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South African Market

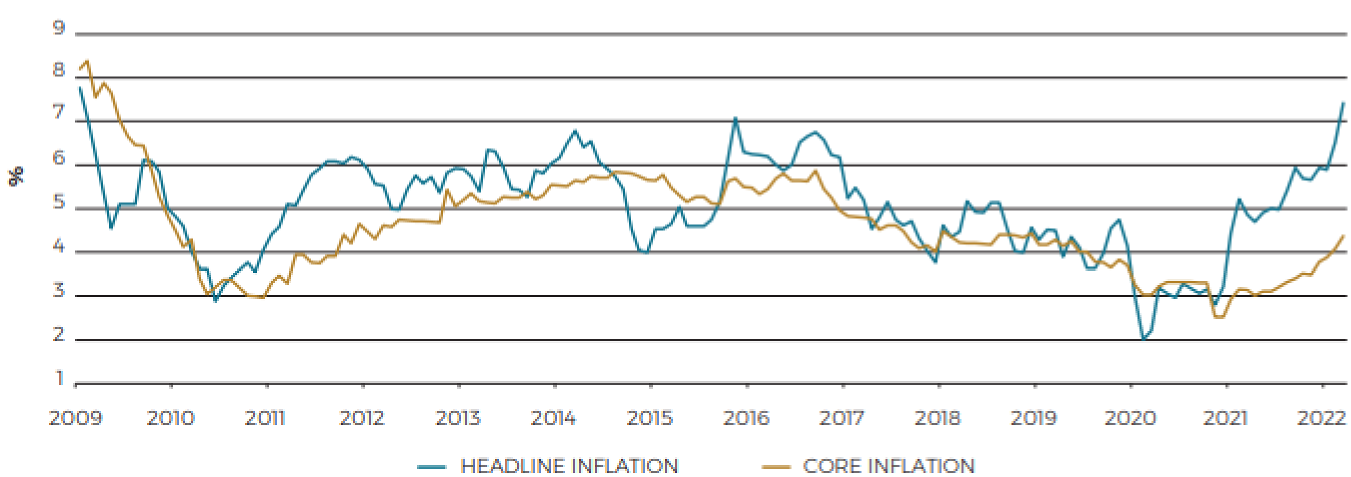
In July South African equities followed developed markets higher, with the FTSE/JSE All Share Index gaining 4.2%. All the sub-sectors ended the month in the green, with Industrials continuing their rally in June gaining a further 5.8% this month. After a three-month losing streak South African listed property posted a monthly gain of 8.7% outperforming all other sectors. After a difficult month in June, the resource sector posted a small gain of 0.8%. Thungela, the specialist coal exporter remained one of the better performing shares locally gaining 26% by the end of the month. MTN and Telkom announced last month that they were in a discussion about a merger, and should the deal go through, MTN's market share would increase to 48.4% with the acquisition of Telkom's 16.9 million subscribers it reported for the year ending March 2022. On the back of this, Telkom share prices jumped to end the month up 19.2%.

The Rand continued to lose ground against the Dollar as risk-off sentiment keeps demand for the greenback high. Despite the Fed rate hike of 0.75%, fears of a recession continue to keep demand for the Dollar elevated, causing the rand to lose 1.82% against the Dollar in July. July was the first month since the pandemic started that the Rand was trading above the R17/$ level and while it ended the month below this barrier, all signs do point, that if a US or global recession happens, the Rand will surge above this level. The rand also lost 2.2% against the Pound, however, it gained 0.3% against the Euro primarily due to their ongoing energy problems and a near certainty of a Euro zone recession.

Local inflation data continued to climb with a jump to 7.4% YoY from 6.5% the previous month. Of more concern is that core CPI, which excludes volatile items such as food and energy, also increased to 4.4% in June from 4.1% in the prior month. Rising prices, as well as a weaker Rand, prompted the South African Reserve Bank to raise rates by 75 basis points, the largest hike since 2002. This brings the repo rate to 5.5% and the prime lending rate to 9%. Bond yields similarly followed global yields lower, with the local 10-year government bond yield ending the month at 10.8% but still offering real returns over inflation.

