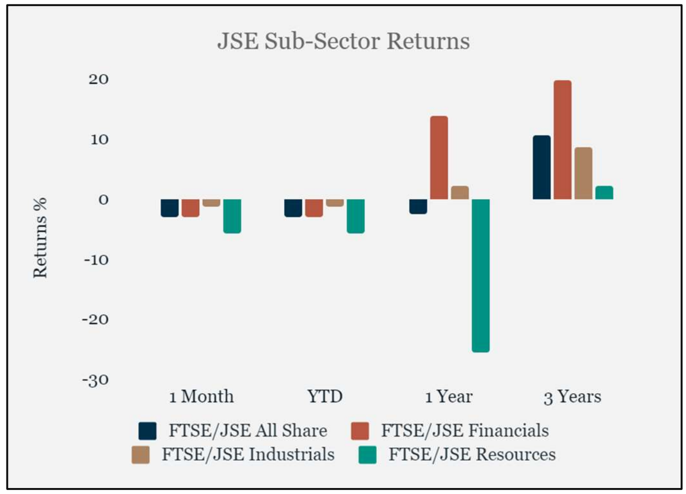
South African Market

Following a strong end to 2023 with markets doing well across the board in November and December, the start of 2024 was more mediocre as January delivered mixed results. Local financial markets were down for the month, with the FTSE/JSE All Share Index (ALSI) losing (2.93%). The Mining sector were one of the bigger contractors, mostly dragged lower by weaker commodity prices. Companies geared towards the local sector, also dragged the ALSI lower, while companies focussed on offshore earnings, made positive gains during the month.

Local inflation (CPI) cooled for a second continuous month from its brief spike in November to 5.1%, down from 5.5% the previous month. Inflation has moved closer to the 4.5% midpoint of the SA Reserve Bank's (SARB) target band, where it prefers to anchor expectations. The biggest contributors to inflation were food and transports costs, which rose 8.5% and 2.6% respectively. The core inflation rate, which excludes food and energy costs, came in at 4.5%, the same as the month before, and is right at the midpoint of the SARB target range. The inflation forecast was kept at 5% for 2024 and was slightly revised upward to 4.6% for 2025 (4.5% in November 2023).

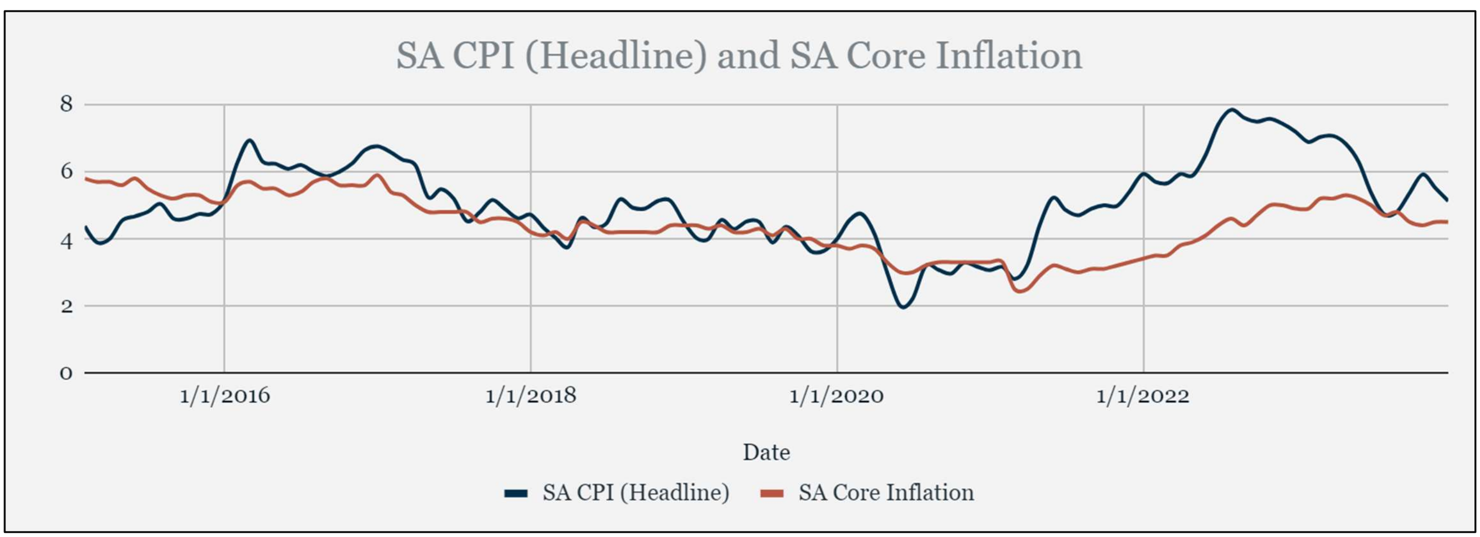
JSE Sub-Sector Trailing Returns:



Source: Morningstar

The South African Reserve Bank's MPC decided to keep rates on hold at 8.25% for a fourth consecutive interest rate-setting meeting in January 2024. The MPC's tone is still on the hawkish side, highlighting the persistence of inflation risks while emphasizing a balanced evaluation of risks to medium-term growth.

