



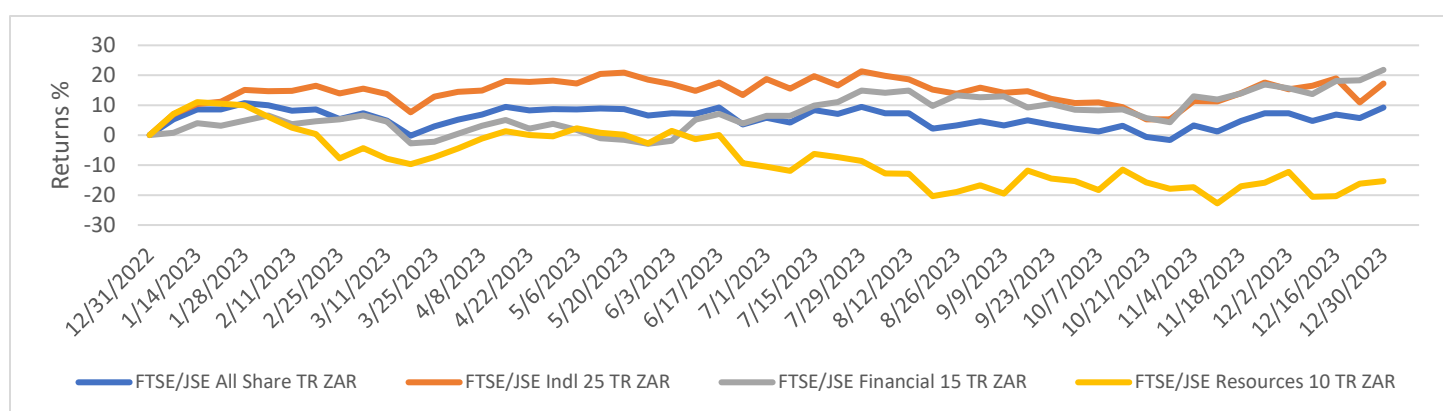
STAR INVESTMENT PARTNERS



## South African Market

Local financial markets extended gains made in November as sentiment for a more risk-on environment increased. The FTSE/JSE All Share Index gained 2.00% in December, closing the year off firmly in the green, up 9.25%, with most of the gains occurring over the final two months. Financials were the month's best performer, gaining 5.54%, to end the year up 21.81%. Industrials were subdued in December gaining 0.49%, but still ended the year up 17.27%. Resources underperformed losing (1.32%), despite the performance of gold. SA Listed Property had its best back-to-back month, gaining a further 9.90%, to end the year up 10.15%.

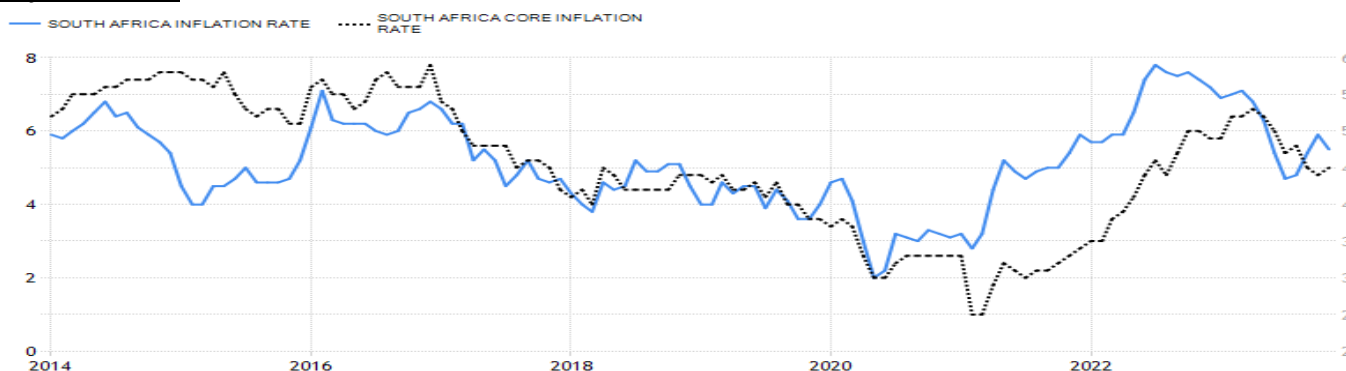
### JSE Subsector Returns (YTD):



