MONTH IN PICTURES

NOVEMBER 2023

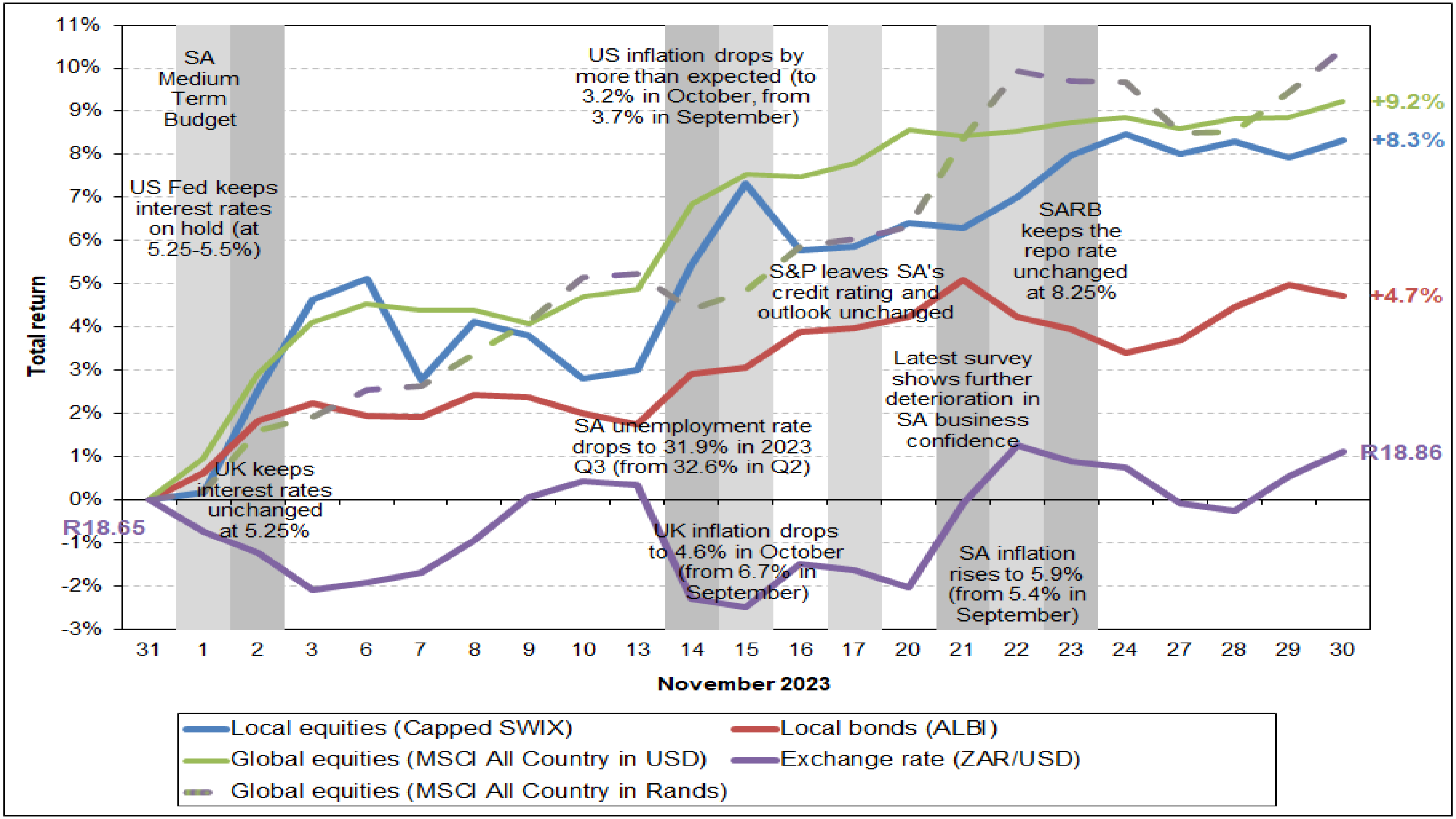
MONTHLY SNAPSHOT

NOTABLE EVENTS

- After a couple of challenging months November brought with it some much-needed relief to the markets, as lower-than-expected inflation numbers, and thus an improved outlook for global interest rates, lifted sentiment.
- Most asset classes made strong gains in this environment, with local equities jumping by more than 8% (ALSI = +8.6% & Capped SWIX = +8.3%) and local bonds gaining 4.7% for the month.
- Global markets delivered similar returns when measured in US dollars (equities = +9.2% and bonds = +4.9%), but slightly higher returns in local currency terms (equities = +10.4% and bonds = +6.0%), due to the rand trading 1.1% weaker against the dollar.
- Given this backdrop the average balanced fund * delivered a solid return of +6.5% in November, thereby erasing recent losses.
- Following a three-month upswing, local inflation cooled to 5.5% in November (from 5.9% in October). The decline was mainly driven by a welcome monthly decrease of 5.5% in the fuel price index, which drove the annual rate for fuel lower to 1.8% in November (from 11.2% in October). This, in turn, led to a reduction in the annual rate for transport, which decreased to 4.3% from 7.4%.
- South Africa’s economy contracted by 0.2% in 2023 Q3 (in real terms), after expanding by 0.5% in Q2. Economic growth for 2023 is expected to clock in at around 0.8%, and stagnate at an average of around 1.5% p.a. over the medium term.
- Business and consumer confidence levels deteriorated marginally in Q4, with the RMB/BER Business Confidence Index (BCI) dropping by 2 points to 31, and the FNB/BER Consumer Confidence Index (CCI) slipping by 1 point to -17. Given their neutral levels of 50 and 0 respectively, it is clear that the vast majority of business and consumers remain pessimistic about local economic conditions, and thus unlikely to embark on big investment/spending sprees any time soon.
- November’s rally brought the year-to-date (YTD, to 30 November) returns of most asset classes into positive territory, with single digit returns locally (ALSI = +7.1%, Capped SWIX = +4.8%, bonds = +8.1% and cash = +7.3%), and strong returns from global markets (equities = +29.1% and bonds = +11.8%). The latter was of course assisted by the rand’s 10.8% depreciation against the US dollar this year.
- This means that 2023 could still shape up to be a decent year, with a +10.0% YTD return from the average balanced fund * (to the end of November), compared to a loss of 0.2% in 2022, a gain of 20.3% in 2021, and a return of +5.2% in 2020.

* ASISA South African Multi Asset High Equity category average (net of fees)

MONTHLY TIMELINE
IMPACT ON MARKETS



MARKET INDICATORS
SHORT TERM

Market indicators (% change) [1]		Sep 2023	Oct 2023	Nov 2023	3 months	YTD	12 months
Local equities	ALSI	(2.5)	(3.4)	8.6	2.2	7.1	4.7
	Capped SWIX	(3.0)	(2.9)	8.3	2.0	4.8	1.9
	Resources	1.2	(3.2)	6.4	4.3	(11.8)	(14.9)
	Industrials	(4.1)	(4.5)	10.1	0.8	15.8	15.5
	Financials	(3.7)	(2.0)	8.3	2.2	15.4	8.8
	Listed Property	(4.1)	(3.0)	9.1	1.6	0.2	1.4
Local bonds	ALBI	(2.3)	1.7	4.7	4.0	8.1	8.8
Local cash	STeFI Composite	0.7	0.7	0.7	2.1	7.3	7.9
Global equities	MSCI All Country	(3.9)	(4.4)	10.4	1.5	29.1	22.7
Global bonds	FTSE WGBI	(3.0)	(2.5)	6.0	0.3	11.8	10.4
Exchange rate	ZAR/USD	0.3	(1.4)	1.1	(0.1)	10.8	9.5
Inflation	CPI	0.6	0.9	-0.1	1.4	5.1	5.5

1. *Total returns (in Rands) for the months and periods ending 30 November 2023.*

Source: Iress

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	4.7	14.3	12.4	8.9	12.3	14.3
	Capped SWIX	1.9	13.6	8.9	7.2	-	-
	Resources	(14.9)	11.5	17.3	7.0	7.3	10.1
	Industrials	15.5	11.8	12.0	8.5	14.8	16.8
	Financials	8.8	20.7	5.7	7.5	11.7	13.2
	Listed Property	1.4	16.2	(1.8)	2.1	7.7	12.2
Local bonds	ALBI	8.8	7.8	8.1	7.9	8.2	8.4
Local cash	STeFI Composite	7.9	5.5	5.9	6.4	6.5	7.0
Global equities	MSCI All Country	22.7	12.9	16.0	14.5	14.8	13.6
Global bonds	FTSE WGBI	10.4	(1.7)	4.5	5.5	5.0	7.5
Exchange rate	ZAR/USD	9.5	6.8	6.3	6.4	4.3	5.6
Inflation	CPI	5.5	6.1	5.0	5.2	5.2	5.5

