MENTENOVA

HOUSEVIEW TACTICAL ASSET ALLOCATION

18 March 2021

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We have expanded the range of asset classes to include foreign property in our strategic and tactical asset allocations. The rationale for its inclusion is to diversify our exposure to the local property sector and to have the flexibility to obtain higher offshore exposure. We increased our local bond position from neutral to moderately overweight, while keeping most of our tactical asset allocation views unchanged. We also maintained an overweight position in foreign equity and an underweight position in foreign bonds, with SA cash being the balancing figure.

Figure 1: Houseview Tactical Asset Allocation

Asset class	--	-	Neutral	+	++
SA cash		■			
SA bonds				■	
SA inflation-linked bonds			■		
SA listed property			■		
SA equity			■		
Foreign cash			■		
Foreign bonds		■			
Foreign equity				■	
Foreign property			■		

Synopsis

Apart from the inclusion of foreign property in our strategic asset allocation, we made one change to our TAA positions – increasing the neutral position in local nominal bonds to moderately overweight. Local nominal bonds have become increasingly attractive from a hedged yield perspective after the recent bond sell-off, despite surging US treasury yields reminding investors that the additional spread to take on the EM risk can shrink quickly. We chose to stay neutral in SA inflation-linked bonds, SA equity and SA-listed property, with our investment cases for these three asset classes remaining largely unchanged over the past month. We also continued to prefer offshore equities over offshore bonds, owing to interest rates likely to remain low in the near term, improving sentiment and the global economy moving in the right direction, and also the vaccine rollout programmes helping to boost growth in the second half of 2021. We are neutral in offshore property as the sector is fairly valued when taking into account the secular shifts accelerated by COVID-19. However, as it is too early to predict what the potential structural impacts will be, we are holding this asset class as it is becoming increasingly important to diversify within the property sector, particularly as diverging asset value and income growth were observed.

TAA Overview

SA bonds	With foreigners having piled into our local bonds in Q4 2020, we have seen net outflows in foreigners' holdings of SA bonds since mid-February. The sharp rise in US long-term treasury yields since January this year has sparked jitters in the global capital markets. The yield increases were partly driven by breakthroughs in the development of COVID-19 vaccines, improvements in vaccine distribution, another US$1.9 trillion pandemic aid package being signed into law on 11 March by US President Joe Biden and buoyed optimism about an economic recovery in the wake of falling numbers of COVID-19 infections. The yield increases were also influenced by investors' concerns about accelerating inflation. This extended rise in treasury yields has encouraged sector rotation from stocks with elevated valuations, such as technology, to other, subdued sectors. High US treasury yields made the US dollar more

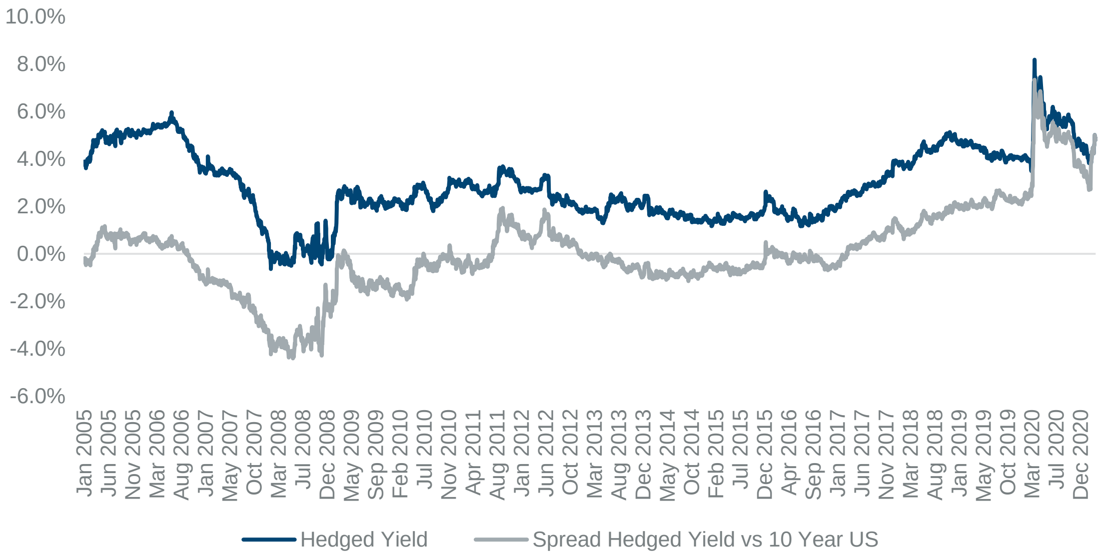
attractive to income-seeking investors and undermined the risk-on appetite for emerging market assets as their yield premiums were eroded.

For the year to date, as at 12 March 2021, foreign investors had net sold US$2.6bn worth of local bonds since emerging market bonds are becoming increasingly vulnerable as US treasury yields climb. The 10-year nominal bond still offers some value as it was trading at 9.0%, above the implied 10-year yield of 6.4%. The 10-year nominal yield spread over the US 10-year treasury yield remained relatively steady at 7.6%, exceeding the long-term average by 140 bps. The US dollar-hedged 10-year yield increased from 3.9% to 4.9% over the past month. At the same time, the hedged yield premium over the US 10-year yield widened from 273bps to 330bps.

Figure 2: South Africa 10-year nominal yield vs implied yield as at 26 February 2021

Source: Bloomberg

Figure 3: US$-hedged 10-year bond yield over time



Source: Bloomberg

SA nominal bonds appeared increasingly attractive over Brazilian nominal bonds based on real yield, calculated using reported inflation, with the real yield spread of SA 10-year over Brazilian 10-year increasing from 213bps to 267bps over the past month. The spread of the 10-year bond yields adjusted for expected inflation, based on the Bloomberg survey of economists, remained flat at 19bps over the same period.

Figure 4: SA bond yields vs EM peers as at 12 March 2021

	South Africa	India	Indonesia	Russia	Mexico	Brazil	Turkey
10 Year Yield	**9.35%**	**6.23%**	**6.73%**	**6.80%**	**6.39%**	**8.68%**	**14.15%**
Inflation	3.2%	5.0%	1.38%	3.3%	3.8%	5.2%	15.6%
Inflation Expectation	3.98%	6.40%	2.30%	3.80%	3.50%	3.50%	11.90%
10 Year Real Yield	**6.15%**	**1.20%**	**5.35%**	**3.50%**	**2.63%**	**3.48%**	**-1.46%**
10 Year Real Yield based on inflation expectation	5.37%	-0.17%	4.43%	3.00%	2.89%	5.18%	2.25%
Currency Risk Premium	**4.65%**	**3.13%**	**3.64%**	**3.63%**	**3.04%**	**4.14%**	**8.79%**
Sovereign Risk Premium	**3.07%**	**1.48%**	**1.47%**	**1.54%**	**1.72%**	**2.92%**	**3.74%**
US 10 Year Yield	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%
S&P Rating - Foreign Currency	**BB-**	**BBB-**	**BBB**	**BBB-**	**BBB**	**BB-**	**B+**
Moody's Rating - Foreign Currency	**Ba2**	**Baa3**	**Baa2**	**Baa3**	**Baa1**	**Ba2**	**B2**

Source: Bloomberg

The Fed kept its target range of the benchmark federal funds rate at 0% to 0.25%, and assured the market that the US$120 billion monthly asset purchases would be maintained until substantial improvements in employment and progress in attaining the inflation goals could be observed. It is believed that a spike in inflation would be rather short-lived. However, a growing number of FOMC officials (seven in March 2021 vs five in December 2020) have predicted higher rates by the end of 2023. The overall consensus in the market is that global monetary policies will remain accommodative until there is solid global and regional economic recovery, with central banks willing to let reflation come back into play.

