

PortfolioMetrix Asset Management Feedback

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PORTFOLIOM/ETRIX
Investment Management **by Design**

Asset Class Returns

Calendar Years in ZAR

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

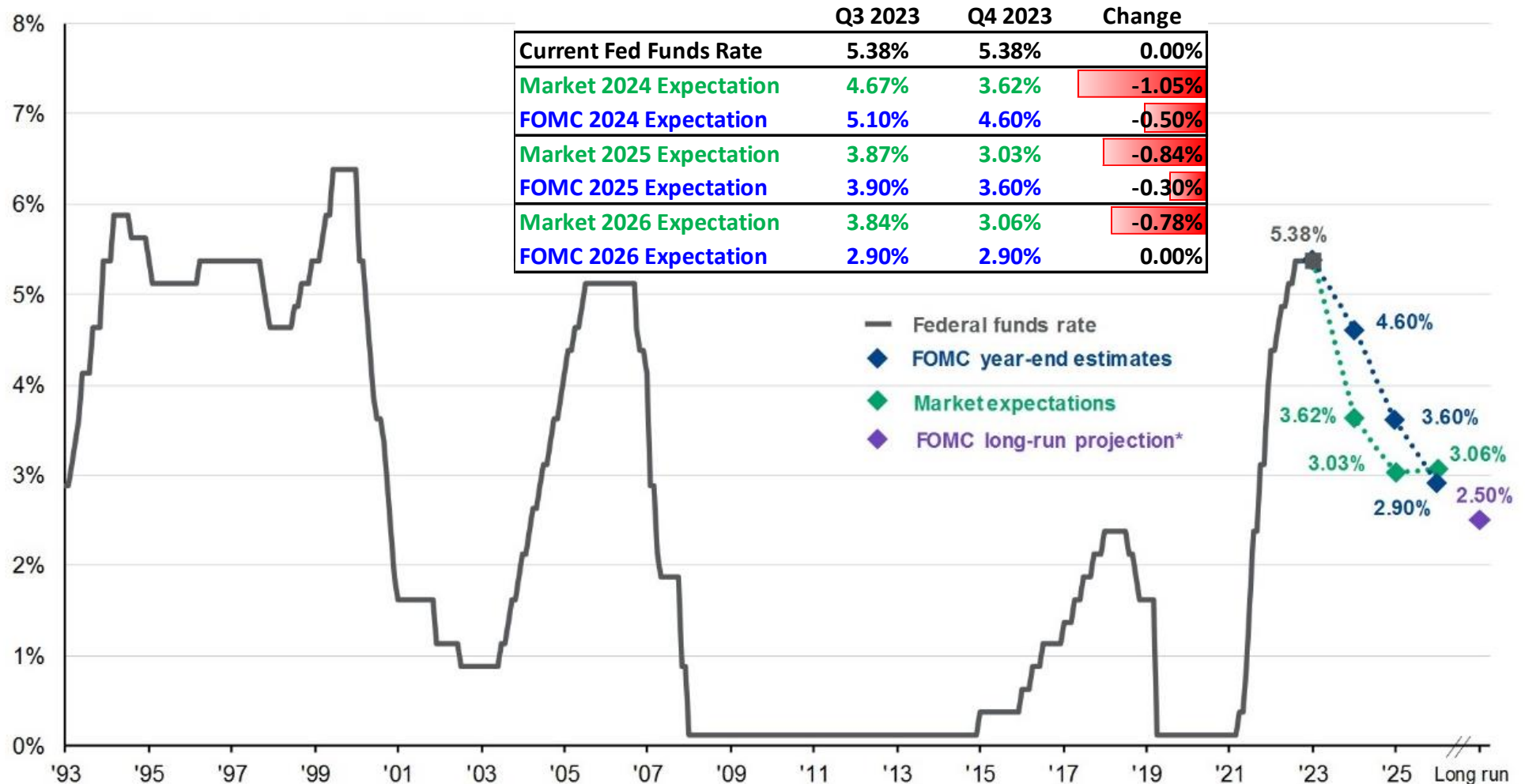
Asset Class Returns

Calendar Years in ZAR

2019		2020		2021		2022		2023		Q1 2024	
GLOBAL EQUITY	23.7%	GLOBAL EQUITY	22.7%	GLOBAL PROPERTY	39.9%	SA CASH	5.2%	GLOBAL EQUITY	31.3%	GLOBAL EQUITY	12.0%
GLOBAL PROPERTY	19.4%	GLOBAL BONDS	14.7%	SA PROPERTY	36.9%	SA BONDS	4.3%	GLOBAL PROPERTY	19.3%	SA PROPERTY	3.8%
SA EQUITY	12.0%	SA BONDS	8.7%	GLOBAL EQUITY	29.2%	SA EQUITY	3.6%	GLOBAL BONDS	13.6%	SA CASH	2.0%
SA BONDS	10.3%	SA EQUITY	7.0%	SA EQUITY	29.2%	SA PROPERTY	0.5%	SA PROPERTY	10.1%	GLOBAL PROPERTY	1.4%
SA CASH	7.3%	SA CASH	5.4%	SA BONDS	8.4%	US \$ / RAND	-6.4%	SA BONDS	9.7%	GLOBAL BONDS	1.4%
GLOBAL BONDS	3.9%	GLOBAL PROPERTY	-4.3%	SA CASH	3.8%	GLOBAL BONDS	-10.7%	SA EQUITY	8.4%	SA BONDS	-1.8%
US \$ / RAND	2.6%	US \$ / RAND	-4.7%	GLOBAL BONDS	3.5%	GLOBAL EQUITY	-12.3%	SA CASH	8.0%	SA EQUITY	-2.4%
SA PROPERTY	1.9%	SA PROPERTY	-34.5%	US \$ / RAND	-7.9%	GLOBAL PROPERTY	-21.4%	US \$ / RAND	-7.0%	US \$ / RAND	-3.4%

Interest rate outlook

Market implied change in Fed Funds Rate for 2024 as at end 2023

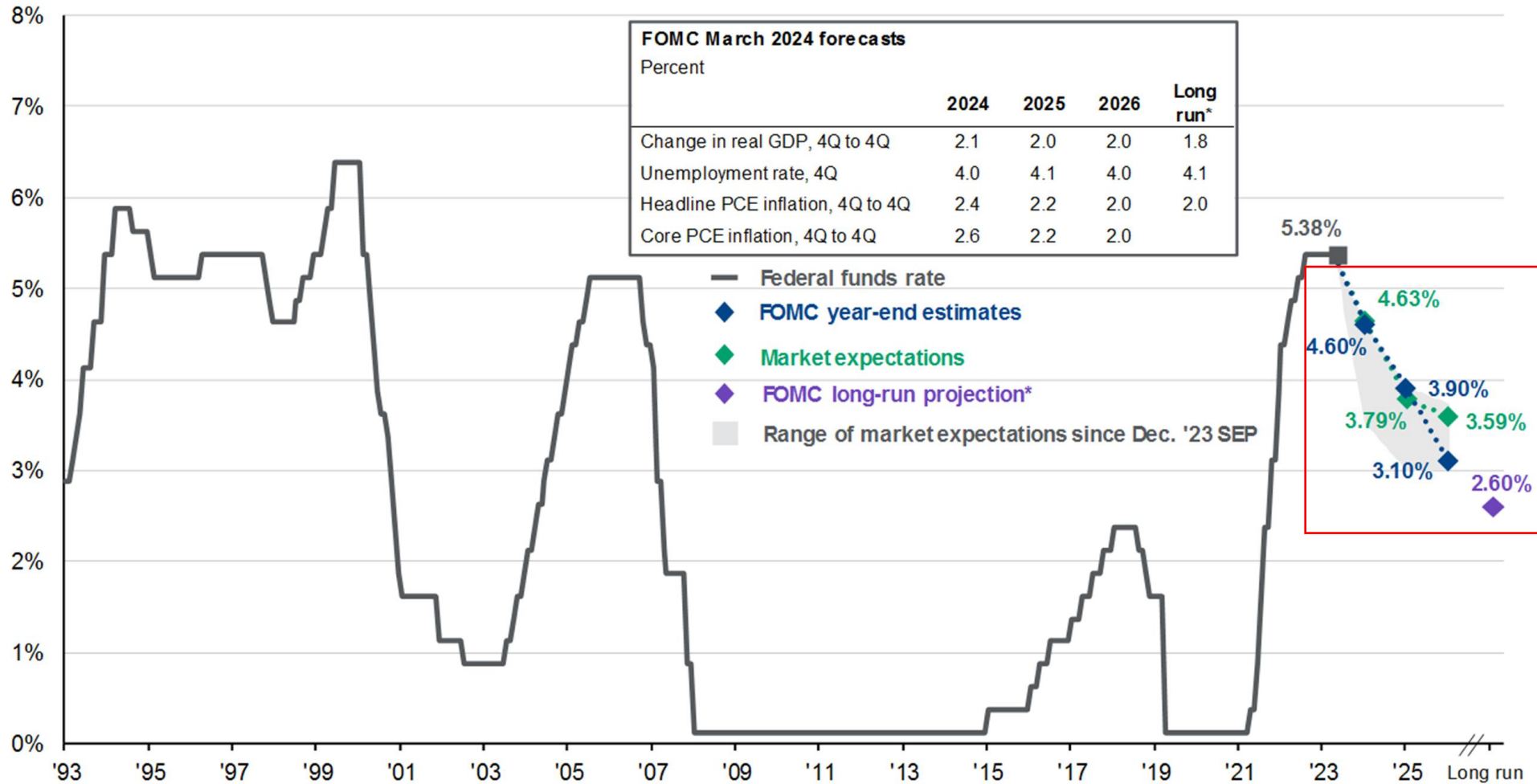


Interest rate outlook

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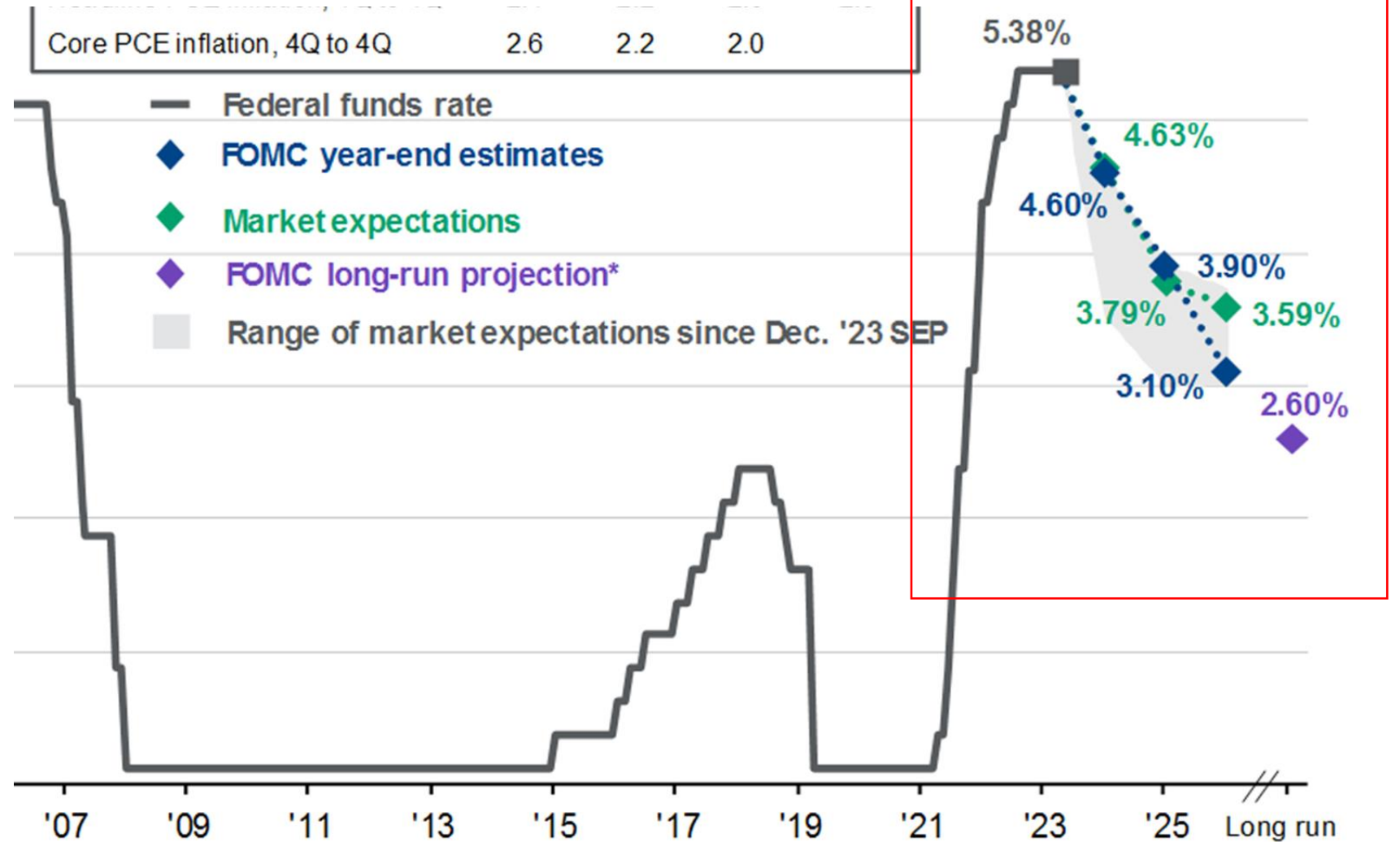
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Interest rate outlook