1. *Total returns (in Rands) for the months and periods ending 30 November 2023.*

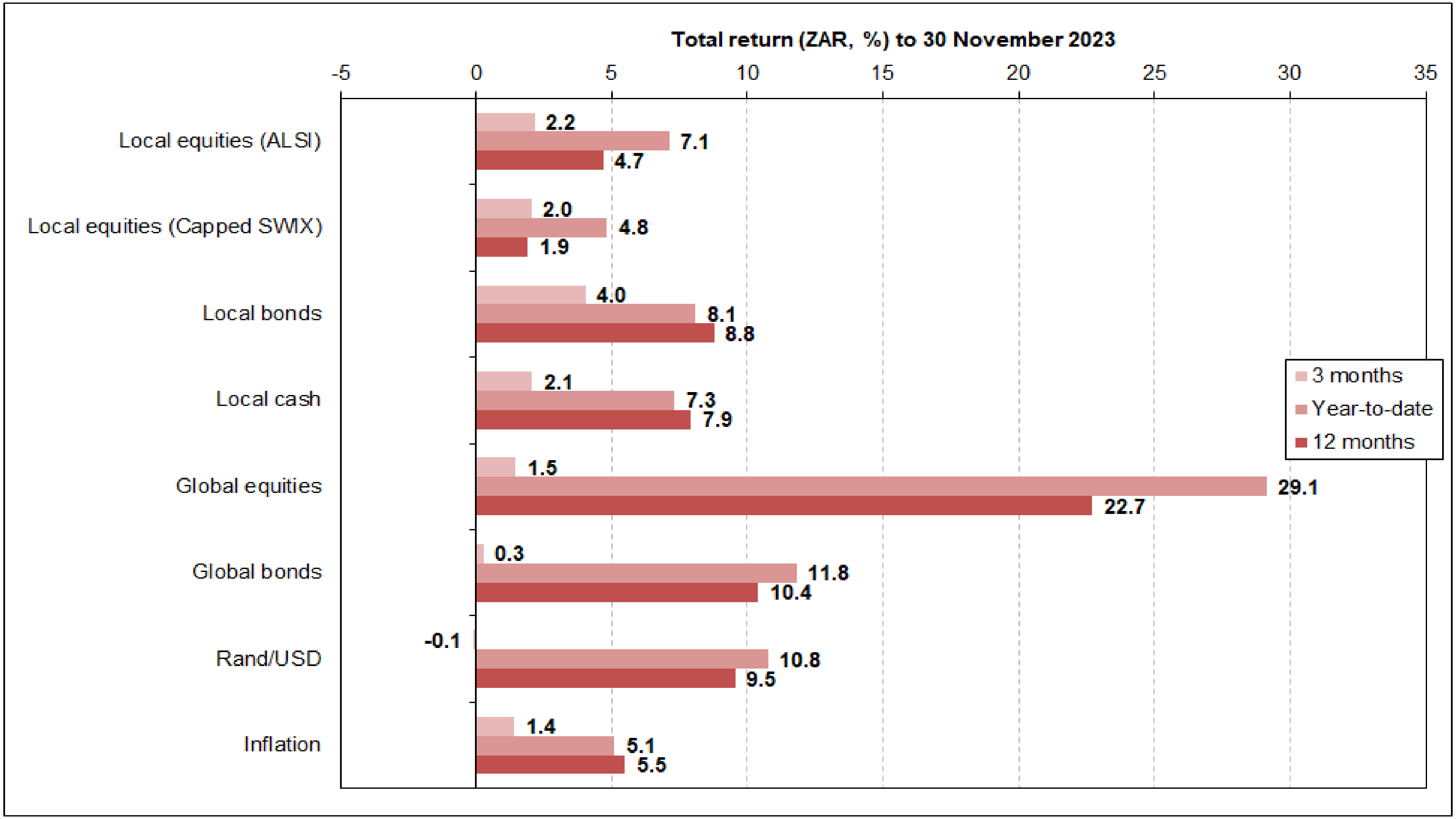
ECONOMIC INDICATORS

Economic indicators [1]	Nov 2021	Nov 2022	Sep 2023	Oct 2023	Nov 2023
Exchange rates:					
ZAR/USD	15.89	17.21	18.92	18.65	18.86
ZAR/GBP	21.13	20.76	23.09	22.66	23.80
ZAR/Euro	18.01	17.92	20.01	19.73	20.53
Commodities:					
Brent Crude Oil (USD/barrel)	69.23	86.97	92.20	85.02	80.86
Platinum (USD/ounce)	952.76	1,018.00	904.46	933.71	929.59
Gold (USD/ounce)	1,793.14	1,759.80	1,848.69	1,996.13	2,041.32

