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South African Market

South African equities continued its winning streak in November, following their global peers higher, with the JSE/ALSI ending the month up 12.3%, its best month in the past 2 years. This gain contributed towards the YTD figure ending up 6.0%, the first time since April of this year. All sectors were in the green for a second month in a row, with the biggest contributor being resources up 17.3%, followed by industrials and financials with 15.1% and 5.5%, respectively. SA listed property also ended up for the second month in a row, returning 5.2%. Among the big single share winners were Naspers and Prosus, with both these companies' share prices rising by 39% after dropping more than 16% the previous month. This was largely due to the fact that tech giant Tencent, in which they have a 28% stake recorded massive gains during November. Both companies also released their interim results, which received positive feedback from investors. The market however values Naspers and Prosus approximately 36% below their NAV. Generally, holding companies trade at a discount to NAV; but usually not by that high a discount value. The share buyback program continues to support the price of the shares.

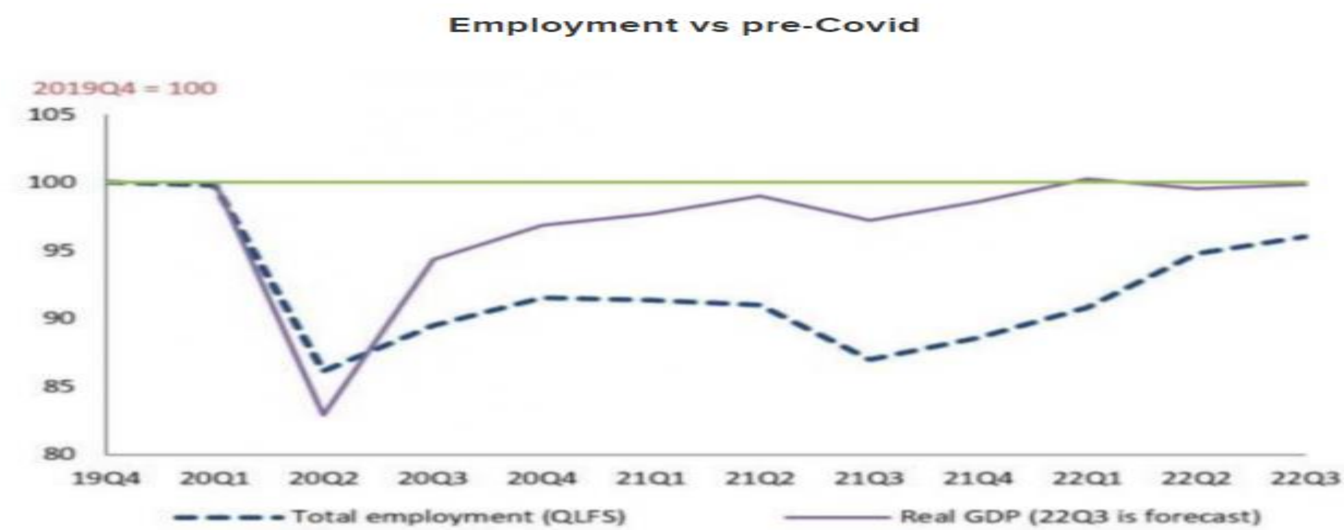
Local currency and bond markets failed to join a global rally fuelled by the Federal Reserve Chair Jerome Powell's signal for a slower pace of monetary tightening. The South Africa 10-year sovereign bond yield jumped the most since May 2021 at the end of this month. The Rand gained good ground against the Dollar during November gaining 7.6% against the greenback. However, the release of the section 89 report sparked a selloff on the last day of the month as President Cyril Ramaphosa faced mounting calls to resign due to potential breaches of the constitution over the theft of R9.8 million stashed in furniture at a game farm he owns.

The SARB raised its benchmark repo rate by another 75bps to 7% at the last meeting of the year. This is the 7th consecutive rate hike since policy normalization started in November 2021 and the highest since 2017. Inflation also increased, jumping 0.4% MoM in October, beating the consensus forecast of a 0.2% rise. This brings the annual CPI rate to 7.6% for the year. The main contributor to the jump in inflation was another sharp increase in food prices, which at the end of October stood at an annual rate of 12.3%. Positive for the future of inflation is the large pull back in the global fuel prices that in November fell 16.7% on the back of a lower global growth rate in 2023.

