

MONTH IN PICTURES

MARCH 2023

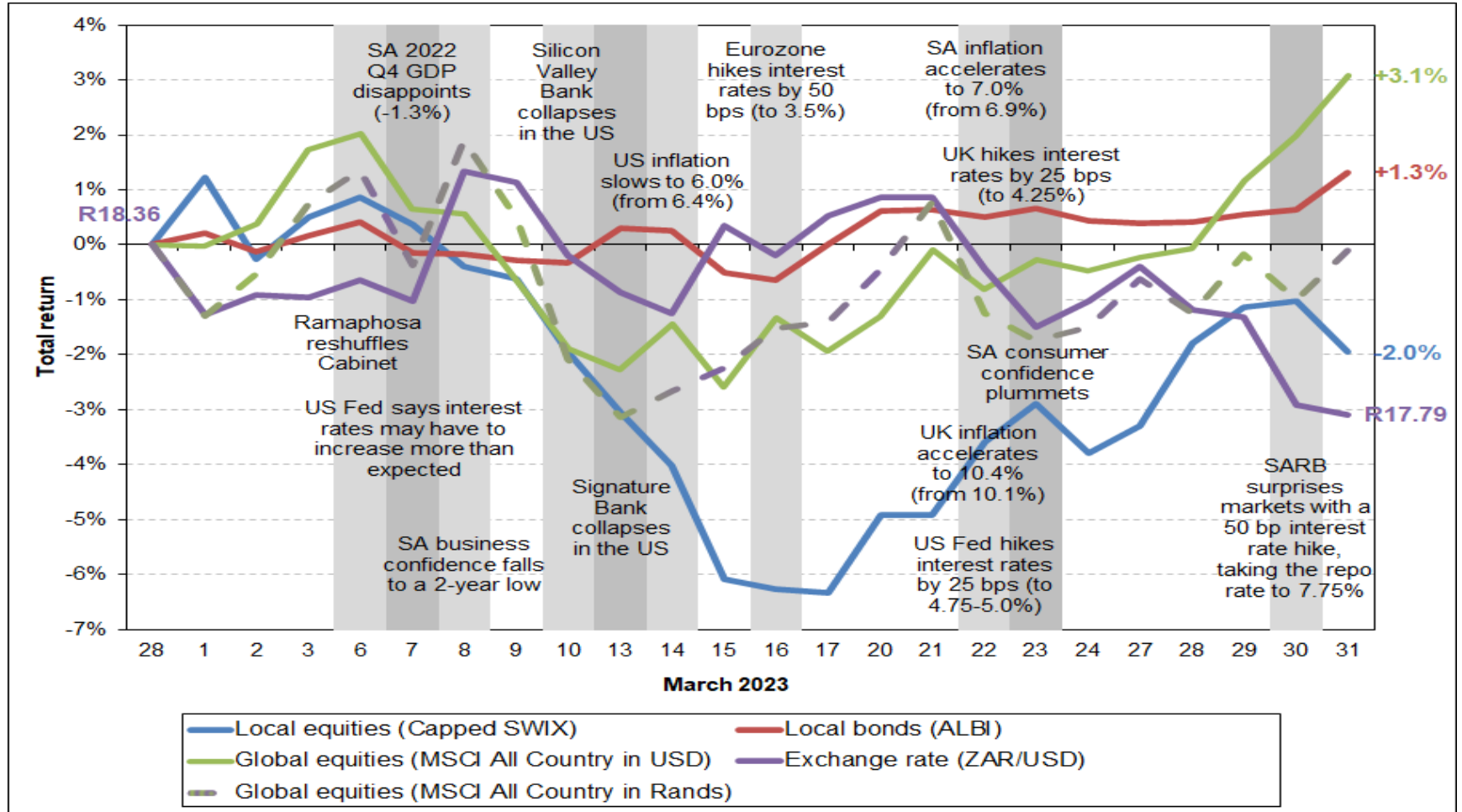
MONTHLY SNAPSHOT

NOTABLE EVENTS

- March was another volatile month as hawkish comments from the US Fed, the subsequent collapse of some regional banks in the US, as well as the takeover of troubled Credit Suisse by rival UBS put global financial markets under pressure.
- By mid-March the local equity market was down by more than 6%, for example, before US and Swiss authorities stepped in to prevent further contagion. With some central bank support markets rebounded quickly, with the local stock market ultimately ending the month only marginally down (ALSI = -1.3% and Capped SWIX = -2.0%).
- As sharply rising interest rates were one of the driving factors behind the aforementioned bank failures, investors quickly started to price in a less aggressive path forward for rates, resulting in global markets ending the month in positive territory (equities = +3.1% and bonds = +3.8% in USD). With the Rand strengthening in March (by 3.1% against the US Dollar), global markets ended the month largely unchanged in local currency terms (equities = -0.1% and bonds = +0.6%).
- With troubles in the banking sector expected to further dampen economic activity, the US Fed raised rates by just 25 basis points (bps) at their latest meeting, while we saw hikes of 25 bps and 50 bps in the UK and EU, respectively.
- After local inflation came in higher than expected in February (rising to 7% from 6.9% in January) the SARB surprised markets by announcing a steep 50 bp hike in local interest rates, taking the repo rate to a 14-year high of 7.75% (and prime to 11.25%). Subsequent to this announcement local inflation data continued to deteriorate, clocking in at 7.1% in March.
- It was thus a volatile quarter, with local stocks (ALSI) streaking to an 11% gain in January, then wiping out all of these gains (and then some) over the next six weeks, before thankfully staging another recovery to end 2023 Q1 with a still-solid return of +5.2% (Capped SWIX = +2.4%). Local bonds (+3.4%) and cash (+1.7%) also delivered decent returns in Q1, while a weaker Rand (by 4.5% against the US Dollar) assisted global markets, which ended up being the quarter's best performers (global equities = +12.1% and global bonds = +8.2%) after a horrid 2022.
- In this environment the average balanced fund * delivered a good return of +4.2% in 2023 Q1, but 1-year returns remain rather unimpressive on average (+5.0%) following a tough 2022.
- The end of 2023 Q1 marked not only the 3-year anniversary of the first lockdowns locally, but also the start of the exceptionally strong recovery in markets that followed the Covid crash in 2020 Q1 (which is now out of the 3-year numbers). Over this period local stocks gained +24% p.a., local bonds returned +12% p.a., and global equities delivered 15% p.a., resulting in an impressive 3-year return of +15.1 p.a. from the average balanced fund *.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Jan 2023	Feb 2023	Mar 2023	3 months	YTD	12 months
Local equities	ALSI	8.9	(2.2)	(1.3)	5.2	5.2	4.9
	Capped SWIX	7.0	(2.3)	(2.0)	2.4	2.4	0.2
	Resources	6.3	(12.5)	2.5	(4.7)	(4.7)	(13.0)
	Industrials	12.8	1.6	(0.8)	13.6	13.6	25.9
	Financials	4.7	2.7	(6.6)	0.4	0.4	(9.3)
	Listed Property	(1.0)	(0.7)	(3.4)	(5.1)	(5.1)	(3.4)
Local bonds	ALBI	2.9	(0.9)	1.3	3.4	3.4	5.8
Local cash	STeFI Composite	0.6	0.5	0.6	1.7	1.7	6.0
Global equities	MSCI All Country	9.6	2.4	(0.1)	12.1	12.1	12.8
Global bonds	FTSE WGBI	5.5	1.9	0.6	8.2	8.2	10.2
Exchange rate	ZAR/USD	2.3	5.4	(3.1)	4.5	4.5	21.8
Inflation	CPI	-0.1	0.7	1.0	1.6	1.6	7.1

