

PortfolioMetrix Asset Management Feedback

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25 January 2024



PORTFOLIOMETRIX
Investment Management **by Design**

Agenda

- Market Overview
- Linking Performance and Investor Behaviour

PortfolioMetrix to Launch Active Income ETF

To be listed and traded on the JSE on 31 January

ACTIVE ETFS | 24 JAN, 2024

PortfolioMetrix to launch an ETF version of its Dynamic Income fund

The ETF will be listed later this month on the JSE.

Asset Class Returns

Calendar Years in ZAR

2019		2020		2021		2022	
GLOBAL EQUITY	23.7%	GLOBAL EQUITY	22.7%	GLOBAL PROPERTY	39.9%	SA CASH	5.2%
GLOBAL PROPERTY	19.4%	GLOBAL BONDS	14.7%	SA PROPERTY	36.9%	SA BONDS	4.3%
SA EQUITY	12.0%	SA BONDS	8.7%	GLOBAL EQUITY	29.2%	SA EQUITY	3.6%
SA BONDS	10.3%	SA EQUITY	7.0%	SA EQUITY	29.2%	SA PROPERTY	0.5%
SA CASH	7.3%	SA CASH	5.4%	SA BONDS	8.4%	US \$ / RAND	-6.4%
GLOBAL BONDS	3.9%	GLOBAL PROPERTY	-4.3%	SA CASH	3.8%	GLOBAL BONDS	-10.7%
US \$ / RAND	2.6%	US \$ / RAND	-4.7%	GLOBAL BONDS	3.5%	GLOBAL EQUITY	-12.3%
SA PROPERTY	1.9%	SA PROPERTY	-34.5%	US \$ / RAND	-7.9%	GLOBAL PROPERTY	-21.4%

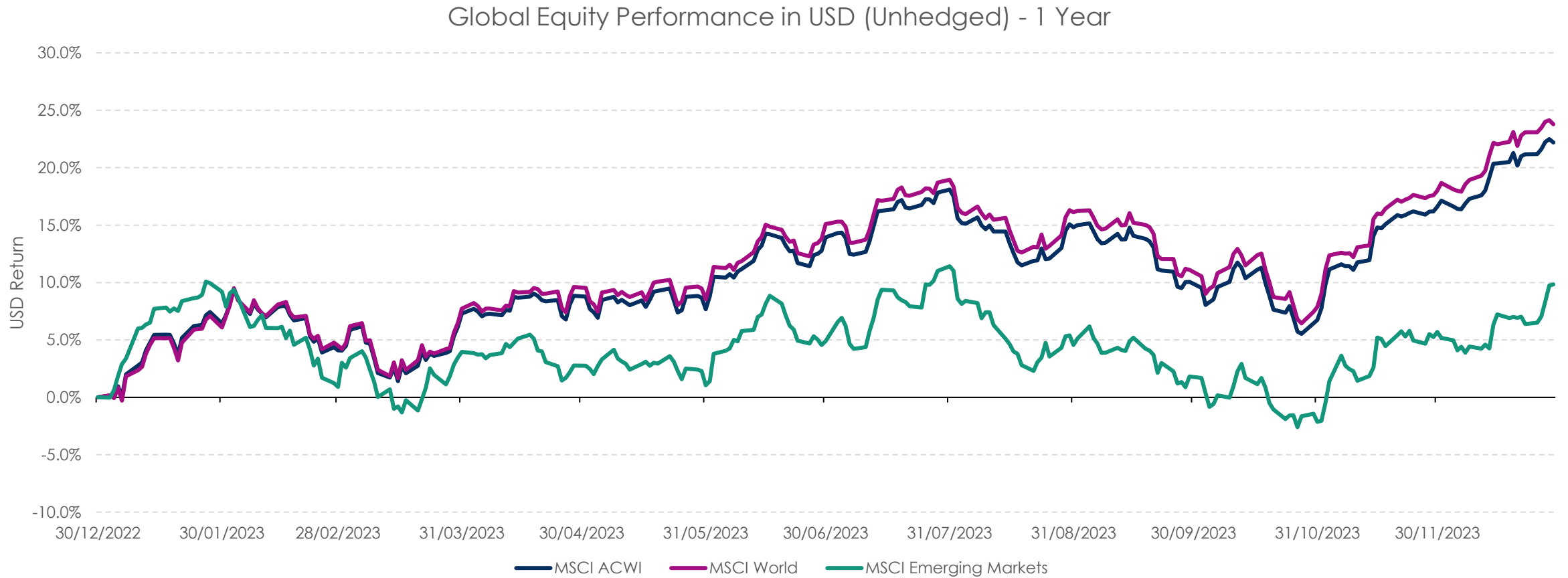
Asset Class Returns

Calendar Years in ZAR

2019		2020		2021		2022		2023		Q4 2023	
GLOBAL EQUITY	23.7%	GLOBAL EQUITY	22.7%	GLOBAL PROPERTY	39.9%	SA CASH	5.2%	GLOBAL EQUITY	31.3%	SA PROPERTY	16.4%
GLOBAL PROPERTY	19.4%	GLOBAL BONDS	14.7%	SA PROPERTY	36.9%	SA BONDS	4.3%	GLOBAL PROPERTY	19.3%	GLOBAL PROPERTY	12.8%
SA EQUITY	12.0%	SA BONDS	8.7%	GLOBAL EQUITY	29.2%	SA EQUITY	3.6%	GLOBAL BONDS	13.6%	SA BONDS	8.1%
SA BONDS	10.3%	SA EQUITY	7.0%	SA EQUITY	29.2%	SA PROPERTY	0.5%	SA PROPERTY	10.1%	GLOBAL EQUITY	7.8%
SA CASH	7.3%	SA CASH	5.4%	SA BONDS	8.4%	US \$ / RAND	-6.4%	SA BONDS	9.7%	SA EQUITY	6.8%
GLOBAL BONDS	3.9%	GLOBAL PROPERTY	-4.3%	SA CASH	3.8%	GLOBAL BONDS	-10.7%	SA EQUITY	8.4%	GLOBAL BONDS	4.9%
US \$ / RAND	2.6%	US \$ / RAND	-4.7%	GLOBAL BONDS	3.5%	GLOBAL EQUITY	-12.3%	SA CASH	8.0%	US \$ / RAND	3.0%
SA PROPERTY	1.9%	SA PROPERTY	-34.5%	US \$ / RAND	-7.9%	GLOBAL PROPERTY	-21.4%	US \$ / RAND	-7.0%	SA CASH	2.1%

