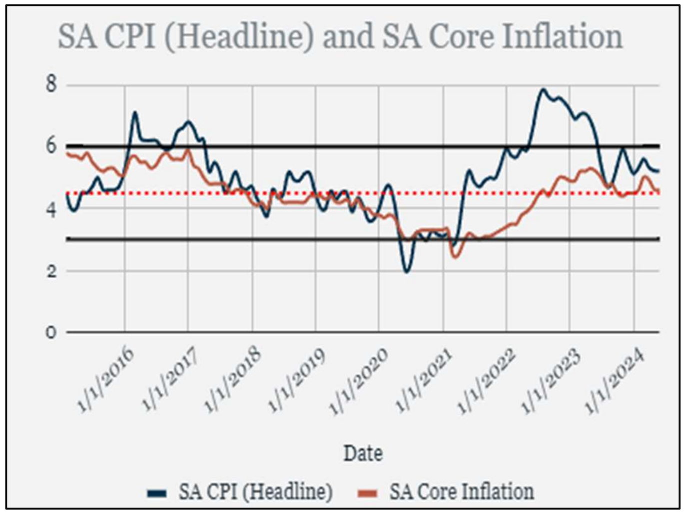
South African Market

The local equity market surged in June amid renewed investor optimism following President Cyril Ramaphosa's re-election as President and the formation of a Government of National Unity (GNU) lead by the ANC, incorporating the DA, and 9 other smaller parties (but excluding the far-left leaning MK and EFF). The FTSE/JSE ALSI index led global benchmarks for most of the month returning 4.08% by the end of June, reversing recent outflows and beating out the rest of their EM counterparts. With a more than favourable outcome from the election, companies tied to the local economy saw an improving sentiment. The financial sector was the biggest benefactor of this as the sector rose 14.51%. Conversely, resources retreated on the back of weaker commodity prices, especially iron ore, losing (3.67%).

Local inflation (CPI) remained steady at 5.2% YoY in June, unchanged from the previous month and in line with market expectations. However, the inflation rate continues to exceed the central bank's target of 4.5%. Transport and food costs remain the primary drivers of inflation, although these two factors have begun to diverge. Food inflation remained constant at 4.7%, aligning with the overall inflation rate, while transport inflation rose to 6.3% YoY due to higher fuel and public transport costs. There was some relief for fuel prices during June, which dropped by 4.93%.

SA inflation Rate:



Source: Trading Economics

Core inflation, which excludes food and energy costs, also remained unchanged at 4.6% year-on-year, situated near the mid-point of the SARB target range.

The SARB's MPC kept interest rates unchanged at their last meeting at 8.25%. Current economic activity indicators have been coming in slightly worse than SARB expected, with inflation projected to stabilize at the 4.5% midpoint only by the second quarter of next year. Although the MPC assesses the inflation forecast risks to be broadly balanced at present, the committee remains concerned that inflation expectations remain elevated after three years of inflation being above 4.5%.

Asset Class Performance (ZAR):

As of 30th June 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	(1.21)	10.31	14.86	14.08	16.71	14.71
Global Property	(2.27)	(3.62)	1.84	4.27	5.85	9.12
Global Bond	(3.09)	(4.56)	(4.11)	1.40	2.21	4.36
Global Cash	(2.57)	2.63	2.15	12.20	7.76	7.33
SA Equity	4.08	5.75	9.14	10.96	10.57	8.18
SA Property	5.95	9.55	26.25	11.65	0.90	3.24
SA Bond	5.24	5.55	13.73	7.62	7.82	8.21
SA Cash	0.61	3.96	8.18	6.17	5.61	6.03

ZAR/USD (negative = Rand strength)	(3.49)	(0.63)	(3.47)	8.32	5.24	5.52
Gold	(3.27)	9.53	10.51	14.56	12.65	9.06
Brent Crude Oil	3.32	11.99	11.51	13.72	10.95	2.81

*Returns more than 1 year are annualized.

