Multi-Manager Market Commentary

Q2 2024

Investments

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Executive summary

The risk-on trade dominated markets in the second quarter of the year, as ongoing disinflation triggered interest rate cuts in Canada, the EU, Sweden and Switzerland. While the US Federal Reserve (US Fed) left rates unchanged, its revised dot-plot signalled that the next move in rates would be a cut, but that the timing of the cuts would be data dependent. Global and developed market Composite PMIs were generally higher over the quarter, but developing economies showed a small slowdown in economic activity. Softer readings were seen in Brazil, Russia, South Africa and the UK, while Japan moved into outright contractionary territory. With growth expected to slow over the coming year, consensus earnings estimates were revised marginally lower, in line with the “soft-landing” outlook for the global economy.

Despite the downward revisions, earnings growth in the second forecast year was revised higher, suggesting that any economic slowdown is likely to be short-lived. Emerging markets outperformed their developed market counterparts, buoyed by a surge in the Hang Seng Index, as state-owed asset managers bought up Chinese ETFs to place a floor under the market. In contrast, EU parliamentary elections and France’s decision to call a snap election weighed on Eurozone equity markets. Nominal and inflation-linked global bonds yielded negative returns as yield curves shifted higher on the deferral of interest rate cuts following the US Fed’s revised dot-plot.

On the domestic front, the favourable election outcome and the formation of a government of national unity boosted investor sentiment, with bonds rallying sharply and SA Inc. shares surging over the quarter. In general, South African asset classes outperformed their global counterparts, thanks to rand appreciation. Bonds also benefitted from a sharp decline in the country’s political risk premium after the elections, while domestic equities rallied on a more favourable interest rate outlook and expectations of more market-friendly policies by the new government. Fears that banks and mines could be nationalised abated as the EFF and MKP were excluded from the new Cabinet. Interest rate expectations also shifted meaningfully lower with the FRAs pricing in three rate cuts over the coming year rather than the single cut priced in a month earlier.

Highlights

- US Fed’s revised dot-plot points to one rate cut this year and four rate cuts in 2025
- ECB cuts rates for first time in five years even as core inflation revised higher
- European Parliamentary elections show gains for right-wing political parties
- BOJ to reduce bond purchases in move to unwind monetary stimulus
- Bloated GNU formed after ANC fails to gain majority in SA elections
- SA bonds rally as political risk premium declines
- SA raises tariffs on Shein and Temu imports
- SA Q1 GDP contracts by 0.1% quarter/quarter but expands by 0.5% year/year
- Rate cut optimism returns to South Africa’s FRA market

Global Equities

The risk-on soft-landing narrative supported equity markets in the second quarter of the year as the disinflationary trend remained on track and global growth remained in expansionary, albeit slowing, territory. At quarter-end, US headline and core inflation came in lower than expected at 3.3% and 3.4% respectively, below consensus estimates of 3.4% and 3.5%, but still well ahead of the 2% target. However, lower-than-expected producer price inflation and in-line PCE inflation readings of 2.6% (for both the headline and core measures) caused fed funds futures to price in one rate cut this year, an improvement from no rate cuts priced in a month

earlier. The MSCI World Index gained 2.6% in US dollars (-1.0% in rands) for the quarter, buoyed by US tech stocks, while Eurozone markets were lower after gains by right-wing political parties in European Parliamentary elections and France's decision to call a snap election.

It is feared that a right-leaning European Parliament may prioritise issues like migration, over other issues such as the "green-deal" or digital transitions. The shift to the right could also complicate parliamentary approval for accession treaties, enhanced financial assistance for enlargement-related reforms, and the emphasis on the rule of law. Far-right parties generally oppose further EU enlargement, viewing it as costly in terms of national sovereignty, economic efforts, and potential "undesired" migration flows. Adding fuel to the fire was Emmanuel Macron's decision to immediately dissolve the French parliament and call a snap election in July. The Euro Stoxx 50 Index was 4.1% lower for the quarter. In contrast, emerging markets outperformed their developed market counterparts to rally 5.1% in US dollars (1.4% in rands), buoyed by a 7.3% surge in the Hang Seng Index as Chinese state-owed asset managers embarked on a state-sanctioned ETF buying spree.

Global and developed market Composite PMIs were volatile but generally higher for the quarter, but developing economies showed a small slowdown in economic activity. Softer readings were seen in Brazil, Russia, South Africa and the UK, while Japan moved into outright contractionary territory. While the US composite PMI, as measured by S&P Global, was higher at 54.8 index points, both the ISM manufacturing and services PMIs for June (released in July) showed a contraction in economic activity over the quarter. Employment growth also contracted, pointing to a softening in the labour market. This trend was even more evident after the release of unemployment and non-farm payroll data for June. The unemployment rate increased to 4.1% (from 3.8% the previous quarter), even as non-farm payroll data came in higher than expected at 206 000 jobs. However, a downward revision by 111 000 jobs to previous monthly data suggests that non-farm payrolls are increasing by a more muted 100 000 per month on average. Wage growth slowed to 3.9% from 4.1%, allaying concerns about wage cost pressures feeding through into higher inflation. The Atlanta Fed's GDPNow indicator fell, tracking growth of 2.2% in June, down from 2.3% in March but a high of 4.2% recorded in May. In July, the tracker was even lower, pointing to growth of 1.5% at the time of writing.