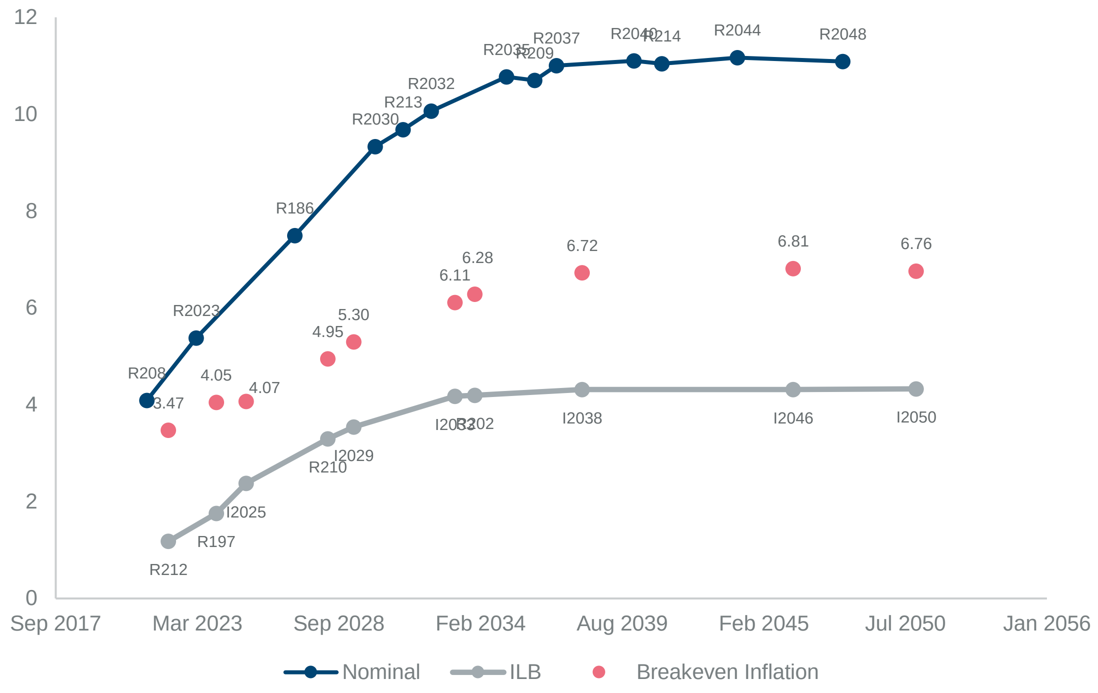
For emerging markets, rate increases hurt both from a liquidity and debt borrowing cost perspective. In a country like South Africa, the path towards economic recovery continues to be obstructed by expenditure pressures, execution risk, mismanagement of SOEs, load-shedding and the slow rollout of vaccines, which could potentially trigger a third wave as winter approaches. The biggest positive news from the February budget is the rate of tax collection. However, in the absence of real economic growth and given the stressed tax base, the long-term prospects for tax collection remain precarious.

After the sell-off in recent months, we believe investors will reassess their positions once volatility begins to recede from its elevated level at present, with the current bond rout presenting a possible buying opportunity should the setback turn out to be temporary. We increased our position in local nominal bonds from neutral to overweight as it started to appear more appealing, especially from a hedged yield perspective.

SA inflation-linked bonds

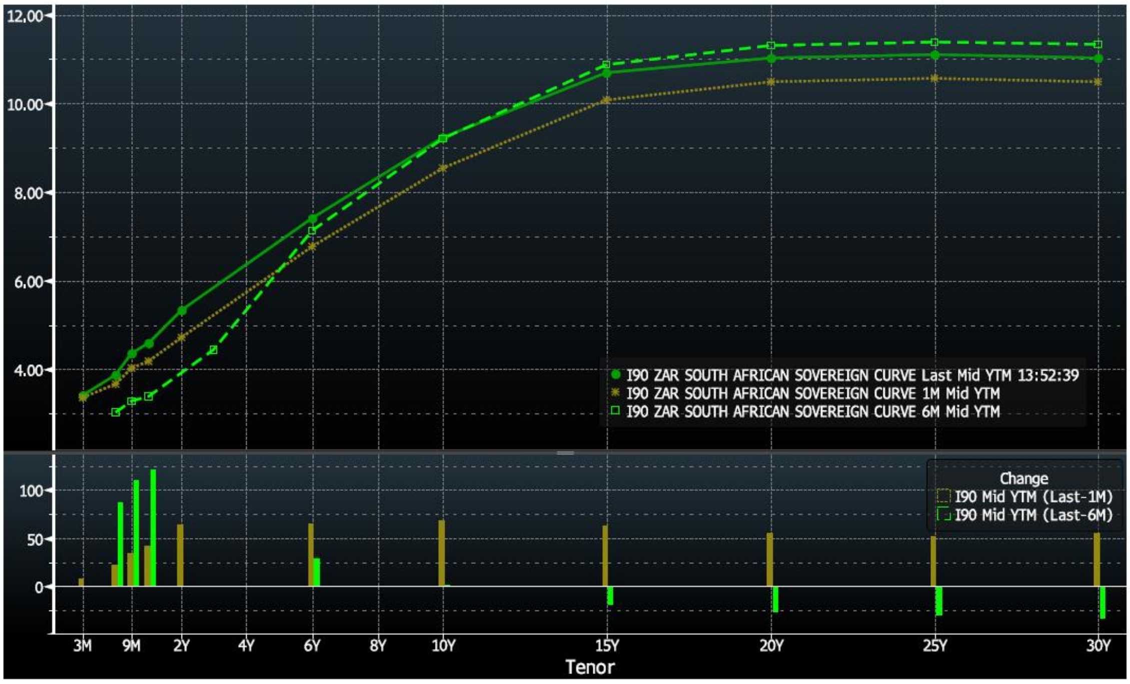
We saw the IGOV Index outperform the ALBI again in February, returning 1.9% vs 0.1% as reflation bets continued to drive this asset class. It also delivered -0.2% vs -2.9% in the ALBI Index for the month to date, as at 18 March 2021. Breakeven inflation increased by c.20bps on the shorter end and by c.57bps on the longer end of maturities, driven by higher inflation expectations. While the inflation-linked yield spiked for the 15-year tenor over the past month, nominal bond yield curves steepened across all maturities.

