

# Multi-Manager Market Commentary

Q1 2024



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## Executive summary

Global equities rallied for a second consecutive quarter to the end of March as better-than-expected economic data and upward revisions to earnings estimates outweighed expectations of higher-for-longer interest rates following successive US inflation misses. Market expectations for rate cuts were pared back from six rate cuts at the beginning of the year to only two this year. Despite the more uncertain outlook for interest rates, consensus earnings were revised higher, particularly for emerging markets. South African equities bucked the firmer trend in global markets to end the quarter lower, despite a surge in resource stocks in March. The primary drivers of the negative returns were the telecommunication, financial and industrial sectors.

US inflation misses in the first quarter of the year triggered an increase in bond yields across most developed markets as investors digested consecutive months of higher-than-expected inflation. Emerging market bonds outperformed their developed market counterparts, yielding positive US dollar returns as Mexico, Brazil, Chile, Hungary, the Czech Republic and Colombia cut interest rates. In contrast, South Africa's market pricing of interest rate cuts was reduced from two 25-basis point rate cuts to only one cut this year, following higher-than-expected domestic inflation and warnings from the MPC that food inflation risks were rising along with imported inflation due to a weakening in the country's terms of trade. Net foreign sales of domestic bonds, ahead of the May elections, was a further headwind for the asset class.

In terms of asset allocation decisions, neutral weightings are retained in global equities and bonds over the coming two quarters, with an overweight position proposed on a six-to-twelve-month view on rate cut expectations and buoyant consensus earnings estimates in the second forecast year. In bonds, a barbell strategy is recommended: an overweight position to the short end of the curve with duration being added to the longer end of the curve. In the event that inflation proves to be structurally higher, a neutral position is retained in global and domestic inflation-linked bonds as an insurance against bad inflation outcomes. Due to deferred interest rate cuts and the likelihood of a shallower interest rate cutting cycle, global and domestic listed property stocks are underweighted while cash is overweighted in portfolios, given South Africa's upcoming May election and the implementation of the two-pot system in September.

## Highlights

- US Fed's dot-plot pencils in three rate cuts but market pricing is for only two cuts in 2024
- US Q4 2023 GDP revised higher to 3.4% quarter/quarter
- US ISM manufacturing PMI reverts to expansionary territory
- ECB likely to cut rates in June as it revises inflation lower to 2.3% from 2.7%
- US/UK impose sanctions on Russian industrial metals on the London Metals Exchange
- Global Composite PMIs in expansionary territory for both developed and developing economies
- SARB leaves rates unchanged for a fifth consecutive meeting but QPM signals only two rate cuts in 2024
- SA narrowly averts a technical recession in Q4 2023, growing by 0.1% quarter/quarter
- SA bonds sell off on net foreign sales ahead of national and provincial elections
- SA equities rebound on resources

## Global Equities

Global equities rallied for a second consecutive quarter to the end of March as better-than-expected economic data releases and upward revisions to consensus earnings estimates outweighed investor concerns about



higher-for-longer interest rates. The MSCI World Index gained about 8.9% in US dollars and 12.7% in rands, while the MSCI Emerging Markets Index gaining a more subdued 2.4% in US dollars and 6.1% in rands. Despite aggressive equity ETF purchases by state-owned Chinese asset managers in February, Chinese stocks dragged the composite index lower with the CSI 300 yielding a lacklustre 1.3% in US dollars and the Hang Seng Index a disappointing -3.1%. Even though Chinese equities are still cheap, trading on a forward price-to-earnings ratio of 11.4X, investors appear reluctant to increase their exposure, given rising geopolitical tensions with the EU and the US, and uncertainty about the regulatory environment in China.

At quarter-end, Fed funds futures were pricing in only two rate cuts for the year – down from six cuts at the beginning of the year - after two consecutive months of inflation misses in the US. Inflation misses continued in April, with March headline and core inflation again coming in hotter-than-expected at 3.5% and 3.8% respectively, ahead of the 3.4% and 3.7% estimates. More worrying is that shelter inflation eased only marginally to 5.9% from 6% in the previous month, while core services wage inflation, excluding shelter, increased to 4.4% from 4.3%. In the case of shelter inflation, it should be noted that the lead and lag between house prices and shelter inflation is around 18 months, suggesting that the disinflation trend is still intact, though not in a straight line. While the base case view is for a soft landing, recession risks will increase if rate cuts keep getting deferred.

Equities rallied on the back of increases in Global Composite Purchasing Manager Indices (PMIs) in both developed and developing countries, consistent with the increase from 1.9% to 2.9% in the Bloomberg global GDP tracker. In the US, manufacturing PMIs were higher, with the ISM index increasing to 50.3 index points, the first reading above 50 since October 2022. In contrast, services PMIs were marginally lower, but still in expansionary territory. While an upward revision to Q4 GDP growth to 3.4% supported equities, the Atlanta Fed GDPNow indicator points to growth slowing to 2.3% in Q1, which would still be above potential GDP growth of about 1.8%. But the employment sub-index for the ISM manufacturing and services sectors fell to 47.4 and 48.5 points, suggesting that unemployment could rise over the coming quarters. This would also be consistent with the “Mel Rule” which has triggered a recession alert. The Sahm Rule, which is also premised on average movements in the unemployment rate, has yet to trigger a recession warning. The rule triggers a recession when the three-month moving average of the unemployment rate rises by 0.5% or more relative to its low during the previous 12 months. With non-farm payroll data resilient at 303 000 in March, well ahead of the 214 000 expected by the market, there are no clear signs of an imminent crack in the jobs market. With the job openings rate stable at 5.3%, the hiring rate little changed at 3.7% and the quits rate unchanged at 2.2%, further declines would be needed before unemployment rises meaningfully from the current 3.8% level.