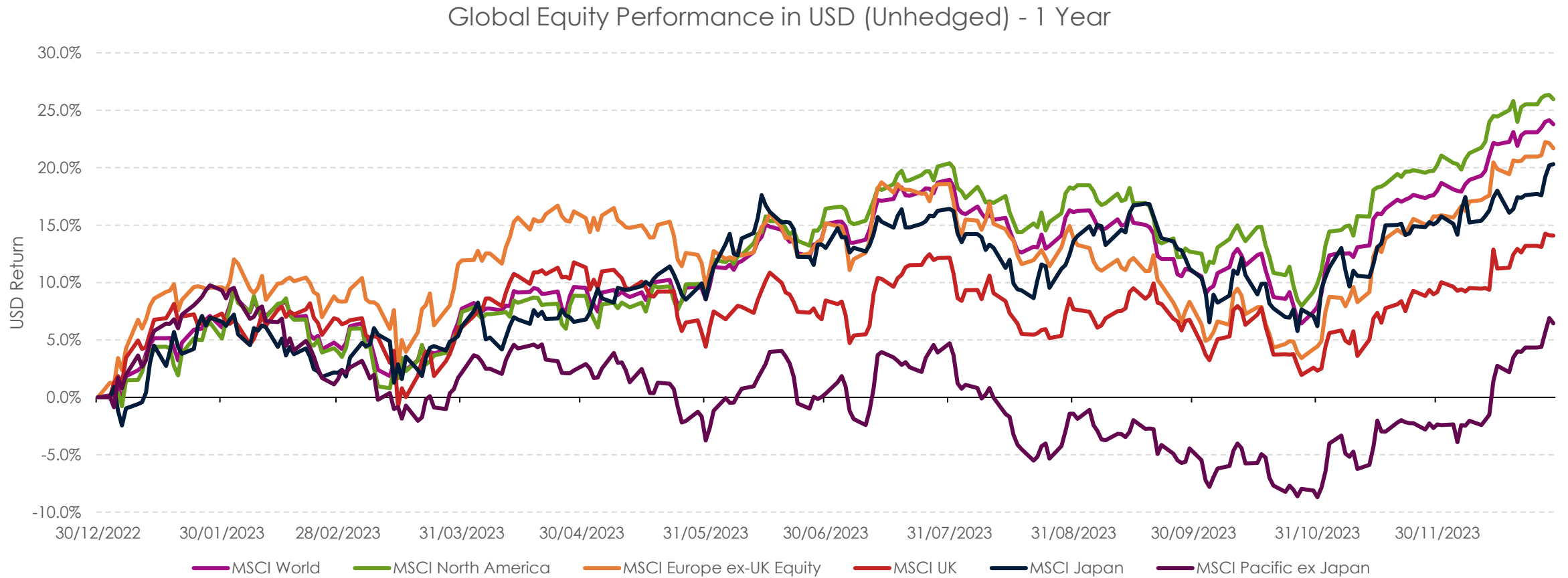
Asset Class Returns

Global Equity Returns - USD



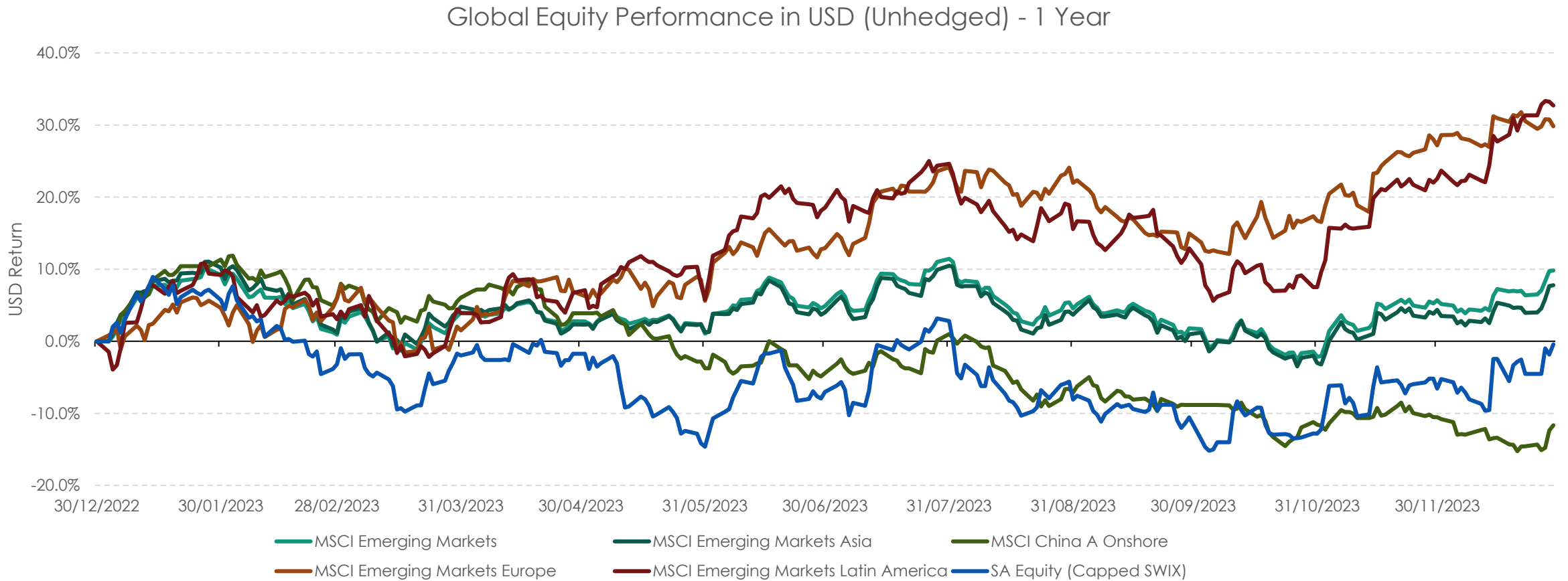
Asset Class Returns

Global Equity Returns - USD



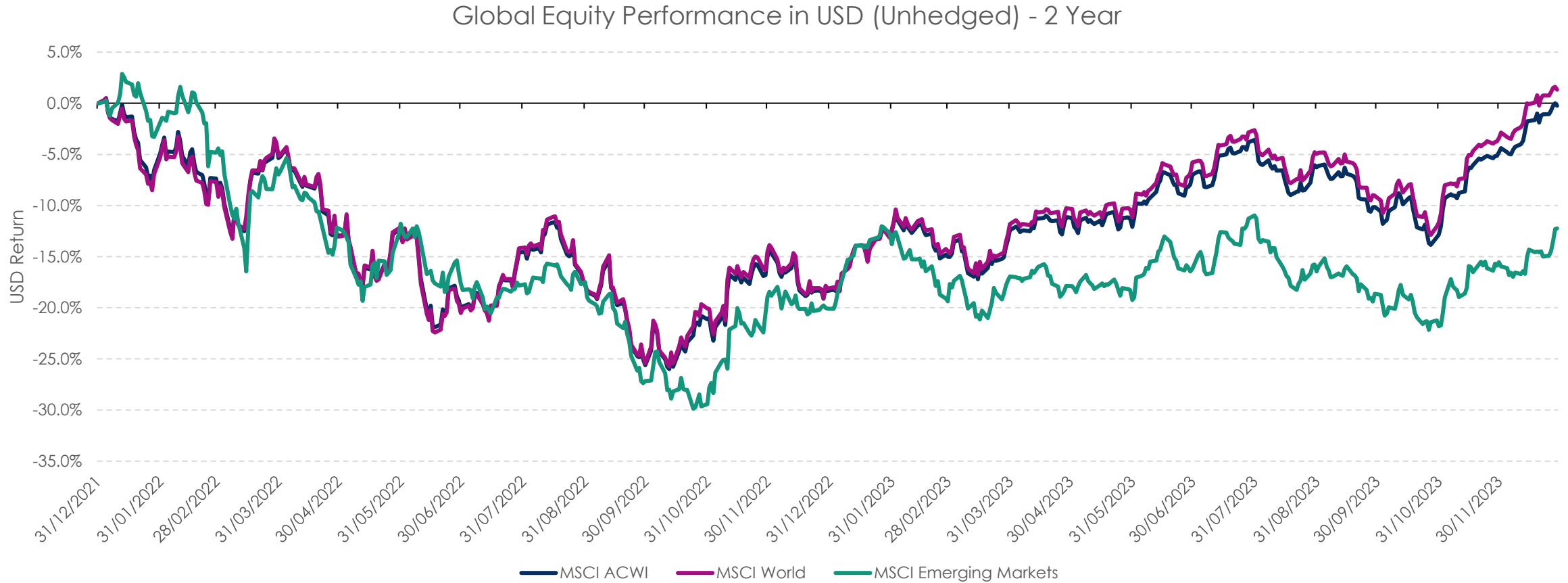
Asset Class Returns

Global Equity Returns - USD



Asset Class Returns

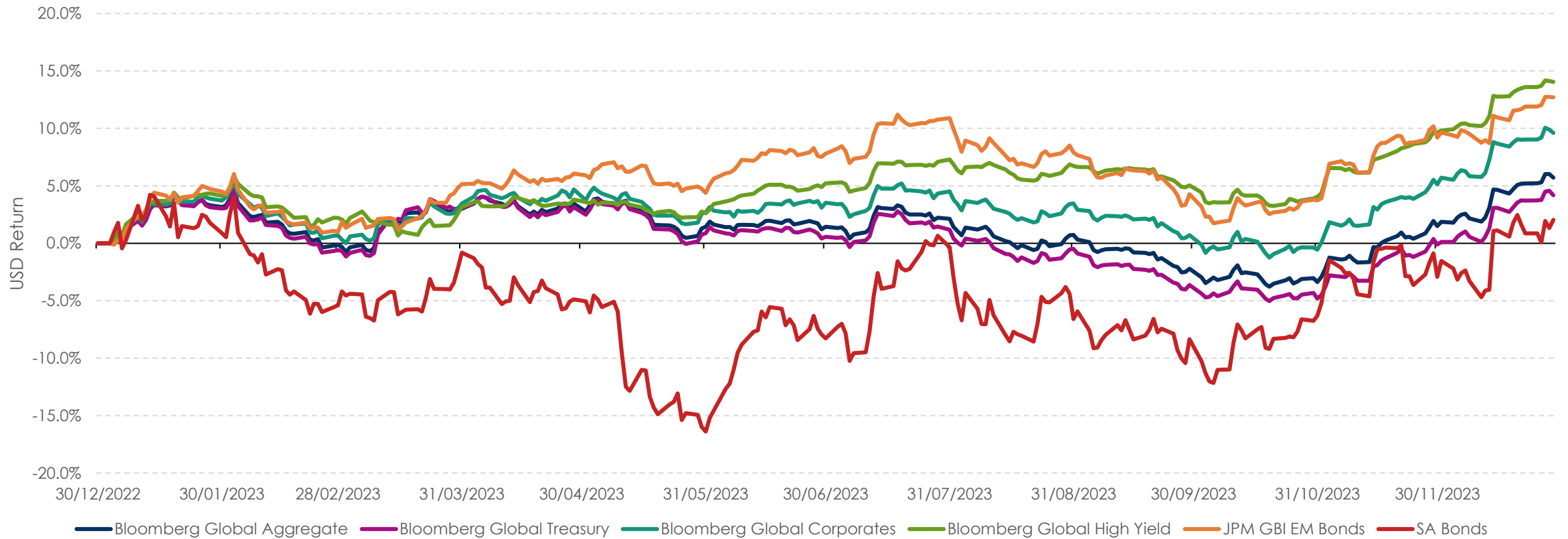
Global Equity Returns - USD



Asset Class Returns

Global Bond Performance - USD

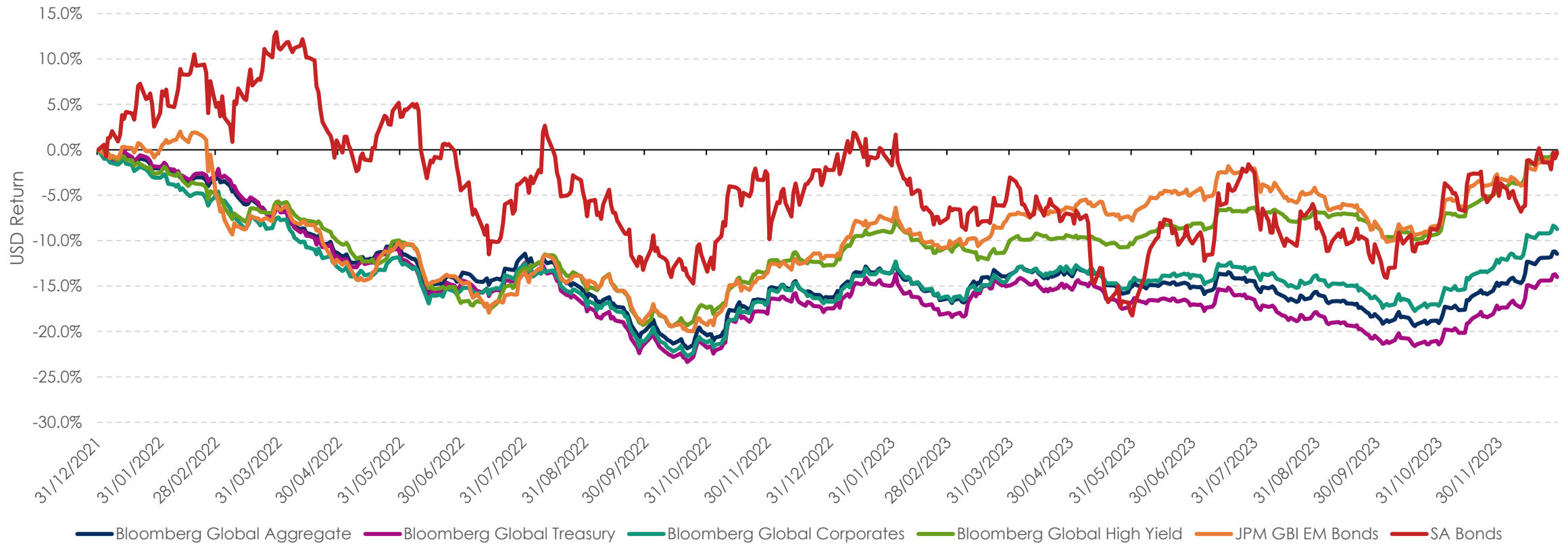
Global Bond Performance in USD (Unhedged) - 1 Year



