

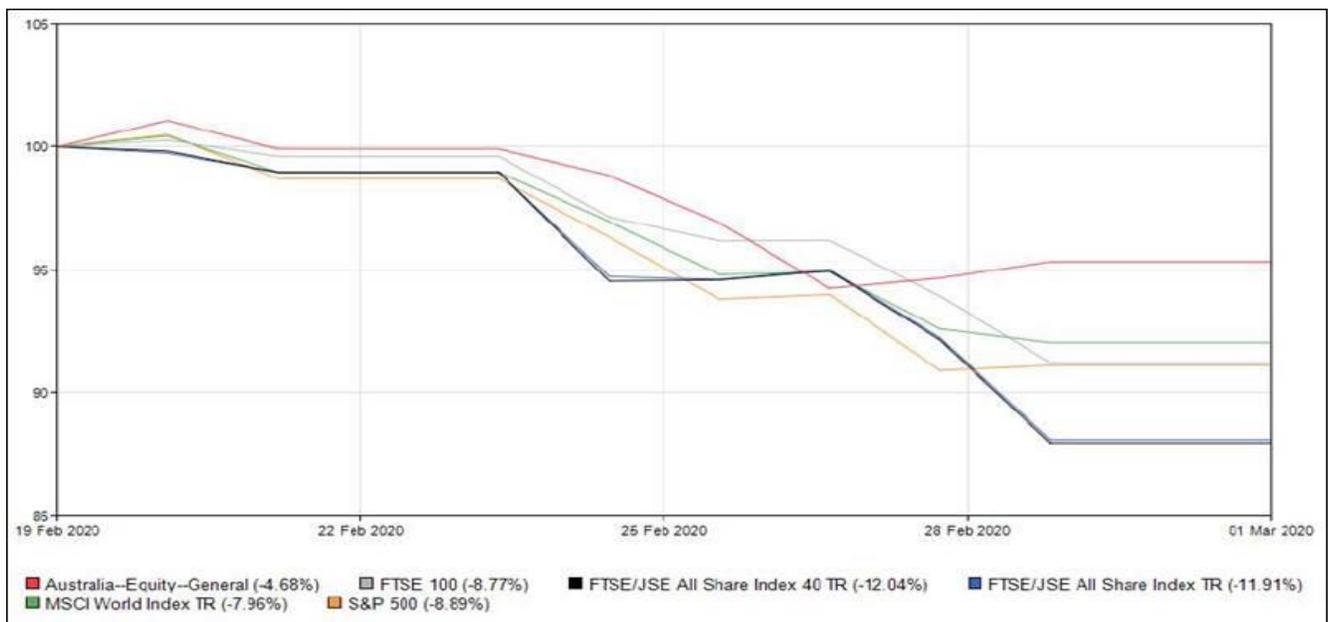
View of the month – February 2020



Dear Investor,

The Coronavirus or COVID-19 has dominated the newsfeeds during the month of February 2020. At the time of penning this letter, it has claimed almost 4,000 lives, with 90,000 infections recorded and it has spread rapidly to more than 30 countries. **It is causing havoc in the financial markets due to the negative impact it has on global growth.**