In China, the National Statistical Bureau and the Caixin Manufacturing PMIs increased to 50.8 and 51.1 points respectively, with the new-orders-to-inventories ratio pointing to an acceleration in production over the coming quarters. With the global manufacturing PMI also expanding for a second consecutive month to 50.6 in March, commodity prices gained over the quarter. Although China’s industrial complex supports commodity prices following a sharp rebound in exports in January and February (up 10.6% y/y in yuan), and ramped up production of EVs, batteries and renewable energy equipment, supply constraints by miners have also helped underpin prices. Further commodity price gains are likely to come from newly-imposed US and UK sanctions (in April) on Russian production of industrial commodities (aluminium, nickel and copper) on the London Metals Exchange, effective from 13 April. These sanctions are expected to offset a contraction in Chinese exports in March, which declined by about 3.8% year/year. Hopes for interest rate cuts also faded as China continues to drain liquidity from markets through its Medium-Term Lending Facility to lend support to the yuan. Given this backdrop, there is a risk that deflation could become even more entrenched, weighing on earnings and investor sentiment. While the slump in property investment is a headwind for commodities, particularly copper and iron ore, China’s “green transition” is underpinning green commodities. Copper prices were up about 3% over the quarter and Brent crude 12.9% following the more positive manufacturing outlook.

The Composite PMI for the Eurozone is back in expansionary territory, but the manufacturing PMI is still contracting, although off its lows. This reflects weak consumer demand from high interest rates. Unlike the US, where the interest rate transmission mechanism has been slow to reduce consumption expenditure, given fixed



rate mortgages of up to 30-years, the transmission mechanism in the EU is more sensitive to interest rates, since homeowners are unable to fix their mortgages for such extended periods of time. As a result, inflation has been moving lower – along with falling energy costs - with both headline and core inflation beating the street. The March report (released in early April) showed that headline and core inflation slowed further to 2.4% and 2.9% respectively, lower than consensus estimates of 2.5% and 3%. The European Central Bank (ECB) revised its year-end inflation forecast lower, from 2.7% to 2.3%, suggesting it will be one of the first major central banks to cut interest rates, as early as June. Since the rate cuts are in response to lower inflation rather than a pending recession, equities are likely to post further gains. While global equity ETF inflows in March totalled US\$96.6 billion, sector rotation favouring EU markets was visible. Industrials, materials and energy - sectors that are regarded as cyclical and highly dependent on the business cycle – gained, whereas outflows were seen in technology and healthcare.

Upward revisions to consensus earnings estimates for both the MSCI World and MSCI Emerging Market indices were a further driver of returns over the quarter. Forward earnings per share for the MSCI World Index were revised higher to 3.4% from -2.1% the previous quarter, whereas emerging market earnings were revised sharply higher, up from 3.7% to 17.4%. The big jump in forward earnings per share for the MSCI World Index occurred in February after better-than-expected “Magnificent Five” results and the upward revisions to emerging market earnings took place in March, probably due to rate cuts in some emerging markets and an expansion of the AI trade to emerging markets. As a result, the forward price-to-earnings ratio for the MSCI World Index increased slightly to 19.4X from 19.3X the previous quarter, ahead of the longer term mean of 16.1X. In contrast, the forward price-to-earnings ratio for the MSCI Emerging Market Index decreased from 14.1X earnings to 12.5X earnings, comfortably below the 13.5X mean. Due to the stretched valuations on the MSCI World Index and an uncertain interest rate outlook globally, coupled with the risk of a shallow rate cutting cycle, a neutral weighting is retained in global equities over the next two quarters. On a six-to twelve-month view, however, equities are overweighted on rate cut expectations later in the year and buoyant consensus earnings estimates in the second forecast year.

## Global Bonds and Listed Property

US inflation misses in the first quarter of the year triggered an increase in bond yields across most developed markets as investors digested consecutive months of higher-than-expected inflation. With rate cut expectations being pared back from six rate cuts of 25-basis points each to only two rate cuts this year, the yield on the Bloomberg Capital Global Aggregate Bond Index ended the quarter higher at 3.74%, up from 3.51% the previous quarter. Similarly, US two-year and 10-year yields ended the quarter higher at 4.63% and 4.25% respectively, from 4.25% and 3.87%. Due to the higher yields, the Bloomberg Capital Global Aggregate Bond Index returned about -2.1% in US dollars (+1.4% in rands). Emerging market bonds outperformed their developed market counterparts to yield 1.5% in US dollars (5.1% in rands) as spreads narrowed on central bank interest rate cuts (Mexico, Brazil, Chile, Hungary, the Czech Republic and Colombia). Real bond yields were, however, higher over the quarter following the inflation misses. The US 10-year Tip yield increased from 1.72% to 1.88%, while the yield on the Bloomberg Capital Global Government Inflation-Linked Bond Index increased from 1.2% to 1.32%. As a result, inflation-linked bonds yielded -1.6% in US dollars.

With nominal yields rising faster than real yields, US five-year breakeven inflation increased to 2.44% from 2.15%, while the 10-year breakeven rate increased to 2.32% from 2.17% the previous quarter. A third consecutive inflation miss in April (following the March CPI release) saw two-year and 10-year US Treasury yields increasing by 15 and 12 basis points to 4.9% and 4.52% respectively. Following hawkish comments from US Fed members, such as Neel Kashkari warning of no rate cuts this year and Raphael Bostic calling for only one rate cut this year, bond yields could still push higher in the event of further inflation misses or better-than-



expected economic data releases. Even though shelter inflation is proving sticky while services wage inflation, excluding shelter, is rising, the disinflationary trend remains intact.

