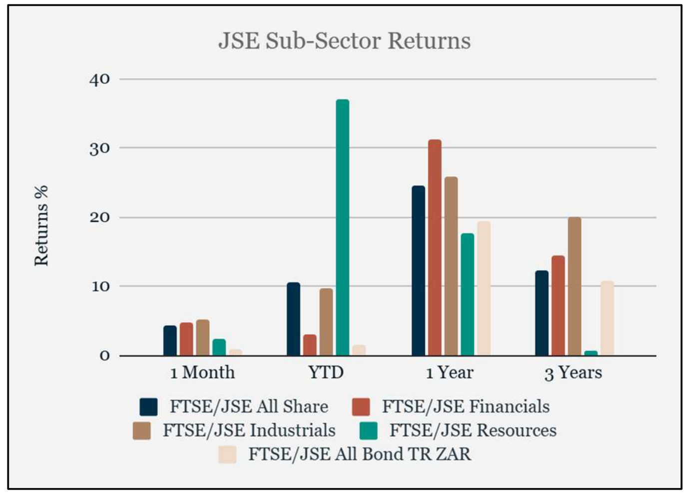
STAR INVESTMENT PARTNERS

South African Market

The local equity market experienced a sharp decline at the beginning of the month, dropping (9.24%) following the US announcement of new import tariffs that particularly impacted South African exports to the US, with up to 30% "reciprocal" tariffs on top of the minimum 10% imposed on all imports. However, the local markets began to recover, mirroring global market trends, after a 90-day suspension was placed on all tariffs, providing countries an opportunity to negotiate more favorable trade terms. The FTSE/JSE ALSI index ultimately closed the month with a 4.34% gain. Rising gold prices helped maintain positive performance in the resource sector, which returned 2.44%, while most other mining sectors generally underperformed. The local market's positive performance was broadly distributed further, with the financial sector advancing 4.75% following earnings that exceeded expectations.

Local inflation fell for the first time in five months, to its lowest level since June 2020. Headline consumer inflation decreased to 2.7% YoY from the previous month's 3.2%, falling below the South African Reserve Bank's target range of 3%-6% for the third time in six months. The decline in the fuel index contunued, with fuel prices dropping 8.23% YoY, being the primary factor in this reduction. However, food inflation increased slightly to 2.2%, with maize meal prices remaining problematic, particularly for lower-income households.



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

Core inflation, which excludes volatile food and energy prices, fell to 3.1% from 3.4% the previous month.

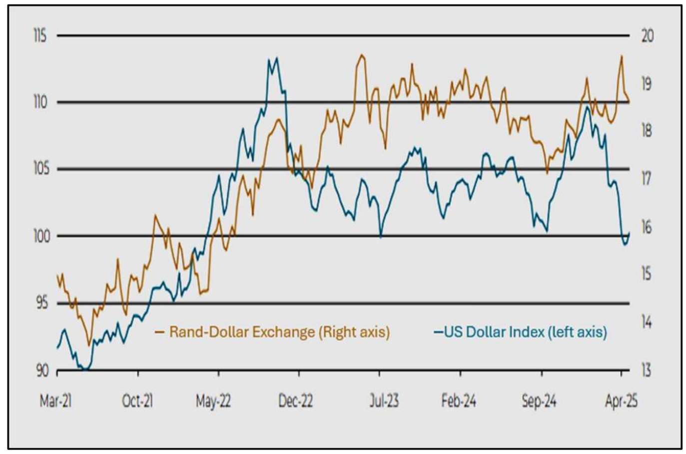
During the March monetary policy meeting, the SARB maintained the benchmark repo rate at 7.5%, pointing to the global economic landscape as the main reason for pausing after three successive 25 basis point reductions. The Monetary Policy Committee will convene again in late May, with market opinions divided on whether rates will be reduced or maintained. The SARB's principal concern is exchange rate stability, and given the increased global uncertainty created by the Trump administration's tariff policies, the bank will likely postpone further interest rate cuts until the situation becomes more predictable. Should inflation remain under control, the SARB may find opportunity to begin reducing interest rates by mid-year.

