South African Market

Macro-Economic Insights

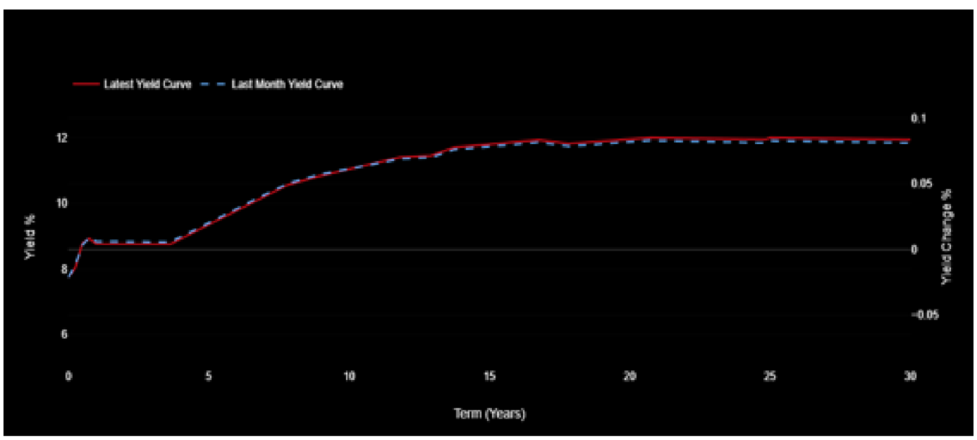
After a volatile March, local markets rebounded in April in line with global markets, with the FTSE JSE/ALSI ending April up 3.4%. In April, resources returned 3.8%, with gold and platinum shares experiencing big gains on the JSE as a result of several factors. These included the general weakening of the US Dollar again DM currencies, the easing of US headline inflation, gold's reputation as a safe-haven asset and the depreciation of the Rand. All other sectors also finished the month in the green. Financials, Industrials and SA listed property returning 1.3%, 3.1% and 3.8% respectively.

A combination of factors such as soaring electricity prices, frequent power outages, the depreciation of the Rand, and supply chain bottlenecks has had a significant impact on food inflation for 2023. As a result, the year-on-year food inflation surpassed 14.0% in April, the largest annual increase since March 2009 where it reached 14.7%. In addition, the continued rise in fuel prices contributed to an overall inflation rate of 7.1% in April, marking a slight increase from the previous month's rate of 7%. Most of the current inflation South Africa is experiencing may be imported from developed markets and although local inflation remains outside the SARB target range of 3-6%, current levels are still well below the peaks from July 2022.

The Rand weakened against the Dollar during April, depreciating by (3.2%) to end the month at R18.29/$. Currency weakness in South Africa has also played a part in raising prices for imported goods, which is not necessarily related to any policy weakness but rather the continued rise of the US Dollar against the Rand. The South African Rand has now lost over 23% of its value between the second quarter of 2021 and the second quarter of 2023.

South African bonds sold off through April, once again increasing their yields and led to the widening of the SA-US bond spread. April saw a gradual increase in the yields of South African 10-year government bonds, ultimately reaching 11.4% by the end of the month. This marked the highest level observed since late 2022. Investors continue to be offered substantial rewards for holding South African bonds, as evidenced by a widened yield spread of approximately 7.5% when compared to US 10-year bonds. This represents an appealing opportunity, especially when considering the current inflation differential of approximately 2%.