SA Inflation Rate:



Source: Morningstar

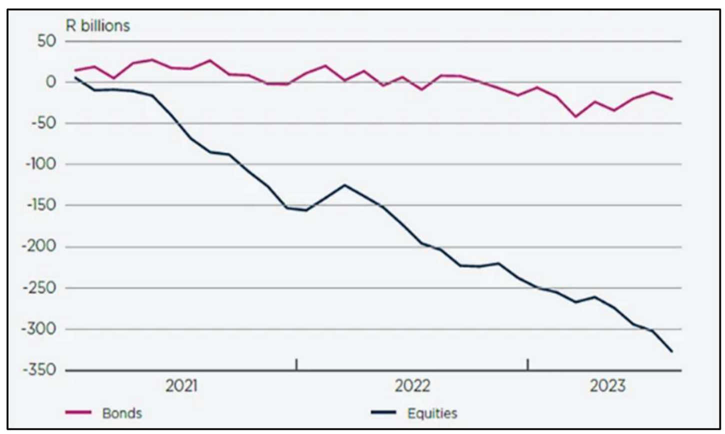
The rand weakened over January and experienced another volatile month, reaching a high of R19.20/$ during the month, finally settling at R18.69/$ weakening 1.94%. Local issues appear to be the main culprit behind the current Rand weakness, with ongoing energy, logistics and infrastructure crises hindering growth. As per the current level the Rand remains far removed from its fair value of R15/$. The Rand has experienced increased volatility, largely due to shifts in expectations for US interest rates within the financial markets. Currently, the Fed funds futures suggest there will be a rate cut in June followed by another in July. This adjustment has led to a recalibration of currency pairs and has also contributed to the strengthening of the USD. The Bloomberg table of currency rankings shows the Rand is still around the bottom quarter of EM currencies losing 7% on a 1-year basis.

In contrast to local equities, the local bond market (ALBI) gave a positive return for the start of the year, returning 0.71% during January. The SA 10-year government bond yield ended the month mostly unchanged, ending the month at 11.19%. Global and domestic market events have driven the modest volatility, with the local government budgeting for higher borrowings, which is undercutting fiscal sustainability.

The South African economy has been notably affected by the movement of investment inflows and outflows over the last period. In a recent research paper from the SARB Economic Research Department, the Reserve Bank first noted its concerns that South Africa experienced significant outflows from foreign investors during the latter part of 2023. The foreign ownership share of government bonds has declined notably, from around 40% to 25%. As the government has issued more and more bonds, they have primarily been bought by local banks, pension funds and unit trusts. The SARB attributed the significant outflows to local structural economic issues and geopolitical tensions caused by the country's own actions. The upcoming State of the Nation address and the Budget announcement in February are highly anticipated for insights into how the government plans to tackle these issues.

The seasonally adjusted PMI dropped to 43.6 points in January from 50.9 in December, falling below the 50-point mark that separates expansion from contraction, the lowest level since mid-2021. The index was mostly dragged down by a sharp fall in the new sales orders sub-index, a common indicator of demand. This early indicator of economic performance for 2024 implies that the manufacturing sector, and consequently the broader economy, has started the year on a more negative footing than initially anticipated. The International Monetary Fund (IMF) downgraded its economic growth forecasts for South Africa, warning that logistical challenges are constraining activity and acting as a drag on the entire region. The downward revision for 2024 of 20 basis points, from October 2023 mainly reflects a weaker projection for South Africa on account of increasing logistical constraints.