Further catalysts for the gains in equity markets included interest rate cuts by central banks in Canada, the Eurozone, Sweden and Switzerland and revisions to the US Fed's dot-plot. While the Fed's three rate cuts for this year, projected in March, were revised lower to only one rate cut this year, the dot-plot pencilled in four rate cuts for 2025, up from the three projected in March. The revised dot-plot now aligns more closely with rate cut expectations priced into fed funds futures. While the European Central Bank (ECB) cut rates as expected by 25 basis points to 3.75%, rate cuts at successive meetings are not expected, given that May's inflation readings were unchanged from the previous month and in line with estimates, and the fact that the ECB revised core inflation higher to 2.8% this year from 2.5% previously. For 2025, the estimate was left unchanged at 2.2%, while the 2026 estimate was revised marginally lower to 1.9% from 2% previously. Since June's core inflation (released in July) came in higher than expected at 2.9%, a pause in rate cuts is increasingly likely over the near term.

In view of the soft-landing outlook for the global economy, bottom-up consensus earnings estimates were revised lower for both developed and emerging markets over the quarter. For the MSCI World Index, earnings growth was revised down from 3.5% to 3.0%, while earnings growth for the MSCI Emerging Markets Index softened from 17.3% to 15.4%. In the second forecast year, developed market earnings growth was revised higher to 12.7% from 11.5% the previous quarter. Similarly, earnings growth for emerging markets was revised higher to 15.5% from 15.1%, supporting an overweight position in both developed and emerging market equities. For the S&P 500, earnings growth over the coming year was also revised lower, from 8.7% to 5.9%, but in the second forecast year earnings growth was revised higher to 14.8% from 13.7%. It is worth noting that the leading economic indicator for the US points to slightly higher earnings growth of around 7% over the coming year. Underpinning these forecasts is the more favourable outlook for interest rates in the next few years, and expectations that the global economy will avoid a recession. The June Bank of America Fund Manager Survey highlights fund managers' optimism, with the index holding steady at the highest level since November 2021.

This is reflected in the low cash level held in money market funds, which at 4.0% is the lowest level since June 2021. 53% of managers also do not expect a US recession in the next 18 months, with expectations of a hard landing over the next 12 months falling to a new low of 5%.

Asset allocation trends show a strong preference for US stocks, supported by 32% of respondents. Global equities are also favoured, with 19% of the vote, while government bonds attracted 25% of respondents' votes. The focus on equities is further evidenced by 41% of fund managers expecting large-cap growth stocks to drive the US market rally, supported by significant contributions from big tech firms, particularly Nvidia. In terms of sector allocation, there is a noticeable rotation into Eurozone equities, utilities, REITs and banks, and reducing exposure to materials, energy, Japan and bonds. The rotation out of Japanese stocks was probably attributable to the latest Tankan Survey showing a contraction in corporate profits. The rotational shift underscores a strategic move towards sectors perceived as more stable or with better growth prospects in the current economic environment.

Global Bonds and Listed Property

Despite ongoing disinflation, a more dovish US Fed and interest rate cuts in Canada, the Eurozone, Sweden and Switzerland at the back-end of the quarter, nominal bonds yielded negative returns as yield curves shifted higher due to interest rate cuts being pushed out further in time. The yield on the Bloomberg Capital Aggregate Bond Index increased from 3.7% to 3.9%, returning -1.1% in US dollars and -4.6% in rands. Corporate bond yields were also higher, with yields on the Bloomberg Capital Global Corporate Bond Index increasing from 4.88% to 5.04%, yielding -0.2% in US dollars and -3.7% in rands. Emerging market bonds yielded positive returns, up 0.7% in US dollars (-2.9% in rands) as higher absolute yields and a small decline in spreads offset the rise in yields across developed market bonds. Inflation-linked bonds also yielded negative returns as real yields on the Bloomberg Capital Global Government Inflation-Linked Bond Index increased from 1.32% to 1.59%. Given the shift to the right in European Parliamentary elections, investors may have opted out of inflation-linked bonds into nominal bonds given their lower duration risk, amid concerns about rising fiscal deficits across the region. The Bank of Japan's stated intention to reduce its US$5 trillion balance sheet could also have been a factor since quantitative tightening is expected to push yields higher.

The Bloomberg Capital Global Government Inflation-Linked Bond Index returned -0.8% in US dollars and -4.4% in rands, while emerging market government inflation-linked bonds returned -2.0% in US dollars and -5.5% in rands. With real yields pushing higher globally, US 10-year TIP yields were also higher, increasing from 1.88% to 2.08%. However, since the spread between TIP yields and nominal bond yields compressed, breakeven inflation was lower over the quarter, suggesting that inflation expectations remained well-anchored. The five-year breakeven inflation rate fell from 2.44% to 2.28%, while the 10-year rate declined from 2.33% to 2.29%. With inflation expectations anchored, the US Fed has signalled that the next move in rates will be a cut, although the timing of the cut remained data dependent. The Fed Chairman did, however, signal that the central bank would not wait for inflation to cool to the 2% target before cutting rates, amid concerns that momentum would drive inflation well below the 2% target, which would also be an undesirable outcome. It is widely assumed that the US Fed will use the PCE inflation measure as its preferred inflation benchmark.

