

MARKET SMARTS | June 2024



MONTHLY COMMENTARY

It's the dawn of the GNU and Goldilocks is back!

The narrative around the US economy has shifted dramatically, moving from discussions of a 'hard landing' to speculation about a 'soft landing,' and now possibly suggesting no landing at all. The sheer size of the US economy appears to make it too big to fail. Additionally, there are indications that a Goldilocks scenario has returned. A Goldilocks economy is characterized by robust stock performance, driven by company growth and positive earnings expansion. The recent US data does show robust growth, a strong labour market, and inflation which seems to be moderating.

Amidst the stronger US economy and also stronger US market, the SA Equity and bond markets reacted extremely positive to the election results and new GNU government. So much so, that the SA Equity market managed to outperform the DM and EM equity markets. The All-Share index delivered a solid 4,08% return for the month of June.

While many South African consumers remain under financial pressure, it does seem that SA inflation is likely to resume its downward trend paving the way for the SARB to potentially consider an interest rate cut later this year. Within the inflation numbers we see vehicle, personal care, clothing and textiles, water and other services, and Restaurant and hotel inflation either flat or increasing by less than previous months. Alcoholic beverages and tobacco, and Transport prices continued higher.

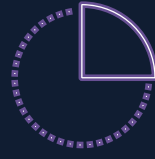


ASSET MANAGER VIEWS



The Ninety One Diversified Fund team is still favouring South African Government Bonds. It remains attractive from a valuation perspective.

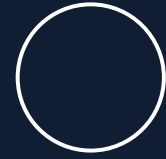
The PMX Dynamic Income fund is well positioned to take advantage of current higher interest rates. They are also monitoring the inflationary pressures closely.



Fairtree invests in several focused strategies. They remain overweight cyclical stocks (diversified miners and energy), as well as defensive stocks (gold).



Sesfikile sees potential in the listed property sector as a steady power supply and an expectation for rate cuts provides much needed tailwinds. However, investors are demanding more political certainty post elections before they commit to the sector in any material manner



Fundsmith is known for their 'buy and hold' strategy. Over the recent year they have found value in some of the tech stocks such as Meta and Microsoft. Some of their largest detractors have been Estee Lauder and McCormick.

LOCAL FIXED INTEREST

FTSE/JSE ALBI
5,24%

LOCAL EQUITY

FTSE/JSE ALL SHARE
4,08%

LOCAL LISTED PROPERTY

FTSE/JSE Listed Property
5,95%

GLOBAL ASSET

MSCI ACWI
-0,85%



TIMELINE- A YEAR IN REVIEW

**JULY
2023**

- Oil prices are set to rise in the 2nd half of the year.
- SA's headline inflation slowed more than expected
- Fitch affirms SA's credit rating

**SEPT
2023**

- More than 4million tourist arrivals were recorded in the first half of 2023 in SA.
- YTD, the rand has depreciated 10,46% against the USD.
- The Brent crude oil prices increased by almost 4% over the past month.

**OCT
2023**

- The US 10-year Treasury yield crossed 5%.
- The ECB pauses its rate hike cycle.
- National Treasury has proposed delaying the introduction of the two-pot retirement system.

**FEB
2024**

- The S&P 500 hits record highs after Nvidia posted biggest daily gain.
- China cuts 5-year mortgage rate by 0,25%.
- Non populist budget speech by Finance Minister.

**MAR
2024**

- Former Steinhoff CEO, Markus Jooste dies.
- Oil remains steady above \$85bn per barrel
- Mexico cuts interest rates by 25 bps.
- UK inflation fell to 4,3%

**JUNE
2024**

- The S&P 500 hits record highs after Nvidia posted biggest daily gain.
- China cuts 5-year mortgage rate by 0,25%.
- Non populist budget speech by Finance Minister.

DID YOU KNOW?

Did you know that according to the 2024 FIC report, attorneys involved in conveyancing in high-priced property areas in SA are at increased risk of money laundering.

An **accountable institution** listed in Schedule 1 of FICA must adopt a risk-based approach when establishing a business relationship or conducting a transaction with a client.

Ensure your **RMCP** covers all aspects detailed in Section 42 such as:

- Client profiling
- Customer due diligence
- Enhanced due diligence
- Simplified due diligence
- Client transition profiling
- Account monitoring
- Record-keeping

INTERESTING NUMBERS

8 360

The number of candidates in the India elections is a staggering 8 360

6,66%

Average income drawdown level from living annuities were 6,66% in 2022 according to ASISA

4.9 Years

The average Bull Market period lasted 4,9 years.

26%

26% of the S&P 500 gains in 2023 came from one stock: Nvidia





OUTCOMES-BASED INVESTING

Managing Risk

Part of the four pillars of outcomes-based investing is to manage risk. We consider aspects such as how often the portfolio has a negative 12-month return. Furthermore, we consider the worst 1-year return number for the model compared to the ASISA index.