Figure 5: SA nominal and real yields as at 12 March 2021



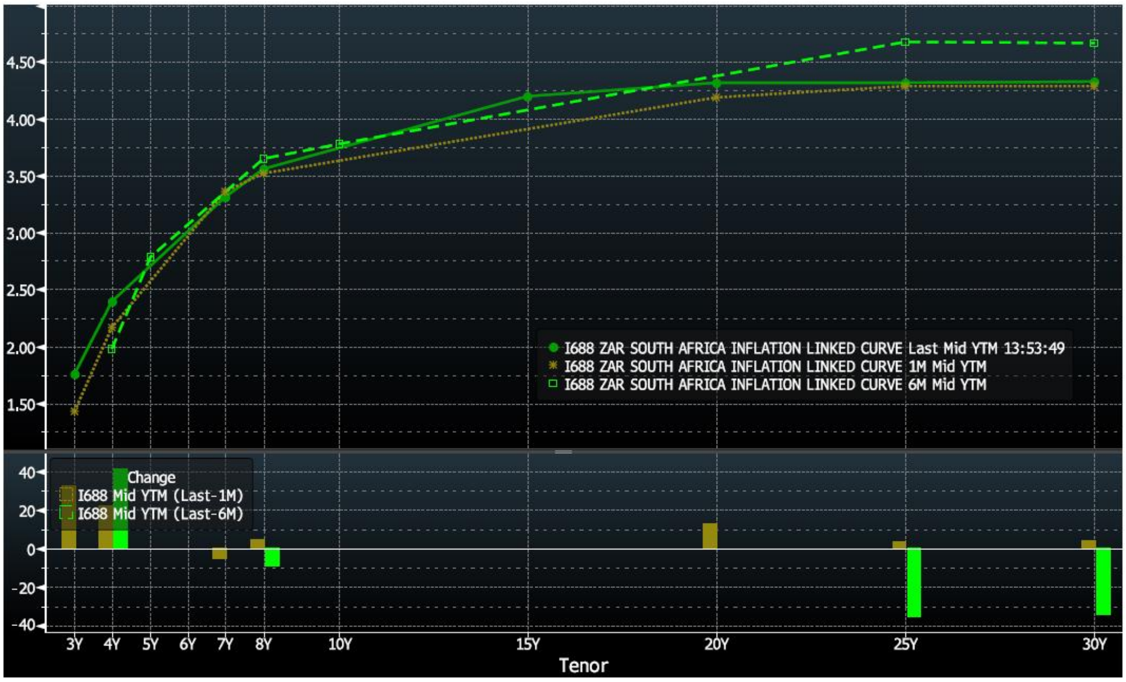
Source: Bloomberg

Figure 6: SA nominal yields as at 12 March 2021



Source: Bloomberg

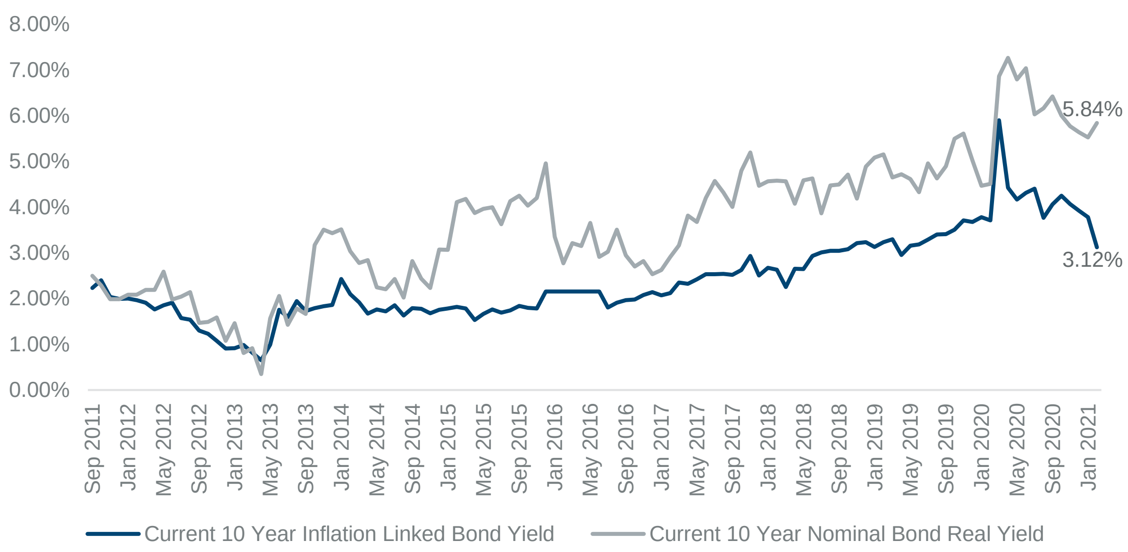
Figure 7: SA inflation-linked yields as at 12 March 2021



Source: Bloomberg

The spread between the 10-year nominal bond real yield and the 10-year inflation-linked bond yield widened from 174bps to 272bps from January to February. Together with the base effect and high fuel price, inflation can easily reach 4.0% in the coming months. However, we reiterate our neutral stance on inflation-linked bonds as we expect demand to remain under pressure as higher transportation costs eat into consumers' disposable income, while the labour market and the broader economy slowly recover from the pandemic-induced fallout.

Figure 8: 10-year real yield of nominal bond vs inflation-linked bond as at 26 February 2021



Source: Bloomberg

SA equities

Major equity indices notched up solid gains for the month of February, driven by growing optimism surrounding an economic recovery and declining numbers of COVID-19 infections. Developed markets outperformed emerging markets. However, the JSE managed to deliver a stellar performance for the year to date, thanks to the rally in resources and, to a lesser extent, industrials. The rand has so far stayed in the R/$14.5–R/$15.5 range this year. Accelerated vaccine rollout programmes have shortened the time needed to inoculate 75% of the US and global populations, respectively, from 9 months to 5 months, and from 5 years to 3.3 years, according to Bloomberg's COVID-19 vaccine tracker. At the same time, we saw strong net inflows into the developed markets. However, net inflows into emerging markets have slowed as risk assets have taken a knock from surging treasury yields, except in the Asia-Pacific region.