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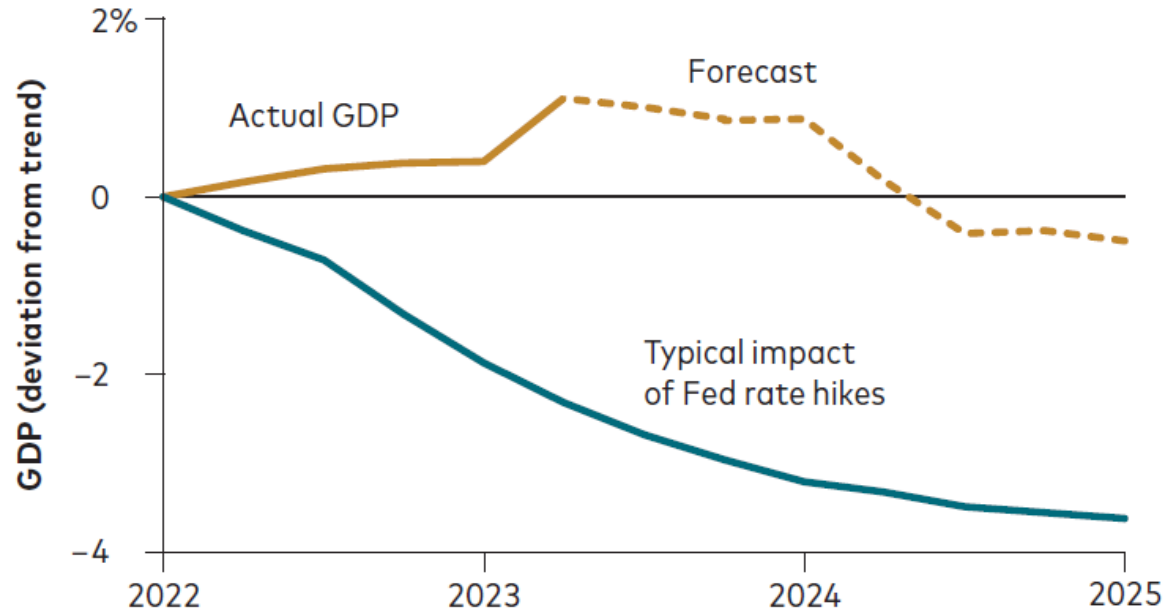




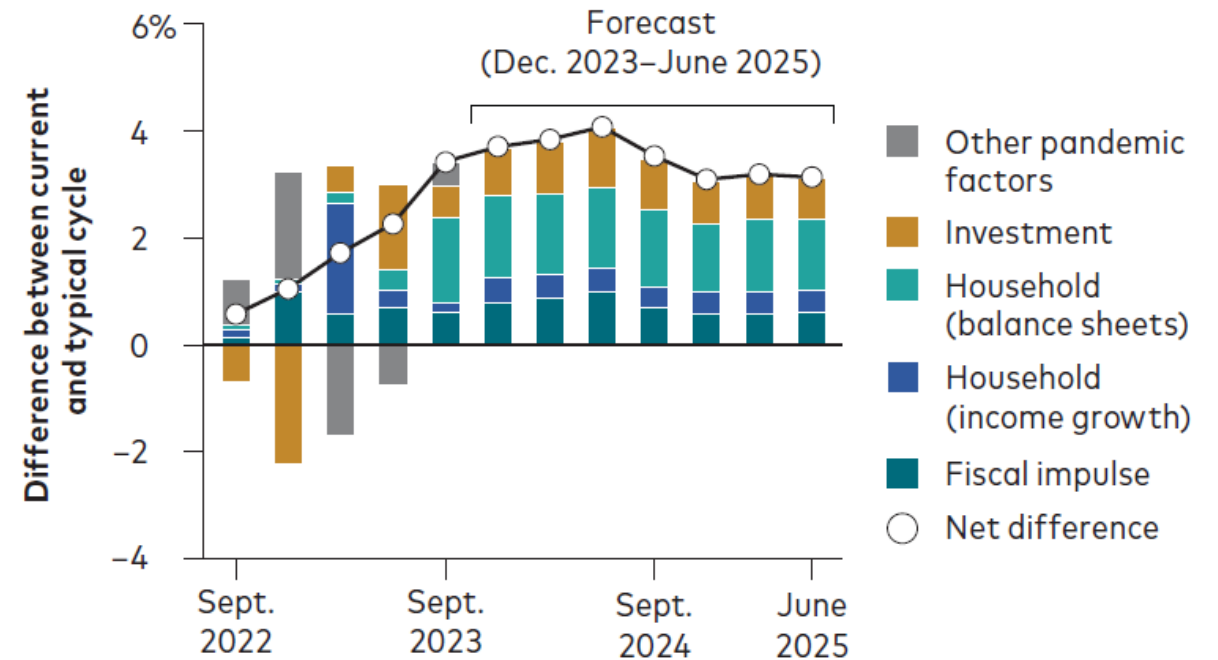
Monetary and Fiscal Policy

The Fed and the US Treasury are counteracting each other

US GDP: Fiscal vs Monetary Policy

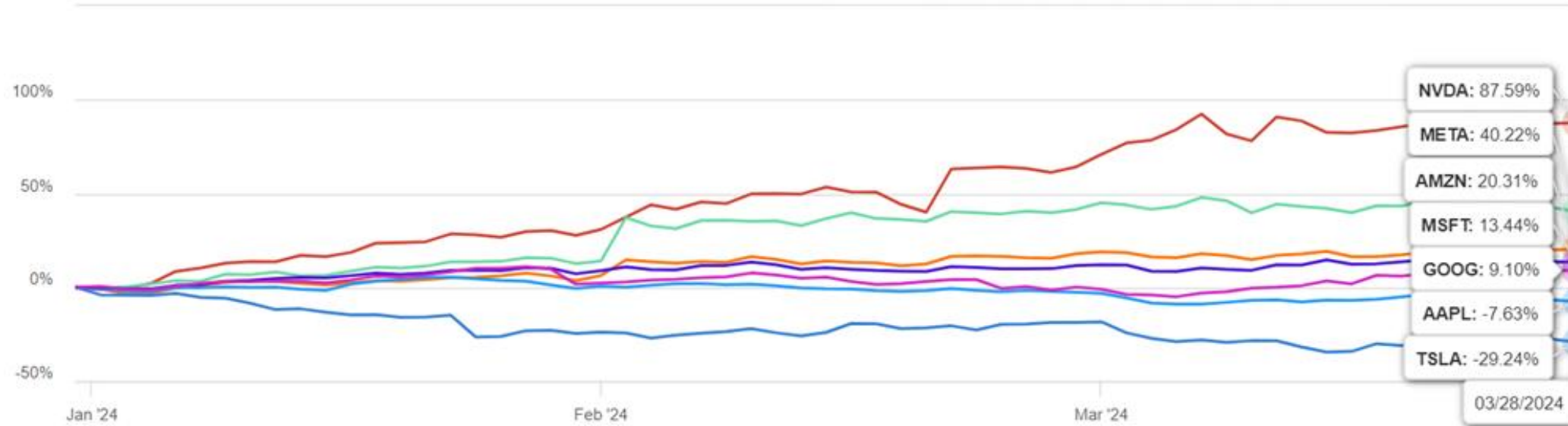


US Consumer Boosts US GDP



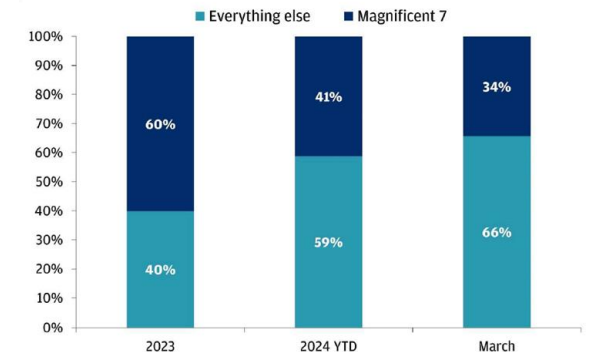
Equity Market Performance

A sense of equity returns broadening out



Room to run? The rally has been broadening

Contribution to S&P 500 returns, %

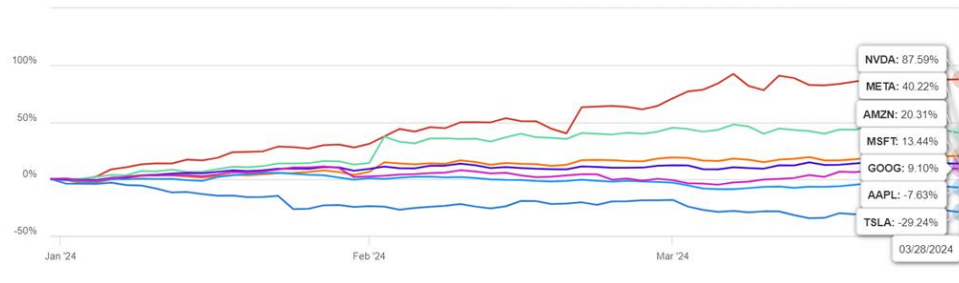


Sources: Bloomberg Finance L.P. Data as of March 26, 2024. Note: Constituents are per the SPDR S&P 500 ETF due to data availability. The Magnificent 7 group includes Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.



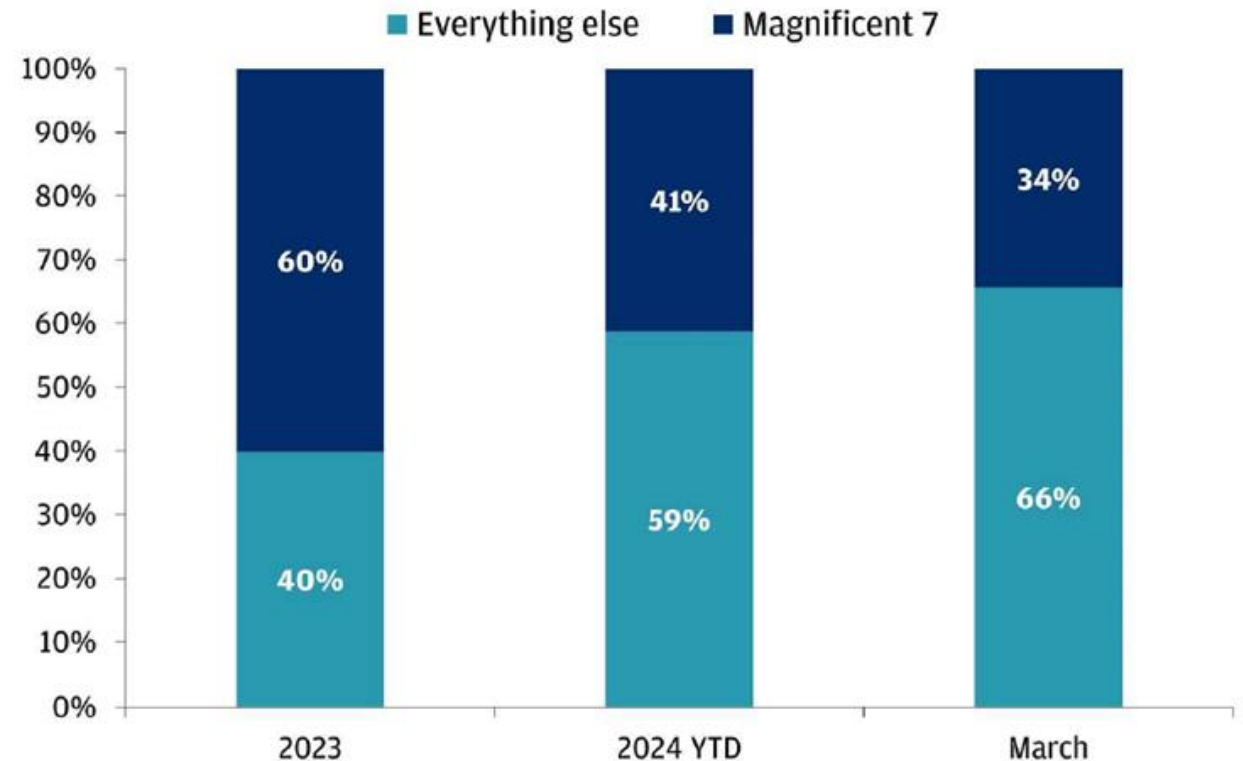
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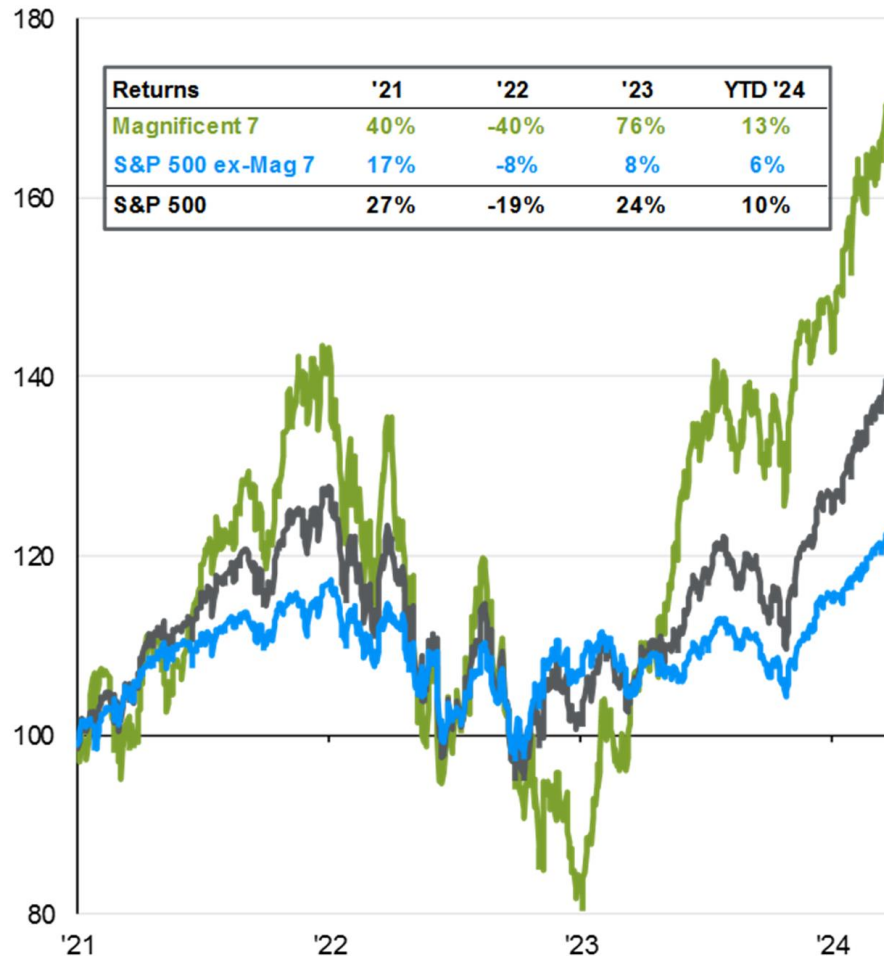


