South African Market

Local equity prices continued to rise as investors, eager to take advantage of relatively cheap valuations, bought heavily and started the year well due to the risk-on environment, with the JSE/ALSI posting a gain of 8.89% in January. Despite the devastating effects of load shedding on manufacturing, Industrials gained 12.78% followed by Resources and Financials with 7.15% and 3.93% respectively. Meanwhile, SA listed property broke its three-month winning streak losing (1.00%) in the month.

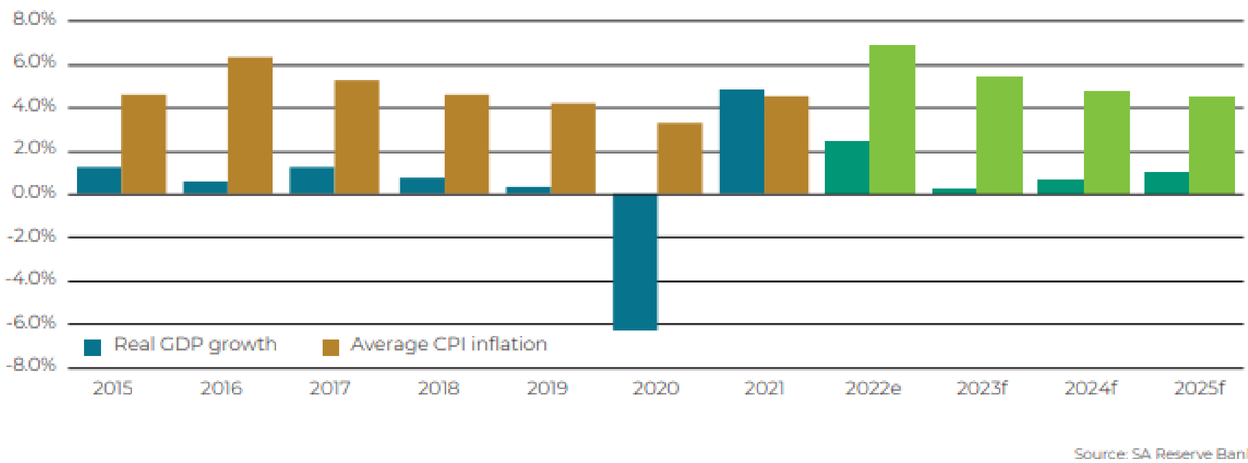
Between June 2021 and November 2022, the Rand depreciated 35% as the US dollar strengthened. However, the Rand has been making gains despite the ongoing power outages. And over the past few months had appreciated 7.00%, however in January 2023 the local currency depreciated by more than 2.00% month-over-month, even as the US dollar experienced general weakness against most other currency pairs. In the bond market, recent selloffs have driven yields higher, with the rate on 10-year Rand denominated government bond now almost 80 basis points above its five-year average and among the highest in emerging markets at just over 10.00% p.a. In the month of January, the ALBI returned 2.94%.

Locally the inflation data for December revealed a decrease in pricing pressures, with the year-on-year headline Consumer Price Index decreasing from 7.40% to 7.20%. This marked the end of 2022 results, which showed an average inflation rate of 6.90%, the highest since 2009. Despite indications of a peak in inflation, food prices remain a concern as the prices of food and non-alcoholic beverages rose by 12.42% compared to the previous year. The persistent high food inflation and ongoing power outages will continue to strain consumers' budgets and have a negative impact on economic growth. The SARB, at their first meeting of the year, increased interest rates by 25 basis points, lifting the repo and prime lending rates to 7.25% and 10.75%, respectively. The 25bps increase follows three consecutive hikes of 75 basis point increases, which signals the Reserve Bank may be at the end of its hiking spell or at the very least near the end.

Locally, there appears to be no end in sight to South Africa’s energy problems, with Eskom already implementing load shedding every day of the new year. On top of continuous blackouts, the National Energy Regulator of South Africa (Nersa) announced its decision to grant a portion of Eskom’s multi-year price determination revenue application. The power utility applied for a 32% increase - almost double what the regulator ultimately approved (18.65%) for 2023/24. The decision has been taken against the backdrop of poor economic growth, declining household income, rising unemployment and the implementation of increased load shedding.

