The last quarter once again proved to be turbulent for global markets and South Africa was in no way any different. The All Share index continues to be range bound, a phenomenon which has been recurring for the last two and a half years. The TOP40 returned -1.2% over the last quarter which illustrates the tough investment climate which all money managers and investors currently face. Our Fund began operations in March this year, and our cumulative performance of 7.3% over the last 7 months has been satisfactory, especially when compared to the TOP40 index which has returned -1.15%, an outperformance of 8.45%.

Passive investing has gained traction globally over the last 5 years but the performance of the local bourse as a whole over the last 2 and a half years leaves a lot to be desired for a segment of passive investors. What has occurred locally is stark evidence that investors should seriously consider allocating a substantial amount of their portfolios into active managers that have demonstrated the ability to outperform the market during difficult times.

We continue to live in unprecedented times with negative rates and quantitative easing prevalent in the Eurozone and Japan. Analysts have still not digested the long term impact of our current circumstances as there is no point of reference – reputations will be made or tarnished over the next decade. The US economy continues to show signs of improvement and it is no secret that we can expect a rate increase in December and potentially a few more next year. After the initial hiccup which occurred earlier this year, China continues to grow at a stable yet rapid rate and remains the major contributor to global growth. We, along with many others, expect India to take up the baton from China over the next two decades due to the rise of the middle class, rapid industrialisation and liberalisation of their economy and markets.

South Africa remains a somewhat risky investment destination for many foreigners due to political uncertainty. I will not regurgitate what is already well understood but what I will mention is that the total net outflow from the JSE by foreigners has been circa R45bn year to date – illustrating the sentiment amongst foreigners. The volatile political environment is having a profound impact on the short term performance of both the RAND and the JSE, once again adding a layer of complexity to money management.

Indications are that the South African economy is bottoming out, helped by stronger commodity prices, an improving manufacturing sector and a strengthening RAND which has restrained inflation. This, together with South Africa's credit rating review (being conducted by all 3 rating agencies) could be the catalyst for improved market conditions next year if South Africa is not downgraded (without taking into account extreme political events which could throw a spanner in the works).