Equity Market Performance

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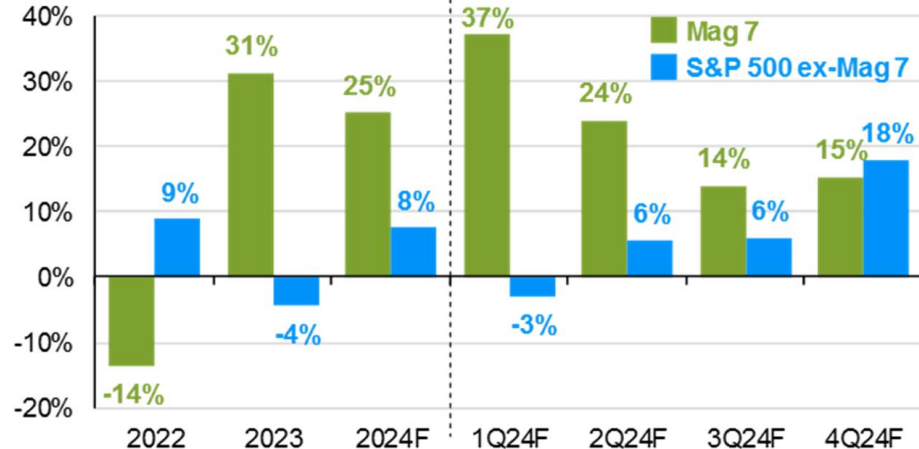
Performance of "Magnificent 7" stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



