

MARKET SMARTS | April 2024



MONTHLY COMMENTARY

South African interest rates have remained unchanged for nearly a year now as the last rate change was announced 26 May 2023. Global inflation persists.

Core inflation in SA, which covers all the goods and services except the volatile food and fuel prices, continues to rise. Globally the trend is that services, rather than goods, are becoming more expensive. Food price inflation hit its highest level since 2008 last year and has since come down. The problem, however, is that weather patterns and excessive drought conditions could see food inflation pick up again. Commercial banks have tightened their lending standards in a response to potential defaults on mortgage payments as the South African consumer is now coming under immense pressure. All of South Africa's major banks have flagged growing credit impairments.

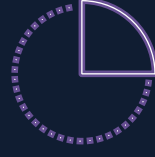
The US economy continued its strong growth trajectory in the first four months of the year. Interestingly though, emerging markets outperformed developed markets in April as EM equities and commodity prices rose.

All eyes will be on the local elections the 29th of May. Many commentators seem to be in favour of a centric ANC-coalition driving policy continuity over the shorter term. Given current SA equity valuations, a favourable political outcome could be the catalyst to unlock value for many companies which currently trades at a discount.

ASSET MANAGER VIEWS



Ninety One believes the recent developments in the US inflation data and further improvement in their financial conditions, increases the likelihood of a soft landing. Given this as well as ongoing uncertainty in the local market, they are neutral on investment-grade credit. Their FX component largely remains in US dollar.



Fairtree remains continues to favour diversified mining companies as well as the energy sector. Some of the returns this year comes from their positions in gold mining companies, which they continue to hold.



Sesfikile believes 2024 will undoubtedly be another volatile year as South Africa, along with many other nations, heads towards elections. Geopolitics and the depth of the expected recession will also be determining factors. The slight easing in the bond market coupled with relatively robust earnings should deliver a healthy return for the year.



Catalyst Fund Managers are of the opinion that fundamentals within the broader real estate sector are favourable, where few pockets of excess supply exist. The estimated forward FAD (Funds Available for Distribution) yield for the sector is 5.11%.

LOCAL FIXED INTEREST

↑ FTSE/JSE ALBI
1,37%

LOCAL EQUITY

↑ FTSE/JSE ALL SHARE
2,95%

LOCAL LISTED PROPERTY

↓ FTSE/JSE Listed Property
-0,59%

GLOBAL ASSET

↓ MSCI ACWI
-3,81%



TIMELINE- A YEAR IN REVIEW



DID YOU KNOW?

1 September 2024 is the due date for the two-pot retirement system. As of this date, **all contributions to provident, pension and retirement annuity funds will be split into two components.** These components will be the **one-third allocation to a savings pot** and the **remainder two-thirds which will go towards a retirement pot.**

The savings pot will be accessible prior to retirement.

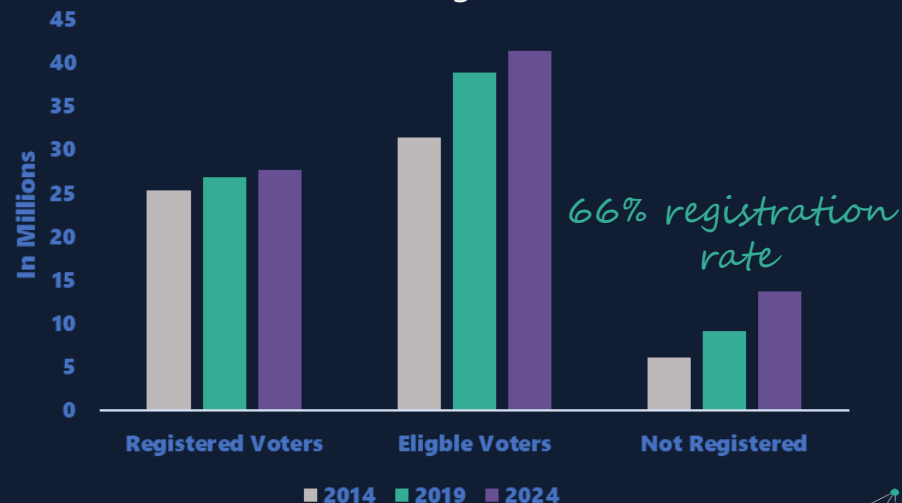
What does vested rights mean?

Vested rights refer to the rights that you already have in relation to your retirement investments, which the new legislation protects. This means that all your retirement savings up until date of implementation, will form part of your vested component.



CHART OF THE MONTH

SA Voter Info- Changes over Recent Times





OUTCOMES-BASED INVESTING

Managing Risk

Risk in terms of 'outcomes-based' investing is not measured by normal statistical measures alone. Consider other metrics such as 'what is the probability of my portfolio returning a negative 1-year number?' and if it does have a negative one-year return, 'what is the worst outcome I can expect?'