Asset Class Returns

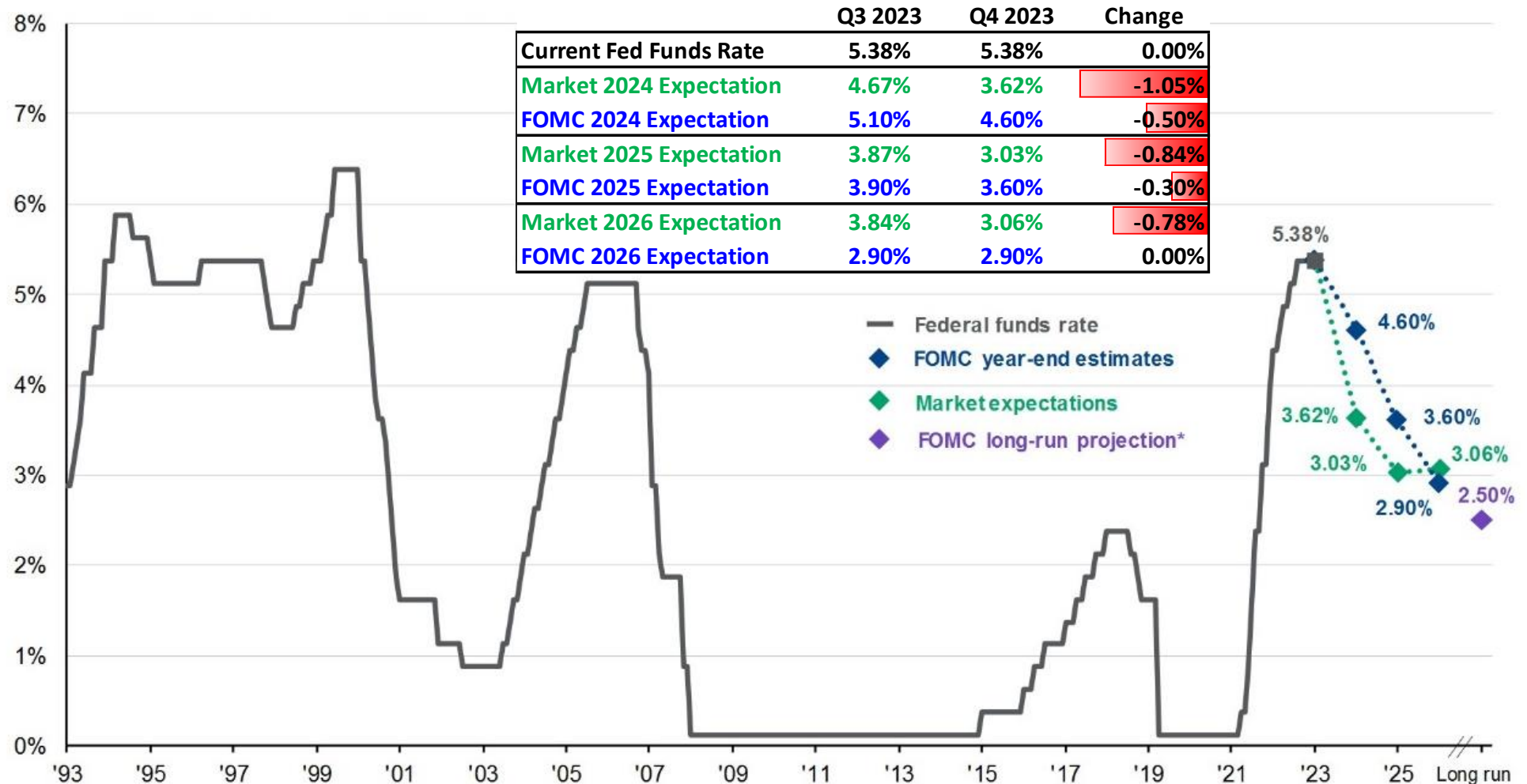
Global Bond Performance - USD

Global Bond Performance in USD (Unhedged) - 2 Year



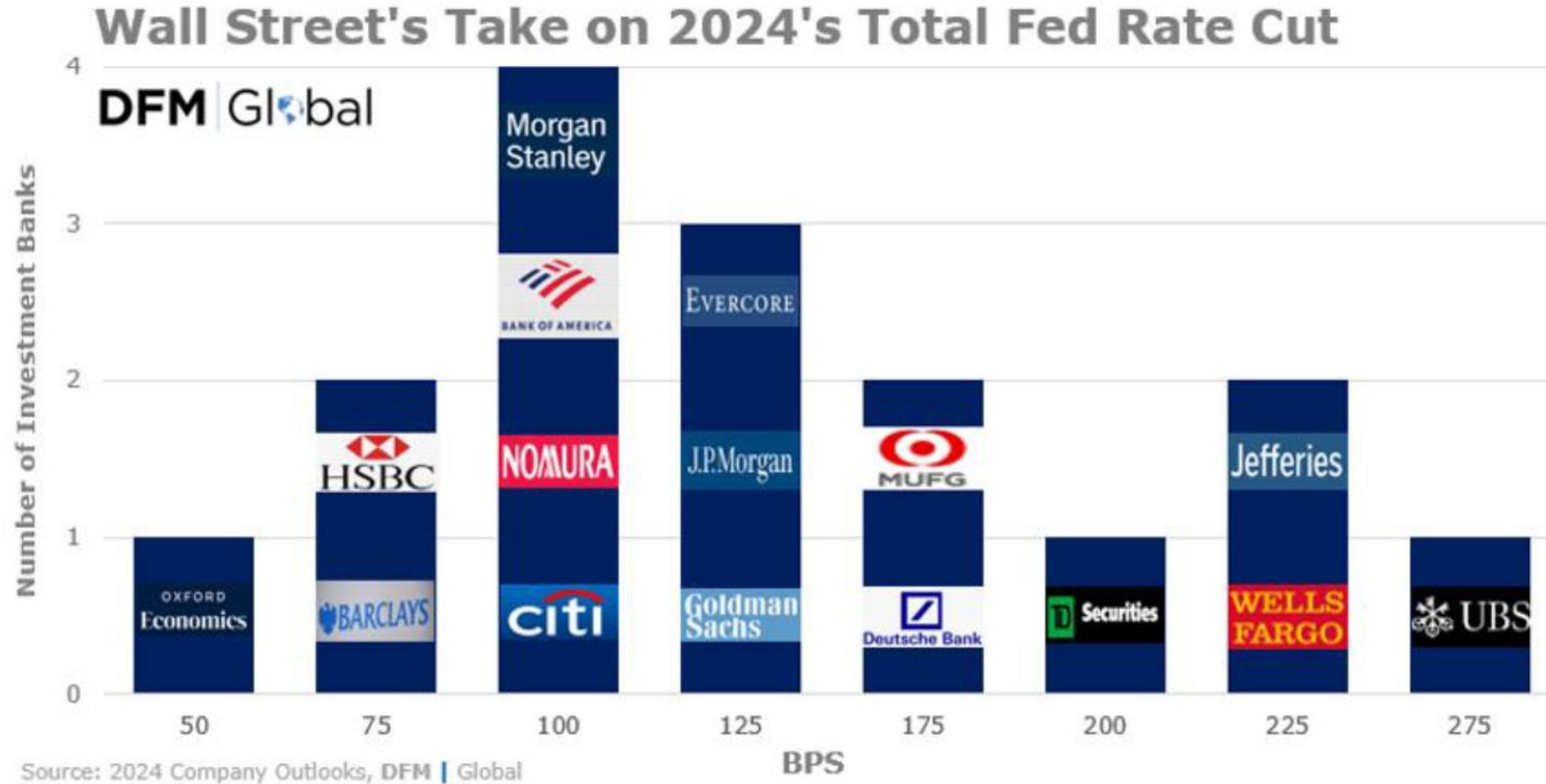
Interest rate outlook

Market implied change in Fed Funds Rate for 2024



Interest rate outlook

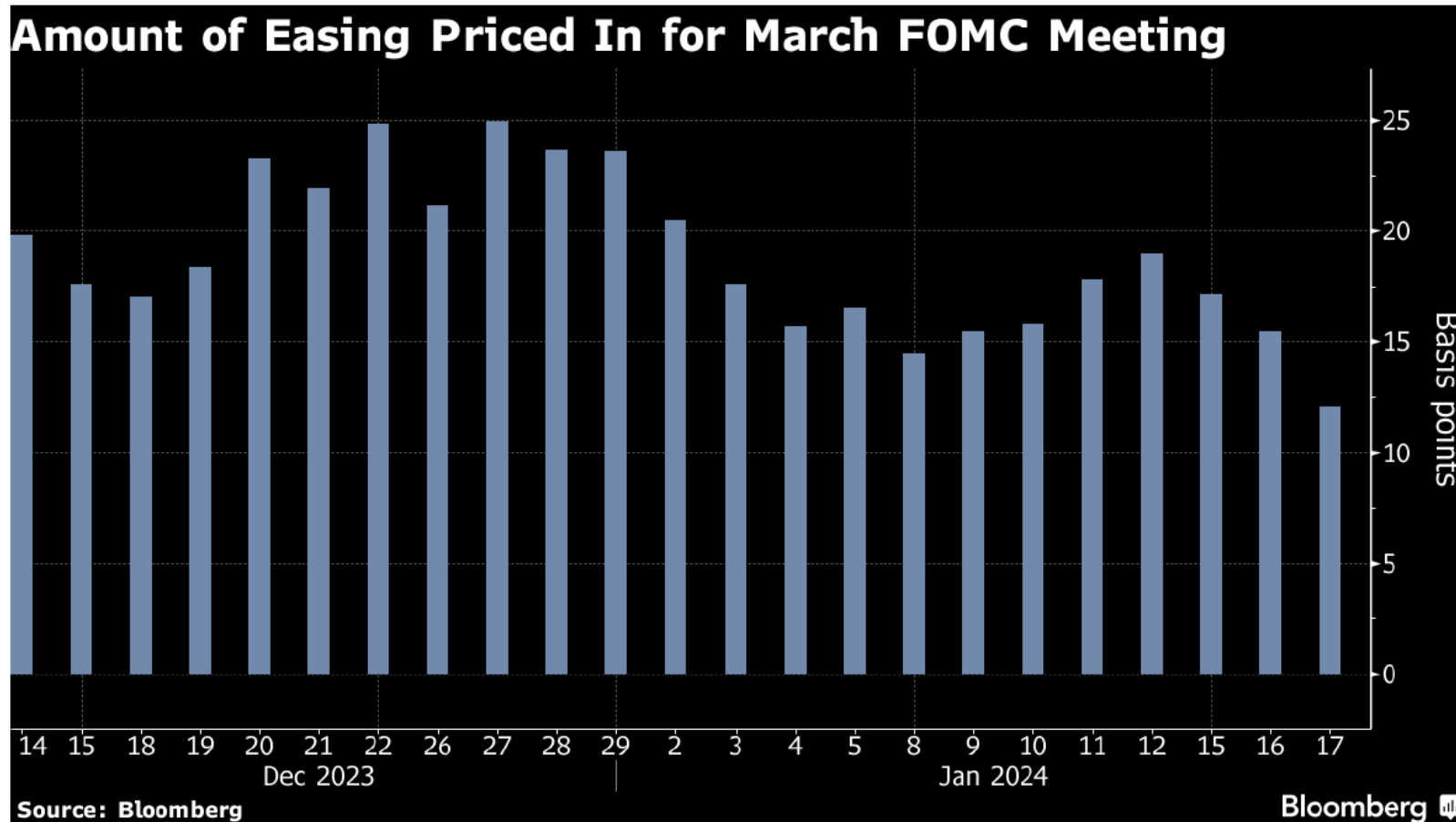
Market implied change in Fed Funds Rate for 2024



Source: 2024 Company outlook reports, DFM | Global

Higher or lower for longer?

Market implied change in Fed Funds Rate for 2024

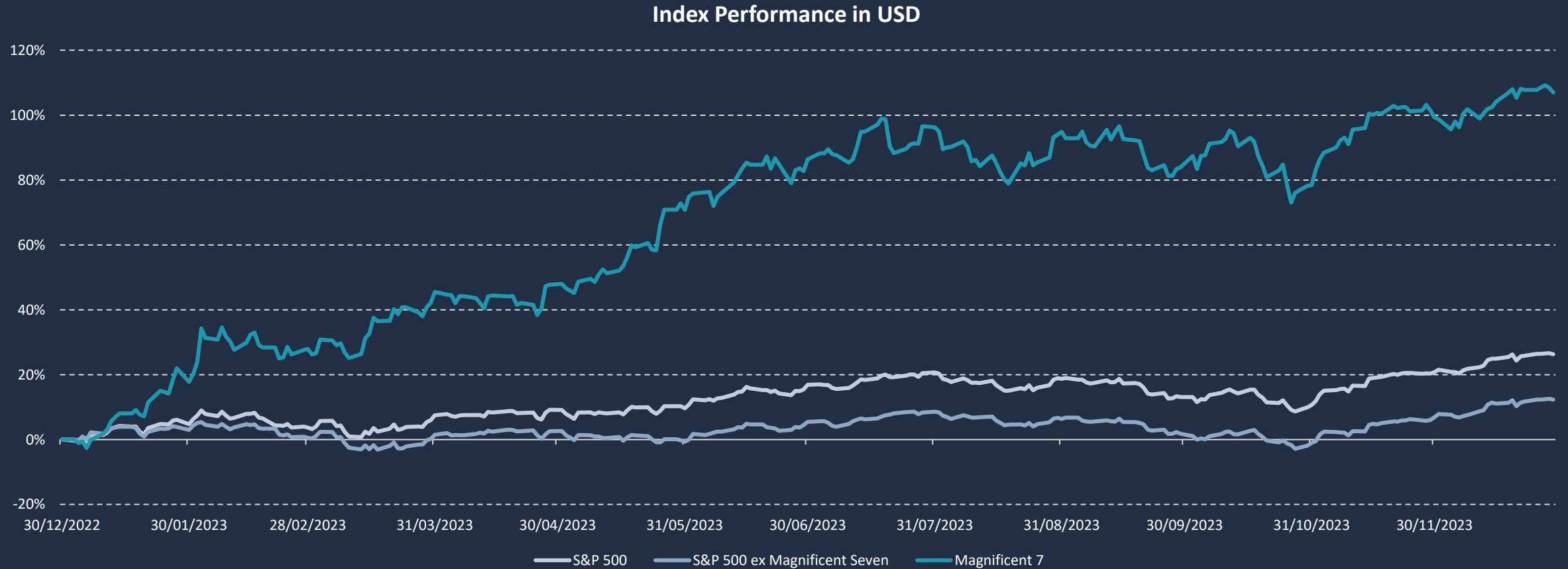


As of 2023/12/31

Source: US Federal Reserve, Forward Fed Funds Rate, PortfolioMetrix

US Equity Returns

US was driven by a handful of stocks which in turn drove global indices



US Equity Returns

The “average” US company underperformed the “average” ex-US company

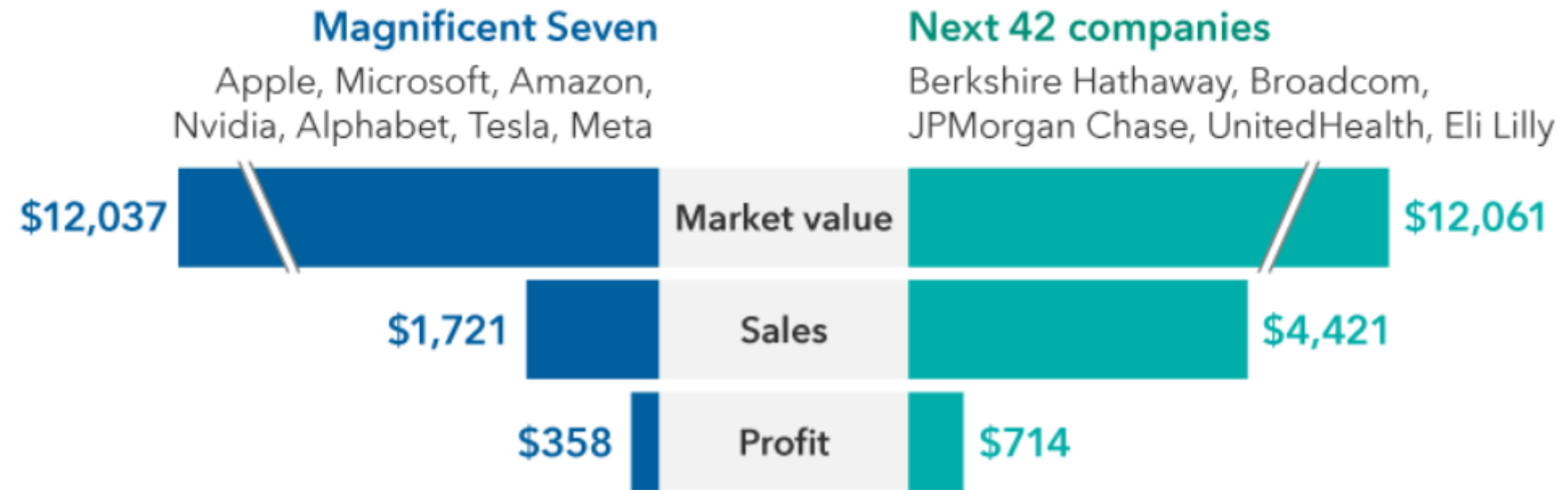


US Equity Market

But can the Magnificent Seven maintain their dominance?

Can the Magnificent Seven maintain their dominance?