The graph below shows the recent surge in CPI (inclusive of energy and food) has gapped considerably since late 2020:

<u>INFLATION IN SOUTH AFRICA:</u>



Source: Stats SA

In July load shedding reached stage 6 for only the second time in SA's history, and while the level and length of outages has since subsided to more stage 4 or less rationing, it has caused manufacturing production to fall by (2.3%) year-on-year, marking the third consecutive month of contraction. Glimmers of hope can be taken from President Cyril Ramaphosa's energy action plan that was announced in detail in July. Without reverting to a state of disaster or emergency, the President outlined 8 steps to help combat load shedding. The primary driver of charge is unlimited private sector renewable energy generation. Government is also cutting red tape to make it easier for Eskom to procure OEM parts, equipment, and service technicians. It is however too early to tell if the government will be able to effectively implement the much-needed reforms given where poor track record. We remain hopeful.

Asset Class Performances in ZAR

As of 31st July 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	8.97	(10.79)	1.71	14.86	13.26	17.93
Global Property - FTSE EPRA NAREIT DR	10.25	(11.43)	3.12	8.51	9.41	14.18
Global Bond - JPM GBI Global Traded	3.63	(8.66)	(3.80)	2.15	3.80	6.88
Global Cash - ICE LIBOR 1 Month	1.87	4.89	14.48	6.21	6.03	8.16
SA Equity - FTSE/JSE All Share	4.22	(4.43)	4.72	10.57	8.17	10.61
SA Property - FTSE/JSE SA Listed Prop	8.81	(4.99)	9.75	(6.05)	(6.44)	2.70
SA Bond - BEASSA ALBI	2.44	0.47	2.88	6.90	7.98	7.04
SA Cash - STeFI Call Deposit	0.40	2.43	3.94	4.40	5.30	5.54

ZAR/USD (negative = rand strength)	1.82	4.28	13.88	5.51	4.69	7.28
Gold	(0.86)	(0.14)	9.50	10.97	9.46	6.69
Brent Crude Oil	(2.56)	47.64	64.13	25.66	21.41	7.83

*Returns more than 1 year are annualized.

Global Markets

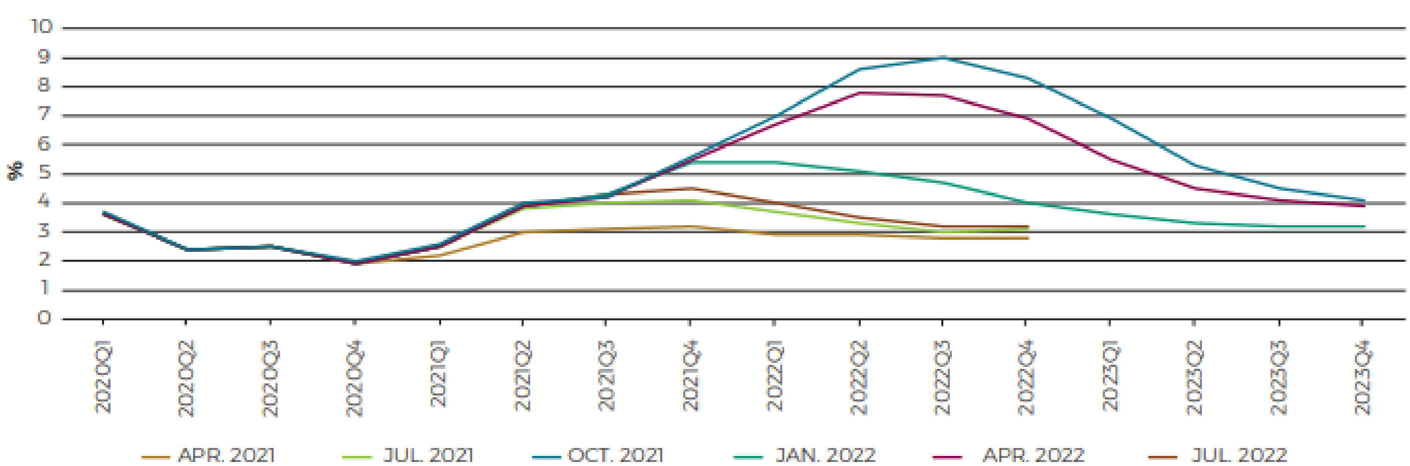
In July global investors continued weighing up the magnitude of economic risks including the ongoing war in Ukraine, a global energy crisis, rampant lockdowns in China, and rising inflation. However these factors together with the backdrop of slowing growth and it seems unlikely that central banks will be able to pull off a so-called “soft landing” economically.

