

FIXED INCOME Q2 2021

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CHANGE

THE GREAT BOND ROUT

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BUSINESS NEWS FEBRUARY 26, 2021 / 1:18 PM / UPDATED 2 MONTHS AGO

Analysis: Global bond rout turns up the heat on central banks

Daily Market Comment – Bond market meltdown devastates stocks, resurrects dollar

Posted on February 26, 2021 at 9:26 am GMT
Marios Hadjikyriacos, XM Investment Research Desk

Bloomberg

Markets

Hedge Funds Nailed Treasuries Rout With \$100 Billion in Sales

The Bond Market Is in Meltdown Mode

Posted by Michael Carr | Mar 22, 2021 | Chart of the Day, Markets
2 minute, 27 second read

US 10 YEAR BOND YIELDS



Source: Anchor / ThompsonReuters

THREE FACTORS



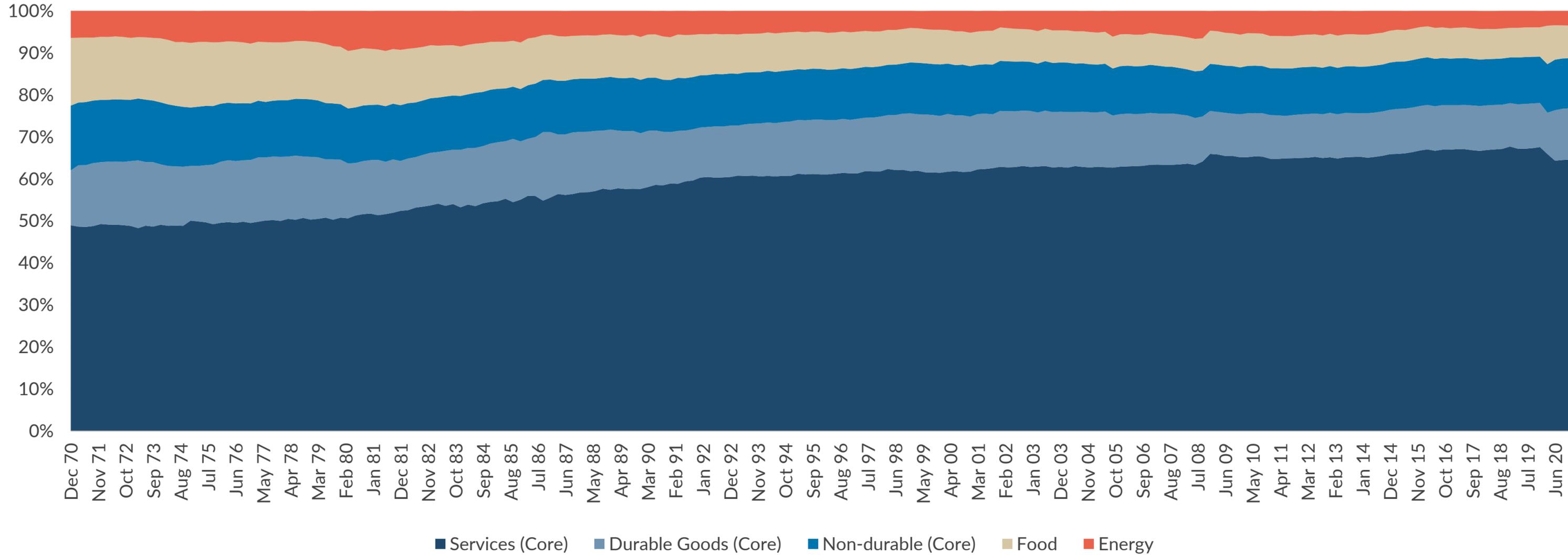
FACTOR 1

INFLATION



US INFLATION

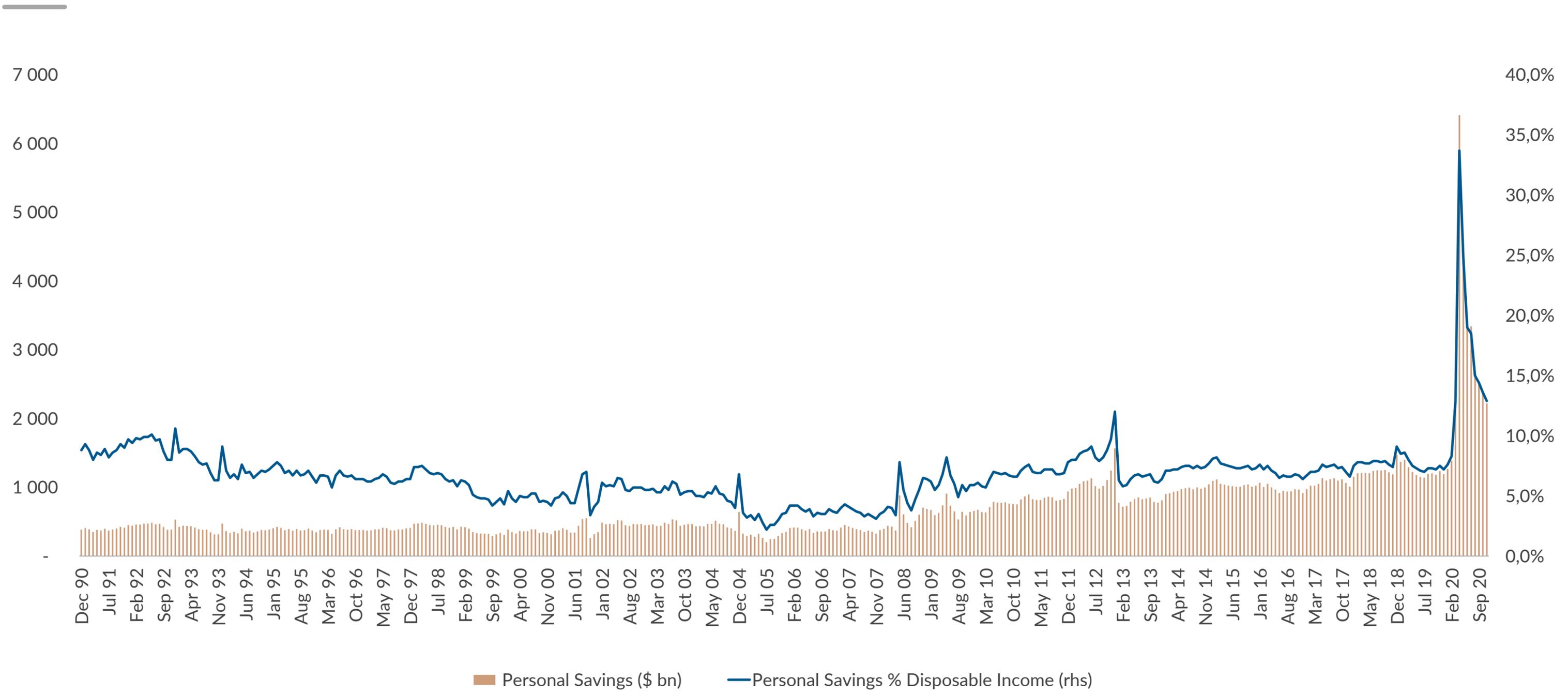
Shifting US Consumption Patterns



Source: Anchor / ThompsonReuters



US INFLATION – PERSONAL SAVINGS



Source: Anchor / ThompsonReuters



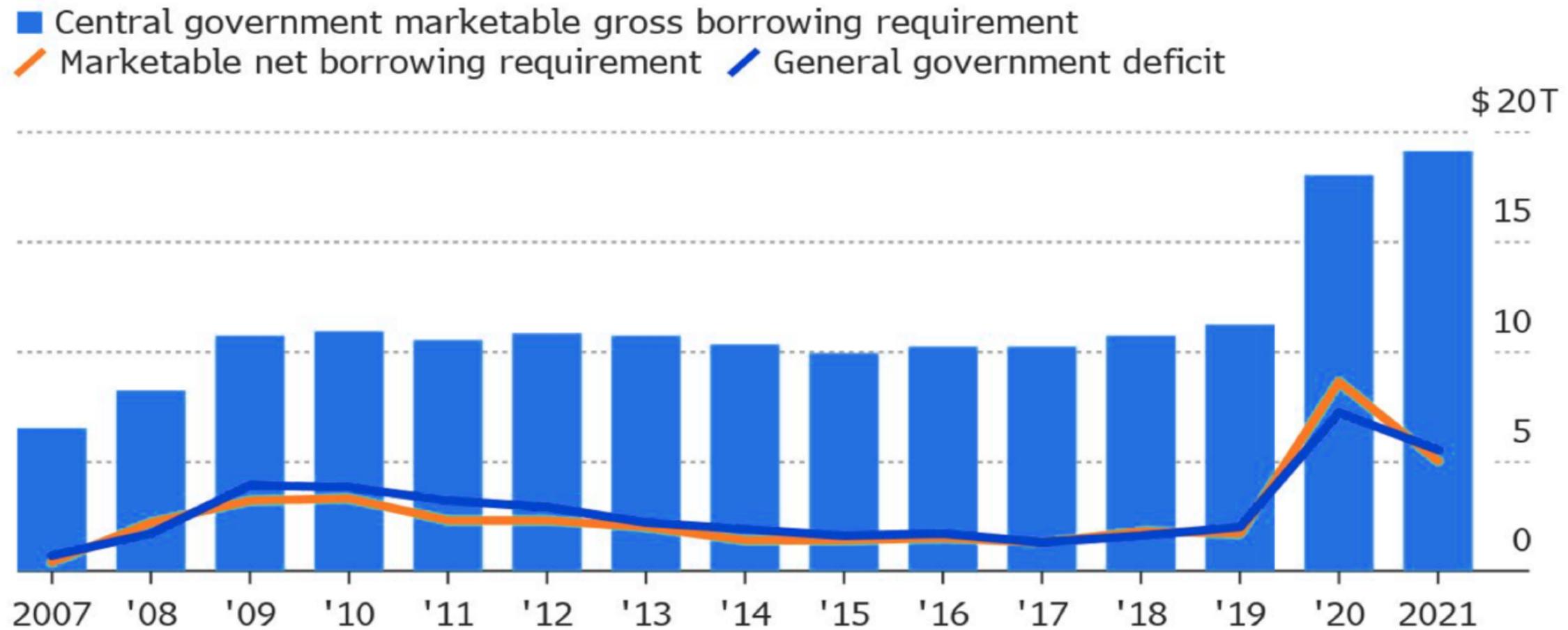
THREE FACTORS



FACTOR 2

SHORT SELLING

THREE FACTORS