Given the backdrop of rising global fiscal deficits, increased bond issuance and lower bond auction uptake, a more cautious approach is taken towards bonds. Other headwinds include a second Trump presidency – which is expected to result in tax cuts and structurally higher inflation due to broad-based increases in import duties – and central bank losses arising from quantitative easing (QE). QE programmes result in losses when bonds are issued at low yields only to be redeemed at much higher yields in the future, resulting in higher fiscal deficits if taxes are not raised. As a result, a neutral position is retained in global bonds over the near term (six months). Over the longer term (six-to-twelve months), bonds are overweighted as growth slows further, bonds reprice

and the rate cutting cycle begins in earnest. In the case of inflation-linked bonds, a neutral weighting is retained as a hedge against a bad inflation outcome and a higher neutral rate of interest. However, once the rate cutting cycle is well advanced (six-to-twelve-month view), inflation-linkers are underweighted as real curves would have shifted lower.

The rise in bond yields and the deferral of interest rate cuts weighed on the global listed property sector in the second quarter of the year, even as the sector re-rated on a price-to-book basis. The FTSE EPRA Nareit Developed Markets Property Index declined by 2.2% in US dollars and -5.7% in rands. The price-to-book ratio increased from 1.23X to 1.34X, still below the 1.46X mean. 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. Top-line rental growth continues to beat consensus estimates while better-than-expected tenant demand and muted supply across most sectors also support property. However, the deferral of interest rate cuts to late in the year could still limit companies' ability to refinance expiring loans at lower rates, raising default risks and placing forward earnings under pressure. Despite loan-to-value ratios being stable at around 35%, a near term underweight position is retained in global listed property. On a six-month view, listed property is upweighted to neutral in anticipation of the rate cutting cycle gaining traction.

SA Equities

South African equities tracked their developed and emerging market counterparts higher in the second quarter, buoyed by the positive election outcome and a more favourable domestic interest rate outlook. The FTSE/JSE All Share Index gained 8.2% in rands and 12.2% in US dollars, handsomely outperforming its peers. With the ANC falling well short of a majority, gaining only 40.2% of the vote, the President announced the creation of a Government of National Unity (GNU) comprising the ANC, DA, IFP, PA, FF+, PAC and Good. Notably absent were the EFF and the MKP. The new Cabinet now comprises 32 ministers and 43 deputy ministers with the ANC securing 20 cabinet posts, the DA six, the IFP two and the PA, FF+, Good and the PAC one position each. Sentiment among both local and foreign investors improved markedly on expectations that economic policy would become more market-friendly as policy shifted from the centre-left to the centre-right. Interest rate expectations shifted meaningfully over the quarter with FRAs pricing in three rate cuts over the coming year rather than the single one priced in at the end of March. The improved outlook followed the US Fed's revised dot-plot and the release of better-than-expected local inflation prints.

Unsurprisingly, SA Inc. shares rallied, with financials gaining 17.8% as the risk of nationalisation abated. The biggest winners included Capitec (27.3%), Coronation (25.5%) and FirstRand (24.6%). Industrials (14.6%) benefitted from the improvement in sentiment, with Barloworld (40.6%), Raubex Group (32.7%) and Wilson Bayly Holmes Ovcon (19.8%) the winners. Healthcare stocks (7.9%) gained as the perceived risk of the NHI moderated, with Life Healthcare (17.8%), Adcock Ingram (9.3%) and Netcare (7.1%) leading the charge. Technology stocks (6.8%) gained on the back of Altron (22.3%), Karooooo Ltd (14.9%) and Prosus (8.8%), while consumer discretionary (6.0%) stocks gained on the more favourable interest rate outlook and the announcement that tariffs will be increased on Shein and Temu imports. A tariff of 45% will now apply, plus 15% VAT, up from the flat 20% tariff applied on goods below R500. The tariff increase is now aligned with the import duties paid by South African wholesale importers. Foschini (28.1%), Truworths (22.2%) and Mr Price Group (18.5%) came out the winners, whereas consumer staples (3.2%) were led by gains in PicknPay (37.6%), Spar (33.9%) and Astral Foods (15.5%). Basic materials (3.2%) were buoyed by Tharisa PLC (44.3%), African Rainbow Minerals (43.2%) and Afrimat (25.2%), while Anglo Platinum (-21.7%), Goldfields (-10.0%) and Sibanye Stillwater Ltd (-9.1%) brought up the rear on rand appreciation and a softer palladium price. Telecommunication (-4.6%) stocks were the laggards, dragged lower by Telkom (-18.3%), Blue Label Telecoms (-16.7%) and Multichoice (-6.2%).

Although Q1 GDP missed estimates, coming in lower than expected at -0.1% quarter/quarter and 0.5% year/year, growth in Q4 2023 was revised higher, from 0.1% quarter/quarter to 0.3%. Load shedding in Q1 contributed to the negative GDP print, but the outlook for the second quarter of the year appears to be more upbeat, given that the country has been free of load shedding for more than 100 days. Mining production (0.8% month/month), manufacturing production (5.2% month/month) and retail sales (0.5% month/month) were all positive in April, supporting the more positive growth outlook for the quarter. The leading economic indicator was also higher, increasing by 1.8% year/year, suggesting that growth will trend higher over the coming quarters. While the BankservAfrica Economic Transactions Index (BETI) – which measures the value of all electronic interbank transactions at seasonally adjusted real prices – moderated in June, easing by 0.5% month/month, the index was still 1.6% higher for the quarter, lending support to the positive growth outlook. It is worth noting that the BETI tends to drop in the month following an election as temporary employment declines post- election.