__South African Yield Curve Current Month vs. Previous Month:__

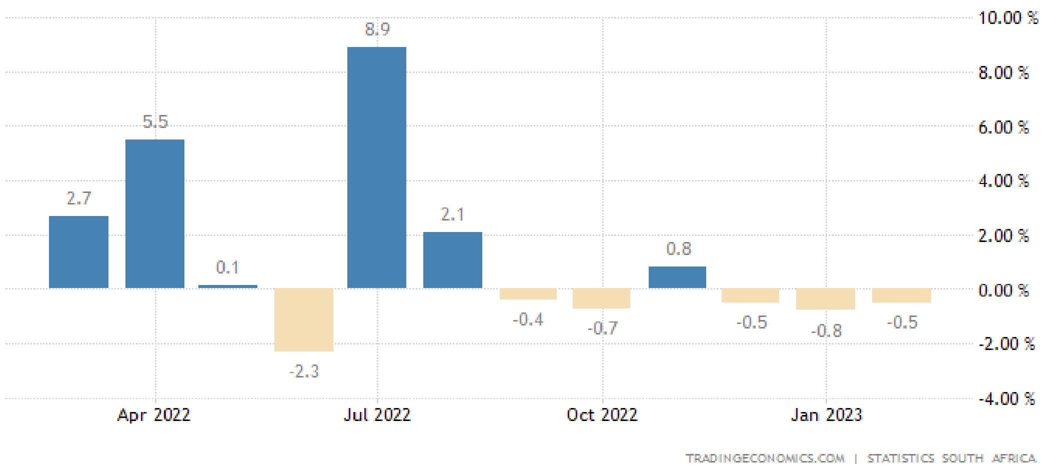


* Source: RBond

There are clear signs suggesting that the South African economy is at risk of entering a recession in the latter half of the year. Both the IMF and the SARB project a modest economic growth rate of only 0.3% for 2023. This forecast reflects a 2.0% decrease from the expectations set out last year, (prior to the introduction of prolonged and recurring load shedding by ESKOM). The adverse effects of this situation are expected to impact domestic production and exports.

South Africa's retail trade also experienced a 0.5% decline compared to the same period the previous year. This followed a 0.8% decrease in the preceding month, which exceeded market expectations of a 0.3% drop. These consecutive declines marked the third straight month of reduced retail activity. Other sectors of the economy are also under pressure, with mining and manufacturing production contracting in February.

South Africa Retail sales:



At **PortfolioMetrix (a strategic holding within the STAR range of funds)**, they remain quite positive about return prospects over the next 12 months, because of their high current gross yield of 11.2%. Over the last 12 months, despite a volatile investment environment, the PortfolioMetrix BCI Dynamic Income Fund is up 8.1%. The aggregate duration is currently 3.6, which indicates an interest rate volatility of just under two thirds of the All-Bond Index, with a current duration of 5.9. SA bonds remain cheap and attractive, but there are still serious global and local risks to consider. SA bonds and the Rand have trended downwards for the month. The ALBI, however, remains positive since the beginning of this year, rising 2.2%. The strategy maintains a cautious outlook and diligently observes worldwide geopolitical developments, the consequences of persistent inflationary pressures, and the escalating interest rates. This combination of factors is putting strain on global economic expansion. Nevertheless, amidst these concerns, they persist in identifying promising investment prospects for our investors, leveraging the advantageous backdrop of the current high interest rate environment.

Asset Class Performances in ZAR

As of 30th April 2023	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	4.40	16.52	17.90	12.50	15.62	16.31
Global Property - FTSE EPRA NAREIT DR	4.91	10.50	(2.38)	5.93	10.41	11.14
Global Bond - JPM GBI Global Traded	3.23	10.96	11.52	(5.72)	6.15	6.88
Global Cash - ICE LIBOR 1 Month	3.45	9.12	19.56	1.09	9.64	8.50
SA Equity - FTSE/JSE All Share	3.38	8.72	12.56	20.22	10.00	10.87
SA Property - FTSE/JSE SA Listed Prop	5.36	0.04	3.28	17.58	(4.52)	1.16
SA Bond - BEASSA ALBI	(1.11)	2.24	6.44	9.80	6.81	6.76
SA Cash - STeFI Call Deposit	0.55	2.26	5.94	4.41	5.25	5.66

ZAR/USD (negative = Rand strength)	3.17	7.61	15.82	(0.27)	7.95	7.38
Gold	3.72	15.56	16.03	2.77	14.24	8.73
Brent Crude Oil	2.75	(0.51)	(15.91)	46.34	9.16	4.70

*Returns more than 1 year are annualized.

