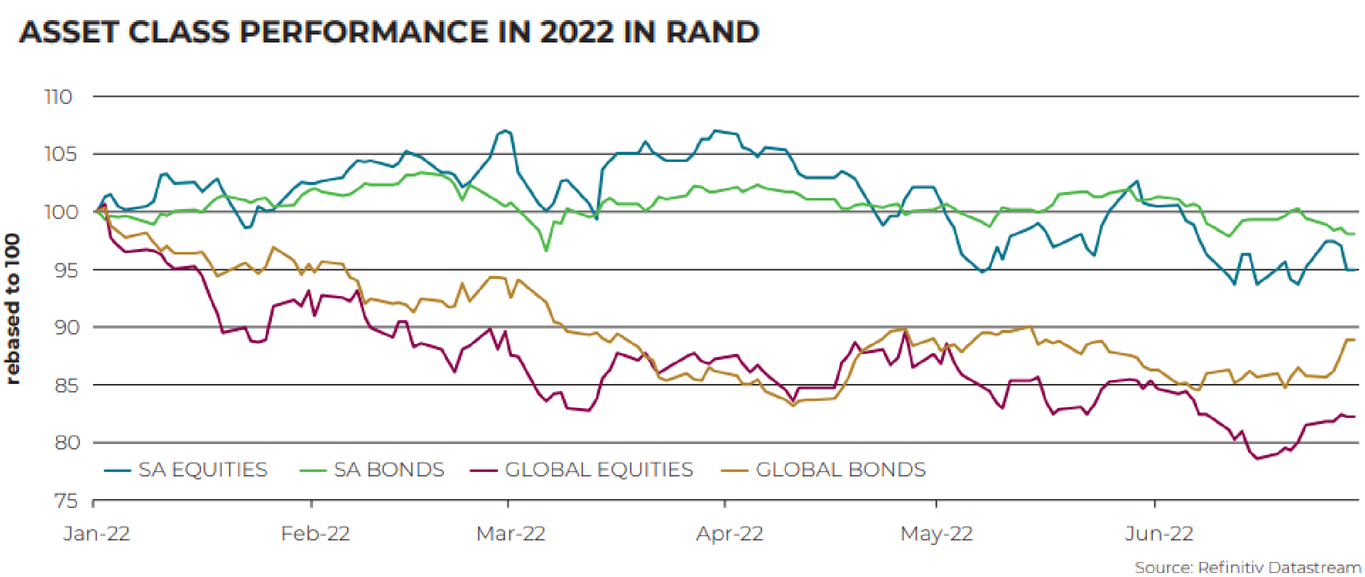
STAR INVESTMENT PARTNERS

South African Market

Following on from a slightly negative month in May, South African equities followed global peers lower with FTSE/JSE All-Share Index losing (8.3%) in June. The resource sector was among the worst performers in June down (14%) MoM, with Anglo American being the worst performer at (31%). Similarly, the financial sector also lost ground during June, down (13.6%) MoM, driven by pullbacks from heavy weight stocks Standard Bank Group and FirstRand down (7.7%) and (5.0%) respectively. The only sector to end in green was industrials at +1.4%. The bright spot for local equities came from Mediclinic +18% MoM and Naspers/Prosus +38% & 30% MoM. The former received an unsolicited buyout offer from existing shareholder Remgro, which currently owns 45% of the hospital group, in a consortium with Mediterranean Shipping Company, which the Mediclinic board recommended rejecting. The initial offer was at a 35% premium to the share price. Increased offers have been made after month end. Naspers and Prosus share prices rebounded sharply following the release of their FY22 results on June 27th and the announcement that they will be commencing an open-ended, share buyback programme with the sale of Tencent shares to fund the buyback.

