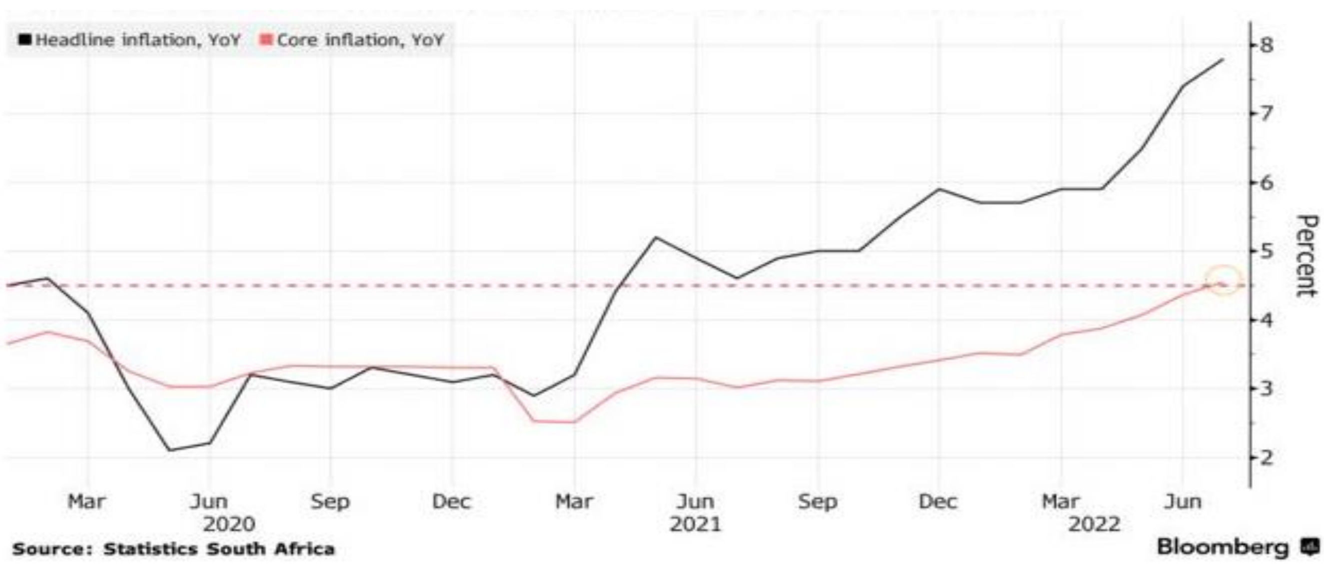
South African Market

South African equities remained quite resilient throughout August up until further rate hikes locally as well as globally triggered a late selloff near the end of the month. Consequently, the FTSE/JSE All Share Index ended August down (1.8%). The biggest drag was the resource sector (6.1%), followed closely by SA Listed Property (5.4%). After a couple of months in the green the Industrial sector posted a small loss of (0.7%). Massmart was one of the best performing shares for the month of August, posting a massive gain of 57.2%. This comes off the back of news that US retail giant Walmart plans to buy out minority shareholders and delist the company. Massmart said that the ownership and delisting will allow it to stick to its turnaround strategy, announced in 2019, with its divestment from non-core assets. August also saw broad based losses in the mining sector, with both Kumba Iron Ore and ArcelorMittal losing (22%).

Adding to the woes was the jump in annual inflation to 7.8% YoY in August, as compared to 7.4% the previous month. This was above market expectations of 7.7%. The current inflation rate is sitting at a 13-year high. Core CPI, which excludes volatile items such as food and energy, also increased to 4.6% in July, up from 4.4% in June. Many economists were expecting a high figure for July; however, the outlook seems better going forward due to the recent decline in key food and fuel prices. Despite this, upside risks to prices are still elevated, which will likely force continued interest rate hikes from the South African Reserve Bank. Governor Kganyago has told lawmakers that headline inflation may be nearing a peak, though growing underlying price pressures may see the MPC continuing its aggressive interest-rate hiking cycle.