1. *Month-end prices*

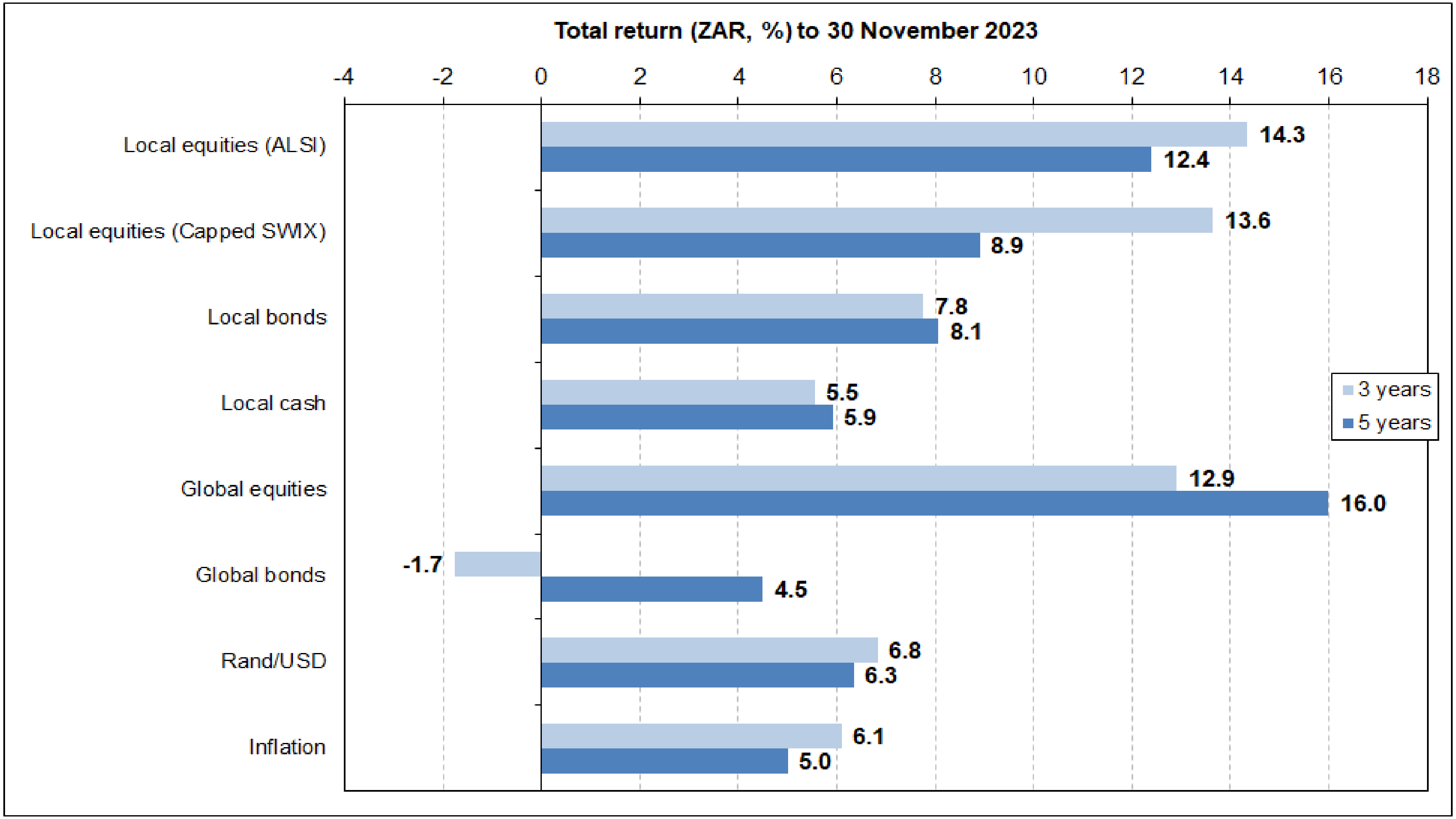
Source: Iress

ASSET CLASS PERFORMANCE
SHORT TERM



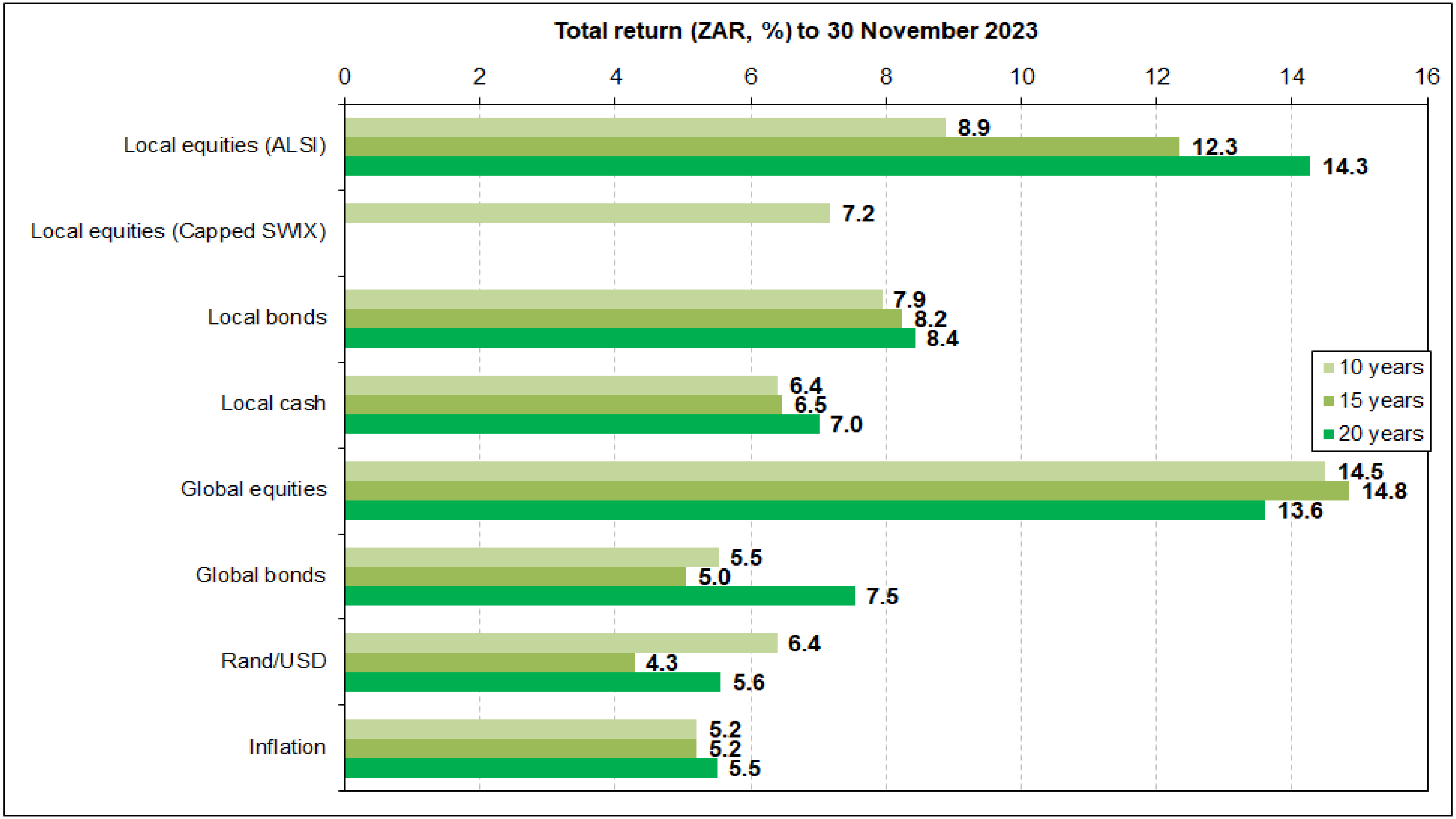
Source: Iress

ASSET CLASS PERFORMANCE
MEDIUM TERM



Source: Iress

ASSET CLASS PERFORMANCE
LONG TERM



Source: Iress

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:

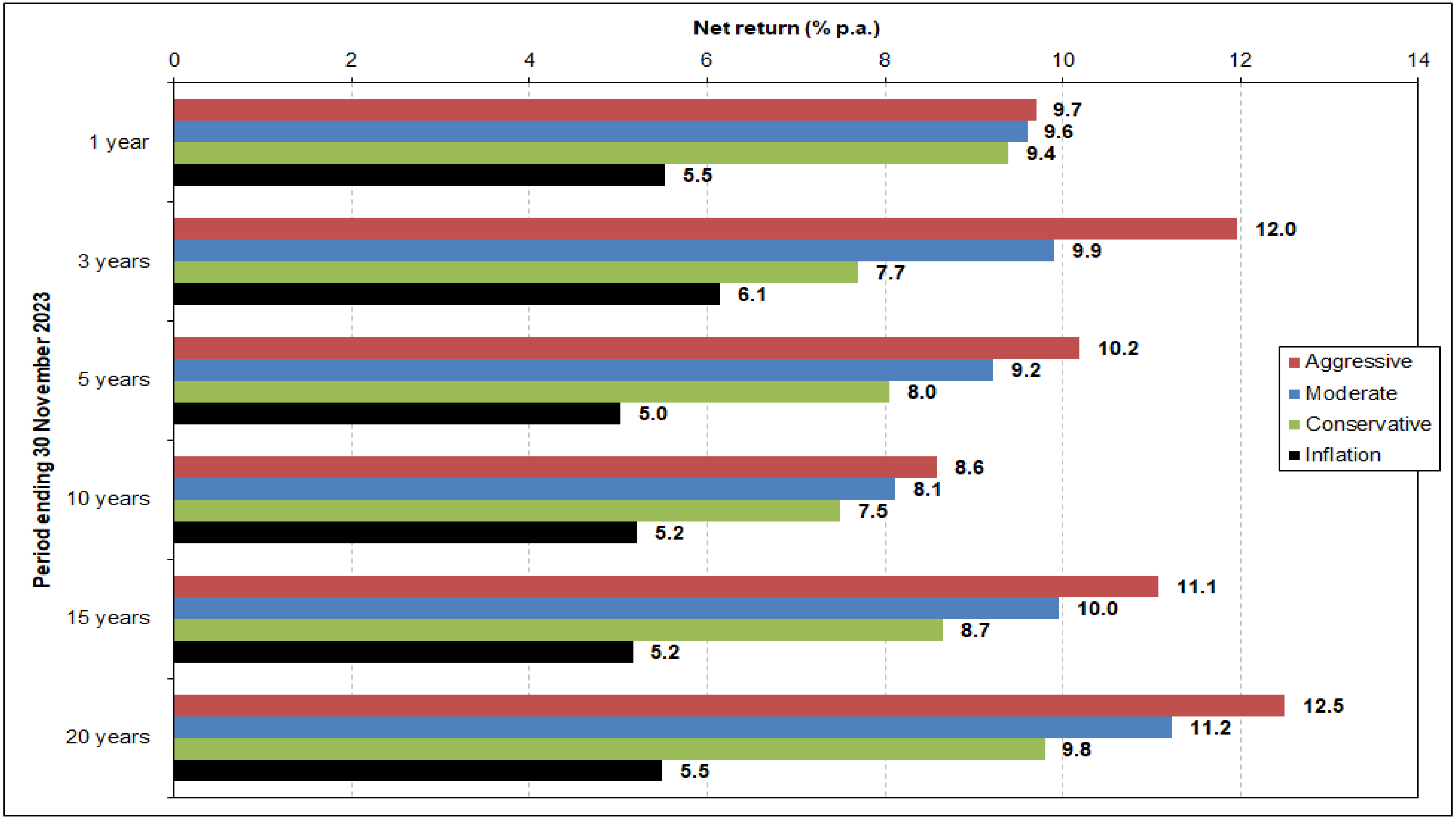
AGGRESSIVE						
Strategic allocation	LOCAL VS OFFSHORE	60%			40% (5% below regulatory maximum)	
	GROWTH VS INCOME ASSETS	75%	25%		75%	25%
	EQUITIES VS BONDS VS CASH	100%	75%	25%	100%	100%
Current allocation		~45%	~11%	~4%	~30%	~10%

MODERATE						
Strategic allocation	LOCAL VS OFFSHORE	60%			40% (5% below regulatory maximum)	
	GROWTH VS INCOME ASSETS	55%	45%		55%	45%
	EQUITIES VS BONDS VS CASH	100%	55%	45%	100%	100%
Current allocation		~33%	~15%	~12%	~22%	~18%

CONSERVATIVE						
Strategic allocation	LOCAL VS OFFSHORE	60%			40% (5% below regulatory maximum)	
	GROWTH VS INCOME ASSETS	35%	65%		35%	65%
	EQUITIES VS BONDS VS CASH	100%	35%	65%	100%	100%
Current allocation		~21%	~14%	~25%	~14%	~26%