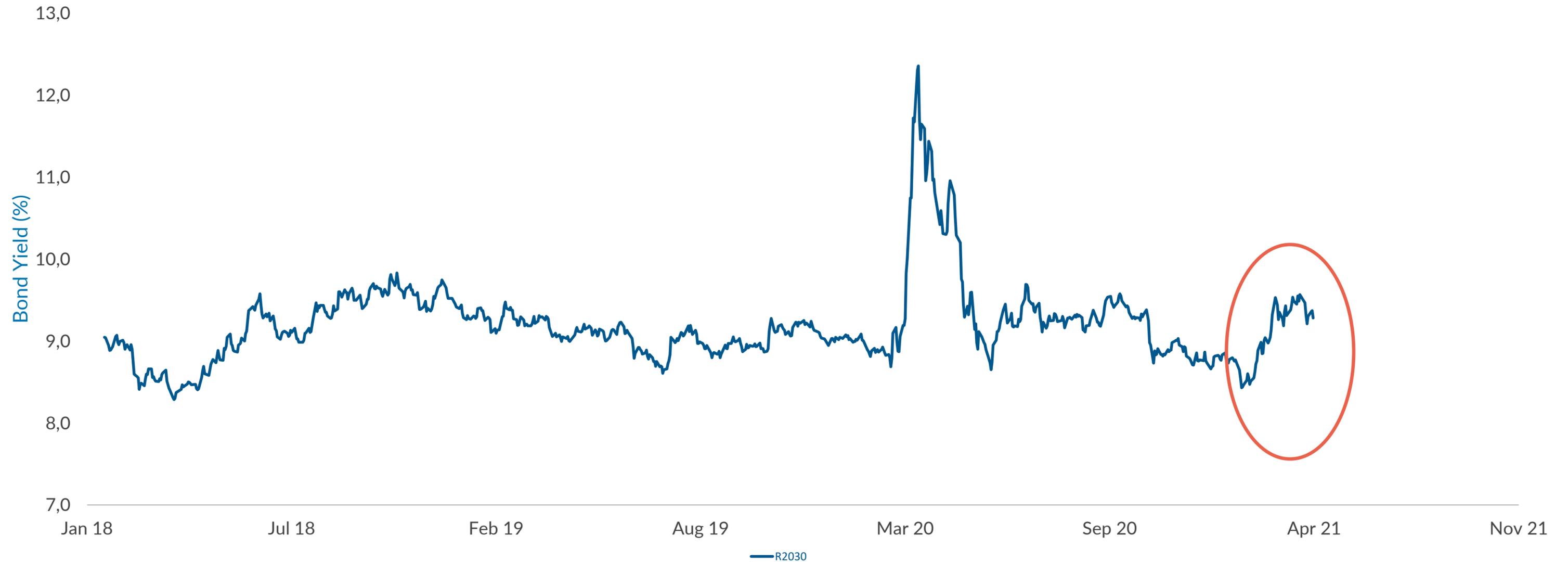


Source: 2020 Survey on Central Government Marketable Debt and Borrowing; OECD Economic Outlook (December 2020); IMF World Economic Outlook Database (October 2020); Refinitiv, national authorities' websites and OECD calculations

Bloomberg

IMPACT ON SOUTH AFRICAN BONDS

R2030 Bond Yield



Source: Anchor / ThompsonReuters

ITS GOING TO BE OK...

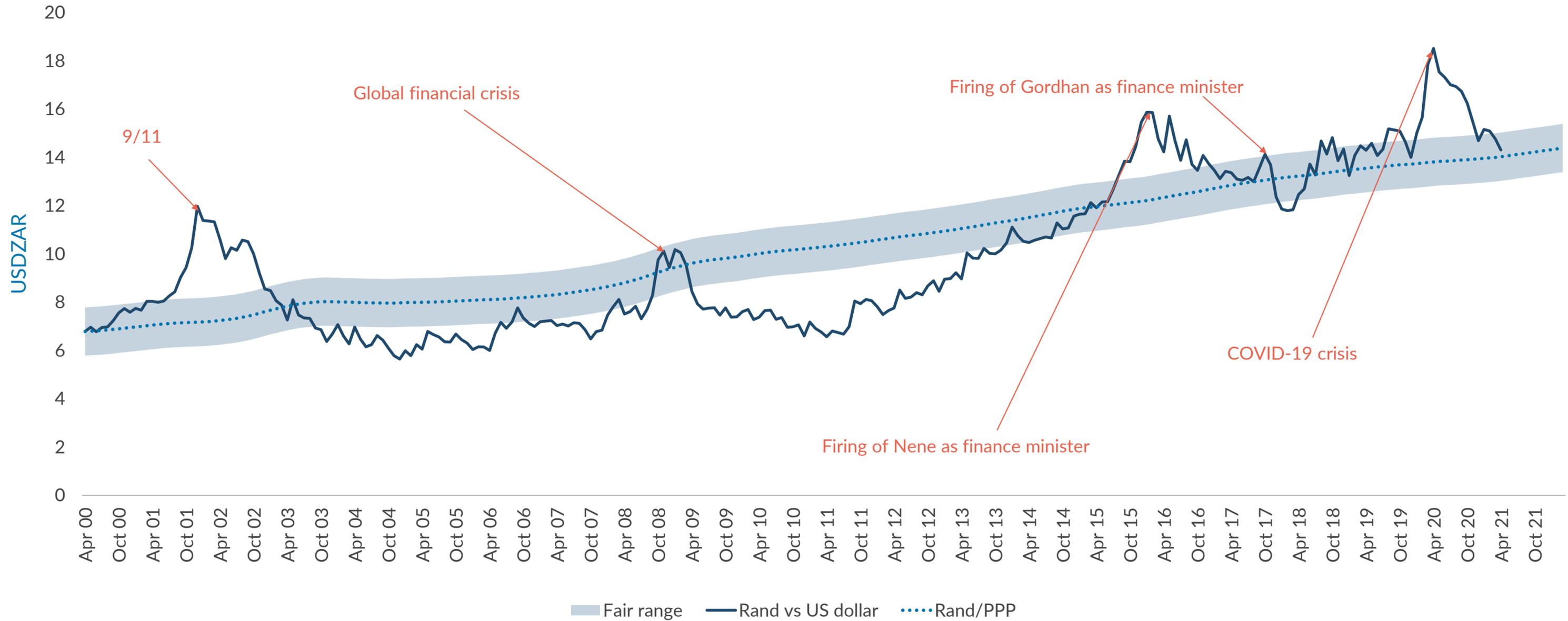
Portfolio	Year to date returns to 22 April 2021
Anchor BCI Core Income A	1.40%
Anchor BCI Flexible Income A	1.40%
Anchor BCI Bond A	1.49%

