

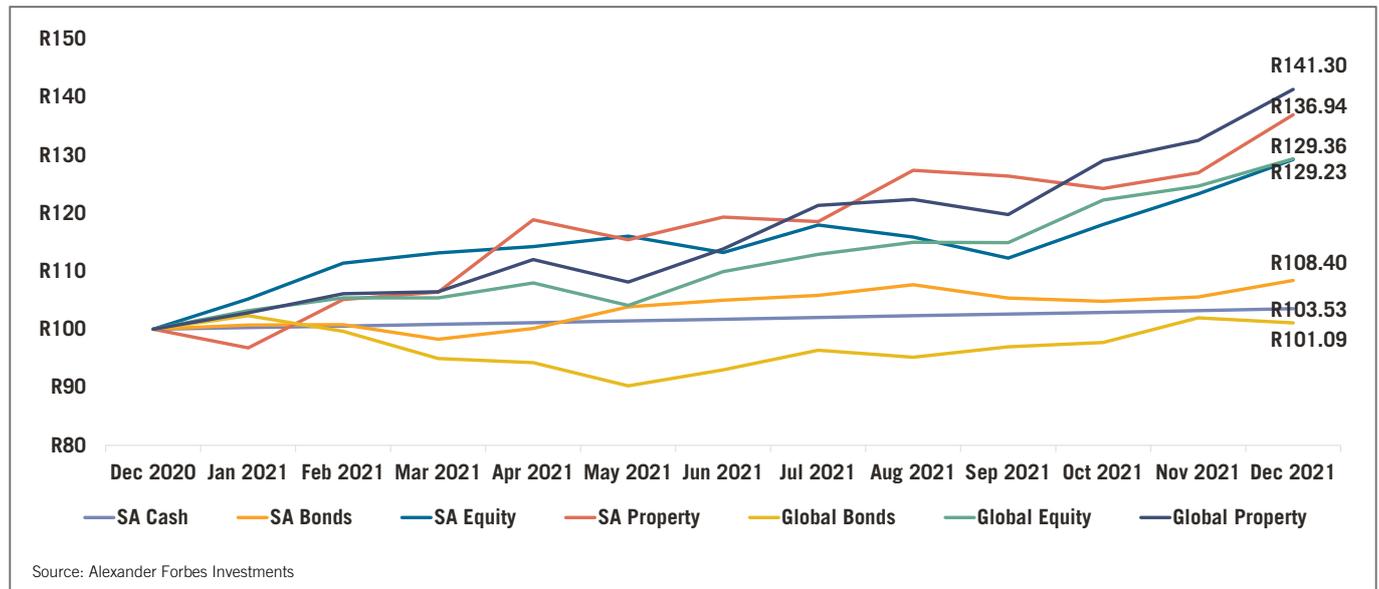
2021: THE YEAR AFTER COVID-19 WAS A THING

2021 will go down as the year of recovery, the year after the Covid-19-induced market crash and the peak of the pandemic in South Africa. While the worst may be over given a sustained market recovery, elements of uncertainty and unpredictability remain as new Covid-19 variants and their impact on the economy continue to take centre stage. Despite all of this, we have seen that well-diversified portfolio solutions continue to play a critical role in achieving long-term financial goals and investment success.



But just how good was the recovery?

Chart 1: How R100 invested on 1 January 2021 would have grown in different asset classes to 31 December 2021

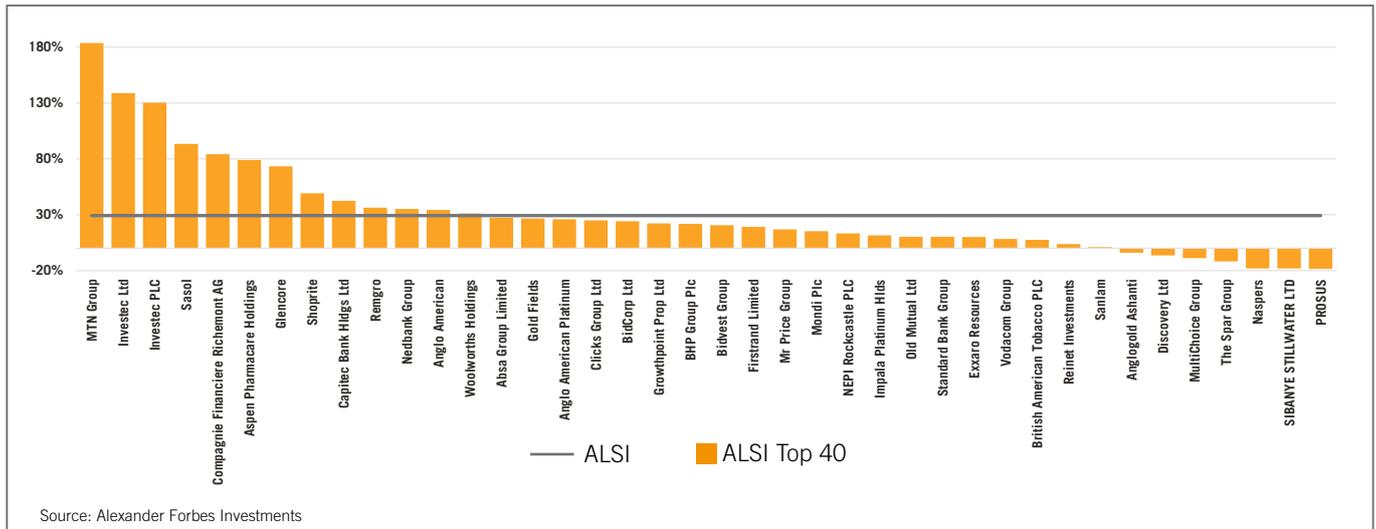


Considering the fall that property (as an asset class, locally and globally) experienced over the past couple of years, the bounce back in 2021 was welcomed. Being invested in property would have rewarded investors handsomely as it was among the best-performing asset classes in 2021.