Source: Morningstar

Following a three-month upswing, mostly driven by higher food and energy prices, local headline inflation cooled to 5.5% in December down from 5.9% the previous month, still remaining near the upper limit of the 3%-6% SARB target range. The decline was driven by a decrease of 5.5% in the fuel price index, which drove the annual rate for fuel lower to 1.8%, down from 11.2% the previous month. This, in turn, led to a reduction in the annual rate for transport, which decreased to 4.3% from 7.4%. The inflation rate for food and non-alcoholic beverages experienced a third consecutive increase, accelerating to 9.0%, up from 8.7%. Meanwhile, core inflation, which excludes food and fuel prices, rose to 4.5%, up from 4.4% the previous month. The SARB kept its main interest rate unchanged for the third policy meeting in a row, with Governor Lesetja Kganyago reiterating that the bank saw inflation stabilising around the mid-point of its target band by 2025. The next interest rate decision by the MPC will be made in January 2024.

### SA Inflation Rate:

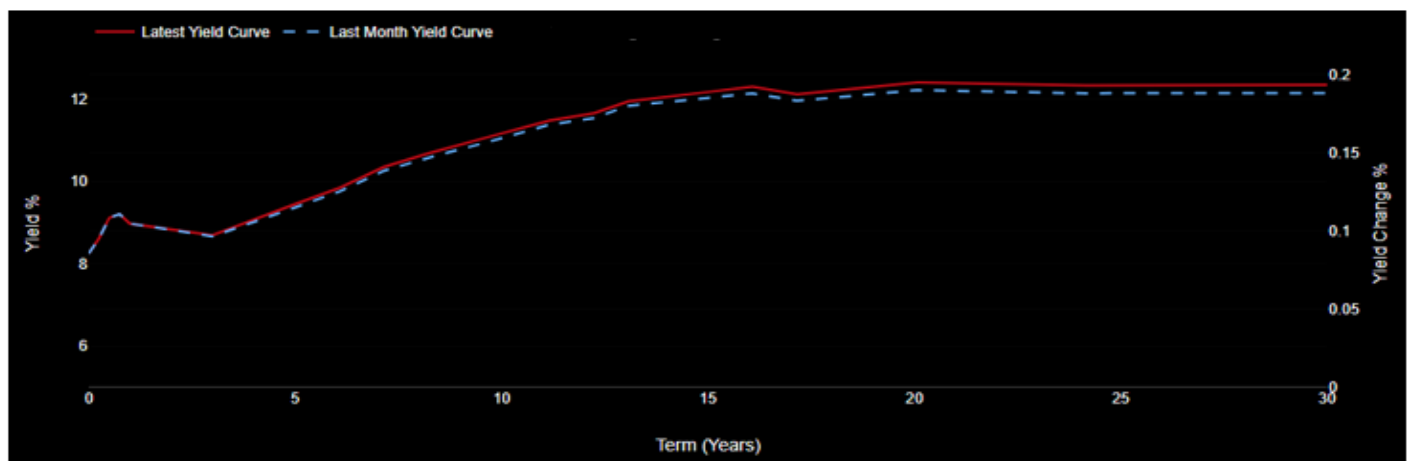


Source: Trading Economics



Global financial market sentiment has been largely risk-on, and the US Dollar has weakened, however the Rand's weakness is due largely to domestic issues as it missed out on the increased risk-taking appetite globally. The Rand remains near the bottom of EM currencies ranked by Bloomberg, with the majority of peers having strengthened YoY. The Rand however, strengthened against a weak US Dollar in December ending the month at R18.30/\$ gaining 3.06%, although it still lost 7.62% against the Dollar for the calendar year. The local bond market (ALBI) continued its upward trend gaining a further 1.49% during December, up for a third consecutive month. The Index ended the year up 9.70%, for its best annual return since 2020. The SA government's 10-year borrowing rate followed global interest rates lower, ending the month slightly lower at 11.05%, the lowest level since May.