Source: Morningstar



THE RAND IS FAIR

Actual ZAR/USD vs ZAR PPP Model

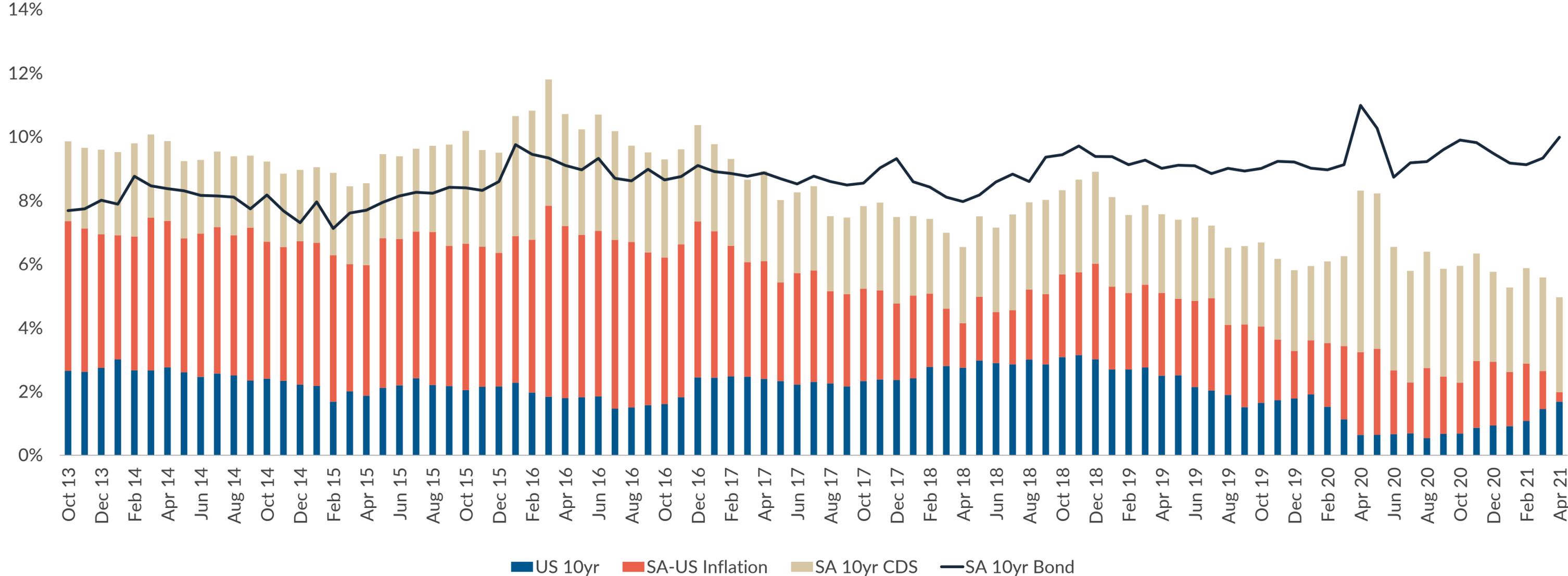


Source: Anchor / ThompsonReuters



SOUTH AFRICAN BONDS ARE CHEAP

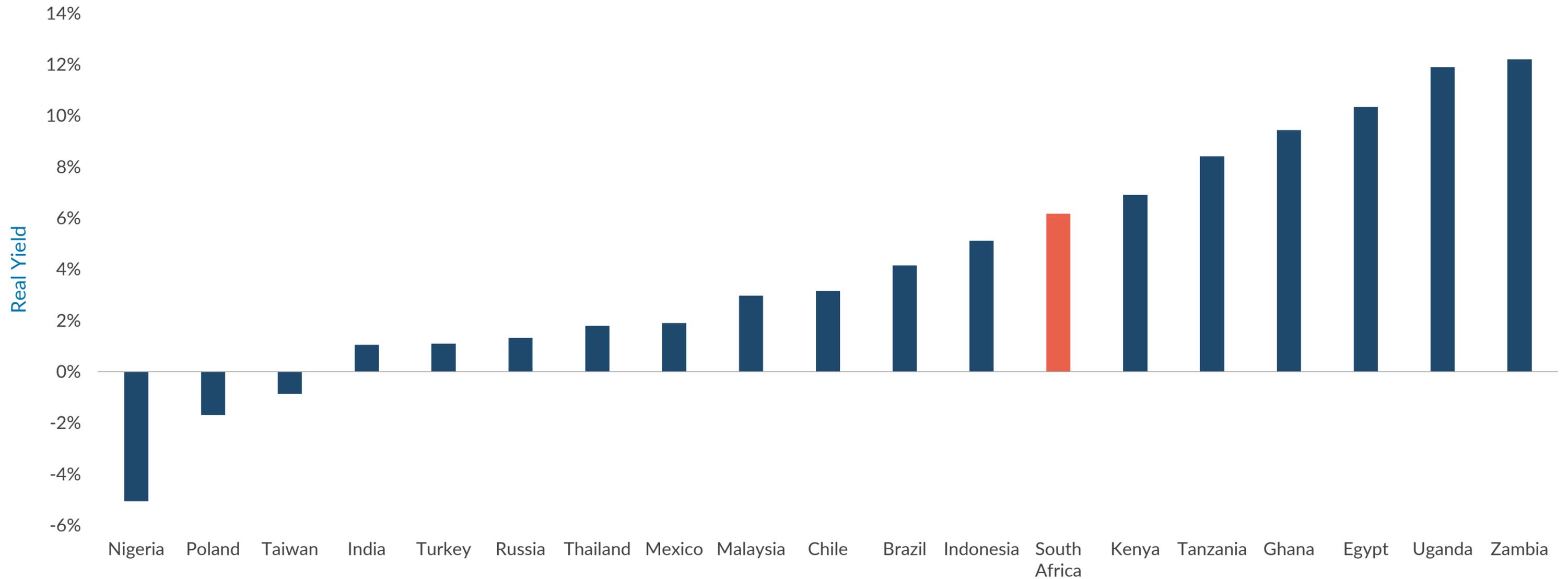
South Africa Government 10yr



Source: Anchor / ThompsonReuters