Global Markets

Macro-Economic Insights

April was another volatile month for global markets as major stock indices struggled to find direction, but ultimately ended the month with positive gains. Investors are placing emphasis on recent data revealing a notable slowdown in inflationary pressures in the US. However, concerns persist due to uncertainties surrounding global economies, heightened geopolitical tensions, and resurfacing fears within the US banking sector. Despite these concerns the MSCI ACWI ended the month up 1.3%. Emerging markets underperformed against their developed counterparts, with the MSCI Emerging Markets index losing (1.3%) as compared to a gain of 1.6% for the MSCI World index.

During this month, three out of the four largest US companies by market value, namely Microsoft, Alphabet, and Amazon, held their quarterly earnings calls. Together with Meta and Intel, these tech companies have been responsible for almost two-thirds of the S&P500's gains so far this year. Despite reporting slightly lower earnings compared to the first quarter of 2022, their aggregate performance surpassed expectations by approximately 7%. While global tech companies surprised investors with their earnings beat, the positive news was overshadowed by ongoing challenges in the banking sector. The effects of last month's banking crisis are still being felt, dampening overall sentiment.

In the US, inflation has come well off its highs in June 2022, with headline inflation printing lower than core inflation for the first time since the start of the rate hiking cycle. Annual inflation in the US fell to 4.9% down from 5% the previous month, with core inflation picking up from 5.5% to 5.6% in April. Inflation still remains higher than the 2.0% target set out by the Federal Reserve at the start of the hiking cycle, but all signs point to the trajectory being in the right direction. Interest rates in the US have reached their highest level in 16 years, raising concerns for the Federal Reserve regarding the potential negative impact on economic activity as a result of the tightening cycle. The Fed's recent announcement of a 25 basis points increase in the Fed funds rate included indications of caution, implying that a turning point in the upward rate cycle may have been reached.

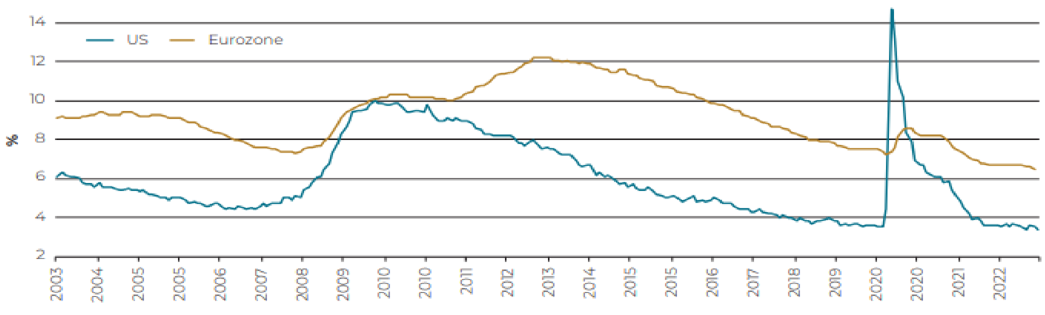
UK inflation failed to fall back below 10% as anticipated. Consumer Price inflation slowed to 10.1% in April (versus BoE expectations for 9.2%), from 10.4% the previous month. Core inflation was unchanged from March. This means that the Bank of England may need to raise rates again after May’s Monetary Policy Committee meeting in order to bring inflation down on a sustainable basis. Strong wages data published in April also did little to calm fears that the Bank may not be fully on top of inflation.

When First Republic Bank released its first-quarter report in April, it sparked fresh concerns as it disclosed its plans to sell assets and implement a rescue strategy. The bank's announcement included significant measures such as reducing its workforce by 25%, scaling back outstanding loans, and curtailing non-essential activities. However, these actions failed to satisfy the market, resulting in the bank being acquired through an agreement between the US government and JP Morgan. The collapse of First Republic Bank marked the most substantial casualty thus far stemming from the underlying stress in the banking sector during 2023.