Figure 9: Major indices and asset class returns in ZAR

28 February 2021 (ZAR)	1M	3M	YTD	1 Year	3 Year (annualised)	5 Year (annualised)	10 Year (annualised)	MTD 16 March 2021
FTSE/JSE ALSI Total Return	5.9%	16.1%	11.4%	33.2%	7.6%	9.2%	10.7%	2.3%
FTSE/JSE Capped SWIX Total Return	5.3%	14.5%	8.6%	23.9%	1.7%	5.2%		4.7%
S&P 500 Total Return	2.5%	3.7%	5.1%	26.5%	24.1%	15.8%	22.6%	2.2%
STOXX 600 Total Return	1.8%	3.5%	3.8%	16.4%	13.6%	8.1%	13.5%	2.1%
Nikkei 225 Total Return	2.6%	5.4%	6.1%	36.4%	21.5%	15.1%	18.6%	-0.8%
MSCI World Total Return	2.4%	4.0%	5.0%	25.2%	21.1%	13.8%	18.9%	1.8%
MSCI ACWI Total Return	2.1%	4.8%	5.3%	26.1%	20.6%	13.9%	18.3%	1.4%
MSCI EM Total Return	0.5%	9.6%	7.4%	31.5%	16.1%	14.7%	13.3%	-1.0%
STEFI	0.3%	0.9%	0.6%	4.8%	6.4%	6.9%	6.3%	0.2%
ALBI	0.1%	3.3%	0.8%	8.3%	7.1%	9.8%	8.6%	-1.4%
IGOV	1.9%	6.4%	4.0%	7.7%	3.6%	3.6%	6.5%	-0.3%
WGBI	-2.6%	-4.1%	-0.4%	-0.4%	12.4%	2.3%	10.2%	-2.8%
SAPY Total Return	8.6%	19.5%	5.1%	-15.7%	-13.5%	-7.6%	4.6%	3.6%
MSCI US REIT Total Return	3.8%	5.7%	7.6%	-0.4%	18.9%	5.6%	16.6%	3.7%
S&P Global Property Total Return	3.2%	3.9%	5.9%	-0.7%	14.0%	5.8%	14.9%	2.1%
STOXX 600 Real Estate Total Return	-2.9%	-2.6%	-3.6%	-3.7%	10.3%	3.5%	13.2%	1.5%
Crude Oil	18.1%	36.5%	31.9%	26.1%	9.0%	12.0%	2.6%	1.6%
Aluminium	8.7%	3.5%	12.5%	22.5%	9.1%	5.6%	6.1%	0.4%
Copper	15.3%	17.6%	20.8%	55.2%	19.0%	13.1%	7.2%	-3.1%
Gold	-6.1%	-2.4%	-8.7%	9.4%	9.6%	7.0%	2.1%	-0.2%
Platinum	10.4%	21.0%	15.0%	32.7%	16.0%	4.1%	3.7%	0.1%
Nickel	0.0%	0.0%	0.0%	0.0%	2.9%	5.7%	-1.2%	0.0%
Palladium	3.9%	-4.1%	-1.8%	-14.3%	42.1%	35.2%	20.3%	5.2%
Iron Ore	5.7%	31.4%	11.8%	98.9%	41.2%	27.9%		-5.0%
USDZAR	-0.3%	-2.2%	2.9%	-3.5%	8.6%	-1.0%	8.1%	-1.6%
GBPZAR	1.3%	2.1%	4.7%	4.8%	9.0%	-1.0%	6.4%	-1.7%
EURZAR	-0.9%	-1.1%	1.6%	5.6%	8.3%	1.1%	6.6%	-2.9%
JPYZAR	-2.0%	-4.3%	-0.2%	-2.1%	8.7%	0.1%	5.2%	-3.8%

Source: Bloomberg

Figure 10: ETF net flows into developed and emerging market ETFs for the week ending 12 March 2021

View Countries Show Netflow Market DM In Millions of USD

Map View | Details | Historical

Country	1D	1W	1M	3M	YTD	1Y	3Y
1) Americas	+1,629	+21,493	+62,597	+162,561	+125,056	+458,359	+1,088,403
10) United States	+1,492	+20,721	+58,990	+154,158	+118,510	+442,069	+1,047,177
11) Canada	+132	+491	+2,503	+5,855	+4,259	+12,265	+35,434
12) North America*	+4	+281	+1,103	+2,548	+2,287	+4,024	+5,792
2) Europe	+36	+448	+1,612	+2,717	+2,216	+7,330	+6,500
20) United Kingdom	+19	+284	+936	+3,348	+2,294	+6,031	+19,239
21) Italy	--	+22	+424	+805	+829	+698	-850
22) Sweden	+27	+35	+47	+8	+111	-117	-659
23) Denmark	-9	-9	+1	+47	+39	+184	+216
3) Asia Pacific	+111	+38	+1,449	+10,477	+10,392	+71,142	+151,100
30) Japan	+92	-684	+106	+7,686	+8,557	+61,377	+127,686
31) South Korea	-13	+128	+345	+1,305	+1,122	-1,925	+2,388
32) Australia	0	+51	+237	+814	+297	+7,081	+14,998
33) China	--	+1	+50	+186	+171	+204	+207
4) Africa & Middle East	--	-16	-7	+341	+283	+673	+855
40) Israel	--	-16	-7	+341	+283	+673	+855

*Regionally Focused Funds

View Countries | Show Netflow | Market EM | In Millions of USD

Map View | Details | Historical

Country	1D	1W	1M	3M	YTD	1Y	3Y
1) Americas	-72	+9	+93	+511	+396	-616	+8,668
10) Brazil	-87	-39	+452	+500	+597	-1,821	+4,547
11) Argentina	--	--	--	+8	+8	-17	-140
12) Chile	--	-8	+3	-14	-7	+71	+309
13) Colombia	-1	+2	-12	-13	-20	+281	+1,240
2) Europe	0	+49	+24	+2	-130	+452	-1,916
20) Eastern Europe*	--	+17	+10	+17	+3	+11	-209
21) Croatia	--	--	--	0	0	-2	0
22) Romania	--	--	--	--	--	0	+2
23) Slovakia	--	--	--	--	--	0	0
3) Asia Pacific	-1,172	+1,249	+17,258	+15,317	+17,057	+30,164	+57,939
30) China	-1,175	+996	+16,145	+12,289	+15,087	+24,594	+45,569
31) Taiwan	+1	+245	+822	+1,514	+1,456	+5,285	+7,034
32) India	+8	+28	+319	+1,351	+469	+54	+4,692
33) Hong Kong	--	+1	+50	+186	+171	+204	+207
4) Africa & Middle East	+2	+17	+3	+51	-59	-285	+1,569
40) U.A.E.	--	+1	+4	+17	+17	-7	+26
41) Saudi Arabia	--	+2	-8	+69	+12	-15	+1,366
42) African Region*	--	--	-4	+2	+2	-4	-32