The graph below shows the increase in both Headline inflation and Core inflation YoY, both being above the 4.5% midpoint target for CPI at the end of August.

HEADLINE & CORE INFLATION SOUTH AFRICA:



International oil prices spiralled upwards earlier this year after Russia invaded Ukraine, but with signs of global recession emerging in the past month, prices have retreated significantly. August also saw a drop in petrol prices down from record highs in July, which bought relief to motorists. While the petrol prices are still over inflated, further reductions in September will bring much-needed relief.

Though international oil prices and global food cost pressures appear to be easing, the domestic inflation outlook remains clouded by a South African Rand that has weakened more than 6.5% against the dollar this year and high and precedent-setting wage increases agreed to by several companies including Eskom Holdings SOC Ltd.

South African long bonds continue to offer attractive value. Though they are likely to remain volatile, the high yields currently offered mean that the interest income component will more than offset price declines if the bonds are held for longer periods. The yield for the 10-year government bond ended the month at 10.4%, while the 20-year bond ended August higher at 11.43%. Cash yields have also increased to more attractive levels as central banks raise rates, including in South Africa. See below the increase in STEFI call yield through the course of 2022.

Asset Class Performances in ZAR

As of 31st August 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	(1.27)	(11.92)	(0.92)	12.72	13.22	17.20
Global Property - FTSE EPRA NAREIT DR	(4.36)	(15.29)	(1.76)	3.57	8.80	13.33
Global Bond - JPM GBI Global Traded	(2.01)	(10.50)	(4.17)	(1.80)	3.45	6.31
Global Cash - ICE LIBOR 1 Month	2.52	7.54	18.69	4.61	6.86	8.15
SA Equity - FTSE/JSE All Share	(1.84)	(6.18)	4.62	10.79	7.20	10.11
SA Property - FTSE/JSE SA Listed Prop	(5.41)	(10.14)	(3.40)	(6.66)	(7.61)	1.57
SA Bond - BEASSA ALBI	0.31	0.78	1.48	6.67	7.83	7.06
SA Cash - STeFI Call Deposit	0.44	2.88	4.09	4.37	5.27	5.54

ZAR/USD (negative = rand strength)	4.34	6.85	17.47	3.93	5.57	7.35
Gold	(0.88)	(1.02)	9.71	5.93	8.77	5.85
Brent Crude Oil	(10.26)	32.48	55.77	21.47	19.29	5.64

*Returns more than 1 year are annualized.

