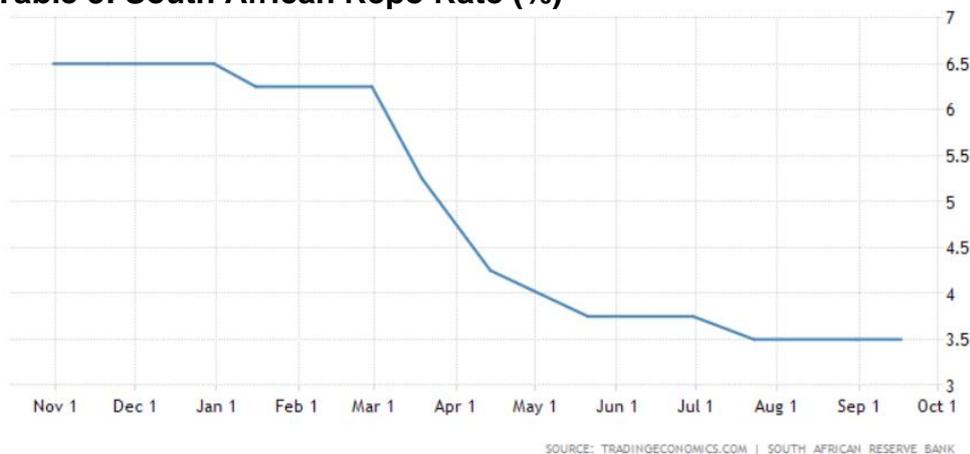
Inflation in August 2020 was 3.1%, from 3.2% in July 2020, which is still well below the un-official target of 4.5% set within the Reserve Bank's target range of 3% to 6%. The May 2020 inflation rate was 2.1%, the lowest recorded since September 2004, as general demand was depressed due to the COVID-19 pandemic along with lower oil prices.

Table 2: South African CPI Inflation Rate (%)



The South African Reserve Bank cut the short-dated interest rates by an unprecedented magnitude of 3.00% in total in 2020 sending huge relief to indebted households and businesses.

Table 3: South African Repo Rate (%)



EQUITIES AND CURRENCY

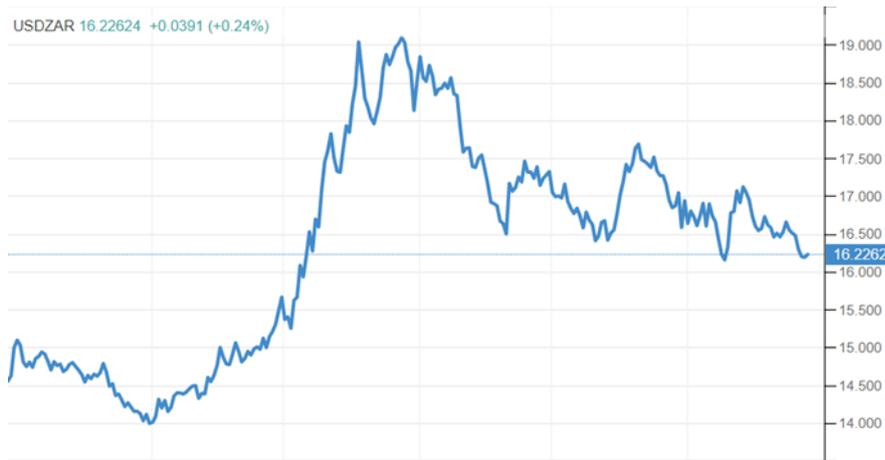
Table 4: South African Equity Market (expressed in %)



This positive performance from March 2020 is expected to continue as the local and global economy recovers. However, macro- and micro-economic factors (like compromised supply chains or slower than expected returning aggregate demand or a second wave of COVID-19 infections) will however become clearer as the lockdown restrictions recede, which may dampen equity performance or even reverse the positive trend.

Table 5: USDZAR Currency

The Rand, like other emerging market currencies, performed stronger in third quarter, starting the quarter at \$/R17.35 (on 30 June 2020) and ending the quarter at \$/R16.75 (on 30 September 2020).



GLOBAL MARKETS

In the third quarter of 2020, Developed Market equities had strong single digit performance, led by the US, as most countries came out of lockdown restrictions. Emerging Market equities were not left behind, also registering strong positive total returns, led by China.