Stocks of the S&P 500 (USD billions)

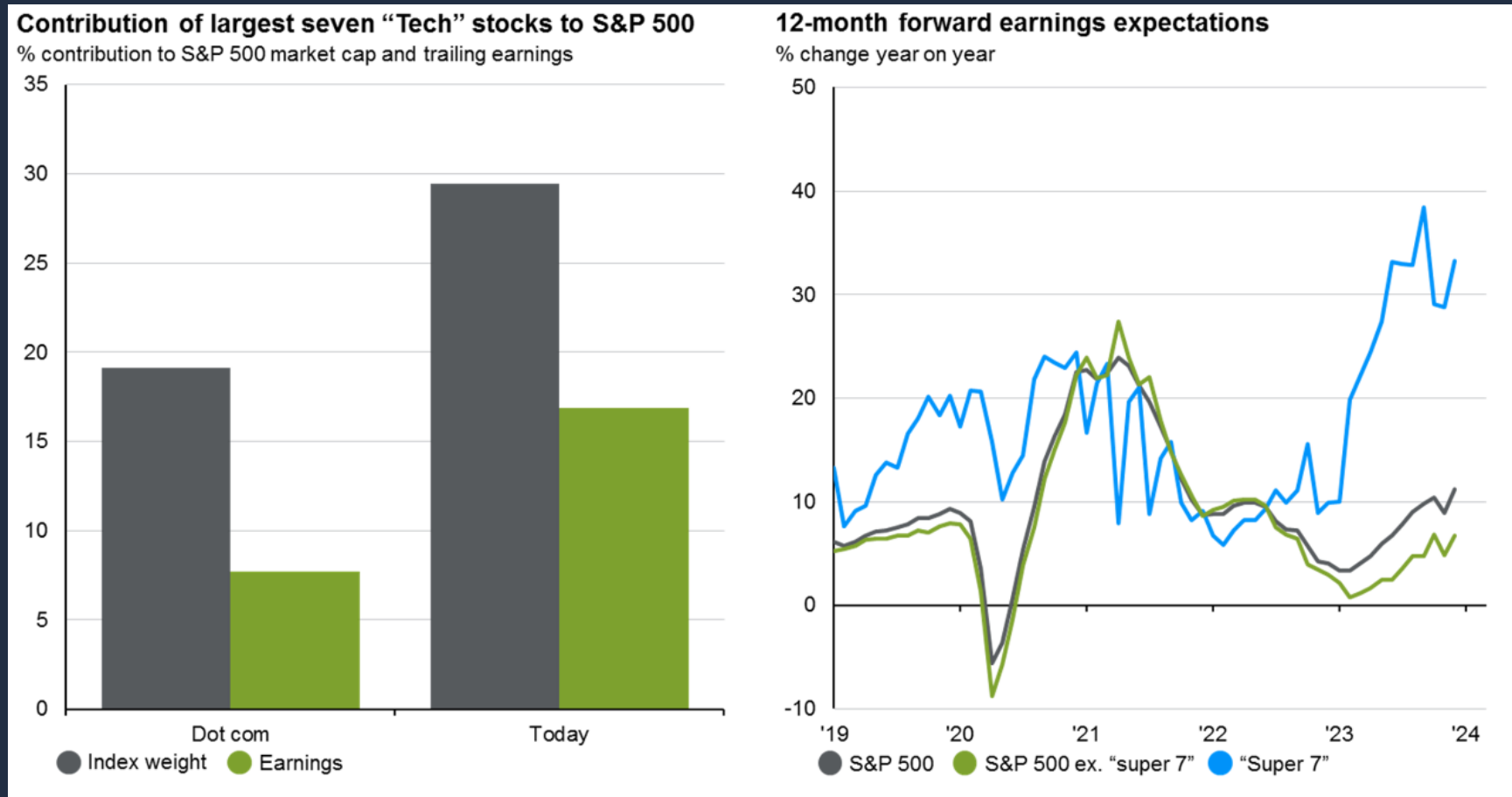


Sources: Capital Group, LSEG. Next 42 companies represent stocks following the Magnificent Seven, ranked by market capitalization, with the above stocks topping the list. Sales are the net sales (or revenues) of the relevant item reported in the last 12 months. Profit is represented by the trailing 12-month operating profit. As of December 31, 2023.



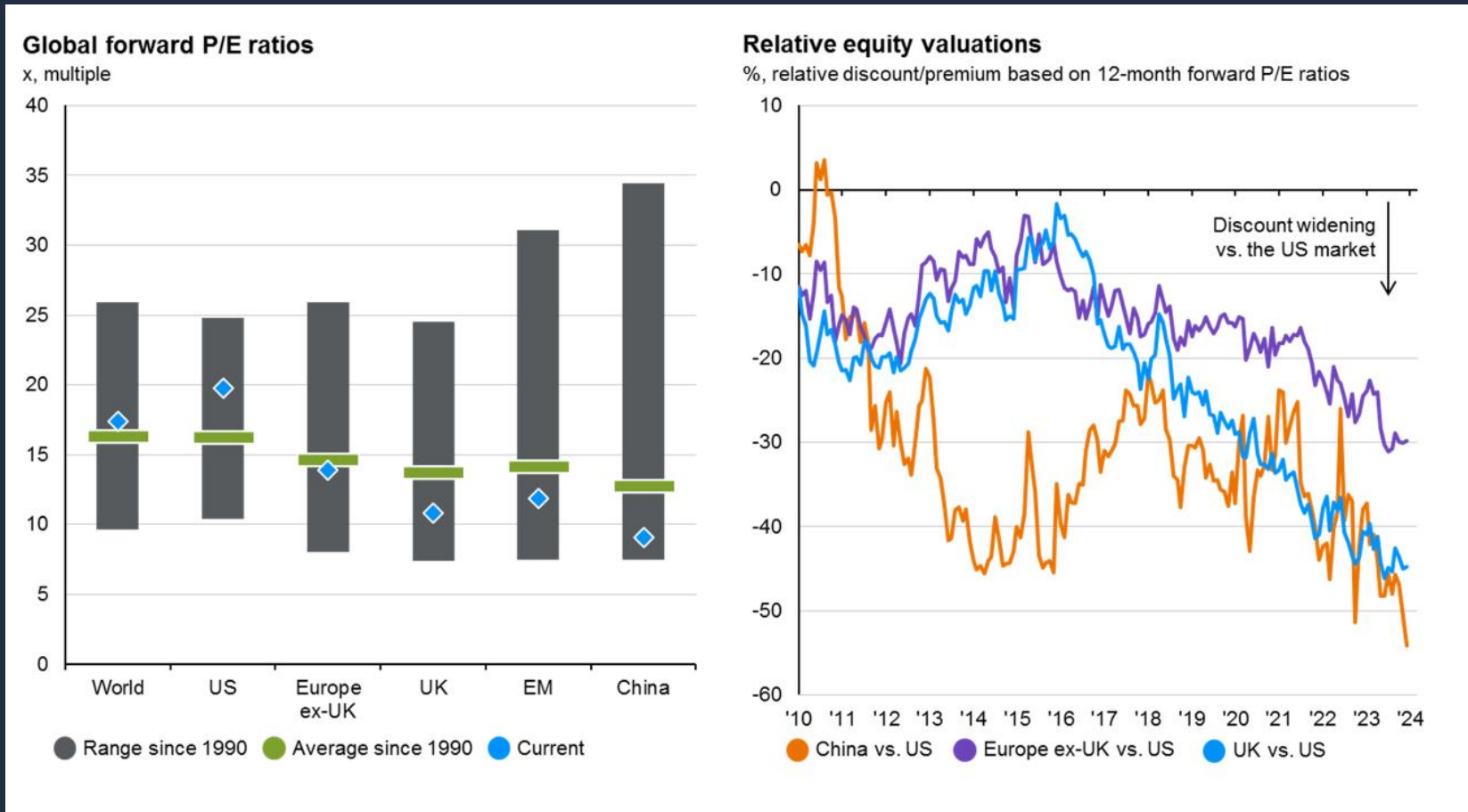
US Equity Market

Lofty earnings expectations are baked into the price leaving minimal margin for error