SOUTH AFRICAN BONDS ARE ATTRACTIVE GLOBALLY

Real Yield



Source: Anchor / ThompsonReuters

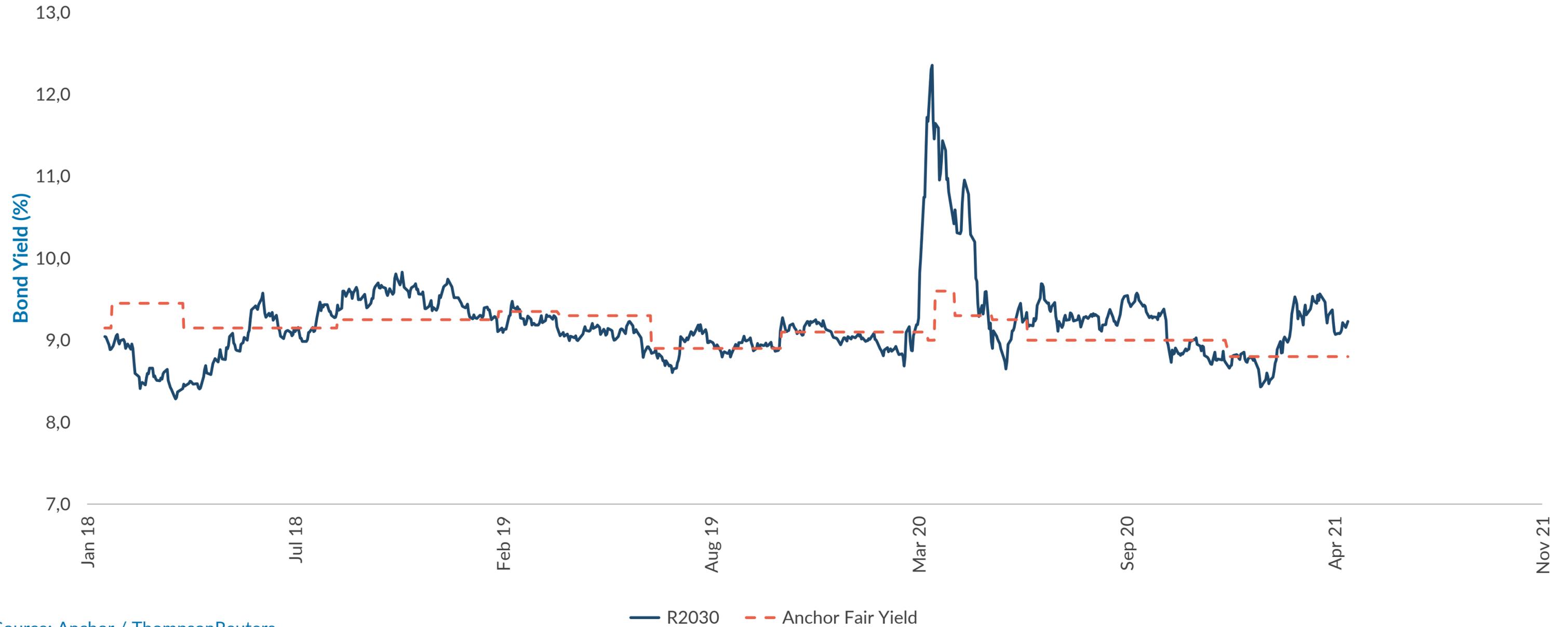
MEANWHILE SOUTH AFRICA IS IN A GOLDBLOCKS ENVIRONMENT





FAIR YIELD ON SA 10 YEAR BOND

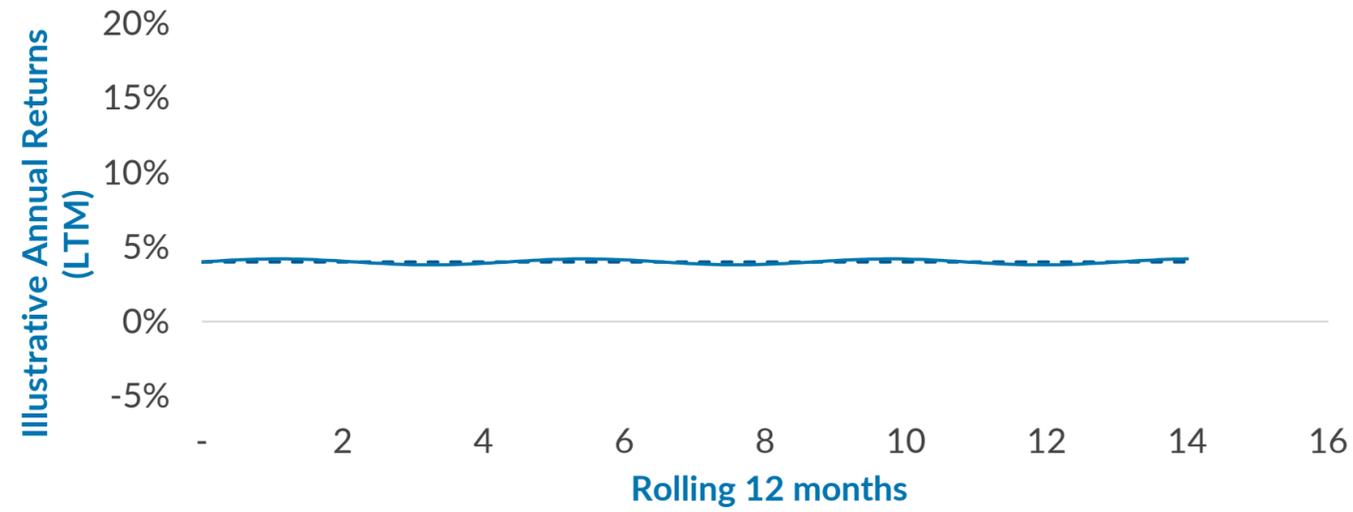
Anchor SA Bond Yield Monitoring - R2030 Bond



