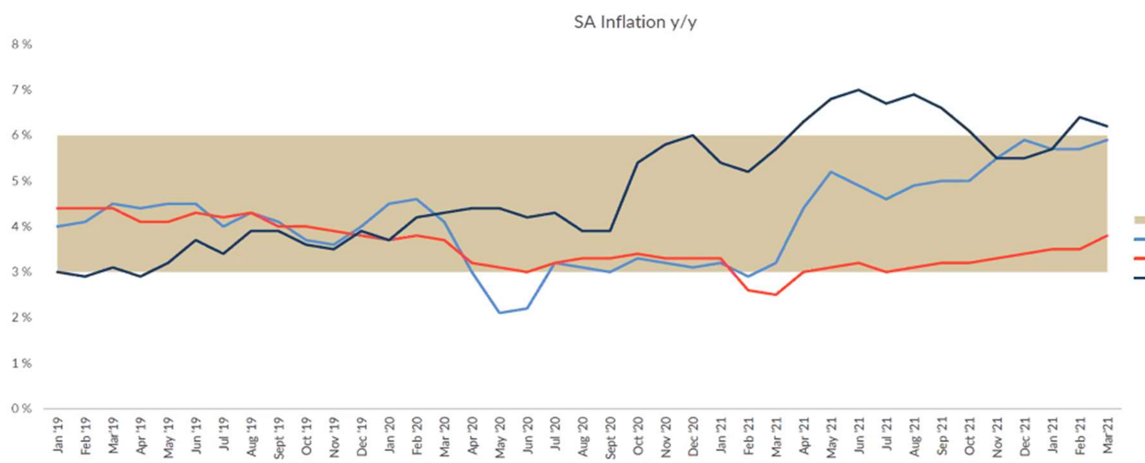
South African Market

In April the South African Stock market fell for only the third time in the past 18 months, with FTSE/JSE All Share index currently sitting at -3.66% MoM, as the markets continued their negative start to the year. Despite this drop, measured in USD terms the domestic equity market is YTD +3.6% along with Brazil's Bovespa at +15.8%. The biggest drag on local performance was financials at -7.8%, followed by resources and industrials at -5.4% and -2.0% respectively. South African listed property also ended the month, down -2.6%. The upside is that with the surging global energy prices, coal exporter, Thungela, increased 48% MoM and is currently sitting at +222%YTD, having only listed less than a year ago. Sasol was also a big winner, up at 11% MoM. The local inflation rate edged higher to 5.9%, up from previous month of 5.7%, but still below market forecasts of 6%.

SA INFLATION REMANS A DIFFERENT STORY



This marks the 11th consecutive month in which annual inflation has been higher than the midpoint of the South African Reserve Bank's target range of between 3% and 6% and has likely opened the door to another rate hike at their May meeting. The main upward pressure came from prices of the transportation component of the CPI basket, which was raised by the elevated oil price stemming from Russia's war on Ukraine. The recent reduction in the government fuel Levy will help consumers breathe a bit easier and potentially slow inflation increases. The forecasted SA GDP growth going into the second quarter of this year is currently sitting at 1.1% and this is a negatively revised number i.e., its showing a slowing trend.