Global markets did however record their best month since November 2020 as all major market indices gave positive returns, clawing back some of their losses of the first half of 2022, the MSCI ACWI was up 7.2%. With a more risk-off sentiment prevailing, emerging markets have been the major drag, with the MSCI Emerging Markets Index losing (3.0%) in July. Declines in the first half of 2022 were so meaningful that despite the recent gains the markets are still down (14.5%) YTD. In the US 56% of the companies in the S&P 500 have reported Q2 results. Of these, 76% have reported EPS above estimates, a very impressive feat in a low growth environment.

In July red-hot inflation data from the US showed that annual CPI accelerated to 9.1% in June, the highest figure since 1981. The trend is upwards but oil prices and food prices are dropping globally and as such the markets are more positive about the inflation outlook. The jump in CPI prompted the Federal Reserve to raise the Federal Funds Rate by another 75 basis points at their meeting in July, bringing the target range to 2.25%-2.50%. More importantly, Chairman Jerome Powell stated that if there is evidence that inflation pressures are easing, the Fed may slow the pace of rate hikes. Shortly after, the US released GDP figures for the second quarter, which showed that the economy shrank by 0.9%. This marks the second consecutive quarter of contraction, meeting the widely accepted criteria for a technical recession.

The IMF cut its forecast for 2022 global economic growth to 3.2%. As recently as April it still expected 3.6% while in January it was 3.8%. The 2023 forecast is even weaker, as the cumulative impact of synchronised interest rate increases bite. Global growth is expected to slow to 2.9%. If realised, this will be third lowest growth rate in the past 20 years for the global economy.

Forecasting is a very tricky game as can be seen from the graph that indicates the historic forecasts of the future trend of global infaltion two and a half years ago they were forecasting modest inflation around 3% for the current time vs. the 8-10% inflation experienced:



Source: International Monetary Fund

During July the Dollar and Euro reached parity, last seen in 2002. Higher energy prices and record inflation are the main culprits for the EUR's slide. Europe is more dependent on Russian oil and natural gas than the US to fuel industries and generate electricity.

Boris Johnson, the Prime Minister of the United Kingdom (UK), announced his resignation following immense pressure from his own political party to do so. More than 50 ministers had quit prior to his resignation, and many MPs had been pushing for Johnson to step down following a string of scandals. The Conservative Party will now elect a new leader who will need to contend with a nation full of political and economic uncertainty. On the data front, the UK annual inflation rate increased to 9.4% in June, worse than consensus forecasts of 9.3%.