Both local and global equities welcomed strong returns of close to 30% for the year. In the SA equity market, as measured by the FTSE/JSE All Share Index (ALSI), nearly half (67 out of 138) of the companies underperformed the total index in 2021. And close to 70% (27 out of 40) of the constituents of the FTSE/JSE Top 40 (ALSI Top 40) underperformed the ALSI. The ALSI Top 40 is close to 90% of the ALSI by market cap. This has shown the wide dispersion of returns within the ALSI and how the top performers have driven the strong outcome over the year.

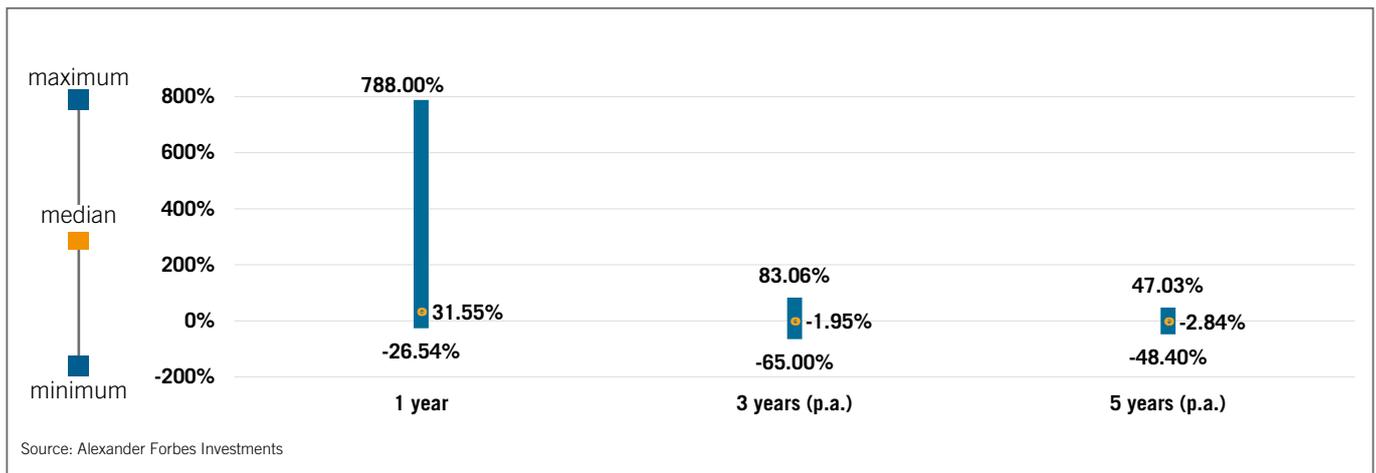
Even bond markets recovered somewhat, but remained relatively flat due to uncertain global inflation and interest rates. The 'safe haven', cash, offered a positive return for the year, but unfortunately could not keep up with the pace of inflation and therefore yielded negative real returns.

Chart 2: How the ALSI Top 40 performed against the ALSI during 2021 (1 January 2021 to 31 December 2021)



The huge difference (over 200%) between the best and worst performers of the ALSI Top 40 shows the wide spectrum of returns available on the Johannesburg Stock Exchange.

Chart 3: The ALSI performance ranges for different periods to 31 December 2021



The range of returns of the constituents of the ALSI is much wider than that of the ALSI Top 40. The difference between the best and worst performers over the one year to the end of December 2021 is over 800%. While this range narrows as the measurement period lengthens, the range for the five-year period is still close to 100% per year. This shows that investors should not exaggerate the risk and uncertainty pinned on short-term return differentials. If one takes a step back, the range of return outcomes reduces significantly over longer investment periods, making return expectations more stable.

Diversification and investing for the long term remain key to delivering superior performance

The times may have changed but sound investment principles haven't. Making sure your investments are diversified – through a complementary mix of growth and defensive assets, and spreading your exposure within an asset class such as equities – can help absorb market and economic shocks. This will help you participate in markets when they recover. Staying invested despite the turmoil in markets better positions investments to achieve their objectives.

WE'RE HERE TO HELP

Sometimes asking the experts for help is the best choice. Registered and qualified financial advisers can help you take stock of your personal circumstances, understand your options and make good decisions that give you the best chance of reaching your goals.

Getting professional, personalised advice, at the right time, can:

Help you decide which of your goals to prioritise.

Assist with identifying the solutions or services that can help you achieve these goals.

Improve your chances of financial success throughout your life and in retirement.

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Financial advice **MY MONEY MATTERS CENTRE**

Telephone: 0860 000 381

Email: mymoneymatters@aforbes.com

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