Not much has changed locally as the country continues to deal with ongoing bouts of load shedding and economic uncertainty. Consequently, annual mining production fell by 4.5% in September, marking the eighth consecutive month of decline. To the surprise of many economists though, manufacturing production increased by 2.9% year-on-year in September, despite forecasts for a decline of 2.4%. While this shows that the manufacturing sector has found ways of coping with the power outages, in the long term, the rolling blackouts will hamper countrywide economic growth.

The QLFS for Q3 2022 was published by stats SA last week, showing that South Africa's unemployment rate improved by one percentage point to 32.9% from 33.9% in Q2 as the manufacturing, trade, construction and transport industries recorded a significant boost in jobs.

The graph below shows the total employment since 2019Q4 compared to that of the Real GDP. The level of total employment remains about 4% below pre-Covid levels. The recovery of the employment sector has lagged that of real GDP. The job market has shown continued improvement in 2022 compared with the same period in 2021. A total of 1.2 million jobs were created in this year, with 742,000 lost over 2021. This is definitely good news for South Africans as Bloomberg now shows that the country is no longer the worst in the world for unemployment.



Asset Class Performances in ZAR

As of 30th November 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	(0.44)	(9.30)	(6.05)	12.40	11.40	16.48
Global Property - FTSE EPRA NAREIT DR	(1.55)	(18.70)	(13.46)	2.08	6.42	12.16
Global Bond - JPM GBI Global Traded	(3.46)	(11.91)	(12.84)	(0.48)	2.20	5.57
Global Cash - ICE LIBOR 1 Month	(7.20)	8.18	7.76	5.89	5.89	7.64
SA Equity - FTSE/JSE All Share	12.33	5.98	11.07	14.82	8.40	10.53
SA Property - FTSE/JSE SA Listed Prop	6.32	(0.63)	7.20	(4.43)	(6.68)	2.69
SA Bond - BEASSA ALBI	3.91	3.61	6.40	7.52	8.90	7.23
SA Cash - STeFI Call Deposit	0.50	4.35	4.67	4.32	5.23	5.57

ZAR/USD (negative = Rand strength)	(7.63)	6.34	5.98	4.95	4.44	6.68
Gold	(1.59)	(0.18)	2.34	9.03	8.74	5.25
Brent Crude Oil	(16.68)	16.98	28.41	16.65	10.86	3.92

*Returns more than 1 year are annualized.

Global Markets

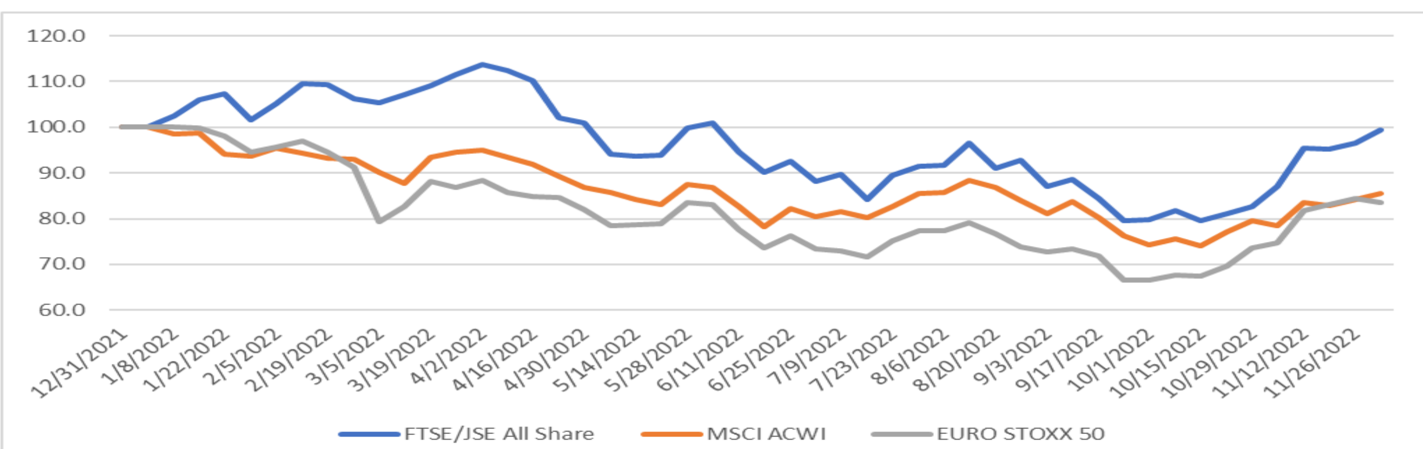
Markets continued to rally in November as softer than expected CPI data from the US raised investor hopes that we are in the late stages of the Federal Reserve's tightening cycle. The MSCI ACWI ended November up 5.3%, the first time this year that the index posted back-to-back monthly gains. Developed markets supported the gains, with the MSCI World Index ending up 4.5%. The MSCI Emerging Markets index was supported by China starting to loosen its strict Covid rules which have weighed heavily on their economic activity throughout the year, and as a result the MSCI EM Index ended up 12.4% for its best month in over 13 years.