The more positive growth outlook was also seen in slight upward revisions to expected earnings growth, with bottom-up consensus earnings estimates over the coming year revised up from 7.5% to 13.5%. In the second forecast year, earnings were also revised higher from 6.0% to 9.5%. Top-down earnings estimates are even more upbeat, with the South African Reserve Bank (SARB)'s leading economic indicator pointing to earnings growth in the mid-teens one year out. Since the market has already re-rated ahead of rate cut expectations, earnings growth will be the primary driver of returns going forward. An overweight position is retained in domestic equities given return expectations in the mid-to-upper teens once dividends are included.

SA Bonds and Listed Property

South African bonds rallied sharply in the second quarter as the political risk premium priced into the market declined following the positive election outcome. The formation of a GNU saw bond yields decline as the EFF and MKP were excluded from the Cabinet. Expectations of more market-friendly policies and the re-appointment of Enoch Godongwana as the Minister of Finance – ensuring fiscal consolidation – buoyed sentiment, with the yield on the All Bond Index falling from 12.05% to 11.31%, a massive 74 basis point decline. Due to the sharply lower bond yields, the All Bond Index yielded an impressive 7.5% in rands and 11.5% in US dollars. The long end of the curve (12+ years) was the best-performing sub-sector as duration was rewarded following the decline in yields. Inflation-linked bonds yielded a more subdued 2.4% in rands as yields moved from 5.01% to 5.07%.

While headline and core inflation missed estimates earlier in the quarter, towards the back-end inflation was trending lower, in line with expectations. Headline inflation eased to 5.2%, while core inflation came in at 4.6%, just shy of the SARB's 4.5% target. Since interest rate expectations also improved over the quarter, the stage is set for the SARB to start its rate cutting cycle, although there does seem to be some push-back from the Governor. He has warned that inflation expectations are still elevated, and that the SARB must deliver on its inflation target sooner rather than later, to re-anchor expectations. Although FRAs are pricing in three rate cuts over the coming twelve months, up from one rate cut expected at the end of March, these expectations can still be upended if the SARB revises the inflation target range lower, from the current 3-6% range, to a new 2-4% range. The implication of the revised inflation target would be higher-for-longer interest rates and a shallower rate cutting cycle.

Since the All Bond Index is yielding around 5.8% in real terms (at the time of writing), after adjusting for the inflation risk premium of some 100 basis points, the yield on nominal bonds is lower than the 5% real yield on the CILI Inflation-Linked Bond Index. However, with headline inflation expected to drop further to 4.5% over the coming year, a neutral weighting is retained in both nominal and inflation-linked bonds over the near term (six months), especially in view of the recent sharp declines in nominal bond yields. Over the longer term (six-to-twelve months), however, nominal bonds are upweighted to overweight, and a neutral weighting is retained in

inflation-linkers, given their higher modified duration. Risks to the bond market include a breakdown of the GNU as disagreements over policy or appointments surface. The first area of disagreement has been the appointment of disgraced former Western Cape Judge President John Hlophe to the Judicial Services Commission, the same body that impeached him. The DA, ACDP and FF+ objected to the appointment, with Freedom Under Law indicating they will legally challenge Hlope's appointment on the grounds of rationality and the rule of law.

South African listed property rallied in the second quarter of the year as bond yields plummeted, with the SAPY yielding a pleasing 5.5% in rands and 9.4% in US dollars. Even though dividends per share declined by 1.2% quarter/quarter, the property-to-bond yield ratio derated slightly from 0.53X to 0.55X, still well below the 0.85X mean. This suggests that lower bond yields were the primary driver of returns over the quarter. However, with real nominal bond yields trading below their fair value, there is limited scope for a further compression in bond yields, at least over the near term. Property stocks are also expected to derate relative to bonds going forward, given that the property-to-bond yield ratio is now at a historical inflection point. Although pressure from higher interest rates affects earnings growth, positive operating metrics, such as improved office vacancy rates and retail rental reversions, suggest there is potential for earnings acceleration once interest rates begin to decline. Despite the more favourable interest rate outlook, an underweight position is retained in listed property, given the sharply lower starting point for bond yields. The best-performing stocks for the quarter included Emira (25.1%), Growthpoint (14.2%) and Fortress B (11.2%), while rand hedge counters underperformed, with Shaftesbury Capital (-6.6%), Hammerson PLC (-6.4%) and Sirius Real Estate (-4.6%) bringing up the rear.

SA Cash

South African cash yielded 2.1% in rands and 5.8% in US dollars in the second quarter, outperforming all of the broad foreign asset classes. With disinflation gaining traction globally, the interest rate outlook has improved, with central banks in Canada, the EU, Sweden and Switzerland cutting interest rates over the quarter. Revisions to the US Fed's dot-plot, signalling one rate cut this year and another four rate cuts in 2025, were positively received by the market as this pointed to a deferral of rate cuts rather than a change in the quantum of rate cuts seen at the time of the Fed's March dot-plot. In contrast, fed funds futures were pricing in cumulative rate cuts of around 150 basis points between now and the end of 2025, with one cut expected this year and a further 125 basis points of cuts in 2025.