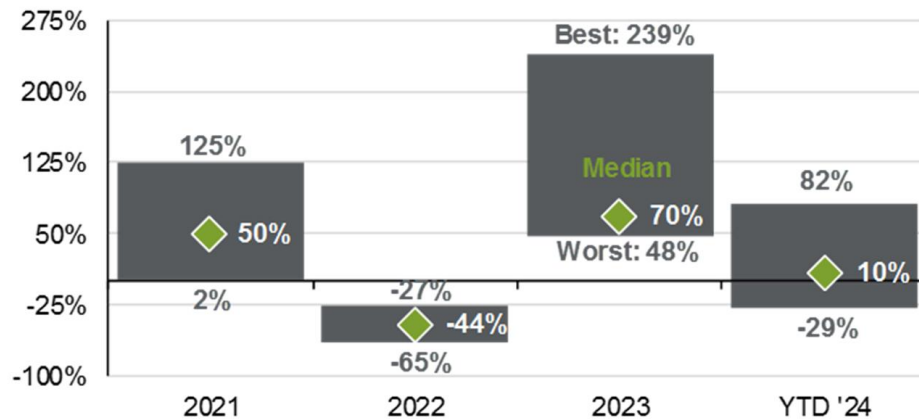
Earnings growth

Pro-forma EPS, y/y



Magnificent 7 performance dispersion

Price returns, best, median and worst performing Mag 7 stock by year

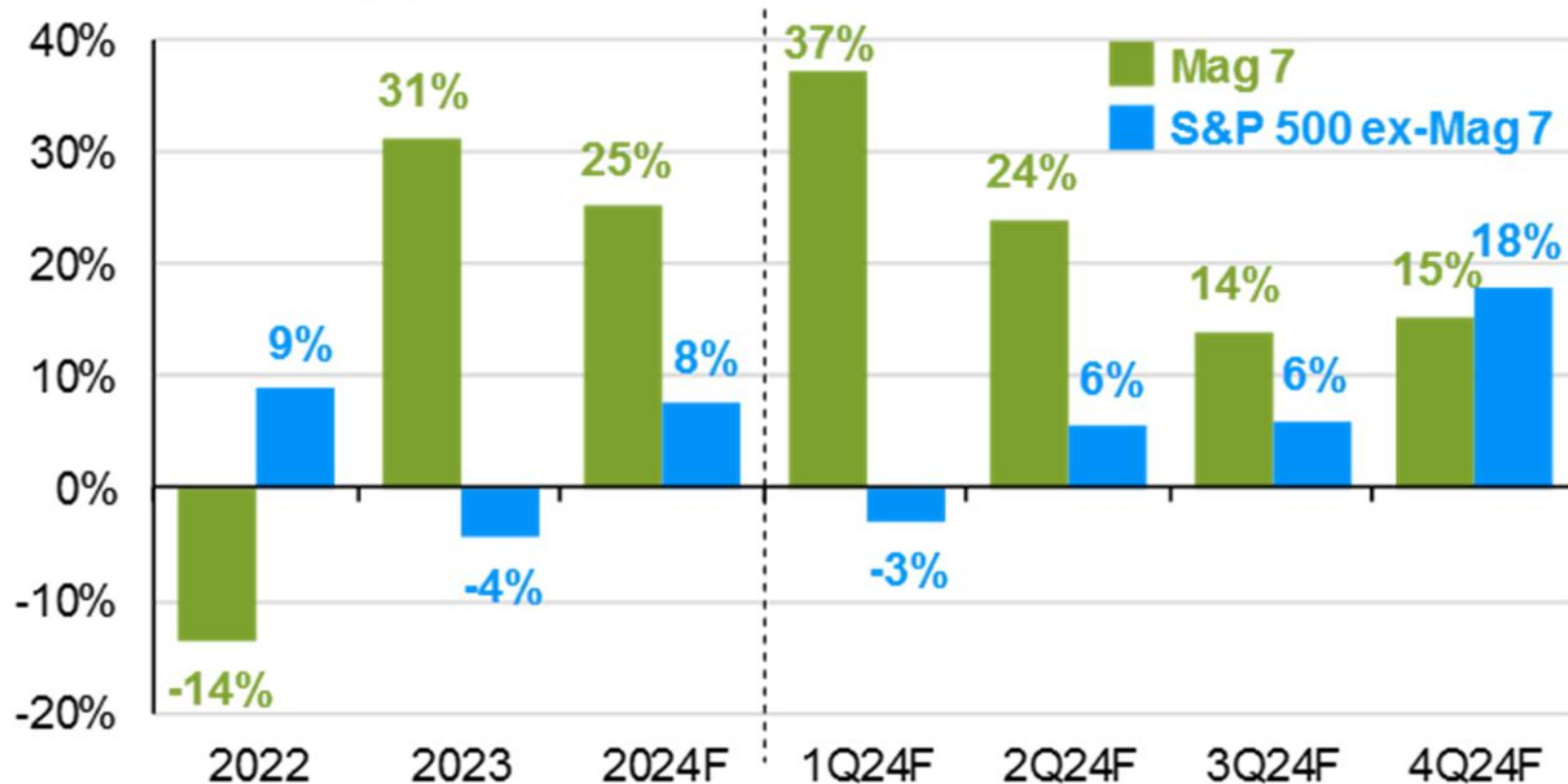


Equity Market Performance

A sense of equity returns broadening out

Earnings growth

Pro-forma EPS, y/y

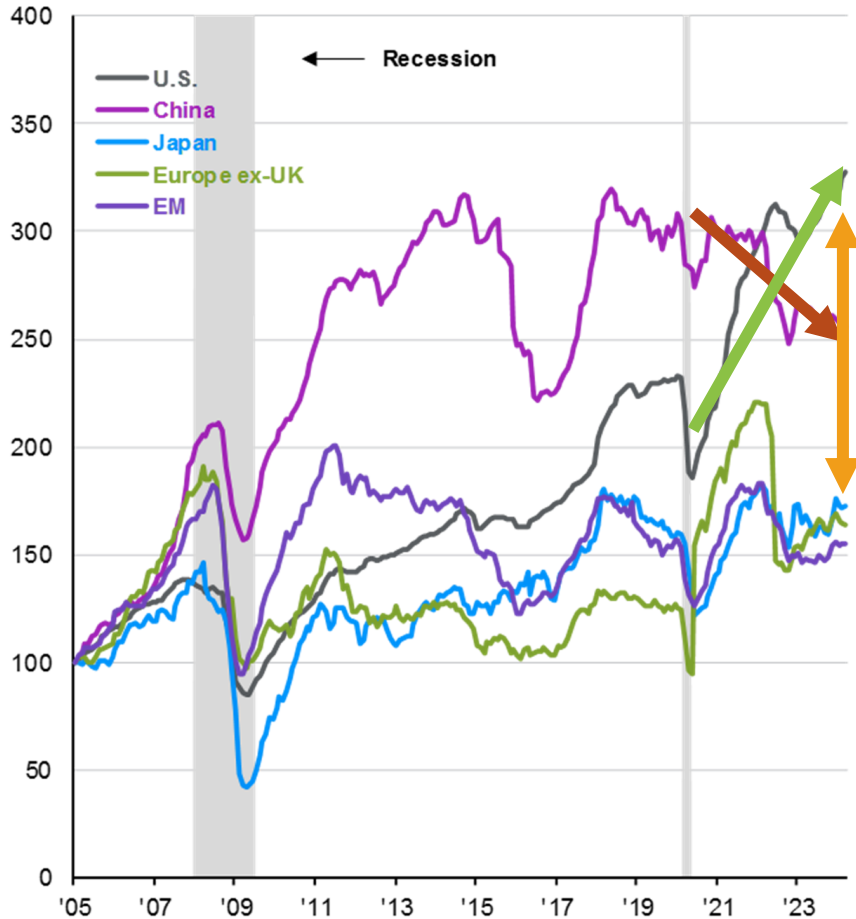


Equity Market Valuations

The US continues to drive earnings growth

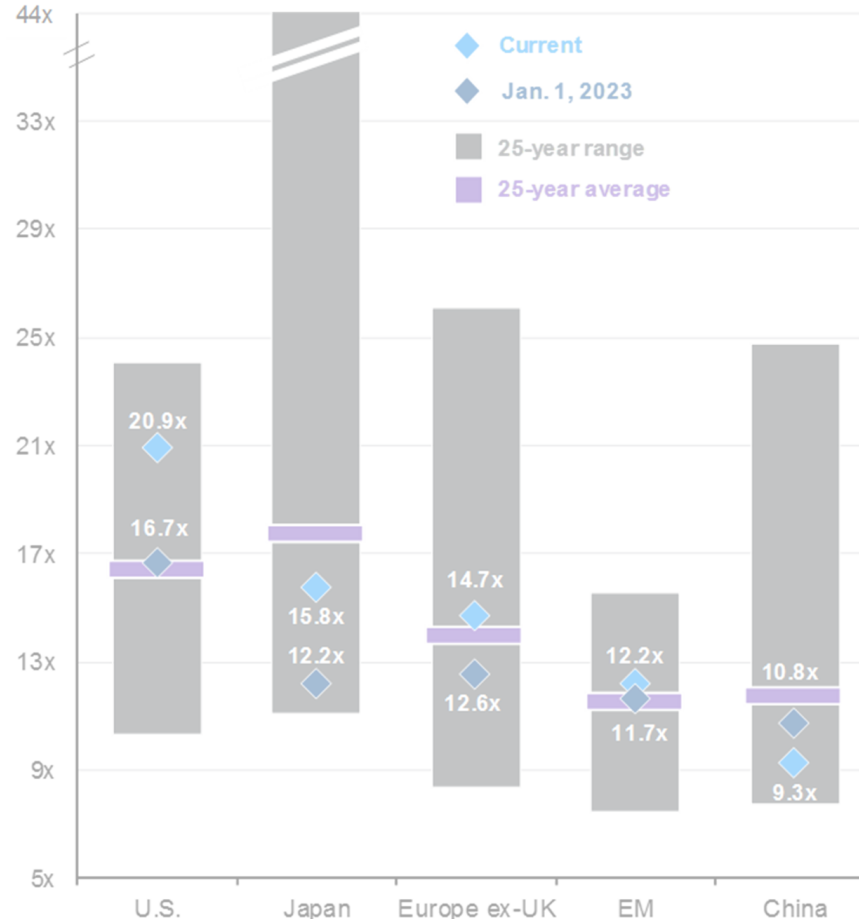
Global earnings estimates

Jan. 2005 = 100, next 12 months consensus estimates, U.S. dollars



Global valuations

Current and 25-year next 12 months price-to-earnings ratio

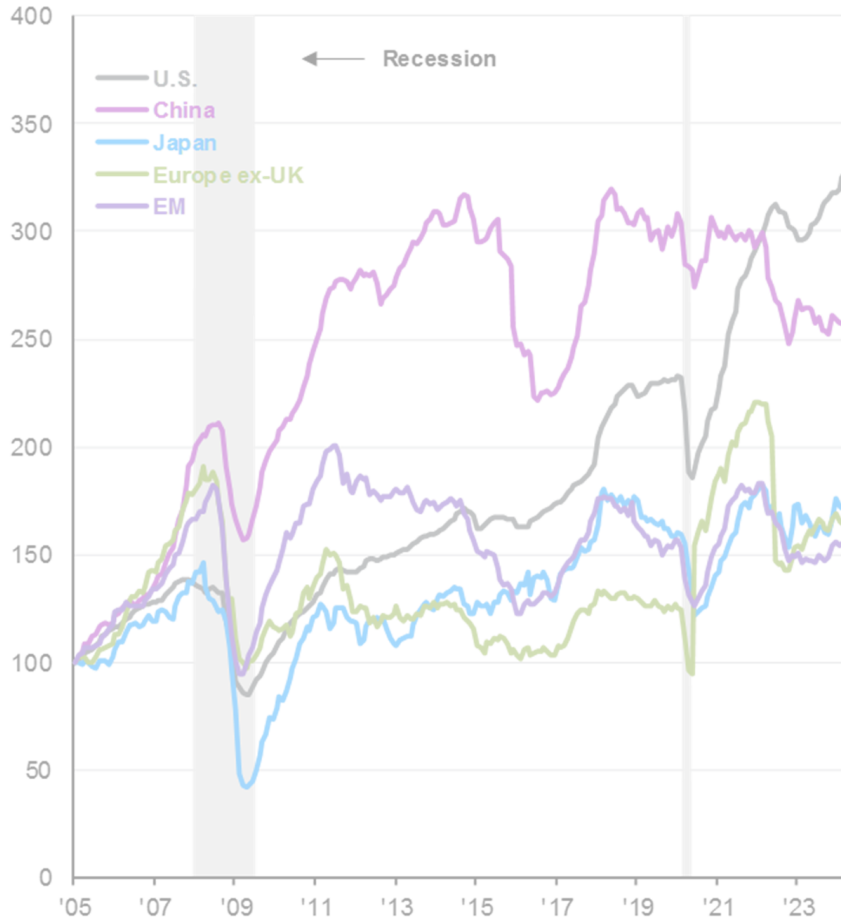


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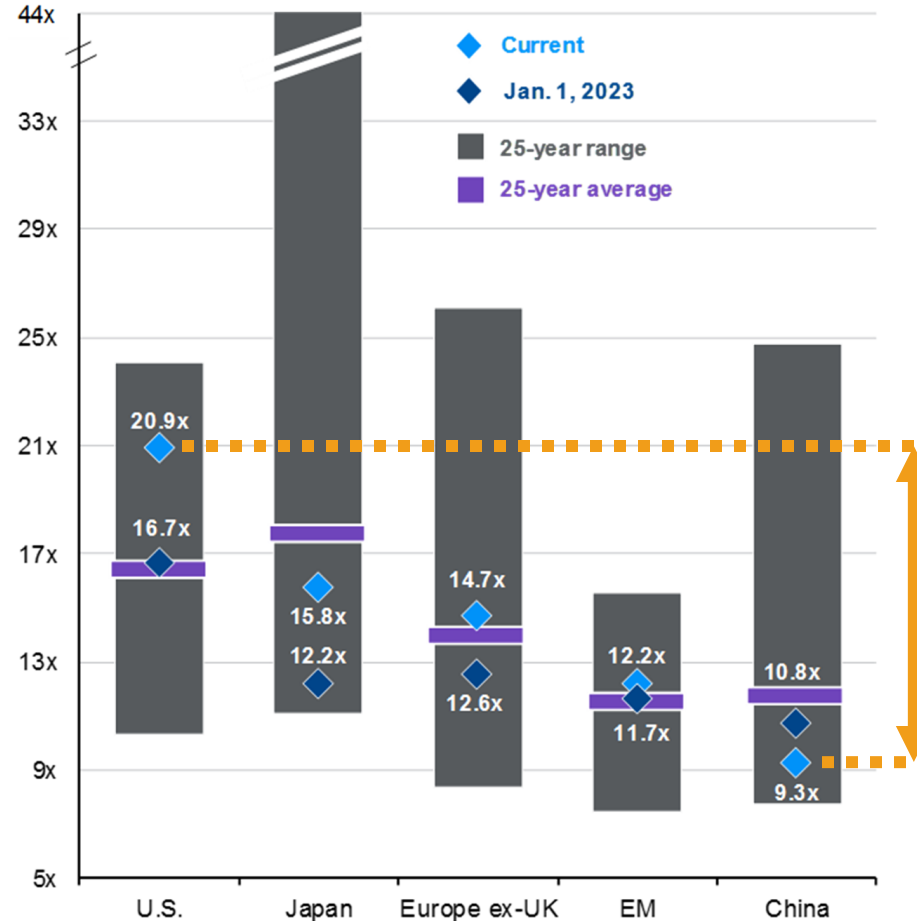
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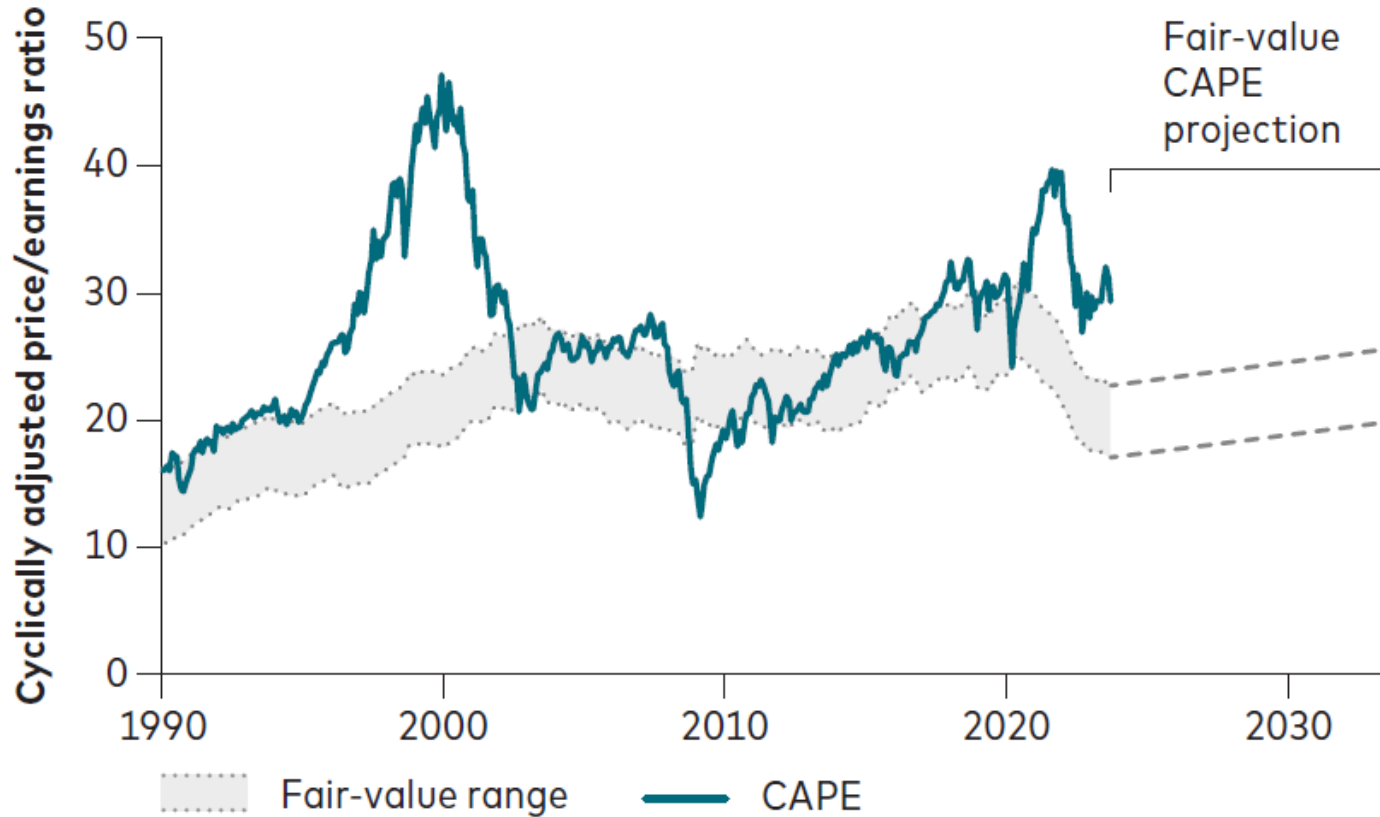