With both the ISM manufacturing and services employment sub-indices in contractionary territory, wage growth is expected to slow for the remainder of the year. Also, rising productivity in the US has resulted in a decrease in unit labour costs to about 2.4%, lending further support to lower wage growth. In view of the deferred and shallower rate cutting cycle, a neutral position is recommended in global nominal bonds over the near term (six months). With the Fed funds futures pricing in the first rate cut in only six months' time, bonds are overweighted on a six-to-twelve-month view, as duration is expected to be rewarded. In the event that inflation proves to be structurally higher – with the neutral rate of interest higher than the 2.5% assumed by the Fed - a neutral position is retained in global inflation-linked bonds as an insurance against a bad inflation outcome. A barbell strategy is also recommended: an overweight position to the short end of the curve with duration added to the longer end of the curve.

Despite a rally in global listed property stocks in March, the sector yielded a negative return for the quarter on the back of higher bond yields. The FTSE EPRA Nareit Developed Markets Property Index declined by 1.1% in US dollars (+2.4% in rands) as the sector derated on a price-to-book basis, down from 1.33X to 1.31X, still well below the 1.46X mean. The malls sector was the top performer (8.4%) followed by the single-family sector (5.7%), the hospitality sector (5.4%) and data centres (4.5%). The student accommodation (-6.7%) sector was the worst performer, with negative returns also coming from gaming (-5.2%), manufactured homes (-5.2%) and self-storage (-5.1%). Since REITs currently trade at a 12% discount to net asset value and offer an attractive dividend yield of about 4.5%, there is still value to be found in listed property. Higher-for-longer interest rates could limit the ability of companies to refinance expiring loans at lower rates, putting forward earnings growth under pressure. With US\$929 billion of commercial real estate debt falling due this year, about 20% of the total, defaults could rise in a higher-for-longer environment, placing pressure on banks to offload debt at steep discounts. Despite loan-to-value ratios being stable at around 34%, the sector is downweighted from neutral to underweight until the rate cutting cycle commences, probably in the fourth quarter of the year.

## SA Equities

For the first time this year, South African equities posted positive returns in March, buoyed by a 12.8% surge in resource stocks, driven by precious metals and industrial commodities. However, for the quarter, domestic equities bucked the firmer trend in global markets, ending down 2.3% in rands and 5.6% in US dollars. The primary drivers of the negative returns included the telecommunication sector (-11%) led by MTN (-18.8%) and Vodacom (-7%), followed by financials (-7.6%) and industrials (-5.6%). In financials, Remgro (-24.8%), HCI (-15.1%) and Old Mutual (-10%) led the decliners, whereas in industrials, Barloworld (-19.7%), PPC (-17.3%) and Super Group (-13.6%) led the losers. While resources (-1.6%) were also lower over the quarter, this was largely due to negative returns from industrial metals and mining (-5.2%). Kumba Iron Ore (-20.8%), African Rainbow Minerals (-17.8%) and South32 Ltd (-12.3%) were the biggest detractors.

Even though precious metals posted a positive return of 4%, platinum counters brought up the rear on sharp declines in platinum (-8.7%) and palladium prices (-9.1%). As a result, Anglo Platinum (-19.3%), Northam Platinum (-18.8%) and Impala Platinum (-14.2%) underperformed. Conversely, gold stocks were higher, led by Harmony Gold (32.1%), Pan African Resources (31.9%) and AngloGold (20.6%) following a 7.4% increase in the gold price. Defensive sectors such as healthcare (1.1%) were supported by gains in Aspen (7.8%), while consumer staples (0.5%) were underpinned by advances in RCL Foods (17.6%), AVI Ltd (11.3%) and Bid Corp Ltd (9.5%). Consumer discretionary (1.9%) stocks gained on Advtech (15.7%), Richemont (12.5%) and Mr Price (10.8%), and the technology (6.1%) sector benefited from gains in Naspers (7.3%) and Prosus (6.7%).



While the domestic economy narrowly averted a technical recession in the fourth quarter of 2023, growth of 0.1% quarter/quarter fell short of the consensus estimate of 0.2%. On the production side of the economy, the biggest detractors from growth included agriculture (-9.7%) due to decreased production of field crops, animal products and horticulture products. Other sectors detracting from growth included trade, catering and accommodation (-2.9%) due to decreased economic activity for wholesale trade, retail trade, motor trade, accommodation and food and beverages. Construction was also lower by 1.4% due to declines in residential buildings and construction works. In contrast, the transport, storage and communication sector recorded positive growth of 2.9% as a result of increased activity for land transport, air transport, transport support services and communications. The mining sector also contributed positively, gaining 2.4% on increased output of platinum group metals (PGMs), coal, chromium ore and diamonds. On the expenditure side of the economy, household final consumption expenditure was positive, recording growth of 0.2%, while net exports contributed negatively following export growth of 0.6% and import growth of about 4%. Negative growth was also recorded in general government consumption expenditure (-0.3%) and gross fixed capital formation (-0.2%). Within gross fixed capital formation, residential buildings (-3.9%), transport equipment (-3%), construction works (-1.1%) and machinery and other equipment (-0.4%) weighed on growth.

While the growth outlook for 2024 is still subdued, GDP is expected to grow by about 1.2% from the 0.6% recorded in 2023. The start to the first quarter has, however, been mixed. Retail sales and mining production contracted by 3.2% and 0.8% month/month respectively in January, whereas manufacturing production increased by 0.8% month/month. Economic weakness is also reflected in the S&P Global PMI – a broad-based measure of economic activity - and the Absa Manufacturing PMI, both of which contracted in March. While the Absa new orders-to-inventories ratio also declined, painting a subdued picture of manufacturing production over the coming quarters, the expected business conditions index rose sharply to 62.1, probably reflecting expectations of reduced stages of load shedding and improvements in Transnet's logistics network. Supplier delivery delays improved, but prices paid increased, largely due to fuel costs.