MARKET PERFORMANCE

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



Source: Iress

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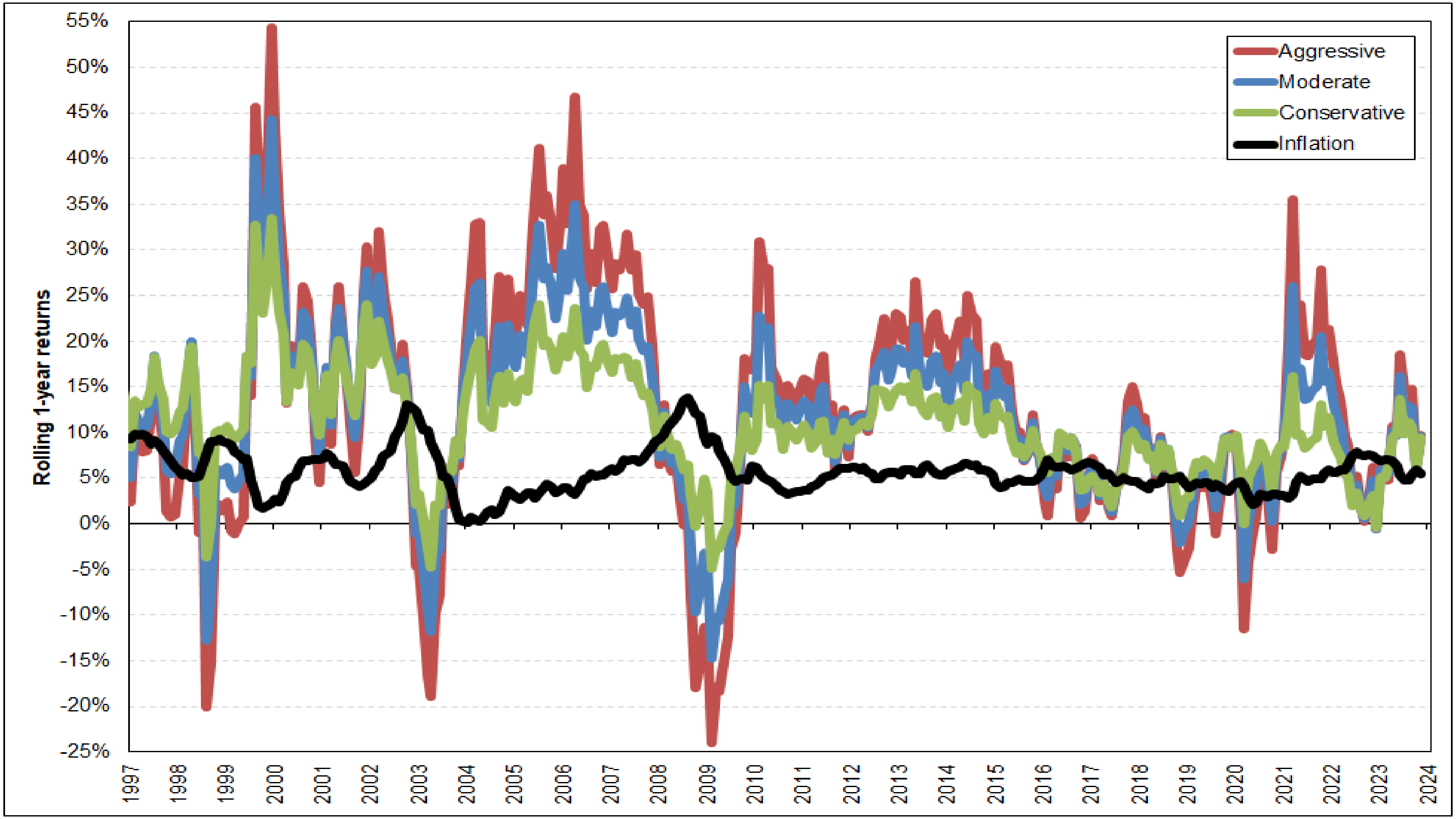
MARKET PERFORMANCE

ROLLING 1-YEAR RETURNS BOUNCE BACK AFTER A STRONG NOVEMBER



Source: Iress

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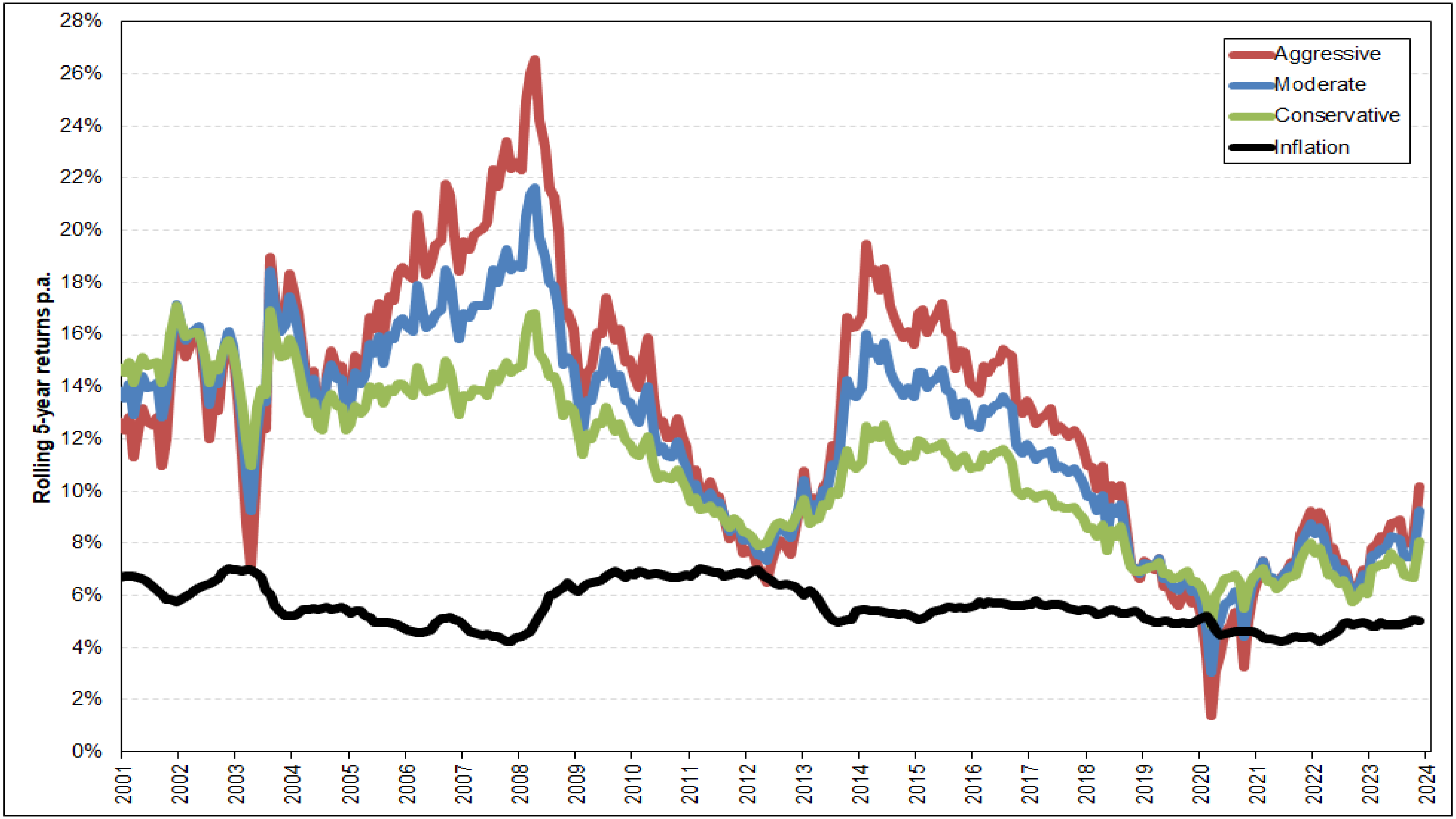
MARKET PERFORMANCE