STAR INVESTMENT PARTNERS

SA Growth and inflation forecasts:



Year-on-year, the South African economy has been trending downward for eight years, with unemployment rates and GDP both declining (the 2021 recovery the exception). The SARB made a revision to the country's GDP growth outlook, slashing its 2023 growth forecast for SA to 0.30% from 1.10% at the time of the previous meeting. Its 2024 and 2025 forecasts were also lowered notably, to 0.70% (from 1.40%) and 1.00% (from 1.50%), respectively.

Asset Class Performances in ZAR

As of 31st January 2023	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	10.00	10.00	4.58	12.86	14.28	16.27
Global Property - FTSE EPRA NAREIT DR	12.08	12.08	(2.40)	3.76	11.33	12.39
Global Bond - JPM GBI Global Traded	5.27	5.27	(2.18)	(0.13)	5.89	6.34
Global Cash - ICE LIBOR 1 Month	2.82	2.82	15.29	6.11	9.52	7.92
SA Equity - FTSE/JSE All Share	8.89	8.89	11.83	16.63	9.81	10.53
SA Property - FTSE/JSE SA Listed Prop	(1.00)	(1.00)	2.41	(2.72)	(5.48)	2.57
SA Bond - BEASSA ALBI	2.94	2.94	6.42	7.70	8.07	7.36
SA Cash - STeFI Call Deposit	0.57	0.57	5.19	4.33	5.23	5.60

ZAR/USD (negative = Rand strength)	2.53	2.53	13.20	5.29	7.95	6.89
Gold	8.15	8.15	17.93	9.83	13.36	6.75
Brent Crude Oil	0.73	0.73	4.35	19.06	12.42	3.64

*Returns more than 1 year are annualized.

Global Markets

Global markets started the year on the front foot following a selloff late in December. Global investor sentiment has been boosted by positive developments such as China reopening post severe Covid led shutdowns, a mild winter in Europe (with lower energy demands) and signs of a slowdown in inflation. Investors are beginning to see the light at the end of the hike rate cycle that saw levels reach historic highs in 2022. The current environment has pushed the MSCI ACWI up 7.39% in January. The MSCI Emerging Markets outperformed the MSCI Developed Market for a third straight month returning 7.91% vs. 7.19%, the main contributor being that China, the second largest economy in the world has reopened for, production, exports and imports. Uncertainty still remains around how long interest rates will remain elevated, and any sign of a global slowdown will likely keep market volatility elevated in the coming months.

US inflation dropped for a sixth consecutive month, a sign that the Fed's aggressive interest rate-raising approach is working. Inflation peaked in June 2022 at 9.00%, then fell to end the year at 6.50%. With inflation in other parts of the world, such as Europe and Asia, lagging behind that of the US, it is likely that similar developments will begin to emerge in these regions in the months ahead. The interest rate increases have slowed recently, with the Fed recently announcing a 25bps move up to a target range of 4.50%-4.75% p.a., the highest since 2007.