1. Total returns (in Rands) for the months and periods ending 31 March 2023.

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years	20 years
Local equities	ALSI	4.9	24.2	10.4	10.2	9.9	15.7
	Capped SWIX	0.2	23.0	6.5	8.4	-	-
	Resources	(13.0)	30.5	20.7	8.5	4.4	11.5
	Industrials	25.9	19.2	8.6	10.5	13.4	18.9
	Financials	(9.3)	23.3	1.6	7.0	9.5	13.8
	Listed Property	(3.4)	18.2	(4.1)	1.3	7.4	12.8
Local bonds	ALBI	5.8	11.6	6.9	7.3	8.7	8.8
Local cash	STeFI Composite	6.0	4.8	5.8	6.2	6.6	7.1
Global equities	MSCI All Country	12.8	15.2	16.0	15.4	11.7	13.2
Global bonds	FTSE WGBI	10.2	(5.4)	6.0	6.1	5.9	6.6
Exchange rate	ZAR/USD	21.8	(0.1)	8.5	6.8	5.4	4.2
Inflation	CPI	7.1	5.4	5.0	5.1	5.4	5.2

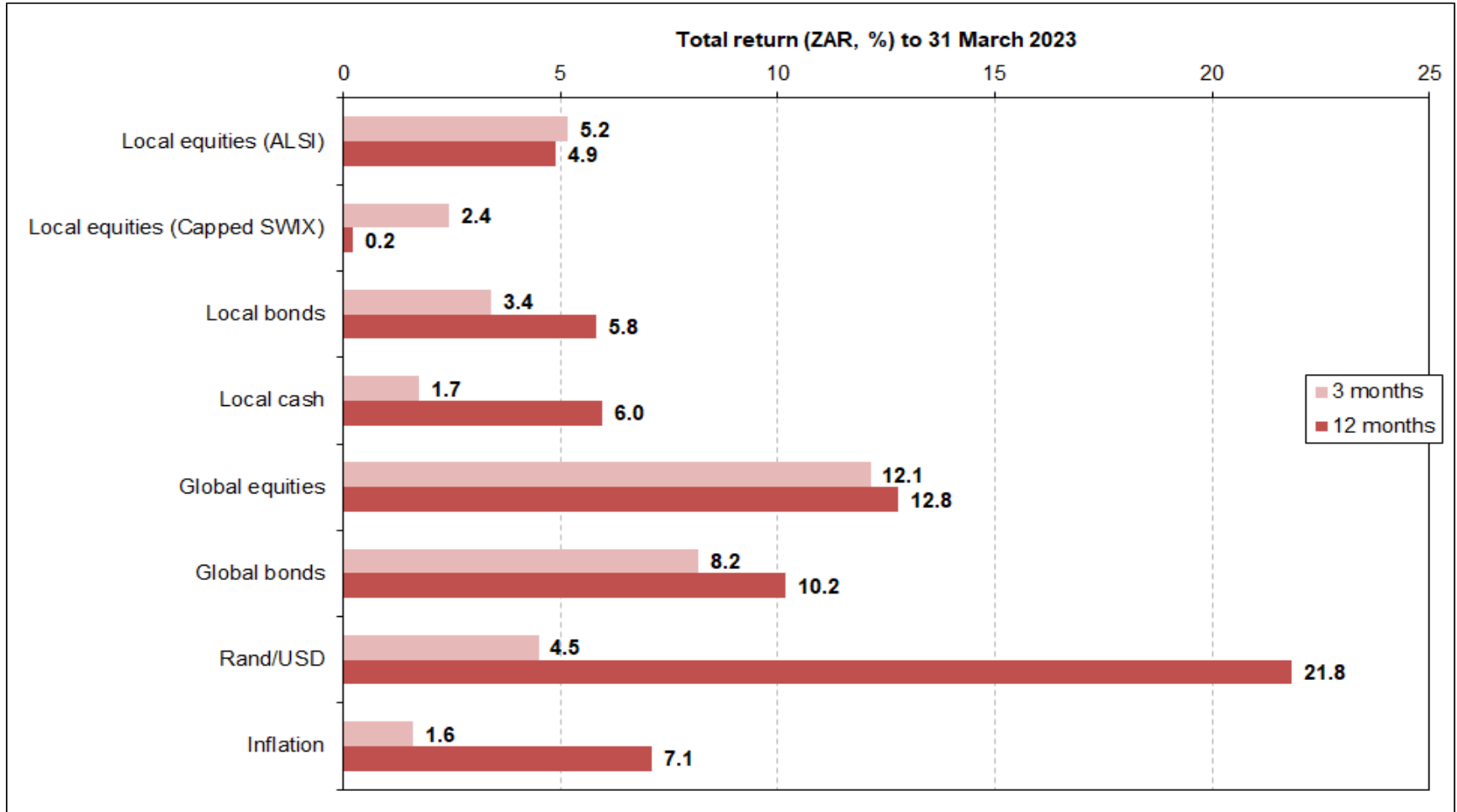
1. Total returns (in Rands) for the months and periods ending 31 March 2023.