Asset Class Performance (ZAR):

As of 30th April 2025	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	2.18	(1.90)	10.20	16.21	13.64	13.80
Global Property	1.60	0.78	12.41	3.92	6.45	8.24
Global Bond	4.76	4.59	7.11	5.72	(1.84)	4.85
Global Cash	1.53	0.04	3.73	10.37	3.00	6.57
SA Equity	4.34	10.54	24.60	12.36	16.97	9.00
SA Property	7.58	3.81	29.68	15.04	19.10	2.18
SA Bond	0.76	1.47	19.44	10.73	11.05	8.54
SA Cash	0.59	2.43	7.92	7.35	5.86	6.22
ZAR/USD (negative = Rand strength)	1.10	(1.55)	(1.18)	5.58	0.16	4.53
Gold	6.59	21.51	34.34	20.37	10.29	12.58
Brent Crude Oil	(12.74)	(15.71)	(29.03)	(12.10)	20.41	3.93

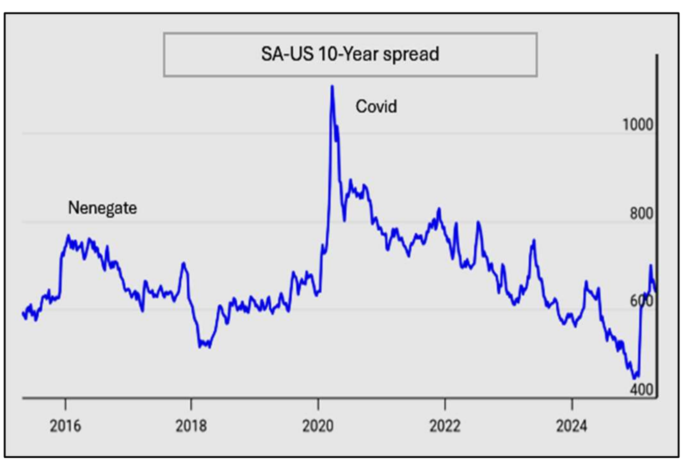
*Returns more than 1 year are annualized.

The Rand experienced marked volatility throughout the month, with its movement continuing to be primarily influenced by events in the United States. The currency responded predictably during April's period of extreme global risk aversion. The Rand depreciated from R18.38 at the beginning of April to R19.92 (a historical low), before recovering most of these losses to end the month at R18.59/USD, registering a (1.10%) decline. Against the USD, the ZAR remains under pressure, particularly due to the South African government's foreign policy stance, which prevented the currency from benefiting from the generally weaker US Dollar.



Source: LSEG Data

South African bonds exhibited volatility over the past month, reacting to both global bond market fluctuations and uncertainties regarding the future of the GNU due to significant disagreements on fiscal policy. The South African government's 10-year borrowing rate ended the month essentially unchanged, though similarly to global interest rates, it experienced sharp fluctuations during the period, exceeding 11% in the early part of the month. The substantial yield increases during the month caused the All-Bond index (ALBI) to decline significantly, but as these yields returned to previous levels, the index recovered, finishing the month up 0.76%. At the end of April, the yield differential between South African and US 10-year government bonds stood at 6.4%. This spread had narrowed to approximately 4.8% by the end of 2024, representing the smallest gap since 2018. However, difficulties in passing this year's national budget through parliament caused the spread to widen sharply, surging back above 7%. The postponement in tariff implementation subsequently helped reduce this differential to below the 7% threshold once again.



Source: World Government Bonds

South Africa is restarting its Budget process after the planned 0.5% VAT increase, scheduled to take effect on May 1st, was withdrawn in late April. This proposed VAT hike became politically untenable for the ANC-led Government of National Unity (GNU). In response, the ANC and DA reached an agreement to eliminate the VAT increase and implement expenditure cuts instead. This decision demonstrates a broader dedication to fiscal responsibility aimed at stabilizing the national debt trajectory. The elimination of the VAT increase modifies the fiscal outlook, increasing the government's dependence on debt markets. Under the National Treasury's original baseline, gross borrowing requirements were estimated at R582 billion. Without the additional VAT revenue, this figure could increase to R595 billion. The third Budget speech is now scheduled for May 21st, though it will be based on a less optimistic growth outlook compared to Budget 1.0 presented in mid-February.

Fiscal policy also now faces increased slippage risks due to the reversal of the planned VAT increase. This development, during a period of risk aversion, will continue to negatively impact South Africa's sovereign rating outlook and funding costs. The IMF has also downgraded the country’s growth forecast from January's 1.5% projection to just below 1.0% in April. With the country continuing to grapple with persistent unemployment and stagnant economic growth, the reduced forecast adds further pressure on policymakers to boost investor confidence.

STAR INVESTMENT PARTNERS

Global Markets

Global financial markets continued to experience instability throughout April as US trade policies reverberated across most markets. The S&P 500 recorded its worst two-day decline since 2020 following President Trump's announcement of reciprocal tariffs, which included a minimum 10% tariff on all US imports. Market sentiment reversed course after President Trump adopted a more moderate stance a week after his initial declaration, resulting in the S&P 500 achieving its strongest single-day performance since 2008. The president announced a 90-day delay in implementing reciprocal tariffs for nations that had not yet introduced retaliatory measures. Despite this significant market turbulence, the MSCI All Country World Index finished the month with a 1.00% gain. Emerging markets slightly outperformed developed markets with a 1.34% return for the month, benefiting from the weaker US Dollar.