#### SA Government Bond yields:

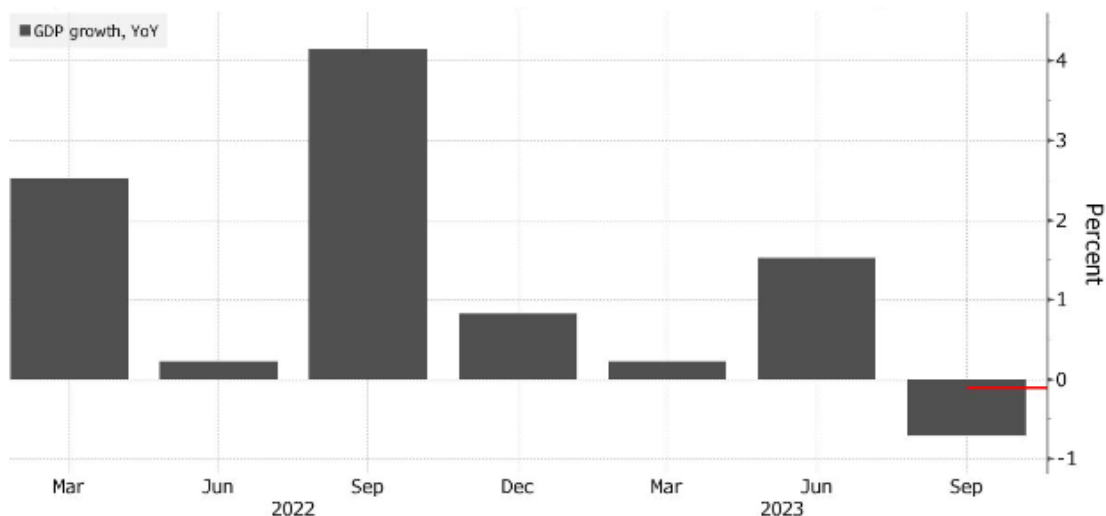


Source: Rbonds

South African retail sales fell 2.5% year-on-year after rising by a revised 1.0% the previous month. On a month-to-month basis, sales decreased 1.2%. Sales in the three months were down 0.6% compared with the same period last year. It was the steepest decrease in retail activity since May, mainly due to reduced sales at general dealers (5.7%). Growth in the SA economy decreased 0.2% from the second to the third quarter, slightly worse than expectations, with analysts having predicted a 0.1% contraction. The third quarter figure represents the SA economy's first drop this year, with GDP growth having been 0.4% in the first quarter and 0.5% in the second. The slump follows a 2.2% annual contraction in mining and a 3.2% slowdown in utilities over the three-month period. Agriculture shrank 19.9% from a year earlier, while construction contracted 2%. While the intensity of power shortages declined by 18.8% relative to the second quarter, load shedding still remains a burden to the economy. In 2023 South Africa experienced 332 days with loadshedding making it the worst year by far on record.