Consumer confidence in the United States declined as Americans grew increasingly pessimistic about business conditions and labour markets. The US GDP also showed slower growth, expanding at an annualized rate of 1.1% in the first quarter, falling short of the estimated 2%. Labour markets remain tight both in the US and the Eurozone, with unemployment rates lower than when rate hikes were initiated.

Currently, the US unemployment rate stands at a 50-year low of 3.7%, while the Eurozone boasts a record-low rate of 6.5%. Employment growth remains robust, accompanied by rising wages. This indicates that if upward pressure on the prices of consumer goods and services remains, that will keep the inflation rate sticky for longer.

Unemployment in the US and Eurozone:



Source: Refinitiv Datastream

The Star funds (through its investment into Lindsell Train Global Equity Fund) have an exposure to WWE. This month saw a merger between UFC and WWE to form a new $21bn sports entertainment brand. On one side, you have the preeminent promotion in mixed martial arts: the Ultimate Fighting Championship; on the other, the biggest professional wrestling brand around the globe: World Wrestling Entertainment. WWE has been sold to Endeavor Group Holdings Inc., which also owns UFC. Crossover promotions have happened in the past between WWE and the UFC, but with the new merger, a lot of new talent will start to promote this opportunity, with the likes of Connor McGregor throwing his hat in the ring. Fundamentally though, these 2 products will not amalgamate into one, but will rather function still as 2 separate entities under Company, this will offer wider media exposure for new WWE talent.

At **Sands Capital (a long-term growth holding for Star)**, the overall underlying valuations are fair to attractive, relative to their growth prospects and to its history. Information technology remains a large component of their Global Growth portfolio. The three main areas where their portfolio is focused—internet, semiconductors, and software—are all positioned for above-average growth, in their view, as more powerful and efficient computer chips continue to fuel innovation and drive growth in excess of GDP. Over the past decade, the technology-driven economy has enabled a level of increased productivity that has offset wage inflation.

For Sands Capital, this trend has been most evident in ecommerce and other industries with asset-light business models. They view inflation as a positive for many innovative businesses, given that rising prices can drive faster adoption of technologies that enable companies to lower input costs by reducing the materials and people required in the production process.

Emerging markets also remain a key component of the Global Growth portfolio but are far below their peak weight over the past five years, at 15 percent as of April 30, 2023, versus a peak of about 30 percent. This lower weight largely stems from the portfolio's exit from China, which was completed in 2022.

The bulk of their EM exposure is to India, which has long been a large absolute and relative weight. In the near term, their research suggests that U.S. and European geopolitical tensions with China are driving a reconfiguration of supply chains to the benefit of India, which appear to align with the Indian government's stated goal to increase manufacturing share of GDP. While this may require higher costs in the medium term given India's lack of sophisticated manufacturing ecosystem, companies such as Apple, Amazon, and Walmart are already making this shift.

Top 10 holdings for the Sands Capital Global Growth Fund:

TOP TEN HOLDINGS (43.2% OF ASSETS)

Company	Sector	Domicile	Portfolio(%)	Owned Since
ASML Holding	Information Technology	Netherlands	5.7	2010
Visa	Financials	United States	5.3	2008
Dexcom	Health Care	United States	4.7	2020
MercadoLibre	Consumer Discretionary	Argentina	4.6	2020
Keyence	Information Technology	Japan	4.5	2018
Amazon	Consumer Discretionary	United States	4.1	2015
Nike	Consumer Discretionary	United States	3.7	2010
Adyen	Financials	Netherlands	3.7	2018
Alphabet	Communication Services	United States	3.6	2008
Titan	Consumer Discretionary	India	3.4	2013