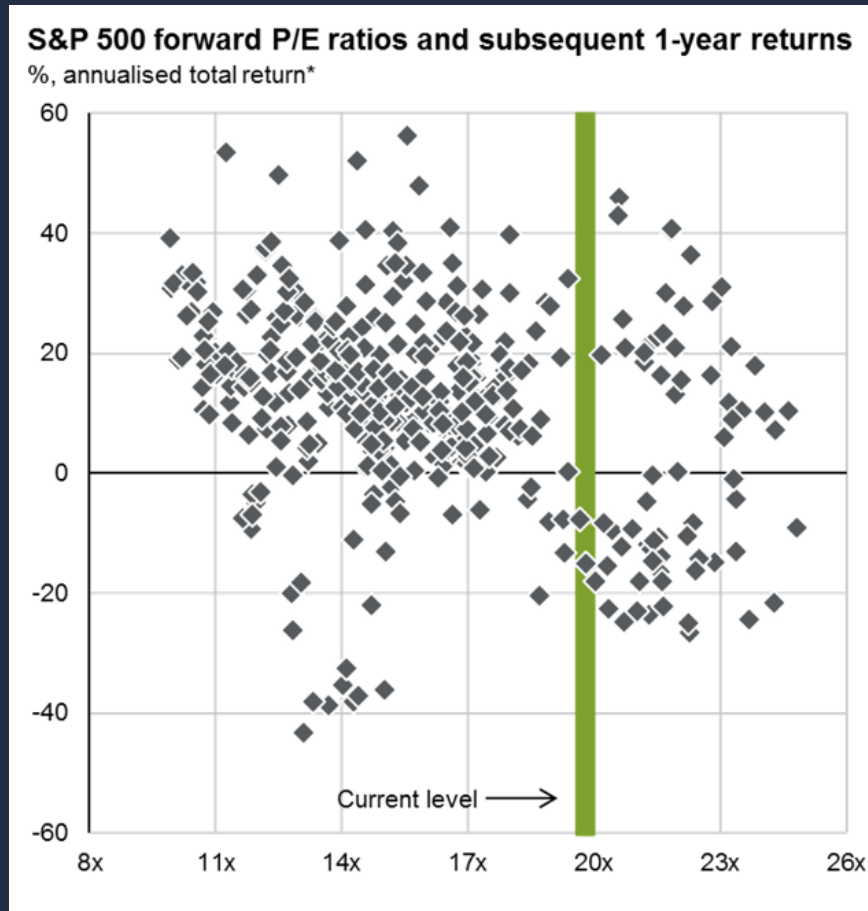
US Equity Market

US valuations have run away from the rest of the world



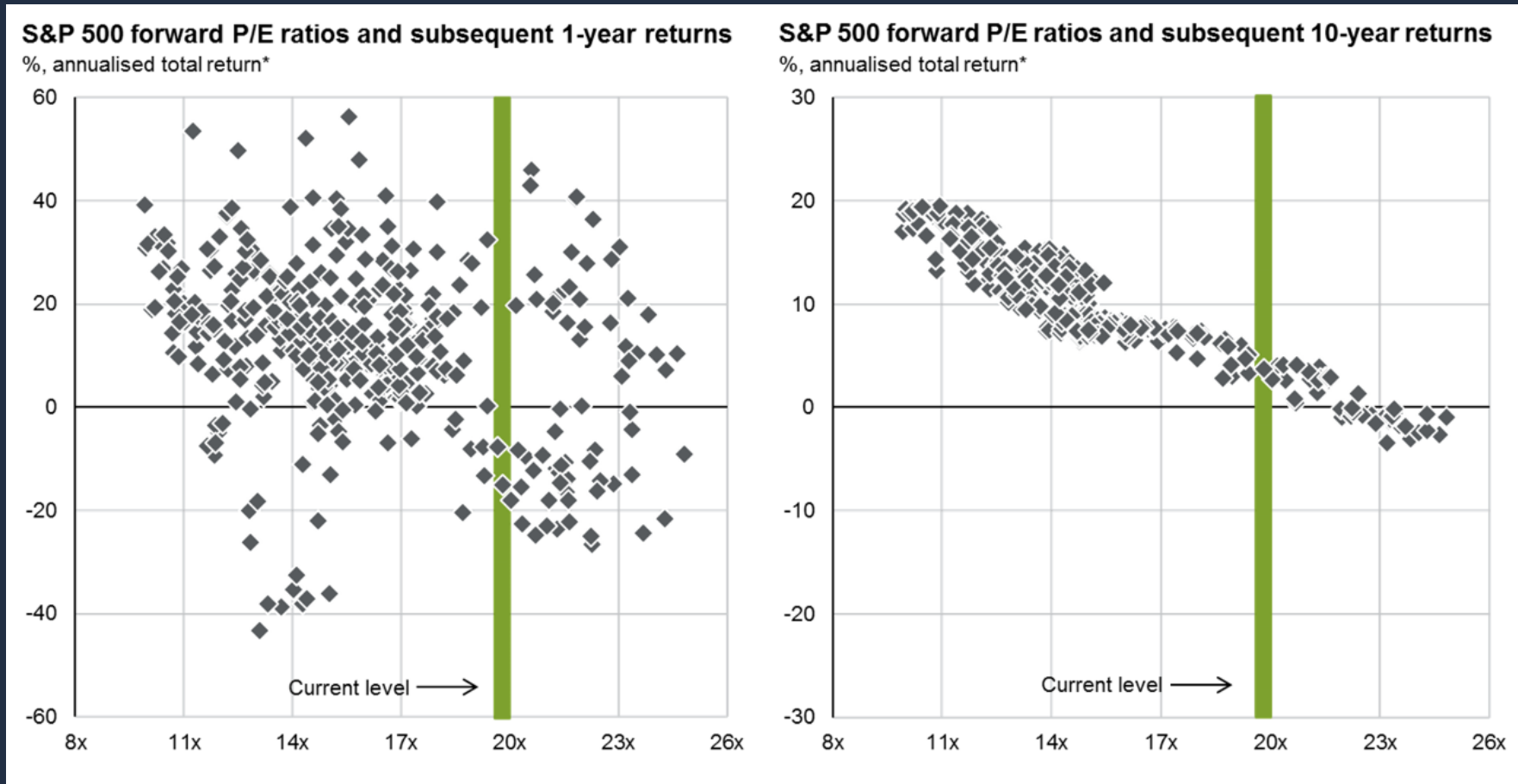
US Equity Market

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US Equity Market

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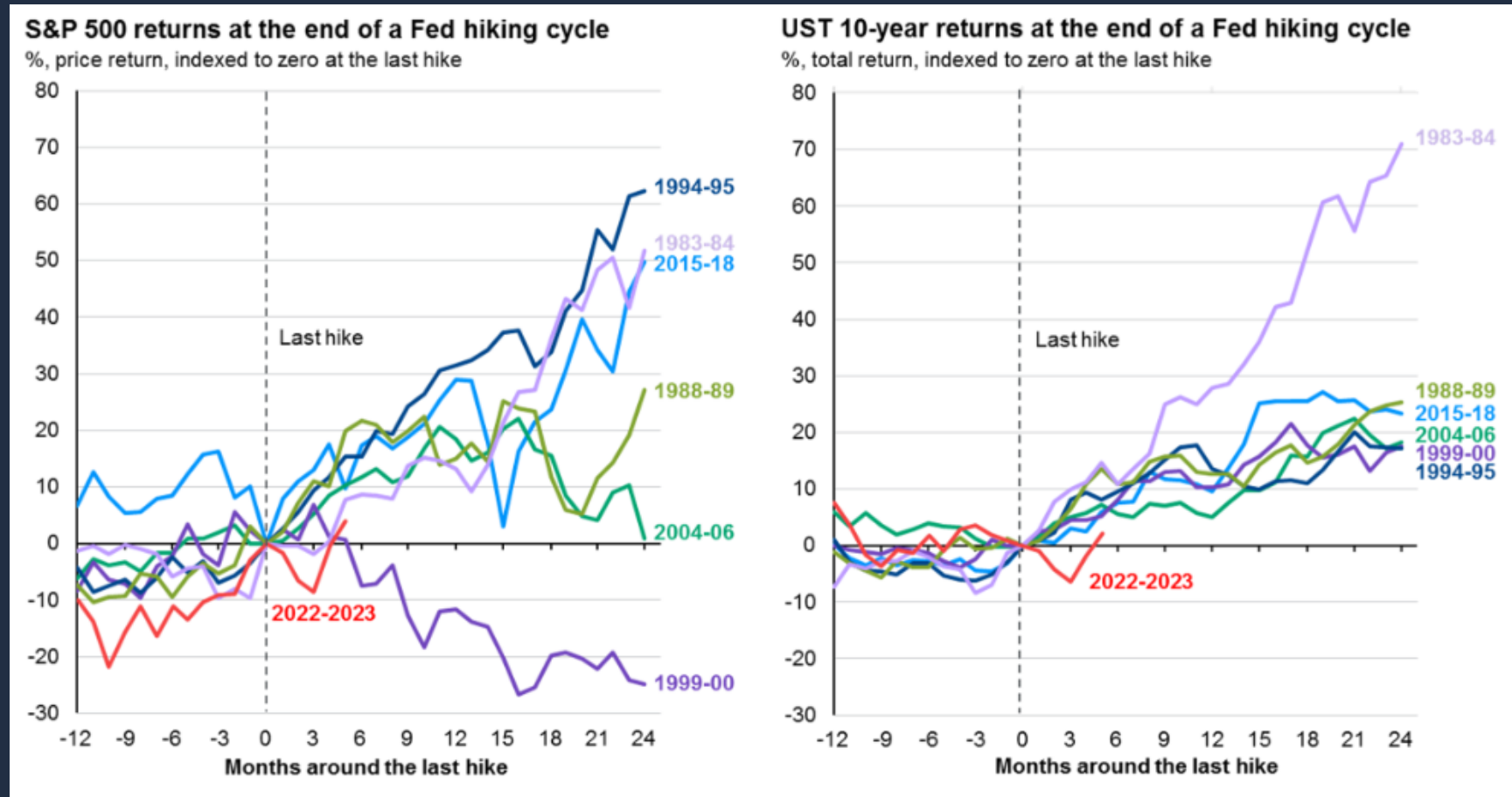
US Equity Market

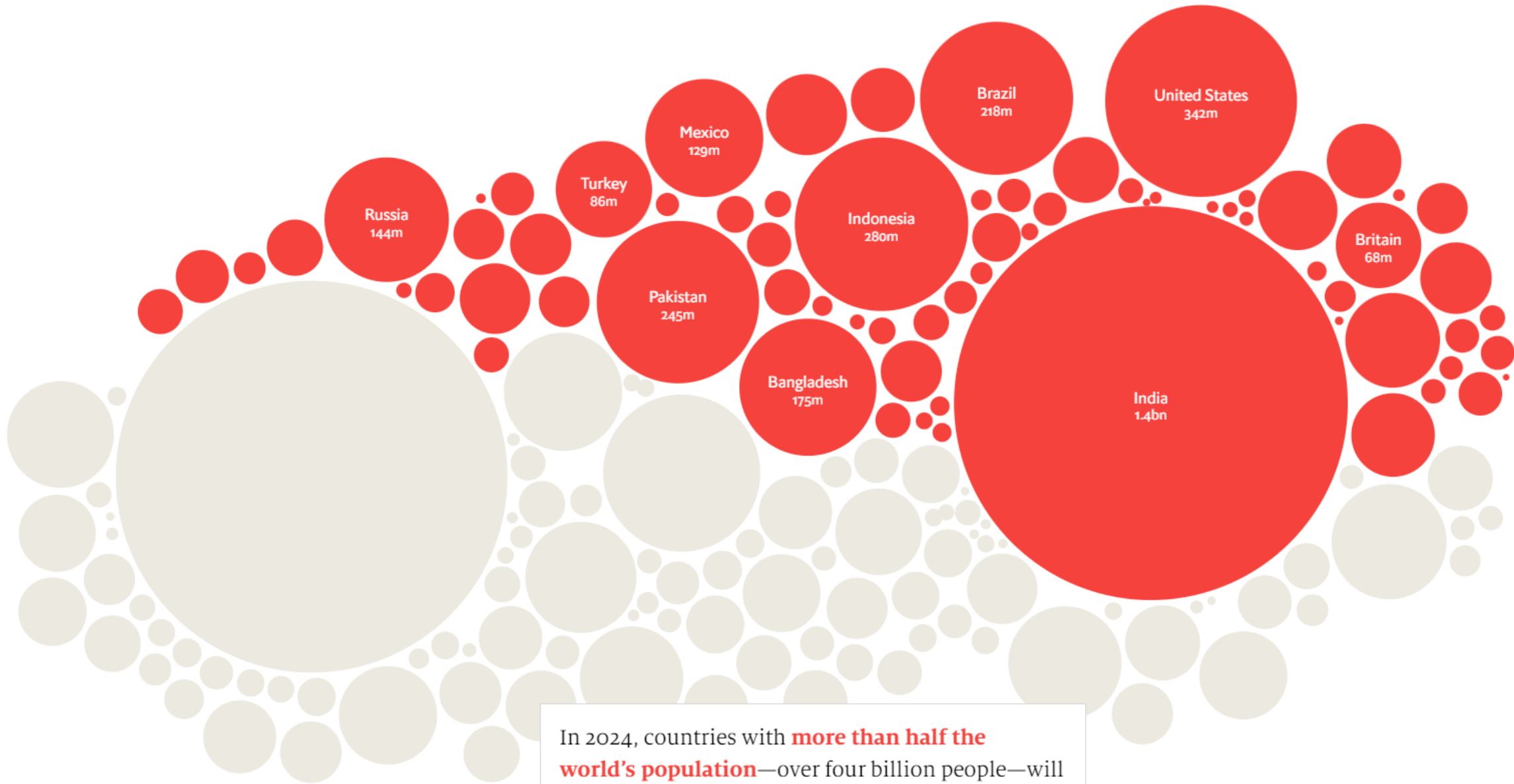
But it is certainly not all US listed stocks



Market Performance Post Last Fed Hike

But it is certainly not all US listed stocks





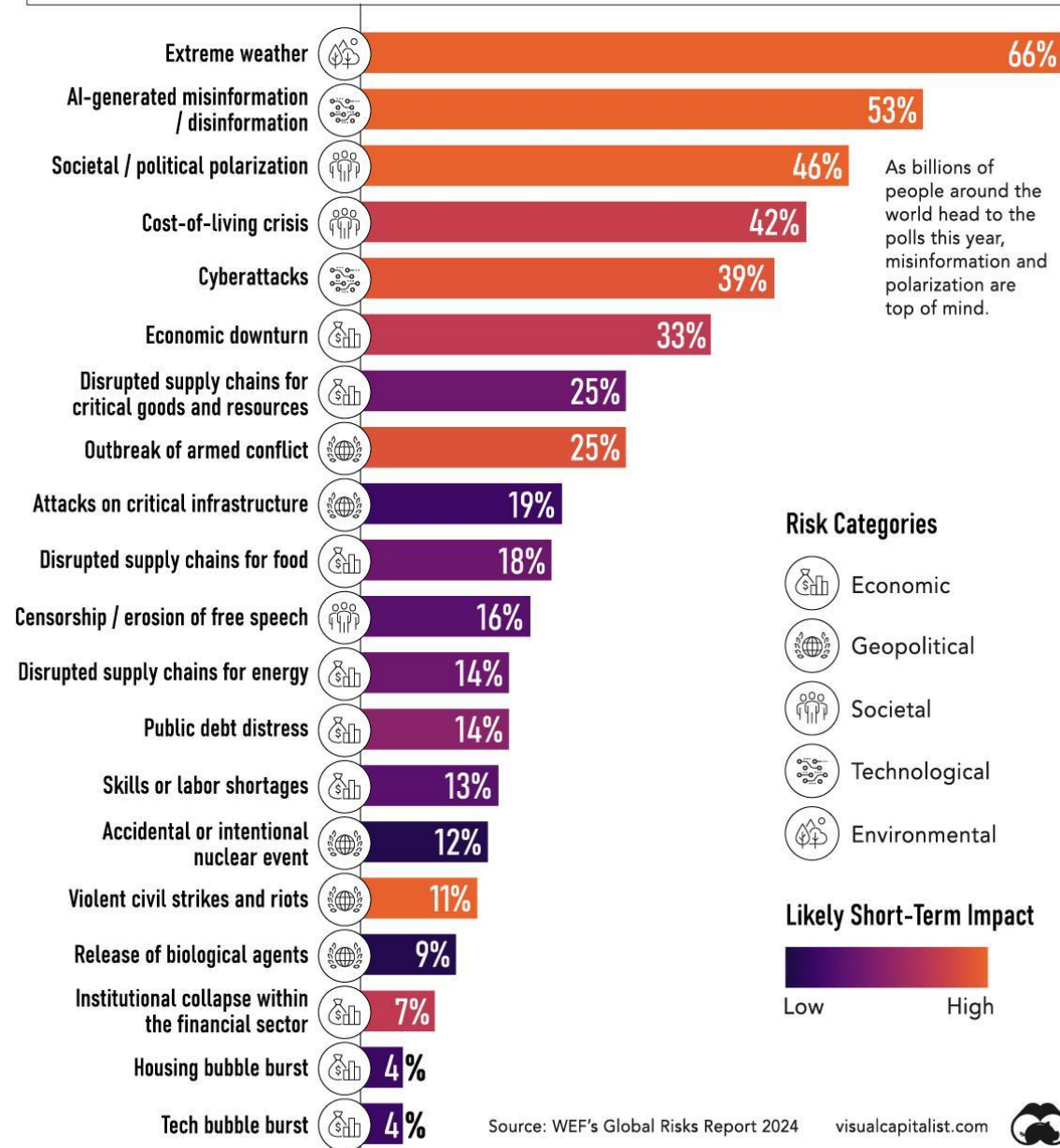
In 2024, countries with **more than half the world's population**—over four billion people—will send their citizens to the polls.



THE TOP GLOBAL RISKS IN 2024

The World Economic Forum surveyed 1,490 leaders on the top global risks in 2024 and their potential scale of impact.

Q Please select up to five risks that you believe are most likely to present a material crisis on a global scale in 2024.