## SA GDP Growth:



Source: Bloomberg & Stats SA

## Asset Class Performances in ZAR

As of 31 <sup>st</sup> December 2023	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	1.63	31.19	31.19	13.92	17.50	14.50
Global Property - FTSE EPRA NAREIT DR	6.08	19.28	19.28	10.05	9.24	11.33
Global Bond - Bloomberg GBL AGG	0.50	12.15	12.15	0.60	3.78	5.53
Global Cash - ICE LIBOR 1 Month	(3.04)	13.23	13.23	10.21	7.04	7.23
SA Equity - FTSE/JSE All Share	2.00	9.25	9.25	13.51	11.88	8.78
SA Property - FTSE/JSE SA Listed Prop	9.90	10.15	10.15	14.87	0.24	2.94
SA Bond - BEASSA ALBI	1.49	9.70	9.70	7.43	8.25	7.98
SA Cash - STeFI Call Deposit	0.67	7.80	7.80	5.40	5.47	5.88

ZAR/USD (negative = Rand strength)	(3.06)	7.62	7.62	7.70	4.93	5.72
Gold	(2.81)	15.16	15.16	7.47	12.03	9.26
Brent Crude Oil	(10.24)	(3.62)	(3.62)	22.80	12.73	1.97

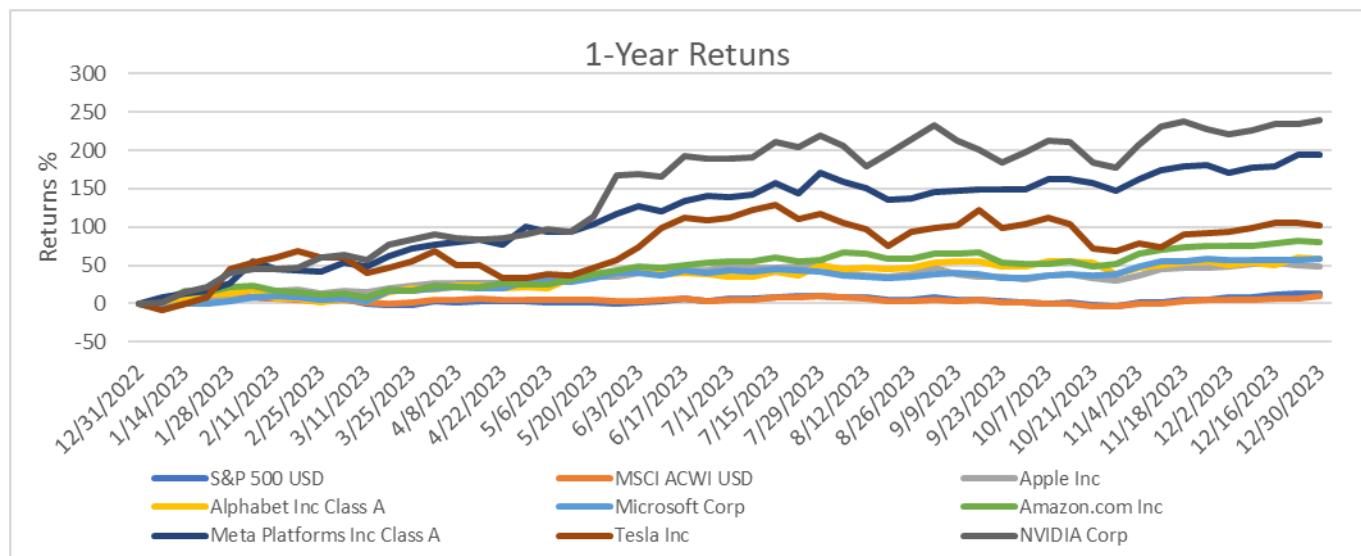
\*Returns more than 1 year are annualized.



## Global Markets

Global financial markets advanced further in December for a second consecutive month as global market sentiment moved into a more risk-on environment, buoyed by expectations that interest rate cuts may be approaching in 2024. US shares rallied strongly on expectations of near-term rate cuts. Top performing sectors were those most sensitive to interest rates, including information technology, real estate and consumer discretionary. The MSCI ACWI rose 5.31% in December, to close the year of at 22.06%, the index's highest return since 2019. Both Developed and Emerging Markets finished the month higher, with the MSCI World and Emerging Markets gaining 5.47% and 3.95% respectively. The Indices finished the year up 23.34% and 10.27% respectively.