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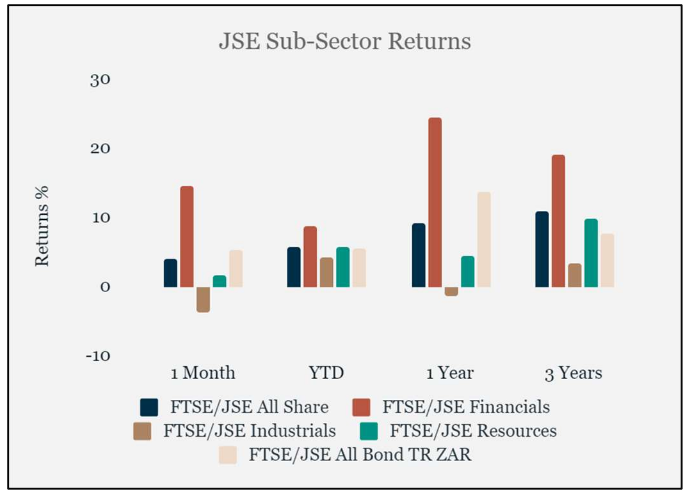
After a volatile May, the Rand reached its strongest level in over a year, briefly breaking through the R18/USD mark before ending the month at R18.18/USD, gaining 3.49%. The currency led gains among EM peers and was one of only two major EM currencies to appreciate against the Dollar this year, alongside the Russian Ruble. However, the Rand experienced some volatility in mid-June due to stalled negotiations between the pro-business DA and centre left ANC over cabinet posts and the possibility of a GNU that excludes the DA. A favourable agreement was eventually reached, further boosting investor sentiment and strengthening the Rand. The currency's direction continues to be influenced by global events, particularly in the US markets.

Local bonds, much like equities, performed strongly in June. The All-Bond Index (ALBI) gained 5.24% during the month, surpassing the performance of the local equity market. The index has now moved firmly out of negative territory, with a year-to-date return of 5.55%. South African yields began trending downward as the GNU was finalized. The 10-year government bond yield fell below the 12% mark to 11.24%, down from 12.04% the previous month. However, the long end of the yield curve remains around 12% after the shallowing of the yield curve. Simultaneously, the yield spread between South African and US bonds narrowed, indicating positive relative performance of local bonds and a significant shift in risk sentiment. The SA-US 10-year spread decreased to 5.64%, down from 5.96%.

Economic activity in South Africa slightly decreased in the first quarter of 2024, with real gross domestic product (GDP) contracting by (0.1%) after a revised 0.3% expansion in the previous quarter. This decline was mainly due to contractions in key sectors such as manufacturing (-1.4%), mining (-2.3%), and construction (-3.1%), which together make up about 25% of South Africa's economy. During Q1 2024, only two sectors showed growth: agriculture at 13.5% and trade at 0.1%. Despite the slight contraction in the first quarter, the level of real GDP was 0.5% higher than the same period a year earlier. The second quarter is expected to see a rebound amid reduced load shedding.

JSE Sub-Sector Returns:

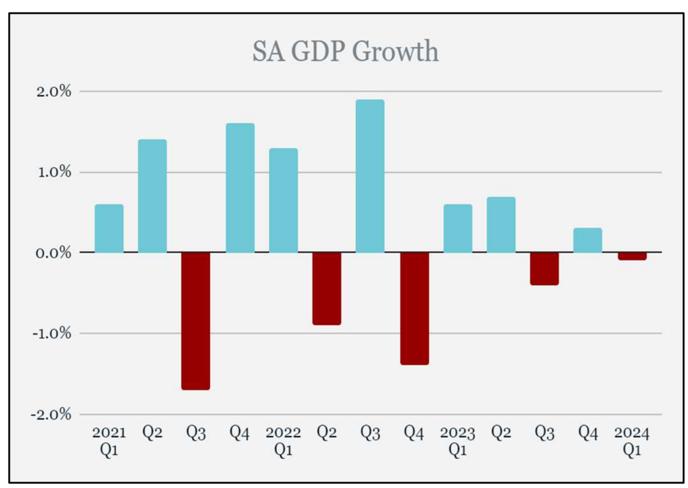


Source: Morningstar (Returns more than 1 year are annualized)