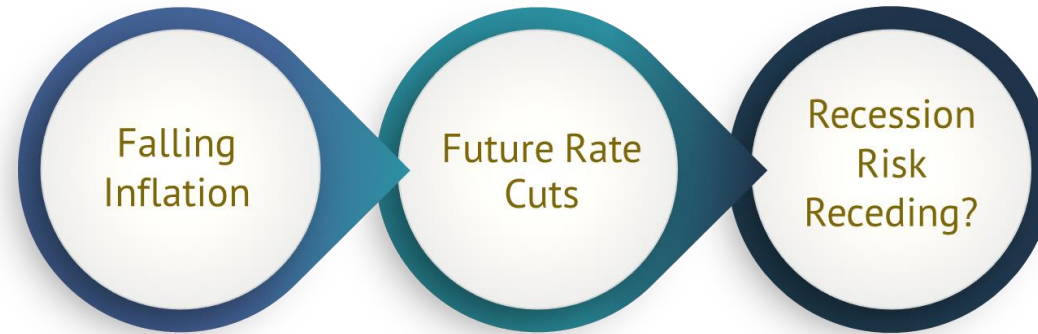
Source: WEF's Global Risks Report 2024

visualcapitalist.com



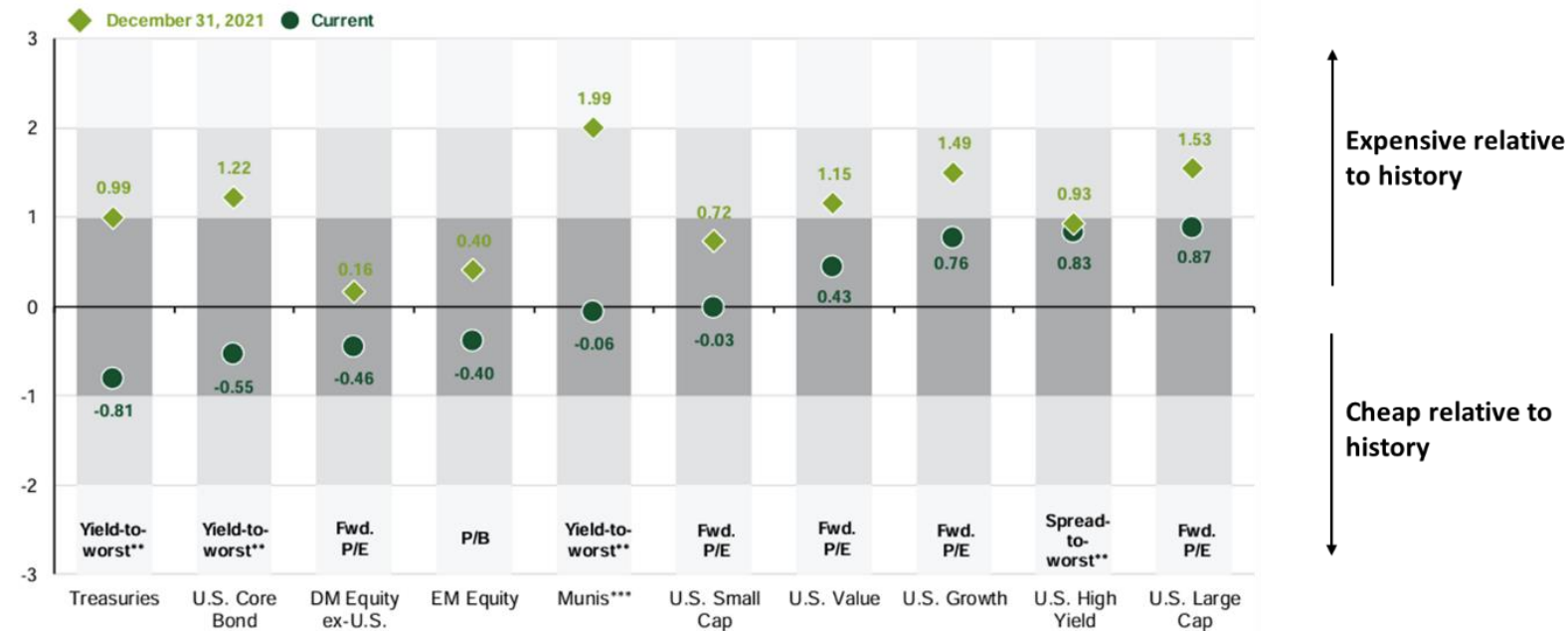
Remaining Focused on What is Important

In an uncertain world your best defense is diversification



Asset class valuations

Z-scores based on 25-year average valuation measures*



PortfolioMetrix Performance

And a look at the link between performance and investor utility

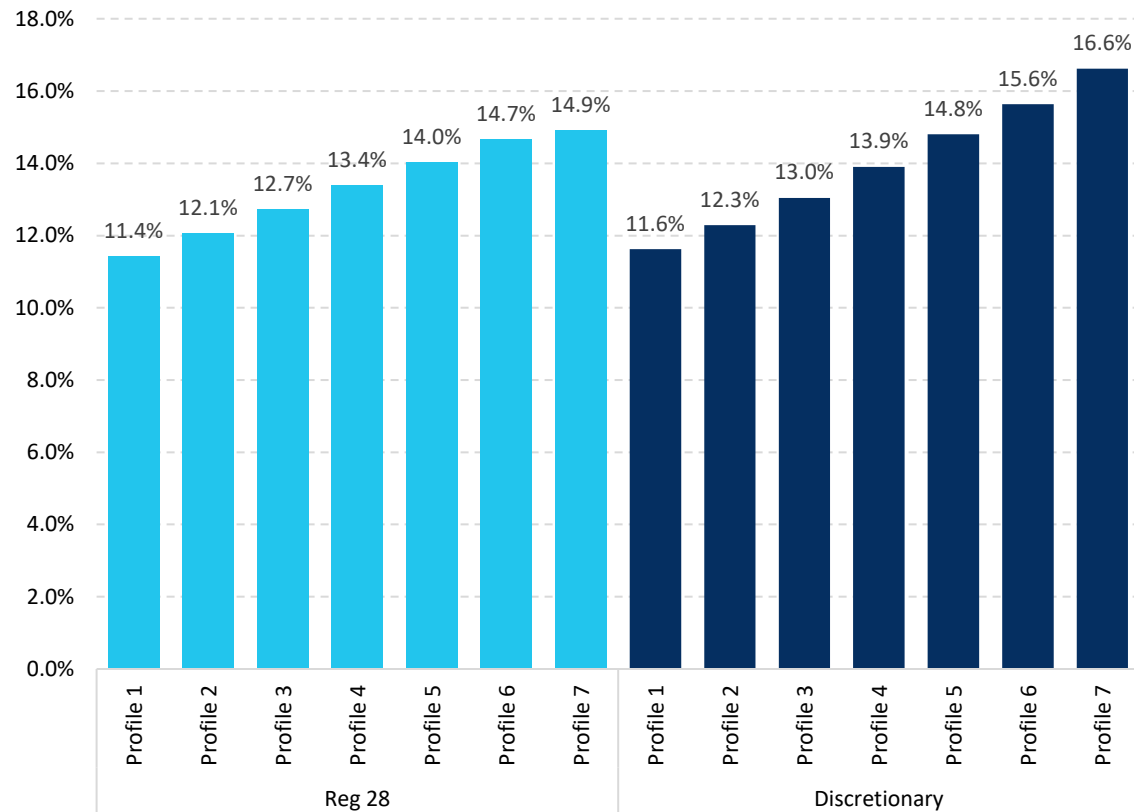


Portfolios Performance

2023 was a good year for performance

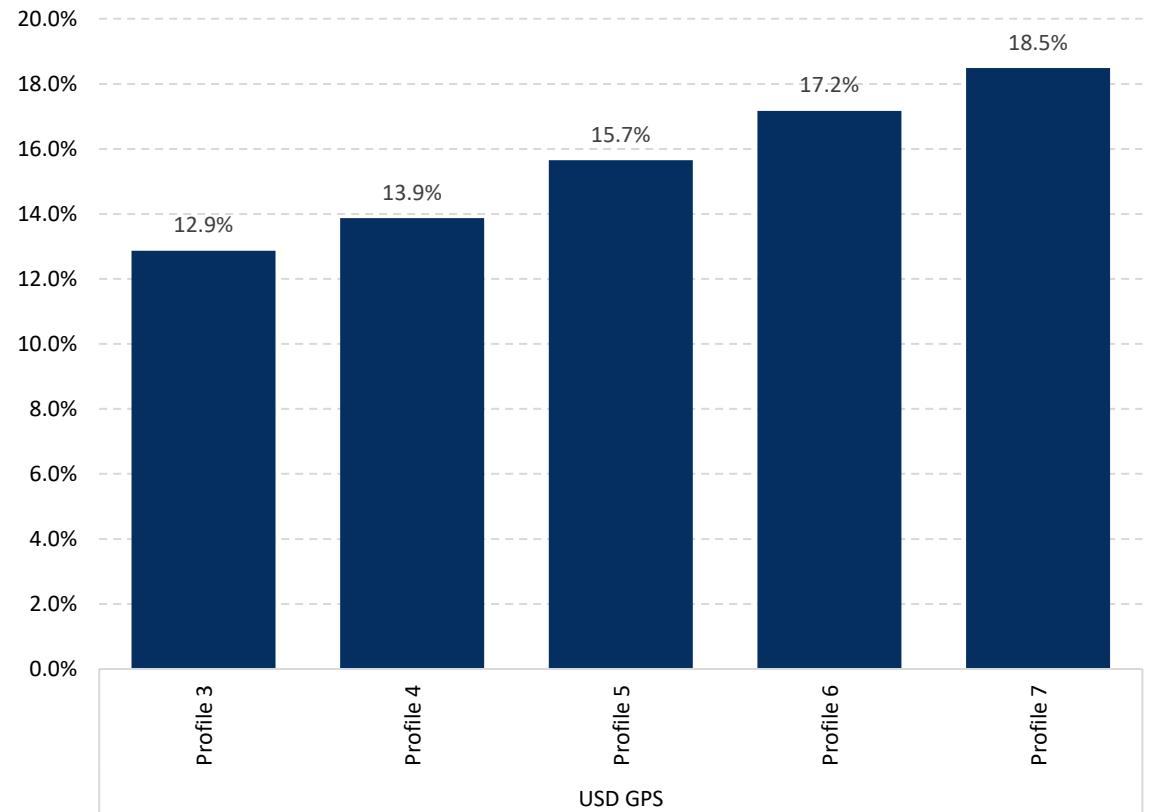
SA Portfolios

One Year Return in ZAR



Global Portfolios

One Year Return in USD

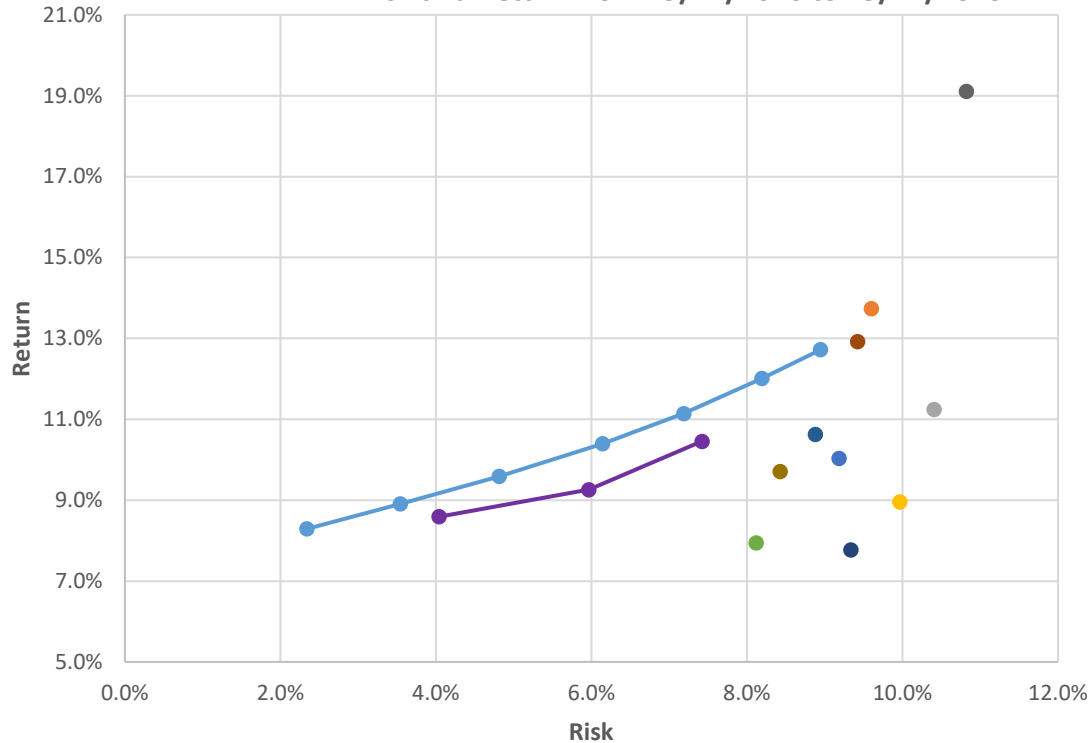


Portfolios Performance

Three-year risk/return scatterplot vs industry and competitors

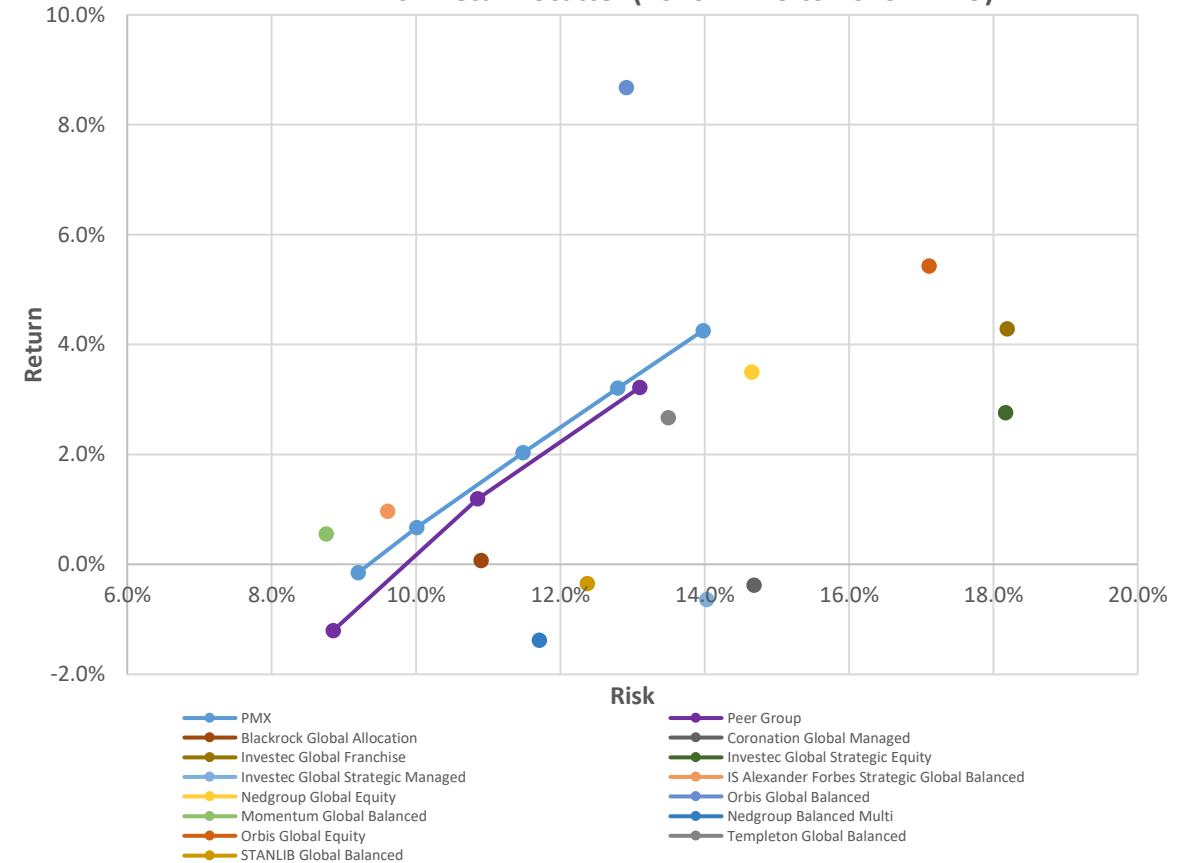
SA Portfolios

Risk and Return from 29/12/2020 to 29/12/2023



Global Portfolios

Risk-Return Scatter (2020-12-29 to 2023-12-29)