### Calendar Year Returns of 7 Mega-Cap Tech Stocks



Source: Morningstar

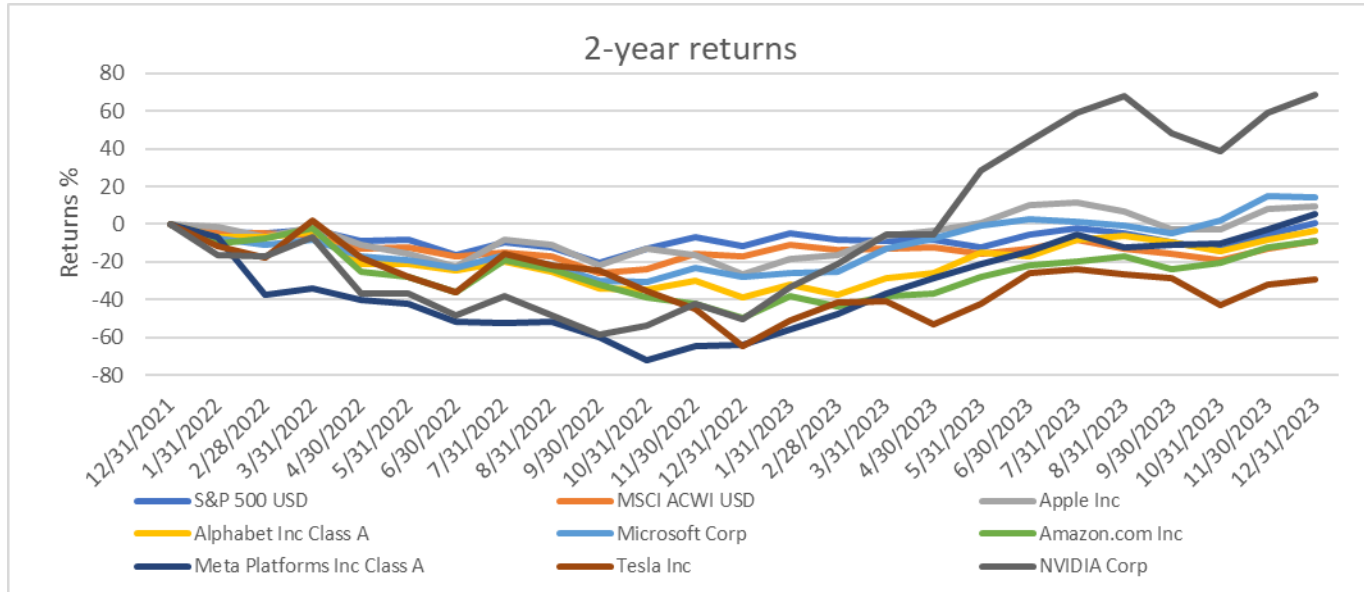
The graph above illustrates, the 7 Mega-cap Tech stocks returns for the year 2023, as well as the stripped-out performance of the S&P 500 and MSCI ACWI for the year. These 7 Mega-cap tech stocks, classified as the 'Magnificent Seven', performed very well this year, with an average total return gain of 111.61%, accounting for 62.2% of the S&P 500's 26.29% total return. Removing the influence of this group, the S&P 500 index return would have been 13.87% for 2023. Similarly, the MSCI ACWI had a return of 22.06%, and removing the influence of the group, the index would have returned 9.36%.

The graph below illustrates, the same scenario over the past 2 years. The gains made in 2023, made up most of the losses incurred in 2022, when all 7 Mega-cap tech stocks declined significantly, with an average total return of (45.31) %. The big gains of 2023 have not been fully brushed aside quite yet, as three of the seven have yet to fully recover their losses. Tesla, Amazon and Alphabet ended 2023 below their 2021 year-end valuation, with Tesla particularly far off its previous highs.