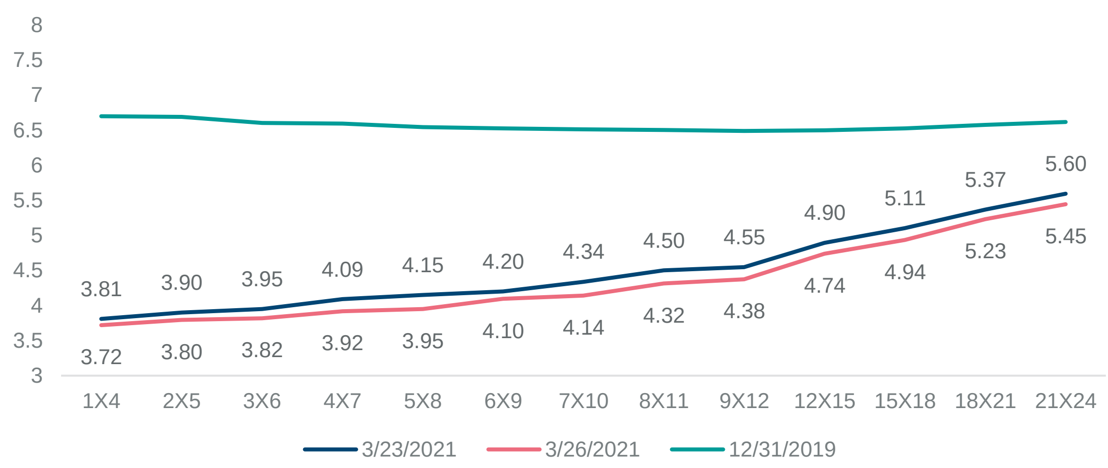
*Regionally Focused Funds

Source: Bloomberg

SA equity valuations based on price ratios and dividend yields continued to suggest moderate underweight. The Bureau of Economic Research Consumer Confidence Index improved from -12 in Q4 2020 to -9 in Q1 2021, which was better than the market expectation of -10. Despite being below the pre-COVID level, this is the highest level attained since Q1 2020. Retail sales in constant prices slowed from -0.8% in December 2020 to -1.6% in January month on month, and from -1.3% to -3.5% over the same period, year on year. These figures are significantly lower than the market consensus, according to the Bloomberg survey, of 0.1% and -2.4% respectively, indicating that consumer spending remains under pressure due to financial hardship or a lack of visible recovery in the labour market.

Following our TAA meeting, February's inflation rate year on year ticked lower, from 3.2% in January to 2.9% – again falling short of the market expectation of 3.1%. CPI for durable goods and services year on year dropped from 3.3% and 3.4% to 2.9% and 2.8%, respectively, while CPI for services year on year dropped from 3.6% to 2.7% between January and February. We saw that the lower-than-expected inflation rate played a role in the forward rate agreements, as investors pared their expectation that the SARB would increase its interest rate (it remained unchanged) and reversed their prior expectation of quicker rate hikes.

Figure 11: SA FRA rates



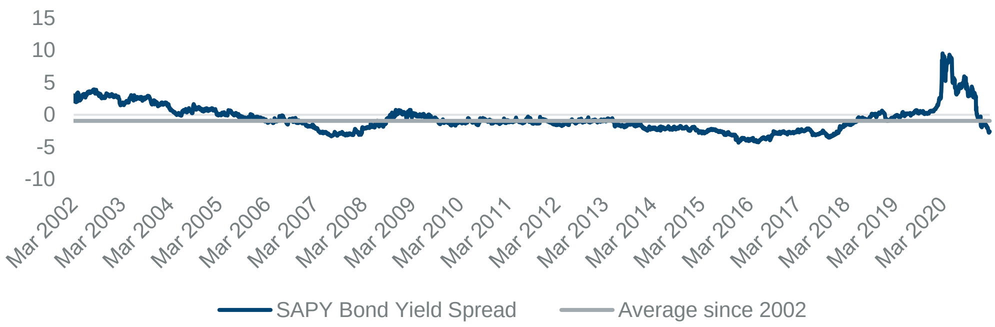
Source: Bloomberg

	The SA PMI improved from 50.9 in December 2020 to 53.0 in January 2021, driven by improvements in business conditions, new orders and inventories. Yet employment in the manufacturing sector has weakened, with the employment index dropping from 48.6 in 44.1, evidencing a deeper contraction. In addition, total and new car sales growth year on year lost some momentum in February, standing at -13.3% and -18.1%, respectively, which were largely unchanged from the January figures. On the trade front, export and import growth year on year slowed from 23.5% and 5.6%, respectively, in December 2020 to 8.8% and -5.5%, respectively, in January 2021. We reiterate our neutral position in SA equities as valuation and fundamentals remained largely unchanged, if not weakened in some areas, over the past month. Global risk-on or risk-off sentiment may create some volatility and noise on a day-to-day basis, as investors weigh the impact of higher yields and potentially faster reversals of the ultra-easy monetary policies. However, in the short term, vaccine programme optimism and the central bank's assurance of maintaining low rates are likely to counter the absence of a growth catalyst and the slower-than-peers vaccine rollout at home.
SA-listed property	SA-listed property delivered a strong performance in February, returning 8.6%, and performed similarly to the ALSI Index for the month to date as at 18 March 2021, at 1.75% vs 1.81%. The yield spread relative to SA equities kept close to its long-term average, while the yield spread relative to the 10-year bond fell way below its long-term average. The SAPY dividend yield continued to trend below its rolling 1-year and 5-year averages.

Figure 12: SAPY yield spread relative to FTSE/JSE All Share Index

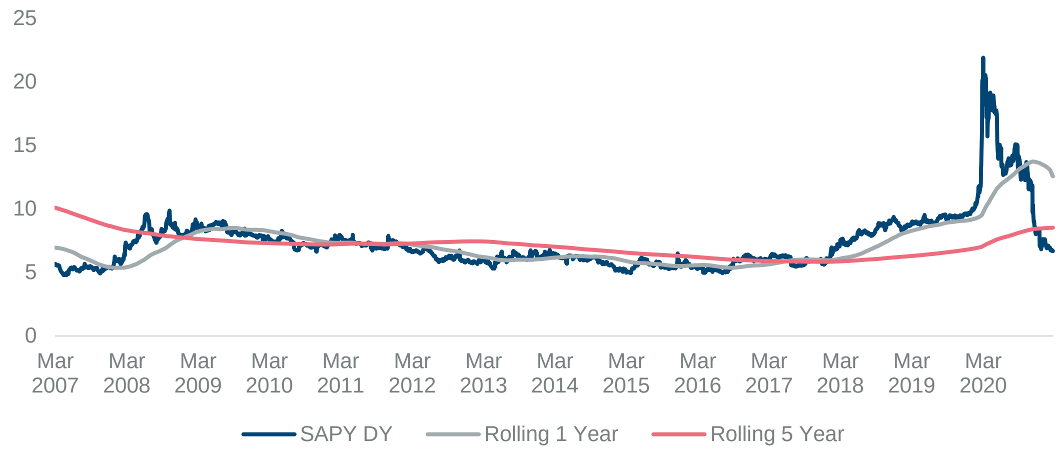
Source: Bloomberg

Figure 13: SAPY yield spread relative to 10-year bond



Source: Bloomberg

Figure 14: SAPY yield relative to rolling 1-year and rolling 5-year averages



Source: Bloomberg

As we have seen with SA equities, business and consumer sentiment is making a steady recovery after languishing in the COVID-19 trough. However, improvements in economic fundamentals have lost some momentum. The structural and secular challenges facing the local property sector have remained largely unchanged, with an oversupply of offices, an elevated rent-to-sales ratio, and the pandemic further prompting the shift to e-commerce as well as weak consumer demand.