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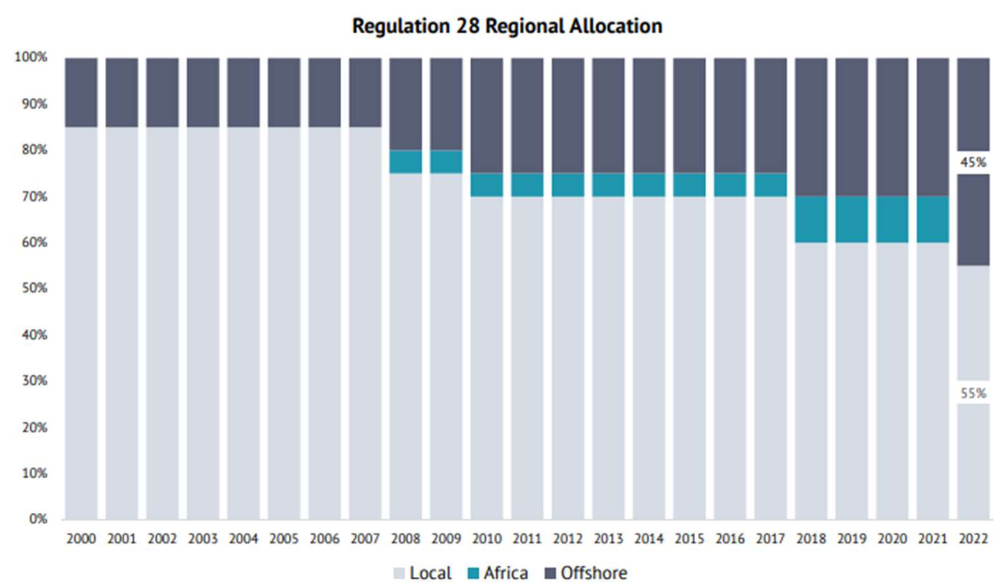
The Rand, which has performed remarkably YTD on the back of a weaking global economy could not hold up against the surging USD in April and was one of the worst performing major currencies for the month at -7.6% MoM vs the Dollar. The Rand has dropped to its weakest level in close to five months as a 50-bps hike was implemented by the Federal Reserve to keep the greenback elevated. The Rand also lost 3.6% and 3.1% against the Pound and Euro respectively. While most currencies fared poorly against the US dollar in April, the rand's woes were exacerbated by domestic issues, with Eskom implementing rolling blackouts during the month and warning that the country could experience more than 100 days of loadshedding during the year.

April also saw one of the country's worst natural disasters in KZN and the government was subsequently forced to declare a state of emergency after more than 500 deaths and countless homes and major roads and port infrastructure were damaged or destroyed. It is quite difficult to quantify the impact that this disaster will have on the GDP outlook and how this will impact already strained supply chain issues, but it will be significant. Further SOE bailouts, consumer grants and higher public sector wages will all contribute to a bleak outlook for the second quarter and beyond.



Source: NMG Benefits

Probably the biggest question asset managers are currently facing is should they increase offshore exposure in multi-asset portfolios in line with the new reg 28 limits (up to 45% offshore) coming into effect this year. The SA listed stock market is definitely shrinking, with the number of JSE listed companies declining from 400 in 2013 to just over 300 at the beginning of this year. The increased foreign allowance allows local managers to seek more long term growth opportunities that are shrinking locally but with possibly increased volatility due to the added currency variable. Over the past 22 years offshore investing limits in pension regulated products have increased threefold and based on historic numbers had managers invested to the maximum limit in global equities the results would have been better than investing locally.

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STAR INVESTMENT PARTNERS

Asset Class Performances in ZAR

As of 30th April 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	(0.32)	(13.64)	2.59	13.38	13.43	17.82
Global Property - FTSE EPRA NAREIT DR	2.16	(10.46)	12.97	9.28	10.12	15.34
Global Bond - JPM GBI Global Traded	2.29	(12.19)	(5.30)	1.62	3.30	7.16
Global Cash - ICE LIBOR 1 Month	8.29	(0.80)	9.20	4.07	4.62	8.19
SA Equity - FTSE/JSE All Share	(3.66)	0.04	13.17	11.26	9.78	11.22
SA Property - FTSE/JSE SA Listed Prop	(1.41)	(2.66)	12.16	(5.26)	(5.22)	4.55
SA Bond - BEASSA ALBI	(1.67)	0.15	8.43	7.56	8.25	7.77
SA Cash - STeFI Call Deposit	0.32	1.27	3.66	4.58	5.42	5.56

ZAR/USD (negative = rand strength)	8.06	(0.93)	9.03	3.31	3.38	7.37
Gold	5.89	3.27	16.98	15.52	9.78	7.30
Brent Crude Oil	9.67	39.31	77.25	18.33	20.09	6.48

*Returns more than 1 year are annualized.