Global valuations

Current and 25-year next 12 months price-to-earnings ratio



Equity Market Valuations

The US needs earnings growth

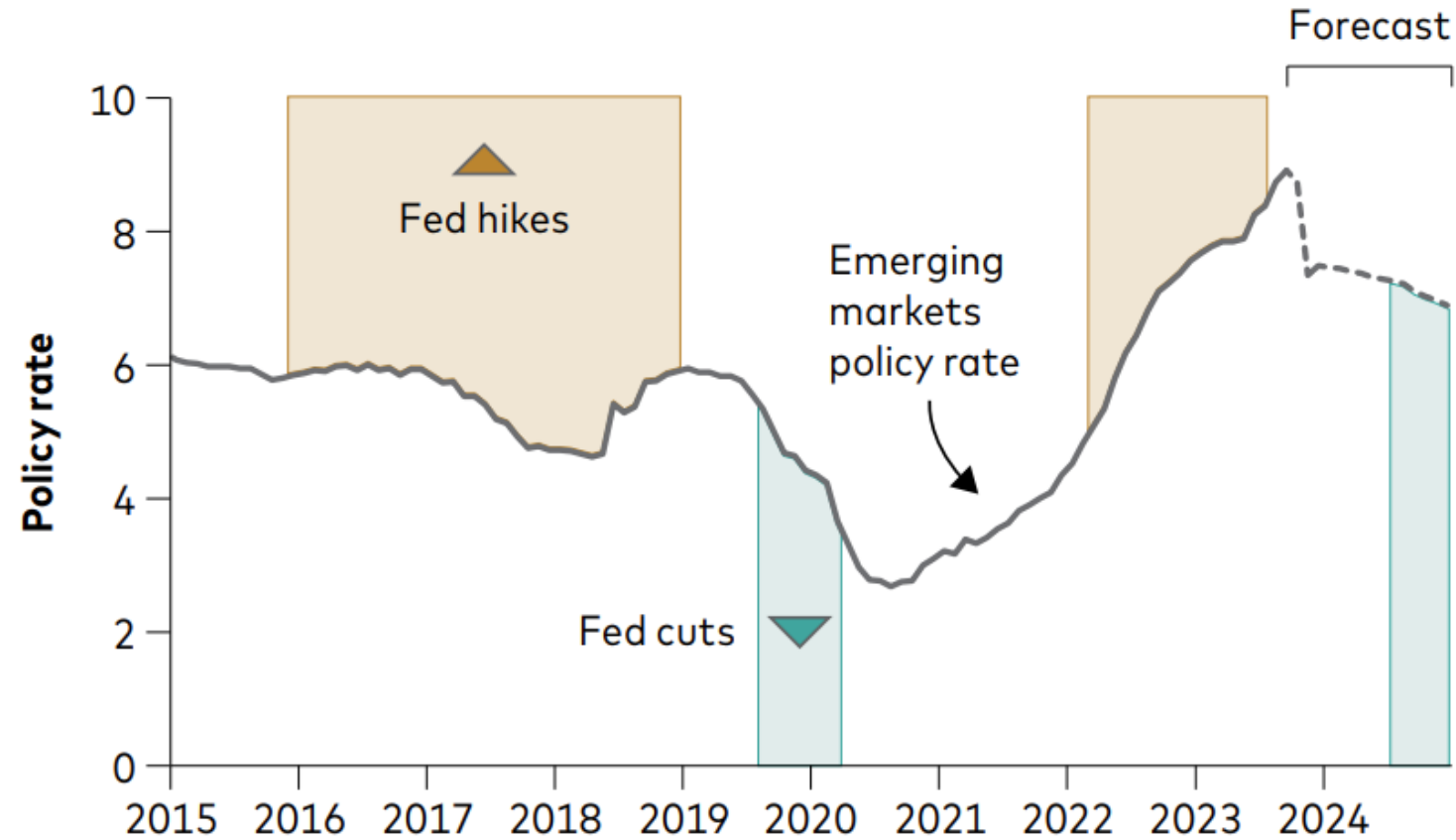


The components of our forecasts of equities' total returns

	Valuation change	+ Earnings growth	+ Dividend yield	+ Currency effect	= Total return
U.S. equities	-1.2%	4.4%	2.0%	—	5.2%
Global ex-U.S. equities	-0.1%	3.4%	3.7%	1.1%	8.1%



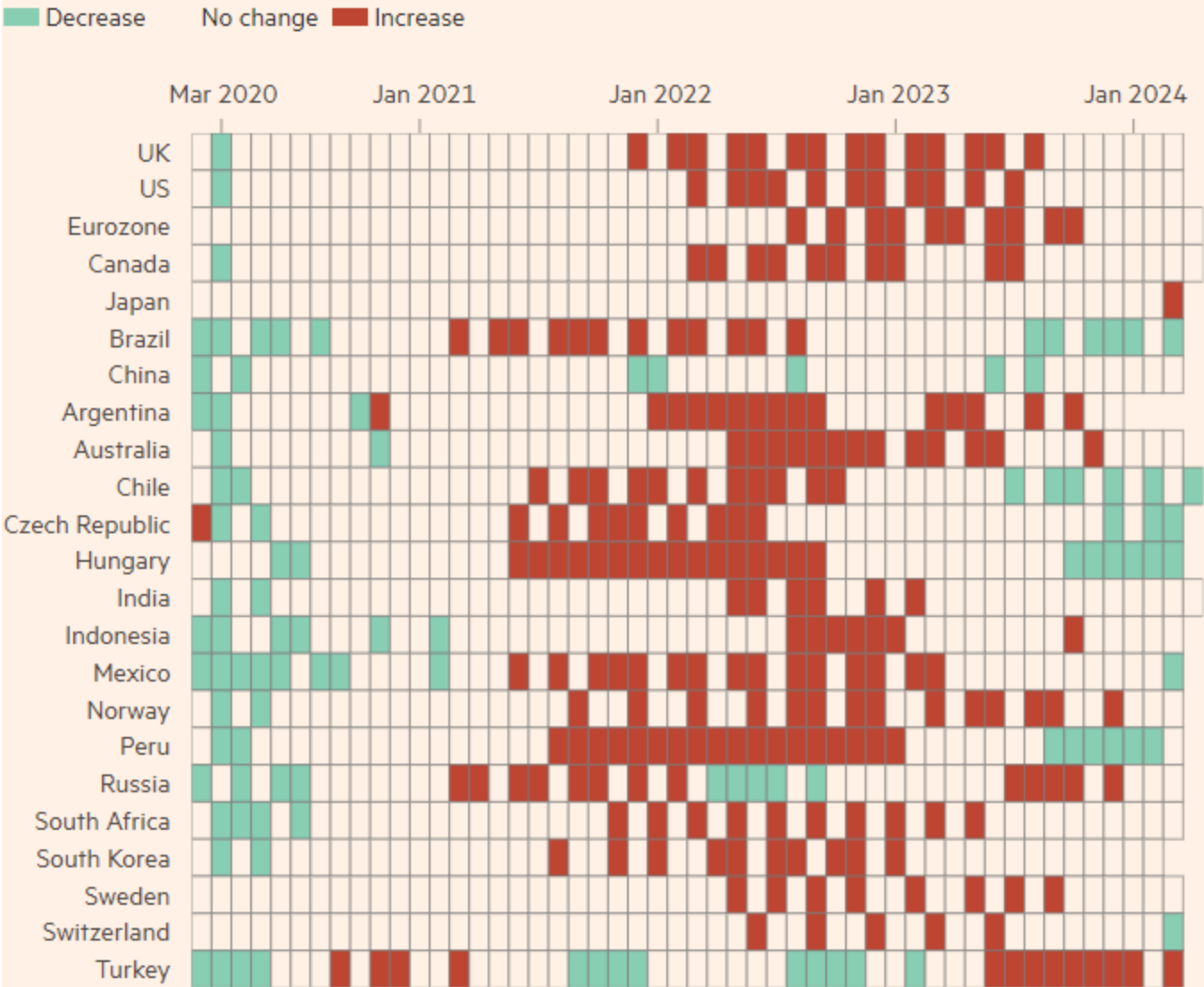
Emerging markets are leading the monetary policy cycle



Notes: The emerging markets policy rate is a GDP-weighted average of the following countries, listed in order of GDP: India, Brazil, Mexico, South Korea, Indonesia, Turkey, Poland, Israel, Thailand, Philippines, South Africa, Colombia, Romania, Chile, Czech Republic, Peru, and Hungary.