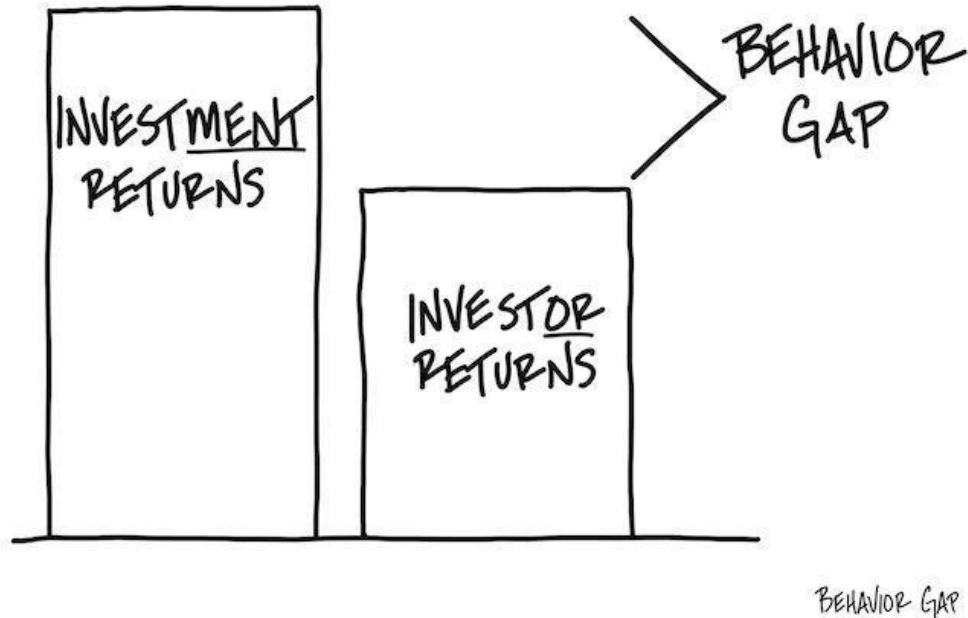
Relative Returns and Investor Utility

Do relative returns matter?



Performance and Investor Utility

The link between performance and investor happiness



Source: Carl Richards, <https://medium.com/@behaviorgap/the-behavior-gap-61baece56cf6>

The Asymmetric Experience of Gains and Losses



BRANDTRUST®

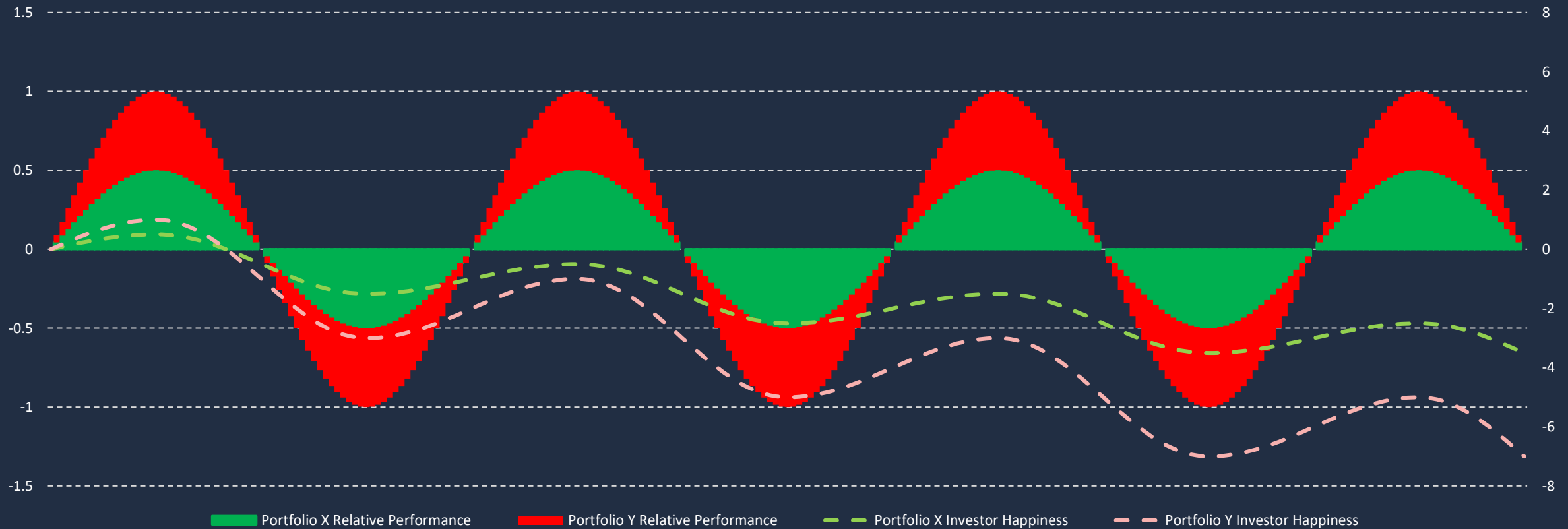
Source: <https://brandtrust.com/blog/prospect-theory/>