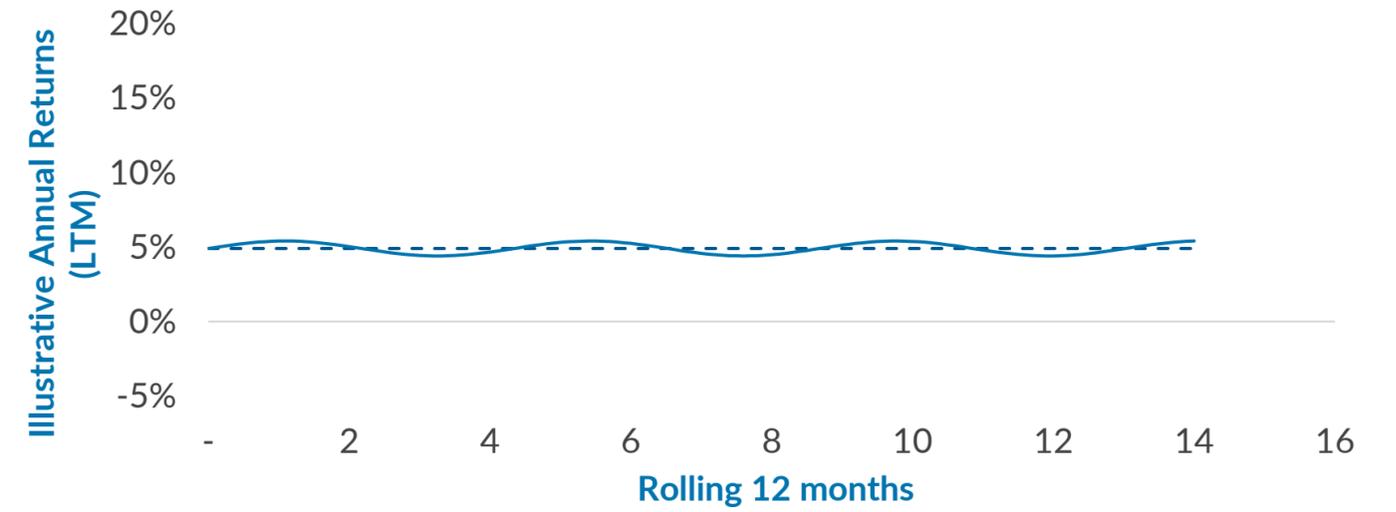
Source: Anchor / ThompsonReuters



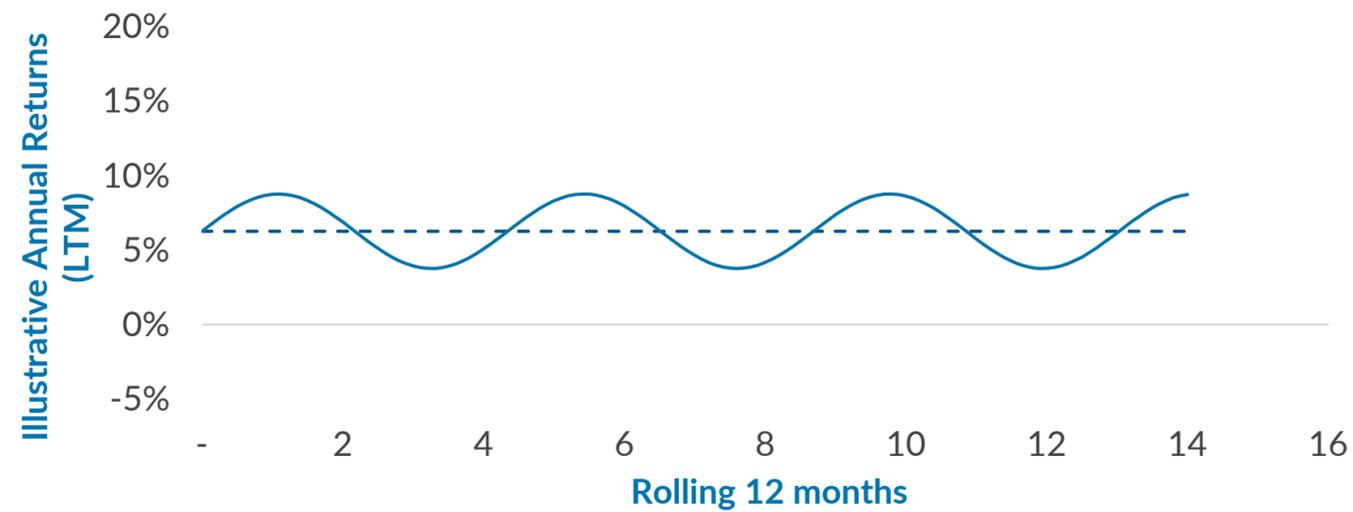
Money Market - Ave = 4.0%



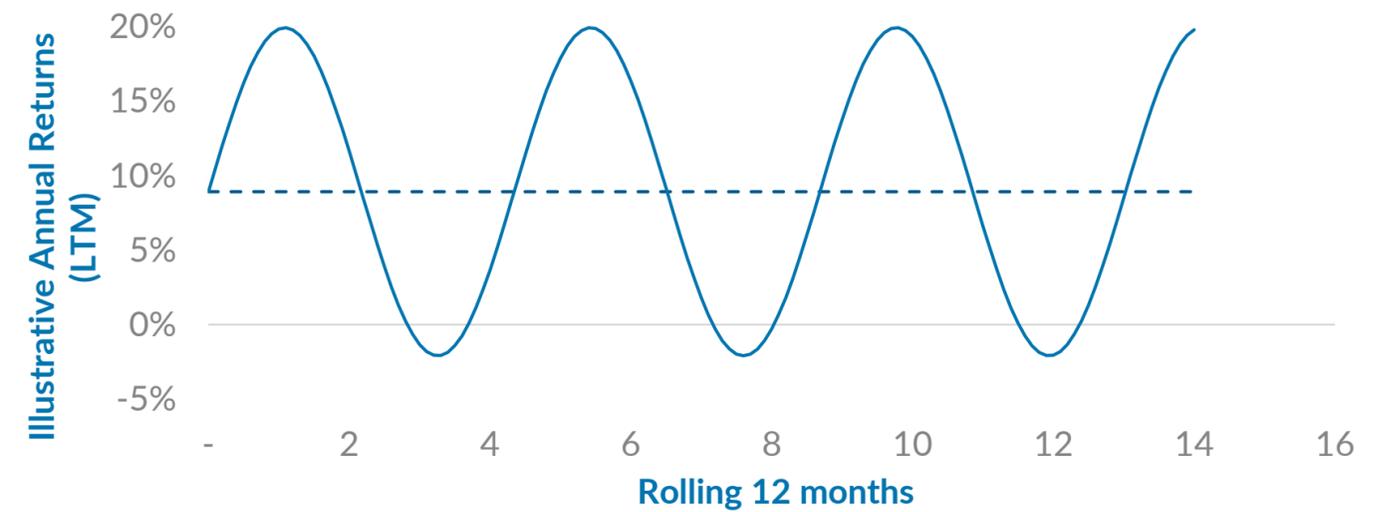
Core Income - Ave = 4.8%



Flex Income - Ave = 6.3%



Bond Fund - Ave = 9.1%





Sorry
THIS FUND IS
CLOSED

COMMENTARY ON
Absa Money
Market Fund
Closure

ASSET ALLOCATION

Asset class	Current stance			Expected returns (local currency) (%)
	Negative	Neutral	Positive	
LOCAL				
Equity	●	➤	●	12.6
Bonds	●	●	●	9.8
Flexible income	●	●	●	6.3
Listed property	●	●	●	8.5
Core income	●	●	●	5.0
Alternatives*	●	●	●	10 – 15
Rand/US\$ (rand marginally stronger)				-2.5
GLOBAL				
Equity	●	●	●	5.0
Government bonds	●	●	●	0.4
Corporate credit	●	➤	●	1.0
Listed property	➤	●	●	3.0
Cash	●	●	●	0.1
Alternatives*	●	●	●	5 – 10