Sources: Vanguard calculations, based on data from Refinitiv, as of October 31, 2023.

Stick or twist: policy rate decisions since the pandemic



Source: FT analysis of data compiled by LSEG

Global Economy

Generally robust, driven by US

Region	Previous Quarter Growth (annualised)			Inflation		Core Inflation	Unemployment		Comment
	Latest Reading	Change	Detail	Latest Reading	Change	Latest Reading	Latest Reading	Change	
UK	-1.2%	↓	In-line with expectations	3.4%	↓	4.5%	3.9%	↓	UK has now entered a technical recession (2+ periods of consecutive negative growth)
US	3.4%	↓	Slightly above expectations	3.2%	↑	3.8%	3.9%	↑	
Eurozone	0.0%	↑	In-line with expectations	2.6%	↑	2.9%	6.5%	→	Unemployment remains lowest since records began
Japan	0.4%	↑	Above expectations	2.8%	→	2.8%	2.6%	↑	
China	4.1%	↓	In-line with expectations	0.7%	↑	1.2%	5.3%	↑	
Brazil	0.0%	↓	Slightly below expectations	4.5%	↓	4.7%	7.8%	↑	
India	8.4%	↑	Above expectations	5.1%	↓		8.0%	↑	
Russia	5.5%*	→	Q3 2023 figure, no Q4 reported yet	7.7%	↑	7.2%	2.9%	↓	Unemployment remains lowest since records began
South Africa	0.4%	↑	Slightly below expectations	5.6%	↑	5.0%	32.1%	↑	

Note: Change is from value as at previous quarter (revised if necessary). Core inflation omits volatile items such as energy and food.

Note 2: Some of the quarterly growth figures are annualised data points, others we have annualised ourselves using the latest quarterly data

Source: tradingeconomics.com



Global Monetary Policy

Divergence starting

Central Bank	Monetary Rate			Detail
	End Q4 2023	End Q1 2024		
US Federal Reserve	5.25%-5.5%	5.25%-5.5%	→	
Bank of England	5.25%	5.25%	→	
European Central Bank	4.50%	4.50%	→	
Bank of Japan	-0.10%	0-0.1%	↑	In March, 10-20 basis points rise, termination of yield curve control and a reduction in asset purchases (ETFs & REITs)
China	3.45%	3.45%	→	
Brazil	11.75%	10.75%	↓	50 basis points cut in February and March
India	6.50%	6.50%	→	
Russia	16.00%	16.00%	→	
South Africa	8.25%	8.25%	→	

Source: [global-rates.com](https://www.global-rates.com)



Lessons from history

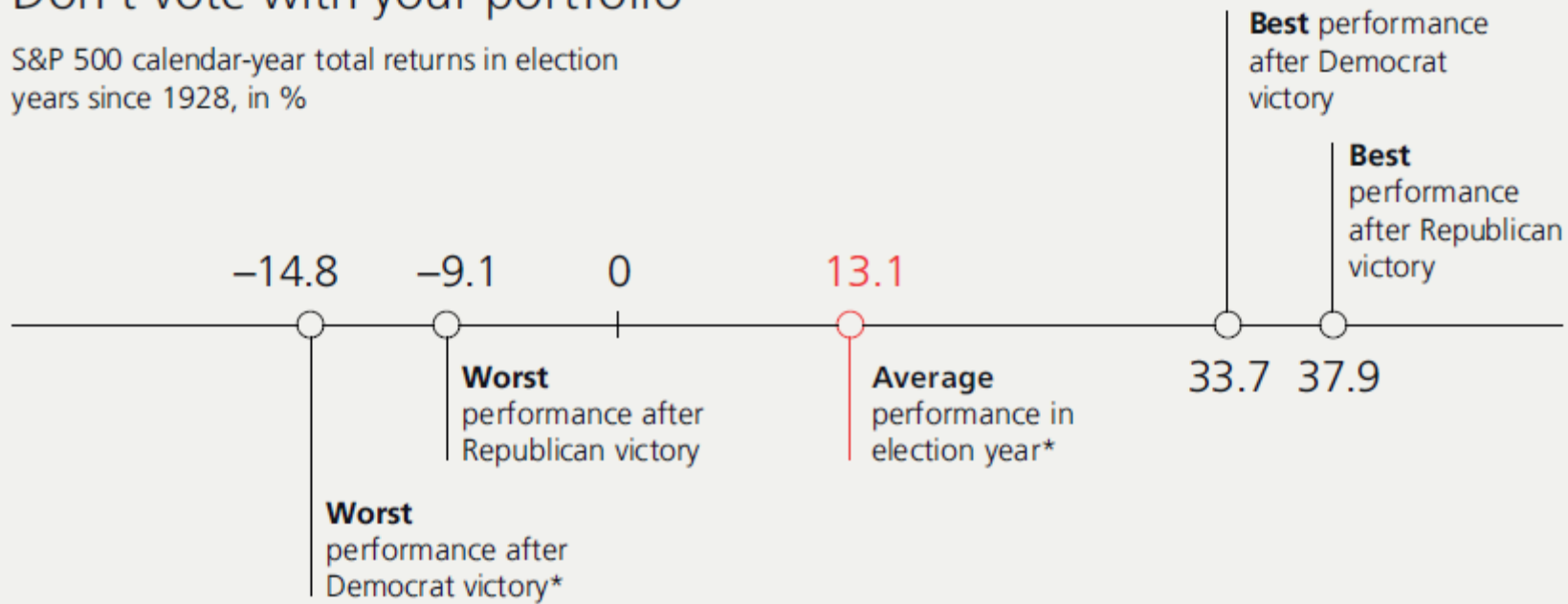
Do US presidential elections impact markets?

While the US presidential elections are important for domestic and foreign policy, our research shows that they do not have a reli-

able impact on markets. We recommend investors express their political preferences at the polls and not with their portfolios.

Don't vote with your portfolio

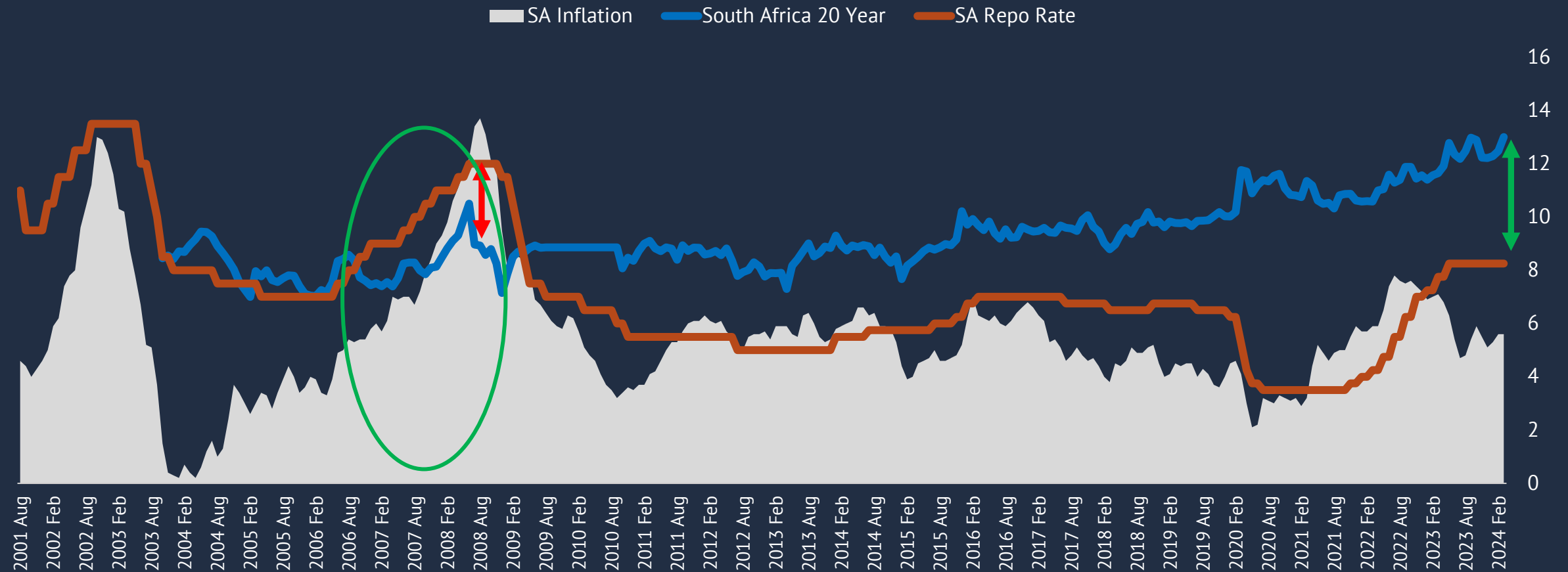
S&P 500 calendar-year total returns in election years since 1928, in %



*Excluding 2008, when the S&P 500 fell by 37% chiefly as a consequence of the global financial crisis.
Source: Bloomberg, UBS, as of November 2023

The evolution of the SA bond market

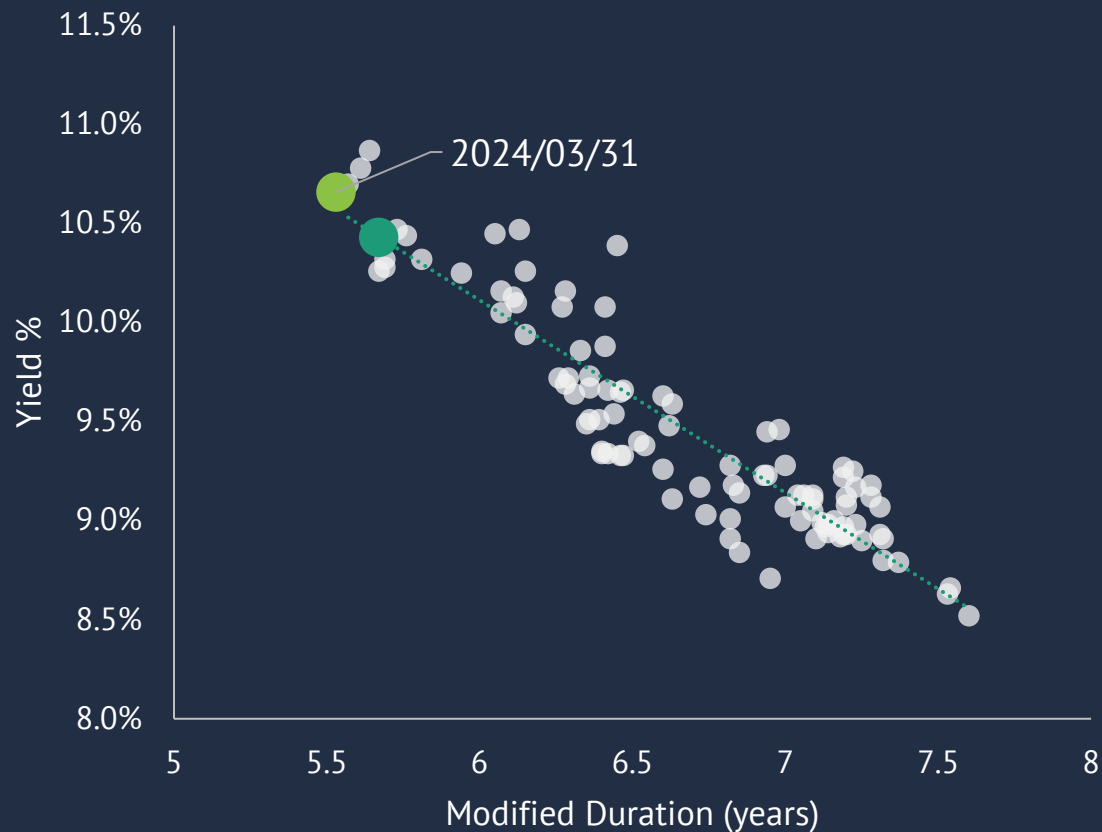
Bonds now offer much higher yields than cash



SA Bonds - More reward for less risk

Adjusting for the interest rate risk we are seeing historically high levels of reward available

