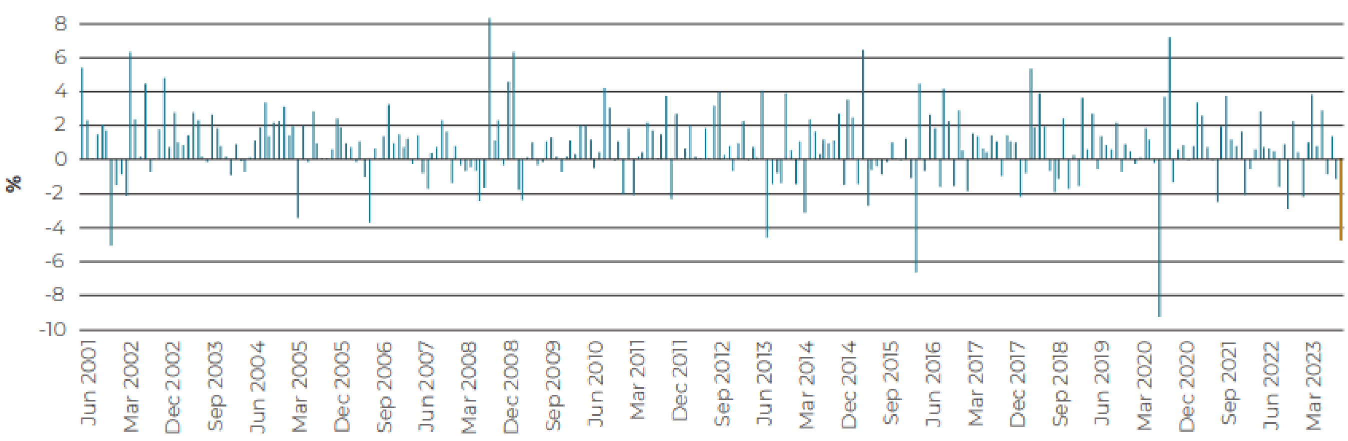
South African Markets

Local Equities faced downward pressure during May with a continued sell-off, as persistent loadshedding along with the US allegations of South Africa potentially dealing in arms with Russia heavily weighed on sentiment. The FTSE JSE/ALSI ended the month down (3.92%). All sectors were in the red, with financials, industrials and resources falling (8.24%), (3.10%) and (2.23%) respectively. In the face of a declining Rand, the price of gold surged, up 6.44% by the end of the month, helping to counterbalance the decrease in the value of the US Dollar gold price.

Locally there was a modest slowdown in inflationary pressures as the headline CPI slowed during the month of May, its lowest reading in 12 months, to 6.8%, down from 7.1% the previous month. Primarily this was driven by the decrease in fuel inflation, while core CPI remained unchanged at 5.3%. Annual food inflation also eased back down to 13.9% from its previous highs. While this may offer some reprieve, a monthly report released by the Household affordability index reveals that the average cost of a monthly household food basket in South Africa has risen by almost 58% from March 2020 to May 2023. Despite the minor improvement, the SARB still raised repo rates by 50bps to 8.25%, pushing borrowing costs to its highest level since May 2009. The SARB has now raised rates at 10 meetings in a row, adding a total of 475 bps to the repo rate since it began tightening policy in November 2021. Reserve Bank Governor Lesetja Kganyago has now said that the policy rate is in "restrictive" territory.

The Rand has sold of substantially over the month. Once again due to the negative sentiment surrounding South Africa. Some of the sell-off was initiated by the SARB raising rates and the markets breaking the typical reaction, where tighter monetary policy typically encourages currency strength, this implies that markets were expecting a higher rate hike. The Rand deprecated (8.08%) against the Dollar, ending the month at a record low R19.77/$.

__South African Bond Returns (Monthly):__



Source: Refinitiv Datastream

South African bonds underwent a significant sell-off, resulting in the yields of longer duration bonds approaching 13% p.a. to maturity. These levels are reminiscent of the response to global Covid-19 panic experienced in early 2020, indicating concerns about a potential economic shutdown. Consequently, the decline in local bond prices has widened the SA-US bond yield spreads, making them more appealing for foreign investors seeking higher yields from emerging market exposure. These bonds now offer investors a monthly income return of over one percent, along with anticipated long-term returns resembling those of SA equities. Unfortunately, SA nominal bonds had their 4th worst monthly performance recorded since the inception of the All-Bond Index in 2000, experiencing a (4.84%) return in May. This decline is only surpassed by the months of December 2001 (during a rand slump), March 2020 (amid the Covid-19 pandemic), and December 2015 (due to Nene-gate scandal). As a result, year-to-date returns have turned negative, standing at -2.72%. Investors in cash plus income funds with some exposure to bonds will see weak monthly returns in May.