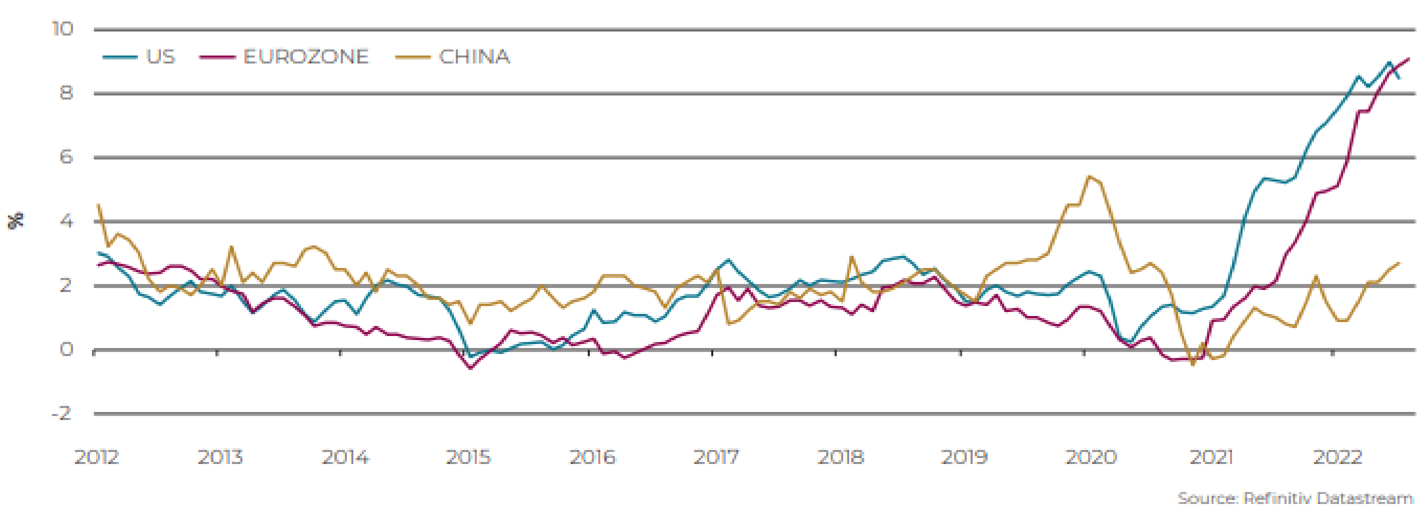
Global Markets

Markets were heading to end August marginally higher, until US Federal Reserve Chair Jerome Powell spoke at the yearly Jackson Hole Symposium. He again reiterated that the Fed would continue to hike rates aggressively until they have fought off the threat of sustained high inflation. This subsequently led markets to re-evaluate when future rate cuts might begin, which in turn caused a major selloff in risk assets. Consequently, the MSCI ACWI was down (3.5%) for August. Developed markets were most affected, with the MSCI World Index falling (4.3%) as compared with the small gain of 0.03% for the MSCI Emerging Markets Index.

US inflation data came in softer-than-expected after falling to 8.5% YoY. The big drivers behind the slowdown were lower energy and other commodity prices; however, considering that the supply chain for these items hasn't improved, the deceleration is likely due to a slowdown in aggregate demand. While US inflation has probably peaked and is starting to trend lower, largely due to petrol prices falling about 20% from the June record of $5 per gallon to $3.80, service inflation remains elevated. The road back to meeting the Fed's 2% average inflation target is likely long and uncertain.

The UK economy remains fragile, with GDP contracting 0.1% in Q2. UK inflation hit a new 40-year high of 10.1% in August, slightly above market expectations of 9.8% and up from 9.4% the previous month. The Bank of England has hiked rates at six consecutive meetings in an attempt to fight inflation, and with the BoE expecting inflation to hit 13.3% in October, more rate hikes are likely. This all points to the Eurozone heading for a recession as the energy (gas) crisis shows no signs of easing and will continue to hinder economic growth. Central banks in Europe will also have to continue to raise rates even as the cost of living crisis intensifies and underlying economic activity comes under further pressure.

<u>CONSUMER PRICE INFLATION:</u>



August saw the Dollar hit fresh 20-year highs on a trade weighted basis. The Euro sank to a corresponding 20-year low of $/€0.99, while the Japanese yen has declined to ¥140 per dollar, a level last seen during the Asian financial crisis of 1998.

In terms of bonds, the best indicator of future returns is the current yield. Apart from Japan, developed market bond yields are at their highest levels in a decade. They can still rise in the short term as central banks grind rates higher but are probably closer to the top than the bottom. In the case of the US, two-year bonds trade at 3.5% and 10-year bonds at 3.26%.