Guarded Growth VS: ASISA MA Med Equity

	% Negative 1-Year Return*	Worst 1- Year Return
Guarded Growth	5,24%	-8,34%
ASISA MA Med Equity	7,86%	-12,91%

Evidence:

The Guarded Growth model has a 5% probability of achieving a negative 1-year return vs the ASISA MA Medium equity category which has a higher probability.

The worst one-year return number for the Guarded Growth model is -8% while the category average achieved a worst one-year outcome of -12,91%.

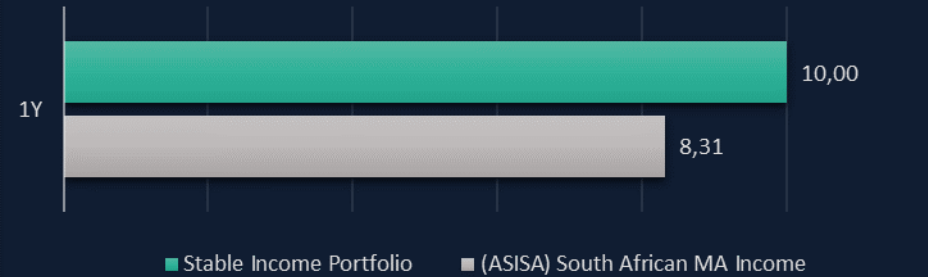
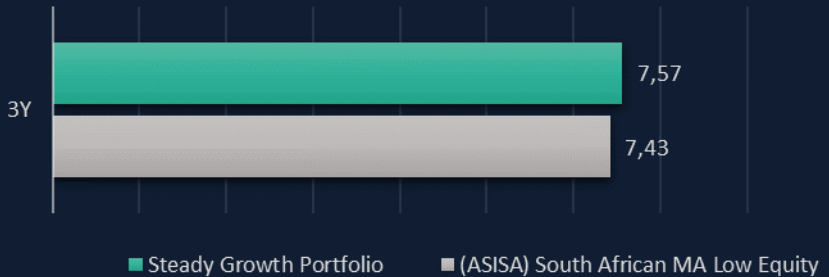


NUMBER SNAPSHOT

Outcomes-based Models vs ASISA Categories Over Relevant Time Period

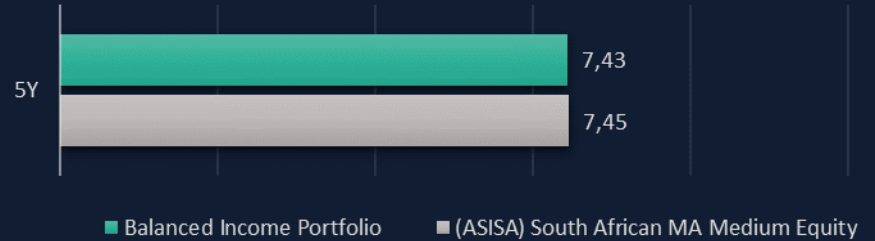
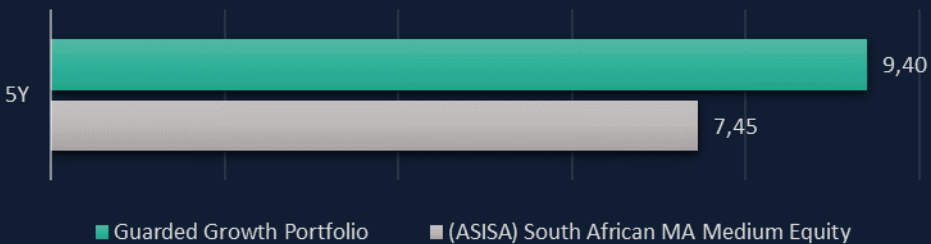
Steady Growth

Stable Income

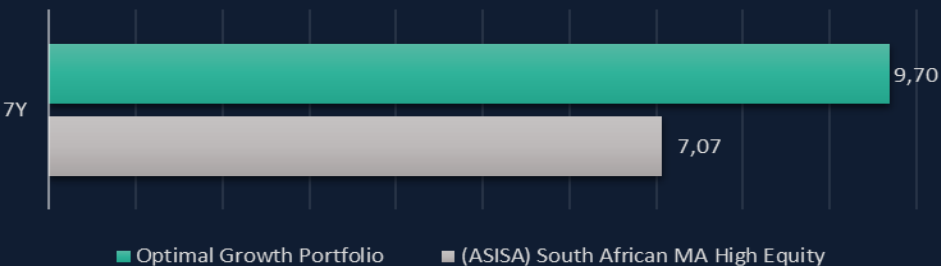


Guarded Growth

Balanced Income



Optimal Growth



NUMBER SNAPSHOT

ASSET CLASS RETURNS

	1Y	3Y	5Y	7Y
Global Property	3,22%	4,47%	5,38%	7,12%
SA Flex Inc	8,20%	6,32%	7,28%	7,74%
SA Bond	6,81%	7,22%	7,18%	7,78%
SA Equity	1,14%	8,81%	9,41%	8,89%
SA Property	13,67%	9,61%	-0,04%	-1,53%
Global Equity	21,01%	13,75%	15,59%	14,94%