What is positive for local property is that only c.58% of the sector's revenue came from SA; the rest was mainly from Europe, Australia and, to a lesser extent, the US and the rest of Africa. One of the property sectors that has surfaced as a winner is warehousing, driven by online shopping. This is also one of the reasons for including offshore property in our strategic asset allocation, proxied by the S&P Global Property Index, which has higher sector weightings of specialised REITs, residential REITs and industrial REITs. We choose to stay neutral in SA property as we continue to believe that any further, significant recovery in the SAPY Index is contingent on improving economic conditions and consumer demand.

Offshore bonds

We reiterate our moderate underweight position in offshore bonds. US treasury yields have risen but that is largely due to the repricing of higher inflation expectations. Major central banks have not changed their policy stance over the past month, with the ECB pledging to speed up its purchases of sovereign debt to keep borrowing costs and yields intact and the Fed maintaining its dovish position on the interest rate. This will drive the preference for inflation-linked bonds over nominal bonds. Progress on the global vaccine front and consequently a more expansive economic restart in the second half of this year again make us lean towards offshore equities rather than offshore bonds.

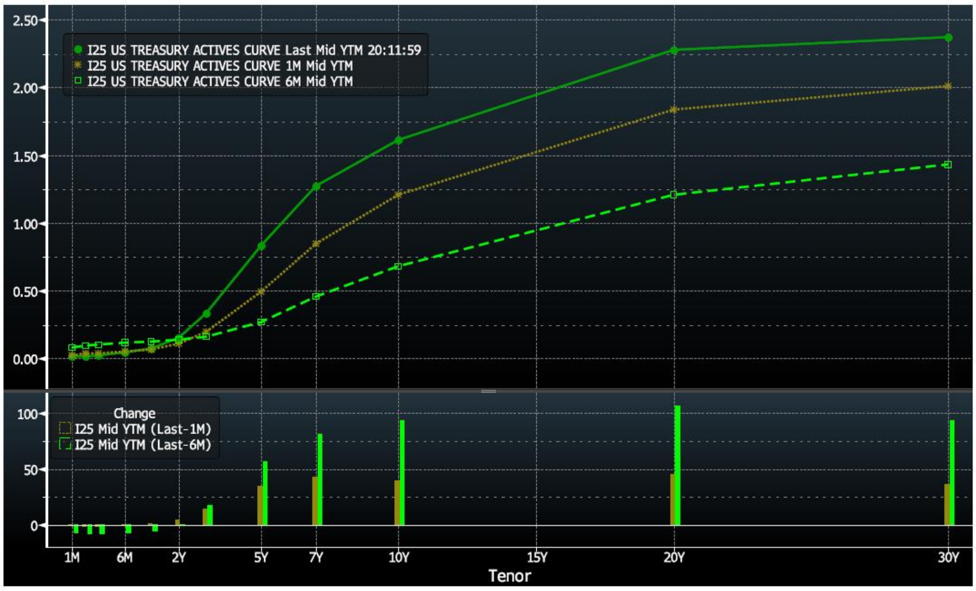
Offshore equities

Valuation scores for offshore equities remained largely unchanged over the past month, favouring local equities over offshore equities. While European and Japanese consumer and business sentiment made small gains, sentiment in the US improved over the past month. The University of Michigan Consumer Sentiment Index climbed from 76.8 in February to 83 in March. The Conference Board Consumer Confidence Index and the Bloomberg US Weekly Consumer Comfort Index also improved from 88.9 in January to 91.3 in February and from 44.9 in February to 49.4 in March, respectively. Manufacturing confidence remained healthy, with business activity and the production outlook jumping from 7 and 4.6 in January to 17.2 and 19.9 in February, respectively.

The macro data again painted a somewhat mixed picture of the US economy, with economic strength evident in retail sales, industrial production and the housing market, and the labour market improving at a slower rate as certain sectors, such as hospitality, remained vulnerable. Retail sales advances month on month jumped from -0.7% in December 2020 to 5.3% in January 2021. However, retail sales dropped by 3% in February month on month as poor weather impeded demand. We do expect the US$1.9 trillion stimulus passed in March to lift retail sales in the coming months. Industrial production followed a very similar trend to retail sales, up 0.9% month on month in January, beating the market expectation of 0.4%. However, it dropped to -2.2% in February as severe weather caused a temporary setback. The housing market remained healthy. Housing starts fell slightly short of market expectations in January and February, standing at 1580k vs 1660k and 1421k vs 1560k, respectively, while new home sales and existing home sales were up by 4.3% and 0.6%, respectively, in January compared with December. Bad weather and elevated prices affected sales in February, which stood at -18.2% and -6.6%, respectively. The S&P CoreLogic Case-Shiller US National Home Prices Index was up 10.37% in December 2020. US export and import growth year on year continued to show small but steady consecutive improvement, from -10.18% and -0.23%, respectively, in December to -7.57% and 3.22%, respectively, in January. The services PMI continued in its expansionary mode, softening from 58.7 in January to 55.3 in February. The US labour market continued to make small gains but the road to full recovery remains long. The unemployment rate ticked lower to 6.2% in February, with the economy adding 117k jobs in February, below the market expectation of 205k. Initial jobless claims and continuing jobless claims started to trend lower in the second half of March.

The probability of recession in the next 12 months, according to the New York Fed, dropped from 12.19% to 9.59% over the past month. The 10-year vs 2-year treasury spread widened further from 110bps to 146bps as inflation concerns translated into a steeper yield curve.

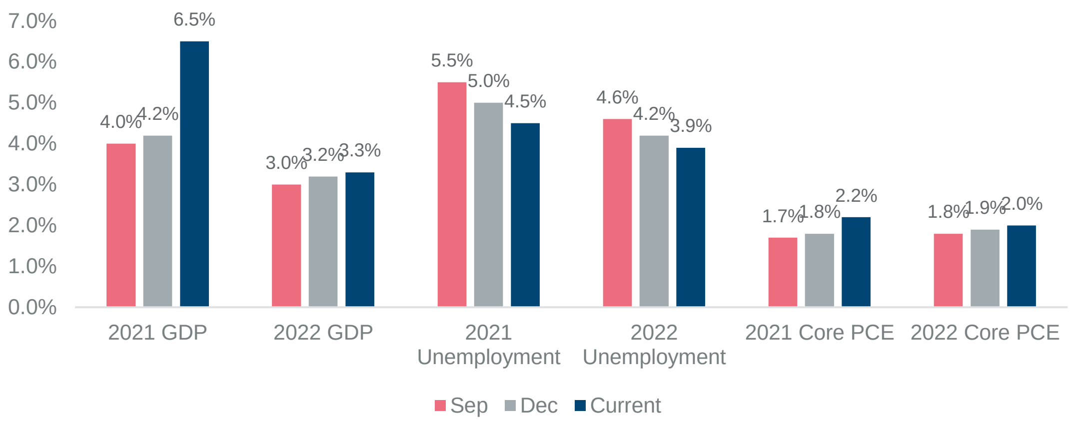
Figure 15: US yield curve as at 12 March 2021



Source: Bloomberg

While the Fed reiterated its dovish stance and repeated that the pace of asset purchases will stay unchanged until "substantial further progress" is made towards meeting employment and inflation goals, it has upgraded its forecasts on key economic metrics over those of past quarters. At the same time, 79% of companies that reported in Q1 have so far beaten Bloomberg earnings estimates.