The Star BCI Stable Fund and Star BCI Balanced Fund gross running yields have increased quite significantly since the start of the year. This performance continues to be achieved with low volatility in returns compared to the equity and bond asset classes. Saffron Wealth manages a significant portion of both funds fixed income assets and have successfully extracted higher returns than the ALBI with significantly lower volatility. Their strategy is to buy both the short end as rates continue to rise and the long end of the curve as rates peak from time to time creating and over all better risk adjusted return for fund holders.

Looking at the fund outlook the pricing in the debt capital market continues to be subject to certain dynamics in the short term despite the challenging economic environment from higher interest rates and loadshedding. While the fund continues to maintain a moderate maturity and high liquidity position, the scope is to increase duration and get at least 1 Year more duration from current levels. Saffron has no SOE exposure.

Taquanta Asset Management, our more credit focused fixed income manager have noted that issuance activity in the domestic debt capital markets picked up in May following a quieter month in April. This increase in issuance activity was anticipated and activity overall should be positive over the next year. Primary market issue spreads, however, continue to be contained due to the sustained demand for assets. To date, the SARB's aggressive stance has failed to contain the sell-off in the rand and longer-dated SA government bonds. Notwithstanding domestic challenges, EM flows continue to be undermined by tighter liquidity conditions and lofty global debt levels.

Contrary to the Reserve Bank, Taquanta sees inflation risks being more on the downside, as subdued levels of aggregate demand, reduced supply-side disruptions, falling global liquidity levels and a high base effect largely underpin a more constructive view. Even market expectations have capitulated to high base effects that are now expected to filter through in the second half of the year. On the other side, they believe that the domestic economy is likely to continue operating way below its potential growth rate and lowered their GDP outlook.

In the SA money market, the 3-m JIBAR rate rose 53.4 bps versus the previous month to 8.49%, while the 12-m JIBAR rate increased by 70 bps MoM to 10.02%. These elevated JIBAR rates mean that money market funds are likely to generate a return of between 9% and 10% over the next 12 months with no (or limited) risk of capital loss. Our funds intend to take advantage of these shorter dated instruments while locking in longer term bond returns that are on offer.

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Asset Class Performances in ZAR

As of 31st May 2023	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	7.13	24.83	28.05	14.93	16.77	15.80
Global Property - FTSE EPRA NAREIT DR	3.66	14.55	7.78	8.43	10.39	11.03
Global Bond - JPM GBI Global Traded	6.05	17.68	20.04	(2.52)	7.31	6.67
Global Cash - ICE LIBOR 1 Month	8.86	18.83	32.03	5.42	11.16	8.20
SA Equity - FTSE/JSE All Share	(3.92)	4.45	8.54	18.51	9.90	9.53
SA Property - FTSE/JSE SA Listed Prop	(5.32)	(5.29)	(2.27)	15.75	(4.40)	1.79
SA Bond - BEASSA ALBI	(4.79)	(2.65)	0.32	5.58	6.19	6.75
SA Cash - STeFI Call Deposit	0.67	2.95	6.27	4.52	5.28	5.69

ZAR/USD (negative = Rand strength)	8.08	16.31	26.72	4.07	9.29	6.98
Gold	6.44	23.00	30.15	5.43	15.70	8.78
Brent Crude Oil	(0.99)	(1.50)	(24.78)	32.22	7.94	3.53

*Returns more than 1 year are annualized.