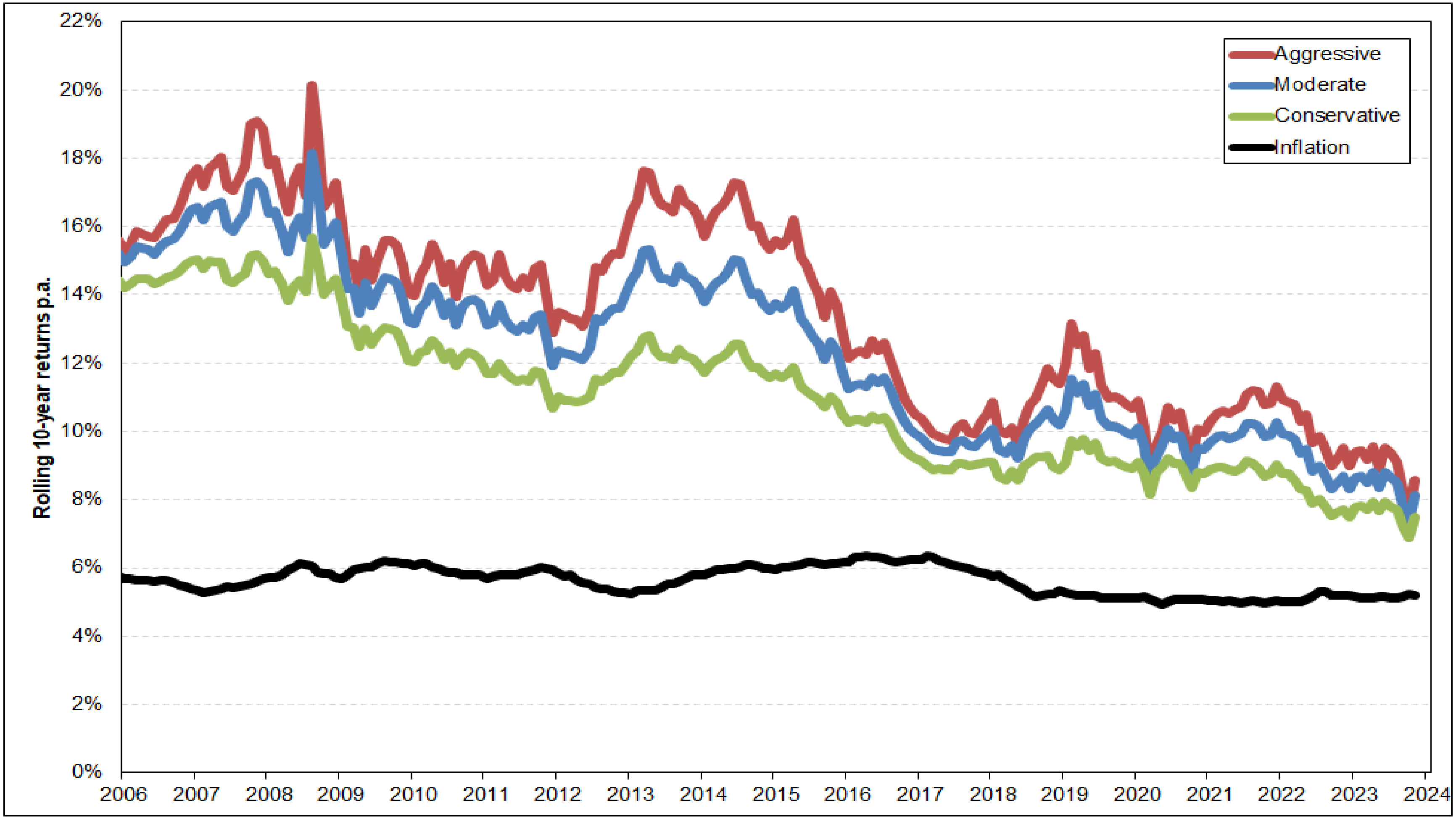
MEANINGFUL IMPROVEMENT IN ROLLING 5-YEAR RETURNS



Source: Iress

MARKET PERFORMANCE

ROLLING 10-YEAR RETURNS: WAS LAST MONTH THE BOTTOM?



Source: Iress

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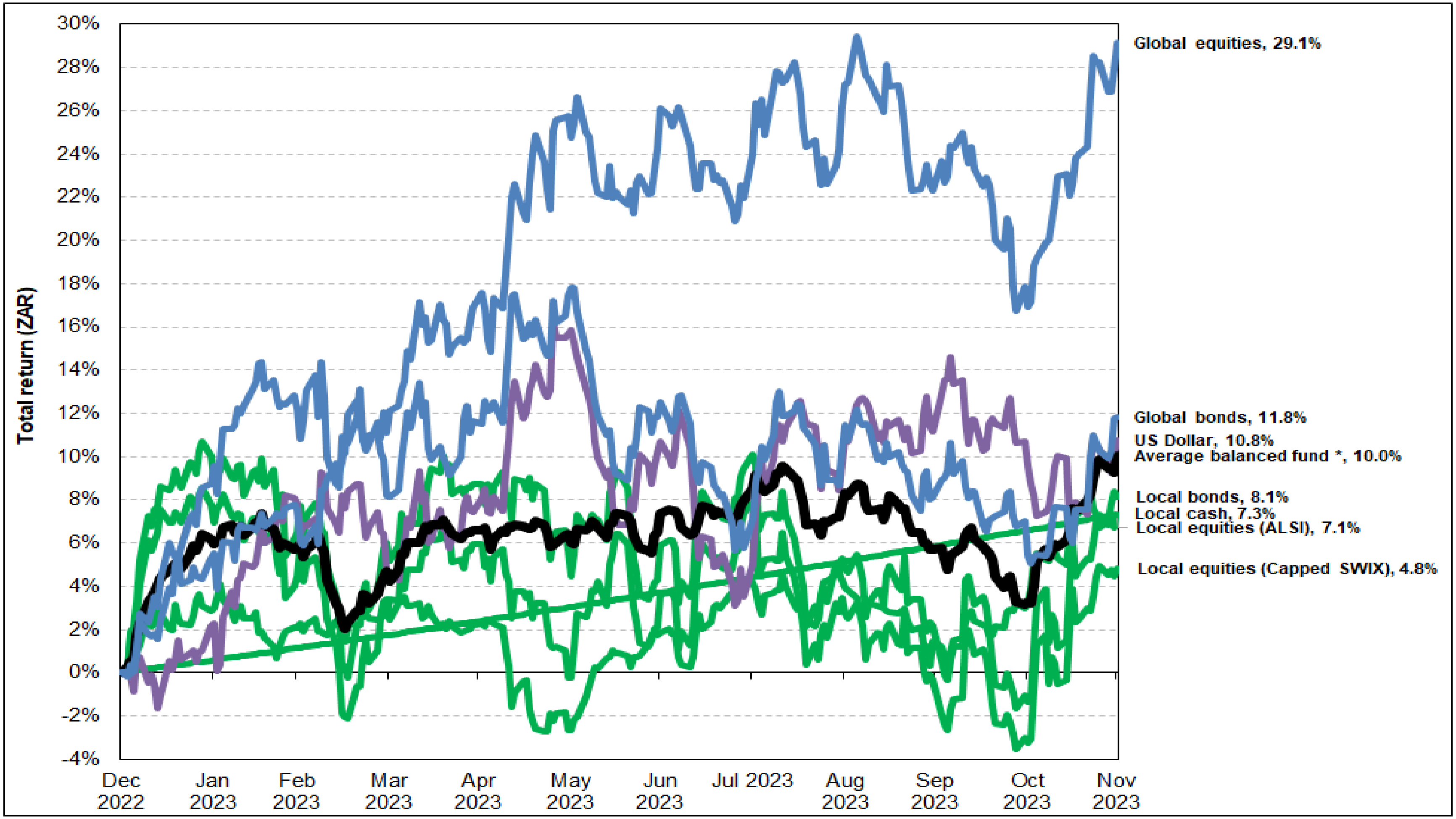
MARKETS in 2023 (ZAR)

BIG REBOUND IN NOVEMBER



Source: Iress, Morningstar

* ASISA South African Multi Asset High Equity category average (net of fees)