Guarded Growth

VS:

ASISA MA Med Equity



Manage Risk

How often did the strategy deliver a negative return over 1-year and what was the worst 1-year return since inception?

	% 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 portfolio has a lower probability than the ASISA MA Medium Equity category to achieve a negative 1-year return.

The Guarded Growth model portfolio's worst 1-year return number is better than that of the ASISA MA Medium Equity category.

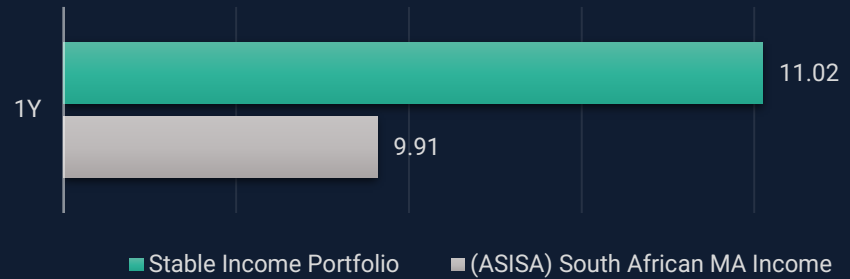
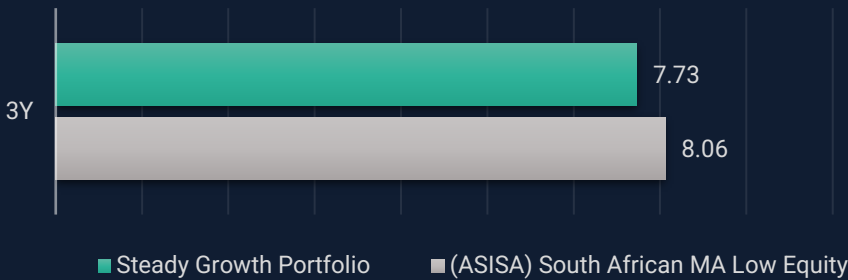


NUMBER SNAPSHOT

Outcomes-based Models vs ASISA Categories Over Relevant Time Period

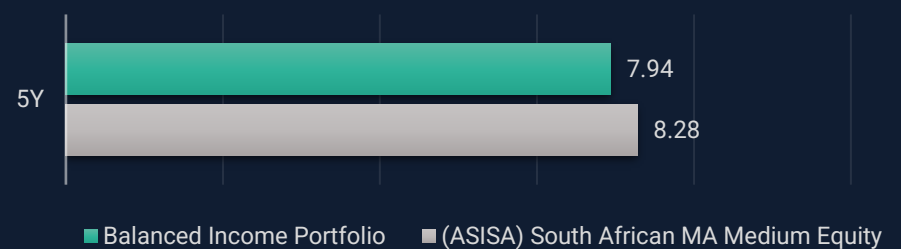
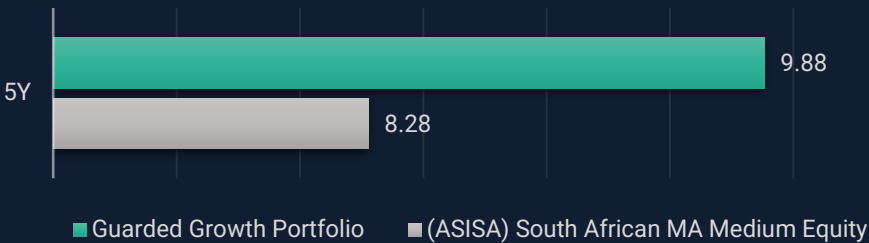
Steady Growth

Stable Income

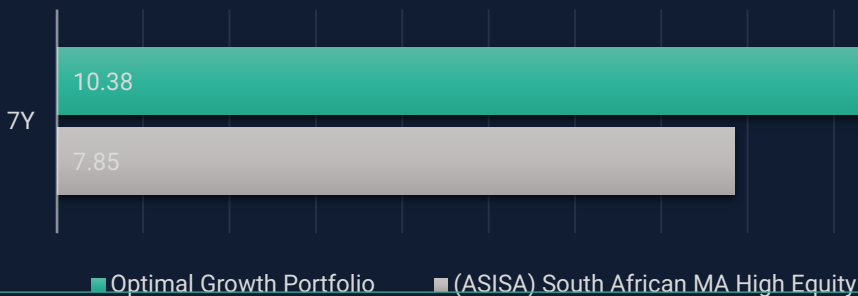


Guarded Growth

Balanced Income



Optimal Growth



View our range of solutions



NUMBER SNAPSHOT

ASSET CLASS RETURNS

	1Y	3Y	5Y	7Y
Global Property	2.13%	4.37%	5.59%	7.30%
SA Flex Inc	10.59%	7.38%	7.51%	8.03%
SA Bond	13.73%	7.62%	7.82%	8.68%
SA Equity	9.14%	10.96%	10.57%	10.29%
SA Property	26.25%	11.64%	0.90%	-0.74%
Global Equity	15.39%	14.44%	16.63%	15.36%