US consumer prices declined unexpectedly for the second month in a row, reaching 2.4%, the lowest rate since September 2024 and down from 2.8% in the previous month. Inflation remained subdued largely due to falling energy prices, with gasoline costs dropping 6.3%, contributing to a broader 2.4% decrease in the energy index. Additionally, shelter costs, one of inflation's most persistent components, rose just 0.2% in March and increased 4% YoY, the smallest annual gain since November 2021. Core inflation, which strips out volatile food and energy components, decreased to 2.8% from 3.1% the previous month.

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

Since December, the Federal Reserve has maintained its key interest rate between 4.25% and 4.50%, continuing its strategy to bring inflation down to the bank's long-term 2% target while simultaneously working to keep unemployment in check. Current economic data has not pushed the Fed toward either objective, and while the full impact of President Trump's aggressive import tariffs has yet to materialize, significant uncertainty exists regarding the ultimate scope of these policies and their timing and magnitude of effects on prices and employment. Simultaneously, various "softer" economic indicators like consumer confidence surveys have indicated a marked decrease in optimism about the US economic outlook. The Federal Open Market Committee will convene again in May, with widespread agreement that rates will remain unchanged until a more definitive economic direction emerges.

Asset Class Performance (USD):

As of 30th April 2025	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	1.00	(0.51)	11.56	10.09	13.35	8.87
Global Property	0.43	2.21	13.79	(1.56)	6.17	3.56
Global Bond	3.56	6.07	8.43	0.15	(2.10)	0.31
Global Cash	0.36	1.45	5.01	4.55	2.73	1.96
SA Equity	3.14	12.11	26.14	6.44	16.67	4.29
SA Property	6.34	5.28	31.28	8.97	18.79	(2.24)
SA Bond	(0.40)	2.90	20.91	4.90	10.76	3.85
SA Cash	(0.57)	3.88	9.25	1.69	5.58	1.62

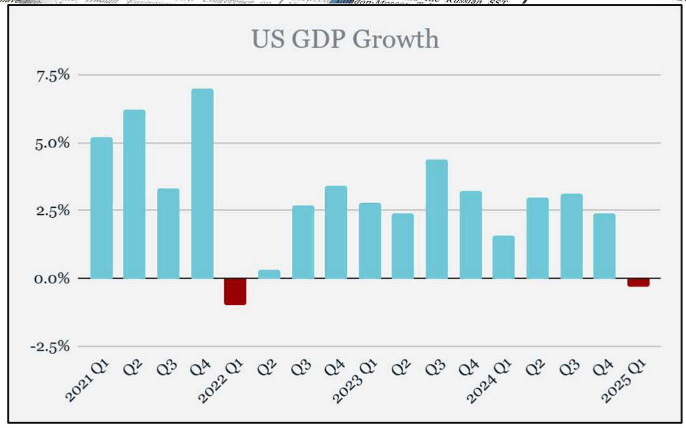
ZAR/USD (negative = Dollar strength)	(1.09)	1.57	1.19	(5.28)	(0.16)	(4.34)
Gold	5.36	23.24	35.99	14.03	10.00	7.71
Brent Crude Oil	(13.75)	(14.52)	(28.16)	(16.73)	20.09	(0.56)

*Returns more than 1 year are annualized.

The US Dollar experienced its third straight decline, recording its worst performance since November 2022 with a (4.6%) contraction. Since the start of the year, the Dollar has faced persistent pressure and exhibited continuing volatility, influenced by both policy decisions and broader economic factors. Inconsistent tariff policies and their consequent impact on the American economy further undermined the "US exceptionalism" narrative, prompting investors to seek wider diversification in their global equity holdings. Gold emerged as April's primary beneficiary amid the uncertainty, advancing 5.36% during the month and is up 23.24% YTD, while also establishing a new all-time high of $3,500. At the height of uncertainty, gold prices reflected worst-case scenarios layered over existing worries about inflation, decelerating global growth, and potential US recession. While these concerns pushed gold prices upward, oil prices suffered significantly, with Brent Crude falling (13.75%) to settle at a four-year low following OPEC+'s decision to accelerate output increases, fueling fears of rising global supply during a period of uncertain demand.

The Dollar's decline has raised alarms because it occurred simultaneously with rising US interest rates an unusual correlation as illustrated in the graph below. Normally, when US bond yields rise, the Dollar strengthens as well. During periods of elevated volatility, Treasury yields typically decrease, as US Treasuries have historically been viewed as a "safe" during volatile times. However, in early April, this pattern reversed as the Dollar depreciated due to widespread tariff implementations that threatened to slow economic growth, while yields rose. These tariff announcements prompted investors to reevaluate economic prospects, contributing to positive performance for global bonds, which gained 3.56%.