At quarter-end, South African FRAs were pricing in a cumulative 75 basis points of rate cuts between now and the end of 2025, with two rate cuts expected this year and one 25-basis point rate cut in 2025. In contrast, the SARB's Quarterly Projection Model (QPM) pointed to two rate cuts this year, followed by another two rate cuts in 2025. The release (in July) of better-than-expected US June CPI inflation data has seen market pricing improve, with FRAs currently (at the time of writing) pricing in an additional 25-basis point rate cut in 2025, aligning with the QPM's projections. The upshot of the more favourable interest rate outlook is that it will support both equities and bonds over the investment horizon.

Asset Allocation

Our asset allocation view is summarised in the table below. In brief:

- Overweight South African equities on upward revisions to expected earnings growth, the market-friendly election outcome and a more favourable domestic interest rate outlook.
- Neutral domestic nominal bonds, after the election rally, as real yields are trading marginally below the fair value estimate of 6%. Since real nominal bond yields are also trading below the real yield on inflation-linked bonds - after adjusting for the inflation risk premium - a neutral weighting is retained in inflation-linkers over the near term (six months). Over the medium term (six-to-twelve months), nominal bonds are upweighted to overweight as the rate cutting cycle gains momentum, whereas a neutral weighting is retained in inflation-linkers, given their higher modified duration.

- Underweight domestic listed property on limited scope for further bond yield compression and an expected derating relative to bonds, given the low property-to-bond yield ratio.
- Neutral SA cash near term (six months) on relative return expectations and the implementation of the “two-pot” system. Underweight cash over the medium term (six-to-twelve months) on expected interest rate cuts.
- Neutral international asset exposure on rand appreciation, de-dollarisation and expected US interest rate cuts.
- Overweight global equities on expected earnings growth - particularly in the second forecast year - a soft-landing for the global economy and favourable interest rate outlook. Sector rotation and an increase in market breadth, away from tech-heavy and genAI stocks, are further catalysts.
- Neutral global bonds over the near term (six months) on the upcoming US election, rising global fiscal deficits, increased bond issuance and lower bond auction uptake. Over the longer term (six-to-twelve months), overweight bonds as growth slows, bonds reprice and the rate cutting cycle gains traction.
- Neutral global inflation-linked bonds over the near term (six months) on a higher neutral rate of interest and higher import duties on Chinese exports to the EU and the US. Downweight to underweight over the medium term (six-to-twelve months) once the rate cutting cycle is well advanced and real yield curves have repriced lower.
- Underweight global listed property over the near term (six months) on deferred rate cuts. Upweight to neutral over the medium term (six-to-twelve months) as the rate cutting cycle gains traction.
- Neutral global cash on real return expectations and heightened geopolitical risks. Downweight to underweight over the medium term (six-to-twelve months) on expected rate cuts.

Asset Allocation Positioning

(C = Current Positioning, V = 0-6 Month View, Δ = 6-12 Month View)

	-2	-1	0	1	2
SA Equities				C V Δ	
SA Bonds			C V	Δ	
SA ILB			C V Δ		
SA Property		C V Δ			
SA Cash		Δ	V	C	
DM Equity				C V Δ	
EM Equity				C V Δ	
Global Bonds			C V	Δ	
Global ILB		Δ	C V		
Global Property		C V	Δ		
Global Cash		C Δ	V		
International		C	V Δ		

10 Year Forecast

	2018	2019	2020	2021	2022	2023	*1Y* 072024
SA Equities	11.5%	12.5%	12.5%	11.0%	11.5%	11.5%	17.5%
SA Bonds	8.5%	9.0%	10.0%	9.5%	10.0%	10.0%	14.1%
SA ILB	8.0%	8.5%	9.0%	8.5%	9.0%	9.0%	11.9%
SA Property	10.5%	12.0%	13.0%	11.5%	12.0%	12.0%	4.3%
SA Cash	7.0%	7.0%	6.0%	5.5%	6.0%	6.0%	7.9%
DM Equity	11.0%	11.0%	10.5%	10.5%	11.0%	11.0%	5.3%
EM Equity	12.0%	12.5%	12.5%	11.5%	12.0%	12.0%	16.7%
Global Bonds	6.5%	6.5%	6.5%	6.0%	6.5%	6.5%	7.1%
Global ILB	6.8%	6.5%	6.0%	5.5%	6.0%	6.0%	6.1%
Global Property	10.0%	9.0%	10.0%	9.5%	10.0%	10.0%	8.5%
Global Cash	6.8%	6.0%	5.3%	5.0%	6.5%	6.0%	4.9%
Inflation Assumption	5.50%	5.50%	5.00%	5.00%	5.50%	5.50%	5.00%

Legend

(shaded)	Current Positioning	0 = Neutral
(box)	0-6 Month View	+/-1 = 1% to 2% over/underweight
Δ	6-12 Month View	+/-2 = 2% to 4% over/underweight