YIELD CORNER

	May-23	Apr-24
Retail Bond	10,50%	11,25%
RSA 5Y Bond	9,90%	9,65%
RSA 10Y Bond	11,30%	10,94%
US 10Y Bond	3,63%	4,68%

MONEY MARKET RATES

	32Day MM	12MoFixed*	60MoFixed*
	Apr-24	Apr-24	Apr-24
Nedbank	8,80%	9,05%	9,40%
Capitec		8,70%	9,50%
FNB	8,45%	9,15%	9,65%
Discovery	8,45%	9,00%	9,00%

SECTORAL RETURNS

	1Y
Resources	-6,87%
Financials	11,93%
Industrials	1,82%

AMITY CIS SOLUTIONS

	1Y	3Y	5Y	7Y
Amity BCI Diversified Income A	9,10%			
Amity BCI Global Diversified FoF A	12,82%	6,45%	8,65%	7,51%

AMITY OUTCOMES-BASED MODEL PORTFOLIOS

	1Y	3Y	5Y	7Y
Stable Income	10,00%	7,41%		
Balanced Income	6,42%	7,20%	7,43%	7,35%
Steady Growth	7,57%	7,38%	7,83%	7,86%
Guarded Growth	6,99%	8,04%	9,40%	8,90%
Optimal Growth	6,52%	8,33%	10,51%	9,70%
TFSA High Growth	8,89%	9,46%	10,19%	9,80%
Global Balanced ^	5,37%	-3,13%	3,63%	4,96%
Global Growth ^	9,77%	-1,23%	5,98%	7,39%

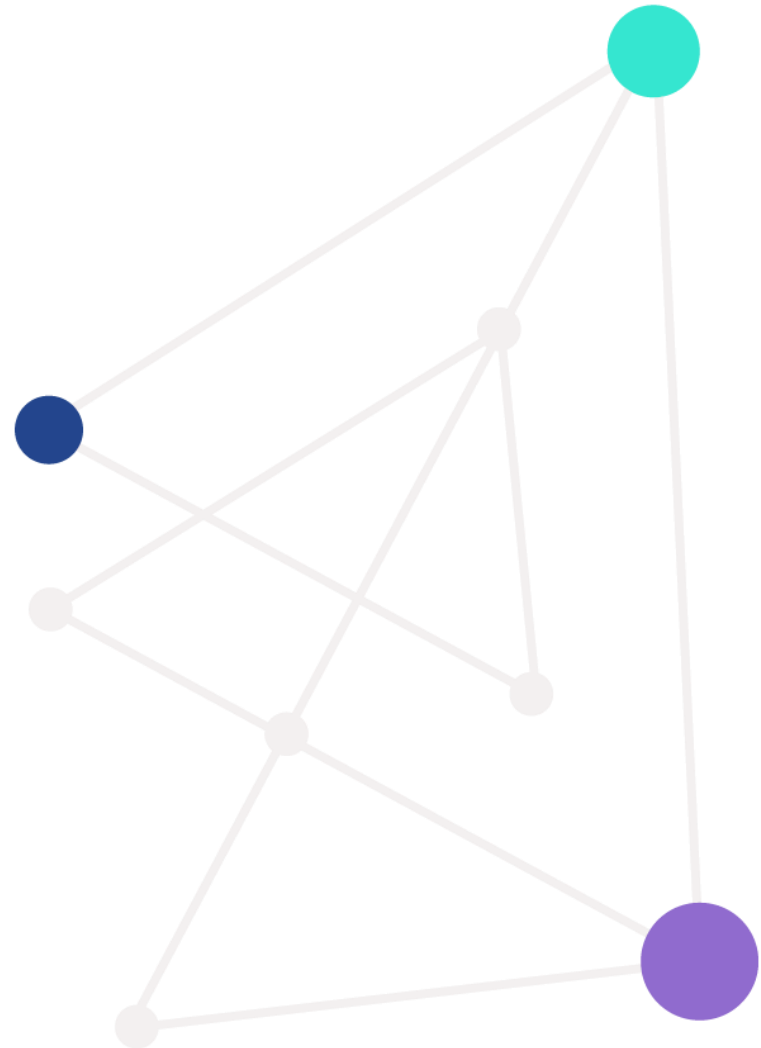
AMITY MODEL PORTFOLIOS: OTHER SOLUTIONS

	1Y	3Y	5Y	7Y
CPI+3% Portfolio Discovery	5,50%	5,87%	5,89%	6,00%
CPI+5% Portfolio Discovery	5,37%	7,10%	7,77%	7,11%
Offshore Growth Feeder Portfolio	12,49%	8,58%	10,91%	10,45%



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Reduce Uncertainty With Outcomes- based Investing



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