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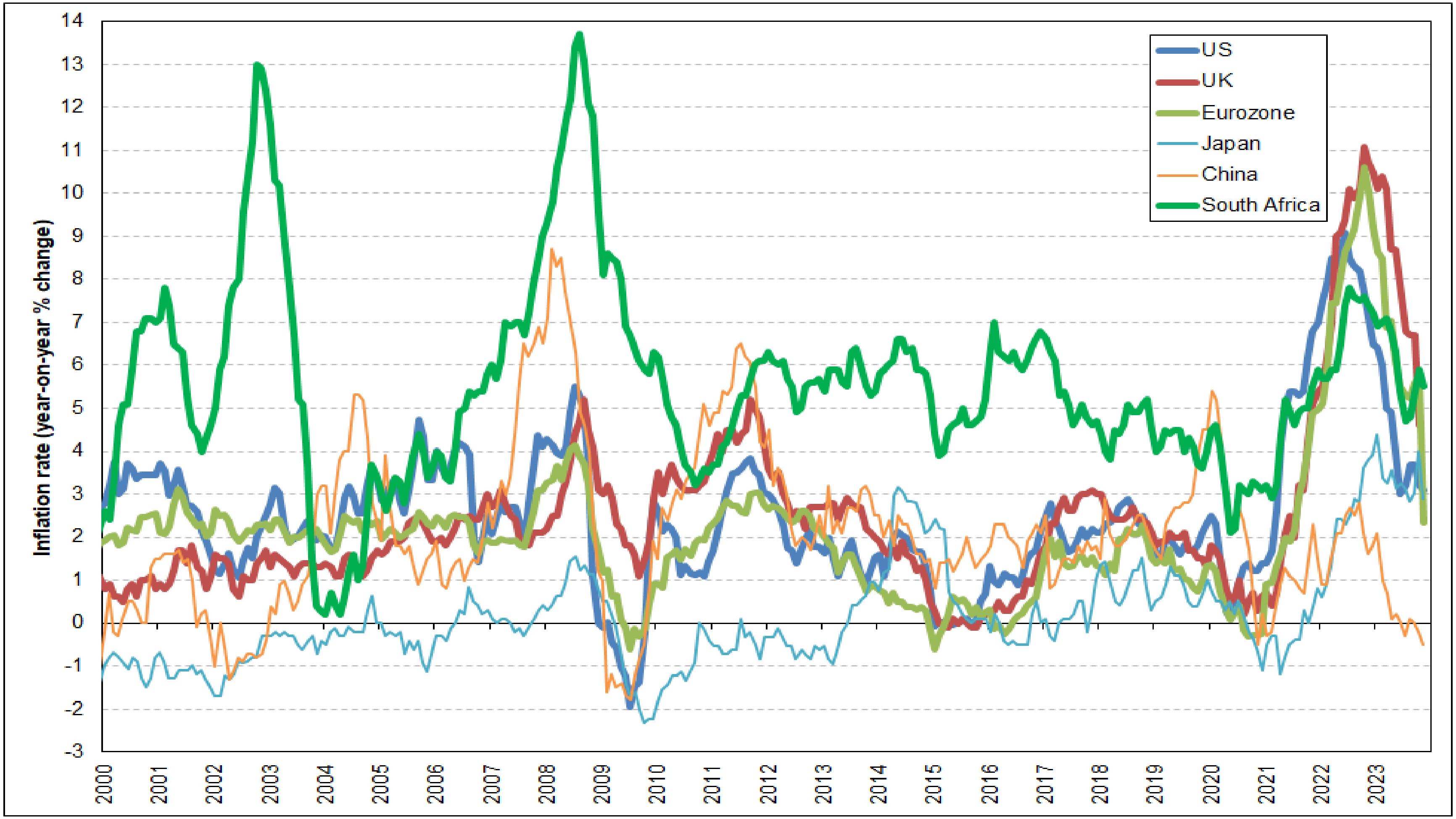
INFLATION RATES
TRENDING LOWER AGAIN



Source: Iress

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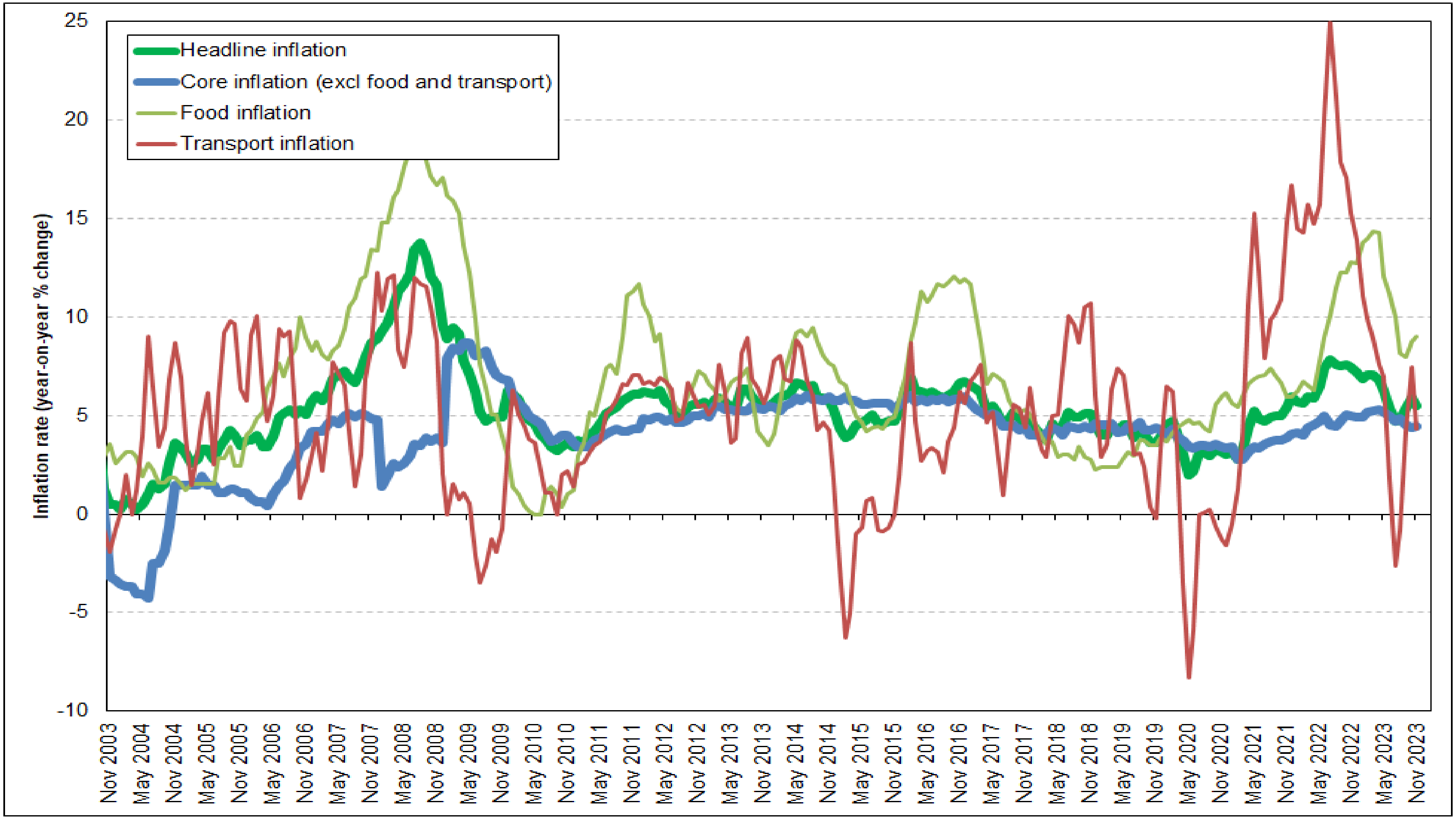
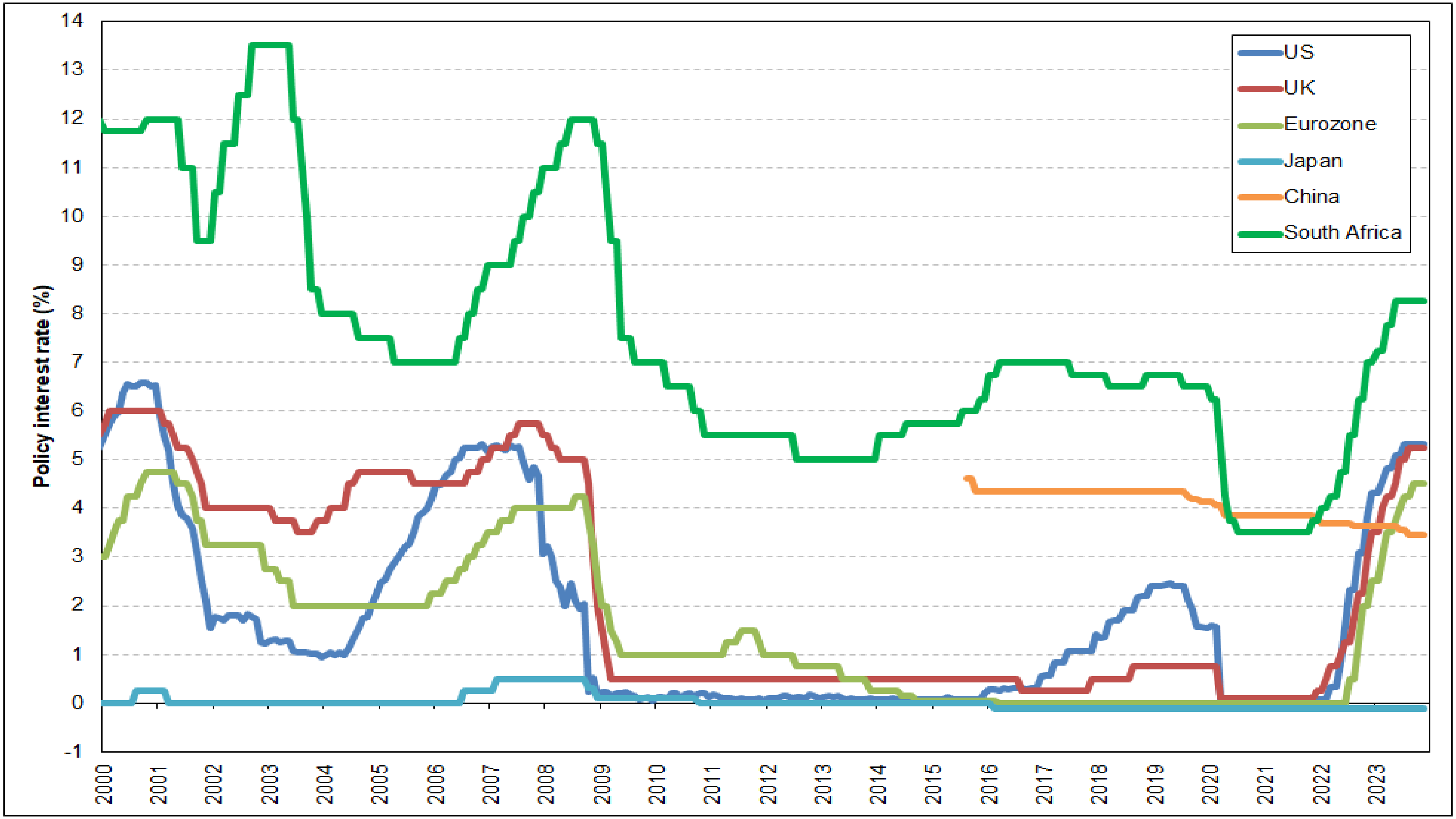
LOCAL INFLATION