One of the key events at the beginning of November was the US Federal Reserve interest rate decision. As expected, they raised interest rates by 75 bps for the fourth consecutive time. US Fed Chair, Jerome Powell, signalled that the Fed is happy to slow down the pace of rate hikes but is also prepared to continue hiking for longer than expected. Promising data came on the inflation front, with annual CPI cooling further to 7.7% in October, beating market forecasts of 8.1%. Core prices, which exclude food and energy, reduced from a 40-year high and came down to 6.3% annualised. The report was well received by Wall Street and raised sentiments that the Federal Reserve would slow the pace of rate hikes, which subsequently sent Treasury yields lower and lifted risk appetites.

The UK continues to deal with political uncertainty, very high inflation and a looming certainty of recession. Clear signs of a slowdown were evident after the UK economy contracted by 0.2% in the third quarter. While the contraction does not yet represent a techinal recession, the Bank of England has forecast the downturn to last well into 2024. Despite the clear contraction in economic activity, the Bank of England was forced to raise rates by 75 basis points in an attempt to fight off runaway inflation. However, their efforts are having little impact for the time being, with the latest CPI report showing a jump to 11.1% year-on-year in October, the highest since 1981, as compared to 10.1% the month before.

The graph below shows how the major 3 equity markets have performed in US$ YTD. Markets have absorbed and discounted the higher interest rates, but the uncertainty remains around the economic impact of these higher rates, because the impact takes time to materialise, this impact will likely only be seen in the market prices during the course of next year.

Equities in 2022 in US$, rebased to 100:



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The stronger consumer spending is now, the less likely inflation is to decline meaningfully by itself, and the more likely central banks will have to maintain the pressure. Next year is likely to be challenging from a global economic growth perspective. But for now, markets have cheered the looming end of the rate hiking cycle. Equities have rallied and bond yields have stabilised at somewhat lower levels.

November saw a strong recovery in bond markets globally. Government bond yields were broadly lower and credit spreads narrowed across global markets. This came as a result of investors sensing that inflation may be peaking in the US and that the Fed can afford to ease back on its policy of monetary tightening. As a result, very positive credit market returns were delivered in November, led by emerging markets high yield bonds. The primary market for convertible bonds seems to be coming back to life. In November alone, $7.8 billion of new convertibles were launched compared to the $11 billion in convertibles that were issued globally in the first half of 2022. Convertibles remain cheap and are trading around 2% below their fair value.

During November the US Dollar also experienced some downturn. The Bloomberg Dollar Spot Index, which tracks the US currency against 10 of its major peers, has dropped more than 6% from its September high. At the same time, the greenback has weakened against all of its G10 peers over the past month, sliding about 7% against the yen and other EM Currencies. Investors are still bullish over the Dollar and while the Dollar may no longer be a straight forward buy, there are still factors that may lead to episodes of US currency strength. The consensus predictions are that the Dollar will peak in the last quarter of this year and then decline through 2023, supporting the emerging-market assets.