Performance and Investor Utility

The link between performance and investor happiness

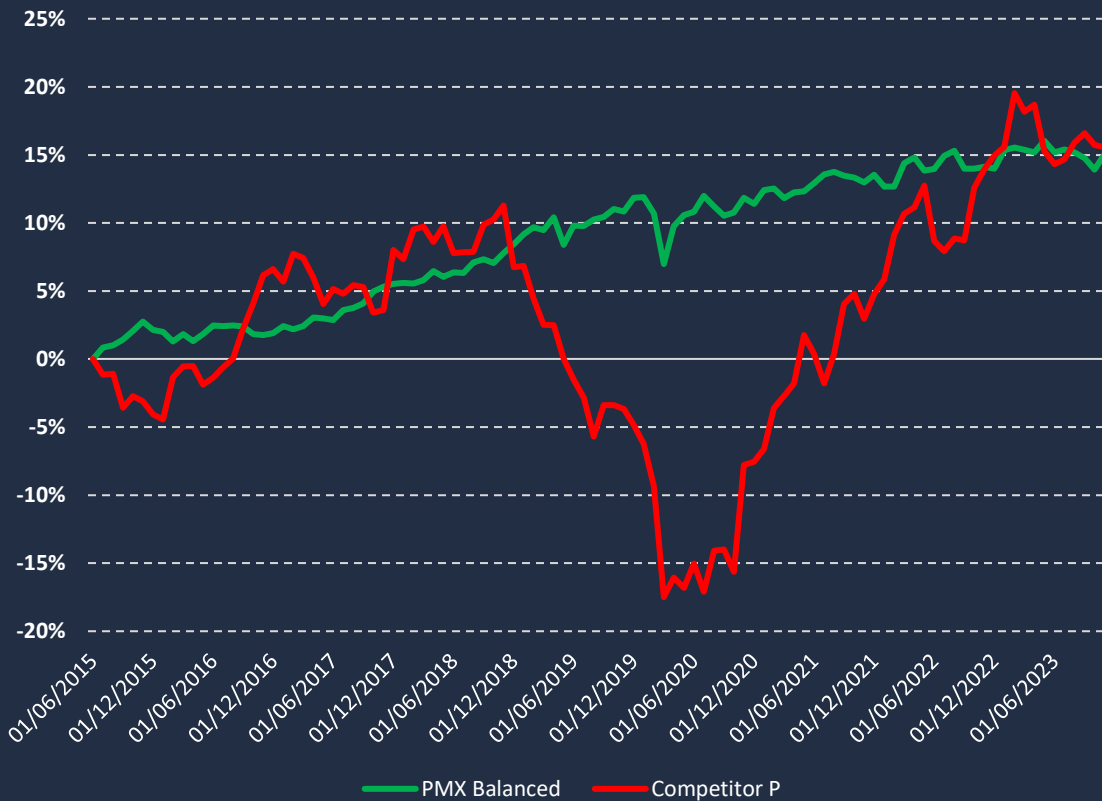
Relative Returns and Investor Happiness



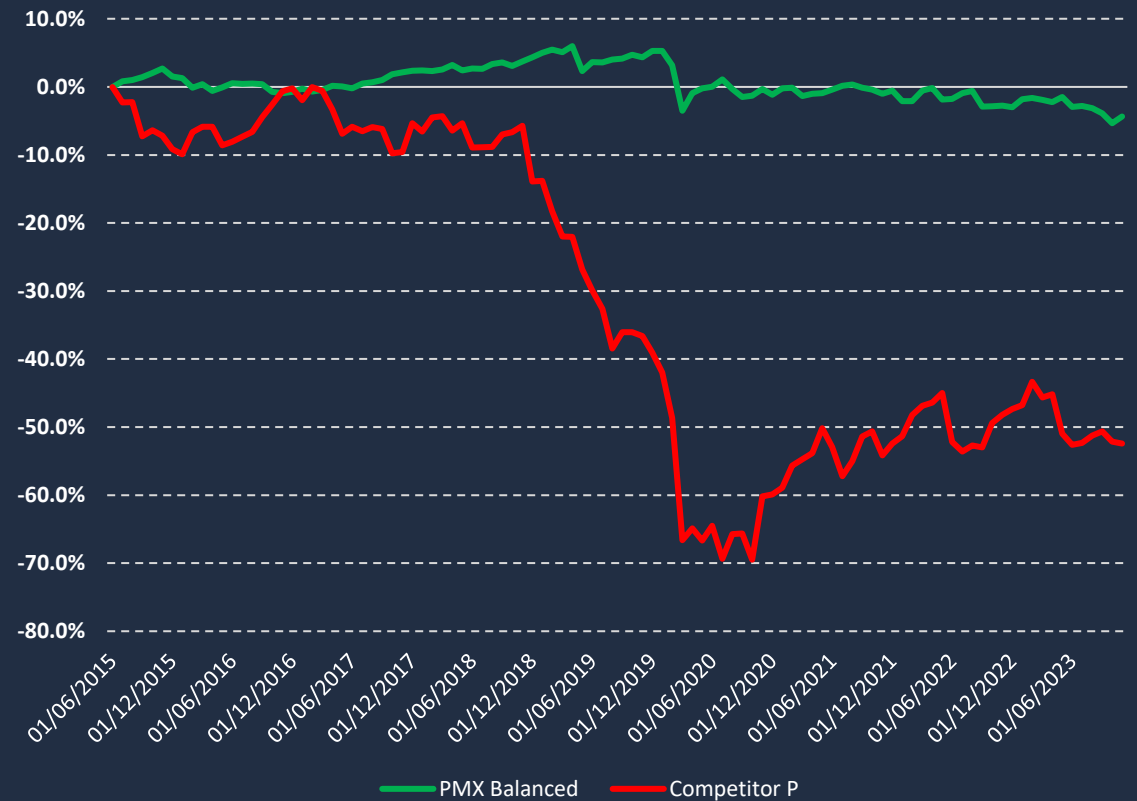
Performance and Investor Utility

The link between performance and investor happiness

Cummulative Excess Returns

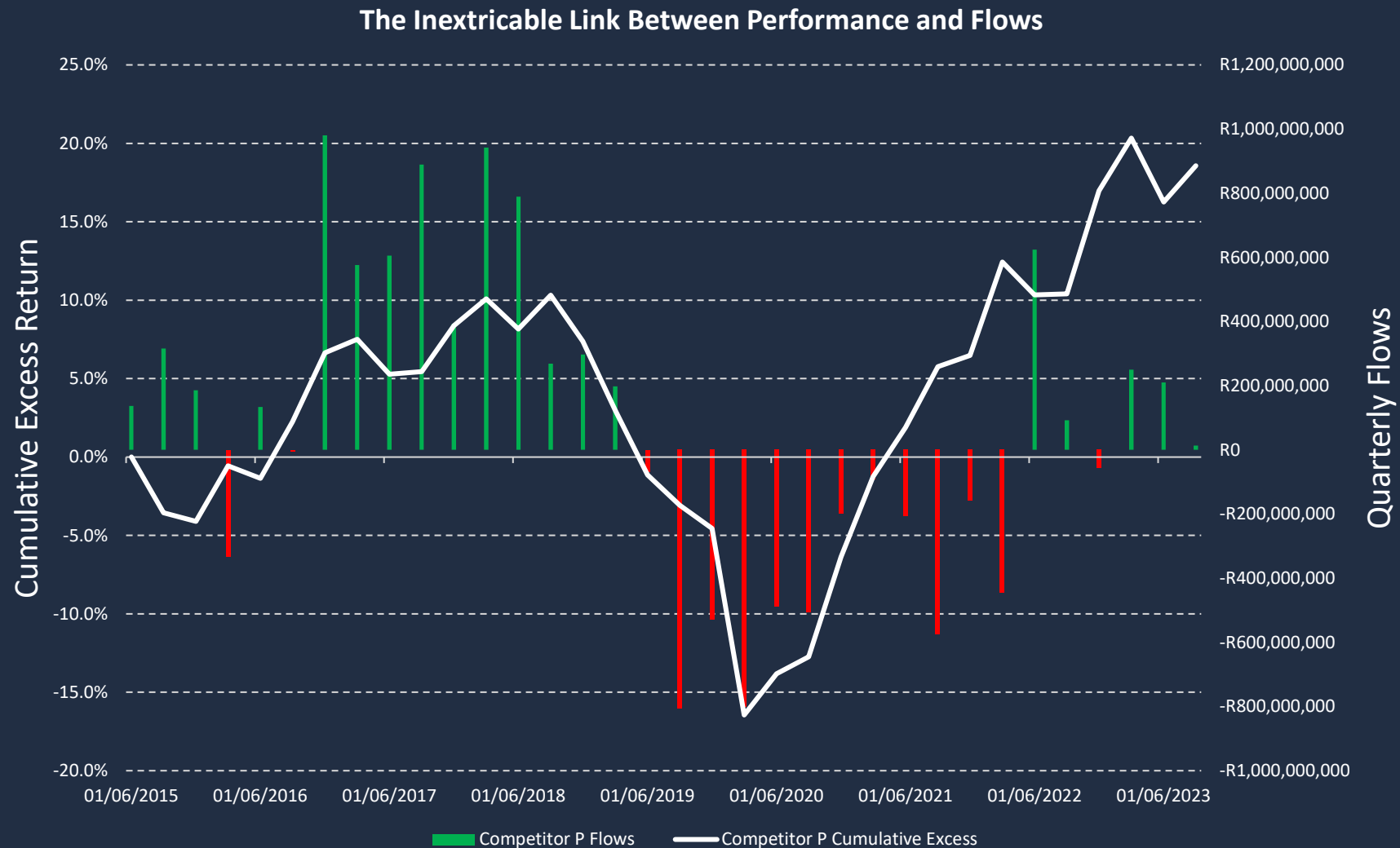


Investor Utility



Performance and Investor Utility

The link between performance and investor happiness



Performance and Investor Utility

The link between performance and investor happiness

	Annualised Return
Competitor P Available Return	7.7%
What Investors Achieved	6.2%
Behavioural Cost	1.5%

Performance and Investor Utility

The link between performance and investor happiness

	Annualised Return	Cumulative Return
Competitor P Available Return	7.7%	85%
What Investors Achieved	6.2%	64%
Behavioural Cost	1.5%	21%

Performance and Investor Utility

The link between performance and investor happiness

	Annualised Return	Cumulative Return	Rands (R1mil)
Competitor P Available Return	7.7%	85%	R1,850,219
What Investors Achieved	6.2%	64%	R1,644,272
Behavioural Cost	1.5%	21%	R205,948

Performance and Investor Utility

The link between performance and investor happiness

From June 2015

	Annualised Return	Cumulative Return	Rands (R1mil)
Competitor P Available Return	7.7%	85%	R1,850,219
What Investors Achieved	6.2%	64%	R1,644,272
Behavioural Cost	1.5%	21%	R205,948

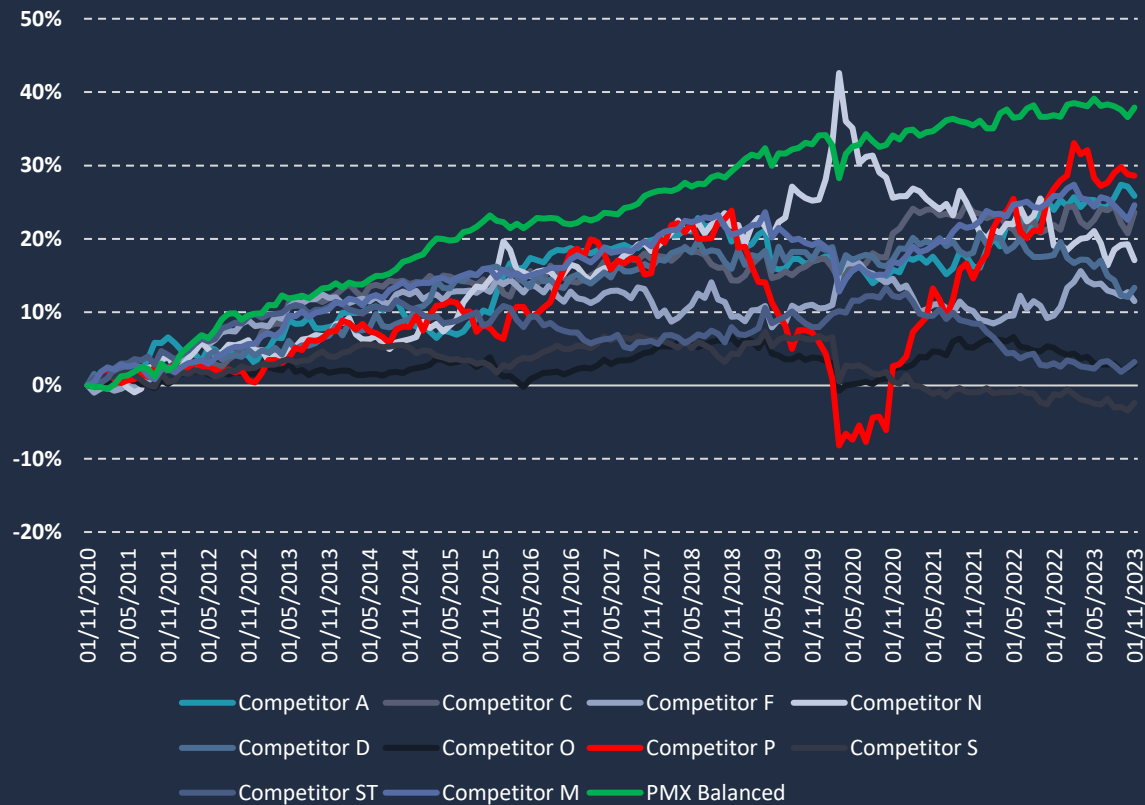
From Nov 2010

	Annualised Return	Cumulative Return	Rands (R1mil)
Competitor P Available Return	10.1%	240%	R3,398,615
What Investors Achieved	7.5%	151%	R2,508,817
Behavioural Cost	2.6%	89%	R889,798

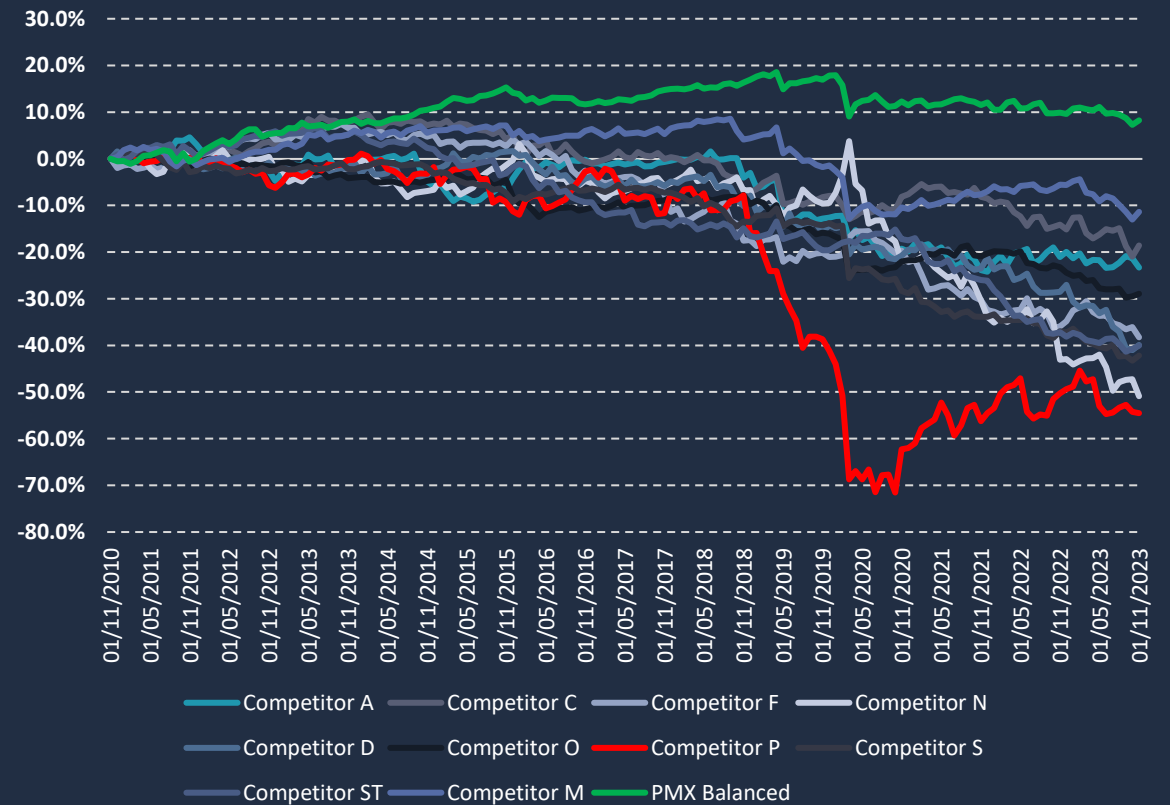
Performance and Investor Utility

The link between performance and investor happiness

Cummulative Excess Returns

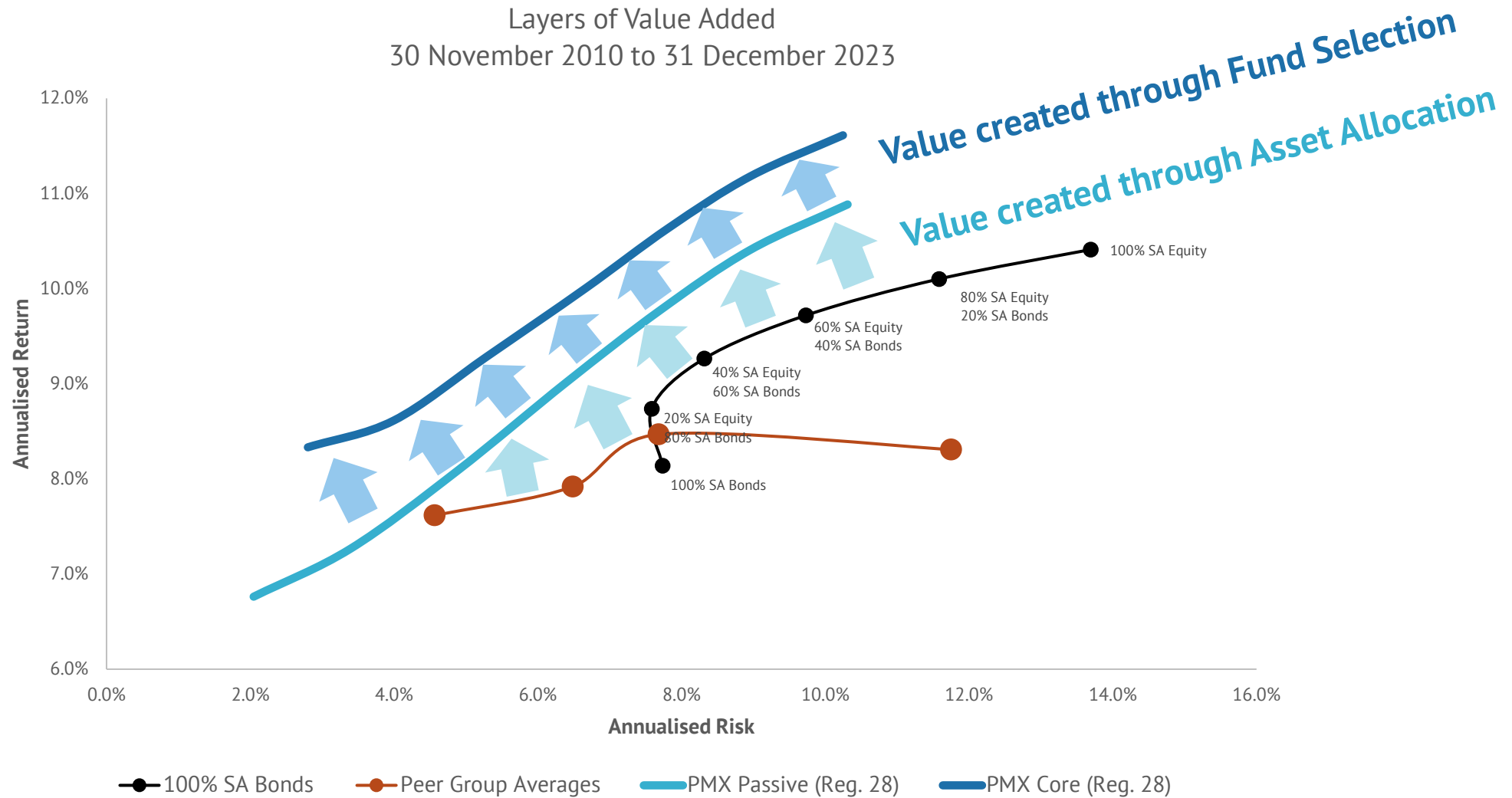


Investor Utility



What PMX has delivered

The multiple layers of value added



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