The South African Reserve Bank (SARB)'s leading economic indicator to end-January also weakened slightly on a year/year basis, suggesting growth will remain under pressure over the coming quarters. However, the level of the leading indicator is consistent with positive earnings growth in the mid-single digits, not too dissimilar to consensus estimates of 7.5% and a nominal GDP estimate of about 6.5%. Along with a forward dividend yield of around 4% and a small rerating, total returns in the mid-teens are expected from domestic equities, similar to those from domestic nominal bonds. With bonds offering a better risk-adjusted return, one can be forgiven for wanting to overweight domestic bonds at the expense of domestic equities. However, a number of key event risks over the coming months could become a headwind for both asset classes, particularly domestic bonds.

Recent polls showed the ANC's support declining below 40% ahead of the May elections and that of the newly formed MK party rising to around 13%. That would make a coalition government the most likely outcome, with an ANC-MK-EFF grouping on the one hand and an ANC-DA grouping on the other. Since both groupings could secure a 50% majority if recent polls are to be believed, it is uncertain which of the two groupings will win the elections. Given the huge disparity in economic policies between these groupings, a sharp rise in the country's sovereign risk premium is expected to be priced into the market. This may offer domestic investors the opportunity to add to their bond positions at higher yields. Equities, in turn, are upweighted from underweight to neutral on expectations of rand depreciation.

The second event risk is the implementation of the two-pot retirement system, which is expected to result in a 3% outflow from pension funds in September. This could put downward pressure on both equities and bonds, supporting a greater allocation to cash in the near term. This will, however, be a tactical trade based purely on the event risk. After the implementation of the two-pot retirement system, an overweight position is



recommended for both domestic equities and bonds, premised on a soft-landing outcome for the global economy.

## SA Bonds and Listed Property

South African bonds lagged the returns of their global counterparts in the first quarter of the year following inflation misses and uncertainty about the May election outcome. Foreigners were net sellers of bonds totalling R35.3 billion as they shied away from the local market ahead of the national and provincial elections. With the outcome largely binary from an economic policy point of view, as either an ANC-EFF-MK grouping or an ANC-DA grouping could win the elections, the rand is expected to weaken and bond yields to rise in the run-up to the elections. The yield on the All-Bond Index increased by 82 basis points to 12.05%, dragging returns down by 1.8% in rands and 5.2% in US dollars. Similarly, the yield on the CIL I Inflation-Linked Bond Index increased from 4.78% to 5% on expectations that inflation was contained. Inflation-linkers yielded a small negative return of 0.4% in rands, as the inflation carry partly offset the capital loss from higher real yields. Unsurprisingly, five-year and 10-year breakeven inflation rose sharply to 5.9% and 7% respectively from 5.3% and 6.3% the previous quarter. The latest reading on headline and core inflation, at 5.6% and 5% respectively, was higher than the 5.5% and 4.9% expected by the market. Comments by the SARB Governor that an inflation target range of between 3% and 4%, rather than the current 3% to 6% range, would be more appropriate for the country also aided the sell-off.

A hawkish Monetary Policy Committee (MPC) statement following the March meeting was a further contributor to the quarterly rise in yields, with the SARB expecting inflation to only return to the mid-point of the target range towards the end of 2025, a year later than previously projected. As a consequence, FRAs are pricing in only one rate cut this year, down from two rate cuts previously. The country's fiscal outlook was a further headwind. While Treasury's decision to tap the SARB's Gold and Foreign Exchange Contingency Reserve Account (GFECRA) for R150 billion (30% of the total) over the next three years is expected to reduce debt service costs and rein in the country's rising debt-to-GDP ratio, the estimated funding requirement this year of 6.1% of GDP is still uncomfortably high and well ahead of the 4.5% public sector borrowing requirement. A higher growth rate is needed to generate additional revenue for the fiscus. While the investment view is to be neutral domestic nominal bonds over the next six months and to overweight bonds on a six-to twelve-month view once the Fed starts cutting rates, a further event risk is the implementation of the two-pot retirement system in September that will see outflows from domestic asset classes as pension fund members draw down on their savings pot. A neutral weighting is retained in inflation-linked bonds over the investment horizon as a hedge against inflation risk, possibly arising from higher oil prices linked to the conflict in the Middle East and low crude inventory levels, and food price shocks due to the El Niño weather phenomenon.

Despite the rise in domestic bond yields, along with expectations that interest rates will remain higher-for-longer, domestic listed property stocks rallied: the SAPY Index gained 3.9% in rands and 0.3% in US dollars. The sector rerated relative to bonds, with the property-to-bond yield ratio declining to 0.53X from 0.6X, well above the 0.85X mean. This suggests that property stocks are expensive relative to bonds, even though they trade at a substantial discount to net asset value. While the operating metrics of property companies reporting over the results season were encouraging – with office vacancy rates and retail rental escalations improving - the failure of net operating income growth to translate into earnings growth was due to pressure from the high interest rate environment. Since expected rate cuts will be deferred until late in the year, an underweight position is retained in South African listed property. The best performing stocks over the quarter included Attaq (15.7%), Lighthouse Capital (9.5%) and Nepi Rockcastle (7.8%), while Equites Property Fund (-8.6%), Hyprop (-5.6%) and Mas Real Estate (-4.9%) brought up the rear.