*Alternatives includes hedge funds, protected equity structured products, and physical property.

WHERE WILL THE MONEY BE MADE

Domestic Equity

Domestic Fixed Income

- Bonds are cheap
- Slight overweight risk to capture possible capital gains and higher yields
- Domestic bonds are still attractive

Global Equity

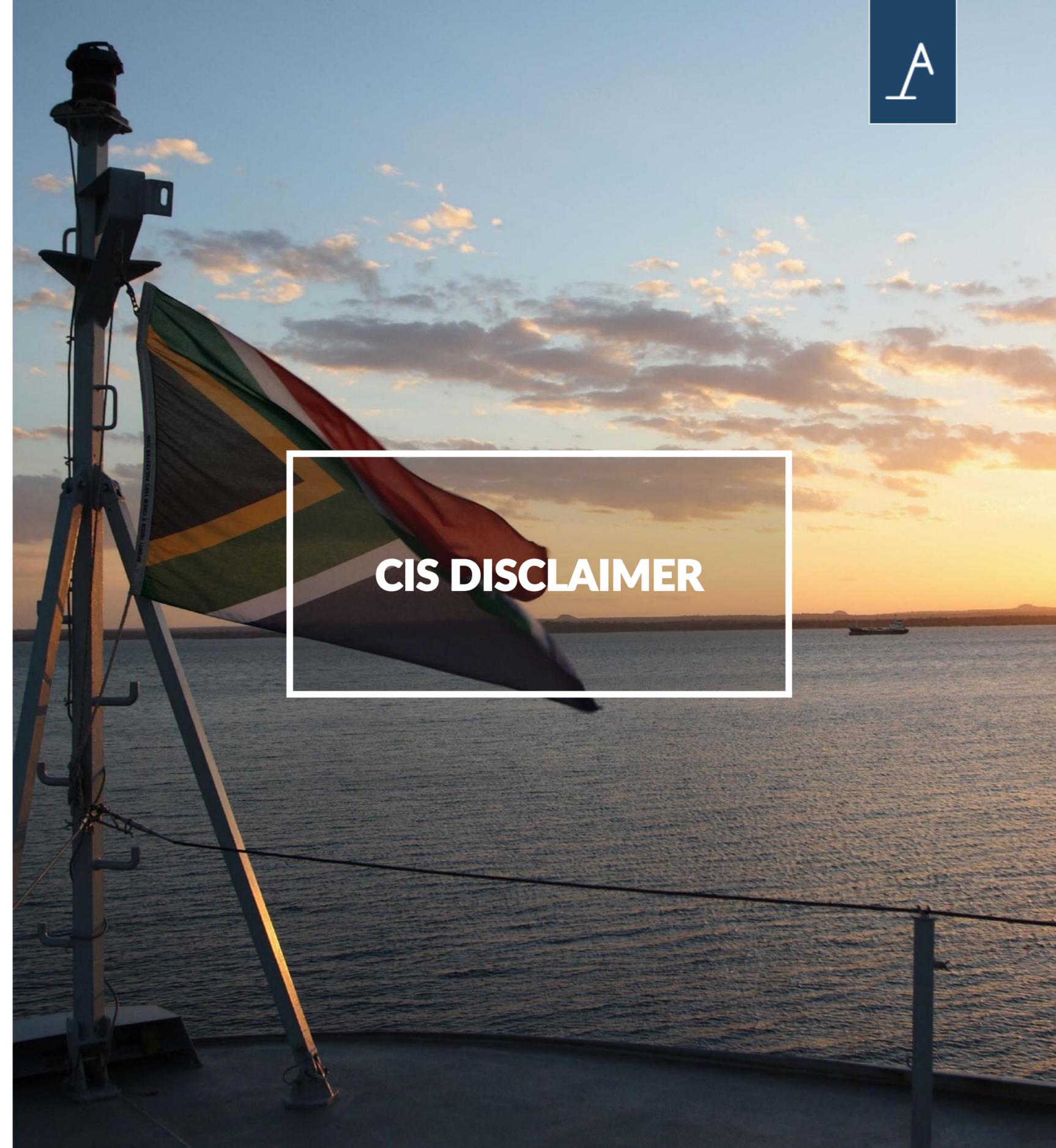
Global Fixed Income

- Bonds have moved dramatically and yields are becoming interesting again.
- Risk of an inflation overshoot in the near term.
- Longer terms corporate tax hikes and a normalisation of growth are positive for bonds.
- Shorter duration bonds are useful as a repository for cash if you don't want maximum equity exposure.

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