Appendix A: Market Performances

Periods up to 30 June 2024	1 month	3 months	6 months	YTD	1 year	3 years	5 Years	10 Year
ALL SHARE (ZAR)	4.08%	8.19%	5.75%	5.75%	9.14%	10.96%	10.57%	8.18%
ALL SHARE ($)	7.32%	12.19%	5.91%	5.91%	12.91%	2.23%	5.00%	2.49%
ALL SHARE (GBP)	8.09%	12.12%	6.81%	6.81%	13.56%	5.30%	5.14%	5.63%
TOP 40	3.70%	7.94%	5.49%	5.49%	7.21%	11.08%	10.88%	8.23%
MID CAP	6.41%	9.54%	5.66%	5.66%	17.27%	9.43%	7.58%	6.59%
SMALL CAP	6.51%	10.73%	9.56%	9.56%	20.23%	16.76%	15.17%	8.26%
FLEDG	5.47%	10.44%	13.21%	13.21%	21.93%	12.96%	13.13%	7.16%
DERIVATIVE								
RES 20	-3.67%	3.45%	4.30%	4.30%	-1.34%	3.28%	9.58%	4.75%
IND 25	1.63%	4.82%	5.73%	5.73%	4.42%	9.85%	10.72%	8.34%
FIN 15	14.51%	17.07%	8.78%	8.78%	24.51%	18.94%	7.20%	7.54%
FIN 30	6.27%	9.54%	6.70%	6.70%	10.94%	12.99%	10.33%	8.63%
ALL SHARE ECONOMIC GROUP								
RESOURCES	-3.56%	3.61%	1.92%	1.92%	0.42%	4.61%	10.76%	5.68%
BAS MAT	-3.51%	3.23%	2.50%	2.50%	0.02%	3.93%	10.28%	8.39%
INDUST	5.10%	14.60%	8.14%	8.14%	23.33%	8.51%	3.24%	1.82%
CON GDS	4.60%	3.23%	3.72%	3.72%	13.02%	10.74%	11.01%	5.84%
HEALTH	4.34%	7.86%	9.06%	9.06%	15.11%	13.21%	11.07%	-1.57%
CON DISCRETIONARY	6.86%	5.99%	8.02%	8.02%	6.80%	20.54%	15.66%	15.52%
TELECOMS	3.35%	-4.62%	-15.15%	-15.15%	-27.04%	-4.16%	-2.19%	-3.99%
FINAN	14.51%	17.75%	8.87%	8.87%	24.29%	18.57%	7.47%	7.28%
TECHNOL	-4.08%	6.83%	14.18%	14.18%	4.85%	3.31%	7.37%	0.38%
ALL SHARE SHARE SECTOR								
CHEMICALS	12.11%	-1.86%	-20.13%	-20.13%	-30.25%	-6.97%	-10.88%	-7.32%
FORESTRY	-9.34%	-3.48%	16.88%	16.88%	32.43%	9.60%	11.98%	12.81%
MINING	-4.31%	-1.16%	3.74%	3.74%	3.72%	2.49%	9.07%	8.60%
CONSTRUCTION	5.74%	18.22%	17.97%	17.97%	47.33%	4.65%	2.32%	-6.45%
GENERAL IND	4.93%	14.91%	6.56%	6.56%	21.74%	6.82%	0.61%	2.77%
ELECTRONIC	4.01%	7.80%	23.77%	23.77%	26.08%	17.94%	7.16%	-0.07%
IND TRN	7.65%	14.41%	13.62%	13.62%	27.35%	25.11%	21.47%	5.74%
SUPPORT	2.71%	6.94%	10.05%	10.05%	15.64%	16.43%	27.36%	8.43%
AUTOMOBILES	0.00%	0.00%	-29.58%	-29.58%	-31.81%	-16.96%	-10.76%	-8.32%
BEVERAGES	-9.34%	-7.14%	-10.49%	-10.49%	0.88%	2.38%	0.00%	1.65%
FOOD PR	7.86%	4.67%	10.71%	10.71%	30.72%	7.97%	5.88%	2.81%
PERSON	-4.48%	-1.30%	11.00%	11.00%	-9.33%	20.20%	21.09%	11.65%
HEALTH	15.51%	11.81%	0.68%	0.68%	-4.31%	7.66%	4.14%	-2.65%
PHARMACEUTIC	0.62%	6.47%	14.07%	14.07%	28.74%	14.99%	17.83%	-1.62%
DRG RET	9.64%	6.85%	3.91%	3.91%	18.05%	13.06%	9.10%	8.83%
GEN RET	7.82%	2.39%	11.54%	11.54%	50.63%	19.29%	12.69%	7.64%
TRAVEL	2.85%	4.11%	-5.63%	-5.63%	6.06%	17.96%	-3.00%	-3.55%
FIX LN	3.35%	-4.62%	-15.15%	-15.15%	-27.04%	-4.16%		
MOBILE	3.35%	-4.62%	-15.15%	-15.15%	-27.04%	-4.16%		
BANKS	16.20%	19.95%	11.56%	11.56%	27.76%	22.64%	9.54%	11.57%
N/L INS	14.09%	11.44%	13.02%	13.02%	36.87%	19.22%	8.93%	11.27%
LIFE IN	15.96%	17.54%	6.95%	6.95%	22.04%	11.20%	2.55%	4.72%
REAL ESTATE	2.11%	2.26%	10.69%	10.69%	26.50%	16.94%	9.35%	
GEN FIN	16.94%	-0.67%	8.80%	8.80%	48.92%	-38.25%	-23.55%	-12.30%
EQ INV	0.00%	0.00%	-12.07%	-12.07%	-33.85%	1.19%	7.06%	3.58%
SOFTWARE	-4.08%	6.83%	14.18%	14.18%	4.85%	3.31%	7.37%	0.58%
SPECIALIST								
SA FIN	6.51%	9.59%	7.13%	7.13%	12.67%	12.57%	9.53%	7.70%
SAPY (ZAR)	5.95%	5.50%	9.55%	9.55%	26.25%	11.65%	0.90%	3.24%
SAPY ($)	9.24%	9.40%	9.72%	9.72%	30.62%	2.86%	-4.19%	-2.19%
INDUST & FINAN	1.87%	5.21%	5.88%	5.88%	5.11%	9.72%	10.41%	7.80%
CAPPED INDICES								
CAP TOP 40	4.06%	8.00%	5.17%	5.17%	7.29%	11.14%	10.78%	7.96%
CAP ALL SHARE	4.17%	8.21%	5.68%	5.68%	9.22%	11.26%	10.82%	8.19%
SHAREHOLDER WEIGHTED								
SH WE TP 40	3.70%	7.94%	5.53%	5.53%	7.76%	8.33%	7.88%	6.41%
SH WE ALL SHARE	4.08%	8.19%	5.84%	5.84%	9.81%	8.78%	8.05%	6.71%
Capped SH WE ALL SHARE	4.17%	8.21%	5.72%	5.72%	10.04%	10.12%	8.74%	6.52%
SA VALUE	4.16%	8.03%	2.57%	2.57%	5.58%	11.38%	8.22%	5.19%
SA GROWTH	4.02%	8.31%	8.78%	8.78%	11.38%	10.87%	12.70%	10.42%