Global Markets

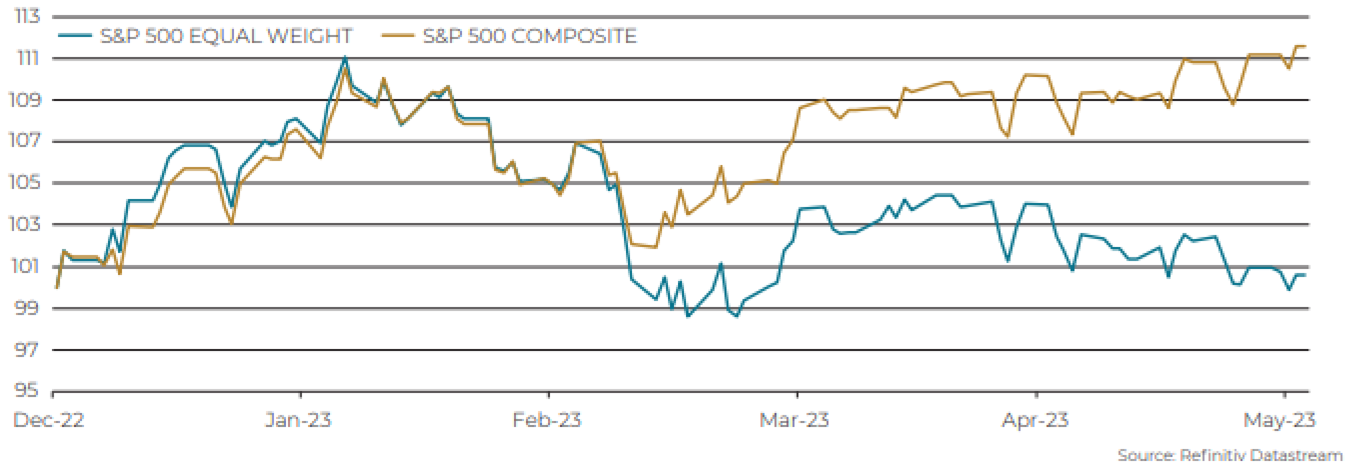
After two consecutive months of gains, all broad global indices were negative in May. Investor sentiment was influenced by ongoing developments related to US debt ceiling negotiations, as well as concerns over China's recovery or reopening after Covid, which negatively impacted Asian markets. Moreover, challenges arose from sluggish growth in Europe and uncertainty surrounding future monetary policy in the United States. Given the prevailing market uncertainty, major indices faced difficulties and concluded May on a lower note. The MSCI ACWI index ended the month down (1.15%). Both developed and emerging markets also experienced losses, with the MSCI World and Emerging Markets indexes falling by (1.32%) and (1.94%), respectively.

According to the latest US CPI report, both headline and core consumer prices experienced a decline, reaching 4.9% and 5.5% respectively, compared to the previous month's figures of 5.0% and 5.6%. Although this development appears promising, the April PCE index surprised observers by exceeding expectations. The headline PCE index surged to 4.4%, significantly higher than the anticipated decrease to 3.9%. As a result, speculation regarding the Federal Reserve's potential decision to raise rates by an additional 25 basis points during their upcoming June meeting grew, dampening sentiment. However, the central bank is cautious and is waiting to assess the impact, of tighter lending standards following the recent banking crisis, on overall economic activity before a consensus is reached.

Meanwhile, the US witnessed a tense standoff between Republicans and Democrats over the approaching debt ceiling negotiations, dominating financial news headlines. Concerns arose among investors as estimates indicated that the Treasury could deplete its funds by the start of June, highlighting the pressing need for an agreement to avert a default. Ultimately, a resolution was reached by the end of the month. With the agreement fast approaching, the 10-year government bond yields were driven higher to over 3.76%.

The initial optimism surrounding the reopening of China's economy is waning as recent data on weak factory activity suggests that its recovery is losing momentum. Although there has been an uptick in activity following the lifting of Covid-related restrictions, it falls short of the market's anticipated boom. The most recent report reveals a decline in China's manufacturing Purchasing Managers' Index (PMI) to 48.2 in May, which is well below expectations and falls below the critical expansion threshold of 50 points. This decline underscores the impact of weakening demand on the economy. The deterioration in economic activity has exerted downward pressure on Asian markets and may prompt policymakers to implement measures aimed at stimulating the economy. China is currently grappling with the challenge of boosting inflation, while the rest of the world continues to battle with curbing inflation. In April, China headline inflation stood at 0.1% year-on-year, with core inflation at 0.7%.