Asset Class Performances in USD

As of 30th November 2022	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	7.64	(14.83)	(11.44)	6.97	6.61	9.16
Global Property - FTSE EPRA NAREIT DR	6.44	(23.67)	(18.41)	(2.84)	1.85	5.11
Global Bond - JPM GBI Global Traded	4.38	(17.29)	(17.83)	(5.28)	(2.20)	(1.07)
Global Cash - ICE LIBOR 1 Month	0.33	1.58	1.58	0.78	1.33	0.87
SA Equity - FTSE/JSE All Share	21.45	(0.49)	4.70	9.28	3.74	3.59
SA Property - FTSE/JSE SA Listed Prop	14.95	(6.69)	1.06	(9.04)	(10.70)	(3.76)
SA Bond - BEASSA ALBI	12.35	(2.71)	0.30	2.33	4.22	0.49
SA Cash - STeFI Call Deposit	8.65	(2.02)	(1.32)	(0.72)	0.70	(1.07)

ZAR/USD (negative = dollar strength)	8.26	(5.96)	(5.65)	(4.72)	(4.25)	(6.26)
Gold	6.40	(6.27)	(3.52)	3.77	4.06	(1.37)
Brent Crude Oil	(9.91)	9.84	21.06	11.02	6.09	(2.61)

*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 30th November 2022.

	YTD	11/2022	11/2021	11/2020	11/2019	11/2018	11/2017	11/2016	11/2015	11/2014	11/2013	11/2012	11/2011
Best	Global Cash 8.2	SA Equity 11.1	SA Prop-erty 44.3	Global Equity 21.8	Global Property 23.0	SA Fixed Income 13.1	SA Equity 22.5	SA Cash 6.8	Global Property 32.7	Global Property 31.2	Global Equity 43.1	SA Prop-erty 38.2	Global Fixed Income 23.0
	SA Equity 6.0	Global Cash 7.8	Global Property 31.0	Global Fixed Income 14.7	Global Equity 20.2	SA Cash 6.6	Global Equity 21.8	SA Fixed Income 6.1	Global Cash 30.8	SA Prop-erty 26.5	SA Equity 21.6	Global Property 33.9	Global Property 20.5
	SA Cash 4.3	SA Prop-erty 7.2	SA Equity 28.5	SA Fixed Income 8.0	Global Fixed Income 14.6	Global Property 4.4	SA Prop-erty 17.2	Global Equity 1.9	Global Equity 28.7	Global Equity 17.3	Global Property 21.4	Global Equity 24.9	Global Cash 14.5
	SA Fixed Income 3.6	SA Fixed Income 6.4	Global Equity 24.1	Global Cash 6.3	SA Equity 13.1	Global Cash 3.7	Global Property 9.1	Global Fixed Income 0.3	Global Fixed Income 25.6	SA Equity 14.4	Global Cash 14.7	SA Equity 19.8	Global Equity 14.0
	SA Prop-erty -0.6	SA Cash 4.7	SA Fixed Income 8.1	SA Equity 6.0	SA Fixed Income 9.0	Global Equity 0.6	SA Cash 6.9	Global Property 0.0	SA Prop-erty 16.3	SA Fixed Income 13.1	Global Fixed Income 9.3	SA Fixed Income 14.2	SA Equity 11.7
	Global Equity -9.3	Global Equity -6.1	Global Cash 3.6	SA Cash 4.8	Global Cash 8.1	Global Fixed Income -1.3	SA Fixed Income 6.0	SA Equity -0.1	SA Equity 6.8	Global Cash 8.8	SA Prop-erty 7.7	Global Fixed Income 13.4	SA Fixed Income 9.9
	Global Fixed Income -11.9	Global Fixed Income -12.8	SA Cash 3.5	Global Property -6.2	SA Cash 6.6	SA Equity -12.6	Global Fixed Income 3.1	SA Prop-erty -0.8	SA Cash 5.8	Global Fixed Income 8.6	SA Cash 4.8	Global Cash 9.9	SA Prop-erty 9.1
Worst	Global Property -18.7	Global Property -13.5	Global Fixed Income -1.4	SA Prop-erty -43.6	SA Prop-erty 3.0	SA Prop-erty -21.3	Global Cash -1.7	Global Cash -2.3	SA Fixed Income 1.4	SA Cash 5.3	SA Fixed Income 1.8	SA Cash 5.2	SA Cash 5.3

Source: Morningstar Direct