Appendix A (2): Market Performances

Periods up to 30 June 2024	1 month	3 months	6 months	YTD	1 year	3 years	5 Years	10 Year
CREDIT MARKETS								
BONDS 1-3 YEARS	1.87%	3.35%	4.18%	4.18%	10.59%	7.38%	7.51%	7.88%
BONDS 3-7 YEARS	4.14%	5.64%	4.14%	4.14%	11.54%	7.33%	8.42%	8.75%
BONDS 7-12 YEARS	5.91%	8.04%	5.47%	5.47%	14.75%	8.22%	8.58%	8.74%
BONDS 12+ YEARS	6.80%	9.91%	6.90%	6.90%	14.90%	7.41%	7.37%	7.87%
ALL BOND (ZAR)	5.24%	7.49%	5.55%	5.55%	13.73%	7.62%	7.82%	8.21%
ALL BOND ($)	8.51%	11.47%	5.71%	5.71%	17.67%	-0.85%	2.39%	2.51%
ALL BOND (GBP)	9.29%	11.39%	6.61%	6.61%	18.34%	2.13%	2.53%	5.65%
S&P South Africa Sovereign ILB 1+Y Index	2.98%	2.35%	1.99%	1.99%	8.55%	6.77%	6.13%	
General CILI Index	2.94%	2.43%	2.04%	2.04%	9.11%	6.91%		
STEFI Composite (ZAR)	0.67%	2.06%	4.17%	4.17%	8.55%	6.48%	6.06%	6.57%
STEFI Composite ($)	3.80%	5.84%	4.33%	4.33%	12.30%	-1.90%	0.71%	0.96%
INTERNATIONAL MARKETS								
DOW JONES $	1.23%	-1.27%	4.79%	4.79%	16.02%	6.42%	10.33%	11.30%
FTSE £	-1.15%	3.73%	7.43%	7.43%	12.98%	7.40%	5.54%	5.92%
MSCI WORLD All Countries ($)	2.23%	2.87%	11.30%	11.30%	19.38%	5.43%	10.76%	8.43%
MSCI WORLD All Countries (ZAR)	-0.85%	-0.80%	11.13%	11.13%	15.39%	14.44%	16.63%	14.45%
MSCI WORLD $ - MSCI	2.03%	2.63%	11.75%	11.75%	20.19%	6.86%	11.78%	9.16%
MSCI WORLD ZAR - MSCI	-1.04%	-1.03%	11.58%	11.58%	16.18%	15.99%	17.71%	15.22%
MSCI WORLD $ - INET	1.93%	2.15%	10.81%	10.81%	18.70%	5.29%	10.08%	7.22%
MSCI WORLD (ZAR) INET	-1.14%	-1.49%	10.64%	10.64%	14.74%	14.28%	15.92%	13.17%
MSCI WORLD GROWTH ($) - MSCI	4.83%	6.41%	17.35%	17.35%	26.59%	7.62%	15.50%	12.44%
MSCI WORLD GROWTH (ZAR) - MSCI	1.67%	2.61%	17.17%	17.17%	22.36%	16.82%	21.63%	18.68%
MSCI WORLD VALUE ($) - MSCI	-0.82%	-1.00%	6.61%	6.61%	14.62%	6.30%	8.30%	6.54%
MSCI WORLD VALUE (ZAR) - MSCI	-3.81%	-4.54%	6.45%	6.45%	10.79%	15.38%	14.05%	12.46%
MSCI EMERGING MARKET($) - MSCI	4.01%	5.12%	7.65%	7.65%	12.95%	-4.81%	3.27%	2.91%
MSCI EMERGING MARKET(ZAR) - MSCI	0.87%	1.36%	7.49%	7.49%	9.17%	3.33%	8.75%	8.63%
MSCI EMERGING MARKET($) - INET	3.55%	4.13%	6.11%	6.11%	9.69%	-7.57%	0.57%	0.33%
MSCI EMERGING MARKET(ZAR) - INET	0.43%	0.41%	5.95%	5.95%	6.02%	0.32%	5.91%	5.90%
MSCI EM GROWTH ($) - MSCI	4.54%	4.97%	8.52%	8.52%	11.14%	-8.65%	3.17%	3.53%
MSCI EM GROWTH (ZAR) - MSCI	1.38%	1.22%	8.36%	8.36%	7.42%	-0.85%	8.65%	9.28%
MSCI EM VALUE ($) - MSCI	3.34%	5.08%	6.52%	6.52%	14.03%	-1.05%	2.93%	2.03%
MSCI EM VALUE (ZAR) - MSCI	0.23%	1.33%	6.36%	6.36%	10.22%	7.40%	8.39%	7.69%
S&P 500	3.59%	4.28%	15.29%	15.29%	24.54%	9.99%	15.02%	12.84%
Euro Stoxx 50 (€)	-1.72%	-1.60%	11.12%	11.12%	14.80%	9.98%	10.37%	7.66%