With the election results finalized and an enlarged cabinet announced late on Sunday the 30th of June the focus will be on the delivering on some of the key policies and infrastructure needs. The GNU has boosted investor sentiment with a commitment to accelerating reform measures, such as controlling and reducing state debt and addressing power shortages (read fix ESKOM sustainably) and major logistical blockages i.e. fix Transnet, railways and ports quickly and sustainably.

Additionally, the exclusion from the GNU of parties advocating for land expropriation without compensation and the nationalization of mines and banks has further bolstered investor confidence.

SA GDP growth:



Source: Trading Economics

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Global Markets

Global equity markets continued their upward momentum from the previous month, heavily influenced by mega-cap tech stocks. The MSCI ACWI rose 1.86% during the month, with the majority of returns driven by these mega-cap stocks. The S&P 500 experienced its best start to the year since 2019, with the Tech, Communications, and Consumer Discretionary sectors remaining at the forefront. However, the S&P 500, excluding the mega-cap tech stocks, was slightly down for the month. Emerging markets also had a strong performance, gaining 4.01% in USD terms, with Indian stocks contributing positively following an election that maintained PM Modi's power in government for a third term, however now as a coalition government. Developed markets also saw positive returns, albeit at a slower pace than their EM counterparts, with a gain of 1.62%.

The Inflation rate in the US eased for a second straight month to 3.3% YoY, down from 3.4% the previous month. Even though inflation is starting to trend downwards, it still remains above the 2% target range set out by the Fed. Prices were mostly held in check by a drop in food inflation, easing further to its lowest reading since 2020 to 2.1%. Conversely, Energy costs rose more than expected to 3.7% YoY. The core inflation rate, which excludes prices for food and energy, eased further to 3.4%YoY, down from 3.6% the previous month.

__Global Indices Trailing Returns:__

Source: Morningstar (Returns more than 1 year are annualized)

In its June meeting, the US Federal Reserve announced it would maintain the federal funds rate within the current range of 5.25% to 5.5%. Fed Chair Jerome Powell acknowledged "modest" progress in inflation, a notable departure from his earlier statement indicating a "lack of further progress." The Fed reaffirmed its commitment to achieving its dual goals of lowering inflation to its 2% target and maximizing employment. Despite inflation easing and a more balanced job market this year, the Fed remains cautious due to uncertainties in the economic outlook, particularly concerning inflation risks. The Fed's updated projection now anticipates only one rate cut in 2024, a significant reduction from its previous forecast of four cuts.

__Asset Class Performance (USD):__

As of 30th June 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	1.86	10.47	18.83	5.10	10.84	8.68
Global Property	0.77	(3.48)	5.36	(3.93)	0.51	3.39
Global Bond	(0.08)	(4.42)	(0.80)	(6.58)	(2.94)	(1.13)
Global Cash	0.46	2.79	5.68	3.37	2.34	1.69
SA Equity	7.32	5.91	12.91	2.23	5.00	2.49
SA Property	9.24	9.72	30.62	2.86	(4.19)	(2.19)
SA Bond	8.51	5.71	17.67	(0.85)	2.39	2.52
SA Cash	3.73	4.12	11.92	(2.19)	0.29	0.45
ZAR/USD (negative = Dollar strength)	3.61	0.64	3.60	(7.68)	(4.98)	(5.23)
Gold	(0.26)	9.70	14.33	5.55	6.97	3.32
Brent Crude Oil	6.53	12.16	15.37	4.77	5.36	(2.60)

*Returns more than 1 year are annualized.