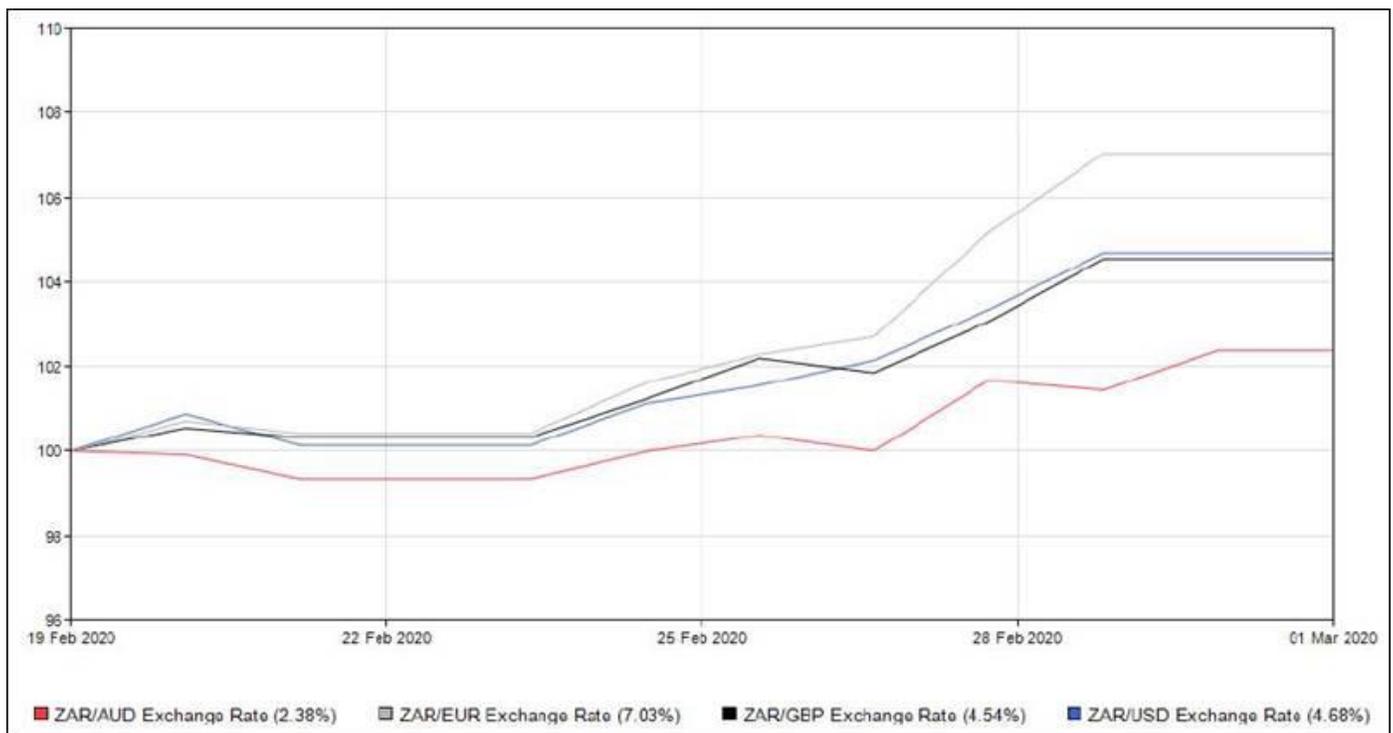
Major indices were down between 5% and 12% from their highs between 19 Feb'20 to their lows on 28 Feb'20:



Some believe the virus has been the catalyst for profit taking in a world economy that's run very hard the last couple of years. The decision to therefore buy and enter the market at these reduced levels will depend on your view if there's going to be a cure or not in the near future and how it would have affected global growth?

We're not calling a bottom but are optimistic and think the market is having a sale and it might be an opportunity for long term investors to test the market. **Like someone on Twitter said, if supermarkets worked like stock markets it will go something like this: "Eggs are on sale? We better NOT buy any!"**

The Rand was not immune to the Coronavirus and depreciated as much as 7% against the Euro between 19 Feb'20 and 28 Feb'20:



Budget speech 2020

On 26 Feb'20, Finance minister Tito Mboweni delivered the 2020 Budget speech. There were many predictions leading up to Budget day, ranging from a value-added tax (VAT) rate increase to continued bracket creep, but instead we saw **no major tax increases and above-inflation adjustments to all tax brackets and rebates**, which provides real income tax relief for individuals. There were no changes to the corporate tax rate or VAT rate. The government will, therefore, not raise additional revenue from tax proposals. Instead, **the aim is to reduce government spending, which includes a reduction to the wage bill of roughly R160 billion.**

The highlights from the 2020 Budget are summarised below:

- There are above-inflation increases in the personal income tax brackets and rebates.
- The annual contribution limit for **tax-free savings investments will be increased from R33 000 to R36 000** per tax year from 1 March'20