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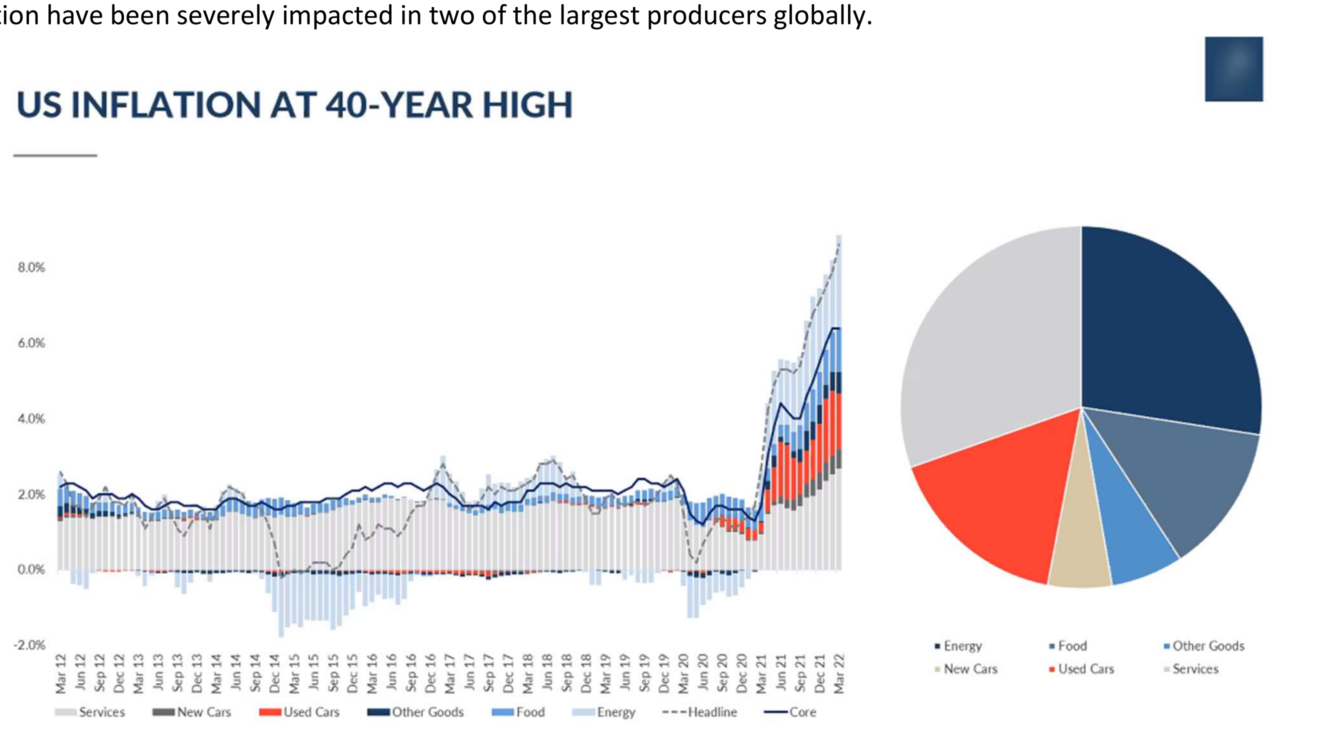
Global Markets

April proved to be a very tough month for global equities as countless factors dragged down the major indices. The Fed's benchmark interest rate hike of 50 basis points in early May was the largest since 2000, and with further increases telegraphed in the coming months, this together with the current US inflation rate at 40-year high's is leaving the market pessimistic. The ongoing war in Ukraine and the recent re-outbreak of Covid in China is threatening to further aggravate supply chain issues, and as a result the MSCI World Index lost 8.1% in April as compared with -5.8% for the MSCI Emerging markets Index.

The S&P 500 Index fell more than 13% between January and April this year, which was the worst start to a year since 1939. The 4 major indexes globally were all down for the month, equities being the biggest loser at -8%, while gold slumped by -1.7%. Against this backdrop the U.S. economy contracted for the first time since the second quarter of 2020 as consumer spending came in less robustly than expected. During April,55% of the S&P 500 companies that began reporting earnings, grew marginally, by 5% YOY, ahead of expectations of 3% but this did not protect it from negative price action.

The U.S. added 428 000 non-farm jobs in April, which was a moderate step down from March but looks to be roughly double than the pace of growth during this time last year. The unemployment rate fell to 3.5%, matching the lowest reading since the 60's and economists expect it to further decline in the second quarter of this year, and this can potentially complicate the Fed's fight against inflation. The gap between demand and supply remains wide and if this trend continues there will be greater upward pressure on wages and inflation.