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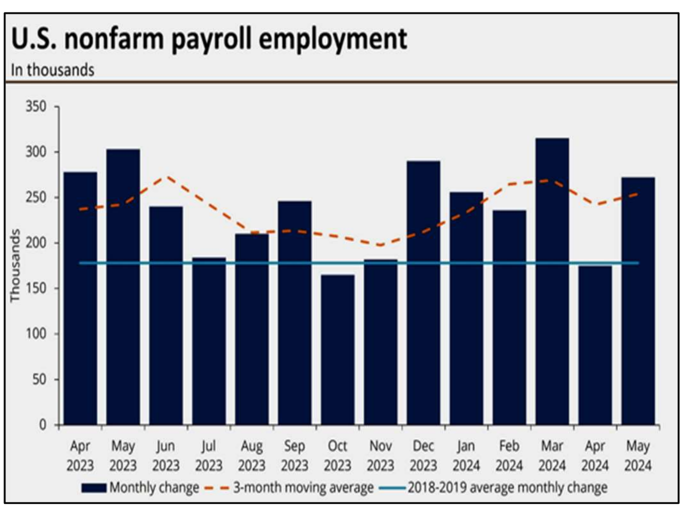
UK inflation decelerated to 2%, down from 2.3% the previous month, marking the first time in nearly three years that it met the Bank of England's target. This decline was primarily driven by a sharp easing in food price increases, while price rises in the services sector remained elevated at 5.7% year-on-year, slightly lower than the previous month's 5.9%. Core inflation, which excludes food and energy prices, also decreased to 3.5%. The Bank of England opted to keep interest rates unchanged at 5.25% during its latest meeting in June. The Bank highlighted that the persistent high rates of services and core inflation suggest potential ongoing upward pressure, indicating a need for further evidence of diminishing inflation persistence before considering rate cuts. Meanwhile, the UK prepares for its general election on July 4, with polls indicating a potential landslide victory for the opposition Labour Party, likely ending the Conservative Party's 14-year tenure in office.

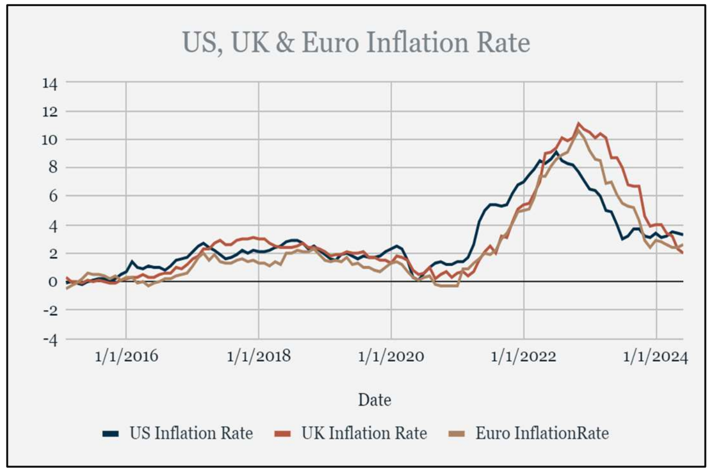
In the foreign exchange markets, the US Dollar regained some ground after the pullback in May, ending the month stronger against a pool of major currencies, gaining 1.18%. The Yen sank to a 38-year low against the US Dollar, as the Japanese currency unit continued its downward spiral, with market participants on high alert for Japanese intervention to boost the currency. The US Dollar still remains on the defensive, pressured by softening data that backs expectations the Fed will start cutting interest rates this year.

<u>US Employment</u>



Source: Bloomberg Financial

<u>US/UK/Euro Inflation Rate:</u>



Source: Trading Economics

Global bonds were mostly flat for the month and saw little movement in June, ending the month down (0.08%), keeping the index in negative territory YTD (4.42%). Yields on benchmark US 10-year treasuries, which move inversely to bond prices, have bounced between 4.20% and 4.35% since mid-June, as the market digested data showing slowing inflation and signs of cooling economic growth in some indicators. The 10-year yield ended the month down 10 bps lower at 4.40%.