<u>Cumulative non-resident flows in equity & bond markets:</u>



Source: JSE & SARB

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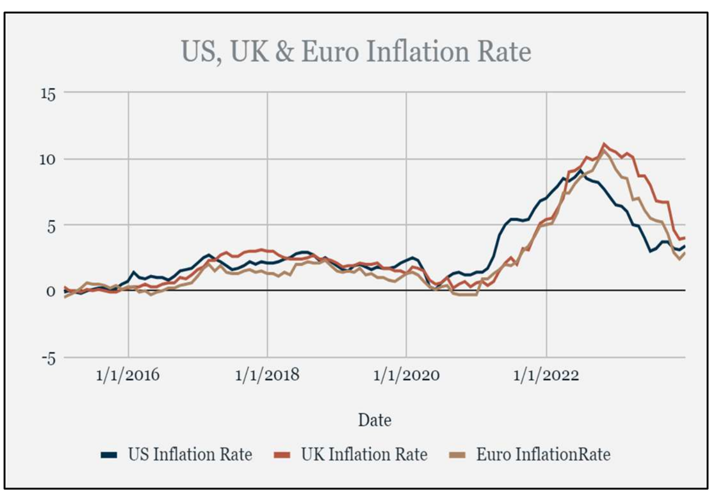
Global Markets

Global financial markets were mixed in January, with US shares advancing in January, supported by some strong corporate earnings and data suggesting a soft landing for the economy will be achieved. Hopes of imminent rate cuts also boosted shares, although such hopes were dashed by the Federal Reserve at month end. The MSCI ACWI rose 0.23% in January. Communication services and information technology were among the strongest sectors, mainly supported by robust earnings and positive outlook statements from some of the 'Magnificent Seven' large cap companies. In the developed world, equities continued their upward trend, led by a strong US market, with the MSCI World Index returning 0.77%. EM markets underperformed, with China being the main drag on performance, the MSCI EM Index returned (4.64%) during January.

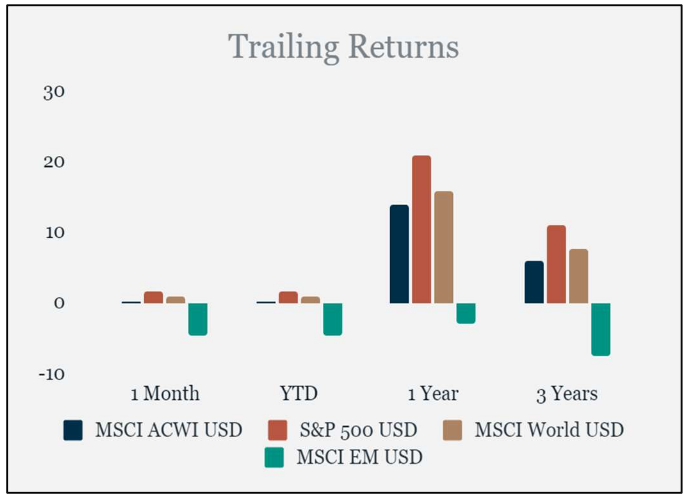
Inflation ticked higher in the US last month as the Federal Reserve weighs the latest stage of its battle against price growth. Headline inflation increased at an annual pace of 3.4%, up from 3.1% in the previous month. Housing costs drove the index higher, and were responsible for more than half the headline increase. Core inflation, which excludes food and energy, slowed to an annual rate 3.9%, from 4% the previous month. The Fed held a policy setting meeting at the end of the month, where the Fed again kept the target range for its benchmark rate at 5.25-5.5%.

US, UK & Euro Area Inflation Rates:



Source: US Bureau of Labour Statistics

Global Indices Trailing Returns:



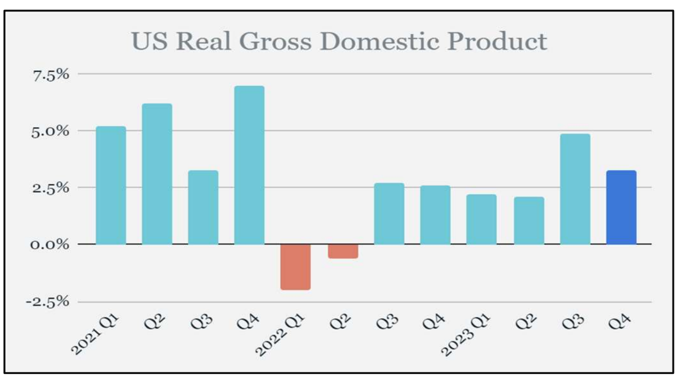
Source: Morningstar

Fed Chairman Jerome Powell said policymakers do not expect to cut rates in March, as some investors have been hoping for previously. While he acknowledged that most members expect to start reducing rates this year he said, for now, the bank was looking for "greater confidence" that the inflation would continue to fall. While growth has slowed and some sectors such as housing have been hit, the economy has remained unexpectedly resilient, relieving pressure on the Fed to act more drastically.