ECONOMIC INDICATORS

Economic indicators ¹	Mar 2021	Mar 2022	Jan 2023	Feb 2023	Mar 2023
Exchange rates:					
ZAR/USD	14.78	14.61	17.41	18.36	17.79
ZAR/GBP	20.37	19.20	21.45	22.07	21.94
ZAR/Euro	17.33	16.16	18.91	19.42	19.29
Commodities:					
Brent Crude Oil (USD/barrel)	62.74	104.71	85.46	83.45	79.89
Platinum (USD/ounce)	1,157.85	992.51	1,011.24	953.59	991.26
Gold (USD/ounce)	1,684.99	1,931.73	1,906.54	1,811.06	1,969.50

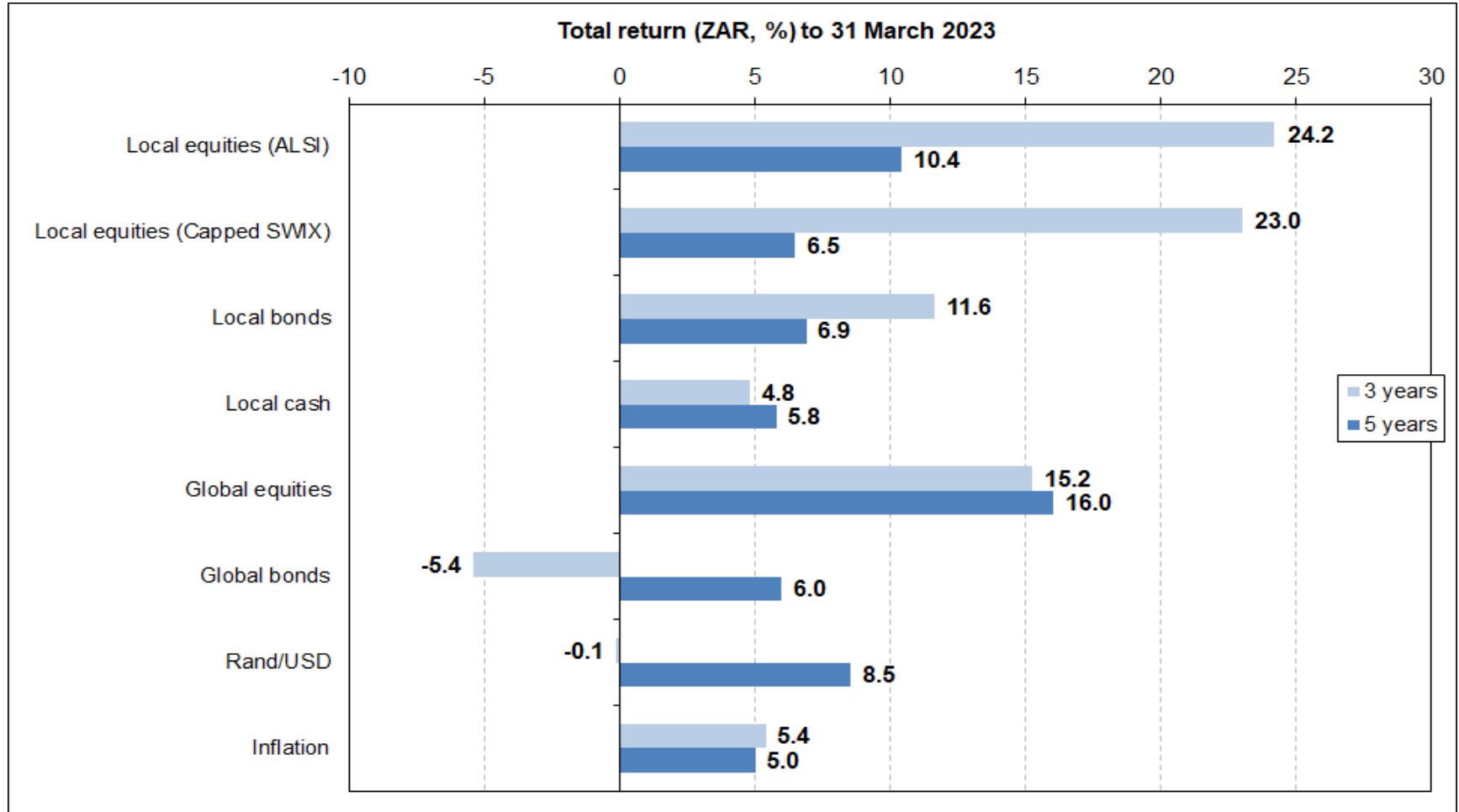
1. *Month-end prices*

ASSET CLASS PERFORMANCE SHORT TERM

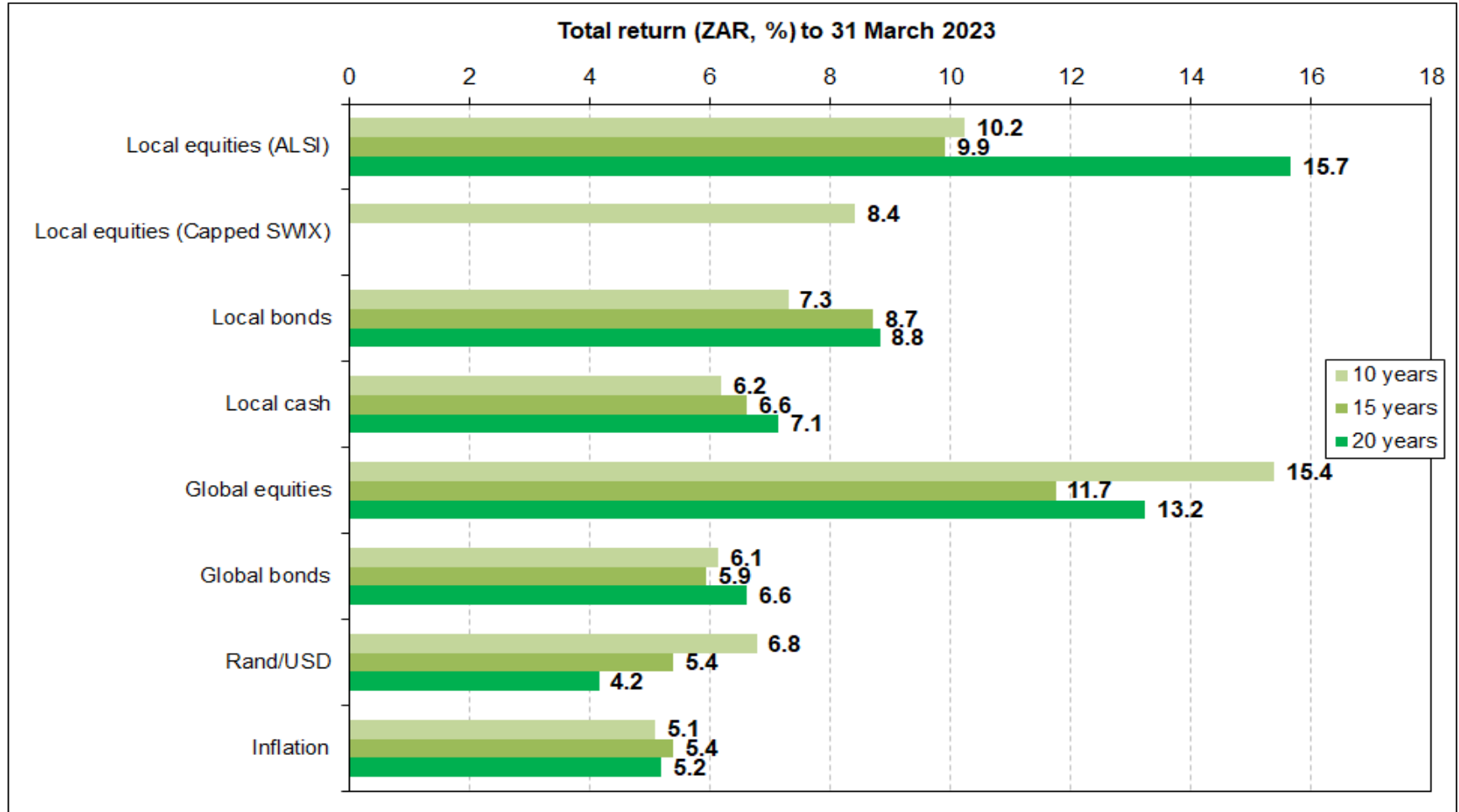


ASSET CLASS PERFORMANCE

MEDIUM TERM



ASSET CLASS PERFORMANCE LONG TERM



MARKET PERFORMANCE

WHAT (PAST) RETURNS CAN INVESTORS REASONABLY EXPECT?

Given the performances of the various asset classes, what level of historical returns can retirement funds reasonably expect?

To illustrate this, we calculated the hypothetical returns of various risk profiled 'portfolios' (Aggressive, Moderate and Conservative) using a rules-based asset allocation approach to cater for the change in the regulatory offshore allowance over time:

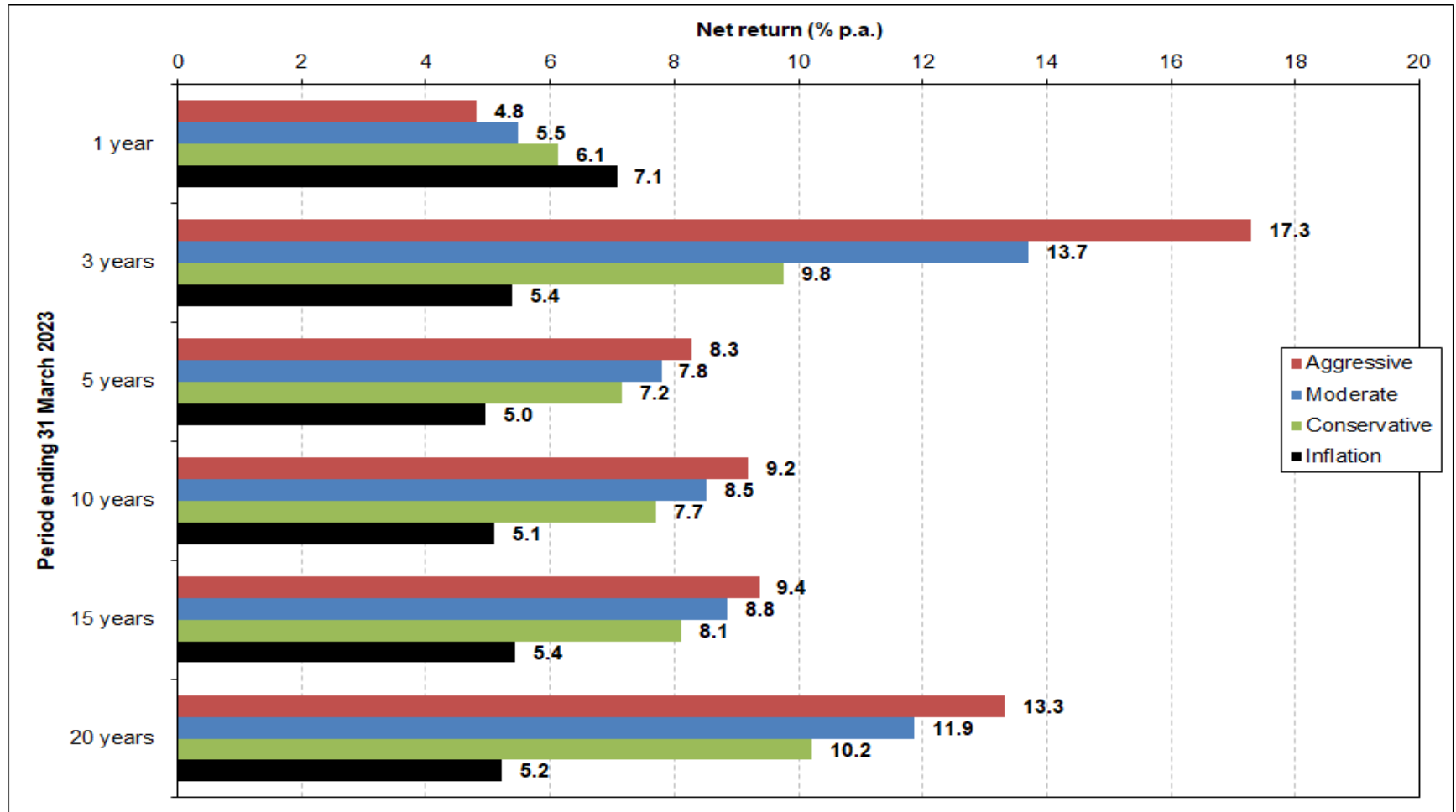
- The offshore allocation is kept at 5% below the prevailing regulatory maximum (15% to 2000, 20% to 2006, 25% to 2018, 30% to 2022 & currently at 45%), with changes to the offshore allocation made in the middle of the year in which the limit changed.
- The equity allocation varies according to the risk profile, and is set at 75% for Aggressive, 55% for Moderate and 35% for Conservative, which applies to both the local (ALSI up to December 2001, SWIX up to June 2011, Capped SWIX thereafter) and offshore (MSCI All Country) portions.
- The remainder of the *local* assets is split between local bonds (ALBI) and cash (STeFI composite), with the local bond allocation being the same as the equity allocation in this sub-portion, i.e., 75% for Aggressive, 55% for Moderate and 35% for Conservative. The balance is kept in local cash.
- The remainder of the *offshore* assets is allocated to global bonds (FTSE WGBI).
- Fees are assumed at 0.4% p.a.