Nikkei 225 (¥)	2.94%	-1.86%	19.17%	19.17%	21.10%	13.10%	15.12%	11.92%
DAX(EUR)	-1.42%	-1.39%	8.86%	8.86%	12.93%	5.50%	8.02%	6.37%
DAX(ZAR)	-5.61%	-5.64%	5.46%	5.46%	7.23%	10.71%	12.38%	9.57%
Bloomberg Capital Global Aggregate Govt ($)	-0.08%	-1.73%	-4.42%	-4.42%	-0.80%	-6.58%	-2.94%	-1.13%
JPM Global Government Bonds ($)	-0.05%	-1.94%	-4.57%	-4.57%	-1.53%	-6.95%	-3.25%	-1.06%
JPM Global Government Bonds (ZAR)	-3.06%	-5.44%	-4.72%	-4.72%	-4.82%	1.00%	1.89%	4.43%
Bloomberg Capital Global Aggregate ($)	0.14%	-1.10%	-3.16%	-3.16%	0.93%	-5.49%	-2.02%	-0.42%
Bloomberg Capital Global Aggregate (ZAR)	-2.88%	-4.64%	-3.31%	-3.31%	-2.45%	2.58%	3.17%	5.10%
Bloomberg Capital Global Inflation Linked ($)	-0.25%	-0.84%	-2.62%	-2.62%	0.36%	-6.40%	-1.35%	-0.09%
Bloomberg Capital Global Inflation Linked (ZAR)	-3.25%	-4.38%	-2.77%	-2.77%	-3.00%	1.60%	3.88%	5.46%
Bloomberg Capital Global Aggregate Credit ($)	0.27%	-0.19%	-1.07%	-1.07%	4.50%	-3.97%	-0.36%	0.87%
Bloomberg Capital Global Aggregate Securitised ($)	0.94%	0.09%	-1.15%	-1.15%	2.57%	-3.21%	-0.88%	0.38%
Bloomberg Capital Global High Yield ($)	0.40%	1.04%	3.18%	3.18%	11.82%	0.54%	2.68%	3.33%
Bloomberg Capital Global Emerging Markets ($)	0.41%	0.55%	1.87%	1.87%	7.85%	-2.87%	0.03%	1.96%
JPM EM BONDS ($)	0.63%	0.68%	2.22%	2.22%	7.95%	-2.22%	0.19%	2.18%
JPM EM BONDS (ZAR)	-2.40%	-2.92%	2.07%	2.07%	4.34%	6.13%	5.51%	7.86%
JPM EM Corporate Diversified HY ($)	0.00%	0.00%	0.00%	0.00%	0.00%	-5.84%	-1.86%	1.67%
JPM EM Corporate Diversified HY (ZAR)	-3.01%	-3.57%	-0.15%	-0.15%	-3.34%	2.21%	3.35%	7.32%
JPM EM Corporate HY ($)	0.24%	1.17%	5.95%	5.95%	15.55%	0.30%	2.63%	4.33%
JPM EM Corporate HY (ZAR)	-2.78%	-2.45%	5.79%	5.79%	11.69%	8.87%	8.07%	10.13%
Bloomberg Capital EM Govt ILB ($)	-0.17%	-2.04%	-4.37%	-4.37%	-3.28%	0.08%	1.36%	1.28%
Bloomberg Capital EM Govt ILB (ZAR)	-3.18%	-5.54%	-4.52%	-4.52%	-6.51%	8.63%	6.74%	6.90%
Bloomberg Capital Global Corporate Bonds ($)	0.30%	-0.16%	-0.92%	-0.92%	4.89%	-3.69%	-0.03%	1.14%
Bloomberg Capital Global Corporate Bonds (ZAR)	-2.72%	-3.73%	-1.07%	-1.07%	1.39%	4.54%	5.27%	6.75%
EPRA / NAREIT Dev Mrkts Property ($)	0.51%	-2.16%	-3.21%	-3.21%	5.51%	-3.91%	0.22%	2.98%
EPRA / NAREIT Dev Mrkts Property (ZAR)	-2.52%	-5.66%	-3.36%	-3.36%	1.98%	4.30%	5.54%	8.70%
CURRENCY								
RAND vs US$	3.11%	3.70%	0.15%	0.15%	3.46%	-7.87%	-5.04%	-5.26%
RAND vs EURO	4.44%	4.50%	3.22%	3.22%	5.32%	-4.71%	-3.88%	-2.92%
RAND vs GBP	3.85%	3.63%	1.00%	1.00%	4.05%	-5.10%	-4.91%	-2.36%
USD vs JPY	2.36%	6.29%	14.10%	14.10%	11.29%	13.17%	8.35%	4.73%

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