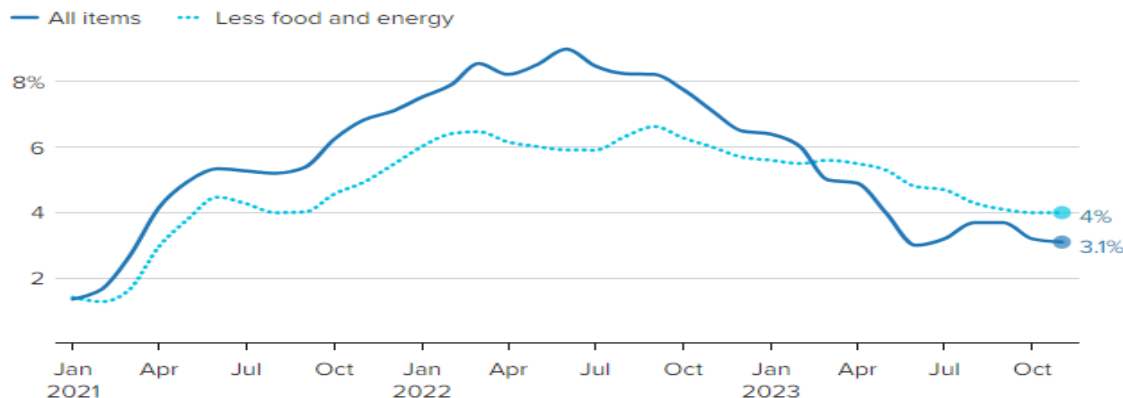
## 2-Year Returns of 7 Mega-Cap Tech Stocks:



Source: Morningstar

As US headline inflation continues to fall, core inflation however remains stickier at a level higher than the Federal Reserve had expected, as elevated wages in the services sector continue to add an element of pressure. Headline inflation YoY slowed to 3.1% in December, the lowest reading in five months, down from 3.2% the previous month. However, the latest inflation figures are still well above the Fed's 2% target rate. A 2.3% decrease in energy prices helped keep inflation in check, as gasoline fell 6% and fuel oil slowed to 2.7% YoY change. Core inflation, which excludes food and energy, remained at a two-year low of 4%, unchanged from the previous month. The Federal Reserve, at its last meeting of the year, said it will keep the federal funds rate steady in its range of 5.25% to 5.5%. This marks the third consecutive meeting where the central bank has chosen to hold off on monetary policy changes. Fed chair Jerome Powell indicated that the central bank was aware of the risk of keeping rates at restrictive levels for too long. Minutes from the Federal Open Market Committee's latest policy meeting showed policymakers expect rates to end next year at 4.5%-4.75%, down from the current 5.25%-5.5% range.