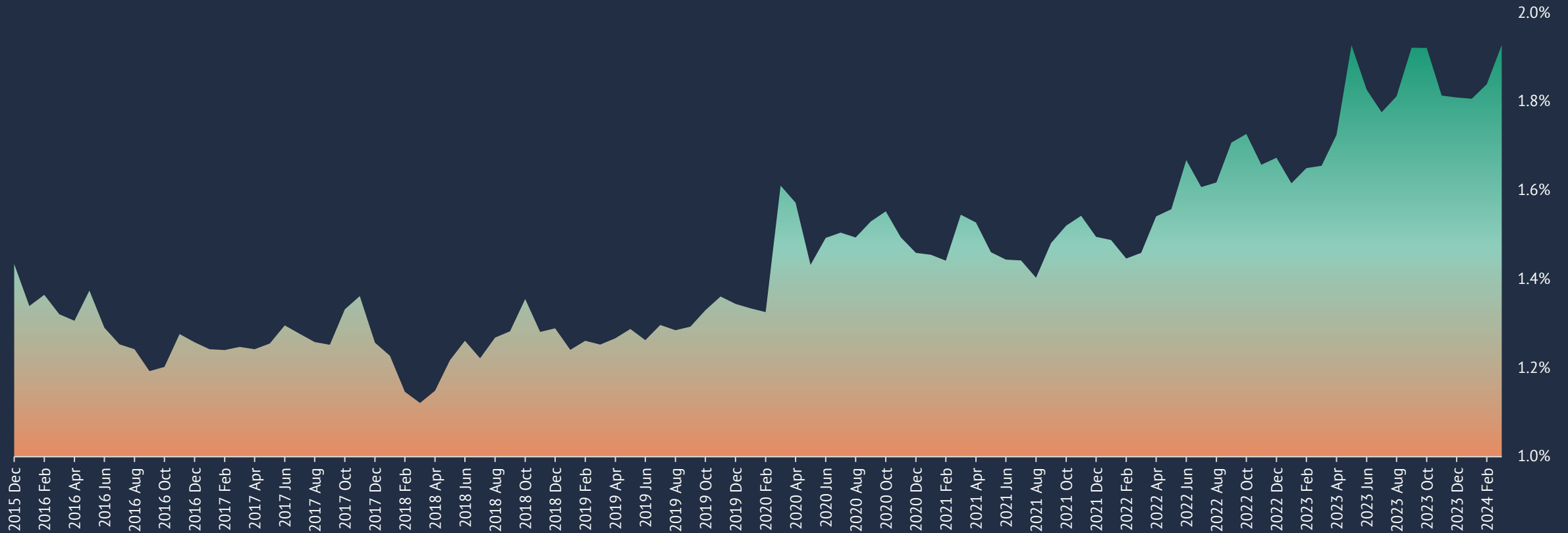
ALBI Yield vs Duration since 2015/07



SA Bonds - More reward for less risk

Adjusting for the interest rate risk we are seeing historically high levels of reward available

Percent of Yield on offer for every year of duration



As of 2024/03/31

Source: Bloomberg, PortfolioMetrix.

FTSE/JSE All Bond Index Yield and Modified Duration



Investment Performance

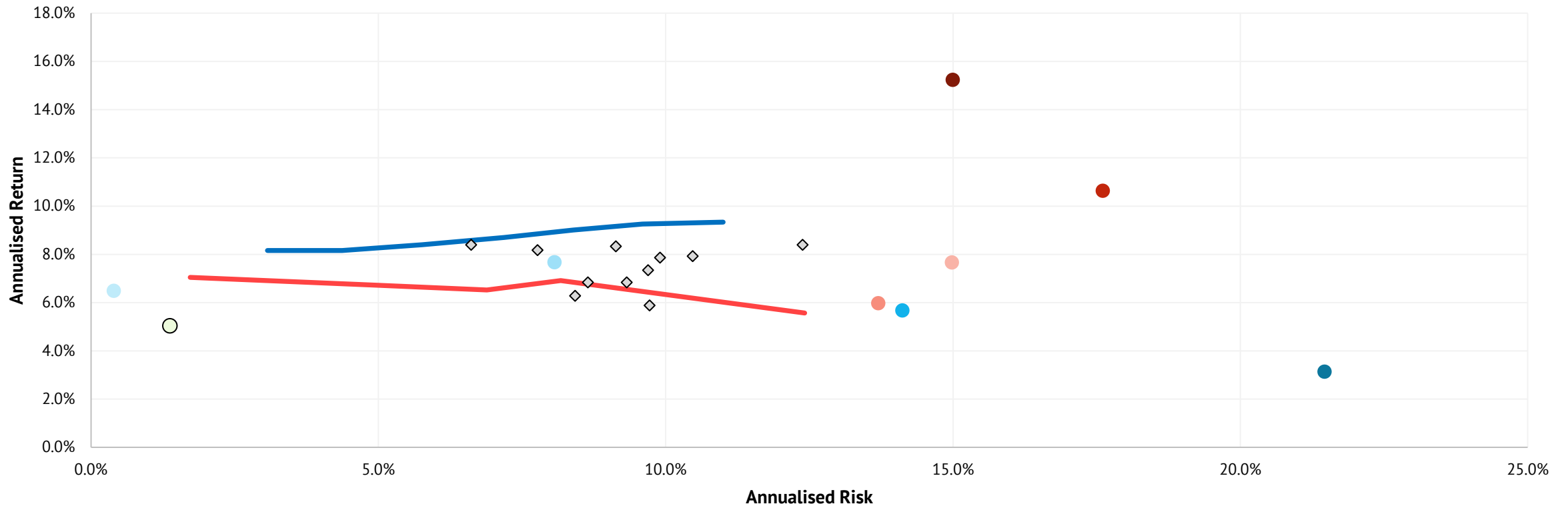
SA and Global Portfolio Series



Local Portfolios

Ten Year Performance - ZAR

31 March 2014 to 31 March 2024 Performance Comparison



- SA Inflation
- SA Cash
- SA Bonds
- SA Property
- SA Equity
- Global Cash
- Global Bonds
- Global Property
- Global Equity
- ASISA Categories
- ◇ Balanced Managers
- PMX Reg28 Curve



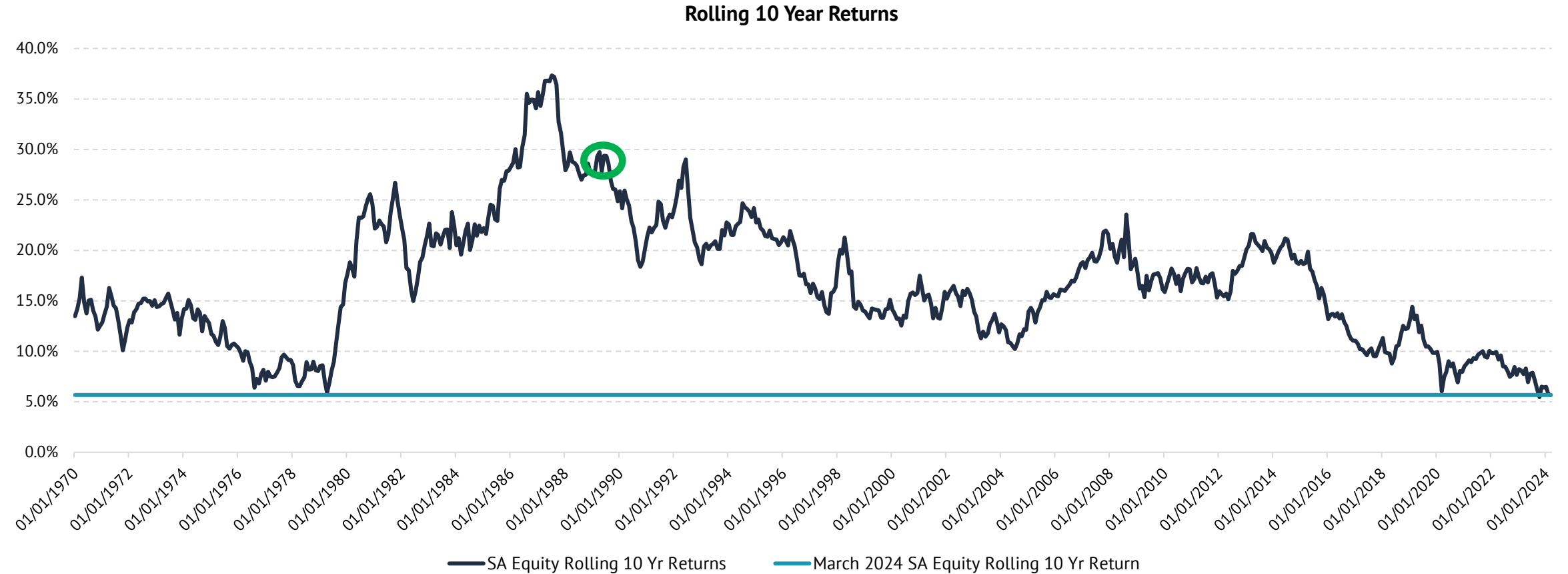
A Bit of Context – Just How Bad Has it Been for SA?

Worst 10-year rand return since 1960



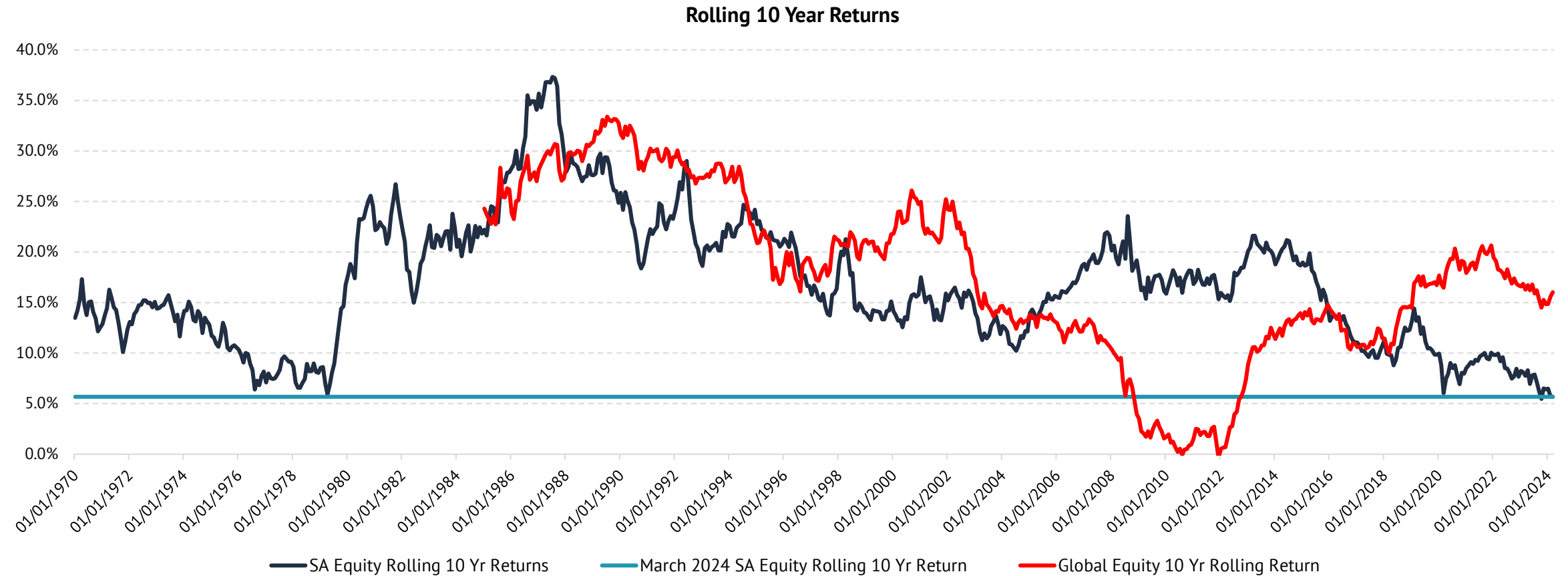
A Bit of Context – Just How Bad Has it Been for SA?

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A Bit of Context – Just How Bad Has it Been for SA?

Worst 10-year rand return since 1960



— SA Equity Rolling 10 Yr Returns

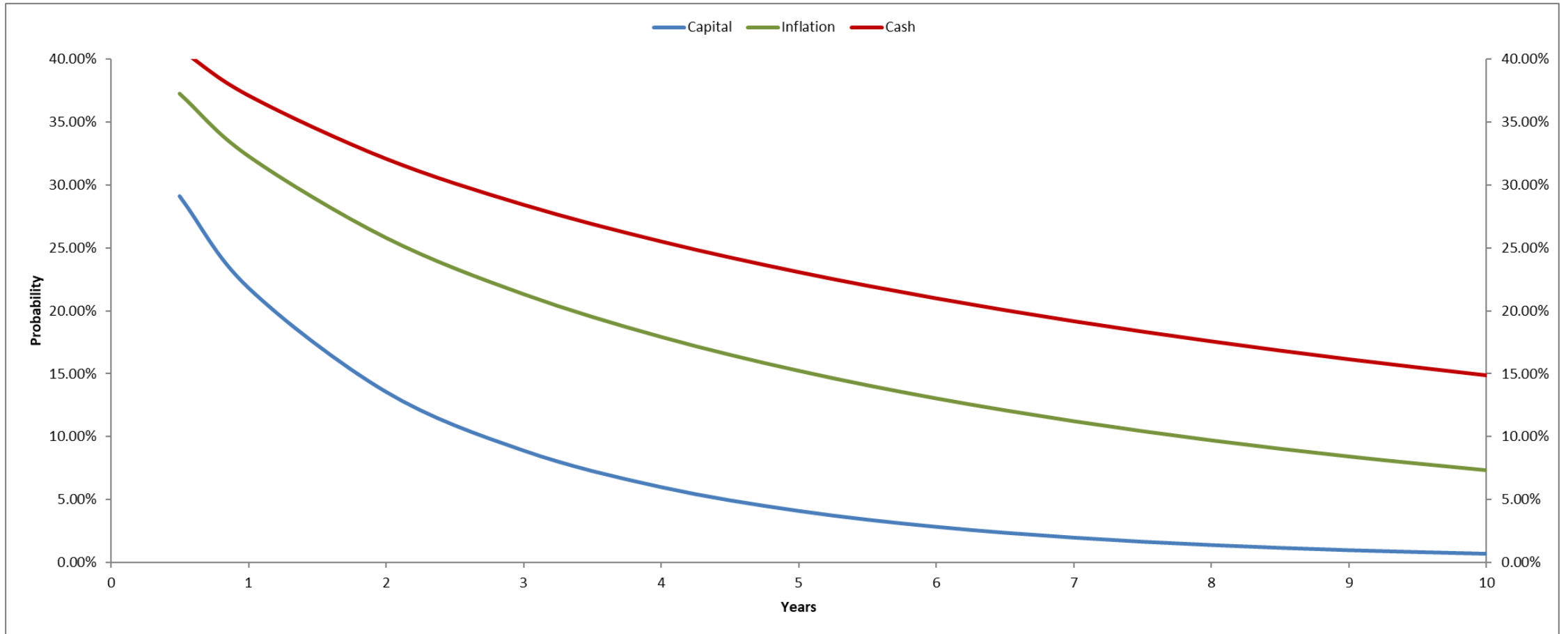
— March 2024 SA Equity Rolling 10 Yr Return

— Global Equity 10 Yr Rolling Return



A Bit of Context – How Bad Can it Be?