Local inflation data showed a jump to 6.5% YoY in May, up from 5.9% the month before, thus marking the highest reading in over five years. The jump is mainly due to rising prices of transport (fuel price increases), food and non-alcoholic beverages. With CPI officially breaking through the upper limit of the South African Reserve Bank's 3%-6% target range, it is likely that the Reserve Bank will continue to hike rates more going forward, probably in line with what the US Fed does. The rising inflation, both locally and globally, coupled with the expectation of tighter monetary policies, were enough to push SA's 10-year government bond yields to over 10.5% by the end of June, the last time government bond yields were this high, was in March 2020. South African long bond yields have risen by a similar amount as US yields since the start of the year and the All-Bond Index has delivered a negative total return of (1.9%) YTD. This latest rise comes on top of already elevated yields. By comparison the total return of local bonds has been much better than for global bonds as the higher interest income has offset some of the price declines.

June was a rough month for equities, as well as bonds; however, it should be noted that local investors were better off over the past year than their peers in America and Europe with SA assets cheaper at the start of the year. The exchange rate has also softened some of the blows of a declining global market.



Sentiment has turned against the rand nearing the end of the month, as the implications of Stage 6 loadshedding weighed heavily. The rand is only slightly weaker against the dollar since January, but it is still weaker by 14% compared to a year ago. The rand only depreciated around 1% against the pound and the euro over the past 12 months. While still volatile, the rand has been remarkably resilient given the global market turmoil.

Striking Eskom employees exacerbated the already challenged state of the utility's ability to meet the country's energy needs, forcing loadshedding to Stage 6 for the first time since 2019, with the country clocking up 62 days of blackouts in the first half of the year. Fuel prices reached new highs during June as the international price of crude oil is still rising, while expectation is that it will remain at an elevated level for the duration of the war. The fuel level was also recently reduced to 75c/l down from 150c/l. With all these contributing factors the outlook for Q2 of 2022 will be in stark contrast to what was seen in the first half of this year.

Asset Class Performances in ZAR

As of 30th June 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	(3.90)	(18.14)	(3.89)	11.93	12.10	17.11
Global Property - FTSE EPRA NAREIT DR	(4.44)	(19.66)	0.16	5.49	7.85	13.48
Global Bond - JPM GBI Global Traded	1.87	(11.86)	(3.40)	0.97	3.55	6.65
Global Cash - ICE LIBOR 1 Month	5.25	2.96	15.14	5.81	5.81	8.01
SA Equity - FTSE/JSE All Share	(8.01)	(8.30)	4.69	8.18	8.74	10.45
SA Property - FTSE/JSE SA Listed Prop	(10.33)	(12.68)	0.22	(9.03)	(7.33)	2.68
SA Bond - BEASSA ALBI	(3.06)	(1.93)	1.25	5.78	7.78	7.19
SA Cash - STeFI Call Deposit	0.37	2.02	3.83	4.46	5.34	5.54

ZAR/USD (negative = rand strength)	5.49	2.41	14.14	5.05	4.52	7.16
Gold	2.79	0.73	15.81	11.79	10.22	6.86
Brent Crude Oil	(1.75)	51.52	75.33	26.08	24.54	8.91

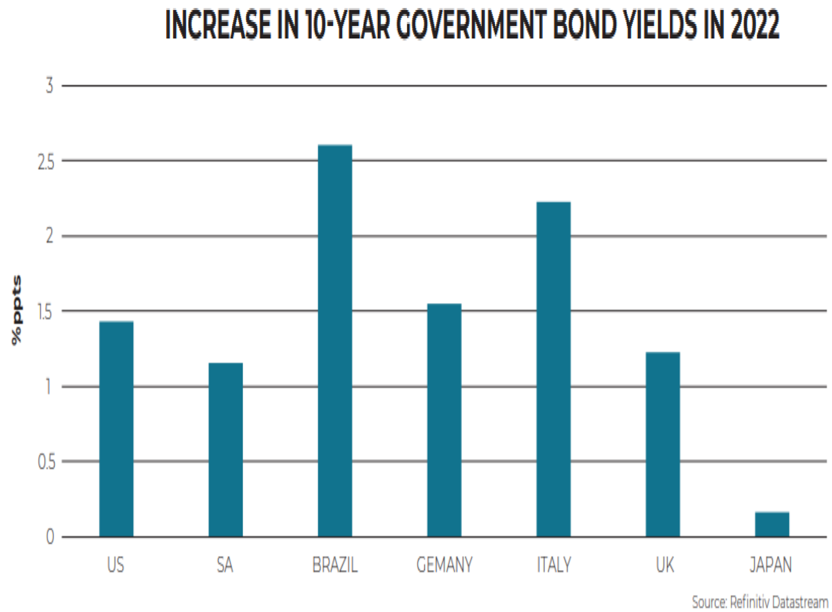
*Returns more than 1 year are annualized.