YIELD CORNER

	Jul-23	Jun-24
Retail Bond	11.00%	11.50%
RSA 5Y Bond	8.92%	8.94%
RSA 10Y Bond	10.21%	10.21%
US 10Y Bond	3.95%	4.41%

MONEY MARKET RATES

	32Day MM	12MoFixed*	60MoFixed*
	Jun-24	Jun-24	Jun-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	0.42%
Financials	24.44%
Industrials	5.11%

AMITY CIS SOLUTIONS

	1Y	3Y	5Y	7Y
Amity BCI Diversified Income A	11.14%			
Amity BCI Global Diversified FoF A	7.94%	6.07%	9.12%	7.59%

AMITY OUTCOMES-BASED MODEL PORTFOLIOS

	1Y	3Y	5Y	7Y
Stable Income	11.02%	7.83%		
Balanced Income	10.52%	7.46%	7.94%	8.05%
Steady Growth	10.42%	7.73%	8.19%	8.34%
Guarded Growth	10.43%	8.36%	9.88%	9.56%
Optimal Growth	10.32%	8.95%	11.05%	10.38%
TFSA High Growth	10.96%	10.28%	10.92%	10.39%
Global Balanced ^	7.59%	-2.89%	3.83%	4.92%
Global Growth ^	11.60%	-0.91%	6.50%	7.39%

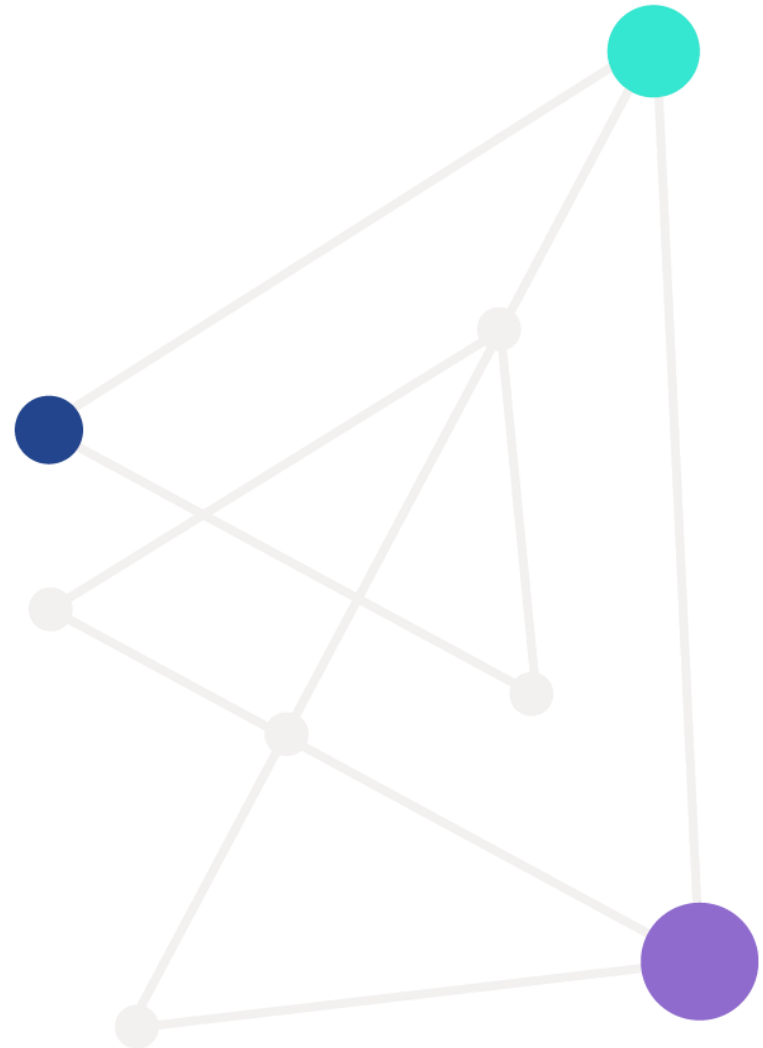
AMITY MODEL PORTFOLIOS: OTHER SOLUTIONS

	1Y	3Y	5Y	7Y
CPI+3% Portfolio Discovery	8.93%	6.58%	6.72%	6.56%
CPI+5% Portfolio Discovery	8.93%	8.03%	8.93%	7.89%
Offshore Growth Feeder Portfolio	7.14%	8.53%	11.05%	10.38%



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Reduce Uncertainty With Outcomes- based Investing



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