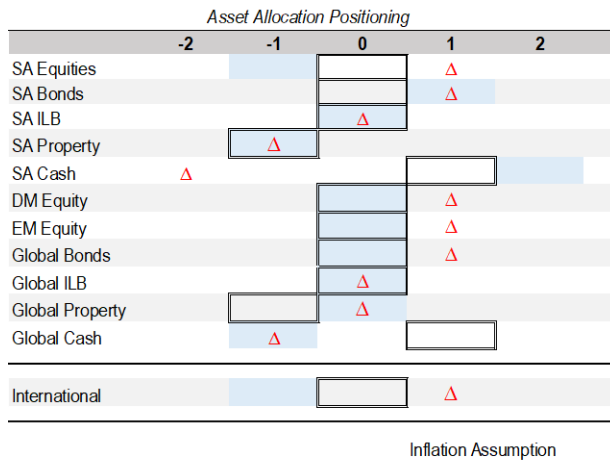
## SA Cash

South African cash yielded 2.1% in rands and -1.4% in US dollars in the first quarter of the year, outperforming all of the broad asset classes except for global equities, listed property and emerging market bonds. Following a hawkish MPC statement after the March meeting, FRAs priced in a reduced number of rate cuts, from two 25-basis point cuts to only one cut this year. The market's more bearish outlook is at odds with the interest rate cuts derived from the SARB's Quarterly Projection Model (QPM), which now projects only two rate cuts this year, down from three rate cuts at the time of the previous MPC meeting. The change in market pricing followed the MPC's assessment that inflation would only return to the mid-point of the target range towards the end of 2025, a year later than previously projected. Although the QPM's inflation forecasts were largely unchanged, with only the 2024 figure being revised marginally higher from 5% to 5.1%, the MPC warned of potentially higher food inflation due to unusually hot and dry conditions (El Niño) at a critical time in the growing season. Maize futures prices are up around 36% so far this year, highlighting the inflation risk. At the end of March, the National Crop Estimates Committee lowered its 2023/24 white maize production forecast to 6.9 million tonnes, a 25% decrease from the previous year. As the terms of trade weaken, the currency could come under renewed pressure - particularly ahead of the elections – resulting in higher imported inflation. With the balance of risks tilted to the upside, the MPC held rates steady in a unanimous vote.

## Asset Allocation

Our asset allocation view is summarised in the table below:

- Neutral domestic equities on risk-adjusted returns, election uncertainty and the implementation of the two-pot system over the coming two quarters. Upweight to overweight on a six-to-twelve-month view on rate cut expectations and a recovery in global manufacturing production.
- Neutral domestic bonds ahead of elections and implementation of the two-pot system. Upweight to overweight on a six-to twelve-month view on attractive real yields (+/-7%) and moderating domestic inflation.
- Neutral inflation-linkers as a hedge against inflation risks due to higher oil prices from low crude inventory levels and the conflict in the Middle East, and food price shocks due to the El Niño weather phenomenon.
- Underweight domestic listed property on deferred rate cuts, lower distribution growth, rental escalations, high vacancy rates and property-to-bond yield valuation.
- Overweight cash over the near term (six months) on election risks and the implementation of the two-pot system. Underweight cash on a six-to twelve-month view in favour of equities and bonds ahead of rate cuts.
- Neutral international exposure on election risks. Upweight to overweight once US rate cutting cycle commences.
- Neutral global equities near term (six months) on recent price gains, stretched valuations, heightened geopolitical risks and uncertainty about the timing and quantum of rate cuts. Upweight to overweight on a six-to twelve-month view on interest rate cuts and double-digit earnings growth in the second forecast year.
- Neutral global bonds on positive real yields and disinflation. Upweight to overweight on a six-to-twelve-month view on rate cut expectations.
- Neutral global inflation-linked bonds on positive real yields and a hedge against inflation risks.
- Underweight global listed property on deferred rate cuts on a six-month view. Upweight to overweight on a six-to twelve-month view on lower funding costs and discount to net asset value.
- Overweight global cash on positive real returns, stretched equity valuations, heightened geopolitical risks and inflation risks. Underweight cash on a six-to twelve-month view in favour of equities and bonds ahead of rate cuts and a weaker US dollar.



	10 Year Forecast					1Y
	2018	2019	2020	2021	2022	032024
SA Equities	11.5%	12.5%	12.5%	11.0%	11.5%	15.7%
SA Bonds	8.5%	9.0%	10.0%	9.5%	10.0%	14.8%
SA ILB	8.0%	8.5%	9.0%	8.5%	9.0%	12.5%
SA Property	10.5%	12.0%	13.0%	11.5%	12.0%	3.8%
SA Cash	7.0%	7.0%	6.0%	5.5%	6.0%	8.0%
DM Equity	11.0%	11.0%	10.5%	10.5%	11.0%	7.8%
EM Equity	12.0%	12.5%	12.5%	11.5%	12.0%	22.6%
Global Bonds	6.5%	6.5%	6.5%	6.0%	6.5%	5.8%
Global ILB	6.8%	6.5%	6.0%	5.5%	6.0%	7.2%
Global Property	10.0%	9.0%	10.0%	9.5%	10.0%	7.4%
Global Cash	6.8%	6.0%	5.3%	5.0%	6.5%	4.9%
Inflation Assumption	5.50%	5.50%	5.00%	5.00%	5.50%	5.00%

**Legend**

<span style="background-color: #ADD8E6; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> Current Positioning	0 = Neutral
<span style="border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> 0-6 Month View	+/-1 = 1% to 2% over/underweight
△ 6-12 Month View	+/-2 = 2% to 4% over/underweight