Global Markets

Global equity markets had the worst month of an already tough year with MSCI ACWI down (8.6%) MoM, as developed market equities fell far enough to push them into a bear market (officially a drop of over 20% from its previous peak). This was the worst first half performance since 1970 for the MSCI ACWI. In 1970, markets bounced in the second half of the year, but more recent episodes of double-digit negative returns in the first half of the year (2001 and 2008) have been followed by more pain in the second half. As stock markets around the globe are reeling from ongoing sharp interest rate hikes by central banks, fears of a global economic recession have increased. The problem is only being made worse by continued Covid related lockdowns in China and the ongoing war in Ukraine and its impact on logistics and spiking energy prices.

Adding to the economic pessimism was the unexpected jump in US annual inflation to 8.6% in June which came in not only higher than expectations (of 8.3% YoY) but also above the previous peak of this latest inflationary bout in March (8.5% YoY) . Many were hoping that the 8.3% reading for May was a sign that we had seen the top of inflation, however, energy (34.6%) and food (10.1%) prices continue to rise as tight labour market conditions gives the Federal Reserve room for more interest rate hikes. The biggest market news of June was the 75 basis point interest rate hike in the US, the highest percentage increase since 1994, raising more immediate concerns that a recession might be on the way in the US. Officials also stated that they see more steady rises to come and are targeting a rate of 3.4% by year-end (currently 1.75%). In the UK, the Bank of England raised rates by 25 basis points at its meeting in June after inflation data showed a sharp jump to 9% YoY. Shortly after, the May inflation figure showed a further increase to 9.1% which opens the door for further rate hikes. Persistent inflation and rising interest rates continue to squeeze the pockets of UK consumers and have raised the likelihood of a recession to come.

A combination of global growth fears, Federal Reserve hawkishness and euro weakness has boosted the U.S. dollar to its highest level in 20 years, and some experts believe there may be more gains ahead. The dollar index, which measures the greenback against six major currencies, is up 12% against a basket of its peers in 2022 and is on track for its best year since 2014. Tech shares were still amongst the biggest losers, with the tech-heavy Nasdaq 100 Index down (9%) MoM and (29%) YTD, while the S&P 500 energy sector (the only sector in positive territory YTD), was comfortably the worst-performing sector in June (17%) MoM as oil fell by (6.5%) MoM. With oil supply still constrained by the conflict in Ukraine, the drop in the oil price was at least partially a function of investors factoring in the prospect of tightening monetary policy causing a recession that would dampen demand.



On the back of recent interest rate hikes, the Bond yields spiked as investors scrambled to price in a more aggressive path of monetary policy tightening for global central banks, with US 10-year government bond yields reaching 3.5% intra-month. This is the highest level since 2011 when US politicians, haggling over the budget, caused a government shutdown and rating agencies downgraded the US sovereign credit rating. Equivalently, German 10-year bond yield have shot up from (0.1%) to 1.3% YTD. Moves at the shorter end of the curve were even more dramatic as they more closely reflect central bank policy rates. In the US the yield on the 2-year US Treasury note has raisen from 0.7% to 2.9% YTD.