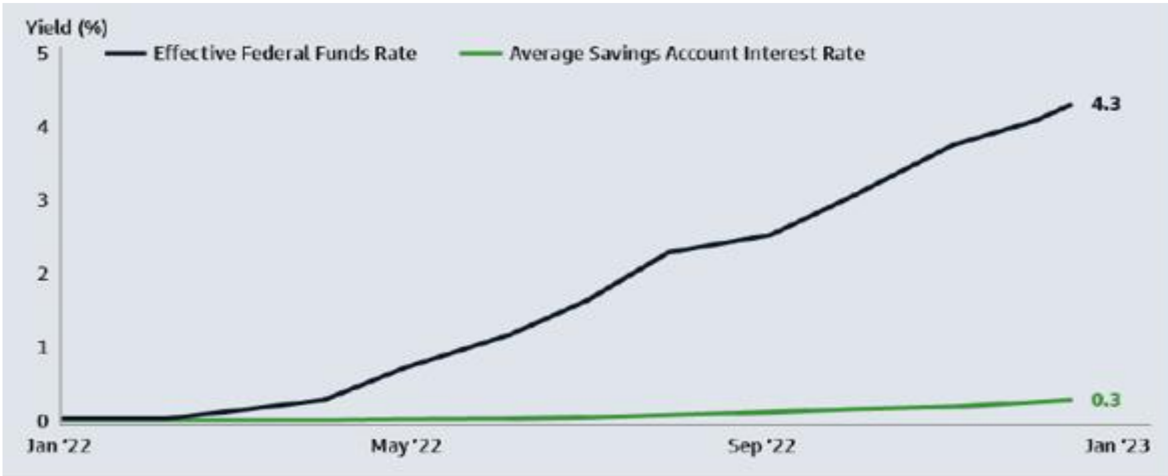
Inflation in the UK fell for a second month in December to 10.50% down from 10.70% in November but remained near the highest levels in 40 years, as a near 17% increase in the price of food YOY kept the pressure on households amid a cost of living crisis. With annual inflation still well above the Bank of England's target of 2.00%, and as expected they raised rates by another 50 basis points at their February meeting, despite the additional strain it will put on the economy. Recent UK macroeconomic data indicates a stronger than expected underlying growth, in part due to the reduction in energy costs, fueling optimism for a milder recession than previously anticipated. The latest GDP report for November showed a surprising growth of 0.10%, revealing an expansion in the UK economy.

The US job market added 517,000 jobs in January, a huge gain for the labour market even as the Federal Reserve has pushed up interest rates to tame inflation and try to temper growth. The unemployment rate is now at its lowest level in 53 years, at 3.40%, a 0.10% decrease month on month. Economists had expected the unemployment rate to rise slightly last month, but the rate still remains on par with what was seen before the pandemic. There are some signs though that the labour market could tighten more in the coming months amid layoffs from tech firms Amazon, Meta and Google amongst many others.

In January, global government bond yields decreased due to positive inflation news, particularly from the US. The credit market performed well and exceeded government bonds in the US and Europe, including both high-yield and investment-grade segments. The overall risk outlook improved with indications of declining inflation and stronger-than-predicted growth. As a result, the US 10-year yield dropped from 3.88% to 3.51% and the two-year yield decreased from 4.42% to 4.21%. Meanwhile, the UK 10-year yield declined from 3.67% to 3.34% and the two-year yield decreased from 3.56% to 3.46%.

It looks as though the tide has turned for the dollar due to the stronger-than-expected US employment data – suggesting a persistently strong economy – and rising tensions between the US and China. The US dollar was weaker than most other developed market currencies withthe Australian dollar the strongest performer among G10 currencies, following better than expected inflation and supported by optimism around China's re-opening.

What the Fund rates mean for your money:



Source: Federal Reserve, FDIC, and Goldman Sachs Asset Management.

In early February, despite the Federal Reserve increasing its benchmark rate by 25 basis points, its eighth hike since 2022, the rates for savings accounts remained low. With inflation reaching its highest level in 40 years, the expense of holding cash has become pronounced, resulting in negative real savings rates for investors for the past year. The situation is that individuals who have substantial cash holdings can explore alternative investment options, such as short-term fixed income (two year treasuries), which offer slightly high risk levels more more favorable yields.