FOOD INFLATION ON THE RISE AGAIN, TRANSPORT INFLATION EASING, CORE INFLATION STEADY



Source: Iress

INTEREST RATES
STAYING PUT



Source: Iress

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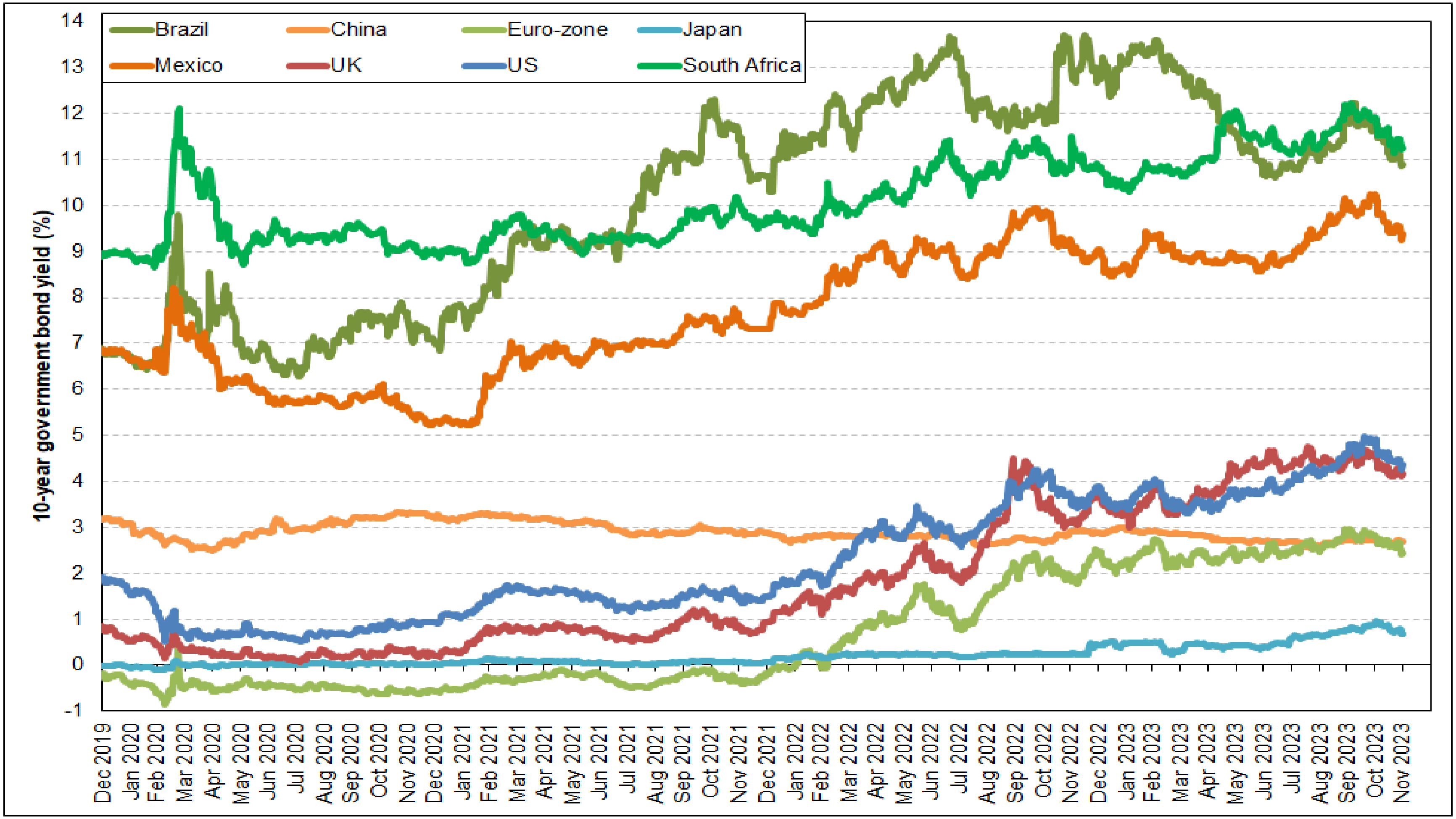
BOND YIELDS
MOVING LOWER



Source: Iress

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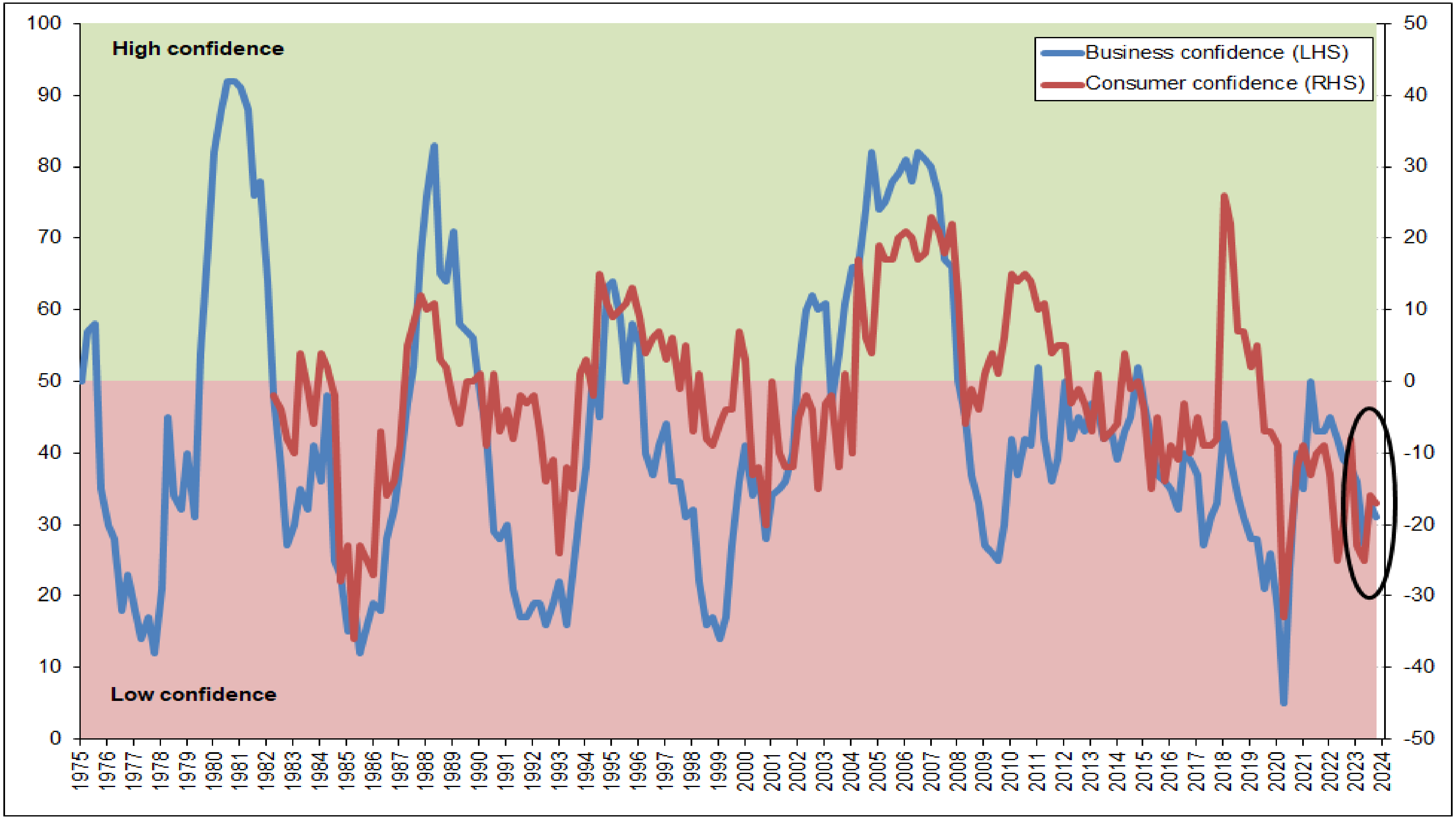
SA CONFIDENCE
DETERIORATES MARGINALLY IN 2023 Q4