Asset Class Performances in USD

As of 30th June 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	(8.59)	(20.25)	(16.23)	6.47	7.20	9.25
Global Property - FTSE EPRA NAREIT DR	(9.10)	(21.73)	(12.70)	0.34	3.14	5.87
Global Bond - JPM GBI Global Traded	(3.10)	(14.14)	(15.81)	(3.96)	(0.98)	(0.51)
Global Cash - ICE LIBOR 1 Month	0.12	0.31	0.35	0.65	1.19	0.76
SA Equity - FTSE/JSE All Share	(12.49)	(10.66)	(8.76)	2.91	3.99	3.04
SA Property - FTSE/JSE SA Listed Prop	(14.71)	(14.93)	(12.65)	(13.46)	(11.38)	(4.22)
SA Bond - BEASSA ALBI	(7.79)	(4.46)	(11.75)	0.63	3.07	(0.00)
SA Cash - STeFI Call Deposit	(4.52)	(0.61)	(9.50)	(0.63)	0.73	(1.54)

ZAR/USD (negative = dollar strength)	(4.44)	(2.36)	(12.39)	(4.81)	(4.32)	(6.68)
Gold	(2.22)	(1.87)	0.94	6.34	5.40	(0.31)
Brent Crude Oil	(6.54)	47.61	52.82	19.93	19.09	1.60

*Returns more than 1 year are annualized.

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 June 2022.

	YTD	6/2022	6/2021	6/2020	6/2019	6/2018	6/2017	6/2016	6/2015	6/2014	6/2013	6/2012	6/2011
Best	Global Cash 3.0	Global Cash 15.1	SA Property 25.2	Global Fixed Income 29.7	Global Property 11.8	Global Equity 16.9	SA Fixed Income 7.9	Global Property 42.5	SA Property 27.0	Global Equity 32.9	Global Equity 42.9	SA Property 26.3	SA Equity 24.6
	SA Cash 2.0	SA Equity 4.7	SA Equity 25.1	Global Equity 25.2	SA Fixed Income 11.5	SA Equity 15.0	Global Equity 7.1	Global Fixed Income 34.6	Global Equity 15.6	SA Equity 32.7	Global Property 34.5	Global Property 25.9	Global Property 23.2
	SA Fixed Income -1.9	SA Cash 3.8	Global Equity 16.5	Global Cash 25.0	Global Fixed Income 8.7	Global Property 11.2	SA Cash 7.0	Global Cash 21.1	Global Property 15.3	Global Property 24.5	SA Property 24.0	Global Fixed Income 25.0	SA Property 20.5
	SA Equity -8.3	SA Fixed Income 1.3	SA Fixed Income 13.7	SA Cash 6.0	Global Equity 8.0	SA Fixed Income 10.2	SA Property 2.8	Global Equity 16.6	Global Cash 14.3	Global Fixed Income 14.1	Global Cash 21.7	Global Cash 20.9	Global Equity 16.4
	Global Fixed Income -11.9	SA Property 0.2	Global Property 11.6	Global Property 5.0	SA Cash 6.6	SA Cash 6.7	SA Equity 1.7	SA Property 11.0	SA Fixed Income 8.2	Global Cash 7.3	SA Equity 21.0	SA Fixed Income 14.6	SA Fixed Income 11.3
	SA Property -12.7	Global Property 0.2	SA Cash 3.5	SA Fixed Income 2.8	Global Cash 5.4	Global Fixed Income 6.4	Global Cash -9.9	SA Cash 6.3	SA Cash 5.6	SA Property 6.0	Global Fixed Income 15.4	Global Equity 12.9	SA Cash 5.6
	Global Equity -18.1	Global Fixed Income -3.4	Global Cash -17.7	SA Equity -3.3	SA Equity 4.4	Global Cash 6.3	Global Property -11.8	SA Fixed Income 5.2	Global Fixed Income 5.6	SA Fixed Income 5.5	SA Fixed Income 6.2	SA Equity 9.2	Global Fixed Income -2.6
Worst	Global Property -19.7	Global Equity -3.9	Global Fixed Income -17.8	SA Property -40.0	SA Property 0.8	SA Property -9.9	Global Fixed Income -14.5	SA Equity 3.8	SA Equity 4.8	SA Cash 5.0	SA Cash 4.8	SA Cash 5.3	Global Cash -11.3

Source: Morningstar Direct