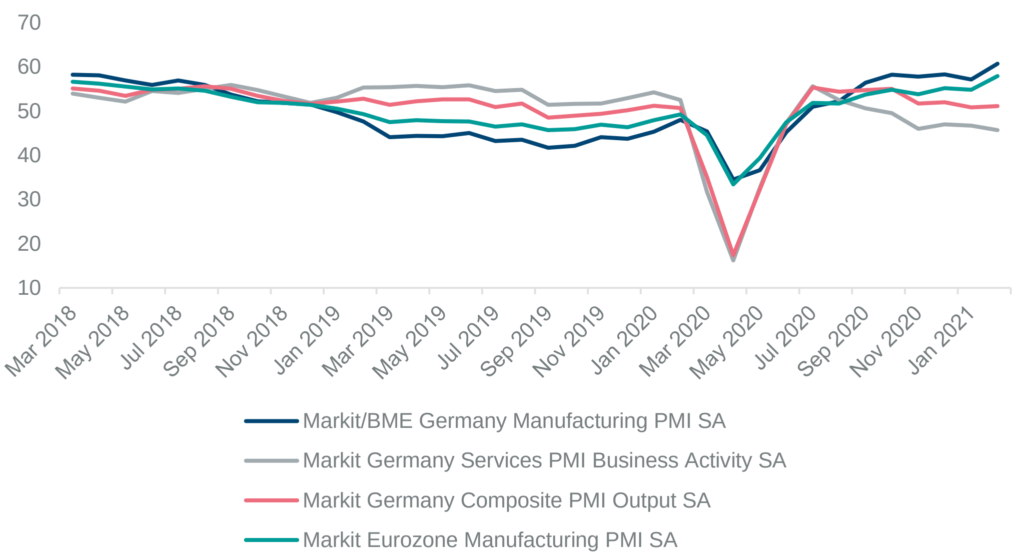
Figure 16: US Fed economic forecasts in Q3 and Q4 2020 vs Q1 2021



Source: Bloomberg

Consumer confidence in the Eurozone improved slightly from -15.5 in January to -14.8 in February. Economic sentiment increased from 91.5 to 93.4 over the same period, but it is still well below the long-term average of 99.9. Retail sales contracted by 6.4% year on year in January. The Eurozone and Germany manufacturing PMIs surged further into the expansionary zone, reporting 57.9 and 60.7 in February. However, the Germany Composite PMI ticked lower to 51.1 as the services sector business activities were impacted by extended lockdowns.

Figure 17: Eurozone and Germany PMIs

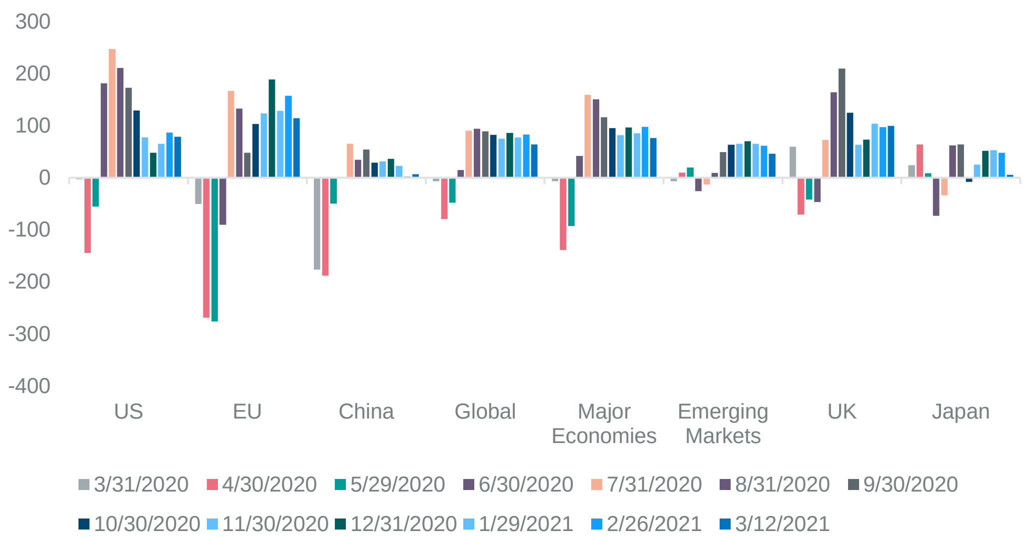


Source: Bloomberg

The Japan Consumer Confidence Overall Nationwide Index ticked up from 30.1 in January to 33.9 in February. Retail sales dropped by 2.4% in January from -0.2% in December, year on year. Industrial production ticked lower from -2.6% to -5.3% year on year over the same period. In the Asia-Pacific region, we observed some softening in the Chinese manufacturing and non-manufacturing PMI, moving from 51.3 and 52.4 to 50.6 and 51.4, respectively, as the industrial-led economic recovery normalised. However, industrial production year to date in February was up 35.1% year on year, beating the market consensus of 32.2%. Retail sales year to date in February stood at 33.8% year on year, beating the market expectation of 32.0%.

The economic surprise index remained in positive territory for most major economies, showing that the reported economic figures largely exceeded market expectations, but the margin of upside surprise has narrowed.