- The cap on the **exemption of foreign remuneration** earned by South African tax residents is **increasing from R1 million to R1.25 million** per tax year from 1 March'20
- **No transfer duty is payable on the purchase of property up to the value of R1 million**. This has been increased from R900 000 from the 2019/2020 tax year
- The **general fuel levy increases by 16 cents per litre**, and the Road Accident Fund levy increases by 9 cents per litre on 1 April 2020. The carbon tax rate will increase by 5.6% for the 2020 calendar year
- Excise duties on alcohol and tobacco will increase by between 4.4% and 7.5%
- The plastic bag levy increases to 25 cents per bag

Moody's ratings call

Was Minister Mboweni's Budget speech good enough for Moody's to maintain the investment-grade? Different economists have different views but we believe the risk of a ratings downgrade still remains more than 50%. Government's ability to reduce the wage bill and SA's low growth rate are the main concerns.

Do we believe a downgrade is already priced in? On this we believe much is already priced in but there would still be a knee jerk reaction. According to Nedbank, we could see rand weakness of up to R2 against the USD from a starting point of around R14.50 (i.e. R16.50 against the USD). At the same time, they expect bond yields to spike by 50-100bps, before a recovery happens.

When will we know? Moody's is scheduled to release their rating review of SA on 27 March'20 but some economist argue the date is tentative and the company is not obliged to stick to it. With SA already on a negative outlook they might delay the decision till later this year or as some indicate, until there is more clarity on the wage negotiations with unions.

Quote of the month

When asked about his reaction to the market being down 700-800 points in the morning, Warren Buffett replied questioning how can that be bad news? **"My reaction is that I like to buy stocks, so I don't wish ill on anybody else. But if they want to sell them to me cheaper, I prefer it.**

Capital guaranteed structures

For those not convinced about the market sale, below a list of the current very good capital guaranteed structures available:

Product / Underlying investment	Term	Currency	Positive growth	Flat or Negative growth	Closing date
Investec Environmental World Index Autocall	5 Years	ZAR	Year 3 = 3 X 25% return Year 4 = 4 X 25% return Year 5 = 5 X 25% return	Year 5 > 60% of initial index = 100% capital protected Year 5 < 60% of initial index = Capital loss	16 March 2020
Glacier Capital Enhancer Eurostoxx 50	5 Years	ZAR	Between 0% and 70% = 170% of investment amount > 70% = 170% of investment amount plus 100% of return above the 70%	100% capital protected	8 April 2020
Glacier Return Enhancer Eurostoxx 50	5 Years	ZAR	Between 0% and 70% = 149% of investment amount > 70% = 149% of investment amount plus 100% of return above the 70%	125% of investment amount	8 April 2020
Investec Optimal Investment Growth Basket	3.7 Years	USD	244.55% Participation subject to a maximum return of 55.02%	105% principal preservation at maturity	Secondary market

Fuel prices are decreasing

At midnight **Tuesday 3 March'20**, the price of all grades of **petrol will drop by 19 cents per litre**, all grades of **diesel by 54 cents** and **illuminating paraffin by 68 cents** with **liquid petroleum gas (LPG) falling by 32 cents per kg**. The department of energy indicated the reduction in fuel prices is as a result of a stronger average Rand/USD exchange rate during the month of February'20.

Geldhelde – every Monday at 19:30 on VIA (DSTV channel 147)

“Money heroes” (if directly translated to English) is a personal finance TV show in association with Momentum. It aims to share the experiences and successes of inspiring entrepreneurs and personal finance gurus with the man on the street. During the second season, they're planning to educate viewers with regards to the stock market.

In order to keep it interesting, they launched a game where participants are each given R20k “play money” to invest in a share portfolio. The portfolio can only consist of JSE Top 40 shares and 3 international ETFs with a maximum of 15% weighting per share. The participants are a mixture of school kids, normal man on the street and qualified stockbrokers.

Vista Wealth's Magnus and Henk were asked to represent the stockbroker fraternity in this TV show.