Source: BER, FNB, RMB

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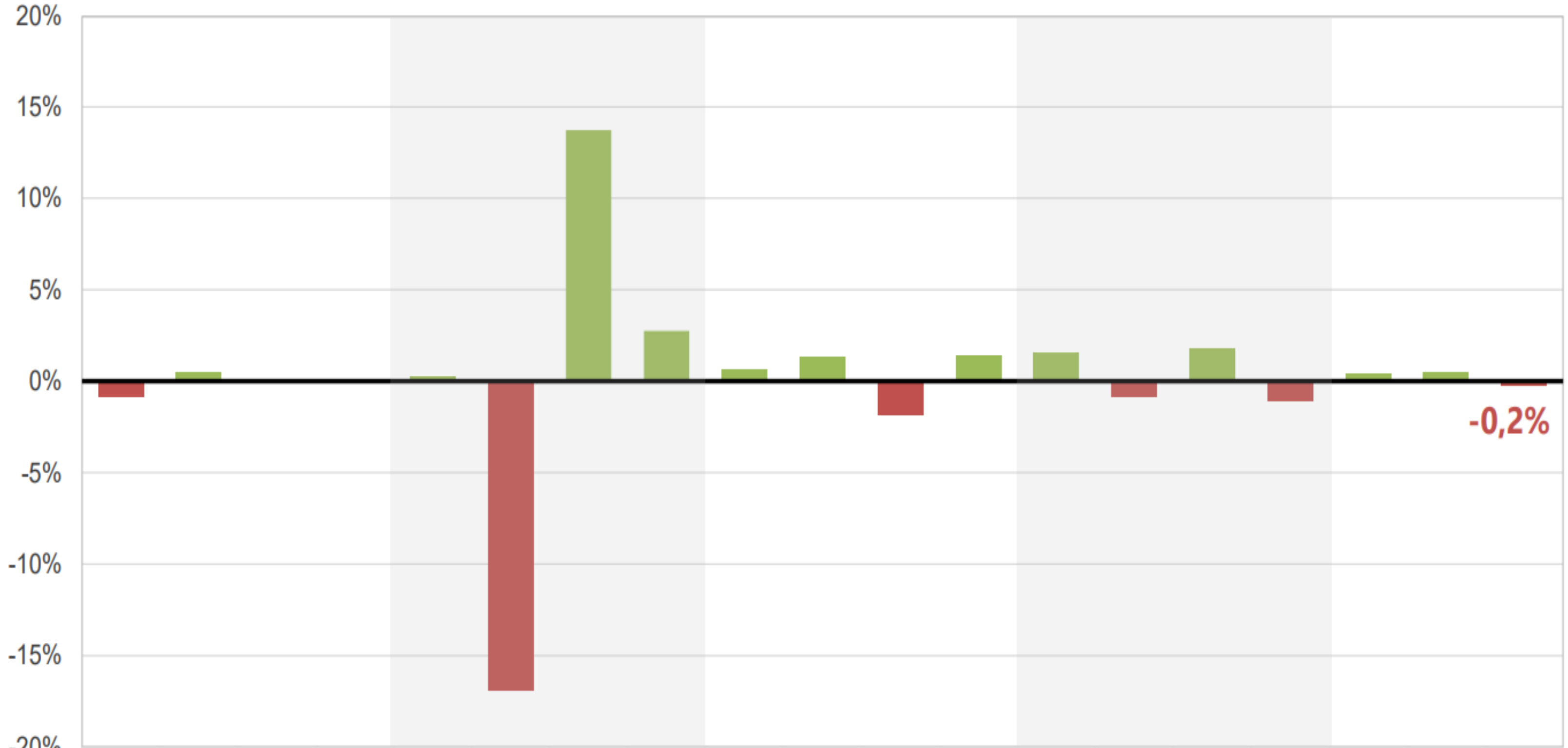
SA ECONOMY
CONTRACTS BY 0.2% IN 2023 Q3

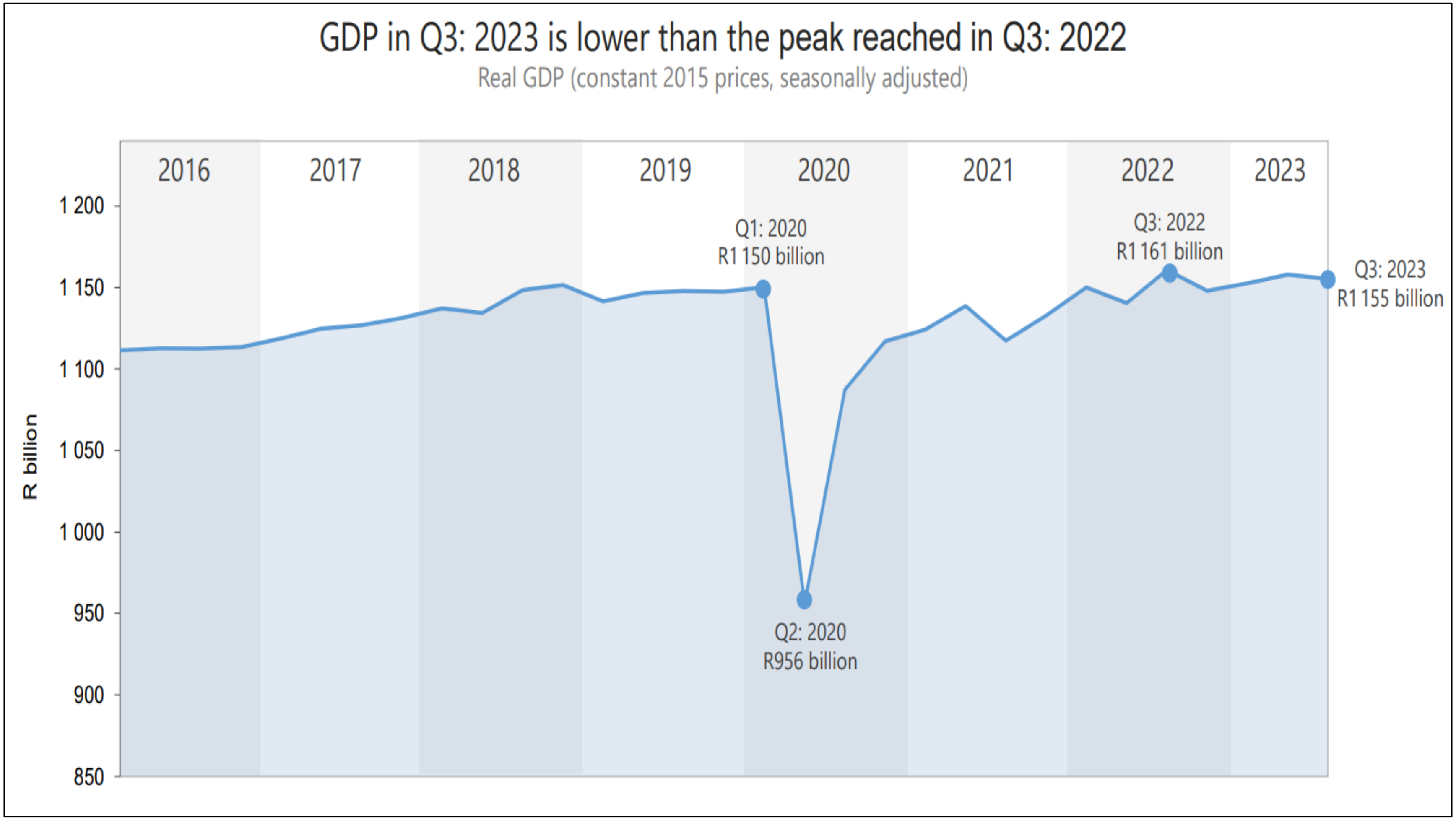
Quarter-on-quarter percentage change in GDP production (constant 2015 prices, seasonally adjusted)



	19/1	19/2	19/3	19/4	20/1	20/2	20/3	20/4	21/1	21/2	21/3	21/4	22/1	22/2	22/3	22/4	23/1	23/2	23/3
GDPp Q/Q	-0,9	0,5	0,1	0,0	0,2	-16,9	13,7	2,7	0,6	1,3	-1,9	1,4	1,5	-0,8	1,8	-1,1	0,4	0,5	-0,2

Source: StatsSA

SA ECONOMY
MUDDLING ALONG



Source: StatsSA