Much of this year's strength in the equity markets has relied on robust earnings growth forecasts. Recent data from the ISM indicate that manufacturing activity contracted in June, with both service-sector employment and new orders showing declines. The Manufacturing PMI fell to 48.5 from 48.7 in May, while New Orders Index remained below the expansion threshold but improved slightly to 49.3 in June. In addition, the first US presidential debate in June introduced further uncertainty among investors regarding the outcome of the November elections. Meanwhile, the US labour market has started to show signs of slowing, with forecasts showing companies are hiring at a more restrained pace in June and wage growth cooling in private payrolls. However, the surge in nonfarm payrolls for May has increased the three-month average employment gain to 249,000, up from 237,000. The average is still more elevated compared against the end of 2023, and at the current rate not sufficient to bring inflation down to the Fed’s 2% target.

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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 30th June 2024.

	YTD	6/2024	6/2023	6/2022	6/2021	6/2020	6/2019	6/2018	6/2017	6/2016	6/2015	6/2014	6/2013
Best	Global Equity 10.3	SA Property 26.3	Global Equity 34.5	Global Cash 15.1	SA Property 25.2	Global Fixed Income 27.6	Global Property 11.8	Global Equity 16.9	SA Fixed Income 7.9	Global Property 42.5	SA Property 27.0	Global Equity 32.9	Global Equity 42.9
	SA Property 9.6	Global Equity 14.9	Global Cash 20.1	SA Equity 4.7	SA Equity 25.1	Global Equity 25.2	SA Fixed Income 11.5	SA Equity 15.0	Global Equity 7.1	Global Fixed Income 34.6	Global Equity 15.6	SA Equity 32.7	Global Property 34.5
	SA Equity 5.8	SA Fixed Income 13.7	SA Equity 19.6	SA Cash 3.8	Global Equity 16.5	Global Cash 25.0	Global Fixed Income 8.3	Global Property 11.2	SA Cash 7.0	Global Cash 21.1	Global Property 15.3	Global Property 24.5	SA Property 24.0
	SA Fixed Income 5.6	SA Equity 9.1	Global Fixed Income 12.4	SA Fixed Income 1.3	SA Fixed Income 13.7	SA Cash 6.0	Global Equity 8.0	SA Fixed Income 10.2	SA Property 2.8	Global Equity 16.6	Global Cash 14.3	Global Fixed Income 14.6	Global Cash 21.7
	SA Cash 4.0	SA Cash 8.2	Global Property 11.1	SA Property 0.2	Global Property 11.6	Global Property 5.0	SA Cash 6.6	SA Cash 6.7	SA Equity 1.7	SA Property 11.0	SA Fixed Income 8.2	Global Cash 7.3	SA Equity 21.0
	Global Cash 2.6	Global Cash 2.2	SA Property 10.0	Global Property 0.2	SA Cash 3.5	SA Fixed Income 2.8	Global Cash 5.4	Global Fixed Income 6.6	Global Cash -9.9	SA Cash 6.3	SA Cash 5.6	SA Property 6.0	Global Fixed Income 15.8
	Global Property -3.6	Global Property 1.8	SA Fixed Income 8.2	Global Fixed Income -3.3	Global Fixed Income -16.1	SA Equity -3.3	SA Equity 4.4	Global Cash 6.3	Global Property -11.8	SA Fixed Income 5.2	SA Equity 4.8	SA Fixed Income 5.5	SA Fixed Income 6.2
Worst	Global Fixed Income -4.6	Global Fixed Income -4.1	SA Cash 6.6	Global Equity -3.9	Global Cash -17.7	SA Property -40.0	SA Property 0.8	SA Property -9.9	Global Fixed Income -14.5	SA Equity 3.8	Global Fixed Income 3.4	SA Cash 5.0	SA Cash 4.8

Source: Morningstar Direct