Asset Class Performances in USD

As of 31st January 2023	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	7.39	7.39	(7.16)	7.35	5.84	8.75
Global Property - FTSE EPRA NAREIT DR	9.43	9.43	(13.36)	(1.30)	3.11	5.13
Global Bond - JPM GBI Global Traded	2.78	2.78	(13.17)	(5.00)	(1.93)	(0.54)
Global Cash - ICE LIBOR 1 Month	0.39	0.39	2.34	0.94	1.43	0.95
SA Equity - FTSE/JSE All Share	6.31	6.31	(0.74)	10.94	1.70	3.38
SA Property - FTSE/JSE SA Listed Prop	(3.34)	(3.34)	(9.09)	(7.46)	(12.46)	(4.06)
SA Bond - BEASSA ALBI	0.50	0.50	(5.53)	2.45	0.09	0.42
SA Cash - STeFI Call Deposit	(1.81)	(1.81)	(6.63)	(0.76)	(2.54)	(1.22)

ZAR/USD (negative = dollar strength)	(2.47)	(2.47)	(11.66)	(5.02)	(7.36)	(6.45)
Gold	5.59	5.59	4.69	4.47	4.99	(0.15)
Brent Crude Oil	(1.65)	(1.65)	(7.37)	13.26	4.12	(3.06)

*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 31st January 2023.

	YTD	1/2023	1/2022	1/2021	1/2020	1/2019	1/2018	1/2017	1/2016	1/2015	1/2014	1/2013	1/2012
Best	Global Property 12.1	Global Cash 15.3	SA Prop-erty 37.4	Global Equity 18.7	Global Equity 31.0	Global Property 19.6	SA Equity 16.1	SA Prop-erty 15.4	Global Cash 37.0	SA Prop-erty 46.4	Global Equity 42.9	Global Property 37.1	SA Prop-erty 19.1
	Global Equity 10.0	SA Equity 11.8	Global Property 26.2	SA Equity 14.5	Global Property 27.9	Global Cash 14.2	Global Equity 12.6	SA Fixed Income 11.9	Global Fixed Income 34.7	Global Property 31.6	Global Property 27.1	Global Equity 32.3	Global Fixed Income 18.1
	SA Equity 8.9	SA Fixed Income 6.4	SA Equity 23.9	SA Fixed Income 8.2	Global Fixed Income 20.4	Global Fixed Income 11.0	SA Fixed Income 10.8	SA Equity 10.3	Global Equity 28.0	SA Fixed Income 21.2	Global Cash 25.3	SA Prop-erty 31.0	Global Property 14.2
	Global Fixed Income 5.3	SA Cash 5.2	Global Equity 15.8	Global Fixed Income 6.7	Global Cash 15.5	SA Fixed Income 8.8	SA Cash 6.9	SA Cash 6.9	Global Property 27.6	SA Equity 17.1	Global Fixed Income 23.2	SA Equity 23.7	SA Fixed Income 13.5
	SA Fixed Income 2.9	Global Equity 4.6	SA Fixed Income 8.5	SA Cash 4.3	SA Fixed Income 8.5	SA Cash 6.6	SA Prop-erty 3.9	Global Equity 1.3	SA Cash 5.8	Global Equity 11.0	SA Equity 14.9	Global Cash 14.8	SA Equity 10.8
	Global Cash 2.8	SA Prop-erty 2.4	SA Cash 3.6	Global Cash 0.7	SA Equity 7.1	Global Equity 3.5	Global Property -5.0	Global Property -7.2	SA Equity -1.1	SA Cash 5.5	SA Cash 4.8	SA Fixed Income 13.7	Global Cash 8.9
	SA Cash 0.6	Global Fixed Income -2.2	Global Cash 2.9	Global Property -9.3	SA Cash 6.6	SA Equity -6.1	Global Fixed Income -5.5	Global Fixed Income -14.4	SA Prop-erty -2.4	Global Cash 4.3	SA Prop-erty -0.3	Global Fixed Income 12.8	SA Cash 5.3
Worst	SA Prop-erty -1.0	Global Property -2.4	Global Fixed Income -4.6	SA Prop-erty -34.6	SA Prop-erty -9.5	SA Prop-erty -9.4	Global Cash -10.9	Global Cash -14.8	SA Fixed Income -5.6	Global Fixed Income 3.5	SA Fixed Income -2.7	SA Cash 5.1	Global Equity 5.1

Source: Morningstar Direct