Asset Class Performances in USD

As of 31st August 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	(3.50)	(17.53)	(15.91)	8.46	7.24	9.23
Global Property - FTSE EPRA NAREIT DR	(6.52)	(20.68)	(16.63)	(0.34)	3.06	5.62
Global Bond - JPM GBI Global Traded	(4.23)	(16.19)	(18.67)	(5.51)	(2.01)	(0.91)
Global Cash - ICE LIBOR 1 Month	0.21	0.70	0.73	0.65	1.22	0.79
SA Equity - FTSE/JSE All Share	(4.05)	(12.15)	(11.21)	6.60	1.55	2.62
SA Property - FTSE/JSE SA Listed Prop	(7.55)	(15.85)	(18.02)	(10.18)	(12.49)	(5.34)
SA Bond - BEASSA ALBI	(1.95)	(5.63)	(13.88)	2.64	2.14	(0.22)
SA Cash - STeFI Call Deposit	(1.83)	(3.67)	(11.66)	0.43	(0.28)	(1.63)

ZAR/USD (negative = dollar strength)	(6.15)	(4.11)	(13.96)	(5.38)	(4.81)	(6.62)
Gold	(3.12)	(7.32)	(6.90)	1.93	3.03	(1.35)
Brent Crude Oil	(12.29)	24.06	32.20	16.88	13.00	(1.55)

*Returns more than 1 year are annualized.

STAR INVESTMENT PARTNERS

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 August 2022.

	YTD	8/2022	8/2021	8/2020	8/2019	8/2018	8/2017	8/2016	8/2015	8/2014	8/2013	8/2012	8/2011
Best	Global Cash 7.5	Global Cash 18.7	SA Property 51.0	Global Equity 29.4	Global Property 13.6	Global Equity 26.6	SA Fixed Income 10.2	Global Property 35.1	SA Property 27.5	Global Property 28.8	Global Equity 42.0	SA Property 38.8	SA Equity 16.9
	SA Cash 2.9	SA Equity 4.6	SA Equity 25.2	Global Fixed Income 17.6	Global Fixed Income 12.9	Global Property 20.8	SA Equity 10.2	Global Fixed Income 21.9	Global Cash 24.9	Global Equity 26.3	Global Property 24.1	Global Property 37.7	SA Property 14.6
	SA Fixed Income 0.8	SA Cash 4.1	Global Property 16.3	Global Cash 12.8	SA Fixed Income 11.2	Global Cash 14.7	SA Property 9.4	Global Equity 19.8	Global Property 21.8	SA Equity 24.5	SA Equity 22.8	Global Equity 28.1	Global Property 14.1
	SA Equity -6.2	SA Fixed Income 1.5	SA Fixed Income 14.8	SA Cash 5.5	SA Cash 6.6	Global Fixed Income 10.8	SA Cash 7.0	Global Cash 11.4	Global Equity 17.7	SA Property 20.2	Global Cash 21.8	Global Fixed Income 21.4	Global Equity 9.1
	SA Property -10.1	Global Equity -0.9	Global Equity 11.7	SA Fixed Income 4.2	Global Cash 6.2	SA Fixed Income 8.0	Global Equity 4.0	SA Equity 8.6	Global Fixed Income 17.0	SA Fixed Income 11.7	Global Fixed Income 14.5	Global Cash 20.7	SA Fixed Income 9.0
	Global Fixed Income -10.5	Global Property -1.8	SA Cash 3.5	SA Equity 3.9	Global Equity 2.6	SA Equity 6.9	Global Cash -10.9	SA Cash 6.5	SA Cash 5.7	Global Fixed Income 9.4	SA Cash 4.8	SA Equity 18.0	SA Cash 5.5
	Global Equity -11.9	SA Property -3.4	Global Cash -14.5	Global Property -2.8	SA Equity -2.6	SA Cash 6.6	Global Fixed Income -12.9	SA Fixed Income 4.5	SA Fixed Income 5.4	SA Cash 5.1	SA Fixed Income 0.1	SA Fixed Income 13.5	Global Fixed Income 3.5
Worst	Global Property -15.3	Global Fixed Income -4.2	Global Fixed Income -16.0	SA Property -44.3	SA Property -5.5	SA Property -12.4	Global Property -12.9	SA Property 3.5	SA Equity 1.1	Global Cash 4.0	SA Property 0.0	SA Cash 5.3	Global Cash -4.9

Source: Morningstar Direct