In the below graph, inflation is showing no signs of easing after accelerating to 8.5%(y/y). The biggest culprit continues to be energy, which climbed 32% since last year. Interestingly, second hand car prices have spiked by roughly 60% since Covid struck in 2020, with disrupted microchip manufacturing and logistics causing massive shortages in new car deliveries. Since the Russia/ Ukraine war started, food prices globally have spiked as staples: wheat, maize, barley and sunflower oil production have been severely impacted in two of the largest producers globally.



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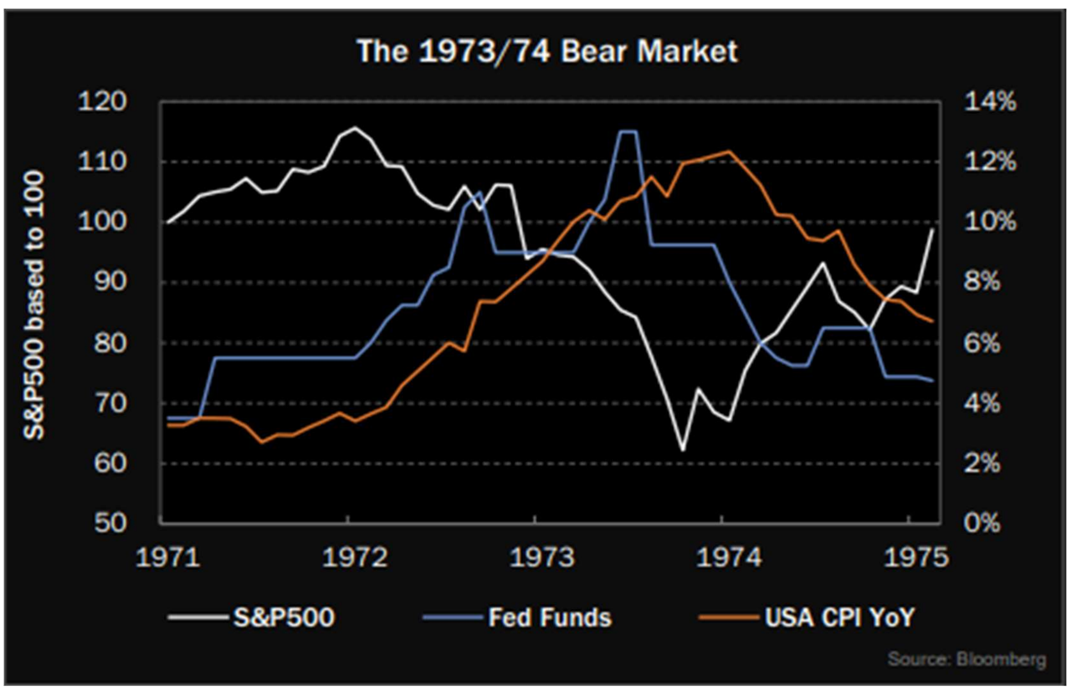
US tech shares were amongst April's biggest losers with the Nasdaq 100 experiencing its worst monthly drawdown since 2008 (-13.3% MoM). Losses were particularly brutal for the FAANG grouping with all 5 companies sitting at red month end and off their one-year high's as follows: Apple (-13.8%), Alphabet (-24.7%), Amazon (-34.1%), Meta/Facebook (-47.8%), Netflix (-72.8%).The big drop in Netflix is attributed towards the fact that subscriber numbers fell for the first time in a decade. Only the S&P 500 Consumer Staples sub index delivered a positive MoM return of +2.6% as investors sought out the relative safety of non-discretionary spending categories.

The global news reel has been packed over the past month as we see escalating political tensions and severe market moves, below is a graph that depicts the 1973/1974 Bear market, that shares similarities to what global markets are currently experiencing. Market sentiment was not positive, and interestingly at that time the market experienced the fallout from the Yom Kippur War with OPEC'S oil embargo against countries assisting Israel, the US Fed raising the repo rate and the S&P 500 declining from previous highs to new lows.