A graphical representation of the strategic and current asset allocations of the various risk-profiled 'portfolios' are provided below:

Risk Profile	Strategic allocation	LOCAL VS OFFSHORE		60%		40% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	EQUITIES VS BONDS VS CASH	75%	25%	75%	25%
AGGRESSIVE		100%	75%	25%	100%	100%	
	Current allocation	~45%	~11%	~4%	~30%	~10%	
MODERATE		100%	55%	45%	100%	100%	
	Current allocation	~33%	~15%	~12%	~22%	~18%	
CONSERVATIVE		100%	35%	65%	100%	100%	
	Current allocation	~21%	~14%	~25%	~14%	~26%	

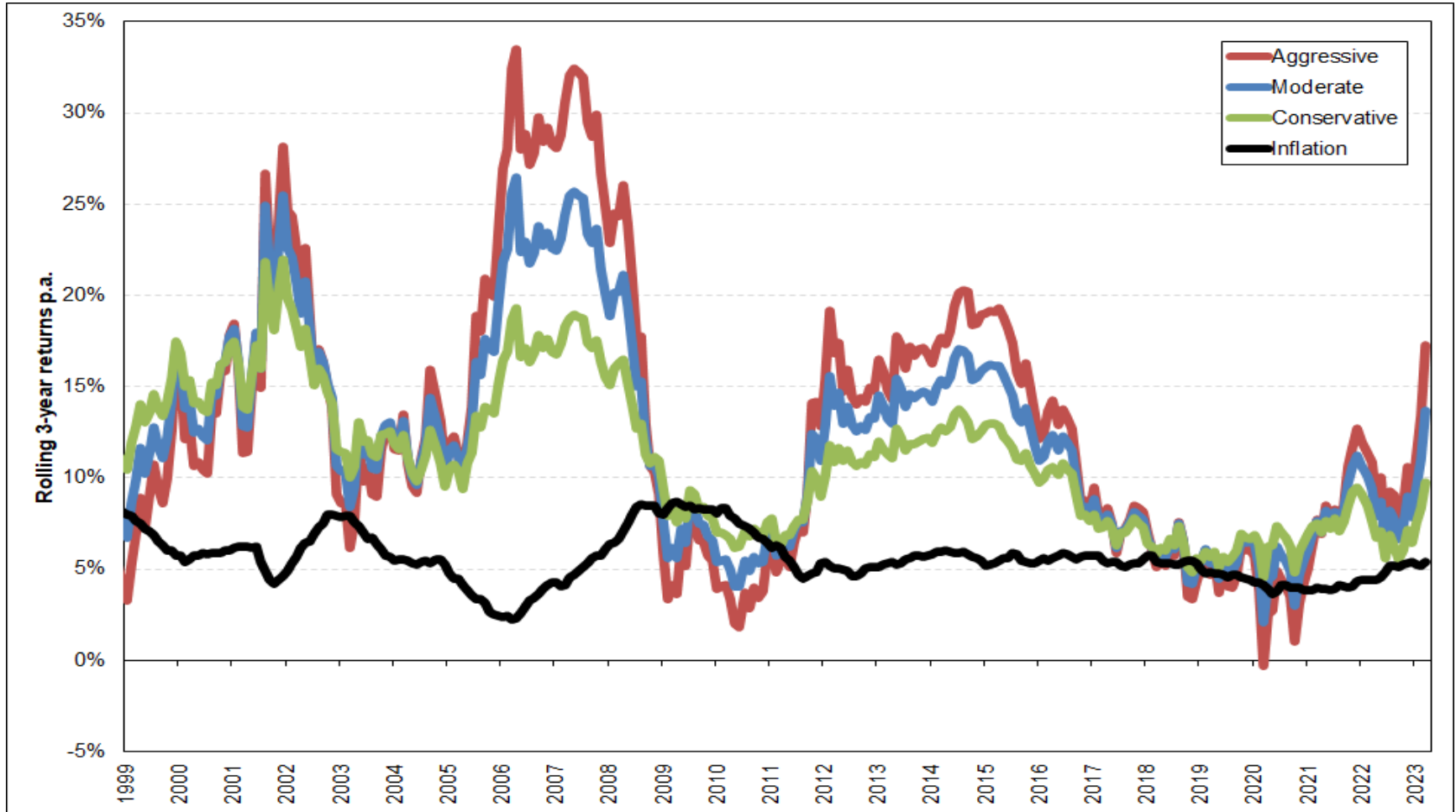
MARKET PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF RETURNS WAS REASONABLY ACHIEVABLE?