## Appendix A: Market Performances

Periods up to 31 March 2024	1 month	3 months	6 months	YTD	1 year	3 years	5 Years	10 Year
<b>ALL SHARE (ZAR)</b>	3.23%	-2.25%	4.51%	-2.25%	1.55%	8.11%	9.68%	8.08%
ALL SHARE (\$)	4.58%	-5.60%	3.98%	-5.60%	-4.85%	-0.50%	3.86%	1.91%
ALL SHARE (GBP)	4.72%	-4.74%	0.46%	-4.74%	-6.87%	2.47%	4.51%	4.76%
TOP 40	3.82%	-2.27%	4.14%	-2.27%	0.27%	7.98%	10.19%	8.17%
MID CAP	2.31%	-3.54%	6.10%	-3.54%	6.83%	8.21%	5.94%	6.25%
SMALL CAP	-0.72%	-1.05%	7.41%	-1.05%	9.13%	15.79%	13.26%	7.80%
FLEDG	4.36%	2.51%	9.59%	2.51%	6.87%	13.47%	10.73%	6.46%
<b>DERIVATIVE</b>								
RES 20	15.36%	0.82%	0.78%	0.82%	-10.73%	0.34%	9.40%	4.69%
IND 25	2.89%	0.87%	6.85%	0.87%	3.31%	8.17%	10.64%	8.82%
FIN 15	-3.49%	-7.08%	4.32%	-7.08%	12.70%	15.82%	5.30%	6.74%
FIN 30	0.31%	-2.60%	5.60%	-2.60%	5.87%	10.22%	9.60%	8.60%
<b>ALL SHARE ECONOMIC GROUP</b>								
RESOURCES	12.80%	-1.63%	1.33%	-1.63%	-8.98%	1.64%	10.50%	5.60%
BAS MAT	13.43%	-0.71%	2.13%	-0.71%	-8.97%	1.06%	10.10%	8.24%
INDUST	-0.60%	-5.64%	-0.19%	-5.64%	10.29%	5.55%	0.05%	1.00%
CON GDS	0.50%	0.48%	7.55%	0.48%	7.28%	10.82%	11.53%	6.84%
HEALTH	5.01%	1.11%	10.61%	1.11%	11.13%	13.99%	7.53%	-1.40%
CON DISCRETIONARY	-2.95%	1.92%	11.58%	1.92%	8.68%	25.66%	15.22%	15.54%
TELECOMS	9.99%	-11.04%	-7.66%	-11.04%	-20.27%	0.42%	2.17%	-3.09%
FINAN	-3.36%	-7.55%	3.33%	-7.55%	11.82%	15.04%	5.12%	6.34%
TECHNOL	6.06%	6.88%	10.31%	6.88%	0.43%	-4.26%	6.55%	0.49%
<b>ALL SHARE SHARE SECTOR</b>								
CHEMICALS	1.15%	-18.62%	-38.80%	-18.62%	-30.28%	-5.38%	-14.72%	-6.70%
FORESTRY	8.92%	21.10%	21.54%	21.10%	16.84%	7.08%	12.53%	13.92%
MINING	19.67%	4.96%	25.41%	4.96%	-2.44%	-1.96%	10.79%	8.90%
CONSTRUCTION	1.94%	-0.21%	9.35%	-0.21%	24.27%	3.99%	-0.92%	-7.86%
GENERAL IND	-0.64%	-7.27%	-2.13%	-7.27%	8.04%	3.56%	-2.33%	1.97%
ELECTRONIC	1.26%	14.82%	14.40%	14.82%	15.58%	15.71%	4.91%	-0.28%
IND TRN	-1.51%	-0.68%	7.40%	-0.68%	24.59%	21.89%	15.73%	5.18%
SUPPORT	-0.94%	2.91%	7.27%	2.91%	4.13%	24.57%	24.91%	8.56%
AUTOMOBILES	0.40%	-29.58%	-16.11%	-29.58%	-50.00%	-16.10%	-9.47%	-9.37%
BEVERAGES	-1.58%	-3.61%	10.40%	-3.61%	-1.84%	11.14%	2.02%	4.04%
FOOD PR	0.68%	5.77%	25.09%	5.77%	14.27%	6.96%	3.89%	3.82%
PERSON	-5.87%	12.46%	24.50%	12.46%	3.88%	28.97%	24.67%	12.95%
HEALTH	-6.64%	-9.95%	-12.12%	-9.95%	-10.33%	6.71%	-1.40%	-2.44%
PHARMACEUTIC	11.41%	7.14%	26.10%	7.14%	21.78%	16.80%	18.03%	-1.77%
DRG RET	-0.05%	-2.75%	6.14%	-2.75%	10.74%	12.06%	8.38%	8.09%
GEN RET	1.52%	8.94%	26.41%	8.94%	57.02%	21.83%	13.05%	8.00%
TRAVEL	-6.16%	-9.36%	-10.32%	-9.36%	-5.50%	22.34%	-4.16%	-3.10%
FIX LN	9.99%	-11.04%	-7.66%	-11.04%	-20.27%	0.42%		
MOBILE	9.99%	-11.04%	-7.66%	-11.04%	-20.27%	0.42%		
BANKS	-2.22%	-7.00%	4.86%	-7.00%	12.69%	19.02%	7.61%	10.46%
N/L INS	1.03%	1.42%	2.26%	1.42%	22.36%	17.41%	6.51%	10.11%
LIFE IN	-6.06%	-9.01%	-0.08%	-9.01%	11.33%	7.38%	0.39%	3.81%
REAL ESTATE	-1.12%	8.24%	28.36%	8.24%	33.77%	19.86%	9.47%	
GEN FIN	-9.62%	9.52%	108.10%	9.52%	-31.45%	-33.72%	-23.29%	-11.58%
EQ INV	-13.83%	-12.07%	-28.21%	-12.07%	-44.59%	2.70%	5.53%	4.71%
SOFTWARE	6.06%	6.88%	10.31%	6.88%	0.43%	-4.26%	6.55%	0.81%
<b>SPECIALIST</b>								
SA FIN	0.23%	-2.25%	6.09%	-2.25%	6.72%	10.17%	8.49%	7.62%
SAPY (ZAR)	-1.02%	3.85%	20.85%	3.85%	20.47%	13.94%	0.71%	3.14%
SAPY (\$)	0.27%	0.29%	20.23%	0.29%	12.87%	4.88%	-4.63%	-2.75%
INDUST & FINAN	2.64%	0.64%	6.55%	0.64%	3.30%	8.16%	10.16%	8.19%
<b>CAPPED INDICES</b>								
CAP TOP 40	3.73%	-2.62%	3.94%	-2.62%	0.17%	8.62%	10.13%	7.90%
CAP ALL SHARE	3.23%	-2.34%	4.50%	-2.34%	1.51%	8.95%	9.95%	8.09%
<b>SHAREHOLDER WEIGHTED</b>								
SH WE TP 40	3.41%	-2.23%	5.42%	-2.23%	1.36%	4.36%	6.89%	6.30%
SH WE ALL SHARE	2.86%	-2.17%	5.69%	-2.17%	2.69%	5.31%	6.96%	6.57%
Capped SH WE ALL SHARE	2.89%	-2.30%	5.72%	-2.30%	2.87%	7.48%	7.65%	6.37%
<b>SA VALUE</b>	2.60%	-5.06%	-2.98%	-5.06%	-1.83%	9.69%	6.96%	4.96%
<b>SA GROWTH</b>	3.78%	0.44%	12.29%	0.44%	4.00%	6.91%	12.18%	10.40%