Figure 18: Economic surprise indices



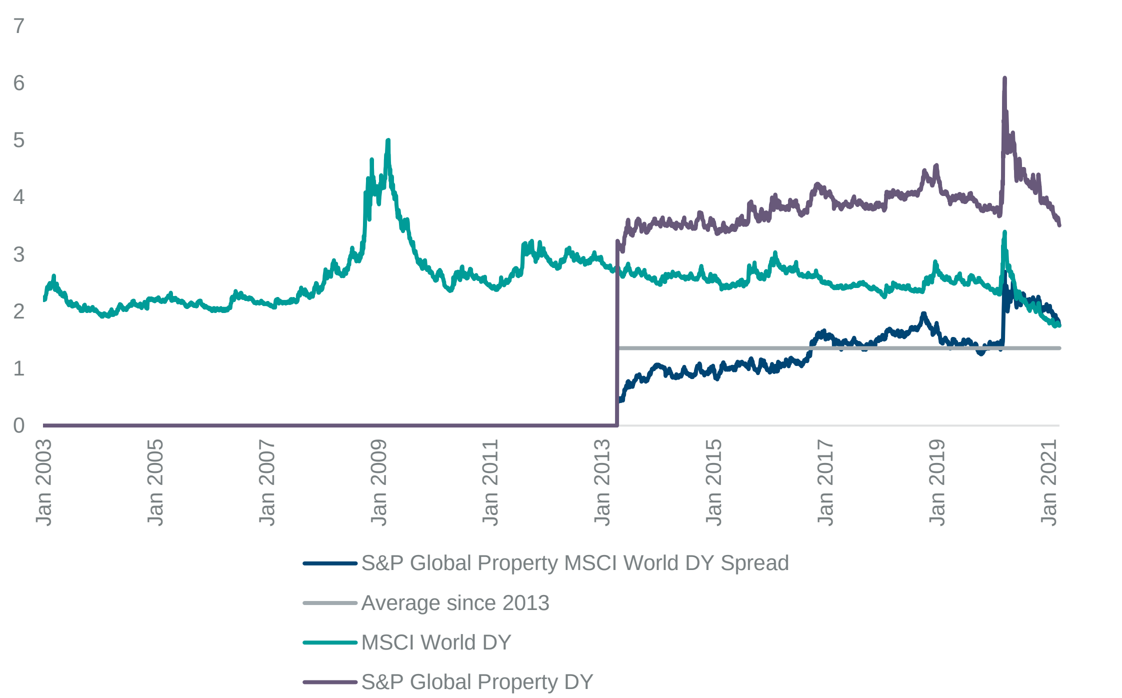
Source: Bloomberg

Our views on offshore equities have remained unchanged. We continue to favour offshore equities over offshore bonds as near-term yields are likely to remain low and economies are moving in the right direction. Tactically, we still hold the view that the rebound in global economic growth will accelerate in the second half of 2021, as the rollout of vaccines remains on track.

Offshore property

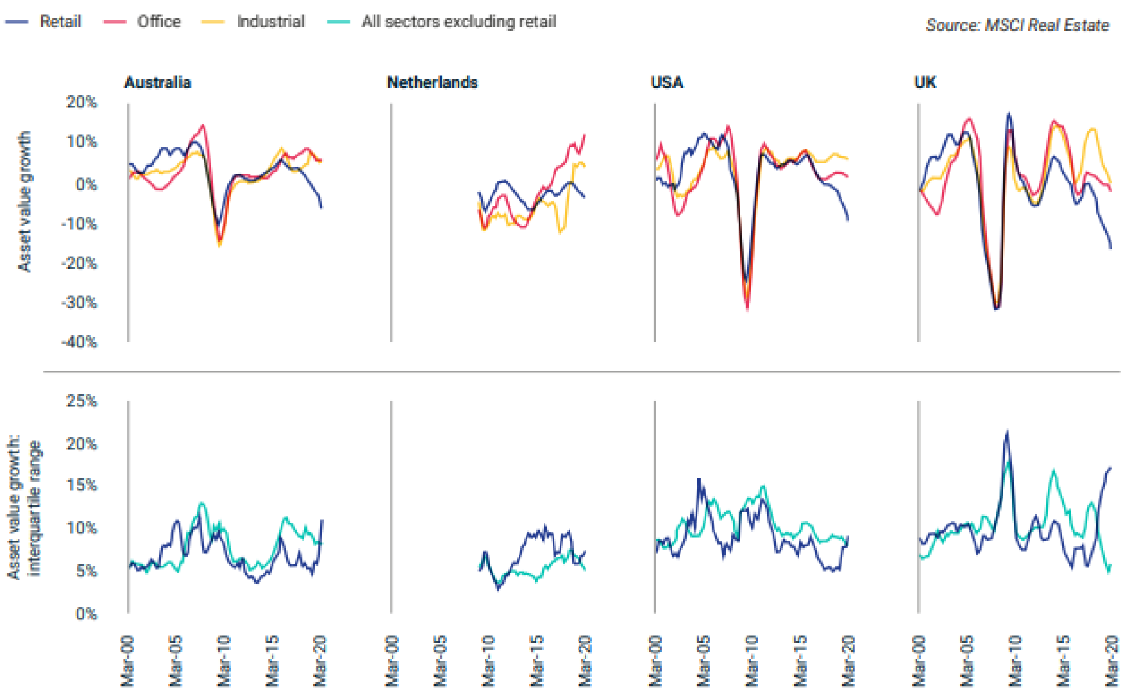
From a valuation perspective, global property appears to be cheaper than the MSCI World Index based on dividend yield spread, albeit covering a short history. However, we do think that this sector is priced cheaper than the broader market for a reason, as the COVID-19 pandemic has significantly accelerated several secular shifts that were already impacting the fundamentals of the property market. At the same time, we saw a wide dispersion in asset value growth across different geographies and different sectors.

Figure 19: S&P Global Property dividend yield spread relative to the MSCI World Index



Source: Bloomberg

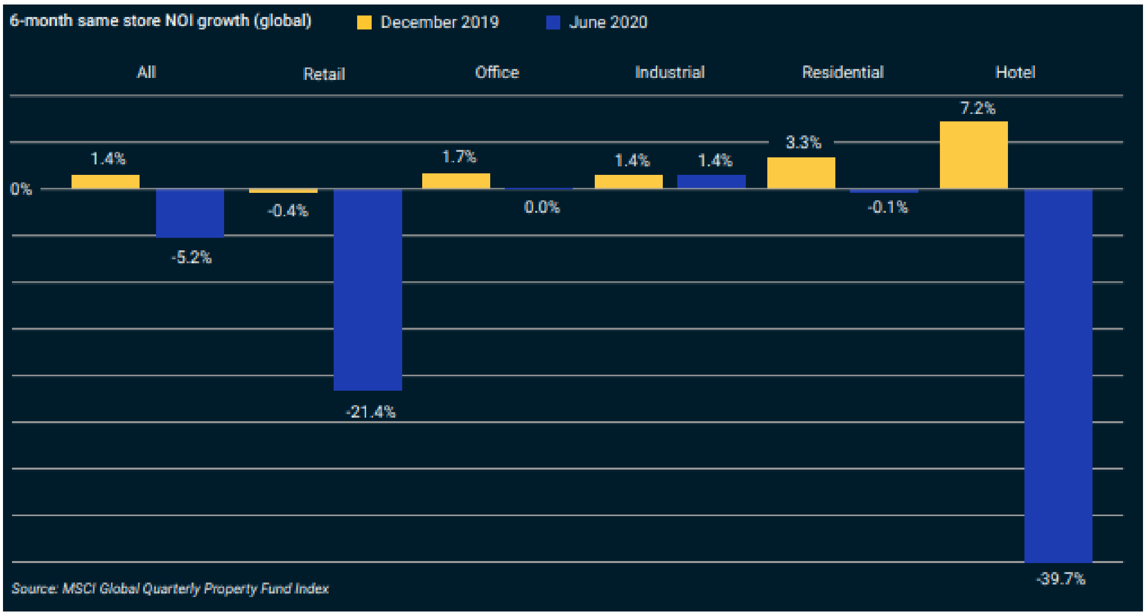
Figure 20: Dispersion in asset value growth



Source: MSCI Real Estate

We chose to stay neutral in offshore property as we see the value in diversification in geography and sectors in the real estate sector. Retail and hotels bore the biggest brunt of COVID-19, while it is still too early to determine the potential long-term impact of the pandemic on the office sector.

Figure 21: Net operating income growth



Source: MSCI Real Estate

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