S&P 500 Composite Vs. Equal weighted (YTD):



The first US earnings season of the year came to an end, with actual earnings beating estimates on average by 7%, but still lower than the previous quarter. The growing concern around the earnings of US Mega-cap tech stocks has quieted down as many of these companies posted better than expected results. This is seemingly because of the growing optimism over breakthroughs in Artificial Intelligence. All the constituents of the FANG Index posted double digit returns for the month. Also most notably, Nvidia up 36% in the month. The next earnings season starts in July. The improvement in Q1 earnings growth has not translated cross broader markets as direction will likely be dictated by the next steps from the central bank on interest rates. As the graph above shows, at a headline level, the US S&P 500 returned over 11% since the start of the year. Most of its year-to-date returns came from a handful of mega-cap tech stocks, including the likes of ASML NV up 33.83%, Apple Inc, up 36.82%, Microsoft up 37.57% and Tesla up 65.5%. The S&P 500 is weighted by market value, so bigger companies contribute more to performance. Give equal weights to each of the 500 companies, and the index is in negative territory. See graph above that illustrates this impact.

The Star funds (through its investment via Goldman Sachs and Jupiter asset managers) have an exposure to Nvidia Corp. The stock's value has tripled in less than eight months to briefly join an elite club of U.S. companies sporting a $1 trillion market value. Just four other US companies currently have a valuation of more than $1 Trillion – Apple Inc., Alphabet Inc., Microsoft Corp., and Amazon Inc. Nvidia has gained around 158% YTD to month end. The latest surge furthers a rally from last which was jump-started by a revenue forecast that surpassed the mean Wall Street estimate by more than 50%. However, Nvidia's forward price-to-earnings multiple (P/E), a common benchmark for valuing stocks, is 47.23. The figure is significantly above that of peers Qualcomm and Intel. Open AI-owned ChatGPT's rapid success has prompted tech giants such as Alphabet and Microsoft to make the most of generative AI. Enterprises are now needing to upgrade to powerful GPUs to train generative AI models and Nvidia is currently leading this charge in market share and production capacity.

AI is a subject that is having an implied or real impact on the price of shares that have actual or potential to benefit from the explosion of this technology and implementation in multiple industries. See below sector performance in correlation to AI referencing in Q1 earnings calls.

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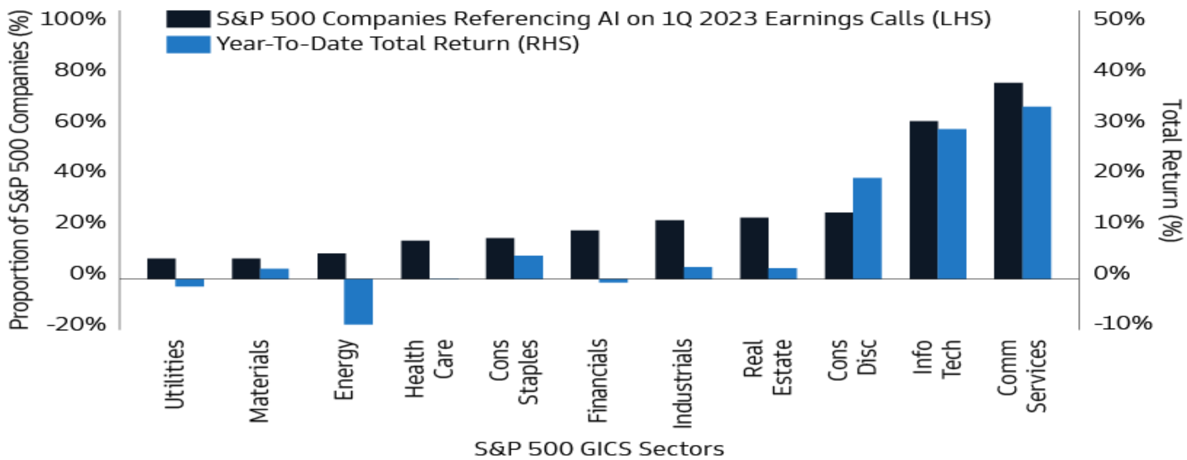
Mentions of AI in quarterly conference calls across the S&P 500 sectors:



Asset Class Performances in USD

As of 31st May 2023	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	(1.15)	7.19	0.70	10.54	6.77	8.21
Global Property - FTSE EPRA NAREIT DR	(4.35)	(1.64)	(15.24)	4.29	0.93	3.75
Global Bond - JPM GBI Global Traded	(2.15)	1.04	(5.60)	(6.25)	(1.88)	(0.33)
Global Cash - ICE LIBOR 1 Month	0.44	2.03	3.83	1.39	1.64	1.10
SA Equity - FTSE/JSE All Share	(11.35)	(10.31)	(14.65)	13.98	0.49	2.35
SA Property - FTSE/JSE SA Listed Prop	(12.65)	(18.68)	(23.14)	11.32	(12.59)	(4.88)
SA Bond - BEASSA ALBI	(12.15)	(16.41)	(21.10)	1.55	(2.91)	(0.25)
SA Cash - STeFI Call Deposit	(7.11)	(11.60)	(16.43)	0.53	(3.74)	(1.24)

ZAR/USD (negative = dollar strength)	(7.48)	(14.02)	(21.08)	(3.91)	(8.50)	(6.53)
Gold	(1.79)	5.61	2.35	1.40	5.79	1.65
Brent Crude Oil	(8.65)	(15.42)	(40.85)	27.17	(1.30)	(3.25)

*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 May 2023.

	YTD	5/2023	5/2022	5/2021	5/2020	5/2019	5/2018	5/2017	5/2016	5/2015	5/2014	5/2013	5/2012
Best	Global Equity 24.8	Global Cash 32.0	SA Prop-erty 15.5	SA Equity 38.1	Global Fixed Income 29.6	Global Property 26.3	SA Fixed Income 10.4	SA Fixed Income 13.4	Global Property 40.5	SA Prop-erty 31.7	Global Equity 24.0	Global Equity 49.2	Global Fixed Income 30.4
	Global Cash 18.8	Global Equity 28.0	Global Cash 13.9	SA Prop-erty 37.3	Global Equity 26.9	Global Fixed Income 18.6	Global Equity 8.6	SA Cash 7.0	Global Fixed Income 38.7	Global Property 22.6	SA Equity 21.8	Global Property 41.8	Global Cash 25.7
	Global Fixed Income 17.7	Global Fixed Income 20.0	SA Equity 11.0	Global Equity 12.5	Global Cash 23.1	Global Cash 17.7	SA Equity 8.0	SA Prop-erty 3.7	Global Cash 29.7	Global Equity 21.6	Global Property 17.1	SA Equity 30.7	Global Property 21.0
	Global Property 14.6	SA Equity 8.5	Global Property 10.2	SA Fixed Income 11.1	SA Fixed Income 6.4	Global Equity 12.7	SA Cash 6.8	SA Equity 2.2	Global Equity 23.1	Global Cash 15.2	Global Fixed Income 10.5	SA Prop-erty 27.0	SA Prop-erty 19.5
	SA Equity 4.5	Global Property 7.8	SA Fixed Income 5.6	Global Property 7.3	SA Cash 6.3	SA Fixed Income 7.7	Global Property 0.9	Global Equity -1.0	SA Prop-erty 9.4	SA Fixed Income 9.4	SA Prop-erty 7.0	Global Cash 17.8	SA Fixed Income 11.1
	SA Cash 3.0	SA Cash 6.3	Global Equity 5.4	SA Cash 3.6	Global Property 1.8	SA Cash 6.6	Global Fixed Income -2.3	Global Property -14.6	SA Equity 6.3	SA Equity 8.5	Global Cash 5.4	Global Fixed Income 12.2	Global Equity 10.1
	SA Fixed Income -2.7	SA Fixed Income 0.3	SA Cash 3.7	Global Fixed Income -21.2	SA Equity -6.0	SA Equity 2.4	Global Cash -2.5	Global Cash -15.6	SA Cash 6.2	Global Fixed Income 7.5	SA Cash 5.0	SA Fixed Income 11.5	SA Cash 5.3
Worst	SA Prop-erty -5.3	SA Prop-erty -2.3	Global Fixed Income -2.1	Global Cash -22.1	SA Prop-erty -45.9	SA Prop-erty -4.8	SA Prop-erty -6.5	Global Fixed Income -16.8	SA Fixed Income 1.0	SA Cash 5.6	SA Fixed Income 2.8	SA Cash 4.9	SA Equity 5.1

Source: Morningstar Direct