PRUDENTIAL
INVESTMENT MANAGERS

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Did you miss out on the November rally?

The good news over the new vaccines to fight Covid-19, plus a victory for Joe Biden in the US Presidential election, helped spark a strong rally in global investments in November, with investors demonstrating a keen appetite for riskier assets like stocks and emerging market securities. Thanks to this, South African investors saw for themselves how quickly market performance can rebound in a very short space of time. Our equity market (the FTSE/JSE ALSI) posted double-digit gains of over 10% during the month, meaning many local equity and listed property funds, including Prudential's, also recorded double-digit returns. As of end-November, the ALSI was trading only 1.4% off its 12-month high, and some 53% above its 12-month low point in March. And reflecting the strong risk-on sentiment, the beleaguered listed property sector was the top-performing equity category, returning over 18% for the period, and many other out-of-favour "SA Inc" stocks also did well.

For more conservative investors, South African bonds also delivered a strong performance in November, as the All Bond Index returned 3.3% for an impressive 12-month return of 8.0%, well above inflation. Notably it was the long-dated bonds of 12-years and longer that outperformed shorter-dated paper for the month, reversing the trend of the past year with a return of 5.3% (versus -0.1% for 1-3-year bonds). Prudential’s funds have favoured these longer-dated bonds given their cheaper valuations and potential to rally much further than their shorter-dated counterparts. Equally, local government bond yields have been valued much more attractively than most offshore government bonds, and Prudential’s fund positioning has reflected this.

Meanwhile, investors sitting in cash-related products would have earned around 0.3% for the month (as measured by the STeFI Composite Index), or 5.7% for the 12 months to end November, missing out on the rebound. Even those who acted quickly to buy higher-risk investments after the announcements of the three new Covid-19 vaccines likely lost out on a substantial portion of the month’s rally. Timing financial markets is a difficult and tricky approach to building up wealth – market sentiment can, and does, change in an instant. Rather trust experienced asset managers like Prudential to have chosen the appropriate investments ahead of time and fully reap the benefits of any improvements in outlook as the world emerges gradually from the worst of the Coronavirus pandemic.

Of course one month of progress and strong returns does not mean it will be smooth sailing ahead. It will take many more smaller, positive steps in fighting the pandemic, and many more months of solid asset returns for us all to be out of the woods when it comes to both our physical and financial health. At Prudential we are very mindful of this, and as such are continuing to manage our portfolios actively but prudently, to ensure we take advantage of the right opportunities to enhance returns for our clients. Importantly, we believe our portfolios are well positioned to benefit much more from further progress, on both the global and local fronts.

For more information, please feel free to contact our Client Services Team on **0860 105 775** or email us at query@prudential.co.za.