The markets

The red block shows the market stats for the month of February 2020. In short, all sectors were negative with the JSE All Share Total Return index down \downarrow -9% for the month (\downarrow -5.7% for the last 12 months). The Listed property sector was the worst hit down \downarrow -15.7% for the month. The Resource sector down \downarrow -11.6% with fears that the coronavirus will reduce the demand for commodities. The Financial sector was down \downarrow -9.5% and the Industrial sector down \downarrow -7% for the month.

28 February 2020	Close price at 2/28/2020	Weekly % change	Month to date	Year to date	Last 12 months
FTSE/JSE indices					
All-Share Index	51,038.18	-11.0%	-9.0%	-10.6%	-8.9%
All-Share Index Total Return	7,748.70	-11.0%	-9.0%	-10.5%	-5.7%
Resources Index	24,164.60	-15.8%	-11.6%	-14.7%	-6.5%
Industrials Index	70,771.25	-8.9%	-7.0%	-5.7%	-3.5%
Financials Index	33,745.93	-8.6%	-9.5%	-14.2%	-21.2%
Top 40 Index	45,851.76	-11.1%	-8.4%	-9.8%	-7.7%
Shareholder Weighted Index	18,966.05	-10.9%	-9.0%	-10.6%	-6.7%
Capped Shareholder Weighted Index	20,315.83	-10.9%	-9.5%	-11.9%	-9.6%
SA Listed Property Index	1,534.10	-9.4%	-15.7%	-18.3%	-19.1%
SA Volatility Index	21.47	40.3%	32.0%	35.8%	31.4%
Interest-bearing indices					
JSE Assa All Bond Index (Albi)	706.30	-1.3%	-0.1%	1.1%	8.9%
SteFI Composite Index	445.69	0.1%	0.5%	1.1%	7.2%
JSE Assa SA Government ILB Index	703.41	-0.3%	0.8%	0.8%	1.8%
Interest rates					
Prime rate	9.75%			-2.5%	-4.9%
Repo rate	6.25%			-3.8%	-7.4%
Commodities (in US dollars)					
Gold price	1,636.68	0.3%	3.0%	7.4%	23.7%
Platinum price	881.61	-10.2%	-7.9%	-9.2%	1.1%
Oil price	49.67	-15.0%	-14.6%	-24.9%	-25.2%
Global indices (in base currency)					
Dow Jones (US)	25,409.36	-12.4%	-10.1%	-11.0%	-2.0%
S&P 500 (US)	2,954.22	-11.5%	-8.4%	-8.6%	6.1%
FTSE (UK)	3,673.61	-11.1%	-9.5%	-12.5%	-5.5%
Hang Seng (Hong Kong)	26,129.93	-4.3%	-0.7%	-7.3%	-6.4%
Shanghai	2,880.30	-3.2%	-3.2%	-5.6%	10.0%
Nikkei (Japan)	21,142.96	3.8%	-10.6%	-10.6%	-1.1%
Cac 40 (France)	5,309.90	-11.9%	-8.5%	-11.2%	1.3%
Dax (Germany)	1,113.36	-12.0%	-9.5%	-10.1%	2.8%
MSCI Emerging	1,005.52	-7.3%	-5.3%	-9.8%	-4.3%
MSCI Developed	2,141.12	-10.9%	-8.6%	-9.2%	2.7%
US Volatility Index	40.11	134.8%	112.9%	191.1%	171.4%
Exchange rates					
Rand/US dollar	15.65	4.4%	4.3%	11.8%	11.1%
Rand/euro	17.27	6.1%	3.7%	10.1%	7.8%
Rand/pound	20.07	3.2%	1.3%	8.2%	7.4%
Dollar/euro	1.10	1.7%	-0.6%	-1.6%	-3.0%
Inflation indicator					
CPI					4.5%

Financial Indicators as at 29 February 2020:

Global indices:

Fund	1 Month (%)	3 Month (%)	1 Year (%)	3 Year (%)	3 Year annualised (%)	5 Year (%)	5 Year annualised (%)	10 Year (%)	10 Year annualised (%)	Since inception (%)	Since inception annualised (%)
Australia--Equity--General	-4.83	-4.39	-4.72	18.21	5.74	56.06	9.32	245.10	13.21	351.92	10.98
Emerging Markets--Equity--General	2.49	6.86	14.07	41.46	12.27	58.96	9.72	201.19	11.68	830.22	12.62
Europe excl UK--Equity--General	1.47	3.05	14.23	37.50	11.21	51.45	8.67	228.38	12.65	242.80	7.10
FTSE 100	-7.92	-5.54	-1.34	11.76	3.78	6.97	1.36	109.74	7.70	6583.10	12.44
FTSE/JSE All Share Index 40 TR	-8.43	-6.46	-4.96	12.45	3.99	12.89	2.46	152.12	9.71	1826.24	12.75
JAPAN : Tokyo Stock Exchange (TOPIX)	0.00	0.00	4.34	20.69	6.48	44.77	7.69	183.48	11.00	393.14	6.30
MSCI World Index TR	-4.00	0.04	14.53	46.98	13.71	80.78	12.59	375.79	16.91	134848.84	15.88
S&P 500	-3.96	0.40	15.92	47.01	13.72	90.67	13.79	444.68	18.50	2815.99	13.79

JSE Sectors:

Fund	1 Month (%)	3 Month (%)	1 Year (%)	3 Year (%)	3 Year annualised (%)	5 Year (%)	5 Year annualised (%)	10 Year (%)	10 Year annualised (%)	Since inception (%)	Since inception annualised (%)
FTSE/JSE All Share Index 40 TR	-8.43	-6.46	-4.96	12.45	3.99	12.89	2.46	152.12	9.71	1826.24	12.75
FTSE/JSE SA Listed Property Index TR	-15.69	-19.96	-19.54	-27.95	-10.36	-21.64	-4.76	118.22	8.13	712.73	14.42
South African--Equity--Financial	-7.01	-10.68	-15.63	-4.11	-1.39	-6.13	-1.26	142.60	9.28	1161.85	12.00
South African--Equity--General	-7.87	-6.99	-7.07	-1.02	-0.34	-1.17	-0.24	106.32	7.52	11082.31	15.07
South African--Equity--Industrial	-3.62	0.58	1.88	-5.61	-1.91	-2.20	-0.44	190.87	11.29	5707.01	15.73
South African--Equity--Resource	-8.67	-3.38	5.12	45.05	13.21	54.09	9.04	72.53	5.61	7804.82	13.88

Currencies (Positive indicates ZAR has weakened for the period, vice versa):

Fund	1 Month (%)	3 Month (%)	1 Year (%)	3 Year (%)	3 Year annualised (%)	5 Year (%)	5 Year annualised (%)	10 Year (%)	10 Year annualised (%)	Since inception (%)	Since inception annualised (%)
ZAR/AUD Exchange Rate	2.43	3.28	1.75	2.34	0.78	12.70	2.42	49.98	4.14	1182.13	5.34
ZAR/EUR Exchange Rate	4.91	7.24	7.16	26.38	8.12	34.34	6.09	65.37	5.17	1347.94	6.72
ZAR/GBP Exchange Rate	3.10	6.64	7.75	26.65	8.20	14.19	2.69	74.08	5.71	1077.31	5.15
ZAR/USD Exchange Rate	5.10	6.99	10.26	20.62	6.45	36.14	6.37	106.18	7.52	2083.60	6.49

Interest Rates:

Fund	1 Month (%)	3 Month (%)	1 Year (%)	3 Year (%)	3 Year annualised (%)	5 Year (%)	5 Year annualised (%)	10 Year (%)	10 Year annualised (%)	Since inception (%)	Since inception annualised (%)
BEASSA All Bond Index	-0.07	3.03	9.24	29.82	9.10	41.85	7.25	130.73	8.73	567.68	10.32
CPI Daily Index	0.80	1.32	4.43	13.06	4.18	28.66	5.17	64.84	5.13	7886.65	9.14
Prime Rate Daily Index	0.72	2.40	10.42	35.34	10.62	65.31	10.59	158.87	10.00	1148.77	12.54
South African-- Interest Bearing-- Money Market	0.56	1.71	6.58	23.06	7.17	41.24	7.16	84.35	6.32	577.33	8.76

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Independent data provided by