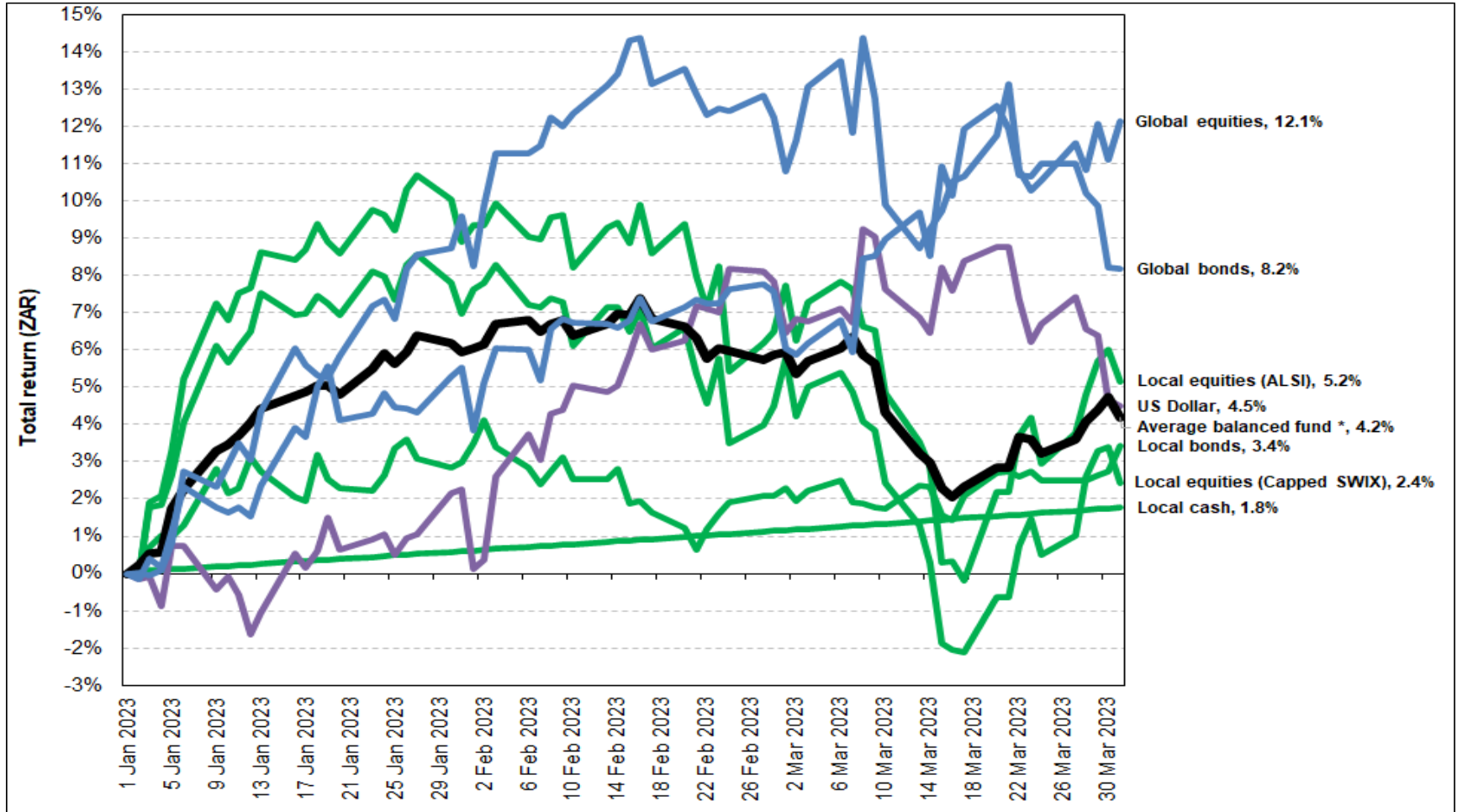
MARKET PERFORMANCE

ROLLING 3-YEAR RETURNS SKY-ROCKET AS COVID CRASH MOVES OUT OF BASE



MARKETS in 2023 (ZAR)