## USA Inflation Rates (Headline & Core Inflation):



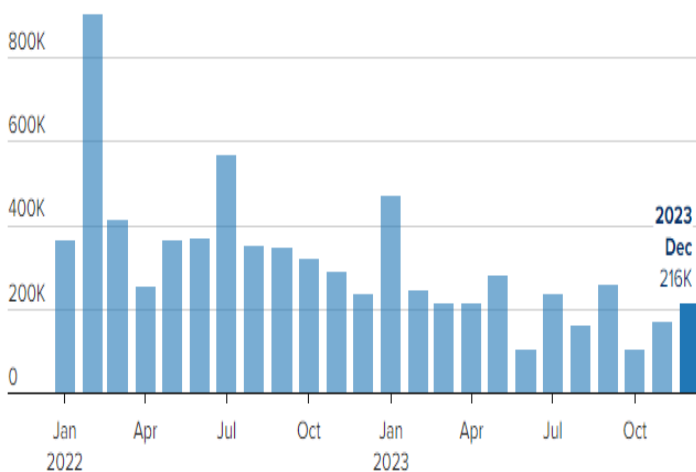
Source: US Bureau of Labour Statistics



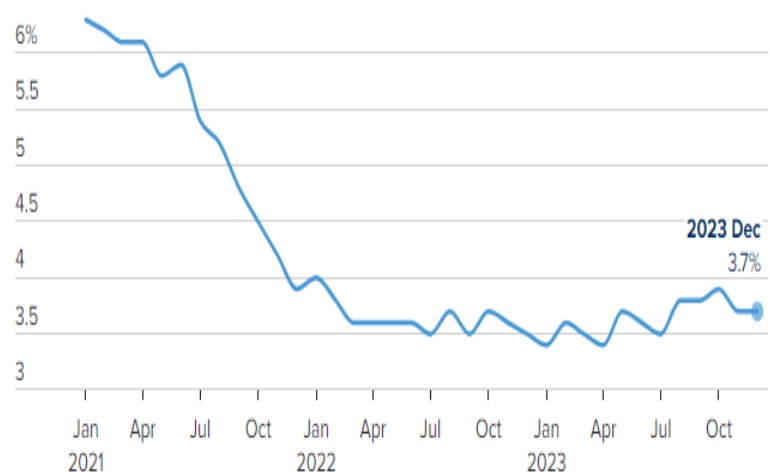
Inflation in the UK fell by more than expected to 3.9% in December, down from 4.6% the previous month, in the lowest annual reading since September 2021. Core inflation, showed an unexpectedly sharp drop, falling to 5.1% from 5.7%. Transport was the biggest downward contributor to inflation as fuel prices were 10.6% lower than a year before. For the third consecutive meeting, the Bank of England kept interest rates at a 15-year high of 5.25%, sticking with its message that borrowing costs will remain elevated for some time despite growing bets on a wave of cuts in 2024. The BOE reiterated its policy will be “sufficiently restrictive for sufficiently long” to curb inflation.

The ISM manufacturing PMI rose to 47.4 in December from 46.7 in November. The latest figure marks the 14th straight month the index has been in contraction territory after a 29-month period of growth dating back to June 2020. The December reading was above the forecast of 47.1. As the sector continues to contract, albeit at a slightly lower rate, companies are still managing outputs appropriately as new order softness continues. The US labour market ended the year strong, creating more than 200,000 jobs in December, with the unemployment rate remaining at a low 3.7%. December also marked the 36<sup>th</sup> consecutive month of job creation for the US economy.

#### USA Monthly Job creation & Unemployment rate:



Source: FRED Labour Statistics



A second consecutive positive month for fixed income markets, powered by expectations that central banks will soon be cutting interest rates, helped bond markets recover from a second straight year of declines. The global bond index delivered a 4.14% return in December, to push the bond market into the green returning 4.35% for the year. The US 10-year Treasury yield dropped 46 basis points in December to 3.88%, down from 4.34%. The last two-month decline in yields is the biggest since 2008, when the Federal Reserve was slashing rates during the global financial crisis. The sharp drop in yields, which move inversely to prices, has eased pressure on companies and households as well as housing markets and governments that in the last 3 months’ have faced the steepest borrowing costs in more than a decade. The Dollar Index, which measures the U.S. currency against six counterparts, fell 2% in 2023, snapping two years of gains due to investor expectations that the U.S. Federal Reserve will cut rates significantly this year while the economy remains resilient.



## USA Government Bond Yield & Fed Fund Rate:



Source: Advisor Perspective

## Asset Class Performances in USD

As of 31 <sup>st</sup> December 2023	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity – MSCI ACWI	5.31	22.06	22.06	5.89	12.00	8.29
Global Property - FTSE EPRA NAREIT DR	9.92	10.98	10.98	2.30	4.12	5.29
Global Bond – Bloomberg GBL AGG	4.14	4.35	4.35	(6.48)	(1.08)	(0.19)
Global Cash - ICE LIBOR 1 Month	0.47	5.35	5.35	2.45	2.03	1.42
SA Equity - FTSE/JSE All Share	5.69	1.65	1.65	5.51	6.64	2.88
SA Property - FTSE/JSE SA Listed Prop	13.88	2.48	2.48	6.78	(4.46)	(2.64)
SA Bond - BEASSA ALBI	5.17	2.07	2.07	(0.14)	3.17	2.13
SA Cash - STeFI Call Deposit	4.32	0.30	0.30	(2.02)	0.53	0.14