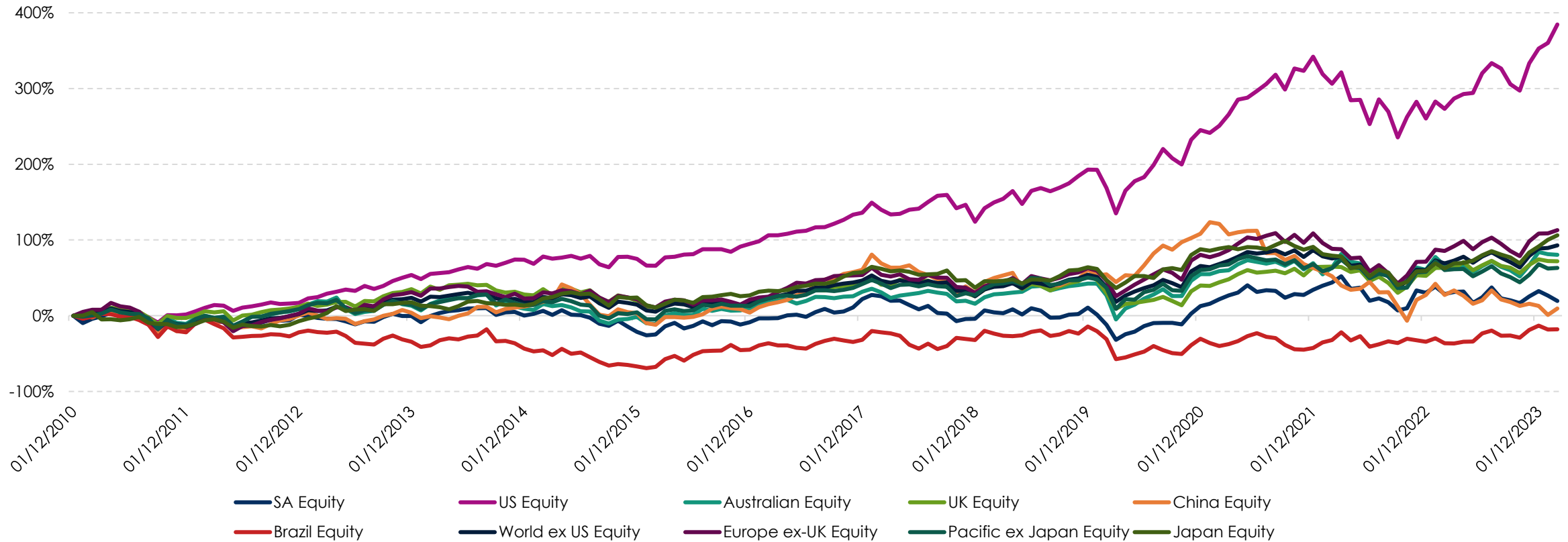
Some Statistics



A Bit of Context

South Africa has Struggled, but so has the Rest of the World

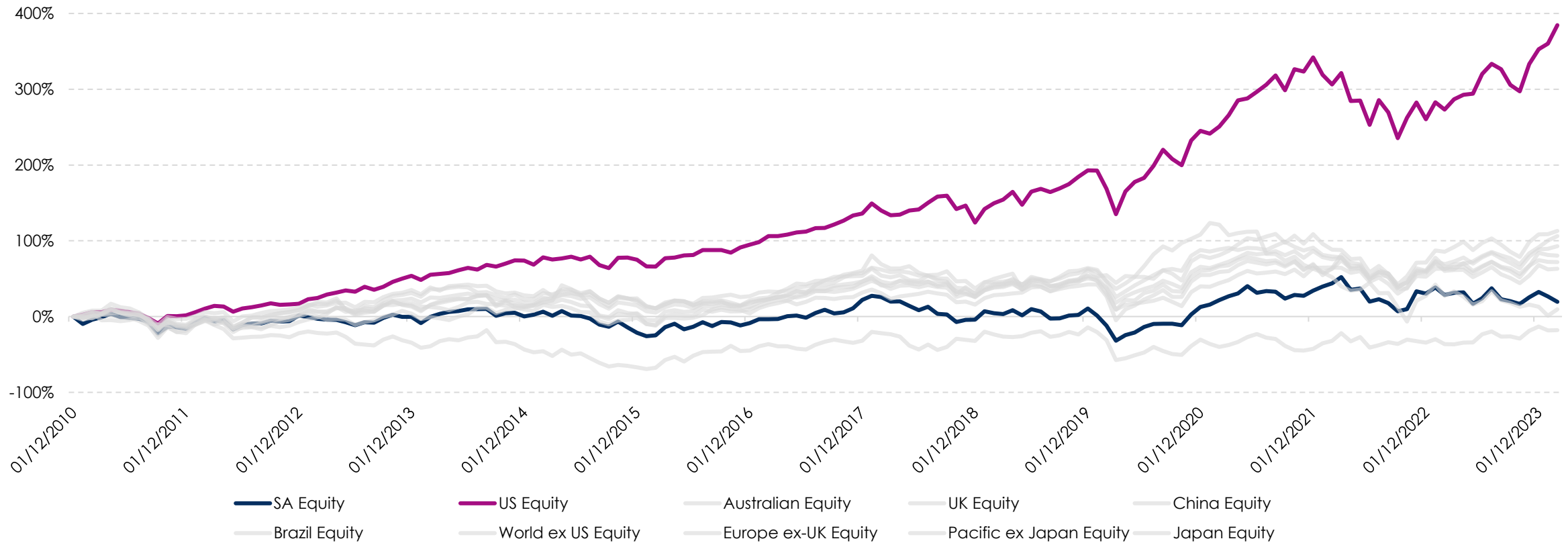
Equity Market Return in USD



A Bit of Context

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Equity Market Return in USD

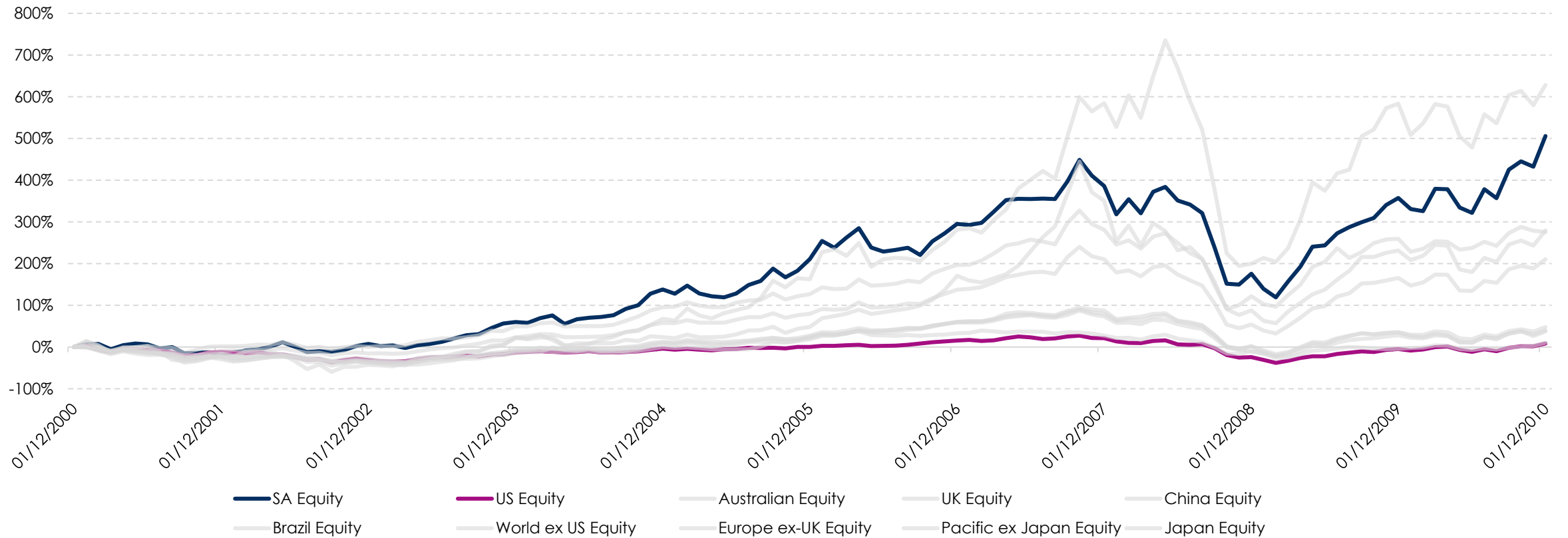


Source: Financial Express, PortfolioMetrix

A Bit of Context

It wasn't always like this

Equity Market Return in USD

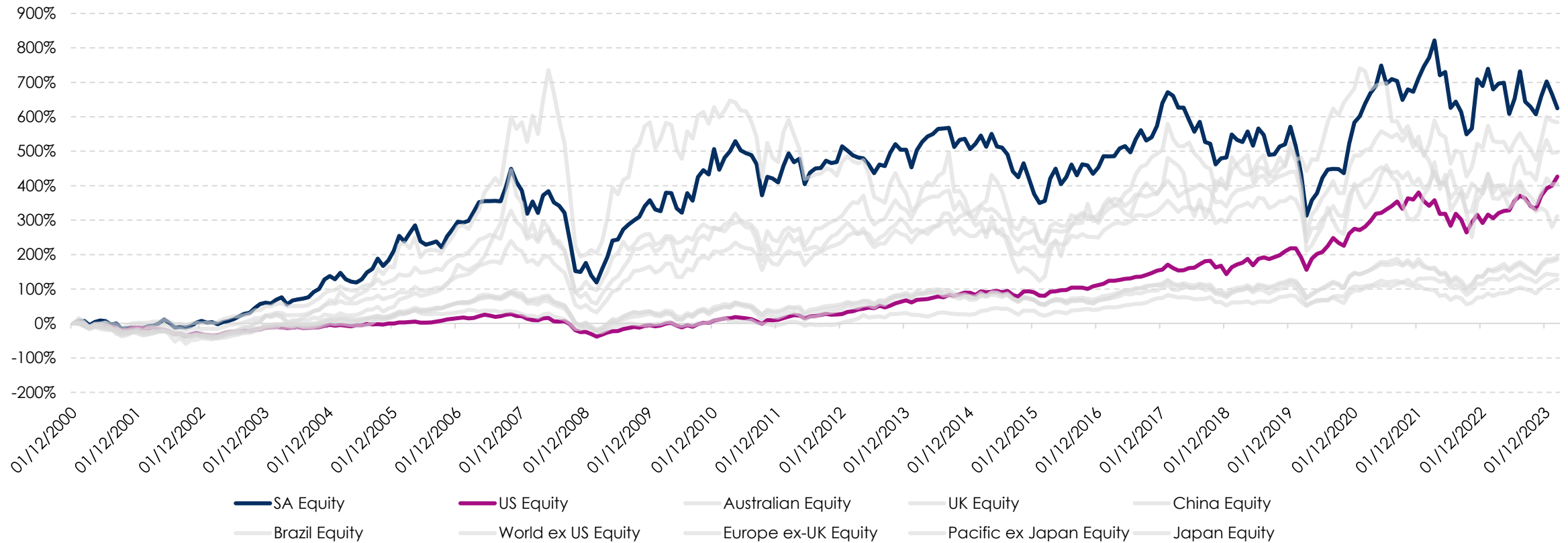


Source: Financial Express, PortfolioMetrix

A Bit of Context

South Africa has still handsomely outperformed in USD from 2000

Equity Market Return in USD

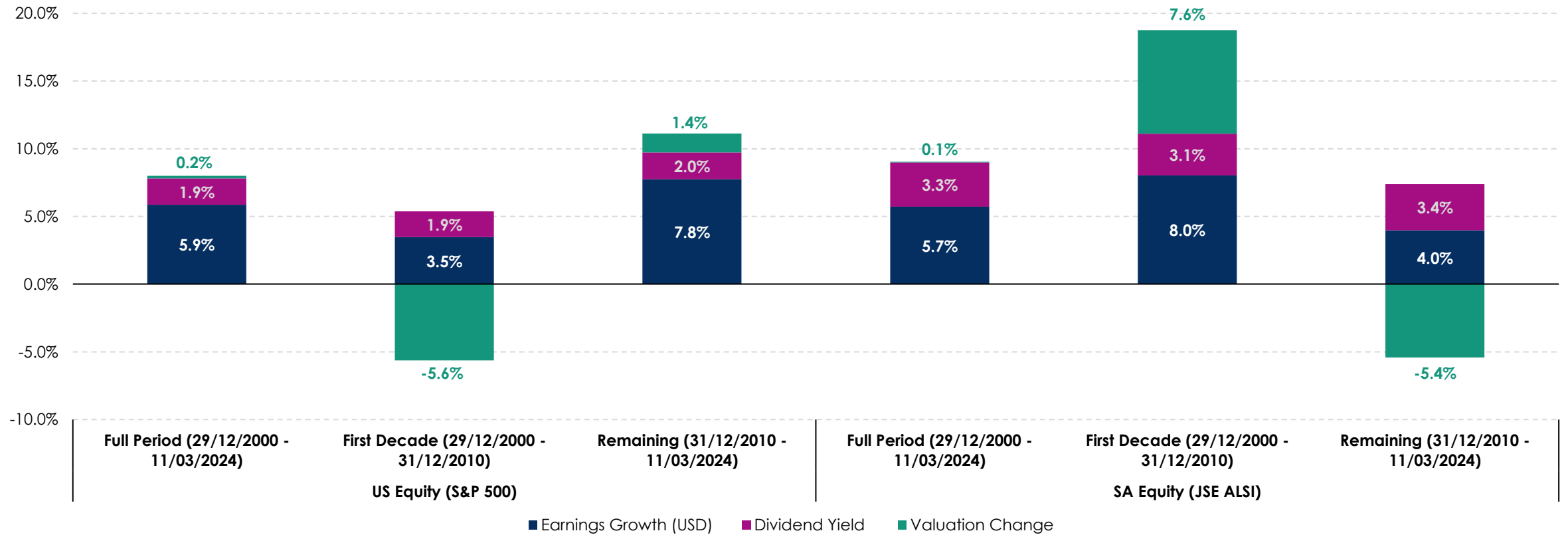


Source: Financial Express, PortfolioMetrix

A Bit of Context

Breaking up equity market returns to their core drivers

USD Equity Return Breakdown - US and SA Market



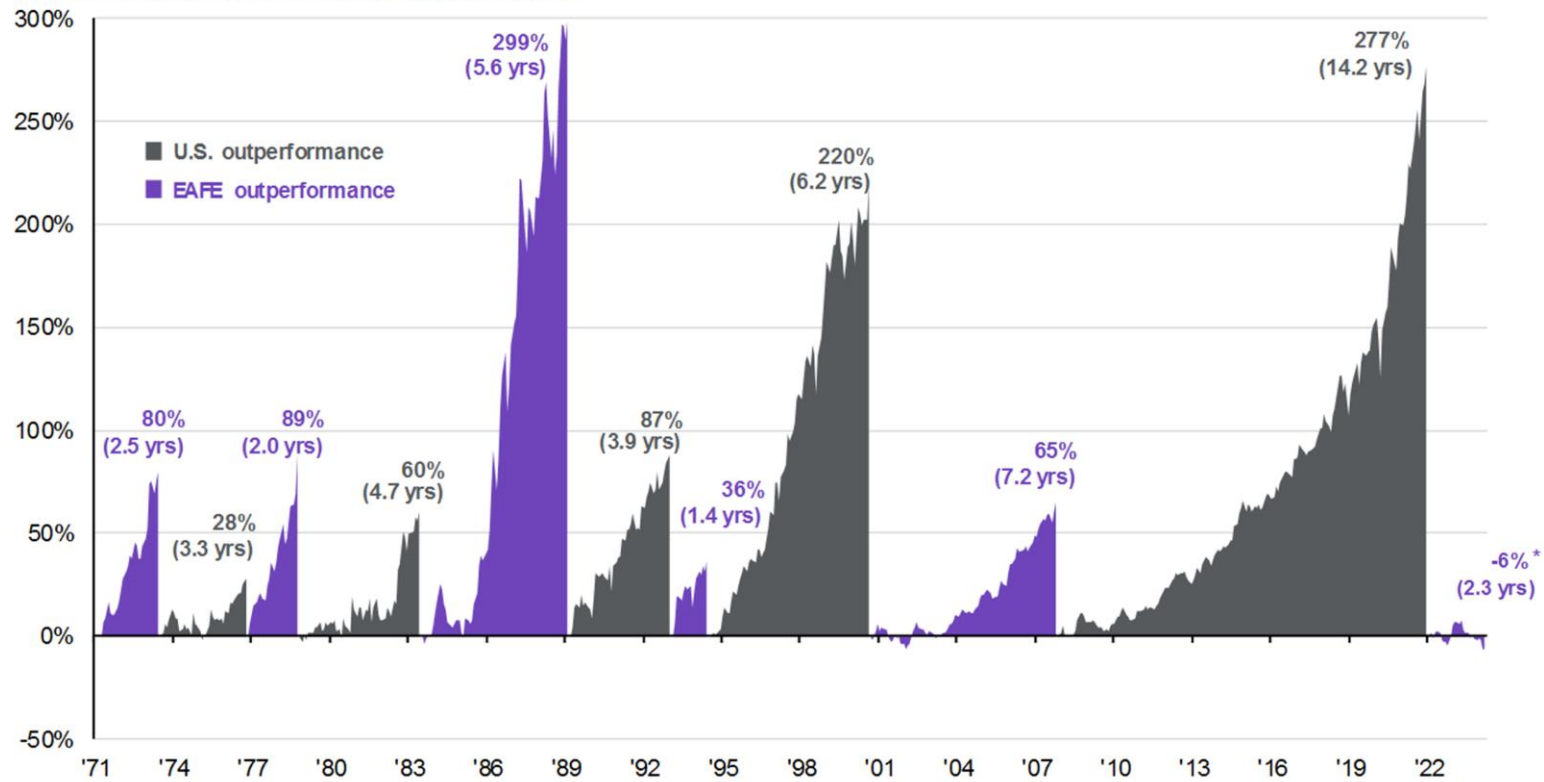
Source: Bloomberg, PortfolioMetrix

A Bit of Context

Breaking up equity market returns to their core drivers

MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance

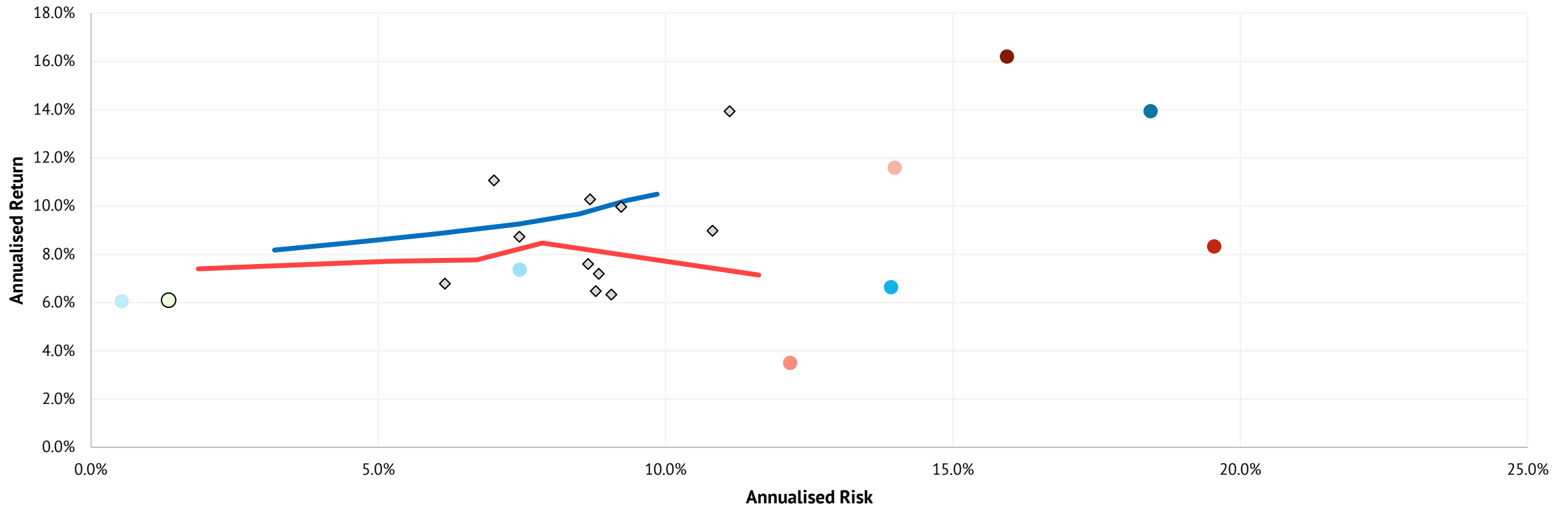


Source: J.P. Morgan Guide to the Markets

Local Portfolios

Three Year Performance - ZAR

31 March 2021 to 31 March 2024 Performance Comparison



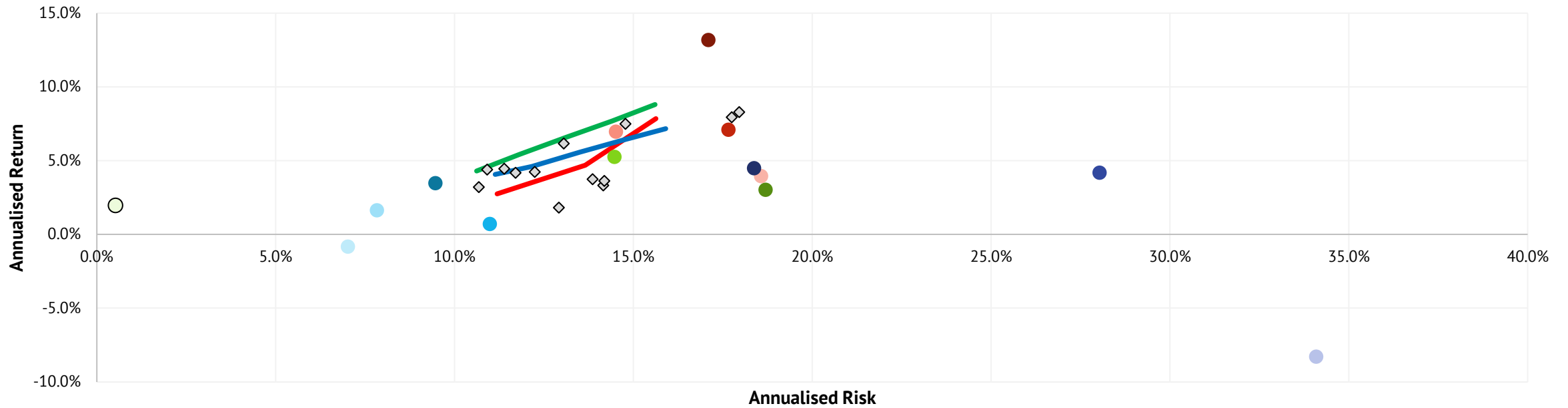
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Global Portfolios

Since Passive Inception - USD

31 March 2017 to 31 March 2024 Performance Comparison



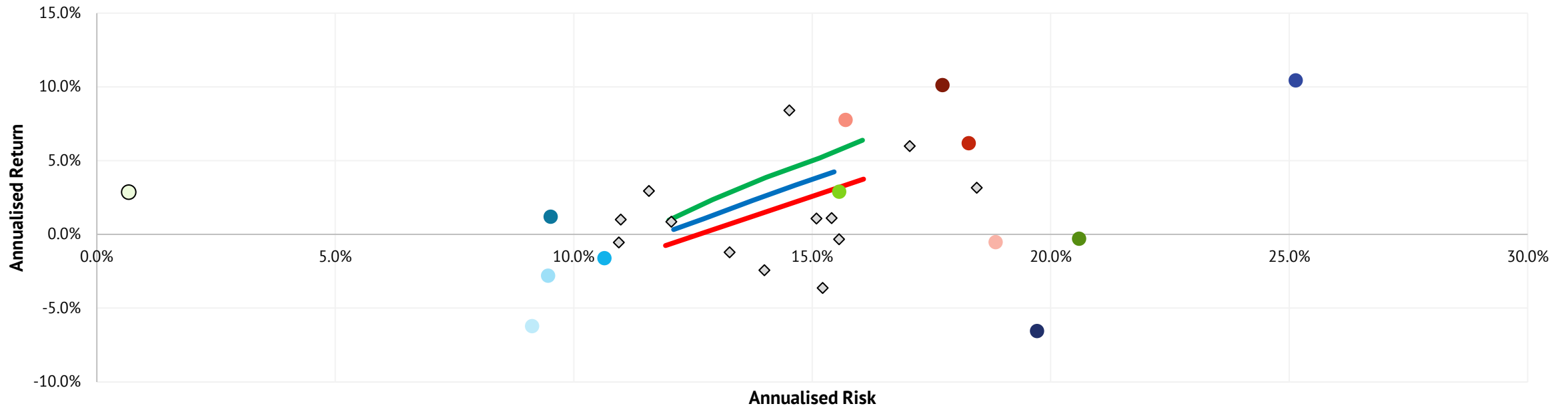
- US 3M Tbills
- Global Treasuries
- Global Credit
- Global High Yield
- EM Local Debt
- Developed Rental Property
- Global Infrastructure (FTSE Core 50/50)
- North American Equities
- Europe Equities
- Japan Equities
- Pacific ex-Japan Equities
- EM Asia Equities
- EM Europe Equities
- EM LatAm Equities
- IE Offshore Categories
- ◇ Balanced Managers
- PMX GPS Curve
- PMX GPS Passive Curve



Global Portfolios

Three Year Performance - USD

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- EM LatAm Equities
- IE Offshore Categories
- ◇ Balanced Managers
- PMX GPS Curve
- PMX GPS Passive Curve



Key takeaway points

Sound portfolio construction and diversification is the only sure thing

- US Rates have and will continue to produce volatility
- The equity market is more than just the Mag7
- Elections in 2024 pose an event risk, but only if you are concentrated for a specific outcome
- Sentiment on South Africa is very low
 - SA Equity has observed the lowest 10-year return since 1979
 - SA Bonds offer the most reward for the least amount of risk in the past 10 years
- Our portfolios have successfully navigated rough seas before



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