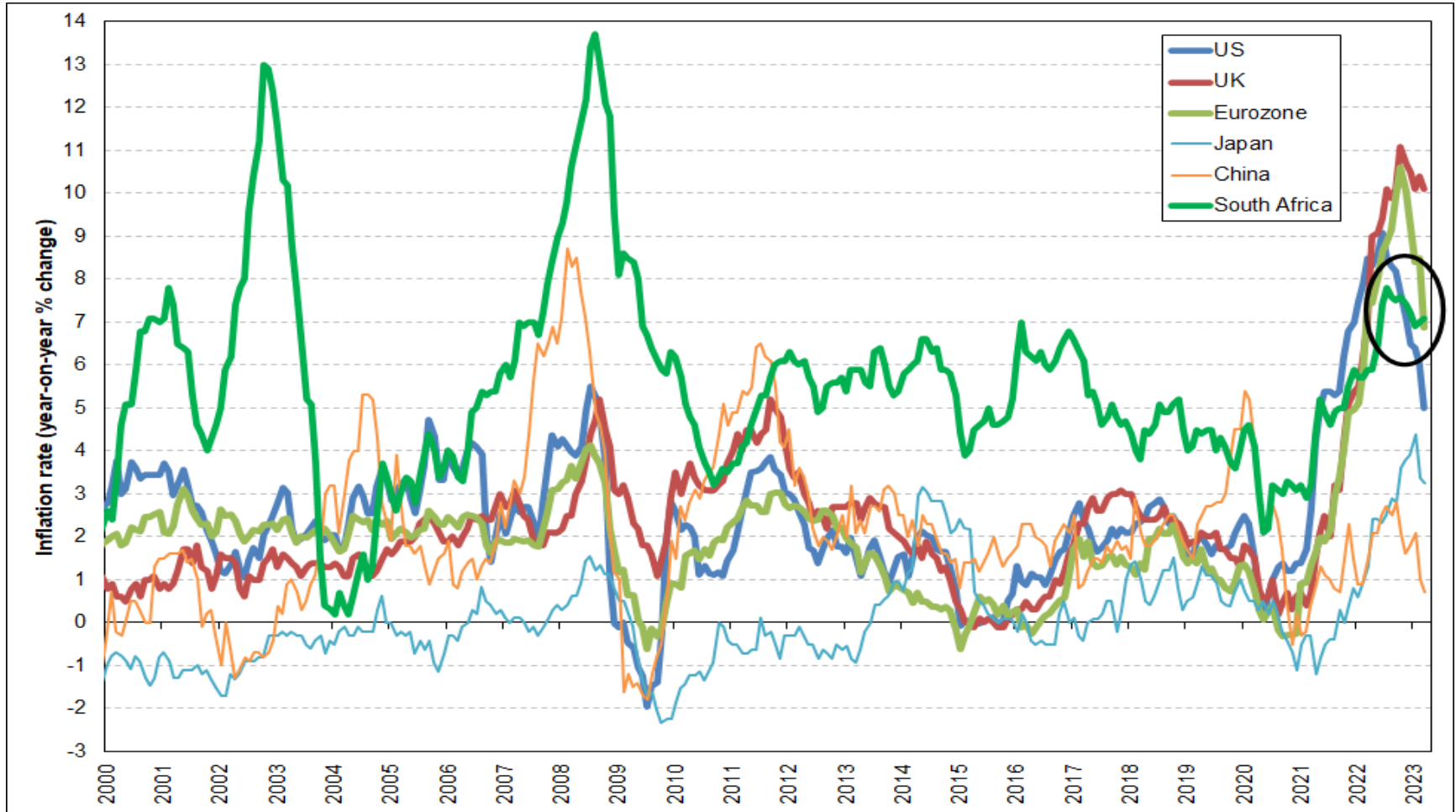
MID-QUARTER JITTERS ERODE STRONG START, BUT ALL IN ALL A DECENT FIRST QUARTER



Source: Iress, Morningstar
 * ASISA South African Multi Asset High Equity category average (net of fees)

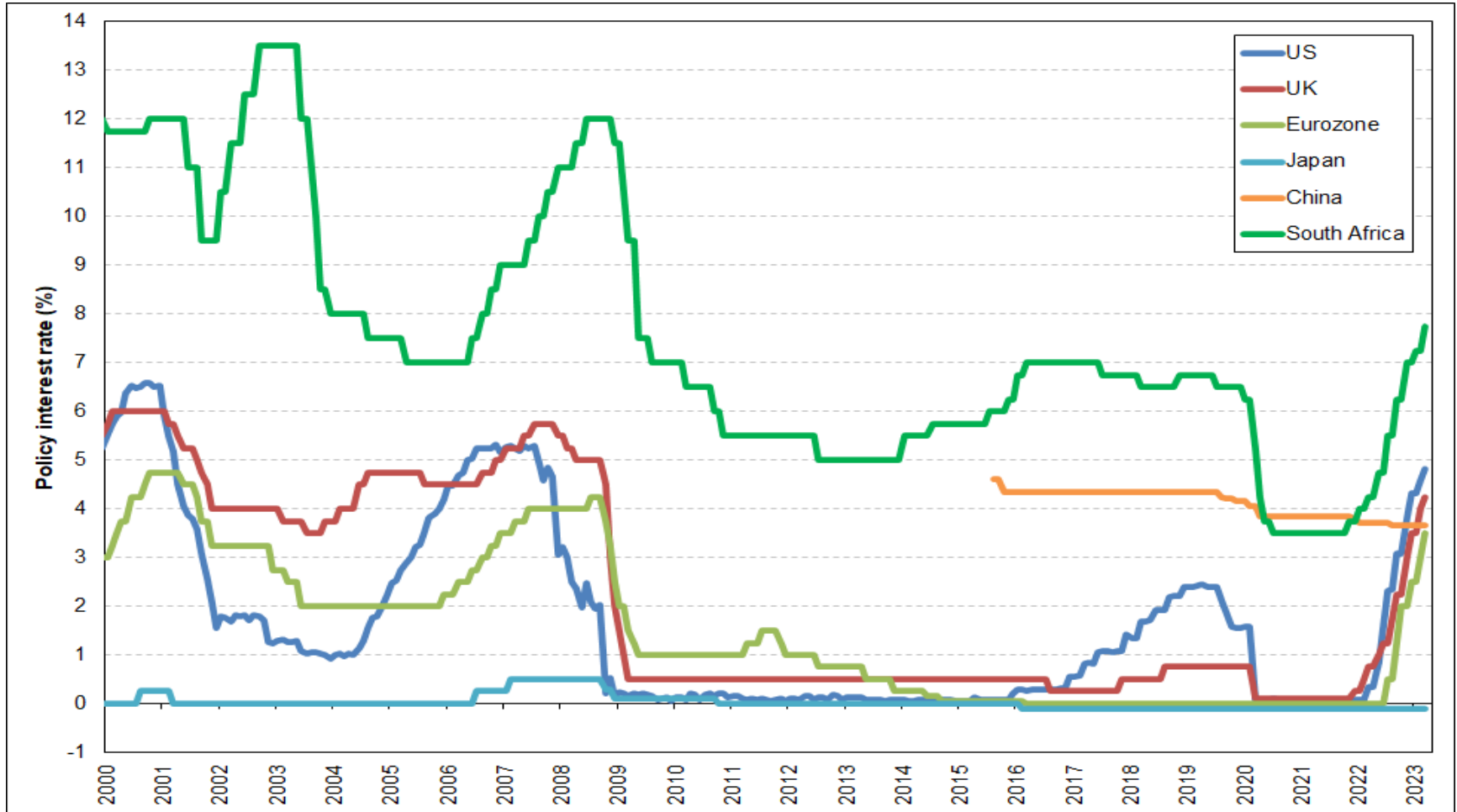
INFLATION

LOCAL INFLATION HITTING SOME RESISTANCE ON THE WAY DOWN



INTEREST RATES

SARB SURPRISES WITH A 50 BP HIKE



ASSET CLASSES

MOSTLY POSITIVE IN 2023 Q1, 3-YEAR RETURNS UP SHARPLY FROM COVID LOWS

		Total asset class returns (in %) at 31 March 2023							
Asset classes		3 months		1 year		3 years			
Local	Equities	ALSI	5.2	4.9	24.2				
		CAPI	4.3	4.0	25.6				
		SWIX	2.7	0.7	19.9				
		Capped SWIX	2.4	0.2	23.0				
		Resources	-4.7	-13.0	30.5				
		Industrials	13.6	25.9	19.2				
		Financials	0.4	-9.3	23.3				
		Property	-5.1	-3.4	18.2				
		Top40	6.2	6.8	24.6				
		Mid Cap	-0.9	-5.9	19.9				
		Small Cap	0.8	4.2	36.6				
		Value	-0.6	-4.3	27.1				
		Growth	10.5	13.7	22.0				
		Local	Interest-bearing	ALBI	3.4	5.8	11.6		
				ALBI (1-3 yrs)	2.4	6.9	7.5		
ALBI (3-7 yrs)	3.3			7.8	11.0				
ALBI (7-12 yrs)	4.4			8.1	12.8				
ALBI (12+ yrs)	2.6			3.5	12.1				
Government bonds	3.4			5.8	11.5				
Non-government bonds	3.8			6.6	12.4				
Inflation-linked bonds	0.9			4.9	10.7				
Cash	1.7			6.0	4.8				
ZAR/USD		4.5	21.8	-0.1					
Global (ZAR)	Equities (All Country)	12.1	12.8	15.2					
	Equities (Developed)	12.6	13.3	16.3					
	Equities (Emerging)	8.6	8.8	7.7					
	Bonds	8.2	10.2	-5.4					