UK inflation rose unexpectedly to 4.0%, up from 3.9% the previous month, the first increase for 10 months. The increase in the annual rate was largely the result of increases in the cost of tobacco – after the chancellor, Jeremy Hunt, announced higher duty in the autumn statement – and alcohol. Core inflation was unexpectedly unchanged at 5.1%. The OECD has however mentioned that the attacks in the Red Sea, which have disrupted shipping through the Suez Canal, could also trigger a second round of inflationary pressure. The Bank of England left its key interest rate unchanged at 5.25%, but signalled it is likely to lower borrowing costs this year for the first time since 2020, though perhaps not as soon as investors expect.

The US economy grew at a more rapid pace than expected in the fourth quarter of 2023. The US GDP grew at an annualised rate of 3.3% and for the year as a whole GDP growth was 3.1%, well ahead of the Wall Street outlook at the beginning of 2023. As had been the case through the year, the strong pace of consumer spending helped drive the expansion. Personal consumption expenditures increased 2.8% for the quarter, down just slightly from the previous period. A resilient consumer and a powerful labour market helped propel the economy through the year. The labour market data remained firm with non-farm payrolls showing 353,000 jobs added in January and the unemployment rate steady at 3.7%. Wage growth ticked higher in January, as average hourly earnings jumped 0.6%, outpacing the 0.4% monthly gains reported in the last 2 months of 2023. Including January's gains, wages have increased 4.5% over the past 12 months.

US Real GDP Growth:

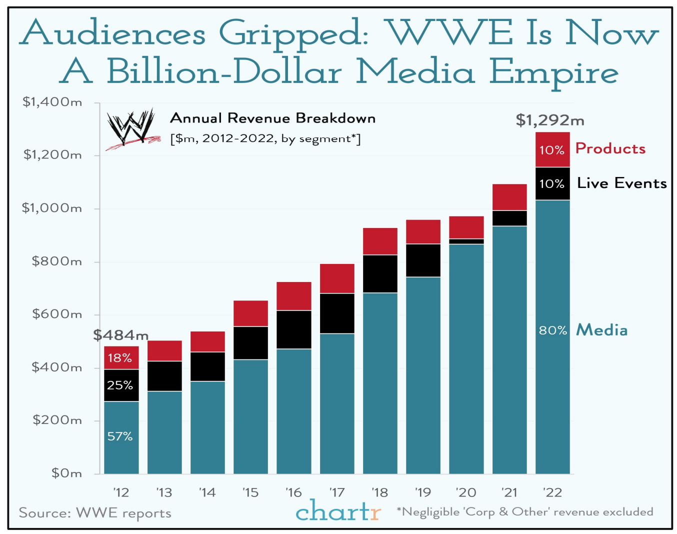


Source: US Bureau of Labour Statistics

In January, global government bond markets saw a partial reversal in the positive performance experienced at the end of 2023. Developed market bonds experienced some sell-off on the back of inflation numbers, in contrast to developed market equities, with the global bond index returning (1.82%) in January. Global government bond markets saw a partial reversal in the positive performance experienced at the end of 2023. Developed market bonds experienced some sell-off on the back of inflation numbers, in contrast to developed market equities, with the global bond index returning (1.82%) in January.

Yields rose across all major government bond markets, with US 10-year government bond yields rising from 3.88% to 3.95%, while the UK 10-year rose from 3.54% to 3.80%. The Dollar rebounded versus its G10 peers after the Fed offered a neutral and less dovish outlook on rates than many investors had expected. The Dollar Index, rose by 2.3% during January, its best month since September.

WWE Market Cap:



Netflix announced during the month that they will soon be home to the WWE's most-watched wrestling show, as part of a multibillion-dollar deal that will see the streaming giant enter the ring to compete in covering live sports. The streaming giant is acquiring the rights to WWE Raw in a $5 billion deal to be paid out over 10 years, as the wrestling group's contract with Comcast nears its expiration. The agreement highlights the opportunities companies such as Netflix, Amazon, Disney and Paramount Global see in streaming sports content. Shares of WWE parent company, TKO Group, rose significantly after news of the deal became public, rising by more than 20%. Netflix's share price is also up 18.65% YTD, as the streaming service announced a major boost in sign-ups in the fourth quarter, adding more than 13 million subscribers for the quarter.

Asset Class Performance Table

The below performance tables show the trailing returns, over various periods, for the 4 main indicative sources of return per asset class and separated for South African and Global indices. The tables show performance in ZAR and USD. Performance data runs up to 31st January 2024.