## Appendix A (2): Market Performances

Periods up to 31 March 2024	1 month	3 months	6 months	YTD	1 year	3 years	5 Years	10 Year
<b>CREDIT MARKETS</b>								
BONDS 1-3 YEARS	0.07%	0.81%	4.95%	0.81%	7.52%	6.70%	7.37%	7.71%
BONDS 3-7 YEARS	-1.37%	-1.42%	4.15%	-1.42%	5.23%	6.08%	8.05%	8.47%
BONDS 7-12 YEARS	-2.28%	-2.38%	6.82%	-2.38%	4.63%	7.76%	7.88%	8.21%
BONDS 12+ YEARS	-2.85%	-2.73%	6.24%	-2.73%	1.84%	7.47%	6.04%	7.08%
ALL BOND (ZAR)	-1.93%	-1.80%	6.16%	-1.80%	4.19%	7.41%	7.05%	7.69%
ALL BOND (\$)	-0.64%	-5.16%	5.62%	-5.16%	-2.38%	-1.14%	1.37%	1.54%
ALL BOND (GBP)	-0.51%	-4.30%	2.05%	-4.30%	-4.45%	1.81%	2.01%	4.38%
S&P South Africa Sovereign ILB 1+Y Index	0.22%	-0.35%	5.27%	-0.35%	5.17%	6.98%	6.21%	
General CILJ Index	0.27%	-0.37%	5.68%	-0.37%	5.74%	7.11%		
STEFI Composite (ZAR)	0.70%	2.06%	4.20%	2.06%	8.39%	6.08%	6.00%	6.50%
STEFI Composite (\$)	2.01%	-1.43%	3.66%	-1.43%	1.56%	-2.36%	0.38%	0.42%
<b>INTERNATIONAL MARKETS</b>								
DOW JONES \$	2.21%	6.14%	20.03%	6.14%	22.18%	8.65%	11.31%	11.75%
FTSE £	4.75%	3.57%	6.91%	3.57%	8.43%	8.05%	5.44%	5.77%
MSCI WORLD All Countries (\$)	3.14%	8.20%	20.14%	8.20%	23.22%	6.96%	10.92%	8.66%
MSCI WORLD All Countries (ZAR)	1.81%	12.03%	20.75%	12.03%	31.51%	16.20%	17.13%	15.24%
MSCI WORLD \$ - MSCI	3.21%	8.88%	21.31%	8.88%	25.11%	8.60%	12.07%	9.39%
MSCI WORLD ZAR - MSCI	1.88%	12.74%	21.93%	12.74%	33.53%	17.99%	18.35%	16.02%
MSCI WORLD \$ - INET	3.01%	8.47%	20.82%	8.47%	23.50%	7.03%	10.34%	7.42%
MSCI WORLD (ZAR) INET	1.68%	12.32%	21.44%	12.32%	31.81%	16.28%	16.52%	13.93%
MSCI WORLD GROWTH (\$) - MSCI	1.87%	10.28%	25.05%	10.28%	31.45%	9.13%	15.33%	12.28%
MSCI WORLD GROWTH (ZAR) - MSCI	0.55%	14.19%	25.69%	14.19%	40.29%	18.56%	21.79%	19.08%
MSCI WORLD VALUE (\$) - MSCI	4.78%	7.69%	17.90%	7.69%	19.56%	8.37%	9.10%	7.18%
MSCI WORLD VALUE (ZAR) - MSCI	3.42%	11.51%	18.50%	11.51%	27.60%	17.73%	15.21%	13.68%
MSCI EMERGING MARKET(\$)- MSCI	2.49%	2.41%	10.54%	2.41%	8.56%	-4.82%	2.39%	3.07%
MSCI EMERGING MARKET (ZAR) - MSCI	1.17%	6.05%	11.10%	6.05%	15.87%	3.41%	8.12%	9.31%
MSCI EMERGING MARKET(\$)- INET	2.18%	1.90%	9.40%	1.90%	5.26%	-7.49%	-0.30%	0.47%
MSCI EMERGING MARKET (ZAR) - INET	0.86%	5.52%	9.96%	5.52%	12.34%	0.51%	5.28%	6.56%
MSCI EM GROWTH (\$) - MSCI	3.84%	3.38%	11.35%	3.38%	5.22%	-8.81%	2.25%	3.65%
MSCI EM GROWTH (ZAR) - MSCI	2.50%	7.05%	11.93%	7.05%	12.30%	-0.93%	7.97%	9.93%
MSCI EM VALUE (\$) - MSCI	1.07%	1.37%	9.47%	1.37%	11.36%	-0.85%	2.13%	2.22%
MSCI EM VALUE (ZAR) - MSCI	-0.24%	4.96%	10.03%	4.96%	18.85%	7.72%	7.85%	8.41%
S&P 500	3.22%	10.55%	23.47%	10.55%	29.86%	11.47%	15.03%	12.94%
Euro Stoxx 50 (€)	4.38%	12.94%	22.67%	12.94%	21.59%	12.48%	12.06%	8.30%