STAR INVESTMENT PARTNERS

Asset Class Performances in USD

As of 30th April 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	(7.90)	(12.86)	(5.90)	9.73	9.71	9.71
Global Property - FTSE EPRA NAREIT DR	(5.62)	(9.64)	3.63	5.76	6.50	7.40
Global Bond - JPM GBI Global Traded	(5.50)	(11.39)	(13.13)	(1.65)	(0.10)	(0.22)
Global Cash - ICE LIBOR 1 Month	0.05	0.10	0.17	0.72	1.18	0.74
SA Equity - FTSE/JSE All Share	(10.99)	0.95	3.81	7.68	6.17	3.56
SA Property - FTSE/JSE SA Listed Prop	(8.92)	(1.78)	2.88	(8.32)	(8.33)	(2.65)
SA Bond - BEASSA ALBI	(9.15)	1.06	(0.54)	4.09	4.69	0.35
SA Cash - STeFI Call Deposit	(7.31)	2.19	(4.92)	1.21	1.96	(1.71)

USD/ZAR (negative = dollar strength)	(8.06)	0.93	(9.03)	(3.31)	(3.38)	(7.37)
Gold	(2.16)	4.21	7.30	11.80	6.17	(0.09)
Brent Crude Oil	1.33	40.58	62.59	14.52	16.15	(0.85)

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Historic Asset Class Performance Matrix

The below performance matrix shows returns (colour coded) for the 4 main indicative sources of return per asset class and separated for South Africa and Global. **All performance figures here shown in ZAR.** The performances show the one-year performance of each asset class up to the displayed date (X-axis) except for the column showing YTD returns up to 30th April 2022.

	YTD	2022/04	2021/04	2020/04	2019/04	2018/04	2017/04	2016/04	2015/04	2014/04	2013/04	2012/04	2011/04
Best	SA Cash 1.3	SA Equity 13.2	SA Prop-erty 40.3	Global Fixed Income 39.7	Global Property 28.8	SA Fixed Income 13.8	SA Fixed Income 10.5	Global Property 26.3	SA Prop-erty 38.3	Global Equity 35.3	SA Prop-erty 43.7	Global Fixed Income 22.5	SA Equity 17.8
	SA Fixed Income 0.2	Global Property 13.0	SA Equity 36.4	Global Cash 30.5	Global Equity 20.2	SA Equity 11.4	Global Equity 9.5	Global Fixed Income 26.1	Global Property 26.2	SA Equity 30.1	Global Property 41.5	Global Property 20.9	SA Prop-erty 17.5
	SA Equity 0.0	SA Prop-erty 12.2	Global Equity 17.7	Global Equity 20.7	Global Cash 17.5	Global Equity 7.2	SA Cash 7.0	Global Cash 19.0	Global Equity 22.4	Global Property 18.6	Global Equity 34.2	SA Prop-erty 19.0	Global Property 13.8
	Global Cash -0.8	Global Cash 9.2	SA Fixed Income 14.7	Global Property 7.2	Global Fixed Income 15.2	SA Cash 6.8	SA Equity 4.5	Global Equity 12.8	SA Equity 14.8	Global Fixed Income 18.5	SA Fixed Income 16.9	Global Cash 17.9	SA Fixed Income 9.4
	SA Prop-erty -2.7	SA Fixed Income 8.4	Global Property 7.8	SA Cash 6.5	SA Cash 6.6	SA Prop-erty -0.5	SA Prop-erty 0.0	SA Prop-erty 6.6	Global Cash 13.7	Global Cash 17.4	Global Cash 16.2	SA Fixed Income 12.7	Global Equity 7.3
	Global Property -10.5	SA Cash 3.7	SA Cash 3.6	SA Fixed Income 0.1	SA Fixed Income 5.0	Global Fixed Income -2.7	Global Property -3.8	SA Cash 6.1	SA Fixed Income 11.5	SA Cash 4.9	SA Equity 16.1	Global Equity 11.0	SA Cash 5.8
	Global Fixed Income -12.2	Global Equity 2.6	Global Fixed Income -20.6	SA Equity -10.8	SA Equity 3.9	Global Property -3.6	Global Cash -5.0	SA Fixed Income 1.7	Global Fixed Income 8.9	SA Fixed Income -3.0	Global Fixed Income 14.5	SA Equity 8.1	Global Fixed Income -0.3
Worst	Global Equity -13.6	Global Fixed Income -5.3	Global Cash -20.9	SA Prop-erty -46.0	SA Prop-erty -9.6	Global Cash -5.4	Global Fixed Income -8.8	SA Equity 0.2	SA Cash 5.6	SA Prop-erty -3.6	SA Cash 4.9	SA Cash 5.3	Global Cash -10.2

Source: Morningstar Direct