ZAR/USD (negative = dollar strength)	3.16	(7.08)	(7.08)	(7.15)	(4.70)	(5.41)
Gold	0.71	7.14	7.14	(0.10)	6.78	3.34
Brent Crude Oil	(6.99)	(10.32)	(10.32)	14.15	7.45	(3.56)

\*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 31<sup>st</sup> December 2023.

Best ↑       ↓ Worst	Global Equity 31.2	Global Equity 31.2	Global Cash 8.7	Global Property 41.3	Global Equity 22.8	Global Equity 23.4	Global Cash 18.6	SA Equity 21.0	SA Fixed Income 15.4	Global Property 36.6	Global Property 34.5	Global Equity 53.4	SA Prop- erty 35.9
	Global Property 19.3	Global Property 19.3	SA Cash 4.9	SA Prop- erty 36.9	Global Fixed Income 15.2	Global Property 20.6	Global Fixed Income 15.4	SA Prop- erty 17.2	SA Prop- erty 10.2	Global Cash 34.2	SA Prop- erty 26.6	Global Property 27.2	Global Property 29.9
	Global Cash 13.2	Global Cash 13.2	SA Fixed Income 4.3	SA Equity 29.2	SA Fixed Income 8.7	SA Equity 12.0	Global Property 10.7	Global Equity 12.8	SA Cash 6.8	Global Equity 31.7	Global Equity 15.2	Global Cash 23.7	SA Equity 26.7
	Global Fixed Income 12.2	Global Fixed Income 12.2	SA Equity 3.6	Global Equity 29.0	SA Equity 7.0	SA Fixed Income 10.3	SA Fixed Income 7.7	SA Fixed Income 10.2	SA Equity 2.6	Global Fixed Income 29.0	SA Equity 10.9	SA Equity 21.4	Global Equity 23.0
	SA Prop- erty 10.1	SA Prop- erty 10.1	SA Prop- erty 0.5	Global Cash 8.8	Global Cash 5.6	SA Cash 6.6	SA Cash 6.6	SA Cash 6.9	Global Equity -3.8	SA Prop- erty 8.0	Global Cash 10.6	Global Fixed Income 18.2	SA Fixed Income 15.9
	SA Fixed Income 9.7	SA Fixed Income 9.7	Global Fixed Income -11.3	SA Fixed Income 8.4	SA Cash 4.5	Global Fixed Income 2.6	Global Equity 4.9	Global Property -1.0	Global Property -6.7	SA Cash 5.8	SA Fixed Income 10.1	SA Prop- erty 8.4	Global Fixed Income 7.2
	SA Equity 9.3	SA Equity 9.3	Global Equity -12.6	SA Cash 3.5	Global Property -3.3	SA Prop- erty 1.9	SA Equity -8.5	Global Fixed Income -2.6	Global Fixed Income -10.3	SA Equity 5.1	Global Fixed Income 9.4	SA Cash 4.8	Global Cash 5.3
	SA Cash 7.8	SA Cash 7.8	Global Property -20.9	Global Fixed Income 2.3	SA Prop- erty -34.5	Global Cash -0.6	SA Prop- erty -25.3	Global Cash -8.4	Global Cash -11.3	SA Fixed Income -3.9	SA Cash 5.4	SA Fixed Income 0.6	SA Cash 5.1
	YTD	12/2023	12/2022	12/2021	12/2020	12/2019	12/2018	12/2017	12/2016	12/2015	12/2014	12/2013	12/2012

Source: Morningstar Direct