Nikkei 225 (¥)	3.69%	21.43%	27.69%	21.43%	46.19%	13.34%	15.66%	12.39%
DAX(EUR)	4.61%	10.39%	20.19%	10.39%	18.32%	7.21%	9.92%	6.82%
DAX(ZAR)	3.05%	11.76%	23.23%	11.76%	25.53%	13.24%	15.17%	10.57%
Bloomberg Capital Global Aggregate Govt (\$)	0.26%	-2.74%	5.02%	-2.74%	-1.46%	-5.70%	-1.95%	-0.71%
JPM Global Government Bonds (\$)	0.47%	-2.68%	4.90%	-2.68%	-1.80%	-6.00%	-2.20%	-0.64%
JPM Global Government Bonds (ZAR)	-0.83%	0.77%	5.44%	0.77%	4.80%	2.12%	3.28%	5.38%
Bloomberg Capital Global Aggregate (\$)	0.55%	-2.08%	5.85%	-2.08%	0.49%	-4.73%	-1.17%	-0.07%
Bloomberg Capital Global Aggregate (ZAR)	-0.75%	1.39%	6.39%	1.39%	7.25%	3.51%	4.37%	5.98%
Bloomberg Capital Global Inflation Linked (\$)	1.13%	-1.79%	6.62%	-1.79%	-0.58%	-5.24%	-0.75%	0.35%
Bloomberg Capital Global Inflation Linked (ZAR)	-0.17%	1.69%	7.17%	1.69%	6.11%	2.96%	4.80%	6.43%
Bloomberg Capital Global Aggregate Credit (\$)	1.10%	-0.88%	7.73%	-0.88%	4.78%	-3.16%	0.42%	1.16%
Bloomberg Capital Global Aggregate Securitized (\$)	0.89%	-1.24%	6.30%	-1.24%	1.96%	-3.07%	-0.48%	0.58%
Bloomberg Capital Global High Yield (\$)	1.51%	2.13%	10.87%	2.13%	12.91%	1.20%	3.07%	3.53%
Bloomberg Capital Global Emerging Markets (\$)	1.65%	1.32%	9.91%	1.32%	8.61%	-2.15%	0.65%	2.33%
JPM EM BONDS (\$)	1.72%	1.53%	9.76%	1.53%	8.43%	-1.48%	0.91%	2.69%
JPM EM BONDS (ZAR)	0.41%	5.13%	10.32%	5.13%	15.72%	7.04%	6.56%	8.91%
JPM EM Corporate Diversified HY (\$)	0.00%	0.00%	0.00%	0.00%	-0.23%	-5.19%	-1.24%	2.08%
JPM EM Corporate Diversified HY (ZAR)	-1.29%	3.55%	0.51%	3.55%	6.48%	3.00%	4.29%	8.26%
JPM EM Corporate HY (\$)	2.79%	4.72%	14.91%	4.72%	16.79%	1.27%	3.09%	4.68%
JPM EM Corporate HY (ZAR)	1.47%	8.44%	15.50%	8.44%	24.65%	10.03%	8.86%	11.02%
Bloomberg Capital EM Govt ILB (\$)	-1.14%	-2.38%	0.94%	-2.38%	-4.92%	0.69%	2.21%	1.99%
Bloomberg Capital EM Govt ILB (ZAR)	-2.42%	1.08%	1.46%	1.08%	1.47%	9.39%	7.93%	8.17%
Bloomberg Capital Global Corporate Bonds (\$)	1.16%	-0.76%	8.01%	-0.76%	5.13%	-2.79%	0.78%	1.42%
Bloomberg Capital Global Corporate Bonds (ZAR)	-0.14%	2.76%	8.56%	2.76%	12.20%	5.61%	6.42%	7.56%
EPRA / NAREIT Dev Mrkts Property (\$)	3.61%	-1.07%	14.34%	-1.07%	8.40%	-0.26%	0.69%	3.98%
EPRA / NAREIT Dev Mrkts Property (ZAR)	2.27%	2.44%	14.92%	2.44%	15.70%	8.36%	6.33%	10.28%
<b>CURRENCY</b>								
RAND vs US\$	1.31%	-3.43%	-0.51%	-3.43%	-6.30%	-7.96%	-5.30%	-5.71%
RAND vs EURO	1.51%	-1.22%	-2.47%	-1.22%	-5.74%	-5.33%	-4.56%	-3.39%
RAND vs GBP	1.44%	-2.54%	-3.87%	-2.54%	-8.29%	-5.21%	-4.71%	-3.07%
USD vs JPY	1.12%	7.35%	1.42%	7.35%	13.72%	11.05%	6.46%	3.93%



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