Asset Class Performances in USD

As of 31st July 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	7.16	(14.54)	(10.68)	8.83	8.10	9.88
Global Property - FTSE EPRA NAREIT DR	8.42	(15.15)	(9.45)	2.82	4.43	6.39
Global Bond - JPM GBI Global Traded	1.91	(12.50)	(15.53)	(3.21)	(0.93)	(0.42)
Global Cash - ICE LIBOR 1 Month	0.18	0.49	0.53	0.64	1.20	0.77
SA Equity - FTSE/JSE All Share	2.49	(8.44)	(8.04)	4.77	3.24	3.06
SA Property - FTSE/JSE SA Listed Prop	7.00	(8.98)	(3.63)	(10.98)	(10.70)	(4.31)
SA Bond - BEASSA ALBI	0.74	(3.75)	(9.66)	1.30	3.06	(0.27)
SA Cash - STeFI Call Deposit	(1.27)	(1.87)	(8.73)	(1.07)	0.50	(1.66)
ZAR/USD (negative = dollar strength)	(6.15)	(4.11)	(13.96)	(5.38)	(4.48)	(6.79)
Gold	(2.51)	(4.33)	(3.85)	5.15	4.47	(0.59)
Brent Crude Oil	(4.18)	41.44	44.12	19.07	15.88	0.47

*Returns more than 1 year are annualized.

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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 31st July 2022.

	YTD	7/2022	7/2021	7/2020	7/2019	7/2018	7/2017	7/2016	7/2015	7/2014	7/2013	7/2012	7/2011
Best	Global Cash 4.9	Global Cash 14.5	SA Property 28.5	Global Fixed Income 31.2	Global Property 17.4	SA Fixed Income 11.2	Global Equity 12.1	Global Property 30.2	SA Property 31.0	SA Equity 28.3	Global Equity 47.3	SA Property 35.0	Global Property 16.1
	SA Cash 2.4	SA Property 9.7	SA Equity 27.1	Global Equity 28.1	Global Fixed Income 14.5	Global Equity 10.9	SA Equity 7.6	Global Fixed Income 22.4	Global Property 24.5	Global Equity 25.9	Global Property 30.9	Global Property 31.8	SA Property 14.7
	SA Fixed Income 0.5	SA Equity 4.7	Global Property 17.7	Global Cash 21.7	Global Equity 10.9	SA Equity 7.2	SA Fixed Income 7.2	Global Equity 10.3	Global Equity 21.8	Global Property 24.1	SA Equity 23.0	Global Fixed Income 25.2	SA Equity 13.1
	SA Equity -4.4	SA Cash 3.9	Global Equity 16.3	SA Cash 5.8	Global Cash 10.8	SA Cash 6.7	SA Cash 7.0	Global Cash 10.3	Global Cash 17.9	Global Fixed Income 12.9	Global Cash 20.9	Global Cash 22.7	Global Equity 10.1
	SA Property -5.0	Global Property 3.1	SA Fixed Income 13.9	Global Property 5.2	SA Fixed Income 8.1	Global Property 4.6	SA Property 3.3	SA Property 9.0	Global Fixed Income 10.5	SA Property 12.7	Global Fixed Income 14.8	Global Equity 17.8	SA Fixed Income 8.4
	Global Fixed Income -8.7	SA Fixed Income 2.9	SA Cash 3.5	SA Fixed Income 4.2	SA Cash 6.6	Global Cash 0.9	Global Cash -4.0	SA Fixed Income 6.4	SA Fixed Income 8.2	Global Cash 8.3	SA Property 9.4	SA Fixed Income 17.5	SA Cash 5.5
	Global Equity -10.8	Global Equity 1.7	Global Cash -14.0	SA Equity 1.6	SA Equity 2.2	Global Fixed Income -1.2	Global Fixed Income -8.0	SA Cash 6.4	SA Cash 5.7	SA Fixed Income 7.2	SA Cash 4.8	SA Equity 14.5	Global Fixed Income 0.2
Worst	Global Property -11.4	Global Fixed Income -3.8	Global Fixed Income -15.6	SA Property -41.2	SA Property 0.1	SA Property -13.6	Global Property -8.7	SA Equity 4.5	SA Equity 4.4	SA Cash 5.1	SA Fixed Income 1.6	SA Cash 5.3	Global Cash -7.9

Source: Morningstar Direct