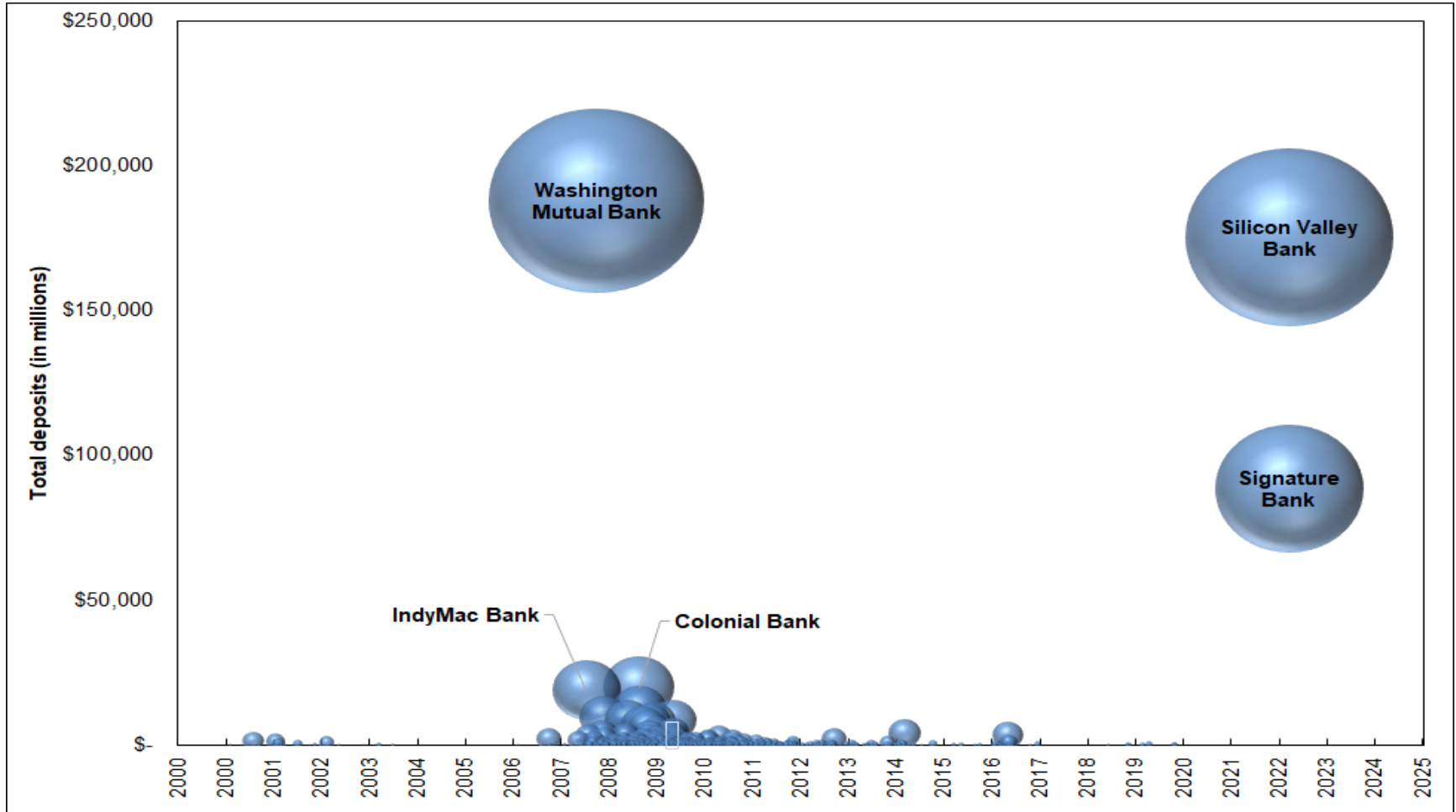
UNIT TRUSTS

GLOBAL AHEAD OVER THE SHORT TERM, LOCAL THE CLEAR WINNER OVER THE LAST THREE YEARS

		Average unit trust returns (in %) at 31 March 2023					
ASISA category		3 months		1 year		3 years	
South Africa	Equities	General	2.3	1.2	20.9		
		Resources	-1.4	-6.1	36.7		
		Industrial	8.2	20.8	16.3		
		Financial	0.1	-7.9	22.1		
		Property	-5.2	-5.6	16.2		
		Large Cap	4.6	3.8	21.7		
		Mid/Small Cap	0.2	-4.0	23.7		
	Interest-bearing	Variable Term	2.6	4.6	10.8		
		Short Term	2.1	6.9	5.9		
		Money Market	1.1	5.1	4.5		
	Multi Asset	Flexible	4.1	4.6	15.8		
		High Equity	4.2	5.0	15.1		
		Medium Equity	4.0	5.6	12.9		
		Low Equity	3.6	6.0	10.5		
Income		2.3	6.8	7.4			
Global	Equities	General	10.9	10.7	12.0		
		Property	4.2	-8.2	4.4		
	Interest-bearing	Variable Term	7.6	10.4	-3.6		
		Short Term	5.7	19.6	-0.4		
	Multi Asset	Flexible	8.8	11.3	7.5		
		High Equity	9.1	11.5	8.1		
Medium Equity		7.1	10.2				
	Low Equity	6.8	15.2	3.4			

A HISTORY OF US BANK FAILURES

SVB AND SIGNATURE BANK THE LATEST CASUALTIES...



A HISTORY OF US BANK FAILURES ...BUT A RERUN OF THE GLOBAL FINANCIAL CRISIS NOT EXPECTED