Source: Bloomberg



Source: Trading Economics

UK inflation declined more than expected for the second straight month in April. Consumer prices increased by 2.6% YoY, a decrease from the 2.8% rise recorded in the previous month. The lower annual rate was largely influenced by a substantial downward effect from motor fuel prices, which fell by 5.3%. Given the UK's service-dominated economy, the continued reduction in service inflation has intensified pressure on the BoE to consider reducing rates at their upcoming May meeting. Most economic analysts anticipate a 25 basis point rate cut. However, the MPC will need to evaluate how the shifts in US trade policy have altered the UK inflation outlook, and although inflationary pressures are showing a downward trend, the complete impact remains to be fully accounted for in market expectations.

The US economy contracted during the first quarter of 2025, declining at an annualized rate of (0.3%), marking a dramatic shift following nearly three years of robust growth, as uncertainty related to tariffs altered spending behaviors and heightened concerns about a potential recession. According to the Bureau of Economic Analysis' latest GDP report, this represents the first economic contraction since the early 2022 supply chain disruptions during the pandemic. The primary driver behind this economic deceleration was a dramatic 41% surge in imports (which negatively impact GDP calculations) as businesses rushed to acquire foreign products in anticipation of President Donald Trump's announced tariffs. Although some of this import activity may be temporary - with companies likely to reduce foreign purchases in the current quarter due to the implementation of tariffs and the front-loading that occurred earlier in the year - the broader economic indicators remain concerning.

Historic Asset Class Performance Matrix

The performance matrix below shows returns (colour coded) for the 4 main indicative sources of return per asset class and separated for SA 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 2025.

	YTD	4/2025	4/2024	4/2023	4/2022	4/2021	4/2020	4/2019	4/2018	4/2017	4/2016	4/2015	4/2014
Best	SA Equity 10.5	SA Prop-erty 29.7	Global Equity 20.8	Global Cash 19.3	SA Equity 13.2	SA Prop-erty 40.3	Global Fixed Income 37.2	Global Property 28.8	SA Fixed Income 13.8	SA Fixed Income 10.5	Global Property 26.3	SA Prop-erty 38.3	Global Equity 35.3
	Global Fixed Income 4.6	SA Equity 24.6	SA Prop-erty 13.7	Global Equity 17.9	Global Property 13.0	SA Equity 36.4	Global Cash 30.3	Global Equity 20.2	SA Equity 11.4	Global Equity 9.5	Global Fixed Income 26.2	Global Property 26.2	SA Equity 30.1
	SA Prop-erty 3.8	SA Fixed Income 19.4	Global Cash 8.7	SA Equity 12.6	SA Prop-erty 12.2	Global Equity 17.7	Global Equity 20.7	Global Cash 17.3	Global Equity 7.2	SA Cash 7.0	Global Cash 18.9	Global Equity 22.4	Global Property 18.6
	SA Cash 2.4	Global Property 12.4	SA Cash 8.2	Global Fixed Income 11.7	Global Cash 9.1	SA Fixed Income 14.7	Global Property 7.2	Global Fixed Income 14.4	SA Cash 6.8	SA Equity 4.5	Global Equity 12.8	SA Equity 14.8	Global Fixed Income 18.6
	SA Fixed Income 1.5	Global Equity 10.2	SA Fixed Income 6.8	SA Fixed Income 6.4	SA Fixed Income 8.4	Global Property 7.8	SA Cash 6.5	SA Cash 6.6	SA Prop-erty -0.5	SA Prop-erty 0.0	SA Prop-erty 6.6	Global Cash 13.6	Global Cash 17.4
	Global Property 0.8	SA Cash 7.9	Global Property 2.3	SA Cash 6.0	SA Cash 3.7	SA Cash 3.6	SA Fixed Income 0.1	SA Fixed Income 5.0	Global Fixed Income -2.1	Global Property -3.8	SA Cash 6.1	SA Fixed Income 11.5	SA Cash 4.9
	Global Cash 0.0	Global Fixed Income 7.1	SA Equity 1.1	SA Prop-erty 3.3	Global Equity 2.6	Global Fixed Income -18.7	SA Equity -10.8	SA Equity 3.9	Global Property -3.6	Global Cash -5.1	SA Fixed Income 1.7	Global Fixed Income 7.0	SA Fixed Income -3.0
Worst	Global Equity -1.9	Global Cash 3.7	Global Fixed Income -1.2	Global Property -2.4	Global Fixed Income -5.1	Global Cash -21.0	SA Prop-erty -46.0	SA Prop-erty -9.6	Global Cash -5.5	Global Fixed Income -9.1	SA Equity 0.2	SA Cash 5.6	SA Prop-erty -3.6

Source: Morningstar Direct