Asset Class Performances in ZAR

As of 31st January 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	1.94	1.94	21.57	13.76	18.01	14.41
Global Property	(2.57)	(2.57)	3.68	8.50	8.19	10.13
Global Bond	(0.14)	(0.14)	6.02	0.08	5.13	4.72
Global Cash	2.18	2.18	12.53	10.10	9.21	6.77
SA Equity	(2.93)	(2.93)	(2.61)	10.50	10.61	8.72
SA Property	4.06	4.06	15.78	17.68	(0.72)	4.11
SA Bond	0.71	0.71	7.33	7.41	7.78	8.41
SA Cash	0.67	0.67	7.91	5.53	5.50	5.91

ZAR/USD (negative = Rand strength)	1.94	1.94	7.00	7.18	7.02	5.27
Gold	0.50	0.50	7.01	7.71	13.32	8.29
Brent Crude Oil	7.87	7.87	3.21	21.80	13.10	2.42

*Returns more than 1 year are annualized.

Asset Class Performances in USD

As of 31st January 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	0.23	0.23	13.92	6.01	10.31	8.72
Global Property	(4.20)	(4.20)	(2.85)	1.11	1.12	4.65
Global Bond	(1.82)	(1.82)	(0.65)	(6.73)	(1.73)	(0.49)
Global Cash	0.47	0.47	5.44	2.60	2.08	1.46
SA Equity	(4.56)	(4.56)	(8.74)	2.98	3.38	3.31
SA Property	2.32	2.32	8.49	9.67	(7.20)	(1.06)
SA Bond	(0.97)	(0.97)	0.57	0.10	0.74	3.02
SA Cash	(1.01)	(1.01)	1.11	(1.65)	(1.39)	0.65

ZAR/USD (negative = Dollar strength)	(1.90)	(1.90)	(6.54)	(6.70)	(6.56)	(5.01)
Gold	(1.18)	(1.18)	0.27	0.38	5.92	2.90
Brent Crude Oil	6.06	6.06	(3.29)	13.50	5.71	(2.67)

*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 January 2024.

	YTD	1/2024	1/2023	1/2022	1/2021	1/2020	1/2019	1/2018	1/2017	1/2016	1/2015	1/2014	1/2013
Best	SA Property 4.1	Global Equity 21.6	Global Cash 15.3	SA Property 37.4	Global Equity 18.7	Global Equity 31.0	Global Property 19.6	SA Equity 16.1	SA Property 15.4	Global Cash 37.0	SA Property 46.4	Global Equity 42.9	Global Property 37.1
	Global Cash 2.2	SA Property 15.8	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 33.5	Global Property 31.6	Global Property 27.1	Global Equity 32.3
	Global Equity 1.9	Global Cash 12.5	SA Fixed Income 6.4	SA Equity 23.9	SA Fixed Income 8.2	Global Fixed Income 19.2	Global Fixed Income 10.6	SA Fixed Income 10.8	SA Equity 10.3	Global Equity 28.0	SA Fixed Income 21.2	Global Cash 25.3	SA Property 31.0
	SA Fixed Income 0.7	SA Cash 7.9	SA Cash 5.2	Global Equity 15.8	Global Fixed Income 7.5	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 22.8	SA Equity 23.7
	SA Cash 0.7	SA Fixed Income 7.3	Global Equity 4.6	SA Fixed Income 8.5	SA Cash 4.3	SA Fixed Income 8.5	SA Cash 6.6	SA Property 3.9	Global Equity 1.3	SA Cash 5.8	Global Equity 11.0	SA Equity 14.9	Global Cash 14.8
	Global Fixed Income -0.1	Global Fixed Income 6.0	SA Property 2.4	SA Cash 3.6	Global Cash 0.7	SA Equity 7.1	Global Equity 3.5	Global Fixed Income -4.9	Global Property -7.2	SA Equity -1.1	SA Cash 5.5	SA Cash 4.8	SA Fixed Income 13.7
	Global Property -2.6	Global Property 3.7	Global Fixed Income -1.6	Global Cash 2.9	Global Property -9.3	SA Cash 6.6	SA Equity -6.1	Global Property -5.0	Global Fixed Income -13.5	SA Property -2.4	Global Cash 4.3	SA Property -0.3	Global Fixed Income 13.5
Worst	SA Equity -2.9	SA Equity -2.6	Global Property -2.4	Global Fixed Income -3.9	SA Property -34.6	SA Property -9.5	SA Property -9.4	Global Cash -10.9	Global Cash -14.8	SA Fixed Income -5.6	Global Fixed Income 1.6	SA Fixed Income -2.7	SA Cash 5.1

Source: Morningstar Direct