Asset Class Performances in USD

As of 30th April 2023	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	1.30	8.44	1.99	12.67	7.12	8.33
Global Property - FTSE EPRA NAREIT DR	1.81	2.84	(15.55)	6.09	2.30	3.51
Global Bond - JPM GBI Global Traded	0.17	3.26	(3.53)	(5.58)	(1.65)	(0.45)
Global Cash - ICE LIBOR 1 Month	0.39	1.55	3.43	1.24	1.58	1.06
SA Equity - FTSE/JSE All Share	0.32	1.17	(2.63)	20.40	1.92	3.26
SA Property - FTSE/JSE SA Listed Prop	2.24	(6.91)	(10.66)	17.75	(11.53)	(5.78)
SA Bond - BEASSA ALBI	(4.04)	(4.85)	(7.93)	9.96	(1.04)	(0.56)
SA Cash - STeFI Call Deposit	(2.43)	(4.83)	(8.36)	4.57	(2.48)	(1.59)

ZAR/USD (negative = dollar strength)	(3.08)	(7.07)	(13.66)	0.27	(7.36)	(6.88)
Gold	0.65	7.54	0.37	2.93	5.84	1.27
Brent Crude Oil	(0.29)	(7.41)	(27.25)	46.55	1.14	(2.48)

*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 April 2023.

	YTD	4/2023	4/2022	4/2021	4/2020	4/2019	4/2018	4/2017	4/2016	4/2015	4/2014	4/2013	4/2012
Best	Global Equity 16.5	Global Cash 19.6	SA Equity 13.2	SA Property 40.3	Global Fixed Income 39.7	Global Property 28.8	SA Fixed Income 13.8	SA Fixed Income 10.5	Global Property 26.3	SA Property 38.3	Global Equity 35.3	SA Property 43.7	Global Fixed Income 22.5
	Global Fixed Income 11.0	Global Equity 17.9	Global Property 13.0	SA Equity 36.4	Global Cash 30.5	Global Equity 20.2	SA Equity 11.4	Global Equity 9.5	Global Fixed Income 26.1	Global Property 26.2	SA Equity 30.1	Global Property 41.5	Global Property 20.9
	Global Property 10.5	SA Equity 12.6	SA Property 12.2	Global Equity 17.7	Global Equity 20.7	Global Cash 17.5	Global Equity 7.2	SA Cash 7.0	Global Cash 19.0	Global Equity 22.4	Global Property 18.6	Global Equity 34.2	SA Property 19.0
	Global Cash 9.1	Global Fixed Income 11.5	Global Cash 9.2	SA Fixed Income 14.7	Global Property 7.2	Global Fixed Income 15.2	SA Cash 6.8	SA Equity 4.5	Global Equity 12.8	SA Equity 14.8	Global Fixed Income 18.5	SA Fixed Income 16.9	Global Cash 17.9
	SA Equity 8.7	SA Fixed Income 6.4	SA Fixed Income 8.4	Global Property 7.8	SA Cash 6.5	SA Cash 6.6	SA Property -0.5	SA Property 0.0	SA Property 6.6	Global Cash 13.7	Global Cash 17.4	Global Cash 16.2	SA Fixed Income 12.7
	SA Cash 2.3	SA Cash 5.9	SA Cash 3.7	SA Cash 3.6	SA Fixed Income 0.1	SA Fixed Income 5.0	Global Fixed Income -2.7	Global Property -3.8	SA Cash 6.1	SA Fixed Income 11.5	SA Cash 4.9	SA Equity 16.1	Global Equity 11.0
	SA Fixed Income 2.2	SA Property 3.3	Global Equity 2.6	Global Fixed Income -20.6	SA Equity -10.8	SA Equity 3.9	Global Property -3.6	Global Cash -5.0	SA Fixed Income 1.7	Global Fixed Income 8.9	SA Fixed Income -3.0	Global Fixed Income 14.5	SA Equity 8.1
Worst	SA Property 0.0	Global Property -2.4	Global Fixed Income -5.3	Global Cash -20.9	SA Property -46.0	SA Property -9.6	Global Cash -5.4	Global Fixed Income -8.8	SA Equity 0.2	SA Cash 5.6	SA Property -3.6	SA Cash 4.9	SA Cash 5.3

Source: Morningstar Direct